

# Human Development Report Albania **2016**



**50**  
YEARS

*Empowered lives. Resilient nations.*

## Functionality



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# ABBREVIATIONS

AIPR	Albanian Institute of Public Relations
BTI	Bertelsmann Stiftung's Transformation Index
CPI	Corruption Perceptions Index
EBRD	European Bank for Reconstruction and Development
EA	Economic Aid
EC	European Commission
EI	education indicator
EU	European Union
EURALIUS	Consolidation of the Justice System in Albania
FAO	Food and Agriculture Organization
FDI	foreign direct investment
FES	Friedrich Ebert Foundation
GDI	Gender Development Index
GDP	gross domestic product
HDI	Human Development Index
HDPC	Human Development Promotion Centre
HI	health indicator
ICITAP	International Criminal Investigative Training Assistance Program
IDM	Institute for Democracy and Mediation
II	income indicator
ILO	International Labour Organization
IMF	International Monetary Fund
ISHM	Albanian Media Institute
LI	longevity indicator
LSE	Life school expectancy
LSMS	Living Standard Measurement Survey
MSWY	Ministry of Social Welfare and Youth
NHDR	National Human Development Report
NPO	Non-profit organization
NRC	National Registration Center
OPDAT	Overseas Prosecutorial Development Assistance and Training
OSCE	Organisation for Security and Co-operation in Europe
OSFA	Open Society Foundation for Albania
PACA	Project against Corruption in Albania
PACO	Programme against Corruption and Organised Crime in South-Eastern Europe
PLGP	Planning and Local Governance Project in Albania
PPP	Purchasing Power Parity
SEENPA	South East European Network for Professionalization of Media
SNA	Skill Needs Analysis
SPI	Social Progress Index
UNDP	United Nations Development Programme
VAT	Value-Added Tax
VTC	Vocational Training Center
WB	World Bank

# FOREWORD

Dear readers,

It is my pleasure to write the forward of Albania's 2016 Human Development Report on the theme of state functionality – a complex but essential subject for a country in transition.

The 20th century was eventful for state building in Albania, outlined by two world wars, a lengthy totalitarian communist rule with a centrally planned economy and finally democracy and a free market. Though twice close to a state collapse in the 90's, the new millennia brought a measure of stability and economic development.

Albania is today classified as an upper middle-income country (though on the lowest end of that range) and ranks among countries with high human development levels. Macro level indicators for the core pillars of the index – GDP per capita, literacy and longevity – look good by global standards. The student movement in 1990 rallied around the slogan “we want Albania like the rest of Europe”. A quarter of a century later this aspiration still feels unfulfilled – despite the statistically visible progress.

Opinions, analyses and editorials that touch upon state functionality can be widely found in Albanian mediums. UNDP commissioned this report with the intention to bring the issue of functionality to public attention in a structured way. The report argues how macro gains are struggling to be translated into tangible citizens' satisfaction. Young Albanians continue to consider migration as a viable instrument for building their future. Corruption remains widespread, rule of law is not equally applied, policies seem to be perpetuating a sense of transition and trust in government continues to be deficient. All these, at a time when Albania's human development indicators are on the rise and its economy weathered rather well the waves of global and regional crisis.

This report is inspired by the book “Why nations fail?”. Though not a failed state, Albania's democracy and free market are still struggling to create an enabling system for a prosperous society. Political connections and party affiliations have inhibited the creation of functional and inclusive institutions. The state is struggling to earn the respect of its citizens and this argument goes well beyond left or right wing policies. So far, citizens are not demonstrating that they have faith in the state to provide public goods fairly, inclusively and predictably into the future.

The subject of state functionality is politically charged. The social media engagement campaign that accompanied this report's preparation triggered open and spirited discussions, reflecting Albanians' passions and concerns. The transition in Albania will be over when the country's political and economic leadership will be addressing the symptoms of dysfunctional institutions. An open and transparent interface between the state and society will be crucial in transforming institutions that function for human development.

In the post-2015 global agenda, good governance has been recognized as essential to development. Rule-of-law, political freedoms, inclusive institutions and reducing corruption are governance issues ascribed to Sustainable Development Goal 16 that provides an anchor for any future policy orientation, as well as for engagement of the United Nations.

We are very well aware that certain things are easier said than done. The long process of justice reform is a prime example. A functional state that inspires hope and delivers prosperity will be necessary for Albania's European Union accession agenda. As Albania's democracy and market economy are maturing – the time has also come for its citizens to fully and equally enjoy the benefits.

**Brian J. Williams**

United Nations Resident Coordinator  
& UNDP Resident Representative in Albania



# SUMMARY OF CONTENTS

## Why “functionality”?

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The Human Development Report, is a useful tool for political leaders in Albania because of the political, economic and social analyses it presents. Even though each report concentrates on a specific subject, they are all known for their analyses, as well as for the comprehensive debate they encourage. They have also become points of reference for the many reports prepared by other international organisations.

The Human Development Report – Albania 2016 addresses itself to functionality of democratic, economic and development endeavours to grasp the reasons behind the protracted nature of Albania’s post-communist transition. Albania has been faced with greater difficulties than other countries that emerged from communism and most Albanians are dissatisfied with the actual state of democracy in the country and with the lack of progress in carrying out social and economic reforms.

## The Challenges of a Dysfunctional Democracy

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With regard to its progress in democracy, Albania has still not been able to find solutions for many of the major challenges it faces. These have to do, in particular, with the high level of corruption, with a corrupt and inefficient justice system in disarray, and with weak governance. The party system has not proven efficient for the creation of independent institutions in Albania because, in order for it to function, there has to be a minimum of consensus between the parties. The phenomenon of party-ocracy, i.e. the overwhelming interference of political parties in public life, in particular in employment opportunities, has become increasingly visible. With regard to ideology and party platforms, the cleft between left and right is actually more symbolic than real.

There is total lack of confidence in the justice system. The majority of people are convinced that justice is carried out on a selective basis, or to put it differently, that there is a factual inequality of citizens before the law. Structurally speaking, it is still very unclear which institution is responsible for legal reform. As such, justice is regarded as “abandoned property.” Everyone criticizes it, but no one accepts responsibility for correcting it. It is a sector that is, so to speak, autonomous, but also self-governing, self-acting and self-defending. International organisations do not know where to turn, and this explains the astounding fact that legal reform is the only sphere of reform in the country over the last 25 years that has not been assisted by the international community with a serious and well-prepared strategy. One thing is clear: there can be no integration into the European Union without a thorough reform of the justice system.

Corruption is ubiquitous in Albania, in particular in government institutions. It is regarded as the country’s main problem, overshadowing other problematic issues such as unemployment, crime and low wages. Some positive steps have been taken over the last few years but they have not been enough and laws must be more rigorously implemented.

## Dysfunctional Capitalism

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Albanians are great fans of market economy, and much progress is considered to have been made in this direction. The market economy is regarded by all as the best economic system for Albania.

The opening and liberalization of the economy after 1990 and the structural reforms that were made enabled the productive forces in the economy to focus their energy on more productive sectors. Investments increased and the work force thereby transferred increasingly from agriculture to industry, services, transport and communications.

Economic growth in Albania has been relatively stable but it has not given rise to the expected level of employment. After 2008, due to many internal and international factors, in particular the negative effects of the global crisis, there was an immediate and continuous fall in the Gross Domestic Product. This fall only slowed down in 2013. A rise in economic growth of 2.2% was observed in 2014<sup>1</sup>. According to IMF, growth is expected to reach 2.5 – 2.75% in 2015 and between 3 – 3.5% in 2016<sup>2</sup>. The rate should thereafter stabilize at an annual average of no less than 4%.

Since the “classical” sources of economic growth have been exhausted, experts more or less agree on the direction an improved economic model must take and on factors that could bring back economic stability. Among these are structural changes to raise business productivity, enhancing competition between them and foreign businesses, clear policies to harmonize the capacities of the work force with the needs of the market economy, highly favourable policies to attract foreign investment, and security to create more sustainable employment. A rapid development of human capital is considered, parallel to this, to be one of the prime tools needed to raise prosperity and reduce poverty.

However, even if these reforms were carried out rapidly, in most cases more time will be needed for them to take effect. As such, it may be difficult to bring about a substantial improvement of the economy in the very near future. Forecasts are that growth in the near future will continue to be moderate and that it will remain below its potential.

## Development Inequality

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Over the last couple of decades of the transition Albania has developed economically from a low-income country to a middle and high-income country. This economic progress has not been accompanied by the same level of human progress and has not been distributed equally. Poverty is one of the main indicators of this unequal development.

The most universally accepted indicator of human development is still the Human Development Index (HDI) that includes three main components: the average longevity, the level of education in society and per capita gross income. It has been worked out at the national level and for each prefecture so that inequalities can be analysed in local development in Albania. The HDI value in 2013 for the country as a whole was 0.726, though it is not the same for men and for women. The prefectures of Tirana, Durrës, Fier and Vlora have a higher rate of human development than the other eight prefectures in the country. The prefectures of Kukës and Korça, for their part, are noted for the lowest rates of human development.

Traditional analysis of inequality in Albania often points out a North South divide. This however is no longer borne by HDI analysis. If we break the indicators up along the standard statistical division of Albania into three parts, population statistics reveal that the North has about 835,000 residents, Central Albania has about 1,450,000 residents, and the South has about 920,000 residents. There is no difference in the *school average*. The *education indicator* is exactly the same for North and South. The *expected longevity* is higher in the North than in the South. The *health indicator* is higher in the North than in the South. The *income indicator* is slightly lower in the North than in the South. The *number of businesses* per 1,000 inhabitants is much higher in Tirana than it is in the other prefectures of Albania, but in Kukës there are about five times less businesses than in Tirana, in Dibra about 4.2 times less and in Elbasan about 3.4 times less. As such, the private sector is much less developed in the prefectures of Kukës, Dibra and Elbasan where there are few opportunities to get a job. In these three prefectures, it is essential that special policies be put in place to encourage the development of business in order to increase their number and give more people jobs. As to the *analysis of skills needs*, the South has greater needs for professional knowledge in the work force. As such, the main problem in Albania is no longer unequal development between North and South, but the difference between Central Albania and the rest of the country. Political leaders should not delay in

implementing much needed development policies for the eleven prefectures that are less developed than the prefecture of Tirana.

In all the prefectures in the country, there is a clear difference between men and women, in particular in the prefectures of Kukës, Elbasan and Gjirokastra. As to the main zones, the South is slightly better than the North. More effective social policies are needed to strengthen the role of women.

With regard to social groups, it is the Roma community in Albania that has the greatest needs, since it is faced with extreme poverty, social and economic marginalization and frequent inequality, in particular in education, social security, health, employment and housing, despite government policies for the social inclusion of the Roma and the substantial funding available from international partners. The major concern of the Roma is and remains employment. It would be important, in this connection, to know just how many Roma there are in Albania because endeavours and funding by national and international institutions have turned into lost opportunities. We would also recommend a global reformulation of the strategic approach for this community; transforming it from a human rights model to a development model that stresses the inclusion of the Roma as a way of decreasing poverty, raising employment, fighting illiteracy and improving living conditions.

## **The countryside - Forgotten by Everyone**

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Almost half of the Albanian population and half of the work force of the nation lives in the countryside. After the collapse of agriculture at the beginning of the transition period, production did rise, but agricultural productivity has remained low. Most farming families do not produce enough to feed a second family in town.

Generally speaking, people do not live well in the countryside. The level of basic infrastructure and of public services is much lower than in the towns, and living conditions for urban and rural inhabitants show great differences. Rural

unemployment is difficult to measure. It is often said, "Better unemployed in town than to live in the countryside." Despite 25 years of transition, the countryside has not been the object of any major reform, nor has there ever been enough funding for all the rural infrastructure (roads, irrigation, energy), and it has not had access to good health and education services comparable to those available in the towns. Economic and human development have fallen behind, in particular in mountain regions. In the flatland, few investments have been made in the infrastructure to prevent flooding because the climate is a perpetual and ever-increasing source of insecurity for the population there.

Education in the countryside, in particular in the mountains, lacks a proper infrastructure. There is a great lack of teachers as many of them are unwilling to serve in difficult regions. Many of the nine-year elementary schools in isolated regions have only one common classroom for all. Teaching often takes place in run-down buildings that are not properly equipped. Many municipalities have no secondary schools. The level of teaching in agriculture is very low. Most of the teachers have little training, few have completed secondary school, and only about 3% have gone through higher education. The farming profession is usually one that is handed down from father to son and little is learned in vocational schools because there are too few of them and the level of teaching is inadequate. The Vocational Training Centers offer no courses whatsoever in farming and animal husbandry.

There are also major problems in the public health system, both in finding qualified professionals and in equipment for health centres and out-patient clinics. People in the countryside have no easy access to family doctors to refer them for free specialized examinations and analyses.

The supply of drinking-water and electricity is also highly problematic. The irrigation and drainage systems are very complicated with no clear hierarchy of responsibilities. A major reform is needed here.

What the countryside needs more than investments is proper attention from decision-

makers. The new administrative division of the country has, without doubt, created new perspectives so that the countryside can get closer to urban standards, but more work must be done by the government if this ‘other half of Albania’ is to be treated the way it should be.

## The Long Road to Europe

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Since the beginning of the transition period, the vast majority of Albanians has been convinced that the only road to development and progress for the country is full integration into the European Union. Albania is a country in which Euroscepticism is virtually unknown. Support for European integration is the highest in Europe.

It is generally accepted that much has been achieved in Albania. The fact that membership has been put off is considered to be related to several key reforms that must still be carried out, and to the high level of distrust between the various political factors in the country, where conflict is more common than dialogue. For many in Albania, the integration criteria, set forth in the enlargement strategy, are technically vague, and without deadlines and milestones, i.e. without clear intermediate stops that must be achieved first. As such, while there is no doubt that many sectors

still need thorough reform in Albania, it is uncertain whether reform progress is sufficient for membership. Furthermore, it is not clear whether all these reforms have to be completed before membership, or can also be carried out by Albania as a member state. There is also no absolute clarity when a reform has been *completed* and how to measure its *completion*.

The integration process risks to lose its impetus and to turn into a long and weary road. One major element of the problem is fear that the European Union may lose interest in Albania and the region. This would create a void with major geopolitical and geo-economic repercussions for the development of the country and the region. In this context, the Berlin process is a major step forward and has given important new impetus to the perspective of membership for the region.

In view of the criteria, it is apparent that Albania must be appreciated more than simply as a candidate for the European Union, although it must not rest on its laurels and must certainly continue its efforts to complete the important reforms it has begun. It would seem that we have arrived at a moment for reflection on all sides. In the final analysis, it is more than evident that the cost of membership is much less than the cost of reform from outside.



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# CHAPTER 1

INTRODUCTION  
WHY “FUNCTIONALITY”?



For almost a quarter of a century now, since the fall of communism, Albania has been going through a long and tedious transition process which has by no means been easy for the Albanians. There have been many difficulties, impediments and backward steps. Nonetheless, it is Albania that has undergone the most profound transformation of all the former communist countries.

All this has to do with the point of departure of the Albanian post-communist transition period. In 1991, Albania emerged from a history that differed substantially in many ways from that of most of the other former communist countries.

In many ways, it was not simply a political and economic transition process but the establishment of a new country.<sup>3</sup> The truth is that before 1991, when the communist system imploded, Albania had no idea of genuine democratic and pluralist traditions.

Certainly the low level of economic development that Albania inherited in the 1990s and, more generally, the lack of a modern society are factors that had a substantial influence on the country's sluggish development and on the "delay" in getting through the transition period. However, it must not be forgotten that, for historical reasons that are beyond the scope of this report, the Albanians, in contrast to the other countries that went through post-communist

transition, never had a close attachment to or respect for government and State institutions. They always considered government authority as something hostile, something that took things away from them and gave nothing back. It was never a useful social organism for them. This is a subject that has been much debated and there are others who assert that Albanians love authoritarian rule and a culture where everyone thinks the same. Others still say that the Albanians are incapable of creating a stable government and of keeping up a functioning State. But these are simply opinions. What is for sure is that the government did not offer or give the Albanians what they were expecting of it. Historically speaking this is what favoured the creation of a "parallel State:" tribes, clans and adherence to customary law rather than government law.

However, it should be noted that, in the quarter of a century of post-communist transition, Albanians have embraced democracy as the most desirable form of government for them, and as the major aim of the country's political transition. None of the political parties, social groups or other major players has ever expressed any opposition as to the legitimacy of consolidating democratic institutions in the country. In other words, democracy is the only game being played in Tirana. Despite all the problems and challenges to be faced, there have been many undeniable achievements in the Albanian transition, for example, the establishment, by free elections, of a multiparty

### **For Whom the Wall Fell? A Balance-Sheet of Transition to Capitalism**

How does the picture look? In the bottom group, of absolute failures, we have seven countries: Tajikistan, Moldova, Ukraine, Kyrgyz Republic, Georgia, Bosnia and Serbia. The relative failures include four countries (Macedonia, Croatia, Russia and Hungary). Some 40% of transition countries' populations live there... Those that are managing not to fall further behind the rich capitalist world are five: Czech Republic, Slovenia, Turkmenistan, Lithuania and Romania. They include 40 million people (10% of transition countries' total)... Finally, we come to the success cases, those that are catching up with the rich world. There are 12 countries in this group, and in increasing order of success they are: Uzbekistan and Latvia, Bulgaria, Slovakia and Kazakhstan, Azerbaijan, Estonia, Mongolia and Armenia, Belarus, Poland and Albania. The population living there amounts to 120 million (almost a third of the total)... If we concentrate on success cases, the real capitalist successes are only five: Albania, Poland, Belarus, Armenia and Estonia... Only three or at most five or six countries could be said to be on the road to becoming a part of the rich and (relatively) stable capitalist world. Many are falling behind... The Wall fell only for some.

The view of Branko Milanovic, professor of economics at City University of New York, *Global Inequality*, 3 November 2014.

parliament, the establishment of a market economy, membership in NATO<sup>4</sup> and the granting of candidate status in the EU<sup>5</sup> that will subsequently lead to membership.

The main challenge that is still being faced in the country a quarter of a century after the collapse of communism is the rule of law. As opposed to many other countries that underwent the historical process of setting up a State based on the rule of law, together with democracy and progress in the field of human rights, Albania could be said to have followed a one-sided track. After the collapse of communism, the Albanians initially embraced their new basic freedoms and human rights, and only later realised the necessity of setting up a system based on the rule of law. Their initial focus was understandably on political transformation but it soon became clear that, without harmonizing the various components of economic and social development, this political transformation would come to a stop or even be reversed, as indeed happened during the crisis in 1997.<sup>6</sup>

Given the country's current state of development, the issue of the rule of law and, in particular, the functioning of democracy, of the market economy and of public services have become urgent matters that are having

an impact on the lives of the people and on progress in the country in general. This can also be seen in the perception of the overwhelming majority of those who were asked about the functioning of democracy in Albania. About 70% of them said that democracy in Albania was not functioning properly or at all. Only a minority of about 7% considered that the system was functional (see Figure 1.1).<sup>7</sup>

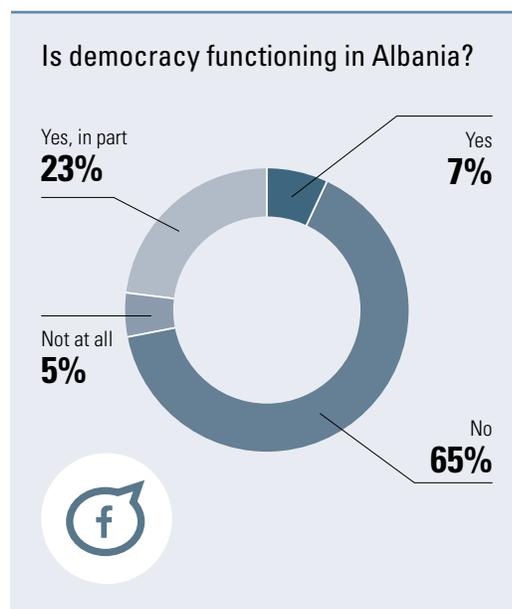
The premise of this report is that Albania is passing from the phase of creating a democracy and a market economy to that of consolidating them. Albania has reached what could be called the point of irreversibility, but it is still being faced with great challenges in functionality, even though all the components of a democracy exist in Albania: regularly-held pluralist elections, numerous political parties, constitutional institutions, free media, civil society, etc.

The question is: To what extent is democracy functioning in general and how are its components doing? Over the last years, many reforms have been carried out in health and education services, but just how functional are the health and education systems in the country? Many reforms have also been carried out in the job market, in the banking system, and in tax administration, but how functional have they been?

This report endeavours to respond to some of these issues. After a quarter of a century since the fall of communism, it can be said that some of the phenomena that were considered transitory have become permanent features of the country's development. The word 'transitory' can no longer be used as an alibi or as a justification for phenomena that are not just transitory and that would now seem to be long-term phenomena.

Extreme political polarisation, the weakness of independent institutions, in particular in the justice system, and the inability to reach compromises have now become serious syndromes that are impeding the country's development. In this political environment, the constitutional model of institution-building has not provided sufficient guarantees

FIGURE 1.1 Perceptions on the functioning of democracy in Albania<sup>8</sup>



## Why the Democracy is not functional in Albania

(Perceptions of young people in the social networks)



One of the main reasons is that Albanians themselves come from a communist system with a non-democratic way of thinking inherited from that system. People do not understand what democracy is, where the boundaries of individual and collective freedom are, and how these two levels of freedom should co-exist. Nor do they comprehend that they have to work continuously to get rich and things can be achieved only by hard work. The foundations of democracy are pluralism and the market economy. But the multiparty system is more fiction than anything. In fact, it is a two-party system, i.e. the one party of the communist past has been replaced by two, both of which remind one of the one-time Party of Labour. Instead of one political elite, there are now two political elites. Secondly, there can be no market economy without a definitive solution to the property issue and Albania is still far from solving this problem. Albanian society has not yet learned how to defend and seek its rights because it has no representation, or, better said, it is not adequately represented by the political parties or the trade unions. The role of the (democratic) State is unclear. The State does not regard the people as its partner the way it should and is more focused on its own interests than on those of the people. Corruption, a judiciary that does not deliver justice, laws that are not implemented, the low level of public services, and the high level of unemployment etc. are chronic illnesses that are ravaging society and severely jeopardising the functioning of Albania's weak democracy. And finally, even international organisations are not doing any better at finding definitive solutions to these essential problems, solutions that would help anchor a functional democracy in Albania.

for the functioning thereof. If we follow the logic of Acemogly and Robinson,<sup>9</sup> Albania has not yet managed to build up inclusive political and economic institutions, but only select institutions that concentrate power and prosperity in the hands of the few.

As to human development, there is a clear relationship between the indicators of such development and functionality.

It is evident that functioning democratic institutions, functioning public services and a functioning economy exert an influence on the improvement of human development indicators. Conversely, it is equally evident that institutions and public services exist and function better when the surroundings are conducive to human development. An analysis of the scale of dysfunctionality and the implications thereof for human development provide a useful tool for development strategies and visions. The objective of this report is not to paint a negative picture of the dysfunctional nature of the State, of democracy or of the

market economy that Albanian society has to deal with, but to paint a realistic picture of how and to what extent development mechanisms and motors are available to the population.

The problem as to what extent democracy and the market economy function in Albania is more acute within the framework of European integration. Albania has been a candidate for membership in the European Union since June 2014. This status was accorded after serious reforms were undertaken over a period of several years.

The European project is a popular project in Albania, one on which there is a high level of agreement. The number of Albanians who believe in the European Union is higher than those who believe in God. The economic and financial crisis that shook the European Union did nothing to shake their pro-European orientation. Europe is thus, without a doubt, the only project to which the Albanians aspire, irrespective of the cost they will have to pay for it or of the time they will need to achieve it.

# CHAPTER 2

THE CHALLENGES OF A  
DYSFUNCTIONAL  
DEMOCRACY



## 2.1 Democracy in pain?

Only 36% of Albanians regard Albania as a completely democratic country or as a country that is more democratic than not. Although this percentage has grown (from 32% in 2013 to 36% in 2014), it is evident that most Albanians are still very dissatisfied with the level of democracy in the country. On a scale of one (not democratic at all) to ten (completely democratic), they give an average of 4.2, similar to what is encountered in most of the former communist States in Europe.<sup>10</sup>

Despite the widespread dissatisfaction Albanians feel about the scale of democracy in their country, they continue to believe that democracy is their only alternative for the future. No serious anti-democratic alternative has ever gained weight. Despite all the problems, there is no denying that democracy has been making gradual progress. The first step in this process was the electoral system, a keystone of democracy. The June 2013 elections brought about the second peaceful change of government in Albania<sup>11</sup> this time from right to left. It was an important step forward. One could almost say that the much-contested and problematic Gordian knot of the Albanian electoral system has been solved with acceptable standards.

Various institutions have tried to analyse and assess the advance made by the countries involved in the process of democratic transformation and to compare their achievements. The Bertelsmann Stiftung's Transformation Index

### The system or its (dys)functionality?

Is a perfect democracy a system that is only suitable for countries with an advanced economy and does not function in other countries? Nowadays, democratic progress is measured by various international organisations with the same standards for all countries. Should this be the way things are done? In Albania, democracy is not yet in a position to offer solutions to a number of major challenges. For years now, Albania has been regarded as a country with a high level of corruption, with a corrupt and obstructive judiciary in disarray, and weak governance. After such negative assessments, the public, for its part, reacted in the 2013 elections by using a democratic instrument, their VOTES, and changed the government majority. Everything was going well, but the corruption stayed put, the judiciary remained unchanged, and public administration remained unreformed. Whenever the political majority tries to take a drastic step, it trembles at the reaction of the opposition and of international organisations that claim the majority "is stealing the show," without achieving any sense of inclusion or equality. The perception has arisen in Albania that democracy is nothing more than a game in which it is more important to prevent the other side from taking power than it is to remain in power yourself. As such, it is easier to accuse the system, whereas the real problem is its (dys)functionality.

(BTI)<sup>12</sup> is one of the best known. According to this index, in 2014 Albania ranked 38th among the 129 countries analysed, with a score of 6.55<sup>13</sup> (see Figure 2.1). A closer look at this reveals that, although it has the score of 6.7 for political transformation, Albania is classified in the group of deficient democracies in which the *rule of law* is regarded as the main problem. As such, it received a lower score.<sup>14</sup>

This analysis shows clearly that what crippled Albania in the years of transition was the

FIGURE 2.1 BTI for the countries of the Western Balkans

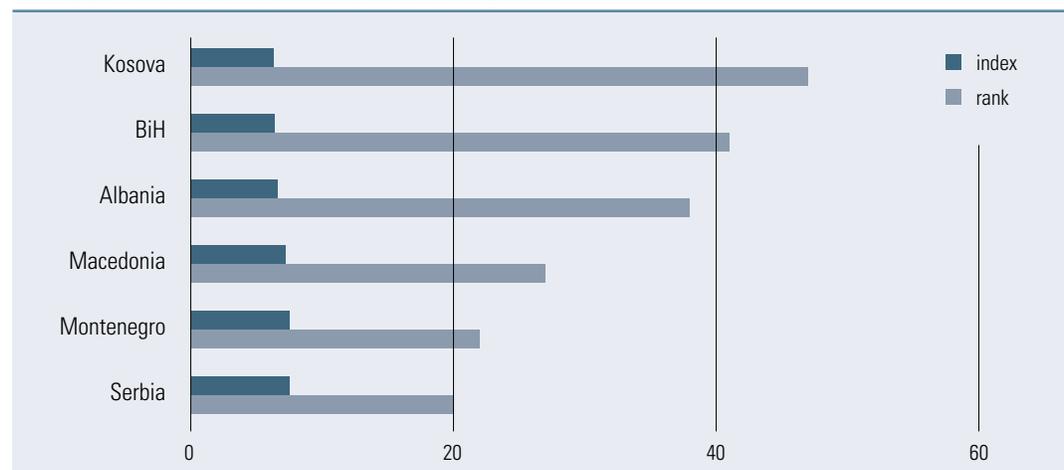


FIGURE 2.2 Comparison of the scale of Albanian confidence in institutions

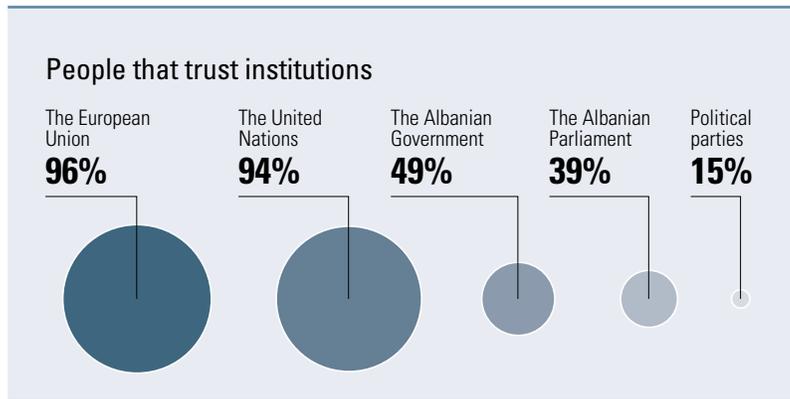
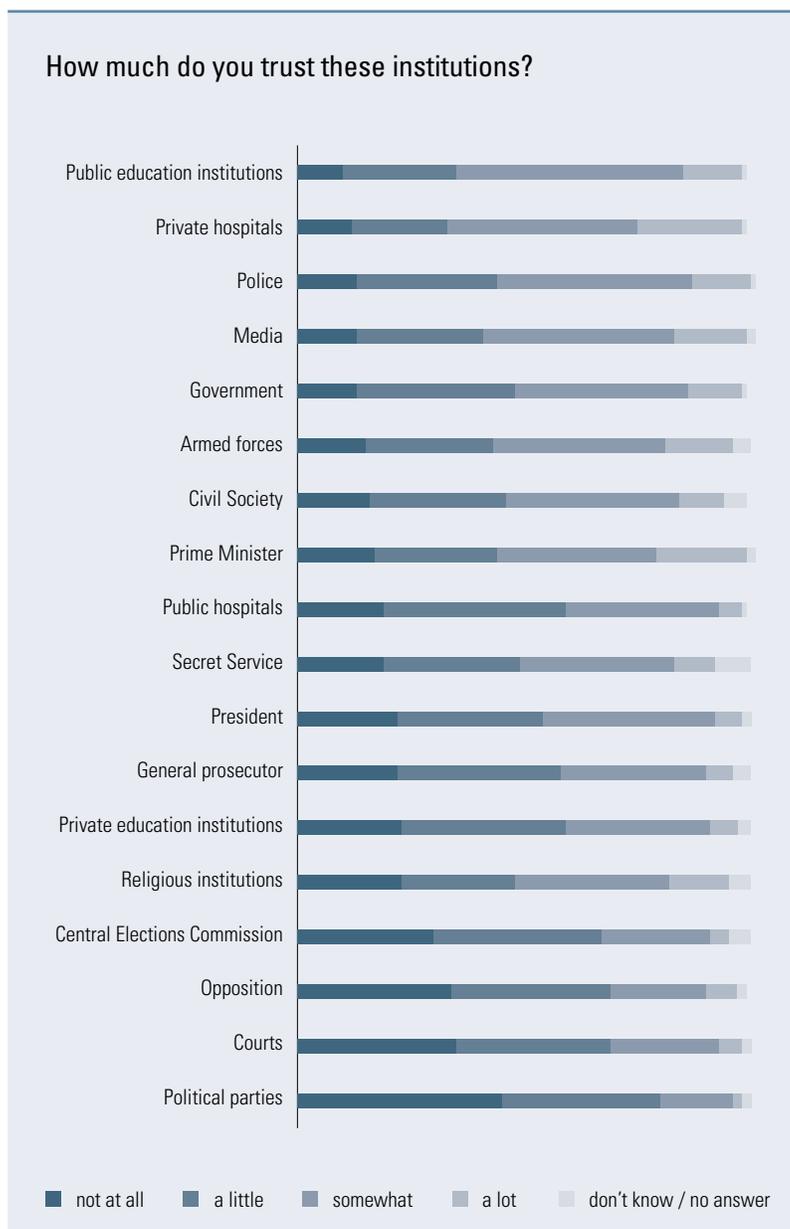


FIGURE 2.3



improper functioning of democracy, in particular compared to what was widely expected of it. The main impediments here seem to stem primarily from the illiberal model used for a long time, characterized by weak institutions and strong personalities. Here, one must delve more deeply into the reasons behind the dysfunctionality that has profoundly shaken public confidence in democratic institutions such as parliament, the government and the political parties. This is the reason why Albanians say that they have more confidence in international, foreign institutions than in their own.

