

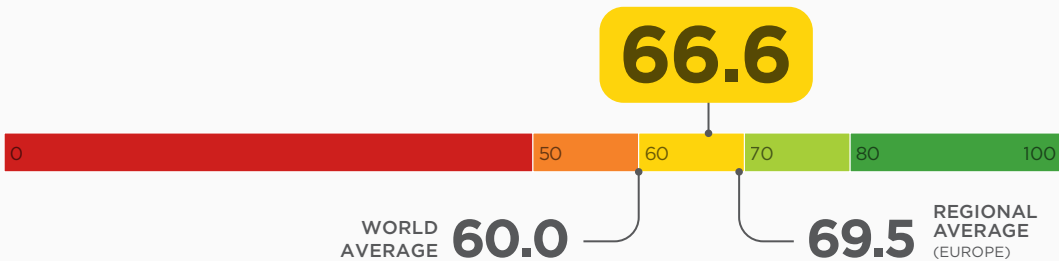
ALBANIA

Albania's economic freedom score is 66.6, making its economy the 50th freest in the 2022 *Index*. Albania is ranked 30th among 45 countries in the Europe region, and its overall score is below the regional average but above the world average.

Over the past five years, Albania's economic growth increased from 2017 to 2018, decelerated in 2019, turned negative in 2020, and rebounded in 2021. A five-year trend of expanding economic freedom has regained positive momentum. Led by score increases in **property rights** and **judicial effectiveness**, Albania has recorded a 2.2-point overall gain of economic freedom since 2017 but nevertheless remains in the middle ranks of the "Moderately Free" countries. Government size and open markets indicators are positive, but the rule of law remains problematic.

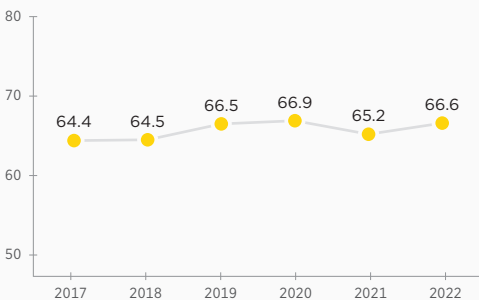
IMPACT OF COVID-19: As of December 1, 2021, 3,101 deaths had been attributed to the pandemic in Albania, and the government's response to the crisis ranked 75th among the countries included in this *Index* in terms of its stringency. The economy contracted by 3.5 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +16.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
2.8 million

GDP (PPP):
\$40.7 billion
-3.5% growth
in 2020
5-year compound
annual growth 2.0%
\$14,218 per capita

