



**CENTRAL-LOCAL GOVERNMENT
RELATIONS AND DECENTRALIZATION
IN ALBANIA**

by

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Abstract

Central-Local government relations and decentralization is an ever growing topic today. These two are better achieved through a good relationship between the local and the central governments. A coordinated relation between these two core institutions provides prosperity for the whole country.

This paper aims to describe the notion of central-local relations, based on decentralization. It begins by showing the theoretical aspects of the abovementioned concepts of central-local relations and decentralization.

The paper continues by giving an overview of these concepts in the Republic of Albania, by giving a snapshot of the historical 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 here in Albania and how much this relation has been concerned with decentralization and local self-governance. What did the different governments promise in their programs and how much did they realize their promises?

Finally, this study presents some of the problems that the central-local government relation is facing today in Albania. The problem of politicization is presented as one of the most concerning issues which prohibit the advancement of decentralization and jeopardize the relations between the central and local authorities. This study shows how central government interferes into the local authority affairs and violates the principle of local self-governance and autonomy.

Keywords: central-local relations in Albania, decentralization in Albania, central government, local government, self-governance, politicization in Albania.

Abstrakt

Marrdheniet e qeverise qendrore-lokal dhe decentralizimi eshte nje teme ne rritje ditet e sotme. Keto te dyja arrihen me mire nepermjet nje marrdhenie te mire ndermjet qeverise qendrore dhe lokale. Nje marrdhenie e koordinuar ndermjet ketyre dy institucioneve te rendesishme sjell zhvillim per te gjithë vendin.

Ky punim ka si synim te pershkruaje konceptin e marrdhenies qendrore-lokale, te bazuar ne decentralizim. Do te filloje duke treguar aspektet teorike te dy oncepteve te permendura me siper, marrdhenia qendrore-lokale dhe decentralizimi.

Do te vazhdoje duke dhene nje pershkrim te ketyre koncepteve ne Republikën e Shqiperise, duke shpjeguar situaten ne periudha dhe regjime te ndryshme. Qellimi I ketij studimi eshte te tregojë si ka evoluar marrdhenia qendrore-lokale gjate viteve ketu ne Shqiperi dhe sa eshte perqendruar kjo marrdhenie te decentralizimi dhe vet-qeverisja lokale. Cfare kane premtuar qeverite e ndryshme ne programet e tyre dhe sa nga keto premtime kane realizuar.

Ne perfundim ky studim do te sjelle disa nga problemet qe po has marrdhenie e qeverise qendrore-lokale ne Shqiperi. Problemi I politizimit do te sillet si nje nga me shqetesuesit, I cili pengon procesin e decentralizimit dhe ve ne rrezik marrdheniet mes autoriteteve qendrore dhe atyre lokale. Ky studim do te tregoj se si qeveria qendrore nderhyn ne punet e qeverise lokale duke dhunuar parimin e vet-qeverisjes dhe autonomies.

Fjalet Kyçe: marrdheniet qendrore-lokale ne Shqiperi, decentralizimi ne Shqiperi, qeveria qendrore, qeveria lokale, vet-qeverisje, politizimi ne Shqiperi.

Dedication

I dedicate this work to my family. They have been my strength and inspiration during all my studies. They believed in me and I hope I have fulfilled their expectations.

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Declaration Statement

1. The material included in this thesis has not been submitted wholly or in part for any academic award or qualification other than that for which it is now submitted.
2. The program of advanced study of which this thesis is part has consisted of:
 - i) Research Methods course during the undergraduate study
 - ii) Examination of several thesis guides of particular universities both in Albania and abroad as well as a professional book on this subject.

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List of Abbreviations

AAM:	Association of Albanian Municipalities
CG:	Central Government
C-L-R:	Central-Local Relations
DP:	Democratic Party (of Albania)
GED:	Group of Experts for Decentralization
HSC:	High State Control
IDRA:	Institute for Development Research and Alternatives
LG:	Local Government
NCD:	National Committee for Decentralization
NGO:	Non-Governmental Organization
SMI:	Socialist Movement for Integration
SP:	Socialist Party (of Albania)
UK:	United Kingdom
UNDP:	United Nations Development Programme
USA:	United States of America

Chapter 1: Introduction

1.1 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.

This study aims to show the degree of central-local government relations and decentralization in Albania and why they are in that precise condition. How these two concepts are theoretically explained abroad and how are they being perceived and implemented here in Albania? What have the different government policies been towards these two fundamental concepts throughout the years and the problem it still faces nowadays?

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.

1.2 Literature Review

Decentralization and central-local government relations are largely discussed topics, especially in the new millennium. Except from commonly agreeing that decentralization is a must for the development and prosperity of a country, writers formulate different definitions related to decentralization and its meaning. Many writers like (Shah & Shah, 2006; Guney & Aslihan Celenk, 2010; Bin, 2012; John, 2001; Bogdani & Loughlin, 2007; Oates, 1999; Oates, 2006; Saito, 2008; White, 2011) have worked on the decentralization topic. Their researches mainly conclude that it is indispensable to transfer a considerable amount of authority from the central to the local governments and they express this idea through several definitions of decentralization. The central-local government relations are directly connected to the decentralization strategy and process of a country. A well-structured relation between the two levels of government provides a higher degree of decentralization, as it reflects the good will of both central and local government to collaborate for the benefit of the people that they rule and represent.

Since there are many definitions related to the topic, this paper will not try to redefine the decentralization and central-local relations term once more, it will rather incorporate the former definitions into the Albanian case, which is a different case from the writers that were mentioned above.

It is precisely the objective of this paper to give a clear overview of the decentralization process and the relations between the central and the local government in Albania, its failures and successes and how could it be improved by taking lessons from the western more experienced and more developed countries.

Stacey White (2011) focuses her work on the meaning of decentralization and its different types. According to White, decentralization is a key component for good governance and development. A decentralized government is likely to be more efficient and accountable than a centralized one. A decentralized government serves better to the needs of the people. White defines decentralization by labeling it with three other names.

- a. Deconcentration: Refers to the transfer of some responsibilities but not authorities from the central government to the local government. It is the slightest form of decentralization.

- b. Delegation: Central government transfers authority for decision making and public administration to the local government. However local government is still accountable to the central government.
- c. Devolution: Central government transfers authority to the local government for decision making, finance and administrative management. This is the best form of decentralization. However it should not be confused with the UK type of devolution, where power and autonomy is transferred to regional parliaments of Scotland, Wales and Northern Ireland (Heywood, 2013).

White divides decentralization into three types:

1. Political decentralization: Political institutions collect citizen interests and transform them into policy decisions.
2. Administrative decentralization: Political institutions apply decisions into effective outcomes by using fiscal and regulatory manners.
3. Fiscal decentralization: Local government institutions gather taxes, calculate expenditures and regulate imbalances (p.2-3).

