

**EUROPEAN INTEGRATION OF ALBANIA  
STANDARDS AND REFORMS**

**By**

Vladimir LAME

**THESIS**

Submitted to  
KDI School of Public Policy and Management  
in partial fulfillment of the requirements for the degree of

**MASTER OF PUBLIC POLICY**

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# **ABSTRACT**

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My thesis aims at exploring the facts of the process of European integration of Albania, included the political & economic reforms. On that basis, the thesis concludes the right approach to the case of Albania and the other candidate countries from Balkan Peninsula. In my thesis, I try to evaluate the process of negotiations the standards that my county has to complete to become member of this international organization.

The implementation of the reforms on public sector, on the division of responsibilities between central and local authorities, as well as policies for employment and economic growth, active policies of the labor market are necessary for the development of Albania.

I want to stress the importance of commitment and cooperation in justice and home affairs. This means Europe-wide cooperation in police and judicial matters, on border controls and migration. Cooperation in the fight against organized crime, trafficking in drugs and human beings and money laundering is now a top priority for the

European Union.

In Albania these are still acute problems. Albanian people must know the costs of the reforms in the way of the integration in European Union.

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**Dedicated to Claire Jung**

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Their kind of assistance has helped in gaining experience in paper-writing, bringing up hypothesis and testing one's own ideas on the basis of empirical data, which is necessary for making a thesis.

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## **I. INTRODUCTION**

After discussions, lasting almost a year European Union has officially opened negotiations on a Stabilization and Association Agreement between the European Union and Albania. The Stabilization and Association Agreement is the first step down the road to Albania becoming a full member of the European Union.

Under the terms of this Agreement, the parties undertake to put a series of principles into practice. These range from respect for human rights to the establishment of a democratic system based on the rule of law and its observance, from the completion of a market economy to the fight against organized crime and unlawful trafficking. From the outset, the objective of European integration has always been to encourage the institutions and policies of the participating states to embrace shared values of freedom, security, justice and democracy.

Albania has faced a difficult transition. Just twelve years ago, it was the most isolated country in Europe. Early efforts to introduce democracy and to build a market economy were severely damaged by the lawlessness and economic collapse, which followed the failure of the pyramid schemes in 1997. <sup>1</sup>

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<sup>1</sup> **B. Kajsiu, A. Bumci, A. Rakipi** - *Albania - A Weak Democracy A Weak State* AIIS: Tirana, 2002

Our history of this century, corresponding with our own state history, seems not to be the support factor for the creation of institutions in the country. This maybe was the first disadvantage in our path toward the market economy, compared with other former communist countries in Eastern and Central Europe.

We can say that the country's governmental structure (including the political opposition), which was the first one to face the usury crisis as an introduction of political questions of popular revolt in February-March 1997, was unable to reflect immediately popular requests. <sup>1</sup>

Albania is a country that has experienced many setbacks in its pursuit of democratization and reform. It has experienced the collapse of several of its governments, as well as the collapse of its economy. The several governments that have been in power have been able to enact important reforms (with varying degrees of success) such as privatization and laws designed to promote democratic infrastructure. Despite these reforms, Albania is still a very unstable democracy. The common theme throughout Albania's transition in 1991 to now is the instability caused by the actions of the political parties who have been struggling for power.

**Albania faces huge problems in areas such as organised crime and the economy.**

In these first years of transition, therefore, was observed an institutional and

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<sup>1</sup> **Boulat, Alexandra.** "Albanians: A People Undone". National Geographic Magazine. February 2000

organizational vacuum as well as a weak scale of government intervention.

During the transition period the wider public was not educated in the costs and expectations of reform. Consequences: The program gradually lost the citizens faith and structures were not consolidated. The programs failed and were abandoned in the search for new rules of this game.<sup>1</sup>

Besides investments in the country's small business sector, a good part of monetary savings was directed at the offices of the so-called "charity foundations" of pure and partial pyramid schemes. This concentration was conditioned on low faith in the state banking system, the relative impossibility of investing in the country's business and economy, the low level of public education and inadequate transparency of the private sector development of economy, the wide dimensions of informal economy, etc.

*In Albania, there was no "creative destruction" of previous economic structures. As a result, this brought in institutional vacuum and in alarming dimensions of informal economy. All the things that we mentioned until now brought on the universal crisis that we are passing.*<sup>2</sup>

This crisis is developing, but most of the people think that the most dangerous period

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<sup>1</sup> **Agh, A.** (1998) *Emerging Democracies in East Central Europe and the Balkans*, Northampton, MA: Edward Edgar.

<sup>2</sup> **Dessù, M.** (2001) *"Europe and the Balkans, A Year After Milosevic"* Europe South East Monitor, CEPS,

for the Albanian state and society has already passed.

Despite the extraordinary situation, our country is facing, and the everyday destruction of public finances, it is thought that the inclusion of state banks in the privatization process and the building of private or partially private and partially national banks must be a priority of the governmental programs. <sup>1</sup>As in other countries in transition, overcoming the crisis in Albania means the establishment of a new contract between authorities and citizens as well as the creation of development scenarios that make possible economic growth, the reduction of unemployment and inflation, improvement of the foreign trade balance, reform of the fiscal system etc. The above-mentioned problems are the general macro-economic framework within which the country must be rebuilt after the crisis. <sup>2</sup>At the same time, structural reform occupies a special place in bringing the country on the road to the market economy. In 1999, it bore a huge burden during the Kosovo crisis; at the height of the crisis, Albania was host to over 460,000 refugees. Albania has made progress since 1999.

Economic decline has been considerable since that year (average 6.0-6.5%). Progress has been made in securing government revenue through reform of the customs and tax services. Albania's trade regime has been modernized and liberalized, and Albania

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<sup>1</sup> *Albania - Stabilization and Association Report*, (Brussels: European Commission, 2002-2003)

<sup>2</sup> **Feige, E. L. Ott, K.** (1999), *Underground Economies in Transition: Unrecorded Activity, Tax Evasion, Corruption and Organized Crime*,

became a WTO member in September 2000. Privatization of small and medium enterprises has been as completed and, with some delay, privatization of larger companies is also progressing.<sup>1</sup>

Corruption appears in all economic sectors in different forms. Its worthwhile pointing out the corruption in the privatization of state property or "*illegal privatization*", as it is known in economic literature, corruption in state organizations of customs duties and corruption in courts are some of the most prevalent forms<sup>2</sup>.

## **II. THE STANDARDS OF THE INTEGRATION PROCESS**

Relations with Albania, as for the other countries of the Western Balkans, are anchored in the EU's Stabilization and Association process (SAP).<sup>3</sup>The SAP is a framework in which various instruments. - An assistance program (CARDS), technical advice, trade preferences, co-operation in fields such as justice and home affairs, and political dialogue - help the countries to undergo a political and economic transition which prepares them for a new form of contractual relationship.

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<sup>1</sup> **Vickers, Miranda, James Pettifer.** *Albania: From Anarchy to a Balkan Identity*

<sup>2</sup> **M. Muço,** "*Corruption and Public Governance in Transition Countries in South-East Europe: the case of Albania*" *Ibid.* 1999.

<sup>3</sup> (SAP)- *Stabilization and Association process*

This process focus on respect for democratic principles and strengthening links of the countries of the region with the EC single market. They foresee the establishment of a free trade area with the EC and set out rights and obligations in areas such as competition and state aid rules, intellectual property and establishment, which will allow the economies of the region to begin to integrate with that of the EU.

- Main objectives of European Union assistance<sup>1</sup>

The overall objective of the assistance is to support the participation of Albania in the Stabilization and Association Process (SAP), notably:

- To bring Albania closer to EU standards and principles, and to prepare the country for gradual integration into EU structures in the framework of the Stabilization and Association Process.
- To help the Albanian authorities in consolidating democracy and implementing the rule of law.
- To assist the government of Albania in its efforts to achieve a comprehensive administrative and institutional reform.
- To facilitate the process of economic and social transformation towards an

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<sup>1</sup> *Albania - Stabilization and Association Report*, (Brussels: European Commission, 002).; Evaluation of EC Country Strategy in Albania 1996-2001 (Brussels: Europe Aid, 2001).

efficient market economy.

