

OLIGARCHIC TENDENCES IN ALBANIA AND THE NEED FOR A DE-OLIGARCHIZATION PROCESS

**AN ATTEMPT TO ASSESS AND MEASURE THE
CONCENTRATION OF ECONOMIC AND
POLITICAL POWER**

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Policy Paper

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List of Abbreviations

ADF	Albanian Development Fund
ADIA	Albanian Deposit Insurance Agency
AIDA	Albanian Investment Development Agency
BA	Bank of Albania
BE	European Union
BIRN	Balkan Investigative Reporting Network
CEC	Central Election Commission
DOS	Department of State
EBRD	European Bank for Reconstruction and Development
EC	European Commission
PP	Public Procurement
PPP	Public Private Partnership
SI	Strategic Investment
SIC	Strategic Investment Committee
SPAK	Special Structure against Corruption and Organised Crime
WB	World Bank

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Executive Summary

The presence of corruption and the escalation of this phenomenon in Albania over the last two decades, as well as the decline of several aspects of the economic and social life of the country, **resulted in an increasingly refined type of governance, through which private interests started to have a substantial effect on state decision-making processes in order to acquire various economic and political advantages and privileges.**

As a country in transition, while putting economic and political reforms into practice, Albania experienced a series of crises. **This offered the chance to set up a beneficial environment for the formation of clientelistic and exploitative ties with the intention of infiltrating governmental, political, judicial, or administrative circles.** The approval of the justice reform in 2016, but also the outcomes related to the number of judges and prosecutors dismissed from the re-evaluation process, evidenced the seriousness of the situation and the level of penetration of corruption in the country.

Due to these developments, even business, as a crucial link in the country's economic development, would find it challenging to remain beyond the need to serve certain political interests, which as it turned out over the following years also advanced the strength and power of business over politics. This led to more and more **political discourse in Albania being managed by the terms "oligarchs" and "oligarchy", denoting some individuals enriched in disreputable ways and forms, inevitably connected to persons with political power.**

The purpose of this policy document to address and evaluate the presence of the features of an oligarchic government in a theoretical and empirical perspective that has been missing so far in Albania, came precisely as a result of the need **to answer a series of questions related to the focus on increase in economic and political power in function of the personal interests of a narrow group of individuals.**

In the absence of prior methodological approaches to measure and assess this phenomenon, but also the problems linked to the confusion and the scope of the definition of the term, the **document also seeks to encourage the undertaking of more detailed analyses and studies in terms of measuring the impact that political and economic power concentrated in a narrow group of individuals (oligarchs) has on public life and policies.**

Nevertheless, the limitations presented above have not made it impossible to carry out a comprehensive assessment in terms of the growing consolidation of favorable clientelistic relations, which have been associated with problems such as **market monopolization, lack of competition, low economic well-being, information and unemployment, the increase in inequalities in income and wealth and the violation of social cohesion.** In addition to the assessment of the situation related to these issues, the analysis also includes the main **criteria recently defined in the laws for de-oligarchization** such as: **i) influence and political connections, ii) concentration of wealth iii) tendencies for the expansion of this wealth.**

During the last years in Albania, **an increase in the involvement of businessmen in politics** has increasingly been evidenced, this is also due to the **need that political parties have to provide financial support during election campaigns**, looking that financial resources offer the opportunity to the business community become an important factor in the election process. As a result, **accusations of criminal connections with political representatives or the circulation of dirty money during election campaigns** have dominated the political scene in the country, by creating thus a favorable environment for the **involvement of businessmen or even persons with a dark criminal past in the lists of candidates for deputy.**

Pressure and control over media and journalists are also one of the ways used by individuals with financial power to manipulate activities as well as their connections with politics. In addition to biases in information and lack of professionalization, this situation has created over the years an **ever-increasing concentration of the media market in the hands of a small group of wealthy individuals due to political connections and therefore a pronounced control over it all press bodies.** The most influential private Albanian media turns out to be **owned by a small number of companies with connections to politicians, while operating at the same time in other profitable sectors.**

The strengthening of ties and political power has tended over time not only to protect the benefits created, but also to expand them. **Albania marks a record number of concession contracts, while their implementation has been accompanied by a series of challenges and problems, among which the non-fulfillment of long-term goals and international standards, lack of competition and transparency, non-performance of services, etc.** The increase in the number of concession contracts has also been estimated to have reduced opportunities for competition, including foreign investment in important sectors of the economy. **Until the end of 2022, 11 concession contracts financed by the state budget have been active, 7 of which reach the contract value of over 5,000,000,000 Lek.** Almost the implementation of all these contracts has proved problematic, highlighting corrupt and clientelistic affairs.

Even the public procurement sector, although it is one of the most important cross-sectoral areas, continues to remain a very **sensitive area in terms of corruption and favoritism, as most cases are related to manipulated offers, bribery and political or family favouritism.** Emergency situations such as the **Covid-19 pandemic and the natural disaster of the earthquake** highlighted even more the abuses in the procurement sector.

On the other hand, the implementation of the law on strategic investments is considered to be a serious problem related to: **attracting dirty money and clientelistic behavior in favor of oligarchs, violating private property by inciting social conflicts, favoring a few people connected to power, without bringing any visible impact on the economy, the lack of transparency and above all the creation of all opportunities for the creation of an oligarchy.**

A significant part of the owners of concession contracts or projects related to strategic investments are among the richest individuals in the country, while their presence is also evident in the ownership of a part of the main media outlets as well as in the winning of contracts with high values in the field of public procurement, causing an increased concentration of wealth in a very few individuals.

Despite the fact that the issues listed above constitute a serious obstacle for Albania to reach the appropriate level of preparation to respond to the pace and dynamics of the integration process, **the opening of negotiations with the European Union in July 2022 offers the opportunity to address a number of challenges related to the preparation of the country within this process.**

The creation of a functional market economy, which is capable of competing with market forces within the Union, is one of the main criteria of this process. According to the reports of the European Commission for Albania, the country's **level of preparation in terms of the capacity to cope with competitive pressure remains low**, where during the last 4 years (2019-2022) Albania has been assessed with a some level of preparation.

Evidence and strengthening of corrupt and clientelistic ties with the aim of mutual favoring of a narrow group of individuals from business and politics can be considered one of the main threats to governance in Albania, where the **concentration of economic power continues to create problems in the creation of a non- healthy social cohesion and economic development in general.**

In this context and in order to address concerns at the right time in order not to create serious consequences of social and economic instability, **a serious awareness is needed among the political class that can also be considered the main responsible for the creation and consolidation of this form of government.** On the other hand, in addition to the need to reduce the influence of private interests on politics and the economy as well as to ensure full transparency and strong measures that promote a competitive economy, it is necessary to **develop specific instruments and methodologies to periodically measure and evaluate the connections and concentration of power economic and political in Albania as well as their impact on advancing the fulfilment of a number of key criteria for EU membership.**

Introduction

When talking about the European integration of Albania, the process is often related only or mainly to the fulfilment of political or technical criteria, paying less attention to the fulfilment of economic criteria, which are related to a functional market economy and the capacity to withstand competition and market forces. In fact, economic cooperation and integration in the common European market is one of the main and most important prerequisites of this process and therefore it cannot be seen separated from the political process and the fulfilment of other basic criteria.

But despite this, in Albania it has been established that apart from the lack of information and the inadequate level of preparation to respond to the rhythms and dynamics of the EU integration process, there is a visible control and connection of the local business, mainly the most profitable sectors with the country's leading political elite, connections which are often built based on corruption and other ulterior interests with profit goals.

The presence and dominance of these phenomena throughout the last decades has made the discussions on the creation of the oligarchs' class and their influence on important decision-making related to the appropriation of public assets or other favours in the function and service of their enrichment more and more present and therefore, preserving or even expanding this wealth.

The consequences created by the monopolization of markets, lack of competition, low economic well-being as well as a series of other similar consequences have undermined the trust of citizens in state institutions, who see the predominance of clientelist ties with politics as a worrying problem. The consequences this has created in the economy and beyond.¹

The presence of oligarchs and the very construction of an oligarchic government system has often been perceived as a phenomenon that belongs only to countries in which corruption remains a serious problem, thus being considered an almost exclusive phenomenon for other developed countries and model of democratic systems.

For a long period, starting after the 90s after the dissolution of the former Soviet Union (US), countries such as Russia and the former republics of the USSR have been considered the most typical model of the creation and empowerment of oligarchs. In fact, in countries such as Ukraine, Georgia and Moldova, radical measures related to de-oligarchization have not been missing.²

However, other countries with democratic systems do not exclude the presence of oligarchs and their efforts to protect and expand wealth through political connections and abuses.³ The integration into the EU of former communist countries such as Hungary, the Czech Republic, Bulgaria, Slovakia or Poland and the problems that a good part of them showed in relation to the abuse of agricultural funds that fell into the hands of some large entrepreneurs in the field of agriculture, to then support the parties in power with their influence and donations, would create a serious concern within the Union and the taking of concrete measures.⁴

In this context, the extensive debates on oligarchs and oligarchy have brought to attention the need for a comprehensive analysis and addressing of this phenomenon. The challenges and problems faced by Albania during the last decades make the discussion on this phenomenon so necessary and current, for which a theoretical as well as an empirical treatment is needed.

¹ Center for the Study of Democracy and Governance (CSDG), [Albanian Security Barometer 2022](#)

² European Commission, [The European Commission recommends to Council confirming Ukraine, Moldova and Georgia's perspective to become members of the EU and provides its opinion on granting them candidate status](#), June 2022

³ Project Syndicate, [Why Stop at the Russian Oligarchs?](#), March 2022

⁴ European Parliament, [REPORT on MFF 2021-2027: fight against oligarch structures, protection of EU funds from fraud and conflict of interest](#), March 2022

Theoretical Framework: Defining and Measuring Oligarchy

The terms "oligarch" and "oligarchy" are perhaps the most used terms in political discourse and beyond in Albania during the last decade. Assessed as a country where corruption has been and continues to be considered one of the main problems and challenges,⁵ the so-called "oligarchs" are considered an inseparable part of the Albanian reality, implying in one way or another some individuals enriched in ways and forms of suspicious, inevitably connected to people in power, mainly politicians but not only.

