

# HUMAN DEVELOPMENT REPORT

*A l b a n i a 2 0 0 2*

Challenges  
of Local Governance  
and Regional Development

Prepared for the United Nations Development  
Programme (UNDP)

by the  
Human Development Promotion Center (HDPC)

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*for specific aspects, it is collaborated with*

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- The report refers to the developments in the country up to the end of September 2002.
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*Albania 2002*

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and Regional Development*

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It is my great honor to be invited to write a few words by way of introduction to this – the fifth Human Development Report – prepared for Albania. The previous NHDRs of Albania covered a diverse set of development themes including the main development issues since 1990.

Increasingly the national HDR is seen as a document, which highlights and explores issues relating to critical economic, social and human development concerns of the day. It is intended to raise the level of debate on important features of social and human development. This I believe it has succeeded in doing. As can be seen from the title of this report – a particularly sensitive and germane topic has been chosen for discussion, namely decentralization and local governance. The Report is replete with observations, ideas and suggestions on the policy front covering, inter alia, the social failures of the transition process, how to improve local governance, bring about more equitable development and on how to involve the citizenry in local government affairs.

As is now well known the national Human Development Reports also present the calculations of the various human development indicators of the host country in accordance with the methodology presented in the global Human Development Reports. In more than one sense, the 2002 NHDR for Albania marks a major watershed in that, for the first time, the national HDI has been calculated. It also breaks new ground in the presentation of regional human development indicators – at the district and prefecture levels. On the basis of this new information, the report draws out some relevant comparisons of the economic and social conditions in the poorest regions and in the rapidly growing urban centers that are the new homes of the economic migrants from the poorest districts.

The Report also covers the linkages between the HDIs and the Millennium Development Goals (MDGs) – and it is seen that for the attainment of the latter the government must address the problem of deep-rooted rural poverty by tackling the deprivation in the most isolated regions. A new regional planning approach must be developed to jointly address the problems of rural poverty, depopulation and deprivation and the rather chaotic forms of urban development that has emerged in Albania. Likewise, support to the government and the peoples of Albania in the design and implementation of a feasible path to achieving the MDGs has assumed a high profile in the UN system and the international community. All countries, and not least Albania, must rapidly develop a strategy for achieving the MDGs. The government has agreed to these

MDGs and must now move ahead to make sure they commence – there is no time to lose.

Significantly the report observes that there is little correspondence between the objectives of the local government reform and the actual support given to the various regions. It is revealed that fiscal decentralization – which should go hand in glove with administrative decentralization, has been largely ignored as an essential instrument of local development. The result is that the poorest regions are grossly under-resourced and getting poorer and the richest regions – mainly in the center of the country around Tirana are becoming richer and even in a sense over developed in a haphazard and unplanned manner. The poorest regions are losing population at an alarming rate, employment opportunities for the youth are almost non-existent and infrastructure is falling into disrepair. This does not bode well for the future more equitable development of Albania.

Finally I would like to express my deep appreciation to the **Human Development Promotion Center (HDPC)**, which has marshaled the expertise to undertake the research in this Report including the calculation, for the first time, of the HDI, and the associated indices.

I would also like to express our appreciation to UNDESA, which provided technical support for the preparation of the NHDR 2002. Not least we have utilized the expertise of the Bulgarian Institute of Statistics – through Mr. Sergej Tsvetarsky in the preparation of the national and regional HDIs. This is an excellent example of intra-regional technical cooperation, which I am happy to support.

The next stage will be to ensure that the Report gets adequate exposure and we will support this through a series of workshops after the initial launching ceremony. We have already paved the way for this by the hosting of a meeting of the regional media on the preliminary findings of the NHDR and used the services of a seasoned expert in the media world – Mr. Ian Williams to guide this process. In closing, I believe the challenge is now also for the government and Civil Society in Albania to ensure that the issues addressed in the NHDR 2002 are taken up in earnest.

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*Tirana  
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## Glossary of Acronyms

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<b>CoM</b>	Council of Ministers
<b>GPRS</b>	Growth and Poverty Reduction Strategy
<b>NHDR</b>	National Human Development Report
<b>INSTAT</b>	National Institute for Statistics
<b>MDG</b>	Millennium Development Goals
<b>HDI</b>	Human Development Index
<b>HDPC</b>	Human Development Promotion Center
<b>UNDP</b>	United Nations Development Programme
<b>NGO</b>	Non Governmental Organization
<b>GDP</b>	Gross Domestic Product
<b>EU</b>	European Union
<b>HPI</b>	Human Poverty Index
<b>GDI</b>	Gender Development Index
<b>GEM</b>	Gender Empowerment Measure
<b>TAI</b>	Technology Achievement Index

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## Introduction

This National Human Development Report for 2002 marks a further significant step in the process of documenting and analyzing the outcome of the transition process in Albania. It includes the first attempt to calculate the array of indicators attached to the composite Human Development Index (HDI) which is published annually by the United Nations. In addition it has gone a step further with the calculation of sub-national (regional) human development indicators. It is expected that the HDI calculation process will be refined progressively year on year. The HDI exercise has been extremely valuable in identifying important trends and changes in Albanian economic and social conditions at the national and regional levels – notably under the decade of transition to a market economy.

The report is set out in four chapters. The first, describes the essential and important linkages between the transition process and human development including the regional HDIs, the second chapter examines the difficulties facing local governance in managing local development in the public interest. The third chapter focuses on the phenomenon of “centralized decentralization” which characterizes the unsuccessful attempts to incorporate a regional development component in development. The final chapter explores some of the strategic initiatives required to address the regional developmental imbalances that have arisen over the past ten or so years and in particular the polarization of growth into a relatively narrow belt between Tirana and Durres and the deterioration of significant parts of the rural areas.

## The human dimension of development

The publication of the National Report on Human Development – Albania 2002

- coincided with the end of the first decade of great political, economic and social change in Albania. This report recorded changes in the economic and social fabric of society to the extent that the Albanians would never have imagined ten years ago. The aspiration of the democratic movement of 1991 to make “*Albania like the rest of Europe*” was only the beginning of a process of comprehensive and radical reforms which, in retrospect, are regarded as quite courageous and yet very costly in human terms for the poorest country in Europe, a country which had just emerged from a communist dictatorship and extreme international isolation.

Ten years later, Albanian society finds itself profoundly restructured. It now has the gulf between the extreme rich and abject poor, and between the two, there is a widening middle class. The extremely high rate of urbanization, social fragmentation and the lack of social cohesion have had dramatic effects recently, both for the cities and for the countryside.

Civil society would seem to be the most neglected element of transition in Albania. The population is still hardly able to organize itself as a community, the desire and willingness of the people to implement legislation is progressing slowly, and there is little participation on the part of interest groups in drafting reforms and policies. Business is endeavouring to advance in an unregulated or easily deregulated environment in which the informal market predominates. Politics have taken on new forms. The high level militancy that marked the early and mid years of the 1990’s has been replaced by more specific types of militancy, with specific interests seeking to bias the development process in their favour.

The implementation of a rigorous reform programme gave quick and evident



results in the promotion of macro-economic stability. But the political, economic and social crisis of 1997 showed that these reforms were not enough to guarantee the success of the transition. The atmosphere of political conflict, institutional weakness, corruption, and the non-implementation of legislation have been some of the major adverse and constraining factors which were not taken into account sufficiently in the design of the transition strategy. The 1977 crisis reversed the main social and economic indicators to the levels they were at the start, and, most serious of all, Albanian confidence in the country's political and government institutions, was deeply shaken. Everything began anew with another stabilization programme in the year 1998, combined this time with repeated demands for institutional consolidation. Albania has finally begun to show real progress.

The initial reform programme was promoted by a large number of strategies oriented towards economic transition to a market economy. However, Albania has now gone through ten years of transition without a strategy for combating poverty, for reforming the education system or for changing the situation in the public health sector. One of the main handicaps of almost all macro-economic and sectoral strategies which have been planned for the country has been the low level of reliability of the statistics upon which they rely, the lack of measurable indicators, the lack of requisite cost analyses for implementation, and the lack of a guaranteed funding analysis.

Reform progress has had some an impact on the indicators of human development based on the United Nations Human Development Index (HDI). To analyse this impact, an initial attempt was made to calculate these indicators at the national and local levels, based on data from the year 2001.

These calculations have shown that the **Human Development Index** in 2001 is 0.764 and that Albania ranks 70<sup>th</sup> in the classification of the United Nations for the 173 countries which were counted in this index. It is also included among the countries with a medium level of human development. The statistics reveal substantial differences in the level of human development among the various regions of the country. The highest HDI level was in the prefecture of Tirana and the lowest was in the prefecture of Kukes. There were also substantial differences within prefectures, shown clearly by the statistics for the district level.

The **Index of Gender Development**, as a measurement of the inequality between women and men, seen from the perspective of basic skills and living conditions, is 0.758 and Albania ranks 61<sup>st</sup> in this classification. This puts it in with the group of countries with a medium level of gender development. At the local level, the prefectures of Tirana, Fier and Durres have the highest rate of gender development and the prefectures of Shkoder, Diber and Kukes have the lowest rate. The **Index of Gender Empowerment**, which focuses on the ability of women to show their skills and to play an active role in political and economic life and in decision-making, is 0.422 and Albania ranks 58<sup>th</sup> in the classification of the United Nations.

Another calculation is the **Index of Technological Achievement**, which shows the level of each country with regard to the presence and utilization of technology at the service of human development. Albania's rate is 0.304, which ranks it among the countries that are dynamically adapting to modern technology.

The results of these calculations clearly show that there are great imbalances in the progress of **human development at the local level**. For the first time the

calculations of regional HDIs has shown the marked spatial disparities that have emerged in the country over the past 10 years. The current development strategies and policies do not reflect or seek to address these imbalances very well, and certainly not directly. They all aim at an improvement of the indicators at the national level. Experience from this decade of transition has proven clearly that this macro-economic level approach, when carefully implemented under conditions of political stability, encourages economic growth and global development in the country. But its effects on human development, in particular at the local level, have been less evident and much slower. A direct influence on the indicators related to human development, in particular, to issues such as income, education, health care, social services, and gender equality etc, can only be achieved quickly and with low costs by taking specific measures for the zones in which the indicators have deteriorated most or record the lowest level in absolute terms. This implies a more sectorally disaggregated and spatially oriented approach to transition.

As a consequence, **local development**, as a **new vision for the country's development**, would seem to constitute yet another challenge for Albanian transition. It represents first and foremost a novel mentality of government which is needed to meet this challenge, a mentality much more attune to local government and to the role of people in government than it has been in the past. Closely related to this is the need for a review of existing development strategies in order to accommodate the national objectives they contain to local objectives, together with work on selecting priorities for each region, calculating implementation costs and reorienting funding.

The challenge of local development is of particular significance with regard to the fulfillment of commitments made within the framework of the *Millennium Development*

*Goals* (MDG). It is now regarded as essential that account be taken of the MDG indicators at the local level, in particular those related to poverty, education, health care and gender equality. This could enable the preparation of more specific action plans to fulfil targets, to calculate costs, to identify sources of funding and to orient and coordinate funding for more priority activities.

### The local mosaic and local governance

Albania does not have a long and uninterrupted tradition of local governance. In the first decade of the transition very little attention was paid to local governance compare to political and economic reform. The change first began in 1992 with the setting up, for the first time, of units of local governance after direct elections and the attribution to town and rural municipalities of a number of direct responsibilities and more autonomy.

These reforms were influenced and interfered with by interests and political circles at the central government level. The central government has had substantial political influence on local government. This influence would seem to be inevitable for as long as local government is restricted in the legal, administrative and financial means it has at its disposal to fulfil its duties and competencies under the law. The reform and effectiveness of local government fell victim to the fighting and bitter conflicts characteristic of political life in the country during most of the last decade. Influenced by the results of parliamentary elections, the Albanian political establishment has had difficulty accepting cohabitation between the central and local governments, and the central government has often even deprived the local authorities of their competencies under law. In 1999, the *Strategy for Decentralization and Local Autonomy* was drafted for

the first time with a new and long-term vision for the development of local government in accordance with the *European Charter of Local Autonomy*. Laws were passed such as the *Law on the Organization and Functioning of Local Government* and the *Law on Territorial Administrative Division*. The territory of the country was divided into 76 town municipalities and 309 rural municipalities, which represented the first level of local government. They were grouped into 12 regions, which represent the second level of local government.

The *first level of local government* is already in place and is exercising its authority. This achievement was influenced by tradition, a clearer definition of duties and the fact that local government adapted relatively rapidly to its duties. Also of influence was the fact that the town and rural municipalities were run by officials directly elected by the people. As a consequence, the municipalities in question are often regarded as the only real institutions of local governance.

The *second level of local government*, on the other hand, has not yet found its role and has not been able to exercise its authority properly because it does not rely on a clear electoral mandate and does not have clear competencies, nor assets, funds and property of its own. The regional council reflects all the confusion and reservations which have arisen in the course of creating a second level of local government.

The territorial administrative division of the units of the first level of local government has, in general, succeeded in fulfilling its duties with regard to public services. However, the major demographic changes which have occurred, the new level of local autonomy and the higher scale of responsibilities with which the local authorities have been charged require a more in-depth analysis of the existing territorial administrative division

of the first level of local government. Among the elements for review could be the classification of naming, in particular for some of the towns with a small population, the possibility of equating the number of towns with the number of town municipalities, and the existing division of the municipality of Tirana into 11 municipalities, which was not carried out on the basis of sufficiently convincing or acceptable criteria.

The question of optimal size for the units of local government must be the object of discussion especially for the regions, too, which are not carrying out their basic functions: drafting regional policies and harmonizing them with state policies. Analyses carried out up to now on the reasons for this situation seem to avoid discussing the main issue, which is linked to the optimal size for the units of the second level of local government. It is evident that the existing division has been strongly influenced by tradition, and that other, more suitable and more contemporary criteria must be taken into consideration. As an example, one could mention the criterion of approximation with European structures.

Regional development has already become a trend in local governance throughout the countries of the European Union. This new vision for development has begun to be included on the reform agendas of the candidate countries for EU membership. Most of these countries have already passed specific laws on regional development and some of them have begun to adapt their territorial organization to the duties involved in this development.

It is a new concept for Albania. Up to now, it has not been accounted for in national and sector development strategies, in the strategy for the reform of local government, in initiatives for the modernization of legislation, or in the new territorial administrative division.

An analysis of the indexes calculated at the national and regional levels shows that there is **profound regional inequality in human development** in Albania, in particular in economic development, and that this inequality is rapidly increasing. In order for this situation to begin to change, specific regional action must be taken aimed at mobilizing the economic and human potential of all the regions with low indicators. Success here depends to a large extent on the size of the region, which must be sufficient to offer real opportunities for development. In general, dividing a country up into little bits, as was the case of the administrative division carried out in Albania, substantially restricts opportunities for implementing regional development policies.

It would seem that this very important and very essential process couldn't be realized with the existing institutions, legal framework and administrative divisions. The current regions have difficulty responding to this process and this is not simply a question of experience. As a consequence, Albania, which regards membership in the European Union as its greatest challenge, will soon be far behind the times in its reform. Now is the moment to review legislation, to set forth the optimal size for the units of local government at the second level, and to look forward. A special law and a special government structure for regional development, which have shown themselves to be particularly effective in most of the transition countries, would serve as important instruments to initiate this process.

### Centralized decentralization

In Albania the reform of local governance along with attempts at fiscal decentralization was initially conceived as more of a desire among politicians to introduce forms of government similar to those in the western democracies, than as an inevitable reality in governing. Later, the need

for decentralization began to be influenced by the central government's inability to effectively administer most urban services and was reinforced by pressure from politicians, local administration, civil society and the local business community.

**The decentralization reform has advanced at two different speeds.** Progress has been made in the preparation of a legal framework, but implementation has, by comparison, fallen behind. The deadlines set forth in the basic law on local government have not been adhered to. Nonetheless, it is generally held that the deadlines were more optimistic than the concrete possibilities for implementing the reform.

At the moment, Albanian legislation is in full or sufficient compliance with most of the paragraphs of the European Charter of Local Autonomy. This shows that substantial progress has been made in fulfilling the legal framework for decentralization. But the legislation has not yet been fully implemented. As a result, actual compliance is in fact lower.

The process of transferring duties and responsibilities from the central to the local government authorities has proven to be slower than real possibilities and much slower when compared to the deadlines set forth by law. The transfer of duties related to the infrastructure and public services has only been accomplished in part. Unsolved remain problems linked to the approval of construction sites and urban planning. The Council for Territory Adjustment continues to function as a body, which allows the central authorities to take decisions even when the political majority in this government is not the same as in local government. The transfer of duties related to social services has not yet been made. Progress in the transfer of duties linked to local economic development, public order and civil defence, and to

the separation of duties held jointly by the local and central authorities in the fields of education, health and environmental protection has also been slow.

The weakness of local government capacities and the risks linked to them serve as the main reason for delaying the transfer of duties and for the slow progress made in decentralization. The approach of first strengthening these capacities and then transferring responsibilities to them cannot be a rational solution for local government and is in contradiction with the decades of experience gained in reform at the central government level.

The delay in transferring fiscal responsibilities from the central to the local government has been one of the most controversial issues of recent years. From the data on the main indicators of the local budget one can clearly see that although the expenditures of local government have grown from year to year, they have hardly changed at all in relation to state budget expenditures. This shows that fiscal decentralization has made no real progress. Similarly, an analysis of the total sum of state budget funds and of funds belonging to local government, which are spent at the local level (in the districts), shows not only that the main portion of expenses has remained in the competency of the central government administration, but also that the portion of funds which local government has at its disposal has indeed diminished compared to the total of funds available.

An analysis of the total expenditures at the district level, from state budget funds to funds belonging to the local authorities, shows that there does not seem to be a particular national finance policy linked in any way to a strategy for medium-term national and regional development. Over the last ten years, there have been insufficient funds for development in regions with low indicators of human development, where about 22% of the

country's population lives, and these funds have been diminishing from year to year. For 2001, about two-thirds of the population, inhabiting about 86% of the territory of the country, received less than half of the funds nationally available for expenditure. Funds remain concentrated in the districts with a high Human Development Index.

The difference is even more evident if a detailed analysis is made of allocations from the national budget to the districts via the line ministries. Here it can be seen not only that the vast majority of funds are spent in districts with a high Human Development Index, indeed with a growing tendency, but that funds for districts with medium and especially with low Human Development Indices have been cut back by the line ministries. This gives the impression that the line ministries have been gradually abandoning districts with a low Human Development Index.

There may be objective reasons for the low level of funding for districts with a low Human Development Index, for example a lack of resources, low investment efficiency, and important emigration trends, etc. But it now appears evident that it would be essential to define a strategic stance for this part of the population.

The composition of international aid has also revealed clear centralist characteristics. Particular importance has been attached to technical assistance to strengthen governance, to programming and implementing comprehensive reforms, to drafting national and sector policies and strategies, to preparing a legal framework and the approximation thereof to international standards, and to promoting other components which support government functions. This importance is also expressed in the fact that donor commitment in these fields has represented about 29% of all funding accorded to Albania over the period of transition. Almost all

this assistance was accorded to the central government, and only about 4% was given to the local authorities. Direct assistance to support local government capacities, to raise the level of the local administration and to increase public participation in government represents less than 1% of total financing by international donors.

Decentralization is a reform, which requires a political commitment and broad participation from both the central and local governments. It cannot achieve success if one of the governments in question considers itself in the role of the leader and leaves the other government simply to implement the process.

### Civil society participation in local governance

The massive migration of the population from the villages and small towns to Tirana and the large cities has drastically increased the rate of urbanization. City-dwellers represented 42.3% of the population in 2001 against only 35.74% in 1989.

Demographic changes have brought about great changes in population distribution and density per region. These changes can only be established for certain when the results of the 2001 census are ready. Whole villages have been virtually abandoned and the population in the main cities has grown substantially. But the territorial administrative division, in particular with regard to the first level of local government, has not been able to adapt to these changes.

The sudden rise in the urban population turned an important part of the rural population into city-dwellers, without giving them time to adapt to the change. In the suburbs of these cities, there arose an unusual mixture of population from the various rural areas of Albania, a melting pot

of mini-cultures and professions, which were substantially different from the rest of the urban population. The new areas of inhabitation have been deprived of even a minimum of infrastructure and services, of planning and of public investment fund. The new migrants often find themselves living in worse economic conditions than they had known in their regions of origin. Many of these new areas have no schools and social service facilities, and illiteracy is becoming a growing problem. All these factors have made the phenomenon of rapid urbanization a critical process accompanied by high economic and social costs.

The Albanian state, which was much more focussed on issues of political and transition reform, was unprepared to deal with the great influx of new migrants. Nor could the local authorities come to terms with this new and unforeseen situation.

This new situation constitutes a difficulty and further burden on local government. Most of the essential services needed by the newcomers are linked directly to the duties and responsibilities of the local government authorities. Faced with these challenges, the local authorities are helpless to act and feel left abandoned without the support, in particular, the financial support they need from the central government. On the other hand, they are under pressure because of the continuous and uncontrolled growth in the number of newcomers, at a time when no initiatives have been forthcoming from the central government authorities to balance out regional development so that the rural areas of the country and the more isolated towns are not abandoned completely by their inhabitants.

Urbanization is a necessary process to the benefit of the country's development. But the main issue is the fact that, up to now, no one feels responsible for this process.

There is no one who has shown a willingness to give it direction by means of decisions of a strategic nature, which could at least have a medium-term effect on channelling the process. As a result, the costs of development are very high and must be borne almost entirely by the local communities, in which expenditures up to now are but an insignificant amount of what will be needed to create normal living conditions for the newcomers. It is the responsibility of the central government to include urbanization on its agenda and to share its responsibilities with local government for the costs involved in this process.

Recent urban developments in the country in and around Tirana - the metropolitan region - has begun to conflict with its harmonious development. The metropolis has an urgent need for one unified administrative structure, which has not been foreseen in the strategy for decentralization or in current legislation on local government and urban planning.

Co-operation between the local authorities and the community depends, first of all, on co-operation and social cohesion within the community itself, which can be attained by means of a long process of continuous cultivation and improvement. Mass migration and the high rate of urbanization within the period of but a few years seem to have slowed this process down. The newcomers stem from various cultures and traditions, but they all need ties to connect them and bring them closer to the population of the towns where they have settled. Citizenship is the key element, which can accelerate the fostering of these ties and help include these people in discussions to solve common problems.

In Albania, there is little participation, in particular in the decision-making process. The local government authorities, for their part, are satisfied to implement only the minimal standards requirements set forth by law for commu-

nication with the public. This lack of vision is also seen clearly in the Strategy on Decentralization and Local Autonomy, which has not dealt at all with this important aspect of local governance. But nor is the public particularly enthusiastic to co-operate.

Public information is the most elementary level of participation in governance. In reality, information culture is a new phenomenon in Albania and it has been slow to spread. The slowness is justified by the opinion generally held that the average citizen is only interested in his own problems. But the basic issue would seem to be that there is a misunderstanding about a range of mutual responsibilities between local government and the community to keep one another informed. From this angle, it is obvious that much remains to be done.

The integration of the public in decision making and follow-up implementation on basic issues of local government, such as the process of drafting the budget, strategic planning, defining priorities for action, etc, is another important component for its participation in governance. The commissions of the municipal councils and the public commissions are the most wide-spread forms of such participation in Albania. The work of these commissions has often made it possible to find a solution to the issues of the day without the pressure of official meetings and administrative restrictions. Nonetheless, this type of participation is often not utilized effectively or appreciated by the structures of local government.

Partnership is the highest level of public participation. The potential for partnership with civil society in Albania and, in particular with the business community is, in general terms, still unclear, indeed many views on the subject are prejudiced. It is seen more in terms of a spontaneous relationship than as a means of deciding together on what is most necessary and most suitable.

Partnership with civil society, in particular with non-profit organizations, is somewhat more advanced. Local administrations are endeavouring to coordinate the activities of these organizations, to sup-

port the projects which they are implementing, and, in some cases, to make modest financial contributions themselves.



## *The human dimension of development*

### 1.1 TRANSITION - EXPECTATIONS AND REALITY

#### The Expectations of Post-Communist Transition

The last decade has been one of great political, economic and social transformation in Albania, representing one of the most notable and turbulent periods in the history of the country. Most of the changes were difficult to predict for Albanians, whose expectations of a better life at the outset of the transition from communism were enormous, characterized as they were by a desire to become a country *like the rest of Europe*<sup>1</sup> right away. The difficulties and sacrifices involved in the transition period were not on the agenda of the transformation the Albanians had envisaged. Their expectations for the future were great, but the path to turning them into a reality was lined with much naive thinking. Democracy was identified with political pluralism, justice was thought of simply in terms of a reform of the legal system, a market economy was envisaged in terms of extreme liberalism and the privatization of almost everything, and economic development was viewed as

unlimited external assistance and foreign investment.

Of course, such a situation of great expectations existed in almost all the post-communist countries of Europe. What distinguished Albania from the other transition countries was that its point of departure was vastly different. It was the most isolated and poorest country on the continent with one of the highest percentages of rural population<sup>2</sup>. The country was ruled up to 1990 by an orthodox communist autarchy, which rejected even the reforms that had been implemented in the other former communist countries. This has, of course, had a substantial influence on the path of transition in Albania and, as a result, on the pace and depth of reforms undertaken.

#### Commencement of a Comprehensive Reform Programme

The greatest challenge to transition was the change from expectations and unlimited trust in Europe on the part of the Albanians to programming and implementing the concrete and complex reforms which would thoroughly transform relations between people and their mentality, institutions, legislation and models of government in order to bring about an opening to the world and an end to poverty.

<sup>1</sup> "We want Albania to be like the rest of Europe" was the slogan of the democratic movement of 1991.

<sup>2</sup> About 64% of the population in 1991 was resident in rural areas - Source. Census of Population. INSTAT. Tirana. 1990.

### The Outcome of the Post- Communist Economic and Social Reforms

The need for transition confronted Albanian authorities and society with a heavy agenda of political, social, economic and institutional reforms necessary for attaining a market based and democratic system of governance.

Developments over the last decade have stimulated an evident change in the quality of Albanian society. A highly structured and increasingly diversified society has emerged from the amorphous, uniform Albanian society of the communist era, but the process is not over and the dynamics of social and economic restructuring are still rapid.

#### Frustrated Reforms

During the first decade of the transition, at a time when many other former communist countries, for various reasons, resisted implementing reforms at all, Albania was considered to be a courageous and ambitious country willing to carry out radical reforms. It attained considerable success in many important indicators but, in contrast to the other former-communist countries, the first five years of the transition culminated in the internal crisis of 1997, which severely damaged the achievements, which had been accomplished .

### Characteristics of social transformation

Albanian society now has a rapidly growing urban-based elite alongside a largely stagnant poor and rural population. Between them stands an ever-growing commercial and business oriented middle class. The wealthy elite minority has once again made its appearance in several spheres in the wake of much social upheaval. The opening of Albanian society had made the life style and preferences of urban society (especially in Tirana) more uniform and European but, at the same time, the other part of society, rural society in particular, has returned to its traditional way of life: characterized by patriarchal families, the *Kanun*<sup>3</sup> and blood-

feuding, etc. Demographic developments together with major internal (rural to urban) migration, rural depopulation and social fragmentation, the effects of unchecked urbanization, increasing lack of social cohesion, all with long-term repercussions for the emancipation and civilization of society, have had troublesome effects both in the cities and in the countryside. Regional allegiances, held back by ideology during the communist period, have begun to resurface, exerting their influence both over political and government organization and over the country's economic and social development.

### Lack of observance of the Rule of Law

The desire and willingness of people to respect the law is the one sphere in which Albanian society in transition has made the least progress. The lack of respect for the rule of law is regarded in general terms as an institutional weakness. For this reason, the main work required to strengthen respect for the legal system has focused more on strengthening of institutions. Yet, efforts to interest Albanian civil society in respecting the law by encouraging the willingness and social conscience of people to change their attitudes have proven largely unsuccessful.

### Maturation of the political system

The political arena in Albania has evolved substantially over the last decade. During the early stages of the transition, politicians were divided into self-declared "anti-communists" and those accused of being the "heirs of communism." This extreme ideological polarization, which rather superficially equated democracy with anti-communism, also had an impact on relations between the political parties and created a climate of extreme conflict in the country which, in turn, gave rise to tension and social destabilization. For quite a while, it also

<sup>3</sup> The Kanun refers to traditional codes of community and personal behavior (based on Code of Honor).

### The Emergence of Civil Society Organizations

Civil society would seem to be the last element of the Albanian transition to evolve. Its development has led to the birth and crystallization of interest groups. During the first phase of the transition, when special interests had not yet been formed, and when society was still going through a phase of crisis in its values, Albanian society failed to come to terms with the simplest aspects of daily life in a community. Its ability to organize itself as a community is still weak. One cannot yet speak of the creation of a stable social profile or of the results of civil and community solidarity.

Albania's new civil society is most developed in the capital city. One indication of this fact is that over half of all non-profit organizations in Albania are based in Tirana. This is related to the lack of tradition in this field and to the fact that most of the donors for

non-profit organizations are based in the capital. Nonetheless, over the last two to three years, there has been an increase both in the number of non-profit organizations (NGOs) and their activities in various districts of the country. This increase has been in two directions: firstly, some of the main non-profit organizations in the country have moved their activities from Tirana to the districts, either by setting up branches there or by supporting local organizations. Secondly, at least in the larger towns, community leaders, who have now formed associations and clubs etc, have been more active in their endeavours to revitalize cultural and intellectual life in the communities in which they live.

Nevertheless, the migration of non-profit organizations out of Tirana cannot be considered a grass-roots movement. It is a downward movement rather than an upward one. For this reason, the role of NGOs in community consolidation is still weak.

had repercussions on the reform process and on the functioning and effectiveness of government institutions.

Over the last few years, politics have developed new characteristics. The high level of political militancy characteristic of the earliest years of transition has been replaced by a narrower militancy, and one, which is more, focused on self-serving interests. For example, if, in the early stages of the transition, personnel changes in the administration were carried out with the idea or pretext of replacing the old class and bureaucracy, it is now access to government administration which motivates membership in political parties. The extreme polarization of the public has gradually been replaced by a certain reservation and even an indifference towards politics. However, during the early stages of the political transition, organized interests (such as labour and various occupational groups) were the only actors involved, whereas now, other actors, such as business, civil society and local communities etc. have gradually been gaining more weight and have be-

gun to organize themselves. This has meant that reforms are no longer beyond the scope of interest of these new stakeholders and actors, who are on the scene more and more now.

### Political stability has been strengthened

Over the 1991-1997 period there were four parliamentary elections, but since then, the normal four-year term has come into effect. The political agreement reached in 2002<sup>4</sup> for the election of a President by consensus constitutes a zenith in the evolution of Albanian politics. It was much easier to attain broad-based consensus in Albanian society for the reforms undertaken in the period 1991-1996 and for the profound transformation and social consequences implicit in these reforms because of the simplistic nature of the choice before the electorate. Either *"there were only winners,"* or, to put it in other terms, *"no one had anything to lose."* Later on, the decision-making process became more complex because interest groups began to resist change and to exert pressure to make

<sup>4</sup> This agreement was encouraged by the international community.

themselves heard and, if possible, to influence and dictate changes in their favour. As a result, long “negotiations” were required in order to attain the consensus needed for reform. Under pressure from such interest groups, there was also a spiral of revision of many of the reforms undertaken during the early years of transition. In the period 1997-2001, numerous laws, such as those on taxation, privatization, the finance system, decentralization, civil administration and university autonomy etc, were revised and enacted (entered into force) for a second time. This was this primarily due to initiatives brought forth by interest groups which were opposed to the institutional structures and rules of the game set forth at a time when these groups did not exist or were too weak to influence the political process.

#### **Influence of Interest Groups**

The participation of interest groups as actors in formulating reforms and policies and, gradually, in monitoring their implementation, is becoming more and more evident. Nonetheless, the level of participation desired is still much higher than reality. Indeed one could simply call it fashionable to participate. Most speeches by politicians refer to the need for

participation, at the same time government programmes and donor strategies frequently include the terms participation and co-operation with civil society and the business community. Nevertheless, in practice, participation is limited and there is little influence exerted on the decision-making process. The legitimacy of representation of the actors involved is frequently not very clear. This, in turn, creates the impression that political and undisclosed compromises have been made and hidden agendas are paramount.

Interest groups, for their part, are still polarized and have difficulty working together in order to find solutions for their common problems. In the search for clear and definite solutions, there is, in particular, ambivalence and divergence between honest work and corruption, between the institutionalization of the market-based and the informal sectors of the economy, between the well-being of families and illegal traffic in drugs and human beings, between the complete opening of an as yet fragile and uncompetitive economy and domestic production, and between environmental protection and unchecked urbanization.