White emphasizes that each type and form of decentralization not very often exists in its purest state. This happens due to central interference into the local affairs even though by law it may be prohibited. It may happen when the central government does not agree with a decision or a particular activity of the local authorities with the argument that it may not be in harmony with the national interest.

Shah (2006) emphasizes that a decentralized decision making and a strong local government enhance the efficiency, accountability and manageability.

Shah identifies three principles of decentralization:

1. The principle of fiscal equivalency: A political jurisdiction should be appointed for each separate public service to ensure the perfect provision of that public service.
2. The correspondence principle: A jurisdiction which decides the amount of provision of a good or service should include the group of people who consume that good. This jurisdiction should have the authority to raise taxes in order to fulfill its goals.

3. The subsidiary principle: Taxing, spending and other regulatory functions should be under the authority of lower levels of government, except for special cases which are automatically assigned to the higher levels of government.

Shah focuses his research on the importance of division of jurisdictions. This is the point where Shah makes his stand and gives his arguments to defend it. His conclusion is that a certain jurisdiction area must deal only with a certain group of people that it has under its authority. It would increase the efficiency and at the same time lower the costs. Shah goes deep into the institutions of the local government. He emphasizes the necessity of collaboration and promotion of common values within the working environment. Promoting and serving the common interest more than the personal interest within a public service office would without doubt increase the quality of service. A public servant, who does a certain job only to acquire the salary at the end of the month, does not really care about the quality of the service that he or she provides. On the other a civil servant, who does a job based on some ideals that he or she may have, he will put all his efforts to achieve the best results and provide the best possible service to the citizens.

Shah gives examples of some European states regarding the degree of decentralization within those states. Swiss and Nordic models are notably the best examples of self-governing local governments with their remarkable self-financing which goes up to 75% of the total financing (Shah & Shah, 2006).

Saito (2008), sees decentralization as a way to give the people more opportunity to be part of the decision making process. It also makes public services more responsive to the demands of the people due to the fact that the local government is located in a more suitable position to provide the public services that the people desire. Being closer to the people would certainly make the government officials more aware of their problems and requests. The problems would be presented in a shorter time therefore their solutions would also be formulated and implemented faster.

Saito argues that the people have lost their trust in the government and this is clearly witnessed in the low voting turnouts. This loss of trust derives from the fact that the central government often faces difficulties in delivering the services in the time, amount and manner that the people want. Even though there may be a well-planned decentralization strategy, the main challenge is the implementation part of such strategy. The lack of implementation generates dissatisfaction among the people. In order to avoid

the delays in implementation, the government should be very careful while appointing the proper staff in the civil service offices.

Oates (1999, 2006), is an author who has showed great interest in decentralization, especially in the fiscal aspect of it. He developed the theory of decentralization. This theory shortly explains that each public service should be provided by the jurisdiction which must have control over a minimum geographic area. This would maximize benefits and would minimize costs (transport etc.) of such provision. The arguments that Oates uses are:

- Local government understands the concerns of the local residents better than central government. The distance can be a factor when it comes to efficient provision of services and goods to the population.
- Local decision making is responsive to the people for whom the services are intended, this way encouraging fiscal responsibility and efficiency. Distributing the responsibility to local authorities can simplify the provision of services.
- Unnecessary layers of jurisdiction are eliminated.
- Inter-jurisdictional competition and innovation are enhanced.

Hodaj (2001) argues that in Albania there exists a strict relation between the central government and the local government units. This close relation is best explained by the fact that every local government unit is constantly monitored and controlled by the High State Control (HSC). The HSC has the responsibility and authority to enforce transparency and accountability standards on the local government officials. This is done by frequently visiting different offices and controlling the documentations that show their activity and comparing them with the plan. The HSC's purpose is not to infringe the rights and autonomy principle of the local government units. Quite the contrary, it protects the local government institutions from their own employees, who might from time to time try to take personal benefit from the local government financial resources.

Another bridge which provides the relation between the local government and central government is the office of the Prefect. The Prefect is the local representative of the central authority. He is directly appointed by the Prime Minister, therefore is accountable to the office of the Prime Minister. Every Prefect covers the same area as the region. The law provides the Prefect with considerable authority over the decisions of the local government units. As a counterbalance to Prefect's authority over the local government

units, the constitution clarifies that the local authorities have the right to establish joint institutions in order to defend their interests (Hodaj, 2001).

The institution under which the local government units can form their unions is called (AAM) Association of Albanian Municipalities. The main objective of the AAM is to:

1. Ensure the interests of the local government units,
2. Protect the local self-government principle of local authorities by establishing relations with the central government and parliament,
3. Serve as a representative of the municipalities while establishing relations with other organisms,
4. Arrange meetings between local government units to discuss common problems in order to find solutions that satisfy all parties,
5. Assist relations between local government units and their foreign partners,
6. Train officials of the local government units (Hodaj, 2001).

IDRA (2005), the Institute for Development Research and Alternatives, gives details regarding the decentralization strategy in Albania. The decentralization strategy in Albania did not emerge together with the establishment of democracy. The communist regime had left much bigger problems than decentralization to deal with. It took 10 years to approve a proper decentralization strategy, which was finally formulated in the year 2000 (IDRA, 2005).

The report of IDRA clarifies that the Albanian government faced numerous challenges in the first decade of the newly established democratic regime, so the decentralization process was really seen as something of less importance. It did not occupy an important role for the wellbeing of the citizens and the country itself. Nevertheless, right after the approval of the decentralization strategy, a series of reforms were undertaken by the government. Such were the law “On Organization and Functioning of Local Government” and the law “On Territorial-Administrative Division of Local Government Units in Albania” (IDRA, 2005). The legislation gap that existed until then was completed with the budget and competences of the local government units.

However the report states that the inexperienced administration led to the lack of implementation of the abovementioned laws. They were equipped with a weapon, which they could not use properly therefore the local government units did not make the necessary progress.

1.3 Methodology

This study is mainly descriptive because of the fact that it describes the situation of the central-local government relations and decentralization in Albania. It is also to some extent explanatory as it explains some important factors which affect the central-local relations and decentralization process in Albania.

This study is based mostly on qualitative approach. It is conducted by using secondary data from different books, articles and websites. This data is mainly obtained by official government websites and other officially published reports and studies on the topic. The samples collected are non-probability samples due to the fact that this is a qualitative research.

The research strategy is that of a case study and archival analysis. It deals with the central-local government relations and decentralization specifically in the case of Albania.

The data collected for this study is mainly from documentation and archival records. The constitution of the Republic of Albania has served as a source in several cases due to its theoretical data related to the subject, such as articles which explain the duties and functions of the different local government units.

