ERCAS Working Papers

Transitions to Good Governance:
The Case of Albania

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1. Introduction

Situated in southeastern Europe between Greece, Serbia and Montenegro, Albania is a small country with a population of only 3.15 million (2009), out of which 70% are Muslim, 20% Albanian Orthodox and 10% Roman Catholic. It is a parliamentary republic. In 2009 Gross National Income (GNI) per capita amounted to 3,950 USD and Gross Domestic product (GDP) growth was 2.2%. Albania's Human Development Index (HDI) is 0.719, which is a bit higher than the regional average (0.717) placing Albania 64th out of 169 countries ranked. With 12.4% of Albanians living below the poverty line and 1.2% in absolute poverty (2008), Albania is a poor country characterized by problems of continuing high unemployment (13.05% in 2008) and underlying inequalities, which in particular perpetuate the lack of development in marginalized groups.

Figure 1: Key Indicators 2009

| Key Indicators								
Population	mn.	3.1	HDI		0.82	GDP p.c.	$	7151
Pop. growth	% p.a.	0.3	HDI rank of 182		70	Gini Index		33.0
Life expectancy	years	76	UN Education Index		0.89	Poverty[2]	%	7.8
Urban population	%	46.1	Gender equality[1]		-	Aid per capita	$	95.9

Sources: UNDP, Human Development Report 2009 | The World Bank, World Development Indicators 2009.
Footnotes: (1) Gender Empowerment Measure (GEM). (2) Percentage of population living on less than $2 a day.

Source: BTI

2. Prevalence of corruption

Albania's progress of development has been hindered by the high rates of corruption. World Bank's (WB) Control of Corruption measurement of 2008 placed Albania in the 25-50 percentile rank and Transparency International Corruption Perception Index (CPI) in the same year was 3,2 placing Albania 85th out of 180 countries ranked. In comparison to its neighbors (Figure 2) since 2002 Albania is doing the worst it terms of control of corruption. Albania was doing quite well in 1996 after which it experienced a huge decrease in control of corruption and even though over the years steady positive progress has been made, it hasn't recovered to the same level yet (Figure 3).

Figure 2: WB's Control of Corruption percentile rank change (1996 – 2008)
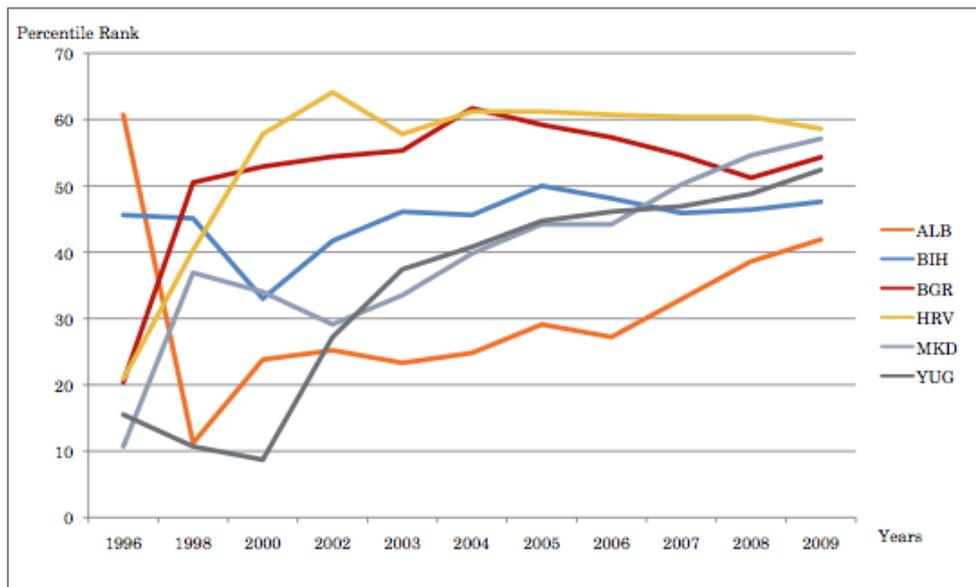
Source: World Bank

