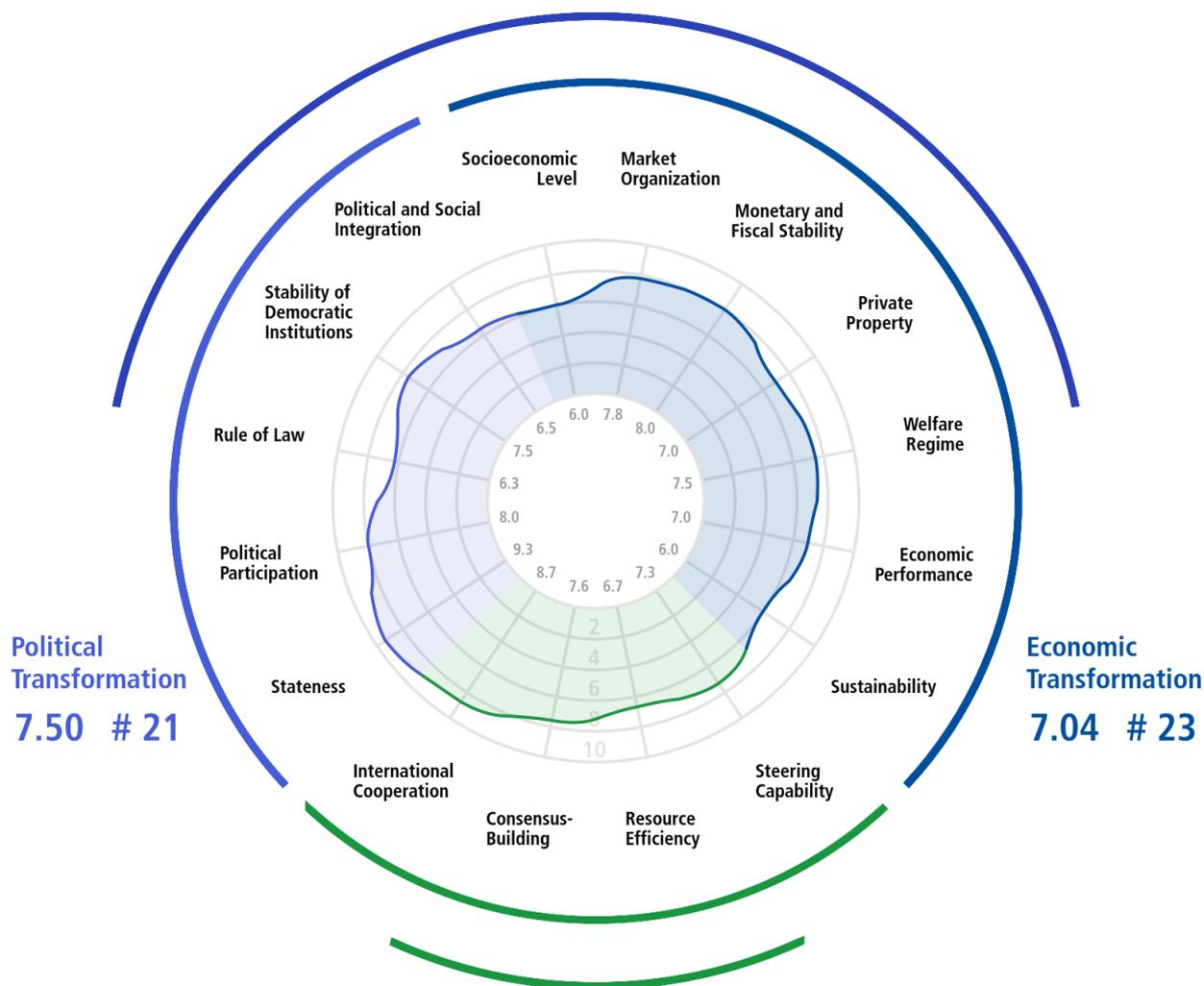


Albania

Status Index

7.27 # 20

on 1-10 scale out of 137



Governance Index

6.56 # 13

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. 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>.

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Key Indicators

Population	M	2.8	HDI	0.796	GDP p.c., PPP \$	18552
Pop. growth ¹	% p.a.	-1.3	HDI rank of 189	67	Gini Index	29.4
Life expectancy	years	76.5	UN Education Index	0.778	Poverty ³	% 1.5
Urban population	%	63.8	Gender inequality ²	0.144	Aid per capita \$	224.9

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

The period under review is marked by a major event for Albania – the first intergovernmental conference for EU accession negotiations took place in July 2022. The start of accession negotiations during a period of accession fatigue and increasing conditionality is not only an achievement in itself but also a reflection of the country’s pursuit of painful reforms in the crucial areas of democratization, economy and governance. Reform progress has been particularly notable in the area of the rule of law, which has traditionally been an area resistant to change, and has become a focus of EU conditionality. The election of a president in 2022 from the ranks of professional civil servants, without links to politics, promises to finally bring to office a person who can stand above the parties, improve the system of checks and balances, and reduce interinstitutional fights and polarization. A major judiciary reform started in 2016 has also continued, with the extension of the vetting process and the completion of new structures, such as those focused on high-level corruption. However, institutional frictions, political polarization, counter-productive political fights, the widespread patronage system and scarce resources in general are still holding back some of the ongoing reforms.

The economic situation offers a similar picture of cautious progress. The country has pursued reforms and improved important indices of monetary and fiscal stability, the welfare system and sustainable development. The price hikes, which reached a historic high in July 2022, have prompted the government to allocate about 2% of GDP to support pensioners, vulnerable households, farmers and transport companies. The central bank has also embarked on a gradual policy of normalization, raising the policy rate. Importantly, the Albanian economy has shown resilience, rebounding more than expected following a major earthquake and the COVID-19 pandemic. Real GDP growth climbed to 8.1% in 2021 and 6% in 2022; as a result of the higher GDP denominator, the public debt declined from a peak of 74.5% of GDP in 2020 to 73.1% in 2021. The current account deficit also decreased to 7.7% of GDP in 2021 and to 7% in 2022,

reaching levels similar to the pre-pandemic average of 7.7%. Still, economic recovery is threatened by the long-term effects of the pandemic, commodity price increases and imported inflation. Convergence to EU income levels has also been slow, with per capita GDP remaining at 32% of the EU average in 2021 and 2022.

Regarding governing performance, the government focused its priorities on the strategic goal of advancing accession negotiations via greater European integration. The actual opening of accession negotiations has given impetus to the government's efforts to strengthen steering capability, resource efficiency and international cooperation. However, many of the country's achievements are still a work in progress, and the overall effort remains a work in progress. A major challenge that cuts across almost all areas of reform is the strong role of the international community in the process and the lack of full local ownership. For example, the ongoing judiciary reform has been almost entirely drafted, negotiated, funded and supervised by international actors. As of now, it is still not clear whether the country will manage to sustain the current reform after the unavoidable withdrawal of its international sponsors.

History and Characteristics of Transformation

The legacies of the communist regime and the chaotic regime change in the early 1990s are often cited as the most important determinants of Albania's difficulties in consolidating democracy, a market economy and good governance.

The communist regime that ruled the country for over 40 years (1944 – 1991) was one of the most unorthodox dictatorships in the communist world. Utilizing Stalinist tactics of repression, the regime eradicated all forms of opposition, preventing the development of organized movements and the emergence of experienced leaders capable of leading a transition to democracy. The regime's fall in the early 1990s came amidst tumultuous and occasionally violent protests, leaving behind a population profoundly skeptical of governmental institutions, as well as a crumbling economy, divisive politics and a dearth of individuals dedicated to democracy.

Albania's challenging transition was predictably characterized by a significant institutional crisis and the disintegration of the state. In January 1997, Albanian citizens took to the streets to protest against the "anti-communist" government, which had deteriorated into a one-man rule relying on the country's security forces and a personally controlled patronage system to solidify a system reminiscent of the previous one-party rule. The economic transition was mishandled, exemplified by pyramid schemes, corrupt privatization and illicit trade with the former Yugoslav states (under embargo at the time), which undermined the impact of initial economic reforms. The Ponzi schemes that flourished from 1995 to 1996 came to be emblematic of the country's early post-communist economic development. With their collapse in 1997, the fragile Albanian state also crumbled.

Albania thus had to start once again amid an acrimonious political atmosphere, a polarized society and the absence of state authority, this time without even minimal social and security services. International intervention was necessary to bring about any sense of normalcy 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 the country's transition.

Consecutive governments continued to exploit power and use the state as a piece of property to distribute among family members and political cronies as a means of consolidating their hold on power. Not surprisingly, for more than two decades, the country saw a boom in illegal activities – electricity theft, occupation of public spaces, illegal construction, widespread corruption, abuse of the taxation system and a “solve it yourself” type of behavior – tolerated by party bosses. The vetting system within the judiciary has revealed the extent of such illicit activity even within the institutions intended to uphold the rule of law.

The Socialist Party majority (2013 to present) came to power with the promise that it would overthrow the deeply rooted system of corruption and strengthen the state's authority and its core institutions against dominant private interests and patronage networks. It has 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 territory. The period under review has seen the consolidation of the state's fight against informal groups that defy its authority, especially powerful mafia and criminal networks.

