



# **THE UNDERSTANDING BETWEEN THE INVESTORS AND THE LOCAL COMMUNITY IS A NECESSARY CONDITION FOR EFFICIENT AND SUSTAINABLE DEVELOPMENT**

**Bislim AHMETAJ**

Lecturer at the public University "Aleksander Moisiu", Durres, Albania

ahmetajb@hotmail.com

**Sanie DODA** 

Lecturer at the public University "Aleksander Moisiu", Durres, Albania

sanijedoda@yahoo.com

## **Abstract**

*The current article intends to identify main barriers which have caused the creation of a distrustful relationship between the investors and local communities. Also, to find the best possible instruments and ways to relieve this relationship through mutual understanding to offer development opportunities for both sides. For this, the article adopted case study approach. The study found that widely perceived corruption of the central and local officials has affected directly in preventing foreign serious investors running their projects in priority fields like tourism, renewable energy, agriculture, etc. Further, legal framework on the property ownership either agriculture land or commercial site has had a negative impact on the presence of the foreign investors, stimulation of the non-serious investors who make use of bribes to seize properties and corruptive projects. And, the weak and corrupted judicial system has brought alienations of the property ownerships and encouraging of abusers in the investment market.*

*Keywords: Investor, community, mentality, understanding, corruption*

## INTRODUCTION

The history of investments either from the local investors or the foreign ones during the democratic transition in Albania has shown a fragile relationship, sometimes even hostile and in most cases with full lack of transparency between the investors and local community. Even if they managed to succeed, it went out through countless difficulties. The lack of this understanding has many reasons and in my opinion the most important ones are as follows: First, it is related to the mentality and the traditional approach of the local citizens who sometimes with good reasons and other times not, do not welcome or even refuse investors including both their nationals and foreign ones. Second, there are many justified reasons which have brought in not finding an understanding between local communities and investors, worthy to mention the void of legal framework, overlapping of ownership rights and not clearly defined competencies between the local government and the central one. And, the third one and probably the most important reason which has prevailed in the creation of the hostile environment between the local communities and the investors has been the arrogance and corruption of local and central government officials who bear the mentality of the previous dictatorship regime and act as the solely owners of any part of the territory of the country and consider it as their own feudal estate.

The investors, national or foreign ones have been imposed to operate in this confrontational triangle. This has caused withdrawal of the most serious investors, which gave way to other suspicious investors who have bribed directly or through offering percentages of shares of their investments to the local and central government authorities and as a consequence their conflicts with the local residents not only didn't cease but were further aggravated.

### Research Objectives

- Identification of the main barriers which have caused the creation of a distrustful relationship between the investors and local communities.
- Finding of the best possible instruments and ways to relieve this relationship through mutual understanding to offer development opportunities for both sides. This can create conditions and employ resources for investments development and eventually acceleration of the national economy which can maintain growth and sustainability only through development of investments.

## METHODOLOGY

The applied methodology in this paper has been conducted through surveys and questionnaires. In our survey, the focuses were in two strategic sectors, those of tourism and energy as two vital development priorities for the economy of Albania which is enriched with endless natural resources. The survey focuses also on the legal framework as well as numerous cases of conflicts between investors and local residents widely reported in the printed and electronic local media. While the questionnaires were focused in two special areas, the first one related to an investment in the field of sand tourism of the company X operating in Hamallaj village of Durres region and the other case of investment on a Hydropower Station (HEC) in Tropoja district of Kukes region. The same questionnaire was conducted in the two areas, with 100 addressees for each of them. We approached mainly to the local people living close to these investments areas.

