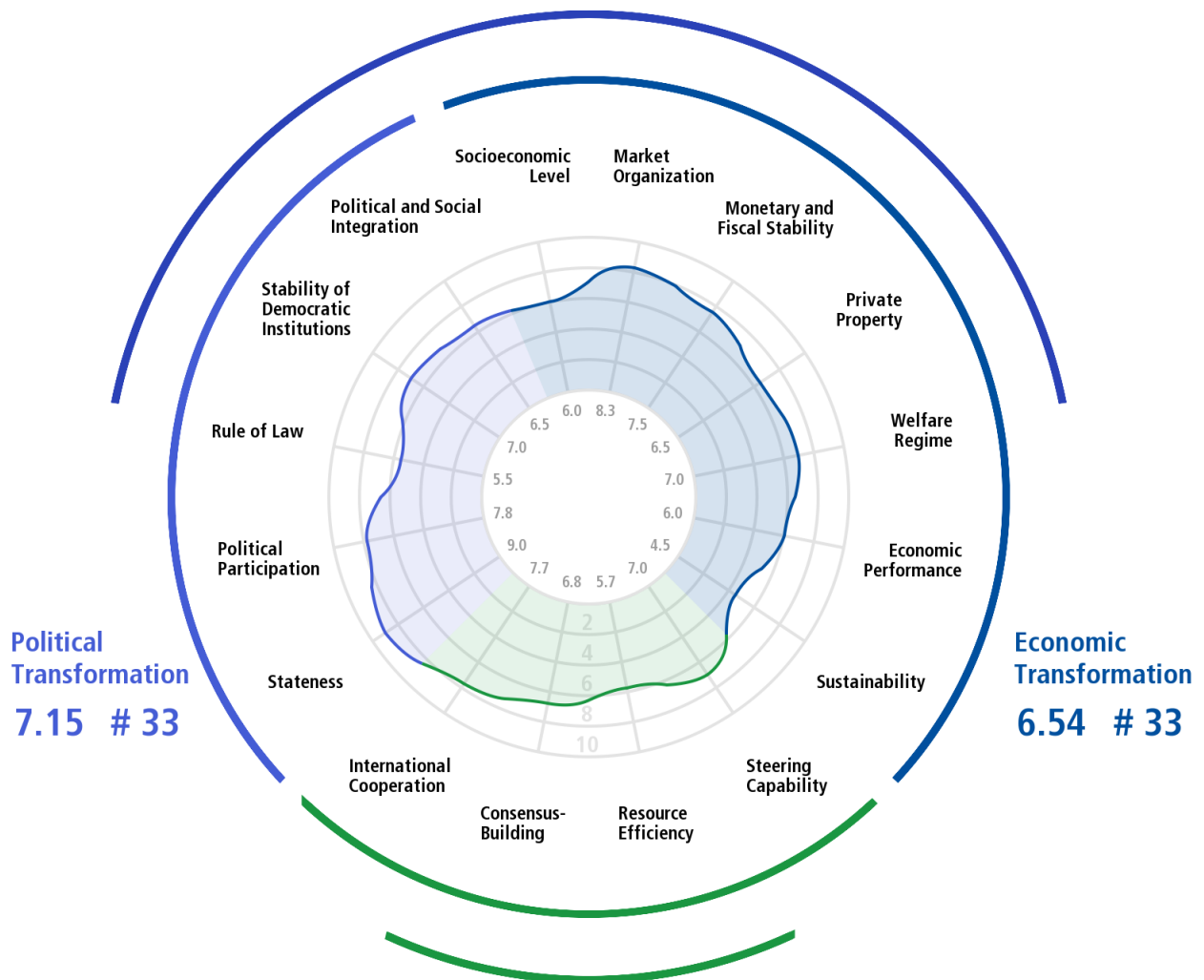


Albania

Status Index

6.84 # 28

on 1-10 scale out of 137



Political Transformation
7.15 # 33

Economic Transformation
6.54 # 33

Governance Index

5.95 # 29

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2020 Country Report – Albania. Gütersloh: Bertelsmann Stiftung, 2020.

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Key Indicators

Population	M	2.9	HDI	0.791	GDP p.c., PPP \$	13326
Pop. growth ¹	% p.a.	-0.2	HDI rank of 189	69	Gini Index	29.0
Life expectancy	years	78.3	UN Education Index	0.758	Poverty ³	% 7.7
Urban population	%	60.3	Gender inequality ²	0.234	Aid per capita \$	54.7

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

Albania continued to pursue long-neglected state building reforms, centered around key priorities for advancing toward EU accession: 1) public administration, 2) independence of the judiciary, 3) fight against corruption, 4) fight against organized crime, and 5) human rights. The re-election of the Socialist Party (PS) in 2017 enabled continuity of previous reforms, especially in the rule of law sector. Major successful operations against organized crime show an increase of state authority toward those who were long seen as untouchable. Overall, the country has shown progress in terms of institutional reshuffling and amending its legal codes in key EU priority areas, which was recognized in the commission's proposal to open accession negotiations in 2019. Judicial reform, the staple of reforms taken during the previous government, has moved to the stage of vetting all ranks in the justice system, promoted and financed by international actors.

However, justice reform is also telling of the internationally-promoted institutional reshuffling, persistent resistance, and slow and uncertain change on the ground, indeed a feature of the Albanian post-communist hybrid regime. Despite substantial international involvement, most institutions foreseen in justice reform have not been established amidst persistent delays, boycotts and stagnation.

At least two problematic trends hamper ongoing reforms. The first is the withdrawal of opposition from the parliament and its engagement in an extra-institutional battle involving denigrating state officials and structures, often without verifiable information, boycott of elected institutions and revolutionary calls to bring down a legitimately-elected government. This has resulted in the politicization of the protests and weakening of checks and balances over an increasingly over-powerful executive. The second relates to the nomination of people without necessary job experience and expertise in top government positions, particularly during the cabinet reshuffle in December 2018. If there are any lessons from the Albanian transition, it is that disregard for professionalism and experience leads to institutional and policy degradation and even collapse.

Positive economic trends in 2017 to 2019 include robust growth, which contributed to a modest increase in the employment and reduction of poverty. Fiscal governance also improved in terms

of both budget deficit and budget incomes, despite remaining short of assigned targets. Expansionary monetary policy, in contrast, has not been effective considering that the inflation target has not been achieved for several years, while the appreciation of local currency has jeopardized the already weak demand for the country's exports. The newly introduced Public Private Partnership program (1 billion euros), despite contributing to domestic consumption, is expected to add a heavy burden to public liabilities in the long term. Lack of adequate transparency and concerns over unsolicited bids has also de facto hampered the functioning of an effective market economy.

History and Characteristics of Transformation

Albania is often treated as a “most difficult case” of regime change or an outlier compared to the other post-communist cases in Central and Eastern Europe. Its long, difficult, interrupted, at times chaotic and certainly ambiguous path to democracy and market economy defied any enthusiastic expectations for smooth democratic and economic progress. The country's historical “deficits” – a short experience of independent statehood, lack of democratic experience, socioeconomic underdevelopment, the prevalence of authoritarian leadership and lack of autonomous civil society– are often cited as explanations for Albania's difficult transition and contemporary problems. Most importantly, communists' total hold on power in 1945 to 1991 prevented the emergence of movements and leaders with the vision and capacity to lead the country toward democratization. Hence, Albania had to start with no legitimate institutions, no experienced movements and no leaders who could envisage democratic and market institutions.

Moreover, the clash between two antagonistic camps – conservative former communists and fierce anti-communists – created the basis for a fierce ideological conflict that has haunted post-communist democratization. Often empowered by political groups' efforts to maintain their power bases, the ideological-political conflicts have brought the country to the verge of collapse more than once. They also facilitated a system of winner-takes-all forms of governance, which thrives on strong leaders, hierarchical parties, strongly clientelist and patronage-based institutions.

The weight of the past demonstrated itself in the painful failure of the first transition, 1992 to 1997. The winner of the first free elections, the Democratic Party (DP), promised a quick “shock therapy” of political and economic reforms. However, the first transition quickly degraded into a system of one-man rule with limited tolerance for debate and political participation, a well-knit patronage system, weak institutions serving their political masters and mushrooming of pyramid schemes, which swallowed up the meager savings of two-thirds of Albanian families and around one-third of GDP. In 1997, those two-thirds who were the losers of pyramid schemes were joined by the oppressed opposition and other people unhappy with the course of regime change to launch widespread protests. Civic disorder reached cataclysmic proportions because the ruling party opted to mobilize and (according to some accounts) arm their supporters, thus leading the country to a dangerous civil conflict and a collapsed institutional architecture.

The Socialist Party (SP) that won the 1997 elections, organized by the international community, had only a weak hold on power to advance institutional reforms amidst the reigning political, institutional and political disorder. Since then, the international community has been deeply involved in the country and helped to jump start large-scale institutional changes, including the adoption of the first post-communist constitution in 1998. Despite a heavy international presence and investment in institution-building, governance continued to suffer from weak institutions, antagonistic politics, dominant leadership, centralization of power and capture of the state by political and criminal interests.

The pattern continued when the DP returned to power in 2005 to 2013. Positive developments such as NATO membership in 2009 and visa liberalization with the EU in December 2010 were trumped by the EU's refusal to update the country to candidate status three times between 2009 and 2013. During the period, the country registered falling scores in almost all dimensions of economic and political transition, but particularly on the rule of law. A 2012 international report concluded: "Albania has experienced a shift to almost complete control by the ruling elite and extensive use of non-democratic proceduralism where laws are used for exerting control by elites in power." Political control extended to key independent institutions – the president, the general prosecutor, key judicial appointments, the security services and other institutions that were all reshuffled according to political contingencies of the day. The new SP-SMI (Socialist Movement for Integration) coalition that ran the country between 2013 and 2017 initiated a wide range of institutional reforms anew, but also suffered from political bickering, patronage nominations, and weak and politically captured institutions. The current SP majority came to power with the promise of curtailing those long-running deficiencies.

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

Transformation Status

I. Political Transformation

1 | Stateness

The state enjoys a full monopoly of the use of force within its entire territory. The period under review has seen some successful campaigns to further strengthen the state authority against powerful mafia and criminal networks, a key source defying state authority during various moments of Albania's unruly transition.

