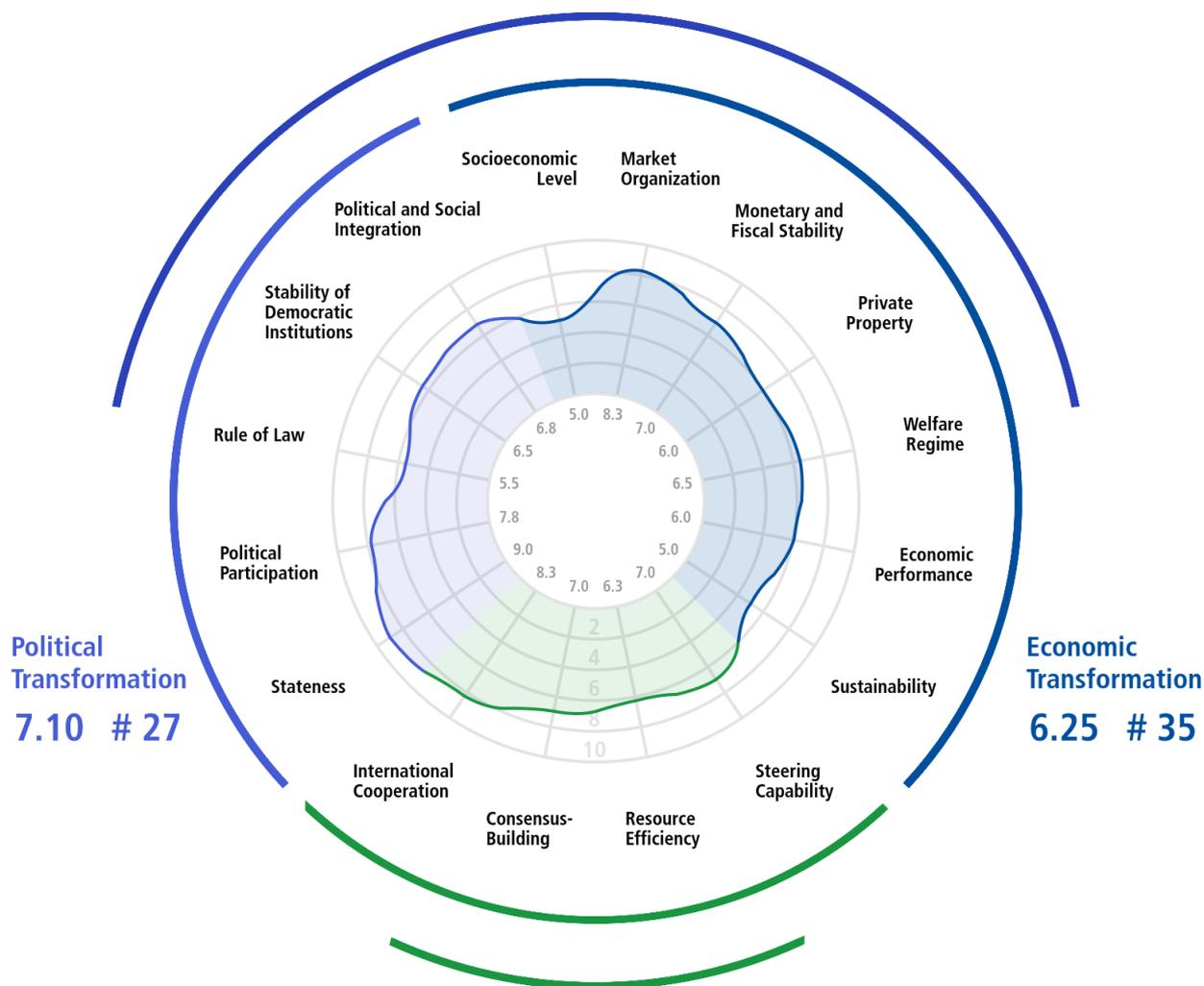


# Albania

## Status Index

**6.68 # 28**

on 1-10 scale out of 137



**Political Transformation**  
**7.10 # 27**

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## Governance Index

**6.28 # 18**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2022 Country Report – Albania. Gütersloh: Bertelsmann Stiftung, 2022.

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**Key Indicators**

Population	M	<b>2.8</b>	HDI	<b>0.795</b>	GDP p.c., PPP \$	<b>13818</b>
Pop. growth <sup>1</sup>	% p.a.	<b>-0.6</b>	HDI rank of 189	<b>69</b>	Gini Index	<b>33.2</b>
Life expectancy	years	<b>78.6</b>	UN Education Index	<b>0.746</b>	Poverty <sup>3</sup>	% <b>8.2</b>
Urban population	%	<b>62.1</b>	Gender inequality <sup>2</sup>	<b>0.181</b>	Aid per capita \$	<b>10.0</b>

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

## Executive Summary

During the period under review, Albania pursued major reforms, especially in the area of the rule of law, but also in other areas closely monitored by the European Union in the context of EU enlargement conditionalities and the approximation of legislation with the *acquis communautaire*. Long-needed reforms were advanced even during the coronavirus pandemic, which has absorbed substantial resources, necessitated a shift in focus, and to some extent exacerbated social and political concerns. The success of several major reforms has been recognized by the European Council, which in March 2020 voted unanimously to open accession negotiations with Albania.

The judicial reform – the most prominent of the reforms pursued during the review period – shows the progress made, but also the challenges ahead and difficulties with international rule promotion in the Albanian context. Specifically, under the close assistance and supervision of the European Union and other international structures, the judicial reform has moved to institutionalize a new judicial architecture and vet a significant proportion of members of the existing system. All social, political and governing actors have committed to reform, at least rhetorically. Nevertheless, five years after the beginning of the reform, many of the foreseen steps, including the creation of several new organs, are yet to be completed. Every step of the reform has been delayed, obstructed and sometimes deformed by powerful actors that have traditionally controlled the system and stand to lose from an independent justice system. This mixed record of progress shows the duality between fast institutional changes and actual resistance to implementation. This gap marks the country's political and economic transformation as well as experience of governance, and is a hallmark of the Albanian hybrid democratic system.

The state of economic reform is less optimistic, mostly due to the negative effects of the earthquake at the end of 2019 and the outbreak of the pandemic in 2020. Although the country received major recovery aid following the earthquake and the promise of substantial EU aid to fend off the consequences of the pandemic, in the short term it has entered a difficult new period.

Specifically, the already low level of tax revenue has deteriorated further, while public debt reached a record high in 2020. This has been accompanied by a drastic increase in the budget and current account deficits, and a deterioration in the trade balance. The government's COVID-19-related spending counted for only 3% of GDP, which did not justify a 14% increase in public debt during the same period. The budget allocated for COVID-19 issues in 2021 amounts to 0.5% of GDP, which may indicate that governing actors have ignored the returning and prolonged effects of the pandemic.

## History and Characteristics of Transformation

The communist legacies of the old governance structure in Albanian history, as well as the way in which regime change was brought about in the early 1990s and the country's transition has been managed are often cited as key factors that have influenced the difficulties the country has faced in consolidating democracy and targeting a market economy.

The communist regime that ruled the country for more than 40 years (1944-1991) was arguably the most maverick dictatorship in the communist world. Relying on Stalinist methods of repression until the very end of its rule, it wiped out all sources of dissidence, depriving the country of organized movements or leaders with the experience and ideas to lead a democratic transition. When the communist regime collapsed under the pressure of chaotic and, at times, violent movements for change, it left behind a country in which antagonistic politics and leaders exploiting the desire for regime change dominated. As a result, Albania embarked on its path to democratization and a market economy with a population deeply distrustful of state institutions, a collapsing economy and a lack of actors committed to democracy.

Albania's difficult transition was perhaps predictably punctuated by a major institutional crisis and collapse of the state in 1997. In January 1997, Albanian citizens took to the streets to protest the "anti-communist" government, which had degenerated into one-man rule reliant upon the country's security forces and a personally controlled patronage system that would consolidate a system reminiscent of the previous one-party rule. The mismanagement of economic transition – marked by pyramid schemes, corrupt privatization processes and illegal trade with the former Yugoslav states (under embargo at the time) – hollowed out the impact of initial economic reforms. The Ponzi schemes that mushroomed in the period 1995-1996 became the symbol of early post-communist economic development in Albania. When they collapsed in 1997, the fragile Albanian state also collapsed.

Albania thus had to start once again amid an acrimonious political atmosphere, a polarized society, the absence of state authority, and without even minimal social and security services. International intervention was necessary to bring about any sense of normalcy to everyday life and to jump-start institution-building. However, alliances between key political structures, powerful businesses and organized crime flourished during this chaotic and unruly period, fostering state capture and the strength of a patronage system that has played a major role in Albania's transition.

Consecutive governments continued to exploit the situation and use the state as a piece of property to be distributed among family members and political cronies as a means of consolidating their hold on power. Not surprisingly, for more than two decades, a culture of impunity emerged in Albania allowing a wide range of illicit activity, including electricity theft, the occupation of public spaces, illegal construction, widespread bribery, the abuse of the taxation system and a “solve it yourself” type of behavior in the service of party bosses. The vetting system within the judiciary has revealed the extent of such illicit activity, which has permeated even those institutions intended to uphold the rule of law. It has been revealed that most of the vetted members of the judiciary, whether entry-level or top-level officials, have massive sources of income they cannot account for, use their office to register and legalize illegal properties they have acquired and avoid paying taxes. However, the vetting system has failed to reveal the links of patronage that have emboldened many of these officials to abuse their office, as well as the benefits delivered by the political leadership that hold the judiciary hostage.

The Socialist Party (SP) majority (2013-to present) came to power with the promise of overthrowing the deeply rooted system of corruption and strengthening the state’s authority and its core institutions against dominant private interests and patronage networks. It has thus faced a range of political and institutional actors who are heavily invested in the system of weak institutions, strong party patronage networks and widespread corruption.

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

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

The Albanian state has a monopoly on the use of force within its entire territory. The period under review has seen a successful campaign to further strengthen state authority against informal groups, particularly powerful mafia and criminal networks, which remain a key, even if informal, source defying state authority.

Following the police campaign to curtail cannabis cultivation, state authorities turned their attention toward a challenge frequently mentioned in international reports – tackling money-laundering and criminal assets. To this end, a heavy internationally supported operation, The Power of Law, which is led by the General Directorate of the Police Forces, aims to curtail the economic power of organized crime by controlling and sequestering the unjustified properties of registered criminal offenders. Originating back in November 2017, the operation had initially identified 41 criminal groups operating in the country and by 2018 had moved to arrest around 300 related members.

