
STRATEGIC AND FOREIGN INVESTMENTS IN ALBANIA: STRUCTURAL INCENTIVES, GOVERNANCE CHALLENGES, AND THE RISKS OF CORRUPT CLIENTELISM

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KEYWORDS

strategic economic sectors, European Union accession, corruption and clientelism, due diligence, illicit financial flows, fiscal transparency

ABSTRACT

This paper provides a detailed analysis of Albania's legal framework for foreign and strategic investments within the broader context of the country's post-communist transition. Following the fall of the dictatorial regime in 1990, Albania faced significant legal and institutional challenges in establishing a free market economy, particularly in regulating and encouraging foreign investment. The development of key legislation—particularly Law No. 7764 (1993) “On Foreign Investments” and its subsequent amendments—shows Albania's efforts to align with democratic and economic standards, further supported by the 1998 Constitution.

With Albania's designation as an EU candidate country and the start of negotiations to complete the 35 *acquis* chapters, national authorities have increased efforts to attract foreign investment through strategic legal reforms and international cooperation. Despite these advances, the implementation of investment projects is

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still hindered by deep-rooted issues, including corruption, clientelism, excessive centralisation of power, and limited fiscal transparency.

This study employs a dual-method research approach, combining both qualitative and quantitative data from Albanian and international statistical sources. Through comparative analysis, it evaluates the effectiveness of Albania's legal tools in promoting investment and examines the legal constraints that affect strategic sectors. The findings highlight the progress made and the persistent systemic barriers to creating a sustainable and transparent investment environment.

I. INTRODUCTION

The first law adopted in Albania after the fall of the communist regime concerning foreign investments was Law No. 7594, dated August 4, 1992, titled “On Foreign Investments.” Its legal effect was brief, as it was repealed within a year and replaced by Law No. 7764, dated November 2, 1993, also titled “*On Foreign Investments*,” which was later amended by Law No. 10316, dated September 16, 2010. The latter is widely recognised as the first modern legislation in this area due to its substantive guarantees and comprehensive legal framework. With the enactment of this law, post-dictatorship Albania officially incorporated the concept of the “foreign investor” into its legal and economic system, recognising such investors without distinction or discrimination.

This opening to foreign direct investment (FDI), following more than four decades of political and economic isolation, positioned Albania—during its transition from 1991 to 2000—as an emerging destination for a variety of foreign investors. These investors viewed Albania as an “exotic” country, rich in untapped development and long-term growth opportunities.

In particular, the first wave of foreign investors mainly came from neighbouring regional countries and traditional Western partners. Notably, investors originated from Italy, Greece, Germany, and Austria. The favourable conditions provided by the legislation in effect at the time—still relevant today—along with the legal guarantees it offered, encouraged leading companies like Coca-Cola Bottling Albania, Titan–Antea Cement, and various Italian firms in the textile and garment sector to take initial concrete steps toward investing in Albania.

Specifically, the mentioned law¹ allows any foreign investor to invest within the territory of the Republic of Albania in any sector or field, provided that such investment does not violate existing legal provisions.

¹ On Foreign Investments, Law No. 7764, dated November 2, 1993, as amended by Law No. 10316, dated September 16, 2010

Under Article 1 of these law², the term *foreign investor* is defined as:

- a) any natural person who is a citizen of a foreign country;
- b) any natural person who is a citizen of the Republic of Albania but has permanent residence abroad;
- c) any legal entity established under the laws of a foreign country, which either directly or indirectly seeks to undertake, is in the process of undertaking, or has undertaken an investment within the territory of the Republic of Albania by its legal framework, including investments made from July 31, 1990, onward; d) any “Community company,” within the meaning of Article 49 of the Stabilization and Association Agreement, ratified by Law No. 9590, dated July 27, 2006, *“On the Ratification of the Stabilization and Association Agreement between the Republic of Albania and the European Communities and Their Member States.”*

As observed, this law establishes a comprehensive legal framework that enables any individual or business entity to invest directly in Albania, without restrictions on the type or form of investment. It fully guarantees the exercise of rights like those of Albanian citizens, ensuring legal equality and non-discrimination in the treatment of foreign investors.

In this regard, Article 1 of the same law, specifically its second paragraph, outlines the sectors in which a foreign investor can operate in Albania, whether through direct or indirect ownership.

Accordingly, to the law³, it provides the following definition of “foreign investment”:

“Foreign investment” shall mean any type of investment within the territory of the Republic of Albania, owned directly or indirectly by a foreign investor, which consists of:

- a) Movable or immovable property, tangible or intangible, or any other proprietary rights;
- b) a company or rights derived from any form of participation in a company, including shares and similar interests;
- c) loans, monetary obligations, or commitments related to activities of economic value that are connected to an investment;
- d) intellectual property, including literary and artistic works, technical-scientific creations, sound recordings, inventions, industrial designs, integrated circuit layouts, know-how, trademarks, brand designs, and trade names;
- e) any right recognised by law or contract, as well as any license or permit granted by law.

² On Foreign Investments, Law No. 7764, dated November 2, 1993, as amended.

³ On Foreign Investments, Law No. 7764, dated November 2, 1993, Art. 1 (2), as amended.

An analysis of the investment sectors shows that the 1993 pluralist legislature aimed to maximise the absorption of all types of investment capable of revitalising the Albanian economy. The legislative goal was to stimulate employment, promote the development of key sectors—such as finance, hydrocarbons, and construction—and lay the groundwork for a free-market economy driven by foreign capital.

Furthermore, the Albanian legislator has ensured that foreign investment, in all forms, is protected against both direct and indirect expropriation. This rule aims to mitigate potential risks associated with property ownership—especially land rights—by providing legal security under Albanian law.

Accordingly, to respect foreign investment, the state guarantees that expropriation procedures may only be undertaken in exceptional cases explicitly provided by law, without discrimination, and with prompt, adequate, and effective compensation equal to the value of the investment made⁴.

Furthermore, under this law, the legislator has granted foreign investors the right to transfer abroad all funds and in-kind contributions related to foreign investment.

This form of capital transfer is facilitated by bilateral agreements on the avoidance of double taxation⁵, which Albania has concluded with various countries that have invested in its territory (e.g., Italy, Greece, Turkey, Austria, among others), allows these foreign companies to transfer capital to their countries of origin and/or to other jurisdictions where they maintain headquarters or subsidiaries⁶

The categories of capital that may be transferred include:

- a) income or profits;
- b) compensation in cases of nationalisation or expropriation;
- c) payments resulting from the settlement of an investment dispute;
- ç) payments made under a contract, including loan repayments and interest payments executed under a loan agreement;
- d) proceeds arising from the sale or partial/total liquidation of an investment;
- dh) proceeds arising from a reduction in a company's capital, by Albanian legislation.

As observed, foreign companies' interest in investing in Albania appears both favourable and strategically advantageous, particularly given the financial

⁴ On Foreign Investments, Law No. 7764, dated November 2, 1993, Art. 4, as amended.

⁵ 'Drejtoria e Përgjithshme e Tatimeve 2025', <<https://www.tatime.gov.al/c/6/125/marreveshjenderkombetare>> accessed 7 July 2025

⁶ On Foreign Investments, Law No. 7764, dated November 2, 1993, Art. 7, as amended.

guarantees provided for their investments and the flexibility in managing their liquid assets.

When interpreting this law, it is essential to acknowledge that Albania experienced a series of severe crises between 1991 and 2000, encompassing demographic, cultural, financial, industrial, and political issues. These crises directly affected the country's economy and weakened foreign investors' confidence during the early stages of Albania's foreign direct investment. Consequently, the legal framework was intentionally crafted to create a favourable and trust-building environment for foreign investors, aiming to reduce risk and promote long-term capital investment⁷.

