

## Development of Nonprofit-Sector in Albania

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**Abstract:** The purpose of this paper is to provide information on the development of non-profit organizations (NPOs) in Albania. In Albania there were two political systems, communist system from 1945-1990 and democratic system after 1990. These systems have contributed to the development of non-profit sector in the country. Secondary sources are used to identify the development of non-profit sector in terms of number, field of activity, financial sources and primary sources are used to indicate which it is actually the situation of non-profit sector in Albania. Interviews and questionnaire distributed in the area of the north, south of Albania and Tirana (capital of Albania) is used to provide information regarding the type of NPOs by location, field of activity of NPOs in Albania by type and location, financial sources and sector development trends. Limitations of the paper are that in the study are taken non-profit organizations that are registered at Court of Tirana District as associations, foundations, and the center and not political parties or religious organizations. For data processing is used SPSS computer program.

**Keywords:** fields of activities; financial sources; trends of funding

**JEL Classification:** M19

### 1. Introduction

Civil society and various organizations within it play an important role in the economic, social and political developments in the country by building public consensus encouraging public participation in the formulation and implementation of public reforms, developing sense of ownership, providing a wide range of services improving transparency and accountability in the public sector. Since 1990, when the right of association expressed in the creation of nonprofit organizations (NPOs) began to be exercised freely, Albanian civil society has made significant steps in the field of providing services to the general public and

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vulnerable groups, drafting, proposing and lobbying for laws and policies at national and local level as the Constitution of Albania, National Strategy for Social and Economic Development, the Local Government Decentralization Strategy etc; in the field of research and documentation, monitoring and protection of the human rights, including free vote and in recent years the fight against trafficking and corruption. New NPOs law approved in 2001 is considered as advanced, set the stage for further development of civil society in Albania. Especially in recent years there has been a noticeable increase in the number of non-profit organizations in Albania, coupled with a variety of distribution in the sector. In comparison with previous years, NPOs cooperate more with each other, with governance structures, media and businesses, yet observed difficulties in building sustainable partnerships and sharing responsibilities fairly among stakeholders, building advocacy structures sometimes in the distribution of information. These difficulties are often caused by insufficient capacity of the parties to translate various issues of interest in common goals. In this context, there are difficulties within the nonprofit sector. Despite some common efforts to protect the important issues, some NPOs share information with each other, even if they are part of the mutual networks or coalitions. Distrust between NPOs still exists.

## **2. History of Development of NPOs in Albania**

The history of development of NPOs is divided into three phases. First phase ends with the end of II World War, the second phase includes the communist period (1945-1990), and the third phase begins after 1991 and until now.

History of non-governmental organizations and various Albanian association elements with representatives of civil society, now recognized by naming NPOs begin in the end of XIX century. Albania was under Ottoman rule until the declaration of Independence in 1912. In terms of occupation and denial of national identity elements is inherently have been nor civil institutions nor public debate. Period of (1870-1890) in Albania had about 80 organizations (NRO Geschichte, Albania, Bonn 1997), most of which act as humanitarian organizations with support from various religious communities.

In the first decade of the twentieth century were about 130 associations and organizations, as well as several foundations, religious organizations and other institutions of "civil society". These organizations had political, religious, cultural or nationalist orientation. Some of them were created in the Diaspora, especially in the U.S., England, France, Austria, Romania, Italy (USAID Report, Issues of NPOs Development, 2002).

Communist regime closed all independent associations, intellectual groups, foundations. Social organizations, associations, intellectual clubs, representations

of various strata of the population as well as other types of groups allowed to act further only under strict control of the government. This centralization process occurred earlier and more complete than Eastern European countries. Being particular and extreme model of Stalinism Albanian dictatorship model based on the concepts and attitudes unimaginable by the human mind. The culmination of these attitudes came in 1967 where the regime closed all facilities and religious communities.

Transition to democracy period had a great impact on the Albanian society and was followed by the creation of hundreds of NPOs and other civil society groups. Civil society has a rich history of work in the community, helping people in need, government lobbying, advocacy and participation in public debate. The growth of civil society in Albania is assisted by international donors and development agencies.

Increasing the non-profit sector and the role he played in the transition to a market economy has changed over time, influenced by factors such as the current needs of the country, political, economic, and social, as well as the level of donor support

There are four stages of development of the third sector: the transition period (1991-1996); crisis period (1997-2001); period after the crisis and maturity of NPOs (2002-2005); and periods of decline after 2005.

