

# Central and Local Government Relations in Albania: Toward Decentralization

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## Abstract

Local governance and decentralization is an ever growing topic in politics and public administration studies. This is better achieved by a good relationship between the local and central governments. A coordinated relation between these two important institutions provides prosperity and stability for a country.

This paper aims to describe the notion of central-local governments relations, based on decentralization. It will begin by briefly presenting the theoretical aspects of the abovementioned concepts of central-local relations and decentralization.

The paper first gives an overview of these concepts in the Republic of Albania, by describing the situation in different periods and different regimes. The aim of this study is to show how the central-local relations have evolved during the years in Albania and how much this relation has been concerned with decentralization and local self-governance.

This study provides different competencies and budget capacity of both levels of government and gives examples from different developed countries in order to show how the system works in reality in Albania and how they should function in order to be more effective and efficient.

Finally this study presents some of the problems that the local government institutions are facing in Albania, with the main issue being corruption in all levels of public administration and possible solutions for these problems will be suggested.

**Keywords:** *Albania, Central-local relations, Decentralization, Local government, Corruption*

## Introduction

Since its independence in 1912, Albania has found it very difficult to establish a well-constructed state with all the features and characteristics that it needs to be prosperous and developed. It has been partly because of external factors which have constantly affected negatively in the road of Albania towards becoming a fully functioning state. However it would be a justification to say that only because of these external factors Albania is nowadays one of the less developed countries in the continent of Europe. Internal factors have affected maybe even more the lack of development

of Albania. One of these factors is even the topic of this study. The bad central-local government relations which lead to lack of decentralization are one of the most important factors which have left Albania so behind the other European states.

The focus is mainly on the post-communist period because before that we can barely find traces of local government and decentralization in Albania. The legislation adopted by the left and right governments in different periods demonstrates de jure the level of decentralization and relations between the central and local government. However, this legislation combined with the government programs and reports from the foreign partners will shed light on the true face of the two aforementioned concepts.

Another part of this study focuses on the main problems that the central-local relations face here in Albania and how these problems interfere in the decentralization process. After pointing out these problems which impede the implementation of the proper legislation, we can give conclusions and recommendations on how to meliorate the central-local relations and with it the decentralization process in Albania.

### **Concepts and Theoretical Approach**

Decentralization is a controversial concept. It may take a diverse meaning in political analysis.

Public Choice theory is one of the theories which support decentralization. This theory emerged together with the critics against the welfare state in the 1970s and 1980s. People argued that the welfare state depleted the financial resources of the state therefore the government should disperse its authority in order to share the burden with other forms of governance. The central government should transfer some competences and responsibilities to the lower levels of government (Martinez-Vazquez, 2011). The Public Choice theory aimed to transform the public sector into a model similar to the private sector. This way the local government units would mostly sustain themselves and the central budget would be used for different purposes (Anderson, 2003).

The issue of decentralization relies heavily on the domestic policies and situation of a country. In countries which have problems with ethnic minorities like the Kurdish case in Turkey, the government tries to keep a centralized power in order to prevent a possible separation of the region which contains the minority. Various examples may be given in this aspect. The United Kingdom gave Scotland the opportunity to hold a referendum in order to decide whether to remain under the United Kingdom or to obtain independence. It happened because of the greater degree of decentralization that is applied in that country, but when we come to Turkish case, the government here does not allow such opportunity to the Kurds because of the different approach to decentralization (Aktar, 2015).

Other countries like the USA and Germany have a more decentralized system due to federalism. The system itself gives these countries a larger scale of decentralization. Different regions may form some sort of regional governments which are obviously under the control of the central government, but the privileges and freedom that they possess are notably higher (Marshall, 2001).

