Private Sector Implications of Albania's Alignment with EU Acquis Chapter 3

Right of Establishment and Freedom to Provide Services

Final Study – March 2026

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Registered offices
Bonn and Eschborn, Germany

Friedrich-Ebert-Allee 36 + 40
53113 Bonn, Germany
T +49 228 44 60-0
F +49 22844 60-17 66

Dag-Hammarskjold-Weg 1 - 5
65760 Eschborn, Germany
T +49 61 96 79-0
F +49 61 96 79-11 15

E info@giz.de
I www.giz.de

Support to Accession Negotiations in Economic Chapters of the Acquis (SANECA II)

GIZ Office Albania
Ismail Qemali Street, No 3, Floor 3
Tirana, Albania
T +355 4 2273 424

Responsible:
Blerina Raça. Project Manager (blerina.raca@giz.de)

Contact:
Erkand Kola (erkand.kola@giz.de)
Irena Xhafa (irena.xhafa@giz.de)

Authors:
Erik Akse • Enio Jaco

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Tirana, March 2026

Table of Contents

Table of Contents

Table of Contents

Albania's Growth Opportunity

through chapter 3 reforms

GDP GROWTH SCENARIOS (10-year outlook)

+0.8%	+1.5%	+5.0%
Scenario 1 Basic / Constrained	Scenario 1 Effective Implementation	Scenario 3 Ambitious / Transformational

NET FISCAL GAINS FOR GOVERNMENT (10-year net)

€228.6M	€441.5M	€1.5B+
Basic Scenario	Effective Scenario	Transformational Scenario

WHERE GROWTH COMES FROM

- Fewer licensing steps
- Less paperwork
- Faster market entry
- Lower compliance costs
- Better business climate
- Higher productivity
- More investment
- Main strategic insight: depth of reform matters

KEY MESSAGE

Benefits scale with the depth of reform - not merely legal transposition. Ambitious, coordinated implementation unlocks the highest GDP, fiscal and productivity gains.

Business Reality & Reform Readiness

in Albania - what businesses say

AWARENESS OF REFORMS

33%
Aware reforms are underway

13%
Feel well-informed

ADMINISTRATIVE BURDEN TODAY

62%
Spend >10 hours per license

60%
Licensing takes >1 month

54%
Processes involve >5 steps

DIGITAL READINESS

86%
Used e-Albania in past year

—
Strong adoption; need better end-to-end services

WHAT BUSINESSES NEED MOST

44%
Clear guidance / helpline

31%
Simpler procedures

28%
Training on online systems

Source: CBS/IA/ consultation (2025) -10 key informant interviews and 127 business survey responses.

Executive Summary

Scope and Strategic Importance of Chapter 3 Reforms

This study examines the potential cumulative economic impact for Albania of aligning with and effectively implementing – as a package – the three interlinked EU Single Market instruments under Chapter 3: the Services Directive (2006/123/EC), the Professional Qualifications Directive (2005/36/EC), and the Proportionality Test Directive (EU) 2018/958.

Taken together, these instruments form an integrated framework to remove unjustified barriers to establishment and service provision, enable predictable recognition of professional qualifications, and prevent the re-introduction of disproportionate restrictions through stronger regulatory discipline.

This study's central finding is that the magnitude of Albania's gains depends not merely on the formal transposition. Far more do the potential gains depend on the depth, consistency, and operational credibility of implementation across government, including at local level.

Current Alignment Status and Stakeholder Readiness

This sutdy confirms that Albania currently shows partial alignment with the Services Directive, marginal alignment with the Professional Qualifications Directive, and no alignment with the Proportionality Test Directive, underscoring the scale of the reform agenda.

> **If Albania effectively implements Chapter 3 reforms—not just adopts them legally - it could unlock meaningful GDP growth, stronger public revenues, and a more competitive business environment.**

Stakeholder evidence (10 key informant interviews and 127 survey responses) indicates that the reforms will be "felt" first through licensing, notifications, documentation, and online procedures. Businesses are cautiously optimistic overall, but awareness is low with only around one-third of respondents knowing Chapter 3 reforms were underway, and only a small minority feeling well-informed. The strongest early demand is for practical guidance: 44% prioritise clear information, guidelines, or a helpline, followed by simplification and training on online systems.

Stakeholder evidence (10 key informant interviews and 127 survey responses) indicates that the reforms will be "felt" first through licensing, notifications, documentation, and online procedures. Businesses are cautiously optimistic

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Economic Impact Scenarios and Transition Measures

The quantitative analysis presents three GDP-impact scenarios over a 10-year horizon, with impacts materialising gradually and assumed to begin from Year 5: 0.8% (basic/constrained implementation), 1.5% (effective implementation), and 5.0% (ambitious/transformational reform).

Even under conservative assumptions, the analysis indicates positive net fiscal effects in all cases, as additional revenues from higher GDP exceed implementation and support costs.

The GDP growth is a result of the reductions in administrative burden (e.g., fewer licensing steps and fewer hours spent on paperwork) and the overall improvement of the business climate. These are assumed to lower compliance costs and time needed to enter a market. This leads to improvements in firm-level efficiency and freeing capacity for productive activity. The difference in GDP growth is related to the actual depth of the reforms.

The study also sets out a practical set of mitigation measures to protect SMEs and solo practitioners during the transition, focusing on: (i) business guidance, (ii) end-to-end PSC/e-Albania workflow redesign, (iii) transition clinics, (iv) phased compliance, (v) targeted internal capacity building, (vi) incentives for formalisation and quality upgrading, and (vii) an implementation dashboard to sustain delivery beyond legal drafting.

Figure 1: Key data presented in this report

Section	Indicator	Value
A. Current alignment status (baseline)	Services Directive (2006/123/EC)	Partial alignment
	Professional Qualifications Directive (2005/36/EC)	Marginal alignment
	Proportionality Test Directive (EU) 2018/958	No alignment
B. Business awareness & stakeholder evidence	Evidence base	10 key informant interviews + 127 survey responses
	Businesses aware Chapter 3 reforms are underway	\-33% (around one-third)
	Businesses feeling well-informed	\-13%
	Top support needs indicated by business	
	Clear information / guidelines / helpline	44%
	Simplification of procedures	31%
	Training on new online procedures	28%
C. Administrative burden indicators (baseline)	Time spent on forms for a typical license	\-62% spent more than 10 hours per license
	Use of e-Albania for procedures	86% of consultation respondents
	Potential savings for companies per license	50-75 euro
D. GDP impact scenarios (10-year outlook)	Scenario 1: Basic / constrained implementation	– +0.8% GDP – net government revenues: €228.6 million (10-year net fiscal impact)
	Scenario 2: Effective implementation (most viable scenario)	– +1.5% GDP – net government revenues: €441.5 million (10-year net fiscal impact)
	Scenario 3: Ambitious / transformational reform	– +5.0% GDP – net government revenues: €1,506.7 million (10-year net fiscal impact)
Note	Implementation lag assumption	Impacts assumed to begin from Year 5

1. Introduction

This study examines the potential cumulative economic impact for Albania of the following three EU Directives:

1. SERVICES DIRECTIVE 2006/123/EC

Removes unnecessary legal and administrative barriers to freedom of establishment and free movement of services. Obliges Member States to simplify procedures, establish Points of Single Contact, and screen national laws to eliminate discriminatory or disproportionate restrictions.

2. PROFESSIONAL QUALIFICATIONS DIRECTIVE 2005/36/EC

Facilitates cross-border mobility of qualified professionals through mutual recognition of professional qualifications. Establishes automatic recognition for seven sectoral professions, a general system for others, and recognition based on professional experience for certain trades.

3. PROPORTIONALITY TEST DIRECTIVE (EU) 2018/958

Requires Member States to conduct a transparent and evidence - based proportionality assessment before introducing or amending any regulation of professions. Restrictions must not go beyond what is required to achieve legitimate public-interest objectives.

These three directives provide the essential framework for EU Member States for regulating service providers and professions.

The Services Directive was developed with the aim to remove unnecessary legal and administrative barriers to the freedom of establishment and the free movement of services across the European Union. The Directive obliges Member States to simplify procedures, establish Points of Single Contact, and screen their national laws to eliminate discriminatory or disproportionate restrictions.

This Professional Qualifications Directive aims to facilitate cross-border mobility of qualified professionals by ensuring mutual recognition of their professional qualifications throughout the EU. It establishes rules for automatic recognition of seven sectoral professions, a general system for others, and recognition based on professional experience for certain trades. Its core purpose is to allow professionals to practise their occupation in another Member State under the same conditions as nationals, while maintaining high standards of public health and consumer protection.

The Proportionality Test Directive requires Member States to conduct a transparent and evidence-based proportionality assessment before introducing or amending any regulation of professions. It aims to ensure that restrictions are justified based on clear evidence and data. Restrictions should not go beyond what is required to achieve legitimate public-interest objectives in order to prevent unjustified new barriers in the future.

The three directives are instrumental to Albania's EU Integration process. Their transposition and implementation will bring Albanian laws and sub-legal acts to the EU standards by reducing needless barriers and fostering competition in the services sector.

2. Problem Definition

Albania's EU accession path has accelerated in recent years due to sustained reforms, strengthened alignment with the EU acquis, and growing geopolitical momentum for integrating the Western Balkans into the European Union. The progress in key areas such as the rule of law, public administration, and the Single Market have positioned Albania as one of the more advanced candidates.

The EU's enlargement methodology further supports a faster, merit-based process, allowing Albania to advance more rapidly in clusters where reforms are substantially implemented. This momentum is reinforced by strong political commitment within Albania to meet EU standards and deliver structural reforms that enhance governance, economic competitiveness, and rule of law.

The implementation of the Services Directive, the Professional Qualifications Directive and the Proportionality Test Directive is indispensable for Albania's accession to the EU. These directives underpin core freedoms of the Single Market and serve as catalysts for domestic reforms. Their key roles include strengthening administrative capacity, improving market competitiveness, enhancing labour mobility and ensuring high regulatory standards at EU level. Their timely and effective transposition is both a legal requirement and a strategic opportunity for Albania to prepare for full participation in the EU Single Market.

The Services Directive (2006/123/EC)

The **Services Directive** (SD) is one of the pillars of the EU Single Market architecture. Its purpose is to eliminate unnecessary administrative and regulatory barriers to the provision of services, simplify procedures for businesses, ensure transparency and enhance the quality of the business environment.

For Albania, the economic importance of this directive is substantial. The service sector is a major driver of economic growth in Albania. Successful implementation of the directive is expected to stimulate investment, productivity and formalisation.

The Services Directive is closely linked to digital transformation efforts, particularly through the Single Digital Gateway. Implementation of the directive requires significant improvements in administrative cooperation, the functioning of the Point of Single Contact, and the reduction of burdensome authorisation schemes.

The EU maintains strict expectations related to implementation of the directive due to its horizontal impact on economic freedoms and the functioning of the Single Market. As a result, Albania can be expected to demonstrate not only legal transposition but effective implementation and enforcement of the Directive even before formal accession to the European Union.

The Professional Qualifications Directive (2005/36/EC)

The **Professional Qualifications Directive** (PQD) plays an equally critical role as it regulates the recognition of professional qualifications across the EU and enables the free movement of professionals. Its transposition ensures that professionals such as engineers, doctors, architects, teachers or nurses can work across borders with predictable, transparent and non-discriminatory recognition procedures.

For Albania, alignment with Directive 2005/36/EC and related amendments is a prerequisite under Chapter 3 of the EU acquis for ensuring that Albanian professionals can benefit from EU mutual recognition mechanisms after accession. Alignment modernises the domestic system for regulating professions by introducing transparency obligations, proportionality assessments, structured recognition procedures, and EU administrative cooperation tools. It also enables the use of European instruments such as the European Professional Card for specific professions.

The Proportionality Test Directive (EU} 2018/958

Complementing the PQD, the **Proportionality Test Directive** (PTD) introduces procedural obligations for Member States -- and therefore candidate countries -- when regulating access to or the exercise of regulated professions. The PTD requires that any new or amended regulation of a profession be justified by objective, evidence-based assessments, ensuring that restrictions are proportionate, non-discriminatory and necessary for legitimate public interest objectives.

It also strengthens Albania's overall regulatory governance by embedding analytical processes into the design of professional regulations and by enhancing transparency and accountability.

The implementation of the three directives reflects strongly on the country's administrative capacity and the quality of its regulatory institutions, both of which are central evaluation points in accession negotiations.

As part of the analysis for this report, a structured legal screening of the three directives against the legislation in force was conducted, based on the regulatory mapping anticipating this report. The resulting alignment status is summarised below.

For Albania, this directive is essential to avoiding arbitrary or protectionist regulatory barriers that could drive factors enabling corruption, hinder labour mobility or distort market competition.

This analysis is developed in support of the draft law on the right of establishment and freedom to provide services, which aims to ensure full legislative alignment with Directive 2006/123/EC (Services Directive). It is part of a broader and coordinated legislative package that also includes a draft law on the recognition of professional qualifications and on the Proportionality Test, as well as targeted amendments to sectoral legislation and the Code of Quality in Higher Education to complete transposition of minimum training requirements in accordance with Directive 2005/36/EC.

The economic scenarios described later in this report depend on the actual level of implementation of the reforms (e.g.,

Directive	Alignment status	Summary assessment
Services Directive (2006/123/EC)	Partial alignment	Framework principles reflected; systematic screening and full compliance mechanisms not yet ensured.
Professional Qualifications Directive (Directive 2005/36/EC)	Limited alignment	Sectoral elements partially reflected; no comprehensive recognition system aligned with EU acquis.
Proportionality Test Directive (Directive (EU) 2018/958)	No alignment	No binding ex ante proportionality assessment mechanism in force.

digitalization, streamlining of requirements, quality of application by authorities). The economic impact does not simply depend on the formal legal transposition. The economic effect is dependent on the speed and depth of the reforms that the three directives are expected to initiate.

In the context of EU accession under Chapter 3 -- Right of Establishment and Freedom to Provide Services, candidate countries are expected to achieve full alignment with the acquis at the time of accession. While transitional arrangements may be negotiated in exceptional cases, such measures require specific and limited justification and are not standard practice in Single Market areas governed by freedom of establishment, freedom to provide services and mutual recognition.

Incomplete or delayed implementation of the Services Directive, the Professional Qualifications Directive and the Proportionality Test Directive could affect the proper functioning of the Single Market by weakening mutual trust, legal certainty, equal treatment of service providers and competitive neutrality.

Accordingly, Albania is expected to achieve full or near-full legislative alignment prior to accession and to demonstrate operational institutional capacity, including effective recognition procedures, proportionality assessment mechanisms, functioning competent authorities and administrative cooperation tools necessary for the consistent daily application of the relevant acquis.

2.1 Key Problem Statement

Albania's challenge under Chapter 3 is twofold: (i) legal alignment gaps remain in the transposition and design of the Services Directive, Professional Qualifications Directive, and the Proportionality Test Directive; and (ii) implementation and delivery bottlenecks risk constraining the effective functioning of authorization, licensing, and recognition processes in practice (including end-to-end digital delivery, institutional coordination, and business awareness).

> **Unless both dimensions are addressed in parallel, formal alignment will not translate into predictable, proportionate, and accessible market entry conditions for service providers.**

Incomplete implementation would keep in place existing burdens. The lack of simplification would maintain higher overall costs of doing business and fail to unlock potential productivity gains. This would substantially limit the direct economic benefits of Chapter 3 accession-related reforms. More importantly, from an Single Market perspective, it creates clear risks for competition and Single Market integrity. Uneven or weak implementation can preserve discriminatory or disproportionate requirements, raise entry and compliance costs, and fragment market access. This would distort competitive conditions between domestic and EU operators, reducing cross-border provision of services, and undermining the level playing field that the directives are intended to secure.

Figure 2: Key implementation challenges

- **Fragmented procedures** and uneven application across institutions and administrative levels increase uncertainty and compliance costs.
- **Limited administrative coordination** and end-to-end delivery weakens predictable processing and coherent case-handling.
- **Digital delivery gaps** (PSC/e-Albania completeness and usability) reduce transparency, efficiency, and user confidence.
- **Low business awareness** and limited guidance constrain uptake, compliance, and reform credibility.
- **Weak monitoring** and feedback loops limit the system's ability to identify bottlenecks and drive continuous improvement.

