



**Organization for Security and Co-operation in Europe
Presence in Albania**

**Address to the US Commission on Security and Cooperation in Europe
Ambassador Osmo Lipponen, Head of Presence
Washington, 20 July 2004**

Thank you, Mr Chairman, for inviting me to this hearing on “Advancing Democracy in Albania”. As you have just mentioned, I have been the Head of the OSCE Presence in Albania for the past two years and will be leaving my post at the end of September. It is a privilege for me to be here today as it provides an opportunity to summarize for you the assessment of the Presence as to the achievements made by Albania over the past several years as well as the many challenges that the country is currently facing.

Today’s meeting comes at a critical moment: we are a year away from the next parliamentary elections. The conduct of these elections has to meet strong expectations both at home and abroad, where these elections are being viewed as a major test of Albania’s political maturity and democratic development. After lengthy negotiations led by the Presence, the Socialist Party—which is the ruling majority—and the main opposition Democratic Party finally agreed to establish an ad hoc parliamentary committee to oversee the necessary electoral reforms called for by ODIHR and the Council of Europe’s Venice Commission. The success of this committee will be crucial to building the political will necessary for conducting these next elections according to international standards. It was disappointing that the local elections held last October were a “missed opportunity” in meeting these standards.

I understand that our report has already been circulated, so I will concentrate on highlighting the most important points.

Albania is a country that has made significant progress since 1997, when the state essentially collapsed into civil unrest. Since that time, there has been a steady consolidation of the state and its institutions. The mandate of the OSCE Presence in Albania, first established in 1997 to focus on democratization, elections, human rights, and media development, was recently updated at the end of last year, to take into account the country’s progress.

Albania’s achievements have also been recognized by the international community through closer relations with NATO and a perspective for future membership, as well as through the opening of negotiations with the European Union on a Stabilization and Association Agreement in January 2003, which is the first step towards eventual accession.

Despite the visible progress Albania remains a country with significant socio-economic challenges, which are the cause for a host of related problems ranging from illegal migration and smuggling to rampant corruption within the public administration and judicial sector.

Albania's socio-economic indicators are weak: GDP per capita at around \$1400 is nearly the lowest in Europe; 30% live below the poverty level. Albania is plagued by inadequate infrastructure, insufficient investment in the health and education sectors and has suffered from rapid urbanization and massive population movements, which continue. Economic growth, though averaging around 6% a year, is limited to only a narrow sector of productive enterprises, in particular, construction, which employ mostly unskilled or semi-skilled labour with almost no long-term sustainability. The privatization process is still incomplete. Most products are imported causing a trade imbalance that is largely financed by remittances coming from abroad where nearly every family has at least one working age relative.

Albania therefore needs focused and well-targeted policies to address these problems that particularly affect the rural poor and uneducated urban poor. A narrowing of the grey economy fueled by smuggling and tax evasion, for example, is needed to raise revenue and finance much needed public services.

Unfortunately real ownership over major government strategies is limited and appears to be announced only to satisfy donors rather than to be used as tools to really solve the problems. Moreover, with the political system not yet properly functioning, debate tends to focus on political conflict rather than on how best to tackle the substantive issues, including all of the reforms necessary for the EU negotiations. This extremely polarized political situation, where a high level of distrust and conflict exist between the Socialist and Democratic parties, has negatively impacted the country since the end of Communism in 1991. The divisiveness is severely impairing Albania's ability to develop as a fully democratic European state and recent frictions between the two show that the advent of closer integration into Euro-Atlantic structures has not changed the basic polarization.

Albania therefore must move towards having a normally functioning parliamentary system—beginning with undisputed elections conducted according to international standards—and a transparently functioning public administration in order to be able to manage its significant socio-economic and rule of law problems. This needs to be supported by broadening civic participation in the governing process as corruption and lack of accountability have severely damaged the public's trust in the national authorities.

There have been some positive signs that civil society is now dawning and is starting to have influence, though still limited, on public policy decisions and on making government more accountable. They have also showed signs of influencing as well the opposition.

There is, however, a worrying trend of converging political and commercial interests sometimes even intersecting the black economy that really have the potential to slow the course of Albania's evolving democracy by subjecting the media to political interference and subverting the rule of law. Issues of conflicts of interest are already widely ignored, and with the current system of few controls on party financing, the situation where elections or candidates can be bought may only get worse. For as much as civil society may be trying to impact upon the governance of the country, these other more powerful influences, accompanied by strong financial backing, are

pushing to ensure that decision-making remains closed, unaccountable and non-transparent.

Several estimates of the role and meaning of the black economy in Albania contend that it makes up 1/3 of the economy. This is regarded as a very conservative estimate. Recent reports tell that the volume, in terms of money, gained from trafficking is still growing as efforts against trafficking in human beings interrupted some of these networks. In its place, drug trafficking has now grown making Albania an increasingly important transshipment point for heroin coming from Afghanistan via Turkey.

As a major and growing threat to the country, organized crime, moreover, has taken advantage of these continued institutional weaknesses and has steadily increased its influence. It is claimed also to be penetrating the political system. The threat posed by organized crime, which is linked to the increase in drug trafficking through Albania, does not just affect Albania itself, but also the region and Europe in general.

Albania certainly has, despite the harsh realities I have presented here today, a chance for improvement, but only provided that the people regain their confidence in the political system and with it the hope for positive change. This can be possible with the emergent civil society and especially when the strong diaspora has stayed true to the promotion of further development of the country. Unfortunately, when the diaspora keeps growing, the “brain drain” grows with it. This is especially detrimental to building up a well-functioning public administration.

International support for Albania will be crucial still for several more years. The OSCE Presence in Albania has its constructive role in the process as the only international actor so far providing facilitation and support for consensus building as a means of mediating the polarized situation. This role will be needed also in the future at least until the elections. Moreover, there will be need for our experience and services for institution building and democratization for at least another few years.

Albania, with its limited resources and huge political, social and economic challenges will need all the help it can get from the international community. The OSCE Presence in Albania is not a stigma for the country, but rather should be viewed as a positive asset for its development.

I will conclude here, with just one final word on the pre-election situation: The new ad hoc committee on electoral reform has been established and is to begin its work. The Technical Experts Group, chaired by the Presence and working under the committee, will have its first substantive meeting tomorrow. It has a very tight timeframe in which to work so that all amendments to the Electoral Code need to be drafted and agreed by the end of September for parliamentary approval. Amendments on a few subjects such as improving the voter registers and the criteria for establishing electoral zone boundaries need to be approved even earlier to allow sufficient preparation time. It is on these very political issues, including the CEC, that the political parties must show maximum political will to compromise and to uphold their agreements. Should the political will be lacking, the next elections will be a major setback to Albania in its democratic development.