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Structural Transitions in Albania: Profit over Environment?

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Declaration I, Hege Skarrud, declare that this thesis is a result of my research investigations and findings. Sources of information other than my own have been acknowledged and a reference list has been appended. This work has not been previously submitted to any other university for award of any type of academic degree.

Signature…………………………………

Date 14.08.2017

To Arild Vatn and my friends,

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Abstract

During the 80s and 90s, many post-communist countries underwent structural transition processes advocated by neoliberal institutions. Rapid transitions from one structure to another resulted in chaos as the implementation of sound institutions to manage new property rights regimes were insufficient. The emphasis of the transition period to open borders and integrate societies into the free market side-lined other concerns such as environmental conservation and protection. The IMF facilitated this move in Albania through structural adjustment programmes and stringent conditionality in its financial lending. The Albanian society was in deep socio-economic crisis emerging from an autocratic communist rule and the natural environment had suffered through industrial pollution and deforestation. Neoliberal restructuring failed to recognise the need for environmental rehabilitation and protection due to its ideological nature, and the pressing socio-economic situation in Albania made funds allocations difficult, resulting in further absence of environmental regulations.

This research scrutinises communism and neoliberalism applied in Albania in the late 80s and 90s as insufficient systems for environmental protection. Through an analysis using urban air pollution, industrial pollution and deforestation as measurements of environmental impact of IMF policies and national policies - economic and environmental - the study calls for an alternative system to aid sustainable environmental governance. Accentuating the need for holistic approaches to structural change, with significant participation from the population on local, regional and national levels, for creating new systems which reduce negative environmental consequences as well as socio-economic problems.

Keywords: Transition, neoliberalism, communism, governance, Albania, environmental regulations, institutions, policies, economy, property rights, implementation, structural change.

Abbreviations and Acronyms

APL	-	Albanian Party of Labour
CEP	-	Centre for Environmental Protection
DPA	-	Democratic Party of Albania
ECE	-	Eastern Central Europe
EGS	-	Environmental Governance System
EIA	-	Environmental Impact Assessment
EPCA	-	Emergency Post-Conflict Assistance
ESAF	-	Enhanced Structural Adjustment Facility
EU	-	European Union
FAO	-	Food and Agriculture Organisation (UN)
FDI	-	Foreign Direct Investment
GATT	-	General Agreement on Trade Treaty
GDP	-	Gross Domestic Product
GHG	-	Green House Gas
GoA	-	Government of Albania
IAD	-	Institutional Analysis and Development
IEP	-	Institute for Environmental Policy
IFI	-	International Financial Investor
IMF	-	International Monetary Fund
NEA	-	National Environmental Agency
NEAP	-	National Environmental Action Plan
NGO	-	Non-Governmental Organisation
NMP	-	Net Measured Product
NPA	-	National Privatisation Agency
PCPP	-	Preparatory Commission for the Process of Privatisation
PM	-	Particulate Matter
REA	-	Regional Environmental Associations
REC	-	Regional Environmental Centre
SAP	-	Structural Adjustment Programmes
SOE	-	State of the Environment Report
UNFCCC	-	United Nations Framework Convention on Climate Change
UNDP	-	United Nations Development Programme
USA	-	United States of America
USSR	-	Union of Soviet Socialist Republics
VAI	-	Value Articulating Institution
WTO	-	World Trade Organisation

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Chapter 1: Introduction

Albania is one of the most impacted countries of climate change – sea levels are rising and kilometres of land are lost because of sea advancement. Deforestation and damming of rivers are causing problems of flooding, coming with increased rainfalls because of climatic change. There are no trees to irrigate the water, dams get full, and they need to be opened up for them not to burst, and then there is a flood (Pacara, pers. Comm., 2016).

George W. Bush announced a "new world order" in 1991, calling for a global ideological paradigm change with the fall of communism in Soviet and Eastern Central Europe (ECE). Western states advocated neoliberalism as a tool for constitutional democratisation and stability in post-communist countries, through new policies of open markets and cooperation through trade. Former communist countries were rapidly put through extensive "transitions" from communist states to open markets where capital and commodities could pass state borders freely, allowing countries to develop and prosper unanimously. The transition was aided by International Financial Investors (IFIs), such as the International Monetary Fund (IMF), helping implement new policies aligned with the neoliberal agenda. The experience of transition has been a two-edged sword. For some investors, states and businesses the transition has been a socio-economic success. On the other side, the transition has been the contrary and resulted in overwhelming increase in social inequality for most of the population (Pickles & Smith, 2005). This was the case for many countries in ECE; economic collapse, social and political despair, and environmental degradation.

Following a 50 year-long oppressing communist rule, Albania reached out to IFIs for help during the transition into a market economy in 1991. Pre-1990 Albanian life was dominated by an isolated and subjugating dictatorship, moving from one authoritarian communist partner-state to another. Everything of economic significance was planned, regulated and owned by the state. Foreign investments and international markets largely did not intrude life of Albanians. The country was one of the least developed countries in Europe at the time, where management of the scarce resources was a governmental task. The Albanian communist state was modelled by a Marxist-Leninist ideology which emphasised economic growth, industrialisation and technical progress (Baker et.al., 1998). Within such a structure, nature is an obstacle and the environmental degradation which occurs is a temporary

consequence to be solved through scientific and technological development. The emphasis on increased production to sustain economic growth, industrialisation and technical progress will always lead to environmental degradation; a parallel shared by Western neoliberal ideology, only the road to economic growth calls for a different set of tools. Decentralisation of power leaves regulations in the hands of the market, making control of environmental protection challenging. Even more so in post-communist countries where transition was to happen swiftly and the inheritance of communist structure was underestimated and the reorganisation of material life and power oversimplified. Change in institutions, property rights, and standards of living, and the transition from one ideology to another profoundly affected how- both in urban and rural areas- the Albanian people interacted with each other and with nature (Stahl, 2010). In Bulgaria, and many other post-communist countries similar results came from the transitions leading to closure of industrial sectors, weak institutions, hyperinflation, frequent changes in government, socio-economic crises and environmental degradation (Pickles & Smith, 2005; Baker et. al, 1998).

Neoliberalism is a contested theory and system, creating grave socio-economic differences and environmental issues, as seen in Bulgaria and other post-communist countries. However, in Albania neoliberalism has been celebrated as a liberator from oppressive communist autarchic rule. Songs have been made in honour of American policies and statues have risen of American presidents, despite apparent socio-economic and environmental problems. A broad literature and discourse exists on the impact of neoliberalist transition on societal structures, often not incorporating environmental issues, thus ignoring the importance of nature on human society. Thus, this research will look at the impact of transition on the environment, and simply touch upon socio-economic problems where they are of significance to the analysis of environmental issues. The study investigates three environmental aspects (1) urban air pollution; (2) industrial pollution; and (3) deforestation.

Urban air pollution explains how integration to the open market has increased environmental impact. Economic growth during the transition resulted in higher spending capability among the public, and private property allowed consumption to rise. Through increased consumption lies intensified use of resources and energy. For this study, the rapid increase in privately owned motor vehicles explains how increased consumption gives exponential levels of air pollution.

Heavy industry was a trademark for many communist countries, Albania being no exception to the rule. Industrial activity from old Soviet technology was high in air pollution because of lack of proper waste management, filtration, and high energy use. Therefore,

industrial pollution was a significant contributor to air pollution during communism, but with the collapse of the industrial sector in the early 90s, pollution resided. Industrial pollution in Albania shows the economic consequences of heavy industry for economic gains through the dramatic reduction in air pollution after the collapse.

Early in the transition, deforestation became the embodiment of problems connected to the new property rights regime, from state-owned to private, or open access as they became when no claim or state legislation was put on private property. The aspect of deforestation shows how the transition process was underestimated by national and international actors, as it led to environmental degradation because of institutional chaos.

To properly understand the environmental impacts of restructuring from communism to neoliberalism, the research chronologically analyses the environmental aspects in time periods. In this study the *pre-transitional era* (1950-1990) is the autarchic communist structured Albania of Hoxha and Alia. However, the main emphasis will be on policies and environmental impact from the 70s until the fall of communism during the mid-1990s. The *transitional era* (1991-1993) will focus on Albania's shift to neoliberalism; the transition period was at its most chaotic at this point and the IMF started its work in Albania (1991). marking the starting point of intense transformation of many structural adjustment policies being introduced the following years. *Post-transitional era* (1994-1999) does not suggest that the Albanian transition into neoliberalism was completed during this era, or indeed after. This study simply understands the period following 1993 as an epoch with less intense introduction of new neoliberal policies from IFIs. This is also when the consequences of a chaotic and rapid transition became more apparent.

Different eras have distinctive institutional structures, which accordingly have diverse impacts on the physical surroundings. Continuous changes in property rights, actors, institutions, resource use, and sources for pollution constitute factors which impact environmental protection. It is a three-fold analysis on an international, national and local level. Therefore, **the main aim of this research is to understand the implications a transition period from communism to neoliberalism can have on environmental regulations.** The research presents two research objectives with three research questions each, to allow for analysis of the way these phenomena interact in practice.

Objective 1: To investigate what economic policies and environmental regulations were put in place during the neoliberal transition by the Albanian government and the IMF.

RQ1: What was the goal of the Albanian government in regards of economic development in three different periods – pre-transition, early-transition period and late-transition period?

RQ2: What economic policies and environmental regulations were decided upon during the transition?

RQ3: How did the international financial investors (here: IMF) impact economic development and environmental regulations?

Objective 2: To analyse environmental consequences the neoliberal transition had in Albania.

RQ4: What changes have there been in key environmental aspects such as urban air pollution, industrial pollution and deforestation?

RQ5: What environmental regulations have been implemented? Were these regulations implemented sufficiently? If not, why?

RQ6: How have general economic policies affected implementation of environmental regulations?

This research is divided into three parts. The first part (chapter 2 - chapter 4), gives a background to the analysis, and outlines the methodology used in the research. Part two investigates the research objectives through analysing the data collection. The research questions outlined above do not follow the structure of the paper, as the study aims to systematically investigate relationships between the different factors of pollution - urban air pollution, industrial externalities and deforestation - with the actual actors and institutions. The study analyses chronologically by going through different time periods (as explained on page 3) presented in research question 1. Thus, the second part of the research is divided in three chronological chapters, systematically going through the research questions by investigating and analysing findings of pollution, economic policies, environmental regulations and IMF influence for each of the three periods: pre-transition, transition and post-transition. Part three of the research (chapter 8 and 9), pull together the research questions, drawing on the findings from part two for further discussion and analysis through scrutinising the communist system and neoliberal paradigm's disability to aid a sustainable environment, and conclusively calls for an alternative system to neoliberalism and communism.

Furthermore, it is important to state from the outset that there are problems of environmental degradation within both authoritarian communist rule as well as in neoliberal models of governance, and it is in no way exclusive to any single ideology. Both systems

emphasise some form of economic growth, and because economic growth is fuelled by environmental resources and different modes of energy, there will always be forms of degradation and externalities to sustain the sought-after growth. Thus, this study does not attempt to put one mode of governance above the other, it rather attempts to highlight a neglected part of the discourse: that neoliberalism is not the alternative to communism, nor is communism an alternative to neoliberalism. The research also investigates why environmental regulation has not been sufficiently implemented within the two dominant modes of governance put into practice up until today, using Albania as a case study. Albania has been chosen as the case study as it has experience with both structures, however extreme and characteristic they have been to the country, with apparent environmental degradation and systematic problems.

Chapter 2: Background

To understand the environmental impact of the change in societal structures and ideological institutions, it is crucial to briefly outline the history of Albania. The aim of this study is to present an analysis of policies and consequences from different governance structures, "now" (post-communist Albania) and "then" (communist Albania), making clear the environmental protective ability of communism and neoliberalism. Per definition for this research *post-communist Albania* will refer to Albania after the start of liberalisation, through increased international cooperation started in 1990, and until present time. However, most of the analysis will focus on Albania until 1999, where the transition period started to stabilise. The post-communist period is also when Albania started to receive funding from the IMF, the World Bank, and other international organisations and investors, in this study these organisations are defined as international neoliberal actors. The researhch needs to situate Albania historically, prior to the fall of the communist regime, to create an empirical background for a thorough comparative analysis of the two systems. To understand the environmental issues Albania has faced and still battles with today, it is critical to review the situation under the communist regime of Enver Hoxha and his allies as well as the neoliberal ideology driving the transition in the 90s.

2.1 Communist Albania

Communist thinkers such as Karl Marx and Freidrich Engels (1848) argue that capitalism is an unsustainable ideology divided into a class system of the bourgeoisie (the capitalists) and proletariat (the workers). The bourgeoisie owns the means of production, whilst the proletariat are in some ways the means of production, this results in uneven distribution and management of utility stemming from the production, as the wealth returns to the bourgeoisie. They call for the restructuring of means of production to be owned by the community, and all people receive according to their need and ability. For the socialist structure, the natural world forms the ground on which human action is to be utilised for societal development. This theory has been adapted into various system of governance since it emerged, most renowned is Soviet Union's (USSR) stringent state control over production and territorial expansion of the ideology, with different versions of socialism through Leninism and Stalinism, to mention only two. Albania

was never a part of USSR, but adopted rigorous socialist theory and adopted it into its own system because of its close ties with the USSR and Yugoslavia.

During Second World War, Hoxha obtained an important position in the partisan opposition party, The Communist Party of Albania, later named Albanian Party of Labour (APL) (Abrahams, 2015). Hoxha was voted in as the First Secretary of the Communist Party in 1943, setting precedence for his further life at the top of communist rule. After the war, Albania was impoverished and shattered. Hoxha became the head of the provisional government and began to nationalise industry, land and modes of transportation, banning most privatisation to provide work and food for his people (Abrahams, 2015). He had firm adherence to anti-revisionist Marxist-Leninist ideology, and later drew ideas from Mao's Cultural Revolution (Bléjer et.al., 1992). His authoritarian way of rule prohibited religion, making Albania the first self-declared atheist country in the world. Additionally, he banned oppositional political organisations and "decadent" culture, such as music, foreign literature, etc. Home interior was homogenous as national industries provided homes with décor, food, literature and other consumer goods. The industrial sector was built with the help of the Soviet Union and China, relationships which Hoxha ended in in the late 70s (UNECE, 2002). With no ties to any other socialist countries, Albania was left to its own devices, and Enver Hoxha declared Albania as the 'only true socialist state in the world' (Abrahams, 2015, p. 22). In 1976, a new Constitution imposed a complete ban on private property, including private plots in rural areas (Hashi & Xhillari, 1999).

After Hoxha's death in 1985, the impact his strong rule had on the economy became more and more visible: 'collectivised to the extreme, the economy had exhausted its possibilities, like a human body burning muscle and fat to survive' (Abrahams, 2015, p. 28). There was a need for his successors to allow for a discussion of economic reform to control the rising civil unrest. Ramiz Alia, who was appointed by Enver Hoxha as his successor already in the early 80s, after Hoxha suffered from a heart attack (Abrahams, 2015), gradually started conducting systemic changes. Progressively foreign aid was accepted from a selected few, open discussions of Albania's societal problems were taking place, and the grip on Albanian households loosened. Farmers could now own livestock (under strict regulation) and sell some of their own produce locally. The changes were confined to exist under continuous state-control, as Alia did not want a complete move away from communism.

The frustration of living in a closed system was an important catalysing factor provoking Albanian students, sparking revolts, and eventually leading to a complete system change. After opening the telephone lines with western countries in 1990, the access to information about an

alternative system was suddenly available to Albanians; the voice of America especially shaped strong visions for the future. Young people longed for cultural interaction with the world beyond the barbed fences- a world of denim jeans, autonomy and freedom. The communist rule struck down on these desires as anti-socialist and a danger to their country's existence (Abrahams, 2015). Nonetheless, people demanded a quicker, radical reform than the system Alia was offering, one that welcomed less oppression from the regime and more freedom for individual expression. These longings of the Albanian people would become the heart of the revolts, and the roaming impatience with the current system called for political pluralism, granted at the end of 1990. In 1991, the APL, with Alia in front, warned against a state of anarchy if the structural changes were not regulated with the help of a strong government (source). A legitimate warning in such a rapid transition from a planned, closed economy towards an unplanned vision of western standards of living. April 1992, Ramiz Alia was forced to resign as president of Albania, leaving the Democratic Party of Albania (DPA) in charge of the transition process, rejuvenating economic restructuration.

2.2 The Rise of Neoliberalism

Today, *neoliberalism* is the dominant political paradigm of our time, defining global politics and international relations (Eagleton-Pierce, 2016; Harvey, 2005). The term neoliberalism was coined at a meeting in Paris in 1938, rooted in a concept of economic growth as a means of development through trade. Adam Smith laid the foundation for today's deregulated capitalism, which has now been translated into neoliberalism, already in his *Wealth of Nations* (1776). Neoliberalism today is organised through competition and the idea that a market based on supply and demand will systematize an otherwise anarchical disorder, or will liberate a shackling authoritarian order. David Harvey defines the purpose of the market and the state (here in short) in his *A Brief History of Neoliberalism* (2005):

> *Neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets and free trade. […]The role of the state is to create and preserve an institutional framework appropriate to such practices. State interventions in markets (once created) must be kept to a bare minimum[…]* (p.2)

With this definition, Harvey places neoliberal ideology in a political contest, where one can understand the emergence of the neoliberal paradigm through the merits outlined by international organisations and limited state interference. The idea is that a self-regulating market will efficiently allocate resources through to pareto optimality, and steer the market to the optimal outcome for consumers, industrial activities and the environment (Smith, 1817). The market is diverse, and one can therefore not apply a static model to it, there are many potential situations with a range of outcomes within a market structure where multiple actors with different interests and rationality operate. Individual liberty, John Stuart Mill (1869) argued, means the opportunity of a person to act without the tyrannical oppression imposed by the state. Within the market, Hobbes (1651) saw individuals operate based on self-interest, giving freedom to maximise personal utility through individual preferences and motivation. Thus, public interest is best portrayed when markets are open so that businesses can operate freely within them to pursue their interests. The theory of self-interest in the market is based on an individualistic interpretation of human behaviour and society; therefore, state regulations is a threat to personal liberty as it limits the arena for interest and action (Humphreys, 2006). The rights to property should be open to all and exchanged in the market, as well as open to competition and privatisation. This also means governmental procurement, leaving goods and services for public agencies in private hands. Regardless, formalised and sanctioned rules are crucial, as the market itself would fall apart without a complex set of norms and conventions. Such a system of norms and conventions increases transaction costs, thus putting objective needs in the market above subjective needs. Private property on the other hand reduces both information costs and transaction costs, as bureaucratic procedures are kept to a minimum (Vatn, 2005).

Three main organisations were founded during the Bretton Woods conference in 1944: The General Agreement on Trade Treaty (GATT (later WTO)), The World Bank and The IMF. These were the pillars of free market ideology, with head offices located in Washington and firmly connected to the dollar after the gold standard was abolished. Because the United States of America (USA) held most of the global gold stock, it became a natural transition for other countries to peg their value to dollar, a transition also encouraged by the USA itself. Because of these factors- the head office in Washington and the dollar as the main currency- the Bretton Woods organisations have close ties with the American neoliberal agenda. Since the Bretton Woods Conference, commercial and financial cooperation between states has been one of the most dominating drivers of international politics. During the conference, initiated by the USA

and United Kingdom, rules were agreed upon, which would regulate the international financial system. Through a new international world order, cooperation between countries would decrease the risk of conflict and strengthen other international organisations. All in all, the conference would eventually reshape the global financial system. John Maynard Keynes was one of the key participants at the conference, promoting more state protection of the market through an egalitarian liberalism (Eagleton-Pierce, 2016). Despite Keynesianism taking the front seat as the global economic paradigm until the 1970s, economists such as Milton Friedman helped replace this ideology with neoliberalism (Williamson, 2004). The neoliberal agenda was also encouraged by Margaret Thatcher and Ronald Reagan in the 70s and 80s. The redefinition of the role of the state through this re-emerging ideology, set the groundwork for the shaping of a new global order, where the market is the predominant tool for regulation. The close tie these international financial institutions have to the neoliberal agenda, has provided the foundation for the economic policy prescription the organisations constitute in their reform packages, often referred to as the Washington Consensus because of the location of their head offices and the mutual idea from these offices of what was needed of policy reforms in developing countries (Williamson, 2004). One of the main policies the organisations push for is deregulation of the state, believing that the market will regulate itself. However, their mere existence proves an inconsistency in their ideology, their purpose is to intervene and regulate the market with sustained economic development as their goal.

2.3 Transition through Conditionality

In this research, *transition process* refers to the move from one politico-economical system to another, and in the case of Albania from a closed-off centralised structured society to an open-market decentralised structured society. The IMF and World Bank have been at the forefront of transition through structural adjustment around the world (Pojani, 2010). They have put forward policies of market liberalisation and open economies in many post-communist or post-conflict countries around the world, from Vietnam to Chile. Countries defined as economically poor, low-income countries, have witnessed socio-economic benefits of industrialised countries, and therefore ask for loans and support for transition after conflicts or in times of system change. Such loans and programmes are often allocated under stringent conditions and structural adjustments. The IMF conditions the receiving country when applying for 'a

comprehensive package that addresses the urgent need to stabilize the economy' to a country which has an interest in promoting 'the removal of remaining restrictions' from the old system (Bléjer et.al., 1992, p. 55). *IMF Conditionality* is a contested phenomenon referring to the conditions governments agree to implement when they 'seek financial aid from the international community' (IMF, 2016). In other words, transition countries must adjust economic policies to overcome the problems that lead it to seek financial aid from the international community in the first place, ultimately a move away from centralised, state governed policies.

The Fund operates with three main tools: policy advice, technical assistance, and lending. The lending has conditions attached, often explained as *conditionality*. This conditionality has given the IMF a lot of publicity and criticism. The IMF comes from the neoliberal school, and has been one of the main perpetrators of neoclassical economic theory both in developed and developing countries since the 50s. Many of the IMF operations are financed mainly through contributions from IMF members, with the majority of sponsors being Western countries.

The IMF is an IFI, which are international actors cooperating which interests are found in the organisational structure and mandate in the individual organisation. All organisational structures are impacted by outside interests such as the political and economic situation in the states which they are founded or operate, shaped by controversies in policies in developing countries and handling of environmental issues (Reus-Smit, 2004). Thus, an organisation becomes a platform for actors' as well as the politics of investors' interests of the states who created them, that is why they are here defined as international actors. IFIs also impact creation of international law, which often does not coincide with national and regional law, subsequently leading to legal pluralism. Legal pluralism can be defined as having two or more modes of legal authority operating at the same time, for example traditional norms and modern judiciary system (McNeish & Sieder, 2013). IMF is located in Washington, USA, thus it has been criticised for being a platform for US influence, allowing the US to gain control of recent Soviet sympathisers, through implementing the neoliberal agenda.

