



Local Government in Albania

Responses to Urban-Rural Challenges

edited by

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The H2020-MSCA-RISE-2018 project aims to provide solutions for local governments that address the fundamental challenges resulting from urbanisation. To address these complex issues, 18 partners from 17 countries and six continents share their expertise and knowledge in the realms of public law, political science, and public administration. LoGov identifies, evaluates, compares, and shares innovative practices that cope with the impact of changing urban-rural relations in major local government areas (WP 1-5).

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1. The System of Local Government in Albania

Elton Stafa, NALAS – Network of Associations of Local Authorities of South-East Europe

Types of Local Governments

With the 2014 Territorial and Administrative Reform (TAR)¹, in Albania there are two types of local self-governments, i.e. the basic level of local self-government consisting in 61 municipalities (*Bashkia*), and the second tier of local self-government made up of 12 regions (*Qarku*).

Municipalities comprise also administrative units, which can be towns and/or villages. In most cases, the administrative units are the former rural communes that were amalgamated with the TAR with their closest and cultural and historical urban centers. The Municipality of Tirana, for example, is subdivided in 24 administrative units, i.e. 11 subdivisions of the former (urban) municipality and 13 (rural) communes that were amalgamated to Tirana with the TAR. The administration of these units is part of the municipal administration and is directed by an administrator who is appointed and dismissed by the mayor. Towns may be divided into smaller units called quarters (*lagje*). As a rule, a quarter can be established in territories with over 20,000 residents. A town's division into quarters and its territory shall be approved upon a decision of the municipal council.

The regions, the second-tier local self-governments in Albania, were and continue to be entrusted with only few general responsibilities for 'coordination and harmonization' of regional policies with national policies and they may also perform any function that is mandated to them by one or more municipalities within the region or the central government. In practice, the regions do not perform any significant responsibility, other than some administrative tasks delegated by the national government.

Legal Status of Local Governments

The right of local governments to self-government is enshrined in Article 13 of the Constitution of Albania and the Law on Local Self-Government. The constitution prescribes that local government in Albania is based on the principle of decentralization of powers and is exercised according to the principle of local autonomy. The constitutional standing of the second-tier of local self-government, the regional council (*Këshilli i Qarkut*), is the same as for municipalities,

¹ Law no 115/2014 on the Administrative-Territorial Division of Local Government Units in the Republic of Albania.



regardless of the fact that they have only a few 'coordination' own responsibilities. Only the municipal council (*Këshilli Bashkiak*) is directly elected. The regional council is composed of members from the elected bodies of the municipalities that make up the region, i.e. mayors and other members that are elected from among municipal councilors of the municipalities that compose the region.

The Law on Local Self-Government prescribes the right and the ability of local governments in Albania to regulate and manage public affairs under their own responsibility, within the limits of the law. The exercise of the right of self-government is guaranteed by additional rights of local governments as juridical persons, the right to own and dispose of property, to raise revenues and make expenditures, to perform economic activity, to cooperate with other local governments, etc. The Law on Local Self-Government prescribes also the basic principles of local government finances, according to which, local governments 'shall be entitled, within national financial policies, to adequate financial resources, commensurate with the responsibilities provided for by the Law' (Article 34).²

(A) Symmetry of the Local Government System

All municipalities are entrusted with general competences to carry out all responsibilities relevant to the local community (as prescribed by law), and any other responsibility that is not specifically assigned (by law) to another level of government. Local governments are entrusted with own and delegated functions and responsibilities. Local self-governments have own responsibilities in the core public services and public infrastructure, in the field of education, social protection, culture, recreation and sports, environmental protection, agriculture, rural development, forests and pastures and protection of nature and biodiversity, local economic development and public order and safety including fire protection. Although these are all 'own' local matters, the degree of political and administrative and fiscal powers decentralized to local governments varies significantly from function to function and in any case, in performing these functions, local governments should also respect regional and national policies and standards for service delivery.

The spirit of the new Law on Local Self-Government entails symmetric decentralization of exclusive functions to all new 61 municipalities, regardless of size, capacity or any other condition that may affect service delivery for particular functions. However, the law introduces also the possibility of asymmetrical decentralization to specific municipalities. However, the transfer of specific responsibilities to specific local governments shall be regulated through a separate law.³ In practice there are a number of cases of asymmetries through transfers of competences to specific local governments for specific purposes, either through a specific law, government decree or a more simple Memorandum of Cooperation between different central

² Law no 139/2015 on Local Self-Government, Art 34.

³ Law no 139/2015, dated 17 December 2015, on Local Self-Government, Official Gazette No 249, p16963, Art 21.



and local governments. Examples include the transfer of responsibilities for operating and maintaining pre-university students' dormitories, the operation of certain social service centers that were previously operated by a specific line ministry and public order, as the municipal police in Tirana may impose fines for the irregular parking within the territory of the municipality, which is a national police competence.

Political and Social Context in Albania

Albania has a relatively young history of democratic local self-government. While an independent country since 1912, for about half a century (1944-1990), Albania suffered a severe totalitarian regime, during which local government meant simply 'local structures of the (central) government'. Albania began the journey of political and administrative decentralization in 1992 with the first local democratic elections. As in many other ex-communist countries, the early reform processes simply focused on laying down the basic concepts and legal framework for decentralization and local self-government to counter a half century legacy of repressive and non-democratic institutions.⁴ In the early 2000s Albania adopted decentralization reforms that saw the consolidation of local responsibilities and the introduction of basic instruments for the financing of local responsibilities. The reforms enacted between 2014 and 2017, have been even more impactful. In 2014, the Government of Albania (GoA) consolidated 373 urban and rural local governments into 61 municipalities. In 2015, Parliament passed a new Law on Local Self-Government (LSGL)⁵ and a new Law on Local Self-Government Finance (LGFL).⁶ These laws were considered as critical components of a larger strategic plan to expand the role of democratically-elected local governments in Albania by creating larger municipalities and giving them more responsibilities and resources.⁷

Following the collapse of the communist regime, the political landscape is dominated by two major parties, the Democratic Party (DP) and the Social Party (SP). The third largest political party is the Socialist Movement for Integration (SMI). The 2013 general elections were won by a coalition between the SP and the SMI that governed together until the general elections of 2017, since when the SP is governing alone. Local politics is controlled by these three major parties. There have been only a few cases of an independent candidate running a local government as a mayor. The latest case when independent mayors run and took office is the local elections of 2007. Between 2007 and 2011 there have been 12 independent mayors out of 373. After 2011, there have been no cases of independent mayors taking office in Albania.

⁴ Stafa Elton and Xhumari Merita, 'Albania: Aligning Territorial and Fiscal Decentralisation' in William Bartlett, Sanja Kmezić and Katarina Đulić (eds), *Fiscal Decentralisation, Local Government and Policy Reversals in Southeastern Europe* (Palgrave Macmillan 2018).

⁵ Law no 139/2015 on Local Self-Government (LSGL).

⁶ Law no 68/2017 on Local Self-Government Finance (LSGFL).

⁷ Government of Albania, 'National Crosscutting Strategy for Decentralization and Local Government' (adopted by Decision of the Council of Ministers no 691 of 29 July 2015).



Regarding the social context of local government, it is important to note the massive number of Albanians that have left the country (but that still have Albanian citizenship) since the early 1990s. Only between 2014 and 2018, about 200,000 Albanians have emigrated while about 100,000 have immigrated.⁸ As for internal population movements, the 2011 census ascertained that the population living in urban areas for the first time exceeded the population living in rural areas. The resident population in urban areas was 53.5 per cent, while 46.5 per cent lived in rural areas.

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⁸ Instat, 'Migration and Migrant Integration' (Instat Institute of Statistics)
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Local Responsibilities and Public Services



2.1. Local Responsibilities and Public Services in Albania: An Introduction

Elton Stafa, *NALAS – Network of Associations of Local Authorities of South-East Europe*

Until 2015, urban and rural local self-governments in Albania were entrusted with symmetrical own, shared and delegated functions and responsibilities. Own functions were those functions over which local government units exercised full administrative, service, investment and regulatory authority. Public services related to infrastructure and utilities formed the core of exclusive functions of local governments in Albania. Shared functions included some generic maintenance responsibilities in the areas of pre-university education, primary health care and social protection. Delegated functions basically included all those central government functions the implementation of which was delegated to the local governments, through a specific law or bylaw. Unfortunately, the symmetrical decentralization of responsibilities to both urban and rural local governments, in a context of extreme territorial fragmentation and insufficient human, material and financial resources have led to significant disparities in terms of access to and quality of services.⁹

In late 2015, the Parliament of Albania adopted a new Law on Local Self-Government. This new law aims at harmonizing Albania's local government legal framework with the TAR and consolidating and expanding the authority of the 61 newly created local governments to perform new services in accordance with the provisions of the new National Cross Cutting Strategy for Decentralization and Local Government.¹⁰

Local governments in Albania perform own and delegated functions and competences, which are decentralized in a symmetrical manner.¹¹ Local Self-Governments have full authority to *regulate* and *administer* the exercise of their own functions in an autonomous manner. The ability to regulate refers to the right to establish general and normative rules of conduct and binding standards in compliance with the law. The ability to administer refers to the right to plan, finance and organize the exercise of a function. Although they enjoy autonomy, when performing their tasks, local governments should also respect regional and national policies. In fact, in cases of national interests or to ensure qualitative services, the national government may impose specific norms and standards, also on own local functions. In the latter cases, the law¹² requires that the national government provides the necessary financial support.

⁹ Law no 8652/2000 on the Organisation and Functioning of Local Governments.

¹⁰ Government of Albania, 'National Crosscutting Strategy for Decentralization and Local Governance 2015-2020' (adopted by Decision of the Council of Ministers no 691 of 29 July 2015).

¹¹ Law no 139/2015 on Local Self-Government, Art 21.

¹² *ibid*, Art 22.



Local self-governments have own responsibilities in the core public services and public infrastructure; education; social protection; culture, recreation and sports; environmental protection; agriculture, rural development, forests and pastures, nature and biodiversity; local economic development; and public order and safety. Obviously, the degree of political and administrative powers decentralized to local governments vary from function to function.