From 1991-2004 the EU has allocated 1273.1 million € in total to Albania, of which the main allocations have been done under PHARE and from 2001 onwards under CARDS program.

The EU is currently involved in strengthening of public administration and judiciary.

A joint program with the Council of Europe has supported the reform of the Albanian judicial system.

Legal and regulatory frameworks have been put in place, assistance has been provided to the Ministry of Justice and other judiciary institutions and training programs have been organized in the School of Magistrates.

- Improving court facilities and providing support for the rehabilitation of the prison system, in order to improve its quality and standards of incarceration.
- Enhancing the professionalism of the civil service with the aim of establishing an efficient self-sustaining public administration in line with EU standards.<sup>1</sup>

### ***Police and public order***

- Providing strategic advice, training and equipment to the Albanian police through successive EC-led police missions. An effective Albanian police force has an essential

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<sup>1</sup> **Hermine De Soto et al.**, *Poverty in Albania*, The World Bank, 2002), 54

role to play in enforcing the rule of law, providing internal security and combating crime.

### ***Customs***

Working with the Albanian Customs service to secure revenue collection and to improve customs management and procedures.

A Customs Assistance Mission in Albania (CAM-A) has been deployed and is achieving valuable results in terms of revenue collection, prevention of smuggling and corruption and reinforcement of the service.

### ***Statistics***

- Providing assistance to INSTAT the national statistical institution, to organize a population census in the year 2001. Due to major changes since the last census in 1989, the government lacks a clear picture of the current geographical distribution of the population and its composition.

### ***Development of infrastructures***

- Improving energy, transport and water networks are crucial to economic growth in Albania. Public services and infrastructure are generally scarce and of low quality. Improving access to many villages and remote urban districts is critical to improve standards of living and also to increase the potential of the communication network inside Albania, but also in the region and with the EU. The EU is financing



supervision of works on some sections of Pan-European Corridor VIII and North-South national axis, and rehabilitation works in the main ports. Certain infrastructure programs under the EU PHARE programs are still running.<sup>1</sup>

### ***Local community development***

- Through its local community development program, the EU provides funding for hundreds of projects at local community level in Albania. Projects aim to build or repair public infrastructures to be further operated by the beneficiary local governments. The main objective is to improve access to remote areas, improve public services such as water, primary education and health, and to achieve higher standards of living by improving the urban environment. The projects include training in regional planning for local government staff.

### ***Agriculture***

- The agriculture sector has undergone a radical reform process in the past years, focused on land distribution and market liberalization. Progress has been achieved in this sector, but major challenges remain like the enforcement of the new legal framework and the development of marketing services in order to promote exports and fully use opportunities provided by the new EU trade preferences. The EU provides support for land mapping, veterinary control, and policy advice.<sup>1</sup>

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<sup>1</sup> **Vickers 230** - *Common Country Assessment – Albania*. Albanian Center for Economic Research.

<sup>1</sup> The Sub regional Contribution in *Sub regional Cooperation in the New Europe*: Cottey (ed), London: Macmillan Press,

### ***Cross-border co-operation***

- The EU cross-border co-operation program offers a further opportunity to open up the country and develop closer links with its immediate European Union neighbors, Greece and Italy. The Albanian-Greek border region is isolated, rural and mountainous. The main economic activity is agriculture and the region suffers from labor market problems and unemployment, and consequently a high level of emigration to Greece. <sup>2</sup>

The Cross-border co-operation program provides support to overcome the socio-economic gap between the bordering Albanian and Greek regions. The Albanian-Italian Cross-border co-operation focuses on the regions of Albania, which have a common maritime border with Italy, in order to improve and expand, transport infrastructure.

In the field of environment, the assistance aims at strengthening the Albanians environmental institutions and enforcing environmental law. Funds have also been allocated for rehabilitation of environmental hotspots.

At university level, Albania takes an active part in the EU inter-university exchange program TEMPUS. Albanian universities are collaborating with their EU counterparts in joint projects and individual mobility grants for students and professors are being

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pp. 8-20. Aldershot, Ashgate.

<sup>2</sup> Veremis, T. & Daianu, D. (eds) (2001) *Balkan Reconstruction*. London: Frank Cass

provided. Albania also aims at supporting the development of vocational education in the country.

The economic integration of Albania in EU is crucial for these reasons: from geographic viewpoint, Albania is in Europe. Since 1995 and it is a member of the European Council and it has looked for financial aid and credit from EU and more FDI (Foreign Direct Investments), etc. The macroeconomics situation since 1989 is as follows: GDP declined in drastic rates during 1990-1992, especially in industry. The share of industrial product toward GDP has declined from 39 per cent in 1989 to 11 percent in 1996.

Inflation has declined drastically in 1991-1992; in 1993 it was stable; in 1995 it was only 6 per cent, while in 1996, it increased to 20 per cent. The trend for the future is negative. The budget deficit continues to grow not only in real terms but also as the share of GDP. The fall of industrial, product and fiscal evasion are two main factors that are influencing the deterioration of items of the state budget. <sup>1</sup>The registered and hidden unemployment are serious problems in Albania. During 1990-1996, the gap between export and import has been expanding. A new debt is evident. It is meant to do a lot in the future for the attraction of FDI. The informal financial sector, in the

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<sup>1</sup> **B. Kajsiu, A. Bumci, A. Rakipi** - *Albania - A Weak Democracy A Weak State* AIIS: Tirana, 2002

form of "usuries", caused great negative consequences in Albania.<sup>2</sup>

The institutional structure has changed radically since five years ago. But one should be aware that the up to now steps are insufficient, because the institutional framework is not completed, yet.

The necessity of the institutional capacity building as an industrial strategy for the further development of the Albanian economy is related to the fact that first of all, a crisis in economy is a crisis in industry. The custom policy and other economic and financial policies must be in accordance with the industrial strategy.

### **III. E.U & REGIONAL INTEGRATION**

EU is now more constructively involved with the region. The Stabilization and Association Process, as a bilateral instrument of integration that covers the countries in the Western Balkan region, and the Stability Pact, as a regional multilateral tool for South East Europe, are directed towards two sets of countries that belong to the same region.

Regional cooperation is primarily approached in the context of European integration rather than having a value of its own. The EU approach to regionalization in this part of Europe has been seen as controversial. European integration and regional cooperation are two processes, which are not well connected in the minds of the

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<sup>2</sup> Feige, E. L. Ott, K. (1999), *Underground Economies in Transition: Unrecorded Activity, Tax Evasion, Corruption and Organized Crime*,

elites.<sup>1</sup>

In sum, instead of a centripetal dynamic, a centrifugal one dominates and a pull-out effect that impedes regional cooperation; non-South East European regional initiatives seem more attractive to the local elites, who see Balkan regional cooperation as a threat to the goal of European integration.

The European Communities/Union stands out as the most successful empirical case of regional integration, which led to the establishment of a sustainable security regime in Western Europe through the means of economic and to a degree political integration.

Its experience illustrates how regional cooperation based, initially, on economic forces, material interests and concrete aims can help overcome not only economic but most important political and security divisions. EU is not projecting its own model of institutionalized integration to be emulated as such in the Balkan region. It is, however, providing an example of how interdependence and economic cooperation based on common interests such as the regional development of trade, investment, environment and common infrastructure. These factors can act as catalysts for the development of a more prosperous and secure region. The sense of isolation Albania feels is first determined by the geography of this part of South East Europe where massive mountain range makes a physical barrier to communication with the rest of

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<sup>1</sup> Gerassimos Karabelias - *EUROPEAN INTEGRATION AND SOUTHEASTERN EUROPE OBSERVATIONS AND SUGGESTIONS*,

the region. Road infrastructure is poorly developed, which has also undercut more intense commercial traffic with the rest of the region. Albania has a weak sense of belonging to the region.

