

**PROJECT ON PREVENTING FAILED STATES:
ALBANIA**



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Our Mission

The National Committee on American Foreign Policy was founded in 1974 by Professor Hans J. Morgenthau and others. It is a nonprofit activist organization dedicated to the resolution of conflicts that threaten U.S. interests. Toward that end, the National Committee identifies, articulates, and helps advance American foreign policy interests from a nonpartisan perspective within the framework of political realism.

American foreign policy interests include

preserving and strengthening national security;

supporting countries committed to the values and the practice of political, religious, and cultural pluralism;

improving U.S. relations with the developed and developing worlds;

advancing human rights;

encouraging realistic arms-control agreements;

curbing the proliferation of nuclear and other unconventional weapons;

promoting an open and global economy.

Believing that an informed public is vital to a democratic society, the National Committee offers educational programs that address security challenges facing the United States and publishes a variety of publications, including its bimonthly journal, *American Foreign Policy Interests*, that present keen analyses of all aspects of American foreign policy.



CONTENTS

Executive Summary	3
Background and Context	7
International Stakeholders	9
– The United States	9
– The European Union	9
– The North Atlantic Treaty Organization	10
– International Financial Institutions	10
– The United Nations	11
– Democracy Stewards	11
Findings/Recommendations	13
– Governance	13
• Elections	13
• The Rule of Law	14
• Corruption and Criminality	16
• Civil Society	18
• Human Rights	20
– Economy	20
• Economic Reform and Development	20
– Security	23
• Terrorism	23
• Security Cooperation	24
Policy and Donor Coordination	25
– America’s Role	26
Appendix A: Acronyms	29
Appendix B: About the Author and the Project Coordinator	30
Appendix C: Project Advisory Committee	31

EXECUTIVE SUMMARY

Albania is at a fork in the road. If it goes down one path, it may become a failed state run by criminal networks and serve as a transit point for weapons, narcotics, and trafficking, as well as a haven for terror groups. The other path leads to peace and prosperity consolidated through membership in Euro-Atlantic structures. This report of the National Committee on American Foreign Policy proposes measures to enhance Albania's stability, security, and sovereignty. Its recommendations are offered to the United States, representatives of the international community, and the Albanian government.

Governance

Parliamentary elections (July 3, 2005) are the next milestone in developing democracy in Albania. Albania cannot afford another disputed election or a continuing struggle for power. To enhance prospects for free and fair elections, international election observers should be deployed across the country with credentials issued by the Central Election Commission (CEC) to observers up to 72 hours before the ballot.¹ The government should also implement recent amendments to the Electoral Code and update the registry of voters. International donors should make clear that foreign aid is tied to election transparency and the willingness of Albania's political leaders to abide by results.

The party that wins the elections must make a strategic decision to implement reforms required under the European Union (EU) Stabilization and Association Process (SAP). Rather than take an *ad hoc* approach to good governance, the government should work with international donors to conduct a comprehensive strategic plan determining needs, assessing institutional capacity, and estimating costs for institutions involved in implementing the rule of law.

Public confidence is essential. Judges should be appointed based on merit. After impartial vetting, corrupt or incompetent judges should be removed from the bench. International donors should provide funds for equipment, infrastructure, and salaries based on benchmarks for reform. To promote accountability, donors should provide resources to local nongovernmental organizations (NGOs) that expose incompetence and corruption (e.g., Judicial Watch) and support civil society groups that monitor police performance (e.g., People's Advocate).

Consistent with decentralization objectives, mayors and municipal governments should have greater authority to collect customs and taxes. Donors should expand grants provided directly to mayors and local governments. The government should pursue decentralized crime-prevention strategies by encouraging cooperation among municipal mayors, community-based development institutions, and local police in addressing neighborhood safety and security needs. Community-based policing would be enhanced by involving citizens in crime prevention.

Corruption is widespread and has a corrosive effect on governance. The government can prove it is serious about cracking down on corruption by arresting and prosecuting high

profile violators. It should launch an anticorruption campaign by empowering an Anticorruption Commission run by an anticorruption czar who would be responsible for coordinating monitoring and enforcement. Reducing the number of officials covered by immunity and publishing a list of criminals barred from government service would demonstrate that no one is above the law. A transparent process is necessary to avoid the appearance of political motivation or personal bias.

Informed by Racketeer Influenced and Corrupt Organizations (RICO) legislation, the government should confiscate property and seize criminal assets that can help finance the criminal justice system once they have been sold off. It should also enhance institutional structures needed to implement the Money Laundering Law and enforce penalties on officials who fail to report relevant transactions. The international community can assist not only by imposing travel and financial restrictions on Albanian political figures who cooperate with organized crime but also by publishing a list of Albanians known to be involved in criminal activity and conditioning financial aid on their arrest and prosecution. Trafficking can be addressed by training and by providing adequate salaries to local enforcement personnel and customs officials. Regional antitrafficking centers should also be set up in parts of the country where trafficking is prevalent.

Civil society must take greater responsibility for demanding progress and holding the government accountable. Legal procedures for incorporating local NGOs, including applications for tax-exempt status, should be simplified. Civic education focused on democracy, the rule of law, ethics, and corruption should be expanded. To promote independent media, legislation should be adopted guaranteeing the independence of print/electronic media. Also, steps should be taken to finalize the National Plan for Radio and Television frequencies, ensure the independence of the National Council on Radio and Television, and complete the transition of RTV from state television to a neutral public service broadcaster. NGOs can play a more active role in setting development priorities and participating in the World Bank's Country Assessment Strategy (CAS) for Albania.

Since pluralism is pivotal to the coexistence of Albania's multiethnic citizenry, the government should adopt minority rights laws in conformity with the Council of Europe's Framework Convention on the Protection of National Minorities; include more Greeks in the police and public administration that serve ethnic Greek communities; and implement the "National Strategy for the Improvement in Living Conditions of Roma."

Economy

Though Albania is experiencing solid economic growth and has a stable macroeconomic policy, efforts to alleviate poverty and address development challenges will flounder without the rule of law. Economic development is hindered by low rates of Foreign Direct Investment (FDI). Problems are compounded by inadequate progress in privatization, poor infrastructure, and unreliable energy supplies.

To stimulate investment, macroeconomic performance can be enhanced by improving tax revenue collection rates, strengthening audit procedures, enforcing procurement rules, and establishing a transparent budgeting process.

The government should give priority to clarifying land titles, developing data on properties available for restitution or compensation, identifying outstanding claims, and creating a credible financial plan to cover compensation costs. It should also develop a national registry of properties that would clarify ownership.

Addressing poverty, the government should establish priorities for the goals set out in the National Strategy for Socio-Economic Development (NSSD), link the NSSD goals to the budgeting process, and match donors with priorities. The Mountain Areas Development Agency should be expanded, and “centers of excellence” established nationwide to encourage even growth. Also, modernizing the agricultural sector and developing a national export strategy supported by better infrastructure would yield benefits. Priority infrastructure projects include the east-west corridor (Durrës/Varna/Bourgas through Skopje and Sofia), the north-south corridor (connecting Greece to Montenegro), the Durrës-Kukes-Morinë Road leading to Kosovo, and Railway Rehabilitation/Modernization.

