

## **Donor roles in face of endemic corruption – Albania in the policy debate<sup>1</sup>**

by

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The International Community is faced with many cases of endemically corrupt societies where anti-corruption strategies fail to bring about any meaningful progress. Taking Albania as an example, it will be argued that the anti-corruption programmes of the bilateral and multilateral donors will have very limited impact as long as they do not address the fundamental problem of most countries with endemic corruption levels – that is, the lack of political will due to involvement of senior government officials in corrupt networks.

Both bilateral and multilateral donors involved in Albania know perfectly well that several senior ministers and government officials, parliamentarians and officials in the governing party are deeply involved in corrupt behaviour. It is in fact the country's worst kept secret. Today the donors use a traditional anti-corruption recipe, focusing on reforming public administration and public finance management, hoping to bit by bit reduce the room for corrupt behaviour. It is a sensible approach, but the analysis of the underlying causes and the extent of the problem will show that this approach is too narrow. When it comes to countries like Albania, where the major problem is state capture by politicians who directly or by collusion with criminals and/or business people steal from the public purse or engage in a range of corrupt strategies, a tougher and more direct form of intervention should be considered. To fully explain why the bilateral donors, the EU, IMF, EBRD, OSCE, Council of Europe, the UNDP, and the World Bank do not go beyond tough language, is outside the scope of this article. But to suggest that the reason is the lack of influence upon the government is simply a false argument.

Starting out, this article will give a candid look at the level and types of corruption in Albania. In designing anti-corruption strategies it is necessary to understand its generic causes. The questions are; do the donors address the causes or the effects of corruption, and does the present anti-corruption strategy take proper account of the distinct peculiarities of a country like Albania? I will postulate that the present strategy misses the mark by some way. As corruption hampers the social and economic development of the country, breaks down public morale and is a threat to political stability and security, it should be made clear to the government that the continuing involvement of senior government officials and politicians in corrupt networks and organised crime will leave the country stranded without aid and outside the Euro-Atlantic realm. Thus,

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<sup>1</sup> The material presented here is based on in-depth interviews with close to 100 senior politicians, including present and former ministers, members of parliament, political advisors, local politicians, businessmen, journalist, academics, law enforcement officials, lawyers, government officials, NGO representatives and members of the IC. They shall remain nameless, but their collective viewpoints should give a fair account of the present situation.

when the International Community (IC) has leverage over the government, a return to the now unfashionable concept of political and economical conditionality should be considered.

### The two faces of corruption

To classify a whole society as endemically corrupt might seem dramatic, but the level of both petty and grand corruption in Albania is such that it cannot be overlooked. High estimates of corruption are given by all actors outside government, while the government and the governing party claim that figures are exaggerated. Even though the level of corruption is not easily measured, the Transparency International Corruption Perceptions Index from 2002 which gives Albania a score of 2.5 on a 0-10 scale where 0 represent the most negative end of the scale is a good indication. A series of corruption surveys have confirmed and qualified these findings. Two consecutive surveys made by SELDI in 2001 and 2002<sup>2</sup> highlight the severity of the problem in Albania, measured against its Balkan neighbours. When asked about the prevalence of corruption in different professional groups, respondents replied as follows:

	<b>"Nearly all" and "most" are involved in corruption"</b>							
	<b>Albania</b>	<b>Bosnia and Herzegovina</b>	<b>Bulgaria</b>	<b>Macedonia</b>	<b>Romania</b>	<b>Croatia</b>	<b>Serbia</b>	<b>Montenegro</b>
Customs officers	86,6%	58,8%	75,2%	72,2%	63,4%	51,3%	80,9%	27,3%
Ministers	67,8%	54,2%	55,0%	61,0%	58,0%	37,3%	55,3%	16,2%
Police officers	56,4%	46,5%	54,3%	46,3%	64,4%	47,3%	73,2%	18,7%
Tax officials	79,0%	54,4%	53,7%	52,3%	49,0%	40,6%	63,5%	16,2%
Lawyers	70,6%	41,0%	52,9%	42,2%	55,2%	45,3%	55,7%	13,4%
Members of parliament	61,8%	47,5%	51,7%	60,8%	65,9%	33,1%	45,9%	6,6%
Public prosecutors	70,9%	37,8%	51,3%	39,4%	49,3%	29,6%	56,8%	32,5%
Judges	80,1%	42,6%	50,1%	49,2%	55,7%	38,4%	63,7%	37,7%
Officials at ministries	66,2%	52,5%	49,7%	47,5%	54,5%	47,0%	56,1%	42,5%
Investigating officers	52,7%	44,5%	43,8%	29,8%	45,3%	28,0%	57,0%	33,0%
Political party and coalition leaders	54,7%	56,0%	43,8%	44,6%	53,7%	39,4%	58,1%	13,6%
Doctors	71,6%	48,9%	43,6%	45,4%	54,4%	53,2%	62,9%	11,6%
Business people	42,6%	41,1%	42,3%	34,1%	45,4%	41,3%	63,9%	21,7%
Municipal officials	69,1%	51,4%	41,6%	36,8%	47,9%	48,1%	60,1%	47,0%
Administration officials in the judicial system	63,0%	41,6%	40,2%	31,0%	51,6%	32,8%	50,3%	33,3%
Local political leaders	49,6%	54,7%	36,8%	39,1%	48,0%	41,9%	56,9%	15,2%
Bankers	24,4%	31,9%	33,5%	19,7%	44,8%	34,0%	49,2%	11,4%
Municipal councilors	55,2%	46,2%	32,1%	33,4%	43,1%	27,7%	45,0%	8,4%
University professors and officials	46,0%	35,7%	28,1%	42,9%	24,7%	40,4%	39,1%	25,7%
Representatives of NGO's	23,1%	26,3%	23,9%	16,5%	17,8%	14,2%	25,8%	12,1%
Journalists	18,8%	24,3%	13,9%	17,1%	22,1%	22,8%	34,0%	36,3%
Teachers	11,6%	20,9%	10,9%	18,7%	20,4%	19,3%	28,5%	18,0%

