

ALBANIA:
STATE OF THE NATION 2003

11 March 2003



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ALBANIA: STATE OF THE NATION 2003

EXECUTIVE SUMMARY AND RECOMMENDATIONS

Political feuding virtually paralysed the Albanian government in the first half of 2002, until the European Parliament brokered an agreement between the main political parties which led to the election of retired army general Alfred Moisiu as the consensus choice for president. Although the 73-year-old Moisiu leans to the right, he has pledged to represent all Albanians equally. After a long period of confrontation, the country entered a phase of political dialogue. The opposition Democratic Party (DP) ended its boycott of local government institutions and began to work with the ruling Socialist Party (SP). In August 2002 parliament voted in a new Socialist-led government with the SP chairman, Fatos Nano, as Prime Minister for a third time. By early 2003, however, this unusual consensus appeared to have unravelled, returning politics to its more normal fractiousness. Political tensions are expected to rise as October local elections approach.

Albania's key foreign policy goal remains membership in the European Union and NATO. Preliminary negotiations with the EU on a Stabilisation and Association Agreement began in February 2003. Albania is trying to play as neutral a role as possible in the ethnic problems in Kosovo, Southern Serbia and Macedonia, and is seeking to establish normal relations with its Slav neighbours.

In June 2002 the pretender to the royal throne, Leka Zog returned to Albania after 63 years in exile. With no political role, Leka is keeping a low profile. Albanians appear largely indifferent to his presence and his desire for a referendum on restoration of the monarchy.

Although the political climate is calmer, and stability has been restored to most of the country, grave social and economic problems could become tomorrow's political problems if left un-addressed. Albania's institutions are weakened and the reform process

greatly hindered by endemic corruption and an inefficient public administration. Other negative factors include an increase in organised crime, a weak judiciary, high unemployment, low production, severe environmental problems, and an ongoing energy crisis. The government shows no signs of seriously tackling corruption or backing down in its confrontational stance with the media.

While a degree of political, economic and social progress is clearly evident in Tirana and the major central and southern towns, the North remains largely unaffected. There the lack of infrastructure and investment, combined with extreme poverty, is producing a constant migration, which in turn fuels the trade in human trafficking and contributes to the lagging social and economic development.

RECOMMENDATIONS

To the Albanian government:

1. Fulfill the undertakings on electoral reform given to the opposition and the international community in 2002.
2. Prioritise development of the deprived rural areas, especially in the North, by:
 - (a) creating a specific agency for economic development in the North, based in Shkoder, to assist rural mountain communities advance from basic subsistence to commercially oriented enterprises;
 - (b) directing more international funding to the Mountain Areas Development Agency (MADA), to enable it to continue its work in remote rural areas beyond 2007, when its six-year mandate is due to expire;

- (c) creating financial incentives to stem the migration of educated people from rural areas and to encourage professional people, such as teachers, to work in rural districts; and
 - (d) including minor rural roads that connect remote villages with main regional centres in infrastructure planning.
3. Strengthen environmental monitoring and public awareness of local environmental issues.
 4. Take firmer action against corruption and organised crime by:
 - (a) strengthening the institutional structures necessary for implementing the Law on Money Laundering;
 - (b) establishing a fully financed and well-publicised witness protection system; and

(c) making serious efforts to control border crossings.

5. Encourage local officials to cooperate with those assigned to collect and dispose of weapons.
6. Cease harassment of independent media, and ensure that Albania meets its international obligations on freedom of speech.

To the European Union and the wider international community:

7. Continue to condition aid and the conclusion of an EU Stabilisation and Association Agreement on the Albanian government following policies of institutional reform and responsible regional politics.

Tirana/Brussels, 11 March 2003

ALBANIA: STATE OF THE NATION 2003

I. INTRODUCTION

Political stagnation characterised the first half of 2002, following the resignation in February of Prime Minister Pandeli Majko, after the ruling Socialist Party (SP) combined the posts of party chief and prime minister. SP Chairman Fatos Nano succeeded Majko, who himself had come to power in 1998 as the result of an internal power struggle between Nano and the previous Prime Minister, Ilir Meta.¹ This lack of continuity in the government severely hampered development of the country's weak institutions. For the present, however, Nano appears to be maintaining control of both his own party and the ruling coalition, although his position as party leader is fragile. Elements within Albania and the diaspora would like to see Meta replace Nano before the end of 2003.

The country entered a phase of political dialogue, following an EU-brokered agreement in June 2002 that was intended to prevent the long-standing feud between Nano and the Democratic Party (DP) leader, Sali Berisha, from continuing to hinder the reform process. The EU, irritated by clannish Albanian politics, in effect ordered that a president be elected consensually. Also under international pressure, the two main parties reached an informal accord on electoral reform.

Over the last year, there has been significant foreign policy progress. Albania has been continuously engaged in trying to build bridges with her neighbours. A gradual loosening of border structures has given a new impetus to communication between Albania and her immediate neighbours and provided a much needed trade boost.

In October 2002 EU foreign ministers agreed to open talks on a Stabilisation and Association Agreement, as a first step toward EU membership. Negotiations began on 31 January 2003. The conditions set by Brussels before Albania can hope to achieve full membership include completion of institutional reforms, progress in combating organised crime and corruption, and the strengthening of government at local as well as central levels. Prime Minister Nano has assured the EU of his government's commitment to tackle these issues but there remain concerns that the political class may not have the will, or strength of purpose, to more than cosmetic changes.

Following the collapse of a parliamentary investigation into the State Intelligence Service (SHISH) and its former chief, Fatos Klosi, the Nano-Berisha rapprochement has appeared to sour. Traditional divisions have begun to re-emerge in advance of the October 2003 local elections.

¹ Fatos Nano, who is now serving his third tour as Prime Minister, resigned that post in September 1998 following an uprising by supporters of the opposition after a leading member of the Democratic Party, Azem Hajdari, was murdered.

II. POLITICAL DEVELOPMENTS

Fatos Nano became prime minister for the third time in August 2002 after the fragile and short-lived Majko government proved unable to resolve differences between the two rival factions within the ruling SP.

As the new government was announced, the DP ended its boycott of municipal and county government, claiming it wanted to play the role of a constructive opposition. In reality, it realised that it had allowed itself to become sidelined and out of touch. According to the DP secretary for local government, Njazi Kosovrasti, “the absence of DP representatives from the local councils had made the DP short of information on the current situation and decisions made by local government structures”.² The EU had also made it clear that its patience was exhausted with the opposition’s constant boycott of important issues.

The unexpected agreement in June 2002 between Nano and Berisha was regarded with suspicion by many on both the right and left, particularly among the smaller parties. The right-wing Union for Victory accused the DP of patronising its allies and ignoring their open opposition to the agreement. Several Socialist deputies also expressed concern, with the speaker of the parliament, Servet Pellumbi, accusing Nano of handing over power.³ Notwithstanding these ripples of discontent, the pact brought sorely needed calm to the political scene.