Figure 3: WB's Control of Corruption percentile rank change (1996 – 2008)
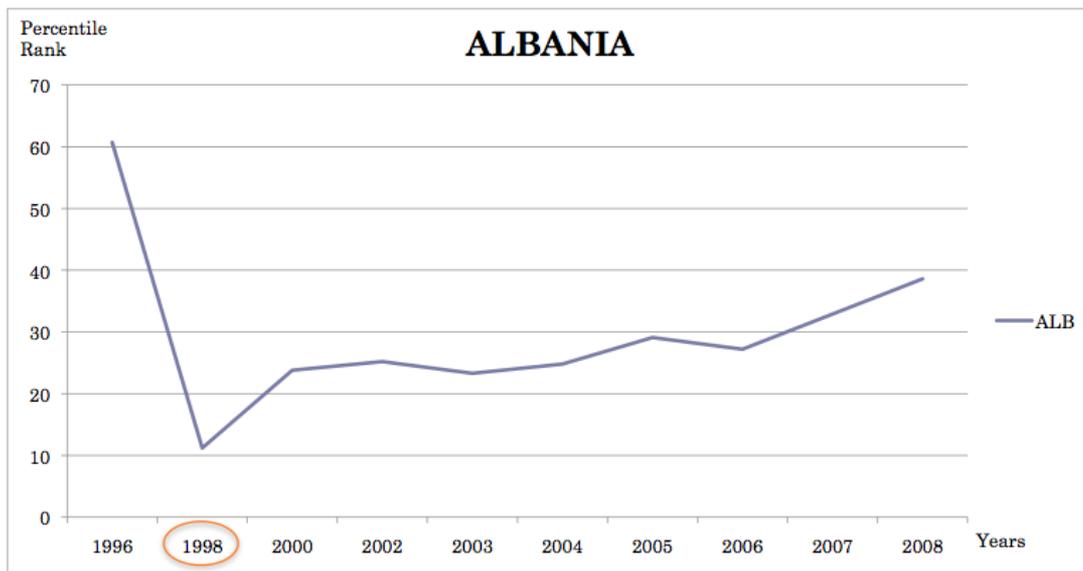
Source: World Bank

Albania fits into the regional model, exhibiting the same relationships between the chosen variables and corruption as the region (Figure 4). Besides the number of years in office and informal economies, all of the hypotheses were confirmed, which was also true for the region.[1] In line with

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[1] See appendix for a full list of hypotheses.

the corruption indicators, in most cases Albania fares lower than the regional averages. Press freedom, pluralism and functioning of government are the only areas where Albania is doing slightly better than the average.

Figure 4: Albania in the regional model

| Variable	Scale	Source	Relationship/ Hypothesis	Regional Average	Albania	Presence
Voice and Accountability						
Political Participation	0-10	EIU	+/yes	6.9	4.44	Lower
Internet Usage	0-100	International Telecommunication Unit	+/yes	27.9	15.0	Lower
Press Freedom	0-100	Freedom House	+/yes	47.5	50.0	Higher
Electoral Process and Pluralism	0-10	EIU	+/yes	7.1	8.0	Higher
Political Stability						
Years in office	yrs	World Bank	-/no	5.23	3	Lower
Economic Development						
Freedom to Trade	0-10	Fraser Institute	+/yes	7.1	6.1	Lower
Informal Economies	%	Schneider	-/no	37.9	33.4	Lower
Government Effectiveness						
Regulation	0-10	Fraser Institute	+/yes	6.72	6.02	Lower
Functioning of government	0-10	EIU	+/yes	4.43	5.07	Higher
Rule of Law						
Independent Judiciary	0-1	POLCON	+/yes	0.5	0	N/A