After the government had taken control of the Llazarat, the infamous center of the cannabis economy, Curtailing cannabis production in hard-to-control territories has been center stage of a wide range of police activities. 2018 monitoring showed 53 fewer cannabis plantations than in 2017 and 203 fewer than in 2016. The period of 2017 to 2018 was also the culmination of successful action against powerful elements of organized crime, long seen as untouchables. During 2018, the police conducted major operations, including one entitled the "Power of the Law" which covered 12 cities and 100 buildings. The operations ensured the arrest of 27 leaders and members of four identified criminal groups. Still, as the EU's 2018 report suggests, "more needs to be done to tackle money-laundering, criminal assets and links that empower such networks."

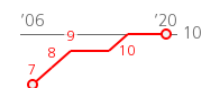
The large majority of the population accepts the nation-state as legitimate and enjoys the right to acquire citizenship without discrimination. Common consensus on who is entitled to citizenship and what it entails is facilitated by the ethnic homogeneity of population, with 82% self-identifying as Albanians. The small minorities enjoy equal citizenship and cultural rights. The status of minorities is closely monitored by neighboring countries and various organizations. Existing discrimination and de facto marginalization of particular groups such as gays, lesbians and Roma, reflects the lack of sufficient resources and social services more than a legal or institutional problem.

In 2018, the killing by the police of a member of the Greek minority, who opened fire against them, has ignited an ongoing debate on the scope of minority rights. Select Greek politicians and the political organization of the Greek minority in the country

Question
Score

Monopoly on the
use of force

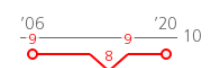
10



1

State identity

9



1

discussed the event in the light of minority discrimination. The Albanian officials defended the killing of an armed person with a record of criminal activity who attacked them as an isolated incident tied to the issue of public order and respect of police authority rather than citizenship rights.

The post-communist Albanian state has gradually embraced a local adaptation of the French model of *laïcité* (Alb.: *shtet laik*), which ensures separation of state and religion and guarantees cohabitation of different denominations. The model leaves no place for influence of religious dogmas on the legal order and political institutions. It also ensures the rights and equality of all denominations by asserting that the country has no official religion, religious communities enjoy autonomy, and the state and communities work together for the good of all. The institutional settlement of state-church relations, thus, provides an ideological and institutional framework for common belonging.

Politicians, intellectuals and citizens at large show strong support for the Albanian secular system and exclusion of religion from the public sphere. Centralized organizations, including the one representing the Sunni majority, tend to maintain a restrained political and public profile. Effort from various globalized religious movements, including a range of Muslim networks to finance the revival of the only Muslim majority country located in Europe and radicalized ideologies have found no fertile soil among post-communist Albanians. Radicalization is confined to marginal internet forums, isolated prayer places and a few authorities that usually operate outside the official organization of the Muslim community.

The Albanian state provides most basic public services throughout the country, but their operation is at times deficient. During the period under analysis, the governing authorities have undertaken long-delayed reforms of the core structure of state services including state bureaucracy, health services, education, property rights and enforcement of rule of law. The government has particularly invested in extending and improving provision of online services for citizens as a way to increase efficiency and transparency. The focus on provision of online services is positively evaluated in international reports.

However, ongoing reforms remain slow and have yet to deliver. De facto change is particularly difficult given decades of neglect and wider problems of transition – meager investments, widespread corruption, nepotist and political appointments, lack of a meritocracy and a general absence of civil service ethos – that continue to undermine the functioning of state administration.

No interference of religious dogmas

10



1

Basic administration

7



1

2 | Political Participation

Albanian political representatives are elected through periodic elections, which increasingly have improved. National elections were held in June 2017. The elections were facilitated by an exceptional agreement between then-ruling party, the Socialist Party (SP), and the opposition, the Democratic Party (DP) that gave the opposition control of key institutions in charge of elections – the Chairmen of Central Electoral Commission, deputy prime minister, and six ministers including the ministry of interior. The agreement followed a three-month protest by the opposition, which triggered many international intermediaries to pacify the tense political climate. For the first time during those elections, the government also established a task force chaired by a deputy prime minister from the opposition, to monitor and coordinate the public administration's conduct in relation to elections. The agreement resulted in a comparatively smooth, less politicized and closely monitored electoral process. The results confirmed a majority of 74 seats for the ruling SP, 43 seats for the DP, and 19 seats for the Socialist Movement for Integration (SMI).

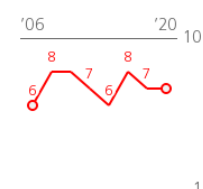
However, the 2017 electoral race also featured long-running problems of the Albanian elections – politicization of administrative bodies, contestation of results and a lack of political will to fix problems. The monitoring report of the Helsinki Committee suggested that the electoral commission failed to pursue the recommended reforms because of political dominance over public interest, political enmity and lack of professional experts. Most problematically, even if the opposition had controlled nearly all institutions in charge, it still failed to recognize the results, instead leveling verbal accusations about the influence of organized crime on electoral results. An OSCE/ODIHR report resulted in yet another list of recommendations to be adopted ahead of the 2019 local elections. They have not been implemented mainly because of the opposition boycott of the parliament, including the work of the electoral commission for prolonged periods since elections.

Democratically elected political representatives have the effective power to govern. Special interest groups – such as business interests, powerful media groups, illegal criminal organizations and party patronage networks that have traditionally infiltrated formal decision-making – are increasingly losing power to enforce special interest policies.

A case in point are formal accusations against the former Minister of Interior Saimir Tahiri, for aiding a crime ring smuggling cannabis during his term in office (2013-2017). As soon as accusations based on tapped phones arose, Tahiri was dismissed from all his institutional and political roles, an attempt by the government to distance itself from related suspicions while the case was under investigation. Tahiri also resigned from his position as member of parliament and is now subject of an ongoing investigation.

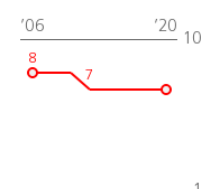
Free and fair elections

7



Effective power to govern

7



Still, there are two sides to the related allegations against Tahiri – as a minister he led successful campaigns against the infamous village of Llazarat and initiated major reforms that empowered police and state enforcement agencies against organized crime. In general, interior ministers that show successful results in fighting organized crime are randomly accused and denigrated by powerful sections across the political spectrum, resistant institutions and often politically-controlled segments of the media. The investigations are expected to show whether this is a case of public institutions neutralizing criminal group influence over politics or a case where state officials and institutions are attacked by specific political interests for doing their job.

Individuals are free to form and join independent political or civic groups, which also operate and assemble free of state intervention. The Albanian constitution ensures a wide range of freedoms of assembly and association (Article 46). NGOs can also register freely, manage their affairs and address all matters of public debate without state interference or restrictions.

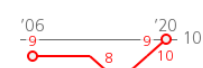
During the review period, organized civic groups have undertaken some highly publicized actions regarding environment issues, education reform, protection of vulnerable groups and particularly the agenda of European integration. The government has also taken a proactive role in including civil society in key policy process particularly through the national council for European integration, a forum designed to incorporate civil society in the process of EU integration.

Albanian citizens, organizations and the mass media are generally able to express their opinions freely. The constitutional framework guarantees freedom of expression, organization of mass media, and the right of information (Articles 22 and 23). The media landscape is very diverse, and all the big parties have their own mouthpieces. The wide range of media outlets – 18 daily newspapers, 49 radio stations, 47 television stations, 75 cable televisions, five national commercial multiplexes, plus 800 online portals – has improved coverage of political processes, government policies and office abuse, which tend to receive a substantial share of media attention. The most famous cases of political corruption and abuse of public office start with media investigations. BIRN, a regional investigative outlet has provided highly sought independent information on some high-level cases of political corruption. Fix Fare, a satirical investigative program by Top Channel, has also uncovered various cases of office abuse and corruption.

Yet, actual freedom of expression is hollowed by the intimate links between politics, business and media. Most media outlets have gradually fallen into the larger economic portfolio of owners with interest in other business who use the media and rectify the line of reporting in order to gain lucrative state contracts, public advertisements and access to power. The 2018 Media Ownership Monitor Albania was very critical in assessing those relations: “the perception of plurality is an illusion, as audience and revenues remain concentrated in the hands of a few, family owned groups, which dominate the media market.” Even audience measurements

Association /
assembly rights

10



1

Freedom of
expression

7



1

“are skewed to support either of the country’s two main media houses Top Media and Klan.” However, this is not related to government interference, but the way most post-communist media has developed and functions.

Uncertain job conditions for journalists who randomly face uncertain contracts, no insurance and late payments make their work particularly vulnerable to such economic and political pressure. The EU’s 2018 annual evaluation identifies three areas in need of improvement: bring ownership limitations for national operators into line with international standards; introduce legislation to increase transparency of public advertising; and strengthen the protection of Albanian journalists’ labor and social rights. The review period also saw some attacks against journalists that were denounced by all political actors. Investigations are still pending.

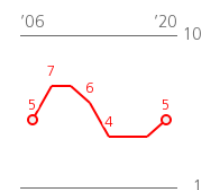
3 | Rule of Law

The separation of powers is formally established, but weak in practice. The Albanian constitution envisages a system of governance based on the division and balance of power (Article 7). By constitution, the presidential office represents the unity of the state and shares responsibility to nominate leadership in key independent state institutions. In reality, the presidential office has been the weakest hallmark of the system of check and balances especially when the office was occupied by personalities from the close ranks of one party’s leadership. Since five out of seven post-communist presidents were nominated by the DP, and four were drawn from its close leadership circle, the party has enjoyed unique historical opportunities to control top layers of independent institutions, particularly judicial positions that depend on the presidency.

The constitutional changes of 2016 have limited the power of the presidency and thus curtailed some of the formal opportunities for politically-nominated presidents to place political militants across state institutions. The current SP majority’s choice of the president elected in summer 2017, Ilir Meta, the founder and historical leader of Socialist Movement for Integration (LSI) makes the position less vulnerable to serve the ruling majority but still apt to serve specific party interests. That LSI, now in opposition, is currently led by Meta’s wife doesn’t really help the image of a presidency serving national unity. During the period under investigation the presidency, the SP majority in parliament and the Rama cabinet have often competed, and even blocked each other, more than collaborated to pursue their institutional tasks, including institutional appointments and adoption of key legislation, thus showing the system’s dysfunction when the presidency is occupied by a party-affiliated personality.

