

SECURING THE FUTURE: RECONCILING ALBANIA'S DEVELOPMENT URGENCY WITH SUSTAINABILITY, PROTECTION OF ENVIRONMENT AND SOCIAL JUSTICE

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ABSTRACT

Sustainability, protection of environment and social justice have been, for some time now, the keywords when debating economic development policies. These approaches towards development will be the focus of our paper, whereas the objective will be to show that the security of our future depends heavily on them. The global financial crisis put in disarray our resolve regarding the abovementioned approaches. The 2007-2008 crisis brought about the 2008-2009 recession, the deepest in Europe since World War II. In 2012, Europe was hit by yet another recession. Albania, as well as the rest of the world, implemented various austerity measures in order to bring back confidence in the markets and spur growth. Our research is descriptive, as well as analytical, since it points out the measures taken in Europe and Albania in order to promote economic recovery: budget cuts, reduced public investments, tax increases. We will also reveal that such measures were accompanied by a relaxing of state social commitments: new labor laws to diminish employee protection, amendment of social security schemes to minimize their impact on budgets. By concentrating mostly on Albania, the paper will indicate that, in order to attract foreign investments, the protection of environment is being overlooked, too. All these data collected and presented will be analyzed to show that the path chosen to steer out of the crisis is very costly. The results obtained from the analysis are in the form of higher unemployment, greater poverty, worsening of social justice etc. We conclude that, as of now, Albania is moving farther away from the sustainable development, thus putting at greater risk the security of our future. Our assumption is that, once the world economy gets back on its feet, Albania's approach would change, but the price would have been paid, too.

Keywords: *economic growth, environment, security, social justice, sustainability*

JEL Classification: *I31, O44, P18, Q01*

1. Introduction

Sustainability is not a new and recent approach to development, since it goes as far back as 1972, when the United Nations Conference on the Human Environment was held. By 1983, the UN General Assembly established the World Commission on Environment and Development with the purpose of identifying ways to unite countries to pursue sustainable development together. In

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1987, the WCED released its report *Our Common Future*, a document that contained and defined the term “sustainable development”. In 1992, the UN General Assembly established the Commission on Sustainable Development, as part of the UN Economic and Social Council (as of 2013, it was replaced by the High-level Political Forum on Sustainable Development). Various international conferences and summits have taken place since then, and, in September 2015, the UN General Assembly approved a resolution, adopting the 2030 Agenda for Sustainable Development. However, quite often, states seem to choose the easiest way out and overlook the conditions for sustainable development.

This paper will focus on Albania’s economy, the compliance with the sustainable development criteria, and the path chosen to promote growth during crisis. We will indicate that, during hard times, Albania has somewhat lost track of the long-term sustainable development goals. We will discuss the theoretical framework of sustainable development, as well as the main global scale efforts to promote sustainability. We would also focus our attention on Albania, the economic development since the early 1990s, and the policies adopted to pursue sustainable development, indicating that, while struggling to steer out of the global crisis, the country is moving farther away from the sustainability goals. By analyzing the data relating to the Albania’s economy, as well as the policies adopted to promote growth, the paper would show that the revival and growth enjoyed lately would come to be pretty costly for the later years.

1.1 Theoretical framework

Countries around the world take different approaches to economic growth and development, and that does not mean to be a bad thing. However, there is a global consensus as to the need for the development to be sustainable. Making development sustainable means “to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, 1987, p. 8). The WCED (1987) emphasized that “the results of the present profligacy are rapidly closing options for future generations” and we must ensure that “the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are made consistent with future as well as present needs” (pp. 8-9). However, sustainable development is not just that, but it is that and a lot more.

