

BTI 2010 | Albania Country Report

Status Index	1-10	7.17	# 30 of 128	
Democracy	1-10	7.55	# 32 of 128	➔
Market Economy	1-10	6.79	# 33 of 128	➔
Management Index	1-10	5.85	# 38 of 128	

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

This report is part of the Transformation Index (BTI) 2010. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 128 transformation and developing countries are evaluated.

The BTI is a joint project of the Bertelsmann Stiftung and the Center for Applied Policy Research (C•A•P) at Munich University.

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Please cite as follows: Bertelsmann Stiftung, *BTI 2010 – Albania Country Report*. Gütersloh: Bertelsmann Stiftung, 2009.

Key Indicators

Population	mn.	3.1	HDI	0.82	GDP p.c.	\$	7151
Pop. growth	% p.a.	0.3	HDI rank of 182	70	Gini Index		33.0
Life expectancy	years	76	UN Education Index	0.89	Poverty ²	%	7.8
Urban population	%	46.1	Gender equality ¹	-	Aid per capita	\$	95.9

Sources: UNDP, Human Development Report 2009 | The World Bank, World Development Indicators 2009.

Footnotes: (1) Gender Empowerment Measure (GEM). (2) Percentage of population living on less than \$2 a day.

Executive Summary

Albania continued its bumpy progress in democratic transformation by holding local elections in February 2007, but only after a dispute over voter certificates between the two major power blocs – led by the governing Democratic Party (PDSH) and the opposition Socialist Party (PSSH) – was resolved through international mediation. The parliament elected Bamir Topi president on 20 July 2007, but only in the fourth round in the absence of a consensus candidate, during a boycott by most opposition deputies. The PDSH and PSSH nonetheless succeeded in working together in 2008 to pass a significant new election law on 29 December. The measure seems likely to lead to a consolidation of the political landscape by eliminating many of the smaller parties from the legislature or prompting them to merge with the PDSH or PSSH. The legislation was passed in plenty of time for the 2009 general elections.

The country passed two important milestones in 2008 in securing international recognition of its political and economic progress: Albania received an invitation to join NATO in April and the World Bank promoted Albania from IDA to IBRD status in June. In January 2009, Prime Minister Sali Berisha did not renew a monitoring agreement with the IMF, saying that his country has reached the “end of a transition” and can “move on its own feet” in the future. Albania made notable progress in improving the business climate and advancing privatization. The country nonetheless remains potentially vulnerable to pressures from the international economic downturn because it depends to a great extent on remittances from Albanians working abroad and on exports, particularly those of textiles, footwear, construction materials and natural resources, such as chrome.

Corruption remains perhaps the biggest overall problem, despite government pledges to combat it and a much-improved rating by Transparency International in 2008. There was a great deal of concern expressed domestically and abroad regarding possible attempts by the executive and the legislature to interfere with the independence of the judiciary, although in 2008 the prosecutor-

general more than once resisted pressure from those who put her in office. The president also showed his independence by returning legislation to the parliament on several occasions. From 2007 to 2008, the country made progress on many fronts but much remains to be done if Albania is to meet European standards or become competitive within the EU context in fields such as transparency, education, research or combating the drug trade. The government took some steps toward judicial reform, notably by enacting with opposition support the Law on the Organization of the Judiciary in March, but there is no systematic approach to judicial reform. Legislation was enacted but not fully implemented in some other areas, such as anti-corruption, civil service reform, media independence, women's rights, social protection, competition and the environment.

An active and liberal civil society and a diverse media scene continue to play important roles in democratic transformation. The NGOs nonetheless remain heavily dependent on foreign funding and direction, while the media are exposed to the influence of oligarchies that link many media outlets to important business and political interests.

In November 2008, EU Enlargement Commissioner Olli Rehn summed up the view of many inside and outside Albania when he said that much needs to be done to foster a democratic culture, independent institutions, the rule of law and the fight against crime and corruption.

History and Characteristics of Transformation

Albania has undergone an uneven process of social upheaval since 1990. The legacy of 40 years of communist dictatorship, bunker-like isolation and a stagnating economy left Albania with significant transformation challenges. These challenges include transitioning from the continent's harshest dictatorship to democracy, restructuring a centralized economy to an unfettered market economy, transforming a rural society to an urban society, and opening up an isolated society.

The 1992 elections brought the then-newly formed Democratic Party (PDSH) to power. Ineffective economic renewal and deficiencies in the perception and development of Albanian democracy threatened to boil over during the crisis of 1997. The crisis was triggered by questionable investment transactions that pushed a large portion of the population to the brink of ruin. International mediation allowed for early elections, which brought the Socialist Party (PSSH) – the successor to the Communist Party of Labor – to power. The murder of the PDSH politician Azem Hajdari in September 1998, the debates over the final approval of a new constitution in November 1998, the Kosovo war in 1998 – 1999 and the Macedonian crisis in 2001 further aggravated Albania's instability. After parliamentary elections in the summer of 2001, members of the PSSH attempted to engage in political manipulation because their party had held on to only a slim majority. This resulted in a parliamentary boycott by the PDSH. The

situation led to another confrontation in the 2002 presidential election. External pressure resulted in the election of the consensus candidate Alfred Moisiu, a former general. Local elections in 2003 failed to bring progress. During these years, Socialist Party Chair Fatos Nano eliminated all significant opposition within the party, only to be later marginalized himself inside the PSSH by his successor as chair, Tirana Mayor Edi Rama. In September 2004, a group of parliamentarians, led by former socialist Prime Minister Ilir Meta, founded the Socialist Movement for Integration (LSI). On the right side of the political spectrum, 2004 saw the founding of another political force, the Movement for National Development, headed by Leka Zogu, the son of Albania's former monarch, King Zog I. The movement is composed of several small political parties, such as Legaliteti, PDR and Balli Kombetar. The 2005 parliamentary elections, in which Albania witnessed its first peaceful and orderly transfer of power, confirmed a consistent trend toward improving electoral conduct and an improved electoral framework. Former President Sali Berisha became prime minister. His PDSH won 56 out of 140 seats and is the leading party in the right-of-center governing coalition. With its allies, it has a potential majority of a little over 80 seats.

The Socialist Party, led by Edi Rama, together with its left-of-center allies, has a strong say on issues requiring a qualified majority. This is particularly the case regarding electoral reform and the election of the president. Both votes require a three-fifths majority in parliament. Furthermore, the law on the electoral process requires the participation of the parliamentary opposition in the management of the elections. The dialogue between the ruling coalition and the opposition was characterized by displays of acrimony. Many observers of the Albanian scene have long considered this political polarization to be the fundamental weakness in Albania's democratic culture. But the success of the July 2005 elections enhanced Albania's Euro-Atlantic integration prospects. In June 2006, Albania signed the Stabilization and Association Agreement (SAA) with the European Union.

The government has taken measures to fight crime and the mafia and to spur economic activity and trade. Albania's economy continues to show strong growth and inflation remains low, even though the benefits of growth are concentrated heavily in Tirana and other cities. Energy shortages and serious infrastructure deficiencies, along with corruption and the weakness of the legal and administrative structures, have long contributed to a poor business environment.

Albania maintains good relations with its neighbors. It has signed free-trade agreements with all its neighbors, including Kosovo. In December 2006, it signed an agreement with CEFTA (Central European Free Trade Agreement).