Despite the early definitions that exist for oligarchy,⁶ it has been evidenced that there is a marked lack in terms of theoretical and empirical treatments related to it, being one of the least vague,⁷ most incoherent and least theorized concepts in the social sciences.⁸ In this context, the goal of providing a clear definition of the term as well as building a conceptual framework, which serves the research questions posed, has been one of the challenges, but also the main objectives of this policy document.

Initially, due to the origin of the term, most of the interpretations or definitions related to oligarchy have focused mainly and only on the component related to "government of the few" or "government by a few people".⁹ Aristotle would be the first, who in his work *Politics III* would define the term as the exercise of power by the wealthiest citizens, who always happen to be "few" in number,¹⁰ this definition which would be taken, was further adapted and expanded by a number of authors and researchers.

Over the years, the definition of oligarchy has been used to describe a political-economic system.¹¹ Until the 20th century, oligarchy was defined as a type of corrupt political regime or system where a few individuals rule to the detriment of the rest based on their own personal gains and interests.¹² While other researchers have tried to define the oligarchy from a normative point of view.¹³

During the last years, other researchers have offered different approaches from the traditional notion of oligarchy as a form of regime or government, defining oligarchy as a phenomenon present even in democratic societies, where a narrow group of wealthy people exercise influence and connections their political and in function of accumulation and preservation of wealth and power even without being part of the governing structures of the state.¹⁴

On the other hand, what is evidenced by the analysis is related to the fact that the lack of a clear theoretical framework on the oligarchy has resulted in the lack of complete and comprehensive assessments, which serve the need to measure and verify the presence of the oligarchy (or the features that make it up). As a result, mechanisms for data collection as well as instruments for monitoring and evaluating the presence of the oligarchy have been missing.

⁵ Transparency International, [Corruption Perceptions Index](#)

⁶ Aristotle, *Politics*, Book 3

⁷ Leach, D. K., 2005, "The Iron Law of What Again? Conceptualizing Oligarchy Across Organizational Forms"

⁸ Winters, J. A. (2011) *Oligarchy*

⁹ The International Encyclopedia of the Social Sciences indicates that the word is derived from the Greek word *oligarkhia* (rule by the few), which is composed by *oligoi* (few) and *arkhein* (to rule). In this way, oligarchy is a form of government in which political power is concentrated in the hands of a small minority.

¹⁰ Aristotle 1996, III viii 1279b, 35–39

¹¹ - Michels, R. (1915) *Political Parties – A Sociological Study of the Oligarchical Tendencies of Modern Democracies*

- Schmidt, A.J. (1973) *Oligarchy in Fraternal Organizations: A Study in Organizational Leadership*

- Samons, L. J., 1998, "Mass, Elite, and Hoplite-Farmer in Greek History"

- Leach, D. K., 2005, "The Iron Law of What Again? Conceptualizing Oligarchy Across Organizational Forms"

¹² - Mansfield, H. C. Jr., 1983, "On the Impersonality of the Modern State: A Comment on Machiavelli's Use of *Stato*"

- McCormick, J. P., 1993, "Addressing the Political Exception: Machiavelli's 'Accidents' and the Mixed Regime"

¹³ - Fogel, K., 2006, "Oligarchic Family Control, Social Economic Outcomes, and the Quality of Government"

- Gilens, M., and Page, Benjamin I, 2014, "Testing Theories of American Politics: Elites, Interest Groups, and Average Citizens"

¹⁴ - Winters, J. A. (2011) *Oligarchy*

- Krugman, P. (November 4, 2011), "[Oligarchy, American Style](#)", *The New York Times*

- Johnson, S., 2009, "[The Quiet Coup](#)." *The Atlantic* 52

De-oligarchization laws passed in recent years in countries such as Ukraine and Georgia provide some specific criteria for identifying oligarchs and taking concrete penal measures against them. De-oligarchization was sought as an urgent need to the former republics of the former Soviet Union. It would be the European Union itself which would require these countries as a key condition for membership in the European Union to implement the commitment to de-oligarchization, in order to eliminate the influence of certain interests in economic, political and public life.¹⁵

In November 2021, Ukraine would be the first to adopt the law on de-oligarchization, considering the fight against oligarchs as a prevention of national security threats, while based on the same model, in November 2022, Georgia would also adopt its de-oligarchization law.

The laws on de-oligarchization provide a legal framework, which aims to separate big business from political influence by limiting the harmful influence of vested interests and a few privileged individuals (oligarchs) in the economic life of the country, by defining clear criteria for identifying theirs.

1) Participation in political life, **2)** ownership and influence over media outlets, **3)** ownership and profit from monopoly businesses, as well as **4)** high values of assets and capital, constitute the criteria that the laws for de-oligarchization provide for in the identification of persons, who wield considerable economic and political power in public life (oligarchs).

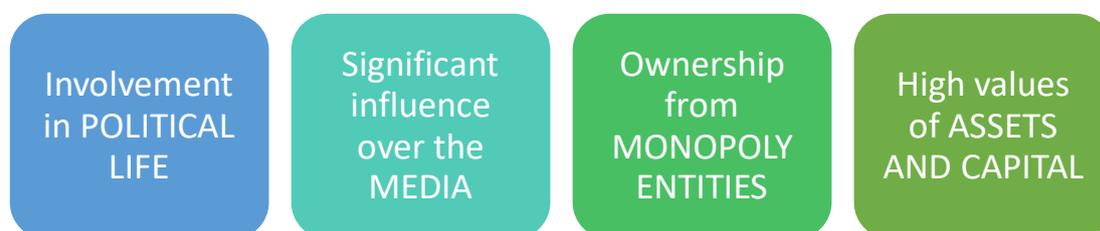


Figure 1: The criteria used in the laws for de-oligarchization, in order to identify persons with economic and political power (oligarchs)

State Capture

Given that corruption has been and continues to be one of the most serious and present phenomena in Albanian society, it has been impossible for it to remain untreated by many researchers and researchers in various fields. Developments over the years that have taken place in Albania have brought a focus on many forms of corruption, but especially in recent years they have focused on phenomena such as state capture, a concept which is considered the highest form of corruption. corruption.¹⁶

As a result of the penetration and consequences that corruption has created in the Albanian society, it can be considered unequivocally as the main genesis that has led to the violation of trust, the weakening of democracy, the obstruction of economic development and the creation of inequalities and poverty. The systematic use of corrupt practices in society and, what is most worrying, their acceptance, have led to the consolidation of this phenomenon over the years in the way it has manifested itself by penetrating deeply into society and bringing its use in even more sophisticated and costly forms big.

From the abuse of the power given for personal gain,¹⁷ which can be carried out by anyone, corruption has generated even more disturbing phenomena in Albania, such as state capture, which has been talked about a lot in recent years. State capture refers to a more systematic type of corruption, manipulating the formulation and/or implementation of policies to the advantage of a certain (usually politically connected) group for personal gain.¹⁸

¹⁵ European Commission, [The European Commission recommends to Council confirming Ukraine, Moldova and Georgia's perspective to become members of the EU and provides its opinion on granting them candidate status](#), June 2022

¹⁶ Institute for Democracy and Mediation (IDM), ["Deconstructing State Capture in Albania 2008-2020"](#), March 2021

¹⁷ Transparency International, [WHAT IS CORRUPTION?](#)

¹⁸ World Bank Group, [State Capture Analysis: A How to Guide for Practitioners](#). (2021)

The creation of oligarchs and oligarchy cannot inevitably happen without this process, since at the core of the goals of these individuals are economic and property interests, the protection or expansion of which, as noted above, is realized through connections and political influence. In this context, the capture of the state is absolutely not a separate phenomenon from that of the creation of the oligarchy, but constitutes in itself the process through which the oligarchs achieve their goals by breaking the country into an oligarchic government.

Bearing this in mind, this policy document has as its main purpose to describe, analyse and evaluate the main data and facts that testify or not to the presence of oligarchic connections and benefits, without addressing and prohibiting specifically and in detail in the manner their creation, which includes state capture.

Objective

The numerous discussions on oligarchs and oligarchy have brought back to attention the need for a comprehensive treatment and addressing of this form of government. The challenges and problems faced by Albania during the last decades make the discussion on this phenomenon so necessary and current in Albania as well.

As an innovation in this direction, this policy document aims to highlight and evidence the presence and interweaving of economic and political power in public life in Albania through the referenced data and analyses.

Based on these elements of the analysis, the document marks an attempt to address and provide answers to some of the main research questions related to:

- ✓ What are some of the main indicators, which evidence the increasing concentration of the country's economy in a narrow group of individuals during the last decade?
- ✓ What are the mechanisms used for the creation, protection or expansion of wealth during the last decades in Albania? How have a group of individuals benefited from the use of these mechanisms to get richer and richer?
- ✓ How much influence have connections and political favouritism had to support and strengthen the positions and benefits of a narrow and selected group of individuals? What are the main sectors and forms of this influence?

Methodology and Data

Defining a comprehensive methodology has been a difficult challenge given all the limitations mentioned at the beginning of this section related to the confusion over the term in general, its scope as well as the available data.

Despite this, based on the main features of the oligarchy evidenced during the theoretical treatments and the criteria recently used in the laws for de-oligarchization, the defined methodology includes 3 main components: (Table 1)

1. Indicators and Data
2. Influence and connections with politics
3. Sectors through which it is intended to expand wealth by creating a high concentration of it

An indicator is attached to each component, for the measurement and evaluation of which the respective data were collected and which include:

- Information and documents from state institutions;
- Studies, analyses, research reports, policy documents, strategies and other documents;
- Database and quantitative analysis obtained from dedicated website;
- Press articles, statements and information published by various organizations;
- Other secondary data.