Figure 5: WB Control of Corruption comparison for Albania 2008-1998
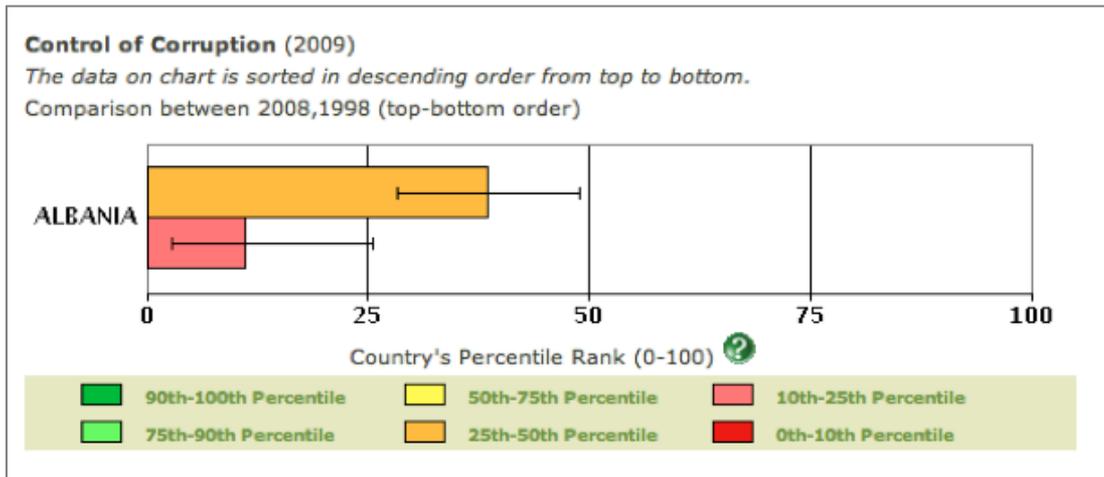
Source: World Bank

Nevertheless, since 1998, Albania has improved in terms of corruption. As shown by Figure 5 above Albania has significantly advanced in the Word Bank's control of corruption percentile ranking measurement. This positive change is also true for the CPI, which has increased from a mere 2,3 (1999) to 3,4 (2008). Furthermore, in comparison to the region (Figure 6), when looking at the WB's measurements of the years of 1998 and 2008, Albania has managed to achieve one of the biggest changes in the control of corruption percentile ranking.

Figure 6: Change in WB control of corruption percentile rank 1998-2008
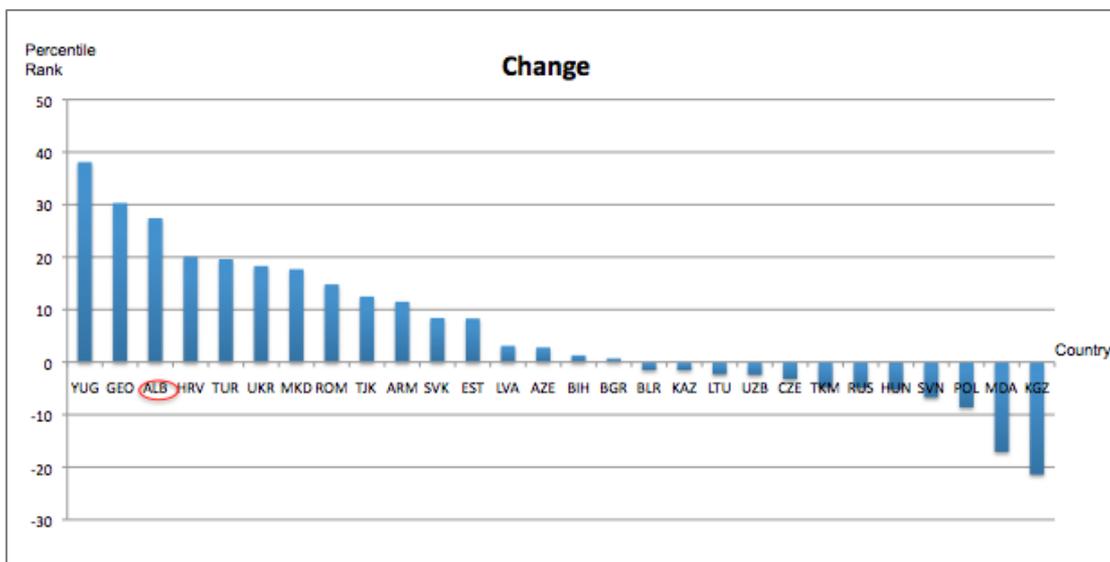
Source: World Bank