The operation received another boost in January 2020 when the government adopted a legal package that targeted the economic power of organized crime. International partners have greeted the initiative, which enables the sequestration of criminally generated funds, as a successful tool in the fight against organized crime. The opposition criticized the package as a politicized instrument that contradicts constitutional human rights. The Albanian government has defended it, describing the package as “extraordinary measures in extraordinary times.”

A large majority of the Albanian population accepts the nation-state as legitimate and enjoys the right to acquire citizenship without discrimination. Common consensus on who is entitled to citizenship and what that entails is facilitated by the ethnic homogeneity of the population, of which 82% self-identifies as Albanian.

Ethnic minorities enjoy equal citizenship and cultural rights. The constitution guarantees the rights of recognized national minorities, including the right to study and be taught in their mother tongue. The status of minority rights is closely

Question  
Score

Monopoly on the  
use of force

10



1

State identity

9



1

monitored by neighboring countries and various organizations. Among the recognized minority groups, the Roma and Egyptians continue to suffer from inequality and discrimination. In 2019, the Council of Europe’s Advisory Committee on the Framework for the Protection of National Minorities suggested that “additional efforts should be made to improve their living conditions, access to employment, education and health care and to promote their integration into society.” However, the existing discrimination and de facto marginalization of specific groups, such as the LGBT+ and Roma communities, reflects the lack of sufficient social services and allocated resources, and to some extent a cultural rather than a legal or institutional problem.

The post-communist Albanian state has firmly adopted a local version of the classic model of laiciete (Albanian: Shtet Laik), which insists on the separation of state and religion; independence but also collaboration of religious groups and the state; and the equality of traditional religious denominations – Sunni, Bektashi, Christian Catholic and Christian Orthodox. The model excludes the influence of religious dogmas on the legal order and political institutions of the state. However, religious communities enjoy autonomy in running their administrative and spiritual affairs within a constitutionally defined framework of rights and restrictions. This institutional settlement of state-church relations, initially adopted during the creation of the post-Ottoman Albanian state and commonly labeled as Albanianism, has served to fortify an ideological and institutional framework of common belonging.

Politicians, intellectuals and citizens at large show support for the Albanian secular system and the exclusion of religion from the public sphere. Centralized organizations, including the one representing the Sunni majority, also tend to support the institutional framework that enables the separation and independence of the state and religious communities. The efforts of various religious movements, including a range of Muslim networks, to import alternative models and ideals, including radicalized ideologies, have faced resistance among post-communist Albanians. Radical ideas, if there are any in Albania, are usually confined to marginal groups that operate in more globalized internet spaces or around specific places of prayer and authorities that operate out of the administration of the Muslim community.

The Albanian state provides core public services throughout the country, although their operation is at times inefficient or hampered by the lack of sufficient resources. During the period under review, the governing authorities have continued long-delayed reforms of the core structure of state services particularly in the fields of state bureaucracy, health care, education, the regulation of property rights and the enforcement of the rule of law.

The status of reforms is at best mixed. Public services have certainly advanced so that interruptions of water, electricity and other bare necessities, which were

No interference of religious dogmas

10



1

Basic administration

7



1

common a few years ago, are now rare. However, improving public services in key sectors like education, property rights and the rule of law remains a key challenge. For example, the stalling of reforms in the area of education, which was the subject of a major legal package in 2015, demonstrates how difficult it is to reform the sector given strong resistance from internal institutional players that are likely to lose from the reforms.

In general, meager investment, widespread corruption, the predominant appointment of political loyalists in key positions, the lack of meritocracy and a general absence of civil service ethos continue to undermine the functioning of state administration. The COVID-19 crisis, which has absorbed the attention of the government and depleted available public resources, has negatively affected the advancement of substantial reforms.

## 2 | Political Participation

Albanian political representatives are elected through periodical, competitive elections, which are closely observed by international organizations and formally adhere to a democratic institutional framework. Both general and local elections are increasingly qualified as fair. Legislation ensures equal media access for all candidates and parties. Moreover, registration procedures for voters, candidates and parties are transparent and fair.

Since the beginning of transition, the country has tried different electoral systems – majoritarian, mixed and proportional. The current electoral system, a closed list regional proportional system, was introduced through the consensually adopted 2008 constitutional amendments. Accordingly, the country is divided into 12 multi-member constituencies based on administrative regions. Parties must meet a threshold of 3% of votes in each of the constituencies. Electoral coalitions must meet a threshold of 5%.

Despite the trial of various electoral systems and the presence of a permanent OSCE mission, which focuses on electoral support and supervision, Albanian elections are commonly characterized by political distrust and repeatedly contested by the losing parties. The closed party lists, coupled with the politicization of the electoral management process (e.g., electoral staff are all political appointees) that was introduced during the 2008 constitutional amendments, has exacerbated the contestation of results.

The local elections held in June 2019 are a typical example of the weakness and challenges of the electoral process. The elections took place amid a tense political atmosphere carried over from the 2017 national elections, when the losing parties boycotted the parliament and mobilized their supporters to protest, sometimes violently, against the elected institutions. The opposition's persistent ultimatums for

Free and fair elections

7



1

the resignation of the elected government and request for fresh elections under a transitory government culminated in the radical decision to relinquish all of its parliamentary seats in February 2019. The simmering electoral crisis took a new twist with the approach of the local elections, which the opposition not only boycotted, but obstructed by vandalizing polling stations, and threatening voters and the officials in charge. A U.S. nominal warning to opposition leaders that “if there are acts of violence in future protests, we will consider them responsible” put a hold on the violence. On June 8, President Ilir Meta, the founder and former chair of the oppositional Socialist Movement for Integration, inflamed further tensions by issuing a highly controversial decree that cancelled the upcoming elections without consulting with the relevant actors or setting a new date.

Meta did not manage to stop the electoral process. The election authorities overruled his attempts, and he became the subject of impeachment procedures, while local elections were held and legitimized by the relevant international actors. Still, the opposition’s boycott of the electoral process set a negative precedent with repercussions for the democratic system. First, the radical action of boycotting the electoral process took the opposition out of the institutional fold and minimized their role in the democratic system. Second, the boycott challenged the entire frame of democratic elections as a peaceful mechanism for channeling political conflict. Third, it introduced a dangerous precedent that in the future any party or institution like the presidency can attempt to block the electoral process at a whim.

Democratically elected political representatives enjoy the effective power to govern. Particularistic groups and interests (e.g., powerful businesses, media groups, illegal criminal organizations, and clientelistic and patronage networks) that have held informal power and infiltrated formal decision-making mechanisms during various junctures of the democratic transition have increasingly lost the power to dictate special interest policies.

However, it is not uncommon for strong personalities that hold powerful institutional or political clout to challenge the democratically elected authorities. During the period under review, the power of veto-players within the democratic institutional framework has increased. Importantly, the president of the country, Ilir Meta, a formally symbolic figure of national unity, has taken it upon himself to undermine the power of the elected representatives. Besides controversially annulling the local elections of 2019, he has systematically called on the Albanian people to topple their elected government. In March 2020, backed by the opposition, he called on his supporters to organize against what he calls a “government coup d’etat against democracy.” Since then, the president has transformed his largely ceremonial seat into an instrument of unruly political fights by attacking the governing authorities and even international actors whom he refers to as “international vagabonds” or “international mafia.”

Effective power to govern

7

'06 '22 10



1

The development of association and assembly rights reflects the duality between formal achievements and their use as a political instrument. Formally, individuals are free to form and join independent political or civil society groups, which can assemble and operate free of state intervention. The Albanian constitution ensures a wide range of freedoms of assembly and association (Article 46). NGOs can also register freely, manage their affairs and address all matters of public debate without state interference or restrictions.

The formal achievements have enabled an increasing role for civil society in policymaking. During the period under review, organized civil society groups have undertaken highly publicized actions, particularly in education reform, the protection of vulnerable groups and the European integration agenda. The national council for European integration, a forum designed to incorporate civil society into the process of EU integration, has increased civil society input into policymaking.

However, Albania also shows that assembly rights can be misused as a political instrument to attain specific political interests rather than general public goals. Opposition-led protests organized before and after the local elections of 2019 are a case in point. An OSCE declaration in response to violent demonstrations makes clear the fine border between the exercise and misuse of assembly rights. Specifically, the declaration acknowledges the right of Albanians to protest peacefully but condemns violent attacks that target the bodies in charge of organizing elections, and damage schools and voting materials. It also adds that attempts to derail the democratic process through violent action stain the country's reputation. A similarly politicized protest was the one against demolishing the national theater.

Restrictions introduced in relation to COVID-19 have at least partly curtailed the guaranteed assembly rights. The restrictions were legally introduced and were necessary and proportional vis-à-vis the risk of the pandemic and non-discriminatory. The package of restrictions was also time-limited, and continuously revised in relation to the infection ratio and expert advice. Only a few restrictions remained in effect as of January 2021.

Albanian citizens, organizations and the mass media are generally able to express their opinions freely. The constitutional framework guarantees freedom of expression, organization of mass media and the right to information (Articles 22 and 23). The media landscape is dynamic and diverse. Currently, there are 15 daily newspapers; five national digital platforms; one public and 45 local TV broadcasters; and one public, two national and 53 local radio stations. The online media landscape consists of approximately 800 online media outlets. The presence of Albanians on social networks, especially Facebook, is also significant, with an estimated 1.6 million people or almost 55% of the population using social media.

### Association / assembly rights 10



1

### Freedom of expression 7



1

Famous cases of political corruption and abuse of public office tend to start with media investigations. In this sense, the media makes an important contribution to reporting on and highlighting abuses of public office. However, this contribution is limited to only a few professional and impartial sources. BIRN, a region-wide investigative source that is funded by the European Union, has provided highly sought-after independent information on cases of political corruption. ReporterTV has also provided several investigative dossiers.

In general, the media is also subject to the duality between serving as an independent watchdog and touting specific political and business interests. Given that major media outlets are funded by owners with interest in other business, reporting is often twisted to serve specific interests (e.g., lucrative state contracts, public advertisements or access to power). This is especially relevant for online portals that are funded by special interests, which have specific agendas and produce news accordingly.

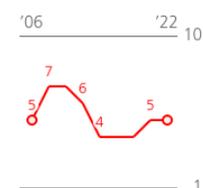
In October 2019, the ruling majority passed an anti-defamation package targeting online sites, which the acting prime minister rightly sees as “a jungle that takes money right and left ... A jungle that produces hate, misinformation and despair.” The package has many critics among the media, journalists and international organizations, including the Venice Commission, which argued that the law “falls short of international law and standards.” They are also rightly concerned about possible limits to press freedoms but have provided few alternatives on how to curtail deceitful information available online and the problem it poses for independent reporting in a weak institutional setting like Albania. The package was rejected by President Meta and is now off the table.

