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Shkodra



**Capacity Building Through Research Partnership -
A case study on Decentralisation and Governance in Northern Albania**

Compilation of Research Papers

Blendi Gerdoçi and Dieter Zürcher (editors)

**Shkodra / Zurich
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The content of the papers is the responsibility of the authors and does not necessarily coincide with the opinions of the editors.

100 Leke = approximately 0.8 € or 1.1 US \$ (mid 2007)

Foreword

The following publication is testimony of a very productive and encouraging cooperation between the University of Shkodra (represented by the Faculty of Economics) and the NADEL/ETH of Switzerland (Master of Advanced Studies in Development and Cooperation). The joint research project has brought together lecturers and researchers from Albania and Switzerland and has enabled to jointly analyse, learn and exchange views and ideas.

The subjects of the study are various aspects of Decentralisation, its policy design as well as the outcomes of this reform process in Northern Albania. The economic, political and social transformation during the past 17 years has brought many problems and challenges to the Albanian society and especially to the peripheral areas such as the Region of Shkodra particularly. The accelerating globalization process has further exposed Albania to global trends and worldwide competition. Yet, people and organizations are responsible to adapt to these new circumstances in order to benefit from newly emerging opportunities. Therefore, people and organizations at the local have to change their behaviour and values. Parallel to this globalization of the economy many decisions relevant for the local context must be rooted in the local social and cultural context. For sustainable local development, local decisions matter as do central government policies, but it has become clear, that decisions taken at the local level offer better perspectives to cater for local needs in many areas of public services such as health, education, water and local roads. Albania is now in an important and impressive process of decentralizing many of its public service functions closer to the local people on the basis of the subsidiarity principle.

The academia plays an important role in analysing this process and the outcomes of the decentralization policies in order to shape more effective strategies for the future. In this context the research partnership was an ideal platform to expose our lecturers to new and relevant topics through this applied research. It is a promising start and certainly more research and analysis has to be done. It has been realized that our University can make beneficial contributions to the debate on decentralisation and the various issues that are related to the successful implementation of this important policy.



Prof. Dr. Mahir Hoti
Rector, University of Shkodra “Luigj Gurakuqi”

Introduction

The publication of this brochure presents the findings of the research efforts of a group of lecturers of the Faculty of Economics of the University of Shkodra in cooperation with NADEL/ETH. All papers explore the effects of the decentralisation process in Albania, which has gained substantial momentum after 1999, when a series of new legislations was launched giving evidence to an emerging political will to effectively decentralise power to local government authorities. The papers focus on decentralisation and local government issues, such as policy outcomes, transparency, the role of civil society and the progress in good governance at the local level through decentralisation.

This research has been realized in the frame of an institutional partnership between NADEL/ETH and the University of Shkodra. The project was financed by the Swiss National Science Foundation under the SCOPES programme (2005-2008) and had a duration of 2 years. It included the strengthening of infrastructure (internet access), capacity building for applied research, implementation of applied research and participation in conferences.

The project would not have materialised without the generous support of many representatives from Local Government Units, Municipalities and Communes of Shkodra Region, and the people of Shkodra Region.

The project has been of particular significance for the University since it provided material and academic support during a period of difficulties. These ranges from an ever increasing volume of students (around 6'000 at present) to a lack of teaching facilities at the Campus to frequent power cuts. The project allowed many lecturers to better understand the views about the decentralization process in Albania and enabled them to consider experiences from abroad and particularly explore the Swiss experience in this field through the cooperation with the International Research and Consulting Centre (IRCC) of the University of Fribourg. In this context, Prof. Lidija Basta Fleiner and Sarah Byrne of the IRCC provided a lecture in Shkodra University.

The collaboration with the local institutions was very productive because of their direct involvement in the Advisory Board created for this project in order to give a support to the lecturers participating in this project. The representatives of the Municipality of Shkodra were very much interested to actively participate in this project because of the great problems and challenges which the Local Government Units are facing presently. The Development Office of the Municipality of Shkodra and the deputy Major were very supportive to the project and offered their collaboration in defining problems, discussing different approaches and support in data collection. The same holds true for the representatives of the Commune of Bushat.

A more technical support was provided by the USAID regional officer, Mr. Fatlum Nurja who contributed manifold to the formulation of the papers and their critical review. As member of the board his contribution was crucial for the progress of most of the proposals. The role of the Chamber of Commerce and Industry was important especially at the beginning of the project when we needed to create a network of contacts with different stakeholders. Although the role of institution was less evident in the further steps of the project we could strongly rely in the support of Mr. Arben Haveri, secretary of the Chamber of Commerce of Shkodra.

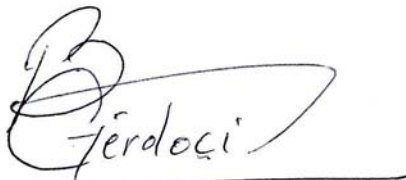
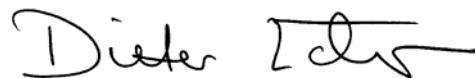
The collaboration with the Swiss Agency for Development and Cooperation (SDC) started from the very beginning of their new decentralisation project in Shkodra in 2006, implemented by the Swiss Foundation Intercooperation on behalf of SDC. After various contacts at the beginning between Intercooperation and the Faculty of Economics, the sporadic collaboration extended within an institutional framework. There is an interest by SDC to encourage capacity building of local public administration by collaborating with this Faculty, which now has a 2 years experience in this field and furthermore offers a postgraduate course in public administration.

Two conferences, one at NADEL/ETH (Zurich) and one in Shkodra in spring 2007 had the title “Does decentralization support good governance?” It was the purpose of the work done by the lecturers to open a debate on the conditions under which the process of decentralization can be effective and productive in order to improve the quality of service provided by LGU and the quality of life of the citizens in general.

We would like to thank and address our appreciation to Prof. Dr. Mahir Hoti, Rector of the University of Shkodra, one of the initiators of the project, Prof. Dr. Sadije Bushati, dean of the Faculty of Economics and head of the Advisory Board, Mrs. Voltana Ademi, former deputy major of the Municipality of Shkodra, Mr. Ritvan Sokoli, head of the Development Office (Municipality of Shkodra) and many others that supported us during the different phases of the project. Special thanks also go to Mr. Artan Hoxha (Institute for Contemporary Studies, Tirana), who contributed to the debate and this publication.

Blendi Gerdoçi
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Dieter Zürcher
Scientific collaborator
NADEL / ETH

Handwritten signature of Blendi Gerdoçi in black ink, featuring a large, stylized initial 'B' followed by the name 'Gerdoçi' in a cursive script.Handwritten signature of Dieter Zürcher in black ink, written in a cursive script.

Shkodra University and NADEL/ETH
Decentralisation Research Project 2006/2007

Does decentralisation support good governance?

Decentralisation in Albania: A top down perspective

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September 2007

1. Key concepts

Decentralization reform after 1999 belongs to that group of reform in Albania that is progressing relatively well compared to other reforms. Local Government Authorities (LGAs) enjoy constitutional rights of self-governance. The law on Organization and Functioning of LGAs defines a large range of own (exclusive), shared (joint) and delegated functions; sources of financing; and checks and balances between the elected bodies (council and mayor).

While in Albania often policies and laws fail to be implemented, in the case of decentralisation, during 2000-2006 a de facto process of devolution of functions and authorities has also taken place; an expansion of local fiscal authority, together with an increase in total funding available to LGs. Although the reform has faced some fluctuations, it has generally progressed steadily and there is room to believe that it will continue.

Although there is a principle of *natural right* of local communities to be self-governed, it would be insufficient that this principle by itself would be the driving force for the reform. Decentralization reform and local autonomy, based on the principle of *subsidiarity*, incorporate a rational expectation that the reform will lead to strengthening of *the democracy* and *rule of law* and will improve the *quantity* and *quality* of public services that better respond to *local needs*; or simply saying will contribute to achieve increasing standards of good governance.

This paper is an effort to present an analysis and provide arguments on whether this rationale of decentralisation reform is really proving itself in the Albanian case, the factors that are henceforth determining to the *positive outcomes*, as well as if this *positive trend* has chances to continue¹.

In order to analyze the impact of the progress of decentralisation reform on good governance, the latter will be disaggregated in some key variables (qualities) such as *efficiency* and *effectiveness* as well as *transparency*, *honesty*, *responsiveness*, *accountability* and *citizen participation*.

2. General View on Local Governance in Albania and Progress of Decentralization Reform

Albania has a two-tier system of local government independent of each other. The self-government consists in municipalities/communes (M/C) as the first tier and regions (R) as the second one. There are actually 12 Regions, 65 Municipalities and 308 Communes in Albania. The M/C are the basic units of local government, whilst the region is the second level, and consists of several M/C with traditional, economic and social ties and common interests.

The elected bodies of municipalities and communes - the council and the mayor - are elected every 4 years². The council of M/C is elected based on a proportional system, while the mayor is elected based on a majority system. The council of the region is composed by mayors of each M/C of that region and from councillors of each M/C in a proportional number to the respective

¹ It ought to be considered that such analyses is hard to be done in the Albanian case as we own a very limited set of empirical studies related to the trends of output and outcome of Local Governance due to progress of decentralization reform.

² The mandate of 4 years is very recent based on a constitutional amendment adopted in January 2007. Previously the mandate was three year.

size of population. The council of the M/C has normative powers; whereas the mayors have the majority of executive powers.

Although with a different name³, M/C are identical by the point of view of types of functions they perform and authority they exercise. The law on “Organisation and Functioning of the Local Governments” (Law # 8652/2000) defines: i) a list of owned functions (local roads, water supply, urban planning, garbage collection, parks, public lighting, local economic development, etc.); ii) a list of shared (or joint) functions of M/C with Central Government (pre-university education, primary health care, environment, social care); and iii) two types of delegated functions: mandatory (based on a specific law) and non-mandatory based on a mutual agreement between a M/C and a central government agency. M/C enjoy fiscal autonomy that consist of several local taxes defined by the law on local taxes such as tax on immovable property, tax on small business profit, tax on impact on infrastructure of new construction, tax on hotel, etc. The law defines an indicative tax rate while M/C may adopt a tax rate with a certain margin of discretion⁴. M/C can freely adopt fees for services they deliver without any limitation.

Municipalities and Communes are largely different by the point of view of size; and socio-economic conditions in which they operate. The capital Tirana, counts around 600,000 inhabitants and has a promising local economy with a high fiscal potential compared even to other big municipalities⁵. Almost 2/3 of all communes have 1-5,000 inhabitants while the average size in Albania is close to 10,000 inhabitants. M/C in the Western and coastal area operate in much better economic conditions while those in the Eastern part of the country (which is mostly mountain area) suffer from under-development and wide spread poverty. The transfers from the state budget tend to equalize with a certain success the fiscal disparities among the M/C on a per capita base. However, the fiscal potential of smaller towns and remote areas remains low, and intergovernmental fiscal transfers account for the overwhelming majority of their budget.

³ Municipality is called the local unit of an urban area (city) while Commune means the unit that includes several villages in the rural area.

⁴ The most typical margin is +/- 30% around the indicative tax rate.

⁵ Based on Personal Income Tax (PIT) in per capita bases it Tirana PIT is 6 times higher compared to Durres, 12 times higher compared to Shkodra and 32 times higher compared to Bulqiza. Variation in per capita collections of Small Business Tax revenues is narrower but still significant. The immovable property tax potential also presents large regional disparities, with the capital and major cities take up the majority of collections.

	1998	1999	2000	2001	2002	2003	2004	2005
GDP (Million lek)	412,326	474,291	530,906	610,426	677,684	744,974	835,448	836,833
	1998	1999	2000	2001	2002	2003	2004	2005
Total Local Government Revenues (Thousan	15,454,238	22,059,356	20,048,358	25,464,738	26,680,899	30,716,760	36,491,428	37,815,438
Locally Generated Revenues Total	651,820	1,109,939	1,610,905	2,341,110	2,979,304	8,414,610	10,056,648	11,380,657
Of which								
Own Local Revenues, of which	227,313	926,184	1,390,983	1,995,837	2,597,048	6,265,801	6,687,454	8,066,052
Taxes	-	83,365	81,062	121,132	116,622	3,929,940	3,941,580	4,640,356
Fees	119,217	742,757	1,170,194	1,763,279	2,275,724	2,145,177	2,547,526	2,669,770
Non-tax Revenues	108,095	100,062	139,726	111,427	204,703	190,684	198,348	755,927
Shared Taxes	424,508	183,755	219,922	345,272	382,255	2,148,808	3,369,194	3,314,605
Revenues from National Sources Total	14,802,418	20,949,417	18,437,453	23,123,628	23,701,595	22,302,150	26,434,781	26,434,781
Of which								
General transfers	-	-	-	5,658,853	9,276,082	6,554,081	6,611,177	7,300,000
Earmarked Conditional Transfers	14,802,418	20,949,417	18,437,453	17,464,775	14,425,514	15,748,069	19,823,604	18,903,510
Unfunded mandates	250,238	893,501	749,188	2,178,981	1,680,827	1,772,069	1,609,473	1,520,318
	1998	1999	2000	2001	2002	2003	2004	2005
<i>% of total</i>								
Own taxes and fees (rates set by LG), of whic	0.8%	3.7%	6.2%	7.4%	9.0%	19.8%	17.8%	19.3%
Taxes a/	0.0%	0.4%	0.4%	0.5%	0.4%	12.8%	10.8%	12.3%
User charges and fees	0.8%	3.4%	5.8%	6.9%	8.5%	7.0%	7.0%	7.1%
Local Non-tax Revenues	0.7%	0.5%	0.7%	0.4%	0.8%	0.6%	0.5%	2.0%
Shared taxes b/	2.7%	0.8%	1.1%	1.4%	1.4%	7.0%	9.2%	8.8%
General purpose grants	0.0%	0.0%	0.0%	22.2%	34.8%	21.3%	18.1%	19.3%
Subtotal Local Discretionary Revenues	4.2%	5.0%	8.0%	31.4%	45.9%	48.7%	45.7%	49.4%
Subtotal Unfunded Mandates c/	1.6%	4.1%	3.7%	8.6%	6.3%	5.8%	4.4%	4.0%
Net Local Discretionary Revenues	2.6%	1.0%	4.3%	22.9%	39.6%	43.0%	41.3%	45.4%

Notes:
a/ Includes the Local Small Business Tax and all taxes listed in the Law on the Local Tax System, except those in Note b/.
b/ Includes the Simplified Profit Tax and two taxes from the Law on Local Tax System on vehicle registration and immovable property transfer.
c/ Includes expenditures paid with local discretionary revenues for functions mandated or delegated by the central government.

Table 1: *Local government revenues 1998 – 2005 (Source: Urban Institute, Ministry of Finance)*

Through the decentralisation reform, most of own functions are practically administered now by M/C, except for water supply, which is still an on-going reform agenda. The devolution of functions was supported by a fiscal decentralisation reform. In 2000, M/C altogether were enjoying only 4.3% of fiscal autonomy, while in 2005, the fiscal autonomy index accounted for 45%⁶. Fiscal revenues have increased even in absolute terms from 15 billion Leke in 1998, to almost 38 billion in 2005 (approximately US \$ 38 million) showing a higher growth compared to state budget revenues. (see Figure 1).

Regions have a coordinative role regarding the design of regional development strategies and their implementation. There are on-going debates regarding the role of the region in the country, and a slight reform may be expected to occur. For this reasons, this paper will not focus on the mandate and assignments of the regions, or their performance.

⁶ The fiscal autonomy is evaluated through the “net discretionary revenue” index which means the percentage of total revenues of all types of sources over which M/C have full discretionary authority of spending. However, while Tirana, and big-and mid-sized cities, or areas with intense economic activity have an index of fiscal autonomy of over 60 or 70%; many other small communes and towns are way below the national average.

3. Is decentralization working for good governance?

It is hard to provide an unquestionable evaluation of the performance of local governance and its link with the progress of decentralisation reform due to poor database and very few surveys carried out during the period 2001-2006. The following part of this paper is going to explore two key questions based on available data and a number of case studies.

1. Is decentralisation improving the effectiveness and efficiency of local governance?

This part of the paper provides some data and analysis on revenues and expenditures of local governments, through which we will try to feed the hypothesis that the efficiency and effectiveness of local governance has increased.

As explained above, the local fiscal package adopted in 2003 was a milestone for the local fiscal autonomy. Before 2003, local governments had limited tax powers, and were operating at tax rates set before 1996, which did not represent the high rate of economic growth and inflation that had occurred. The law on “Local Taxes and Fees” (2003) defined a list of local taxes with indicative tax rates. Such indicative rates were not only much higher than before, but local governments started to enjoy the authority to adopt individual tax rates within a larger margin of discretion (from +/-20% before 2003, to +/- 30% after 2003). In addition, some previous taxes were redefined as fees, and the law granted local governments with full autonomy in setting the level of all service fees.

	1998	1999	2000	2001	2002		2003	2004	2005
Locally Generated Revenues Total	100%	170%	247%	359%	457%		100%	120%	135%
<i>Of which</i>									
Own Local Revenues, of which	100%	407%	612%	878%	1143%		100%	107%	129%
Taxes	-	100%	97%	145%	140%		100%	100.3%	118%
Fees	100%	623%	982%	1479%	1909%		100%	119%	124%
Non-tax Revenues	100%	93%	129%	103%	189%		100%	104%	396%

Table 2: Cumulative increase in locally generated revenues, 1998 - 2005

Table 2 shows the cumulative increase in local own revenues, with two baseline years – 1998 and 2003 respectively, in order to account for the change in the local fiscal regime. During 1998 – 2002, despite limited fiscal authority, the cumulative growth of own local revenues was spectacular, coinciding with a period of an emerging local autonomy. 2001 was also the first year of implementation of the law on “Organisation and Functioning of the Local Governments”. From 2003 onwards there is still an impressive increase of revenues, both from taxes and fees. As far as local taxes are concerned, the increase can be explained because of improvement in local administration. Regarding fees for services, the increase is a combination of improved administration and an increase of rates. These fiscal results indicate a more effective use of fiscal autonomy by local governments.

The case of Elbasan Municipality, as shown in Table 3, is a demonstration of an improvement of fiscal administration with a strong increase in revenue collections from both local taxes and fees. This happened while a policy of reduction in tax rates by 10% each year from 2002 was followed, combined with a moderate increase of fee levels.

	2002	2003	2004	2005	2006
Local taxes (000 lek)	24,947	81,795	89,994	110,826	86,393
Property tax	13,977	19,261	21,489	36,777	35,409
Small Business Tax	0	35,407	39,574	38,955	26,229
Infrastructure impact tax	9,452	26,971	28,751	34,913	24,552
Local fees (000 lek)	89,659	90,255	99,525	111,924	129,898
Cleaning fee	26,371	21,953	37,594	33,607	50,960
Public space occupation	6,694	7,378	15,215	14,357	11,950
Avertising fee	2,279	2,462	3,568	3,855	5,156
Public lighting fee	-	-	-	-	2,715
Local taxes (% 2003)	30%	100%	110%	135%	106%
Property tax	73%	100%	112%	191%	184%
Small Business Tax	0%	100%	112%	110%	74%
Infrastructure impact tax	35%	100%	107%	129%	91%
Local fees (% 2003)	99%	100%	110%	124%	144%
Cleaning fee	120%	100%	171%	153%	232%
Public space occupation	91%	100%	206%	195%	162%
Avertising fee	93%	100%	145%	157%	209%
Public lighting fee	-	-	-	-	100%

Table 3: *Elbasan Municipality's fiscal performance due to improved fiscal administration*

Many municipalities and several communes have decided to increase the local fees. One typical case is the solid waste management. Based on a 1998 law on the "Tax system", the solid waste tax on households was nationally uniform and very low⁷. From 2003, when this tax was defined as a fee, the rate of increase is galloping for both businesses and families. Many municipalities have increased the fee aiming to cover the costs of the service, which on the other side seems improving in terms of quantity and quality. For example, the Municipality of Tirana has adopted an annual fee of 2,100 Leke (approximately US \$ 20) per household for 2007. Other municipalities are following a similar trend of increase. Many municipalities are using contemporary methods of cost calculation and budgeting for this service. The level of fee is much closer or has exceeded the operational costs of the services and several municipalities plan to continue this trend aiming to cover also the long term investment costs and depreciation. Similar trends are also verified in other types of local services. While again this data do not offer a direct indicator of efficiency the increase of cost recovery rate feeds the hypothesis of an improvement in efficiency.

Another legitimate question would be whether more autonomy and more funding for M/C are transformed into more outputs and at the same time with an increase of effectiveness and efficiency. Albania lacks a coherent system of classification and evaluation of M/C outputs. It is practically impossible to carry on quantitative analyses. For example, it is hard to calculate how many kilometres of roads were build because road types differ from one M/C to the other. In other types of services the exercise becomes even more difficult.

Nevertheless an indirect judgment can be done based on the index of increase of *capital expenditures*. The rate of increase of capital expenditures resulted to be much higher compared to administrative expenditures exceeding the level of 30% of the overall budget of M/C by the end of 2005 compared to less than 15% in 1998 (see Figure 4). Although this index is not a direct indicator for efficiency it feeds the hypothesis that fiscal autonomy was used to expand

⁷ The rate was defined in 1998 at 300 Leke per household per year with a discretionary margin of +/- 20% by M/C and was not changed till 2003.

expenditures for investment rather than for increase of salaries or other non-productive expenditures. On the other hand, the central government rate of investment compared with the total state budget does not exceed the level of 16-18%. If we compared the aggregate planned capital expenditures of all M/C at the begin of the fiscal year with the de facto expenditures at the end of the year, it would result that the rate of implementation is systematically close or even higher than 100% for local governments. On the other hand, the central government has demonstrated a systematic weakness of implementation of de facto capital expenditures compared to those planned. In other words, M/C seem being more effective organizations with investments.

	1998	2000	2003	2005
Total Local Government Revenues (Thousand lek)	15,454,238	20,048,358	30,716,760	37,815,438
Capital Expenditures (Thousand lek)	2,319,346	4,567,293	7,217,498	12,362,935
Share of Capital Exp. in Total Budget	15%	22.8%	23.5%	33%

Table 4: Increase of capital expenditures, aggregate all M/C

Currently local governments are not allowed to borrow from the credit and capital markets. The positive trends in local government finance and management have set in motion the process of preparation of a specific legislation that will enable local government borrowing in future. According to the fiscal data for 2005, the national aggregate operational surplus of all local governments amounted to 33%, with small differences between small and large local units.⁸ The government of Albania is currently reviewing the draft law on local borrowing, which regulates the rules and conditions upon which local governments will be allowed to borrow.

These trends are not casual. According to various donors' project reports there is a great number of M/C that have benefited from training and Technical Assistance in budgeting and service management and have tangibly improved the skills and experience of their staff. According to USAID/LGDA (2007), 24 targeted municipalities have learned to apply useful methods of planning⁹ which include prioritisation, adoption of targets of quantity and/or quality of a set of outputs, costing and budgeting. The planning is also strongly based on assessing the citizens' opinions in the identification of priorities as well as the level of satisfaction of citizens with the given service before and after the intervention. While at the beginning the selected municipalities were exercising Service Improvement Action Plans for one single service, recently several municipalities are using this method simultaneously for several municipal services. Again, it is hard to pretend that such data and cases can prove the increase of effectiveness and efficiency of local governance but, nevertheless, they can strongly feed the hypothesis.

The Table 5 is an example from the municipality of Erseka, a small town in the south-eastern part of the country. In consultation with the community, the municipality identified the maintenance and investment in roads as one of the top priorities. The city staff adopted an action plan with clear targets, measuring results not only through quantitative measures of input and

⁸ Operational surplus (deficit) calculated as the difference between total discretionary recurrent revenues with total discretionary operational expenditures.

⁹ USAID/LGDA has disseminated the methodology called SIAP (Service Improvement Action Plan)

output, but more importantly based on citizen satisfaction indicators. The results of Erseka speak by themselves for an improvement in efficiency and effectiveness in the services it provides.

	Actual 2005	Target 2006	Actual 2006	Difference (06-05)	Target 2007
INPUT (budgeted expenditures in Leke)	32,310,000	13,168,000	13,078,000	-19,232,000	11,435,180
A. Expenditures on road maintenance	2,610,000	1,530,000	1,470,000	- 1,140,000	1,960,000
B. Investment in roads	29,700,000	11,638,000	11,608,000	- 18,092,000	9,475,180
OUTPUT					
-KM of maintained paved roads	4.641	5.311	5.271	+ 630	5.876
- Kilometres of asphalted roads in total	6.019	6.459	6.419	+ 0.4	7.024
- Kilometres of neighbourhood (secondary) paved roads	2.020	2.460	2.420	+0. 4	2.460
OUTCOME					
% of citizens, who are satisfied with primary roads	78 %	84 %	78,5 %	+ 0,5 %	82 %
% of citizens satisfied with secondary roads	25 %	30,4 %	30 %	+ 5 %	37,4 %

Table 5: *Illustration of inputs, outputs and outcome of road construction in the Municipality of Erseka*

Similar examples are encountered in many other municipalities across the country. According to the USAID/IDRA survey (2007), perceptions of citizens of Albanian municipalities on the quality of local services have improved as shown in Figure 1.

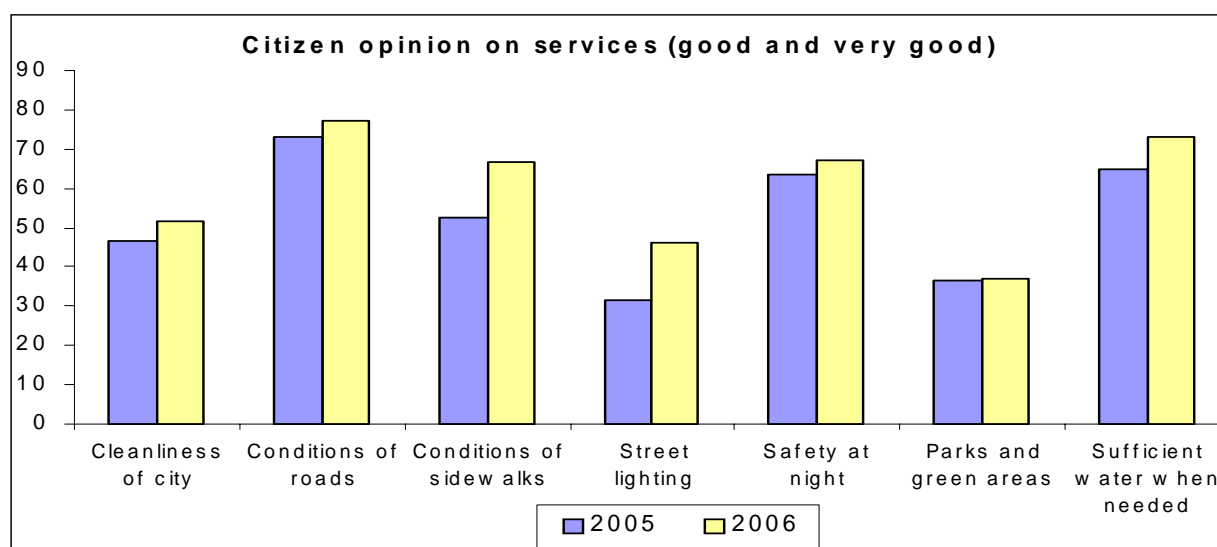


Figure 1: *Measuring local services – 2007 USAID national survey of urban population*

2. *Is decentralisation improving responsiveness, transparency, honesty and accountability at the local level?*

Assessing these qualities of governance at the local level is important in order to understand whether the decentralisation reform is contributing to good governance. Responsiveness, transparency and accountability may also be considered as highly subjective variables that do not always coincide with actual performance. In addition, perceptions change at a slower pace than performance does and are largely affected by other external factors. Tracking these qualities of governance requires systematic and coherent surveying mechanisms over time.