However, by early 2003 the agreement appeared to be at an end. Berisha’s dogmatic rhetoric has returned, and harsh exchanges have begun between the two party leaders. Berisha expressed scepticism about Nano’s desire to abide by his commitments and told a meeting of the local DP in the southern town of Berat on 8 January that the accord had been broken, and “it is an illusion to believe that Socialists can respect the will of the Albanian people”.⁴

Meanwhile, the Socialist majority is seeking to refurbish its international image. The long intra-party power struggle saw Nano’s old-guard supporters and the reformists led by former Prime Minister Meta accuse each other of involvement in

corruption and organised crime. Nano has a stronger base among the party’s grass roots, while Meta still controls most of its ruling structures. Nano is promising “tangible” results through institutional reforms. There are doubts, however, whether his broad-based government will be able to satisfy both wings of the party and give Albania a chance of achieving political and economic reform.

Although he lacks solid support from his party, Nano was elected Prime Minister in part because many SP parliamentarians feared losing their seats in an early election. His relations with Meta, now Foreign Minister, are still poor. However, for the time being cabinet ministers and members of the General Steering Committee are likely to remain quiet for fear of losing power. The SP must do well in the October 2003 local elections for Nano to be re-elected its leader at the next party congress in November 2003.

As candidate selections begin, the Socialists have said they will run alone in October but cooperate with their allies. According to SP Secretary General Gramoz Ruci, “There will be a partial cooperation in certain constituencies, where SP candidates might be backed by SP allies, or in other constituencies where the candidates of allied parties might be supported by SP voters”.⁵ This reflects an underlying confidence within the SP, which has more organisational experience than any other party due to its legacy from communist times. Although its internal debates have been acrimonious, the party has never suffered the same fragmentation as the DP.

The SP’s allies would prefer to campaign as part of a broad left-wing coalition. Leaders of the centre-left Social Democratic Party (SDP) have launched an initiative to establish a left-wing bloc. SDP chairman Skender Gjinushi told party activists, “We are open for negotiations with the SP – this is now a call to all Albania’s left-wing. It is necessary to create a counterbalance to the right-wing grouping, its games and efforts to exploit new circumstances for the benefit of the right”. SP and SDP ruled together until their Socialist-led coalition broke up in July 2002 in disagreement over cabinet seats in the new Nano government.

It is six years since the Democratic Party fell from power. During much of that time, the DP boycotted the political process so genuinely lost touch,

² Albanian Telegraphic Agency, 31 July 2002.

³ *Gazeta Shqiptare*, 30 October 2000.

⁴ *Albania Daily News*, 10 January 2003.

⁵ *Albania Daily News*, 15 January 2003.

especially at the local level. Its membership base has declined dramatically, especially in the past three years. The rival Reformed Democratic Party of the former DP deputy chairman, Genc Pollo, has made little impact, mainly because it is defined solely by opposition to Berisha.

Calling 2003 “the year of intense political developments,” Berisha has begun attempts to merge the opposition into a single party, arguing that the country needs a strong opposition, which must be a united one. A few who left the DP are returning in the hope of gaining preferment in a future government, but for many his pact with Nano illustrated his unreliability. In any case, a right-wing coalition is not likely to be sufficient to drive the SP from power. The DP needs internal reform to stand a chance of returning to office. Berisha faces an uphill struggle to gain the hearts and minds of party activists.

Albania’s central foreign policy goals remain to enter the European Union and NATO. Its NATO application was turned down in November 2002 at the Prague summit but the alliance kept the door open, and the prospect of membership is a source of pressure for reform. The EU started preliminary negotiations with Albania on a Stabilisation and Association Agreement on 31 January 2003. European Commission President Romano Prodi, after meeting with President Moisiu, Prime Minister Nano and DP leader Sali Berisha, said it would include commitments to human rights, democracy, a market economy, free trade and the fight against crime and corruption. Meanwhile the EU has committed itself to a three-year assistance program worth €144 million for promotion of democracy and stability through support of the judiciary and public administration.

EU officials have stressed that there is no short cut to membership. In November 2002 the European Commission director for the Western Balkans, Reinhard Priebe, told reporters “These negotiations will not be short. They will take as long as needed.”⁶ President Prodi said, “I know you want to know how long the negotiations will last, but the answer to that question lies in your hands.”⁷ Most observers expect that at least a year will be required. The most pressing issues that have to be addressed are completion of institutional (especially electoral) reforms, – a key EU demand to demonstrate good

faith on the part of the SP – and the corruption in all sectors of Albanian life. The EU has also called for strengthening government at local as well as central levels. These fundamental pre-conditions set by Brussels are unlikely to be achieved without total political commitment. The task is immense, as virtually every facet of society needs reform.

The bipartisan commission for electoral reform has been at an impasse since the SP blocked a package aimed at preventing the use of police and other state structures in the electoral process. Flaws in the system have led to political unrest and increasing voter apathy. The OSCE has taken over a leading role in the process, and the SP is being urged to complete the electoral reform before the October 2003 local elections. The opposition is also looking for immediate improvements in the electoral law with the goal of calling for an early election.

Even after ten years of supposedly moving towards the “democratic process”, most appointments in higher administrative and police structures are routinely made on the basis of politics rather than professional qualifications. Many senior officials in central institutions have little appropriate experience or bureaucratic sophistication. The IMF has recently blocked further funds in protest at Prime Minister Nano’s appointment of unqualified heads of state institutions and state-owned enterprises. This will not have an immediate effect on the economy but could impose a severe financial pinch on the government within a year.

A. MEDIA

There is growing concern about government intervention in the media. The authorities seem increasingly inclined to take revenge on what they view as hostile reporting by ordering aggressive financial inspections of newspapers and television stations. Elizabeth Anderson, of Human Rights Watch’s Europe and Central Asia Unit, says “Financial pressure and other subtle forms of government interference have become commonplace, posing a serious threat to media freedom.”⁸ The Research Institute for Democracy and Development recently reported that the government is using financial police to retaliate against the independent daily, *Koha Jone*, and the Gjeli Vizion television

⁶ Associated Press, 14 November 2002.

⁷ Associated Press, 4 February 2003.

⁸ Henri Cili, Centre for Press Freedom, Research Institute for Democracy and Development, Tirana, 27 November 2002.

station. Both were recently targeted for audit shortly after they had angered the government by criticising the Prime Minister and his wife.⁹

The government shows no signs of backing down in its confrontational stance with the media. The finance ministry has said it will continue to do financial audits. In addition, the authorities have chosen only to advertise with supportive press organisations. Private businesses are increasingly fearful of advertising with anti-government media groups lest they risk financial inspections. As a result, most print and electronic media have become openly pro-government and pro-SP in their reporting.

B. THE KLOSI AFFAIR

In late July 2002, a committee was set up – initially with the agreement of both main political parties – to investigate alleged illegal activities by SHISH, the state intelligence service. Shortly afterwards that service's head, Fatos Klosi, was dismissed by the Prime Minister who accused him of overstepping his legal authority and disrespecting the law. The opposition charged SHISH and Klosi with unconstitutional activities, including failure to investigate the murder of Azem Hajdari in September 1998. Hajdari, a key DP leader in the northern district of Tropoja, with strong Kosovo connections, was apparently killed as a result of his involvement in the selling of arms to Kosovo factions during that summer. Klosi sees himself as a victim of the Nano-Berisha accord, which many believe resulted in Nano being absolved of charges of ordering the killing of Hajdari and Berisha being freed of accusations of causing the armed revolt that followed.