Albanians continue to have unshaken faith in democracy, however they are dissatisfied as to how the institutions of democracy are functioning. They have little confidence in their institutions: only 49% of them have confidence in the government, 39% in parliament, and only 15% of Albanians have confidence in political parties (see Figure 2.2). Courts and the Central Electoral Commission remain among institutions in which most Albanians have little or no confidence (see Figure 2.3)<sup>15</sup>.

## 2.2 Question marks about the Constitution

Albania is a parliamentary democracy. The Albanian Constitution was adopted by the Albanian parliament over 16 years ago, after a public referendum.<sup>16</sup> This was the first democratic constitution Albania had after the political changes. It sets forth that legislative power is in the hands of parliament that elects the country's president and prime minister.

The period since the adoption of the first democratic constitution has certainly been one in which the country has gone through major changes. Albania succeeded at that time in establishing new democratic institutions and made advances in the respect for and guarantee of human rights. It also took major steps towards Euro-Atlantic integration. The country's Constitution was the foundation upon which these institutions were established and on which this progress was made.

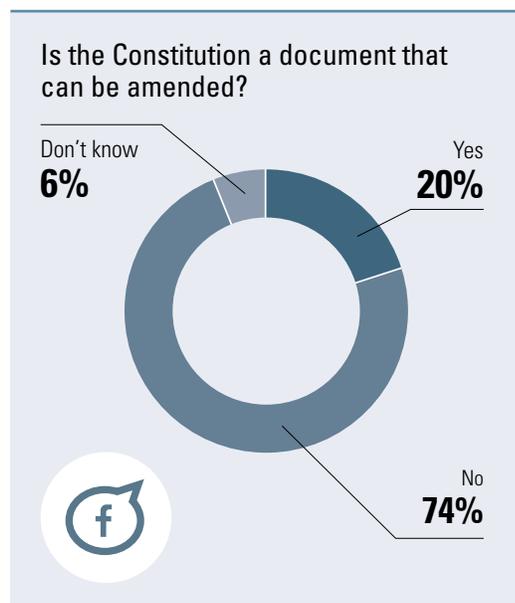
Nonetheless, there has been increasing debate recently on the need for a series of changes and corrections to the country's Constitution. Those in favour of the changes argue that some of the articles of the Constitution that reflected the situation the country was going through up to 1998, have now become a hindrance to the reforms that the country now needs, in particular in the justice system. The opponents of such changes dislike the idea of intervening in the Constitution, saying that the Constitution is not a document designed to be altered often or easily. They hold the view that the Constitution is a fundamental document that should only be altered in exceptional circumstances. This would also seem to be a prevailing perception in the social media survey (see Figure 2.4), where 74% of participants said that the Constitution ought not to be amended.<sup>17</sup>

The 1998 Constitution does not provide sufficient guarantees to protect independent institutions from the influence of the political majority in parliament and to oversee them truly and effectively. The present Constitution fails to guarantee responsible behaviour by the judicial authorities. Although it well guarantees the independence of the judiciary, it does not to the same extent guarantee responsible behaviour

within the system. The judicial authorities in Albania are in fact a good example of what could be considered justice corporatism, in which independence is conceived of as autonomy and serves as an alibi to avoid responsible behaviour and fight corruption.

The system of establishing independent institutions in Albania is primarily bipartisan. It is a reflection of the two-party system that has held sway in Albania throughout the transition period or, to put it more precisely, it is a reflection of the division into two blocks struggling with one another in an eternal political conflict. Institutions in Albania are bi-party rather than non-party. This model has not proven functional in the climate of distrust and extreme polarization. In the bipartisan model, institutions are set up primarily along the lines of *dividing up the cake*, or keeping one another in check. Experience has shown that, for this model to function, there must be a modicum of consensus, something that is lacking in Albania. Typical examples of this are the eternally contested Central Electoral Commission and the Audiovisual Media Authority that have been completely paralyzed for some time now and unable to appoint a director for Albanian public radio and television. This appointment has been put off definitively because of the lack of requisite consensus.<sup>18</sup>

FIGURE 2.4 Perceptions on amending the Constitution



In Albania, where political pluralism is often regarded as conflict and not as political dialogue, this approach has led to dysfunctional institutions. Paradoxically, although the main political forces in the country share a common vision and common opinions on basic issues concerning the development of the country, i.e. the market economy, European integration, membership in NATO, regional co-operation policies, co-operation with Kosovo, the two main political blocks have a very difficult time reaching a compromise or finding consensus on day-to-day issues of domestic policy. There is a consensus of vision in Albania, but no consensus of action. Compromise is usually regarded as a sign of weakness and is often perceived of as the right of veto. At the same time, political discourse is extremely harsh, indeed, toxic, and often exceeds ethical norms.

## 2.3 Party-ocracy

The constitutional and legal framework for political parties in Albania is complete and in conformity with advanced standards of democracy, although political party financing requires further legal attention.. The political scene has evolved into two large political blocks, dominated by one centre-left party and one centre-right party. The political parties are decidedly and unshakeably pro-European and pro-Atlantic.

There are signs in Albania of a *phenomenon called party-ocracy*, i.e. an excessive role of political parties in public life. The consequences of the transformation of the competitive party system into a party-ocracy system have resulted more and more in strong functioning institutions being replaced by strong political leaders, a personalisation of politics and institutions, and a reduction of opportunities for the public to maintain control over government and protect its interests.

With regard to ideological identity and party programmes, the division between left and right in Albania has long been more symbolic than real. The main feature of political coalitions before and after elections in Albania has not been common platforms and programmes as

much as momentary political interests, personal relations between major political leaders and regional and local calculations. In none of the parliamentary elections held to date have there been electoral programmes.

The Albanian public, young people in particular, have a generally negative view of political parties. In social media, three quarters of young people expressed negative opinions about political parties, and only about 7% claim to have positive opinions about them (see Figure 2.5).<sup>19</sup>

Issues or problems of public concern in Albania only catch attention when they are brought forth by one of the main political parties. All public issues, even those initiated by non-political groups, draw the attention of the parties and it is the latter who determine their fate. All events of a public nature that take place in the country or abroad, such as national and religious festivities, important ceremonies, visits of high-ranking persons, important sports and artistic events etc. are dominated by political statements and the presence of political figures in them.

Since the differences between the two major parties are minor, small parties have arisen that are seeking to spread their influence by assisting

FIGURE 2.5 Opinions on political parties in general

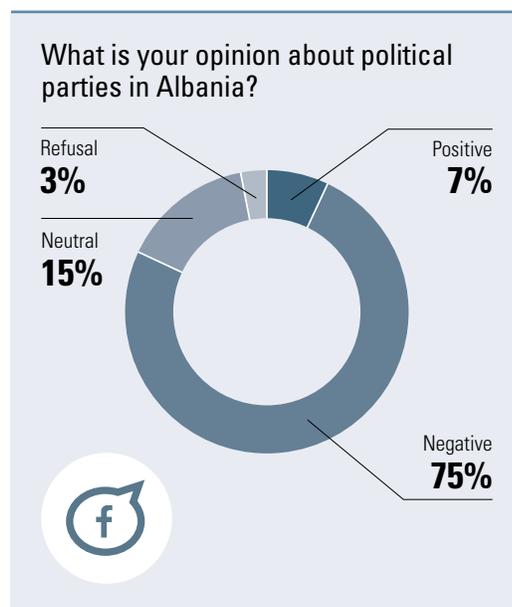
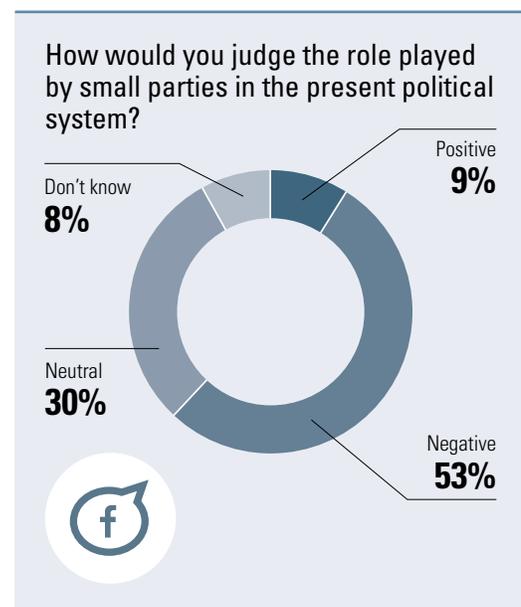


FIGURE 2.6 Opinions on the small political parties



in or hindering the creation of government majorities. But these small parties do not function differently from the large ones. In fact, they are less democratic, more identified with their leaders and less transparent with the public. They take no responsibility when large coalitions collapse and have no mechanisms to evaluate their abilities, their successes and their failures. The public perception of these parties, especially by young people, is extremely negative. For example, only 9% of the young people who took part in a survey have a favourable opinion of the small parties, whereas 53% have a negative view of them (see Figure 2.6).<sup>20</sup>

The antagonism that exists between the two political groupings has become a standard feature of the transition period. For 25 years now, the main political leaders have only met with one another in moments of major political crisis or on the occasion of overriding international projects. There is no continuous institutional dialogue between them at all. The parties use conflictual language and harsh, denigrating speech towards one another as a mechanism for keeping their more militant supporters under control and on the move, and for the purpose of dominating political discourse and the electoral process.

## 2.4 Democracy without the Rule of Law

Albania can be regarded as a “*democracy without the rule of law*.” Everyone nowadays accepts that the rule of law is an important challenge for the country, that the major problem is not the lack of democratic institutions, laws or procedures, but the lack of implementation and the abuse

of laws and institutions for various political and personal gains. Unfortunately, the culture of not implementing laws has taken root in Albanian society and thinking.

The reasons for the phenomenon are complex. They are linked primarily to the heritage of half a century of communist rule, the sudden collapse of which left a vacuum of legitimacy in the country that fed the climate of anarchy. The fall of communism was also accompanied by an explosion of emotions that were often violent and destructive, and by a rejection of all forms of authority. The change of systems caused a dramatic crisis in society that brought to the fore not only a disturbing lack of internal social cohesion but also major problems for the implementation of legislation.

In such a situation, the measures taken by the present government to stabilise the “rule of law” can be considered as essential for Albania’s survival as a State. These measures focus on specific problems which are widespread: illegal construction, non-payment of utility bills, widespread disrespect for traffic regulations, for instance stopping at traffic lights, smoking in public places, and noise from bars during the nighttime, etc. These offences are prohibited but the responsible authorities have failed to implement them. In most cases, there is a clear lack of political will to take steps that might seem unpopular, because they are tied to immediate political and electoral interests and, in the short term, are neither populist nor popular.

The problems are by no means easy to deal with because they are extremely widespread and have been going on for a long time. Phenomena such as illegal construction in public places, the

### Lazarat: the fall of a myth

The rule of law was put to test in June 2014, preceding and, to a certain extent, giving way to subsequent operations. This was the police operation undertaken by the Government in Lazarat, a village in the south of the country that, for many years now, has been a fiefdom of its own for the cultivation of and trade in drugs. A firm opinion, fed by politics, has always been held that Lazarat is untouchable. However, the ease and professionalism with which the police operation was carried out to destroy the marijuana plantations and, thereby, return to legality this village that, for years now, has been a symbol of the impotence of the Albanian State, is proof that political will exists and that things can change. What is more important is that this operation enjoyed wide support in public opinion around the country as clear proof that there is general awareness of the need for a state of law.

FIGURE 2.7 Opinions on measures to enforce the payment of electricity bills

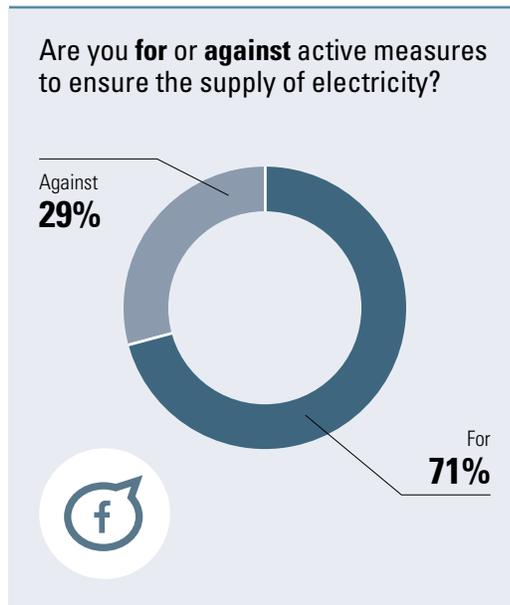


FIGURE 2.8 Opinions on measures to enforce traffic regulations

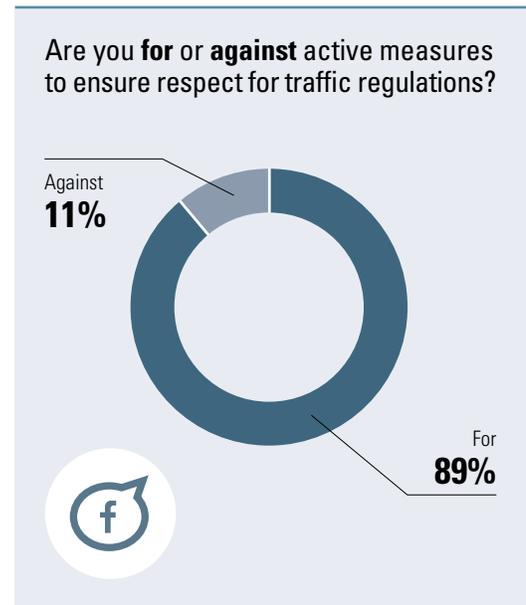


FIGURE 2.9 Opinions on measure to combat illegal construction

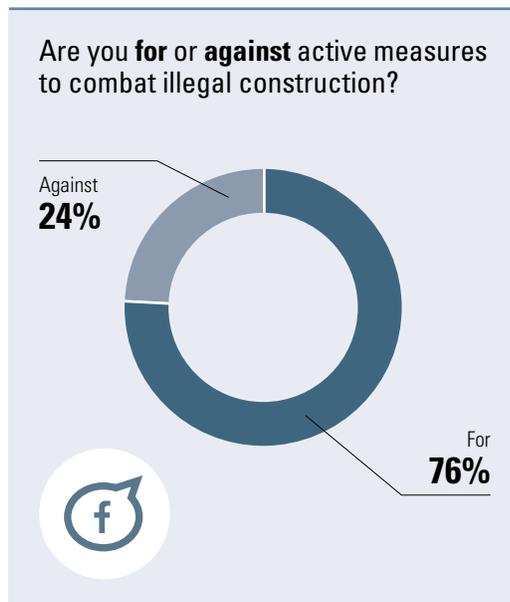
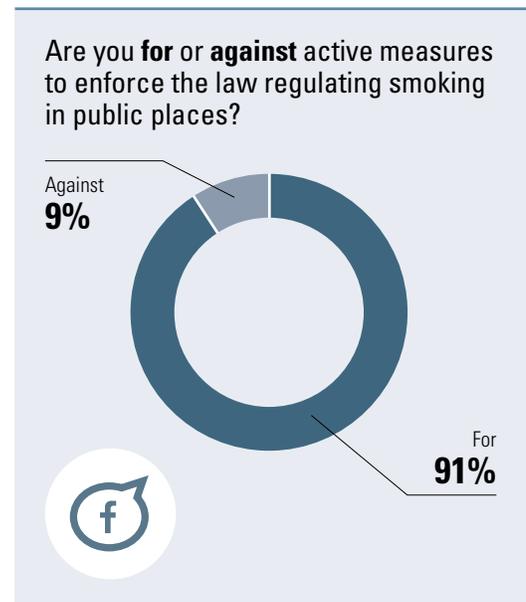


FIGURE 2.10 Opinions on measures against smoking



unlawful appropriation and theft of electricity, drug cultivation and, in general, the widening gap between the law and its implementation, are linked to many factors of an economic, social and political nature. Operations undertaken to implement the law affect personal interests and are therefore opposed by powerful segments of Albanian society.

The enforcement of such measures requires great resolve on the part of politicians and clear positions above and beyond narrow-minded party and electoral concerns. The experience of the Albanian transition period has shown clearly that, without such resolve, it is virtually impossible to solve such “little” problems that are, in fact, of major importance to the country.

The vast majority of the people surveyed regarded each of the above-mentioned measures positively: about 71% of people expressed their *support* for government measures to enforce the payment of electricity bills (see Figure 2.7), and about 76% *supported* measures against illegal construction (see Figure 2.8). About 89% are *for* measures to enforce traffic regulations (see Figure 2.9), and about 91% are *for* implementing legislation on smoking in public places (see Figure 2.10).<sup>21</sup>

The rule of law, more than anything else, means the equality of citizens before the law. There is no doubt that Albania has made much progress in creating a new relationship between the state and its citizens, on the basis of equality before the law. But much of the public is convinced that there are people in Albania who are above the law, among them being politicians, fugitives, criminals and the rich.<sup>22</sup>

Nonetheless, the main reason why this continues to be a major impediment on the road to consolidating a State based on the rule of law is the way the country's politicians think. They have been incapable of carrying out requisite reforms and of setting forth the policies needed to restore the confidence of the people in the State and its institutions. Indeed, short-term-oriented, populist policies and the dysfunctional nature of public institutions (primarily the justice system) have made unlawful behaviour one of the greatest problems for Albanian society.

In conversation, the Albanians refer to the “need for a State.” For example, most of the

people who regularly pay their electricity bills are no longer willing to accept as normal that they are financing others who for years have not been paying and have, as such, been stealing the electricity they use. This mass of people would now seem to be willing to support any initiative on the part of the government to punish illegal behaviour here. The same can be said of illegal construction and other chronic problems.

## 2.5 The Division of Administrative Power – a Belated Reform

*‘The basic purpose of development is to enlarge people’s choices. In principle, these choices can be infinite and can change over time. People often value achievements that do not show up at all, or not immediately, in income or growth figures: greater access to knowledge, better nutrition and health services, more secure livelihoods, security against crime and physical violence, satisfying leisure hours, political and cultural freedoms and sense of participation in community activities. The objective of development is to create an enabling environment for people to enjoy long, healthy and creative lives.’<sup>23</sup>*

All of these services are elements of good and well-functioning local government which has become essential since it contributes to human development by raising the quality of the many services offered, with expenditures that are kept as low as they possibly can be.

### Deformation by fragmentation

**Deformations in democratic representation:** (i) 232 units of local government, or 62% of them, have less than 5,000 inhabitants and represent 19% of the population; (ii) only 18 units, or 5%, have over 20,000 inhabitants and represent 45% of the population.

**Deformations in local revenue:** (i) the 26 largest units, or 5% of them, including the Municipality of Tirana, generate over 80% of revenue from small business taxes; (ii) 101 units with over 10,000 inhabitants generate local revenue from local taxes amounting to a per capita average of 2500 Leks, as opposed to 272 units with less than 10,000 inhabitants that generate about 700 Leks per capita, i.e. three times less.

**Deformations in public services:** (i) 40 units spend over 80% of their budgets on the salaries of their employees; (ii) most of the units do not invest at all with their revenue and are totally dependent on grants from the State budget; (iii) 70 units or 19% of them made no investments at all in 2012.

In this context, the division of administrative power in the country is considered one of the most important factors in ensuring a well-functioning local administration. The last division of administrative power in Albania, that was adopted in 2000 and that split the country into 12 regions, 65 municipalities and 308 communes,<sup>24</sup> replaced the division of 1992 which was based entirely on the territorial organisation inherited from the communist period. Most earlier studies and analyses on local government in Albania that mention this administrative division point to the great fragmentation of the territory and the very large number of units of local government with small populations that were equipped with very limited financial resources and capacities and that provided very limited services.<sup>25</sup>

At the same time, other very major factors came to play, such as significant demographic movements,<sup>26</sup> low efficiency in the provision of local public services and reductions in funding due to budget constraints and the lack of systematic planning for local revenue. For this reason, the reform was carried out belatedly, after about 12 years of discussions and debate.

The administrative territorial reform was subject to a long and structured process of public information and consultation, supported by a group of international partners.

The law on territorial reform was adopted by the Albanian Parliament in July 2014 as the first legal step taken to overcome the territorial fragmentation. Under this law, the number of local administrative units was reduced from 373 to 61.<sup>27</sup>

In line with the criteria set forth for this reform, the government took a methodological approach based on the concept of “*functional zones*,” to be created in such a way as to make it possible for the new organs of local government to promote the economic development of their regions and to ensure the provision of efficient public services.

There were several advantages to the new territorial division of the country into 61 units: (i) less inequality between urban and rural regions; (ii) optimal use of administrative and operational expenses in local government; (iii) a rise in public offers for quality and standardized services at low cost at the local level; and (iv) greater opportunities to attract investment.

Overcoming the inequality of development between urban and rural zones was a problem that had been studied by every government administration, but none of them had found any practical solutions. The new municipalities were not supposed to be divided any longer along the lines of city dwellers versus villagers. Both were to be included in the same municipality and enjoy the same types of services and the same standards. The new administrative division of the country with far fewer local units was therefore, without a doubt, a necessity.

Another aspect of great importance for the reform of local government is public participation. The existing legal framework allows much room for public participation in issues of governance. The Constitution guarantees access to information about the

### The long road to public participation

**Information:** one information website on administrative territorial reform with 126 clicks a day and 34,833 visitors, social media with about 2,500 visitors, an official Youtube channel for all activities with about 540 visitors, 10,000 information brochures, 3 television ads broadcast on the 10 main TV channels (broadcast 240 times), and on the main radio stations (broadcast 60 time). About 91.3% of the population has seen one of the ads on TV.

**Consultations in the 12 regions:** 13 public meetings with 1,218 participants, 8 public submissions to representatives of local government and local electoral associations, civil society, international organisations and independent constitutional institutions, 42 meetings for the second round of public consultations with 1,785 participants.

activities of public institutions. Framework legislation on Local Government foresees public involvement in local administration as a mission of local government, in particular for the planning of services, in decision-making by local councils and in budgeting issues. However, real participation has not yet reached the desired level. In most cases, this is because the population has little confidence in government.

## 2.6 Justice, an Even More Belated Reform

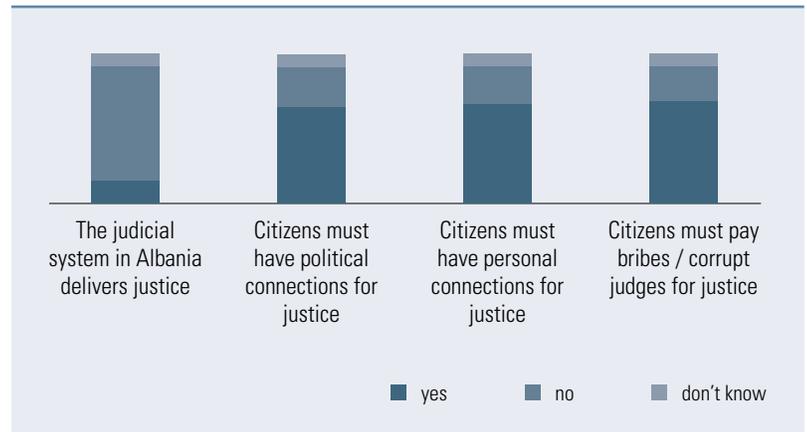
The reform of the justice system is considered to be the greatest challenge to the functioning of democracy in Albania and is essential for the future of the rule of law and for the country's European future. This has been stressed in many documents produced by international institutions, in particular in the progress reports of the European Union on Albania and in statements made by the leaders of European countries.

The total lack of confidence in the justice system has give rise to an alarming situation. Various surveys of public perception show that there is very little confidence in the justice system and that things are getting worse from year to year. The Freedom House rate for 2013 was about 4.75, as opposed to 4.25 in 2004, and this at a time when the average for the Western Balkan region is 4.50, and that of the European Union is 2.35.<sup>28</sup>

76% of the public believe that court decisions are not just. In addition to this, over 60% of those surveyed believe that “citizens should have personal connections in order to solve a problem in court,” and “citizens should pay bribes/corrupt judges/prosecutors in order to get a fair judgment” (see Figure 2.11).<sup>29</sup>

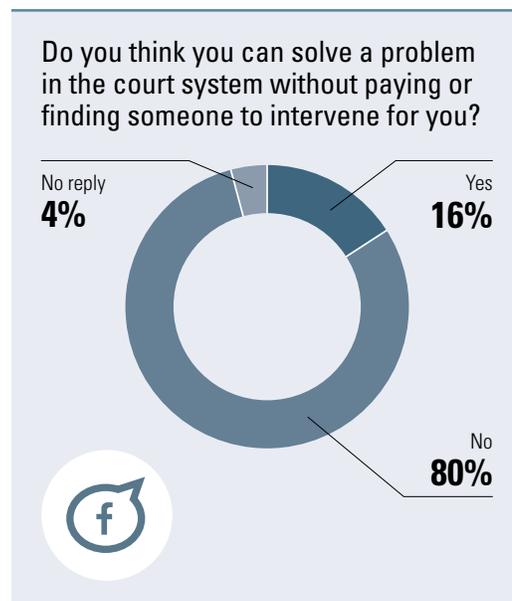
Young people surveyed in the social media have expressed similar opinions about corruption in the courts. Only 16% of those surveyed stated that they could solve their problems in the court system without paying off the judges or finding someone to intervene on the decision. Conversely, the vast majority of those surveyed (about 80%) stated that they had to pay bribes or find someone to intervene (see Figure 2.12).<sup>30</sup>

FIGURE 2.11 The perception of justice



This is the worst level of confidence expressed for any sector in Albania. The vast majority of people believe that justice is handed down in a selective manner or, to put it in other words, that there is a factual inequality between citizens before the law. The majority view that a certain category of people with power or money cannot be prosecuted and found guilty, i.e. that they are above the law, is taken for granted in Albanian society. No politician or high-level official has ever been convicted in a courtroom, irrespective of the gravity of the crime he or she may have committed and even if the facts have been under investigation by the authorities in

FIGURE 2.12 Opinions on paying bribes and intervention in the court system



## (in) justice

(Perceptions of young people in social media)

The whole justice system should be done away with right now! Woe to those who have to deal with judges! There is no “justice” in Albania, only trickery and deceit. Everyone knows this, even the “village idiot.” Everyone knows that judges, educated or not, are unable to provide justice. They only know how to take bribes, millions of Euros, or to bow and scrape before those who appointed them. Look at the court decisions: murder, drug trafficking, drug use, stealing millions. Most of the culprits end up under house arrest because they pay bribes. The small fish, on the other hand, are sent to jail immediately if they can’t pay up. We are the only country in the world where there is no justice at all. This stems from the high level of corruption among the politicians who do not want to reform the system at all. I do not mean that there can never be justice. It can be done, with a major reform, sword in hand, to sweep the corrupt judges out of office. But the public itself has to react. For the moment, people are paralysed because they are convinced that they have to pay to get a judgment in their favour.

question<sup>31</sup> and, in their reports, the latter have confirmed that there is substantial reason to suppose that a crime has been committed. This fact has severely sapped people’s confidence in the judiciary.

According to experts, people’s confidence in judges and in the judiciary is directly linked to creating a proper balance between the independence and neutrality of the court system, and its accountability.<sup>32</sup> Up to now, Albania has failed to find a proper balance.

But let us begin by analysing the problem from the start. The first issue that comes to the fore is what institution is responsible for reforming the justice system: the President, the Parliament, the Supreme Council of Justice, the Constitutional Court, the Government, the Ministry of Justice, or the National Judiciary Council? Or all of them a little, which in practical terms would mean none of them?

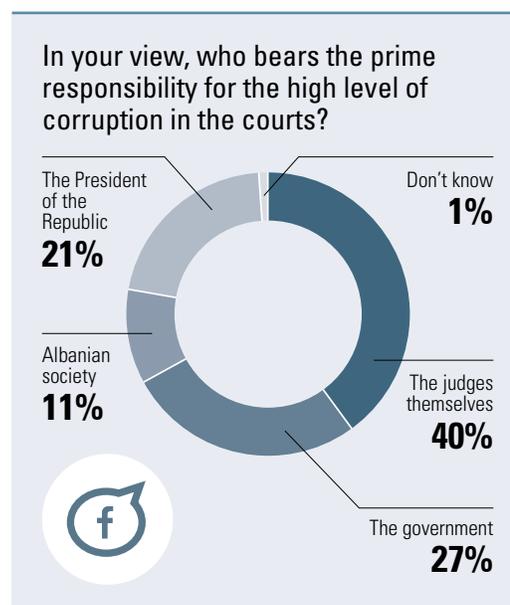
Ideally all of these structures should bear virtually equal responsibility. Traditionally speaking, it is the Parliament that should pass the reforms and the Ministry of Justice that should carry them out. But up to now, there has been total confusion.

Justice in Albania is conceived of as “abandoned property.” Everyone criticises it but no one accepts responsibility for correcting it. It is a sector that is highly autonomous; it governs itself, it acts independently, it defends its own interests and is accountable to no one. International organisations have found no

solution to the problem. Some say that the justice system needs to be reconstructed from the foundations up. Other say that comprehensive reforms are needed. Others, still, say that the government ought to keep away from the justice system because justice must be independent.

This explains the curious fact that, over the last 25 years, the justice system has been the only sector where there has never been an officially adopted reform with a serious strategy prepared by local staff and with international support. There have only been occasional measures included in the many Action Plans,

FIGURE 2.13 Views on the prime responsibility for corruption in the courts



but never a costed full-fledged strategy.