Albania is one of those cases which have all the premises to conduct an extraordinary decentralization process. The population is mainly homogenous, with small minorities, like the Greek minority in the south and some Slavic minority in the east and north east. There have been problems from time to time with the Greek minority claiming to be much larger than it is, but all their claims are overthrown by the historical facts and by the undeniable fact that the Greek government pays these people to claim that they are Greeks (Tzimas, 2013).

What makes it even a more suitable environment for decentralization is the fact that people from almost all the cities of Albania like to promote their own values and characteristics, but when it is the case of an international issue, they all unite uniformly under the Albanian nationality.

Regarding the central-local government relations the Corporatist theory presents a suitable explanation. This theory in itself emphasizes the socio-political organization of a society based on common interest and other social similarities, such as culture and ethnicity. This way the central authorities must recognize the right of the localities to organize themselves in order to better represent their own community. The central government assists the creation of institutions, which will function as local governments. These institutions are staffed with people who have the intellectual capacity to administer the transferred authority efficiently (Rhodes, 1986).

The relation between the central and the local government is more one of interdependence rather than a relation of higher and a lower authority. Both these levels of government possess qualities which put them in the position advantage and disadvantage towards each other. The central-local government relation can be described as two different worlds which act almost independently from each other, but from time to time they interact for the greater good of the people. .

The relation between the two levels of government is mainly a daily routine which is carried out within a certain legal framework and involves correspondence and communication between different departments of local and central authorities (Stewart, 2000).

These departments commit themselves to the governing of a country. The central government has the exclusivity of formulating the legislation, financial capacity and regulation authority, while the local government has experience and knowledge regarding the local areas (Stewart, 2003).

### **Central-Local Relations in Albania**

Albanian governments right after the independence in 1912 have had many problems in establishing a relation between the central government and the local authorities. These problems had two key reasons which were the inexistent infrastructure to connect the centre with the regions and the local tribal, patriarchal authority rule. However the government tried to implement an administrative division regardless the technical problems that it would encounter because of the issues that were mentioned before. This administrative division established eight prefectures, which were headed by the Prefect.

Much changed with the establishment of the communist regime in 1944. The state became highly centralized. The communist regime introduced the term “local bodies of government” instead of the normally used “local government bodies”. This clearly showed that there was no local government. In its place there were some institutions which served merely as extensions of the central government (Artan Hoxha, Alma Gurraj, 2001). It was more a deconcentrated rather than a decentralized system. The central government simply appointed its own loyal people to the local units and gave them orders to follow without any power of decision making or self-governance.

The first traces of Albanian decentralization are found following the fall of the communist regime. In 1992 the DP government formulated the Law no. 7570 on “The organization and functioning of Local Government” (Organizimi dhe Funksionimi i Pushtetit Lokal).

Another development came with the SP government in 1998, which included the principle of local self-government in the new constitution, which is in power even nowadays (Mirela Bogdani, John Loughlin, 2007).

In 1999 Albania signed and ratified the European Charter of Local Self-Government. The European Charter of Local Self-Government was adopted in 1985 by the Council of Europe (Pejanovic, 2010).

In the year 2000 the government adopted a National Strategy for decentralization and local autonomy. The parliament passed the Law no. 8652 on the “Organization and Functioning of Local Government” (Mirela Bogdani, John Loughlin, 2007). Along with other laws, these completed the legislative process of establishing a democratic local authority in Albania.

The newly elected government with the Prime Minister Sali Berisha had as a primary objective in its Government Program 2005-2009 the reforms in the area of decentralization, in accordance with the European Charter of Local Self-Government. The government promised to give an end to the discrimination of local authorities based on their political affiliation. The autonomous expenditure of the local authorities would increase twofold. The fiscal autonomy would be widened considerably to the point that the municipalities and communes would set and collect their own taxes and local

tariffs. Moreover, the transfers from the state budget towards the local authorities would increase 3-4 times more than the current level of that time (Albania G. o., 2005). The program included the end of the transfer process of the properties to the local authorities by giving priority to the water supply, roads and the socio-cultural objects. Another principal objective was to apply the concept of common functioning in education, health care, environment, sheltering, social services, public order and road traffic. The local government would take autonomous decisions within its area of jurisdiction and it would collaborate with the central government in accordance with the principle of autonomy and partnership in order to achieve the national goals in the fields mentioned above.