Elites in Albania feel closest to FYR Macedonia than to any other of the countries in the Balkans although they realize that the latter is negatively predisposed towards both Kosovo and Albania.<sup>1</sup>

Yet, Albania's grave internal problems of poverty and a lack of functioning state represent an agenda in which regional cooperation is seen as only marginal. This corresponds with a view that lack of security, resources and capacity to provide it by the regional structures, as well as peoples' mistrust, are the main obstacles to cooperation.

The political elites are perceived as self-serving, and the quality of the political class is viewed as poor. The civil service is seen as composed by low skilled and low paid individuals that lack the ability to identify regional projects. There is, therefore, little trust in the indigenous effort at cooperation and external pressure is deemed essential.

It has been pointed out that the international community has been influencing the agenda of regional cooperation. This is to a large degree accepted given that the elites are well aware of the poor state of the economy and low level of internal institutional

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<sup>1</sup> **Glenny, M.** (2000) *The Balkans: Nationalism, War and the Great Powers 1809-1999*, London: Penguin.

support.

Cooperation in the economic field has been recently stepped up with Croatia, Slovenia and Montenegro but overall this aspect is not considered as very important.

Albania is interested in infrastructure projects, which would improve the country with land connections with the rest of Europe. Infrastructure projects have become a focus for regional cooperation as well as anti-crime schemes in the context of the Adriatic-Ionian Initiative.

The increasing volume of regional contacts indicates the country's desire to link with the regional and the European context. On the whole, however, the country is more interested in pursuing its association with the EU and its bilateral relations with countries like Italy, US, Germany and Greece, although they tend to keep their reservations regarding the latter's intentions. There is limited knowledge of regional initiatives in Albania.

The Stability Pact is seen primarily in the context of European integration, which takes a central place in Albanian foreign policy orientation. The EU is seen as the most important external influence, which will help the country's development through technical and financial support. Orientation towards the EU and improved regional cooperation are both deployed primarily as a framework within which the support for the domestic program of reforms is sought both from the local electorate as well as

from the international community. <sup>1</sup>

In reality, Albania lacks functioning institutions necessary to implement the obligations coming out of any agreement reached as part of these processes.

There is a common perception among Western academics, analysts, journalists and policy-makers that the Balkans constitutes a region with its own historical, cultural, security, and political and socio-economic regional identity.

Yet it is a regional identity which is mostly defined in negative terms based on economic backwardness, political incompetence and lack of security, to the point that the notion of 'Balkanization' entered the political parlance to denote conflict-prone and uncivilized way of conducting any kind of affairs (from the personal to the state, regional or international).

The region, therefore, consists of countries with less developed economic, social and political structures, which have been involved, directly or indirectly, in the recent wars. Based on the combination of those two criteria, FR Yugoslavia, BiH, FYR Macedonia, Croatia and Albania constitute the core of the Balkan region. Hence, despite the recent adoption of the more acceptable term of 'South East Europe', to replace the charged term 'Balkans', the negative connotations associated with the notion of the region of SE Europe remain central in the perceptions of the extra-

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<sup>1</sup> Gligorov, V. (1999) "The State of the Balkans" in *Reconstruction and Integration in Southeast Europe: Economic Aspects*, Vienna: The Vienna Institute of International Economics, Vienna (WIIW).



regional actors.<sup>1</sup>

The notion of regional cooperation in SE Europe is equally problematic as the notion of the region itself. Despite the plethora of ideas, international policies and pressures, as well as regional initiatives, regional cooperation has never managed to take off. Although, from a regionalist theory perspective, there seem to be many elements in favor of a policy of regional cooperation in SE Europe is mostly defined by the obstacles to the process rather than its actual potential and benefits. More than elsewhere in Europe, the factors conducive to cooperation tend to become obstacles; when compared with the other sub-regional groupings in Central Europe and the Baltic area, South East Europe clearly lacks in both regional focus and cooperation results. However, why has not cooperation in Southeastern Europe succeeded in the new regionalist environment of Europe?

According to the existing literature, this is due to the lack of the appropriate extra regional and intra-regional environment conducive to cooperation. The first, guided by the EU, has only recently managed to come up with a more consistent regional policy, based on the Stabilization and Association process.<sup>1</sup>

Moreover, internal features such as major flaws at the macro- as well as the micro-

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<sup>1</sup> **Linz, J. & Stepan, A.** (1996) *Problems of Democratic Transition and Consolidation; Southern Europe, South America and Post-Communist Europe*, Baltimore: The Johns Hopkins University Press.

<sup>1</sup> **Kaldor, M. & Vejvoda, I.** (eds) (1999) *Democratization in Central and Eastern Europe*

economic levels, an extensive informal sector, lack of reliable legal systems or weak civil societies have been identified as the main shortcomings at a regional level. Such structural defects, similar to all the countries in the region, have an immediate toll on the quality and intensity of cooperation. But even more problematic has been a lack of intra-regional consensus on the importance of regional cooperation for the prospects of individual countries as well as the region as a whole. My research findings suggest that local elites do not regard regional cooperation as an important policy tool in its own right, and that support for regional initiatives is often just a token gesture without clear understanding of their purpose. The reasons for this are manifold and can be summarized as follows:

-There is no shared notion of the region but different conceptions, different influences and different criteria among countries and sectors of the elites. All this limits the ability to create a regional identity as a mental area of common perceptions regarding the regional, extra-regional and international realities.

~ -Most countries in the region have a negative predisposition towards their neighboring countries and feel that they have very little to gain from cooperating with their neighbor. This negative perception has been reinforced by the ambiguous status the region has had in the re-configuration of the European political space following the end of the Cold War. Although the elites are aware of the existence of common and

regional problems and are most keen on promoting the economic aspects of regional cooperation, they lack the capacity to identify their own country priorities and to formulate how they can be best achieved through specific regional projects.<sup>1</sup>

Lack of political vision and concern for its own self-preservation on the part of the political leadership in most of the countries is perceived to be counterproductive to furthering constructive relations with neighbors.

The elites' knowledge of regional initiatives is scant. They are by and large disillusioned with the existing regional initiatives and see them as something imposed on them and only marginally relevant to the problems of their own countries.

Local elites view regional cooperation for the most part as competitive to the goal of European integration - recognized as the only process that can lead the countries to peace, stability and prosperity – and the ultimate target of EU membership. At the same time, they are not well acquainted with the specificities of the process and even less so how in concrete terms regional cooperation can contribute to it. <sup>1</sup>

The current context – extra-regional and internal- seems more conducive to regional cooperation, than previously, in that it has diminished the degree of negative predisposition towards regional interaction. The key issue in policy terms is how to strengthen the emerging positive change in the local perceptions towards cooperation

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<sup>1</sup> See: D. Daianu, "Inter-European Trade-Offs and Dilemmas,. Regional and European Perspectives

<sup>1</sup> **Todorova, M.** (1997) *Imagining the Balkans*. New York & Oxford: Oxford University

and how to build on it.

It is clearly acknowledged by all the actors involved that building networks of interdependence in that part of Europe will take time and that it is a step-by step approach. <sup>2</sup>This approach has to include clear goals, road maps and benefits that will generate a genuine interest in local players to pursue regional schemes with neighboring countries. Most important, it has to be linked constructively to the process of European integration in order to create a more positive perception of the Balkan region and, effectively, of South East European regional cooperation.

### **III. THE SPEED OF THE REFORMS**

The EU has expressed always its growing concern at the "slow pace of reform in Albania" and warned "this slow pace of reforms puts the negotiations at risk." It is certain that without full attention on reforms, it will not be possible to successfully address the important challenges ahead. Strengthening institutions and improving governance have been the focus of all assistance programs of international donors, especially after the state crisis of 1997- 1998. <sup>1</sup>Programs on legal reform, anti-corruption initiatives, support to the judiciary, the training and strengthening of police forces, as well as reform of the civil administration have been among the priorities of

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<sup>2</sup> Albania - Stabilization and Association Report, (Brussels: European Commission, 2002).; Evaluation of EC Country Strategy y in Albania 1996-2001 (Brussels: Europe Aid, 2001).