Separation of powers

5



The independence of the judiciary is heavily impaired by political connections and corruption within its own ranks. The judicial system consists of three instances – courts of first instance, courts of appeal and high courts. Administrative courts decide on administrative cases while the Constitutional Court decides on the conformity of laws with the constitution. The Prosecutor’s Office brings prosecutions to the court on behalf of the state. Establishing an independent judiciary has been a target of constant reform efforts, most of which sponsored and supervised by a dense field of international organizations working in the field of rule of law – OSCE, Council of Europe (CoE) and EU, among many others. A specific EU mission, the so-called EURALIUS mission dedicated to “the development of a more independent, impartial, efficient, professional, transparent and modern justice system” has been operative since 2005 and is now in its fourth extension.

Yet, quick, perpetual and persistent institutional reshuffling often assisted and supervised by various international organization have failed to curtail political patronage, links to organized crime and abuse of office within the ranks of the judiciary. A 2015 parliamentary report on the state of the judiciary, found problems regarding “the organization, governance, statutes of the justice officials, administration and in general... the ability of the system to operate according to European standards.” A 2016 constitutional package sponsored by international actors and adopted with cross-party consensus promised to vet the judiciary and reshuffle anew the entire institutional framework, including adoption of roughly 40 new laws. Still, critical secondary laws, and the institutions necessary to realize what was agreed upon, were fiercely challenged, boycotted and blocked along the way; indeed, this was a reminder of the powerful and effective anti-reform block that militates against proper reform.

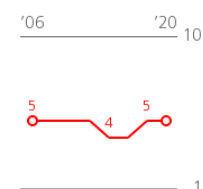
The 2018 parliamentary vote for a temporary prosecutor as opposition was warning of a “popular confrontation with major consequences to stability” is one of the first feeble institutional outputs of reform. As of now, only the vetting process is operating, which is overseen by the International Monitoring Operation and consists of an independent qualification commission, two public commissioners, and an appeal chamber. Meanwhile, most current structures of the system, including the constitutional court, are blocked. At this phase, one cannot speculate when the new foreseen structures will be created and how they will function. The delays do not augur well for the future. Neither does the very poor record of internationally-sponsored reform in the area of rule of law.

Officeholders who break the law and engage in corruption are generally not prosecuted. The political patronage networks within the judiciary have helped to cover up and even facilitate widespread abuses of public office, including within judicial ranks.

The profile of the outgoing General Prosecutor (GP) Adriatik Llalla in 2018 best signifies the kind of politically sponsored members of the judiciary and their political

Independent
judiciary

5



Prosecution of
office abuse

4

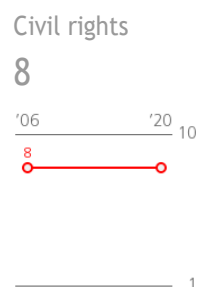
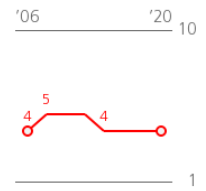
services, including the cover-up of high-level corruption. The outgoing GP was first nominated in 2013 when the then ruling majority was taking pains to control explosive cases of political corruption. The choice and protection of Llalla's corruption-tainted profile is particularly telling. Specifically, in 2018, and after running the prosecution office during 2013 to 2018, Llalla himself was banned entry to the U.S. based on evidence of "significant corruption." Some of the information available in the media showed that only during the last months in office, he was apparently involved in millions of dollars in transactions, including with registered criminals. He also reliably served the political group who placed him in the position by closing all VIP cases of political corruption.

In general, cases of political corruption randomly slip through political, legal or procedural loopholes. Although the EU has persistently called for "a convincing track record of investigations, prosecutions and convictions at all levels" there is none when it comes to high-level politicians. The EU 2018 report notes some positive indices – 72 new cases against high-level state officials were opened in 2016 and 61 in 2017, compared to only 39 in 2015. However, the number of final convictions of high-ranking state officials remains very low and is confined to low- and mid-ranking officials.

Consequently, politicians are often accused of committing office abuse but are more or less shuffled throughout the leadership ranks of the main parties and across top institutional positions, which creates a vicious circle between corrupt politicians, the control of the judiciary, impunity and poor governance. A case in point was the 2018 appointment of Ridvan Bode, former minister of economy and subject of several public allegations of abuse of power and illicit enrichment, including a file prepared by the minister of economy, in the supervisory council of the central bank.

Respect for civil rights is enshrined in the Albanian constitution and the Human Right conventions that the country has ratified. The office of the Ombudsman is the main domestic institution following the enforcement of civil rights and has taken an increasingly proactive role in monitoring the situation. The ombudsman's areas of intervention relate to areas of property issues, police abuse, undue length of judiciary proceedings, non-enforcement of judgments in civil cases, inadequate conditions in prisons and living conditions for the Roma minority. The country has sufficient legal regulations in place to protect civil rights, but the mechanisms to uphold those rights are not consistently effective.

The issue is closely monitored by the EU under the heading of Chapter 23 on Judiciary and Fundamental Rights. In some cases, Roma and Egyptian communities continue to face informal discrimination, while children belonging to these groups may be subject to forced labor. Gender-related violence and services for victims can also be improved. Overall, these issues hinge on lack of education and allocation of appropriate resources more than a legal/institutional problem.



One continuing problem that the country still faces is the deeply corrupt enforcement of property rights including property registration, restitution and compensation. The issue hinges on the corruption within the judiciary and other state institutions and officials involved in property rights, which have helped to legalize overlapping property titles. Ruling majorities have also used the issue of illegal construction on public property to reward their clientele in return for votes and support. A corollary of that system is the failure to restore and compensate properties confiscated during the communist regimes.

4 | Stability of Democratic Institutions

Democratic institutions perform their functions in principle but are often inefficient due to political and institutional friction. This friction creates a difficult and unstable relationship between the presidency, executive and parliament.

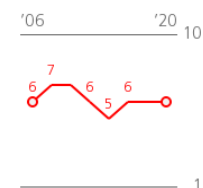
During 2017 to 2018, the opposition's boycott of parliament for prolonged periods has deprived the country of the necessary parliamentary scrutiny over an increasingly aggressive executive. That the parliamentary debates are often confined to denigrating the government without specific and reliable information rather than working within the institutional framework – parliamentary debates, judiciary investigation and empowerment of check and balances – further undermines the performance of democratic institutions. Extra-institutional obstruction takes various forms: public denigration, boycott of legislative reforms (including ongoing judiciary laws) and frequent popular mobilization to bring down the government.

Meanwhile, the SP government that emerged from the 2017 elections continued to streamline its initiatives around the agenda of EU integration, particularly the main priorities for opening accession negotiations. In 2017, the new government also undertook a full reorganization of the ministries, the Office of the Prime Minister and key agencies with the aim of optimizing consistency and efficiency in administrative performance with an eye at approaching accession negotiations. Government efforts have encouraged the commission to recommend opening of accession negotiations in 2019. The proposal, however, is left pending on the demonstrable continuation of ongoing reforms.

No relevant political or social groups contest the legitimacy of democracy and its constitutional set-up. Following the harsh communist dictatorship, Albanians show high records of support for democracy as the ultimate goal of regime change. Both political and social actors have consensually embraced democracy as the only game in town. All major reforms, institutional reshuffling, and public critiques are commonly legitimized in the name of democracy and its corollary, European integration.

Performance of democratic institutions

6



Commitment to democratic institutions

8

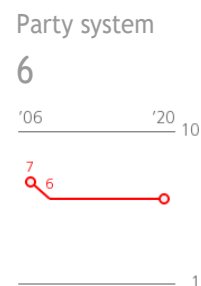
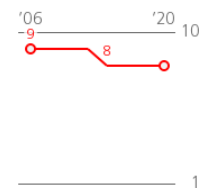
During the unruly post-communist transition, however, major political actors have seen democratic competition as a zero-sum game and state institutions as a piece of property to be distributed among their followers. Pledges to democracy often went together with the consolidation of political patronage networks and capturing of state institutions for political and private interests. The general trend of a patronage-tainted “winner-takes-all” model of democratization took root especially when governing parties enjoyed an ample majority and little serious competition.

Following its ascendance to power in 2013, the first Rama government promised to curtail the patronage system and deep corruption hollowing out the legitimacy of democratic institutions. During the review period, however, the second Rama government, which enjoys an absolute parliamentary majority and relatively little competition, has shifted toward a more centralized and personalized style of governance, which an Albanian journalist refers to as a “Prime-Ministerial Republic.” The Albanian transition has shown over again that such one-man style rule doesn’t fare well for legitimacy or stability of democratic institutions over time.

5 | Political and Social Integration

Since the fall of communism, Albania has consolidated a bipolar party system dominated by DP and SP. They have alternated in power and maintained effective control over the course of transition for prolonged periods – the DP in the period 1992 to 1997 and 2005 to 2013; the SP in 1997 to 2005 and 2013 to present. Both parties have also positioned themselves at the opposite end of the ideological spectrum, which has shaped an aggressive, even unruly competition between the two groups. The DP, created soon after the sanctioning of pluralism in 1990, represents, and has self-monopolized, the idea of the center-right – an anti-communist, free market and non-interventionist democratic state. The SP, created in 1991, hails from the former communist party and has inherited some of the structures, leadership and its voter base, but regenerated itself in the line of the European center-left. The main “third” party, the SMI, is a split from SP arguably following infighting over party leadership and spoils of the state after the 2001 elections. LSI’s “pragmatic” shifts to ally with governing structures despite the majority’s ideological provenance – Democratic Party (PD) in 2009 and Socialist Party (PS) in 2013 – shows that fierce ideological positioning serves to rally voters but does not mean much when it comes to holding power.