2.2 Services and Professional Qualifications in Albania

Services are Albania's largest economic sector, accounting for 47.96% of GDP (value added) in 2023.[1] In the same official national accounts release, INSTAT reports that services value added increased by 8.26% in real terms in 2023, confirming that services are not only structurally important but also a key driver of growth.

In comparative perspective, Albania remains less service-intensive than typical EU economies: commonly used cross-country aggregates indicate a world average services share around the mid-50% range (2024) and an EU services share around two-thirds of GDP (2024).[2] [3] This gap suggests continued scope for medium-term structural upgrading toward higher-productivity services.

INSTAT's quarterly national accounts show continued real growth in 2025 with service-intensive activities among the main contributors:

- Q1 2025: Real GDP (volume) +3.39% year-on-year. Key positive contributors included public administration, education and health, plus trade/transport/accommodation & food services, real estate, and professional/administrative services.[4]
- Q2 2025: Real GDP (volume) +3.51% year-on-year, again supported notably by public administration, education and health, trade/transport/accommodation & food services, and real estate.[5]

This pattern points to a service economy where both market services (trade, logistics, tourism-related activities, business services) and public/social services are central to short-term macroeconomic performance.

Labour-market statistics underscore services' role as a major employer. INSTAT reports 1,177,245 employed persons in 2024, with services accounting for 42.8% of total employment (market and non-market services combined).[6]

A single consolidated statistic on "regulated professionals" (across all professions and regulators) is not provided as one headline series in INSTAT outputs. However, INSTAT's occupational structure provides a useful proxy for the regulated-professions talent base.

In 2024, the combined group "managers, professionals and technicians" represented 20.5% of total employment.[7] Applied to total employment, this indicates an employment pool of approximately 241,000 people in higher-skill occupational categories that typically include many regulated professions (e.g., health, education professions, engineering and other technical professions), alongside non-regulated roles. The actual number of persons working in regulated professions can, however, not be derived from this.

[1] INSTAT, Publication of GDP 2023 semi-final and GDP 2022 final (press release), 27 September 2024. PDF: ‹https://www.instat.gov.al/media/14062/gross-domestic-product-2022-final-and-2023-semifinal.pdf›.
[2] World Bank (WDI), Services, value added (% of GDP) -- World (2024).
[3] World Bank (WDI), Services, value added (% of GDP) -- European Union (2024).
[4] INSTAT, Quarterly Economic Growth -- First Quarter, 2025 (press release), 26 June 2025. PDF: https://www.instat.gov.al/media/qw1exnzp/preess-release_gdp-q1-2025.pdf.
[5] INSTAT, Quarterly Economic Growth -- Second Quarter, 2025 (press release), 29 September 2025. PDF: https://www.instat.gov.al/media/2rqfhqms/gdp-q2-2025.pdf.
[6] INSTAT, Tregu i Punës 2024 / Labour Market 2024 (INSTAT 2025).
[7] Idem.

Services and Professional Qualifications in Albania: Business Perspectives

This subchapter summarizes how Albanian service providers and professionals view Chapter 3 reforms based on a late-2025 stakeholder consultation, distinguishing between legal baselines and stakeholder perceptions.

Respondents and key consultation figures

The evidence base combines 10 key informant interviews and 127 survey responses from the private sector. Respondents are primarily individuals and small operators: 63% self-employed/licensed professionals and 37% business owners/managers.

The Chapter 3 reforms will be "felt" first through micro-level interactions with licensing, notifications, documentation, and online systems.

Figure 3: Key outcomes of the stakeholder consultation process

Theme	Indicator	Result
Awareness	Prior awareness of Chapter 3 reforms	33%
	Well-informed about reforms	13%
Licensing duration	Licensing process took >1 month	60%
	Licensing process took >3 months	20%
	Licensing obtained within 1 week	11%
Procedural complexity	Licensing involved >5 steps	54%
	Licensing involved 6–10 steps	35%
	Licensing involved >10 steps	19%
Paperwork burden	Paperwork >10 hours per license	62%
	Paperwork >20 hours per license	30%
Digital uptake	Used e-Albania in past year	86%
Support priorities	Clear info / guidelines / helpline	44%
	Simplification (reduce steps)	31%
	Training on online procedures	28%
Expectations	Expect positive impact (next 1–2 years)	39%
	Expect negative impact	19%

SME Burden Snapshot

The outcomes of the stakeholder consultation allows an illustrative application of the Standard Cost Model to highlight the costs faced by companies in the service sector and the burden reduction potential.

The consultation shows that 62% of companies face at least 10 hours of work when trying to obtain a licence. 30% even report more than 20 hours of work. The difference can probably be retraced to the size of the company and the area of activity with a hotel being expected to have higher time burden than a barber, for example.

Assuming that the salary of the person working on the licencing process from the business side is somewhat above the average salary (e.g., business owner, directors, legal professionals), the wage per hour is set at 10 euro. This is expected to include overhead costs as well.

While a licence application will always take time, the amount of time required as reported by the consultation respondents indicates that a significant time is needed to understand requirements, to obtain and submit information from administrative authorities and to follow up (most likely in person).

Time savings can be between 50% and 75% in case information is easily findable and the entire application process runs online from start to finish without the need for in-person follow-up. This provides the basis for the expected potential benefit per license in terms of simplification of between 5 to 7,5 hours. Based on the wage per hour of 10 euro, per license a total of between 50 and 75 euro could be saved on the business side.

Low Awareness of EU-Chapter 3 Reforms

Most Albanian businesses remain largely unaware of upcoming changes. Only about one-third knew Chapter 3 reforms were underway, with just about 13% feeling well-informed.

This awareness gap indicates the demand for urgent outreach as stakeholders universally emphasized the need for clear guidance, explanatory materials, and helplines well before new procedures take effect. Survey data show 44% of businesses identified \"clear information, guidelines or a helpline\" as their top support need.

> "We only learned about these EU rules a month ago – it was never communicated widely." – construction entrepreneur. "If they inform us early, we can prepare. Without info, we'll be unprepared." – SME manager.

Business Climate

While welcoming EU-related streamlining in principle, businesses report that today\'s reality falls short. Obtaining licenses remains cumbersome – processes drag beyond a month with multiple agencies and repetitive paperwork.

Two-thirds of businesses spent over 10 hours on forms for a typical license. Some stakeholders described procedures as bureaucratic endurance tests, especially for small firms lacking dedicated compliance staff. The bigger burden comes from domestic administrative barriers rather than EU rules themselves.

> "It's difficult to get a permit, with each license involving coordination among several agencies," one owner complained, noting Albania's timelines compare unfavourably with other countries. This underscores why simplifying procedures (requested by 31% of respondents) remains a high priority."

Professional Qualifications and Mobility

Among regulated professions, Professional Qualifications Directive awareness is somewhat higher but still limited overall. Many practitioners are cautiously optimistic – 72% believe they personally meet EU standards, and many expect easier credential recognition once Albania aligns fully.

Young architects and doctors expressed hope that Albanian licenses will eventually confer recognition abroad. However, uncertainty persists about how new recognition procedures will work practically, with some fearing additional compliance steps.

At the same time, professional mobility represents a double-edged sword. Easier recognition benefits qualified individuals.

> "Our doctors could work anywhere in Europe, that's positive," noted a medical association representative.

Yet businesses worry as well that EU-wide recognition could accelerate talent outflow before wages and opportunities improve locally.

> A senior engineer observed optimistically that "EU standards would increase trust in Albanian qualifications abroad – and vice versa," while another stakeholder noted concerns: "We could lose some of our best people to EU jobs if everything becomes transferable."

This ambivalence highlights the need for complementary domestic incentives to retain talent.

Digital Services and E-Governance: E-Albania Platform - High Uptake, Mixed Satisfaction

The e-Albania portal is widely used (over 85% of surveyed businesses), encouraging for Chapter 3 implementation since EU directives envision online one-stop-shops. However, digital processes aren't yet end-to-end. Many online applications still require in-person follow-up. Common complaints include confusing instructions, technical glitches, and lack of real-time updates.

> "Applying online is supposed to save time, but if it's too confusing and I still have to go in person at the end, it defeats the purpose," one entrepreneur lamented. Another had to "call or visit the office to push things along, because the status [of application] wasn't updating."

Feedback related to the actual experience highlights that user experience, not just e-service availability is a critical challenge in Albania. Respondents requested training on new online procedures (28%) to help them adapt.

Despite these issues, optimism exists that Services Directive alignment will force needed digital governance improvements – better interoperability between agencies, streamlined electronic procedures, possibly multilingual access. The private sector sees digitalization as both challenge and solution. The overall hope is that if done right, it can drastically reduce burdens. However, if implementation remains superficial, the fear is that this will actually add complexity.

Expectations and Main Concerns

Albanian businesses exhibit cautious optimism – 39% anticipated positive impacts (only 19% feared negative impacts). The most hoped-for benefits include easier EU market access, simpler domestic licensing, and greater trust in Albanian services and qualifications. A tourism operator felt adopting the Services Directive would push authorities to cut red tape, helping local companies expand.

The primary concern of Albanian companies is intensified competition. Many understand EU alignment opens markets to foreign providers and professionals. While this spurs efficiency, it pressures domestic firms. They therefore urge gradual introduction with guidance for adjustment time.

> "We could be competing with a much larger market that applies economies of scale," one respondent noted. SMEs also worry about compliance costs if new regulations require upgrades (certifications, safety standards).

In general, the business community embraces Chapter 3 alignment goals as a pathway to a more efficient, fair, open market. However, their perspective highlights an implementation gap: success depends on clear communication, genuine administrative simplification, robust digital tools, and SME transition support. Addressing these will determine whether Chapter 3 delivers promised benefits or becomes an added strain on Albania\'s businesses and SMEs in particular.

Consultation Outcomes and Implications for Policy & Implementation Choices

The outcomes of the business consultation provide a useful empirical basis for assessing implementation risk and for prioritising delivery actions. The findings point to a number of constraints that, if unaddressed, could significantly reduce the economic benefits resulting from Chapter 3 alignment and implementation. Therefore, the consultation outcomes are explicitly used as the basis for sensible mitigation measures that are presented in more detail later in the report as part of the assessment of economic impacts and implementation approach.

First, low awareness (33% aware; 13% well-informed) increases the risk of delayed compliance, inconsistent interpretation of new requirements, and low uptake of reformed procedures. This represents a direct risk to achieving the intended outcomes of the directives in practice since businesses would be slow in uptake of newly created simplified procedures for business expansion and the like. This could translate into a disadvantage for Albanian companies. The mitigation package therefore includes measures to front-load communication and user support, in particular Measure 1 (Business guidance package) and Measure 3 (Transition clinics). These are reinforced by Measure 4 (phased compliance / support-first enforcement) to reduce early implementation failure during the transition period.

Second, the licensing duration (60% exceeding one month; 20% exceeding three months) indicates persistent lack of predictability and increased costs for market entry and continuation of business operations. This would directly affect the likelihood that the "effective" and "transformational" implementation pathways would materialise. Accordingly, the mitigation measures emphasise process redesign and performance management through Measure 2 (PSC/e-Albania end-to-end workflow upgrade) and Measure 7 (implementation dashboard and feedback loop), with Measure 5 (targeted capacity building in government) addressing administrative capability constraints where delays reflect limited decision-making capacity.

Third, high procedural complexity (54% reporting more than five steps; 62% spending more than 10 hours on paperwork) confirms that administrative burden is a structural problem rather than an incidental challenge. The estimated savings per licence application that businesses could benefit from range between 50 to 75 euro. Without simplification and effective implementation of the Proportionality Test, reforms risk remaining largely formal. This would result in a limited change in the day-to-day experience of service providers. Distortions in competitive conditions would also remain. This finding therefore underpins the prioritisation of Measure 2 and Measure 7, complemented by Measure 5 (tools and training to operationalise proportionality and consistent decision-making) and Measure 6, which targets remaining structural sources of complexity by standardising and streamlining requirements/processes in the affected procedures.

Fourth, stakeholder priority support needs (44% guidance/helpline; 31% simplification; 28% training) provide an evidence-based logic for implementation. The mitigation package is structured accordingly: guidance and troubleshooting are addressed through Measures 1 and 3, simplification and burden reduction through Measures 2, 6 and 7, and training and administrative readiness through Measures 3 and 5.

Finally, high use of e-Albania (86%) suggests strong potential for digital delivery. However, the persistence of reported friction and not yet fully digital experiences implies that digitalisation must extend beyond submission to full end-to-end case handling to yield far more significant burden reduction. This supports the report's emphasis in Measure 2 on end-to-end completion and transparency, supported by Measure 1 (embedded guidance) and Measure 7 (user-experience and process KPIs).

Taken together, the consultation results strengthen the analysis by providing clear evidence related implementation risks. The consultation outcomes provide a direct evidence trail to the mitigation measures set out later in the report. This linkage also clarifies why the scenario results differ: the extent to which the mitigation measures are implemented effectively determines whether outcomes align with the constrained, effective, or transformational pathway.

2.3 EU Country Report for Albania 2025[8]

The section below highlights key aspects from the most recent EU Progress Report from 2025 for Albania. It provides further background information regarding the level of alignment and actual implementation.

Overall, the Commission regards Albania as moderately prepared in the right of establishment and freedom to provide services. Importantly, the Commission highlights that 'no progress was achieved in the reporting period'[9].

Services Directive: status 2025

The 2025 Report for Albania presents the clearly that the Services Directive is momentarily aligned at a partial level:

> On the right of establishment and freedom to provide cross-border services, Albania has in place the National Business Centre, which functions as a one-stop-shop for registering businesses and issuing licences, authorisations, and permits. E-Albania portal serves as a single point of contact for accessing electronic services, enables interactions with several databases, and provides for pre-filled applications forms. The preparatory work to amend the Law on services with the EU Service Directive has continued. This includes adopting the regulatory Impact Assessment, drafting the law, consulting stakeholders and adopting a services action plan to harmonise Albanian legislation with sectoral directives.*[10]

Professional Qualifications Directive and Proportionality Test Directive: status 2025

The 2025 Report for Albania presents very clear language regarding the Professional Qualification Directive and the Proportionality Test Directive showing the limited level of alignment and indicating that significant progress still needs to be achieved:

> No progress was made in the area of mutual recognition of professional qualifications. Albania needs to intensify efforts to align its regulatory framework with the Professional Qualification Directive (PQD). In February 2025, Albania adopted the CEFTA decision related to the establishment of a general system of recognition of professional qualifications. Work on the action plan to align the legislation with the PQD on transparency and proportionality review is ongoing.[11]

[8]This sub-paragraph reflects information from the "Commission Staff Working Document SWD (2025) 750 final: Albania 2025 Report" accompanying the 2025 Communication on EU enlargement policy.
[9]Idem, page 11.
[10]Idem, page 65.
[11]Idem, page 65.

Commission Recommendations from 2025 for Chapter 3: Right of establishment and freedom to provide services

The need to continue with the transposition of the Services Directive, the Professional Qualification Directive and the Proportionality Test Directive is clearly highlighted in the 2025 Country Report for Albania:

> The Commission's recommendations from last year were not implemented and remain valid. In the coming year, Albania should in particular:* *→ start amending the legislation to address the barriers to the freedom of establishment and free movement of services identified in the 2023 self-screening exercise;*
>
> → continue efforts to align its legislation with the EU acquis and ensure appropriate institutional capacity in the area of mutual recognition of professional qualifications.*[12]

These references to a lack of progress and emphasis on legislative amendments shows that the expectation for Albania are linked to the adjustment of the country's legal framework and reform expectations resulting from the Services Directive, the Professional Qualification Directive and the Proportionality Test Directive.

[12] Idem, page 11.

3. Objectives of the Government of Albania

The Government of Albania is pursuing EU Membership. This entails the full transposition and practical implementation of the EU Acquis.

Related to the process of accession and the related negotiations, the actual speed of implementation of the EU Acquis and the application of potential derogations, the question arises how the Services Directive, the Professional Qualification Directive and the Proportionality Test Directive fit in the overall strategic vision for Albania.

The key source for his section is the recently adopted Government Programme 2025-2029 "Albania 2030". This is the most recent reflection of the practical ideas that the Government of Albania has presented. The objectives set out in this programme are highlighted to inform the manner of implementation of the Services Directive, the Professional Qualification Directive and the Proportionality Test Directive.