The government can ensure more regular energy supplies by diversifying from hydropower to thermal and encouraging private power producers as well as private transmission system operators. It should improve the utilities’ metering/billing system and improve collection rates by cutting off households and government clients for nonpayment. Upgrading the cross-border transmission network would also allow Albania to participate in the Southeast Europe energy market with Greece, Bulgaria, Macedonia, and Montenegro.

Security

With its weak governance, porous borders, and criminal networks, Albania has all the characteristics of a fragile state that could become a haven for terrorists. The risks, however, should not be overstated. Albanians traditionally have been secular and pro-Western. Since 9/11 Albania has sent troops to Iraq and Afghanistan. Albania is a staunch supporter of the United States; it continues to share information and investigate terrorist-related groups and terrorist financing. All Albanian political parties have endorsed integration with Euro-Atlantic structures and close security cooperation with the United States.

To prevent terror groups from penetrating Albania, the government should increase the capabilities of the Financial Intelligence Unit of the Ministry of Finance and the Police Economic Crime Unit. It should also audit local charities that receive financing from overseas to determine whether they are conduits for terrorist financing. Further, the government should monitor madrassas to ensure that they do not foment violence.

Compliance with Membership Action Plan (MAP) criteria would accelerate Albania’s

integration into NATO's Partnership for Peace (PFP). The government should broaden efforts to professionalize the military and strengthen civilian controls while modernizing and downsizing the armed forces. Albania's security interests would also be advanced by deepening regional cooperation under the Adriatic Charter.

Policy and Donor Coordination

Though the ultimate responsibility lies with the Albanians, the development of Albania will require the active participation of international stakeholders. To this end, it is imperative that the government develop a coherent interagency process that would formulate policies and set program priorities. Mirroring this structure, international donors should work cooperatively to formulate development assistance strategies. Since the prevention of conflict is a priority of both the United States and the EU, Albania is an ideal case for trans-Atlantic cooperation.

Coordination between agencies in Albania would be enhanced by designating a senior government official to exercise overall responsibility and report directly to the prime minister. Regional coordination should emphasize collaboration with neighboring states on crime, trafficking, investment, and energy. In addition, the government should encourage international donors to strengthen the "Consultative Group for Albania" (CGA) chaired by the EU and create donor working groups organized thematically and led by a donor for each sector.

America's Role

Though Albania's future lies with Europe, U.S. leadership is always necessary. Events in the 1990s underscored the fact that nothing happens in the Balkans without American involvement. Policy and donor coordination will not succeed unless the United States proactively

- coordinates activities with other international stakeholders;
- encourages Albania to meet standards, propelling it on the road to qualifying for funds through the Millennium Challenge Corporation (MCC);
- emphasizes building absorptive capacity consistent with USAID's "Fragile States Strategy";
- expands USAID assistance focused on innovations (e.g., helping customs officials modernize procedures, meet revenue targets, and reduce opportunities for fraud);
- reaches out to the U.S. private sector, informing companies of the activities in Albania of the Trade Development Agency and the U.S. Overseas Private Investment Corporation (e.g., loans and guarantees for private power producers and private utility system operators);
- expands the number and quality of commercial staff in the U.S. Embassy/Tirana;
- increases the number of university scholarships through the Fulbright Program;
- and provides access to the resources of U.S. NGOs, strengthening Albania's civil society (e.g., Carter Center community consultations on the reduction of poverty, the American Bar Association's Central and Eastern European Law Initiative on building the capacity of the judiciary, and Freedom House's support for independent media).

BACKGROUND AND CONTEXT

Background

Albania is located on the eastern shores of the Adriatic Sea. It borders Montenegro to the north, Kosovo to the northeast, Macedonia to the east, and Greece to the south. It has a population of 3.5 million, of whom more than 98 percent are ethnically Albanian. Greeks are the largest minority group, making up 1.4 percent of the population; other minority populations include Macedonians, Vlachs, Montenegrins, and Roma.² Though religious practice was banned for most of the cold war, religion survived. Today almost 70 percent of Albanians are Sunni or Bektashi Muslim, 20 percent are Eastern Orthodox, and the rest are Roman Catholic.³

Large populations of ethnic Albanians live outside Albania's borders. In Kosovo there are more than 2 million ethnic Albanians—90 percent of the population. About one-third of Macedonia's citizens are ethnic Albanian; 60,000 ethnic Albanians live in Montenegro. Albanians constitute a majority of the population in Serbia's Presevo and Bujanovac municipalities.⁴ Albanians in the Balkan region are composed of the Geghs and the Tosks, who are distinguished from each other by dialect as well as by geography: Geghs live to the north, and the lowland Tosks live to the south of the Shkumbini River, which bisects Albania.

Historical Context

The Ottoman Empire ruled Albania from 1385 to 1912. There a distinct people called Illyrians fiercely resisted Ottoman control. In 1443 Skenderbegh formed a league of northern tribes and launched a guerrilla war. Whereas Geghs were Muslim shepherds who lived largely free from Ottoman rule, Tosks were a mix of peasant Muslims and Orthodox people under the sultan's authority. Differences between Geghs and Tosks exist to this day. So does a tradition of respect for strong clan leaders who resist rivals or domination by outside powers. Many Albanians converted to Islam in the 17th century, but communist rule (1944-1991) reinforced the secular attitude of Albanians.

In 1944 Enver Hoxha, secretary general of the Communist party of Albania, overthrew King Zog and declared the People's Republic of Albania. Forty-five years of autocratic rule by Hoxha and Ramiz Alia turned Albania into one of the world's most closed countries. Both ruled with iron fists. Albanians, living in fear of brutal police oppression, were subjected to endless propaganda campaigns designed to thwart opposition to the state. Communist rule left Albania isolated, economically backward, and politically corrupt. The communist legacy, combined with the country's Ottoman history and clan structure, has entrenched a hierarchical system that stifles individual responsibility and initiative. Endemic corruption and political leaders more interested in power than reform have consolidated authoritarian tendencies. Lack of effective leadership has also fueled widespread cynicism.

Economic and political stagnation continued until the end of the cold war, when Albania held its first multiparty elections. Alia ran as the leader of the Socialist party of Albania

(SPA), the new name for the ruling Communist party. Though the SPA claimed victory, Albanians took to the streets in March 1992. Sali Berisha's Democratic party of Albania (DPA) inspired new hopes for Albania and support from the international community.

The DPA soon ran into problems. It was unable to institute reforms, including the adoption of a new constitution. There were widespread claims of corruption after the 1996 elections, which the DPA won in a landslide. Albania went from a highly regulated state to complete chaos in a matter of years. The undoing of the DPA came when a series of "pyramid" investment schemes collapsed. In 1997 nationwide protests devolved into riots and widespread lawlessness, including the looting of military warehouses. After declaring a state of emergency, Berisha entered into negotiations, which resulted in an agreement for early elections.⁵

In June 1997 the SPA-led coalition, headed by the party's leader, Fatos Nano, took 121 of 155 parliamentary seats in the elections. It has held power ever since. Nano's government was finally able to adopt a constitution in November 1998. The ensuing years, however, were tumultuous. SPA intraparty feuds resulted in power grabs and leadership shifts. The DPA boycotted the parliament for almost one year, and the government was paralyzed until the EU helped broker a compromise in 2002. Nano appointed rival SPA leader, Illir Meta, as deputy prime minister and entered into an agreement with Berisha ending the DPA's boycott. A year later, however, Berisha terminated the pact and Meta resigned, leaving the compromise in shambles. The SPA held onto power in the October 2003 elections, which were marred by irregularities and low voter turnout.

