

# Chapter 10

## Local Governance and Regional Development in Albania

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### 1 Introduction

After half a century of centralized economic and political systems, Albania moved to a market-based economy and subsequent decentralized governance through a series of central and local level public reforms. Elda Gjergji noted that, “Albania, like other post-communist East Central European countries, has been undergoing a multiple transition: a political transition from one party to many, an economic transition from command to market economy, and a social one, from rural society to an urban”.<sup>1</sup>

These decentralized governance reforms were driven mostly by different donors, and in the context of the European accession agenda, rather than reflecting the political commitment of the local authorities based on a common understanding and strategic thinking. As such, the process has involved much “toing and froing”, which inevitably has led to ambiguities, functional overlaps, and unclear roles and responsibilities among the different levels of government. Domestic sponsorship for the reforms was split between the Ministry of Interior (MOI) and the Ministry of Economy, Trade and Energy.<sup>2</sup> Furthermore, the implementation of the reforms did not include proper capacity building of the civil servants tasked with the job.

This chapter provides a general overview of the decentralization reforms, the state of local governance, and the efforts made towards promoting regional

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<sup>1</sup>Euro Academia: <http://euroacademia.eu/presentation/the-albanian-transition-to-democracy-as-a-path-to-european-integration/>

<sup>2</sup>The METE led on the regional development agenda, roughly until 2009 and the Ministry of Interior led on decentralisation.

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development in Albania<sup>3</sup> as a state that aspires to full EU membership. It analyzes the decentralization process in Albania through an in depth study of its local government units (LGUs), their institutional set up, their strategic and functional roles, and their human and financial resources allocations. The institutional analysis is complemented by a bottom up perspective on the decentralization process and its outcomes as seen and assessed by the local elected bodies.<sup>4</sup> This examination will highlight the gaps in Albania's decentralization policies and outcomes, and focuses especially on the provisions regarding the main functions of local government. It explores potential approaches and interventions that would improve policy making at the local and regional levels (Fig. 10.1).

The chapter is organized in two main parts. Part 1 analyzes decentralization policy in Albania, which, in some key aspects, is comparable to FYR Macedonia experience.<sup>5</sup> Part 2 reflects on regional development in the EU member states as a model to which Albanian decision makers purport to aspire. This EU example serves as a benchmark when discussing the findings of this analysis, and formulating some recommendations.<sup>6</sup>

The study data were collected in four regional councils (Qarks)<sup>7</sup> and complemented by desk research involving scrutiny of relevant national and international documents, content analysis of important publications, and public statements, and presentations by key policy actors. Particular reference is made to the lessons learned from the latest Austrian Development Cooperation/Swiss Development Cooperation (ADA/SDC) funded regional development program.<sup>8</sup>

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<sup>3</sup>As evidenced in the Albanian 2012 Progress Report, the progress of the reforms concerned with regional development is very limited. The draft National Strategy for Development and Integration (NSDI) 2013–2020 includes a range of policies pertaining to regional development, but the overall institutional framework still lags far behind the EU standards.

<sup>4</sup>Interviews with four regional councils' (Qarks) leaders and representatives were conducted in order to understand better their perspective as well their involvement in the process.

<sup>5</sup>FYR Macedonia is a Balkan country at a similar level of development and similar position in the EU accession process making it an interesting case to observe if not follow.

<sup>6</sup>Note that it is not the only driver. Discussion with the leaders of four Qarks and with regional council staff provided insights into and hints about the Albanian mentality which further informed our own views.

<sup>7</sup>The 2nd tier of governance in Albania consists of 12 regional councils. The Qarks studied in this chapter were chosen based on several criteria. Tirana is the biggest and represents the economically richest region of Albania which is simultaneously the weakest in its commitment to pursuit of decentralization. Shkodra and Kukes are the economically poorest Qarks, and Lezha has had considerable involvement of different donors to assist its decentralization and regional development (UNDP, Austrian Development Cooperation/Swiss Development Cooperation -ADA/SDC).

<sup>8</sup>The Regional Development Program (RDP) has been in place since February 2011 and runs till December 2014. One of its main expected results is development of a regional development agenda for Albania.