Following a series of high-level institutional initiatives targeting money -laundering and criminal assets, the government has taken steps to consolidate its efforts against organized criminal groups, including those with international connections. The annual reports from the European Union have commended Albania for its information sharing, collaborative international police operations, and dedication to combating drug production and trafficking. The ongoing judicial reform, which involves the establishment of specialized units to combat organized crime, has bolstered the fight against criminal groups. However, these new units must still increase the number of prosecutions and final convictions, presenting a significant challenge for the future.

A majority of the Albanian population accepts and supports the legitimacy of the nation-state while enjoying access to citizenship without discrimination based on race, ethnicity, religion, gender or any political reasons. The general consensus on who is entitled to citizenship and what that entails is facilitated by the homogeneity of the population, with 98% self-identifying as ethnic Albanian according to the last census.

Ethnic minorities enjoy equal citizenship and cultural rights, including the right to study and be taught in their mother tongue. Overall, the country has ratified and complies with most international conventions on fundamental rights. Additionally, neighboring countries and various international organizations closely monitor the status of minority rights.

During the period under review, the country enhanced the 2017 framework law on the protection of national minorities, implementing new legislation on minority education in 2021 and providing funding for civil society projects that support minority rights in 2022. In 2021, the country passed a National Action Plan for LGBT+ issues for the years from 2021 – to 2027, which incorporates anti-discrimination measures, enhanced access to services, a law on gender recognition, and a national action plan for Roma and Egyptians.

Question
Score

Monopoly on the
use of force

10



1

State identity

9



1

De facto marginalization and discrimination among specific minority groups, particularly the LGBT+ community and Roma communities in Egypt, reflect the lack of sufficient social services and resources, and, to some extent, a cultural – rather than a legal or institutional – problem.

The post-communist Albanian state has gradually consolidated an institutional framework regulating state-church relations that insists on separation between and independence of the two, but also entails collaboration on some matters. The model ensures equality among four traditional communities – Sunni, Bektashi, Christian Catholic and Christian Orthodox – which enjoy autonomy in running their administrative and spiritual affairs within a constitutionally defined framework of rights and restrictions. The institutional settlement excludes any influence of religious dogmas on the legal order and political institutions of the state.

A significant number of Albanians, including opinion makers, politicians and citizens, demonstrate support for the Albanian secular system and the exclusion of religion from the public sphere. Centralized organizations representing each of the four communities also tend to back the institutional separation and independence between the state and religious communities. Attempts by different transnational movements to introduce alternative models and ideals, including radicalized ideologies, have encountered resistance among post-communist Albanians. Radical ideas, if present, are typically limited to marginal groups that operate in more globalized online spaces.

The administrative structure provides basic services throughout the country, although its operation is at times inefficient, hampered by the lack of resources and vulnerable to corruption. During the period under review, the governing authorities have continued efforts to deepen reforms, particularly in the areas of health care, education, regulation of property rights and the enforcement of the rule of law.

Public health and education employees have received a wage increase. A central electronic registry has been upgraded to identify insured individuals, and health cards have been provided to ensure access to health care services. In the field of education, numerous schools that were destroyed in the 2019 earthquake had been rebuilt by 2021. Additionally, a new competence-based curriculum has been implemented throughout the pre-university education level as of 2021.

Access to sanitation has steadily improved, with 99.3% of the population now having access to basic levels. Similarly, 95.1% have access to water, and 100% have access to electricity.

Still, inadequate investment, the absence of meritocracy and a general lack of a civil service ethos continue to undermine the effectiveness of the state administration. The COVID-19 pandemic has stretched the resources and personnel that are available. It has also highlighted the need to expand digitalization and IT services in order to enhance the functionality and accessibility of the administrative structure.

No interference of religious dogmas

10



1

Basic administration

8



1

2 | Political Participation

Albanian political representatives are elected through periodically held competitive elections that feature different parties and programs. Universal suffrage with a secret ballot is ensured, and media access is provided for all parties. Registration procedures are transparent and fair. Electoral rules and relevant legislation in general conform to democratic standards. They are developed and continuously updated in line with recommendations from the Organization for Security and Co-operation in Europe/Office for Democratic Institutions and Human Rights (OSCE/ODIHR), which extensively reviews each election. However, the electoral process is still affected by political skirmishes and distrust. Any irregularities tend to arise from the behavior of specific stakeholders rather than from legal or institutional rules and procedures.

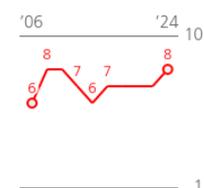
The general elections were held on April 25, 2021, and by-elections for six municipalities were held in March 2022. They exemplify the progress made, but also the challenges that characterize Albanian elections. In June 2020, a cross-party political council that was closely mediated by international partners negotiated major amendments to the electoral code. Changes included electronic identification of voters and changes to the structure of the Central Elections Committee, the electoral college, the appeal process, and other vote management and counting issues. Preferential voting was also introduced. An opinion by the Venice Commission, requested by Albania's president of at the time, commended the changes but underscored the need for more consultations. The final ODIHR report on the national elections found they were "generally well organized." It also commended the reformed Central Election Commission (CEC) for its well-organized and transparent oversight of the electoral process. However, it expressed some persisting concerns, mainly related to the misuse of public resources, alleged vote-buying and the protection of voters' personal data. Some of those cases, including the killing of a person during a clash between supporters of the ruling party and a unit created by the opposition to "protect the vote," became the subject of criminal proceedings.

Democratically elected political representatives enjoy the effective power to govern. Particularistic groups and interests (e.g., powerful businesses, media groups, illegal criminal organizations and, in general, patronage networks) that have held considerable – even if informal – power during various junctures of the transition have been increasingly pushed to the sides.

However, it is not uncommon for individuals with significant influence within institutions or the political sphere in general to challenge democratically elected authorities and even support the use of violence. During the review period, the then-sitting president, Ilir Meta, demonstrated how influential individuals can act as veto players, undermining the authority of elected representatives. Specifically, Meta

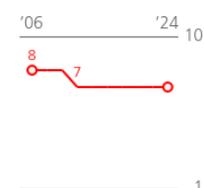
Free and fair elections

8



Effective power to govern

7



consistently urged the Albanian people to overthrow their elected government and employ violence, particularly during the electoral process. Additionally, he persistently questioned the legitimacy of the voting process and the parliament. In essence, Meta transformed the predominantly symbolic presidency into a tool for disorderly political disputes.

The rights to association and assembly are guaranteed. Residents and civic groups can fully exercise these rights without government interference or restrictions. The Albanian constitution protects a wide range of freedoms of assembly and association (Article 46). There are approximately 11,700 registered NGOs, but the number of those activities registered with tax authorities is much lower (4,767).

The EU accession conditionality grants civil society access to consultations on important legislative initiatives. The National Council for European integration – a forum designed to incorporate civil society into the process of EU integration – has increased the legal space for the inclusion of civil society in the policymaking process. A 2014 law lays down the procedure for public participation in decision-making. NGOs are particularly active in the protection of vulnerable groups and the European integration agenda, but also in reporting and analysis within various areas of governance.

In 2021, the previous Law on the Registration of Non-Profit Organizations, enacted in 2001, was replaced with a new law. The new law is expected to facilitate and increase transparency in the registration process. It establishes a national electronic register under the High Judicial Council.

Still, some factors limit the potential input of Albanian associations in concrete initiatives. A 2020 report on the role of civil society and the media in crisis management found that Albanian associations lobbied the National Council for Civil Society to increase funding for civil society and strengthen its legal status against defamation lawsuits – both seemingly major concerns that inhibit their work. They also complain about insufficient consultation on major government lawmaking initiatives, particularly in the area of the judiciary. Civil society organizations and the Ombudsperson have also criticized the disproportionate use of police force against protests organized in response to fuel and food price increases in March 2022.

The freedom of expression is generally guaranteed but remains subject to certain factors that limit its scope and – in particular – the degree to which it can be realized by independent groups.

Albanian citizens, organizations and the mass media generally have the ability to express their opinions freely. The constitutional framework guarantees the freedom of expression, the organization of the mass media and the right to information (Articles 22 and 23). The Albanian media landscape is dynamic in terms of the number of outlets. While newspapers are declining, television media remains vibrant and influential. The picture of online media is much more chaotic. According to the Union of Albanian Journalists, there are an estimated 800 online media outlets. As of July 2021, there were 1,784,000 Facebook users in Albania (Statista).

Association /
assembly rights

10



1

Freedom of
expression

7



1

During the period under review, the regulatory framework and the relevant institutions have evolved. In July 2021, the parliament elected a new chairperson to head the audio-visual regulatory authority (AMA), and in February 2022, it filled six out of seven vacancies for members. As the review period closed, two vacancies on the Albanian Radio and Television Board were being filled. In September 2021, the government launched the new Media and Information Agency.

