

Albania 2013



Total: 55.01

Quick facts

Population:	3.16 million
Population growth:	0.29 %
Unemployment rate:	15 %
GDP:	26.54 billion \$
GDP growth rate:	1.3 %
GDP per capita:	8200 \$

Political Freedom

Free and Fair Elections : 6.43

The last elections in Albania (June 2013) took place in the much calmer environment than four years ago, when fraud allegations brought up by the opposition, resulted in an oppositional boycott of the Parliament, which effectively slowed down the Albanian EU accession process. The numerous incidents (one of them resulted in a loss of a life) have not damaged the overall process of free elections, nor did it damage the outcome in a decisive way. The election campaign was sound and competitive and although the media coverage was far from balanced, the political debate was more substantial than it was four years ago.

Despite the visible progress, dispute-solving mechanisms were not effectively implemented, which resulted in numerous delays during vote counting and announcement of results.

Absence of Unconstitutional Veto Players : 5

Influential interest and business groups have soft powers in Albania. They are able to influence police, media, the judiciary and, ultimately, legislation.

Albanian organised crime groups are among the most expanding and connected criminal groups in Europe and the Balkans. Their network of operations expands far beyond this region. Albanian organised crime groups are specialised in trafficking, production and distribution of narcotics, as

well as in illegal trading of arms, cars and human trafficking. Crime groups are organised in clans, which are deeply rooted into social structures. They are hybrid organisations, suspected to be involved both in criminal and in political activities. Their influence in political developments in the region, particularly in Kosovo is suspected to be significant.

Freedom of Press : 5.1

The press in Albania is partly free. Media is seen by politicians as a tool to spread their message rather than providing citizens with independent reporting. The owners of the press define the scope of reporting. Media is far from performing its role as the fourth pillar of the state since rule of law is not advanced enough. Albania does not have a press council but an ombudsman for the right to information. Despite having satisfactory legislation in place the implementation remains incomplete.

Rule of Law

Independence of the Judiciary : 3.22

The Albanian judiciary continues to struggle to remain independent and display meaningful separation of power. This remains difficult because members of the highest level courts are dependent upon the ruling party for their appointment.

During recent years, there were several rows between the Parliament and the President over nominees for high ranking positions in the Constitutional Court and High Court of Justice. There seems to be less political interference when it comes to nominations for low and medium level court appointments, however these officials are still prone to political pressure.

The process of lustration (of communist-era human rights violators), as established in 2009, has occasionally been misused for political vendettas.

Corruption : 3.1

Corruption levels (in politics and administration) are notably higher than the world average, according to the last survey of Transparency International. The top vulnerable areas are the judiciary, police force, public infrastructure works, environmental protection and professional licensing. Budget openness is minimal and political partisanship, nepotism and tribalism are rampant in public sector employment. There is a positive correlation between “efficacy” of administration and elections, indicating political corruption. Attempts at prosecuting high level corruption have delivered meager results. A number of governmental institutions are in charge of fighting corruption and organised crime, but their field of responsibility is unclear and meaningful activities are sporadic. Albania was ranked 113 of 176 in the Transparency International’s Corruption Perception Index in 2012 – a considerable setback when compared with the 2008 result of 85 of the 180 countries surveyed.

Protection of Human Rights : 5.58

On average, human security risks around the world average. They are low regarding disappearances but high regarding torture or other ill treatment in custody or prison, extrajudicial killings and, especially, arbitrary arrest and detention. There is also a high prevalence of child labor. Working conditions are poor, while there is a high level of discrimination, in particular nepotism or political cronyism, in the workplace. Involuntary labor and human trafficking are widespread, while freedom of labor association and legal opportunities for collective bargaining are seriously limited. The implementation of the restitution of private property collectivised during the communist era is hindered, while respect of civil rights is sketchy. Freedom of religion is very highly respected and the level of inter-faith tolerance is admirable. Ethnic minorities enjoy basic rights, however women and other minorityâ€™s rights are highly compromised. In spite of state-of-the-art legislation, strong homophobia persists and the LGBT population is not just discriminated against, but suffers total exclusion from society.

Economic Freedom

Security of Property Rights : 4.97

Private property in Albania is relatively insecure. Major drivers of modest security of property rights sub-score are poor results in the elements of independence of the judiciary and the overall integrity of the legal system. Both remain the main obstacles to protection of private property rights in Albania. Legal procedures are sluggish and property rights are not well defined in some areas.

Since 2010, imposition of amendments to "The Law On Foreign Investments" introduced new restrictions to buying commercial property which will affect future results in this particular sub-score. Agricultural land can only be leased and not purchased, while commercial properties may be purchased only with a guarantee of threefold investment against the value of the land.

A major advantage in protection of private property is high security provided by reliable policy and absence of military interference in rule of law and politics. This provides the basis for needed judiciary reforms to improve protections of property rights.

Size of Government: Expenditures, Taxes, and Enterprises : 8.26

Government in general is mostly absent from direct participation in the economy. This results in excellent sub-scores putting Albania in the front of the region and almost all other European countries. The main driver of the good score is the size of government spending. Even though, at the beginning of the recession, spending experienced a steep rise, recent developments are reassuring. After running the top deficit of 7.4% of GDP in 2009, the Albanian government decreased its spending to 3.1% of GDP in 2012. Subsequently, government spending has been brought back to pre-recession relative levels, leaving consolidated government expenditures at only 27.2% of GDP in 2012. During this time it was possible for Albaniaâ€™s taxation system to stay favorable towards personal income and labor costs, especially in comparison to the region. Both personal and corporate income tax rates are at the level of 10%.

There are some deficiencies in Albania's Size of Government sub-score. The public sector is still

significantly involved in utilities, infrastructure and some public companies. Most notably, in the recession years, government transfers and subsidies were increased in efforts of direct intervention to cancel the downturn effect. This may be a major concern in the future if governments continue to interfere in the economy.

Regulation of Credit, Labour, and Business : 6.23

Regulation in general is permissive to private business in Albania but still, much more can be done to mitigate uneasiness for a functional market economy. Starting a business is relatively easy regarding procedures and requirements for private investors. It takes up to 30 days and seven procedures to legally start a business. However, bureaucracy costs are significant, both legal and within the realm of corruption. Licensing and restrictions highly protect particular occupations. Regulation of credit is still at relatively high levels compared to other transitional countries, which is a result of the countries previously modest international financial integration.

The labor market still lacks significant flexibility. Firing regulations and powerful collective bargaining make hiring relatively expensive. Minimum wage is at about EUR 150 a month, which is at a relatively high level of 50% of GDP per capita. Favorable efforts were made by the liberalisation of working hours that could lead to further reforms in the future.

Freedom to Trade Internationally : 7.12

Trade freedom is at a high level in Albania. It is mostly in line with the CEFTA agreement with non-EU regional countries and the SAA agreement with EU. These define very low tariffs and barriers for entry. Still, some regulations hamper international trade as well as increase bureaucracy that adds to trade costs. This is especially the case with capital controls and labor restrictions, which are still present in practice. For further integration in global markets, and EU accession, it is expected that there will be more trade freedom in Albania in the near future.