Transformation Status

I. Democracy

1 | Stateness

The state's monopoly on the use of force is anchored in the constitution. Public order and safety are largely ensured, though there are hotspots like Lazarat in the south where this is not the case. This self-contained community was set up in Ottoman times as Gjirokaster's leper colony, and its well-armed inhabitants have long opposed any governmental interference in their affairs, including their involvement in the marijuana trade. The police stage occasional raids to seize the marijuana harvest, but otherwise they generally leave Lazarat alone. In some remote areas of the north, the Kanun, an ancient ethical code of conduct with elements of self-administered justice, is still carried out. The government has declared its fight against corruption, bribery and organized crime to be a major task.

Monopoly on the use of force

Particularly during the chaos of 1997, when crowds across the country stormed armories and police stations, many weapons illegally came into and remain in private hands despite government efforts to collect the guns and despite the sale of many such weapons to Kosovars in 1998 – 1999. As in much of the Balkans, Albania has for centuries had a “gun culture” in which gun ownership is a badge of identity among males.

In general, there is fundamental agreement about who qualifies as a citizen of Albania; therefore, it is not a politically relevant issue. All citizens possess the same civil rights, and the majority acknowledges the state's constitution on a fundamental level. Greek and several smaller minorities have their own regionally active and influential party, the Party for the Protection of Human Rights (PBDNJ), which is represented in parliament. Neighboring countries such as Greece and Macedonia carefully observe whether Albania respects minority rights. There is positive discrimination in many cases (schools, dual citizenship, etc.). Some Roma groups are less integrated and suffer from discrimination.

State identity

Albania is largely defined as a secular state. Church and state are separate, and the political process is secular. Religious dogmas have no noteworthy influence on politics or law, or on societal integration. There have never been feuds among communities, and inter-religious marriages are normal. The liberal post-communist political environment enabled various sects to establish themselves, but their acceptance in society is low. The traditional Sunni Muslim, eastern Orthodox, Roman Catholic, and Bektashi faiths have enjoyed a revival following the fall of communism in Albania, which dictator Enver Hoxha in 1967 proclaimed “the world’s first atheist state.”

No interference of religious dogmas

The state’s basic infrastructure extends throughout the country, but its operation is deficient to some extent. Administration reform aimed at overcoming bureaucratic excesses and enhancing decentralization is still in its initial phase. Due to a burdensome bureaucracy, lack of interaction/cooperation between different sectors and low wages, administration remains fragile and civil servants corruptible. Tax collection has become more efficient but much remains to be done to reach European standards.

Basic administration

2 | Political Participation

The international community has long been concerned about electoral conduct in Albania, making the issue one of the main obstacles to the country’s Euro-Atlantic integration. In the run-up to the 2007 local elections, serious procedural problems concerning voter registration arose again. The matter was settled only through foreign mediation. The imbroglio prompted the Council of Europe to decide in January 2007 to continue its monitoring of Albania.

Free and fair elections

The PDSH and PSSH joined forces in the parliament in 2008 to pass a new electoral law in time for the general elections which President Topi announced for 28 June 2009. The legislation provides for a parliament of 140 deputies elected on a proportional basis from unified party lists in 12 regions, with numbers of deputies and electoral thresholds varying from region to region. Some 30% of the candidates on the lists must be women. The outgoing parliament also has 140 deputies, of whom 100 are elected directly and only 40 on a proportional system. The electoral system that was replaced favored small parties and powerful local individuals, but the new one forces them to join or cut deals with one of the two main parties in order to ensure places on that party’s regional lists. The legislation also favors the Democrats and Socialists at the expense of smaller parties in the monitoring of vote counting in the Central Election Commission. The measure was bitterly opposed through several forms of legal protests by most of the smaller parties, many of which are offshoots of the PDSH or PSSH. The parliament passed the legislation overwhelmingly on 29 December after President Topi returned it on a technicality.

At the start of 2009, discussion of electoral issues centered on the need to prepare an electronic civil registry, transparent voter lists, identification cards and biometric passports.

Albania is a parliamentary democracy. Prime Minister Berisha is a dominant and powerful person and institution. The state's vulnerability to private sector interests is one of the country's most serious problems. In Albania's case, the three-way symbiosis -- also called "oligarchies" -- between politics, business and the media threatens to use or capture the state for private interests. Some business groups exert a significant influence on government decisions, while others influence the opposition's positions. State capture also manifests itself in politicians' control of powerful or illegal businesses, which has significant implications for the formulation of laws, rules and government policies. The media have repeatedly drawn attention to the alleged involvement of Prime Minister Berisha's daughter and her family in questionable business activities and her father's rejection of criticism. In some cases, owners of suspicious businesses enter politics and come to occupy positions in the state administration or seats in the assembly, only to use this influence for their own interests, as has happened in other countries in the region.

Effective power to govern

Freedom of assembly is unrestricted within the basic democratic order. Demonstrations against the government have played an important role in the democratic process. The legal environment in Albania does not restrict the development of the NGO sector. NGOs can register fairly easily and face little interference in terms of their internal management. They are also allowed to engage in a broad range of activities. On the whole, international and domestic NGOs have been able to function with little governmental interference, although the potential impact of recent tax legislation upon them remains unclear. On 19 January 2009, representatives of several NGOs sent a letter to Prime Minister Berisha in which they said that the application of a 20% VAT law to NGOs could seriously threaten civil society and was of great concern to their donors abroad. NGOs and their representatives are nonetheless able to operate freely within existing laws, and they can freely address matters of public debate and express criticism.

Association / assembly rights

The right to free expression for citizens, organizations and the media is guaranteed by the constitution. Restrictions on journalists have significantly decreased. The media system provides for a plurality of opinions, with every party and organization having their own mouthpiece. The media market is nevertheless vibrant, chaotic, not transparent and quite fragmented. In its 2008 Nations in Transit report, Freedom House pointed to indirect evidence of oligarchies linking politics, business and the media. The study noted that most Albanian media outlets do not generate any income but remain in business nonetheless because they serve the interests of wealthy owners, whose identities are not always transparent.

Freedom of expression

Today, nearly everything can be published in Albania without any negative consequences. Provisions in criminal and civil code specifying prison sentences for defamation and libel remain in force, which provides the authorities with a potential tool to harass critics. But the government has not applied the measure in over two years, as the Council of Europe noted in the report of Human Rights Commissioner Thomas Hammarberg at the end of 2007. Ethical standards are low in the media, and media organizations compete for scandals and news. Public perception of the media's credibility has decreased significantly, but at the same time, the media plays an important watchdog role. Albanian Radio and Television (RTSH), the umbrella organization for both public radio and television, is regulated by the 1998 Law on Public Broadcasting. There is a lack of journalistic self-confidence at RTSH compared to the more daring private competitors.

In May 2007, the parliament adopted a law on digital broadcasting. It regulates the framework for digital broadcasting frequencies but does not force broadcasters who cannot yet afford the costs of the transition to do so in the immediate future. A study by the Council of Europe called on the authorities to ensure that the transition is handled in such a way that it does not cause excessive expenses for broadcasters with limited financial resources, especially public, regional and local broadcasters.

In September 2008, the National Council on Radio and Television fined the critical television broadcaster News 24 €7,000, ostensibly for showing a political spot outside the legal election season. The council's move was widely seen as an attempt by the government to punish one of its critics. In January 2009, publisher Miro Blaze of the newspaper "Tema" accused the government, which sought to evict "Tema" from its offices in a government-owned office building, of waging a vendetta against his publication because of its investigations of graft and corruption. Berisha rejected Blaze's charges, accusing him of acting as a puppet of PSSH leader Rama.