The penal code, security laws and penalties for insulting state officials are rarely, if ever, used as a means of intimidating dissenting opinions. However, media freedom is compromised by two major factors: the economic penetration of the media market by prominent business groups and journalists' poor working conditions. In terms of economic control, major economic groups use their media ownership to control information and, when they see fit, to spread misinformation, manipulate the public, and blackmail or discredit individuals who speak out against their interests. The concentration of market share and audiences, as well as the lack of transparency in funding, facilitate the use of the media by special interests. Digital media, in particular, are heavily influenced by political and business interests in terms of funding and content. Most online outlets operating in the country lack transparency about their funding. Regarding the poor working conditions of journalists, the Union of Journalists reports that a quarter of journalists work without a contract and can therefore be dismissed without any procedure. Additionally, about 80% of reporters are paid the minimum wage, and for about half of them, salaries are delayed for between two and six months. Media owners routinely limit editorial independence through poor working conditions and job insecurity. Poor working conditions also force journalists to self-censor.

The public perception of the prevalence of political propaganda and disinformation is quite high, with 70% and 59% of survey respondents saying that they have seen instances of these in the mainstream media and on social networks, respectively. However, 89% of citizens said they were unaware of the existence of platforms that fact-check news and information. A 2021 report by the European Parliament on disinformation in the Western Balkans also revealed that the vast majority of Albanian disinformation originates domestically. This disinformation includes attempts by the media to increase website traffic and generate revenue through sensationalist reporting, as well as the production and dissemination of false information for political purposes.

3 | Rule of Law

The separation of powers is in place and mostly operational, albeit subject to occasional interference from various structures. However, the damage caused by such interference generally tends to be restored. The constitution guarantees the institutional division of powers and a system of checks and balances (Article 7). In accordance with this, the president represents the unity of the state and shares some responsibilities regarding key nominations across the hierarchy of independent state institutions, including within the judiciary.

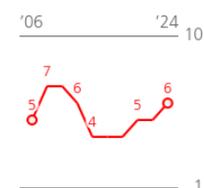
Throughout the Albanian transition, the presidency has often been the weakest link in the system of separation of powers. Typically, Albanian presidents are chosen from among key politicians who use their “neutral” position to appoint politically suitable candidates and thus establish political control over state institutions. Specifically, five out of the eight post-communist presidents were nominated with the votes of only one party, the Democratic Party (DP), and four came from its close circle of leadership. Its control of the presidency has allowed the party unparalleled control over the highest strata of independent institutions, particularly those in the judiciary, which until the 2016 reform were almost entirely presidential appointees.

On June 4, 2022, the parliament resulting from the 2021 elections elected Bajram Begaj as the new president. Begaj emerged victorious in the fourth round, securing a simple majority after the preceding rounds failed to gather the necessary qualified majority of 3/5 of the deputies. What sets Begaj apart and showcases a positive development is his extensive professional experience serving the state, including his previous role as the armed forces’ chief of general staff, as well as his lack of political affiliations. These qualities position him as the unifying and impartial figure essential for the presidency. This choice starkly contrasts with the outgoing president, Ilir Meta, who had held significant political positions such as prime minister, minister, head of parliament and leader of one of the parliamentary parties before assuming the presidency. Throughout his tenure from 2017 to 2022, Meta actively engaged in politics and frequently clashed with the government and parliament. In particular, once his wife’s party joined the opposition and boycotted the parliament in 2019, tensions heightened. Meta consistently questioned the legitimacy of the elected authorities and even urged the “people” to overthrow the government. In June 2021, the parliament voted to impeach President Meta, accusing him of violating 16 constitutional articles and inciting violence, but the Constitutional Court opposed his removal from office.

The COVID-19 emergency measures, which initially created some concerns regarding executive powers and their proportionality, were all eliminated in early 2022. The parliament subsequently resumed in-person meetings.

Separation of powers

6



The judiciary is institutionally differentiated and formally independent. However, its decisions are often impaired de facto by undue external influence and corruption. Since 2016, the country has experimented with a major reform sponsored and supervised by the European Union and the United States in collaboration with other international institutions. The main plank of the reform is the vetting of approximately 800 members of the judiciary for unjustified assets, professionalism and links to criminal organizations. Only those who pass the vetting process will be part of the new judicial architecture.

The vetting was expected to finish in June 2022 but has proceeded much slower than planned. By 2022, only 405 cases – around half of the vetting targets – were final. Among those, 30 files – including 12 files concerning previous judges of the High Court and the Constitutional Court – had been forwarded to the special prosecutorial services due to indications of criminal conduct. Although in the long term the process of vetting is expected to clean the judiciary of corrupt members, it has created many challenges in the short term, particularly a shortage of judges and a backlog of cases across the system.

The period under review has seen some reform progress. For example, the parliament voted for a necessary extension of the vetting procedure. A new judicial map was created to address the backlog by reallocating judges and courts to the most affected areas. The Constitutional Court and the High Court were bolstered by new appointees. The Special Anti-Corruption and Organized Crime Structure (SPAK), which encompasses the Special Prosecution Office (SPO) and the National Bureau of Investigations (NBI), was also supplemented with new appointees.

Still, the 2016 reform remains a work in progress, and the final results cannot yet be predicted – especially given the strong role of the international community in the process and the lack of full local ownership.

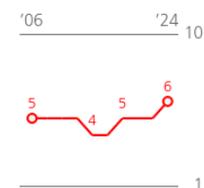
Officeholders who break the law and engage in corruption are not adequately prosecuted.

The ongoing judicial reform has increased the capacity of rule of law organs to investigate complex corruption cases. Specifically, the vetting of all ranks of the judiciary and the strengthening of SPAK together represent a promising beginning in the battle against corruption. Additionally, a General Anti-Corruption Directorate has been established within the Ministry of Justice and tasked with identifying law violations by public officials.

During the period under review, some progress was made in establishing a record of investigations against current and former public officials accused of engaging in corrupt acts. These investigations involve officials from the Tirana Cadastral Agency and Land Registry, individuals connected to the waste incinerator project, the mayor of Lushnje, and former environment minister Lefter Koka, among others. Ongoing investigations are also targeting several members of the judiciary, including judges from the High Court and the Constitutional Court, as well as prosecutors. The vetting applied to these individuals revealed indications of corrupt activity.

Independent judiciary

6



Prosecution of office abuse

5



However, this track record remains limited, especially when considering the prevalence of corruption overall. One of the key requirements of the EU accession negotiations is a solid track record on corruption and the recovery of corruptly acquired assets.

Civil rights are codified by law and are generally respected by state institutions. The mechanisms and institutions established to redress violations of civil rights are being continuously improved in the context of the preparation for accession negotiations with the European Union.

Respect for civil rights is enshrined in the constitution and the international human rights conventions that the country has ratified and generally complies with. The Office of the Ombudsman is the main domestic institution that monitors the enforcement of civil rights. The ombudsman has taken a proactive role in the areas of property rights, the abuse of police power, unduly long judicial proceedings, nonenforcement of judgments in civil cases, inadequate conditions in prisons and living conditions for the Roma minority. The issue is also subject to EU conditionality and its monitoring mechanisms in the context of Chapter 23 on Judiciary and Fundamental Rights, which is considered one of the fundamental standards that candidate countries must comply with.

During the reporting period, the country implemented several legal measures pertaining to civil rights, such as introducing a national action plan for LGBTIQ individuals. Despite the existence of legal regulations aimed at safeguarding civil rights, they are not always wholly effective. Certain communities, including LGBTIQ, Roma and Egyptian individuals, still experience instances of informal discrimination. Additionally, gender-related violence has seen a surge during the COVID-19 pandemic. Ensuring equal access to justice and equality before the law poses challenges, particularly within the framework of delayed judiciary reforms.

During the period under investigation, there were several leaks of personal data, indicating a pervasive lack of awareness among public servants regarding their obligation to protect personal data. Overall, however, the prevailing issues primarily revolve around a lack of awareness and inadequate allocation of resources, rather than a legal or institutional problem.

Civil rights

8



1

4 | Stability of Democratic Institutions

Democratic institutions are in place and perform their functions in principle, but they tend to suffer from political polarization, unruly conflicts and institutional friction. Counter-productive political fights frequently undermine the work of and relations between democratic institutions.

The period under review, especially around the time of the elections, witnessed the continuation of turbulent political conflicts, particularly with the office of the presidency employing harsh rhetoric in opposition to the elected authorities, the government and the campaign for judicial reform. Ongoing interinstitutional and political conflicts further resulted in tangible obstacles and setbacks in appointing judiciary seats. The election of a new president in 2022 marked a significant turning point as it introduced a personality with no political agenda, thereby reinstating the role of the presidency as a neutral institution fostering political unity.

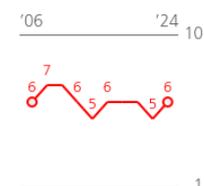
Beginning in May 2021, a new line of conflict emerged in the country between two factions of the Democratic Party, respectively led by party leader Lulzim Basha and former leader Sali Berisha. Berisha's expulsion from the party group following his public designation by the U.S. Department of State as being involved in significant corruption prompted him to form a new parliamentary group. This rupture has not only intensified parliamentary disputes but also fueled a disorderly mode of conflict characterized by public denigration, street protests and the promise of "revolution" to overthrow the elected authorities.