Hajdari's murder occurred at an extremely sensitive time between the outbreak of fighting in Kosovo in March 1998 and the NATO bombing in 1999. In late 1998, both the Kosovo Liberation Army (KLA) and the dissident FARK were active in Kosovo and on the border, and were buying weapons openly in the streets of Bajram Curri in the Tropoja district. Several prominent KLA fighters and weapons suppliers were murdered in northern Albania. Hajdari had no shortage of enemies, and some observers theorise that he may have represented an obstacle to foreign intelligence services interested in the situation along the Albanian-Kosovo border.

On 18 November 2002 the three-month parliamentary investigation into SHISH collapsed when the opposition boycotted adoption of the final report. It had earlier produced its own report claiming SHISH had unlawfully spied on its leaders and was involved in the killing of Hajdari. These charges were ignored in the report adopted by the Socialist majority, and the opportunity to establish a consensus on past (and future) intelligence activities was lost. Klosi has denied any involvement in Hajdari's murder and accused Nano of using SHISH as a "card at the table of compromise with the opposition".¹⁰ Kujtim Hysenaj, 55, a businessman with some diplomatic experience, was appointed by President Moisiu on 19 November 2002 as the new head of SHISH.

The Klosi affair will likely end like others involving powerful figures whose cases have been dropped "due to lack of evidence" since many believe a trial would be damaging. In time the true facts of what happened along the Albanian-Kosovo border during the summer and autumn of 1998 may be revealed. But for now, both sides seem content to allow the dust to settle.

C. THE RETURN OF LEKA ZOG

In June 2002 Leka Zog, the son of the self-proclaimed former King Zog, returned to live in Albania after 63 years of exile.¹¹ This was the third time he had returned since the fall of communism in 1991. In November 1993 Leka briefly visited when he flew to Tirana from Jordan on a private plane lent by his friend, King Hussein. Upon arrival, he was asked to leave because his passport gave his occupation as "King of the Albanians". He was bluntly told that he would only be re-admitted if he was in possession of an ordinary citizen's passport.

Leka returned again following the uprising in 1997, when a referendum was held asking Albanians whether they wanted the monarchy restored. Over two-thirds voted against the motion – a result never accepted by Leka's supporters. Early in 2002 Leka was granted an amnesty for charges relating to the possession of weapons during the 1997 unrest. However when he arrived in June 2002, 84 weapons,

⁹ Ibid.

¹⁰ *Korrieri*, 7 November 2002.

¹¹ Leka was crowned king in Paris in 1961 after the death of his father, who ruled Albania from 1928 until he was driven out by the Italian invasion in 1939. Albania's monarchy was abolished by the Communists in 1946.

including nine Kalashnikovs, were confiscated from his entourage. At the beginning of February 2003, Leka and his family were finally issued with diplomatic passports as part of efforts to reintegrate the former royal family into post-communist Albanian society. The parliament is expected soon to discuss the status of the royal family with a view to granting it special status and authorising a complete return of their properties, including those inherited, acquired and donated to King Ahmet Zog until 7 April 1939. Reburial of King Zog in Albania is also foreseen.

Leka, thin and gaunt, appears unwell. He has ensconced himself in one of his father's old villas in the centre of Tirana where he receives a steady trickle of visitors. His main support base remains his family's traditional homeland in the Mati Valley, together with the area around the southeastern town of Pogradec. There is no leadership role on offer to Leka, who nevertheless tries to demonstrate a patriarchal air towards "his" people by making the occasional pronouncement on the injustice of the division of the Albanian nation into multiple states. In August 2002 Leka provoked bitter polemics from Macedonian commentators by one such statement that appeared to align him with an Albanian terrorist movement in Macedonia. A spokesman for the royal family, Fluturak Germenji, dismissed the allegations saying that Leka's declarations on "Greater and ethnic Albania" were only statements on the principle of self-determination.¹²

Leka's supporters seek another referendum, arguing that a constitutional monarchy would help attract investment and stabilise politics. However, following the disastrous 1997 interlude, attitudes range from dismissive and apathetic to the outright hostility demonstrated by the daily, *Zeri-i-Popullit*, which declared that "Leka Zog was allowed to enter Albania as heir to a murderer and as successor to a man that set Albania in flames".¹³

III. THE ECONOMY

The growth rate of the economy has remained high since the fall of communism. Inflation has been contained, and the currency is stable due to foreign workers' remittances. Privatisation is complete except for a few remaining properties such as the National Savings Bank. The mobile telecommunications sector has continued to expand, and transport communications in the Centre and South have improved considerably over the past year. Several lowland road projects have been completed, and a rail service now operates to Montenegro. A number of border crossings opened in 2002 will help trade.

Budgetary expenditures for 2003 will be mainly concentrated on education and public health, in compliance with the poverty reduction strategy the government signed in 2001 with the IMF and the World Bank. Economic growth is foreseen at around 7 per cent, and inflation is forecast to stay between 2 and 4 per cent. Despite positive developments over the last two years, long-term banking credits for business remain much less than in other Eastern European countries that have gone through the same transition. Direct foreign investment appears to have slowed in 2002, deterred by weak infrastructure, old technology, the fiscal burden (income taxes, value added tax and customs duties), weak implementation of legislation and insufficient financial services for the private sector.

There is strong growth potential in agriculture, livestock, fisheries, forestry, tourism and light industry. However, some basic industries such as mining are largely defunct. There are very high level of imports and limited exports due to a lack of modern production facilities. Widespread electricity shortages are beginning to take a severe toll. Persistent power cuts, present virtually the entire day in both summer and winter, seriously impede production, produce huge financial losses, and exasperate the business community.

An estimated 50 per cent of GDP is generated from illegal activities ranging from people and drug trafficking to the smuggling of cars and cigarettes. The booming construction industry benefits from the large amount of illegally earned money that is laundered through the building of hotels, bars, restaurants and blocks of flats. One of Albania's greatest transition handicaps remains the circulation of money outside banking channels, estimated at

¹² *Albania Daily News*, 10 August 2002.

¹³ *Zeri-i-Popullit*, 31 October 2002.

Lek132.7bn (roughly €50 million) and growing. The country still has a very informal, cash-based financial system. Although people are using banks more, only around 10 per cent have accounts, and cheque books and credit cards are rare. The parliament has passed a Law on Money Laundering, but implementing structures are inadequate and unlikely to be even partially effective unless the government seriously tackles corruption.

Moreover, economic improvement is very uneven, concentrated in Tirana and the lowlands. A growing number of businesses are keen to expand to Kosovo but encounter serious obstacles. Only 1 per cent of Albania's trade passes through Kosovo, due substantially to an average customs levy of 26 per cent against Albanian goods and the appalling state of the road. The UN-led administration there has agreed to reduce cross-border taxes, although the bad road remains an obstacle.