Accordingly, young people surveyed in social media agree that responsibility for a reform should be borne jointly by the judiciary, the government, the President and Albanian society as a whole (see Figure 2.13).<sup>33</sup>

International monitoring institutions have had difficulty in commenting on the proper balance between independence and accountability. They regard the present system as corrupt and in need of major reform, but at the same time, they call for a comprehensive reform that, in real terms, means a reform of the whole system, which is regarded in itself as extremely corrupt.

The Ministry of Justice, for its part, is supposed to design intersectoral strategies in the field of

property law up to 2020, but has nothing to do with justice reform, although according to the law, it should. In its organisational structure, the Ministry has a General Directorate of Strategic Planning but this is only a name, because it is divided into two directorates that only carry out inspections: the inspectorate of the judiciary and prosecution, and the inspectorate of institutions.

The Supreme Council of Justice that is commonly known as the *Government of the Judiciary* does not have this function legally-speaking. The Council is the government authority responsible for the defence, for appointments, transfers, dismissals, training, ethical and professional evaluations, careers and for the monitoring of the activities of judges at first-instance and appeal courts.<sup>34</sup>

### **An open debate**

The debate on the reform of the judiciary is primarily a debate among politicians and political parties. Only recently has it been taken up by technical experts. The experts are dealing with the essence of the problem at all levels of the system and have proposed legal and regulatory changes, as well as changes to the Constitution.

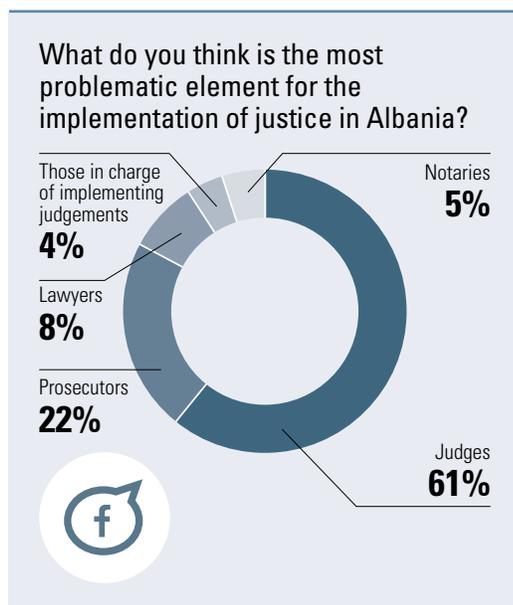
With regard to the High Council of Justice, they have begun discussing basic issues such as: its duties, its component members, the degree of its autonomy, the level of politicization and political intervention, the fulfilment of its functions to ensure governance of the judiciary, ensuring its neutrality, and raising the level of accountability of the judges. With regard to the Constitutional Court, it would seem that there is a more urgent need to intervene to preserve the quality and independence of the judges chosen for this court. This could involve strengthening the legal criteria set forth for the choice of candidates and stricter and clearer guidelines for decision-making. With regard to the Supreme Court, there are more and different options for reform. The proposals go from merging it with the High Council of Justice and thus overcoming the necessity for every file to end up with the Supreme Court, to guarantees for high professional standards to be met by the judges chosen. These judges would enjoy the same privileges and would be subject to the same regulations as judges at first instance courts and appeal courts. Of course, this option has positive and negative sides, but experience in Albania has shown that the main problem is not so much who is chosen for the positions or the formal functions of the institution, but a number of extra-judiciary practices they are involved in which go to the detriment of the court's independence, neutrality and credibility.

### **Corruption**

Corruption remains a great challenge for Albania. The (current) government has shown political will to act decisively in the prevention and fight against corruption. The legislative framework was strengthened and policy coordination and monitoring at central level improved. A National Anti-Corruption Coordinator was appointed and a network of anti-corruption focal points was established in all line ministries. However, corruption is prevalent in many areas, including the judiciary and law enforcement, and remains a particularly serious problem. Albania needs to take measures to enforce the legislative framework and adopt the 2014-20 anti-corruption strategy and action plans. Inter-institutional cooperation needs to be enhanced and existing obstacles to proactive investigations need to be removed.

**European Commission, Progress Report Albania, October 2014.**

FIGURE 2.14 Views on the proper focus for legal reform



Parliament has itself recently endeavoured to take over this function by setting up a parliamentary commission<sup>35</sup> for a strategy to reform the judiciary.

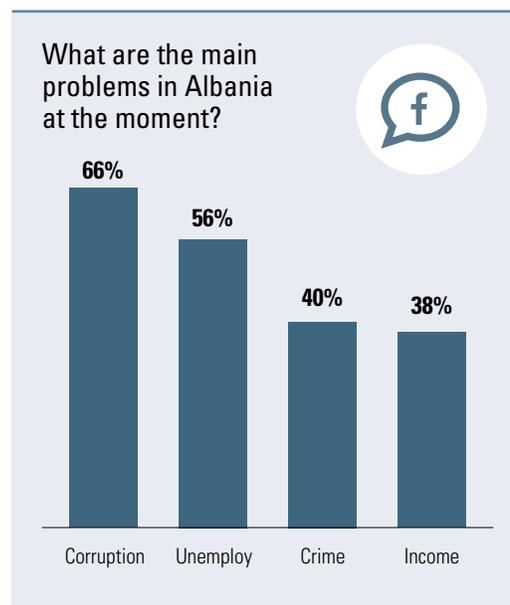
Irrespective of whether the main components of the reform are these or others, all agree that the judges must be the main object of the reform. This is also evident from the opinions of young people expressed in social media (see Figure 2.14).<sup>36</sup>

## 2.7 The Wall of Corruption

Corruption is ubiquitous in Albania, in particular in government institutions. The measures taken by the government have been positive, in particular with regard to the enforcement of anti-corruption legislation, but what is still needed is a stricter implementation of the laws that were passed.

Corruption is regarded as a major problem for Albania, more important than unemployment, crime or low incomes. When asked to list Albania's greatest problems at present, 66% of those surveyed viewed corruption as the main problem, followed by about 56% who said unemployment, 40% who said crime, and 38%

FIGURE 2.15 Corruption Perceptions



who said low incomes (see Figure 2.15).<sup>37</sup>

These views show that the many measures undertaken up to now have not had any convincing results in overcoming the public's negative perception of the high level of corruption.

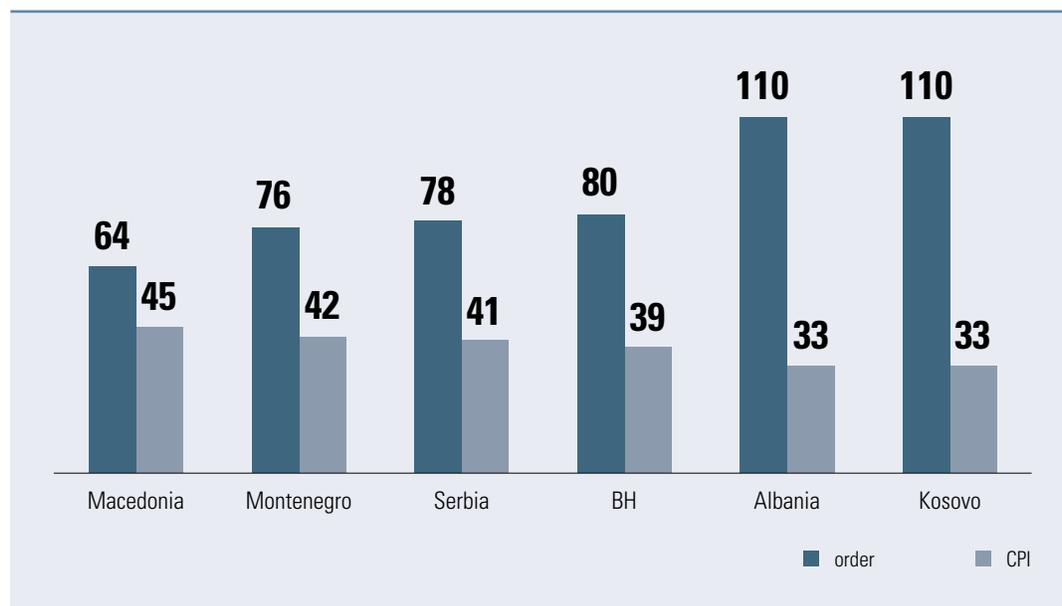
Similar views on the scale of corruption in Albania, have been expressed by Transparency International.<sup>38</sup> Despite the slight improvement, Albania still has weak performance. There are particularly high levels of corruption in the judiciary, in the police and in the public health system. In 2014, Albania ranked 110<sup>th</sup> of the 175 countries included in the Corruption Perceptions Index (CPI) with a rate of 33.<sup>39</sup>

According to this indicator, Albania still comes in last among the countries of the Western

TABLE 2.1 CPI corruption index

Indicator	2011	2012	2013	2014
Corruption Index	31	33	31	33
Rank	95	113	116	110
Total number of countries evaluated	183	176	177	175

FIGURE 2.16 Corruption index for the countries of the Western Balkans



Balkans (see Figure 2.16).

In 2014, the public in Albania regarded judges, customs officials, officials in the judiciary, political parties and political leaders as the most corrupt.<sup>40</sup>

The impunity of those involved in corruption is also evident in the statistics given in Figure 2.17:<sup>41</sup> for the period 2009-2013. The courts only pronounced sentence on about 40% of cases of corruption brought forth by the prosecution. Compared to the number of prosecution indictments issued for corruption, the courts only pronounced sentence in 24% of cases.

Two main phenomena emerge here: (i) without

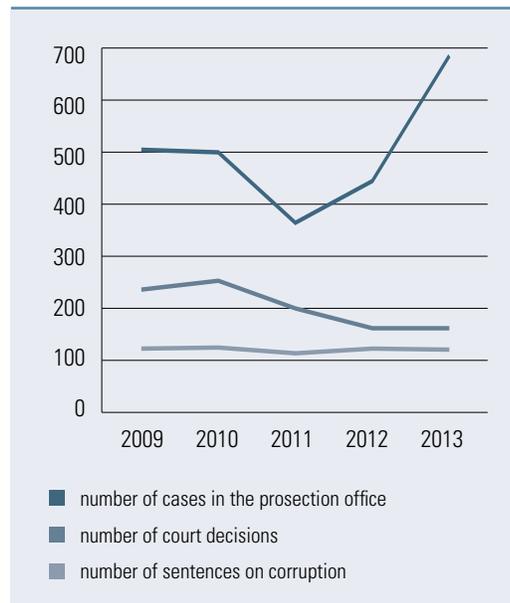
going into detail as to which institutions allow impunity to flourish, the fact that only one in four cases of corruption is punished shows that the justice system as a whole is not functioning properly here. This accords with the public's perception of a high level of corruption in the judiciary; and (ii) if we analyse the sentences handed down for corruption, it is evident that all sentences have been for low-level corruption by minor officials in the public administration and that there have been no cases of punishment for general directors in ministries, and absolutely no punishment at all for corruption at a higher level, although numerous indictments have been issued at high levels. This is a clear sign of selective justice that enables high-level directors and politicians to get away with corruption.

### Anti-Corruption Website

In less than two months since the launching of the website, it has received about 22,000 visitors and 4,260 denunciations have been filed for various forms of corruption, of which about 2,090 or about 50% of cases were investigated within this period and brought to a close. Most of the visitors (about 73%) were young people. One denunciation in five concerned the education sector, about 610 denunciations were for illegal construction, 400 about the police and about 300 about the judiciary. Other fields involved were customs, legalisations, tenders, etc. where less than 70 denunciations were filed.

### Report of the Minister of State for Local Affairs, 24 March 2015

FIGURE 2.17 Impunity in cases of corruption



Considering corruption as a very serious challenge, the present government administration appointed a National Co-ordinator on Corruption and set up a network of co-ordinators in all the ministries and independent institutions. The political opposition seems to have welcomed this institutional measure and has indeed suggested that they go even further in the creation of a special Anti-Corruption

Agency under the auspices of the Prime Minister's Office. The Council of Ministers also approved a National Strategy on Corruption for the period 2015-2020<sup>42</sup> to be accompanied by a detailed action plan.

The strategy is focused on preventing and punishing corruption and on raising awareness for the fight against it. It also foresees a general review of anti-corruption legislation and of the institutions responsible for implementing it, as well as a proofing of anti-corruption legislation,<sup>43</sup> a practice used for the first time in Albania. The strategy also foresees the creation of an appropriate regulatory framework for "whistleblowers,"<sup>44</sup> something that has been lacking in Albania up to now.

Complaints from the public are regarded as a key factor in the fight against corruption. For this reason, as of February 2015, there has been a website called *stopkorrupsionit.al* online where people can denounce cases of corruption and the corruptive practices they are faced with. It is divided into 12 sections, including: judiciary, public health, education, police, customs, taxation, etc.

Complaints are forwarded immediately to the officials responsible in the institutions

### The challenges of the fight against corruption

#### Prevention

- Strengthening the integrity of public administration,
- Preventing conflicts of interest, and declaring assets,
- Verifying the funding of political parties.

#### Prosecution

- Ensuring greater efficiency for criminal investigations of cases of corruption,
- Improving inter-institutional co-operation in prosecution and criminal punishment,
- Improving the legal framework for the prosecution of economic and financial crimes,
- Improving international court and police co-operation in the fight against economic and financial crime,

#### Raising awareness

- Education and public awareness for the consequences of corruption,
- Encouraging the public to make active use of the mechanisms to denounce cases of corruption,
- Encouraging co-operation with civil society.

**From the Inter-sectoral Strategy against Corruption, 2015-2020, March 2015.**

in question. How the complaints are to be handled is set forth in a special order of the Prime Minister.

Those who raise complaints may remain anonymous when they report cases of corruption, and the statistics are publicised every month, including information on cases that were solved. A complaint mechanism via SMS is soon to be set up in every public hospital and property registration office. This is to be done in order to be able to collect and analyse data on the quality of services for the publication, and on cases of bribery.

In order to enhance the effectiveness of the fight against corruption, Albania is receiving much international assistance for its anti-corruption programmes, for example: PACA, the Project Against Corruption in Albania, financed by the European Union; EURALIUS, European Union mission for the Consolidation of the Justice System in Albania; PACO, the Programme against Corruption and Organised Crime in South-Eastern Europe; OPDAT, Overseas Prosecutorial Development Assistance and Training; and ICITAP, International Criminal Investigative Training Assistance Program, etc. An improvement of co-ordination among these programmes would provide a more effective fight against corruption in the country.

## 2.8 The Media and the People: with Business and Politics between them

Albania now has a rich and dynamic media landscape. The written media are profuse: 23 daily newspapers, some general, other devoted to specific subjects, and about 250 other periodicals. It is not known exactly how many written and online periodicals there are in all because they are not registered with any particular authority.

Albania has two private national television stations, 72 local stations, 109 local cable stations and three commercial multiplexes.<sup>45</sup> Of all the existing analogue TV stations, Albanian Radio and Television (*Radio Televizioni*

*Shqiptar*) has the greatest diffusion. Its signal covers 87 % of the national territory, followed by *Top Channel* with 79% and *TV Klan* with 78%.<sup>46</sup> There are also 71 local radio stations and two national radio stations. Public radio covers 80.5% of the national territory, whereas *Top Albania Radio* and *+2 Radio*, two commercial stations with national licences, cover 93.7% and 72.6% respectively.<sup>47</sup>

There are no reliable statistics as to the number of listeners, although several, geographically restricted initiatives have been begun. The results have however not been made public. Television is at any rate the most followed medium, while the radio stations are enjoyed more for entertainment.<sup>48</sup>

Internet access in Albania is on the rise, and 60.1% of the population was using it at the end of 2014.<sup>49</sup> This rapid rise has resulted in an increase in online media, blogs and various sites. Statistics also reveal that, as the internet is being used increasingly, there are more and more Albanians getting their news online. The traditional media have understood what is happening and have increased their online activities.

There has also been a swift rise in the use of social media. For a number of years now, Facebook has been the most utilized social media among Albanians. The number of users in early 2015 reached about 1,340,000.<sup>50</sup>

There exists a clear division and polarisation in the media in line with political and economic interests. Reporting often has more to do with these interests than with public interests in general.<sup>51</sup> Media content is closely determined by economic dependence, and there is often a lack of transparency as to ownership, financing and functions.

Media legislation has no provisions with regard to ownership or monopoly of written and online media. However, the Law on Audiovisual Media does have clear provisions to restrict ownership, not to allow too many media groups to be in the same hand, and to guarantee pluralism of media ownership. However, even this law does not provide for restrictions on the ownership of audiovisual

media and other media organisations (press or online). The field has thus been left open and has resulted in the concentration of the media in the hands of specific media groups. Indeed, the main media groups in the country are quite consolidated and are tending to fuse.

Transparency as to formal media ownership has improved over the last few years because every business is required to register with the National Registration Center (NRC/QKR) and provide the names of its owners. Information on ownership is available online for most media organisations, including the written media. However, ownership of online media is completely unknown because such media are not obliged to register as businesses or as media enterprises. As such, although transparency in media ownership has improved, there remain doubts, in a number of cases, as to whether the registered owners are really the owners of the media in question.

The way the media market functions remains somewhat nebulous. Transparency in advertising, the target audience and edition size is rare, such that the market functions in a chaotic, arbitrary and clientelistic manner. Since there is not much transparency in media functions, independence inevitably suffers.

Another basic characteristic of how the media market works is the model of media businesses which also functions on a clientelistic basis. The model of ownership that dominates in the media landscape is that of the media mogul who invests in other businesses, mostly of a commercial nature, but also in construction, telecommunications and internet services.

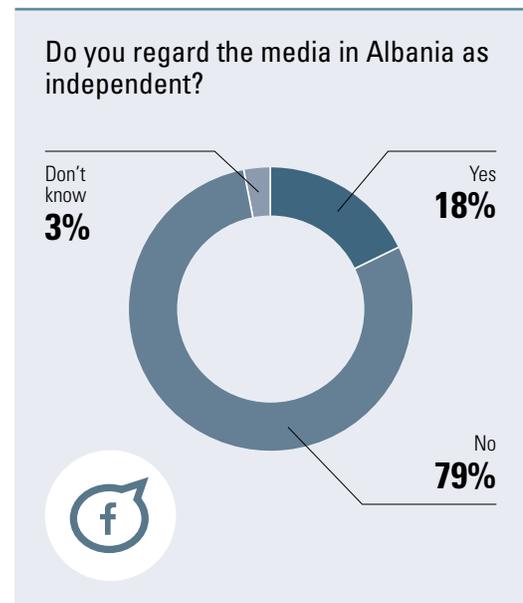
An overview of the Albanian media landscape would be incomplete without taking into account the significance role of the parallel businesses of media proprietors that often serve as a source of funding and, as a result, influence the performance of the media companies for better or for worse. Some owners of media groups have also become active in politics while other have endeavoured to remain more or less neutral, although political editorials in their media organs clearly favour one side or the other.

In numerous cases, the media use favours or blackmail in politics to protect their businesses or make profits. This continuous interaction between the media, politics and the other business interests of the media owners is a constant source of irritation in media content and independence. The absolute majority of people who expressed their views on social media is that the media in Albania are not independent (see Figure 2.18).<sup>52</sup>

Furthermore, there is a great lack of transparency in the functioning of the advertising market in the media, including State-run media. The regulations for advertising in the State-run media have been unclear and difficult to implement and it is said that the process of distributing advertising has not been transparent. There has been a dishonest tendency for State-run institutions to finance advertising in media that favour the government, and a lack of transparency in the distribution of the funds made available.

The greatest influence in the media advertising business is held by large corporations and this directly affects media content and editorial freedom. Although there are no public ratings on how many viewers and readers the various media have, the question as to how companies decide in which media they are going to publish their

FIGURE 2.18 Perceptions of media independence



ads remains unclear. There is a definite tendency for corporations to fund media organs for as long as the organ in question favours the said corporation or at least remains silent about it. Not only are the media unable to report unfavourably on the companies funding their advertisements, but major advertisers often intervene directly on what the media are saying about them. Because of corruption and financial dependence on these funds, the media have not been able to gain sufficient financial and professional autonomy, and are easily subject to influence.

In such a situation, it is difficult to speak of quality journalism at all. The financial crisis has only made things worse in virtually all sectors of the media and has increased the burden of work for journalists. Another characteristic of the media sector is informal employment, in particular since journalists have not yet succeeded in organising a trade union for themselves and in demanding their rights. One result of the interconnection of all these factors has been self-censorship which has become a common phenomenon in the profession of journalism.<sup>53</sup>

Since ratings on how many viewers and readers the media have are rare and not systematic, public data are lacking here. However, one constant feature of the media landscape has been that the public believes the media are among the most reliable and least corrupt institutions in the country. Within the various media sectors, Albanians believe that television is the most reliable, whereas they have less confidence in radio and in the written press (see Figure 2.19).<sup>54</sup>

As to how much time people spend in the various media, it would seem that television is the source of information that Albanians use most because about 89% of respondents to a survey stated that they spent most of their “media time” watching television. They spend an average of two hours and 40 minutes a day watching TV and spend an average of one hour a day on the internet. Other sources of information commonly used are the internet and social media, for instance Facebook (27.6 hours a month) and YouTube (13.6 hours a month) (see Figure 2.20).<sup>55</sup>

## 2.9 In Search of Civil Society

In Albania there are 8,448 registered non-profit organizations (NPOs) and about 2,011 of them are active.<sup>56</sup> The Civil Society Index in Albania has substantially influenced public discourse on the development of civil society over the last few years.<sup>57</sup> The index suggests that the Albanian third sector is moderately developed. It operates in a generally enabling environment, characterised by highly skilled human resources, expertise and efficient internal structures.<sup>58</sup> But the study reaches the conclusion that civil society is donor-driven, detached from the citizens and local priorities, and facing major challenges with regard to its influence, public scepticism towards participatory approaches and the role of the third sector in general.<sup>59</sup>

The state of civil society in Albania is characterised by prolonged stagnation. The

FIGURE 2.19 Public confidence in the Media

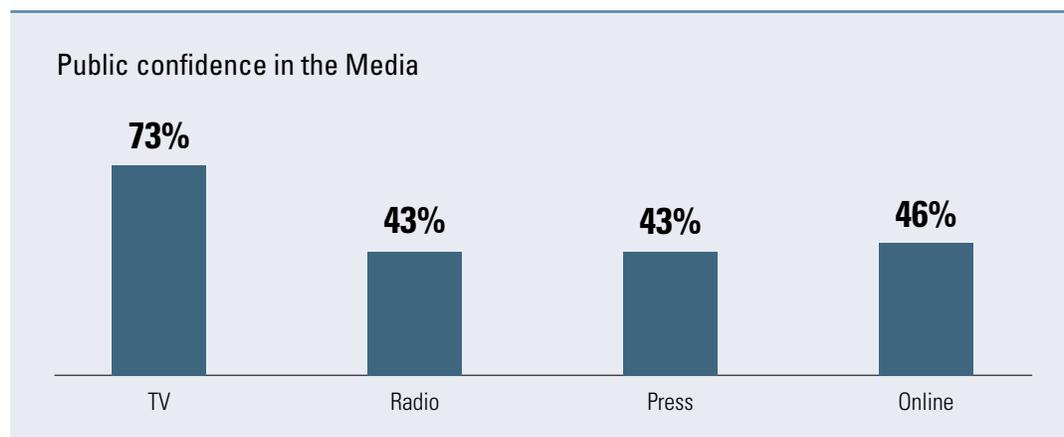
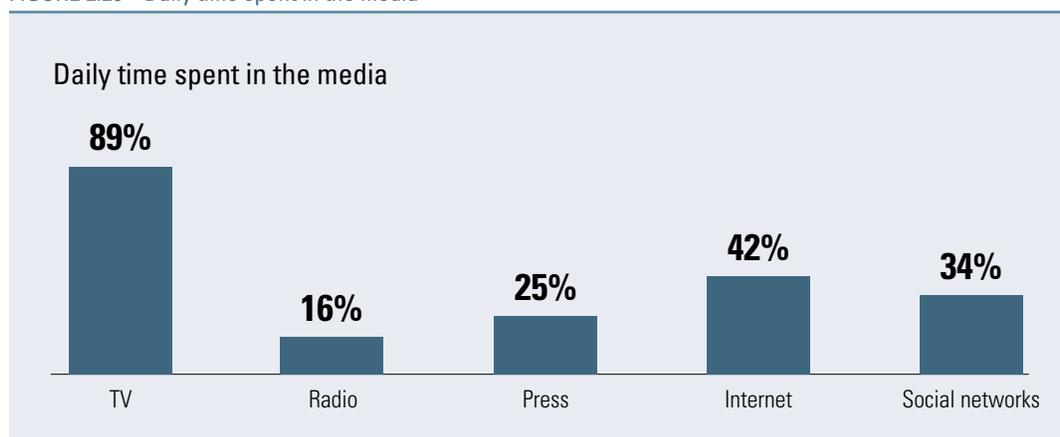


FIGURE 2.20 Daily time spent in the media



environment in the country is dominated on the one hand by harsh political conflict and on the other by the lack of a clear strategy for the development of the third sector. Both of these factors have substantially limited the influence of civil society in the country.

The concentration of most of these NPOs in the capital when the most urgent problems are of a local and rural nature is another characteristic of Albanian civil society organisations.

Recently, the NPOs and other important players in social development – the State and international donor partners– have begun to tackle the problem of the lack of a development strategy for the third sector, overcoming their obsessions with project funding and turning more to articulating *social advancement* and *activation*.

Getting people involved is seen as the crucial issue for civil society in Albania. The “Act Now” campaign of the American Embassy in Tirana is perhaps the best example of the importance of this challenge and has given good results in a relatively short period of time.

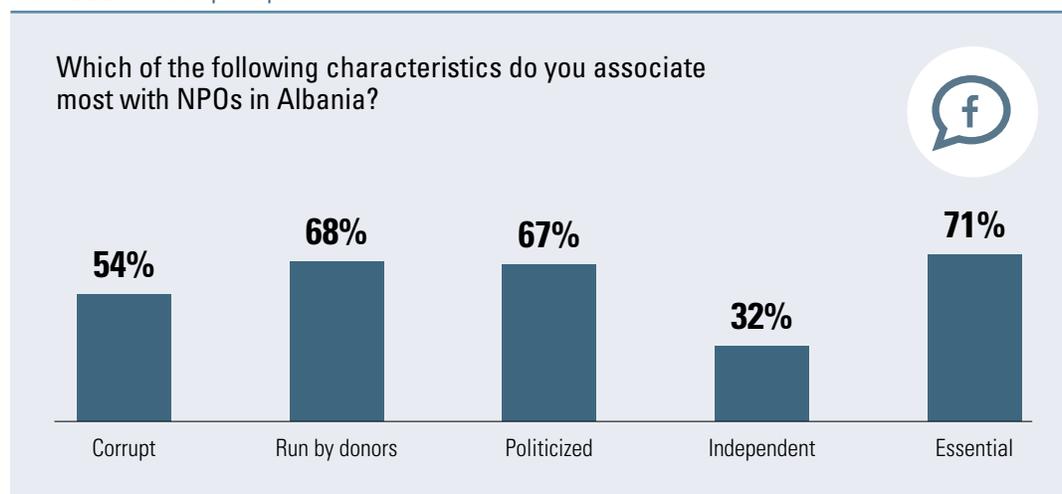
Many local NPOs are increasingly turning their attention towards citizens. After being ignored by decision-makers, the Alliance against the Import of Waste succeeded in collecting the over 60,000 signatures it needed for a referendum. This is a telling example of social activation in the country. But perhaps the best example is the civil movement against

the demolition of Syrian chemical weapons in Albania in November 2013. The protest, initiated by a small group of environmentalists, soon garnered the support of people of all ages and of various social groups. It was not a donor-driven movement, but simply a public reaction to a coming government decision that they considered wrong and dangerous. After several days of protest, the government decided against the proposal to destroy the weapons in Albania, and this constituted an important step in public activation.

Finding ways to enhance public confidence in the third sector is another serious challenge and one of the most controversial ones. Although some improvements have been made, the public continues to regard NPOs more as part of the international community than as part of Albania society itself. It often regards them as rich and corrupt, politicized and not independent and, for this reason, their public image has not been good. Despite this unfavourable view, it is important to note that most of the people who expressed their views on social media said that NPOs were essential not only for mobilizing the public and in encouraging civil activity, but also for carrying out projects for the good of the country and for preparing various studies and analyses on the phenomena characteristic of economic and social development in Albania (see Figure 2.21).<sup>60</sup>

In December 2013 civil society and the Albanian Government initiated a new dialogue to devise a common agenda for

FIGURE 2.21 Public perceptions of NPOs



dealing with some key issues, in particular: (i) the inclusion of NPOs in the drafting of policies and in the decision-making process, as well as in supporting government structures in this process; (ii) drafting a legal framework designed to support civil society; and (iii) widening the participation of civil society for the provision of public services, as a social partner for the State.

With this agenda in place, in 2014 and thereafter, improvements were made in laws and regulations for the participation of civil society in environmental issues and this led to better co-operation between the government and the NPOs. Of particular note were: the adoption

by the Albanian Parliament of a resolution for the recognition of civil society and a strengthening of its role in the democratization of the country, the drafting of a law on the establishment and functions of a National Council for Civil Society, the preparation of draft guidelines for government policies to support civil society, and the adoption of a new law on information rights, etc. Other steps are still needed to come to terms with several urgent problems, such as: fiscal legislation, financial supervision and reporting, the services to be provided by civil society organisations, reform of the State Agency to Support Civil Society, legal encouragement for volunteers, the setting forth of regulations on social tendering, etc.

# CHAPTER 3

DYSFUNCTIONAL  
CAPITALISM

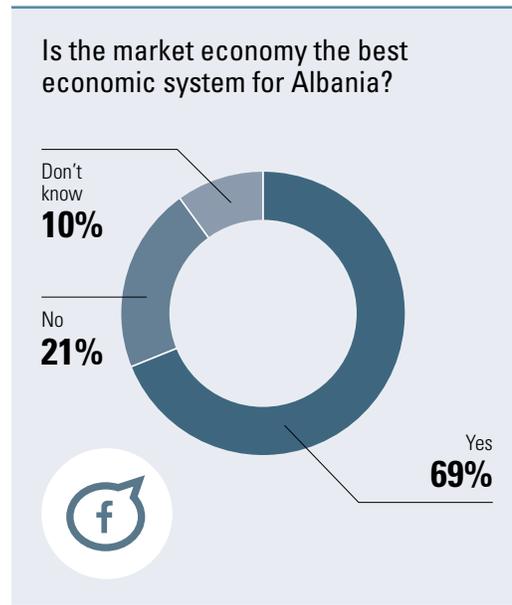


### 3.1 A Rush towards the Market Economy

There was never any doubt among the Albanians that, with the collapse of the old system, the market economy was the only path for the country's economy. This conviction was firmly held throughout the transition period. According to a recent survey, about 69% of those asked considered that the market economy was the best economic system for Albania (see Figure 3.1).<sup>61</sup> This is a normal reaction for a post-communist country that had always lived in economic hardship and hoped that a western-style market economy would one day hold sway.

