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Albania's Development: Exploring State Ownership, Corruption, and the Impacts of Mass Migration, and the Labor Market

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Albania's Development: Exploring State Ownership, Corruption,
and the Impacts of Mass Migration, and the Labor Market

Senior Project Submitted to
The Division of Social Studies
of Bard College

by
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Annandale-on-Hudson, New York
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Dedication

I would like to dedicate this to my family. Thank you for all of the support to help me get to where I am today and for helping me through all of my struggles. I wouldn't have been able to do any of this without you. I love you! Thank you mom for always cooking me good food, especially when I was stressed. Thank you dad for always making sure that I knew I could come home and that you were always willing to pick me up (and even did so). Thank you Alex, for being the most amazing brother a sister could ever ask for. You were always willing to support me and help me in whatever way you could, even though you're younger than me. I appreciate you all so much!

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Introduction

There are many approaches to looking at development. Some may see it through an economic lens, by analyzing how the economy changes over time. Others may value the social aspects more heavily by looking at the impacts of various civil rights and civil liberties. On the other hand, one could also look at it through a governmental perspective by looking at the impact of different politicians and political parties through legal recourse. This is why I believe that there is a huge need for a project such as mine, that uses the multifaceted nature of these topics to analyze what development looks like from all angles and not just one.

My focus is on development in Albania. Many times people will open their television and hear politicians and economic analysts discussing a country's growth and how much the economy is growing. However, it isn't as simple as it may seem and there are several factors used to analyze a country's development including GDP (Gross Domestic Product), income per capita and unemployment. In 2022, Albania had a GDP per capita of \$6,810.10, a GDP of \$18.92 billion, and an unemployment level of 11.6%.¹ In 2022, there was a 4.8% growth in the economy.² This is generally considered a pretty high growth rate, and to better conceptualize this the United States growth rate was slightly higher at 5.9% during 2021, but went back down to 1.9% in 2022. This is due to the fact that much like the rest of the world the United States closed down many of its operations during the pandemic and then reopened them in 2021. However Albania's consistently high growth rate tells us an interesting story. One that shows that empirical growth isn't always directly correlated with an improvement in citizens' everyday lives. Due to the slow

¹ "Unemployment, Total (% of Total Labor Force) (Modeled ILO Estimate) - Albania." *World Bank Open Data*, data.worldbank.org/indicator/SL.UEM.TOTL.ZS?locations=AL. Accessed 26 Apr. 2024.

² "Overview." *World Bank*, www.worldbank.org/en/country/albania/overview. Accessed 26 Apr. 2024.

impact on their everyday lives, more than 40% of Albanians have emigrated since 1991 and the fall of communism.³

According to Marta Muço, there are five main reasons as to why Albania's development is unique in comparison to other European countries: "delayed entry", "shock of a fast change", "adoption to openness", "lower level of economic development", and "social peculiarities".⁴ What she mainly is referring to is the impact of the fall of communism. During Enver Hoxha's rule, Albania was under strict isolation including no substantive learning about other cultures, or trading. This led to what she refers to as the "adaption to openness" because no foreign investment was allowed between 1978 and 1990. Even after the end of the isolationist period, there have been prolonged consequences which only time can help reduce. Additionally, the lack of non-communist experience and as a result unfamiliarity with various institutions made it difficult for them to properly function and be respected as intended, which limits development.

Her second reason of "shock of rapid change" explains how the government was underprepared for the fall of communism and had to quickly change into a multiparty system (1.5 years). She then goes on to explain how this speedy process led to many problems including what she calls "economic paralysis", "populist mentality" and even social violence. This chaos of who would take over and the unknown ultimately hurt Albania; it limited its economic and political abilities to liberalize. This led to her reason of "delayed entry into transformation"

³ Philipp, Jennifer. "Why Are Albanian Migrants Leaving Albania?" *The Borgen Project*, Jennifer Philipp <https://borgenproject.org/wp-content/uploads/logo.jpg>, 21 Mar. 2024, borgenproject.org/why-are-albanian-migrants-leaving-albania/#:~:text=Rather%2C%20the%20country's%20problems%2C%20including,40%25%20of%20Albanians%20have%20emigrated.

⁴ *Economic Transition in Albania: Political ...*, www.nato.int/acad/fellow/95-97/muco.pdf. Accessed 26 Apr. 2024.

where she explains that Albania was one of the last Eastern European countries to stop being communist however was plagued by its conservative ideologies, especially in Northern Albania. However, with limited opposition, openness, and reform attempts, in addition to weak democratic traditions Albania had trouble attempting to change into structures that worked well for others.

She also makes the point of low economic development and even claims that it has the lowest development of all of Eastern Europe and that this is due to limited competition, higher risks of bankruptcy in firms, lower efficiency and productivity in industrial models compared to more developed, formerly communist countries, which has impacted Albania's ability to fully overcome its communist economic ideologies and technological capabilities. Her last point is about "social peculiarities" where she discusses high unemployment rates, low standards of living, inner Albania migration patterns (rural to urban), and the call for legal reform regarding migration.

As a result, I will be exploring the multifaceted nature of development from the fall of communism into the present by looking into the impact of state ownership during and after communism, corruption, emigration, and finally the labor market. Based on the literature these are all important aspects to consider and are all very important to human rights. When there is high corruption and a communist system, it is hard for people to have the same rights as those who are in less corrupt, more democratic countries. After considering all of these areas, I will draw some policy recommendations for Albania.

State Ownership of Industry

The story of the state's impact on Albania's economy can not be told without Enver Hoxha and his dominant role over 40 years. His powerful reign halted development by creating one of the strictest isolationist policies in the world, far beyond anything in the communist world particularly the Balkans. Creating the idea that the "religion of Albanians is Albanianism", he pushed the idea that the only higher power they needed to care about was him. Having risen to power after World War II as the leader of the Party of Labor of Albania, also known as the Albanian Communist Party, he ruled the country with an iron fist. Although nominally communist, Hoxha ran an extraordinary personalized regime by even allowing Albanians to call him by his first name, he also embraced the strength from both Stalin and Mao's rule.

During this period, his seemingly unlimited control ranged from making sure all of the limited press coverage portraying him was entirely positive, using the creation of secret spies, and even did not allow travel in and out of Albania. His leadership also included mass deportations, persecution of religious groups, and forced labor programs. Additionally, he was responsible for thousands of murders of Albanians, who made any negative or objective comment about the regime. There was a lack of access to media, food, music, books, clothes, etc.

Ultimately, this "total isolation strengthened the myth of the 'exceptionalism of the Albanian nation.'"⁵ Hoxha was believed to be very academically smart, and spoke five languages including English at a time when people were struggling with learning more than one. He had

⁵ *The Curious Case of Albanian Nationalism*, dergipark.org.tr/tr/download/article-file/844921. Accessed 30 Apr. 2024.

also gone to school abroad allowing him to have experiences beyond Albania, something that was extremely uncommon for Albanians.⁶ As a result people trusted him to do these more western things to Albania to help it develop. Instead of doing so, he censored everything. With this international knowledge, he became a media source for the public, which helped him gain trust and power. Since people could no longer find out their own information, their trust in his power would increase. With that, he would be able to get away with lies that would help him maintain the story that Albania was the best and the nationalism could only grow from there.

In 1961 Hoxha announced the "3 September" Law, which made it illegal to criticize the Albanian government or to engage in activities deemed harmful to the state. The majority of things that are written about Hoxha write about what happened after this point. This law helped isolate Albanians from citizens of other countries. In doing so, once again the nationalism of the country goes up since suddenly the only time you can speak about the government it must be positive. It was also around this time that neighbors started spying on and reporting each other to the government. Even with this strict isolation and self-sufficient control over the country, Hoxha was still able to maintain his power up until his death in 1985.

Most interestingly, due to the isolation there is no economic data from during his reign. Under Hoxha, he was in charge of everything and used his position to distribute all of the land and farm animals among everyone regardless of who owned what. However, since the fall of communism, there have been several processes to help change the course of development in response to the state's ownership of industry. One of the first big changes was that in 1996, "70%

⁶ "Enver Hoxha." *Encyclopædia Britannica*, Encyclopædia Britannica, inc., 7 Apr. 2024, www.britannica.com/biography/Enver-Hoxha.

of the formerly state enterprises were privatized, and 75% of GDP was generated by the private sector, where small enterprises dominated.”⁷ This impacts development by taking control away from the state and into the informal economy. Since a lot of businesses in Albania operate only with cash, it makes it easier to not pay taxes at all, or pay a smaller amount. In 2019, at least 87.8% of payment transactions were done in cash.⁸ This percentage is increasingly high when compared with the United States of 26% in the same year.⁹ In some cases, it’s also used to try to launder money. Resulting in a decrease in buying options and an increase in the desire to leave.

Government’s have a huge impact on their citizens and can often be a source of trust and reliance. This was especially the case in Albania, where during communist times Enver Hoxha worked as an almost religious figure of his own. People trusted him and did anything he said. Hollyer, Rosendorff, and Vreeland claim that transparency can promote accountability, improve governance, and allow for stronger public goods, reduce corruption, increase trust in government, while also recognizing that full transparency could lead to an overload of information and politicians could be able to manipulate information before disclosing.¹⁰ With that being said, Gehlbach and Keefer explain that the ruling party can offer a credible commitment for investment by cultivating trust through predictable investment environments, which can lead to even greater investment and economic growth, while recognizing the

⁷ 2-Gërzhani-Politico-Economic-Institutions-and-the-Informal ..., www.eui.eu/Documents/DepartmentsCentres/SPS/Profiles/Gerzhani/2-G%C3%ABrzhani-Politico-Economic-Institutions-and-the-Informal-Sector-in-Albania.pdf. Accessed 26 Apr. 2024.

⁸ Best, Raynor de. “Albania: Share of Cash Transactions 2008-2019.” *Statista*, 13 June 2023, www.statista.com/statistics/1112094/cash-use-in-albania/.

⁹ Riley Steward 14 Nov 2023, et al. “US Cash Usage May Have Hit Its Floor, Says Boston Fed.” *Central Banking*, 14 Nov. 2023, <https://www.centralbanking.com/central-banks/payments/7960206/us-cash-usage-may-have-hit-its-floor-says-boston-fed#:~:text=In%202019%2C%2026%25%20of%20payments,%2C%20from%2027%25%20in%202016>.

¹⁰ Hollyer, James R., et al. “Transparency, Democracy, and Autocracy” *The Journal of Politics*, vol. 73, no. 4, 2011, pp. 1191–205. *JSTOR*, <https://doi.org/10.1017/s0022381611000880>. Accessed 30 Apr. 2024.

limitations of this strategy, including the potential for ruling party abuse and investors encountering political risks that may prove challenging to mitigate.¹¹ An article discussing the importance of looking at Albania's case explains that good leadership is important for economic growth and government services in places without strong NGO's.¹²

Political Impact:

State ownership has several ways of impacting the political state. At the most basic level, it impacts rule of law by limiting the trust of state owned industries, reducing the possibility of fair and free elections, and changing the success rate of government programs. By the state directly having significant power within different companies, it limits people's choices. People are more likely to buy from those they know, and even more so when that option is the cheaper one (which they can afford to do as a result of their political positions). As citizens are forced to see the same politicians on the TV, while also having to buy their products, it's hard to see that there's another option, so they feel obligated to vote for that party in order to continue having the life they have now. In doing so, the elections aren't as fair because of the cornering they feel to vote for the party they have known for so long, then to take a gamble with a new candidate who might make things even worse. However, this results in government programs failing because they don't have the desire to do things that might empower the citizens enough to eventually overthrow them. All of these individual aspects impact the trust of these industries as the fear of

¹¹ Scott Gehlbach a, et al. "Investment without Democracy: Ruling-Party Institutionalization and Credible Commitment in Autocracies." *Journal of Comparative Economics*, Academic Press, 28 Apr. 2011, www.sciencedirect.com/science/article/abs/pii/S0147596711000242.

¹² MUÇO, MARTA. *ECONOMIC TRANSITION IN ALBANIA: POLITICAL CONSTRAINTS AND MENTALITY BARRIERS*, June 1997, www.researchgate.net/profile/Marsela-Dauti/publication/310825131_Can_participatory_governance_enhance_public_services_in_a_transitional_democracy/links/5d29eccc92851cf440800717/Can-participatory-governance-enhance-public-services-in-a-transitional-democracy.pdf?origin=journalDetail&_tp=eyJwYWdlIjoiam91cm5hbERldGFpbCJ9.

what you say getting back to them (especially if it's negative). With that being said, when elections aren't free and fair, and you aren't able to speak freely, or even access the help the government is allegedly giving you, then how much rule of law could there really be?

There is often a huge correlation between these three things as the impact on industries are often prone to political interference, and impacting elections by pushing for specific candidates due to this rather than the merit of their policies. After the *fall* of communism, there was the creation of regularly scheduled elections. The first election was in 1991.¹³ Ever since then there have been significant bribes to impoverished residents to vote for specific candidates, who otherwise couldn't afford their basic necessities let alone the trip needed to be able to vote. As the politicians continuously stay in power, rotating positions every few years the threat to their political status is often very low causing the desire to please the citizens and create positive government programs to be quite low.

State-owned Industries:

The impact of state-owned industries is one of mass importance to development as they can make them more susceptible to political opinions. People might feel forced to buy something due to what the politicians believe and not based on their own beliefs. The prime example of this is the pyramid scheme of 1997. When it first started people saw it as a safe stock with guaranteed higher returns. However, what made it worse was that President Sali Berisha encouraged the public to invest in the schemes, and failed to mention that it wasn't a safe bet.¹⁴ As a result,

¹³ *Albania: Parliamentary Elections Kuvendi Popullor, 1991*, archive.ipu.org/parline-e/reports/arc/2001_91.htm. Accessed 30 Apr. 2024.

¹⁴ "Albania: President Sali Berisha's Reaction to Collapse of 4 Funds." *YouTube*, YouTube, 21 July 2015, www.youtube.com/watch?v=pmlwy0XQVVg.