<sup>2</sup> [http://www.seldi.net/seldi\\_e.htm](http://www.seldi.net/seldi_e.htm)

Out of the persons included in the survey the Albanian respondents reported the highest level of:

- pressure on citizens from public officials soliciting corrupt compensation,
- tolerance in principle of corruption,
- involvement in corrupt practices, and
- pessimism over their country's ability to deal with corruption

Anecdotal evidence on ordinary people's everyday experience with corruption is also available in abundance. These of course relate mostly to petty corruption, which is easiest to spot. One telling example is that if you go to an Albanian hospital with a medical emergency, doctors and nurses will most probably refuse to treat you unless you hand out a bribe, even though Albania has a public health care system. Other survey material brought forward by the World Bank indicates the magnitude of the problem, with every second citizen admitting to having paid a bribe to a public official since 1999. The business community is also forced to pay bribes at all levels. World Bank research indicates that an estimated 7% of business revenue goes towards paying bribes. Corruption is an impediment for a functioning market economy and for attracting new investments to the country, a fact that is highlighted by the international risk assessment agencies. Those assessments that include Albania in their ratings hold that the likelihood that investors lose their investment due to corruption is very high.

Still, the use of perception surveys is not ideal in analysing the level and nature of the corruption problem in any country. This fact was highlighted by the Group of States against Corruption (GRECO) Evaluation Report on Albania in 2002, which stated "If comprehensive data and research on the situation in Albania was available, the situation could be analysed in a more objective and precise manner".<sup>3</sup> It is therefore pertinent to ask if the actors in the donor community have understood the underlying dynamics of the problem when suggesting laws and programmes for the Albanian government. Nowhere is this more questionable than for the World Bank, which in its report on the state of corruption in the Central and Eastern Europe, the Baltics and the Commonwealth of Independent States, rate Albania as a country with high administrative corruption but with only medium state capture.<sup>4</sup> The recommendations for reform and intervention by national and international actors follow from these typologies. This analysis is based on a dataset which measures to what extent the state is captured by business interest – a variable that is hardly relevant in Albania. As the next section will show, the state is indeed captured, – not by strong and organised business interests, but by organised crime and elements already inside politics and government.

### **The anatomy of a corrupt society**

The motivation behind petty corruption in Albania is evident. It is driven by greed, poverty (GDP per person 1345 Euro), high unemployment (18+ %), an overgrown bureaucracy that offers low job security and low wages, and lacking property rights. Likewise, the opportunities are great: a large informal economy, weak institutions, weak civil society and media, passive citizenry, weak political opposition and spiralling organised crime. But in order to understand why there is more corruption in Albania than other Balkan countries, given their similar starting point as post-communist societies, it is necessary to take into account the country's special communist legacy and its clan based social structure.

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<sup>3</sup> Council of Europe (2002) "Evaluation Report on Albania", Adopted by GRECO at its 12<sup>th</sup> Plenary Meeting, Stasbourg

<sup>4</sup> World Bank (2000) "Anticorruption in Transition, A Contribution to the Policy Debate", Washington

Communism in Albania was extremely totalitarian compared to other communist block countries, and its demise in 1991 opened up a Pandora's Box of problems. The lack of knowledge of democracy mixed with a reaction to its collective past, led Albanians to perceive democracy as unrestrained freedom. Loss of national pride and confidence led to a weak civic moral, and disregard for the common good. People were not afraid of the state anymore, and there were no institutions in place that were able to regulate this burst of individualism. Later, in 1997, Albania came to the edge of the abyss because of a corrupt and state sponsored pyramid scheme which cost 90% of families their life savings. It is evident that many of those who enriched themselves were politicians at high level. The effect was a further weakening of the state legitimacy, efficiency and coercive capacity. The collapse of the pyramid scheme also opened up for the return of the previous Communist, now Socialist, Party.<sup>5</sup>