No relevant political or social groups contest the legitimacy of democracy and its constitutional setup. Following the experience of communist dictatorship, all social and political actors have consensually embraced the ideal of democracy as the only game in town. Major reforms, continuous institutional changes, political programs and public discussion in general are commonly framed in the context of democratic progress and its corollary, European integration.

During the long post-communist transition, however, formal commitment to democracy typically went hand in hand with the capture of state institutions and their use for personal and political interests. Institutional capture was largely the result of the consolidation of a system of patronage throughout the network of "independent" democratic institutions. This model of institution-building has been more pronounced when the ruling party or coalition enjoys a significant parliamentary majority and also controls the presidency, and therefore also wields influence over the independent institutions with heads nominated by the president.

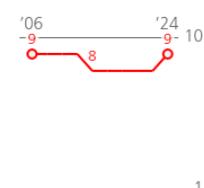
Performance of democratic institutions

6



Commitment to democratic institutions

9



5 | Political and Social Integration

The party system in this country is fairly stable and socially rooted, with moderate levels of fragmentation and volatility. However, polarization levels are high. Since the fall of communism, the country has developed a bipolar party system consisting of the Democratic Party (DP) and the Socialist Party (SP).

The DP, which represents conservative and fiercely anti-communist ideals, brought together various groups that protested against communism. The SP, established in 1991, inherited some organizational structures and voter support from the former Communist Party but reformed itself early on based on the center-left ideal found in Europe.

The Socialist Movement for Integration (LSI), which split off from the SP, is a more “pragmatic” entity. It forges and changes alliances as necessary to maximize its electoral power. The two main parties have alternated in power and maintained control of the government throughout the transition period for extended periods. The DP held power from 1992 to 1997 and again from 2005 to 2013, while the SP controlled the government from 1997 to 2005 and from 2013 to the present.

Both the DP and the SP formed coalitions with their ideological adversaries, the LSI, to secure a parliamentary majority. The DP did so from 2009 to 2013, and the SP followed suit from 2013 to 2017. Voter volatility, in terms of new party entry and old party exit, as well as vote switching across existing parties, is relatively low. The main parties have a consistent base of followers and well-consolidated structures.

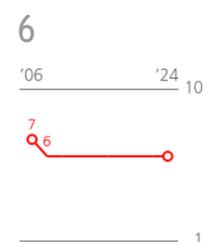
The strict division between socialists (SP) and democrats (DP) and the conflict-rich style of politics are often lamented in terms of the left-right dichotomy or communist vs. anti-communist divisions. However, the polarized, tense and conflictual style of politics, and its continued usefulness as an electoral strategy, are more the result of historically rooted local divisions and the associated patronage system than being simply an ideological divide.

The DP leaders, primarily hailing from the north, have consistently emphasized their anti-communist credentials, a message that resonates strongly with the northern regions. Many of these regions experienced specific repression under the communist regime. On the other hand, the socialists, whose main leaders tend to originate from the south, have typically found support in the southern regions that served as the primary power base for the former communist organization.

These divisions, which may have once possessed ideological undertones, are now exclusively rooted in the patron-client networks that both parties strive to control. They are particularly evident in the employment patterns within central and local administration. When the DP has held power, most positions have been filled by fiercely anti-communist northerners, whereas southerners have held a majority when the SP has been in power.

The parties’ “winner-takes-all” approach to power facilitates the accommodation of their patronage networks, which rely on loyalty and service throughout the state’s infrastructure.

Party system



The range of interest groups is typical and encompasses the majority of social interests. However, a small number of powerful interests hold sway. Post-communist Albania has witnessed the emergence of a relatively diverse landscape of interest groups. At present, there are approximately 12,000 registered NGOs, comprising associations, foundations and centers. These active NGOs are involved in various activities such as advocacy work, monitoring and social mobilization, particularly in areas such as the environment, human rights, social protection and the rule of law. They have also played a proactive role in assessing the government's performance and advocating for policy reform.

Given the communist regime's complete prohibition on autonomous civil society groups, the notion and implementation of civil society emerged in the country as a result of Western donors' aid policy. Donor policies aim to encourage civil society participation and foster the adoption of democratic values, resulting in a flourishing public sphere. Despite this, NGOs are often perceived as being reliant on donors and must therefore cultivate internal capabilities, voluntary networks and agendas independent of donors if they are to ensure their sustainability and integration into society as a whole.

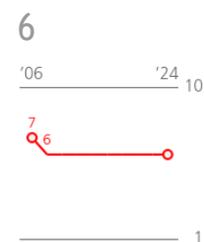
Additionally, Albanian NGOs maintain implicit and sometimes explicit affiliations with political parties, while parties themselves tend to court NGO leaders. Trade union movements remain weak and prone to politicization, particularly because of the absence of large companies operating in the country. Survey data unsurprisingly reveals relatively low trust in civil society. According to a 2021 survey, 52% trust civil society, compared to 67% who trust religious institutions and 72% who trust the European Union.

Levels of approval of democratic norms and procedures are fairly high. Having endured one of the strictest totalitarian regimes ever established in the communist world, Albanians have consistently demonstrated strong support for democracy as the preferred political system, even in the face of an endemic crisis and the numerous problems that affected the country's transition to a democratic system.

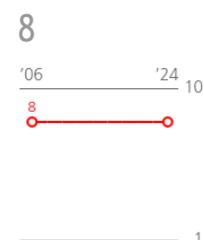
Albanians, however, are less inclined to approve of the functioning of the established democratic institutions and the trajectory of the country's democratic transition. According to the 2021 UNDP Trust in Governance survey, "some of the least trusted democratic institutions" are the president (23.5%), political parties (26.4%), the courts (27.7%) and the prosecution (28.4%). Albanians generally exhibit more trust in international organizations than in their own independent institutions, such as NATO (73.2%), the U.N. (71.4%) and the European Union (71.3%).

Albanians also exhibit low levels of 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 judicial reform, while only 35% believe that judicial reform is being implemented correctly.

Interest groups



Approval of democracy



Levels of interpersonal trust in Albania are relatively high, and there is a significant number of autonomous organizations. Aligning with the structure of a traditional society, Albanians embrace traditional forms of solidarity rooted in blood, family, and regional and clan loyalties.

Political elites have sought to capitalize on these links and divisions to nourish patronage-based networks. These postmodern forms of social capital, which include patronage relations, have helped sustain an informal network of support during a challenging transition with limited social welfare support or even an absence of state services. Nevertheless, such forms of solidarity undermine the development of a culture of civil society participation, voluntarism and trust in these institutions.

Social capital

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II. Economic Transformation

6 | Level of Socioeconomic Development

The Gini Index of income inequality has deteriorated from 12 in 1992 to 29 in 2018 and 30.6 in 2019. Similarly, the country's performance on the Gender Inequality Index has improved over time, with a 2021 score of 0.144 compared to 0.156 in 2020 and 0.2 in 2015. The score on the Human Development Index (HDI) was 0.796 in 2021, with the country ranked 67th among 191 nations. However, when adjusted for inequality, Albania's score dropped to 0.7. In December 2021, the share of the population at risk of poverty was 21.8%, compared to 20.6% in 2019 (INSTAT). The deteriorating indicators reflect the ongoing effects of the earthquake and the pandemic.

During the period under review, the country made efforts to address problems of inequality and exclusion, especially among women. The pressure to align with EU norms has given a push to government activity in this sector. The National Strategy for Gender Equality (2021 – 2030) focuses on intersecting forms of discrimination and is in line with EU priorities in these areas. Changes in the Law on Social Assistance, adopted in December 2021, are intended to help poor families and children by increasing the amount of cash assistance. In February 2022, the parliament ratified the ILO Convention 190, "On Violence and Harassment," which requires revisions of related legislation for its implementation.

Question
Score

Socioeconomic
barriers

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Economic indicators		2019	2020	2021	2022
GDP	\$ M	15401.8	15162.7	17930.6	18882.1
GDP growth	%	2.1	-3.3	8.9	4.8
Inflation (CPI)	%	1.4	1.6	2.0	6.7
Unemployment	%	11.5	13.1	12.7	11.8
Foreign direct investment	% of GDP	7.8	7.1	6.8	7.6
Export growth	%	2.6	-27.9	52.0	7.5
Import growth	%	2.3	-19.8	31.5	13.1
Current account balance	\$ M	-1218.9	-1314.6	-1369.7	-1134.7
Public debt	% of GDP	67.4	75.8	75.2	65.5
External debt	\$ M	9274.5	10477.4	11086.2	-
Total debt service	\$ M	639.5	1143.1	884.2	-
Net lending/borrowing	% of GDP	-1.4	-6.1	-0.2	-
Tax revenue	% of GDP	18.1	17.0	18.2	-
Government consumption	% of GDP	11.3	11.8	11.9	10.2
Public education spending	% of GDP	3.9	3.3	3.1	-
Public health spending	% of GDP	2.9	2.9	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.3	1.3	1.2	1.6

Sources (as of December 2023): 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

The institutional framework for market competition in Albania is strong, but the rules are not always consistent or the same for all market participants. The informal sector has shrunk but remains significant.