## HISTORICAL BACKGROUND

The unfriendly environment of receiving the foreign or local investors from the local communities is deeply rooted in the history and is not related only to our country but in many other countries as well. Not going much in details, we can bring some common examples of the hostile reception as well as “the offensive” from the white naturalized Americans to the Native American Indians or indigeneous people of America by the middle of the nineteen century as it was described in the so-called movies of the “wild west”. In the same way, there were received the oil big investors to China or middle or far eastern countries. But let not go far from Albania and bring to the attention of readers of this paper, some of the Albanian history of this reality of relationship between investors and local residents. The period of King Zog regime in Albania marks the first important investments in the state history of the country. Until that time, besides the trade and exploitation of resources, the other investments almost had not existed. During the communist dictatorship in Albania, despite that the investments were funded from the “friendly” countries, they were implemented at the extent of 100 per cent from the receiving state and given that any corner or property was nationalized, the articulated or loud reactions from the local communities were almost non-existing otherwise this was “rewarded” with imprisonment and other penalties. Investments at that time were overwhelmed with propaganda and it was not shown even the minimum care for the environment or the damages caused to the local inhabitants. The typical examples are the big HECs built on the cascade of Drini river which despite their strategic importance for the country, there were not considered at any case the harmful effects to the local residents let it alone any kind of compensation. After the democratic changes in the beginning of 90s, when the private property restarted to take its value, it came

out that the local residents of the flooded areas from the hydropower stations of Fierza, Koman and Vau i Dejes and other similar cases, were not compensated at all with any kind of agriculture land, fruit trees or other kind of property for their flooded lands from the water of the built-in artificial lakes which are producing “light”. The electric energy is being sold in the internal and foreign markets not foreseen any kind of compensation for the local residents which were displaced forcibly from their lands and properties. The reason was legally “justified” because the land “de jure” was all a state property.

The problem of non-compensation of these inhabitants came out only in the beginning of 90s when it was approved and implemented the “famous” law 7501 “On Land” which divided the land indiscriminately among the dwellers of a certain village/ area regardless of the previous ownership. It is a known fact the continuous protests of the former residents of the flooded areas to the governments for 27 years of democratic transition who are seeking physical or financial compensation for their usurped lands. Despite there were taken several government decisions for compensation of these residents, the problem is still pending and still without solid foundations.

The same issue is for mineral areas or the other ones enriched with timber materials where the local residents were exploited as “work animals” and the reinvested percentages of these obtained funds have been almost zero with regard to the improvement of the life quality of these areas in proportion to their used natural resources and their contribution to the national GDP. On the contrary, it caused sufferings, poverty, occupational diseases and environment damage which in many cases was irreparable. The most typical examples of this arrogance almost criminal were the districts of Kukes region (Kukes, Has, Tropoje), home to the hydropower stations (HEC) of Fierza and Koman as well as the biggest chromium mines (Kalimash, Kam, Zogaj, Rragam), cooper mines (Gjegjan, Golaj) and paramount resources of timber materials (Valbonë, Lug Ndërmaje, Berishë etc) which were built and exploited during the communist regime and further on. In Dibra region which includes Mat, Bulqizë and Diber districts were built also the hydropower stations on the cascade of Mat River and are located also chromium enriched areas of Bulqizë, Batër, Martanesh etc including also the exploitation of timber materials. Also, there are worthy to mention the cooper mines of Rubik, Kurbnesh, Qafë Bari etc in Lezha and Shkoder regions.

It doesn't mean that the other regions of the country were luckier but they were not so enriched with mineral, water and forestry resources as the aforementioned regions.

Meanwhile, since the beginning of 90s, the Albanian governments have undertaken legal and structural reforms with regard to the improvement of the business climate development and creation of opportunities to absorb more foreign and local investments. But in reality, reception

of these investments from the local communities has been uneasy, tense and in many cases hostile as well.

## LEGAL ASPECT

Main reasons which brought to the emergence of a silent hostility between the investors and local communities were based on several events which happened in the first years of the democratic transition from a totally centralized economy toward a privatization process mostly based on informal relations and favourable to the people connected with communist nomenclature. The clear examples of this hostility were privatization of small shops and various trade services to their former employees. During the communist regime, a dairy salesperson had a better living than most of the local people who were pleading for a pack of butter or cheese and after the democratic changes that privileged salesperson become permanent owner of that shop that had been considered a public property. Some joint ventures initiated from some quasi foreign investors who in most cases came out to be small gangs from Pulia region of south Italy with former agricultural state enterprises from the most productive areas of Albania were unsuccessful. The foreign investors used the lack of experience of the local people in signing such contracts and benefited vast amounts of money in the arbitrage trials to the harm of the Albanian state.