The key objectives relevant for the three directives presented in "Albania 2030" are the following:

The overview above shows that, in essence, implementation of the three directives supports all three pillars of "Albania 2030". This information is highly relevant for determining the actual implementation process for the Services Directive, the Professional Qualification Directive and the Proportionality Test Directive. The economic impacts related to the speed and depth of implementation are presented further below under the three key scenarios for the economic impacts.

1. The three pillars presented in "Albania 2030" are (1) European Albania; (2) Sustainable Economic Growth and (3) Well-Being for All.
2. Specifically, the programme states the aim to:
    a. establish solid economic growth of 4%
    a. encourage investment with clear and harmonized rules, simple procedures and transparency for domestic and foreign investors
    a. developing the institutional infrastructure for quality control and connection with EU systems so that Albanian certificates are recognized throughout the EU
    a. digitize all public services at the local level to offer them via e-Albania, according to the model of public services at the central level
    a. expand online educational services, digitize testing, and ensure automatic recognition of diplomas, through the establishment of a specialized agency certified according to international standards.

4. Informing the analysis: Comparison of Croatia & Albania

For the purpose of assessing the expected impacts of the transposition and implementation of the Services Directive, the Professional Qualification Directive and the Proportionality Test Directive, this report includes a comparative reference to Croatia.

Croatia offers a concrete example of a Western Balkan country that successfully navigated the EU accession process while undertaking substantial alignment with the Single Market Acquis.

Croatia faced challenges similar to those Albania faces today: administrative complexity, fragmented service markets, and the need to liberalise regulated professions. Observing how Croatia experienced the EU accession process provides a realistic benchmark for what Albania can expect as it moves through the negotiation and implementation stages.[13]

Croatia's experience is informative because it demonstrates how the economic effects of implementing the Services Directive, the Professional Qualifications Directive, and related Single Market rules materialise over time rather than as immediate shocks. This trajectory offers evidence on how long reforms take to show macroeconomic effects, how regulatory simplification can interact with broader structural reforms, and how much of the impact depends on administrative quality, enforcement, and political commitment. For Albania, this provides an empirical anchor that shows how high levels of ambition could yield above-average gains.

Finally, Croatia illustrates how the EU enforces compliance and monitors progress both before and after accession. The Commission always reacts when reforms are incomplete, and highlights areas where candidate countries fall short. This gives Albania a clear picture of the risks of under-implementation and the advantages of front-loading reforms.

In sum, Croatia serves as a practical comparator that helps with setting expectations, informing the sequencing of decisions, and identifying areas where Albania could exceed the regional (and even the average EU) norm by pursuing more ambitious Single Market reforms through implementation of the Services Directive, the Professional Qualification Directive and the Proportionality Test Directive.

Croatia 2010 - 2023

During the pre-accession process, Croatia -- like Albania now -- was closely monitored regarding its progress related to transposition implementing the EU Acquis.

For the Services Directive and the Professional Qualification, the reporting by the Commission shows that the Services Act was adopted and entered into force in July 2011. The screening of national legislation was completed by then and legal adjustment across all relevant laws and sub-legal acts was ongoing.[14] [15] Full implementation of the Services Directive was achieved on time.[16]

[13]European Commission (2011). Croatia 2011 Progress Report. SEC(2011) 1200 final; and European Commission (2012). Comprehensive Monitoring Report on Croatia's State of Preparedness for EU Membership. COM(2012) 601 final

[14]European Commission (2011). Croatia 2011 Progress Report. SEC(2011) 1200 final

[15]COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL on the Main Findings of the Comprehensive Monitoring Report on Croatia's state of preparedness for EU membership (COM/2012/0601 final)

[16]European Court of Auditors (2016). Special Report No 5/2016: Has the Commission ensured effective implementation of the Services Directive? Luxembourg: Publications Office of the European Union.

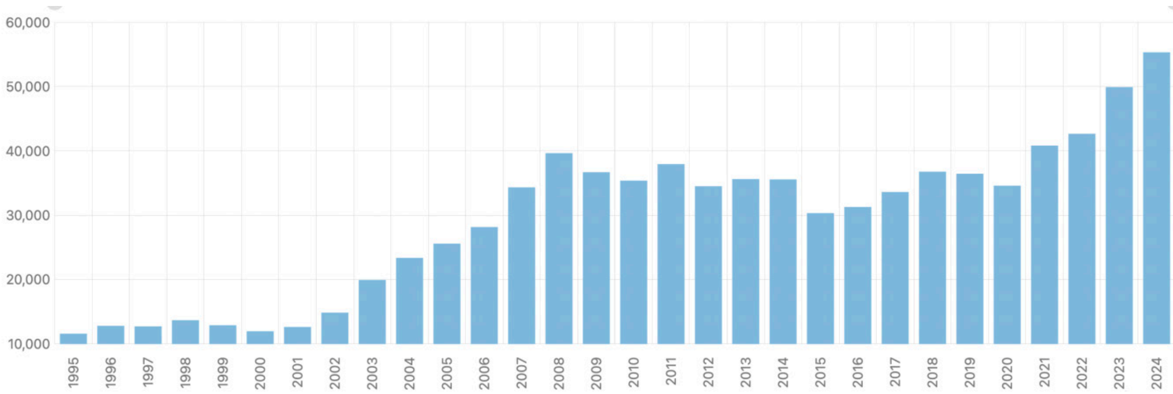
In 2013 when Croatia joined the EU, the services sector accounted for about 70% of gross value added in Croatia.[17] However, since the share of services of GDP can be affected as a result of investments and development of manufacturing, the relevant share is not used further. The nominal share is used instead.

As can be seen below, the nominal value of the share of services fluctuated during the 2010s with a markable increase during the post-Covid recovery. This picture is surprising since the expectation would have been that with the implementation of the Services Directive and Professional Qualifications Directive, the service sector should have seen growth, albeit at a gradual pace.

Growth in services would have been logical since in 2013, the key challenges for Croatia included inefficient and needless regulations and resulting bureaucracy.[18 19]

This highlighted that operating as a service provider still meant operating with a significant level of inefficiency and regulatory burden.

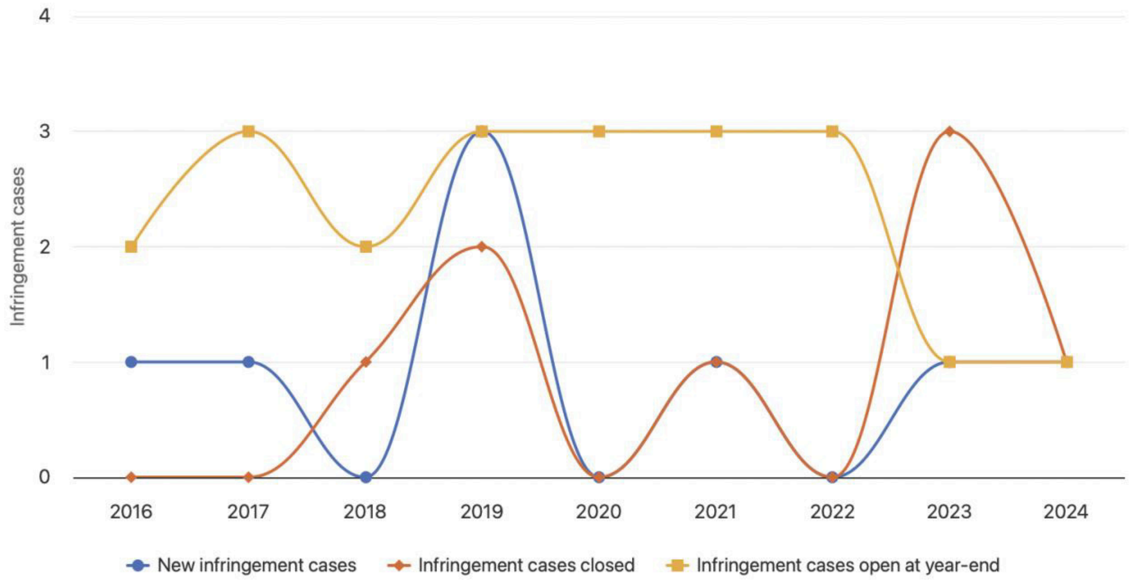
Figure 4: Croatia's Services Share of GDP in nominal terms 1995 - 2024[18]



[17]<https://www.ecb.europa.eu/pub/pdf/other/mb201307_focus03.en.pdf>
[18]<https://2013.tr-ebrd.com/en/country-assessments/1/croatia>
[19]Joint Research Centre (2014), ERAWATCH Country Reports 2013: Croatia, page 2.

In this context it is noteworthy that -- after joining the European Union -- Croatia did not see an uptick in infringement procedures related to the Services Directive, as shown in the figure below.

Figure 5: Infringement cases against Croatia post-accession for the Policy area: Single Market, Industry, Entrepreneurship and SMEs, 2013 - 2024



Explanation: Member State Croatia; Infringement type: Bad application of directives, Bad application of regulations, Treaties and decisions, Non-conformity of transposition for directives; Topic: All

This lack of evidence on macroeconomic level related to a change for services paired with the absence of an enforcement effort by the Commission via infringement procedures can be explained based on the analysis of the actual implementation of the Services Directive. The legal provisions can apparently be integrated into the legal framework, reduce bureaucracy somewhat but yet not yield a far-reaching and fundamental change that unleashes observable economic growth in the service sector.

Implementation of the Services Directive: findings of EU-level studies

In 2016, the European Court of Auditors (ECA) found that "barriers to the internal market for services covered by the Directive remain, with the Commission reluctant to pursue legal proceedings, in part due to the length of the judicial procedure but also due to a lack of strength in the legislation".[20] The ECA further noted that the "potential economic benefit of full implementation of the Directive is still not known,… Due to the lack of appropriately detailed data on sectors affected by the Directive, there is still no reliable quantification of its impact"[21].

As indicated by the ECA, partial implementation or slow reforms --- as seen in many Member States --- mean actual economic gains remain far below the initially expected potential. This is expected to explain why some countries (like Croatia) did not observe a large structural shift in the services-sector share of GDP.

[20]European Court of Auditors (2016). Special Report No 5/2016: Has the Commission ensured effective implementation of the Services Directive? Luxembourg: Publications Office of the European Union, page 6.
[21]Idem

This analysis was followed up in 2021 with a more detailed mapping by the European Commission.[22] The report concludes that, despite some progress since the adoption of the Services Directive, the EU services market remains fragmented and burdened by a significant number of legal and administrative barriers.

Barriers for service providers decreased only slightly between 2006 and 2017. This indicates that the pace of reform has been slow and uneven across sectors and Member States. Authorization schemes remain widespread, and while some accompanying restrictions (such as tariffs, legal form, and advertising restrictions) have been relaxed, many persist, particularly in professional services.

Progress has been most visible in the introduction of electronic procedures, but these were judged not to be consistently available across all sectors and countries. The report concludes that substantial untapped economic potential remains, and that more ambitious and sustained reform efforts are needed to achieve the objectives of the Services Directive and boost productivity and competitiveness in the EU economy.

The analysis showed that the impact of the reforms was clearly long-term, meaning that impacts in growth of the services sector are spread over years. This impact should also not be expected to happen right after the reforms that were triggered by the Servies Directive.

In 2022, the Joint Research Centre of the European Commission published a specific study related to assessing the impacts of the Services Directive.[23] The study concluded that regulatory reforms implemented in the EU services sector between 2006 and 2017 generated substantial macroeconomic benefits. This was despite the fact that the overall pace of barrier removal was considered slow.

Based on econometric analysis and a general equilibrium model, the study estimated that already implemented reforms are expected to lead to GDP gains of about 2.1% by 2027. The study confirmed a robust negative relationship between regulatory restrictiveness in services and productivity, showing that legal and administrative barriers significantly reduce economic efficiency. The study also presented simulations that showed that more ambitious reforms, in particular bringing Member States to the level of the five least restrictive countries, could generate an additional 2.5% of GDP by 2027.

Overall, the study demonstrated that further services liberalization could yield large and sustained gains in GDP and employment, making it one of the most impactful structural reform areas in the EU Single Market. The study laid out that -- based on the scenario of a far-reaching ad ambitious implementation of the Services Directive -- a cumulative GDP increase of approximately 4.65% would be possible by 2027.

The reports and study referenced above generally present Croatia as part of the middle-to-lower tier group of EU Member States relative to best performers. These best performers are the Nordics, Netherlands, and Baltics.

[22] European Commission (2021), Mapping and assessment of legal and administrative barriers in the services sector -- Summary report, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW).
[23] Barbero, J., Bengyuzov, M., Christensen, M., Conte, A., Salotti, S., & Trofimov, A. (2022), A general equilibrium analysis of the economic impact of the post-2006 EU regulation in the services sector, JRC Working Papers on Territorial Modelling and Analysis No 03/2022, Joint Research Centre, European Commission.

Lessons learned from Croatia as a case study

The services sector in Croatia was and is much larger relative to the overall economy than in Albania: Croatia 70% (2013), Albania's 48% (2023). Croatia's economy was further advanced in the services transition when the Directive's implementation occurred. Albania is starting from a lower services-intensity base and potentially stronger institutional/digital readiness compared to Croatia at the time of its accession since 95% of applications for 1253 public services were offered online.[24]

Because Albania's baseline services sector is smaller and potentially less developed, there is greater scope for growth from liberalisation and efficiency gains. On the flip side, the pace in which GDP growth and other benefits materialise may be slower because institutional, digital, regulatory frameworks must catch up to enable full service-market opening aligned with the Services Directive, while there is a stronger demand for investments into the services sector.

However, the key lesson that can be drawn from the Croatia case study is that implementation of the Services Directive is not a straightforward matter. While all EU Member States are working with the directive and its provisions, there are clearly different groups of countries that can be distinguished based on the ambition in relation to the Services Directive implementation.

While the economic benefits are considered to be high and up to 4,65% of increase in GDP, lack of ambition and slow speed of reforms means that the actual observed benefits are far below this potential level.

[24]Commission Staff Working Document SWD (2025) 750 final: 'Albania 2025 Report' accompanying the 2025 Communication on EU enlargement policy, page 71.

5. Informing the analysis: Montenegro's Experience

Montenegro's experience offers an implementation-focused case study for Chapter 3 since the available documentation concentrates on legal alignment, governance arrangements, and delivery instruments (notably the Point of Single Contact). There is no insight into the actual macroeconomic effects which can be expected due to the time lag between reforms and their effects becoming visible in macro-economic data.

In practice, the "effects" that can be evidenced today are changes in regulatory architecture: applying for IPA support, adopting the horizontal services framework, systematic mapping of sectoral authorisation regimes, the start of consolidation of information and procedures into a fully-functioning PSC, and improving of the regulated-professions framework (including the regulated professions list and alignment of minimum training requirements).[25] [26]

Montenegro has benefited from targeted IPA-backed technical assistance relevant to the three directives---primarily through separate but complementary streams rather than a single integrated "three-directive" project. For Services Directive implementation, the Commission's 2012 Chapter 3 screening report already foresaw an IPA-supported track covering a comprehensive screening of legislation, preparation of an "umbrella" services law, partial sectoral harmonisation, and administrative capacity-building; it also explicitly linked this work to preparatory steps for launching the PSC and noted plans to mobilise IPA 2014 funding to facilitate PSC establishment.[27] [28] This project built on other support projects that had been implemented in the past.[29]

For the Professional Qualifications Directive (PQD), an IPA national programme project fiche on mutual recognition of professional qualifications set out concrete deliverables: harmonising implementing legislation, strengthening competent authorities, creating a list of regulated professions, and establishing a database compatible with Single Market administrative cooperation needs (IMI/IMI's-type functionality). The implementation of the Proportionality Test is also foreseen.[30] [31] [32]

In more recent practice, Montenegro's EU-integration communications also describe EU-funded support via the PLAC project ("Center for Strategic and Legal Advice/ Counseling for Montenegro"), including workshops on applying the 2018 Law on recognition of professional qualifications and preparing amendments to align with EU requirements.[33]

[25] European Commission, Commission Staff Working Document -- Montenegro 2025 Report (SWD(2025) 754 final, 4 November 2025).
[26] European Commission, Screening Report -- Montenegro, Chapter 3: Right of establishment and freedom to provide services (2012)
[27] Delegation of the European Union to Montenegro (EEAS), Press Release "The Development of the Point of Single Contact in Montenegro Continues" (2023)
[28] IPA project "Increasing the capacity of institutions harmonising and implementing of EU acquis in the area of Competitiveness and Innovation" Project awarded in 2022 (https://ted.europa.eu/lt/notice/-/detail/375038-2022).
[29] European Commission (DG Enlargement), Project Fiche -- Mutual recognition of professional qualifications (2011) (https://enlargement.ec.europa.eu/document/download/78e0a190-ddac-48a1-a5b9-76d4e0867e60_en?filename=pf7_mutual_recognition_of_professional_qualifications.pdf).
[30] EU.ME (Montenegro EU integration portal), "Application of the Law on Recognition of Professional Qualifications encourages employment, increases mobility, and develops the labor market" (4 July 2024) (https://www.eu.me/en/application-of-the-law-on-recognition-of-professional-qualifications-encourages-employment-increases-mobility-and-develops-the-labor-market/).
[31] Council of the European Union, Conference on Accession to the European Union -- Montenegro --, EU Common Position -- Chapter 3 (Montenegro), 2025 (https://data.consilium.europa.eu/doc/document/AD-28-2025-INIT/en/pdf).
[32] European Commission, Commission Staff Working Document -- Montenegro 2025 Report (SWD(2025) 754 final, 4 November 2025).
[33] European Commission, 2022, tender for the Policy and Legal Advice Centre (PLAC) for Montenegro, https://ted.europa.eu/en/notice/-/detail/517744-2023

Lessons learned from Montenegro as a case study

Montenegro's case study shows that, in practice, implementing the Services Directive, PQD, and PTD is primarily a delivery and systems reform agenda, not a one-off legal transposition exercise.