Since the end of communism, Albania has pursued an extraordinarily open model of economic development, resulting in minimal barriers to factor movements. Prices have been fully liberalized, and the Albanian lek is fully convertible. State involvement in the economy is minimal, with the exception of the energy sector. Approximately 80% of employment is in the private sector. State aid remains limited, decreasing to 0.25% of GDP in 2021 after reaching its highest point at 5% in 2019.

The period under review witnessed an increase in state involvement, particularly in response to the impact of COVID-19 and rising energy and food prices. In March 2022, the government implemented a “social resilience package” comprising approximately 2% of the country’s GDP, aimed at providing targeted assistance and electricity price subsidies.

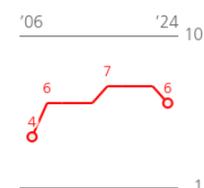
The share of employment in the informal sector, which stands at around 56%, is a significant concern. To address this issue, the government has implemented measures to enhance digitalization and aims to make 95% of public services available online. Additionally, a “Beneficial Ownership Registry” has been introduced to promote transparency by documenting all owners of existing commercial or non-profit entities. However, despite these efforts, the informal economy, estimated to constitute approximately one-third of GDP, remains large. Weak governance, ineffective implementation and enforcement of laws, tax modifications, controversial public procurement practices, and persistent corruption persistently hinder market activities and the development of a robust market economy.

Anti-monopoly legislation exists but could be better enforced. In the period under review, the recently empowered Albanian Competition Authority (ACA) – the main unit responsible for examining mergers or imposing fines on those that hinder market competition – aligned and approved procedures to protect companies affected by violations of competition rules. Generally, the legislative framework on antitrust and mergers is in line with EU standards. However, enforcement capacity is currently low, primarily 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. The fact that some projects are based on unsolicited bids is likely to restrict fair competition in the respective sectors.

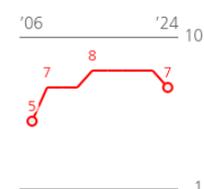
Market organization

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Competition policy

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Open trade is essential to the Albanian economy. Since 1992, the country has eliminated all quantitative barriers to foreign trade and implemented numerous tariff reductions after joining the World Trade Organization in 2000. Albania actively engages in regional free trade agreements like the Central European Free Trade Agreement (CEFTA) and exhibits a significant level of trade openness. Preferential tariffs are enforced for goods originating from EU member states, CEFTA, EFTA and Türkiye. Nevertheless, certain imports from the United States are subject to customs tariffs. In 2021, the average most-favored nation (MFN) tariff imposed was 3.6%.

The volume of external trade dropped to 61% of GDP in 2020 but rebounded to its pre-pandemic level of 76.4% in 2021. The European Union remains the main trading partner, accounting for 60% of total trade in goods. The Central European Free Trade Agreement (CEFTA) countries are the next-biggest trading partner, and the volume of trade with these countries has steadily increased to 7.6% of GDP in 2021.

The banking system is oriented toward international standards with functional supervision and minimum capital equity requirements, but there is vulnerability to sudden shocks and capital flow reversals.

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, including the privatization of state-owned banks and the liberalization of the financial services sector, have been a high priority. The central bank, the Bank of Albania (BoA), has the necessary instruments and administrative capacity to function independently and conduct an efficient monetary policy. The banking sector is completely privatized, with foreign-owned banks owning more than 75% of the asset shares in the sector.

The period under review witnessed several initiatives to enhance the operation of the banking system and capital market. Legislation regarding the capital adequacy ratio and stable funding ratio of banks was modified to align with EU legislation. The non-performing loan (NPL) ratio has further improved, reaching 5.42% in 2022 compared to 7.9% in 2021. BoA has made numerous decisions to enhance the effectiveness of the capital market. A recent decision on consumer and mortgage credit aims to ensure fair market practices regarding interest rates, commissions and penalties applied to loan products.

Liberalization of foreign trade

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Banking system

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8 | Monetary and fiscal stability

Policies of monetary stabilization are harmonized with other economic objectives and are institutionalized by a de facto independent monetary authority. The Bank of Albania (BoA) is legally independent in determining monetary policies. The BoA has sufficient instruments, competence and capacity to conduct efficient policies. After the BoA reported an internal deficit in 2014, improvements in management and regulation that placed senior management – including the bank’s governor – under investigation led to significant improvements for the institution.

The monetary policy follows a free-floating exchange rate regime. The lek is not pegged to any foreign currency. The value against foreign currencies is freely determined in the foreign exchange market, following the free movement of goods and capital, as well as Albania’s financial transactions with its trading partners. In 2021, the Albanian lek’s exchange rate to the euro returned to a trend of slow appreciation, which continued in 2022. Meanwhile, in 2022, the lek depreciated against the dollar by 10.8% year-on-year.

Starting in March 2020, the BoA adopted a low interest rate of 0.5% in order to address the economic slowdown caused by the pandemic. The annual inflation rate has averaged 1.8% over the past five years, but it accelerated in 2022, reaching a historic high of 7.5% in July of that year. In 2022, the BoA initiated a gradual policy of normalization by incrementally raising interest rates, ultimately reaching 1.75% in August 2022.

The government’s budgetary policies generally promote fiscal stability but lack strong institutional safeguards and are prone to ad hoc permissive policy changes.

During the period under review, the 2021 budget was amended six times to address the COVID-19 pandemic needs. The 2022 budget was also amended twice to accommodate energy subsidies and the need for more social support resulting from price hikes. The fiscal rules requiring a decreasing debt ratio were also suspended. Importantly, both the suspension of fiscal policy and budgetary amendments were adopted via government decree rather than through the regular legislative procedure. They were criticized by the European Union for weakening fiscal credibility.

The public debt ratio reached its peak at 74.5% of GDP during the COVID-19 pandemic but was reduced to 73.1% in 2021. Additionally, GDP growth contributed to the decrease of the public deficit to 4.5% of GDP in 2021. However, the country continues to grapple with general weaknesses in the management of public investment. A forthcoming revenue strategy is anticipated to enhance revenue and collection effectiveness, reduce exemptions, and establish a more reliable tax policy.

Monetary stability

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Fiscal stability

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9 | Private Property

Property rights and related regulations are defined – but problems remain with implementation and enforcement – according to the rule of law.

The period under review has seen some progress in the registration of properties and the digitalization of related procedures. By 2022, the first wave of registration had been completed in most areas of the country.

Problems with property rights remain widespread and pose a crucial obstacle to the country's social and economic development. Official estimates indicate that approximately 80% of the registered properties' data is incorrect, while 10% of the territory remains unregistered. It is still necessary to adopt important laws on cadaster and transitional ownership processes.

Relatedly, the property sector is highly exposed to corruption. The problem of the occupation of public spaces is widespread. The current government has also undertaken extensive legalization of illegal constructions – an action that implicitly formalizes illicit practices and presents a problematic solution to the violation of property rights. Additionally, the lack of restitution for properties confiscated during the communist era has been a long-standing issue. Resolving property disputes often involves multiple court proceedings, at times spanning several instances, with judgments ordering restitution frequently going unenforced.

During the period under review, there was some progress in terms of intellectual property rights. In July 2021, a new law on trade secrets was adopted, and in April 2022, amendments to the Law on Copyright were adopted to bring the legal framework in line with the EU acquis.

Private companies are viewed institutionally as important engines of economic production but are not always adequately protected by legal safeguards. The privatization of state companies does not consistently adhere to market principles.

The state's stake in the economy is relatively limited, with the private sector accounting for over 80% of GDP and total employment. State-owned enterprises (SOEs) are limited to certain sectors, such as water and energy.

The government authorities have focused on improving legislation related to private enterprise. A new law on startups was adopted in March 2022; a law on medium-sized and small enterprises in April 2022; and a promotion program for startups in July 2022. Training and advisory services, as well as opportunities for small grants, exist in the context of a package helping businesses adapt to the long-term effects of the pandemic. Another resilience package helps businesses cope with the consequences of the Russian war in Ukraine. Training in the areas of technology,

Property rights

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Private enterprise

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innovation and entrepreneurship activities is also available in the context of a pilot program that offers an incubation phase in cooperation with public universities and public and private vocational high schools.

Still, the informal economy, corruption, the lack of transparency in public procurement, the lack of clear ownership of property titles and the need to enforce the rule of law pose many challenges for private enterprises.

10 | Welfare Regime

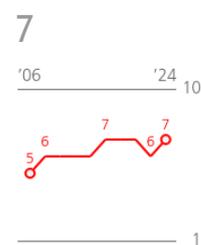
Social safety nets are well developed but do not cover all risks for every stratum of the population. A significant part of the population remains at risk of poverty.

Around 21.8% of the population is at risk of poverty (Instat, December 2021). During the period under review, the government has improved the institutional and legal framework for addressing poverty, including by amending the Law on Social Assistance in December 2021. Additionally, beneficiaries of social assistance have benefited from employment promotional programs. As of December 2021, the government has raised the level of social assistance for all beneficiaries by at least 10%.