3 | Rule of Law

The separation of powers between the legislature, executive and judiciary is fragile and intermittently damaged by jurisdictional arguments and conflicts over constitutional interpretation. Fundamentally, though, a restoration of balance is sought. Albania's deficiency in the separation of powers is a major obstacle to the country's democratization and its integration in Europe. The Berisha government has been widely criticized at home and abroad for what are seen as its moves to limit the independence of the public prosecutor and the judiciary, particularly through the potentially selective application of the lustration law against its opponents. Since the fall of communism, the government has ousted every public prosecutor before their respective terms expired. In each case, the Constitutional Court then ruled that the ouster was unconstitutional. In each case, the court ruled

Separation of
powers

too late, however, because the old prosecutor had already left office and a new one had been installed.

On 21 April 2008, the parliament adopted constitutional amendments that increased the prime minister's control over parliamentary deputies. Apart from introducing a constructive vote of no confidence, the amendment also enabled the prime minister to initiate the dissolution of parliament if a motion of confidence is rejected. According to the Council of Europe's Venice Commission of constitutional experts, "the amendment changes the balance between the Assembly and the Government...(and) it may also be regarded as an excessive strengthening of the position of the Prime Minister."

The tendency to identify the state with the party in power is still a prevalent phenomenon.

The judiciary is institutionally differentiated, but its decisions and doctrine are still partly subordinated to political authorities. In the last several years, the judiciary's independence has been repeatedly jeopardized by interference from politicians of both the governing party and the opposition. The Council of Europe's Human Rights Commissioner noted in his report at the end of 2007 that "the politicized climate in which the judiciary is operating appears to have impacted negatively on the system of justice."

Independent
judiciary

In March 2008, the parliament, with the backing of both power blocks, overwhelmingly passed the Law on the Organization of the Judiciary. The wide-ranging measure is aimed at bringing the judicial system up to European standards in a comprehensive fashion. The government said that the legislation is necessary because of repeated criticism from abroad that the Albanian judiciary is inefficient. Critics charge that the politicians in both blocks seek to use the legislation to limit the independence of the judiciary. One provision empowers the minister of justice to appoint and dismiss the court chancellor, who controls judicial administration. The National Association of Judges argues that the law thereby undermines the independence of the courts by granting the Ministry of Justice authority to appoint key court administrative officials. Some other provisions set tough criteria for the evaluation of the performance of judges and for disciplining those who fail to meet the standards. Critics say that these provisions give the government the potential means to intimidate judges. As of January 2009, the Constitutional Court had not ruled on the legislation.

On 22 December 2008, the parliament passed a lustration law despite protests from the opposition. The measure, which came into force on 15 January 2009, sets up a special commission to vet judges, prosecutors and other administrative appointees for links to the communist-era Sigurimi secret police. Results of investigations are to be posted on the Internet. The professional association of judges and prosecutors,

however, charged that the measure is unconstitutional on many counts, including some stemming from the wide-ranging powers that it gives the new commission. Critics also argued that it would enable the government to rid itself of prosecutors investigating corrupt officials or to otherwise target its enemies. Some critics claimed that the lustration law could potentially lead to the sacking of half of the Constitutional Court alone.

Before the law was passed, the OSCE and the United States made clear their opposition to it on the grounds that the government could potentially apply the law selectively against its opponents. After the law went into effect, the Council of Europe said in a statement that the lustration legislation does not meet European standards for democracy, human rights or the rule of law. Critics at home and abroad said that legislation on such an important matter should have been enacted only through a broad political consensus. As of January 2009, the Constitutional Court was widely expected to declare the law unconstitutional, which would potentially allow the government a face-saving opportunity to re-examine the controversial legislation.

Prosecutor-general Theodhori Sollaku was removed from office by the parliament in November 2007 on the grounds that he had not done enough to combat organized crime. Critics claimed, however, that the Democrats wanted him out of the way for having called for lifting the immunity of Foreign Minister Lulzim Basha. Sollaku was investigating Basha on possible corruption charges stemming from Basha's handling of the major Durres-Morine highway project during his tenure as minister of public works, transportation, and telecommunications from 2005 to 2007.

Sollaku was succeeded as prosecutor-general by Ina Rama, who has subsequently demonstrated on more than one occasion her independence from those who put her in office.

In October 2008, Berisha called for criminal charges to be brought against prosecutors who sought to question visiting Bosnian businessman Damir Fazlic, who has close business connections to some people close to the prime minister, on possible suspicion of money laundering. On 29 December 2008, the parliament overwhelmingly passed legislation regulating the work of the prosecutor's office. The law sought to clarify the relationships in the office's hierarchy in favor of higher-ranking officials. Ina Rama called the law an attempt by the parliament and the Justice Ministry to control her office by monitoring its work. Earlier that year, the parliament backed off of a planned investigation of the prosecutor-general's office after the U.S. ambassador strenuously objected to the idea. In April 2008, the parliament amended the constitution to limit the public prosecutor's term of office to five years, with the possibility of reappointment. The Venice Commission subsequently recommended a longer term without the possibility of reappointment

in order to make the prosecutor potentially less vulnerable to outside pressures.

The legal prosecution of corruption remains one of Albania's most challenging tasks. Corrupt officeholders are not prosecuted adequately or systematically. In November 2007, parliament lifted the immunity of former Defense Minister Fatmir Mediu, who resigned his post in March 2008 following an explosion in the village of Gerdec, where old ammunition was being dismantled. The blast killed 26 people and left over 300 injured. The opposition and many media outlets charged that corruption had led to lax enforcement of safety rules and that some members of Berisha's family were involved in these shady arms dealings.

Prosecution of
office abuse

Anti-corruption rhetoric, rather than the anti-corruption actions, prevails in Albania. The fight against corruption has been more of a political tool, often just an end in itself rather than an earnest attempt to prosecute the corrupt. As long as top functionaries are not held legally accountable, faith in the administration of justice will be limited. Ina Rama has, however, so far proven more successful than her predecessor in defending the integrity of the prosecutor-general's office against political interference by the government or the opposition.

Cases of civil rights violations are decreasing. The legislative framework is broadly in place to promote human rights and protect minorities. The implementation of legislation in areas such as women's rights and access to justice, however, remains problematic. Women, children, Roma and sexual minorities remain particularly vulnerable. Some efforts have been made to prosecute those responsible for abuse of prisoners, but prisons generally remain overcrowded and in a poor state. The Council of Europe noted in its Human Rights Commissioner report that Albania has "undertaken significant efforts in recent years" to fight human trafficking, particularly in investigation and prosecution, but has not demonstrated as much dedication in protecting and reintegrating the victims. Furthermore, internal trafficking is on the rise, with impoverished and poorly educated persons from poor regions being the most vulnerable.

Civil rights

4 | Stability of Democratic Institutions

Democratic institutions perform their functions in principle, but opportunities are often wasted due to friction between institutions and the interference of various political actors. The parliament's election of Bamir Topi as president in July 2007 took four rounds, was held in the absence of a consensus candidate and was possible only because some opposition deputies voted for him while most of the opposition legislators boycotted the session. Arguments between the ruling Democratic Party and the main opposition Socialist Party over jurisdiction and interpretation have blocked the work of parliament and the government several times over the past few years. In recent years, and throughout all parliamentary

Performance of
democratic
institutions

terms so far, political parties have made a habit of threatening parliamentary boycott or even of walking out of the legislature for extended periods of time. In December 2008, the opposition boycotted the vote on the lustration law. The Democrats and Socialists nonetheless cooperated to pass at least two major pieces of legislation in 2008, namely the Law on the Organization of the Judiciary and the electoral reform legislation. When a parliamentary investigative commission launched an inquiry into Prosecutor-general Sollaku in 2007, he sought a ruling from the Constitutional Court on the legality of parliamentary investigative commissions. The court declared such commissions to be in keeping with the constitution.