Structural adjustment programmes, or SAPs, is the theoretical definition of these adjustments imposed by the neoliberal organisation, which have been tools in the reformation and transition of countries. The IMF imposed strict fiscal and monetary discipline measures to secure stabilisation in indebted countries. Through implementation of conditions made in the agreement, countries would receive short-term balance of payment credits (SAPRIN, 2004). 'Structural adjustment policies were designed to open markets and reduce the state's role in the economy' (SAPRIN, 2004, p. 2). Such policies include; trade-liberalisation, land reforms, and a change of property rights. Within the concept of structural adjustment lies conflicting

interests between a nation state and multilateral organisations (Collier et.al., 1997). Organisations such as the IMF often do not have the same knowledge of a country and the previous structures, and a country has little knowledge of the changes needed to undergo a transition. Therefore, these transitions may often be chaotic and have grave consequences. The case of Russian transition underlines this concern: 'We recognise that the manner in which and the speed with which reforms were put in place in Russia eroded social relations, destroyed social capital, and led to the creation and perhaps dominance of the Russian Mafia.' (Stiglitz, 2001, p. xi)

A financial upswing in the 1970s for Western aid agencies, allowed for a stark belief that world poverty could be eradicated within few years. To achieve this, it was crucial to rid states of what was evaluated as previously toxic systems some states had been operating with. These governance systems were not in line with the rapid economic growth and standard of living as seen in Western countries. Therefore, privatisation, trade liberalisation, deregulation of markets, investment deregulation, reform of agricultural sectors, as well as labour markets and pensions were crucial tools to eradicate the traditional state governance (Klein, 2014). Only by doing so, could all states enjoy growth and development as seen in industrialised countries. While the IFIs limited state involvement, they imposed regulatory measures on private actors instead (SAPRIN, 2010). Within these regulations there were often austere restrictions on what a state could demand from investors. Consequently, investors could limit their responsibility to states. Thus, as Stiglitz argues (2001), truly free markets for labour and goods have never existed, as these are public organisations intervening in exchange rates, bail outs, etc., to sustain the free market and neoliberal agenda (p. ix).

Chapter 3: Theoretical Framework

In this chapter, the objectives of the research will be linked to relevant theoretical approaches and put into the framework used for the analysis. The framework will outline the complexities in governing environmental resources because of the vast variety of actors, institutions and resources which operate at the same time and at different levels. At the end of this chapter, the aspects used in the framework for analysis will be described and put in context.

3.1 Environmental Governance

Environmental governance refers to coordination and use of environmental resources to meet objectives set by an authority set objectives. Governance happens through institutions (conventions, norms and formally sanctioned rules), and is a social construct of human activity (Vatn, 2005). Institutions shape human choices, and so do the natural and physical structures of the natural world. How one governs the environment has an impact on the qualities of the environment, and therefore also on our relationship with the environment. Physical and socially constructed structures reciprocally shape each other through human and natural action. However, human action is driven by motivation, unlike natural action which is an outcome of a chemical, physical or biological reaction.

Human motivation drives environmental governance, which is the theory of action to address environmental issues. Environmental issues may be addressed through collective groups found on local, regional, national and global levels, made up of governmental as well as non-governmental organisations, cooperatives, and businesses. This means that there are many different actors operating in different spheres, with various capacities and objectives (Evans, 2012; Vatn, 2015). This far, attempts of organising societies in a sustainable way have largely been unsuccessful. Environmental issues are complex as they stretch across different levels and areas of human and natural activity. They call for long-term, collective action, which makes it difficult to coordinate management of environmental and natural resources (Evans, 2012). Thus, the structures societies operate within must facilitate long-term cooperation, not short-term competition. Collective action is based on a theory that actors will cooperate with each other in areas in which they see that such cooperation is necessary (Jacobsen, 2011). The current dominating paradigm of our global society finds its roots in a rational choice model of self-interest, not in collective action. The market governs distribution of resources and products,

through supply and demand. This is reducing actors to consumers and producers, and establishing opportunities for cost-shifting some of the negative aspects of resource use onto others. Through adopting reciprocity, actors benefit more from collective action, than through action based on self-interest through market interaction. Collective action happens through community based interaction rules (Vatn, 2005). At the root of community based interaction rules, one finds the solidarity principle. Thus, by applying this principle into action, resource use gives mutual exchange to resource users, rather than competition and individual utility.

Addressing and understanding issues of environmental governance is important for this research as the main causes of environmental degradation in Albania have been three-fold: a mismanagement of a centralised government; transitioning of governance to decentralised and unstructured modes of public governance; and ultimately introducing a new mode of governance - market incentives through deregulated capitalism – whilst underestimating the significance of past structures. The changes in regimes, property rights, interests, motivation, actors and institutions happened promptly and at various levels over only a few years, thus, Albania is a strong case study to investigate the importance of governance resource regimes for environmental protection.

3.2 Resource Regimes

A *resource regime* concerns the institutions that governs both access to and use of resources, and the interaction between actors who have access to a resource. Resource regimes influence the costs of cooperating, communicating and transacting. Institutional structures are established to regulate resource use, i.e. property rights and interaction rules (Vatn, 2005). A *property right* is the claim, or entitlement, to an asset normally enforceable through agencies connected to law. Herein lie many "sub-rights", physical possession, rights to use, deriving income, exclusion of others and exchange of the property. Bromley (1991) identifies different kinds of rights to a property, private, common, public, and open access. Defining property rights within a state is important for the regulation of the use of resources, as well as to maximise the output or value from the resource. In a state where there are no clear definitions of property rights and penalising system of the abuse of resources, there are no incentives to acquire property, and common pool resources will be exhausted. Common pool resources are of a nature which makes them difficult to exclude others from, e.g. water. Nevertheless, 'the definition of property

rights, the possibility to derive income (or pleasure) from goods owned, and an apparatus for deterring crime are three building blocks of a market society' (Varese, 1997, p.581).

The protection of property rights incurs costs, for example, exclusion of resource use defines who has the right to access the benefit stream of a resource. *Private property* has low transaction costs as there are few actors managing a resource, while *public property* has elevated costs of exclusion access as the rivalry for the use of a resource is much higher. A private good is characterised by rivalry when the consumption of the good by one reduces access for others, and by exclusion, when an owner can exclude others from using the commodity. Public goods are not met with the same rivalry and exclusion, as they are given by human agency and are to benefit the majority (Vatn, 2015; Humphreys, 2006). In terms of most environmental resources, there is rivalry in consumption and the definition of property rights include high exclusion costs, also for private property regimes when including externalities. However, *resources in open access* can have high levels of rivalry, depending on the nature of the resource (is it a limited or unlimited resource), as they are not managed by an entity and thus open to use by all. Limited resources refer to resources which have limited existence, e.g. trees. Unlimited resources are resources such as air, however, as seen in this research air quality changes the nature of this resource. Regulating a resource requires understanding of human motivation and action: values, preferences and rationality. The institutional structures which actors operate within influence the preferences and rationality of the actors (Wilhite, 2016). Different types of regimes have great impact on which externalities appear and what principal-agent relations we face. Principal-agent relations are relations where individuals or entities (the agents) act on behalf of another (the principal). E.g. in this research the IMF is a principal, while the state is an agent, however, the state is a also a principal over the population. Thus, the resource regime chosen demarcates what interests will be allowed to flourish and which values are articulated. When operating within a state governed system, the actors have different motivation and act differently than if under a deregulated market system. The choice of institutional structures affects what becomes efficient, hence, defining whose rights should be protected (Vatn, 2005). In events of *structural change*, often also referred to as system change, there are stages taking place for proper institutionalisation of the change. Innovation occurs and put into action, action is mimicked by others, the mimicking becomes a norm or rule within a wider society – an institution. The institutions created influence the motivation of individuals, but are also results from actor's motivation (Evans, 2015; Vatn, 2005). In this research, the transition process in Albania is used as a case study for system change imposed through an

already existing set of motivation imposed on a set of institutions with inherited and preconceived motivations and interests from a different system.

This research will focus mainly on three types of property regimes; private, state and open access. The property regimes will be investigated in looking at impacts on industrial sector, forests and air quality. Private property emphasises individual capacity and willingness to pay for resources as its basis, exercising valuation and cost-benefit analysis for resource management (Vatn, 2005). State property regime leaves the ownership and management of resources to the government, and as this research includes an analysis of state regulation of the environment, it is important to understand this type of resource regime. The governance of property rights through the state does not limit the state as the only distributor of resources, but the actors within this system are controlled by the state. Additionally, an open access regime often occurs in chaotic transition periods seen in many ECE countries because of the rapid changes from state property to private property, thus this research will also analyse the impacts of open access in a transition period. Choosing between these different regimes implies choosing between motivation and what interests to protect. Institutional change is driven by interest and it is therefore important to understand where the emphasis of the interest lies, whether it is common or individual, rooted in a 'I' vs 'We' or 'They'. Environmental issues, such as air pollution and deforestation, are common interests which need institutional change and cooperation through emphasis on "We".

As explained, values and interests are not independent from the institutional context, they are also products of the structure which actors operate within (Wilhite, 2016). Institutions and actors influence each other in a continuous process from simpler to more complex forms of societies and personalities. Human agency creates the societal structures, which again reiterate and constrain human action and creates values and interests (Archer, 1982). The current structural paradigm of neoliberalism emphasises growth, competition and freedom as important values. The values of self-interest carry with them a mechanic picture of the environment, where nature is seen as isolated from economic structure, not as an important aspect of economic structures (Jakobsen, 2011). Therefore, a distinction is to be made between decision based on the common environmental concerns and willingness to pay, i.e. should common environment issues be based on individual willingness and ability to pay, or on a communicative process where arguments and interests from various actors are evaluated and weighed. This process is called value articulation. The individualist method found in the deregulated market valuates decisions through cost-benefit analysis, ultimately measuring values in monetary means and self-interest. Such value articulation fails to address

environmental issues sufficiently, as environmental resources are incommensurable value dimensions where all values are interlinked, and can often not be valued in monetary terms (Vatn, 2005). Making it apparent that alternatives to monetary valuations of decision-making are warranted to catalyse systemic change.

Wilhite's (2016) argues that system impact on values and decisions, i.e. *bounded rationality* explains decision-making through human experience of knowledge in a system. An actor is limited by the information given to them, or that is accessible within a system. Cognitive limitations of the human mind, costs of acquiring material, or time available to decide or collect information all contribute to bounded rationality. Bounded rationality in this case refers to different limitations, but it is important to understand that the rapid system change highly restricting the rationality of Albanians. For example, during communist authoritarian rule there was little information available on environmental degradation, thus environmental issues were not prioritised.

In a neoliberal model where private property and self-interest dominates, the costs of communicating and transacting are low, as there are a minimal number of actors to cooperate with and the emphasis of evaluation is on price and quantity (Hayek, 1960). Cooperation is not facilitated in a neoliberal world, as it emphasises individual rationality over social interests because of cost efficiency. The *free rider principle* explains that if all others do not cooperate, you do not gain from cooperating. Cooperation often happens through distributional measures put in place (taxes, subsidies, policies) for forced cooperation in the market system (Vatn, 2005). These are environmental and social regulations where the transaction costs are higher to benefit the common good. Motivating actors within the deregulated market system, a system where state interference is limited, to cooperate is difficult when the cost of cooperating is higher than the possible cost of not cooperating. An individual will then most likely not cooperate within a system defined by monetary values (Evans, 2012). Neoliberalism creates a system where the responsibility for shared resources are scattered, resulting in a situation where collective action is not beneficial.

3.3 A Framework for the Analysis

To understand the Albanian case study, I make use of the environmental governance system (EGS) framework developed by Arild Vatn (2015), inspired by Ostrom's Institutional Analysis

and Development (IAD) framework (2000). The EGS framework includes the basic rules concerning access to resources, what actors and institutions are present, and how people interact when exploiting resources. Furthermore, the framework helps to explain the various ways in which one can regulate the impact of human action on the environment. In using this framework as a blueprint for developing an adequate framework for this research, it is possible to understand the various levels on which environmental governance takes place – at local, national and global levels - as well as understanding the various political structures and how these interfere with each other. The interaction of the actors within the system and in the systematic changes are understood through the interaction rules.

During the communist period, interaction was based on command rules, where the state formed and protected property rights through central economic planning. In the transition years, the interaction rules shifted when the open market was introduced, and property rights were redistributed into private property. Thus, interaction moved towards trade based rules (Vatn, 2015). The framework uses arrows to show the interaction and impact of factors, understanding that they are not separate element, highlighting a variety of interactions taking place between all elements and at all stages, at different times.

From the outset of this research, determining the point of departure has been challenging, because of the dynamics of different features of the theme. It is expected that the IFIs, here mainly the IMF, are not the only factors impacting Albanian environmental problems and policies as national politics and other national and external relations also influence what policies are adopted. I will therefore conduct a systematic analysis of these relations, using the framework seen below in figure 1, starting with IMF policies being adopted by national authorities in Albania through structural adjustment programmes in the 90s. Investigating the policies pushed for by the IMF and adopted by the Albanian government, gives a clear understanding of various involved actors' interests during this time, as well as what the emphasis for national policies was. The evaluation of the ways in which national policies impact IMF policies are beyond the scope of this research. However, it is important to recognise how national policies embraced structural adjustment by the IMF, while also analysing other factors impacting national policies. In researching the impact IFIs have on national environmental policies, I will specifically look at which policies negatively impact the state of the environment. Here it is important to look at how economic policies indirectly impacted environmental regulations and direct environmental consequences. Through doing this, the analysis measures the balance of emphasis by the government on economic growth versus environmental protection. Again, here it is important to also evaluate other factors impact on

the environment, such as NGOs, the informal sector and the EU. In the analysis, it is imperative to continuously analyse the interrelationships of how economic policies impact environmental regulations, and vice versa. In doing so, the research will investigate the impact IFIs have on governmental motivation when it comes to environmental regulation, as well as how other factors influence each other (see Figure 1). In this research air pollution in urban areas, deforestation and industrial pollution will be used as indicators of environmental impact, not consecutive consequences as climate change. When investigating the relations between economic policies and the environmental policies, I will look at correlation and consider causation. National policies in these areas impact the development in different economic areas, which again cause externalities such as pollution. Pollution itself can also impact IFIs, emphasising the need to have a more sustainable development to facilitate economic growth. What impacts different stages and factors are often dynamic phenomenon, not a singular arrow leading one way. Therefore, it is important to use a framework that captures how different aspects impact, is impacted by, and reiterate each other.
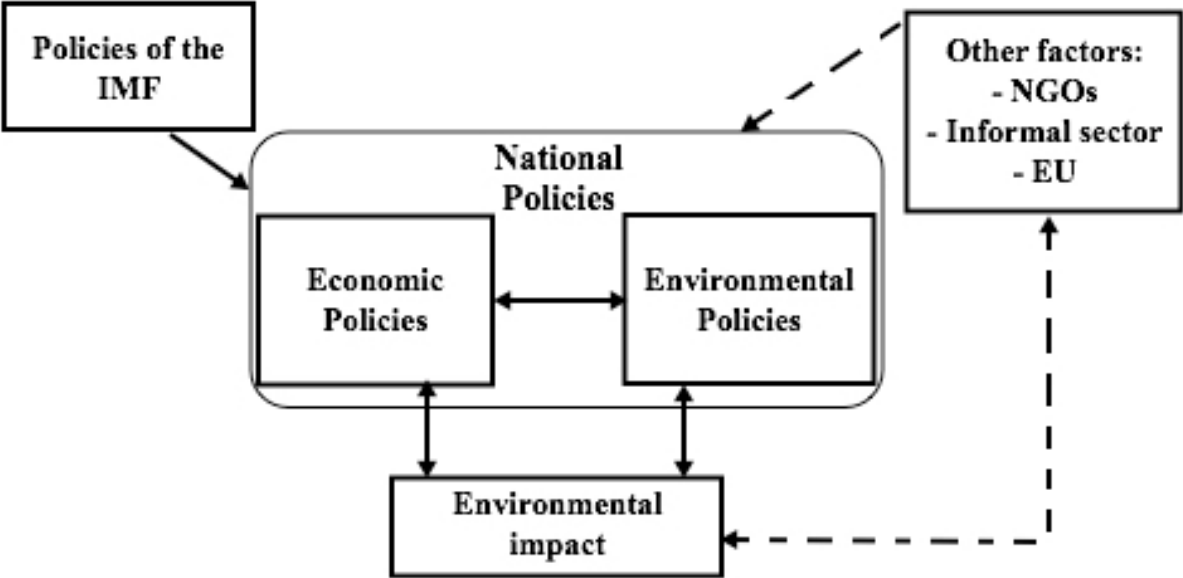
Figure 1: Framework impact analysis

The following section explains the various aspects of the framework investigated in this study more thoroughly than outlined in the paragraph above.

3.3.1 Policies of the IMF

International Monetary Fund (IMF) defines itself as "an organization of 189 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world" (IMF, 2017). All in all, it is a multilateral development bank aiding development of countries with economic problems, or crisis which is a term used by the IMF itself, through financial funding for restructuring. The IMF began its work in Albania following Albania's application for financial aid to rehabilitate the society after grave economic problems towards the end of the 80s. Because of IMFs policy history, location of offices, main contributing members, and mandate the IMF is here used as a neoliberal actor. Meaning that in this research, the IMF is considered one of the key implementers of neoliberal ideology in Albania through its work in the transition period of structural adjustments, and the continued work throughout the new millennium.

3.3.2 National Policies

National policies refer to a state organised decision-making processes, where policy-making include politicians as well as scientists, international pressure, and civil society, but the policies made are to be followed within state borders (Evans, 2012).

National policies will in this research first and foremost include economic and environmental state policies of various Albanian governments from pre-transition to post-transition, thus governing by governments. Mainly for this study, national policies will include; regulations, legislations, programmes and financial activity in regards to the state budget. These factors will help understand the relationship between economic development and environmental protection, as they will show the priorities of Albania in the time of transition, and in the period following transition. Implementation of regulations, legislations and programmes is also an important way to measure the prioritisation of the governments.

3.3.3 Environmental Policies

Environmental Policies is the notion of governance of the environment in a manner which limits the environmental impact of human action. In environmental regulation, many different economic tools can be applied, such as; taxes, tariffs, subsidies, laws, national and international

programmes and treaties, spreading of knowledge, to abate environmental effects caused by human action. This research operates with the understanding that there are multiple actors within the resource regime, with different interests (Vatn, 2005). Thus, various means and tools of environmental regulations are in use. Actors operate on different levels and with different interests depending on the situation and structure the actor finds itself. An economic actor can also be a political actor, depending on the situation and interest of the actor in the given circumstances. This is important to understand and evaluate when looking at a chaotic transition like the one in Albania, going from one given structure to another impacted interests and actions of actors.

3.3.4 Economic Policies

Economic policies as a term is used in this study to recognise government incentives for economic goals set by the government. Economic policies encompass the economic activity linked to resource use, and is therefore managed through various institutions and property rights regimes. Albania's transition from one system to another changed the architecture of institutions – from state property to private property – and consequently the use of resources and environmental impact (see chapter 3.2). The argument of this research is that the economic policies with an emphasis on economic growth and individual utility adopted by the Albanian government from the IMF restricted the possibility of cooperation and environmental regulation. Economic policies directly impacted both environmental policies through financing projects, or hindering financing of projects, as well as the economic activity resulting from economic policies having externalities which negatively and positively impacted the environment.

3.3.5 Environmental Impact: Urban Air Quality, Industrial Pollution & Deforestation

WHO defines *urban air pollution* as 'the air pollution experienced by populations living in and around urban areas (i.e. cities)' (2017). Urban air pollution is increasingly emerging as one of the biggest risks to human and environmental health, the World Bank concluded in a report (2016). Most air pollution is man-made from burning of fossil and bio-fuels to produce energy, letting the carbon and other substances into the air. Thus, this study will look at air pollution,

where the main source of emission is the transport sector (UNEP, 2015) and *industrial pollution*. Some of the most hazardous substances are particulate matter (PM), or more specifically $PM_{2.5}$, and Sulphur Dioxide (SO_2) (World Bank, 2016). Economic policies of increased industrial activity proliferate air pollution, and equivalently decreases it with reduced emphasis on industrial activity. Economic issues are linked to pollution because of health risk, as pollution reduces quality of life and consequently decreases the productivity within the state, impacting economic output and input.

Deforestation is the phenomenon of felling trees to clear forests for other uses such as farming, mining, industrial sites, urbanisation and pastures. It takes place when forests are cut down and depleted for private consumption at the cost of the common good (Humphreys, 2006). Deforestation is often linked to insecure ownership rights common in transition countries as the forests transition from a public good to a common pool or private resource, increasing rivalry. Deforestation can continue under the neoliberal agenda because it promotes private investment in forests, trade in the free market and the voluntary regulation of activity by market actors.

Further, it is important to recognise the difference in impact level of the various factors used to measure environmental degradation in this research. Build-up of air pollution takes time to reside (WHO, 2016), which means that despite environmental policies or programmes being put in place, the effects of these actions may not be seen for a long period. Similar, this is the environmental effect increased urban pollution might have. Thus, this research will be investigating the repercussions of the pollution through statistics, not the environmental consequences of these externalities.

3.3.6 Other Factors

Other factors within this framework, are different actors, institutions and organisations operating in Albania at the time of transition which have also impacted both economic development measures, environmental regulations as well as national policies. It is important to address other factors since processes within a governance structure do not occur in a vacuum. The box with showing impact of 'other factors' on the other aspects in the framework is connected using dotted lines, emphasising that these aspects are not the main stress of the analysis, but that understanding their importance is crucial for valid theorisation. Thus, the study will briefly touch upon these influences: civil society, the EU, World Bank and the informal sector. Civil society is public participation in the decision-making process. The EU is

a regional organisation in Europe promoting trade and a liberal ideology throughout the region by giving consultation as well as financial aid. The World Bank is a multilateral financial organisation, aiding programmes and structural adjustment through financial investments in programmes. The informal sector is mostly identified by its operations parallel to the formal state budgets, governmental governance of a state's policies, and national and international legal frameworks. The International Labour Organisation (ILO) defines the informal sector as 'informal own account enterprises' which are not 'registered under specific forms of national legislation' (ILO, 1993). The Albanian informal sector is present on a national level through high corruption levels, but also has links to the Italian mafia (Pacara, pers. Comm., 2016).