Regarding the fiscal decentralization the program offered great support for the creation and empowerment of the tax administration of the local authorities in the municipalities and communes. The central government strongly emphasized the collaboration with the tax administration in order to implement reforms for an improved fiscal discipline of the administration in the first place, and also the businesses and citizens.

The program of the new government after the 2013 parliamentary elections led by Edi Rama considers the decentralization process as vital for the prosperity of the country. In its Government Program 2013-2017 it starts by granting more authority to the local governments in compliance with the European standards. The relations between the central and the local authorities need to be improved desperately. This will be realized through the Advisory Council of Central-Local relations. This council will serve as a mediator and it will form a bridge between local and central authorities.

The greatest challenge of the Rama government was the territorial-administrative reform. This was one of the main requests made by the European Commission to Albania and the government was determined to complete it.

The implementation of this program towards the end of the year 2014 was evaluated by a report delivered by the European Commission. The report mentions the appointment of a new Minister for Local Affairs in September 2013. The Minister drafted the Law on Territorial and Administrative reform, which was adopted in July 2014. This law reduced the number of local government units from 374 to 61. The aim of the new administrative division is to increase efficiency in the provision of services and allocation of taxes.

### **Administrative and Political Decentralization of Albania**

Albania was divided into 374 administrative units. From these 65 were municipalities, 309 were communes and all of them combined formed 12 regions. The regions formed the first tier of the

local government. The municipalities and the communes formed the second tier of local government. The communes consisted of several villages and sometimes even small towns. The municipalities were formed by quarters in the urban areas and by villages in the rural areas.

The mayors and chairmen of communes are elected by popular vote, while the chairman of the region is elected by the members of the regional council, which is composed of members from the councils of the municipalities and communes of that region.

This administrative division was replaced by the new one after the adoption of the Law nr. 115 “On territorial-administrative reform”. This law contains under articles 1 and 2 the new shape of the administrative division of the Republic of Albania.

### **Article 1**

1. Local government units in the Republic of Albania are:

a. municipalities - 61

b. regions - 12

2. Administrative-territorial divisions of the local government units, as written in point one of this article, are assigned by law.

### **Article 2**

The denomination, territory, boundaries, centre, administrative units of every local government unit and their sub-divisions are defined in the maps attached to this law.

The new territorial-administrative division favours the local government and grants it more autonomy and competences regarding its own governance. The Minister of State on Local Issues proposed this reform with the clear aim to increase the efficiency of the local government units and empower the local authorities. There was a detailed analysis of the situation before the reform which showed that the small government units were unable to sustain themselves because of the inability to enforce and collect taxes from the population. On the other hand, larger administrative units showed a better performance in the collection of taxes and expenditure of their budget (Issues, 2014). This brought to the idea that a new administrative division with larger units would increase efficiency, because they would be able to generate more financial resources, this way relieving the central government budget from unnecessary expenses. The financial independence would consequently grant more autonomy to the local government units. This would give a great boost to

the decentralization process of Albania, which is a point that the international community insists to be fulfilled.

### **Fiscal Decentralization of Albania**

The legal framework of the Republic of Albania allows the local government bodies to determine local taxes and fees according to the law. All administrative units have their own budget. This budget is formed by locally derived sources and by funds from the national sources. The locally derived sources are the local taxes and the local fees. Local taxes consist of taxes on mobile and immobile property and the transactions performed on these properties. Economic activities such as small businesses, hotels, bars and restaurants are also subject to local taxes. Lastly personal income which may come as a result of a donation, a lottery or an inheritance from a relative has to pay a certain tax to the local authorities (Hoxha, 2002).