Individual institutions of the democratic state are generally accepted by all relevant players. Nonetheless, strong actors, political parties and in particular the charismatic leaders of the two main parties play veto cards from time to time by boycotting the political process or ignoring it. This kind of political behavior has increasingly become a thing of the past as far as the Democrats and the Socialists are concerned. Legislation passed in 2008 regarding the public prosecutor's office does not appear to have adversely impacted on Ina Rama's ability to act independently and with determination.

Commitment to democratic institutions

5 | Political and Social Integration

The party system is fragmented between two main blocs – the Socialist Party (PSSH) and the Democratic Party (PDSH). Several small parties on the left and the right have limited social influence, which varies according to region and topic. They have been important players when alliances or coalitions become necessary. Especially the Party for the Protection of Human Rights (PBDNJ), which represents ethnic minorities, has a strong independent profile within the party system. Both of the big, monolithic parties have been through splits and severe internal fights. But the electoral legislation passed in December 2008 is likely to lead to the consolidation of the political landscape around the Democrats and the Socialists. The present system favors small parties and powerful local individuals, but the new one will force them to join or cut deals with one of the two main parties in order to ensure places on that party's regional lists. Albanian media reported in January 2009 that at least one party that is a split-off of the PDSH has already reached an arrangement with Berisha to rejoin the Democrats.

Party system

The topography of interest groups is not representative of society. Important social interests – gender issues, the fight against poverty, regional differences – are under-represented. Most of the political class has its roots in the communist-era elite, and relations within that class go back for years. The political elite remains centered on Tirana or other urban areas and seems to have retained the communist leadership's alienation from the peasantry. Political parties have sought to reverse dwindling

Interest groups

voter turnout in recent years and broaden their teams with well-educated and experienced professionals who have been trained abroad. Despite their large membership, the trade unions have become increasingly weak, and their influence is primarily limited to state-owned companies. Trade unions are linked with either one or the other political wing. The social awareness of belonging to a certain group of interests is growing in Albania. Increasingly, people think that the government doesn't address their interests properly. There are good examples of citizen's initiatives advocating group interests, in most cases organized by the Mjaft! (Enough!) NGO movement. Still, there is little public understanding that in a genuine democracy, political organizations are embedded in a civil society. The political parties in Albania dominate and run the public scene.

A convincing majority of Albanians support democracy as well as the process of integration in Euro-Atlantic structures. There are no important political organizations advocating a return to socialist dictatorship or international isolation for the simple reason that they would attract few voters. Most people in Albania associate democracy first and foremost with freedom of movement and freedom of expression. On the other hand, democracy is perceived as a constant power struggle between political parties. There is little consciousness of democratic values and civic responsibility. However, the support of international donors, which has generated a massive increase in NGOs since 1992, has made it possible for some NGO representatives to be very active and influential in public life. Political interference and difficulties with these actors have decreased in recent years, although some NGOs argue that the government did not take their advice or that of the opposition into account in drafting the lustration law that went into effect in January 2009.

Consent to
democratic norms

There is a robust but heterogeneous web of autonomous, self-organized groups, associations and organizations. These groups enjoy moderate trust among the population. In a survey taken by the EBRD in 2006, some 55% of Albanians expressed some or complete distrust with respect to other people. The civic organizational landscape is diverse. There are approximately 1,000 legally registered NGOs, about 150 of which are active. NGOs exist in most sectors, including human rights, environmental protection, women, education, youth, culture, economic development, health, disabilities and minority rights. The number of NGOs in cities outside Tirana and in the countryside has increased as national NGOs and umbrella groups have expanded into other regions. NGOs are highly dependent on foreign assistance and funds, and they are often more involved in implementing projects financed by foreign donors than in developing grassroots structures and ideas. Patterns of civic political behavior have gained some credibility and attention through repeated protests against corruption and the abuse of power. An example of such activities is the internationally well-known anti-corruption movement Mjaft! (Enough!), which seeks to foster debate on a wide

Associational
activities

variety of political and social topics, including voter participation. It has 8,000 members nationwide but only a small permanent staff in order to discourage careerism. The concept of volunteer work is poorly understood or appreciated in Albania because it is widely associated in many people's minds with communist-era compulsory unpaid labor drives.

II. Market Economy

6 | Level of Socioeconomic Development

Generally, high rates of steady economic growth have not sufficiently resulted in higher living standards, better health and welfare provisions, or greater educational or vocational training opportunities for the majority of the Albanian population. Economic growth, structural reforms and their benefits have focused on urban areas and their elites. The IMF noted in its August 2008 Poverty Reduction Strategy Paper that the 2005 Living Standard Measurement Survey showed that headcount poverty was considerably reduced from 25% to 18.5% between 2002 and 2005 through sustained growth and migration. The survey also noted that inequality rose only modestly and that the gap between the richest and poorest regions actually declined.

Socioeconomic
barriers

Albania has established a free – albeit anarchic – market that lacks a strong institutional framework to regulate market-based competition and compensate for social imbalances. Its Human Development Index value in the 2008 statistical update (based on data from 2006) stands at 0.807, compared to 0.801 for the previous year. Its ranking is 69th out of 179 countries, down from 68 in 2007 but up from 73 in the 2006 survey. Women, children, the elderly, Roma and rural communities continue to be least affected by the economic growth that saw the GDP rise to \$11 billion, according to the World Bank's figures for 2007. The GDP per capita (PPP) on 1 July 2007 was \$5,700, but only \$5,300 on 1 July 2008. Some Albanian NGOs say that the country faces a new wave of illiteracy, especially in rural areas, unless more effort is allocated to rural development.

Economic indicators		2004	2005	2006	2007
GDP	\$ mn.	7464.4	8376.5	9097.9	10831.2
Growth of GDP	%	5.9	5.5	5.0	6.0
Inflation (CPI)	%	2.3	2.4	2.4	2.9
Unemployment	%	14.4	14.1	13.8	-
Foreign direct investment	% of GDP	4.6	3.1	3.6	4.4
Export growth	%	17.7	7.2	5.2	7.5
Import growth	%	10.4	10.1	7.8	28.2
Current account balance	\$ mn.	-357.9	-571.5	-670.9	-1150.8
Public debt	\$ mn.	1402.6	1372.2	1575.4	1787.0
External debt	\$ mn.	1547.2	1836.6	2326.9	2775.9
Total debt service	% of GNI	1.0	0.9	1.5	1.3
Cash surplus or deficit	% of GDP	-3.0	-	-	-
Tax Revenue	% of GDP	17.3	-	-	-
Government consumption	% of GDP	9.5	9.3	8.9	9.0
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	2.8	2.6	2.4	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.4	1.3	1.5	1.8

Sources: The World Bank, World Development Indicators 2009 | UNESCO Institute for Statistics | International Labour Organization, Key Indicators of the Labour Market Database | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security.