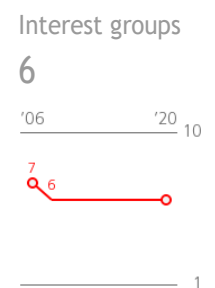
The proportional electoral system adopted in 2008 has reinforcing the traits of a polarized bipolar system and increased the role of party leaders in determining who enters, stays and is promoted in the system. Besides divisive ideologies, most parties are similar in that they have both adopted a strong patronage system of implanting party militants across the state structure once in power. Each party is also marked by centralized hierarchical structures that evolve around a single leader as the linchpin of the party.



Reshuffling of party leadership structures usually means a cleansing of party ranks in favor of those loyal to the leader. The 2018 election of PD's party organs confirmed its restructuring on the sole basis of proven loyalty to the leader. Similarly, the 2018 reshuffling of the PS cabinet in December 2018 brought in personalities that had little to show in terms of job experience and even political baggage except for personal connections to the PS leader and current prime minister. In the case of LSI, the election of its leader for the presidency opened new opportunities to replace the party leadership with the wife of the outgoing leader. Various informal indices show that party leaders' family members, even when not members of party organs, tend to play a crucial role in specific policy choices and who makes it into the ranks of party leadership.

Post-communist Albania has seen the development of a relatively rich yet controversial scene of interest groups. Given the ban of autonomous civil society and forced mobilization of society during the communist regime, the concept and practice of civil society entered the country via Western donors' aid agendas aimed at stimulating civic participation and socializing people toward democratic values and behavior. Donor policies have enriched the public sphere. There are at least 8,000 registered NGOs although only 250 to 300 are believed active. Those organizations cover different sectors, and a few have successfully engaged in advocacy work, monitoring and producing policy reports. Yet, donor-propelled interest groups also feature several characteristics that don't exactly fit the idea of democratic and participatory civil action to the extent they remain largely confined to the capital where donors are concentrated, are run by "owners" that vacillate between profitable political and civil society positions and serve donor priorities above social concerns. A survey conducted in 2016 show that only 22.4% of respondents thought that NGOs effectively addressed social problems. Trade unions remain weak and apt to politicization, particularly due to the lack of large companies operating in the country.

In the last years, the gradual withdrawal of foreign donors has demonstrated the financial dependence and institutional weakness of the civil society sector, including lack of voluntary links that would make them sustainable in the long term. Providing policy expertise commissioned by donors also reached its limits as civil society has been occupied with building advocacy links rather than independent expertise and research capacities. A 2017 USAID report notes that donor dependence drives many CSOs to adopt broad missions, leading to generalization and lack of expert knowledge in specific areas of activity. The development of a new legislative framework including a 2016 law on voluntarism and a law on establishment of National Council for Civil Society has improved the framework for collaboration between the state and civil society regarding key national reforms, especially on issues of European integration. More structural opportunities to get involved in and potentially impact the policy-making process, however, will not substitute civil society's weaknesses.



Having suffered one of the harshest totalitarian regimes ever built in the communist world, Albanians strongly support democracy. For example, the European Social Survey conducted in 2012 has shown that 92% of the Albanians found it important to live in a democratically governed country, which was the highest share among 28 European countries and exceeded the unweighted average of 12 post-communist countries by nine percentage points. No surveys so far have indicated decreasing enthusiasm for a democratic system even at the face of endemic crisis and many problems plaguing the transition.

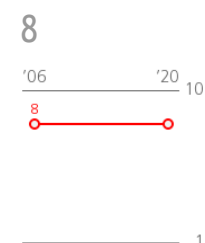
Albanians, however, have more trouble approving how democracy functions and the work of specific democratic institutions. According to a UNDP report, in 2014 only 36% of Albanians regard Albania as a completely democratic country or as a country that is more democratic than not. Citizens' trust in institutions remains low. Albanians typically show more confidence in international organizations than national institutions. For example, the 2016 IDRA survey on judiciary reform shows that 92% support judicial reform but 66% believe that there will be blockages in parliament, only 17% trust judges and 30% to 42% the main parties to conduct reform. By contrast, 76% of citizens trust the EU and 78% trust the American embassy to lead judicial reforms – the core challenge of poorly functioning democracy during the review period. Moreover, 60% believe that reforms will not be efficient because people within the system are corrupt.

According to Eurobarometer 2018, only 41% trust the Albanian legal system (EU average 51%). However, trust in national institutions has slightly increased during the review period – 47% tended to trust the government and 51% the parliament at the end of 2018. These figures were higher than in the EU on average (both 35%).

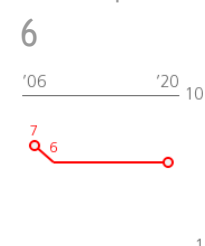
There is a fairly high level of trust among the population and a substantial number of autonomous, self-organized groups, associations and organizations. In line with the structure of a traditional society, Albanians have a strong sense of traditional forms of solidarity such as familial, regional or clan loyalties. Political elites have sought to capitalize on such links and divisions to nourish patronage-based networks. However, this does not extend to trust in people in general. In terms of interpersonal trust, Albania ranked the lowest among 33 included European countries in the European Quality of Life Survey 2016.

Such “traditional” forms of social capital, including patronage relations, have proven helpful to sustain informal networks of support during difficult phases of transition and meager social welfare. However, those pre-modern forms of solidarity, especially the patronage networks, undermine the creation of a more general civic culture of participation and trust in state institutions. In addition, post-communist Albanians has developed highly individualistic trends: first as a reaction to extreme collectivism experienced during the former communist regime; and second, because of the “wild west” nature of Albanian capitalism. Recent data from a 2017 USAID report on civil society shows an increase of volunteerism and charity donations beside improvement

Approval of democracy



Social capital



of legal opportunities for social involvement in policy-making processes. Still strong family loyalties and patronage networks undermine and supersede trust in impartial functioning of modern state institutions.

II. Economic Transformation

6 | Level of Socioeconomic Development

Albania has continued to register economic growth in the period under examination, leading to slight improvements in labor market patterns. Indeed, as a consequence these patterns have contributed to reducing poverty and social exclusion. The 2014 EU candidate status for Albania and 2018 European Commission recommendation to open accession negotiations have motivated the government to pay greater attention to tackling poverty and social exclusion, which rarely are taken into account by previous governments. The government's strategy of opening offices around the country to facilitate employment has proven successful. Particularly in rural areas, these policies have improved labor force participation rates and reduced poverty.

However, the high ratio of registered Albanian asylum-seekers in EU countries, ranking first among other countries, indicates a high ratio of poverty and inequality in country. Also, government efforts to forbid banks from considering non-official incomes for retail and corporate customers might have the desirable effect of reducing the informal economy in the long term. Yet, considering the immediate actions taken and the high percentage of the population affected, they have had an effect on socioeconomic development in the short term. A Gini coefficient of 0.29 in 2012 shows considerable improvement from previous indicator of 0.32 in 2008. However, a large informal economy and unrecorded cross-border activities raise doubts regarding accuracy of the indicator.

The World Bank indicates that the poverty rate has decreased to 32.8% in 2017 from 33.9% in 2016, while predictions are that the decreases will continue to 29.5% in 2019. HDI has steadily progressed, ranking the country 68 out of 187 countries in 2017 compared to 139 in 2015. Still, the country remains below the average of neighboring countries. When adjusting for inequality, the development index deteriorates further.

According to World Economic Forum Gender Gap Index, Albania ranked 38 out of 144 countries in 2017, improving considerably over previous year. However, particularly in rural areas, gender differences in labor participation, public representation, education and property continue to be large. Other challenges involve minority groups' living conditions, particularly Roma and Egyptians, where additional action needs to be taken.

Question
Score

Socioeconomic
barriers

6

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1

Economic indicators		2015	2016	2017	2018
GDP	\$ M	11386.9	11861.4	13025.1	15058.9
GDP growth	%	2.2	3.3	3.8	4.0
Inflation (CPI)	%	1.9	1.3	2.0	2.0
Unemployment	%	17.1	15.2	13.8	13.9
Foreign direct investment	% of GDP	8.7	8.8	7.9	8.0
Export growth	%	1.0	11.3	12.9	3.0
Import growth	%	-2.9	6.9	8.1	3.9
Current account balance	\$ M	-979.8	-900.4	-982.2	-1008.4
Public debt	% of GDP	73.7	73.3	71.9	69.9
External debt	\$ M	8657.3	8741.2	10062.2	10121.9
Total debt service	\$ M	1179.0	589.9	512.5	1086.1
Net lending/borrowing	% of GDP	-3.0	-2.5	-1.5	-
Tax revenue	% of GDP	18.5	17.6	18.9	-
Government consumption	% of GDP	11.1	11.3	11.5	11.2
Public education spending	% of GDP	3.4	4.0	-	-
Public health spending	% of GDP	2.9	2.8	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.2	1.1	1.1	1.2

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Since the beginning of transition, Albania has pursued an extremely open model of economic development that has resulted in limited barriers in factor movements. Prices are fully liberalized, and the Albanian currency is fully convertible. State involvement in the economy is limited, with the exception of the energy sector, while the private sector amounts to more than 80% of employment.

Considerable progress has been made with respect to the Doing Business 2019 report, which ranks the country 63 out of 190 countries. Additional progress covers the area of construction permits and registering property issues, where some years ago Albania ranked last out of 185 countries. Establishing a business is relatively easy with five procedures, five days and costs of 11.3% of GNI per capita required, ranking it 50 out of 190 in the sub-index “Starting a Business.” Still, the situation is still far from adequate. Dealing with construction permits, getting electricity and enforcing contracts continue to be serious difficulties in investors’ encounters. The government has also made serious efforts to fight informality. Still, a large informal sector, weak governance and corruption continue to pose significant obstacles to market activities and the development of a full market economy.

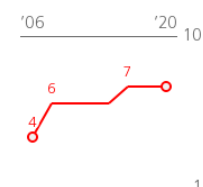
The current government has undertaken continuous improvements in the legal and institutional framework concerning market competition. The most notable is the enforcement of contracts by amending the code of civil procedure and imposing time standards for legal court events.