The government has pledged to raise funds to build a road connecting the Albanian port of Dures with Pristina. At present that 180-kilometre journey along a dangerous mountain road takes more than nine hours. The new road could cut that by half. An extra road tax on all imports and on fuel aims to bring in about U.S.\$20 million per year, and private companies will be expected to contribute towards the cost. Former Prime Minister Majko steered the tax through in 2002 after winning all-party and business backing. Collection started in July 2002. It is hoped that goods can be transported from Kosovo into Central Europe. As well as opening up new markets, an improved road should encourage more Kosovo Albanians to holiday along Albania's coast.

A further benefit could follow in the form of investment in the poor Northeast. It is hoped that better access will lead to wider improvements in infrastructure, which will in turn stem migration from the area. Prime Minister Nano has made it clear that the project is a government priority, and the fund raising drive is continuing. Already around Lek 800 million (approximately €5.8 million) has been collected for the road's construction. In December the World Bank announced the allocation of some U.S.\$17 million to rehabilitate sectors of the old road. Other international financial institutions, such as the European Investment Bank, also express interest. It is highly uncertain, however, whether further international aid for the road, which is expected to cost about U.S.\$250 million to \$300 million will be forthcoming, since the project

inevitably opens Tirana up to the accusation of harbouring aspirations for a Greater Albania, however much the economic benefits are stressed as sufficient motivation.

IV. SOCIAL ISSUES

A. CRIME AND CORRUPTION

The key social issues are the growth of organised crime and corruption and poverty, particularly in rural areas. Organised crime has grown steadily more sophisticated as it consolidates links between closely-knit Albanian diaspora clans and the wider criminal world. The EU has warned that the country must do more to fight organised crime, corruption and trafficking to remain on track for eventual membership. At a conference on organised crime in London in December 2002, the EU Commissioner for External Relations, Chris Patten, stated that:

The situation concerning organised crime and corruption is grave in the Balkans – but especially in Albania. If you want to confirm how serious the problem of organised crime is in Albania, ask the FBI or any other police organisation in the world. We need serious co-operation with the Albanian authorities to cope with this phenomenon.¹⁴

The government has responded with a series of highly publicised anti-trafficking measures. An international anti-trafficking centre in Vlore is jointly run with Italy, Greece and Germany. A naval task force set up to combat illegal smuggling has led to a reduction in the number of speedboats reaching the Italian coast. Security in the Adriatic has been considerably tightened, and better co-operation with Italy has resulted in some progress in reducing human and drug trafficking. However, while the authorities accept the existence of organised crime in Albania, they appear not to acknowledge the full extent of its links with individuals in top state offices, the police and politics. The real challenge for Nano's administration is to deprive organised crime of its powerful political backers in Tirana. In many areas the traffickers work with the complicity of police and customs officials and enjoy the protection of high-ranking politicians.

Corruption remains endemic, costing business around 8 per cent of turnover. The anti-corruption initiatives launched since 1999 have proved ineffective; the leading international group campaigning on this issue, Transparency International, has no chapter in Albania

because it has been unable to identify a sufficiently broad-based, impartial network.¹⁵ As in many other societies, Albanians often interact on the basis of personal relations and connections, characterised by loyalty and dependence, rather than professionalism and transparency. This practice seriously undermines efforts to democratise society.

Serious problems remain within a judiciary plagued by political interference and widespread corruption. There is a pressing need to increase its independence from politics and organised crime. The lack of protection for witnesses is a major obstacle in the fight against organised crime. A law for the protection of witnesses and repentant criminals and funding to provide them and their families with personal security are urgently required.

Apart from the damage it is doing to the development of democratic institutions and public morale, widespread corruption is also a health hazard. Bribery is rife in the country's medical services. Many people are forced to spend all their savings for medical treatment abroad or to delay seeking medical advice because they cannot afford to pay the required bribe. Even before a consultation, a patient has to give the doctor money in an envelope. In hospitals nurses also require bribes before treating patients. The system operates in both state and private clinics and hospitals. People are often diagnosed as requiring unnecessary treatment and prescribed medicine to be purchased at "recommended" chemists, which then charge 10 per cent more than the real price. Similar corruption pervades the educational system.

B. DECENTRALISATION

The mindset of the current government is still centred on the capital. In particular the North remains largely unaffected by the political, economic and social progress evident elsewhere in the country, gets little investment and clearly suffers from discriminatory treatment in comparison to other regions. Some parts are still beyond effective police control.

Although the international community strongly supports decentralisation, power remains highly concentrated at the centre. Decentralisation of financial powers, a key ingredient in the ability of

¹⁴ *Koha Jone*, 23 December 2002

¹⁵ ICG interview with Transparency International, February 2003.

local governments to implement new powers, is occurring only slowly. There is an acute shortage of qualified people at the local level to carry out new responsibilities. Decentralisation is straining the capacity of local government in general and human resource management in particular to implement reforms since it requires better-educated and trained people, and few such persons are left in rural areas.¹⁶

C. THE MUSLIM COMMUNITY

Albania is noted throughout the Balkans for its religious tolerance.¹⁷ The recent murder of a prominent Muslim official was, therefore, greeted with widespread concern. On 13 January 2003, Salih Tivari, secretary-general of the Muslim community (a loose informal representative body of the country's active mosques) was shot dead in his office in Tirana. It is well known that there are two rival groups within the Muslim community. The Selefi faction, an anti-modernist, puritanical school, is led by the deputy leader of the community, Ermir Gjinishi. Tivari, however, belonged to the Hanefi school, which advocates a more traditional Sunni state-controlled Islam, and is led by Sabri Koci. A joint police/Intelligence (SHISH) team has been established to investigate.

The former head of SHISH, Fatos Klosi, commented that Tivari had frequently visited SHISH offices to complain that he felt threatened by the increasing presence of young people who were trying to introduce fundamentalism. "Most of them have been educated in Saudi Arabia, Yemen or Sudan in semi-military institutions and have been trained in the use of weapons and physical force", he said. "They believed their more advanced knowledge of Islam made them superior to the generation of elders and they now felt ready to take over the community."¹⁸

A week after Tivari's death, a bomb alert in the Muslim community headquarters gave police a much-needed excuse to search the building. They began examining all recordings of conversations

between community officials, as well as masses of written material. Given Klosi's well publicised pronouncements about Tivari's frequent visits to SHISH headquarters, the most likely suspects for his murder may be radicals wishing to silence him. Another theory is that Tivari could have been killed by SHISH in order to prove that fundamentalists were now a serious threat requiring close investigation even of the otherwise inaccessible inner functions of mosques.

Whatever the truth, there is concern at the growing number of radical young men returning to Albania from studies at extremist Islamic institutions abroad. Over the past few years, there has been a marked change of atmosphere in several mosques in Tirana and other main towns. Where once there was an extremely warm welcome to the foreign visitor from young and old alike, one is greeted now with downcast eyes and sometimes a look of outright hostility by young men with long wispy beards. There is little doubt that these youths have a stronger sense of Islamic identity, given that all religious teaching was banned under communism. The conflict within the Muslim community is likely to broaden as more young men return from training schools in increasingly radical Islamic environments.