<sup>1</sup> **Roumeliotis, P.** (ed.) (2001) *Promoting Stability in the Balkans: Working with Civil Society in the Democratization Process 1998-2001*, Athens: Livani.

the donor strategies and have absorbed a substantial part of the funding. There has been some progress, and some results have started to appear in several areas, but problems remain huge and improvements in the efficiency of institutions still are of a minor scale. Institutional reforms remain nonetheless the exclusive domain of politics; they occupy the first lines of government programs and political discussions, and even some NGOs are actively engaged in these reforms. The general public, however, continues to be indifferent, suspicious and passive with respect to the rhetoric and practices of reform. The main reasons for this attitude are the low level of public accountability and responsibility of governing institutions, as well as their chronic inability to provide even the most basic public goods and services. Implementation of the institutions' reform programs is delayed, interrupted or re-started, depending on the intensity of domestic political conflicts and crises.

Political differences in the programs of political parties (both on the left and the right wing of the political spectrum) have become increasingly smaller. This trend is not only due to the gradual extinguishing of the anti-communist drive of the early transition years, but also to the fact that diverging party programs are of minor importance in an environment that lacks plural civic interests. Mainly for these reasons, the party systems in the region are increasingly losing their legitimacy, and

we are now facing a dramatic crisis of representation.<sup>1</sup>

The conflicts of real societal and economic interests are thus resolved more and more by resorting to non-political or to trans-political instruments, which in many cases are also “trans-legal.” The persistence and revival of pre-modern and informal institutions in the country proves the institutional vacuum and citizens’ distrust of formal institutions. Such situations continuously affect the institutional behavior of citizens, making it easy to explain why today the law is only a secondary and marginal social regulator<sup>1</sup>

Nihilism and the increasing diffidence of the population about the state and its institutions fundamentally undermine democratization and institutional reforms. Thus, in order to have a positively progressing process of democratization and institutionalization of our society, it is necessary that the state itself reach a critical level of capacity and functionality. On the other hand, the increasing number of NGOs and their dynamism cannot complement or replace the functioning of the state.

While the numerous reforms of democratization and institution building have created, and even improved, the democratic shell of Albania’s institutions, they failed to protect our fragile democracy from detrimental factors. Democracy in Albania is truly

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<sup>1</sup> European Union, *Albania – A Future with Europe* (Brussels: European Union, 2000),

<sup>1</sup> See: I. Krastev, "Inflexibility Trap. Frustrated Societies, Weak States and Democracy. A Regional Report on the State of Democracy" *Journal of Democracy* 13.3 (2002).

threatened not only by political authoritarianism. The formal criteria, often used in building indexes to characterize the democracies of transition, are not necessarily very meaningful: Free elections, free media, declared human and political rights and implemented and independence of the judiciary.

The distancing of the leading elite from the voters is now the most dangerous phenomenon. The elite's reform agenda is no longer the public agenda. Consensus and support for the reforms by the public, which in the beginning of the transition was quite high in Albania, has been significantly reduced. Such situations produce a delicate positioning of the international community in opposition to the local population. On the one hand, the population requires the international presence to control and exert pressure on the local government officials, but on the other hand, frequent and in some cases disproportionate interventions make the local population rather nervous and incite xenophobia. While the electoral programs of political parties contain promises that take into account the electorate's immediate necessities, government programs are drafted entirely around donors' conditionality and recommendations.<sup>1</sup>

This "bigamy" of the leading elite detaches it even more from the population, while the latter perceives the donor community as both good and strict. At the end of the

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<sup>1</sup> Kaldor, M. & Vejvoda, I. (eds) (1999) *Democratization in Central and Eastern Europe*.

day, however, the population gets penalized time and again both by the undertaking of reforms and by their eventual failure.

Such a political context explains why the instruments of aid conditionality operate inadequately and produce only minimal results.

The limited existence of programming and monitoring capacities within the governing structures is an argument for criticism even for the donors, who often find it more suitable to “sell” their programs rather than collaborate and negotiate with the government for their drafting and implementation.<sup>1</sup>

The central problem of the present political reality in Albania is the “weak state.” That is, the Albanian state is characterized by inadequate capacities, minimal accountability and partial functionality. We should not think that a strong, functioning state would automatically emerge because of a country’s economic development, the civic and political emancipation of the population and progress in regional integration processes. Actually, a functioning state is a pre-condition and not an expected outcome. Its level of functionality will significantly influence the advancement in economic development and progress of reforms, the democratization of the society, and the chances for integration in the region and in Europe.

As in many transition societies, in Albania civil society is a newly emerging social

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<sup>1</sup> Albania - Stabilization and Association Report , (Brussels: European Commission, 2002).



actor, which still has a limited role. The most active and newest elements of civil society are the NGOs. Yet is it fair to state that Albania has managed to ensure sustainable growth and ample possibilities to catch up with the EU in the near future. The impressive increase of output during these years has been essentially a “recovery” rather than “sustainable growth.” It is realistic to talk about “growth” and “sustainability” when the economy has witnessed significant increases in assets and capital goods, substantial technology investments and also tangible increases in the education and professional levels of human capital. The level of FDI is one of the lowest among transition countries (160 USD per capita in 2000), a large proportion of the GDP comes from agriculture (approximately 50 percent) and trade, while industry’s share of GDP barely reaches 10 percent. <sup>1</sup>

The present economy is almost entirely import-oriented, and the external deficit remains huge (imports exceed exports by a factor of five). The agriculture that up to now has been the main engine of growth, and has the largest share of GDP, is showing signs of slowing down because of structural deficiencies linked with small farm size (1-1.5 ha.) and the embryonic status of the land market. Poverty is increasing, and in some areas of the country it has reached levels that are characteristic of underdeveloped countries, with 17.4 percent of the population in the

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<sup>1</sup> Patrick Moore, *“The International Community and Albania,”*

absolute poverty range.

The polarization of the society and inequalities are more pronounced than any other country of East Central and Southeastern Europe (the GINI indicator was 0.43 in 1998). The education level of the population has significantly deteriorated, and the widespread emigration of the cultural and professional elite has notably impoverished the quality of the country's human capital<sup>1</sup>. The distorted deregulation and the weak functioning of market regulatory mechanisms, which during the initial phase promoted and facilitated the thriving of the new small business and initial capital accumulation, have now turned into serious obstacles to development.

Open or hidden monopolies, the complete malfunctioning of market supervisory mechanisms, the worrying dimensions of the informal economy, especially the criminal one, are serious barriers to foreign direct investment. Furthermore, these factors hinder private domestic investment, distort the price structure, and adversely affect the reallocation of capital and human resources. The crisis that burst out in the last two years, which in the best scenario will have a medium duration, heavily compromises expected economic growth. Estimations of Albanian analysts predict that in 2004 growth rates will visibly slow from 7 percent in 2001 to between 4 and 5 percent in 2002. Macroeconomic stability is quite fragile, while the national economy

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<sup>1</sup> "Community-Building Institution" in *Southeast European Politics*, Vol. II, No.2:109-134

will continue to remain exposed to internal and external shocks. In contrast to other countries of the region, Albania has an underdeveloped road infrastructure, while energy, telecommunications and road inter-connections are still inadequate. The financial system of the country is entirely a banking system. Although in Albania there are about 10 operating private banks, their role in the country's economy is insignificant. While the total of saving deposits accounted for 34.8 percent of GDP in 2000, credit to the private sector compared with the total of primary deposits was only 10.2 percent.<sup>1</sup> The main policy challenges at present are activating and strengthening market mechanisms and institutions, and narrowing the informal sector of the economy.

Protection of property rights and respect for contractual obligations, rigorous application of exit mechanisms, proper functioning of market regulatory bodies, and anti-trust and anti-dumping mechanisms are all quite chaotic and inefficient.

Donors' technical and financial assistance addressing these issues up to now has focused more on drafting laws and formally establishing the respective agencies, while what would be necessary is to continue the support while aiming at strengthening, training, and supervising them.