3. Historical context

With a declaration of independence from the Ottoman Empire in 1912 the first independent Albanian State was established. Founded as a monarchy and then only briefly becoming a Republic in 1925, Albania enjoyed very short-lived periods of independence. During the two World Wars it was occupied by three different regimes, and in 1944 it became subject to one of the most totalitarian communist rules. Only in 1991 did it regain its independence finally becoming a liberal democratic state.

First elections held in 1992 brought the Democratic Party to power. However the end of communist regime opened a set of interlinked problems trumping the building of a new democratic state. Due to the lack of democratic history, Albanians perceived a newfound democracy as unrestrained freedom, which resulted in low civil moral and disregard for the common good. This combined with the absence of adequate institutions in place to regulate the newfound burst of individualism lead to a weakening of state legitimacy, efficiency and coercive power. The vacuum created by the collapse of the communist regime was filled by the resurgence of traditional clan based dependencies. A network society emerged in which people rely on personal relations and connections characterized by loyalty and dependence rather than professionalism.

By 1997 Albania was in a deep crisis as a result of widespread corruption and presence of extensive pyramid schemes, which pushed a large portion of the population into ruin. The democratic government collapsed and the country spiraled into turmoil. It was only after the intervention of the international community that the situation improved. New elections were held, which handed the power back to the Socialist Party.

During the following years the situation in Albania remained unsound due to destabilizing events such as the assassination of the Democratic Party official (1998); slow progress of the establishment of the constitution, due to the boycotts by the opposition (1998); Kosovo war (1999) and the Macedonian crisis (2001). The 2001 elections, which gave only a slim majority to the Socialist Party, were perceived as fraud resulting in a boycotted parliament. The prevalence of electoral fraud and corruption set a precedent for highly disputed elections and boycotts for the following years.
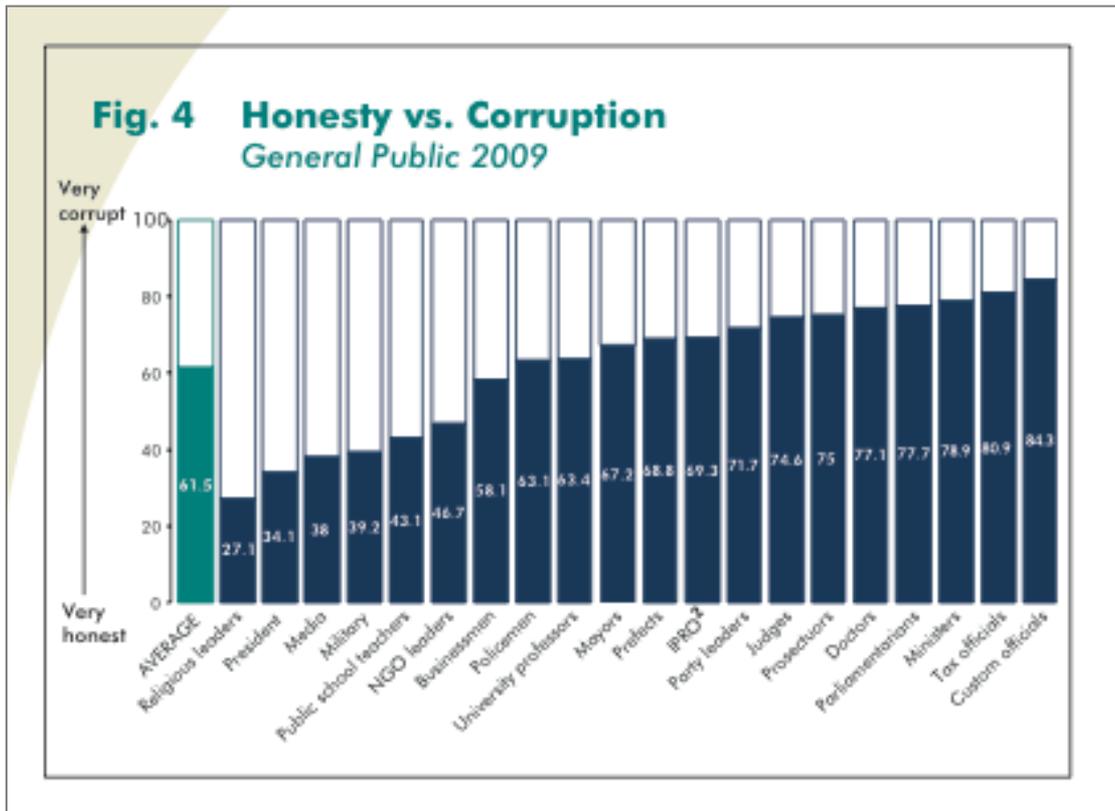
4. Types of corruption