#### **Changes in the business environment**

Business in the transition period took initial steps of its own in a system in which the economy was still state-run and the notion of private property, after more than four decades, had disappeared almost entirely. Dynamism, energy and a willingness to take risks are all characteristics of Albanian business. After initial adventures and tribulations with imports during the early years of the transition, Albanian businessmen now enjoy a satisfactory evolution and have taken on more of the characteristics of Western entrepreneurs. There have been increasing signs of value-added growth in investment for capital decision making in circulation and, as a result, a rise in efficiency on the part of the administration and a rise in the allocation of capital towards more productive investments. Business has become an increasingly important factor for employment, revenues and development.

Albanian business, reflecting a new model of the free market economy, is endeavouring to advance in a game without rules or with rules which can easily be bent, in a predominantly informal market, though in some sectors, it is confronted by evident monopoly tendencies, which cause added costs for the economic development of the country. Though some Albanian businesses have attained individual success, they are still in the first stages of transforming themselves into organized actors with collective objectives who are endeavouring to improve conditions for business as a whole, conditions such as transparency, neutrality for the rules of the game, a strengthening of free and open competition, an opening of markets and a strengthening of partnership. As a result, business is not as prepared as it should be to deal with the competitive challenges of a global economy and integration.

The main macro-economic indicators: 1991-2001

Table 1.1

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
GDP growth at constant prices (%)	-27.7	-7.2	9.6	8.3	13.3	9.1	-7.0	8.0	7.3	7.8	6.5
Inflation (%)	104.1	236.6	30.9	15.8	6.0	17.4	42.1	8.7	-1.03	4.2	3.5
Exchange rate USD/lek	25.0	98.7	100.9	95.0	94.5	103.7	149.8	150.6	137.7	143.7	144.0
FDI (million USD)	8.0	32.0	45.0	65.0	89.0	97.0	42.0	45.0	51.0	92.0	220.0
Unemployment rate (%)	8.3	27.9	29.0	19.6	16.9	12.4	14.9	17.7	18.0	16.9	14.6
Contribution of the private sector to GDP (%)	5.0	10.0	40.0	50.0	60.0	75.0	75.0	75.0	75.0	75.0	75.0

Source: INSTAT, August 2002.

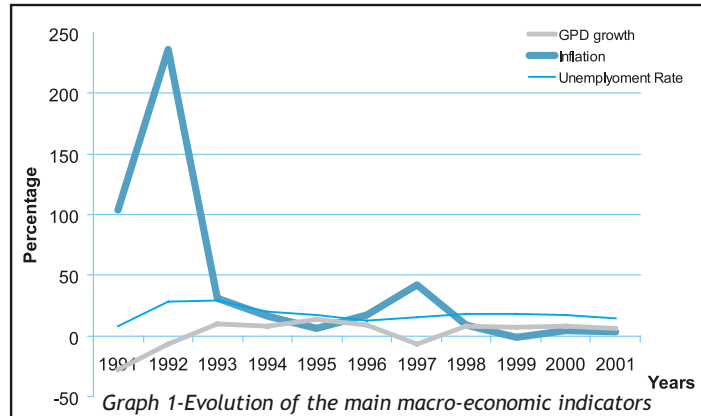
**The initial success of the economic reforms**

During the early stages of the transition, the Albanian economy went through an extreme crisis, which was reflected, in a drastic fall in production as a result of the massive shutdown of inefficient state-owned companies and the collapse of agricultural production. This can be clearly seen in the negative growth of the GDP up to the year 1993 and in the high levels of inflation. (See Table 1.1)

The implementation of an ambitious reform programme coupled with a liberalization of prices and markets, privatization, establishment of a commercial banking system, and the drafting of new legislation brought forth swift and notable results in macro-economic stability, which was viewed quite positively by international institutions. During the period 1993-1996, in particular, there was impressive growth in the private sector, which led to a substantial rise in the GDP of about 13% and in a fall of inflation to 6%. The private sector, almost non-existent up to the year 1990, turned into the main contributor to the GDP with about 75% in 1996. (See Table 1.1).

**The 1997 crisis highlighted missing elements in the reform process**

The political, economic and social crisis of 1997 showed that stabilizing reforms and a satisfactory macro-economic



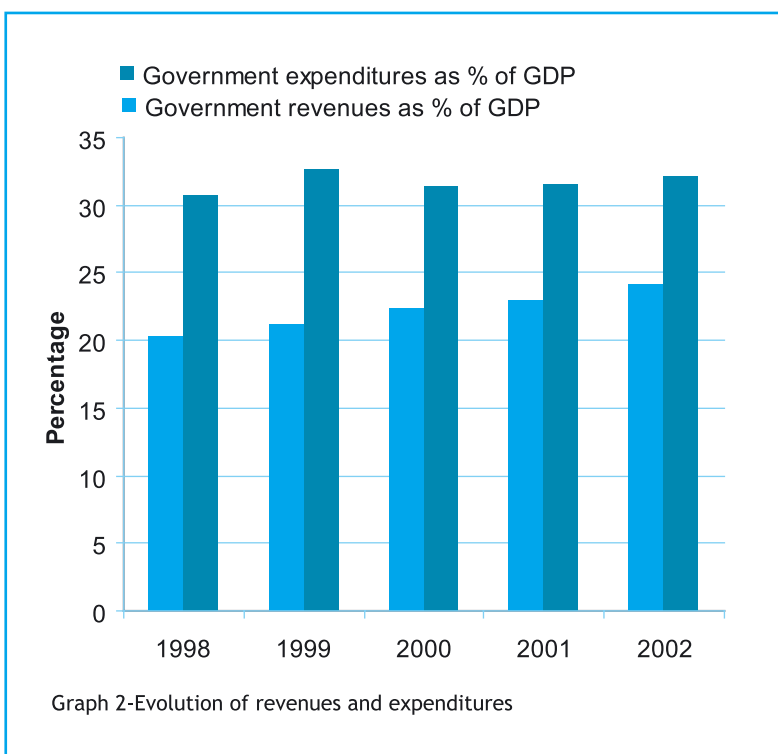
situation were not enough to guarantee the success of the transition to a market based democracy. The climate of political conflict, institutional weakness, the lack of willingness or little interest in respecting the law, the idea that you can make money without working, corruption etc, were some of the major factors which were not taken into consideration sufficiently in the early stages of the transition.

**The repercussions of the 1997 crisis were ubiquitous**

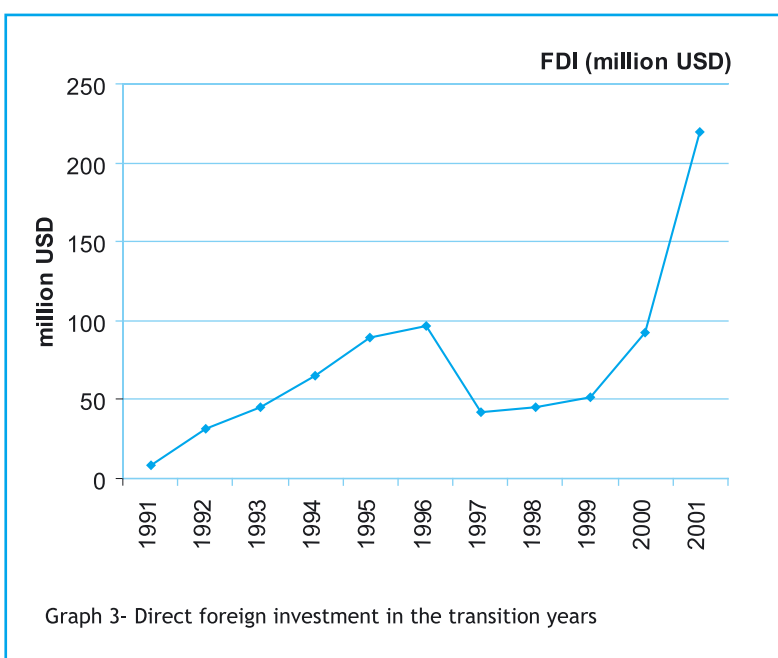
One of the consequences of the 1997 crisis was a dramatic fall in overall economic activity. The main macro-economic indicators returned to the levels experienced at the start of the reforms. The GDP slumped to the level of 1992, inflation to the level of 1993 and direct foreign investment was cut in half. On top of everything, confidence on the part of the Albanians in their political system and government was seriously shaken. (See Table 1.1). Everything began anew with another programme for

Post Crisis evolution of revenues and expenditures Table 1.2

Year	1998	1999	2000	2001	2002
Government revenues as % of GDP	20.3	21.2	22.4	23	24.2
Government expenditures as % of GDP	30.8	32.7	31.4	31.5	32.2



Graph 2-Evolution of revenues and expenditures



Graph 3- Direct foreign investment in the transition years

economic stabilization, this time combined with a variety of demands for institutional consolidation. Albania once again began to show signs of real progress. GDP growth stabilized at 6-8% and inflation dropped to 2-4%. Budget revenues rose continuously and expenditures remained at approximately the same level of 31-33% of GDP, in line with the forecasts in the mid-term programmes for economic development. (See Table 1.2).

### Foreign investment

Likewise the reforms instituted after 1997 and the progressively improving investment climate was reflected in the rise in Foreign Direct Investment (FDI). By 2001 the FDI inflow US\$220 million had increased fivefold over the level recorded in 1997 (US\$42 million) and over 20 fold the 1991 level. (See Table 1.1).

### Institutional strengthening

Profound institutional reforms were undertaken not only in public administration, but also in government decentralization, in the fight against corruption and trafficking and in strengthening the court system. These had a noticeable influence on reinforcing the state and its institutions. The issue of integration in the European Union (EU) gained prime importance.

## 1.2 POVERTY AND SOCIAL EXCLUSION

### The steady growth in poverty over the transition period

Poverty as a multi-dimensional phenomenon has grown markedly in Albania and contrasts starkly with the obvious economic achievements of the last decade of transition. Whereas in the past, the widespread state of poverty was not officially recognized<sup>5</sup>, the Albanians now suffer from a measurable increase in income poverty and from a rapid polarization of society reflective of increasing economic and social dis-

### Steps towards integration with the European Union

The process of integration in the European Union is at the focus of all discussions in Albania, in particular since 1997. Politicians consider the signing of a Stabilization and Association Agreement to be a political priority, representing the confirmation of a decade of progress made in Albania and an indication of government achievements. The government considers the process which will strengthen and accelerate reforms in all fields and thereby bring the country progressively closer and closer to the European Union. The government also administration considers it to be a learning process by rigorously fulfilling all the demands already included in the national strategy of integration. The Albanians consider it to be the only road to progress and have expressed their unanimous support for rapid integration. As a consequence, the population, the government and the politicians, as in perhaps no other country, are eagerly and tensely following every meeting of the political structures of the European Union in which Albania is mentioned.

The European Union, for its part, has consistently put off negotiations with Albania, reflecting some hes. Hesitancy over t about expanding its frontiers towards

the poorest countries of the Balkans. Likewise the European Union is often ambiguous and disunited in its demands with regard to an agreement with Albania. On their part, the Albanians have responded to demands for reform by making drastic reforms regardless of the price they must pay. Despite various contradictions observed in the European position on this issue, Albania responded to the demand for regional integration as a pre-condition for EU integration not only with a sober approach to its neighbours, but also with a pro-active policy with regard to raising co-operation and finding fields of common trans-border and inter-regional interest. The will to respond positively to the demands of the EU had a substantial influence in easing the domestic political tensions. This, in turn, brought about a new spirit of dialogue between former adversaries within Albania. As a result of this new spirit, consensus was achieved between the main political parties, which will encourage the acceleration and strengthening of the reform process in the country.

In reality, Albania still has a long way to go to become a responsible partner in a united Europe. In Albania, it is generally believed that the will of the Albanian people to join Europe merits much more attention and encouragement from Europe.

parities. Government politicians and assistance from international organizations and donors have focussed attention recently on the reduction of poverty.

### Rural and urban poverty incidence

The results of inquiries, despite the absence of systematic data and limitations on methods utilized, suggest that the level of poverty in Albania is high and increasing both in urban and in rural areas. At the moment, 29.6% of Albanians, or about 920,000 inhabitants are considered poor (income poverty under US\$2 per day), whereas over 500,000 individuals live in extreme poverty (income poverty under US\$1 per day)<sup>6</sup>. Poverty is concentrated in rural areas, where 4 out of 5 people are classified as poor, a much higher incidence than in urban areas.

The profound difference in living standards in urban and rural zones is seen clearly in the distribution of income. About 48% of the people who work in

agriculture are poor and about 28% of the inhabitants of rural areas form part of the lowest quintile income bracket. The *Gini Coefficient* at the national level is 0.43<sup>7</sup> and shows that inequality is one of the highest of all the countries of the region. Qualitative assessments<sup>8</sup> have also been made to assist in estimating the level of income and other attributes of human poverty. Those persons interviewed stated that, in order to fulfill their basic needs, they needed an average of twice the income they were currently receiving. Only 17% of those interviewed stated that they had no problem living on their current income level.

### Linkages of poverty to employment and spatial development

The ten years of transition reveal a strong correlation between poverty and unemployment. Although a survey of the work force in Albania has yet to be carried out, the results of which might offer possibili-

<sup>5</sup> Poverty was only officially recognized in Albania in 1991.

<sup>6</sup> Results of the 1998 Living Conditions Survey, INSTAT, Tirana, July 2001.

ties for further analysis, it is an accepted fact that unemployment is at a high level, indeed higher than official statistics would point to. The indicators of unemployment have features which reflect not only rhythms of change, but also traditions, characteristics and opportunities for development in the various regions. Thus, for the period 1998-2001, Laci, Librazhdi, Kucova, Tropoja, Shkodra and Puka, were considered enclaves of unemployment <sup>9</sup>.

### Poverty and social assistance - regional variations

The extent of poverty is also reflected clearly in the number of families receiving social assistance. In the prefectures of Dibra and Kukes, about 36% of all families were receiving social assistance in 2001. In the prefecture of Shkodra, about 32%, and in the prefecture of Lezha about 24%. The number of families officially living under the poverty line also varies considerably within regions. Statistics show that in 17 rural municipalities of the prefecture of Kukes, 15 rural municipalities of the prefecture of Dibra, 16 rural municipalities of the prefecture of Shkodra and in 8 rural municipalities of the prefecture of Korca, 40 to 95% of the population lived at or under the official poverty level. <sup>10</sup>

### Poverty and migration

Poverty is considered to be the main reason for the high level of migration within and from the country. According to official statistics, over the ten year period of the transition, about 25% of the population has emigrated from Albania. About 91% of those interviewed in a sample of Albanian migrants in Greece and Italy said that economic and living conditions were the prime reasons for their emigration. <sup>11</sup>. Internal migration, considered to be one of the most dramatic processes of transi-

tion in Albania, is characterized by a clear and massive depopulation of the poorest areas of the country and by a high concentration of migrants in the more developed urban centres. Once again, the prime motivation for such migration has been poverty, the limited opportunities for finding jobs, and difficult living conditions.

### Poverty and social exclusion

Although it is not the only determining factor, poverty has a noticeable effect on the social exclusion of individuals, families and various groups of the population. There are still no clear indicators, and thus no full studies, to provide an analysis of this reality, but it is generally accepted that, with some exceptions, the population in the north and northeastern areas of the country is the socially most excluded.

### Neglect of the social costs of transition and reform

As such, poverty has become an important dimension of transition in Albania, but only in recent years has it been taken into sufficient consideration by decision-makers and by international organizations which have supported the reform process in Albania. There have been various explanations for the lack of attention paid to this problem, but one factor, which has certainly had an influence, has been concentration on macro-economic and fiscal stabilization at the national level. While these are important development variables, they often disguise unequal development among the various sectors and in particular profound discrepancies in the development of the various regions of the country.

The above shortcomings illustrate the statistical reality that an improvement in

<sup>7</sup> Idem

<sup>8</sup> The World Bank. A Qualitative Assessment of Poverty in ten Zones of Albania. Washington DC, July 2001.

<sup>9</sup> Based on a study carried out by the Ministry of Labour and Social Affairs, March 2002.

<sup>10</sup> Based on data from the General Administration of Social Services, July 2002.

<sup>11</sup> UNDP, HDR - Albania 2000, Tirana 2001



an indicator at the national level does not necessarily mean that the social and economic situation of all the members of society has improved to the same extent. It is therefore essential for poverty and development analyses to cover various social groups in order to see how and to what extent different groups and regions are profiting from the implementation of economic and social policies. It is important that the scale of development be studied and analyzed at the local level in order to foresee which national strategic measures would be efficient to fight poverty at the community levels.

### 1.3 THE ROLE OF DEVELOPMENT STRATEGIES

#### New paradigms and strategic approaches

The strategic approach has assumed an important role in the agenda of transition reforms in Albania (and elsewhere), in particular in association with international technical assistance. Especially for the period after 1997, one could go so far as to speak of an “inflation of strategies.” In this period, the term “comprehensive strategy” replaced the term “macro-economic stabilization policies.” To the term “economic growth” has been added the term “poverty reduction.” The role of international organizations has become more decisive, too, but now, the

term “donor” has been replaced by “international partner” and partnership itself has taken on a much more conditional connotation. Most of the development strategies have been suggested and imported, but they are now being absorbed without much discussion from the public administration and institutions. Although these strategies have been declared to have an Albanian dimension, the processes which are drafted to carry them out do not, in many cases, sufficiently address the reality of Albanian problems, nor do they offer convincing solutions based on real capacities and consensus among the actors. The acceptance and preparation of strategies seem to be motivated more to accommodate the requirements of the international donors/partners than to meet the needs of the Albanian interest groups.

In general, the strategies are *top-down* although they claim to be *bottom-up*. Most of them endeavour to sketch the future without measurable goals, a plan of implementation or a neutral monitoring system. In many cases, the strategies are conflicting and are not coordinated among the institutions in question, which causes dilemmas for their implementation. This is also true in general terms for the country strategies prepared by the donors which appear to have been largely independently formulated and reflect the agenda of the respective donor agencies.

#### A Multiplicity of Strategies

Despite the many strategies prepared, Albania at the end of the first decade of transition still lacks strategies to combat poverty, to reform the education system and to improve the situation in the public health system. The project not approved of for a long-term strategy in education, drafted seemingly without a broad process scope of inclusion, was widely criticized by interest groups from the moment it was made public. The project not approved of for a strategy for the public health system is known only to a small number of specialists. The long-term strategy for water supply in rural areas is still unknown to the rural local municipalities and communities concerned and has not been coordinated with the strategy for decentralization. The process of joining the World Trade Organization, based more on narrow political objectives, was implemented independently of the formal and informal tendencies of economic development, and without the participation of the business community. The accession negotiations failed to include on a calculation of the benefits and costs of international obligations to local business.

### The Strategy for Economic Growth and Poverty Reduction.

The first signs of positive moves to formulating a more realistic and rational long-term strategy and accompanying programmes appeared with the drafting of the 2001 Growth and Poverty Reduction Strategy (GPRS).<sup>12</sup> This strategy relied on analyses in line with the level of the country's economic and social development and with progress capacities for each sector. It was also able to adopt clear medium-term goals in harmony with some of the main long-term objectives. It set forth the programme and the method of harmonizing the national objectives with the programmes of sector reform. Nonetheless, there is still no clear idea about the costs of implementing this strategy and about funding to cover the costs in question. Without this, it is difficult to determine how long Albania will require to fulfill the objectives it has set itself. Also delayed has been a monitoring and evaluation system for implementation of progress.

#### The limitations of alternative reform strategies

The main handicaps of almost all the strategies planned continue to be a low level of reliability in the data on which they are based. This is due to major weaknesses in the information system, the lack of measurable indicators on the fulfillment of goals, and the lack of requisite cost-accounting to implement them. Without exact data, costs and guaranteed funding, their implementation is often impossible or haphazard. Instead of improving the processes involved, a solution is sought in creating new strategies which then suffer the same fate.

## 1.4 THE MEASUREMENT OF HUMAN DEVELOPMENT

### Evolution of the human development indicators

As already indicated, most of the analyses and assessments on economic and social development in Albania over the years of transition have been biased towards reliance on economic growth and national

macro-economic indicators. Data analysis at the national level on living standards and income have served to complement the spectrum of analyses. Estimates based on indicators of human development have been lacking because these indicators were either not available or have not been included.<sup>13</sup> Such indicators must be calculated not only at the national level but also at the local level so that the real reasons for unequal regional development can be determined and understood, and so that interest groups can get requisite information to make judgments as to the utility of the policies being implemented to stimulate development in each region.

In view of this lack, an initial endeavour was made by HDPC to calculate the indicators of human development for Albania at the national and local level. This was done so that the significance of systematic compilation of all data relating to human development could be brought to the fore and in order to set up a reference for monitoring, analyzing and comparing human development at the national and local level. It is important to calculate and verify those indicators for a period of at least three years, not only because the concept of human development is difficult to set forth in numerical terms alone, but also because the data base upon which the calculations rely needs to be supplemented and made more exact.

### The Human Development Index

From 1990 when the idea of a Human Development Index (HDI) was first introduced, this indicator was always seen as a successful alternative to measure broader based human development and to supplement the banking rationality

<sup>12</sup> This strategy was approved of by the Albanian government in November 2001 and was called "National Strategy for Economic and Social Development."

<sup>13</sup> Estimates of the Human Development Index for Albania have been included in some of the Global Human Development Reports published by UNDP.

which focused on economic growth alone. All through the decade, the HDI was an integral part of the Global Human Development Reports prepared by UNDP and was gradually included in the National Human Development Reports of the various countries. It is only in the last two years that HDI data compiled at the local level have been included in some of the National Reports.

The HDI data for Albania have been included in the Global Human Development Report since 1993 and are based on approximate data and indices on life expectancy, education and GDP. As can be seen in Table 1.3, the index on life expectancy and the index on education by years remain largely unchanged, making the changes in the value of the HDI mainly responsive to variations in GDP. With these calculations, Albania is included in the list made for 173 countries

#### **The Concept of Human Development**

The concept for evaluating the level of human development relies on a number of indicators, among which are economic growth and other important measurements which directly reflect the sustainable development of a given society. According to this concept, prosperity is the goal of development, and economic growth is the means by which to reach development. Income or output are therefore major aspects, but are in themselves not sufficient to measure the level of development. Other aspects such as life expectancy, education, poverty, gender equality, the level of utilization of technology complete the spectrum and make the evaluation of development more realistic. These indicators also enable us to compare various countries with one another.

of the world.

The HDI in this Human Development Report is calculated in accordance with data from the year 2001 and has as its primary source of information the results of the 2001 National Population Census

<sup>14</sup>, which showed substantial differences in the national population as compared to mid-term demographic forecasts made earlier. The same method of calculation as that set forth in the Global Report on Human Development was used in calculating the HDI at the national level in order to come up with results which can be compared to those of other countries.<sup>15</sup>

#### **Qualification of the estimates of HDI in the NHDR**

While the tentative figures for the national HDI for 2001 prepared for this report show some improvement in the HDI as compared for the figure for 2000 in the Global Human Development Report (2002), some qualifying comments are in order. First the 2001 Population Census revealed for the first time a lower than projected population. This has tended to raise the per capita index (GDP/income per capita) used in the national HDI. Second the improvement in the index for life expectancy in 2001 over that of 2000 is subject to some uncertainty given that the registration of deaths are rather unreliable. However the apparent improvement in the educational index as compared to 2000 reflects the use of actual data as compared to the estimates in the Global HDR for 2002 (for

#### **The calculation of the Human Development Index**

The HDI is a general measurement of human development capturing the achievements of a country on the basis of the three main components of human development: life expectancy, education (expressed as a combination of the number of adults who know how to read and write and the norm of elementary, secondary and tertiary school attendance) and the standard of living (expressed by per capita GDP, in terms of purchasing power parity (PPP in US\$)). These three components are converted into specific indices and on the basis of these indices, the HDI can be calculated mathematically. The level of the HDI varies from 0 to 1, the highest levels corresponding to the highest level of development. The methodology utilized in calculation has been constantly improved over the last ten years.

the year 2000). For details on the estimation of the components of the HDI - see Annex 1.

### Calculation of the Regional HDIs

In order to provide an assessment of the scale of human development at the local level, the HDI calculation method was applied at the prefecture and district level. The purpose of these calculations was not the HDI value itself, but the creation of a basis for comparison between the regions in order to analyze disparities and spatial

ance was taken into consideration since data for higher education on the distribution of students according to districts are lacking<sup>17</sup>.

The results of the calculations show substantial differences in the level of human development between the various regions of the country. The highest HDI (GDP per capita) was in the prefecture of Tirana, which ranked first, and the lowest level was in the prefecture of Kukes. (See Table 1.4).

Human Development Index - Albania

Table 1.3

	Human Development Index	Position (in Global HDI Table)	Index of life expectancy	Index of education	Index of GDP
Global Reports on Human Development 1996-2002					
1993	0.633	104	0.780	0.760	0.350
1994	0.655	102	0.760	0.760	0.440
1995	0.656	105	0.760	0.760	0.440
1997	0.699	100	0.800	0.790	0.510
1998	0.713	94	0.800	0.780	0.560
1999	0.725	85	0.800	0.800	0.580
2000	0.733	92	0.800	0.800	0.590
National Report on Human Development - 2002					
2001	0.764	70	0.813	0.876	0.603

Source: HDPC, August 2002

#### The HDI for Albania - 2001

The Index on Human Development for Albania, based on data from 2001, is 0.764. According to the estimate in this NHDR the HDI level would place Albania at rank number 70 in the classification of the United Nations for the 173 countries included in the index. With this HDI level, Albania ranks among the countries with medium level human development.

tendencies in human development<sup>16</sup>. The main reason for this is that in this compilation, estimates and proxy variables were used for regional differences in GDP because the complete data are not available. For example, in calculating the HDI at the local level, the net frequency of elementary and secondary school attend-

The prefectures are divided up into those with a low HDI (0.719-0.752), a medium HDI (0.753-0.786) and a high HDI (over 0.787)<sup>18</sup>. These data show that Tirana and Fier are the prefectures with the highest level of human development. Six prefectures have a medium level and four prefectures, Lezha, Shkodra, Dibra and Kukes, have a low level.

#### Interpretation of the regional HDIs at the district level

The restrictions on the analysis at the prefecture level do not permit a full reflection of the reality of human development at the local (district) level where there are some low HDI districts within some higher level HDI prefectures. Altogether there are 12 prefectures and 36 districts in Albania. Thus, although the prefecture of Tirana exhibits the highest HDI, the district of Kavaja, which is part of this prefecture, has a very different indicator and a much lower level as compared to the district of Tirana. The district of Saranda in the prefecture of Vlora has a lower HDI level than the district of Vlora. Although the differences are less extreme elsewhere, a similar pattern can be seen for most of the other prefectures. This is the reason why an attempt was made to calculate and analyze the three HDI

<sup>14</sup> The last census was carried out by INSTAT in 2001 and the data calculations were ready by August 2002.

<sup>15</sup> The comparison is made with the classification of the Global Report on Human Development for 2002, in which Albania ranked 92nd for the year 2000.

<sup>16</sup> As a result, these estimates serve only as a comparison within the country.

The Human Development Index at the Prefecture level

Table 1.4

Prefecture	Population	Index of life expectancy	Index of education	Index of GDP/per capita(PPP US\$)	HDI	Rank according to the HDI
<b>High HDI</b>						
Tirana	597676	0.825	0.928	0.713	<b>0.822</b>	<b>1</b>
Fier	382483	0.825	0.914	0.626	<b>0.788</b>	<b>2</b>
<b>Medium HDI</b>						
Durres	245112	0.813	0.942	0.600	<b>0.785</b>	<b>3</b>
Vlora	192739	0.835	0.915	0.543	<b>0.764</b>	<b>4</b>
Gjirokastra	93934	0.816	0.924	0.544	<b>0.761</b>	<b>5</b>
Elbasan	381213	0.795	0.910	0.575	<b>0.760</b>	<b>6</b>
Berat	193020	0.825	0.895	0.558	<b>0.759</b>	<b>7</b>
Korca	265125	0.802	0.918	0.551	<b>0.757</b>	<b>8</b>
<b>Low HDI</b>						
Lezha	159169	0.806	0.921	0.530	<b>0.752</b>	<b>9</b>
Shkodra	256022	0.815	0.922	0.486	<b>0.741</b>	<b>10</b>
Dibra	189854	0.798	0.907	0.497	<b>0.734</b>	<b>11</b>
Kukes	111393	0.788	0.908	0.459	<b>0.719</b>	<b>12</b>

Source: HDPC, August 2002

components: life expectancy, education and GDP, and to estimate the level of human development at the district level and, on this basis, to make a district categorization<sup>19</sup>. As can be seen on the map showing the results of this categorization: 11 districts were classified with a low level of human development, 22 districts had a medium level and 3 districts had a high level.

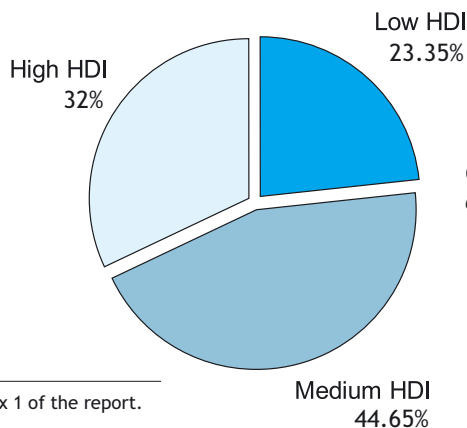
**Measurement of Human Poverty**

To supplement the HDI - a more specific Human Poverty Index (HPI) has also been calculated which captures more accurately the aspects of income poverty, and social exclusion, child development (nutritional status) and provision of services - all important correlates of human deprivation. The HPI levels for Albania were calculated with the data from 2001 and a result of 8.2 was obtained, which is a value characteristic for countries with a medium level of human development. This is the first time that the HPI has been calculated in Albania, but the data

<b>Population and HDI</b>	
Population groups according to the level of human development	
Low HDI	23.35%
Medium HDI	44.65%
High HDI	32%

do not enable us to establish the values of this index at the local level because the quality of information, in particular on access to drinking water and on children underweight, is much lower when compiled at the prefecture level.

