

# BTI 2012 | Albania Country Report

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scale: 1 (lowest) to 10 (highest)    score    rank    trend

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

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**Key Indicators**

Population	mn.	3.2	HDI	0.739	GDP p.c.	\$	8817
Pop. growth <sup>1</sup>	% p.a.	0.4	HDI rank of 187	70	Gini Index		34.5
Life expectancy	years	77	UN Education Index	0.721	Poverty <sup>3</sup>	%	4.3
Urban population	%	48.0	Gender inequality <sup>2</sup>	0.271	Aid per capita	\$	113.4

Sources: The World Bank, World Development Indicators 2011 | UNDP, Human Development Report 2011. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

## Executive Summary

Troubling political trends during the period under review culminated in January 2011 with violent protests that turned deadly outside the office of Albania's prime minister and the subsequent government failure to aggressively investigate the protesters' deaths. Indeed, Albania's political and social problems have been boiling under the surface for some time, and it is the fault of the country's politicians to address tensions that has resulted in the current crisis.

Since the country's first pluralist elections in 1991, Albania has maintained a parliamentary democracy. The post-communist era constitution provides the main institutional infrastructure for democratic governance. The country's 2009 elections, however, represented a major drawback in Albania's march toward more democratic norms, as the results produced a dangerous radicalization between opposition parties asking for an investigation into alleged election fraud, and the governing majority refusing their requests. The breakdown of a year and a half of negotiations on the actual form of the alleged vote rigging has exacerbated the political crisis. Tensions further escalated following accusations of government corruption and the public release of a video showing the Albanian vice prime minister allegedly asking favors amid a power plant tender. The failure to investigate existing allegations of corruption that involve current ministers, not to mention the prosecution of the few cases that have already been laid on the desk of the public prosecutor, shows the continued collapse of an already weak rule of law and consolidation of a culture of impunity. During the period under review, the country has shown considerable regress in most measures of political participation, the stability of democratic institutions and political and social integration.

The country has also shown troubling reverse trends in the economy. GDP growth, Albania's most significant achievement in recent years, drastically slowed in 2009 and 2010. The government's plans to increase expenditures, coupled with weakening revenue, has increased the budget deficit and pushed public debt skyward. Internal borrowing, increased considerably during the period under review, has hampered the private sector by limiting existing funds and

increasing the costs of the funds available. Meanwhile, the debt purchased by international markets in the form of expensive Euro bonds and loans will certainly pose a burden for Albania's economic future.

Indeed, the country started its transition to democratic rule with a significant number of challenges. Weak steering capabilities, inefficient use of resources and divisive politics have further undermined the fragile achievements of its democratic transition. The positive international signals over the last two years, including NATO membership and the application for European Union membership in April 2009 and visa liberalization within the European Union in December 2010 has not helped to reverse problematic domestic trends. The refusal of the Albanian EU application with the observation that the country has yet to achieve "effectiveness and stability of democratic institutions" was yet another warning of increasing reverse trends in transformation.

## History and Characteristics of Transformation

Albania is often treated as a "most difficult case" of democratization, or an outlier compared to the other post-communist countries that have experienced regime change. The long, difficult, interrupted, and at times chaotic and certainly ambiguous path to democracy and a market economy however has firmly put the country beyond its initial post-communist ratings in democratic and economic progress.

The country's historical "deficit," including little to no experience with independent statehood, a lack of democratic experience, socioeconomic underdevelopment, a deeply divided elite and the prevalence of authoritarian leadership, is often mentioned when explaining Albania's difficult transition path and its current problems. Yet possibly the most challenging legacy is the country's draconian communist regime from 1945 to 1991. The Communist Party gave into popular demands only when the party had no other options in retaining power, fearing a brutal end to the regime similar to the fate of the Ceausescu regime Romania. Importantly, the Communists' total hold on power until the very end essentially prevented the emergence of leaders or organizations that had at the outset a vision and shared a capacity to lead the country toward democratization. The inevitable clash between two antagonistic camps, the former communist regime stalwarts and the emerging anti-communist groups, alienated moderate groups and fostered a chaotic transition that brought the country to the verge of collapse more than once. Given that there were no clear forces or actors who could immediately lead Albania's march toward democratization, the country seemed doomed to a long and painful transition period.

The first electoral victory in 1992 of anti-communist forces in the country's first legitimate pluralist elections occurred amid a wave of popularity for democracy, which for the moment seemed to sweep away memories of past repression. The anti-communist umbrella organization,

the Democratic Party (DP), put forth “shock therapy” political and economic reforms. The initial enthusiasm of this period was captured in the references to Albania as a “rising star” and a “model pupil” in domestic and foreign evaluations in the early 1990s. However, by the mid-1990s the rule of the Democratic Party showed the deep resilience of past political lessons. Efforts to introduce new democratic institutions were combined with the de facto establishment of one-man rule; the party showed limited tolerance for political debate; and political participation was oppressed. Most memorable were the general mismanagement of economic activity and the subsequent mushrooming of pyramid schemes, which by the end of 1996 swallowed the meager savings of two-thirds of Albanian families and almost one-third of the country’s GDP.

By 1997 it became clear that the country was failing, and Albania came perilously close to a state of anarchy as armed protesters joined by political opposition groups attacked state institutions. The country became dependent on international assistance to survive. Since these events the international community has become an all-important player in Albanian politics, and Albania is commonly depicted as a weak state that needs foreign supervision and monitoring. The Socialist Party (SP), which won the 1997 national elections, maintained a weak hold on power, as the party was in fact part of a co-governing agreement with different groups in the international community. The country’s first post-communist constitution was adopted in 1998, and thus followed general international efforts to strengthen weak state institutions and help to stabilize a minimum of checks and balances in government. Yet effective governance continued to be hampered by the country’s deeply divided politics, a strong-man leadership style, centralization of state power and the overall subordination of institutions to the ruling majority.

The return of the DP in 2005 with a new moderate image and a new group of representatives, including young intellectuals, promised a new future. Indeed, the 2005 elections were considered a substantial improvement over the previous contest as they enabled a smooth transition of power. The promise of European Union integration, which since 2000 is combined with a Stabilization and Association Process, is considered a powerful motor of reforms. Since 2005 Albania has made unprecedented progress in terms of European integration. However, the current crisis seems to stem from an ongoing battle between unfavorable domestic conditions and external reform pressures. So far, internal challenges and a permanent political crisis, as well as poor government management of the country’s economic and political transition, have captured Albania’s attentions and energies more than the magnetic pull of European integration and external reform incentives.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 10 (best) to 1 (worst).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

The Albanian constitution holds that the country is a singular, undividable state which exercises a monopoly on the use of force over its territory. Since the 1997 civil and economic crisis, when armed protesters took over the country's main cities and state structures crumbled, the government has steadily improved its capacities to ensure order and security. The interest of the international community to control a weak state in the center of Europe that harbored illegal trafficking activities and organized crime, not to mention large emigrant outflows, resulted in intervention and economic assistance for security needs. Foreign assistance has contributed to strengthen the state's monopoly of force, especially in critical sectors such as police reform and border controls. The process leading to Albania's accession to NATO in 2009 also played a crucial role in reforming an otherwise outdated military force left over from the communist era and the disorderly transition period. The state's monopoly on the use of force is somewhat compromised in areas such as Lazarat in the south and few remote villages in north, which have traditionally been separatist areas and were seen as no-go regions, yet even today these areas are increasingly subject to state control.