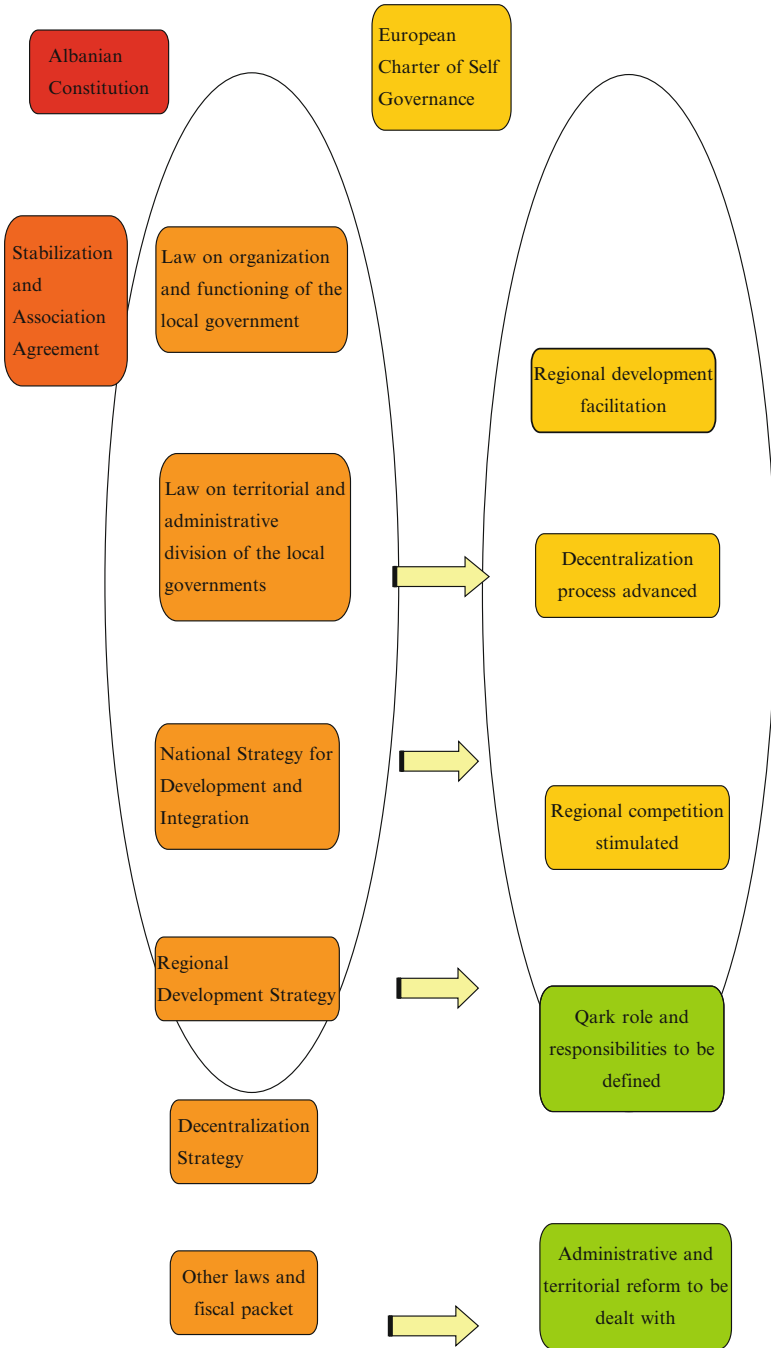


Fig. 10.1 Decentralization policy reform in Albania

## 2 Overview of Albania's Recent Governance History

Soon after the fall of communism in 1991, the government led by the then Party of Labour of Albania took initial steps towards decentralized governance – a process continued by successive governments. The first step in 1991 involved the introduction of the principle of local autonomy in the Constitution, followed by the adoption in 1992 of a Law on the Organization and Functioning of the Local Government, the Prefect Law<sup>9</sup> and the Local Elections Law in 1992. Also in 1992, the Council of Ministers approved a decision on the territorial and administrative division of local government. For almost a decade the process of political and financial decentralization in the Republic of Albania went back and forth. In 1998, Parliament adopted a new Constitution and soon after (1999) ratified the European Charter of Local Self Government. The political willingness to take further steps towards decentralization reform was made concrete by the adoption of three main pieces of legislation:

- Law on the Organization and Functioning of Local Governments (Law Number 8562; 2000)<sup>10</sup>;
- Law on Territorial and Administrative Division of Local Governments (Law Number 8653; 2000);
- Law on Electoral Code of the Republic of Albania (Law Number 8609; 2000).

This legal framework provided the basis for extensive political, fiscal and administrative decentralization.

There are two tiers of local governance in Albania: municipal and regional. One tier consists of Municipalities/Communes<sup>11</sup> referred to as Local Government Units (LGUs). There are 65 municipalities (urban areas) and 308 communes (rural areas), and the LGUs are the first tier of local governance. The LGUs are autonomous public authorities, responsible for providing or distributing public services, and goods in compliance with the law (On the Organization and Functioning of Local Governments). The other tier consists of Regions – Qarks<sup>12</sup> of which there are 12 regions. A Qark is the territory of a sub-national government, which encompasses a cluster of municipalities and communes with a tradition of economic and social links, and mutual interests. Qarks are governed by Regional Councils, which include the Qark administration and the local legislative body. The above mentioned Law

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<sup>9</sup>Law No. 7608 Date 22-09-1992 <http://qpz.gov.al/doc.jsp?doc=docs/Ligj%20Nr%207608%20Dat%C3%AB%2022-09-1992.htm>

<sup>10</sup>Law No. 8652 on “The organization and functioning of local government” provides for the decentralization of functions from central to local government and other legal documents allow support for the transfer of authority and responsibility, the design of methodologies, guidelines, and increased management capacity of the local elected bodies in the areas of infrastructure and public services, social, cultural and sports services, local economic development, and order and civil protection.

<sup>11</sup>Municipalities are entities covering a single urban area; communes are constellations of rural villages, mostly with small numbers of inhabitants ranging from 2,500 to 25,000.

<sup>12</sup>Qark is the Albanian acronym for the region.

8562, defines the role of the Regional Council as “developing and implementing regional policies and their harmonization with the national policies at the regional level, as well as any other exclusive function given by law” (Law 8562, Art. 13). Article 109 of the Constitution of the Republic of Albania provides for the formation of regional councils as local government bodies. Under these provisions, the regional council is elected by the representatives of the first local government tier; hence, there is no direct election by voters, which reduces the representativeness of the Qarks within the governance structure and is discussed later in the chapter.

At the level of mission, principles, and rights, the Law on the Organization and Functioning of Local Governments applies equally to the municipalities, the communes and the Qark. It assigns several exclusive functions to the municipalities and communes, but there is a lack of clarity about substantial functions and expenditures assigned to the Regional Council.

Our interest in this chapter is focused particularly on the Qarks because of the ambiguity related to regional level governance in Albania, which is not least a consequence of some major projects initiated to facilitate the decentralization process. Effective regional development requires close cooperation, and synergies between both levels of local governance, as well as joint planning and financing. Therefore, both elements need to be analyzed together.

### 3 Legal Framework and Instruments

In addition to the three main pieces of legislation referred to above, other laws were drafted and approved after 2000 and, together, constitute the legal decentralization and regional development framework in Albania. These laws, presented in Table 10.1, cover a range of specific issues such as taxation of small businesses, local taxation, social programs, and an amendment to the Constitution.