The foundation for the grand corruption we see today is also based on the collapse of Communism. The two leading political parties – the Democratic Party and the Socialist Party – are not policy oriented, but stuck in a struggle for state power that originate from participation in or opposition to the former Communist regime. Albanian politics is therefore very confrontational, and trust is at an absolute minimum. Another unhealthy legacy is the merger of party and state. Whoever wins elections, which in themselves have been fraught with electoral fraud, is reserved the right not only to change government, but also the whole state structure. In practice we see the following pattern: when any new Albanian Prime Minister (PM) takes office, and there have been five in the last two and a half years, he reserves the right to appoint loyalists in all prominent positions, like taxes-customs-roads administration, Foreign Service, public procurement, armed forces, security establishment, police, etc. When these persons then take hold over institutions, the next logical step is to put people loyal to themselves in mid-level positions, and so the cycle is repeated downwards in the system. Furthermore, when a customs officer takes a 100\$ bribe, he will send a given sum up the ladder, and one share ends up at the top of the food chain. It also happens that a person will pay a sum much higher than the annual wage in order to become a commander of a customs checkpoint or to obtain another income generating position.

The corruption problem has been made worse by cultural aspects. In the vacuum created by the collapse of Communism, traditional clan based dependencies have had their resurgence. Albania is still a network society where people interact on the basis of personal relations and connections characterised by loyalty and dependence rather than professionalism. In effect, people resort to bribes or using friends and relatives within the bureaucracies to solve their grievances and speed up transactions, thus creating an endless stream of obligations and reciprocal favours which trap all those involved.

Corruption exists in all forms; from the bribing of public officials, to the abuse of tenders, in faulty privatisation, in the rewarding of public contracts, in formation of monopolies on basic goods, in discriminatory application of laws and taxes against competitors, in illegal funding of political parties and electoral competition and in the outright theft of state property and revenue. Unfortunately, it gets worse as grand corruption and organised crime are closely interconnected. Some senior Socialist Party officials are involved in smuggling, dealing in contrabands, large scale tax evasion and land grabbing. Others own businesses like construction companies or are closely

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<sup>5</sup> For further reading, see B. Kajsu et al (2002) "Albania – A Weak Democracy, A Weak state". Albanian Institute for International Studies

connected to these through kinship or other bonds. Some politicians own their own newspapers or television stations, which are used for political and economical aims. These accusations are not taken from just anywhere, but are rather the public statements of a faction within the Socialist Party which go under the name “Catharsis Movement” for cleaner politics. Leaving the agenda of the Catharsis Movement aside, its claims have been confirmed in numerous interviews. It is clear that the country has become a safe haven for criminals who enjoy total freedom to run their drug-smuggling, trafficking of prostitutes and children, and other activities. A part of the enormous revenue that is generated end up in the pockets of state officials and politicians. In Tirana politicians and other officials are seen socialising with major criminals. The ICG writes “the real challenge for the [present PM] Nano government is to deprive organised crime its powerful backers in Tirana”.<sup>6</sup> In this regard, the wide ranging immunity offered to Members of Parliament and the Government under the Albanian Constitution is not of help.

Former ministers interviewed for this paper paint a grim picture of the demand for corrupt transactions. One ex-minister estimated that six out of ten persons visiting his office asked for favours that lay outside the law. Another had entered the government as an experiment, wanting to find out how long he would retain his position if he refused to enter into corrupt transactions. In less than one month he was asked to leave his post, as he had attempted to break up a monopoly which was controlled by his fellow ministers.

In the depiction of corruption in Albania, the political parties play a prominent role. The two most recent electoral campaigns, in 1998 and 2001, plus several local by-elections, have been fraught by electoral fraud. Several parties admitted that the campaigns were very expensive, costing them several times the legitimate sources of funding. In some cases the party leader as a businessman was able to fund the parties from his own pocket, others had financial backers from outside who they admitted were not in politics for the kindness of their hearts. It is believed by insiders that the Socialist Party has a huge advantage over its rivals in its fundraising capabilities, being the party in power. In addition, the Socialist Party has not shied away from using the public purse and the government resources for its campaign activities.

The Parliament is another impediment for progress, as the institution is not performing its constitutional check on the executive. The institution harbours groups that actively and effectively work against progress in areas like anti-corruption and organised crime. Very many MPs have either bought or bullied their way into parliament from small single member constituencies, often sponsored by large scale business/criminal elements or the State Intelligence Service, which they subsequently have become dependent on. This does not apply to the majority of parliamentarians, but since the Socialist Party is fragmented internally, these groups have attained substantial veto-powers.