During the recent years a few surveys have been carried out by different donor programmes, targeting local governance exclusively or as part of general administration performance. Based on these surveys it is evident that there are good reasons to believe that a trend of improvement of these qualities of governance is appearing.

According to UNDP surveys for the Early Warning report 2001-2004, local governments are evaluated among the most trusted public agencies being at the higher level together with religious organizations and NGOs, leaving behind central government agencies, prosecutor and judiciary.

According to USAID corruption survey 2006, carried out in thirteen targeted municipalities, a slight improvement of the perception of honesty was noted for mayors compared to the 2005 survey. Reductions in the incidence of corruption cases were more visible, with far less reported cases. In 2005, 12.5 % of the respondents confirmed that they had personally been asked to pay a bribe to an official, whereas in 2006 only 8.5% responded positively to this question. The trend is similar for the urban and the rural sub-sample.

The other USAID national survey on municipal governance in 2005 has established a set of baseline indicators related to quality of governance based on citizens' perceptions. The key indicators related to accountability and responsiveness and their change compared to the baseline are assessed by the 2007 survey in a nationally representative sample of urban population carried out by USAID, as shown in Figure 7.

Accountability and responsiveness (% of sample)	2005	2007
My LG interested in what I think	35	45
Budget decisions reflect citizen priorities	33	41
I receive good values for local taxes and fees	32	39
My LG applies taxes and fees fairly to all	33	44
My LG accomplishes what it says it will do	31	40
My LG solves local problems	51	55
LG manages funds well	42	54
My LG honor laws	52	61
Corruption is widespread	70	64
I know someone who paid a bribe	23	14

Table 6: Accountability and responsiveness in USAID national survey of urban population 2005 - 2007

The results of the survey indicate a good improvement of governance at the local level. It seems that the rule of law is strengthened, local governments are increasingly responding to local needs and citizen priorities, and perception of corruption is reducing.

This conclusion is also supported by an improvement in transparency and participation, as shown by the Figure 2 below.

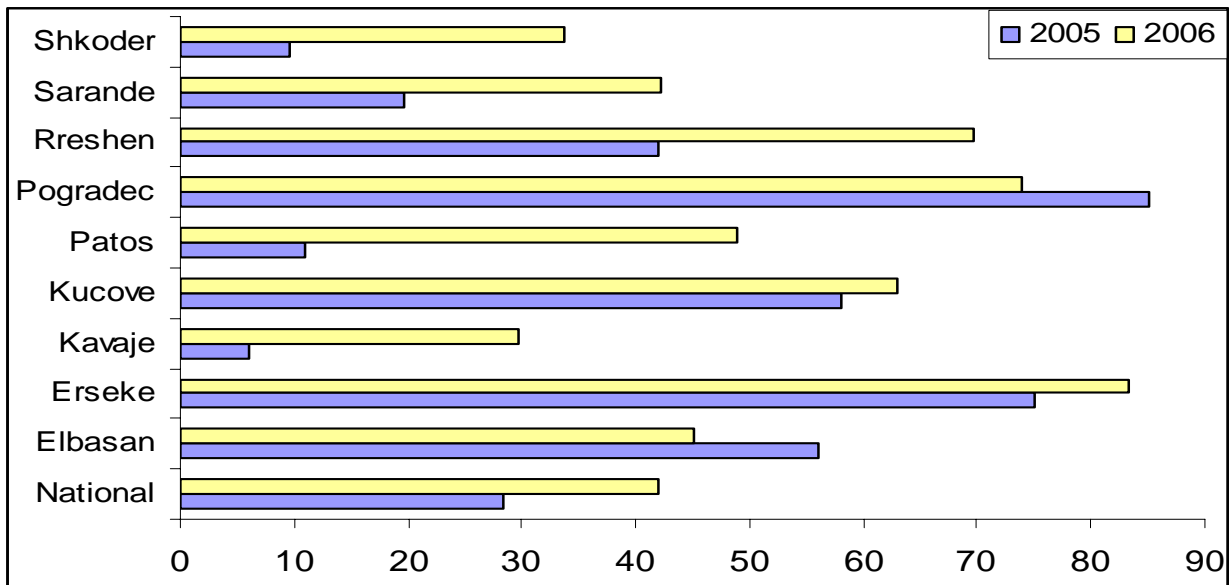


Figure 2: *The city inform citizens well of its activities – well and very well answers in % (USAID survey on local governance in 13 target municipalities 2006)*

These positive developments of local governance are not accidental. Municipalities are adopting long-term action plans, are better informing and involving local communities in decision-making, are raising more local funding through taxes and fees, while citizens are changing attitude, and as taxpayers are demanding good governance from their municipalities (See Figure 3).

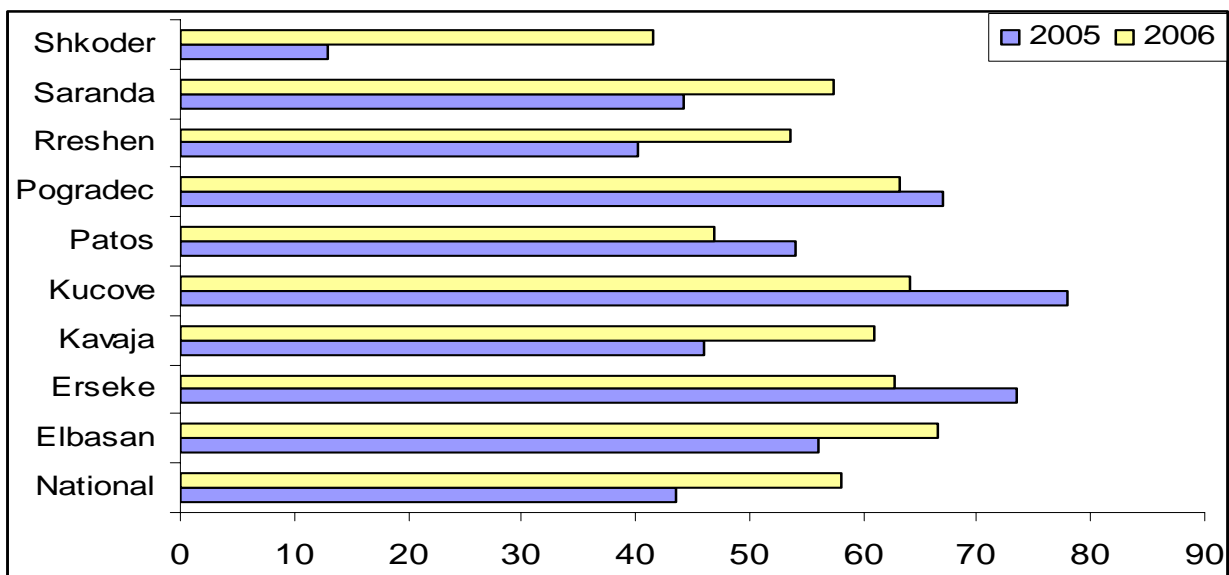


Figure 3: *My municipality has a long-term strategy for the future – agree and strongly agree answers (USAID survey on local governance in 13 target municipalities 2006)*

4. Conclusions and remarks

Although it is a short period to draw some firm conclusions, objective monitoring and evaluation studies carried out till now support the hypothesis that decentralization is contributing to improvement of the local governance in Albania. Public trust in municipalities and communes (M/C) is strengthening.

Good governance due to decentralisation is not encountered only in big and/or rich M/C. Size and resources are important, but conclusions on good governance need to avoid the distortion effect of these variables. Objective evaluation must discount such effects. In practice, good governance is present in both big and small local governments. The contrary is also true.

Public demand and expectations for further improvement are also increasing and spreading around the country. Civil society is becoming more vibrant. Decentralisation and local autonomy is an opportunity for citizens, local communities, civil society and local government units to achieve higher standards of governance.

Not every kind of decentralisation works well. We may have a good or a bad decentralisation. A good one is based on a well thought and rational policy choice on what to decentralize, how to decentralise and with what resources to support the change. Devolution of public service towards LGAs must be supported by appropriate modification of intergovernmental relations, allocation of competences and transferring of funding and/or fiscal authority. Decentralisation does not mean a modification only of M/C but also a transformation of the central government structure and style of governance as well. A good decentralisation is possible only based on an open and participatory policy and law preparation, discussion and adoption. A permanent and constructive dialogue remains indispensable as it was crucial for the success of the reform so far. A decentralisation process that is not based on the above key principles risks producing negative impacts.

Decentralisation will not resolve all problems that governance and citizens are facing. Low economic development, poverty, bad infrastructure, regional disparities, and weak rule of law need a similar success of many other government reforms.

As decentralisation progress and local autonomy strengthens, this does not mean that all LGAs will progress simultaneously and with the same rate and pace. Some M/C will progress faster, some will follow at a moderate pace, and some will progress slowly. What is important to consider is the fact that, sooner or later, other conditions the same, all will move forward.

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Merging communes-an important issue of the decentralisation process

Final Report



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Cover photo: 13 Dhjetori Street, Shkodra

1. Abstract

This project analyzes the process of merging local government units (communes/ municipalities) as one of the important elements of the Albanian decentralisation process. For the purposes of this project an analysis of Shkodra region and the commune of Bushat has been carried out, as the first experience of local government merging process in Albania.

The case study and the results are based on data gathered in Bushat, on interviews and on a survey with questionnaires carried out in Bushat. The last has been established in 2003 from the merging of the former communes of Bushat and Barbullush.

The process of decentralisation in Albania has started in 2000. It aims at the increase of local government units' possibilities to rely on their own incomes and to decrease their dependence on governmental grants. The process has been accompanied by a growth of interest in local government reforms, with a focus in restructuring and reorganization. The territorial reform is seen as a very important element of this process.

The strengthening of local government, and the merging based on free will - including inter-municipal/communal agreements or the establishment of service boards for improving the general efficiency of the local sector - may serve as a starting point for a successful territorial reform. The implementation of strengthening or merging, in the framework of increasing efficiency and decentralisation, demands concrete measures to foster this process.

The paper shows that Bushat may serve as a good example to future attempts to strengthen local government. It shows that large communes may be more efficient and viable with regard to the way how funds are spent and to the ability of local government to generate its own incomes (which are very important for the transfer of functions). Apart from this, analyzing Shkodra communes indicates a clear need for territorial reform, which has to be carefully examined in a case by case way.

2. Theoretical Background

2.1 Theoretical Arguments on Strengthening of Local Government

The size of the contemporary Local Government Unit is increasingly attracting attention. What size is appropriate for the commune to be more efficient and to use its sources in an adequate way? Should the local unit be large or small? The reality shows that the size of the local government changes in different countries. On the one side there are UK, Nordic Countries and the Netherlands which have relatively large municipalities. On the other is France, divided in approximately 40,000 very small local government units.

Page and Goldsmith (1987), suggest that the structure of territorial organization may determine the characteristics of the local government system, for example, the distribution of functions and the relationships with the local government.

Keating (1985) shows that discussions on the optimal size of local government generally focuses on four directions:

- Economical efficiency: how does the size of the LGU affect the possibility of having more services at lower costs?
- Democracy: which of the structures may ensure better control of governance by citizens?

- Distribution: which of the structures may produce better distribution of services and fiscal load?
- Development: which of the structures is better equipped to promote economic growth?

In the assessment of efficient, effective and adequate performance of local government we must keep in mind the strong relationship between objectives, results and resources:

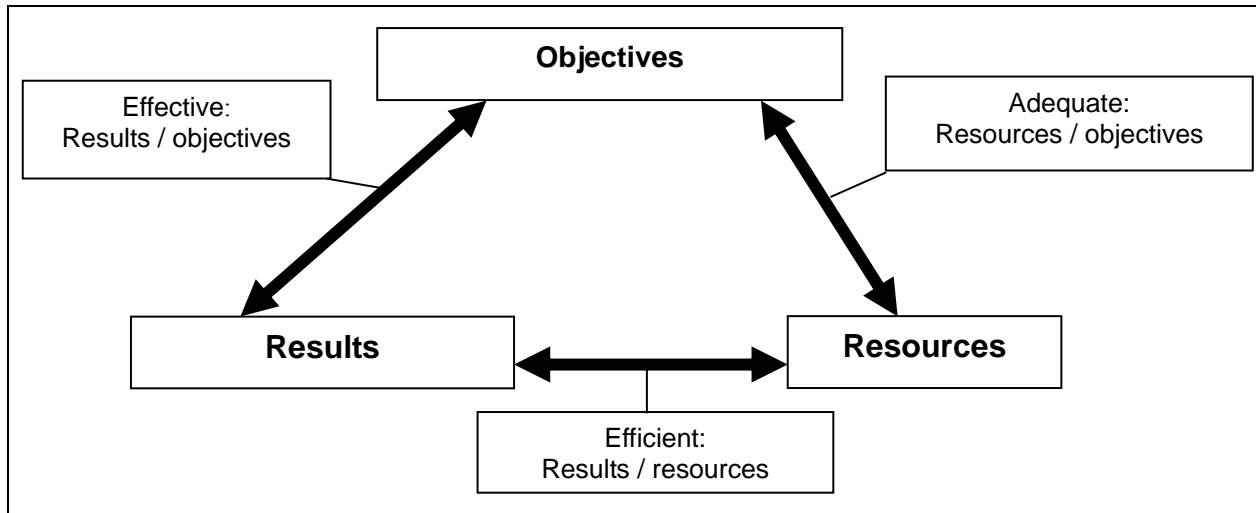


Figure 1: The relation between objectives, results and resources

Arguments in favor

The supporters of the idea of large communes often point to their efficiency. Below are presented some benefits that may occur from the merging of small communes.

- Economies of scale exist in many local services. The cost per unit of offering services is lower for quantities of services offered.
- Small local government units may cause an increase of costs to great local government units (other units). This means that, to some extent, taxpayers that live in the center of the city pay even for those living outside city borders, because a part of the latter benefit from the services produced in the center.
- Large local governments may provide more functions, which lead to a higher public interest and a major participation in local politics. A longer list of functions provides incentives to increased interest and civil participation and also may attract better candidates for local councils. According to Goldsmith and Rose (1987), the power and the prestige related to higher official posts are greater in larger administrative units.
- Strengthening (of what?) provides more space for different interest groups. In large communities it is easier to avoid nepotism and other forms of political clientèle. Goldsmith and Rose, again suggest that there is a better representation of different groups (ethnic, class) in large local government units, which in some cases tend to be more liberal.
- In large local government units there are higher possibilities to sustain the civil society. In large communities there are more chances to have a larger network of non-governmental organizations.

- Large local governments make possible the promotion and development of local economies. This is because the larger size makes possible a better planning and facilitates also financing of investment projects in infrastructure, an essential element of economical development policies acceptance.

All these pros show that much better opportunities exist in the carrying out of functions by large local government units. In those units where the decentralisation process is under way, the territorial reform is a must if we want to achieve decentralisation the way it should be. It is impossible to distribute local government functions if they don't have the possibility and the capacities to carry them out successfully. As a result, we may say that the merging of local units (when they are too small to carry out functions) is necessary for the functioning (and success) of the decentralisation process.

Arguments contra merging

According to Denters (2002), these arguments include the ideas of localism and public choice, the conclusions of which may be summarized in one expression: "*small is beautiful*".

- The contact between counselors and citizens is closer and politicians have a stronger voice in their local communities, when the latter are small. According to this argument: "social trust is based on strong personal relations in small communities. The fall of social trust that results from the raise of size will be reflected in the fall of political trust," Denters (2002).
- Small local communities are more homogeneous and as a result it is easier to implement policies that go along with the preferences of a larger civil group.
- In small communities civic participation is fostered in a much greater way because the vote (the word) of one individual "weights" more. Small governments are less bureaucratic. In some functions scale economies lose their priority because of the barriers that are created due to coordination and management in larger units.
- Argumentation of economies of scale may not be adequate, because it is possible to share responsibilities for a service from the current distribution. The fact that the supply of many services may be contracted to the private sector decreases the importance of scale economies.
- Fragmentation creates space for experimentation and innovation. If a territory includes many small local units it is easy to experiment in one or some of them, and then use these as examples for other units.

All these arguments must be considered only to the extent that they affect the size of local government unit because some of them are not directly related to it. For example, it is a fact that many small local government units have a weak media, or groups of interest are not established. This situation may be more related to the fact that they are rural, rather than to the fact that they are small. In this case this element, which may be regarded as a negative consequence of small-sized government unit, relies more on the social nature of the respective community rather than on its size.

2.2 Size of Local Government, Functions and Local Democracy

The instruments that conceive policies of local administration relate to a series of actions:

- The connections between community and organizations operating within this community and the broadening of these connections.
- The focus on satisfying community members with services offered by the administration or different operative organizations.
- Simplification of achievements and utilization of different services.
- The usage of an understandable language.
- Strengthening the inter-relationships within the community and creating partnership and initiatives outside the community with the help of these relations.
- Carrying out the activity on the basis of the territorial system.
- Support for co-operative relations with non-governmental and private organizations.

The fulfilment of these objectives is not easy because the local government often encounters cultural, economical and technological barriers. All these functions will be carried out by local units on different levels, depending on their size.

In the theoretical debates involving the size of local government, the arguments about democracy are those that are considered the most.

- *Size and representation.* The representative democracy does not imply that age, education or gender, has to be the same with those of the local community. Usually people think they will be represented more effectively by educated counselors. In practice, a large gap between counselors and the communities they represent may contribute to a malfunction of the democratic representation and psychological distinctions between “us” (the people) and “them” (the authorities).
- *The size of the local government and the distribution of functions at different levels of government.* It is argued that large local governments may be responsible for a series of functions with a wide basis. This idea is supported by some researchers who carried out a comparative analysis of European local governments' system. According to this idea, larger local government units allow a greater degree of decentralisation, as shown in the study of Swianiewicz (2001). Different evidences show that the support for more functions given to local governments in Poland has been greater in large cities, rather than in small or rural communities. This distinction, based on the size of communes, may have two explanations. First, its origin lays in the empirical observations according to which small local governments are not prepared to provide and supply a wide range of functions. Generally they are not equipped with enough qualified staff, some of the users of certain services benefit from more than one local government and the supply of many functions in one territory may lead to scale diseconomy. The second reason might have a political nature. Certain political groups might be against decentralisation reforms and against the transfer of responsibilities to the local government.
- *The size of local government and the policy of economic development.* The capacity of the local government to promote development depends on many factors. Among the most important ones is infrastructure, which attracts investments and makes actual enterprises more competitive. Usually, to analyse this, two indicators are used: a) the preparation of new physical master plans, and b) the preparation of local development strategies.

The promotion of entrepreneurship by local government is carried out with the support of:

- The structure within this government: inside the local government many local units operate in the form of services or departments, which aim at supporting entrepreneurship in the respective territory. Here is included the territory planning, where industry management is part of, handicraft, development of regional markets, local infrastructure, professional education centres, one-stop shops to sustain new business registration or to give information to actual enterprises. The development level of these services depends on the economic development level of the respective territory.

But the contribution of the local government in fostering entrepreneurship and territorial competition resides in the creation of inter-relations between organization units that work *in* and *for* the local entrepreneurship

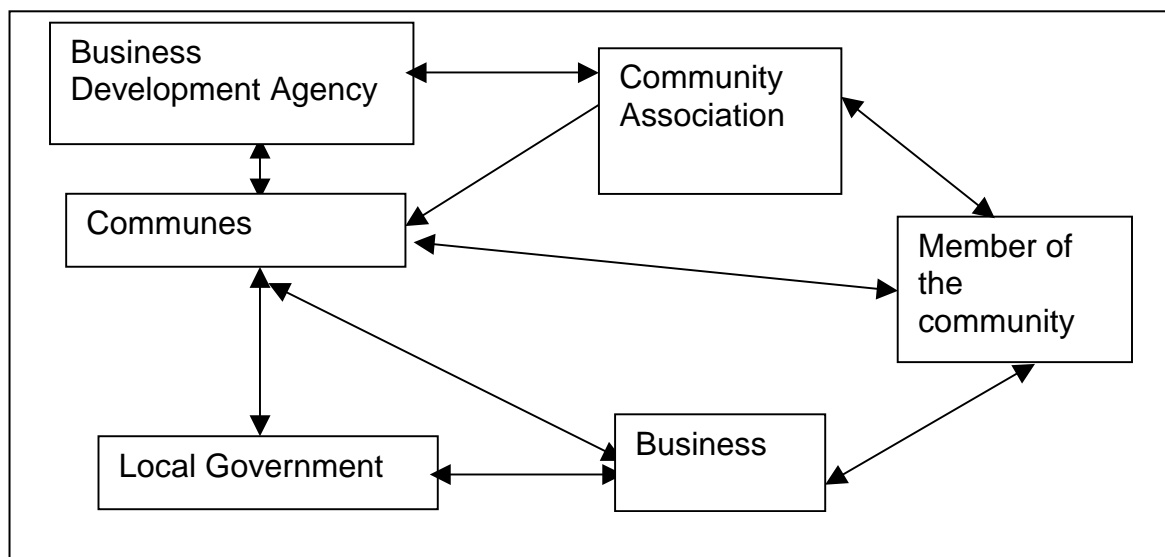


Figure 2: The relations between different actors of local development

The reform in public administration demands a shift of viewpoint on the relationships with other public organizations that serve community members or business activities.

The one-stop shop philosophy represents a help-centre for the user, and then this public office contacts other public organizations to carry out other necessary actions needed to provide the service.

Doing so accelerates the administrative processes and saves time for people, and it also requires the perception of public administration as a compound system of public peripheral units with autonomy, but integrated in the whole system.

These public units are: the Chamber of Commerce, the Prefecture, Tax Office, etc.

Local government must rely also on those SME or NGOs which operate in the field of territorial economic development. To have a performance analysis of this collaboration, the standards of the services offered and benchmarking with the best results must be taken into consideration.

- *Cost per unit, quality of services and size of administrative units.* For many services the cost comparison of products is very difficult. The reasons are methodological problems and the lack of data. In the theoretical aspect, this is the case where the presence of scale economics is expected to be stronger by representing a size growth of administrative government, which may then lead to the decrease of cost per unit.

- *Commune size and the capacity of local development.* In the field of local development, large communes have the possibility to achieve expertise and build capacities in their organization after the merging. In this case it is easier to hire specialists, which means that these governments are less dependent on their capacities (the central ones), and as a result they might act as a partner in the dialogue with the central authorities. However, this does not mean that these capacities are useful for the business or to the community. The reality often indicates that strengthening has led to extensive hierarchies and sometimes it is difficult to find which person deals with what (increase of bureaucracy).
- A study by Jordan Amdam (2003) tells us that commune strengthening and regional collaboration ease the usage of these capacities, as merging facilitates this process by serving as incentives to initiate the desired processes. A presence of strategies for environment, planning and for the use of land for the economical development (and more) is seen in the merged communes.
- *Merged communes and collaboration.* Amdam (2003), shows that a larger commune is a keener partner for local authorities, as well as for the public sector units. This is true also for the inter-cultural relations. The positive effects of this are that necessary sources may be channeled in long-term projects, scale economies may be achieved and communes become able to plan their activities in long-terms perspectives.
- *Business and industry.* Business and industry may also be affected by the strengthening (merging) of communes. As we mentioned above, larger communes create a better business climate. The planning of the use of land is seen as the most important advantage of larger communes. It is obvious that business development is interdependent, not only with the size of the local unit (population and service) but also with the human and natural resources that local government has at its disposal. We must also stress that the structure of business, especially in communes, is more inclined toward commerce and transport, rather than services, and even less toward the production field. This indicates that private enterprise in the majority of local units may develop quite spontaneously, while the structures of these units are not able to promote, organize and support its development in accordance with the interests of the community, so that business is turned into a key factor of economical and social development of the community.

2.3 Strengthening and fragmentation in Central and Eastern Europe

In the beginning of the '70s almost all Central and Eastern Europe countries underwent a territorial strengthening phase. At that time the changes were inspired by theoretical arguments and from the trust that the communist leaders had at that time in scale economies.

The beginning of the '90s was marked by territorial fragmentation in many countries of Central and Eastern Europe, which is seen as a reaction against the forced strengthening of the '70s. In Hungary, the number of municipalities increased to 3,133 (from what?) in 1992, the increase in the Czech Republic was 50%, and 30% in Slovakia.

The fragmentation process in Poland was on a smaller scale, the increase was roughly 5%, while in countries such as Bulgaria, Romania and ex-Yugoslavia the fragmentation process was almost non-existent. As a result, Central and Eastern Europe countries are composed by many small local governments (Czech Republic, Slovakia, Hungary and Ukraine).

There are countries where the territorial system was strengthened (Lithuania, Yugoslavia, Bulgaria, Poland). But there are also enough examples of countries (Macedonia, Albania, Croatia, Slovenia, Romania) that are somewhere in the middle between these two extremes.

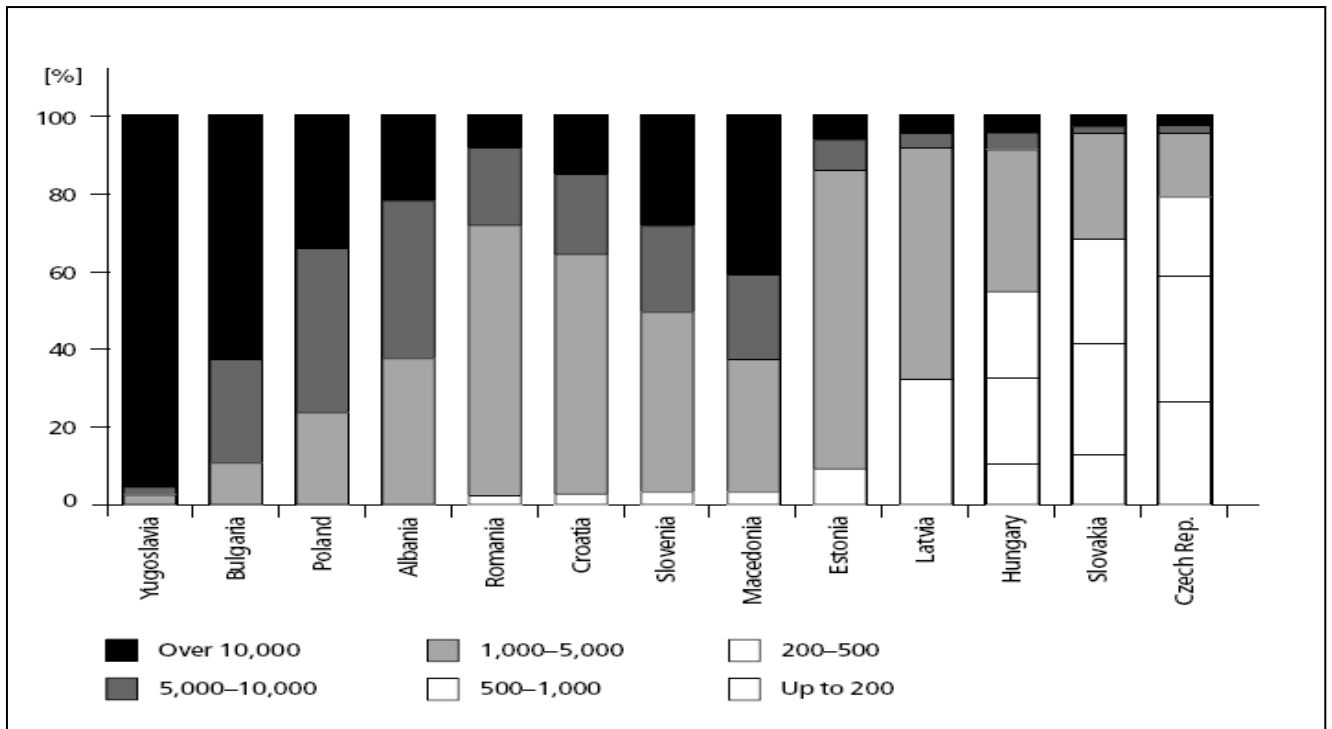


Figure 3: Distribution of local government by the population number

Source: Swianiewicz, P. (2001). "Between Active Appreciation, Passive Approval and Distrustful Withdrawal. Citizens' Perception of Local Government Reforms and Local Democracy in Central and Eastern Europe". In Swianiewicz, P. (Ed.) *Public Perception of Local Governments*. Budapest: OSI.