Following approval of the main legislative framework in 2000, Decentralization continued by adoption of the National Decentralization roadmap in 2007, which introduced a new set of reforms. The laws in Table 10.1, especially Nos. 8652, 8653 and 8654, lay down the principles for the functioning of LGUs. The principles of good democratic governance relevant to the present study include the principle of local economic development, governance at the closest level to the population, the principle of subsidiarity, and collaboration among LGUs.<sup>13</sup> More importantly, these laws endow LGUs with rights to property, governance, fiscal autonomy, and development. Law No. 8562 establishes the mission, rights, and principles of municipalities, communes and the Qark. However, while it assigns several individual (exclusive) functions to municipalities and communes, this Law does not allocate substantial functions or budgets to the Regional Council (Qark). This hampers the

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<sup>13</sup>The 12 principles of good democratic governance at local level are defined in the EU Strategy for Innovation and Good Governance at Local Level available at: [http://www.coe.int/t/dgap/localdemocracy/strategy\\_innovation/strategy\\_brochure\\_e.pdf](http://www.coe.int/t/dgap/localdemocracy/strategy_innovation/strategy_brochure_e.pdf)

**Table 10.1** Local governance legal framework

| Law Number | Year | Title   |
|------------|------|---|
| 8562       | 2000 | Law on the organization and functioning of local governments  |
| 8653       | 2000 | Law on territorial and administrative division of local governments   |
| 8609       | 2000 | Law on Code of the Republic of Albania  |
| 8654       | 2000 | Law on the organization and functioning of the municipality of Tirana   |
| 8743       | 2001 | Law on real estate properties of the state  |
| 8744       | 2001 | Law on the transfer of the real estate properties of the state to the local government units                              |
| 8978       | 2002 | Law on local small business tax (revised)   |
| 8979       | 2002 | Law on some additions and amendments to Law no. 8438, date 28.12.1999, "On the income tax" with the respective amendments |
| 8980       | 2002 | Law on some amendments to the Law no. 8560, date 22.12.1999, "On the tax procedures in the Republic of Albania (revised)  |
| 8982       | 2002 | Law on the system of local taxes (amended)  |
| 8991       | 2003 | Amendments to Law no. 8405 on urban planning  |
| 9232       | 2004 | Law on social programs on the inhabitant housing in urban areas   |
| 9632       | 2004 | Law on social programs on the inhabitant housing in urban areas   |
| 9632       | 2006 | Local tax system  |
| 9675       | 2007 | Changes to the Law no. 8417, date 21.10.1998 Constitution of Republic of Albania  |
| 9719       | 2007 | Changes and additions to the Law no. 9232, date 13.05.2004 for social programs on residential housing in urban areas      |
| 9745       | 2007 | Changes and additions on the Law no. 9632, date 30.10.2006, local tax system  |
| 9743       | 2007 | Changes and additions to the Law no. 8405, dated 17.09.1998 for urban planning, amended.                                  |
| 9869       | 2008 | Law on the loan for local governance  |

(scattered) efforts to facilitate regional development. On the other hand, responsibility for shared functions – such as health, education and the environment – rests with the respective ministries in cooperation with municipalities and communes, not with the Regional Councils. Similarly, Law 8562 does not assign substantial spending powers to the Regional Council. Most (between 90 and 99 %) of Qark budgets<sup>14</sup> come from central government as part of an unconditional transfer. There is also a budget line within the membership quota for the LGUs comprising each Qark. However, according to the Qark leaders interviewed, this is not paid regularly by the LGUs. The third largest budget line is the conditional transfer for the delegated functions (e.g. the cadastre). Only a very small portion of the Qark budget comes from taxes and fees that are related to the services provided by the Qarks or the fines they impose. This clearly shows the Qarks' weakness and dependence on central

<sup>14</sup>As reported by the leader of Shkodra Qark, Mr. M. Cungu, the annual budget is approximately €640,000 99 % of which consists of is unconditional grant from central government.

government based on the limited range of functions and services that generate revenues allocated to the regional level.

In Albania, there are considerable disparities and ambiguities with regard to the implementation of the principle of local economy and governance. The term decentralization is understood as “the transfer of authority and responsibility for public functions from the central government to subordinate or quasi-independent government organizations and/or the private sector” (Litvack et al. 1998). Decentralization can help national government/ministries reach larger numbers of local areas with services; allow stronger political representation for diverse political, ethnic, religious, and cultural groups in decision-making, and lead to more creative, innovative and responsive programs by allowing local “experimentation”. It can increase political stability and national unity by allowing citizens to better control public programs at the local level (Crucq and Hemminga 2007, p. 7). Of course, there are many ambiguities associated with implementing decentralization<sup>15</sup> which have not been carefully assessed in Albania given that the main incentive is closely linked to the country’s aspirations to join the EU. Despite the merits of the general principle that LGUs are responsible for basic services, in Albania provision of services (e.g., drinking water, urban waste management, rural roads maintenance, primary health care services) suffers from a clear lack of capacity in some municipalities – and especially the communes – to offer an acceptable level of quality, and to do so efficiently. An example is the failure of all LGUs in Albania to deal with urban waste management as envisaged in the national strategy. Some municipalities and communes use almost 30 % of the unconditional transfer for this service while national level generation of revenue for this service remains very low. The main reasons for this capacity deficit are lack of human resources in these LGUs combined with limited economies of scale in the small LGUs.

In parallel with decentralization efforts aimed at the LGUs, policy makers have pushed ahead with a regional development agenda mostly because of the interest in supporting this level from various international development partner organizations such as USAID, UNDP, ADA, and SDC. The first efforts to promote regional development can be traced back to 1990 when a USAID financed program established Regional Development Agencies (RDAs), followed in 2000 by the UNDP program aimed at implementing the Millennium Development Goals in each Qark. In 2007, the Albanian Government drafted a Regional Development Cross-cutting Strategy 2007–2013 (CSRSD) whose main aim was to strengthen regional development. The CSRSD is important in so far as it was the first attempt at an Albanian concept of public policy for regional development. It did not define clear responsibilities or structures for the Qarks in relation to developing capacities to participate in EU Cohesion or Regional Development Policy; nor did it aspire to setting the directions to achieve this. Although the CSRSD proposed a platform for regional development through the establishment of Regional Development Agencies in each Qark, there was insufficient clarification of the role of the Qark. The key shortcoming was a failure to integrate in one policy platform other important sectors and/or crosscut-

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<sup>15</sup>Rosen 2002; Kalin 2003; Crucq and Hemminga 2007; Toto 2010.

ting policies/strategies, such as rural development, tourism, environmental protection, water management, education, social issues, transportation etc., to make regional development policy more effective.