From the functional responsibility perspective, the new Law on Local Self-Government brought a number of novelties: (i) the elimination of shared functions – which meant an immediate transformation of the previous shared functions into exclusive functions. The rationale for this choice was to reduce confusion and vagueness over local government responsibilities. Indeed, to some degree, the concrete ‘shares’ of responsibilities of the national and local governments on ‘shared functions’ were never fully clarified. This made local governments exclusively responsible for maintaining, operating and building new schools and health and social service centers – the responsibility over which was previously shared with local governments. Unfortunately, this change was not accompanied by any increase in intergovernmental transfers. Local governments responsibilities changed overnight without a significant increase in their revenue sources¹³; (ii) the decentralization of a number of new and costly functions to local governments, including paying teachers in kindergartens and preschools and support staff in all levels of pre-university education; the regulation and administration of fire protection; irrigation and drainage; agricultural counselling; the maintenance of rural roads (previously performed by the regions); the establishment, regulation and administration of social services, including day care centers for disadvantaged groups; social housing; and the establishment of a social fund; etc. Unlike the transfer of the ‘shared’ functions, the transfer of these new responsibilities in 2016 was accompanied by the introduction of a specific earmarked grant, broken down per function and municipality by the respective line ministry.

References to Scientific and Non-Scientific Sources

Legal Documents:

Law no 8652/2000 on the Organization and Functioning of Local Governments

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¹³ Tony Levitas and Elton Stafa, ‘Financing the New Own Functions of Local Governments in Albania’ (USAID 2018) <<https://www.plgp.al/financing-the-new-own-functions-of-local-governments-in-albania/>>.



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2.2. Decentralized Early Childhood Education

Elton Stafa, *NALAS – Network of Associations of Local Authorities of South-East Europe*

Relevance of the Practice

Early childhood education is particularly important for improving the educational and life chances of children, in particular those coming from poor or disadvantaged households while creating pathways to a better and more inclusive and resilient society.

Until 2015 the regulation and financing of early childhood education in Albania was a national responsibility. In 2015 the responsibility for this important function was transferred at the local level and local governments have become exclusively responsible for the regulation, administration and financing of early childhood education, which now constitutes one of their most relevant responsibilities in the social sector. With the decentralization of this function, emerged key policy and financial issues in terms of access to and quality of service across municipalities and therefore also between urban and rural areas. From this perspective, the analysis of this practice is crucial to analyzing the problematic realities connected with the urban-rural divide and interplay.

The practice directly addresses the key questions in report section 2 on local responsibilities, related to social welfare policies. The practice in particular addresses also the issues of adaptation of service provision to changes in the demographic structure of their populations. Additionally, the practice cuts across other report sections, in particular section 3 on local finances and section 4 on local government structure.

Description of the Practice

As of 2015, municipalities are exclusively responsible for the regulation and administration of preschool education in Albania. The Ministry of Education, Sports and Youth (MoESY), does not have anymore any role in the provision of the service, except for the development of education curricula and training of preschool teachers, for which both levels of government are responsible. The Ministry's deconcentrated branches at the territorial level also do not have anymore any regulatory role as regards preschool education. Their role has been re-dimensioned to monitoring and oversight and collecting statistics. From this perspective, local governments in Albania are fully responsible for regulating and administering early childhood education.

At the local level, the newly decentralized responsibility was followed by a specific earmarked grant from the state budget, calculated by the MoESY, for every municipality, based on the



historical costs they have incurred before the function was decentralized. The specific transfers covered only the salaries of teachers and support staff in preschools and was distributed to municipalities on the basis of the currently employed personnel – although this would contradict directly the provisions of the Law on Pre-University Education which calls for a per pupil financing system. No other types of expenditures are financed, despite the real and immediate needs.

Albanian municipalities inherited preschool networks that are physically run down, and which have radically different staffing patterns, pupil/teacher ratios, and enrollment rates - differences that have in turn been compounded by internal migration and falling birthrates. Some municipalities have too many underutilized facilities in rural areas. Others have too few teachers, classrooms, and support staff to serve the children living in their urban cores. Many municipalities face both problems.

The decentralization of preschool education brought to light significant disparities across municipalities. Even prior to its decentralization, preschool education had long been both underfinanced and very unevenly provided across the country as a whole. Before it was decentralized, these problems essentially remained ‘hidden’ within the internal operations of the Albanian State. But when preschool education was made a municipal own-function, these differences –and the insufficient and uneven financial flows behind them – all became painfully visible.

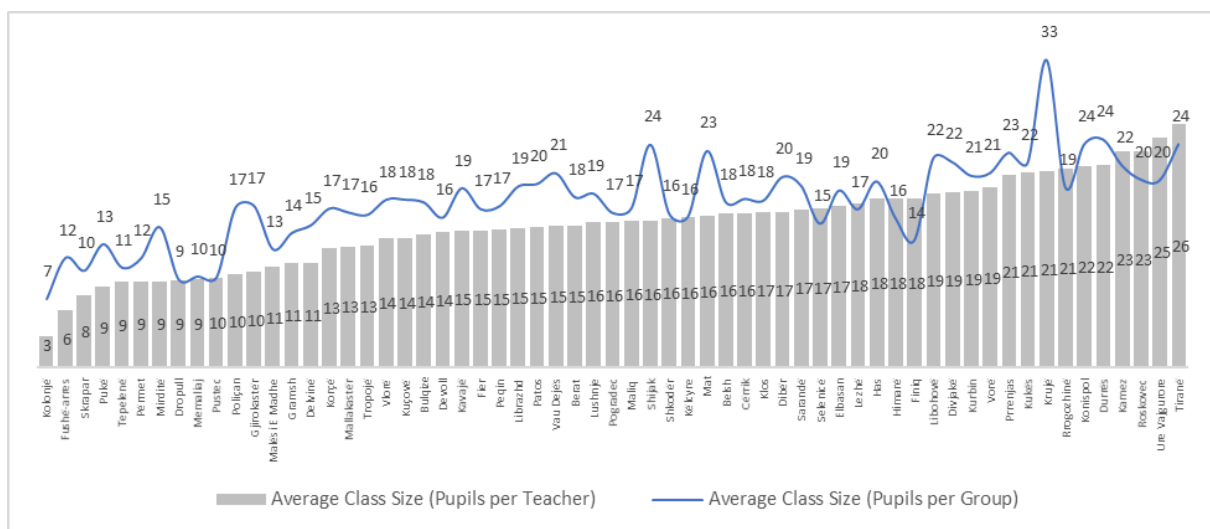


Figure 1: Average Class Size in Preschool Education in Albania.¹⁴

The figure above shows the disparities in terms of average class size in preschool education across Albania’s newly constituted municipalities. It can be noticed that the average class size (pupils per teacher) varies from 3 pupils per teacher in the small and very mountainous Municipality of Kolonje to 26 preschool pupils per teacher in the capital City of Tirana. The

¹⁴ Data from the Ministry of Education, Sports and Youth and USAID Albania, own calculations



figure shows that there are significant disparities across local governments also in terms of number of preschool pupils per group.

This is an indication that the financing system of earmarked specific grants based on the historical costs and decisions of the MoESY, was not reflecting social and demographic developments in Albania and was in fact amplifying the already existing serious inequities across the country.

The Table below shows the breakdown of preschools and pupils between urban and rural areas in 2018. In total in Albania there are 2093 preschools, 27 per cent of which are located in urban settings while 73 per cent in the rural areas. This is a reflection of the fact that the preschools and schools were built during the communist period, when 65 per cent of the country's population was living in the rural areas, and where there were severe governmental controls over demographic movements from rural to urban areas. Urban preschools host 53 per cent of the total number of preschool children in Albania.

In total, only 10.5 per cent of preschools in Albania provide hot meals for preschool children and charge a daily fee for it of up to EUR 1 per day per pupil. The remaining 89.5 per cent of preschools do not provide any meal for their children. In urban areas, almost all preschools (97 per cent) provide meals for their children while in rural areas only 3 per cent of preschools provide a meal.

Table 1: No of preschools and pupils broken down by urban and rural settings, in 2018.¹⁵

	No of Preschools		No Preschool Pupils		No of preschools providing meals		No of preschool children receiving meals	
Urban	570	27%	42,940	53%	212	97%	20,875	98%
Rural	1,523	73%	37,774	47%	7	3%	396	2%
Total	2,093		80,714		219		21,271	

To begin addressing these challenges and disparities across local governments, in 2019, the Ministry of Finance and Economy and the MoESY, with the support of USAID Albania, adopted a preschool education finance reform. The reform had three main components: (i) improving the legal specification of the financing system for preschool education; (ii) increasing the level of funding for preschool by 10 per cent; and (iii) introducing a new and more transparent and equitable allocation system that is based on the number of pupils as a proxy of service needs and which can be adapted to the social and demographic changes.

The figure below shows the projected impact of the preschool education finance reform adopted in 2019 in Albania. The increased funding and the new allocation system are expected to push funding towards those municipalities that have an urgent need for additional teachers, measured by their pupil to teacher ratios. It is expected that the reform will result in a general reduction in the average class sizes, from 18 to 15 preschool pupils per teacher and in some

¹⁵ Data from the Ministry of Education, Sports and Youth, own calculations.



extreme cases in both urban and rural areas from 26 to 18 pupils per teacher. The effects of the reforms are expected to resonate in particular in those municipalities that had very overcrowded preschool classes which can be found in both the larger and more urban municipalities such as Tirana, Durres and Kamez but also among smaller and more rural municipalities such as Roskovec and Ura Vajgurore. The figure below shows that if effectively implemented, both small and large, urban and rural, mountainous and non-mountainous municipalities benefit from the new financing system for preschool education.

Ultimately, if effectively implemented, as a result of this program, more than 52,000 (71 per cent) of preschool children will benefit from more comfortable class sizes – a key precondition for improving access to and quality of preschools. This is expected to bring significant improvements in education for Albania’s youngest generations, creating therefore opportunities for a more inclusive and resilient society, while it would also help parents labor market participation.