### 3 | Rule of Law

The constitution envisages a system of governance based on the division and balance of powers (Article 7), but the separation of powers is rather deficient when it comes to practice. Accordingly, the president represents the unity of the state and has major responsibilities regarding key nominations across the hierarchy of independent state institutions. However, the presidency has also been the weakest link in the separation and balance of powers. Although expected to be neutral, Albanian presidents are typically chosen from among key politicians, who use their office to appoint politically suitable candidates and thus establish political control over state institutions. Specifically, five out of the seven post-communist presidents were nominated by one party alone, the Democratic Party (DP), and four came from its close leadership circle. This has allowed the party unrivalled opportunities to consolidate its control over the highest layers of independent institutions, particularly those in the judiciary, which until the 2016 reform were almost entirely

Separation of powers

5



appointed by the president.

Illir Meta, the current president elected in summer 2017, also holds a strong political agenda. A founder of Albania's third party, the Socialist Movement for Integration (LSI, currently run by his wife), Meta was voted in by a coalition between the Socialist Party (SP) and the LSI. The coalition collapsed soon after his election, which partly explains Meta's strong anti-government stance, and calls on the "people" to topple their government. Most problematic is Meta's use of his office to establish control over the newly reformed judiciary, via the appointment of political cronies. In 2019, one of his nominations for the Constitutional Court, Marsida Xhaferllari, for example, eschewed most of the new requirements of the legal framework: she was appointed after the suggested 30-day deadline; she was the lowest rated among a list of four candidates prepared by the institution in charge; she received a negative report that included allegations of corruption by the security institutions; and she did not pass the vetting process. Xhaferllari's case shows how key political personalities can abuse the legal institutional framework and illustrates a failure of the international community, which has invested heavily in Albania's new institutions of justice.

The COVID-19 emergency measures created some concerns regarding executive powers and their proportionality. The government declared a state of emergency for the period March 24 – June 23, 2020, which was later extended until April 23, 2021. The parliamentary continued sessions online and approved the state of emergency. The extent and enforcement of the emergency measures were contested by the opposition.

The Albanian authorities have progressively adopted a package of COVID-19-related restrictive measures starting in February 2020. Initial guidelines and specific protocols for handling the spread of the virus were issued by the National Medical Emergency Center and were followed by more sweeping measures including a formal lockdown policy on March 10 and other restrictions on March 15. Emergency legislation specifying fines for violations of protocols and a national curfew were adopted on March 16 in the form of a normative act that per procedure did not require prior parliamentary approval. All measures were time-bound and subject to continuous revisions, including the differentiation of policy by locality according to the reported infection rate. On May 26, the Ministry of Health announced that pandemic-related restrictions would begin to be gradually relaxed thereafter.

The independence of the judiciary is a key hallmark of the constitutional system. Informally, however, independence has been difficult to achieve, and was often used to cover the political connections and large-scale corruption that characterizes the system. A 2015 parliamentary report on the state of the judiciary suggested that the very institutional setup of the judiciary allows for political influence in matters related to “appointments, status, career and discipline of judicial officials.” Since 2016, the country has been in the midst of a major reform sponsored and closely supervised by the European Union in collaboration with other international institutions. The EU leadership capitalizes on the existing EU mission EURALIUS, which has operated since 2005, and is dedicated to “the development of a more independent, impartial, efficient, professional, transparent and modern justice system.”

The main plank of reform is the vetting of 800 members of the judiciary. Only those vetted will be allowed to be part of the new structures. As of 2020, less than half of the judiciary – 330 members – were vetted at first instance. The vetted members helped to create some of the new structures currently in place – the Special Anti-Corruption and Organized Crime Structure (SPAK), composed of the Special Prosecution Office (SPO) and the National Bureau of Investigations (NBI); and the Anti-Corruption and Organized Crime Courts. A new general prosecutor and high justice inspector were also appointed. The EU 2020 annual report assesses that constitutional and legal changes ensure a merit-based career system, which is exclusively managed by the self-governing institutions of the judiciary.

Nevertheless, several of the key structures of the new system – the Constitutional Court and the High Court – are not fully operational because of the blockage or malfunctioning of the new appointment rules. Throughout the process, moreover, both the people and structures in charge of vetting have been subject to intense pressure, including defamation. With less than half of the judiciary vetted, many appointment rules having been contested, various active political actors working against substantial reform and the poor record of the internationally led reform effort, the full results of the reform are yet to be seen.

Officeholders who break the law and engage in corruption are not adequately prosecuted. A set of new rules associated with the judicial reform have increased capacities to investigate complicated cases of corruption. In particular, the establishment of the Anti-Corruption Task Force and the dedicated Anti-Corruption Directorate is expected to improve the investigation and prosecution of high-level corruption cases. The creation of a network of anti-corruption coordinators in public agencies has also improved the effectiveness of the fight against corruption.

However, institutional progress alone is an insufficient measure to assess prosecution of corruption in reality. The formal institutional framework to prosecute corruption has always been a key target for the European Union and other international actors. Continuous changes of the institutional framework, which the

Independent  
judiciary

5

'06 \_\_\_\_\_ '22 10



\_\_\_\_\_ 1

Prosecution of  
office abuse

4

'06 \_\_\_\_\_ '22 10



\_\_\_\_\_ 1

supervising international structure have traditionally used as a measure of progress, have failed to establish a solid track record of investigations over the long term. The EU 2020 annual report assesses that investigations have not resulted in a substantial number of final convictions of high-ranking state officials. This fosters a culture of impunity within the higher levels of the state. Importantly, many of the judges vetted out of the system, including eight out of nine Constitutional Court judges and 15 out of 18 High Court judges who were dismissed or resigned, have not been investigated for their misdoings. Many of the key members of the political class and state institutions who have been the subject of various media reports and cases of corruption have randomly slipped through political, legal or procedural loopholes.

Respect for civil rights is enshrined in the constitution and the international human right conventions that the country has ratified and generally complies with. The Office of the Ombudsman is the main domestic institution that follows the enforcement of civil rights and has taken an increasingly proactive active role in monitoring the situation. The ombudsman's areas of intervention relate to property issues, abuse of police power, unduly long judicial proceedings, the non-enforcement of judgments in civil cases, and inadequate conditions in prisons and living conditions for the Roma minority. The issue is also closely monitored by the European Union under Chapter 23 on Judiciary and Fundamental Rights.

Although the country has sufficient legal regulations in place to protect civil rights, the mechanisms to uphold those rights are not always effective. In some cases, Roma and Egyptian communities continue to face informal discrimination, while children belonging to these groups may be subject to forced labor. Gender-related violence and services for victims can also be improved. Cases of serious offenses and domestic violence against women tend to come to the attention of the public almost daily via media reporting. The government has strengthened support services for survivors of domestic violence, including providing more shelters, free legal aid and a national counseling line for victims. Equal access to justice and equality before the law are also problematic in the context of judicial corruption. In general, existing issues hinge on the lack of education and allocation of appropriate resources more than a legal/institutional problem.

#### Civil rights

8



#### 4 | Stability of Democratic Institutions

Democratic institutions exist and perform their functions in principle, but they are often deficient due to unruly political fights, severe polarization and institutional friction. Those fights inform a conflictual and unstable relation between the executive, parliament and presidency.

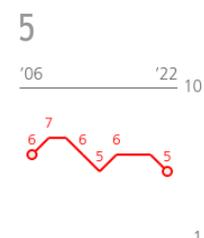
The period 2019–2020 saw an escalation in unruly political conflicts, polarization and institutional friction. Importantly, the local elections of 2019 served to escalate rather than channel political conflict into a smooth rotation of power. Following an en bloc relinquishing of parliamentary mandates in February 2019 and months of street protests, the opposition decided to boycott the local elections. The president's contested decree to cancel the election date increased frictions with the governing majority, and encouraged the opposition's extra-institutional fights, including violent street protests, to prevent the election and obstruct parliamentary work.

The boycott of the parliament for long periods has deprived the country of the necessary parliamentary scrutiny to hold an increasingly assertive executive to account. The boycott has also prevented the opposition from participating in key ongoing reforms. In January 2020, a cross-party platform composed of parliamentary forces and extra-parliamentary opposition was set up to negotiate certain features of the electoral reform. However, the collaboration platform was short term and confined to specific issues, and insufficient to enable continuing institutional dialog on major reforms. The forthcoming national elections in 2021 have re-escalated the extra-institutional fights that characterize the political scene, such as public denigration, boycotts of legislative reforms (e.g., the ongoing judicial reform) and frequent popular mobilizations to bring down the government.

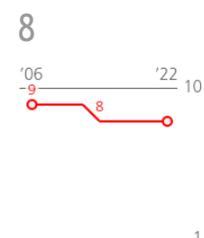
No relevant political or social groups contest the legitimacy of democracy and its constitutional setup. Following the experience of communist dictatorship, Albanians have consistently shown solid support for democracy as the ultimate goal of transition. Similarly, political and social actors have consensually embraced democracy as the only game in town. Major reforms, continuous institutional change, political programs and public discourse in general are commonly framed as progress toward democracy and its corollary, European integration.

During the unruly post-communist transition, however, political pledges to further democratization typically went hand-in-hand with the exercise of power as a zero-sum game and use of state institutions as property to be distributed among political followers, which resulted in the consolidation of political patronage across state institutions. This “winner-takes-all” model of democratization is more pronounced when the governing party enjoyed a significant parliamentary majority and controlled the presidency and hence independent institutions whose heads are presidential nominees.

Performance of democratic institutions



Commitment to democratic institutions



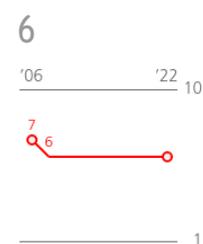
The current Rama government, which is nearing the end of its second term, has promised to curtail political patronage, and has shown a more reformist and power-sharing style of governance. This is shown by the exceptional agreement, which gave the opposition control of key ministries ahead of the 2017 elections as well as the nominations of key opposition politicians to independent institutional posts. The government has also promised to curtail the deep corruption, which undermines the legitimacy of democratic institutions, by advancing major institutional reforms. Nevertheless, the government, which enjoys an absolute parliamentary majority and relatively little competition, has also maintained a centralized and personalistic style of governance. Many of the individuals that hold ministerial positions are known to be loyal to the prime minister and few are experts in their respective ministerial fields or have much in the way of political experience. The Albanian transition has shown once again that such personalistic regime traits do not fare well for the legitimacy or stability of democratic reforms over time.