Nevertheless, the CSRD was ambitious in its proposal for a regional development institutional framework, and it tried to establish several coordination mechanisms, but unfortunately this strategy was never implemented.<sup>16</sup> In 2009, a draft Law on Regional Development was prepared based on the CSRD strategy objectives and recommendations from various policy actors,<sup>17</sup> but was never passed by Parliament and remains on hold. Soon after the drafting of this Law, the UNDP and the EC initiated a program to support the Albanian Government to move forward more decisively with implementation of its regional development policy,<sup>18</sup> with the involvement also of other actors. In 2011, ADA/SDC proposed a program to promote regional development of the northern part of Albania, based on a bottom-up approach. Mr. P. Gjoni,<sup>19</sup> in the kick off meeting of the ADC/SDC financed Regional Development Program, the new bottom up approach implied by this initiative was intended to overcome the previous difficulties and shortcomings related to managing regional development by fragmented decentralized functions and structures. This ‘lessons-learned’ informed approach by the donor community acknowledged the necessity of pursuing a twin-track approach to addressing regional development issues given the generally weak commitment to regional development of local authorities. The policy development timeline and diversity of donors active in the sector clearly reflect this donor driven regional development policy reform in Albania. In contrast, at municipality level there was much stronger political will to push forward with decentralization along the path dictated by the European accession agenda.

#### **4 The Importance of Qarks for Regional Development in Albania**

Albania’s authoritarian history and experience of a command economy meant that Albania’s public services were largely centralized. It is the task mainly of various line ministries to formulate sectoral policies and to manage economic and social development issues related to public sectors such as transport, education, health, communication, the environment (especially waste management), and trade. These

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<sup>16</sup>This is the fate of almost every single strategy in Albania; the policy strategies frequently lack financial bills to implement them.

<sup>17</sup>IDM and Co-Plan are two think-tanks that contributed to this agenda and identified various ambiguities and shortcomings in the existing strategy during several round tables organized by these NGOs.

<sup>18</sup>The program was named “Integrated Support for Decentralization – a Regional Development Program”.

<sup>19</sup>Opening speech of the Regional Development Program kick off meeting in 2011.



ministries have an institutional presence in the capital Tirana and several decentralized offices for provision of services to citizens through regional or even district level institutions. Inspired by the National Strategy for Development and Integration (NSDI) 2007–2013<sup>20</sup> and in response to pressure from the international community, since 2007 Albania has worked on developing 38 sectoral strategies, of which 27 have been approved by the Council of Ministers, 7 are in the process of approval and 4 are still in a draft version.

Sectoral strategies and priorities are mostly implemented in parallel, with funds channeled from the national budget and donors in a top-down fashion, mainly through decentralized institutions controlled by the ministries, but also through local government. These sectoral policies have an impact at the regional and local levels, although their impact at regional level is difficult to assess due to the lack of instruments for their full and effective implementation. There are significant regional disparities in social and economic development, and education outcomes, in Albania. For example the Tirana region has the lowest regional poverty levels (8.7 % of the population were below poverty line in 2008) while poverty levels in the so called Mountain area of Albania were 26.6 % in the same year.<sup>21</sup> The extent of disparities in the level of regional development is illustrated by the number of registered enterprises; at the end of 2012, there were 41,742 active enterprises registered in the Tirana region, followed by Shkodra (6,377), Lezhe (2,883) and Kukes (914).<sup>22</sup> In addition, the decision of the Council of Ministers (No. 1037, dated 15.12.2010) to split Albania according to three Nuts II<sup>23</sup> levels, is being questioned following the results of the latest census. The population threshold for NUTS II according Regulation EC no.1059/2003 is 800,000–3,000,000 inhabitants and according to the 2011 census the population of Albania is 2,800,138 inhabitants.<sup>24</sup>

Overall, the efforts of the Albanian political class to initiate a constructive approach to regional development policy have been very fragmented. Although the limitations of the LGUs to deliver some key services such as health, education and environment, are evident, there have been no attempts made by government to address the problem by considering the regional level as a potential solution. This experience contrasts sharply with neighboring FYR Macedonia, where the local political authorities seem to be in more control of the regional development policy process. The reforms there have been driven by the local actors and been much less influenced by implementation of projects to meet the Stabilization and Association Agreement's milestones than in Albania. Although both countries embarked on developing regional development policy around the same time (1999–2000) and in

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<sup>20</sup>National Strategy for Development and Integration, Albanian Government available at [http://dscd.gov.al/dscd/National\\_Strategy\\_for\\_Development\\_and\\_Integration\\_7\\_2.php](http://dscd.gov.al/dscd/National_Strategy_for_Development_and_Integration_7_2.php)

<sup>21</sup>INSTAT Albanian poverty trend 2005–2008.

<sup>22</sup>INSTAT Business registration Survey 2012.

<sup>23</sup>Regulation (EC) no. 1059/2003 of the European parliament and of the council on the establishment of a common classification of territorial units for statistics (NUTS).

<sup>24</sup>Once Albania becomes an EU candidate country, the statistical regions' classification will have to be negotiated, which may require abrogation of the above-mentioned decision.

the context of the EU's accession agenda, the difference in the outcomes is clearly visible. FYR Macedonia has made much more tangible progress in the development of its eight regions; it has achieved greater fiscal decentralization and balanced regional development while Albania still struggles to clarify the role of the Qarks. Table 10.2 shows a wide discrepancy among Qarks in terms of the number of constitutive LGUs and the population size.

Administratively, each Qark is composed of one major municipality and one or more smaller municipalities, and several communes. Mayors and local councilors, who are elected through popular vote, head municipalities and communes. Regional councilors are chosen indirectly by the commune and municipal councils. Local officials are appointed by the mayors and approved by the local councils.

As already mentioned, progress towards decentralization during 2000–2012 in Albania mostly bypassed the Qarks. Their role is perceived more as a coordination office providing a range of functions and services (Law Nr. 8562), whose implementation has lagged or has even reversed in recent years.<sup>25</sup> The leaders of the four Qarks included in this study pointed to several areas of weakness and backsliding in regional development.

One of the key areas is developing and implementing regional policies and their coordination with national policies. Some Qarks, such as Shkodër and Kukës, have been more active in this regard. This is mainly because of the proactive approach of their leadership and support from the donor community. However, although strategic documents have been approved, the strategies have not been implemented due to lack of funding, human resources and instruments for their enforcement.