Citizenship and state identity in Albania is not a divisive issue. There is a wide social consensus on who is entitled the right of citizenship and what this right entails, with a majority acknowledging the state's constitutional makeup. All citizens enjoy the same rights; this is facilitated by the homogeneity of Albanian society, where people of Albanian background make up more than 90% of the population. Minorities enjoy broad cultural rights, which are monitored by neighboring countries. Greek individuals are the largest minority in Albania, and are confined to areas bordering Greece and are politically represented by the Unity for Human Rights Party (PBDNJ). Roma groups seem to be less integrated and suffer marginalization, although this is not a question of legal rights but more an issue of informal discrimination.

Question  
Score

Monopoly on the  
use of force

9

State identity

9

The Albanian state operates free of any religious dogma, while radical interpretations of religious ideas have found no traction in Albania's post-communist environment. The state recognizes no official religion, instead ensuring autonomy and equality of all faiths. The constitution ensures the separation of the state from the church, while asking the church's collaboration for the good of each citizen and the public. Despite religion's legal autonomy, the Albanian state in general has opted to curtail and control expression of religion in public life, especially with regard to the country's Islamic majority. The state law prohibits religious education in public schools. A draft law on pre-university education, adopted in December 2010, prohibits the display of religious symbols in public schools. Traditional religious communities reestablished after the fall of communism, such as the Muslim, Bektashi, Catholic and Christian Orthodox communities, as well as other dominations, have respected the separation of religion from politics and in general maintain a low political profile. Albanian society in general has shown little appetite for religious movements, let alone radical or militant versions of Islam or Christianity.

No interference of  
religious dogmas  
10

The administrative structures of the state provide most basic public services, but operations are to some extent deficient. The functioning of public administration is constrained by high levels of clientelism and politicization, as well as a lack of professional skills and an ethos of civil service on behalf of the bureaucracy.

Basic  
administration  
7

## 2 | Political Participation

The June 2009 parliamentary elections were the eighth such contest in the short history of Albanian pluralist elections, which according to the OSCE have altogether "failed to fully meet...international standards for free elections." The elections were considered a crucial test for the country's fragile democracy and an important signpost for the future of Albania's integration in the European Union. The OSCE final assessment, while recognizing the progress made compared to previous elections, concluded with a doubtful note, saying that "these elections did not fully realize Albania's potential to the highest standards of democratic elections."

Free and fair  
elections  
7

The report however praised the country's new legal framework to provide a technical foundation for democratic elections. In December 2008 the two biggest parties, the Socialist Party (SP) and the Democratic Party (DP) had joined votes to change the previous mixed proportional system with a new regional proportional system. Accordingly, 140 deputies are elected on the basis of 12 regional multi-name lists, ranked by the respective parties. Other positive developments included the preparation of an electronic civil registry, transparent voter lists and voter identification cards, although the timing and correct implementation of these measures were disputed by the SP opposition. Yet the electoral management

institutions remained organized on a political basis, to the extent that all positions are shared among representatives of the two main parties. The management of elections has remained the weakest point in the reform process. Observers noted several irregularities during the election, but the most problematic was the “increasing interference of the parties in the counting process,” which was considered bad or very bad in a third of vote counting centers.

The elections produced a thin victory for the Democratic Party-led coalition (70 seats), followed by the Socialist Party coalition (66 seats) and the Socialist Movement for Integration (LSI) coalition (4 seats). Under the new system, only three small parties could enter the Assembly with one seat each. After the elections the center-right DP opted for an unlikely coalition with the center-left SMI, whose campaign had consisted of criticizing the DP’s governance. The resulting “government of integration” ensured a comfortable legislative majority. The leader of the DP, Sali Berisha, continued as prime minister, while SMI secured the post of the vice prime minister, in addition to four ministries, including the crucial ministry of economy. In the following two years, the DP and SMI coalition proved to be stable but suffered from the opposition’s claim of vote rigging in the 2009 elections and several corruption scandals.

The state’s vulnerability to private-sector interests is a serious problem. State capture has manifested itself in various forms, including strong interests’ influence on decision-making, politicians’ control of powerful businesses, and mounting accusations of connections between government officials and illegal businesses. Corruption scandals disclosed in the media in 2010 have exposed the relations between government and questionable businesses.

Effective power to govern

7

The Albanian legal code ensures freedom of assembly and association. Indeed, protests have played a crucial role in Albania’s fledgling democracy, and such activities have helped to catalyze large events in the country’s history of democratic transition. Following the contested 2009 elections, the opposition organized various forms of protest and was apparently unrestricted by the government. The protest organized by opposition forces on 21 January 2010, when four protesters were killed and more than 20 injured, can be considered a turning point as the government resorted to violence to quell unarmed protest. Yet the details of the protest and subsequent violence must still be made clear to come to a proper judgment as to what the event means for the Albanian polity.

Association / assembly rights

9

NGOs can freely register, manage their affairs and address matters of public debate without state interference. The NGO sector has grown considerably according to availability of external funding, which has poured in especially during crisis periods. The country’s weak civic traditions and dependence on foreign funds, however, count for a generally weak capacity of civil action. In 2009, the government for the first time included \$1.2 million in the state budget for civil

society support, while also adopting a law to establish an agency to support civil society interests. The agency, operational since 2010, has claimed to distribute state funds to NGOs working on human rights and anti-corruption policies. Yet state NGO support poses the risk of such a relationship degenerating into political manipulation, rather than mobilizing civil society. Details on NGOs that receive state funds, disclosed on the state agency's website, shows that the groups are mostly insignificant organizations known for their closeness to the government. According to an article published on Balkanweb, some supported "civic actions" are geared toward organizing protests with a pro-government background.

The legal framework guarantees freedom of expression and organization of mass media. Provisions in the criminal code that outline prison sentences for defamation remain in force, but they have not been applied in recent years. In fact, the media landscape is richly varied, with each political party having its own media mouthpiece. The plurality of outlets has increased the watchdog role of the media, especially regarding government policies and wrongdoings, which receive a substantial share of media coverage. A number of cases of political corruption were first unveiled by a media investigation. Yet, the media feels political pressure. The government has used several measures, from political to economic threats, to harass critical media outlets and affect the editorial line. In 2010 both Vizion Plus and Top Channel were forced to change news directors reportedly after direct political pressure. Problematic is also the triangular relations between politicians, the media and business leaders, whereas the media is interchangeably used for both political and business interests. Lack of transparency of media ownership and media financing exacerbate the problem. In an EU opinion paper 2010, it was stated that "political influence over the media and their use as propaganda tools by political parties or influential businessman create conditions for biased reporting and self censorship of journalists."

Freedom of  
expression

7

### 3 | Rule of Law

The constitution sets out a reasonable framework for a democratic government system run in accordance with the rule of law. It also ensures that the system is based on a division and balance of powers among the legislative, executive and the judiciary. While most constitutional institutions are in place, Albania has found itself mired in a pattern of aligning state institutions with the current ruling party. In this specific context, institutions are de facto forced to side with the ruling political party, a symbiosis which remains in the background of Albania's fragile democracy.

Separation of  
powers

6

According to the constitution, the Assembly is the highest body of state power and exercises oversight over the executive and institutions it establishes. The contested elections of 2009 and the subsequent boycott of the opposition have hampered the



functioning of the parliament, which has since degenerated into a forum for quarreling rather than a mechanism of control over the executive. In 2010, the European Union was unusually critical in its assessment that “despite constitutional provisions, there is a lack of effective parliamentary oversight over the executive and parliament does not function as an independent institution.”

The presidency, which since 2007 is occupied by an independent-minded Democratic Party member, Bamir Topi, has also been overshadowed by the ruling majority. In the period under review the majority in the Assembly refused to vote for a wide range of presidential proposals that on grounds that the proposals did not win the “grace” of the ruling party. In May 2010, the Assembly voted against one of the three presidential nominees for vacant positions in the Constitutional Court. In July 2010, the legislature refused to vote for another presidential nominee for the High Court of Justice. In November 2010, three out of four presidential nominees for the Constitutional Court failed to receive Assembly consent. The debate that followed the voting raised valid concerns, that refusals based on political criteria were an effort to capture independent institutions and in essence obstructed the role of president as much as the work of related institutions. The European Union assessment of 2010 indeed draws attention to “cases in which respect for the rule of law have been put into question by the government.”