The most verifiable "effects" are operational: legislative amendments aligned with the Services Directive, completion of mapping exercises that translate the acquis into a concrete sector-by-sector reform backlog, and development of a Point of Single Contact that typically evolves from an information portal into a transactional gateway for online submissions and standardised procedures.

A key lesson related to reform sequencing. This needs to start with a coherent horizontal framework and governance approach. Real results depend on sustained clean-up of sectoral authorisations, evidence requirements, and administrative practices.

On regulated professions, Montenegro illustrates that PQD alignment is only credible when supported by an updated and transparent list of regulated professions, removal of discriminatory constraints, alignment of minimum training requirements in priority areas, and strengthened competent authorities with predictable workflows.

PTD alignment is best understood as a governance control to prevent backsliding by embedding proportionality testing in the policy process so new or revised professional regulation cannot reintroduce unjustified restrictions.

Finally, the EU's accession approach reinforces an evidence-based standard: it expects candidates to be ready to apply the acquis by accession, with continuous monitoring, and it assesses progress in terms of operational capability rather than legal form alone.

6. Overview of impacts of the Services Directive, the Professional Qualification Directive and the Proportionality Test Directive

The Services Directive, the Professional Qualification Directive and the Proportionality Test Directive are all aimed at making it easier to establish and provide services. The directives enable governments to preserve legitimate public-interest protections, but these need to be justified and clearly explained.

In Albania, implementation of these three directives will reduce unjustified authorisations and discriminatory requirements, digitalise procedures through a Point of Single Contact (PSC), and strengthen administrative cooperation, both within public administration at central and local level, and with EU peer administrations (via IMI). Competition in the service sector will be fostered and will be based on EU standards. This promotes the quality-of-service provision, consumer safety and environmental performance.

While the analysis in this report focusses explicitly on determining the economic impacts and, as a subset of this, the impacts on Albanian businesses, this section provides a generic overview of key impacts that can be expected to occur as well. The description is qualitative and aims to place the implementation of the three directives into a broader societal and political context.

Figure 6: Sector-level relevance of the SD, PQD and PTD

Figure 6: Sector-level relevance of the SD, PQD and PTD

Sector	Main current bottleneck	Directive driver	Expected reform effect	Risks
Tourism & hospitality ICT & digital services Construction & engineering Energy & environmental services	Fragmented and/or overlapping authorisation procedures; duplicative documents/evidence requests; time-consuming sequential approvals; uneven interpretation across authorities; limited end-to-end digital completion; and weak interoperability leading to time-to-market uncertainty, higher burdens and long time frames	SD (draft Services Law) + cross-cutting digital enablers + PQD and PTD (where professions are affected)	Fewer steps and fewer duplicative documents; evidence reuse; end-to-end completion via PSC/e-Albania; clear conditions and predictable timelines; improved transparency/guidance; reduced administrative burdens; compliance time and uncertainty	Formal transposition without operational change: PSC becomes "information-only"; authorities continue requesting documents outside PSC; interoperability gaps and re-submission requests; inconsistent administrative practice
Cross-cutting services linked to export-oriented manufacturing (fasoneri)	Needless burdens for supporting services (logistics, certification/testing, maintenance, business services); repetitive documentation; delays affecting delivery schedules	SD (draft Services Law)	Lower transaction costs in business-to-business service inputs; faster procedures for routine authorisations/updates; better predictability supporting export competitiveness	No practical change in turnaround times; duplications persists; improvements do not affect procedures that matter for exports
Selected regulated professions: Architects, Doctors, Dentists	Entry/recognition uncertainty; burdensome requirements; risk of unnecessary restrictions; slow/non-transparent decisions	PQD (recognition workflow/timelines/transparency) + PTD (proportionality discipline for new/updated requirements) + SD (procedure transparency/digital access, where applicable)	More predictable recognition/entry pathway; no unjustified new barriers; increased competition while preserving public interest safeguards	Recognition remains slow/non-transparent; compensatory measures overused; new restrictions introduced without robust proportionality testing; limited real entry/competition effect

6.1 Economic Impacts

Implementation of the Services Directive, the Professional Qualification Directive and the Proportionality Test Directive is expected to generate positive economic impacts primarily through the reduction of unjustified regulatory barriers, administrative simplification, and the digitalisation of administrative procedures. As will be highlighted in more detail further below, the analysis developed on EU-level shows that GDP and productivity gains associated with the Directives stem mainly from the removal of disproportionate establishment requirements (including legal-form, shareholding and nationality restrictions), the reduction of duplicative licensing, and improved transparency and predictability for service providers.[34]

The magnitude of economic gains in Albania will depend on the depth and consistency of legal screening against the Directive, the usability of the Point of Single Contact (PSC), the degree of formalisation of informal service providers, and the manner in which sectoral implementation and adjustment of actual legal requirements and administrative processes will take place.

Productivity improvements are expected particularly in sectors where regulatory fragmentation and administrative burdens are high. EU-level data shows that barrier reduction and administrative streamlining increase market entry, intensify competition, and improve business process efficiency in these sectors.[35] Over time, these dynamics are likely to improve service quality and consumer choice and can support gradual employment growth.

By aligning Albania's regulatory framework with EU Single Market rules and reducing barriers to establishment and cross-border provision, the directives are also expected to facilitate greater participation of Albanian service providers in the EU market. Easier temporary or permanent provision of services abroad enables Albanian professionals to access higher-income markets.

A central long-term economic impact concerns formalisation. Albania's informal economy is estimated to represent a substantial share of GDP, with services accounting for a significant proportion. Administrative simplification, digital end-to-end procedures via the PSC, and clearer proportionality rules reduce entry costs and discretionary decision-making, which are widely recognised drivers of informality.[36] Over time, increased formalisation provides the potential to broaden the tax basis, strengthen fair competition, and improve compliance with labour and safety standards. These effects are expected to materialise gradually and are conditional on the actual simplifications achieved that entice businesses to formalise operations and the effective enforcement.

[34] European Commission (2012). Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: A Partnership for New Growth in Services 2012–2015 (COM(2012) 261 final). Supported in further detail by: European Commission (2011). Study on the Economic Impact of the Services Directive (Internal Market and Services DG).

[35] European Commission (2021). Single Market Performance Report 2021 (SWD(2021) 351 final).

[36] OECD (2021). Reducing the Shadow Economy: Policy Tools and Measures.

Gender-Specific Economic Impacts

EU and international evidence consistently show that women-led SMEs are more strongly represented in service sectors.[37]

Implementation of the three directives can be expected to have distributional relevance for women-led enterprises. Simplification and digitalisation can reduce fixed compliance costs, from which smaller firms tend to benefit relatively more.[38]

While the assessment of gender-specific assessment remains qualitative and no clear gender component emerged from the consultation since findings revealed no significant differences in responses attributable to the gender or age of respondents. However, the stakeholder evidence suggests that administrative burden is a significant challenge and with smaller and time-constrained operators, including women-led enterprises, to be affected more heavily in proportional terms. The consultation outcomes show high procedural complexity (a majority reporting more than five procedural steps) and significant paperwork time (a majority reporting more than 10 hours spent on forms per licence), alongside low awareness of reforms.

These constraints are likely to disproportionately affect smaller service providers with limited back-office capacity. As mentioned before, this is a business domain in which women-led enterprises are generally more concentrated in.

Territorial Economic Impacts

Economic impacts are expected to vary across Albania mainly because of the economic fabric of regions. The economic growth impacts will differ territorially because service sectors are not evenly distributed across the country and because administrative and market conditions that determine uptake are spatially concentrated. For example, regions vary in terms of density of providers, demand for services, digital readiness of service providers, access to professional networks, and capacity of local administrations. This is conformed in analysis by Instat as presented in the table below. Services are clearly concentrated in the Tirana Region.

Figure 7: Instat Structure of Gross Value Added by Statistical Regions and by industries, year 2023[39]

Code	Statistical Level 2/3	Agriculture, Forestry and Fishing	Industry	Construction	Trade, Transport and Accomodation	Information and communication	Financial activities; Insurance activities	Real Estate Activities	Professional, Scientific and Technical Activities	Public Administration; Education; Health	Arts, entertainment and recreation	GVA in current prices
AL	**Republic of Albania**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
AL01	***North***	***27.8***	***30.4***	***19.2***	***22.5***	***7.4***	***25.3***	***25.0***	***16.3***	***17.2***	***14.3***	***22.5***
AL011	Dibër	5.9	5.1	1.9	0.9	0.4	3.2	1.4	0.9	2.3	0.5	2.7
AL012	Durrës	6.8	14.9	9.5	14.0	3.5	10.1	14.7	9.8	5.8	9.4	10.3
AL013	Kukës	2.9	1.5	0.6	0.9	0.4	1.9	1.0	0.4	2.1	0.5	1.4
AL014	Lezhë	4.7	2.8	2.7	2.9	0.5	4.8	2.9	1.6	2.5	1.0	3.0
AL015	Shkodër	7.6	6.2	4.4	3.9	2.7	5.2	5.1	3.6	4.5	3.0	5.0
AL02	***Center***	***16.3***	***43.3***	***59.9***	***55.2***	***85.7***	***43.6***	***51.3***	***73.8***	***63.0***	***70.7***	***50.3***
AL021	Elbasan	11.6	8.1	5.2	5.1	1.5	5.6	5.3	1.5	5.9	2.1	6.4
AL022	Tiranë	4.7	35.3	54.7	50.1	84.2	37.9	45.9	72.3	57.1	68.6	43.9
AL03	***South***	***55.9***	***26.2***	***20.9***	***22.3***	***7.0***	***31.1***	***23.8***	***9.9***	***19.8***	***15.0***	***27.3***
AL031	Berat	8.9	2.8	1.8	2.9	1.4	5.3	2.4	0.8	2.6	1.3	3.6
AL032	Fier	25.3	13.1	6.8	6.9	2.0	8.4	8.0	3.0	5.5	4.8	10.6
AL033	Gjirokastër	3.2	1.7	2.0	2.4	0.4	3.0	1.4	1.1	2.5	0.9	2.2
AL034	Korçë	10.4	4.3	2.5	4.2	1.2	6.1	4.3	1.4	4.3	3.9	4.9
AL035	Vlorë	8.1	4.3	7.8	6.0	1.9	8.3	7.7	3.6	4.9	4.1	6.1

**2023 Final data*

[37] OECD (2023). The Missing Entrepreneurs 2023, page 63.
[38] EIGE (2017). Gender and Entrepreneurship, <https://eige.europa.eu/gender-mainstreaming/policy-areas/entrepreneurship?language_content_entity=en>.
[39] https://www.instat.gov.al/media/tvwlva5r/regional-gdp-2023-english_press-release.pdf

As a result, the territorial impacts of the reform are best understood as the interaction of (i) where particular service activities are located and expanding, and (ii) how quickly implementation measures reduce procedural frictions in those locations.

Urban centres and coastal or tourism-intensive regions are therefore very likely to experience earlier and stronger effects. These areas combine higher service density and turnover with stronger market demand and more frequent interaction with authorisation and inspection processes (e.g., tourism and hospitality, retail-related services, and a range of client-facing business services).

These regions also typically display higher digital readiness and greater access to professional associations, business support services, and information channels. These factors accelerate awareness and uptake of new procedures. This implies that the benefits of reduced administrative burden (shorter processing times, fewer steps, improved transparency) will be realised sooner in locations where service provision is concentrated and where firms are already using digital channels. The same dynamics also imply a quicker strengthening of competitive pressure and quality improvements in these local service markets, as barriers to entry and expansion fall more rapidly.

By contrast, more rural and less economically developed regions can be expected to benefit more gradually, even if the legal framework is nationally uniform. Two reinforcing mechanisms play a role in this. First, a lower density of service providers and weaker demand means that economic impacts are less profound and emerge more slowly. Secondly, smaller business scale and weaker administrative capacity can lead to longer implementation timeframes. Where enterprises operate with limited back-office capacity, the compliance cost of multi-step procedures remains more taxing, and low awareness can reduce uptake of simplified processes. In these areas, the impact may initially be dominated by improved predictability and reduced transaction costs for existing providers and less by market entry of new firms.

Overall, the regions that are already economically strong and that already have large service sectors can be expected to reap the economic benefits much faster and at more profound levels than regions that are less populated and were services are less economically dominant

Sector characteristics will further influence the expected territorial patterns. Tourism and hospitality are likely to benefit significantly because they are concentrated in coastal areas and key urban destinations. They often face repeated local authorisations and inspections. Streamlined and end-to-end digital workflows and consistent service standards can quickly reduce seasonal bottlenecks and improve business operations. This will more speedily translate into visible gains in, for example, turnover, investment, and job creation. Given the impact of growth in the tourism and hospitality industry on economic sectors depending on this performance, these related sectors can be expected to experience growth as well.

Professional services (e.g., regulated professions and qualification-dependent activities) are more concentrated in larger cities where demand for specialised services is higher and where professional networks and administrative interfaces are more developed. Improved recognition and more predictable requirements can be expected to gradually expand access to professional services in secondary cities and less-served regions, while in larger cities the impact from improved service availability and lower prices will be felt faster.

ICT and digital services may exhibit a less pronounced territorial dependency because services can be delivered remotely and can also be exported easily already. Nonetheless, impacts may still be concentrated where digital ecosystems and skills pools are strongest, implying fastest gains in major urban areas, especially the capital Tirana.

The territorial profile is expected to follow an early-benefit with gradual-benefit pattern. Earlier and stronger effects will be seen in high-density service markets (urban, coastal, tourism-intensive). This is then followed by more gradual gains in rural and less economically developed regions as administrative capacity strengthens, awareness spreads, and procedural simplification becomes fully embedded.

This expected pattern reinforces the importance of implementation design and the suggestions for the mitigation measures presented further on in this report.

Social Impacts

From a social perspective, implementation of the three Directives strengthens the rights and position of consumers and service recipients through enhanced transparency, clearer information obligations, and more effective redress mechanisms. Prohibitions on nationality- and residence-based discrimination improve access to services for both domestic and foreign recipients, while clearer rules on authorisations and fees reduce information asymmetries. A Commission evaluation indicates that increased competition under the Services Directive contributes to higher service quality and broader availability over time.[40] The same can be expected to happen in Albania.

Administrative simplification and digital access are also expected to improve service availability by reducing delays and uncertainty in authorisation procedures. However, initial benefits may be unevenly distributed, with stronger effects in economically viable areas such as large cities and tourist regions. Ensuring accessibility for persons with disabilities, providing multilingual information, and maintaining non-digital assistance channels are essential to ensure inclusiveness and effective exercise of rights of all citizens and foreign service providers/professionals.

Formalisation effects have additional social implications. Greater compliance with licensing, safety, labour, and consumer-protection requirements improves trust in service markets and reduces the prevalence of low-quality or unsafe service provision. Over time, a stronger culture of compliance reinforces rule-based competition and consumer confidence, contributing to broader social welfare gains.