The drafting of this law, along with the initial wave of foreign investments, has gradually contributed to Albania's relatively steady progress toward a market-based economy. Although foreign investments in Albania have faced numerous challenges, the country's core development principles have consistently been based on the free movement of capital, open market competition, and a tax system designed to align with European standards and integrate into international investment markets⁸.

On the other hand, post-communist Albania—and indeed the country as a whole over the past three decades—continues to be characterised by high levels of systemic corrupt clientelism, which influences decision-making structures at various levels of government. Additionally, Albania faces ongoing challenges related to money laundering, often facilitated through the exploitation of foreign investments, including direct foreign investment projects⁹.

This situation, regarding the assurance of a competitive and fair market environment, naturally causes tensions between actual investment abilities, the legal and institutional status of investing entities, and the integrity of individual investors. Sometimes, these dynamics expose certain investment participants to criminal networks or illegal financial influences.

⁷ Estrin Saul & Uvalic Milica 'Foreign direct investment in the Western Balkans: What role has it played during transition' (2016) 58(3) *Comparative Economic Studies*, accessed 18 July 2025

⁸ Globerman Steven, Shapiro Daniel, Tang Yao, *Foreign direct investment in emerging and transition European countries*, in (Jonathan A. Batten, Colm Kearney editors 2006) 'Emerging European Financial Markets: Independence and Integration Post-Enlargement' *International Finance Review*, 6, (Emerald Group Publishing Limited 2006), 431-459.

⁹ European Commission 'Rule of Law Report Country Chapter on the rule of law situation in Albania', (8 July 2025) SWD(2025)931 final <https://commission.europa.eu/document/download/3732ae59-5ab4-48a6-a3e6-0ef9aa593863_en?filename=2025+Rule+of+Law+Report+-+Country+Chapter+Albania.pdf> accessed 8 July 2025

II. LITERATURE REVIEW

Academic research on foreign direct investment (FDI) in transitional economies frequently emphasises the importance of a stable legal environment, credible institutions, and robust protections for investors. Theories of international investment suggest that investors prefer countries that combine regulatory openness, market access, and the enforceability of legal rights¹⁰. In former communist countries like Albania, these factors are frequently weakened by a history of institutional fragmentation and inconsistent laws¹¹.

Research focused on the Western Balkans shows uneven progress in aligning national investment frameworks with European Union norms. While legislative harmonisation appears to have advanced on paper, its actual implementation remains limited due to issues such as bureaucratic inefficiency, the politicisation of economic governance, and corruption at various levels¹². Strategic sectors, such as extractives, energy, and infrastructure, are particularly vulnerable to discretionary decision-making and a lack of transparency¹³.

Additionally, international policy reports have highlighted the risk that foreign capital could be misused in areas lacking strong anti-money laundering (AML) safeguards¹⁴. In Albania, the lack of institutional mechanisms to trace the origin of investment funds has sometimes allowed foreign investments to merge with informal economic activities, further complicating the regulatory environment¹⁵.

Despite these limitations, Albania's commitment to European integration remains a driving force for ongoing legal and institutional reforms¹⁶. The Law on

¹⁰ John H. Dunning and Sarianna M. Lundan *Multinational enterprises and the global economy*. (Edward Elgar Publishing 2008), 35-43

¹¹ Meyer E. Klaus and Peng W. Mike 'Probing theoretically into Central and Eastern Europe: Transactions, resources, and institutions' (2005) 36(6), 600–621 *Journal of International Business Studies*.

¹² Estrin Saul and Uvalic Milica 'Foreign direct investment in the Western Balkans: What role has it played during transition' (2016) 58(3) *Comparative Economic Studies*, accessed 18 July 2025

¹³ Bonomi Matteo & Reljić Dusan 'Caught between East and West: The Western Balkans in geopolitical flux' SWP Research Paper (2017) <https://www.swpberlin.org/publications/products/comments/2017C53_rlc_Bonomi.pdf> accessed 14 July 2025

¹⁴ Moran H. Theodore 'Parental supervision: The new paradigm for foreign direct investment and development' (2001) Institute for International Economics, 12-14

¹⁵ Transparency International 'Clientelism and High-Level Corruption in the Western Balkans' (2019) <<https://knowledgehub.transparencycdn.org/kproducts/Country-profiles-Western-Balkans-and-Turkey.pdf>> accessed 2 July 2025

¹⁶ OECD 'Corporate income tax incentives in emerging and developing economies, OECD Business and Finance Policy Papers' (2024) No. 79 <<https://www.oecd.org/content/dam/>

Foreign Investments¹⁷ seeks to create a basis for fair treatment of foreign investors and openness across sectors. However, inconsistencies in enforcement and gaps in administrative oversight continue to influence investor perceptions and the overall competitiveness of Albania's investment environment¹⁸.

This paper positions itself within the ongoing academic and policy debate by offering a critical assessment of Albania's legal framework for strategic investment. Using legal analysis, institutional diagnostics, and empirical data, it aims to evaluate the adequacy of legal protections in practice and to identify structural risks that remain beneath the formal framework.

1. Strategic investment sectors in Albania – geographic and natural resources overview

Albania has a total land area of 28,748 square kilometres. About 24% of the land is classified as agricultural, while another 16% is permanent pasture and meadow. The country also has a 316-kilometre coastline along the Adriatic and Ionian seas, as well as 73 kilometres of shoreline along inland lakes.

Albania has abundant natural resources. The southwestern area is rich in oil and natural gas reserves, while the northeastern part of the country contains sizable mineral deposits. Notably, these include chromium, copper, and iron-nickel, along with large reserves of bitumen¹⁹.

Albania's terrain is mostly hilly and mountainous. Administratively and legally, the country is divided into 12 counties and 61 municipalities²⁰.

As of January 1, 2025, Albania's population was recorded at 2,363,314, signifying a 1.2% decline from January 1, 2024. The median age increased from 43.5 years in 2024 to 44.3 years in 2025²¹

Regarding the labour force and its potential for development investment—especially in strategic sectors such as agriculture, tourism, energy, and mining—there has been a notable decline. This decrease primarily results from high emigration levels from these regions, which have gradually reduced the active

oecd/en/publications/reports/2025/03/oecd-investment-tax-incentives-database-2024-update_f3a3a175/b0de19dc-en.pdf > accessed 15 July 2025

¹⁷ On Foreign Investments, Law No. 7764, dated November 2, 1993, as amended by Law No. 10316, dated September 16, 2010

¹⁸ European Commission 'Enlargement EU'. Albania report, (8 November 2023) <https://enlargement.ec.europa.eu/albania-report-2023_en> accessed 8 July 2025

¹⁹ INSTAT (2025) <<https://www.instat.gov.al/al/temat/ekonomi-dhe-financ%C3%AB/llogarit%C3%AB-komb%C3%ABtare/>> accessed 10 July 2025

²⁰ Open Data Albania (2025) <<https://ndiqparate.al/?tag=bashki>> accessed 11 July 2025

²¹ INSTAT (2025) <<https://www.instat.gov.al/al/temat/treguesit-demografik%C3%AB-dhe-social%C3%AB/>> accessed 10 July 2025

workforce over time. As a result, all sectors have lost labour capacity; however, the strategic sectors have been the most severely affected by outward migration.

As previously discussed, reference was made to the overall legal framework governing foreign investments in Albania, emphasising that the level of legal protection provided to such investments is both comprehensive and intended to offer preferential treatment to foreign investors. The next section will then shift focus to a detailed analysis of Law No. 55/2015 “*On Strategic Investments in the Republic of Albania*”.

2. Strategic investment sectors in Albania

Alongside the law on foreign investments²², which aims to promote key sectors such as tourism, fisheries, agriculture, mining, and innovation, Albania has also passed legislation specifically regulating investment activities of a strategic nature. These legal frameworks are part of a broader system aligned with the country’s European Union integration goals and are intended to support growth in priority sectors vital to national development.