Corruption is one of the biggest problems in Albania. It takes up many different forms from bribing public officials, abuse of tenders, faulty privatization, rewarding of public contracts, formation of monopolies on basic goods, discriminatory application of laws and taxes, illegal funding of political parties, to outright theft of state property and revenue. Corruption is also closely interlinked with organized crime with many of the senior state officials being involved in smuggling, contrabands, tax evasions and land grabbing.

In the two consecutive SELDI surveys (2001, 2002), respondents reported the highest level of pressure on citizens from public officials soliciting corrupt compensation, tolerance in principle of corruption, involvement in corrupt practices, and pessimism over their country's ability to deal with corruption.[2] Every second citizen has admitted to paying a bribe to a public official since 1999, as reported by the World Bank. This is not restrained to private individuals. Research shows around 7% of business revenue being allocated for bribes. According to the survey done by the Institute for Development Research and Alternatives (2009), corruption is prevalent in all official sectors, with custom officers, tax officials, ministers and parliamentarians perceived as most corrupt (see Figure 7 below). Data shows that the overall public experience with corruption has declined since 2005, however significant improvements still need to be made.

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[2] Mathisen, H. W. Donor roles in face of endemic corruption - Albania in the policy debate. Chr. Michelsen Institute, p. 3.

Figure 7: General public perception of corruption (2009)

Source: Institute for Development Research and Alternatives (IDRA)

5. Fight against corruption

In response to the increasing public awareness and dissatisfaction of corruption, over the years the government has made some steps to fight it. After the public uprising in 1997, the government made the first survey of corruption and in 1999 the Governmental Commission of the fight against corruption was established. In 2000 national anti-corruption strategy was drafted followed by the establishment of the Department of Internal Auditing and High State Audit. Even though this highlights positive progress, most of the institutions are still highly politicized and often used as a tool for fighting opposition leaders rather than actual corruption. Furthermore they have limited powers and can only advise the government and judicial authorities.

Over the years Albania has managed to establish a strong legal base, which as recognized by the GRECO evaluation of 2008[3], meets the requirements of the Criminal Law Convention on Corruption. The Albanian Criminal Code covers all types of corrupt behavior (promising, offering or

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[3] Group of States against corruption. (2009). *Evaluation Report on Albania on Incriminations (ETS 173 and 191, GPC 2)*. Strasbourg: Directorate General of Human Rights and Legal Affairs Directorate of Monitoring.

giving and requesting, receiving or accepting) and after the amendments made in 2004, which established a completely new system of corruption offences, meets the international standards. GRECO evaluation also noted the will of the authorities to comply and make further necessary changes.

Nevertheless corruption continues being a big problem in Albania. The lack of separation of the legislative and executive branches of the government in particular has held back the fight against corruption. Furthermore the two leading political parties are not policy oriented, but stuck in a struggle to capture state power. Whoever wins the elections, which are usually subject to fraud, has then the power to change the whole state structure. For example a new minister can appoint officials in all prominent positions. The implementation of legislation has been hampered by frequent legal amendments, which have established a complicated and incoherent system, and, the absence of legal definitions of key terms used in the Criminal Code. All of these have significantly held back the development of democracy as well as the creation, implementation, and enforcement of proper policies.