The health care system is mostly public. It is funded by mandatory health care contributions shared between employers and employees and subsidized by the state budget. The system covers the reimbursement of prescription drugs and pays for public health care services, including some provided by private structures. Since 2013, the government has implemented universal health care coverage, which includes free family doctor visits, reimbursable drugs, and medical check-ups for all insured and uninsured individuals.

The Albanian pension system, inherited from the communist regime, has been the subject of continuous reform. A major reform in 2014 introduced various measures, including an increase in the pensionable age and new incentives to increase contributions. These measures, coupled with efforts to combat informality, have strengthened the system's finances. Revenues rose from 4.70% of GDP in 2012 to 7.07% in 2018. However, as of 2020, the pension system covers only 40% of the working-age population. Therefore, in the future, a substantial number of people will only receive a small social pension. The increasingly aging population may strain the social system, putting the scheme's ability to continue paying adequate benefits at risk.

Social safety nets



Women and members of ethnic, religious and other groups have near-equal access to education, public office and employment. There are a number of legal provisions against discrimination, although their implementation is sometimes insufficient.

The literacy rate in the country is 98.14%. The enrollment ratio in primary education is 100.2%, and in secondary education, it is 94.3% – both figures above the world average. Access to education for female students is also relatively good, with the enrollment ratio above the rate for men in tertiary education.

Albania has signed the majority of international agreements in this area and has implemented comprehensive national legislation on the issue of equal opportunities. Currently, there is a law in place specifically addressing gender equality. The Commissioner for Protection against Discrimination has been increasingly active in addressing issues related to discrimination based on gender or sexual orientation within the workplace. The rate of female participation in the labor market has steadily increased, with women currently accounting for 42.9% of the active workforce. Notably, Albania now boasts a majority female cabinet, with 12 out of 17 ministers being women, positioning it as one of the leading countries in terms of female representation in government. However, despite these advancements, the gender employment gap for the year 2021 remains at 14.4%. In terms of the gender pay gap, there has been a 4.5% decrease in 2021 compared to the previous year (6.6%).

The experience of minority groups – for example, the Roma and Egyptians – continues to be a matter of concern, given their low employment rates and difficulties in accessing social protection services. Although specific legislation protecting minority groups has been amended multiple times, further administrative capacity and significant improvements in existing infrastructure will be necessary to enhance the living standards of marginalized minority groups.

11 | Economic Performance

Albania's economy demonstrated a certain degree of resilience during the COVID-19 pandemic. The GDP contracted less than anticipated (-3.8%) in 2020 and rebounded more strongly than expected in subsequent years (8.1% in 2021 and 6% in 2022). Additionally, the employment rate for 2021 improved by 1.5 percentage points compared to the baseline in 2020, indicating a substantial recovery from the pandemic-induced downturn. Notably, GDP per capita reached a record high of \$15,600 in 2021.

Similarly, the current account deficit was reduced to 7.7% of GDP in 2021 and further to 7% in 2022, compared to 8.7% in 2020. By 2022, it also reached levels similar to the pre-pandemic average of 7.7%. External debt, which had risen to 64.3% of GDP in 2020, fell to 63.1% in 2021. Likewise, the overall public debt ratio decreased to 73.1% of GDP in 2021, compared to its peak of 74.5% in 2020.

Equal opportunity

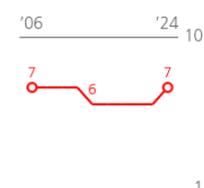
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Output strength

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The annual inflation rate rose sharply during the review period, reaching a historic high of 7.5% in July 2022. The government has responded with a package of assistance for pensioners, vulnerable households, farmers and transport companies. The central bank also began a policy of normalization and raised the policy rate in several steps, reaching 1.75% in August 2022. However, the long-term effects of the pandemic, a global energy price hike and the related increases in the inflation rate all pose risks to the pace of recovery.

12 | Sustainability

Environmental concerns receive insufficient consideration and are often subordinated to the objective of economic growth. Existing regulations are weak and insufficiently enforced.

The country relies almost exclusively on hydropower for electricity. Several hydroelectric power plant concessions have been signed, with some located in protected areas. Some have been challenged for their negative impact on biodiversity and local communities. Moreover, no strategic environmental assessments have been conducted.

A law on renewable energy was adopted in 2017 and revised in 2021. The country has worked to diversify its energy sources to include renewables. Two solar farms will become operational in 2023. A plan for a wind farm is also in progress. Two major renewable energy projects, funded by the EU, were signed in 2021.

The Renewable Energy Action Plan set a target of a 38% share of renewable energy sources in total consumption by 2020; however, that target was not realized.

While Albania's score in the U.N. Education Index (0.778 in 2021) lags behind most countries in the region, it has improved over the years.

A newly adopted National Strategy of Education and Action Plan (2021 – 2026) aims to ensure quality, inclusiveness and equity at all levels of education. The country has also focused on developing a vocational education and training network, although the share of students enrolled is still low (17.7% of upper-secondary students in 2021).

The estimated education budget – 3.6% of GDP in 2021 – was 0.9% higher than in 2020 but still below the average of 5% in OECD countries. The funds allocated for research and development – 0.2% to 0.4% of GDP in 2021 – also remain minimal and far below the target of 1% of GDP by 2022. The European Union believes that additional resources are necessary for the improvement of the educational system to ensure its quality, fairness and inclusiveness.

Environmental policy

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Education policy / R&D

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Governance

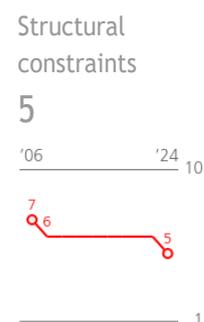
I. Level of Difficulty

The structural constraints on governance are of relatively low significance. Although traditional constraints – poverty, education, location, infrastructure and national disasters – are not overly substantial, Albania faces additional constraints related to the legacies of its former authoritarian regime and the challenges of regime change. Specifically, the country suffered under a strict communist regime that deprived it of organized social and political movements and prevented the emergence of leaders experienced and authoritative enough to lead the transition to democracy. As a result, Albania underwent a difficult period of regime change marked by persistent economic and political crises, institutional capture, and a revolutionary mood characterized by irresponsibility. This mood pitted the two major parties, democrats and socialists, against each other. Such extra-institutional politics and revolutionary fervor have resurfaced as the main opposition, the DP, has become a scene of internal leadership struggles and debates over the party’s direction.

Economic development also reflected the difficulties of transitioning from an extremely centralized autarkic model to a market economy. At least initially, growth was the result of substantial foreign assistance, high remittance rates, and smuggling and money-laundering activities. These activities concealed the lack of economic restructuring, the ongoing deterioration of infrastructure, the presence of underdeveloped market institutions and a corrupt privatization process. The spread and collapse of pyramid schemes in 1997 was an extension and indeed a symbol of the country’s economic development. The collapse of these schemes, amidst violent protests by people who lost all their savings, led to the collapse of the state and all the achievements made up to that point.

Afterward, the international community became a key sponsor of major reforms, and the country became dependent on the international community to mediate, push forward and finance institutional progress. Obstacles to and delays in major reforms, including current efforts relating to the rule of law and the judiciary, demonstrate the resilience of long-term structural constraints.

A major earthquake in November 2019 and the ongoing pandemic introduced new, albeit short-term, challenges that 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. Consequently, in 2021/2022, the country recovered much of its lost ground in terms of most economic indicators and, in general, proved resilient to the disruptive effects of the pandemic.



The development of civil society in terms of public engagement, the culture of participation, numerous and active civic associations, and social trust is affected by authoritarian legacies. The communist regime outlawed any independent organizations, and its intrusive control over society extended to citizens' private lives, influencing even literary preferences, hairstyles and clothing. After the fall of communism, civil society had to be built up from scratch against a backdrop of widespread mistrust of voluntary work, which had previously been imposed by a dense network of controlling party-affiliated organizations. As a result, the emerging post-communist civil society lacked the normative attributes associated with the process of regime change elsewhere in the former communist world.

Foreign assistance and donor support have helped to create 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 are also showing more interest in volunteering, at least in principle. However, civil society has yet to develop the autonomy from donor 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 possible ethnic conflicts – a common source of state weakness elsewhere in the Balkans. Nonetheless, the lack of democratic political experiences, ideological divisions, parties' divisive rhetoric and widespread patronage practices have created a polarized political atmosphere prone to unrest and instability.

Throughout the review period, the deep divisions among the two major political blocs and the social strata they represent continued to shape the political process and hinder institutional work. Internal disputes and tensions within the main opposition have further intensified the usual political discord and conflict. These disruptive political disputes have resulted in the absence of reliable and impartial mechanisms to resolve conflicts within the country. The conflict has been exacerbated by politically influenced media outlets and online publications, which have spread unfounded accusations and disparagement of political adversaries.

The elected prime minister, for example, has been accused of leading “a government of crime” and of being a “prime minister of drugs.” When asked to provide evidence in support of such claims by the courts, the politicians making such statements often characterize the accusations they have leveled at their peers as being 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.