The Republic of Albania has identified several sectors of the economy as “strategic” based on their vital role in national development, economic growth, and regional competitiveness. Law No. 55/2015, *On Strategic Investments in the Republic of Albania*, aims to stimulate sectors with tangible development potential for the country—especially those capable of creating jobs, reducing migratory flows, and, ideally, encouraging Albanian emigrants to return to their homeland. The law, in both its structure and purpose, seeks to attract significant economic capital that can help guide Albania toward European integration. In doing so, it supports broader goals of modernisation, innovation, and increased competitiveness compared to other countries in the Western Balkans and the European Union.

3. The migration phenomenon and strategic investments

Since 1990, migration has significantly reduced Albania’s labour force. Although there have been sector-specific changes in population movements over the years, the ongoing “migration haemorrhage” has had a long-term effect on the country’s human capital. This demographic outflow has led many foreign investors—both current in Albania and those considering future investments—to view the viability of projects in key strategic service sectors and production industries with growing scepticism.

²² On Foreign Investments, Law No. 7764, dated November 2, 1993, as amended by Law No. 10316, dated September 16, 2010

A modest but notable investment trend has emerged within Albania's strategic sectors, particularly involving returnee investors—Albanian nationals who had previously emigrated and have now returned to their country of origin. This pattern is especially observable among individuals aged 38 to 50, who are choosing to reinvest in Albania, primarily in the agriculture and tourism sectors²³.

Returnee investors often bring not only capital but also enhanced managerial skills, technological expertise, and innovative approaches gained during their time in host countries²⁴. This process exemplifies a form of “knowledge remittance,” where migrants returning from more developed economies transfer intangible assets—such as business models, labour standards, and service innovation—into Albania's emerging sectors²⁵.

These individuals—often operate as sole proprietors or through limited liability companies (sh.p.k.), and sometimes partnering with foreign stakeholders—are increasingly investing their savings in establishing agro-cultural and tourism-oriented businesses. The primary form of investment remains centred on family-based agricultural production and agrotourism, reflecting a shift toward sustainable, community-driven economic models (Domi, 2019).

This phenomenon is happening amid an ongoing demographic decline. According to the Albanian Institute of Statistics (INSTAT, 2025), the country lost 28,836 people from its active labour force in 2025 alone, mainly due to emigration trends. This outflow of working-age individuals highlights the urgent need for policies that encourage return migration and support diaspora-led investment in key sectors.

The ongoing challenges from emigration, combined with a steady decline in birth rates, have led to a continuous decrease in Albania's population. This demographic shrinkage is expected to accelerate, with an annual net loss of approximately 50,000 people due to low fertility rates, rising mortality rates, and outward migration. The resulting imbalance in the birth-death-emigration-labour force ratio raises serious concerns about Albania's long-term socio-economic stability (INSTAT, 2025).

Forecasts suggest that by 2027, Albania's population could decline to about 2.2 million residents, which will significantly limit the active labour force capable of supporting or attracting foreign direct investment (FDI), especially in key

²³ INSTAT (2025) <<https://www.instat.gov.al/al/temat/treguesit-demografik%C3%AB-dhe-social%C3%AB/migrimi-dhe-integrimi-i-migrant%C3%ABve/>> accessed 10 July 2025

²⁴ De Haas Heine ‘Migration and development: A theoretical perspective’ (2010) 44(1), 227–264. *International Migration Review*, accessed 13 July 2025

²⁵ World Bank ‘Maximizing the Development Impact of Migration in Albania’ (World Bank Publications 2023) <<https://www.worldbank.org/en/country/albania/overview>> accessed 11 July 2025.

sectors. These sectors include tourism, fisheries, agriculture, mining, and innovation—areas that are prioritised and regulated by specific laws such as Law No. 55/2015, On Strategic Investments in the Republic of Albania.

Without sufficient policy measures to address labour shortages and curb emigration, the country risks structural obstacles that could hinder large-scale investment projects and weaken Albania's broader efforts to integrate with the European Union (World Bank, 2023; UNDP, 2021).

4. Legal benefits provided by the strategic investment framework in Albania

The special legislation regulating strategic investments in Albania was enacted in 2015, supplementing the broader legal framework governing foreign investment in the country. The Law on Strategic Investments in the Republic of Albania specifically aims to encourage and attract both domestic and foreign investments in sectors identified by the law as strategic.

According to Article 1, the law's goal is to promote strategic investments by establishing favourable, efficient, and streamlined administrative procedures, along with support mechanisms and public services designed to meet the needs of investors²⁶.

These mechanisms aim to foster a more efficient and investor-friendly institutional environment, thereby boosting Albania's competitiveness in regional and European markets.

As reflected in the law's stated objectives, investor entities—whether foreign or domestic, including those covered by Law No. 7764, dated November 2, 1993, On Foreign Investments, as amended - are eligible for special treatment under the strategic investment regime, provided they meet the criteria outlined in the law.

Once these conditions are met, such investors are legally recognised as “privileged entities”, thereby gaining preferential access to administrative and fiscal procedures governed by the applicable Albanian legal framework²⁷.

This designation aims to streamline investment procedures, eliminate bureaucratic barriers, and create a more attractive and predictable environment for high-impact capital projects.

To fully implement the strategic investment framework, the Council of Ministers has approved a comprehensive set of ten secondary normative acts designed to regulate the enforcement of this law. These acts cover both administrative and judicial procedural aspects of the law, thereby closing potential legal gaps and improving institutional clarity and consistency in applying strategic investment provisions.

²⁶ On Strategic Investments in the Republic of Albania, Law No. 55/2015, Art 1

²⁷ On Strategic Investments in the Republic of Albania, Law No. 55/2015, Art. 1 and 3

This secondary legislation plays a vital role in standardising inter-institutional cooperation, investor procedures, and outlining the rights and responsibilities of public authorities involved in approval, monitoring, and dispute resolution processes related to strategic investment projects.

According to the law²⁸, the following are designated as **strategic sectors** eligible for preferential legal treatment under the strategic investment framework:

- a) the energy and mining sector;
- b) the transport, infrastructure, electronic communications, and urban waste management sector;
- c) the tourism sector, specifically related to tourism infrastructure and facilities;
- ç) the agriculture (large-scale farming) and fisheries sector;
- d) the technological and economic development zones;
- dh) priority development areas.

These sectors are considered vital to the national economy. They are prioritised for accelerated investment procedures and institutional support, in line with the overarching objectives of the law.

These sectors are further divided into interconnected sub-sectors, designed to support and strengthen one another in the effective execution of strategic investments. This functional interdependence is officially recognised and governed by a decision²⁹ issued by the Council of Ministers of the Republic of Albania.

The classification of strategic sub-sectors facilitates the implementation of the broader strategic categories outlined in the law³⁰. It also clarifies the roles of government agencies responsible for evaluating, coordinating, and approving strategic investment proposals. This layered structure ensures a consistent policy approach to investments that involve multiple sectors, such as large infrastructure projects, integrated tourism zones, or technologically advanced agricultural clusters.

The strategic sectors include all key areas of national development considered essential to sustainable economic growth. These sectors directly align with priority sectors outlined in the European Union Enlargement Agenda for 2024–2029, reflecting a policy alignment between Albania’s national development strategy and the EU’s regional integration goals³¹.

