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*Albanian Regional Development Opportunities and Challenges  
in the Framework of the EU policy*

**Abstract:** *Albania's local governments are characterized by significant disparities in size and capacity. The challenge of fragmentation includes not only economic efficiency but also the administrative and technical capacities of local governments to provide services in an efficient and effective way. As international experience proves, the fragmentation of local government systems is related to the extent of financial decentralization. It is apparent that larger municipalities are able to carry out a wider scope of functions than smaller municipalities. The regional development policy is a new area of public policy in Albania. This research will focus on the examination of the system of local government in Albania, which show that the requirement of the regional level is also supported by the need for better coordination and planning in the framework of the EU policy enlargement. Albania need an integrated, coherent regional policy based on its growing concern over the widening gaps in socio-economic performance and fortunes between different parts of the country. As Albania seeks to fully integrate its economy and its markets in the global context and, in particular in the EU single market, there is an imperative to ensure that all areas of the country are capable of competing.*

**Keywords:** Localism; Decentralization; Regionalism; Development; Municipalities; Enlargement.

Local and regional governments have been actively involved in global development debates, advocating for a truly transformative, integrated and universal agenda that builds on local experiences and is achievable and mindful of the needs of future generations. Local governments specifically have argued that the achievement of democratic, peaceful and sustainable societies will require a new, more democratic and transparent global governance, strong national ownership and solid democratic institutions and accountable and capable local and territorial governments. Local institutions must be responsive to the needs of people, work to bridge inequalities, preserve sustainability and have the public interest at heart. As a result of this global advocacy, the role of local and regional governments, cities and territories has been much more overtly acknowledged than ever before.

In light of these developments, local and regional governments have made extraordinary efforts to prepare for their role in a renewed system of global governance. They have connected to share experiences internationally, committed to specific development targets, and promoted solidarity around the world. They have done this by developing learning systems, technical capacity exchanges and consultation mechanisms capable of producing joint priorities.<sup>1</sup>

Eventually, the history of controversy between the state and the regions is that of a tormented relationship, never really serene and seldom, as it should have been, inspired by “loyal cooperation”. It does not console to know that this history of conflicting relations is, in the end, common to all the regimes characterized by a strong decentralization: there is a similar case law for example in Austria, Germany and Spain.<sup>2</sup> Precisely because of the shifting nature of jurisprudence over time, and given the qualitative difference in each dispute, I do not think it makes any sense to draw merely quantitative conclusions on the overall outcomes of judgments. In this sense, numbers, by themselves, serve little. The state, for example, could win over so many micro-conflicts in legislation, on secondary issues, and lose the few really important in the area of effective sharing of skills. In short, you can win many small, sometimes insignificant, battles, but lose the war. Consequently, from the point of view of constitutional jurisprudence, there are no winners and defeated, but an arduous path where parties, over the years, have constantly reversed.<sup>3</sup>

Albania is going through this challenging and difficult process. Today the local government is organized in two tiers: at the first level, the municipalities with clear political and administrative delineation of boundaries; at the second level, the regions managed by

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<sup>1</sup> See *Fourth Global Report on Decentralization and Local Democracy* (Gold IV, 2016): *Co-Creating the Urban Future: The Agenda Metropolises, Cities and Territories*, UCLG 2016.

<sup>2</sup> See A. SPADARO, *La pericolosa anomalia della “contrattazione” Stato-Regioni: una storia senza fine*, in *federalismi.it*, 17, 28 agosto 2013.

<sup>3</sup> See T. MARTINES - A. RUGGERI - C. SALAZAR, *Lineamenti di diritto regionale*, Milano, Hoepli, 2012, p. 307 e ss.

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the regional councils formed by Mayors and other representatives of those directly elected at the first level of local government. This governance system is built on the European charters principles of local and regional autonomy.

During the last years, Albania have gone through different and important legislative changes, judicial reform, emphasis on the rule of law, anticorruption and improvement of the public services. On July 2016, based on this judicial reform, the Albanian Constitution was amended. On July 2014 the number of local units changed from 308 communes and 65 municipalities to 61 municipalities.