The earth — with all its main components: land, water, air — serves as the foundation and the fuel for humanity’s economic growth and development, but these natural resources are not replaced as fast as we are depleting them. If the development drive is to maintain the same trend and course it has had since the Industrial Revolution, it will not be far the day when the development as we know it today would stall. This is the reason why humanity needs to chart a somewhat different course of development, and that would be sustainable development. The UN, in its 2030 Agenda for Sustainable Development, has set out 17 sustainable development goals, and they make sustainable development far more reaching as far as its objectives are concerned. Those goals include ending poverty, ending hunger and ensuring food security, ensuring healthy lives, ensuring inclusive and equitable education, achieving gender equality, ensuring access to affordable energy, reducing inequality, combating climate change, promoting peaceful and inclusive societies etc (UN General Assembly Resolution 70/1). This why various scholars have defined sustainable development as a combination of different factors and conditions, each of them having their part in shaping and being shaped by the sustainable development. If we were to put it differently, sustainable development would be that particular type of development which

simultaneously satisfies the needs for societal wellbeing, the needs for economic growth and prosperity, and the conditions for protection of environment (refer to Fig. 1).

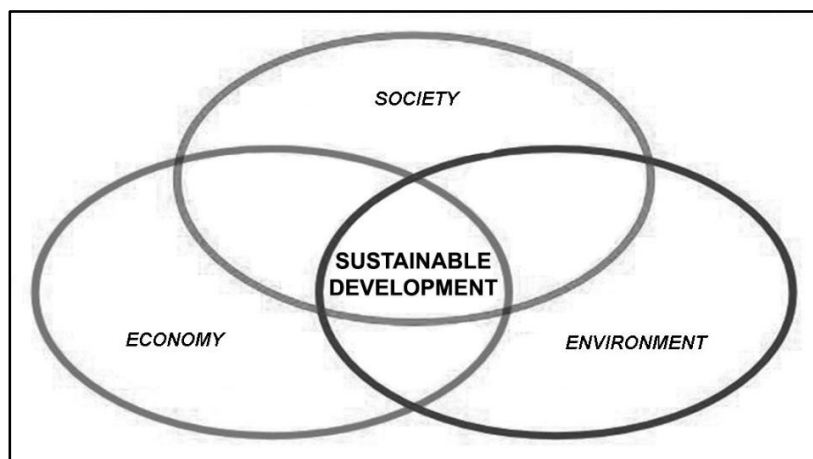


Fig. 1 Sustainable development and its relation to the three constituent components

Apart from the three above components, Scerri and James (2010) are of the opinion that there is also a fourth components playing an important role in ensuring sustainable development, and that is culture and institutions.

1.2 Limitations

It is thus clear that sustainable development is a different type of development, and that refers to a lot more than just economic growth and prosperity. But, since the economy has always been at the heart of the whole human developing endeavors, its role is very important and maybe a lot more important than that of others components. This is the reason why in this paper we will focus mainly on the impact that the economy has in attaining sustainable development and how Albania is going about it.

However, this represents a sort of limitation to this papers, and we understand that further observations are needed to also understand the role that society, culture, institutions, and environment play in conditioning the behavior of Albania towards a sustainable development. We have touched a little on the environment and society, but we are aware that is not enough to have a clear picture of the sustainability of these factors.

2. Economic growth in Albania

Albania is a country situated in the Balkan Peninsula, with a *de jure* population of about 4.4 million, even though, due to high emigration rates, the resident population stands at about 2.88 million (Institute of Statistics, 2017). At the beginning of 1990s, just like the rest of the Eastern Europe, Albania embraced democracy and the free market economy, thus abandoning socialism and the centrally planned economy. Since the early 1990s, Albania's economy has grown steadily and the 2016 Gross Domestic Product per capita, based on the purchasing power parity, was at about USD 11,800 (IMF, 2016, pp. 4-5). Albania is now categorized as an emerging and developing economy, and the GDP per capita, based on the PPP, is at 35 percent of the European

Union GDP per capita, based on the PPP. In 2016, the International Monetary Fund ranked Albania as the 96th economy of the world.

2.1 Policies promoting economic growth in Albania

At the beginning of 1990s, for Albania there was no other way, but up. In 1992, the GDP was a meager USD 840 million and the economy was in deep recession. Compared to the year before, in 1991 the GDP had declined by the record level of 28 percent.