From this analysis it is evident that the level of state capture in Albania is high. Likewise, it is clear that the reason that this was labelled as medium by the World Bank study is that the analysis was based on capture by economic elites, which in Albania lack the level of sophistication to intervene in an organised manner. If one is to consider the intervention of economic interest in Albania one has to consider the Greek and Italian business interests which are involved in Albania in a not so transparent way. Indeed, the same study admits that some countries placed in this category might be misplaced as there might be other forms of state capture, such as by public official or specialised state sectors. However, no mention is made of organised crime and its

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<sup>6</sup> ICG Balkans Report No 140 (2003) *Albania: State of the Nation 2003*



influence on the state, which is a big factor, not only in Albania, but across the Balkans. Capture is thus manifest, and power in Albania rests in a triangle between the governing party, state officials and organised crime. It is also worth noticing that while the World Bank study focuses on the ability of economic interests to shape the rules of the game, the way the capture manifests itself in Albania is for these powerful groups to bypass the normal legal/political realm and put pressure on politicians and the state administration to make sure that activities and interests are protected and that laws and conventions that the country pass/sign up to on are not implemented.

### **A whole-hearted effort?**

Before and after the June 2001 elections the Socialist Party has indicated that the fight against corruption has a high priority. On the other hand, a close scrutiny indicates that the promises are not been meet, even when a growing number of officials at lower level want to clean up the bureaucracy. One telling example of the distance between public declarations and positive action is the customs administration, which has received substantial international attention and assistance. In the 1998-2002 period customs revenue has been on the steady increase up to its present level of 92% of the target revenue. But in 2002 the government made several decisions that were considered as a setback by the IMF and EU experts. First the import reference prices were publicised, but later the same year a considerable number of key experts trained by the IC were replaced, thus considerably reducing the human capacity of the customs administration. In addition, unusual transit control systems were introduced for sensitive goods like oil and cigarettes, which according to interview material is controlled by key government officials.

In the last years a series of public scandals involving senior government officials and former ministers have surfaced. Some of these persons have been dismissed for corruption, but according to the Ministry of Justice, the number of senior government officials actually sentenced each year has been in single digits and sentencing has been ridiculously low. After a while the scandals die away, and the only effect is that the insiders feel the need to be more covert and professional in their corrupt behaviour. Interview material indicates that when judges, police officers, customs officers and the like are fired, the trend is that these persons were without political backing or that they were a part of the power-structure of the former minister or director. There have also been instances where dismissed officials resurface in other state structures, free to continue their activities. Disciplinary measures are thus taken, and paraded in front of the IC, but those losing their positions are most often officials at lower levels. In fact, anti-corruption efforts are often merely a ploy to get rid of political opponents and install a new set of loyalists. Thus, the dominant strategy of the Albanian government is to attack persons and not the systemic weakness. This is not to suggest that those that are accused have not been involved in corruption.

When reviewing the institutional setup in place to check for potential abuse of public office, a negative picture emerges. Interlocutors give a unison statement that the Department of Internal Auditing has been used as a political tool for fighting opposition leaders, local government leaders and those Socialist Party officials who are in opposition to the leadership. The Attorney General has stated that his inability to fight economic crime is based on the lack of sufficient resources and staff. Likewise, the High State Audit, which on a yearly basis reports to Parliament on the level of corruption in state institutions, has limited powers and can only *advise* the government and judicial authorities.

The different judicial and law enforcement agencies also seem to be a part of the problem. In all interviews conducted, allegations surfaced that prosecutions are shelved, or if they materialise, decisions are either bought or suppressed due to political pressure. One accusation is that corruption cases are sent to the prosecution with serious flaws, making it impossible to prosecute these cases successfully. The different law enforcement bodies also lack efficient implementation and co-operation mechanisms. Another obvious systemic weakness lies with the fact that each Minister is tasked to uncover the abuse of government officials and oversee the government anti-corruption efforts. How can he possibly be successful when he sits in government with higher ranking ministers than himself, who – according to very well placed interlocutors – are deeply involved in corrupt practices? But the final blow to any progress in the area of fighting corruption is the trend where anyone who becomes serious about investigation and prosecution corruption at the highest level will eventually be thrown out of office. Those officials bent on confronting corruption thus turn towards the IC for some kind of job security. Unfortunately, this has not been a successful strategy.

Another indication of the resistance to reform comes from groups within the Socialist Party. They work effectively for the reduction of the presence of international organisations like the OSCE. It is evident that they are clearly uncomfortable with being monitored. There is also a tendency where the Socialist Party government attempts to block legislation in areas where it has special, private interests. This applies to issues like the need for an effective Law on Declaration of Assets of Public Officials, land reform and electoral reform. It is most often after direct donor intervention has it is possible to move forward. One example of this is the assistance of the OSCE/ODHIR in helping the parties reaching much needed electoral reform prior to the local elections in October 2003. Where progress has been made it seems evident that the motive of the government is to appease donors to release more funds and impress in regard to open negotiations for a Stabilisation and Association Agreement between Albania and EU. It is evident that the Prime Minister is not doing enough to counter corruption in his own government, the state bureaucracy, in parliament and among party officials. He must therefore be classified as part of the problem.