There is widespread underperformance in some basic service provision e.g. construction and maintenance of rural roads. Construction and maintenance of rural roads is an area of Qark responsibility whose implementation is lagging mainly due to lack of funding from central government. No central government funding was allocated for either maintenance or construction of new roads in 2000–2006. Since 2006, the Albanian Development Fund has provided substantial funding for the construction of new rural roads, but on condition that their status is upgraded to national roads, implying a change in responsibility for their maintenance. This policy shift is due to the central government's and respective donors'<sup>26</sup> dissatisfaction with the Qarks' performance. However, the Qark leaders interviewed claim that Qark performance is undermined by insufficient allocation of funds by central government.

Performing delegated functions by one or more LGUs situated within the Qark (based on mutual agreement) has not been widely implemented. The Qarks can be delegated to undertake urban planning by LGUs with insufficient human resources in the communes and smaller municipalities. However, over the years, LGUs have assumed this function, which had reduced the range of services the Qark offers. Urban planning is one area that is tightly controlled by the local political structures and serves for patronage purposes- hence resistance to shift it under Qark mandate.

<sup>25</sup> Interview with the president of Shkodër Qark, November 2012.

<sup>26</sup> Mostly the World Bank, European Bank for Reconstruction and Development, and the European Investment Bank.

**Table 10.2** Albanian regions (Qarks)

| Qarks                | Berat | Diber | Durres | Elbasan | Fier | Gjiro-<br>kaste | Korec | Kukes | Lezhe | Shkoder | Tirane | Vlore |
|----------------------|-------|-------|--------|---------|------|-----------------|-------|-------|-------|---------|--------|-------|
| No. of LGUs          | 25    | 35    | 16     | 50      | 42   | 32              | 37    | 27    | 21    | 33      | 29     | 26    |
| Population<br>(‘000) | 141   | 137   | 265    | 296     | 311  | 75              | 220   | 85    | 136   | 217     | 764    | 184   |

Source: Albanian Institute of Statistics

There is also an issue with maintaining the cadastre of agricultural land and protecting agricultural and forestland (as a function delegated by central government). This function so far has been performed by the Qarks, but according to the leader of Shkodër Qark,<sup>27</sup> enforcement of this function is difficult because the LGUs represented in the regional council are the steering body of the administration.

Thus, there is some evidence that the decentralization policy reform has slowed in recent years. For example, in 2006 the competitive grant fund for LGUs was set up. The financial resources for the fund were carved out from earlier LGUs budgets on the grounds that the LGUs neglected capital investment.<sup>28</sup> The decision making for fund allocation was thus moved to the central state level and the competitive grant allocation system was introduced. Unfortunately, this policy shift was implemented by central government without involvement of the LGU representatives in the decision making. At the beginning of the scheme, in 2006–2007, the Qarks played a crucial role in implementing the allocation scheme, which provided firm ground for pursuing a regional development agenda; centralization of the grant allocation process effectively put an end to this. With the amendment of the law on local taxes in 2009, the fiscal decentralization policy experienced a further setback. The background to or reasons for this initiative by the Democratic Party (DP) Socialist Movement for Integration (SMI) coalition government, were related to obligations stemming from the Albanian EU Stabilization and Association Agreement, but were not a response to requests from interested stakeholders and government did not consult the affected LGUs for their views. Thereafter, the LGUs' fiscal autonomy was reduced and the collection of the small business tax was partly centralized (USAID 2009, p. 27). This is reflected in the decreasing share of tax income from small business in the LGU budget with no corresponding compensation by way of unconditional transfers from central government. In this way, the ruling party opted for financial weakening of the big municipalities such as Tirana, Durrës, Vlora, and Korça which at the time were under Socialist Party (SP) rule, a minority party in the Albanian Parliament.

Although the RDF has remained in place, it is administered by central government with no substantive role for the Qarks. One of the interviewed Qark leaders told us that the decision for control of the fund by central government both hindered the regional development agenda and comprised unfair and unequal treatment

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<sup>27</sup> Interview with Mr. M. Cungu, November, 2012.

<sup>28</sup> As highlighted by the Institutional and Capacity Assessment to implement the Regional Development Program in Northern Albania, [www.rdpnorthernalbania.org](http://www.rdpnorthernalbania.org). The competitive grant scheme was replaced by the regional development fund in 2009 with the idea of boosting regionalization, but without clearly defined criteria. The purpose of the regional development fund is financing of capital investment in local roads, water and sewerage systems, health and education facilities, culture structures, local food markets, drainage and irrigation, and forestry. The system that administers this fund for regional development is quite complex and several bodies are involved in the allocation, distribution and implementation. The final approval of the projects to be funded through regional development fund, is made by the Committee for the Development of the Regions, whose work is facilitated by the General Technical Secretariat (DSDC – Department for Strategies and Donors Coordination), within the Prime Minister's Cabinet.

among LGUs, since those heading the ruling party were favored compared to those controlled by the opposition.

The Open Society Forum monitoring report on progress towards the Stabilization and Association Agreement (2010, p. 40) concludes that “the decentralization reform in Albania has almost entirely been brought to a standstill”. Like the FYR Macedonia, Albania must respond very soon to both the decentralization and regional development reforms required by the EU integration process. Issues such as territorial reform, the role of the Qarks, structures required to access IPA (Instrument for Pre-accession Assistance from the EU) funds require immediate attention from policymakers. Failure to attend to these issues, and to do so soon, will result in Albania not being able to comply with EU cohesion policy rules and standards and being unable to access funds from IPA III, IV, and V.

Progress toward regional development legislation has been hampered, and the CSRD passed in 2007 was not fully implemented. In 2010, the UNDP and the EU initiated the Integrated Support for Decentralization (ISD) program to prepare a revised regional development policy framework for 2010–2020 in order to outline a long-term roadmap for Albania’s EU accession process. The revised policy was approved by the program steering committee (including representatives from the MoI, Ministry of Economy, Trade and Energy, and the Department for Strategies and Donor Coordination), but it never reached the senior government level of the Council of Ministers which makes the final decisions. In addition, the project operated top down and excluded participation of local players such as the Qarks and the LGU representatives. The result is summarized in the EU Progress report 2012 (p. 52): “Considerable efforts are needed to establish the necessary institutional and administrative capacity at central and local levels and to develop a pipeline of mature and quality projects. Overall, preparations in the area of regional development are still at an early stage”.