These *other factors* will be analysed throughout the research where they are seen to have an important impact on the decision-making process. However, they will not be appointed own sections within the structure of the findings and analysis.

Chapter 4: Methods

This research is a case study of institutional change from one ideological structure to another, investigating the environmental implications this might have. Thus, the following chapter presents the methodological approach used when collecting data for this study. The chapter aims to clearly outline the steps taken, and justify why the approaches applied were chosen.

4.1 Study Design

The study design is concerned with the approaches and methods used for data collection and analysis, aiding the researcher in answering the research questions with a structured method of collection, means for analysis, and tools to draw conclusions and generalisations to a larger scale (Bryman, 2016).

The aim of the study is to collect detailed information of political interests in implementing various economic and environmental policies, and the impacts these have on the natural environment. The research is presented as a case study, being a detailed and thorough analysis of a single case (Bryman, 2016) – the Albanian transition. Having researched IMF policies in transition countries without a specific case study would have been too broad for the merits of this intended research. The study design can, however be applied to other similar cases in the future, as to draw conclusion from individual cases and compare and theorise, giving the conclusion a stronger hold. Thus, to create a strong argument, both qualitative and quantitative data have been gathered, from primary and secondary sources. However, only qualitative data has been collected through primary sources. Qualitative data research emphasises words and concepts over generalisations in data analysis. Quantitative research is broadly defined as the collection of numerical data sets, often a preference in natural science. The mixed method of qualitative and quantitative research used for this study is called convergent parallel design (Bryman, 2016), taking data set from both methods and comparing them. Thus, you have a complimentary use of different types of data and sources which give this research legitimate conclusions. Allowing quantitative data to be applied in a more holistic way. A mixed methodology is important to give a nuanced analysis of the issue.

A single method for data collection would prove insufficient, as I look at resource regimes, formal and informal sectors, various actors and institutions, socio-economic situations, international and national policies, and environmental impacts. In this study both primary and

secondary data sets are used to provide enough evidence for a thorough system critical analysis of both institutions and actors (Bryman, 2016). However, the written primary sources are of greater significance to this study than the orally collected primary data from interviews. Mixed methods allow for a critical realist approach which can scrutinise interaction of different actors and institutions and better challenge the status quo. By using quantitative data, the research can measure the development of air pollution, economic growth, level of industrialisation and amount of investment. The effect of IFIs and national policies are measured through statistical data by looking at patterns in variables, as well as compare differences. When variables have been collected, one can derive information from the statistics and generalise to see whether there is a correlation. Furthermore, qualitative research will be an important tool to investigate possible causality between these variables.

Since this project will be using a form of mixed methods, it will be difficult to distinguish between and inductive and deductive method, as generalisations which make out theories will be based on data collection of already existing theories. Therefore, this research adopts an abductive method, meaning that the study starts with a theory, derives empirical data from the study design architected from the primary theory, drawing the most likely explanations from this theory. Abductive reasoning does, however, unlike deductive reasoning, acknowledge that the findings might not be representative as a given fact, but theories drawn help us navigate in our surrounding (Dubois & Gadde, 2002).

4.1.1 Qualitative Data

Predominantly, the data used in this study are qualitative data, both primary and secondary, it emphasises qualitative data, as it aims to understand the importance of the relationships between theory and experience (Bryman, 2016). The primary data was collected through interviews and published work. The secondary sources of qualitative data were derived from previously published work. The qualitative data used in this study is derived mainly from a text-based research method, such as content analysis and discourse analysis. Most of the literature used was collected from various online libraries and academic textbooks. Using secondary sources and previous analyses helped inspire the structure of this analysis. As well, previously gathered data helped to determine the level of impact IFIs have on national policies. Using different types of analysis aids the understanding of public perception of policies, and to what extent the public emphasises economic growth and environmental protection. Policy documents

received during field work in Tirana from the IMF, Ministry of EU Integration, environmental organisations and the Albanian government are used to understand the political relationship between international organisations and national political organisations. These are used to measure to what scope the Albanian government adopted policies promoting economic growth and environmental protection. Moreover, this data is also used to investigate and theorise the influence of neoliberal organisations and to what extent external and internal interests have on such national policies. Policy documents are important pieces of data to show what incentives, regulations and legislations are in place for economic policies and environmental policies, so that they can be compared to understand the interests. Through also interviewing environmental organisations, and looking for trends in statistical data on the state of the environment, the research can draw conclusions on these relationships.

4.1.2 Quantitative Data

Quantitative data is data which can be measured in numbers. To understand impacts of structural changes on the environment in Albania, the study will conduct secondary analysis of quantitative data (Bryman, 2016) on urban air pollution, deforestation and industrial externalities. Therefore, statistical data of gross domestic product (GDP), deforestation and pollution will be seen in relation to each other, to try and find a correlation between economic growth and environmental degradation. GDP is used as a macroeconomic measurement to understand the growth that happened during, and after, the transition period. Using GDP as a measurement for this study, does not entail that the author agrees on the normalised use of GDP as a measure of development and success of states. It is an imperfect measurement, but because it has been the overall goal and measurement used both by the government and the IFIs within the structural system of monetary valuation, it gives an understanding of the interests and motivations of actors.

4.3 Data Collection and Analysis

Data collection is the process of gathering empirical information in a systematic fashion which enables analysis of objectives (Bryman, 2016). Data analysis is the process of taking the data which has been collected and inspecting it trying to derive theories from the data set. For this

study, data has been collected differently because of its nature of quantitative and qualitative research methods. The main modes of data collection have been interviews and text-based collection. The data has also been handled differently because of the nature of the data. Under follows the approaches used to find samples of data and how this data has been analysed.

4.3.1 Sampling Approach

Sampling is the process of selecting units and subjects to retrieve data from. For this research, sampling was conducted in a purposive manner (Bryman, 2016), where the research questions were used to discover what types of sample were needed. Two types of purposive sampling have largely been used in this study: theoretical sampling and snow-ball. The study also applied stratified random sampling because the objectives of the research covers different groups within Albanian politics. Thus, the different data sets are representative of the various forms of institutions and actors included in governing the Albanian environment.

Theoretical sampling is used to find and understand what data is needed to suggest correlations and interrelationships one can theorise from (Bryman, 2016). Through collecting data from one sample, the researcher decides where to collect data from next, and continuously implementing or rejecting new data. Therefore, in collecting data, this research has looked at similar case studies, and engaged in a wider theoretical literature with comparable arguments. Content analysis is greatly used in this research, drawing information from various authors with different views of Albanian transition, communism, neoliberalism, environmental governance and structural change. This diversity helps create a nuanced picture of the transition process. Thus, the theoretical framework of this research requires the use of different sampling approaches.

Snowball-sampling was used in the interviews and correspondence with actors, being able to contact people from different positions as one subject referred me to other relevant subjects, broadening my data set (Bryman, 2016). This method for my interviews allowed me to meet actors and contributors I would not have met otherwise, and changed the structure of the research. For example, I believed that the IMF would be by main source for collecting data on IFIs, but through meeting representatives from the Department for EU integration, I understood that the study needed to incorporate other IFIs in the analysis as well.

4.3.2 Form of Interviews

Research interviews are prominent modes of data collection in both quantitative and qualitative research (Bryman, 2016). Before conducting data collection in Albania, I gathered a fundamental background so that the interviews could supplement the statistical data collected in advance. Mostly the interviews conducted during field work in Tirana serves as a tool to "fill the gaps" of the main research conducted through secondary sources. The focus when conducting field work was to interview policy makers, those affected by policies, and NGOs working closely with environmental issues. To create a thorough analysis of the different actors and institutions operating (Bryman, 2016) in Albania during the transition, as well as now, it was important for this research to interview broadly with different actors. Thus, the subjects which were interviewed represented these areas: The IMF, two environmental NGOs, one environmental activist, one person from Santander, one PhD-candidate at the research institute of Geosciences, Energy, Water and Environment, two people from the Ministry of Environment, and two people from the Ministry of EU integration.

The interviews were conducted as semi-structured so that each interview could be coordinated to the different subjects interviewed, and therefore all the interviews could complement each other. The interviews were set up to be individual interviews to avoid the subjects being skewed by the presence of others during the interview. However, some of the interviews included more than one subject, which I do not believe has altered the results. Prior to the interviews, the candidates were asked for consent and informed that the interviews would be taped with a voice-recorder. All subjects were asked whether they wanted their identities kept anonymous or if it was possible to quote them in the paper. They all agreed that exposing their identity was not a problem. The interviews were transcribed and coded to make generalisations from the findings.

4.4 Limitations, Challenges and Trustworthiness

This section will briefly outline some of the limitations and challenges met when conducting research, highlighting weaknesses the final product might have, which again strengthens the legitimacy and trustworthiness of the study. Being aware of possible shortcomings is an important quality of a research.

4.4.1 Limitations and Challenges

The main limitations of this project have been the language and time frame. I have little knowledge of the Albanian language which created some obstacles for the project, as many websites and online documents are in Albanian, as well as a problem when conducting interviews because of the language barrier. It also proved difficult to retrieve old documents from federal organisations, because some of these were in Albanian, as well as some of the documents have been misplaced (especially by the IMF). Also, many of the subjects which were interviews did not hold their current positions during the transition, and had limited information on motivation and interests of policies put in place during the transition period. Moreover, the nature of the research questions has changed since the field work in Albania, and correspondence with the subjects to alter the interview questions has been difficult. Thus, some of the subjects interviewed have not been directly incorporated into the research, but have aided the development of the framework for the research (i.e. the meeting with the Ministry of EU Integration). Language barriers can cause problems during interviews if questions or answers are unclear, misunderstood, or not being articulated. The time schedule was a problem as the time I calculated for conducting field work in Albania arguably was limited. However, the plan at the outset was that the interviews would not be the foundation of the data collection, but to fill the gaps and verify of the preconceived theories.

Additionally, one of the main documents used in this research to understand the development and state of the Albanian economy, is an IMF report from 1992, written by Bléjer et.al. This report investigated and analysed the past events of Albanian economic history, trying to understand the structural adjustments needed in the transition process. Relying heavily on this report is somewhat contradictory to the analysis, as the IMF is under scrutiny in this research because of its economic policies. However, the report has been read knowing this, and is one of the few detailed analyses of the pre-transitional era. This report will be one of the main documents used in understanding pre-transitional economic policies in Albania, as well as help understand how these policies impacted environmental protection and regulation.

Monitoring and reporting of environmental consequences have not been the priority of the Albanian governments, or international actors, thus the data set on environmental impact from communist rule to the neoliberal economy is inadequate on its own to give a sound conclusion of causation between the neoliberal transition and environmental degradation. However, some of the data gives clear correlations on environmental changes together with the

rise of GDP, and together with qualitative secondary data and interviews, the conclusions made are believed to be valid for this case study. Furthermore, a great lack of political will and implementation of environmental legislations, protective programmes and regulations, now and then, show possible implications the neoliberal agenda has on environmental protection. The research questions have changed throughout the course accordingly with new findings. For example, environmental degradation under communist rule was not understood to be of a great significance, thus the pre-transitional era was not planned to be incorporated into the analysis in the manner which it now has. This expanded the research and work load beyond what was expected.

The study has chosen to mainly focus on urban air pollution, deforestation and industrial externalities as indicators of environmental impact, and analyse these aspects in relation to the rise of neoliberalism. Other factors such as waste management and water quality could also have been used in this research, but as explained in chapter 1, the three chosen aspects are suitable to systematically analyse and theorise from. Also, as explained in section 3.3.5, the impact of neoliberalism is difficult to measure in the early transition years, as the output and impact of the new structures must come after the introduction of the new inputs - consequence cannot come before cause. Therefore, this study must be understood from the direct pollution or deforestation, and not environmental impacts in the long-term.

4.4.2 Trustworthiness

Trustworthiness in qualitative studies are related to four factors: credibility, transferability, dependability and confirmability (Bryman, 2016). Credibility regards the use of multiple sources when reaching conclusions and making generalisations. In doing so, it gives the opportunity for both the researcher and the reader to cross-check information, as well as it strengthens the argument of the findings. Hence, in this research adopted a mixed methods approach, indulged in interviews with different actors, a broad selection of literature and statistical findings from contrasting sources. In addition, interview guides for all the interviews have been attached as appendices to ensure reliability of the research (Bryman, 2016).

Findings in qualitative research are often specific to the context of one case, and might not be transferable to other cases beyond its own study. However, the conclusions of this study can be used for inspiration to conduct similar studies; the framework is helpful for analysing case studies and can be used for similar researches.

Confirmability concerns the objectivity of a research. Objectivity in research has already been addressed as something that is impossible to achieve in qualitative studies. It is important to be aware of one's own subjectivity when conducting research, and how this might impact the conclusions drawn. Within this subjectivity lies the political position of the researcher, background and personal values. Being aware of these factors can help the researcher limit the biased when conducting the research. Preconceptions should never influence the data collection or analysis of the data.

4.4.3 Ethical Considerations

Ethics is an important issue when gathering data and conducting field work, especially when using qualitative data collection methods like interviews. It is important to keep in mind the biases of the subjects one interviews, as well as the sensitivity and anonymity of the participants. Additionally, one must be aware of one's own bias and how that comes across in the questions as well as when conducting the interviews. Informed consent is an important aspect when gathering data. This implies that an interview respondent is informed about the goals of the research and what the research will be used for (Bryman, 2016). Getting signed or oral permission is important to keep validity and trustworthiness of the research. It is of the researcher's responsibility to keep the participants safe, and their identity private. For this research, all respondents were informed of the merits of the research, were asked for consent, had the opportunity to withdraw at any time, and were also asked by the researcher for permission to record the interviews.

Moreover, one of the most important ethical considerations in conducting research is plagiarism. Plagiarism is to take and use someone else's work and present it as one's own work (Bryman, 2016). Self-plagiarism is when a person takes one's previous work and republishes in a new context. Therefore, when using sources and the work of others, it is important to make citations and quotations where the work used is not your own, as applied throughout the study.

Chapter 5: Pre-Transition Process (1950s-1990)

Little was known internationally about the state of the Albanian state during the communist rule as limited information flew across the borders of the state. However, Albania often was defined as one of the financially poor and underdeveloped countries in Europe. The economic model based itself completely on central planning and no private ownership over means of production (Bléjer et.al., 1992). In all, Albania during authoritarian communist rule was highly isolated from the surrounding world. Despite some efforts to emerge from isolation after the death of Hoxha in 1985, towards 1991 (Abrahams, 2015; Bléjer et.al., 1992; UNECE, 2002), this research defines the period from 1985 to the end of 1990, as included in the pre-transitional period. This because not sufficient measures of international aid and involvement was re-established until 1991, and this is one of the main factors this research looks at in the comparative study of structural regulation of environmental issues.

Albania's industry during the communist era initially persisted of cement plants, food processing, flour milling, cigarette making and fellmongers. With the help of China, Albania also expanded into oil, chemical, mining, basic metal, textile, clothing, lumber and hydropower (Abrahams, 2015). Most of this transition took place in the 1970s, which changed the politics, priorities, interests and governance of the Albanian government. Thus, this chapter will mostly investigate the events and policies after mid-70s, where the distinct Marxist-Leninist communist rule defined Albania's present and future through strict command interaction rules. Here follows an outline of national policies and environmental impact during authoritarian communist rule, as this is important to conduct a comparative study of environmental implications of economic sytems.

5.1 Emissions and Deforestation

Pavlinek and Pickles (2000) explain the environmental impact of communist regimes in Central and Eastern Europe in the late 1980s as a problem of ´centralised bureaucracies, massive and inefficient agricultural and industrial enterprises, the prioritising of production over other social goods, and weak civil societies´ (p.6). They also argue that polluted and unsafe environments were one of the triggers for political unrest which took down communist rule throughout the region.

Despite little governmental action prior to the 90s, to monitor hazardous emissions and other forms of environmental consequences from human action, a range of reports have concluded that in the centralised and planned societal structure of Albania under communist rule, most of the emissions came from the industrial sector (Bléjer et.al., 1992; UNECE, 2002; UNEP, 2000; IEP, 2015). Industrial activities made use of obsolete technologies which contributed severely to the number of hazardous externalities of toxic chemicals, both in water supplies, soil, and furthermore GHG-emissions. The major sources of air pollution from industries came from chromium smelting, copper, cast-iron and steel metallurgy, and thermo-electric production. Some of the most prominent industrial sites for these processes were: the Caustic Soda Enterprise in Vlora, the Metallurgic Combine Complex in Elbasan, The Battery and Accumulators Enterprise in Berati, and the Cooper Smelter Enterprise in Rubik (UNECE, 1997; UNEP, 2000). By 1990, coal and oil made up approximately the same percentage of GHG-emissions, 48 per cent per sector (UNECE, 2002).

Air emissions from transport, on the other hand, were quite limited in Albania at the time of communist rule as inter-city movement was predominantly done by walking as privately own cars was a non-existing phenomenon. In 1989, there were only a total of 2000 cars in the whole of Albania, and most of the transport in larger cities such as Tirana were by foot or bicycle (Pojani, 2010). The cars that were present however, used led-heavy fuels or diesel, resulting in negative environmental impact regardless of the reach of these externalities (UNEP, 2000). Additionally, personal consumption rose by 2.5 percent during 1980-85 and by 3.6 percent during 1985-1990, bringing with it externalities and resource use fuelled by high-intensity energy mechanisms, as well as polluting production sites. Social consumption during the most isolated period, the 1980s, had a growth average of about 1.5 per cent annually (Bléjer et.al., 1992). Thus, changes in national policies and the economic situation throughout the pre-transitional era clearly had both negative and somewhat positive impacts on emissions and the environment.

Deforestation became a vast problem towards the end of communist rule. The World Bank estimates that annual felling was twice as high under Hoxha than what it was in 1992, when the allowed annual cutting was set to 1,031,000 hectares (World Bank, 1996). This leading to consequences for water irrigation through heavy erosion. This intensified felling was to clear land for agricultural purposes as well as for the use of fuel for the industrial sector (Pojani, 2010).

5.2 National Policies

Because of the isolated and closed system, little information escaped the hold of a centralised bureaucratic government, and thus knowledge of the pre-transitional economic is limited. A few documents are available to retrieve information which can sufficiently aid reconstructing an adequate picture of the Albanian pre-transitional economic history. What we do know, is that all economic activity was dominated by central planning, with an orthodox Marxist-Leninist leader (Abrahams, 2015). There were no strong democratic values such as public participation in decision-making processes (UNECE, 2002), thus the national policies came from a top-down hierarchy with emphasis on the interests of those in governmental power where the achievement of physical production targets was the primary aim of the economic policies. The IMF report from 1992, listed the financial and economic qualities of the communist rule of Albania in this way:

> *As in other centrally planned systems, the primary role of macroeconomic policies was to ensure the achievement of the planned physical targets. Fiscal policy was used to mobilise resources and channel them to fulfil the quantitative plan, while monetary policy was largely passive and essentially was to accommodate the resource requirements. Interest rates played no role in allocating resources, and exchange rate policy was limited to determining the rates for accounting purposes, as domestic prices were insulated from changes in world prices through a system of taxes and subsidies. (p. 34)*

5.2.1 Economic Policies

Money and credit played a rather passive role in this Marxist-Leninist system. With a limited capital market system, the state budget was the principal tool in allocating and distributing resources to reach planned targets. State monetary policies were insufficient and almost non-existent; their main objective was to balance the state budget and profits of the state-owned enterprises. The central bank (State Bank of Albania) oversaw the transfers of resources for meeting the planned targets of the government (Bléjer et.al., 1992). Up until 1991, the centralised public sector was responsible for nearly the whole economy, the public sector included; the enterprise sector, the agricultural sector, and the financial institutions, amongst others.

Industrial activities were also controlled by the state, together with most economic and political activities. Despite being a closed-off country with a market mainly operating within state borders, from time to another also with international partners, industrial production was heavily emphasised. One of the main driving forces of increased industrial activity was the militarisation of the communist rules, as this demanded heavy industrial activity. Hoxha was a paranoid leader, setting up bomb shelters all around the country for protection of any possible external, or internal, threats. In 1990, Albania spent 11.3% of the total state budget expenditure on military forces (Abrahams, 2015). The portion can be thought to be even higher during the most intense periods of authoritarian rule. Industrial activity and deforestation were driven forward for economic gain and creation of employment, and there were no environmental regulations or considerations during the decision-making processes. However, with tight control over natural resources and lack of proper financial funding for activities, environmental impact in Albania was somewhat restricted.

Internal and external trading activities were controlled by the state. Domestically this was carried out through state control of property rights, where some consumer goods were distributed through shops and outlets run by cooperatives, but mainly managed by the state-owned enterprises. Public income amounted to only a few hundred dollars per year, this relative to current inflation (IMF, 2012). For external trade, the state had set up a few specialized enterprises to manage foreign affairs. This authoritarian, hierarchical domination of production, economic policies and property rights prevailed well into 1990 (Bléjer et.al., 1992). Different enterprises were responsible for setting targets, approved by the government, and reaching these targets. After 1985, penalties of reduction in salary was set up if an enterprise did not reach its set target. One of the main economic goals of the Albanian government was full employment (Bléjer et.al., 1992).

When Albania cut its ties with the communist allies, one by one, the country had to sustain its own income, prior to this much of the budget deficits were covered by Soviet and Chinese capital inflows (Bléjer et.al., 1992). But in the late 1970s, these large amounts of foreign credit inflows were frozen, and the Albanian government was forced to cover the budget deficits on its own. Hoxha believed that Albania could stand alone after a strong growth in industrial economic activities from the 1970s. The government believed that by reallocating investments, the growth in production of consumer goods would sustain and thus provide the country with capital inflow. The government rooted its actions in 'the idealisation of national self-reliance as a guiding tenet of economic policy' (Bléjer et.al., 1992). This glorification of strong national protectionism allowed for the economic autarchy to flourish. The economic

strategy was symbolised in the creation of a new constitution in 1976. Here all private property was abolished and all foreign investments, aid and credit were banned (Abrahams, 2015). This move ultimately led to financially isolating the country. All foreign exchange was managed by the Government, through planned total value of exports and imports in relation to the enterprise targets for exports and imports. There were no customs duties of tariffs attached to exports and imports under the foreign exchange plan (Bléjer et.al., 1992).

One of the main investments carried out with the help of China was in the oil industry. When the bilateral agreement with China ended in 1978 (Pashko, 1993), Albania opened for export into other markets through bilateral trade agreements with other communist or centrally planned states, in efforts to expand the potential of the Albanian economy. The oil crisis of 1979, also helped relieve some of the budgetary stress Albania saw after its further isolation from China, as Albania exported electricity to neighbouring countries made from the oil sector. Also, the reserves of oil and gas supplied domestic needs of petroleum, aiding industrial production of chemicals (Bléjer et.al., 1992).