The variation is given in Figure 3. In Czech Republic about 10%, and in the Slovakia about 4%, of the local government units are simply comprised by very small villages with less than 100 inhabitants. The municipalities with less than 500 inhabitants comprise about 60% of all administrative units in Czech Republic, and in Slovakia this number is above 40%.

On the contrary, in Poland and Hungary none of the local government units has less than 1,000 inhabitants and some of them have 2,000 inhabitants. Large territorial units (with more than 10,000 inhabitants) comprise about 90% of the whole local government units in Lithuania and Yugoslavia, about 2/3 in Bulgaria, 1/3 in Poland, but less than 5% in Latvia and less than 2% in the Czech Republic and in Slovakia.

In countries with a fragmented territorial system, such as in the Czech Republic, Slovakia, and Hungary, the issue of the size of local government units has become one of the hottest issues among politicians and academicians.

It is stressed that small local government units (the majority of them with less than 100,000 inhabitants) may not provide important services and that they also cause delays in the decentralisation process.

3. Methodology

3.1 Hypothesis and key issues

This study aims at examining the following hypothesis and objectives:

Hypothesis: The merging of administrative units leads to a higher efficiency and to a more consolidated decentralisation process

Objectives:

- To indicate pros and cons of the strengthening of local government units
- To analyze the actual situation of territorial organization in Albania regarding administrative units and the legal framework
- To analyze the efficiency and democracy levels in Shkodra region communes
- To analyze the case of Bushat, to investigate the impact of the merging process of Barbullush and Bushat communes and to draw conclusions for the promotion of a more successful process

To test the hypothesis and to attain the objectives of the project, we have used information gathered through questionnaires and interviews, as well as through other data collected by different sources.

3.2 Methodology

The empirical analysis of the impact of merging on the local units is not an easy process, despite the benefits widely accepted (mentioned in the first part of the study). First, the benefits of communes/municipalities merging are to be seen in a long-term perspective. This is the reason why it needs time to get comparable results.

Apart from this, every newly-established commune/municipality by merging will spend large quantities of funds for the initial formation and organization of the unit. Thus, expenses may rise in the period immediately after merging. On the other hand, measures in a long-term perspective face same difficulties because it is hard to divide the effects of merging from other factors or simply from the natural growing trend that every unit undergoes.

The alternative is a data comparison at a given moment by relating the size of the unit to indicators of efficiency or democracy. As indicators of the size of the local government unit we have used the number of inhabitants.

The empirical study consists of two parts.

- In the first part, we have studied the communes of Shkodra region. We have linked the size of the commune (number of inhabitants) with some indicators drawing results that show the possible effect that the size of the commune has on the indicators of efficiency and democracy.
- In the second part, to analyse the performance of the communes before and after the merging, we have studied the case of Bushat commune. The data used were taken from the commune itself and from interviews with inhabitants of the merged communes. A questionnaire has also been carried out to collect the reactions of the inhabitants towards the merge and the performance of the commune. 60 questionnaires were used in Bushat

and Barbullush, and the analysis of these questionnaires shows clearly that the merge has caused an obvious improvement of the quality of public services.

The attached annexes include the information taken from the Development Office of Shkodra Qark, as well as from the official webpage of INSTAT, Albania (this information is used in the first part of the study).

The questionnaires (used in the second part of the study) have been distributed in October 2006 to inhabitants of the two former communes. The actual Mayor of the commune (former Mayor of the Barbullush commune) and the actual deputy-Mayor (former Mayor of Bushat commune) have been interviewed as well. The questionnaire and the information issued by the commune (in chartered forms) are included in the annexes of the project.

3.3 The restraints of the study

The restraints of this study consisted mainly of two conditions:

- Lack of exact data especially of those related to costs and beneficiaries of public services.

One of the primary scopes of the project was to analyse one of the public services offered by the commune and see if the supply cost of this service (measured in cost per unit or per beneficiary) had changed with the commune merging. The lack of data obliged us to abandon this scope. The data for public services do exist, but they comprise only the period after the union. Therefore, the existing data are not structured and comparable.

- Difficulties in distinguishing the effects of commune merging from the effects of the decentralisation process or the natural growth trend.

As mentioned above, it is difficult to separate the effects of commune merging from effects of decentralisation process or natural development that a local unit might experience.

There is also a distinguished feature of the Bushat commune, that is, the leadership role has been enormous in achieving success in the merged commune. However we might say that the merging of the two communes helped this leadership and presented it with the possibility of developing in the right direction. In other words, causes and effects are inter-related and difficult to be divided.

4. Territorial organization in Albania

4.1 Territorial organization and local government. Dynamics of the local government during transition

During the 90s, the most important decisions on service supply to 3.1 million inhabitants and 374 communes and municipalities continued to be extremely dependent on the central government (as in the communist era), which had an important presence in the whole country through its own de-concentrated agencies (mainly dependent from the Ministry of Public Works and Transport, the Ministry of Agriculture, the Ministry of Education, the Ministry of Health, and the Ministry of Finance) in the 36 base administrative units (*rrethe*) which were organized in 12 prefectures. The responsibilities and the resource basis of the first level of local government

was not clearly regulated by the laws of that time, and councils (although elected directly¹) lacked proper power to decide on local priorities as well as on issues relating to incomes.

The political changes of the years 1990-91 brought a series of radical changes in the organization and functioning of local government structures as organs of public administration. In the beginning of the '90s (1992), the first democratic and free elections were held and the whole political system changed, causing at the same time changes in the territorial division of the country and in the composition of the local government.

The reforms of 1992 created for the first time the political autonomy of local governments, but they remarkably lacked the administrative and legal authority. Law no. 7570 approved on June 3, 1992, “Amendments to the Law no. 7491, date: April 29, 1991 “For main constitutional dispositions”,” regarded the principles of self-governance, local autonomy and decentralisation, as the main principles of organization and functioning of the local government unit.

In 1992, the time of change in the political system of governance from the centralized system into the democratic system, many radical changes were made in the administrative division of the country.

From the three-level form of local units organization before 1992 (village and quarters, united village, city and county [rrethe]), it was passed to a two-level organization (commune and municipality, county – later Qark).

In May 1993 the Law “On local government budget” was passed, by which it was hoped to guarantee local government's autonomy and strengthen local government units.

In May 1998 the “The European Card of Local Governance” 2 was ratified by the Albanian Parliament. On November 28, 1998, the Constitution was approved by a popular referendum. Articles 108-115, which make up the sixth part of the Constitution, comprise the dispositions on Local Government in accordance with “The European Charter of Self-Governance.” These articles regulate in principle the organization and functioning of the local government, leaving space for specifications and other details to be amended in the future. The completion of the legal framework was made with the Law no. 8652 “On the organization and functioning of the local government” date: July 31, 2000; the Law no. 8653 “On the administrative-territorial division of local government units in the Republic of Albania” date July 31, 2000; and Law no. 8654 “On the functioning of the Municipality of Tirana.” For historical reasons Albania inherited an administrative territorial structure characterized by a large number of small government units.

Currently there are 12 Qark regions, 65 municipalities and 309 communes; the population does not reach 3 million people. The municipalities have an average of 22,500 inhabitants, while the average of the communes is 5,200; in comparison with many other European countries this figure has the biggest frequency: “only” nearly 17 % of the population but 48% of the municipalities and communes are in self-governed units that have less than 5,000 inhabitants. Thus we see that only 17 % of the population makes up nearly half of the local government units. It is clear that there is a necessity for interventions to create a better proportion.

1 The first local election for regional councils, municipal/commune councils were held in July 1992.

2 In The European Charter for Local and Self-Government, which has been ratified from the Parliament of Albania, it is stated: “The local government exercises the rights and the ability of the local authority, that under the legal limits, to regulate and ménage a crucial part of public issues, under their responsibility and on the behalf of the local community”.

4.2. Some issues of the territorial organization legal framework

Representation in the local government: The number of communal or municipal councils' members is determined by the population figures as follows (article 24).

Communes and municipalities	up to 5,000 inhabitants	13 members	
"	"	5,000 – 10,000 inhabitants	15 members
"	"	10,000 – 20,000 inhabitants	17 members
"	"	20,000 – 50,000 inhabitants	25 members
"	"	50,000 – 100,000 inhabitants	35 members
"	"	100,000 – 200,000 inhabitants	45 members

The Municipality of Tirana has 55 members.

Administrative-territorial re-organization: The administrative-territorial division, after the approval of the Constitution of 1998, is done only by law. On this basis, further possible and necessary changes are made in respect to some basic legal requirements.

Administrative-territorial re-organization is classified in 2 groups:

- *Re-organization with border changing.* Re-organization with border change is made when:
 - a local government unit is divided into two or more other units;
 - two or more units of the local government are united to form together in their territory only one local government unit;
 - a part of the territory of one local government unit passes to the administrative territory of another local government unit;
 - there is a need for a combination of the above-mentioned cases.
- *Re-organization without border changing.* Here are included the cases when the managing centre of a local unit changes, or the name of the unit is changed. Changes can be made on the basis of justified reasons.
- *The right of collaboration between local government units.* Law prescribes inter-communal collaboration as a right of local government units. Thus, every unit of the local government may exert the right of inter-communal collaboration and may carry it out using one of these ways:
 - agreements for carrying out together with another unit one or several functions;
 - contracting another local government unit for implementing one or several functions;
 - contracting some units via a third party to carry out one or several functions.

Currently merging and the increase in collaboration between local government units is one of the priorities of the 2007-2008 National Work Plan of the Albanian government. The fifth objective

of first priority³, consists in promoting the strengthening of the first level of the local government, encouraging collaboration and voluntary merge between communes/municipalities. This shows the importance given to the merging process of local government units, in the context of local government general reform and decentralisation.

5. Empirical analysis

5.1 Efficiency and democracy in local units of Shkodra region

To compare efficiency and democracy levels of Shkodra region communes the data were taken from the Development Office of the region, which consist of: administrative expenses, revenues, and education level of administrative staff. Also, the official web page of the Institute of Statistics, Albania, includes valuable data about the number of voters in 2003 local elections, the number of counsellors and the candidates for Mayor on each commune. Based on the theoretical arguments introduced in the beginning, we think there must be a relation between the size of the commune (the number of inhabitants) and the number of counsellors, number of voters, education level of administrative staff, administrative expenses per person, and income per capita.

- The relation between the number of inhabitants and the number of counselors per 1000 inhabitants (indicator of representation/democracy)

In figure 4 we present the relation between the number of inhabitants with the number of counsellors per 1000 inhabitants. As we may see we have a negative relationship between them. Thus, with the population growth (number of inhabitants) the representation level (number of counsellors) per 1,000 inhabitants decreases. The greatest changes are seen in the communes that have less than 6,000 inhabitants, while in the communes with more than 6,000 inhabitants distinctions get rarer.

3 The National Plan of Work. Priority no.1. The enforcement of the role of the first level of local authorities (municipalities/communes) in the promotion and the development and the provision of the key services of local government, through the revising of the institutional arrangements, decentralisation and responsibilities in the field of “common competencies”, finalisation of the property transfer, consolidation of the territorial structures and building of the target capacities.

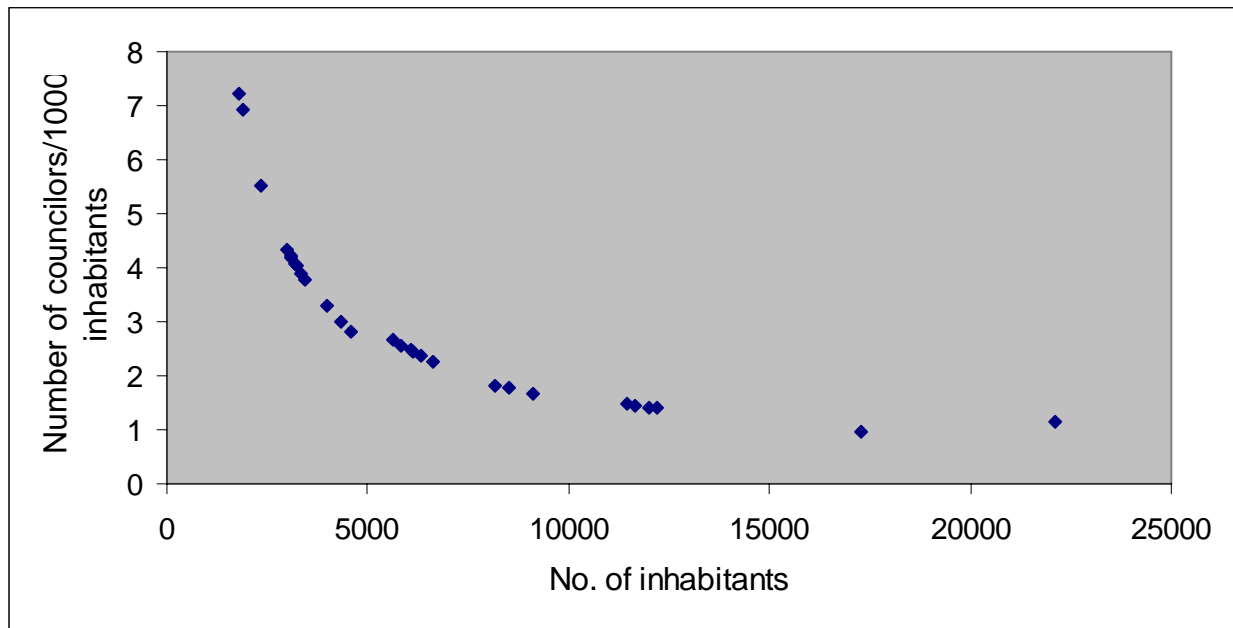


Figure 4: *The relation between the number of inhabitants with the number of councilors per 1,000 inhabitants*

This can be explained by the way of calculating the number of councilors per local unit.

Despite the fact that this indicator speaks in favour of small communes in what democracy is concerned of, the reality may show another story. It is true that councillors can be reached easily by citizens in small communes, but those in large communes may be more efficient and active.

- The relation between the number of inhabitants and the number of candidates for Mayor (efficiency indicator).

In figure 5 we present the relation between the number of the population and the number of candidates for Mayor. Having in mind the former theoretical analysis we did, we expect this relation be to some extent a positive one, according to the assumption that in large communes the prestige and level of functions attract more candidates for managerial posts. Despite the fact that the relation between the two variables is not very strong, a tendency of positive relation with each other is noticed.

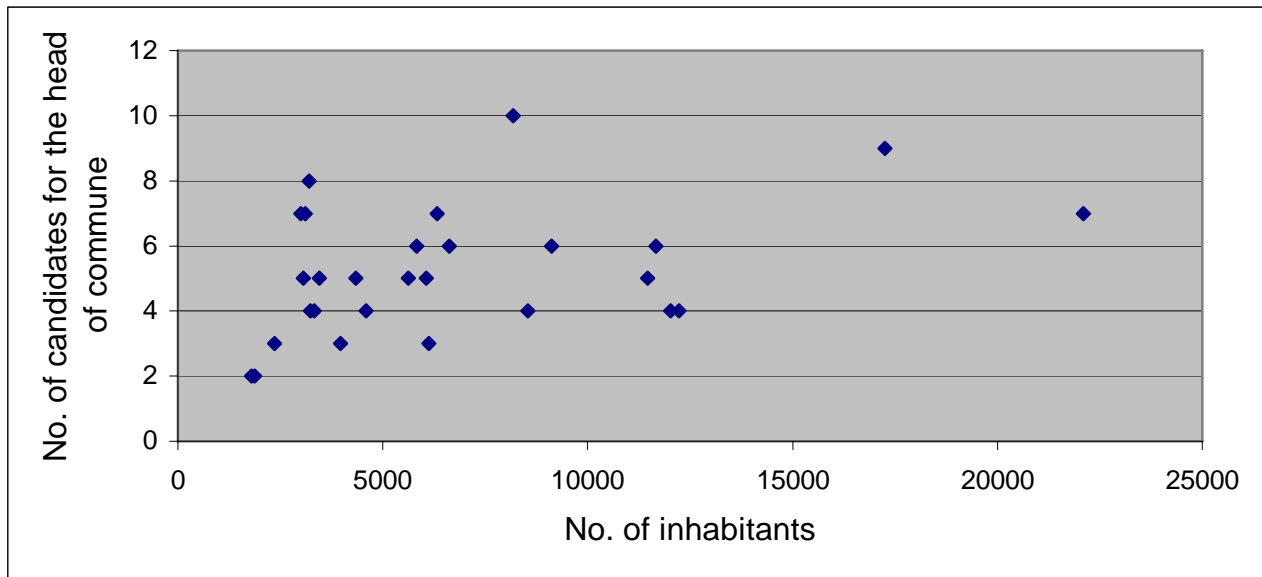


Figure 5: The relation between the number of inhabitants and the number of candidates for the Head of Commune.

We may say that the will of citizens to participate in local politics might be more obvious in the large local government units because the latter may have more functions (and also a major prestige with higher official positions), which leads to a higher public interest and larger participation in local politics. This longer list of functions stimulates interest and attracts better candidates for managerial positions (in our case, Mayors). Thus in larger communes we have greater electing possibilities, since more candidates run for the posts. This way, there exists a better possibility for the best to be elected.

However, this fact must not be taken for granted because, as it often happens, people tend to choose according to political affiliation rather than by being convinced of the individual abilities of the candidates. Actually in Albania the tradition of independent candidates is not so developed, usually the candidates are political products.

- The relation between the number of inhabitants with participation in the voting process (the number of voters –democracy indicator).

In figure 6 the relation between the number of inhabitants and the percentage of voters is presented. It is seen that there exists a tendency for a negative relation between these two variables, which means that there will be higher participation in small communes (in contrast with the large ones), because as the number of inhabitants increases, their interest (as the number of voters) decreases.

Another reason why in small communities there are more incentives for civic participation is because the vote (the word) of one individual “weighs” more. This argument is sustained by psychological reasons: people will develop a stronger sense of unity in small local units in comparison to large ones.

In small communes there is a higher degree of participation (compared to large communes) despite the low level of education and incomes of the inhabitants. As a result the size remains the most explanatory variable for participation in the voting process in these cases.

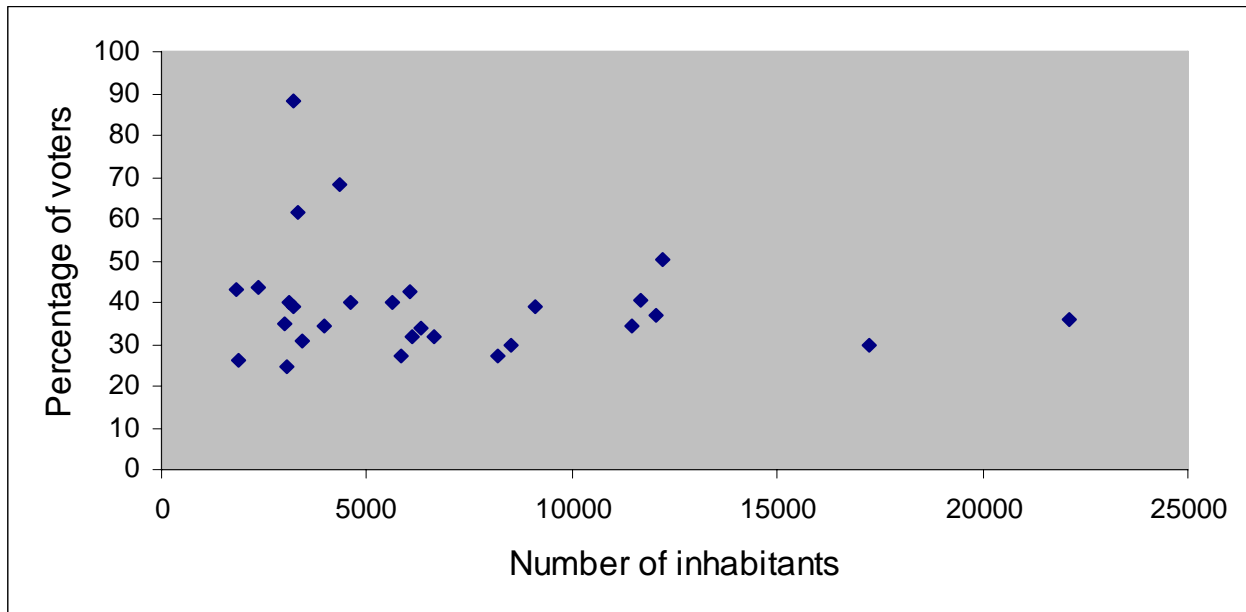


Figure 6: The relation between the number of inhabitants with the participation in the voting process

- The relation of the number of inhabitants with the level of education of the administration (efficiency indicator).

Not all the communes are included, because accurate information existed only for 15 of them. In this table is presented the relation between the number of inhabitants and the level of education of the administration of the commune (as a percentage in relation with the total). The 8-year education level is more common in the communes. The high school level dominates the small and medium communes. In large communes we see a great percentage of university degrees among the employees of the administration, while such a category is almost non-existent in small communes.

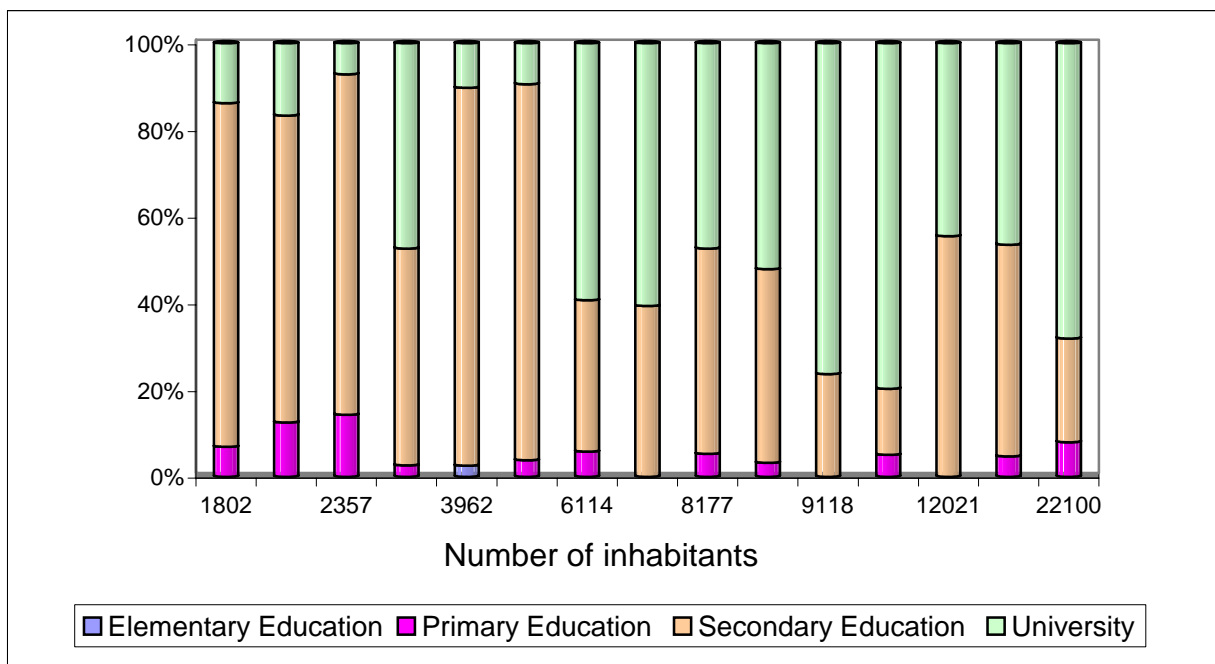


Figure 7: The relation between the number of inhabitants and the administration education

level.

- The relation between the number of inhabitants and incomes of the commune (calculated as incomes per capita – efficiency indicator)

Based on the theoretical arguments we presented in the first part of this study, we assume a positive relation to exist between the number of inhabitants (size of the commune) and the ability of these communes to collect their incomes. As we mentioned above, some factors may have an influence here (the ability of the administration to collect local taxes, more developed business activity, more local taxes and tariffs, etc.). To examine this relation we have made a correlation analysis.

Correlations				
			number of inhabitants	incomes per capita
Spearman's rho	number of inhabitants	Correlation Coefficient	1.000	.556**
		Sig. (2-tailed)	.	.002
		N	28	28
	incomes per capita	Correlation Coefficient	.556**	1.000
		Sig. (2-tailed)	.002	.
		N	28	28

** . Correlation is significant at the .01 level (2-tailed).

Figure 8: The relation between the number of inhabitants and incomes of the commune

In the above chart the correlation coefficient is 0.556. Its positive value confirms the non-linear positive relation between incomes per capita and the number of inhabitants. The relation is shown by $R^2 = 23.5\%$ ($R^2 = \sqrt{.556}$), which means that 23.5% of the change in incomes of the commune per capita may derive from the change in the number of inhabitants.

The graphic presentation in figure 5.6 confirms this positive relation. As we also see in the graph, the growth of the number of inhabitants is accompanied by a growth of incomes per capita.

An exception is the commune 28, which is the commune of Velipoja. The cause of this may be related to the fact that this commune is situated in a touristy area. Being so, this creates more chances for the commune to collect incomes despite the number of its inhabitants.

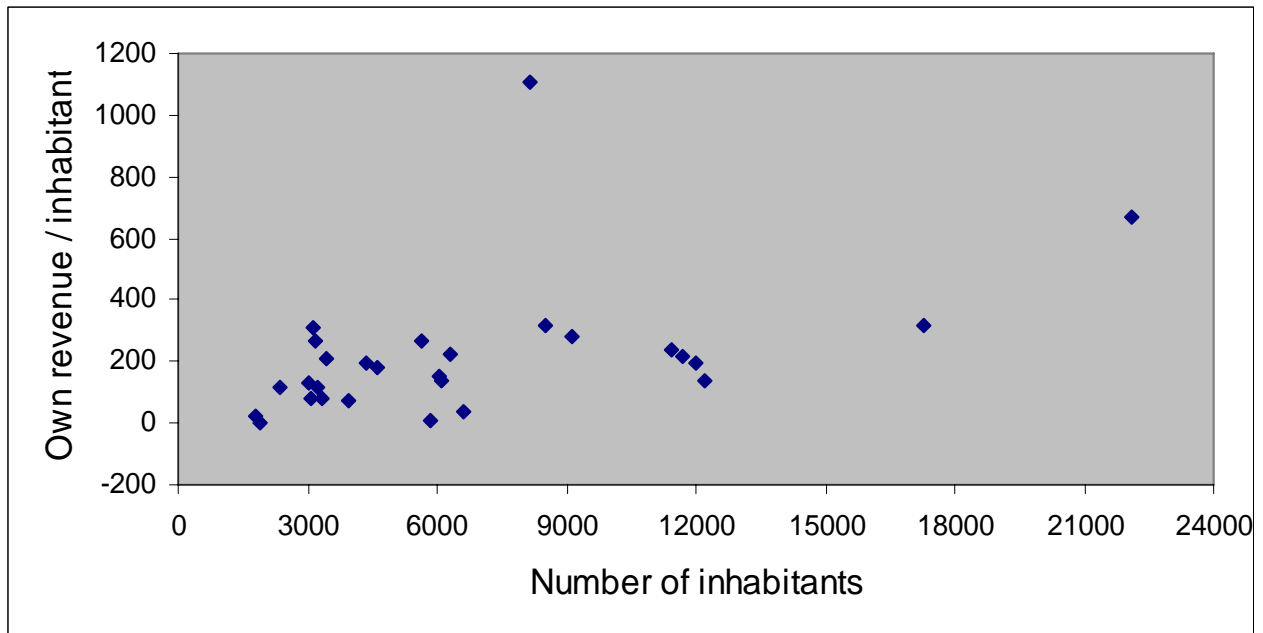


Figure 9: The relation between incomes per capita and number of inhabitants

- The relation between administrative expenses per capita and the number of inhabitants.