## 5 Decentralization: Achievements and Challenges

Decentralization in Albania has advanced since the early 1990s, but continues to face several challenges related to the establishment of local government units, their roles and financial resources, accountability, and the position of the Qarks. The territorial and administrative reform of 2000 abolished the former 36 districts and established a new structure of 12 regions or Qarks), 65 municipalities, and 309 communes. The boundaries to communes and municipalities remained in place; average population number are 22,500 in municipalities and 5,200 in communes, and include 48 % of local government units with less than 5,000 inhabitants.<sup>29</sup> The mayors and the heads of communes are directly elected by majority vote; the municipal/commune councils are elected according to a proportional voting system based on

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<sup>29</sup>Albanian Regional Development: Opportunities and Challenges, UNDP Mission Report September 2005.

party lists. The regional institutions (Qark) do not have individual own democratic legitimacy in so far as they are indirectly elected. Local governments are organized in three national associations: the Albanian Association of Municipalities, the Albanian Association of Communes, and the Albanian Association of Qarks. The associations are performing an increasing role of bringing the views of municipalities/communes into the political debate, and increasingly are successful in influencing political decisions on decentralization issues at central government level. However, they complain about lack of capacity and limited interest among local governments in joining forces for political lobbying. To influence political decision-making in their favor, mayors and heads of communes still seem to prefer direct and personal links to central power holders.

In relation to the principle of subsidiarity, the organic law of 2000<sup>30</sup> and its recent amendments, define a range of exclusive, shared, and delegated functions to municipalities and communes. The main exclusive functions include: water supply and sewerage, construction and maintenance of local roads and public spaces, public lighting and urban transportation, public cemeteries, parks, sports activities, household waste collection, urban planning, cultural and historical heritage, social services and administration of nurseries and homes for the elderly. Joint responsibilities of the municipalities/communes include school and pre-university services, healthcare and social assistance, public order, and environmental management and protection. In reality, these responsibilities are treated as delegated functions, and in many cases there is no clear division of responsibilities between the decentralized services and the municipalities and communes, resulting in a strong trend toward seeing the municipalities and communes as another decentralized services delivery unit. The transfer of responsibilities is not complete in some areas, and the delivery of local public services is not operating as intended for a variety of reasons. In some cases, there is an absence of specific legislation (e.g. urban planning), delays in property transfer (e.g. roads, water supply, sewerage systems), and in others, lack of financial resources and/or professional capacity in the municipalities/communes. Municipalities/communes also complain about poor transparency and predictability of the transfer process: some competences were transferred at very short notice, with no proper preparation and information. Moreover the regional policy making scheme is unclear, as is how local government units (municipalities/communes) should implement policies drafted at the regional level.

In addition, many competencies that have been transferred to municipalities and communes require a regional approach in order to be cost efficient. A nation-wide or regional legal and policy framework, financial equality, or at least, inter-communal cooperation are needed to avoid each municipality acting in isolation and taking no account of the needs and interests beyond its boundaries. Although the organic law foresees the possibility of inter-communal cooperation, there is little real cooperation, and no real incentives for collaboration.

The municipal/communal budgets are covered by central government grants and local revenues. The unconditional grant covers about 50 % of the local budgets. It is

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<sup>30</sup>Law 8652 (31.7.2000) on “Organization and Functioning of the Local Government”.

calculated according to particular criteria, and a formula that is subject to annual negotiation. Conditional grants are used to finance “shared” municipality/commune functions, and competitive grants have been introduced to finance small local level capital investments e.g. for roads, water supply, education, and health. Since 2006, municipalities/communes have been allowed to collect property taxes on buildings and agriculture land, property transfer taxes, infrastructure impact taxes, small business taxes, simplified profits taxes, and vehicle taxes. In general, the potential of local revenue has not been exploited fully and tends to privilege municipalities and communes with a certain level of economic potential. At Qark level there is no possibility for raising local revenue. Qarks are entitled only to some conditional grants from central government for delegated functions. Thus, not all proposed regional policies have real opportunity to be implemented by the Qark or its members.

In view of the strong totalitarian version of communism in Albania compared to the rest of the Western Balkans, state institutions, legal procedures, and political processes have changed substantially. However, state power at central and local levels is often managed and administrated by a generation of (male) politicians and officials who were schooled in a deeply hierarchical, centralist, closed, and authoritative system. The politicians, administrations, and civil society are only very slowly learning new roles and attitudes. While it is generally assumed that local authorities are more accessible to citizens and local civil society groups than the central authorities, so far civil society seems to contribute little to shaping political decisions in Albania. Although there are some good examples of changing attitudes among authorities, and growing self-confidence, trust, and engagement among citizens, civil society still plays a very limited role as a counterbalance to state power. A culture of public debate and dialogue within and among the authorities has yet to be established, and most decisions are non-transparent and controlled – even at local level – by a still centralized and very personalized power system within the two main political parties. It appears difficult for citizens to hold local (and central) authorities accountable for illegal or inappropriate action. Although they are allowed to go to court to challenge individual decisions, this is not seen as a viable option by many citizens. There is also very limited public space for raising political issues, demanding accountability, or challenging political decisions at local or at central level. As in the case of other countries in the Balkan region, there are several NGOs working on development and human rights issues but they often lack a broad local constituency.

We referred to the fact that, according to the constitution, the regional councils and the heads of regional councils do not have direct political legitimacy. Since the Qark councils consist of representatives of municipalities and communes, they are often considered local government associations rather than an intermediate level of government. Although the Organic Law No. 8652 provides a basis for regional taxes and fees for public services, the regions lack fiscal autonomy. Qarks are primarily financed by transfers from central government (particularly to fund a relatively well developed administration) and municipalities/communes which are supposed by law to transfer an agreed percentage of their revenues to regional budgets, however, this does not always happen. Initially, the regions were established to

optimize the provision of public services, to provide a platform for achieving common regional interests, and to ensure the alignment of local regional and national priorities and harmonize local and regional policies with national objectives.<sup>31</sup> The Organic Law No. 6852 vaguely outlines the roles and responsibilities of the regions (Qark), stipulating that the main functions of the council are the “development and implementation of regional policies and their harmonization with the national policies at the regional level”. However, the Qarks have neither the administrative instruments nor the financial means or professional capacities to deal with this task. It seems that big municipalities are particularly unwilling to accept regional guidance or intermediation in their direct dialogue with the central authorities. Moreover, it is still the Prefect’s responsibility to check the legality (but not the political appropriateness) of the decisions taken by the municipalities/communes. In spite of the Qark’s responsibility for regional coordination and planning, there is no clear role in overseeing the action of municipalities/communes, or fostering much needed cooperation among local institutions.