²⁸ On Strategic Investments in the Republic of Albania, Law No. 55/2015, Art 8

²⁹ On the Approval of Strategic Sub-Sectors and Priority Development Areas. Decision No. 1023, dated December 16, 2015,

³⁰ On Strategic Investments in the Republic of Albania, Law No. 55/2015, Art 8

³¹ European Commission. *EU Enlargement Strategy 2024–2029: Priorities and Roadmap for the Western Balkans*. Brussels: Directorate-General for Neighborhood and Enlargement

Strategic sectors, including energy, infrastructure, digital communication, agriculture, and tourism, are not only essential for domestic development but are also prominently featured in the EU's roadmap to support Western Balkan countries in meeting accession benchmarks. This alignment highlights the dual role of Albania's strategic investment legislation as both a national legal tool and a regional convergence mechanism within the context of European integration³²

An important aspect established under Law No. 55/2015 is the requirement that the value of the strategic investment and the number of new jobs created must be proportional to the specific sector in which the domestic or foreign investor plans to operate. This proportionality principle ensures that the scale and impact of the investment align with the sector's strategic importance and growth potential, thereby optimising the allocation of public support and regulatory assistance.

The legal framework thus sets different thresholds and conditions depending on the sector—such as energy, agriculture, tourism, or infrastructure—acknowledging that each area needs a specific investment-to-employment ratio for a project to be considered “strategic” under Albanian law³³.

As outlined, classifying an investment as “strategic” depends on both financial thresholds and employment growth targets, which vary by sector.

Specifically, the law sets a minimum investment of \$1 million for smaller strategic initiatives and more than \$50 million for high-impact projects. At the same time, the employment requirement mandates creating at least 80 new jobs for smaller investments and over 600 jobs for significant projects in priority sectors.

These thresholds aim to ensure that the economic impact of strategic investments is not only capital-intensive but also labour-inclusive, thereby supporting national employment goals and regional economic development.

It is understood that the classification of a project as a strategic investment, as well as the assessment of newly created jobs, is carried out on a case-by-case basis, based on the specific nature of the sector in which the investment is intended.

Furthermore, the law offers an exceptional provision for large-scale investments exceeding €100 million. In these cases, the investor—after completing the procedural review—automatically gains the status of Strategic Investor under the “special procedure,” even if the investment is not explicitly classified within one of the pre-established strategic sectors outlined in the law.

Negotiations, SWD (2024) 699 final. <https://enlargement.ec.europa.eu/albania-report-2024_en> accessed 12 July 2025

³² European Commission. *EU Enlargement Strategy 2024–2029: Priorities and Roadmap for the Western Balkans*. Brussels: Directorate-General for Neighborhood and Enlargement Negotiations, SWD (2024) 699 final. <https://enlargement.ec.europa.eu/albania-report-2024_en> accessed 12 July 2025

³³ On Strategic Investments in the Republic of Albania, Law No. 55/2015, Art 9

This exception is intended to provide flexibility for high-impact projects of national importance. It supports the law's goal of attracting transformative capital investments, regardless of sector classification, provided public interest and economic benefits are demonstrated.

III. ADMINISTRATIVE PROCEDURE, COMPETENT AUTHORITIES, AND THE “ASSISTED” AND “SPECIAL” PROCEDURAL MODELS

Strategic investors—or any entity aiming to become a Strategic Investor—must, in addition to meeting the material and procedural conditions for application, undergo a mandatory selection process overseen and coordinated by the Strategic Investment Committee.

This selection process serves as an initial institutional filter, ensuring that submitted projects align with national development priorities, sector eligibility standards, and public-interest factors.

The Committee evaluates each application based on its financial size, estimated employment impact, environmental compliance, and long-term economic sustainability.

An applicant can only be recommended for formal designation as a Strategic Investor under either the Assisted or Special Procedure, as defined in Law No. 55/2015, after completing this evaluation phase.

This collegial administrative body is established by the Council of Ministers and is chaired by the Prime Minister of the Republic of Albania. The Strategic Investment Committee is composed³⁴ of the following permanent members:

- a) the Deputy Prime Minister;
- b) the Minister of Finance;
- c) the Minister of Economy and Tourism;
- ç) the Minister of Infrastructure and Transport;
- d) the Minister of Energy and Industry;
- dh) the Minister of Urban Development;
- e) the Minister of Agriculture;
- ë) the Minister of Environment;
- f) the State Advocate General (Avokati i Përgjithshëm i Shtetit);
- g) and, on a case-by-case basis, any other line minister whose area of responsibility is directly related to the matters under discussion.

This composition establishes a multisectoral governance structure designed to promote a comprehensive, cross-ministerial approach for evaluating and

³⁴ On Strategic Investments in the Republic of Albania, Law No. 55/2015, Art 9

approving strategic investment proposals. The Committee serves as the central decision-making body within the procedural framework of Law No. 55/2015, with the authority to assess, approve, or reject investment applications based on established legal, economic, and environmental criteria.

Based on the relevant legal provisions, the inter-ministerial collegiality and the inclusion of the State Advocate General in the Strategic Investment Committee ensure a high level of procedural integrity and legal oversight throughout the evaluation process.

However, the collaborative nature of the Strategic Investment Committee does not prevent the possibility that, in some cases, corrupt and clientelist practices may occur and be systematically coordinated through the administrative structures and line ministries involved in the evaluation process.

These risks highlight the vulnerability of institutional procedures, particularly in governance environments where regulatory discretion, political influence, and a lack of transparency may intersect. Such dynamics can, in rare cases, compromise the impartiality of decision-making and weaken the safeguards of the strategic investment framework.

Beyond the penal aspects of strategic investment governance, which will be discussed in later sections, special focus must be given to the preparatory and facilitative role of the Albanian Investment Development Agency (AIDA).

This monocratic institutional body serves as the single point of authority for strategic investment projects and is the primary administrative contact for both domestic and foreign investors. AIDA is responsible for coordinating all institutional interactions, facilitating investors' access to required permits, and guiding them through the application, evaluation, and implementation stages.

1. Early-stage investment classification

Under the framework of the Law on Strategic Investments³⁵ It describes three specific categories for recognising strategic investments.

The first of these is the “Potential Strategic Project” designation:

A Potential Strategic Project is a prospective investment initiative that is expected to have a strategic impact on national development and public interest. This is an initial status assigned to projects that demonstrate potential for strategic classification, prior to their official recognition as a “Strategic Investment” or “Strategic Investor.”

In this context, the designation applies to project ideas or proposals that are still in the planning or exploratory stage but are expected to stimulate specific geographic areas, promote job creation, and align with Albania's economic

³⁵ On Strategic Investments in the Republic of Albania, Law No. 55/2015, Art 3

development priorities. The temporary nature of this status enables competent authorities to facilitate early administrative engagement and to evaluate the strategic potential of such projects in relation to national policy objectives.

The proposal for a potential strategic project may come from two primary sources:

- a) the relevant line ministries, or
- b) private investors.

When the initiative comes from a line ministry, it addresses a sector-specific or regional development need, where the designated area or industry requires stimulation through strategic public investment or alternative legal mechanisms, such as public-private partnerships (PPP) or concessions, as outlined in Law No. 125/2013, as amended, On Concessions and Public-Private Partnerships.

This provision allows institutional actors to proactively identify investment gaps or economic opportunities aligned with national or regional priorities, and to direct them through legally established strategic frameworks that may include state involvement, co-financing, or delegated project execution under regulated partnership models.

When a private investor, whether domestic or foreign, submits a Strategic Investment Proposal, the applicant must meet specific initial requirements, depending on the chosen procedural model—either the Assisted Procedure or the Special Procedure, as defined by law.

2. Strategic investment evaluation framework

Specifically, the investor needs to submit a complete project dossier that includes the following elements:

- a detailed project description and scope of investment;
- the estimated monetary value of the investment;
- the number of new employment opportunities to be created;
- project implementation timelines;
- the anticipated economic impact and macroeconomic contributions;
- the public interest benefits derived from the project;
- a detailed financial analysis and financial guarantees;
- an environmental impact assessment (EIA);
- the nature of the technology to be employed;
- the comparative competitive advantage of the proposal vis-à-vis other investors;
- the added value generated by the investment, taking into account the operational risks involved.