Gender-specific social impacts

Improved access to services, greater transparency, and increased competition can indirectly reduce time burdens on households, particularly in care-related and household services where women often bear a disproportionate share of unpaid work. At the same time, digitalisation of procedures may create barriers for women entrepreneurs with lower digital skills or weaker access to advisory services. Evidence from the OECD highlights the importance of gender-sensitive communication, mentoring and training to ensure that social benefits are realised in practice.[41]

[40]European Commission (2017). Evaluation of the Services Directive (SWD(2017) 170 final)
[41]OECD (2023). The Missing Entrepreneurs 2023.

Territorial Social Impacts

Social impacts are likely to follow similar territorial patterns as economic effects. Urban and tourism-intensive areas may see earlier improvements in service choice and quality, while rural and less economically developed regions could lag where digital access is weaker. Establishing local access points and assisted digital services through municipal one-stop shops can help ensure equitable access to new rights and protections across regions.

Environmental Impacts

Environmental impacts of the three directives are primarily indirect but expected to be positive. Digitalisation of end-to-end administrative procedures through the PSC reduces the need for paper-based documentation and physical travel, contributing to lower resource use and emissions associated with administrative processes. While incremental, these effects support broader public-sector digitalisation and environmental sustainability objectives.[42]

In service sectors that have an important impact on environmental outcomes - such as those related to construction, engineering, and energy - alignment with EU regulatory standards through increased competition will lead companies to be more resource-efficient and legally compliant.

While the Services Directive, the Professional Qualification Directive and the Proportionality Test Directive do not set requirements related to policy areas and business activities related to policy areas such as waste management, environmental matters, and energy, etc., competition at the level of EU standards will promote more sustainable business practices and support the uptake of greener technologies and business processes. These effects, however, are driven by sector-specific EU environmental acquis and depend on effective enforcement.

Gender-specific environmental impacts

No significant differential environmental impacts by gender are expected. However, women-led micro and small enterprises in general can be expected to benefit indirectly from clearer environmental compliance requirements and reduced administrative complexity.[43]

Territorial environmental impacts

Environmental co-benefits are expected across all regions but should be more visible in areas with higher activity in services that affect the environment more. In less developed regions, outcomes will depend on the pace of digital uptake and, more importantly, the consistent application of environmental standards.

[42] European Commission (2020). Communication on Shaping Europe's Digital Future (COM(2020) 67 final).
[43] OECD (2021). No Net Zero Without SMEs: Exploring the Key Issues for Greening SMEs and Green Entrepreneurship. OECD SME and Entrepreneurship Papers No. 30.

7. Expected Cumulative Economic Impact of the Services Directive, the Professional Qualification Directive and the Proportionality Test Directive

The economic impact of the Services Directive, the Professional Qualifications Directive (PQD), and the Proportionality Test Directive (PTD) is based on the combined and cumulative implementation of the three directives. Policy analysis consistently shows that meaningful macroeconomic effects arise when reforms address service market barriers holistically, rather than through isolated legal instruments.

The three directives form an integrated regulatory framework targeting the same set of structural frictions in services markets, and their effects therefore reinforce one another.

As a result, the GDP impacts need to be interpreted as system-level outcomes of the combined Services acquis, not as additive or attributable to any single directive.

Assumptions for the Economic Impact Assessment

The magnitude of the economic impacts related to implementing the three directives will be determined in more detail further below. In essence, simplification translates into the GDP scenarios through a set of transmission channels:

- reductions in administrative hours (fewer steps, fewer documents, faster processing) lower firm-level fixed compliance and transaction costs, freeing management time and resources for productive activity
- simplified and better-justified authorisation requirements reduce entry barriers, supporting higher firm entry and expansion, particularly for SMEs
- greater entry numbers strengthen competitive pressures, which in turn drive productivity gains; and
- improved predictability and lower compliance costs support higherinvestment, with spillovers into business services (e.g., ICT, professional, engineering and logistics) via stronger demand and capability upgrading

The magnitude of these impacts is fully conditional on operational implementation (end-to-end digitalisation and consistent administrative practice) and not on formal transposition alone.

This essential aspect of implementation as key driver of GDP growth is supported by the above text about the general impact on the EU economy that has shown that the maximum potential has so far eluded the EU due to lack of ambition related to implementation. This makes it clear that the manner in which implementation will take place in Albania is a key determinant for how benefits of the three directives will materialise in practice.

The section below highlights the key aspects that need to be delivered by the government and its administration that will determine what economic impact scenario will actually be achieved.

The key question: level of ambition and effort across national and local level

The implementation of the Services Directive, the Professional Qualifications Directive and the Proportionality Test Directive is not a matter that can be characterised as completed or not. It is not a binary issue. The EU experience has shown that countries have ample choices of implementing the directives at various levels of ambition. The EU itself has published reports and evidence that highlights that -- even after nearly 20 years -- the full benefits from the three directives have not yet been reaped.

The issues raised below reflect on the key issues that need to be set in motion and managed well in order to be able to reap the maximum benefits that the combination of the Services Directive, the Professional Qualifications Directive and the Proportionality Test Directive can provide.

Point of Single Contact

Effective implementation of the Services Directive requires the establishment and sustained operation of a fully functional Point of Single Contact (PSC) that allows service providers to complete all relevant procedures electronically and at a distance.

This implies a one-off public investment in system development, legal mapping and process re-engineering, followed by recurring costs for maintenance, upgrades and user support.

In practice, the PSC cannot be developed in isolation: it must comply with horizontal EU requirements on accessibility for persons with disabilities, electronic identification, data protection and privacy, interoperability and open data, multilingual access, cybersecurity, and user-centric digital design. As a result, PSC costs need to be embedded in the broader digital-government architecture rather than being set up as a standalone IT project that is limited in scope.

Legal alignment, screening and regulatory quality control

For the Services Directive, the Professional Qualifications Directive and the Proportionality Test Directive to work in practice, Albania must undertake systematic legal screening of all current and future legislation governing service activities and regulated professions.

This includes reviewing authorisation schemes and requirements against the Services Directive, ensuring that recognition procedures comply with the PQD, and applying proportionality assessments under the PTD to all new or amended professional regulations.

Crucially, this screening must not be a one-off exercise. It has to be embedded in permanent legal quality control mechanisms at central level (e.g. Ministry of Justice, Prime Minister's Office) and at local level. Without such institutionalised scrutiny, compliance risks eroding over time as new rules are adopted that would slowly but surely increase the regulatory burdens and barriers faced by businesses.

Administrative coordination

The three directives require a whole-of-government approach, as responsibilities for service provision and regulated professions are typically fragmented across ministries, agencies and local government units.

All authorisation, notification and supervision procedures related to services must therefore be reviewed and adjusted to ensure consistency, eliminate duplication and clarify responsibilities.

Effective horizontal coordination is essential to ensure that digital PSC procedures, substantive legal requirements and inspection practices are aligned.

EU experience shows that fragmented implementation undermines usability for businesses and weakens enforcement, even where formal transposition is complete.

Institutional capacity development

Sustainable implementation depends on sufficient administrative capacity and shared understanding of EU Single Market rules across the public administration. This requires the establishment of a central knowledge function that has the task to provide guidance, templates and in-depth legal and process-design support to line ministries, agencies and municipalities.

Targeted training is needed for legal and policy staff on Services Directive requirements, proportionality testing, mutual recognition, and non-discrimination principles, as well as for operational staff responsible for authorisations and inspections. Training and capacity development need to be ensured as a continuous process.

The European Commission consistently underlines that lack of capacity and legal understanding is a key reason why implementation remains formal rather than effective.

Administrative cooperation and use of the IMI system

Both the Services Directive and the PQD rely on effective administrative cooperation between Member States through the Internal Market Information (IMI) system.

Albania must ensure that IMI is actively managed, including responding to cross-border information requests, handling alerts and complaints, and supporting recognition and enforcement procedures. This requires trained staff, clear workflows and internal accountability. IMI is not an optional add-on but a core operational obligation underpinning trust and enforcement in the Single Market.

Reporting, monitoring and the EU interface

Albania can be expected to submit a one-time transposition and implementation report to the European Commission as part of the accession process. Following accession, Albania will be required to contribute regularly to EU monitoring tools, including the Single Market and Competitiveness Scoreboard.

This entails systematic data collection, internal reporting arrangements and coordination across implementing bodies. Monitoring is not merely a compliance exercise, but a feedback mechanism used by the Commission to identify implementation gaps and enforcement priorities.

Implementing actors

Responsibility for implementation spans all line ministries regulating service activities and professions, independent agencies and inspectorates, and local government units where local authorisations or rules apply.

Central coordinating bodies for legal quality, digital government and EU affairs play a critical role in ensuring coherence.

Clear leadership, coordination mechanisms and accountability arrangements are therefore essential to prevent fragmentation and ensure that the Services Directive, PQD and PTD function as an integrated system in practice rather than as isolated legal obligations.

Challenge for Albania: management, scope and ambition

The list of issues presented above shows how demanding the implementation of the Services Directive, the Professional Qualifications Directive and the Proportionality Test Directive actually is. Their implementation requires a whole-of-government approach that requires all administrative bodies that regulate service provision and/or professional qualifications in any way:

1. to be aware of the principles and requirements that the three directives lay out;
2. to have the capacity to adjust their administrative procedures according to the three directives which requires adjusting laws, sub-legal acts, decisions, information material and more;
3. to have the possibility to look beyond the scope of their policy area or area of responsibility with the aim to restructure their work processes

in accordance with their information need (e.g., abolish procedures and rely on information collected elsewhere or merge procedures with those of other administrative bodies);

4. to have understanding of and access to the digitalisation of their administrative processes;
5. to have the possibility to adjust their administrative procedures and the manner in which these have been digitalised within short deadlines.

This list of five aspects highlights very well how transformational the implementation of the Services Directive, the Professional Qualifications Directive and the Proportionality Test Directive needs to be in order to reap maximum benefits. A one-time adjustment of the legal framework will provide a positive impact and ensure alignment with the EU Acquis. Yet, ensuring that the country reaps the maximum benefits from these three directives requires a fundamentally different way of working across all levels of administration.

Such a fundamental change is not a matter of a one-off project and information campaign. It can be achieved only when the essence of the Services Directive, the Professional Qualifications Directive and the Proportionality Test Directive is fully embedded in the culture of law-making and policy development.

Scenarios for the economic impact for implementation of the Services Directive, the Professional Qualifications Directive and the Proportionality Test Directive

The implementation of the Services Directive, the Professional Qualifications Directive and the Proportionality Test Directive does not provide a clear figure as to what an exact economic impact will be. The key variable, as confirmed by the European Commission, is the manner in which a country embeds the provisions of the directives into the fundamental design of rules for the services sector and professional qualifications.

For all scenarios the GDP impact of implementing the Services Directive, the Professional Qualifications Directive, and the Proportionality Test Directive will materialize only gradually over several years.

Reforms first need to be translated into changes in administrative practice and market behavior. Businesses require time to adapt their operations, reorganize service delivery, and make investment decisions in response to improved regulatory conditions.

Increased competition and productivity gains emerge progressively as new entrants enter the market, and existing businesses respond to this.

In addition, investment-driven spillovers into business services and the broader economy typically follow with a time lag, reinforcing growth only once reforms are fully credible and sustained.

The three scenarios that are more detailed in this chapter are presented in the table below, together with the presentation of the key assumptions, the GDP impact and the expected net-growth in government revenues.

Figure 8: Summary of scenarios with assumptions and headline results

Scenario	Implementation pathway as sumptions	Expected practical changes	GDP impact (10-year outlook)	Expected net government revenues (10-year)
Scenario 1 C onstrained	Partial delivery; reforms uneven and slow	Limited uptake; bottlenecks persist; compliance remains costly	+0.8%	€228.6m
Scenario 2 Effective	Core reforms delivered; implementation works reliably	End-to-end processes improve; burden falls materially; adoption increases	+1.5%	€441.5m
Scenario 3 Transf ormational	Full package delivered; strong coordination and continuous improvement	Simplification embedded; high adoption; pr edictable market entry at scale	+5.0%	€1,506.7m

Note: Impacts are assumed to materialise from Year 5 to reflect implementation and adjustment lags.

Albania's Services-Led Growth Pathway

Over the past decade, Albania's economic structure has been gradually shifting towards services, in line with regional and EU convergence patterns. INSTAT data consistently show that services account for the largest and growing share of value added and employment, driven in particular by trade, transport, tourism, professional services, ICT, and business-related services.45 46 This structural trend is expected to continue, as productivity gains in agriculture and industry free resources and as Albania integrates further into the EU Single Market.

The implementation of the Services Directive, the Professional Qualifications Directive, and the Proportionality Test Directive should therefore not be considered to be just a marginal regulatory exercise. It directly affects the fundamentals of how the services economy functions, including market entry, competition, investment decisions, and cross-border activity. The economic impact depends critically on how deep and credible the reforms are in practice, not merely on formal legal alignment.

Against this background, three impact scenarios can be distinguished for Albania, reflecting increasing levels of reform depth and institutional effectiveness. These scenarios will provide a range of GDP impacts that are likely to be achieved based on actual experience and theoretical analysis performed by or under the auspices of the European Commission.

Scenario 1: Basic / Constrained Implementation

GDP impact	0.8%
Sources	◇ European Commission, *Ex post evaluation of the Services Directive* (COM (2012) 261 final) ◇ European Court of Auditors, *Special Report No 5/2016 -- Has the Commission ensured effective implementation of the Services Directive?*

Scenario 1 reflects a situation in which Albania succeeds in formal legal transposition of the Services Directive, the Professional Qualifications Directive, and the Proportionality Test Directive, but difficulties with operationalisation and enforcement are not overcome. Meaningful change in the business climate would be curtailed as a result.

Reforms under this scenario are mainly driven by ensuring basic level of compliance with EU Acquis transposition. Administrative absorption capacity is seen as limited and coordination across institutions and levels of government is not particularly effective resulting in a review of existing services legislation that is partial and selective.

While a range of authorisation schemes and administrative requirements are simplified, many sector-specific restrictions remain untouched due to lack of institutional capacities, and lack of analytical capacity to assess proportionality. The Point of Single Contact exists but functions mainly as an informational interface, without enabling the full digital completion of procedures. Recognition of professional qualifications remains fragmented and slow, limiting effective labour mobility.

The PTD is applied in a formalistic manner, late in the regulatory process, and does not materially alter regulatory choices. As a result, the stock of restrictive regulation declines only marginally and slowly. New restrictions are not consistently prevented.

Why this Scenario is Basic and conditional

EU evidence shows that this outcome arises when significant implementation difficulties and lack of commitment persist. The European Court of Auditors has documented that many Member States initially complied with the Services Directive in law but failed to achieve meaningful barrier removal in practice.

For Albania, this scenario would materialise if digitalisation efforts stall, inter-ministerial coordination remains weak, or enforcement mechanisms are insufficiently empowered. This in itself would pose a wider risk to the EU accession process overall. Given the close monitoring by the European Commission of both alignment and the actual implementation, weak implementation will be reflected in enlargement reporting. This in turn, can slow progress towards meeting the conditions required to advance in and ultimately close negotiations under Chapter 3.

The estimated 0.8% GDP increase reflects limited static efficiency gains, mainly from reduced administrative burdens and useful but limited administrative simplifications.

Competition effects remain weak, investment responds only modestly, and spillovers into business services are minimal. The services economy continues to grow broadly in line with historical trends, but no structural acceleration takes place. This scenario therefore represents a lower-bound outcome and would not properly support the strategic objectives of the Government of Albania.

Scenario 2: Effective Implementation

GDP impact	1.5%
Sources	◇ European Commission, *Single Market Act* (COM (2011) 206 final) ◇ European Commission, *Upgrading the Single Market* (COM (2015) 550 final) ◇ European Commission, *Ex post evaluation of the Services Directive* (SWD (2017) 18 final)

Scenario 2 assumes effective and sustained implementation, consistent with Albania's current reform trajectory and EU accession commitments. All three directives are operationalised in a coordinated manner, supported by administrative reforms and digitalisation.

In this scenario, Albania conducts a systematic screening of services legislation, leading to the removal or simplification of a substantial share of unjustified and disproportionate requirements. Authorisation schemes are narrowed, procedures are streamlined, and transparency is significantly improved.

The PSC evolves into a functional digital gateway, allowing service providers to complete procedures online and interact with multiple authorities through a single interface.

Professional qualifications are recognised more efficiently, improving skills mobility and market entry, particularly in regulated professions.