Structural progress has also been made in the area of antitrust policies by empowering the Albanian Competition Authority (ACA), the main unit in charge of examining mergers or enacting fines on those that hamper market competition. The legislative framework on antitrust and mergers is in line with EU standards. However, enforcement capacity is low, mainly due to weak human resource capacity and a lack of expertise. In its full report the UN Conference on Trade and Development (UNCTAD) concluded that Albania had a modern legal and institutional framework for competition protection and observed that it is consistently aligned with European Union competition law. The organization noted, however, that fighting cartels was a challenge that required both improving the national leniency policy and increasing coordination with partner national authorities regarding actions against bid rigging in public procurement. In conclusion, it suggested that improving the administrative capacity and continuous training of the authority’s staff was essential for the effective implementation of national competition policy.

Some positive practices include the new terms of the concessionary agreement concerning Tirana airport management, which removed the monopoly position on international flights in 2016. Still the €1 billion PPP program announced recently has been criticized regarding the lack of transparency and the fact that some projects are

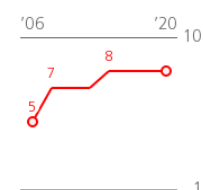
Market
organization

7



Competition policy

8



based on unsolicited bids, hampering competition in the country. According to the last EU Commission report, further efforts are needed to improve the legal framework and enforcement in the area of state aid.

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. Albania is also member of various regional free trade agreements such as the Central European Free Trade Agreement (CEFTA), which overall show high trade liberalization. In 2017, the World Bank ranked the country 24 out of 190 economies for ease of trading across borders, which is largely above the regional average for Europe and Central Asia. The simple average of MFN applied total tariffs was approximately 3.6 in 2017.

During the period under review, a good part of customs legislation has been adopted and aligned with the priorities of the EU accession process. Still, smuggling and corruption remain major issues of concern, which add to non-tariff barriers and hamper the process of free movement of goods.

Following the collapse of widespread pyramid schemes and the subsequent economic and political crisis in 1997, all Albanian governments have prioritized structural reforms in the banking sector, including the privatization of state-owned banks and the liberalization of the financial services sector. The banking sector in Albania is completely privatized, while foreign-owned banks account for more than 90% of the asset share. A stock-exchange market in country is unavailable, although a stock exchange license was recently granted to a group of banks. Starting from the fourth quarter of 2017, consolidation of banking system is still ongoing in terms of the number of operators. Two of the smallest banks in Albania have been merged with two other larger banks. Two other players – Societe Generale Albania and Tirana Bank (part of Greece's Piraeus Bank) – have been sold respectively to Hungarian OTP bank and Macedonia's Komercijalna Bank, although the last one is still waiting for regulatory approval. Concerns, as stated by the IMF, are that the exit of such a large foreign bank such as Societe Generale, could lead to stress in the domestic banking system and pressures on the market for domestic public debt. Indeed, the market share of EU originated banks in Albania decreased to 53% in 2017 from 64% in 2013, while the market share of non-EU-country banks have expanded rapidly due to their international lending policy. Lending abroad has been a subject of concern due to the risk of transactions and monitoring as well as limitation of funds available in financing domestic sector.

The level of non-performing loans (NPL) shows considerable improvements due to measures introduced by the central bank that oblige the pay-off from banks balance sheet for non-performing loans older than three years, a new bankruptcy law and revision of bailiff regulation. Still, at over 13.3% of all loans, this remains high and above the region's average.

Liberalization of foreign trade

10



Banking system

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Despite the level of NPL, the banking system in Albania remains well capitalized and robust. Capital to total asset ratio has remained robust and improved in year-by-year basis, accounting for 10.5% in the first half of 2018, while bank profits have doubled in the period under review. Private sector lending has slowed down in recent years, while the share of foreign currency loans and deposits remains high and pose a significant risk.

8 | Monetary and fiscal stability

Despite the central bank's target to keep inflation rate around 3%, average inflation in 2017 was 2% and continued to be below the target in 2018.

The central bank's attempts to control the inflation rate by cutting the interest rate continuously had little effect due to the euroization of the financial sector, low commodity prices and below-potential economic output. Meanwhile the local currency has appreciated against euro in the period under review, justifying a rate cut monetary policy. The central bank's statement that appreciation of local currency is due to de-euroization policy initiative, capital conversion of some banks and a good tourism season is not convincing. Indeed, the central bank's intervention on June 2018 was not effective in interrupting this appreciation. Critics suggest that unrecorded foreign currency flows in country play a crucial role in neutralizing the effects of central bank intervention.

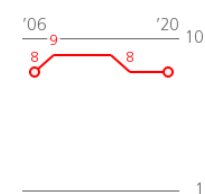
The central bank is legally independent and able to determine monetary policies. Improvements in management and regulation, after the central bank counted an internal deficit that brought under investigation top layers of management including the governor of the bank in 2014, signaled a positive development. However, despite no official interference, the debt strategy followed by government and the lack of measures taken to prevent unrecorded cross-border activities de facto hampers the decision-making independence of the central bank.

After the sharp increase in budget deficit from 2012 and increasing public debt due to expanded public expenses amid a strained government budget and general economic downturn, macroeconomic balance in Albania has been subject to a substantial revision. This was facilitated by an agreement with the IMF, which lasted until 2017.

Public debt has decreased under 70% of GDP for the first time in 2017. However, it remains above regional average and surpasses the government's capacity to generate revenue. Meanwhile, the ambitious medium-term fiscal framework adopted in June 2016 to reduce the public debt limit to 45% of GDP is still without any precise deadline or monitoring authority. Actually, a more concise target is the government commitment to decrease public debt ratio to 60% within 2021. Considering that tax revenues continue to remain below budgetary projections, additional efforts are needed in order to achieve the target.

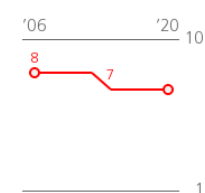
Monetary stability

8



Fiscal stability

7



Government's major achievement was to reduce the budget deficit to the lowest level of the last two decades at 1.4% of GDP in 2017, and an estimated 2% in 2018. The macroeconomic policy mix applied by the government has contributed to the improvement. However, the one-billion-euro program launched by government in 2017 to ensure Public Private Partnership raises concerns of a high burden on public debt liabilities in the future.

9 | Private Property

The uncertainty over land rights remains a crucial obstacle in the country's social and economic development. Unresolved property issues across the country, especially in highly populated urban and coastal areas, inhibit the development of important projects, including in the tourism sector. Political interests, widespread corruption, limited resources and weak institutions negatively influence the effective solution of property rights.

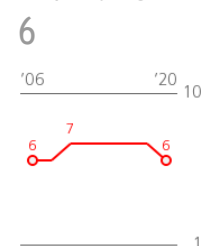
There have been some positive developments concerning compensation for properties confiscated during the communist era. Special attention has been paid to properties owned by religious communities. Indeed, a payment of €740,000 was distributed among four official religious communities in 2017. The new law introduced in 2016 regarding compensation mechanisms, the calculation formula and financial resources, however, continues to be criticized over issues of constitutionality, legal uncertainty and equal treatment.

Tentative progress has also been registered regarding intellectual property rights. Due to increased enforcement, trademark-registering applications rose by 12% in 2017 compared to the previous year. During the same year, the law on industrial property was also amended, easing the legal framework for industrial property rights. Still, the number of counterfeit products in the country remains high.

Registering property continues to be problematic. Despite some modest progress due to the ongoing vetting process of judicial corruption, legal enforcement and ensuring property rights continues to be a major challenge. Settling property issues usually go through all instances sometimes several times, while judgments ordering restitution of properties confiscated during communism are often not implemented. Cases addressing the breach of the principle of due process regarding property disputes are accumulated in the European Court of Human rights, and some have been won by the claimants. Corruption and abuse in such cases are especially acute given the lucrative value of such properties and the generally weak position of concerned individuals, usually heavily persecuted during the communist regime.

The degree of the problem came to the center of public attention in 2018, during the implementation of an infrastructure project, which required the destruction of around 317 buildings, most of them illegally built on public or previously confiscated

Property rights



property. Owners of those illegal building (some were already legalized and entitled to compensation) mobilized to request full compensation. On the occasion, the public learned that some of the individuals asking for compensation were prolific “occupiers,” who had constructed up to eight illegally built houses, villas and business facilities in other areas of the capital and the coast. The issue of occupation of public and non-restituted property has reached cataclysmic proportions because ruling parties ignored the problem and instead helped to legalize such buildings to reward their clientele. The current government has undertaken extensive legalization measures for illegal constructions, which is a tacit formalization of clientelistic practices and a problematic redress of systematic violation of property rights.

The state’s stake in the economy remains limited, while private sector accounts for over 80% of GDP and total employment. However, state presence in some key sectors, such as the energy sector and natural resources, requires further liberalization in order to facilitate private operators’ entry in the market and the quality of the product delivered.

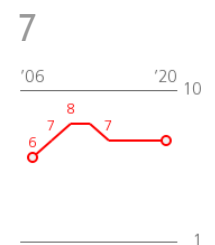
Albanian governments, past and present, have implemented a number of fiscal and legislative reforms to improve the business climate for domestic and foreign investors. This follows a general economic strategy to attract investors and privatize strategic sectors, such as the banking, energy and communication sectors. Capital inflows 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 sufficient restructuring and improvement of economic performance.

10 | Welfare Regime

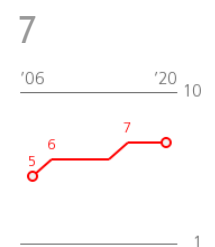
A public welfare system, including regulations over social policy and institutions, is in place, although the government struggles with insufficient sources to deal with the needs of vulnerable groups. New compensation criteria introduced by the respective ruling body in 2018, along with digitalization of the process, aims to reduce abuses committed over the years with public funds for the compensation of the adequate sections of the population. Indeed, many abusers have been detected and excluded from the program, leading to the doubling of monthly payment for poverty and unemployment. However, the actual social monthly payment of only \$50 is far from adequate and much below the average of the region. Public expenditure on health is estimated at approximately 3% of the budget in 2018, which is far below the European and regional average.

The new national strategy on social protection, reduction of poverty and discrimination, aims to establish a sustainable and equal social care system, considering increasing aging patterns of Albanian – the share of elderly people is expected to double by 2050. This is expected to put further pressure on the pension

Private enterprise



Social safety nets



and social payment system, which is largely financed by the state. Further administrative capacity-building and significant improvement in existing institutional infrastructure is essential to improve a sector ignored through many years of transition.