UNEMPLOYMENT:
11.7%

INFLATION (CPI):
1.6%

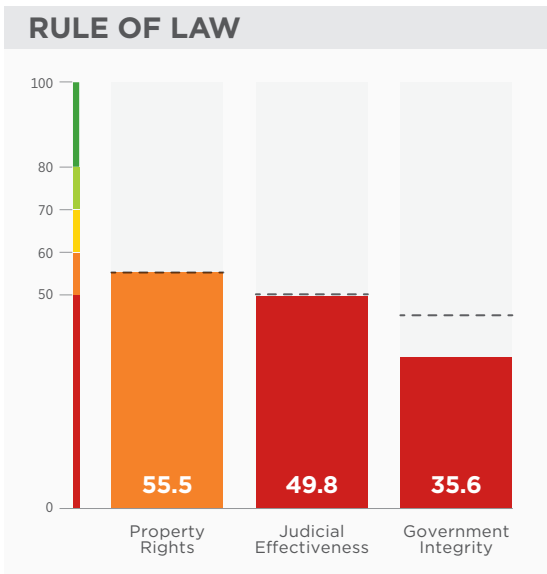
FDI INFLOW:
\$1.1 billion

PUBLIC DEBT:
76.0% of GDP

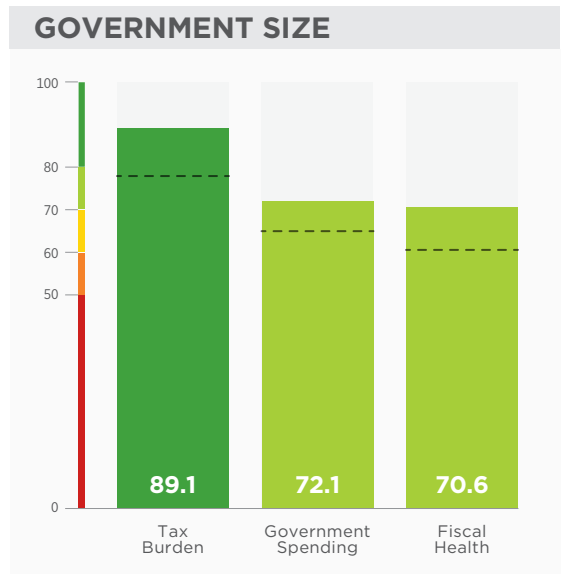
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: The Balkan nation of Albania transitioned from Communist rule to multiparty democracy in 1991. Edi Rama has been prime minister since 2013; his Socialist Party won another parliamentary majority in April 2021. Rama's outspoken critic, President Ilir Meta, was impeached in June, and the Constitutional Court will serve as final adjudicator. Albania's aspirations to join the European Union remain stymied; in June 2021, Bulgaria blocked the start of long-awaited accession talks. Agriculture dominates the Albanian 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.

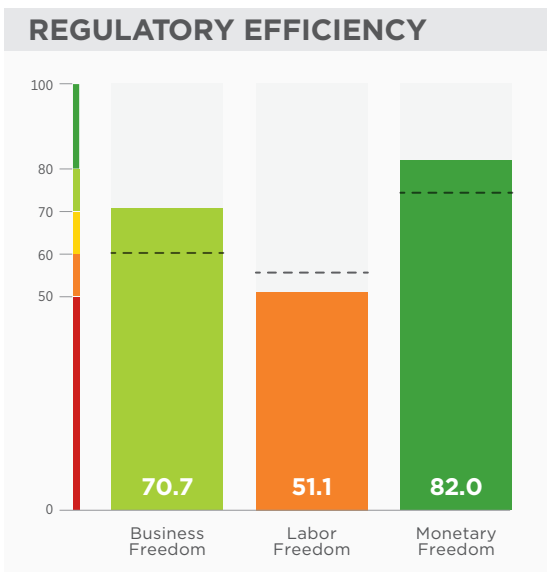
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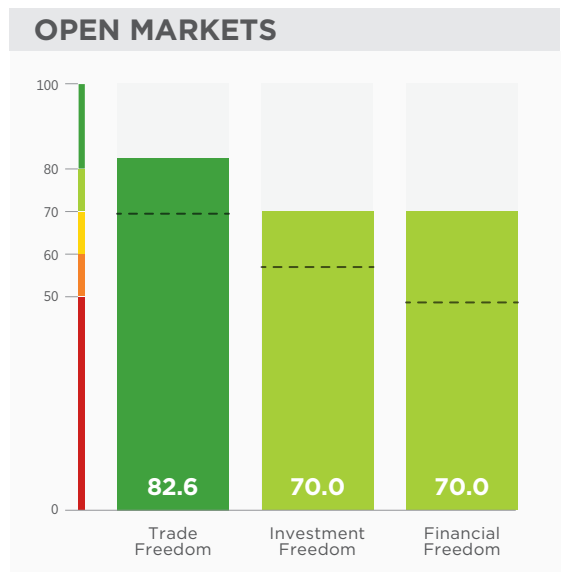
Protection of property is weak because clear title is difficult to obtain, partly because manipulation of the courts makes it possible to obtain illegal and sometimes overlapping land titles. The registration system is inadequate. The independent judiciary is subject to political pressure, intimidation, and limited resources. Economic growth is hindered by endemic corruption, uneven enforcement of legislation, cumbersome bureaucracy, distortion of competition, and a lack of transparency.



The top individual income tax rate is 23 percent, and the top corporate tax rate is 15 percent. The overall tax burden equals 18.3 percent of total domestic income. Government spending has amounted to 30.5 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.3 percent of GDP. Public debt is equivalent to 76.0 percent of GDP.



Doing business in Albania can be difficult. Informal business practices and irregular government procurement processes contribute to business uncertainty. Labor laws are not evenly enforced. The share of informal employment has been the highest in the region. Government payments have kept small-scale hydroelectric power plants operating, but the energy sector is currently wholly dependent on an unreliable system of state subsidies.



Albania has five preferential trade agreements in force. The trade-weighted average tariff rate is 3.7 percent, and 196 nontariff measures are in effect. 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.