The existence of a great number of small local government units (until 2014) increased the overall administrative cost of governing and managing for local governments, making difficult for local government units to deliver high quality and effective services. Furthermore, the balance of costs and benefits has shifted, for the latest overall re-organization of local units in 1992 due to massive internal migration, technological progress, and growing citizen expectations for public services. Similar to many other European countries, Albania undertook and implemented a territorial consolidation reform by Law no. 115/2014, “*On Administrative-Territorial Division of Local Government Units in the Republic of Albania*”, solving issues of municipal fragmentation. This reform is harmonized with and complementary to the decentralization reform.<sup>4</sup>

The administrative-territorial reform prompted no change to the 12 regions but their constituencies, municipalities, underwent radical changes. Under this reform, regions cover an average of five municipalities, as compared with 31 local government units under the old division. In this context, the region’s coordinating role in harmonizing national policies with local and regional ones becomes easier and more efficient. The impact of socio-economic development at the regional level and the role of regions have been weak,

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<sup>4</sup> See *National Crosscutting Strategy for Decentralization and Local Governance*, Albania, 2015-2020.

because of the lack of a clear model for regional operation, the lack of financial resources and assets, and a low institutional capacity. Policies on regional development and

regionalization would give regions (qarks) a new role and these policies should harmonize with the recommendations of the Council of Europe and EU with regard to structure of a region as local government units.<sup>5</sup>

The existence of a great number of small local government units (until 2014), 373 in total, increased the overall administrative cost of governing and managing for local governments, making difficult for local government units to deliver high quality and effective public services.

The twelve regions were established with a threefold purpose:

1. To optimize the provision of public services. The small size of local government units impedes any economies of scale and often the endemic poor infrastructure and a shortage of capacities and capital lead to a lack of investment.
2. To provide a platform for achieving a common interest shared by all or a group of municipalities within the boundaries of the region. Inter-municipal cooperation is one of the means that works towards the above aim.
3. To ensure the alignment of local, regional and national priorities and the harmonization of local and regional policy with national objectives.<sup>6</sup>

The region is composed of a number of municipalities. The main characteristics of the region are:

- They represent the interests of the regional community. Public authority of the region is exercised by a regional council composed of municipalities' representatives in proportion to the number of inhabitants. The minimum representation is one person

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<sup>5</sup> *Ibid.*

<sup>6</sup> See *Albanian Regional Development Opportunities and Challenges*, Mission Report, Sept. 12-26, 2005.

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per unit, which is the Mayor of the respective Municipality. The regional council is responsible for the municipalities and indirectly for the region's local communities.

- They are responsible for coordinating and harmonizing among the municipalities consistent policies with the regional policies of the National Government. The region can be, in some cases, responsible for the delivery of public goods and services in that region. This larger role of the region will be based on a decision of the Regional Council within the limits prescribed by law.
- They possess independent authority to undertake initiatives in the interest of the regional community. The council of the region can decide and act, within the limits of the legal framework, in full autonomy in the general interest of the region or in the interest of one or more municipality members. In all cases, the decision of the Regional Council cannot violate the autonomy of any of the municipalities' member of the region without their approval.<sup>7</sup>
- The region has adequate administrative, service, investment, regulatory and financial and property management authority, but not fiscal authority. The municipalities contribute with a fixed percentage municipality budget to the regional budget. The region is also a recognized legal entity by law.
- The Regional Council approves the Regional Statute in which its responsibilities, arrangements for decision making, internal organization and the responsibilities of internal divisions are defined according to uniform provisions by the law.
- Regions may perform certain other functions by delegation from the national government. Generally, these delegated functions are applied to all regions. In certain cases, the regions may have the option to decide whether to perform specific delegated functions. In all cases, the national government provides sufficient additional resources to the regions to pay for the cost of performing the delegated functions.

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<sup>7</sup> See O. MUCOLLARI, *Local Decentralization and Regionalism*, Thesis of Doctorate, University of Tirana, May 19, 2009.

- Regions have the authority to create administrative bodies in smaller territorial units to bring government and public services as near as possible to the community. Regions

may establish territorial organizations at the district level, to harmonize regional policies in this traditional administrative unit as well as to better coordinate initiatives with the National Government in the same territory.<sup>8</sup>

Organization, functions, duties and sources of revenues of the regional councils are defined in the Law on Organization and Functioning of Local Governments (hereinafter the Law no. 6852). Organizationally, it specifies that regional councils are composed of representatives of the municipality Councils. Within this body, a board is established whose members, and the executive posts of Chair and deputy Chair, are elected by a majority vote of councillors. The Regional Council approves the regional statute in which the responsibilities and internal organization are defined. The administrative structure of the regional councils may differ by region, although the following units are usually present: public service, urban, finance, legal and land administration departments, cadastral and protocol offices, program and development office (in charge of strategy development), and personnel section.