## 5 | Political and Social Integration

Since the fall of communism, Albania has consolidated its bipolar party system. The two main parties, the Democratic Party (DP) and the Socialist Party (SP), have positioned themselves at opposite ends of the ideological spectrum. DP, the first party that emerged after the sanctioning of pluralism in 1990, represents the center-right, conservative and fierce anti-communist ideal. The SP, created in 1991, hails from the former communist party, and has inherited some of the structures and its voters base, but early on reformed itself after the European center-left ideal. The Socialist Movement for Integration (LSI), Albania's third party, formed following a split from the SP. The LSI is a more "pragmatic" socialist party that allies with or attacks any of the major parties as long as this strategy allows it to participate in government and share the spoils of governing. Power has alternated between the two main parties, with unilateral control of the government and the course of transition passing between the two parties for long periods: the DP in 1992–7 and 2005–13; the SP in 1997–2005 and 2013–21. However, a coalition with the third party (LSI) was needed between 2009 and 2017 to secure a parliamentary majority.

However, the simple communist-anti-communist or left-right dichotomies that are frequently used to explain the Albanian bipolar system and conflictual style of politics are outdated. The rigid division between democrats and socialists, more than a simple ideological and political conflict, is an active strategy to distinguish and strengthen the parties' support bases. In practice, links to the old regime are dense and cross all political families. Specifically, DP has appropriated the fight against communism, but its key leaders, including its historical leader, Sali Berisha, were well connected to the communist regime. The SP has inherited some of the former communist organization, but its key leaders come mostly from the anti-communist student movement. Additionally, all parties have similar programs that stress a free market, a non-interventionist state, and progress toward political and economic reforms required to advance European integration.

Party system



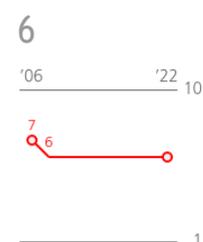
The explanation for the polarized, tense and conflictual style of politics, and why it is still a useful electoral strategy relates to historically ingrained local divisions and the related patronage system that is nourished by all political parties. The DP leaders, who come mostly from the north, have usually stressed their anti-communist credentials, which appeal to northern regions, many of which were subject to particular repression under the communist regime. The socialists, whose main leaders tend to come from the south, have usually found appeal in the southern regions, which was the primary power base of the former communist organization. These divisions are also reflected in employment in central and local administration, with most positions filled by fierce anti-communist northerners when the DP has held power and with southerners when the SP has held a majority. The parties' "winner-takes-all" approach to power facilitates accommodation of their patronage networks of loyalty and service across state infrastructure.

Post-communist Albania has seen the development of a relatively rich scene of interest groups. However, there is also a duality between "western" models that are funded and promoted from abroad, and their different functioning in the local context. Given the communist regime's total ban on any autonomous civil society groups, the idea and practice of civil society after communism entered the country via Western donors' aid policy. Donors' policies aimed at stimulating civil society participation and socializing people to democratic values have enriched the public sphere. Currently, there are around 12,000 NGOs, including associations, foundations and centers, registered with the Tirana Court of First Instance. These NGOs engage in a wide range of activities, including advocacy work, monitoring and social mobilization, particularly in sectors like the environment, human rights, social protection and rule of law. They have also taken an active role in assessing the performance of the government and pushing for policy change. One such case is the students' "Movement for University," which serves as an open forum to discuss and lobby on the ongoing high education reform.

Nevertheless, the NGOs are typically seen as donor-dependent entities that need to develop internal capacities and voluntary networks in order to make them sustainable and rooted in society at large. Often, Albanian NGOs maintain implicit and sometimes explicit affiliations with political parties, while parties themselves tend to court NGO leaders with government positions. Trade union movements remain weak and apt to politicization, especially due to the lack of large companies operating in the country.

Survey data unsurprisingly shows relatively low trust in civil society. According to a 2019 survey, 56% trust civil society as opposed to 73% who trust the European Union, 48% see civil society as an effective mechanism of accountability compared to 79% who see international organizations as effective and 45% see civil society as politically independent institutions.

Interest groups



Having suffered one of the strictest totalitarian regimes ever built in the communist world, Albanians show strong support for democracy. No surveys have so far indicated decreasing enthusiasm for a democratic system even in the face of endemic crisis and the many problems that plague the country's transition to a democratic system.

Albanians, however, have more trouble in approving how the established democratic institutions are functioning and the course of the country's democratic transition. They typically show more confidence in international organizations than their own independent institutions. According to the 2019 UNDP survey Trust in Governance, 41% show trust in central government, 28% in the parliament and president, 27% in the courts, and 23% in Albanian parties. By contrast, 73% trust the European Union, 75% the United Nations and 78% NATO. More than half of the respondents perceived political parties (54.4%), courts (62.8%), prosecution (62.3%), the parliament (62%) and the president (55.1%) as performing poorly or very poorly.

Albanians also show low trust in the course of major reforms, such as the ongoing reform of the judiciary. According to the same survey, a slight majority of Albanians express a positive expectation of the judicial reform, although 48.5% believe that the reform has not been implemented properly. The share of people with a positive expectation of the ongoing reform has declined from 71% at the start of reform to 53% three years on. Similarly, belief that the reform is being properly implemented has declined from 46% in 2016 to 32% in 2019.

There is a fairly high level of trust among the population, and a substantial number of autonomous, self-organized groups, associations and organizations. In line with the structure of a traditional society, Albanians share traditional forms of solidarity based on blood, family, regional and clan loyalties. Political elites have sought to capitalize on such links and divisions to nourish patronage-based networks.

These para-modern forms of social capital, including patronage relations, have helped to sustain informal networks of support in the context of a difficult transition and meager social welfare. However, such forms of solidarity undermine the creation of a more general culture of civil society participation and trust in state institutions. In addition, post-communist Albania has developed highly individualistic trends as a reaction to the extreme collectivism and extensive voluntarism that was forced on them during the former communist regime, and because of the "Wild West" nature of the post-communist economic development.

A National Democratic Institute (NDI) public opinion research project on engagement in politics shows a certain improvement in citizen engagement. Accordingly, the citizens reported increased participation in decision-making, opportunities to participate, invitations to local and central government consultation events, and willingness to engage in voluntary work, and a decrease in perceived political influence over public institutions.

#### Approval of democracy

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#### Social capital

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## II. Economic Transformation

### 6 | Level of Socioeconomic Development

The Gini Index has increased from 12 in 1992 to 27 in 1996 and 29 in 2018. Despite improvements following its peak in 2002, due to increased efforts to promote fiscal and social policies, income inequality in Albania remains higher than the EU-28 average.

Albania's Human Development Index (HDI) score was 0.8 in 2019, a 0.38% increase year-on-year. However, when adjusted for inequality, Albania's score drops to 0.7 out of one. In the Gender Equality Index, Albania registered 60.7 out of 100 in 2020, ranking seven points below EU-27 average.

On November 26, 2019, a major earthquake shook Albania, leaving a significant imprint on economic output and living conditions. More than 10% of the population lost or suffered severe damage to their homes, while the economic cost is estimated at approximately €1 billion (about 7.5% of GDP). While the economy continued to grapple with the negative impact of the earthquake – which was smoothed to some extent by a donor conference organized by the European Union and international financial institutions that pledged more than €1 billion in aid and loans – the COVID-19 pandemic worsened Albania's already shrinking economic output, unemployment and poverty rates.

In 2019, half of the population (49%) was at risk of poverty or social exclusion – almost double the EU average (22.4% in 2017). Indeed, 38.3% of the population live in severe material deprivation, while 13.3% of individuals aged 18–59 face low work intensity (EU 2020 Report). According to World Bank data, employment decreased by 3.6% year-on-year in the second quarter of 2020, with unemployment rising to 11.9%. Unemployment is even higher among women, young people, Roma and Egyptians, and people with disabilities.

However, considering the effects of the pandemic on tourism and service sectors, the main drivers of economic output and employment, particularly informal ones, the situation could have been far worse. Furthermore, the policies adapted by the government to support people affected by COVID-19, to a large extent excluded this category, which significantly increased poverty rates.

Question  
Score

Socioeconomic  
barriers

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<b>Economic indicators</b>		2017	2018	2019	<b>2020</b>
<b>GDP</b>	\$ M	13019.7	15147.0	15286.6	<b>14799.6</b>
<b>GDP growth</b>	%	3.8	4.1	2.2	<b>-3.3</b>
<b>Inflation (CPI)</b>	%	2.1	2.0	1.4	<b>1.6</b>
<b>Unemployment</b>	%	13.6	12.3	11.5	<b>11.7</b>
<b>Foreign direct investment</b>	% of GDP	7.9	8.0	7.9	-
<b>Export growth</b>	%	13.2	4.1	6.0	<b>-25.6</b>
<b>Import growth</b>	%	8.4	2.4	3.0	<b>-19.8</b>
<b>Current account balance</b>	\$ M	-982.2	-1010.2	-1218.8	<b>-1317.2</b>
<b>Public debt</b>	% of GDP	71.9	69.5	67.8	<b>77.6</b>
<b>External debt</b>	\$ M	9801.5	9875.8	9556.9	<b>10859.2</b>
<b>Total debt service</b>	\$ M	513.0	1086.1	649.3	<b>1149.3</b>
<b>Net lending/borrowing</b>	% of GDP	-1.5	-1.3	-1.4	-
<b>Tax revenue</b>	% of GDP	18.9	18.6	18.3	-
<b>Government consumption</b>	% of GDP	11.5	11.3	11.5	<b>12.1</b>
<b>Public education spending</b>	% of GDP	3.6	-	3.9	-
<b>Public health spending</b>	% of GDP	2.7	2.8	-	-
<b>R&amp;D expenditure</b>	% of GDP	-	-	-	-
<b>Military expenditure</b>	% of GDP	1.1	1.2	1.3	<b>1.5</b>

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

Albania has pursued an extremely open model of economic development that has resulted in limited barriers in factor movements. Prices are fully liberalized and the Albanian lek is fully convertible. State involvement in the economy is limited, with the exception of the energy sector. The private sector accounts for more than 80% of employment.

However, severe fluctuations in market fundamentals are observed in the annual Doing Business reports. After considerable improvements in recent years, Albania dropped 19 places in 2020 compared with 2019, ranking 82nd overall – the second-worst performing country in the region and in Europe. In seven out of 10 indicators, Albania ranked lower than the year before. The country ranks 59th among 190 countries in terms of starting a business – the process is easy as it requires only five procedures and five days (lower than the OECD average). However, the cost of starting a business as a share of per capita GDP are more than twice as high as the OECD average.