Albania straddles key transport routes and is an important factor in regional relations. It played a helpful role during the Kosovo crisis by welcoming hundreds of thousands of refugees to its territory. Despite their support for Kosovo's ultimate independence, Albania's political leaders have been a moderating force, urging changes in Kosovo's political status through negotiations and mutual agreement. Albania also supported the EU-brokered Ohrid Agreement that helped stabilize ethnic tensions in Macedonia (August 2001). Albania publicly rejects the establishment of a "Greater Albania," which would have a destabilizing effect across the Balkans.

INTERNATIONAL STAKEHOLDERS

The United States

In no other country is the United States more appreciated and Americans more admired than in Albania. When Secretary of State James D. Baker visited Tirana in June of 1991, he was welcomed by throngs in Skenderbegh Square. The positive attitude of Albanians has remained strong despite tepid interest by the current Bush administration.

Albania has tried to restore its close ties with the United States by supporting America's fight against terrorism and providing troops to U.S.-led military operations in Afghanistan and Iraq. Albania granted basing rights to U.S. troops to operate in its territory. It permits the U.S. Navy's Seventh Fleet access to its deep water ports and grants rights to U.S. warplanes to fly over its territory. Albania has provided 23 troops to the International Stabilization and Assistance Force for Afghanistan (ISAF)⁶ and recently increased the number of its troops in Iraq from 70 to 120.

The United States uses the standards of the Millennium Challenge Corporation (MCC) to measure good governance. For Albania to qualify for MCC funds eventually, the government must ensure election transparency; strengthen democratic institutions; improve its capacity to fight crime, corruption, and human trafficking; and lift obstacles to the effective mobilization of civil society, including independent media.

The 2004 U.S. Agency for International Development (USAID) budget for Albania was \$6.4 million. In addition, the U.S. Trade Development Program and Overseas Private Investment Corporation (OPIC) operate in Albania, and the United States has supported Albania's membership in the World Trade Organization (WTO). In 1995 the U.S. government allocated \$30 million to the Albania-America Enterprise Fund to assist economic development. The United States also supports the activities of the World Bank and the International Finance Corporation (IFC). Albanian-Americans number approximately one million, and there are about 800,000 ethnic Albanians in Western Europe. Diaspora remittances represent 12 percent of Albania's Gross Domestic Product (GDP).⁷

The European Union (EU)

Albania's primary foreign policy goal is to become a member of the European Union (EU). The EU is more than a political grouping or an economic coalition. It represents a community of values based on the principles of democracy, human rights, and free-market economics.

The EU's Stabilization and Association Process (SAP) represents a commitment by the organization to provide the necessary political, financial, and personnel resources to Balkan countries desiring membership. The Community Assistance for Reconstruction, Development and Stabilization (CARDS) was the mechanism for providing financial assistance to aspirant members until it was replaced by the Preaccession Instrument (September 29, 2004).

The SAP between Albania and the EU officially began in May 1999. The government appointed a state minister for European integration who was responsible for coordinating negotiations and the CARDS program. Commenced in January 2003, the negotiations to conclude a Stabilization and Association Agreement (SAA) committed Albania to harmonize domestic legislation with the requirements of the European Commission.⁸

The North Atlantic Treaty Organization (NATO)

NATO membership is Albania's other essential foreign policy objective. Albania was an indispensable partner during NATO's military action against the regime of Slobodan Milosevic in 1999. As a result, NATO's North Atlantic Council decided to broaden its cooperation with Albania through NATO's Partnership for Peace (PFP) and its Membership Action Plan (MAP). PFP is a bilateral agreement between NATO and a prospective member that emphasizes interoperability with NATO forces. It also seeks to develop indigenous force structures, enhance local capabilities, and promote a transparent budgeting and administrative system for managing the armed forces. MAP provides a roadmap for NATO aspirants. It requires the peaceful resolution of international disputes, civilian control of the military, the rule of law, and the development of a market economy. Albania is in its sixth year as a MAP country.

International Financial Institutions

Albania is a member of the World Bank, the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). Further, Albania is a member of the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB), which are active in the country.

The World Bank provides Albania with loans, grants, technical assistance, and policy advice. Since 1991 the bank has committed \$754 million in loans for 53 projects. Main areas are the energy sector, infrastructure, transportation, agriculture, public administration, and legal and judicial reforms. The Bank also has provided eight grants to finance environmental protection and development programs, including the conservation of Lake Ohrid. Mirroring Albania's NSSD, the Bank's Poverty Reduction Strategy Program (PRSP) was established in June 2000. In June of 2002 the Bank launched a Country Assistance Strategy (CAS) for Albania, which focused on reducing poverty and supporting the NSSD. It is currently conducting a new CAS for Albania and is welcoming input from civil society.

The IFC has committed more than \$125 million. To support Albania's privatization, the IFC and the EBRD each acquired a 19.5 percent stake in INSIG, Albania's largest insurance company. The IFC also supports Albania's financial sector, telecommunications, transport, energy, water supply, sanitation, oil and gas, mining and related industries, construction materials, tourism, and agribusiness. In addition, the IFC provides advisory services to

improve the performance of regulatory bodies in telecommunications and utilities, as well as financial and technical assistance to small and medium-sized enterprises (SMEs).

EBRD's work in Albania is focused on privatization and infrastructure. It supports power generation and electricity utilities that emphasize regional integration of the electricity grid. It works with donors to assist the financial sector and to provide loans and technical assistance to small businesses. In addition, EBRD is upgrading major surface transportation routes and developing water pipeline and distribution projects.

The United Nations

The United Nations (UN) presence in Albania consists of 17 UN agencies, including the International Organization for Migration (IOM), the United Nations Development Program (UNDP), the United Nations Population Fund (UNFPA), the United Nations High Commissioner for Refugees (UNHCR), the United Nations Children's Fund (UNICEF), the United Nations Office for Project Services (UNOPS), the United Nations Volunteers (UNV), the World Food Program (WFP), and the World Health Organization (WHO). Activities focus on reducing poverty; human rights; children's and women's rights and well-being; general and reproductive health; refugees and migration; work and labor; food and agriculture; education and culture; HIV/AIDS; disaster management; and drug control. The UN Country Team works in collaboration with central and local government, donors, and NGOs.

The UN involvement in Albania centers on the Millennium Development Goals (MDGs). Confirming its commitment to achieving the goals by 2015, Albania adopted the Millennium Declaration in September 2000. In addition to the eight standard development goals, the Albanian government and the UN agreed to add a ninth good governance goal, underscoring its importance to Albania's development.

Democracy Stewards

The Organization for Security and Cooperation in Europe (OSCE) established a presence in Albania in March 1997. Through the Office for Democratic Institutions and Human Rights (ODIHR), the OSCE promotes democratization and the rule of law. Its work is focused on legislative, judicial, property, electoral, and regional administrative reform, as well as parliamentary capacity building, law enforcement, and combating trafficking and corruption. It also supports the development of civil society and independent media.