There was some favourable economic development in the process of isolation from its previous communist allies, intensified industrial activity as well as growth in the agricultural sector was seen at the end of the 80s (see Figure 2). However, Albania did not adjust well to a situation of self-sufficiency in the long term. The Government responded to loss of foreign aid with an escalation in production and export of the main sources of income: oil, chromite, copper and electric power (UNECE, 2002). Albania deeply committed itself to the Stalinist model of heavy-industry development, rather than to develop its potential in raw material production (Bléjer et.al., 1992). The government continued to invest in high-level industrial activity throughout the 1980s, with little revenues from the global market, and in 1983-1985, the fiscal imbalances were a fact (Bléjer et.al., 1992; Abrahams, 2015). Albania had been highly dependent on Chinese and Soviet assistance in the past to balance and cover budget deficits, and now that this support system was eradicated, aggregate demands fuelled by monetary growth and fiscal imbalances grew rapidly (Bléjer et.al., 1992). Additionally, the foreign exchange plan did not include tariffs or customs duties, depriving the state budget of yet another possible income, further complicating the economic situation.

The switch to emphasise production of capital goods and heavy industry reduced the growth rates of internal capital amongst the public and thus consumer goods production diverged, giving little returns of the industries back to the state. Initially, this resulted in a slow-down in economic production, making visible the serious economic imbalances, on both national and international levels.
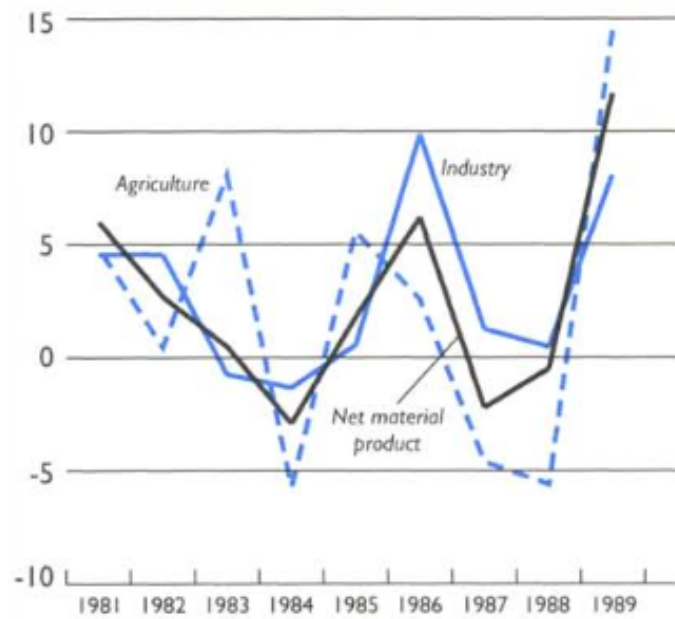
Figure 2: Sectoral Growth 1981-1990 (Bléjer et.al., 1992)

The failure of the institutional structures and the poor decisions of the government stagnated industrial production. Much of the reason for this was the outdated machinery and equipment inherited from Soviet and Chinese aid programmes, 20-40 years earlier. The intensified use of infrequently replaced and deteriorating technology resulted in low and slow results in production. Secondly, the constitutional ban on foreign credits, robbed the country of a heavy inflow of capital goods from China, financed by long-term credits (Pashko, 1993; Abrahams, 2015). This left many projects unfinished having grave impacts on the industrial sector. The Albanian official budget did no longer receive enough revenues to cover losses in industrial sectors, and the unofficial Reserve Fund (a non-transparent state fund which ran parallel with the official state fund to cover fiscal deficits) quickly started to diminish. Thus, the economic growth in the mid-1980s amounted to an average of about one per cent per year, down from approximately five per cent yearly in the 1970s (Bléjer et.al., 1992).

In 1990, the industrial sector in Albania accounted for approximately 45 percent of net material product (NMP), absorbing 42 per cent of the gross investment of the state budget[1]. Furthermore, state investments in Albania in material production amounted to nearly 83 per cent of the total net investments in the late 1980s. By 1990, heavy industry (electric products,

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[1] Net material product calculates the production of material production sectors only, excluding service sectors which are included in GDP calculations. A common measurement in communist states, having the same conceptualisation as GDP (Bléjer et.al., 1992).

mining, agriculture, transport) represented approximately 31 per cent of the total industrial output (Bléjer et.al., 1992). Despite this, the average capital productivity between 1981 and 1990, continuously decreased. Industrial production fell by 7.5 per cent in 1990, to a below-1985 level, much because of the inability to continue pre-isolation levels of investments. Thus, it is evident that the Albanian state budget had a very limited playing field in subsidising and regulating other sectors as the output of the sectors in which it invested was insufficient to cover budget deficits. During the period of emancipation from China, Albania had to manage the economy under conditions of financial autarchy. With difficulties in covering budget deficits, it became apparent that further tightening state command over the system was necessary. Consequently, the budget deficit aggravated misallocations of resource management even further, as the emphasis was on industrial activity and socio-economic problems (Bléjer et.al., 1992).

5.2.2 Environmental Regulations

Before 1990, Albania had made very few international environmental obligations, only ratifying the Convention concerning the Protection of the World Cultural and Natural Heritage (UNECE, 2002). Additionally, the access to environmental information was close to non-existing for the Albanian population. In Albania, as in other centrally planned economies in ECE, investment mainly emphasised the need to increase heavy industry and construction activity (Bléjer et.al, 1992). Prioritisation for environmental conservation and protection was therefore close to non-existing (IEP, 2016) and there was no environmental ministry established in Albania under communist rule (Pavlinek & Pickles, 2000). Thus, the responsibility for environmental protection was given to different ministries, weakening the implementation and effectiveness of regulations. However, some policies were introduced during the communist rule, such as policies on forestry from 1980s to early 1990s. These policies included the restriction on felling to a sustainable level, increase forest plantations and improve technology to reduce waste and inefficiency (World Bank, 1996).

The Directorate General of Forests and Pastures had until 1990 over 1,600 employees, responsible for the administration and development of forestry and pastures (UNECE, 2000). During communist rule forests were property of the state under the State Forest Commission, with local workforce in every district managing the use of the forests and providing work for villagers (de Waal, 2004; Sikor et. al., 2009). Herein rests the responsibility to manage disease

control, replanting, felling, care of trees and sale of timber. The system secured against illegal felling of wood. Towards the end of the 1980s, the economic situation and effort to rejuvenate the industrial sector demanded felling to a higher degree than the carrying capacity of the woods. Substantial amounts of forests were also cut down to allow for farming crops and pastures also in the hillsides. However, from 1990 spontaneous rebellions against the state-owned system started. This was a result of the diminishing control of the government and dissatisfaction with the political and economic situation (de Waal, 2004). The state failed to control illegal felling with proper state policies.

Because of the Marxist-Leninist ideology which dominated the country, heavy theoretical influence was found in Marxist theory, where natural resources were valued as a means for the development of the human society (i.e. means of production). Little concern was given to environmental degradation from human activities. Quite the contrary, under communist rule, environmental degradation was considered a temporary consequence to be dealt with through scientific and technological development. Additionally, negative impacts on the environment were a direct outcome of state policies, and at the same time the state was responsible for preventing environmental degradation (Varese, 1997). Government policies emphasised exploitation of natural resources to meet the determined economic targets. Here the state was directly involved in environmental degradation through state enterprises, and state and collective farms (UNECE, 1997). Additionally, the revenues of the industries were low, so that the state did not prioritise environmental regulations over development and use of industrial technology. As the technology was old and in need of modernisation and repair, few factories had technological advantages for limiting externalities such as: air pollution, waste-water management, etc. (UNECE, 2002), and no state regulations were introduced to promote this.

A legitimate claim to as why the environmental regulations during the autocrat rule were insufficient, is that the stream of knowledge on how human action impacts the environment was limited or unattainable to the majority of the population. Because Albania was closed off from the global intellectual and academic word, only those at the top, mainly Hoxha and the rest of the political elite, could obtain knowledge of possible environmental impact. Additionally, by this time, there had been little research on the implications of human action, except for some work such as The Tragedy of the Commons (1968) and The Limits to Growth (1972). However it is likely that these publications did not reach the Albanian public, or even attract the attention of the authoritative leadership. Abrahams (2015) describes a closed-off state where foreign literature was reserved in a collection for the authoritarian leader himself; 'the large library, full of banned books, (…). Shakespeare, Nitetzsche, and Dostoyevsky lined

the shelves, as did writings by Lenin, Machiavelli, and Joseph Fouché' (p.15). Thus, the Albanian people as well as its leaders were confined in the information flow, and their interests were thus shaped by this in terms of bounded rationality.

5.3 IMF Influence

Because of the ban on foreign investments introduced in the 1976 Constitution, Albania did not receive financial aid from the IMF until 1991. It can be argued that to some extent international organisations had some impact on Albanian policies during communist rule as well because of their prominence around the world. However, such influence was one of a scare-tactic used by the government, much like that which we witness in North Korea and have seen in other isolated countries around the world; a system in which foreign organisations and investors are held up as propaganda against a systemic change. All in all, foreign influence in its whole was limited until the ban on travelling outside of Albania was lifted in the late 1980s (UNECE, 2002). Families could reconnect with each other across borders and introduce Albanians to alternative governance systems. However, all foreign transactions were still controlled by the government through plans approved by the government and there was also a foreign exchange budget controlled by the government (Bléjer et.al., 1992). The international cooperation which took place was, until August 1990, fully centralised.

5.4 Summary of Findings

Environmental problems during communist rule were linked directly to the government, as all aspects of life were under tight authoritarian, centralised control. One example highlighted when conducting field work in Albania was the problem of littering. Littering was not an issue in Albania prior to the 1990s, as everything was recycled because of limited access to resources. Glass, paper, food waste were all used in a circular manner. Additionally, plastic was not introduced as a household product to the same extent as in the rest of the EU until later when the market was liberalised and borders opened for trade and foreign actors could promote their products in Albania (Pacara, pers. Comm., 2016). Additionally, the policies introduced for sustainable forest management were not followed, as seen with an increase in felling towards

the end of the communist era. Thus, environmental protection was side-lined for socio-economic problems, and creation of labour was highlighted in importance.

It is evident that economic and social reforms were, to various extents and levels, happening throughout the communist system as well, affecting the environment and lives of the people. However, changes under this system were detained to changes within the system, unlike the reforms which started to take place at the end of the 1990s, revolting against the old system and creating a new one. Most of the changes under communism had an impact on economic development, with little concern for environmental situations. The strict communist rule saw natural resources as a means for economic development, despite the use of collective and state property rights, which inevitably had environmental consequences for further economic development. Deforestation became a problem during this time, instigated by the government to clear land for agricultural purposes and primarily access profits. Moreover, budget deficits limited the reach of the state budget. Thus, efforts to cover budget deficits through the intensification of industrial activity had negative impacts on the environment because of increased externalities and deterioration of natural resources. When the economy declined sharply from 1982 and until 1992, factories had to shut down, as the government could not meet further deficits, pay workers and keep production going (Pashko, 1993). The environmental consequences of these are ambivalent. On one hand, reduced industrial activity resulted in a reduction of externalities; on the other hand, factories were often abandoned without the state initiating a clean-up, and no clear definitions of environmental responsibility were present (UNEP, 2000). Investing in environmental regulation was practically not possible within the system which emphasised economic policies, without access to proper information on environmental issues. Because of the financial and economic situation in Albania at the end of the 1980s, socio-economic problems started to worsen, leading to civil unrest and the demand for systemic change by the public.

Chapter 6: Transitional Process (late-1990-1993)

Emerging as one of the poorest countries in Europe in 1990, made it apparent that Albania needed economic and structural readjustments (GRIDA, 1998). In 1990, Albania's economy had declined drastically in measures of NMP and GDP, much because of severe damages inflicted on nearly all areas of the economy stemming from a drought. Stern supply constraints were clearly reflected in production halts, food shortages, and an insufficiency to import the necessary inputs. The industrial sector became subject to reoccurring power shortages, the productivity of the agro-based industrial inputs and exports declined, and a curtailment of trade with Central and East European trading partners caused scarcities in access to raw materials (Bléjer et.al., 1992). These factors catalysed the already existing dissatisfaction with workers and overall political turmoil apparent in the Albanian society. Thus, strikes and labour -and student-unrest became a reality by mid-1990 (Abrahams, 2015). The Albanian government, population and international institutions were therefore eager for a rapid transition into multilateral liberalisation in hopes to to facilitate economic growth and development (Kaltani, 2007).

This chapter looks at the period from late-1990 to 1993 as the crucial period of transition. The Albanian government started some economic and institutional reforms already in the late 1980s, however, the structural changes of international influence did not start specifically until late-1990s, and were the most intense for the period visited in this chapter. The start of the further structural changes is explained in the IMF Occasional Paper:

Since August 1990, private activity in internal trade has been allowed in services such as restaurants, sales of fruits, vegetables, and meat, and some areas of commerce. The growth of private trading is reflected in an increase of nearly 9 per cent in the total number of shops and stores in the country in less than a year, compared with an average annual growth in the past decade of less than 2 percent (Bléjer et.al., 1992, p).

6.1 Emissions and Deforestation

For Albania, in the late 80s and early 90s, emissions of air pollutants (CO_2, $PM_{2.5}$ and SO_2 especially) reduced correspondingly to factories and industrial enterprises only operating

at a low capacity (GRIDA, 1998), as the Albanian government was incapable of covering the costs of the deficits in the state budget. After the transition started and until 1997, industrial pollution went down by 34 per cent (GRIDA, 1997). However, the pollution from communist heavy industry pollution was inherited. The national policies in the transitional period impacted the environment instantly, as well as for many years to come. For the country in the first nine months of 1993 and 1994 combined, the total SO_2-emissions were over 26 million/m^3, where most of the emissions came from the industrial sector in the first measured year (GRIDA, 1998), showing continuous reduction in industrial productivity. The overall GHG-emissions in Albania reduced by almost 60 per cent from 1990 to 1994. The largest drop came from emissions related to coal extraction and exploitation, by nearly 90 per cent, while emissions from oil activities also descended by 30 per cent (UNECE, 1997). Chemical industry pollution has been decreasing from 1993 to 1994 as well, because of chemical enterprises have operated at low productivity or have been futile (GRIDA, 1998).

In the early 1990s, contribution to air pollution from households also fell, a result of change in energy sources from fossil fuels in to electricity fuelled by hydropower plants (UNECE, 2002). During the years of transition, the energy sector polluted higher levels of CO_2 than the industrial sector (See Figure 3), regardless of their mutual reduction in environmental impact after the shift in technology, machinery and resource use. However, after the fall of communism, demographic migration into cities started, emphasising the need for construction to sustain urbanisation. Intensified construction increased particle matter pollution in cities such as Tirana, worsened by the high levels of inter-city humidity which is native to Tirana (Hasimi, pers. Comm., 2016).
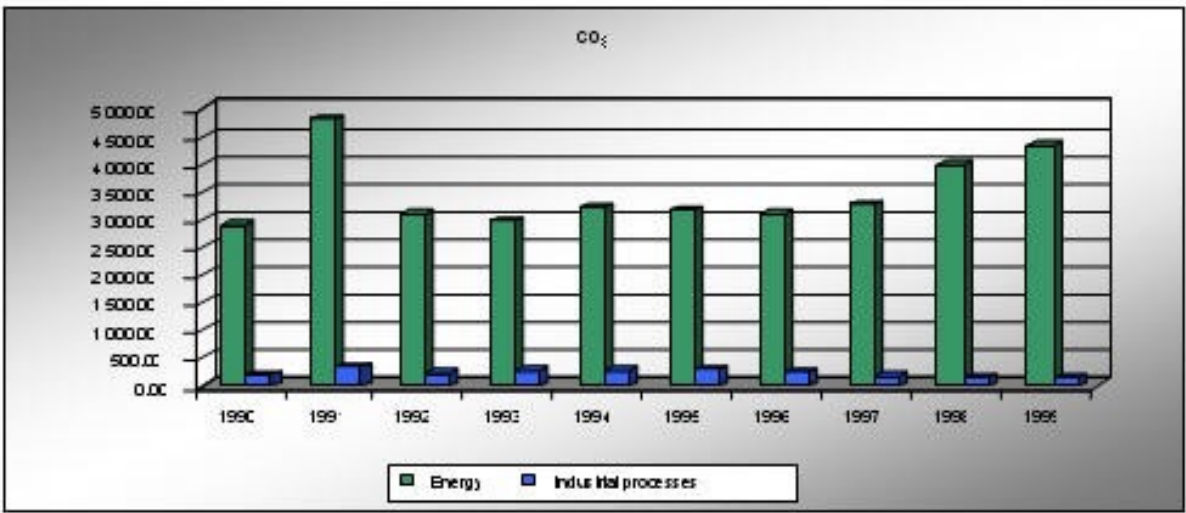
With urbanisation came a rapid increase in emissions from private vehicles in the early years of transition. A considerable amount of used and over-used vehicles from other European countries were imported quickly after the transition, resulting in increased acid gases emissions into the atmosphere, such as SO_2 and NO_X (GRIDA, 1998). The number of privately owned vehicles grew continuously over a short amount of years, private cars went up from 11 per 1000 inhabitants in 1992, to 18 cars per 1000 in 1993 (see Figure 4) (GRIDA, 1998). The UNECE reported in 2002, that nearly all cars in Albania were still equipped with diesel engines or running on lead-based fuels, resulting in sustained growth in emissions of SO_2 and PM per kilometre throughout the transition process. Cars were older cars imported from European countries, mainly Germany and Italy, not following new EU standards in technology and externality measures for vehicles (Hasimi, pers. Comm., 2016). Also, the lead-based fuel kept up its popularity in Albania because of the low price, portraying the economic situation of the country, and the impact this can have on environmental regulations.
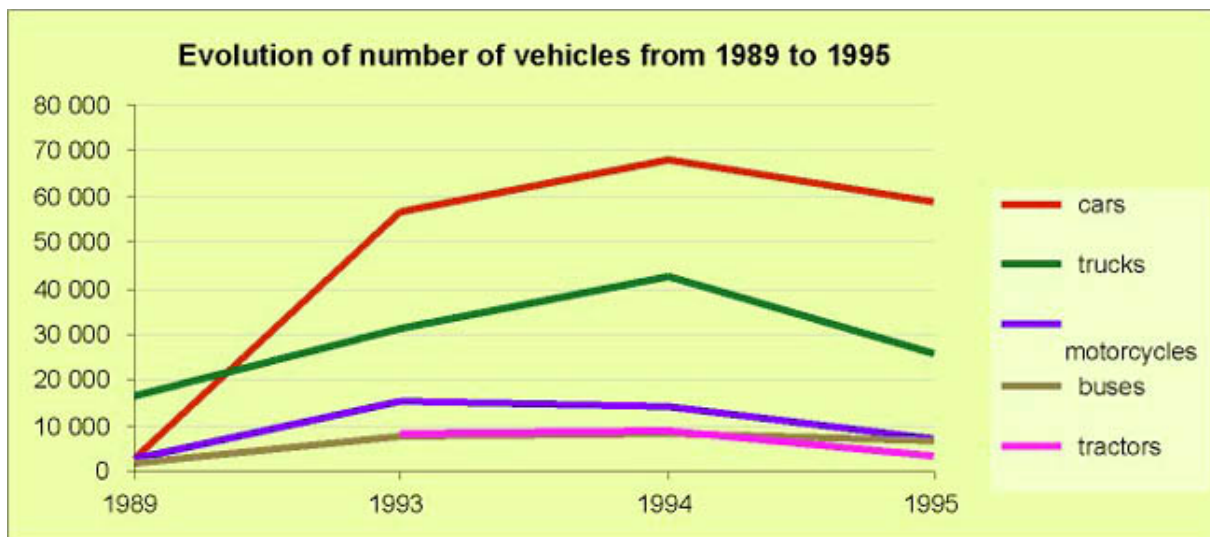
Figure 4: Evolution of number of vehicles in Albania from 1989-1995 (GRIDA, 1998)

Alongside the sky-rocketing of pollution from privately-owned vehicles, problems of deforestation persisted. The DPA which came to power in 1992, with Sali Berisha as the president, implemented criteria for sustainable forestry from, claimed by a World Bank report (1996). The annual allowable cut was calculated to 1,031,000 hectares and in 1993, the surface

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fund had reduced to 3700 ha in a year because of vigorous felling (CEP, 1994). Starting in 1992, the UN Food and Agriculture Organisation (FAO) and World Bank monitored and analysed changes in Albanian forests. FAO highlighted the problems with Albanian forest management as 'unsustainable wood harvesting' due to illegal activities; conflicting land-use; not met potential of the market due to inefficient institutions; lack of knowledge and transferable skills of management due to lack of training; and environmental issues as not receiving enough attention (World Bank, 2000). Despite there being little data on legal and illegal felling in Albania during this period, the laws, programmes and policies put in place to undo the wrongs from the past must also be scrutinised.

6.2 National Policies

Going from centralised governmental planning of property rights to decentralisation and privatisation through deregulated markets created uncertainty over ownership and resulted in somewhat anarchical conditions over resource access (Bléjer et.al., 1992). Baker et. al (1998) argue that in transitioning from a closed communist rule to an open market system, the development of a strong civil society can prove difficult, and therefore populations can detach from environmental interests in reform processes. This argument they derived from looking at other transitioning countries of the time, such as Poland, Slovakia and Bulgaria, where environmental concerns were undermined, or indeed ignored, in favour of economic growth. Therefore, this section will outline the reforms undertaken in Albania from 1990-1993, looking at economic policies and environmental regulations. Debating whether the policy steps taken during transition alienated environmental interests for economic interests, and stopped implementation of sufficient regulations against negative environmental consequences.