Albanians invested everything they had. The amount invested made up roughly 1/3 of GDP, with a total of £700 million in liabilities and a £2.1 billion GDP.¹⁵ In a population of about 3.5 million people, about 2 million invested in the schemes.¹⁶ In fact, people were so excited about the idea of being able to get so much more money that citizens claimed that anyone who went to Albania all anyone could see or smell was one of a slaughterhouse due to everyone trying to sell off their cattle to get extra money to invest.¹⁷ However, since then Maqo Lakrori (the socialist party leader) has stated that the reason for the lack of a proper response or warning is that the government was involved in supporting the creation of the scheme.¹⁸ This is substantiated by an article by the IMF, that also claims that when Berisha had the chance to clear up the differences between bank supported stocks and these, that he failed to do so.¹⁹

State ownership isn't always explicitly the president owning a company in addition to his political roles. In some cases state ownership is about the way that they use their position to impact people. In this case, Berisha used his power to manipulate the public by not letting them know the risks associated with their investment. In that way, he has a form of ownership to the losses that they suffered as a result. However, examples such as these impact development the most by creating this idea of not being able to trust the government, which can be detrimental if the government tries to enforce something that's helpful for development.

¹⁵ *How Albania Became a Pyramid Scheme - Unherd*, unherd.com/2022/01/how-albania-became-a-pyramid-scheme/. Accessed 26 Apr. 2024.

¹⁶ "Finance and Development." *Finance and Development | F&D*, www.imf.org/external/pubs/ft/fandd/2000/03/jarvis.htm#:~:text=In%20early%201996%2C%20two%20new,more%20depositors%20were%20drawn%20in Accessed 26 Apr. 2024.

¹⁷ "Finance and Development." *Finance and Development | F&D*, www.imf.org/external/pubs/ft/fandd/2000/03/jarvis.htm#:~:text=In%20early%201996%2C%20two%20new,more%20depositors%20were%20drawn%20in Accessed 26 Apr. 2024.

¹⁸ "Albania: President Sali Berisha's Reaction to Collapse of 4 Funds." *YouTube*, YouTube, 21 July 2015, www.youtube.com/watch?v=pmlwy0XQVVg.

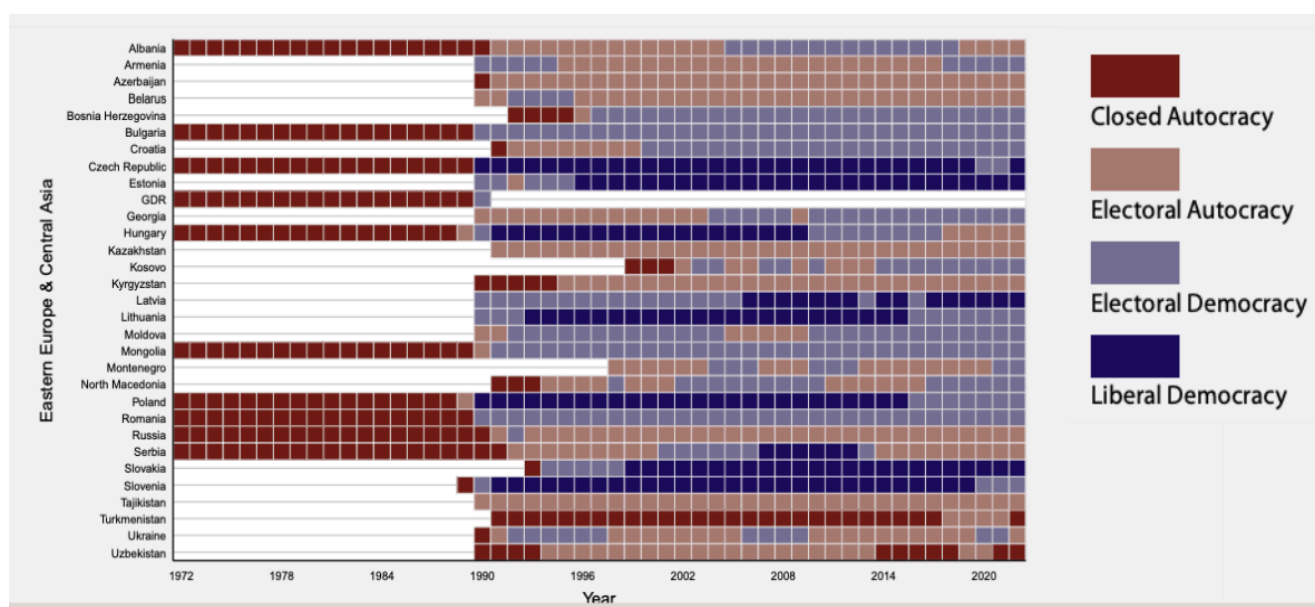
¹⁹ "Finance and Development." *Finance and Development | F&D*, www.imf.org/external/pubs/ft/fandd/2000/03/jarvis.htm#:~:text=In%20early%201996%2C%20two%20new,more%20depositors%20were%20drawn%20in Accessed 26 Apr. 2024.

Fair and Free Elections:

The US Department of State believes that Albania is a Parliamentary Democracy.²⁰ However, this depicts the wrong idea because so many citizens are coerced into voting for specific candidates, thus discrediting the democratic nature of the election. In 1996, one of the first Albanian elections the Democratic Party of Albania (PD) won by a landslide (123/140), which resulted from the large amount of electoral fraud.²¹ However this trend has continued up until recently, so much so that in 2021 a survey found that 52.4% of those interviewed believed that there was some form of electoral fraud or irregularities.²² Figure 1 (inserted below) shows that during communism, Albania was known as a closed autocracy and then immediately after the fall was considered an electoral autocracy, before being an electoral democracy for a short period of time until going back to an electoral autocracy.

Figure 1: History of Regimes of the World by Country (1972-2022)

Source: V-Dem



²⁰ State, <https://2009-2017.state.gov/documents/organization/160177.pdf> Accessed 26 Apr. 2024.

²¹ "Parliamentary Election in Albania, 25 April 2021." *Groupe d'études Géopolitiques*, geopolitique.eu/en/articles/parliamentary-election-in-albania-25-april-2021/. Accessed 26 Apr. 2024.

²² Euronews Albania. "52.4% of Albanians Believe in Electoral Fraud, of Which 29.2% Dismiss It Determined the Winner." *Euronews Albania*, 10 June 2021, euronews.al/en/52-4-of-albanians-believe-in-electoral-fraud-of-which-29-2-dismiss-it-determined-the-winner/.

Most recently, in 2021 Socialist Edi Rama just got elected for his third straight term.²³ However this isn't uncommon, as this pattern of the same people being in office has happened with at least five others in the last 60 years, including Enver Hoxha. During communism he was not only president from 1944-1985, but also was the first Secretary of the Party of Labour of Albania in 1941, a member of its Politburo (Communist Party), Chairman of the Democratic Front of Albania and the Commander-in-chief of the Albanian People's Army.²⁴ Others like Bujar Faik Nishani worked as Ministry of Internal Affairs (20 March 2007 – 17 September 2009), Ministry of Justice (17 September 2009 – 25 April 2011), Ministry of Internal Affairs: 21 April 2011 – 12 June 2012, and finally even as Presidential from 24 July 2012 to 24 July 2017.²⁵ Political oligarch Ilir Meta also worked several roles beginning right after the fall of communism, as the Prime Minister of Albania from 1999-2002, the Minister of Foreign Affairs: 2002-2003, the Minister of Foreign Affairs: 2009-2010, the Chairman of the Parliament of Albania: 2013-2017, and eventually became President from 2017-2022.²⁶ This is extremely detrimental to the development of Albania as there is only so much change that can happen when all of the ideas are coming from the same group of people.

State ownership is closely related to development in various ways. It has clear ties to various industries, democratic elections, and the overall impact on politics. Many of these sectors can help a country develop further, or when limited can actually hurt the pace of development. This pattern stemming from the communist reign of Enver Hoxha has continued into the present.

²³ "Albania PM Hails 'most Difficult but Sweetest' Election Win." *Al Jazeera*, Al Jazeera, 27 Apr. 2021, www.aljazeera.com/news/2021/4/27/albanias-socialists-win-election-and-third-straight-mandate.

²⁴ "Enver Hoxha." *Encyclopædia Britannica*, Encyclopædia Britannica, inc., 7 Apr. 2024, www.britannica.com/biography/Enver-Hoxha.

²⁵ "Bujar Nishani." *DBpedia*, dbpedia.org/page/Bujar_Nishani. Accessed 30 Apr. 2024.

²⁶ Nato. "Ilir Meta, President of the Republic of Albania." *NATO*, www.nato.int/cps/en/natohq/who_is_who_57829.htm. Accessed 30 Apr. 2024.

However, as a result of this it has led to an increased amount of corruption. In fact, even the OECD published an article stating the important tie between corruption, state owned industries and its impact on government, citizens and the market.²⁷ Throughout the article it shows that the higher the rates of corruption and state ownership are, the more citizens rights are lessened.

Corruption

Corruption is one of the biggest problems to plague Albania. However there are many ways of viewing corruption both quantitatively and qualitatively. I will mainly be using a Corruption Report by SELDI (Southeast European Leadership for Development and Integrity). SELDI is a governing coalition with partners from 9 countries but with several other member countries (similar to the United Nations, but with less power) along with a United Nations Corruption Report. The Corruption report by the United Nations discusses the perception of corruption, with some real statistics about what it looks like in Albania. The report includes the demographics of who is paying the bribes, how much is being paid, and who is being paid. On the other hand, SELDI discusses Albania's corruption compared to other countries in the region. There are several different types of corruption, including illicit capital flight, government procurement, frontline bribes, and clear nepotism hiring practices which has led to a huge impact on the country's development. In Albania, bribery makes up about 19.3% of all crime.²⁸ Transparency International rates Albania's corruption score at a 37, with 0 meaning highly corrupt and its country rank at 98/180.²⁹ Nearly half of public officials engage in facilitating the

²⁷ *Anti-Corruption and Integrity in State-Owned Enterprises - OECD*,

www.oecd.org/corporate/Anti-Corruption-Integrity-Guidelines-for-SOEs.htm. Accessed 26 Apr. 2024.

²⁸ *Corruption in Albania*; www.unodc.org/documents/data-and-analysis/statistics/corruption/Albania_corruption_report_2011_web_small.pdf. Accessed 26 Apr. 2024.

²⁹ "Albania." *Transparency.Org*, www.transparency.org/en/countries/albania. Accessed 26 Apr. 2024.

issuance of contracts to companies with close ties to themselves, alongside accepting bribes from public procurement contracts.³⁰ Similarly, approximately six out of ten elected representatives facilitate the issuance of contracts to companies in close proximity to them, with around 45% of elected representatives also accepting bribes from public procurement contracts.³¹ These bribes were often then taken abroad (capital flight).

Capital Flight - Illicit Financial Flows

In Albania, one of the biggest parts of corruption is what is known as capital flight or illicit financial flows. This is when politicians receive money in corrupt manners and take the money abroad into overseas accounts. One of the most recent examples of this is with former deputy prime minister Arben Ahmetj who is on the run for transferring €1.8million to a Swiss bank account.³² It is cases like these that further harm the country's development as the money enters another country's economy and becomes detrimental to Albania. Ahmetj has been allegedly living in Switzerland with his family off of this money as he is living on the run.³³

While this may seem like an isolated case making it irrelevant, it is his position in politics that warrants a closer investigation. In a corruption report by SELDI, it was shown that the Prime Minister is one of the top officials in charge of anti-corruption efforts.³⁴ This makes his actions

³⁰ *Geopolitics, State Capture and Peak Corruption* | Seldi, seldi.net/wp-content/uploads/2022/09/SELDI_Geopolitics-State-Capture-and-Peak-Corruption-1.pdf. Accessed 26 Apr. 2024.

³¹ *Geopolitics, State Capture and Peak Corruption* | Seldi, seldi.net/wp-content/uploads/2022/09/SELDI_Geopolitics-State-Capture-and-Peak-Corruption-1.pdf. Accessed 26 Apr. 2024.

³² Taylor, Alice. "Searches on Wanted Ex-Deputy PM's Property Continue in Albania." *Www.Euractiv.Com*, 19 July 2023, www.euractiv.com/section/politics/news/searches-on-wanted-ex-deputy-pms-property-continue-in-albania/.

³³ Taylor, Alice. "Searches on Wanted Ex-Deputy PM's Property Continue in Albania." *Www.Euractiv.Com*, 19 July 2023, www.euractiv.com/section/politics/news/searches-on-wanted-ex-deputy-pms-property-continue-in-albania/.

³⁴ *Geopolitics, State Capture and Peak Corruption* | Seldi, seldi.net/wp-content/uploads/2022/09/SELDI_Geopolitics-State-Capture-and-Peak-Corruption-1.pdf. Accessed 26 Apr. 2024.

extremely detrimental to the development of the country. In fact, cases such as these have made such an impact that the European Union has made it a large condition to be able to have proper negotiations for accession, which can make it harder for a country to further develop. The European Union's trade agreements make it easier for countries to export goods and in doing so can progress farther. It is estimated that when countries join the European Union and become a member state, their trade increases by 38%.³⁵ Therefore, this conditional pause reduces international desires to trade with Albania. In 2022, Albania imported \$6.89B worth of goods, while they only exported \$4.3B worth.³⁶ While that is a lot of money, it is nowhere close to the amount of transactions that Albania could do if they were part of the European Union, and had all of the benefits, especially that of no tariffs for member-state countries.

Government Procurement:

Another version of more illicit financial flows, is government procurement. The process of government procurement can be seen in 4 different ways. On the most simplistic level, it is simply a government hiring a company to do a service. However, the government has some discretion in the process. Ultimately, the process can be (1) open to any company, (2) restricted, only invited companies can apply, (3) competitive multiple companies from different sources must apply and (4) other.³⁷ As a result of these different processes, in many cases people are not aware when companies are being hired as many governmental entities are not announcing them.

³⁵ *This Note Considers the Impact of EU Membership on Trade ...*, assets.publishing.service.gov.uk/media/5a7cef0de5274a0caf503640/foi_eumembership_trade.pdf. Accessed 26 Apr. 2024.

³⁶ "Albania (ALB) Exports, Imports, and Trade Partners." The Observatory of Economic Complexity, oec.world/en/profile/country/alb?latestTrendsFlowSelectorNonSubnatLatestTrends=flow1&yearlyTradeFlowSelector=flow0. Accessed 30 Apr. 2024.

³⁷ *Geopolitics, State Capture and Peak Corruption | Seldi*, seldi.net/wp-content/uploads/2022/09/SELDI_Geopolitics-State-Capture-and-Peak-Corruption-1.pdf. Accessed 26 Apr. 2024.