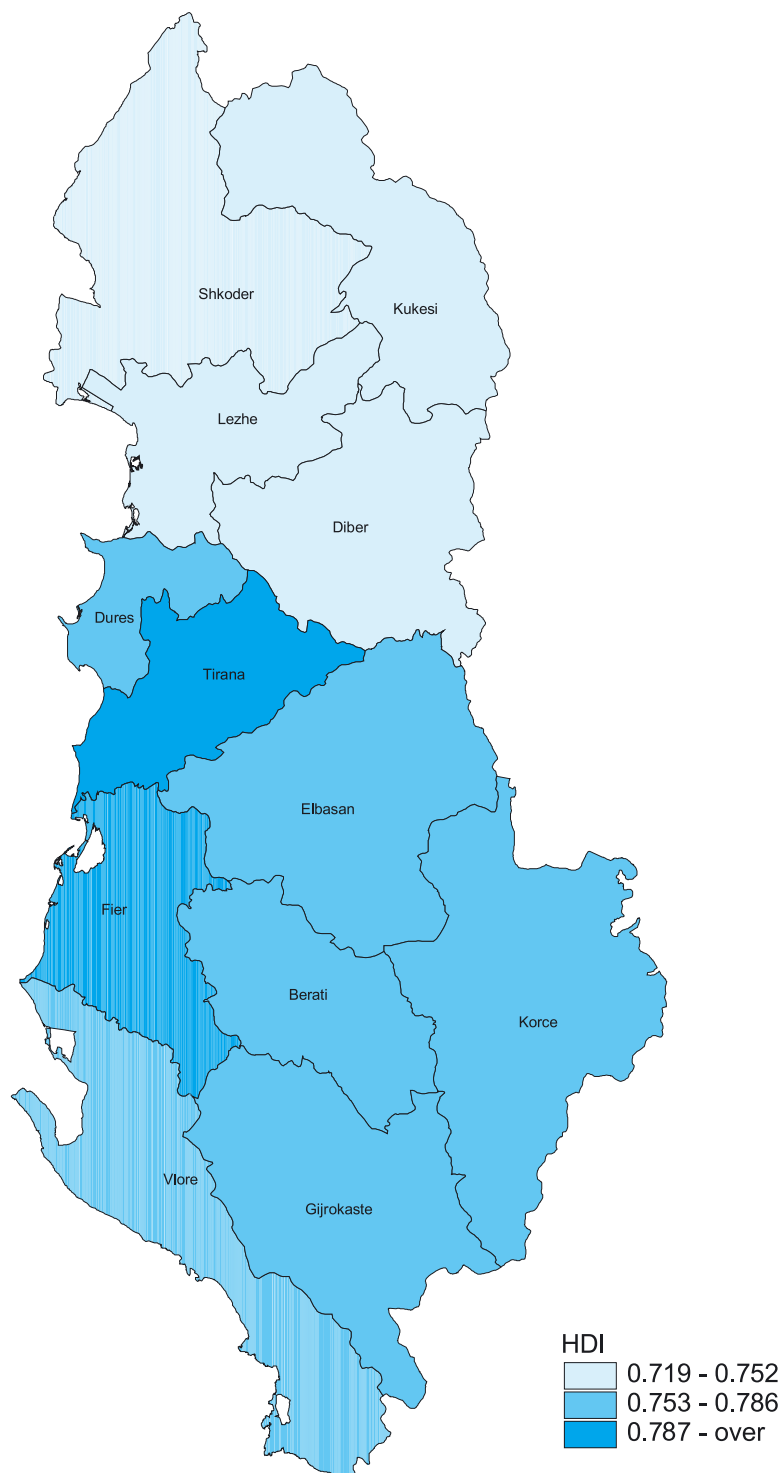
**Development Level and Gender Empowerment - the Gender**



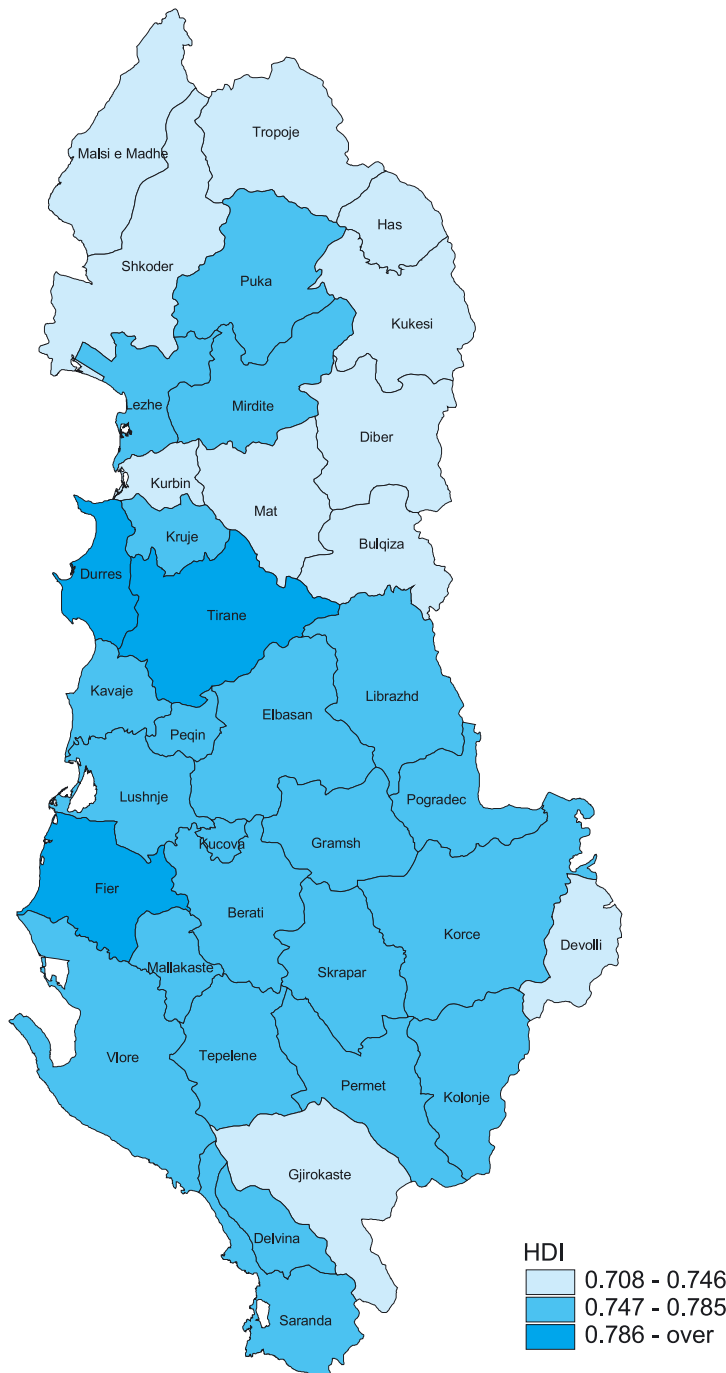
Graph 4-Population according the HDI

<sup>17</sup> Further details on methodology are to be found in Annex 1 of the report.

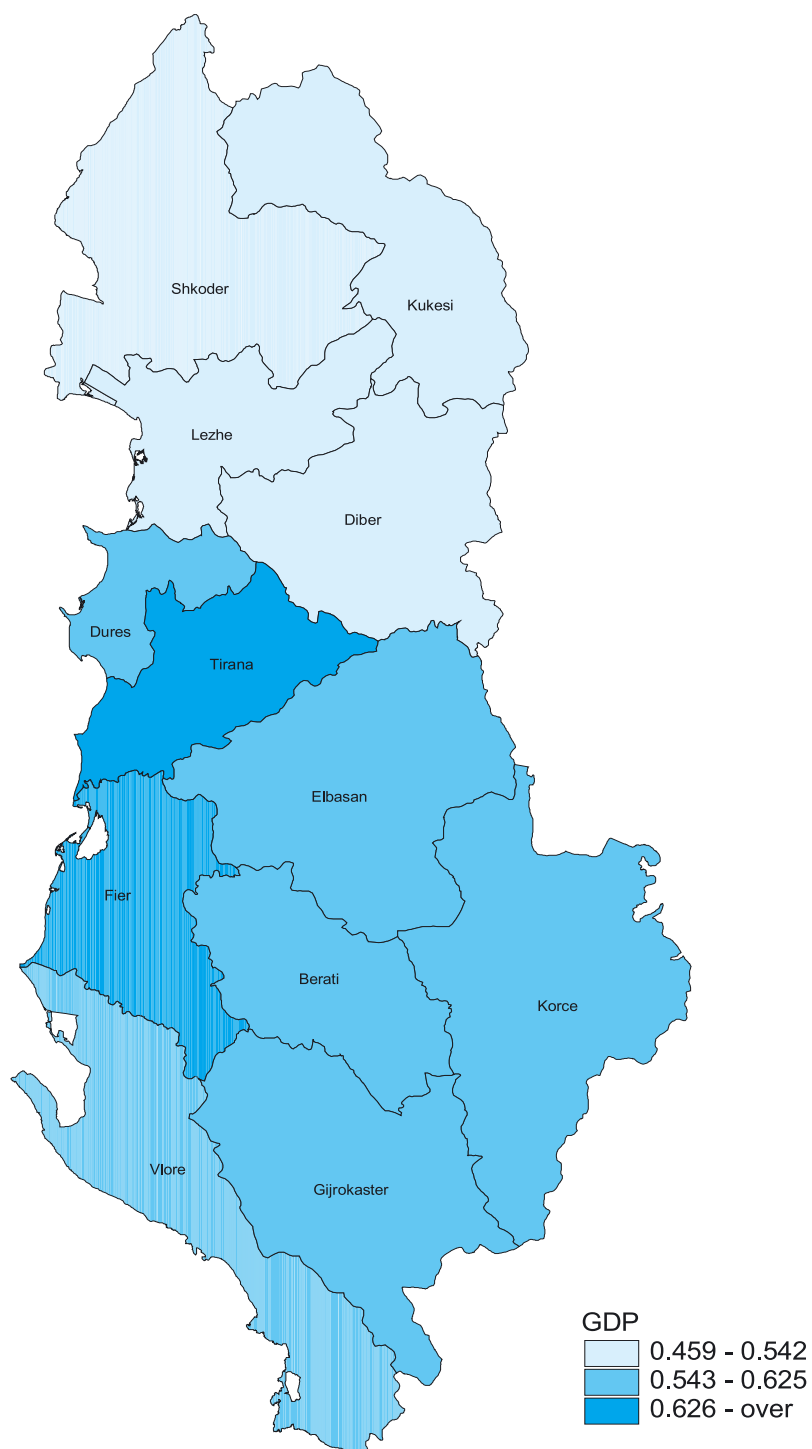
<sup>18</sup> Cf. technical notes in the Annex 1.



Map 1: HDI according to prefectures

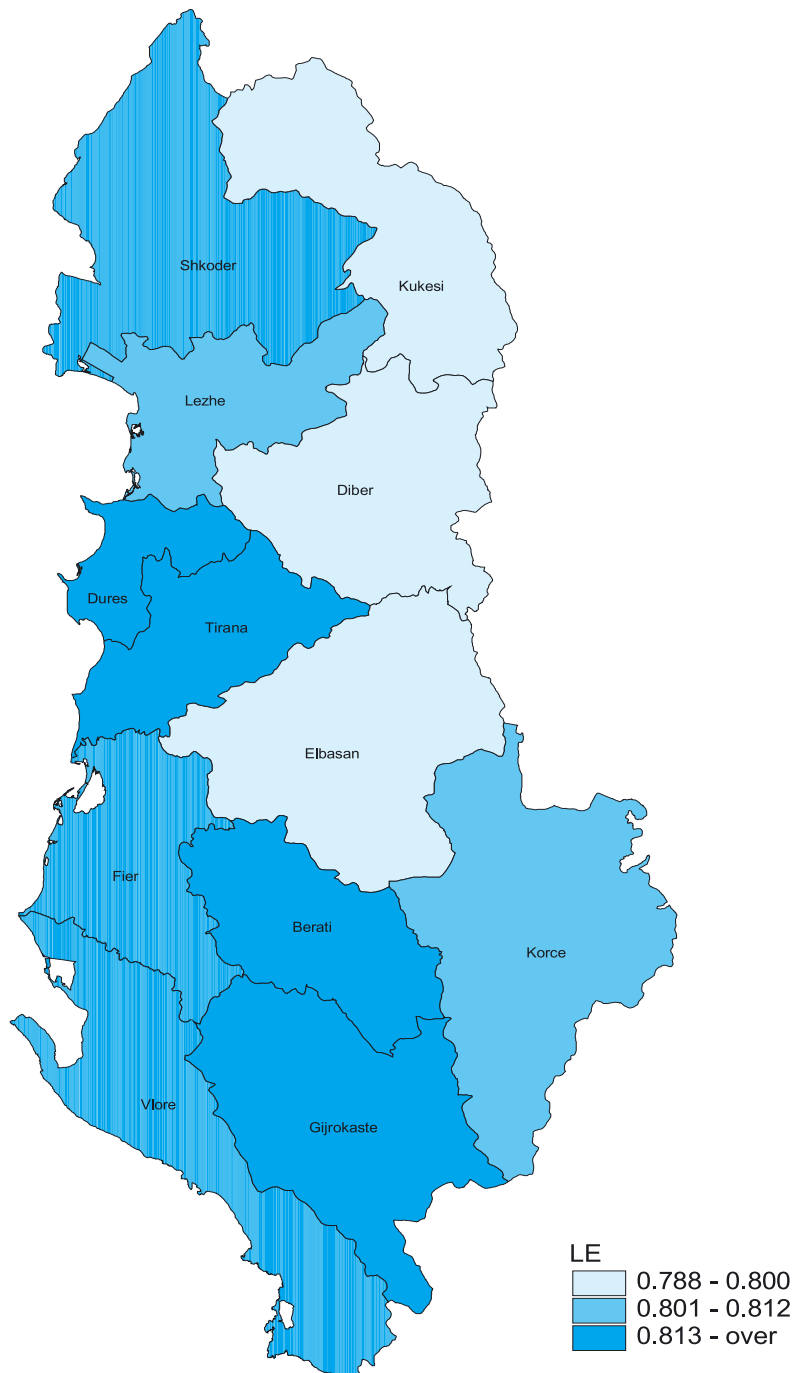


Map 2: HDI according to district



Map 3: Classification of prefectures according to GDP index





Map 4: Life Expectancy by prefectures

### Development Index

During the transition period, Albanian women were confronted with the revival of old phenomena of discrimination and of new phenomena which did not previously exist in Albania.

When most of the state enterprises closed down in the initial stages of transition, women were among the first to lose their jobs, and finding a new job became quite a difficult challenge for them. Some old traditions, supported by the stipulations of the Kanun, began to make their presence felt in the countryside, in particular in the northeast of the country. At the same time, the weak government and society are still powerless or remain indifferent to these issues. The trafficking of girls and women for prostitution has also become a serious problem in Albanian society.

Women still face difficulties in taking part and making their voices heard in politics, in decision-making processes and in the higher echelons of public administration. At the present time, women make up only 5.7% of the members of parliament, 10% of the members of the government and 24 % of the directors of public administration division. The low-level jobs which they usually hold has meant that women's

salaries are generally much lower than those of men.

A measurement of the level of gender development were carried out for the first time in Albania by means of a calculation of the *Gender Development Index (GDI)* and the *Gender Empowerment Measure (GEM)*, in order to give a clearer view of gender issues and to enable a basis for comparison with other countries. Nonetheless, the GDI and GEM deal only with measurable aspects and do not yet include other dimensions of gender inequality such as the level of participation by women in community life and in decision-making, resource consumption within the family, and the personal dignity and security of women, etc. These dimensions are decisive, too, for determining the status of women in society and the quality of their lives.

According to calculations, the Gender Development Index for Albania, based on data for the year 2001, is 0.758, and Albania ranks 61st in the classification of the United Nations Development Programme for the 173 countries comprised in this index.<sup>20</sup> At this GDI level, Albania ranks among the countries with a medium level of gender development.

### The calculation of the Human Poverty Index

The HPI measures human deprivation in three basic dimensions: *life expectancy* - measured in terms of the probability of not living over the age of 40; knowledge measured in terms of exclusion from the world of writing and information as expressed in the norm of illiteracy in the adult population; and *an adequate standard of living* - measured as the percentage of the population with no access to clean water and the percentage of children under the age of 5 who are underweight. The HPI calculation is more direct than the HDI calculation since the indicators involved are expressed in percentages and there is no need to create an intermediary index.

**Note** - The calculation above refers to the HPI-1 index used for developing countries. For Albania there is some justification in using the HPI-2 measure which includes an index for long-term formal unemployment, probability of not surviving to the age 60, adults lacking functional literacy skills, and percentage of population below the poverty income line (less than 50% of median disposable household income).

### Status of women in development

No particular attention has been paid over the last decade in Albania to the role of women in society although women make up over half of the population. Issues linked to gender equality have not yet become an element of many government policies and strategies in the period of transition. They are not included in the National Strategy for Economic and Social Development, passed in 2001.

<sup>19</sup>This categorization has only been made for comparisons within the country.

In order to appreciate the contrasts in development among the various regions of the country, a GDI compilation was prepared according to prefectures.<sup>21</sup> (See Table 1.5). In this calculation, the income variable derives from the relationship between women's wages and men's wages, under the supposition that this relationship is constant throughout the country. In the future, once information sources have improved, consideration may be given to the relationship between men's and women's wages specifically for agriculture, the informal economy and the non-agricultural private sector at the sub-national level.

The prefectures were divided into three categories on the basis of the GDI results<sup>23</sup>. The results show that the prefectures of Tirana, Fier and Durres have the highest level of gender development, while the prefectures of Kukes, Dibra and Shkodra have the lowest level. In most of the prefectures, the ranking according to the GDI is the same as the ranking according to the HDI, or a bit lower.

## Women's empowerment

### The Gender Empowerment Measure

## The measurement of gender inequality

### Gender Development Index (GDI)

The GDI measures equality between men and women, from the point of view of their basic abilities and living conditions. It relies on the same variables as the HDI: life expectancy, education and income. The levels of life expectancy take into consideration the biological fact that women live longer than men. The most difficult component to measure is income, and this not only for Albania. In most countries, there is an evident contrast between men's incomes and women's incomes, but exact data are lacking or have not been published.

(GEM) has also been calculated at the national and prefecture levels. In these calculations, the variable of female participation in political decision-making is reflected in the scale of female participation in parliament, which is currently 5.7%, as opposed to 20.4% in 1991<sup>24</sup>. In the compilation of the GEM according to prefecture, it was not possible to utilize the scale of female participation in the elected organs of local government due to the lack of data. For this reason, only the scale of female participation in parliament was taken into consideration. Access to employment based on their professional skills and participation in economic decision-making were calculated by

Gender development and empowerment at the prefecture level

Table 1.5

Prefecture	HDI	Rank according to HDI	GDI	Rank according to GDI <sub>12</sub>	HDI Rank minus GDI rank	GEM	Rank according to GEM
<b>High HDI</b>							
Tirana	0.822	1	0.816	1 H	0	0.507	1H
Fier	0.788	2	0.783	2 H	0	0.438	2M
<b>Medium HDI</b>							
Durres	0.785	3	0.779	3 H	0	0.424	3M
Vlora	0.764	4	0.751	4 M	-5	0.350	11L
Gjirokastra	0.761	5	0.751	5 M	-2	0.371	8L
Elbasan	0.760	6	0.754	6 M	+2	0.415	4M
Berat	0.759	7	0.752	7 M	+2	0.410	5M
Korca	0.757	8	0.747	8 M	0	0.399	6M
<b>Low HDI</b>							
Lezha	0.752	9	0.747	9 M	+3	0.385	7L
Shkodra	0.741	10	0.732	10 L	0	0.362	9L
Dibra	0.734	11	0.727	11 L	0	0.351	10L
Kukes	0.719	12	0.703	12 L	0	0.337	12L

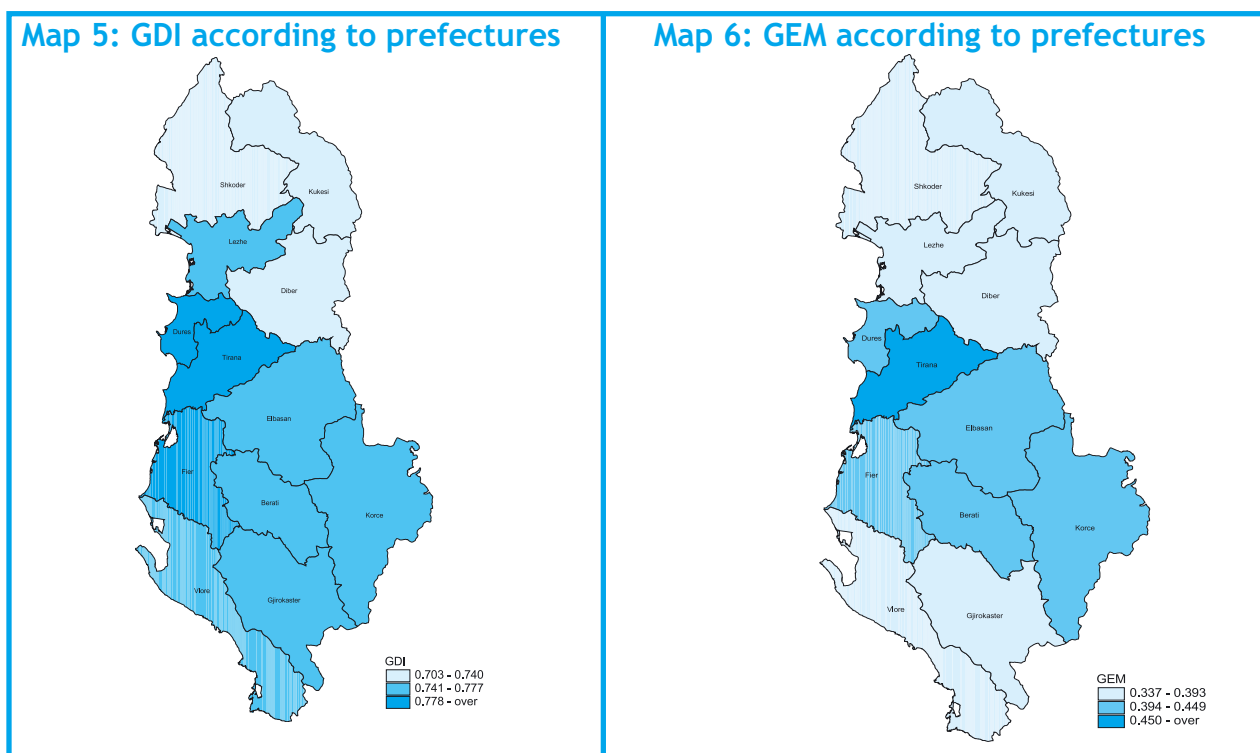
Source: HDPC, August 2002

means of the percentage of women with important administrative and managerial jobs. At the national level, an average of 29.2% of women from the active population are self-employed, employers or holders of decision-making positions in the public administration such as heads of departments or of higher units in public administration. These statistics vary considerably according to prefecture. They reveal a level of 25.1% for the prefecture of Kukes, 24.9% for the prefecture of Dibra and 24.1% for the prefecture of Vlora. The result at the national level is that an average of only 33% of jobs classified as professional or technical are held by women. The lowest level is 23.2% for the prefecture of Dibra and the highest level is 39.6% for the prefecture of Tirana.

According to calculations, the GEM for Albania, based on the data available for 2001, is 0.422 and Albania ranks 58th in the classification of the United Nations for

173 countries which were included in the index. 25/. With this GEM level, Albania ranks among the countries with a medium level of human development. The results show that the prefecture of Tirana has the highest level of gender empowerment, while the prefectures of Kukes, Vlora, Dibra, Shkodra, Gjirokastra and Lezha have the lowest level.

In most of the prefectures, the ranking according to the GDI is the same as the ranking according to the HDI, or a bit lower. These results demonstrate that, in general, much remains to be done in Albania to expand the scope of participation of women in political and economic life because the level of participation is much lower than their development and their real capacity to contribute. They have comparatively few opportunities to exercise their skills. The difference is the most significant in the prefectures of Vlora and Gjirokastra.



<sup>20</sup> The comparison was made using the classification of the Global Report on Human Development for the year 2002, which ranks Albania at number 74.

<sup>21</sup> This estimate was only made for comparison within Albania.

<sup>22</sup> Development is divided into three levels: high (H), medium (M) and low (L)

<sup>23</sup> The methodology used is the same as for the HDI categorization.

<sup>24</sup> INSTAT, Women and Men in Albania, December 2001.

## Measurement of Technological Achievement (TAI)

The TAI is an attempt to measure the extent to which a country is taking on board modern technological developments for human development - and is a proxy measurement for modernization trends. The TAI level for Albania was calculated on data from the year 2001 and gives a result of 0.304. This places Albania among the countries which are dynamically adapting themselves to modern technology. The TAI calculation has been made for the first time but data limitations do not enable any specific conclusions to be made at the local level.

## 1.5 THE CHALLENGE OF LOCAL DEVELOPMENT

### Lessons of transition

The development of Albania over the last ten years of transition has been complex and comprehensive. In the last few years in particular, lessons have been learned from the bitter experience of the past and reforms in the field of economic development have been coupled with more profound institutional reforms, with greater demands for strengthening of respect for the rule of law and with an improvement in political goodwill and stability. This process has been led and supported by the national and sector policies and strategy with the help of Albania's international partners.

### Outcomes of the reforms

Progress in reform of the economic systems and of governance has, inter alia, had a major influence on human development. This has been clearly reflected in a rise in the standard indicators of human development. What is more, the levels calculated for these indicators classify Albania higher than the levels which were estimated and published by a number of interna-

<sup>25</sup> The comparison was made in accordance with the classification of the Global Report on Human Development for the year 2002, which lacks a GEM value for Albania.

### The measurement of women's empowerment *The Gender Empowerment Measure (GEM)*

The GEM focuses on the opportunities given to women to show their skills and to take part actively in political and economic life and in decision-making. In particular, it investigates the participation of women in political, economic and professional life. This indicator is focused on three variables which reflect the **participation of women in political decision-making, access to exercise their professional skills and women's disposable income.**

tional organizations. Of particular interest is the HDI classification in higher level, which would seem to be a more logical position for a country with such an obvious inclination to join the European Union. The other indices have also shown progress.

### Comparison of Albania's human development position within the region

Compared to several other Balkan countries, Albania has shown the lowest level of human development.<sup>26</sup> (See Table 1.6) This result is complex to analyze. It has to do with a combination of historical, political, economic and social factors. The Albanian transition has been negatively affected by the long drawn-out crisis in the region, in particular the war in former Yugoslavia and especially the Kosovo crisis. Not to be overlooked, too, are the ups and downs which have characterized the

### Measurement of technological progress *Technological Achievement Index (TAI)*

The TAI measures every country's level with regard to the creation and utilization of technology at the service of human development. This indicator measures the achievements in four principal directions, which are considered to be the most important: **the creation of technology** - measured in terms of the per capita number of patents; **the spread of modern technology** - measured in terms of the per capita availability of the internet and of technology exports of a high and average level; **the spread of conventional technology** - measured by the per capita number of telephone customers (line connections and cell phones) and the per capita consumption of electricity; and **the level of human potential** - measured in terms of the level of schooling of the population over 15 years of age and the gross level of attendance at institutions of higher education.

Albanian transition, in particular the profound political and social crises of the year 1997 and 1998.

### Regional disparities in development

Beyond the global and average estimates, progress in human development does not give the same result throughout the country and suggests that major inequalities exist. In some districts, development has been quite slow and, in general, all the indicators show a strong degree of correlation, and in particular those linked to income or regional GDP per capita.

The current development policies and strategies don't take this fact directly into consideration. The common approach they take has meant an improvement in the indicators at the national level which will inevitably have positive effects at the local level. The experience of this decade of transition has shown that this approach, when implemented carefully and under conditions of political stability, promotes economic growth and global development in the country. But its effects on human development, in particular at the local level, are less and very slow to appear.

### Statistical information on national and regional development

Development policies and strategies in Albania continue to neglect the importance of statistical information. Statistical data are

not yet considered by decision-makers to be a significant basis for planning and formulation of real and implementable strategies under Albanian conditions. Likewise they are deemed inadequate for verifying the effects of measures affecting the lives of people and for continually updating and improving priority interventions. They are also not considered to be instruments which can initiate and stimulate debate on the basic issues of national and local development.

Not much attention has been paid up to now on the reporting system and reporting culture at the local level and they have not been integrated into the many reforms undertaken at the national and sector level. International partners promoting reforms in Albania have also ignored them. It is necessary for this system to be put in place again and to be supported by a requisite legal framework, modern statistical reporting and analytical methodology and supporting computer equipment.

More emphasis could be placed on support for deriving indicators relating to human development, in particular to issues such as personal income, education, health care, social services, gender equality etc. Existing support programmes could be accelerated and at lower cost if specific measures were undertaken in areas where these indicators have deteriorated most - and especially at the sub-national level.

### Improvement of regional data

Much more attention should be paid to local development by all the interested actors, in particular by decision-makers and the international partners who are helping Albania. After this stabilization period, local development will constitute a new challenge for Albanian transition, i.e. a new vision for the development of the country.

Albania compared to the other countries of the Balkans Table 1.6

No.	Country	HDI		GDI	
		Level	Rank	Level	Rank
1	Greece	0.885	24	0.879	25
2	Slovenia	0.879	29	0.877	27
3	Bulgaria	0.779	62	0.778	53
4	Romania	0.775	63	0.773	55
5	Macedonia	0.772	65	-	-
6	Albania	0.764	70	0.758	61
	Others		-	-	-

<sup>26</sup> For this comparison, use was made of data from the Global Report on Human Development, 2002. UNDP. New York

What is needed most to deal with this challenge is a new mentality of governance which would give more importance to local governance and to the role of people in governing than it has in the past. This requires profound changes in relations between the central and local governments, the development of human capacities and local institutions to fulfill the demands of governance, as well as clarity and a thorough knowledge of experience and, in particular, of trends towards regionalization in the European Union.

Closely connected with this challenge would also be a review of existing development strategies. Regional influence is neither clear nor evident in existing national and sector strategies, and in almost all cases, the effects on an intervention contained in them are the same for every region. What is therefore needed is a translation of the national objectives into local objectives, accompanied by a selection of the priority interventions for every region, a calculation of implementation costs and a reorientation of funding.

## 1.6 HUMAN DEVELOPMENT AND LINKAGES WITH THE MILLENNIUM DEVELOPMENT GOALS

### The challenge of the MDGs

The focus of international development efforts has changed course significantly since the signing of the international agreement on the global Millennium Development Goals (MDGs). The recommendations of the global conferences of the United Nations held over the last ten years were further synthesized and adapted in the Millennium Summit Declaration of September 2000. Eight main objectives were formulated on the basis of political pledges made at this summit. These are known as the Millennium Development

### Statistical information as an instrument of development

The ministries, central institutions and local government are not assuming their requisite responsibilities in managing the data collection system at the various levels of administrative division in the country. As a result, some data are missing and there is inadequate and even inaccurate reporting from year to year, resulting in figures which are lower than reality<sup>27</sup>. A typical example is that of administrative statistics on births and deaths. In some districts, no reports are made at all, or they are inaccurate. The data on infant mortality at the national level are lower than in most of the countries of southeastern Europe and at least twice as low as the data from the census for the same period.<sup>28</sup>

Goals. They are concerned with the elimination of poverty, with education, gender equality, a lowering of the rate of infant mortality, health care for mothers, the fight against dangerous contagious diseases, environmental protection and the promotion of global partnership. Each of these goals includes specific targets and measurable indicators so that they can be fulfilled within 25 years between 1990 and 2015.

The adaptation of the specific targets contained in these goals and the identification of indicators at the national level represents an important phase of work which must be carried out to encourage progress and to create the requisite conditions to measure and evaluate them. The necessity of setting indicators at the local level, in particular those connected with poverty, education, health care and gender equality has already been accepted too. This can give an opportunity to prepare more specific action plans to fulfill national and regional goals, to calculate costs, to identify sources of funding and to orient and coordinate this funding towards priority interventions.

### Building linkages with human development

It is clear that the main components of

<sup>27</sup> Further details are to be found in the Technical Notes in Annex 1

<sup>28</sup> Infant mortality reported for the years 2000 and 2001 is 13 per thousand whereas the survey carried out by UNICEF for the same period gave 28 per thousand.

the MDGs correspond closely with those of the HDI. One of the tasks of the UN system and the Albanian government and people will be to bring this relationship closer with an emphasis on forging a common vision and strategy with accompanying programmes for attaining the MDGs.

#### **Albania and the Millennium Development Goals**

Progress reports and monitoring in every country on these goals is considered an important process to help focus national debates on priority questions and to serve the fulfillment of the political pledges made by each country. Within this framework, an initial attempt<sup>29/</sup> has been made in Albania, in support of the United Nations, to analyze the progress made and to evaluate what can be done to fulfill these political pledges.

The adaptation of the specific targets and indicators to the real conditions in the country, identifying the indicators at the local level, their integration into national and sector strategies, promoting partnership in civil society, coordinating interventions by international partners, improving the monitoring and reporting system and raising the level of information and public participation are all primary recommendations deriving from this analysis. The drafting of strategies for regional development and of action plans for specific problems at the local level in harmony with the medium-term goals of national development are considered priority measures to combat the high level of inequality in development among the various regions of the country.

According to this general assessment, Albania, in order for it to fulfill the Millennium Development Goals, needs better development policies at the local level, stronger institutions and further funding. The idea that Albania can achieve these goals without such steps and without support from international partners is unrealistic.

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<sup>29</sup> HDPC, Albanian Response to the Millennium Development Goals, Tirana, May, 2002.



# THE MILLENIUM DEVELOPMENT GOALS

## TARGETS

## INDICATORS

### GOAL 1 ERADICATE EXTREME POVERTY AND HUNGER

1. Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day  
 2. Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

1. Proportion of population below \$1 per day (PPP-values)  
 2. Poverty gap ratio [incidence x depth of poverty]  
 3. Share of poorest quintile in national consumption  
 4. Prevalence of underweight children (under-five years of age)  
 5. Proportion of population below minimum level of dietary energy consumption.

### GOAL 2 ACHIEVE UNIVERSAL PRIMARY EDUCATION

3. Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling

6. Net enrolment ratio in primary education  
 7. Proportion of pupils starting grade 1 who reach grade 5  
 8. Literacy rate of 15-24 year olds

### GOAL 3 PROMOTE GENDER EQUALITY AND EMPOWER WOMEN

4. Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015

9. Ratio of girls to boys in primary, secondary and tertiary education  
 10. Ratio of literate females to males of 15-24 year olds  
 11. Share of women in wage employment in the nonagricultural sector.  
 12. Proportion of seats held by women in national parliament

### GOAL 4 REDUCE CHILD MORTALITY

5. Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate

13. Under-five mortality rate  
 14. Infant mortality rate  
 15. Proportion of 1 year old children immunized against measles.

