

Albania 2015



Total: 57.51

Political Freedom

Free and Fair Elections : 7.5

General elections in June 2013 were competitive, taking place in an overall peaceful environment. Following the victory of the opposition, the transfer of power was carried out in a smooth way and the government was built by Edi Rama in a very short period of time. Local elections in June 2015 were predominantly in accordance with international standards. On the other hand, group voting was reported at a number of polling stations. The greatest problem during the election campaigns, both at the national and at the local level, has been in widespread misuse of power by state institutions. The introduction of the gender quota (50% of the candidates had to be women) was implemented only formally, since women candidates were placed towards the bottom of the electoral tickets. Even the women candidates who ran for mayors received significantly less media coverage than their male counterparts.

Absence of Unconstitutional Veto Players : 5

Few obstacles pose a threat to democracy and effective governance in Albania. Widespread corruption is still one of the largest problems of the country. Government has made some progress in the field, such as finalization of the new anticorruption strategy and adopting measures which aim to prevent conflict of interest among officials, however political and business elite remained untouched. There is a perception that close ties between politicians and wealthy businessmen can influence the decision making process. Also, the government does not hold effective control over its whole territory. There are some parts of the country known for criminal activities (primarily for drug trafficking), which reject state authority.

Freedom of Press : 5.1

The situation of media remains unchanged and must still be labeled as partly free. In their reporting on events, media are heavily dependent on their ownership structure. They are thus used as a tool to spread information favourable for an interest group or a political party. The state's media regulator – the Audiovisual Media Authority – follows the interest of the ruling party. The ruling party channels funds to the media and makes sure that journalists do not deviate. Else they would lose their job. With the country's efforts to join the European Union, the opportunities arise to make legislation more transparent. But this will take time, because the main problem is rooted in a lack of democratic culture and in a tradition of a centralized state claiming to represent the interests of all its citizens.

Rule of Law

Independence of the Judiciary : 2.84

Albania's judiciary struggles to gain its independence against various outside influences. In the lower courts, corruption is still a huge problem. In high courts, politicians (parliament, President, justice minister) have a say over the appointment of judges or disciplinary measures. Access to justice is sometimes hindered. The trust in courts is traditionally low. Blood feud reappeared in post-communist era, taking thousands of lives, mainly in the north. Unlike neighbouring Kosovo, itself until 1992 heavily struck by blood feud but now largely free of it (except between criminal clans), whereby NGOs played a key role in the turnabout, Albania's civil society still looks for ways to rebuild social cohesion and trust in the legal system. The conditions in prisons are bad. There were cases of police abuse in detention, including torture, corruption and extortion. The post-2013 PS-led government replaced a number of officers and disbanded several units due to either inefficiency against organized crime or abuse. EU-based GRECO group is assisting Albania in fighting corruption, including in judiciary. In 2015 the Parliament started implementing the judicial reform strategy until 2020, drafted together with the Venice Commission.

Corruption : 3.3

After setbacks in 2013, Albania's Corruption Perception Index of the Transparency International went back to the 2012's level of 33, placing her 110 (of 175 countries) in 2014. As Freedom House reckons, corruption is pervasive. EU's Progress Report as of October 2014 noted a number of efforts taken by the government to suppress it. Measures included firing 20 central bank officers, resignations of MPs or a deputy minister due to conflicts of interest and, in October 2014, charges against 16 government officials. To it, new laws were enacted. In September 2014, the law on freedom of information was carried, enabling civil society and citizens to better monitor corruption-vulnerable government activities. National anti-corruption strategy 2014-2017 was adopted in December 2013. Concrete action plans were elaborated throughout 2014. In February 2015, an anti-corruption web portal was launched, demonstrating the already present considerable modernization in approaching and combating corruption.

Protection of Human Rights : 5.81

The situation regarding human rights in Albania has improved by 2014. In October, the European Commission has reported on a “mixed picture” of the protection of minorities in Albania. Inter-ethnic relations were overall good, but Romany and Egyptians needed far more protection and support. As Freedom House noticed, during the parliamentary elections in 2013 ethnic minorities had access to ballots and other material, as well as freedom to campaign, in their mother tongues. Some of the local government units are drawn along ethnic lines. The July 2014 nationwide reform of the territorial organization reiterated it, even though Macedonian and Greek minorities complained that there could be more ethnic-based units. Women are underrepresented in politics, but that has been changing, from top (government cabinet) to bottom. Sex trafficking is still a huge problem. The number of reported cases of domestic violence sharply increased during 2013-2014, but that actually reflected an increased awareness and more opportunities for victims to seek protection from the state. Alas, as Amnesty International claims, majority of reported cases still do not result in criminal processing of the perpetrators, while government safe-houses, stationed mainly in the deserted military barracks, do not meet international standards. By various reports, the position of LGBT community started improving, after several years during which the anti-discrimination law of 2010 had been a dead letter. Changes to the Criminal Code as of 2013, introducing protection against hate crimes and hate speech, are believed to have contributed to positive developments. In May 2015, Albania’s Parliament pledged “to protect rights and freedoms of persons belonging to the LGBT community” and issued a number of adjacent concrete recommendations to various government bodies.