The PTD is applied *ex ante* and systematically, strengthening regulatory discipline and preventing the re-introduction of unnecessary barriers.

Why this scenario is likely for Albania

This scenario is regarded to be the most realistic baseline. This is warranted by Albania's strong emphasis on digital public administration, regulatory simplification, and EU alignment. The reform depth required is demanding but achievable when investments in institutional capacities (training, analysis, procedural adjustments etc.) are ensured in time. EU experience indicates that such implementation typically delivers GDP gains of around 1.5% over the medium term.

The GDP increase reflects dynamic competition effects, productivity gains, and increased investment. Improved market access and regulatory predictability stimulate domestic and foreign investment. Investment growth, in turn, generates additional demand for business services -- legal, accounting, engineering, ICT, logistics, and consultancy -- creating positive spillovers across the services economy. These indirect effects make growth more resilient and self-reinforcing.

Scenario 3: Ambitious and transformational Reform

GDP impact	5%
Source	▪ Barbero et al. (2022), *A general equilibrium analysis of the economic impact of the post-2006 EU regulation in the services sector*, JRC Working Papers No 03/2022, Joint Research Centre, European Commission

Scenario 3 represents a transformational reform path, in which Albania undertakes a comprehensive and ambitious adjustment of all services- and professions-related legislation. Regulatory barriers are reduced to levels comparable with the least restrictive EU Member States, and reforms are fully enforced over time.

GDP growth is regarded to have the potential to exceed EU-level expectation since Albania's services share of GDP has significant room for growth. This assumes that reforms in Albania as part of EU Integration bring the country to the EU level as well in areas such as competition enforcement, predictability of dispute resolution and contract enforcement, and labour mobility.

The PSC becomes a central infrastructure of the services economy and is fully interoperable and completion of procedures relevant for service providers are completed in record time. Recognition of professional qualifications is fast, transparent, and predictable. This fundamentally improves labour mobility.

Proportionality testing becomes a binding institutional constraint, reshaping regulatory culture and decision-making.

Why this scenario is exceptional but possible

A GDP impact of around 5% corresponds to the upper-bound, full-potential outcome, identified by analysis developed for the European Commission.

Such an impact can be expected only if reforms alter the fundamentals of the services economy, rather than merely improving administrative efficiency. This requires strong political ownership, high administrative capacity, and sustained enforcement.

The 5% GDP increase reflects economy-wide structural gains, including large investment responses, productivity reallocation, and intensified competition.

Increased investment creates substantial additional demand for business services, reinforcing growth through indirect channels. These effects explain why gains are significantly larger than in partial or incremental reform scenarios.

Scenario 3 does fit will with the long-term view and priorities set out by the Government of Albania. This increases the relevance of presenting the best possible scenario in this analysis in order to inform the decision-making on implementation of the Services Directive, the Professional Qualifications Directive, and the Proportionality Test Directive. A comprehensive and ambitious approach will provide significant economic benefits and are thus worth closer scrutiny during the process of transposition.

Summary of the three scenarios

Scenario 1 represents a risk scenario in which Albania achieves formal legal alignment but encounters serious difficulties in operationalising the Services Directive, the PQD and the PTD. Weak coordination, limited enforcement capacity, or delays in digital rollout prevent meaningful barrier removal and - *de facto* - restrict competition. As a result, economic effects remain limited with only modest productivity and investment responses. This scenario would signal missed reform and streamlining opportunities rather than failure in law.

Scenario 2 currently constitutes the most credible and realistic baseline for Albania, given its ongoing digitalisation efforts and strong EU accession incentives. Reforms are implemented effectively across institutions, leading to tangible simplification, improved market access, and stronger regulatory discipline. Investment responds positively, and increased competition drives productivity gains in services. The resulting growth path is sustainable and consistent with EU experience.

Scenario 3 defines the maximum achievable economic potential, attainable only through ambitious, comprehensive, and well-enforced reforms across the entire services regulatory framework. In this case, reforms fundamentally reshape how the services economy functions, removing structural barriers to entry, mobility, and competition. Strong investment responses significantly drive further economic growth. While achievable, this scenario requires exceptional political commitment, administrative capacity, and long-term consistency.

The differences across scenarios reflect on the bottlenecks identified as part of the consultation of stakeholders: time wasted, needless steps to perform, paperwork without added value and lack of end-to-end digitalization.

The key risks related to the reforms are not addressed effectively under Scenario 1 while being properly managed under Scenario 2. Under Scenario 3, the risks are reduced significantly through effective coordination and effective application of the Directives across all administrative bodies and administrative procedures.

Formal alignment with the Services Directive, PQD and PTD will not automatically transform administrative procedures that the services sector and professionals have to comply with. The Directives generate the expected growth and competitiveness gains only when they lead to operational change in terms of simplification and other improvements. The key risks are that procedures are not delivered end-to-end via the PSC/e-Albania, if documentary requirements are not streamlined, and if timelines and decision-making practices remain inconsistent across authorities. The level of depth of application of the Directives will determine to what extent firms will see burden reductions, less uncertainty etc. Beyond the economic cost, shallow implementation also creates institutional risks since persistent gaps between legal rules and implementation practice will be referenced in Commission monitoring of implementation, potentially slowing progress in Chapter 3.

The table below summarises the key issues related to implementation depth and level of institutional performance per scenario.

Figure 9: Scenario comparison based on implementation depth and expected institutional performance

Scenario (headline results)	Institutional requirements (incl. key assumptions and implementation depth)
Scenario 1: Constrained (GDP: +0.8%; Net revenues: €228.6m)	**Assumptions**: partial/uneven implementation; limited business uptake; persistent procedural frictions. Implementation depth: incremental changes only; procedures remain fragmented; limited simplification; digital use largely limited to submission rather than end-to-end completion. Institutional performance: minimal coordination across institutions/levels; limited administrative capacity building; weak monitoring and feedback; ad hoc issue resolution rather than systematic bottleneck removal.
Scenario 2: Effective (GDP: +1.5%; Net revenues: €441.5m)	**Assumptions**: core reforms delivered reliably; meaningful burden reduction; rising uptake and compliance. Implementation depth: end-to-end workflow improvements for priority procedures (PSC/e-Albania); clearer guidance and user support; simplification applied consistently to reduce burdens. Institutional performance: active inter-institutional coordination; targeted capacity building; defined service standards and KPIs (time, steps, clarification rates) tracked; operational feedback loop to resolve bottlenecks.
Scenario 3: Transformational (GDP: +5.0%; Net revenues: €1,506.7m)	**Assumptions**: full package implemented with sustained compliance and high uptake; reforms embedded as the new “business as usual”. Implementation depth: system-wide simplification and proportionality discipline; consistently fast and predictable market entry; end-to-end digital completion and transparency at scale; continuous improvement across all procedures at all levels of government. Institutional performance: proactive and strong central steering and empowered delivery; mature monitoring dashboard; continuous “next bottleneck” improvement cycle; sustained training and change management; robust governance and clear consistency across institutions and territories.

Tracking implementation: potential KPIs

The scenarios can be made operational by tracking effective implementation through a set of measurable KPIs captured through e-Albania/PSC system logs and regulator reporting. The level of achievement under these KPIs would, naturally, significantly differ under the three reform scenarios.

The KPIs that can be considered are:

- End-to-end processing time per licensing/authorisation procedure.
- Share of procedures completed end-to-end online via PSC/e-Albania.
- Drop-off rate, requests for clarification and information adjustments in digital procedures.
- Requests for additional information/ documents rate beyond the standard checklist.
- Average number of mandatory steps/ touchpoints per procedure.
- Appeals/complaints rate and uphold rate to assess decision quality and consistency.
- User satisfaction score for PSC/e-Albania procedures.
- PQD recognition timeliness and transparency.
- PTD proportionality assessment coverage and publication.

The level of implementation can then be tracked as target improvements against a measured baseline (e.g., average processing time reduced by X%, end-to-end completion reaching Y%, and proportionality tests published in Z% of relevant cases).

Potential challenges for Albanian businesses

The implementation of the Services Directive, the Professional Qualifications Directive, and the Proportionality Test Directive has the potential to substantially improve the business environment in Albania.

At the same time, these reforms will require adjustment by domestic businesses, particularly during the transition phase, as market conditions and regulatory expectations evolve towards EU standards.

Adjustment to Simplification and a More Rules-Based Environment

Regulatory simplification and clearer procedures will significantly improve the overall business environment, reducing administrative burdens and legal uncertainty.

However, the transition to more transparent, standardised, and consistently enforced rules may require businesses to adapt internal processes and formalise practices that were previously managed informally or not covered at all.

While the net effect is positive, the adjustment phase may be more demanding for smaller firms with limited administrative capacity.

Intensified Competition and Efficiency Pressures

In the medium term, competition in the services sector is expected to intensify as market entry becomes easier and EU-aligned standards are applied more consistently.

Stronger competition will improve consumer protection and environmental outcomes, but it will also place greater emphasis on operational efficiency, service quality, and cost control.

Differences in firms' ability to organise service delivery, comply with standards, and efficiently interact with public administration will become more decisive for business success.

Digital Readiness and Competitive Positioning

Digital readiness will become a critical competitiveness factor, particularly for SMEs.

EU-based service providers entering the Albanian market are likely to benefit from higher levels of digital maturity, including online service delivery, digital compliance, and automated interactions with clients and authorities.

Albanian businesses that are slower to adopt digital tools may face a significant competitive disadvantage.

Formalisation and Compliance Effects

Simpler procedures combined with stronger enforcement are likely to support further formalisation of economic activity.

While this improves legal certainty, access to finance, and fair competition, it may also increase short-term compliance costs for businesses operating partially or fully outside the formal system.

Over time, however, formalisation is expected to level the playing field and strengthen the sustainability of compliant firms. This will provide an additional boost to GDP, economic growth and government revenues.

Understanding EU Rules and Compliance Preparation

Finally, and most importantly, Albanian businesses will need to develop a clear understanding of EU rules applicable to their business operations, including service provision requirements, professional qualifications, consumer protection, and environmental obligations.

Early compliance preparation will be essential to avoid market access barriers, enforcement risks, and needless business failures.

This challenge is particularly relevant for SMEs, which may require guidance, training, and accessible information to adapt effectively.

Possible mitigation Measures to support Albanian businesses during the Transition

To ensure that the implementation of the Services Directive, the Professional Qualifications Directive, and the Proportionality Test Directive delivers its intended economic benefits while minimising adjustment costs for domestic businesses, a set of targeted mitigation measures could accompany the reform process.

These measures are particularly important for small and medium-sized enterprises (SMEs), which may face capacity constraints during the transition to EU-aligned regulatory and market conditions.

Figure 10: Stakeholder feedback on mitigation measures

Implementing Chapter 3 reforms can unlock competitiveness gains, but only if the transition is managed so that compliance costs do not fall disproportionately on SMEs and solo practitioners. Stakeholder evidence shows that businesses primarily ask for clearer guidance (44%), simplification (31%) and training on online systems (28%). The feedback and concerns provided by Albanian companies has been integrated into the measures that can translate the needs of the wider business community into an support package related to the implementation of the SD, PQD and PTD.

It is essential to highlight here that these support ideas and potential mitigation measures should not be placed in the limited context of implementation of the Services Directive, the Professional Qualifications Directive, and the Proportionality Test Directive. While these directives will require important adjustments by businesses, the overall issue of readying the economy for access to the Single Market and competition based on EU standards needs to be the overarching aim. The three directives will support the development of a regulatory framework that is more conducive to competition. Competitors that are used to working with the full set of EU rules will enter the Albanian market. That is the real challenge for Albanian companies and efforts of support need to be targeted at overcoming this challenge and making the transition a successful one.

Figure 11: Mitigation measures and their prioritisation and sequencing framework, expected impact and resource intensity levels

Mitigation measure	Short -term (0-6 months) Medium-term (6-18 months)	Sequencing logic	Indicative impact	Resource intensity
Measure 1 – Implementation process, dashboard and Feedback Loop	Shor t-term (basic das hboard) → Medium-term (mature KPIs)	Establishes governance and performance management from day one; creates the mechanism to prioritise fixes, track results, and drive continuous improvement; establishes implementation and reporting structure involving all relevant government bodies on national and local level to ensure legal changes	**Very high**	High
Measure 2 – Chapter 3 Business Guidance Pack	Short-term	Builds awareness and compliance quickly; reduces missteps; provides consistent interpretation of requirements; content can be embedded into digital journeys	**High**	Low-Medium
Measure 3 – Phased compliance with a support-first approach	Short-term	Creates a safe transition period; protects reform credibility while systems and capacities are being upgraded; reduces early non-compliance risk	**Medium**	Low
Measure 4 – SME & Professional Transition Clinics	Short-term	Operationalises guidance through practical support; targets SMEs/regulated sectors; generates real-time user feedback that feeds into the dashboard improvement cycle	**High**	Medium
Measure 5 – Targeted capacity building inside government	Start short-term → Medi um-term	Improves consistency and speed of decisions; operationalises proportionality discipline; enables smoother delivery of redesigned/digital procedures	**High**	Medium-High
Measure 6 – Incentives that reward formalisation and quality upgrading	Medium-term	Creates a clear "value proposition" for compliance; accelerates behavioral change; creates level-playing field	**High**	High
Measure 7 – PSC / e-Albania workflow upgrade focused on "end-to-end" completion	Medium-term	Major enabler of burden reduction and predictability; requires significant design/ build/testing	**Very high**	Very high

7.1 Short-Term Mitigation Measures

Measure 1 - Implementation process, dashboard and Feedback Loop

The administration needs to ensure proper staffing to ensure that all legal changes are developed and adopted. The coordination mechanism needs to be set up. The lead coordinator should establish an implementation dashboard and structured feedback loop to sustain reform momentum and ensure that SD/PQD/PTD-related improvements translate into measurable gains for end users.

Legal drafting and formal transposition are necessary, but implementation performance ultimately depends on how procedures function in practice and whether bottlenecks are identified and resolved. A lightweight monitoring system provides an evidence base for operational improvements and strengthens accountability across institutions involved in service delivery. It also provides the Ministry of Economy and Innovation with the insights for coordinating and steering the implementation approach.

The dashboard should start with tracking a set of high-value implementation indicators that reflect both administrative efficiency and user experience. Suggested KPIs include processing times, number of procedural steps, rejection and clarification rates, user satisfaction, complaint volumes, and complaint resolution times.

Eventually, these indicators should be collected for all procedures and reported consistently, enabling authorities to identify where friction persists and where workflow redesign or guidance updates are required. Publishing an automated and concise quarterly dashboard also improves transparency for businesses and helps signal that reform is being actively managed beyond legal changes.

The dashboard should be explicitly linked to a "next bottleneck" improvement cycle. Each reporting period should result in a short, prioritised list of corrective actions (e.g., simplify a step, standardise instructions, reduce document requirements, adjust internal coordination). This mechanism provides a practical means to sustain reform implementation beyond the transposition phase, ensuring continuous improvement rather than one-off compliance.

Measure 2 - Chapter 3 Business Guidance Pack

Public authorities should develop structured, sector-specific guidance clarifying the practical implications of EU services-related rules for businesses. Albanian companies need to be able to rely on the government authorities and their expertise with understanding the actual requirements that they need to adhere to as a result of the implementation of EU rules related to their business activities.

Guidance should focus on compliance requirements, procedural steps, and areas of regulatory risk. This guidance should be made accessible through digital channels and business support networks.

This guidance should be sector and profession-relevant guidance. It needs to turn legal changes into operational steps through checklists, plain-language explanations, decision trees and standard document templates. For example, it should provide a clear answer to the question: "Do I need authorisation or notification?" and "If yes, which one(s)?"

The guidance should be published on the website of regulators and in a central place (PSC), reflect all changes in real time, and be designed for small and micro-operators in particular. The content should also explicitly clarify what changes do not require new procedures, reducing unnecessary burden caused by uncertainty.

Clear and predictable guidance reduces uncertainty, facilitates early compliance, and supports voluntary adaptation by businesses.

Stakeholder signal: 44% of respondents prioritise "clear information & guidelines," making guidance the single highest-value early intervention.

Measure 3 - Phased compliance with a support-first approach

The rollout of new regulatory requirements should follow a phased and proportionate approach, particularly during the initial implementation period.

Clear transition timelines, guidance-led enforcement, and risk-based inspections can help businesses adjust gradually while maintaining regulatory credibility.