The judiciary seems to be the weakest link in Albania’s fragile system of separation of powers. The principle of independence of the judiciary is provided for in the constitution and relevant legislation. However, effective independence is hampered by political nominations and other forms of political inference. The Albanian judicial organization consists of three levels: general courts, courts of appeal and the high court, as the final national voice in civil and criminal cases. The Constitutional Court decides on the conformity of laws and other regulations with the constitution while the prosecutor’s office brings prosecutions to the court on behalf of the state. Appointments of judges to the courts and courts of appeal are less affected by political interference, to the extent they are appointed by the president upon the proposal of the High Council of Justice, a largely professional entity.

The high court and Constitutional Court members as well as the state prosecutor are more exposed to political pressure as presidential appointments need majority consent from the Assembly. Since 2005, the Constitutional Court has asserted increasing independence, annulling a few legislative acts passed by the majority in the Assembly. Yet the current politicization of votes over presidential court nominees risks jeopardizing the independence of the judiciary.

In addition to the appointment challenges, the governing majority has also resorted to various measures of intimidation to make courts cooperate with state policies. One of the most illustrious cases is the adoption of a lustration law adopted in

Independent  
judiciary  
5

January 2009 unilaterally by the ruling majority. The many critics of the law emphasized that the new campaign to “tackle the past” targeted independent institutions, especially the office of the public prosecutor, which was involved in a corruption investigation which involved government ministers over the explosion of the Gerdec ammunition plant. The main prosecutor in charge, Zamir Shtylla, was personally attacked by the governing majority for alleged involvement in the persecution of citizens under the former communist regime. Although the lustration law was suspended by the Constitutional Court and then ruled unconstitutional in March 2010, Shtylla resigned in January 2010 and the Gerdec case lost momentum under heavy political pressure. Often politicians use public speeches to criticize, and at times denigrate, the judiciary, depending on their respective political agenda.

The fragile separation of the powers of state and political intimidation of the judiciary have largely undermined any effective legal prosecution of abuse of office. After a number of corruption scandals under previous Socialist Party governments, the Democratic Party came to power with a promise of honest policies. The government has indeed improved institutional frameworks and adopted various strategies to fight corruption, which have been positively evaluated by various international reports. But anti-corruption policies have been more talk than action, especially when it comes to high-level prosecutions. A European Union assessment noted that “corruption is prevalent in many areas and is a particularly serious problem.” Most allegations of high-level corruption that were disclosed in media investigations have not translated into cases before the courts. In the cases that have been officially investigated, few have led to convictions, and when there were convictions it was only of low-level officials.

In 2009, the two most prominent corruption cases involving two government ministers were suspended on procedural grounds. In the Gerdec case, which involved the defense minister, Fatmir Mediu, and the environmental minister, was deferred several times since its beginning in 2008 and was finally dismissed by the High Court of Justice in 2009 on the grounds that Mediu regained immunity after being reelected to the Assembly. The 2007 case against the former transport and telecommunications minister and current interior minister, Lulzim Basha, who was accused of “official abuse” and “showing favor in public tenders,” which according to the state prosecutor’s office cost the state some €230 million, was also suspended in March 2009. The High Court of Justice dismissed the prosecutors’ case, arguing that the prosecutor’s office carried investigations beyond the deadline outlined in the criminal code. Governmental pressure and a lack of cooperation were widely said to have influenced the court’s decision. Cases like these risk giving credence to the country’s prevailing culture of impunity, while public perception indicators report low levels of trust in the judiciary.

One of the clearest examples of state capture is the link between ARMO, the former state-owned oil company, and the prime minister’s family, a relationship that was

Prosecution of  
office abuse

5

unveiled as part of an investigative program aired on Vizion Plus in 2010. Accordingly after the firm's disputed privatization, the government continued to make decisions that favored the company, and said irregularities were confirmed by a Constitutional Court ruling. Trouble mounted when the state tax office suspended the company's activities in fall 2009, claiming that the company had not paid taxes for a year. Within hours of the suspension the government confronted tax inspectors and assisted the refinery in breaking the suspension order. The owner of ARMO, Rezart Taci, is known to have provided financial support to the ruling party especially during electoral campaigns; he frequently appeared in media spots next to the prime minister and his family.

Another example involves the former economy minister, Dritan Prifti, who after only one year in office declared that his wealth had increased by €1.8 million. He justified the increase from the selling of his holdings in a small, almost non-functioning, brick company, a claim which was widely believed to not adequately explain the large sum. Soon after, various media outlets disclosed that the individual who purchased the brick company assets was appointed by Prifti as a member of the supervising board of the energy transmission operator, a huge state company under the aegis of the Ministry of Economy. These are only few examples of accusations and situations that point to the issue of state capture as one of the most crucial obstacles to effective government.

Respect for civil rights is enshrined in the constitution and in the conventions for human rights that Albania has ratified. The office of the ombudsman is the country's main domestic institution for civil rights, which has played an active role in monitoring the human rights situation and increasing state accountability on the issue. The ombudsman's intervention relates to property issues; police abuse; undue length of judiciary proceedings; the non-enforcement of judgments in civil cases; poor prison conditions; and difficult living conditions for the Roma minority. Due to the political stalemate, the election of a new ombudsman (which requires a qualified majority in the Assembly) has been pending since February 2010. In addition, the ombudsman's recommendations have not been sufficiently implemented by state institutions. Ensuring property rights of those who had property unjustly expropriated during the communist era remains a huge challenge. Most property cases go through the system several times, while judgments that order the restitution of property are commonly not implemented. Many cases addressing a breach of due process regarding property disputes are still open in the European Court of Human Rights, and some cases have had successful conclusions in the court.

Civil rights

8

#### 4 | Stability of Democratic Institutions

Concurrent political crises and continuous political bickering between the two main parties have undermined the performance of new institutions. The contested elections of 2009, the consequent six-month long boycott by the opposition and its conditional relations with the legislature have amplified the weaknesses of the Assembly. No key bills that require a qualified majority can be approved in the new legislature. The polarization of the debate over the previous elections has hindered the proper functioning of the Assembly and its committees. Moreover, European Union reports have noted that politicization of Assembly expert staff has affected the overall organization of work done, which is performed on an ad hoc basis rather than according to established procedures.

Performance of  
democratic  
institutions

6

President Bamir Topi, whose constitutional role is to guarantee party dialogue and compromise, has tried to maintain his independent position but has largely failed to manage the political crisis. The work of the government, on the other hand, has evolved away from institutions responsible for oversight, which has resulted in weak legislation and politicized initiatives. This in turn has led to serious shortcomings in the implementation and respect for legislation. The decentralization process, which started in 1998 in line with constitutional principles and the attempts to bring government closer to citizens, has also suffered from the tense relations between the two main parties. The central government has sought to intervene by diminishing local competences and enacting budget cuts, especially in localities run by the opposition. For example, the Tirana municipality, run by opposition leader Edi Rama, has been working without a budget since 2009 because of political maneuvering by the majority party that controls the city council.

Government opposition, on the other hand, has shown little trust for independent institutions, and has often resorted to extra-institutional channels to pursue its political agenda. The last large protests organized by opposition parties in January 2011 promised to be a crucial event. This time the opposition has asked for the resignation of the government, which they perceive as based on both “rigged elections” and “high-level corruption.” The radicalization of the protests and the subsequent deaths of protesters may yet be another important moment in the history of Albania’s struggling democracy.