D. ENVIRONMENTAL PROBLEMS

Over the past decade, Albania has suffered growing environmental problems, largely caused by rapid and unregulated urbanisation. Tens of thousands of people have migrated from the North to the Tirana and Durres. Intense illegal plundering of forests has provided timber for the construction of houses, while the terrible autumn flooding of 2002 was exacerbated by people digging out shale and shingle from riverbeds to use for building. Albania is the only former Communist country whose proportion of forest land has decreased since 1989. Many in the North are being forced to abandon their homes, due not only to poverty and unemployment, but also severe environmental degradation.

A UN Environmental Program mission in September 2000 identified five "hot spots" posing immediate risks to human health and the environment. The worst is a chemical waste dump outside the main port of Durres, where thousands of refugees risk liver disease and cancer from the chromium (VI) and lindane on the tip. There are 20,000 tons of potentially dangerous chemicals on the site, including

¹⁶ "Common Country Assessment – Albania", prepared for the UNDP by the Albanian Centre for Economic Research, Tirana, June 2002, p. 82.

¹⁷ Although there are no official figures for the religious affiliation of Albanians, an estimated 70 per cent are Muslim, 20 per cent Orthodox Christian, and 10 per cent Roman Catholic.

¹⁸ *Korrieri*, 21 January 2003.

thousands of tons of lindane, from a store at a disused factory. The chemicals were dumped near the shore, and families converted the store into homes. Although they have been told the site is dangerous, they have nowhere else to go, and the authorities say they have no money to deal with the situation.¹⁹

E. POVERTY

According to the latest report issued by the Human Development Promotion Centre in Tirana, four out of five rural inhabitants live in deep poverty. The report highlighted the fact that poor inhabitants of rural areas are much poorer than needy families in urban areas. Around 48 per cent of those working in agriculture are classified as extremely poor.²⁰ De-industrialisation is evident throughout Albania – a return to an agrarian way of life, with, for example, one older brother running the farm while siblings seek employment abroad as the property is too small to be subdivided. Since about 53 per cent of Albanians live in rural areas, and agriculture still accounts for over 50 per cent of GDP, measures to address rural problems and the agricultural sector are tremendously important for development. In northern mountainous areas, arable land is scarce and fragmented, and people live by basic subsistence farming. Almost a third of rural families have less than 0.5 hectares of arable land. Households are isolated from markets and basic services like sewage and drinkable water and lack adequate transportation infrastructure.²¹

Despite acute poverty and mountainous terrain, the Northeast has potential to provide a significant population with a decent standard of living. It is rich in natural resources, such as chromium, copper and wood and could develop profitable agricultural markets, especially in organic produce such as cheese, yoghurt and other high quality dairy goods. Potatoes grow well as do fruit trees. Yet despite the abundance of apple trees in the Northeast region – Peshkopi has 200,000, Bajram Curri 40,000 – apples are imported from Macedonia and Greece. The

region's main towns also import potatoes and dairy products. There are no subsidies for mountain area food imports.

This unsatisfactory situation has arisen because farmers have no way to distribute their produce outside their immediate locality. There are no roads in the outlying districts. Even the major road linking the region's main towns is in very poor condition. The cliché, "local infrastructure needs urgent improvement", is an understatement when referring to the condition of the dirt tracks which connect villages in the Northeast.

The competitiveness of Albania's highly important agricultural sector is at stake but it is not only farm produce that cannot be distributed. Pregnant women cannot get to hospital, and children often cannot reach a school. Facing such obstacles, many families simply abandon their farms and head to the sprawling shantytowns around Tirana or attempt to flee the country, thus fuelling the trade in human trafficking. The government should ensure more adequate maintenance of primary, secondary and tertiary roads, and build smaller link roads for outlying villages.

Some political leaders, including the deputy speaker of the parliament, Jozefina Topali, who represents a Shkoder constituency, claim that northern areas suffer from government discrimination. The draft 2003 budget projects little investment there; specific money for tourism has been limited to just one resort, Velipoja, which is to benefit from Lek30 million (€15,000). The daily, *Rilindja Demokratike*, claimed that "the new draft budget was completely loyal to the discriminating tradition of the current budget in investments concerning areas in northern Albania",²² and a parliamentarian from Lezha complained that insufficient funds have been allocated to his area to restore river embankments and drainage systems damaged by serious flooding in 2002. Prime Minister Nano retorted in parliament on 7 October 2002 that Socialist-led government policies have never discriminated on regional divisions. He said the 2003 budget gives priority to fostering development in large cities such as Shkoder. This leaves unanswered the question of aid for smaller towns such as Bajram Curri and villages.

Run-down Bajram Curri, with a lawless reputation and chronic unemployment, urgently needs help to develop infrastructure, rehabilitate cultural and sports

¹⁹ UNEP, "Post-Conflict Environmental Assessment – Albania, 2000"; *The Times*, 18 October 2002.

²⁰ "The Human Development Report - Albania, Local Government Challenges and Regional Development", compiled for the United Nation's Development Program (UNDP).

²¹ "Common Country Assessment - Albania 2002", op. cit., p. 20.

²² *Rilindja Demokratike*, 17 December 2002.

facilities damaged during the Kosovo crisis, and reconstruct the water network. The mayor, Shpend Demiri, says construction of the Qafa Morina-Bajram Curri-Koman road, along the Drin River, is a priority to reduce the area's isolation.²³ The present alternatives for travelling from Tropoja to Shkoder and on to the rest of the country are the dangerous and dilapidated road and the rusting hulk known as the Fierze Ferry, a cold, uncomfortable boat that moves along the Drin at a pace comparable to that of the local snails. Lack of investment in this ferry service heightens the sense of neglect by Tirana that typifies the whole region.

There is just one organisation whose responsibilities are focused directly on improving conditions in the mountainous regions – the Mountain Areas Development Agency (MADA), which the government established in cooperation with the UN International Fund for Agricultural Development (IFAD). MADA provides veterinary services and small-scale credit for agricultural production and assists the distribution of organic produce in sixteen of Albania's poorest areas. It is funded by IFAD and grants from other international bodies. The entire MADA project was planned to last only six years, to 2007, after which funding stops. The director, Artur Galanxhi, says the project needs to run as long as rural assistance is required: "How are we going to help people stay in the villages and keep young people on the land," he says²⁴ A look at MADA's impact, even with its limited budget, strongly suggests it is worthy of much more funding.

Northern Albania has very specific problems and needs and should have a separate government agency – based in Shkoder, not Tirana – to look after its affairs, along the lines of Britain's Highlands and Islands Development Agency, France's Regional Development Agency or Greece's Ministry for Northern Greece. There should also be a Northern Regional Development Bank, as in Greece, to give small credit loans.

F. WEAPONS COLLECTION

Six years after an estimated 550,000 weapons (mostly Kalashnikov AK-47 assault rifles) were looted from military depots during the 1997

uprising, only 36 per cent have been recovered. Despite numerous internationally sponsored projects, which give credits to certain regions in return for the turn-in of weapons, little progress has been made to convince people to abandon their guns. A special police unit formed to collect weaponry was dissolved on 4 August 2002, and its 250 members are unemployed.²⁵

As well as the large number of weapons still in general circulation, caches of arms and ammunition are hidden all along Albania's borders. In August 2002 some 18,000 rounds of ammunition, several guns and around 100 grenades were discovered in a cave beside a road near the Macedonian border. The following month police discovered a large arsenal in a tunnel near Bajram Curri.

