

The EU in the Service of Albania: The Other Side of the Coin

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Abstract

This work is conceived inside an economic and political framework. In particular this study examines the impact of interventions promoted by some international organizations, representatives of the European Union, like the EIB - the main international financial institution in the Western Balkans regarding the volume of activity, that today is of about 6 billion Euros - in a country, as Albania, that have all the required characteristics to be recognized - thanks to the many social and political transformations that lasted for about two decades - as a civilized and democratic country.

The starting point of this analysis is quite different if not opposite to the most common ideas concerning the non-admission of Albania in the European Union. In fact we will face the determinants that hamper the entry in the EU. Our question is: Why the "Land of the Eagles" is not yet a member of the EU 27 despite the existence of a number of programs and proposed funding already allocated and in favor of it? The answer could lie in the lack of development of a civil society: although these issues concerning the Western Balkans could be date back to the '90s now, these have assumed a new dimension. Inside the Enlargement Strategy of the 2007, the European Commission has in fact identified the development of a civil society as one of the key reform priorities for the future access of these countries.

From this background the objective of this work is to show, following an assessment of the trends of poverty proposed by the Living Standards Measurement Living (LSML) in Albania for the period 2002-2008, the absence of a link between exclusion from the EU and the economic situation of a country that, among others, has made in recent years significant progress towards certain requirements crucial to proceed in the path of European integration.

Introduction

It is several years that Albania is trying to change its political status and social. In fact to be called one of the poorest countries in the Mediterranean-area, with difficulty trying to complete a complex transitional process to improve its condition. Today, thanks to the several social and political transformations that lasted for about a two decades – including the request of adhesion to the European

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Union – it could be considered as a country that have all the necessary characteristics to be recognized civilized and democratic.

The present work will deal with an economic political analysis. Starting from the assessment of poverty trends our goal is to demonstrate that the reason why Albania is not still an EU member is not related to the economic condition of the country, but the reason could be more linked to social aspects. The starting point of this analysis is quite different from what is usually taking into consideration when dealing with the entry of Albania in the European Union. In fact is widespread to considered the non-entry with different problems of the country itself, but in our opinion it could be more useful to deal with the determinants that hinder this entry. So our question is “why the Land of the Eagles is not yet a member of the EU 27 despite the existence of a number of programs and proposed funding already allocated and in favor of that? (European Policy Centre).In our opinion the answer lies in the lack of development of civil society.

The purpose of this paper is to show the lack of a precise link between exclusion from the EU and the economic situation of the country².

Historical Albanian Context

In the early nineties Albania has seen the collapse of the entire national economy having lived for decades, after the fall of the old regime, in a situation of international isolation and self-sufficiency. The immediate reaction and the attitude assumed by the executive bodies of the country is to change the governmental model, transforming the country into a parliamentary republic. With the new form of government the general situation, at least initially, seems to improve, but in 1997 the country was on the brink of civil war. The bankruptcies of a number of financial, more commonly known as the "collapse of financial pyramids", reduces the Albanian population on the ‘pavement’. The crisis experienced by the country in the years 1997-1998 thwarts all efforts made along four years aimed at macroeconomic

²Comunicazione della Commissione al Parlamento Europeo e al Consiglio, Strategia di allargamento e sfide principali per il periodo 2007-2008 COM(2007) 663 def.

consolidation, leading to the need to start a new stabilization program, initiated in 1992, aimed to solve the serious economic imbalance that characterized Albania in those years. However, the policies implemented had not created favorable opportunities in the booming economy, had lead to results opposite to those desired.

Is in this historical moment – on the basis of what happened and of the events that marked the country's history – that the International Community tries to lend a hand to the Albanians and the United Nations organize a humanitarian mission to restore order in Albania, to stop outflow migrants and to reinforce the institutions of the country. In 1998, this process leads to the approval of a new Constitution that guarantees the restoration of security and a slow economic recovery. Not by chance in 2006, Albania signed the Stabilization and Association Agreement (SAA) with the European Union, becoming the third country in the Western Balkans to engage in fundamental reforms with Brussels.