As we mentioned before, until 1990, the whole economy of the country was “state property” and particularly in the last years of that regime when the foreign aid was lacking almost completely, that economy was gradually declining to its bankrupt. The democratic changes which involved the country in the years 90-92, were accompanied with the destructions of the public properties even when it was still sustainable and productive. The speedy approval without a well-thought planning of a series of laws on the alienation of the public properties to “joint ventures” brought many illegitimate benefits to a dozen of people and lack of confidence and hope to the rest of population.

The law 7501 on the land division remains a law that instigate conflicts in a direct way between the previous real owners of the agriculture land with those who benefitted it by this law contrary to the democratic standards and this has brought most of the anomalies with regard to the foreign direct investments as well. Also the other successive law for offering the land of the former agriculture enterprises in possession to the interested people was comptabile with the law 7501 as well.

The entire mosaic of the legal base on the land ownership starting from 1991 till currently has created confusion and insecurity for investors and has nurtured conflicts between investors and local communities.

Overall, the legal base in force on the land ownership has created insecurity to the foreign and local serious investors because one of the main preconditions on running an investment was impeded which is not to have unsolved land disputes.

### **HANDLING OF THE CASE STUDIES**

We will not mention in this paper the names of two subjects taken as the target group even if they can be perceived by the readers because of preserving confidentiality, privacy, unspoiled image and competitively. In the interviewer's sample, there were included 100 persons from each case so in total 200 persons. Following the analyse of their answers, there are sad findings which explains in the best way the lack of foreign direct investments in the country. Among various reasons, there is brutality of the central government and the attitude of the investors which is neither ethical nor cooperative with the local communities. The local residents not only were taken their opinion but they didn't have any information about starting of these investments. They were not informed latter or organized any public hearing session either from the local governance or the central one that these investments might affect their properties or about their usefulness and their benefits in general or in specific terms. In not a single case, they were informed in advance who is exactly the real investor and in most of the cases, there were speculated with the names of involved central or local "leaders" until the working process was a *fait accompli*. Not to mention here any prior written agreement about the benefits of the local residents and compensations offered in return for the damages caused to their properties, the environment and the acoustic pollution including also any damage of the road infrastructure in the process of transporting their heavy machinery.

### **ANALYSIS OF THE QUESTIONNAIRES**

In both reviewed cases, respectively on the company "Y" which is carrying out an investment of HEC in Valbona Valley in Tropoja district and on the other case of the investment on a sand beach touristic village in Hamallaj area of Durres district by company "X", there were delivered 100 forms of questionnaires to the residents of each area. Regarding the company "Y", 80 local residents accepted to fill out the questionnaire which constitutes 80% of the total addressees while in the other area related to company "X", 95 local residents responded positively to fill it out that makes 95% of the addressees in total. It comes out that the residents of Hamallaj area in Central Albania were not afraid to talk while related the other case of the company "Y" in Northeastern Albania, despite that the addressed local people were assured about preservation of their privacy and keeping their answers confidential, it was apparent their feeling of pressure

and intimidation to cooperate with us. However, even in the last case, the answers were clear and rationale.

Regarding the question “Have you ever attended a public hearing organized by a) the local authorities, b) central government or c) investors? ”, 100 % of the respondents said No. While on the other question if they were aware of such public hearings organised with local people on these investments, 90% of respondents said “No” and 10 % of them said “don’t know”.

80% of the respondents answered “No” on the question: Was it offered any kind of favour, facilitation or benefit as compensation from the investor or central/local government on the damage caused to the environment, roads, acoustic pollution and exploitation of the natural resources where you are living? 10% of respondents answered this question with “don’t know” and 10% with “maybe”.

The question “Do you think that the followed procedures on granting of concession permits have been transparent and in compliance to the law?” 90% of respondents said “No” and 10% said “don’t know”.

All the respondents have the same perception that corruption has prevailed on the process of granting concession permits.