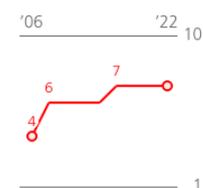
Dealing with construction permits and enforcing contracts continue to pose serious difficulties to investors. A large informal sector that is estimated to comprise about 35% of the economy, weak governance, the failure to implement and enforce legislation effectively, changes in taxation, the controversial use of public procurement procedures, and persistent corruption continue to pose significant obstacles to market activities and the development of a full market economy.

According to a European Commission report in 2020, Albania is moderately prepared in the area of competition policy. Additionally, in the period under review, the empowered Albanian Competition Authority (ACA), the main unit in charge of examining mergers or imposing fines on those that hamper market competition, aligned and approved procedures protecting companies harmed as result of breaches of competition rules. In the same period, the ACA took 116 decisions, including in nine cases on prohibited agreements, 13 cases on abuse of dominant position and 36 cases of authorizing concentrations. No fines were imposed. The legislative framework on antitrust and mergers is in line with EU standards. However, enforcement capacity is low, mainly due to weak administrative capacity and a lack of expertise.

The government's increasing involvement in certain sectors through public-private partnerships (PPPs) could weaken fair competition. In 2019, 222 such projects, with a total contracted investment value of 31% of GDP, have come under severe criticism due to a lack of transparency. The fact that some projects are based on unsolicited bids is likely to restrict fair competition in the respective sectors.

Market organization

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Competition policy

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Open trade is crucial to the Albanian economy. The country has removed all quantitative barriers on foreign trade since 1992 and introduced a range of tariff reductions since joining the World Trade Organization in 2000. Albania is also a member of various regional free trade agreements, such as the Central European Free Trade Agreement (CEFTA), and demonstrates a high degree of trade openness. According to 2019 data, the simple average of MFN applied total tariffs was approximately 3.6%.

Preferential tariffs are in place for products originating from EU member states, CEFTA, EFTA and Turkey. However, some imports from the United States are subject to customs tariffs.

Trade was to some extent disrupted by the temporary closure of borders as a result of the pandemic. Albania took part in the European Union's "green lanes" approach to ensuring the free flow of goods across the region and worked with 35 other regional organizations and initiatives – including the Transport Community, Energy Community, South East European Cooperation Process – each of which proved essential to addressing challenges associated with the COVID-19 crisis.

Following the widespread collapse of a series of pyramid schemes, and the subsequent economic and political crisis in 1997, structural reforms in the banking sector have been a high priority, including the privatization of state-owned banks and the liberalization of the financial services sector. The banking sector in Albania is completely privatized, while foreign-owned banks own more than 75% of the asset shares in the sector.

Consolidation of the banking sector has continued during the period under review. The number of banks decreased to 12 from 16 in 2018. Occasionally, this consolidation has been criticized by the international community on the basis that the withdrawal of large EU banks might stress the sector, while the rapid increase in market share of non-EU banks raises concerns over the proper monitoring of bank transactions and lending procedures.

To address the effects of the COVID-19 crisis, the Bank of Albania (BoA) adopted new rules that allow second-level banks to restructure loans without additional provisioning. Under this special regulation, restructuring for distressed borrowers may continue until the end of 2021. In addition, BoA approved a moratorium (initially in effect until June 2020, but later extended to the end of August 2020) that enabled households and companies to defer loans without penalty. These measures, combined with rules that oblige banks to pay off non-performing loans (NPL) older than three years from balance sheet, led to considerable improvements in the ratio of NPLs to total loans – from 13% in 2018 to below 8% in 2020.

The banking sector capital adequacy ratio has remained robust and above 15% in 2020 (i.e., above the regulatory level). The ratio was boosted by the decision of the

#### Liberalization of foreign trade

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#### Banking system

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BoA to suspend dividend distribution during 2020. Nevertheless, euroization of the sector, specifically the denomination of more than half of all loans and deposits, poses a risk to the banking sector and decreases the power of domestic monetary policymaking.

In addition, resolving legal impediments to NPL resolution, collateral execution and insolvency procedures remain major concerns for the banking sector. These challenges have impeded domestic credit growth drastically.

## 8 | Monetary and fiscal stability

The Bank of Albania (BoA) is legally independent and able to determine monetary policies. Furthermore, it is equipped with sufficient instruments, competence and administrative capacity to function and conduct efficient policies. Improvements in management and regulation, after the BoA reported an internal deficit that brought senior layers of management including the governor of the bank under investigation in 2014, resulted in major improvements for the institution.

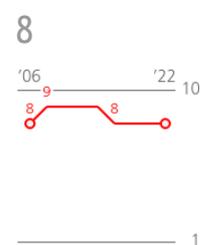
In the period under review, inflation in Albania was registered at 1.4% in 2019 and 1.6% in 2020. Strong food price increases in the first half of 2020 challenged an eight-year period of below target (3%) inflation rates. The BoA's attempts to control inflation by continuously cutting the interest rate had little effect due to the euroization of the financial sector, low commodity prices and below-potential economic output. At the end of March 2020, the BoA cut its key policy rate by 50 basis points to a new record of 0.5% in order to fight the effects of COVID-19.

The ongoing appreciation of the domestic currency against the euro over the last few years somewhat stabilized in 2019 but was interrupted again by the COVID-19 crisis. The crisis contributed to a 7% depreciation of the domestic currency against the euro in the first quarter of 2020. However, the BoA's quick response, which involved supplying the domestic market with foreign exchange, has worked to stabilize exchange rates in country.

The European Commission's condition to reduce public debt to 45% of GDP by 2018 and the government's commitment to decrease the public debt ratio to 60% by 2021 have been turned upside down with the coronavirus crisis. Public debt recorded a sharp year-on-year increase of 14%, reaching 80% of GDP in the first half of 2020. The government has borrowed heavily from the European Union and IMF, and also issued a €650 million Eurobond in June 2020. The new debt was justified with the aim of financing support packages designed to fight the economic consequences of COVID-19 crisis.

However, the Albanian government's packages to support households and businesses affected by the pandemic (budget spending, sovereign guarantees and

Monetary stability



Fiscal stability



tax deferrals) amount to around 3% of GDP and do not justify the drastic 14% increase in public debt in 2020. On the other hand, such support is ranked far below the regional average. Montenegro's support packages, for example, account for 8% of GDP.

Albania has historically registered tax revenues below budgetary projections, thus recording a constant budget deficit. The COVID-19 crisis and measures to fight its effects have taken this aspect to a record level. The government's decision to allow companies to defer tax payments for 2020 and in some cases for 2021, and exclude small businesses with a certain level of turnover from paying taxes at all has been welcomed from a social point of view, but it poses a risk to the government's already fragile tax revenues and ability to repay government debts.

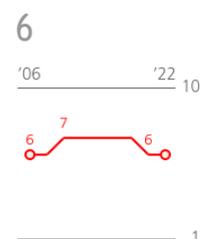
The international community and local critics continue to raise concerns about the PPP program, which was launched by the government in 2017. The contracted investment value of the PPP program reached about one-third of GDP in 2020. Large, unsolicited PPPs continued to be awarded during the period under review. Without a sufficient level of cost-benefit analysis, the fiscal risk assessment remains a cause for concern.

## 9 | Private Property

The uncertainty over land rights remains a crucial obstacle to the country's social and economic development. The registration and digitalization of immovable properties and the respective title deeds has still not been completed because of frequent legal and authority changes. Insufficient progress has been registered in compensating previous owners of properties unfairly confiscated during the country's communist era. The 2016 law on the compensation mechanisms and formula has been strongly opposed due to issues of constitutionality, legal uncertainty and equality. According to the 2019 Ombudsman report, only a small proportion (2.2%) of the 26,000 decisions that recognize the right to be compensated have yet been executed. Meanwhile, the large number of cases pending in the European Court of Human Rights indicates that the principle of due process has been breached regarding property disputes in the country. Settling property issues usually goes through all instances, sometimes several times, while judgments ordering restitution of properties confiscated during the communism era are often not implemented.

Corruption and abuse in such cases are especially acute given the lucrative values of such properties and the generally weak position of the concerned individuals, who were likely heavily persecuted under the communist regime. Political interests, limited resources and weak institutions further negatively influence the effective solution of property rights. The severity of the problem came to public attention in 2018, during the implementation of an infrastructure project, which required the

### Property rights



destruction of around 317 buildings, most of which had been illegally built on public or previously confiscated property. Owners of those illegal buildings (some of which were already legalized and entitled to compensation) mobilized and demanded full compensation. On several occasions, the public learned that some of the individuals demanding compensation were prolific “occupiers,” who had constructed up to eight illegally built houses, villas and business facilities in other areas of the capital and along the coast. The issue of occupation of public and non-restituted property has reached cataclysmic proportions because the ruling parties ignored the problem and instead helped to legalize such buildings to reward their clientele. The current government has undertaken extensive legalization measures for illegal constructions, which is a tacit formalization of clientelist practices and a problematic redress of the systematic violation of property rights.

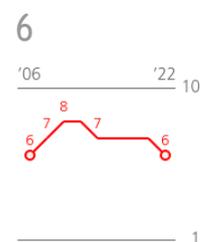
Limited progress has been registered in the period under review in respect to intellectual property rights. The country still lacks legislative alignment with EU *acquis* in the area of trade secrets. The drastic increase in the number of applications to register trademarks and patents, along with measures undertaken by the Customs Administration to suspend the release of products that infringe property rights, and impose warnings and fines are expected to have a positive effect in the near future. Nevertheless, the widespread presence of counterfeit products in the country remains a cause for concern.

Despite the lack of proper data and inventory of state-owned assets and companies, the state’s stake in the economy tends to be relatively limited, with the private sector accounting for over 80% of GDP and total employment. However, significant state presence in some key sectors, such as energy and natural resources, requires further liberalization in order to facilitate private operators’ entry into the market and higher product quality.

The recently adopted legislation that establishes the Albanian Investment Corporation, which seeks to develop strategic projects in mutual public-private collaboration, has been highly criticized due to the lack of proper monitoring and oversight of these projects. These PPPs are expected to raise the state’s stake in the country and restrict fair competition in the market.

The state has not undertaken any initiative to nationalize companies in order to prevent bankruptcy as a result of the COVID-19 crisis. Indirectly, however, the state might become the largest shareholder in the private sector since the financial support packages provided by the government during the pandemic have mortgaged the shares of the companies that benefitted from such support. Accordingly, the state reserves the right to execute these rights in case of default on repayment of the financial support received.