<i>Components</i>	<i>Indicators for measure and assessment</i>		
I. Indicators & Data	Income and Wealth Inequality	Lack of Competition	Tax Avoidance and Evasion
II. Impact of Political Connections	Linkages between politics and business	Political Party Funding	Media Ownership and Control
III. Defence, Expansion and Concentration of Wealth	Public Private Partnership (PPPs)	Public Procurements (PP)	Strategic Investments (IS)

Table 1: Components and Indicators of the methodology

Target Group/Limitations

The identification of the richest individuals¹⁹ as well as the most profitable businesses in Albania²⁰ received increased attention only after the 2000s, and mainly these initiatives were undertaken by non-state actors.

The compilation of the list of the richest people in Albania was defined for the first time as an objective in the new Economic Program of the Government 2022-2024, with the aim of investigating their wealth for reasons of tax collection and reducing informality.²¹

The list is expected to be completed over three years, where in 2022 it was aimed to list the 100 richest people, while in 2023 another 200 people are expected to be listed and in 2024 even 350 wealthy individuals, bringing the total list in 650 individuals. Despite the steps taken by state institutions, at the time of the preparation of this policy document, it was impossible to evaluate and rank a list of the richest people.

In order to select a target group that serves the purposes of this document, the analysis carried out has taken into consideration the **40 richest individuals** in Albania ranked during the years 2014-2017, according to a methodology based on criteria related to 1) Share capital and tax parts proportionally; 2) Profit (proportional) of the exercise year; as well as 3) Proportional net capital.²²

Despite the limitations of having a list as comprehensive as possible due to the lack of studies for the following years, but also the applied methodology itself, it is important to note that this selection is intended to serve as an entry point to answer the research questions that are laid out in this document as well as encouraging the undertaking of future more detailed studies, starting from the problems related to the availability of data in this direction.

The **first 20 richest individuals** are ranked for the 4 years under review as the 10 richest people in the country, while the **other 20 richest individuals** are ranked as such based on other evaluation methodology criteria for the period reference (Annex A).

¹⁹ The Foundation for Economic Freedom, Albanian Millionaires – Survey on the top ten richest people in Albania

²⁰ “Monitor 200 sipas fitimeve”: [Speciale Monitor – SIPAS FITIMIT](#)

²¹ Ministry of Finance and Economy, [Programi i Reformave Ekonomike 2022-2024](#)

²² The Foundation for Economic Freedom, Albanian Millionaires – Survey on the top ten richest people in Albania

Part I: Indicators and Data

The creation of the first layer of "businessmen" in Albania has often been considered problematic and unfair due to the very specific nature of the transformations and great difficulties that accompanied the country after the 90s, moving from a planned and centralized economy to a market economy. free, accompanied by radical economic and political reforms that occurred simultaneously, as well as a total lack of information to respond correctly and efficiently to these challenges.²³

As a result, in addition to successive crises with social and economic consequences associated with strong political, economic and social crises, this period also brought the creation of the so-called "oligarchs", who benefited from the chaos of the beginning of the reforms and the uncertainties in their realization, they used various sources for their immediate and dubious enrichment through corruption and political support.²⁴

Specifically, after the first decade since the beginning of the transition (1990-2000), a phase which was accompanied by a deep recession and conflicts, the beginning of the 2000s coincided with the period during which large privatizations began to take place and strategic with big profits.

But despite these initial trends, economic growth did not respond to the country's economic development, which means higher welfare standards, narrowing of social inequalities, poverty alleviation and overall economic and social progress.

The process of wealth formation in Albania led to the creation of polarized social groups in terms of the concentration of wealth, while inequalities have been deepening, at the same time undermining social cohesion.²⁵

Albania is considered a country where corruption remains the main obstacle for the development and integration of the country²⁶ and even more worrying is the fact that the deepening of this phenomenon originates in the support or control/capture of the state and politics by "oligarchs" or business people.

This has made it even more necessary to evaluate these phenomena in the light of another perspective that refers to the question of whether Albania can be considered a country that manifests the features of a country where the oligarchs already enjoy a considerable political influence used for profit purposes wealth.

As an important starting point in this direction, **Section I** below considers and analyses some of the main indicators related to: economic inequalities, lack of competition and tax payments.

Aware that these assessments are part of the characteristics of countries with oligarchic features, it should be emphasized that they remain quite essential and important assessments to understand not only the state and situation, but at the same time to assess the impacts on policies and approaches undertaken in the direction of privileging or not privileging certain groups with large financial and wealth resources.

²³ Botal.al, Adrian Civici "[Tranzicioni i vështirë i Shqipërisë, nga ekonomia e centralizuar, drejt ekonomisë së tregut. Analiza e Prof. Adrian Civicit](#)", September 2019

²⁴ Ibidem

²⁵ Friedrich-Ebert-Stiftung Tirana, Selami Xhepa, Adrian Civici "[The economic system and the role of the State in society: Opinions and Attitudes of the Albanian public](#)" (2021)

²⁶ European Commission, [Albania Report 2022](#), 12th October 2022

Income and Wealth Inequality

Income and wealth inequality are one of the primary problems that is debated in the field of economic development of a country, while in recent years this argument has been reinforced even more by the clear and increasing distinctions between the wealthiest people compared to others.

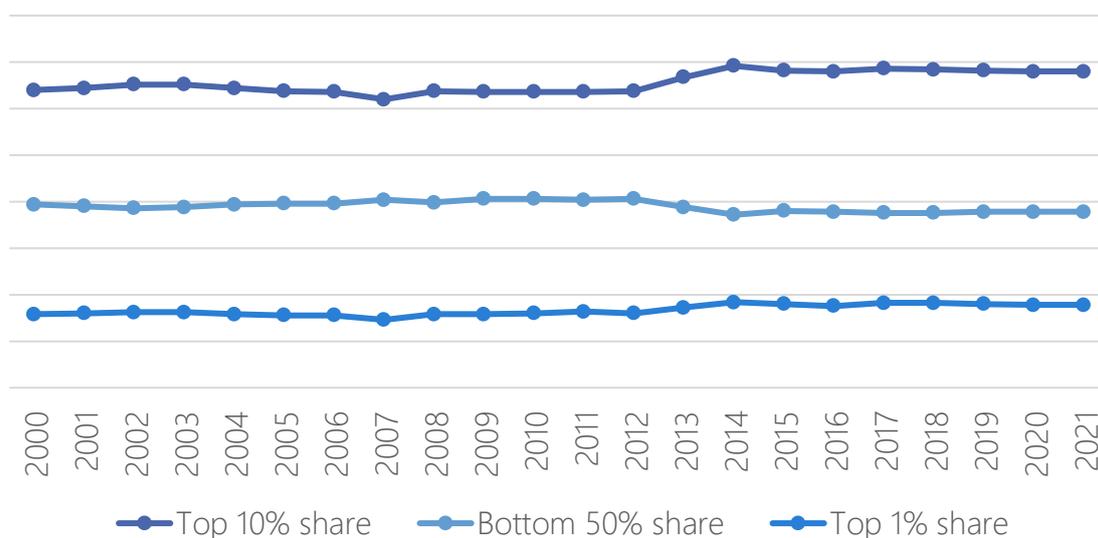
Even in cases of extraordinary situations such as the COVID-19 pandemic, the inequalities between the rich and the rest have deepened even further, making the rich richer and the poor poorer.²⁷

Even in Albania, a tendency towards increasing inequality can be evident, where 1% of the population receives about 9% of the income, while 10% of the population receives more than 1/4 (34%) of the national income generated.

While the 50% of the population who are at the bottom of the income distribution pyramid receive about 19% of the income, or about 2 times less than the 10% who are at the top of the pyramid.

The public clearly has a perception that the distribution of wealth and income has created huge inequalities and that this constitutes a serious concern for social cohesion. Likewise, a significant percentage of citizens think that the wealth created by the rich was not earned through honest work.²⁸

Graph 1: Income Inequality (2000 - 2021)



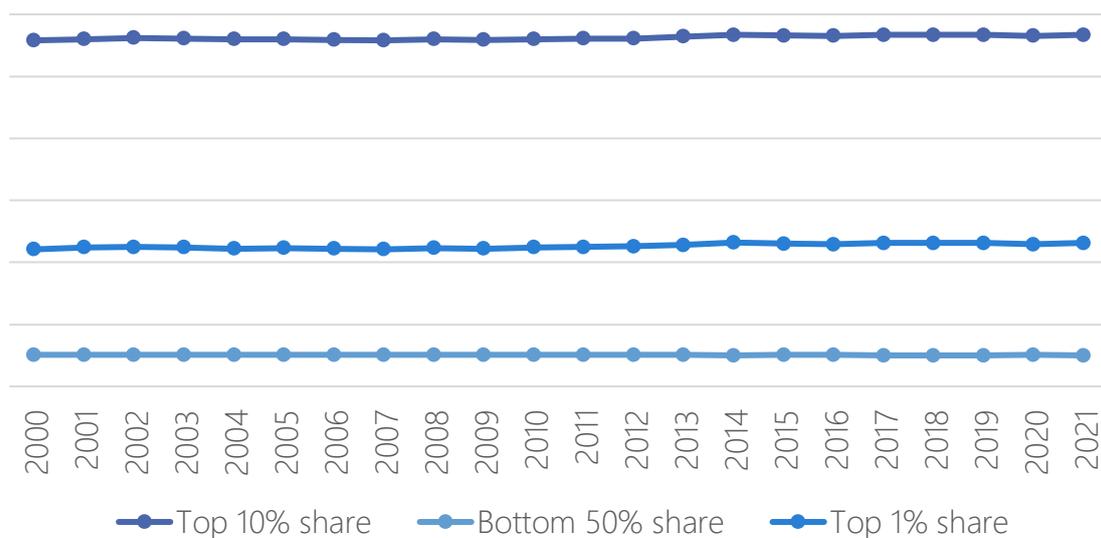
*Source of Data: World Inequality Database
Elaborated by the author*

Regarding data related to wealth inequality, 1% of the population owns about 23% of the wealth and 10% about 57% of the wealth. On the other hand, the 50% of the population at the bottom of the pyramid own only 5% of the wealth, or about 10 times as much as the 10% at the top of the pyramid.