### **The international factor**

The IC has been involved in Albania since the beginning of the 1990s for various reasons. In the immediate post-communist era the focus of the IC was on developing and stabilising the country, so the government of the day was not pushed hard on the corruption issue. Later in the decade, during the Balkan wars, the Kosovo crisis and most recently in the troubles in Macedonia, the emphasis of the IC was to make sure that the Socialist Party government in Tirana remained as neutral as possible in order to prevent Albania from becoming entangled in the regional conflicts. Security considerations therefore took primacy over all other issues. Now that the Macedonian conflict has settled down and the Kosovo conflict is on the right track, there is no compelling reason for giving the government a political amnesty not to implement reform.

The donors' engagement with Albania today comes from the concern that Albania again might disintegrate, spilling its problems into Western Europe, or becoming an island in a region where the neighbours qualify for Euro-Atlantic integration. Another concern has been the foreign policy of the government, but on this point the government has received top marks for its efforts to integrate the region on trade and foreign policy issues. In post 9.11 considerations, parts of the donor community have also been considering the possibility of the largely muslim population radicalising, as Albania is the perfect base from which to run a terrorist network. However, the

swift action of the government in expelling suspected Muslim fundamentalists in the last years has confirmed Albania's status as a friendly country. It seems that on all issues the IC have brought to the attention of the government with some urgency; the response has been one of compliance and action. In short, the Albanian government is very attentive to the main priorities of the IC. Alas, the willingness of the donor community to confront the government on corruption and governance issues has been much lower.

In 1998 the Albanian government in co-operation with the World Bank made the first survey on corruption in the country, which was followed by a plan of anticorruption measures the same year (updated in 2000). Among the outcomes has been a National Anti-Corruption Plan which encompasses a wide ranging anti-corruption matrix. The matrix focus points are: institutional reform, strengthening of legislation and consolidation of the rule of law, public finance management, promotion of transparency in business transactions, and enhancing public information and promotion of an active civil society. Under each of these objectives, expected outcomes, responsible institutions, deadlines and risks are laid down. In 1999 the Governmental Commission of the Fight against Corruption was established. It is headed by the PM and is tasked with revising and monitoring the implementation of the National Anti-Corruption Plan. This high-level organ is also set to monitor the activities of the Anti Corruption Monitoring Group, which is set up to carry out the more detailed implementation of the matrix. The Monitoring Group consist of a Board of Directors with representatives from the various ministries and state bodies, and is co-ordinated by the Minister of State to the Prime Minister, who has a Permanent Unit of civil servants available in his office. This framework seems very sensible on paper, but if one accepts that the PM is unwilling or unable to instigate a real fight against corruption, the whole plan with its different levels of monitoring becomes a rather hollow undertaking.

Anti-corruption efforts are also laid down as an important obligation under the government Growth and Poverty Reduction Strategy. In addition to the WB framework, the European dimension has been important, and the recommendations and priorities made by the EU have been almost equal those set forward in the matrix. An important part of the European framework has been an Action Plan under the Anti Corruption Initiative of the Stability Pact, which has also been included in the Stabilisation and Association Agreement (SAA) process between the EU and Albania. The Action Plan lays down the objectives, measures and responsibilities expected of the government, and it is indeed an ambitious and elaborate plan. Other donors, including the bilaterals, UNDP and OSCE, have agreed with the WB and the European Union initiatives and initiated several programmes focusing on the judicial system, the public administration, parliamentary oversight, procurement, land reform, customs, fiscal administration and decentralisation. Most important is the CARDS programme of the EU, which allocates 37.5 million Euro annually to meet the objectives of the SAA. It is also indicated that the sums offered to Albania will increase in the near future. Under these different initiatives the government has been linked to a number of multilateral initiatives with the aim of adopting and implementing all relevant international agreements and conventions. Albania's legal framework has been steadily developed over the last decade and is today broadly satisfactory.<sup>7</sup>

The EU integration process has been in operation since 2001, when the High Level Steering Group identified corruption as a serious challenge for the government to tackle. Later, the 2002

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<sup>7</sup> UNDP (2002) "Albania, Common Country Assessment", Prepared by The Albanian Centre for Economic Research (ACER), Tirana



SAP report identified corruption as a problem that had to be addressed more seriously. This message has also been carried by other actors, like the US State Department, which in 2001 placed Albania on a list where the levels of trafficking, organised crime and corruption were very high, and threatened that if the situation was not improved by 2003, economic sanctions might follow. Likewise, the US ambassador to NATO during his visit to Tirana in February 2002 said that lack of progress in this area might prevent Albania in its bid to enter NATO. Nonetheless, the donor conditionality imposed on Albania has been weak, since only the IMF once has taken steps, when it delayed the signing of the Financial Support Agreement until February 2003 over the customs debacle. The lack of urgency to tackle the problem is also evident in the SAA process. On 31 January 2003, negotiations were opened between the EU and Albania. The EU has for this process chosen the carrot approach, hoping that the start of negotiations for an SAA and the prospect of a future membership will intensify the reform process. The same logic is evident in the discussions over a future NATO membership. In both instances the stick is put to the side as the government has been led to know that the only outcome of failure to meet demands linked to governance, is the stalling of negotiations.