### **2.1 Development of NPOs in Transition (1991-1996)**

First NPO in Albania has been the Forum for the Protection of Human Rights and was founded in January of 1991. The Forum was apolitical, independent of the state and without any economic and political purpose. His initial activities helped the democratic changes in Albania and increased public sensitivity to the most important issues of human rights, the treatment of political prisoners during the communist regime. In 1992, the Forum was recognized as a full member of the Federation for the Protection of Human Rights in Helsinki, and was named the Albanian Helsinki Committee (AHC), which exists today. After AHC other organizations of human rights were created such as the Albanian Center of Human Rights (ACHR), the Albanian Human Rights Group (AHRG), and the Society for Democratic Culture (SDC). First organization of women in Albania was the Independent Forum of Albanian Women, established in 1991. Its main mission was to protect the rights of women to achieve equality between men and women and to encourage women to participate in development issues. Many NPOs were included in human rights issues, while others focused on other areas such as: environment, private sector development, field of youth, media.

## **2.2. Crisis period in the development of NPOs (1997 - 2001)**

Albania was faced with a financial crisis in 1997 due to the collapse of pyramid schemes. This had a negative impact on economic, political and social conditions. The financial crisis was influenced by the events of 1999, due to the crisis in Kosovo. These events increase the need for assistance from the third sector and influenced the development of the sector in several directions in the number, missions, volunteer involvement, fundraising, advocacy, public image and methods of governance.

Aggravation of the political and economic conditions in Albania after 1997 encouraged the development of NPOs in Albania. NPOs which were directed by women's rights became very active (Human Rights Watch, HRW World Report, 1999). Albanian government designed a program to fight corruption. As a result, after 1998 new NPO focused on advocacy for anti-corruption, transparency and government issues.

The Kosovo crisis was the period of establishment of 200 NPOs in Albania mainly in the field of assistance to refugees (Albania Human Development Report 2000 UNDP). More than 500,000 Albanian refugees from Kosovo arrived within two weeks in Albania. They were expelled from the Serbian army and needed to survive. Within a few days came to Albania, numerous western humanitarian organizations which brought medical drugs, food reserves and other basic tools. 200 NPOs created relations with international partners, as these last were interested to create relations with local NPOs as the only way to deliver faster assistance.

After the Kosovo crisis, competition among NPOs increased, so they were forced to improve many of the types and forms of their activities. They realize not only theoretical but also practical work in the field of education, health care, trafficking of women and children.

## **2.3. The post-crisis period and maturity of NPOs (2002-2005)**

During the years 2002 -2005 Albanian civil society was oriented from the civil rights, economic, political, social, cultural protection to improvement the quality of governance and revenue growth. The role of the third sector increased in the process of strategy formulation, social services, advocacy, and lobbying on specific issues (anticorruption, government, and consumer protection). Third sector participated in advocacy at local and municipal level they were involved in the drafting of the strategy of regional and local development, local budget and community-based services. Several factors demonstrated the growth of the sector at this stage:

Fundraising from donors to meet the social needs of society: Various donors such as USAID (United States Agency for Development Aid), the Dutch organizations in Albania (NOVIB, ICCO, HIVOS, CORDAID, SNV) UNDP (United National Development Program), Soros Foundation increased the capacity of NPOs in the delivery of social services. In 2002, the World Bank project began delivering social services. The project was designed for implementation as an initiative between NPOs, Ministry of Labor and Social Affairs.

The period 2002-2005 represented a higher stage of development of the third sector in Albania. This improvement is attributed to the improvement of the organizational capacity of NPOs particularly in strategic planning, fund raising techniques, financial management, governance of NPOs and decision-making. Services were funded to provide legal assistance NPOs in related to the implementation of the new law of NPOs.

#### **2.4. Decline period of NPOs (2005 and on)**

Civil society activities after 2005 were accompanied by several developments. The most important supporters of NPOs reduced their funding. Denmark and the Netherlands that were the most important contributors to civil society decided to reduce their funding. Other projects such as social service delivery project funded by the World Bank ended. USAID funds supported the Government to implement anti-corruption reforms. UNDP faced difficulties in providing funds as a result of the small number of bilateral donors present in the country and with similar strategies. European Union, which was the largest donor of NPOs in Albania didn't meet the gap because civil society services were not in their attention. As a result the third sector was reduced in size, purpose, activities and geographical coverage. NPOs in all areas of activity were faced with a decline in funding. Many of them became inactive, while the role of those who stayed was limited.