²⁷ OXFAM, ["The Inequality virus", \(2021\)](#)

²⁸ Friedrich-Ebert-Stiftung Tirana, Selami Xhepa, Adrian Civici ["The economic system and the role of the State in society: Opinions and Attitudes of the Albanian public" \(2021\)](#)

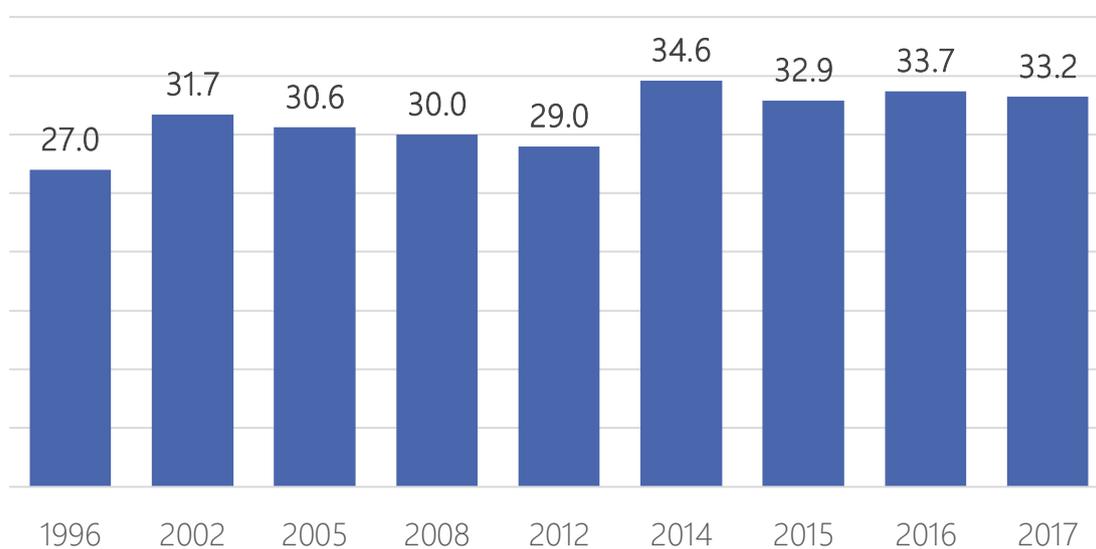
Graph 2: Wealth Inequality (2000 - 2021)



*Source of Data: World Inequality Database
Elaborated by the author*

Even the Gini coefficient index,²⁹ which measures inequality throughout society (not only by comparing the incomes of different groups) has a high value, at around 33%. Seen in a comparative context, this value of the Gini coefficient index ranks Albania among countries with high levels of inequality, alongside countries such as Great Britain or Spain.³⁰

Graph 3: Gini Index, 1996–2017



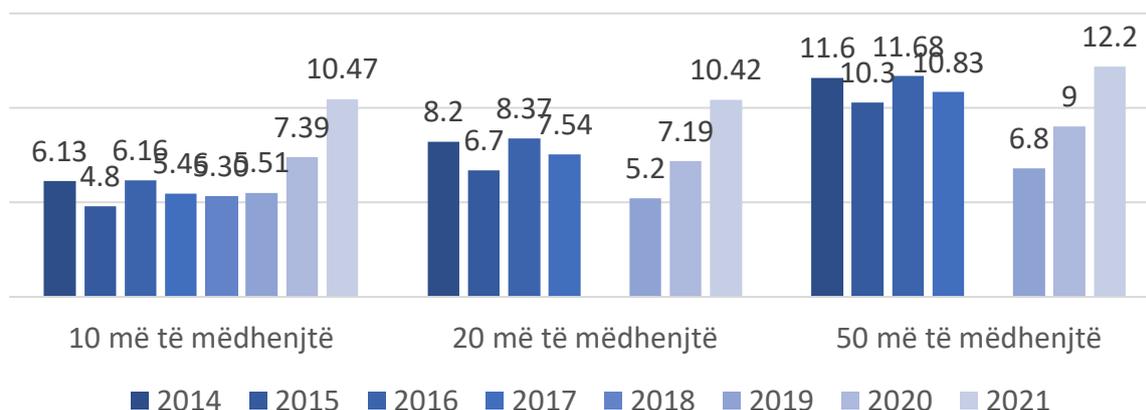
*Source of Data: World Inequality Database
Elaborated by the author*

²⁹ The Gini Index or Gini Coefficient measures the distribution of income, or the distribution of wealth in the population of a country and beyond. The coefficient goes from 0 (or 0%) to 1 (or 100%), where 0 means perfect equality and 1 means inequality at the highest levels.

³⁰ Friedrich-Ebert-Stiftung Tirana, Selami Xhepa, Adrian Civici [“The economic system and the role of the State in society: Opinions and Attitudes of the Albanian public”](#) (2021)

On the other hand, although in a pandemic period, the monetary assets of the largest depositors in the banking sector in Albania have increased. Based on the data of the Bank of Albania, the 10th largest depositors owned during the year 2021, 10.5% of the total bank deposits from about 7.4% they owned in 2020.³¹ Increases in the total bank deposits mark during the year 2021 also 20th and 50th the largest depositors in Albania. These figures show that the richest have continued to increase that part of wealth held in the form of money in the banking sector.

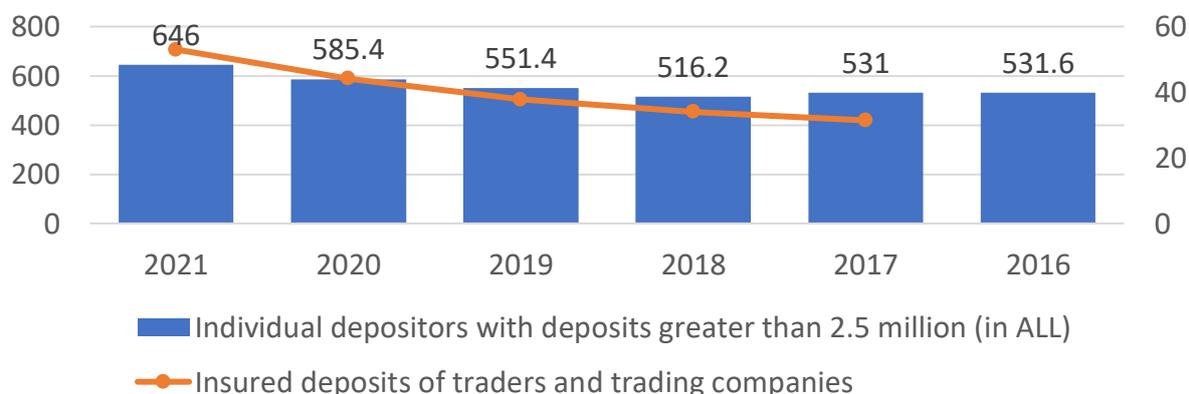
Graph 4: Weight of the Largest Depositors to Total Bank Deposits (%)



Source: Bank of Albania, Supervision Annual Reports
Elaborated by the author

Even in the annual report of the Deposit Insurance Agency, individual depositors with deposits greater than 2.5 million ALL at the end of December 2021 are 109,192 and the amount of their deposits reached the value of 646 billion ALL, compared to a year ago where depositors individuals with deposits greater than 2.5 million ALL at the end of December 2020, were 101,191 and the sum of their deposits reached the value of 585.4 billion ALL.³² The insured deposits of merchants and commercial companies during 2021 have increased by 21% and at the end of this year they reached the value of 53 billion ALL.

Graph 5: Weight of Individual Depositors and Commercial Companies to Total Bank Deposits



Source of Data: Albanian Deposit Insurance Agency
Elaborated by the author

³¹ Bank of Albania, [Supervision Annual Reports](#)

³² Albanian Deposit Insurance Agency (ADIA), [Annual Reports](#)

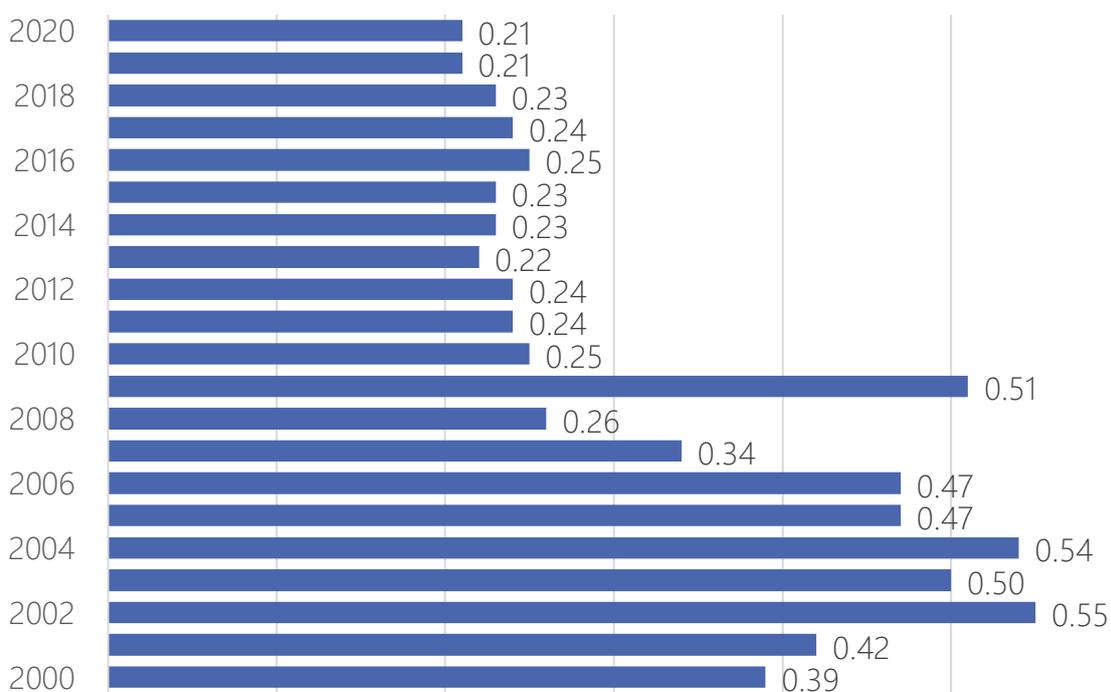
Lack of Competition

The development of unfair competition and the concentration of the market in only a few main large businesses is also considered one of the constant and most harmful concerns for the business climate in Albania,³³ while the protection of free competition is one of the essential criteria in the process of country integration.