### GOAL 5 IMPROVE MATERNAL HEALTH

6. Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio

16. Maternal mortality ratio  
 17. Proportion of births attended by skilled health personnel

### GOAL 6 COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES

7. Have halted by 2015, and begun to reverse, the spread of HIV/AIDS  
 8. Have halted by 2005, and begun to reverse, the incidence of malaria and other diseases

18. HIV prevalence among 15-24 year old pregnant women  
 19. Contraceptive prevalence rate  
 20. Number of children orphaned by HIV/AIDS  
 21. Prevalence and death rates associated with malaria.  
 22. Proportion of population in malaria risk areas using effective malaria prevention and treatment measures  
 23. Prevalence and death rates associated with tuberculosis  
 24. Proportion of TB cases detected and cured under DOTS (Directly Observed Treatment Short Course)

### GOAL 7 ENSURE ENVIRONMENTAL SUSTAINABILITY

9. Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources  
 10. Halve, by 2015, the proportion of people without sustainable access to safe drinking water  
 11. By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers

25. Proportion of land area covered by forest  
 26. Land area protected to maintain biological diversity  
 27. GDP per unit of energy use (as proxy for energy efficiency)  
 28. Carbon dioxide emissions (per capita)[Plus two figures of global atmospheric pollution: ozone depletion and the accumulation of global warming gases]  
 29. Proportion of population with sustainable access to an improved water source  
 30. Proportion of people with access to improved sanitation  
 31. Proportion of people with access to secure tenure

### GOAL 8 DEVELOP A GLOBAL PARTNERSHIPS FOR DEVELOPMENT





## *The local mosaic and* local **governance**

### 2.1 TRENDS IN LOCAL GOVERNANCE

#### Historical traditions of local governance

The relatively short history of the Albanian state does not provide much continuity with regard to local autonomy. The main characteristic of government by the classes in power over the course of history was centralism, in which priority was given to the construction of a modern state, though of a state very much determined by regional forces, tribes and clans. Compromises were made to take into consideration local realities and the concerns of interest groups in these realities.

In general terms, Albania does not have any long-standing or continuous tradition of local government upon which programming or the implementation of reform in the field of local autonomy could rely, as is the case in Western democratic countries.

#### Key features of local government - pre war

Before the Second World War, the main characteristics of the units of local government were a low level of political independence, a moderate level of fiscal autonomy over revenues, and extensive

#### Governmental forms since independence

- Declaration of independence in 1912 and the first government.
- Protectorate 1913-1914.
- Lack of government institutions 1914-1920.
- Parliamentary republic 1920-1928.
- Constitutional monarchy 1928-1938.
- Various governments during the Italian and German occupation 1939-1944.
- Communist state 1944-1990.
- Parliamentary democracy since 1991.

competence in the field of public services. The territorial divisions were prefectures and sub-prefectures, and the units of local government were town and rural municipalities.

The local authorities were selected on the basis of a combined system of appointment and election, in which appointment played the main role. The members of local councils (for town and rural municipalities) were elected, whereas the mayors and heads of such municipalities were appointed by royal decree upon a proposal from the government. The level of administrative autonomy was moderate, whereas the authority of the state, exercised by the prefectures, was strong. Competencies for economic and social duties were wide-ranging. Local units, in particular town municipal authorities, of-

ferred a series of public services, administered a budget which was partially financed by local taxes, owned property and assets, and administered natural resources. Local taxes were set forth by specific laws, but were collected and used by local units. The state ensured the financing of the units of local government by means of mostly conditional transfers of funds. Local administration had little staff and there existed a system of careers and recruitment.

### Post-war changes in local governance structures

During the 1944-1990 period, local government was characterized by a predominantly vertical chain of dependence. The legal and constitutional framework restricted it to being “local organs of governance” and not to “organs of local governance,” and considered it to be a part of the central government dominated state pyramid. As a consequence, it constituted in essence a deconcentration of executive duties, while decentralization and self-governance were quite weak. A parallel government made up of the organizational structures of the Party<sup>30</sup> exercised ideological control over the activities of the administration, and also had a strong influence on decision-making by these organs.

The local organs of governance consisted of district councils and town/village councils. In the towns, there were smaller units called neighbourhood councils. Local councils were elected by formal vote once every four years, but there was no administrative or political autonomy. The various economic and social duties involved in decision and policy-making were part of a vertical separation of executive duties in a centralized state. Their budgets derived totally from the state budget, and were divided into specific items, with details on utilization and procedures set forth by the central government. The chairman

of the district executive council was appointed by the Council of Ministers (CoM) and received formal approval by the district council, which also elected the district executive committee. The main duty of this committee was to implement the production plans of state enterprises and agricultural co-operatives in the district in question. The executive committee had authority in dealing with daily issues of family life such as housing, employment, schooling, health care and municipal services, etc.

### Changes to local governance in the transition period

During the first decade of the transition (1991-2001), the central government authorities and the international organizations supporting them, concentrated their attention on political, institution and economic reforms. Less attention was paid to local governance, and some initial steps were taken to improve the legal framework, more to fulfil the demands of international organizations than to create real autonomy at the local level. Albanian society was changing from centralism and imposed collectivism to extreme individualism, and public and interest and participation in these processes were very much influenced by political considerations.

The first changes in local government came about following the passing by Parliament of a *Law on the Functioning and Organization of Local Government* in June 1992. For the first time, politically autonomous units of local government were set up, and organs of local government were then created by means of direct vote. The duties of municipal authorities, as the first level of local government, were strengthened with a number of direct responsibilities and more autonomy. At the same time, the role of the district councils was modified, giving them primarily coordination

<sup>30</sup>The Albanian Party of Labour was the only political party allowed during this period.

roles for the town and rural municipalities in the districts in question.

The reform of local government pursuant to this law was influenced and formed by interests and political relations at the central government level. As such, after the local elections of August 1992, in which the parliamentary opposition won a large number of local seats, there was a sharp decline in the will of the central government to continue implementing local government reforms in line with the law which had been passed two months earlier.

### A new strategy and vision of local autonomy

In 1999, the Albanian Government created a National Committee for Decentralization which was authorized to give political direction, to set forth the principles involved in the reform of local government and decentralization, and to monitor implementation. Under the direction of this committee, a *Strategy for Decentralization and Local Autonomy*<sup>31</sup> was worked out for the first time. This strategic document offers a new and long-term vision for the development of local government in line with the European Charter of Local Autonomy. It sets forth the general structure and levels of government, the territorial divisions of the local units, their main duties and responsibilities, and the steps involved in transferring duties from the central government to the local authorities.

The strategy document was prepared in the wake of a comprehensive process including the consent and approval of the political parties, local elected officials, local communities and civil society. Some observers, however, regard this process as not having brought about a complete political and institutional understanding. The strategy also suffers from too much rigidity, which can be seen in the lack of

review and updating processes, in particular following elections. The strategy lacks monitoring and evaluation instruments which could foresee and help avoid failures. It also foresees no obligatory or compulsory rules for the actors involved in the process.

*A Law of the Organization and Functioning of Local Government*<sup>32</sup> was prepared in order to carry out this strategy. This, at the same time, became the basic law for the creation of local autonomy and the decentralization of responsibilities from the central government level to that of the local authorities.

## 2.2 CURRENT TERRITORIAL AND ADMINISTRATIVE DIVISIONS

### Two levels of local government

According to the Constitution of the Republic of Albania<sup>33</sup>, the units of local government are (a) *the town and rural municipalities* and (b) *the regions*. The territorial administrative divisions are set forth by law on the basis of common economic needs and interests and on historical tradition. The representative organs of the basic units of local government are the councils which are elected every three years by universal vote. The executive of a town or rural municipality is the chairman, who is directly elected by the people. ( See Diagram 1.)

The region is the unit in which regional policies are carried out and harmonized with state policies. The representative organ of the region is the regional council. The town and rural municipalities send members to the regional council in accordance with the portion of their population, each sending a minimum of one member. The heads of the town and rural municipalities are permanent members of the regional council. Within this framework, the Republic of

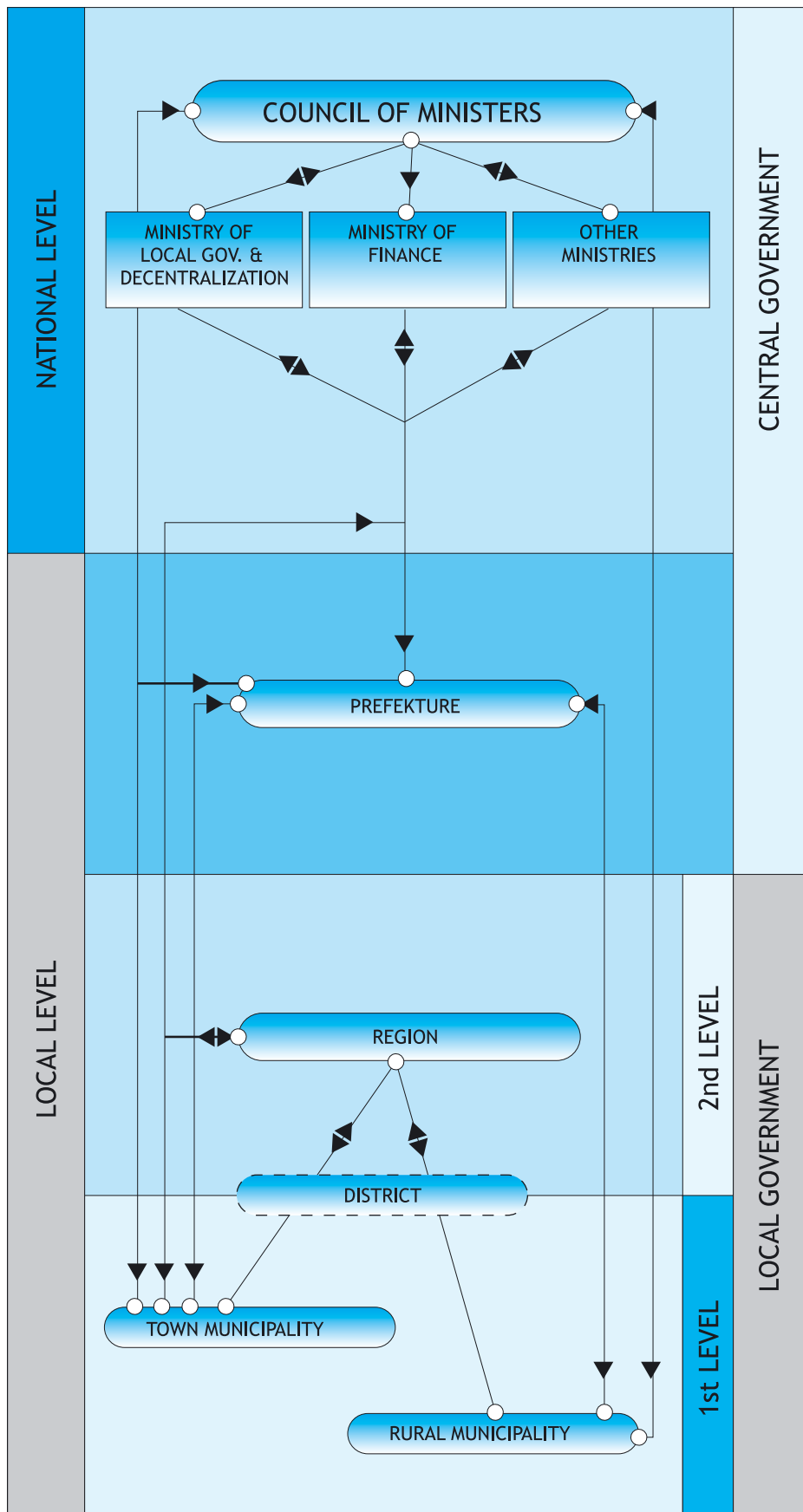
<sup>31</sup> This strategy was passed by the Council of Ministers in its decision No. 651, dated. 29.11.1999.

<sup>32</sup> Law No. 8652, dated 31.07.2000.

<sup>33</sup> The Constitution of the Republic of Albania was passed on 21 October 1998.

Diagrama 1

Different levels of governance in Albania



## Local Government Structure - 2002

### *The units of local government<sup>34</sup> are:*

- The Region (qarku), which is a territorial administrative unit usually comprising several town and rural municipalities with a geographical, traditional, economic and social connection, and common interests. The district (rrethi) is a subdivision of the region. A region has about 2-4 districts.
- The Town Municipality (bashkia), which is a territorial administrative unit and a community of inhabitants primarily in an urban setting, though in some cases in a rural setting. In urban areas, the municipality is divided into neighbourhoods (lagje) which cover a territory with more than 15,000 inhabitants. If the town municipality also includes rural zones, the subdivision in question is called a village (fshati), which has over 200 inhabitants. The town is a centre of population which evolves in line with an urban development plan. Albania has 74 towns, of which 65 are town municipalities. A municipal council consists of 13 to 45 members, depending on the number of inhabitants. The municipal council of Tirana has 55 members.
- The Rural Municipality (komuna) is a territorial administrative unit and a community of inhabitants who normally live in a rural setting, though in some cases in an urban setting. The rural municipality is divided into villages and in some cases into towns.

Albania is divided into 76 town municipalities, including the 11 zones which form the Municipality of Tirana, and 309 rural municipalities. This is the first level of local government. The town and rural municipalities are grouped into 12 regions, which represent the second level of local government<sup>37</sup>. The law also sets forth the district as a subdivision of the region. A district has no elected organs of local government, but is still involved in decentralized state services, such as

public order, education, health care, employment services, and justice, etc.

### Legal responsibilities of local authorities (towns and rural municipalities)

According to the Constitution, the units of local government are legal entities which have the right to regulate and independently administer local issues within their jurisdiction, to exercise property rights, to administer independently

### Size and composition of the regions

Table 2.1

No.	Region	Population <sup>38</sup>	Town Municipalities	Rural Municipalities	Cities	Villages	Surface area in Km <sup>2</sup>
1.	Berat	193,020	5	20	5	245	1798
2.	Dibra	189,854	4	31	7	279	2586
3.	Durres	245,112	6	10	6	96	766
4.	Elbasan	381,213	7	43	7	397	3199
5.	Gjirokastra	93,934	6	26	6	271	2885
6.	Fier	382,483	6	36	6	278	1890
7.	Lezha	159,169	5	16	9	169	1619
8.	Korca	265,125	6	31	6	345	3711
9.	Kukes	111,393	3	24	3	185	2374
10.	Shkodra	256,022	5	29	6	272	3562
11.	Tirana	597,676	5 + 11	24	6	233	1652
12.	Vlora	192,739	7	19	7	195	2706
	Total	3,067,740	65 + 11	309	74	2975	28748

<sup>34</sup> In accordance with Law No. 8652, dated 31.07.2000 "On the organization and functioning of local government "

<sup>35</sup> The Constitution of the Republic of Albania was passed on 21 October 1998.

<sup>36</sup> In accordance with Law No. 8652, dated 31.07.2000 "On the organization and functioning of local government "

<sup>37</sup> This division is based upon Law No. 8653 date 31.07.2000 "On administrative territorial division" and on the Law No. 8654 dated 31.07.2000 "On the organization and functioning of the Municipalities of Tirana".

<sup>38</sup> According to the data of the last Census. August 2002.

revenues acquired, to exercise economic activities, to collect and spend revenues which are essential for the exercise of their duties, and to impose local taxes and the level thereof in conformity with the law.

The town or rural municipalities bear full responsibility for the exercise of their duties, whereby their administrative competencies for services, investments and regulatory issues are unlimited and are not to be shared with any other local or central organ or institution. Town and rural municipalities have been given, at least by law, a long series of duties and competencies, as well as freedom in the exercise thereof. This gives one the impression that the first level of the local government has been given top priority.

This is also perhaps a direct result of the fact that in the Constitution, and in all legislation deriving from it, town and rural municipalities are regarded as the basic unit of local governance. Thus, other units, such as the regions and anything else which might be created by law, are not basic units, and may therefore be considered secondary.

#### **The organs of the units of local governance<sup>39</sup>**

Every rural municipality, town municipality or region has representative and executive organs of local government. The representative organ of the rural and town municipalities is the municipal council and the executive organ is the Mayor and the Chairman of the rural municipality in question. These are elected by direct universal suffrage and by secret ballot. The representative organ of the region is the regional council, and its executive duties are carried out by the chairman of the regional council and head of the region. The representative organ of the region is composed of representatives of the elected organs of the town and rural councils in question, and the chairman of the regional council and the head of the region is elected by the council in question.

<sup>39</sup> In accordance with Law No. 8652, dated 31.07.2000 "On the organization and functioning of local government."

<sup>40</sup> In accordance with Law No. 8652, dated 31.07.2000 "On the organization and functioning of local government."

#### **Discrepancy between legal authority and capacity of local bodies**

Not all responsibilities foreseen under the law on town and rural municipalities are in effect since the transfer of duties from the central government to the local authorities is due to take place step by step. An important date for this transfer was 1 January 2002. The law foresaw that after this date, the town and rural municipalities would be entirely responsible themselves for the carrying out of their duties. This means that the units of local government have to have funds of their own, and must create their own regulatory, administrative and service authority to exercise these duties.

A considerable number of these competencies have not yet been transferred to the town and rural municipalities in question, even though this is technically "against the law". One reason for this is the lack of specific laws and a regulatory framework. Nonetheless, legally, they enjoy a wide spectrum of competencies which will gradually be transferred to them. At the regional level, things are different. Legally, the regions have been given few duties which, with regard to the manner of composition and to relations with the town and rural municipalities in particular, are not entirely clear.

#### **Clear physiognomy of the first level of local government**

The first level of local government has already assumed a clear physiognomy and authority. This transition has been assisted by tradition, by a clearer speci-

#### **The legal rights of local government**

The units of local government enjoy legal rights to govern, to own property, to co-operate, and to be legal entities. They carry out their own functions, joint functions and delegated functions.



### The functions and competencies of the town and rural municipalities <sup>41</sup>

#### *Own functions*

The rural and town municipalities have been given full legal authority in matters of administration, services, investments and regulations, to be carried out in observation of national and regional policies, in the following fields:

- Infrastructure and public services: drinking water, sewerage, local roads, sidewalks and public squares, lighting, urban public transport, parks and greenery, waste disposal, urban planning, land management, etc.
- Services of a social, cultural and sports character: local cultural and historical monuments, sports events, leisure and entertainment, social services and the administration of day-care centers, senior citizens' homes, kindergartens, etc.
- Local economic development: economic development programmes, commercial infrastructure, small business, veterinary services, forests, pasture lands and natural resources of a local character.
- Public order and civil defence.

#### *Joint functions*

The rural and town municipalities shall carry out joint functions with the institutions of central government in the following fields:

- Pre-school and pre-university education
- Primary health care services, protection of public health and environmental protection
- Social assistance and the mitigation of poverty
- Public order and civil defence

In such cases, responsibilities and relations between the units of local government and central government institutions are regulated by laws and regulations.

#### *Delegated functions*

The town and rural municipalities are authorized to carry out functions delegated to them by central government institutions, with specific implementation and control procedures. These are obligatory when set forth by law.

cation of duties and by a relatively rapid assimilation by local administration of these duties. Also of influence was the fact that the town and rural municipalities are run by chairpersons elected by direct popular vote. As a consequence, the town and rural municipalities are often regarded as the only real and effective institutions of public administration at the local level. When one speaks to normal citizens, and even to the chairpersons of the town and rural municipalities, one has the impression that this level of government is the one to be approach for all problems.

#### Restrictions and image of the regions

As a second level of local government, the regions were created after the local elections of 2000, with duties differing from those of the districts, i.e. the units which preceded them. The regions have not yet succeeded in creating a physiognomy and authority of their own because they are

not entirely based on a clear electoral mandate and have no direct link with the electorate. They also lack clear competencies spread uniformly and in a balanced manner throughout the territory of the unit in question, clear sources of economic, financial and natural resources funding, and suffer from a lack of clear separation of competencies from other units of local government.

Too little time has gone by to determine precisely whether the regional councils will be in a position to fulfill the only clear competency they have: drafting and implementing regional policies. An initial view has it, however, that the regional councils reflect all the confusion and hesitation which have arisen during the process of creating the second level of local government.

This main duty has not been detailed and supported by any particular legal regulatory framework. It finds no equivalent in

<sup>41</sup> Law No. 8652, dated 31.07.2000 "On the organization and functioning of local government "

### The functions of the region

- The drafting of regional policies and harmonizing them with state policies at the regional level;
- Functions which are delegated to them by the town and rural municipalities on the basis of a mutual agreement;
- Competencies delegated to them by central government, which are obligatory when set forth by law.

the existing laws which regulate specific duties, such as in the law on urban planning and territorial management (it was only at the beginning of 2002 that the Council for Territory Adjustment of Tirana constituted). Under such circumstances, it would still seem quite difficult to foresee precisely how the regions will evolve in the future as the second level of local government, and even less to identify the advantages they have at their disposal to promote regional development.

### Enhancing the role of the regions

The regional council and administration, faced with the realities of governing, are quite naturally exerting pressure to attain the duties they should have, and as such, a certain conflict has arisen between their demands on the one hand, and their duties as set forth in the Constitution and in the law setting forth local government on the other. The regions are endeavouring to get more competencies and specific legal regulations for its competencies. A strategic constitutional vision for the region has already set forth that its physiognomy, duties and power will have to be the product of a decision-making process by the

### Pressures for reform of local governance

Right after the collapse of the communist system, almost all the transition countries gave priority to reforming local government. This phenomenon involved a reduction or removal of competencies at the intermediate level of government 42/, which had earlier played an important role. It also created a gap in governance. Recently prepared legislation has not entirely filled the gap and has been more concerned with setting forth clearly the duties of the first level of local government and in ensuring that the second level not threaten these duties.

local units concerned, i.e. made by their representatives on the regional council. This clash of visions has been made worse by a number of badly drafted initiatives from the central government administration. Under pressure to decentralize and influenced by the traditions of the former district councils, this administration has often found the easiest solution to be that of transferring duties to the region. As a consequence, there has been a trend to create administrative structures at the regional level with duties similar to those of some municipalities taken together, similar to the former administrative structures of the district councils.

### Confusion on the relationships between regions and municipalities

The town and rural municipalities have misunderstandings with regard to their relations with the regions and do not yet consider the latter to be an instrument which they can use to solve their common problems.

From the point of view of funding, the budget of the region, compared to the budget accorded to local government, and its competencies with regard to regional economic development and the harmonization of regional policies with those at the national level, has not yet been the object of any in-depth study. There are also tendencies and misunderstandings which equate the implementation of regional policies at the prefecture level with the implementation of procedures for concrete projects.

## 2.3 ASSESSMENT OF THE NEW LOCAL GOVERNMENT ADMINISTRATIVE STRUCTURE

According to the new administrative division passed under the law of 2000, Albania has 374 units of local government at the first level (urban and rural municipalities) and 12 units at the second

level (regions). Although there has been little time to gain enough experience to permit a complete analysis of this division, a preliminary comparison of duties can be made.

In general, the administrative territorial division at the first level of local government has responded well to the fulfillment of its duties in serving the population. Limited funding available to local government has not enabled it to expand services and further improve the quality thereof. But there already exists a belief that local government at this level is consolidating and is in a position to take over more responsibilities for governing its territory. Or rather, there is a belief that the failures noted are not related to the size of the administrative territorial units at the first level of local government.

The lack of demand that the administrative division be reorganized leads one to believe that the division is, in general, in functioning order and has been accepted by the population. Nonetheless, the true test of the efficiency of the units at this level will come with the expansion of fiscal competencies.

### Requirement for further adjustments

Major demographic changes as a result of domestic migration<sup>44</sup>, the reform of local government, the new scale of its autonomy, the many duties and higher scale of responsibility with which local government has been charged, will make a more in-depth analysis of the existing administrative territorial division at the first level of local government necessary.

Albania has an average of about 8,200 inhabitants per unit of local government at the first level. The sizes of the rural mu-

### The new administrative division

Under the new law<sup>43</sup>, almost the same administrative division was maintained for the first level of local government as existed in the past, but the responsibility for the administrative division passed from the CoM to Parliament. The new regions were set up with the same borders as the old once, which were not units of local government but nonetheless had created a clear traditional, cultural, demographic, and economic division of Albanian territory. Albanian legislation, although not particularly liberal with regard to procedures for changing the administrative divisions, specified that the population (electorate) of the areas in question would be the main players for any changes in the divisions or any eliminations or creations of local units.

nicipalities vary considerably. They all have less than 10,000 inhabitants, about half of them have less than 5,000 inhabitants and 12 rural municipalities have less than 1,000 inhabitants. The sizes of the town municipalities also vary considerably: 55 town municipalities have less than 25,000 inhabitants and 9 such municipalities have between 25,000 and 100,000 inhabitants. Although the administrative division is not intended to create a uniform size for the units of local government, some duties and responsibilities linked to education, health, environmental protection, economic development, the mitigation of poverty, and urban development, etc. are better fulfilled in larger communities.

The size of the units also has a substantial influence on the efficiency of local administration itself. The administration in a town municipality of about 100,000 inhabitants has about 1 employee per 1,000 inhabitants, whereas in a small rural municipality of about 3,000 inhabitants, the relationship is four times higher<sup>45</sup>. In small municipalities, there is a lack of human resources and about 80% of administrative staff does not have proper training, and this in an age when the administrative duties in these municipalities are as great as they are in the larger ones.

<sup>43</sup> Law No 8653 dated 31.07.2000 "On administrative territorial division."

<sup>44</sup> 10% to 75% of the population has moved in about 70% of the rural municipalities and in about 90% of the town municipalities.

<sup>45</sup> Ministry of Local Government, "On the necessity of reviewing administrative divisions", Tirana, September 2002.

### Redefinition of urban areas and responsibilities

Consideration should be given to reviewing the classification of towns, in particular those with a relatively small population <sup>46</sup>, to finding ways of adjusting the number (74) to correspond to the number of town municipalities. The decision to review the existing division of the municipality of Tirana into 11 different municipalities, a division which was not thought through convincingly. Data from the new census point to changes in the number of inhabitants in the municipality of Tirana, in the population density and in the social and economic indicators of the municipalities which would warrant further adjustments to the administrative boundary of Tirana.

Town	Population
Kam	43
Kurbnesh	181
Ulez	495

### Shortcomings in the new regional structure

The issue of optimal size for the units of local government must be further discussed at the regional level. It has now become evident, about two years after the creation of the second level of local government, that the regions are not yet fulfilling their basic duty of drafting regional policies and harmonizing them with state policies. The reason lies not in the duty itself, which is very important and necessary. At the moment, this duty is not even being fulfilled by central government.

Two main arguments serve to justify this state of affairs: first, the second level of local government has just been created and it is still too early to confirm the success or failure of the structures; secondly, the human capacities at the regional level are

still insufficient for the management of this important policy function.

Underlying the need for further consideration of the regional structures and functions is the issue of the optimal size of units at the second level of local government. The present division was made on the basis of criteria such as geographical, traditional, economic and social ties, as well as interests held in common by the town and rural municipalities. These are of course important but vague criteria and cannot be easily transformed into measurable criteria which would make an objective and, in particular, efficient division possible. The main reason for this dichotomy is that it was not possible from the start to determine which criteria would be the more important for the division. This is linked to one very simple question: to make the division, should one look towards the traditions of the past or towards the future?

### Need for regional planning to be based on pan-European criteria

It is evident that the existing division has been strongly influenced by traditional criteria. But regional development is a more recent concept and it is difficult to link it to valuable experience from the past. Therefore other, more suitable and more modern criteria should be taken into consideration.

As an example, one could use the criteria of approximation with European structures. Albania strongly aspires to integrate and be part of the EU and this, of course, cannot be done simply by signing a document, but by preparing the country gradually to “catch up with the pace” of the EU, which would then make signing the logical consequence of a successfully completed process. In this connection, a new and important dimension must be added to the efforts made for the rapid development of the country, that of regional development, which today is still lacking.

<sup>46</sup> The term “town” is not a legal status involving administrative or financial changes, but a pre-condition making it easier to obtain the status of a town municipality.

Nonetheless, this is only one of a selection of criteria for moving forward. There may be other criteria which are equally important and for which a full analysis will be needed. This would seem to be the right moment for a forward-looking discussion with those who wish to plan the country's future.

## 2.4 REGIONALISM - A NEW VISION FOR DEVELOPMENT

### EU approach to regional development

Regional development has now become part and parcel of local government and of territorial division in the countries of the European Union. It has become the reason for a review of territorial organization and for the creation and strengthening of institutions at the regional level.<sup>47</sup>

The necessity of adapting to western standards of democracy and the particular importance which the European Un-

ion attaches to regional policies have led to this new vision of development being included in its entirety in the reform agendas of the candidate countries. Most of these countries have already passed specific laws on regional development and have created regional and central structures to formulate and monitor the implementation of regional development policies. Some of these countries have already begun adapting their territorial organization to the duties involved in this type of development.

### Application of regionalism to Albania

The adoption of a regional focused approach is a new concept for Albania. Up to now, this concept has not been considered in the national and sector development strategies nor in the strategy for the reform of local government, in initiatives to modernize the legal framework, or in the new administrative territorial division itself. International partners who are orienting, supporting and monitoring the development of reforms in Alba-

#### The EU and regional development funding

Questions of regional development and the social, economic and financial effects of investments in the poorest regions dominate political debate on EU funding for member states, and are at the focus of negotiations with the countries which are applying for membership. This is linked to the importance attributed to the growth of social cohesion between these countries and the assistance given to the less developed countries to increase their per capita revenues. Structural funds are the mechanism designed to bring about the process.

One regulation of the EU<sup>48</sup> sets forth the financing criteria for structural funds which are accorded at the regional level to each country, and which depend upon development indicators in each region. This is nothing new because in Albania, too, it is becoming all the more apparent that international partners tend to provide financial assistance through regional bodies and that there is a lack of enthusiasm to finance central governments. According to this regulation, the analysis of regional

development is based on a unified territorial division at three levels. An optimal division for each level, guaranteeing the efficient utilization of development funds is considered to be that for a population of 3-7 million inhabitants at the first level, 0.8-3 million inhabitants at the second level, and 0.15-0.8 million inhabitants at the third level. The second level is considered the optimal size for regional development planning. This system is being applied gradually not only to the member countries of the European Union, but also to countries wishing to become members. This territorial configuration is being pursued by the creation of institutional, administrative and statistical capacities to support this new vision of regionalism. Particular attention is being paid to the creation of programming and management structures for development programmes which guarantee optimal absorption capacities for funding, but which require time to be set up and operate efficiently. The level of funding depends directly upon these capacities.

<sup>47</sup>Institute for an Open Society, "Regionalism for development and acceptance in the European Union, a comparative perspective", Budapest, June 2002.

<sup>48</sup>EU Regulation 1260, June 21, 1999. According to this regulation, the structural funds give priority to the development of regions which over the last three years have had a per capita GDP of less than 75% of the EU average.

nia have not included this concept in the agenda of their priority reforms either. The European Union, for its part, seems to have deferred such initiatives for the moment.

### Need to address regional inequalities

In fact, as the analysis of indices calculated at the national and regional levels reveals, there exists in Albania substantial regional inequality in human development, and in particular in economic development, which is continuing to widen rapidly. Thus the GDP contribution of the four prefectures of central Albania is greater than the contributions of all the other eight prefectures.<sup>49</sup> In addition, the GDP contribution of five districts<sup>50</sup> makes up about 62% of the total contribution of all the 36 districts in the country. But the basic issue is that few possibilities exist to include the lesser developed regions in the process of economic development and, in general, there are no clear ideas or plans as to how to change the situation.

For this situation to begin to change, specific regional activities must be stimulated with a view to mobilizing the economic and human potential of each region with low indicators. Such activities, concentrated in regional policies, should help to encourage domestic and foreign investors not to limit themselves to the central regions of Albania. Special concessions must be given to business for the creation of jobs etc., but they must also have an influence on the allocation of state funding.

### Criteria for a successful regional policy

The success of regional development policies depends to a large extent on the size of the region, which must offer real opportunities for development by making available a combination of natural, economic and human resources. In general,

a division of the territory into little bits, as is the case in the administrative division of Albania, puts substantial limits on opportunities available for implementing regional development policies.

An active policy for regional development also needs institutional support at the local level. This means a legal and regulatory framework, administrative structures and human capacities.

It does not seem that this very important and indeed essential process can be realized with the current institutions, legal basis and the existing administrative division. The present-day regions, burdened with regional development duties, have difficulty responding to this process and it is not simply a question of experience. Consequently, Albania which regards its membership in the European Union as its main objective, will very shortly fall behind with this reform.

### Building the foundations for an active regional strategy

Now is the right time to review legislation and determine the optimal size for units of local government at the second level in a forward-looking fashion. This would lead to a substantial reduction in the number of such units and would be a pro-active approach, conforming to the future needs of the country as a part of Europe, rather than resulting in a doctoring of existing structures. This approach would also anticipate any subsequent recommendation that the division be reviewed in line with the criteria of the European Union because, at that moment, everything would otherwise have to start from scratch: preparations for a new legal framework, the setting forth of a body of regulations, the reorganization of regional administration, administrative procedures, and the strengthening of human resources, etc. Preparations for a regional

<sup>49</sup> The prefectures of Tirana, Durrës, Elbasan, and Fier cover about 65% of GDP (HDPC calculations).