#### **2.5. Current state of NPOs in Albania.**

One of the hardest things in the context of the analysis of NPOs has been the difficulty in determining the size and density of the NPO sector due to the lack of a central unit that can collect and disseminate information on the nonprofit sector. Changes in registration procedures over the years have also contributed to the difficulties of measuring the number of NPOs.

Before 1994, the registration of NPOs was the responsibility of the Ministry of Justice and each ministry covering the sector of NPO activities. According to the Civil Code of 1994 responsibility for registration passed the first level courts in the districts for NPOs that were under their jurisdiction. According to the new law on NPOs adopted in May 2001, the registration of NPOs is the responsibility of the

Tirana District Court. Currently, the registration of non-profit organizations is concentrated in Tirana, where information on the registration of NPOs involved in the Commercial Register of the Commercial Association established under the Law on Commercial Association and registered under the Law on the Commercial Register.

This procedure enabled the provision of accurate information on the registration of NPOs in Albania. Dilemma regarding the actual number of NPOs in Albania has been discussed in various publications and the question of what percentage of NPOs are active and non active, it remains an interesting discussion. In 1996, the publication of "An Assessment of Civil Society in Albania" Democracy Network Program said: "There are at least 100 to 150 NPOs, of which, perhaps, only half are active." Albanian Report of Human Development of the Year 1998, published by UNDP in Albania, said: "it is believed that there are about 850 organizations, of these registered organizations only 50 are active. Country Index, prepared by USAID in 1999, "Development of Non-profit Sector" says: "There are about 500 to 600 Albanian NPOs registered. Approximately only half of them are active. In the absence of official data, and based on international sources in Albania in 2002 there were 800 NPOs (NGO Sustainability Index, Albania, USAID, 2002), of which only 200 are active (SPAI, Albania: Civil Society Assessment Report, 2001)

In the District Court of Tirana are registered 5002 NPOs (June 2011), information from the Tirana District Court until June 2011. Greater growth of NPOs has been in the field of human rights and social field. The most important achievements of the Albanian NPOs are: the creation of relationships and reciprocal link national and international, aids and continuing efforts to mitigate conflicts and fostering dialogue between different groups, unanimous and active role as an advocate of the process integration, their assistance in several laws in the interests of vulnerable groups.

### **3. Data Analyses and Finding Presentations**

Are taken in the study 200 non-profit organizations, their choice is made randomly from the database of non-profit organizations. From this selection results that in Tirana are located 47.6% of NPOs, 29.3% in north of the country and 23.2% are located in south (table 1). This choice is representative given by the fact that approximately half of non-profit organizations are concentrated in Tirana. Some of the reasons for the high percentage of NPOs located in North compared to south are:

- The Kosovo crisis in 1999.

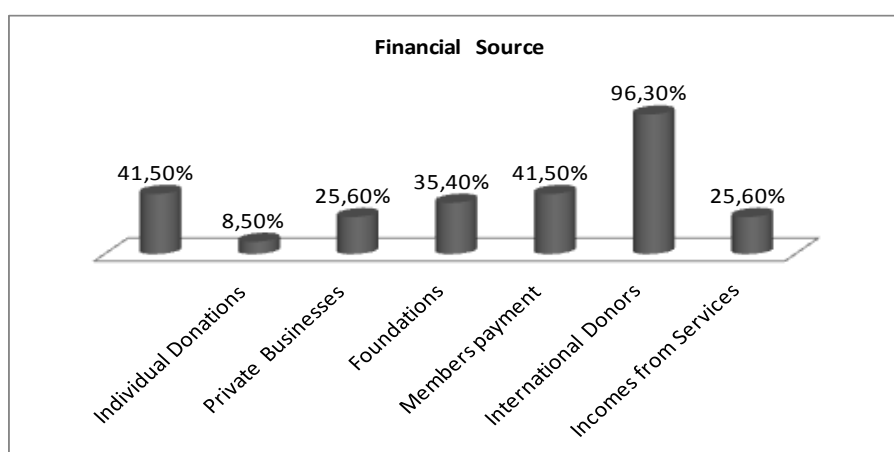
- In the last five year priority of international donors has been the north of Albania through projects aimed environmental protection, tourism development, and cross-border relations with countries

From the total of NPOs in Albania 51.2% are associations, 11% are foundations and 37.8% centers. These facts correspond with the number of NPOs registered in Tirana District Court. This is related to the fact that associations and foundations have existed sense 1991, while the centers was used as a designation in 2001.