This approach would balance the objectives of effective enforcement with the need to avoid disproportionate compliance burdens, especially for smaller enterprises.

For each new or changed requirement a transition period should apply with a clear and business-friendly enforcement philosophy. Initially, the emphasis should be on explanation, guidance, support, and correction without harsh consequences. Only after this transition period should enforcement be escalated up to imposing sanctions and fines for persistent non-compliance. This is particularly important for micro-operators who face higher per-unit adjustment costs and can be expected to have a harder time understanding the large number of regulatory changes that the EU integration process will bring about.

Measure 4 - SME & Professional Transition Clinics

Given the central role of digitalisation in EU market functioning, targeted measures to enhance digital readiness of SMEs should be prioritised.

These may include financial support instruments, technical assistance, and training programmes focused on digital service delivery, electronic procedures, and interaction with public administration.

Strengthening digital capabilities is essential to ensure that domestic firms can compete effectively with EU-based service providers and fully benefit from simplified, digital-by-default procedures.

A practical approach would be establishing temporary advisory clinics that operate both virtual and regional and that help businesses and professionals to adapt with highly practical issues such as document preparation, digital filing support, and troubleshooting for cross-border service provision and qualification-related procedures. Clinics should be delivered through trusted intermediaries such as chambers, professional bodies, business support organisations under the coordination of the Ministry of Economy and Innovation. These organisations can disseminate information, provide sector-specific interpretation of new rules, and collect feedback on implementation challenges in a far more effective manner than government institutions are able to.

7.2 Medium Term Mitigation Measures

Measure 5 - Targeted capacity building for SD / PQD / PTD implementation inside government*

Public authorities need to implement a targeted capacity-building programme to ensure consistent and predictable application of the Services Directive (SD), the Professional Qualifications Directive (PQD), and the Proportionality Test Directive (PTD) across all public bodies.

The economic impact scenarios depend not just on legal transposition. More importantly even will be the day-to-day administrative decisions. These need to be issues in a timely manner, they have to be well-reasoned and need to remain fully aligned with EU requirements. Without sufficient internal capability, implementation risks will develop across institutions and sectors. This will create uncertainty for businesses and professionals and undermining the expected benefits of the reforms.

Capacity building should prioritise operational areas that are most likely to drive implementation risk. First, authorities responsible for recognition-related decisions should be equipped to handle PQD-type processes effectively, including transparent case handling, clear decision reasoning, consistent documentation requirements, and service standards that reduce discretionary outcomes.

Second, ministries and regulators involved in developing or revising rules should be trained to apply PTD-type logic systematically, ensuring that new or revised regulatory requirements are demonstrably necessary, proportionate, and non-discriminatory. This "proportionality discipline" is essential to prevent the re-introduction of barriers through well-intentioned but overly restrictive regulations.

The capacity building programme should combine practical training with operational tools and institutional support mechanisms, such as decision templates, checklists, internal guidance notes, and peer review or quality control functions for high-impact decisions and draft regulations. In policy terms, this measure constitutes a low-cost, high-impact intervention. It is the single most effective manner to reduce implementation risk, strengthen legal certainty, improve regulatory quality. Capacity building helps to ensure that the benefits of SD/PQD/PTD alignment are realised in practice rather than remaining purely formal.

Measure 6 - Incentives that reward formalisation and quality upgrading

Public authorities should complement regulatory alignment with a package of tangible incentives that make formalisation and quality upgrading economically worthwhile for firms.

Regulatory reforms alone can improve the framework conditions for services markets, but sustained behavioural change -- particularly among micro and small operators --requires visible benefits that reinforce the value of compliance. Incentives should therefore be designed to reward businesses that operate formally, meet regulatory requirements, and invest in quality improvements. This also tackles the challenges and disadvantage that compliant firms would face when competing against informal operators.

A practical approach is to link demonstrable compliance to improved access to growth-enabling opportunities. This can include preferential access to finance instruments, eligibility for public procurement, participation in business support programmes, and prioritisation within EU-funded initiatives.

Targeted support can also take the form of training vouchers, co-financing for quality certification, and assistance with meeting sector-specific standards that improve competitiveness and export readiness. By tying these benefits to clear compliance criteria, authorities can reduce ambiguity, strengthen incentives for voluntary adaptation, and support the creation of a level playing field based on legal compliance.

This in turn supports fair competition and improves the sustainability of the business environment by aligning the costs of compliance with concrete economic returns. In addition, pairing reforms with incentives helps mitigate the risk that firms respond to perceived complexity by remaining informal. The objective is not to subsidise compliance indiscriminately, but to create a structured "value proposition" for formalising operations that accelerates transition, strengthens trust in the regulatory system, and supports economic growth objectives.

Measure 7 - PSC / e-Albania workflow upgrade focused on "end-to-end" completion

Public authorities should implement a targeted upgrade of PSC / e-Albania workflows to shift digitalisation from "online submission" to genuine "end-to-end completion." While digital channels are already widely used (86% of consultation respondents report using e-Albania), businesses continue to face friction that originates not from the absence of an online portal, but from fragmented steps, inconsistent instructions, repeated follow-ups, and limited transparency on requirements and processing status.

The policy objective should be to make procedures fully navigable and completable in a single, coherent digital journey, from initial eligibility checks through submission, payment (where relevant), authority review, status tracking, and final decision.

The upgrade should start with the procedures that generate the greatest compliance burden and the highest transaction volumes for service providers. A practical implementation approach would be to select a limited number of high-volume licences, registrations, and notifications and redesign them using user-centred methods with businesses and front-line administrators. Each redesigned workflow should be supported by standardised instructions, clear document requirements, and consistent decision logic, so that applicants receive predictable outcomes and can avoid unnecessary iterations. The platform should provide step-by-step guidance, pre-submission validation where feasible, and transparent status updates to reduce uncertainty and reduce the need for informal clarification with authorities.

> **Practice bottleneck: 60% report licensing processes taking over one month and 54% report more than five steps—exactly the kind of friction that workflow redesign can reduce quickly.**

8. GDP Impact Methodology – Summary

Implementation of the EU Services, Qualifications, and Proportionality Test Directives, have an expected positive impact on economic growth and are expected to increase overall GDP. To assess the overall impacts on Albania's GDP, we projected the three scenario over the next 10 years. The scenarios are as follows:

- **Low Impact (Scenario 1)**: Only a +0.8% boost to GDP by Year 10 (meaning by the end of the decade the economy is 0.8% larger than it would be without these reforms).
- **Moderate Impact (Scenario 2)**: +1.5% to GDP by Year 10 (considered the most realistic if Albania implements the directives effectively).
- **High Impact (Scenario 3)**: Up to +5.0% to GDP by Year 10 (an optimistic case if reforms are very ambitious and unlock significant growth).

Figure 12: Stakeholder "reality check" on scenario feasibility

Stakeholder consultations suggest that the baseline moderate reform pathway (roughly a 1.5--1.8% GDP uplift over time) is widely viewed as **achievable**, provided implementation focuses on practical bottlenecks: predictable procedures, clear guidance, and digital workflows that reduce steps rather than shift them online.

Firms and professionals consistently highlighted **time-consuming** licensing/authorization processes and demand for clearer guidance and simplification, indicating that "quick wins" are possible when reforms priorities high-frequency procedures first.

At the same time, stakeholders did not dismiss a more **ambitious trajectory** (around 5% over the longer term) as unrealistic. They framed it as conditional on sustained political coordination, inter-agency capacity, and targeted transition support for SMEs and solo practitioners.

In short, moderate gains are clearly considered to be achievable while transformational gains appear possible when supported by a **concerted** government effort that focusses on **real-life improvements** in the business climate.

For the projection, Albania's estimated GDP was set at €25 billion in Year 1 and for the baseline growth it was assumed that this GDP grows about 3.5% each year on its own.

To this baseline was layered the reform benefits starting in Year 5. This assumption is applied since big reforms take a few years to actually show up in GDP data. This assumption is based on the fact that the administration needs to perform a range of reforms and detailed tasks in order to implement the three directives, first and foremost the simplification and digitalization of administrative procedures.

From Year 5 to Year 10, the GDP impact is expected to increase gradually. For example, in Scenario 2, by Year 10 GDP is 1.5% higher. In order to get to this situation, small increments are added each year from Year 5 onward: 1.5% × 1/6 in Year 5, 2/6 in Year 6, and so on.

9. Quantitative 10-Year Outlook

Based on the GDP impact methodology and using 2025 figures, even the modest reform scenario can be expected to add about €900 million to the economy over 10 years.

Under the moderate scenario, this nearly doubles to roughly €1.7 billion.

The high impact scenario would deliver an astounding GDP increase of around €5.6 billion over the decade. It is essential to note that these impressive gains are cumulative. The economy grows larger each year thanks to productivity improvements, more competition, and easier business conditions from the reforms.

The GDP developments can be used to determine the impacts on government finances. This is based on the practical assumption that when the economy grows, tax revenues grow.

Assuming roughly 27% of any new GDP gets collected as taxes (aligned with Albania's tax-to-GDP ratio), the government would net additional revenue.

Even after subtracting the costs of implementing the reforms (like upgrading the online Point of Single Contact system, training staff, and helping businesses adjust), the government still comes out ahead in all scenarios.

In the moderate case, for instance, the reforms could generate about €457 million in new tax revenues over 10 years, against roughly €30 million in net implementation costs -- leaving a positive fiscal gain of around €426 million over the decade.

In short, investing in these reforms does pay off. The economy grows a bit more than it otherwise would, and even conservatively, the government budget benefits from higher revenues well above the implementation expenses. Faster or deeper implementation would amplify these gains.

Figure 13: Technical GDP Formulas, Assumptions and Impact

Assumptions and Model Structure: The projection uses a baseline nominal GDP of €25.0 billion in Year 1, growing at 3.5% annually without reform. Reform impact is modelled as an incremental percentage gain to GDP, reaching full magnitude by Year 10.

Three impact magnitudes are analysed: 0.8%, 1.5%, and 5.0% of GDP (additional GDP in Year 10, relative to baseline). No impact is assumed in Years 1--4 (implementation lag), with a linear ramp-up from Year 5 to Year 10 (i.e., in Year 5 the GDP increase is set at 1/6 of the eventual impact, in Year 6 at 2/6, … up to 6/6 in Year 10). Formally, for each year t, if $t < 5$, $\Delta GDP^t = 0$; if $t \geq 5$, $\Delta GDP^t = \text{Baseline } GDP^t \times (\text{Impact\_\%} \times ((t-4)/6))$. Baseline GDP^t itself grows = Baseline $GDP^t_{-1} \times (1 + 3.5\%)$.

Fiscal impact: We apply a tax-to-GDP ratio of 27% and assume unitary elasticity (Δ Revenue = $0.27 \times \Delta GDP$, i.e., proportional). This yields annual incremental revenue (Δ Rev^t) in each scenario. Direct government costs of reform are estimated and subtracted to find the net fiscal impact. Costs included: one-time investment in the Point of Single Contact (split into Year 1 and 2), annual maintenance from Year 3, and a program of business adaptation support grants (front-loaded in early years when firms adjust).

Results: The model produces year-by-year GDP and fiscal trajectories for each scenario. For instance, in Scenario 3 (5.0% impact), Year 10 baseline GDP (without reform) is projected at \~€33.8 billion; applying the full 5% gives $\Delta GDP_{10} \approx$ €1.69 billion extra in Year 10. Years 5--9 have smaller incremental GDPs (one-sixth to five-sixths of that amount). Cumulatively, Scenario 3 yields about €5.64 billion additional GDP over 2025--2034 (undiscounted sum). Scenarios 2 and 1 cumulate to approximately €1.69 billion and €0.90 billion, respectively.

On the fiscal side, by Year 10 the annual revenue increment reaches $0.27 \times \Delta GDP_{10}$ (e.g. in Scenario 2, about €78 million extra revenue in Year 10). Over 10 years, undiscounted cumulative revenue gains are €1.52 billion (Scenario 3), €457 million (Scenario 2), and €244 million (Scenario 1). The government's cost outlay (net of donor support) totals \~€30 million spread across the first decade. Subtracting these costs, all scenarios still show a positive net fiscal impact: +€1.49 billion (S3), +€426 million (S2), +€213 million (S1) in nominal terms. In present value (discounted) terms, the net gains are slightly lower but remain positive in each case.

In summary, the technical model demonstrates how varying the ambition of directive implementation can translate into different macroeconomic outcomes. It provides a transparent framework where all assumptions (growth, timing, impact percent, tax share, costs) can be adjusted as needed. Policymakers can use this tool to stress-test scenarios (e.g., what if benefits start later, or if GDP growth is slower) and to prepare for the likely range of economic and budgetary impacts as Albania aligns with Chapter 3 requirements.

Scenario Comparison

The table below summarises five illustrative GDP-impact scenarios over a 10-year horizon, translating different reform outcomes and different implementation lags into cumulative GDP gains and associated fiscal effects.

The scenarios range from a conservative "Low Impact" case (0.8%) to an upper-bound "High Impact" case (5.0%), with a "Moderate (Base)" central estimate (1.5%).

Figure 14: Summary of the GDP impact scenarios

Scenario	Reform Impact %	Cumulative ΔGDP (€B)	Cumulative Revenue (€M)	Net Fiscal Impact (€M)	Year 10 ΔGDP (€B)
Low Impact	0.8%	0.90	243.6	228.6	0.27
Moderate (Base)	1.5%	1.69	456.5	441.5	0.51
High Impact	5.0%	5.64	1,521.7	1,506.7	1.70
Delayed Start	1.5% (Lag=6yrs)	1.13	304.2	289.2	0.51
Accelerated	1.5% (Lag=2yrs)	2.37	640.1	625.1	0.51

In the Low Impact (0.8%) scenario, the table indicates a cumulative GDP increase of €0.90 billion over the period, generating €243.6 million in cumulative revenues and a net fiscal impact of €228.6 million, with a Year 10 GDP uplift of €0.27 billion.

Under the Moderate (Base) scenario (1.5%), the table reports a cumulative GDP increase of €1.69 billion, with €456.5 million in cumulative revenues and a €441.5 million net fiscal impact; the Year 10 GDP uplift is €0.51 billion.

At the upper end, the High Impact (5.0%) scenario yields €5.64 billion in cumulative GDP gains, €1,521.7 million in cumulative revenues, and a €1,506.7 million net fiscal impact, with a Year 10 GDP uplift of €1.70 billion.

Importantly, the table also distinguishes between the *magnitude* of reform impacts and the *timing* of when benefits materialise. Two timing variants apply the same underlying reform effect as the Moderate (Base) case (1.5%), but shift the onset of benefits.

A Delayed Start (1.5% with a 6-year lag) and an Accelerated scenario (1.5% with a 2-year lag). These timing shifts change the cumulative results captured within the 10-year window. With a delayed start, cumulative GDP gains fall to €1.13 billion, with €304.2 million in cumulative revenues and a €289.2 million net fiscal impact. Conversely, in the accelerated scenario, earlier realisation of the same reform effect increases the cumulative GDP gain to €2.37 billion, raising cumulative revenues to €640.1 million and the net fiscal impact to €625.1 million.

The key takeaway from Table above is that the "delayed" and "accelerated" scenarios do not change the fundamentals of the reform package. In both cases, the assumed structural impact remains 1.5%, and the Year 10 GDP uplift remains €0.51 billion. What differs is the phasing and thus how quickly the economy begins to capture those gains. This affects the process of GDP increases and thus also impacts revenue totals observed over the 10-year period.

In practical terms, earlier implementation improves cumulative outcomes through time-to-impact, while the long-run endpoint under the shared 1.5% assumption remains unchanged.

Limitations of the Analysis

This assessment and scenario comparison in this report is subject to several limitations that need to be taken into account when interpreting the scenario results.

First, Albania does not currently have a consolidated dataset that quantifies administrative burdens across all procedures (e.g., standardised measurements of hours, fees, and documentary requirements by licence/authorisation). The analysis therefore draws on stakeholder consultation evidence, selected proxies, and scenario assumptions. The assumptions thus would need to be revisited when a comprehensive administrative cost baseline is available. Also. consultation inputs may also be unevenly representative across sectors, firm sizes and locations.

Second, the magnitude and timing of the projected macroeconomic effects are clearly sensitive to implementation quality (e.g., end-to-end digital delivery through PSC/e-Albania, interoperability/"once-only" evidence reuse, and consistent administrative practice). This means that time lags between legal changes, adjustment of administrative procedures and behavioural responses (entry, investment) can have an impact on when measurable productivity effects actually arise. Results could vary across authorities and procedures due to heterogeneity in current practice and bottlenecks.