Like most of the Easter European countries after World War II, Albania adopted socialism and a centrally planned economy. Due to innate difficulties associated with such economic system, the economic growth policies adopted in Albania were mainly of extensive nature. From 1945 to 1991, Albania developed, the economy grew, and the society prospered, even though that was not enough to keep the pace with other countries of the world. The economic growth was almost totally based on increasing inputs and that was the easiest way out, even though not exactly sustainable. Not having access to modern technology, Albania increased the use of natural resources. Back then, deforestation was the order of the day in order to increase the surface of arable land and, consequently, increase agricultural production. The same goes for industry, which was mostly based on extracting as much as possible raw minerals and other natural resources.

In a nutshell, for about 45 years the economic growth and the whole development of Albania and the Albanian society was built on exploiting the environment. During those years, there was almost nothing on protecting and preserving the environment and natural resources.

From 1991 onwards, Albania embraced democracy and the free market economy. Yet, things did not change overnight. Up to 2010, the economy enjoyed growth at an average rate of 6.2 percent per year. As the country got more and more entangled in the international community, especially for reasons of Albania's resolve to join the EU, economic growth policies starting becoming more aligned to the international community standards. Reforms, laws, and strategies were put in place in order to manage the economy grow and the whole country develop in alignment with sustainability requirements. The Albania's Economic Reform Programme 2016 - 2018 states:

Albania's Economic Reform Programme 2016 – 2018 outlines the main macroeconomic and fiscal policy aspects as well as priority structural reforms planned by the Government of Albania (GoA) in the medium term future for strengthening the domestic economy and stimulating sustainable growth and increased competitiveness. [...] Our economic policies seek to generate sustained medium term growth that results in tangible gains, including employment generation and a sustained improvement in the standard of living of Albanians. (Council of Ministers Decision No. 52, of 27 January 2016, p. 655)

However, the 2007-2008 world financial crisis, the 2008-2012 recession, and the 2010 EU debt crisis hit Albania hard. Foreign investments, the driving force behind the economic growth, fell drastically. Due to the crisis, the exports fell, too, since the EU countries were not exactly in the position to spend as much as they used to. The crisis brought about the sharp decline of remittances from the Albanian emigrants living and working abroad, mainly in Greece and Italy, the two countries which were struck the most by the world financial crisis and EU debt crisis.

In the face of such reality, Albania let loose almost everything. Anything that could generate growth and somehow create new jobs was acceptable. Sustainability was nothing but something too good to be true, and it was put aside for discussion during better times. Various laws and policies were implanted, from those allowing the import of waste for recycling purposes to those rolling back the commitments to social justice.

3. Albania's economic development vs. sustainability

If we are to compare Albania's standing to the sustainability criteria, the result is not very encouraging. The *Bertelsmann Transformation Index* emphasizes that there is still a lot to do:

Environmental concerns have rarely been taken into account during the Albanian unruly transition. [...] foreign initiatives have not been enough to generate comprehensive and sustainable policies. In a 2014 report on Albania, the European Commission noted that 'there has been little progress in the fields of environment and climate change. Significant further efforts are needed in all areas to strengthen administrative capacity and to ensure proper implementation and enforcement of legislation.' (Bertelsmann Stiftung, 2016, p. 23)

It is thus clear that the standing is not as good as it should be. So far, the attitude has been that prosperity and better income would be able to solve, or maybe push aside and make us forget, all other problems and issues, which otherwise would assist Albania in achieving sustainable development.