This application framework is designed to promote transparency, feasibility, and strategic alignment, enabling competent authorities to thoroughly assess the proposal's potential contribution to national development and its consistency with Albania's long-term economic plans.

3. Procedural routes for strategic status

a) - *Strategic Investment / Strategic Investor – Assisted Procedure*

The Assisted Procedure is a special administrative mechanism through which the public administration monitors, coordinates, facilitates, supervises, and represents the strategic investment throughout all stages of its implementation.

This procedure aims to support investments that qualify as strategic under the law and meet the minimum financial thresholds set for each strategic sector. Specifically, the investment value must range from at least €1 million for investments in development-priority zones to up to €30 million for investments in the energy and mining sectors.

The goal of the Assisted Procedure is to promote institutional efficiency and legal certainty, enabling investors to manage administrative requirements more effectively through faster processing, centralised communication channels, and ongoing state-level support during implementation.

b) - *Strategic Investment / Strategic Investor – Special Procedure*

The Special Procedure is a refined regulatory process designed to provide customised support for strategic investments that have a significant impact on the economy, employment, industry, technology, and regional development. This procedure aims to expedite and simplify the investment process through specialised administrative rules and streamlined channels.

The financial thresholds for the Special Procedure differ by sector. Investments in development-priority areas must have a minimum value of \$10 million, while investments in transportation, urban waste management, electronic communications, and infrastructure need to exceed \$50 million to qualify.

The Albanian Investment Development Agency (AIDA) functions as the authority responsible for the initial evaluation of strategic investment projects. After a thorough review of the investor's proposal against legal, financial, and technical criteria, AIDA forwards the application to the Strategic Investment Committee (SIC). The Committee, upon examining the project and related assessments, makes a formal decision to either approve or deny the project's status as a Strategic Investment.

Nevertheless, the lack of recognition as a "Strategic Investor" does not prevent the applicant entity from participating in other competitive procedures permitted under Albanian law.

Entities that do not qualify for strategic status can still participate in public procurement mechanisms such as concessions, public tenders, or public-private partnership (PPP) arrangements, in accordance with the provisions of the applicable legal framework, including Law No. 125/2013 on Concessions and PPPs, and other sector-specific normative acts currently in force.

This ensures investment opportunities remain accessible to a broad range of actors, regardless of their classification under the strategic investment regime, and shows the state's commitment to open competition and fair access to economic development tools.

4. Advantages of strategic investors

Gaining the status of a Strategic Investor provides a notably privileged set of legal and procedural protections compared to situations where an investor must compete through general public procurement processes or other competitive selection methods under Albanian law.

This privileged position comes from the fact that administrative procedures for preparing and implementing a strategic investment project are prioritised and processed quickly by the public administration.

The process for recognising strategic investor status must be completed within specific legal deadlines³⁶, and in no case later than 30 business days from the submission of a complete application.

Furthermore, under Article 24, once the strategic status is granted, the investor receives priority and faster access to all necessary permits, authorisations, and licenses. These are issued by the appropriate administrative authority through urgent and preferential procedures, ensuring minimal bureaucratic delays and full institutional support for the project's implementation.

Upon being granted Strategic Investor status and depending on the sector in which the investment will be implemented, the Albanian government assumes a series of supportive obligations aimed at facilitating the execution of the strategic project. These include, but are not limited to:

- the provision of supporting public infrastructure;
- the right to utilise coastal areas and public domain assets (domanial rights);
- the possibility of expropriation of private immovable property for the purposes of public interest;
- and the ratification by the Albanian Parliament of investment-related contractual agreements when such ratification is required under the law.

³⁶ On Strategic Investments in the Republic of Albania, Law No. 55/2015, Art 17

It is important to note that the last two support categories—expropriation and parliamentary ratification—apply only to projects processed under the Special Procedure³⁷.

Additionally, for certain key sectors, the state reserves the right to participate as an equity shareholder in strategic investments, thereby strengthening its commitment and long-term alignment with the investor's goals.

Equally important is the tax treatment of strategic investments. Depending on the specific type of strategic sector involved, the investor may qualify for preferential tax treatment, such as tax reductions or exemptions from specific duties, under Albanian fiscal laws and international investment agreements.

In the tourism sector, the fiscal system, guided by the national strategic priority assigned to tourism, offers a 0% corporate tax rate for eligible businesses. Additionally, investors may receive a 99-year land use agreement for the real estate where the strategic tourism project is located, under long-term concession terms.

For strategic investments in the field of information and communication technology (ICT), a reduced corporate income tax rate of 5% is applied to company profits, aligning with fiscal stimulus mechanisms aimed at promoting innovation, digital infrastructure, and integrating Albania into the regional tech economy³⁸.

Meanwhile, in the textile and garment sector, strategic investors benefit from a 0% import tax on machinery and equipment needed to establish and operate production facilities. This exemption aims to encourage industrial renewal and export-driven manufacturing, especially in labour-intensive areas.

These specific fiscal incentives are part of Albania's overall economic development plan, aiming to attract high-value investments, generate jobs, and promote technological progress in key sectors

The fiscal relief and economic incentives available to strategic investors in Albania act as strong tools to promote capital inflow and accelerate project implementation. These mechanisms provide investors with quicker returns on investment (ROI), a favourable and proportionate profit margin, and access to preferential bank guarantees, thereby increasing the overall financial viability and predictability of strategic projects.

The taxation framework, as previously explained through sector-specific examples, varies depending on the nature and classification of the strategic sector or sub-sector in which the investment occurs. This differentiated fiscal regime reflects the government's aim of attracting targeted investments aligned with national development priorities while maintaining a flexible policy structure that

³⁷ On Strategic Investments in the Republic of Albania, Law No. 55/2015, Art 22

³⁸ Ministry of Finance and Economy. Public Finance Management Sectoral Strategy. Tirana: MFE Publications (2024). <<https://financa.gov.al/wp-content/uploads/2024/07/Public-Finance-Management-Strategy-2023-2030.pdf>> accessed 12 July 2025.

can adapt to market demands and regional competitiveness. Such financial instruments not only reduce operational costs but also enhance investor confidence and lower risk exposure—factors essential for long-term sustainability in complex investment environments.

IV. CORRUPT CLIENTELISM AND UNLAWFUL INFLUENCE IN STRATEGIC INVESTMENTS

The previous analysis examined the legal framework governing investments in Albania, focusing on two key legislative acts: Law No. 7764/1993 on Foreign Investments, as amended, and Law No. 55/2015 on Strategic Investments in the Republic of Albania. It paid particular attention to the legal status of foreign investors and the procedural process for obtaining Strategic Investor status.

However, despite the formal legal guarantees embedded in the strategic investment framework, Albania still qualifies as a “partly free” democracy³⁹ with ongoing challenges in the rule of law, transparency, and institutional accountability. These structural issues contribute to a high perceived level of corruption—a key factor that weakens investor confidence, especially in strategic sectors involving large-scale capital, public land use, or infrastructure concessions.

The inconsistent enforcement of laws, along with the perceived closeness of political figures to particular economic interests, fosters regulatory uncertainty and legal unpredictability. Consequently, foreign investors tend to approach strategic investments cautiously, particularly in sectors considered politically sensitive or susceptible to discretionary control⁴⁰

This environment is gradually improving through EU accession reforms, but it still requires stronger institutional safeguards, greater transparency, and less politicisation of strategic investment decisions to enhance overall competitiveness and sustainability in attracting long-term capital. (European Commission 2024)

1. Governance and investor perception

Although Albania has implemented a comprehensive judicial reform over the past eight years—most notably through Law No. 84/2016, On the Transitional

³⁹ Freedom House ‘*Nations in Transit – Albania Country Report: Political Accountability and Legal Reform*’ (2025). <<https://freedomhouse.org/country/albania/freedom-world/2025>> accessed 13 July 2025.