But Albanian knowledge about the market economy seems to be slightly influenced by thinking from the past, in particular concerning the role of the State in the market economy and in the new economic system. For example, about 2/3 of those asked about the level of State influence on the economy stated that the State ought to intervene and set forth the prices of goods or protect some strategic companies. Only 1/3 of those asked thought that the State should not play any role in the market economy (see Figure 3.2).

FIGURE 3.1 Perceptions on the market economy



This view was confirmed in the reply given to another similar question. When the public was asked if the State should interfere as little as possible in the market economic in order to allow the latter to decide on everything itself, about 77% of respondents thought that the State ought to be involved in the economy as much as possible and only 20% agreed that the State could not play such a role (see Figure 3.3).

FIGURE 3.2 Perception about State intervention in the economy

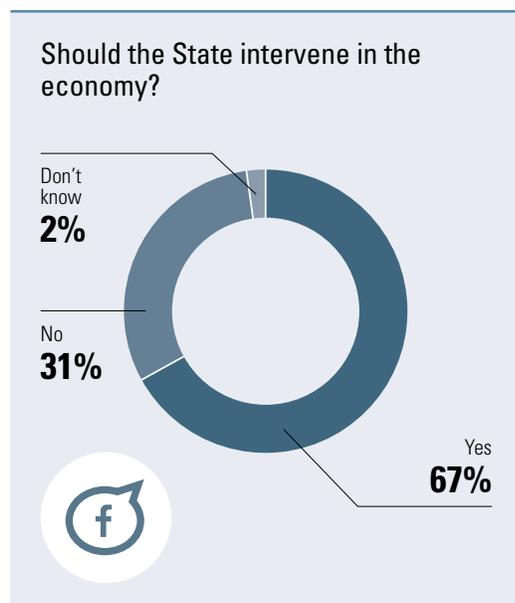
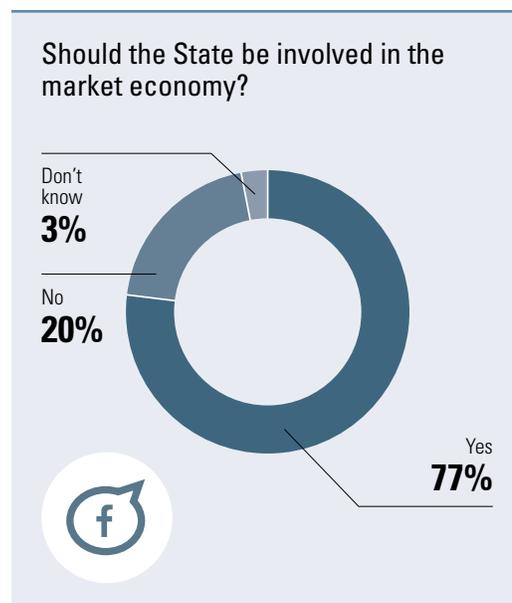


FIGURE 3.3 Perceptions on the role of the State in the market economy



As such, the Albanians remain *a priori* supporters of the market economy, believing that it will offer them the greatest prosperity, yet they do not have a clear understanding of what this economy really is and that the prominent role of the State in it has more or less dissipated.

This may be the reason why, during the reforms carried out in the transition period, the Albanians rightly or wrongly appealed to the State, regarded it as responsible for things such as salaries, employment, prices and all sorts of services, and did not understand the role of the private sector.

The advance of the market economy has been calculated by means of various indicators used by different specialist international organisations. The European Bank for Reconstruction and Development (EBRD)<sup>62</sup> is one of them and the evaluation it made is included in its Transition Report on the state of the economy at the end of 2014. According to this *general calculation of transition indicators* at the national level, privatisation and the liberalisation of the market economy advanced swiftly. They were given the top mark of 4+, whereas competition policies were much slower to progress as were governance and the restructuring of companies that were rated at 2+.<sup>63</sup>

With regard to *structural reforms*, the sectors: information technology, sustainable energy, natural resources, urban transport, roads, banking and finance were given positive marks

(with a 3 or 3+). However, much remains to be done in the sectors: industry, electricity, water and sewage, rail transportation, financial services and the development of the capital market were given the marks 2 or 2+.

A more detailed evaluation of the progress of *market structures* shows that a number of sectors, such as: electricity, rail transportation, financial services, private equity and the capital market continue to perform at a much lower rate than in advanced industrial economies.<sup>64</sup> The progress achieved in all the other sectors was rated as average. The evaluation of the *institutions that support the market* shows that they are continuing to perform below standard. These sectors are water and sewage, urban transport, rail transportation, private equity and the capital markets. Here, too, progress in all the other sectors was rated as average.

After 1990, the opening and liberalisation of the economy and the structural reforms carried out enabled the more productive elements of the economy to move towards more productive sectors, to increase investments and to promote the transformation of the work force from rural agriculture to industry, services, transport and communication in urban areas. The average economic growth up to 1998 was about 7% per annum, and per capita income grew to about 3,262 USD.<sup>65</sup> This rise was financed primarily from abroad and constituted ¼ of the Gross Domestic Product (GDP), in the form of official aid and remittances from the large number of Albanians working abroad.

### The great transformation of the “good pupils”

Since 1990, Albania has carried out thorough reforms to establish a market economic. Faced with two possible alternatives, “gradual transition” or a “shock therapy,” it chose the latter, a radical transition, perhaps more radical than anything ever done in any of the countries of Central and Eastern Europe. Its most important economic and financial reforms were focused on a strict monetary policy, a rigorous budgetary policy, a liberalisation of the domestic capital market, a liberalisation of foreign trade and a raising of domestic supply. Now, 24 years since the foundations of the market economy were laid, the country seems to be advancing towards final “closure” of the important transition cycle “from a central planned economic to a free market,” by means of structural reforms that have been rigorously agreed upon within the country and with foreign partners. Albania has been called the “good pupil” of the transition, irrespective of a few negative marks it received during the pyramid schemes or later tendencies to counter the policies of the IMF. As “good pupils,” the Albanians have put up with these reforms with stoicism and calm, hoping that the road will lead them more quickly to European integration. All the while, the government administrations of the country have been encouraged to take advantage of the fruits of fulfilment of the objectives set forth by international institutions.

### How is the economy doing?

(The perceptions of young people on social networks)



The economy is not doing well. There have been so many reforms that have been evaluated positively within the country and abroad, but there are no signs of the effects, or they have not been quick to come. The economy seems stuck in the mud and has not moved an inch. But even if the economy is growing, it is doing so at such a slow rate that we see no change at all. This may be normal because our economy is dependent on the outside world, in particular on the neighbouring countries that are going through crises themselves. Remittances from Albanian emigrants are at a minimum. There is much unemployment and price rises seem to know no limits. We young people cannot find work to show what we can do, and we continue to live off our parents. You cannot say that the economy is doing well if families are living off social welfare.

Albania's economy grew at a relatively constant rate in the period 1998-2008 with an annual average rate of about 6% (see Figure 3.4)<sup>66</sup> and had all the normal characteristics of economic growth typical of countries that entered their transition periods at a very low economic level. This is in keeping with the main period of great transformation from a centralised economy to a market economy.<sup>67</sup>

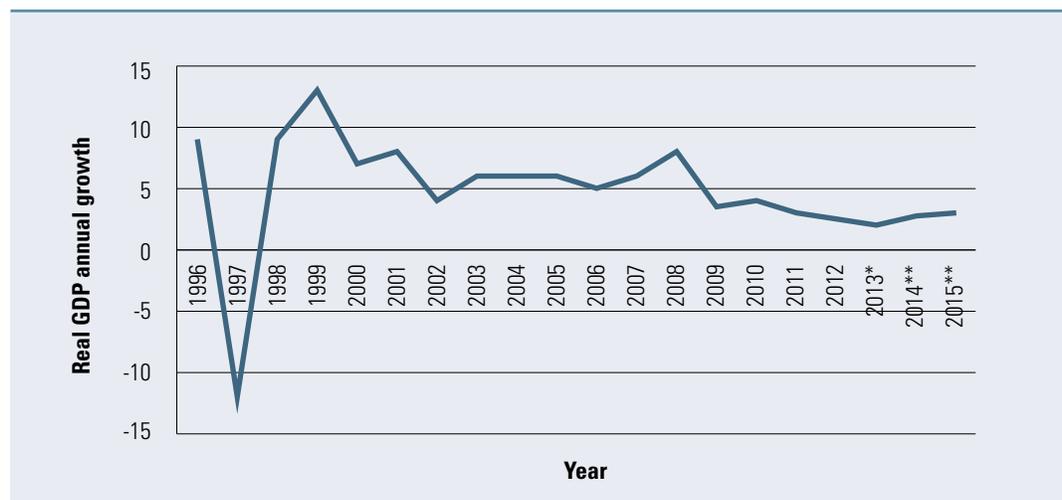
Nonetheless, economic growth did not bring about the expected rise in employment. Economic expansion up to the beginning of the global crisis was not accompanied by a growth in the number of jobs because most of the rural migrants seem to have chosen either to remain inactive or to pursue informal rather than formal types of employment.

After 2008, for many internal and external reasons, in particular the negative effects of

the global crisis, there was an immediate and continuous fall in the GDP which only slowed down in 2013. In addition, the World Bank (WB) foresees economic growth of only 2.1% for 2014 and about 3% for 2015, growth that will later stabilise at an annual average of no less than 4% (see Figure 3.4).

The economic downturn after 2008 substantially diminished demand for labour. Employment fell sharply, leading to a serious decline in family incomes and an increase in poverty. The number of people employed fell. This slump affected young people and women in particular. For young people, employment fell by about 8% and for women by about 5%, affecting about 11% of females from 15-24 years of age.<sup>68</sup> Albania avoided recession after 2008 because it altered its fiscal policies towards loans, which brought about a swift rise in the public debt from 55% of the GDP in 2008 to

FIGURE 3.4 Real annual growth of the GDP

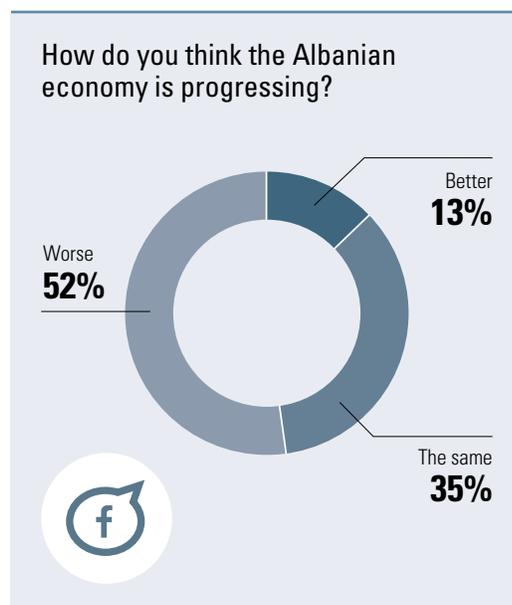


about 70% in 2014. Bad loans rose by 6.5% in 2008 to about 25% in 2014, which in turn caused a decline in the interest of commercial banks to broaden their credit portfolios in support of the private sector. The rise in loans for the economy which had been at an annual average of 57% for the period 2005-2008, fell to 10% in the period 2008-2014.<sup>69</sup>

Despite the stop in the economic slump and the beginning of a way out of the crisis, the living standards of the population have been gravely jeopardised. This is apparent in the public perception of the economic situation, because slightly less than half of those asked thought that the economic was progressing the same or better than it was before, whereas the majority of those asked believed that the economy was getting worse (see Figure 3.5).

Now that the “classical” resources of economic growth have dried up, a return to stability can only be based on deepening and broadening structural reforms and on a further improvement of the business climate. Monetary and fiscal policies must remain strict and indeed be tightened up because, for several years to come, the reforms will continue to focus on a reduction in the national debt and issues related to financial stability.

FIGURE 3.5 Perceptions on the State of the Albanian economy



However, even if such reforms could be carried out swiftly, more time would generally be needed to give effect to them. In view of the very complex nature of such reforms, executive interference in policies and the often-polarised political climate will make it difficult in the near term to make any substantial economic progress. As such, it can be expected that growth will continue to be moderate and will remain under its potential for the foreseeable future.

For this reason, it is essential to overcome impediments to structural reform that have been leading the country up a dead alley for some time now. Also needed are a rapid improvement in the business climate, an uncompromising fight against corruption, a definitive solution to the delicate issue of property ownership, and a comprehensive and thorough reform of the justice system.

Despite the satisfactory rhythm of economic growth, economic indicators for Albania remain below the average of the European Union (EU). Per capita economic growth at the national level and in the various regions is far below the EU average. In 2009, for example, Albania barely reached 27% of the EU average (see Figure 3.6).<sup>70</sup> The central region of Albania that is more developed than the other parts of the country barely reached about 35% of the EU average. An analysis of the situation in the various prefectures reveals that, in addition to the substantial difference between Tirana and the other prefectures, even Tirana did not reach 45% of the per capita GDP of the EU. This goes to show that, despite substantial economic growth during the transition period, Albania as a whole, and its main towns, including the capital, have not yet reached the per capital GDP average of the EU (see Figure 3.7).

With regard to the contributions made by the various sectors of the economy to economic growth, what is noticeable is the lack of stability in real growth for each sector. Up to 2012, there was substantial fluctuation in all sectors, with the exception of agriculture and commerce, which had low but sustainable economic growth (see Figure 3.8).<sup>71</sup>

FIGURE 3.6 Per capita GDP in Albania and its regions as a percentage of the situation in the EU-27

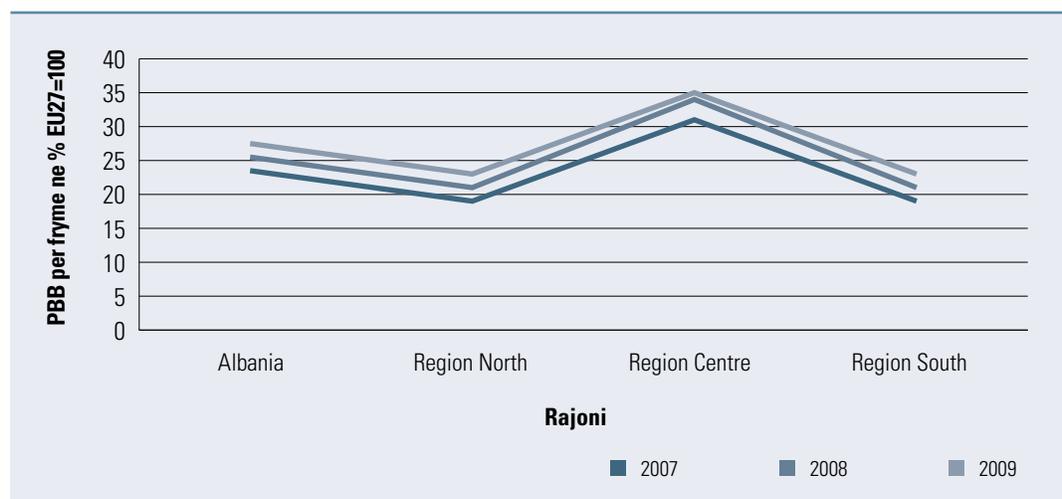
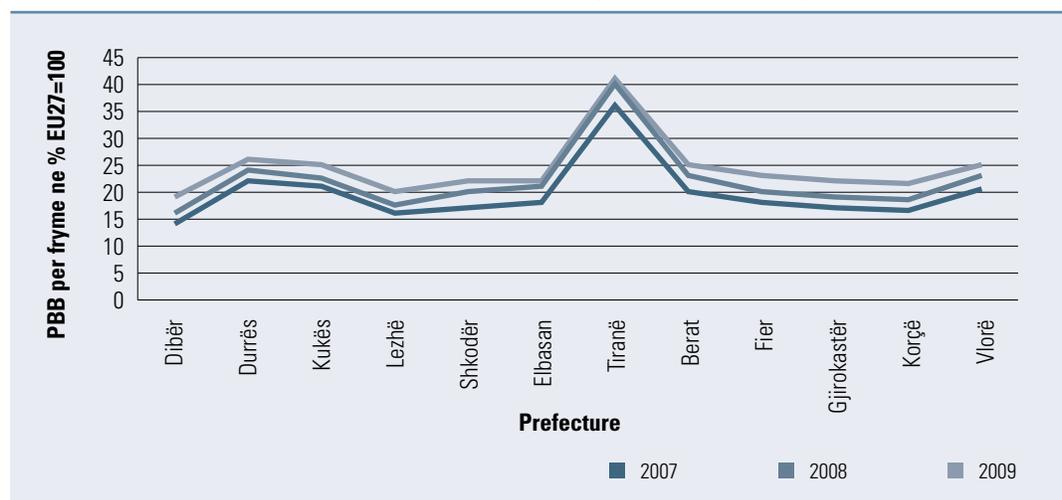


FIGURE 3.7 Per capita GDP in the prefectures as a percentage of the BE-27 average

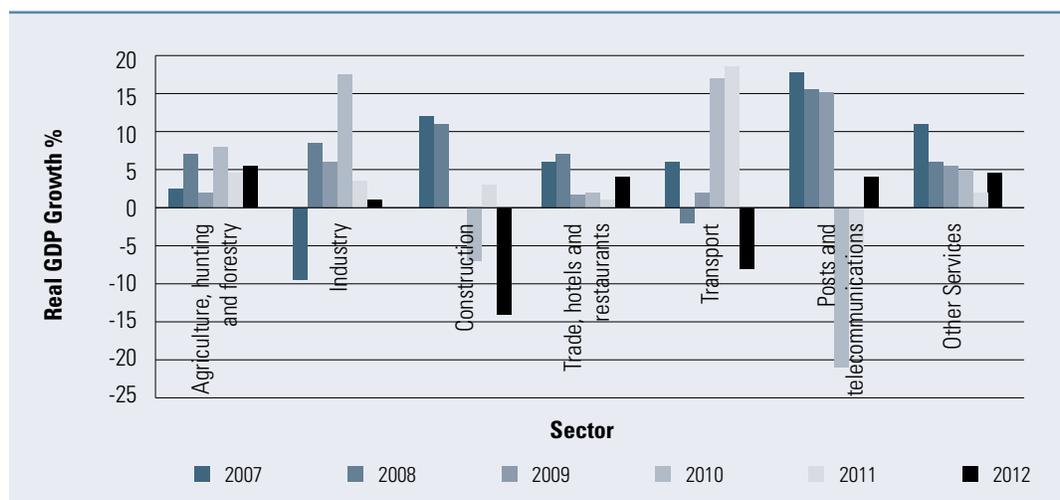


Following a period of negative growth in 2007, industry, for example, changed swiftly to real growth at around 20% in 2010 and thereafter, in 2012, the growth rate fell to about 0%. The construction sector also showed much fluctuation: initially with high growth rates of about 12% in 2007 and then, in 2010, a slump to almost 0%, following by more and more negative values, putting an end to the construction boom. Similar fluctuations were seen in other sectors, proving that, despite the apparent sustainability of economic growth up to 2008, this growth was in fact not sustainable because of substantial fluctuations in the rhythm of development in the economic mainstays.

With the exception of agriculture that, despite fluctuations, has continued to develop positively, other sectors of the economic have suffered noticeable damage.

Foreign Direct Investment (FDI) remains a potential resource that is important for the Albanian economy (see Figure 3.9).<sup>72</sup> Among other things, it can exert positive pressure to modernise the economy and rapidly develop human resources. In certain sectors, the influence of foreign investment has been clearly positive, especially in the finance and telecommunications markets. In other sectors, such as the manufacturing industry, mining and the exploitation of natural resources, its

FIGURE 3.8 Real economic growth according to the economic sectors in % per year



influence has in general been rather doubtful, in particular after a number of negative incidents regarding labour standards, environmental protection and disadvantages to society, etc.

In the tourism sector and in agricultural processing, experience with foreign investors has been modest and not up to its potential. In these fields, the spread of FDI is linked not only to general factors of business climate, but also to sector-specific factors. Problems of land ownership in the coastal region and insecurity because of territorial planning in these zones have impeded much investment that had been planned by tourism specialists.

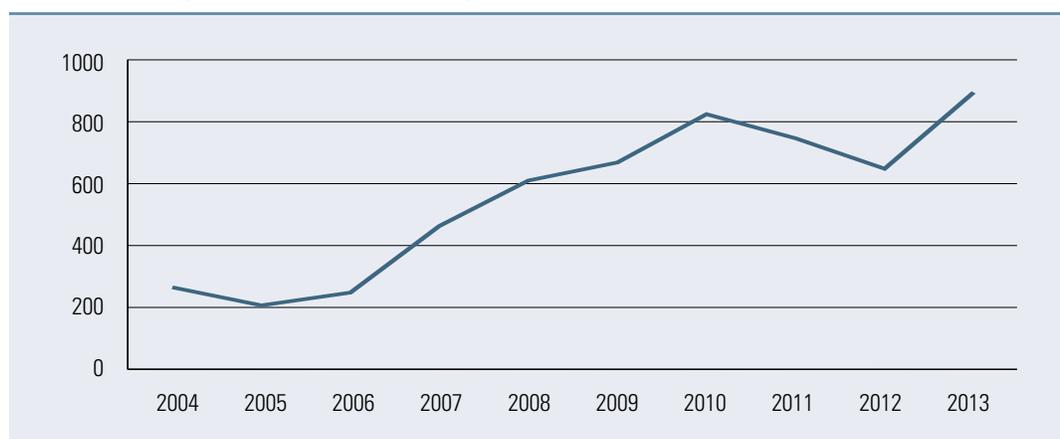
The fragmented nature of agriculture, i.e. with many small plots of farmland,

low productivity in this sector, the lack of experience with written contracts for business transactions between farmers and industrialists, and VAT-related fiscal issues in agricultural production, among other factors, have had a negative impact on efforts to stimulate the agricultural processing and food industries in general.

### 3.2 Economic Growth without Employment

Employment can be considered one of the main potential tools of economic growth for raising incomes, improving living standards and reducing poverty. But in the case of Albania, economic growth during the

FIGURE 3.9 Foreign direct investment over the years



### We want jobs!

(The perceptions of young people on social networks)



The greatest challenge for everyone is to find a job. We need work and want to work. No job means no income. We don't care how the economy is doing. Maybe one step forward and two steps back for all we care. What we want are jobs. The government must do more to find jobs for people. It must set conditions so that private business can expand more quickly. Or it should found companies and plants itself where we could work. We have had enough of the statements of the IMF on economic growth and the progress of reforms. We want jobs!

transition period has not been accompanied by an equally stable rise in employment. Productivity at the national level has almost doubled in less than a decade, but the number of people with jobs has fallen and unemployment has reached worrying levels because over 200,000 jobs have been lost. What has gone wrong, and why?

The economic transition has had a great effect on the job market: agriculture was the sector of the economy that employed the most people, but the co-operatives fall apart and farmland was divided up among families in the countryside. Most State enterprises were privatised and, in their place arose private businesses. A good portion of the population went abroad and most of these people were of a working age.<sup>73</sup>

But one of the main factors was the drastic change in the number of people employed in the State sector as opposed to those employed in the private sector. In 1990 1,433,000 people were in the labour force, of whom about 63% were working in the

State sector and about 37% in agricultural co-operatives.<sup>74</sup> By 2013, this relationship had changed entirely. Only 14.7% of those employed were working in the State sector, whereas 85.3% were active in the private sector. Nonetheless, it must be stressed that employment in the private sector has primarily remained in agriculture. In 2013 about 88% of those employed in the private sector were in private farming.

All of these circumstances have had a clear impact on the main indicators of the job market (see Table 3.1).<sup>75</sup>

*Employment for the age-group 15-64* has gone through much change in the transition period: (i) the proportion of people of a working age as opposed to the general population rose from 56% in 1993 to about 68% in 2011; (ii) the number of men and women of working age has risen but the relationship between them has hardly changed; and (iii) a detailed analysis of the internal structure of the working-age population shows that young people dominate the potential job market.

TABLE 3.1 The Main Indicators of the Job Market by Year

	1993 <sup>76</sup>			2001			2011		
	M	F	both	M	F	both	M	F	both
People of a working age (in the thousands)	885	878	1763	961	978	1939	950	954	1904
As a percentage of the total population	56.5	54.8	55.67	62.8	63.6	63.2	67.7	68.3	68.0
Participation in the work force (in %)	85.9	66.8	76.4	82.9	55.8	69.2	62.4	37.1	49.7
Rate of employment (in %)	79.0	75.8	76.6	67.3	40.0	53.5	44.8	25.5	35.1

**Labour force participation rate**, that represents the economically active population,<sup>77</sup> has also undergone many changes: (i) compared to the start of the transition period, the rate of employment has continuously fallen, from about 76% in 1993 to about 50% in 2011; (ii) the rate of employment has fallen more for women than for men. In 1993 about 63% of working-age women were in the work force, whereas only 37% of them in 2011. This reveals a clear disadvantage for women in the work force which has had a negative impact on their independence and economic empowerment and keeps them in their traditional role as homemakers. It accordingly shows the high rate of economic inactivity on the part of women, in particular because of their family obligations. In addition, when women are away from the work force for a long time, it is difficult for them to return; and (iii) a detailed analysis of the statistics shows that the employment rate is always lower in the countryside than it is in urban areas. But in rural areas, more women than men are at work. But here there is still a high rate of underemployment of women because they are carrying out unpaid farming activities as part of their household chores.

**The employment rate** has fallen almost twice as much as it was at the start of the transition

period: (i) in 1993, three out of four people able to work were considered employed, whereas in 2011 only one out of three was employed; (ii) the employment rate for women is worse than for men; in 2011 of women who were able to work, only one in four was employed; and (iii) age and gender are two important factors for participation in the work force.

A detailed analysis of the data reveals that, as to age, the employment rate begins to slump substantially after the age-group 40-49, both for men and for women, and both in urban areas and in the countryside. As to gender, far fewer women were employed in 2013 than men (see Figure 3.10).<sup>78</sup>

Most of those with jobs, both men and women, were working in agriculture. This is followed by the service industry (see Figure 3.11).<sup>79</sup> About 20% more women were working in agriculture than men.

What is, however, particularly interesting is that almost one-third of young people who took part in a UNDP survey still preferred to work in the public sector (see Figure 3.12).

**The rate of unemployment**,<sup>80</sup> interpreted as the number of registered unemployed divided

FIGURE 3.10 Employment according to gender in 2013

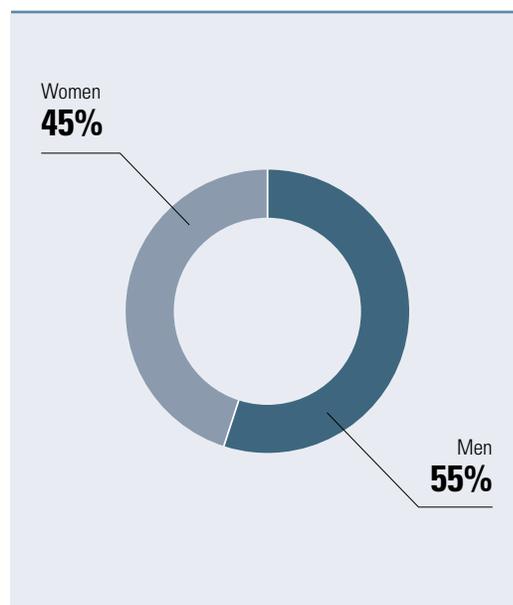
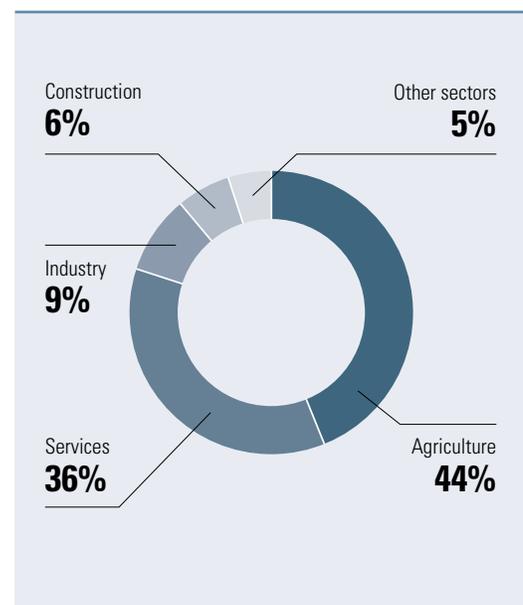


FIGURE 3.11 Employment according to economic activity in 2013



### New standards for job market statistics

According to the current standards, anyone involved in productive activity for self-consumption is considered to be employed. In Albania, this means that all of the workforce in the countryside is considered employed. According to the new international standards, those producing food for their own consumption are no longer classified as employed and, since this is a very large group of people in Albania, the rates of employment and of unemployment will be substantially affected. Even though the formula for calculating the level of unemployment has not in itself changed, there are now two new concepts involved: **employment** and **employed persons**. These were formerly the same. Now the group of persons employed is a subgroup of persons in employment. With this change, a recalculation of the data from the Work Force Survey for 2012 revealed that Albania had at least 21.8% unemployment in 2012 and not 14% as was earlier stated. This rate would seem closer to reality and more comparable with the unemployment figures of the other countries in the region: Kosovo – 30.9%, Macedonia – 31.0%, Montenegro – 19.7% and Serbia – 23.9%.

by the number of people in the work force, began to fall substantially after 1993 because a large number of registered unemployed, especially in rural areas, were removed from the unemployment lists when they received land in accordance with the Law on Land and Privatisation<sup>81</sup> and were thereafter considered self-employed. As such, unemployment in 1996 was half of what it was in 1993. This tendency later changed, under the influence of the events of 1997<sup>82</sup> and reached 18.4% in 1999. From that year to 2011, the unemployment rate continued to fall, such that at the end of that period, it was reported to be around 14.3%. It was only in 2013 that the unemployment rate was recorded as being

at a level of 16.1% (see Table 3.2).<sup>83</sup> From this table, it is apparent that the unemployment rate for young people is much higher than the general unemployment rate.

