

The Impact of Fiscal Policy on Foreign Direct Investments in Albania

Dr. Robert Çelo

Finance Accounting Department, "Eqrem Çabej" University, Gjirokaster, Albania

Abstract

Fiscal policy plays a crucial role in shaping the economic environment of a country, particularly in attracting foreign direct investment (FDI). This paper examines the impact of Albania's fiscal policy on foreign investment, focusing on recent reforms, such as the reduction of profit and personal income tax rates, as well as fiscal incentives aimed at strategic sectors like energy and tourism. These measures have contributed to an improved business climate, making Albania more attractive to foreign investors. Additionally, the paper highlights the importance of macroeconomic stability, characterized by low inflation and political certainty, in boosting investor confidence. The study also considers the role of infrastructure development and high-quality public services in attracting investment. Despite these positive reforms, Albania faces ongoing challenges such as corruption and the need for greater diversification of investment sources, which could negatively affect investor perceptions and increase operating costs. To address these issues, the paper suggests that Albania must focus on further improving infrastructure, tax administration, and combating corruption. The methodology involves a qualitative analysis of recent fiscal policy reforms and macroeconomic indicators, combined with a review of investment trends and challenges, to assess the relationship between fiscal policy and FDI flows. This analysis underscores the significance of a stable and predictable fiscal policy in fostering FDI and ensuring sustainable economic growth in Albania.

Keywords: Fiscal Policy, Direct Investments, Foreign Investments, Tax Administration, Fiscal Facilities