After the fall of Communism, Albanians unilaterally embraced democracy as the most desirable system and the goal of the country’s political transformation. No political parties, social groups or other relevant actors in society contest the goals of democracy and/or the constitutionally established group of democratic institutions. However, Albanians have relatively low trust in the working of their institutions. Gallup Balkan monitor surveys have shown that Albania is the only country in the region where foreign institutions are seen as the most reliable, much more so than

Commitment to  
democratic  
institutions

9

domestic, elected institutions. In 2010, 80% of respondents had a lot or some confidence in NATO and 79% in the European Union. This was similar to the previous year, when 79% of respondents expressed a lot or some confidence in NATO and 74% in the European Union. Yet in 2010 only 9% expressed a lot of confidence in central government, and 31% expressed some confidence. In 2009, figures were slightly higher: 13% said they had a lot of confidence in central government and 38% indicated some confidence, but again much lower than the confidence expressed with respect to international institutions.

## 5 | Political and Social Integration

Since the fall of communism, Albania has formed a two-party system, which reflects the main cleavages in Albanian society. Former Communist Party members are represented by the Socialist Party (SP), while anti-communists are represented by the Democratic Party (DP). The SP has inherited the organizational structure, the networks and some of the elite members of the former Communist Party, but has also welcomed a new generation of leaders from the anti-communist movement. The DP was born as an organization to bring together diverse anti-communist groups seeking regime change, but it is still run by its historical strong leader, Sali Berisha. Both groups have changed significantly since the country's early transition period, but they are still perceived as two fiercely antagonistic blocks which have very rarely come together to discuss or decide on urgent issues facing the country. Each party, once in power, has adopted a "winner takes all" approach, whereas the opposition is by and large excluded from decision-making as well as institutional representation. Opposition parties, on the other hand, have made it a habit to boycott the Assembly and engage into extra-institutional politics to pursue their own political agenda. Confrontational dialogue and strong polarization have long dominated political life.

Party system

6

After a relatively calm period and the consensual amendment to the constitution in 2008, the 2009 elections reinforced the country's conflict-laden politics. Meanwhile smaller parties have had difficulties consolidating their position in the political system and have been able to enter political life only when joining forces with one of the two bigger parties. The regional proportional system has strengthened incentives to cut deals with the dominant parties to enter their respective lists, thus reinforcing the structure of a two-party system.

Civil society groups in Albania have evolved from the vacuum left by the totalitarian policies of the former regime with the help of foreign aid essential to create this sector from scratch. Indeed before the idea of civil society became a subject of public debate, such activities were fostered through Western donor aid policies that aimed at stimulating civic participation and socializing citizens to democratic values and behavior. Foreign assistance has largely contributed to

Interest groups

6

mobilize local NGOs and supports the public sphere. Currently the number of registered NGOs is around 1,000, although only 150 to 200 are estimated to be active. NGOs cover different sectors including human rights, the environment, women's issues, education, youth issues, culture, religion, health care issues, disabled and minority rights. Some NGOs have successfully engaged in advocacy work, covering important monitoring roles and providing expertise that educational institutions are not able to provide. Yet the agendas of foreign donors have also created a rift between donor-dependent entities and the vague debate over what Albanian society really wants and needs. Very often civil society in Albania is seen as a cluster of donor-driven NGOs rather than genuinely local interest groups and grassroots movements in touch with local priorities.

Citizens are largely apathetic, with modest to low rates of participation in civic activities, volunteering or membership in associations and networks. Another factor contributing to the detachment of the NGO sector from local concerns is also related to their creation, at least initially from a group of privileged citizens who had the connections, position and the education to formulate reports and fundraise. Recently, it has become almost a trend that politicians or high-level bureaucrats after leaving office create their own NGOs, which then benefit from their connections with the donor community as well as their knowledge and access gained while in government posts. Some analysts have questioned the role of NGOs as a sector that provides a generous income for a few people with the right connections, which in return lowers the credibility of the sector as belonging to and working for the social sphere. In 2009, a significant number of civil society actors became politically active, joining political parties in some cases as Assembly members. Quite few NGOs have also embraced a political profile and sided with political camps, which has in turn raised questions about NGO political neutrality. On the other hand, trade union movements remain similarly weak and are apt to politicization.

Having previously suffered under a harsh totalitarian regime, Albanians show very high support for democracy. There has been no indication of decreasing support for democratic norms and procedures, even in the face of an endemic political crisis and the many problems that have plagued the country's democratic transformation. Albanians, however, show more concern over how their democracy is functioning, and how effective their democratic institutions are. Citizens' trust in institutions continues to be low.

Approval of  
democracy  
8

Albanians have a strong sense of solidarity based on family and regional or clan loyalties. This form of traditional social capital has been crucial in sustaining networks that share blood or clan links, but undermines the creation of a culture of civic participation and mobilization beyond narrow family or clan networks. In addition, Albanian society also nurtures individualistic trends, inspired first as a

Social capital  
6

reaction to the extreme collectivism of the previous communist era and second, because of the more unfettered, “wild east” nature of nascent Albanian capitalism.

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

The United Nations Human Development Report 2010 places Albania amid countries with a high level of human development. The country also scores well in quality of education and literacy, ranking above other countries in the region. Yet Albania remains one of the poorest in the region, with GDP purchasing power parity (PPP) estimated to be only 25% of the average for existing European Union member states. In addition, the country’s Gini coefficient shows that economic inequity has increased; the Gini score has jumped from 20 to 33 in the last decade. There are significant economic disparities between urban and rural areas. Poverty is widespread in rural and mountainous areas, where according to the World Bank Poverty Assessment Program, around 12 % of the population lives below the poverty line. The agriculture sector, which is the sole source of income for rural areas, excluding remittances, accounts for less than one-fifth of GDP, although the sector claims nearly half of the country’s workforce. Poor equipment, unresolved property rights and small land plots contribute to the inefficiency of the agricultural sector.

Question  
Score

Socioeconomic  
barriers

6

Economic indicators		2007	2008	2009	2010
GDP	\$ mn.	10704.7	12968.7	12044.9	<b>11786.1</b>
GDP growth	%	5.9	7.7	3.3	<b>3.5</b>
Inflation (CPI)	%	2.9	3.4	2.3	<b>3.5</b>
Unemployment	%	-	12.7	-	-
Foreign direct investment	% of GDP	6.2	7.4	8.0	<b>9.4</b>
Export growth	%	7.8	7.1	5.9	<b>4.2</b>
Import growth	%	28.2	21.1	-12.0	<b>-8.5</b>
Current account balance	\$ mn.	-1150.8	-2018.4	-1839.6	<b>-1402.9</b>

Economic indicators		2007	2008	2009	2010
Public debt	% of GDP	53.8	55.2	60.2	<b>59.7</b>
External debt	\$ mn.	2854.2	3903.6	4692.7	<b>4735.7</b>
Total debt service	\$ mn.	152.8	163.9	226.8	<b>464.5</b>
Cash surplus or deficit	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	9.0	9.3	8.8	<b>8.1</b>
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	6.9	6.8	6.9	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.8	2.0	2.1	-

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2011.

## 7 | Organization of the Market and Competition

Albania has pursued an extremely open model of economic development that has resulted in very limited barriers in factor movements. The country has profited from a privileged trade agreement with the European Union, which has allowed it to export freely to European Union countries following the country's formal application to the European Union in 2009. However Albania's agricultural products and some industrial products are protected under the agreement until its markets are able to sufficiently compete against European firms.

Albania's floating exchange rate is supported by a relatively sufficient level of international reserves, totaling 4.2 months of imports. The Albanian government finances its foreign currency reserves partly with remittances and partly with capital inflows, driven by privatization.