The role of the Regional Council in the process of decentralization and regional development is important. However, proper capacity and institution building (including improved horizontal and vertical inter-governmental cooperation and donor coordination) are necessary in order to avoid the risk of having the resources without a mechanism to initiate delivery. This could impede the implementation of Regional Development Strategies and could limit the ability of the regional councils to perform their role in coordinating the implementation of regional policies through facilitating cooperation among local governments and with the central level.

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<sup>8</sup> See *National Strategy for decentralization and local autonomy – National Committee for decentralization*. Prepared with assistance from USAID and the Urban Institute.

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In the case of competing competences, it is necessary the involvement of the Regions in ensuring the equilibrium in terms of good performance and reasonableness of the rules. This is a “loyal collaboration”, which it is not always wise to leave.<sup>9</sup>

Ambiguity prevails regarding the status/role of the regions in Albania. As mentioned above, the Regional Council is not directly elected by the citizens of the respective regions. The indirect election of the members of the Regional Council is stipulated in the Constitution (Art.110). International experience demonstrates that an indirect form of representation at the regional level means that the community members lack democratic influence on the management of the local services. This often results in a lack of accountability on behalf of the regional councils. The regional councils are perceived more as local government associations, rather than in their envisioned role as an intermediary level of government able to effectively promote regional development and facilitate cooperation among local governments.<sup>10</sup>

Law no. 6852 vaguely outlines the roles and responsibilities of the regional level. Namely, it stipulates that the main functions of the council are the «development and implementation of regional policies and their harmonization with the national policies at the regional level». However, there is no clear definition of the meaning of this function and the regional councils lack the necessary tools for implementation of regional policies.

While Law no. 8652 acknowledges the right of the regional councils to exercise executive competences in the delivery of public services, it should be noted that the law stipulates only voluntary delegation of functions by central and local governments to the regions. Presently, it can be seen that local and central governments are reluctant to relinquish any of their own planning, fiscal or administrative powers to the regions. However, some progress in this regard has been made recently.<sup>11</sup>

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<sup>9</sup> See L. ANTONINI, *I segni dei tempi. Dal Veneto al Molise, quale futuro per il regionalismo italiano?*, in *federalismi.it.*, 4, 2017.

<sup>10</sup> See *Albania: Decentralization in Transition*, Report No. 27885-ALB, World Bank report, February 2004.

<sup>11</sup> See MUCOLLARI, *Local Decentralization and Regionalism*, cit.

Mayors, especially of the big cities, are unwilling to accept regional guidance and to contribute to the regional budget or intermediation in their economical and political dialogue with the central authorities. Also, through the maintenance of traditional prevalence of the Prefects as the coordinators of the de-concentrated central administration in the territory, the effectiveness of the role of the regional governments is in question, because a confusion regarding authority and administrative hierarchy still exists, which generates conflicts and inefficiencies.<sup>12</sup>

Focusing on continued decentralization of the selected functions from the central to the regional level in Albania, the discussion on a larger role and more functions for the regional councils must continue. It should incorporate the viewpoint of the subsidiary principle and the further increase of local government competencies and capacities. To this end two approaches could be offered:<sup>13</sup>

- The direct election of the Regional Council as an intermediate level of governance in the country. This would lead to the reduction of local government to one level structure.
- The two level structure of local government is retained; however, the Regional Council is strengthened by transferring competencies from the central government (namely line ministries and their de-concentrated structures). This would enhance public administration reform, define a different role for the prefectures, while legislation would ensure vertical and horizontal coordination and cooperation and thus an effective implementation of the Integrated Planning System.

In this view, there is a clear role to be played by the regional councils as coordinator/facilitators of inter-municipal cooperation, within the framework of the regional development strategies. However, the present lack of understanding by the

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<sup>12</sup> See Discussion paper, *Local Governance and Decentralization in the ECIS region*, developed by JURGITA SIUGZDINIENE and DEJANA POPIC, BRC.

<sup>13</sup> See MUCOLLARI, *Local Decentralization and Regionalism*, cit.



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municipalities and communes of the advantages of a regional development and their unwillingness to accept regional guidance and coordination hinder any pursuit of common concerns and effective utilization of financial resources at the regional level.

This situation is compounded by the weak capacity, knowledge and lack of resources available to regional authority, as well as the absence of the state policy in regard to the regional development.<sup>14</sup> An examination of the system of local government in Albania shows that the requirement of the regional level is also supported by the need for better coordination and planning.

Albania's local governments are characterized by significant disparities in size and capacity. This fact results in the inability of small municipalities to take responsibility for the public services that require large or/and increasing scales of production and which also involve significant externalities (e.g. water supply, waste management, secondary education). The challenge of fragmentation includes not only economical efficiency but also the administrative and technical capacities of local governments to provide services in an efficient and effective way. As international experience proves, the fragmentation of local government systems is related to the extent of financial decentralization. It is apparent that larger municipalities are able to carry out a wider scope of functions than smaller municipalities.

