

ALBANIA

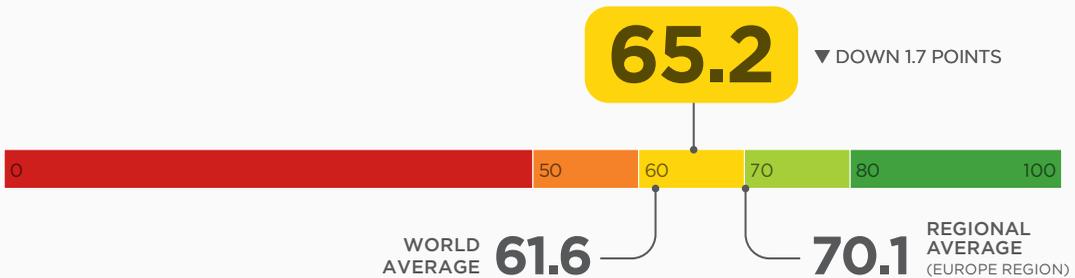
Albania's economic freedom score is 65.2, making its economy the 66th freest in the 2021 *Index*. Its overall score has decreased by 1.7 points, primarily because of declines in **property rights** and **judicial effectiveness**. Albania is ranked 35th among 45 countries in the Europe region, and its overall score is below the regional average but above the world average.

Albania's economic freedom reached a high-water mark in 2020 but has declined this year, stalling progress in catching up to the European average. However, the government has managed to maintain control of the budget deficit and public debt. To advance its candidacy for EU accession, Albania needs to strengthen rule-of-law institutions and improve its scores for property rights, judicial effectiveness, and government integrity.

IMPACT OF COVID-19: As of December 1, 2020, 822 deaths had been attributed to the pandemic in Albania, and the economy was forecast to contract by 7.5 percent for the year.

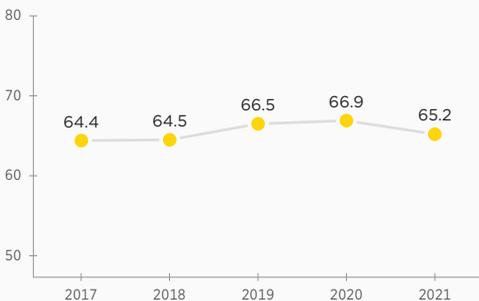


ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +15.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
2.9 million

GDP (PPP):
\$39.8 billion
2.2% growth in 2019
5-year compound annual growth 3.1%
\$14,495 per capita

UNEMPLOYMENT:
12.3%

INFLATION (CPI):
1.4%

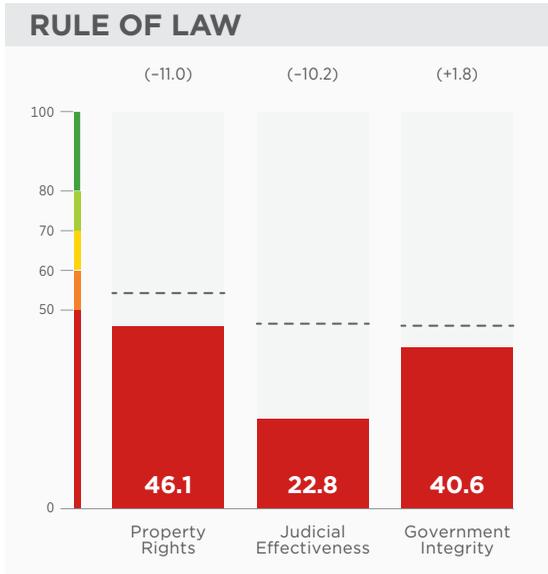
FDI INFLOW:
\$1.3 billion

PUBLIC DEBT:
68.8% of GDP

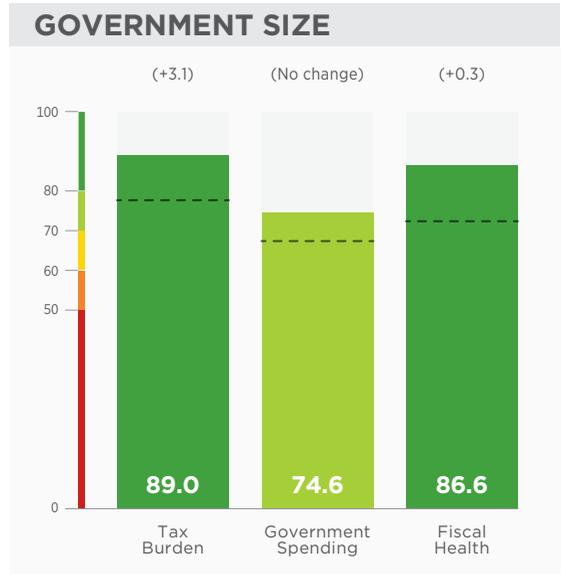
2019 data unless otherwise noted. Data compiled as of September 2020