This study covers different periods of time. Therefore the data presented is taken from the party and government programs of different governments in power, in our case being the Socialist Party and the Democratic Party, both in coalition with the Socialist Movement for Integration.

Chapter 2: Concepts and Theoretical Approach

2.1 Introduction

This chapter will describe the main concepts of Central-Local relations, Decentralization and Centralization. All of these concepts may be defined in different manners from one country to another, from one regime to another. However, this section will give an almost universal theoretical definition of these three concepts.

Countries build their national strategy according to their interests. The issue of decentralization is one of the most important points included in the domestic policy making. In a world where the principle of self-determination has become very significant, countries, especially heterogenic countries, are looking for ways to counter these self-determination movements. One of the most common solutions is centralized governance.

The situation differs in countries with homogenous population. Having no problems with fractions within the country, these states pursue the decentralization process as the way towards economic and political prosperity. In fact they persuade local authorities and inhabitants to participate as much as possible in their own governance. These countries are the ones which truly live in the globalized era of nowadays and the people there look beyond the ethnic divisions into more important common goals, such as better economy and living standards. Both these cases will be illustrated with examples within this chapter.

2.2 Theoretical Approach to Decentralization

Decentralization is a controversial concept. It may take a diverse meaning in political analysis. This part will attempt to provide a definition of decentralization by dissolving it into the sub-concepts of decentralization and relating it with theories of International Relations.

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 public

sector. This way the local government units would mostly sustain themselves and the central budget would be used for different purposes (Anderson, 2003).

Other authors have explained decentralization by dividing it into many forms and meanings that it may take in different places.

Anwar Shah has tried to explain decentralization by relating it with the responsibilities that the decentralization process gives to the local government units.

Shah introduces 5 perspectives regarding roles and responsibilities of local government:

- a. Traditional Fiscal Federalism: This point suggests that almost every type of taxation should be under the authority of local government.
- b. New Public Management: The government contracts public managers to deliver goods and services. These managers are free to use their resources as they want but on the other hand they are accountable for their results as agreed in the contract.
- c. The Public Choice Approach: The local government must have complete local autonomy on taxation and spending in order to serve best to its citizens. On the contrary it will be inefficient and will not be able to respond to the people's preferences.
- d. New Institutional Economics: This framework is necessary for defining the responsibilities of the local government. The areas of jurisdiction must be designed in such a way that they serve the public interests in the best way possible while minimizing the costs.
- e. Network Forms of Local Governance: This point stresses the importance of the shared interests between employees of a local government institution. These interests must rely on trust, loyalty and reciprocity. All these combined together provide stable and efficient governance.

States have discovered that the solution of this is found in the decentralization process. Central governments have realized that the local governments can manage limited resources (financial, human) much better than themselves. Thus even the service provided to the people is notably more efficient.

Fumihiko Saito stresses out the relation of the decentralization process with the concept of governance. An important point mentioned by Saito is the transition from government to governance. Nowadays the process of dealing with an issue is much more interactive. It

involves the government, the citizens, NGOs, private companies and representatives of social movements. Saito calls this partnership between different actors, which does not cripple their autonomy, but on the contrary gives them access to new knowledge and resources (Saito, 2008).

Saito gives priority to the relation between the government, the people and also in other cases even more actors like those mentioned above. He gives the idea of a direct democracy where the people are the ones who deal directly with their issues and the government in all its levels serves only as a platform upon which people act to solve these issues.

Apart from different authors as mentioned above, international organizations as well have given their contribution by producing reports on decentralization. As a leading international organization, the UNDP has written a report which serves as a guideline for all the countries in order to help them apply the decentralization process in the best manner possible.

UNDP (1999) has written a report on decentralization, where it lists several definitions of decentralization. The United Nations Development Program has released this report in an attempt to help and also persuade states towards decentralization.

Definitions of Decentralization:

1. Decentralization refers to the restructuring of the levels of authority in order to establish a system of common responsibility between central and local government. This restructuring process increases the quality and efficiency of the governance system by giving more authority to the lower levels. It contributes in good governance, enhancing of transparency and accountability as well as increases peoples' participation in social, economic and political decision making.
2. Decentralization is a means to create a more open, responsive and effective local government. It enables responses to the requests of the people and ensures that their social needs are answered by enhancing the role of the local government. The main goals of decentralization are to reduce poverty, create employment and regenerate the environment.
3. Decentralization persuades the research for program and policy innovation because in itself it is an innovative practice of governance. In the process of decentralization local governments are required to impersonate new

responsibilities and duties in order to provide public services in a better way. These new duties require an update in planning, budgeting and improved human resources.

4. Decentralization is a mixture of administrative, fiscal and political functions. While designing a decentralized system all three must be brought together (p.2).

Each of them has one single and only purpose. That of implementing decentralization reforms in every country. However while dealing with the case of Albania only one of them will be just enough to work with throughout the paper.

The report makes a detailed separation and definition of the several decentralization areas.

- a. Administrative Decentralization: The transfer of responsibility for planning, management and the allocation of resources from central government to lower levels of government and even corporations, NGOs or voluntary organizations.
- b. Fiscal Decentralization: Local autonomy of decision making on the utilization of resources. Local government has to plan its own budget according to its resources.
- c. Political Decentralization: Political decentralization fights corruption. It disperses the monopolization of power, therefore enhances transparency and accountability. Decentralization is translated into democratization. It transfers power from the hands of the few into the hands of the many.
- d. Service Delivery Decentralization: Empowerment of local authorities provides better public services and faster development due to the fact that it is located very close to the people and is in contact with them all the time.
- e. Decentralization of Participatory Mechanisms: Provides quality control over public services through the participation of the citizens. This way the citizens themselves can give ideas how to improve services and what kind of services they need (pp.8-9).

The first three are the most commonly mentioned and attached to the decentralization process. The fourth and fifth are some extra features of decentralization which aim to take the local government autonomy into another stage, which would approach the governance process as much as possible to the form of regime called direct democracy.

The report of the UNDP serves as a guideline for all the countries. It does not make any distinction among different states, but instead it offers this report to all of them, with the certainty that it can be efficient anywhere if implemented properly.

Oates claims that the local government being closer to the people may distribute the goods more efficiently, thus spending money more effectively and reducing losses. Local government has detailed information about the costs of the services and preferences of the people, so it may calculate better the amount of financial spending to perform a function.

Oates focuses on the fiscal decentralization because it aims primarily to fight corruption, which as we know is the reason of inefficiency and ineffectiveness in the provision of goods and services to the citizens. If corruption is eliminated, resources are distributed equally to everyone, which means that poverty is reduced and transparency and accountability are enhanced.

