

DEMOCRACY AND HUMAN RIGHTS

ANALYSIS OF THE IMPACT OF TAR DURING 2018-2021

INSTITUTE OF PUBLIC AND PRIVATE POLICIES

September 2022



The local government has increased its role over the years through its contribution to the economy and in Gross Domestic Product.



During the last years there have been improvements in the provision of services compared to year 2014 before TAR.



The total budget of municipalities compared to the national budget has increased significantly from year to year since implementation of Territorial Administrative Reform.

DEMOCRACY AND HUMAN RIGHTS

ANALYSIS OF THE IMPACT OF TAR DURING 2018-2021

INSTITUTE OF PUBLIC AND PRIVATE POLICIES

Table of Contents

I.	EXECUTIVE SUMMARY	2
II.	BACKGROUND / CONTEXT	3
III.	BRIEF OVERVIEW OF THE “LOCAL SELF-GOVERNMENT IN ALBANIA”	9
IV.	LEGAL AND REGULATORY FRAMEWORK OF LOCAL SELF-GOVERNMENT	11
V.	ANALYSIS OF THE EFFECTS OF THE TERRITORIAL REFORM IN THE PERIOD 2018-2021 TAKING 2014 AS THE BASELINE YEAR	13
VI.	CONCLUSIONS	28
	RECOMMENDATIONS	28
	ANNEXES	29
	BIBLIOGRAPHY	32

LIST OF FIGURES

Table 1:	Territorial administrative reforms in Europe since 2000	6
Graph 1:	Specific weight of local budget revenues to state budget revenues and GDP, (2013-2021 in thousand ALL)	14
Graph 2:	GDP during the years 2013-2021	15
Graph 3:	Own revenues of the local budget and growth rate (ALL)	16
Graph 4:	Local revenues/Total revenues	18
Graph 5:	Revenues from taxes and fees/Total revenues.....	19
Graph 6:	General Unconditional Transfer / Total revenues	19
Graph 7:	Unconditional sectoral transfer/Total revenues	20
Graph 8:	Local municipal expenditures and personnel expenditures compared to the national budget	20
Graph 9:	Weight of expenses according to local government functions.....	21
Graph 10:	Number of employees in the municipal apparatus before and after RAT.....	22
Graph 11:	Expenditures for salaries and insurance of employees in the municipal apparatus before and after RAT	24
Graph 12:	Number of employees of transferred functions	24
Graph 13:	Investments during 2010-2021 in relation to GDP	26
Graph 14:	Capital expenditure/Total expenditure	27
Graph 15:	Local government budget according to source of funding	29

1.

EXECUTIVE SUMMARY

Territorial reforms strive to combine local government units in order to improve the delivery of local public services; economies of scale result in lower unit costs, with diseconomies of scale happening in jurisdictions above. (Tavares, 2018).

Territorial and Administrative Reform was one of the main priorities of the Government of Albania, aiming at the further democratization and strengthening of the governance in the territory and the encouraging of economic efficiency through an integrated planning in a more consolidated territory.

The territorial reform that resulted with the reduction of local government units from 373 to 61 has brought dynamic developments, opportunities and challenges for the newly local government units. Within the time-frame of two mandates each municipality has had the possibility to deal with the larger and differently configured territories, changed constituencies, increased number of functions, and financial constraints.

Following an evaluation of the Territorial Administrative Reform, the report serves as a baseline for comparison as the process unfolds in the future and understand whether, and to what extent, these expected outcomes have occurred in Albania. In particular, using findings from the desk study, the report examines if the newly formed communities have benefitted financially and have gained sufficient budget revenues for efficient self-governance.

Given the new distribution of the population after the Territorial Administrative Reform as one of the main factors, there are significant differences between the distributions of local budgets by municipalities.

The administrative-territorial reform has had a direct impact on the improvement and increase of the fiscal capacity of the municipalities for the collection of their local revenues and consequently the increase of the expenses for the local services.

The revenues from Unconditional transfer have increased significantly from year to year, reaching 2% of GDP in 2021. Also based on documents and reports from the Ministry of Finance is projected to increase the level of unconditional transfer from year to year until 2025.

The total budget of municipalities compared to the national budget has increased significantly from year to year since the implementation of the Territorial Administrative Reform by increasing the role of local government, by increasing the contribution to the economy and also to GDP.

The analysis of the data shows an increase in total local budget revenues from year to year since the application of the TAR. The administrative-territorial reform has directly affected the improvement and increase of the fiscal capacity of the municipalities for the collection of their local revenues and consequently the increase of the expenses for the local services.

2.

BACKGROUND / CONTEXT

Territorial reforms are the most radical and contested reorganisation of the subnational administration. (Ebinger, Kuhlmann & Bogumil, 2019, pg. 1).

Territorial reforms strive to combine local government units in order to improve the delivery of local public services; economies of scale result in lower unit costs, with diseconomies of scale happening in jurisdictions above. (Tavares, 2018).

Territorial reforms are among the most politically challenging steps. It is almost a law of local boundary restructuring, that there will be powerful forces intent on maintaining the status quo (Paddison, 2004, pg. 25). Institutional rigidity is part of the problem. According to Baldersheim & Rose (2010), once institutions are in place, they restrict future options. On a rational choice level, this resistance may be explicable. The number of available political positions, such as mayors and councillors, will

Table 1. **Municipal territorial reforms in Europe since 2000**

	Average population size of municipality		Proportion of municipalities:			
	before	After	below 1,000		below 10,000	
	(year - size)	(year - size)	before	after	before	after
Albania	2011 - 10,840	2016 - 73,000	5%	0%	73%	5%
Armenia	2015 - 3,445	2019 - 6,243	49%	26%	97%	92%
Austria – Styria	2013 - 2,254	2015 - 4,256	38%	6%	98%	95%
Denmark	2006 - 20,027	2007 - 55,582	0%	0%	48%	4%
Estonia	2016 - 6,343	2017 - 17,118	19%	4%	92%	59%
Finland	2000 - 11,441	2018 - 17,721	5%	5%	76%	68%
Georgia	2006 - 4,358	2007 - 67,489	24%	0%	96%	6%
Greece	2010 - 10,573	2011 - 33,241	11%	4%	79%	25%
Iceland	2000 - 2,281	2014 - 4,401	75%	57%	96%	92%
Ireland	2013 - 167,466	2014 - 183,166	0%	0%	0%	0%
Latvia	2008 - 4,326	2010 - 17,819	39%	0%	95%	69%
Luxembourg	2001 - 3,747	2018 - 5,902	25%	1%	94%	90%
Northern Macedonia	1994 - 16,444	2004 - 24,389	4%	0%	58%	38%
Netherlands	2000 - 29,542	2018 - 45,213	0%	0%	23%	6%
Norway	2015 - 12,070	2020 - 15,078	6%	6%	73%	68%
Switzerland – Fribourg	2000 - 994	2017 - 2,315	76%	38%	99%	98%
UK – England	2001 - 139,572	2011 - 163,589	0%	0%	0%	0%
UK – Northern Ireland	2014 - 70,788	2018 - 171,058	0%	0%	0%	0%

Source: Swianiewicz¹, 2021

1 <https://decentralization.gov.ua/en/news/13582>

be reduced under consolidation reform. Others may lose prestige or perhaps their jobs as a result.

Although territorial reforms are politically very risky and difficult to implement, we can identify the European countries that have experienced changes in administrative boundaries due to the merger of local governments. All of these reforms were implemented top-down or at least created with incentives from the central government (Gendźwiłł, Kurniewicz, & Swianiewicz, 2021).

Table 1 displays the proportion of variations in territorial configuration of individual European countries.

The economic impacts of territorial reforms can be grouped into four groups.

I. First group: Economy of scale: The primary goal of territorial reforms is to reduce production costs by leveraging economies of scale, scope, and density in the delivery of public goods and services. (Bourdin & Torre, 2021; Hofmann & Rother, 2019; Lima & Silveira Neto, 2018; Matějová, Nemeč, Krápek & Klimovský, 2017; Soukopová, Nemeč, Matejová & Struk, 2014; Turley, McDonagh, McNena & Grzedzinski, 2018). Economies of scale exist not only in industrial production, but also in the services provided by local governments.

“Economies of scale are considered the main underlying assumption driving local government amalgamation. A more recent trend is that of local governments also seeking economies of scale in specific services through joint production via inter-municipal cooperation”.

(Blank & Niaounakis, 2021, pg. 4).

The concept of economies of scale is based on the distinction between constant and variable costs of service. Due to the high percentage of constant costs, marginal costs can be minimized as production scales increase (Miyazaki, 2018). The literature and international practice confirm that the optimal size for achievement of the efficiency of public services (economies of scale) is when local units have a population of 25,000 to 250,000 inhabitants (Holzer, Fry, Charbonneau, Van Ryzin, Wang & Burnash, 2009). There is extensive literature on the economies of scale of local governments, but it is not definitive (Blank & Niaounakis, 2021). Therefore, it has proven difficult to provide guidelines and consistent recommendations for policy makers and public managers.

II. Second Group: The institutional capacity of local governments.

1. *First*, this is related to the assumption that in large organizations the quality of staff will improve; will increase

the specialization, and, as a result, the performance of service delivery will improve (Keating 1995, Leland & Thurmaier, 2005; O’Toole & Meier, 1999; Walsh 1996; Walker & Andrews, 2013). According to Harjunen, Saarimaa & Tukiainen, 2021 the increasing of size makes more difficult the tailoring of local services to meet the preferences of citizens as result of the increasing of heterogeneity of the local government.

2. *Second*, a larger organizational capacity generally allows more functions to be allocated to local authorities, and indirectly the deeper functional decentralization (Pierskalla, Rodden & Wibbels, 2019).

3. Third group: The wider environment in which local governments operate. The territorial reforms may support local economic development, because a larger size may cover a wider territory enables complex, coherent planning and makes it easier to concentrate resources on expensive infrastructure projects, which are crucial for promoting economic growth (Swianiewicz, 2021).

4. Fourth Group: The temporary effects related to the local government’s behaviour in the period directly preceding the reform (so-called **common pool problem**). The ‘common pool problem’ arises when the costs of an activity that benefits a small group are shared among a larger group’ (Jordahl & Liang, 2010, pg.157). Incumbent politicians are likely to allocate a larger amount of public spending to more populous areas and a smaller amount to less populous areas of the post-merger municipality in order to maximize their chances of reelection (Pickering, Tanaka & Yamada, 2020, pg.259). This is an economic outcome (or side effect) of the territorial reform.

Territorial and Administrative Reform was one of the main priorities of the Government of Albania, aiming at the further democratization and strengthening of the governance in the territory and the encouraging of economic efficiency through an integrated planning in a more consolidated territory.

Seven years have passed since the implementation of the Territorial and Administrative Reform in Albania (TAR). Territorial consolidation, as its initiators have been stating, aims to enhance the capacities and performance of local self-government bodies, enhance the quality and standards of local public services, proper development of territory by enabling greater human and financial resources and encourage public participation, as well as transparency and accountability of local authorities.

The territorial reform that resulted with the reduction of local government units from 373 to 61 has brought dynamic developments, opportunities and challenges for the newly local government units. Within the time-frame of two mandates each municipality has had the possibility to deal with the larger and differently configured territories, changed constituencies, increased number of functions, and financial constraints.

It has been the forerunner for a number of local government reforms, such as decentralization that was finalized with the National Cross-cutting Strategy for Decentralization and Local Governance 2015-2020. In support of local government reform, the institutional, legal and regulatory framework has been further developed, such as:

- The New Organic Law on Local Self-Government (including the transfer of a package of additional functions to local governments);
- A new Law on Local Finances;
- The revision of the Law on the Prefect;
- The establishment and functioning of a joint central/local government Consultative Council;
- The completion of the legal framework regarding the new functions and social services;
- The application of the Civil Service Law at the local level, among others;
- Law no. 146/2014 On Public Notice and Consultation which aims to guarantee transparency and public participation in policy-making and decision-making processes
- Recently, an Action Plan with key indicators for the implementation of the National Cross-cutting Strategy for Decentralization and Local Governance 2019-2022, is under development.

Monitoring of the new legal framework implementation level is an important step for local self-government units in the coming years.

Local government reform has been supported by various donors, within the national development context and the country's EU integration perspective. Local good governance remains a key challenge on the road to EU integration. In the period 2016-2020, a number of projects have been implemented in support of decentralization processes and municipalities, such as:

- STAR 1 project, which provided technical, operational and logistical support for the territorial reform process.
- STAR 2 project was developed to continue the support in 61 Local Government Units (LGUs), aiming to strengthen their institutional and administrative capacities; service delivery transformation and modernization through One Stop Shop systems as well as improve local service delivery including quality, coverage, accessibility and inclusiveness for all men and women of Albania; enhance the efficiency and transparency of public institutions for an effective response to public expectations and fostering citizen-oriented governance and participatory decision making.
- STAR 3 project is developed in Sustaining and Advancing Local Governance Reform.
- The project "Municipalities to EU", which aims not only to strengthen local capacity in relation to EU policies and programs, but also the establishment of structures, trainings, establishment of electronic systems for cooperation and exchange of information on EU related matters.
- "Strong Municipalities" project supports municipalities in improving services and increasing management orientation towards citizens, especially regarding waste management, preschool education, municipal performance and municipal councils.
- RELOaD program, a regional initiative aims to strengthen participating democracies and the EU integration process in the Western Balkans.
- The USAID/ Planning and Local Government Project (PLGP) in Albania has contributed to both central and local policy levels to promote the decentralized governance principles and to disseminate and institutionalize practical methods and techniques for the administration of local government units.
- The Decentralization and Local Development Program (DLDP) has contributed to various areas of decentralization reform and in particular to the field of financial planning and management at local, regional and national level.
- "LevizAlbania" Project supports the strengthening of local democracy through comprehensive decision-making; local government oversight; transparency; accountability; monitoring the delivery of public services.

The administrative and territorial organization of the country is directly related to the quality of governance.

Territorial administrative reform is defined as one of the most important reforms of the Albanian Government with the main goal of improving services for citizens and strengthening local government. TAR has also addressed a number of other issues such as the process of administrative and fiscal decentralization, which need to be analyzed on an ongoing basis.

So, it is important to analyze if the expected benefits are achieved and the effectiveness of territorial and administrative reform.

If we consider various documents that emphasize the importance of analyzing the progress of territorial reform, we can mention the EU Progress Report 2020. It emphasizes that Albania has continued to show its commitment to EU-oriented reforms and has achieved tangible and sustainable results, despite the challenges due to the Covid-19 pandemic. Regarding the territorial-administrative reform, it is emphasized that it should be further consolidated as part of a broader decentralization agenda. This is especially necessary to guarantee local fiscal autonomy and to empower municipalities in order to provide quality public services according to standards. Also, the EU Progress Report 2020 underlines that the new Legislation with an impact on local government has not been fully harmonized and implemented. While municipalities have been given greater policy-making powers, they still do not have sufficient financial resources and administrative capacity to exercise them effectively.

The important question that arises is whether the expectations and objectives of the territorial reform have been met after 7 years that it has been implemented?

The assessment serves as an important **monitoring tool for tracking progress of the territorial reform** implementation. It **investigates the effects** of the territorial reform in the period 2018-2021 taking 2014 as the baseline year.

Monitoring is a continuing function that informs where a policy intervention stands at a certain point in time, relatively to its targets and objectives. The results of monitoring are an important precondition for proper evaluation of the success of reforms and their impact on economic and social development. Thus, monitoring can

provide valuable information on the process as well as the results of the reform.

METHODOLOGY

The **aim of the methodology** is to monitor the efficiency of territorial reform implementation. This assessment will contribute by evaluating the changes on municipal efficiency stemming from a structural reform that reduced the number of administrative and local government units.

The comparative analysis is used to analyze the situation of the former 373 local government units with the data of the current 61 municipalities.

Through this comparison we defined if the goals of the reform have been achieved and if there were any negative "side effects".

This study uses a **two-stage methodology** to measure the impact of the reform on the municipality efficiency.

PHASE 1: INCEPTION PHASE

The first step was the preparation of a work plan. This document will act as basis on which definition of tasks and deadlines will be agreed with actors involved. In this phase will be identified the issues that need to be looked closely and require particular attention.

PHASE 2: DEVELOPMENT PHASE

The evaluation methodology consists of collecting data from secondary sources, comparative analysis and drafting the final assessment that will include findings and recommendations.

Specifically, the development phase will focus on the analysis of the two main issues such as **service delivery efficiency** and **local financial aspects**. Information on public funds used in the provision of services to citizens, as well as information on revenues and expenditures according to legal provisions and information related to the service delivery are needed during the analysis phase. Using findings from data collection, the assessment will examine if the newly formed LGUs have benefitted financially and have gained sufficient budget revenues for efficient self-governance.

3.

BRIEF OVERVIEW OF THE “LOCAL SELF-GOVERNMENT IN ALBANIA”

Decentralization is a broad concept that can refer to a variety of governing structures. Decentralization is the process of transferring power from the central government to local levels of government. This could include the planning and management of government functions, such as resources and funds. Decentralization is often praised for its favorable effects on local and national development, including poverty reduction. Decentralization, in a theoretical sense, is a governance system in which political, economic, and legal organization is based on the allocation of competencies from central to local government organizations.

Albanian Local Government before the 1990s was in essence a de-concentrated governance, with limited self-government bodies (elected councils) within the framework of a highly centralized decision-making system in charge of managing the implementation of detailed economic planning (Hodaj, 2001, pg. 2).