Low industrial activity and economic outputs was a trend also for other ECE transitional countries (Baker et.al., 1998), industrial sectors fell apart and production was halted. A termination in production leads to reduction in negative environmental consequences, as the externalities are limited when production is reduced. However, during chaos in the early transition years, resources were further mismanaged because of the lack of a proper legal frameworks and regulations of resources. During the early transition-period large areas of forests were cut so that individuals would be included in the market liberalisation and economic growth. People in strategic positions took advantage of natural resources through their power

for personal gain. Such misuse of power for personal gain is a consequence of the transition of rights from one arena to another (Mato, pers. Comm., 2016). Corruption was a common phenomenon also during communism, but mostly reserved for political elites where high positions within the social structures were misused for personal gain. Thus, in the transition period, corruption was adopted and mainstreamed into the new system, where for example the claim to a forest was done by the village head, and timber was sold for personal economic profit. After acquiring a satisfactory profit, the village head would move to a city to buy real-estate and settle. Left was the population of the village with a portion of the profit, as a subsidy for the resource use, and lacking a vital resource for the community to participate in the economic transition (Mato, pers. Comm., 2016). All in all, it can be said that this was a 'tragedy of open access', where the property rights were not adequately defined in the new system, and the use of the forests were not regulated (Vatn, 2015). Without sound institutions to define rights to resources, problems occur. As Hashi & Xhillari explain: 'The period between the fall of the old system and the establishment of the new government was characterised by a serious dislocation of economic order, aggravated by widespread vandalism, destruction and theft of public and state property' (1999, p.102). The experience of deforestation in Albania remained a major problem for decades, as problems of drainage and flooding were persistent consequences of poor institutionalisation of property rights.

6.2.1 Economic Policies

After decades of state-centralised control of an isolated and limited economy, Albania faced many challenges by late-1990s. The IMF (1992) explained the Albanian situation at the outset of the transition process clearly:

> *During 1991, Albania portrayed a grim picture of poverty and economic decline in Europe. Even though it was trying to shed its legacy of economic and political isolation, its starting conditions and reform prospects were daunting. The administrative system had virtually collapsed and social unrest and crime were on the rise. Despite its poor economic performance and against many obstacles, the authorities nevertheless made efforts in effecting liberalization measures, particularly those relating to structural reforms in the agricultural sector.* (p. 54)

The events of the late 80s and the early transition threw Albania into a state of economic chaos. Inflation soared and production in both industrial and agricultural sector dropped quickly. Albania was faced with food shortage and civil unrest. Shortages in economic and resource inputs, gas and imported spare parts resulted in rapid production decline well into the early 1990s. In early 1991, the estimated decline in gross output in the agriculture sector was 24 per cent, and for the industrial sector outputs had declined by 37 per cent, to nearly half of 1989 standards (Pashko, 1993). On the other hand, domestic demand was increasing, a result of loss of fiscal and monetary control in many areas (Bléjer et.al., 1992), requiring access to new markets to supplement the failures of the national market. Inflation went up 300 per cent between winter 1991-1992, and GDP dropped accordingly 25 per cent in the same period, and by 1991 GDP had fell by almost 50 per cent (Pashko, 1993). The coalition government which took control after the communist rule in June 1991, proposed implementation of radical reforms to make the country eligible for international markets so that budget deficits could be covered by international inputs (Abrahams, 2015). The reforms would help meet the problems and shortcomings of the preceding planned and isolated system. External and internal reforms were put into action early on to facilitate the transformation to the global free market. Despite opening factories for privatisation, public spending capability was poor, keeping many factories shut or still operating at low-productivity levels. The decline in production of fertilizers was particularly exceptional, from June 1991, all fertiliser factories were futile (Bléjer et.al., 1992), also impacting the agricultural sector. Thus, the government started reform programmes to secure macroeconomic conditions, foreign investment and trade, and build new structures for the market economy (UNECE, 2002). One of the policies introduced by the new government was private property, this gestured the government's intention for radical macro-economic and political reform. Through reintroducing private property, the balance of power was shifted from total dependence on a centralised government to a market-incentive structured dependency.

External sector reforms emphasised the need to move away from bans on international investment and credit, and to liberalise restrictions set on foreign trade and exchange (Bléjer et.al., 1992). The government tried to structure the transition process by establishing more agencies, managing the transition into a free market, where new property rights, norms, values and motivations had to be publicly mass-institutionalised. Thus, in the early years of transition two more agencies were founded: The Preparatory Commission for the Process of Privatisation (PCPP), which valued state assets, and the National Privatisation Agency (NPA), which mediated between the state and potential buyers (Abrahams, 2015). The new directives established legal protection for foreign investors against nationalisation and arbitrary

expropriation, and secured the flow of remittances across the Albanian border (Bléjer et.al., 1992). The constitutional ban on all forms of foreign investments, credits and aid was therefore lifted in July 1990, and The Foreign Investment Agency was later established in 1991, promoting further expansion of foreign investment in the new Albanian economy with a loosening of trade monopolies, allowing state enterprises direct trade with foreign actors. By April 1991, all private entities and individuals could conduct foreign trade independently. A new Law on Foreign Investment was introduced in 1993, where limitations to foreign investors were only in respect to land ownership rights (CEP, 1994). This move sparked the opportunity for international cooperation through signing bilateral investment agreements, not only trade agreements, between the government and other economies, such as Germany and Italy.

Internal reforms made efforts to modify legal and institutional frameworks with the purpose of regulating economic activities with policies and legislations determined to influence the financial flow between enterprises and state budget, previously under state control (REC, 1994). Therein the government gave financial support to development of the private sector, dislocated finances of state enterprises from the state budget through providing increased autonomy, and mainly by allowing private initiatives (Bléjer et.al., 1992). Property rights were also discussed through the legal and institutional reforms which crucially diminished the role of the state. From early 1991, property regimes were redefined; private ownership of all types of property was granted equal legal protection in relation to other forms of ownership (Bléjer et.al., 1992). Thus, there were rapid changes in property rights for previously state-owned enterprises and cooperatives. Privatisation was fully adopted, a measure recognised as the 'cornerstone of transformation policies' (Hashi & Xhillari, 1999). The agricultural sector and small and medium-sized enterprises were privatised, often letting former employees take over management. This price and trade liberalisation marks the start of structural reforms in Albania.

However, as the 90s were recognised as a time of uncertainty and civil unrest, low inflow of foreign investment, and the lack of state savings, hindered efficient privatisation of large- and medium-scale enterprises (UNECE, 2002). Investments were no longer to be governed by the state budget but by revenues from the enterprise itself, as well as bank credits, but to be determined and managed by the market. Thus, factories which were deemed inefficient and operating at low productivity levels were classified by the Agency of Enterprise Restructuring as activities which did not meet market economy requirements (GRIDA, 1998), and often forced to shut down as state support was largely eradicated. Despite the failed initial attempts, further endeavours of privatisation in specific state enterprises were undertaken in 1991. Commissions and institutions were set up to manage the transition from state-owned

assets and enterprises to market regulated private property. The State Bank of Albania started to gradually grant credit and loan for the establishment of private sector businesses, accentuating small-scale handicraft and service sectors. Regardless of these efforts, the gross industrial output in 1991 only reached 60 per cent of that of the previous year (Bléjer et.al., 1992).

The government largely stressed the agricultural sector at the end of the 80s, thus vast portions of economic activity came from this sector, as well as state financing being appointed to this sector. A rapid and spontaneous dislocation of the cooperative farms, reallocated into to private property and private distribution of goods and live-stock, happened in 1991 (UNECE, 2002). Miscalculations in the agricultural reform enticed social unrest even further as it left uncertainty around the institutional structures of ownership rights, aggravation the economic situation (Bléjer et.al., 1992). The governmental strategy to consolidate private property and a free market mentality also in the agricultural sector was meant to boost production, increase farm income, ensure food security to the citizens, whilst simultaneously promote a liberal trade regime (IMF, 1998). Notwithstanding important occurrences in privatisation of agricultural activities, the establishment of financial autonomy of state enterprises, and market price determination, the reforms were not efficient in tackling the socio-economic problems faced by the population. The socialist economic structures of transition countries often do not have the proper institutions - such as central banks or treasury systems - and no experience with deregulated market systems and macro-economic market equilibrium (IMF, 2012), concepts introduced with implementation of neoliberalism. Thus, the Albanian government operated as uncoordinated, isolated and with internal conflicts, resulting in both a governmental crisis and public disaffection (Hasimi, pers. Comm., 2016). The mismanagement of radical reforms forced the first democratically elected government in Albania since World War Two, to move the general elections to 1992, causing them to lose re-elections, again changing national political goals. In this chaotic political situation, the judicial structures of the state broke down, causing complete shut downs or operations on low-capacity by state governed organs. With no clearly defined property rights or legal framework to follow, and with approximately 130.000 inactive workers, Albania's population was abandoned by authorities as the government now limited its interference (UNECE, 2002; Bléjer et.al., 1992). Further increasing public disaffection and socio-economic problems in the population, leading to mass-theft of state and private property (UNECE, 2002; Mato, pers. Comm., 2016). After winning the elections in 1992, the DPA re-started and intensified economic and structural reforms.

The new government faced many obstacles and problems: all production in the industrial sector, not the agricultural sector, were at a standstill and inflation rates were soaring. The impact of partial price liberalisation in November 1991 lead to further acceleration of inflation in early 1992. Thus, in 1992, inflation was at 226 per cent, and nearly 30 per cent of the workforce was unemployed (UNECE, 2002). The real GDP fell by 10 per cent in 1990, 28 per cent in 1991, and 7.2 per cent in 1992 (Bléjer et.al., 1992). The government prioritised institutional, legal and economic policies to 'democratise' and reform the country to market-regulation. The government was merely a tool to encourage transformation policies of macroeconomic stabilisation, liberalisation of prices, foreign trade, privatisation, and building the institutions of a free-market economy. The reforms undertaken in the period from 1992 to 1993 were aimed to boost foreign investment. However, because of persisting threats of war and turmoil in the region, foreign investment was low in the 90s. Without the capital inflow needed to undergo technological and institutional changes, the industrial activities continued under the same merits (REC, 1994). By 1992, consumption and investment rates were nearly twice as high as the GDP, where private investments accounted for only 4-5 % of the GDP, and the rest came from the state sector and IFIs (UNECE, 1997).

Albania went rapidly from a planned economy with positive rights, where state provided goods and services, to a decentralised market society with negative rights, where the state abstains from interfering with provision of these. With little state interference into institutions which were previously under direct state control, such as the bank system, legal system, police, etc., left them operating inefficiently during the chaotic transition (Ruci, pers. Comm., 2016). Ultimately leading to miscalculations of the costs of instigating new property rights regimes, as many of these crucial institutions designed to uphold the new structure were not operational. The fall of socialism increased the number of people owning assets as the property rights regime changed, and therefore also increased the number of actors within the economy. When there is an influx of actors in a resource regime it follows that more actors also engage in transactions. With no appropriate legal framework for defining property rights in Albania in place, and the system to uphold them, criminal rates also ascended (Hashi & Xhillari, 1999). Economic crime such as looting, illegal felling of forests and disregarding taxes and fines, further limited capital influx in Albania, withstanding the insufficiency of the state budget. However, GDP increased in less energy-intensive sectors from 1990 to 1994, because of the change in economic policies. The Albanian government invested more in the agricultural sector, food industry and building material (UNECE, 2002).

The mass-liberalisation of the Albanian economy emphasised the weaknesses in creating well-organised infrastructure and institutions to handle transition processes. In the wake of large price increases and sharp drop in demand for military and other capital equipment, and without effective payments systems, solid channels for exporting goods to the West, large-scale external support, a short to medium-term collapse in output, trade, incomes, and employment was unavoidable (IMF, 2012). These bureaucratic inadequacies led to the development of a strong informal sector running alongside the formal market. This informal sector further complicated integration of efficient regulations and control both in regards to economic growth and environmental protection (Mato, pers. Comm., 2016; Reinke, pers. Comm., 2016).

6.2.2 Environmental Regulations

At the outset of the transition period, the impact of a centralised economic system on the environment became abundantly clear: the state of the environment had for decades been deteriorating because of industrial activities (Ruci, pers. Comm., 2016). In the early transition period the industrial sector had almost completely collapsed, following, the emissions largely deteriorated. However, with the introduction of a new global system, additional global problems appeared, and the little industry which was left, had the potential to intensify production and outcome with international inputs. In the early years of transition, few laws on environmental management existed, and those that did were incredibly outdated, meaning implementation of environmental protective programmes and policies was problematic (REC, 1994).

The early transition years from 1990 to 1993 were largely dominated by changes in property rights from state-owned property to private property in many areas. As previously explained, forests were exclusively state-owned during communist rule. However, the economic situation at the end of the 1980s changed how villagers used the forests, and with the opening of a free market, wood became the main remaining income for villagers during transition (de Waal, 2004). In 1992, the Law on Forestry and the Forest Police Service was put in place, allowing those with legitimate felling licenses to govern forest resources in the lower forests. This law was in breach with the preceding customary law of villages, which allowed clan members in villages to use their clan areas for forest management as the village council saw suit. The new law, however, allowed businesses or private individuals to sell wood for private gain, perhaps giving the villagers a small share of the revenues as a subsidy. With this

new law forest police were introduced to enforce the law and settle legal plurality disputes. Nevertheless, the police failed to implement the laws, rather accepting bribes than collecting fines for the government, as there were no formal sanctions set up to enable the police to collect fines (de Waal, 2004). The inaction of the government to handle the situation created grave consequences for land erosion around Albania and socio-economic differences.

The lack of a systematic change concerning property rights caused a hectic transition period, having emphasis on economic reform policies, not environmental protection. However, there were some measures taken to improve the environmental situation, with efforts instigated by international actors such as the EU and World Bank (UNECE, 2000). The international community acquired the necessary experience concerning environmental consequences and degradation during the late 80s and early 90s, which Albania at this point lacked. Accordingly, The Committee for Environmental Protection (CEP), was a project established in 1991 together with the World Bank (GRIDA, 1998). The main mandate of the committee was to monitor environmental activities initiated by the government and report on these. The CEP established some key priorities; strengthening environmental administration and establishing a legal and regulatory environmental framework. Besides, direct action was initiated to reduce industrial pollution discharged into the air and water (REC, 1994), mainly monitoring and reporting. However, by 1994, the CEP only consisted of three directorates and 25 employees.

Establishing the CEP sparked the institution of a national environmental protection law. Thus, in 1993, the Law on Environmental Protection was approved by the People's Assembly of Albania, requiring the government to monitor the environment and publish a State of the Environment Report (SoE) annually (UNECE, 2002). The first SoE from 1994 (CEP, 1994), highlighted concerns about the industrial sector, highlighting oil and gas extraction as the main potential polluters in Albania at the time, largely due to how the outdated technology operated with 'little concern for effective utilisation of the equipment' to prevent externalities, such as oil spills and soil pollution. Within the Law on Environmental Protection the most critical environmental issues were highlighted, prioritised, and were set on the agenda in efforts to institutionalise environmental protection both in government actions as well as public action. Article 1 of the Law on Environmental Protection states:

> *Environmental protection constitutes an essential condition for providing for the development of the society and the nation in general, and has these main strategic elements: prevention and reduction of pollution of water, air, ground, and any kind; conservation of biological diversity according to the country's natural biological background; rational exploitation of natural resources, the avoidance of over*

exploitation; the ecological restoration of areas damaged by human activities or natural destructive phenomena; preservation of ecological equilibrium; and life quality maintenance and improvement (GoA, 1993)

The aim of the law was to base future environmental standards on scientific considerations, and to aid socio-economic development which would clean up past pollution, limit new, preserve biological diversity and rehabilitate land and resources which have been damaged due to human activity (UNEP, 2000). Therefore, a central chapter of the law is devoted to the need for monitoring the environment, the importance of sanctions on those who negatively affect the environment, what administrative measures must be undertaken, and the need to follow international treaties (UNECE, 2000). A special chapter in the law also regulates and anchors the mandate of the CEP and Regional Environmental Associations (REA) through demanding the annual reporting to the Parliament on the state of the environment. The law also outlines the need for procedures when the CEP issues environmental licenses to businesses indulging in activities which have environmental consequences, through externalities or the use of natural resources. The law, before it was amended in 1998, also emphasises the need for environmental impact assessments (EIA) for economic and social activities that would possibly affect the environment. The CEP in its turn again, reviewed the legislations' impact on the environment, but failed to direct the Parliament's attention to environmental issues so as the actions of the government reflected environmental concerns (REC, 1994).

The situation in Albania in the early years of transition was pressing and the country faced many challenges forcing the government to attend to other issues rather than environmental protection. This because of its main aim of economic growth and integration into the global market, as well as the lack of understanding of the importance of environmental protection. The government lacked the economic means to manage the most urgent environmental issues, such as waste-water management, re-planting of forests and new technology to prevent further air pollution from the little industrial activity which was present (REC, 1994). The state budget also suffered because the informal sector made collection of fines, taxes and other economic measures difficult, further challenging implementation of environmental programmes and regulations (Hasimi, pers. Comm., 2016). With limited resources, the government, as well as the public, did not focus on implementing the drafted environmental legislations. Instead, the socio-economic reform was prioritised through economic reforms of market liberalisation and privatisation. This initiative was emphasised by international pressure, as Albania was told by multiple international organisations and actors

that a market reform and economic transition was necessary to help the country develop and to obtain a peaceful and sustainable transition into the global arena (Bléjer et.al., 1992; World Bank, 2016). Thus, this resulted in limited impact from the CEP on environmental protection and legislation in the early years of transition, as the Albanian government mainly operated as the only decision-maker around environmental protection, when the market did not manage to self-regulate the environmental needs. More NGOs were established, as the civil society understood the problem of leaving environmental regulation to a state where the resources were needed for economic growth and access to the global market (Ruci, pers. Comm., 2016; Pacara, pers. Comm., 2016). The REC highlighted the problem of environmental domestic regulation in the Albanian transition process to a neoliberal model already in 1994 when they stated that: 'The lack of funds is the major problem in implementing environmental protection policy. The environment is not a priority of the government'. The report goes on to argue that not sufficient measures had been taken to implement environmental policies or to address issues, as the country remained at the initial stage of establishing and funding a coherent environmental legal system. Most of the scarce budget was used on economic reforms to reduce unemployment and to increase living standards. Conclusively, there was a need for international investors to fill the gap in the budget. There were international actors present in Albania at the time pushing the national policies through financial aid programmes and lending, such as the IMF, World Bank, UN and the EU. The question, however, remains whether these organisations prioritised economic growth and 'democratisation' over environmental regulations and protection in their structural adjustment policies.

6.3 IMF Influence

During the early years of transition, there was a great need for foreign investments and sponsors to undergo sufficient reforms in Albania, as the country suffered from large budget deficits. The debt crisis and economic difficulties faced at the time forced Albania to request help from the IMF. Consequently, Albania joined the IMF on October 15. 1991, as well as the World Bank, the European Bank for Reconstruction and Development, and other international organisations shortly thereafter (Bléjer et.al., 1992). The lifted ban on foreign investment made this move possible together with the countries' efforts to revive and stabilise the economy in the late 80s. During the late 1990s, international economic support funded more than 50 per

cent of public investment made in that period (UNECE, 2002). Western investment programmes and reforms opened for international trade, bringing new products to Albania and new types of waste, such as plastic, as well as an increase in consumption.

Despite being a closed off country with practically no international economic cooperation, the internal economic policies lead to a significant build-up of an external debt problem. The total external debt had increased to 500 million USD by June 1991, representing 30 per cent of Albania's total GDP (Bléjer et.al., 1992). In the 1990s, the international community expected the IMF to be an advisor, financer and coordinator for countries in socio-economic crisis, aiding the transition from central-planning (IMF, 2012), giving the Fund a vital mandate in structural adjustment practises. In the Washington Consensus explained by John Williamson in 1989, he highlighted some of the most stressed policies of the IFIs. Herein was: market-determined interest rates, tax reforms, abolition of barriers to allow for foreign direct investment (FDI), introduction of relatively low tariffs, privatisation of state enterprises, and provision of secure property rights (Williamson, 2004). The IFIs believed that these steps would be yielding the framework for development as seen in Western countries.

The fall of the first Albanian government allowed the IMF to make its first proper review of the state of the economy, economic policies and institutional structure in 1992 (IMF, 2012). At the time of the evaluation, the government was already implementing some structural reform programmes, leading the IMF to believe that the transition was well-designed and conditions could be agreed upon. However, the IMF understood that to 'rebuild' Albania, decisive macro-economic measures had to be adopted together with a complete overhaul of the economic system. Implementing an intense restructuring programme in Albania. The comprehensive program of institutional and structural transformation was then drafted and presented by advisors (Bléjer et.al., 1992). In this draft the IMF understood the need for sound institutions when restructuring, and should therefore have adopted proper regulatory measures to aid the transition. Additionally, because price controls remained in place for most commodities until end-October 1991, the dismantling of the centralised system of resource allocation was not accompanied by the simultaneous introduction of clear market incentives (Bléjer et.al., 1992). This made the heavy free-market incentives proposed in other areas insufficient, making the transition desired by the IMF and political elite in Albania difficult.