Regarding the analysis of the conducted questionnaires, we find out that 75% of the approached local residents accepted to answer. The sample in Hamallaj village was focused in two quarters located closer to the given investment spot where there are living 300 households with about 1000-1200 local residents in total. While in the other case of HEC investment in Tropoja district, the questionnaires were delivered in five villages of Valbona valley respectively in Margegaj, Cernice, Shoshan, Dragobi and Valbone with about 400 households in total and nearly 1000-1200 local residents living there. The local residents said that they were totally excluded from the decision-making process; there is not any written or verbal agreement between the local residents and investors on the impact and benefits of the inhabitants following the completion of the investment. The contacts of the investor, in their opinion, have been directly with the central government authorities where they got exploitation permit and building permit as well. The respondents said that the local governance simply has followed some routine procedures in this process.

## CONCLUSIONS

Despite that the findings of this paper are not optimistic, this doesn’t mean that the situation is unhelpful so some measures are needed for the improvement of the climate/ relationship between investors and the local communities.



Among the evident conclusions are:

- Widely perceived corruption of the central and local officials has affected directly in preventing foreign serious investors running their projects in priority fields like tourism, renewable energy, agriculture, etc.
- Legal framework on the property ownership either agriculture land or commercial site has had a negative impact on the presence of the foreign investors, stimulation of the non-serious investors who make use of bribes to seize properties and corruptive projects.
- The weak and corrupted judicial system has brought alienations of the property ownerships and encouraging of abusers in the investment market.
- Lack of competencies of the local governance and inferiority of its officials toward the central government officials has stimulated direct connections of abusive investors with the central government officials avoiding in this way the local governance and local community.

## RECOMMENDATIONS

The facing challenges from the policy-making institutions, the business and local community are numerous and complicated as well. However, it is urging to give adequate answers to some questions as: What can be done to improve the business climate and the cooperation between investors and local communities? Is it an option to revoke the legal framework which has affected negatively our national economy in the period of almost 30 years of democratic transition?

The answer of these two questions and many other ones is very difficult to give in a modest paper like this one. But if there is political willing, accountability and understanding at the national level for a sustainable development, for sure that these questions and others would receive positive answers. There are practises and models which have succeeded in this regard; the typical example is that of Western Germany after the SWW II and the Federal Chancellor, Adenaur. It remains epical his saying: by free willing, the impossible things can become possible.

- Therefore, first, there is needed a national pact of understanding for bringing an end of the corruptive practises in exploiting the natural resources concerning the enrichment of an influential group of people. This can be done through improvement and clearly defining the legal base in the Criminal Code for penalizing such acts which constitutes criminal offences.



- Increase of transparency and organizing of public hearing sessions not just for the sake of doing them but to encourage real discussion aiming at achieving an understanding between investors and local communities.
- Improvement of the legal framework on the legal benefits and real impact of the local communities from development of the natural resources and the environment where the investment is taking place.
- The law 7501 which almost was never enforced in the most part of the north-eastern Albania and in the rocky coast of the southern Albania, should be revoked. This can open the way for review and register of the old owned properties in the cadastre, a process which did not take place so far because of the land disputes and other bureaucratic procedures caused from the implementation of the mischieved law 7501.
- The former owners should have the right by law to get back their properties through the restitution process supporting them with development obligatory programmes or in case the restitution is not possible, then they should be fully compensated.

## REFERENCES

Hamallaj residents denounce alienation of their lands on corruptive practises. [www.bulevardionline.com/](http://www.bulevardionline.com/)

Police riots with Hamallaj residents. YouTube/

Some amendments in the law no .7501 dt.19.071991 [www.ikub.al/ligje/](http://www.ikub.al/ligje/)

The road Bajram Curri-Valbona gets blocked, the local residents protest [www.gazetadita.al/](http://www.gazetadita.al/)

The Valbona Park and disturbances from the building of hydropower stations. [www.zeriamerikes.com/media/video3209703.html](http://www.zeriamerikes.com/media/video3209703.html)

Tirana administrative court decides to suspend HECs construction on the Valbona River. [www.shqiperiajone.org/lajmikryesorvendi/](http://www.shqiperiajone.org/lajmikryesorvendi/)