Albania joined the Council of Europe in 1995. The Council's Venice Commission has provided advice on the constitution, capital punishment, and the Electoral Code. It helped draft constitutional provisions concerning the High Council of Justice, the appointment of judges to the Constitutional Court, and the involvement of public officials in unlawful economic activities. It played an active part in writing the new constitution. It also helped draft the

Electoral Code that addressed voter registries, voting procedures, and political party financing (June 19, 2003).

FINDINGS/RECOMMENDATIONS

Governance

Elections

Parliamentary elections (July 3, 2005) are the next milestone in developing democracy in Albania. Upcoming elections will provide for the direct election of 100 deputies in single-member electoral zones and 40 deputies from political party lists. Albania cannot afford another disputed election or an ongoing struggle for power. The European Commission (EC) has warned that Albania's failure to hold free and fair elections would result in its decision to freeze SAA negotiations.

Widespread irregularities and voter fraud were observed during the local elections of October 12, 2003, which were carried out on the basis of the new Electoral Code. International election experts concluded that required international standards were not met.⁹ Some problems involved the inability of Albania's Central Election Commission (CEC) to provide effective rules and the performance of poorly trained CEC personnel at polling stations. Other problems arose regarding procedures for voter registration, the organization of voter lists, and delays in the release of campaign funds to political parties. Widespread concern exists in Albania as well as the international community regarding the technical capacity of the CEC and potential efforts by the ruling SPA to pressure its members and staff. Concern also exists that the DPA may challenge election results, leading to an impasse and potential clashes between political groups.

To safeguard against fraud, the Electoral Code established new procedures as well as a system for complaints and appeals. Articles 18 and 19 provide broad rights to election observers, including the right to examine electoral material and documentation. In addition, the OSCE/ODIHR and Venice Commission recommended 89 amendments to the Electoral Code (November 2, 2004). The recent internal migration of up to 200,000 voters to Tirana underscores the importance of revising the voter registry.

Recommendations

1. *Monitor Elections.* The international community should deploy international monitors across the country, not only in major urban centers, to certify a free and fair ballot. The CEC can facilitate international monitoring by issuing credentials up to 72 hours before the vote. It should also clarify the Electoral Code (Article 18/Clause 3), which could be misconstrued to mean that only registered voters in Albania can act as election observers. All donors should stipulate that Albania's integration into Euro-Atlantic structures and receipt of foreign aid will be tied to election transparency and the willingness of Albanian political leaders to abide by results.
2. *Satisfy Standards.* Albanian authorities should emphasize the need for an impartial,

independent, and professional CEC that is committed to enforcing standards for free and fair elections as embodied in recent amendments to the Electoral Code. To avoid violence, the SPA and DPA should instruct campaign workers not to harass voters.

The Rule of Law

The “rule of law” is a shorthand term for a legal system in which justice is administered openly and fairly according to prescribed statutes and regulations; individuals and organizations are held accountable; judges are impartial; minority rights are protected; access to the courts and due process are available to all; and legitimate court rulings are enforced. It encompasses both criminal and civil law, the latter being crucial for economic development.¹⁰ In addition, the rule of law is based on the inference that there is a police service that is effective and respects rights. It also includes an overall system of transitional justice to prevent the reemergence of authoritarian power structures and to promote national reconciliation. Transitional justice, which emphasizes individual accountability, prevents whole groups from being blamed and helps to diminish a culture of impunity that can undermine public trust and delay democratic development.

Albania has struggled to implement the rule of law—a struggle that stems from its history of occupation and totalitarian rule. In 2004 the U.S. State Department noted that “Progress on promoting the rule of law and respect for human rights was hindered to varying degrees by corruption, weak institutional capacity and the lack of a democratic tradition.”¹¹ Albania’s judiciary lacks competence and independence. Many judges are unqualified and unprofessional. Basic infrastructure and equipment are inadequate. Corruption and criminal interference, which undermine the judiciary’s ability to operate efficiently and independently, are also responsible for the situation. Judges are often intimidated or bribed by criminal gangs. Though the Serious Crimes Court was established to crack down on organized crime, it lacks resources and the political support necessary to act effectively.

Albania’s police service is also poorly managed and ineffective. Its personnel are inadequately trained and notoriously corrupt. Of the more than 12,000 police officers, only 40 percent have received instruction beyond basic training. Official impunity is a serious problem. Though the Prosecutor’s Office reported 223 cases of corruption, the actual number is much greater.¹² Seizing on opportunities from Albania’s cash-based economy, police profiteer in the trafficking of weapons, narcotics, and human beings. In addition to working with local law enforcement, border police, and customs officials, traffickers enjoy protection from politicians who also benefit from illicit activities. A special unit has been set up within the Tirana Prosecutor’s Office to focus on financial crimes (e.g., taxation, customs, and public procurement). Whereas the international community is deeply concerned about trafficking, most Albanians place a much greater priority on property rights and common crimes such as assaults, car robberies, and street disturbances.

Decentralization and an expanded role for local mayors have emerged as priorities for

good governance and security. Albania has adopted laws on the “Organization and Functioning of the Local Governments” and the “Administrative-Territorial Division.”¹³ Consistent with Albania’s overall goal to decentralize governance and promote even economic development across the country, the EU has provided assistance to build the capacity of local government institutions and to strengthen local autonomy. Fiscal decentralization also gives local governments greater responsibility for the delivery of social services, as well as expanded roles in taxation and raising revenue.

Recommendations

1. *Build Public Confidence in the Judiciary.* Judges should be appointed based on merit, and after impartial vetting, those who are corrupt or incompetent should be removed from the bench. The government should prepare a code of conduct embodying ethical standards for lawyers and judges and develop a more transparent system for assigning cases, publishing decisions, and reviewing draft legislation. Links between the High Council of Justice and prosecutors should be strengthened. Judges active in political parties should relinquish membership when appointed to the court. A truth commission would enable society to address injustices in its past and demonstrate that justice has been done.
2. *Leverage Donor Support for the Judiciary.* International donors should provide funds for equipment, infrastructure, and salaries based on reform benchmarks. Funds should subsidize Albania’s School of Magistrates as well as courses in judicial ethics and support a legal monitoring system (e.g., via the OSCE) and local NGOs committed to exposing incompetence and corruption (e.g., Judicial Watch). International experts can help develop Albania’s criminal and commercial codes. Further, magistrates who would work alongside Albanian judges as mentors would enhance capacity and provide on-the-job training.
3. *Build Public Confidence in the Police.* Based on a study of safety and security needs, measures should be adopted to reduce the number of police, encourage early retirement, and fire inefficient or corrupt personnel. Guidelines should be provided through the publication of a consolidated manual of procedures for all police officers, including a code of conduct that reflects ethical standards. Civilians should manage activities aimed at police reform. Community-based policing would be enhanced further by involving citizens in crime prevention.
4. *Leverage Donor Support for Security Sector Reform.* A joint INTERPOL and OSCE Police Mission Assessment Team should be dispatched to assess capabilities and work with the government on a strategic plan for security sector reform. Based on findings, additional funds should be provided for equipment, infrastructure, salaries, and training in ethics. Police need to be able to measure their performance, publicize findings, and involve civil society in the critique. In addition to forming partnerships with the police, civil society groups should monitor police performance (e.g., the People’s Advocate).

