ALBANIA

Albania's economic freedom score is 65.3, making its economy the 49th freest in the 2023 Index. Its score has decreased by 1.3 points during the past year. Albania is ranked 27th freest among the 44 countries in the Europe region, and its overall score is above the world average.

The foundations of economic freedom in Albania are undermined by weak rule of law. The country’s relatively low property rights score is largely a result of political interference in the judiciary that is exacerbated by persistent corruption. Expansionary government spending has led to budget deficits in recent years.

RECENT FREEDOM TREND

BACKGROUND: The Balkan nation of Albania transitioned from Communist rule to multiparty democracy in 1991. Edi Rama has been prime minister since 2013, and his Socialist Party won another parliamentary majority in April 2021. Political independent and former military officer Bajram Begaj was elected president in June 2021. After Bulgaria lifted its objections, the European Union opened accession talks with Albania in July; the nation had first applied for membership in 2009. Agriculture dominates the economy and employs about half of the workforce, but services and tourism are increasingly important. The economy has been growing despite high unemployment and weak infrastructure.

2023 Index of Economic Freedom
The overall rule of law is weak in Albania. The country’s property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is below the world average.

The top individual and corporate tax rates are, respectively, 23 percent and 15 percent. The tax burden equals 18.4 percent of GDP. Three-year government spending and budget balance averages are, respectively, 31.1 percent and -4.4 percent of GDP. Public debt equals 73.9 percent of GDP.

Regulatory hurdles affect contract enforcement. Business opportunities are relatively plentiful in the energy, tourism, health care, agriculture, oil and mining, and information and communications technology sectors. Labor regulations are clearly stated, but enforcement is uneven. The most recent available inflation rate is 2.0 percent.

The trade-weighted average tariff rate is 3.6 percent, and more than 190 nontariff measures are in force. In general, openness to foreign investment is above the global average, but investment laws lack transparency. The banking sector is relatively well capitalized despite the challenging environment.