According to the World Bank Doing Business 2011 report, Albania has significantly regulated and simplified its tax system by reducing labor taxes and mandatory payments, to reduce the costs for firms and increase the attraction of operating in Albania. Albania ranks relatively high also in terms of accessing credit and protecting investors (15 among 183 countries) in the report. Nevertheless, the country ranks much lower when it comes to closing a business and especially enforcing contracts. The European Commission assessment for 2010 indicates that the lack of a bankruptcy law hampers the efficiency of market mechanisms. In

Market-based  
competition

6



addition, the significant presence of an informal economy, estimated to make up some 35% to 40% of the entire economy, emphasizes the country's limited progress toward a full market economy.

Structural progress has been made in the area of antitrust policies. In 2009, the government created a new unit to enforce mergers or enact fines on those that hamper competition. During the same year, the government as part of the EU Stabilization and Association Agreement obligations introduced new rules on state aid for high-risk capital and for environmental protections, and as well amended the previous legislation over state aid. Investigations by the Albanian Competition Authority (ACA) into the energy and banking sectors, and fines imposed on two mobile telephone companies following accusations of the companies' abuse of a dominant market position, highlights some progress in this area. Despite new rules, weak enforcement is still a problem, and in the EU 2010 assessment it was identified that Albania needs "to strengthen the institutional capacities for the enforcement of competition rules."

Anti-monopoly  
policy  
7

Open trade is a crucial aspect of the Albanian economy. The country has removed all quantitative barriers on foreign trade since 1992 and introduced a range of tariff reductions since joining the World Trade Organization in 2000. According to the IMF, Albania has the lowest import tariffs in the region, while also recording limited non-tariff barriers and various regional free trade agreements, which overall enable high trade liberalization. The Interim Trade Agreement with the European Union, which since 2009 replaced the Asymmetric Trade Regime, permits the country to export most products to EU countries tariff-free. The European Union remains Albania's main trade partner, accounting for 77% of its exports and 62% of its imports.

Liberalization of  
foreign trade  
10

Since the collapse of widespread pyramid schemes and subsequent economic and political crisis in 1997, structural reforms in the banking sector, including privatizing state-owned banks and liberalizing the financial services sector, have been of paramount importance for economic reforms. Currently, the banking sector is almost totally privatized, and asset share of foreign-owned banks accounts for more than 90%.

Banking system  
7

The Albanian banking sector is consolidated and relatively supervised. The limited integration of banks in the world financial markets and the absence of a stock market protected the industry from the effects of the global financial crisis. According to the European Bank for Reconstruction and Development (EBRD), the capital adequacy ratio of banks totaled 12% in 2009, relatively lower than the assessment of the Bank of Albania (BoA) (16%) for the same period. The Albanian Telegraphic Agency reports that in 2010 the share of non-performing loans fell to 11.7%.

However, the strong presence of Greek banks, which control three out of the 10 most important banks in the country, may post a challenge in the near future. The increasing ratio of non-performing loans in Greece and in Greek subsidiary banks in the region, might negatively impact asset quality and profitability, resulting in a severe credit crunch. Furthermore, the tendency of the government to borrow from domestic banks as a last resort to finance the budget deficit might limit funds available for the private sector.

## 8 | Currency and Price Stability

The Bank of Albania (BoA) has been successful in keeping inflation within the target range of 2% to 4%. In 2010, consumer prices increased moderately. More problematic in the period under review are concerns about government interference within the Central Bank's purview, although the bank's independence is sanctioned by law. Governments' alleged control of bank activities could hamper the effectiveness of economic policies. In 2009, a finance ministry request to use a portion of exchange reserves for "immediate operative costs" was criticized as irregular spending, motivated by the pressure to cover electoral campaign costs rather than a rational economic policy.

Anti-inflation /  
forex policy

9

The current government has in the period under review pursued an expanding fiscal policy, despite repeated IMF advice to limit expenses amid decreasing revenues. The highly contested Durres-Kukes highway, connecting Albania with Kosovo, cost more than 3.5% of GDP in 2009 and 2010. The project was not only too expensive for a strained budget suffering from both lower revenues amid a general economic downturn, but also cost overruns were nearly three times more than initial estimates.

Macrostability

8

After "divorcing" the IMF in early 2009, the Albanian government continued to finance its debts with expensive loans from domestic banks. After receiving six separate loans of approximately €400 million, only in 2009 did the government resort to the international market and released the first Eurobond in 2010. After several failed efforts to sell the Eurobond, the government succeeded in raising €300 million in October 2010. Currently, the government is planning to issue another Eurobond in 2011, aiming to raise another €500 million to finance a new road construction project.

The Bank of Albania (BoA) reports that in the period under review Albanian external debt increased by nearly €1.3 billion, a total that is very high when compared to a yearly average increase of €200 million from 2000 to 2008. According to the European Bank for Reconstruction and Development (EBRD) 2010 Country Report, Albanian external debt increased to 34% of GDP and overall public debt to 59.7% of GDP. The same report shows that in 2010, the budget deficit grew to 5.4% of GDP. The high ratio of public debt when combined with

government's ambitious spending plans raises concerns about Albanian vulnerability to adverse shocks, with the potential of a crisis similar to the Greek crisis.

## 9 | Private Property

The uncertainty of land rights remains an important obstacle toward country's social and economic development. Unresolved property issues across the country, but especially in highly popular urban and coastal areas, inhibit development of important projects including the tourism sector. Political interests, widespread corruption, limited resources and weak institutions negatively influence the effective administration of justice. With a property registration process not completed and issues of the expropriation of land confiscated during the communist era yet to be solved, Albania particularly struggles with property issues.

Property rights

7

The Albanian government has implemented a number of fiscal and legislative reforms to improve the business climate for foreign investors. This is in line with government's strategy to attract investors, but also privatize strategic sectors such as banking, energy and communications. Capital inflows thus obtained have been crucial in financing the country's high current account and budget deficit. In the Albanian context of weak governance and problematic institutions, however, general privatization has not resulted in the sufficient restructuring and improvement of economic performance.

Private enterprise

8

In 2010, the Albanian government announced a decision to privatize "everything," which substantially meant completing the privatization of what little was left over from communist era companies, such as Albpetrol, the state oil producer and Insig, the state insurance company. The government was also committed to selling off what was left from the state-owned power company, KESH. Government critics have opposed such a policy of large-scale privatization in times of crisis, when prices tend to be low. The government's persistence in going forward with the planned schemes of privatization in 2011 seemed to be motivated by the need to finance the deepening current account and budget deficit, already suffering from the contraction of remittances and law revenues.

## 10 | Welfare Regime

A public welfare system including regulations over social policy and public institutions is in place, although the government reportedly lacks the financial sources to support the system. Deeply institutionalized corruption and a weak judiciary are key obstacles to improving the public welfare, as corruption reduces revenues and disproportionately hurts the poor. In the period under review, the IMF

Social safety nets

6

has called upon the government to restore the sustainability of public finances and review the country's welfare system. Despite the reminders, the government in a populist move opted to increase public wages and pensions in 2010, and has planned new increases for 2011. However the promised increases cannot be supported by the budget, as it is shrinking, not expanding.

A 2002 World Bank study found that most public employees in Albania purchased their state positions. Specifically, 60% of custom inspectors, 52% of tax inspectors, 43% of licensers of natural resources and 39% of judges paid money or exchanged favors to obtain their positions. This situation underlines the country's pervasive culture of corruption, which undermines any meaningful attempt at creating equal opportunity. Despite the improved rating of corruption awarded Albania by Transparency International, the country still suffers from high degrees of corruption and therefore an uneven provision of equal opportunity.