When municipal governments were first democratically elected in Albania in the early 1990s, decentralization of governance began. The 1992 changes established the framework for the establishment of democratic local governments, which gradually prepared to take on greater responsibilities and functions. The unconditional ratification of the European Charter on Local Self-Government (8548/1998) and the enactment of the Law on the Organization and Functioning of Local Government (8652/2000) indicate the second major step toward full administrative decentralization.

One of the key goals of Albania’s decentralization reforms is for Local Government Units to be able to provide the functions that have been given to people. For this reason, as part of the decentralization reforms of the government, the Law on Territorial Administrative Separation of Local Government Units (8653/2000) was adopted.

By integrating the administrative boundaries of districts, the administrative division of 2000 tries to retain the historical boundaries of municipalities, communes, districts, or prefectures (relating to the early twentieth

century). This reform package, which established the basic foundation for decentralization in Albania, was based on the idea that local government units would use the given option if they were unable to provide the transferred tasks and responsibilities on their own. To supplement the framework of fiscal and administrative decentralization, laws and instructions were developed, and intergovernmental transfers and grants were designed until 2006. With a few exceptions, voluntary LGU mergers have not occurred during the 14 years of operation.

In these circumstances, the discussion on territorial administrative reform was restarted in 2003, and a draft law on the country’s administrative-territorial reorganization was produced in 2004 based on a political paper issued by the Council of Europe. The draft law established a set of criteria aimed at achieving the stated goal for local government entities capable of earning income and performing the responsibilities stipulated by law efficiently. The proposed legislation did not find political consensus and as such was not approved by parliament.

The year 2005 marks another turning point in the development of government decentralization, and with the change of government comes a shift in the strategic approach to fiscal decentralization. The system of intergovernmental transfer grant was overhauled, with nearly complete fiscal equalization introduced as a tool to help tiny and very small local entities generate revenue and offer services to inhabitants. This approach, justified by the need to maintain and improve governance democracy, actually caused misunderstanding about what the decentralization strategy identified as good and effective governance. Indeed, the challenge of forming larger local units that offer services more efficiently, better utilize financial resources, and respond to the desire for closer citizen participation (democratization of governance) is a difficult one.

There are a number of other difficulties that the administrative-territorial reform addresses:

1. the country's high fragmentation - 20 percent of Albania's population lives in 232 LGUs, or over 75 percent of the total LGUs, with less than 5,000 inhabitants – which results in very high costs in providing basic services for citizens;
2. the limited human capacity often faced by small local units, resulting in the inability to exercise local functions, generate and accumulate revenue, and provide services;
3. the process of administrative and fiscal decentralization has been abandoned, in part due to limited local capacity, but also due to frequent and chaotic interventions in the legislative basis, reduced fiscal autonomy, and non-financial coverage of mandates for joint functions;
4. unclear role of qarks as coordinators and supporters in the exercise of local functions;
5. the need for an internal regional development policy that meets the requirements of EU integration and the

need for multi-level governance, including regional governance; etc.

The administrative-territorial division in Albania has undergone changes, which have affected the historical, political, economic and social developments of the country. Transformations in administrative-territorial structures, during historical developments have corrected or identified problems of governance at the local level.

With the old division, the territory of Albania was organized administratively in 12 qarks, 65 municipalities and 308 communes. With the new administrative-territorial reform, the governing units local have been consolidated into larger units. The Parliament approved the new administrative-territorial division with law no. 115, dated 31.07.2014, "On the administrative-territorial division of local government units in the Republic of Albania". According to the law, the local government units in the Republic of Albania are 61 Municipalities and 12 Qarks.

4.

LEGAL AND REGULATORY FRAMEWORK OF LOCAL SELF-GOVERNMENT

Legal and regulatory framework of Local Self-Government, is devoted to the specifics of local governments functioning after the reform. This part also includes information on the main types of intergovernmental transfers allocated to the local level.

In support of local government reform, the institutional, legal and regulatory framework has been further developed, such as:

- The Cross-cutting Strategy on Decentralization and Local Governance (CSDLG) was approved by the Council of Ministers in 2015 and re-evaluated in 2018, defining the objectives of the decentralization process in Albania.

In the framework of the implementation of the territorial reform and based on the National Cross-cutting Strategy for Decentralization and Local Government 2014-2020, several important legal acts have been adopted, such as the Law on Local Self-Government and the law on Local Self-Government Finance. One of the main objectives is fiscal decentralization, to create opportunities for local governments to have more financial resources, so that they can perform their functions and competencies effectively and sustainably.

The main objectives of the strategy in this area are:

- To increase the local revenue capacity of LGUs to meet the financial needs, provision of more services;
- Improve the stability, simplicity and equity of the system transfers along with increased transparency;
- Provide more capacity for LGUs to use borrowing and debt for financing capital investments;
- Strengthen the public financial management system at the local level.

The New Organic Law 139/2015 on Local Self-Government (including the transfer of a package of additional functions to local governments);

Law 139/2015 “On Local Self-Government” regulates the organization and functioning of local government by replacing the previous law.

In this law, the first-tier units of local government are only municipalities, eliminating communes that became administrative units as part of new municipalities. Law 139/2015 essentially does not bring about radical changes in the internal organization of the municipalities, and the role of the mayor and council remains somewhat the same. Likewise, the relationship between the council and the mayor remains the same. But this dependence of the Mayor from the municipal council in adopting important decisions does not fit the Mayor’s mandate, which is now elected by a much larger number of voters compared to the previous division. Law 139/2015 introduced the concept of limiting the mayor’s mandates to three consecutive mandates with the right of re-election. This provision is currently a matter of debate for the upcoming local elections because there is uncertainty whether previous mandates will be considered or not. This law eliminated joint functions and expanded the range of municipal activities with some new or more expanded functions. Other important changes brought by this Law are the establishment of the Consultative Council, the concept of shared taxes, the establishment of community structures, etc.

With the new legal framework, six new functions have been transferred to local government:

- o Forest and pasture management
- o Maintenance of rural roads
- o Irrigation and drainage
- o Fire protection and rescue
- o Management of social centers
- o Supporting staff for pre-university education systems

Law 68/2017 “On Finances of Local Government”

Law no. 68/2017 aims to define the rules, principles and procedures for financing local self-government units, including its own revenues from local taxes and tariffs,

separate taxes, transfers from the State Budget, and revenues other provided by law; determining the basic rules for the size and distribution of central government transfers to local self-government units; defining rules for policies, instruments and procedures for public financial management at the local level; other important issues for the financing of local self-government functions.

This law attempts to provide a method for funding local self-government units in conformity with the ideals of local autonomy enshrined in Albania's Constitution, the European Charter of Local Self-Government, and the law on local self-government. It also attempts to ensure the fiscal sovereignty of local self-government groups by allowing them to levy and collect local taxes and levies.

Law 68/2017 establishes regulations for the distribution of local financial resources in accordance with local community strategic priorities and needsensures that the central government consults with local self-government units on a regular basis, using the stated instruments of consultation, to assess the sufficiency and stability of the local self-government units' financial resources in order to realize the law's purposes.

The revision of the Law on the Prefect;

The purpose of this law is to determine the role of the prefect of the region, his mission and competencies in fulfilling his duties, as a representative of the Council of

Ministers, at the regional level. This law regulates the relations of the prefect of the region with administrative bodies and institutions, state bodies, with bodies of local self-government units, territorial branches operating in the region and with other state institutions.

The establishment and functioning of a joint central/local government Consultative Council;

The Consultative Council was established by the decision of the Council of Ministers adopted on December 21, 2016. This new body serves as an institutionalized platform for consultation and dialogue with local and regional authorities, offering them the opportunity to increase the power of defending their interests and exercising their leadership role.

Law no. 146/2014 On Public Notice and Consultation which aims to guarantee transparency and public participation in policy-making and decision-making processes

This law regulates the process of notification and public consultation of the draft-laws, national and local strategic draft-documents and policies of high interest for the public. This law stipulates the procedural rules which shall be applied in order to ensure the public transparency and participation in the policy-making and decision-making processes from the public entities. It aims the encouragement of transparency, accountability and integrity of the public authorities.

5.

ANALYSIS OF THE EFFECTS OF THE TERRITORIAL REFORM IN THE PERIOD 2018-2021 TAKING 2014 AS THE BASELINE YEAR

Following a performance evaluation of Territorial Administrative Reform, the report serves as a baseline for comparison as the process unfolds in the future and understand whether, and to what extent, these expected outcomes have occurred in Albania. In particular, using findings from a desk study, the report examines if the newly formed communities have benefitted financially and have gained sufficient budget revenues for efficient self-governance.

The desk study will address the basic question of what are the benefits (economic and others) of the consolidation process.

Assessments will be made for the years 2018-2021 and 2014 as the baseline year for the data comparison (depending on the availability of data).

Analysis of the population distribution in the territory based on the new administrative division;

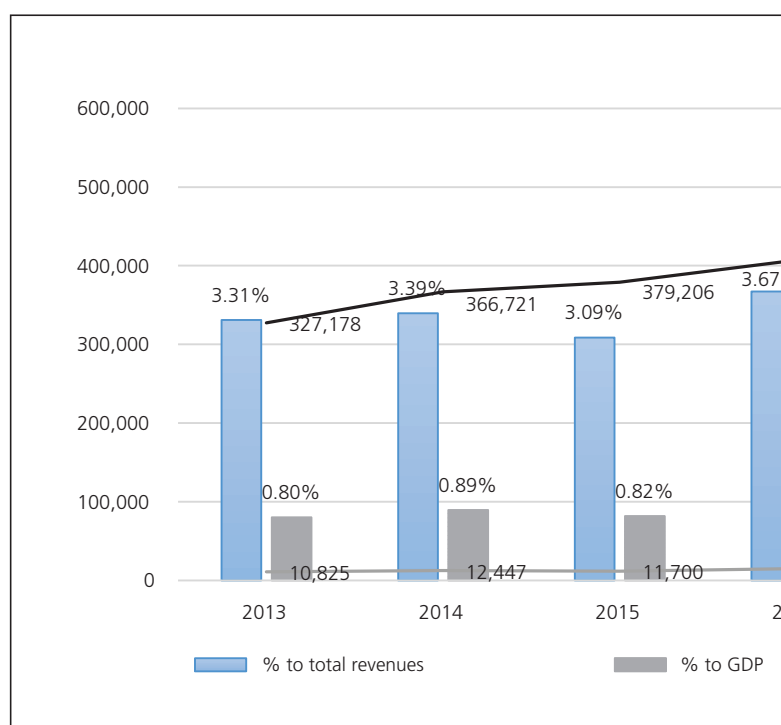
In terms of population distribution across the territory, Albania is divided into 61 municipalities that include 369 administrative units, 58 cities and 2,998 villages. From this population distribution it results that municipalities are divided into small municipalities where their population varies up to 50,000 inhabitants, medium-sized municipalities with a population of 50,000-100,000 inhabitants and large municipalities with a population over 100,000 inhabitants. Small municipalities are 37 out of 61 municipalities and cover 26% of the population, medium municipalities are 13 out of 61 municipalities and cover 25% of the population and large municipalities are 10 out of 61 municipalities in Albania (without including Tirana) and consist of 49% of the total population of Albania.

After the Territorial Administrative Reform, the distribution of the population in the 61 new municipalities in the country has had a large difference, resulting in the lowest number of population in Pustec to the largest number of population in the municipality of Tirana. This trend

has continued the same over the years resulting in a population number for the municipality of Pustec at 3859 inhabitants in 2019 as the smallest municipality in Albania, and a number of inhabitants 638,716 for Tirana as the largest municipality in Albania.

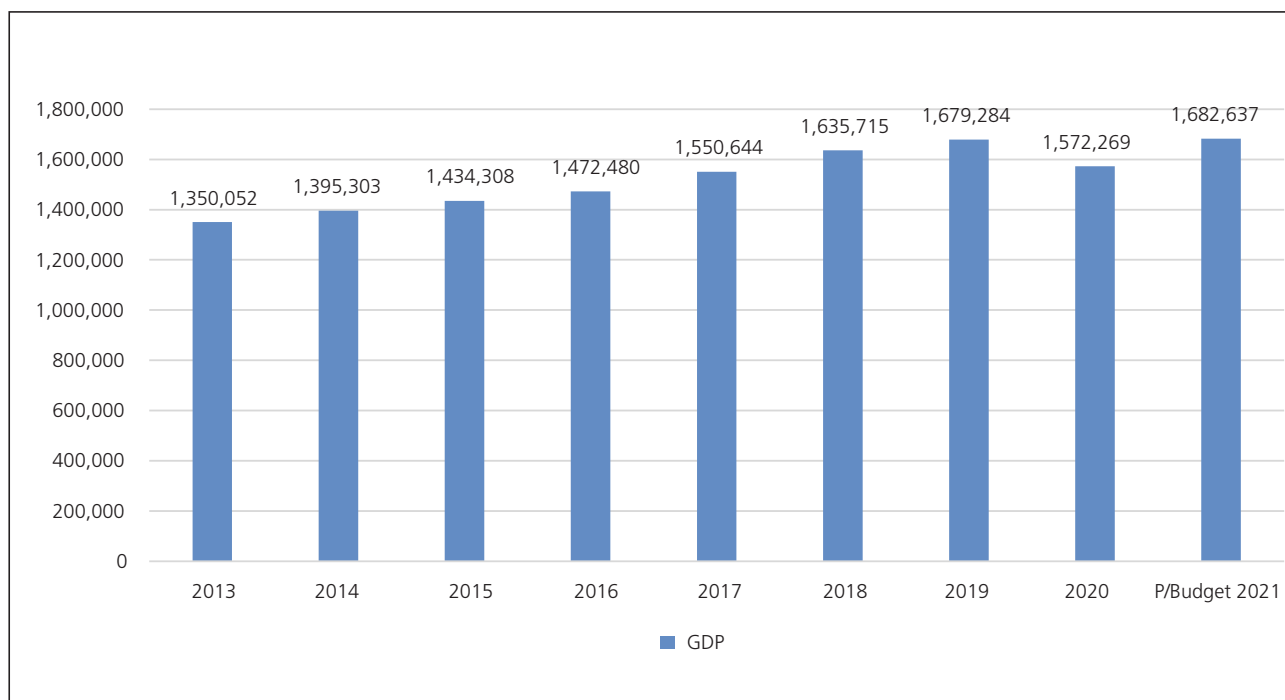
The average population for the 61 municipalities of Albania is 54,282 inhabitants. Based on this average, we note that the highest percentage of Albanian municipalities, respectively 80% of them are below the national average of the population.

Graph 1: **Specific weight of local budget revenues to state budget revenues and GDP, (2013-2021 in thousand ALL)**

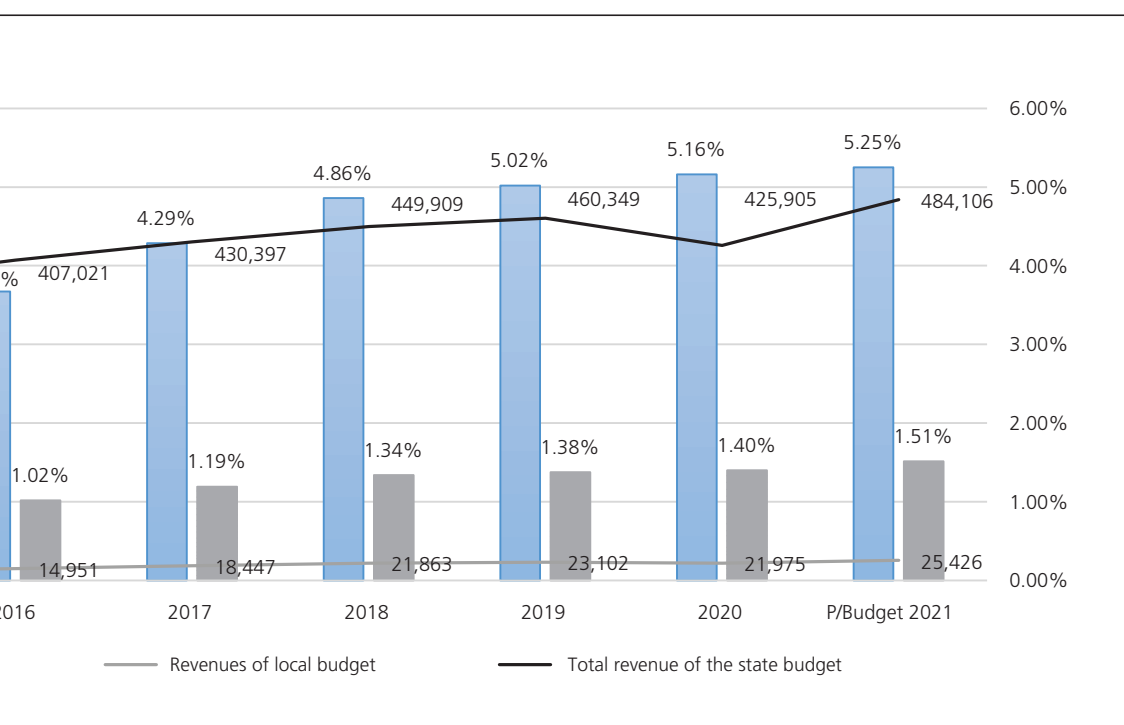


Source: Ministry of Finance and Economy

Graph 2: GDP during the years 2013-2021



Source: Ministry of Finance and Economy



The distribution of the population in the municipalities with a significant difference between them is followed by many other problems in terms of costs and the provision of local public services.