Third, outcomes are influenced by broader contextual factors---such as informality, complementary reforms (e.g., contract enforcement, competition policy, labour mobility), and macroeconomic conditions. The impacts attributable to the three directives carries therefore a degree of uncertainty. In addition, reforms can involve transition costs (IT upgrades, training, change management) that may temporarily offset gains.

Fourth, the GDP impacts presented are cumulative system-level effects of implementing the Services Directive, PQD and PTD as a reinforcing package. They should not be interpreted as additive or attributable on a directive-by-directive basis. The scenario outputs are best read as indicative ranges that illustrate direction and relative scale under different implementation depths. They should not be interpreted as precise expected gains.

10. Summary

The report assesses the expected economic impacts for Albania of aligning with and implementing the EU Services Directive, the Professional Qualifications Directive, and the Proportionality Test Directive as a combined Chapter 3 reform package. The central message is that economic benefits are not driven by formal transposition alone, but by whether the reforms change day-to-day administrative reality for service providers and regulated professions through fewer unjustified barriers, clearer and faster procedures, more predictable decisions, and a stronger discipline against re-introducing restrictions through new regulation.

The analysis treats the three directives as cumulative and mutually reinforcing. Together, they affect the same bottlenecks: authorisation and licensing frictions, opacity in requirements, fragmentation across competent authorities, and inconsistent decision practices. Therefore, the gains depend on system-wide implementation credibility.

The report finds that Albania's starting point is characterised by partial alignment with the Services Directive, marginal alignment with the Professional Qualifications Directive, and no alignment with the Proportionality Test Directive. This implies a material reform agenda across legal drafting, institutional arrangements, administrative procedures, and regulatory governance. Importantly, the implementation challenge is not confined to central government; local-level practices and agency procedures will determine whether businesses experience simplification and predictability or continued fragmentation.

Against this baseline, the report frames Chapter 3 implementation as a competitiveness reform agenda with direct relevance for service-sector productivity, investment conditions, and the business environment, while also supporting accession credibility by demonstrating the ability to enforce internal market rules in practice.

Stakeholder consultation findings underline both the opportunity and the implementation risks. Based on 10 key informant interviews and 127 survey responses, the report identifies low awareness of Chapter 3 reforms as a major constraint on early compliance and adaptation with only around one-third of respondents being aware of reforms, and only a small minority feeling well informed.

The strongest signal from stakeholders is a demand for practical clarity with 44% prioritising clear information and guidelines, followed by simplification and training on online procedures. This points to an immediate need to translate legal changes into operational instructions that businesses can use. This applies particularly to SMEs and micro-operators that face higher relative compliance costs and have less capacity to interpret evolving requirements.

The report also shows that digitalisation is already widely used as most consultation respondents engage with e-Albania. Yet, current user experience often falls short of "end-to-end completion." Businesses report friction linked to multi-step processes, unclear instructions, repeated follow-ups, and limited visibility on status and requirements. These problems are not merely technical as they directly affect compliance behaviour, transaction costs, and trust in administrative decision-making.

In parallel, the report notes that professional qualification recognition is viewed by many stakeholders as an opportunity, but also as an area where predictability and transparency will be essential to avoid unequal outcomes and to manage concerns related to mobility and potential talent outflows. Overall, stakeholders support the direction of reform, but they stress the need to define success in practical terms based on substantially clearer processes, faster decisions, and fewer procedural steps.

To quantify potential outcomes, the report presents a 10-year scenario framework in which GDP impacts begin after an implementation lag and ramp up over time. The three core scenarios represent a range from constrained implementation (0.8% GDP impact by Year 10) to effective implementation (1.5% by Year 10), to an ambitious upper-bound reform outcome (5.0% by Year 10).

The differences between scenarios are not abstract since they reflect practical implementation choices whether barrier screening and simplification are systematic, whether the PSC/e-Albania functions as true services infrastructure rather than a submission interface, whether qualification recognition is handled consistently and transparently, and whether proportionality testing becomes a genuine ex ante constraint on new regulatory burdens.

The report also highlights that "slow" versus "accelerated" implementation does not change the fundamentals of the reform effect assumed in a given scenario. However, the speed of implementation changes the timing of when gains materialise and therefore the cumulative benefits captured within the 10-year window.

The fiscal assessment reinforces the reform case. By applying revenue effects to the higher GDP path and accounting for implementation costs (including one-off PSC investment, recurring maintenance, and indicative transition support), the report concludes that net fiscal impacts remain clearly positive across all scenarios. In other words, even conservative implementation can generate returns that significantly outweigh the costs, while stronger implementation significantly increases the revenue upside.

The report also makes explicit that results depend on realistic phasing since benefits are expected to materialise only after several years because institutional capacity, procedural redesign, business adaptation, and compliance behaviour change take time. This needs to be regarded as an argument for disciplined delivery and sustained implementation management, not for delaying reforms.

The report also presents a practical delivery and mitigation package designed to increase the probability of achieving the effective (and potentially ambitious) scenario while reducing transition risks for SMEs and regulated professions.

The measures focus on converting legal change into practical usability: a sector-specific "Chapter 3 Business Guidance Pack" that provides plain-language explanations, checklists, decision trees, and templates; a targeted upgrade of PSC/e-Albania to deliver end-to-end completion for high-volume procedures; hands-on transition support through clinics and trusted intermediaries; phased compliance approaches that emphasise guidance-led enforcement during adjustment; internal capacity building to strengthen qualification recognition decision-making and embed proportionality discipline in rulemaking; incentives that reward formalisation and quality upgrading (e.g., access to finance, procurement eligibility, vouchers, certification support); and an implementation dashboard with a feedback loop, tracking a small set of performance KPIs and using quarterly cycles to prioritise the next bottleneck fixes.

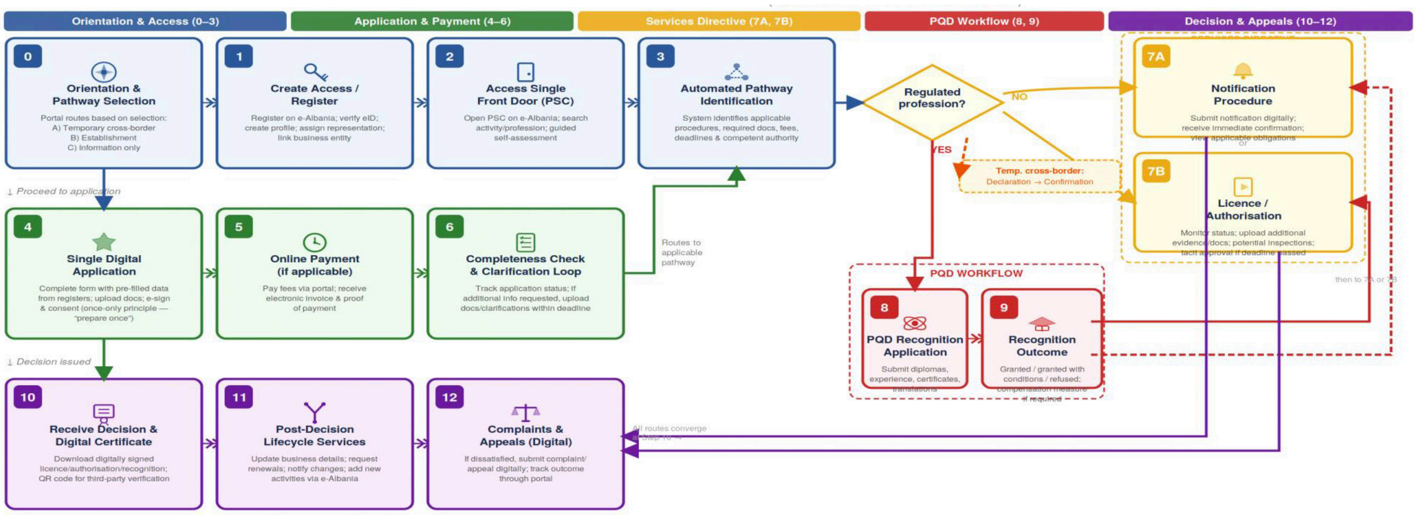
The concluding judgement is that Chapter 3 reforms offer a credible pathway to a significantly improved market functioning in Albania's services economy, with positive economic and fiscal prospects under realistic implementation assumptions.

However, the difference between incremental gains and structural gains will be determined by implementation credibility: clarity of guidance, end-to-end digital procedures, consistent administrative decisions, and a regulatory culture that prevents backsliding into disproportionate barriers.

The report's scenario framework and mitigation package together provide a practical basis for prioritising delivery actions and sustaining reform momentum beyond the drafting phase

10.1 Annex: The SME Professional Journey

(SIMPLIFIED VISUAL FLOWCHART)



* See the Companion Reference Guide for full front office, back-office and output details per step.

10.2 Full SME Journey: Front-Office & Back-Office

Companion and Reference Guide for the Visual Flowchart

Orientation & Access (Steps 0–3)	Application & Payment (Steps 4–6)	Services Directive (Steps 7A, 7B)	PQD Workflow (Steps 8, 9)	Decision & Appeals (Steps 10–12)

Step / Front-Office Journey (SME / Professional)	Back-Office Journey (Administration)	Key Outputs
ORIENTATION & ACCESS		
STEP 0 **Initial Orientation & Pathway Selection** Key question: Are you already legally established in an EU/EEA country and planning to provide services in Albania? Option A – Temporary Cross-Border: Established in another EU/EEA country; intend to provide services temporarily. Possible outcomes: no formalities required; prior notification/declaration; PQD declaration for regulated professions. Declarations generally valid for one year and renewable. Option B – Establishment in Albania: Intend to establish a business or practise permanently. Possible outcomes: notification only; licence/ authorisation; PQD recognition + licence; PQD recognition + notification. Option C – Information Only: Check whether activity is regulated, applicable procedures, fees/deadlines, competent authorities. No procedure started.	PSC portal performs initial routing based on user's selection. System displays: • applicable legal basis • procedures required • competent authorities • indicative timelines	✓ Pathway determination (A / B / C) ✓ Applicable workflow identified
STEP 1 **Create Access / Register** Register on e-Albania: • Verify identity (eID / strong authentication) • Create user profile (individual / business) • Assign representation rights (authorised representative) • Link business entity where relevant Or log in if you already have an account.	Administration provides: • Digital identity onboarding (KYC) • Authentication services • Role and delegation management • User support (helpdesk / chat)	✓ Verified e-Albania account ✓ Business entity linked
STEP 2 **Access Single Front Door (PSC)** Open PSC module on e-Albania and search for intended activity or profession. Run guided self-assessment: • Activity sector • Location • Legal form • Regulated profession check	Administration provides: • Digital identity onboarding (KYC) • Authentication services • Role and delegation management • User support (helpdesk / chat)	✓ Self-assessment completed ✓ Activity / profession identified

STEP 3 **Automated Pathway Identification** The portal determines the applicable route. Key question: Is the activity a regulated profession? Possible results: • 1. Notification only • 2. Licence / authorisation required • 3. PQD recognition + licence • 4. PQD recognition + notification • 5. Temporary cross-border declaration	The system automatically: • Identifies the applicable procedure • Displays required documents • Indicates fees and deadlines • Identifies competent authority • Launches the appropriate workflow	√ Applicable procedure determined √ Required documents listed √ Competent authority identified √ Appropriate workflow launched
APPLICATION & PAYMENT		
STEP 4 **Single Digital Application ("prepare once")** Complete a digital application form with pre-filled data from public registers. Upload only documents not already held by authorities. Provide e-signature and consent for data retrieval (once-only principle).	Administration systems: • Retrieve data from public registers (business, tax, civil status) • Validate application format • Generate digital receipt and case ID • Create electronic case file	√ Digital receipt issued √ Case ID generated √ Electronic case file created
STEP 5 **Online Payment (if applicable)** Pay fees through the portal and receive electronic invoice and payment confirmation.	Government payment gateway processes payments and links proof of payment to the case file.	√ Electronic invoice √ Payment confirmation √ Proof linked to case file
STEP 6 **Completeness Check & Clarification Loop** Track application status through the portal. If additional information is requested, upload documents or clarifications within the deadline.	Competent authority conducts digital completeness check. If necessary: • Issues structured request for information (RFI) • Sets response deadline • Automated reminders generated	√ Completeness status confirmed √ RFI issued (if applicable) √ Deadline notifications sent
SERVICES DIRECTIVE WORKFLOW		
STEP 7A **Notification Procedure** Where notification is sufficient, submit notification digitally and receive immediate confirmation. The portal provides information on applicable obligations (insurance, consumer information, etc.).	System registers notification and updates relevant registers. Digitally verifiable confirmation is issued. Monitoring relies on risk-based supervision rather than prior authorisation.	√ Notification registered √ Digital confirmation issued √ Registers updated
STEP 7B **Licence / Authorisation** If authorisation is required: • Monitor application status • Provide additional evidence if requested • Upload certificates or insurance documents	Competent authority performs substantive assessment. Inter-agency consultation occurs digitally. Where necessary, inspections are scheduled electronically. PSC tracks statutory deadlines and alerts authorities. If applicable, failure to decide within deadlines may lead to tacit approval.	√ Substantive assessment completed √ Inspection report (if applicable) √ Licence / authorisation decision √ Tacit approval (if deadline passed)

PROFESSIONAL QUALIFICATIONS DIRECTIVE (PQD) WORKFLOW		
STEP 8 **PQD Recognition Application** Where recognition is required, submit application including: • Diplomas • Professional experience • Certificates of good standing • Translations if required	Competent authority opens recognition procedure. Documents are verified and additional information requested where needed. Cross-border verification may occur through IMI or equivalent systems.	✓ Recognition procedure opened ✓ Documents verified ✓ IMI verification (if applicable)
STEP 9 **Recognition Assessment Outcome** Receive one of the following decisions: • Recognition granted • Recognition granted with conditions • Refusal with reasons If required, select compensation measure (e.g., aptitude test). After recognition: proceed to Step 7A (notification) or Step 7B (licence) as applicable.	Authority issues reasoned decision. If compensation measure is required, system generates decision specifying measure, deadlines and administration (e.g., exam scheduling).	✓ Reasoned decision issued ✓ Compensation measure specified (if applicable) ✓ Routes to 7A or 7B
DECISION, LIFECYCLE & APPEALS		
STEP 10 **Receive Decision & Digital Certificate** Download digitally signed licence, authorisation or recognition certificate. A verification link or QR code allows confirmation of validity by third parties.	Administration issues digitally signed decision (qualified electronic signature/seal), updates registers and generates verifiable credentials.	✓ Digitally signed certificate ✓ QR code / verification link ✓ Registers updated ✓ Verifiable credentials generated
STEP 11 **Post-Decision Lifecycle Services** Use e-Albania to: • Update business details • Request renewals • Notify changes • Add new activities	Administration manages lifecycle events through digital workflow: renewals, changes, reminders and register updates.	✓ Updated register entries ✓ Renewal confirmations ✓ Change notifications processed
STEP 12 **Complaints & Appeals (Digital)** If dissatisfied with a decision, submit complaint or appeal digitally & track outcome through portal.	Administration routes appeal to competent review authority, acknowledges receipt and issues reasoned decision within statutory deadlines.	✓ Appeal acknowledgement ✓ Reasoned appeal decision

* Before activating any authorisation scheme or changes to it, the Proportionality Test needs to be provided including the following: public interest objective, necessity test, alternative measures, and proportionality justification.

Decision Logic Summary — Pathway Determination (Step 3)

#	Condition	Workflow Path
1	Activity requires notification only	Steps 4–6 → Step 7A (Notification) → Steps 10–12
2	Activity requires licence / authorisation	Steps 4–6 → Step 7B (Licence) → Steps 10–12
3	Regulated profession requiring PQD recognition + licence	Steps 4–6 → Step 8 → Step 9 → Step 7B → Steps 10–12
4	Regulated profession requiring PQD recognition + notification	Steps 4–6 → Step 8 → Step 9 → Step 7A → Steps 10–12
5	Temporary cross-border declaration	Steps 4–6 → Temporary declaration → Confirmation

11. Endnotes

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economic chapters of the acquis (SANECA II)

Address:
Str. Ismail Qemali, No.3, Floor 2, Tirana, Albania
T.: +355 4 2273424 / 2234365