5. *Decentralize Governance.* The government should accelerate local capacity building in the fields of local administration and the collection of taxes and customs. Local authorities should pursue decentralized crime prevention strategies that require cooperation among municipal mayors, community-based development institutions, and local police in addressing neighborhood safety and security needs. This will require steps to restructure police systems, flatten hierarchical management structures, and devolve authority. Donors should support decentralization efforts annually and work directly with local officials, especially mayors. For example, the UN Development Program could expand its direct support for local governance through direct block grants advancing the SAP.
6. *Condition Assistance.* Foreign aid should be linked to reform benchmarks via incentives and rewards that would motivate Albania's political leaders to meet the goals articulated in the SAP as well as MCC eligibility criteria. Further, Albanian authorities should work with the international community to devise a comprehensive strategic plan to determine needs, assess institutional capacity, and estimate costs for institutions involved in the rule of law.

Corruption and Criminality

Corruption undermines economic growth, jeopardizes financial stability, and weakens the ability of the state to meet basic needs. It discourages legitimate economic activity, destroys the middle class, and makes it difficult to attract Foreign Direct Investment (FDI) by requiring payoffs. Corruption combined with criminality also erodes public confidence in governing institutions and the formal economy. An estimated 50 percent of Albania's Gross Domestic Product (GDP) comes from illegal activities, including narcotics and human trafficking.¹⁴ According to Transparency International, in 2004 Albania had a score of 2.5 of 10 in combating corruption, and it ranked 108th in the corruption index of 145 countries.¹⁵

Albanian officials are not innocent bystanders. World Bank data suggest that 77 percent of Albanian companies pay bribes¹⁶ to register companies, obtain permits/licenses, and convince officials to look the other way so that businesses can evade taxes by mislabeling goods, underreporting income, and falsifying employment figures. Customs collection rates are low. In addition, tax revenue collection is on the decline because of smuggling and fraud. Weaknesses in the Finance Ministry's reporting allow local tax officials to hide potential revenues and seek kickbacks from companies that avoid payment.

Recognizing the corrosive effect of corruption, the government asked the Organization for Economic Cooperation and Development (OECD) to recommend measures designed to prevent the evasion of taxes and social security payments. The government adopted a Law on the Control of Officials' Assets in 2003. It also adopted a Code of Ethics to improve the salaries, career training, and pension system for employees of the Public Administration Department and a Civil Service Law covering the Public Procurement and Tax Administration Agency and anticorruption legislation. Further, a special ministerial post

to fight corruption was established. In 2003 the High Inspectorate for the Declaration and Audit of Assets was also created to oversee the financial disclosures made by officials. But officials continue to hold public office even when doing so conflicts with their private business interests. The civil service is still highly politicized, and cronies favor politically connected businessmen.

Low revenue collection has resulted in a cut in public services, mainly in electricity, and lower levels of public investment in infrastructure and social services. In 2002 the government was forced to increase the retirement age by five years because employers' failure to pay payroll taxes jeopardized its ability to finance the pension system, which was already running a deficit.¹⁷

Recommendations

- 1. Crack Down on Corruption.* The government can prove it is serious about cracking down on corruption by arresting and prosecuting high-profile violators. To show that no one is above the law, it should reduce the number of officials covered by immunity and publish a list of criminals barred from government service. In targeting offenders, the government should establish a transparent process, which is necessary to avoid the appearance of political motivation or personal bias.
- 2. Launch an Anticorruption Campaign.* The government should set up an Anticorruption Commission run by an anticorruption czar responsible for coordination among ministries, institutions, and organizations involved in anticorruption monitoring and enforcement. Cronyism among civil servants can be curtailed through competitive hiring practices and a merit-based salary system.
- 3. Enhance Law Enforcement.* Legal reforms should include the adoption of a clear conflict-of-interest law and related legislation that defines organized crime and prohibits the bribery of public officials. The government should appoint an independent auditor with the authority to monitor customs processing collection. As part of a wider reform involving police discipline and internal affairs operations, the government should encourage young police officers to become more involved in professionalizing their institutions and addressing corruption within the ranks. This kind of reform can be accomplished via a mechanism that allows young police officers to report malfeasance anonymously to a special investigator of the Interior Ministry.
- 4. Coordinate Law Enforcement Strategies.* The international community should finalize extradition treaties and enhance the government's efforts by making legal experts available to help prepare anticorruption and money-laundering legislation. An international financial institution (e.g., the World Bank) should develop a procurement monitoring program focused on cronyism. USAID's successful program designed to help customs officials modernize procedures, meet revenue targets, and reduce opportunities

for fraud should be expanded, and more resources should be provided to NGO and media groups involved in monitoring corruption (e.g., Citizen's Advocacy Office).

5. *Fight Organized Crime.* Informed by RICO legislation, the government should confiscate property and seize and sell criminal assets that can help finance the criminal justice system. It should establish a special court that gives dispensation to judges and prosecutors and an expanded witness-protection program. The government should strengthen the capacity of the Organized Crime Subdirectorate to gather and analyze intelligence, use undercover agents, enhance institutional structures needed to implement the Money Laundering Law, and enforce penalties for the failure to report significant transactions.
6. *Coordinate Strategies to Fight Organized Crime.* The international community should impose travel and financial restrictions on Albanian political figures who cooperate with organized crime, publish a list of Albanians known to be involved in criminal activity, and condition financial aid on their arrest and prosecution. An agreement on law enforcement cooperation among the government, Interpol, and Europol should be finalized. A working group of international and Albanian experts should be established to work on Albania's criminal code, harmonizing it with international standards (e.g., the European Convention on Corruption).
7. *Stop Trafficking.* The government should train local law enforcement personnel involved in customs administration and in operations against drug trafficking, smuggling, and money laundering and give them adequate salaries. It can focus on border areas by setting up regional antitrafficking centers across the country. Increasing the capabilities of the government's naval task force to prevent smuggling to/from Italy should be part of a broader strategy that emphasizes regional cooperation and law enforcement coordination with neighboring states and the EU.
8. *Coordinate Strategies to Stop Trafficking.* The international community should assist the government to prepare a National Narcotics Strategy consistent with the EU Drugs Strategy and Action Plan. Coordination should also extend to the delivery of services, including reintegration, counseling, medical services, job training, and legal assistance to victims of trafficking provided by the International Organization of Migration. Donors should also provide funds to NGOs assisting trafficking victims (e.g., Vatra Health Shelter).

Civil Society

An active civil society ensures citizen participation in government decision making and helps to hold government accountable. Nonstate actors such as religious leaders, labor organizations, cooperative societies, community associations, and women's associations can be potent political forces through interest aggregation, political mobilization, and giving voice to grassroots concerns. Youth groups are especially important in Albania given the preponderance of

young people in the country. Independent media further enhance transparency.

Civil society is also playing an increasing role in donor decision making, including the design of social welfare and economic development programs. In 2001 the Netherlands provided funds to the Carter Center to help the government organize input from civil society into the World Bank's Poverty Reduction Strategy Program (PRSP). Additional funds have been provided by the UNDP and other donors to broaden the range of civil society representatives participating in the dialogue.