The budgets of the municipalities in comparison to national budget

The total budget of the municipalities compared to the national budget has increased significantly from year to year since the application of the Territorial Administrative Reform by increasing the role of local government, by increasing the contribution to the economy and also to GDP. The ratio of own revenues to GDP has maintained a continuous growth trend of 0.89% in 2014 before TAR, reaching 1.34% in 2018, 1.38% in 2019, 1.4% in 2020 and 1.51 % in 2021.

Revenues from own sources compared to state budget

Given the new distribution of the population after the Territorial Administrative Reform as one of the main factors, there are significant differences between the distribution of local budgets by municipalities.

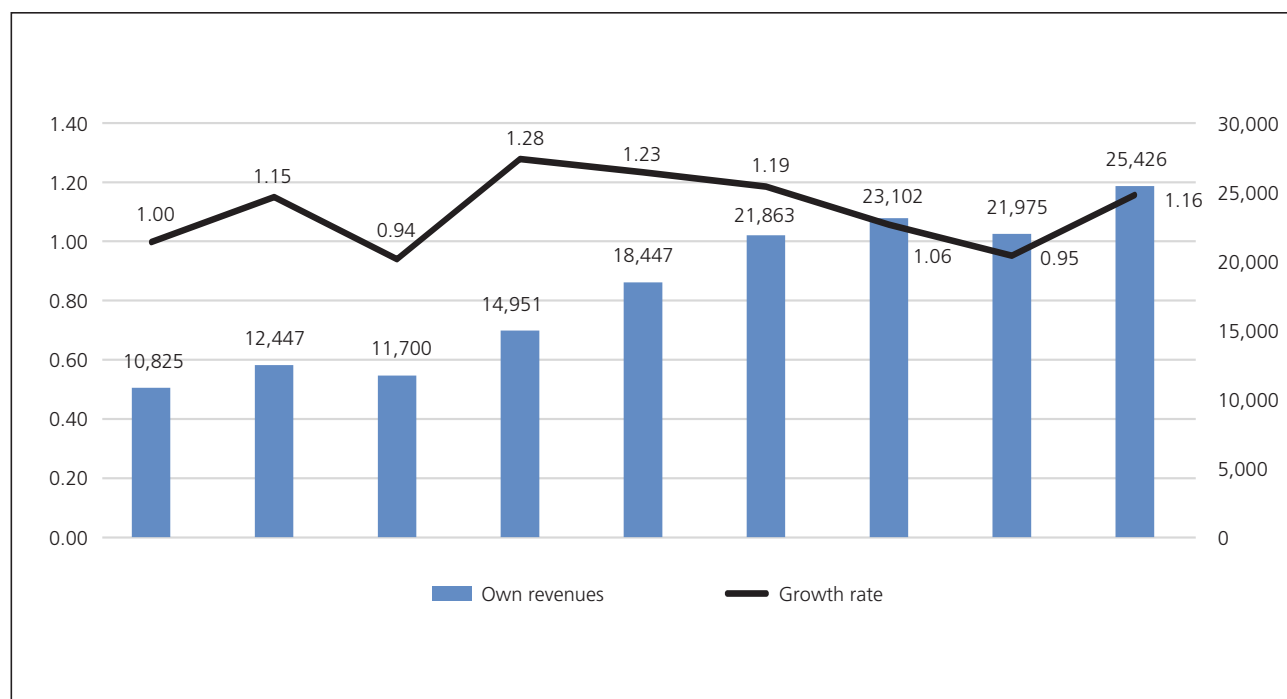
One of the most direct indicators for assessing fiscal decentralization and local autonomy are the own source revenues from the municipalities.

In general terms we notice an increase in total local budget revenues from year to year since the application of TAR. The administrative-territorial reform has had a direct impact on the improvement and increase of the fiscal capacity of the municipalities for the collection of their local revenues and consequently the increase of the expenses for the local services.

Revenues from local taxes have had an increasing trend compared to each previous year, respectively 28% in 2016, 23% in 2017, 19% in 2018, 6% in 2019 and 1% in 2020. The year 2020 had a negative impact on all municipalities due to the COVID-19 pandemic.

The increasing role of local government in terms of public services and the functions it exercises, has caused the ratio of own source revenues to total public revenues and gross domestic product to increase in recent years. Local government revenues, despite the decline in absolute value during 2020 as a result of the economic downturn as a whole from the pandemic, in relation to public revenues have increased from 5.02% in 2019 to 5.16% in 2020. From 2014, where the ratio of local revenues to public revenues was about 3.39%, the increase of the role and fiscal power of local government in 2018-2020 was accompanied by an increase of this ratio by about 1.47% in 2018, 1.63% in 2019 and reached at 2.07% in 2020 compared to 2014.

Graph 3: **Own revenues of the local budget and growth rate (ALL)**



Source: Ministry of Finance and Economy

On the other hand, local government has increased its role over the years through its contribution to the economy and Gross Domestic Product by changing the ratio from 0.89% of GDP in 2014 to 1.34% in 2018, 1.38% in 2019, 1.4% in 2020, with an increase of 0.51% of GDP from 2014 to 2020. It is also projected that in 2021% of GDP will reach 1.51%.

In quantitative terms, it is seen an increase in the level of revenues from its own sources in relation to GDP in recent years, reflecting a better level of local government, while to see the impact of this increase in each municipality it is needed a more detailed analysis in each municipality of Albania.

If we analyze the percentages that occupy the local revenues to the total revenues according to 61 municipalities, we notice a marked disparity between the municipalities. This disparity is observed mainly in the low level of collection of own revenues from small municipalities where in the municipality of Has its own revenues were only 2.08% of the total revenues of the municipality and the highest percentage of its own revenues is occupied mainly by medium and large municipalities where specifically in the municipality of Vora 47.82% of the total revenues of the municipality is occupied by the local revenues and Tirana with 50.36% of the total revenues of the municipality. At the national level, we notice that 61 Municipalities have local revenues at an average of 15% of the total revenues of the municipality. Meanwhile, we note that a small number of municipalities have a local revenue level lower than 10% of total revenues.

In the analysis of revenues from its own sources, there is an increase of the latter between municipalities. But this increase has a disproportionate distribution as a result of problems in collecting revenues from its own sources in some of the small municipalities. Also a high percentage of revenue from own sources is occupied by infrastructure impact tax from new construction. The increase in the percentage of revenues from the infrastructure impact tax has also had an impact on the implementation of the general local plans of the municipalities. The contribution of the infrastructure impact tax should be analyzed in more detail as this tax itself is unstable and depends on the activity of construction enterprises.

The trend of collecting revenues from own sources and also the distribution of local budgets results in selective impact of decentralization reforms in a considerable number of municipalities.

The low levels of revenue collection from own sources in some of the municipalities of Albania, where small

municipalities are mainly evidenced, show that the changes and impacts of Territorial Administrative Reform so far in terms of decentralization have had limited impacts. As a result, the fact that small municipalities have a low fiscal capacity is evident, and as a result, fragmenting them even more would only worsen the situation.

The increase in the level of revenues from its own sources has also increased due to the increase in the level of local taxes and fees and the improvement in their collection, mainly in urban areas.

The increase of economic potential not only from its own revenues but also from those of the central budget are a very important factor in promoting the increase of the quality of local government services.

Unconditional transfer is regulated by Law no. 68, dated 27.04.2017, "On Finances of Local Self-Government", which determines the size and manner of allocation for Local Self-Government Units. As a general rule, unconditional transfer is intended to provide the local self-government units with the difference between the cost of performing the functions (expenditure needs) and the revenue they generate independently (fiscal capacity). As LGUs are different in terms of fiscal needs and capacity, in an efficient and fair system of unconditional transfer sharing, differences in both dimensions must be taken into account. Unconditional transfer as an important source of local government funding in years has undergone a significant increase.

Transfers to the budget of local self-government units are:

- Unconditional transfer which consists of:
 - a) The General part resulting from the implementation of point 2 of article 23 of Law no. 68, dated 27.04.2017, "On Finances of Local Self-Government", which stipulates that the size of the unconditional transfers is not less than 1% of gross domestic product and not less than the previous year,
 - b) Sectoral part as a result of the implementation of point 3 of article 95 of Law no. 139, dated 17.12.2015, "On Local Self-Government", for the end of the transitional period for financing with specific transfers of decentralized functions by this law, and the implementation of point 4 of article 23 of Law 68 dated 27.04.2017 "On Finances of Local Self-Government" which regulates the conversion of specific transfers for newly decentralized functions at the local level into unconditional sectoral transfers.

- Specific transfers for civil protection. This fund is distributed with a formula which is based on the specific weight that the budget of each municipality occupies to the total budget of all municipalities.

The timely implementation and compliance with legal obligations of the local government revenue and expenditure plan is a critical aspect that contributes to the country's promotion and economic growth. Local self-government units should play an increasingly vital role in people's well-being, and this protagonism should be emphasized with the skills that decentralization confers on them. Unconditional transfer income levels have increased significantly from year to year, reaching 2% of GDP in 2021. Also based on documents and reports from the Ministry of Finance is projected to increase the level of unconditional transfer from year to year until 2025.

Unconditional transfer is of particular importance at the municipal level, given that a significant percentage of municipalities (mainly small municipalities) have unconditional transfer as their main source of income. This transfer accounts for over 40% of the total revenue available to these municipalities.

The six new decentralized functions are funded by unconditional sectoral transfers that cover employee salaries, social and / or health contributions and some running costs, and a small percentage of investment funds.

The new administrative division not only changed the way municipalities were formed, but also had to give local government a transformation in terms of financial management and a culture of performance, both in the management of municipalities and in providing services to residents.

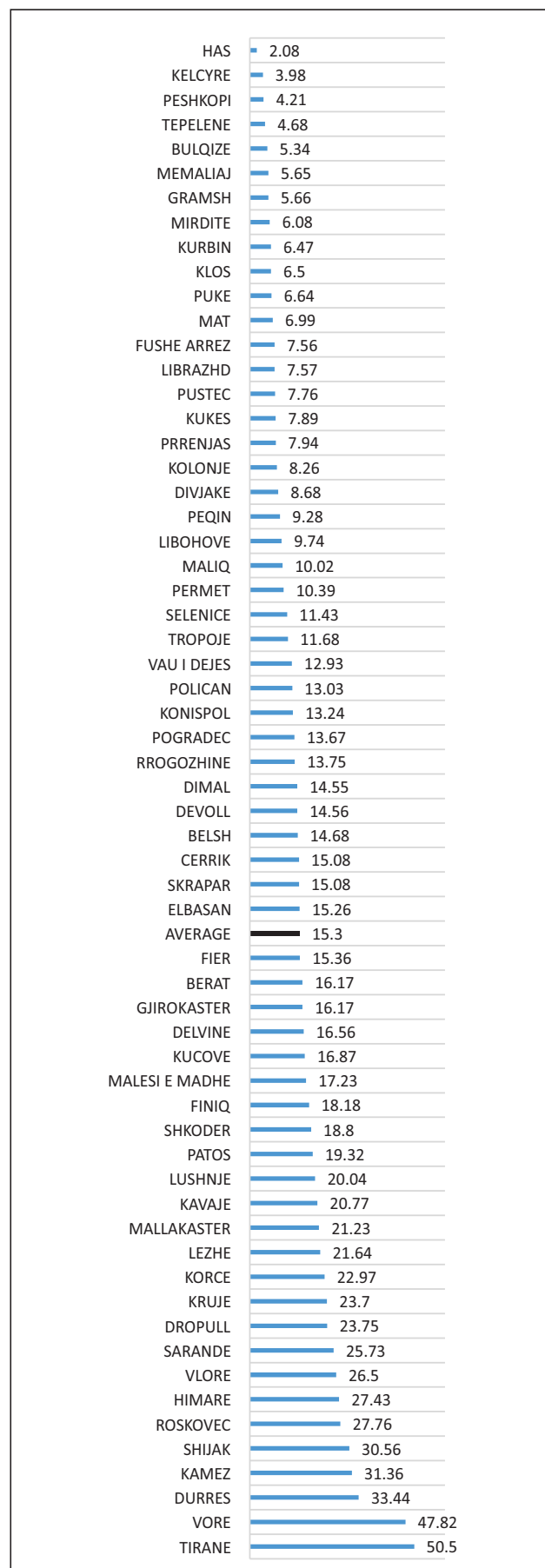
The central government aims to reduce imbalances between municipalities through intergovernmental transfers, but in terms of local autonomy, this policy increases the support of municipalities by the central government.

Local government expenditures have followed an increasing trend, concretizing over the years the consolidation of local government financial management. This trend is clearly identified not only in absolute value but also in relation to gross domestic product or public spending.

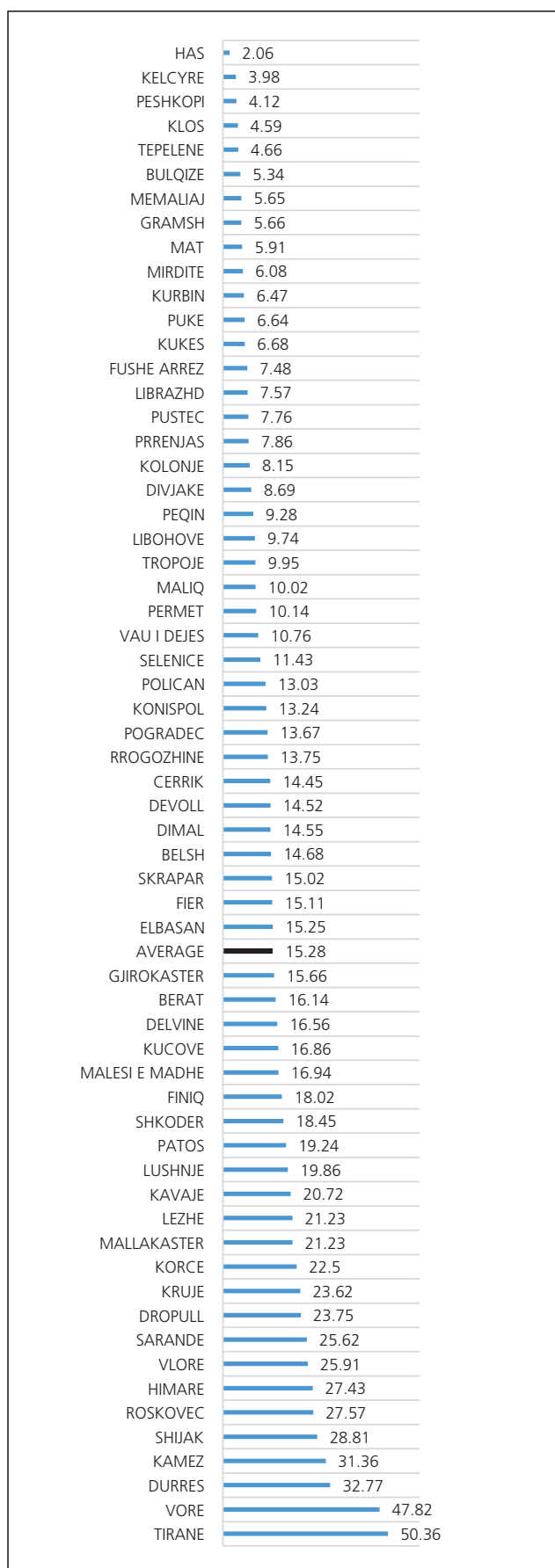
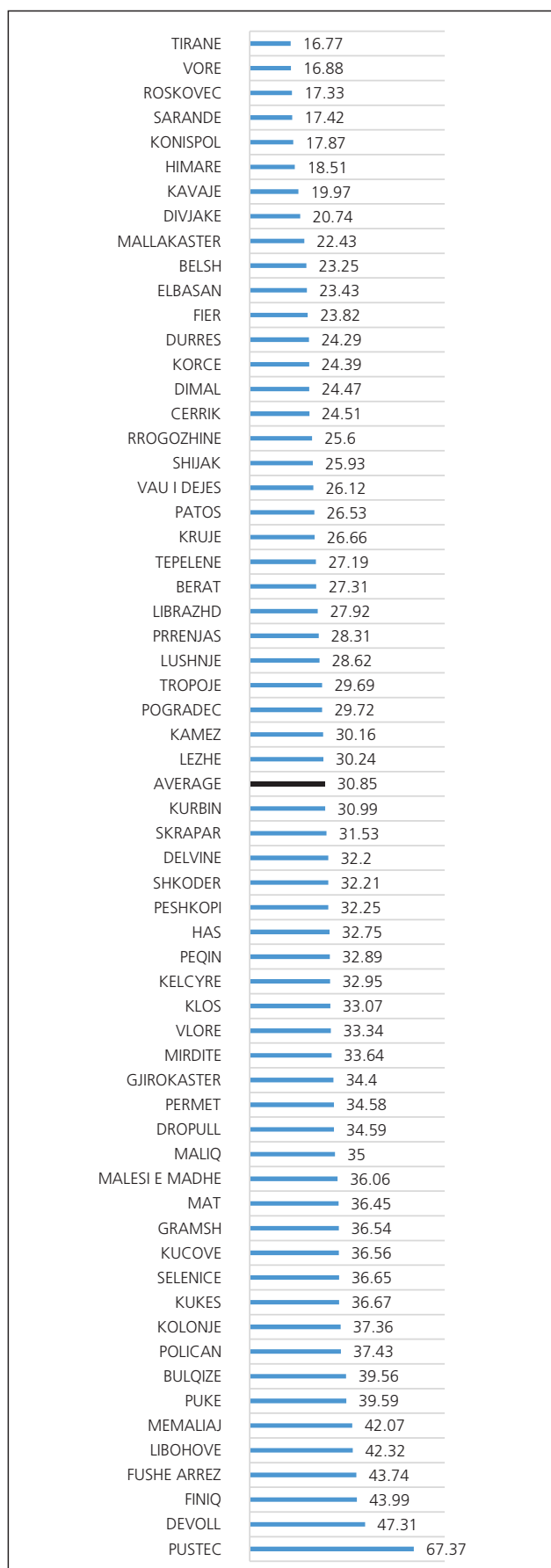
Compared to a year ago, during 2020, local government expenditures in relation to GDP, have decreased slightly by 0.07% due to the COVID-19 pandemic. On the other hand, compared to 2014, local government expenditures in relation to GDP have increased year by year reaching an increase of 1% to GDP.