Albania has been a signatory to most international agreements and has advanced national legislation ensuring equal opportunity. A law on gender equality is in place and in line with the EU acquis. In 2017 to 2018, seven out of 14 ministers in country were woman, including the deputy prime minister, a ratio which increased following a government reshuffle at the end of 2018. Also, in the last parliamentary elections in 2017, female representation has increased to 28% from 16% in the previous elections. However, the situation is not rosy in the private sector since the ratio of female-to-male labor force participation in 2018 is estimated at only 72% and the country lacks an institutional mechanism to implement necessary commitments related to gender equality. Some progress has been registered toward offenses and domestic violence against women on a yearly basis.

Literacy rate is relatively high (97% of population in 2017), as is the gross enrollment ratio (107%), while gender disparity is nonexistent regarding school enrollment.

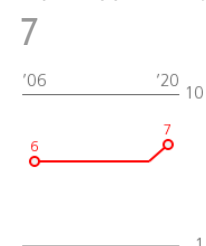
People with disabilities continue to face serious difficulties accessing employment opportunities, education and health care services, and freely exercising their right to vote. Legislative amendments to protect minority groups also require serious efforts to enforce policies that improve their living standards. Progress has been registered in the matter of school registration of Egyptian and Roma minorities, where the registration on elementary school has increased by 25% in the period under review.

11 | Economic Performance

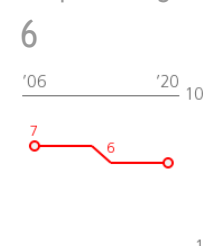
Since 2013, Albania has registered robust economic growth rates, driven mainly by private investments in major infrastructure projects, such as the Devoll hydropower plant and construction of the Trans-Adriatic gas pipeline. In the period under review, GDP increased by 3.8% in 2017 and estimated 4% in 2018. GDP per capita has nearly doubled in the last decade to \$12,021 in 2017 using PPP. However, economic growth is expected to slow down in 2019. FDI inflows have slightly fallen in 2018, despite positive developments regarding EU accession.

Expansionary monetary policy has had limited effect on increasing the inflation rates or domestic consumption. Despite low interest rates, inflation has continued to flow below the central bank's target of 3%. The appreciation of the local currency against the euro raises concerns over an already weak demand for Albanian exports and the overpricing of service goods that have been the main locomotive of narrowing the current account deficit in the period under review. The service sector, particularly teleservices and tourism, employs a significant proportion of young people and has

Equal opportunity



Output strength



contributed to improving the unemployment rate in recent years. The government has opted to liberalize construction permits in the capital city of Tirana, after a two-year suspension. The construction sector plays an important role in the economic output, with positive effects on domestic consumption and linked sectors.

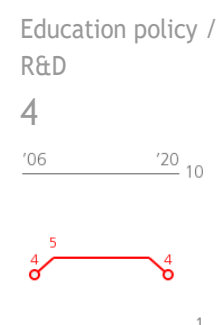
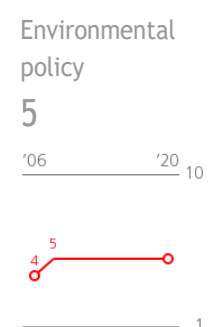
Narrowing the budget deficit to about 2% of GDP in 2018 from over 4% of GDP in 2016 has been the major achievement of the government, despite weaker than expected tax revenue. Consolidated fiscal policies have helped to stabilize the overall public deficit, which in 2018 declined under the range of 70% for the first time in the last five years.

12 | Sustainability

Environmental concerns receive only sporadic consideration and are often subordinated to economic growth. The legal and policy framework together with policy alignment and enforcement in the field of environmental protection are at an early stage of development. The country generally lacks the administrative and financial resources to appropriately regulate and monitor a national environmental protection strategy. The new photovoltaic solar power plant introduced by the government in 2018, combined with a target to implement 120MW solar and 70 MW of wind power capacity within 2020, indicates that the government has taken in consideration diversification of renewable sources. This signals a shift from an overwhelming reliance on hydropower production. Also, the government recently introduced an import ban on used vehicles older than 10 years, and some local incentives on decreasing general pollution and raising awareness on environmental concerns have been positive signals in the period under review. Still, environmental awareness among citizens is limited and the government must provide adequate budget to support the process.

The UN Education Index has continuously improved year over year in Albania, reaching 0.745 in 2017. However, student protests since December 2018 highlight the deficiencies of the education sector. The education budget counted for only 2.5% of GDP in 2018, while the proportion of research and development was only 0.4% of GDP. This budget ranks Albania 135 out of 193 countries over budget expenditure on education and is far away from EU average of 4.9%. According to the 2016 medium-term education strategy, approved by the same governing body, budget expenditure on education was estimated to increase to 5% of GDP in 2018.

Protesting students have not only drawn attention to low education investments, but also large-scale corruption, patronage and nepotistic appointments, lack of research and lack of appropriate accreditation authority and transparency. The large gap between the supply and demand for labor needs to be addressed properly while improving the relevance of education according to market needs. Indeed, the unemployment rate among well-educated people is particularly high. Considering



that most businesses in the country provide low-technology, labor-intensive and low-cost products, there is an immediate need to increase funding for research and development.

The government's response to massive student protests and the ensuing cabinet reshuffle could have provided an opening for much needed changes. However, the introduction of a new minister of education from Kosovo – who has neither work experience in Albania proper, nor personal experience in attending or contributing to the education system, nor related knowledge or expertise on the intricate problems of high education – is a step backward.

Governance

I. Level of Difficulty

The structural constraints on governance are fairly high, particularly those resulting from past legacies. Given the maverick communist regime, Albania started its path to regime change with the worst possible baggage of initial conditions: no organized democratic actors, hated state institutions and a collapsed economy.

The difficult and uncertain path of regime change was perhaps expectedly punctuated by another major institutional crisis in 1997. This time around, people took to the streets again to protest the “anti-communists” governing project, which had degenerated to another one-man rule reminiscent of the previous one-party communist rule. The mismanagement of economic transition, which relied on a fraudulent economy, hillbilly capitalism, corrupt privatization and contraband economy with the former Yugoslav states, then under embargo, hollowed out the impact of initial reforms. Violent protests that followed the collapse of pyramid schemes in 1997 targeted the political system and the entire state machinery built during the initial transition. Albania had to start anew this time amidst an acrimonious political atmosphere, a vacuum of state authority, a polarized society and lack of even minimal security services.

The collapsed state required international intervention to survive and bring about normality, but also to jump-start institutional building anew. However, this period of state collapse facilitated the alliance between specific political interests, powerful businesses and organized crime who, together, were able to take control of and “privatize” decision-making processes. Consecutive governments, moreover, continued to prey on the traits of the weak state and use state institutions as a piece of property to be distributed among political cronies in order to consolidate their hold on power. Not surprisingly, for more two decades Albanian citizens were left to believe that they would be tolerated for illicit behaviors such as massive theft of electricity, occupation of public spaces, illegal construction, corruption of public officials, abuse of taxation system and in general “solve it yourself” type of behavior as long as they served party politics.

The 2017 SP majority came to power with the promise of overthrowing that deep-rooted system of unruly transition and strengthen the state authority and its core institutions versus specific private interests and patronage networks. As such, it has to face a range of structural traits of the system.

Structural
constraints

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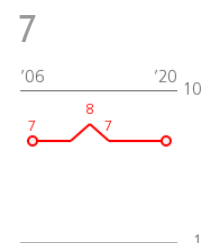
The development of civil society and its impact on the processes of transformation is also closely related to the legacy of the authoritarian past. The communist regime had taken a harsh line against any forms of resistance and outlawed independent organizations at least since 1956. Additionally, the regime created a widespread net of party related associations, which were to control and shape socialist men. Social control was so intrusive that it extended even in the very private sphere of citizens' lives like their musical preferences, book interests and even clothes. As a result of deep oppression, the emerging post-communist civil society lacked the normative attributes and political role it played in the process of regime change elsewhere in the former communist world.

After communism, civil society had to be built up almost from scratch while the society nourished distrust toward voluntary work which had until then been forced upon people by party organizations. Foreign assistance and donor support have contributed to creating a relatively active NGO sector, but civil society has still to develop both political autonomy, donor-independent agendas, internal capacities and voluntary networks that would make them sustainable and linked to society. An improved institutional framework for inclusion of civil society in the policy-making process has created new opportunities for civic action but that is no replacement for the generally weak and donor-sponsored capacities of organized groups.

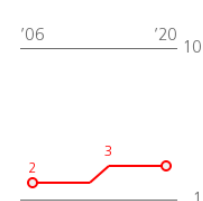
The homogeneity of the Albanian population has mitigated the probability of conflict in terms of citizenship or the internal and external consensus on state unity, a common source of state weakness elsewhere in the Balkans. Nonetheless, leading parties' divisive rhetoric, permeant bickering and winner-take-all approach to power has created a fragile political climate apt to explosion and degeneration into public unrest.

Throughout the period covered by this report, the political and institutional structures feature similar divisions, polarization and bickering among major blocks of the political spectrum. Relations between political competitors are often based on common insults, accusations and counter-accusations that dominate political discourse, party activities and public debates. In the last two years, the Albanian parliament, mostly boycotted by the opposition, often became the scene of random accusations and denigration that often surpasses the limits of decent political dialog. Most shocking here are common accusation toward governing authorities, including the prime minister as "a government of crime," "prime minister of drugs," "governing band," etc. When confronted to provide supporting data in the courts, related politicians often justify political accusations as "public information." Besides heavy accusations with no verifiable data, key opposition groups have not missed a chance to deliver ultimatums, announce violent protests, withdraw from institutions and call for resistance even on issues that involve long-running rule of law issues such as dealing with illegal buildings occupying public or others' property. Weak and often politicized institutions moreover have often proven incapable to mitigate such conflicts.