According to the Herfindahl-Hirschman Index,³⁴ which is widely used in the evaluation of economic markets to recognize and assess the risk for dominant positions of one or more firms in the market, Albania turns out to have a moderate (or average) market concentration, while during the years 2000-2010, the concentration of the market was high.

What is also evident is the fact that the markets in which the concentration is greater constitute the most profitable sectors, which are owned by the richest individuals in the country and which are mainly related to the telephone market,³⁵ the media³⁶ or hydrocarbons.³⁷ On the other hand, despite the problems identified, the role of the Competition Authority is considered passive.³⁸

Graph 6: Market Concentration Index HH, 2000–2020



*Source of Data: WITS – Country Profile
Elaborated by the author*

³³ United States Department of State, [2022 Investment Climate Statements: Albania](#)

³⁴ The index has a range of scores from 0 to 10000 (0 is an impossible score, while 10000 is the case when the market has only a single firm, i.e. the case of monopoly). The score from 0 – 1500 indicates that the specific market has a high level of competitiveness, the score from 1500 to 2500 indicates that we have a moderately concentrated market and if the score is greater than 2500, we have the case when the market is highly concentrated. This means that all market power is shared among very few firms.

³⁵ Monitor.al, [Celularët, operatori dominues po e rrit më shumë pjesën e tregut këtë vit](#), 25th December 2020

Reporter.al, [Autoriteti i Konkurrencës miraton duopolin në tregun e telefonisë celulare](#), 9th March 2022

³⁶ Reporter.al, [Tregu i televizioneve shënon rritje dhe thellon përqendrimin](#), 2nd September 2019

³⁷ Top Channel, [Bordi i naftës, treg oligopol! Ekspertët: Po nxitet kontrabanda. Anëtarët e bordit të merren nën hetim](#), 5th December 2022

Open Data Albania, [Përqëndrimi i tregut të hidrokarbureve në Shqipëri sipas Indeksit Herfindahl-Hirschman](#), 25th March 2022

³⁸ Euronews Albania, [Autoriteti i konkurrencës 'pa autoritet', nuk ka vjelë asnjë gjobë në 3 vjet](#), May 2022

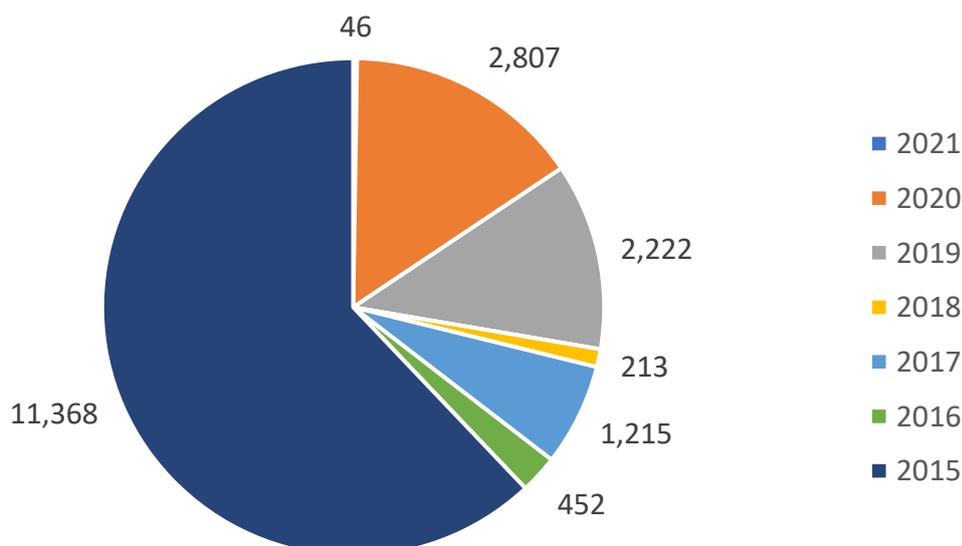
Tax Avoidance and Evasion

Tax evasion by the rich is already a highly debated issue even in developed countries.³⁹ In Albania, dividend tax is paid by corporate shareholders and company owners at the rate of 8% of the value of the distributed profit at the time they withdraw the profits from their business. Although, the tax rate for dividend income (income of an individual businessman) is considered low, compared to other countries in the region, in 2015 this tax rate became 8% from 15%, being applied with retroactive effects.

The reduction of the dividend tax from 15% to 8% caused strong debates not only politically, but also in the public, being considered a measure that favours businesses and the rich,⁴⁰ who pay less tax on the income they secure from corporations. In 2020, the President of the Republic filed a criminal complaint regarding the 2018 amendments to the Law on Dividends returned for review,⁴¹ considering the reduction of the profit tax from 15% to 8% a favourable tool for the oligarchs. Large companies in Albania have reduced the taxes they pay to the state, while more taxes have been collected from small companies.⁴²

On the other hand, one of the problems faced by Albania are the tax havens⁴³ from which significant sums have entered Albania,⁴⁴ as well as a large number of companies operating in the country have been registered in fiscal havens benefiting from favours from public money.⁴⁵ On the other hand, the member countries of the European Union returned Albania to the list of countries that should be monitored for fiscal issues.⁴⁶

Graph 7: Dividend income in Million Albanian Lek (ALL)



Source of Data: Ministry of Finance and Economy
Elaborated by the author

³⁹ Voice of America, [Amerikanët e pasur i shmangen pagesës së 175 miliardë dollarëve në taksë](#), March 2021

Reporter.al, [Dosjet sekrete zbulojnë se si miliardë të shmangin taksën mbi të ardhurat](#), 14th June 2021

⁴⁰ Monitor.al, [Ironia e Ramës me bizneset VIP, u fali 65 mln euro dhe u kërkon të japin për të varfërit 4 mln euro](#), October 2019

⁴¹ President of Albania, [Presidenti Meta dekreton kthimin për rishqyrtim në Kuvend të ligjit nr. 94/2018 – Arsyet e kthimit për rishqyrtim të ligjit](#), December 2018

⁴² Top Channel, [Të mëdhenjtë paguajnë më pak/ Tatimet mblodhën me shumë taksë nga më të vegjlit](#), 21st April 2022

⁴³ Reporter.al, [Pyetje-përgjigje për parajsat fiskale](#)

⁴⁴ Euronews Albania, [179 mln euro hynë në Shqipëri nga parajsat fiskale gjatë vitit 2021](#), 20th April 2022

⁴⁵ RTSH 24, [Brahaj: 700 kompani që operojë në vend, të regjistruara në parajsë fiskale](#), 2nd February 2023

- Sot.com.al, [Paketa fiskale, Tabaku: 130 mln euro që qeveria do marrë nga familjet shqiptare, 90% shkojnë për klubin e oligarkëve](#), 31st October 2022

- Abcnews.al, [FMN zbardh skemën: Si të zbulohen dhe taksohen shqiptarët e pasur që depozitojnë në parajsat fiskale](#), 23rd May 2022

⁴⁶ Reporter.al, [Shqipëria nën monitorim nga BE për “mosbashkëpunim fiskal”](#), 15th February 2023

Part II: The Impact of Political Connections

Despite the efforts made over the years, Albania still continues to be considered a country where the influence of political connections makes impossible the independence and efficient functioning of a number of key sectors for the overall development of the country. The involvement and connections of politicians in Albania with crime and corruption would bring a series of consequences and delays in the country's integration process.

The adoption of a comprehensive justice reform in July 2016 is perhaps one of the most extreme cases and examples of this influence. In particular, the establishment and operation of the Special Structure against Corruption and Organized Crime (SPAK) and the Special Courts for Corruption and Organized Crime would be one of the main goals of the reform and public expectations would be high as a result. of the state created and involving high officials in major corrupt affairs.

During the last years, the fact that involvement in these affairs for the purpose of profit and illegal enrichment would be realized with the involvement of well-known individuals from business, put in the center of attention as a result of political influence and support, would become even more disturbing.⁴⁷

Despite the mutual accusations, it is difficult to determine in a clear and easily recognizable way which of the parties (politics or business) has had a greater influence or has played a more important role in shaping these processes of the last decades, which have contributed to the strengthening of these ties and interests in order to seize and use state resources and assets.

What still remains evident is the fact that politics in Albania continues to have an impact on shaping the way the business model develops in Albania, while the lack of political will constitutes one of the serious obstacles to push forward important processes in order to ensure a necessary severance of all the links that hinder transparency.⁴⁸

Although less presented, just as important is the influence that certain groups with specific interests have on politics and politicians. The intensification of these relations during the last two decades has created a vicious circle, making the use of favours and the fulfilment of certain economic-financial interests even more concentrated.

This **Section II** of this policy document describes and deals with some of the most important spheres of political and economic life in Albania, in which the dynamics of political influence and influence have played and continue to play a major role.

⁴⁷ Reporter.al, Krim dhe korrupsion: [Aqif Rakipi dhe Ylli Ndroqi në listën e zezë të SHBA](#), 11th April 2022

⁴⁸ Voice of America, [“Dekriminalizimi” në Shqipëri, Fenomeni që vazhdon të prodhojë debate](#)”, October 2019

Linkages between politics and business

The connections created between politics and business constitute the clearest case that oligarchs use in order to use political connections in order to create, protect or expand their material wealth. Throughout the election periods, an increase in the involvement of businessmen in politics has been increasingly evident. In the 2013 elections, a high number of powerful businessmen were evident to compete and win in the legislature of the time elections.⁴⁹

Meanwhile, the parliament was also dominated by businessmen, who make up about 26% of the parliament or more than a quarter of all deputies. Some of them are businessmen with great influence on the economy, they own well-known firms and large financial assets, some others have medium-sized businesses, in the field of consumption and public services. The large number of businessmen who are involved in politics is considered to highlight, among other things, the conflict that is created in the Parliament regarding the approval of legal acts, based on their interests for specific laws.