There are numerous obstacles to a successful weapons collection program, especially in border districts. The police lack elementary resources including decent vehicles, suitable storage facilities and even registration books. The lack of interest and co-operation from local government is compounded by lengthy bureaucratic delays. The authorities also lack adequate prison space for major violators. Remote rural communities argue that they need weapons for hunting and security. Collection in the Diber district is proving particularly difficult, as local people are holding their stockpiles to sell in the event of further conflict in Macedonia. The district is isolated by high mountains and bad roads, and is cut off from its historic administrative centre and market, Debar (Diber), just across the border in Macedonia. For these people, who have few means of earning a livelihood, weapons mean cash. In October 2002 three young boys were arrested trying to smuggle weapons into Macedonia to sell.

There can be no real development in northern Albania while so many sit on stockpiles of weapons they hope to sell to anyone who wants them. After intense international pressure, including from the UN, the government drafted a law in December 2002 for weapons collection. Its statement said "the draft law is aimed at the voluntary hand over, registration and obligatory collection of weapons, ammunition and other military equipment." The draft, which still has to be approved by a foot-dragging parliament, would be in effect for two years during which the UNDP would plan to disburse about U.S.\$800,000 in

²³ ICG interview with Shpend Demiri, September 2002.

²⁴ ICG interview with Artur Galanxhi, Tirana, September 2002.

²⁵ Institute for War and Peace Reporting (IWPR), 4 August 2002.

development projects. Those handing in weapons will not be prosecuted (an earlier amnesty expired on 4 August 2000), and their communities can apply for up to U.S.\$50,000 for schools or similar local projects.

The population should be encouraged through public awareness campaigns to support this initiative. It remains to be seen, however, whether poverty-stricken people can be persuaded to hand over the only valuable asset many have ever possessed.

G. MINORITIES

In response to international urging, the government began in autumn 2002 a first-ever registration of all minority communities, a process expected to be completed early in 2003. The Institute of Statistics (INSTAT) is carrying out the project, which will also obtain data relating to minority property.

Empirical data is lacking²⁶ but the various minority groups do not face uniform conditions. Most Roma²⁷ lead difficult lives under systematic discrimination, whereas Montenegrins and Serbs (concentrated in the North) and Vlachs (concentrated in the South) tend to have a similar level of well being as Albanians. Macedonians and Gorani²⁸ (concentrated in Prespa in the Southeast) tend to be somewhat worse off, and Greeks, who form the largest minority and are socially and politically well organised, tend to be better off than the average Albanian.²⁹

There is a degree of discrimination in the government's education and employment policy. Minority organisations cooperate poorly with the media, the political parties and NGOs. It is unlawful to create a political party on an ethnic, religious or regional basis.³⁰ No seats are reserved for minorities but, typically, parliament contains five to ten

minority representatives, mainly Greek, and local government bodies a somewhat greater proportion.³¹

Official figures put minorities at 3 to 4 per cent of the population. The Director of the Centre for Ethnic Research in Tirana, Kimet Fetahu, who is also head of the ethnic Macedonian minority organisation Mir, claimed to a Macedonian press agency that 35 per cent is more accurate³² but few observers would put the real figure anywhere near that level. Given that the minority issue remains problematic in relations with Greece and Macedonia, the results of the registration are eagerly awaited, and will almost certainly be contested.

²⁶ Unlike the 1989 Census, the April 2001 Census contained no questions on ethnicity and religion.

²⁷ Some Roma consider themselves to be Evgjits, as distinct from Roma. Evgjits claim Egyptian ancestry and are usually settled in urban areas and integrated with other Albanians.

²⁸ Goranis are Muslims who speak a Slavic language akin to Bulgarian and live in a collection of twenty villages, eight of which are in eastern Albania, three in Macedonia, and the rest in Kosovo's southwestern tip.

²⁹ "Common Country Assessment - Albania 2002", op. cit., p. 33.

³⁰ The 1991 law on political parties.

³¹ "Common Country Assessment - Albania 2002", op. cit., p. 34.

³² Kimet Fetahu, Reality Macedonia, 8 September 2002.

V. INTERNATIONAL RELATIONS

Beyond its preoccupation with the EU, Albania is seeking to establish links with former allies Russia and China. It is trying to be as neutral as possible in the ethnic conflicts in Kosovo, Southern Serbia and Macedonia and seeks normal relations with the neighbouring Slavic states. An indication of its willingness to strengthen and develop regional links is the number of border crossings that were opened in 2002 or are planned in 2003.

A. SERBIA

Albania and Yugoslavia (now “Serbia and Montenegro”) agreed in August 2002 to fully normalise diplomatic relations, which had been severed in 1999 by former Yugoslav President Slobodan Milosevic. Embassies were reopened in January 2001 but headed by lower level diplomats. Relations improved after Milosevic fell in October 2000. Ambassadors were exchanged in September 2002 and the Yugoslav airline JAT began direct flights to Tirana. On 12 November 2002 Belgrade’s new ambassador, Cafo Kapitanovic, presented his credentials and pleasantly surprised his audience by speaking in fluent Albanian rather than his native Serbian. The same month Foreign Minister Goran Svilanovic visited Tirana and his counterpart, Ilir Meta returned the visit to meet with Yugoslav President Vojislav Kostunica. Prime Minister Nano has invited Serbian Premier Zoran Djindjic to visit.

The new relationship’s emphasis will be on improving commercial links and visa facilities. Before the Milosevic era, nearly 20 percent of Albania’s total export went to Yugoslavia, with the latter accounting for 17 percent of the total of Tirana’s imports. More than 100 Yugoslav businessmen have recently arrived in Albania to look at investment opportunities, following an agreement on co-operation and support between Albanian and Yugoslav business organisations. Luan Bregasi, chairman of the Union of Albanian Chamber of Commerce and Bogoljub Karic, head of the Association of Industrialists and Entrepreneurs of Yugoslavia, signed an agreement in Tirana, which should help further enhance bilateral business relations. Karic noted that Kosovo could be an important link for boosting business relations and economic co-operation between Yugoslavia and Albania. However, future development of relations

with Serbia will be dependent on developments with respect to the future status of Kosovo.

B. MONTENEGRO

Relations with Montenegro are arguably the best Albania has in the region. At the end of January 2003, Foreign Minister Meta toured the Albanian-inhabited areas of eastern Montenegro, then visited Podgorica to meet with Prime Minister Milo Djukanovic and Foreign Minister Dragisa Burzan. A new border post at Muriqan and abolition of entry visas for Albanians visiting Montenegro are among several recent agreements. Another new border crossing, at Vermosh in the far Northwest, opened in October 2002. Relations between the ethnic Albanian minority, estimated at 6 per cent of the Republic’s 650,000 people, and the Slavic majority, have traditionally been far better than in other former Yugoslav republics. Foreign Minister Burzan has said this minority would in future be integrated better into mainstream society.³³

C. MACEDONIA

Despite several violent border incidents, the latter half of 2002 saw improved bilateral relations. In November the two presidents met for the first time since the August 2001 Ohrid agreement that ended fighting between Macedonia’s army and ethnic Albanian rebels. A conference on bilateral relations, which confirmed the common goal of NATO membership, followed. Defence Minister Pandeli Majko and his Macedonian counterpart, Vlado Buckovski, agreed to expand bilateral military co-operation, with the latter committing to disband the infamous “Lions” paramilitary organisation, which many in Albania believe was responsible for violent border incursions in 2002.³⁴ Albania and Macedonia also agreed to boost co-operation against organised crime, including by setting up joint border patrols.