The integration process of Albania in EU and the politics of intervention

Since the early nineties (1991) the European Community had identified yet different forms of intervention in favor of Western Balkan countries focused mainly both on crisis management and on the socio-economic support for the reconstruction of those countries. According to a report published by the Directorate-General of External Relations of the European Commission, covering the years 2002-2006, the resources released until 2000 totaled 5,55 billion Euros of which approximately 912 million were allocated to Albania.

The central pivot on which the European Union has fought to try to develop a proper policy of expanding the Region was the Stabilization and Association Process, launched in 1999 and signed in 2006. The current phase of the policy adopted is oriented to the creation of networks between the Countries of the Area, both signatories of the Stabilization Agreements and Association, by promoting and, in particular, reducing barriers to trade. In addition, for greater security and stability, the EU is trying as much as possible to try to foster relations between the countries have signed and those candidate for enlargement, as well as trying to adopt a

common approach in response to organized crime, illegal immigration and other forms of illegal trafficking.

Since November 2000, during the Summit in Zagreb, alongside the promotion of bilateral relations between the European Union and Western Balkan countries, have been given strong emphasis to regional cooperation as well as the launch of the CARDS (Community Assistance for Reconstruction, Development and Stabilization)³. The CARDS is an assistance program promoted by the European Union, facing Albania and other Balkan countries (Bosnia and Herzegovina, Croatia, Macedonia, Federal Republic of Yugoslavia), which sets long-term objectives related both to the stabilization of countries themselves and their progressive association to the EU.

The program, as well as provide assistance to individual countries, aims to strengthen regional cooperation. It is characterized by a high degree of flexibility as a form of support to those countries who are facing the transition to democracy, side by side processes of institutional, economic and social reform. The program priorities are: the reform of the institutions, democratic stability, the creation of a market economy based on free trade and the creation of an internal and regional stability by fighting crime.

The CARDS have been implemented since 2000 and had lasted until 2006⁴. During this period, the available budget amounted to 4,650 billion Euros, more particularly for the period 2002-2004 were allocated a total of 147,5 million Euros to finance projects aimed to the Euro-Albanian cooperation. The lines of action of these projects are two: the first aims to support the reform of public administration and judiciary led on the one hand to ensure public order, respect for fundamental freedoms and the rules of the game, on the other to combat organized crime, illegal immigration and trafficking in persons; the second one is aimed at social and economic development by supporting the education and training in order to promote the socio-economic development of the country.

³ European Community CARDS Programme, “Albania. Country Strategy Paper 2002-2006”. September 2001;

⁴ European Commission External Relations Directorate General, “CARDS Assistance Programme to the Western Balkans Regional Strategy Paper 2002-2006”

In that regard at the end of 2001, the European Commission adopted an annual program of assistance for a total value of 37.5 million Euros which aims to identify and implement several projects in different fields of application: assistance projects for public policy and management of migratory flows – for a total of 16,000 Euro; projects for the institutional reinforcement (customs, taxation, standards and certification, coordination of aid) – for a total of 9,000; projects for the local economic development (construction of local infrastructure, water and sanitation, schools and roads, lighting and health centers) – for 10,000 Euros; and, finally, education projects (reform of the higher education institution).

Where is Albania now: Measuring Economic Growth through the Poverty Index

Albania has always been identified as one of the poorest countries than the average European standards. However, in recent decades the country is trying to complete, with great difficulty, a tortuous transitional process that would enable it to adapt to the other EU's countries - also because of the recent request for entry into the Euro area - and would allow it to count in the near future on a proper market economy.

According to official data of Leaving Standard Measurement Surveys (LSMS) from 2000, gross domestic product (GDP) of Albania has undergone a positive change with an increase of about 7.8% over the previous year. From that moment triggered a mechanism for continued growth.

Besides the analysis of developments in the GDP we can observe the positive change recorded by the FGT5 (Foster-Greer-Thorbecke, 1984) poverty indices for the

⁵ The general formula of the poverty index is given by the following expression: $P = P(z/m, L)$. Where m is the average per capita income (in this context we'll use the consumer spending), z is the poverty threshold - determined exogenously - and finally L is a parameter characterizing the distribution of income measured by the Lorenz function.