There have been several cases of government officials giving the jobs to companies that they have been in close relation to. In one case, three companies were hired to put up a waste incinerator in three Albanian cities: Elbasan, Fier, and Tirana. However, the winning companies were also the only ones bidding for this 178 million euro project.³⁸ If this was not suspicious enough, investigators later realized that they were all interconnected through mergers and acquisitions and some believe that “Mirel Mërtiri and Klodian Zoto, two businessmen close to the former Minister of Finance and Economy, Arben Ahmetaj of the Socialist Party, as well as links to the Democratic Party, have conspired with officials in the Albanian government to award contracts for waste incinerators to companies run by their associates.”³⁹ In fact, this operation felt so strange that SPAK opened an investigation for it, leading to the arrest of “former Minister of Environment, Leter Koka, who is accused of abuse of office and corruption in connection with the procedure of the concession of the incinerator of Elbasan who is accused of abuse of office and corruption in connection with the procedure of the concession of the incinerator of Elbasan.”⁴⁰

Despite Albania’s public efforts of trying to make the process more competitive, in some cases it actually gives preference to specific companies. In 2018, there was a case like this with the construction of the National Theatre which was done by Fusha Shpk, who had submitted a proposal without governmental invitation.⁴¹ Previously the government was not allowed to

³⁸ *Geopolitics, State Capture and Peak Corruption* | Seldi, seldi.net/wp-content/uploads/2022/09/SELDI_Geopolitics-State-Capture-and-Peak-Corruption-1.pdf. Accessed 26 Apr. 2024.

³⁹ *Geopolitics, State Capture and Peak Corruption* | Seldi, seldi.net/wp-content/uploads/2022/09/SELDI_Geopolitics-State-Capture-and-Peak-Corruption-1.pdf. Accessed 26 Apr. 2024.

⁴⁰ *Geopolitics, State Capture and Peak Corruption* | Seldi, seldi.net/wp-content/uploads/2022/09/SELDI_Geopolitics-State-Capture-and-Peak-Corruption-1.pdf. Accessed 26 Apr. 2024.

⁴¹ *Geopolitics, State Capture and Peak Corruption* | Seldi, seldi.net/wp-content/uploads/2022/09/SELDI_Geopolitics-State-Capture-and-Peak-Corruption-1.pdf. Accessed 26 Apr. 2024.

negotiate with private companies, as it would contradict laws that promote fair competition.⁴² As a result, new laws were drafted allowing all private companies to submit proposals, but unfortunately this also put Fusha Shpk at a higher advantage than other companies.⁴³ As if this isn't enough, some theorize that the reason they went through all of this trouble to give the company a head start is actually due to the role that their relative Petrit Fusha played. He was a prosecutor in Albania for 32 years, so he was a well known politician. During his time as a prosecutor, he was believed to have covered up a crime involving the death of a teenage boy that was illegally working for a waste treatment site; despite the horror and shock this left the community he never revealed who was responsible and even left it out of the prosecutors file.⁴⁴ This left many to suspect that he was paid off, and that this was the motivation behind giving the job to Fusha Shpk, which has received about €36 million in public contracts, mainly from Tirana, from 2015-2018.⁴⁵ This is especially plausible because a report by the United Nations estimates that 6.1% of prosecutors have received bribes in order to cover up future reports of corruption.⁴⁶

Frontline Bribes - Street-level Corruption

The more well known aspect of bribery in Albania is known as a frontline bribe or street level corruption, which is when people bribe everyday citizens, in some "Frontline bribe" or "street-level corruption" typically refers to acts of bribery or corruption that involve everyday

⁴² *Geopolitics, State Capture and Peak Corruption* | Seldi, seldi.net/wp-content/uploads/2022/09/SELDI_Geopolitics-State-Capture-and-Peak-Corruption-1.pdf. Accessed 26 Apr. 2024.

⁴³ *Geopolitics, State Capture and Peak Corruption* | Seldi, seldi.net/wp-content/uploads/2022/09/SELDI_Geopolitics-State-Capture-and-Peak-Corruption-1.pdf. Accessed 26 Apr. 2024.

⁴⁴ "Law for Building a New National Theatre - Tailor-Made Laws in The..." *Transparency.Org*, www.transparency.org/en/projects/laws-project/data/law-for-building-a-new-national-theatre. Accessed 26 Apr. 2024.

⁴⁵ "Law for Building a New National Theatre - Tailor-Made Laws in The..." *Transparency.Org*, www.transparency.org/en/projects/laws-project/data/law-for-building-a-new-national-theatre. Accessed 26 Apr. 2024.

⁴⁶ *Corruption in Albania.*; www.unodc.org/documents/data-and-analysis/statistics/corruption/Albania_corruption_report_2011_web_small.pdf. Accessed 26 Apr. 2024.

citizens and occur at the public sector, and lowest levels of government. Usually the bribes are used to get better and faster treatment, get more access to resources (in some cases confidentially) or sometimes to evade consequences. Often these are considered “grease payments”. Due to how common this is in Albania, it has been estimated that Albania has the “highest administrative corruption in the region”.⁴⁷

The United Nations Office on Drugs and Crime released a corruption report in 2011, based on its 2010 data. The report explains that about 70% of citizens have paid a bribe, of those about 70% did it in hopes of getting better treatment (70%).⁴⁸ For this reason, the majority of the bribes go to doctors (71%), nurses (47%) and police officers (14%).⁴⁹ Unlike in other western Balkan countries, people are more likely to pay a bribe in rural areas (20.9%) than in an urban area (17.7%), and women are more likely to bribe an official (20.9%) than men (17%).⁵⁰ At least 65% of all bribes are either directly or indirectly requested, while about 30% are voluntarily given by the citizen.⁵¹ In fact, bribes are such a big part of their everyday lives that about 74% of citizens believe it is a common practice and no one would care if they reported the corruption, while only 21% feel like it is beneficial, however all citizens have discussed the topic with close family and friends, with the exception of those who might tell journalists or NGO’s.⁵²

⁴⁷ Taylor, Alice. “Albania Has Highest Rates of Administrative Corruption in Region.” *Www.Euractiv.Com*, 9 Dec. 2022, www.euractiv.com/section/politics/news/albania-has-highest-rates-of-administrative-corruption-in-region/.

⁴⁸ *Corruption in Albania*., www.unodc.org/documents/data-and-analysis/statistics/corruption/Albania_corruption_report_2011_web_small.pdf. Accessed 26 Apr. 2024.

⁴⁹ *Corruption in Albania*., www.unodc.org/documents/data-and-analysis/statistics/corruption/Albania_corruption_report_2011_web_small.pdf. Accessed 26 Apr. 2024.

⁵⁰ *Corruption in Albania*., www.unodc.org/documents/data-and-analysis/statistics/corruption/Albania_corruption_report_2011_web_small.pdf. Accessed 26 Apr. 2024.

⁵¹ *Corruption in Albania*., www.unodc.org/documents/data-and-analysis/statistics/corruption/Albania_corruption_report_2011_web_small.pdf. Accessed 26 Apr. 2024.

⁵² *Corruption in Albania*., www.unodc.org/documents/data-and-analysis/statistics/corruption/Albania_corruption_report_2011_web_small.pdf. Accessed 26 Apr. 2024.

Additionally, Albanian bribes almost always cash (99.6%), “and the average bribe amounts to 5,710 Lek, or the equivalent of approximately 43 Euro.”, and the average citizen is estimated to do about 4 per year.” This is about 22,840 ALL a year which is about 2% of their annual income. The average Albanian pays about 13% of their income in taxes, which would be 150,059 Lek (which is about 1,465.81 Euros or 1,590.08 USD).

Favoritism-based Recruitment (Nepotism Hiring):

Some 16 percent of Albanian citizens, or members of their households, applied for a job in the public sector in the three years prior to the survey, but of those whose application was successful some 9 percent admit to paying some money, giving a gift or doing a favor to help secure their position. Among those who failed, there is a widespread perception that factors such as cronyism, nepotism or bribery played a decisive role in the recruitment process, making up about 61.1%, while only 15% believe that the selection was made on merit, but 24.3% were simply unsure.⁵³ Having over half of rejected applicants think that they didn't get the job due to financial or favoritism based reasonings, is detrimental to not only the fairness of the economy as it limits the jobs from being done as effectively as possible, since they may not be the most qualified candidates, but also the overall development of the country.⁵⁴ They have seen about 65% of public officials hiring people for friends and relatives, while slightly over 60% of elected officials have helped hire and promote people due to being friends, family or out of loyalty to those (shown below).⁵⁵

⁵³ *Corruption in Albania*: www.unodc.org/documents/data-and-analysis/statistics/corruption/Albania_corruption_report_2011_web_small.pdf. Accessed 26 Apr. 2024. Figure 17

⁵⁴ *Corruption in Albania*: www.unodc.org/documents/data-and-analysis/statistics/corruption/Albania_corruption_report_2011_web_small.pdf. Accessed 26 Apr. 2024. Figure 17

⁵⁵ *Corruption in Albania*: www.unodc.org/documents/data-and-analysis/statistics/corruption/Albania_corruption_report_2011_web_small.pdf. Accessed 26 Apr. 2024. (Figure 23)

Figure 2: Corruption in Public Officials & Elected Representatives

Source: UN Corruption Report

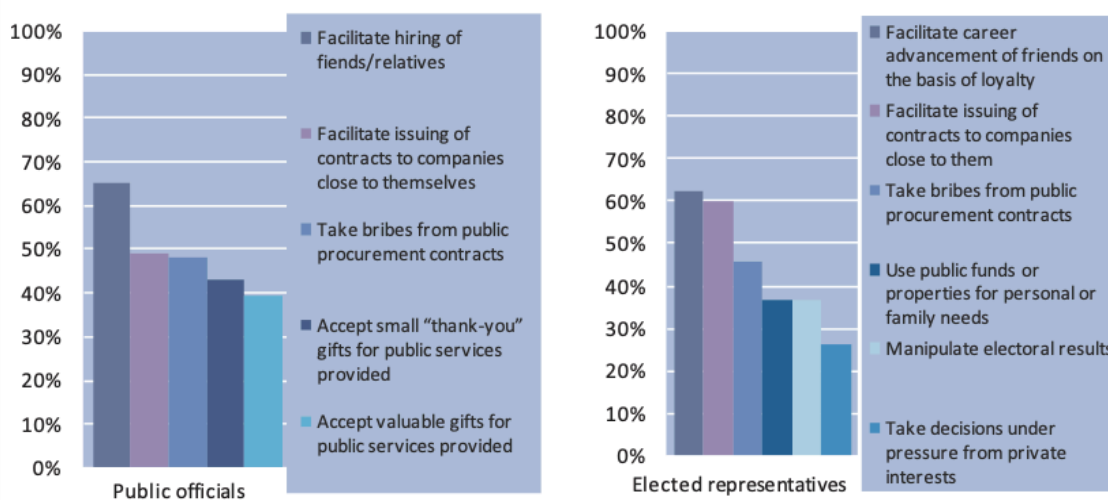
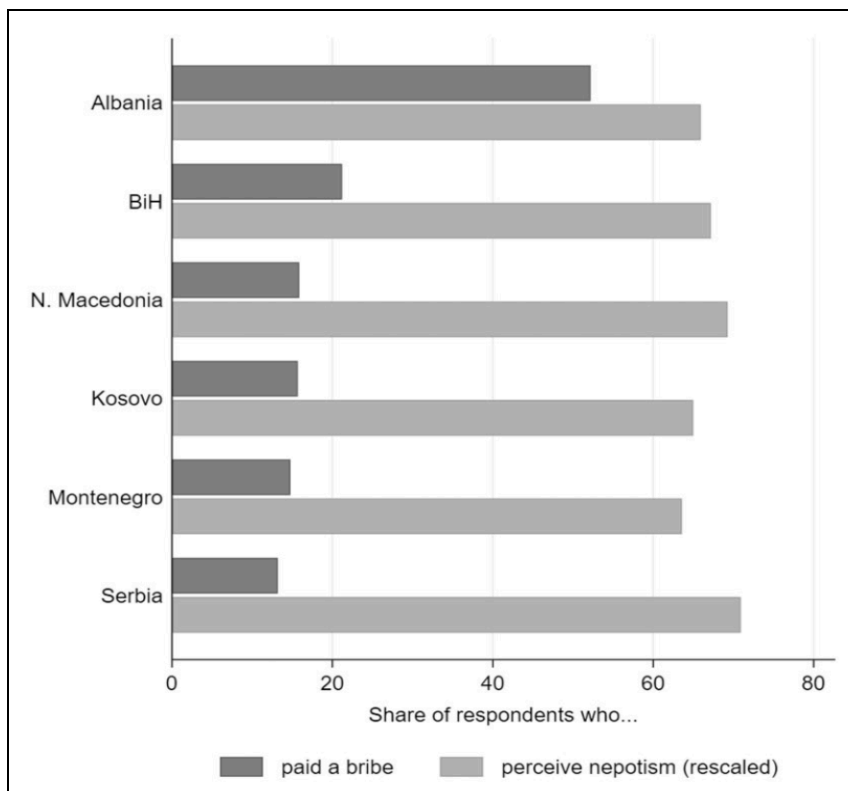


Figure 3: Source: García, Ana & Maydom, Barry 2023



Out of Albania, Bosnia and Herzegovina, North Macedonia, Kosovo, Montenegro, and Serbia, Albania has the highest number of people who have paid a bribe, however it is the 4th highest out of the list for perceiving nepotism. It is interesting to see that while these slightly more developed

countries have perceived it, many have not actually done it, while in Albania this is the opposite.

In Albania's case this shows the relationship between the two, which is very important when considering how favoritism based recruitment works, as those who are more likely to pay a bribe are also more likely to see it happen, and as a result will also have a higher probability of getting what they want, especially when it comes to employment. The perception of corruption is something also discussed in the United Nations article, by showing how many people believe there is corruption involving public officials versus elected representatives. Figure 22, in the UN report shows that over 60% of local governments, 60% of central governments, 45% of political parties, and 40% of courts use corruption to their favor.⁵⁶

In fact, the Ministry of Defense is the one who has hired companies for the most expensive jobs without declaring it to the public.⁵⁷ While this might seem insignificant, in a country that is already dealing with a lot of corruption it raises even more questions that those who may be corrupt personally can also give the money out to whoever they want, allowing the cycle to further continue.