Private enterprise



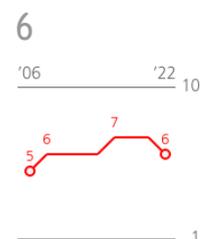
## 10 | Welfare Regime

A public welfare system, including regulations over social policy and institutions, is in place, although the government struggles with insufficient resources to help vulnerable groups. Except for some modest expenditure on social inclusion programs, the needs of marginalized and vulnerable groups are not addressed properly. There is a lack of proper instruments to monitor the situation of emigrants, workers in the informal sector, minority groups and people with disabilities. Statistics indicate that 34% of municipalities across the country do not provide any social services, 62% do not provide services for the elderly and 61% for people with disabilities.

In response to the COVID-19 crisis, the state provided additional aid to support households, including a two-month minimum salary payment for small businesses and the self-employed, a double cash assistance payment for unemployment, social assistance for those working in suspended sectors and relief packages for 70,000 vulnerable families that included hygiene and food items. People employed in the informal sector (an estimated 25–30% of the workforce) or those employed in large businesses prior to the pandemic were largely excluded from these benefits. Neither category was included in the two-month minimum salary, while the latter were left to the mercy of the banks. In order to cover the salaries of corporate employees during the lockdown, the government offered sovereign guarantees for banks, requesting corporates to pay the salaries of their employees with loans. However, considering the hesitation of businesses to take on further liabilities during a period of high uncertainty and the hesitation of banks to finance further liabilities, the success of the policy is questionable.

As part of an employment promotion program that aimed to tackle increasing unemployment during pandemic and informality, the government promised to cover half of the minimum salary of those re-employed. However, the government excluded newly formalized employees from social contribution payments. In general, Albania's expenditure to ease the effects of COVID-19 remain far below the average for the region. The 2021 budget anticipated only 0.8% of GDP for COVID-19-related spending, while 20% of this funding had been allocated to increased social assistance and unemployment benefits, indicating that governing bodies have underestimated the prolonged effects of the pandemic.

Social safety nets



The literacy rate in Albania was 98.14% in 2020, registering a steady improvement on previous years, while the enrollment ratio ranks above the world average, particularly for enrollment in primary education. In addition, access to education for female students is relatively high and stands above the rate for men when it comes to tertiary education.

Albania has signed most international agreements and advanced national legislation on the issue of equal opportunities. A law on gender equality is in place. The mobilization of the Commissioner for Protection against Discrimination coupled with the last amends to the Labor Code aim to prohibit discrimination based on gender or sexual orientation in the workplace. However, progress on ensuring equal opportunities – particularly between women and men – is not compelling. The female labor market participation rate has increased steadily. However, participation is not reflected sufficiently in decision-making, particularly in sectors such as media, political parties and sport entities. According to the Gender Equality Index 2020, Albania ranks seven points below the EU average.

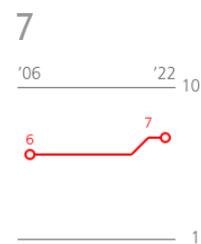
The experience of minority groups (e.g., the Roma and Egyptians) continues to be a matter of concern, considering the low employment rates and difficulties faced in accessing social protection services that lead to the marginalization of these groups. Despite several amendments to specific legislation that protects minority groups, further administrative capacity and significant improvement in existing infrastructure is essential to improve the living standards of marginalized minority groups.

## 11 | Economic Performance

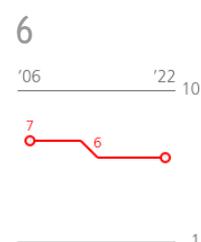
Albania's robust economic growth rates since 2017 have been driven mainly by private investments in major infrastructure projects. During the review period, major projects came to an end and the country was hit by a devastating earthquake that caused damages in excess of €1 billion. During 2019, the country registered only 2% growth in GDP. The already reduced economic output deteriorated even further during the COVID-19 outbreak given the importance of the tourism sector to the Albanian economy (approximately 20% of GDP). Domestic and international restrictions impacted heavily on private consumption. Tourism-related sectors recorded an overall fall of 16.1% in income in 2020. Consequently, a drop of 6.6% in GDP on a year-on-year basis was registered in the first half of 2020, while an 11% drop in GDP is estimated for the entire year. The government forecast of 4.5% growth for 2021 looks excessively positive considering the ongoing effects of COVID-19.

Per capita GDP (PPP) deteriorated after registering signs of improvement in 2016–2019. Unemployment also registered a positive trend during this period, reaching a record low for the transition era of 12% in 2019. However, several critics have

### Equal opportunity



### Output strength



suggested that such improvements reflect Albania's shrinking population due to high emigration. It is predicted that unemployment might reach a record high in 2021.

Plans to reduce the budget deficit – a major achievement of the government prior to the review period – have been blown away, considering the sharp increase of 14% in the deficit in 2020. The current account deficit, which remained in the range of 7–8% of GDP over the last five years, increased to 12% in 2020, reflecting an overall decrease in exports of 16% during the same year.

## 12 | Sustainability

Environmental concerns receive insufficient consideration and are often subordinated to the objective of economic growth. Albania needs to considerably improve policies and strategies in areas such as waste and water management, air quality, and environmental crime.

Policy enforcement remains a cause for concern. The responsible institution, the State Environmental Inspectorate, suspended all environmental inspections after the 2019 earthquake and the outbreak of the COVID-19 pandemic. In addition, the state budget for the environment and climate change has been reduced further during the review period, because of lower tax revenues and the rapid increase in the budget deficit. Furthermore, environmental awareness among citizens remains limited, while the government budget to support public education is inadequate.

Some progress has been registered with respect to strategic planning. The newly adopted national strategy on climate change for 2019–2020 has set a renewable energy target of 32%. The Karavasta solar plant project, the first of its size in Albania, was initiated in 2020. Meanwhile, another project was launched and auctioned in the first days of 2021. These projects highlight the government's efforts to diversify power sources, which is currently dominated rainfall-dependent hydropower. Considering the favorable climate conditions in the country, further solar and wind power projects can be expected in the near future.

Education policy ensures a sub-standard system of education but shows qualitative deficits. While Albania's score in the U.N. Education Index (0.746 in 2019) lags behind most counties in the region, it has improved over the years. The net enrollment rate in primary and basic education is 96% of eligible students. Frequent school interruptions, which started in November 2019 following a major earthquake and peaked during the COVID-19 outbreak, point to basic shortcomings in the infrastructure of the education system and structures monitoring education. Distance learning has proved to be challenging and the quality of online education remains an issue, particularly in rural areas and for low-income families, which lack the financial resources to provide children with the necessary means to participate in online courses.

Environmental policy

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Education policy / R&D

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Despite some progress registered over the last few years, Albania continues to underperform in the OECD Program for International Student Assessment (PISA) for both reading and mathematics, highlighting the need to improve and change the standardization and coordination of education structures, and improve teachers' skills and child-friendly teaching methodologies.

Higher education has been the subject of a major reform program that began in 2014. The reform aims to control the liberalization of the education system and the spread of private universities, which prioritize financial gains over educational standards. One key element of the foreseen reform is the introduction of research output as a criterion in the evaluation and promotion of academic staff. A major backlash from university cadres and students at public universities have stalled the reform. The coronavirus pandemic has further contributed to delaying any real progress.

The budget for education amounts to nearly 3% of GDP. During 2020, it increased by 8.7% year-on-year. Still, the increase is insufficient compared to the average education budget in OECD countries (over 5% of GDP). The situation is particularly problematic considering the R&D budget, which in 2020 counts for 0.2% of GDP.

## Governance

### I. Level of Difficulty

The structural constraints on governance are fairly high. Constraints are mostly related to the legacies of the old regime and the related difficulties of regime change. The harsh communist regime deprived the country of the organized movements and experienced leaders to lead the democratic transition. Consequently, the country went through a difficult and uncertain period of regime change, which was punctuated by a permanent revolutionary mood, antagonistic politics, persistent political and economic crises, and institutional capture.

Economic development also reflected the structural difficulties of transition – initial growth was due to substantial foreign assistance, high remittance rates, as well as large-scale smuggling and money-laundering. This type of growth did not involve economic restructuring, which meant that industrial production never recovered to the level reached in 1989. Infrastructure continued to crumble, market institutions remained underdeveloped and corrupt processes of privatization did not offer compensation for the heavy burden of transition. The spread and collapse of pyramid schemes in 1997 became the symbol of Albania's economic development. Their collapse and subsequent disorder further shaped the unruly alliance between political structures, powerful businesses and organized crime that has become a long-term feature of the country's political and economic transition.

Given the threat of a weak and even failed state, the international community has become a key sponsor of major reforms and has sought to push forward much needed institutional change. The heavy international presence, however, also mounts to another structural weakness – the country's dependence on the international community to mediate, push forward and finance reform progress.

Albanian governments have persistently struggled to tackle these long-term structural constraints. The current government has aligned itself with the same long-term priorities and has to some extent delivered on its promises. Major projects targeting infrastructure, property rights, the rule of law and judicial reform are on course or have been completed. Nevertheless, obstacles to and the delay of major reforms demonstrate the resilience of these long-term structural constraints.

A major earthquake in November 2019 and the ongoing pandemic have introduced new, albeit short-term challenges, which have diverted much-needed attention and resources. Massive support from the European Union, and other multilateral and bilateral donors has helped cushion some of the economic repercussions. Nonetheless, economic output, the debt-to-GDP ratio, inequality and unemployment have suffered as a result.

Structural  
constraints

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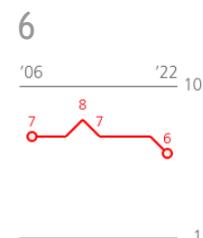
The development of civil society and its impact on transformation is closely related to the legacy of the country's authoritarian past. The communist regime outlawed any independent organizations at least since 1956. Regime control was so intrusive that it extended to the private sphere of citizens' lives, influencing literature preferences, hair styles and clothes. Following the end of communism, civil society had to be built up from scratch, while society continued to distrust voluntary work, which had until then been forced upon people by party organizations. The emerging post-communist society, however, lacked the normative attributes, activities and political roles that societies played in the process of regime change elsewhere in the former communist world. Furthermore, the deep polarization that characterizes the social and political environment has inhibited the creation of an independent society and social action.

Foreign assistance and donor support have contributed to creating a relatively active NGO sector. The continuous improvement of the institutional framework for the inclusion of civil society in policymaking has created new opportunities for civic action. Albanian citizens also show more interest in voluntary work, at least in principle. Still, civil society has yet to develop the political autonomy, donor-independent agendas, internal capacities and voluntary networks that would make them sustainable and rooted in the society they represent.