<sup>50</sup> Tirana, Durrës, Elbasan, Lushnjë and Fier (HDPC calculations).

**Role of the Prefect at regional level**

The representatives of the units of local government have expressed criticism about their relations with the prefects. They consider a surfeit of monitoring on the part of the prefects with regard to the utilization of budget funds as an impediment, in particular when the law clearly states that these units of local government decide themselves on how to use all funds which are not transferred from the central budget with specific conditions attached. However, rather than a legal or political issue, this would seem to be a question of how the prefect exercises his or her authority.

strategy of social and economic development would have to start from scratch, too, and experience has shown that this type of process in Albania drags on and on, and is very costly.

A special law and a special government structure for regional development, which have shown themselves to be very effective in most of the transition countries, would be important instruments to initiate this process.

**The prefecture: monitoring or tutelage?**

The regional level involves an institution headed by a prefect who is the representative of the central government at local level and is appointed by the Council of Ministers. He or she is responsible for ensuring that government and national policies and programmes are implemented at the local and regional level. The prefect and the prefecture have a twofold role involving both monitoring at the local level of state services which are not the responsibility of local government, and ensuring that legal regulations promulgated by the organs of local government are in line with the law. In reality, the influence of the prefect is much greater on the structures of central government authority at the local level than on local government itself.

over the transition years. Local government in reality implies organs which are elected democratically, i.e. which arise from electoral processes held by means of the free and honest elections of local officials. This form of election has now been set forth by law and Albania is currently in its third mandate of local government in the transition period.

Mandate	Period
1	1992 - 1996
2	1996 - 2000
3	2000 - 2003

Despite the fluctuations of relations between the main actors in the field of politics, it can be said in general that there is no essential difference of opinion on the nature of local government in the platforms of the political parties. This is something quite unique in Albanian political life during the transition period because it has been very difficult to achieve political consensus on most of the reforms. The reform of local government has been a common element in the platform of all government administrations created in Albania over the transition period.

**Local governance - a casualty of the political process**

Nevertheless, it can also be said that the reform of local government, indeed its effectiveness and functioning, has been the victim of the bitter fighting and conflicts which have characterized political life in the country throughout most of the last

**2.5 BEYOND CONSENSUAL POLITICS**

**Democratic basis for effective local governance**

Local government has been closely influenced by electoral processes and politics

decade. Since local elections in Albania have always taken place after national political elections and since the results thereof have not always accorded with the results of the national elections, the climate of political confrontation has meant, for its part, that the central government has looked upon the local authorities with suspicion and refuses to expand their competencies. On the other hand, the local authorities have often aligned themselves with the opposition as a political instrument to contest and block the implementation of policies and the expansion of various reforms at the grassroots level.

As a result, one can state that Albanian politics have had difficulty getting used to cohabitation between the central government and local authorities, and the latter have often been deprived of the competencies accorded to them under law. In fact, what happened for years on end can only be described as a mutual checkmate by the main political actors in the country. The elections of 1996 resulted in a short period of co-operation between the central and local governments, but reforms which were initially undertaken were very soon interrupted by the profound crisis of 1997 and by the change in the political spectrum of the country as a result of early elections in June of 1997.

#### Political influence over local government Box 2.11

The central government has a substantial political influence over local government. This influence will remain unchanged for as long as local government is limited with regard to the legal, administrative and monetary instruments at its disposal to fulfill its duties and competencies as recognized by law.

#### Post 2000 - new initiatives in support of local government

The local elections of October 2000, however, were accompanied by a series of positive changes in the Albanian political landscape. Aside from the fact that the political parties considered these elections as an important electoral test at the national

level, there were also signs of new maturity and responsibility on the part of the voters with regard to the value and significance of local elections. In fact, in these elections for the first time the candidates showed their profiles, not simply as representatives of political parties, but at the same time as representatives of programmes and solutions which they themselves were offering to solve concrete problems in the interests of their communities. This brought about a change in the electoral campaign, increasingly away from issues of national politics towards a discussion of problems which were linked to the interests of the voting communities in question. There was also a series of highly publicized television debates in which the candidates for the main town municipalities in the country confronted one another with the programmes and solutions they were proposing to their communities. As a consequence, even the parties themselves began to concentrate their advertising more and more on issues of local government.

#### Constraints to further developments in local government structures

The status of local government and the major gaps noted in the application of laws showed clearly that it was not only the conflicting election results that had been in the way. There were other components of the so-called "political will" which were impeding and slowing down the pace of progress.

This can be seen clearly in the delay in getting final legal approval for the model of local government. It is also seen in the lack of goodwill on the part of central government to meet its obligations as foreseen in the laws which the majority had passed. Relations between it and the local government authorities continue to be bumpy, and often influenced by politics and emotions. As a result, it is still not entirely clear whether the steps taken



in the process of consolidating local government are the fruits of political goodwill, even partially, or of well-prepared strategies involving contributions from the majority and the minority, i.e. for the central and local government authorities, or simply the fruits of persistence on the part of international organizations and of recognition by the central government that it must, in the end, fulfill its obligations under agreements with these organizations.

The scale of division between political duties and managerial duties at the local level is another indicator of political influence in local government. The law makes the exercise of council duties incompatible with the exercise of executive duties from the level of mayor down to that of the administrative staff. This in itself is a positive step, but many weaknesses have been seen during practical implementation in connection with the complete and clear separation of the duties of elected officials from that of local administrators. The improper exercise of duties on the part of local councils leads to abusive interference over this representative body on the part of the executive, and indeed to a confusion of duties. The absence of a clear separation of competencies in existing legislation has often forced councils to come up with individual solutions of their own, on occasion to make a profit, and exercise their substantial political influence over the work of the administration.

### Lack of recognition of status of local government officials

The non-application of civil servant status in local administration makes the administration very susceptible to political influence. Another impediment to the separation of these duties is the lack in local administration of high-level staff in the civil service who, in addition to the individuals elected as heads of the executive, are necessary as a liaison between politics and local administration.

At the beginning of 2002, the government

### The trend of local elected officials to take matters into their own hands

The first local government based organization to arise concerned with improving the position of local government was that of the mayors of town municipalities, when in October 1993 they founded the Association of Mayors of Municipalities, which in 2000 was renamed the **Albanian Association of the Municipalities** and was headed by the mayor of Tirana. Later, during the second term of office, an **Association of the Regional Councils** and an **Association of the Rural Municipalities** were also founded. This phenomenon of founding associations increased the public profile of local officials, raised interest at the national and local levels on the process of decentralization, encouraged and improved debate on alternatives and reform processes, and is helping to make these processes more independent or at least better balanced. Government and legislative structures at the central level have shown interest in co-operating with these associations. The fact that, from a legal aspect, no instrument for the permanent and organized consultation of local elected officials was foreseen, has had a strong influence, too.

authorized a substantial rise in civil servant salaries, but did not include local administrations. This was justified by the fact that the existing legal framework enables salary scales to be fixed similarly by the municipalities, too, in accord with the principle “same responsibility, same pay,” independent of the type of institution (ministry or municipality) in question. Thus the municipalities can decide for themselves fully as to whether they wish to provide supplementary benefits to the basic salary for achievements at work. But the central government is fully aware that the municipalities are not able to do this

### The status of the staff of local administration

The law on the status of civil servants 51/, and other decisions taken by the Council of Ministers in implementation thereof foresee equal treatment for civil servants at the central and local levels. But in practice, this law has only been applied at the central level. A regulatory framework for admissions, promotions and dismissals is lacking completely. The **Civil Service Commission** set forth under the law, is focused on the central government administration and lacks vision to extend its activities to local administration, too. As a result, the employees of local administration are very much exposed to political influence, which has a substantial influence on their work.

because of the limited funds they have at their disposal. The Association of Municipalities has demanded that funding be made available in order to raise salary levels for their administrative staff. Negotiations between the municipalities and the central government have made it possible for the legal and procedural aspects to be

solved and, as a result, in 2002 some of the municipalities succeeded in raising salaries substantially for their administrative employees. Nonetheless, there remains an obvious inequality, which constitutes a serious impediment for the employment of skilled and qualified specialists in local administration.



## Centralized *decentralization*

### 3.1 DECENTRALIZATION WITHIN THE FRAMEWORK OF CENTRALIZED GOVERNANCE

Decentralization is a reform which requires equal commitment from the central and local governments by means of a process of broad participation. It cannot achieve success if one of the governments in question considers itself in the role of the leader and leaves the other government simply to implement the process.

#### Characteristics of the local governance reforms in Albania

The decentralization reform programme which commenced in the early 1990's comprises one of the most important institutional reforms of the transition and constitutes a comprehensive redefinition of not only local, but also central government institutions. It is linked to a rise in the level of democracy, to efficient governance, to the optimal generation and utilization of resources, to transparency in government and to a reduction of corruption. Its strategic vision and the pace of its implementation are conditioned by important factors such as historical tradition, the resources at hand, changes in behaviour patterns of the major actors and in the preferences of interest groups and the public at large, as well as the influence of the international community.

The decentralization reform in Albania was initially conceived of more as a de-

sire among politicians to introduce forms of governance which would be the same as those in the western democracies, than as an inevitable form of responsible democratic governance. But decentralization as a process very soon gained ground politically and helped create a class of local politicians who could formulate their own demands and options to the benefit of local government. However, while they were busy solving the urgent problems of the day, the local authorities were not able

#### WHAT decentralization IS <sup>52</sup>...

Decentralization is

..... **the opposite of globalization**, by bringing the level of decision-making down to the regional and local levels.

..... **an integral part of democratization**, by giving the people the right to decide on the type of government, representation, policies and services they want

..... **a wide-ranging process involving many actors and sectors**, including the national, regional and local level actors and stakeholders: government, the private sector and civil society, as well as political, social, cultural and environmental affairs.

..... **the logical application of the basic characteristics of good governance**, including responsibility, transparency,

<sup>52</sup> Decentralized Governance Monograph. Management Development and Governance Division of UNDP. September 1998

the implementation of and respect for the law, and accountability.  
.....**a combination of three duties:** administrative, fiscal and political.

.....**the combination of four dimensions:** institutional and legal forms and procedures, civil culture, proper behaviour on the part of individuals towards institutions, governments, the private sector and civil society, mindset, vision and individual intuition.

to concentrate their forces, instruments and funds on fulfilling the pledges made by politicians.

Gradually, the necessity of decentralization began to be seen as an internal process. The central government's inability to effectively administer most services made its influence felt in local circumstances, which varied considerably from one area to another, with very limited funds available. Experience in governing also made evident, in practice, the irreplaceable role of local government in raising the level of stability of government systems. During the 1997 crisis, some local leaders played an important role in minimizing the social costs of the crisis in their regions<sup>53</sup>. The local heads of town and rural municipalities were the only public figures who were able to appeal to the public to keep calm and avoid conflict, which would have had devastating effects. During the Kosovo crisis, which saw an influx of refugees, local governments demonstrated their vitality, effectiveness and

### WHAT decentralization IS NOT<sup>55</sup>.....

..... An alternative to centralization, because both central and local governments are necessary. They complement and do not exclude one another. The complementary roles of the actors at the national, regional and local levels must be combined in the most effective ways and means to attain common goals.

..... A reform of the public sector alone, but rather a reform of the administration and the civil service as a whole.

flexibility in dealing with the difficult problems they were faced with during a time of national calamity<sup>54</sup>. The municipalities in particular served as partners not only for the central government, but also directly for international institutions and organizations which were helping the refugees from Kosovo. The stabilizing role of local government has also been evident at moments of domestic political crisis such as 14 September 1998 or during the rapid succession of governments from 1997 to 2002.

### Decentralization as a process of democratization

The necessity of decentralization of services and functions of governance has also been encouraged by the need to raise the level of democratization and accountability in government institutions and to bring decision-making closer to local communities, which are both contributors to and beneficiaries of the process. Bringing decisions closer to the people encourages a growth in consensus in the decision-making process. The necessity of decentralizing also derives from a clear regional sense of local identity inherited from the past and, to a certain extent, revived in the transition period, which does not constitute a risk which could jeopardize the unity of the Albanian state or create barriers and friction between regions.

Decentralization began to be felt more and more as a necessity and as a consequence of public awareness of the important role to be played by local government in raising social and public accountability. This accountability is part of the process of creating a feeling of community in a country in which social fragmentation and anarchy have been identified as two of the critical impedi-

<sup>53</sup> One important event in March 1997 was the visit of a group of mayors to Vlora. Prominent among them was the mayor of Shkoder. This highly symbolic visit helped maintain national unity and avoid exacerbating a nascent north-south conflict.

<sup>54</sup> The handling of the crisis in the town of Kukes was held in high esteem both within and outside of Albania.

<sup>55</sup> Decentralized Governance Monograph. Management Development and Governance Division of UNDP. September 1998

ments to the country's modernization.

The wish to decentralize has grown progressively under pressure from politicians, local administration, civil society and local business communities. It is, however, also influenced from time to time by transitory and often immediate interests, and is still expressed institutionally in a confused and weak manner. It should be noted that pressure to decentralize often outdoes the real possibilities for implementing a reform, as in the motto "demand as much as you can if you want to get anything at all." The actors in favour of decentralization sometimes underestimate the great difficulties involved in carrying out decentralization reform, which must be implemented at the same time as other important reforms, in particular in a crisis-prone country with a low level of economic and social development.

## 3.2 PROGRESS IN DECENTRALIZATION

The decentralization reform programme has advanced at two different speeds. A legal framework was prepared relatively quickly, whereas implementation has, by comparison, fallen behind. The deadlines for implementation set forth in the basic law on local government have not been adhered to. Nonetheless, it is generally held that the deadlines were more optimistic than the concrete possibilities for implementing the reform.

### Progress in establishing the legal framework

The process of decentralization was based upon ten major laws passed in the 1998-2001 period, of which the *Law on the Organization and Functioning of Local Government* is considered to be the fundamental legal basis for the process. It was passed by parliament by a 3/5 majority. This law sets forth the role of local gov-

### WHY is decentralization necessary <sup>56</sup>....

..... Decentralization is a form and process of governance. Good decentralized government depends on good government at the national level. Good government at the national level includes mechanisms and processes which enable society to attain a more sustainable development with man at the heart of all these endeavours. Good decentralized government includes forms and procedures which enable society, at the regional and local levels, to attain objectives such as mitigating poverty, and securing stable living standards, environmental regeneration and gender equality.

ernment, the units and organs of local government, and the duties, competencies, forms of organization and financing thereof. It is a progressive piece of legislation which meets the highest international standards. It is also practical to implement because it sets forth clear deadlines for all the phases of transfer of competencies from the central government to the local authorities.

### Main legislation concerning decentralization in Albania

**13 May 1998 -**

Amendments to the Law of 1994 on the Taxation of Assets in the Republic of Albania;

**28 November 1998**

The Constitution of the Republic of Albania;

**29 July 1998**

Law on the Drafting and Execution of the State Budget of the Republic of Albania;

**28 December 1998**

Law on the Taxation System of the Republic of Albania;

**28 December 1999**

Law on Taxation Procedures in the Republic of Albania;

**8 May 2000**

The Electoral Code of the Republic of Albania;

**31 July 2000**

Law on the Organization and Functioning of Local Government (basic law);

**31 July 2000**

Law on the Territorial and Administrative Division of Local Government in the Republic of Albania;

**31 July 2000**

Law on the Organization and Functioning of the Municipality of Tirana;

**12 February 2001**

Law on the Inventory of State-owned Real Property and the Transfer of Property to the Units of Local Government

<sup>56</sup> Decentralized Governance Monograph. Management Development and Governance Division of UNDP. September 1998

Progress in implementation of the Laws The Law on the Organization and Functioning of Local Government has promoted self-initiative on the part of the local government, in particular in the larger town/urban municipalities which were among the first to attempt to make use of the opportunities created by the law. In these municipalities, there has been a substantial rise in revenues from local taxes and duties, and a complementary rise in investment initiatives. They have demonstrated more autonomy in decision-making and more resistance to interference on the part of the central government authorities.

However, most of the units of local government, in particular the rural municipalities, continue to hesitate because they do not yet sufficiently understand the advantages they have to gain from this law. They often justify their inactivity by the need for regulations and directives from the central government, at a time when they have not even passed regulations themselves to specify the administrative processes necessary to carry out their functions as foreseen under this law.

At the same time, the ministries and central government institutions continue to act with the inertia characteristic of the past. They have not yet passed regulations abrogating the functions which are no longer theirs. This is normal practice because old regulations continue to be used at various levels of the central government administration in order to block initiatives

which would transfer duties, and action on the part of the units of local government.

### Relationship of decentralization in Albania to the European Charter

According to a study published in 1998<sup>57</sup>, when Albania first began to discuss signing and ratifying the European Charter of Local Autonomy, it was concluded that 7 paragraphs of the Albanian legislation were in conformity, of which only 3 belonged to the group of most essential paragraphs of the Charter. This study dealt only with formal conformity of legislation and did not check the scale of implementation or feasibility thereof of the decentralization path chosen in Albania.

Currently (2002), it may be said that Albanian legislation is in full or sufficient compliance with the 22 “important” paragraphs of the Charter. Of these, at least 12 are from the group of essential paragraphs. This shows that substantial progress has been made in fulfilling the legal framework for decentralization, and that there exists political will in parliament to approximate it with basic European legislation.

The issue of local funding has been one of the most controversial issues relating to the non-conformity of legislation to the Charter. This is partially because the articles in question from the basic law were to enter into force in two stages, on 1 January 2001 and on 1 January 2002. This is also linked to sources of funding, to equity principles required to protect local authorities which are financially weak, to the manner of distribution of funds, to the minimization of conditional grants, and to the right to make loans. The consultation mechanisms be-

#### The European Charter of Local Autonomy

The European Charter of Local Autonomy is a multilateral treaty of the Council of Europe which assembles the best principles of local self-government and serves as a model to be adapted by each country. Important to be fulfilled in particular are the first 11 articles of the Charter which contain 30 paragraphs. Of these, 14 are considered to be the most essential. The signatories must fulfill the criteria of at least 20 paragraphs, of which 10 must be from the group of most essential articles. The Albanian parliament ratified the full text of the Charter on 11 November 1999.

<sup>57</sup> Pigeay and Banks (Urban Institute), The Republic of Albania: possibilities and directions for municipal reform, January 1998.

## Conformity of the legal framework with the European Charter on Local Autonomy

Table 3.1

	Important paragraphs	Essential paragraphs
Charter	30	14
Albania 1998	7	3
Albania 2002	22	12

tween the central government authorities and the organs of local government and a number of aspects of administrative control are other problems which must be dealt with in order to comply with the Charter. (See Table 3.2)

Other gaps which must be filled are those relating to the constituting of regional councils, the solving of differences between the head of the unit and the local councils, and protecting local units from the exaggerated tutelage of the prefectures. The units of local government must acquire their own requisite funds and property which must be in proportion to their competencies. The town and rural municipalities, in particular, must enjoy the right of so-called “general competency,” i.e. to exercise initiatives and their mandate over all issues<sup>58</sup> which are not excluded from their competencies or have not been attributed to another authority.

Consequently, the process of further modernization of local governance and its full conformity with the principles of the Charter makes a number of constitutional amendments and additions to the basic law necessary. It also requires the creation of conditions to bring about local competencies in practical terms by means of financial backing. This means an ever increasing transfer of fiscal competencies into the hands of the local authorities. The process in question must

### Alignment of Albanian and European legislation on decentralization

Although the new legal framework adopted in 1998 has begun aligning Albanian legislation more clearly to the European Charter of Local Self-Government, the implementation of the laws in question actually only began in 2001, and the process is still not complete. As a result, conformity is actually lower than originally anticipated.

be the fruit of systematic and well-studied consultations with local elected officials and their associations.

### Delays in transferring duties to local government<sup>60</sup>

The process of transferring duties and responsibilities from the central to the local government authorities has proven to be slower than the potentially achievable rate and much slower when compared to the deadlines set forth by law. This can be clearly seen in a detailed analysis of the status of the transfer of duties as foreseen under the basic law on local government. (See Table 3.3).

The transfer of duties related to **infrastructure and public services** has only been accomplished in part. The reform has advanced for *roads and local public transportation*, in particular for the rehabilitation and maintenance of roads, the regulation of *urban public transportation* offered by the private sector, and for street lighting. The classification of roads into national,

<sup>58</sup>As opposed to the constitutional provision under which they exercise initiatives and their mandate for all government duties.

<sup>59</sup>As opposed to the constitutional provision under which they exercise initiatives and their mandate for all government duties.

**The level of compliance with the basic provisions of the  
European Charter of Local Autonomy** Table 3.2

The basic provisions of the European Charter			Level of compliance	Comments
No.	Art.	Description		
1	2	Inclusion in the Constitution of the principle of local self-government	XXXXX	The Constitution confirms the principle of local self-government. This principle was further developed by the basic law.
2	3.1	Definition of local self-government as a right and competence of the local authorities to deal with a substantial issues of public interest.	XXXX	These are included in the Constitution and in the basic law, but there are sti public issues at the local level which are not in the competency of local government.
3	3.2	The exercise of the right to local self-government by councils with members elected by means of free, direct, universal and secret ballot.	XXX	The regional council is not elected by direct vote.
4	4.1	The Constitution attributes to the local government authorities basic powers and responsibilities	XXXX	There are still several powers and responsibilities which are limited.
5	4.2	The local authorities must have the full right to exercise initiatives in any field in which competencies have not been taken away from them and attributed to another authority.	XXX	According to the Constitution, the rural and town municipalities enjoy all the rights of self-government with the exception of those accorded to other units of local government.
6	4.4	The powers given to the local authorities must be full and exclusive. They may not be impeded or limited by any other central or regional authority.	XXX	There are still problems with the competencies of the regions, and there are occurrences of other authorities causing impediments beyond their legal competencies.
7	5	Alterations in the administrative boundaries of local authorities may not be made without advanced consultation with the communities in question, if possible via a referendum	XXXXX	This provision was set forth clearly in the Constitution and in the basic law.
8	7.1	The working conditions of local elected officials must enable them to exercise their duties freely.	XXX	The rights of local elected officials are set forth in the basic law. There is still no specific law on the status of local elected officials.
9	8.2	Administrative supervision must be limited to ensuring achieving compliance with the regulations on legal and constitutional principles	XX	The competencies of prefects go beyond this provision and the right to block regulations is not supported by rigorous and uniform criteria.
10	9.1	The local authorities have the right to sufficient funds, which they may use freely within the framework of their competencies	X	The basic law confirms the principle of and right to local fiscal autonomy. But other laws allow the local authorities to use only a limited portion of their revenues.
11	9.2	The funds of the local authorities are proportionate to the responsibilities attributed to them by the constitution and legislation.	X	Although the principles of local government funding are set forth in the basic law, there is still no clear provision about the requisite costs which enable it to exercise its local competencies.
12	9.3	Part of the funds at the disposal of the local authorities must be collected by means of local taxes and duties, upon which the local authorities themselves have the right to decide.	XXX	Existing legislation allows the local authorities to set forth the level of local taxes, pursuant to law.
13	10.1	The local authorities have the right to co-operate with other local authorities in order to fulfill their duties in the common interest.	XXXXX	The Constitution and the basic law clearly specify this right.
14	11	The right to legal defence in the exercise of power and respect for the principles of local self-government as set forth by law.	XXXXX	The Constitution and the basic law set forth the principles of legal defence.

\* This level means full compliance of legislation with the principles of the Charter



regional, town and country roads is to be completed during 2002, as is the process of registering property rights.

*For drinking water supplies and sewerage*, a joint administration is still in force by the central and local government authorities, but the investment budget, which is the main issue in this sector, continues to be administered exclusively by the central government. Delays in transferring the duties foreseen by law are linked to a number of decisions which still have to be taken for the commercialization or privatization of waterworks, for competency regulations between the units of local government and the Water National Regulatory Committee, and for the difficult technical problems in the sector as well as the debts accumulated by the water supply utilities. The distribution of property rights where the water utilities supply water to more than one local unit is another question which remains to be solved. General opinion has it that a definitive decision must be taken on the transfer of duties to the local authorities and that the technical problems should be solved later.

Unsolved are problems linked to the *approval of construction sites and urban planning*. The duty of approving construction sites and issuing building permits was to be given exclusively to the town municipalities as of January 2001. It is assumed that these duties have now been transferred to the local authorities. In reality, these duties continue to be carried out by a body called the Council for Territory Adjustment, the composition and duties of which are in contradiction to the concept of decentralization. It is a mixed body with representatives from central and local governments and is headed by the mayor of the municipality, but the central authorities hold the majority of votes. Two-thirds of the members of the council must take part in the meetings in order for the council's deci-

sion to be lawful. As a result, in practice, not only the decisions, but also the functioning of this body depend entirely upon the central government. The Council for Territory Adjustment is a body which enables the central authorities to take decisions even when the political majority in this government is not the same as in local government.

The transfer of duties related to **social services** has not yet been completed. According to the basic law on local government, as of 1 January 2001, rural and town municipalities bear full responsibility for carrying out social services and administering public institutions such as kindergartens, housing for the elderly and orphanages, etc. The level of responsibility and the separation of duties between the local and central governments *for social welfare, poverty' alleviation, and the administration of related institutions* should have been set forth by a special law beginning in January 2002. However, social services carried out by public organizations continue to be administered by the Ministry of Labour and Social Affairs. The same applies to policies and funding for *social assistance* for poor families. The municipal authorities are supposed to draft the list of beneficiaries, but the funds continue to be distributed by the central government.

Status of the transfer of duties to local Government Table 3.3

No.	Duty	Deadline for transfer <sup>61</sup>	Situation in August 2002	Comments
<b>1</b>	<b>Infrastructure and public services</b>			
	Construction, rehabilitation and maintenance of local roads, sidewalks and public squares	1 January 2001	XXXXX	Transferred on 1 January 2002
	Street lighting in public places	1 January 2001	XXXXX	Transferred on 1 January 2002
	Urban public transportation	1 January 2001	XXXXX	Transferred on 1 January 2002
	Approval of construction sites and building permits	1 January 2001	XXX	Transferred on 1 January 2002
	Administration of cemeteries, landscaping services	1 January 2001	XXXXX	Transferred on 1 January 2002
	Collection, removal and disposal of waste	1 January 2001	XXX	Disposal has not yet been transferred.
	Supply of drinking water	1 January 2002	-	
	Water supply utilities and sewerage	1 January 2002	-	
	Urban planning, land management for housing.	1 January 2002	-	
<b>2</b>	<b>Social and cultural services, and sports</b>			
	Maintenance and promotion of the local cultural and historic heritage, and related institutions.	1 January 2001	XXXXX	Transferred on 1 January 2002
	Sports, leisure-time and entertainment activities, and related institutions.	1 January 2001	XXXXX	Transferred on 1 January 2002
	Social services and the administration of orphanages, houses for the elderly and kindergartens, etc..	1 January 2001	X	Only the kindergartens have been transferred.
<b>3</b>	<b>Local economic development</b>			
	Programmes for local economic development	1 January 2001	X	
	Public markets and commercial networks.	1 January 2001	XX	Only the markets have been transferred.
	Small business	1 January 2001	X	A draft law has been prepared for partial transfer.
	Support services for economic development	1 January 2001	X	
	Veterinary services	1 January 2001	XXXX	
	Maintenance and development of forests, pasture land and natural resources of a local character.	1 January 2001	X	
<b>4</b>	<b>Public order and civil defence</b>			
	Maintenance of public order by preventing administrative infractions and guaranteeing the implementation of local regulations.	1 January 2002	XX	
	Civil defence	1 January 2002	-	
<b>5</b>	<b>Separation of joint duties and competencies</b>			
	Pre-school and pre-university education	1 January 2002	-	
	Primary health care and the protection of public health	1 January 2002	-	
	Social welfare, mitigation of poverty	1 January 2002	-	
	Duties set forth for public order and civil defence	1 January 2002	X	
	Environmental protection	1 January 2002	X	

<sup>61</sup>Deadline set forth in law no. 8652, dated 31.07.2000, On the Organization and Functioning of Local Government.

Progress in the transfer of duties linked to **local economic development, public order and civil defence**, and to the separation of duties held jointly by the local and central authorities in the fields of education, health and environmental protection has also been slow.

**Maintenance of public order** by preventing administrative infractions and guaranteeing the implementation of local regulations is a duty which is foreseen to be transferred to the local authorities in January 2002. The local authorities have been legally charged with creating a municipal police force as part of the reform of the state police. This means that the number of people and related funds for salaries, equipment, uniforms, etc. for the municipal police must be financed by a corresponding reduction in the state police force. In fact, the central government authorities have transferred their competencies but have not given the municipalities the funds needed. As a result, a municipal police force was set up in Tirana with a very small staff (about 30 individuals of the 900 needed to conform to recognized standards) and with funds of its own, but in practical terms, it has not been able to fulfill its duties as foreseen by law. Attempts have also been made in other major municipalities. At the same time, there has been no corresponding reduction in the size and budget of the state police force.

Another typical example is that of **illegal buildings**. The municipal authorities cannot act themselves if they find out or are informed about illegal construction activities. They must inform the Directorate of the Construction Police, based in Tirana, which is an organ of the central government acting at the national level. This directorate decides whether or not to intervene on the basis of its own priorities, which are often not those of a municipality in a far-off district. Thus, the public informs the municipal authorities on infringements in the belief that the latter will carry out their duties,

but in fact, the municipal authorities can offer no practical assistance.

### 3.3 LOCAL ADMINISTRATION CAPACITY - REASON OR PRETEXT

#### Alleged reasons for delays in transfer of functions

The alleged weakness of local government capacities and the attendant risks serve as the main reasons of the central government for delaying the transfer of duties and for the slow progress made in decentralization. This view is particularly widespread among officials in the central government administration. In fact, the local authorities have traditionally never been held in high esteem by the central government. The low level of proficiency and the financial constraints, as compared to the central authorities, have served as a basis for this lack of esteem. But today, after a decade of democratic transition, and in particular after substantial progress in the legal framework for the setting up the local administration, there has been much positive experience to counteract these arguments and opinions and has often shown them to be nothing other than pretexts for slowing down the normal and logical process towards decentralization.

In fact, the low level of human capacities is typical not only of the local government authorities. It is evident at a comparable level in the central administration, too. The approach of first strengthening these capacities and then transferring responsibilities to them cannot be a rational solution for local government and contradicts the decades of experience gained in reform at the central government level.

#### Need to concurrently enhance capacity of local government

The strengthening of human capacities must be closely linked to the exercise of responsibilities, and the process of reform implementation should itself give impe-

tus to raising standards. What is more, as a structure much closer to the local communities in question, the level of accountability and transparency in local government has been seen to be quite satisfactory. The local government structures are now being viewed as increasingly reliable by the public and by international organizations, some of which have expressed their clear preferences to work directly with the units of local government and thus avoid bureaucracy at the central government level.

Nonetheless, whether they are reasons or pretexts, it is clear enough that the qualitative rise in local government and, in particular, in local administration is something which must be taken seriously as a component of the decentralization reform and something which demands concrete action.

### 3.4 ISSUES IN FISCAL DECENTRALIZATION

**Dilemmas in fiscal decentralization**  
Fiscal decentralization, which involves the assignment of the major responsibility for resources mobilization, budgeting and management of local services from the central to local authorities in accordance with the basic principles of sound local government has been one of the more controversial issues in the area of decentralization over the last few years. The root of this controversy has been the delay in transferring fiscal responsibilities from the central to the local government, in order to allow the latter to achieve:

- **A rise in revenue autonomy**, where there must be improvements made in local taxes, fiscal duties and tariffs, and in opportunities for the units of local government to get loans;
- **A rise in decision-making autonomy** with regard to expenditures, where there must be improvements made in

the types of transfers from the state budget by raising the proportion of unconditional transfers, and in transfers of funds from the ministries to the units of local government. All these processes must be developed hand in hand with the transfer of duties.

#### Determinants of progress in fiscal decentralization

Progress in fiscal decentralization is closely linked to the general macro-economic and fiscal situation in the country, to the capacities of local government to offer public services locally and the level of development of the appropriate legal framework for local taxation.

#### Incompatibility of taxation laws

Considerable progress has been made over the last few years in completing basic legislation on tax decentralization. But although the basic law on local government has clearly set forth the main elements of the system of local taxes and duties and has foreseen 1 January 2002 as the date of takeover by the local authorities, existing tax legislation is not yet fully adapted to allowing these provision to be implemented. The Law on the Taxation System in the Republic of Albania<sup>62</sup> is an example of this incompatibility. It sets forth the basis, level, sanctions and collecting agent for all taxes. Some of the local taxes described in this law are not yet in accord with the basic law on local government. Similarly, the basic law on local government gives full freedom of action to the units of local government in choosing the tax agent, whereas, under the tax law, the municipal councils only have the right to choose other agents under special conditions. Another controversial issue is the relatively low level of authority in the tax law, and the fact that it is the same for all units of local government, at a time when local conditions vary among them.