Based on theoretical arguments presented in the first part of the study we expect that there exists a negative relation between the number of inhabitants (size of the commune) and administrative expenses per capita. We assume this to happen because for small communes (small number of inhabitants) there exists a minimum number of administration that has to fulfil the needs of the commune.

In the chart below is given the correlation indicator, Spearman. The correlation coefficient is -0.792. Its negative value confirms the negative relation between the administrative expenses per person and the number of inhabitants. The relation is shown by $R^2 = 28.1\%$ ($R^2 = \sqrt{0.792}$) which means that 28.1 % of the change in expenses per person of the commune come as a result of the change in the number of inhabitants.

Below is given the graph, which shows more clearly that the increase in the number of inhabitants is accompanied by administrative expenses decrease. Commune 14, Mnelë Vig (Annex E) is an exception to the rule; it has very low administrative expenses in comparison to other communes.

Correlations				
			administrative expenses per capita	number of inhabitants
Spearman's rho	administrative expenses per capita	Correlation Coefficient	1.000	-.792**
		Sig. (2-tailed)	.	.000
		N	28	28
	number of inhabitants	Correlation Coefficient	-.792**	1.000
		Sig. (2-tailed)	.000	.
		N	28	28

** . Correlation is significant at the .01 level (2-tailed).

Figure 10: Correlation between administrative expenses per inhabitant and the number of inhabitants

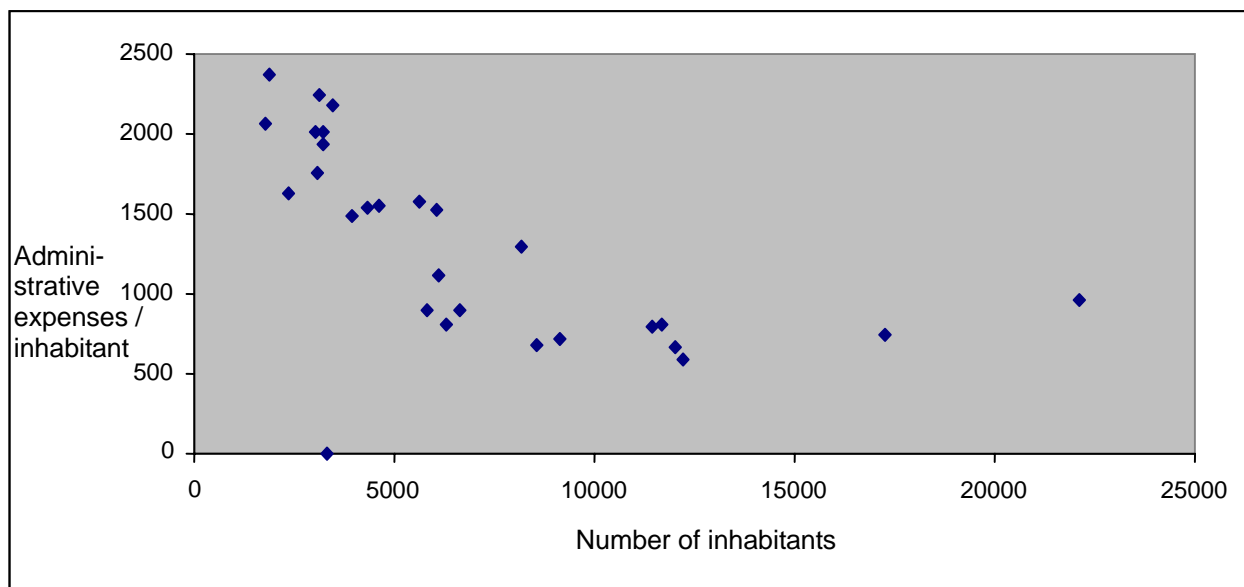


Figure 11: The relation between the number of inhabitants and administrative expenses per capita

5.2. Administrative reform - successful models in the case of Bushat

The process of merging

Based on the Law no. 9123, date 07/20/2003, Bushat and Barbullush communes were merged in one unique unit called the Commune of Bushat, with its headquarters in Bushat village.

- The former Bushat and Barbullush communes, respectively, had a population of 17,400 and 5,100 inhabitants. Now the Commune of Bushat has a population of 22,500 inhabitants.
- The former communes Bushat and Barbullush are geographically situated close to each other and are characterized by common traditions and habits.

- The land of both these communes is of the same quality and is categorized as a good quality land. The territory covers 9,200 ha of land, out of which 6,100 ha are agricultural land.
- Economic development has equal indicators, the cultural and the social ones also. These factors have made the merging easier.

The merging of these communes happened spontaneously after a discussion of pros and cons and aiming a reciprocal benefit of the communes. The legal base was the Law no. 8652, date 07/31/2000, “On the organization and functioning of local government.” The success was achieved due to this legal base, to the arguments of reciprocal benefit by the communes, and to a large community participation during the process. Community participation gave an impetus to the advancing of the merging process.

It was important for this process to be successful by bypassing the political connotations of the historical context, to focus only on the arguments and facts that sustained the normal merging process of the two communes and the sound legal base supporting it and at the same time to reflect the community will for the merging.

The chairmen of the two communes had an important role and used a clear vision not influenced by any personal interests. Out of the merging of communes, one of them would cease being a Mayor, but their vision went beyond their personal interest, understanding that a local leader can also contribute in other positions inside the public administration.

Joint analysis of both communal councils has accompanied the whole merging process. With facts and arguments outlined in these analyses it was achieved that communal councils and political parties supported the merging process. Later these facts and arguments were presented to the community and were discussed in order to reach a decision.

This process was set up on the basis of legal procedures, public information, and hearing sessions, and the procedures were followed and the documentation created for the new organization. This process lasted 2 months and in the end the community voted for the merging. The necessary documentation was compiled and presented for approval to the Government and the Parliament. Based on Law no. 9123, date 07/29/2003, the communes merging was approved and in the elections of 2003 ballots were cast for candidates for one unique commune, the Commune of Bushat.

5.3 The Performance of Bushat and Barbullush before and after the merging

a) Financial Performance

To analyse the financial performance of the communes before and after the merging we used the commune's own financial data (finance office). These data consisted of the commune's income, governmental transfers, administrative expenses, investments, and public services expenses.

Comparing the data before and after the merging, mainly the per capita data, we will prepare a table and will see a meaningful improvement of these indicators, caused by the communes merging. Analysing all the indicators together with the absolute value before and after the merging, we see that there was a visible increase of total incomes, investments funds and public services expenses.

Operative expenses follow a certain trend which is completely natural and is explained by the nature of administrative expenses. The value of indicators before the merging is calculated by collecting each of the indicators of Bushat and Barbullush communes before the merging. The year 2003 is not taken into consideration since it's the merging year (the merging happened on

August).

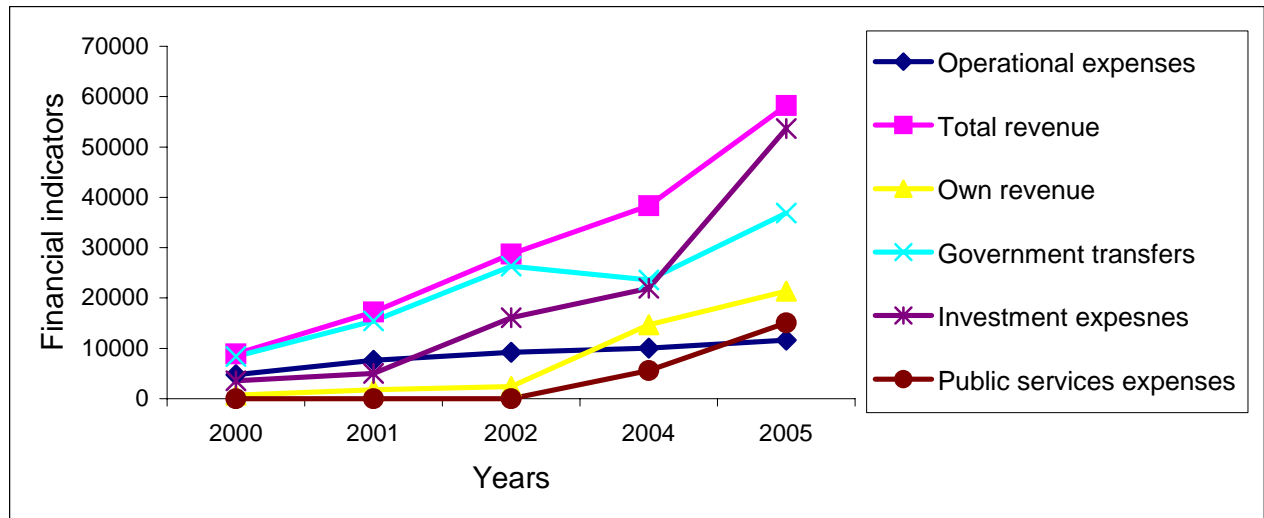


Figure 12: Financial indicators of Bushat and Barbullush communes before (2000 - 2002) and after the merging (2004 - 2005)

Though it is clear that there has been an improvement in financial indicators for both communes, this is not enough to understand how the situation changed for the inhabitants of each commune. For this reason we have calculated the values per capita of the financial indicators before and after the merging. We can say that the increase in revenues goes along with the hypothesis that the merging leads to increase in efficiency.

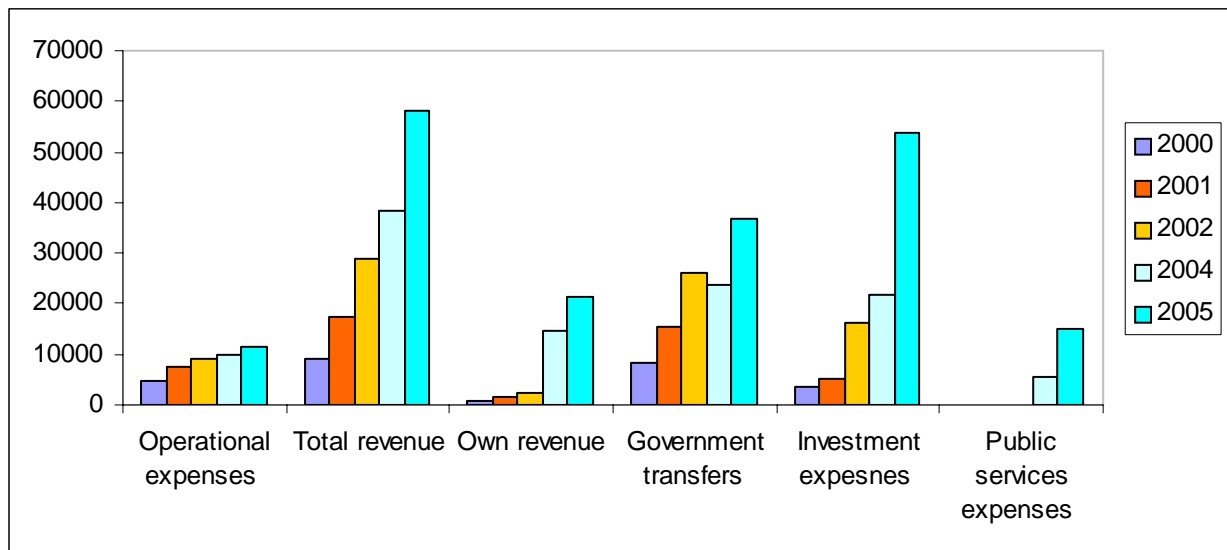


Figure 13 Financial indicator of Bushat before and after the merging

Looking at the results we see that there is an evident improvement of indicators per capita in the Bushat commune. A slight increase in administrative expenses per capita is noticed, a tendency seen as natural which might be a consequence of the early period of merging.

All other indicators have an obvious improvement, especially expenses for investments. This shows the growing possibilities to withdraw funds, combined with their management of funds (something reflected in the increased quality of the administrative staff – presented below).

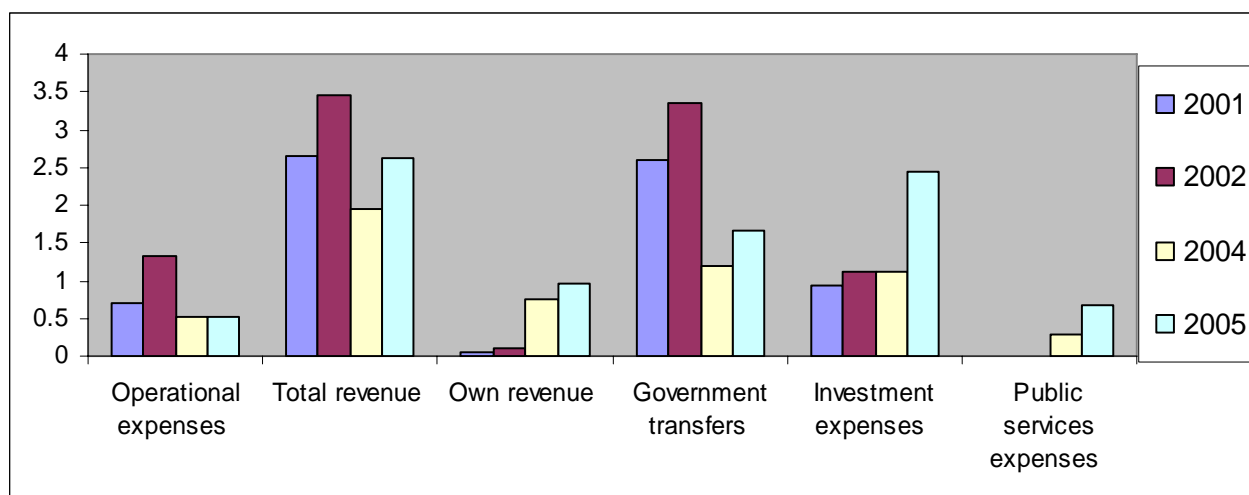


Figure 14: Financial indicator Barbullush before and after the merging

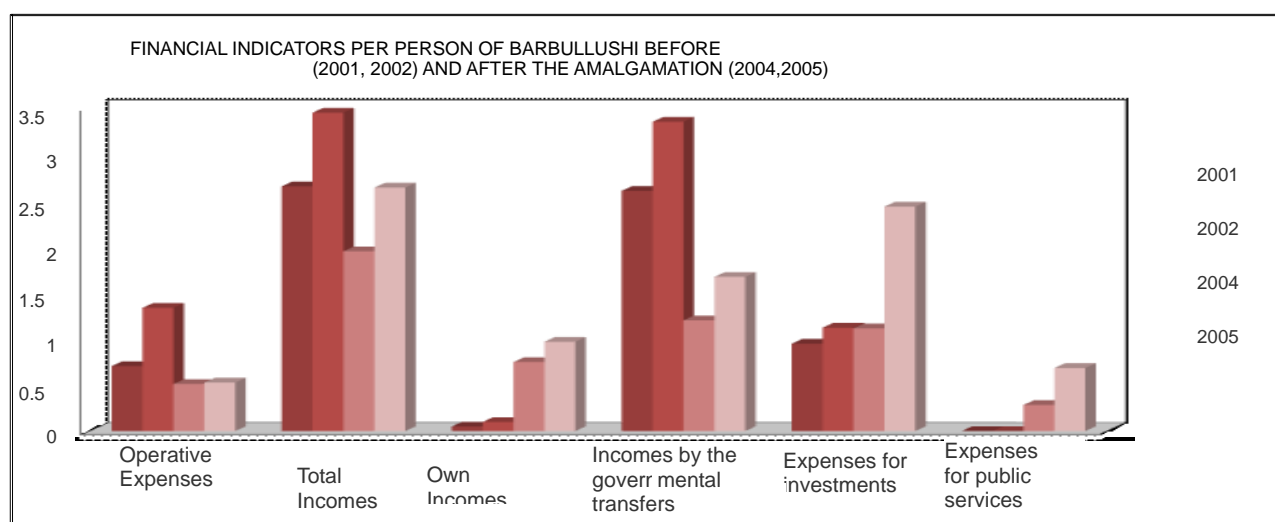


Figure 15: Financial indicators per person of Barbullush before (2001, 2002) and after the amalgamation (2004, 2005)

We see that the situation for Barbullush changes when it comes to the incomes by governmental transfers (and this change brings about the same consequences in the total incomes per capita). Since Barbullush was a very small commune (the population in 2001-2002 was under 5,000 inhabitants) it received a higher governmental transfers, not only in absolute terms but also calculated per capita. This was because of the minimal level of transfers made to the communes, aiming at fiscal equalization. However, the expenses for investments have increased (especially in 2004 when they were about twice the former level of investments per capita).

Also the expenses for public services as a budget item have been created after the merging. This might be a consequence of a more qualitative administration and a greater ability to manage funds. A very interesting result that shows the growth of efficiency is that of administrative expenses per capita. We see that there is a considerable decrease in this indicator. This obviously shows the positive effect of merging, because the efficiency of the administration in managing the necessary expenses for its well functioning has increased.

The performance of the financial indicators might be dependent on other factors as well, like the natural trend, leadership abilities (in the case of Bushat) etc.

b) Administrative performance

The merging of the communes was accompanied by the improvement of administrative performance which can be seen in several directions:

- **Qualitative improvement of public administration efficiency**

The local administration has acquired a more professional and efficient staff and structure. Out of 29 employees hired before in both communes, 23 had university degrees and 6 had finished high school; now there are 25 employees, 23 with university degrees and 2 with a high school diploma.

The analysis shows that salary expenses have decreased for 4 employees, and that the education quality of the local administration employees has increased. 88% have university degrees, as compared to the 79% in the previous administration. The largest qualitative increase was for the Barbullush commune, which had a rate of 64% to 36 % in favour of university degrees and high school diplomas, respectively.

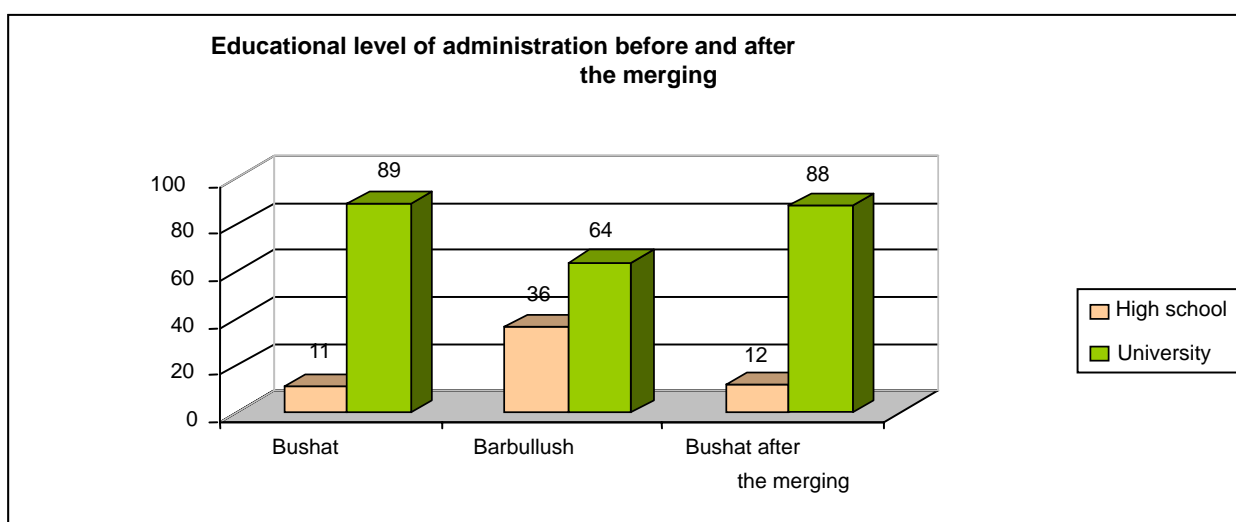


Figure 16: The staff of the administration before and after the merging

- **The merging of the territory has made possible a more harmonious development and has served a more stable territorial development.**

General plans have been compiled and applied for the water-supply, sanitation, health and education development, and urban garbage collection, making space for focusing on large investments and concentrating on the general development of the territory.

Income Office, Properties and Cadastre Office, City Planning Office, Public Services Office, and Communal Police Service are restructured and work very well. The qualitatively improved structure has made more efficient and professional services for the community possible, which is expressed in the good quality of services, minimization of citizens' queues to retrieve documents, extension of the service during all working hours.

- **More engagement in providing public services**

For further qualitative improvements in this filed, the Commune Council has proposed to create a public services company under the commune management. Actually there is a public services office which operates in the commune. It is very active in the organisation, planning and the sensibilisation of the population, as well as in the promotion of different initiatives which

include community.

- *Garbage collection is carried out on a regular base.* There is a place for their collection, so that this facilitates their removal from the inhabited areas. The growth of incomes has made possible the provision of vehicles and excavators that are at the disposal of public services and mainly for territory cleaning. Currently this includes garbage collection for both the businesses and inhabitants of Bushat, Barbullush and Rranxa. After the merging of the communes an integrated plan of garbage collection has been compiled for all the territory, taking into consideration the density of population.

In 2006 it is foreseen that the tax incomes should be 1,250,000 Leke. The increase of collection points in the actual territory is foreseen, also in Melgushë, Kosmaç, Mali i Jushit; the cost for their collection is being calculated, tending to make possible the reflecting of costs in the tariff for cleaning that the population has to pay.

- *Maintenance of roads within the community* has achieved a remarkable progress. The roads that connect villages with the national road have been greatly improved. A group of specialists has been established, which on the basis of a work plan manages to maintain regularly all the roads of the commune.
- A good work has been done with the water supply system. A better planning and organisation has made it possible for this commune to be one of the best in this service provision.

5.4 The analysis of questionnaires

During the period of the study, 60 questionnaires were handed out to the inhabitants of Bushat and Barbullush former communes. The purpose of this was to measure the perceptions of these inhabitants about the effects of commune merging with regard to different indicators such as participation, quality of services, etc. The sample was chosen in a casual way, taking into consideration the representation of both communes and representation of villages with different distances from the commune centre.

The Commune Council represents the interests of the whole community

The establishment of the Commune Council has a political basis, but it is also widely based on geographical representation of the community. 11 villages out of a total of 13 have their representatives in the Council, which is reflected in a positive decision-making process for the benefit of the community as a whole. In the interviews, a resident of Bushat said their demands are always taken into consideration when they are “serious and reasonable.”

Life quality improvement

The questionnaire analysis shows that the inhabitants think the main reason of their life improvement is due to investments in infrastructure, improvement of services and also strengthening of the administration. In a graphical way it is presented as follows:

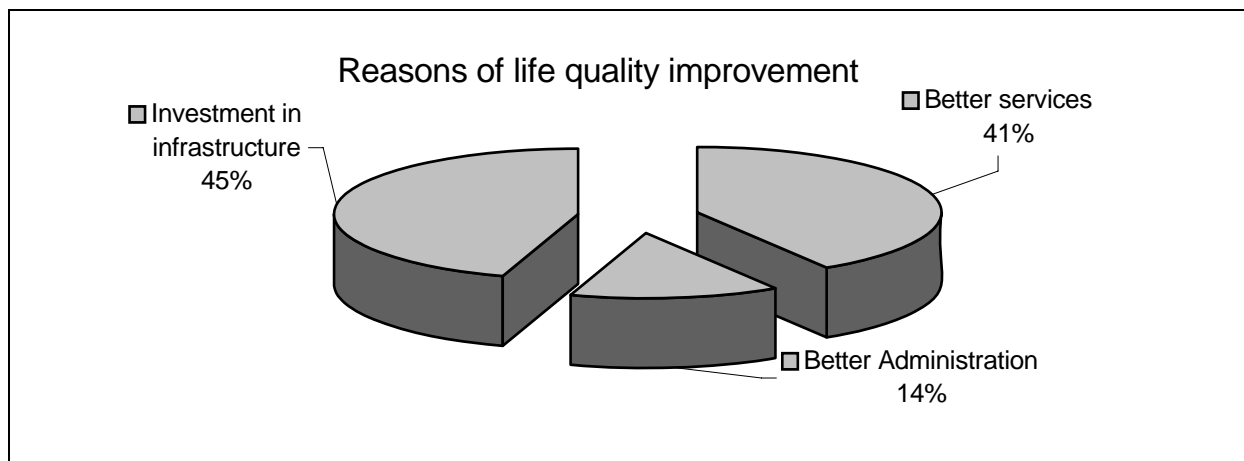


Figure 17: Reasons of life quality improvement

Public services

Funds have been rearranged and more energetic interventions have been carried out so that the quantity and the quality of public services in the community, in the fields of water supply, education, and health, is improved; also the territorial rate has been respected.

- On education system, 70% of the interviewees think that teaching improved after the commune merging. 43% listed as the main reason the increase in investments, 35% the increase of teachers' participation, and 22% the increase in students' attendance. A Bushat resident said that “the commune control has increased, which has caused a greater degree of responsiveness from teachers and students, this has marked an obvious increase of the school attendance from both students and teachers.”

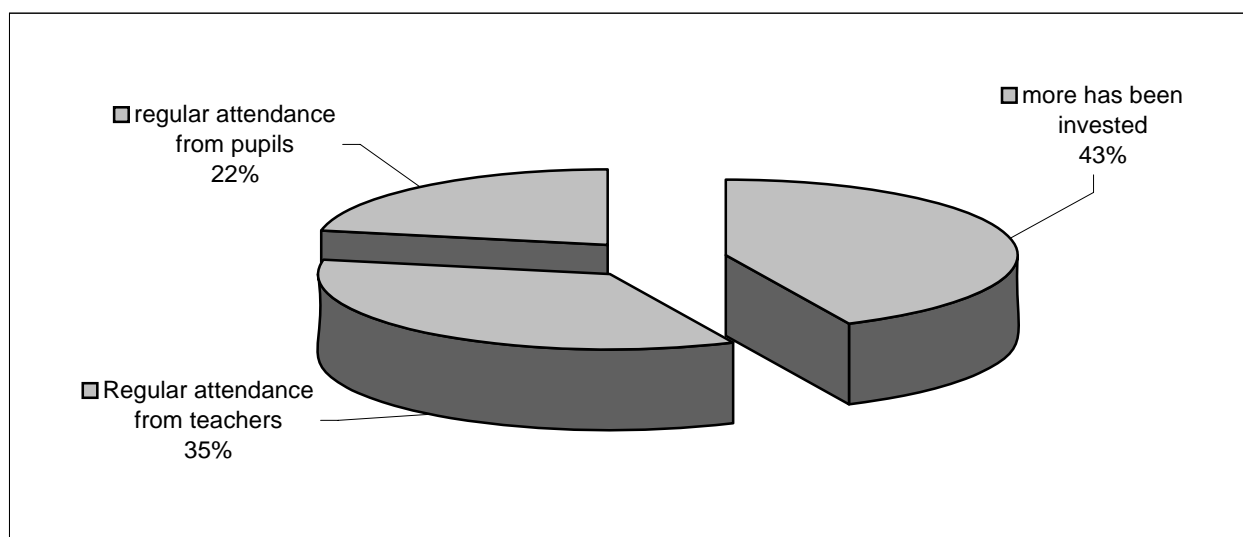


Figure 18: Reasons of teaching process improvements

- 68% of the residents of the community answered positively to qualitative improvements of the health service.

On the improvement of health service, the residents have rated as main reasons 57% larger investments after the communes merging and 43% the increased presence of health personnel at

the place of work.

In the health service sector an increase of sanitary materials in the hospitals and of the 24-hour services available was witnessed, and at the same time the functioning of the emergency centres near the community. This has caused a more professional treatment of sick people in the hospitals, while the existence of two emergency centres provides first aid before sending the patients to the hospital. Such a chain of health services has minimized the negative effects of physical distance between villages and the hospital.