Though interference with the media is declining, political pressure, trumped-up libel charges, and government audits still encourage self-censorship and intimidate journalists. Albanian Radio and Television (RTSh) devotes most of its coverage to the government. Albania's parliament appoints seven members of the National Council of Radio and Television, and the president appoints one member. In the past, television licenses were revoked for political reasons. Albania's nonmedia civil society groups—especially trade unions—lack organizational capacity, membership, and finances.

After decades of communist rule, Albania's civil society suffers from a deep distrust of institutions and skepticism about the commitments of political leaders to reform. Albania's citizens are unfamiliar with methods of transparency and lack the resources to hold politicians accountable. To strengthen civil society, the polity must change its mind-set and politicians must encourage public participation. There are signs that civil society is gaining strength and that the government recognizes its importance for Albania's development and stability. For example, civil society groups now receive exemptions from customs duties and other taxes.

Recommendations

- 1. Promote Civil Society.* The government should simplify legal procedures for incorporating NGOs, including applications for tax-exempt status. Civic education in the fields of democracy, the rule of law, ethics, and corruption should be expanded. Activities of progovernment unions should be depoliticized. The number of university scholarships should be increased through the Fulbright Program, and Diaspora Albanians should be encouraged to share their experience and professional skills.
- 2. Strengthen Independent Media.* The government should adopt legislation guaranteeing independent print/electronic media, finalize the National Plan for Radio and Television frequencies, ensure the independence of the National Council on Radio and Television, and complete the transition of RTV from state television to a neutral public service broadcaster. In addition, the government should advertise tenders and place announcements in all media, not only "government-friendly" publications. Privatizing the media would allow market forces, not politics, to influence reporting. Donors can help by providing grants, materials, and organizational development assistance and by

training journalists (e.g., Network for the Professionalization of Media).

3. *Involve Civil Society in Development Planning.* Donors should involve civil society groups more extensively in the World Bank's CAS and provide funds to NGOs participating in the PRSP.

Human Rights

Despite dramatic progress since the overthrow of Ramiz Alia, Albania's human rights performance still does not meet international norms. The 2004 U.S. Department of State Annual Report on Human Rights notes instances of arbitrary detention and the beating and torturing of suspects during pretrial detention. Though acknowledging an improvement in the rights of Albania's Greek minority, the report highlights concerns regarding the minority rights of Roma and Egyptians.¹⁸ International human rights organizations have called for further progress in protecting and promoting minority rights and removing restrictions on media freedom.¹⁹

Recommendation

1. *Protect/Promote Minority Rights.* The government should adopt minority right laws in conformity with the Council of Europe's Framework Convention on the Protection of National Minorities. It should also take steps to address specific grievances by including more Greeks in the police and in public administration that serves ethnic Greek communities and implement the "National Strategy for the Improvement in Living Conditions of Roma."

Economy

Economic Reform and Development

Albania is experiencing solid economic growth and has a stable macroeconomic policy. As a result of stabilization and structural reforms, the national economy grew by an average of 6 percent over the past decade. Annual inflation fell to 2.2 percent in 2004 as a result of tight monetary policies. Per capita income has doubled since 1999 (though Albanians remain one of the poorest people in southeastern Europe).²⁰ Interest rates are declining, and inflation is at its lowest level in 15 years.²¹ Reforms of state-owned enterprises have resulted in comparatively high levels of privatization with the private sector accounting for 75 percent of GDP.²²

Despite progress, Albania still faces serious development challenges. The country's halting transition from a centrally planned, autarkic economy to an open free-market system makes it one of the poorest countries in the Balkans and Eastern Europe.²³ About 25 percent of Albania's 3.5 million people live below the poverty line (less than \$2 per day), and 5 percent live on less than \$1 a day.²⁴ Though the government claims that its NSSD is working, strategies for reducing poverty and generating employment have fallen far short of targets. The current official unemployment rate is 16 percent, but the International Bar Association estimates unemployment at 38 percent (2003).²⁵ The Commission of the European

Communities reports that Albania's per capita GDP is 1,600 euros.²⁶ Calculated by using purchasing power parity, it is \$5,150.²⁷ This compares to \$5,668 for Serbia and Montenegro, \$6,993 for Bosnia and Herzegovina, \$7,018 for Macedonia, and \$11,251 for Croatia.

Economic development is undermined by inadequate or nonexistent property rights. The pyramid schemes of the mid-1990s and endemic corruption have undermined the confidence of domestic investors and deterred FDI. Oligarchs with ties to politicians and criminal networks continue to dominate the country's economy. Burdensome debt levels include public debt, which is 61 percent of GDP, and domestic debt, which is 38 percent of GDP.²⁸ Low confidence in banks and a lack of services have created an informal cash-based financial system, which contributes to a lack of accountability and facilitates illegal activities, including money laundering.

Albania imports electricity from Macedonia to deal with shortages stemming from its poorly maintained energy sector. Persistent power outages continue to hurt economic performance. Two-thirds of Albania's exports depend on the work of the country's low-paid labor force that supplies unfinished goods to EU countries, especially Italy. Its trade deficit of U.S. \$1.34 billion is 21.3 percent of GDP. Albania is experiencing a brain drain: More than 10,000 educators and professionals have left the country.

Agriculture accounts for 24 percent of GDP and two-thirds of the country's employment. Yet 80 percent of Albania's rural population lives in poverty. The country's large agricultural sector could be a source of exports, but it suffers from inefficiency, poor infrastructure, a lack of investment in facilities such as packaging, and not enough emphasis on high-value goods such as olive oil, honey, fruit, wine, and brandy. The EU's Common Agricultural Policy emphasizes subsidies and tariff barriers to protect member states, further reducing market access for Albanian products. As a result of inefficiencies, Albania is forced to import most of its food from Greece and Macedonia. For example, Albania's northeast region has enough apple-bearing trees to satisfy local demand and provide for export, but apples are imported from neighboring countries.²⁹

FDI potential exists for developing chromium, coal, nickel, copper, and forestry resources. Albania also has low-quality oil, which the Ministry of Economy estimates could attract \$300 million in FDI. Hydropower harvested from the Drin River could turn Albania into a net exporter of electricity. In 2004 the amount of electricity delivered to the grid increased 15 percent after a 16 percent increase the previous year. The state-owned utility company still suffers transmission losses and lacks capital investment to maintain hydropower units. The World Bank, EBRD, and the European Investment Bank are cofinancing a 110-130 megawatt thermal power plant in Vlora.³⁰ An EU-financed monitoring/billing system has led to a 93 percent increase in utility collection rates.

Recent high-profile privatization deals include the sale of an Albanian savings bank to

Austria's Raiffeisen Group, a build-operate-transfer deal between Tirana Airport and Germany's Hochtief consortium, and negotiations to sell a majority stake in ARMO, the state oil refining company. Despite progress on privatization, problems with ownership claims, property rights, and business regulations exist. Privatization has resulted in reduced subsidies to pensions and social programs such as health care, causing potential social problems and political backlash.