Civil society traditions

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Conflict intensity

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II. Governance Performance

14 | Steering Capability

The government sets strategic priorities but sometimes displays deficiencies in prioritizing and organizing its policies accordingly.

The current government, led by Edi Rama, has prioritized the strategic goal of European integration. The opening of accession negotiations in July 2022 gave new impetus to reforms aligned with European Union (EU) norms. A new National Plan for European Integration (2022 – 2024) was adopted in February 2022 and has been monitored on a weekly basis. In 2021, a new EU Integration Coordinator was appointed. Also in 2021, the State Agency for Strategic Programming and Assistance Coordination (SASPAC), a new donor coordination agency, was established. However, the EU 2022 report concludes that preparations for accession negotiations require improved communication, coordination and expertise within the administration. Specifically, there is a need for strong cooperation and expertise among the national bodies responsible for European integration.

Another key priority for the government was to mitigate the economic and social consequences of the triple shock of the 2019 earthquake, the pandemic and Russia's invasion of Ukraine. The country managed a surprisingly better-than-expected economic recovery of 8% of GDP in 2021 and around 6% in 2022. Rising inflation prompted the central bank to revise its policy, and the government allocated about 2% of GDP to supporting vulnerable groups and stabilizing electricity prices. The Albanian economy thus recovered most of its pandemic-era losses during the 2021/2022 period.

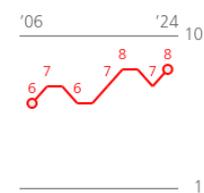
Like other defective democracies, there is a significant disparity in Albania between its ability to establish strategic priorities consistent with general Western standards and rules (particularly EU conditions) and its weak and selective implementation of those rules in practice. This indicates a pattern of rapid and conformist formal changes that merely pay homage to established EU standards.

During the review period, the government demonstrated a determination to go a step further in actually implementing reforms by addressing key implementation challenges, including the lack of institutional and administrative capacity. The government has achieved notable success in restructuring the institutions responsible for the EU integration process and in mitigating the economic consequences of the 2019 COVID-19 pandemic and the recent surge in inflation, with the economy recovering almost all the ground lost during the pandemic.

Question
Score

Prioritization

8



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Implementation

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However, fostering Albania's institutional and administrative capacity requires more than mere institutional changes and increased funding. Specifically, it necessitates eradicating the deep-rooted patronage system that has permeated institution-building reforms since the start of the post-communist transition. In the EU's annual assessment in 2022, the nation was urged to enforce merit-based recruitment diligently, particularly for senior positions.

Albanian political actors have generally demonstrated flexibility in shaping and adapting policy programs to the specific circumstances of different stages of transition. However, policy learning is often confined to replicating institutional models promoted by international donors – especially the EU, which remains the largest donor in the country. Albanian political actors have been particularly weak at formulating their own policy ideas and suggestions tailored to the country's specific circumstances.

Moreover, the 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 the 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 characterize modern professional bureaucracies.

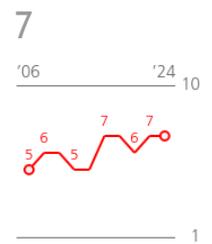
During the period under review, ongoing reforms in the public administration have improved the perception of politicization and inefficiency within the administrative structure. The relatively low average age of key cabinet members, many of whom have engaged in influential NGO activity and advocacy work, has influenced the development of a more adaptable governance model that is open to learning. The use of fledgling public-private partnerships, for instance, is an innovative approach to expanding public services while minimizing budgetary constraints. Furthermore, initiatives like the expansion of renewable energy sources (including solar energy) demonstrate a commitment to policy learning and innovation.

15 | Resource Efficiency

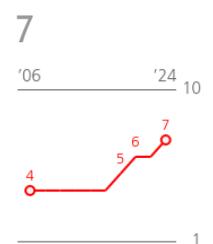
The government efficiently utilizes some of the available human, financial and organizational resources. Continuous institutional restructuring is often targeted toward achieving a more efficient utilization of assets; however, inefficiencies have persisted.

The civil service legislation includes strict provisions for merit-based recruitment. Various aspects of the human resource management system have been continuously revised and improved with the assistance of the donor community, particularly the European Union, which has allocated substantial resources to the issue. Some of these efforts have seen success. In 2021, the number of civil servants dismissed decreased

Policy learning



Efficient use of assets



by nearly 50% compared to previous years, as did the backlog of court decisions concerning unlawful dismissal of civil servants that had yet to be implemented. A centralized system has been established that includes data on human resource management sources, as well as a coordination mechanism for monitoring human resource management at the central and local levels.

In 2021 and 2022, the government prioritized the enhancement of administrative services so as to improve accessibility and reduce corruption. In pursuit of this goal, the government expanded the number of one-stop shops and e-services, aiming to facilitate the delivery of national administrative services at the local level. Additionally, the government has taken steps to enhance efficiency by establishing various agencies subordinate to ministries. However, EU reports indicate that these agencies have not been consistently created with a comprehensive steering framework, attention to oversight or clear accountability lines.

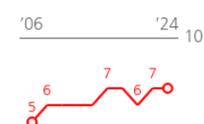
The government has also successfully focused on making a rather efficient use of financial sources. The current account deficit was brought down to the pre-pandemic average of 7.7% of GDP in 2021 and was further reduced to 7% in 2022. Similarly, the public deficit was reduced from its peak of 6.8% of GDP in 2020 to 4.6% in 2021. The public debt has also decreased from its peak of 74.5% of GDP in 2020 to 73.1% in 2021, compared to 65.8% in 2019.

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

However, the centralization of governing functions around a strong prime minister does not always ensure consistent or coordinated policymaking. The third Rama government seemingly moved to develop mechanisms of policy coordination by developing e-services and a centralized human resource management system and pursuing a public administration reform. However, the EU annual report in 2022 noted that preparations for accession negotiations require better coordination among bodies in charge of EU integration and the public administration in general. The report also said that various agencies around the prime minister's office suffer from insufficient oversight and a lack of clear reporting lines, raising questions regarding the effective coordination and service delivery capabilities of such a centralized system.

Policy coordination

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Corruption has been a hallmark of Albania's transition and a field of consistent policy change and revision, mostly supported by Western donors. Some of those changes have been assessed positively in international indices, while the perception of and the actual prosecution of corruption show that the phenomenon remains widespread.

During the review period, key elements of the anti-corruption policy were revised, partly in the context of the European Union's push to address the issue as part of the accession negotiations. A new General Anti-Corruption Directorate has been created within the Ministry of Justice. A network of anti-corruption coordinators has grown to include 78 coordinators across various institutions at the national and regional levels. The declaration of assets and private interests is now part of a fully operational electronic system. The establishment of e-procurement, e-appeals and e-complaints systems has further helped to increase the effectiveness and transparency of public procurement.

Despite the improvement of the policy framework, the country still lacks a unified law on political party and campaign financing, which should be reformed to include online and third-party campaigning as well. In general, the European Union notes that the implementation of the current anti-corruption strategy requires improved local ownership, strengthened institutional capacity and increased funding for planned activities.

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. However, the legacies of the past – a one-man style of political leadership, hierarchical political organizations, a weak civil society, the lack of a democratic political culture, and a dominant system of patronage and corruption – have undermined the country's progress toward achieving functioning democratic institutions. The period under review represents a good start toward tackling some of those long-term challenges, 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 ultimate goal of the market economy, despite the challenges in establishing and maintaining a functional market economy. This process is still ongoing, and progress is being made. The period under review also witnessed significant reforms aimed at bolstering the rule of law, protecting property rights, and enhancing state institutions and authority in a broad sense. These reforms are expected to have long-term positive effects.

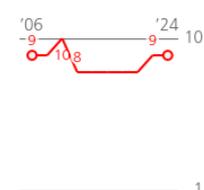
Anti-corruption policy

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Consensus on goals

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Given the country's general consensus on democracy, Albania does not have openly anti-democratic actors. At least rhetorically, all the social, political and governing actors rally around the same goals – namely, the advancement of democratization and a market economy, as well as the goal of European integration.

Nevertheless, the uncertain and, at times, unruly transition has created influential political and institutional pockets of resistance that vocally endorse democratization while effectively hindering essential reforms. For instance, every major political player rhetorically backs the need for judicial reform as a means of restoring balance to the system of checks and balances and addressing the pervasive rule of law issue. However, political actors who have historically wielded control over the judiciary have consistently impeded, postponed, reinterpreted and even distorted each and every step of real reform. These formidable pockets of resistance are aware that they risk losing their informal political and economic influence as a result of the reform process.

The political scene is deeply divided into two rigid camps – the DP (Democrats) and the SP (Socialists). To some extent, these political units have been effective managers and beneficiaries of political and local divisions and cleavages. Political parties have strategically fueled existing ideological divisions as a means of distinguishing and strengthening their support bases. The DP leaders, mostly from the north, tend to monopolize anti-communist credentials, which find broad appeal in the northern regions, many of which suffered particular repression by the communist regime. The socialists, primarily led by individuals from the south, have historically maintained a strong foothold in the southern regions, which also served as the former communist organization's primary power base. These ideological and regional divisions have become further entrenched within the framework of the winner-take-all style of governance and patronage-based relationships that characterize the political system.