In January 2003 the Chief of the Macedonian Army Staff, Major General Metodija Stamboliski, met his Albanian counterpart, Major General Pellumb Qazimi, in Tirana. Discussions centred on the

³³ Associated Press, 30 January 2003.

³⁴ See also ICG Balkans Report N°135, *Moving Macedonia Toward Self-Sufficiency: A New Security Approach for NATO and the EU*, 15 November 2002, Buckovski’s domestic incentives to tackle the ‘Lions’.

transformation of both military establishments. They agreed on the joint training and discussed a possible joint education and training centre for peacekeeping missions to include also Croatia's army. Macedonia may soon assign a military representative to Tirana for maintaining ties with the Albanian army.

The border issue remains a serious joint problem. Albania is keen to do nothing that might create the impression of tension while showing it patrols its side effectively and is committed to fight organised crime and illegal trafficking, especially arms smuggling. However, the sheer number of "incidents" on the Albanian side in 2002 indicates inferior performance by border units generally known as the poor relations of the police. The Ministry of Public Order is responsible for Albanian border patrols, the Ministry of Defence for Macedonia's. With the "Lions" to be disbanded, the level of incidents should fall. Nevertheless, Tirana should review the status of its border police, increase their numbers and improve their training and equipment.

Improved bilateral economic co-operation is needed. Despite a free trade agreement, the Macedonian market is virtually unknown to Albanian enterprises. It appears that neither side tries to take advantage of its benefits. Closer ties could see agreements on tourism, culture, and education as well as the economy. Full implementation of the Ohrid Agreement and the common goal of EU and NATO integration might make Macedonia a credible and long-term partner for Albania.

D. KOSOVO

While Kosovo's status remains in limbo, Albania is concentrating on strengthening business, economic and cultural ties with the UN administered province. Its business community is very keen to expand into the Kosovo market. Authorities in Albania and Kosovo plan to open two new crossings, at Shistavec and Orgjost in Kukës district, 208 kilometres north-east of Tirana, where currently just one crossing point joins the two Albanian polities. That one proved grossly inadequate in summer 2002, when many Kosovo residents made holidays in Albania. The gradual liberalisation of border structures also allows children from the northern Albanian district of Has to go to school in Kosovo. They are given ID cards negotiated with UNMIK/KFOR and the OSCE in Kukës.

Although visas are no longer required for travel between Kosovo and Albania, the growing number of Albanian businesses that want to expand activities to Kosovo encounter numerous obstacles, beginning with customs check points and start-up licensing procedures.³⁵ For several years a free trade agreement with Kosovo has been the Ministry of Finance's principal objective; negotiations with UNMIK will begin in the second quarter of 2003. The two governments will also jointly seek international help to normalise their electricity supplies.

The international security presence in Kosovo presently conducts a rather light control with Albania. At the Qafa Morina-Tropoja crossing there are only two or three policemen on the Albanian side and a similar number of KFOR troops on the other side. Inspection of documents is a mere formality, and vehicles are not examined at all. This extremely remote road is often used for smuggling drugs, weapons, military equipment and people. The situation is similar at Qafa Prushit, on the road towards Djakovica where the Albanian inspection is done by a single policeman, and there appears to be no Kosovo control at all.

In October 2002, the Tirana government closed the office once used for diplomatic representation by Kosovo's former exile government. In agreement with Albania's then president, Sali Berisha, it had been opened in 1993 by Bujar Bukoshi, prime minister of the "Republic of Kosovo", in the building that had previously been the North Korean Embassy. Although the "Kosovo Embassy" had not functioned as such since 1999, it had been staffed by a token "diplomat". A Foreign Ministry statement indicated the office was closed due to "the new political reality in Kosovo and the province's representation to Tirana through the United Nations". Needless to say, the move was not appreciated by those on the right wing of the Kosovo issue.

In a further boost to regional co-operation, the government and the chief of the UN mission in Kosovo, Michael Steiner, signed agreements in September 2002 on fighting crime and mutual recognition of car insurance. The former will allow police to co-ordinate their activities and exchange information. A month later a Memorandum of Understanding was signed on customs, the first official agreement between the two Albanian polities.

³⁵ See Section III above.

It aims to facilitate transport of goods and people through the Morina border crossing.

E. ITALY

The past year has seen new long-term co-operation with Albania's top trading partner. Prime Minister Nano, who has long been considered pro-Greece, made several visits to Italy, which were reciprocated by President Carlo Azelio Ciampi and Prime Minister Silvio Berlusconi. There are strong ties in all sectors of the economy, road construction, culture and education, the military and police. Berlusconi reaffirmed Italy's commitment to helping modernise the Albanian economy and welcomed the collaboration against illegal immigration. An estimated 200,000 Albanians, including 6,000 students, live in Italy. The Albanians are trying to convince the Italian government that now is the right time for serious investment in Albania, and put an end to the anti-Albanian attitude of some of Berlusconi's coalition partners. In fact, Albania, where an estimated 600 Italian companies operate, is becoming increasingly attractive to Italian investors, especially in construction, production of textiles and shoes, commerce and services, and food processing.

Both countries are committed to boosting co-operation in tourism, the supply of water to Italy's southern regions, and anti-trafficking measures in the Albanian port of Vlore. Italy has set up a special customs police unit to work alongside the Albanians to prevent suspect vessels leaving the Albanian coast. According to the Italian Prime Minister, this cooperation has sharply reduced illegal shipments.³⁶

With growing shortages throughout southern Europe, Albania is one of the few countries able to export water. It aims to supply the Apulia region of southern Italy, via a pipeline under the Adriatic Sea, with water from a well-known beauty spot, Syri i Kalter (the Blue Eye Spring). However, anyone visiting the spring will be saddened to see its deterioration. The flow of water has become sluggish, reduced by as much as 2 cubic metres per second, and pollution is evident. The liquid is now a dull grey instead of the former crystal clear turquoise blue. In exchange for water, Albania wants more

visas for its citizens and closer co-operation, particularly on energy, environment and tourism.

F. GREECE

In the past Tirana moved towards Italy only in response to tension with its second most important trading partner, Greece. However, despite recent problems over border issues, it enjoys relatively good relations with Athens. An estimated 200 Greek companies have been operating in Albania over the past decade, investing around €250 million. Although Greece maintains strong political leverage due to its NATO and EU membership, Albania is not as concerned as it once was that Greece might exert its influence to block economic aid since the strengthening economy is becoming less dependent upon foreign assistance. The countries are set to increase co-operation on regional matters. Fatos Nano met in September 2002 with Foreign Minister George Papandreu, who expressed Greece's commitment to finding a solution to the various historic problems that remain. The three most important are the Law on the State of War which still exists between Greece and Albania, the status of the Greek minority in Albania, and Albanian national and property claims in Greece.³⁷

³⁶ Press statement from Prime Minister Berlusconi, <http://www.governo.it/Presidente/Comunicati/dettaglio.asp?d=18056>.