The number of registered unemployed jobseekers in labour exchanges rose from about 140,000 in 2008 to about 143,000 in 2013 (see Figure 3.13),<sup>84</sup> but could in fact be higher. This number is reported to have been higher in 2010, apparently due to the start of the economic crisis in Albania that began somewhat before the global economic crisis in Europe. However, whatever the unemployment statistics may give, it is important to stress that in 2013 the overall number of registered

FIGURE 3.12 Preferences in employment sectors

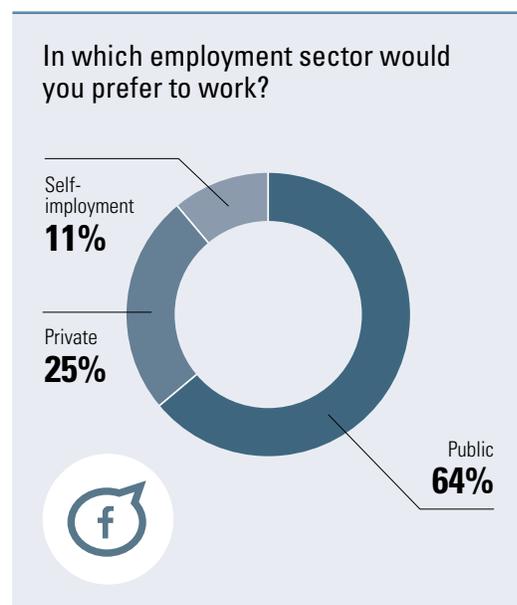


TABLE 3.2 The Unemployment Rate by Year

	2010	2011	2012	2013
The overall unemployment rate in % (for the age group 15 to 64)	14.2	14.3	13.9	16.1
Women	15.9	14.7	12.5	13.5
Men	12.8	14.0	15.0	18.1
The youth unemployment rate (for the age group of 15 to 29)	22.5	22.5	25.0	26.7

unemployed jobseekers in labour exchanges was about 142,650.

It should be kept in mind that this is the cumulative number of registered jobseekers and, according to the international standards, the exact level should be the number of registered unemployed jobseekers within one year: in this case, from 1 January to 31 December 2013.<sup>85</sup>

Unemployment indicators have recently been recalculated according to a new international standard, approved at the 19<sup>th</sup> Conference on Labour Statistics.<sup>86</sup> This recalculation was made for the 2012 data and resulted in a much higher rate of unemployment than that reported up to then.<sup>87</sup>

Thus, despite the official unemployment statistics that consider farmers as self-employed, the real number of unemployed is far higher and, in this context, emigration (whether permanent or seasonal) continues to be the 'discharge valve' for the country's severe economic and social problems that have produced this worrisome level of unemployment.

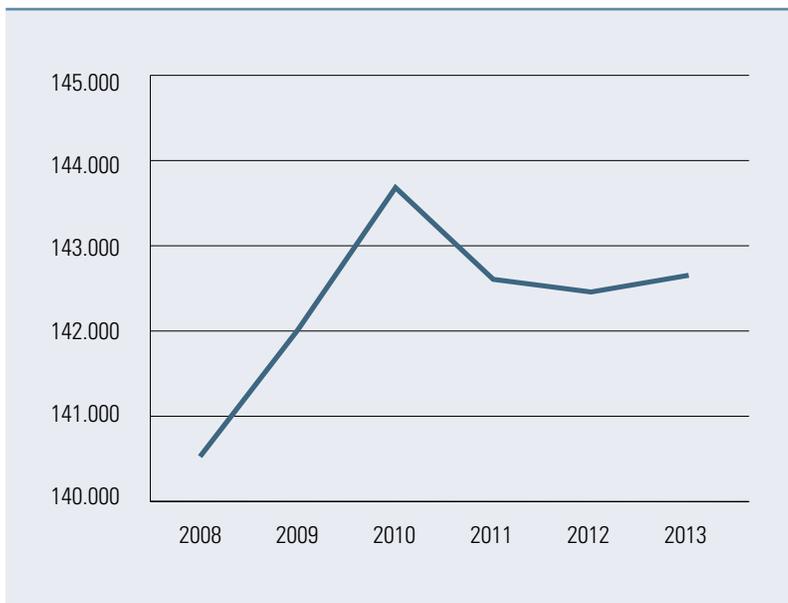
More worrisome is the unemployment rate for young people, which is about twice that of general unemployment. The employment

promotion programmes,<sup>88</sup> focused on the creation of new jobs, endeavour to find work for young people and those in need. But although the funding for these programmes tripled in 2014 and was then doubled again in 2015, the number of beneficiaries remains small compared to the overall number of unemployed jobseekers.<sup>89</sup> In 2014, despite the major increase in funding and the substantial improvement in the working methods used for this type of employment service, beneficiaries represented less than about 3% of registered unemployed jobseekers.

The employment promotion programmes and the substantial improvement in services for the unemployed<sup>90</sup> do not seem to be sufficient and decisive enough to lower the high rate of unemployment. This makes it all the more essential, beyond and above the current employment promotion programmes, to have a clear strategy to promote economic growth in order to encourage employment and the development of the private sector, with priority being given to the regions with the highest levels of unemployment: Tirana, Shkodra, Fier, and Elbasan. The current rate of economic growth has not been sufficient to create a sufficient number of jobs.

One theoretical explanation for this could be that the impact of economic growth on employment is not immediately felt since time is needed, in particular when the growth is not sustainable. Another, slightly less theoretical explanation could be that the beginning of the transition period brought disarray to the indicators of the job market to such an extent that time is needed to stabilize them and allow them to reach optimal values. From this point of view, State policies to promote economic growth without employment should be considered incomplete, insufficient and confusing for the creation of a functional job market. Recent endeavours to expand the garment and shoes industry may be considered important, but for them to give sustainable results in job terms, they need to be accompanied by measures to consolidate them further and to bring about a gradual transformation in "made in Albania" products.

FIGURE 3.13 Number of registered unemployed jobseekers by year

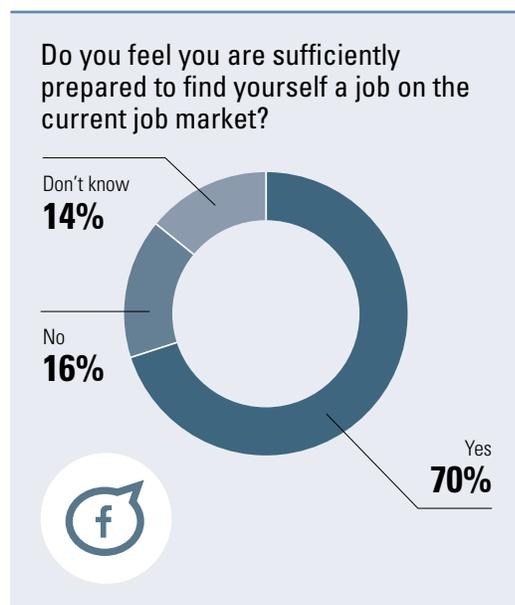


Among other serious endeavours are those to set up new labour exchange offices based on the new relationship between employer and employees. They have begun to give impetus to an improvement in services and to a reduction of unemployment.

A long-term equilibrium between supply and demand may be an important signal for professions sought on the job market by supporting the education system, in particular professional training, to harmonise it with the needs of small business and to guarantee movement on the job market.

In general terms, young people on social networks say that they feel adequately prepared for the job market. However, about 30% of them think that they are not prepared or are not sure (see Figure 3.14). They state that they have received insufficient training from school to enter the job market even when their marks are above average, that they lack information about what is required of them on the job market, and that they need to be strongly and openly supportive of a political party to get a job, or need to have good connections with someone because, although they can get good marks in written tests, examiners can be subjective in oral tests.

FIGURE 3.14 Perceptions on preparedness for the job market



### 3.3 Formalising the Economy

The existence of an informal economy is primarily an issue of governance. The very rapid rise in the informal sector of the economy derives from inappropriate macro-economic and social policies that are either ineffective or badly implemented. It is also caused by the lack of a proper legal or institutional framework, the lack of good government and, in particular, by the lack of effective implementation for policies and laws that have been passed.

The essential thing here is a clear approach and position by the government: either to fight for more direct revenue for the State budget or to fight to increase the number of taxpayers by countering the informal structures in the economy and thus raise incomes. Up to now, government administrations have tended clearly to take the former approach, which is technically easier and requires less effort to carry out.

All of this brought about a climate of mistrust towards government institutions and administrative procedures and promoted the informal market all the more. In addition, macro-economic policies, including structural improvements, when sufficiently focused on employment, reduce the number of existing jobs and fail to create a sufficient number of new jobs in the formal economy. Nowadays, there is less talk of an informal sector of the economy and more and more simply about an informal economy.<sup>91</sup>

Of particular importance are analyses of the relationship between economic growth and employment, and of the influence of economic growth on employment, underemployment and informal employment. The informal economy is a real problem for the job market because people often work without contracts and do not pay their social insurance contributions. Another problem is the unpaid work done by farming families. One way of calculating the size of the informal economy is to use the employment statistics. Its extent can be shown by a simply and approximate calculation measuring the (percentage) difference between administrative statistics on the number of

persons employed in a specific sector and the statements (in surveys of the work force) made by people working in the sectors in question (see Table 3.3).

The highest percentage of informal activity is most evident in the construction sector. But there are also high rates of informal activity in transportation and telecommunications, in the mineral-extracting industry and in commerce, etc. On the basis of such calculations, we can estimate that the informal economy constitutes about 20% of the Albanian economy as a whole. This percentage is lower than that published for the Albanian economy by EBRD which gave a rate of 35%. The difference probably stems from the various ways of calculating informal activity in agriculture because it is still difficult to define who is to be called employed, underemployed and unemployed in that sector.

The lack of solution to the problem of land ownership and the lack of a functioning property market, which has had a really negative impact on rural and urban development, have

given rise to much informal activity. In urban areas it is estimated that between 1992 and 1996, about 60% of new family homes were not constructed by the formal sector.<sup>92</sup> There are, indeed, said to be about 350,000 illegal constructions in the country. Land has thus been used inappropriately, resulting in an inappropriate density of buildings.

In this aspect, Albania continues to rank badly in international surveys, in particular as to the level of the indicator of proprietary rights where it is last on the list, together with the Ivory Coast, Chad and Nigeria, with a rank half that of Finland or New Zealand.<sup>93</sup>

The lack of implementation of property rights is a major impediment to increasing income and reducing poverty, and it is also considered a substantial source of informal activity, in particular in the countryside. Up to now, it has been virtually impossible to provide and formalise clear statistics on family income and employment.

The economic and social costs of informal activity are high, and they have given rise to much poverty and low productivity. The informal economy discriminates against women, young people, migrants and older employees.

### 3.4 Is there a need for a new economic profile?

The gradual decline in competitiveness, the lack of growth in productivity and the spread of poverty, in particular following the blow to the economy from abroad, clearly reflect the fact that the existing model for economic growth to ensure stable income was running dry. There were major failings in this model which was too dependent upon funding from abroad and remittances from Albanian emigrants.

This model seems to have reached its end since many of its components and driving forces reached the maximum of what they could achieve and are now drying up and will lose force for the coming 15-20 year period culminating the years 2025-2030.

TABLE 3.3 Approximate Calculation of Informal Activity by Sectors of the Economy

Activity	Administrative statistics on the number of employed for 2012	Statements from Work Force Surveys for 2012.	Change (%)
<b>Total</b>	<b>967,159</b>	<b>1,159,651</b>	<b>19.90</b>
Construction	35,414	94,808	167.71
Transport and telecommunications	22,211	49,214	121.58
Mineral-extracting industry	8,132	16,324	100.74
Trade	65,432	122,375	87.03
Hotels and restaurants	25,687	40,359	57.12
Food, drink and tobacco processing	11,384	17,487	53.615
Manufacturing	62,627	88,828	41.84
Clothing and textiles	14,912	20,771	39.29

## Formalising the economy

According to the ILO, changing an informal economy to a formal economy can best and most quickly be achieved by means of the following measures: (i) Growth strategies and quality employment generation, (ii) Regulatory environment, including enforcement of international labour standards and core rights, (iii) Organization, representation and social dialogue, (iv) Equality, gender, HIV status, ethnicity, race, caste, age, disability, (v) Entrepreneurship, skills, finance, management, access to markets, (vi) Extension of social protection: building social protection floors and social security systems, and (vii) Local (rural and urban) development strategies.

Ensuring sustainable growth depends on the extent to which the economy can find and use “*new resources to feed economic growth*” or “*replacements*” for a number of the current sources of growth which in the short and medium term are expected to contribute much less than they previously did.

How is the gap to be filled that is being created by the shrinking of the construction sector, the reduction in the level of remittances from abroad, and the “end” to further privatisation ventures? How are the trade and payment deficits to be eliminated or reined in? How is the countryside to be restructured where tiny family plots are now the norm, to return it to large-scale agricultural production? How is Albanian business to be developed, restructured and modernised when it is still dominated by small family businesses with their archaic informal structures? What will the “driving force” of the Albanian economy be in the coming years? What will be the future role of agriculture, agro-industry, energy, tourism, industry, infrastructure, education and services? Such questions require an immediate response and profound economic reforms. It is high time to set forth a “profile” or “portrait” for the Albanian economy of the future.

Various economic models have been put forth, but there seems to be agreement at least on the basic direction to be taken to achieve a better economic model: structural changes to enhance business productivity, decisive impetus to enable Albanian businesses to compete with their foreign competitors, clear policies to harmonise the capacities of the work force with the needs of the job market, highly supportive policies to attract foreign investment, and

security to create more opportunities for long-term employment.

Another main resource for promoting prosperity and fighting poverty is the development of human capital to enhance the capacities of the work force.

The discussion on a new economic profile has become particularly significant since the severe economic crisis that hit neighbouring Greece. There are many Albanian emigrants living and working in Greece and their remittances will no doubt continue to decline. This downward trajectory can only begin to change when Albania’s southern neighbour regains some sense of relative stability. Albania now has an open economy influenced by what happens in the economies of other country, and in particular of neighbouring countries like Greece, which is important to Albania as a trading partner and for foreign investment.

It is also a fact that the Albanian banking system, although carefully protected from negative foreign influence, also comprises a number of second-tier banks of Greek origin.

As such, the global economic situation and particularly that in Greece can well have an impact upon the Albanian economic situation. The Albanian Government has long been working to diminish and neutralise any possible damage from abroad and has been continually supported to this end by the IMF, the World Bank and the European Union. Experience has shown that the consequences of a crisis are graver and more difficult to master when the financial sector is caught up in it.

These are the reasons what the World Bank is involved in discussions for a new economic

### Priority policies to ensure growth and employment

According to the World Bank, the basic way of ensuring economic growth and a rise in employment, i.e. to reduce poverty and to spread prosperity, is to implement an economic model with the following components: (i) **guaranteeing fiscal stability** that will return by further raising the effectiveness of public spending, by enhancing measures to raise revenue, by ensuring pension stability, by reducing the fiscal deficit as much as possible, by better managing the state budget, by a better control over public finances and by accelerating proper decisions on public investments; (ii) **guaranteeing financial stability**, by reducing the proportion of bad loans, by guaranteeing a stable rise in loans, by promoting the reliability of monetary policy and by enhancing the autonomy of the regulatory financial authorities; (iii) **guaranteeing a better business climate** by minimizing legal restrictions and by solving issues of property and land registry; (iv) **formalising a stable property market**, by ensuring transparent administrative procedures, respect for international standards in property issues, a digital registration of property in land registries and the creation of a fiscal land registry, just systems of compensation, and the improved planning and management of land; (v) **guaranteeing better governance**, that is linked to a rise in transparency and accountability, a complete reform of the judiciary, with broad support from Parliament; (vi) **enhancing human capacities**, by improving access to education, improving the quality of education, enhancing management in the universities and reforming professional training.

profile for Albania to guarantee stable economic growth and employment. A special programme is being worked out to this end<sup>94</sup> and, if the reforms required are carried out rigorously and in

complete accord with this plan, it is very possible that the Albanian economy may revive over the coming three years and may return to the fast rhythm of development it once enjoyed.<sup>95</sup>



# CHAPTER 4

THE INEQUALITY  
OF SOCIAL  
PROGRESS



## 4.1 Unequal human development

Social progress is the capacity of a society to meet the basic human needs of its citizens, to establish the building blocks that allow citizens and communities to enhance and sustain the quality of their lives, and to create the conditions for all individuals to reach their full potential. Accordingly, a Social Progress Index was calculated for each country, measuring the outcome of social policies rather than economic, financial or human input.<sup>96</sup> For example, this indicator is more interested in evaluating the health of the population than the expenditures available to ensure good health.

The Social Progress Index (SPI) for 2015 was calculated for 133 countries, representing about 94% of the world's population, and evaluated for 28 other countries lacking proper statistical data. If the world were one country, it would have an SPI rate of 61.00.

Albania is ranked 52<sup>nd</sup> in this index and is included in the group of upper middle countries with average social progress,<sup>97</sup> with a score of 68.19. Within the Western Balkans, it finds itself behind Serbia (at 45<sup>th</sup>) and Montenegro (at 48<sup>th</sup>) but is before Macedonia (at 53<sup>rd</sup>), Turkey (at 58<sup>th</sup>) and Bosnia and Herzegovina (at 59<sup>rd</sup>).<sup>98</sup> The latter two countries are included

in the group of lower middle countries making average social progress.

Economic progress does not automatically mean social progress, but it provides more opportunities to deepen inequalities if proper care is not taken with regard to distribution and equal opportunity. Thus, though economic and social progress are interdependent, the economic level reached cannot, in itself, suffice to explain social progress. At every level of per capita GDP, there may be higher social progress or the danger of lower social progress.

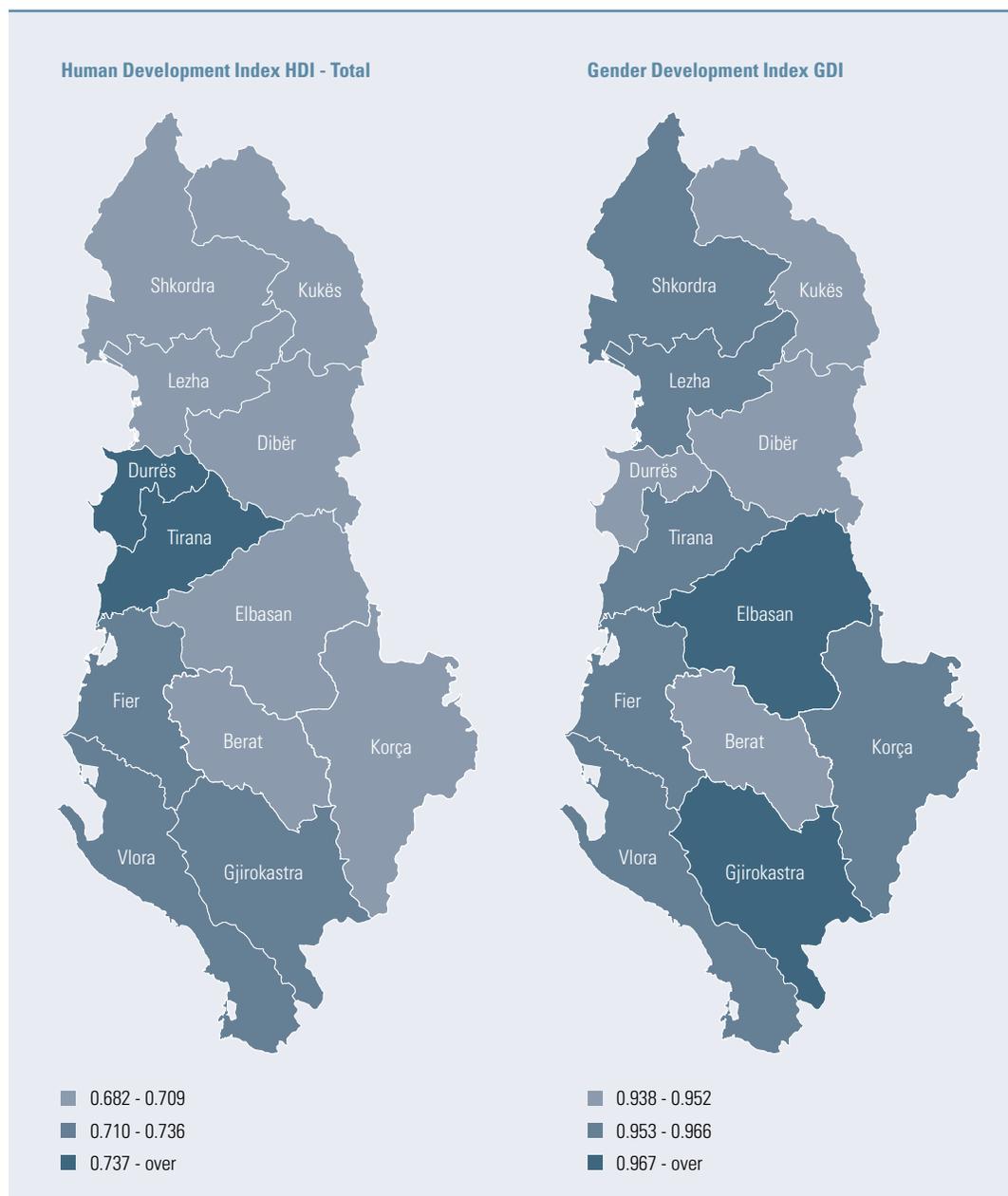
As such, the rankings given are not a prime reflection of income in each country. For example, Turkey is ranked 58<sup>th</sup> although it has a per capita GDP that is twice as high as Albania's. At the top of the list is Norway, with a Social Progress Index of 88.36 and with a per capita GDP of about 62,500 USD.

The most widely accepted index of social progress is the Human Development Index (HDI)<sup>99</sup> that includes three main components: average longevity, the education level of society and the per capita GDP. In this report, the HDI is calculated at the national level and for each prefecture to facilitate an analysis of local development in Albania. It makes use of data from the 2011 census (see Table 4.1).

TABLE 4.1 The Calculated HDI Statistics

	Human Development Index HDI			Gender Development Index GDI
	Total	Men	Women	
<b>Albania</b>	<b>0.726</b>	<b>0.740</b>	<b>0.711</b>	<b>0.960</b>
Berat	0.704	0.722	0.684	0.947
Dibër	0.694	0.714	0.678	0.949
Durrës	0.743	0.765	0.718	0.938
Elbasan	0.705	0.714	0.700	0.981
Fier	0.725	0.744	0.710	0.954
Gjirokastra	0.716	0.725	0.711	0.981
Korça	0.691	0.705	0.679	0.963
Kukës	0.682	0.705	0.664	0.942
Lezha	0.696	0.710	0.683	0.963
Shkodra	0.698	0.713	0.689	0.966
Tirana	0.763	0.782	0.746	0.955
Vlora	0.720	0.736	0.706	0.960
Northern Albania	0.711	0.728	0.693	0.953
Central Albania	0.749	0.763	0.734	0.962
Southern Albania	0.713	0.726	0.698	0.961

TABLE 4.1 The Calculated HDI Statistics, continued



As can be seen, the HDI rate at the national level, with data from 2013, is 0.726, slightly higher than the one published in the UNDP Global Report, which was 0.716.<sup>100</sup> The rate is not the same for men and women: 0.74 vs. 0.711 respectively, which shows that human development for women in Albania is somewhat below that of men.

It can be seen here that human development is not the same in every prefecture because the components, in particular the per capita GDP, are different. We see that the Prefectures of

Tirana, Durrës, Fier and Vlora have a higher rate of human development than the eight other prefectures in the country. The Prefectures of Kukës and Korça have the lowest rates.

Table 4.1 also gives the rates of the Gender Development Index (GDI). It can be seen that the GDI rate for Albania as a whole is 0.960 and that the Prefectures of Kukës, Berat, Fier, Durrës and Tirana are under this level. The Prefectures of Gjirokastra and Elbasan have higher rates of gender development.

One must keep in mind here that both the HDI and the GDI are calculated on the basis of longevity, education and income. For Albania, of these three variables, only the third one is statistically reliable because the quality of the statistics is not good for the other two, e.g. not all deaths are reported and there has always been distortion in education statistics. As such, the HDI and GDI rates are higher than they would normally be and, in the list of countries, Albania appears with a higher rate of human development than it actually has.

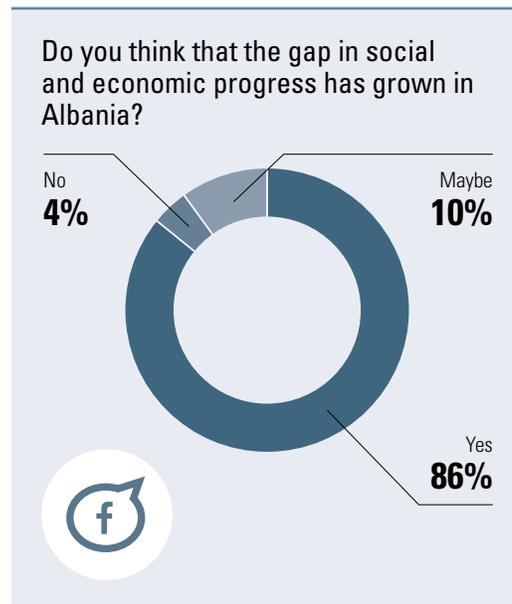
Specifically, the HDI rate given in the Global Human Development Report<sup>101</sup> (HDI=0.716) and in the Human Development Report (HDI=726) puts Albania 95<sup>th</sup> and includes it in the group of countries with a high level of human development (the rates of this group go from 0.700 to 0.790), although per capita income remains low (about 9,225 USD per capita).<sup>102</sup> In this respect, Albania should be in the group of countries with average human development (with per capita income over 5,960 and under 13,231 USD). The reason it is wrongly placed in the higher group has to do with the indicators on longevity and education, given as 77.4 and 9.3 respectively, about which there is room for doubt.

The inequality of economic and social development has grown. This is what the overwhelming majority of people think who expressed their views on social media (see Figure 4.1).<sup>103</sup>

## 4.2 Different Forms of Poverty

During the transition decades, Albania was able to develop economically and progress from being a low income country to being an upper middle income country,<sup>104</sup> but this economic progress was not accompanied by the same rate of human development and even less by sustainable human development. In addition, the progress that was achieved did not spread equally though all sections of the population, wherever they lived. The gap in economic and social inequality has widened and diversified even further.

FIGURE 4.1 The widening gap in social and economic progress



Poverty is one of the main indicators of unequal development. Measuring and monitoring it plays a very important role for policy makers in fighting poverty and in helping people in need. The basic measurement is the “poverty line” which is calculated on the basis of FAO recommendations on the minimum number of calories (according to gender and age group). In Albania, people live on 2,288 calories per day.

Family poverty in Albania has finally begun to be measured by monthly consumption per family instead of being measured solely on the basis of income. Of course, there are numerous other non-monetary factors to be taken into consideration: education, health care, demographic indicators, housing costs and access to a number of basic services, that all help to define the living standard of a family. This sort of information has all been gathered in periodical surveys carried out by INSTAT.<sup>105</sup>

According to the latest survey, in 2012 about 14.3% of people in Albania were considered poor because they spent less than 4,891 Leks per month per capita, which is regarded as the absolute poverty line for Albania.<sup>109</sup> Poverty is distributed unequally among the country’s prefectures. Kukës can be regarded as the poorest prefecture in the country because it has

TABLE 4.2 Poverty Indicators by Region

Prefectures	Headcount <sup>106</sup>	Depth <sup>107</sup>	Severity <sup>108</sup>
1 Berat	12,34	2,30	0,69
2 Dibra	12,67	2,32	0,68
3 Durrës	16,50	3,63	1,27
4 Elbasan	11,27	2,29	0,72
5 Fier	17,07	3,43	1,03
6 Gjirokastra	10,63	2,35	0,97
7 Korça	12,44	2,52	0,71
8 Kukës	22,50	3,81	0,94
9 Lezha	18,41	4,66	1,75
10 Shkodra	15,45	3,68	1,60
11 Tirana	13,92	2,74	0,82
12 Vlora	11,12	2,35	0,83
<b>Total</b>	<b>14,31</b>	<b>2,96</b>	<b>0,97</b>

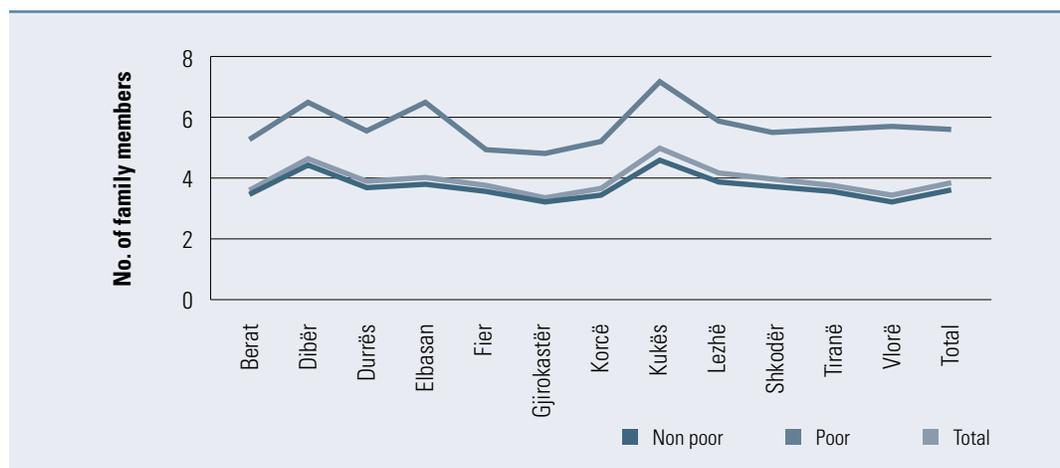
the highest percentage of people living under the absolute poverty line (about 22.5%). Kukës is followed by the Prefecture of Lezha where 18.41% of the population is considered poor (see Table 4.2).<sup>110</sup>

Family poverty also depends on the number of family members. The Prefectures of Kukës, Dibra and Elbasan have larger families, with an average of 4.8, 4.3, and 4.2 members respectively (see Figure 4.2).<sup>111</sup>

Poverty is greatest in large families and is particularly high in families with three or more children. At the national level, about 33% of people with three or more children depending on them are poor, compared to only 4.5% of people without children. Here it is the Prefecture of Vlora that has the highest poverty rate, about 37.8%, followed by the Prefecture of Kukës with 37.1% (see Table 4.3).<sup>112</sup>

Poverty also has a non-monetary dimension that can be seen in a number of indicators. These have no direct relationship with money

FIGURE 4.2 Family size according to prefecture



but with the abilities of the families in question to access quality services and with their living conditions. Such indicators are water supply, sanitary conditions, education levels, possession of essential household equipment, etc. Table 4.4 gives data from INSTAT surveys on trends for several indicators according to year.<sup>113</sup>

Here it is evident, in general terms that non-monetary poverty is on the decline due to continuous investments in the fields in question. However, it is also evident here that about one individual in four still has no running water in the house and, what is even worse, about 14% of people have no access to running water at all. In addition, less than 70%

of the population has uninterrupted electricity, although continuous improvements have been made and power cuts have decreased.

### 4.3 Is there a Difference between Northern and Southern Albania?

The North-South divide in Albania is more of a political speculation than anything. It is something that the transition period changed radically, as it did many other things. It is much more sensible to see divides in the country where they really are: towns as opposed to villages, flatland as opposed to mountain regions and mountain regions close to a town as opposed to isolated mountain regions.