7 | Organization of the Market and Competition

Albania has succeeded in setting up all of the basic conditions for market-driven competition but failed to develop a strong institutional framework to safeguard free and orderly competition. Nevertheless, the past two years have seen progress in structural reforms, an improvement in the dialogue between the government and business community, advances in the commercialization of public utilities and significant steps to revitalize the privatization of large enterprises. The World Bank noted in its annual Doing Business in Albania report that there were important

Market-based
competition

structural reforms during 2007 – 2008 regarding rules for starting a business, protecting investors and obtaining credit. At the same time, weak administrative capacities, or a lack of interest by those in power, have slowed down progress in market regulation, fighting corruption (often caused by close ties between politics and business) and integrating the informal subsistence economy. The European Commission wrote in its November 2008 report that “the large informal sector is fuelled by weaknesses in tax and expenditure policies, as well as in law enforcement, including the fight against corruption and organized crime.”

The risk of monopoly formation is generally not a major concern at the policy level. Nevertheless, the “intermarriage” between politics and business stimulates a system of oligarchies. Due to weak institutional structures and the bonds between politics and business, the formation of oligarchies is only inconsistently regulated. A competition law exists but is not always enforced. The Competition Agency began operation in 2004 to protect free competition by implementing the relevant legislation, particularly in respect to cartels, public procurement and privatization.

Anti-monopoly
policy

Albania’s privatization of industries, utilities, and the banking system is nearly complete or at least is moving ahead quickly. Small-scale privatization is nearly complete, and the private sector now accounts for well over 80% of employment. The privatization of the state-run ARMO oil refinery was completed in the fall of 2008, when the government also announced its intention to sell off its remaining shares in “strategic enterprises.” The Czech CEZ group is set to take control of OSSH, the electricity distributor. Progress has been made on customs’ administrative capacity and on collecting revenues while reducing tariffs. Foreign trade is mostly liberalized, with uniform low tariffs and no fundamental state intervention in free trade.

Liberalization of
foreign trade

Since the sale of the Savings Bank of Albania to the Austrian Raiffeisenbank in 2004, the national banking system and the capital market can be considered thoroughly differentiated. The bank held approximately 60% of all deposits in Albania. Most banks are foreign-owned, particularly by Austrian, Greek and Italian banks. The institutional foundations have been laid for a solid banking system oriented toward international standards with functional banking supervision, minimum capital requirements and market discipline. The Albanian banking system is not extensively integrated into world financial markets, which has protected the country’s banking system from the impact of the current credit crunch.

Banking system

8 | Currency and Price Stability

Thanks to well-established monetary and financial policies, the Albanian government managed to curb inflation, foster confidence in the national currency (lek) and encourage credit to the private sector. The annual inflation rate has been

Anti-inflation /
forex policy

contained within the 2-4 % target range since 2002 and currently stands at just under 3%.

Over the past years, Albania has maintained macroeconomic stability. This was reflected in the World Bank's announcement in June 2008 that it would promote Albania from IDA to IBRD, which the bank hailed as a milestone. In January 2009, Prime Minister Berisha did not renew a monitoring agreement with the IMF, saying that his country has reached the "end of a transition" and can "move on its own feet" in the future. However, the country still lacks watertight institutional safeguards in the long term, such as managerial integrity, reliable law-abiding institutions and thoroughly improved public infrastructure. This makes the economic environment vulnerable to populist policy changes, which foreign investors perceive as a potential risk.

Macrostability

Albania's relative lack of integration into international financial markets has helped protect its macroeconomic stability against the impact of the financial crisis. But Albania would be vulnerable to potential shocks if, for example, remittances from Albanian workers in Greece or Italy drop sharply, or if the Italian market for Albanian shoes and textiles shrinks.

Both the Bank of Albania (BoA) and the IMF were concerned at the end of 2008 by increased lending by commercial banks in euros and other foreign currencies lest repayment problems arise if the otherwise stable lek suddenly drops in value. Lending in foreign currencies accounts for 72% of the total stock of loans, but these are financed primarily through domestic deposits, not externally.

9 | Private Property

Overall, legislation for local and foreign private capital is in place and undergoes constant reform to create a favorable legal framework for private capital. Thanks to recent "one-stop" legislation, setting up a private business in Albania now involves only six procedures over eight days at a cost of roughly \$850. The World Bank's "Doing Business 2009" report ranked Albania in second place worldwide for launching reforms in the first half of 2008 aimed at improving the business climate. The bank now lists Albania at 86 worldwide for its business climate, up from 135 the previous year. It also lists Albania in the very last place worldwide for the ease in closing down a business.

Property rights

The unsolved problem of land ownership is among the more serious obstacles to the country's social and economic development and, in particular, the main cause for a lack of investment. Although property rights and the regulation of the acquisition of property are defined in principle, there are ongoing problems with their legal implementation. A key problem area remains the settlement of ownership disputes

related to different phases of post-communist land reform and nationalization (pre-communist owners, post-communist owners of real estate privatized after communism, buyers in good faith of real estate with unclarified ownership). In some cases, up to three parties claim ownership of one piece of real estate. In January 2009, work began on the country's first Club Med resort, near Saranda just opposite Corfu, after four years' delay and many assertive protests by local people. Some 129 local families say the land is theirs and that the government had no right to offer it to Club Med. The case is still in the courts.

The European Commission noted nonetheless in its November 2008 report that "there has been progress on consolidating property rights. The initial registration of real estate is almost completed and the process of valuing property for assessing restitution and compensation claims is ongoing."

Small-scale privatization is virtually complete and the private sector accounts for well over 80% of employment. The privatization of the state-run ARMO oil refinery was completed in the fall of 2008, when the government also announced its intention to sell off its remaining shares in "strategic enterprises." The Czech CEZ group is set to take control of OSSH, the electricity distributor. The KESH power company remains state-owned and a burden on the state budget. An important foreign direct investment (FDI) law is in force that allows foreigners to purchase real estate if they invest in local businesses. Nevertheless, legal uncertainties, in combination with a weak administration and judiciary, increase the risk to investors.

Private enterprise

10 | Welfare Regime

A public welfare system is in place, constituted by social policy regulations and public institutions, but it is insufficiently equipped to give adequate support to people in need. There are three basic schemes of social protection: unemployment benefits, pensions and social assistance to families suffering from abject poverty. Minimum social support payments are inadequate to prevent large families in particular from falling into the poverty trap. The European Commission's November 2008 report commented that "there has been some progress in approximating to European standards on employment and social policies.... Continued progress has taken place in public health," but problems remain in particular with health and safety standards at the workplace. The IMF noted in its 2008 Poverty Reduction Strategy Paper that the government has prepared a National Strategy for Development and Integration (NSDI) to combat poverty over the period from 2007 to 2013. The NSDI puts forward a comprehensive program to develop social services for the most vulnerable and provides for improvements in the health sector and social insurance.

Social safety nets

Public institutions exist to compensate for gross social differences, but they lack resources. Economic insecurity in Albania has a detrimental impact on equal opportunity. In secondary education, the number of children attending school has dropped noticeably since 1990. There is an alarming decline in school attendance in rural areas and an equally disturbing reappearance of illiteracy, especially among girls. Children of Roma and Egyptians are the most vulnerable in terms of education. The average number of years in education for Roma children is approximately 4.2, whereas for Egyptian children it is roughly 5.05. School attendance for Roma children is increasing, but the full implementation of government aid measures is hindered by a lack of resources. University enrollment further documents the country's rural-urban divide. Young people, both girls and boys, drop out of secondary and university education due to economic pressure. Women are underrepresented in politics, although the 2008 electoral law specifies that 30% of the candidates on regional party lists must be women. Women suffer from widespread domestic violence. In June 2007, a law on measures against violence in family relations came into force. The law establishes the first protection mechanisms for victims of domestic violence. In July 2008, parliament enacted a law on gender equality, but some women's NGOs say that enforcement of previous legislation aimed at promoting equality was not always enforced and that the new law is likely to meet the same fate.

