



---

## THE COVID-19 CRISIS IN ALBANIA

---

27 April 2020

---

### COVID-19 update

---

- *Current Covid-19 situation:* The Ministry of Health of Albania monitors and holds daily press conferences on the COVID-19 outbreak. The detailed and updated number of cases – including statistics on patients in reanimation, number of new cases, deaths and total of positive tests for covid-19 – is published daily on the Ministry's [website](#).
- *Assessment of the health system:* According to the Albanian Ministry of Health, the country has at its disposal around 310 hospital beds for hospitalisation of patients with coronavirus. Two hospitals have been put in service of coronavirus patients in Tirana as “COVID 1” and “COVID 2”. Albania has the capacity of 500 COVID-19 tests a day with 7 491 persons tested to date. Additionally, the country ordered 84 new respirators. A hospital is being adapted to function as a quarantine hospital during the pandemic.

---

### Economic impact

---

#### **Short-term indicators of the economic impact**

- Real GDP growth is expected to decline by 5% in 2020 from the estimated 2.2% growth in 2019.<sup>1</sup> According to the Ministry of Finance and Economy, the first phase of lockdown will cost the economy EUR 16 million in tax revenues. The Prime Minister announced that losses to the revenues will amount to more than half a billion euros. The most affected sectors will be tourism, transport and trade. 50 000 jobs have already been lost due to the crisis.
- It is expected that the COVID-19 outbreak will instigate a recession in the economy, which heavily relies on trade with and investments from the EU (e.g. almost 50% of exports are directed to Italy)<sup>2</sup>. Within the domestic markets SMEs, manufacturing (6% of 2017 GDP) and tourism sectors (8.5% of 2018 GDP) will be among the most affected.<sup>3</sup> Unemployment rates (12.3% in 2018) may rise again and labour market conditions exacerbate, given that a notable share of the workforce lives abroad (around 30% of the population).<sup>4</sup>

---

<sup>1</sup> International Monetary Fund (2020), *World Economic Outlook (April 2020)*, Washington, D.C., [https://www.imf.org/external/datamapper/NGDP\\_RPCH@WE0/OEMDC/ADVEC/WEOWORLD?year=2020](https://www.imf.org/external/datamapper/NGDP_RPCH@WE0/OEMDC/ADVEC/WEOWORLD?year=2020)

<sup>2</sup> WITS (2018), *Trade summary for Albania*, <https://wits.worldbank.org/countrysnapshot/en/ALB/textview>

<sup>3</sup> OECD (2020), *Covid-19 crisis response in South East European economies*, [https://read.oecd-ilibrary.org/view/?ref=129\\_129649-tclugxbw4j&title=COVID-19-Crisis-Response-in-South-East-European-Economies](https://read.oecd-ilibrary.org/view/?ref=129_129649-tclugxbw4j&title=COVID-19-Crisis-Response-in-South-East-European-Economies)

<sup>4</sup> World Bank Group (2018), *Western Balkans Labor Market Trends 2018*, <http://documents.worldbank.org/curated/en/565231521435487923/Western-Balkans-Labor-Market-Trends-2018>.

## **Financial Market**

- The government bond spread has increased by around 25% between 1 January and 31 March, signalling deteriorating investor confidence and higher perceived risk of Albanian sovereign debt.
- The Albanian currency, ALL, has depreciated by almost 7% since the beginning of the COVID-19 crisis. This depreciation can affect enterprises' ability to make payments denominated in foreign currency, which is a problem due to the high percentage of foreign exchange denominated loans.

---

## **Policy reactions**

---

- On 24 March, Prime Minister Edi Rama declared a 'state of natural disaster' across the country for a period of 30 days.

## **Extent of containment measures**

- *Containment.* The government has closed all schools, educational institutions, cultural premises, restaurants and non-critical stores. Only food stores, pharmacies and financial institutions remain open. As of April 13, there is a mandatory curfew from 17:30 to 05:00. Only one person from each household is allowed to go shopping per day for a limited period of two hours. Other travel, including by car, is only permitted for authorised employees going to work from 05:00-08:00 and returning from 16:00-17:30. On weekends, starting from 10 April, there is a strict curfew that lasts from 17:30 on Friday until Monday at 05:00 for all citizens including the activities that are allowed during the week. The elderly and children under ten are allowed to go out only at specific times during the weekend. Exceptions to these rules include the transportation of goods and foodstuffs, the state police, the armed forces, critical units of state services, media companies and deliveries.
- On 27 April, the government introduced areas called the Green Zones, which cover cities that have a lower risk than the rest of the country and where citizens are allowed to move without an authorisation from 09:30 to 17:30 and the elderly from 06:00 to 08:30. Personal vehicles are allowed to move inside the areas, with only one passenger in addition to the driver.
- As of 20 April, the government allowed economic activity to resume for 600 sectors such as agriculture and animal husbandry, food production, mining and textile industry as well as the fishing sector. On 27 April, a new wave of businesses was able to resume their activities, enabling 27 589 employees to return to work. They include different kind of stores such as clothing stores, shoe and leather goods shops, furniture and household items stores, florist shops, lighting, electronic and telecommunications equipment stores. Taxi service is now allowed for only one passenger per car.