The general formulation has some peculiarities that are essential for analysis, in fact, this allows to create tests of statistical significance for a given poverty line, allows the decomposition of the poverty variation caused by changes in average income and distribution sub-lying (Datt - Ravallion, 1992; Soudi, 2005) and finally allows the calculation of the elasticity of average income and inequality. Among the most used indicators in the literature to quantify the phenomenon of poverty, the most common is the one proposed by Foster-

period under study. By the analysis of poverty for the years under study (2002-2005-2008) and considering the Albanian population by macro residence areas and in total, it shows that the proportion of poor population - defined as such because the spending per capita is below the limit set by the poverty line, equal to 4,891 Lek - has fallen from 25.4% in 2002 to 18.5% in 2005 and further to 12.4% in 2008. This means that about 200,000 of about 575,000 poor in 2005 were lifted out of poverty. Even the other measures of poverty have undergone significant downsizing. The depth of poverty, expression of the gap between household incomes and poverty, rose from 5.7% in 2002 to 4.00% in 2005 and then fall further to 2.36 % in 2008 just under half. A gap of about two percentage points means that the total amount of the poor population lying below the poverty line is equal to the total population multiplied for 2% of the poverty line adopted. The main feature of measuring the

Greer-Thorbecke (1984). The FGT class of indices is different depending on whether a distribution is continuous or discrete.

Regarding the first case: $P_\alpha = \int_0^z \left(\frac{z-y}{z}\right)^\alpha f(y) dy$

for the second case: $P_\alpha = \frac{1}{N} \sum_{i=1}^q \left(\frac{z-y_i}{z}\right)^\alpha$

Where Z is the poverty line, Y_i is the income or expenditure per capita of the poor population (q), N is the total population and finally we have the parameter α ($\alpha > 0$) that is a parameter that indicates the degree of aversion to poverty and there are three significant values: $\alpha = 0$, FGT = H (Diffusion Index).

$$P_0 = \frac{q}{n}$$

P_0 , also called numeric index, identifies only the portion of poor people, in fact, to better describe the phenomenon should give greater weight to those that lie below the poverty line. This is done by assigning values to the α parameter values > 0 .

if $\alpha = 1$

$$P_1 = \frac{1}{N} \sum_{i=1}^q \left(\frac{z-y_i}{z}\right) = P_0 \left(\frac{z-y_q}{z}\right)$$

P_1 also known as volume index, measuring the depth of poverty, or to what an average income or consumption of the poor differs from the poverty line.

if $\alpha = 2$

$$P_2 = \frac{\sum_{i=1}^q (z-y_i)^2}{NZ^2}$$

This indicator measures the severity of poverty and mainly due to the distribution of income among the poorest, because it attaches more weight to the largest gaps.

depth of poverty is that the contribution of a poor person on the total amount of poverty is greater than the condition of poverty that he lives. Finally, the severity of the condition of poverty is an expression of unease among the poorest individuals, it does not take into account only the distance between income of the poor and the poverty line but also sees the disparity between them.

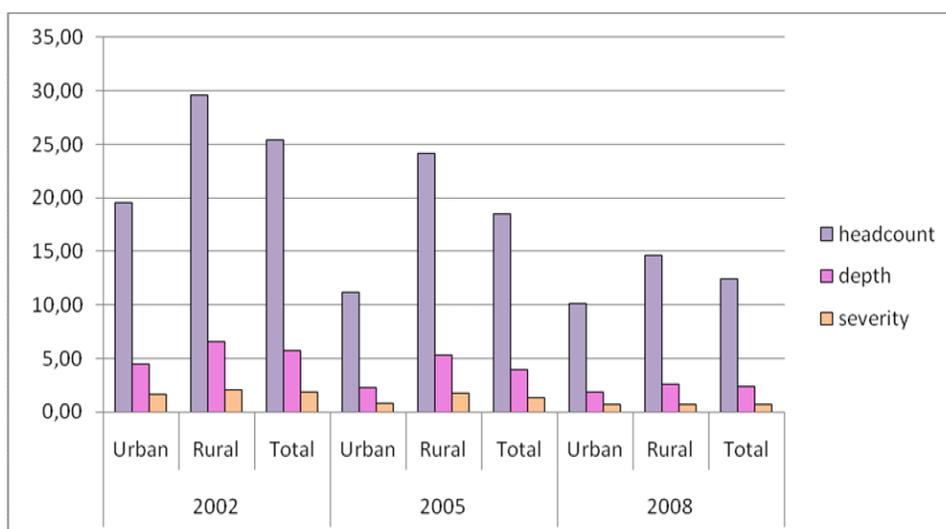
Table 1. Rates of absolutely poverty in rural and urban areas of Albania. 2002-2005-2008