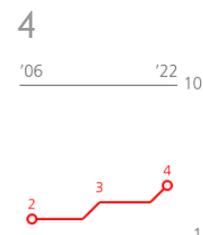
The homogeneity of the Albanian population (82.5% self-identify as Albanians) has mitigated the intensity of conflict in terms of who belongs to the state and/or the internal and external consensus on state sovereignty, a common source of state weakness elsewhere in the Balkans. Nonetheless, the lack of a democratic political culture, ideological divisions, leading parties' divisive rhetoric, and the widespread patronage practices have created a polarized political climate apt to trigger unrest and instability.

Throughout the review period, the deep divisions and polarization among both major political blocs and the social strata they attract have spilled over into the institutional arena. With the current parliament boycotted by the opposition, the presidency used as a political instrument, and protests commonly used to mobilize party loyalists, Albanians are deprived of trusted and independent institutional mechanisms of conflict resolution. Random accusations and denigration of political actors are commonly disseminated by politically controlled media and online sites, thus fueling political conflict. Most shocking here are commonly voiced accusations directed at governing authorities, including claims that the prime minister is leading "a government of crime" and that he is a "prime minister of drugs." When asked to provide evidence in support of such claims by the courts, the accusing politicians often justify the accusations they've levelled at their peers as mere "political spats." In addition, key opposition groups have frequently delivered ultimatums, announced violent protests, and called on the public to bring down the government on a broad spectrum of issues, even when the state has exercised its authority to clamp down on illegal construction and the occupation of public or private property.

#### Civil society traditions



#### Conflict intensity



## II. Governance Performance

### 14 | Steering Capability

The executive has sufficient political determination and strategic capacities to prioritize long-term policy goals. During the period under review, key policy goals focused on promoting reforms required to open accession negotiations with the European Union, and on managing the consequences of the 2019 earthquake and the COVID-19 pandemic, with the last two necessitating a restructuring of policy goals and budgetary allocations. The country mobilized swiftly to neutralize an estimated €1 billion in damages from the earthquake, and introduced stringent measures to manage the pandemic, and limit human and financial losses.

However, the country suffers from a general lack of institutional capacity, including sufficient human and financial resources, to realize the government's policy goals. The 2020 EU annual report, which assessed the government's prioritization of key policy goals to be positive, adds that public administration suffers from a general lack of capacity and resources, which has had an impact on its capacity to plan, implement and monitor public policies. It also suggests that the government should allocate more human and financial resources to EU accession work. Institutional divisions, particularly between the government and the president, as well as political polarization in general, are further quoted as an obstacle to increasing the government's capacity to prioritize key policy objectives. These problems are especially acute at the local level. The handover of municipalities to the ruling majority, following the local elections that were held without the participation of the opposition, has substantially disrupted the functioning of local administration.

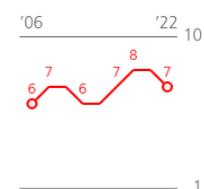
Similar to other defective democracies, Albania shows a striking gap between setting strategic priorities in line with general Western democratic standards and rules (particularly EU conditions), and weak and selective implementation of those rules in practice. This suggests a pattern of fast and conformist formal changes that pay only lip service to established EU standards.

During the period under review, the government has shown determination to go a step further in actually realizing reforms by addressing key challenges that stand in the way of implementation, including the lack of institutional and administrative capacity. In the Albanian context, creating institutional and administrative capacities requires more than simple institutional change and additional financing. Specifically, it requires eliminating the patronage system, which has been the basis of post-communist reforms from the very start of transition. In 2020, the EU annual assessment emphasized that, regarding the civil service system, the transparency

Question  
Score

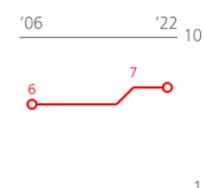
Prioritization

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Implementation

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and fairness of recruitment have improved thanks to the introduction of a fully digitized recruitment and selection process for the civil service, the further harmonization of job descriptions, and the improved quality of examinations and organization of recruitment. Yet, it also suggests that merit-based recruitment for senior ranks still needs to be ensured.

Albanian political actors have generally demonstrated flexibility in shaping and adopting policy programs to the specific circumstances of different stages of transition. Policy learning, however, is often confined to replicating institutional models offered and sponsored by international donors, particularly the European Union, which remains the biggest donor in the country. Albanian political actors have been particularly weak at formulating their own policy ideas and suggestions tailored to the country's specifics. Moreover, the protagonist style of leadership, the hierarchical nature of the political parties and the patronage system rooted across the state institutions limit the degree of openness and learning at the wider level of the political system. The persistent reshuffling of public administration and key state officials to ally with the parliamentary majorities of the day has also deprived the country of the necessary expertise, experience and learning that characterizes modern professional bureaucracies.

During the period under review, the introduction of transparent rules for recruitment in public administration has improved the perceived politicization and inefficiency of the administrative structure. The young average age of key cabinet members, often related to key NGO activity and advocacy work, has shaped a more flexible model of governance, which is open to learning. The adoption of novice public-private partnerships, for example, is an innovative way to extend public services while limiting budget resources. Additional initiatives, such as the diversification of renewable energy sources (including solar energy), also testify to policy learning and innovation.

The Albanian authorities have similarly shown a good degree of policy learning, collaboration with related experts and innovation in dealing with the COVID-19 pandemic. The initial loose protocols were progressively reinforced, differentiated and revised in response to the reported cases. All measures were closely consulted with or devised by the experts and authorities in the field – the National Medical Emergency Center, the Ministry of Health and Social Protection, a committee of experts, and a specially created ad hoc task force. Additionally, the government adopted high-tech monitoring measures like drones to enforce the quarantine.

Policy learning

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## 15 | Resource Efficiency

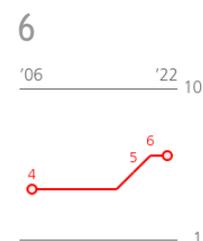
The government has progressively attempted to improve the efficient use of available human, financial and organizational resources through major institutional restructuring. However, these attempts remain ongoing. The 2017 general administrative restructuring, for example, has created administrative gaps that need further intervention. Similarly, territorial reform, which is part of the wider decentralization agenda to improve the effective use of local sources, is being implemented, but is not yet fully operational.

Regarding human resources, the EU 2020 assessment suggests that the Civil Service Law provides a solid basis for personnel management. The government has also moved to building up administrative and human capacity, particularly in line ministries. Albania's 2019 score of 55 in Open Budget Index is higher than its previous scores. The improvement incorporates greater public access to information by publishing the Year-End Report and the Citizens Budget online, as well as increased information provided by the Audit Report and the Pre-Budget Statement. Nevertheless, the EU assessments suggest that the management of organizational, financial and human resources still need improvement.

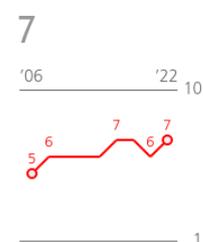
Intra-governmental friction and competition are limited since most crucial policy initiatives tend to come from the office of the prime minister. This is facilitated by the selection of ministers based on personal connections with the prime minister. The linchpin role of the prime minister in the entire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

The centralization of governing functions around a strong prime minister, however, does not always ensure consistent or coordinated policymaking. The Rama government has seemingly moved to institutionalize mechanisms of policy coordination by developing legislation on policy planning, e-services, transparency in data collection and human resource management. However, the EU 2020 annual report states that more needs to be done to coordinate between the Prime Minister's Office and line ministries. Specifically, it suggests that the Prime Minister's Office needs to improve coordination with other centers of government institutions in policy processes and promote managerial accountability, among other things.

Efficient use of assets



Policy coordination



Corruption has been a hallmark of Albania's transition and the subject of a myriad donor activities. Consequently, the country has been an arena for continuously developing anti-corruption policies and related institutional reshuffling, which has typically been assessed positively in international indices. The third round of the Group of States Against Corruption (GRECO) assessment, for example, assesses that the criminalization of corruption (i.e., the quality of the formulation of the relevant legal provisions and severity of the envisaged legal sanctions) is appropriate to enable corruption to be tackled effectively. Still, indicators of genuine change (e.g., perceptions of corruption and the actual prosecution of corruption) show that the phenomenon remains a major problem.

During the period under review, the specialized anti-corruption structures foreseen in the judicial reform – The Anti-Corruption and Organized Crime Structure (SPAK), which comprises the Special Prosecution Office (SPO) and the National Bureau of Investigation (NBI); and special courts that hear cases referred by the SPO – are up and running. An action plan related to the Inter-Sectoral Strategy against Corruption, the amendments to the Law on Political Party Financing and Electoral Code, and the adoption of the new Law on the Administration of Seized and Confiscated Assets have improved the relevant institutional framework. Importantly, SPAK has initiated important high-level cases of corruption that were until recently considered immune to investigation.

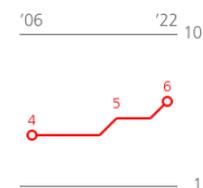
## 16 | Consensus-Building

All major social and political actors share a broad consensus on democracy as the ultimate long-term goal of the country's transition. Every government so far has also articulated its goals in terms of advancing democratic reform. Yet, the legacies of the past, a one-man style of political leadership, hierarchical political organizations, weak civil society, the lack of democratic political culture, and a dominant system of patronage and corruption has undermined the country's progress toward achieving functioning democratic institutions. The period under review represents a start toward long-term democratic institutional building, particularly in key sectors such as the rule of law.

Similarly, there is widespread consensus among all relevant social, economic and political actors on the end goal of the market economy, even though achieving a functioning market economy has been an uphill battle and remains a work in process. During the period under review, key reforms in the areas of rule of law and property rights, and a more general approach to strengthening state institutions and authority is expected to deliver over the long term.

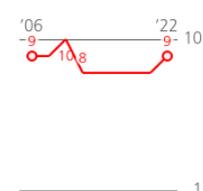
Anti-corruption policy

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Consensus on goals

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Given the country's general consensus for democracy, Albania does not have covert anti-democratic actors. All the social, political and governing actors at least verbally rally around the same goals, namely the advancement of democratization and a market economy within European integration.

Nevertheless, the uncertain and at times unruly transition has created powerful political and institutional pockets of resistance, which verbally commit to democratization but de facto resist necessary reforms. For example, the need for judicial reform is rhetorically supported by every important political actor as a means of balancing the system of checks and balances and tackling the widespread rule of law problem. However, each and every step of actual reform has continuously been obstructed, delayed, reinterpreted and even distorted by political actors who have traditionally controlled the judiciary. Those powerful pockets of resistance stand to lose political and economic power from actual reform.