The weak operation of institutional mechanisms of the market makes the country have

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<sup>1</sup> See: V. Gligorov, "The Role of the State in the Balkans" *Balkan Reconstruction. Economic Aspects* (Vienna: The Vienna Institute for International Economic Studies - WIIW, 2000), 187.

a free (quasi-anarchic) private economy, but one that is far from a functional market economy. The most imminent concerns are criminal activities such as human or drug trafficking, large-scale tax evasion, the discriminatory and selective application of taxes and customs duties, as well as the monopolies (often hidden) on imported inputs and domestic trade. The crucial risk for domestic economic and social developments in Albania is that the country may get trapped in low-level reform equilibrium of partial reforms and an inability to detach itself from the bad path dependency. The reforms actually on the government agenda, such as privatizing public utilities and strategic companies, strengthening the fiscal system, enhancing market regulatory mechanisms, reveal donor pressure and requirements more than a serious commitment of the government. On one hand, the donors' bureaucracy imposes objectives and deadlines that serve only to justify the "progress" and the "success" of their programs, while, on the other hand, the government appears unprepared and incapable of implementing these reforms. The most common result has been either a formal fulfillment of the objectives, or a hasty and distorted implementation of the programs. Typical examples are the delays in privatizing the Savings Bank or problematic privatizations in the telecommunications and banking sectors during 2000-2001. <sup>1</sup>

Yet one cannot avoid thinking that in a number of cases the frequent and exaggerated

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<sup>1</sup>M. Muço, "Low State Capacity in Southeast European Transition Countries" Journal of Southeast European and Black Sea Studies 1.1 (2001).

discussion of this corruption by representatives of international community served as an alibi either for the inefficiency of their programs or for the corruption of the donors' bureaucracy itself. It must be widely understood that the main source of insecurity in the region countries as today is the existence of "weak states," and the impossibility of enforcing the rule of law.<sup>1</sup>

It is the weak state that generates insecurity for the property, life, dignity and incomes of the population. It is the weak state that allows the wide propagation of corruption, organized crime, and state capture by vested interests. It is again the weak state that is not able to provide basic services as justice, equal rights, decent education, health care services, electricity, water supply, etc.

The human and social capital of the country has been seriously damaged. The drastic impoverishment of a major part of the population is accompanied by huge accumulations of wealth in a few hands. Along with the advancement of the country towards formal democracy, the social basis for a functioning democracy, the middle class, has been reduced and weakened by emigration, very low income, unemployment and disruption of social and community relations.

Corruption is on the rise and is unceasingly evolving its forms and techniques.

Numerous public surveys conducted in recent years in Albania indicate an extended

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<sup>1</sup> See: Transition - The First Ten Years: Analysis and Lessons for Eastern Europe and the Soviet Union (Washington DC: The World Bank, 2002).

propagation of this phenomenon. The various anti-corruption programs undertaken in recent years have produced some results, but corruption remains pervasive.

A specific phenomenon that has appeared recently is the corruption of the political parties' activity. The last two electoral campaigns carried in Albania (1998 and 2001) were far too expensive. The funds used by the political parties were several times more than their legitimate sources of financing. The extra funds were provided either through corrupt transaction in the government or through dubious relations with business and organized crime.<sup>1</sup>

The most dangerous form of corruption today is "state capture." This is manifest in politicians' direct relations with illegal businesses, entry into politics by individuals that have been involved in suspected businesses, purchase of state functions, the increased activity of politico-economic monopolies, the discriminatory application of laws and taxes against competitors, as well as clientelism and nepotism.

The widespread corruption has created a distrustful public sentiment. The gap between the public and the elite has deepened even further. On the other hand, the public's perception that "everyone," any individual or institution, is corrupt constitutes a serious risk itself. It induces public passivity, nihilism and undermines

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<sup>1</sup> *The lectures in Albania, arch-April 1991* (Washington D.C.: 2001), 29. Ibid. European Union, (Brussels: European Union, March 26, 2003),

any kind of popular consensus, which is necessary for successful institutional reforms. Under such conditions, it becomes possible that an “infant” democracy like Albania will become a democracy without citizens, which would essentially mean a democracy without politics. The risk of becoming a Latin American hybrid of “dominated democracies” is not to be dismissed out of hand in the Balkans.<sup>1</sup>

The fight against organized crime constitutes an important objective both for the Albanian government and the international community. The events of September 11<sup>th</sup> produced significant implications in this area and intensified actions already underway.

Without excluding the possibility that Albania was infiltrated by segments of terrorist networks, a series of actions was taken such as verification and expulsion of persons suspected of links with terrorist networks as well as the sequestration of properties and bank accounts. These actions were carried out by the collaboration of the Albanian police with Interpol, the FBI and similar agencies.

The constant internal strife and attempted manipulations within the political system by the political parties continued to be a major destabilizing factor. From what has been examined above, it is obvious that the most volatile aspect within Albania continues to be the political system and its parties. The continuing assistance and aid

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<sup>1</sup> Albania - State of the Nation 2001 , ICG Balkans Report 111 (2001) 3

from the European Union averted disaster within Albania numerous times. The individuals within the parties continue to care more about preserving their position in power and securing personal benefits than actually accomplishing something beneficial to the country.<sup>2</sup>

The reforms implemented by Albania are important to gaining further international support and assistance, which helped to preserve the government of Albania and lessen its destabilization. With the signing of the Stabilization and Association Process, Albania had a framework to begin the process of implementing reforms. It is important to discuss these reforms, because they are perhaps the most visible aspect that can be used to evaluate the progress of democratization and adoption of EU policies within Albania. The reforms prescribed by the European Union touch almost every aspect of the economy, the judicial system, and the political system in Albania. In particular areas, the government has been diligent in passing and applying the prescribed reforms, but in others, such as the reforms designed to fight corruption, the government does not have the resources to enforce the reforms and new laws once they are passed. The reforms are ultimately required in order to bring the country into alignment with the laws and policies that have been adopted by many of the western

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<sup>2</sup> Albania - Stabilization and Association Report, (Brussels: European Commission, 002).; Evaluation of EC Country Strategy in Albania 1996-2001 (Brussels: Europe Aid, 2001).



nations.

If Albania desires admission to the EU, which it currently does, it must continue the reforms that have been set out for it.

Perhaps one of the most noticeable and successful series of reforms is the privatization of industries that had previously been state monopolies, such as the telecommunications company and the oil company. Overall, all Small and Medium Sized Enterprises (SMEs) have been privatized, and there are approximately 80 various other large enterprises that still need to be privatized. The country is also pursuing further financial sector reform by developing a stock market, and by privatizing the largest and last remaining state-held bank in the country, which accounts for over 60 percent of the total banking assets in the country. Along with this has also been legislation by the government designed to further increase competition between the banks by creating further framework for lending. Along with privatization, the Albanian government has passed a new bankruptcy law and a law regarding deposit insurance, both of which were designed to stimulate foreign investment and to further open their markets.

In an attempt to reform the various governmental institutions, including the incredibly weak judicial system and the corruption of many civil workers, the government of Albania has begun programs designed to provide greater education for workers in

those areas.

The Albanian Parliament has passed many new laws that cover judicial procedures and ethics, but the difficulty lies in disseminating the information to the workers.

Also, the education and training of civil workers, especially in rural government institutions, remains a top priority and is very important in the process of decentralization. In an attempt to make civil service careers more attractive, the government also instituted substantial pay raises for many civil servants in 2003. In some cases these were up to 75 percent.

The biggest setback for reforms in the areas above is the overall cost, which the government of Albania has difficulty funding. It is much easier to pass a law designed to implement a reform, but it is much harder for the Albanian government to enforce that law. No timeline has been set for the completion of this, because the implementation of the SAA will rely on the willingness of the government of Albania to implement the reforms required and make the changes that the EU deems necessary.

The current government, run by the SPA, seems incredibly willing, as their campaign goals for the next elections were membership in NATO and the EU, as well as further reforms, including the privatization of energy concerns, telecommunications, and the transport sector.