Equal opportunity

11 | Economic Performance

Albania's economic performance is a success story with many caveats. While it has made impressive progress over the past 17 years with respect to many macroeconomic factors, the growing rural-urban divide that cuts across the country, as well as persisting corruption, show that Albania's economic achievements have not been without side effects. Also, while economic growth rates have been robust and reported to be around 6% in 2008, this is high only in comparison to prior rates; they are still low in comparison to many other transition countries. While a concerted series of structural reforms and a strong commitment to macroeconomic stability has led to sufficient employment levels and rapid growth, more than doubling Albania's per capita income, economic growth has not reached many parts of society, particularly the poorest remote areas. Moreover, the informal economy still plays an important role. In sum, in the absence of a strong institutional framework and respect for the law, Albania's market economy is free but anarchic. A small corrupt political and business elite, tied together in a strong network of self-interest, does not always invest money in a transparent fashion.

Output strength

In 2008, inflation rates were relatively stable in the 2-4 % range set by the Bank of Albania (BoA). The trade deficit in the third quarter of 2008 was up 15% year on year, or about \$1 billion. The current account deficit doubled year on year in the

second quarter to about \$544 million. All Southeast European countries have negative current accounts.

The European Commission's November 2008 report noted that Albania's "economy coped well with strong pressures from rising global food prices and achieved an improvement in labor market performance." The study put the unemployment rate for March 2008 at 13.2%, which is somewhat less than many other estimates in the past two years. However, Bank of Albania governor Adrian Fullani warned on 19 December 2008 that the global recession will make 2009 a difficult year for the Albanian economy, or "a year full of unknowns." Remittances by migrant workers, which are of vital importance to the economy, were down 13% year on year for the first three quarters of 2008.

Albania's largest category of exports is textiles and footwear, much of which is produced in Durrës or outside the big cities, primarily by women. Some 86% of such exports go to Italy, which has been hit by the global recession. The second most important category of Albanian exports is minerals, followed by construction materials. Overall exports to Greece were up by 34% year on year in the third quarter of 2008, while those to China tripled, the Chinese having shown a particular interest in Albanian chrome. In the third quarter of 2008, all exports rose year on year by 21%, while imports increased by only 16.6%.

A construction boom in Tirana and some other urban areas is particularly evident. The activity is partly a result of speculation and partly a response to the growing migration from the villages to the cities. Construction accounted for 47% of all economic activity in 2006.

12 | Sustainability

In recent years, both the government and international bilateral and multilateral development institutions have paid more attention to environmentally friendly policies. But Albania still lacks modern systems of waste disposal and wastewater treatment. At the political level, the advocacy of environmentally friendly policies is not backed up by a commitment to increase environmental awareness and to implement environmentally friendly policies. Environmental protection remains a marginal issue for the Albanian public. The quality of environmental legislation has improved recently but implementation and enforcement leave much to be desired.

Environmental
policy

Overall, the country possesses a good educational infrastructure but does not invest enough in education and R&D. The European Commission's November 2008 study says that "some progress has been made on education. The education budget has continued to increase. A new digitalized central system for university admissions was introduced.... However, secondary school enrollment in rural areas remains

Education policy /
R&D

low.” As regards R&D, the report argues that “there has been some progress in the field of research, but capacity requires further strengthening.” In sum, Albania’s low investment in human capital (education and R&D) correlates with its low rankings in socioeconomic and human development.

Transformation Management

I. Level of Difficulty

Structural constraints on governance date back to the long period of isolation and poverty during the communist era. Unlike their neighbors in former Yugoslavia, Albanians under communism had virtually no opportunity to travel abroad and experience modern European political, social or economic life. The Kosovo war, ethnic conflicts in Macedonia and periodic tensions with Greece prevented infrastructure deficits from being overcome in the 1990s. The problems faced by Albania's neighbors have also been serious obstacles to Albania's development because, in one way or another, they have affected investment, regional cooperation, etc. Despite tensions with Greece, the fact that about 600,000 Albanians work there has been an important factor for Albania's development. Albania was only able to begin fully integrating itself into the region after the installation of the stability pact following the Kosovo war. The outdated infrastructure and poverty in remote areas are still serious problems, although the new highway through the north should bring some improvements there.

Structural
constraints

There is no organic development of civil society from within Albanian society. There has always been a strict division between the public and the private sphere. The presence of NGOs and other civil society organizations (CSOs) started only after the breakdown of communism, but the NGO footprint was massive from the very beginning, supported and financed by international organizations in the social, media and other civic sectors. International observation of the political process in Albania is relatively intense and, in this way, protects civil society players. CSOs depend on external financial sources to a large extent, such as aid programs and the like. When outside organizations retreat, Albanian organizations are rarely able to fill the gap with resources or manpower. Establishing a sustainable civil society in Albania will remain an ongoing task that requires international financial engagement and the promotion of a self-driven concept of volunteer work.

Civil society
traditions

There are no irreconcilable ethnic, religious or social cleavages. Nevertheless, the society is deeply split along clan structures and interest groups, as well as political parties. Although to some extent, some parties have a more urban or a more rural, a more southern or a more northern profile, the ethnic, religious or social question is

Conflict intensity

never decisive. Since its founding, the Albanian state has been a nation based on a common language with a population of Sunni Muslims, Orthodox, Roman Catholics, Bektashis and people of other faiths. This concept of the nation has helped to avoid societal splits along ethnic or religious lines. Most Albanians are proud of their religious tolerance.

II. Management Performance

14 | Steering Capability

The political leadership pursues long-term goals but often postpones them in favor of short-term political benefits. The fight against corruption has been declared the government's main priority since 2005. Due to political conflicts with the opposition parties, this topic has often been postponed. Populist agendas continue to appear on the political landscape and may well continue to do so as the parties compete for votes in an election year. While the population shows no resistance to reforms, the political elite has demonstrated a less than full commitment to it. Ambassador Helmut Lohan, who heads the European Commission's delegation to Albania, said in November 2008 that Albania's progress is like a glass that is "half empty, half full." He added that the main issues are corruption, particularly in the judiciary, as well as political problems stemming from the continuing polarization of political life.

Prioritization

The leadership is committed to building democracy and a market economy, especially with regard to the process of integration into European structures. The EU Commission pointed in particular to the need to implement legislation that is already on the books as well as to enact new measures to bring Albanian practice up to European standards on matters ranging from prison conditions to R&D. The Council of Europe's Human Rights Commissioner noted, for example, that despite legislation aimed at preventing torture and ill treatment of prisoners, there are still a high number of reports of police using excessive violence at the time of arrest and of ill treatment during questioning. The commissioner added that the failure to implement existing laws against such abuse has led to a "climate of impunity."

Implementation

The Democrats and Socialists finally managed to put aside their differences and pass two major pieces of legislation by consensus in 2008, namely the laws on judicial organization and electoral reform. Despite the passage of electoral legislation in 2008, it was not clear as of January 2009 whether the authorities would manage to prepare an electronic civil registry, transparent voter lists,

biometric passports and identification cards in time for the next elections. Success stories include economic reforms, privatization, improvements in the business climate and reducing at least the public perception of the extent of corruption.