Civil society traditions



Conflict intensity



II. Governance Performance

14 | Steering Capability

Since the end of communism, all Albanian governments, whether on the right or left, have set their priorities in line with the ultimate goal of integration into European structures. This is among the few issues where Albanian politics avoids its divisiveness and targets reforms closely related to the EU integration project. The EU's 2010 comprehensive opinion on individual country's preparedness to take on the obligations of membership identified a list of 12 priorities, which have been reduced to issues related to rule of law: 1) reform of public administration, 2) independence of the judiciary, 3) fight against corruption, 4) fight against organized crime, and 5) human rights. The most important single issue that determines opening accession negotiations is undertaking judicial reform.

The government has remained focused on reforms necessary to advance toward European integration. It has also attempted to prioritize its work around key EU priorities while moving to accumulate better expertise. Especially commendable is the initiative to sponsor graduate studies abroad for excellent students, who are then required to work for the government for at least two years. The EU 2018 report suggests progress in key priority areas, particularly the justice sector, currently the frontline of ongoing reform and the precondition to advance in the accession process. Accordingly, "implementation of comprehensive and thorough justice reform has continued, resulting in good progress overall. The re-evaluation of all judges and prosecutors (vetting process) has started and is delivering first tangible results." Yet, the EU also notes problems, thus recommending opening of accession negotiations pending on continuity of reforms in 2019.

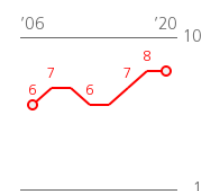
Albania, similar to other hybrid regimes and deficient democracies, shows a striking gap between frequent and rather easy legal compliance with Western standards and rules, but weak and selective implementation of those rules in practice, suggesting a pattern of formal changes that pay only lip service to established international norms.

During the period under review, the government has shown determination to go a step further in reform implementation by addressing key challenges that stand in the way, including institutional and political resistance to actual implementation. These efforts however also show that the more change occurs, the stronger the resistance from various political and institutional actors that have thrived amidst a system of office abuses becomes.

Question
Score

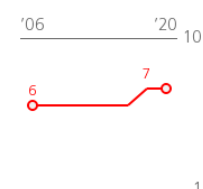
Prioritization

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Implementation

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The fate of the package of judicial reform agreed consensually in the Albanian parliament in mid-2016 is a case in point. The preparation for reform lasted for two years and involved various political negotiations of the expert drafts, which ultimately resulted in empowering political parties in selection of various judiciary structures. The actual adoption of institutional changes was only possible due to EU and U.S. pressure on the parties to vote for the legal package. During the period under investigation, powerful political groups in the parliament and across the judicial hierarchy have used formal and informal tactics including the boycott of parliament, voting delays and denouncement to constitutional court to block, undo and delay actual implementation. When the parliament voted on a new general prosecutor in December 2017, bodyguards were necessary for the election to take place while opposition parties warned of “popular confrontation” and even brought aggressive militants in front of parliament to disrupt the vote. Swearing in of the prosecutor amidst tear gas, heralded ongoing resistance and many blockages along the way. What brings together the resisting block, what it stands for and the interests at play are made clear by the profile of the outgoing Prosecutor General Adriatik Llalla, publicly known for his corruption-tainted profile, links to organized crime and politically-sponsored career.

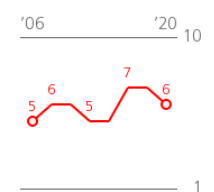
Albanian political actors have been generally flexible in shaping and adopting their programs to the specific circumstances of different stages of transition. Policy learning at the level of individual leaders and political groups is often confined to emulating western models and cooperating with different multilateral and bilateral international actors involved in the country. Yet, the protagonist style of leadership, hierarchical nature of political parties and de facto patronage system rooted across state institutions limits the degree of internalization of externally promoted western models and policies. Persistent reshuffling of state institutions to ally with majorities of the day has also deprived the country of the necessary expertise and experience that characterizes modern professional bureaucracies.

During the review period, the introduction of transparent rules for recruitment in civil service have greatly improved the perceived politicization and inefficiency of the administrative structure. The young age of cabinet members, often related to NGO activity and advocacy work, has shaped a flexible model of governance open to learning and emulation. The SP Mayor of Tirana, for example, has drawn positive attention for adopting new public private partnership and other initiatives to cope with the challenges of governance in such a dynamic and expanding urban center.

At the same time, crucial state appointments that don't meet even minimum criteria of governing, policy or even political experience and expertise have negatively affected the potential of policy learning. The reshuffled 2018 cabinet has attracted much attention for including several ministers without adequate expertise. One standout is the new deputy minister of foreign affairs, who when appointed in 2018 lacked any demonstrable job experience or expertise in the area except for a short

Policy learning

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stint as adviser to the prime minister. Such disregard for professional criteria, policy expertise and job experience at the top ranks of the government is exceptional even in the Albanian context where key political appointees are randomly drawn from the close circle of prime minister loyalists. It goes without saying that such appointments have negative repercussions for building up bureaucratic expertise that characterizes modern states, especially in such an important sector like foreign policy.

15 | Resource Efficiency

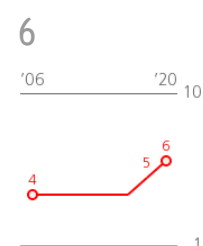
The Albanian government has attempted to improve the efficient use of available human, financial and organizational resources. Ongoing institutional reforms in the public administration seek to build up human capacities, including a professional and stable public administration able to pursue effective and impartial state policies. Recruitment procedures across the public administration have improved, particularly through open calls and specific initiatives to attract excellent students. According to a European Commission 2018 report (SWD (2018) 151 final), the “implementation of public administration reform has continued consistently,” thereby advancing further the creation a professional and merit-based civil service system.

Similarly, the current economic growth has enabled the government to increase public investment including in the crumbling urban infrastructure and priority sectors such as health, tourism and education. Albania’s 2017 score of 50 in the Open Budget Index is substantially higher than its score of 2015. The improvement incorporates increased public information by publishing the year-end report and the citizens’ budget online; as well as increased information provided in the audit report and the pre-budget statement. Efforts have also been made to improve the administrative organization including both central and local levels.

Intra-governmental friction and competition are limited since most crucial policy initiatives tend to come from the office of the prime minister. This is facilitated by the selection of ministers on the basis of personal connections with the prime minister instead of professional baggage and expertise they bring on the job. The linchpin role of the prime minister in the entire system of governance is enforced by the closed list electoral system and the hierarchical nature of political parties, which empowers the party leaders to personally select party candidates.

The centralization of governing functions, however, doesn’t always ensure a consistent policy-making process. Although the Rama government has moved to institutionalize mechanisms of policy coordination between different ministries, the EU 2018 report assesses that policy planning remains fragmented among various center-of-government institutions and line ministries. Harmonization of central planning documents with sector strategies in line with government priorities remains limited. Also, the rate of implementation of the national plan for European integration remains low and has decreased from 56% in 2016 to 25.5% in 2017. Consequently, the EU 2018 annual report suggested that interministerial consultation and the quality of analysis supporting new policy proposals need further improvement.

Efficient use of assets



Policy coordination



Corruption has been the hallmark of the Albanian transition, but also the subject of myriad donor activities. Consequently, the country has been a permanent arena of anti-corruption policies and related institutional changes typically assessed positively in international indices. The third round of GRECO Assessment, for example, assesses that criminalization of corruption (i.e. the quality of formulation of the relevant legal provisions and severity of the envisaged sanctions in law) is appropriate to enable an effective fight against corruption.

Despite quick, persistent and comprehensive institutional changes, Albanians tend to believe that a set of corrupt party politicians simply replaced another set, and frequent institutional changes are only a facade covering up persistent and stagnant patterns of corruption. Ongoing corruption, particularly at the highest echelons of political power capitalizes on a weak and controlled judiciary, poor civil society and a politicized media, which cover up more than uncover political abuses of power.

The current government came to power with the promise of a systematic approach to fight the phenomena on all fronts through legislation, the enforcement of related agencies, and strengthening of the state's coercive apparatus, reforms which are evaluated positively in EU reports. In 2018, the EU reported that substantial progress has been made regarding the legal framework and institutional set-up to fight corruption. Good progress was made, particularly with the adoption of amendments to the criminal procedure code, the law on the declaration and audit of assets, financial obligations of elected persons and certain public officials, the anti-mafia law and the law on political party financing. Wide-scale reforms in the judiciary, promoted and supervised by international actors, also promise to change the consolidation of the culture of impunity, sending a message that no one is above the law. However, related institutional reforms have been delayed and have still to deliver palpable results in practice.

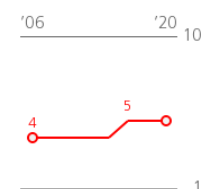
16 | Consensus-Building

All major social and political actors share wide consensus on democracy as the strategic, long-term and ultimate goal of the difficult transformation. Yet, authoritarian legacies, one-man style of political leadership, hierarchical political organizations, weak civil society, post-authoritarian political culture, and a dominant system of patronage and corruption continue to hinder the country's progress toward a functioning democracy.

Similarly, there is widespread consensus among key relevant social economic and political actors on the end goal of the market economy, even if ensuring a functioning economy remains in progress.

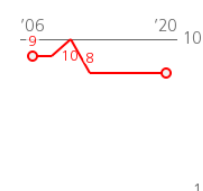
Anti-corruption policy

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Consensus on goals

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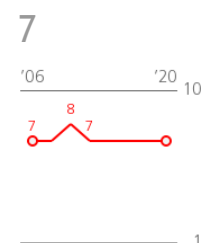
Given the country's consensus for democracy, Albania doesn't have covert anti-democratic actors. All political and governing actors rally around the same goals – advancement of democratization and market economy along European integration. All parties have gradually reshuffled their leadership ranks to bring in young personalities with no direct links to the authoritarian past. The current prime minister, Edi Rama, is a relatively young anti-conformist politician hailing from the anti-communist movement and has relied on young leaders to reshuffle SP organs and pursue government reforms. Similarly, the DP is led by Lulzim Basha, a former UNMIK employee who entered the ranks of politics during the reshuffling of party structures in 2005. He too has relied on a cadre of young politicians to reshuffle party organs.