2002			2005			2008		
Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
Headcount								
19,50	29,60	25,39	11,20	24,20	18,50	10,10	14,60	12,40
Depth								
4,50	6,60	5,70	2,30	5,30	4,00	1,91	2,62	2,36
Severity								
1,60	2,10	1,90	0,80	1,80	1,30	0,67	0,71	0,72

Source: Our data processing for 2002-2005; LSMS, INSTAT for 2008

More weight is given to families further away from poverty line. The table shows that the severity of poverty, from 2002 to 2008, has suffered a decline of 50% going from 1.90% in 2002 to 0.72% in 2008.

Figure 1. Trend of absolutely poverty in rural and urban areas of Albania. 2002-2005-2008



Source: Authors elaboration of data for 2002-2005; LSMS, INSTAT for 2008, 2009

To poverty reduction, recorded into the macro areas of residence and at national levels, is associated the significantly reduction, even at regional level. The regional poverty rates, today, have decreased substantially compared to those who came in 2005, with the exception of mountain areas. For example, central areas, characterized by the largest reduction of poverty, "only" 10.7% of the population is defined poor in comparison with 21.2% in 2005. Although also coastal areas have been a considerable reduction in terms of poverty. Compared to 2005, the percentage of population considered poor dropped from 16.2% in 2005 to 13% in 2008. Mountain areas, differently from the central and coastal ones, have failed to keep pace increasing as well, their distance to the other areas. It is further important to note the condition of the capital Tirana: even though records the lowest level of poverty among the regions considered, does not report a further reduction of the poverty level than that which occurred in 2005, in fact it goes down from 8.1% to 8,7% in 2008.

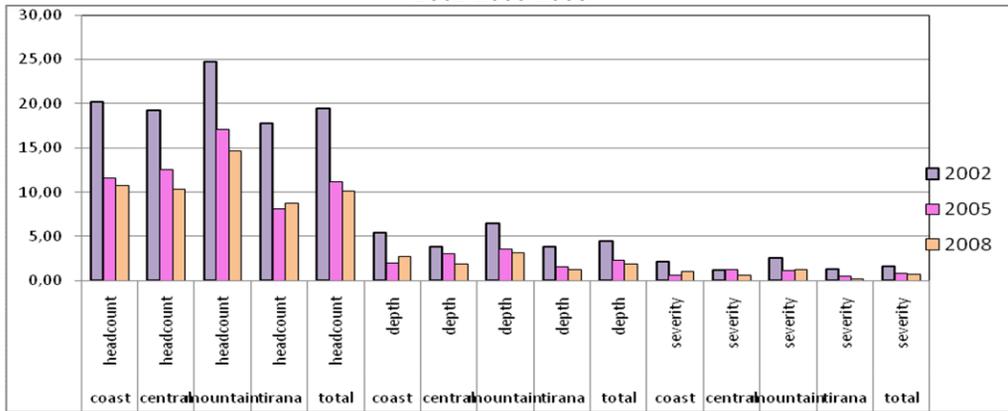
Table 2. Rates of absolutely poverty in Albania by residential areas and at national level. 2002-2005-2008