<sup>62</sup>Law No. 8435, dated 28 December 1998.

## Legal progress in fiscal decentralization

### 1999

- Approval for the first time by the central government of a grant <sup>63</sup> for local government, which was used to cover operation costs and for several of the latter's own or distributed functions, concerning which the local government decided itself.
- Full transfer to the local government of revenues from property taxes and full administration thereof by this government.

### 2000

- Passing of the basic law on local government.

### 2001

- Inclusion of decentralization in the Medium-term Economic Framework for 2002-2004;
- Transfer of taxation on small business as a local tax without direct administration thereof by the local authorities;
- Removal of the restriction on the utilization of grants to cover only operation costs.

### 2002

- Agreement upon a legal formula for the distribution of grants;
- Transfer of functions to the local authorities in accordance with the requirements of the basic law (with the exception of drinking water);
- Substantial rise in grants for the local authorities in line with the duties transferred to them.

### Forecast for 2003-2005

- Complete revision of legislation in the field of local taxation;
- Application of a tax on farmland;
- Transfer of taxation on small business as a local tax under the direct administration of the local authorities;
- Transfer of the remaining exclusive duties (such as drinking water, some capital expenditures for local infrastructure, etc.);
- Improvement in the financing of distributed duties with the central government.

The amendment to the tax law in the fiscal package passed in 2002 gave more freedom of action only to the municipality of Tirana.

Another example is the *Law on Taxation Procedures in the Republic of Albania* <sup>65</sup>, which is implemented to administer national and local taxes. The concepts of the taxes and fiscal duties foreseen by this law reveal several incompatible elements and in some cases open contradictions with the provisions of the basic law on local government. There also seem to be contradictions in the definition of taxes between the *Law on the Taxation of Assets in the Republic of Albania* <sup>66</sup> and the *Law on Taxation Procedures* <sup>67</sup>.

## Regulations in support of fiscal decentralization

- The Law on the Organization and Functioning of Local Government, No. 8652 dated 31.7.2000, considered to be the basic law for local government,
- The Law on Public Real Property and the Transfer of Property to the Units of Local Government, February 2001;
- The Law on the Territorial and Administrative Division of Local Government in the Republic of Albania, no. 8653 dated 31.7.2000;
- The Law on the Organization and Functioning of the Municipality of Tirana, no. 8657 dated 31.7.2000
- The budget laws for the years 1999, 2000, 2001, 2002
- The Law on the Taxation System in the Republic of Albania, on taxation procedures, for the taxation of property

<sup>63</sup> A grant here means funds transferred from the central government to the local authorities, which utilize the funds independently.

<sup>64</sup> Law No. 8435, dated 28 December 1998.

<sup>65</sup> Law No. 8560, dated 28 December 1999.

<sup>66</sup> Law No. 8344, dated 13 May 1998 amended by Law No. 7805, dated 16 March 1994.

<sup>67</sup> Law No. 8560, dated 28 December 1999.

Status of the transfers of Fiscal Competencies

Table 3.4

No.	Duty	Deadline for transfer <sup>68</sup>	Situation in August 2002	Comments
<b>1</b>	<b>The right to impose local taxes and fiscal duties</b>			
	Local taxes and fiscal duties on fixed and moveable assets, and transactions thereof	1 January 2001	XXXX	Only taxes on assets
	Local taxes and fiscal duties on small business activities, including hotels, restaurants, bars and other services.	1 January 2001	X	The local taxes and fiscal duties on small business have not been transferred.
	Local taxes and fiscal duties on personal income deriving from gifts, inheritances, wills and local lotteries.	1 January 2001	-	
	Tariffs on public services	1 January 2001	XXXXX	
	Tariffs for the utilization of public goods	1 January 2001	X	
	Tariffs for licences, authorizations, certificates and official documents	1 January 2001	XXXXX	
<b>2</b>	<b>The right to seek investment loans</b>	1 January 2002	-	A special regulation from the Ministry of Finance is required.
<b>3</b>	<b>The right to get funding from:</b>			
	Unconditional transfers	1 January 2001	XXXXX	
	The distribution of national taxes	1 January 2002	-	The requisite regulations from the Ministry of Finance are lacking.
	Conditional transfers	1 January 2002	XXXXX	
	Funds transferred from the central government for delegated functions	1 January 2002	XXXXX	

### The main components of the local budget

Funds are spent at the local level from the state budget and from own revenue of the local authorities. The funds derived from the state budget are the major source of financing. There are two types of funds which are transferred from the state budget to the local authorities:

- **Unconditional funds**, which are transferred to the local authorities in the form of a grant and are spent by them according to their priorities. Every unit of local government has full authority to decide on the purpose and manner of utilization of these funds, in accord with the duties it has under law, and which endeavour to utilize the funds in an effective manner.

- **Conditional funds**, which are transferred to the local authorities in the form of a grant for a specific purpose which may not be altered by them. Such funds are utilized to finance their own or delegated functions of the local government authorities and to carry out specific duties of the central government in order to attain national objectives. Conditional funds make up the greater part of local government funding. In 2001, they represented about 80% of local budget expenditures. This year, local government covered only about 8% of its expenditures from its own income, which amounted to about 67% from fiscal revenues.

<sup>68</sup> Deadline set forth by law no. 8652, dated 31.07.2000, On the Organization and Functioning of Local Government

### Local revenue sources

Revenue from local sources (own revenues) includes:

- Revenue from local taxes;
- Income from local fiscal duties and economic activities, rent, and the sale of assets, etc.;
- Loans for local public purposes;
- Aid and donations

### Revenue from national sources

- Revenue from the distribution of national taxes,
- Unconditional transfers (grants) by the central government to the local government authorities,
- Conditional transfers by the central government to fulfill all the standards and demands it has made for distributed or delegated functions.

Funds from the state budget are also spent at the local level through the ministries, such as through the Ministry of Public Works, the Ministry of Transport, the Ministry of Education, the Ministry of Culture, the Ministry of Health and the Ministry of Local Government.

### Composition of the Local Budget

From the data on the local budget (see Table 3.5), one can clearly see that the revenues and expenditures of local government have grown from year to year, along with the take over of responsibilities for revenue and expenditures from the national level. Thus, local government in-

come in 2001 was 2.8 times higher than it was in 1998 and in 2002, it is forecast to be 3.6 times higher. Local government grants in 2001 were 1.5 times higher than they were in 1999, and in 2002 they will be twice as high as they were in 2001. Similarly, expenditures from the unconditional budget in 2001 were 8 times higher than they were in 1998.

### Implementation problems in fiscal revenue decentralization

While basic legislation with respect to local revenue has created requisite room for meaningful fiscal decentralization, at the same time, there are substantial problems

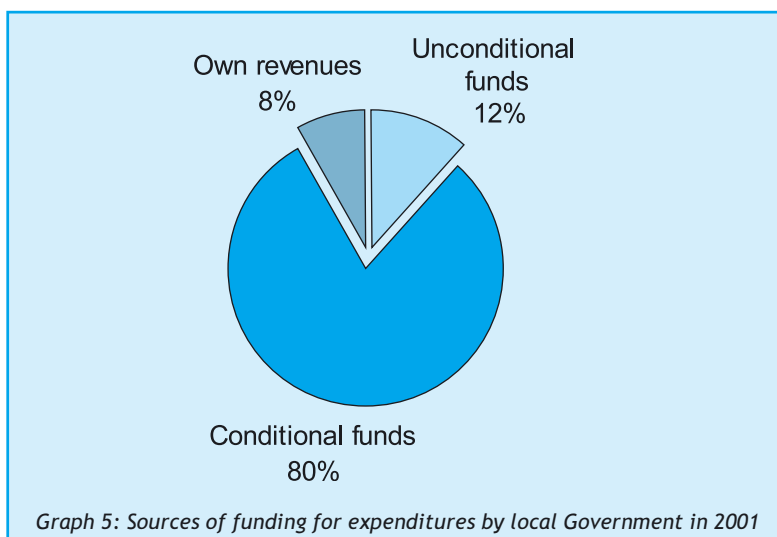
### The main local budget categories

(in millions of leks) **Table 3.5**

	1998	1999	2000	2001	2002 <sup>69</sup>
<b>1 Local government revenues</b>	1,095	1,648	2,287	3,037	4,000
<i>Of which: tax revenue</i>	722	885	1,315	2,037	3,000
<b>2 Local government grants</b>	0	3,294	3,648	4,870	9,500
<b>3 Local government revenues / revenues from the state budget in %</b>	1.17	1.53	1.9	2.24	2.51
<b>4 Local government revenues / GDP (%)</b>	0.24	0.33	0.42	0.51	0.61
<b>5 Local government expenditures</b>	25,919	28,983	33,207	37,888	42,627
<i>From the unconditional budget</i>	894	4,724	5,865	7,525	13,500
<i>From the conditional budget</i>	25,025	24,259	27,342	30,364	29,127
<b>6 Local government expenditures / state budget expenditures (%)</b>	18.3	17.49	19.6	20.4	20.07
<b>7 Local government expenditures / GDP (%)</b>	5.63	5.73	6.16	6.42	6.47
<b>8 Local government grants / local government expenditures (%)</b>	0	11.3	10.9	12.8	22.3
<b>9 Local government revenues / local government expenditures (%)</b>	4.2	5.6	6.8	8	9.3

Source: Ministry of Finance, August 2002

<sup>69</sup> The 2002 data are forecasts.

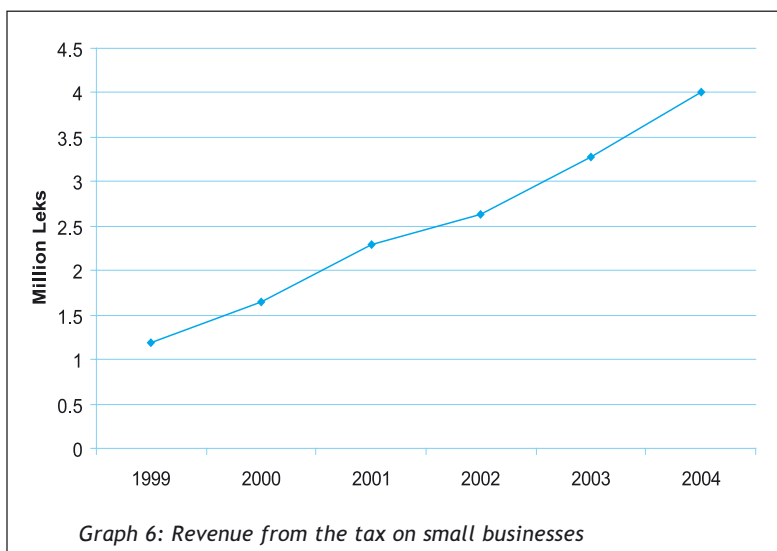


in actual implementation. Local taxes which correspond mainly to basic revenues are, at the moment, regulated in the *basic law on the taxation system* of 1992, which has remained unchanged despite the fact that the concept of decentralization is now completely different than it was at the start of the transition. There is also a *law on the taxation of assets*, which, since 1999, has authorized the transfer of funds from this source to the exclusive administration of local government. It is a tax which applies only to construction activities. The *tax on small business* has also been considered as “local” since 2001, though it is not directly administered by local government and is distributed in the same manner as an unconditional grant. Although legislation al-

lows for it, there is still no clear channel for applying distributed taxes and for the right of local authorities to utilize loans as a supplement to local revenues, even for capital expenditures.

The taxes on small business and on assets are still collected by the central government administration and, since the 2001 budget year, all income deriving from these taxes serves to finance unconditional transfers from the state budget to the local authorities. There is a major imbalance among the various municipalities in revenues resulting from the tax on small business. About 38% of revenues from this tax at the national level are collected in Tirana and in the other large and medium-sized town municipalities, whereas very little revenue is collected in the smaller municipalities. According to the medium-term budget programme, revenue from the tax on small business is forecast for 2004 to be about 2.5 times higher than it was in 2000. This assumes that this form of taxation will remain a national tax and will continue to be collected by the central taxation authorities.

The tax on assets is another important source of income which continues to be collected by the central government administration. This includes *taxes on farmland and on buildings*. The tax on farmland was suspended by Presidential decree and the possibility of reapplying it on 1 January 2003 is under review. On this basis, revenue for 2004 deriving from the tax on assets is forecast in the medium-term budget programme to be about 16 times higher than in 2000. But even if these revenues are achieved, there will only be a very modest increase in total revenues from this tax for the units of local government (from local and national sources), about 5% and 9% for 2003 and 2004 respectively, in comparison with 2001.

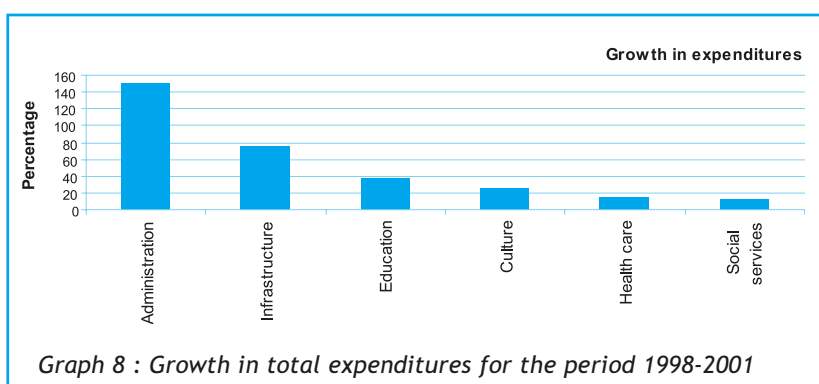
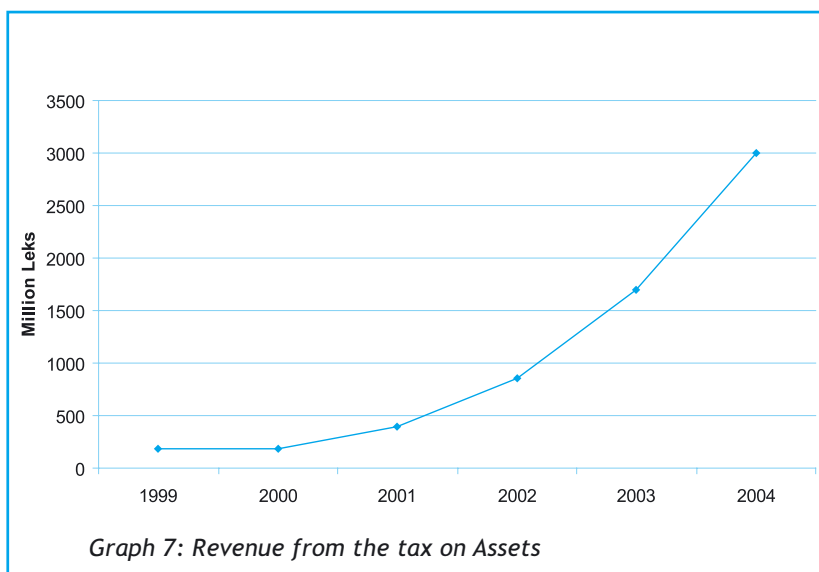




The decentralization strategy sets forth that *personal income tax and profit tax* are also to be part of the distributed taxes. Provisional studies have been made for these elements to determine the transfer capacity to local administration. The problems involved in this transfer have led to it being realized over the medium-term. And the distribution of these revenues is disproportional. Over 50% of personal income taxes and about 80% of profit taxes are collected in Tirana alone.

### Patterns of Local Expenditure

Local expenditures consist of *current expenditures and capital expenditures*. These serve to carry out own functions, joint functions and delegated functions. An analysis of local expenditures according to sector (See Table 3.6) has shown that, at least over the last five years, there has been a trend to substantial growth in expenditures for local government administration and for infrastructure. The reasons for this can be explained in part by the expansion of the functions of local government and the great need to improve local small scale infrastructure. Worrying is the extremely modest rise in expenditures in the field of health care, although this is considered one of the priority sectors for the country's development. The same is true with regard to expenditures in the field of education.



### Local expenditures by sector: 1998-2002

Table 3.6

(in millions of leks)

Sector	1998	1999	2000	2001	2002 <sup>70</sup>
1 Public works, transport, trade	3308	2894	4096	5833	6562
Education	10780	12183	13262	14804	16655
2 Culture	667	698	746	833	937
3 Health care	2188	2308	2934	2487	2798
4 Social services	6182	6365	6655	6939	7807
5 Local administration	2794	4535	5514	6993	7868
6 Totall	25919	28983	33207	37889	42627

Source: Ministry of Finance, August 2002

<sup>70</sup> Forecast

### The local budget - not yet decentralized

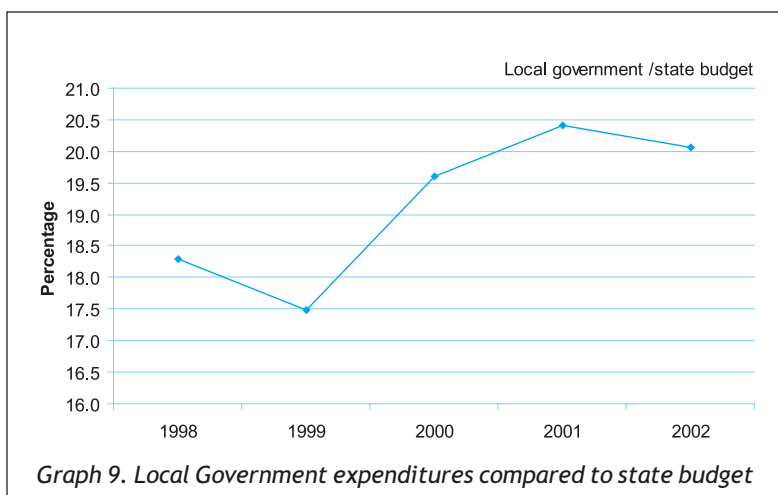
An assessment of questions related to fiscal decentralization relies generally on an awareness that it is a long process closely linked to the fiscal consolidation of the country in general and to the development of the banking and financial sector. As a consequence, despite progress which has been made, the level of fiscal autonomy for the local government authorities has remained rather low.

An analysis of the main indicators for the local budget shows clearly that, despite the fact that local government expenditures have grown from year to year, they have hardly changed at all with regard to share of total expenditures in the state budget. This demonstrates that fiscal decentraliza-

tion has not made any real progress in relation to the national budget.

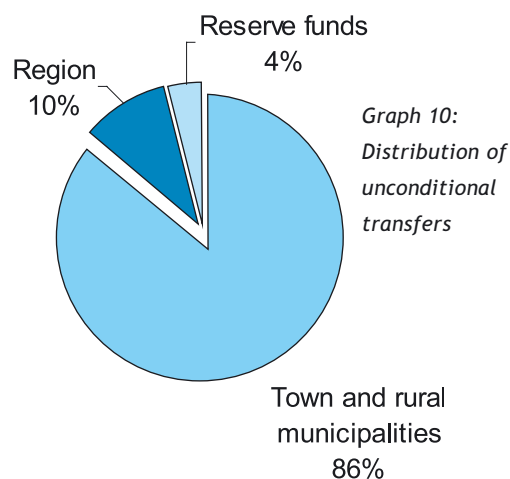
Similarly, an analysis of the total sum of state budget funds and of own funds of the local government, which are spent at the local level (in the districts)<sup>71</sup>, shows not only that the main portion of expenses has remained in the competency of the central government administration, but also that the portion of funds unconditionally spent by the local government<sup>72</sup> has indeed diminished compared to the total of funds available. (See Table 3.7)

At the national level, the total sum of unconditionally transferred funds for local government corresponds to 100% of revenues deriving from the small business tax, plus 100% of revenues deriving from personal income tax, plus 19% of revenues deriving from the company profit tax. This means virtually that quite a high level of distribution of national taxes has been attained. But the absolute sum (in leks) which results from this calculation is rather low. For 2002, it represented only about 5.5% of total revenues in the state budget. This is linked to the high level of tax evasion in the collection of these taxes, compared to value-added taxes and customs duties. This should be considered as a further reason why they should be collected by the local authorities.



Expenditures in the districts for the period: 1999-2001 Table 3.7 in %

No	Dependency of expenditures	1999	2000	2001
1	On the central government	86	90	90
2	On the local government	14	10	10
3	Total	100	100	100



## Distribution of unconditional transfers

The distribution of unconditional transfers was initially made in an empirical manner, without using the same rigorous criteria for all the town and rural municipalities and, as a result, there was interference and political influence. Distribution was carried out on the basis of historical data which were corrected to conform with the general increase in the budget and with the rise in inflation, but here, too, there was a good deal of subjectivity. This static method was not able to reflect the considerable economic and demographic dynamics underway at the local level, and led to significant imbalances in per capita allocations.

A distribution scheme involving several equal criteria for all was first applied to the 2002 budget. (See Box 3.10). Thus, from the distributed budget for 2000 and 2001, most of the rural municipalities received a per capita sum of less than 1000 leks, whereas a substantial portion of the town municipalities and some rural municipalities received a per capita sum of more than 4000 leks. Under the new distribution scheme, almost all the units of local government enjoy a per capita sum of between 1500 and 3500 leks. (See Table 3.8). The average difference in per capita transfers between the rural and town municipalities is about 1:1.7, as compared to the 1:3 it was before the new scheme for unconditional transfers was

### Criteria for the distribution of unconditional transfers (in 2002)

- Population
- Surface area (for rural municipalities)
- Urban services (for town municipalities)
- Geographical criteria (for prefectures)
- A fixed and equal sum for all town and rural municipalities and prefectures
- Special criteria for Tirana: 9.5% of the total sum transferred to the town and rural municipalities.

adopted. This relationship is more in line with the guidelines set forth in the *National Strategy for Economic and Social Development*.

The 2002 scheme for distribution of unconditional transfers, although it is a step forward compared to the arbitrary budget distribution carried out in previous years, does not take sufficient account of unequal regional development. It simply relies on a limited number of “technical” factors, which do not account for variations in the level of human development or the “needs”.

For the fiscal year 2003, a fundamental rise in fiscal authority has been predicted for the units of local government, in particular with respect to local taxes and fiscal duties. The major improvements are related to the re-application of a tax on farmland as a local tax, the transformation of the tax on small business into a local tax, the change of 11 of the 13 local

## The effect of the distribution scheme for unconditional transfers

Table 3.8  
L/P = leks per capita

Year	<1000 L/P	1000> L/PC	1500> L/PC	2000> L/PC	2500> L/PC	3000> L/PC	3500> L/PC	4000> L/PC	5000> L/PC	7000> L/PC	L/PC
2000	141	<1500	<2000	<2500	<3000	<3500	<4000	<5000	<7000	<9000	<9000
2001	62	88	41	28	28	6	10	10	9	0	0
2002	0	88	32	42	42	23	19	24	12	6	3
town	0	0	87	37	37	61	3	9	0	0	0
rural	0	0	0	9	9	55	1	0	0	0	0
		0	87	28	28	6	2	9	0	0	0

taxes into local tariffs, and a classification of the tax basis and of the method of tax collection.

### 3.5 REGIONAL FUNDING POLICIES AND STRATEGIC DEVELOPMENT

#### Lack of a strategic vision for regional development support

An analysis of the total expenditures and sectoral composition of expenditure at the district level considering the state budget funds and their own funds of the local authorities, suggests that there does not seem to be any particular national to sub-national financial allocation policy linked in any way to a strategy for medium-term national or regional development. Thus there is a disconnect between the needs of regional development and the provision of funds for this purpose. This is particularly noticeable when an analysis is made of the relationship between the level of human development attainment and regional financial provisions.

#### Linkage of financial allocations to human development needs

Over the last ten years, insufficient funds have been applied for development in the regions with low indicators of human development, where about 22% of the coun-

try's population lives, and these funds have been diminishing from year to year. For 2001, about two-thirds of the population, inhabiting about 86% of the territory of the country, received less than half of the fund nationally available for expenditure. Funds remain concentrated in the districts with a high HDI. Also of note is the considerable rise in funding for districts with high HDI during 2001, which might have a political connotation if one takes into consideration the fact that parliamentary elections were held in Albania that year. (See Tables 3.9 and 3.10).

The difference in funding discrepancies is even more evident if a detailed analysis is made of allocations from the national budget to the districts via the line ministries (See Table 3.11). Here it can be seen not only that the vast majority of funds are spent in districts with high HDI, indeed with a growing tendency, but that funds for districts with low and medium HDI have been cut back by the line ministries.

#### Towards a rational and equitable fiscal machinery for regional development

The lack of resources, low investment efficiency and absorptive capacity, and important emigration trends, etc could be

Total per capita expenditures at the local level

Table 3.9  
(leks per capita)

	Population as a %	1999	2000	2001
Districts with high HDI	29.3	19,316	29,555	45,016
Districts with medium HDI	49.0	11,540	13,690	17,160
Districts with low HDI	21.7	13,199	14,485	18,264

Distribution of expenditures in the districts

Table 3.10

(in %)

	Population as a % of total	1999	2000	2001
Districts with high HDI	29.3	40	47	52
Districts with medium HDI	49.0	40	36	53
Districts with low HDI	21.7	20	17	16

Allocations from the national budget to the districts (via the line ministries)

Table 3.11

(in %)

	Population in %	1999	2000	2001
Districts with high HDI	29.3	70	76	76
Districts with medium HDI	49.0	20	17	17
Districts with low HDI	21.7	10	7	8

the objective reasons for the low level of funding for districts with low HDI. But it now appears evident that it would be essential to define a strategic approach for that part of the population which suffers from various forms of human deprivation.

#### Linkages of fiscal policy with a migration policy and strategy

If part of the population is to be encouraged to remain living where it is, it must enjoy preferential financial policies at least over the medium-term level in order to give it a chance to advance and develop where they live. It would be particularly important to deal, *inter alia*, with the question of sustainable employment generation because these districts have a high percentage of young people and workers looking for jobs.

However if a proportion of the population is to be encouraged to migrate, it must be assisted therein by proper mi-

gration policies and by making development funds for the physical and social infrastructure available in advance for those zones of the country which might be regarded as more suitable to accommodate them. This would constitute the basic element of an active rather than reactive or benign migration policy. It would support both out and in-migration zones of population movement as a core feature of regional development planning.

In-depth studies for at least the medium term must be carried out to decide which of these options, or which others, would be most suitable. This type of study is much easier to carry out now that the results of the national census have been made available. The data it offers give an exact idea of migration trends which have occurred over the last decade.

Nonetheless, it is clear that, with funding policies as they are at the moment, no solution is going to be found to the major problem of rural depopulation and deprivation.

### 3.6 THE CENTRALIZING INFLUENCE OF INTERNATIONAL ASSISTANCE

#### Features of recent international assistance

Beginning in 1991, Albania received a considerable amount of international assistance in the form of humanitarian aid, food aid, technical assistance, development aid and support to the balance of payments. Over the last decade, donors have committed a total amount of about US\$1.45 billion to Albania.<sup>73</sup>

#### Neglect of local government in aid allocations

In general, the approach taken by international donors in programming and implementing their assistance, has been that set forth by the central government in Albania. The coordination of priorities, the negotiations for and signing of agreements, and the setting up of joint structures for the implementation of programmes and projects have been carried out in co-operation with the central government, and only rarely have the local authorities been considered as direct partners for the international donors.

This is not simply because the legal framework in Albania has encouraged such a phenomenon. The central government has been seen as the most reliable and stable partner, the central administration as more capable and easier to work with, and assistance with a national impact as more fruitful and more visible than assistance

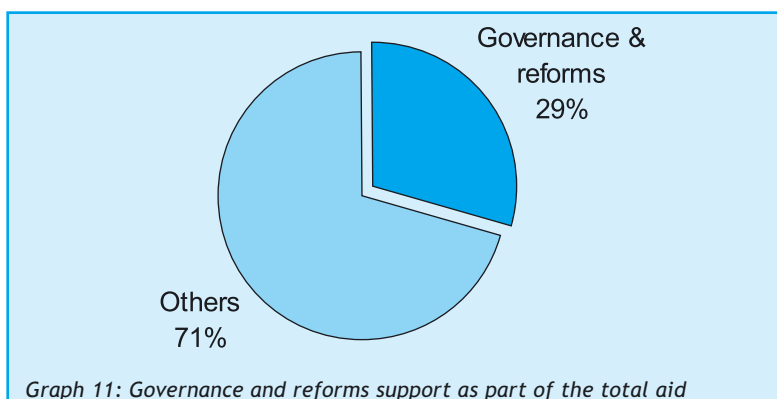
with a local impact. This type of co-operation has been considered by international donors as simpler but mainly from an administrative point of view. As a result the regional development needs have become subservient to administrative convenience in the distribution of aid throughout the country.

The central government and its administration for their part have endeavoured to present themselves not simply as coordinators but also as the only possible interlocutors for foreign aid, and have tried carefully to maintain their responsibilities. As a consequence, partnership with international donors is considered the exclusive right of the central government, and this has not contributed to decentralization.

#### Centralist tendencies accentuated in the types of foreign assistance

The contents of international aid have also revealed clear centralist characteristics. Most of the aid is directed to large infrastructure and development projects in various important sectors at the national level in order to achieve the stability and rapid economic development of the country. Partnership with the central government has been a prerequisite for such programmes, in particular those involving loans which the state must pay back.

Even in most of the cases of projects destined for local development, there has been a tendency for the management thereof to be in centralized hands. This procedure is so ubiquitous that even for the rehabilitation of a road in a distant village, decisions for the priorities of the project, and for the rehabilitation contracts and for the supervision of the implementation phase are all taken by



<sup>73</sup>The data on international assistance have been taken from "Foreign aid by donors," Ministry of Economic Co-operation and Trade (now the Ministry of Economy), 4 January 2002.

centralist structures or by those strongly influenced by the central government. These procedures foresee decision-making on the part of the local authorities and communities in question, but in practice the latter are excluded from any decision-making. A typical example of this approach is the manner in which funds for the development of local communities are managed.

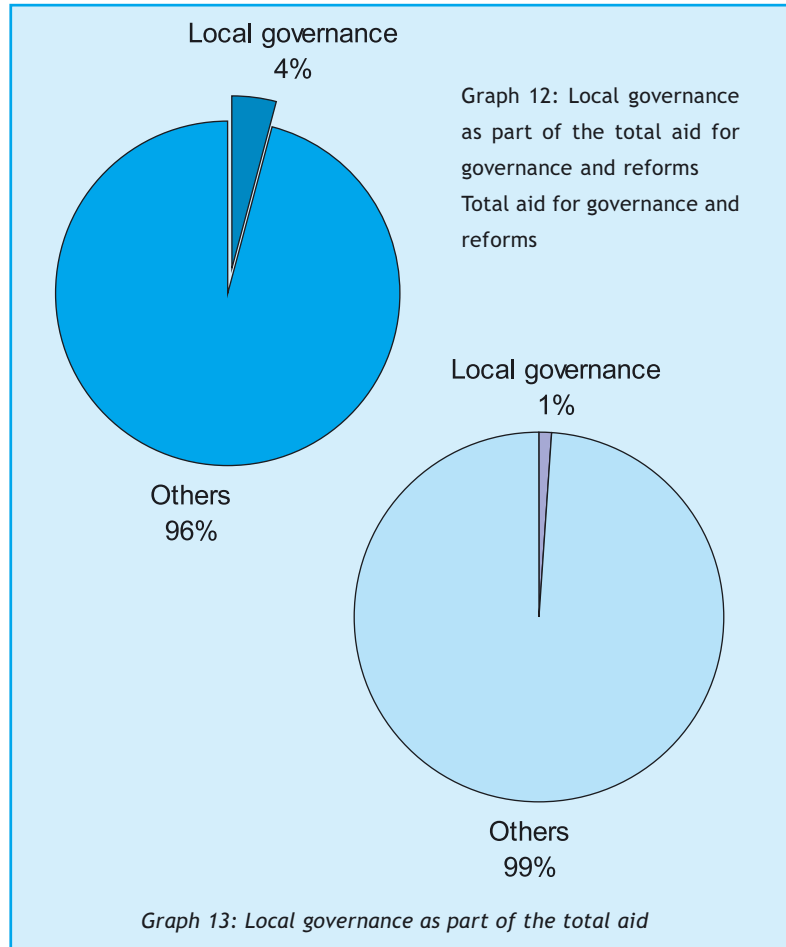
### Institutional programme and policy development support

International donors have attached particular importance to technical assistance to strengthen government, to programme and implement comprehensive reforms, to draft national and sector policies and strategies, to prepare a legal framework and the approximation thereof to international standards, and to promote other components which support government functions. This importance is clearly presented in the fact that donor commitment in these fields has constituted about 29% of all funding accorded to Albania over the period of transition. Almost all this assistance was accorded to the central government, and only about 4% was given to the local authorities.