Still the unruly transition has created deep-rooted alliances between political clientelistic and criminal interests. How those relations persist is best exemplified by the case of Klement Balili, dubbed by the media as the Escobar of the Balkans, with clear links with LSI and previously with DP. Balili's thick international file came to public attention when Albanian authorities received a file of 10,000 pages prepared by Greece and U.S. authorities in 2016. Still, he evaded arrest until January 2019.

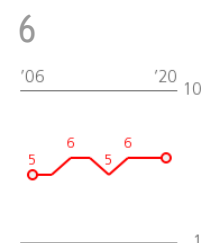
The political parties and leadership, divided into two rigid camps – democrats and socialists – have often been the effective managers and indeed beneficiaries of political, regional and local divisions and cleavages. Indeed, political parties have fueled this division as a strategy to distinguish and strengthen their basis of supporters, particularly in the context of winner-take-all style of governance and clientelistic relations that characterize the system. The DP leaders, coming mostly from the north, have usually held anti-communist credentials, which find broad appeal in the northern regions, many of which were subject to particular repression by the communist regime. The socialists, whose main leaders tend to come from the south, have usually a strong basis in the southern regions, which was also the former communist organization's primary power base.

These political/ideological divisions, however, have increasingly become a strait jacket and enjoy less appeal as citizens learn and experience democracy. The voting patterns in both the 2013 and 2017 elections challenged the typical regional-political affiliations. Such divisions, however, are still a topic that pops up in the political discussion, particularly in the form of opposition's accusations for government discrimination in northern regions typically connected to DP and anti-communism. Such issues are more often than not an effort to maintain parties' political strongholds and the system of patronage but are increasingly losing appeal among more developed urban areas of the country.

Anti-democratic actors



Cleavage / conflict management



Civil society is in principle free to participate in all steps of policy-making, implementation and monitoring. The legal and institutional framework has increasingly moved toward incorporating civil society's feedback in political decision-making processes. A 2017 USAID report on civil society shows increasing trends of voluntarism and donations, hence participation of society in general. Still, the organized civil society sector suffers from weak institutional capacities, connections with politics, detachment from social concerns and withdrawal of donors' funding. Another key issue of this kind of donor-oriented and politicized civil society is the lack of specialization and expertise required to participate and contribute in specific policy areas.

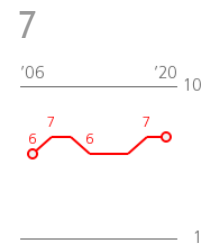
In 2015, the Albanian parliament adopted a new law oriented at making transparency about former communist security files and individuals' responsibility for upholding the system. Given that most communist files were until recently sealed to the public, previous initiatives mounted to top-down politicized packages serving specific political functions, usually the denigration of political competitors and state officials. Hence, the information kept in these files had become a major currency of political accusations, which was impossible to neutrally verify.

The new framework shaped after the German model has raised hopes that Albanians will finally learn what is hidden in security files, how the system functioned and who cooperated with the system. The initiative also promises to reduce unverifiable accusations regarding specific individuals. Other initiatives including the founding of three major museums portraying how the communist dictatorship functioned have also contributed to exposing the severe oppression and crimes committed during the regime.

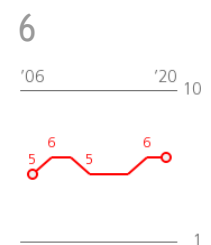
Yet, dealing with historical injustices requires more funding, better resources institutions and more detailed legislation. The Information Authority on Documents of Former Security Services, the institution responsible for handling and publicizing the security files established in 2016, has limited personnel and resources. The state of the files is also very poor due to long neglect and requires public investment. Consequently, the institution can only deal with a limited number of requests mostly confined to state positions that require vetting. Since its creation, the institution has scrutinized around 1,500 individuals. In one of those cases, the authority leaked confidential information regarding a state prosecutor's possible recruitment in former security services when he was 17 years-old. Both the leaks, sloppy details provided, and lack of analysis on how a 17-year-old can be helpful for the security services, raised doubts on the possible use of information as a political weapon.

The Albanian public in general seems to have little confidence in the process of delivering justice for crimes of the past. There are also plausible concerns that post-communist governments and leaders have checked and destroyed compromising files, leaving little information that can shed light on embarrassing or criminal political pasts of key political leaders.

Civil society participation



Reconciliation



17 | International Cooperation

Since the beginning of transition, Albanians have adopted an outward-oriented policy vision motivated by the need for economic and technical assistance as well as the hope of integration into EU structures. Hence, the country has managed to attract substantial foreign assistance, with the EU being the biggest donor both alone and as an aggregate of bilateral donors. International assistance has gained new intensity after the collapse of the state in 1997, and also after the extension of promise of EU membership to all Balkan countries in 2003.

In the last two years, the governing majority has pursued a similar foreign-oriented and EU focused strategy of development. It has also effectively used different forms of foreign support – technical assistance, funding, consulting from organizations such as EU, CoE, OSCE, USAID and a myriad of bilateral actors to advance crucial sectors, particularly judiciary reform. Only in the last five years, the EU has allocated around 100 million euro to rule of law sectors and pledged around 34 million euro for justice reforms in the period 2019 to 2021.

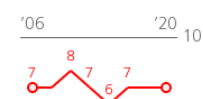
However, Albania also shows a big gap between frequent internationally promoted changes and lack of actual progress. The ample assistance toward judicial reform, for example, has been ongoing since 1992 and was institutionalized into a specific EU mission operating with the ministry of justice since 2005. As such, the international structures have been actively involved in proposing, supervising, training and in general assisting the institutions that resulted in the corrupt and captured judiciary system. Why the ample international assistance, the myriad of technical projects, numerous international experts and promoted institutional changes in general have not delivered is an issue in need of further research.

Albanian political actors are keen to showcase credible and reliable partnership with the international community to gain legitimacy in the international and domestic arena. This often involves employment of expensive lobbying companies to arrange meetings and speeches for Albanian leaders across policy-relevant venues in Europe and United States. Often it also involves cooperation with international security initiatives and a formal commitment to institutions and rules promoted by external actors.

During the review period, the Albanian government has gained more respect as a partner that can go beyond empty rhetoric and false commitments, a recognition which informed the EU decision to propose the opening of accession negotiations with the country in 2019. In general, the country has been able to confirm itself as a reliable partner also in key priority sectors such as illegal trafficking, organized crime and terrorist threats, which affect neighboring European countries. The 2019 Muslims in Europe/Albania report shows that during the period 2017 to 2018, the country has emerged as a hub of regional and European-wide initiatives in the area of Islamic radicalization and foreign fighters.

Effective use of support

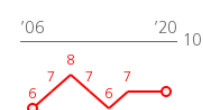
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Credibility

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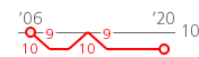
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The country has maintained a constructive attitude toward regional integration in terms of nourishing good neighborly relations and cooperating in proliferating regional initiatives, including bilateral agreements on areas like legal assistance in civil and criminal matters, border management as well as economic and investment development. In 2016, the Western Balkan Fund and Regional Youth Cooperation office were established and have their headquarters in Tirana a testimony of country's proactive role in the region. The country maintains good relations with all neighboring countries including EU member states Greece and Italy. In the last two years, the government has shown a more proactive role in relations with Kosovo as well as its role in the pending solutions of border conflict between Kosovo Serbia. All the while, the country maintains constructive collaboration with Serbia.

In 2018, for the first time, an Albanian politician was elected to the position of the Secretary-General of the Regional Cooperation Council based in Sarajevo. The heading of the council shows participation and recognition of the country as an active partner of regional cooperation. Yet, the choice of Majlinda Bregu poses the risk that the country exports shady politicians to the international arena. She was a minister of European integration while the country was refused candidacy status three times in a row, a government spokesperson when major cases of political corruption erupted, a key government official when important institutions degraded into a politically subservient machinery, and she herself faced allegations about favorable state concessions to family members and their connections with infamous Italian mafia individuals operating in the country.

Regional cooperation

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Strategic Outlook

During the review period, developments in the country again show a large gap between quick and frequent institutional changes promoted by the international community and slow and uncertain implementation in various areas of reform. In the years ahead, the country will have to show that the array of institutional and legal changes extends beyond the facade of formal transformation and translate into effective reform. That requires political determination to pursue reforms, but also an active role of the parliamentary opposition and an engaging and independent civil society able to propose policy alternatives, scrutinize available options and monitor the work of the executive. Even more importantly, implementing and consolidating ongoing institutional changes requires building up independent state capacities through selection and promotion of top state officials based on objective criteria of policy expertise, job experience and professional standards instead of loyalty to a specific party or leader. This is the only way the country can break through the deep-seated system of political patronage, abuse of office, and weak and controlled institutions that mediate between formal changes and actual implementation.

The challenge of going beyond the facade of formal commitments requires a general shift in the international promotion and assessment of domestic reforms. For a long time, international actors have focused on promoting institutional changes but closed an eye at de facto patronage networks that render those institutions mere instruments of politics. Often, international capacity-building went to improve technical conditions, training and enriching the CVs of people that were nominated politically and thus helped to reinforce the political patronage system and implicated international assistance in it. Suffice to say, the current state of the judiciary – politically nominated, submerged in corruption and serving their political masters – evolved and consolidated while Albania was involved in myriad international activities, technical assistance projects, training activities and close supervision, including from an EU mission in the ministry of justice since 2005. Many of the judges that the vetting commissions found inappropriate for the position had rich CVs, including training and inclusion as experts in various internationally financed initiatives. Hence, the challenge of embedding institutional changes into sustainable and persistent reform involves local actors – government, political parties, civil actors and state bureaucracy – as much as the range of international actors and activities.

Those challenges extend to the economy. Ongoing migration of skilled labor and brain drain has deprived the country of the best expertise and professional credentials necessary to carry on substantial reforms. The government needs to develop proper strategies and take action to attract the best. Relatedly, the necessary reform in higher education may be one of the key tests of government performance in the future. Serious planning and more investment are required in the R&D and education, considering that most economic players in the country are involved in low-technology, labor-intensive and low-cost products. Policies must be developed in close collaboration with enterprises and equip students with the necessary technical skills to meet labor market demand. General reforms, particularly on property, but also general corruption, weak judiciary and administrative capacities are important to boost the economy, attract foreign investors, convince locals to invest in their country and sustain economic growth in the long term.