Prior to transition, prices of necessary consumer goods were low, including when resources were scarce, this resulted in poor distribution among the public (Bléjer et.al., 1992) and a policy not well aligned with market incentives of supply and demand price evaluations, complicating the transition from state-governed prices to deregulated market prices. Albania,

and many other transition countries, failed to raise the standards of production which could compete in the global market because of no hard currency reserves, disadvantaging Albania's economic position further (Muzarski, 1991). Resulting in somewhat of a downward spiral, where the economy had to be stabilised quickly, but stability could not be sustained without strong institutions and infrastructure, which were not present in Albania at the time. The development of such institutions took longer because of the initial economic instability (IMF, 2012). In 1992, the IMF established, together with other multilateral organisations, the Vienna Institute, a centre where officials from transition countries were trained in economics and the international economic system. This was a part of the IMF's technical assistant measure. The IMF deemed Albania a small economy, but one with enormous needs in both technical assistant, lending and policy advice. Albania was the country which The IMF devoted most its staff time to provide technical assistance from 1990 until 1999, both at the office in Albania as well as in Washington (IMF, 1992). Before receiving the loan, as well as when receiving bursaries, the Albanian government underwent structural adjustments of privatisation and market liberalisation, in accordance with IMF policies. A stand-by arrangement of 80 per cent of Albania's quota in the IMF (29 million USD) was approved and distributed in 1992, after arrangement criteria were met (see Figure 4). A stand-by arrangement is given to help emerging countries respond quickly to external financing needs when transitioning into the market system (IMF, 2017). The Fund quickly expanded its funding within a year, approving a three-year Enhanced Structural Adjustment Facility (ESAF) arrangement of 120 per cent the quota (59 million USD) (IMF, 2012). The ESAF is a concessional financing aimed at aiding permanent facility to help low-income countries with a 0.5 per cent interest rate, and to be repaid 10 years after disbursement (IMF, 2004) (See figure 5). During the first years of transition, economic growth averaged at about 9 per cent annually (IMF, 2012).
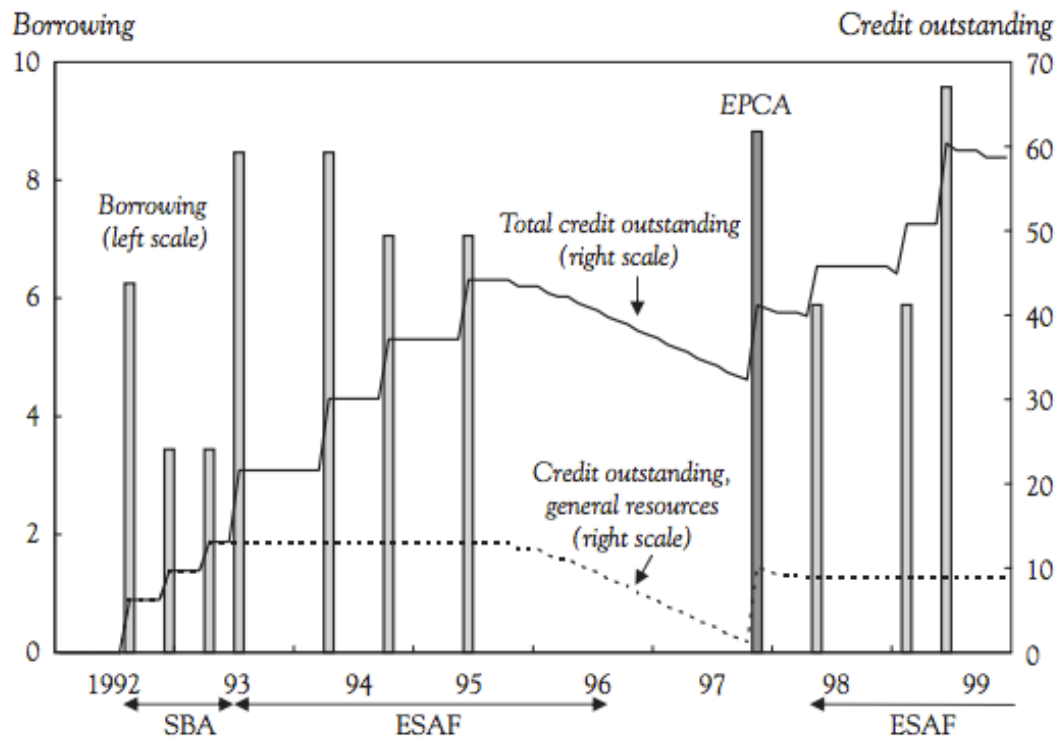
Figure 5: Use of IMF credit 1992-1999 (IMF, 2012)
Note: EPCA = Emergency post conflict assistance; ESAF = Enhanced structural
adjustment facility; SBA = Stand-by arrangement

The limited internal budget of Albania meant that international funding for environmental
protection played an important role for defining domestic environmental legislations and
regulations (REC, 1994). Despite high levels of international financial aid, the IMF did not have
emphasis on environmental protection in its mandate (Reinke, pers. Comm., 2016), as socio-
economic problems and economic growth were stressed. Arguing that the adjustment
programmes should not include environmental conditions, as this would move the multilateral
financial organisations beyond their purpose, and require additional instruments for regulation.
Hence, environmental concerns were not given the same high-level prioritisation as economic
crisis (Reed, 1996). The programmes did not push countries to prioritise sustainable
development for multiple reasons: higher production levels increased revenues, the economic
reforms did not internalise environmental costs because the policies did not follow the
economic trend desired (less governmental spending and freer markets), and reporting was an
important part of the structural adjustment programmes, and therefore countries saw themselves
deemed to create rapid economic growth. Transition and economic changes to the extent that
Albania experienced during mid-1990 to 1994 entailed that prioritising environmental
consequences, other than those which had immediate negative impact on the economy, was

deemed as less necessary by international investors. Neither the IMF nor the World Bank had sufficient policies for the protection of air quality and forest management, but rather often supported strong policies of opening forests for private investors and voluntary regulation by corporate actors (Humphreys, 2006). Or allocating money to programmes focusing on expanding inter-city infrastructure, such as roads. However, it was decided to provide these funds to improvement and construction, leaving development of public transport out of the programmes (Pojani, 2010). This, together with the opening of the market, allowed for rapid increase in privately owned cars. As Reed highlights (1996): 'environmental concerns were simply ignored by the designers of the reform packages' (p.xx)

6.4 Summary of Findings

Because of vast national financial deficits and low international investment into the economy at the early stages of transition, the industrial sector remained at the same pre-transitional stage with little environmental modifications to the technology. The constraints of the state budget therefore influenced direct investment in environmental projects. The chaotic transition and budget deficit limited state contribution and investment in environmental issues, due to an increase in competition for the scarce available financial funds in the new system. Low industrial activity yielded little profits calling for international investments into the economy. Thus, the government introduced far-reaching economic reform programmes with the help of international organisations such as the IMF to aid the transition after the fall of authoritarian communism (UNEP, 2000). The main goals of the government were economic growth, participation in the globalisation-process and integration into international markets. Thus, quantitative centralised industrial targets largely got replaced by single criterions of profit (Bléjer et.al., 1992). This was deemed a necessary measure to salvage the country from economic turmoil. The inclusion of IFIs instigated structural adjustment policies in Albania, emphasising the need for ideological change and therefore implementing neoliberal policies, because of the nature of the organisations operating in Albania at the time. Resulting in a push for economic growth, putting environmental protection in the back seat, this despite IFIs such as the EU and World Bank starting environmental programmes like the CEP.

In many Central and Eastern European countries, assumptions were made that transforming the political and economic situations would quickly lead to constitutional

democratisation of countries, and inevitably result in healthier and safer environments (Pavlinek & Pickles, 2000). With transformation, new technology, new policies and new laws would clean up the environment and nature. This was not the case for most countries as the financial crises the countries found themselves left little room to focus on environmental issues, not considering the correlation. The Regional Environmental Centre (REC) stated in its Country Review Report on the Albanian National Environmental Action Plan (1994) that: 'Environmental problems are still treated as less important than economic and social ones'. The intentions of the government were to allow free-market mechanisms to adjust environmental impact per supply and demand, not command and control.

The new system inherited various environmental issues, for example deforestation and industrial pollution, and introduced new ones. Despite reduced emissions from the industrial sector because of budget deficits, and initial slow-down of deforestation accordingly, the market failed to regulate and fill the gap needed for environmental protection from the already existing problems. Additionally, the policies and laws introduced by the Albanian government to protect the environment were not implemented sufficiently, creating an even greater dissatisfaction from the public over the government. Natural resources (i.e. timber) were used in a robber-baron like fashion because of insufficient institutions, demand for self-maximisation, economic turmoil and legal pluralities. Urban air pollution increased with the higher consumption demands, resulting in an influx of privately owned vehicles and thus higher levels of CO_2 released. Also, the lead-based fuel kept up its popularity in Albania because of the low price, portraying the economic situation of the country, and the impact this can have on environmental regulations.

New property rights regimes, the lack of sound state institutions, underestimation of communist heritage, and the push for economic growth also allowed for advancement of the tradition of corruption, making environmental regulations even more challenging. In general, environmental protection measures needed to both overcome past pollution and address new possible environmental problems related to the increased economic activity and the lack of sound institutions (UNECE, 2002). The change from one hegemonic system to another is not a single-way process, rather it is an interaction of old systems, culture and practices which build the foundation where the new system is to stand (Pavlinek & Pickles, 2000). Current prime minister of Albania, Rama, has recently criticised the chaotic transition process into the global market in the early 1990s, creating a picture of the long-term consequences of rapid and chaotic transitions: 'Albania suffered for many years from lack of reforms and badly made policies' (Bloomer, 2015).

Chapter 7: Post-Transitional Process (1994-1999)

The enterprises that have not been closed down are mostly still State property. These enterprises are facing financial difficulties and are often barely able to pay their employees' salaries. It's not surprising that those enterprises are not able (nor sometimes willing) to invest in the environment. However, it seems that new enterprises are not interested in environmental investments as well. The motivations for foreign companies to start in Albania may be related to the lax environmental requirements. In the early days following democratization no environmental legislation existed and no control on the establishment of new companies was present. As a result, many illegal activities were set up at that time (REC, 1994)

The rapid changes into a market economy deemed Albania more or less a free market economy by 1992 (IMF, 2012). However, the transition was chaotic during the initial years, with many new laws and policies adopted, expanding the inheritance of both socio-economic problems as well as environmental issues from the previous authoritarian rule. Additionally, new activities created new tribulations because of the lack of sound institutions and multiple governmental and political alterations. Albanians now had to implement further measures to sustain the intended economic growth, and to tackle some of the environmental consequences of the communist era, as well as the ones which arrived during the early stage of transition (i.e. informal logging). In this chapter, the research looks at the period after the initial great policy transitions, attempting to outline how these policies have been implemented, or the failures of implementation, and why this is.

7.1 Emissions and Deforestation

The UNECE concluded in its Environmental Performance Review (2002) that urban air pollution had become a serious national problem in the transition process in Albania, contracting health issues and grave negative effects on the natural environment. The values of PM2.5 varied between 70-200 microgram/m^3 in the period 1997-1998 (UNEP, 2000), a number exceeding the WHO mean limit values (WHO, 2016). Despite industries being shut down

throughout 1990, and the fact that air pollution from this sector had gone down since the fall of communism (GRIDA, 1998), urban air pollution was a persisting and increasing problem in the bigger cities in Albania; Tirana, Elbasan and Durres especially. These were places where heavy industry was still operating to some extent, or had growing populations and need for further construction. The urbanised area of Tirana grew from approximately 12 square kilometres in 1990 to 32 square kilometres in 1994 (Pojani, 2015). Oil refining, oil extraction, tanneries, construction materials, and food processing made out the branches of industry, where oil refining and extraction experienced a continued growth in total emissions annually from 1996 to 1998 (GRIDA, 1998). The main sectors affecting the urban air environment in the post-transitional period were: energy, transport, mineral extraction, as well as small and medium sized food processing production. The chemical industry was close to complete shut-down at the end of 1998 (UNDP, 2000; Hasimi, pers. Comm., 2016). The air pollution resulted from use of old industrial technology, as well as growing amounts of waste and externalities, and the continued increase in number of private cars. By 1994, most coal emissions had reduced severely as the government redirected its focus away from coal mining quickly after the start of the transition. Thus, oil made up 87 per cent of Albania's total GHG-emissions from fuel combustion in 1994 (UNECE, 2002).

Privately owned cars per 1000 inhabitant rapidly grew in the transition process, from 18 per 1000 in 1993, to 29 per 1000 in 1999 (UNECE, 2002). Emissions from cars impact urban air quality, and emit GHG, contributing to global warming. The cars imported into Albania were old cars from Europe with poor modifications, resulting in a higher in emission per vehicle than the European standard permitted. The main issue was not the exponential growth in vehicles, rather fuel quality and pollution resulting from it. Albanian fuel has a high density of sulphur and other toxic chemicals as the oil is heavier and needs more refining to increase the quality (Pacara, pers. Comm., 2016). The cooperative report between NEA and UNEP on the State of the Environment in Albania 1997-1998, drew attention to the possible implications of the emissions from human activities in Albania have on the world: 'Since the greenhouse gases are found in low concentrations in the atmosphere, the discharges from human activities may considerably change their concentrations by causing in this way the phenomenon of climate changes. Thus, our planet is faced with a gradual increase of its temperature' (GRIDA, 1998). Thus, information on the implications of human actions on the environment was present in early years after the transition, putting pressure on national policies to regulate environmental costs.

Seen in a global context, the total emissions of Albania are insignificant. Global CO_2-emissions measured in per capita GDP terms from 1994, shows a very low percentage of

emissions in Albania compared to other countries. Here Albania is well below 5 tons per capita, whilst the United States is close to 20 tons per capita (UNECE, 2002). However, when looking at CO_2-emissions per unit of GDP, Albania emitted nearly 4000 tons CO_2 per million USD. The United States in comparison emitted below 1000 ton per million USD (see Figure 6). The relatively high number in emissions per GDP is explained mainly due to high energy use intensity, not industrial activities.
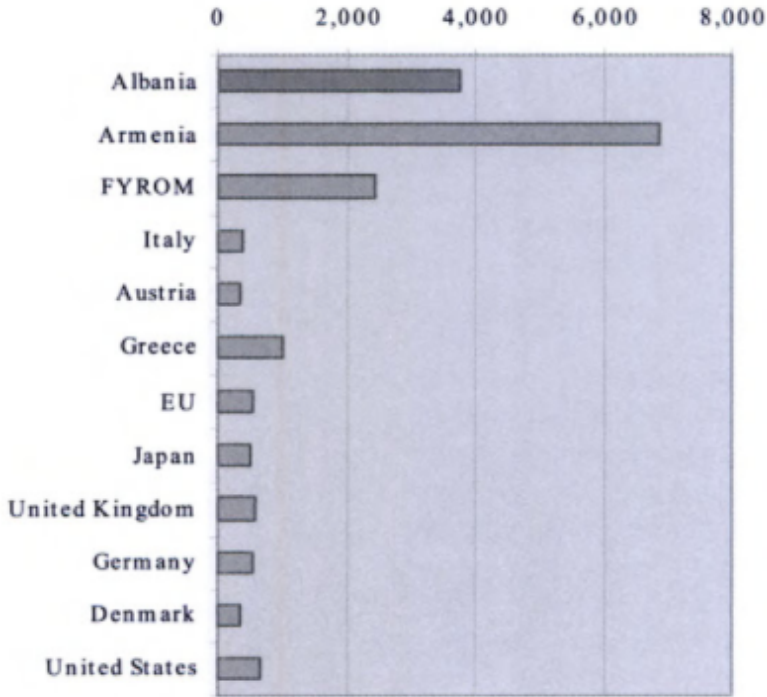
Figure 6: Emissions of CO2 per unit of GDP (tons/million USD) 1994 (UNECE, 2002)

The forests that which were cut down in the late-1980s to open for crops and pastures through terrain not previously used for farming in Albania (see Chapter 5.1), remained uncultivated in the transition period as well as the late transition period a result of the agricultural reform in the transitional era (de Waal, 2004). Furthermore, the illegal felling of trees did to some extent persist in the first years of the post-transitional era (Mato, pers. Comm., 2016). The open plains which were left behind contributed to land erosion, obstructing natural drainage. The World Bank (1996) estimated that the numbers for illegal felling would go up in 1995 as the low incomes of family households yielded the need for fuelwood for own consumption as well as for selling. Deforestation was therefore still the embodiment of not implementing sound institutions and proper national policies to manage environmental protection.

7.2 National Policies

The agricultural marketing and processing sector found itself in a very distressing situation in the early 90s, only operating at five to twenty per cent of its 1989 capacity (UNECE, 1997). The situation called for action to sustain farming and avoid further food crisis and civil unrest in Albania. Since the start of the agricultural reforms and until 1997, it is estimated that the privatisation and reallocation of state farm and cooperatives have resulted in the creation of about 500,000 new farms. These farms are small-scale but they employ about fifty per cent of the labour force (UNECE, 1997). Thus, Albanian economic development from 1990 to 1994 succeeded the development of proper institutions (IMF, 2012), making the task to regulate the growth, distribute civil services and implement environmental regulations difficult.

7.2.1 Economic Policies

Globalisation and economic growth were main priorities of the Albanian government after 1991. In efforts to distance the country from its oppressive authoritarian history, economic growth took the front seat as a pillar for development in the style of Western societies. Policies of macroeconomic stabilisation, liberalisation of prices, foreign trade, privatisation, and building the institutions of free-market economy were relatively successful and helped develop a sustained growth in the period from 1993 to 1996 (Hashi & Xhillari, 1999). The inflation rate dropped from three digits (226 per cent in 1992) to single digits (8 percent in 1995) in the space of three years. Thus, it seemed as if Albania had made a quick and much needed transition in neoliberal economic measurements. The economic reforms did, however, continue to evolve after the period of 1991-1993, as the economy and state had yet to stabilise.

The industrial sector was still not running adequately due to limited state budget, calling for further structural reforms to encourage foreign and national investment. In 1995, a mass-privatisation programme started to ensure privatisation of large-scale enterprises as well as the small-scale enterprises which started their privatisation in the early transition years. Here the government distributed privatisation vouchers to citizens, which were to be used to buy stocks in newly established joint-stock companies (UNECE, 2002), here they could reinvest their money in private industries and emerge in the international free market.

Foreign public investment exceeded 50 per cent of total public investments in Albania in 1995, reaching a total of 210 million USD, when excluding investment in oil exploration it estimates a total of about 410 million USD (UNECE, 1997). The increase in foreign

investments were used as a measurement of the situation of the transition, with more foreign investment Albania gave the impression of being more stabilised. Despite an increase in foreign investment, there was a persistent account deficit in Albania as the mean imports were a lot higher than the exports. Thus, Albania sustained a large trade deficit of 20 per cent of total GDP well into 1995. These deficits were largely covered by remittances from Albanians living abroad (Korovilas, 1999; UNECE, 2002), as the emigration of Albanians excelled after the fall of communism (Pojani, 2000). A large share of this deficit was also covered by international financial assistance, like the assistance Albania received from the IMF (see section 7.3).

By 1997, agriculture was the most important economic activity, while industrial activities continued to decline (see Figure 5). Trade, transport and tourism were prosperous sectors which could aid further economic development and make Albania independent from foreign financial aid programmes (UNECE, 1997). Alongside the economic development, the number of vehicles imported and used increased rapidly throughout the 1990s. As explained in the previous chapter (7.1), Albanian oil demanded better technological refinement because of its composition of chemicals. Again, meaning that refining Albanian oil to EU standards was costlier, resulting in poorly refined oil. The government put little restrictions on the companies to process the oil properly, out of fear of consumers buying foreign oil over oil from national reserves (Pacara, pers. Comm., 2016). The continuous expansion in road transport and infrastructure demanded increase in private cars (UNEP, 2000), but was also a symbol of the public spending capability, socio-economic changes, and emergence into the privatisation and a free market.
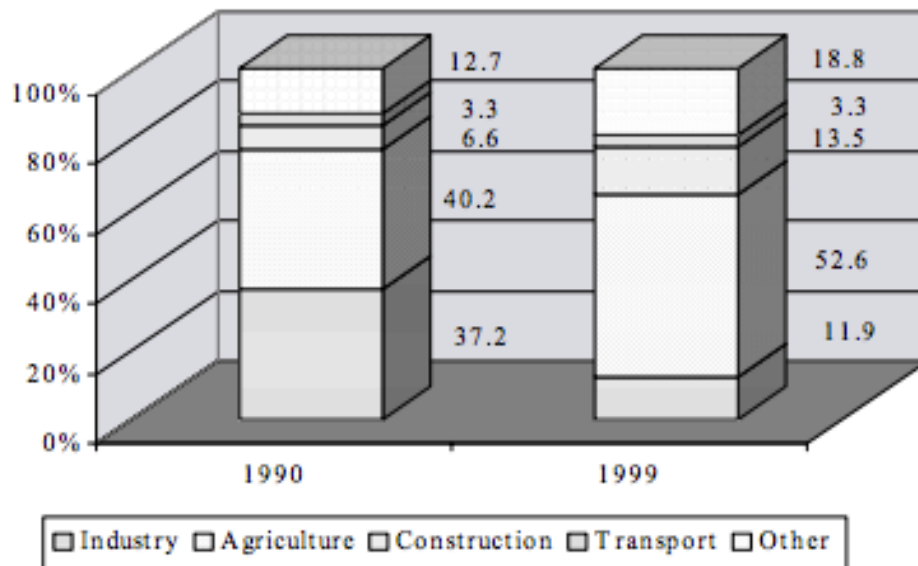
Figure 7: GDP composition by sector: 1990 and 1999 (UNECE, 2002)

The economic development went on without the support of a sufficient and sound institutional system, having grave consequences for future institutional structure and legitimacy in Albania. The lack of legislations, policy implementation and official regulations of the market, together with massive unemployment and vast demographic movements of the public, allowed corruption and informal sectors to achieve legitimacy as practices within society (Pojani, 2000). High rates in the informal sector resulted in the creation of incorrect statistics, as unemployment rates and income numbers were not officially registered. Thus, the measures taken by the Bank of Albania were based on numbers which did not reflect the actual situation, making actions inefficient. Resulting in a range of Ponzi schemes appearing in 1996, overwhelming the official banking system. Ultimately, these schemes amounted to six months of GDP (IMF, 2012). And by the end of 1996, the informal system collapsed, resulting in civil unrest equal to civil war in 1997 (Abrahams, 2015). This panic threatened the formal economic system which Albania had somewhat established the last years, as the grasp of these schemes included around 40 per cent of the total population. A UN peacekeeping force had to intervene in the conflict, the current government resigned, and new elections were held to restore a stable situation so that economic and institutional reforms could continue. During the time of unrest, the state structures did not manage to operate sufficiently, shying away foreign investors and aid programmes, once again leaving the government with limited economic resources to

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regulate and distribute state programmes (Mato, pers. Comm., 2016). Thus, further measures in the late years of the reforms programmes were introduced to constrain state spending and balance deficits: limiting personnel expenditure; improving monitoring to limit spending on social assistance; keeping employment of operations and maintenance under strict control; privatising remaining state-owned banks; tightening control on requirements for new banks; continuing rapid privatisation of enterprises through auctions and selling to independent buyers (IMF, 1998). During this time of mass-privatisation, in efforts to make Albania attractive to international buyers, the government prepared enterprises for prioritisation through improving financial and technical performance, ultimately dismissing workers. Around 4000 out of 14 000 workers in the state-owned oil company, Albetrol, were dismissed by 1998 (IMF, 1998). Still, the economic decay was quickly regained after the introduction of a new government to an estimated 8 per cent in 1998. Within the same timeframe inflation also declined from 42 per cent in 1997, to 8.7 per cent in 1998. Towards mid-1999, inflation was at a 6.7 per cent level (IMF, 2012). Most of the success in economic growth in Albania is largely due to remittances from abroad (Pojani, 2015).

Nonetheless, the informal sector through corruption and black markets did not disappear after the civil war in 1997, but was rather entrenched deeper into society as the distrust in governmental control grew, and cases of governmental corruption emerged. The government made efforts to regulate the informal flow of money by introducing a new direct tax law in 1999, which introduced a 10 percent withholding tax on interest income and raised the rates on personal income tax, and other measures (IMF, 1998). Alongside this law, the government also introduced reforms to reduce tariff rates and lower and neutralize taxes on both domestic and imported goods, making Albania a more eligible trading part globally. The corruption discourse was used by policy makers in the late-1990s as a tool to legitimise the neoliberal order, blaming poor bureaucratic strategies as the root of the corruption problem. The state and the public sector were therefore seen as the problem, and a neoliberal agenda driven by market incentives as the solution (Kajsiu, 2015). This anti-corruption discourse shifted criticism of inefficiencies within the neoliberal agenda on to problems of corruption, sustaining neoliberalism as the hegemonic ideological tool for transition to constitutional democracy. As in Russia (Varese, 1997), the high level of corruption was blamed on the abuse of public office for private agenda and furthermore as an 'Albanian problem' (Kajsiu, 2015), again making privatisation, deregulation, and integration into the global market legitimate choices for organisation of the market society. Thus, anti-corruption policies ended up institutionalising the neoliberal agenda, disregarding the growing environmental problems.