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. Accusations of corruption and fraud led many opposition lawmakers to resign from the Parliament. President Ilir Meta survived potential impeachment after attempting to cancel municipal elections, citing the lack of opposition. In April, the EU agreed to open negotiations on Albanian accession that had been delayed because of concerns about corruption and rule of law. Agriculture dominates the economy and employs about half of the workforce, but services and tourism are increasingly important. With high unemployment, sluggish growth, and weak infrastructure, Albania remains one of Europe's poorest countries.

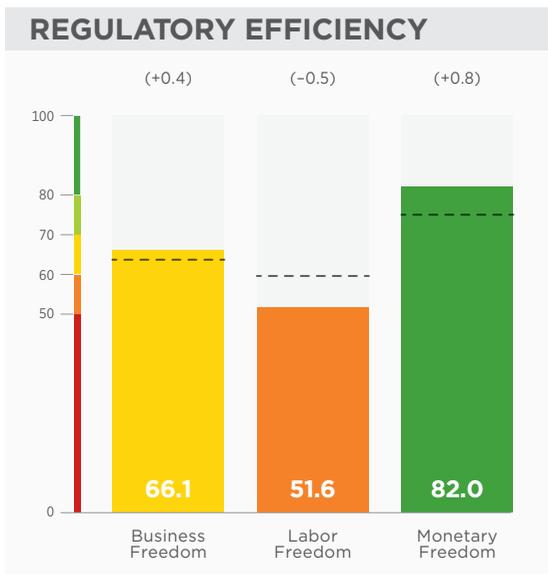
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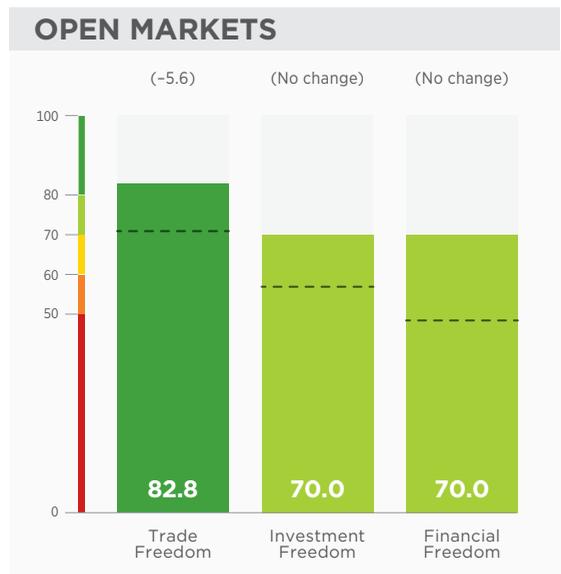
Targeted assistance from international donors has improved property registration, but the register remains incomplete. Cumbersome procedures are subject to bribery. Protection and enforcement of property rights remain weak. The independent judiciary is subject to political pressure, intimidation, and limited resources. More than half of judicial or prosecutorial candidates are dismissed because of mob ties or unexplained wealth. Public administration is inefficient, incompetent, and corrupt.



The top individual income tax rate is 23 percent, and the top corporate tax rate is 15 percent. The overall tax burden equals 18.6 percent of total domestic income. Government spending has amounted to 29.1 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.6 percent of GDP. Public debt is equivalent to 68.8 percent of GDP.



A new technological system for monitoring power outages and the restoration of electrical power has improved the reliability of electricity. The implementation and enforcement of labor laws are inconsistent. Reforms to reduce subsidies for the state-owned electricity utility and other state-owned enterprises have yet to be implemented, and the increasing reliance on public-private partnerships raises the potential for state influence in certain markets.



Albania has four preferential trade agreements in force. The trade-weighted average tariff rate is 3.6 percent, and 196 non-tariff measures are in effect. Openness to foreign investment is generally above average, but investment laws lack transparency. The financial system remains relatively well developed and stable. The banking sector is liquid and well capitalized, but the share of nonperforming loans has been high.