**Table 1. Percentage of NPOs by type and location**

<i>Percentage of NPOs by type and location</i>	<b>Tirane</b>	<b>North</b>	<b>South</b>	<b>Total</b>
<b>Association</b>	42,9%	35,7%	21,4%	100,0%
	46,2%	62,5%	47,4%	51,2%
<b>Foundation</b>	55,6%	11,1%	33,3%	100,0%
	12,8%	4,2%	15,8%	11,0%
<b>Center</b>	51,6%	25,8%	22,6%	100,0%
	41,0%	33,3%	36,8%	37,8%
<b>Total</b>	47,6%	29,3%	23,2%	100,0%
	100,0%	100,0%	100,0%	100,0%

Findings show that 96.3% of NPOs funded by international donors, and a very small number of 8.5% is funded by individual donations (figure 1). NPOs provide funding from other donors 41.5% of NPOs declare that provide funds from government (central and local government). Other financial sources are from foundations 35.4%, private businesses and income from services at 25.6%.



**Figure 1. Percentage of NPOs by financial sources**

44% of NPOs think that funding trends in recent years are in decreasing, 34% think that are in increasing and 17% of them think that the trend of the funds has not changed (figure 2). The reason for the collapse of the funds NPOs connect with international donors. Since a large percentage of NPOs provide funds from international donors, as Albania passed the transition period it was not a priority of international donors. NPOs that declare that the trends of the funds in the recent years are in increasing are NPOs which are powerful in delivering the idea and the presentation of the project, are in continuous search of donors, and have the needed capacity.

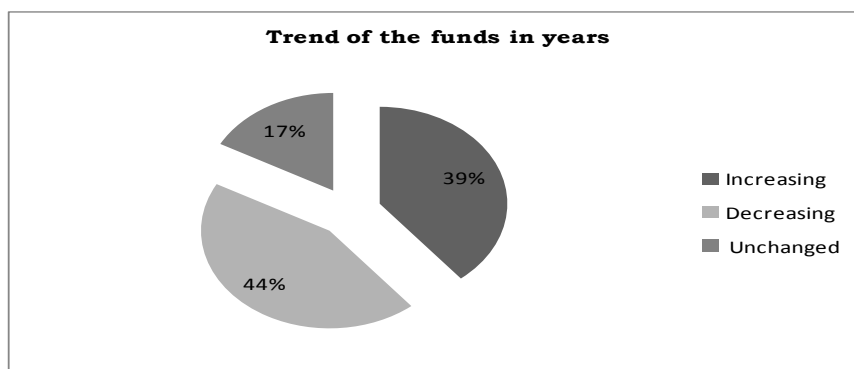


Figure 2. The trends of funding in years

62% of Northern NPOs claim that the funds in recent years have been increasing, 29.2% of them declare in reduction, 8.3% of them have not changed (figure 3). This is because the north of Albania has been a priority of donors in recent years on the environment, tourism and social services. 33.3% of Tirana NPOs declare that these years their funds have increased, and 41% claim they are in decreasing, and the other 25.6% think that trend has not changed. NPOs that operate in southern area declare that funding trends over the years is decreasing, and includes 68.4% of NPOs. 21.1% of them declare that the tendency of funds these years has been declining.