Qarks also have the right to exercise executive competence in the delivery of public services: tasks can be delegated by the central government or by municipalities/communes. For example, Qarks contribute to managing rural roads and – most recently – to the police force. In 2005, central government transferred responsibility for the allocation of funds in the area of primary education and health care to the regional councils. A year later, these responsibilities were taken back and replaced by the competitive grant system, directly allocating investment funds to municipalities/communes in need. The transfer of responsibilities resulted in a widespread waste of funds and a number of unfinished school constructions. The transfer was done with little preparation or consultation, and took no account of the limitations of Qarks to favor regional interests over the local interests of their members, which contributed even more to the failure of this process.

The Qarks seem to be in a relatively uncomfortable intermediate position between central government, the line ministries, the Prefect, and the municipalities/communes. While many observers agree an absolute need for an intermediate level of decentralization, others say that the territorial dimension of Qarks is not adequate for Albania, suggesting either bigger slices in line with EU/NUTS II regions or smaller ones similar to the old district system. In addition, the Qarks are considered entities with relatively broad scope but limited tasks and capacities, limited political legitimacy, and dependent on municipalities and communes for funding. Figure 10.2 provides a graphic visualization of public institutions and processes at Qark level.

A new decentralization strategy<sup>32</sup> was elaborated by the MoI (2006), to address some of the challenges mentioned; however it was never approved by the Council of Ministers. Neither local government units nor the Qarks’ were adequately involved in the design of the strategy. The same can be said for the Regional Development Crosscutting strategy prepared by the Ministry of Economy, Trade

<sup>31</sup> Albanian Regional Development: Opportunities and Challenges, UNDP Mission Report September 2005.

<sup>32</sup> [http://www.moi.gov.al/drupal1/pdf/Strategjia\\_decentralizimit.pdf](http://www.moi.gov.al/drupal1/pdf/Strategjia_decentralizimit.pdf)



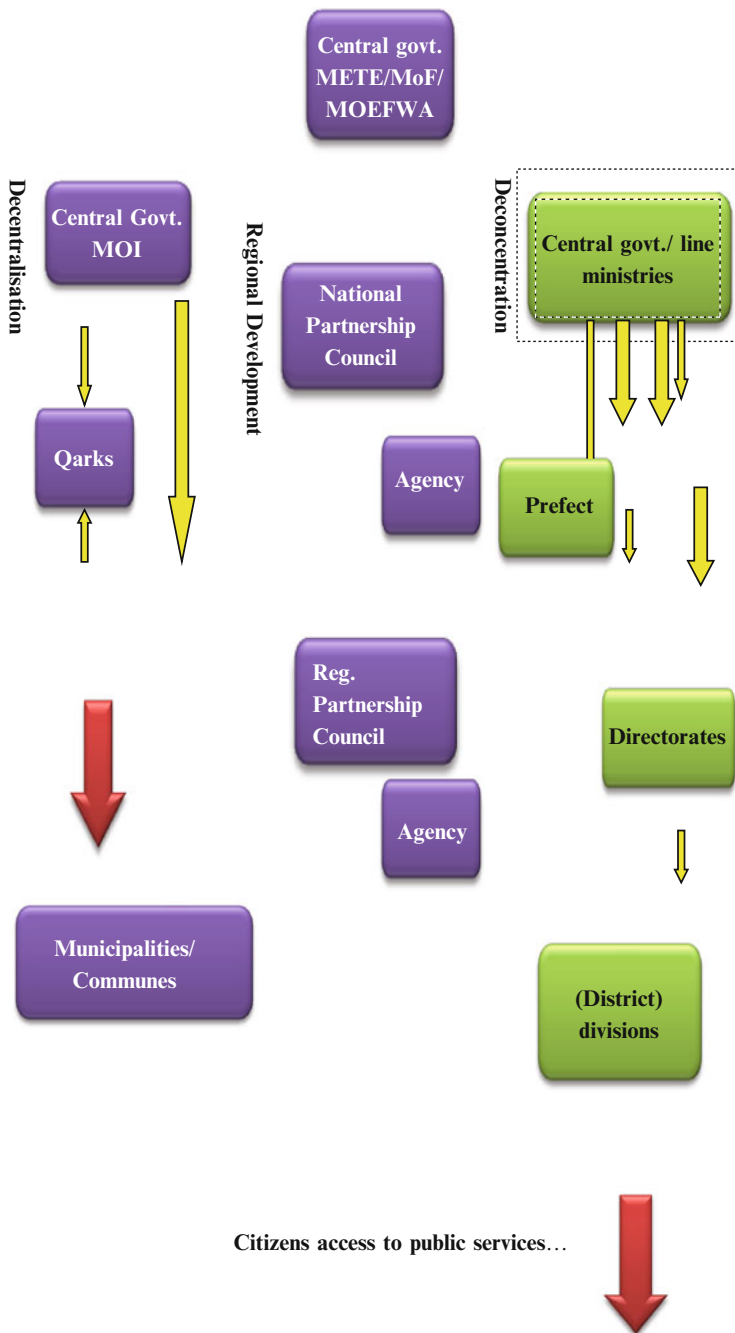


Fig. 10.2 Public institutions and processes at Qark level

and Energy (METE). This strategy was approved by the Council of Ministers and adopted, but its implementation is far away from the targets. The main reasons for this are lack of ownership by the Qark and LGU administrations, and absence of a financial bill associated with the strategy. Further difficulties were generated by a shift in the regional development portfolio from METE to MOI which appears to have paralyzed the progress.