On the other hand local fees are imposed to the citizens as a result of different public services provided by the local authorities, the right to use local public properties and public spaces. Authorization, licenses and different permits are also subject to local fees (Hoxha, 2002).

The funds which derive from the national budget are an important indicator to the central-local relations, because this relation has primarily a financial aspect and secondly an administrative and political aspect. These funds may be conditional and unconditional. The conditional funds are transferred to the local government units to fulfill a national objective at the local level. A large project which covers more than one administrative unit does not have to be financed by the local authorities themselves. Instead the central government gives the financial resources to the local units together with the project that needs to be implemented. The unconditional transfers on the other hand are financial resources transferred from the national budget to the local authorities without any specific request or project to fulfill (Hoxha, 2002).

### **Politicization of C-L-R in Albania**

Unitary countries may have difficulties in finding a balance between the central and the local government bodies. There is always the dilemma whether the local government acts as a self-governing body with its own financial and administrative capacity or it simply follows the orders and directions that come from the central authority (Salih Özcan, Diana Shehu, 2013). The most common problem that is faced in central-local relations is when these government levels are governed by different political parties. Examples of small communes near Tirana show that those communes governed by DP during the Berisha government, received more grants and funds than those communes which were governed by the SP. For instance, the DP communes of Baldushk and

Berxulle have received several grants for road construction and maintenance. SP governed communes such as that of Peza have no available data at all when it comes to grants and funds from the central government (Salih Özcan, Diana Shehu, 2013). Heads of Communes have constantly complained about the fact that the central government has provided less financial support than requested. In fact, Berisha government has been criticized several times in the European Commission reports for not putting enough efforts in the decentralization process (Commission, 2012).

Another example of politicization in the central-local government relations is the fact that the government supported the DP communes to receive funds from foreign foundations, while other SP communes were not offered such a facilitation and they could not attract these foundations by themselves because they needed to pay for 10% of any donor-funded project (Salih Özcan, Diana Shehu, 2013).

The over staffed institutions of local units represent a big financial burden for them. The commune of Baldushk employs 40 people with the justification that those people are poor and it is the social policy of the commune to provide them a salary. The over employment in communes and municipalities comes as a result of the spoils system that has been established here in Albania.

Heads of communes actually admit that although the local government units have their own independent budget, from time to time the national government dictates them how and where they should use their financial resources. This shows that the local government autonomy principle is only written in paper and is very rarely implemented.

## **Conclusions**

Central-Local government relations have been one of the main topics of discussion of scholars in the last decades. When we take a look at the theoretical aspect of decentralization and central-local relations we understand that the more they are developed, the better a country performs politically and economically.

Although there might be arguments even in favour of centralization, because of different national interests that a country might have, it is most commonly agreed and obvious in the developed countries, that decentralization goes hand in hand with the wellbeing of a state.

Central-local relations have a considerable importance on their own because they make the decentralization process possible. In a country where the relations between the central and local authorities are well balanced, decentralization process moves forward in a more confident manner.



In countries where these relations are merely formal, decentralization process moves very slowly or does not progress at all.

Albania is a country where central-local government relations experience obstacles of any kind. Among many problems, politicization and lack of reforms seem to damage these relations more than any other.

As we mentioned before, a bad relation between the central and local authorities affects directly the decentralization process. Albania suffers immensely from the politicization issue. Politicization brings to the unequal treatment of different local units by the central government. Local government units which were governed by the same party as the central government received more grants and facilitations than those units which were governed by the opposition party. Over employment in the local units also led to the depleting of financial resources. This again affected the development of several local government units, which spent their budget on wages and had no resources left to finance development plans.

Lastly another concern regarding the decentralization in Albania, is the fact that central government officials interfere in the local affairs by dictating how and where to use their financial resources. This clearly violates the self-governance and independence principles of the local authorities and shows that the decentralization process in Albania has yet much to achieve.

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