ALBANIA

Albania’s economic freedom score is 66.9, making its economy the 57th freest in the 2020 Index. Its overall score increased slightly by 0.4 point, led by an improvement in fiscal health. However, the country dropped five positions in the 2020 index rankings, reflecting relatively better performances by other countries. Albania is ranked 30th among 45 countries in the Europe region, and its overall score is below the regional average and above the world average.

Economic freedom has increased steadily in Albania, and its 2020 score matches its highest, which was recorded in 2014. The economy is considered moderately free and continues to register a healthy rate of GDP growth.

The government has made progress in controlling the budget deficit, stabilizing public debt, and creating a more business-friendly environment. To improve its chances for eventual accession to the EU, Albania must record significant increases in its scores for property rights, judicial effectiveness, and government integrity.

BACKGROUND: The Balkan nation of Albania transitioned from Communist rule to multiparty democracy in 1991. Edi Rama became prime minister in 2013, and his Socialist Party won a parliamentary majority in 2017. Opposition accusations of corruption and fraud led to calls for snap elections in 2019. Albania’s accession to the EU has stalled in the absence of additional reforms to fight corruption and improve the rule of law. Agriculture dominates the economy and employs about half of the workforce, but services and tourism are increasingly important. Albania remains one of Europe’s poorest countries, with sluggish economic growth hindered by a large informal economy and weak energy and transportation infrastructure. High unemployment and a lack of opportunity encourage substantial emigration.

POPULATION: 2.9 million
GDP (PPP): $38.4 billion
4.2% growth in 2018
5-year compound annual growth 3.1%
$13,345 per capita

UNEMPLOYMENT: 13.9%
INFLATION (CPI): 2.0%
FDI INFLOW: $1.3 billion
PUBLIC DEBT: 68.6% of GDP
Protection of property rights remains weak. Real estate registration procedures are cumbersome and subject to demands for bribes. The judiciary is independent but subject to political pressure, intimidation, and limited resources, although a 2016 rewrite of one-third of the constitution accomplished the most significant judicial reforms since the end of Communism. Public administration continues to be plagued by inefficiency and corruption.

The top individual income tax rate is 23 percent, and the top corporate tax rate is 15 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 25.7 percent of total domestic income. Government spending has amounted to 29.1 percent of the country’s output (GDP) over the past three years, and budget deficits have averaged 1.6 percent of GDP. Public debt is equivalent to 68.6 percent of GDP.

Enforcement of contracts has become easier but remains problematic. Similarly, unemployment has decreased in recent years but remains high. Outward migration of skilled labor remains a concern. The European Commission reported in 2019 that public subsidies remain low overall, but increasing reliance on public–private partnerships raises the potential for state influence in certain markets.

The total value of exports and imports of goods and services equals 77.3 percent of GDP. The average applied tariff rate is 0.8 percent, and 196 nontariff measures are in force. Despite some progress in modernizing the investment regime, there are limits on foreign ownership. The financial system remains relatively stable. The banking sector is well provisioned, but the share of nonperforming loans has been rising.