## **Border measures**

- All border crossings in Albania are closed, with a few exceptions (mainly transport of goods, diplomatic corps). Tirana International Airport is closed to air traffic except for state, military, medical and emergency flights.
- Travellers returning to Albania from COVID-19 affected areas subject to a mandatory 14-day self-isolation regardless of their residence status.
- On 29 March, the Ministry of Europe and Foreign Affairs in cooperation with the Diplomatic Representation of the Republic of Albania throughout the world started repatriation operations for Albanian citizens.

### **Measures to cope with the health emergency**

- On 3 April, Albania received 8 tons of personal protective equipment for medical staff, reaching a total of 23 tons of new equipment including masks, special clothing, goggles, protective helmets and other elements enabling the increase of the safety of doctors and nurses in dealing with COVID-19.
- An export ban has been placed on drugs and medical devices except if a special authorisation is provided by the Minister of Health.
- The elderly will receive their reimbursable drugs at home.
- Family physicians across the country are performing online counselling and treatment of patients with chronic diseases and monitoring all patients confirmed with COVID-19 who are at home with mild or moderate symptoms. Across the country, family doctors have performed more than 40 000 online consultations.

### **Monetary policy**

- As of 25 March, the Bank of Albania decided to reduce its policy rate from 1.0% to 0.5%. It reduced the interest rate for the overnight lending facility from 1.9% to 0.9% and maintained the interest rate for the overnight deposit facility unchanged, at 0.1%.
- The Bank of Albania has increased the operational capacities to guarantee the supply of the economy with currency and banknotes as well as to ensure the smooth functioning of the electronic payment system.
- The Bank of Albania has adopted the operational strategy of unlimited liquidity into the banking system. This sector, businesses, households and public sector, through this strategy, will have the possibility to withdraw at the Bank of Albania all the necessary liquidity required by them.
- The Supervisory Council decided to ease the postponement procedures by three months of loan instalments to businesses and households affected by the crisis, by providing the banking sector with the necessary regulatory space to do so.

### **Fiscal policy**

- On 19 March the government amended the 2020 budget through a normative act announcing a package of support measures of Lk 23bn (1.3% of GDP). The package is a combination of spending reallocations, spending increases and sovereign guarantees to support affected businesses.
- A total of USD 65 million was made available for the immediate needs for the most disadvantaged part of the population, for small businesses and for the potential unemployment due to the virus.
- USD 10 million was made available as a reserve fund to the Council of Ministers for any unforeseen emergencies.

### **Support to firms:**

- Support to salaries and firm liquidity: USD 100 million, through the instrument of a sovereign guarantee, for companies that have difficulties in paying employee salaries. The government will support businesses who stopped working due to the COVID-19 pandemic with a benefit of not more than USD 14 000 by paying their employees the minimum wage, ALL 26 000. The self-employed will also receive the same amount.
- Credit support: The government will permanently erase late payment interests for active debtors who are current energy consumers, family or small business, with a financial effect of up to USD 150 million.

- The government will reschedule the profit tax deadline to the second half of 2020 for all businesses with a turnover between USD 20 to 140 thousand.
- Postponement of balance sheet submission up to 1 June 2020 for businesses submitting balance sheets to NBCs online or directly.
- Expanded economic package: As of 20 April, 176 000 families will benefit from ALL 4 000 during the COVID-19 pandemic. That includes 100 000 employees in small businesses affected by the situation, 66 000 employees in large businesses and 10 000 employees in the tourism sector that were not included in the first package.