Equal opportunity  
6

Albania has been a signatory to most international agreements and has advanced national legislation ensuring equal opportunity. It still has not however ratified the U.N. Convention on the Rights of Persons with Disabilities and lacks a law protecting the disabled. A law on gender equality is in place. However, weak law enforcement is still an issue. The European Union 2010 assessment notes that "existing legislation is often not enforced, especially in the fields of gender equity, children protection and discrimination."

## 11 | Economic Performance

While Albania has continued to record positive growth, GDP growth rates of 3.3% in 2009 and nearly 3% in 2010 have been the lowest levels in the past decade. A rise in inflation of nearly 1.5% over the past two years has however remained within a reasonable 3% (plus/minus 1%) target. External financial crises, especially the Greek debt crisis, have the potential to seriously put Albania's economic situation at risk. Greece is home to more than half of Albania's 700,000 migrants, who provide 35% of total remittances and thus a substantial share of the country's GDP. In addition to falling remittances, the Greek crisis may influence unemployment rates, as many immigrants are facing serious difficulties in the Greek labor market and might return to Albania.

Output strength  
7

The budget balance has continued to deteriorate in the period under review, reaching its peak in 2009 as -7.2% of GDP, revised by a previous budget deficit of 4.9% as a result of rising expenditures and lower revenue. The general contraction of demand from Western markets and the depreciation of the euro have affected the Albanian foreign trade balance, as exports have fallen by 22% and imports by 13%. This deterioration in terms of trade can have a double effect considering the country's larger economic problems. High public debt and a high current account

deficit, combined with ambitious spending plans, lower levels of investment and remittances remain serious challenges in the near-term.

## 12 | Sustainability

In Albania most environmental policies are spearheaded by international donors, while the state has offered little input in terms of policy initiatives and funds allocations. A plastic recycling center is however one of the country's more important environmental achievements in the period under review. A United Nation Children's Fund (UNICEF) project to educate children about environmental issues is likely to offer positive results in the long run. Other international organizations, such as the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the World Bank, have contributed significant sources toward infrastructure improvements for the water supply.

Environmental  
policy  
5

However, foreign initiatives have not been enough to generate comprehensive and sustainable policies. As a European Union assessment has shown, the country has made limited progress in terms of adopting, monitoring and enforcing environmentally friendly policies. Administration capacity on environmental issues is very poor. Much depends also on inter-regional and inter-institutional coordination and collaboration, which is still at an early stage.

Albania inherited relatively good educational infrastructure from the former communist regime. The government has also made education policies a priority and education's share of the budget has shown a steady increase. The country's literacy rate is above the regional average, despite significant differences among rural areas. Roma children have particularly low school enrollment rates.

Education policy /  
R&D  
5

In contrast to its education policies, Albania has very weak research and development (R&D) policies. The capacities left from the former communist regime have either been destroyed by a lack of resources and/or decades of difficult state transition and poor financing. Despite a tiny increase in 2009, the budget allocations for R&D are still very low. The R&D sector has benefited from European Union funds and Albania's inclusion in the Seventh Framework Program (FP7), which has increased participation in research projects and the potential of exchange and learning.

## Transformation Management

### I. Level of Difficulty

Albania began its democratic transition weighted down with many structural obstacles that made its path to full democracy and a market economy challenging. The country's past offered little support for the future, as Albania lacked almost all the pre-conditions that one might expect could aid a country in transition. The country had limited experience of independent statehood; lacked any previous democratic experiments except a short and troubled period in 1924; showed patterns of socioeconomic underdevelopment; was a predominantly rural and feudal society; and was dominated by divided elites and authoritarian leaders. However, possibly the most difficult legacy to manage has been the troubled legacy of the former communist regime. The architect of Albanian communism, Enver Hoxha, created a uniquely totalitarian regime which exalted the Communist Party's monopoly over political, economic and social power, wiping out all sources of opposition and building a rigid Stalinist model of economic development. Once this system was brought down, Albania was still unique in Europe for lacking domestic leaders, groups or organizations that had the vision or capacity to lead the country. Given the communists' determination to maintain their system and quash dissidence, regime change was forced through massive popular movements and at the cost of the few vestiges of state institutions and authority. In this sense, the country not only had to start practically from scratch, but it also had to conquer the ghosts of the past. Post-communist governance has highlighted the deep resilience of past events in the future evolution of the country.

Structural  
constraints

6

The slow development of civil society and its limited impact is also closely related to the country's communist past. Communist rule in Albania was particularly stark in the field of social control. Oppression of all forms of social resistance, a legal ban on independent organizations practically since 1956 and the creation of shell organizations to communicate the party line contributed to create a mummified social space where party and society was indistinguishable. Consequently, the idea and practice of civil society in Albania lacked the normative attributes it gained in other post-communist countries as an important actor of regime change. After the communist era, civil society had to be mobilized from scratch and thus faced a deep-seated culture of diffidence and lack of civic engagement. Foreign assistance

Civil society  
traditions

8

and donor support have contributed to the flourishing of NGOs and their growing impact, but groups still have to develop internal capacities and local links to be sustainable after donor support dries up. Moreover, current associations have still to assert their political autonomy against an increasing trend of politicization, as many NGOs often serve as political auxiliaries rather than autonomous public entities.

Albania does not have any strong ethnic and/or religious conflicts that would inspire internal splits or challenge the unity of the state and society, as has been the case in other Balkan countries. With 90% of citizens claiming Albanian background and the generally constructive cohabitation between the Islamic majority and the Christian Orthodox and Roman Catholic communities, Albania has been spared the emergence of irreconcilable identity cleavages. National unity, which became a primary ideology since the creation of Albania as an independent democratic state, has helped to neutralize divisions along ethnic or religious lines. Nevertheless, regional divisions, clan structures and political polarization across pro-communist and anti-communist lines has often obstructed the efficient workings of democratic institutions.

The contested 2009 elections revitalized the country's deep political polarization, inspiring combative dialogue and endless political bickering that has drawn needed political energy away from key goals and often stalled democratic institution building, as it did in the past. Illustrative in this regard are offensive political speeches and personal accusations that have dominated legislative and wider public debates in the last months of 2010.

Conflict intensity

2

## II. Management Performance

### 14 | Steering Capability

Since the end of the communist era, Albania's ruling elite has tended to align medium-term priorities to the ultimate goal of European integration. European Union membership is a priority found in the political platforms of all main political actors, and has been the goal of all governments so far. Accession to the European Union is one of the few issues where Albanian politicians can put aside divisiveness and focus on reforms that are closely related to EU integration. The coalition between the Democratic Party (DP) and the Socialist Movement for Integration (LSI) after the 2009 elections was touted as "the government of integration" and restated the promise of every government to take the country a step further toward the European Union. The signing in 2006 of a Stabilization and Association Agreement with the European Union has made the process more concrete, to the

Question  
Score

Prioritization

6

extent the agreement is designed to pave the way for the country's according with EU standards up to its eventual membership. The Albanian National Strategy for Development and Integration (2007–2013) outlines the country's long-term objectives while annual working plans outline short-term instruments and goals. Yet the Albanian government has often fallen back on short-term populist goals that contradict long-term strategic goals, especially around election time. The government's insistence in presenting its application for EU membership in April 2009 just ahead of the forthcoming elections in July 2009 was intended as a big government achievement. Yet one can argue that the application, as many experts had warned, was a premature step which could cost the country a formal refusal. Indeed, the 2010 opinion that resulted was not only a very critical report but also a refusal of the country's prospects in gaining formal EU candidacy.