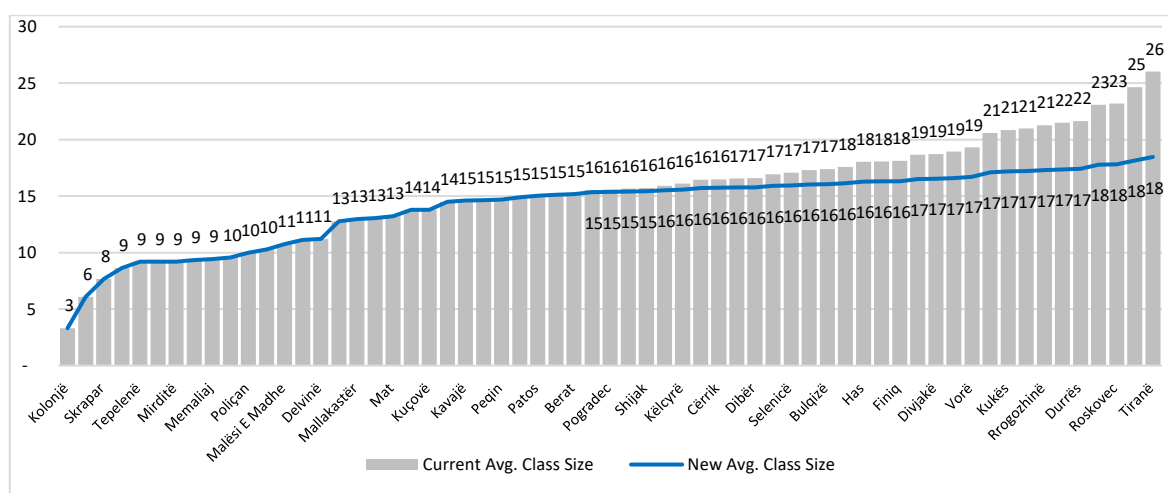


Figure 2: Projected Impact of the Preschool Education Finance Reform in Albania.

With the decentralization of the function, the MoFE and the MoESY at the national level in cooperation with local governments and their associations may initiate reform processes to further improve the financing system for preschool education. This is not in breach of local autonomy. Although preschool education has been transformed into a local government function, still, the reformation of the intergovernmental finance system lies within the Ministry of Finance, while the MoESY keeps a monitoring and oversight role.

Assessment of the Practice

Overall, the decentralization of the practice at the local level brought to light major disparities across and within municipalities in terms of radically different staffing patterns, pupil/teacher ratios, and enrollment rates. For about 3 decades radically falling birth rates and massive socio-



economic changes fueled high emigration rates and rural-urban migration. These changes decreased the total number of pupils in school while pushing and pulling those who remained to different places. As a result, the existing and already uneven distribution of schools and teachers was knocked further out of alignment with the distribution of pupils.

Before the preschool education was decentralized, these problems essentially remained 'hidden' within the internal operations of the Albanian State. But when preschool education was made a municipal own-function, these differences – and the insufficient and uneven financial flows behind them – all became painfully visible. The publication of the funds for each municipality showed the much different treatment of municipalities and showed that actually there was no logic behind the allocation of funds to municipalities, while the law required a per pupil allocation of state budget funds.

However, with the decentralization of preschool education, Albanian municipalities have been increasing spending for education from their own budgets by more than 20 per cent, which indicates that they have taken this responsibility very seriously. The new preschool education finance reform promises to flatten such differences and disparities across municipalities. However, the reform must be effectively implemented and funded. The introduction of a new formula for the allocation of preschool funds, based primarily on pupils, as required by both the Albanian law and international good practice, constitutes a major milestone for creating the preconditions that lead to improved quality and access of preschool education. The new formula is more equitable as it allows for the funding to be adapted to the demographic and immigration and emigration changes – as opposed to the static system based on historical costs. While this reform is an important step ahead, more focus should be given to the 'quality' of preschool and pre-university education. The 'PISA' standardized tests show that students from rural areas do not perform as well as their peers from urban areas, and this requires additional investments, in particular in the 'human' infrastructure. Similarly, the education curricula have to be updated and further developed, in addition to the physical infrastructure of preschools and schools.

However, it is important to highlight that while preschool education is decentralized as an own local function, still local governments continue to face a strong interplay and overlapping between 'autonomy' in delivering their responsibilities and 'supervision' by higher levels of government. Education in particular is a classical case requiring significant multilevel governance, and therefore there is an even higher need to create systems and mechanisms for an open and inclusive dialogue and coordination across levels of government as opposed to supervision and excessive control.

This practice shows that while progress has been made, additional efforts are needed to support the operation of preschools, in particular in smaller/rural areas and build new ones in highly and newly urbanized areas. Equally importantly, efforts should focus also on building the human capacities at all levels and not only the physical infrastructure.



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Local Financial Arrangements



3.1. Local Financial Arrangements in Albania: An Introduction

Elton Stafa, *NALAS – Network of Associations of Local Authorities of South-East Europe*

The framework for local government financial arrangements in Albania is provided by the Constitution, the Law on Local Self-Government, the Law on Local Self-Government Finance and the Law on the Local Tax System. This legal framework guarantees local governments' rights to raise sufficient revenues on its own through local taxes and fees, the management of their assets; borrowing etc.; the right to benefit from sufficient stable, predictable and equitable freely disposable intergovernmental transfers; the right to revenues from shared taxes; the right to earmarked/competitive based grants that support the development of local infrastructure; the right to conditional/earmarked grants to perform central government functions delegated at the local level; the right to be compensated in case the national government makes any changes to local government taxing powers or their entitlement to freely disposable transfers.

Local government revenue constituted 14 per cent of total public revenue and 4 per cent in GDP terms in 2018.¹⁶ Compared to previous years, local government revenues have increased significantly, as a result of the increased responsibilities (transferred with the new Law on Local Self-Government adopted in 2015), increased funding from the general-purpose unconditional grant and the increase in own revenues.

The intergovernmental finance system in Albania is composed of: own revenues raised by local governments themselves which includes fees and charges amounting in 2019 to 43 per cent of total own revenues; freely disposable transfers received from the state budget in the form of general-purpose unconditional grants and shared taxes; and conditional transfers from specific bodies of the central government such as the specific sectoral block grants and investment grants.

On average, local governments raised on their own 39 per cent of total local government revenues in 2018; the second largest single revenue source is the general purpose unconditional grant, which provided for 27 per cent of total local government revenues in 2018; shared tax revenue provided for only 2 per cent of local government budgets; while conditional grants constitute the remaining 33 per cent of local budgets, where sectoral block grants for the new functions decentralized with new Law on Local Self-Government constitute 12 per cent of total local government revenues while conditional competitive based investment grants constitute 21 per cent of total local revenues in 2018.

¹⁶ NALAS, 'Statistical Brief: Local Government Finance Indicators in South-East Europe' (2019).



In terms of financial autonomy, local governments control and manage in an autonomous manner about two thirds (64 per cent) of local government revenues. The different types of intergovernmental transfers constitute up to 61 per cent of local government revenues¹⁷ of which half is directly managed in an autonomous manner by local governments themselves and the remaining half is directly influenced or managed by the central government bodies that provide the conditional grants.

The most important sources of own revenue are the recurrent property tax, the tax on the infrastructure impact of new construction and local fees and charges for local services; taken together these three revenue sources constitute up to two thirds of own local revenues. Albania has recently reformed the property tax, by moving closer to a market-value based tax assessment (for urban buildings only). The tax rate is set at 0.05 per cent of the assessed value for household taxpayers and 0.2 per cent of the assessed value for business taxpayers. Nevertheless, in most cases, municipalities continue to charge a lump sum payment for the property tax.

The Unconditional Grant is the main source of revenue for local government units. Even with the territorial consolidation, this grant constitutes more than 50 per cent of revenues for more than 70 per cent of the newly established municipalities.¹⁸ A new formula for the allocation of Unconditional Grants was adopted in October 2015. The new formula ensures that the allocation of funds is based on concrete, tangible and verifiable criteria, increasing therefore the fairness and transparency, while at the same time ensuring the harmonization of the allocation of funds with the new reality imposed by the territorial and administrative reform. Officially, there is no distinction between urban and rural local governments. All municipalities have an urban center (town) and administrative units (former rural communes). But the unconditional grant is allocated to local governments based on their relative population, population density and number of pre-university pupils. The component based on population density discriminates positively the more 'rural' municipalities – those that have more rural territory. In simple terms, this component provides funding only for those municipalities that have a population density smaller or equal to the national average population density. In practice, half of the municipalities receive extra funding for having a lower population density and - presumably - higher than average costs in service delivery and fewer fiscal capacity.

In 2017, Albania adopted for a first time a comprehensive Law on Local Self-Government Finances (LGFL). The LGFL constitutes a monumental achievement and a major milestone in Albania's progress toward decentralization. The law provides for a more logical and efficient

¹⁷ This is similar to the other countries in the SEE region, where about 65% of local expenditures are financed through intergovernmental transfers, in the form of shared taxes and unconditional and conditional grants (NALAS, 2019).

¹⁸ Tony Levitas and Elton Stafa, 'Creating an Equitable, Transparent, and Predictable Unconditional Grant Formula', (USAID's Planning and Local Governance Project PLGP 2015) <https://www.plgp.al/wp-content/uploads/2.-Unconditional-Grant-Policy-Paper-September-30-2015-Clean_eng-2.pdf> accessed 18 May 2019.



framework for local taxing powers, intergovernmental transfers, public finance management, and intergovernmental dialogue and consultation.¹⁹ With the approval of this law, local government revenues from the unconditional grant for 2019 were 42 per cent higher than in 2015, creating a huge opportunity for local governments to improve local services.

References to Scientific and Non-Scientific Publications

Legal Documents:

Government of Albania, Ministry of Finance and Economy, Annual Budget Laws (2016-2020), Annex 1 – The Allocation of the Unconditional Grant to Local Governments

Law no 68/2017 on Local Self-Government Finance

Scientific and Non-Scientific Publications:

Levitas T and Stafa E, 'Creating an Equitable, Transparent, and Predictable Unconditional Grant Formula', (USAID's Planning and Local Governance Project PLGP 2015) <https://www.plgp.al/wp-content/uploads/2.-Unconditional-Grant-Policy-Paper-September-30-2015-Clean_eng-2.pdf> accessed 18 May 2019

NALAS, 'Statistical Brief: Local Government Finance Indicators in South-East Europe' (2019)

¹⁹ Tony Levitas and Elton Stafa, 'Key Recommendations for the Development and Discussion of the Law on Local Government Finances' (USAID's Planning and Local Governance Project PLGP 2016) < https://www.plgp.al/wp-content/uploads/3.-LGFL_Draft-Policy_Brief_Key_Recommendations_print-FINAL_eng.pdf > accessed 18 May 2019.