⁴⁰ World Bank ‘Maximizing the Development Impact of Migration in Albania’ (World Bank Publications 2023) <<https://www.worldbank.org/en/country/albania/overview>> accessed 11 July 2025.

Re-Evaluation of Judges and Prosecutors in the Republic of Albania, commonly known as the “vetting law”—public perception of corruption within government institutions remains consistently high.

The vetting process, a key part of Albania’s judicial reform aligned with European Union accession benchmarks, has led to the dismissal or resignation of many magistrates. However, despite its structural importance, the reform has yet to succeed in restoring public trust in the rule of law or protecting strategic investment decisions from political influence⁴¹.

This perception gap—between formal legal progress and the lived experience of institutional integrity—continues to influence how both domestic and foreign investors evaluate the predictability and neutrality of Albania’s legal environment, particularly regarding high-value strategic sectors.

The vetting process was established as a key part of Albania’s justice reform, mainly aimed at removing potentially corrupt judges and prosecutors from the judiciary (European Commission, 2024). As part of this broader institutional overhaul, the Albanian government created the Special Anti-Corruption and Organised Crime Structure (SPAK)—a specialised prosecutorial agency with authority over high-level corruption, abuse of power, and organised crime cases involving public officials and elected representatives.

SPAK is responsible for investigating and prosecuting criminal offences within its jurisdiction, especially those involving abuse of public office, illegal enrichment, and systemic corruption in government institutions. It operates independently and collaborates with the National Bureau of Investigation (NBI), serving as the main element of Albania’s efforts to rebuild public trust, promote accountability, and establish a rule-based framework for strategic economic growth (SPAK 2024).

Although SPAK has initiated several high-profile investigations, its long-term effectiveness depends heavily on political support, judicial cooperation, and institutional independence, all of which are crucial for enhancing legal certainty and boosting investor confidence.

As a result of the vetting process, more than 35% of Albania’s judicial personnel—including judges, prosecutors, and legal advisers—have been dismissed from office for failing to meet the standards for integrity, professional competence, or financial disclosure outlined in the re-evaluation framework. Notably, about 40% of these individuals have re-entered the legal system, mainly by registering as attorneys under the provisions of Law No. 55/2018, On the Legal Profession in the Republic of Albania.

⁴¹ Balkan Investigative Reporting Network (BIRN). The Incinerator Scandal in Albania: Legal and Political Implications (2020) <<https://balkaninsight.com/2020/09/28/the-incinerator-how-a-politically-connected-albanian-built-an-empire-on-waste/>> accessed 13 July 2025

During the 2024–2025 period, the Special Anti-Corruption and Organised Crime Structure⁴² (SPAK)—launched and conducted a series of criminal investigations into high-level corruption schemes, resulting in indictments and ongoing prosecutions of various public officials. These efforts represent a significant, though still fragile, step toward enforcing accountability in governance and strengthening the legal foundations for foreign and strategic investment.

The most common criminal offences attributed to public officials and elected representatives in Albania involve active and passive corruption, abuse of office, and money laundering, often carried out by structured criminal groups, as defined in the Albanian Criminal Code⁴³

Individuals involved in these offences have included high-ranking political figures, especially those in ministerial or executive roles. Investigations have shown that these officials have engaged in unlawful favouritism by helping designate certain commercial entities—mainly LLCs—as strategic investors, even though these companies either failed to complete the approved investment projects or carried them out in violation of legal and regulatory standards.

These cases illustrate how strategic investment policies are susceptible to state capture and corrupt clientelism, particularly when control mechanisms are weak, and public procurement or licensing processes lack transparency and accountability.

One of the most notable cases that led to the launch of “strategic” criminal investigations concerns the waste management and recycling sector. Soon after the enactment of Law No. 55/2015, On Strategic Investments in the Republic of Albania, the first project to be granted the status of Strategic Investor was the incinerator project, which involved the construction of waste treatment facilities in Tirana and Elbasan⁴⁴

The incinerator initiative was initially promoted as a model public-private partnership (PPP) designed to modernise Albania’s waste management infrastructure, boost energy efficiency, and bring the country in line with EU environmental standards.

However, the project has since become the focus of widespread criminal investigations led by the Special Anti-Corruption and Organised Crime Structure (SPAK), due to allegations of procedural violations, financial misconduct, and illicit favouritism in granting strategic status.

⁴² On the Organisation and Functioning of Institutions for Combating Corruption and Organised Crime, Law No. 95/2016

⁴³ SPAK ‘Annual Report’ (2025) <<https://spak.gov.al/wp-content/uploads/2025/04/Raportivjetor-SPAK-2024.pdf>> accessed 14 July 2025.

⁴⁴ BIRN ‘The incinerator project’ (2023) <<https://www.reporter.al/2023/02/08/qeveria-ia-pason-bashkise-problemet-me-inceneratore/>> accessed 14 July 2025.

This mega-project, with a declared investment of €430 million, has become one of the largest corruption scandals impacting Albania's strategic sectors, dating back to 2016 and continuing in subsequent years. The involved entities were entirely Albanian-registered companies⁴⁵ that maintained direct clientelist and corrupt ties with high-ranking ministerial officials at the time.

Following investigations by the Special Anti-Corruption and Organised Crime Structure (SPAK), several public officials were indicted and later convicted by the Special Court for Corruption and Organised Crime. They included the former Minister of Environment, the former Secretary General of the Ministry of Environment, and multiple civil servants involved in the irregular and unlawful granting of strategic investor status, as well as in the subsequent administrative facilitation of the project⁴⁶

This case highlights the systemic risks associated with the misuse of the strategic investment framework and underscores the urgent need for institutional safeguards, particularly in public procurement and administrative discretion.

In this ongoing criminal case, the former Deputy Prime Minister of Albania, who was also directly involved in initiating the first strategic investor designation process following the adoption of the relevant legislation, is currently under investigation by the judiciary. This case has become a landmark example of state-level collusion in misusing the legal framework for strategic investment.

In this high-profile scandal, both government officials and private actors were convicted.

These included corporate shareholders and administrators of the commercial companies that, in 2016, were granted Strategic Investor status in the national infrastructure sector, specifically regarding the urban waste incineration industry. The evidence presented during trial proceedings demonstrated coordinated actions by political decision-makers and private beneficiaries, raising serious concerns about the integrity and transparency of Albania's strategic investment process.

However, concerns about corruption and clientelism in the process of designating strategic investors remain. The flaws in this institutional mechanism are apparent from the increasing number of cases involving high-ranking public officials and civil servants, many of whom are currently under investigation for alleged abuse of office and favouritism in granting strategic investment status⁴⁷.

⁴⁵ Tirana Times 'Toxic Smoke and Broken Promises: Albania's Waste Crisis Exposes Deep Rot in Governance' (2025) <<https://www.tiranatimes.com/toxic-smoke-and-broken-promises-albanias-waste-crisis-exposes-deep-rot-in-governance/>> accessed 15 July 2025.

⁴⁶ SPAK 'Annual Report' (2025) <<https://spak.gov.al/wp-content/uploads/2025/04/Raportivjetor-SPAK-2024.pdf>> accessed 14 July 2025.

⁴⁷ Hallunaj Mirsada 'Oligarchic Tendencies in Albania And The Need For A Deoligarchization Process' (2023) <<https://csdgalbania.org/wp-content/uploads/2023/03/Policy-Paper-3-FINAL-ENG.pdf>> accessed 15 July 2025

As of the latest reporting period, the Special Prosecution Office Against Corruption and Organised Crime (SPAK) has launched a formal investigation into the awarding of strategic investor status in the land infrastructure sector to a domestic commercial entity, for a project valued at approximately €435 million. The investigation assesses procedural irregularities and potential undue influence and favouritism in the handling of the investment application (Transparency International, 2025).