The UN Report shows the hierarchy of different anti-corruption methods in Albania. The chart (shown below) highlights the Prime Minister, one of the highest ranking officials overseeing the anti-corruption measures. This is very important when you couple it with the fact that Prime Minister Arben Ahmetj was indicted on corruption charges. When considering the lack of penalty with the Albania Supreme State Audit, it paints a different picture. One that

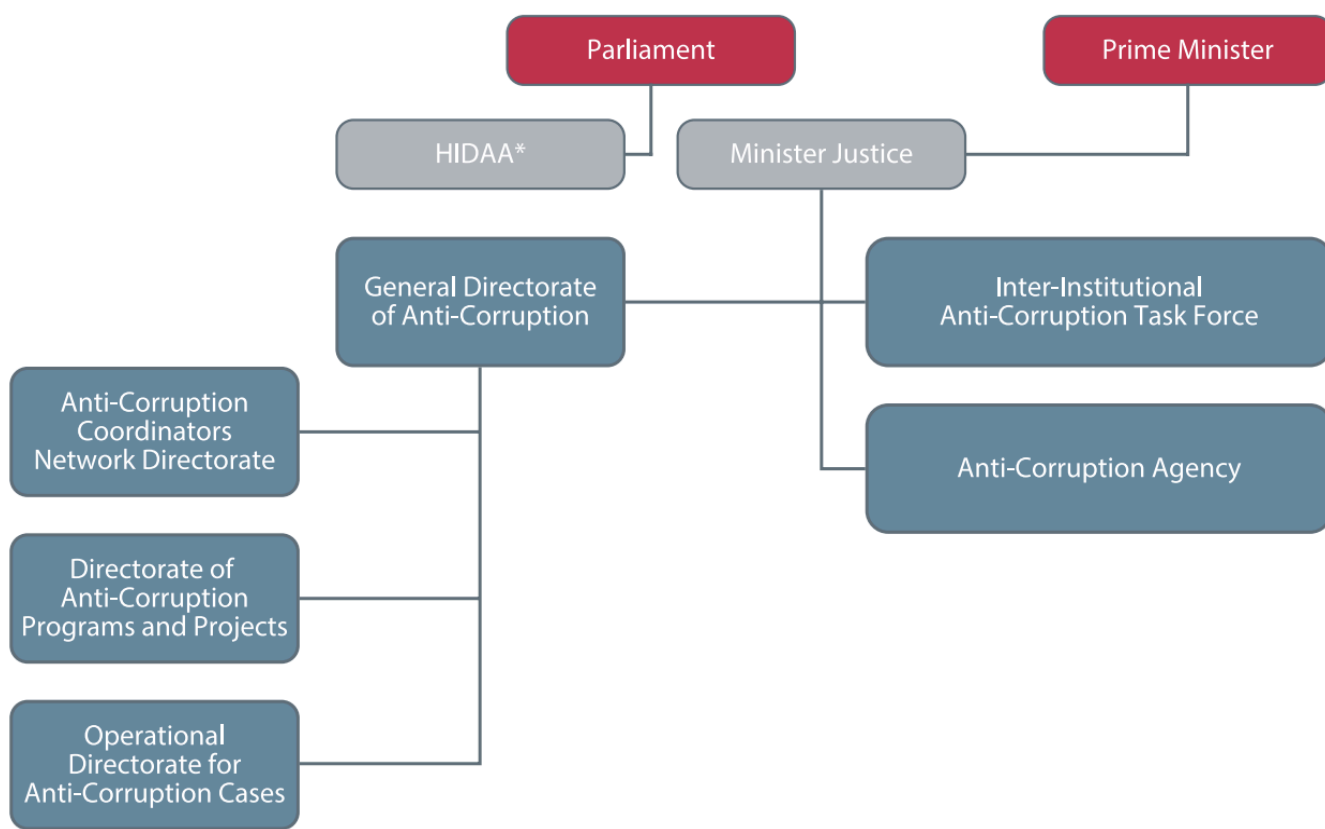
⁵⁶ *Corruption in Albania*: , www.unodc.org/documents/data-and-analysis/statistics/corruption/Albania_corruption_report_2011_web_small.pdf. Accessed 26 Apr. 2024. - Figure 22

⁵⁷ *Geopolitics, State Capture and Peak Corruption | Seldi*, seldi.net/wp-content/uploads/2022/09/SELDI_Geopolitics-State-Capture-and-Peak-Corruption-1.pdf. Accessed 26 Apr. 2024.

shows the reason why Albania's rates of corruption are so high. If those overseeing corruption are corrupt, then what would incentivize them to stop it?

Figure 4: Anti-Corruption Agency Hierarchy

Source: UN Corruption Report 2011



Emigration

The stories of Albanian emigration is one that has been told millions of times for decades, as it is something that has profoundly impacted the way the country would grow and develop, but despite the high numbers of people leaving, the sentiment stays the same, “Deep down, no one wants to leave their home country.”⁵⁸, but they would do so for a chance at a significantly better future. Since 1991 and the fall of communism, more than 40% of Albanians have emigrated.⁵⁹ This is very detrimental because it limits the country’s ability to develop, if most of the population is constantly leaving. As a result, many struggle to depict Albanian migration in waves, as it has been a very constant high rate since the end of communism. In fact, in 2014 Albania had one of the world’s highest emigration rates, relative to its population, at -3.3 migrants per 1,000 people.⁶⁰ Nearby Montenegro had an emigration rate of -3 during the time period of 2010 to 2015.⁶¹ In general the emigration rate shows how many people are leaving a country in relation to those entering. Therefore, for every 1,000 residents, 3.3 people are leaving Albania and 3 are leaving Montenegro. In fact, the emigration rate in Albania is so high that in the last 25 years, one-third of the population has left the country, making the number of emigrants now higher than the resident Albanian labor force.⁶² This begs the question of why are so many Albanians leaving the one place they call home?

⁵⁸ *Why Migrants Are Fleeing Albania - Unherd*, unherd.com/2022/12/why-migrants-are-fleeing-albania/. Accessed 26 Apr. 2024.

⁵⁹ Philipp, Jennifer. “Why Are Albanian Migrants Leaving Albania?” *The Borgen Project*, Jennifer Philipp <https://borgenproject.org/wp-content/uploads/logo.jpg>, 21 Mar. 2024, borgenproject.org/why-are-albanian-migrants-leaving-albania/#:~:text=Rather%2C%20the%20country's%20problems%2C%20including,40%25%20of%20Albanians%20have%20emigrated.

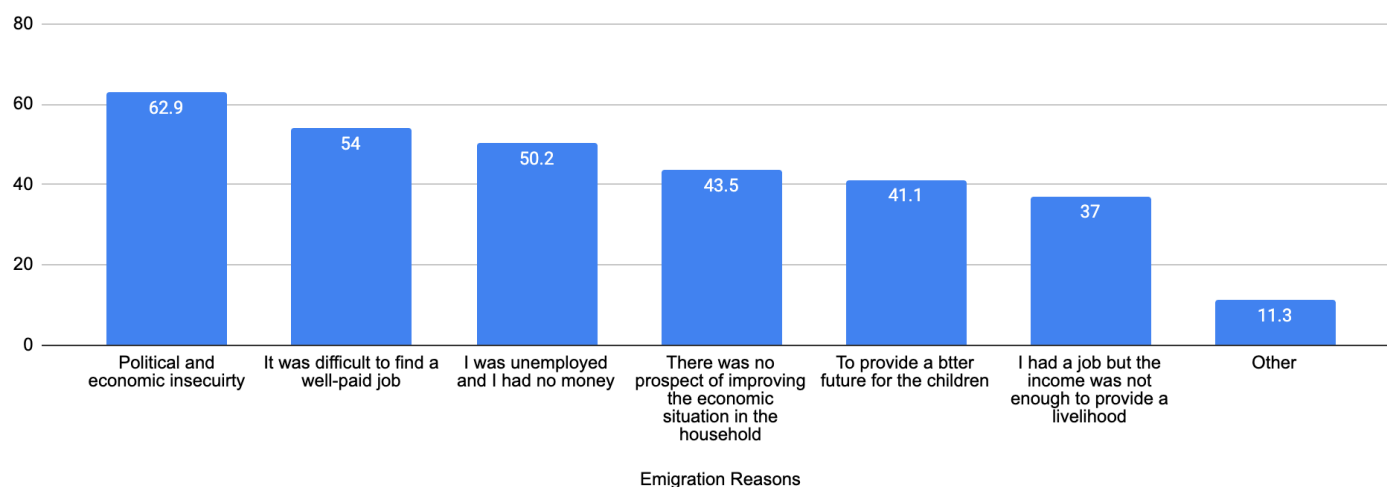
⁶⁰ Barjaba, Kosta Barjaba and Joniada. “Embracing Emigration: The Migration-Development Nexus in Albania.” *Migrationpolicy.Org*, 2 Mar. 2017, www.migrationpolicy.org/article/embracing-emigration-migration-development-nexus-albania.

⁶¹ *Montenegro Migration Profiles*, esa.un.org/migmgmprofiles/indicators/files/Montenegro.pdf. Accessed 26 Apr. 2024.

⁶² Barjaba, Kosta Barjaba and Joniada. “Embracing Emigration: The Migration-Development Nexus in Albania.” *Migrationpolicy.Org*, 2 Mar. 2017, www.migrationpolicy.org/article/embracing-emigration-migration-development-nexus-albania.

Figure 5: Reasons for Albanian Outward Emigration

Source: Tirana's Economic and Social Institute



Reasons for Leaving:

There are several reasons people leave Albania, and even among those who don't there are still a lot who wish to. An article by the Borgen Project claims that approximately 83% of Albanians desire to leave the country.⁶³ Some leave due to the lack of educational opportunities, as they feel like they do not have any ample opportunities to succeed within the country and have the opportunity for upward mobility. Others believe that it's due to the high cost of living. In fact the cost of living has been so high, that solving that would most likely decrease migration as the highest percentages of people leaving Albania per city are those that are impoverished.⁶⁴

However, most shockingly is the 60% unemployment rate for those ages 18 to 34, which is furthering the desire for people to leave. Since the end of communism in 1991, over 1.4 million

⁶³ Philipp, Jennifer. "Why Are Albanian Migrants Leaving Albania?" The Borgen Project, Jennifer Philipp <https://borgenproject.org/wp-content/uploads/logo.jpg>, 21 Mar. 2024, borgenproject.org/why-are-albanian-migrants-leaving-albania/#:~:text=Rather%2C%20the%20country's%20problems%2C%20including,40%25%20of%20Albanians%20have%20emigrated.

⁶⁴ Barjaba, Kosta Barjaba and Joniada. "Embracing Emigration: The Migration-Development Nexus in Albania." *Migrationpolicy.Org*, 2 Mar. 2017, www.migrationpolicy.org/article/embracing-emigration-migration-development-nexus-albania.

Albanians have left the country, in the last 10 years it was about 700,000, however most of the migrants were under 29.⁶⁵ This is due to the fact that in Albanian culture, most men are married and have families by age 30, so they must leave the country before they have those pressures of taking his wife and kids to a new country, while creating a life for them. In fact there was even a survey done by the director of the Economic and Social Institute, in Tirana which ranked the top three reasons on why people emigrate. It showed that many people move for different reasons, however there is usually not one reason alone. The most common reason was due to political and economic insecurity.⁶⁶ While this study was published in 2002, it shows that despite the twenty two years since then many people are still leaving due to reasons that are similar to those. That is why in this section I will be discussing the issue of unemployment, remittances, high cost of living levels, poverty, limited educational opportunities, the brain drain and lastly the change from irregular to regular migration.

Unemployment

While unemployment in Albania is a big problem, it is also one that is triggered through cultural ideologies. Culturally, many view employment as not always desired. The culture of young men spending their days in a coffee shop, hanging out with their friends and flirting with girls is something that has been very prevalent in Albania since the fall of communism up until today. In some cases, people will even hold business meetings within various coffee shops. In fact, being in a coffee shop is so prevalent that there are about 654 coffeehouses per 100,000

⁶⁵ Taylor, Alice. "World Bank Pledges €900 Million to Help Albania Create Better Jobs, Beat Brain Drain." *Www.Euractiv.Com*, 5 Apr. 2023, www.euractiv.com/section/politics/news/world-bank-pledges-e900-million-to-help-albania-create-better-jobs-beat-brain-drain/.

⁶⁶ Ilir Gedeshi. "Role of Remittances from Albanian Emigrants and Their Influence in the Country's Economy." *Eastern European Economics*, vol. 40, no. 5, 2002, pp. 49–72. *JSTOR*, <http://www.jstor.org/stable/4380312>. Accessed 26 Apr. 2024.

citizens.⁶⁷ Unsurprisingly, the biggest group of unemployment in Albania is that of youth. In a country like Albania, with an already high overall unemployment rate, every third of 15-25 year-olds are struggling to find a job.⁶⁸ While some may not want to work, and others may struggle to find work, the last working class group may feel like their work is useless. “In 2022, production per employee in Albania remains at levels much lower than in the region (about 37 percent below the levels of Bosnia and Herzegovina, North Macedonia, Serbia, and 57 percent below the level of Montenegro),” calculated the Fund.⁶⁹ This means that while an Albanian might do the same amount of work as a Bosnian or Serbian, the value of their labor is significantly lower. The notable trend of emigration among Albanians, fueled by the search for better job prospects and higher incomes abroad, has led to significant brain drain, causing demographic shifts and social consequences. This underscores the urgent need for Albania to effectively address unemployment to safeguard its workforce and promote sustainable development.

Cost of living:

Measured according to purchasing power parity (PPP), the poverty level in 2012 was 62.1 percent, and the purchasing power of Albanians one-third that of European consumers.⁷⁰ While this may not seem like a big deal, it is important because when you consider the high rates of corruption along with a shockingly high cost of living, it becomes increasingly unaffordable

⁶⁷ Billonq. “A Guide to Albania’s Coffee Culture.” Breathe in Travel, 5 Apr. 2022, breatheintravel.com/2022/04/05/albania-coffee-culture-guide/.

⁶⁸ “Making Markets Work for the Youth.” Helvetas, www.helvetas.org/en/eastern-europe/albania/what-we-do/how-we-work/our-projects/Europe/Albania/albania-employment#:~:text=In%20countries%20with%20an%20already,young%20and%20low%20Dedicated%20people. Accessed 1 May 2024.

⁶⁹ Euronews Albania. “Value of a Worker’s Work in Albania Is 40% Lower than in the Region.” *Euronews Albania*, 29 Jan. 2024, euronews.al/en/value-of-a-workers-work-in-albania-is-40-lower-than-in-the-region/.

