

Legal regime of voluntary pension funds in Albania

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Abstract

Albania, after '90s inherited the pension system, similar to the systems of the other ex-communist countries in Central Eastern Europe. During almost three decades, many interventions to the system have been attempted, in order to improve its efficacy, sustainability and adequacy. Population ageing, significantly higher migration rates, weak economic environment, higher rates of unemployment, informality, and many other economic- social factors, make more and more difficult and challenging to achieve the pension policy objectives. The first attempt to introduce the voluntary private pension scheme (Third pillar) started since 1995, but the approved Law remained simply "on paper" and not applicable due to collapse of pyramid schemes. In continuous pressure for increasing the pensions as well as eager to decrease the state budget burden, based on the WB & IMF recommendations, in 2005 the Albanian government took the decision to start implementation of the law, by approving the required set of by-laws as well as creating the respective law enforcement institutions. After that, the first three pension fund management companies have been licensed.

The main purpose of this paper is to examine the development of the legal framework on voluntary pension funds in Albania. What are the new concepts introduced by the law regime? What are the key issues occurred during its implementation? In conclusion, the paper comes up with some general conclusions regarding the necessary improvements to the legislation which will give a boost to the development of this market in Albania.

Keywords: voluntary pension funds, public pension scheme, legislation, reforms, fiscal incentives.

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