The reform process progresses against the backdrop of growing frustration by members of the donor community over what seems to be a lack of commitment by the government. Statements like “the recent political turmoil in the country has shown that, occasionally, specific, short term interests of political leaders may prevail over longer term, strategic vision of a continued rapprochement to Europe, and put reform at risk”<sup>8</sup> made by the EU commission. Likewise, “the main difficulty in accomplishing a bold programme of required reforms aimed at improving governance and combating corruption comes from internal resistance arising out of existing economic interest that prefer to continue receiving private benefits at the expense of generalised social welfare”, stated by the IMF<sup>9</sup>. And lastly the quote, “Although Albania has developed, in close co-operation with the international community, a number of mechanisms to fight strong systemic corruption, actual progress in this area remains insufficient. Albania has demonstrated its capacity to develop action plans, prepare matrices, and to set up specific institutions with the objective of fighting corruption. However, declarations of intent and multilateral events are far from being sufficient. Fighting corruption requires full commitment and political will, and full and determined implementation of action plans”<sup>10</sup>, again by the EU Commission show that the IC reckons that the Albanian government is not an altogether trustworthy partner.

Still, the GRECO Evaluation Report on Albania does not agree with the grim picture presented in this paper. Although it admits that there is a lack of comprehensive statistical and research material available, it concludes: “Albania has during the last years taken extensive action against corruption with impressive results. The development of the National Anti-Corruption Plan and the establishment of the multidisciplinary Anti-Corruption Monitoring Group, clearly indicates the strong commitment – at the highest political level – to fight the problem of corruption”.<sup>11</sup> This conclusion must stem from an incredibly low level of ambition, and the assessment that putting in place commissions and the like equals real commitment, is at best a naïve statement. The donors have helped the Albanian government understand that reforms to counter organised crime and corruption are needed to enter Euro-Atlantic structures. But the government has

<sup>8</sup> Commission of the European Communities, SAP (2002:163) “Commission Staff working paper. Albania Stabilisation and Association Report”

<sup>9</sup> IMF, Country Report No. 03/64 (2003) “Albania: Selected Issues and Statistical Appendix”, Washington, DC

<sup>10</sup> Commission of the European Communities, SAP (2003:139) “Commission Staff working paper. Albania Stabilisation and Association Report”

<sup>11</sup> Ibid. p. 31

understood that it will not be held to its commitments. The soft approach of the IC has indicated to those elements in government who have no interest in changing the status quo that nice rhetoric will suffice. In addition, the donor programmes are not designed to deal with the scale of the problem and its underlying causes. I argue they are built on the assumption that state capture is only at a medium level and the strategy will thus continue to have little impact.

One last critique of the role of the donors seems pertinent. It has emerged that the low capacity of the Albanian state at all levels has led the government to welcome the different donor programmes without reservations, and the advice offered from outside has carried much weight. This has led to a certain degree of donor dependency and shifting Albanian governments have without much hesitation adopted any resolution that the different IC organisations have suggested. The involvement of the government and the Albanian civil society in the design of programmes has also been inadequate, leading to a low degree of ownership. Another error committed by the international community has been to sell its programmes to the government without consulting other donors. There have been a lot of small, uncoordinated projects in the different key areas which have been identified. One example: At a meeting of different donors involved in customs reform in 2002 the different participants were unaware of the focus of the programmes run by other actors. Attempts to co-ordinate activities were a failure as the participants were only interested in presenting their present work and future plans without taking notice of the possibilities of co-ordination. The government's input was to present a list of items it needed, like cars and radios, hoping that someone would pick up the check.