⁷⁰ Barjaba, Kosta Barjaba and Joniada. “Embracing Emigration: The Migration-Development Nexus in Albania.” *Migrationpolicy.Org*, 2 Mar. 2017, www.migrationpolicy.org/article/embracing-emigration-migration-development-nexus-albania.

for the average citizen. The Journal of Business Ethics discusses the impact of corruption and development in association with rule of law. They believe that the role of government intervention and corruption is closely tied with raising prices and in order to take it into control, governments should withdraw from making those decisions and go through the National Economic Council.⁷¹

Ndihma Ekonomike - Economic Help:

Due to the high levels of poverty and cost of living, the Albanian government created a program named Ndhma Ekonomike (which means Economic Help) is a cash assistance program whose main aim is to decrease economic inequality. The assistance can come in a huge range, with most being about 150% of one's pension who has worked a job in the social sector.⁷² However, this is not as beneficial as one might think, as it points to the ways that the government is letting the community down. The idea of one's pension being so low that they would need assistance of 1.5 times what they are already receiving is very disappointing. It goes to show that while the government is trying to help with a program like this, it questions why is the government more willing to create a program such as this then they are to pass legislation raising the money that people are getting from pensions. Despite the positive attributes of a policy like this very few families are reaping the benefits. When the program first started in 2010 it attracted about 14% of the population, at its peak year (2013) it increased to 15%, but now it is significantly lower at about 9% of the population.⁷³

⁷¹ Nwabuzor, Augustine. "Corruption and Development: New Initiatives in Economic Openness and Strengthened Rule of Law." *Journal of Business Ethics*, vol. 59, no. 1/2, 2005, pp. 121–38. *JSTOR*, <http://www.jstor.org/stable/25123545>. Accessed 26 Apr. 2024.

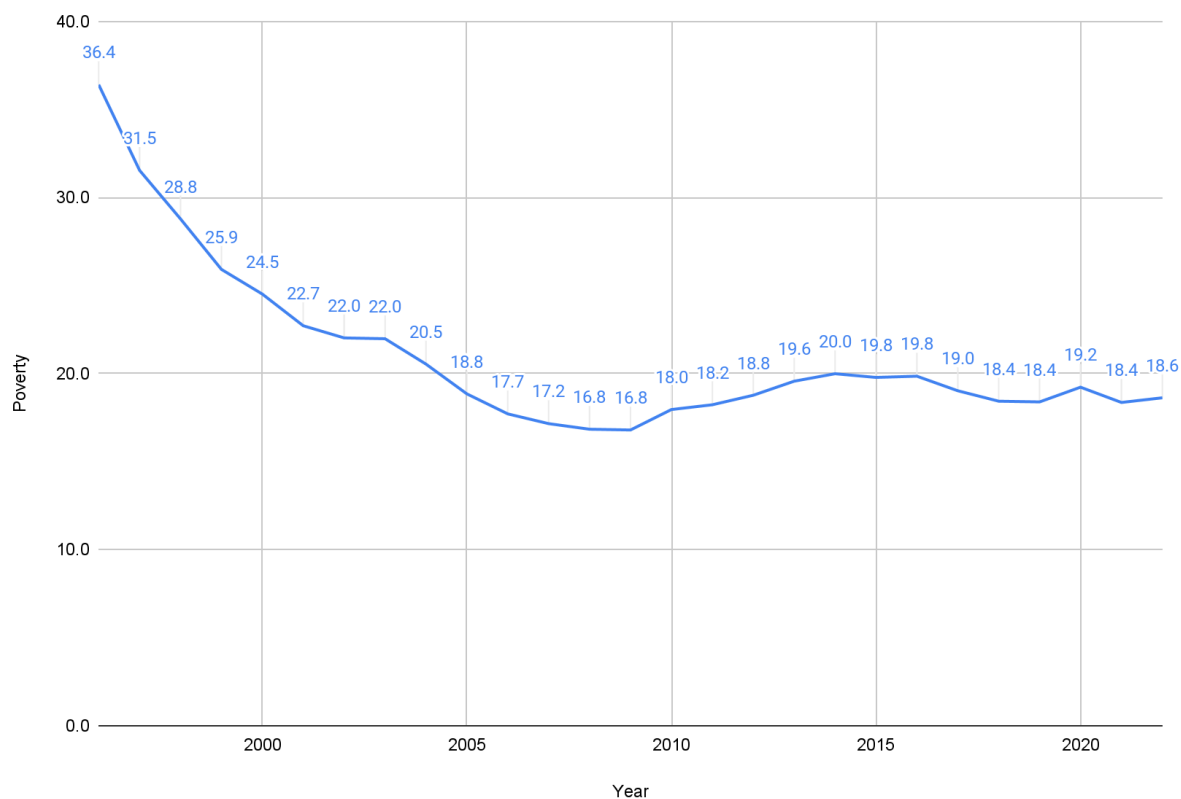
⁷² *Reform of the Economic Assistance Programme in Albania*, www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-budapest/documents/publication/wcms_882823.pdf. Accessed 26 Apr. 2024.

⁷³ *Reform of the Economic Assistance Programme in Albania*, www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-budapest/documents/publication/wcms_882823.pdf. Accessed 26 Apr. 2024.

Poverty:

Figure 6: Poverty in Albania

Source: World Bank

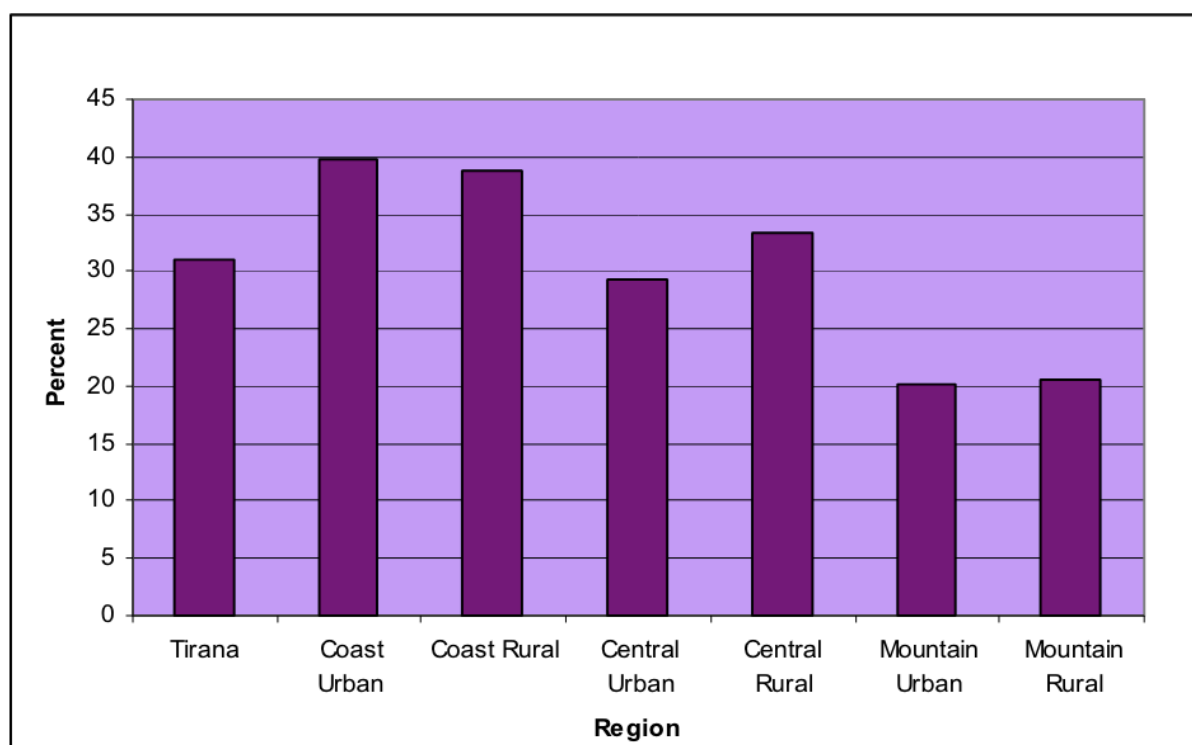


Poverty in Albania has been a driving force behind migration patterns for decades. Despite economic growth and improvements in recent years, poverty remains a prominent problem, especially in rural areas where agricultural opportunities are limited. Currently the agricultural sector makes up almost 20% of GDP from agriculture, despite reducing significantly in the previous decades.⁷⁴ Since the fall of communism, Albania's ability for outward migration has allowed people to flee smaller more impoverished towns and move into bigger cities, for a chance for a bigger and better income.

⁷⁴ "Albania ." *World Bank Open Data*, data.worldbank.org/country/albania. Accessed 1 May 2024.

Figure 7: Households Receiving Remittances by Percentage of GDP & Region (2005)

Source: Lulashi, 2011



The Migration Policy estimates that two-thirds of the population lives below the poverty line, the most impoverished living in coastal areas, highlighting a poverty level of 17.6% in 2012.⁷⁵

However, the average for other Balkan countries is 27 percent.⁷⁶ The high poverty rates, and the lack of proper government programs has increased the amount of brain drain as many Albanians choose to leave for better work opportunities. This graph (figure 7) shows the even spread of poverty throughout Albania regardless of what province they're from because the bar chart shows that the remittances are pretty evenly distributed throughout the different regions.⁷⁷

⁷⁵ Barjaba, Kosta Barjaba and Joniada. "Embracing Emigration: The Migration-Development Nexus in Albania." *Migrationpolicy.Org*, 2 Mar. 2017, www.migrationpolicy.org/article/embracing-emigration-migration-development-nexus-albania.

⁷⁶ Euronews Albania. "Value of a Worker's Work in Albania Is 40% Lower than in the Region." *Euronews Albania*, 29 Jan. 2024, euronews.al/en/value-of-a-workers-work-in-albania-is-40-lower-than-in-the-region/.

⁷⁷ Lulashi, Arbër. *Remittances in Albania - Researchgate*, https://www.researchgate.net/publication/236033265_Remittances_in_Albania. Accessed 1 May 2024.

Brain Drain:

Like many other developing countries, brain drain is a big problem in Albania leading it to get the attention of the World Bank who last year pledged €900 million to help Albania create better jobs, and beat brain drain.⁷⁸ One article by the top Albanian newspaper, Euractiv, claims that those in the workforce decreased by 32,000 citizens, but the sector most affected was medicine as in the last 10 years over 3,500 doctors and nurses have left the country, and mostly resettled in Germany, causing many politicians to pass legislation in hopes of keeping them in the country such as forcing them to stay in the country for a few years after graduating medical school, better interest rates on home loans and even higher salaries.⁷⁹ In fact, the situation in Albania is so dire that there are only 1.93 doctors per 1,000 residents, meanwhile the OECD's average is 3.6 doctors per 1,000 residents and other countries in the region have 2.6 doctors per 1,000 residents, making Albanians suffer the most.⁸⁰ This furthers incentivizes people to emigrate because as more doctors are leaving the country to get a higher wage elsewhere, those who need medical help are left stranded unable to get help for months if they can not afford the increased prices of a fast privatized care and the bribes required to go to the doctor are then forced to go get their medical aid abroad.

While Albania's brain drain is predominantly due to Albanians leaving the country, some other ways that the country has tried to combat it is by contracting workers from other countries

⁷⁸ Taylor, Alice. "World Bank Pledges €900 Million to Help Albania Create Better Jobs, Beat Brain Drain." *Www.Euractiv.Com*, 5 Apr. 2023, www.euractiv.com/section/politics/news/world-bank-pledges-e900-million-to-help-albania-create-better-jobs-beat-brain-drain/.

⁷⁹ Taylor, Alice. "World Bank Pledges €900 Million to Help Albania Create Better Jobs, Beat Brain Drain." *Www.Euractiv.Com*, 5 Apr. 2023, www.euractiv.com/section/politics/news/world-bank-pledges-e900-million-to-help-albania-create-better-jobs-beat-brain-drain/.

⁸⁰ Emanuel Xhindi | U. Tirana Faculty of Law, AL. "Albania Dispatch: Bill Requiring Medical Students to Work in Albania after Finishing Their Degrees Faces Constitutional Challenge." *Jurist, - JURIST - News*, 7 Nov. 2023, www.jurist.org/news/2023/11/albania-dispatch-bill-requiring-medical-students-to-work-in-albania-after-finishing-their-degrees-faces-constitution-al-challenge/.

such as the Philippines and Kenya.⁸¹ However, the number of immigrants coming into Albania for work was pretty small, with estimates being around 150 women from Nepal and 40 from Philippines, however it is still not enough to make up for the roughly 20,000 vacancies in footwear factories; additionally, some reports have claimed that this system has failed as about 50 employees have already left to other European countries using Albanian jobs to give them European work experience before also moving on.⁸² This poses a significant challenge for Albania because an increase in migration would amplify the demand for training within the country, necessitating repeated efforts as the departing workforce would require replacement training. As a result, some believe that in order for brain drain to truly end, other European countries such as France, Germany and England would have to stop giving out visas to Albanians in addition to Albanian politicians committing to making real, tangible change, which would help the greater community and not just the affluent ones.⁸³

Case Study:

A prime example of this is Kukës in Northern Albania where 53% of its inhabitants have emigrated.⁸⁴ This small city, mainly runs through what was a strong agricultural industry, but is now dying. A reporter from the UK gets shown part of the story of why people migrate through the lens of a police officer, who said that, “I did dignity for 20 years, and now I have nothing. Look, all old people, no future.” Corruption, neglect: this is the story of Kukës he gives me. A

⁸¹ Taylor, Alice. “World Bank Pledges €900 Million to Help Albania Create Better Jobs, Beat Brain Drain.” *Www.Euractiv.Com*, 5 Apr. 2023, www.euractiv.com/section/politics/news/world-bank-pledges-e900-million-to-help-albania-create-better-jobs-beat-brain-drain/.

⁸² Kote, Kristo. “Nearly 200 Women from Nepal, Philippines to Work in Albanian Footwear Factories.” *ALBANIA DAILY NEWS*, 26 Oct. 2022, albandailynews.com/news/nearly-200-women-from-nepal-philippines-to-work-in-albanian-footwear-factories.

⁸³ *Why Migrants Are Fleeing Albania - Unherd*, unherd.com/2022/12/why-migrants-are-fleeing-albania/. Accessed 26 Apr. 2024.