2.3 Centralization or Decentralization: An Unfinished Discussion

Political issues often have been approached with different arguments. As there is one side in favor of a certain topic, there is also another side which is against that topic. In this aspect there are people who give arguments in favor of centralization, but on the other hand there are other people who support the decentralization process. Both groups support their claim by giving numerous arguments.

2.3.1 Arguments in favor of Centralization

The main arguments in favor of centralization are:

- **National Unity:** The central government conducts its policies in a way that they address the needs of the entire population rather than a few parts of it. A powerful central government assures the stability of the whole community, while on the other hand a weakened central authority leads to rivalry between several local actors.
- **Uniformity:** The central government applies the same laws for everyone, which helps the people to have the same treatment and services everywhere in the country. Different tax, educational and legal systems throughout the country would restrict the mobility of the people in their own country.
- **Equality:** Decentralization gives the ability to the local areas to use their own resources. Since the resources are not spread equally throughout a country, some areas suffer poverty while others develop and prosper. A strong central government can eradicate this inequality by collecting and then redistributing the resources equally to all the local areas.

- Prosperity: A strong central government can have better control on the currency. It can supervise tax and spending policies in order to ensure a sustainable growth (Heywood, 2013).

2.3.2 Arguments in favor of Decentralization

The main arguments in favor of decentralization are:

- Participation: The local government, being closer to the citizens, can provide better opportunities for them to participate in the political activities of their community. This creates a better informed and conscious society.
- Responsiveness: Another positive aspect of being closer to the people is that their needs can be addressed more properly and effectively. Different communities within a society may have different needs which can be better attended by a local authority.
- Legitimacy: The distance that parts the central government with the farthest regions of a country may cause the people to go as far as contesting its legitimacy. They may feel like the government does not understand their needs and does not respond their requests, so they might turn against this government by not accepting it as their ruler.
- Liberty: A centralized power threatens to convert a government into a tyrant. Decentralization solves this problem by dispersing the power among many levels of government, therefore giving the local government just enough power to control the central government and vice versa (Heywood, 2013).

The issue of centralization and 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).

Without taking in consideration these minor obstacles, Albania has the perfect regional separation which makes it easier to decentralize. The twelve regions of Albania are divided according to the slight traditional differences between the Albanian people. This has not changed throughout all the different regimes that Albania has experienced, since the independence in 1912 until nowadays. This indicates the fact that Albania is governed better when it is decentralized in a certain structure. 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.

2.4 Theoretical Approach to Central-Local Relations

According to William Rhodes, the Corporatist theory presents a suitable explanation regarding the central-local government relation. 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.

Central government formulates the laws within which the local government acts. Therefore the central government plays a great role in the organization and functioning of the local authorities. The local government is closer to the people and knows better their concerns and interests. Therefore the central government understands the needs of its citizens through the local units. The local government learns from the central government's expertise and on the other hand the central one learns from the local government's initiatives.

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. This knowledge gives the local authorities a crucial role in the implementation of the policies and decisions deriving from the central government. While there are local authority units which can sustain themselves due to several favorable conditions, there are others which might have very limited financial and taxation power. A stable and healthy relation with the central government is vital to these kinds of local units (Stewart, 2003).

2.5 Conclusion

Central-local relations and decentralization are concepts which cannot be understood properly without the adequate theoretical explanation. Their purpose and essence is explained in many different forms by several scholars. Nevertheless after taking a look at some of them we can arrive to the conclusion that decentralization and a good central-local relation contributes to the political and economic prosperity of a country. International Relations theories as the examples given above, give arguments on the benefits of decentralization and central-local relations.

Decentralization has been divided in many parts with political, administrative and financial decentralization being the main parts. All three of them carry a significant importance for a better decentralization process. They have to be implemented as an inseparable package in order to fulfill their purpose. When one of them is not present, the others may experience difficulties. For example, the political decentralization may prove to be useless if the local government is not empowered with the necessary financial decentralization. Every political and administrative competence can only be implemented with the right budgetary means.

The decentralization process goes hand in hand with a good relation between the central and local government. Theories demonstrate that if the activities and relations between the two levels of government are coordinated and synchronized with each other, the result is a better provision of services to the citizens. On the other hand if the central government tries to suppress and diminish the role and competences of the local authorities, the decentralization process would also suffer a drawback. In this case the people would bear the consequences.

Another point of this chapter was the debate between those who favor decentralization and those who favor centralization. What must be recognized is that there were arguments in favor of both concepts. Countries differ largely from each other in terms of policies made. These policies which also include decentralization related policies are always formulated according to the national interest of each country. While a certain country assumes that decentralization would give a boost to its economy, another country retains decentralization as a factor which would jeopardize its national interest and favors more centralization. Examples of Turkey and Albania showed two different situations which clearly demonstrate the centralization and decentralization strategy of a country.

Chapter 3: Central-Local Relations (C-L-R) in Albania

3.1 Introduction

The Albanian state is a new state compared to others which have enjoyed their independence for a much longer time. If we take into consideration all the trouble that Albania has had with the foreign occupiers and harsh dictatorial regime since its independence we can understand why the relations between the central and the local governments are barely in their primitive forms. All these problems throughout the Albanian history have forced Albanian statesmen to restart almost everything from the beginning.

The Albanian inhabited territories had no such experience within the Ottoman Empire and following their independence Albanians knew almost nothing regarding the local governance and its strict relation with the central authority. The two world wars did not give a chance to the Albanian state to try and evolve itself in this aspect.

Things went from bad to worse with the establishment of the communist regime. The local government became just a facade and it was completely controlled by the central communist bureau. There was not a single decision or action by the local authorities that passed unnoticed and uncontrolled by the central government.

With the fall of the communist regime Albanian governments have tried to reestablish a local government for the last 25 years. Decentralization process has been among the main political programs of all governing parties. The legal framework has changed many times depending on the political program of each party that came to power. However, the most important thing is that with the establishment of democracy decentralization has always occupied an important place in the agenda of the government also because of the request which came from the international partners.

3.2 Central-Local Relations Prior to 1991

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 center 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. The subdivisions of the prefectures were called sub-prefectures and they were formed by the regions as the smallest administrative units of Albania. These divisions were regulated by the “Adequate Canon of Civil Administration in Albania” (Minister of State on Local Issues, 2014). With the approval of the Civil Code in 1921 the village became the smallest administrative unit. For the first time the terms municipality and commune emerged as an administrative unit in Albania. All these fragmentations of the territory came as a consequence of the tribal fractions that existed in Albania. However, the local government units had merely administrative competences and the decentralization degree was very low also due to the weak status of the Albanian state at the time.

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 (Hoxha & 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.

Local bodies consisted of two levels, with the first level being the district councils and the second level being the town or village councils. Towns consisted of even smaller councils, which were named councils of the quarters. These fragmentations aimed a more detailed structure of control rather than a more decentralized local authority. In order to have a better surveillance on the population, there were central government people within every small group of people.