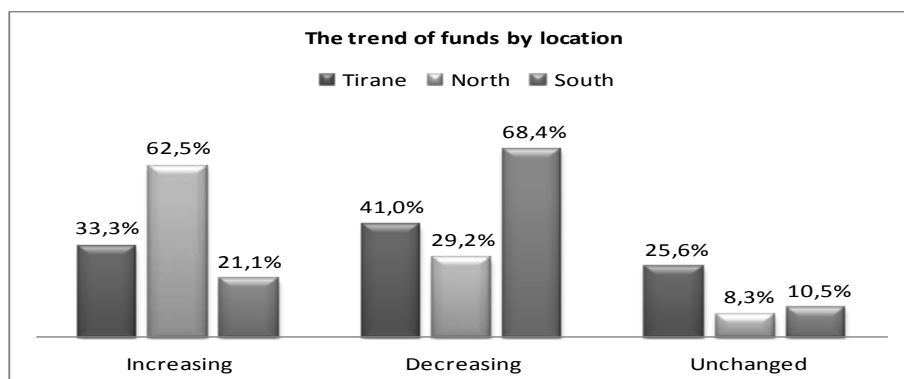


Figure 3. Trend of funds by location



39% of NPOs in Albania operate in the field of legal and political advocacy, 36.6% of them operate in the field of social services, 24.4% in the field of culture and education. Organizations that operate in the environmental field are 23.2% of NPOs. Organizations that have a small percentage are those that operate in health field, business and professional associations. NPOs operating in the field of legal advocacy are more numerous than the NPOs operating in other areas for several reasons:

- Were the missing rights in the communist era to which the Albanian people had more need, and this is related to the creation of the first NPO in the field of human rights;
- Democracy has in its self human rights;
- There are donors who support more the field of human rights.

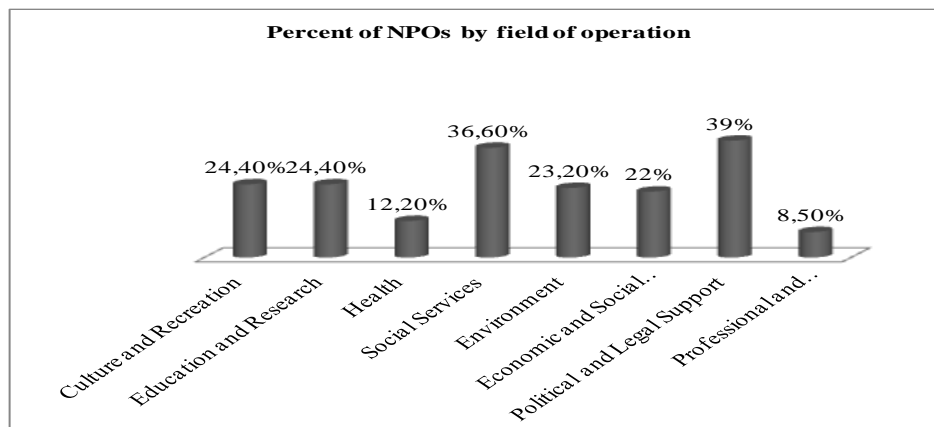
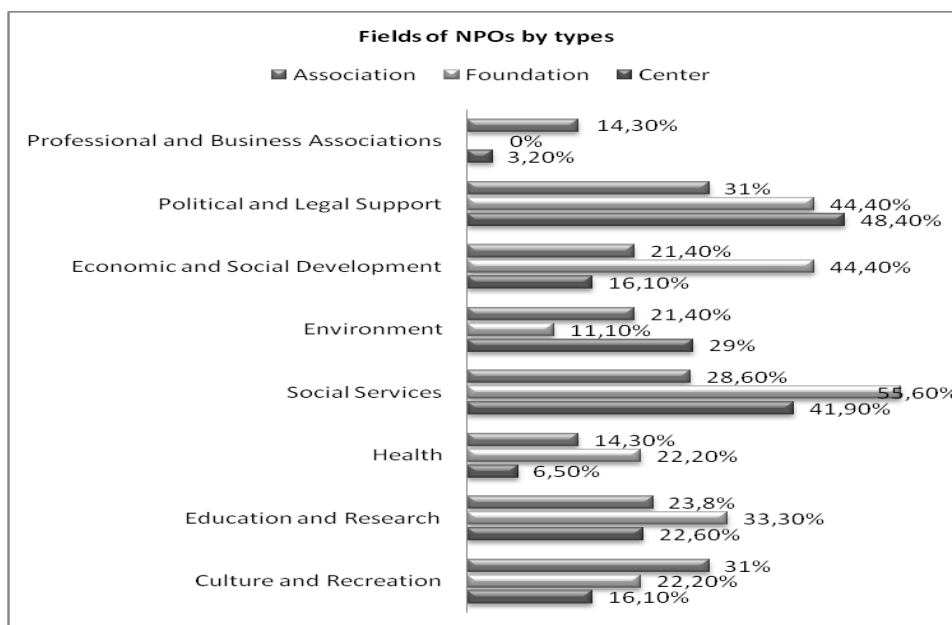


Figure 4. Percentage of NPOs by field of operation

If you look at the areas of activities of NPOs note that in the field of culture and entertainment dominate 31% of associations and 22.2% of foundations. In the field of education and research foundations dominate with 33.3%, in health field foundations with 22.2%, in social services foundations with 55.6%, and centers where 41.9% of them work in this field. 29% of centers operate in the environmental field and 21.4% of the associations. In the field of economic and social development, 44.4% of foundations implement projects in this area. In the field of legal advocacy, centers and foundations dominate. As a result centers dominate in the field of legal and political advocacy, in the field of services, and the environment. The major percent of foundations operate in the field of legal and political advocacy, economic and social development, Social Services. The major percentage of associations operate in the field of Legal and political advocacy, social services, culture and entertainment.