Policy learning in Albania can be best evaluated by analyzing the behavior of the major political players. Prime Minister Berisha can be viewed as an example of selective policy learning or adaptation. He has modified his approach to circumstances that are different from those he faced in the 1990s in order to stabilize his position of power. After being the first president to be democratically elected in 1992, he became increasingly autocratic until he was removed from power through early elections brought on by public demonstrations following the collapse of pyramid schemes and an international diplomatic intervention in 1997. In 2005, his party came back to power and Berisha became prime minister. His policies are now regarded as being relatively more moderate and democratic and geared toward meeting the standards required by an observant international community, although he did not heed foreign criticism of the lustration law in 2008. A free press, a more active civil society and an overall higher level of development in the country as a whole have contributed to the change in circumstances to which Berisha has had to adapt to survive politically.

Policy learning

The prospect of Euro-Atlantic integration has had a positive effect on promoting reform, as NATO's membership invitation to Albania in 2008 showed. The learning process appears to be a slow one, however. The Democrats and Socialists managed to cooperate in passing electoral legislation that was to their mutual advantage, but the government then went on to pass a lustration law over the strong opposition of the Socialists and their allies.

15 | Resource Efficiency

The government uses only some of its available resources efficiently. The IMF noted in its August 2008 country report that the authorities seek to “modernize strategic planning and strengthen public investment management, but ... much remains to be done to enhance transparency and efficiency of public resource use.” After the Democratic Party took power in 2005, the independence of administrative bodies was respected more than in the past, and there was no general replacement of management staff. But the administrative body lacks sufficient funds and infrastructure to act efficiently. The OECD's and EU's SIGMA Program for improving governance and management notes that there are problems in attracting and retaining qualified staff, who are often drawn away by higher salaries in the private sector. Clientelism and nepotism are still strong, although there have been some efforts to reduce their reach. Strong political pressure is exerted on public administration, especially during election campaigns, causing insecurity and conformism among civil servants. The Civil Service Law contains many important

Efficient use of assets

reforms aimed at promoting a rules-based civil service but is not always implemented. Deficiencies in the state administration lead to ongoing waste of resources; one example is tax collection, although matters are improving on that score. Albania has relatively weak local self-government, but localities are able to implement their own agendas efficiently and independently of the central government, so long as the elected officials take responsibility and develop their own strategies. Responsible decentralization and district-level financial autonomy have not been efficiently implemented.

Intra-governmental friction is limited. Even the various political parties represented in the government rarely present programs at odds with that of the dominant Democratic Party. This is likely to be even more the case in 2009, in the course of which many of the smaller parties are expected either to disappear from the parliament or to merge with one of the two main parties. Although clearly divided into ministries and offices, the governmental structure is strictly ruled by the prime minister, who has the final say on all major political issues. This hierarchical structure helps to avoid allowing frictions to become publicly visible. The SIGMA 2008 report notes, however, that policy preparation within individual ministries needs to be better defined and that interministerial consultations on draft legislation function poorly.

Policy
coordination

Virtually every Albanian NGO or independent foreign study on Albania identifies corruption as the number one problem facing the country, along with many others. Some integrity mechanisms have indeed been implemented, but they often remain ineffective, as private interests impede their functioning. The government's motivation is high, but the capacity to implement reforms is mixed, although there has been some improvement, as the SIGMA 2008 report notes. For example, a Law on Prevention of Conflict of Interest was enacted in 2005 and applies to elected officials and some civil servants. It bans officials from involvement in business activities in their areas of public responsibility, which is broadly interpreted for the highest government officials. The law was drafted in close cooperation with civil society. SIGMA considers the legislation, however, to be "complicated, unclear...(and open to) possibilities for abuse." A law on party financing has yet to be enacted. According to recent legislation, some business-related activities can now be performed online in an effort to reduce opportunities for corruption created by direct contact between businessmen and tax or procurement officials.

Anti-corruption
policy

16 | Consensus-Building

The ability to build consensus varies according to the issue. There is a high consensus among all major political actors concerning the aim of establishing a market-based democracy, as well as integrating into the EU and NATO. The level of consensus-building is low among interest groups, between political parties

Consensus on goals

competing for dominance and within parties. In 2008, the Democrats and Socialists nonetheless managed to cooperate in passing electoral legislation that was to their mutual advantage, but the government then went on to pass a lustration law, ignoring the considerations of the Socialists and their allies, who then boycotted the parliamentary vote. It remains to be seen what effect, if any, the expected elimination of many of the smaller parties as a result of the new electoral law will have on the overall political culture and parliamentary life.

All main political actors are committed to democratic and market-oriented reforms. There are no important political organizations advocating a return to socialist dictatorship or international isolation. Mutual antagonism and obstruction still shape the relations between the government and opposition. However, the staged boycotts of parliament can also be seen as a public relations tool to gain publicity for party interests rather than as a substantial obstruction of the reform process as a whole. The recent political consensus on judicial and electoral reform legislation, moreover, may yet signal a change in the confrontational political culture, even if the two sides are guided primarily by tactical concerns of self-interest rather than by more idealistic motives. The point is that such cooperation between the Democrats and Socialists seemed all but unthinkable until recently.

Anti-democratic
veto actors

Ethnic and religious differences are of low significance in political life, but regional differences are more important. The Berisha government includes many people from the north, including the prime minister himself and Jozefina Topalli, the head of the parliament, who has a Catholic background and hails from Shkodra. The Berisha government has sought to redress northern Albania's economic deficiencies and infrastructure problems, which many northerners feel were neglected by the southern-based Socialists. The major highway linking the city of Durres with the northern area of Kukes and Kosovo is an important project that may minimize regional clashes, and it is due for completion in 2009. The government has been less active, and less successful, in overcoming regional differentiation between the capital and the rural areas in general.

Cleavage /
conflict
management

Over the years, the NGO sector has gradually become involved in policy-making, such as drafting the legislation on conflict of interest or on gender equality. Veteran NGO activists in particular belong to the elite and political class. The government has taken some steps to improve transparency and create opportunities for NGO participation, and for the first time budgeted €1.5 million for NGOs in its 2007 – 2008 budget, as Freedom House noted in its 2008 Nations in Transit report. This attention to civil society is largely the result of pressure from international organizations and civil society itself, but the government also wants to demonstrate its intention to implement advanced good governance standards. The Council of Europe's Human Rights Commissioner noted in his 2008 report, however, that "there is a widespread feeling in the NGO community of being sidelined in the reform process." The report added that many NGOs feel that they are not consulted

Civil society
participation

in a top-down approach to policy formation. They were not involved in drafting legislation in 2007 that directly affects the NGOs' legal operating framework and feel that their views are ignored when they are asked for their opinions at the insistence of the international community. Many people close to the Democratic Party and the Berisha government feel that the NGO community as a whole is more sympathetic to the Socialists and hence are not always ready to take their advice. The NSDI nonetheless includes provisions for a greater role for civil society in policy-making.

The political leadership of all parties recognizes the need to deal with historical acts of injustice, but the process of reconciliation is still difficult. Most members of the current elite were part of the ruling class in communist times as well. Berisha was an active party member and highly respected doctor of the "nomenklatura." Edi Rama's father and maternal uncle were high communist officials.