Economic and social decision-making and different activities were performed by the local bodies with the direct order of the central government. The budget of local bodies was transferred from the budget of the state and the expenditure of this budget was entirely planned by the central authority (Hoxha & Gurraj, 2001). Five year strategic plans were always formulated by the central bureau and they were carried out in the same way throughout the territory of Albania.

The highest authority of the local bodies was the executive committee of the district council. The chairman of this committee was directly appointed by the central

government. As a consequence the chairman of the committee merely implements the plans and decisions that come from the central authority.

3.3 C-L-R Since 1991

3.3.1 C-L-R from 1991 to 2005

Albania was one of the last countries which overthrew the communist regime and began the journey of democratization. Because of the lack of experience in the newly established democratic institutions and the other priorities, such as food scarcity and security, there was no certain strategy for decentralization formulated by the new authorities. There were however minor attempts to make progress in this direction. Decentralization was one of the main goals of the government program. However the new government of the pluralist regime focused more on the strengthening of the main institutions like the executive, parliamentary and judiciary. The local government was consequently left behind in every aspect (Hoxha, 2002).

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).

The first set of laws which established the local government units and endorsed them with self-governing power was included in the first Albanian constitution called “The Main Constitutional Provision”. The Law No. 7570 “The Organization and Functioning of Local Government” contained 14 articles.

Article 1

The territory of the Republic of Albania is divided in communes, municipalities and districts. Local authority is organized and functions in every commune, municipality and district.

Article 2

Local authority bodies are directly elected by the people in free, universal, equal and confidential elections. The process of the election of local authority bodies is regulated by law.

Article 3

The organization and functioning of local authority is based on the principle of self-governance, independence, local autonomy and decentralization. The local authority bodies base their activities on the constitutional provisions, as well as laws and acts drafted for that purpose. The organizational and functioning principles of the local authority cannot jeopardize the unique national character of the Albanian state. The competences of the local authority bodies are assigned by law.

Article 4

The smallest units of the local authority structure are the communes and municipalities. The communes may be composed of several villages or a small town with some villages. The commune bodies are the commune council and the Head of the commune. The borders of a commune may be changed only after having received the approval of its inhabitants who enjoy the right to vote.

Article 5

The municipalities are created in cities which are not included in the communes. The municipality bodies are the municipality council and the Mayor. The organization and functioning of the Capital municipality is assigned by law.

Article 6

Communes and municipalities are composed of smaller administrative sub-divisions. The appointment and functioning of their bodies is assigned by law.

Article 7

The district is composed of several communes and municipalities, which are connected to each other. The main representative body of the district is the district council. The executive body of the district is elected by the district council.

Article 8

The district authority bodies are responsible for the activities of the communes and municipalities found within their territory.

Article 9

The council members are not held responsible for their opinion and vote given during their period on duty. Cases when the function of a council member is in contradiction with another function are assigned by law.

Article 10

Local authority bodies are legal persons. They possess assets recognized by law and conduct economic activities inside and outside their territory.

Article 11

Local authority bodies have their own budget. Financial sources, their utilization method and the liability towards the state are assigned by law.

Article 12

Elected local authority bodies can be dissolved only in cases predicted by law. The local authority bodies are dissolved by a decree of the President of the Republic, based on a proposal of the Council of Ministers.

Article 13

Local authority bodies have the right to issue normative acts, which act within their own administrative units.

Article 14

The Law No. 7570 enters into force immediately (Parliament of Albania, 1992).

This law represented a challenge and a true revolution for the local government of Albania as a concept, because it formed a structure and gave it a power completely unknown and inexperienced for a period of half a century because of the centralized communist regime.

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 (Bogdani & 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” (Bogdani & Loughlin, 2007). Along with other laws, these completed the legislative process of establishing a democratic local authority in Albania. However, the lack in the implementation of these new laws, made the decentralization process a slow and long process which goes on even today. There are mainly two reasons which have impeded the implementation of decentralization reforms. The first one is that the central authorities are very skeptic and uncertain of transferring political and financial power to the local authorities. This is a feature that we may encounter in many new democracies, where the central authorities simply do not want to give away their power to strengthen another authority while they weaken their own position. Corrupt politicians realize that it would be easier to steal if they have all the resources and the power in their own hands. On the other hand if they accept to implement the reforms of decentralization, they accept to share their political, administrative and also fiscal authority.

The second reason is that the absence of a local government heritage makes it very difficult to allocate financial and human resources properly by the newly established local authority institutions. It is easy to copy a system from another country to your own country. The hard part of this process is the implementation of that system. The people who are going to implement it must have experienced it before in order to know how it functions. The lack of experience makes the process slow and considerably ineffective. As it was mentioned before new democracies face grave problems in the beginning. One of these is the fact that people tend to hire their relatives, friends and also people who pay money for a job position, instead of selecting the best candidates through a fair competition. At this point even the decentralization reform is useless. We Albanians have all been witnesses to the evolution of the local and central authorities in these last two decades. There has been a notable improvement, but still much needs to be done. Albanian local authorities are lately arriving at a stage, which urges the need for experienced and skilled public servants and automatically excludes the people who have obtained their jobs in the unlawful ways that were mentioned above. However what needs to be pointed out is that the young local authorities have suffered for many years the absence of experience, which has slowed down the decentralization reforms and with it the prosperity of Albania.

In order to understand the policies and decisions made for the sake of decentralization in a country the best place to search would be the programs that the different governments adopt at the time that they come to power. The latest government programs show that the governments have given the utmost importance to the decentralization reforms and the empowerment of the local authorities, also because of the external pressure exerted by the European Union in their reports where they set the decentralization process as a condition to gain the status of the candidate country to enter the European Union.

The relation between the Central and the Local government units in Albania has always been determined by one important factor; the ruling party and the party membership of the head of the local government unit. It is common in Albania that the central government gives full support to the units which are governed by their own representative, and somehow discriminates the other units. However, there are cases when these two have tried to work together for the purpose of the common good. Traces of this collaboration can be found in the early 2000s. While formulating the decentralization strategy the central government and local government representatives decided to create two important institutions, which would facilitate the decentralization process.

The first institution was the National Committee for Decentralization (NCD). This Committee would be composed of members from both CG and LG units. The purpose of this Committee was to formulate the regulation and principles regarding the approval of any document by consensus. This Committee would also be responsible for the monitoring of the implementation process of any decision taken mutually.

The second institution was the Group of Experts for Decentralization (GED). This group was proposed by the NCD and it was approved by government decree. The GED members are high technical and policy level experts and they are appointed by the central and local authorities, but they can also be independent researchers, as long as they are highly qualified for the task.