⁸⁴ Philipp, Jennifer. “Why Are Albanian Migrants Leaving Albania?” *The Borgen Project*, Jennifer Philipp <https://borgenproject.org/wp-content/uploads/logo.jpg>, 21 Mar. 2024, borgenproject.org/why-are-albanian-migrants-leaving-albania/#:~:text=Rather%2C%20the%20country's%20problems%2C%20including,40%25%20of%20Albanians%20have%20emigrated.

place where after the fall of communism, the end of history never arrived. The last major construction work that was completed on time? A nuclear bunker on the orders of the country's mad dictator Enver Hoxha, finished just as the Cold War was winding down.⁸⁵ This story is followed by another, a story of Xhevahir, a school teacher in Kukës who was trying to leave the country and get a visa to the UK, but it was denied previously before the pandemic and during an interview has to explain how he attempts to convince his students to stay in the country that he is trying to escape, and says, "It is hard to know what to say when you are planning to leave too."⁸⁶

However, these people are not alone as a 72 year old woman (Zehrigo) tells the story about how her son illegally entered into Kent, England who worked construction building luxury apartments in London, who explains that with the money that he sent back home (remittances) she was able to pay for a life saving heart surgery.⁸⁷ In some rural and smaller towns, patients must cross the border to Kosovo or Greece for healthcare because in these more rural areas even schools are having trouble keeping their students and employers being able to maintain their employees.⁸⁸ Despite the steady increase in GDP and foreign investment it may not be enough to save the citizens, as the World Bank estimates that soon 1/3 of the country will be living below the poverty line.⁸⁹ As if these push factors are not enough, there are now cheaper ways to leave as the cost of being smuggled across borders has now been significantly decreased from £25,000 if smuggled across land in a truck to £3,000 to £4000 if you were to go with a boat or dinghy.⁹⁰

⁸⁵ *Why Migrants Are Fleeing Albania - Unherd*, unherd.com/2022/12/why-migrants-are-fleeing-albania/. Accessed 26 Apr. 2024.

⁸⁶ *Why Migrants Are Fleeing Albania - Unherd*, unherd.com/2022/12/why-migrants-are-fleeing-albania/. Accessed 26 Apr. 2024.

⁸⁷ *Why Migrants Are Fleeing Albania - Unherd*, unherd.com/2022/12/why-migrants-are-fleeing-albania/. Accessed 26 Apr. 2024.

⁸⁸ *Why Migrants Are Fleeing Albania - Unherd*, unherd.com/2022/12/why-migrants-are-fleeing-albania/. Accessed 26 Apr. 2024.

⁸⁹ *Why Migrants Are Fleeing Albania - Unherd*, unherd.com/2022/12/why-migrants-are-fleeing-albania/. Accessed 26 Apr. 2024.

⁹⁰ Philipp, Jennifer. "Why Are Albanian Migrants Leaving Albania?" *The Borgen Project*, Jennifer Philipp <https://borgenproject.org/wp-content/uploads/logo.jpg>, 21 Mar. 2024, borgenproject.org/why-are-albanian-migrants-leaving-albania/#:~:text=Rather%2C%20the%20country's%20problems%2C%20including,40%25%20of%20Albanians%20have%20emigrated.

Shift from Irregular to Legal Migration:

Despite the strong desire to leave the country, prior to 2010 it was very difficult to do so legally. The most popular destinations being Greece through the land border, Southern Italy (via the Adriatic Sea), flying into various northern and western countries with fake documents, overstaying visas and some even pretended to be from Kosovo to get refugee status (1999).

Table 1: Albanian Citizens in Italy & Greece by Citizenship Status		
	Undocumented: (1996-1997)	Legalized: (~ 2003)
Italy	$\frac{82,000}{150,000} \approx 54.67\%$	$\frac{100,000}{200,000} = 50\%$
Greece	$\frac{10,000}{400,000} = 2.5\%$	$\frac{300,000}{600,000} = 50\%$
Source: Barjaba, Kosta Barjaba and Joniada 2017		

However up until 1997, many were living illegally in Italy and Greece then in 1997 then 10,000 out of 400,000 migrants in Greece were registered and 82,000 out of 150,000 migrants in Italy, sparking a desire from both countries to legalize everyone, which is why by 2003 at least half of the approximate 200,000 in Italy and 600,000 in Greece were now there legally and in attempt to incentive legal migration both

countries signed seasonal labor migration contracts with Albania, which would allow for eventual citizenship when they received a work contract.⁹¹ However, after 2010 the European Union gave Albanians visa free access to the Schengen area, which further increased legal migration by giving them access to other countries they did not have before.⁹² However, this

⁹¹ Barjaba, Kosta Barjaba and Joniada. "Embracing Emigration: The Migration-Development Nexus in Albania." *Migrationpolicy.Org*, 2 Mar. 2017, www.migrationpolicy.org/article/embracing-emigration-migration-development-nexus-albania.

⁹² Barjaba, Kosta Barjaba and Joniada. "Embracing Emigration: The Migration-Development Nexus in Albania." *Migrationpolicy.Org*, 2 Mar. 2017, www.migrationpolicy.org/article/embracing-emigration-migration-development-nexus-albania.

increase into the Schengen area was only for touristic purposes as they no longer needed tourist visas to go to Germany or Austria (for example). With this, then politicians were able to see Albanians for what they are, rather than what they are known for and remove some of the stigma and racism they have faced in other countries. As a result, Albanians were then allowed to legally migrate in low concentrations. However the large majority still went to either the UK, Italy or Greece. In the UK, there was a record high number of Albanians in 2019 (36,000), while now the number is closer to 21,000.⁹³ In fact, it's estimated in 2022 about 18% of all asylum applicants in the UK are from Albanians.⁹⁴

Remittances:

Albania runs on remittances as so many emigrants send money back to their friends and families through both legal and sometimes hidden ways. While some may send it through third parties like Western Union, others may ask friends going to Albania to give them money since they are unable to do so. As illegal migration flourished, this route of asking friends to give them money, medication or even clothes increased. Despite the different manners in which people send remittances and even the different countries that Albanians have emigrated to, spanning the entire world, from the United States to even Australia, the most remittances actually still came from within the European Union.⁹⁵ However, the impact on the country's development is still questionable as many sources disagree about what percentage of GDP is from remittances. Some believe that remittances make up about 31% of GDP, due to the large majority of the informal

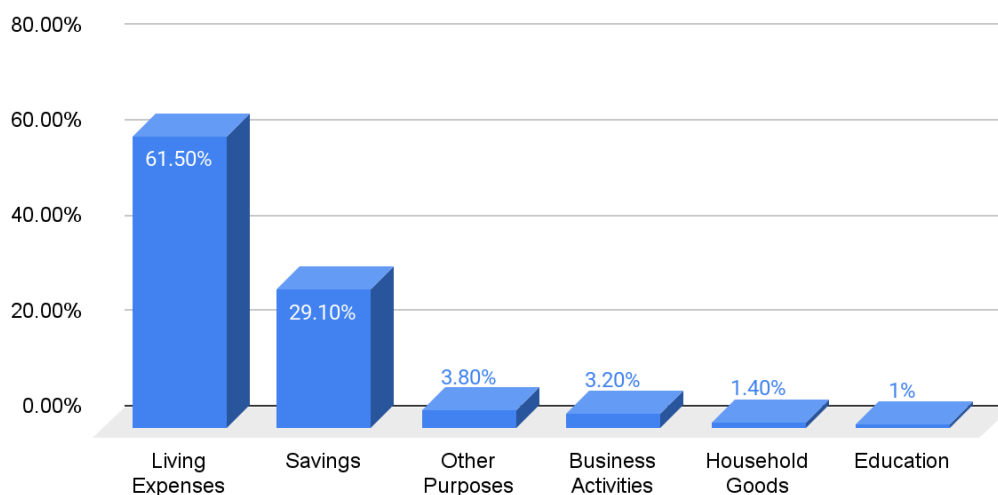
⁹³D. Clark "Albanian Nationals Population UK 2021." *Statista*, 13 Dec. 2023, www.statista.com/statistics/1253252/albanian-population-in-united-kingdom/.

⁹⁴ "Albanian Asylum Seekers in the UK and EU: A Look at Recent Data." *Migration Observatory*, migrationobservatory.ox.ac.uk/resources/commentaries/albanian-asylum-seekers-in-the-uk-and-eu-a-look-at-recent-data/. Accessed 26 Apr. 2024.

⁹⁵ Taylor, Alice. "Albania Received Most Remittances from EU in 2021." *Www.Euractiv.Com*, 24 Feb. 2023, www.euractiv.com/section/politics/news/albania-received-most-remittances-from-eu-in-2021/.

sector being remittances.⁹⁶ On the other hand, others believe it is closer to 15%.⁹⁷ Regardless of which percentage they are closer to it is still a high percentage, and has a huge impact on the country. The IMF believes that remittances “reduce poverty, increase welfare, and provide foreign currency that enables countries to pay for essential imports and service external debt. That in turn improves access to international capital markets.”⁹⁸

Figure 8: Albanian Remittance Usage
Source: University of Lund Research Paper



To almost a quarter of Albanians, remittances are of mass importance such as “in 2019, 24.4% of households use that income to sustain their entire lives.”⁹⁹ With that being said, not all households use remittances as their only source of income. However, regardless of where that

⁹⁶ *Why Migrants Are Fleeing Albania - Unherd*, unherd.com/2022/12/why-migrants-are-fleeing-albania/. Accessed 26 Apr. 2024.

⁹⁷ “Albania: Upgrade from 5/7 to 4/7 for MLT Political Risk.” *Credendo*, credendo.com/sl/knowledge-hub/albania-upgrade-57-47-mlt-political-risk#:~:text=Albania%20is%20the%20European%20country,of%20Albania's%20current%20account%20receipts. Accessed 26 Apr. 2024.

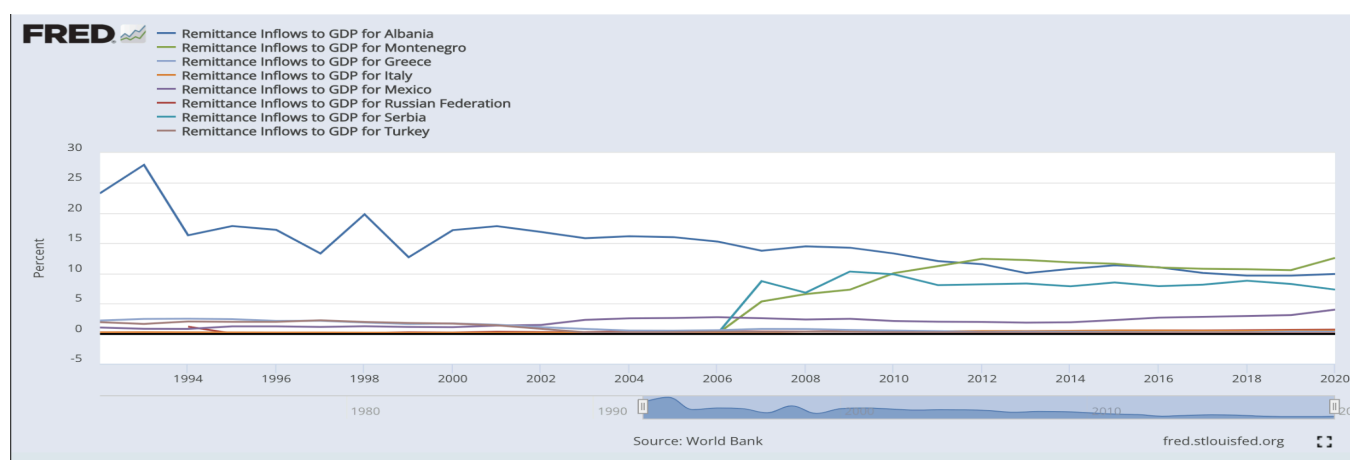
⁹⁸ “Finance and Development.” Finance and Development | F&D, www.imf.org/external/pubs/ft/fandd/2009/12/ratha.htm#:~:text=Remittances%20reduce%20poverty%2C%20increase%20welfare,access%20to%20international%20capital%20markets. Accessed 26 Apr. 2024.

⁹⁹ *Reform of the Economic Assistance Programme in Albania*, www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-budapest/documents/publication/wcms_882823.pdf. Accessed 26 Apr. 2024.

money goes the large majority of Albanians use it for living expenses and savings (29.1%). “As could be foreseen, the majority of households prioritize the use of remittances to finance living expenses (61.5%). 3.8% prioritize remittances for other purposes and 3.2% for business activity. The second most popular use of remittances is to buy household goods and the third for savings. None of the households use remittances primarily to finance education. Education comes only in second place for 1% of households, and third for 1.4% of households.”¹⁰⁰

A graph made by FRED, inserted below, shows Albania’s remittances since 1990 (post-communism) in comparison to Montenegro, Greece, Italy, Mexico, Russia, Serbia and Turkey. However, even with all of these countries having different migration stories, political parties, population, and even states of economy, Albanians still send back more than all of them. The only country who comes close is Montenegro whose remittances just barely surpassed Albania’s in 2019. Regardless this shows the importance that remittances have for Albania as for the last 20 years they have remained relatively steady.

Figure 9: Remittances Across Several Countries Source: World Bank as Graphed by FRED



¹⁰⁰ *Remittances and Poverty in Albania - Core*, core.ac.uk/download/pdf/289935372.pdf. Accessed 26 Apr. 2024.

The table published by the Bank of Albania (shown below) shows that 48% of remittances are used for food and nonalcoholic beverages further showing the unaffordability of the country.¹⁰¹ About 11% use the money for housing, rent, water and electricity all of which are essentials to survive.¹⁰² Lastly, about 4.5% are for clothing and footwear, followed by 5% of it used for health.¹⁰³ Cumulatively, this means that about 20.5% of all remittances are used for daily essentials.

Figure 10: Usage of Remittances		Source: Bank of Albania
Main Groups of Consumption	Percentage of Total	
Food and non-alcoholic beverages	48.0	
Alcoholic beverages, tobacco	3.2	
Clothing and footwear	4.5	
Housing, water, electricity, paid rent	11.0	
Furnishing, household appliance and routine maintenance of the dwelling	5.4	
Health	5.0	
Transport	4.8	
Communication	3.0	
Recreation and Culture	2.7	
Education	3.3	
Restaurants and hotels	3.2	
Miscellaneous goods and services	5.9	
Total	100	

¹⁰¹ *Remittances*: www.bankofalbania.org/rc/doc/Remitancat_Revista_eng_12103.pdf. Accessed 26 Apr. 2024.