Also, local government expenditures in relation to public expenditures have increased significantly year after

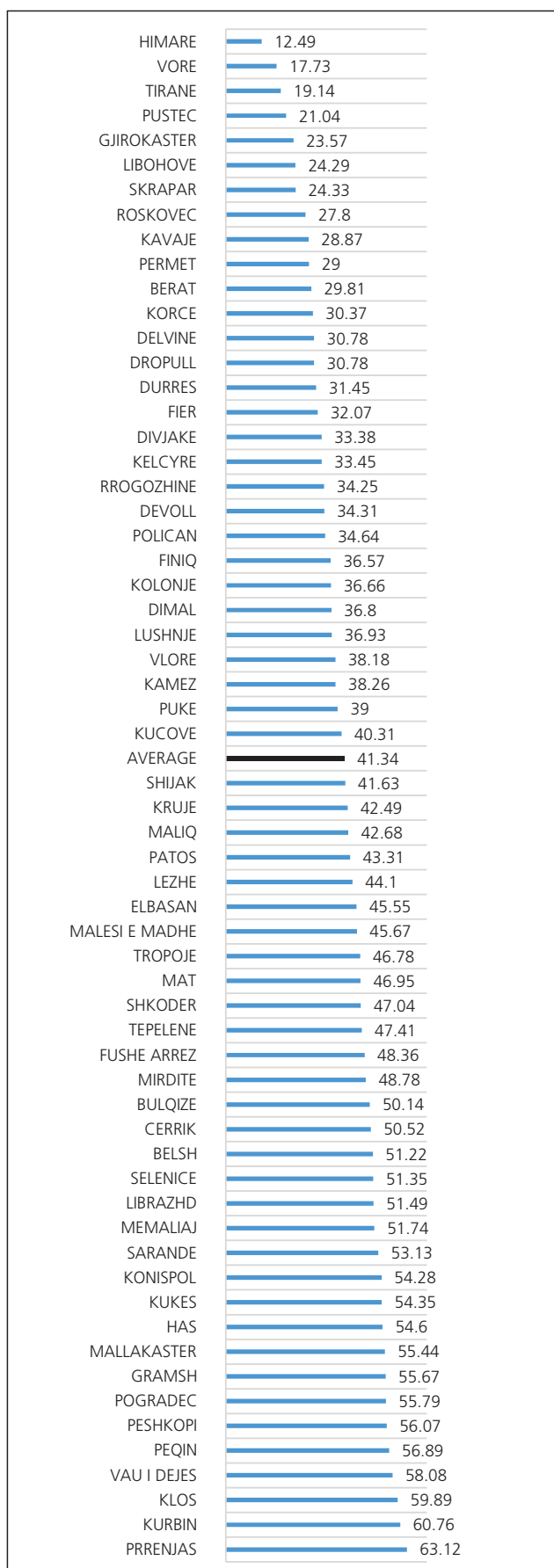
Graph 4: Local revenues/Total revenues



Source: www.financatvendore.al & authors calculations

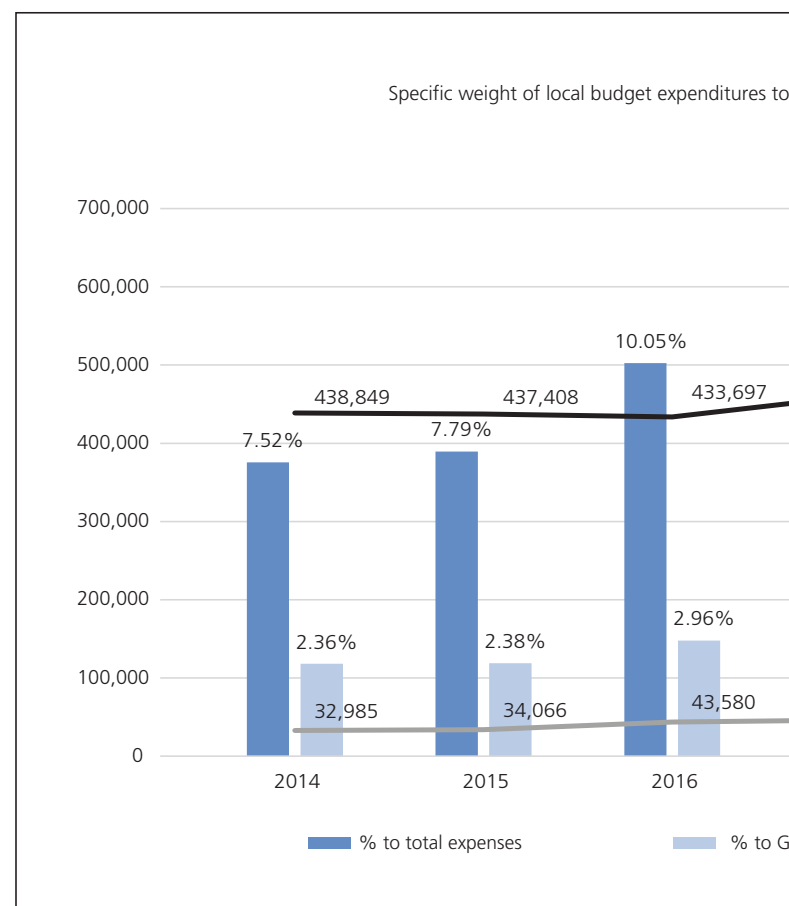
Graph 5: **Revenues from taxes and fees/Total revenues**Source: www.financatvendore.al & authors calculationsGraph 6: **General Unconditional Transfer / Total revenues**Source: www.financatvendore.al & authors calculations

Graph 7: **Unconditional sectoral transfer/Total revenues**



Source: www.financatvendore.al & authors calculations

Graph 8: **Local municipal expenditures and personnel expenditures compared to the national**

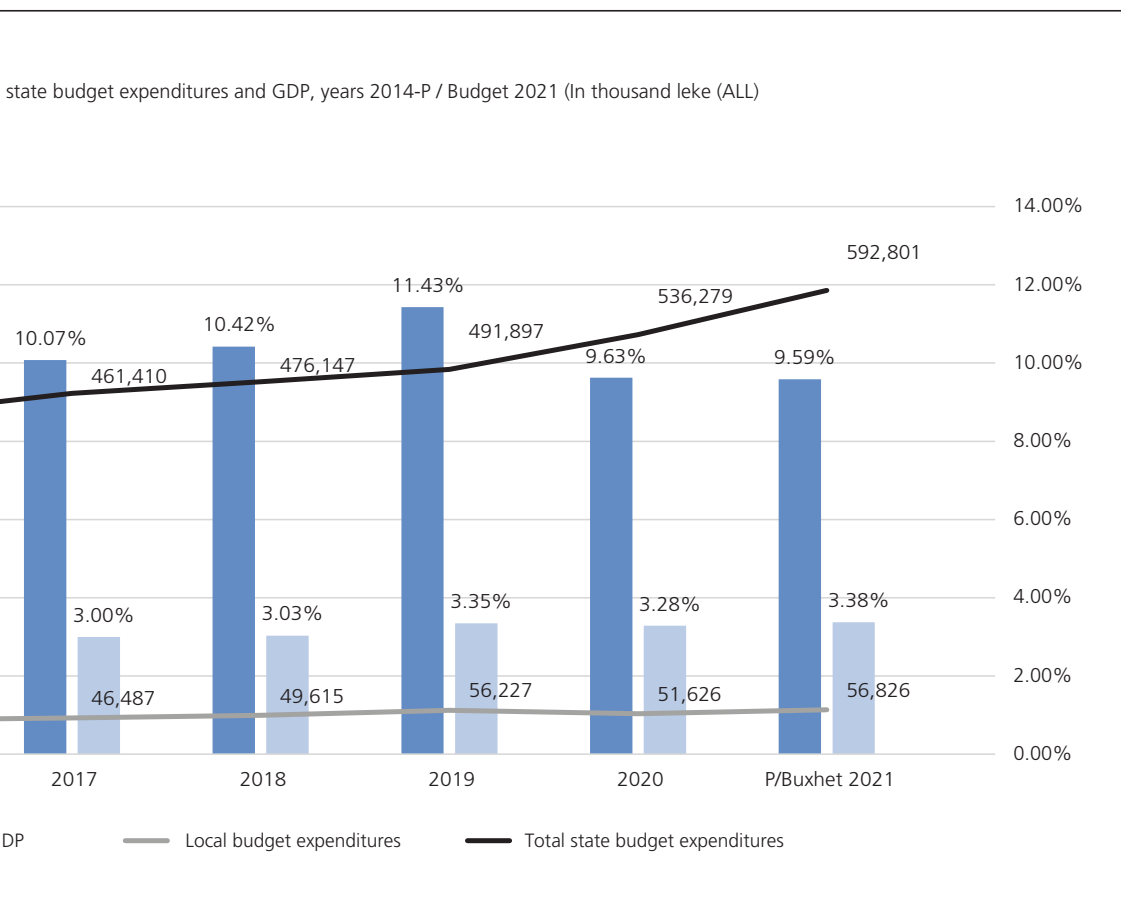


Source: Ministry of Finance and Economy

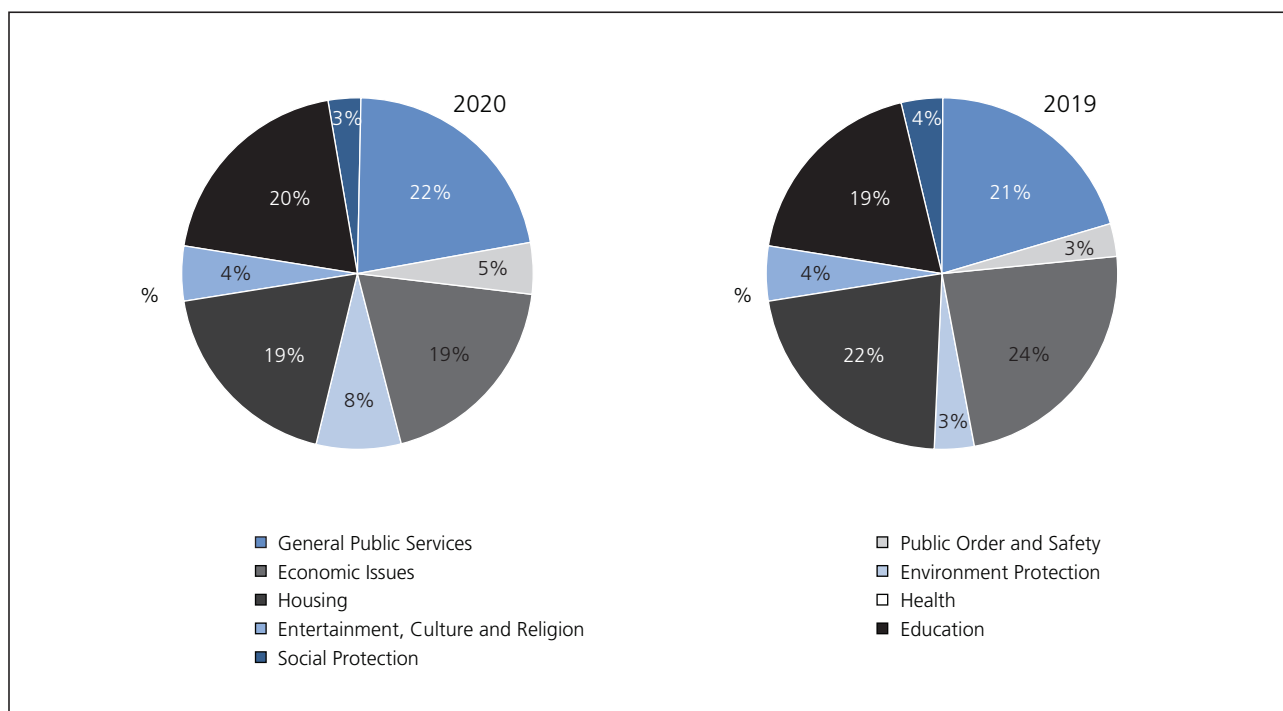
year, comparing their percentage in 2014. Respectively, local government expenditures in relation to public expenditures were 7.52% in 2014 and have reached the level of 10.42% in 2018 and culminating in 2019 with 11.43% of total expenditures. While during 2020 they had a decrease of 1.8%. One of the main factors of reducing this level of the ratio of local to public expenditures, is the reduction of capital investments as a result of two natural disasters that plagued our country.

Taking into account the expenses according to the economic accounts, it is concluded that the largest share of these expenses is occupied by the expenses for salaries and insurance which account for about 39% of total local expenditures, 27% occupy operating costs, 32% occupy investments and 3% other expenditures for 2019.

Also, if we analyze the share of expenditures according to local government functions, we will notice that we have significant differences in % between the funds allocated to each function. Respectively during 2020, the local government has financed in most of the expenditures the functions of "General Public Services" and "Education", respectively in the amount of 22% and 20% of the total local expenditures.



Graph 9: **Weight of expenses according to local government functions**



Source: Ministry of Finance and Economy

Human Resources

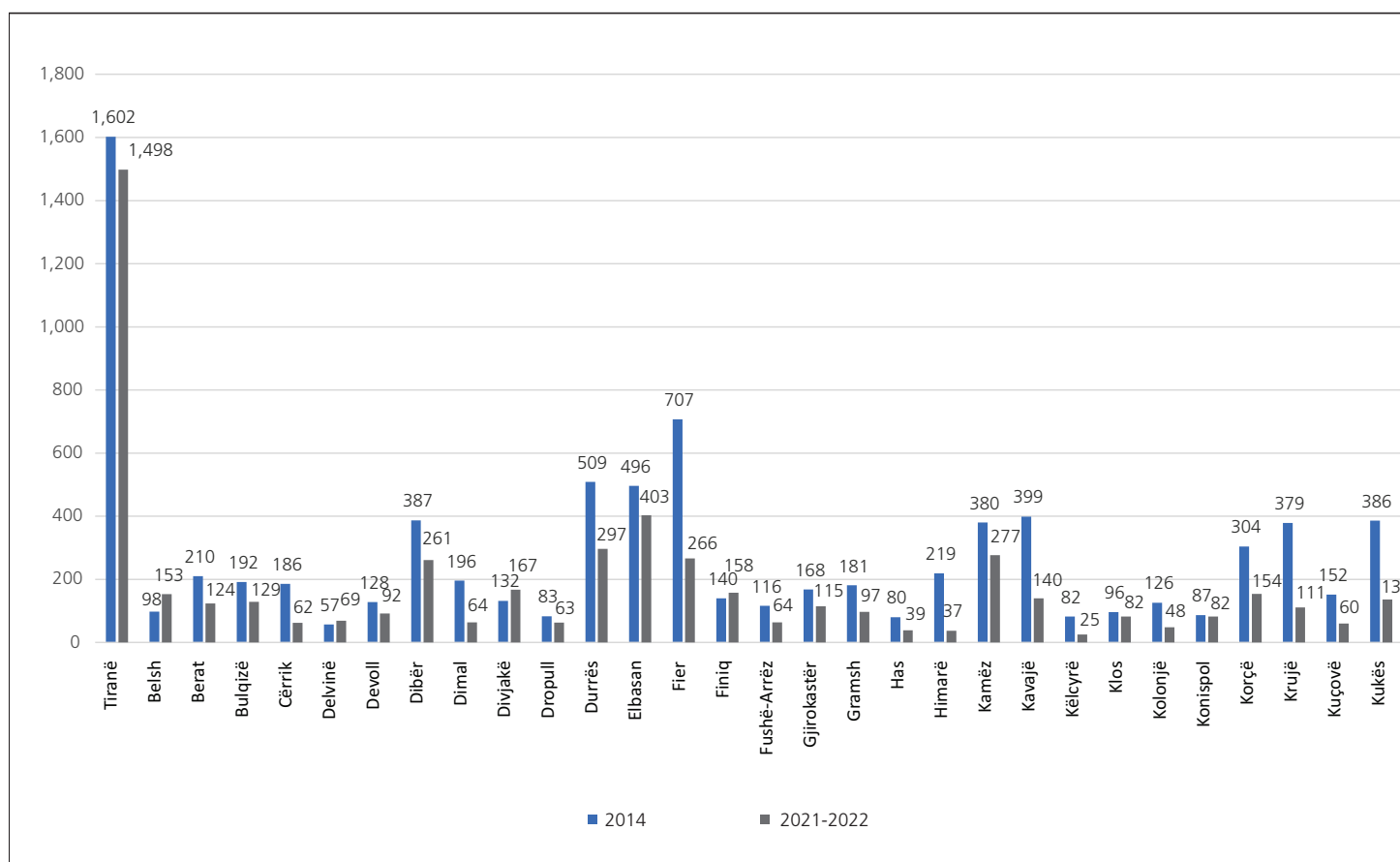
Analyzing the number of employees for the apparatus of all municipalities of Albania before and after the reform, we noticed a significant decrease in the number of employees resulting in a reduction of the total number of employees from 14,401 employees in 2014 to 9,585 employees in the municipal apparatus in 2021, reducing the total number of municipal administration employees by about 32%.

