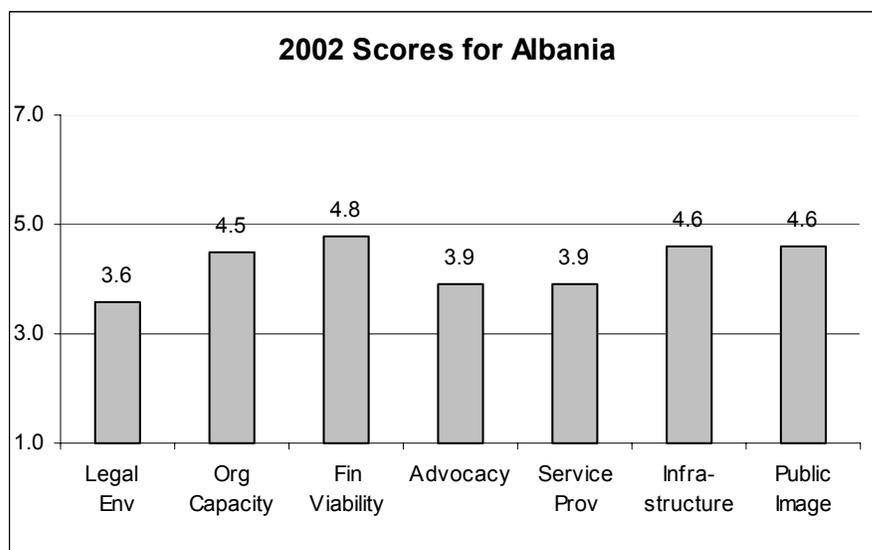

ALBANIA



Capital: Tirana

Polity:
Presidential-
parliamentary
democracy

Population:
3,544,841

**GDP per capita
(PPP):** \$3,800

NGO SUSTAINABILITY: 4.3

Albania continued down the road to normalcy over the past year, although not without meeting some political speed

NGO SUSTAINABILITY	
2002	4.3
2001	4.6
2000	4.6
1999	4.8
1998	4.2

bumps along the way. The Kosovo crisis receded in memory and public order was further strengthened.

However, there were three changes of government between December 2001 and July 2002. Fortunately, while the political debate accompanying these changes was extreme and acrimonious, there were no serious threats to public order.

It is believed that there are currently between 400 and 800 NGOs in Albania, approximately 300 of which are active. The strongest NGOs are those engaged in advocacy, youth issues and civic education. Women's organizations are also strong,

but few in number. Service organizations have also grown in strength.

The overall outlook for the sector is mixed. The implementation of the liberal and progressive NGO law, passed in May 2001, languishes. Only forty NGOs have been registered under the new law. A standardized registration procedure does not yet exist. On the positive side, the NGO coalition on anti-corruption has demonstrated marked progress and is seen by government as an important partner in the fight against corruption. Capacity building within the NGO sector continued and there has been some improvement, but needs are still great. Even the strongest NGOs remain donor-driven and dependent, as a result of the constricted Albanian economy and the absence of an Albanian history of individual and corporate philanthropy.

While Albanians have been confident of their physical safety since the collapse of

the pyramid schemes and the Kosovo crisis, the economy remains poor and civil society development is sluggish, at best. Priorities for development within Albania include strengthening organizations and

associations within the justice system, the media, the health care sector, small businesses, agriculture and the social services sector.

LEGAL ENVIRONMENT: 3.6

The current legal environment does not generally restrict the development of the NGO sector. While the most recent NGO legislation is perceived as very favorable to the NGO sector, the lack of clear regulations and the subsequent implementation

LEGAL ENVIRONMENT	
2002	3.6
2001	4.0
2000	4.0
1999	4.0
1998	4.0

of those regulations means that many issues remain unclear, including financial reporting, taxation, and registration procedures. Implementation of the

law has been uneven and arbitrary, depending largely on the whims of individual judges. In order to improve this situation, standardized forms are being developed and judges are being trained.