3.2. The Allocation of the General-Purpose Unconditional Grant and Fiscal Equalization

Elton Stafa, *NALAS – Network of Associations of Local Authorities of South-East Europe*

Relevance of the Practice

The general-purpose unconditional grant funds more than 50 per cent of the budget for 70 per cent of municipalities in Albania. From this perspective it is the single most important financing mechanism for the vast majority of local governments. The allocation formula of the grant treats differently densely populated municipalities and municipalities with a population density below the national average. By the same token, local governments with 'lower than average fiscal capacity' are compensated, by 'taxing' more those municipalities that have 'higher than average fiscal capacity'. The practice directly addresses some of the key questions of report section 3 on local finances, in particular the differentiation of the financing system to take into account the size and fiscal capacity of local governments. The practice responds directly to the challenge of increasingly depopulated rural local governments and commuters from suburbs.

Description of the Practice

The concept of the general-purpose unconditional grant for local governments was introduced in 2001, providing local governments with freely disposable funding that they could use for the implementation of their own and shared functional responsibilities. The funding was allocated to local governments according to a formula whose criteria and coefficients were stipulated in the annexes of the annual budget law. The formula provided for a differentiated treatment of urban and rural local governments, through coefficients that provided extra revenues to mountainous rural local governments or economically distressed municipalities. The formula also included a differentiated treatment for the Capital City of Tirana, which incurred additional costs in providing services for large numbers of populations that migrated to Tirana – but that were not officially registered in Tirana (as taxpayers) and to commuters from neighboring municipalities that put additional pressure on service provision and infrastructure in Tirana.

Changes in the political landscape in 2005 had a huge impact on the way in which the formula was allocated to local governments. The most relevant change was the elimination of the differentiated treatment of the capital city Tirana, on the grounds of an 'equal treatment' of local governments; and the frequent changes of the weights of the criteria and coefficients used for the allocation of funding. Nevertheless, the major weaknesses of the general-purpose unconditional grant in Albania were its historical underfunding, when compared to other



counterparts in the region whose local governments had a similar bundle of responsibilities as in Albania;²⁰ and the downward instability and unpredictability over time. All these changed between 2015 and 2017 when the government of Albania adopted a new formula for the allocation of the general-purpose unconditional grant to local governments, and a new law on Local Self-Government Finance.²¹

Currently, the general-purpose unconditional grant for local governments is regulated by the Law on Local Self-Government Finance and the annual budget law annexes. This law constitutes a major milestone for Albania's path towards decentralized government. For the first time, the criteria and coefficients used for the allocation of the unconditional grant to local governments are incorporated in a permanent piece of legislation. Before the adoption of the law, the rules were written and explained only in the annexes of the annual budget laws, where the government and parliament had significant room to change them from year to year, with adverse consequences to the planning and implementation of local services.

The new formula allocating the unconditional grant to municipalities follows three criteria. First, up to 80 per cent of the total pool is allocated to local governments on the basis of their resident populations, as measured by the last Census and corrected with 30 per cent of the difference with the population data of the Civil Status Register data; The 'consolidation' of the population number utilized for the allocation of funding was necessary to ensure a rationalization of funding to where the needs for local services actually 'are', supposedly better captured by the CENSUS, and not where the need is 'registered' – which is what the Civil Status Register provides for. It should be considered that Albania is not the only country in the region to utilize different population numbers when allocating funds to local governments.

Second, up to 15 per cent of the total pool is allocated on the basis of population density, reflecting differences in service delivery costs among local self-government units; Territorial consolidation changed reality by making most local government units similar in size, with a central city that should be capable of supporting new functions. From this perspective the former 'surface area' criteria of the former formula introduced in 2002 is no longer relevant, as there could be municipalities of similar territorial size but with different populations.

Third, no less than 5 per cent of the pool is allocated on the basis of the number of enrolled pupils in the pre-university education system; chosen because of the importance of education as a function, and also to compensate for potential inaccuracies in the number of resident populations.

²⁰ NALAS, 'Fiscal Decentralization Indicators for Southeast Europe, 2006–2017' (2018).

²¹ Tony Levitas and Elton Stafa, 'Creating an Equitable, Transparent, and Predictable Unconditional Grant Formula', (USAID's Planning and Local Governance Project PLGP 2015) <https://www.plgp.al/wp-content/uploads/2.-Unconditional-Grant-Policy-Paper-September-30-2015-Clean_eng-2.pdf> accessed 18 May 2019.



The unconditional grant allocation formula provides also for the fiscal equalization between local self-government units that have different fiscal capacities. Fiscal equalization in Albania is based on:

- the fiscal capacity of every municipality, calculated as the total actual revenues that local governments have received in the former year from shared taxes;
- the equalization threshold, calculated as the national average revenues of local governments from shared taxes, above or below which the municipality benefits from or contributes to the equalization fund of the unconditional grant;
- the equalization coefficient calculated as the amount that municipalities with per capita revenues from shared taxes above or below the equalization threshold should give or receive in terms of equalizing funds;
- the equalization fund calculated as the amount of funds necessary to ensure that all municipalities arrive at in the chosen equalization threshold. Local self-government units, with fiscal capacity lower than the equalization threshold are compensated as per the pre-set equalization coefficient and the available equalization fund resulting from the contributions of those municipalities which have a fiscal capacity above the threshold. In practice the equalization fund is created by taking funds from local governments that have higher than average per capita revenues from shared taxes, through specific calculations, explained in detail in annual budget laws.

The new Law on Local Self-Government Finance made possible also for the first time in Albania, the anchoring of the annual size of the unconditional grant to a macroeconomic variable, a practice adopted frequently at international and regional level. In fact, according to this law, the size of the unconditional grant can be no less than 1 per cent of the GDP and no less than the total amount that was allocated the previous year. This wording creates a double safety for local governments. Firstly, the size of the grant is more stable and predictable and it also increases with the economy over time; and secondly, being a novelty also on public finance theory, the size of the grant cannot be lower than the amount allocated the year before – which literally means that even if the economy goes down, the size of the unconditional grant cannot be lower than the amount that was allocated the former year.

The main institutions involved in the determination and allocation of the general purpose unconditional grants to local governments are: the Ministry of Finance and Economy, responsible for the implementation of the formula for the allocation of unconditional grants to local governments, the development of the annual budget law that explains in details how the formula works, the development of the macroeconomic projections of the GDP; the General Tax Administration, that collects the national taxes whose yield is shared with local government; the Council of Ministers and Parliament that shall approve the allocation and amounts of grants for local governments as part of the approval of the annual budget law. However, it has to be specified that over the past three years, the Economy and Finance Committee of Parliament has made ad hoc decision to add some additional funding to select



local governments. The logic behind this practice is not explained in the budget law annex or justification reports, nor in any other official public document. The lack of transparency has been accompanied by concerns over political favoritism of select local governments.

Legally speaking, there is not any differentiation in terms of urban and rural municipalities in Albania. Municipalities incorporate both the urban center and the rural areas (former communes that were amalgamated with the urban center with the Territorial and Administrative Reform TAR) around it. However, local governments are differentiated in an indirect manner. The first type of differentiation is done through the implementation of the population density criteria, where local governments that have a population density below the national average are treated preferentially. In fact, the lower the population density of a municipality, the better it is treated by the formula. The rationale for such treatment is the assumption that larger municipalities which have fewer people face higher costs in service delivery (because of the lack of economies of scale and the large territory to be served). Larger municipalities with few inhabitants, in particular in the aftermath of the territorial consolidation reflect also those municipalities that have incorporated large rural and mountainous areas. On the other hand, those municipalities that have a population density above the national average, not only do not receive any preferential treatment, but they do not receive any funding at all from the second component of the unconditional grant formula – population density. In fact, 15 per cent of the overall size of the unconditional grant is allocated to 39 out of 61 municipalities. Municipalities with small or average territory and large population numbers have higher opportunities to reach economies of scale, and therefore, it is assumed that they have lower service delivery costs. However, this assumption does not reflect at all the additional costs imposed on service delivery and infrastructure of more urban municipalities from commuters from suburban areas or internal migration movements of people that formally continue to be registered in their hometowns but have chosen to live in the capital city – without becoming a taxpayer of the capital city. Indeed, public finance theory and research show that service delivery costs follow a U-shaped pattern with regards to population, where municipalities with few inhabitants have higher costs to serve them because of the lack of economies of scales and municipalities with too many inhabitants have higher costs because of significant pressure on infrastructure and on services from commuters or other persons that use their services and infrastructure without contributing through taxes.

The second type of differentiation is performed through fiscal equalization. In practical terms, those local governments that have a lower tax base and fewer taxpayers – in most cases coinciding with municipalities that have a smaller urban center and large rural areas with few taxpayers – receive some equalizing funds which are paid by those local governments that have ‘higher than average’ fiscal capacity, - which in most cases are municipalities with larger urban centers hosting more economic activities and therefore more taxpayers.



Assessment of the Practice

The reform of the general-purpose transfer introduced by the new Law on Local Self-Government Finance in 2017 aimed at increasing the stability and predictability of the local government finance system in Albania and help local authorities in planning and delivering on their responsibilities through more stable and predictable local budgets. The commitment of the national government in Albania to implement the provisions of the reform and provide local governments with increased transfers (as foreseen by the reform) even in the background of the devastating effects of the 2019 earthquakes and the 2020 Covid-19 crisis needs to be praised as it has helped Albanian municipalities in responding to these crises.

On the effectiveness of the general grants it is important to clarify that they aim to provide local governments with freely disposable –unconditional—revenue for two basic aims: (i) to provide local governments with ‘the difference between the costs of their own responsibilities (expenditure needs) and the revenues they can raise from own sources (fiscal capacity)’ (vertical gap); and (ii) to provide local governments with ‘lower than average fiscal capacity additional funds so they can provide public services of a reasonably equal standard’ (horizontal gaps).²²

The extent to which the general purpose unconditional grant is able to fill the vertical gap is debatable, in that indirectly, the formula treats in a preferential manner only one of the two categories of local governments that have higher costs of service provision – municipalities that have more rural areas in their territory and fewer inhabitants. From this perspective, it should be taken into account also the additional costs for service delivery and infrastructure maintenance and development incurred by larger and more urbanized local governments, as indicated by other regional and international best practices in financing local governments.