Reconciliation

On 22 December 2008, the parliament adopted a lustration law to screen public officeholders for possible connections with the Sigurimi, the communist-era secret police. Berisha called the law a "historic victory over political crime" because it will ostensibly lead to the removal from office of persons with a Sigurimi past. Critics of the law say that the procedure is not transparent because investigations will be carried out by a special commission created by the government and the results posted on the internet without an opportunity for the person in question to dispute the findings. Those opposed to the law accordingly suspect that the government is more interested in applying it selectively to remove its critics from office than in coming to terms with the communist past in a comprehensive and objective fashion.

A serious reappraisal of the past has not started yet, although the highest-ranking members of the former communist regime have been sentenced. The new lustration law cannot be considered a serious reappraisal because it does not give journalists, historians, or ordinary citizens access to Sigurimi files, which will remain closed until 2025. Some hundred thousand people (out of a population of three million) suffered serious injustices during the communist period. Due to the high degree of expropriation, banishment and other political crimes during the communist period, compensation is difficult. The democratic political leadership unanimously condemns historical injustices but sometimes manipulates history to use it as a weapon against political opponents. Books and articles on Albania's modern history are readily available. These include works by Albanian authors and translations of foreign writers.

Albania's best-known museum provides an example of how difficult dealing with the past has been. Soon after the fall of communism, exhibits glorifying the communist era were removed from Tirana's central National Historical Museum and replaced with a large and vivid display depicting the horrors of Enver Hoxha's

political prison at Burrel. It is only now, however, that all the exhibits on Albanian history from Ottoman times to the present have been closed for reappraisal and redesigning. The museum is permeated with Enver Hoxha's historical outlook, which might be described as a "national paranoia" model according to which Albanian history is depicted as a ceaseless struggle of an ancient, united and heroic people against wicked invaders of all sorts. The Ottoman period, for example, was presented in a thoroughly negative light without any reference to the diverse cultural currents, such as that of the Bektashis that entered Albania from elsewhere in the Ottoman Empire. There was no mention of the Albanian boys and men who advanced to high positions at the sultans' court or became rulers of Egypt. It remains to be seen what the exhibits will show when they reopen. It also remains unclear whether the exhibits on ancient and medieval history will be closed and reevaluated to rid them of their Enverist underpinnings.

17 | International Cooperation

The political leadership works with bilateral or multilateral international donors and experts and tries to make use of international assistance by continuing to accept support for the political and structural reform process. It cooperates with international anti-crime structures, especially the Italian Carabinieri and coast guard, to reduce drug trafficking, prostitution and illegal migrations from and through Albania.

Effective use of support

The IMF's August 2008 report notes that the National Strategy for Development and Integration (NSDI) for 2007 to 2013 is a medium-term strategy aimed at achieving integration into the EU and NATO as well as the democratization of society, the consolidation of the rule of law and achieving rapid and sustainable development. The study notes that the NSDI provides for greater government ownership of the reform process than did a previous development plan submitted to the IMF and IDA in 2002, and that it constitutes a "comprehensive and integrated strategy" for achieving the government's goals. There will be annual progress reports that include benchmarks and could be linked to efforts to monitor performance against the Albania-EU Action Plan for SAA implementation.

The government tries to act as a credible and reliable partner for its citizens as well as its international partners. Image problems stemming in part from the chaos of 1997 make it hard to achieve this goal, however. Within the country, people tend to doubt politicians' assertions, as is the case throughout much of the region. Statistics show that trust in the political class is low. Internationally, the government has long faced a similar situation, but NATO's membership invitation to Albania suggests that its image abroad has improved in recent years as memories of the turbulent 1990s fade and Albania's progress in many sectors has been noted. Albania has not been as involved in the international financial scene as some of its neighbors have

Credibility

and consequently has not been as affected by the crisis of confidence.

The political leadership cooperates actively with neighboring states and complies with the rules set by regional and international organizations. Albania is a member of the Regional Cooperation Council, which succeeded the Stability Pact in February 2008. The Albanian government has called for the protection of the rights of ethnic Albanians in neighboring countries and the peaceful resolution of interethnic disputes. Albania is highly valued for its moderate role during the conflicts in neighboring countries. Tirana's encouragement of the ethnic Albanian leaderships in Kosovo and Macedonia to follow cool-headed policies played an important role in NATO's decision to invite Albania to join the alliance in April 2008. The emigration of thousands of unemployed Albanians to nearby Italy and Greece is of great economic importance for Albania and has an overall positive impact on its bilateral relations.

Regional
cooperation

Together with Croatia, Albania was invited to join NATO in April 2008, partly in recognition of Tirana's sober and constructive regional policies. Albania actively contributed to the U.S.-led war on terror with troops in Iraq and Afghanistan, although it ended its mission in Iraq in December 2008. Albania is one of two European countries – the other being the United Kingdom – that have accepted non-citizen, freed prisoners from the Guantanamo detention center, as was noted in January 2009 by Thomas Hammarberg, the Council of Europe's commissioner of human rights. There is a broad consensus across the Albanian political spectrum on the importance of Euro-Atlantic integration, which includes close ties to Washington as well as to Brussels and individual European capitals.

Strategic Outlook

Albania has come a long way in the transition to democracy and a market economy. Following the 2009 elections, the multiparty system that has existed since the fall of communism is expected to become an essentially two-party one. The Democrats and Socialists will have a unique moment to show that they have learned from their mistakes and are able to overcome the polarization that has frequently hobbled political life and invited criticism from both at home and abroad. It may be too early to predict that Albania could be governed in the near future by a great coalition of Democrats and Socialists, but the time has come to end the polarization based on disagreements that are often petty.

The country must also focus on consolidating its development by strengthening the rule of law more convincingly. The independence of the legislative, judiciary and executive branches must be implemented as guaranteed by constitution. This is an important prerequisite for good governance, economic growth and legal certainty. In September 2008, Prime Minister Berisha said that Albania might apply for EU membership as early as 2009. A few days later, Enlargement Commissioner Olli Rehn said that Albania needs more time to foster a democratic culture, independent institutions, the rule of law and the fight against crime and corruption.

The government and the parliament should concentrate on promoting conditions that will create jobs by attracting both domestic and foreign capital. Political, social and economic stability and growth all depend on having adequate employment possibilities. The most important issue to tackle is corruption, but administrative and judicial reform are also crucial for improving the business climate, as is a clarification of property ownership. Poor electricity networks and infrastructure have also deterred investors and will need to be remedied. Albania will need to demonstrate a greater will to deal with organized crime and the problems that come with it. The time has also come to somehow bring the large informal sector of the economy out of the shadows.

No European country will be left unscathed by the global recession. Albanian economic and business leaders have already demonstrated an awareness of the problem and should continue to do so. Meanwhile, the government should not give into any temptation to launch populist programs in the run-up to the 28 June elections.

Albania must also improve its provision of municipal services and strengthen local and international transportation networks. Long-term investment is needed to improve the country's infrastructure, streets and airports, and electricity and telecommunication infrastructures must be built and expanded. Albania should also increase its own productivity in terms of industrial and agricultural production and give serious consideration as to what kind of tourist sector it wants. And the most basic investment for the future is in education and research.

Albania still needs long-term prospects for direct international support. Transformation will be

sluggish if all aspects of political, economic, social and cultural development are not integrated holistically. External financial support and monitoring, combined with a policy of discipline and reward from foreign donors and politicians, will remain indispensable to Euro-Atlantic integration. Maintaining political stability and deepening the relationship with the European Union will be very important for future macroeconomic performance. The resolution of Kosovo's final status in February 2008 provides an excellent opportunity to consolidate regional stability and expand the opportunities for foreign investment and regional cooperation.