EU-Albania agreement: stabilisation and association agreement. Report on the work of the High Level Steering Group

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PURPOSE : Commission report assessing the ability of Albania to implement the obligations of a Stabilisation and Association Agreement (SAA). CONTENT : In making the assessment and recommendations set out in this report the Commission has taken account of political, economic and regional factors. Since the failure of the pyramid schemes in 1997, major efforts have been made to restore law and order, reform economic and social life and to open Albania to the EU and the region. Much has been done to reform the electoral system. There has been an overhaul of the legal system and serious efforts are being made to align legislation with EU standards. Economic decline has been reversed and in 2000, GDP grew by 7.8%, in line with growth rates reported for 1999, (+8%) and 1998 (+7.3%). Important progress has been made in securing government revenue through reform of the customs and tax services, and Albania has become a member of the WTO. Privatisation of small and medium sized companies can now be considered as complete and, with some delay, privatisation of larger companies is proceeding. Despite these achievements, problems remain that would make it difficult for Albania to meet the obligations of a SAA and to deliver on the commitments it would make. The main difficulties lie in the functioning of the judiciary, widespread corruption, a large grey economy and lack of capacity to implement laws. Judges are ill prepared to administer the huge volume of new laws which have been adopted recently, there is still interference with the work of the Courts and Corruption is a serious problem. This situation retards economic development and inward investment, since the law is not uniformly applied and the enforcement of contracts is difficult. The size of the grey economy is threatening the viability of officially registered businesses, preventing fair competition and discouraging investment. Emigration is an important phenomenon. Albania is both a source and a centre for trafficking in human beings. Illegal migration and trade in arms are also areas of concern to the EU which require greater attention. The negotiation of a SAA is both a technical and political process. Given the mixed situation, the Commission has had to balance different elements in coming to a conclusion. The Commission considers that Albania is not yet in the position to meet the obligations of an SAA. If, however, the current pace of change is sustained and if sufficient priority is given to strengthening administrative capacity during the negotiating and transition periods, considerable improvements can be made in the areas highlighted. The perspective of opening SAA negotiations is the best way of helping maintain the momentum of recent political and economic reform, and of encouraging Albania to continue its constructive and moderating influence in the region. The Commission therefore considers it appropriate to proceed with a SAA.