Secondly, the extent to which the grant is able to fit the horizontal gap is debatable too. In practice, fiscal equalization is paid by local governments themselves, reshuffling funds that are provided by the unconditional grant. This is a typical ‘Robin Hood’ system, taking additional resources from ‘more urbanized’ local governments that have higher than average revenues from shared taxes, to allocate them to more ‘rural’ local governments with lower than average fiscal capacity. Ultimately, over the past 17 years, the ‘poorer’ municipalities have been subsidized by only a small group of larger municipalities, where more than 85 per cent of the funds necessary to ‘equalize’ shared tax revenues of local governments came from the Capital City of Tirana and 10 per cent from the second largest city in the country – Durrës. From this perspective, 95 per cent of the funds necessary to bring all local governments closer to a predetermined share of the national average of revenues are raised by ‘taxing’ Albania’s two largest cities. Nevertheless, it is important to highlight that the horizontal fiscal equalization component of the general-purpose transfer for local governments in Albania is small, as is the

²² Hansjörg Blöchliger and Claire Charbit, ‘Fiscal Equalisation’ (2008) 44 OECD Economic Studies 1 <<https://www.oecd.org/norway/42506135.pdf>>.



pool against which equalization is calculated. Local governments are equalized on their shared revenues (which constitute less than 5 per cent of local revenues) and the amount of funds that are redistributed to 'poorer' municipalities make up no more than 2 per cent of total local government revenues. In short, all municipalities benefiting from the equalization receive only a trivial amount of funds which are not able to account for the significant disparities across local governments as regards their fiscal capacity and territorial development. On the other hand, it is important to highlight also that Albania has a very strong equalization component in the calculation of the expenditure needs of local governments that provides for additional funds for smaller and less dense municipalities which have higher than average costs in providing services and lower than average fiscal capacities.

References to Scientific and Non-Scientific Publications

Blöchliger H and Charbit C, 'Fiscal Equalisation' (2008) 44 OECD Economic Studies 1

Kim J and Lotz J, 'Measuring Local Government Needs' (The Korea Institute of Public Finance and the Danish Ministry of Social Welfare 2008)

Levitas T and Stafa E, 'Creating an Equitable, Transparent, and Predictable Unconditional Grant Formula' (USAID's Planning and Local Governance Project PLGP 2015)

<https://www.plgp.al/wp-content/uploads/2.-Unconditional-Grant-Policy-Paper-September-30-2015-Clean_eng-2.pdf>

NALAS, 'Fiscal Decentralization Indicators for Southeast Europe, 2006–2017' (2018)



Structure of Local Government



4.1. The Structure of Local Government in Albania: An Introduction

Elton Stafa, *NALAS – Network of Associations of Local Authorities of South-East Europe*

Since assuming power in 2013, the new socialist-led Government of Albania initiated a comprehensive decentralization reform process composed of three key pillars: (i) territorial and administrative reform aiming at the re-organization of the first-tier local government units in Albania to create larger and stronger local governments ; (ii) political decentralization reform by consolidating and expanding local governments rights and responsibilities through a new Law on Local Self-Government; and (iii) fiscal decentralization reform through the adoption for the first time of a comprehensive Law on Local Self-Government Finance.

In 2014, the Government of Albania, adopted a Territorial and Administrative Reform (TAR), consolidating the very fragmented 308 rural communes and 63 urban municipalities into just 61 larger municipalities.²³ In practical terms, communes were amalgamated to the ‘closest’ or ‘historical’ urban center and are now called ‘administrative units’. The second tier of local governments was not affected by the territorial and administrative reform.

This TAR constitutes a major milestone in the country’s effort to improve the effectiveness and efficiency of public administration and the quality of public services. The reduction in the number of local government units should increase the efficiency of local government by lowering administrative costs. The concentration of human and financial resources in a smaller number of larger local government units should increase the effectiveness of public services by enhancing the ability of local governments to respond to the preferences of their electorates. And the transfer of additional responsibilities for delivering day-to-day public services to larger local government units should allow the national government to focus more of its energies on the strategic, legislative, and policy-making functions of the state—including the goal of balanced territorial development.²⁴

As a result of the TAR, the average size of the first-tier local self-government units in terms of population increased by 5.4 times, from 8,700 inhabitants to over 47,000 inhabitants. However, despite the territorial consolidation, there is still a large variation in the size of local self-governments among the new municipalities in terms of population, from 3 200 inhabitants for the smallest and youngest Municipality of Pustec to the capital of Tirana, which had over 760,000 inhabitants in 2017, according to the civil register data. The Municipality of Tirana, being the largest one in terms of population, urbanization and economic development, is

²³ Law no 115/2014 on the Administrative-Territorial Division of Local Government Units in the Republic of Albania.

²⁴ Tony Levitas and Elton Stafa, ‘Creating an Equitable, Transparent, and Predictable Unconditional Grant Formula’ (USAID’s Planning and Local Governance Project PLGP 2015) <https://www.plgp.al/wp-content/uploads/2.-Unconditional-Grant-Policy-Paper-September-30-2015-Clean_eng-2.pdf> accessed 18 May 2019.



subdivided into 24 administrative units, eleven subdivisions of the former municipality and 13 communes that merged after the reform. In terms of territory, after the TAR, on average, the size of the first-tier local self-government units increased by 69 times, with a maximum of 479 times in the case of the Municipality of Skrapar. The territory of the new Municipality of Tirana grew by 28 times. The government declared that the main rationale behind the amalgamation was the territorial continuation and historical, cultural, traditional and economic elements. However, the opposition has raised concerns that the new administrative division was based much more on political rather than objective variables. As a result, the opposition did not participate in the design of the new administrative division of Albania, and the reform was approved with the votes of the ruling coalition only. From this perspective, the territorial division may be revised with the change of government in Albania, and in fact in January 2020, as part of the electoral reform, the opposition called for the revision of the territorial and administrative division. While the Constitution allows for a change of the territorial and administrative division through a law that takes into account history, culture and tradition, recent reforms have been in practice top-down processes driven by the central government.

The Constitution grants to local governments the right to amalgamate and create joint institutions and establish forms of inter-municipal cooperation. Between 2000 and 2014, however, there has been only one case of voluntary amalgamation of two communes in the north of Albania. This indicates perhaps a lack of incentives from national and local policymakers to promote and engage in voluntary amalgamations, as it would result in either loss of power or risk of loss of power with implications on local and national politics. Similarly, a severe inheritance from the past in terms of close 'government' presence at territorial level and lack of trust in institutions may have prevented citizens to engage in an active manner to support amalgamations. By the same token there have been only few isolated cases of inter-municipal cooperation, although allowed by the legal framework and desirable in terms of economic efficiency, in particular in the case of smaller municipalities. Conversely, with the new territorial and administrative division, there have also been cases where newly established municipalities preferred to create their own municipal structures to perform certain functions instead of continuing with the joint management of previously existing utilities that was serving multiple jurisdictions.

References to Scientific and Non-Scientific Publications

Legal Documents:

Law no 115/2014 on the Administrative-Territorial Division of Local Government Units in the Republic of Albania



Scientific and Non-Scientific Publications:

Levitas T and Stafa E, 'Creating an Equitable, Transparent, and Predictable Unconditional Grant Formula' (USAID's Planning and Local Governance Project PLGP 2015)

<https://www.plgp.al/wp-content/uploads/2.-Unconditional-Grant-Policy-Paper-September-30-2015-Clean_eng-2.pdf>



4.2. The Territorial and Administrative Reform

Elton Stafa, *NALAS Network of Associations of Local Authorities of South-East Europe*

Relevance of the Practice

The territorial and administrative reform (TAR) adopted in July 2014 constitutes the most important and perhaps the most impactful of the reforms undertaken by the government of Albania in the sphere of decentralization and local governance in recent years. The reform consolidated 373 fragmented rural communes and urban municipalities into just 61 municipalities. This reform eliminated the previous urban-rural separation and, by unifying the local government units (LGUs) in terms of size, has created an opportunity to increase administrative efficiency and improve service delivery.

The reform was planned and adopted in a record time of 9 months only, and in the background of an extreme political polarization in Albania, with the opposition not participating in the planning and adoption of the reform.

The practice responds to the specific questions of report section 4 on local government structure related to analyzing the reasons behind amalgamations of local governments, how are these amalgamations planned and implemented etc. Given the multitude of implications of the territorial reorganizations for local government functions and finances, for intergovernmental relations and citizen and stakeholder participation, the described practice cuts across key questions in report section 2 on local responsibilities, section 3 on local finances, section 5 on intergovernmental relations and section 6 on people's participation in local decision-making.

Description of the Practice

Since taking office in September 2013, the new Government of Albania initiated a Territorial and Administrative Reform (TAR) to reorganize Albania's local governments. This was considered as the first step towards empowering local governments by giving them more functions and resources.

The TAR aimed at increasing the cost-efficiency of local governments, so that they can provide better services and make sure that citizens of these communities may enjoy more access to such services. The rationale behind the TAR was that the current territorial division in Albania does not reflect the social, economic, demographic and infrastructural developments since 1992, nor citizens' expectations regarding public services to be delivered at the local level. In



particular, the fragmentation of local governments has prevented service delivery and development.

Cost efficiency and reduction of administrative costs has been one of the dominating arguments in the development of the TAR. The government assessed that 70 per cent of the communes spent more than 80 per cent of their budgets on salaries and administrative services. The government declared that the TAR will reduce administrative costs for salaries by 30-60 million USD per year, which would have meant increased spending for improving local services and investments by up to 240 million USD in one governing mandate. It was developed in the framework of the Constitution of Albania, the European Charter of Local Self-Government and the 2000 Law on the Organization and Functioning of Local Government in Albania, which was repealed by the 2015 Law on Local Self-Government.

The Constitution of Albania (Article 108) stipulates that ‘the territorial and administrative division of local government units shall be established by law, on the basis of mutual economic needs and historical tradition. Their borders may not be changed without first hearing the opinion of their inhabitants’. The Law on the Organization and Functioning of Local Government provides additional details and regulates also the process of TAR.

The reform process was chaired by an ad hoc parliamentary committee and the Minister of State for Local Issues, which was supported by a Technical Secretariat, composed of 12 regional working groups and 12 regional technical coordinators – one for each of Albania’s 12 regions. The process was supported also with the technical expertise from research institutions, civil society organizations and Albania’s development partners.