### Support for local governance

Direct assistance to support local government capacities, to raise the level of local administration and to increase public participation in governance represents about 1.2% of total financing by international donors. The number of projects addressed to elected local officials, local administration and the communities in question is actually very small. And this assistance has been given almost entirely to town municipalities, where it is difficult to see any contributions at the rural municipality or regional level, with the exception of the activities of non-governmental associations.

Decentralization reform plays only a small role in the structure of programmes by



the main international donors. Their contributions to the strategic conception and implementation of decentralization reform have been modest and very much delayed. They have been addressed mainly to the ministries and central government institutions whose activities are linked to the process of decentralization.

In the course of the implementation of aid programmes, thinking in the central government and among international donors has changed with regard to the effectiveness of funding. Attention is now more focused on the inclusion and contribution of local communities in projects, to partnership with interested actors at the local level and to ways of avoiding impediments caused by bureaucracy and corruption in the central government administration. Progress in decentralization, a growing commitment

on the part of the central government authorities to transfer responsibilities to local government and efforts on the part of elected local officials and the local administration to fulfill their duties have all contributed to raising interest among international partners in cooperation directly with local government. The positive experience of a number of projects by non-governmental organizations, carried out directly with local government and local communities has had a great influence, as have the projects of various donors, among which mention can be made of UNDP, USAID etc. The contribution of the Soros Foundation to promote competent specialists to work in municipal administration is considered a successful experience.

### 3.7 THE MAIN CHALLENGES in DECENTRALIZATION

#### Building political commitment

The process of decentralization is in essence one which involves two parties on equal terms, at least politically: central government which accords the responsibilities and local government which takes over the responsibilities. As a result, these two levels of government must both be deeply involved in this process. The current idea that the decentralization reform is the concern of the central government alone, and that it is promoted, programmed and implemented by it at a pace which is set forth and adjusted by the central authorities on the basis of evaluations it makes for itself, has substantially jeopardized progress in this important sphere of reform.

Certainly, the decentralization process is by no means simply the concern of central or local administrations which have demonstrated, at the one level, conservatism about transferring responsibilities and, at the other level, a lack of will or readiness to take over these responsibilities. As a consequence, the establishment of an institutional dialogue between the

central and local governments with regard to the most basic issues of the scope of decentralization reform, in particular to local funding, remains one of the fields in which stringent regulations and permanent standards are needed. In the case of Albania, such relations could also be sanctioned by special laws.

Political commitment on the level and pace of decentralization ought to be clearly reflected in the existing decentralization strategy by bringing it up to date and taking account of actual decentralization experience over the last few years. It must also be reflected more clearly in the National Strategy for Economic and Social Development in order to harmonize it with the pace of reform in all the other sectors.

#### Conformity of the law to reality

Another important question which must be answered rapidly and resolutely with respect to the progress in decentralization, especially fiscal decentralization, what has already been accepted for implementation and what is clearly reflected in laws already passed actually conforms to reality. This would require a reconfirmation of political will to implement the elements which have been decided upon, as well as some urgency in reducing the confusion created by discrepancies in the laws.

The first step would be the transfer of duties in accordance with the stipulations in the various laws relating to local government and fiscal decentralization in particular. Then, it would be necessary to arrive at a clear position as to how far fiscal decentralization should go, what steps are involved and when each step should take place. This position and the establishment of appropriate time lines for action would have to be harmonized with the country's overall economic and financial policies, which as a rule are programmed for the medium term.



### The key role of fiscal decentralization

The achievement of meaningful fiscal decentralization is without doubt the greatest task and most difficult problem of decentralization. This is linked to a number of important steps which must be taken to bring it about. At the outset, a forecast of revenues and expenditures (from all sources) for local government for at least the two following years, as set forth in the basic law on local government, would be necessary. This is a duty which has not yet been carried out and which must be taken into consideration, beginning in the medium-term budget programme for 2003-2005, in order to harmonize fully and once and for all the budgets of the central and local governments.

The application of a tax on farmland and the transfer of the tax on small business to the full administration of the local authorities will make necessary an investigation of compensatory elements because of the very unequal geographical distribution of businesses, so that, on the

one hand, revenues can be better collected and, on the other hand, funding for public services can be guaranteed throughout the country at a nationally prescribed standard.

The legal distributive formula for grants must be improved by taking into account further factors related to the indicators of local economic, social and human development and which promote domestic and local sources of funding. All the problems related to issues of distributed taxes must be solved step by step.

### Transfer of assets

The process of decentralization cannot be understood properly without a transfer of assets from central to local government. *The law on the transfer of real property* to the local government authorities, passed in 2000, has begun to be implemented but in a haphazard manner. Respective regulations have been prepared, responsible institutions have been set up, and work as begun to identify and register property. It is essential that work continue until all the provisions of this law have been finalized.



## *Civil society participation in local governance*

The removal of barriers to the free movement of people in Albania in the early 1990s was accompanied by a huge wave of migration from villages and smaller towns to Tirana and other large cities by people in search of a better life. The Albanian state, which was much more focussed on issues of political and transition reforms, was unprepared to deal with this mass movement of people. The local authorities were not in a position either to deal with this new and unforeseen situation. As a result, the cost of unplanned urbanization has been borne, up to the present, by the migrants themselves, but also by the inhabitants of the towns they settled in. All the while, the local government authorities continued to maintain the same administrative and financial form they had had earlier, without taking this basic change into account. They thus found themselves one step behind in matters of urbanization.

### 4.1 URBANIZATION PHENOMENA IN ALBANIA

#### Albania - The most rural society in Europe

Historically, Albania has been the country in Europe with the largest proportion of rural population. On the eve of World War II, only about one-fifth of the country's population lived in towns, and on the eve of the political changes at the beginning of the 1990s, the urban population represented about 35% of the population. This model of development was linked both to the characteristics of historical development in the country and to the restrictive urbanization policies which had been in force over the four to five decades of totalitarian rule. The rather dreary economic situation had a substantial influence on that compulsory model of urban development in Albania over the whole period.

#### Urban infrastructure neglect

The housing problem was and remains one of sheer catastrophic proportions. With an average of 7 square metres of accommodation per person, Albania ranked last in Europe in 1990, far behind Romania which had 17 square metres per person<sup>74</sup>. As a result, the authorities at the time used all the means at their dis-

Urban and rural population

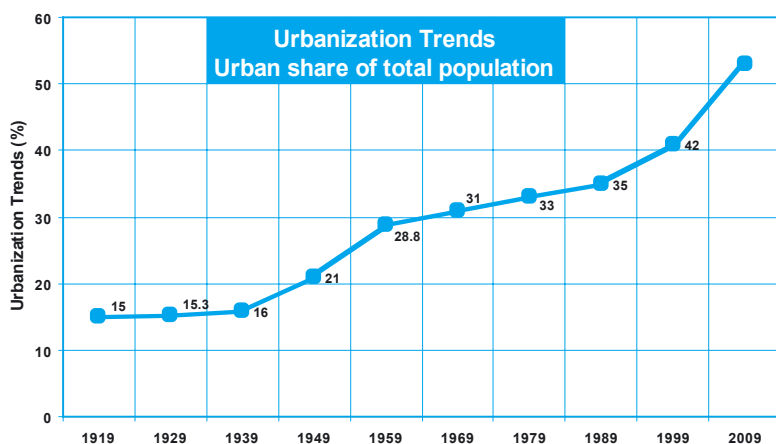
Table 4.1

Years	Total	Urban	Rural
1979	2,590,600	33.45%	66.55%
1989	3,182,417	35.74%	64.26%
2001	3,067,740	42.30%	57.70%

Source: Repoba, August 2002.

<sup>74</sup> Government of Albania, National Habitat II Report, 1996.

posal to restrict the urbanization of society, and during the period 1979-1989, the rate of urbanization was only about 2% per annum - roughly comparable to the average population growth rate. Policies for the rural areas of the country were devised along the motto "Let us make our village like the town!"



The drastic cutbacks in the state budget over the 1980s forced the authorities to concentrate mainly on the central region of Durres-Tirana-Elbasan. This region accommodated about one-fourth of the country's population, but it was also responsible for almost 40% of the national industrial output, over half of the national output in light industry and almost 60% of all the mechanical industry. The indicator for per capita social and public health services here (kindergartens, nurseries, schools, cultural centres, movie theatres, hospitals and maternity wards) was at least twice as high as it was in the other regions of the country<sup>75</sup>.

#### Relaxation of controls on rural-urban migration

In the summer of 1990 a decree was issued giving freedom of movement and official recognition to the private sector in the construction industry, primarily to promote housing construction. Symbolically, this act may be compared to opening the dike of a huge lake without having made plans or taken any measures to channel the deluge of water accumulated in the lake in the right direction to avoid mass flooding.

In Albania's case, the stringent controls and restrictive policies against urbanization and the freedom of movement for people for several decades during the communist regime were abolished without consideration being given to what should be done to deal with the extraordinarily high demand for housing and employment, or how to cope with the aspirations of the people for a better life. This happened at a time when there were virtually no possibilities for investment.

The collapse of the centralist economy and of the scheme of subsidies for the unproductive regions of the country had created a hopeless situation for the local

#### The districts with the highest growth rate of population density: 1990 - 2002

Table 4.2

District	District	
	Total	Urban
Durres	42.8	38.0
Tirana	39.6	48.8
Fier	19.2	77.0
Kruja	6.7	49.6

Source: Calculations based on INSTAT data, August 2002.

#### Districts with the greatest reduction in population density Table 4.3

District	Reduction of density in %
Saranda	42.2
Tropoja	38.8
Skrapar	37.2
Tepelena	36.4
Berat	22.2

Source: Calculations based on INSTAT data, August 2002.

<sup>75</sup> Berth Danermark, General Description of the Housing and Urban Development Sector in Albania, 1993.

population. Unemployed, isolated (the road and communications infrastructure was antiquated), and far from the attention of the central government authorities, people had no alternative but to seek a better life in the more developed regions of the country: the Western Lowlands (i.e. the coastal region between Shkoder, Tirana and Vlora) and, in particular, the region around the capital city (the area of Tirana, Durres and Fushe-Kruja), which offered the best opportunities at least to find work and to live a more normal life, especially for children and young people. Encouraged, too, by the political chaos caused by the changes in the country, people took the initiative and moved to these zones which offered greater chances of survival.

### Uncontrolled and unplanned migration

The historic dimensions of the political, social and economic changes dictated priorities in the fields which were considered critical and most urgent, such as dismantling the dictatorship, founding democratic institutions, and creating and promoting a market economy, etc. A balanced demographic development and a reduction in the effects of the mass movement of people were not considered to be among these priorities.

The demographic changes brought with them major alterations in the distribution and density of the population in the various regions. This could be shown with precision only after the national census had been carried out.<sup>76</sup> Whole villages were deprived of all but a few families and the population of the major cities grew at a rapid rate. But administrative divisions, in particular with regard to the first level of local government (municipalities), were not able to adapt to these changes.

In addition to this, the sudden rise in the

#### Differential patterns of rural migration:

From an analysis of the changes in population density for the period 1990-2001 it becomes obvious that:

- The population density fell substantially in the districts of Saranda, Tepelena, Gjirokaster, Korca and Vlora, etc, and the main reason for this was seen to be the high level of emigration, in particular to Greece. The population density also fell in the districts of Tropoja, Skrapar, Diber, Kukes, Mat, Mirdita and Puka, etc, and the main reason for this was seen to be migration towards the Tirana-Durres region.
- The population density rose substantially in the Durres-Tirana-Kruja region despite the high level of emigration from these districts because of the great influx of people from almost everywhere in Albania, in particular from the north-eastern part of the country.

urban population turned an important part of the rural population into city-dwellers, without giving them time to adapt to the change. Local government in urban regions was faced with an unusual mixture of population from the various rural areas of Albania, a melting pot of mini-cultures and professions which were substantially different from the rest of the urban population.

## 4.2 THE PLANNING OF URBAN AND REGIONAL DEVELOPMENT

### Unplanned urban development - unlawful buildings

Unlawful buildings began to appear immediately after the political changes of the early 1990s as a phenomenon which often accompanies rapid urbanization. Later, they became even more common and were very soon identified as one of the most typical characteristics of the transition. With the beginning of private business activities, there soon appeared a myriad of poorly constructed buildings in the town centres, mostly in the form of simple kiosks. Soon thereafter, more solid multi-storied constructions began to appear, although these, too, were illegal. Tirana became a typical ex-

<sup>76</sup> The national census was carried out by INSTAT in 2001 and the final results were published in August 2002.

<sup>77</sup> In the first group, urban planning regulations are not respected, and in the second group, even property rights are infringed.

ample of this phenomenon. At the end of 2001, in Tirana alone there were about 20,000 illegal buildings, most of which were informally or illegally constructed.<sup>77</sup> Every year, Tirana's built-up and fringe area expansion occupies an average of about 200 more hectares of farmland, mostly for such buildings. As a result, the density of building and population in some zones of the city centre has surpassed the legal limits of urban planning. Public spaces have disappeared and the construction industry is making a profit at the expense of the existing infrastructure. The other major cities are in a similar state.

Illegal buildings are not simply an expression of the low level of development in Albanian society, nor are they simply a question of culture. They are primarily a

clear expression of the weakness of public administration and, in particular, of local administration to ensure that laws are obeyed. They also reflect a lack of vision and of development policies by the local authorities, especially in the field of urban development and housing over the years of transition. They bear witness to the lack of connection between the local authorities and the communities in question. They are also a reflection of the negative influence of the centralist policies drafted at the ministerial level.

### "Planned" but haphazard urban development

The concept of illegal construction in Albania must not be seen as unlawful buildings only. There are also a great number

#### Should the illegal constructions be torn down or not?

The dilemma on what to do with the illegal constructions in major urban areas first occurred in 1998 when the Albanian authorities began to exercise control after the civil unrest of 1997. Before that, virtually all buildings were built without planning permission and it was quite unthinkable that anyone would ever tear them down. The first demolitions began rather as an attempt by the state authorities to demonstrate their resolution in the matter. They started in Tirana where there was a great concentration of illegal buildings. The demolition work was welcomed by the population. Encouraged by this, the central and local government authorities in the main towns of the country then instigated a mass campaign of demolition. Public confidence in the seriousness and resolution of the authorities to set forth zoning regulations depends on the attitude the authorities take for the major zones of illegal building in the capital city, such as in the Rinia Park and along the banks of the Lana River, where much green space in the city centre was destroyed in the last few years by well-off informal business enterprises, or in the region of Bathorja which has the most illegal buildings in the country, with a surface area of about 400 hectares.

In the former case, in which the illegal buildings consist primarily of business premises, the authorities were extremely harsh in their reaction. The buildings in

question were demolished within a relatively short period of time and there was little resistance. But there were considerable economic losses involved. A survey carried out by the students of the Polytechnical University of Tirana showed that along a four-kilometre stretch of the Lana in Tirana, there were about 550 unauthorized buildings, the equivalent of a physical investment volume of US\$6 million, not counting the economic spin-off effect of the economic activities carried out, employment and tax revenues. This constitutes quite a large profit which might have gone to the local authorities if the investments had originally been carried out in a legal manner.

In the case of Bathorja, where the buildings are primarily private homes, the local authorities have hesitated to undertake any action to demolish them. Similar attempts made in 1995 and 1998 failed and degenerated into social conflict with the inhabitants of the area. As such, the authorities have preferred to take a softer approach, that of improving and integrating the zones in question. Indeed, in the last two electoral campaigns for local government and for parliament in 2000 and 2001, the subject of legalization, which had been taboo up to then, was brought up for the first time. The municipal authorities of Tirana recently created a special unit to study the possibility of legalizing buildings on a case to case basis.

of unauthorized buildings which are “legal” from the point of view of urban planning, though they do not respect even the most elementary rules of urban development, for instance because they are built on green spaces between existing buildings and provide accommodation only, without the other important functions related to urban existence. The building plans drafted by architects and reviewed by the urban planning authorities are regarded only as instruments for getting a building licence. The main criterion is profit, as interpreted by the constructor himself. In many instances, they are not the fruit of in-depth studies comprising all the factors needed to be taken into consideration to guarantee not only the provision of housing as living space, but also all the other components of human existence under normal living conditions.

This phenomenon also shows that the specialists in this field did not have sufficient knowledge to offer decision-making institutions concrete and pragmatic solutions. In Albania, urban planning does not exist as a profession which can deal with the subject as a comprehensive social, economic and political process rather than just as a question of blueprints and graphs. Urban planning and development is dominated by the architect-planners who plan design private buildings. In this conflict of public and private interests, public interests have not been able to win out in finding adequate solutions.

The local authorities, for their part, have had difficulty adapting to their new responsibilities, which were previously very much central government responsibilities. They have not succeeded in orienting construction to a strategy for urban development because, on the one hand, such a strategy has not been worked out yet, and on the other hand, the local authorities do not enjoy full competency to prohibit illegal building.

### The costs of unplanned and indiscriminate urbanization

As a result of the great movement of people to the suburbs of the main cities, new areas of inhabitation have arisen which are deprived of even a minimum of infrastructure and services, of planning and of funds for public investment. The migrants often find themselves living in worse economic conditions than they had known in their regions of origin. Many of these new areas have no schools and social service facilities, and illiteracy is becoming a growing problem. The miserable state of hygiene has promoted the spread of contagious diseases. All these factors have made the phenomenon of rapid urbanization a critical and harmful process accompanied by high economic and social costs.

### Is massive migration in the national interest?

Migration processes are phenomena which do not occur only in Albania. The most highly developed countries on earth also have high rates of urbanization 78%. Population movements, although spontaneous and chaotic, are considered positive because, in essence, they correspond to the will of the people and the human right to strive for a better life in more highly developed regions. The negative view held on migration has arisen as a

#### The case of the new urban municipality of Kamza

Kamza is one of the new municipalities of Albania and is situated to the north of Tirana. The town municipality was founded in 1996 by the amalgamation of five villages with the rural municipality of Kamza (formerly a state farm), and with Bathorja, the largest area of illegal housing in Tirana.

Up to 1990, Kamza was a rural zone of about 7,000 inhabitants. The territory of this municipality was subjected to unchecked urbanization and a wave of illegal construction from early 1991, right after freedom of movement was authorized and reforms were undertaken to privatize land. At the present, the population of the municipality is about ten times what it was in 1990, the highest rate of urban expansion anywhere in the country.

Most of the new inhabitants of Kamza settled on the territory of the municipality informally and, for this reason, there was a very high incidence of illegal construction. Many of these areas have no or very little public land, and infrastructure and municipal services are virtually inexistent. In some of the administrative units, such as Bathorja (400 ha.) the newcomers are almost all unregistered or illegal. Poor and isolated, without any services or infrastructure, these people find themselves ignored and abandoned. The municipality has only been able to register about 60% of them, and the population grows and grows.

The local authorities have hardly had a chance to keep up with this overwhelming growth rate. Their budget has been extremely small, their competencies rather limited, and they have insufficient experience and training. The scale of local autonomy in this municipality has been the lowest of all the local authorities. Yet, the experience gained in the administration of this municipality constitutes an interesting example of how a municipality, working under extremely difficult conditions, can mobilize positive energies to put good government into practice.

result of unwillingness, for several decades now, to accept the existence of this phenomenon, as well as of politically motivated abuse at certain moments of the transition in Albania.

In fact, the newcomers to the cities have had a positive economic effect on urban development, in particular in housing construction, in the construction material industry and in services. They have also had a substantial influence on the evolution of people's thinking and, with the exception of certain excesses at times political, economic or social unrest, they have helped to strengthen social cohesion.

Despite such analyses, this new and, until recently, quite unimaginable situation, does constitute a difficulty and further burden on local government. Most of the essential services which are needed by the newcomers are linked directly to the duties and responsibilities of the local government authorities. On the one hand, they must urgently begin to solve the problems created by the lack of basic living conditions, including basic infrastructure, health care services and schools, and on the other hand they must begin to chan-

nel spontaneous urban developments by drafting development plans and making some strategic investments for the basic elements of the infrastructure.

Faced with these unprecedented challenges on the management and control of urban growth, the local authorities are helpless to act and feel abandoned and without the technical support and in particular the financial support they need from the central government. On the other hand, they are under pressure because of the continuous and uncontrolled growth of the number of newcomers, at a time when no initiatives have been forthcoming from the central government authorities to balance out regional development so that the rural areas of the country and the more isolated towns are not abandoned even more by their inhabitants.

Urbanization is a necessary process to the benefit of the country's development. But the main issue is the fact that, up to now, no one feels responsible for this process. There is no one who has shown a willingness to give it direction by means of decisions of a strategic nature which could at least have a medium-term effect on channelling the process. As a result, the costs of development are very high and must be borne almost entirely by the local communities, in which expenditures up to now are but an insignificant amount compared to what will be needed to create normal living conditions for the newcomers. It is the responsibility of the central government to include urbanization on its agenda and to share its responsibilities with local government for the costs involved in this process.

### 4.3 THE MANAGEMENT OF URBANIZATION

#### Urban management

Urban planning is still part of the old logic of centralism. The Law on Urban Planning has been reviewed at least three times over the last ten years and, on every



occasion, as soon as it was passed by parliament, it was contested at the local level when it was to be implemented. This happened because the drafts were not based on a comprehensive process including the actors interested in the law and related developments. Real participation on the part of the people and the private sector is still dealt with in this law with reservations. The development of urban planning is regarded more as the exclusive prerequisite of specialists than as a problem for society.

In fact, urban development in Albania has more need of management than of planning and a planning law. The concept of urban management has to do with the pragmatic handling of situations and funds, and with flexible operation on the basis of a set of laws which must once and for all clarify issues such as the return of and compensation for property, the administration and utilization of land, the legalization or demolition of unlawful buildings, effects on the environment, responsibilities for investments in the main axes of the national, regional and local infrastructure, codes and urban standards, the control and monitoring of implementation measures in conformity with law, and appeals against legal decisions, etc. The need for such a set of laws would seem to be self-evident now.

Issues related to urban planning have increasingly been the object of public and institutional debate initiated and promoted by a rise in the perilous level of building density, in particular in the major towns. The local authorities still feel too weak to come to terms with the situation, and one of the major reasons for this is the lack of planning regulations.

### Public debate on planning issues on Tirana

Most typical of all is the public debate about Tirana where such negative phenomena are much more frequent than in

other towns. Everyone agrees nowadays on the need for planning regulations but, under normal conditions, about three to five years would be needed to draft them. In the case of Tirana, which is under pressure from continuous and intense urbanization, they would not help very much.

#### The need for stringent planning regulations

The drafting of planning regulations by the local government should not be seen as an answer to all problems because there is no clear solution under existing planning regulations. But they would increase transparency and would give more direction to local government in the process of creating a common vision for urban development. They would also improve the logic of development and would set forth conditions for local government to minimize or prevent mistakes such as those already made.

In Tirana, at least for the moment, developments are rapidly outpacing planning, and any plans worked out would be outdated from the start because of the dynamics of these dramatic changes.

In addition, intermediate steps would have to be taken by local government to fill the existing gaps in urban planning in Tirana. Such steps could include:

- Defining a *downtown zone* for the city and placing it under restrictions with regard to new building, and, at the same time, paying more attention to improving, renewing and protecting buildings of particular historical or architectural interest. Any new buildings in this zone would have to fulfil clear urban planning conditions and rigorous human standards set forth in advance.
- Identifying *new zones for development* with the help of contemporary urban-planning parameters, and ensuring alternatives for buildings by promoting partnership between the municipal authorities and business in the interests of the public.
- Planning for requisite *improvements in the infrastructure and conditionally legalizing unlawful buildings in the suburbs*, at least in some pilot areas, in order to gain experience, find more effective models and create legislation.

- Drafting rules for the *implementation of urban planning regulations*, and giving them legal attributes, with clear and transparent norms, standards and procedures.

**Explosive rise in urban densities**

In the last ten years, the urban population of the Tirana-Durres-Kruja region has grown by about 45%. Over the same period, population density in the district of Tirana has grown by about 40% and in the district of Durres by about 43%.

Initiating such a process in Tirana would help and encourage the complete reformation of urban planning legislation, which would have to be improved as the city continues to expand.

**Development of major urban axes of growth**

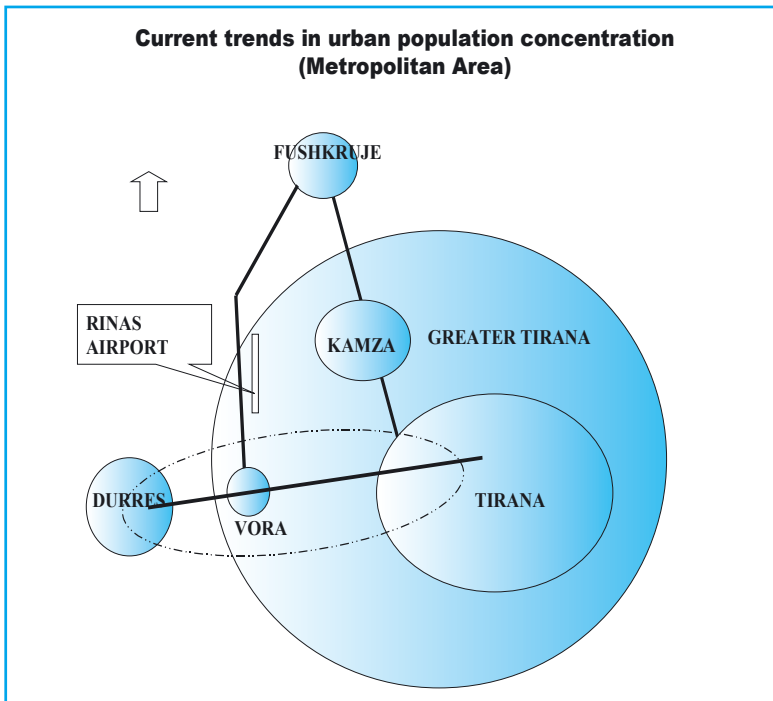
Recent developments in the country have transformed the Durres - Tirana - Fushe Kruja area into a metropolis, in which there are two axes: the Tirana-Durres zone in which most industrial activity is concentrated, and the Kamza zone, where thousands of newcomers have sought and found shelter. This region is the core zone for the country's development. It comprises five main town municipalities:

Tirana, Durres, Kamza, Vora and Fushe Kruja, as well as a considerable number of towns, rural municipalities and villages which interact closely with one another, especially from a social and economic point of view. Despite the drastic changes which have taken place in this region, local government remains at the stage it was, both from an institutional point of view and with regard to methods of government. The multitude of administrative units making up this metropolis are all under the aegis of two prefectures.

**Need for a new urban planning/ management authority**

The dividing up of government responsibilities in the metropolitan region has begun to conflict with its harmonious development. New structures must be created which can ensure better government and the more efficient utilization of funds and material. The metropolis has an urgent need for one unified administrative structure to better coordinate and organize the problems of spatial development, of urban development planning and issues of environmental concern. This has not been foreseen in the strategy for decentralization or in current legislation on local government and urban planning.

Up to now, the local authorities of the administrative units comprised in this new urban conglomeration regard this concept as contrary to the movement for decentralization of governance and do not understand the importance of such a reorganization. In fact, it is not a question of centralization here, but of finding an adequate solution for metropolises such as those in other, more developed countries. Indeed, it aims at doing away with the negative effects which occur when development is too closely confined by the administrative borders of local units and when the central authorities are unable to exert coordination at the regional or metropolitan level.



#### 4.4 THE CHALLENGE OF PROMOTING THE VALUES OF CITIZENSHIP

Co-operation between the local authorities and the community depends, first of all, on co-operation and social cohesion within the community itself. Such co-operation can be attained by means of a long process of continuous cultivation and improvement. Mass migration and the high rate of urbanization within the period of but a few years seem to have slowed this process down. The newcomers stem from various cultures and traditions, but they all need ties to connect them and bring them closer to the population of the towns where they have settled. Citizenship is the key element which can accelerate the fostering of these ties.

##### Configuration of local communities

Public participation in local government depends substantially on the configuration of local communities. This must be seen within the context of the political, institutional and psychological realities of Albanian society which define the determining factors making up such communities. The factors in question in Albania are culture, geographical origins, religion, profession or educational background, place of settlement, administrative relations, and place of residence in a particular village or neighbourhood, etc. In some cases, there is also community configuration along ethnic lines.

In local units in the countryside, where population movements have been less extreme, villages, neighbourhoods and extended families (Alb. *fis*) have been the determining factors in the formation of communities. Particularly characteristic is the configuration of communities along regional lines, in particular within traditionally recognized regional boundaries. In urban areas, these factors are less important than others such as social group-

ings, profession, work and interests, in particular economic interests, etc. Aside from this, there is a higher level of communication between communities in urban areas than in rural areas.

The revival of religion <sup>79</sup> has also influenced the configuration of communities along confessional lines, even within local units. It must, however, be noted that, with the exception of traditional settlements, these communities are not homogenous and do not have clearly defined borders. Although it cannot be said with certainty that community relations are not influenced by the elements which have created them, there seems to be an atmosphere of good will and co-operation between the communities created by language, geographical origin or religious beliefs.

##### Communication between the community and the local authorities

The determining factors in the configuration of communities, with respect to relations between citizens and local government, become more apparent in how and where the community and its individuals endeavour to solve their problems. They often appeal for good will and for the solution of their problems with sagacity. They will obey the decisions taken by their village leader, and then turn to the rural municipal authorities for help. The distance to the second level of local government (regions) or to the bodies of the central government seems much farther away and they have no particular interest in contacts with this level of government. As such, public participation in local government has begun to crystallize around these communities, thus creating a direct link to the bodies of the first level of local government.

**“The citizen may die and the individual remain”** <sup>80</sup>

<sup>79</sup> Religion was banned in Albania during the last two decades of the communist regime.

<sup>80</sup> Saying by Montesquie.

Society has been changing rapidly during the transition period. Earlier norms, values and convictions have been shaken deeply and society is still having difficulty finding itself with regard to ethics and morals. It is being faced with many dilemmas. People are in search of new symbols and institutions with which they can identify.

Questions arise such as: Which road should we take? If the state does not even fulfil the basic obligations it has been entrusted with, whom can we trust? If laws are contemporary and acceptable in spirit, but are not implemented to the extent they should be, whom can we then turn to, in order to get, if not complete security, then at least a sense of security and social peace? In many cases, the climate of anguish and insecurity has stifled the spirit of morals and virtue. The overriding values which remain are conformity and profit-making. The lack of security and clear perspectives, the weakness and corruption of the government, and manipulation in terms of militancy and meritocracy, have all created a situation of generalized irritation, exhaustion and indifference. Very little, if at all, is said of citizenship and moral values.

#### The individual and society

Thus, the problem of relations between the individual and society has come increasingly to the fore. Under the dictatorship, individuals had their own way of thinking and speaking, and a system of common values set forth by official ideology. Under these conditions, collective freedom had priority over individual freedom. As such, communism was not able to educate the people to place an active role as citizens. The transition from collectivism to individual freedom for the population has been an urgent necessity, but it has also proven rather difficult. Unfortunately, outdated ideas do not die easily and, when economic and social problems are involved, they provide sus-

tenance for demagogues who know how to please the masses.

The most obvious effect of this situation has been a deepening of the gap between the people and government policies. The most negative repercussion has, however, been the manner of public thinking which has arisen, a new form of logic which is different from democratic reasoning.

#### Contradictions between traditional forces and democratic based modernism

According to this new logic, there are a few individuals (foreigners and Albanians) who own the truth and who hold the key to the future. The media, for their part, have reinforced this type of thinking. The fall of the old regime and the construction of a new democratic society are viewed more in terms of anonymous forces which have neither cause nor purpose. It is a process "without a subject" in which the ruins of the old system and the dynamic of the new economic and political mechanisms coexist. This serves in part to explain the weaknesses of democratic institutions and the difficulties involved in activating them. The optimal form of future government and the institutional regulations which must be prepared to consolidate it are in open conflict with tendencies from the past and with a lack of know-how in implementing western standards. This is why foreigners are not seen as interlocutors who can convey their experience with western civilization, but rather as shields to protect the Albanians from their responsibilities as citizens.

This mentality reflects the universe of post-communist Albanian politics and has had a negative influence on the creation of responsible citizens working actively for the democratic welfare of the country. It also reflects the fact that po-

litical discourse tends to gravitate towards charisma, demagoguery and personal loyalties. The old way of thinking inherited from dictatorship continues to survive, i.e. a polarization of politics between the “we” (the convinced supporters of the true political course) and the “they” (enemies of the people and of the Party). It continues despite the fact that the now less acute distinction is difficult to make. This type of thinking is what gives rise to impassioned discussions between personal foes and causes conflicts involving real or petty interests. It is nourished, above all, in the lack of citizenship.

Culture is one of the factors which can have quite an influence on promoting the existence of a homo civicus, yet very little attention has been paid to culture at the local level. Cultural institutions, after years of isolation, had difficulty changing their way of thinking and adapting to the new logic of a market economy. What unfortunately characterized cultural institutions for quite some time was confusion, which caused serious damage to the country’s cultural heritage and activities.