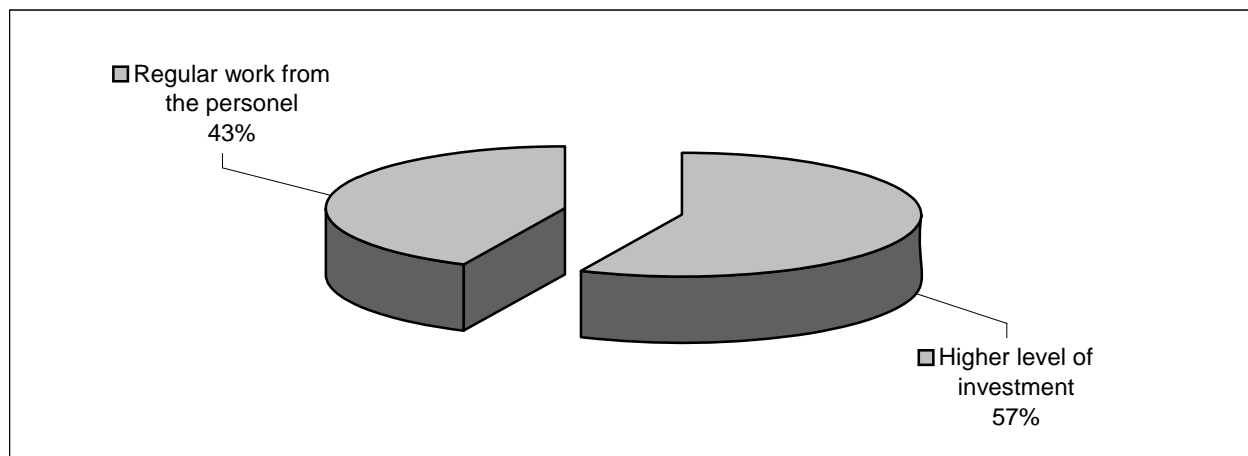


Figure 19: Reasons of health service improvement

Indicators of democracy in Bushat

The establishment of the Commune Council has a political basis, but it is also widely based on geographical representation of the community. 11 villages out of a total of 13 have their representatives in the Council, which is reflected in a positive decision-making process for the benefit of the community as a whole. In the interviews, a resident of Bushat said their demands are always taken into consideration when they are “serious and reasonable.”

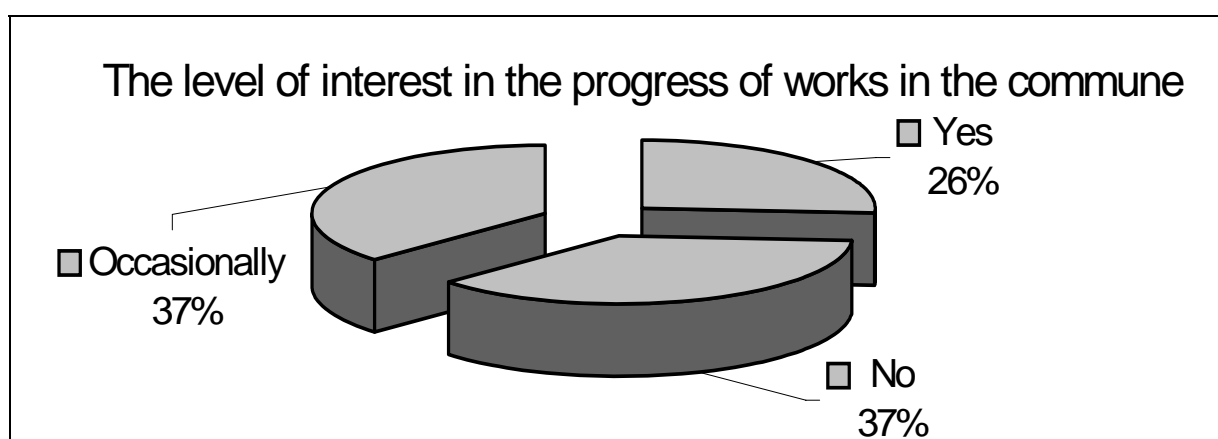


Figure 20: Level of residents' interest in the commune well-functioning

80% of the interviewees said that residents are keener to be informed about the well functioning of the commune after the merging. Today the figures of this are presented as follows:

The relations between residents and their representatives remain weak. This is because they see

the representatives simply as political representatives and not as professional experts able to resolve their concerns. 69% of the interviewees judge these relationships as very weak.

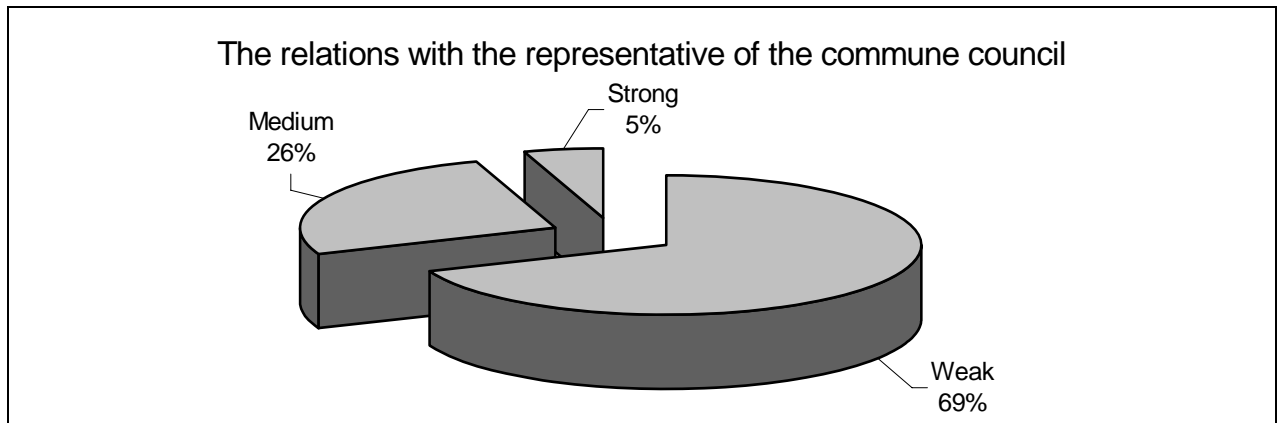


Figure 21: Relationships with representatives in the Commune Council

The experience related to the territorial reorganization and the debates for the merging or division of communes show that there is no recipe to be followed or applied in each situation. The political and professional debate about the territorial reorganization has been prompted by new economic realities in Central and Eastern Europe in general and in Albania in particular, so that the organizational structures of the local administration can respond efficiently and adequately to these changes.

- The analysis of Shkodra region shows clearly that the indicators of democracy are in favour of small communes, but the indicators of efficiency mainly favour large ones. Territorial reorganization will help the capacity building of local units and it may be seen as an alternative strategy for the growth of efficiency of decentralisation.⁴
- From the analysis made in the case of Bushat commune it's clear that the merging of communes has brought:
 - a quality increase in the commune administration
 - investments increase
 - per capita incomes increase
 - decrease of Barbullush administrative expenses, hence more efficiency
 - Meaningful improvements of the quality and quantity of public services (the latter much stressed by the interviewees).

⁴ One of the territorial reorganization phases in Japan, the second round, was carried out in function of accelerating decentralization, to strengthen the local capacities.

6. Recommendations

At this point we can have some recommendations which might serve as incentives for further research.

- Territorial reorganization must be carefully planned, in a case by case basis, and taking into consideration economic efficiency and democracy factors.
- First, the immediate effects, as those in the fields of organization, finance, and service improvement etc.; second, the long-term changes, which relate to the increase of incomes and of the level of investments. It would be more practical to have a realistic and objective assessment with no euphoria or false optimism. Otherwise, there's the risk of having very negative effects and disappointments.
- Administrative-territorial reorganization would be more effective if it is a product of the free will, where the opinion of the community is taken into consideration and respected. This gathering of opinions can be attained in different ways, such as in open meetings, hearing sessions with the residents, opinion polls by certified associations with permission by the relevant authorities, through referendums or any other suitable and credible way. It is obligatory to listen to the opinion of the representatives of local authorities, so that they have a strong voice in the changes to be done.
- In order to promote free will merging, the government may use incentives such as grants and governmental transfers. Another incentive would be the transfer of competencies to collect some national taxes, completely or partially, only to the local authorities of merged communes. Since after the merging the indicator of counsellors per capita may decrease (because the number of counsellors after the merging may be smaller than before), the same number of counsellors in the commune councils must be guaranteed to the communes for the first elections after the merging.
- Lastly, encouragement with mechanisms of inter-communal collaborations (but also free will communes merging) in the immediately future may facilitate the further pace of the merging process. In this framework, the role of the Qark may have a first hand importance.
- Good experiences as that of Bushat must be publicized so that they serve as incentives to other communes as well.

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Annex B: Number of candidates running for chairmanship, number of counsellors on Shkodra region communes.

Commune	Number of inhabitants	Candidates for chairmanship	Counsellors	Counsellors /1000 inhabitants
Ana e Malit	6,321	7	15	2.37
Bërdicë	9,118	6	15	1.65
Blerim	3,067	5	13	4.24
Bushat	22,100	7	25	1.13
Dajç	8,536	4	15	1.76
Fierzë	3,199	8	13	4.06
Gjegjan	5,624	5	15	2.67
Gruemirë	12,220	4	17	1.39
Guri i Zi	11,670	6	17	1.46
Hajmel	6,114	3	15	2.45
Iballë	3,447	5	13	3.77
Kastrat	11,457	5	17	1.48
Kelmend	6,627	6	15	2.26
Mnele-Vig	3,333	4	13	3.9
Postribë	12021	4	17	1.41
Pult	3,962	3	13	3.28
Qafë Mali	3,104	7	13	4.19
Qelëz	3,230	4	13	4.02
Qendër	4,342	5	13	2.99
Qerret	4,596	4	13	2.83
Rethina	17,261	9	17	0.98
Rrapë	3,005	7	13	4.33
Shalë	5,827	6	15	2.57
Shkrel	6,057	5	15	2.48
Shllak	1,802	2	13	7.21
Shosh		2		
Temal	2,357	3	13	5.52
Velipojë	8,177	10	15	1.83

Source: Official site of Central Election Commission

Annex C: Participation in the 2003 local election

Commune	Number of inhabitants	Number of voters	Percentage of voters
Ana e Malit	6,321	2,151	34,0
Bërdicë	9,118	3,560	39.0
Blerim	3,067	757	24.6
Bushat	22,100	7,888	35.6
Dajç	8,536	2,545	29.8
Fierzë	3,199	2,822	88.2
Gjegjan	5,624	2,246	39.9
Gruemirë	12,220	6,143	50.3
Guri i Zi	11,670	4,719	40.4
Hajmel	6,114	1,958	32.0
Iballë	3,447	1,056	30.6
Kastrat	11,457	3,916	34.1
Kelmend	6,627	2,117	31.9
Mnelë-Vig	3,333	2,049	61.4
Postribë	12,021	4,432	36.8
Pult	3,962	1,365	34.4
Qafë Mali	3,104	1,243	40.0
Qelëz	3,230	1,251	38.7
Qendër	4,342	2,961	68.1
Qerret	4,596	1,837	39.9
Rethina	17,261	5,113	29.6
Rrapë	3,005	1,047	34.8
Shalë	5,827	1,582	27.1
Shkrel	6,057	2,582	42.6
Shllak	1,802	778	43.1
Shosh	1,881	490	26.0
Temal	2,357	1,025	43.4
Velipojë	8,177	2,214	27.0

Source : Official internet site of Central Election Commission

Annex D: Education level of the communes' administrative staff.

Commune	Number of inhabitants	Elementary	Primary High school	Secondary School	University diploma
Ana e Malit	1,802	0	2	23	4
Velipojë	1,881	0	3	17	4
Postribë	2,357	0	6	33	3
Hajmel	3,333	0	1	19	18
Guri i Zi	3,962	1	0	34	4
Bushat	5,827	0	2	46	5
Shalë	6,114	0	5	30	51
Mnelë-Vig	6,321	0	0	37	57
Shllak	8,177	0	5	45	45
Rethina	8,536	0	3	42	49
Pult	9,118	0	0	27	87
Bërdicë	11,670	0	7	21	110
Dajç	12,021	0	0	91	73
Shosh	17,261	0	10	104	99
Temal	22,100	0	22	66	188

Source: Shkodra Region

Annex E: Revenues and administrative expenses of the Shkodra region communes

Commune	Number of inhabitants	Revenues	Revenues/ inhabitant	Operational expenses	Operational expenses / inhabitant
Ana e Malit	6,321	1,399,000	221.33	5,112,000	808.73
Bërdicë	9,118	2,545,000	279.12	6,494,000	712.22
Blerim	3,067	236,000	76.95	5,404,000	1761.98
Bushat	22,100	14,850,000	671.95	21,327,000	965.02
Dajç	8,536	2711,000	317.6	5,840,000	684.16
Fierzë	3,199	851,000	266.02	6,181,000	1932.17
Gjegjan	5,624	1,519,000	270.09	8,849,000	1573.44
Gruemirë	12,220	1,660,000	135.84	7,252,000	593.45
Guri i Zi	11,670	2,485,000	212.94	9,475,000	811.91
Hajmel	6,114	839,000	137.23	6,836,000	1118.09
Iballë	3,447	720,000	208.88	7,502,000	2176.39
Kastrat	11,457	2,725,000	237.85	9,106,000	794.8
Kelmend	6,627	238,000	35.91	5,931,000	894.98
Mnelë-Vig	3,333	258,000	77.41	6,047	1.81
Postribë	12,021	2,374,000	197.49	7,973,000	663.26
Pult	3,962	291,000	73.45	5,914,000	1492.68
Qafë Mali	3,104	967,000	311.53	6,956,000	2240.98
Qelëz	3,230	369000	114.24	6,519,000	2018.27
Qendër	4,342	841,000	193.69	6,679,000	1538.23
Qerret	4,596	826,000	179.72	7,148,000	1555.27
Rethina	17,261	5,486,000	317.83	12,732,000	737.62
Rrapë	3,005	402,000	133.78	6,064,000	2017.97
Shalë	5,827	65,000	11.15	5,209,000	893.94
Shkrel	6,057	935,000	154.37	9,210,000	1520.55
Shllak	1,802	45,000	24.97	3,720,000	2064.37
Shosh	1,881	3,000	1.59	4,471,000	2376.93
Temal	2,357	274,000	116.25	3,851,000	1633.86
Velipojë	8,177	9,029,000	1104.19	10,597,000	1295.95

Source: Financial Office, Shkodra Region.

Annex F: Financial data of the Bushat and Barbullush communes before and after merging.

Bushat before the merging

Year	Operational expenses	Total revenue	Own revenues	Government grants	Investment expenses	Public services expenses
2000	3,403	4121	718	3,403	3053	0
2001	4,787	6645	1,582	5,063	1228	0
2002	3,880	14927	2,027	12,900	11,601	0
2003	2,755	20109	6,980	13,129	5557	2,466

Barbullush commune before the merging

Year	Operational expenses	Total revenue	Own revenues	Government grants	Investment expenses	Public services expenses
2000	1,397	4,794	9	4,965	500	0
2001	2,814	10,595	195	10,400	3,782	0
2002	5,337	13,784	393	13,391	4,477	0
2003	567	6,310	1139	5,171	2,094	0

Bushat commune after the merging

Year	Operational expenses	Total revenue	Own revenues	Government grants	Investment expenses	Public services expenses
2003	4,703	25,478	8,110	17,358	6,847	3,694
2004	10,021	38,311	14,709	23,602	21,903	5,575
2005	11,610	58,245	21,363	36,882	53,686	15,098

Source: Finance Office, Bushat commune.

**The role of civil society in decentralisation and better local governance –
a case study of Northern Albania**

Final Report



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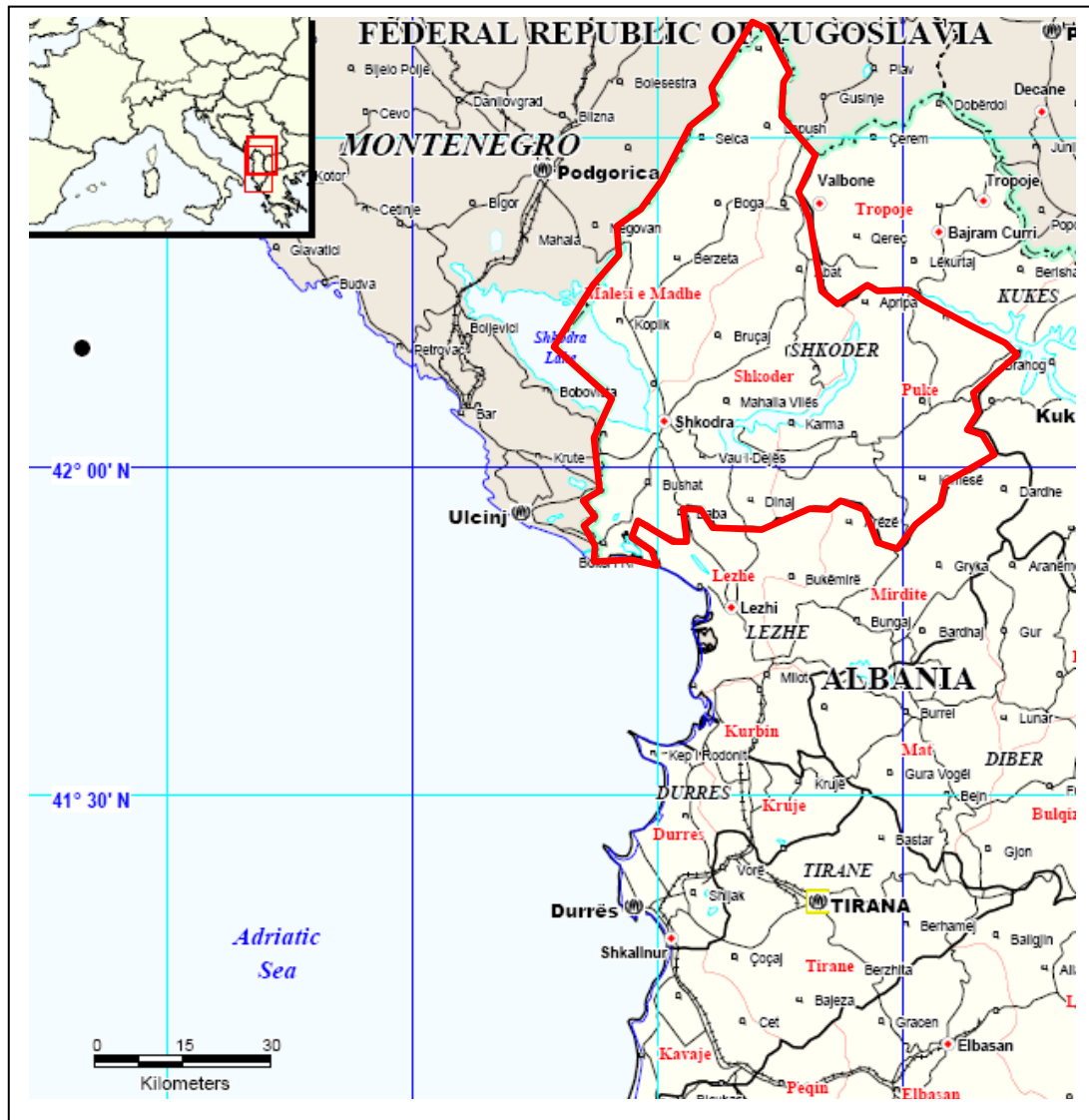
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Cover photos

Left: staff and volunteers of an NGO in Shkodra (Dimension Human)

Right: "Mjaft!" ["Enough!"]: graffiti on a house in Puka

Map of Albania and the study area



Overview of Shkodra Region in the Balkans (UNHCR). This region consists of 3 Districts and belongs to one of the poorest areas in Albania, where one-third of the population still lives below the poverty line (World Bank 2006) and migration is common.

1 Abstract

This paper analyses the role and importance of current cooperation between Civil Society Organisations (CSOs) and Local Government Authorities (LGAs) in Northern Albania. Its findings are based on a series of questionnaire-based interviews with 28 Civil Society Organisations and 9 groups of representatives from local government in Shkodra Region. This region comprises 3 Districts with a total of 256,000 inhabitants (2001), the town of Shkodra, plus several municipalities, small towns and rural communes. The transition process resulted in widespread poverty and subsequent migration from Northern Albania to urban areas, mainly Tirana, and abroad.

The emergence of CSOs in Northern Albania has involved a whole variety of institution, from not-for-profit organisations, trade unions, the media, chambers of commerce and industry to informal community-based organisations. This institutional plurality is a recent phenomenon, since no civic participation apart from centralised party structures existed before 1990. Although the number of CSOs over the past few years has increased, their fabric is still rather thin, with a total of approximately 130-150 organisations of which 73 are formally registered at local tax offices. Their present member base is around 5,000, and they currently employ around 500 full-time and 1,500 part-time staff. These CSOs comprise international, Albanian or local Non-Governmental Organisations (NGOs). They have played an important role in managing the humanitarian crisis which resulted from the surge of refugees during the Kosovo war (1999), and have emerged as stakeholders in the decentralisation process so far steered by the central government.

Though cooperation between civic (CSO) and state (LGA) organisations has intensified and gradually improved over time, the role of CSOs as a lobby group in advocating transparency and good governance principles is just emerging. Deep-rooted mistrust between representatives of local government and civil society persists. The free flow of information necessary to coordinate activities and make the best use of participation is hindered by several factors, of which lack of open communication and limited transparency are the most profound. The situation is further complicated by the CSOs' great financial dependence on foreign donors, which places the sustainability of CSO service delivery and advocacy work at risk.

There are promising signs that local authorities have recognised the important role that civil society plays in better local economic and social planning, and in promoting principles of good governance such as transparency and participation. The support and contracting of CSO services by local authorities have yet to emerge on a significant scale, however. This will require further professional development on the part of local civil society via thematic specialisation, diversification of fundraising (involving more LGA commitment), better accountability and transparency within CSOs, and the establishment of joint CSO-LGA working platforms (liaison offices, coordination programmes, etc).

2 Background: decentralisation and civil society in Albania

2.1 The emerging role of civil society organisations

During the communist period only party-based civil society organizations (youth committees, hunting associations, etc.) existed in Albania. The collapse of the system in 1990 and the subsequent economic and political transition period opened up Albania's mainly rural society to the forces of globalization, in which civil society organizations were playing an increasingly impor-

tant role. As a result, civil society organizations such as religious bodies, trade unions, business associations, media organs, NGOs (Non-Governmental Organisations¹), University institutes and informal organisations began to (re)appear.²

Civil society in Albania is gradually developing as a constructive force in the political and public arena. Albania has seen many young, motivated Albanians establish NGOs whose activities are based primarily on personal relationships, mutual trust and informal consensus. Enthusiasm for new possibilities has provided a strong stimulus for action, and this has been supported by a legislative framework conducive to NGOs. Although it has recently been tightened up to reduce tax evasion and improve transparency, Albania has since 2001 had one of the most liberal NGO laws.

The new civic organizations play an important role in establishing decentralization as a voice for articulating local opinion, thus directly or indirectly helping to improve the quality of service delivery, foster transparency and accountability through active participation, and monitor the activities of both CSOs and LGAs. A vibrant civil society is seen as an important element balancing government entities and private sector interests, and development cooperation has targeted capacity building in civil society in Albania in order to promote democratization, local development and social capital. Albania counted at least 623 registered CSOs in 2005. However, a survey conducted by UNDP (2005) revealed that the financial situation was unsustainable for almost all of the CSOs located outside of Tirana; it also concluded that CSOs, while they have a consultative and participatory role, do not yet influence policies significantly, including the decentralisation policy.

Following a rapid increase since the mid 1990s, to a peak during the Kosovo crisis (1999), the number of CSOs has been dropping rather than growing over the past few years, the result of some international organisations' withdrawal of support in the context of Albania's overall socio-economic progress. There are presently 110 CSOs listed in the Civil Society Development Centre (CSDC) at Shkodra, divided into 9 different thematic categories³. Of these CSOs 73 are registered with the local tax offices, and a few additional ones are national NGOs registered in Tirana. All, except the hunting association, were founded after 1990.

The coexistence of officially registered and informally listed CSOs can be explained by the registration fee, which has recently been increased by the central government, and the fact that NGOs will in future have to register centrally at the High Court in Tirana.

The significant number of CSOs active in the 3 districts, however, raises the key question of their contribution to the decentralization process and how their capacities might be coordinated better to support public service delivery, strengthen pro-poor decentralization and advocate good governance.

¹ The term Not-for-Profit Organisation (NPO) is regarded as synonymous with the term NGO.

² The World Bank defines civil society as "a wide array of non-governmental and not for profit organizations that have a presence in public life, expressing the interests and values of their members or others, based on ethical, cultural, political, scientific, religious or philanthropic considerations".

³ (1) Arts, sports and culture; (2) Democracy and human rights; (3) Women; (4) Tourism and the environment; (5) Children; (6) Development and the economy; (7) Youth; (8) Friendship and brotherhood; (9) Health and the physically disabled.

2.2 CSOs and the decentralisation process

The CSO landscape in Albania is diverse and CSOs are represented in all regions. The most powerful and influential bodies are based in the capital, Tirana, and some of these (e.g., the hunting association) have branches in rural areas such as Shkodra Region and are not registered at a local level. Local CSOs play an important role in service delivery and are active in specific areas such as campaigns against human trafficking, elections, care for the disabled, etc. They also play a role in local affairs and project implementation.

Informal CSOs, though, seem to play no profound role and are neither very active in the public domain nor seen as relevant, representative organisations. This assessment, while shared by both CSO and LGA representatives, does not however take into account informal clan structures, which may influence public affairs decisions considerably. But even the registered CSOs, with their small member base, can only draw legitimacy from addressing the genuine deficits experienced by their constituencies, and not from claiming to represent the public. Table 1 shows the main working areas of the CSOs in Shkodra Region.

Within the decentralisation process the CSOs play an important role as “watchdog” of activities implemented by LGAs, and thus monitor the quality of governance at a local level. The main criteria for good governance at a local level are (Intercooperation 2005)⁴:

- Transparency and responsiveness
- Efficiency and effectiveness
- Accountability
- Citizen voices and participation
- Equity
- Rule of law

On the one hand CSOs more or less explicitly monitor whether these criteria are followed by LGAs; and on the other they should themselves contribute to good governance by adhering, internally or in cooperation with partners, to the same principles.

There is evidence that CSOs are beginning to raise their voices on common matters and to promote principles of good governance; for example, the youth movement “Mjaft!” [“Enough!”] lobbies against corruption and for more transparency in public institutions. This group and several other NGOs played an active role in the monitoring of parliamentary elections in 2005 (Freedom House 2006). Yet most of these influential CSOs operate from the big cities and are rooted among urban intellectuals. The bigger organisations are well-linked, however, and can draw on resources from branches in smaller towns and municipalities. The extent to which CSOs and local authorities exchange information and cooperate in development activities is an important indication of the role CSOs play there.

⁴ The World Bank uses the following good governance criteria for comparative analysis at the national level: Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness Regulatory Quality, Rule of Law, and Control of Corruption.

2.3 The study area: Shkodra Region

The region features flat plains at sea level as well as mountains, and has a population of 256,000 (2001) (administrative data shows higher figures). The population lives in 5 municipalities, 6 towns, 29 communes and 269 villages, which together form the 3 Districts of Shkodra (with 73% of the population), Puka (13%) and Malesi e Madhe (14%). Shkodra is the main centre, with a population of 110,000. The town of Shkodra has for centuries played an important role in the Balkans, and nearby Lake Shkodra has considerable tourism potential. The city has seen much immigration from the neighbouring Districts of Puka and especially Malesi e Madhe over the years.

The region was heavily affected by the collapse of the copper extraction industry during the 1990s, when thousands of jobs were lost. This resulted in high levels of unemployment, which in 2001 stood at around 25 % in rural and a staggering 37 % in urban areas, mostly affecting young unskilled jobseekers and workers made redundant during the transition. As a result many inhabitants have emigrated in search of work over the past decade, and the region shows very high levels of poverty, especially in the rural and more mountainous areas.