### ***Support to the population:***

- Included in the first economic package, unemployment benefits were doubled during the pandemic. Additionally, persons receiving social assistance will receive double the amount during the pandemic.
- Expanded economic package: As of 20 April, 176 000 families will receive ALL 4 000 during the COVID-19 pandemic. That includes 100 000 employees in small businesses affected by the situation, 66 000 employees in large businesses and 10 000 employees in the tourism sector.
- The unemployed jobseekers who were receiving unemployment benefits before March 10 will be able to process their demands online, and citizens that were unemployed after March 10 will be able to exceptionally apply online (by email) and receive unemployment benefits.
- The payment of rent will be postponed for the month of April and May for small businesses, families that have stopped working due to the COVID-19 situation and students that moved back home during the pandemic.
- Support for education: Albania has developed a range of televised courses for primary and secondary students that are aired on national TV channels. Distance learning is also available via online platforms such as google classroom, zoom and edmondo, and is organised at the school level.

### ***Additional measures***

- As of 20 April, citizens and businesses are able to get an authorisation online allowing them to go out or go to work.
- On 16 April, the parliament approved the government's proposal to introduce harsh prison sentences for those who violate COVID-19 measures and so change the Criminal Code.
- Any business that raises their prices abusively will be penalised.
- All passports and IDs that expire during the covid-19 pandemic will continue to be valid until the process to obtain new forms of identification becomes operational again.
- On 1 April, The Prime Minister announced that the doctors, nurses and health workers on the front line will receive an additional EUR 1 000 payment. The supporting personnel (including ambulance drivers) will benefit from an additional payment of EUR 500 during the COVID-19 crisis.
- The Council of Ministers decided for the salary of the Prime Minister, the government cabinet and the deputies to be halved for a period of three months, while the Presidency offered to voluntarily give up 50% of the salary. Additionally, the assembly called for 30 other constitutional institutions to voluntarily join the initiative to give something of their salaries.
- USD 20 million was made available to the Ministry of Defence for Humanitarian Operation.

## International support

- The EU is mobilising a package of over EUR 410 million in reallocated bilateral financial assistance to support the Western Balkans during the coronavirus emergency. Out of this package, Albania will receive EUR 4 million of immediate support for the health sector and EUR 46.7 million of support for the social and economic recovery.
- The Commission has adopted a proposal for a €3 billion macro-financial assistance (MFA) package to ten enlargement and neighbourhood partners to help them to limit the economic fallout of the coronavirus pandemic. Albania will receive USD 180 million out of this package.
- On April 10, the IMF approved USD 190.5 million financial assistance to Albania.
- Albania is receiving USD 700 000 in health assistance from the USA to help prepare the response of the health sector to the COVID-19 pandemic.
- Albania is also receiving aid for its health care system from Turkey, China, Switzerland, Norway, Hungary and the UNDP.

---

## Outlook

- *Situation prior to COVID-19:* In November 2019, Albania was hit by a high magnitude earthquake, which took a toll on physical infrastructure and economic activity, leaving a burden to the budget prior to COVID-19. Although in recent years the economy experienced a constant increase in real GDP growth, due to the earthquake and a decrease in energy production caused by a drought, it went from 4.1% to an estimated 2.2% in 2019. On the other hand, unemployment rates have been constantly declining, reaching 12.3% in 2018. The situation for youth has been improving (28% in 2019), as well as long-term unemployment (67.4% of all unemployment), although their high levels remain a concern. On the other hand, the share of informal workers kept increasing, reaching 37% in 2018. This situation has led to an outflow of the young and highly skilled from the country, with more than 30% of the population residing outside the country. Net FDI had been decreasing at an estimated 7.6%, after peaking in 2016 due to the Trans Adriatic Pipeline and the Devoll Hydropower projects. General government debt stood at 66.7% of GDP.
- Given the small size of the Albanian economy, the policy action is considerable and covers many groups affected by the containment measures. In Fall 2019, the projected GDP growth for 2020 in Albania was 3.4%,<sup>5</sup> while in April 2020 the GDP growth is projected to be -5%.<sup>6</sup> Hence, the coronavirus pandemic is expected to produce a notable recession of the economy, which heavily relies on trade with and investments from the EU, particularly Italy. Within the domestic market, SMEs, manufacturing and tourism sectors will be among the most affected. Unemployment may rise again and labour market conditions may deteriorate further given that a notable share of the workforce live abroad (around 30% of the population). Amidst the crisis, the European Commission decided to open accession negotiations with Albania.

---

<sup>5</sup> World Bank (2019), *Western Balkans Regular Economic Report: Fall 2019*, Washington D.C., <https://www.worldbank.org/en/region/eca/publication/western-balkans-regular-economic-report>

<sup>6</sup> International Monetary Fund (2020), *World Economic Outlook (April 2020)*, Washington D.C., [https://www.imf.org/external/datamapper/NGDP\\_RPCH@WEO/OEMDC/ADVEC/WEOWORLD?year=2020](https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD?year=2020)

- 
- This paper is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.
  - This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.
  - The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.