A reduction in the number of employees is observed in most municipalities in significant numbers, with the exception of some small municipalities that have experienced a slight increase in the number of employees. The reduction of the number of municipal employees throughout Albania is in accordance with one of the main principles of the Administrative and Territorial Reform.

Meanwhile, on the other hand, we notice an increase in the level of expenses for salaries and insurance of employees over the years as a result of:

1. The increase in the minimum salary, from 2014 to 2022 there is an increase in the level of the minimum salary. In 2014, the minimum salary was 22,000 ALL and currently it is in the amount of 32,000 ALL. This has had a direct impact on the increase in personal expenses in value for the employees of the municipal apparatus.
2. The salary level for the employees of the former communes was very low compared to the salary level in the municipality in 2014, while a significant part of the employees were part of the communes. As a result, the merging of the former communes into 61 municipalities, has also been accompanied by an increase in the salary level for the apparatus of the local self-government units.
3. For some functions that are also part of the municipal apparatus, their salaries have been increased (for example, preschool education salary increase as at the central level, etc.).
4. Many buildings and institutions have been built (schools,

Graph 10: Number of employees in the municipal apparatus before and after RAT



Source: Ministry of Finance and Economy

kindergartens, health centers, dormitories, roads, social facilities, recreation buildings, etc.) from the budget of the municipalities and the state budget in the territories of the municipalities, which have required and require additional expenses for the operation of them and guaranteeing them to be providers of services to local communities.

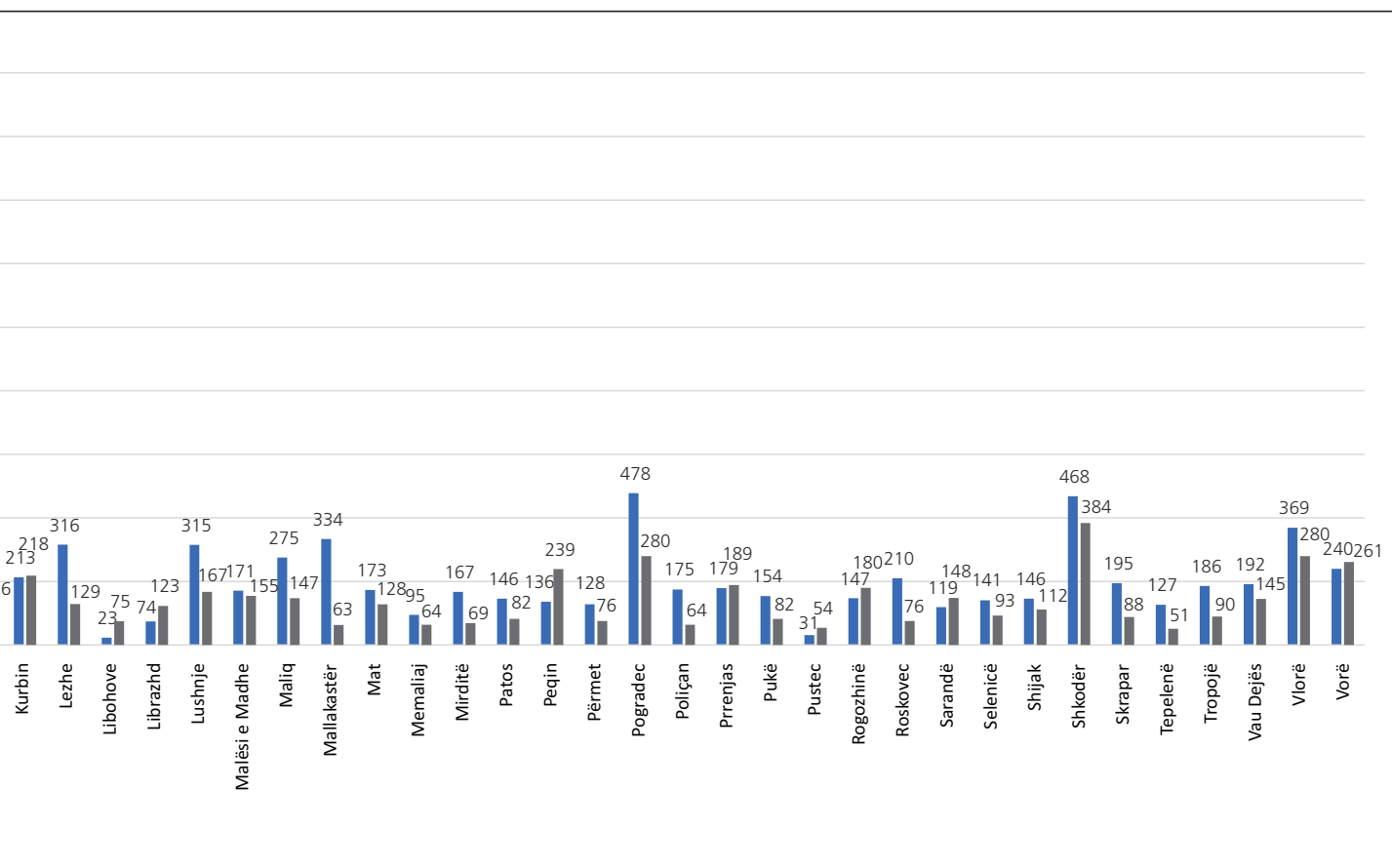
Regarding the number of employees for enterprises and other institutions that are directly related to the provision of services, there is a significant increase in the number of employees from 6,194 employees in 2014 to 27,179 in 2021. This increase in the number of employees mainly results from the transfer of functions from the central government to the local government. Accordingly, it results that a total of 9,414 employees (based on table no. 6 attached to the annex) have been transferred from the allocated functions. Among them, 7,035 employees are allocated from the preschool education function where 4,849 are preschool education employees and 2,186 support employees. The pre-university education support staff are in total 797. Another function allocated to the

local government is the fire protection service where 993 employees have been transferred to the local government. In terms of forest administration, a total number of 261 employees have been transferred to the local government. Recently, 328 employees of the irrigation and drainage function have been transferred to the local government.

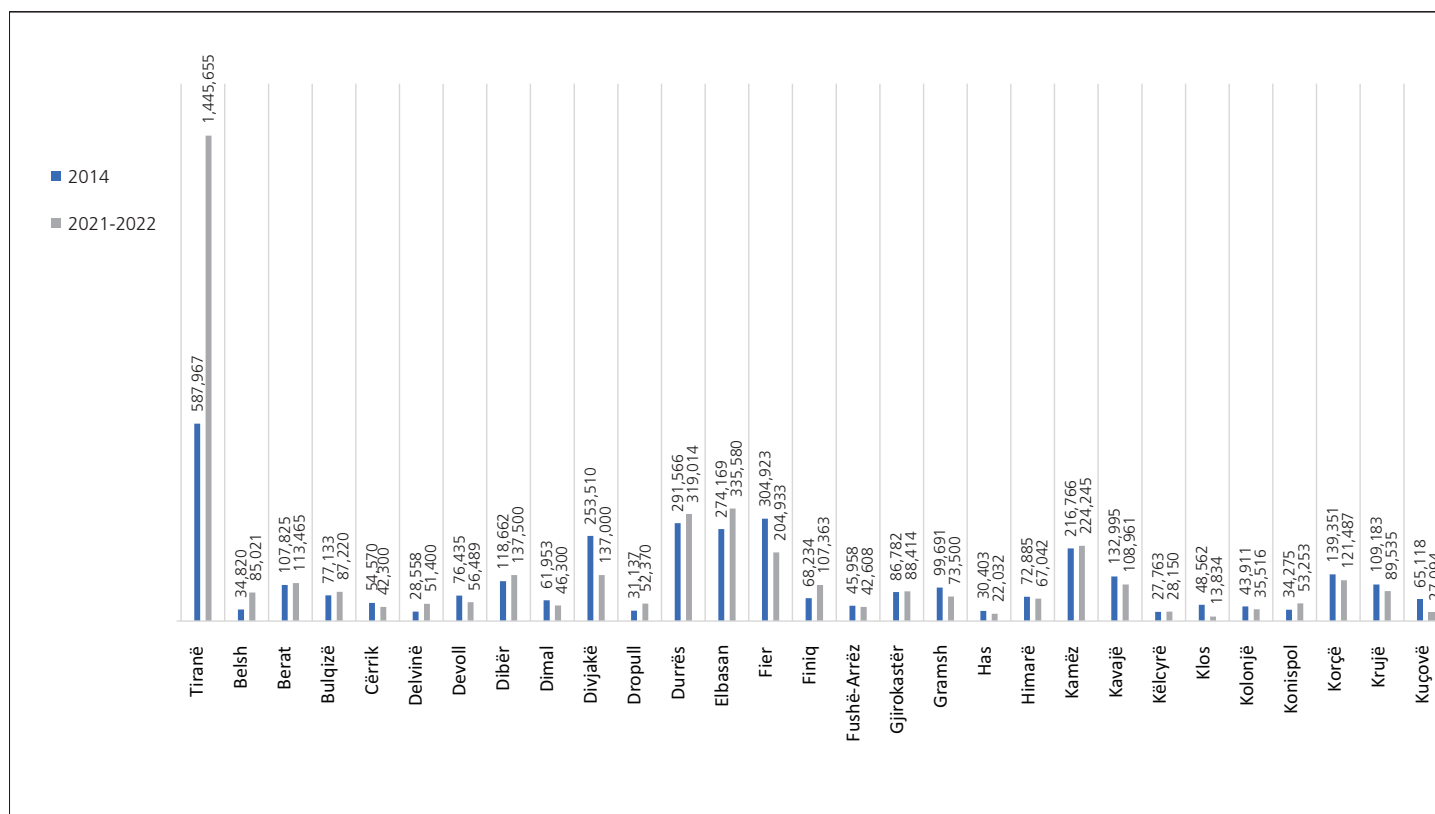
As for the rest of the increased number of employees, it coincides with the opening and development of dependent institutions as well as self-financing enterprises that are monitored by municipalities, replacing services that were previously outsourced by municipalities, such as cleaning and greening function, etc.

The change in the number of employees with an increase from 2014 to 2021, of the enterprises and institutions of the municipalities, which is directly related to the provision of services, is the result of:

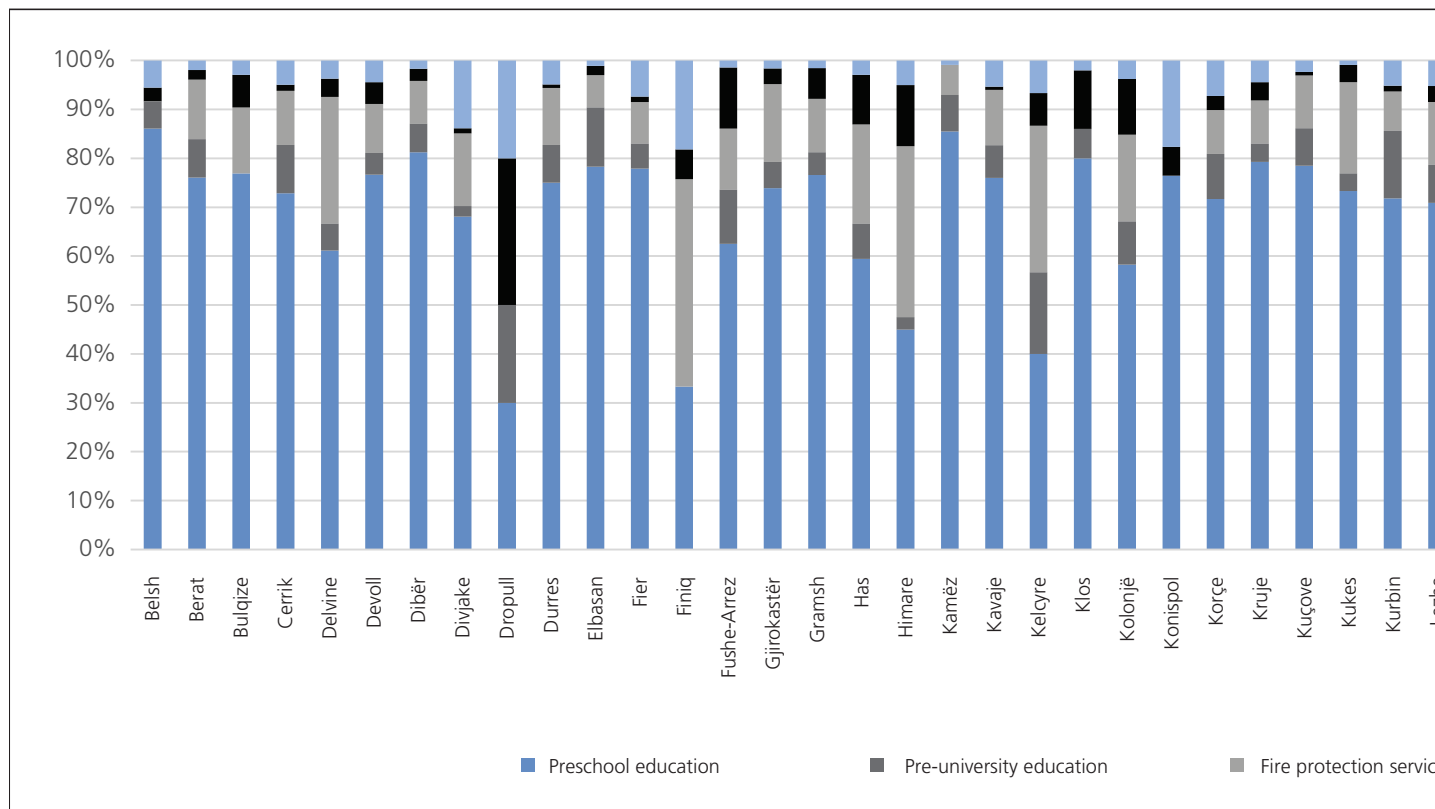
- Legal changes which brought the necessity for increasing human resources in order to fulfill the legal requirements for the exercise of new functions;