6. Regime characteristics by corruption

With a high level of administrative corruption and state capture, uneven and disputed power distribution, unfair and unpredictable distribution of public goods, poor private/public distinction and social acceptability of corruption, Albania has competitive particularism type of regime (Figure 8).

Figure 8: Regime characteristics by corruption

| Regime	Power distribution	"Ownership" of the state	Distribution of public goods	Social acceptability of corruption	Public/ Private distinction
Patrimonialism	Monopoly	One or few owners	Unfair but predictable	Moderate	No
Competitive particularism	**Uneven and disputed**	**Contested**	**Unfair and unpredictable**	**Low**	**Poor**
Universalism	Relatively equal	Autonomous	Fair and predictable	Very low	Sharp

Source: A typology of governance. Adapted after Mungiu-Pippidi (2006)
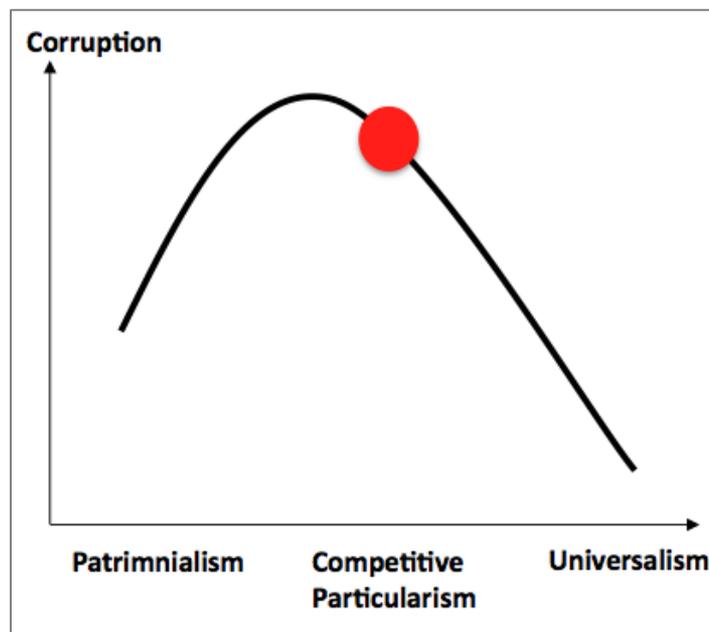
Looking at the evolution of corruption, as assessed by the quality of government indicator, which is the mean value of 'corruption', 'law and order' and 'bureaucracy' measurements, and, democracy, as assessed by press freedom, the relationship is not clear-cut (Figure 11). Since Albania gained its independence in 1990s, 20 daily newspapers and a number of broadcasts were created, leading to a significant improvement in press freedom (Figure 9). However since 2002, the progress has stopped. The government still has an undue influence in the public broadcasts and pressures

private media operators, which to begin with lack transparency in terms of ownership. Quality of government on the other hand shows a different trend; deterioration till 2000 and then an unsteady upward trend (Figure 10).