7.2.2 Environmental Regulations

From 1990, to 1999, Albania made extensive progress in adopting international and regional conventions, agreements and instruments on environmental protection and regulation (UNECE, 2002). Albania ratified the United Nations Framework Convention on Climate Change (UNFCCC) in October 1994. Showing determination and intentions nationally to implement international conventions and strengthen cooperation on environmental conservation. International donors and investors provided millions of dollars in aid programmes for economic recovery in Albania. Within these aid programmes, environmental protection is not adequately addressed (UNECE, 2002). The EU and the World Bank only addressed these issues with less than one per cent of the share in their programmes. The IMF, on the other hand, had no environmental considerations within its conditions and policies of structural adjustment at the time (Reinke, pers. Comm., 2016).

Additionally, on a national level environmental priorities remained low by the end of the 90s, both at governmental and public levels, despite growing negative consequences of the recent cultural use of natural resources for aiding economic development, as well as newfound access to vast international literature on environmental degradation. Albania remained, to some extent an isolated and chaotic state until the end of the 90s. Because of economic hardship and civil unrest throughout this decade, foreign investors did not participate in the economy to the extent expected and needed to properly sustain the transition. Thus, despite being active at an international level, Albania remained incapable of implementing its environmental obligations. Much of this was due to insufficient mandate and funding given to the Ministry of Environment (Ministry of Environment, pers. Comm., 2016). The UNECE concluded in 2002, that the Albanian government had not satisfactory participated in global efforts to combat air pollution, thus not receiving international assistance, both of information-based and financial nature, to solve the national environmental problems.

On a national level, some new environmental policies were put in place during the transition which had positive environmental results for the post-transition period. Results found through the CEP monitoring, began the National Environmental Action Plan (NEAP) in 1994. This plan was drafted in cooperation with the World Bank and the EU (UNECE, 2002). The aim of the plan was to bring together development and environment in Albania's transition process. The impact of all economic activities on the natural environment was considered, and the most seriously affected zones were defined per economic activity responsible for environmental damage. This forced different institutions and organisations to consider the environmental impact of their future activities, obliging them to account for environmental

issues in their planning, further implementing EIAs as a common practice (UNECE, 2000). The NEAP would therefore build the foundation for future environmental protection requirements when faced with new economic and social challenges, helping the government define and outline the need for organisational, administrative, legal and technical action, by different ministries (UNECE, 2002). The action plan identified six main areas of concern and need of attention, including; monitoring industrial and urban pollution and establishing allowable pollution levels, stopping illegal felling and investment in soil erosion prevention, and restoring gravely polluted zones (REC, 1994).

The CEP stood as the only institution responsible for implementation of environmental law enforcement in the whole country as per 1994. Additionally, the budget accredited to the CEP by the Ministry of Finance was very limited, failing to establish a clear framework and structure for environmental policies. Legal structures were still not followed, and illegal environmental degradation were not fined or penalised in a large matter, setting the precedents for how new economic actors would relate to the environment. In addition to the lack of manpower and will to prosecute, enforcement was also obstructed by the fact that state companies had special governmental protection. The biggest and most polluting companies were still state property in Albania or given rights through concessions. As the businesses had serious difficulties paying salaries to their employees, they were relieved from environmental investment obligations, being net receivers of state money. In 1996 Albania had multiple institutions for the protection of forestry; Ministries of Agriculture and Food, Health, Education, Industries and Finance (World Bank, 1996). However, none of these were specialised in the management of forestry alone. Mostly forest management fell under the Ministry of Agriculture and Food, which was problematic as forests and agricultural land often were in competition for territory. Degradation arose because of socio-economic hardships, the lack of implementation of policies, and weak legal structures. Thus, in 1996, the World Bank and FAO helped prepare a report for proper forest management, emphasising the need for a "Forest Corporation" which would be responsible for monitoring, management and implementation of policies linked to Albanian forests (UNECE, 2000).

The new regulatory tools, together with the fall of production and reduced use of artificial pesticides and fertilisers, should have made environmental protection more comprehensible (Baker et.al., 1998). However, when the United Nations Development Program (UNDP) reviewed the progress of Albania in implementing the charter of the UNFCCC, they found a variety of factors which constrained the process of integrating these policies. Some of these were: the lack of mainstreaming climate change issues and creating awareness at all

levels, lack of relevant education at all levels, insufficient funding from the state budget, poor capacity to tackle climate change issues, lack of reliable data for further studies on the state of the environment and climate change, the absence of inter-ministerial coordination efforts (UNDP, 2006). The legal system also remained weak after the initial transition process, allowing for corruption to flourish, and problems of implementing environmental legislations and regulations persisted.

In 1998, Albania approved a new constitution. The Constitution entitled all citizens to 'an ecologically healthy environment for present and future generations', in addition 'access to information on the state of the environment'. Moreover, the constitution establishes that the exploration of forests, waters and pastures are to be based on a sustainable development principle (GoA, 1998). The law promoted further use of EIAs, where the public should be included in outlining the environmental impacts of planned projects. However, it failed to outline and define what public participation in the decision-making process is, leaving the public out of participation as the state itself identifies what is of "public concern" (UNECE, 2002). Also, EIAs are rarely organised and put into action, or the information of EIAs are not provided to the public. Thus, efforts to attract the public's attention to environmental issues failed because the government's main concerns were still with economic development. Emigration from Albania for better socio-economic terms was a priority of many throughout the transition process, in the post-transition period (UNECE, 2002; Pacara, pers. Comm., 2016).

The UNECE reported in 2002 that spreading environmental information and awareness outside of the capital proved difficult, this largely because of poor financing of governmental programmes as well as NGOs. Thus, Albanians, both civilians and politicians, had little practical knowledge of the relationship between the economic activities, human activities and environmental degradation, as well the positive consequences of a healthy and living environment on both the economy, environment and society. The lack of information flow was three-fold; first, the government did not prioritise environmental policies to the same extent as it did economic, limiting support for environmental issues in the state budget. Thus, information-spreading by the Ministry of Environment was inadequate. Second, bureaucratic measures to obtain information were tedious, and sometimes these requests were denied. This made the procurement of knowledge about the state of the environment difficult for the public. Third, as Albania did not have a tradition of public participation in decision-making processes, there were no clear guidelines on the process for the public on how to participate, also much of when there was a need for public opinions was determined by the government itself (UNECE, 2002). Because the government has been unsuccessful in spreading information about the

environment, citizens have not focused on sustainable living, which has, for now, created positive economic results for the individuals as well as the economic state growth (UNECE, 2002). Additionally, the failure of the Albanian governments to enable a system of punishment of environmental destruction, sustained the situation of environmental destruction for personal economic gain. If fines were collected, they would often not go back to fund policies of environmental protection, rather to other parts of the state budget. Such inaction to improve the environmental status rather created a situation where environmental destruction became lucrative without investment for the state (Mato, pers. Comm, 2016).

Up until 1997, Albania was the only country in Europe lacking a sufficient air pollution monitoring system, this despite air pollution being recognised as the main environmental hazard by many international and regional organisations early on (REC, 1994; UNECE, 2000; World Bank, 2016). However, policies of monitoring only identified the problem, but the data was not used to create sufficient policies of protection. Again, limited room in the state budget as well as civil unrest deemed such measurements unnecessary, as they were not used to put policies and regulations into practice.

Most of the environmental, however, policies were established at the end of the transition period; the National Waste Management Plan from 1998, the National Water Strategy from 1996, the National Environmental Health Action Plan from 1999, and the National Biodiversity Strategy and Action Plan from 1999 (UNECE, 2002; UNDP, 2006). Unfortunately, most of these policies have failed to properly adopt because of economic turmoil and civil unrest in 1997. This event, again, led to the dissolvent of the Government and weakened legitimacy and authority of the state yet again, making further implementation of and mobilisation around environmental legislations difficult. The state lacked political will and financial liberty to finance environmental protection. The National Environmental Agency reported on the state of the environment in 1998, and concluded that:

> *Our environmental problems especially those arising from the new economic and social activities cannot be solved unless the ministries, other central bodies, municipalities and local administrations enforce the law strictly by undertaking concrete action to prevent the dangers leading to the violation of nature and pollution of the environment* (GRIDA, 1998)

Financial hardships and lack of political will were reoccurring problems for many post-communist countries undergoing transition. As Pavlinek and Pickles (2000) argued in *Environmental Transitions*; ´while environmental laws and institutions have been put in place,

few reforming countries have had sufficient available resources to implement the changes thoroughly´ (p.7). Environmental regulation therefore still suffered from budget deficits in the post-transitional era, relying on international funding to implement projects and policies (Ministry of Environment, pers. Comm., 2016).

7.3 IMF Influence

As James Boughton explains in his report for the IMF *Tearing Down Walls* (2012), stabilisation efforts undertaken by central-planned economies in transition processes can for some countries further delay real reforms and cause great complications for the stabilisation of some nations. The international agencies which promote a given agenda face a range of pressure from different actors; the state, organisations, internal bureaucratic agendas, and the public. Thus, satisfying and catering for an array of different needs will ultimately lead to hypocrisy in the form of obvious violations of already established policies, the use of inadequate rhetoric to skew policies and legislations, or policies and legislations which are haphazardly translated into practice (Kentikelenis et.al., 2016). This general description of problems which arose for the IMF in its structural adjustment programmes from 1985, can be translated to the case of Albania where transition remained chaotic throughout the 90s, with split interest throughout different actors and institutions of society.

International cooperation and aid was important in the transition period to aid the finances needed for reforms, also for external expertise on alternative solutions and management. Having Albania as a part of the global market was important not only for access to its resources, such as oil, but also for the Western neoliberal part of the world to have greater control of the region. Thus, the programme of structural reforms, carried out by Albania in the context of its agreement with the IMF, was designed to encourage foreign investment, particularly in the energy sector (IMF, 2012). The initial years of IMF cooperation showed the start of reforms and implementation of them in many areas. Most importantly this was creating a functioning agricultural market, which was the first structural reform undertaken. However, it did also include a banking reform and winding up pyramid schemes. The latter reforms were not as successful as the former, leading to the collapse of the wide-spread Ponzi scheme by the end of 1996.

Despite reductions in the state deficit throughout the 90s, the need for external financing remained large. International trade did not move at desired speed, and Albania's investment and reconstruction needs remained great. Thus, improvements in security, structural reforms and macro-economic stabilisation were still the main priorities of the government (IMF, 1998). The IMF remained a strong contributor to Albania's structural adjustments, giving technical assistance, loans and policy advice. During the crisis of 1996-1997, the IMF warned the Albanian government and public of the informal deposit market. The lack of government action to tackle the economic threat, lead the IMF staff to reject the policies of the government, and halt the third annual disbursement of the ESAF (IMF, 2012). During the conflict of 1997, the Fund mostly withdrew from action in Albania, and not until the new government was in place, did the IMF restart the program, after requests from the Albanian government. In its request, the Albanian government highlighted its main objectives of 'achieving sustained rapid growth in a low-inflation environment' (IMF, 1998). The government's primary goal was to create jobs and reduce poverty, thus desiring economic growth like that of Western countries. The IMF approved a 12 million USD Emergency Post-Conflict Assistance (EPCA) loan in November 1997, and resumed the ESAF disbursement some months later (IMF, 2012). This approval was given with demands of a reestablishment of strict policy adjustments by the IMF to the government, so economic growth would re-emerge, and inflation decline. One of the structural performance criterions was to reduce the official workforce covered by the state budget to a total of 135 000 workers (IMF, 1998). Additionally, the Albanian government was advised by the IMF to align itself with a target of 10 per cent annual GDP growth. Strong revenue efforts of tax collection and tight expenditure control contributed to a deficit reduction of below 7 per cent of total GDP in 1998. Despite rapid decline in economic growth following the fall of the Ponzi-scheme in 1997, economic growth was sustained after 1998. The IMF argue that this economic growth and inflation decline were results of strong structural reforms and adjustments, with emphasis on privatisation, the financial system and agricultural sector (IMF, 1999).

In terms of environmental protection, in Albania's Letter of Intent (1998) to the IMF, environmental concerns were not mentioned specifically until in Article 24 'Trade Reform'. Here the government confirmed its commitment to a liberal trade regime, stating that: 'committed to maintaining a liberal export regime for these [woods and unprocessed wood products], in the short term preserving forestry reserves by licensing, and in the longer term by strengthening the implementation of forestry conservation programs' (IMF, 1998). Thus, showing that the intention of the government, was only to protect environmental resources to

sustain economic growth. The current IMF representative in Albania, Jens Reinke, highlighted that the intentions of the Albanian government has been at times too ambitious, calling for the IMF to advice the government to limit its demands for market liberalising policies (Reinke, pers. Comm., 2016). Despite this, the policies of sustained economic growth through market transactions are not comprehensible with sound environmental protection, as the growth in one end reduces in another end.

Shareholders' commitment to environmental issues is crucial in the emphasis on environmental issues and regulations as well as institutional design and incentive systems (Pojani, 2010). The World Bank set up several environmental programmes during the transition period, however most of them were not finalised or satisfactory implemented. From 1992 to 1999, the World Bank had three of their environmental projects dropped and only six were finalised. Herein were projects such as environmental clean-ups, costal management, irrigation rehabilitation and water supply rehabilitation (World Bank, 2017). The failed implementation of some of these projects are multi-folded: the lack of national political will, the emphasis on socio-economic issues, state budget deficits, lack of commitment to environmental issues by shareholders, but also the institutional malfunctions of the IFIs, as well as the overall structure of the state. Neither the IMF nor the World Bank had satisfactory tools to implement environmental regulations into action through their structure as they failed to adapt to new issues and have a holistic approach to environmental issues in different states. Primarily, the policies and programmes promoted by IFIs through structural adjustment of macroeconomic policy reforms emphasise economic growth from a model. Such economic growth emphasis results in increased use of energy resources, land clearing, river damming, increased production and externalities. However, in some cases the liberalisation of markets can outsource these actions to other states and budget cuts can reduce environmental impact. Regardless, outsourcing environmental impacts to other states do not reduce the real problem and mirrors the problems of the neoliberal paradigm: continued economic growth throughout the globe will have dismal environmental consequences. If international organisations had been clear on environmental protection needs in their programmes, the Albanian government might have re-evaluated its priorities in the transition period, to limit the negative environmental consequences it was to encounter.

7.4 Summary of Findings

This study has already emphasised the inefficiencies of the Albanian industrial sector to continue its production sufficiently throughout the transition process, and the implications this had on the economic independency of Albania. Consequently, the largest heavy-polluted industrial sector's emissions decreased substantially throughout the 1990s, based on pre-transition numbers (UNECE, 2002). Despite the failure of the industrial sector to survive the transition, Albanian GDP has been rising throughout the transition, exception being 1997, because of IFIs. However, this proves a somewhat false growth and cannot be sustained (Hasimi, pers. Comm., 2016). Cut-backs and closures in industry improved environmental conditions impacted by this sector also in Albania, as surface water and ground water improved, and soil quality (REC, 1994). Nevertheless, this was a short-term win for environmentalists, as it was a consequence of the failure of a secure and stable economic transition, rather than a positive outcome of the neoliberal system (Pavlinek & Pickles, 2000). This could have created a problem for continued mobilisation around environmental issues, consequently allowing for new periods of economic growth to have grave impacts on the environment because of the lack of motivation and attitudes from civil society. Additionally, the overall failure of the state to provide information to the public on environmental problems has further impacted political and public will to emphasise environmental regulations within a limited state budget.

Poor institutions have failed to generate public trust and have resulted in the public ignoring the judiciary system, sustaining the informal sector (Broadman et.al., 2004). Corruption as a phenomenon is a huge problem in implementing laws and regulations on the environment, social sector, economic growth, and so on. There is a unique social contract between families and friends in Albania, which affects the legitimacy of institutions. Rather than following the law, and governmental structure, there is a more informal structure running parallel with the state organisational structure. The problem of the Ponzi schemes was not rooted in corruption, but the disorganisation of institutional establishment in a rapid transition emphasising the need to enter the free global market to achieve economic growth and democratic values.

Institutions surrounding forest management, cultural, historical and legal, were of plural legality, resulting in grave mismanagement of forests. For the government, imposing and enforcing the law became nearly impossible during the transition period because of market liberalisation in forest management. Moreover, outsourcing forestry management to private contractors, left the contractors free to emphasise transport and sale of wood, not replanting and

rehabilitation. The activities and profits from this have been great enough for the businesses to buy protection from prosecution of law. Neglecting sustainable forestry has resulted in land erosions and loss of flora and fauna in Albania (de Waal, 2004). Because of annual economic growth, sustained through international investment for trade integration, the number of privately owned vehicles persisted to grow also in this period. The vehicles used were of old technology and used lead and diesel fuel, with no emission control devices. A mix of poorly refined oil, often a combination of refined and low-quality oil, caused greater levels of pollution, resulting in a rapid contribution to air pollution in big cities, such as Tirana (UNECE, 1997).

Albania signed environmental treaties and adopted EU and UN regulations and policies on paper, but failed to implement them in practice (Hasimi, pers. Comm., 2016). By 2002, no environmental cases had been brought to the judicial system in Albania (UNECE, 2002). Albania lack reviews on the implementation of environmental regulations and clear processes on dealing with violations of environmental legislations (Ruci, pers. Comm., 2016). The emphasis of the government was economic reform to sustain economic growth and provide labour opportunities. This argument is strengthened through the UNECE (2002) conclusion that Albanian international cooperation mostly emphasised economic relationships through trade, privatisation and economic support, not environmental conventions and agreements. As the local activist in Tirana, Xhemal Mato, stated in an interview for this study: '[…in the transition years] there were no good rules or awareness for the public on the pollution of the environment and sustainable development. So, the consequences seen now are not from big industries, but from bad policies. There was no public information or public awareness on the environmental outcomes of human action' (pers. Comm., 2016).

Chapter 8: The Inefficiency of Communism and Neoliberalism

Sustainable development is a system drenched in good laws and rules, if you do not respect these rules, everything is unsustainable (Mato, pers. Comm., 2016).

Throughout the various periods of Albanian society covered in this research, economic growth was crucial from a top-down point of view. The Albanian governments clearly emphasised the need and intention of stringent macro-economic reforms through their cooperation with the IMF, through the regulations and policies they implemented, and through the regulations and policies they introduced in theory, but failed to implement. Despite the varying emphasis and means of the political governances, Hoxha wanted to develop the economy just as much as president Rama wants today. This he showed when cutting ties to Soviet and China, believing that economic prosperity would come from a closed system rather than what proposed by the past allies.

During transition, Albania introduced laws and policies with both environmental and economic motivation such as: Privatisation reform (1991), Law on Forestry and the Forest Police Service (1992), Law on Environmental Protection (1993), Law on Foreign Investment (1993). However, with the IMF being an important actor instigating the transition in Albania, together with the EU and World Bank and other IFIs, economic policies were heavily accentuated over environmental regulations. Through the emphasis on structural adjustment policies and conditions the IMF was key in implementing the neoliberal agenda in Albania. During the early years of transition, Albania wanted economic development, eagerly implementing a new ideology to change the socio-economic situation in the country. The transition did, however, also change the environmental situation in Albania. Deforestation and industrial activity reduced to some extent after the fall of communism, but the problems were not dealt with properly at the early stages and environmental degradation continued in some ways throughout the transition as sound institutions did not address these issues. Deforestation did however resume around 1995, and land erosion is still, to this day, a critical problem in Albania. An increase in vehicle traffic worsened urban air pollution, jeopardising public health

and the natural environment for over a decade. The emphasis on economic growth both by national government and IFIs side-lined environmental concerns, despite both deforestation and urban air pollution having grave economic costs. Most practices of monitoring have been implemented in Albania from mid-90s, but throughout the 90s, there was a lack of proper implementation of policies and laws. Many laws, both national and international, were not introduced or made efforts to implement before the end of the post-transition period, and are still not introduced (Ruci, per. Comm., 2016; Pacara, pers. Comm., 2016).

Uniform and homogenous modes and practices of the neoliberal transformation model neglects to include cultural differences and diversity of experiences within the regions where transformation is being advocated (Pickles & Smith, 2005). Implementation of policies are merely means to an end of transition into the capitalist market. Lacking holistic approaches to development and steering countries clear of economic stabilisation, socio-political prosperity and environmental protection. Thus, the different governance structures of state governed resource regimes and free-market governed resource regimes have both proven to be inefficient. During communist rule, the industrial sector was polluting volatilely, and during the transition to neoliberalism, as well as under neoliberal governance today, new environmental problems such as urban air pollution have become urgent problems. This empirical data is proving that neither communism nor neoliberalism are sufficient systems to protect the environment. As explained by a REC employee of the different governance structures in Albania: 'The state owned everything. Rivers, lakes, forests were the property of the state and the state managed them. It was just the opposite from what it is now. It has gone from one extreme to another. Making it very difficult to find middle ground' (Ruci, per. Comm., 2016). Thus, we need to understand the failures of these two systems to find "middle groud". The alternative where socio-economic development is not done at the cost of environmental protection. Why are these two systems monitoring and regulating the use of resources? Is it to reduce the Anthropocene footprint to sustain the earth in a condition close to its "natural state", or is it to sustain the continuation of human activity through the conservation of limited resources for further economic activity? However, these questions are beyond the scope of this research.

8.1 Communism and the Environment

Despite Marx and Engels' inability to predict current environmental challenges, their theories

did recognise that human action, especially when the aim is to maximise utility, would ultimately lead to environmental degradation in one way or another. They understood that human society and the natural world could not be seen separately, as the natural environment is ultimately a means of production. A communist rule puts state regulations responsible for nearly all aspects of society and nature. The state should operate in favour of the people. Yet, the version of communism put into practice in Albania has proven to have grave environmental and societal impacts. This analysis does not, however, imply that a system based on solidarity and with proper regulatory tools is not of importance to promote environmental protection. It rather shows the shortcomings of the Albanian authoritarian Marxist-Leninist communist system, and at the same time pointing to deficiencies in other communist systems at the time.