This ongoing case contributes to a growing body of evidence that raises concerns about the transparency, accountability, and integrity of the procedures outlined in Law No. 55/2015, On Strategic Investments, affecting stakeholders and foreign investors alike.

The investigation focuses on one of the country's main transportation routes, the Kashar–Thumanë highway. The Special Anti-Corruption Prosecutor's Office (SPAK) is actively examining the procedural integrity of the strategic investor selection process and the subsequent public contracting procedures. Early findings suggest that high-level political favouritism and corruption may have influenced the procedures, which involved senior officials with decision-making authority and contracting power. The case remains under detailed prosecutorial review as of mid-2025.

Another high-profile case, currently under investigation in the tourism sector, involves a former Member of Parliament from the ruling Socialist Party. In 2022, the Strategic Investments Committee granted individual strategic investor status to a project located in a state-owned coastal zone. When it was approved, his spouse was serving as Minister of Defense, raising serious concerns about conflicts of interest, abuse of power, and potential violations of procurement transparency and legal ethics. The case has led to a broader investigation of political ties in strategic investment governance.

The ongoing investigation concerns serious allegations involving corrupt clientelism, conflict of interest, abuse of official duty, money laundering, and document forgery. Although several of these cases remain under prosecutorial review, the patterns observed thus far reveal systemic vulnerabilities in the legal and administrative frameworks governing strategic investment status in Albania.

While the designation of “Strategic Investor” provides significant fiscal and administrative advantages intended to encourage development and attract foreign investment, the evidence suggests that, when poorly regulated, this system can be exploited for high-level corruption, undue influence, and illicit financial activities.

The dual nature of this legal tool—acting both as a means for economic growth and as a potential avenue for criminal abuse of public authority—raises urgent questions about transparency, accountability, and institutional safeguards in Albania's strategic investment governance.

Given the substantial financial thresholds required to attain the status of a strategic investor, authorities must exercise rigorous due diligence regarding the background of applicant entities. This includes tracing the origin of financial resources, assessing the long-term viability of investment forecasts, examining potential political connections or clientelist ties, and conducting a thorough review of the personal and professional backgrounds of company shareholders and executive managers.

Nevertheless, despite these inherent risks, it is important to highlight the positive developments made by Albania's Special Anti-Corruption Prosecutor's Office (SPAK). According to Transparency International's Corruption Perceptions Index (2025)⁴⁸, Albania currently ranks 80th out of 180 countries, indicating a moderate but improving level of perceived corruption. This numerical indicator helps understand the social and legal mechanisms in the country, especially when considered alongside the legal guarantees involved in the process of granting strategic investor status.

Despite the penal cases highlighted above, it is important to note that the Strategic Investment Committee issued 116 official decisions from 2016 to 2025, granting the status of Strategic Investor to various applicant entities. According to data published by the Albanian Investment Development Agency (AIDA, 2025), the majority of these investments have been made by domestically financed companies, with only a small number involving mixed-capital or wholly foreign-owned entities.

This data reveals a pattern where investment efforts in Albania primarily rely on local funds, which may suggest that Albania's potential for attracting foreign investment is not being fully utilised and that international investors still harbour doubts, especially in sectors governed by Law No. 55/2015 on Strategic Investments.

2. Judicial disputes and competent authorities

From a judicial perspective, it is essential to acknowledge that Albania, as a sovereign and independent country with a constitutional history spanning over 113 years, maintains a robust framework of international legal commitments. The nation has ratified numerous multilateral and bilateral agreements aimed at protecting foreign direct investment, promoting free trade, and upholding the principles of due process, legal certainty, and procedural fairness.

As a signatory to various international conventions, including but not limited to the Convention on the Recognition and Enforcement of Foreign Arbitral

⁴⁸ Transparency International 'Corruption Perceptions Index – Albania' (2025), <<https://www.transparency.org/en/cpi/2024/index/alb>> accessed 16 July 2025

Awards (New York, 1958) and the ICSID Convention (Washington, 1965), Albania has legally committed itself to providing judicial guarantees to investors and protecting them against arbitrary or discriminatory treatment.

Furthermore, through its Stabilisation and Association Agreement⁴⁹ (SAA) with the European Union, Albania has committed to aligning its domestic legal framework with the *acquis communautaire*, especially in areas such as competition law, investment protection, and judicial independence.

3. The law on arbitration in the Republic of Albania

The legal framework for arbitration in Albania is established by Law No. 52/2023, “*On Arbitration in the Republic of Albania*,” which governs both domestic and international arbitration cases when the arbitration seat is located in Albania. This law demonstrates Albania’s commitment to providing a stable and predictable environment for dispute resolution, thereby attracting both foreign and local investors. According to international best practices, the law aligns with the UNCITRAL⁵⁰ Model Law on International Commercial Arbitration. It fully complies with the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, to which Albania is a signatory. Consequently, it ensures the recognition and enforcement of arbitral awards issued in Albania or abroad, providing legal certainty for cross-border investments and commercial disputes (UNCITRAL, 2021).

By codifying principles of party autonomy, procedural fairness, and neutrality of the arbitral process, Law No. 52/2023 enhances Albania’s arbitration framework by providing comprehensive rules on:

- the formation of the arbitral tribunal,
- competence-competence and separability doctrines,
- interim measures
- enforcement and annulment of awards.

Furthermore, the law affirms judicial non-interference as a core principle, ensuring limited court involvement in arbitration proceedings, thereby making Albania a more arbitration-friendly jurisdiction in the region.

⁴⁹ Ratified by Law No. 9590, dated July 27, 2006

⁵⁰ UNCITRAL ‘*UNCITRAL Model Law on International Commercial Arbitration (1985), with amendments as adopted in 2006*’ (2021) United Nations Commission on International Trade Law <<https://uncitral.un.org>> accessed 18 July 2025

V. METHODOLOGY

This paper employs a comparative legal-empirical methodology, based on the framework established by Law No. 7764, dated November 2, 1993, “*On Foreign Investments*,” as amended by Law No. 10316, dated September 16, 2010, and Law No. 55/2015, “*On Strategic Investments in the Republic of Albania*”. The methodology compares statutory provisions with actual investment practices, trends, and outcomes in Albania over the past three decades.

The comparative metric combines both objective and subjective analytical lenses:

Objectively, the study reviews and interprets quantitative data—including foreign direct investment (FDI) inflows, sectoral distribution, fiscal incentives, and employment impact—sourced from institutions such as the Bank of Albania (2025), National Institute of Statistics of Albania (INSTAT) and the Albanian Investment Development Agency (AIDA).

Subjectively, the analysis includes normative and interpretative insights related to the typology of investments, the sectoral prioritisation under strategic investment law, and the governance challenges (such as regulatory capture, conflict of interest, and risk of corruption) that influence implementation outcomes.

By aligning legislative intent with real-world data, this methodology enables the paper to assess both the legal strength and practical limitations of Albania’s investment framework. Special focus is given to the connection between formal protections for investors and the structural limits of the state’s ability to ensure lawful, transparent, and economically feasible investment activities.

Despite its structured legal-comparative approach, this study’s methodology has limitations. First, the analysis primarily relies on secondary data and official government sources, which, although generally trustworthy, can be influenced by institutional bias, underreporting, or delays in publication—especially in sensitive areas such as strategic investment performance and anti-corruption enforcement. Second, interpreting subjective elements, such as investor perceptions and informal political dynamics, is naturally limited without field interviews or qualitative case studies, which could have added more depth and supported anecdotal patterns of clientelism and regulatory discretion.

Another methodological limitation arises from the limited availability of disaggregated data on the origin of foreign investors, ownership structures, and sector-specific outcomes, especially in cases involving joint ventures or investment vehicles based in offshore jurisdictions.