The TAR was planned and adopted in a record time of 9 months only, between September 2013 and July 2014 when the Law on Administrative-Territorial Division of Local Government Units in the Republic of Albania was approved by Parliament, with a qualified majority of 3/5, with the votes of the members of parliament from the ruling coalition only. The new territorial division with 61 municipalities entered into force after the local elections held in June 2015.

Unfortunately, the TAR was undertaken in a framework of extreme political polarization in Albania. Despite several invitations, the opposition refused to take part in the deliberations of the parliamentary committee. The opposition recognized the importance and even necessity of territorial consolidation. However, they considered that the key challenges faced by both smaller and larger local governments were the unclear delineation of local government responsibilities and the lack of adequate fiscal resources.²⁵ From this perspective, the opposition argued that the TAR should take place after reforms in the areas of political and fiscal decentralization. Ultimately, and equally importantly, the opposition raised also the concerns that the reform was not being consulted properly with local governments, citizens and stakeholders in general and that it was mostly motivated by the political interest of the

²⁵ Ilirian Agolli, ‘Opozita dhe reforma territoriale’ (*Voice of America*, 2 July 2014) <<https://www.zeriamerikes.com/a/lulzim-basha-reforma-territoriale/1949373.html>>.



ruling coalition to delineate new administrative borders that would favor them during elections. Indeed, the short process of planning and adopting the reform, has created challenges for stakeholders to become part of the consultation process, although the government had developed several consultation roundtables at national and regional level. In fact, after the law was approved, the opposition challenged it at the Constitutional Court, on the ground of a lack of consultation with local communities. The Constitutional Court eventually ruled in favor of the constitutionality of the law but the controversy over the lack of consultation remained vivid in the statements of the opposition.

The government declares that the proposal of the new administrative and territorial division was based on a set of technical criteria approved by the ad-hoc parliamentary committee on 28 April 2014. The criteria underwent a public consultation process across all the regions in Albania in the period March-April 2014 with representatives from the local government, associations of local elected officials and stakeholders.

After the approval of the technical criteria in April 2018, the government prepared and submitted for approval to the ad hoc parliamentary committee five versions for the new administrative and territorial division. The parliamentary committee approved the version with 39-47 local government units, on 22 May 2014. Afterwards the proposal was pushed for public consultation with stakeholders. The consultation process was conducted with three main stakeholder groups: (i) representatives of local government and the associations of local elected officials; (ii) community consultations with citizens through an opinion poll that interviewed 16,000 citizens; (iii) public hearings with stakeholders, civil society and businesses. After this consultation process, the final version proposed to Parliament for approval included 61 municipalities as first tier of local governments in Albania.

The government states that this division was based primarily on the technical criteria formerly approved by the parliamentary committee. The most important of these criteria is the one that stipulates that the newly created unit is a separate functional area. The concept of 'functional area' means a territorial space where there is a frequent and intense interaction between the inhabitants and institutions for economic, social, development and cultural purposes. The functional area is organized around the urban center with the highest population compared to other centers within the area, and has the capacity to provide a full range of public services that should be provided by a local government unit. Other important criteria include the distances to urban center, territorial continuity, a considerable number of inhabitants, historical tradition, preservation of the boundaries of merged communes etc.

In short, in order to establish 61 new municipalities, the existing municipalities and communes have been merged to form 1 functional area, composed of urban and rural areas. The existing communes and municipalities that were absorbed by the new local unit are regarded by law as sub-divisions of the municipality, called administrative units. All the 61 new municipalities include on average 5-6 existing municipalities and/or communes



Assessment of the Practice

This TAR constitutes a major milestone in the country's effort to improve the effectiveness and efficiency of public administration and the quality of public services. The reduction in the number of local government units and the elimination of the extreme territorial fragmentation is expected to increase both the efficiency and effectiveness of service delivery at the local level. The government declared that it expected that at the end of the first mandate, 240 million dollars would be saved from the reduction in the administrative costs. Unfortunately, to date, administrative costs for salaries have not decreased. On the contrary, between 2016 and 2019, local government spending for salaries of municipal employees has increased by 38 per cent, while spending for investment has increased by only 25 per cent. The two main reasons for the increase in spending for salaries are related to an increase in the reference framework for the level of salaries for municipal employees and an increase in the number of municipal employees as a direct consequence of the choices of the local political leaders coming after the local elections of 2015 and 2019. It is important to highlight, though, that increased spending for salaries does not necessarily mean increase in inefficiency – to the contrary, the quality of services and access to services depend also on the people and human resources available at the municipal level. Nevertheless, a disproportionate focus has been put on the expected savings in administrative costs. Rather than savings, discussions could perhaps have been focused on how the TAR would have improved services. International practice also suggests that in the design of TARs there is in general a disproportionate focus on cost efficiency and that in practice the administrative costs usually increase in the first years of TARs.

Unfortunately, it is too early to assess whether the TAR has improved access to and quality of local services. Although it is a legal obligation to report on service delivery standards and performance, unfortunately there are no official reports measuring performance of local services in the aftermath of the TAR. However, a Local Government Perception Survey in 2020 by the United Nations Development Program Office in Albania shows that compared to 2016, there is a slight improvement in the local government scores for the criteria of effectiveness and efficiency and transparency and rule of law.

The reform was adopted primarily through a top-down approach and was completed in just nine months since the establishment of the ad hoc parliamentary committee in charge for the reform. The criteria utilized for the revision of the territorial division were defined only two months before the approval of the final version of the territorial and administrative division. Also, the 5 different versions put forward to the parliamentary committee, local governments, citizens and stakeholders in general, were prepared just a couple of months before the final approval of the new map. In short, the process, while necessary and long overdue, was completed in a rush, and many of the stakeholders perceive that they were in front of a fait accompli.



The reform has formally eliminated the urban-rural categorization of local governments. At the territorial level little has changed, however. A Local Government Perception Survey in 2020 commissioned by the United Nations Development Program Office in Albania shows that there continue to be strong differences in terms of availability and access of public services in the urban vs rural areas. The survey shows that comparing to 2016, there is no significant improvement in this dimension. From this perspective, there a long way ahead before the TAR can produce the desired effects of eliminating the urban-rural divide in terms of access and quality of services. The newly developed policies for regional development and cohesion can play an important role in reducing territorial development disparities and encouraging inter-municipal cooperation and help municipalities address the challenges they face in their urban and rural areas.

Ultimately, and perhaps even more importantly, this reform was undertaken in a framework of extreme political polarization in Albania. Unfortunately, it was approved unilaterally by only the ruling coalition, with the opposition challenging the approved law at the Constitutional Court, on the ground of a lack of consultation with local communities. The opposition has also since the approval of the TAR, raised the concern that the new territorial division is based on the political interest of the ruling coalition. All these elements raise concerns over the longevity of such an important reform and potentially may lead to other unilateral changes by the incoming government.

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Intergovernmental Relations of Local Governments



5.1. Intergovernmental Relations of Local Governments in Albania: An Introduction

Elton Stafa, *NALAS – Network of Associations of Local Authorities of South-East Europe*

Intergovernmental relations refer to all the processes, mechanisms and institutions in place in a given country through which the various levels of government interact and relate with one another to exercise government power and achieve common or concurrent policy purposes.²⁶ The nature and intensity of intergovernmental relations may differ substantially from country to country depending on the form of the political and legal system, levels of government, territorial and administrative division, socio-economic development, history and tradition, political climate, legal framework etc. Intergovernmental relations in Albania are characterized by both formal as well as informal structures, institutions and processes that build on mechanisms of both supervision and cooperation. As a general rule, Albania's Constitution provides the basic architecture of intergovernmental relations between the various levels of government, while more detailed relations are regulated by law and/or informal practices of exchange and cooperation. A key role in intergovernmental relations, is dedicated to the Associations of Local Authorities in Albania and more recently to the Agency for the Support of Local Self-Government and the Consultative Council between the Central and Local Governments. Similarly, also line ministries and local governments directly play a key role in the regulation and implementation of specific sectoral policies that cross-cut with local government responsibilities.

Within such formal and informal architecture, the different political and economic powers of urban and rural local self-governments may result in a different impact on intergovernmental relations. In fact, larger and more urban local governments are more actively represented in intergovernmental relations. In addition, the proximity of the institutions of Capital City of Tirana with the institutions of the central government, plays a key role in the fact that Tirana is represented in most of the intergovernmental working groups for sectoral policy reforms, as opposed to smaller and more rural local governments. To some extent this is explained also by the different capacities. This is particularly true in the design and revision of intergovernmental fiscal and financial systems that should take into consideration the needs of both urban and rural subnational governments. Furthermore, the political landscape and personalities involved in the key formal institutions definitively play a role in the effectiveness of both formal and informal channels of interaction, even when there is a long-standing and well-established tradition of interaction.

With decentralization processes going on for decades in Albania, local self-governments have become responsible for many public responsibilities which were previously considered an

²⁶ John Philimore, 'Understanding Intergovernmental Relations: Key Features and Trends' (2013) 72 Australian Journal of Public Administration 228.



exclusive competence of national governments. This has necessitated a revision of intergovernmental relations and accountabilities. Socio-demographic changes and the movement of citizens from rural to urban areas impose severe pressures on the relationships, responsibilities and capacities of urban and rural local self-government to deliver public services, necessitating a recurrent revision of intergovernmental fiscal relations.

Local Government Associations (LGAs) in Albania have a key role in the intergovernmental relations as they could contribute to consensus building and cooperation, while representing the interests of both urban and rural areas of the newly consolidated local governments. However, the role and impact of LGAs, in addition to tradition and legal statuses is greatly affected by their financial stability; internal democracy in decision-making to effectively represent the potential urban-rural divide and interplay; political climate and polarization; territorial and administrative divisions and reforms; etc.