Furthermore, in numerous cases the autonomy of the smallest local governments is mostly symbolic, as in practice they are unable to take responsibility for any significant public service.<sup>15</sup> For these reasons, the fragmentation of the local government system in Albania may act as a serious constraint for the further process of decentralization in the country and as an argument against decentralization.

Considerable differences in the social and economic situation of Albania compound the need for a state regional development policy that can ensure more balanced development of

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<sup>14</sup> See *Albanian Regional Development Opportunities and Challenges*, Mission Report, Sept. 12-26, 2005.

<sup>15</sup> See MUCOLLARI, *Local Decentralization and Regionalism*, cit.

all regions and municipalities. While disparities between the regions are noticeable, even greater differences in income, output, productivity and employment are observed among municipalities.

Fiscal decentralization theories dealing with decentralization focus on maximizing social welfare, which is portrayed as a combination of economic stability, allocate efficiency, and distribute equity. The precise combination and importance attached to each goal depends on the context, but the challenge of decentralization is essentially to locate resources at the level of government that optimizes social welfare.<sup>16</sup>

Therefore, wide regional disparities should not be ignored. These differences stem from structural deficiencies in key factors of development and competitiveness: inadequate endowment of physical and human capital (of infrastructure and skilled human resources), a lack of innovative capacity, of effective business support and a low level of environmental capital. Regions need assistance in overcoming these structural deficiencies and in developing their comparative advantages in order to be able to fight poverty and achieve higher levels of human development. This in turn requires that a regional development policy be established in Albania, which would address the above challenges through a targeted support and the creation of a supportive investment climate.

As mention above, based on the Fourth Global Report on Decentralization and Local Democracy 2016, set of priorities for local and regional governments should be taken into account:

- a people-centred agenda, to ensure complete inclusiveness and the protection of essential socio-economic rights that form the basis of dignified living and links to the international ring of civilization;

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<sup>16</sup> See R.A. MUSGRAVE, *Multi-Level Finance*, New York, McGraw-Hill, 1958. National Constitutions website <http://confinder.richmond.edu/>.

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- strengthened local and regional governance and autonomy, based on accountable local and regional governments, to renew the social contract between public institutions and citizens;
- a territorial approach to development, to unlock local potential, drive bottom up national development and create opportunities for all;
- environmental sustainability, through a transition towards a low carbon economy, the reduction of natural resource consumption, and the protection of the complex natural systems on which our world depends.<sup>17</sup>

## Conclusion

The role of the regional or local self-governments in allocating and managing investments in local public services and regional economic development is extremely important.

Firstly, it ensures that the priority regions are targeted, as it is much more difficult to determine the geographical use of money disbursed through the division's ministry programmes. Secondly, regional and local governments are regarded as best placed to build up the inter-municipal/governmental and public private partnerships. This implies that a major proportion of public investments should be targeted at the less developed regions, channelled through integrated regional programs and managed in partnership with regional and local governments and economic and social partners. The experiences of new EU members show that tensions tend to arise between regional<sup>18</sup> and sectoral<sup>19</sup> approaches to investment.

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<sup>17</sup> See *Fourth Global Report on Decentralization and Local Democracy* (Gold IV, 2016), cit.

<sup>18</sup> See *Regional investment: the allocation of resources for coordinated, multi-sectoral use in a given territory. The choice of territories to be covered and the overall distribution of resources between them would be largely determined by the objective of correcting inter-regional disparities in income and employment levels*, in eur-lex.europa.eu.

<sup>19</sup> See *Sectoral investment: Is the funding dedicated to a single sector and distributed by a sectoral ministry (or parallel government agency) at the national level. Ibid.*

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Therefore, the need to establish a regional development policy in Albania is manifested by a number of reasons, as confirmed by a growing understanding among various stakeholders, including the business community, the donors and central and local government institutions.

Firstly, there is a need to upgrade the economic infrastructure in order to create an attractive and suitable environment for future investments. A number of difficulties need to be overcome with regard to this problem: such as the obvious lack of resources and the legacy of the inherited administrative structures and practices by which investment planning is typically carried out by ministries with little concern for the local and regional impact. Secondly, the issue of deepening regional disparities in Albania needs to be addressed better and can be done through a regional policy. Thirdly, the compliance with the EU membership, which requires the regional policy and its institutions.