As the EU Commission's 2010 monitoring report mentions, the government's capacity to draft and implement legislation lags behind stated goals and priorities. In Albania, the law on paper and the law that is implemented can be very different things. The question still remains whether Albanian democracy will move to a new phase where democratic principles and institutions already enshrined in legal codes are more or less consolidated and implemented to produce desired results. A clear example of poor implementation is the country's electoral code, accepted by consent in the Albanian legislature and also as a necessary part of the OSCE recommendations for upcoming elections. A new electoral framework was seen as a substantial improvement over previous formats, yet the ODIHR noted a range of problems that violated the letter of electoral code, including pressures put on state administration to support the governing party's campaign.

Albanian political actors have been flexible in learning and adapting to the circumstances that have arisen in the different stages of the country's democratic transition. While much learning and adapting has happened at the level of individuals and political parties, this has not been the case at the government or state institution levels. The permanent instability of administrative staff has deprived institutions of any learning process or accumulation of expertise, which characterizes modern state organization.

## 15 | Resource Efficiency

The Albanian state has not been effective in developing a professional or efficient state bureaucracy. Since the fall of communism, most governing parties have viewed state institutions as property that can be distributed to loyal supporters. This practice has prevented any meaningful progress in ensuring a professional and career-based government administration that follows the letter of the law instead of political leaders. The civil service law (adopted in 1999) and the necessary bylaws (2000) introduced guidelines for the protection and career management of core civil

Implementation  
6

Policy learning  
5

Efficient use of  
assets  
4



servants and helped to instill some degree of stability and professionalism in their ranks. This situation was upturned in 2005 when the Democratic Party (DP) won a majority in the elections. A 2006 parliamentary report on administrative reforms disclosed that within one year of the electoral victory almost 50% of public employees were replaced with party partisans, most of whom had insufficient education and/or experience for their respective job positions.

The DP victory in the 2009 elections was only partly a blessing for the stability of the administration, as the government's new coalition partner, the Socialist Movement of Integration (LSI), appointed its own party supporters in the institutions over which it had control. Moreover, specific ministers also appointed members of their own support groups to positions. One particular example was a scandal involving the son-in-law of the Assembly speaker, who was appointed in 2010 to a high position within the Albanian Embassy in Paris. Various media revealed that the 25-year-old singer apparently lacked a university degree as well as any required or relevant experience for the job. Overall the Albanian state administration is extremely politicized and is lacking in bureaucratic skills and sophistication, a situation that only undermines the country's already weak governing capacity.

The frequent replacement of civil servants has contributed to the inefficient use of human, financial and organizational resources. The preparation and implementation of the state budget is not transparent and rarely involves input from interest groups. Legislative debates over the budget are generally intense, as the government's pitch for its budget revolves around integration issues, while the opposition's criticism sees only a budget put together in a time of crisis; amid the debate little is achieved to actually improve the budget's content.

Intra-governmental friction and competition between ministries are limited. The strong profile of Sali Berisha, both the leader of the governing majority and prime minister, has resulted in a sort of personalized rule. New cabinet ministers belong to Berisha's own group, individuals with little party experience; and most government initiatives tend to originate from the prime minister's office. The strong, personalized style of Berisha's leadership has facilitated informal policy coordination between different ministries and policy sectors. This has however sidelined institutional mechanisms for planning coordination, and in practice doesn't work sufficiently.

Corruption has plagued the Albanian state since the government collapse and power vacuum following the crisis in 1997. Since then the persistent issue of government weakness, fragile state institutions and a vague system of check and balances have not helped to curb corruption, despite increased public attention, substantial donor funds and repeated government promises to tackle the issue. European Union assessments repeatedly identify corruption as one of the main obstacles in Albania's

Policy  
coordination  
6

Anti-corruption  
policy  
4

process of European Union integration. The Democratic Party (DP) government that came to power on an anti-corruption platform has since moved to intensify the war against corruption through a set of new initiatives. The party created anti-corruption task forces, led by the prime minister, and introduced a new comprehensive strategy for 2007 to 2013, including all sectors and institutions that are affected by corruption. Albania was the first country in Europe to institute 100% e-procurements. The general prosecutor's office has also contributed by establishing a joint investigative unit, focused on corruption and economic crimes. The long list of legal initiatives is also extended to laws addressing conflict of interest and public disclosure of assets, as well as an amendment to the civil service law and civil code to include provisions against corruption.

Despite the many strategies and number of laws, corruption has remained. What makes corruption even more problematic is its penetration in state institutions and involvement with authorities. The concept of state capture arguably is a vicious circle, which draws in state officials, prominent politicians and organized crime. A report released by the Albanian Secret Service (SHIK) in 2009 made direct accusations that some legislative deputies were financed by organized crime. The number of high-level corruption cases that were delayed or deferred once having reached the prosecutor's office shows that state corruption is still an issue and must be faced head on.

## 16 | Consensus-Building

Democracy and the market economy enjoy the support of all relevant social and political groups, as well as a large part of the population. In this sense, the country shares a wide consensus on democracy as a long-term strategic goal and the most desirable form of government for the country.

Consensus on goals

8

Yet most political actors are haunted by their connections to the communist past and often behave in ways that undermine the successful functioning of a democracy. The Socialist Party is often seen as the direct successors of the country's former Communists, to the extent that these politicians have inherited some former Communist Party leaders and the party organizational structure. The Democratic Party, including the higher echelons within the party, also includes a range of politicians who can claim relations to the former regime. Pictures made public by the media include some that feature the now anti-communist leader of the Democratic Party, Sali Berisha, sharing family holidays with the former Communist dictator, Enver Hoxha, decades before Berisha rose to power as DP leader, remind the populace of the invisible links to the past that persist among important political groups and leaders.

Young reformers, or political actors with no links to the communist past, have infiltrated all political groups especially because of their special role in events that led to the fall of the communist regime. Yet these actors are still in weak position and are often unable to push forward a new vision for democracy, as the main parties are still dominated by the “old guard,” individuals who control who is able to participate and succeed in the system. In this sense, Albania has still to develop a political class that is clean of the communist past and able to move forward by either excluding or co-opting the old guard, instead of moldering in the wings while the status quo is kept by those in power.

Anti-democratic  
actors

7

Political developments in the period under review confirms the tendency of powerful party leaders hand-picking unknown young politicians and installing them in high-level positions, where they serve their respective leaders blindly and loyally, thus replicating the country’s deep-seated fractural politics. It is clear that established politicians in key positions have everything to lose if they were to open the system to more established young leaders who could contribute and further the process of Albania’s transformation, as they are politically “uncontaminated,” having no association with the past. This seems an unlikely scenario; however, as the old guard’s links to the past cannot be negotiated but simply disguised from the public for as long as possible. Indeed, links to the former communist era have dominated the Albanian political scene and have essentially taken hostage the effective workings of democracy in the country.

The Socialist Party, although a successor of the former Communist Party, might paradoxically offer the first signals of a change in post-communist politics. Edi Rama in 2005 replaced the older party leader, Fatos Nano, in an unprecedented reshuffling of the party’s high-level leadership. Although Rama had yet to prove his skills in state government, he has been a much appreciated mayor of Tirana, and was elected to office four times in a row. Indeed the reshuffling of party leadership and the rise of a young leader to its highest ranks is the first event of this kind in Albanian politics.

Political leadership in Albania, divided in between the two rigid democratic and socialist camps, has created and managed new divisions rather than moderated existing conflicts. Politics of conflict centered on the anti-communist/former communist cleavage have deepened divisions not only between political forces, but also between regions, cities, communities and state institutions. Political leaders have fueled this division as an effective strategy to strengthen and distinguish their basis of supporters. Democratic Party leaders, coming mostly from the north, stress their anti-communist program which appeals particularly to northerners who were especially repressed by the former regime. The Socialists, whose main leaders come from the south, tend to appeal to the southern regions where the main power base of the former Communist Party was centered. These divisions are also reflected in employment in central and local administration, with most positions filled with

Cleavage /  
conflict  
management

6

anti-communist northerners when the Democratic Party is in power, and with southerners when the Socialist Party controls the majority. The parties' strong clientelistic strategies in state employment have furthered existing regional divisions and cleavages.