Additionally, the changing legal framework—particularly in response to EU integration benchmarks and ongoing judicial reforms—temporarily limits the stability of legal interpretations. Therefore, the conclusions presented here should

be viewed within the context of Albania's evolving political and economic landscape after transition.

This paper aims to provide a structured, analytical, and methodologically sound perspective that incorporates an interdisciplinary framework encompassing the primary regulatory and operational aspects of foreign investment. The research examines legal, economic, demographic, and governance factors to provide a comprehensive analysis of how strategic foreign investments operate within the Albanian economy. The analysis explores how ongoing challenges, including labour migration, demographic decline, and youth brain drain, intersect with opportunities to attract strategic investment. This paper critically assesses how such investments could be misused to facilitate illicit financial flows, particularly when channelled through clientelistic and corrupt networks involving both public officials and private actors. These patterns raise serious concerns about the integrity of the investment climate and the effectiveness of the legal framework in ensuring transparent, lawful, and development-focused capital inflows.

The relationships being studied are examined using both quantitative and qualitative data, allowing the reader to gain a comprehensive understanding of the legislative development of Albania's foreign investment sector and the objective conditions that support its growth. By integrating data-driven insights with doctrinal legal analysis, the study captures both the normative progress and the empirical realities shaping the country's investment environment.

The application of deductive reasoning, particularly within the legal framework governing both foreign and domestic investors—especially in strategic sectors—highlights the connection between public interest, economic incentives, and legal protections. This intersection often reveals underlying tensions between legitimate economic growth and the risks of illegal activities, such as corruption and financial crimes, which are addressed by criminal law. The mix of fiscal stimulus measures, investor-friendly laws, and simplified administrative procedures makes the Law on Foreign Investments and the Law on Strategic Investments essential tools of economic governance. Importantly, these laws aim not only to attract capital but also to support local development, curb youth emigration, and foster sustainable, long-term engagement of human capital in the Albanian economy.

VI. RESULTS AND DISCUSSIONS

Albania, after more than three decades of gradual progress toward democratic governance and a market economy, has established a legal framework that aligns the liberal approach to foreign investments with a targeted, selective investment

model for Strategic Investments. This legal structure has significantly increased foreign capital inflows—from modest levels in the 1990s to an estimated €1.5–€1.6 billion in 2024—while offering strong constitutional protections against expropriation, allowing free repatriation of capital, and providing access to international arbitration mechanisms, including the ICSID Convention, the 1958 New York Convention, and the recently enacted Law No. 52/2023 on Arbitration in the Republic of Albania.

Nevertheless, about three-quarters of all foreign direct⁵¹ investment (FDI) inflows remain focused on sectors such as energy, telecommunications, finance, and real estate. Only 17% of strategic investment projects are financed entirely by foreign capital. Meanwhile, the vast majority are carried out by domestic companies, which often benefit from generous fiscal incentives—such as reduced VAT, corporate income tax rates of 0–5%, and symbolic leasing of public land.

The persistently high levels of emigration have led to a shrinking labour force, with approximately 50,000 people leaving the workforce each year. As a result, only a few strategic projects have successfully reached their employment targets.

This demographic and labour market trend has led to a growing workforce crisis, especially in the tourism sector. In recent years, there has been a growing reliance on foreign labour—mainly migrant workers from East Asian and Sub-Saharan African countries—who are recruited to fill structural labour gaps in Albania’s key economic sectors.

The political centralisation of the Strategic Investment Committee, combined with the absence of thorough preliminary screening processes—especially regarding conflicts of interest and the clientelist ties of domestic investors linked to top political figures—has created conditions favourable to state capture. This issue has been highlighted by high-profile corruption scandals, including the “incinerator affair,” the controversial tourism development project linked to a former ruling-party MP, and the Thumanë–Kashar highway project.

At the same time, the consistent increase in real estate investments—often fueled by unclear capital flows—has made the Albanian property market more vulnerable to money laundering risks, mainly due to weak financial oversight and the dominance of non-banking transactions.

The current legal framework has demonstrated a notable ability to attract foreign investment, particularly through the combination of liberal investment rules and targeted incentives under strategic investment laws. However, even with clear growth in FDI inflows, the system remains fragile—vulnerable to corruption, sectoral reliance, and a rapidly shrinking workforce.

⁵¹ Bank of Albania ‘Foreign direct Investments’ (2024) <https://www.bankofalbania.org/Statistikat/Statistikat_e_Sektorit_te_Jashtem/Investimet_e_huaja_direkte/> accessed 15 July 2025

Addressing these systemic weaknesses requires a multifaceted strategy based on sectoral diversification, transparent decision-making, the involvement of independent experts in evaluation processes, and the establishment of incentive mechanisms to reintegrate the qualified diaspora into the national economy.

VII. POLICY RECOMMENDATIONS

Given the analysis and observed trends, it is crucial to establish robust institutional screening mechanisms for investors seeking strategic status. These should go beyond financial feasibility to include evaluations of political affiliations, conflicts of interest, and corporate governance integrity. Such oversight would enhance transparency, reduce preferential abuse, and restore public confidence in the system.

Mandatory due diligence on capital origin and clear limits on fiscal guarantees are essential to mitigate risks of money laundering and misuse of tax incentives. Strengthening the Strategic Investment Committee by including independent experts—such as representatives from the banking sector, certified accountants, real estate intermediaries, law enforcement, and the Financial Intelligence Agency—would align the process with anti-money laundering (AML) standards and enhance accountability.

A more balanced investment portfolio requires sectoral diversification. This can be achieved through tailored fiscal incentives for underdeveloped yet high-potential sectors such as smart agriculture, sustainable tourism, and ICT. Such policies would counterbalance the overconcentration in energy, telecom, finance, and real estate, while attracting long-term, innovation-driven foreign capital.

Ensuring non-discriminatory state support and full transparency—through real-time publication of contracts, performance monitoring, and independent audits—is equally important. Uniform application of Law No. 52/2023, “On Arbitration,” would provide effective extrajudicial dispute resolution, reinforcing investor trust.

Finally, Albania must prioritise legal certainty, workforce development, and diaspora engagement. Fiscal incentives for start-ups in strategic sectors like agri-tech and renewable energy, combined with state-backed incubation programs, would facilitate sustainable growth. Transparency, oversight, and governance reform are not only vital for investor credibility but also for Albania’s positioning as a reliable destination in Southeast Europe.

VIII. CONCLUSION

To attract and retain foreign direct investment (FDI), Albania must balance fiscal incentives with institutional trust and transparency. While competitive tax rates (0–5%) enhance appeal, they are not sufficient without legal predictability, public accountability, and efficient enforcement.

Strategic sectors such as renewable energy, agri-tech, sustainable tourism, and ICT offer untapped potential aligned with EU integration and Albania's geographic advantage. These industries can serve as anchors for sustainable growth, offering:

- faster access to the EU market,
- low labour costs and training opportunities, and
- strong export potential for value-added goods.

However, Albania's fiscal regime benefits could be undermined by weak regulatory capacity, corruption, and a lack of skilled labour. Maintaining a consistent rule of law and reducing administrative delays are essential for investor confidence.

Leveraging both foreign and domestic capital in strategic sectors can accelerate licensing and permit procedures. Yet, vulnerabilities remain due to corruption and inadequate labour force readiness to support long-term investments.

Albania's legal framework, combined with its geo-strategic location and natural resources, provides a competitive edge in the Western Balkans. To unlock this advantage, national policy must adopt tailored, sector-specific incentives aligned with Law No. 55/2015 on Strategic Investments.

Key to this approach is building a transparent, green, and digital investment ecosystem. This includes integrating the SDGs, using digital platforms for permit issuance, and ensuring real-time publication of strategic contracts. These elements are vital not only for compliance but also for shaping a modern and resilient investment climate grounded in credibility and sustainability.

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