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Philimore J, 'Understanding Intergovernmental Relations: Key Features and Trends' (2013) 72 Australian Journal of Public Administration 228



5.2. Intergovernmental Dialogue through a Formal Two-Level Executive Mechanism of Policy Consultation and Coordination: CLFCC

Elton Stafa, *NALAS – Network of Associations of Local Authorities of South-East Europe*

Relevance of the Practice

The new Law on Local Self-Government rules that intergovernmental relations in Albania are based on the principle of subsidiarity, consultation and cooperation and that the national government is legally obliged to consult with local self-government units on policies, legislation and norms that have a direct impact on local self-government.²⁷ Furthermore, such consultation is performed through the associations representing local self-governments. From this perspective, intergovernmental dialogue and consultation, as a key element for improved governance, in Albania is directly related to the functioning of Local Government Associations (LGAs). On other hand, in practice, the political landscape in Albania remains constantly tense and highly polarized along party lines resulting in an inability to achieve consensus and forge a unified position on important issues. LGAs, too, remain bifurcated on political lines, and are not able to contribute to the consensus building process.²⁸ The boycott of the opposition in the June 2019 local elections, has further exacerbated the political environment in Albania.

Intergovernmental relations are therefore under continuous pressure. Historically in Albania there have been three LGAs, representing the interests of their constituent communes (Association of Albanian Communes – AAC), municipalities (Association of Albanian Municipalities – AAM) and regions (Association of Regional Councils – ARC). AAC and AAM were created in 1993 and their constituents were all communes and all municipalities in Albania, regardless of the political affiliation of the mayor. In 2009, because of the political tensions, socialist mayors established the Association for Local Autonomy in Albania (ALAA), as a political response to the national government and the inability of AAM leadership to represent the interest of their socialist constituent municipalities, in front of a continuous reduction of local government tax powers and grants. As a result, ALAA continues to represent the interests of socialist mayors, while AAM represents the interests of the center-right democrat mayors. Since then, the participation of the local government associations in the process of consultation with the central government has been carried out, at best, on an ad-hoc basis.²⁹

²⁷ Law no 139/2015 on Local Self-Government, Art 10.

²⁸ Peter Clavelle, 'A Perspective on Decentralization in Albania' (Internal Working Document, USAID's Planning and Local Governance Project in Albania PLGP 2017).

²⁹ *ibid.*



Further, with the amalgamation of the communes in municipalities with the 2014 Territorial and Administrative Reform, AAC ceased to exist further reducing the scope for bi-partisan dialogue and the opportunities to defend the interests of the rural areas of the new municipalities.

Description of the Practice

To respond to such challenges, a growing focus from Albania's development partners was dedicated to building bi-partisan mechanisms of cooperation and coordination between the various levels of government and the local government associations regardless of their political affiliation. Under the auspices of the new Law on Local Self-Government in 2016, with a Government Decree³⁰ it was established the Central/Local Government Consultative Council, to serve as a non-partisan forum between central and local government officials. The Consultative Council is Albania's first formal structure obliging the central government to consult with local government authorities on draft-policies, draft-laws and other matters affecting local governance. To be sure, before the introduction of the Council, consultation took place through a direct exchange between the national government and the local government associations.

In terms of structures and participating institutions, the Council is composed of 20 members, with an equal participation of members, of which nine representatives of the central government (deputy ministers) and eleven representatives of the local government as follows: nine deputy ministers; the president of the ALAA and two mayors representing ALAA; the president of AAM and two mayors representing AAM; the president of the RCA and two regional council chairmen; the executive director of ALAA and the executive director of AAM. The Deputy Minister of Interior, that covers local governance issues within the government, co-chairs the Consultative Council, together with one of the presidents of the LGAs, on a rotation basis, starting from the LGA that has a larger number of members. The Consultative Council is supported by a technical secretariat, which is the Central Government's Agency for the Support of Local Self-Government, recently established as well to support the implementation of decentralization reforms. As the Consultative Council is obliged to consult also on fiscal and financial matters of importance to local governments, the Ministry of Finance and Economy serves as a technical secretariat.

The legal framework reads that the consultation process within the Council shall be based on: (i) the principles of 'information', by making available to LGAs and all their members all the draft-policies, draft-laws, draft-decrees and draft-strategies that shall be put forward by the central government, before their approval by the government and parliament'; (ii) on the principles of 'consultation' through exchanging, discussing, and putting forward proposals on

³⁰ Decision of the Council of Ministers no 910/2016 on the Organization and Functioning of the Consultative Council between the Central Government and Local Self-Governments.



the draft-policies, draft-laws, draft-decrees and draft-strategies put forward by the central government and that have an impact on local governments; (iii) on the principle of ‘engagement’ of the LGAs and local self-governments’ themselves in the processes of drafting and approving public policies; (iv) on the principle of ‘constructive dialogue and cooperation’ with all LGAs.

Assessment of the Practice

The establishment of the Council holds the promise of improved climate of cooperation between central and local authorities in Albania. The government and many development partners consider the Council as ‘an important milestone’ for local democracy in Albania.³¹ The results of the first three years of operation of the Council are diverging. From one perspective, through the Council, the number of laws and bylaws that are consulted with local governments has increased exponentially. This could be considered an improvement in intergovernmental dialogue and consultation. On the other hand, effective intergovernmental dialogue and consultation is not a numerical issue. Indeed, many have raised the concern that the discussions in the Council are mostly formal, as the vast majority of its members from both the central and local government level come from the same political party and therefore discussions on core issues and problems are regularly avoided.³² The attendance and participation of the Council’s members in the Council’s meetings is also an issue.

There are a number of issues that still need to be addressed, such as the mechanisms in place for setting up the agenda of the Consultative Council meeting, meaning the draft-policies to be discussed – to date, the agenda is set in a closed manner by the Technical Secretariat. This approach forces local governments to discuss what is decided by Technical Secretariat or the line ministries, which may not necessarily be their priority. Over time this would cause fatigue and reduced interest to participate. Secondly, and equally important, some follow up procedures should be put in place, securing the actual implementation of decisions or local government’ proposals so that LGAs and local governments feel that participation in the Consultative Council meeting leads to action and that their efforts and proposals are taken into consideration and are followed up. The frequent organization of the meetings on a monthly basis, and the very dense agenda leave little room for discussions. And even when such room is provided, local government voice is still very much divided on political affiliation. Some observers consider the Consultative Council more like another instrument at the disposal of the central government and a way to circumvent LGAs, in particular the one representing the interests of those local governments affiliated with the opposition.

³¹ Bekim Murati, ‘Intergovernmental Dialogue and Consultation Lead to Better Policies’ (XI Newsletter, USAID PLGP 2019) <https://www.plgp.al/wp-content/uploads/PLGP-Newsletter-11-English_web.pdf> accessed 19 May 2019.

³² Haxhimali A, ‘Local Government in Albania. Status Report’ (Albanian Association of Municipalities 2019)



There are no major differences as regard how the Consultative Council discusses issues that affect urban and rural local governments. Unfortunately, to date little attention is being paid to the urban and rural divide in Albania, although some concerns are emerging, because the gains of the Territorial and Administrative Reform and the other decentralization reforms enacted recently, are uneven across municipalities and there are questions about whether some of them are adequately servicing their newly incorporated rural areas.³³

On a more general note, it is important to highlight that the Consultative Council should be seen as an instrument to complement the role and work of the LGAs, which remain the key interlocutors for the national government in particular in the early stages of the design of public policies. When policies are presented to the Council, they are already in their pre-final form. On this end, LGAs play a fundamental role in the intergovernmental relations in Albania and the quality and effectiveness of the intergovernmental relations depend on the effective functioning of the associations.

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³³ United Nations Development Program (UNDP) Office in Albania, ‘Governance Perception in a Reforming Albania: Nationwide Local Governance Mapping in Albania 2020’ (Survey conducted by IDRA Research & Consulting and Human Development Promotion Center (HDPC) 2020)



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People's Participation in Local Decision-Making



6.1. People's Participation in Local Decision-Making in Albania: An Introduction

Elton Stafa, *NALAS – Network of Associations of Local Authorities of South-East Europe*

While an independent country since 1912, nearly half a century (1944-1990) of dictatorship and highly centralized government left a legacy of repressive and non-democratic institutions in Albania, with major implications on citizens' trust in institutions and participation in decision-making. In recent years, however, the general framework for people's participation in policy-making became more open to the general public, via an improved legal framework, the creation of new institutions and platforms which facilitate public participation in policy-making. In some cases, citizens' participation in decision-making became formally obligatory.

The 1998 Constitution guarantees the right of all citizens to access to information on all national and local government activities and follow up meetings of collectively elected organs (Article 24); the right to submit requests, complaints and observations to public institutions, and the latter are obliged to respond within timelines and conditions set by law (Article 48). From this perspective, there are no constitutional provisions requiring all public authorities, including therefore local governments, to facilitate the participation of people in political, economic, social and cultural life, as a fundamental right. Nevertheless, the Constitution guarantees the right to access information which, along with the right to interact with public authorities, create the first steps to empowering citizens to participation in decision-making.

In general terms, the right to information is further elaborated by the Law on the Right to Information,³⁴ the rulings of which are designated to ensure public access to information. The law also aims at encouraging integrity, transparency and accountability of the public sector bodies. However, it was the 2014 Law on Notification and Public Consultation³⁵ that provides the framework for citizen participation in policy-making in Albania. This law regulates the process of notification and public consultation of the draft laws, national and local strategic draft documents, and policies of high interest to the public. It stipulates the procedural rules which shall be applied in order to ensure public transparency and participation in the policy-making and decision-making processes of public entities.

Specifically, citizens' right to participate in local government decision-making is strongly embedded in the organic law regulating local governance in Albania,³⁶ as a form of real decentralization of power from higher levels of government to local communities. This law devotes an entire chapter to rules on transparency, consultation and civic participation. It prescribes that promoting an all-inclusive participation of the community in local governance is one of the fundamental missions of local self-government units in Albania. According to the

³⁴ Law no 119/2014 on the Right to Information.

³⁵ Law no 146/2014 on Notification and Public Consultation.

³⁶ Law no 139/2015 on Local Self-Government.



law, local self-governments shall guarantee transparency of their activity to the public and are obliged to guarantee public participation in the process of decision-making. The municipal council meetings are open to the public and every citizen shall be allowed to attend them as stipulated in the statutes of the municipal council. This law specifically provides that before considering and approving acts, municipal or regional councils shall hold consultation sessions with the community, and in the case of municipal budgets, municipal fiscal policy and a few other major local government rights and responsibilities, such as the adoption of local development strategies, rulings on territorial management, rulings affecting the entire community etc., the consultation sessions with the community are mandatory. Furthermore, each community has the right to present citizens' initiatives on matters within the jurisdiction of the local self-government unit to the municipal council for decision.