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

These political/ideological divisions, however, have increasingly become a straitjacket and enjoy less appeal as citizens learn and experience democracy. The voting patterns in both 2013 and 2017 elections challenged the typical regional-political affiliations. The more developed urban areas of the country in particular are moving away from rigid political and ideological affiliations. Yet, these divisions tend to pop up in the political discussion, particularly in the form of opposition's accusations for government discrimination of northern regions traditionally associated with the DP and anti-communism.

Anti-democratic actors

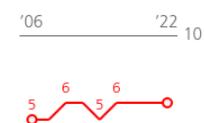
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Cleavage / conflict management

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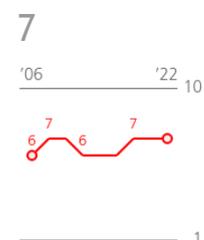
Civil society is in principle free to participate in all steps of policymaking, implementation and monitoring. The legal and institutional framework has increasingly moved toward incorporating civil society's feedback in political decision-making processes. Although citizens show increasing trends of voluntary work and participation, organized civil society suffers from the typical symptoms of a donor-oriented sector – dependence on international funds, weak institutional capacities, general areas of activity, connections with politics and detachment from social concerns. Another key issue of donor-oriented and politicized civil society is the lack of specialization and sectoral expertise required to participate in and contribute to specific policy areas. The extreme polarization and strong patronage relations that permeate the Albanian political system also restrict the effective participation and contribution of civil society in the political process.

The legislation on transitional justice adopted after the fall of communism was often used as a political instrument to attack opponents without bringing real transparency to bear on the crimes of the past. Since secret service files were sealed to the public, the information kept in these files has become a major source of political accusations and denigration, which has been impossible to neutrally verify.

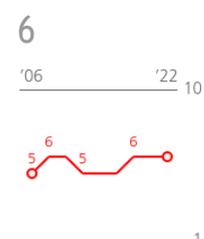
Legislation adopted in 2015 seeks to bring greater transparency to the security files and individuals' responsibility in collaborating with the system. The new framework, shaped after the German model, has raised hopes that Albanians will finally learn what is hidden in the security files, how the system functioned and who cooperated with the system. The process has been accompanied by the creation of three major museums, which portray how the communist dictatorship functioned, and in doing so have highlighted both the severe oppression the communist regime relied on and the crimes it committed.

Yet, dealing with historical injustices and ensuring reconciliation requires more funding, better resourced institutions and more detailed legislation. For one, the Information Authority on Documents of Former Security Services, the institution responsible for handling and publicizing the security files that was established since 2016, has limited personnel and resources. The state of the files is also very poor due to neglect and a lack of public investment. There are also plausible concerns that Albania's post-communist governments and leaders have destroyed files that contained information regarding embarrassing, compromising or criminal activities involving key political protagonists. Consequently, the institution has only dealt with a limited number of requests, mostly confined to official positions that require vetting. In general, the institute maintains a low public profile and has provided limited input into public discourse.

#### Civil society participation



#### Reconciliation



## 17 | International Cooperation

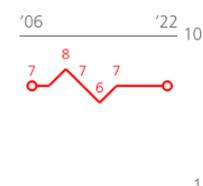
Since the beginning of the country's transition, Albanians have adopted an outward-oriented policy vision, motivated by the need for economic and technical assistance, as well as broad consensus on the goal of integration into the European Union and other European structures. In addition, because of its critical geographic position on the border of Europe, the country has managed to attract substantial foreign assistance, with the European Union being the largest single and bilateral donor. International assistance reached its peak after the collapse of the state in 1997, when the country became heavily dependent on international aid to survive. International assistance reached an even higher peak following the promise of EU membership to all Balkan countries in 2003 and Albania's subsequent progress on the path toward EU integration.

In the last two years, the governing majority has pursued a similar foreign-oriented and EU focused strategy of development. It has also effectively used different forms of foreign support – technical assistance, funding and consultation from organizations including the European Union, Council of Europe, OSCE, USAID, the United States and a myriad of other bilateral actors – to advance crucial reforms, particularly judicial reform. In the last five years alone, the European Union has allocated around €100 million to rule of law projects and pledged around €34 million for justice reforms in the period 2019–21. In addition to other forms of aid, a donor conference organized by the European Union following the 2019 earthquake pledged €400 million in reconstruction aid. The country has also benefited from a €3.3 billion EU package for the Balkan region, which aims to help finance urgent needs related to coronavirus pandemic. Turkey and the United Arab Emirates have also contributed financial support, particularly in the context of the 2019 earthquake and large infrastructure projects.

However, the country shows a substantial gap between frequent, internationally promoted changes and meager progress. For example, EU and Western assistance for judicial reform has been ongoing since 1992, with judicial reform being the subject of an EU mission since at least 2005. As such, the European Union and other Western actors have been prominent in proposing, supervising, training and in general assisting many of the changes that have contributed to the corrupt and captured judicial system, which in turn led to another ongoing internationally led reform in 2016. Albania, thus, serves as a textbook case for why ample international assistance, myriads of technical projects, numerous international experts and permanent institutional changes fail to deliver.

Effective use of support

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Albanian political actors are keen to showcase credible and reliable partnerships with the international community in order to gain legitimacy in the international and domestic arena. During the period under review, the government gained increasing credibility for its commitment to multilateral cooperation and close partnership with the European Union, particularly in foreign and security matters. In 2020, the country assumed the OSCE's chair and led mediation of several international crises. It also continued to participate in EU crisis-management missions and operations, and to align with EU positions. The EU 2020 report asserts that Albania has fully aligned with all relevant EU Council decisions and High-Representative declarations. In general, Albania has proved a reliable partner in key priority sectors, such as illegal trafficking, organized crime and terrorist threats, which affect neighboring European countries. According to the 2020 Muslims in Europe/Albania report, the country emerged in 2019–2020 as a hub of regional and Europe-wide initiatives to counter Islamic radicalization.

The country has ratified most international human rights conventions, but has had problems in fully enforcing some internationally recognized human rights, for example, domestic and gender-based violence.

The country has maintained a constructive approach toward regional integration in terms of nurturing neighborly relations and cooperating in regional initiatives, including bilateral agreements in areas like legal assistance in civil and criminal matters, border management, and economic and investment development.

A crucial development in the area of regional development was the September 2019 so-called Balkan mini-Schengen initiative, between the heads of state of North Macedonia, Albania and Serbia to enhance regional cooperation. It stands out because it was initiated by local protagonists rather than the European Union or other international actors. The initiative was followed by three leaders' summits in 2019. The meetings resulted in conclusions that furthered tripartite cooperation on the free movement of people, goods, services and capital. With the outbreak of the COVID-19 pandemic, the country opted to temporarily close its borders to passengers. Yet, even during the pandemic, it took part in the EU-initiated "Green Lanes" initiative to ensure the flow of essential goods.

Relations with other neighboring countries remain very good, even though (in the case of Kosovo) Kosovo failed to join the 2019 initiative to ensure cooperation on the free movement of people, goods and services. Albania's improved relations and increasing cooperation with Serbia have occasionally triggered the ire of politicians in Kosovo, especially those who are more on the nationalist end of the political spectrum. Relations with Greece have been amicable and largely concentrated in the negotiation of the sea border. Both parties have seemingly agreed to resort to third party mediation to resolve possible disputes that might arise out of the negotiations.

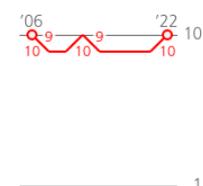
### Credibility

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### Regional cooperation

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## Strategic Outlook

The parliamentary elections planned for April 2021 will mark a crucial juncture, determining Albania's future direction. The opposition recently boycotted local elections, relinquished parliamentary seats and used extra-institutional fights, which included violence, to force the resignation of the elected government. The upcoming elections will establish whether all political forces recognize elections as the only democratic mechanism of conflict resolution. This is especially pertinent as President Ilir Meta, who has actively sided with the opposition, has continued to call on the people "to take power into their hands." At the same time, the elections might determine the course of ongoing reforms in the country. The current president and opposition leaders have openly voiced dissatisfaction with the ongoing judicial reform, and the domestic and international actors who support it. They have also promised "constitutional changes" without explaining their detail, purpose or why they are necessary. Given the lack of detail, any such moves are likely to water down the current reforms and the main goal of ensuring an impartial system of justice, clean of corruption and political connections.

Independent of elections, all social, political and governing actors face one major challenge that obstructs substantial progress in almost all areas of reform – the duality between quick and frequent institutional changes promoted by the international community, on the one hand, and slow and uncertain implementation, on the other. This will require government determination to pursue reforms, as well as an active parliamentary opposition, and an engaged and independent civil society that are able to scrutinize various options, monitor political actors and propose policy alternatives. Importantly, consolidating ongoing institutional changes will require building up bureaucratic expertise through the selection and promotion of state officials based on objective policy expertise, job experience and professional standards instead of political loyalties. Only in this way can Albania break the deep-seated system of political patronage, abuse of public office, and weak and controlled institutions that inhibit the full implementation of formal institutional changes.

These challenges extend to the economy. The ongoing emigration of skilled workers has deprived the country of the expertise and professional credentials necessary to drive forward substantial reforms. The government needs to develop proper strategies and take action to attract the best candidates. Related to this is the necessary reform of higher education, which will be one of the key tests of future government performance. Serious planning and more investment are required in R&D and education, considering that most economic actors are involved in low-technology, labor-intensive and low-cost products. General reforms – particularly tackling land property disputes, general corruption, a weak judiciary and the lack of administrative capacity – are also important to boost the economy, attract foreign and domestic investors, and sustain long-term economic growth.

The challenge of going beyond the facade of formal institutional change will require a general shift in the international community's promotion and assessment of domestic reforms. For a long time, international actors have focused on promoting quick-fix institutional change, ignoring the

ongoing patronage system that renders institutions instruments of politics. Often, international capacity-building aims to improve technical conditions, and train and enrich the CVs of people that were politically nominated. Thus, international capacity-building has often helped to cover up and even reinforce the political patronage system. The current state of the judiciary – which is politically orchestrated, submerged in corruption and fails to ensure equal justice – evolved and consolidated while Albania was the target of a myriad of international activities and supervision, including an EU mission dedicated to judicial reform. Many of the judges that the vetting commissions found inappropriate for the respective positions had attractive CVs, including training and inclusion as experts in various internationally financed initiatives. Hence, the challenge of translating institutional change into sustainable and persistent reform involves local actors – government, political parties, civil society actors and state bureaucracy – as much as relevant international actors.

In the short term, the government and supporting international actors will have to deal with the economic slowdown caused by COVID-19 and the associated worsening in macroeconomic indicators. The provision of a generous aid package for economic reconstruction from the European Union will help, but future governments will still face an uphill battle to achieve economic recovery.