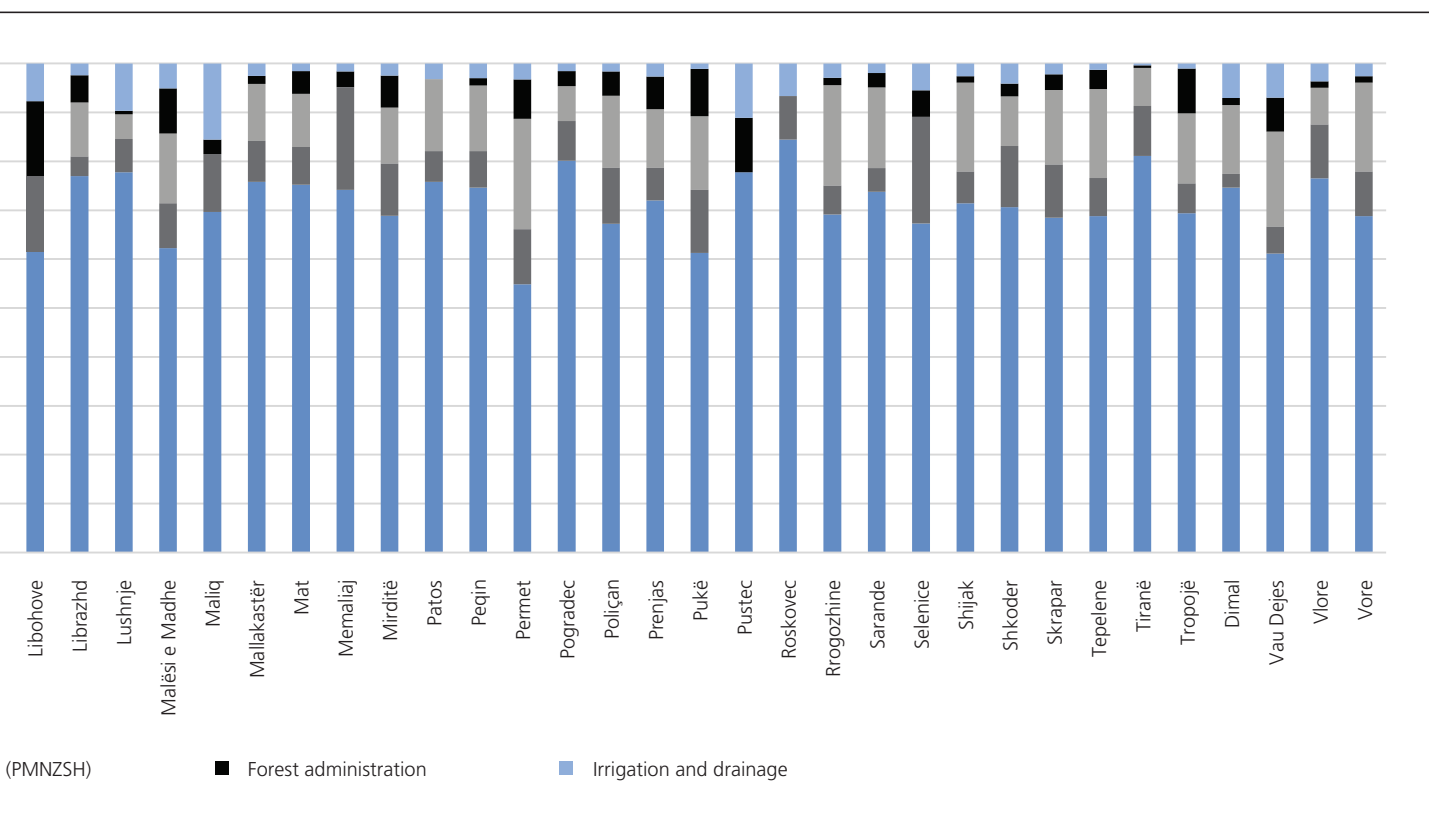
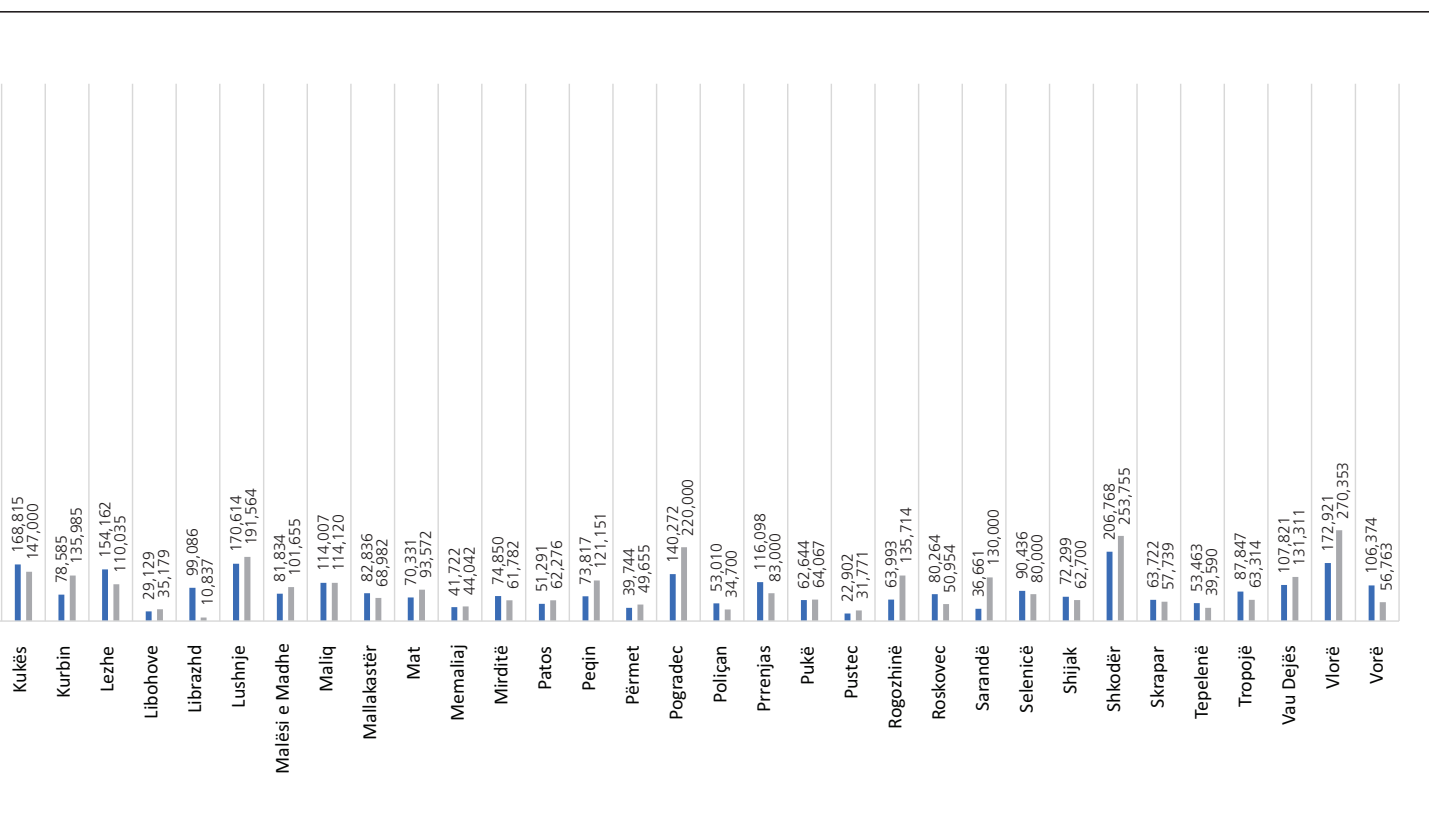
Graph 11: Expenditures for salaries and insurance of employees in the municipal apparatus before and after RATBurimi: Ministria e Financave dhe Ekonomisë



Graph 12: Number of employees of transferred functions



Source: Ministry of Finance and Economy



(PMNZSH) ■ Forest administration ■ Irrigation and drainage

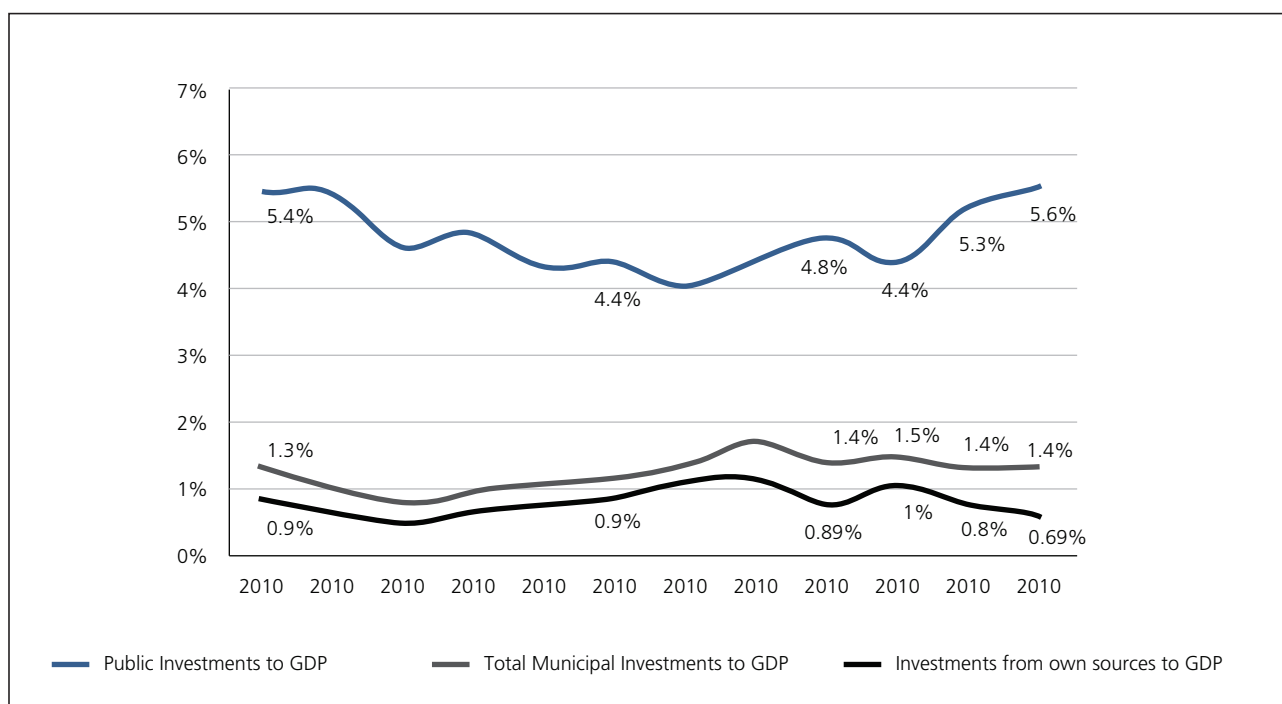
- The transfer from the central level to the local level of the number of employees due to the addition of new functions financed by specific transfers such as Basic and Pre-School Education, Pre-University Education, Fire Protection, Forest Administration, Rural Road Management, Social Centers, Sports Centers, University Dormitory Corps, Irrigation and Drainage, etc.
- Creation of new structures/enterprises depending on the municipality to increase the standard of service provision or for new services, for example units for the promotion of the city, sports centers, recreation parks agencies, etc.;
- Increasing the number of functions that are currently offered by the municipalities for their communities, which is accompanied by the number of additional employees;
- Due to the provision of public services by the municipalities themselves and not through contractors as they were realized before the administrative-territorial reform for services such as: (maintenance service of public cemeteries and funeral service, food service for children in nurseries, kindergartens, dormitories, structures dedicated to additional cleaning services in museum areas for the municipalities that have these areas, additions to the structure of tourism and activities, for coastal municipalities and those municipalities in which tourism is developed);
- The need to have specialized and dedicated people in the design and management structure of foreign projects, to absorb funds from foreign donors;
- Expansion of services in number, quality (frequency of their provision) as well as in scope throughout the territory of the municipality.

Efficiency in service delivery

Regarding the efficiency of the service delivery, from the data report on a national scale, an increase in the efficiency of the provision of public services is observed, mainly in large and medium-sized municipalities. This improvement is noted due to the increased professionalism of the staff and more negotiating power of the already larger municipalities after TAR.

But on the other hand, small local units will always be associated with a lack of efficiency in the provision of public services. In the local self-government units with a very small number of population and with very limited resources and assets, in most cases, the inability to perform the functions and provide the public services defined by the legal framework, the lack of ability to generate revenue from local taxes and fees has been evidenced, misuse of budget revenues for administrative expenses and almost absolute dependence for most LGUs on central government financial transfers.

Graph 13: Investments during 2010-2021 in relation to GDP



Source: www.financatvendore.al

Local public investments per capita in comparison with the national average;

Capital Expenditures are a very important component not only for the fact that they constitute of a considerable part of the local budget, but also because these expenditures are those that directly affect the citizen. In the analysis of expenditures of each of the 61 municipalities, most of these expenditures are occupied by expenditures for salaries and insurance, followed by operating expenditures, and finally the lowest % in expenditures are occupied by investments. In recent years, the level of capital expenditures has fluctuated significantly, mainly influenced by the collection of revenues from the infrastructure impact tax. Based on the law 68/2017 "On finances of local self-government" the revenues from this tax must exceed the financing of investments.

In recent years there has been a decline in investment spending from year to year. Another factor in the decline of investment spending during 2020-2021 were the reallocations made by local government to cope with the COVID-19 pandemic but also the postponement of many procurement procedures.

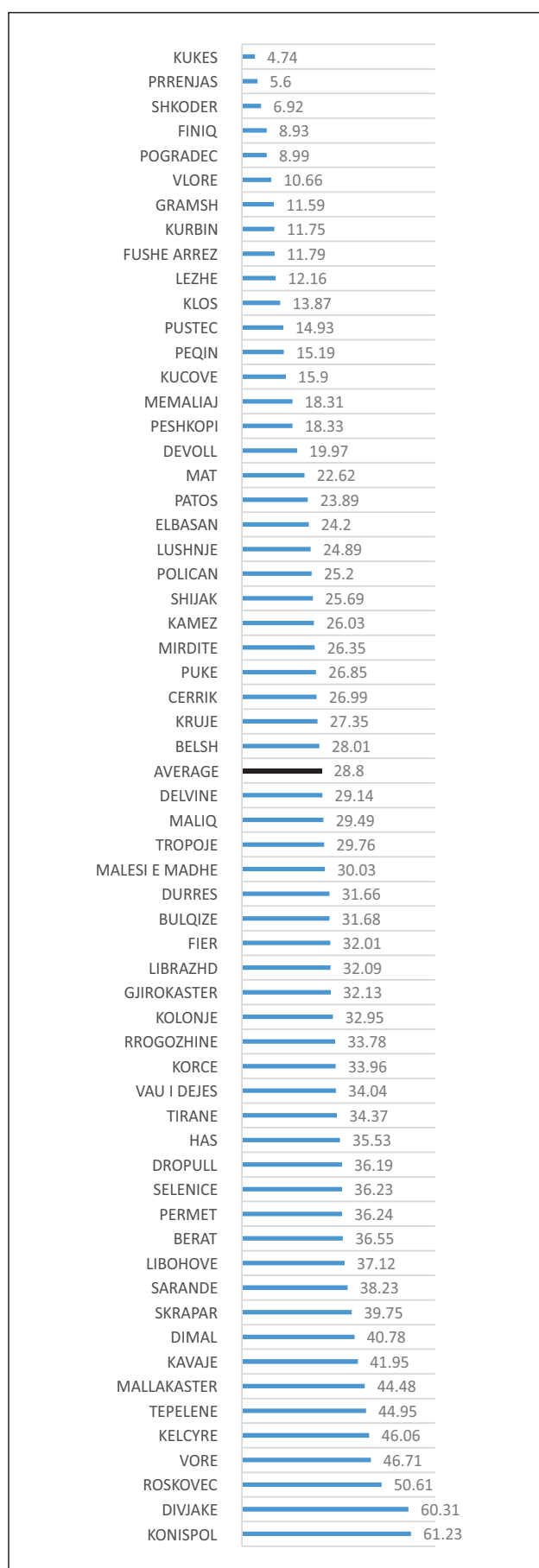
Respectively, the investments per capita made by the municipalities also turn out to have increased from 3,792 ALL in 2015, to an average of 6,080 ALL in 2017, and to an average of 5,400 ALL in 2019, including also intergovernmental transfers for capital expenditures. In general values, the percentage of investments in Albanian municipalities have increased compared to the period before TAR. Based on the available data, it is difficult to assess whether the increase in investment expenditures have been balanced between the central municipality and the administrative units. For this reason a more detailed analysis is needed in each municipality.

During the last years there are seen considerable improvements in the management and operations of the new transferred functions to the municipalities.

Specifically according to a study¹ in which were analyzed a couple of functions to the municipalities of Elbasan, Lezha and Shkodra, there were taken measures to improve supervision and regulation of forest operations. All the three municipalities developed the new forest management plans. The municipality of Elbasan and Shkodra also allocated 10.5% and 32.5% of the functions's budget for Capital investments.

Waste management was another of the functions that was analysed and it was seen considerable progress in service coverage. The success was explained by improving the management of service delivery: better contract

Graph 14: Capital expenditure/Total expenditure



Source: www.financatvendore.al & authors calculations

1 Service Delivery at Sub-national Level in the Context of Decentralization and Weak Public Financial Management, A Case Study from Albania, February 2020

management, improved monitoring, better maintenance of technical infrastructure used for waste collection (bins). Two reasons were given to explain the improvement of management, more professionalism of staff and more bargaining power of the now bigger municipalities after the TAR on the one side, technical and infrastructure support by donors on the other side. On the other hand it was seen a very small percentage in capital investments for the waste management function. Municipality of Elbasan allocated 10% of the function's budget for capital investments, whereas Lezha had 0% and Shkodra only 1 % of capital investments.

During the last years there were seen service improvements compared to the years 2014 before TAR. The main reasons why service delivery have been improved according to studies are indicated as a greater sense of responsibility and the high professional motivation of local staff and also the higher accountability of the decentralized functions.

In 2021, public investments financed by the municipalities themselves have increased by more than 3 times or 6.3 billion lek higher compared to 2015. But even in this case, there are deep differences in the individual performance of municipalities in terms of investments.

Specifically, if we were to analyze the 61 municipalities of the country (excluding the municipality of Tirana), it turns out that, in about 24 municipalities, investment expenses account for 1% of the total expenses in municipalities such as: Delvinë, Devoll, Dibër, Shijak, Cërrik, Libohovë, Has. It is worth noting that almost the same municipalities are also presented with low fiscal capacity in collecting revenues from taxes and local tariffs.

Local financial autonomy.

Financial autonomy is the most important point of local autonomy. The main goal of fiscal decentralization is the increase of efficiencies for the provision of public services. In order for local governments to exercise their functions and competencies effectively and sustainably two aspects are crucial: on one hand, the guarantee of adequate own financial resources and, on the other, the competence to decide autonomously on the application of these funds. Consequently, the central government should create opportunities for local governments to have more financial resources to support further decentralization of public finances. The right to self-govern locally means that such governments must not only have adequate resources, but they should be entitled to such funds as their own resources to be used at their own responsibility.

Considering what defines financial autonomy in terms of 61 municipalities and local government in Albania, we note that the level of local autonomy is estimated low

compared to the reference levels of 80% according to The World Bank (2018) and with significant differences between municipalities.

Respectively, if we compare the level of own source revenues to the total revenues level and the level of state budget transfers to the total revenues of local government, we notice that these two indicators have doubled during the years 2018-2020 compared to 2014. However, on the other hand % of the level of own source revenues to the total revenues level and the level of state budget transfers to the total revenues of local government continues to remain at the same levels compared to 2014. It should be noted that the level of state budget transfers to the total local government revenues continue to be higher than the level of own source revenues to the total revenues level despite Territorial Administrative Reform.