The Albanian Constitution foresees also local referenda as one of the main forms of local democracy and direct exercise of people's sovereignty and as a key form of local self-government (Article 108). The initiative for a local referendum on a local government issue can be exercised by: (i) 10 per cent of the voters registered in the electoral registers of the respective local unit or 20,000 of them, whichever is smaller; (ii) a number of municipal councils, representing not less than one third of the population of a county, which have the right to request the holding of a referendum on a local government issue at the county level. However, a legal framework to allow the implementation of local referenda has been missing since the adoption of the Constitution in 1998, and in fact, there are no cases of local referenda in Albania. It is difficult to explain the reasons why Albanian policymakers have not adopted the implementing framework for local referenda over the past two decades. The strong legacy of centralistic institutions and political divisions at national and local level certainly plays an important role, along with the interplay of other social and political factors, such as trust in government and institutions, including on local referenda.

Albania enjoys a sound legal framework that would ensure local government transparency and facilitate citizens participation in local decision-making. However, there is a substantial gap between the provisions of the laws and their actual implementation. While the practice of inviting citizens to participate in consultations, discussions, presentations and roundtables to inform citizens on local government plans and strategies has been increasing, still implementation of real participation in decision making remains challenging.³⁷ Citizens are not fully aware of the existence of mechanisms ensuring their participation and there is a lot of skepticism about the concrete impact of their involvement in decision-making.³⁸ This skepticism is rooted also in the fact that in most cases, citizens are presented a completed or almost completed proposal before its final approval. This setting does not allow citizens to be involved in the early stages of decision-making, which would contribute to building trust in their government and participating in the development of their own community. Monitoring

³⁷ Congress of Local and Regional Authorities and Partners Albania for Change and Development, 'Handbook on Transparency and Citizen Participation in Albania' (Council of Europe 2020).

³⁸ IDRA Research, 'Citizen Participation in Decision-Making in Albania' (IDRA 2017).



of local government activity with a view to holding them accountable is mostly driven on a project basis by NGOs. Some municipalities have adopted open government initiatives to facilitate both monitoring and accountability. However, actions by individuals or organizations on such open data portals are rather rare, except for investigative journalists.

Overall, the majority of Albanian citizens perceives the central and local government as not transparent or accountable and between 2016 and 2019, the perceived decline in transparency is six percentage points for the central government and seven percentage points for local government.³⁹ According to the 2019 assessment of the Institute for Democracy and Mediation, at the local level 24.6 per cent of respondents participated in a public consultation meeting, with the main reason for this low turnout being the lack of trust in such processes. The report finds out also that at least six in ten respondents believe that local public hearings are formal events with limited influence on municipal decisions and that suggestions coming from civil society and interest groups on draft laws are not taken into consideration. Another survey found out that between 2016 and 2019 there is an improvement regarding the institutional framework for participation and citizen engagement, but there is a decrease in the involvement of all stakeholders in decision-making.⁴⁰ Additionally, 70.6 per cent of respondents reported that they do not have sufficient opportunities to participate in decision-making at the central level. At the local level, respondents were slightly more optimistic about opportunities to participate. 58.6 per cent reported that they do not have sufficient opportunity, meaning that according to 41.4 per cent of the respondents there is sufficient opportunity to participate in local decision-making processes.⁴¹ The assessment surveys show no major differences with regard to citizens' interest or perception of opportunities to participate in decision-making at the central and local level according to urban or rural residency.⁴²

In short, despite significant progress, in particular in the institutional framework and mechanisms, Albanian civil society is still struggling to increase influence on governance at both national and local level and to ensure sustainable impact. However, it must be acknowledged that there are many local governments who take a proactive approach in involving citizens in their decision-making processes, both in urban and rural areas.⁴³

³⁹ IDM – Institute for Democracy and Mediation, 'Survey Report: Opinion Poll – Trust in Governance in Albania' (IDM 2019).

⁴⁰ IDRA Research and Human Development Promotion Center, 'Local Governance Mapping in Albania' (2020).

⁴¹ *ibid.*

⁴² *ibid.*

⁴³ See, for example, report section 6.1. on Civic Engagement towards Urban-Rural Linkages in Albania.



References to Scientific and Non-Scientific Publications

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Law no 119/2014 on the Right to Information

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6.2. Atelier Kanina - 100 Albanian Villages: Civic Engagement Towards Urban-Rural Linkages

Elton Stafa, *NALAS – Network of Associations of Local Authorities of South-East Europe*

Relevance of the Practice

Citizen engagement plays a fundamental role in strengthening good governance, promoting local democracy and facilitating community empowerment by enabling citizens to participate in decision-making and increase government accountability. While Albania has developed a sustainable legal and institutional framework to facilitate people's participation in local decision-making, still citizens' participation remains very low, hindered by endemic lack of trust in government in general and in consultation processes in particular. The genuine commitment of institutions to involve and not just consult their communities in local decision-making is the main factor that determines whether citizens will participate and engage in the policy process in a proactive manner.

The practice we analyze focuses on the elaboration of a Development Strategy for the Village of Kanina through a series of participatory urban planning workshops engaging the local community in the development of their own community. The practice is developed within the '100 villages program' also called the 'rural renaissance program', which is a national rural development program launched by the Government of Albania to promote a sustainable, integrated and multi-stakeholder approach to rural development in Albania. The program aims to develop a new rural development model for 100 villages based on three main criteria: (i) public infrastructure development and revitalization; (ii) local economic development through the diversification of economic activities (in particular different forms of tourism for/in rural areas; and (iii) the development of the human and social capital, aiming at fostering the creation of rural networks, local action groups and civil society in rural areas.⁴⁴

The practice involved participatory urban planning and the development of a guide for small towns on how to develop urban strategies with place-based solutions. This methodology was tested in the Village of Kanina and then replicated in other towns and villages through this methodology guide. The practice focuses on a civic engagement model for a key local government function (urban planning), while having direct implications on the structures of local governments, and builds on successful intergovernmental dialogue and consultation.

⁴⁴ Government of Albania decision no 21/2018 on the Integrated Plan for Rural Development – the 100 Villages Program 2018-2020.



Description of the Practice

The Village of Kanina (part of the Municipality of Vlorë), was selected by the Albanian government, based on a project proposal by the municipality, as one of the beneficiaries of the '100 villages program' which is a national program aiming to support the development of rural areas in Albania. Kanina is a village with a significant development potential, based on a strong culture and historical background and its proximity with the City of Vlorë, one of the major economic hubs in Albania. To make sure the new development strategy of Kanina could build on the local community and its development potential and priorities, the National Territorial Planning Agency in Albania (NTPA), partnered with the Municipality of Vlorë and the community of the Village of Kanina. A series of participatory urban planning workshops were organized with the local community, with the technical support of Superwien urbanism⁴⁵ and the support of the BACID fund – Building Administrative Capacities in the Danube Region.⁴⁶

In two days of workshops targeting Kanina's different interest groups, different tools were used, based on the concept of place-making and techniques of civic engagement in urban planning, in order to activate the local economic and cultural actors including local businesses, citizens, activists and representatives of national and local cultural institutions, in the development of the village and create common strategies to trigger economic development and foster sustainable tourism. Place-making is a multi-faceted approach to the planning, design, and management of public spaces. It capitalizes on a local community's assets, inspiration, and potential, with the intention of creating public spaces that promote people's health, happiness, and well-being.

The participatory urban planning workshops, organized by the NTPA, included several activities to get to know the roles and expectations of the influential stakeholders and specific interest groups, to identify intervention areas based on citizens' perspectives, to identify challenges and opportunities and map goals; to learn about the past history so that it can inform the future development; to get feedback from citizens and mapping activities. The key emerging topics included the utilization of the cultural heritage, revitalization of the central square, tourism development, water infrastructure/supply, road infrastructure, youth migration, natural landscapes and local products.

The results of the workshops and focus interviews led to the definition of Emerging Topics and Development Goals that were included in a concrete action plan, prepared by Superwien urbanism and the NTPA, and endorsed by the local community stakeholders and the City of Vlorë. The action plan included five main clusters of development goals, including fostering the cultural heritage as an economic asset, the creation of attractive public spaces for locals and

⁴⁵ Superwien is a studio for urban development and sustainable architecture based in Vienna, Austria.

⁴⁶ Financed by the Austrian Development Agency (ADA) and managed by the Austrian Association of Cities and Towns (AACT) and KDZ (Centre for Public Administration Research).



visitors, boosting tourism development, protection of the ecology and natural landscape as well as improving quality of life through improving basic local infrastructure.

Assessment of the Practice

On a more general note, while there have been improvements in the policy framework and enabling environment for citizen participation in decision-making, the strong legacy of repressive institutions continues to have major implications on citizens' trust in institutions and participation in decision-making. There is a significant gap between the provisions of the laws for participation and their actual implementation and citizens are very skeptical about the concrete impact of their involvement in decision-making. On the other hand, there are successful practices of citizens participating in decision-making at both urban and rural levels as demonstrated by the practice on Kanina.

The key objectives of the practice were to engage the local community in the co-creation of their own development strategy, based on their needs, priorities, and potential. This involved the implementation of participatory and co-creative approaches and at the same time provided an opportunity to get as much information as possible from the local community on their challenges and opportunities. Engaged citizens representing the local community as well as representatives of local businesses clearly delineated that the central square of the village, including historical buildings and the Castle of Kanina, although currently abandoned and left over as a result of three decades of transition, have a strong development potential and provided their own ideas about the future of the central square. Ultimately, the results of the workshops included the development of a clear strategy, developed by superwien urbanism and the NTPA, focusing on the re-design of the main square, including the introduction of commercial and non-commercial zones, and the renovation of the historical stone buildings, with the goal to activate the square and make it more attractive for tourists as well as residents.

The participatory urban planning workshops piloted in Kanina were replicated throughout the country by the National Territorial Planning Agency within the 100 villages program, creating a new practice of citizens' consultation in rural areas. Ultimately, the practice we analyze addresses one of the core challenges to people's participation in Albania – trust in participatory processes and the impact of their contribution in the early stages of development of policy documents – as opposed to only being presented the draft prepared by national/local authorities on their own. The practice shows that when institutions are really committed to participatory development, citizens are committed too and participate in the process, as they clearly understand the importance of the process.



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