Economic Freedom

Security of Property Rights : 4.36

Private property in Albania is not well protected. Judiciary is not independent from vested private interests in connection to state offices. Courts can be partial in their dealings. Enforcing contracts is another problem for the legal system – the high number of legal procedures incurs cost and leads to long processes, breaching reasonable deadlines. The acquisition of agricultural land by foreign nationals is restricted. It can only be leased up to 99 years, but not purchased. However, this regulation can be circumvented by registering a foreign owned legal entity. Commercial property may be purchased only with a guarantee of threefold investment against the value of the land. The cadaster service is incomplete, which, coupled with still unresolved property restitution, diminishes certainties of real estate purchase, although the introduction of public notary service has improved the situation. Private property expropriation carries a significant risk to property holders, because of the low compensation offered by the state, which is usually significantly lower than the perceived market value. That leads to a high number of petitions against the state of Albania in front of the European Court of Human Rights and subsequently high payable damages.

Size of Government: Expenditures, Taxes, and Enterprises : 8.17

The low level of government expenditure of 31.8% of GDP in 2014 is a contrast to the European or regional average with more prolific public spending. However, public revenues are lagging, giving rise to high budget deficits, increasing the public debt to a substantial level of 72.5% of GDP. The deficit in 2014 increased unexpectedly for almost 10 percentage points (from 5.1% to 5.6% of GDP) due to government support for the national electrical company KESH, through energy subsidies and loan guarantees for investments. This remains a large fiscal burden, thus more concrete measures, such as energy tariff changes and management restructuring should be made in order to alleviate it. The necessary fiscal consolidation is important due to rising medium term costs due to demographic changes – the reforms of the pension system which increased the number of people participating will have to be strengthened by parametric changes. High arrears of the state also pose a significant problem. Low public consumption led to low taxes: personal income tax is slightly progressive, with rates of 0%, 13% and 23% (with low thresholds, being approximately 20% on average wage), while the corporate tax is flat at 15%. Social security contributions lead to labour tax wedge slightly below 30%.

Regulation of Credit, Labour, and Business : 6.65

Regulations are generally favorable to private business in Albania, but many more improvements are necessary to support market economy development. Starting a business is relatively easy regarding procedures and requirements for private investors, with only 4.5 days and 5 procedures to start a new venture. However, dealing with Albania's bureaucracy is costly and corruption remains a serious issue. Complicated tax collection regulations prove to be a significant burden on Albanian enterprises, while getting electricity and obtaining construction permits are very long and costly processes. The labour market is generally inflexible - a trait that was common among the countries of the region, but has been slowly abandoned. Collective bargaining is prevalent in some industries (and in the public sector), leading to serious constraints. Furthermore, low notice periods for redundancy workers, as well as generous severance pay and priority reemployment rules make firing regulations restrictive. The relatively high minimum wage, set at 45% of the average monthly wage, leads to widespread shadow employment among workers with lower qualifications.

Freedom to Trade Internationally : 8.78

The freedom of international trade is generally respected in Albania. Still, there are regulations that impede international trade, such as bureaucratic procedures in standardization of products. Furthermore, very bad railroad infrastructure bears significant impediment on international trade, restricting cargo freight to road transportation, thus increasing cost. Capital controls and labour restrictions on foreign nationals, through complicated documentation necessary for obtaining permits, are still present in the country. Albanian trade is mostly conducted under the Stabilization and Association Agreement (SAA) for the EU countries, signed in 2009, and under Central Europe Free Trade Agreement (CEFTA) with countries from the region. Main trade partners are EU countries of geographical proximity, most notably Italy and Greece, accompanied by Germany and Turkey. Albania is not well integrated into the regional economy, due to bad transportation connections and little previous contacts, so prospects of CEFTA are not well utilized. The only cooperation worth mentioning is with Kosovo. Natural gas and oil sites make Albania the only country in the region not relying on energy imports from the Russian Federation. It should be noted

that future Albania's EU accession process will foster trade freedom by further liberalizing trade.