¹⁰² *Remittances*: www.bankofalbania.org/rc/doc/Remitancat_Revista_eng_12103.pdf. Accessed 26 Apr. 2024.

¹⁰³ *Remittances*: www.bankofalbania.org/rc/doc/Remitancat_Revista_eng_12103.pdf. Accessed 26 Apr. 2024.

More often than not, people are forced to take money from relatives simply because they can not afford to survive on their own. The impact of remittances goes beyond just food and rent, but rather show the significance of love. In one instance, remittances were how a mom was able to get her life-saving heart surgery due to her son's work abroad in England. His ability to leave and make enough money to send some back home saved her life. The culmination of things such as this, show that ultimately so much of life in Albania is unaffordable for the average person, further driving up that desire to leave. In Albania, people can work all week and still barely afford the necessities needed to survive and that is while being on a very strict budget and buying the cheapest things, rarely getting meat or fish. While, in these more developed countries, Albanians can still work the same amount of hours, but can more easily afford their lifestyles.

However, with the increase of virtual options due to COVID-19 there has been a different way of migration. Since so many aspects of the push factor of emigration relate to the labor market, there has been an increase in opportunities for income without needing to move. “Albanian young people working for foreign companies through online platforms offering professional services in information technology, risk analysis, engineering and architecture, accounting, marketing, translation, data processing, etc. In June 2021, around 3,000 Albanians were registered as undertaking ‘upwork’. Their payment rates were around USD 10 per hour, with many earning as much as USD 1,000 per month.”¹⁰⁴

¹⁰⁴ *How Migration, Human Capital and the Labour ...*, www.etf.europa.eu/sites/default/files/2021-09/migration_albania.pdf. Accessed 26 Apr. 2024.

Labor Market:

Employment:

The Albanian Labor market is made up of three different kinds of sectors: private, public, and state owned making up both formal and informal economies. Generally as people become higher educated, they work more in the public sector, while lesser educated people work in the private sector.¹⁰⁵ "Nearly 57 per cent of Albanian workers were in informal employment in 2019. The large majority (51 per cent) are own-account workers, while women represent 49 per cent of contributing family workers. The sectors most exposed to informality are agriculture, wholesale and retail trade, and construction with shares of informal employment above 84 percent."¹⁰⁶

Main Causes of Unemployment:

Hoxhaj believes that there are three main causes of Albanian unemployment. Primarily he believes that it comes as a result of high economic growth that did not reduce unemployment, which is incredibly strange.¹⁰⁷ This creates a need for one of two things: a better economic structure (which could lead to better growth), or to develop visionary employment policies (could create more jobs which helps the entire economy). He also claims that the government forced people into believing that going to school was their best option, so that the unemployment rate in Albania would go down (since students aren't counted as being in the labor market). Lastly, the Albanian economy decline led to the two losses in the employment and job sectors.

¹⁰⁵ *You Get What You Pay for: Sources and Consequences of the Public Sector Premium in Albania and Sri Lanka*, growthlab.hks.harvard.edu:443/files/growthlab/files/2020-02-cid-wp-376-public-sector-premium.pdf. Accessed 26 Apr. 2024.

¹⁰⁶ Albania *ILO*, www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-budapest/documents/genericdocument/wcms_183428.pdf. Accessed 26 Apr. 2024.

¹⁰⁷ https://www.researchgate.net/publication/325019996_Youth_Unemployment_in_Albania_Causes_and_Consequences

Once the economy declines, some lose their jobs especially in agricultural and public sectors leaving the youth struggling to find a job.

On the other hand, a Euroactiv article highlights the dichotomy between high youth unemployment rates and people not being willing to work for the minimum wage with a record high tourism rate and vacancies, which are leading to unskilled.¹⁰⁸ Ultimately, there are a lot of reasons for high unemployment both directly and indirectly. While these are some of the more direct reasons, more indirect ones are similar to the brain drain. Students choosing to pursue a PhD abroad, with no intention to ever go back to Albania. The ILO believes that this is true for at least 66% of students who have gone abroad since 1990 to either the United States or the European Union.¹⁰⁹

Table 2 - Labor Market Statistics:

Country	Share of Regions Population	Share of Region's GDP
Albania	0.3%	0.6%
Turkey	17.3%	15.2%
Poland	7.6%	11.65%
Russia	29.1%	36.9%
Source: Focus Economics		

¹⁰⁸ Taylor, Alice. "Youth Unemployment in Albania Rises, but Thousands of Positions Remain Unfilled." *Www.Euractiv.Com*, 19 June 2023, www.euractiv.com/section/politics/news/youth-unemployment-in-albania-rises-but-thousands-of-positions-remain-unfilled/.

¹⁰⁹ *Youth Employment and Migration Country Brief: Albania*, webapps.ilo.org/wcmsp5/groups/public/---ed_emp/---ed_emp_msu/documents/publication/wcms_219634.pdf.

In 2022, it is nominal GDP of USD 18.9 billion, an average real GDP growth of 2.7% over the last decade, and a GDP per capita of USD 6,603 (which is low relative to the global average of USD 10,589).¹¹⁰ Private consumption accounted for 75% of GDP in 2021¹¹¹. These statistics are not simply lower on a country-wide scale, but also on the regional level. Albania's labor market only contributes 0.3% of the region's GDP and 0.6% of the region's population.¹¹² Comparatively, Russia, Turkey and Poland individually and cumulatively make up more of the region's GDP and population. Poland makes up 7.6% of the population and 11.65 of the regions GDP, meanwhile Turkey makes up 17.3% of the region's population and 15.2% of the region's GDP, and Russia unsurprisingly has the highest population with 29.1% of the region and 36.9% of the region's GDP, as seen in the table to the left. This further emphasizes the small impact that Albania has on the greater economy in addition to not being that powerful in regards to being self-sufficient. With that being said, it's important to note that SEER: the Journal for Labour and Social Affairs in Eastern Europe, believes that Albania has the highest foreign debt share in Europe.¹¹³ This means that out of all of the European countries Albania owes the most money to people outside of its borders.

Similarly to nearby countries Poland, Russia, and Turkey, Albania has the lowest GDP per capita, while also having one of the highest unemployment rates among the group for the most part. With that being the more general trend, there are three slightly lower points in these last 31 years, from 1991 to 2022. This biggest start and end point was between 2001 and 2006,

¹¹⁰ "Albania Archives." *FocusEconomics*, www.focus-economics.com/countries/albania/. Accessed 26 Apr. 2024.

¹¹¹ "Albania Archives." *FocusEconomics*, www.focus-economics.com/countries/albania/. Accessed 26 Apr. 2024.

¹¹² "Albania Archives." *FocusEconomics*, www.focus-economics.com/countries/albania/. Accessed 26 Apr. 2024.

¹¹³ Paunović, Sanja, and Rajko Kosanović. "Further Milestones in the Economic Development of South-Eastern Europe." *SEER: Journal for Labour and Social Affairs in Eastern Europe*, vol. 22, no. 1, Jan. 2019, pp. 33–52. *EBSCOhost*, search.ebscohost.com/login.aspx?direct=true&db=edsjsr&AN=edsjsr.26803177&site=eds-live&scope=site.

when Poland surpassed Albania's unemployment rate by a maximum of 3% difference in any given year during that time frame. However, in 2019 Turkey also surpassed Albania (the difference being barely above 2%) before reducing its unemployment rate once again in 2020. While Albania's GDP has always been the lowest, the difference between the countries have grown bigger over the years.

Figure 11: Unemployment, total (% of total labor force)

Source: World Bank

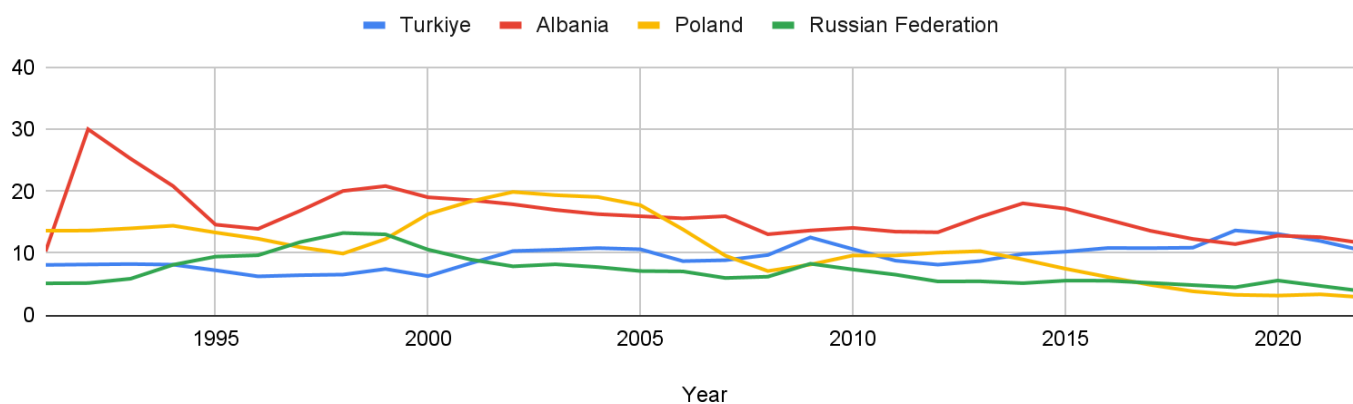
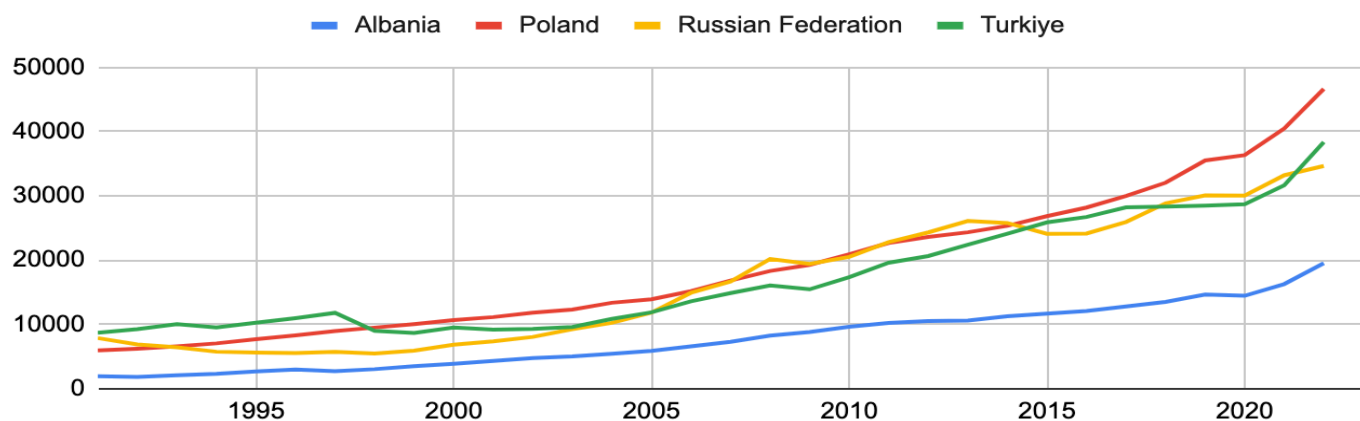


Figure 12: GDP per capita, PPP (current international \$)

Source: World Bank



Impacts on Growth:

The combination of high brain drain, leading to the mass migration of high skilled workers and the resulting in the shortage of skilled workers in important sectors can have a huge impact on the country's development. The opportunity to work a higher paid job is often a tempting offer for anyone. However, when the desire to leave is already prevalent an opportunity like that could be impossible to turn down, even if you already like your job. However, if the unemployment rate is so high that those who are skilled and educated are still unable to find a job then that can create a dangerous cycle of people looking for jobs abroad whenever they can't find one in their homeland. This link is crucial when discussing the labor market, because the more people that feel that there's a better opportunity waiting for them abroad the more will leave and the less opportunity the economy will have to grow as more people will desire leaving. However, with many looking for jobs abroad, this can lead to a lack of competition, monopoly or in some cases oligopoly due to the shortage of people wanting to stay in Albania. This is already happening with the “energy and hydrocarbons markets, construction industry, air and sea transport, fiscal equipment, etc.”¹¹⁴ (Page 26) These monopolies create a lack of competition by eliminating their competitors, often forcing the citizens into paying high prices, which further increases the problem of a high cost of living.

With a small population, limited resources and market options, this leads to a reduced opportunity for exports, which the Post Communist Economies Journal theorizes that for good

¹¹⁴ *Geopolitics, State Capture and Peak Corruption* | Seldi, seldi.net/wp-content/uploads/2022/09/SELDI_Geopolitics-State-Capture-and-Peak-Corruption-1.pdf. Accessed 26 Apr. 2024.

development an export led economy is needed.¹¹⁵ Albania's economy is currently led by imports rather than exports. With total exports being around 3,562,297.24 (roughly 31.31% of GDP), while imports total about 7,734,905.15, (about 44.71% of GDP).¹¹⁶ Gjergj Buxhuku, the director of the Institute for Efficient Policies and who served from 1995 to 1999 as economic adviser to Albania's prime minister, also backs this claim by emphasizing the impact of exports and imports, claiming that Albanian imports are 5 or 6 times what the exports are.¹¹⁷ This is also shown through its trade balance of -4,172,607.9.¹¹⁸ This means that the country is importing (buying) more than they are exporting (selling), thus also exhibiting that relationship of Albanian imports being significantly greater than exports. However, the trade growth is 21.71% compared to a world growth of 12.59%.¹¹⁹ This shows that while the economy might not currently be growing in the most efficient way, it is still growing and is doing so at a much faster rate than the rest of the world.

This negative trade balance can be caused by several factors including strong domestic demand for foreign products, a lack of competitiveness in domestic industries (such as the oil and gas businesses) and can even create structural imbalances in the economy (which in some cases can be unemployment). Part of this is due to the cultural desire for foreign products. For example, people would rather go to Italy to buy gold than do so in Albania. Similarly, in the United States there is an emphasis on supporting minority owned businesses, family businesses,

¹¹⁵ Prasnkar, Janez, et al. *The Role of Corporations in Economic Development: Albania on Its Way to Internationalisation.*, 2013, www.researchgate.net/publication/263443532_The_role_of_corporations_in_economic_development_Albania_on_its_way_to_internationalisation.