Civil society is in principle free to participate in all steps of policy-making and policy implementation. This legal and institutional base encourages civil society participation in the political process, but the government's weak capacity, the shifting of personnel between political and civil society groups and the political co-opting of various groups have undermined the independent role of much of civil society. Most leaders and board members of civil society groups have implicit and sometimes explicit affiliations with political parties. The inclusion of distinguished civil society leaders in the main parties' lists in the last two parliamentary elections confirms an increasing trend of politicization in emergent civil society. The shrinking of foreign funds, which have so far furnished and maintained a large proportion of Albanian NGOs, have increased the need of the NGOs to prey on political alliances as a survival strategy in an environment where parties need NGOs to increase public support and legitimacy while NGOs need political parties for financial support.

Civil society participation  
6

More than 20 years after the fall of communism, the country's history and individuals' connections to the former regime still remain taboo. Short-term political interests and political leaders' association with the former regime has harmed all major initiatives to enact justice and reconciliation efforts. The first lustration law of 1995 was adopted a few months before the 1996 elections, and was effectively used to damage the electoral chances of the Socialist Party, by banning from the elections seven out of 12 members of the board and one-quarter of its Assembly representatives. A number of imprecise provisions and political discretions allowed the Verification Commission to engage in a biased process of screening, which targeted mainly opposition leaders and protected most Democratic Party members, even when their own affiliations with the former regime were made public. The Socialists, for their part, once in power amended the law and loosened categories and procedures of verification of past associations to such an extent that the law was essentially made useless. The last initiative to "tackle the past" in 2008 was widely perceived as an effort to weaken independent institutions, especially the public prosecutor's office which was investigating corruption cases involving a number of acting ministers. The opinion of the European Commission for Democracy through Law (Venice Commission) that the law infringed on a range of constitutional rights and guarantees informed the Albanian constitutional court's final decision to rule the effort unconstitutional, while the public was left with the feeling that the country had neither the political force nor the institutions necessary to take proper steps to address perpetrators of communist era crimes and finally break the invisible links that kept the country hostage to its past.

Reconciliation  
5

## 17 | International Cooperation

Albanians maintain an outward-oriented policy vision, motivated by the need for economic and technical assistance as well as the desire to be integrated in the European community. Consequently, the country has managed to attract substantial levels of foreign assistance, with the European Union being the biggest donor, both alone and as an aggregate of EU countries. International intervention intensified after state collapse in 1997, while various international structures have sought to lead renewed efforts of institution building. As of 2000, the international community was so deeply involved in Albanian affairs, including in sensitive political issues such as the monitoring of elections, that the country was commonly depicted as a client state dependent on foreign hands to help it achieve the features of a European state. As one prominent Albanian politician, Genc Ruli, admitted, after 1997 “not a single problem has been solved without the intermediation, supervision and intervention of various structures of the international community.” This situation created a culture of dependency, where international actors carried most of the work in major issues facing the country. Although the Democratic Party government managed to reduce the country’s international dependency, various international organizations continue to be actively involved in major policy issues and initiatives. Since 2000 there has been a growing tendency to see EU integration and the related Stabilization and Association Process as the motor behind reforms. The process, which is geared to lead Albania to its membership phase, has introduced new instruments to assist, control and monitor overall reform, and has essentially turned into the main framework on which achievements and challenges are decided.

Effective use of support

7

Albanian political actors have used international support as a strategy for development and legitimacy. This has been a crucial strategy to gain support in a country where international institutions are some of the most trusted institutions, and commonly more so than domestic leaders and institutions. Yet the political dynamics show that there is a huge gap between declared commitments to pursue reforms required of the EU accession process and their implementation in practice. Most international reports and critics still attribute problems to Albania’s entrenched political infighting and immature political class. Political actors, for their part, have often tried to defer domestic costs by winning in the implementation process what they have lost at the policy-making level. In a way Albanian political actors are only partially credible partners of the international community. An illustrative example was the lack of political will to resolve the crisis surrounding the 2009 electoral investigation, although the European Union had made it clear that it would give a negative opinion on Albania’s preparedness for accession negotiations unless politicians negotiated a way out of the crisis. Keeping the ballot boxes sealed, in essence, was more important than pursuing integration, as was

Credibility

7

declared by political actors in literally every major public appearance. After the failure of political negotiations, the representative of the European Union enlargement commissioner reminded Albanian politicians that “the process of integration is frozen waiting for the solution of the crisis...the lack of political agreement delays integration. We must be aware this is a lost chance.”

Albania has been a champion of regional integration, which is an essential part of the European Union integration process. The EU opinion of 2010 reiterated its positive assessment when it said that “the country is strongly committed to regional cooperation, plays a constructive regional role and participates actively in regional initiatives.” Albania takes an active part in regional initiatives and structures, including bilateral cooperation agreements in areas such as legal assistance in civil and criminal matters, fighting against crime and trafficking, border management as well as economic and investment development. The country has good relations with all neighboring countries including EU member states Greece and Italy. It has taken a constructive approach in the conflict over Kosovo independence by supporting Kosovo but also keeping good relations with Serbia. The Albanian constructive approach regarding regional cooperation looks even more impressive, given the various ethnic divisions and conflicts which have haunted the region after the collapse of communism.

Regional  
cooperation  
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## Strategic Outlook

At the end of the period under review, Albania seemed to be at the verge of yet another crisis. The EU Commission's unusually critical report on Albania's preparedness to open membership negotiations listed challenges it must tackle, including improving the functioning of the Assembly and political dialogue; improving electoral legislation; holding elections in line with international standards; enhancing professionalism and de-politicization of state administration; strengthening the rule of law and an independent judiciary; investigating corruption cases at all levels; and strengthening the fight against organized crime.

Just a few months after the report was released, the situation seems much worse than even the report itself suggested. Indeed, the first Assembly sessions of 2011 disintegrated into a series of insults between the government and opposition. Massive protests in January 2011 organized by the opposition made clear the country's political situation had reached a boiling point. After several protesters were killed, members of the cabinet claimed from "their data" that "arms used did not belong to the state police." When the public prosecutor's office investigated the killings and found evidence that the protesters were shot by the national guard, the prime minister instead awarded the national guard additional salaries for "protecting the institution" while the state police initially refused to follow through on the prosecutor's arrest warrants. Moreover, the government accused the opposition as well as the president, the general prosecutor and the security services of attempting a coup d'état. Under such conditions, the international community has extended support to an independent investigation by the prosecutor's office. Given the growing tensions and Albania's dependence to international community, it seems that such international mediation may be the only way out of the crisis. In addition, international actors may want to speak clearly and honestly about Albania's problems and avoid any double standards for the sake of security yet at the expense of democratic rules and norms.

Economically, Albania's dependence on remittances and capital flows in the form of foreign direct investment increases its vulnerability to adverse shocks outside its borders. Both sources of income are likely to decline following the Greek crisis and amid the country's own unstable political conditions. The government should pursue public policies that regulate the public debt and diversify trade terms while strengthening the current weak appeal of Albanian exports in the European market. Special attention should be paid in promoting domestic investments and attracting international investors willing to invest not only in non-tradable goods, such as banking and communications, but also in enhancing technology, new operational facilities and gross fixed capital formation. Moreover, the government should consider the increased difficulties for Albanian migrants in Western labor markets. In addition to creating new employment possibilities, the government should enlarge welfare assistance to families which cover their basic living costs with income from remittances. In addition, an indispensable aspect

of improving and restructuring the economy is to solve the persistent problem of land insecurity, high corruption, a weak judiciary and rule of law.