The incidence of poverty may have been reduced somewhat over the last few years by improvements in infrastructure, such as roads, and the new economic opportunities (e.g. construction and tourism) they have brought. However, the shortage and erratic supply of electricity has posed a major development hurdle for the business sector.

3 Methodology

3.1 Key question and hypotheses

The key issues and hypotheses addressed in this study are:

- If the human and financial capacities of civil society organizations in the Shkodra Region are strengthened, they will possess substantial potential to take an active role in decentralisation and local governance.
- If all stakeholders recognise the role of local CSOs then they will assume a more active role in decentralization and local governance and in advocating local issues.

These hypotheses were addressed through a series of questionnaire-based interviews among a sample of CSOs and through a series of interviews with representatives of Local Government Authorities (LGAs).

The terms NGO and CSO are often used as synonyms in Northern Albania, and if reference is made to an NGO in this paper the term implies a formal CSO. Community Based Organisations (CBOs), on the other hand, are informal organisations at the village level.

3.2 Methodological approach

The Civil Society Development Centre of Shkodra maintains a list of 120 registered CSOs (November 2005). This list does not, however, include the CSDC itself or some of the local branches of Tirana-based CSOs, and therefore the figures in Table 1 deviate somewhat from CSDC data. For the survey a representative sample of 28 organisations was selected for interview, based on

the following criteria: a) representation of both well-established, experienced organizations and younger groups; b) representation of all 3 districts; c) representation of all categories. Table 1 provides an overview of the sample. In addition, a series of 9 interviews were held with representatives of LGAs in all three districts.

Number of CSOs according to category (sample size in brackets)				
Category	Shkodra District	Puka District	Malesi e Madhe	UNDP survey in Albania (2005)
1. Arts, sports and culture	10 (2)	1 (1)	0 (0)	(47)
2. Democracy and human rights	17 (2)	0 (0)	1 (1)	(81)
3. Women	8 (2)	1 (0)	0 (0)	(50)
4. Tourism and the environment	14 (4)	2 (2)	4 (0)	(44)
5. Children (care)	7 (2)	5 (0)	0 (0)	(13)
6. Development and the economy	11 (4)	3 (1)	6 (2)	-
7. Youth	6 (3)	0 (0)	0 (0)	(26)
8. Friendship and brotherhood	6 (1)	0 (0)	0 (0)	-
9. Health and the physically disabled	13 (1)	2 (0)	0 (0)	(13)
10. Others: CBOs, and category 6 & 8	-	-	-	(58) (165)
Total	92 (21)	12 (4)	11 (3)	623 (497)

Table 1: *Type of CSO and sample selected for the survey, also compared with UNDP survey sample 2005 for all Albania. Source: figures adapted from CSDC data.*

The questionnaire-based interviews took place during September 2006, and included visits to all three district towns (Shkodra, Puka and Koplik). The questionnaire is attached in Annex B and all quantitative data collected from the CSO sample is attached in Annex C.

Decentralisation re-allocates the functions and responsibilities within the state sector by devolving decision-making power to the regional or commune/municipality level. This can mean the contracting out of public services such as provision of drinking water or solid waste disposal to the private sector or to NGOs. The scope and role of CSOs in decentralisation is manifold and they must be solid enough to ensure checks and balances in local policy-making and service provision. Although civil society consists of (registered) NGOs, the media, trade unions, business associations, religious organisations and university institutes as well as informal community groups, this survey focuses on registered or listed CSOs.

The various types of CSO play various prominent roles according to their missions, constituencies and level of political influence. The role and importance of the various CSOs in Shkodra Region was assessed as follows by our interview partners:

Role and influence of civil society in Shkodra Region		
Type of CSO	Characteristics	Influence
Local media	- All municipalities have local private TV - Various local newspapers - In rural areas not available (mainly radio, public TV)	Rather high
University	- Conduct studies in the field of economic development - Lecturers represented in both LGAs and NGOs - Lecturers are members of various municipal commissions	Medium
NGOs (and NPOs)	Ca. 120 registered NGOs, plus some branch organisations	Low to medium
Trade unions	Not very active	Rather low
Religious organisations	Relatively active in social affairs	Rather low
Chambers of commerce and industry	Not very active beyond their immediate task	Rather narrow
Informal groups (incl. community-based organisations)	Not many groups, very fragmented, dominated by self-interest	Low

Table 2: Overview of CSOs in Shkodra Region and their perceived influence on policy-making (Source: interviews).

Traditional informal organisations (such as village men councils) played decisive roles in local governance during the period of Kanun (traditional civic code) rule in rural Albania. The “lagjie”, or quarter councils of cities, also had a function. But although the role of these traditional CSOs re-emerged after the transition they appear to play no major role in cooperation between CSOs and the government in Shkodra Region today.

3.3 Limitations of this study

For reasons of time and limited resources the study covered a sample of only around 25 % of all registered CSOs, and obtained only a small sample of opinion from LGA representatives. However, it is the conviction of the authors that the sample was fairly representative, and that because it included key opinion leaders such as the mayors or vice-mayors of the three municipalities the study’s findings reflect the present level and constraints upon cooperation among the various CSOs, as well as cooperation with LGAs, fairly accurately. But the sample’s small scope does not allow further statistical analysis.

The basic list for the selection of the sample CSOs was provided by the Civil Society Development Centre (CSDC) in Shkodra. However, field work demonstrated that the list was not comprehensive: some organisations (e.g. the hunting association of Puka) were missing since they are registered in Tirana. Altogether three of these “missing” CSOs were included in the survey; it is estimated then that the total number of more or less active CSOs comprises 130-150 in the Shkodra region. A direct comparison with the rest of Albania is made difficult by the different categorisation of CSOs by the CSDC and the UNDP survey (UNDP 2005).

It must also be noted that traditional social relations, usually clan-based in Northern Albania, play an important role in decision-making and public debate. However, several interview

partners stated that these informal power structures play a less significant role today than do CSOs. The interrelation of vested clan interests and civil society certainly merits further analysis.

4 The current cooperation among CSOs, and with LGAs

4.1 Characteristics of the surveyed CSOs

The 28 CSOs interviewed comprise a wide range of organisations ranging from branches of international NGOs; branches of national CSOs; local CSOs; and silent CSOs which are only active when they are able to obtain funds (approximately 30 % of all registered CSOs). The sample shows the following characteristics:

- All but one are less than 15 years old, and the average age is only 6.
- One CSO employs around 4 full-time and 6 part-time staff, but most have 2-3 employees and 8 CSOs have no full-time staff at all. This would indicate that CSOs provide full-time employment to approx. 500 persons and part-time employment to 1,500 - 2,000, indicating that the sector has some economic relevance as an employer.
- The average number of members is 64 in Shkodra and more than 100 in Puka and Malesi e Madhe (the number of beneficiaries is much higher, but cannot be quantified).
- Only 80% of registered CSOs have a board and conduct regular meetings. In Shkodra CSOs depend for 78% of their funds on foreign donors, and in Puka and Malesi e Madhe for 45%.
- The majority of CSOs in Shkodra report an increase in funds over the past 5 years, whereas in Puka and Malesi e Madhe the majority noted no change.
- CSO representation is so far substantially greater in urban areas and the CSO role in rural areas is marginal, though some CSOs (e.g Agropuka) address farmers' needs.

The structural weakness of civil society goes back to the communist period, when civic participation was prohibited. Though values have been shifting due to the democratisation process in Albania, many people still have a dual frame of reference: on the one hand apathy resulting from experiences under the communist regime, and on the other the emergence of personal responsibility and taking an active role in voicing one's interests (Zef 2003). It is evident that the transition process in progress is slowly favouring the latter value system, and that the younger generation will be better able to use the new opportunities provided by the emergence of civil society in Albania.

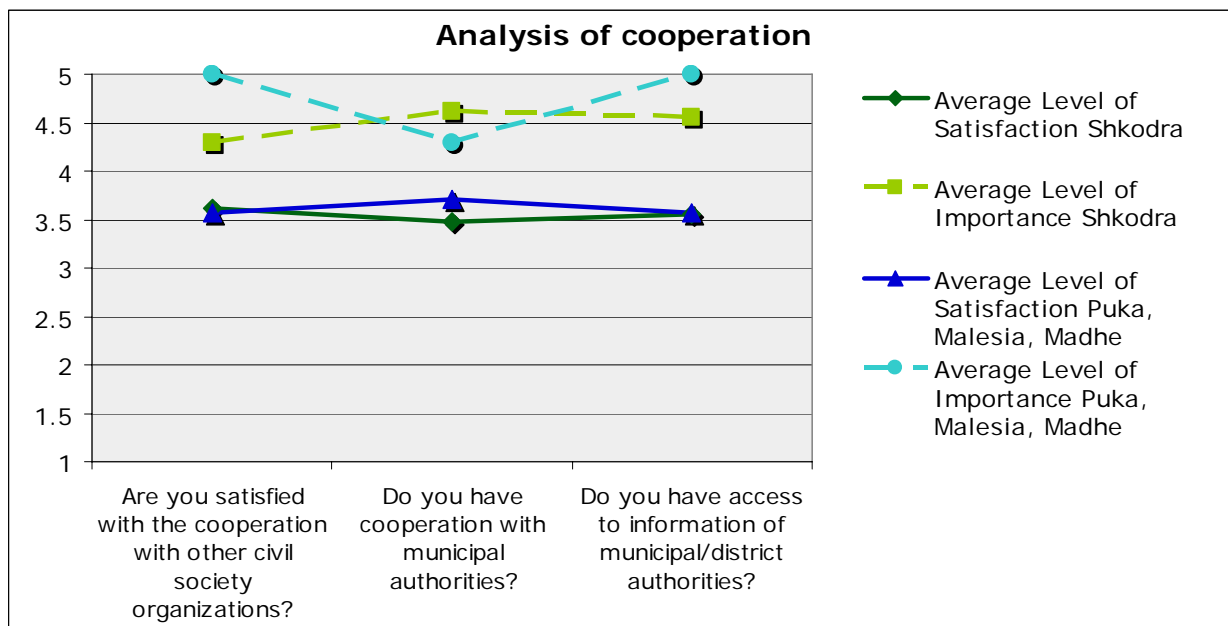
4.2 Analysis of Cooperation from the perspective of CSOs

The following analysis includes two dimensions: (1) an assessment of the cooperation between the various CSOs; and (2) cooperation between civil society and state institutions.

Cooperation among CSOs. The following graph illustrates the assessment of levels of cooperation among CSOs and with LGAs, and the perceived importance of cooperation. The following aspects are noteworthy:

- Satisfaction with levels of cooperation among CSOs and between CSOs and LGAs is similar (3.5-3.7 on a scale of 1-5).

- The average level of the perceived importance of cooperation with other CSOs and of having access to the information of municipal/district authorities is higher in rural areas than in Shkodra.



Rating: 5 = very high; 4 = high; 3 = more or less; 2 = low; 1 = very low

Figure 1: Rating of cooperation among CSOs and between CSOs and LGAs from the perspective of CSOs. Source: survey of 28 CSOs.

Comparing this rating with statements made in the interviews, our interpretation is that the assessment is probably biased towards the positive. The interview partners mentioned the following problems and issues hindering cooperation among CSOs:

- A lack of formal and informal information-sharing among CSOs leads to overlapping or badly-coordinated projects. A major factor which limits information-sharing is competition (for funds) and jealousy among CSO representatives.
- The majority of CSOs - and most of the available funds - are steered by donor policies and thus driven by particular project interests.
- Activities in rural areas are constrained by logistical factors such as lack of mobility for staff to make field visits and the poor communication facilities of CSOs and beneficiaries.
- Coordination is restricted by the limited human and financial capacities of the CSOs, with only a few permanent staff and much work done by volunteers. Only the few international NGOs have permanent offices with modern office infrastructure. The new liaison office for the civil society of Shkodra established in 2004 by CSDC provides important logistical services, however.
- The various CSOs have differing management structures and cultures, and operate in different thematic areas.

All CSO representatives acknowledge that better coordination is very important in rendering civil society more effective and efficient. Yet it seems unrealistic to expect voluntary overall coordination or even the formation of an umbrella body at the regional level, given the compet-

ing (fund-raising) interests of CSOs and the present fragmentation and small number of CSOs in the various thematic areas.

Cooperation between CSOs and LGAs

Cooperation between civil society and state institutions is hindered by deep mistrust among people at all levels of government. The following factors were also mentioned explicitly:

- Too much LGA inefficiency and bureaucracy
- Lack of qualified counterparts able to deal with specific issues (e.g youth development, promotion of tourism, etc.)
- Indifference towards CSOs because of deep mistrust of CSO capacity and transparency
- Slow LGA decision-making and lack of funds to support activities.
- The present 3-year election cycle at local government level is too short. The resulting rotation of key staff hampers the building of stable relations and mutual trust over longer periods.

4.3 Cooperation from the perspective of LGAs

The LGA representatives acknowledge that interaction and cooperation between CSOs and LGAs has improved continuously over the years, but that most LGA representatives remain highly sceptical of CSO willingness to cooperate and share information, especially regarding budgets, etc.

LGA representatives rank the importance of mutual cooperation as highly as do CSO representatives. The cooperation between municipality staff and CSOs is perceived as better (with a 3-4 rating on a scale of 5) if it involves cooperation between CSOs and ministries such as education, agriculture, and health, whereas the level of cooperation between LGAs and CSOs at municipality, regional and prefecture level is rated lower (1-3). Cooperation in the health sector is rated lower compared to other ministries. It appears that cooperation and coordination improve if the issues under consideration are concrete (tangible) and thematically focused. Other aspects mentioned were:

- The quality of the information provided by CSOs does not always match requirements, and it often comes late.
- The allocation of funding among so many CSOs is perceived as inefficient, and priorities are distorted.
- LGAs see a need to monitor relations between CSOs and their beneficiaries, since many CSOs do not seem accountable to their target groups/members, but only to their donors.
- The speed of new legislation has created some inconsistencies between the various government layers (e.g. municipality – region), especially in the area of shared functions (e.g. maintenance of schools), which has also hindered cooperation with CSOs.

The Municipality of Shkodra is trying to better coordinate development activities and the flow of funds by requesting foreign donors to channel support to local NGOs through the Municipality. However, this oversight function is being challenged by the CSOs, who are pressured by recent Government requests for registered CSOs to pay the social contributions of at least one full-time

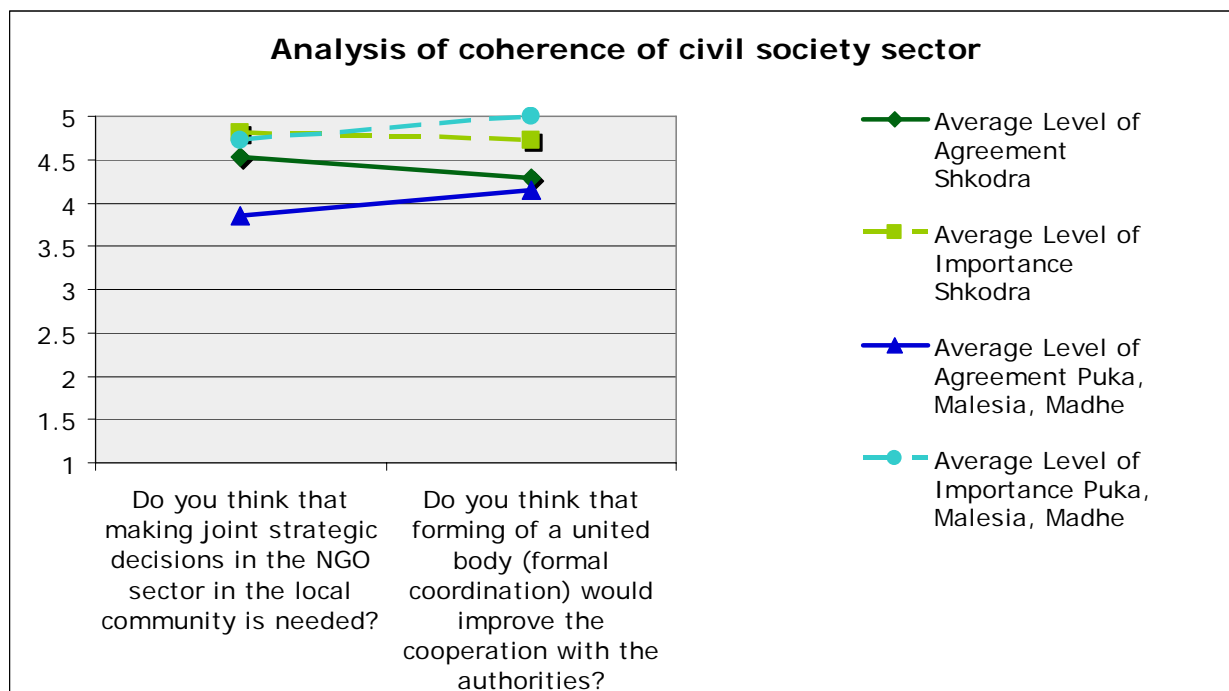
employee to the local tax office, and of increasing registration fees, which now have to be paid to the Tirana High Court. These additional costs are a barrier to CSO registration, since many small and local CSOs without regular funds have no means of paying. Therefore it may be expected that some presently registered CSOs will de-register in the future. If a striving and diverse civil society is to be an asset for local development and decentralisation, this is not a helpful signal.

Both sides, however, have stressed the need to deepen and intensify information-sharing and cooperation, especially in the context of sectoral issues.

4.4 Coherence issues in civil society

The following graph illustrates the assessment of the perceived coherence among CSOs. The following aspects are noteworthy:

- The importance of coherence on the part of CSOs is acknowledged by all partners, although less prominently in Shkodra, where the number and variety of CSOs is greater.
- Similarly, the usefulness of forming an umbrella coordination body is rated higher in Puka and Malesia e Madhe than in Shkodra.



Rating: 5 = very high; 4 = high; 3 = more or less; 2 = low; 1 = very low

Figure 2: Perceived coherence in the CSO sector of Northern Albania. Source: survey of 28 CSOs.

The present level of coherence among CSOs is not very high. Though some organisations form lobbies for certain issues, fragmentation dominates and the high level of dependency on donor funds and specific projects compounds the difficulties. One representative felt that “foreign donors are escaping” and that certain topics will take on undue significance (e.g. too many strategic studies, too much emphasis on environmental projects related to Lake Shkodra, etc.). Therefore building coherence will involve not only improving coordination among local CSOs, but better donor coordination. However, better donor coordination can only be expected if LGAs

play an active role in bringing donors to the table for information-sharing and discussion of the priorities of the NSSD (National Strategy for Socio-Economic Development) at regional and local level.

With the decentralisation process the region (qarku) has taken on an important role in coordinating the activities of CSOs and LGAs at regional level, and commendable efforts have been undertaken to improve the regular exchange of information among project partners (especially larger projects). An important issue here is the accountability of CSOs; LGAs perceive a lack of this on the part of local CSOs towards their members and beneficiaries.

Establishing coherence at the LGA level must spotlight the distribution of functions between the region (qarku, political representation) and the prefecture (which represents the ministries), because the role of the regions in the new government system is unclear. Coordination efforts seem at times to be duplicated, and the division of responsibilities between these administrative layers is undefined. Further clarification is required here to improve the decentralisation process.

It can be confirmed that local CSOs perceive the need for better cooperation, networking and information-sharing (see also UNDP 2005). Awareness that they fulfil an important role in promoting civic participation and in broadcasting the people's voice to LGAs, where many staff still prefer to govern without regard to local wishes, has increased. The Civil Society Development Centre in Shkodra, which is supported by various donors, has provided a common platform since 2004 and has been able to lobby for the joint interests and problems of CSOs. To be sustained in the future this and similar bodies need finance from participating CSOs together with complimentary funds from either LGAs or central ministries (and not just donor funding exclusively, as at present).

Given the dependence of CSOs on external donors there is also a question of transparency in the power and communication relations between international NGOs and their local partners. Up to now local CSOs have often had little bargaining power to improve transparency in strategic decisions due to institutional weakness and dependency on donor funds. Agg (2006) found evidence that local NGOs have not benefited as much from the "golden age of NGOs" as one would expect. In the case of the Shkodra region the number of and ability of CSOs to deliver services and to advocate policy issues has increased, but the more powerful advocacy CSOs require institutional capacity located in Tirana. On the other hand, it is encouraging to see that the activities of these CSOs can, through their branches and campaigns, reach remoter areas of Albania.

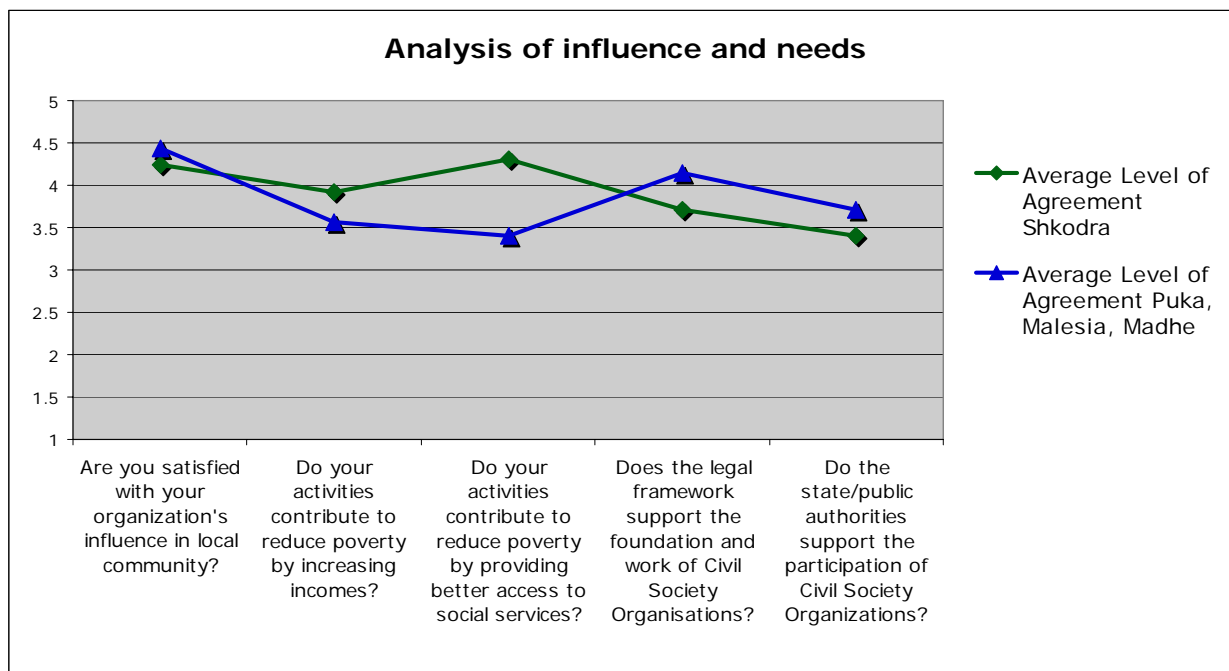
4.5 The influence and requirements of CSOs

The following graph shows the assessment of the perceived influence and requirements of CSOs. The following aspects are noteworthy:

- Whereas CSOs' general influence at the local level is rated high, their contribution towards poverty reduction via income generation activities and the provision of better services is rated lower. This may indicate either some scepticism regarding their effectiveness in addressing poverty issues, or that poverty issues are not regarded as a main task.
- Despite a liberal NGO law there is scope to further improve the legal framework in which CSOs operate.
- There is scope for improving LGA promotion of CSO Participation.

The rather low rating given to how representatives perceive their contribution to poverty reduction can be explained partly by the fact that some organisations perform advocacy work (envi-

ronment, corruption, elections) and thus make only an indirect, long-term contribution to income improvement on the part of their beneficiaries or the general population.



Rating: 5 = very high; 4 = high; 3 = more or less; 2 = low; 1 = very low

Figure 2: Perceived influence of CSOs and appropriateness of the legal framework for CSOs.

Needs and priorities differ according to the age of the organisations. CSOs older than 3 years expressed the following priorities in upgrading their professional skills: a) fund raising; b) media communication; and c) project management. The younger organisations see a) financial management; b) marketing of their services; and c) fund raising as their priorities. Most CSOs also see a need to upgrade their skills in their special subject area (e.g. gerontology, wildlife management, breeding, etc.). Some older organisations see no need for further training, since much was done in previous years of which some voices are critical. The value added by new training and workshops will decrease if no new funding mechanisms for specific projects or core CSO funds can be developed.

The main concern of all CSOs is the sustainability of their financial sources and how dependency on foreign donors can be reduced. Given the high poverty levels still prevailing in the region of Shkodra and the absence of big enterprises, there is only limited scope for replacing foreign donations with local finance in the coming years. Probably the LGAs and central ministries will have to contribute in future through subsidies, financial support or project/programme-related grants to the provision of clearly specified public services. Such support or procurement would have to be based on a transparent legislative mechanism at the national level. Another interesting option is the approach followed by Hungary (1996) and more recently by Slovakia, Lithuania and Poland where a “percentage mechanism” allocates a certain proportion of income tax (usually 1%) to NGOs that fulfil certain conditions. Though income tax revenues at the local level are modest, such a transfer could substantially improve the viability of professional local CSOs and increase citizens’ participation (Bullain and Toftisova 2005).

4.6 CSOs' role in decentralisation and the promotion of good governance

CSOs view their role in decentralization with a jaundiced eye as to their own capacities and the weaknesses of LGAs. They have experienced and struggled with bureaucratic and fast-changing procedures and the lack of transparency in how public investments are made, and have observed the paucity of human ability. Accordingly local CSOs regard their main role in the decentralisation process as

- Providing social services to marginalised segments of the population
- Monitoring the activities of local government
- Developing innovative approaches that can later be replicated by municipal and other local authorities. Examples:
 - The “Creative city” project supported facade painting on one building at the entrance of Shkodra. Subsequently, facade painting spread to other buildings as Shkodra Municipality collaborated with the project
 - An awareness-raising campaign against corruption in the electoral process and for academic institutions (IRSH – young intellectuals)
 - Targeted marketing of Shkodra region tourism, via organisation with TEULEDA of a road show in Italy.

LGA representatives are doubtful about the role CSOs can or should play in the decentralisation process. CSO interventions and contributions do not necessarily speed up already slow decision-making processes, and LGAs feel they should allocate scarce resources themselves since they have a better overview of the needs of the population and better technical knowledge for project implementation.

Although LGA representatives acknowledge the positive and complementary role CSOs can play in the decentralisation process, gaps in communication and expectation between the two stakeholders still exist. More intensive cooperation and more transparent information-sharing based on mutually-agreed principles (e.g. through a policy document on cooperation between CSOs and LGAs or concrete cooperation agreements) and regular sectoral platforms in the framework of yearly planning activities will be required to improve cooperation.

This survey provides evidence that the advocacy activities carried out by CSOs have helped to promote good governance principles in the public awareness and in the decentralisation process. If the criteria for good local governance are also taken as a yardstick for reviewing the performance of CSOs, however, then these principles need to be strengthened substantially within the bodies themselves: they should be responsive not only to donors but to their members and beneficiaries; maximise efficiency and effectiveness through regular review of their work; improve the accountability of their undertakings to their boards/members; consider their members' voices; strive for equity (there are some indications of elite capture⁵); and strengthen the rule of law (e.g. by reporting regularly and transparently to LGAs).

⁵ In a few cases influential LGA representatives are simultaneously directors of NGOs. In this regard Freedom House (2006) refers to the term of “Ersatz NGO” since many organisations represent state interests in the form of a CSO.

5 SWOT analysis of cooperation between civil society and local government authorities

5.1 SWOT analysis of present cooperation

The following table summarises the major current strengths and weaknesses of, opportunities in and threats to efficient and effective cooperation between CSOs and LGAs in the decentralisation process in Northern Albania.