The package of NGO legislation contains excellent substantive criteria relating to NGO registration. One drawback is the requirement that all NGOs register in the Tirana District Court. However, this central registration requirement should make it fairly easy in the coming years to gather reliable data on how many NGOs are in Albania and in what sectors they are operating.

NGOs and their representatives are generally able to operate freely and without harassment by central or local govern-

ments. NGOs can address matters of public debate and express criticism.

There are a large number of local lawyers familiar with the NGO law. The *pro bono* efforts of the NGO-government working group on the NGO law show a positive impact on the sustainability of the NGO sector. However, most of these experts are in Tirana. While there is some limited legal advice outside of Tirana, it is insufficient to meet demands. Training will be provided in the coming years to expand the availability of legal services to the other regions of Albania. Government officials and Tirana District Court judges remain largely ignorant of the provisions of the law.

NGOs serving the public benefit are entitled to tax exemptions. Corporations engaged in “sponsorship” and individual “traders”—but not those on a wage contract—are entitled to receive tax deductions for donations. NGOs typically do not pay taxes on grants received. There is a need to clarify the tax framework and to provide additional tax benefits to NGOs and their benefactors, although the Ministry of Finance is unlikely to grant greater tax benefits to NGOs in the near future.

The new legislation allows NGOs to earn income from the provision of goods and services. It also generally states that NGOs are allowed to compete for government contracts and procurements.

ORGANIZATIONAL CAPACITY: 4.5

On the whole, there have been some positive changes in terms of organizational capacity in the NGO sector over the past

ORGANIZATIONAL CAPACITY	
2002	4.5
2001	5.0
2000	5.0
1999	5.0
1998	4.0

year, but much remains to be done. With few exceptions, Albanian NGOs remain donor-driven and dependent. Organizations change their missions to

apply for grants rather than using their missions as a tool to build a constituency. Constituency-building remains one of the weakest elements of NGO organizational capacity. There is very little understanding among NGOs of how to involve communities in their work and donors offer little training or technical assistance to build the community development capacity of NGOs.

Advances have been reported over the past year in the areas of staffing and strategic planning, due largely to the ongoing training efforts of Partners for Democratic

Change. However, further improvements are needed in these areas. NGOs also remain weak in their management structures and technical advancement. A few NGOs are seeking training to set up new boards or train the existing ones on volunteer principles. The boards of most organizations, however, have little understanding of their relationship with the staff and most NGOs still tend to revolve around a single strong leader. Board members tend to play a weak role in terms of leadership and positive development, and many are there simply because they are paid. Boards are also seen as a donor-driven development and their value to NGO operations is questioned. Delegation of authority remains the odd exception and occurs primarily in Tirana. NGOs are still characterized by limited use of volunteers and there is little training for organizations on how to utilize and recruit for volunteers or for volunteers themselves.

FINANCIAL VIABILITY: 4.8

The NGO sector remains highly dependent

FINANCIAL VIABILITY	
2002	4.8
2001	5.0
2000	5.0
1999	5.0
1998	5.0

on the donor community for grants and as customers for their services. There are few opportunities to raise funds locally. Business is nascent and the government continues to face major

financial, infrastructural and social problems with a minimal level of financial and human resources. While the legal framework has been modified to offer in-

centives to businesses to support charitable activities, the practice of philanthropy remains non-existent. NGOs are treated as businesses in regard to water, electricity and communications rates, paying twice the level of residential rates. Financial viability for the great majority of NGOs remains a distant dream.

Diversification of funding, financial management systems, fundraising abilities and possibilities for earned income are still widely lacking in the sector.

2002 NGO Sustainability Index

Donors offer little oversight of their grants, thereby passing up potential training opportunities. In turn, financial mismanagement is fairly widespread. The NGO sector is not immune from the pervasive corruption throughout Albania.

Unfortunately, the fiscal decentralization

that took effect on January 1, 2002 did not provide local NGOs with more opportunities for financial partnerships. Simply put, local governments did not have the resources to actively engage the NGO community as the central government failed to meet privatization targets and expected revenue levels.