The IMF (2016) states that "[i]n contrast with some of its regional peers such as Macedonia and Serbia, it [Albania] has yet to diversify its export base into higher value-added products such as chemicals, plastics, or machinery. [...] productivity is also low compared with the rest of the region" (pp. 22-23). This means that, in so far as the economy is concerned, sustainability seems more like a mirage than a reality. Almost nothing in Albania's economy can be defined as sustainable, since it is mostly based on low cost, labor intensive, and low value-added activities. This is why the main exports of Albania are crude petroleum, chromium ore, various textile and footwear products of the *façon* industries, agricultural products etc. The economy is entirely built on exploiting natural resources and exporting them raw, without adding more value. To this end, the IMF (2016) observes that "[g]iven the challenges ahead in the oil sector and the significant headwind in textiles, Albania will need to step up reforms to improve investment prospects and attract FDI that allows it to diversify into higher value-added products" (p. 22). In other words, even though Albania has put in place the needed policies and strategies, they do not mean much as they are not implemented, leaving the economy vulnerable, thus not sustained, to future revolutions. It may look as a paradox, but actually Albania's economy in 1964 had a much better standing at the Economic Complexity Index than it has today. In 1964, Albania was placed 52nd in the world, in 1980 reached the highest standing ever, in the 29th place, and, unfortunately, today it is in the 111th place (MIT Media Lab Observatory on Economic Complexity, 2015).

After having discussed one component, that being the economy, it is now only logical that we shift our attention to environment. Albania, being a country working its way towards full membership in the EU, is struggling to meet the obligations stipulated by the Stabilization and

Association Agreement with the EU, which includes those relating to the environment. In this regard, Albania is actually transposing many of the EU legal acts concerning air quality, water, nature protection and biodiversity, wastes, climate change, noise, chemicals etc. The country has also adopted the Environmental Intersectional Strategy 2013 - 2020. Yet, environmental problems, such as deforestation, soil erosion, water pollution from industrial and domestic effluents, are persistent (*The World Factbook*, 2013), and these are problems which would affect especially the future endeavors for development.

In so far as the society is concerned, there indications that the situation is not conducive to being fully sustainable. Around 60percent of Albanian firms have reported that lack of properly educated workers is an obstacle to development (The World Bank, 2013). This has led to the IMF to again emphasize that “this has created a bottleneck for growth. The lack of skilled workers is more severe in the tradable sectors—manufacturing and tourism—than in no tradable sectors, such as construction and retail trade (IMF, 2016, p. 24).

However, the economy remains the crucial player. In order to get through the crisis, Albania had to take numerous measures, all of them being austere policies. Taxes were increased, public investments reduced, borrowing also increased, investments in crucial future sectors, such as education and social security, kept getting lower. Unemployment and poverty increased, meanwhile wages went down. This is not exactly the picture of an economy that is vying to be part of the sustainable development drive. Albania should strive to reconcile the economic development with the preservation and protection of environment, with the social justice, in order to reach sustainability.

4. Conclusions and recommendations

When the world economy, as well as Albania’s economy, will be back on its feet and growth would stabilize, the international agenda on sustainability will also pick up steam again. At such a time, the question would be whether is Albania in the position to comply and survive those requirements.

Faced with the dire need to spur growth, Albania relaxed many of the sustainable development policies. That means that the revival of the economy and the growth generated is based on the wrong foundations. In order to have fast recovery, Albania choose to still rely on some short-term goals, which is improving domestic demand and market confidence by promoting low cost and labor intensive sectors of the economy. Austerity measures, increasing taxes, reducing public investments, overlooking environment protection guidelines served well, but up to a point. The easiest way out of the crisis will not stand the test of sustainability, and that is not just because of some international standard being out there for observance.

The future of the country is at stake. Due to various incentives and promotions, agricultural exports grew notably during the last few years. However, they are almost entirely unprocessed products. In 2015, Albania exported about USD 60 million agricultural products, meanwhile the imports were at about USD 800 million, and this shows the vast difference between the raw exports and processed import agricultural goods (MIT Media Lab Observatory on Economic Complexity, 2015). The whole of Albania’s economy is based on low value-added activities, which makes it vulnerable in the long run and unsustainable to keep it going and generating the growth and prosperity the people need and expect.

The WCED (1987) states that “[s]ustainability is putting technical, scientific, ecological and economic social resources in order so that the resulting system can be maintained in an equilibrium state for some time and in space.” That is exactly what should Albania do. This is not the case of doing some patch work here and a little bit repair there. The country, since it has been in a long transition, must now grasp the moment and build a new system, based on sustainability, and that will be the system that would carry the country through future challenges.

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