The need for political parties to provide financial support during election campaigns and the financial potential gives the business community the opportunity to become an important factor in elections. This is a common practice, and due to the electoral system in Albania this practice encourages a direct relationship between the business community and the party leader, which also determines the list of candidates.⁵⁰

Political Party Funding

The financing of political parties is one of the most discussed ways through which businessmen or individuals with economic power seek to establish and exercise their influence on politicians in exchange for favors and personal benefits, while in recent years this concern is considered an issue with increased risk.

Even though during the political campaigns, staggering expenses were constantly encountered, which do not match the self-declarations of the political parties, or the budget financed by the state, the reporting of the latter continues to remain formal and superficial, despite the concealment of the expenses. The lack of transparency and the informal system of financing political parties and electoral campaigns is a phenomenon carried over during the two decades of transition in Albania, evidenced in many cases by international organizations.

Although the monitoring and investigative role of the Central Election Commission has often been placed under frequent criticism,⁵¹ the control and monitoring of election campaigns is done through the self-declaration of political parties, while the CEC has no authorization to conduct further investigations. The role of this institution continues to be formal based only on reports submitted by political parties and formal verification of self-declarations made.

In this way, accusations of criminal connections with political representatives or the introduction of dirty money during election campaigns have dominated the political scene in the country, thus creating a favourable environment for the involvement of businessmen or even persons with a dark past. in the lists of candidates for deputies.

Albania was ranked third among the EBRD countries, after Macedonia and Bosnia, where political connections prevail in the success of businesses. 43% of the companies surveyed in Albania answered that the connections with politics guarantee the positive progress of the activity, at a time when in other countries of the region and in developing ones, the percentage of businesses that think in this way is much lower.⁵²

⁴⁹ BTI 2018 Country Report, https://bti-project.org/fileadmin/api/content/en/downloads/reports/country_report_2018_ALB.pdf

⁵⁰ Westminster Foundation for Democracy (WFD), [Making running for office more affordable in Albania](#), 26th September 2019

⁵¹ Reporter.al, [KQZ i rekomandon Kuvendit vendosjen e rregullave për financimin e partive politike](#), 5th October 2022

⁵² The European Bank for Reconstruction and Development, [“Life in Transition Survey \(LITS\)”](#)

Media Ownership and Control

Pressure and control over media and journalists are also one of the ways used by individuals with financial power to manipulate activities as well as their connections with politics. To achieve this goal, various forms were used, which included not only the corruption of certain individuals in the world of media and the press, but also the offering of other favours with economic benefits.

In addition to biases in information and the lack of professionalization, this situation has created over the years an ever-increasing concentration of the media market in the hands of a small group of wealthy individuals due to political connections and therefore a pronounced control over it all press bodies.

In 2021, Albania was ranked 103 out of 180 countries in the Media Freedom Index compiled by Reporters Without Borders, falling 20 positions as a result of the situation worsened by threats to editorial independence, the violation of the physical integrity of journalists by organized crime and the failure of the Albanian state to protect journalists from police violence.⁵³

According to the report, the most influential private Albanian media are owned by a small number of companies with ties to politicians, while simultaneously operating in other sectors such as construction. The report points out that only a small minority of media outlets have a sustainable business model and transparent funding.

Even the Media Ownership Monitor (MOM) prepared by Reporters Without Borders and the Balkan Investigative Journalism Network (BIRN) shows that most media are owned by a handful of powerful families, while the rest are closely linked to businessmen who operate in regulated markets, mostly in construction and real estate development, higher education, banking and gambling.⁵⁴ Media ownership in Albania is a family business, as the market is highly concentrated in the hands of a few powerful families.⁵⁵

Authorized owners, often from the immediate or extended family circle, are used to maintain control/influence over media or other businesses. Political forces use and abuse the media to manipulate or discredit reporting. In order to stay in the market or to ensure profits (through concessions, licenses, state subsidies) in this environment, owners are encouraged to maintain close ties with political forces, which for the media means compromising independent coverage of social, economic and political.⁵⁶

According to the monitoring report of media pluralism (MPM) in the digital age prepared by the Center for Media Pluralism and Media Freedom (CMPF), Albania has a very high level of media concentration in the audio-visual media market, while interests economic conditions of media owners in highly regulated markets place the Albanian media under political influence.⁵⁷

⁵³ Reporters without Borders: <https://rsf.org/en/index>

⁵⁴ Global Media Registry (GMR) & BIRN ALBANIA, [Media Ownership Monitor \(MOM\) Albania 2018](#)

⁵⁵ Ibidem

⁵⁶ Ibidem

⁵⁷ Centre for Media Pluralism and Media Freedom (CMPF), [Monitoring media pluralism in the digital era](#), July 2021

Part III: Defence, Expansion and Concentration of Wealth

Despite the problems and difficulties that accompanied the transition from a centralized economy to a market economy in the early 1990s, even after 30 years Albania seems to have difficulty creating a stable economic model that would generate a successful development in terms of qualitative economic growth, reduction of public debt, unemployment and underemployment.

This model of the economy over the following years would create a series of problematic phenomena such as a non-competitive environment, in many cases favouring a minority, few investments in technology and import orientation, lack of information in the domestic market, lack of quality foreign investments, wages among the lowest in Europe as well as high rates of immigration.⁵⁸

In this context, a few years ago, the Bank of Albania would publicly express the need to build a new economic model for Albania, and almost a decade later, the World Bank would also assess that Albania's future growth requires a model stronger and more stable economy with greater investments in four main areas human capital training, firm productivity, sustainability and public finance.⁵⁹

For a country like Albania with negligible inequalities at the beginning of the transition, in such an economic model the inequalities deepened. The process of wealth creation brought about the formation of polarized social groups in terms of the concentration of wealth where, especially after the 2000s, there would be an increased attention to the richest individuals⁶⁰ as well as the most profitable companies in the country.⁶¹

But what can be considered problematic even today, is the fact that most of these companies are based on "lazy" business models with profits guaranteed by the state, often avoiding competition.⁶² Channelling money according to this pattern of schemes has distorted competition, while they have resulted in corruption, with high costs for the state and little benefit for the public, discouraging investment in other productive sectors.⁶³

This **Section III** of this policy document focuses on an assessment of data that describes the process of how material wealth has been concentrated in a small group of individuals, and how this concentration has tended to spread over time not only in the protection of these resources, but also in their expansion, through clientelist, corrupt and favouring connections.

⁵⁸ Monitor.al, [200 VIP-at e vitit 2021. Rreziqet pas rimëkëmbjes së shpejtë](#), September 2022

⁵⁹ World Bank Group, ["Albania Country Economic Memorandum: Strengthening the Sustainability of Albania's Growth Model"](#) (2021)

⁶⁰ The Foundation for Economic Freedom, Albanian Millionaires – Survey on the top ten richest people in Albania

⁶¹ "Monitor 200 sipas fitimeve": [Speciale Monitor – SIPAS FITIMIT](#)

⁶² Monitor.al, [200 kompanitë me fitime më të mëdha; Koncesionet dhe ndërtimi më fitimprurëset në ekonomi](#), November 2021

⁶³ Ibidem

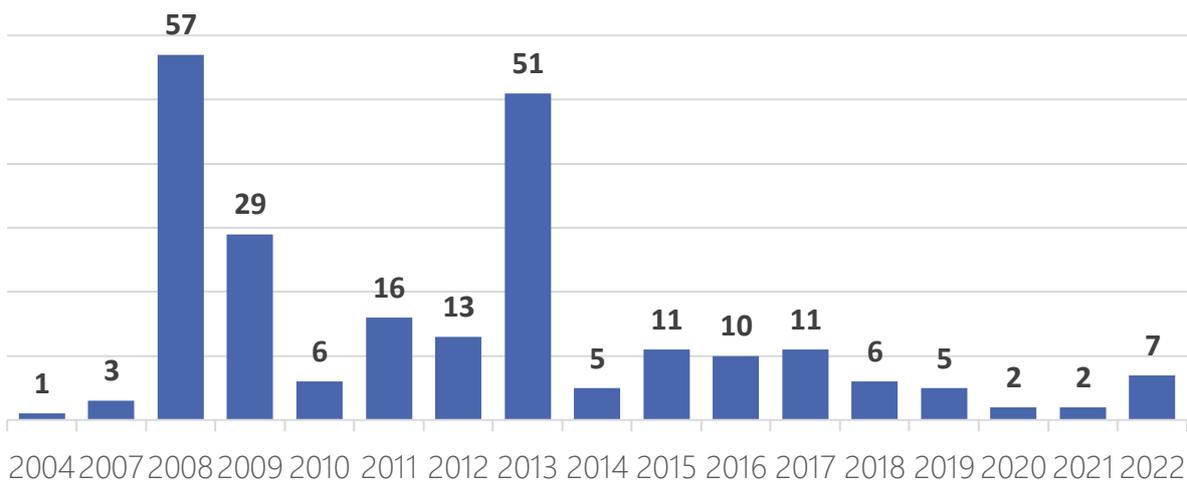
Public Private Partnership (PPPs)

Although defined as a form of partnership between the public and private parties in the provision of public works and services, influencing economic growth and development, concessions have been one of the biggest problems in the case of Albania. With the political changes that took place in Albania during the 90s, the use of the practice of public private partnership (PPP) was considered as an alternative and useful method in the provision of public works and services which were initially treated in the form of concessions.

In Albania, the concept of concessions is provided earlier by the local legislation⁶⁴ compared to the concept of Public Private Partnerships (PPPs), considered as a broader concept of concessions in order to adapt to business practices as well as international approaches on concessions and public private partnership.⁶⁵ Due to the complexity and risks of concessionary contracts, budgetary and fiscal costs, but also the high number of contracts approved over the years in Albania, monitoring the progress of contract implementation constitutes one of the most important elements of transparency.