The GED deals precisely with the decentralization process and its agenda is concentrated on the discussion and formulation of topics and issues regarding decentralization. During their formal meetings, independent Albanian and foreign experts are invited to share their experience and ideas (Hoxha, 2002).

3.3.2 C-L-R under the government of Sali Berisha (2005-2013)

The general elections held in 2005 were won by the Democratic Party of Sali Berisha. This Party formed the government by making a coalition with the Socialist Movement for Integration of Ilir Meta. The newly elected government under the Premiership of 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 (Government of Albania, 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. The allocation of the resources by the local authorities would take place in an objective and transparent manner, this way narrowing the regional imbalances that had been present until that time.

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 re-elected government's program stated that the next four years would be the continuation of the past mandate regarding the decentralization process. In the Government Program 2009-2013 the local authorities would gain more power through deconcentration and regional development. The program would contribute in the further implementation of the decentralization reforms, fully in accordance with the Stabilization

and Association Agreement and the European Charter of Local Self-Government. Based on the National Strategy on Decentralization, the government aimed to increase its financial support for the local government in order to persuade the local projects in all the areas of daily life, investments and public services. The harmonization of responsibilities and functions in the fields of education, health care, public order, transport, road traffic, employment and social assistance was another priority of the program along with transferring the authority of control over the territory and urban planning as a competence of the local governments.

The central government aimed to obtain the maximum efficiency of expenditures by lowering the unnecessary bureaucratic and administrative payments. It also insisted on a strict partnership with the local authorities to carry on with the projects that were financed by the Regional Development Fund. This fund consisted of a set of investments for every local unit in areas such as the ones that were mentioned above and others such as sewer channels, restoration of urban wastes, energy and land irrigation (Government of Albania, 2009).

These programs contained sufficient reforms to bring the decentralization process and to develop central-local relations to an advanced stage. However the slow implementation and sometimes even the complete lack of implementation left the decentralization process not too far from where it was previously. The Albania Progress Report of the European Commission shows to what scale were these reforms implemented and what else must be done to move them further. According to the report there were no developments regarding the administrative reform. This damaged the economy as small administrative units of local government have proved to be economically unstable because of being unable to collect their revenue from the taxes imposed to their citizens (European Commission, 2012). The European Commission suggested that the administrative and financial efficiency of municipalities should be strengthened immediately and this could be achieved through a territorial-administrative reform. Another concern was that the decision making process in the local authorities lacked transparency and avoided consultation with the civil society and other actors. Politicization of local government was another problem mentioned in the report. It was clearly stated that politicization diminished the efficiency and effectiveness of local government and undermined the representative democracy at this level. Regarding decentralization, the central government had failed to transfer appropriate administrative and financial resources to the local

authorities (European Commission , 2012). The fact that the local government employees were bound to politicization makes the central-local relations very difficult and the decentralization process even slower.

Regarding the central-local relations and decentralization right after the June 2013 elections, which saw victorious the left coalition led by the Socialist Party, the European Commission points out that Berisha government left the local institutions with great difficulties in financial and human resource management. These crucial problems prohibited the implementation of legislation and development programs throughout almost every local government unit. In the end of the Democratic Party rule local government revenue had fallen by 21% (Commission, 2013). The report presented all the failures of the previous government as recommendations to the newly elected Rama government. One of the main points stressed out by the EC was the further development and improvement of central-local relations. Promotion of local democracy and decentralization were among the most important recommendations suggested to the SP led coalition government (Commission, 2013).

3.3.3 C-L-R under the Socialist Party (SP) led Coalition Government

Albania had a general election in June 2013. This election was won by the Socialist Party of Edi Rama. Edi Rama formed the government as Sali Berisha previously did by making a coalition with SMI of Ilir Meta. The program of the government led by Edi Rama considers the decentralization process as vital for the prosperity of the country because decentralization is an efficient cure to poverty. 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 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 government will persuade other actors, such as NGOs, interest groups and citizens to play their role in the local administration. By involving them in the policy making process, the outcome and efficiency will be increased notably. They will be directly affected by these outcomes, so they should be the ones who assist and contribute in the policy making process. This way they have no one to blame but themselves and they learn to perform better in their next decision making. This would create a democracy level far much higher than the one existing.

The authority transferred to the local governments will be accompanied with a strict request of accountability and transparency of the public administration. The system of “Performance monitoring in the local level” will be in charge of assuring the maximum transparency of the local institutions.

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 new administrative division abolished the communes and consists only of 12 regions composed of 61 municipalities (Commission, 2014). The aim of the new administrative division is to increase efficiency in the provision of services and allocation of taxes. Furthermore decentralization has been a top priority of the SP led coalition government. The new administrative division strengthens the role of the local authority bodies. However it needs to be pointed out that the local authorities still remain weak when it comes to financial control and human resource management. Politicization is again the greatest concern of the European Commission. It compromises the role and purpose of the local government and puts to risk the central-local relations (Commission, 2014).

According to this evaluation the Rama government has obviously performed better than the previous government. However the report points out that there is still much work to do in order to achieve the standards required by the European Commission.

3.4 Administrative and Political Decentralization in Albania

The administrative and political decentralization in the Republic of Albania is regulated by law.

The Law on “Organization and Functioning of Local Government” adopted in the year 2000 contains 3 articles:

- Recognition of the existence of different identities and values of the communities in Albania

- Respect and enforcement of the fundamental rights of citizens provided in the constitution and other laws in those communities
- Opportunity for communities to make choices between different kinds of local public facilities and services
- Efficient and effective exercise of the functions, competencies and duties of various bodies of local government
- Delivery of appropriate services
- Promotion of effective participation of local residents in local issues

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 No. 115 “On Territorial-Administrative Reform” on 31.07.2014. 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

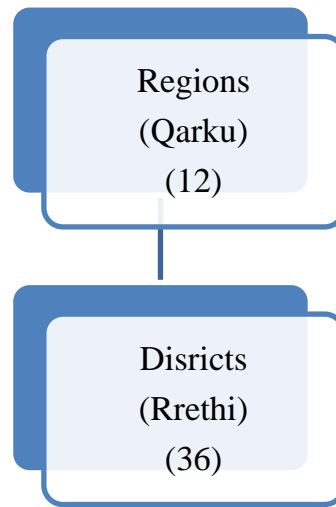
2. Administrative-territorial divisions of the local government units, as written in point one of this article, are assigned by law.