ADVOCACY: 3.9

The most successful and developed NGOs have strong advocacy skills, al-

ADVOCACY	
2002	3.9
2001	3.0
2000	4.0
1999	4.0
1998	4.0

though these are often based on individual leaders' relationships with the government, whether local or central. NGOs are increasingly active in the formation of government policy

and have continued to establish good working relationships with ministries and local governments. Despite these improvements in NGO-government relationships,

they remain at a rudimentary level.

In fact, advocacy efforts slipped significantly during the past year for two reasons. First, because of the changes in government, government leaders were constantly being replaced, not allowing NGOs the time needed to develop strong working relationships with those in power. Second, the World Bank's social sector improvement program is being channeled through the NGO community. Many NGOs, therefore, moved from an advocacy focus to one of social service delivery.

SERVICE PROVISION: 3.9

There has been a marked improvement in NGO service provision in the recent past.

The current NGO law allows NGOs to provide goods and services. Since the Kosovo crisis, the number of NGOs working in service delivery has been increasing, although delivery remains insufficient to meet demand. Most of

SERVICE PROVISION	
2002	3.9
2001	5.0
2000	5.0
1999	5.0

the newer social services NGOs are outside Tirana. In contrast to the past, most of the projects undertaken are long term and involve the communities, improving NGOs'

chances of sustainability. While NGOs still lack skills in project and financial management and cost recovery efforts, continued training is slowly improving this situation.

Albania recently became the first country in the Europe and Eurasia region to adopt a World Bank-mandated Poverty Reduction Strategy (PRS). As part of the PRS, the World Bank has insisted that NGOs, rather than public organizations, implement its social programs. This has encouraged NGOs to turn to the provision of services as a way to meet community needs and to access funding.

INFRASTRUCTURE: 4.6

Outside of Tirana, resource centers remain few and far between, while those that do exist are rudimentary, providing access

INFRASTRUCTURE	
2002	4.6
2001	5.0
2000	5.0
1999	5.5

only to computer equipment, photocopying, and, in some, language training. Access to the Internet is very limited as there are no

Internet Service Providers outside Tirana; therefore, expensive phone calls to Tirana are required to access the Internet. Internet access is a clear indicator of the general lack of access to information outside of the capital and explains the relative lack of development in the outlying regions. The few resource centers that do exist outside Tirana compete for information and have no network through which to distribute the information they have.

Organizational development services, very much a need within the NGO sector, are not widely available. ANTARC is the only organization offering such training, but it contracts its services to international NGOs and carries out most of its workshops in Kosovo. Over the medium term, the situation may improve somewhat as a new Albanian staffed NGO Resource Center will be established over the coming two years.

The creation of coalitions and partnerships is embryonic. Partnerships tend to be *ad hoc* and dissolve when the creative issue is resolved. Lack of trust in others is pervasive and makes long lasting relationships difficult. Donors attempt to encourage the development of coalitions, in part by giving priority to grant applications from groups of NGOs over individual organizations.

PUBLIC IMAGE: 4.6

The public image of NGOs has continued to improve slowly since the Kosovo crisis in 1999. However, many weaknesses remain. Very few NGOs publish annual reports or accounts,

PUBLIC IMAGE	
2002	4.6
2001	5.0
2000	4.5
1999	5.0
1998	4.0

although there are a few extraordinary exceptions to this rule that place both programmatic and financial reports on the Internet for public scrutiny. There is

no Code of Ethics for NGOs in Albania.

Both NGOs and the media require training in order to increase understanding of each

other. The media lacks knowledge and understanding of NGOs' work and the role NGOs play in a civil society. The media has played a positive role in educating the public about some NGO activities but do not analyze the problems addressed by NGOs. Media outlets do not air Public Service Announcements for free; as a result, there are no PSAs. While NGOs still have little experience working with the media, they have become more proficient in getting their message out to the public. NGO relationships with government and business have improved recently as a result of donor-led initiatives such as the PRS and the Albanian Coalition Against Corruption.