### **Time for a new approach**

The different international organisations involved in Albania have been able to report home on having initiated different programmes, having laws adopted and international conventions ratified. Implementation have been weak – a fact that the donors have not been so interested in reporting on. Albania is still a country with soaring levels of corruption. Still there seems to be little interest in attacking the problem head on. Albania is of course not the first country where the donor community encounters the problem of endemic corruption. As mentioned by Susan Rose-Ackerman in her book *Corruption and Government*<sup>12</sup> the Marcos regime in the Philippines was able to keep aid and lending flowing by having technocrats in the government co-operating with the WB and the IMF. Rose-Ackerman also refers to Hutchcroft, who claims that Marcos saw reform and plunder as complementary. This paper has shown that the reason why progress is so slow is that the status quo benefits powerful interests. In fact, groups and individuals within the state structures are the prime beneficiaries of the spoils generated through parallel structures where security from interference by state structures is secured against hard cash. The analysis has shown that the donors have put in place the standard anti-corruption remedy which I claim addresses the symptoms, not the root cause of corruption. It seems like Albania has been subjected to what Daniel Kaufmann calls a mechanistic toolkit bias in designing anti-corruption strategies.<sup>13</sup> A further mistake has been to accept the “quick and dirty” fixes of the government as real progress. The analysis has shown that the wrong people at the wrong levels have been accused for the wrong reasons.

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<sup>12</sup> S. Rose-Ackerman (1999) “Corruption and Government, Causes, Consequences and Reform”, Cambridge University Press

<sup>13</sup> D. Kaufmann (1999) “Anticorruption strategies: Starting Afresh? Unconventional Lessons from Comparative Analysis” in R. Staphenurst & S. Khundeh “Curbing Corruption, Towards a Model for Building National Integrity”, EDI Development Studies, World Bank

If one assumes that this analysis is correct and Albania is characterised by high state capture and high administrative corruption – the recommendations for intervention have to shift focus. The World Bank survey indicates that stand-alone efforts to tackle administrative corruption through technocratic reforms in public administration and public finance are likely to have limited impact in countries falling in the high/high category. Unfortunately, it is not possible to present a revised strategy in this paper, but the donors can take some considerations on board. Even though there are no golden formulas to deal with this type of situation it is evident that *reforms should change the incentive structure of the political leadership by increasing cost of state capture and reducing the spoils available from controlling the state*. Albania does not have a credible leadership – a fact that complicates efforts to reduce corruption. Even though the IC is part of the problem in Albania it also has to be a part of the solution. Ideally the role of the IC should be to support strong national leadership in implementing programmes that are derived from a dialogue between the government and actors in civil society. As this is not an option, efforts of the IC must instead look for appropriate entry points to deal with the leadership already in place and support countervailing forces in all levels of society.

Today the US Embassy, the International Financial Institutions, the EU Commission, the OSCE, and a few bilateral embassies have real influence over the Albanian government. The three first will have primacy in the next few years as they control accessions into NATO and EU, and further economic assistance which the government wants to retain or increase. This constitutes the first critical entry point needed to change the incentive structure of the government in favour of implementing anti-corruption reforms. Experience shows that when faced with a clear agenda for action, the government will comply. So in addition to focusing on the traditional anti-corruption programmes, state capture should be attacked head on.<sup>14</sup> There is clearly a potential for the donor community to use direct political conditionality against the government. The Socialist Party government is concerned with losing the next general election. Thus, sending a clear message, publicly stated, that the government unwillingness to fight corruption is to blame for the present state of malaise, and that a continuation of the failing to meet targets set up in the SAA process, will leave the country stranded outside Europe, will probably prove effective as ordinary Albanians want to enter into Europe and uplift their lives.

Another strategy that will increase the costs for politicians who engage in corrupt behaviour can be found in the crossroads between the electoral channel and the need to build coalitions from below against corruption. There are some promising early developments with the establishing an Anti Corruption alliance of NGOs in 2001, which is funded by USAID. Despite these promising developments, ordinary Albanians are passive in the face of endemic corruption. How can a coalition against corruption be built when ordinary citizens are entangled in corrupt behaviour? If you ask an Albanian this question he or she will surely answer: “what can you expect from us, we are poor, look at the way our leaders carry on”. But ordinary Albanians need to understand that their engagement in petty corrupt behaviour, theft of public utilities and present non-payment culture of basic services, is counterproductive. On all these arenas the donor community and the international NGOs that focusing on building democracy can be more active in supporting local NGOs, helping independent media, in setting up educational programmes in schools and so on in order to create a demand for clean politicians and civil servants. One small starting point could be to set up a Transparency International chapter in the country. Albania’s experience with democracy has been brief and programmes that educate the population to understand their rights

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<sup>14</sup> D. Kaufmann (2003) “Rethinking Governance, Empirical Lessons Challenge Orthodoxy”, World Bank

and the responsibilities of their representatives will create a demand for a new breed of politicians who will hopefully emerge to be true champions of good governance.<sup>15</sup>