The environmental degradation under communist rule in Albania were results of an economic model and political ideology which demanded economic growth in an isolated state with limited resources. Power was heavily centralised and such centralisation makes it challenging to comprehend local environmental consequences of policies imposed by governments, and discovering the externalities from production and economic activity. Ultimately, the responsibility of negative environmental consequences lie with the state, thus often environmental impact was disregarded so as to entice labour. Moreover, the authoritarian communist system seen in Albania did not allow for information-flow between all stages of the public. The state was to have full control over resources and information, thus there was little knowledge of the impact of human action on the environment. Mostly, knowledge was centralised, confining the public in their environmental governance.

Despite data on environmental degradation being poorly documented from 1950s until the end of Hoxha's rule, it became apparent early in the transition period what environmental issues had occurred under communism, e.g. industrial pollution and deforestation. For much of ECE ecological destruction had reached unprecedented levels, much because of heavy concentration on industrial development as well as mismanagement of economic and political policies and activities (Muzarski, 1991). Marxists views of structure almost entirely leaves structure-agency reiteration in the sense that human agency is disregarded in structuration (Archer, 1982). In essence, the system defines human interaction, but human interaction is not given the same credit for creating systems. Thus there is little holistic view in institutionalising environmental governance, as the people are seen as homogenous, and not to have individualistic traits or power over systems.

8.2 Neoliberalism and the Environment

The neoliberal model on the other hand, allows for freedom of the individual. Accrediting human agency sovereignty and structures as inferior to action because of its constructed nature (Archer, 1982). Thus, neoliberalism assumes that the paradigm of a market-driven psychology and thinking will drive society towards the best solutions. It is a Utilitarian view; an action is legitimate when it serves the best outcome for a majority (Mill, 1863). Neoliberalism does not put governmental restraints on activity from economic actors in the market, but rather allows the market to regulate itself according to supply and demand rationality. The free-market ideology would allow people to maximise their utility and provision the public with their needs.

In the UNDP *NCSA Final Report on Albania* (2006) the positive development of Albania since the transition was highlighted: 'Since democratic change in 1991 to date, Albania has undoubtedly made great progress in developing its legislation, building up its government institutions and proceeding towards harmonization with the European Union' (p. 34). For the first six years of privatisation, it seemed as if the transition programme was successful in its economic accomplishments at both the macro and micro levels. At the macro level, the budget deficits were reduced, unemployment dropped and the economy returned to a path of exponential growth. At the micro level, the privatisation programme made rapid progress, resulting in a dynamic agriculture and a vibrant new small business sector (Hashi & Xhillari, 1999). However, the environmental and socio-economic consequences over a prolonged time measured qualitatively, show a different picture. Deforestation and urban air quality are persisting problems inherited from both the communist era as well as the transition into neoliberalism. Local air emission in cities like Tirana worsened throughout the 90s, not merely because of the increase in cars, but also a result of poor oil refinery to reduce additional costs. There is a need for environmental emphasis, as economic measure alone cannot address properly socio-environmental issues. Quite the contrary, with the attention only diverted to economic cooperation, and not environmental processes, the environmental consequences will deepen and sustainable development will not be achievable (UNECE, 2002).

During the transition to the neoliberal model, the interest to develop the country economically was very strong, both from the political elite and public. This interest pushed for rapid economic growth, structural adjustments and changing values – resulting in fast environmental destruction (Mato, pers. Comm., 2016). The neoliberal transition created a variety of social classes, facing high numbers of unemployment and socio-economic problems

which are still seen today (Ruci, 2016; Mato, 2016; Pacara, 2016; Albanian Ministry of Environment, 2016; Hasimi, 2016)[2]. This has not been an isolated phenomenon, as many countries transitioning in ECE have also experienced grave issues after introducing the new ideology. Much of this has been blamed on IMF and the World Bank for operating as missionaries for neoliberalism with harsh policy conditions attached to the much-needed financial aid given during years of economic recession, resulting in ideological transition. The IMF did not at the time, nor does it today, have a mandate which positioned the policy advice, technical assistance or loans on environmental issues and protection. The Fund was given its mandate to promote democratisation through global markets and economic growth, thus the environmental regulations this would entail would only be to preserve the economic values of natural resources and to prevent expensive externalities. In the early stages of inter-city development and improvements of infrastructure, both the Albanian government and international investors prioritised short-term and immediate programmes such as expansion of roads for car travel over ongoing programmes of public transport (Pojani, 2010). The political elite and international financial investors wanted to see rapid results of the restructuring programmes, resulting in an increase in the ownership and use of privately owned cars and fuel, consequently increasing urban air pollution. Once again, the problem of political will and extensive disbelief in the government by the public to act in the public's favour, reiterates the unfortunate circularity of lack of political contribution by the public and political elite.

Neoliberalism creates an economic climate where problems are not dealt with at the root, but merely takes advantage of the situation creating a new market to tackle side effects of the problem at hand. Cost-benefit analysis is inherent in neoliberalism, meaning that often it is more profitable for a business to pay for environmental damage, rather than to reduce externalities through abatement costs (Evans, 2012). Neoliberalism is based on a contradiction where it uses instruments that foster individual calculations in a situation that calls for engagement of solving collective problems. Private corporations have infiltrated public authorities, thus imposing self-interest on public policies, masking their interest as representative of public opinion (Humphreys, 2006). This colonisation makes regulation and accountability of social and environmentally destructive behaviour of corporations difficult on a state level. Short-term solutions are prioritised over long-term solutions in the budgetary world. Short-term actions are profitable for the business sector, but they have grave long-term consequences for the environment. It is a model system which inherently uses natural resources

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[2] These references refer to personal communication conducted during field work in Tirana.

to create profit, this in its turn inevitably results in negative environmental impact. Because the self-regulating market inevitably would lead to the disruption of society through its impact on human and environmental substance in a society, society must take measures to secure its sustainability. These measures are in its turn impacting the self-regulating market, and harming the fundamental sides of the neoliberal society in different ways (Polyani, 2001). The system becomes incapable of properly addressing the problem of environmental protection, as the environmental degradation is necessary to produce goods which are sold on the market. In utilitarian terms, the environmental consequences are only worth addressing if action is beneficiary to a majority.

The socio-economic issues experienced by the population have put environmental concerns aside yet again. Instead of seeing these problems as different aspects in the same system, environmental problems were for a long time solely blamed on poor management during the communist rule. The environmental crisis comes from many structures within these economic systems. Nevertheless, there is a fear in looking back in the Albanian society, fearing the oppression of the communism, and the lack of a better alternative and sufficient knowledge and information. Both during the communist rule, and now in the neoliberal structure, solutions rarely go to the root of the problem, as the systems in themselves are the problem. Rather, tools such as taxes, subsidies, fines and quotas are being used to reduce the bi-effects (Jacobsen, 2011) and continue a monetary valuation scheme of natural resources. The emphasis of these two systems lie with economic considerations, not environmental interests.

8.3 An Alternative Economic Model for Environmental Protection

Caught between two extreme ssystems, Albania has endeavoured social, political, economic and environmental problems, resulting in mass-emigration and environmental degradation. Under communist rule, Albania was an isolated state with scarce resource access and economic recession, leading to political emphasis on the need for heavy industrial activities to secure work. During the neoliberal transition, Albania went through a rapid revolt in market organisation, needing to adjust to a global open-market ideology in efforts to secure work and economic stabilisation. However, the national financial situation in Albania early in the 90s, hindered investment and prosperity in the industrial sector, opening the market for some foreign investments with little ties to Albanian society. The economic climate allowed for a shift in

focus to financial investments in infrastructure, banking and social structure. Inherently within these two systems lies the idea of nature as a means of production, the difference here is that production in communism is to create jobs for the citizens, whilst in neoliberalism production is a tool to intensify levels of consumption in the market. Ultimately, they are both extractive of nature and as seen in the case of Albania, have gravely devoured resources and resulted in hazardous and difficult environmental results.

In addition to creating socio-economic inequality, resource extraction and externalities are inherent negative consequences of a market ideology that emphasises extensive trade and consumption. The actions of individuals influence opportunities of others. Most of this negatively, and resulting in deteriorated environments. Thus, it is crucial to reflect and understand how our personal freedom and choices affect others. Ultimately it is about environmental issues through coordination and conflict - property rights - and interaction of people regarding their choices and preferences - changing values. The neoliberal structures have changed the values and interests of the Albanian public from one of state-control over property and freedom, to one where individual freedom is treasured. Thus, conflicts have changed from lack of freedom, to too much freedom. Neoliberal incentives create an anarchical structure of self-interest, which has socio-economic consequences as well as environmental consequences. As previously argued; if the cost of cooperating is high for an actor when no one else is cooperating, then the majority will not cooperate. Thus, the free-rider problem became almost a public movement during transition in Albania, the lack of sound institutions ended in little cooperation between different actors resulting in distrust in the government, market and public. Implementing regulations proved nearly impossible in a system which applied monetary measurements to values, putting the environment outside the economic structure and social relations.

Deforestation was created during communist rule to generate communal profits from public property, and intensified under neoliberalism in efforts to maximise own utility from a resource in open access. Now, land erosion is one of the major environmental problems in Albania. Urban air pollution emerged much because of foreign investments in infrastructure such as roads, as well as a change in property rights and higher spending-capability from the public. Nevertheless, the market failed to regulate the environmental consequences of poorly refined fuel because businesses would create higher revenues from not refining properly, and the political will to introduce sound regulations was almost non-existent. Industrial pollution under Hoxha was an increasing problem because of the lack of investments in new technologies, and intensification in production. During the transition, the emissions from the industrial sector

were reduced, not because of new sound regulations, but because of the failure to rebuild industrial activity in Albania and replacing it with an investment climate, which inevitably would lead to economic turmoil. These environmental degradations make it clear that neither the communist system nor the neoliberal system put in place in Albania are efficient systems to protect the environment.

Despite this study neglecting communism as an adequate system for environmental protection and conservation, the system which is proposed, derives many of its ideas from communist theory. Nevertheless, the communism applied in Albania, and other ECE countries, was of authoritarian nature with a strict top-down approach. This study emphasises the need for bottom-up approaches with significant participation from the population on local, regional and national levels to create a new system which reduces negative environmental consequences as well as socio-economic problems. Both systems tried out in Albania lack understanding of structure-agency reiteration. Systems are not natural phenomenon arising independently from human action, neither does human action happen in vacuum from the system in which it happens (Wilhite, 2016; Archer, 1982). Thus, a holistic view that considers structure-agency relationships on various levels is crucial for creating sustainable and just societies.

8.3.1 Structural Change

Structural change happens in a structure-agency interaction. Efforts to promote structural change from the neoliberal model has been sweeping the world the past decades. This research scrutinised the neoliberal agenda through its environmental failures in Albania. However, this research also uncovered the short-comings of the communist system put in place in Albania. Therefore, this section will further discuss the need for an alternative system for proper environmental governance, through calling for holistic approaches of structural change.

Efficiency and participation can be flawed in efforts of structural change, but public participation is crucial in transition for the creation of sound and legitimate institutions. Shifting from one formal understanding of institutions towards more alternative economic structures means a change in interests and values of the public. To have legitimacy in the decision-making process the public needs to feel motivated and incorporated in the change, actors should be able to recognise own interests within the new structure. As seen in the rapid transition in Albania, even though the spark for structural change came from the public, the public had little control over the merits of the change, alienating actors from policies and resulting in a lack of trust in

the governance procedures. Distrust in the Albanian political elites resulted in a high turnover of governments, again resulting in lack of continuity in policies and regulations. The younger generation treated Albania as a stepping-stone to a better life in other European countries, emigrating rapidly after the opening of borders. The informal sector was mainstreamed into the wider population as political will and sound institutions were lacking, and the emphasis of self-maximisation through the introduction of neoliberalism became a widespread phenomenon, further widening the gap between the political elite and the population. Without a sense of belonging and frequent shifts in government environmental impacts are enhanced, as the country was merely used as a resource for further appropriation of life across the borders or for personal gain, making implementation of long-term policies and regulations challenging. This deep-rooted distrust in political elites made it difficult to implement legitimate environmental protection mechanisms during structural change, and at the same time the lack of proper institutions increased distrust and distance at all levels of society. A vicious circle of structure-agency. The population had little ownership to policies implemented as there was little or no communication between authorities and the population. Despite the IMF highlighting importance of ownership when implementing structural adjustments, both the IMF and the Albanian governments failed to follow this agenda during the Albanian transition. Without the trust and inclusion of the masses, institutionalising policies become impossible.

As briefly touched upon in chapter 3, an alternative to monetary valuation of decision-making is necessary for structural change to happen. VAIs, need to weigh interests and values from different actors to create a new system, and aid collective action, not be based on homogenous cost-benefit analyses. In this study, it has become apparent that monetary measurement of values is insufficient in sustainably governing the environment. Individual solutions are not efficient for managing the environment. The environment cannot be partitioned, the ecosystem is a complex system which operates independently of human action, while at the same time reacting to human action. Here meaning that human actors do not control environmental impact from their actions. E.g. the increase in privately owned vehicles in Albania impacted urban air quality, again impacting the health of the population. Only through a system based on collectivised action and solidarity, and where the natural world is at the centre of the economy, can successful environmental protection occur. Such a system creates understanding and respect for the complexities of natural reactions and situations.

The Albanian case shows the importance of having clearly defined property rights, as deforestation clearly described the failure of resources under open access when resource regimes are weak. Thus, a legitimate, inclusive change would be a longer and more controlled

process, but it would also be a lasting change. Change in development must be responsive to the characteristics of regional, state and local levels. Allowing for motivation based on common interests, sparking collective action. Reorganisation through widespread participatory decision-making and implementation on local and regional levels creates public ownership of policies and makes institutionalisation easier. A regional and local change in Albania would help shift the power from political and financial elites to civil society, creating a sense of community within the Albanian society, which is currently lacking. There is an apparent need to confront issues of different scales of governance structures which have been present in Albania to rid of dependency of bureaucrats and elites.

Chapter 9: Conclusion

Environmental problems arise from mismanagement and misuse of resources. Both communist and neoliberal theory are grounded an idea of production, whether it is to sustain employment or the market. Thus, it becomes clear that mismanagement of resources has been a feature in both communist and capitalist development. Despite the decrease of some environmental hazards when transitioning from communism to neoliberalism in Albania, here industrial pollution because of closure of factories, the reform also proved to bring with it new or increased environmental degradation in other sectors, urban air pollution and deforestation. There is no simple causal relationship between the fall of communist rule and negative environmental impacts on one hand, and the rise of open-market systems and environmental improvements on the other. Quite the contrary, both communism and neoliberalism are inefficient in environmental regulations as they are both rooted in systems which emphasise economic growth over environmental interest. However, within the neoliberal transition a stark policy of individuality and self-maximisation was imposed, giving little room for collective action on environmental governance.

Reform policies by the IMF are designed to let countries enter the international market to have development in the style of Western countries. This Western idea of development resulted in Albania mirroring behaviour, adopting laws and policies in theory, but not putting them into practice. Neoliberal theory believes that an unregulated market will aid environmental protection through supply and demand. Thus, the international organisations operating believe that restrictions on the environment will come naturally from the economic model often starting environmental programmes to sustain economic activity of the environment from a cost-benefit analysis. Not protecting sustainable us of the resources for other purposes than monetary purposes. Such protection did not happen in Albania when one look at the environmental problems related to urban air pollution and deforestation. Albanian deforestation is the embodiment of such a multi-fold case showing the problems of structural change motivated by economic growth and applied from a top-down approach. In the transition from a centralised authority controlling property, to a decentralised government where the aim was predominantly privately-owned property, the liberalisation of structures and institutions happened too rapidly underestimating the inheritance from the communist system. Ultimately this resulted in the system not managing to create legitimate authority to assign property rights. Motivations and interests within the old communist system were not the same as in the new system. Legal

pluralities became a widespread problem, with new laws, old customs and competing motivations operating within the same system. The lack of properly defined and implemented property rights, allowed resources previously under governmental management, now as open access because of failed institutions, to be mismanaged and misused both in the formal and informal sector, as the public's interests shifted and were now driven by an idea of maximisation of individual utility.

To challenge the hegemony of neoliberalism has for a long time been viewed as blasphemy, as the critique carries negative connotations for the continuation of the values it is built on. However, this is changing with the emergence of the spreading of information of environmental impacts the system has. The case study of Albania underlines the need for alternative systems of environmental governance which do not view nature as isolated phenomenon outside of economic structures. Environmental resources are often in rivalry for consumption, and the use of a resource impacts others, thus a system based on individual maximisation is not valid for sustainable environmental governance, as resources are merely extorted for individual profits. Rather, it emphasises the need for holistic approaches in system change, creating resource regimes based on common interests and motivations to properly institutionalise collective action for environmental conservation and protection.

Future research on the topic may look at greater environmental impacts of the communist and neoliberal agenda have had in Albania, which this research did not include because of the limitations of time periods chosen for the study at hand. Furthermore, looking at additional environmental issues such as waste management, water quality and temperature change could give a different conclusion. However, for this research, the three environmental issues chosen, urban air quality, industrial pollution and deforestation have provided satisfactory examples of the dynamics of the transition process and environmental degradation. Despite the research acknowledging other IFIs as key implementers of new institutions, the research did not go below the surface in understanding the scope of their influence. Organisations such as the EU and World Bank operate more actively within countries than what the IMF does, a trait of the IMF which is also one of the reasons why this research chose to scrutinise this organisation. Because there are other organisations imposing structural adjustments rooted in neoliberalism, it is also valid to believe that a transition would happen in Albania regardless of IMF involvement. However, the scope of IMF resources used on the Albanian case makes reason to conclude that the nature of the transition would be different. Thus, more research is needed to understand the impact of these IFIs on environmental regulations.

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Appendixes

Appendix 1

Interview guide: Edvin Pacara, Institute for Environmental Policy. Location: Tirana, Albania. Date: 24.11.2016.

Question 1:

Your institute is helping to spread awareness about environmental impacts of human activities, do you and other NGOs work closely with the government?

Question 2:

How was the cooperation between the government and NGOs during the transition period?

Question 3:

A SIDA report from 2011 concluded that the main driver for environmental policies by the Albanian government has been the aim to obtain EU membership. How do you position yourself to this conclusion?

Question 4:

Globally the Albanian share of total emissions has been rather small. However, Tirana has been one of the most polluted capitols in Europe. Why is that?

Question 5:

In an article from 2008, you point out that the pollution and destruction of forests in the transition period were cause by citizens themselves. Where did this incentive come from to destroy forests?

Question 6:

What have been the IMF policies implemented in Albania?

Question 7:

What is needed in regards to environmental recovery and protection in Albania?

Appendix 2

Interview guide: Jens Reike, International Monetary Fund. Location: Tirana, Albania. Date: 27.11.2016.

Question 1:

How is funding by the IMF managed in Albania?

Question 2:

What were the initial strategies implemented in Albania in the 90s?

Question 3:

What was the intention of the Albanian government when asking for cooperation with the IMF?

Question 4:

What are, and have been, the greatest challenges for economic development in Albania?

Question 5:

In setting up programmes with countries ownership over the programmes of the states is an important factor for the IMF. What does this entail?

Question 6:

Can you outline the history of the IMF and Albanian cooperation?

Question 7:

What were the main reasons for the successful growth of the Albanian economy from 1992-1996?

Question 8:

In the Fiscal Transparency Evaluation of January this year, natural resources and environmental risks are ranked as "low importance" for fiscal management in Albania. Why is that?

Question 9:

How does the IMF work on environmental issues here in Albania?

Appendix 3

Interview guide: Daniela Ruci, Regional Environmental Center. Location: Tirana, Albania.
Date: 29.11.2016.

Question 1:

One of the strategic goals of the Regional Environmental Centre is to implement changes in regards to sustainable development. What have been the greatest accomplishments in Albanian national environmental regulation?

Question 2:

REC was founded in the early 90s, what have been the biggest changes in regards to sustainable development (regulations and policies) in Albania since then?

Question 3:

What have been, and are now, the main challenges facing sustainable development in Albania? What are the main areas of concern?

Question 4:

The rapid economic growth in Albania has caused socio-economic challenges. Do you see any implications this has had on the environment?

Question 5:

How much of the yearly state budget is dedicated to the environmental sector?

Appendix 4

Interview guide: Xhemal Mato, Environmental activist and journalist. Location: Tirana, Albania. Date: 29.11.2016.

Question 1:

What are the main environmental challenges in Albania?

Question 2:

What are the main environmental policies of the government, and how have these changed over time?

Question 3:

How has the rapid economic growth impacted sustainable development?

Question 4:

Does the agenda for economic growth and sustainable development work against each other?

Question 5:

What have been the greatest negative impacts on the environment in Albania?

Appendix 5

Interview: Albana Hasimi, phd-candidate: Institute of GeoSciences, Energy, Water & Environment. Location: Tirana, Albania. Date: 25.11.2016.

Question 1:

Wat is the situation of air pollution in Tirana? And are they trying to regulate it?

Question 2:

From what I gather the construction in Tirana has to do with the rise in urban population. How long has the migration into big cities been going on?

Question 3:

The economic development and transition has been very fast, do you see a correlation between that and the poor environmental resource management?

Question 4:

When it comes to policy papers, laws, etc, Albanian regulation on the environment looks very good. How come it is not put into practice?

Question 5:

Where and why did the problem with the informal sector and corruption and mafia start?

Question 6:
How has Albania managed to sustain an economic growth without an industrial sector?

Appendix 6

Interview guide: Representatives Ministry of Environment. Location: Tirana, Albania. Date: 02.12.2016.

Question 1:

How much of the state budget is allocated to the Ministry of Environment annually?

Question 2:

How has the allocation of the budget changed since the 90s?

Question 3:

What are, and have been, the most important areas for environmental policies?

Question 4:

There have been problems of flooding because of deforestation in the 90s, what is being done to regenerate the natural environment to prevent further flooding?

Question 5:

Albania has many socio-economic problems and still needs economic development. How does that combine with the need for investments in environmental regulations?

Appendix 7

Interview guide: Sonila Muskaj, Ministry of EU Integration. Location: Tirana, Albania. Date: 01.12.2016.

Question 1:

What are the changes seen between the first IPA report and now the second draft?

Question 2:

Before decentralisation, what were the main socio-economic problems in Albania?

Question 3:

How do you see the impact of the rapid economic growth on the environment?

Question 4:

There has been a push from the EU, IMF and other actors to have economic development in Albania. In the beginning of the programmes in Albania, did the programmes say anything about environmental regulations?

Question 5:

What are the aims of the projects? To be implemented in the EU?

Question 6:

Are there economic and social goals involved in the programmes you manage?