### Changing values and cultural mores in urbanization

The mass migration of the village and mountain population to the towns and coastal plain together with the end to the extreme isolation and social immobility which lasted half a century and was characteristic of the communist period, caused a change in the whole system of values for many Albanians and set in movement a complex process of cultural change. At the same time, from the beginning of the 1990s onwards, there was a tendency to concentrate virtually all cultural activities in Tirana, and this has continued up to the present day. There are many reasons for this, taking into account the important socializing role that art and culture play. One important reason is, no doubt, linked to the fact that

Tirana, compared to the provinces, offers more and more opportunities in the fields of culture and business, and these opportunities have attracted most of the artists to the capital, who previously were forced to live in other towns.

### Centralist forces in society

There can be no doubt that one of the factors which has brought about the anomaly that the vast majority of the people in the country have, so to speak, no direct contact with culture at all, has been the policy of centralization which has been and still is being pursued in the field of culture. The continuation of the centralist policies which gave full decision-making power to the central authorities and deprived the local authorities of any competency or financial possibility for contributing to the development of cultural life or even for maintaining the cultural institutions they inherited, has had a seriously detrimental effect on cultural life outside of Tirana. Despite a number of changes which have taken place over the last two years, now that local government has been given a few more competencies such as responsibility for local libraries and district theatres - where the local authorities can now at least appoint the directors - budgetary aspects and funding remain in the hands of the central government.

One can get a clearer picture of the disproportionate share which continues to exist, even today, between Tirana and the other parts of the country from the investment funds for cultural affairs. In 2002, about 3.6 million leks from these investment funds were earmarked for Tirana, whereas only about 1.8 million leks were earmarked for the rest of the country.

Decentralization in cultural affairs by giving the local authorities more competencies, in particular financial competencies, remains an urgent need in order to bring

about a greater balance in cultural life throughout Albania. This could be a great contribution to strengthening the feeling of citizenship.

#### 4.5 PUBLIC PARTICIPATION - A PROCESS, NOT AN EVENT

Public participation in local government means information, communication, inclusion and partnership between local government and the community.

##### Acute deficiency of public participation in civic affairs

In Albania, there is little public participation in governance decision-making. The problem is two-fold. On the one hand, local public officials misunderstand the importance of letting the public participate in governance and are not creating the conditions for participation. On the other hand, the public itself does not understand its role and responsibilities in the process of local governance.

In general, the local government authorities are satisfied to implement only the minimal standard requirements set forth by law for communication with the pub-

##### Essentials of public participation

Public participation comprises a number of components, the realization of which becomes progressively more difficult in the following order:

- Public information, which enables citizens to inform themselves about what the local government authorities are planning or doing;
- Public participation, which increases the government's response to the interests of the public by means of mechanisms for citizens to formulate the agenda of public debate and to set the priorities which local government have to address;
- Public supervision, which increases the accountability of government by means of mechanisms for the public to monitor the actions taken and the results achieved by local government;
- Public-private partnership, which ensures the strengthening of co-operation between government, the private sector and civil society to achieve common goals.

lic. Lack of tradition would seem to have quite an influence on this state of affairs, and in particular, the negative experience gained over the decades of totalitarian rule. It is very difficult to convince the Albanian public to take part in community activities in any form because, in the public imagination, the concept of "working together" is coloured by the ideology of the communist past, and people are very sceptical, if not to say allergic to this concept. But what is lacking, above all, are clear and unequivocal procedures to implement public participation on a practical basis.

One very simplified concept for participation in governance is related to the right of the public to express its will during elections. Democracy in Albania, including democracy at the local level, is a system of representation. The citizens, as members of the community, delegate to their appointed or elected representatives the right to decide upon the fate of their local units of government and to regulate issues affecting the community. This concept also prevails in the basic laws on local government, in which little or no mention is made of public participation in governance.

The lack of vision on public participation in governance is also seen clearly in the Strategy on Decentralization and Local Autonomy which does not deal at all with this important aspect of local government. This document refers only to encouraging the role of non-profit organizations in educating the local communities to take part in governance, and does not contain any strategic guidelines or concrete plans for the various components of public participation. Participation is not conceived of as a responsibility held jointly by the local authorities and the community, but only as a public obligation towards governance.

<sup>82</sup> The rehabilitation programme for schools.

<sup>83</sup> The aid programme for Albanian regions.

On the other hand, local government and the community in Albania nowadays are still very far from understanding these components. Many things have begun to change as a result of the needs of local government for contributions from the population. The experience gained in projects financed by international partners has also had a positive effect. Among these are some projects funded by UNDP 81/, the Dutch Government<sup>82</sup> and the Italian Government<sup>83</sup>, etc. and a number of projects financed by the Albanian Development Fund. Yet, there have been few results, and progress is still slow and intermittent.

### **The new information culture and the right to participation**

Public information is the most elementary level of participation in government, and is identified only with the right to information, whereas the other components are taken far less into account in defining the scope of such participation. The public's right to information is clearly defined in the Law on the Organization and Functioning of Local Government. The meetings of municipal and prefecture councils must be made public in advance and must be open to the public so that any citizen can attend. The councils must hold hearings with the community before passing acts, and such hearings are obligatory when budget funds, the expropriation or appropriation of property, the setting forth of local taxes and tariffs, and the specification of representative symbols are involved. These public hearings must be open to the public, i.e. open to the inhabitants, specialists, and interested institutions and non-government organizations, or participation must be realized by means of a local referendum

In reality, public information access and participation culture is a new phenomenon in Albania and it has been slow to spread. The slowness is justified by the opinion generally held that the average citizen is only interested in his own problems, which

are many, and has no interest in community problems. But the basic issue would seem to be that there is a misunderstanding about a series of mutual responsibilities between local government and the community to keep one another informed. The local authorities are obliged to inform the community about every act they take related to the rights and interests of the population. The people, for their part, once they have informed themselves, must clearly express their views and support for the acts in question. The local government and its administration are obliged to listen to and take account of what the citizens tell them. But it has been a common phenomenon of Albanian transition for the citizens to adopt a passive role. The local government must therefore encourage, lead and educate the population with respect to its responsibilities and contribute to transforming the people into active citizens.

The discrepancies between these responsibilities and reality show that much remains to be done. In general, the people know very little about the organization and activities of local government where they live. Municipal council meetings are not regularly announced in advance and there are still no proper facilities for the participation of the public. One step forward has been taken with the publication of municipal council decisions by the local electronic media.

### **Informing the public on local affairs**

In some town municipalities, the authorities publish a monthly newspaper to inform the community about the activities which the municipal authorities and council have undertaken in the preceding month. Some municipalities now even have a public information office, the main task of which is to inform the public with respect to the demands and requests the latter make of the municipal authorities.

In the municipality of Tirana, the public is now notified on a regular basis about

the meetings of the municipal council. The meetings in question are broadcast directly on local television. One programme, called *Ekrani i Tiranes* (Screen on Tirana), informs the public on a daily basis about the activities of the municipal authorities, about projects which are being implemented, the costs involved, who is financing, how the projects have been selected and what impact they will have on the community.

This new information culture has been set up only at the municipality level, though, and only the major municipalities have made any advances here. At the rural municipality level, things have been moving much more slowly. The situation at the regional level is also much behind.

Non-governmental organizations are playing an important role in this concern, by offering their expertise to assist the local authorities in opening up to the public, but reality has shown that this type of cooperation is still rare and insufficient.

#### The public organs for civic participation and monitoring

The integration of the public in basic issues of local government, such as the process of drafting the budget, strategic plan-

ning, defining priorities for action, judging the achievements of local elected officials and of the local administration etc, is an important component for its participation in government. The establishment of the *commissions of the municipal councils and the citizens commissions* as the most wide-spread bodies at the municipal level in Albania, constitutes a step forward in gathering together the opinions of the community and of technical specialists.

**The municipal council commissions** are almost identical in all municipalities and are composed of about 10 local elected officials. They serve to discuss issues in advance which will be dealt with and decided upon by the municipal council in question. In the course of their work they consult the voters and specialist for their opinions.

**The citizens commissions** are set up as permanent or temporary advisory bodies under the mayor or head of the municipality. They are composed of community experts from various fields, and offer thoughts and suggestions on issues which are for the mayor to decide or which are to be submitted to the municipal council. They exist in all town municipalities and the number of their members varies, depending on the mayor. For example, in the municipality of Elbasan, the public commission for the commemoration of public figures in the town's history, composed of 30 individuals, chooses eminent figures who have made a contribution to the town. In the municipality of Vlora, the town commission for urban development, composed of 25 representatives from the various classes of society, drafted an Economic Development Plan for the city of Vlora. There are similar examples in other towns.

The work of these commissions has often made a pre-selection possible for is-

#### Initial examples of partnership

Partnership is the highest level of public participation. It is a modern approach and a dominant element of development. The actors in such partnerships at the local level who can accelerate development are:

- The local government, locally elected officials and local administration, by drafting and seeking the implementation of legislation and regulations, by seeking improvements in the physical and social infrastructure, and by striving to enshrine and guarantee security;
- The business community, through business activities, investments, employment, the promotion of human resources and the provision of services;
- Civil society, through the work to promote social cohesion, education, culture, freedom of expression and the provision of services.



Partnership in co-operation replaces conflict. The costs of conflict, be they in time wasted or in human and financial resources, are always higher than the costs of co-operation, even though it is often held that co-operation is more difficult to attain.

sues to be studied and decided upon by vote. This pre-selection can be made here without the pressure of official meetings and administrative restrictions. In many municipalities, these commissions, however, still play a formal and rather colourless role.

Another form of public participation in government decision-making is the referendum, as a direct expression of opinion. At the local level it is rarely used, although it does exist under existing legislation. The modalities for holding a referendum and what force the results should have, binding or facultative, are important issues which have not yet been set forth in a particular piece of legislation. The obligatory character of local ref-

erendums and the obligation to gather local community opinions are still far from legal and institutional realities in Albania.

### Scope for enhanced participation

The potential for partnership in Albania is, in general terms, still unclear, indeed many views on the subject are prejudiced. Partnership is seen more in terms of a spontaneous relationship than as a means of deciding together on what is most necessary and more suitable, to ensure transparency and bring benefit to all sides. The vision held of partnership is, however, distorted by negative phenomena characteristic of the transition period, such as corruption, disrespect for the law, etc., in particular when business partnerships are involved.

A typical example is the attempt by the municipality of Tirana to create a partnership with the country's most powerful builders to construct an important cultural monument in the capital. This resulted in a wave of debate and opposition in the media and, to a certain ex-

### Measures to improve the level of participation

The low level of participation in public life at the local level shows, among other things, that a number of measures must be taken into consideration, the most important of which are:

- Inclusion and elaboration in the Strategy for Decentralization and Local Autonomy of the concept for public participation in local governance;
- Improvement and creation of more room in existing legislation for promoting and allowing greater public participation in decision-making processes, for creating requisite instruments for the public to monitor the activities of local government, and for clear conditions of partnership among all the actors connected to local government;
- Growth and consolidation of the level of public awareness for the rights and responsibilities of the people to co-operate and take part in local governance processes;
- Encouragement for the public to co-operate and organize themselves in their communities in order to understand, support and fulfil the special interests of specific groups, to lead the way in administrative and institutional processes to guarantee public services for all citizens and to ensure an adequate level of representation;
- Altering the mentality of local elected officials, local administrators and, in general, the whole system of public administration to ensure more openness and transparency for the public;
- A clearer separation of duties and responsibilities between the central and local governments and raising the level of public awareness for them;

5 Improving the infrastructure of local government in order to ensure requisite preconditions for effective public participation in decision-making and to guarantee the implementation of regulations by the bodies of local government.

tent, some sections of public opinion opposed the initiative, believing that there was corruption involved at the municipality level.

Partnership in civil society, in particular with non-profit organizations, is somewhat more advanced. Local administrations are endeavouring to coordinate the activities of these organizations, to support the projects which they are implementing at the local level, and to benefit

from these projects which contribute to solving the various problems and to supporting the main functions of local government. In some cases, they are also making modest financial contributions themselves. The most typical examples of this type of partnership are projects in the field of social services, those promoting good will between the various ethnic or religious communities, those for child education and those for the modernization of local administration.

# ANNEX 1

## TECHNICAL NOTE ON METHODOLOGY FOR CALCULATION OF THE HUMAN DEVELOPMENT INDICATORS IN ALBANIA

The HDI has been calculated for the first time at the national level and at the district and prefecture levels. This note describes the basic approach and methodology used in the calculations - in accordance with the general methodology applied in the United Nations Global Human Development reports.

### 1. THE HUMAN DEVELOPMENT INDEX

The HDI is a summary measure of human development. It is a composite index which measures the average achievement in a country in three basic dimensions of human development, namely

- Life expectancy at birth (years) – as a measure of the longevity and the general health of the population;
- The Adult Literacy rate (%age 15 years and above) and combined with the primary, secondary and tertiary gross enrolment rate (%) – as a composite measure of the level of knowledge attainment;
- GDP per capita (PPP in US\$) as a measure of the average standard of living;

#### 1.1 Life Expectancy index

Life expectancy is defined as: Average number of years a baby born in the reference period could be expected to live under the condition that mortality follow the pattern observed in the reference period.

#### Methodology applied

Life expectancy is calculated using the standard methodology used for abridged life tables by 5-year age groups up to 85+ years and separate age interval for the age 0. The probabilities of death ( $Q_x$ ) are derived from age group mortality rates ( $M_x$ ) using the standard formulae:

$$Q_x = n * M_x / (1 + n * M_x),$$

where  $n$  is the width of the age interval.

All the other elements of the life table are calculated according to the standard relations between them and probabilities of death.

For calculating **life expectancy at the district level** and to avoid the sharp deviations due to the problems of small population size at the district level and poor data quality in Albania, the district life expectancies have been smoothed with their prefecture's value.

**The Life Expectancy Index** is calculated as an index falling between 0 and 1 using the international minimum (25 years) and maximum (85 years) values according to the the formula

$$\text{Life Expectancy Index} = \frac{(\text{LE}_{\text{value}} - \text{LE}_{\text{min}})}{(\text{LE}_{\text{max}} - \text{LE}_{\text{min}})}$$

Life tables were constructed for the period 2000-2001. This means that mortality rates were calculated with deaths for these 2 years and the denominator used was the population as of April 1<sup>st</sup>, 2001.

## Problems encountered

### Influence of migration on the Period (reference date)

The annual estimated population for Albania for a given year suffers from huge deviation from actual (reality) in relation to both size and structure of the population due to the effects of uncounted for emigration between 1989 and 2001. During this period annualized projections were used instead of real values.

### Problem of the small populations.

This refers to the small size of population in some districts which imposes restrictions on the calculation of life expectancy on an annual basis. Thus life tables should be calculated based on deaths for at least two years. As a denominator a kind of an average or mid-period population should be used.

### Undercounting of number of deaths.

Some facts point to the problem of undercounting of total deaths: For example, an examination of the total number of deaths back to the 1970s shows that a significant decrease has occurred in recent years as compared to the previous decades when the population was smaller in size and younger in age than now (also taking into account the fertility drop in the last decade). If we add the fact that some districts are missing from the earlier counts at all, a significant undercounting of deaths can be hypothesized which exerts a big influence on the mortality rates and finally leads to a hard-to-explain higher than expected life expectancy.

### Discrepancies in the Infant mortality rate.

A separate but very important problem concerns the Infant Mortality Rate (IMR). According to the officially published data it is relatively low in comparison to the average European rates. It is even lower than most of the Southeast European countries. At the same time, recent sample surveys among the population show that the real IMR is much higher (more than two times) than the registered one. For the years of study (2000 and 2001) official data estimate that the IMR is less than 13 per 1000 while the MICS <sup>1/</sup> revealed an IMR of 28 per thousand. The additional information about health care and living conditions gives more reason to expect a higher IMR than that registered.

### Comparisons of population census figures and the annual population estimations in 2000/2002.

Some conclusions can be made comparing data for the population at age "0" by district with birth records in 2000/2001. It is logical that both values should be close to each other with a tendency for the census figures to be a little less than the birth records (due to infant mortality). In fact, this is the case in most of the districts. The excess of the population census figure recorded in some districts is acceptable with the hypothesis of a small degree of migration in 2000/2001 or small methodological deviations on registering the residence in the census and in the vital registration. However, there are some cases where the differences are too big to be explained by this and they show some problems either in the census data.

### Missing district data on deaths

Besides the expected undercounting, there are some directly missing vital data with which to verify the 2000/2001 cen-

<sup>1</sup>MICS is the Multiple Indicator Cluster Survey Report. UNICEF. December 2000.

sus results and vice versa. For example, those of deaths for the district of Kukes in 2000, and for Kukes, Shkoder and Vlora in 2001. For Shkoder and Vlora the breakdown of births and deaths in 2000 was assumed to be the same for 2001; For Kukes, the total number of deaths for both years was estimated.

### Gender breakdown (2000)

There was no gender breakdown of deaths in 2000 in the registration of vital statistics. To restore it we used the pattern from 2001 where it existed and for Kukes it comprised the breakdown of Has and Tropoje. For Shkoder the pattern of Lezhe was applied.

### The sex distribution of births

also shows some registration problems. Even at national level the male/female ratio of registered births seems too high (52.8) and would suggest that more male babies are registered than females. This is the case again in Tropoje (56.4%). The opposite is also hard to explain. For example, in Kolonje, male births comprise only 45.7% of the total.

### Age distribution of deaths.

Too many cases of death of “unknown age” are recorded in 2000. In some cases, like Tirana, it influences significantly the age specific death rates. To avoid this problem and not to lose this number of deaths, it was broken down according to the share of the deaths in each age group based on the national data.

### Problem of small population size in some districts.

The size of the districts in Albania varies from 10,000 to almost 400,000. In order to check the reliability of the life expectancy estimations, calculations at regional level were done and the variation was analyzed. Then, at the district level, estimates of life expectancy were smoothed in two variants: (i) using the value at district level and correcting with the square

deviation of the district from the regional value, and (ii) correcting the regional value with the same deviation. The comparisons of the results from the point of view of the regional disparities showed more satisfactory levels of Life expectancy when smoothing the district value using the Prefecture Life Expectancy figure.

### Conclusion

In general, it is obvious that life expectancy values are grossly overestimated for the country and districts as well. However, if it is assumed that there is no systematic bias in the results (ie that districts with sizeable out-migration are the same as those with less out or in-migration) then the conclusions on the adjusted figures can be of value in studying the differences between the districts.

## 1.2 Educational attainment

### Definitions

#### The Net Enrollment Index

The Net Enrollment Rate (NER) *represents the percentage of persons aged 6-17 who attend a primary or secondary school as a proportion of the total number of population aged 6-17, i.e.*

$$\text{NER} = \frac{\text{Students}_{6-17}}{\text{Population}_{6-17}} \%$$

The NER is transformed into the **Net Enrollment Index (NEI)** similar to the Life Expectancy Index with minimal value 0% and maximum value 100%.

#### The Literacy Index

The Literacy Rate (LR) *represents the percentage of persons aged 15 and over able to read and write.*

Data for the calculation is taken from the Population Census' 2001. The transformation of the LR to the Literacy Index is done the same way as the NEI and the

same minimum and maximum values.

### The Educational Attainment Index (EAI)

is calculated according to the Global HDR recommendations as an average of the Net Enrollment Index and two times Literacy Index:

#### Problems encountered

As recommended in the Global Human Development Report, the better measurement of the education enrollment is the **net enrolment rate**. If there is good quality information it should be used instead of gross rate (the number of all students in an educational level to the population at the “normal” age bracket). It seems that the data for Albanian students fulfill this requirement.

It was also considered that for the regional comparisons it is not necessary, even the opposite, to include in the calculations the third level – higher education, because such education establishments are lacking in most of the regions. This will distort the picture because the universities combine students from different districts but data will be addressed to only those where there are universities.

At the national level, for comparisons reasons, **the gross enrolment rate** was calculated simultaneously with the net rate. Here, to be fully comparable with the values in the Global report, the third level students were included.

### 1.3. The Gross Domestic Product Index

#### Methodology applied

##### GDP in PPP

The value of GDP in local currency and US\$ comes from the Ministry of Finance. It has been transferred to GDP in PPP US\$ using the rate from the Global HDR ‘2002

#### Calculation of regional GDP.

Domestic GDP (in 2001) has been split into two components according to the latest INSTAT figures (“Albania in figures ‘2002”): (i) Agriculture sector based GDP (34.2%) and (ii) Non-Agriculture economic sectors GDP (65.8%). The GDP in the agriculture sector was then broken down using as a *regionalization factor* the share of the active population in agriculture taken from the population census. The regionalization factor for GDP from non-agricultural activities used the share of the region in the total sum of revenues from VAT and small business tax. The regional GDPs were adjusted with the respective CPI (consumer price index) based on figures for towns in 12 prefectures.

**The national and regional GDP indices** were calculated according to the methodology in the Global HDR ‘2002, i.e.

$$\text{GDP Index} = \frac{(\log(\text{GDP}_r) - \log(\text{GDP}_{min}^{int}))}{(\log(\text{GDP}_{max}^{int}) - \log(\text{GDP}_{min}^{int}))}$$

Where

**GDP<sub>r</sub>** is the adjusted GDP per capita in PPP (purchasing power parity) US\$ in a region

**GDP<sub>min</sub><sup>int</sup>** is the international minimum GDP which is considered to be \$100

**GDP<sub>max</sub><sup>int</sup>** is the international maximum GDP which is considered to be \$40000

#### Problems encountered

##### Poor data at national level

It was a big challenge to breakdown GDP into the regional level. Even the officially published GDP at national level is an estimation made with some assumptions.

##### Best fit of data to regional circumstances

A lot of tests and analyses were done in order to find the best fit to the available and reliable data for the economic activity in Albania. For the evaluation of the

adequacy of each approach many additional indicators were used such as: employment records, household budget data, electricity consumption, number of active companies and others.

### Use of household level data

Usually a good opportunity to derive regional variations in personal income is *household incomes/expenditures* from the Household Budget Survey (2000). Unfortunately, the sample of this survey is not designed to be representative at the district and even prefectures level and cannot provide reliable data in the necessary detail. In addition to this, the small populations cannot ensure data without big deviations.

An attempt to use the contribution of *employment* in the different branch activities to the national economy was made. For this purpose, data for the number of active population by economic branch and *average wage* in those branches were used to form a kind of a “National fund”. Later on, the share of each district/prefecture in this “fund” was taken as a distribution factor.

## 2..HUMAN POVERTY INDEX - HPI-1

The HPI-1 measures human deprivation in three dimensions:

- *decent standard of living*, as measured by an unweighted average of the percentages of population using improved water sources and underweight children under age 5 ( $P_1$ ).

- Data for “Access to improved water sources” comes from the Population Census’2001 (dwelling questionnaire). In comparison with similar data from other surveys (Living Standards Measurement Survey - LSMS), the Census provides a better approximation to the common definition for this indicator in the Global HDR.

- The “Percentage of underweight children

*under age 5”* comes from a UNICEF survey (MICS 2000). It refers to moderate underweight (minus 2 times standard deviation for the age)

- *A long and healthy life*, as measured by the probability at birth of not surviving age 40 ( $P_2$ ). The probability is taken from the life table, constructed for the HDI. It represents the share of those persons from the respective cohort (in the observation period) who are vulnerable to death before reaching 40.

- *Knowledge-exclusion* from the world of reading and communications, as measured by the adult illiteracy rate ( $P_3$ ). *Illiteracy* equals 100 minus Adult literacy rate taken from the population census’ 2001 and used for HDI calculation.

The HPI-1 is calculated according to the formula

$$HPI-1 = [1/3 (P_1^a + P_2^a + P_3^a)]^{1/a}$$

HPI-1 is designed to measure poverty mainly in developing countries. Obviously, it does not describe well enough the case in a country like Albania where most of the indicators do not adequately reflect the poverty situation.

A better measure could be HPI-2, which captures in addition social inclusion through the indicator for long-term unemployment, and improvements in the decent standard of living by the indicator for population below poverty line. Due to the lack of reliable data for adult functional literacy abilities this index is not calculated in this report.





## ANNEX 2

### STATISTICAL DATA

#### I. DEMOGRAPHY

Demographic background Table 1

	2001
<b>Population</b>	3,067,740
<b>% women</b>	50.1
<b>% men</b>	49.9
<b>% urban</b>	42.2
<b>% rural</b>	57.8
<b>% under 15</b>	29.3
<b>% 65 and over</b>	7.5
<b>Natural increase</b>	39500
<b>Dependency ratio</b>	1.7

Source: Population Census, April 2001 - INSTAT

Mortality indicators

Table 2.

Years	Life expectancy at birth	Life expectancy at 15 years	Infant mortality rate	Child mortality rate
	(e0)	(e15)	(0q1)*	(4q1)*
1950	51,6	53,9	143,1	105,3
1955	55,0	56,3	103,9	124,3
1960	62,0	58,6	96,6	58,6
1965	64,1	58,6	92,9	34,2
1969	66,5	60,1	89,1	22,2
1975	67,0	60,0	84,8	18,9
1979	68,0	60,1	74,1	17,4
1985	70,2	60,0	46,4	14,4
1990	70,7	60,6	45,4	15,5
1995	73,1	60,6	26,4	12,0
2000	74,6	62,4	22,8	9,1

\*Deaths for '000 persons

## II. LABOUR FORCE

### Economic activity by sex

Table 3

	1995	1996	1997	1998	1999	2000	2001
<b>Men</b>							
<i>Economically active as % of population aged 15 - 60</i>	916	931	928	945	957	971	892
<i>of which ( as % of economically active):</i>							
- employed	88.2	88.5	86.1	84.2	83.6	85	86.8
- unemployed	11.8	11.5	13.9	15.8	16.4	15	13.2
<b>Women</b>							
<i>Economically active as % of population aged 15 - 55</i>	904	919	933	943	954	968	869
<i>of which ( as % of economically active):</i>							
- employed	85	86.3	83.4	79.1	78.6	80.7	83.4
- unemployed	15	13.7	16.6	20.9	21.4	19.3	16.6
<b>Women's equality in employment</b>							
- female administrators and managers	4203		4029	3967	3810		3906
- female professional and technical workers	54880		51987	51029	47943		49302
- seats in parliament held by women ( % of all seats)	-	-	7	-	-	-	5.7

Source: INSTAT

## III. POVERTY

### Expenditure patterns according to main groups Urban

Table 4

Groups of expenditures	Structure (in %)		
	1993	1994	2000
Food, tobacco, beverages	72.1	68.9	57.8
Clothes, footwear	2.8	2.4	5.3
Rent, electricity, water, fuel	6	4.9	6.9
Equipment, furniture	7.6	10.5	6.3
Health care	0.9	0.9	2.6
Transport, communication	4.8	7.3	7.9
Education, entertainment	3.7	4.1	5.4
Personal care	0.4	1.0	2.3
Other	1.7	0.01	5.5
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Household budget surveys, INSTAT

Budgetary expenditure by main groups and by type of household, Urban (in %) Table 5

Expenditure groups	Single person	Couple without children	Couple with one child	Couple with 2 children	Couple with 3 & more children	Mono parental	Other household	Total
Food, tobacco, beverages	54.9	61.7	56.0	56.5	60.5	60.6	58.1	57.8
Clothes, footwear	5.1	3.6	4.9	5.3	5.5	5.5	5.8	5.3
Rent, electricity, water, fuel	13.3	10.9	7.2	6.7	5.6	6.3	6.5	6.9
Equipment, furniture	8.2	6.0	7.7	5.8	6.2	6.8	6.0	6.3
Health care	2.1	3.5	2.8	1.9	2.4	2.8	3.1	2.6
Transport, communication	2.9	5.4	8.7	9.3	6.3	4.9	7.8	7.9
Education, entertainment	1.0	2.0	3.0	3.4	2.6	2.2	2.8	2.9
Personal care	0.3	0.2	2.1	3.5	3.5	1.1	1.7	2.5
Other	12.3	6.7	7.6	7.5	7.3	9.7	8.2	7.8
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Poverty gap and poverty incidence by urban and rural Table 6

	Urban		Rural		Total	
	Extreme poor	Poor	Extreme poor	Poor	Extreme poor	Poor
<b>Relative poverty line</b>						
Incidence	9.7	17.2	20.1	36.8	16.2	29.6
Gap	2.7	6.4	7.3	14.5	5.6	11.5
<b>Absolute poverty line</b>						
Incidence	10.4	30.3	21.5	56.3	17.4	46.6
Gap	3	11.3	7.8	23.6	6	19

Source: Living Conditions Survey 1998, INSTAT

#### IV. GDP, INFLATION AND STATE BUDGET

Inflation, indebtedness and international assistance, aid and GDP per capita

Table 7

Years	Inflation, % change in consumer prices	Budget deficit % of GDP	Balance of payment deficit as % of GDP	Net official aid % of GDP	GDP per capita (in thousand leks)
1990	-	15.3	-	-	5.1
1995	7.8	8.6	-7.3	2.5	4.6
1996	12.7	12.3	-9.1	1.1	5.0
1997	42.07	12	-12.1	0.8	4.6
1998	20.6	-10.4	-6.1	1.4	4.9
1999	0.39	- 11,49	-7.2	1.2	5.2
2000	0	- 9,27	-7	6.5	5.6
2001	3.1	- 8,57	-	0.6	6.6

Source: Ministry of Finance

Public revenue and expenditure (at current prices) Table 8

Years	Public revenue		Public consumption expenditure	
	per capita (000/leks)	% of GDP	per capita (000/leks)	% of GDP
1990	2.50	49.00	3.30	65.00
1995	16.70	23.68	22.80	32.27
1996	16.10	18.83	26.70	31.17
1997	18.10	17.80	30.30	30.00
1998	27.90	20.30	42.20	30.80
1999	31.90	21.20	49.10	32.70
2000	35.50	22.40	50.20	31.60
2001	43.90	22.90	60.30	31.50

Source: Ministry of Finance

## V. LIVING CONDITIONS

Inhabited dwelling surface and number of persons (In %)

Table 9

Surface	Total		Rural		Urban	
	% dwellings	average number of persons	% dwellings	average number of persons	% dwellings	average number of persons
Less than 40 m <sup>2</sup>	20.2	4.1	24.3	4.2	14.4	3.8
40-69 m <sup>2</sup>	40.3	4.3	37.9	4.7	43.3	3.9
70-99 m <sup>2</sup>	28.8	4.6	28.3	4.9	29.8	4.2
100-130 m <sup>2</sup>	8.7	4.8	8.4	5.1	9.3	4.4
More than 130 m <sup>2</sup>	2.0	4.8	1.1	5.2	3.2	4.6

## Inhabited dwelling by facilities (In %)

Table 10

	Total	Rural	Urban
<b>Kitchen</b>	58.0	50.3	69.3
<b>Water supply</b>			
Inside the dwelling	46.9	15.5	86.2
Outside the dwelling	28.6	43.5	9.5
Well or water tank	12.9	21.1	2.6
Not supplied with water	11.7	19.9	1.6
Total	100.0	100.0	100.0
<b>Toilet facility</b>			
Toilet inside	55.1	28.1	87.6
One W.C.inside	52.6	26.7	83.6
Two or more w.c.'s inside	2.5	1.3	4.0
No toilet (no w.c. outside)	44.9	71.9	12.4
W.C.outside with piping	13.9	19.9	6.1
W.C.outside without piping	30.1	50.8	4.4
No W.C.	0.9	1.2	0.3
Total	100.0	100.0	100.0
<b>Principal heating</b>			
Central heating	1.0	0.0	2.0
Individual heating	95.1	95.5	94.7
No form of heating	3.9	4.5	3.3
Total	100.0	100.0	100.0

## VI. HEALTH AND EDUCATION

### Public revenue and expenditure (at current prices)

Table 11

	1995	1996	1997	1998	1999	2000	2001
<b>Public expenditure on health</b>							
- per capita (000/leks)			1.9	2.3	3.6	3.6	4.4
- % of GDP	2.4	2.2	1.8	1.7	2.3	2.2	2.3
- Number of Doctors	4244	4278	4304	4325	4325	4325	4325
- Number of Beds	10371	10319	10133	10237	10207	10162	10065
<b>Public expenditure on education</b>							
- per capita (000/leks)			3.4	4	4.8	4.8	5.9
- % of GDP	3.7	3.7	3.3	3	3.1	3.4	3.3
<b>Teachers</b>							
- primary and low secondary	31369	30926	30111	29428	29055	28293	27672
- upper secondary	6321	6118	5989	5897	5746	5760	5720
- university	1594	1594	1585	1780	1679	1683	1716
<b>Schools</b>							
- primary and low secondary	1797	1799	1803	1815	1828	1820	1789
- upper secondary	430	408	400	394	386	375	372
- university	11	11	11	11	11	11	11

Source: Ministry of Finance, Ministry of Health, Instat