Susan Rose-Ackerman write that aid projects which only increase the short-term values of controlling the state should not be supported, and kleptocratic states should not be helped to become more efficient at controlling and exploiting their own populations. Although this author agrees with the statement, it is necessary to make a distinction between countries where the country has working institutions or not. Where income is generated through the control of the state, but where the actual accumulation of revenue takes place in parallel structures outside the state where interaction is based on clan dependencies and personalised networks then efforts should go into building these. As an example, efforts to strengthen customs by registering all goods that reach the sea and land borders by computer is positive, as it reduces the spoils available in the parallel system. All traditional programmes put in place by the bilateral donors to strengthen to improve public sector management and strengthen institutions of restraint should go on, and even more should follow. These programmes offer few opportunities for corruption, and because Albania has a low degree of aid dependency, an exit-strategy at this level would not accomplish anything. As the government seems uninterested in social welfare, the roll-back of aid programmes would only harm the neediest. In countries where the total bilateral donor involvement plays a more significant role, sanctions can be an option, like it was in Kenya in 1997 and Tanzania in 1994. Another argument must be made for the multilateral lending institutions like the IMF and the WB. With the government blatantly ignoring the implementation of anti-corruption demands, Rose-Ackerman's argument for some form of economic conditionality has substantial merit – rulers bent on enriching themselves or not being the driving forces behind reform should be cut off from funding.

So there needs to be a four track strategy by the IC:

- 1) Target the top officials in government and the leading political party to have them committed to rooting out elements that engage in corrupt behaviour. In demanding this from the government, the donors have to put in place a stand-by monitoring unit that engage closely with all relevant Albanian institutions to see whether real progress is being made – teams of experts flying in for a short period making assessments will not suffice.
- 2) Support the ongoing civil service reform.
- 3) Support the State President and other “champions” at lower level who are willing to take on the corruption problem, offering them support and some degree of protection.
- 4) Build citizen awareness and civil society partnerships – in short, to create a demand side for cleaner politics and public service.

Even with this elaborate donor intervention, the responsibility must be put more clearly on the government to act. The present state of donor dependency at the programme level is very unhealthy, donors must therefore be careful not to impose ready made programmes without involving the Albanian counterparts. And although the donors must demand a swift change of hearts when it comes to the lack of political will, the donor involvement needs some degree of patience as the state's implementing capacity is quite low.

The next challenge is to sort out who can and should perform these tasks. First of all co-ordination is essential. Donors and non-state actors working on corruption and governance issues need to have meetings where strategy is discussed. These should be held at Ambassador

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<sup>15</sup> J. Pope (2000) “Confronting Corruption: The Elements of a National Integrity System”, Chapter 5, TI Source Book 2000

and Country Director level. Later officers working on corruption and other issues like elections, land, local government and so on need to have open discussions and set common goals and avoid overlapping commitments. Here the EU Ambassadors who meet regularly, or the Utstein group, can work together to enlarge their group and include all relevant actors. Another candidate for these tasks is the OSCE, which has officers on the ground working full time on all the most important issues facing Albania. In effect, this will make it easier for the government to deal with what are today often contradicting demands and overlapping programmes presented to them. After co-ordination is in place the government must be presented with a more credible threat of exit by the multilateral lending institutions. Within the framework of better co-ordination the donors must make better use of the political dependency offered through the EU and NATO accession processes. There must be no talk of lowering the bar in order for Albania to slip into NATO and EU without meeting the required standards. And lastly the bilateral donors, the international NGOs, and the UNDP should carry on their tasks of strengthening state institutions and building an active civil society.

Credit should though be given to the donors for their efforts to put corruption on the public agenda, and for identifying a number of other areas where a targeted intervention has been needed, herein the need for land reform, reform of the electoral framework, local government, environmental issues and so on. But it is fair to say that progress has been uneven at best. Other more concrete issues related to corruption should also be addressed. First of all the donors should consider strategies to prolong the tenure of governments. Presently governments change so often that the incentive for grabbing as much as possible while in office is an all too tempting strategy. Leaders who believe that they are safe in office have fewer incentives for instant enrichment and feel more secure to attack pockets of resistance to reform. Another issue is to look seriously at how political competition is financed. It is evident that the present income base of the parties creates the demand for corrupt reciprocal favours. Legislation on this area is poorly developed and weakly enforced. The donors should also have the government review the scope of immunities which will have a negative impact on future efforts to tackle grand corruption.

Summing up, there are several unhealthy characteristics plaguing Albanian society. On the one side there are very high poverty levels and lack of basic service delivery by central and local government. On the other, government has created a vacuum where all kinds of illegal activities can persist. As shown in the survey presented earlier it is evident that the Albanian population believes that there is widespread corruption in the top echelons of politics and government. Dissolution and distrust of the politicians and the political system is deepening, a fact that is manifested by the reduction of the number of people voting in each consecutive election since 1991. The people have even given the different high-rises in Tirana names after the politicians they believe are the real owners of the buildings. This popular belief undermines the state legitimacy and may in itself lead to more corruption. In addition, a disturbing passiveness in the population regarding all kinds of abuses leaves the political system as an empty vessel without the citizens. Politics thus becomes open to further abuse, and ultimately this weakest form of democracy will come under threat.