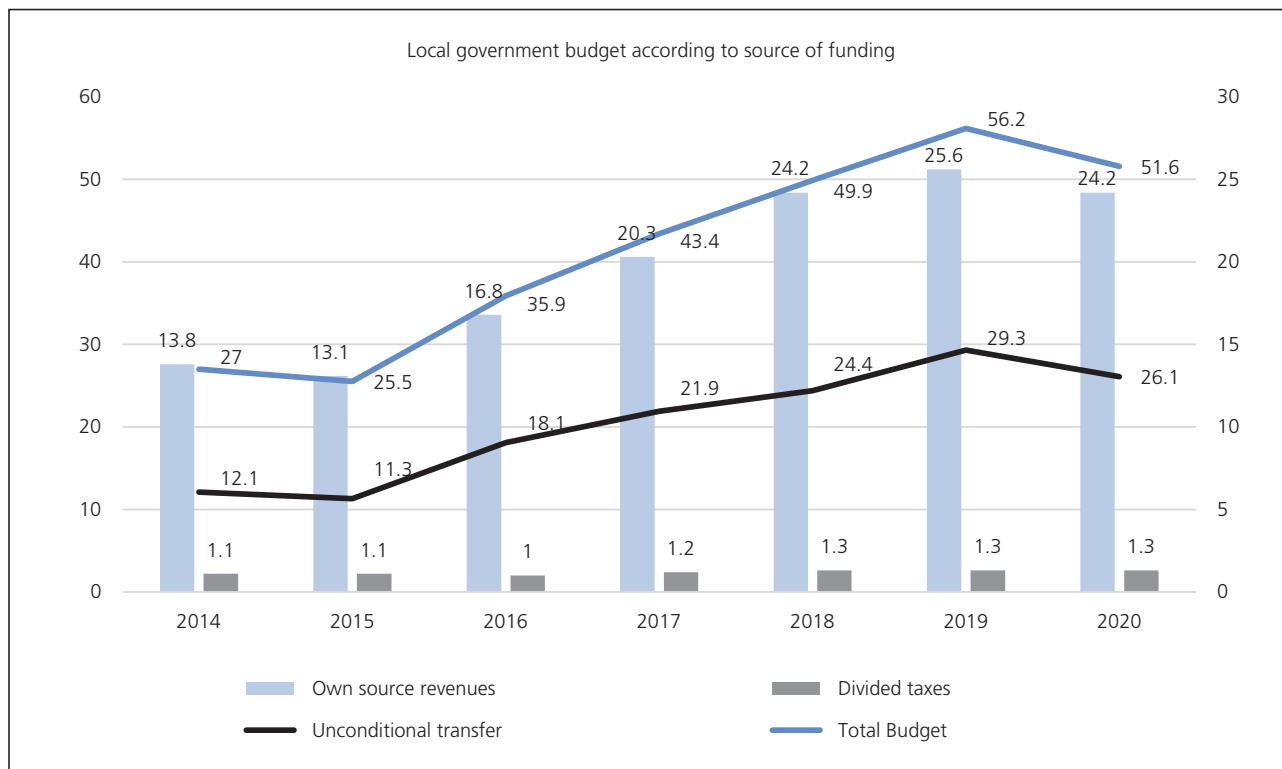
If we refer to the total of local revenues for 2021, the municipalities are grouped as follows:

- With revenues in the amount of 4,000 - 50,000 thousand lek, 19 municipalities are represented (Kolonje, Skrapar, Mirdita, Bulqiza, Kurbin, Konispol, Puke, Përmet, Delvina, Tropoja, Tepelena, Poliçan, Klos, Fushë-Arrëz, Has, Memaliaj, Këlcyrë, Libohova, Pustec).
- With revenues in the amount of 50,000-100,000 thousand lek, 17 municipalities are represented (Mallakastër, Devoll, Cërrik, Kuçovo, Maliq, Divjakë, Dibër, Vau i Dejës, Mat, Malësi e Madhe, Selenicë, Belsh, Finiq, Prrenjas, Gramsh, Dropull, Peqin).
- 18 municipalities with revenues in the amount of 100,000-500,000 lek (Kamez, Saranda, Lushnje, Himare, Kavaje, Berat, Lezhë, Vorë, Pogradec, Krujë, Patos, Roskove, Kukës, Gjirokastrë, Shijak, Ura Vajgurore, Librazhd, Rug).
- With revenues in the amount of >500,000 thousand ALL, 7 municipalities (Tirana, Durrës, Elbasan, Vlorë, Shkodër, Fier, Korçë)

If we refer to the analysis according to the number of the population:

- Municipalities with less than 50,000 inhabitants (37 municipalities) realized less than 1.3% of their local revenues, among which the municipalities of Vorë and Himarë 1% to 1.3%, and 35 municipalities realized less than 1% of their revenues.
- For municipalities with 50,000-100,000 inhabitants (13 municipalities) they realized 0.1-1.6% of their local revenues.

Graph 15: Local government budget according to source of funding



Source: Ministry of Finance and Economy

- For municipalities with 100,000-150,000 inhabitants (5 municipalities) they realized 1.18%-2% of their local revenues.
- Only the municipality of Tirana with about 1 million inhabitants collected 57.4% of the total local revenues.
- For the municipalities with more than 150,000 inhabitants (6 municipalities) they realized 2.47%-3.8% of their local revenues, (Vlora, Fier, Shkodër, Elbasan, Durrës), and

Analyzing the indicators of financial autonomy by 61 municipalities in Albania, we notice that the level of local autonomy / fiscal decentralization remains very low and in a very significant disproportion between the municipalities.

6.

CONCLUSIONS

- The total budget of municipalities compared to the national budget has increased significantly from year to year since the implementation of the Territorial Administrative Reform by increasing the role of local government, increasing the contribution to the economy and also to GDP.
- The analysis of the data shows an increase in total local budget revenues from year to year since the application of the RAT. The administrative-territorial reform has directly affected the improvement and increase of the fiscal capacity of the municipalities for the collection of their local revenues and consequently the increase of the expenses for the local services.
- The increasing role of local government in terms of public services and the functions it exercises, has led to the ratio of its own revenues to total public revenues and gross domestic product has increased in recent years.
- On the other hand, local government has increased its role over the years through its contribution to the economy and Gross Domestic Product.
- In quantitative terms we see an increase in the level of revenues from its own sources in relation to GDP in recent years reflecting a better level of local government, while to see the impact of this increase in each municipality, a more detailed analysis is needed in each municipality of Albania.
- But this increase has a disproportionate distribution as a result of problems in collecting revenues from its own resources in some of the small municipalities.
- Local tax revenues have had an increasing trend compared to every year before. On the other hand, the low levels of revenue collection from its own local sources in some of the municipalities of Albania, evidenced mainly in small municipalities, show that the changes and impacts of the Territorial Administrative Reform in terms of decentralization have had limited impacts.
- The increase in the level of revenues from its own resources has also increased due to the increase in the level of local taxes and tariffs and the improvement in their collection, mainly in urban areas.
- Increasing the economic potential not only from its own revenues but also from those of the central budget are a very important factor in promoting the increase of the quality of local government services.
- Unconditional transfer levels have increased significantly from year to year reaching in 2021 2% of GDP. Also based on documents and reports from the Ministry of Finance is projected to increase the level of unconditional transfer from year to year until 2025.
- The six new decentralized functions are financed by unconditional sectoral transfers that cover employee salaries, social and / or health contributions and some running costs, and a small percentage of investment funds.
- The new administrative division not only changed the way municipalities were formed, but also had to give local government a transformation in terms of financial management and orientation towards a culture of performance, both in the management of municipalities and also in providing services to residents.
- The central government aims to reduce imbalances between municipalities through intergovernmental transfers, but in terms of local autonomy, this policy increases the support of municipalities by the central government.
- Local government expenditures have followed an increasing trend, concretizing over the years the consolidation of local government financial management. This trend is clearly evident not only in absolute value, but also in relation to gross domestic product or public spending.
- In recent years there has been a decline in investment spending from year to year. A key factor in the decline in investment spending during 2020-2021 were the reallocations made by the local government to cope with the COVID-19 pandemic but also the postponement of many procurement procedures.

- In general values, the percentage of investments in Albanian municipalities has increased compared to the period before TAR. Based on the available data, it is difficult to assess whether the increase in investment expenditures has been balanced between the central municipality and the administrative units. For this reason a more detailed analysis is needed in each municipality.
- In recent years there have been significant improvements in the management and operation of new functions transferred to the municipality.
- In recent years there have been service improvements compared to 2014 before TAR. The main reasons why the provision of services improved according to studies are shown as a higher level of responsibility and high professional motivation of local staff and also the higher responsibility of decentralized functions.
- It should be noted that the level of state budget transfers compared to total local government revenues continue to be higher than the level of revenues from its own sources to total revenues despite the Territorial Administrative Reform.
- Analyzing the indicators of financial autonomy from 61 municipalities in Albania, we note that the level of local autonomy / fiscal decentralization remains low and disproportionate between municipalities.

RECOMMENDATIONS

Based on the conclusions it is necessary to make a selection of several pilot municipalities for a more detailed analysis using qualitative and quantitative data. Primary data will

serve to examine public perceptions and attitudes toward local self-government bodies as well as community consolidation reforms in the pilot municipalities.

ANNEXES

Table 1: Population of 61 municipalities in 2017, 2018, 2019

No	Municipalities	Population no. 2017	Population no. 2018	Population no. 2019
1	Tiranë	646,483	634,366	638,716
2	Berat	72,760	71,712	71,983
3	Bulqizë	34,137	33 ,814	33,974
4	Delvinë	11,278	10,967	10,940
5	Devoll	31,815	31,153	31,275
6	Dibër	67,094	66,274	66,322
7	Durrës	221,608	218,322	219,604
8	Shijak	33,873	33,140	33,518
9	Elbasan	164,253	162,467	163,000
10	Cërrik	33,848	33,420	33,503
11	Fier	14 6,334	145,056	145,823
12	Patos	29,479	28,938	29,077
13	Roskovec	25,231	24,832	25,035
14	Gramsh	28,182	27,584	27,565
15	Gjirokastër	36,117	35,676	35,680
16	Libohovë	4,744	4,658	4,690
17	Has	18,360	18,186	18,284
18	Kavajë	54,114	52,916	53,145
19	Rogozhinë	28,750	27,981	28,160
20	Kolonjë	13,751	13,360	13,413
21	Korçë	93,699	92,321	92,269
22	Krujë	68,118	66,427	66,641
23	Kuçovë	39,014	38,434	38,614
24	Kukës	51,813	51,084	51,585
25	Kurbin	55,615	54,666	54,853
26	Lezhë	79,969	79,015	79,648
27	Librazhd	36,110	35,390	35,444
28	Lushnje	98,609	97,320	97,656
29	Malësi e Madhe	38,402	37,823	38,249
30	Mallakastër	32,257	31,414	31,357
31	Mat	30,949	30,513	30,551
32	Mirditë	27,054	26,390	26,410
33	Peqin	30,500	30,064	30,169
34	Përmet	13,538	13,276	13,267
35	Pogradec	71,541	70,358	70,581
36	Pukë	12,850	12,463	12,448
37	Sarandë	33,313	32,856	32,963
38	Skrapar	14,354	13,925	13,880
39	Poliçan	13,236	12,848	12,817
40	Shkodër	158,761	156,747	157,532
41	Tepelenë	11,284	11 ,053	11,027
42	Memaliaj	13,886	13,501	13,498

Source: Ministry of Finance and Economy

43	Tropojë	23,050	22,800	22,844
44	Vlorë	135,556	133,551	133,941
45	Divjakë	40,822	40,355	40,522
46	Belsh	23,852	23,592	23,675
47	Prrenjas	27,836	27,353	27,476
48	Kelcyrë	8,093	7,924	7,903
49	Fushë - Arrëz	8,821	8,609	8,618
50	Konispol	10,113	9,871	9,883
51	Vau - Dejës	36,967	36,532	36,767
52	Selenicë	22,606	21,766	21,831
53	Himarë	13,883	13,587	13,576
54	Vorë	30,147	29,372	29,586
55	Kamëz	115,725	113,146	113,657
56	Ura Vajgurore	31,494	31,068	31,131
57	Maliq	49,028	48,030	48,071
58	Finiq	15,936	15,701	15,676
59	Dropull	9,371	9,278	9,258
60	Pustec	3,926	3,857	3,859
61	Klos	17,925	17,732	17,794
Total		3,352,234	3,296,828	3,311,231

Table 2: **Specific weight of revenues of local government to state budget revenues and GDP, 2013-2021**

In thousand leke (all)	2013	2014	2015	2016	2017	2018	2019	2020	P/budget 2021
In% of total revenue	3.31%	3.39%	3.09%	3.67%	4.29%	4.86%	5.02%	5.16%	5.25%
In% of GDP	0.80%	0.89%	0.82%	1.02%	1.19%	1.34%	1.38%	1.40%	1.51%
Revenues of local government budget	10,825	12,447	11,700	14,951	18,447	21,863	23,102	21,975	25,426
Total state budget revenues	327,178	366,721	379,206	407,021	430,397	449,909	460,349	425,905	484,106
GDP	1,350,052	1,395,303	1,434,308	1,472,480	1,550,644	1,635,715	1,679,284	1,572,269	1,682,637

Table 3: **Specific weight of local budget expenditures to state budget expenditures and GDP, years 2014-P / Budget 2021**

In thousand leke (all)	2013	2014	2015	2016	2017	2018	2019	2020	P/budget 2021
% to total expenses	7.56%	7.52%	7.79%	10.05%	10.07%	10.42%	11.43%	9.63%	9.59%
% to GDP	2.21%	2.36%	2.38%	2.96%	3.00%	3.03%	3.35%	3.28%	3.38%
Local budget expenditures	29,787	32,985	34,066	43,580	46,487	49,615	56,227	51,626	56,826
Total state budget expenditures	394,118	438,849	437,408	433,697	461,410	476,147	491,897	536,279	592,801
GDP	1,350,053	1,395,305	1,434,307	1,472,479	1,550,644	1,635,715	1,679,284	1,572,269	1,682,637

Table 4: **Own local budget revenues and their growth rate**

In thousand leke (all)	2013	2014	2015	2016	2017	2018	2019	2020	P/Budget 2021
Own revenues	10,825	12,447	11,700	14,951	18,447	21,863	23,102	21,975	25,426
Growth rate	1.00	1.15	0.94	1.28	1.23	1.19	1.06	0.95	1.16

Table 5: **Local government budget according to the source of funding**

In billion leke	2014	2015	2016	2017	2018	2019	2020
Own source revenues	13.8	13.1	16.8	20.3	24.2	25.6	24.2
Divided taxes	1.1	1.1	1	1.2	1.3	1.3	1.3
Unconditional and Specific Transfer	12.1	11.3	18.1	21.9	24.4	29.3	26.1
Total budget	27	25.5	35.9	43.4	49.9	56.2	51.6

Table 6: **The number of employees of the functions transferred to the local government**

No.	Name of the Institution	Preschool education			Pre-university education
		Total	Pre-school education (kindergartens), educators and employees in Children's Cultural Centers	Supporting staff	Number of employees (support)
1	Belsh Municipality	31	30	1	2
2	Berat Municipality	194	114	80	20
3	Bulqize Municipality	80	61	19	0
4	Cerrik Municipality	59	49	10	8
5	Delvine Municipality	33	23	10	3
6	Devoll Municipality	69	63	6	4
7	Dibër Municipality	195	136	59	14
8	Divjake Municipality	64	61	3	2
9	Dropull Municipality	3	3	0	2
10	Durres Municipality	309	208	101	32
11	Elbasan Municipality	368	252	116	57
12	Fier Municipality	275	192	83	18
13	Finiq Municipality	11	10	1	0
14	F-Arrez Municipality	45	25	20	8
15	Gjirokastër Municipality	139	89	50	10
16	Gramsh Municipality	98	80	18	6
17	Has Municipality	41	35	6	5
18	Himare Municipality	18	17	1	1
19	Kamëz Municipality	195	153	42	17
20	Kavaje Municipality	114	80	34	10
21	Kelcyre Municipality	12	9	3	5
22	Klos Municipality	40	29	11	3
23	Kolonjë Municipality	46	35	11	7
24	Konispol Municipality	13	12	1	0
25	Korçe Municipality	248	161	87	32
26	Kruje Municipality	126	94	32	6
27	Kuçove Municipality	102	65	37	10
28	Kukes Municipality	165	102	63	8
29	Kurbin Municipality	125	89	36	24
30	Lezhe Municipality	163	108	55	18

Fire protection service (PMNZSH)	Forest administration	Irrigation and drainage			NP total specifics
Number of employees	Number of employees	Total	Number of employees (excavators)	Number of employees	
0	1	2	1	1	36
31	5	5	1	4	255
14	7	3	1	2	104
9	1	4	1	3	81
14	2	2	1	1	54
9	4	4	1	3	90
21	6	4	1	3	240
14	1	13	2	11	94
0	3	2	0	2	10
48	3	20	2	18	412
31	9	5	1	4	470
30	4	26	5	21	353
14	2	6	1	5	33
9	9	1	0	1	72
30	6	3	0	3	188
14	8	2	1	1	128
14	7	2	1	1	69
14	5	2	1	1	40
14	0	2	0	2	228
17	1	8	1	7	150
9	2	2	1	1	30
0	6	1	0	1	50
14	9	3	1	2	79
0	1	3	1	2	17
31	10	25	3	22	346
14	6	7	1	6	159
14	1	3	1	2	130
42	8	2	0	2	225
14	2	9	1	8	174
30	7	12	1	11	230