Albanian Institute for International Studies (AIIS) conducted a survey with Public Administration, Media, Local NGOs and Business groups in Tirana. The aim of the survey was to assess perceptions of and knowledge on European Union and EU integration for Albania. These groups were chosen because they are both immediately responsible for and directly affected by the integration process.<sup>1</sup>

The most obvious finding of the survey was the overwhelming support for Albania's membership into EU in all the above-mentioned categories. The support levels were very close to 100 % with almost all respondents answering that they would vote for Albania's membership into EU in a referendum on this issue. The figures speak for themselves; 96.43% in the Media Category, 96.91 % in Businesses and 99.38 % and 100 % in Public Administration and Local NGOs respectively. The high level of support for Albania's EU membership was also reflected in the fact that respondents in all categories thought that strengthening relations with EU should be the most important priority of the Albanian Government.

Such exceptionally high level of support for EU membership is very encouraging and should be exploited accordingly while it lasts. However the very magnitude of this support level raises important doubts on the understanding of the integration process

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<sup>1</sup> ALBANIA AND EUROPEAN UNION - Perceptions and Realities, Albanian Institute for International Studies (AIIS). Email [www.aiis-albania.org](mailto:www.aiis-albania.org), Website: [www.aiis-albania.org](http://www.aiis-albania.org)

as a whole. It begs the question: Does such support result from ignorance or knowledge of the benefits and drawbacks of integration process as a whole? These findings suggest the exceedingly high levels of support are combined with some disturbing misunderstandings of the efforts required to integrate Albania into EU. Misunderstanding with regard to integration benefits might be another source of the overwhelming support for Albania's membership into EU.

Thus, a considerable number of respondents seem to think that EU should admit Albania even before she is ready to become a member of the EU. The answers among the categories varied considerably. In two of them, Public Administration and Local NGOs, the majority of respondents, 52% and 47.06% respectively, answered that European Union should admit Albania even before the country is prepared to become a EU member. In the business category the responses were more evenly distributed since 46.84% answered "Yes" and 50.63% answered "No". Media was the only category where a substantial majority of 73.47% answered "No" to the question.

The fact that most respondents in Public Administration thought that EU should admit Albania even before she is prepared to become an EU member reflects a major misconception on this process. Integration seems to be perceived as a decision to be taken in Brussels rather than an ongoing effort on the Albanian side raise, its economic, political and social standards. Such attitude was most pronounced in the

Public Administration category since respondents thought that EU stand towards Albania is more important than the Albanian economy, and almost as important as Albanian Politics for our country's integration into EU.

Although this was not the case in the other three categories even their respondents marked EU stand towards Albania as a very important factor in Albania's road towards EU, almost as important as the economy and politics.

The above attitudes seem to indicate that among certain groups, most remarkably in Public Administration, integration has become an end in itself. The attempts of Albania to conduct reforms and join EU are meant to produce economic development, democratization and not simply EU membership. Such outcomes cannot and should not be less desirable than EU membership. Thus, integration has to be understood as a means towards democratization and economic development and not vice versa, otherwise integration will not be sought at home but only abroad.

Another important finding that reflects the narrow understanding of the integration process and its benefits was the fact that most respondents marked free movement into other EU countries as the most important benefit from EU membership. In Public Administration, Media and Local NGO categories free movement received the highest score, and was valued more than economic development, strengthening the rule of law, democratization and well being in general. The misunderstanding here seems to be

twofold. First of all free movement is understood simply as the possibility to travel without visas, rather than in its broader sense as free movement of capital and businesses. Secondly, were Media and Local NGOs. Of the two Media had the largest percentage of those who thought Albania would join EU in 15 or more than 15 years, i.e. it was the least optimistic

While it is impossible to accurately quantify in terms of years Albania's integration into EU, especially since after all integration is a process and not a fixed date, it is safe to say that if Albania joins EU in 5 or 10 years, the integration process has been quite fast by any standards. The Stabilization – Association process alone lasts 10 years, while Albania has not yet signed the SAA Agreement with EU.

Here it must be emphasized that the contradictory responses were indicative not only of a lack of information on the integration process but also of the desire of respondents for Albania to join EU as soon as possible. Such desire was reflected both in the high support levels for EU membership and in the importance that respondents attached to strengthening relations with EU.

It is difficult to find the source of such a high level of optimism regarding Albania's EU integration process, besides lack of information and/or political propaganda on the process. No matter what the source of respondent's optimism it is important to note that there was a correlation between such optimism and the way in which respondents

perceived EU and Albania's benefits from EU membership. The more optimistic they were on speed of the integration process the more positively they perceived EU and Albania's benefits from EU membership. Therefore once the membership timetable for Albania becomes clear it is very probable that perceptions on EU might deteriorate and expectations of membership benefits drop.

In the near future as respondents familiarize themselves with the intricacies of the process it will seem to them that the more Albania moves towards EU the further away EU moves from Albania which might give rise to frustration and resignation.

This will become even more obvious after the first wave of EU enlargement, which will leave Albania out while presenting new challenges for its integration process.

Any feelings of frustration with the process might give rise to resignation and apathy that will be particularly dangerous in categories such as the Public Administration one, which is directly responsible for the integration process.

Therefore it is important to raise awareness on the real efforts and time needed in order to haul Albania into EU. The sooner this is done the better since the greater the misperceptions of today the bigger the frustrations of tomorrow.

It is important to emphasize that the above-mentioned misconceptions and misunderstandings are not simply the result of limited information but also the outcome of political manipulation of the integration process for propagandistic ends.

Disinformation in order to gain political leverage is as dangerous as, if not more than, limited information. So as our findings indicate some of the above misperceptions were most pronounced in comparatively well-informed categories such as Public Administration. This category was relatively informed on EU institutions; in this aspect it came second only to Media. The level of familiarity respondents in this category had with regard to Stabilization – Association Agreement, on conditions to join EU as well as on EU and NATO integration came second only to that of the respondents in the Media category.

Yet more than achieving these goals people seem interested to leave the country and integration into EU seems to be perceived as a means to this end, which is especially discouraging among Public Administration respondents.

Related to the narrow understanding of EU integration and integration benefits were also some serious misconceptions regarding the timeframe of the integration process. The first major misperception concerned the speed of the integration process. Most respondents thought Albania would join EU somewhere between 5 to 10 years while at the same time the majority of respondents thought that the integration process was moving slowly. Business and Public Administration were the two most optimistic categories. They had the largest percentages of respondents who thought that Albania will join EU in 5 or 10 years, and the lowest percentages that marked 15 or more than



15 years as the time period in which Albania will join EU. The two categories those were less optimistic in this regard.

Nevertheless, misconceptions and misunderstandings in the Public Administration category with regard to the integration process were more pronounced than in any of the other categories, and at times even more than in the Business category that was the least informed group. Thus, by far the largest percentage of respondents in Public Administration, 42 %, thought that Albania was prepared enough to become a EU member. It was in this category where a considerable percentage, 38 %, of respondents, thought that Albania would join EU in five years. This percentage was second only to that of the Business category, which along with Local NGOs was the least informed group. While it is impossible to accurately assess the degree to which responses have been conditioned by the position of respondents in this category, it is also safe to conclude that respondents in the Public Administration group are most exposed to, as well as part of, the political propaganda, which in turn might account for some of the major misconceptions they have developed.

This is not to say that limited information does not breed misunderstandings. As the above example shows limited information on EU, its institutions and on membership requirements produces unrealistic expectations (in the Business category 52 % of respondents thought Albania would join EU in five years). Yet even in this case such

highly unrealistic expectations can be blamed on political propaganda as much as on limited information. Thus, information on EU, its institution and on the integration process will not suffice without increased awareness on domestic efforts needed for integration to take place. This awareness should be raised away from narrow political ends, especially in groups such as the Business one that will be the first to bear integration costs. Unless domestic actors become aware of such efforts and assume their responsibilities accordingly integration will remain a cliché and a never-ending process, distant in time and lacking in benefits. Of course information and awareness campaigns should be an important element in this respect, which is why we identified the main sources of information on EU and EU integration.