**Figure 5. Percentage of NPOs by fields of operation and type**

59% of NPOs operating in Tirana (capital of Albania) are oriented towards the field of political and legal advocacy (table 2). Tirana is the place where it is concentrated central and local government, parliament and feels necessary political and legal advocacy by NPOs. In the north area dominate NPOs operating in environmental protection and social services. In the South area dominate NPOs operating in social services, economic and social development.

**Table 2. Percent of NPOs by field of operation and location**

	Tirana	North	South
<b>Culture and Recreation</b>	20,50%	29,20%	26,30%
<b>Education and Research</b>	28,2%	12,5%	30,0%
<b>Health</b>	12,80%	4,20%	21,10%
<b>Social Services</b>	33,30%	37,50%	42,10%
<b>Environment</b>	12,80%	37,50%	26,30%
<b>Economic and Social Development</b>	17,90%	20,80%	31,60%
<b>Political and Legal Advocacy</b>	59%	33%	5,30%
<b>Professional and Business Associations</b>	7,70%	4,20%	15,80%

#### **4. Conclusions and Recommendations**

Approximately 50 percent of NPOs in the study belong to the Tirana District, and the rest of the NPOs belongs other areas. One of the reasons is that approximately 50 percent of NPOs exercise their activity in the district of Tirana. North area has a higher number of NPOs than South area. Some of the reasons are:

- NPOs that operate at north are increase in number during the Kosovo crisis in 1999.
- In the last five year North Albania was one of the priorities of donors for the development of tourism, environmental protection and the creation of maintaining relationships with border countries.

If we look at the percentage of NPOs according the type dominate associations that have the highest percentage of NPOs then centers and foundations. One of the reasons is that the associations and foundations have existed since 1991, while centers began to be used in 2001. These figures correspond with the number of registered NPOs in Tirana District Court.

The areas of activity in which NPOs operate are: legal and policy advocacy, which is the field that dominates in the sector, some of the reasons are:

- The transition from dictatorial to a democratic system requires the assistance of NPOs and the creation of the first NPO were in that field.
- The community itself lacked fundamental rights.
- This area of activity was one of the priorities of donors.

Is the field of social services which dominates the second according to the level of importance and involvement of NPOs. Some of the reasons for the dominance of this field of activity were:

- Year 1997 oriented NPOs in providing services, counseling, assistance, to child victims of trafficking and abuse.
- And the Kosovo crisis of 1999, enabled establishment of NPOs operating in social services.

Other fields in which NPOs operate are: Education and Research, Culture and Recreation, Environment, Economic and Social Development, Health, Business and Professional Associations. Centers dominate in the field of legal advocacy, social services, and environment. Foundations dominate in social services, legal advocacy, economic and social development. Associations operate in the field of legal advocacy, culture and recreation, social services.

International donors have been the primary support for NPOs in Albania. Government and foundations have contributed in partly, and other sources of funding have been minimal.

The trend of the funds in the last five years has been decreasing by declaration of NPOs interviewed. Where one of the reasons is the fact that Albania is not a priority for the international donors, and fields of activity in which NPOs operates influence in attracting donors. International donors finance about 90% of NPOs, regardless of their type or location.

Most NPOs projects are a reflection of the priorities of international donors. NPOs should guide international donors towards the funding in those areas for which our country needs more, through the creation of institutionalized relations between NPOs and international donors, and not oriented toward donors call.

Lack of funding is one of the reasons for a lower stability of the sector. They should take into account the existence of other possibilities, such as orientation towards alternative sources of funds.

Taking into consideration, image of the nonprofit sector is more than necessary the development of the sector mechanisms to enhance transparency in the state, in the public and other beneficiaries of his services. The first step in this direction would be publicizing the activities and financial situation by NPOs.

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