No.	Name of the Institution	Preschool education			Pre-university education
		Total	Pre-school education (kindergartens), educators and employees in Children's Cultural Centers	Supporting staff	Number of employees (support)
31	Libohove Municipality	8	7	1	2
32	Librazhd Municipality	97	78	19	5
33	Lushnje Municipality	217	156	61	19
34	Malësi e Madhe Municipality	61	55	6	9
35	Maliq Municipality	94	88	6	16
36	Mallakastër Municipality	91	60	31	10
37	Mat Municipality	97	60	37	10
38	Memaliaj Municipality	46	36	10	13
39	Mirditë Municipality	84	52	32	13
40	Patos Municipality	72	47	25	6
41	Peqin Municipality	50	41	9	5
42	Permet Municipality	34	24	10	7
43	Pogradec Municipality	157	143	14	16
44	Poliçan Municipality	41	29	12	7
45	Prenjas Municipality	54	46	8	5
46	Pukë Municipality	57	32	25	12
47	Pustec Municipality	7	7	0	0
48	Roskovec Municipality	38	34	4	4
49	Rrogozhine Municipality	47	36	11	4
50	Sarandë Municipality	76	50	26	5
51	Selenice Municipality	37	29	8	12
52	Shijak Municipality	55	42	13	5
53	Shkoder Municipality	243	137	106	43
54	Skrapar Municipality	63	39	24	10
55	Tepelene Municipality	53	37	16	6
56	Tiranë Municipality	1,202	684	518	151
57	Tropojë Municipality	68	45	23	6
58	Ura Vajgurore Municipality	53	53	0	2
59	V.Dejes Municipality	44	44	0	4
60	Vlore Municipality	355	224	131	51
61	Vore Municipality	53	49	4	7
	Total	7,035	4,849	2,186	797

Fire protection service (PMNZSH)	Forest administration	Irrigation and drainage			NP total specifics
		Total	Number of employees (excavators)	Number of employees	
0	2	1	0	1	13
14	7	3	1	2	126
14	2	27	3	24	279
14	9	5	1	4	98
0	4	21	3	18	135
14	2	3	1	2	120
14	6	2	1	1	129
0	2	1	0	1	62
14	8	3	1	2	122
14	0	3	1	2	95
9	1	2	1	1	67
14	5	2	1	1	62
14	6	3	1	2	196
9	3	1	0	1	61
9	5	2	1	1	75
14	9	1	0	1	93
0	1	1	0	1	9
0	0	3	0	3	45
14	1	2	1	1	68
17	3	2	0	2	103
0	3	3	1	2	55
14	1	2	0	2	77
35	9	14	2	12	344
14	3	2	1	1	92
14	3	1	0	1	77
116	8	5	2	3	1,482
14	9	1	0	1	98
10	1	5	2	3	71
14	5	5	1	4	72
35	6	17	2	15	464
14	1	2	1	1	77
993	261	328	61	267	9,414

Table 7: The number of employees for municipalities before and after the reform, divided by the apparatus and by enterprises and other institutions

Local Units [1]	2014 According to SIFQ				2021-2022 According to SIFQ and MBP			
	Number of Employees		Salary and insurance expenses		Number of Employees		Salary and insurance expenses	
	<i>Apparatus</i>	<i>Other</i>	<i>Apparatus</i>	<i>Other</i>	<i>Apparatus</i>	<i>Other</i>	<i>Apparatus</i>	<i>Other</i>
Tiranë	1,602	2,447	587,967	1,813,235	1,498	6,112	1,445,655	4,546,732
Belsh	98	10	34,820	13,418	153	50	85,021	38,828
Berat	210	196	107,825	113,661	124	652	113,465	374,068
Bulqizë	192	45	77,133	27,015	129	260	87,220	153,665
Cërrik	186	10	54,570	26,362	62	215	42,300	147,398
Delvinë	57	0	28,558	0	69	119	51,400	59,892
Devoll	128	0	76,435	0	92	271	56,489	153,293
Dibër	387	34	118,662	63,911	261	559	137,500	370,116
Dimal	196	14	61,953	34,695	64	226	46,300	139,170
Divjakë	132	0	253,510	0	167	295	137,000	127,651
Dropull	83	0	31,137	395	63	79	52,370	37,725
Durrës	509	733	291,566	419,626	297	1,553	319,014	900,044
Elbasan	496	285	274,169	151,967	403	1,034	335,580	678,684
Fier	707	413	304,923	214,970	266	1,169	204,933	663,700
Finiq	140	0	68,234	13,779	158	33	107,363	27,872
Fushë-Arrëz	116	0	45,958	0	64	168	42,608	83,838
Gjirokastër	168	143	86,782	76,793	115	508	88,414	298,376
Gramsh	181	10	99,691	6,845	97	256	73,500	163,662
Has	80	64	30,403	35,460	39	236	22,032	146,971
Himarë	219	0	72,885	0	37	167	67,042	57,324
Kamëz	380	0	216,766	0	277	355	224,245	271,081
Kavajë	399	28	132,995	49,257	140	484	108,961	291,556
Këlcyrë	82	0	27,763	0	25	180	28,150	65,117
Klos	96	0	48,562	14,310	82	163	13,834	129,451
Kolonjë	126	52	43,911	26,681	48	240	35,516	125,489
Konispol	87	0	34,275	0	82	31	53,253	21,557
Korçë	304	245	139,351	125,471	154	1,078	121,487	530,820
Krujë	379	9	109,183	70,205	111	434	89,535	272,318
Kuçovë	152	75	65,118	39,319	60	334	27,094	212,878
Kukës	386	0	168,815	0	136	577	147,000	311,561
Kurbini	213	41	78,585	27,757	218	199	135,985	123,403

Local Units [1]	2014 According to SIFQ				2021-2022 According to SIFQ and MBP			
	Number of Employees		Salary and insurance expenses		Number of Employees		Salary and insurance expenses	
	<i>Apparatus</i>	<i>Other</i>	<i>Apparatus</i>	<i>Other</i>	<i>Apparatus</i>	<i>Other</i>	<i>Apparatus</i>	<i>Other</i>
Lezhe	316	11	154,162	74,548	129	659	110,035	363,825
Libohove	23	0	29,129	7,772	75	13	35,179	22,556
Librazhd	74	0	99,086	0	123	285	10,837	231,988
Lushnje	315	148	170,614	65,783	167	771	191,564	388,087
Malësi e Madhe	171	0	81,834	10,176	155	317	101,655	145,299
Maliq	275	0	114,007	35,289	147	439	114,120	225,502
Mallakastër	334	46	82,836	33,931	63	376	68,982	190,090
Mat	173	33	70,331	28,701	128	382	93,572	198,990
Memaliaj	95	0	41,722	1,339	64	152	44,042	80,365
Mirditë	167	77	74,850	35,127	69	357	61,782	202,634
Patos	146	130	51,291	55,349	82	281	62,276	156,900
Peqin	136	0	73,817	19,276	239	67	121,151	64,419
Përmet	128	56	39,744	37,518	76	237	49,655	116,324
Pogradec	478	71	140,272	84,634	280	495	220,000	265,873
Polican	175	225	53,010	6,592	64	203	34,700	97,257
Prrenjas	179	0	116,098	0	189	143	83,000	112,279
Pukë	154	0	62,644	0	82	217	64,067	107,883
Pustec	31	0	22,902	9,611	54	25	31,771	15,754
Rogozhinë	147	0	63,993	1,120	180	45	135,714	51,850
Roskovec	210	0	80,264	32,822	76	265	50,954	142,469
Sarandë	119	133	36,661	100,687	148	282	130,000	139,668
Selenicë	141	0	90,436	0	93	164	80,000	71,294
Shijak	146	0	72,299	0	112	208	62,700	116,432
Shkodër	468	148	206,768	141,560	384	668	253,755	398,000
Skrapar	195	51	63,722	37,637	88	274	57,739	151,594
Tepelenë	127	0	53,463	15,720	51	188	39,590	95,969
Tropojë	186	0	87,847	19,728	90	302	63,314	148,709
Vau Dejës	192	0	107,821	0	145	248	131,311	122,370
Vlorë	369	211	172,921	146,619	280	1,002	270,353	541,227
Vorë	240	0	106,374	0	261	77	56,763	163,068
TOTAL	14,401	6,194	6,393,422	4,366,671	9,585	27,179	7,330,847	16,652,910

BIBLIOGRAPHY

- Baldersheim, H., & Rose, L.** (2010). Territorial choice: The politics of boundaries and borders. Palgrave-Macmillan.
- Blank, J. L., & Niaounakis, T. K.** (2021). Economies of scale and sustainability in local government: A complex issue. *Sustainability*, 13(23), 13262.
- Bourdin, S., & Torre, A.** (2021). The territorial big bang: which assessment about the territorial reform in France?. *European Planning Studies*, 29(11), 1981-1998.
- Ebinger, F., Kuhlmann, S., & Bogumil, J.** (2019). Territorial reforms in Europe: effects on administrative performance and democratic participation. *Local Government Studies*, 45(1), 1- 23
- Gendźwiłł, A., Kurniewicz, A., & Swianiewicz, P.** (2021). The impact of municipal territorial reforms on the economic performance of local governments. A systematic review of quasiexperimental studies. *Space and Polity*, 25(1), 37-56
- Harjunen, O., Saarimaa, T., & Tukiainen, J.** (2021). Political representation and effects of municipal mergers. *Political Science Research and Methods*, 9(1), 72-88.
- Hofmann, R., & Rother, N.** (2019). Was it worth it? The territorial reform in the canton of Glarus. *Swiss Political Science Review*, 25(2), 128-156.
- Holzer, M., Fry, J., Charbonneau, E., Van Ryzin, G., Wang, T., & Burnash, E.** (2009). Literature review and analysis related to optimal municipal size and efficiency. Rutgers--Newark, School of Public Affairs and Administration.
- Jordahl, H., & Liang, C. Y.** (2010). Merged municipalities, higher debt: on free-riding and the common pool problem in politics. *Public Choice*, 143(1), 157-172.
- Keating, M.** (1995). Size, efficiency and democracy: consolidation, fragmentation and public choice. *Theories of urban politics*, 11, 117-134.
- Leland, S., & Thurmaier, K.** (2005). When efficiency is unbelievable: Normative lessons from 30 years of city-county consolidations. *Public Administration Review*, 65(4), 475-489. <https://doi.org/10.1111/j.1540-6210.2005.00473>
- Lima, R. C. D. A., & Silveira Neto, R. D. M.** (2018). Secession of municipalities and economies of scale: Evidence from Brazil. *Journal of Regional Science*, 58(1), 159-180.
- Matějová, L., Nemeč, J., Krápek, M., & Klimovský, D.** (2017). Economies of scale on the municipal level: fact or fiction in the Czech Republic?. *Network of Institutes and Schools of Public Administration in Central and Eastern Europe. The NISPAcee Journal of Public Administration and Policy*, 10(1), 39.
- Miyazaki, T.** (2018). Examining the relationship between municipal consolidation and cost reduction: an instrumental variable approach. *Applied Economics*, 50(10), 1108-1121.
- O'Toole Jr, L. J., & Meier, K. J.** (1999). Modeling the impact of public management: Implications of structural context. *Journal of public administration research and theory*, 9(4), 505-526.
- Paddison, R.** (2004). Redrawing local boundaries: Deriving the principles for politically just procedures. In J. Meligrana (Ed.), *Redrawing local boundaries: An international study of politics, procedures, and decisions* (pp. 19–37). UBC Press.2019.1584557
- Pfaffli S., Bruni S., Karakaci V.,** (2020), Service Delivery at Sub-national Level in the Context of Decentralization and Weak Public Financial Management, A Case Study from Albania
- Pierskalla, J. H., Rodden, J., & Wibbels, E.** (2019). The proliferation of decentralized governing units. *Decentralized governance and accountability: Academic research and the future of donor programming*, 115-143.
- Pickering, S., Tanaka, S., & Yamada, K.** (2020). The Impact of Municipal Mergers on Local Public Spending: Evidence from Remote-Sensing Data. *Journal of East Asian Studies*, 20(2), 243-266. <https://doi.org/10.1017/jea.2020.1>
- Soukopová, J., Nemeč, J., Matejová, L., & Struk, M.** (2014). Municipality size and local public services: do economies of scale exist?. *Network of Institutes and Schools of Public Administration in Central and Eastern Europe. The NISPAcee Journal of Public Administration and Policy*, 7(2), 151.
- Swianiewicz, P.** (2002). Consolidation of fragmentation? The size of local government in central and Eastern Europe. *LGI – Open Society Institute*.
- Swianiewicz, P.** (2010). If territorial fragmentation is a problem, is amalgamation a solution? – Ten years later. *Local Government Studies*, 36(2), 183–203. <https://doi.org/10.1080/03003930903560547>
- Swianiewicz, P.** (2018). If territorial fragmentation is a problem, is amalgamation a solution? – Ten years later. *Local Government Studies*, 44(1), 1–10. <https://doi.org/10.1080/03003930.2017.1403903>
- Swianiewicz, P., Gendźwiłł, A., & Zardi, A.** (2017). Territorial reforms in Europe: Does size matters. *Territorial amalgamation Toolkit*. Strasbourg: Centre of Expertise for Local Government Reform. Council of Europe.
- Swianiewicz, P., & Lukomska, J.** (2019). Is small beautiful? The quasi-experimental analysis of the impact of territorial fragmentation on costs in Polish local governments. *Urban Affairs Review*, 55(3), 832–855. <https://doi.org/10.1177/1078087417744676>.
- Swianiewicz, P.** (2021). From post-communist democratic laissez-faire to prevention of territorial fragmentation: tightening the rules of municipal splits in Central and Eastern Europe after 1990. *Miscellanea Geographica. Regional Studies on Development*, 25(1), 5-17.
- Tang, W., & Hewings, G. J.** (2017). Do city-county mergers in China promote local economic development? *Economics of Transition*, 25(3), 439–469. <https://doi.org/10.1111/ecot.12118>.
- Tavares, A. F.** (2018). Municipal amalgamations and their effects: A literature review. *Miscellanea Geographica*, 22(1), 5-15.
- Turley, G., McDonagh, J., McNena, S., & Grzedzinski, A.** (2018). Optimum territorial reforms in local government: An empirical analysis of scale economies in Ireland. *The Economic and Social Review*, 49(4, Winter), 463-488.
- Walker, R. M., & Andrews, R.** (2015). Local government management and performance: A review of evidence. *Journal of public administration research and theory*, 25(1), 101-133.
- Walsh, K.** (1996). *Public services, efficiency and local democracy. In Rethinking local democracy* (pp. 67-88). Palgrave, London.

Internet sources:

<https://portavendore.al/wp-content/uploads/2018/03/Raport-Studimor-Ministria-per-Ceshtjet-Vendore-Analiza-e-Situates-se-Qeverisjes-Vendore-2014.pdf>

<http://em-al.org/sq/manual-informues-reforma-administrativo-territoriale-rat-ne-shqiperi/>

https://portavendore.al/wp-content/uploads/2018/12/raporti_reforma_territoriale.pdf

<https://portavendore.al/wp-content/uploads/2019/06/Local-Government-in-Albania.pdf>

https://www.legislationline.org/download/id/8099/file/Albania_law_notification_public_consultation_2014_en.pdf#:~:text=1.,high%20interest%20for%20the%20public.

<https://info.undp.org/docs/pdc/Documents/ALB/Decentralisation%20Strategy%20Final%20-%20Feb%202015%20-%20English.pdf>

www.financatvendore.al

ABOUT THE AUTHOR

The Institute of Public and Private Policies (IP3) is an independent non-profit organization based in Albania. IP3, since its creation in 2012, offers high quality consultancy and analysis in order to design and implement public and private policies in various fields and sectors.

IP3 promotes the strengthening of local democracy through the contribution to territorial reform at the local and regional level, decentralization policies, public finance management and fiscal policies, efficiency in the provision of services through one-stop shop initiatives, ensuring transparency and broad participation in governance.

Since its establishment, IP3 has provided technical assistance to local governments in Albania, assistance which has been useful in increasing the capacities and improving the skills of the municipal staff in public engagement, in improving the provision of services at the local level, institutional strengthening, drafting and implementation of sustainable public policies, in areas such as social support, research and training, evaluation of public administration, urban planning, architectural development and electronic government.

IMPRINT

Foundation "Friedrich Ebert" | St. "Kajo Karafili" Nd. 14,
Entrance 2 1st floor| Tirana | Albania

Responsible:
Stine Klapper, Director of the "Friedrich Ebert"
Foundation
Tel: 00355 4 22 509 86
www.tirana.fes.de

Program Manager:
Jonida Smaja

Publications of Friedrich-Ebert-Stiftung may not be used for commercial reasons without the written approval of FES.

ANALYSIS OF THE IMPACT OF TAR DURING 2018-2021



The administrative - territorial reform has directly influenced the improvement and increase of the fiscal capacity of the municipalities for the collection of their local revenues and therefore the increase of expenses for local services. The increase of the



economic potential not only from own revenues but also from those of the central budget are a very important factor in promoting the increase in the quality of local government services. The new administrative division not only changed the way municipalities



were formed, but also had to give local government a new vitality in terms of financial management and orientation towards a culture of performance, as in the management of municipalities, as well as in the provision of services to residents.

For more information:

<https://www.tirana.fes.de/al/publikime/>