The scheme in Fig. 10.2 shows that the public institutions involved in both processes are led mainly by the central government of the ruling DP/SMI coalition. There is no involvement of Parliament (since the above mentioned strategies are approved by Council of Ministers decree) and there is very weak political debate at Qark and Municipal level. The absence of a political debate at local government level is a consequence of the very strong influence of the political parties over the Qark leaders who are DP/SMI members, and a lack of will by the ruling coalition to listen to the voices and the arguments of the SP-led LGUs and Qarks.

According to the four Qark leaders from Shkodra, Kukes, Tirana and Lezha, decentralization at the regional level is almost nonexistent. This is mainly a political choice because regional decentralization would weaken the competences of central government. Lack of willingness of the LGUs in the first tier of government to delegate exclusive services to the Qarks is another barrier to further decentralization.

## 6 EU Practices and Standards

Although Albania is not likely to be afforded EU member state status in the near future, the EU standards remain a guide for Albanian political decision-making on political and administrative reforms, regional development, and cross-border cooperation. This means that European regional policy will serve as guidance for the design of Albanian regional development policies. The EU's regional policy 2007–2013 aimed at putting solidarity principle into practice, while strengthening the competitiveness of the EU economy as a whole. Strengthening economic, social, and territorial cohesion by reducing developmental disparities among its regions is a fundamental objective of the EU, laid down in its Treaty, and absorbs one-third of the EU's budget. Under the first objective of "convergence", EU cohesion policy focuses on funding investments in 84 EU regions, with per capita GDP less than 75 % of the Community average.

European regional policy, its instruments, and programs are largely managed in a decentralized way by the relevant national and regional governments. Within the common framework set by the EU, member states and regions choose their own priority objectives. However, "each program is developed in a collective process involving authorities at European, regional and local level, social partners and organizations from civil society."<sup>33</sup> Moreover, member states and regions must prepare "National Strategic Reference Frameworks" as well as national and regional

<sup>33</sup>EU regional policy principles [http://ec.europa.eu/regional\\_policy/how/principles/index\\_en.cfm](http://ec.europa.eu/regional_policy/how/principles/index_en.cfm)

operational programs. Strategic guidelines on cohesion policy have been developed to support effective planning at national level. According to these guidelines, programs should concentrate investment in high-growth areas, invest in drivers of growth and employment such as innovation and education, establish comprehensive medium term development strategies, contribute to trans-European infrastructure and environmental sustainability, mobilize additional resources, and develop partnerships among different levels of government and other actors.<sup>34</sup> These programs are negotiated and agreed with the Commission, but implementation is the responsibility of member states. There is a whole set of criteria these programs are required to comply such as for example respect for EU legislative practice, particularly on procurement, competition and environment; implementation of multi annual programs and strategic planning; building institutional framework and capacity of public administration to ensure programming, implementation, monitoring and evaluation of programs, and so on, EU regional policy is composed of a range financial and political instruments whose implementation facilitates reductions in economic and social disparities among different Community regions. Some framework instruments were designed in 1957, and cohesion policy was formalized in 1986. If Albania were to follow the same principles as EU policy, it would need to give more weight in its regional development agenda to the development of the poorest Qarks.<sup>35</sup> In the EU this is achieved by multi-year strategic programming of investments involving mostly local regional players. The current state of the Qarks and experience of decentralization policy in Albania more broadly, provides no foundation for such a process.

The Maastricht Treaty<sup>36</sup> formalized the cohesion fund and regional development committees, and affirmed the subsidiarity principle, leading to cohesion policy consolidation phase. With EU enlargement (2000–2006), the disparities in GDP deepened and the problems for new member states to cope with this policy intensified. As a result, major changes were made to the cohesion policy for the 2007–2013 phase including concentration of resources to poorer countries and regions in the EU, changes to priorities to stimulate growth, employment, and innovative technology. At the time of writing, Albania is far behind the EU priorities; its objectives for regional development remain at the level of defining the roles and responsibilities of the Qarks.

## 7 Conclusions

Regional development has added a new dimension to the Albanian institutional framework based on deconcentration and decentralization. To be effective, regional development must be a common objective, and its implementation should involve

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<sup>34</sup>EU Regional Policy 2007–2013, Working for the regions, [http://ec.europa.eu/regional\\_policy](http://ec.europa.eu/regional_policy)

<sup>35</sup>Qarks located in the northern part of Albania are considered the poorest and include Kukës and Shkodër. For this reason ADA/SDC decided to fund the regional development program for Shkodër and Lezhë Qarks.

<sup>36</sup>The Maastricht Treaty came into force in 1993.

all ministries. The current rivalry observed among various ministries and institutions is hampering cooperative efforts. Furthermore, lower level government officials still prefer direct and personal links to power holders. A culture of public debate and dialogue within and among the authorities has yet to be established.

Regional development should be a comprehensive concept including economic, social, political, and institutional development. As referred to in the EU Lisbon Agenda, it is about making poor regions more attractive places to live and work in, to improve knowledge and innovation for growth, and to create more and better jobs. A new approach to the election and composition of regional councils should be discussed and approved. The composition and election of regional councils should be in compliance with the European Charter of Self-government. This would give more hands on implementation of policies and strategies to the regions and increase the chances of success of regional development policy. In addition, the driving forces of these processes in Albania should be local stakeholders. EU, UNDP and other development partners should and could support the process by providing know-how, examples of best practice from the region, and lessons learned rather than ready-made solutions. The Association of Qarks, Association of Municipalities, and Association of Communes as the main representations of these stakeholders' interests should be dominant in the process in order to provide ownership and implementable solutions.

One of the key challenges in many decentralized systems is transparency and accountability, and access to information. Practical experience from the regional/local level should be systematically used to nurture discussion at national level, with a view to better informed decentralization policy and regional development policy.

Quality and accessibility of public services (e.g. water, sewerage, household waste management, education, health) are key to making poor regions more attractive or maintaining their attraction for businesses, professionals, and families. The principles of subsidiarity need to be enforced and this can be done mainly through revision of Qark roles as well as greater inter-local cooperation. At the same time, local partnerships should be encouraged as an important factor in promoting regional development, particularly in view of the capacity constraints at the local government level.

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