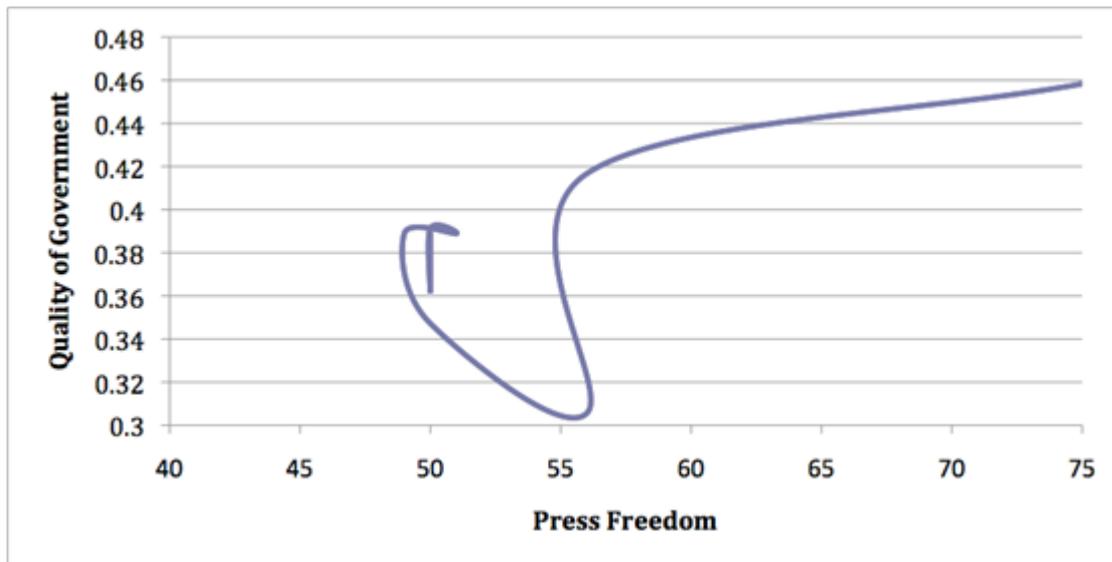**Figure 9: Evolution of Press Freedom (1996 - 2008)**
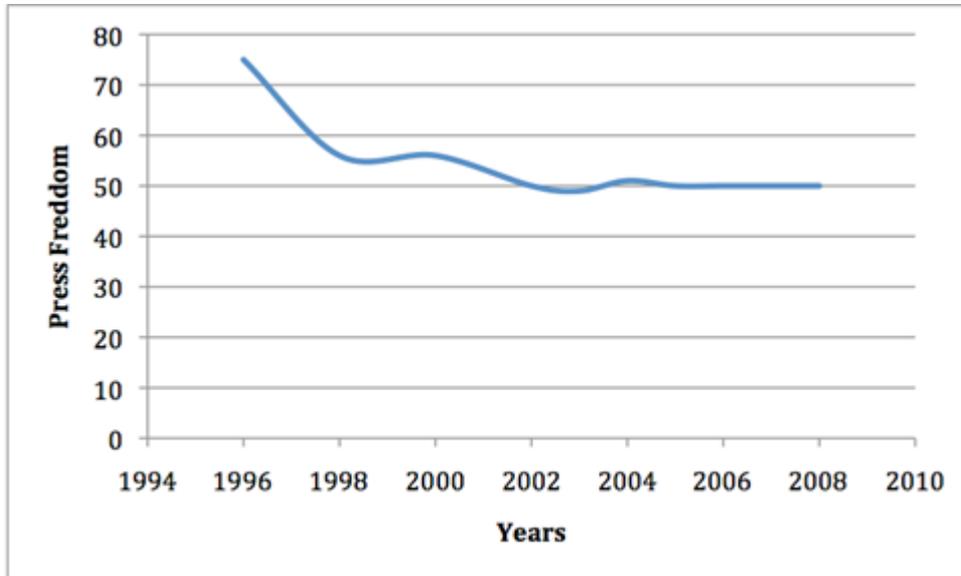
*Press freedom indicator is scaled 0-100, with higher values representing lower level of freedom. Source: Freedom House