¹¹⁶ "Albania Trade Statistics." *WITS*, wits.worldbank.org/CountryProfile/en/ALB. Accessed 26 Apr. 2024.

¹¹⁷ Bala, Alban. "Albania: Economy Struggles against Influence of Monopolies." *RadioFreeEurope/RadioLiberty*, RFE/RL, 9 Apr. 2008, www.rferl.org/a/1097807.html.

¹¹⁸ "Albania Trade Statistics." *WITS*, wits.worldbank.org/CountryProfile/en/ALB. Accessed 26 Apr. 2024.

¹¹⁹ "Albania Trade Statistics." *WITS*, wits.worldbank.org/CountryProfile/en/ALB. Accessed 26 Apr. 2024.

etc. That support allows for many expensive American options to still thrive against cheaper corporation products. However, that isn't the case in Albania. With that being said, that logic of wanting things to be a certain way at a certain price is also why there are a large amount of imports. The majority of imports are things that are difficult for Albania to produce such as cars. On the other hand, as previously mentioned there are some industries that are monopolized leading to a lack in domestic products.

Due to the previously discussed impact of state ownership and intervention in Albanian monopolies, there became a desire to figure out how these monopolies impacted citizens' everyday lives and the economy's development, so much so that even the World Bank wanted to know. "The World Bank mission representative in Tirana, Eugen Scanteie says that there needs to be a political desire for competition, huge foreign investment (about 4-5x what there currently is)".

Additionally, both him and the former Prime Minister Ylli Bufi who worked after the fall of Cummins (1991-1992) and also served as the head of the parliament's Commission on the Economy, believe that there is a legal reason for this trend. While Scanteie believes that one reason for this is that the licenses needed to open various businesses are often corrupt, and will purposefully limit those applying. On the other hand, Bufi claims there is not enough antitrust legislation that has been passed to limit monopolies nor incentive competition.

Tirana commentator Prec Zogaj believes that the power the government has between state and private has created partial interests, and agrees that the biggest problem is through the

process of attempting to acquire a license.¹²⁰ Buxhuku also agrees that one of the biggest problems is acquiring the licensing needed. He says that the small number of companies who do have it are known to be related to each other. More specifically, he claims that getting an oil and gas trading license is severely difficult and that those who do have it are in contact with other licensed industrial and financial companies.¹²¹

Figure 13: Oil and Gas Productions in Albania (Tons)

Year	Bankers Petroleum (2004)	AlbPetrol (State Run)	Transoil Group/ Terra Oil Swiss	Anio Oil	Fin-Pek Petroleum	Sherwood International
2015	1,131,625	47,574	27,190	5,793	5,996	2,688
2016	922,443	46,959	23,515	-	3,921	2,731
2017	836,500	92,800	20,643	-	458	1,066
2018	793.6	89,458	18,908	6,794	352	1,634
2019	885,692	75,415	17,778	24,439	502	1,172
2020	674,256	40,918	14,732	26.191	204	1,092

Source: <https://www.trade.gov/country-commercial-guides/albania-oil-and-gas>

The following companies (shown in the table above) have a production sharing contract with the government. This means that in addition to giving the companies the permission to find and produce oil or gas in Albania, when they become successful they are also forced to give “royalties” to the government and to use the money to cover the costs of finding it, however any remaining profit would be then split between the government and the company.¹²² This is especially problematic in situations where the government already has its own company (which

¹²⁰ Bala, Alban. “Albania: Economy Struggles against Influence of Monopolies.” *RadioFreeEurope/RadioLiberty*, RFE/RL, 9 Apr. 2008, www.rferl.org/a/1097807.html.

¹²¹ Bala, Alban. “Albania: Economy Struggles against Influence of Monopolies.” *RadioFreeEurope/RadioLiberty*, RFE/RL, 9 Apr. 2008, www.rferl.org/a/1097807.html.

¹²² “Welcome to Shamaran Petroleum Corp.. Website.” *Shamaran Petroleum Corp.*, shamaranpetroleum.com/operations/how-oil-production-sharing-contracts-work/. Accessed 26 Apr. 2024.

in Albania's case is AlbPetrol, which is run entirely by the state). However, the other five companies listed, aren't only those with government contracts, but are also the only companies with licenses to do so. Therefore, unless the companies are explicitly giving a significant portion of their profit money to the government, they aren't allowed to have the license to do it. With this being said, Buxhuku's most radical idea was that those responsible for the lack of policies and the companies abilities to do this should be held responsible and forced to resign.¹²³

Contributes to a cycle of underdevelopment and dependency on foreign expertise

In Albania and some of the surrounding countries, there is a secondary version of government procurement where the politicians are hiring people without contracts for significant high paying jobs without contracts, so that it remains hidden. While Kosovo has done this the most out of all the surrounding countries, Albania still has even more hired employees without a contract.¹²⁴ This is problematic in countries with high corruption, because it makes it easier for these government agencies to hire specific companies that are favorable to them. Without a contract, it doesn't necessarily require an announcement, which further allows for money to be offshored into various accounts without the possibility of much notice. While in many countries in the region this practice is decreasing and transitioning the work, in Albania, there is actually a 3% increase.¹²⁵ This can cause the rate of corruption to actually increase, as there isn't a lot of public oversight of what is happening allowing them to eventually only hire companies that are beneficial to them if this upward trend continues.

¹²³ Bala, Alban. "Albania: Economy Struggles against Influence of Monopolies." *RadioFreeEurope/RadioLiberty*, RFE/RL, 9 Apr. 2008, www.rferl.org/a/1097807.html.

¹²⁴ *Geopolitics, State Capture and Peak Corruption* | Seldi, seldi.net/wp-content/uploads/2022/09/SELDI_Geopolitics-State-Capture-and-Peak-Corruption-1.pdf. Accessed 26 Apr. 2024.

¹²⁵ *Geopolitics, State Capture and Peak Corruption* | Seldi, seldi.net/wp-content/uploads/2022/09/SELDI_Geopolitics-State-Capture-and-Peak-Corruption-1.pdf. Accessed 26 Apr. 2024.

This trend often can be referred to as the middle income trap, which is when a low-income developing country develops into a middle income country and then gets stuck there with no clear path to becoming a high-income developed country. This is a “trap” because once you are in a mid-income space you can’t compete with high income countries for advanced tech or R+D and they can't compete with low countries for cheap labor or exports because it would not be at the quality that they desire. This theory is even prevalent in Albania, where footwear exports makeup over 15%, while less than 2% of all exports (roughly about 1.43%) are toward transportation.¹²⁶

This theory is also often supported by the Neoclassical theory that states that as a result, countries usually fall into a pattern of making these goods and over time have the competitive advantage. For example, since Albania exports footwear so often and usually does not do things like transportation as they are costly and need much more advanced technology, Albania would have the competitive advantage in footwear while Germany and China (the top two transportation exporters) would have the competitive advantage in transportation.¹²⁷

Foreign Investment:

However, foreign investment also has detrimental effects as many areas have been bought out by rich foreign investors, making a lot of the country inaccessible for its residents. Most

¹²⁶ “Albania (ALB) Exports, Imports, and Trade Partners.” *The Observatory of Economic Complexity*, oec.world/en/profile/country/alb. Accessed 26 Apr. 2024.

¹²⁷ “Transportation (HS Section: XVII) Product Trade, Exporters and Importers.” *The Observatory of Economic Complexity*, oec.world/en/profile/hs/transportation#:~:text=In%202022%2C%20the%20top%20exporters,and%20China%20(%2486.8B). Accessed 26 Apr. 2024.

recently, this is being done by Jared Kushner, who is gonna turn a chunk of land into private high-end hotels. In doing so, this is taking opportunities away from Albanian residents. With the high prices of hotels like these, it is rare for anyone besides the wealthy elite to be able to go. Even with that being said, the outsider purchase makes this more detrimental as the profits from the hotel would not be reinvested into the Albanian economy but rather would stay in the American economy or possibly used to do the process elsewhere. However, Kushner is not alone in doing so as Albania's cheap prices attract both tourists and real estate moguls who are looking for a good price. This is important because affluent citizens are leaving due to fear and middle class citizens are being bought out, so the only ones who stay are either severely corrupted, government officials, or a combination of both. In fact this is predominantly noticeable within the age distribution throughout the country. Since the retired population (above 65) is growing faster than the other age groups, while those under 15 are decreasing.¹²⁸

Policy Recommendations:

Throughout my paper, we saw some of the different factors that can impact a country's development. However, irrespective of some of the progress they have made, there is still a large area left for improvement. Based on the research above, I've reached the following policy recommendations.

¹²⁸ Tahsini, Izela. *Social Services in Albania: Background and State of the Art.*, www.researchgate.net/publication/341542239_Social_Services_in_Albania_Background_and_State_of_the_Art. Accessed 26 Apr. 2024.

Corruption Policy Recommendations:

Corruption should be tackled anonymously and virtually. By allowing people to virtually and anonymously report what they see and who is involved you can help eliminate corruption, as there is a permanent virtual trail. This would allow for citizens to give feedback in real time, promote accountability, and look into government activities. Additionally, through an increased vantage point with this virtual layer, other places, even the European Union could easily monitor it to make sure that it is reducing corruption. By having these multiple layers to reduce (and eventually hopefully remove) corruption entirely would allow for more a functional democracy. To do so, these can help create reports of the flow of funds and where they are going. This can help limit political embezzlement.

Emigration Policy Recommendations:

In many countries around the world, there have been promotion of return migration programs or ways that countries are attempting to incentivize the migration there. Many of these initiatives help immigrants get visas (if needed) and even pay you extra for moving there. Over ten countries are already doing it, including Switzerland and Italy.¹²⁹ If Albania were to use some of these newly created infrastructure to instead house new migrants coming into the country from all over the world, and make them sign decently long contracts (Switzerland's contract is for ten years), it could be extremely beneficial to the economy.

¹²⁹ Sergio Ocampo Last Updated: Sep 5, 2023 • 8 min read Fact Checked by: Ryan Carrigan. "These Countries Will Pay You to Move There 2024." *moveBuddha*, 5 Sept. 2023, www.movebuddha.com/blog/countries-will-pay-move/.

Similarly, if Albania were able to create contracts with the European Union for Albanians to more easily (and legally) work there the Brain Drain might not be high. This could also lower the geographic spread of the diaspora by keeping it more ingrained in the European Union. Additionally, many of the Albanians leaving the country are generally pretty young, below the age of 27. For this reason, helping create more youth programs could help them get work experience or create the businesses they dream about while also giving them tangible incentives to live in the country. By creating mentorship and entrepreneurship organizations, students could join them to learn about what making a business really entails including how to make pitches for grants, and get the opportunity to pitch it to Albania's elite. Ideally a program like this would guarantee at least one student funding. While many of these recommendations would be amazing to see, most simply Albania could also make sure to spread awareness about migration. There are many ways to migrate and places that are better to move to than others and at the very least Albania could create campaigns to help with awareness. Making sure people understand the severity of what it means to live in a country undocumented, or thousands of miles away from home. Showing them that there are amazing options for school even within Europe without having to go to the United States or Canada for their education.

Labor Market Policy Recommendations:

The labor market has been characterized by youth unemployment and reducing that would be of great help to the economy. By creating more apprenticeship programs, subsidizing employment programs (so that the government could hire people to work for small businesses and help cover part of their wages), and even work-study programs so that students could more

easily work while in school. Additionally, there has been a surplus of foreign real estate investment projects in Albania. By creating legislation to use the properties to create affordable housing, and opportunities for ownership the income distribution in Albania will be smaller and have a better labor market. In Albania, land ownership is complicated and sometimes it's hard for people to prove the land is there. Having more opportunities to buy land and creating easier laws so that people can easier prove the land to be theirs. Additionally, there needs to be affordable housing, so that residents can get government help for the basic necessities. I would also like there to be a law supporting the idea of some percentage of profits from big real estate projects like Kushner's being used to help local initiatives for development.

The most important recommendation is antitrust legislation. By stopping trusts Albanians would have a real chance to pursue anything irrespective of how many connections they have or the amount of corruption in the sector. This would allow for the labor market to expand as there would be more competitors in every field, better prices, and a better supply and demand balance. This relates to another recommendation of mine which is the diversification of the economy. To do this there must be a reduction of the informal sector, which can be done with incentivized investments for small businesses. Additionally, with emigration being a big factor in Albania, an increase in vocational education (trade school) options would incentivize people to stay in the country, thus increasing GDP as there would be more revenue. With this being said the biggest goal is to combat the Middle-Income Trap. Firstly, they must invest further in education, try to make a higher quality of life. Additionally, there needs to be more effort into Research & Development, and an increase in foreign direct investment.

Technological Recommendation:

Ultimately, my biggest recommendation is the utilization of technology. While Albania has started that process already with a website and app called E-Albania, there are still many ways to use technology to help make the changes that are truly best for the country and not for the few people at the top. By utilizing technology in analytical frameworks, people can see the statistics behind the labor market. It can show the different trends of employment, skills, and even supply and demand for various high and low production items. If the country ever wanted to stop producing something or had the opportunity to produce more of another item, a system like this could help make sure that they are making the better choice. Similarly, the technology could also be used to evaluate the impact of policy by checking how it's affecting people and more specifically who is being affected.

Conclusion:

A country can make several changes before any of these changes become noticeable and Albania is no exception. While it has made significant strides since the end of communism, its overall level of development is still pretty low. That is why simply changing the way the labor market works will not single handedly save Albania, neither will eliminating corruption. However, all of these factor into how Albania develops. As state ownership increases in both obvious and not so obvious ways, the rule of law decreases substantially limiting the people's trust in their government. This leads them to feel the need to incentivize the change they desire, which has led to the mass corruption problem. Cumulatively, this led to one of the biggest

migration trends in the world, with over 40% of the population having left creating a shortage in the already monopolized labor force.

Ultimately, my goal was to show how multifaceted development is. Having done classes in Economics and Human Rights and Public Policy, have shown me the importance of the intersectionality of the three. Economics impacts every part of our daily lives, from the inflation rate causing the price raising in the grocery store to higher interest rates on our mortgages, and even why the amount of supply matters. With that being said, these economic theories aren't only applicable to one part of our lives as they are usually associated with other parts such as rule of law, which impacts how people view the country and vice versa. However, of equal importance is the plausibility of people being treated the right way. Without policy to make sure that things are executed the way that they are thought of, the right intentions ultimately mean nothing.

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