³⁷ For a detailed discussion of these issues, see Miranda Vickers, "The Cham Issue - Albanian National and Property Claims in Greece", Conflict Studies Research Centre, G109, April 2002; also ICG Balkans Report N°111, *Albania: The State of the Nation 2001*, 25 May 2001.

VI. CONCLUSION

Over the past year, Albania has experienced some measure of political, economic, and, to a lesser degree, social progress. The political temperature was lowered by the agreement between Fatos Nano and Sali Berisha, a consensual president was elected, and negotiations were begun with the EU on an Stabilisation and Association Agreement. The overall performance of the economy remains satisfactory, and Albania has been credited as a key factor in regional stability as it strengthens political and commercial links with all its neighbours. It is encouraging that a registration of minorities is taking place for the first time.

While the Democratic Party (DP) has ended its boycott of the political process, politics is set to become more polarised as the parties gear up the October 2003 local election. If the Socialists (SP) lose, there would be new parliamentary elections the following spring. The DP is scrambling to forge a broad alliance of right-wing forces, while the SP attempts to establish a left-wing bloc. Although no love is lost between Nano and his foreign minister, Meta, they are unlikely to clash publicly in advance of the local elections. In fact, as Nano attempts to reorganise the SP and create a credible coalition, a cabinet reshuffle is likely in order to accommodate some Meta supporters.

Albanians are aware that EU and NATO membership will be a long and difficult process, requiring perhaps another generation. In the meantime, they ask themselves what progress Albania can achieve in their lifetime. A little more than a decade after the collapse of the one-party state, much has been achieved but a significant proportion of the population still lives in abject poverty. Industry cannot develop when the power supply is cut off every day or there are no roads upon which to transport goods or reach the hospital. Optimism must be restrained even when citizens do see a doctor, they still may not be able to afford the bribe to obtain treatment. If these social and environmental problems are not tackled, they will soon become tomorrow's political problems.

Without significant outside intervention and assistance, there is little chance of improving rural conditions. In general the rural population has little opportunity to move from near subsistence to commercially orientated enterprises, due to the lack of capital. Conventional financial institutions have been unable or unwilling to meet the credit needs of

rural families, farms and businesses.³⁸ Micro-credit initiatives and family-based micro-enterprises are needed to make life in the countryside more sustainable.

Many Albanian leaders feel that the international community has not given them credit for what the country has achieved in the six years since it was brought to the brink of civil war. The now safe streets of the capital and some other major cities are flanked by freshly painted buildings and newly planted parks. Smart shops and restaurants are opening daily, and a new highway whisks people from Tirana to weekend dachas on the coast. This is progress, albeit largely cosmetic, and the Albanian public is to be congratulated for its entrepreneurial spirit and for having so resolutely turned away from politically motivated violence.

What has not changed over the past six years is the mindset of Albania's political class. It has shown a chronic lack of cohesion and will to tackle the country's major internal problems. Institutional reforms still await genuine political negotiations and commitment. The government has not lived up to its promise to combat corruption and trafficking seriously. Although some measures have been taken, the government continues to lack a genuine will to reduce trafficking, help the victims, and remove corrupt officials. Successive governments have failed to implement pledges that they appear to have made primarily in order to present a good image to the international community. Albania's laws are now largely a muddle of foreign codes imported since the fall of communism, which may read well but present great difficulties to enforce. The recent intervention by the OSCE to keep the bipartisan commission on electoral reform on track, is indicative of the need to maintain an international monitoring presence in Albania.

The agreement on institutional reform between Fatos Nano and Sali Berisha has lost momentum. The accord gradually faded because there never was any real political commitment to press ahead with it. The government increasingly ignores opposition proposals for the sake of narrow partisan interests. Just below the surface proprieties, the harsh political war between right and left is as active as ever, and the wounds of previous conflicts are still unhealed.

Tirana/Brussels, 11 March 2003

³⁸ "Common Country Assessment - Albania 2002", op. cit., p. 21

APPENDIX A

MAP OF ALBANIA



APPENDIX B

ABOUT THE INTERNATIONAL CRISIS GROUP

The International Crisis Group (ICG) is an independent, non-profit, multinational organisation, with over 80 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

ICG's approach is grounded in field research. Teams of political analysts are located within or close by countries at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, ICG produces regular analytical reports containing practical recommendations targeted at key international decision-takers.

ICG's reports and briefing papers are distributed widely by email and printed copy to officials in foreign ministries and international organisations and made generally available at the same time via the organisation's Internet site, www.crisisweb.org. ICG works closely with governments and those who influence them, including the media, to highlight its crisis analyses and to generate support for its policy prescriptions.

The ICG Board – which includes prominent figures from the fields of politics, diplomacy, business and the media – is directly involved in helping to bring ICG reports and recommendations to the attention of senior policy-makers around the world. ICG is chaired by former Finnish President Martti Ahtisaari; and its President and Chief Executive since January 2000 has been former Australian Foreign Minister Gareth Evans.

ICG's international headquarters are in Brussels, with advocacy offices in Washington DC, New York and Paris and a media liaison office in London. The organisation currently operates eleven field offices (in Amman, Belgrade, Bogota, Islamabad, Jakarta,

Nairobi, Osh, Pristina, Sarajevo, Sierra Leone and Skopje) with analysts working in over 30 crisis-affected countries and territories across four continents.

In *Africa*, those countries include Burundi, Rwanda, the Democratic Republic of Congo, Sierra Leone-Liberia-Guinea, Somalia, Sudan and Zimbabwe; in *Asia*, Indonesia, Myanmar, Kyrgyzstan, Tajikistan, Uzbekistan, Pakistan, Afghanistan and Kashmir; in *Europe*, Albania, Bosnia, Kosovo, Macedonia, Montenegro and Serbia; in the *Middle East*, the whole region from North Africa to Iran; and in *Latin America*, Colombia.

ICG raises funds from governments, charitable foundations, companies and individual donors. The following governments currently provide funding: Australia, Austria, Canada, Denmark, Finland, France, Germany, Ireland, Luxembourg, The Netherlands, Norway, Sweden, Switzerland, the Republic of China (Taiwan), Turkey, the United Kingdom and the United States.

Foundation and private sector donors include The Atlantic Philanthropies, Carnegie Corporation of New York, Ford Foundation, Bill & Melinda Gates Foundation, William & Flora Hewlett Foundation, The Henry Luce Foundation, Inc., John D. & Catherine T. MacArthur Foundation, The John Merck Fund, Charles Stewart Mott Foundation, Open Society Institute, Ploughshares Fund, The Ruben & Elisabeth Rausing Trust, the Sasakawa Peace Foundation, the Sarlo Foundation of the Jewish Community Endowment Fund and the United States Institute of Peace.

March 2003

APPENDIX C

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** The Algeria project was transferred to the Middle East Program in January 2002.

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* The Algeria project was transferred from the Africa Program in January 2002.

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