The key element of this change is “migration”. It was to central Albania that many people from other prefectures migrated in recent years. Indeed these migrants now represent about 15% of the residents of the Prefecture

TABLE 4.3 Poverty in Families in Accordance with the Number of Children

Prefectures	Without children	With three or more children
Berat	4,6	22,8
Dibra	3,5	23,1
Durrës	1,7	33,9
Elbasan	0,8	34,4
Fier	4,6	35,8
Gjirokastra	2,2	21,0
Korça	4,1	32,8
Kukës	10,5	37,1
Lezha	9,1	32,8
Shkodra	2,9	33,8
Tirana	5,7	35,0
Vlora	5,8	37,8
<b>Total</b>	<b>4,5</b>	<b>33,1</b>

TABLE 4.4 Some Indicators of Non-Monetary Poverty

Indicator	2002	2005	2008	2012
Running water in the home	49.9	53.2	68.5	78.2 (80.6) <sup>14</sup>
Running water outside	16.5	16.1	11.3	7.2
No running water	33.6	30.7	20.2	14.6
WC in the home	61.2	68.7	81.2	93.6 (94.0)
WC outside and no sewage pipes	28.0	22.2	13.7	3.0
Have a cell phone	29.8	60.7	63.0	73.9 (92.4)
Do not have a cell phone	46.6	16.0	8.1	5.2
Uninterrupted electricity	13.8	28.0	39.5	67.8
Electricity with 1-5 hour interruptions	25.2	53.5	49.0	30.8
Electricity with 6-12 hour interruptions	47.7	18.6	11.5	1.2
Less than one resident per room	5.4	5.0	8.1	11.5
1-3 resident per room	67.2	71.5	71.8	82.5
3 or more residents per room	27.5	23.5	20.2	6.0

of Tirana (and about 13% of the population of Durrës and 10.3% of the population of Lezha). This mass migration, together with many other indicators of economic and social development (most of the migrants are between the ages of 20 and 34 and are thus of a working age)<sup>115</sup> brought about a blending of traditions.

However, even though there is no complete and universally accepted method of analysis here, a comparison can initially be made with several basic indicators. To make calculations easier, the indicators have been set forth in three parts, in line with the statistical division of Albania:<sup>116</sup> the North, comprising all the prefectures of the North (Shkodra, Kukës, Dibra and Lezha) as well as Durrës; Central Albania, comprising the Prefectures of Tirana and of Elbasan; and the South, comprising all the prefectures of the South (Berat, Fier, Vlora, Gjirokastra and Korca).

As to *population*, this official statistical division gives the following figures: the North has about 835,000 residents; Central Albania has about 1,045,000 residents, and the South has about 920,000 residents.<sup>117</sup> According to this division, the North and South have about the same population.

There was no difference in the education average: 10.7 and 9.4 respectively (see Table 4.5). The education level is higher in Central Albania, with a rate above the Albanian average (9.9 as opposed to 9.6 which is the average for the whole country). In view of this, the *education indicator* (EI) is completely the same for the South and the North: 0.611, as opposed to 0.629 which is the rate for Central Albania and 0.618 which is the average for the country as a whole (see Table 4.5).

The expected *longevity* is higher in the North and the South, with the rate of the *longevity*

TABLE 4.5 Some Indicators according to Prefecture

	Prefecture	Estimated longevity	Estimated years of education	Average years of education	Gross National Income per capita	Health indicator	Education indicator	Income indicator
	<b>Albania as a whole</b>	<b>78.1</b>	<b>10.7</b>	<b>9.60</b>	<b>9,864</b>	<b>0.893</b>	<b>0.618</b>	<b>0.694</b>
1	Berat	77.9	10.7	8.83	7,955	0.891	0.593	0.661
2	Dibra	77.5	10.7	8.95	6,634	0.885	0.596	0.634
3	Durrës	79.6	10.7	10.25	10,305	0.917	0.640	0.700
4	Elbasan	78.6	10.7	8.96	7,414	0.901	0.597	0.650
5	Fier	77.3	10.7	9.24	11,158	0.882	0.606	0.712
6	Gjirokastra	74.4	10.7	10.72	8,403	0.837	0.656	0.669
7	Korça	75.6	10.7	9.20	6,892	0.855	0.605	0.639
8	Kukës	78.7	10.7	7.55	6,854	0.903	0.550	0.639
9	Lezha	77.5	10.7	8.89	7,006	0.885	0.595	0.642
10	Shkodra	76.4	10.7	9.44	6,930	0.868	0.613	0.640
11	Tirana	80.5	10.7	10.28	13,920	0.931	0.641	0.746
12	Vlora	77.0	10.7	9.81	9,042	0.876	0.625	0.680
	North	77.9	10.7	9.4	7,962	0.891	0.611	0.661
	Central Albania	79.9	10.7	9.9	12,103	0.922	0.629	0.724
	South	76.6	10.7	9.4	9,023	0.871	0.611	0.680

*indicator* (LI) being 77.9 and 76.6 respectively, as opposed to 79.9 in Central Albania and 78.1 for the country as a whole.

The *health indicator* (HI) is higher in the North than in the South, with rates of 0.891 and 0.871 respectively, but both are under the national average. The rate of this indicator is highest in Central Albania (see Table 4.5).

*Gross national income* is slightly higher in the South than in the North but is much higher in Central Albania, with respective rates of 7,962, 9,023 and 12,103 Leks per capita, as opposed to 9,864 Leks per capita as the average for the country as a whole. As such, the *income indicator* (II) is slightly lower in the North than in the South, but in Central

Albania it is much higher than the national average.

In Table 4.4, the inequalities of development by prefecture can be seen clearly, compared to the national average. The Prefecture of Gjirokastra has the least number of residents, about 72,000, the lowest LI at about 74.4, and the lowest HI with a rate of 0.837. The Prefecture of Kukës has the lowest rate of school education (in years) in the country and the lowest EI at 0.55; the Prefecture of Dibra has the lowest per capital gross income in the country and an II of 0.634.

In the rate of development of the private sector, the inequality of development can also be seen in the number of private businesses created in each prefecture (see Table 4.6).<sup>118</sup>

TABLE 4.6 Rate of Development of the Private Sector according to Prefecture

	Prefecture	Active businesses		Businesses created in 2013	Active businesses according to the number of employees %				Active businesses with a female owner or manager	
		Number	/000 inhabitants		1-4	5-9	10-49	50+	Number	%
	<b>Albania as a whole</b>	<b>111 083</b>	<b>39.7</b>	<b>12 131</b>	<b>89.8</b>	<b>4.7</b>	<b>4.2</b>	<b>1.3</b>	<b>30 827</b>	<b>27.8</b>
1	Berat	4 557	32.3	352	93.5	2.3	3.3	0.9	1 270	27.9
2	Dibra	2 077	15.2	164	87.4	3.9	7.0	1.7	376	18.1
3	Durrës	10 599	40.4	1 088	89.5	4.8	4.3	1.4	2 816	26.6
4	Elbasan	7 422	18.8	715	92.3	3.1	3.9	0.7	1 858	25.0
5	Fier	9 830	31.7	863	92.8	3.2	3.1	0.9	2 615	26.6
6	Gjirokastra	2 814	53.0	235	89.4	3.7	5.7	1.2	655	23.3
7	Korça	6 728	30.6	573	92.5	3.1	3.6	0.3	1 742	25.9
8	Kukës	1 062	12.5	110	81.5	7.5	8.7	2.3	160	15.0
9	Lezha	3 189	23.8	332	90.2	4.2	4.3	1.2	796	25.0
10	Shkodra	5 945	27.7	547	90.4	3.7	4.6	1.3	1 565	26.3
11	Tirana	47 477	63.4	6 107	87.8	6.2	4.4	1.6	14 455	30.4
12	Vlora	9 363	53.5	1 045	92.6	3.6	3.1	0.7	2 519	26.9
	North	22 872	27.4	2 241	89.3	2.7	4.8	1.4	5 713	25.0
	Central Albania	54 899	52.5	6 822	88.4	5.8	4.3	1.5	16 313	29.7
	South	33 312	36.2	3 068	92.5	3.2	3.4	0.8	8 801	26.4

Here, one sees that the number of businesses per 1,000 inhabitants is much higher in Tirana than in the other prefectures of Albania, which means that it is much easier to get a job and higher income in Tirana than in the other prefectures. The prefectures of Vlora and Gjirokastra are ranked right behind Tirana. But in Kukës there are about five-times less businesses than in Tirana, in Dibra 4.2 times less and in Elbasan about 3.4 times less. As such, the private sector is far less developed in Kukës, Dibra and Elbasan where there are fewer opportunities for employment.

The overwhelming majority of businesses in all the prefectures are very small companies with about 1-4 employees. About half of the larger businesses in the country, irrespective of sector, are in Tirana: 2,943 businesses with 5-9 employees out of a total of 5,200; 2,088 businesses with 10-49 employees out of a total of 4,665; and 760 businesses with over 50 employees out of a total of 1,444.

Because of Tirana, it is Central Albania that has turned out to be most attractive region for business, more than the North and the South. For this reason, special policies are needed to encourage business in the less-developed prefectures such as Kukës, Dibra and Elbasan, to raise the number of businesses in general and, in particular, the number of businesses that employ a lot of people.

Very interesting conclusions can be drawn about regional differences in the study on Skill Needs Analysis (SNA),<sup>119</sup> in which it can be seen that there is particular need for more professional knowledge by the work force in the South.

On the basis of these statistics, it is more than apparent that the main problem in Albania is not the inequality of development between North and South, but the difference between Central Albania and the other parts of the country. In fact, the greatest inequality is between Tirana and the rest of the country because the indicators for Elbasan, which is in Central Albania, are clearly lower than in Tirana and comparable to those of the other prefectures in Albania.

This result is very important for politicians as they must urgently come up with policies to support development in the 11 prefectures that are less developed than Tirana.

Another very important result of this analysis is gender inequality. In this connection, human development in all the prefectures reveals a distinction between men and women. At the national level the HDI rate is 0.726. The rate is, however, higher for men and much lower for women, the difference between them being 0.29 (see Table 4.4).

#### Some regional differences according the Skill Needs Analysis 2014

- About 60% of employment in Albania is concentrated in Central Albania, with the lowest level of employment being in the South.
- Almost all businesses that are active in the South state that they are very concerned about unemployment. The incidence of unemployment is lowest in Central Albania followed by the North. In the South, concern about low salaries is three times higher than it is in Central Albania.
- Small businesses state that they are employing people who do not have the requisite capacities. This is particularly true of waiters and bartenders. The highest level of businesses that are dissatisfied with the capacities of their employees is in South Albania. In this region, the dissatisfaction is particularly prominent in the service sector and in construction.
- In general, being an acquaintance, relative or friend is the best way of getting a job in all the regions, but this method is used more in the South (59.6%) and in the North (56.5%), and less so in Central Albania (37.7%), where people usually find jobs via the press and websites.
- In the south, there is a relatively high percentage of companies with professional training structures, but a low percentage of companies with a budget for the training.
- Businesses consider the lack of funds for professional training to be the main impediment to training. This concern is particularly apparent in businesses in the North. The situation in the South is somewhat better than in the North, but there are nonetheless problems. The lack of courses and of qualified teachers is deemed to be the second most important impediment to training, especially in Central Albania. This concern has been identified as the main impediment for both the North and the South.

The greatest difference is in the Prefecture of Kukës (0.41) and the least difference is in the Prefectures of Elbasan and Gjirokastra (0.14 each). With regard to the three major zones in the country, the South is slightly better off than the North (the difference being 0.37 compared to 0.29). At the national level, only about one business in four is owned or managed by a woman. There is therefore much need for government policies to enhance the role of women in private business.

Successful reforms aimed at reducing these differences will create a potential source of development.

#### 4.4 Where is Dysfunctionality Posing the Greatest Problem?

Children, young people and the elderly are the three groups who are paying the greatest price for dysfunctionality.

*Childhood* is the age group that has received the least attention from public policies. In general, it is said that not enough has been done for children. Although a good level of attention has been paid to the protection of their rights, in particular in 2010 with the passing of the law “On the Protection of Children’s Rights” and other related regulations, the indicators on the welfare of children show that not enough has been achieved.

The rates of infant mortality and of mortality for children up to the age of 5 is higher than in other countries of the Balkan region: the most recent World Bank statistic reveal that there are 13 deaths per 1,000 births in Albania,<sup>120</sup> which is about twice the rate in other countries of the region (Bosnia and Herzegovina 7, Serbia 6, Macedonia 6 and Montenegro 5).<sup>121</sup>

In addition, about 50% of children are not in good health. Only 44.4% of them eat breakfast every day and only 30.7% of them do physical exercise every day. About 4.6% of children aged 11-15 are regular smokers.<sup>122</sup>

Pre-school attendance for children has fallen sharply since the beginning of the transition period and there has been no substantial change in this decline for the last two decades.

The situation is particularly difficult in the countryside where there are much fewer opportunities to access such services.

Among the main population groups at risk of social exclusion are “street children,” children who have come into conflict with the law, poor children, children of the Roma and Egyptian communities, children subjected to violence and trafficking, those without parents to take care of them, those caught up in blood feuds, those with disabilities, and children living in the countryside.

It is young people who have paid the highest cost of the transition. They are at risk of social exclusion because many of them, in rural areas in particular, do not have proper access to education, are unemployed and lack housing. All of these factors tend to increase the danger of their being caught up in crime, being trafficked, or in having behavioural problems or mental health difficulties. Young people suffer from the highest rate of unemployment, compared to other age groups, and youth unemployment is about twice as high as the average for the country as a whole.<sup>123</sup>

The National Youth Action Plan for 2014-2020 is aimed at creating mechanisms to promote youth employment and business and enable young people to participate actively as volunteers in social projects. It has recently become a concrete Action Plan worked out by the Ministry of Social Welfare and Youth (MSWY), and if it is successfully concluded, it will help to solve many of the problems that young people are faced with.

The elderly are also paying a high price for the transition period. The Universal Declaration of Human Rights stresses that, “All human beings are born free and equal in dignity and rights.” This principle is not well respected in Albania where about 93,000 elderly people are living in isolation and under harsh economic and social conditions.<sup>124</sup> There are few services for this group, and the coercive role of the State in implementing standards for such services leaves much to be desired. In Tirana there are only 5 daycare centres, and these are not at all properly equipped to care for elderly people. Many smaller municipalities have no daycare centres at all. There are also very

few retirement homes and the ones that exist do not fulfil the needs of the elderly, many of whom are abandoned or are subjected to violence by family members or by other persons.

Elderly people in need constitute a specific community living in relative exclusion from the rest of society. They are faced with social and economic difficulties and live in good part under the poverty line. The informal character of the job market in Albania over the last twenty years has caused a decline in income for many elderly people, elderly women in particular. In addition, as policies are not well adapted to the life cycle of women in the country, they have far more disadvantages than men do, and have a harder time of it when they reach their pension age which lasts longer (because women usually live longer than men).<sup>125</sup>

Albania has a young population but long-term prognoses show that in the near future, the population will begin to age. In 2014, the Government undertook pension reforms that were brought about with requisite changes in the law. This was to promote sustainable growth and to inhibit a degradation of the pension scheme, because pensioners are the most vulnerable part of society.<sup>126</sup> A social pension for people over 70 was added to the scheme for the first time, and increased incentives for people to join other types of pension schemes should have the desired result, though they are yet to be measured and documented.

#### 4.5 The Roma – a Community without Support<sup>127</sup>

The Roma community is regarded as the group with the most needs in Albania since it suffers

from extreme poverty, social and economic marginalization, and frequent inequality with regard to access to education, social protection, health, employment and housing. The Roma are not recognised officially as a national minority and have the status of an ethnic-linguistic minority. Although the Albanian Constitution contains all the basic maxims of human and minority rights, endeavours to solve the most basic needs of the Roma have been considered insufficient.

The Albanian Government has set forth various policies to encourage the social inclusion of the Roma. Recently, in 2003, a National Strategy for Improving Roma Living Conditions, covering the period 2003-2013, was approved, which was followed by the National Action Plan for the Decade of Roma Inclusion, 2010-2015. This strategy is focused on various fields such as: education, professional training, cultural heritage, family, employment, poverty and social protection, health and housing.

However, when this Strategy was implemented, it was much criticised for being slow because insufficient human and financial resources were made available and the institutions involved did not work well together.

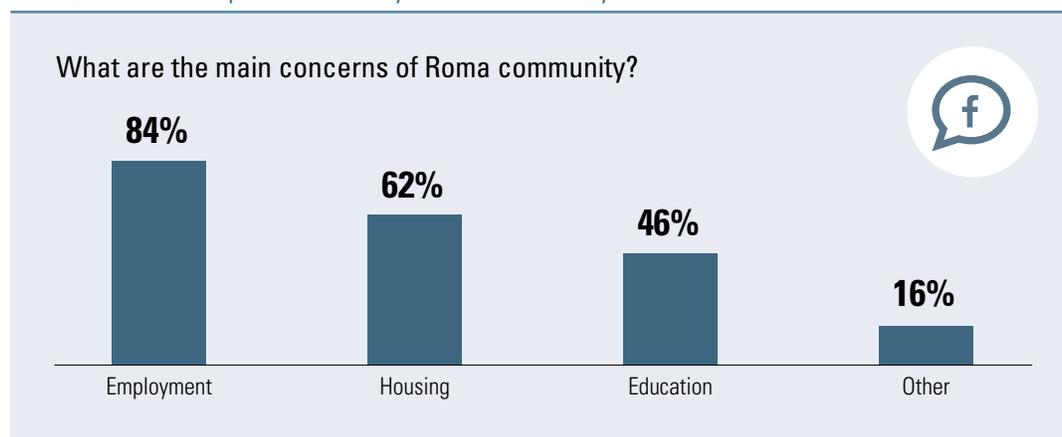
A 2013<sup>128</sup> study revealed that unemployment was the main problem of the Roma (see Figure 4.3). This unemployment is the main source of the extreme poverty among them. It has created a vicious cycle: the poorer the Roma family are, the more difficulty they have finding formal or informal work.

Many Roma cannot find work because they lack the requisite professional training and cannot adapt to the needs of the job market.

#### How Many Roma Are There in Albania?

We still do not know exactly. Sources state that their numbers vary from 1,300 to 120,000. The World Bank states that from 1,261 to 100,000 Roma live in Albania, representing 0.04% to 3% of the population! A 2000 report explains that the Roma were first registered in Albania in the "census" of 1522 when there were 1,270 of them. The number given five hundred years later, in the 2011 Census, should be more exact, yet the definitive results of this census showed that the Roma community represented only about 0.3% of the population living in Albania (i.e. less than 8,500 people). This small figure shows that institutions have not been able to provide reliable statistics about the Roma community, something which is regarded in itself as a prime example of institutional discrimination of the Roma. How can policies, strategies, and successful local and international projects be prepared without knowing how many Roma there are? Is this a typical example of the complete failure of local and international institutions?

FIGURE 4.3 The main problems faced by the Roma community



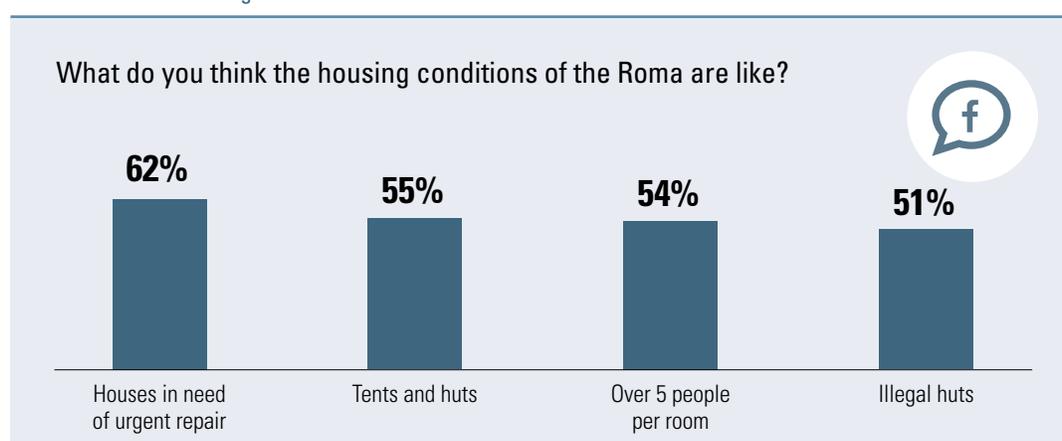
The Government offers poor families economic assistance or unemployment payments, but very few Roma families profit from this scheme because of the eligibility criteria that do not take the real situation of the Roma into account and they cannot fulfil the condition.

It is important to increase job opportunities for the Roma through education and, in particular, professional training in order to help them integrate and adapt to the job market. Special free professional training policies are needed for the Vocational Training Centers (VTC), combined with projects for public works and social businesses to promote public-private partnerships and include the Roma. Small-business credit schemes must also be set up, in particular to support Roma returning from abroad, as the number of such people has continually been on the increase.<sup>129</sup>

According to this survey, housing is the second most important problem for the Roma. This is because their living conditions are far from being optimal (see Figure 4.4). Without proper accommodation and deprived of water and electricity, many Roma families live in ramshackle huts with no road connections and health services.

What is worse is that they are virtually excluded from the social housing programmes. Very few Roma are able to take advantage of low-cost social housing because most of them are unemployed and have no regular income, which are the conditions set forth by the banks for financing. In addition, the Roma are not treated as a special group in the social housing programme for rental accommodation, and data are lacking as to the economic and social situation which could serve as criteria for beneficiaries. Accordingly, the social housing

FIGURE 4.4 The housing conditions of the Roma



programmes are aimed at families in need in general and not particularly at Roma families.

For this reason, it is important that an independent technical evaluation be carried out on the housing situation of Roma, focusing in particular on Roma families in need because the 2011 Census regarded this as a lost opportunity for State institutions and international donors. A special Fund for Roma housing would be of substantial help to this community.

It is important to understand that the Roma remain the poorest part of the population and the minority with the greatest needs in Albania. As a consequence, their most urgent needs are not simply standard issues of human and minority rights. Progress cannot be measured here simply by the number of strategic documents issued by the Albanian Government and by the degree of harmonisation of various national laws with EU standards, or by an improvement of the legal framework or promoting the opening of cultural centres and the creation of anti-discrimination organisations. The Roma need to be better integrated into Albanian society by appropriate education, living conditions like the rest of the population and equal treatment in public services.

But although support for the Roma means, mainly, solving these problems, the general perception is that local, national and international organizations are too focused on anti-discrimination issues than on the real needs of this community. As such, there needs to be a global reformulation of the strategic approach, concentrating less on a human rights based model and more on a development model that would view the inclusion of the Roma primarily as an issue of fighting poverty, promoting employment, fighting illiteracy and improving living conditions.

## 4.6 Religious Coexistence

It is no coincidence that Pope Francis chose Albania for his first visit in Europe. At a time of upheaval, when religion in many parts of the world has become an object of division and

confrontation, he noted that the “*experience in Albania showed that a peaceful and fruitful coexistence between persons and communities of believers of different religions was not only desirable, but possible and realistic.*”<sup>130</sup> Pope Francis also noted another characteristic of life in Albania nowadays: “*Albania is a country with a Muslim majority. True, but it is not a Muslim country, it is a European country.*”<sup>131</sup>

Thus, to quote Pope Francis once again, Albania continues to be “*a unique example of peaceful coexistence and collaboration that exists among followers of different religions. The climate of respect and mutual trust between Catholics, Orthodox and Muslims is a precious gift to the country.*”

It could almost be said that religious coexistence constitutes the most important achievement that has been made in political and intellectual life in Albania over the last hundred years of existence of the Albanian State. It is of particular significance, if we remember that at the beginning of the last century, when Albania came into being as an independent State, the religious composition of the country (divided into three major religions and four religious groupings: the Sunni Muslims, the Bektashi Muslims, the Orthodox Christians and the Catholics) was regarded as a great problem - not only as an impediment to the creation of national cohesion and unity, but also as an instrument with which Albania’s “enemies” could exert their divisive influence.

Most Albanians are convinced that the principle of laicity (secularism) is the essence of this coexistence, one of the most important pillars of national unity and cohesion, and of coexistence among Albanians since the end of the nineteenth century. Laicity, that is the clear division of State and religion, and of religion from politics, is still one of the major maxims of the Albanian constitution.

However, one cannot say that Albania is completely oblivious to the influence of religious extremism in the world today. In fact, over the last few years there has been growing concern about the rise of religious influence in several facets of public life, and of the occasional use of religion for political aims and objectives.

Be this as it may, it must also be said that, in general, the tone of such interference has been reserved. The last few years have also seen the first incidents of the use of religion by politicians during election campaigns, in particular during the 2011 and 2013 campaigns. But these were nonetheless isolated incidents.

One rather widespread concern relates to possible influence on the Albanian religious situation from abroad and to the possibility that religion could be used or instrumentalised for political purposes that would jeopardise national unity. This concern became substantially more acute when it was made known that a number of Muslim Albanians, though very few in fact, had joined the ranks of IS in Syria. This resulted in imams from several mosques being arrested, who were accused of recruiting people to be sent to Syria.

There is also, in general, some concern about the ramifications of funding from Muslim countries and about people having been educated in those countries, i.e. of their having been influenced by more radical forms of Islam that are different

from those traditionally known in Albania. This concern was expressed on several occasions by the Islamic Community itself. Concerns and doubts have also been expressed in the press from time to time about a series of Muslim organisations working in Albania, with regard to the growing political influence they are exerting upon the Albanian Muslim Community. A debate has also been going on for several years now about Greek influence in the Albanian Orthodox Community and Albania's membership in the Islamic Conference.

Despite the fact that, in relative terms, religion has exerted more influence in recent years, Albanian society remains one in which people are convinced of the necessity of tolerance and religious coexistence. In addition, it must be noted that, compared to other countries of the region, religion does not yet play any important role in political discourse. This was confirmed in a 2011 Gallup poll in which, in response to the question: "*Does religion influence your daily life?*", the Albanians of Albania were the ones, among all the peoples of the Balkan Peninsula, who felt the influence of religion the least.

# CHAPTER 5

THE COUNTRYSIDE  
– FORGOTTEN  
BY EVERYONE



## 5.1 The Rural Regions of Albania

The countryside continues to play an important economic and social role in Albania. It is there that about 47% of the Albanian population live.<sup>132</sup> Agricultural production makes up about one-fifth of the GDP and the annual value of agricultural produce is now about 1.5 billion Euros.

Agriculture employs over 500,000 family members in the countryside, or over 50% of all workers in the country.

When the transition period began, there was a complete breakdown in the agriculture sector, accompanied by a major food crisis in Albania. After the 1990s, with the privatisation of agriculture, small family production began to revive gradually so that farming families could at least feed themselves, primarily with their livestock and vegetables. As a result of the re-orientation to family consumption in the early years of the transition, the annual growth rate for agriculture rose to a two-figure digit. This gave the impression that agriculture was a sector of great economic potential, but later, growth rates slumped and the sector now has an annual growth rate of 1.5-2%.

Albania is a mountainous country with a surface area consisting to about 75% of hills and mountains. Only 30% of the territory can be classified as flatland. 19% are hills and 40% are mountain regions with an elevation of over 600 metres above sea level. The structure of farming is similar: only 44% is flatland, whereas

hilly regions make up 37% and mountain farming only 19%, equivalent to about 130,000 hectares. Albania is thus one of the countries with the least agricultural land, about 2,200 m<sup>2</sup> per capita.

Agricultural productivity remains low. There are currently about 350,000 families that live off farming but they do not produce enough to feed a second family in the city such that food for the general population now depends to a large extent on imports. The farmers fulfil 30% of needs.

There were about 522,300 people active in agriculture in 2013, being about 54% of all workers, or 1.86 times more than all employees in private business and other sectors of the economy.

The size of farms has changed substantially over the last 25 years. The basic structure are small family farms (the ca. 350,000 families have an average of about 1.2 hectares of farmland each).

Over the last decade, some larger farms have also been set up, especially for animal husbandry, and for vegetables and orchards. These large farms have leased farmland, although there are not yet any clear legal provisions about this. Co-operatives and other such legal entities do not play any great role in Albanian agriculture. 99 of 100 farms are managed by their owners, mostly by men (94% of farms). Very few of them are managed by young people (only about 6%). Women generally do the work in farming.

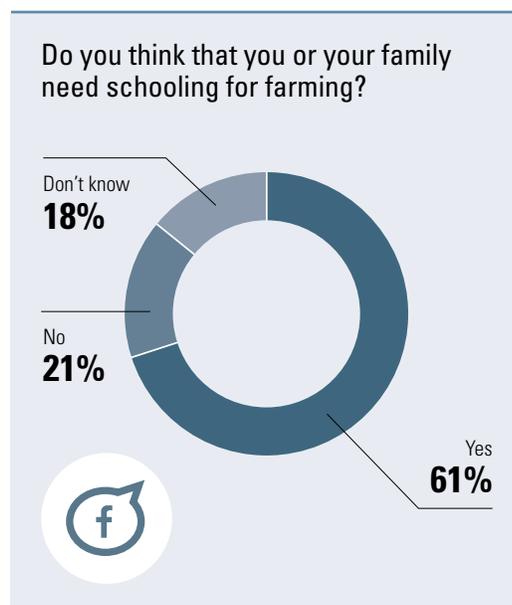
### Land ownership

The situation of land ownership in the countryside is very complicated. Although it was proclaimed over and over again during the transition period that the reform of property rights for farmland would be concluded very soon, virtually nothing was achieved. The problem is still far from being solved. For this reason, the average farm is still very small in size, and this means that there is no market for farmland. Official statistics showing that 98% of farmland has been divided up and that about 80% of it has been registered do not mirror the great difficulties that exist in actual terms. It cannot be denied that the total surface area of farmland is small, but the problems for these small lots are enormous because, quite often, several parties claim ownership of the same land and have documents to prove it. Or the documents do not accord with those of the earlier owners. This has given rise to the term "a problematic plot of land." These are plots owned by one family but that cannot be used and remain fallow because of the rival claims of former owners. A solution to the problem of land ownership will require great political perseverance and perhaps a special "ad hoc" court to deal with the issue.

The educational level of farmers is very low: 63% of them finished elementary school, 34% secondary school, and only 2.8% have higher education. The farming profession is still one that is handed down from father to son within the family and there is very little training because there are few vocational schools for agriculture and they are not of a satisfactory level. The VTCs do not offer any courses in agriculture or animal husbandry. Despite widespread opinion to the contrary, there is great desire in the countryside for education and training in agriculture (see Figure 5.1).<sup>133</sup>

In Albania, there are about 3,000 villages with a rural population of about 1.3 million people, but although almost half the Albanian population lives in the countryside, not half of the great endeavours being undertaken in the public and private sector are aimed at the rural population. Indeed, far less, even to the extent that the countryside is even missing in statistics. In job market statistics, for instance, though the work force includes people in the countryside, when these statistics deal with unemployment, all the work force there is unjustly considered to be self-employed. It is therefore stated erroneously that there is no unemployment in the countryside. Is this a conscious omission on everyone's part, including the International Labour Organisation (ILO), or simply that the countryside is somehow overlooked?