Strengths	
Civil society	Local government
<ul style="list-style-type: none"> The substantial number of registered CSOs (120 in 9 different subject areas) with established boards for decision-making on strategic issues (though only around 70% of them are presently active) 	<ul style="list-style-type: none"> The decentralization process permitted them to take over many more responsibilities, focus on their most immediate needs and choose their collaborators and complementary organizations
<ul style="list-style-type: none"> CSOs have been flexible and adaptable in fast-changing conditions (fluctuations of funding levels, priorities, etc.) 	<ul style="list-style-type: none"> Cooperation with CSOs is realized mainly through formal contracts if services are provided (rare) or through formal and informal meetings (frequent)
<ul style="list-style-type: none"> NGOs have been creative and at the same time more successful in reaching people at the grass roots level, as they use participatory approaches 	<ul style="list-style-type: none"> LGAs have to some extent realised the importance of CSOs, but remain sceptical about the thematic qualification and transparency of CSOs
<ul style="list-style-type: none"> NGOs have contributed to some extent to the reduction of the social and political tensions that have dominated Albanian society. 	<ul style="list-style-type: none"> The new availability of media such as e-mail and the internet has improved the effectiveness of communication – Shkodra Municipality has its own homepage.

Weaknesses	
Civil society	Local government
<ul style="list-style-type: none"> Characterized by frequent lack of a clear definition of mission, unclear staff duties, lack of operational procedures and weak organizational logistics (no office space, lack of communication and mobility, except for the few international NGOs which pre-empt over sufficient funds). 	<ul style="list-style-type: none"> Much bureaucratic (and often changing) procedure hinders cooperation with CSOs.
<ul style="list-style-type: none"> Lack of qualified technical staff in their core working areas and deficits in the assessment of requests and project proposals 	<ul style="list-style-type: none"> Lack of capital (human and financial) for urgent investments and service provision. This reduces the potential for contracting of services to well-established CSOs.
<ul style="list-style-type: none"> Lack of formalised coordination (e.g. forum) to harmonise interests and lobbying among CSOs 	<ul style="list-style-type: none"> Lack of transparency in budgeting procedures and expenditure reviews reduces the potential that civil society can perform its oversight function effectively.
<ul style="list-style-type: none"> Local NGOs often have a narrow focus limited to their activities, without broader communication with the public, resulting in limited project sustainability and risk of overlapping activities in the same area 	<ul style="list-style-type: none"> Lack of a critical mass of experience in contracting with third parties in general and especially with CSOs.

Opportunities	
Civil society	Local government
<ul style="list-style-type: none"> The 2001 Albanian Law on NGOs is the most liberal in the region, allowing NGOs considerable liberty in their activities, although some tightening of rules was observed recently. 	<ul style="list-style-type: none"> The rather successful decentralization process will continue as part of the EU accession process and provide new platforms for collaboration with CSOs; their (oversight) function is increasingly accepted.
<ul style="list-style-type: none"> The EU accession process opens new possibilities for co-financing Albanian NGOs and local government 	<ul style="list-style-type: none"> The decentralisation and democratisation process is irreversible and local governments are giving civic participation higher priority.
<ul style="list-style-type: none"> The reach of CSOs is rather limited but with the urbanisation trend around Shkodra citizens' interest in local issues will grow. 	<ul style="list-style-type: none"> Fiscal decentralisation will provide local governments with financial resources that can only be invested effectively and efficiently if citizens and CSOs can articulate their priorities.

Threats	
Civil society	Local government
<ul style="list-style-type: none"> Because of a relatively successful transition, a growing economy and reduced poverty levels more donors may retreat and many CSOs may lose their funding base. 	<ul style="list-style-type: none"> The transfer of discretionary funds might be reduced if LGA performance does not continue to improve or is hampered by corruption.
<ul style="list-style-type: none"> The new and stricter tax restrictions on Albanian CSOs are increasing the barrier to formalising new organisations 	<ul style="list-style-type: none"> The central government might further restrict the operation of local CSOs in order to better control them or to force them to operate as state satellites.
<ul style="list-style-type: none"> The liberalisation process may open the fundraising market to highly professional international NGOs, who will compete with local CSOs and reduce their funding potential. 	<ul style="list-style-type: none"> Local government feels self-confident enough to decide on the allocation of funds alone; checks and balances (e.g. local media, CSOs) remain weak or are controlled by vested interests

5.2 Requirements for improving cooperation

Cooperation among CSOs

Cooperation among CSOs is inefficient because they currently lack human and institutional capacities and many are donor-dependent. This is especially evident on the periphery of Shkodra Region. However, some cooperation among CSOs has started, inaugurating a culture of shared interests and common defense of the interests of civil society. Further potential for cooperation needs to be explored via the formation of thematic alliances or working groups.

Making CSO staff and management more professional could help them to gain credibility as viable LGA partners. This would require a more stringent application of good governance principles within CSOs, in line with the debate concerning governance issues in civil society (running parallel to the discussion on corporate social responsibility in the private sector). Such principles include a certain independence of board members from management, effective oversight functions, regular audits, and annual airing of constituency- and stakeholder-relevant information (Silk 2004). This would also require unconditional LGA acceptance of CSOs as critical partners monitoring LGA performance – a concept not yet universal in Northern Albania.

Cooperation between CSOs and LGAs

The lack of cooperation between CSOs and LGAs and the limited role CSOs have so far played in the decentralisation process at the local level stem from the extreme mistrust on the part of civil society in everything government-related. All levels of government suffer from a very bad image. This is due to Albania's history of long dictatorship and isolation, its chaotic transformation process, and the many instances of bad governance until recently observable at various government levels and verified by international statistical data (insufficient rule of law, ineffectiveness of public services, and corruption).

Both parties acknowledge that cooperation has seen improvements, but that a lot of work remains to be done. Each stakeholder feels it most useful and urgent to improve the behaviour and attitude of the other partner first. Until recently, LGAs had limited human resources and no financial means of supporting or contracting services from CSOs. However, this situation may change with increasing fiscal decentralisation and effective anti-corruption measures. It is projected that fund transfer from the centre to LGAs will increase by several factors between now and 2010 (Freedom House). This perspective offers a new scenario for deepening local CSO-LGA cooperation and information-sharing.

LGA representatives also feel that CSOs require a more strategic approach. Experiences in other Eastern European countries have shown that liaison offices (similar to the CSDC in Shkodra) provide an important platform for cooperation between CSOs and LGAs (Gerasimova 2005). While in some Eastern European countries such liaison bodies are managed by government entities (Rumania, Hungary), in others they are run by bureaucratic units with a representative advisory group (Poland, Croatia, Slovenia, and others). Similar setups in Northern Albania would require LGAs to be more active.

6 Conclusions

6.1 Regarding the key questions

- If the human and financial capacities of civil society organizations in the Shkodra Region are strengthened, they will possess substantial potential to take an active role in decentralisation and local governance.

There is evidence that this hypothesis holds true. There are an estimated 130 to 150 CSOs in Shkodra Region of which 115 are listed at the Civil Society Development Centre (CSDC) and 73 officially registered at local tax offices. The latter figure possibly represents those CSOs that exercise regular activities. These numbers represent impressive growth in civil society bodies compared to 15 years ago, and involve around 20% of all the CSOs in Albania. This shows that Northern Albania has more CSOs than other regions in the country (except Tirana, with more than 215). Further organisations such as sports clubs and cultural groups may also merit consideration as CSOs, although they are not registered as such with the CSDC. CSOs have considerable access to local beneficiaries in terms of advocacy and service delivery, although less so in rural areas. They provide full- and part-time employment to more than 2,000 persons (estimate) and have several thousand members. Yet the institutional fabric seems quite thin compared to the size of the region and compared to other Eastern European countries. This is because of Albania's history and its decades of isolation under communism. The CSOs are fragmented into different thematic areas and coordination among them is minimal. Most are completely dependent on foreign donors.

CSOs' potential role in the decentralisation process has also not been fully realised, because decentralisation process agenda-setting and decision-making have mainly been driven from the centre and with an eye to donor interests, with the result that more power and financial resources were granted to LGAs. CSOs' voice and oversight function are now becoming more important, although their active role in the decentralisation process has been hindered by factors such as lack of qualified staff and permanent infrastructure, and the reluctance of LGAs to accept them as development partners.

To overcome the great mistrust between the two stakeholders it is essential to improve co-operation via new measures such as the elaboration of cooperation policies between individual CSOs and LGAs or by thematic CSO-LGA alliances. The operation of joint liaison offices has proven an effective tool in other Eastern European countries. Increasing the level of CSO funding through subsidies, central or local government grants and procurement of services would provide the right environment. Further strengthening of CSOs via selective fostering of human capacities and measures to achieve greater financial independence from foreign donors will be vital to improve effectiveness, sustainability and good governance within these organisations.

- If all stakeholders recognise the role of local CSOs then they will assume a more active role in decentralization and local governance and in advocating local issues.

Despite the fact that the status of CSOs has improved in Northern Albania and that their influence has been felt more actively in the past few years, more trust between representatives of CSOs and LGAs is required. Civil society is still extremely sceptical of politicians, remembering the corruption and unreliability of its leaders during the communist dictatorship and the chaotic pre-2000 transformation process.

One important step is certainly the improved CSO transparency brought about by recent active participation in coordination meetings with LGAs and transparent financial and result-based public reports. If they are to become professional partners in LGA activities, however, CSOs should not only demand that LGAs adhere to good governance principles, but should elaborate and follow a code of conduct themselves.

It is predicted that with more devolution of power and corresponding financial means for local governments the role of CSOs will change in the coming years, to emerge as a) an accepted voice (although of non-representative interest groups) in decisions on local investment priorities; b) as an observer of government procedures and investment allocation for infrastructure and social services; and c) as potential providers of social services on behalf of LGAs. Areas where CSOs (depending on their organisational profiles and proven strengths) have a comparative advantage over public administration include drinking water, care of the disabled, and promotion of tourism, among others. Realising their own potential will require a clear activity focus on the part of local CSOs, plus more staff training and professionalisation of management structures and supervision.

Decentralisation in Albania officially began in 2000 with legislation entitled "Functioning of and Organisation of Local Self-Government". Various sources attest that substantial progress has been made in political, administrative and especially fiscal decentralisation during the past 5 years (World Bank CAS 2006, Freedom House 2006). Although the new government abolished the Ministry of Decentralisation and Local Government in September 2005, its functions were essentially integrated into the Home Ministry, which seems dedicated to continuing the devolution of fiscal power and autonomy to LGAs. However, excepting great success in the capital, Tirana, progress and results have been uneven, especially in Northern Albania. Shkodra Region features low absorption capacity and still-weak institutions at the local level (plus unclear de-

marcation of municipal, district and regional government roles) and severe economic and social problems (together with frequent power cuts). Our survey provides supporting evidence that CSOs have played a role in the decentralisation process, but that they have yet to emerge as a policy-making force at the local level. They were better at advocating good governance principles in general (in elections, on the theme of human trafficking, etc.) than at following them themselves.

6.2 Recommendations for improving the capacity of CSOs

- The Civil Society Development Centre (CSDC) established with the support of OSCE and others in 2004 plays an important role for the smaller CSOs. It provides vital logistical services and liaises with LGAs or the central government. It will be a challenge to increase the centre's autonomy from foreign donors through the new funding possibilities (subsidies, grants for specific projects or procurement of services by LGAs) that may emerge with the decentralisation process.
- CSO staff have been the target of further training, and this needs to be extended. One important focus here should be specialized services or thematic areas (the core tasks of CSOs, varying greatly from organisation to organisation). This requires a pooling approach to combine training for various similar organisations in the region or in Albania as a whole. Another is project planning/management and proposal writing. With the ratification of the stability and association agreement in June 2006, Albanian partners gained access to EU-wide networks and funding channels (e.g., INTERREG EU grants). It is important for Albanian CSOs to learn how the EU works and how they can participate in EU-wide policy advocacy networks.
- The introduction of a certification body for Albanian CSOs could promote transparency and good governance principles within these organisations. Such a body would have to represent various sectors, such as the central government, LGAs, the private sector and CSOs themselves, and might initially be affiliated with a local university institute to guarantee an independent review mechanism.
- A system of local expenditure reviews should be drawn up in order to strengthen the oversight function and empower civil society. These reviews could offer a platform for reducing the prevailing mistrust between CSOs and LGAs. They might take a peer review approach, encouraging mutual trust between elected politicians, recruited professionals and CSO representatives.

6.3 Recommendations for improving cooperation between CSOs and LGAs

- Both CSOs and LGAs need to understand each other's roles. They need to map common interests that support local development and provide a framework for investment in social and economic areas (e.g. tourism, care for the marginalised, other services, infrastructure, etc.).
- Empowerment of CSOs should become a part of routine LGA policy, and specified portions of LGA budgets should be earmarked to support joint activities or procurement of CSO services. These funds should be allocated according to clear criteria and on competitive terms. Albanian CSOs need to learn how to access them, and how to identify partners for participation in major projects.

- Central or local government should support the operations of joint liaison offices and general organizational development of CSOs by helping to introduce quality assurance systems for CSOs which provide services. They should promote improved CSO transparency through corresponding incentives such as closer cooperation, contracting of services, etc.
- Municipalities, regions and the prefecture should undertake efforts to coordinate activities with CSOs. To streamline coordination to the optimal level a clear delineation of tasks should be made between the various LGA levels.
- A joint CSO- LGA steering committee might be set up to monitor relations and the commitment to cooperation in order to build confidence. This committee might also be linked to the administrative centre of Shkodra Region. It could facilitate coordination between CSOs and LGAs and raise awareness of future cooperation potential (projects, opportunities for service provision, etc.).
- Periodic meetings should take place between government and civil society to revise and analyze action within a pre-planned cooperation plan. The resulting reports should be made public and in some cases submitted to parliament. Mapping studies, case studies and analysis of best practices would be part of a broader evaluation process, which would aim to assess the progress of implementation and the impact of the cooperation plan between LGAs and CSOs.

The building of an open government is a complex process of institutional reform, and not a simple activity. Decentralisation requires lively civic participation at the local level, spearheaded by civic organisations which are able to monitor local government activities, function as a critical partner in the dialogue on development priorities and provide relevant social services efficiently. The fabric of CSOs in Northern Albania is still thin and vulnerable, especially if compared with other Eastern European countries. A greater number of professional and more independent CSOs would be an asset for Northern Albania in its attempt to move towards EU integration.

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Annex B: Questionnaires

Part 1: Questionnaire for Civil Society Organisations

“Analysis of cooperation among Civil Society Organizations and Local Government”

General information about the Organization

1. Name of the organization _____
2. Foundation date _____
3. Number of employed a) full – time staff ____ and b) part –time staff _____
4. Category (1-9): _____
5. Describe your 3 main activities _____

6. How many members do you have? _____
7. Do you have Board of Directors? _Yes ____ No ____
8. Do you conduct regular meetings? Yes ____ No ____
9. How do you inform? a) the members _____
 b) the public _____
10. How much financial support do you have from (foreign) donor organizations (% of budget):

11. How has the trend been during the past 5 years:
 ____ increasing, ____ same, ____ decreasing

Analysis of cooperation

12. Are you satisfied with the cooperation with other civil society organizations? ⁶

Level of satisfaction					Importance					
5	4	3	2	1		5	4	3	2	1

13. What are the 3 major problems in cooperating with other CSOs?

- a) _____
- b) _____
- c) _____

⁶ Rating: 5 = Very high, 4 = high, 3 = more or less 2 = low 1 = very low

14. Do you have cooperation with municipal authorities?

Level of satisfaction:

Importance:

5	4	3	2	1		5	4	3	2	1

15. Do you have access to information of municipal/district authorities?

Level of satisfaction:

Importance:

5	4	3	2	1		5	4	3	2	1

16. What are the 3 main difficulties in cooperating with municipal /district authorities?

- a) _____
- b) _____
- c) _____

Analysis of coherence of civil society sector

17. Please mention 3 positive and 3 negative examples of CSOs and local authority cooperation?

Positive Examples	Negative examples
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

18. Do you think that making joint strategic decisions in the NGO sector in the local community is needed?

Level of agreement

Importance

5	4	3	2	1		5	4	3	2	1

19. Do you think that forming of a united body (formal coordination) would improve the cooperation with the authorities?

Level of agreement

Importance

5	4	3	2	1		5	4	3	2	1

Analysis of influence and needs

20. Are you satisfied with your organization’s influence in local community?

Level of agreement

5	4	3	2	1

21. Do your activities contribute to reduce poverty by
a) increasing incomes?

5	4	3	2	1

b) providing better access to social services?

5	4	3	2	1

22. In which fields do you need further training? (3 most important)

- a) financial management
- b) fund raising
- c) marketing of products and services
- d) specific thematic subjects: _____
- e) other _____

23. Does the legal framework support the foundation and work of Civil Society organizations?

Level of agreement

Importance

5	4	3	2	1		5	4	3	2	1

24. Do the state/public authorities support the participation of civil society organizations?

Level of agreement:

Importance:

5	4	3	2	1		5	4	3	2	1

25. How do you see the role and importance of civil society organizations for effective decentralization in future?

- a) _____
- b) _____
- c) _____

Part 2: Proposed interview guideline for LGA Representatives

Analyses of cooperation CSO (NGOs, etc) and LGUs

Name of Interviewed person/organization: _____

Date of the Interview: _____

1. In which areas do you cooperate with civil society organizations?

2. What are the most influential formal and informal CSOs?

a) formal:

b) informal:

3. How do you cooperate with CSOs)

a) formal contracts (examples): _____

b) informal (e.g. ad hoc, examples): _____

4. How intensive is the cooperation between CSOs and the local government?

Level of cooperation:
(1 = low, 5 = high)

Importance:
(1 = low, 5 = high)

5	4	3	2	1		5	4	3	2	1

5. Do you inform / meet representatives of CSOs

a) regularly (at least once a month)? ___Yes ___NO

b) sometimes? ___Yes ___NO

6. Which means of communication do you use most? And how frequently?

(D= daily, W= weekly, M=monthly, Y = Yearly, N = Never)

1. Mass – media :

a) Local radio _____ National radio _____

b) Local press _____ National press _____

2. Direct meetings _____

3. Other _____

7. Which are the three main problems of the cooperation between CSOs and local government?

- 1.
- 2.
- 3.

8. How well do the CSOs cooperate among each other (one voice or are there conflict of interests)?

9. In which areas could CSO activities compensate public services or take over the public services provided by local government?

10. Which are the 3 main problems that make the cooperation between CSO and local government difficult?

Problems that prevent cooperation
(List problems according to importance 1 = most important)

- 1.
- 2.
- 3.

11. Which are the 3 main factors that are in favour of this cooperation?

Factors that are in favour
(List factors according to importance 1 = most important)

- 1.
- 2.
- 3.

12. Final comments/suggestion to improve cooperation:

Annex C: Quantitative information concerning the CSO sample

General information on the CSOs selected in Shkodra District

Organisation		Foundation date	Number of employees: full-time staff	Number of employees: part-time staff	Category (1-9)	How many members do you have?	Do you have a board of directors (yes/no)	Do you conduct regular meetings (yes/no)	How much financial support do you have from (foreign) donor organizations (% of budget)	How has the trend been during the past 5 years? (increasing/same/decreasing)
Note: ® = registered at local tax office ®T = registered at Tirana										
1	Helping children in war-torn & crisis-hit regions	1996	18	6	5	0	y	y	90	i
2	® Shqata kulturore "SARDA" (Cultural Association „SARDA“)	2000	0	2	1	15	y	y	70	i
3	Levizja Aleanca Rajonale e Femijve (Movement "Regional Alliance of children")	1999	30	2	5	580	y	y	80	i
4	Gruaja ne Funkcion te Mjedisit (Women at Environment Function)	2001	0	2	4	17	n	n	80	i
5	Fondacioni Besa (Microcredit financing)	1999	6	0	6	0	y	y	70	i
6	Intelektualet e Rinj Shprese (I.R.Sh. - Young Intellectual Hope)	1994	0	25	7	150	y	y	70	i
7	Natyra per Njerun (Nature for mankind)	2003	15	35	4	70	y	y	90	i
8	Zyra per mbrojtjen e qytetareve (Office for defending Citizens rights)	2006	1	1	2	20	y	y	70	n.a.
9	®T SIFE (Students in Free Enterprise)	1996	0	2	7	50	y	y	80	i
10	Projekti REC Shkodra (Regional Environmental Center of Shkodra)	2000	2	0	4	0	y	y	100	i
11	® K.L.A.S.S. (Time for Active Social Movement)	2004	0	0	7	136	y	y	0	s
12	Projekti "Qytetet krijuese" (Project "Creative city")	2004	0	6	1	6	n	y	85	i
13	® Intercooperation (Swiss NGO, in Shkodra since 2006)	2006	3	1	6	0	y	y	100	n.a.
14	® Grate Intelektuale te Shkodres (G.I.Sh. - Intellectual Women of Shkodra)	1998	2	10	3	50	y	y	90	i
15	® Civil Society Development Centre (CSDC)	2004	2	10	2	0	y	y	100	s
16	®T OXFAM (UK NGO, in Shkodra since 1993)	1993	3	3	6		n	y	100	s
17	® Dimension Human	2001	2	3	3	20	y	y	100	i
18	Shqata Shqiperi - Austri (Friendship Albania - Austria)	1991	1	8	8	60		n	75	s
19	Shqata e Promovimit turistik Shkodra (Association of Touristic Promotion)	2005	0	2	4	20		n	0	n.a.
20	® Agjencia e Zhvillimit Ekonomik Lokal - Shkodra (TEULEDA)	2001	5	0	6	26		y	100	i
21	Programi i Avokatise dhe Asistences Ligure per personat me aftesi te kufizuar ("ADRF") (Advocacy and legal assistance program for disabled persons)	2006	1	2	9	10	y	y	100	s
	Average	2000	4,33	5,71		62	y=15 n=3	y=18 n=3	79	i=13 s=5 d=0

General information on CSOs in Puka and Malesi e Madhe District

	Organisation	Foundation date	Number of employees: full-time staff	Number of employees: part-time staff	Category (1-9)	How many members do you have?	Do you have a board of directors (yes/no)	Do you conduct regular meetings (yes/no)	How much financial support do you have from (foreign) donor organizations (% of budget)	How has the trend been during the past 5 years? (increasing/ same/ decreasing)
1	CAFOD (Catholic Agency for Overseas Development)	1993	2	3	6	20	y	y	100	i
2	Professional Journalists's Union of Northern Region	2004	0	25	2	25	y	y	0	s
3	® Jersey Breeding association	2005	1		6	50	n	y	0	s
4	®T Hunters and Fishing Association	1950	1		1	300	y	y	0	i
5	Ecotourism	1996			4	120	n	n	10	i
6	® Agropuka	2001	4	2	6	202	y	y	100	i
7	Albmontagna	2001			4	66	y	n	100	s
	Average	1993	2	10		112	y: 5 n:2	y:5 n:2	44	i:4 s:3

Shkodra University and NADEL/ETH
Decentralisation Research Project 2006/2007

The perception of transparency at local level – Shkodra case study

Final Report

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Shkodra, September 2007

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1. Abstract

This case study will try to answer the many question related with transparency and its importance in a democratic society. We will try to explain to which extent the level of transparency helps the successful carrying out of tasks, policies and objectives compiled by the state in the form of programs. We will try to explain the connection of transparency with the need of strengthening good governance and the public participation in decision-making. It is of great interest to discuss the issues related to the citizens' degree of knowledge regarding transparency. In what terms do they understand transparency and how much aware are they of the ways and possibilities of the current legal framework to learn about local government, decision-making, the defining of community fields of interest, and especially about the good management of funds and donations which are being used for the regional economic development?. The activity of the central government, NGOs and the media, to make citizens sensitive on getting information from the public administration is crucial as well, especially to make them understand their role as actors in the decision- making process at local and national level, for issues related to both local community and region development.

The creation of such a climate will strengthen the community and will enable it to monitor in real time the policies enacted by the state and both the local and central administration.

Everybody needs to know how the local government budget is prepared, how finances are administered and how projects are carried out. They need to know how efficiently and correctly the information is given to the public, what the communication level is between municipality and citizens, and how transparent the policies are it implements during its mandate. The implementation of all these would influence to the increase of civil and local public administration awareness on the importance of transparency in consolidating the rule of law and democracy in Albania.

2. Methodology

2.1 Methodological approach

To carry out this research primary and secondary sources have been used. Primary sources included the questionnaires and interviews of local government representatives, members of the city council and citizens.

As secondary sources the Albanian legislation, the Constitution, and the law for the right to information about official documents have been used, as well as the Code of Good Practices on Fiscal Transparency and some International Monetary Fund studies.

3. Introduction

3.1 Definition of transparency

Albanian transition continues to be one of the challenges that the Albanian society continues to face in its social and economical development. This long transition period was accompanied by new developments that were not present in the period of totalitarian state. Specific problems unknown in the past, or kept hidden from the totalitarian state, began to emerge.

One of the phenomena quickly developed during this transition period was corruption, which goes to the highest levels of state administration. Fighting crime and its connections with politics are important achievements, but this still has a minor impact in decreasing the level of corruption, which remains present and much aggressive in the Albanian society.

In this long war, transparency is of immense importance, and both the Albanian politics and international institutions that work in this field are putting a strong emphasis on this. The managing of state administration, economy and culture, require transparency in decision-making and, above all, the involvement of interest groups and citizens in this process.

Regular, clear and strict public information on funds distribution and administration, on making projects and determining community needs has made the activity of the local government administration transparent, hindering the misuse of incomes and decreasing the likelihood of corruption of public managers and politicians.

In order to attain these objectives, it is important to increase administration's accountability toward law implementation. We notice that, notwithstanding efforts made, there is a lack of will and responsibility of officials having a direct responsibility to enforce laws in this field.

Frequent cases of corruption in the state administration have shattered the public confidence. We have to hope that the measures taken will improve the actual situation.

The public opinion has a great interest in transparency. The public needs to get information frequently about the incomes that are generated out of the payments of taxes and tariffs. Such an open communication with the community enables the state to change these incomes into useful investments serving the developmental needs of national economy and culture.

3.2 Definition of fiscal transparency

Transparency is not a simple concept to define easily. Many authors use different definitions for transparency, though in the relevant literature we can distinguish one of them as among the most comprehensive (Copits and Craig, 1998).

“Openness toward the public at large about government structure and functions, fiscal policy intentions, public sectors accounts, and projections. It involves ready access to reliable, comprehensive, timely, understandable, and internationally comparable information on government activities-whether undertaken inside or outside government sector-so that the electorate and financial markets can accurately

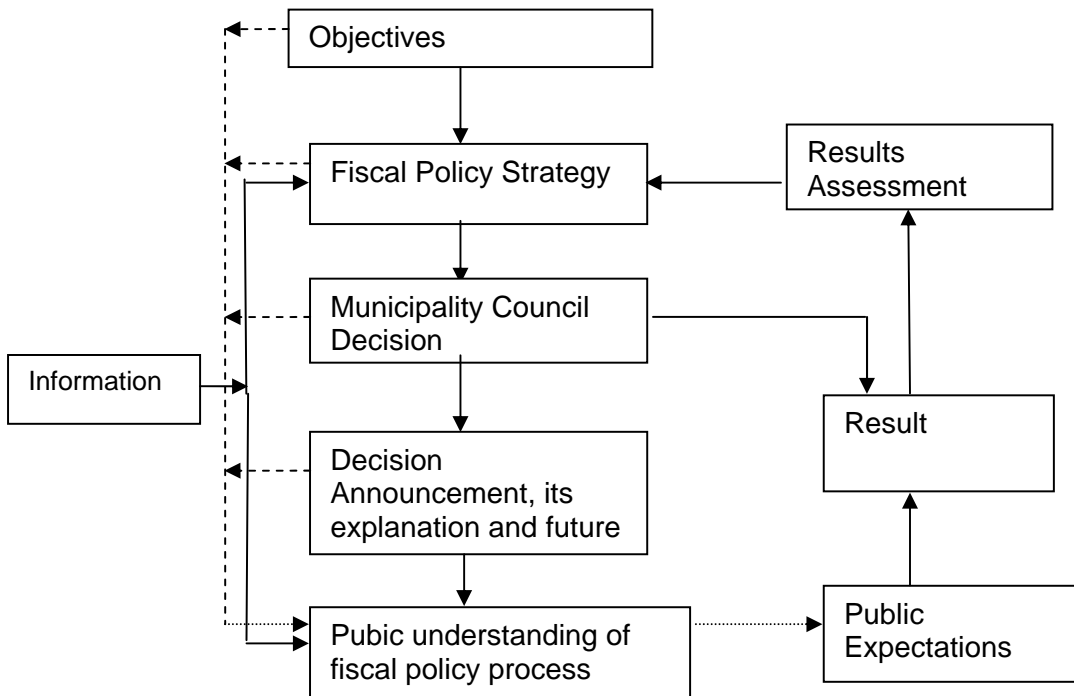
assess the government’s financial position and the true costs and benefits of governments activities, including their present and future economic and social implication.”