Currently, the process of monitoring concessions/PPP contracts and reporting by the Contracting Authorities started for the first time in March 2019,⁶⁶ this process is carried out according to the respective formats, procedures and deadlines.⁶⁷ But despite the importance of ensuring transparency, which remains one of the most important components of monitoring concession contracts, the Monitoring Report for 2021 has not yet been made public.⁶⁸

Graph 8: Total Number of PPP Projects approved over the years, 2004-2022



Source of Data: Ministry of Finance and Economy

Most of the experts have emphasized that the number of concession contracts for a country like Albania is too high, while the implementation of these contracts has been accompanied by a number of challenges and problems, among which the non-fulfilment of long-term goals and international standards, the lack of competition and transparency, non-performance of services, etc.⁶⁹

⁶⁴ Law No. 7973, dated on 26.7.1995 "On the Concessions and the Private Sector Participation in Public Services and Infrastructure replaced by Law No. 9663, dated 18.12.2006, "On concessions"

⁶⁵ Law 125/2013 "On Concessions and Public Private Partnerships", amended by Law No.50 dated 18.07.2019 On some additions and amendments in Law No. 125/2013 "On Concessions and Public Private Partnerships"

⁶⁶ Supplementary instruction no. 1 dated 17.01.2019 "On the implementation of the 2019 Budget". Section IV, Item 121/paragraph 2

⁶⁷ Instruction of the Minister of Finance and Economy no. 35, dated 12.12.2019

⁶⁸ Reporter.al, "[Ministria e Financave dështon të publikojë raportin e performancës së koncesioneve](#)", July 2022

⁶⁹ Business Magazine, "[Enio Jaço: Pse dështojnë koncesionet?!](#)", March 2022

The increase in the number of concessionary contracts is considered to have reduced the opportunities for competition,⁷⁰ including foreign investments in infrastructure and other sectors.⁷¹

In addition to these challenges, what has been proven problematic during the implementation of these concession contracts have been the abuses as well as the clientelist and corrupt relationships of the entities that have won these contracts,⁷² while the experts have requested the suspension of these contracts.⁷³

Until the end of 2022, 11 concession contracts financed by the state budget have been active, 7 of which reach the contract value of over 5,000,000,000 ALL. Almost the implementation of all these contracts has proved problematic, highlighting corrupt and clientelist affairs.

The health sector is considered one of the sectors with a high number of concessionary contracts (4 such), leading to a high concentration of the hospital market and significantly changing the conditions of the health market in Albania.⁷⁴ Two of the contracts in this sector are currently under investigation by the Special Structure against Corruption and Organized Crime (SPAK). The check-up concessionary contract, which was reactivated after the suspension due to the situation created by the pandemic, has proved problematic in the non-performance of certain services and high costs to the detriment of taxpayers.⁷⁵

On the other hand, the concession of medical laboratories, the fourth public-private partnership contract in the health sector, also under investigation by SPAK, has been described as a service in violation of the law, the implementation of which has also brought consequences for patients and the health system.⁷⁶ The hemodialysis concession, in addition to being abusive and with incomplete services,⁷⁷ the origin of the winning companies has been dubious.⁷⁸

The affair of the contracts of the incinerators of Tirana, Elbasan and Fier also constitute one of the most problematic cases related to the implementation of concessionary contracts as a result of the clientelist and corrupt relationships of the winning subjects of these contracts even from their beginnings.⁷⁹

In September 2021, the Assembly approved the establishment of the investigative commission for the incinerators,⁸⁰ which started work in November,⁸¹ while in February 2022 the commission closed the investigations.⁸² The process was accompanied by a series of arrests, including high-level officials. On the other hand, the case of incinerator contracts, in addition to economic costs, has created risks related to the environment and the health of citizens.

The implementation of other concession contracts has proved problematic in the performance of certain services,⁸³ while other concessions with financing from the state budget have been considered as typical cases of the capture of the state by private interests,⁸⁴ being met with violent protests, described as an uprising against the oligarchy.⁸⁵ On the other hand, since the creation of an abusive and corrupt culture has simply preceded the way in which important processes, including PPPs, would be taken advantage of and implemented to the detriment of public interests.⁸⁶

⁷⁰ Ornella Liperi, [“Struktura jo produktive e ekonomisë shqiptare dhe normat e larta të fitimit të koncesionarëve”](#)

⁷¹ United States Department of State, [2022 Investment Climate Statements: Albania](#)

⁷² Parliament of Albania, [Raporti i Komisionit Hetimor Parlamentar “Për kontrollin e ligjshmërisë së veprimeve të organeve publike në procedurat për ndërtimin dhe administrimin e impianteve të trajtimit të mbetjeve urbane”](#), March 2022

⁷³ Reporter.al, [Pagesat për inceneratorët, ekspertët sugjerojnë pezullim të kontratave koncesionare](#), 6th January 2022

⁷⁴ Reporter.al, [Qeveria injoron kritikën dhe firmos koncesionin e katër në shëndetësi](#), 27th April 2019

⁷⁵ Reporter.al, [Check Up-i falas me fitime të majme: shqiptarët e paguan dyfish në 2015](#), 15th April 2017

⁷⁶ Reporter.al, [Koncesioni i laboratorëve mjekësorë nën hetim për korrupsion](#), 1st July 2022

⁷⁷ Euronews Albania, [Abuzime me koncesionin e dializës, KLSH: 600 mijë € pagesa për shërbime të pakryera](#), 24th September 2022

⁷⁸ Reporter.al, [Origjina e dyshimtë e kompanisë që fitoi koncesionin 86 milionë USD të hemodializës](#), 22nd October 2015

⁷⁹ Reporter.al, [Zanafilla e inceneratorëve: Emergjencia mjedisore u shpall pa bazë ligjore](#), 2nd March 2022

⁸⁰ Reporter.al, [Kuvendi miraton me 117 vota ngritjen e komisionit hetimor për inceneratorët](#), 28th October 2021

⁸¹ Reporter.al, [Nis komisioni për inceneratorët, PD kërkon Ramën si dëshmitar](#), 2nd November 2021

⁸² Reporter.al, [Komisioni mbyll hetimin për inceneratorët, palët do të dalin me 2 raporte](#), 25th February 2022

⁸³ Monitor.al, [Koncesioni i skanimit merr 100 mln USD pagesa buxhetore, mungojnë rezultatet në vlerë](#), 4th January 2023

⁸⁴ Reporter.al, [Koncesioni Milot-Morinë, 62 milionë euro për katër vjet](#), 7th October 2021

⁸⁵ Reporter.al, [Protesta e Rrugës së Kombit ishte kryengritje kundër oligarkisë](#), 22nd July 2020

⁸⁶ Monitor.al, [Qeveritë kanë paguar 53 mln euro për Rrugën e Arbrit, para se të jepej koncesioni](#), 10th October 2022

Public Procurement

Although public procurement constitutes one of the most important cross-sectoral areas, it continues to remain a very sensitive area in terms of corruption and favouritism, as most cases are related to manipulated offers, bribery and political or family favouritism.⁸⁷ In addition to these problems and proposed measures for improvement,⁸⁸ a concentration of tenders with high values is evident in a group of wealthy individuals, owners of companies in the construction fields, who are also owners of concessions or strategic projects.⁸⁹

Emergency situations such as the Covid-19 pandemic and the natural disaster of the earthquake highlighted even more the abuses in the procurement sector. Starting from March 2020 and until January 2023, 4,566,604,039 ALL without VAT were spent on tenders to cope with the Covid-19 pandemic.⁹⁰

In the absence of transparency,⁹¹ public institutions procured millions of euros of goods and services with procedures that limited competition between economic operators,⁹² as a result of the lack of prior public announcements through which it was impossible to obtain information on the number of participating companies as well as the conditions or criteria applied for awarding these tenders. Among the main reasons for the lack of transparency during the development of these tenders are the concealment of violations and the cover-up of corrupt acts.⁹³

Meanwhile, the implementation of the Reconstruction Program, which was initiated after the earthquake of November 26, 2019, with the aim of carrying out new constructions and reconstructions of buildings and urban infrastructure after the earthquake damage assessment, has been highly debated and criticized.⁹⁴ The contracting procedures for the Reconstruction Program have been the most problematic part during its implementation, given that after the declaration of the state of natural disaster in 2019, these procedures were developed based on a law different from the existing legislation on Public Procurement,⁹⁵ as a consequence of a situation in extreme emergency conditions, applying limited procurements (non-open/non-competitive) through Framework Agreements with a term of no more than 10 days, with direct submission to the institution and not through the electronic system.⁹⁶

Based on the monitoring of contracting through two databases,⁹⁷ Open Data Albania ranked the businesses announced as Successful Bidders in the Contracting Procedure for the Program of Ranking of Economic Operators in the Reconstruction Process according to values, and what was evidenced was the ranking of a narrow group of businesses known for winning concessions or licenses,⁹⁸ but also companies with owners under investigation.⁹⁹

⁸⁷ Albanian Institute of Science (AIS), [Harta e Oligarkëve të Shqipërisë | EMRAT që kanë marrë MILIONA EURO nga Taksat e Shqiptarëve \(Sipas Qyteteve\)](#)

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Panorama.com.al, [“10 oligarkë morën 2100 tendera vitin e shkuar” - Tabaku: Rama ka falimentuar biznesin e ndershëm dhe ka varfëruar shqiptarët](#), 1st October 2020

⁸⁸ Top Channel, [Dhoma Amerikane e Tregtisë jep 8 rekomandime për përmirësimin e klimës së biznesit në Shqipëri](#), June 2022

⁸⁹ Open Data Albania, [100 tenderat BIG me vlerë më të lartë mbajtur në vitin 2021](#), 24th December 2021

⁹⁰ Openprocurement.al, [PROKURIME NË SEKTORIN E SHËNDETËSISË PËR PËRBALLIMIN E PANDEMISË COVID-19](#)

⁹¹ BIRN, [“Concern in Albania over String of Secretive COVID-19 Tenders”](#), 7th October 2020