Recommendations

- 1. Clarify Property Rights.* The government can accelerate privatization by giving priority to clarifying land titles, identifying properties available for restitution or compensation, identifying outstanding claims, and creating a credible financial plan to cover compensation costs. It should also develop a national registry of properties, enabling prospective home buyers and investors to obtain credible information.
- 2. Emphasize the Alleviation of Poverty.* The government should set priorities among the goals specified in the NSSD, link NSSD goals to the budgeting process, and match donors with priorities. It should set up donor-supported "centers of excellence" to encourage even growth and job creation in the fields of agriculture, animal husbandry, and engineering. It also should expand the Mountain Areas Development Agency to assist backward rural communities in the north. Jobs could also be created via public works that involve building infrastructure (i.e., roads, bridges, and power plants). Better education, training, and improved financial services should be provided, and the EBRD should support credit extensions and financing options for SMEs.
- 3. Improve Economic Governance.* The government should improve tax revenue collection rates, strengthen and audit procedures, enforce procurement rules, and establish a transparent budgeting process. It could increase FDI by developing a risk-reduction strategy for foreign investments, which would include further cuts in corporate tax rates. The financial system can be improved by liquidating banks that are delinquent in meeting their obligations to the Central Bank of Albania, emphasizing the development of viable domestic capital markets. The cash-based economy can be reduced by encouraging direct deposit transactions and greater debit/credit card use.
- 4. Stimulate Exports.* Economic development would be boosted via a national export strategy supported by lending and infrastructure servicing sectors in which Albania can be competitive. Emphasis should be placed on modernizing agriculture by analyzing technologies, inputs, and production costs. Financing should focus on infrastructure such as port and road development. In addition to exports, foreign exchange earnings could be increased through tourism to high-end destinations on the "Albanian Riviera."
- 5. Upgrade Infrastructure.* Linking FDI acquisition strategies with infrastructure investments, the government should emphasize projects such as the east-west corridor

(Durrës/Varna/Bourgas through Skopje and Sofia), the north-south corridor (connecting Greece to Montenegro), and the Durrës-Kukes-Morinë Road. Privatization should also include expanding quays, cranes, and the new ferry terminal at the Durrës port and expanding ports in Shengjin and Saranda.³¹ Further, rehabilitating the railway and implementing the Air Traffic Control Plan would enhance the transportation system.

6. *Emphasize Energy Efficiency.* The government should improve the utility's metering/billing system and should cut off energy to households and government clients for nonpayment. It can ensure more regular energy sources by diversifying supplies from hydropower to thermal as well as from north to south. To advance privatization of the energy sector, including energy production and transmission, the government should work with the U.S. Overseas Private Investment Corporation (OPIC) to encourage American private power producers and private transmission system operators to upgrade and manage the grid. Also, more reliable energy supplies would result from upgrading the cross-border transmission network so that Albania can participate in the southeast Europe energy market with Greece, Bulgaria, Macedonia, and Montenegro.

Security

Terrorism

With its weak governance, porous borders, and criminal networks, Albania has all the characteristics of a fragile state that could become a haven for terrorists. In 1997 the U.S. Embassy/Tirana was placed on security alert and all nonessential personnel were instructed to leave the country when it was discovered that a faction of the Muslim Brotherhood was plotting an attack. Some Albanian youth are developing an increasingly strong Muslim identity. A few students receive religious education in Saudi Arabia, Yemen, or Sudan and return home to establish madrassas. Middle Eastern charities have funded the construction of many mosques in Albania. They also finance local NGOs, which pay young Albanian women to wear Islamic dress.

Albania is a staunch supporter of the United States, sending 120 troops to Iraq and 22 to Afghanistan. It continues to cooperate with the United States and other governments by sharing information and investigating terrorist-related groups and terrorist financing.³² The country has ratified all 12 UN international conventions and protocols relating to terrorism. In 2002 Albania approved a National Action Plan against Terrorism and a year later adopted legislation aimed at cracking down on money laundering and terrorist funding. To foster governmentwide cooperation, Albania is considering a National Coordinating Committee for the Fight against Terrorist Acts. The minister of defense commands a 151-man special commando antiterrorism unit.

The risk that Albania will become a haven for foreign terrorists should not be overstated. A majority of the population is Muslim, but Albanians traditionally have been secular and

pro-Western. In addition, all Albanian political parties have adopted a program that emphasizes integration in Euro-Atlantic structures and close security cooperation with the United States.

Recommendation

1. *Monitor Terrorist Financing.* The government should increase the capabilities of the Financial Intelligence Unit of the Ministry of Finance and the Police Economic Crime Unit. The Defense Ministry's special commando antiterrorism unit should be expanded. The government should also audit charities to make sure they are not a conduit for terrorist financing. Though Albanian citizens returning from overseas religious education have the right to establish religious schools, madrassas should be monitored to ensure that they do not foment violence.

Security Cooperation

Albania cooperates with NATO through the alliance's Partnership for Peace program (PFP) and Membership Action Plan (MAP). In May 2003 Albania, Croatia, Macedonia, and the United States signed the Adriatic Charter. Designed to facilitate accession to NATO, the agreement (i) underlines the countries' dedication to regional cooperation, enhancing the security, prosperity, and stability of the region; (ii) notes the accomplishments of the countries on the path to Euro-Atlantic integration, outlining areas of continuing focus and reiterating the intention of the United States to assist the countries in implementing necessary reforms; and (iii) reaffirms the parties' shared political commitment to strengthen democratic institutions, civil society, the rule of law, market economies, and NATO-compatible militaries; to fighting corruption and crime; and to protecting human rights and civil liberties.

Recommendation

1. *Meet NATO Standards.* To accelerate Albania's integration in the Partnership for Peace, the government should emphasize compliance with MAP criteria. It should strengthen civilian controls by professionalizing the military. As Albania deepens regional cooperation under the Adriatic Charter, the armed forces should be modernized and downsized to reflect mission requirements.

POLICY AND DONOR COORDINATION

Though the ultimate responsibility lies with Albanians, Albania's development will require the active participation of international stakeholders. To this end, it is imperative that Albanian authorities develop a coherent interagency process that will formulate policies and program priorities. Mirroring this structure, international donors should work cooperatively to develop assistance strategies.

Albania's Ministry of Finance, Ministry of Economy, and Ministry of European Integration are responsible for coordinating donor assistance. Overlapping responsibilities and competition have led to inefficiencies that have discouraged donors. In 2003 the EU, the World Bank, OSCE, and the UNDP formed a "Technical Secretariat" to coordinate international donor assistance. In March of 2003 the Technical Secretariat convened a roundtable in Tirana on donor coordination with Albanian government representatives at which they agreed to harmonize development programs (i.e., NSSD, SAP, and the UN's Millennium Development Goals). They also agreed to establish on-the-ground coordination organized thematically and by sector. Donor coordination was further discussed at a March 2004 retreat sponsored by the United Kingdom's Department for International Development (DFID). Twenty-seven donor countries and 12 multilateral organizations attended the retreat.

Since conflict prevention is a priority for both the United States and the EU, Albania is an ideal case for trans-Atlantic cooperation. Given the scarcity of resources, focusing foreign aid through a conflict prevention lens would both improve traditional development activities and enhance the impact of foreign aid. "Preventive development" targets the root causes of conflict by bolstering the capacity of countries to manage rising tensions before violence erupts (i.e., inequity, inequality, injustice, and insecurity). The main role of the international community is to support national efforts to prevent conflicts and to assist building national capacity in this field.³³

Recommendations

1. *Enhance Coordination.* The government could improve interagency coordination by designating a senior official, who would report directly to the prime minister, to exercise overall responsibility. Regional coordination should emphasize collaboration with neighboring states on crime, trafficking, investments, and energy. In addition, the government should encourage international donors to
 - strengthen the "Consultative Group for Albania" (CGA) chaired by the EU with the World Bank, the OSCE, and UNDP as vice chairs to coordinate assistance aimed at meeting NSSD and SAA goals;
 - implement the recommendations of the March 2004 UK Department for International Development (DFID) donor coordination retreat, including quarterly meetings of

CGA members to promote synergies and a development framework ordered on priorities;

- create donor working groups organized thematically to enable different donors to take the lead in providing resources, mobilizing additional support, and promoting the coordination of different sectors.