Residential areas	2002			2005			2008		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
Coast	Headcount								
	20,20	20,90	20,60	11,60	19,70	16,20	10,70	15,00	13,00
	Depth								
	5,40	3,60	4,40	2,00	4,10	3,20	2,70	2,50	0,20
	Severity								
	2,10	1,00	1,50	0,60	1,30	1,00	1,00	0,60	0,70
Central	Headcount								
	19,30	28,50	25,60	12,50	25,90	21,20	10,30	10,90	10,70
	Depth								
	3,80	6,50	5,70	3,00	6,00	5,00	1,90	1,90	1,90
	Severity								
	1,20	2,10	1,80	1,20	2,10	1,80	0,60	0,40	0,50
Mountain	Headcount								
	24,70	49,50	44,50	17,10	27,70	25,60	14,70	29,80	26,60
	Depth								
	6,50	12,30	11,10	3,60	5,50	5,10	3,20	6,20	5,60
	Severity								
	2,60	4,40	4,10	1,10	1,70	1,50	1,20	1,80	1,70
Tirana	Headcount								
	17,80	-	17,80	8,10	-	8,10	8,70	-	8,70
	Depth								
	3,80	-	3,80	1,60	-	1,60	1,20	-	1,20
	Severity								
	1,30	-	1,30	0,50	-	0,50	0,20	-	0,20
Total	Headcount								
	19,50	29,60	25,39	11,20	24,20	18,50	10,10	14,60	12,40
	Depth								
	4,50	6,60	5,70	2,30	5,30	4,00	1,91	2,62	2,36
	Severity								
	1,60	2,10	1,90	0,80	1,80	1,30	0,67	0,71	0,72

Source: LSMS, INSTAT, 2009

The percentage of poor people belonging to mountain areas is the only one who has experienced a negative change, in fact it goes from 25.6% in 2005 to 26.6% in 2008, although during the transition from 2002 to 2005 the reduction was very significant (from 44.50% to 25.6%). The problem is strictly related to the condition of rural areas. In fact, all rates of rural poverty in other regions have experienced a sharp decline in 2008, but in mountain areas they has remained the same. More specifically, while the rate of rural poverty in mountain regions is about 67% more than national ones referred to 2002, during the 2008 amounted to 114.1%.

Figure 2. Trends of absolutely poverty in Albania by residential areas and at national level. 2002-2005-2008



Source: Authors elaboration of data for 2002-2005; LSMS, INSTAT for 2008, 2009

Final Remarks: Albania Towards a Civil Society

As result of participation in the Stabilization and Association Process (SAP) and the related stipulation Agreement (SAA), which occurred in 2006, Albania has become - upon the signing of a formal program focused on compliance with certain commitments regarding political, trade and economic issues - a potential candidate for EU membership. Since 2007, in fact, the pre-accession financial assistance to the country was ensured by the Program Financial Assistance (IPA), managed by the European Commission Delegation in Tirana, where the main areas of intervention focused on strengthening of governance attitude, improving the legislative framework of public and judiciary administration, social-economic development and democratic stabilization of the country.

During 2009 the large sum of money allocated by the European Commission in Albania - approximately 81.2 millions of euro - represented an additional reason to push, on the 28 of April of that same year, the country to submit its request for becoming an EU membership.

However, despite the many advances made in recent years towards meeting of certain requirements essential to proceed in the path of European integration, further improvements are still needed in many other fields. One of the most complex and urgent of these is the development of civil society. To a greater participation of organizations, expressions of civil society, to public life corresponds an improvement of the quality of democracy and strengthening public support for EU.

Development and civil society dialogue as part of the process of European enlargement are not new phenomena, in fact they go back to the early 1990, but into the Western Balkans they have taken a new more important dimension. The European Commission, within the Enlargement Strategy in 2007, has in fact identified them as one of the key reform priorities for the future access of these countries to EU. Civil society is not only an essential element for democratic public life and the smooth functioning of institutions, but is also a key player in building and strengthening public support for reform. The change imposed by external forces is not sufficient to achieve the necessary requirements towards EU: involvement, commitment and active participation of civil society are fundamental. Furthermore, companies of potential candidate countries should be aware and ready to accept the costs of reform that involves the integration.

Although in Albania polls reveal that over 90% of public opinion is favorable to entry in Europe⁶, Albanian civil society has a real understanding and has a real knowledge of the EU? Is equipped to play its role in the democratization process? Why the "Land of the Eagles" is not yet a member of the EU 27 despite the existence of a number of programs and proposed funding already allocated and in favor of that?

⁶ European Policy Centre, « The Balkans in Europe: containment or transformation? Twelve ideas for action », EPC Working Paper No.31, 2008.

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