⁹² Reporter.al, [Tenderë pa shpallje, institucionet prokuruan 8.9 milion euro gjatë epidemisë](#), 3rd June 2020

⁹³ Albanian Center for Quality Journalism, [Tendera sekretë për të fshehur shkeljet?! Ekspertët: Përdoren për të mbuluar aktet korruptive](#), 26th February 2022

⁹⁴ [Albania Post-Disaster Needs Assessment, Volume A Report](#), February 2020

⁹⁵ Law no. 97/2019 On the adoption of the Normative Act with the power of Law no. 9 / 2019 of the Council of Ministers for Coping with the Consequences of Natural Disasters

⁹⁶ Ibidem, Chapter VI

⁹⁷ OpenProcurement.al, [Prokurime në Njësi të Qeverisjes Vendore për përballimin e pasojave të tërmetit \(Nëntor 2019\)](#)

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⁹⁸ Reporter.al, [Përfituesit e mëdhenj të programit të Rindërtimit](#), 17th May 2022

⁹⁹ Euronews Albania, [“8 kontrata me vlerë 18.6 mln euro u fituan nga kompani me pronarë nën hetim”](#), 13th June 2022

Strategic Investments

Investments in various sectors of the economy constitute one of the most important links not only for the development of the country, but also for increasing competitiveness with other countries in the region and beyond. An initiative considered positive in this direction with the aim of encouraging and attracting domestic and foreign strategic investments, in strategic sectors of the economy, was undertaken in 2015 when the Assembly of Albania approved Law no. 55/2015 "On Strategic Investments in the Republic of Albania".¹⁰⁰

The law provides for the facilitation of administrative procedures and offers favouritism and support services to strategic investors. Investments that benefit from the status of strategic investments must meet certain criteria in terms of the value of the investment, the new jobs they create, as well as the sector where the investment will be made. These investments are classified into two categories "Strategic investment, assisted procedure" and "Strategic investment, special procedure", depending mainly on the value of the investment and the new jobs.

For the implementation of the law, the establishment of the Strategic Investments Committee (KIS), an interministerial committee, chaired by the Prime Minister, was foreseen. The main competence of this Committee is the approval of the "Strategic investment/investor" status, which means the granting of a series of support measures for the private, local or foreign legal entity, including the provision of state real estate or expropriations for public interest.

With the approval of the law, the deadline for submitting requests from interested investment entities was December 31, 2018, while this deadline has been changed/postponed three times, leaving December 31st, 2023 as the last date.¹⁰¹ The changes were made as a result of the process of drafting a draft law "On investments" with the aim of encouraging domestic investments.

However, the law is considered an instrument for favouring certain individuals with strong economic and political ties. In June 2022, seven deputies of the Parliamentary Group of the Democratic Party signed and submitted to the Assembly the request for the establishment of a Special Commission for Strategic Investments,¹⁰² with the aim of reviewing all the practices followed by KIS as well as evaluating the possibility of drafting legal changes with the aim of preventing all illegal, abusive or corrupt practices as well as following legal, transparent and meritocratic procedures. The request claims that the law has been used mainly as a mechanism to give favours and benefits to people with strong personal or family ties to the government and leaders of the Socialist Party, while the establishment of the commission collapsed in May 2022 due to the lack of quorum. of 35 deputies.¹⁰³

Based on the decisions published on the official website of the Albanian Investment Development Agency for approved projects, it appears that despite the fact that one of the main goals of the law was competitiveness in the region and the attraction of foreign investments, the foreign investors who have benefited from this law are very little, since most of the investments were made by Albanian investors.¹⁰⁴

On the other hand, the implementation of the law is considered to be a serious problem related to the withdrawal of dirty money and clientelist behaviour in favour of the oligarchs; violation of private property inciting social conflicts; favouring a few people connected to power, without bringing any visible impact on the economy; increased the lack of transparency and above all paves the way for the creation of an oligarchy.¹⁰⁵

¹⁰⁰ Albanian Investment Development Agency (AIDA): [Legal Basis of Strategic Investments](#)

¹⁰¹ Law 67/2018 For an Amendment to Law No. 55/2015 "On Strategic Investments in The Republic of Albania
Law No. 89/2019 On an amendment to Law No. 55/2015 "On strategic investments in the Republic of Albania", as amended
Law No. 130/2021 On an amendment to Law No. 55/2015 "On strategic investments in the Republic of Albania", as amended

¹⁰² Parliament of Albania, Parliamentary Group of the Democratic Party, Kërkesë 13th June 2022

¹⁰³ Parliament of Albania, Konferenca e Kryetarëve, [Vendim Nr. 10, datë 11.5.2022](#)

¹⁰⁴ Albanian Investment Development Agency (AIDA), [Decisions of the Strategic Investment Committee](#)

¹⁰⁵ Reporter.al, [Oligarkët përfitojnë nga shtyrja e afatit për 'investimet strategjike'](#), 21st December 2021

ANNEX A: Summary of the number of PPP Projects, Strategic Investments, Media Outlets and Procurement Contract Values owned and won by the 40 richest people in the country

		PUBLIC PRIVATE PARTNERSHIPS (PPPs)	STRATEGIC INVESTMENTS	Number of Procurement Contracts won during the period 2010-2021							RECONSTRUCTION PROCUREMENT (Winning Offer in ALL)	MEDIA OUTLETS	
				No. of PPP Projects	No. of Strategic Investments Projects	> 1 Billion	500 Million-1 Billion	100-500 Million	50-100 Million	10-50 Million			5-10 Million
TOP 20 SUPER RICHEST INDIVIDUALS	Super rich 1		4 Strategic Investments Projects							1	5	563,802,285 521,391,087 253,492,728	X
	Super rich 2	3 PPP		3	5	14	2	7	5	4	4		
	Super rich 3			1	1	2		1	1				
	Super rich 4	4 PPP											
	Super rich 5	2 PPP	1 Strategic Investments Project	4	3	5	3	2	1			651,836,619	
	Super rich 6												X
	Super rich 7	1 PPP					2	3	3	1	1		
	Super rich 8	4 PPP		6	2	3	1					812,142,250 408,825,570	
	Super rich 9												
	Super rich 10			1	1	5		2	1		1		
	Super rich 11				3	7		3	2	3	2	304,149,447 137,000,000 101,800,000 69,712,050	
	Super rich 12	1 PPP	1 Strategic Investments Project			8	3	3	3	4	2	334,982,089 151,500,000	X
	Super rich 13	6 PPP		6	1	2	1					852,937,715	
	Super rich 14	3 PPP		6	3	3						1,760,388,300 145,636,977 29,962,940	
	Super rich 15					3	1	1	1	1	2		X
	Super rich 16						3	1		1			
	Super rich 17												
	Super rich 18			2		6	1		1	2		848,515,588 407,024,967 285,514,488	
	Super rich 19							3	2	4	2		X
	Super rich 20										5		X
Super rich 21	1 PPP	1 Strategic Investments Project											
Super rich 22	2 PPP		2		2	1	1						
Super rich 23		2 Strategic Investments Projects											
Super rich 24		2 Strategic Investments Projects							2	2			
Super rich 25				1	8	4	6	1		1			
Super rich 26							1		2	2			
Super rich 27												X	
Super rich 28													
Super rich 29							1	2	3	2			
Super rich 30									5	3			
Super rich 31	1 PPP												
Super rich 32									2	3			
Super rich 33					1	4		1	2	3			
Super rich 34													
Super rich 35					1	2		5		1	1		
Super rich 36					1	2		5		1	1		
Super rich 37													
Super rich 38						1			1	3	3		
Super rich 39							3	14	1	1	1		
Super rich 40													

Elaborated by the author

Conclusions and Recommendations¹⁰⁶

Conclusions

- Corruption and state capture continue to be a serious concern in Albania. This is also as a result of the policies undertaken, which have limited competition, have created captive markets with few businesses in each field, concentration of the market and prices for some main sectors, emphasizing more and more inequalities and evidencing the presence of elements and the problem of oligarchy.
- The presence of corruption has contributed to the creation of clientelist and abusive relationships with the aim of penetrating government systems.
- As a result, there is a lack of balance and control of powers leading to a controlled and weak executive system as well as a problematic legislature, which as a result of the reform in the justice system has produced an institutional vacuum.
- A high concentration of wealth and companies is evident, which have increased their profits by deepening the economic and social gap in Albania.
- Public Private Partnerships (PPP) and Public Procurement (PP) turn out to be the main sectors where market distortion and inequality originate.
- Important and high-value contracts in the field of concessions, procurements and in recent years also strategic investments, include clientelist and corrupt relationships, resulting in abuses and non-performance of certain services as well as high economic costs.
- Oligarchy can be considered one of the main threats to governance in Albania, where the concentration of economic power continues to create problems in creating an unhealthy climate of social cohesion and economic development in general. Consequently, Albania risks falling into the example of a bad model of the capitalist system.
- Despite these problems, there is still no serious awareness in Albania among the political class, which is also mainly responsible for addressing this phenomenon.
- Despite the need for reforms that Albania has, political will remains the main factor for addressing the problem, while transparency and accountability continue to remain the main concerns of society.

Recommendations

- The need to reduce the influence of private interests on politics and the economy;
- The need to build a state with equal opportunities and access;
- The need to ensure full transparency and strong measures that promote a competitive economy;
- The need to respond to the rhythms and dynamics beyond the region by increasing the level of preparation throughout the integration process;
- Concerns need to be addressed in a timely manner in order not to create serious consequences of social and economic instability.
- Increased transparency and concrete measures are needed in terms of decision-making and the policies that are followed;
- It is necessary to develop specific instruments and methodologies to periodically measure and evaluate the concentration and influence of economic and political power.

¹⁰⁶ The conclusions and recommendations presented in this policy document include also the discussions, opinions and recommendations of the participating panelists in the Discussion Table "***The concentration of economic power and the need to strengthen democracy in a transitional economy: The case of Albania***", held on January 25th 2023: <https://cluster1albania.com/does-albania-need-a-de-oligarchization-process/>

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