2. *Emphasize Conflict Prevention.* Conduct a joint government/donor “Prevention Development Assessment” to analyze existing conflict prevention activities, identify gaps, and develop an overall preventive development strategy.

America’s Role

Though Albania’s future lies with Europe, U.S. leadership is always necessary. Events in the 1990s underscored that nothing happens in the Balkans without American involvement. Policy and donor coordination will not succeed unless the United States

- coordinates activities with other international stakeholders;
- encourages Albania to meet standards so that it can qualify for funds through the Millennium Challenge Corporation (MCC);
- emphasizes building absorptive capacity consistent with USAID’s “Fragile States Strategy”;
- expands USAID assistance focusing on innovations (e.g., helping customs officials to modernize procedures, meet revenue targets, and reduce opportunities for fraud);
- reaches out to the U.S. private sector, informing companies of activities undertaken in Albania by the Trade Development Program and the U.S. Overseas Private Investment Corporation (e.g., loans and guarantees for private power producers and private utility system operators);
- expands the number and quality of commercial staff in the U.S. Embassy/Tirana;
- increases the number of university scholarships through the Fulbright Program; and
- facilitates access to the resources of U.S. NGOs that can strengthen Albania’s civil society (e.g., Carter Center community consultations on poverty reduction, the American Bar Association’s Central and Eastern European Law Initiative focused on building the judiciary’s capacity, and Freedom House’s support for independent media).



Notes

¹ Election monitors should be deployed by multilateral and regional organizations such as the United Nations; regional organizations such as the Organization for Security and Cooperation in Europe, the European Union, and the Council of Europe; concerned countries, including the United States, EU member states, and newly established Eastern European democracies; parliamentary bodies such as the NATO Parliamentary Assembly and the European Parliament, as well as international NGOs, including those from the United States such as the National Democratic Institute, the International Republican Institute, the International Foundation for Electoral Services, and the Carter Center.

² Country Profile 2005: Albania, Economist Intelligence Unit, 21.

³ Ibid.

⁴ “Southern Serbia’s Fragile Peace,” International Crisis Group, Europe Report no. 152, December 9, 2003, 3.

⁵ The DPA made serious mistakes, but Berisha was not accused of personal enrichment; nor did he order Albania’s security forces to take action against civilians.

⁶ Albanian troops were deployed to Afghanistan in October 2004 and are under the command of the Turkish contingent of ISAF.

⁷ Country Profile 2005: Albania, Economist Intelligence Unit, 21.

⁸ The SAP also requires security cooperation on organized crime, as well as integration among Balkan countries via bilateral and free-trade agreements. In 2003 the EU allocated 144 million euros to promote democracy and to support the judiciary and public administration. In exchange for privileged economic and political relations and financial assistance, the EU also demands accountability. To date, however, “Actual implementation of reforms [in Albania] has been inadequate to address many of the shortcomings identified in the 2001 High-Level Steering Group report.” Because of its proximity, Italy is a leading European country engaged in Albania. Germany’s status as a key country stems from the large number of Albanians working there and generating remittances.

⁹ Commission of the European Communities. *Staff Working Paper on Albania*. SEC(2004)374/2.

¹⁰ Balkans 2010, Council on Foreign Relations, 2002, 51.

¹¹ U.S. Department of State, “Human Rights Country Report,” 2004.

¹² U.S. Department of State, “Country Reports on Human Rights Practices,” released by the Bureau of Democracy, Human Rights, and Labor on February 28, 2005.

¹³ *Albania: Decentralization in Transition*, The World Bank, February 2004.

¹⁴ “Albania: State of the Nation,” International Crisis Group, March 11, 2003.

¹⁵ Transparency International Annual Report, 2004.

¹⁶ “Taming the Tiger of Corruption,” *The Financial Times*, April 12, 2005, 31.

¹⁷ Country Profile 2005: Albania, Economist Intelligence Unit, London, 33.

¹⁸ Released in March 2005.

¹⁹ “Background: An Overview of Human Rights Issues in Albania,” *Human Rights Watch*, 2004.

²⁰ “Foreign Money Is the Key to Advancement,” *The Financial Times*, April 12, 2005, 31.

- ²¹ World Bank Group, “World Bank Assesses Albania’s Economy, Outlines Reform Challenge,” March 5, 2005.
- ²² Country Profile 2005: Albania, Economist Intelligence Unit, London, 31.
- ²³ Ibid, 30.
- ²⁴ Ibid, 31.
- ²⁵ Commission of the European Communities, “Stabilization and Association Report 2004,” SEC (2004)374/2.
- ²⁶ Ibid.
- ²⁷ Country Profile 2005: Albania, Economist Intelligence Unit, London, 30.
- ²⁸ Commission of the European Communities, “Stabilization and Association Report 2004,” SEC (2004)374/2.
- ²⁹ “Albania: State of the Nation 2003,” International Crisis Group, Brussels Report no. 140, 7.
- ³⁰ “Problems Taking Power to the People,” *The Financial Times*, April 12, 2005, 32.
- ³¹ Funds may be provided by the European Agency for Reconstruction.
- ³² Albania: 2003 Overview, MIPT Terrorism Knowledge Base, <http://www.tkb.org>.
- ³³ Chapter VI of the UN Charter, which deals with the peaceful settlement of disputes.

APPENDIX A: ACRONYMS

CARDS	Community Assistance for Reconstruction, Development, and Stabilization
CAS	Country Assistance Strategy
CEC	Central Election Commission
CGA	Consultative Group for Albania
DFID	Department for International Development (United Kingdom)
DPA	Democratic Party of Albania
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EIB	European Investment Bank
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IDA	International Development Association
IFC	International Finance Corporation
INTERPOL	International Police
IOM	International Organization for Migration
ISAF	International Stabilization Force for Afghanistan
MAP	Membership Action Plan
MCC	Millennium Challenge Corporation
MIGA	Multilateral Investment Guarantee Agency
NGO	Nongovernmental organization
NSSD	National Strategy for Socio-Economic Development
ODIHR	Office for Democratic Institutions and Human Rights
OECD	Organization for Economic Cooperation and Development
OPIC	Overseas Private Investment Corporation
PRSP	Poverty Reduction Strategy Program
RICO	Racketeer Influenced and Corrupt Organizations
RTSh	Albanian Radio and Television
SAA	Stabilization and Association Agreement
SAP	Stabilization and Association Process
SME	Small and Medium-sized Enterprise
SPA	Socialist Party of Albania
UNDP	United Nations Development Program
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNV	United Nations Volunteers
USAID	United States Agency for International Development
WFP	World Food Program
WHO	World Health Organization

APPENDIX B

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