Figure 10: Evolution of the Quality of Government (1996 – 2008)
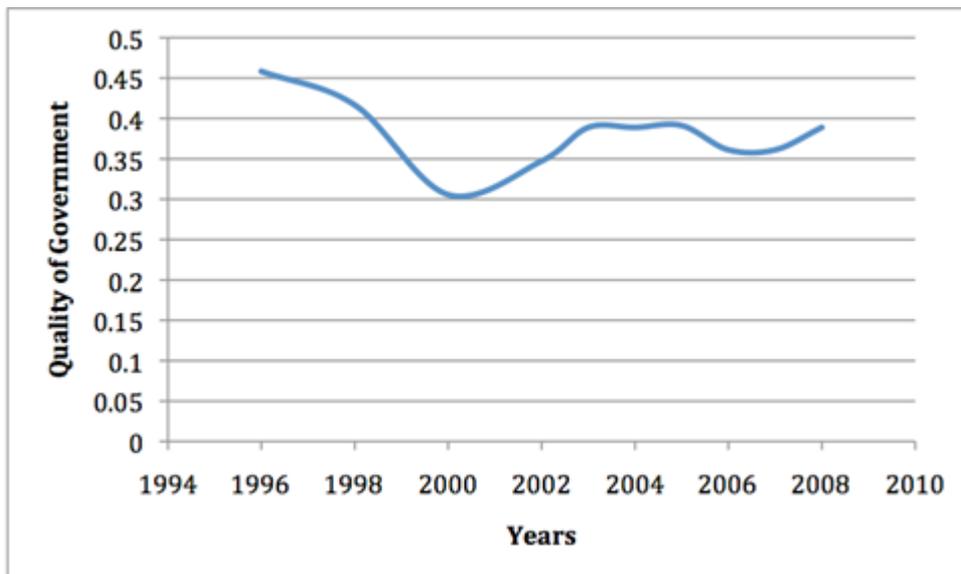
* Quality of Government indicator scale 0-1, with higher values indicating higher quality of government. Source: Quality of Government Institute

Figure 11: Quality of Government and Press Freedom

* Quality of Government indicator scale 0-1, with higher values indicating higher quality of government. Press freedom indicator is scaled 0-100, with higher values representing lower level of freedom. Source: Freedom House and Quality of Government Institute

7. Drivers of change

European Union is one of the most important drivers of change. Albanian government has identified EU membership as its key policy objective and therefore has started the implementation of the required reforms in the areas of public administration and rule of law in particular. In 2006 the SAA agreement with the EU was sighed and in 2009 Albania submitted its formal membership application. The most recent development has been visa liberalization approved by the European Parliament (2010), which was a result of EU's recognition of Albania's advancements in the strengthening of law enforcement capacities, implementation of the legal framework in the area of the confiscation of organized crime assets in particular. European Union has identified Public Administration's legal framework and civil service system to be mostly in line with the European standards and practice.

International Community, NGO's, Media and the general public are also important actors, which together with the EU should play an increasingly significant role in the future. Due to the high state capture and administrative corruption in Albania, reforms should first of all be directed towards changing the incentive structure of the political leadership. Costs of state capture should be increased and gains available from controlling the state reduced. Since leadership is part of the problem, the International Community should play an active role in supporting the implementation of

proper anti-corruption policies, which should be developed through a transparent political dialogue involving an active participation by the civil society.

Media is an important actor in facilitating this process. It should continue uncovering corruption scandals and discussing the meaning of corruption, which in some cases, such as paying a bribe to a doctor to receive treatment even though healthcare in Albania is a public good, has become a norm. It is very important that the international community supports the establishment of independent media channels. Furthermore NGOs and other international organizations themselves should carry out national educational campaigns. Since Albania doesn't have an extensive democratic history, the public still needs to discover its rights. When voters learn to hold representatives accountable for their actions, the demand for proper governance policy oriented politicians will emerge.

8. Bibliography

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9. Appendix

Hypothesis:
HO: There is no relationship between the variables.

Voice and Accountability
H1: Control of Corruption is higher in countries with higher **political participation.**
H2: Control of Corruption is higher in countries with higher **internet usage**.
H3: Control of Corruption is higher in countries with higher **press freedom**.
H4: Control of Corruption is higher in countries with better **electoral process and pluralism.**

Political Stability
H5: Control of Corruption is higher in countries with lower **number of years that the chief executive is in office.**

Economic Development
H6: Control of Corruption is higher in countries more **open to trade.**
H7: Control of Corruption is higher in countries with lower **informal economies**.

Government Effectiveness
H8: Control of Corruption is higher in countries with higher **regulation**
H9: Control of Corruption is higher in countries with better **functioning of government.**

Rule of Law
H10: Control of Corruption is higher in countries with an **independent judiciary.**