Article 2

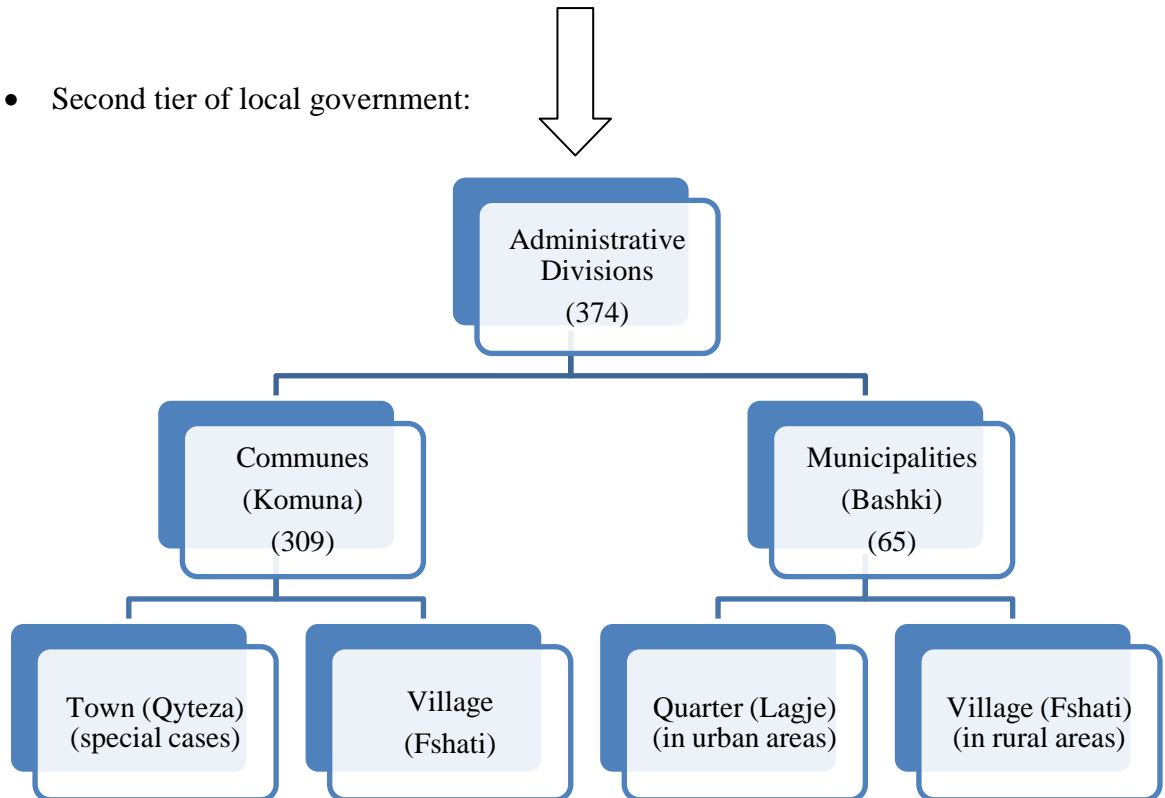
The denomination, territory, boundaries, centre, administrative units of every local government unit and their sub-divisions are defined in the maps attached to this law.

Figure 1: The Previous Structure of Territorial-Administrative Division in Albania

- First tier of local government:



- Second tier of local government:



Source: Prepared by the author of this thesis

This reform was carried out after several requests by the European Commission. As stated in the progress reports the administrative reform would increase the efficiency of the local government units in terms of revenue collection and human resources management.

In the case of Albania every region has a Prefect, who is appointed by the Prime Minister. The duty of the Prefect is to ensure that the decisions taken by the local authorities are in full compliance with the central government's orders (Bogdani & Loughlin, 2007). Although this does not infringe the autonomy of the local authorities, it clearly shows that Albanian central government wants to keep a close eye on the operations of the local government and somehow control its actions from above through the Prefect.

However, according to the government, the new territorial-administrative division favors 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 (Minister of State on Local 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.

Although the territorial-administrative reform was approved in the parliament and approached positively by the general population, it was strongly objected by the opposition party, the Democratic Party. The parliamentary group of the Democratic Party of Albania filed a complaint to the Constitutional Court claiming that the approval of the new territorial-administrative reform by the parliament was a clear violation of the Constitution of Albania. The Democratic Party argued that the Commission which was charged with the formulation of the reform took some extra competences which are in clear contradiction with the Constitution. Together with the formulation of the reform, the Commission also took the liberty to formulate the law which would enforce the reform. According to the Democratic Party complaint, the Commission is not one of the subjects which are empowered by the Constitution to propose and formulate laws therefore the law cannot be approved. Another argument of the Democratic Party is that the Commission,

which was mainly formed by Socialist Party representatives, did not give the chance to the opposition to participate in the reform formulation process, although it was promised to be a process which would have the consensus of every political as well as social actor. The Constitutional Court valued the requests of the Democratic Party as not having clear argumentation therefore left in power the law on the territorial-administrative reform (Democratic Party Parliamentary Group, 2014).

The biggest concern of the Democratic Party is that the Socialist Party has divided the territory in a way that would give them an advantage during the election period, parliamentary as well as local elections. However, the general opinion favors the reform, arguing that this reform should have been done years ago by taking example from the western countries, which have always been a reference point for every political decision of Albania. According to the political analyst Ylli Bufi, the government has taken a great step forward by approving the territorial-administrative reform. However, a partially implemented reform could have worse consequences than not having a reform at all. Bufi explains that the current reform clearly states the new territorial division, but lacks a legal backing, which is the real factor that could increase efficiency in the local government units (Bufi, 2013). The main argument is that the territorial reform should be accompanied with a clear decentralization strategy which would grant the local authorities some competences that are still in the hands of the central government. Empowering the local government with more financial and administrative competencies is the main element which would increase efficiency in serving the general population.

3.5 Functions of Local Government in Albania

The local authorities of Albania perform a set of functions as provided in the Constitution. These functions vary by their importance and degree of autonomy.

1. Exclusive functions of communes and municipalities:
 - a. Infrastructure and public services: the communes and municipalities are responsible for the water supply, sewage, drainage systems, construction, maintenance of local roads, pavements and squares, public lighting and transportation, funeral services, decorations, parks, waste management, urban planning and land management.
 - b. Local economic development: the communes and municipalities are responsible for the local development programs, regulation of public markets and trade networks, business promotion and development, veterinary services,

forest protection and preservation of pastures and natural resources within their local jurisdiction.