The main source of information for the respondents on EU and the EU integration process was Television. Here the Public Administration and Media were the exception since most respondents in the first category received information mostly from Internet, whereas respondents from the second category received most of their information from Newspapers.

Among the categories there were high levels of interest for more information on EU. There were however differences from one category to the other, some were more interested to receive more information on EU and others less. Thus, the most interested category was the Media, which is to be expected. Yet even in this case,

some 10.71 % of the interviewed journalists were not interested to receive more information on EU. Public Administration was the next category with highest percentage of respondents, 86.71 %, interested to receive more information on EU. Business and Local NGO respondents were least interested in this respect, although in both groups there is limited information on EU.

Those interested to receive more information on EU were also asked in what areas they would like to receive more information. The area in which respondents were more interested in was EU enlargement. The score of EU Enlargement, 8.93 out of 10, is very indicative of the great interest respondents have on such a process. The interest of the respondents to learn more on EU Enlargement was also reflected across all four categories. In each of them EU Enlargement received the highest score, despite variations in the level of interest in other areas.

This once more confirms the importance that the respondents attach to Albania's EU membership

## V. CONCLUSIONS

The results of the survey show that the public administration, media, NGOs, and business groups should be more informed on Albania's EU integration process. It is important that the information available be free of political propaganda that aims to use the integration process for narrow political motives.

- The speed of the integration process depends on Albania and not on the EU.

Therefore, the campaign ought to focus on the economic, political, judicial and other reforms that must be carried out by the government in order to prepare the country for integration in EU. It is important to emphasize that integration begins in Albania and ends in Brussels, and not vice versa.

- Albania's benefits from this process must be clearly spelled out. The fact that the overwhelming majority of the interviewees declared that the greatest benefit will be free movement means that most people are interested in leaving the country. They see the integration process as a means towards this end rather than positive thing in itself.

- A cost-benefit analysis on the positive and negative effects of the Association and Stabilization Agreement for Albanian economy ought to be carried out.

- The results of a cost-benefit analysis should be made known especially to the business group since this community will be the first to bear integration costs,

especially regarding trade liberalization after the signing of the Stabilization and Association Agreement.

- The timeline of the integration process must be made clearer. Although it is impossible to pinpoint the actual date in which Albania will gain EU membership, the length of the process may be estimated more realistically.

For example, the process of stabilization and association lasts about ten years, although this process may be lengthened or shortened in time depending on the speed with which reforms will be carried out. Thus, we can be sure that the integration process will not be complete within 5 to 10 years, as most interviewees think.

- The integration process should be explained according to its phases; opening SAA negotiation to signing SAA, the stabilization and association process, i.e., the implementation phase of the SAA, the candidacy phase and finally full membership.

General requirements and approximate timelines can be outlined in order to have a clearer understanding of the process.

- Besides clarifying the timeline of the integration process it is also important to shed some light on the implications of EU enlargement for Albania especially for categories such as Public Administration. EU is not a static organism. Its enlargement will have immediate consequences on Albania's membership.

- More information is needed on the progress made in the process in which Albania finds itself. People must be clear on how much has been accomplished, and how much more remains to be done.
- More information is needed on Albania's integration into NATO and its importance for Albania's EU integration process.

Governments and political parties have often used the process in order to gain political leverage, thus at times raising expectations unrealistically, or at other times hindering the process itself. Therefore, political will is important not only to move this process forward but also to portray it realistically, away from propaganda considerations.

Albania has been making steady progress in the Stabilization and Association process as demonstrated by the ongoing negotiations for the conclusion of a Stabilization and Association Agreement between the EU and Albania. Further progress depends on Albania's ability to address the serious challenges it needs to face, for example in its fight against corruption and organized crime or the strengthening of its judicial system and public administration. The Thessaloniki Summit of June 2003 reconfirmed the European perspective for Albania and the other Western Balkan countries as potential candidates, and enriched the Stabilization and Association Process through new initiatives, which are aimed at better supporting these countries in their way towards

Europe. Albania has to take all the necessary steps to ensure that it is in the position to benefit, to the largest possible extent, of the opportunities that the EC offers (financial assistance, trade preferences, and political dialogue. This constitutes a crucial element for the ambitious target that Albania has set for itself: to become a EU Member State.

If the government continues to pursue accession to the EU, as it is now, it must be active in implementing the reforms required of it by the EU. The process of passing the reforms set out in the Stabilization and Association Agreement will likely be a long one.

Ultimately, the government must eliminate the continuing instability that plagues the institutions, most of which is due to the polarized political atmosphere. This instability, combined with the poverty of the country and the lack of sufficient economic infrastructure, means that the country must first continue to develop both democratically and economically, especially with regards to the internal market.

However, despite these achievements, a lot remains to be done. In particular, Albania should concentrate on the following areas:

Preserving political stability, reinforcing democracy and ensuring free and fair electoral processes, improving the upholding of human and minority rights, intensifying the fight against fraud, corruption, organized crime and trafficking, substantially increasing implementation and enforcement capacities (notably through

an enhanced public administration and judiciary).

Reinforcing the structures directly involved in the implementation of a future SAA.

Government must be very active for implementing international financial assistance, improving fiscal sustainability, completing the privatization process in all strategic sectors, properly addressing the energy crisis, resolving the land property-related issues and developing an efficient land market.

The message of this paper is very pragmatic. The positive results of the transformation of the Albanian Society are by far stronger than the negative effects: the Albanian people claim center stage in the development process. However, key elements of sustainable human development, such as poverty eradication, job creation and regeneration of the environment, will have to remain a priority in the coming years

Very pragmatic programs have to be implemented to improve standards of living. The biggest thing holding Albania back is that the politicians are too involved with their own individual interests. Instead, they need to open their eyes to the wider picture and represent the interests of their constituents.

It is also important that the government ensures that the rule of law is respected, as is required by the EU. There is a good basis present in Albania, but the law needs to be further extended to all of society through the implementation of necessary



infrastructure and adequately trained officials. With widespread enforcement of laws, it will be much easier for the government to combat the corruption and organized crime that is widespread in society and further destabilizes it. On top of all these, it is important that the government further attempts to develop a functioning market economy. The economy will one day need to be strong enough to survive the competition of the other EU countries. To reach the Agreement with the EU, Albanian government must give the same guarantees that they have taken upon ourselves, and bear the political and executive responsibility in its program. They are completely in conformity with the recommendations of the European Parliament, International Community in general, and coordinated by OSCE. As for the actual level of the relations with EU, we should undertake the decisive steps to unblock all the programs, that have been set in question, because of the crisis, amateurisms and surely, of the corruption of the old administration. Trade liberalization, price liberalization, privatization of Small and Medium Enterprises, improvement of fiscal sustainability through better customs and tax services, are areas where clear progress has been made. From the social angle, the picture is quite different. The reforms and achievements carried out over the preceding years have not yet had a widespread effect on Albanian society. Albania remains one of the poorest countries in Europe. Social benefits have, in real terms, constantly decreased over the last 10 years, partly due to the Albanian

attempt to keep its budget under control. Furthermore, quality of education has substantially deteriorated over the past years.

Albania will need to accelerate reforms, most notably to achieve further economic progress, fight poverty and social exclusion and to gradually increase social protection.

However, more needs to be done in order to ensure economic stability, and to achieve further economic progress.