FIGURE 5.1 Desire for knowledge in agriculture



Over the last 25 years of the transition period, the countryside has never been included in any major reform. There has never been sufficient funding for the whole rural infrastructure (roads, water supply, energy), nor have there ever been education and health services that are appropriate and equivalent in quality to those in the towns and cities. As such, the countryside, and especially the mountain regions have fallen back in their economic and human development. On the flatland, where the development potential is far greater, some few investments have been made in the infrastructure to protect against flooding, but current climatic conditions have simply increased insecurity for the population there.

The only change encouraged by public policy in the transition period has been the mass movement of people from isolated villages and little towns into the big cities, i.e. to Tirana and the coast. Here, irrespective of any government planning, the people settled on land and built houses wherever they wanted, without any building permits. This movement has been so great that at present, Kamza, which used to be an average rural community has now become an important "urban" centre, at least with regard to the population it now has,<sup>134</sup> for it is larger than the venerable city of Berat.

Only half of farming families can live exclusively off agriculture because there is relatively little income to be had from farming. Some farmers have started up other ventures, such as processing farm produce, animal products in particular, which they sell on local markets, thereby enabling the creation of agrotourism businesses for their families. Others have found work in sectors outside agriculture.

Among one-third of farmers (about 120,000 families) have income from outside of agriculture, in particular via emigration. It is estimated that over 30% of families have people abroad. Others (about 50,000 to 80,000 families) grow or gather medicinal plants. In the countryside, about 60,000 families get Economic Aid (EA). These are families that have no income from agriculture or other farming-related activities. Recently, there has been a rise in agrotourism and tourist ventures in isolated mountain regions.

## 5.2 Sources of Income

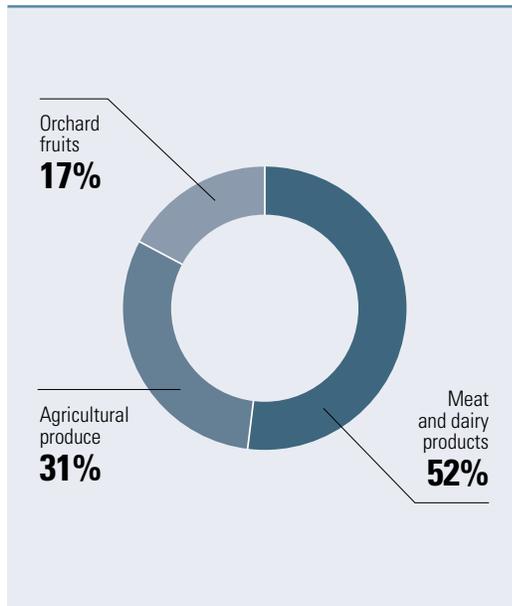
First place in the structure of agricultural production in 2013 was taken by meat and dairy products, following by agricultural produce and orchard fruits (see Figure 5.2). This structure is much different from what it was in the period before the transition, when first place was held by agricultural produce

with about 50%, whereas meat and dairy products were in second place with about 42% and orchard fruits with about 8%.

However, one must keep in mind that meat and dairy production is heavily dependent on agriculture itself because the latter provides fodder and food stuffs for the animals.

Major changes have also taken place in the structure of agricultural products compared to the beginning of the transition period (see Figures 5.3 and 5.4):

FIGURE 5.2 The structure of agricultural production, 2013



- i. Although cereals continue to dominate in agricultural production, the surface area of farming covered by cereals has fallen sharply. Wheat production has fallen substantially, with less than half of production in 1990, whereas maize production has stayed at a constant level. The production of cereals is not enough to cover the country's needs and there is a structural trading deficit here. that will probably continue for as long as farms remain small and cannot produce enough of it (in particular wheat) at a price competitive with importing it. Similarly, cereals are not regarded as a priority in agricultural policies to support farming and, as such, no measures have been taken to encourage production;

FIGURE 5.3 The structure of agricultural crops, 1989

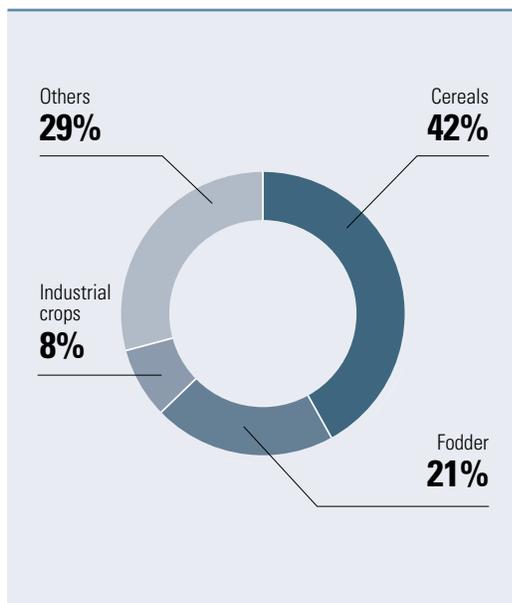
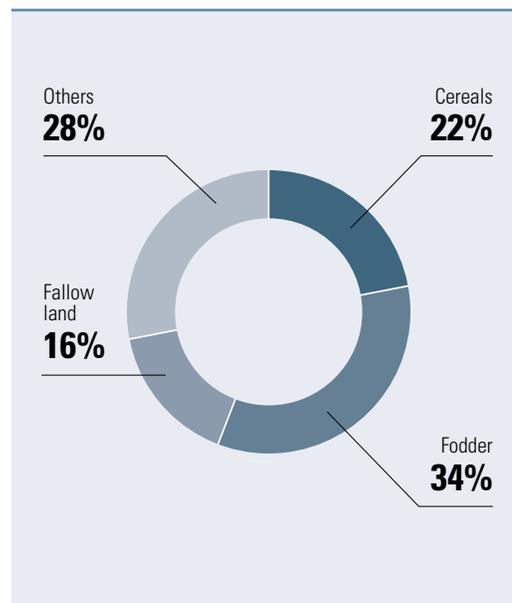


FIGURE 5.4 The structure of agricultural crops, 2013



### Mountain tourism in Theth and Valbona

Theth in the Dukagjin region is one of the most isolated villages in the country. It was the only place where you could not find any cannabis and where, over the past few years, mountain tourism has now developed. About 13,000-14,000 tourists (85% of whom are foreigners) now come to Theth in the summer season and they are put up in 25 'bed and breakfasts' in the region. During their stay, they enjoy not only the extraordinary beauty of the surrounding region, but also the local cuisine. According to a simple calculation, a tourist spends about 25 Euros per day in Theth. About 80% of this revenue, some 300,000 Euros according to the number of registered visitors, remains in the village. Aside from the 'bed and breakfasts,' the local farmers also profit by selling their produce, including meat and dairy products.

- ii. Many industrial crops such as soya, sunflowers, cotton and sugarbeets are no longer grown. This shows that the respective industries do not exist in Albania to process them and that these crops are not attractive and competitive for export;
- iii. Fruit production and vineyards were initially destroyed after the breaking up of the co-operatives and State farms, whereas now they have begun to revive with an expansion of surface areas, although they have not yet attained the surface areas they once had;
- iv. Vegetable, beans and potatoes cover the same surface area as before, although much more of these are now being imported;
- v. The surface area for fresh fodder, serving to feed the animals, has risen one and a half times. This increase is logical and in harmony with the very important role that animal husbandry now plays in the structure of agricultural production;
- vi. Much land is also left fallow, whereas in 1989 all the surface was planted.

Bread is the basic food commodity for the population, in particular for people in the countryside and for the poor in urban regions,

and has a substantial influence of the well-being of the population. Albanian wheat production only fulfils about half of the country's needs (see Table 5.1), but the wheat produced on small farms is not used for industrial manufacturing because it remains within the local region for family consumption.

The opening of the market largely compensated for the loss of production during the transition period. Eating less cereals and bread may also help improve the nutrition of the Albanian population, in particular in the cities. The people are now eating more vegetables because in 2013 about two times as many vegetables were produced as in 1989 and, according to the statistics, including imports, Albanians have increased their consumption of fresh vegetables 2.4 times over, compared to the period before 1990.<sup>135</sup>

Fruit growing also has great potential for increasing income.

Technical improvements and more variety have meant, according to a report in 2013, that about twice as much fresh fruit was produced as in 1989. The needs of the population are now said to be covered to about 80% by local products and the rest is made up by about 70,000 tonnes of imported fruit. No more than 10,000 tonnes of fruit are sent for export.

Following the almost total destruction of the ca 17,000 hectares of vineyards, the sector revived during the first phase of privatisation and vineyards are now said to cover about 10,000 hectares of land. However, about half of grape production now stems from traditional family trellises. The situation is beginning to change and the surface area covered by vineyards is

TABLE 5.1 Balance of Wheat, Flour, Bread and Noodles in 2013 (in thousands of tonnes)

2013	Production	Import	Export	Balance
Wheat	294	293	0	587
Flour	245	49	0	294
Bread and bakery product	73	17	0	90
Noodles	0	19	0	19

### Concern about over-production

The fact that Albania has a favourable climate with many hours of sunshine throughout the year makes it possible to produce high quality and tasty fruits and vegetable, both in open fields and in greenhouses. In the coastal region, early vegetables are on the market about two weeks before they are in other countries of the region. This offers Albanian agriculture a great potential for exporting agricultural produce, a potential that has not been fully used up to now. In general, agricultural production is not market-oriented, and this has resulted in an over-production of produce at certain times of the year, produce that is simply thrown away. Albanians explain this waste by the opening of the Albanian market to subsidised produce from the European market and market monopolies. In fact, when local vegetables are available on the Albanian market, there is no demand for imported vegetables. Indeed, all vegetable imports are interrupted whenever produce in the lowland regions comes in directly from the farmers. The whole vegetable market is in the hands of small local merchants who are not well organised, or of the farmers who try to sell their produce in town themselves. A major impediment for farmers selling their produce are the bad roads, or complete the lack thereof.

now growing by about 400-500 hectares a year. Grape production is now estimated to be about 2.5 times higher than it was in 1989. Wine from grapes is produced in a large number of little wineries, some of which are equipped with modern technology, although about 50% of wine is imported every year. This leaves room for a further development of local wine production.

Animal husbandry plays a major role in farm incomes, with the sale of meat and dairy products constituting about 70% of income. Milk production in 2013 was about 2.5 times higher than it was in 1989, and meat production has risen almost two times over since 1989.

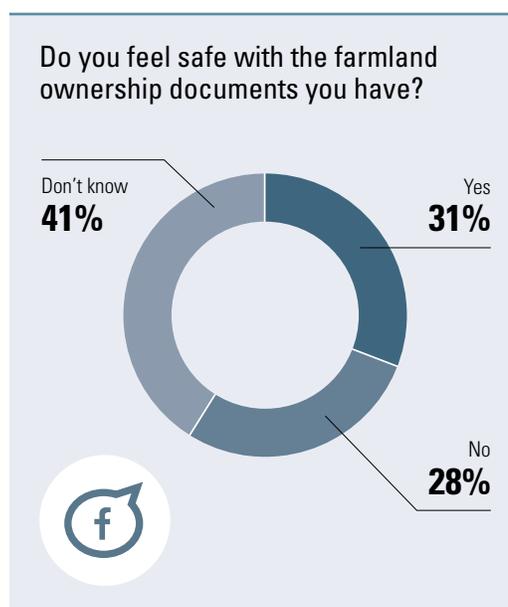
As to fodder, it covers about three-quarters of cultivated land, of which about 70,000 hectares of maize and 240,000 hectares of forage crops. The amount of fodder produced in Albania remains low because of low production yield and the lack of proper irrigation and mechanisation. This has brought about a substantial rise in the import of feed, in particular for fowl, pigs and cattle in animal-raising centres. Maize and, in some cases, hay are also imported from neighbouring countries. If more of this could be produced locally, it would offer the farmers much potential for further income.

The contribution of the food industry in promoting the raising of local crops and of meat and dairy products is still minimal, but one has to keep in mind the fact that most of this industry already functions with imported raw materials: (i) the meat processing industry gets most of its raw material from import; (ii) the flour industry that plays the greatest economic role in the food

processing industry uses imported wheat; (iii) the fish and meat processing industries for export get 100% of their raw material from imports and function as a finishing industry.

A transformation towards growth in income is thus dependent upon a rise in agricultural production, variety and yield. This is closely connected to developments on the property market that requires uncontested property rights. The issue of land property rights has not yet been solved. Only one in three people responding in social media said that they felt safe with the farmland ownership documents they had. Two-thirds of respondents did not feel safe or did not know whether or not they felt safe (see Figure 5.5).<sup>136</sup>

FIGURE 5.5 Security with ownership documents



### 5.3 How Do People Live in the Countryside?

In general, people do not live well in the countryside. The basic infrastructure and public services are not as good as they are in the towns and, for this reason, there are great differences between living conditions in urban areas and those in rural regions. Unemployment is not measured in the countryside, and many people say “Better unemployed in town than to live in the countryside.” This attitude encourages mass migration toward the major cities.

Education in rural regions, in particular in the mountains, suffers from insufficient infrastructure or a complete lack of infrastructure. There are often not enough pupils to fill the classrooms and teachers are often unwilling to teach in isolated regions. There are nine-year elementary schools in some isolated villages that still function as one-class for all, and where the school buildings are in a miserable state of repair.

The situation in the public health system is characterised by a lack of qualified personnel and a lack of basic health equipment and ambulances. The referral system does not work for people in the countryside because they cannot access a family doctor to get the required referrals, that are needed for specialist examinations and analyses free of charge.<sup>137</sup>

There are substantial deficiencies in drinking water and electricity supplies. The countryside is still far from fulfilling its needs with regard to running water, and few areas have access to running water 24 hours a day. The distribution

system for electricity is problematic and outdated. The level of depreciation is high because few investments have been made since the system was set up. The situation is worse in the North, in particular in isolated mountain regions, where virtually the whole system is in desperate need of reconstruction. There are some small villages in these regions that have been taken off the grid.

The system for administering and managing irrigation and drainage, which is very complicated because responsibilities are divided among various boards and counsels, with many ministries, public institutions and volunteer organisations involved, is badly in need of an overhaul. At present, the following institutions are involved in the administration and management of irrigation and drainage: the National Water Council and the technical secretariat at the national level, six reservoir authorities at the regional level, and 13 drainage boards to administer irrigation to farmers.

Telecommunications, internet and the digital media have become the most highly developed parts of the infrastructure in the countryside in recent years. Private companies have succeeded in extending their services to rural areas and have a high level of coverage in mountainous areas, too, where they are the only existing parts of the infrastructure.

However, the Albanians are optimistic by nature that things can always change for the better. About 67% of young people who expressed their views in the social media said that there were good perspectives for life in the countryside. Only 24% thought that nothing would change (see Figure 5.6).<sup>138</sup>

#### Frequent floods

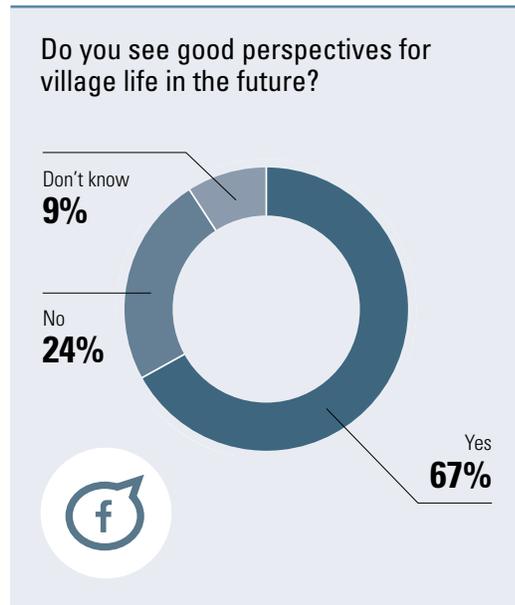
Albania has gone through one catastrophe after another in recent years, with much flooding, not only as a result of climate change and obligatory water discharges from hydroelectric plants, but primarily from: (i) a lack of good water management, including aqueducts; (ii) a lack of the systematic investment that is needed; (iii) severe damage caused to riverbeds; (iv) damage to forests and increased erosion in mountain regions near river sources; (v) irresponsible behaviour on the part of farmers in the lowland regions who block the irrigation system with buildings of their own; and (vi) illegal constructions in the lowland regions by newcomers who have moved down from the mountains and do not understand the danger of flooding.

## 5.4 Food Security

Issues of food supply have a different significance than they did 25 years ago when, as a result of the country's isolation, the population was faced with a lack of basic foodstuffs which led to rationing or "purchase by coupon" for many basic commodities such as meat, cheese,

sausages, butter, sugar, cooking oil and rice, etc. This was because agriculture at that time, especially after the senseless confiscation of farm animals for collectivisation, led to a situation where not enough food was being produced for the population and there were not enough foreign currency reserves to buy food abroad.

FIGURE 5.6 Confidence that life in the countryside will change



There are now no limitations of food supplies from local sources or imports. The vast majority of those who took part in a survey on the social media said that their families now consumed more and better food, i.e. both in quantity and quality, than they did 25 years earlier (see Figure 5.7).<sup>139</sup>

Since the quantity and quality of food consumed in many families has changed, the consumption of domestically produced food has risen, as stated by over half of those who took part in a survey. Potatoes from Shishtavec, apples from Korça, wine from Përmet, grain from Myzeqeja, cheese from Gjirokastra and lamb from the Alpine pastures are increasingly present on Albanian family tables. However, for a good portion of the population, in particular poor families, consumption has not increased. In some cases it has decreased. (see Figure 5.8).<sup>140</sup>

FIGURE 5.7 Raise in the quantity and quality of food consumed by the family

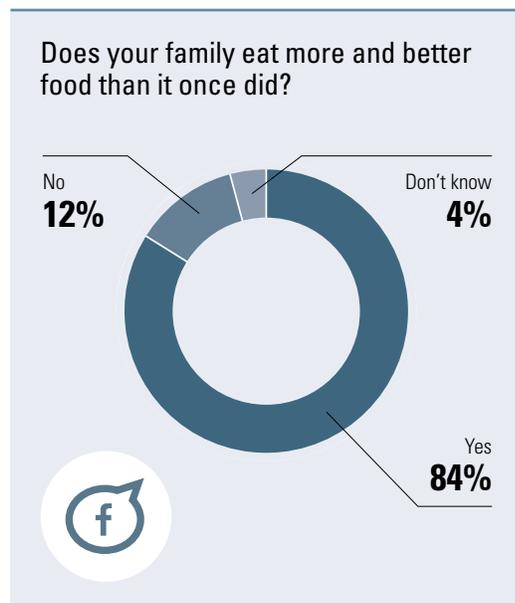
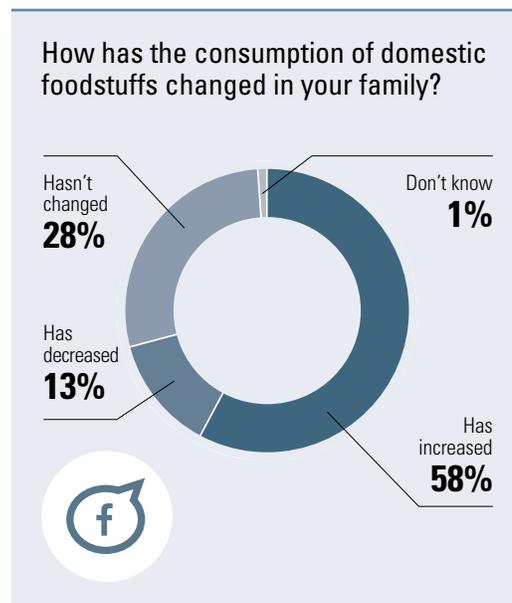


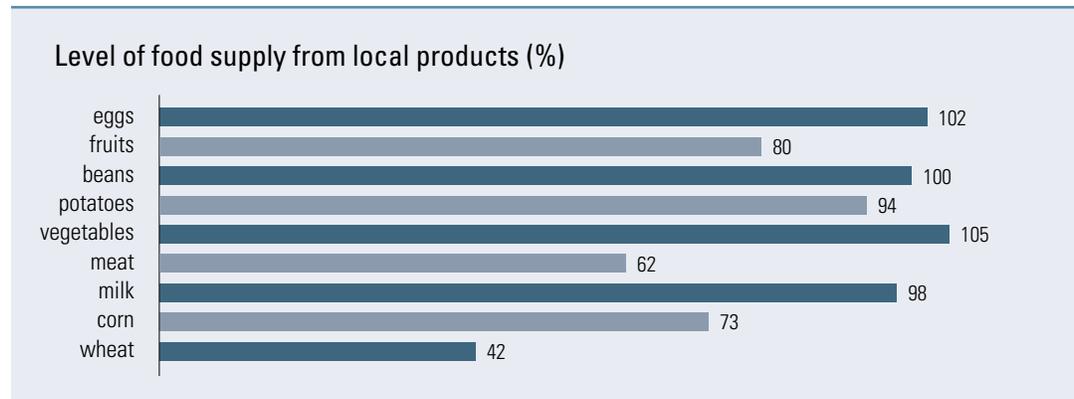
FIGURE 5.8 Rise of consumption of domestic foodstuffs



Local agriculture, animal husbandry and food processing are of ever growing importance in Albania. About 70% of food eaten by Albanians is now produced in the country. The market for vegetables, milk, eggs and beans is almost entirely covered by local production. However,

the market for other products, such as meat, wheat and maize continues to depend to a large extent on imports (see Figure 5.9).<sup>141</sup> In this respect, Albania is one of the countries with the highest agricultural and food processing deficits in the western Balkans.

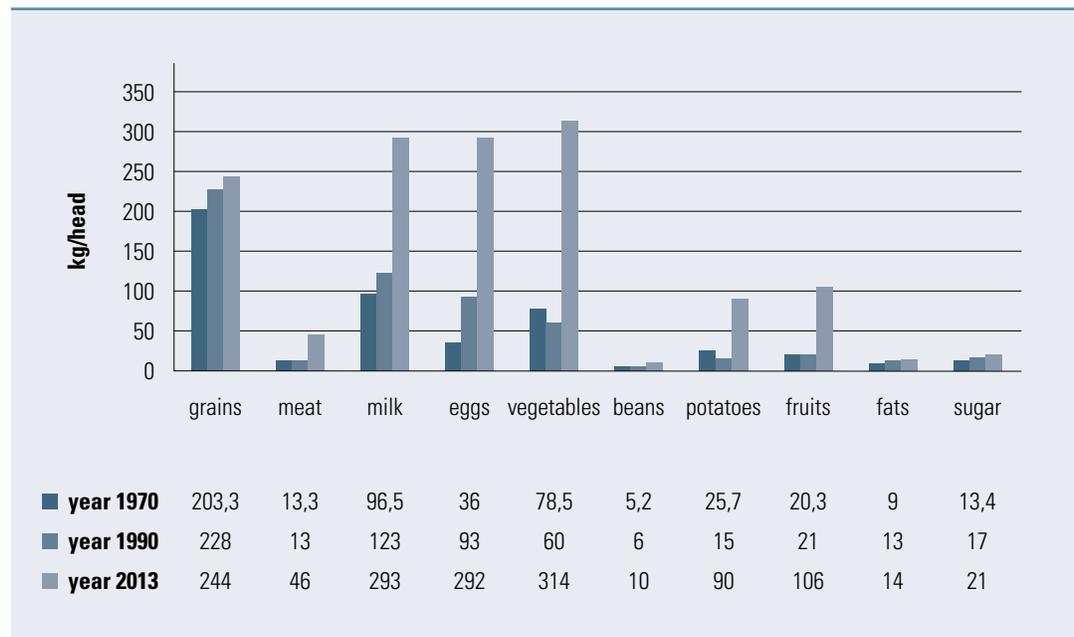
FIGURE 5.9 Level of supply of Albanian-produced food in %



The structure and quantity of food consumed has changed fundamentally. Compared to the period before the 1990s, consumption of meat and dairy products, of eggs, fruit, potatoes and vegetables has increased three times over: of beans, fats and sugar about two times over; but grain consumption has hardly changed at all (see Figure 5.10).

The quality of foodstuffs remains a problem. There have always been concerns about the mechanisms and techniques used in agriculture and animal husbandry, in particular the uncontrolled use of chemicals and stimulants to accelerate production, and of colouring agents with non-food chemical substances in

FIGURE 5.10 Consumption norms for basic commodities



them, etc. There have also been major problems in hygiene in all the steps of the food chain, from the farmers to consumers. There have been particular problems since there are not enough veterinary checks for animal diseases, especially those diseases that spread easily from animals to humans. All of these factors have had a negative impact on the quality of food products sold on the market.

Organic farming is a real alternative in Albania. Positive trends have resulted from organic-certified products such as extra virgin olive oil, fresh kitchen herbs and spices, forest mushrooms and medicinal plants and their extracts. Over 100 small farms in Albania now concentrate on organic farming, but the surface area for certified organic farming is only about 0.5% of the total surface of land in use for agriculture. The main focus of these farms is the production of fruit, vegetables and olive oil. According to the latest expert evaluations, over the next decade, Albania has the potential for a substantial increase in the surface area used for certified organic product. If the rhythm of development remains as it is today, the figure will rise to 5% of the surface area.

## 5.5 What is the Best Model for Rural Development?

Although there is the wide range of ideas about the best model for rural development, there are a number of essential conclusions that are more than evident and must be kept in mind: (i) The model to be followed for the development of the Albanian countryside must not involve the organised migration of the population to

the cities or encourage the inhabitants in the countryside to go away, and thus abandon their land and its potential; (ii) Albania needs long-term rural development policies that must go beyond one government administration; (iii) Albania is already late in preparing, defining and beginning the implementation of a national model for the sustainable development of the countryside which must take into account the concrete circumstances of the country and learn from the mistakes of the last 25 years; (iv) Agriculture needs public and private investment to raise productivity in farming and animal husbandry and get production levels above national consumption in order to replace food imports; and (iv) Agriculture must definitely raise the level of food exports and organic products of all types: both natural and processed, by creating a competitive food processing industry.

It would seem that, for the coming years, small farming will continue to be the basis of Albanian agriculture. Much time will be needed, perhaps many generation, to make a substantial change in the economic structure of agriculture, even to double the size of the farms. At any rate, it would seem certain that about 80% of farms will remain small, i.e. under 2 hectares, for the next ten years<sup>142</sup> and many of these farms will survive simply as a secondary source of income for families in the countryside when there are more jobs in other economic activities.

This type of farming must be given more support than it had in the past for it to be competitive. What is needed is integration between the food producing industry and the network of local retail markets.

### **So many strategies and so little money**

Albania is urgently in need of restructuring its farming and food industry. Agricultural policies in Albania must fulfil at least the following two basic criteria: (i) agriculture must serve as a means of social relief by reducing unemployment in the countryside and by fighting poverty; (ii) agriculture must make an important contribution to economic growth and to a reduction in the trade deficit. We have been witness to many national strategies for agricultural development over the last 20 years. All of these strategies have had vision, development goals, and indicators to achieve them, but none of them has been accompanied by sufficient funding to carry them out. Agriculture is one of the sectors that receives the least funding from the State budget. The level of funds earmarked for the Ministry of Agriculture is about 50 to 65 million Euros a year, which is far too low to realise any important goals for the development of the sector. In addition, the strategies change with every change in government, in particular with regard to the scheme of grants to support agriculture.

One important way to raise the competitiveness of Albanian agriculture, in particular to raise the level of exports and lower imports, is doubtlessly intensive agriculture by “large-scale farming,” with investments in vegetables, fruit, vineyards and in animal husbandry. This new agricultural business model has already begun to make its appearance and, although it is not big, it would seem that it will carry more weight on the food market in urban areas. This model needs specialist technical assistance and must be funded more by bank loans than by the grant system.

This also means that the Government must be more rational in its use of domestic funding schemes. At the moment, there are more than 20 support schemes funded from the State budget, aside from EU funding. It is thus difficult for domestic funding to be effective if it is divided among so many domestic schemes. The situation becomes all the more complicated

if we take into consideration the fact that the former Government administration gave priority to planting vineyards, and olive and walnut trees, whereas now, priority is being given to support for intensive market-oriented farming and marketing schemes in order to formalise the market for farming products.

Agriculture also needs reliable statistics to serve as a sound basis for studies, policies and strategies. An approximation or embellishment of statistics needs to be avoided, especially those used as comparisons with other countries. The little importance attributed to this sector can be seen in the fact that, up to now, official agricultural statistics have never been published.

The statistics must be published in good time to be of use to policy-makers and must be put in proper timeframes to make real comparisons and to measure progress.



# CHAPTER 6

THE LONG  
ROAD TO  
EUROPE



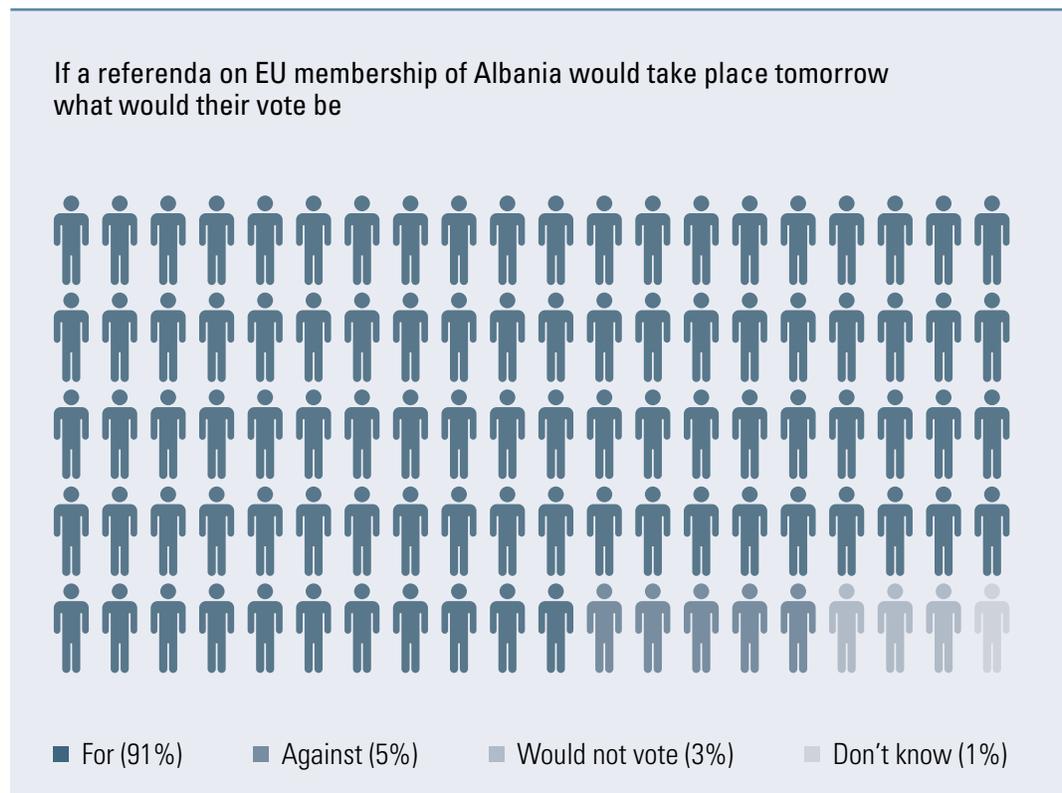
## 6.1 Like the Rest of Europe

Communism collapsed in Albania in 1991 under the call of crowds of students: “We want Albania to be like the rest of Europe!” Since that time, the vast majority of Albanians have been and remain convinced that the only road to development, progress, modernisation and security for the country is full integration into the European family of nations and, in more general terms, into Euro-Atlantic structures. All survey have shown that the Albanians continue to be the most “Euro-enthusiatic” people on the continent: about 90% of Albanians

systematically support the integration of their country into the EU.