However, they have become less relevant as a means of understanding the country's political system and have indeed lost some appeal as citizens have learned and experienced democracy. The voting patterns in both the 2017 and 2021 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 and tend to vote more pragmatically. However, these divisions have tended to reemerge in the political discourse, especially in the opposition's allegations of government discrimination against the northern regions traditionally associated with the DP and anti-communism.

Anti-democratic actors

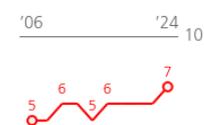
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Cleavage / conflict management

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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 into political decision-making processes. The opening of accession negotiations has created new opportunities for civil society to engage in the policymaking process. Citizens show increasing levels of voluntary work and participation.

Still, organized civil society suffers from the typical symptoms of a donor-oriented sector – a dependence on international funds, weak institutional capacities, long-running connections with politics and a certain detachment from the sectors of society they tend to represent. 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.

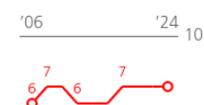
The legislation on transitional justice adopted after the fall of communism was often misused as a political instrument to attack opponents without bringing about real transparency or purging the system of perpetrators of communist crimes. Moreover, the information contained in secret security files has emerged as a significant source of political accusations and defamation, making it impossible to objectively validate since the secret service files were inaccessible to the public.

The legislation adopted in 2015, which emulates the German model, seeks to bring greater transparency to the security files and individuals' responsibility in collaborating with the system. The process has been accompanied by the creation of three major museums that portray the functioning of the communist dictatorship. In doing so, these museums have spotlighted both the severe oppression relied upon by the communist regime and the crimes it committed.

In November 2022, the parliament adopted significant amendments to the 2015 law that enable the vetting of all candidates for local and national elections, including those previously verified by commissions. For the first time since the collapse of communism, the new amendments also allow for the declassification of all security files, making them accessible to the public, albeit with certain conditions and constraints. The fact that the amendments were adopted by the governing party, the SP, as well as a major faction of the DP, is progress in itself, as it aligns two major parties in their commitment to transparency regarding past crimes.

Public consultation

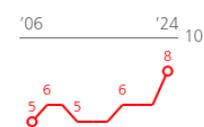
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Reconciliation

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17 | International Cooperation

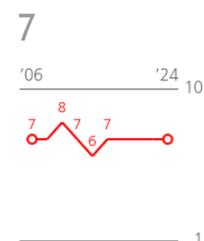
Since the country's transition began, Albanians have adopted an outward-oriented policy vision motivated by the need for economic and technical assistance, as well as a broad consensus on the goal of integration into the European Union (EU) and other European structures. Being in a critical geographic position on the border of Europe, the country has also managed to attract substantial foreign assistance, with the European Union as its largest single bilateral donor. International assistance reached its peak after the state's collapse in 1997, when the country became heavily dependent on international aid to survive. Aid continued to flow following the extension of the EU enlargement framework to all Balkan countries and the implementation of related assistance mechanisms.

In the last two years, the governing majority has pursued a similar foreign-oriented and EU-focused strategy of development. It has effectively utilized different forms of foreign support – technical assistance, funding and consultation – from various structures, including the European Union, the Council of Europe, OSCE, USAID, the United States and a myriad of other bilateral actors. These forms of support have been instrumental in advancing crucial reforms, particularly in the area of judicial reform.

Currently, EU funding is channeled through the EU Instrument for Pre-Accession Assistance (2021 – 2027). The first package of €64.9 million was adopted at the end of 2021 and focuses on the areas of nature protection, green growth, the rule of law and innovation. The country also benefits from the EU's multi-country and regional programs.

However, a substantial gap persists between the frequent internationally promoted institutional reforms and the meager de facto progress. For example, EU and Western assistance for judicial reform has been ongoing since 1992, with judicial reform being the subject of an EU special mission spending lavish sums on judiciary reform since at least 2005. As such, the European Union and other Western actors have taken a prominent role in proposing, supervising, training and in general assisting many of the institutional changes that contributed to building up the country's infamously corrupt and captured judicial system, which in turn led to another internationally led major reform starting in 2016. Albania, thus, serves as a textbook case on why ample international assistance, myriads of technical projects, numerous international experts and persistent institutional changes have delivered the desired results.

Effective use of support



The Albanian government increasingly acts as a credible and reliable international partner. It frequently demonstrates the willingness and capacity to comply with its international commitments and contribute to various international structures.

The country is often praised for fully aligning its foreign policy with EU positions in the framework of its aspirations to full membership. The 2022 EU reports note that Albania is fully aligned with EU foreign and security policy, signaling a strong commitment to its EU path. Albania notably supported EU resolutions condemning Russia's invasion of Ukraine in the U.N. General Assembly and calling for the suspension of Russia from the U.N. Human Rights Council.

After chairing the Organization for Security and Co-operation in Europe (OSCE) in 2020, Albania became a nonpermanent member of the United Nations Security Council for the 2022/2023 term. Its priorities at the Council align with those of the European Union (EU), focusing on gender equality, countering violent extremism, climate and security. In December 2022, the country successfully hosted an EU summit in Tirana, bringing together all EU prime ministers. Albania has signed major international treaties and agreements, including the Paris Climate Accords, the Istanbul Convention, and the majority of International Labor Organization (ILO) conventions.

Regional cooperation is an essential element of Albania's European integration process and is thus part of many associated initiatives. The country actively engages in those initiatives, including the Central European Free Trade Agreement (CEFTA) and the Regional Cooperation Council. It has also taken leadership roles in initiatives. In June 2022, Albania hosted the Ministerial Meeting of the Western Balkans Platforms on Culture and Research and Innovation. Its active engagement in the field of youth, education and culture continued in the context of Tirana's activities as the European Youth Capital for 2022.

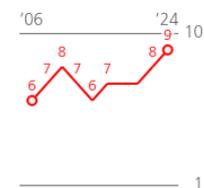
In July 2022, Albania reached a pivotal point in the process of integration by holding its first intergovernmental conference on accession negotiations. The Commission launched the screening process on the same day.

An EU-Western Balkans summit held in Brdo in October 2021 announced several programs benefiting the region, including an innovation agenda, green lanes to facilitate border crossing, and action plans for smart transport and sustainable connectivity. Additionally, Albania, North Macedonia and Serbia have initiated the Open Balkan Initiative (OBI), a cooperation scheme that shares elements of the common regional market.

Albania maintains very good relations with neighboring countries, including Kosovo, Serbia, Montenegro, North Macedonia, Turkey, Greece and Italy.

Credibility

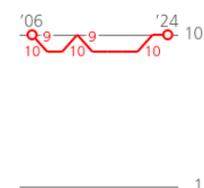
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Regional cooperation

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Strategic Outlook

All social, political and governmental actors in Albania face a major challenge hindering substantial progress in almost all areas of reform: the duality between rapid and frequent institutional changes, often supported by the international community, on the one hand, and slow, uncertain and sometimes ultimately reversed implementation on the other. This requires government determination to pursue reforms, an active parliamentary opposition, and an engaged and independent civil society capable of examining different options, monitoring political actors and proposing policy alternatives. Consolidating the ongoing institutional changes will require the development of bureaucratic expertise by selecting and promoting state officials based on objective policy expertise, professional experience and professional standards rather than political loyalties. Only in this way can the country break the deep-rooted system of political patronage, abuse of public office, and weak and controlled institutions that hinder the full implementation of formal institutional changes in various areas of reform.

These challenges extend to the economy and good governance. The government needs to develop appropriate policies and take steps to attract expertise. General reforms – particularly to address land disputes, corruption, and judicial and administrative capacity – will also be important as a means of stimulating the economy, attracting foreign and domestic investors, and sustaining long-term economic growth. Diversifying energy sources and focusing on renewable energy could be a good way for the country to invest in the future.

The challenge of moving beyond the facade of formal institutional change will also require a general shift in the international community's approach to promoting and evaluating domestic reforms. International actors have long focused on promoting rapid institutional change while ignoring the patronage system that makes new institutions instruments of politics, and periods of change are often treated as a window of opportunity to capture the new institutions. Internationally supported reforms have often actually helped to mask and even reinforce the informal political patronage system that underpins state institutions. The challenge of translating institutional change into sustainable and enduring reform therefore requires a commitment to enforcing reform among local actors – including the government, political parties, civil society and the administration. However, bureaucratic expertise is even more important. It will also require a strategy of withdrawal by international actors such as the OSCE permanent mission, which has been in the country since 1997. While the mission was necessary to coordinate some important reforms during the state crisis, it is unclear why a permanent mission is still needed and what it can do that other actors cannot.

Importantly, looking forward, Albania should focus all its political, economic and bureaucratic resources on advancing on the ladder of accession negotiations. This is especially true since the process of EU negotiations has become increasingly difficult and subject to intense scrutiny from various actors, including a cautious citizenry.