- c. Social, cultural and recreational functions: Another responsibility of the communes and municipalities is the preservation and promotion of local historical and cultural assets, organization of recreational activities and provision of social services such as orphanages, day care and homes for the elderly people.
 - d. Civil security: One of the most important functions and responsibilities of the communes and municipalities is the maintenance of the civil security and public order (Bogdani & Loughlin, 2007).
2. Shared functions of communes and municipalities: An amendment in the local government legislation allows the central authorities to share their responsibilities with the local authorities regarding certain issues. These issues include pre-school and pre-university education, health care and public health protection, social assistance and poverty reduction, environmental protection, civil security and public order (Bogdani & Loughlin, 2007).
 3. Delegated functions of communes and municipalities: These are functions which actually fall under the responsibility of the central government, but through the law or contractual agreements are delegated to the local government. The central government provides the financial support needed to complete these functions. On the other hand the local authorities may occasionally add their own resources to perform the delegated functions in a better manner (Bogdani & Loughlin, 2007). Delegated functions may be mandatory or non-mandatory functions. The mandatory functions are clearly described as such in the constitution, while the non-mandatory functions are generally included in an agreement between the local government unit and the central government (Hoxha, 2002).
 4. Functions and competences of regions: The regions have their own functions and responsibilities to carry out. Basically these functions include the development and implementation of regional policies and the harmonization of these policies with the national policies. The region can perform duties that are assigned to it by one or more other administrative units within that region. The assignment of functions by communes and municipalities to a region is regulated through an agreement between themselves. Functions delegated from the central government to a certain region are regulated by law. The central authorities delegate a function

to a region and accompany that function with the necessary financial support to perform it (Hoxha, 2002).

3.6 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). Local authorities sometimes may find it difficult to allocate the necessary budget to achieve their own goals, so the central government helps them by giving the needed financial support in order to meliorate the provision of services to their citizens. The current territorial-administrative reform has as one of its main purposes the improvement of tax allocation and the proper expenditure of the financial resources.

3.7 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 (Özcan & Shehu, 2014). The most common problem that is faced in central-local relations is when these government levels are governed by different political parties. In this case the clash of political interest surpasses the goal of service provision to the citizens and therefore the role of the local government is totally compromised. Albania is the perfect example of such a phenomenon. 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 (Özcan & Shehu, 2014, p.169). This clearly means that this commune has not received any financial aid by the national government because of the SP political affiliation. In several other cases the Socialist Movement for Integration (SMI)-DP coalition government has blocked the funds to different opposition municipalities and communes for no particular reason. However, having no particular reason demonstrates that it happens for purely political reasons.

The European Commission points out that the bad political atmosphere in the parliament affects directly the central-local relations. This technique is used as revenge from the governing party to the opposition party. Even though it may have nothing to do with the local level of government, central authorities in Albania have the habit of trying to damage the opposition party by hitting it in the local units that they govern, without taking into consideration that even those citizens in that particular unit are Albanian nationals as well. In fact part of them may even be supporters of the governing party, but they still have to suffer its wrath.

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 (European 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 (Özcan & Shehu, 2014, p.172).

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. In order to secure their vote, parties promise jobs to all the people and then when they cannot find them a job they just employ them in the public administration. This way the entire budget is spent on salaries and there are no funds left for any development plan.

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 (Özcan & Shehu, 2014, p.172-173). This shows that the local government autonomy principle is only written in paper and is very rarely implemented.

The politicization and frequent interventions of the central government in the local government competencies has been one of the main concerns of the European Commission and it has expressed it in the progress reports written about Albania. These have shown that the decentralization process in Albania has not evolved in the right and sufficient manner and the central-local relations are a resemblance of the centralized communist system.

3.8 Conclusion

This chapter gave a complete overview of the situation of Albania regarding decentralization and central-local relations from the establishment of the Albanian state until today. In the beginning the state was very fragile and the inexperienced institutions knew little about decentralization strategy. The local authorities were barely extensions of the central government because of the fact that the localities were mostly divided into a tribal structure and they could only be brought together by a strong central authority. Communist Albania represented a drawback in terms of decentralization process. The

main purpose of the communist bureau was to concentrate all the power in its hands, thus doing all the opposite of decentralization. The local units were governed by people who served mainly to the central government and everything was done under the strict observation and guidance of the bureau. Right after the fall of the communist regime and with the formation of democratic institutions, the decentralization began to take place in the political agenda of the Albanian government. Although the main concerns were the regeneration of the economy and the security and order, decentralization process and local autonomy were also included in the set of reforms to be undertaken. The legislation regarding decentralization was mainly formulated toward the end of the 1990s with the approval of the decentralization strategy and the signing of the European Charter of Local Self-Government. The constitution of 1997 contained all the necessary legislation that made clear the territorial-administrative division of Albania and all the authorities and competences of each local government unit. One important part of this chapter was the situation of decentralization and central-local relations under the government of different political parties and leaders. The reforms implemented by these different governments were evaluated by the European Commission each year and it was seen that although there was progress it was very slow and insufficient. The most important structural reform was the latest one done by the Rama government which decreased the number of the local government units from 374 to 61. Despite all the progress that has been done in these 25 years, decentralization has yet another barrier to overcome. This barrier is the politicization of the central-local relations. The central government still exerts control over the local institutions because of the political ties that the politicians preserve with the civil servants who work in the public administration. Central government tends to favor the local units which are led by the same party and prohibit financial resources to those units which have a head of local government unit from an opposition party. This situation will continue until the decentralization strategy is implemented correctly and the central-local relations are not merely formal, but each of them has real power and responsibility in their hands.

Chapter 4: Conclusions and Recommendations

Central-Local government relations have been one of the main topics of discussion of scholars in the last decades. Different authors have defined these two concepts in different ways, but which lead to the same outcome. 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. Scholars relate closely the decentralization process with the prosperity of a country.

Although there might be arguments even in favor 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 this study showed, there were several governments in Albania which promised a full reform in the local self-governance and decentralization area. However when it came to the implementation of these reforms, governments held back and pursued them only partly. This was insufficient for the European Commission, which constantly stressed out the fact that governments were not putting enough effort on the decentralization process.

As it was 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. Different examples proved that 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. There were even cases when no financial aid was given at all to an opposition unit. This not only affects the decentralization process, but also damages the service provision to the citizens

of Albania, who should be treated equally, regardless their political affiliation. 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.

Some recommendations regarding the improvement of decentralization and central-local relations in Albania would be to follow the suggestions of the European Commission and to involve other parties in the process, especially academics and the civil society. The European Commission follows closely every political activity here in Albania through a constant monitoring process. This monitoring process is even more detailed now after the achievement of the candidate status. Every year the European Commission files a report with achievements, drawbacks as well as recommendations. The easiest way to improve the situation would be to follow these recommendations. The other suggestion was to involve the academics and the civil society in the decentralization process. Academics are the people with the highest intellectual capacity to understand social issues, reflect on them and then build solutions. They would certainly be very helpful in the decentralization reform as well as any other reforms. Their personal achievements give proof to their skills and capabilities. The people are the key actors into formulating and implementing any law or reform. The slightest change in the system would affect them primarily, so who better than they can decide about themselves. Persuading the people to participate in the decentralization reform and local governance would teach them some political culture and finally make them realize that the real power is actually in their hands.

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