In the early years of the transition, the optimists believed that Albania would only need ten years to become a member of the EU. This did not turn out to be a reality. Now, after two and a half decades, the deadline for membership is still not known, but despite this, the Albanians continue to believe in membership. According to a survey, if there were a referendum on Albania’s membership in the EU, about 91% of Albanian would vote for it, and only 5% of them would be against it (see Figure 6.1).<sup>143</sup>

FIGURE 6.1 How Albanians would vote on EU membership



This result is quite normal in Albania because it has been confirmed on more than one occasion that the Albanians have great confidence in the EU, to the extent that the number of people who believe in the EU is larger than the number of people who believe in God. Albania is a country where Euroscepticism is a virtually unknown phenomenon. Public support for European

integration is the highest of anywhere in Europe. On top of this, all the main political parties in the country favour European integration and continue to give it priority in their political platforms.

But what do the Albanians understand by integration in the EU? For 72% of them, EU integration means freedom to travel, study

and work in other member countries. About 60% of Albanians think that integration means an immediate rise in living standards. 60% of them also think that it means democracy and democratic order, and 59% of them think of it as a guarantee of peace (see Figure 6.2).

Despite universal support and full political consensus, it would seem that Albania's road to EU membership will not only be long but more difficult than contemplated. Slow progress within the country and EU ambivalence about expansion have meant that the integration process is less of a driving force for reform. Both Albania and the European Union are weary of the overly long process, although for different reasons and each side in its own way. The fragmentation of the process into many steps has begun to play a role in this.

In January 2003, the EU embarked upon official negotiations for a Stabilisation and Association Agreement with Albania. The Thessaloniki summit reconfirmed clearly that the future of Albania and the other countries of the Western Balkans was in the European Union. Negotiations for the Agreement concluded in February 2006 and the

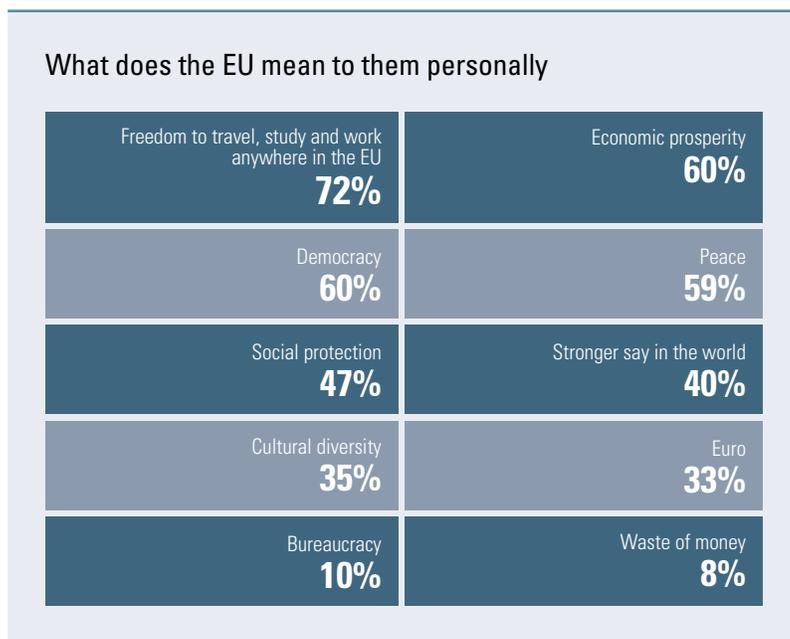
Agreement itself between Tirana and Brussels was signed in 2009. In April 2009, right after the signing ceremony, Albania presented its official application for EU membership, confident that it would be granted candidate status.

In December 2011, Albanian citizens were able to enter the Shengen countries without a visa. This was considered the greatest achievement in the history of Albanian-EU relations. The visa liberalisation not only provided more opportunities for contacts with Europe, but, considering the fact the one-third of Albanians had emigrated to the EU in the transition period, it removed a lot of restrictions in communication among Albanians.

Nonetheless, it took five more years for Albania to advance another step. Candidate status in the EU was only accorded in June 2014 after a long series of rejections and impediments. Among them were a very negative opinion in 2010 on the country's ability to fulfil its obligations as a member; a tentative offer subject to further reform that was made in 2012; and an invitation subject to achievements in the rule of law that was articulated in 2013.

The reasons for the delay in Albania's candidate status were different from the situation in the other countries of the Western Balkans. Albania did not have any bilateral problems or serious disputes with its neighbours and there were no unsolved status questions or frozen conflicts on its borders. The delays seem to have been caused more by what could be called "poisoned politics" and the extreme lack of trust between the various political factions in the country. In a country in which conflict dominates over dialogue, the main result of this was a lack of attention and energy to carry out the needed reforms. The concentration and expenditure of energy on never-ending political disputes seems to have left its traces in all the major aspects of the reform process. As a result, the population is entirely open to and supportive of the reforms, but the political

FIGURE 6.2 Perceptions on what is to be gained by EU integration



elite has continuously failed to find the right moment to implement them.

European integration has continually been and is the main driving force for reform and a strong catalyser for concrete change in Albania. In the first phase of the transition, political and public debate was concentrated on very concrete subjects that were decisive for progress in the country. EU reports, evaluations and criticism were always at the heart of this debate. EU monitoring of political, social and economic developments in Albania was considered, in particular, one of the main safeguards that the process of democratisation and modernisation in the country would not flag or deviate from course.

Paradoxically, this has meant that political debate within the country is occasionally more focused on EU reports on the situation and problems in Albania than it is on Albanian reality. It is such that one often has the impression that people are talking about some fictive process. Issues of European integration are discussed as if they were a parade of glorious Albanian achievements for European eyes. Public officials gear into action whenever these reviews are issued and during election campaigns, and draft reports that make no sense. This has often meant that domestic pressure for reform is weak or completely ignored and that only international pressure is taken seriously and achieves some results. What one most often hears is the sarcastic question: “*What is it the international community wants?*”

## 6.2 Membership Perspectives

The opening of negotiations for Albania’s integration into the EU will, of course, depend on the fulfilment of a number of conditions related to several important reforms, as it was when the country was given candidate status. There are a number of specific conditions set forth in the EU’s Enlargement Strategy.<sup>144</sup> Negotiations can only be initiated when substantial progress has been made in the fields set forth in this document. These are related primarily to the rule of law, far-reaching judicial reform, the fight against organised crime and corruption, thorough public administration reform and the defence of human rights, in particular of the rights of the Roma community.

The European Commission (EC) considers the rule of law to be a basic value upon which the EU was built. Any country wishing to join must have the institutions needed for guaranteeing the rule of law.

The rule of law is linked primarily to an *improved functioning and independence of the judiciary* and to the fight against corruption and organized crime. Fulfilling these criteria requires a good dose of political will and not superficial statements on the need to reform the system. Every country needs to have a credible legal investigation system, a professional and independent public prosecutor and a judiciary which takes decisions that respect the laws, while ensuring the independence of the system. Among other things, this requires a major change in legal culture, both for the judges and for the public. *Corruption* is still a great problem for countries like Albania. In the field of

### The EU Enlargement Strategy

The enlargement agenda is based on three main pillars: the rule of law, economic governance and public administration reform. For the countries of the Western Balkans, the clear perspective of EU membership given by the EU Member States is a key stabilising factor. The accession process is rigorous, built on strict but fair conditionality, established criteria and the principle of own merit. Albania was granted candidate status in June 2014 as recognition for its reform efforts and progress made in meeting the required conditionality. The country needs to build on and consolidate the reform momentum and focus its efforts on tackling its EU-integration challenges in a sustainable and inclusive way. Issues of regional co-operation and leaving aside the past are also basic elements of the integration process. Good neighbourly relations, leaving bilateral conflicts aside and strengthening regional co-operation remain important conditions of the EU enlargement strategy.

public tenders and privatization, corruptive practices destroy the business climate and have a negative impact on services offered to the population by the public sector. *Organised crime* both within the country and internationally must be fought without compromise and measures must be taken against individuals who have grown rich illegally, and their assets must be confiscated. *Guaranteeing basic rights* is another important condition. It is expressed in civil, social, political and economic legislation for individuals, freedom of speech, freedom of the media and in the basic rights of minority, including the Roma community.

The European Community regards *economic governance and competitiveness* as fields in which countries like Albania need support to draw closer to the EU. In fact, almost all the candidate countries, including Albania, have been able to attain economic stability, but fiscal risks have grown substantially in some of them. The most recent EU prognosis sets forth that economic growth should be at 1.6% for 2014. Albania fulfilled this criterion and it showing clear resolve to overcome the situation of past years (see 3.1). However, like all the other candidate countries, Albania has to attain fiscal consolidation by gradually reducing the budget deficit and public debt, which have now surpassed the set limits. This can be achieved by credible reforms in the public sector and by further enforcing financial management, including a better administration of revenue, by dealing with the issue of bad loans that have increased substantially, by improving management in public enterprises, by improving the business climate, by promoting foreign and local investment, by creating a functional job market and by curtailing the informal sector of the economy.

*Public administration reform* is the third main pillar of EU conditions. What is needed here is a clear strategic framework, with full political backing, for the management of human resources in line with EU standards, more transparency and accountability in public administration, and an improvement in the quality of

services for the public and for business, including better administrative procedures and online services.

Many bilateral problems have remained unsolved and continue to feed quarrels between the countries of the region, in particular ethnic quarrels that stemmed from the dissolution of Yugoslavia. Since the main problems in the region are between Serbia and Kosovo and internal strife in the former Yugoslav Republic of Macedonia, the role of Albania and of the Albanians is crucial.

However, the above-mentioned criteria that form part of the EU enlargement strategy are primarily technical criteria set forth by technical experts. Despite this, these criteria are technically vague and devoid of deadlines and milestones, i.e. without intermediate stations that need to be reached. It is evident that Albania's road to full membership via these criteria will be long and perhaps uncertain. The "wait and see" attitude has been shown to discourage reformers. It has given leeway to anti-reformist manoeuvring by favouring "vetoers" who seek to maintain the status quo and various populists who have plans of their own that have no connection with European integration.

Of course, the essential problem is not the deadlines and timeframe for accession but an apprehension that the EU's interest in Albania and the region in general could wane. This would leave a void that could have serious geopolitical and geo-economic repercussions for the development of the country and the region. It is rightly said that, up to recently, it was the countries of the region that needed the EU, but now it would seem apparent that the EU, too, needs the countries of the region within its fold, and increasingly so.

The truth of the matter is that Brussels' approach to the region continues to be more technical and influenced by the *acquis communautaire* than by geopolitics. Geopolitics is not an element of the enlargement strategy.

This is why, at the Berlin Conference for the Western Balkans held in Germany in August 2014, Albania stressed the consequences that a lack of perspective for EU membership and thus a lack of EU political influence would have on the region and stated that the ramifications thereof would be difficult to envisage. Fear of a decrease in the role of the EU in the region is a growing concern among the pro-Western elite in the Western Balkan countries. Insistence on a continued active presence of the EU for a new approach in the region that could encompass the geopolitical and strategy interests of the EU and of the countries of the region is of course closely linked to concerns that have arisen since the crisis in the Ukraine, but also concerns about the increased presence of “new powers” that are becoming more and more competitive with the EU.

The crisis in the Ukraine and the events in the Middle East and the Mediterranean require that Europe see Albania and the region more from a geopolitical perspective than simply through the above-mentioned technical criteria. The long history of this primarily technocratic process in which Brussels demanded changes in legislation without insisting enough on implementation cannot be said to have been that successful. The revocation of the immunity of members of parliament, for instance, was no doubt a positive step, but it took a lot of time and energy and, in the final analysis, what has changed in Albania over the last three years since the passing of the law? Very little, if not to say nothing at all. In three years, one could rightfully say that the problem in Albania was not immunity but impunity.

### 6.3 What if Albania Were Made a Member of the EU Right Away?

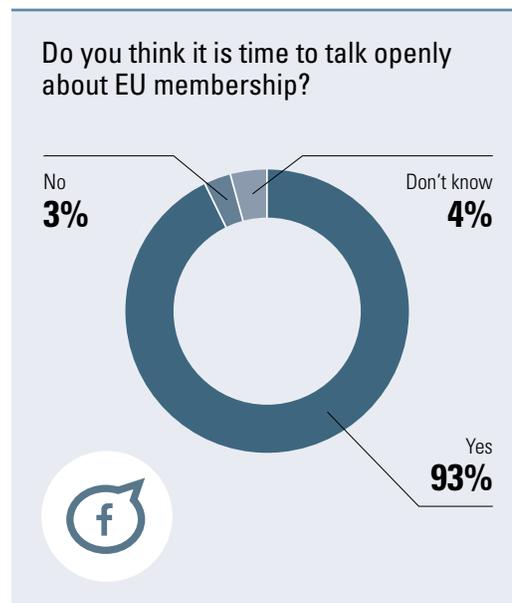
Perhaps no one has yet considered what the situation would be. Maybe not even the EU. Perhaps it has thought about it, but not published anything in this connection. Everyone has learned not to talk about the subject, calling it the exclusive right of the EU. It is the EU that grants membership or not. It is also the EU that decides *when* to grant it. It decides when the country in

question has fulfilled the ten or seven or five criteria needed for accession. It would seem that the exact number of criteria is not that important because they are so general and subjectively (im)measurable that they can be divided up into dozens of other criteria so that fulfilment or non-fulfilment simply depends on the expectations of the decision-makers.

One of the most typical of the subjective criteria is corruption. The more it is fought, the more they say that more needs to be done. Since there is no way of measuring success in this field, it is said that all sides are monitoring it with great attention. Even when a “big fish” is caught and sent to court for trial, they say: “Congratulations, you are on the right track and have just begun a new phase in the fight against corruption.” No one understands where this new phase is situated on the track and how much time is needed to reach the end of the track. At least no one says where the end is.

As such, it is time to speak more openly so that “weariness” on the two sides does not take over and create misunderstandings. On this issue, at least, almost everyone who expressed a view in social media had the same opinion (see Figure 6.3).<sup>145</sup>

FIGURE 6.3 Perceptions on EU accession



The EU has not approved any criteria. The Enlargement Strategy is like a document of general principles that basically encourage enlargement in order to make Europe a safer place and make Europeans more prosperous.<sup>146</sup> Let us therefore suggest a few criteria here that should be open for discussion. They may be incomplete and need to be altered or expanded, but this is not a problem. We are only opening a window here for a brief moment to discuss an “unauthorised” subject.

*A first criterion could be geopolitical.* This criterion should be measured and clearly evaluated to see how serious the country’s wish to join the EU is. How Euro-enthusiastic is the candidate state? Is membership the irrevocable will of a country, or are there other options? It must also be seen to what extent the EU is politically interested in encompassing the country within its sphere. In this connection, there can be no doubt that Albania would have priority over the other countries of the Western Balkans, but also over a number of countries that are already members.

The crisis in the Ukraine, which is the most serious on the continent since the turn of the new century, has brought about the need for a re-evaluation of the geopolitical position of the Balkans, but has also brought to attention the urgent questions as to: *What is most important in the integration equation: a constant pro-European stance or conflictual policies by local players?* and *Is Albania’s moderating influence in regional politics being properly appreciated,* policies that have remained unchanged for the quarter of a century since the beginning of the transition? *Is this moderating influence an important factor in evaluating the country or is it simply a given factor?*

*A second criterion could be economic convergence.* Every EU member state seems to be very concerned about this in these times of economic fluctuation. Any new country joining the EU has to accept all the positive and negative sides of the Union. In a worst-case scenario, a “foreign particle”

is being inserted into a “healthy body.” Can the healthy body easily absorb this “foreign particle”? Or will the particle take over the body?

Economically speaking, this criterion can be measured by the GDP. Albania and the whole region taken together have a much smaller GDP than the EU average. As such, there is no way it can have much impact on the member countries. Statistics show that nothing bad will be inserted into the “healthy body.” In 2014, the GDP of the EU rose to about 14 trillion Euros or about 25% of the GDP of all the countries in the world, while the GDP of the Western Balkan region as a whole did not even surpass that of an EU country like Hungary.<sup>147</sup>

But no great advantage is to be had for the healthy body either. The Albanian (and regional) market is relatively small compared that of the EU, such that, if we also take its low purchasing power in recent years into consideration, there is no improvement in any of the EU indicators. However, desperate for foreign investment and advanced technology, Albania can attract some investments. Some garment and shoe manufacturers may transfer to Albania, some foreign banks may open branched in the country, and there may be some new opportunities for big foreign companies in tenders with local and foreign funds. As such, enlargement would create new opportunities for companies, owner and students. A wider unified market would be created that is more attractive to investors. Even if it is only a drop in the bucket for the huge EU bin, Albania’s immediate membership in the EU would not exert any negative influence on EU economic indicators.

In Albania today there are at least 160,000 unemployed people.<sup>148</sup> What influence could they possibly have on the EU that has about 24 million unemployed?<sup>149</sup> Even if all the unemployed people in Albania were to migrate to the rest of Europe on the day after accession, what influence would that possibly have on the EU? None. It is highly

unlikely that the unemployed would all leave the country. One is reminded of the sceptics who proclaimed that, if Albania were to be granted visa liberalisation for the European Union, the unemployed would be the first to leave. The idea that all Albanians would get up and leave the country the moment the barrier rises is as ridiculous now as it was in the past.

Although the impact of Albanian accession is insignificant at the European level, it would be enormous for the country itself. Accession would serve to reduce unemployment, in particular youth unemployment that is considered Albania's greatest problem, it would discourage emigration of problem groups to the other member States of the EU, and would give hope to Albanians that things *can* indeed change in this country. Above all, it would create a more realistic view that membership is a process that is of interest to both sides. Albania needs membership as quickly as possible, but the EU also needs to expand into the Balkans as quickly as it can.

All the criteria have admittedly not been completely fulfilled, but what is more important is that Albania has laid the foundations for a market economic, has built up capacities to counter pressure from competitors and market forces, and has managed to achieve a GDP which, on the average, is stable and positive, with a few moderating instruments, and is fighting to reduce the deficit and public debt.

*A third criterion could be social adaptability.* It must be noted to start with that the total population of the Western Balkans is about the same as one of the Balkan member states – Romania, and about 20 times smaller than the total population of the EU itself. The population of Albania is about one-seventh of that of Romania and about one-170<sup>th</sup> of that of the European Union. As such, Albania is a negligible factor for the EU.

The Albanians adapt easily. There can be no question of them remaining a foreign body. Hundreds of thousands of Albanian emigrants have found their place in Greece,

Italy, Germany and elsewhere, people who left in the sombre atmosphere and chaos of the beginning of the transition and who have proven that they are just as European and the rest. "Albania is a European country,"<sup>150</sup> not Asian or African, and as such has no need to go through a long and complicated adaptation to the EU. It is an organic part of the Europe. The Albanians were early to prove this and are doing so now. Under the old regime, the Albanians used whatever material they could to transform their little TV antennas, illegally, into ones that could receive channels from the rest of Europe. Is this not proof enough of their European aspirations? Are not hundreds of thousands of Albanian emigrants living and working in other European countries? Are not thousands of young Albanians studying at the best universities of Europe, no different from any other students? Is not proof enough?

There are now about 20,000 Italians working and studying in Albania. They have said very clearly: "We are the only emigrants in the world who do not have to learn and speak the local language."<sup>151</sup> From this it can be seen that the Albanians have adapted fully to being Europeans.

Nowadays, there is much discussion in united Europe and in the other developed countries of the world about Muslim extremism. Many of those concerned are worried at the thought of Albania, a candidate State with a majority Muslim population, being accepted into the EU. Of course, the Muslims in Albania have no direct link to Muslim extremism, but aside from this, the Albanians are a people who have long enjoyed a perhaps unique tradition of religion harmony. For example, in the old fortress of Elbasan, founded by the Romans<sup>152</sup> and then built in its present form by the Turks, they discovered the ruins of four religious buildings that functioned at the same time: a Catholic church, an Orthodox church and two mosques – proof of tolerance among the various religious communities.<sup>153</sup> This is something unique in the world, say European experts. As such, any doubt or hesitation as to the acceptability of Albanian Muslims in Europe can only be expressed by those who do not know the Albanians.

*A fourth criterion could be that of political developments within the country.* This criterion is often regarded as number one in importance, which is understandable because we are talking here about countries that were once behind the Iron Curtain and have gone through much political turmoil to establish democracies. But the way this criterion is monitored and conditioned reminds one of a huge sack in which you can stick your hands and always find something.

Albania has now laid stable foundations for democracy, political pluralism, an alignment of the political parties into a parliamentary majority and a parliamentary opposition, freedom of speech, free media, and basic rights for minorities, etc., and has passed essential legislation in accordance with advanced European standards. It is now a member of international conventions that compel countries to take the required measures in the above-mentioned directions. In this respect, everyone agrees that Albania is a democratic country. There can be no doubt about the stability of the political system itself. Discussion is concentrated rather on the functionality of the system which requires: a quiet and tolerant political climate, fruitful parliamentary debate in which the opposition has full opportunity to exercise its functions, free and honest parliamentary elections, an uncompromised fight against corruption and organised crime, a total reform of the judiciary, a depoliticisation of the public administration, appointments to it that are based solely on professional merit, and genuine autonomy for State institutions.

Dysfunctionality in Albania does not seem to derive from an organic weakness of the system or the inability to fulfil conditions, but rather from the lack of pace in the change of mentality. Political figures are still strongly influenced by early ways of thinking. The question that arises here is very simple. Should a fully functioning democracy come first and membership later, or should membership be given priority in order to accelerate and assist in the functioning of Albanian democracy?

In other words, there is no doubt whatsoever that profound reforms must still be carried

out in many sectors in Albania, but there is no agreement as to whether all these reforms have to be concluded before membership comes. Should membership not come first so that the country can continue with its reforms as part of the EU? No one can say when a reform is *completed* and how its *completion* can be measured. Even in the advanced, consolidated countries of the EU, there is constant talk nowadays about ongoing reforms, on the necessity thereof and the speed with which they ought to be carried out.

A parallel can be seen in Albanian experience with the privatisation process. In order to privatise the public enterprises left over from the old regime, Albania followed the strategy of restructuring them first and then privatising them. This is the strategy that was suggested (or should we say imposed?) by the international organisations in question that propped up their suggestion with millions of dollars in funding, money that was not available from the State budget. After several years, when the money was all used up, it became clear that the strategy had failed, or to put it in softer terms, it did not yield the expected results. It was therefore abandoned. Indeed those who had initially been behind it were the first ones to give up. The next motto of the day was “Privatisation as quickly as possible!” and restructuring thereafter by the private owners who bought the enterprises/bottomless pits. It became clear that this could be achieved more quickly, better, with far fewer costs and with no costs at all for the State budget.

Can we consider this strategy to be mind-changing? Perhaps, because Albania is now on a road of no return and is embarking on many serious steps to reform the new system. A return to the past is unthinkable since the market economy has now taken root. This is normal because Albania is joining the capitalist system in the age of the internet and did not enter it through the classic stage of feudalism.

*A fifth criterion could be regional co-operation.*<sup>154</sup> Good-neighbourly relations and regional co-operation are fundamental principles of the European Union. Economic integration between countries is generally a transition

from slight co-operation to full integration. The first small steps towards integration are usually concentrated on liberalising the market for goods, whereas full integration has more to do with government actions to reduce the effects of fragmenting the markets by policies and regulations set forth by each individual country. The term full integration goes beyond market liberalisation since it includes government action to make better use of the economic potential of the region so that all the countries included in such activities gain more.

In the case of the Western Balkans, gain is to be had from the creation of a unique economic space which will bring about greater co-operation, a wider market, more export opportunities and growing interest on the part of foreign investors. As such, the gain to be had from full integration is enormous for the region. The clefts among the countries of the region have more to do with divisions along political and ethnic lines or with history than with reason and concrete economic opportunities. This can be seen easily in the high level of economic exchange that exists among the countries of the region, including trade between Serbia and Kosovo.

Promoting the regional integration of the Western Balkans must take into account a number of characteristics particular to the region: (i) some of the countries, though not Albania, were once part of the common economic system of one country, former Yugoslavia, and traditional co-operation among them stems from trade, transportation networks and supply lines – all of which brought about an interdependency that cannot be destroyed by geographical factors or ethnic conflicts. On the contrary, factors such as traditional relations, language, minorities etc. serve as bridges to connect and promote co-operation; (ii) it is becoming more and more evident for all the countries of the region that there is little interest in their small economies and that they must take advantage and join a larger market, i.e. the regional market; (iii) all the countries of the region, some more, some less, aspire to join the EU. As such, each country is striving to convert or adapt to the same legal and regulators framework; (iv)

the much-needed rise in foreign investment can be achieved by stimulating the interest of foreign investors with a large regional market. The success of foreign investment in the banking sector is an example to be followed; and (v) the region has suffered from many squabbles at borders. The economic integration of the region could promote joint chains of production that would substantially reduce production costs by providing greater opportunities to increase export from the region and to attract foreign investors from Europe and elsewhere.

Up to now, EU integration has been seen more in terms of the progress each country is making towards the EU than the progress made by the region as a whole. The former approach stems from the Thessaloniki Summit where it was stipulated clearly that the progress of each country towards the EU would depend on its own merits. However, it is becoming increasingly obvious that there is a need to better harmonise both approaches, and the speed thereof, i.e. to harmonise the integration of all of the countries of the region into the EU and their integration within the region itself. This is because progress for each of the countries in the region is very closely connected to progress by the region as a whole, and since the region suffers from many historical divisions, competition between the countries does more harm than good.

For this reason, the Berlin process is a serious step forwards to harmonise these perspectives and has given new impetus to regional co-operation and regional economic co-operation in particular. The “Connectivity agenda” has now become a sort of agenda used primarily to promote integration among the countries of the region by means of large projects connecting them that will help not only to develop the economy of each country but to promote economic and political co-operation among the countries of the region.

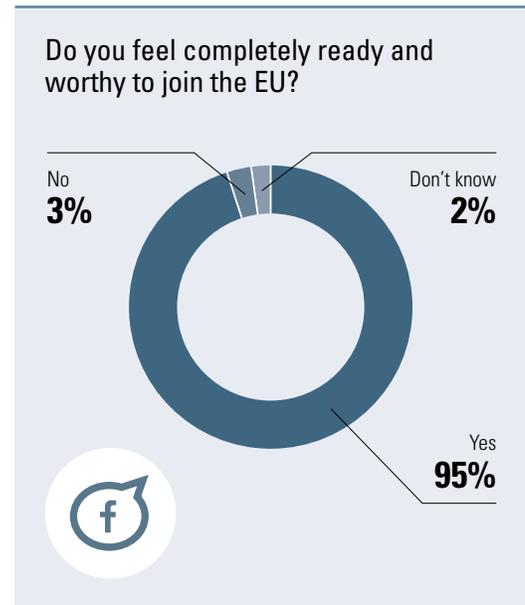
This analysis, superficial though it may be, makes it evident that Albania must be given greater consideration as a candidate for the EU, though all the while it must itself not cease in its endeavours to carry through with the

important reforms it has begun. It is therefore time for deep reflexion by all. In the final analysis, it has been proven over and over that the cost of membership is much less than the cost of reform from outside.

The Albanians, for their part, feel that they are ready and that they are worthy to be part of the European community (see Figure 6.4).<sup>155</sup>

This conviction on EU membership is just as valid for all of Albania's neighbours in the Western Balkan region.

FIGURE 6.4 Perceptions on immediate accession to the EU



# Annex 1: Methodology of the Human Development Index

The HDI rates are calculated using the following data:

- **Life expectancy**, calculated by INSTAT at the national level from obligatory administrative information, divided according to the gender. Using this method, the life expectancy rates are then calculated for each prefecture, while taking into account inaccuracies and inconsistencies in the registry of births and deaths;
- **Expected years of schooling**, calculated solely at the national level since data at the prefecture level are lacking for every age group registered in school (using the LSE method<sup>156</sup>). For this reason, the rate is regarded here as consistent for all the prefectures;
- **Mean years of schooling**, calculated at the national and prefecture levels on the basis of LFS data for 2013; it equates with the methods used for people in the group over 25 years of age;
- **Per capita gross national income**, calculated by INSTAT with PPP and divided up according to prefecture, while preserving the per capita GDP division.

Gender indicators are also calculated under the UNDP method, using the LSMS data for 2012 on salaries and the LFS data for 2013 on the relative proportion of men and women in the work force.

## Annex 2: Methodology of the Social Network Survey

The report was prepared independently by a group of authors through the support of a large network of contributors. In addition, UNDP designed and implemented a crowdsourcing platform. The platform – an innovative way of gathering citizens’ opinion through the use of social media – specifically UNDP Albania’s Facebook page, asked citizens to have their own contribution in developing a truly different National Human Development Report. The platform had two dimensions - a structured weekly thematic survey as well as an accompanying opportunity to express direct unstructured opinions – led by a teasing question in the wall. Findings from the crowdsourcing campaign were articulated and used during the report writing.

While virtual social research has been gaining increasing application, in no circumstance findings were considered as socially factual. The intention was to analyse contributions as part of the perception of a certain group active in the virtual reality without statistical weights or disaggregation. There are numerous advantages to new survey method used to measure public perceptions in this report:

- i. The survey was completed in a short time, 7 days for each block of questions, and the results were clear and easy to process. This enabled the whole process, with 24 questions chosen by a group of authors, to be completed within a month;
- ii. This survey yielded the perception of a large group of people (1350 survey respondents in total) well comparable with “traditional” surveys. The economy survey

was filled in by 306 people; the rule of law – 293; social – 278; democracy – 267; and rural 214 people.

- iii. In addition to the responses to the selected questions, the survey also allowed interested participants to express their views in the Facebook wall and thereby help the authors with further arguments on issues of prime concern;
- iv. The cost of this survey was less than that of traditional surveys.
- v. People were very interested in expressing their views on the economy and unemployment, which are their greatest concerns; there was much less interest in expressing views on political parties in Albania.
- vi. It can also easily be seen that the greatest number of respondents and comments was from the age group 17 – 25. None of the participants in the survey asked to remain anonymous. They can all be clearly identified with their first and last names and did not hesitate to provide details on their education, age and social status, etc.
- vii. The only disadvantage to this type of survey is that the results could not be extrapolated at the national level to attain a representative opinion, because the number of respondents was completely coincidental and was not a calculated sampling. This was deliberately pursued as an innovative approach to collection citizens’ opinion where the emphasis is not on the representation but the direct input to report writing – the main feature of this crowd-sourcing technique.

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