**ANNEX 2 : Overall EU Assistance in ALBANIA 1991-2000 (MEUR)**  
(Commitments)

Situation on 12 September 2001

TYPE OF EC ASSISTANCE	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	TOTAL 1991-00	2001*	TOTAL 1991-00*
<b>OVERALL PHARE ASSISTANCE</b>	<b>10,0</b>	<b>110,0</b>	<b>75,0</b>	<b>49,2</b>	<b>88,0</b>	<b>53,0</b>	<b>68,9</b>	<b>42,5</b>	<b>101,5</b>	<b>33,4</b>	<b>631,5</b>		<b>631,5</b>
<b>CARDS ASSISTANCE</b>												<b>37,5</b>	<b>37,5</b>
<b>FEOGA</b>													
(DG Agriculture)		<b>120,0</b>									<b>120,0</b>		<b>120,0</b>
<b>HUMANITARIAN AID</b>													
(ECHO)		<b>2,0</b>	<b>0,5</b>	<b>1,7</b>	<b>1,2</b>	<b>1,7</b>	<b>16,3</b>	<b>12,0</b>	<b>97,0</b>	<b>3,4</b>	<b>135,6</b>		<b>135,6</b>
<b>FOOD SECURITY</b>													
(DG Development)							<b>10,8</b>		<b>5,7</b>		<b>16,5</b>		<b>16,5</b>
<b>MACRO-FINANCIAL ASSISTANCE</b>													
(DG Economic and Financial Affairs)									<b>20,0</b>		<b>20,0</b>		<b>20,0</b>
<b>DEMOCRACY &amp; HUMAN RIGHTS</b>					<b>1,0</b>	<b>0,6</b>	<b>0,4</b>	<b>0,8</b>	<b>0,2</b>	<b>0,5</b>	<b>3,5</b>		<b>3,5</b>
<b>OTHER ACTIONS</b>		<b>0,3</b>	<b>0,6</b>	<b>1,1</b>	<b>0,4</b>	n.a.	n.a.	n.a.	<b>2,6</b>	<b>1,9</b>	<b>6,9</b>		<b>6,9</b>
<b>OSCE ELECTION SUPPORT</b>							<b>1,5</b>				<b>1,5</b>		<b>1,5</b>
<b>EIB LOANS(1)</b>					<b>29,0</b>			<b>22,0</b>		<b>34,0</b>	<b>85,0</b>	<b>40,0</b>	<b>125,0</b>
<b>TOTAL EU ASSISTANCE</b>	<b>10,0</b>	<b>232,3</b>	<b>76,1</b>	<b>52,0</b>	<b>119,6</b>	<b>55,3</b>	<b>97,9</b>	<b>77,3</b>	<b>227,0</b>	<b>73,2</b>	<b>1020,6</b>	<b>77,5</b>	<b>1098,1</b>

n.a. = not available

\* forecast

(1) authorised amount less cancellation Administrative Technical Assistance is not included

**ANNEX 3 : OVERALL EC ASSISTANCE BY SECTOR 1991-2000 (MEURO)**

PHARE and CARDS by SECTORS	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	TOTAL 1991-00	2001*	TOTAL 1991-01*
Agriculture		15,0	10,0	5,0		1,7	6,0	6,3	5,2		49,2		49,2
Transport (1)		4,4		21,7	34,0	37,0	23,6	8,0	11,9	18,7	159,3		159,3
Private Sector Development (2)		2,8	7,0	3,0	2,0						14,8		14,8
Health		10,0	6,0	7,0							23,0		23,0
Environment			3,3			0,2	0,7				4,2		4,2
Water						1,3	6,0	14,5	17,9		39,7		39,7
Education (incl. TEMPUS)		1,2	2,5	2,4	4,2	2,5	2,5	0,7	1,6	2,5	20,1	2,5	22,6
Local Community Development					8,5		5,0	3,0	9,7		26,2	10,0	36,2
Public Administration Reform (3)		1,6	1,2	2,6	4,3	8,6	9,7	8,9	11,3	12,2	60,4	24,5	84,9
Aid Coordination (4)				0,5		1,7		1,1	2,0		5,3	0,5	5,8
Financial Sector and Audit							0,5				0,5		0,5
Balance of Payments Support		35,0	35,0		35,0						105,0		105,0
Special Budgetary Assistance							14,9				14,9		14,9
Budgetary Assistance to Kosovo refugees									42,0		42,0		42,0
Phare Humanitarian Assistance	10,0	40,0	10,0	7,0							67,0		67,0
<b>OVERALL ASSISTANCE</b>	<b>10,0</b>	<b>110,0</b>	<b>75,0</b>	<b>49,2</b>	<b>88,0</b>	<b>53,0</b>	<b>68,9</b>	<b>42,5</b>	<b>101,5</b>	<b>33,4</b>	<b>631,5</b>	<b>37,5</b>	<b>669,0</b>

(1) includes Transport, Energy, Telecommunications

(2) includes Privatisation, SMEs, Banking, Tourism

(3) includes Civil Service Reform, Supreme Audit Institution, Police, Statistics, Customs, Judiciary, Approximation of legislation and SAA Preparation.

Asylum & Migration Management, Standards & Certification, Integrated Border Management and Taxation

(4) includes feasibility studies in the 1996 COP and the establishment of a Central Contracting and Financial Unit in the 1999 COP

## **ANNEX 4 : ACRONYMS**

<b>CARDS</b>	Community Assistance for Reconstruction Development and Stabilisation
<b>CBC</b>	Cross Border Co-operation
<b>COP</b>	Country Operational Programme
<b>CSP</b>	Country Strategy Paper
<b>DFID</b>	Department for International Development
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>EC</b>	European Community
<b>EIB</b>	European Investment Bank
<b>EU</b>	European Union
<b>FTA</b>	Free Trade Agreement
<b>GDP</b>	Gross Domestic Product
<b>GNP</b>	Gross National Product
<b>IFIs</b>	International Financial Institutions
<b>IMF</b>	International Monetary Fund
<b>MIP</b>	Multi-annual indicative Programme
<b>NGOs</b>	Non-Governmental Organisations
<b>PHARE</b>	Assistance Programme for central Europe
<b>SAA</b>	Stabilisation and Association Agreement
<b>SAP</b>	Stabilisation and Association Process
<b>SME</b>	Small and Medium Enterprise
<b>TTFSE</b>	World Bank Transport and Trade Facilitation Programme for South East Europe
<b>UNDP</b>	United Nations Development Programme
<b>UNHCR</b>	United Nations High Commission for Refugees
<b>US</b>	United States
<b>USAID</b>	United States Agency for International Development
<b>VAT</b>	Value Added Tax
<b>WTO</b>	World Trade Organisation

## ANNEX 5: ALBANIA - MAIN ECONOMIC TRENDS

		1997	1998	1999	2000	2001
Real GDP Growth	<i>Percent</i>	-7,0	8,0	7,3	7,8	n.a.
Inflation rate	<i>Average</i>	32,1	20,9	0,4	0,0	n.a.
	<i>End-of-period</i>	42,1	8,7	-1,0	4,2	4.1 <sup>1</sup>
Unemployment rate	<i>Percent of labour force</i>	14,9	17,8	18,0	17,1	13.6 <sup>2</sup>
General government budget balance	<i>Percent of GDP</i>	-12,6	-10,4	-11,4	-9,1	n.a.
Current account balance	<i>Percent of GDP</i>	-12,1	-6,1	-7,2	-7,0	n.a.
Foreign debt	<i>Percent of GDP</i>	33,2	28,9	26,5	27,6	n.a.
Debt-export ratio	<i>Percent</i>	312,5	313,3	164,3	146,2	n.a.
Gross foreign debt	<i>Million €</i>	668	780	912	1120	n.a.
Foreign direct investment	<i>Percent of GDP</i>	0,02	0,02	0,01	0,04	n.a.
	<i>Million €</i>	37	40	48	153	n.a.

Sources: IMF, National authorities

<sup>1</sup> August 2001

<sup>2</sup> July 2001



ALBANIA ROAD MAP - SITUATION OF THE MAIN ROAD CONSTRUCTION PROJECTS BY 06/2001

- |                                                        |                                            |                                                         |                                                       |
|--------------------------------------------------------|--------------------------------------------|---------------------------------------------------------|-------------------------------------------------------|
| <span style="color: red;">■</span> European Union      | <span style="color: green;">■</span> WB    | <span style="color: yellow;">■</span> Kuwaiti fund      | <span style="color: black;">■</span> Gov. of Albania  |
| <span style="color: red;">◇</span> Border cross., port | <span style="color: magenta;">■</span> EIB | <span style="color: blue;">■</span> Italian Cooperation | <span style="color: cyan;">■</span> EBRD (co-funding) |

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