We can distinguish three aspects of transparency:

- accuracy of information,
- clarity of information
- common understanding of the information by both public and municipality.

Accuracy of information implies that the information given to the public by the municipality is the same as the information circulating within the municipality, without intentional changes or omissions. This aspect, according to Winker, resembles the transparency definition by Geraats.

For the information to be clear, it has to be simplified, structured, and communicated to the public in a way that does not leave room for misunderstandings. Clarity of information is especially important when it is presented to different audiences, citizens, and business communities. This requires a certain level of education by the public, which might derive from their interests or from the activity of municipality aiming to foster education in this field.



The chart presented above shows the way information comes out of the Municipality of Shkodra to the public in every step of the process of compiling and applying the fiscal policy. The arrows with intermitted lines represent the information that the public gets from the municipality which, in order to be transparent must have three qualities: accuracy, clarity and similar level of understanding by both parts. The dotted arrows show the creation of public expectations and their influence in achieving the results of fiscal policy.

For the public expectations to be as much rational as possible, it should get information by all the links of the fiscal policy chain. Thus, the public knows the objectives of Shkodra Municipality and its fiscal policy strategy to attain these objectives. It should also know the way these decisions are taken and why they are taken by the administration of the Municipality or by the City Council. The public must have the possibility to acquire basic information on how the Municipality of Shkodra takes its decisions. A considerable part of the information from the Municipality reaches the public through third parties, mainly by the media. As a result, these parties have a strong influence of their own in shaping public expectations.

4. The importance of transparency in the relationship between local government and community

Transparency level relates to the development level and the cultural emancipation of democratic societies. It really expresses the responsibility of authorities in drafting and implementing policies in every field. The demand to increase the level of transparency determines the work of the institutions that draft policies and cause the decreasing of corruption, a phenomenon that affects the development of the country and the image of Albania in the eyes of the institutions of international community.

The management of central and fiscal budget makes the community keener regarding the development of the country, and at the same time increases the accountability of the state administration in carrying out tasks and duties as required by the law. Information exchange between local government and community, especially the groups of interest, in a clear, correct and accurate way builds the trust of people in their state. In this way, intellectuals and other people become actors and generate ideas and projects for the development of the society.

If local government, in our case Shkodra Municipality, organizes open meetings with the business community, intellectuals, and professors of the university during the budget preparation phase, it should be able to recognize different problems, which are not dealt with in its work

Transparency helps the public to understand how the municipality works, creating the opportunity to assess the performance of the local government. It is necessary that the municipality informs and reports periodically on the work done, the fiscal policy plans, and the implementation of projects. We should understand that transparency is also an important political process and the degree of its implementation toward the community must not be left in the hands of the municipality only.

The Constitution of the Republic of Albania, the law for the right of information on official documents, and the Administrative Procedures Code determine accurate procedures to be followed, which require the local government to inform the community about the developmental policies it has followed, the projects it has implemented, and especially about the administration of funds and incomes. Despite all these measures taken, the results in this field are not positive. In our point of view, these laws in this phase must be accompanied by other legal regulations which would foresee due penalties.

4.1 Transparency reports of the credibility and efficiency of the fiscal policy

Transparency is related to the credibility of the local government and the efficiency of fiscal policy. If carrying out a not transparent activity, the credibility of the local government becomes questionable. In such circumstances people become more indifferent and they feel hopeless about the improvement of their lives.

This should not be seen simply in the context of corruption and misuse of the state budget, but rather in the context of the impact they have in social life. Such behaviour of local government administration disappoints people and makes them lose hopes for the improvement of their actual and future situation. Transparency ensures great support by the public and provides an indispensable help in achieving objectives. Only in this way, the public becomes a necessary ally and partner to the local government.

This is helped by the Code of Good Practices on Fiscal Transparency, a document, which was reviewed in March 2001 by the International Monetary Fund. The analysis of this important document shows clearly that fiscal transparency gives a great contribution to good governance. It makes known to the public the objectives and the results of the fiscal policy, makes the government more responsive about objectives and results of this fiscal policy, and as a result builds trust and creates a better understanding of the public about the policies and related public decisions.

Transparency in a global environment has a considerable importance in achieving macro-economic stability. However, this is only one out of many aspects related to good fiscal management. Attention has also to be drawn on the increase of government efficiency and on the creation of a positive image on public finances.

Due to high demands and qualities that fiscal management requires, IMF is keen to promote a high level of fiscal transparency. This is why the IMF member states are working to implement The Fiscal Transparency Code.

The code is based on the key objectives listed below:

- Roles and responsibilities inside the government must be clear,
- Information about the government activity must become known to the public,
- Preparation of budget, implementation and reporting must be transparent, and
- Fiscal information must be prepared according to widely accepted high standards and quality. It has to be secure and independent.

We have to stress that the Code facilitates the control of economic policies through state authorities, financial market and international institutions. The directives in implementing the Code are accompanied with a help manual, which is reviewed against the changes made in the Code and has been updated in some fields.

4.2 Constitutional regulation of the right to information

The Right to Information is a fundamental right established in the Constitution of Albania.

Article 23 of the Constitution states as follows

- The right to information is guaranteed.

- Everyone has the right, in compliance with law, to get information about the activity of state organs, as well as of persons who exercise state functions.
- Everybody is given the possibility to follow the meetings of collectively elected organs.

Under paragraph 1, we have to do with a general principle of the right to information.

This law guarantees the right to information, excluding information restricted by law. In paragraph 2, there is the extension of the right to information towards state organs and persons that exert state functions. In paragraph 3, it is specified the civil right to participate and follow the meetings of the elected organs to learn about problems affecting their lives. All this serves the purpose of having a governance as open and transparent as possible.

The Albanian legislation protects the right to information by stressing that the citizen is not obliged to explain the motifs of its requests. It compels public authorities to give information related to any official document, except on the cases when specific laws forbid this.

Communicating directly with citizens from different social categories, we draw as a conclusion that the majority of the community is not informed about its rights it is entitled to in accordance with the laws of the country (including the right to information itself).

In the law “On the Right to Information of the Public about Official Documents”, article 8 speaks about official documents that can be made available to the public without requirement. It states “Public authorities are obliged to make public and multiply, in sufficient quantities and adequate formats, documents that facilitate public information about:

- place of central and local organs,
- rules, procedures, and ways how different forms are taken,
- general legal rules,
- detailed explanations on methods and procedures of public authorities’ activity.

In this context, the question arises, in what way and to which extent does Shkodra municipality carry out these tasks in reality? We can answer this question by interpreting the questionnaires taken from the citizens of Shkodra and from the interviews of Shkodra Municipality employees.

4.3 Some issues of public information validity

The right to information is a constitutional right, which is guaranteed by the national and international legislation. International charters and conventions put this right in the group of political and civil rights. In many countries, this right to information is included in their Constitution, in the fundamental law of the state.

On this basis, laws are amended and a full legal context has been drafted, which enables practical efforts to guarantee the use of this right. By reviewing the legislation in this field, it is useful to present some of the principles upon which the right to information is based on.

These principles condition the drafting of new laws and also the improvement and amendment of the existing ones with the purpose of increasing the level of public information in accordance with the standards of democratic countries' societies.

- Legislation of the Right to Information must be guided by the principle of maximal transparency.
- Public Institutions must be required to publish the general information.
- Public Institutions must promote open governance.
- Exceptions must be presented clearly and in details.
- The requests on information must be handled rapidly and precisely and in some cases, they might be declined.
- Individuals must not be made to bear administrative costs as an intentional obstacle to prevent them from requesting information.
- Meetings of public institutions must be open to the public.
- Laws that contradict the maximum transparency principle of government must be amended and redrafted. (Information Freedom, Training Manual, 2004).

Albania has approved the law about the right to information on official documents. This law guarantees the right of every individual to get informed about the official documents that are administered by public authorities.

However, this issue does not have a practical implementation, or it is rarely implemented in the relationship of the citizen to the state. In our point of view, there are two reasons for this: first, citizens are not aware of their right to information. They do not understand that according to this law the public administration is required to give complete information on its documents. As a result of former relationships with the totalitarian state, the citizen stills thinks of public administration doors as difficult to open, and it is very difficult for him/her to solve his/her problems and pursue his/her interests.

Second, the public administration employees are not yet interested in opening up toward the public. Equipped with an old mentality, the majority of them view citizens as people in need and themselves as the ones who have the monopoly of giving the required information. It results that 70% of the public officials had not heard about the law "On the right to information on official documents." Even the role of the media in this field is not very helping. Up to now, the distinguishing feature of its activity is scoops, data collecting through personal channels, changing undocumented problems into important news features, which were quickly forgotten.

In few cases media insisted on the publication of important documents in accordance with the citizens' interests (International Journalists Federation, 2005).

4.4. Information Office

To facilitate the information flow, the public administration is compelled by law to create a special institution named “Sector of Public Affairs and Information.”

The objectives of the Sector of Public Affairs and Information (SPI) are:

- Implementation of transparency principle in the field of administrative activity, the respect for the right to access official documents, and public information.
- Systematic assessment of the public needs and of services' providing, as well as the cooperation to find ways and possibilities to improve the quality in this field.
- Increase of transparency level and fostering communication with the public, by making it easy and simple, and bringing citizens closer to the power.

In Shkodra Municipality, this office was established in 2005 and actually has two staff members. It works to guarantee the rights of citizens to get informed on issues of their interest.

The functions of the SPI are:

- Acceptance and registration of the citizens' demands for building permission, to grant the status of homeless, to issue licenses, civil services, and to give photocopies of archive documents.
- Following up complaint and analyzing them.
- Direct assistance to resolve problems and to provide services to citizens.

As one of the main functions of management, this office deals with the public image of Shkodra Municipality. In this process, it determines what must be communicated to the public and assesses what the public says about local government institutions.

The Municipality of Shkodra has clear objectives in the field of communication. Their implementation means to explain to the public (depending on the interests of different groups) the effects of its decisions in the development of the city and the region.

How efficient has Shkodra Municipality been in choosing the means of communication? Have the press releases or the informative publications been enough educative to inform the public about the role and the functions of the municipality and to transmit its decisions to the public?

For this, partners of the local government must be well known, and the groups of interest with which the immediate and perspective work should be related. The purpose is to enforce the reciprocal cooperation between citizens and local government.

The Sector of Public Information in Shkodra Municipality is and should be in the future an office of special importance. It must make known to the citizens of Shkodra that the decisions taken by the municipality, will relate to their problems. With its work, it should be at the disposal of transparency growth to increase the faith of the community in local government.

According to information this office distributes to the public:

- Informative materials on Shkodra Municipality
- Decisions of the City Council
- Decisions of the Council on Territory Regulation
- Forms for different services
- Levels of service tax and tariffs
- Vacancy announcements
- Tender announcements
- Informative materials of different organizations and institutions

This office publishes in the newspaper of the municipality called “SCODRINON”, which has published only two issues since November 2005.

The information sector has lately published a guide of the services that are offered by Shkodra Municipality. In this guide are also included some information about the city council members and the sections they are part of. This was first published in January 2007 and the information sector tends to update it due to the changes happened after the 18 February 2007 local elections.

This office also gives information with specific data or with historical, juridical and economical character.

However, despite all these positive steps undertaken, from the contacts with representatives of the business community and comparing with the other offices of Public Affairs in other institutions, this office is still far from the required standards.

5. Open budget preparation, implementation and reporting

5.1 Methodology

This research is based on primary and secondary sources. Primary sources include the Albanian legislation, the Albanian Constitution, and the law on the right to information about official documents.

As a primary source was also used the Code of Good Practices on Fiscal Transparency, some IMF working papers as well as the questionnaires and interviews with representatives of local government, City Council members and other citizens.

This majority of the issues discussed in this part of the study have been based on the Code of Good Practice on Fiscal Transparency, which was approved by the Executive Board on March 23, 2001, and subsequently acknowledged by the IMF.

As far as the fulfilling of these demands by Shkodra Municipality is concerned, the existing legislation was used and interviews were carried out with employees and directors of the municipality, who work in different sectors on the budget preparation, its implementation and monitoring.

5.2 The Code of Good Practices on Fiscal Transparency and Albanian legislation for the budget

According to the Code, budget documents must specify the objectives of the fiscal policy, the workgroups, the political basis for the budget and the main identifiable fiscal risks.

Law no. 8652, dated 31.7.2000, «On the organization and functioning of Local Government», determines clearly competences and functions of the local government. Based on the functions and competences, as well as in the funds that the municipality has (unconditioned funds from central government and its own incomes), the City Council establishes the priorities for expenses and allocation of funds according to these priorities. This organ also discusses the structures proposed by the Mayor for the well functioning of the municipality.

Based on this law, the total engagement of municipal structures - directories and departments, as well as the involvement of all relevant actors of the community is required during the process of budget drafting. Only in this way, it is possible:

- to involve all interested actors in the decision- making process,
- to determine fully and clearly all the priorities,
- to establish standards for services.

The above-mentioned law determines clearly how the financial reporting should be carried out, which is obligatory for local governments and structures at the local level (Budget Directorate). In addition, this law determines the functioning of the local government, separating the responsibilities of the legislative branch (City Council) from the executive branch (the Mayor and municipality administration).

For a better planning of tasks during budget drafting, as well as after its approval, there has been a coordination of activities between relevant sectors in Shkodra Municipality. This has led to a better planning for services, investments and others tasks.

Every year the municipality has presented the priorities and demands accompanying them with financial costs in accordance with the criteria approved by the government. By reviewing carefully the budget law, we may say that it is clear in determining methods of budget drafting and fund spending. The directives from the ministry administering local government have been clear as well. They have helped the planning and spending of funds and the implementation of investments.

Taxes, taxations, tariffs and other fiscal duties function based on the law no. 8982, dated 12.12.2002, «On the system of local taxes». This law determines the rules for ways of exerting the rights and duties of local government organs, for defining local taxes as well as their collection and administration.

The municipality is compelled to respect the procedures for the determination of the tax and tariff levels and the way for their collection. The application of the Law is implemented through public administration officials, who must meet standard requirements of ethical behavior in public institutions, must respect the established communication rules by being transparent, responsible and accurate in responding to the demands or complaints of citizens.

Related to the application of this law we have made many contacts with business representatives. In the discussions held with them, the general opinion is that the

behavior of municipality officials is not equal and correct towards everybody. In the city, many businesses do not pay anything and continue their activity undisturbed. It is mentioned that bribes are given to the officials who have the duty to collect fiscal obligations. Usually, people talk confidentially and they never do it openly. They do not want to be identified. The level of losses in this process, according to the same sources, is considerable, which damages the community interests and the improvement of the situation in the city.

A directory of Budget, Finances and Accounting exists in the municipality, to control expenses and liquidity according to a plan approved by the City Council. Related to the practical implementation of expenditures for services or investments, there are special departments to control and monitor the activities according to an approved plan (according to project-budgets and respective quantities and qualities required, etc.). Among these, we can mention the Directory of Public Services, the Directory of Incomes that is responsible for the timely execution of the monthly plan of incomes, the Directory of Human Resources with the respective sectors of education, culture, social issues, and dependent institutions.

Having in mind some investments of these recent years, we can see mainly that some of them are of a very low quality. In many streets of the city pavement repairs and other asphaltting works are done. Their quality is not very good; the works does not meet the standards and the technical specifications. Therefore, it has happened that the works in the same streets or pavements had to be repeated and the funds given by the municipality have been misused. In our opinion the supervision of investments funds given by the municipality remains a very weak link and out of the control of local government managers.

It would be useful that before the approval of the upcoming municipality budget to carry out a deep and detailed analysis of the economical and financial indicators achieved in the past. The idea is for comments and conclusions that have come out of these analyses to be used for the improvement of the next year budget. However, these analyses have never been made. Actually, are presented on the same day both the achievements of economic indicators of previous years and the previsions for the next year project-budget.

In the budget-planning procedures, Shkodra Municipality is based on the law no. 8379, dated 29.7.1998, «On the drafting and implementation of state budget in the Republic of Albania. » For this purpose, the first step is to prepare a report on income planning, which in an analytical way discusses the planned incomes for every approved tax and tariff, how they will be collected and other necessary explanations.

In addition, the finance specialists of the sector prepare another detailed report, with the incomes planning forms of activities such as investments, services and administrative expenses. These two documents are presented to the City Council for discussion and approval.

The fiscal package is a document, which must be approved before the budget specification. It determines the local taxes and tariffs' level that will be applied in the future. From the contacts we have had with members of the City Council we are told that the fiscal package is approved in the same day as the budget.

In our assessment, this procedure followed by the municipality administration is not efficient for the simple fact that the decentralization law categorizes local taxes

and tariffs as the main items in the municipality budget. As a result, they should be analyzed before they become part of the budget for the next year.

In the drafted budget for every year, there are foreseen expenses that will be used in accordance with developmental needs and priorities. By the information taken from Shkodra Municipality, in 2006 primary investments in the field of infrastructure were considered streets and pavements reconstruction, city walls painting and the improvement of streetlights.

Also, for the first time expenses were planned for the maintenance of the streetlights' network, for the social service, both of these results of the local government decentralization process. A problem remains the use of funds for the maintenance and cleaning of roads and squares of the city. Even though the Municipality of Shkodra has given a considerable fund, the supervision of works in this sector is not good enough.

As a result, Shkodra remains one of the problematic cities as regards environment protection and the struggle against pollution. The local government is not able to control every day the works that the private companies carry out to maintain and clean the city.

Analyzing the activity of the Directorate of Incomes at the municipality, we see difficulties in taxes collection and different tariffs applied in different economic sectors. Even though the city is covered in business ads of all kinds, very little or no taxes are collected from incomes in this field. The information for the situation in this sector and the inventory for the commercial tax are not transparent and are not published. The members of the City Council are not informed about the level of incomes in this sector, not to speak about the information citizens might have on the same issue.

Based on the Code of Good Practices on Fiscal Transparency, information about the budget must be open, understandable and accurate. It must facilitate the analysis and promote a high accountability of local government staff.

In the case of determination of new fiscal policies (increase/decrease of taxes and tariffs) at the local level, an analysis of these policies is carried out, and consultations with groups of interest and specialists of the field are organized. In addition, fiscal information must be subject of independent judgments.

Internal audit is independent, according to the law "On the functioning of internal audit". By a clear plan, it relates to a material for the Mayor and other managers about the problems found in the legal procedures, methodology, efficiency of activities/services carried out by institutions, directorates and sectors of Shkodra municipality administration.

As the law prescribes, the 6-monthly report on budget implementation must be prepared for the City Council and all other interested parties. We contacted members of the Council and they confirmed that such a thing has never happened.

Budget data on macro-economic developments are registered and presented to the Ministry of Finance, Ministry of Public Order and Decentralization; sometimes they are sent to the Ministry of Education and Science, in Ministry of Tourism, Culture, Youth and Sport, and in the Ministry of Transport and Communications.

All this information with the problems they carry must be published and put at the disposal of the community, who must be informed about the indicators of the municipality, because many citizens' interests are related to them.

From the contacts we had with officials of the municipality and members of the Council we learned that the provision of reports for the public about the financial integrity of government accounts is achieved through the State High Control. This institution reports to the Parliament about all state institutions, in this case also to the functioning of municipalities and communes.

As far as it concerns national official statistical data, their publication must be done by INSTAT (National Institute of Statistics). However, the published data up to now are incomplete. This influences fiscal data verification, a duty on the basis of the Code of good Practices in the Fiscal Transparency.

Discussions with professors of economics of the university "Luigj Gurakuqi" and also former officials of the municipality of the city resulted in very interesting ideas, which evidence the lack of a national statistics agency to verify the quality of fiscal data. According to our concept, based on the decentralization law, the local government should not depend only on national institutions like the High State Control or INSTAT, but should promote new ways and possibilities for a more transparent communication with citizens, publishing everything that serves them and satisfies the community demands.

Referring to the above-mentioned code, the Municipality of Shkodra lacks the achievement of some standards, for example the presentation of achieved objectives from budget programs, the presentation of how the calculating system assessing delayed payments works, as well as the annual comparison of achieved budget results and objectives, which are the conditions to be met by the IMF member states.

6. Transparency and corruption

6.1 Corruption Perception Index

Based on the data published by the international institutions it results that corruption has quite a wide extension and is a problem for many countries of the world.

Types of corruption differ between East and West, developed countries and developing ones, but it remains a wound of the human society that hinders development and as a result, it must be fought.

This conclusion is illustrated with the data by relevant international institutions. The publication of Transparency International (2006) assesses the Corruption Perception Index in the majority of 159 countries under scrutiny by this organization with a rating of less than five units on the scale in comparison with the maximum assessment (ten). These data show high and disturbing levels of corruption in more than 2/3 of these countries.

Many researchers relate the high level of corruption to the economical development scale of a country. Many well-known researchers of economics and sociology have dealt with this correlation. Corruption is a major issue of poverty as well as a barrier to fight it. (Peter Eigen, Transparency International, 2005)

In reality, the level of corruption has a hindering effect in the progress of a society. When countries improve governance and reduce corruption considerably, they manage to use successfully and efficiently the incomes in the context of country development.

According to David Nussbaum, (Transparency International, 2005) corruption is not a natural catastrophe. It is the calculated theft of the opportunities of people that are not able to protect themselves.

We will focus on the relations between politics and society. The way how political leaders promise and keep their promises, how they do invest themselves in front of the people, how they provide sources for governance improvement, how much they work for the increase of transparency, in what way and how much responsible they are for the development of the country - these issues have a long-term influence in the good-governance of a country.

The link between corruption and the level of economic development of a country is a very interesting case study. To be successful in the field of corruption it is not enough to be a country with high standards of economical development. The analysis of Corruption Perception Index shows that it has improved even in places with low incomes such as Estonia, Columbia, Bulgaria, Chile and others. (Johann D. Graf Lambsdorff 2005)

We must also stress that in countries with high incomes, such as Canada and Ireland, an improvement of the CPI is noticed, which shows that even rich countries must work continuously to keep this important coefficient at the highest standards possible.

They must be attentive with big companies, which work also outside their countries of origin, and especially in poor countries and in those countries that are in their way towards economic development.

It is important to understand, to determine the ways for improving the situation, and to decrease corruption level in the state administration on all the levels. Transparency International recommends to low-income countries to undertake these measures:

- Increase of resources and hardening anti-corruption policies.
- A large public participation in learning and managing of incomes and expenses.
- In addition, this international organization makes general recommendations regardless the economic level of incomes in these countries. Among general recommendations, we may present:
- The need to promote and coordinate the cooperation between government, private sector, and civil society, aiming at the increase of efficiency and anti-corruption efforts to further improve governance.
- The approval and monitoring of current anti-corruption conventions in all countries and the need to have international agreements in this field. The basis of these agreements must be the convention of the United Nations against corruption, the OSCE convention against bribes, and other agreements mentioned by Transparency International.

6.2 Corruption Perception Index: Albania and countries of the region

Categories of States	State/Territory	Result CPI 2006	Security Limit**	Used Analysis***
28	Slovenia	6.4	4.9-8.0	8
41	Hungary	5.2	4.6-5.8	8
54	Greece	4.4	3.6-5.8	7
57	Bulgaria	4.0	2.7-6.0	7
60	Turkey	3.8	2.3-4.9	7
84	Rumania	2.8	1.9-3.7	8
90	Serbia	3.0	2.3-4.0	7
93	Bosnia & Herzegovina	2.9	2.7-3.2	6
105	Macedonia	2.7	2.3-3.2	6
111	Albania	2.6	2.2-2.8	5

Source: Transparency International, 2006.

Looking carefully at the classification of Albania in the long list of CPI, we see that place 111 represents a high level of corruption. Comparing with the CPI 2005, the ranking of Albania has improved, falling from 121st to the 111th place, which reflects the attempts that have been carried out in this period on the fight of corruption.

However, such a level shows that Albania remains a risky country for investments. This fact has decreased considerably the interest of large international companies or special investors for the export of their capital into the country. As part of this country, Shkodra Municipality with its institutions, including the local government, remains part of this phenomenon and is trying to find a solution to the big challenge of development: the fight against corruption and the need for further transparency increase in the communication with the community or the public in general.

7. Survey results about the perception of transparency

7.1 Methodology

The questionnaire survey had two purposes. First, it was intended to assess, through the citizens' opinions, the work that the Shkodra Municipality has carried out related to the transparency of its fiscal policies, and second, in an indirect way this questionnaire shows what the citizens themselves did to receive information related to the local government, how much active they have been in their demands to get informed, to demand accountability and to raise their voice on different problems they encounter in their daily life.

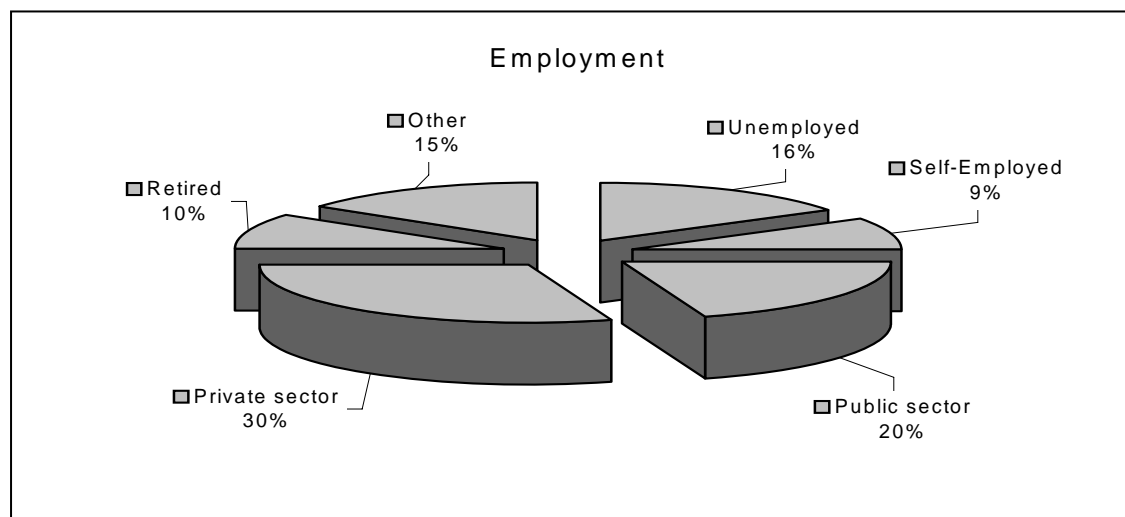
This questionnaire was used for surveying 150 citizens of Shkodra, in all the five administrative regions of Shkodra, with 30 questionnaires per region. The samples were selected at random and with considerable geographical distances, in order to avoid people from influencing each other's opinions (there has been no more than one questionnaire taken from one family or from individuals that work in the same work environment).

To carry out this survey we have encountered difficulties because citizens in general were not willing to «spend their time» with us. The biggest difficulties were encountered in Region no. 5, where twice as much time was required than in other regions to get the work done.

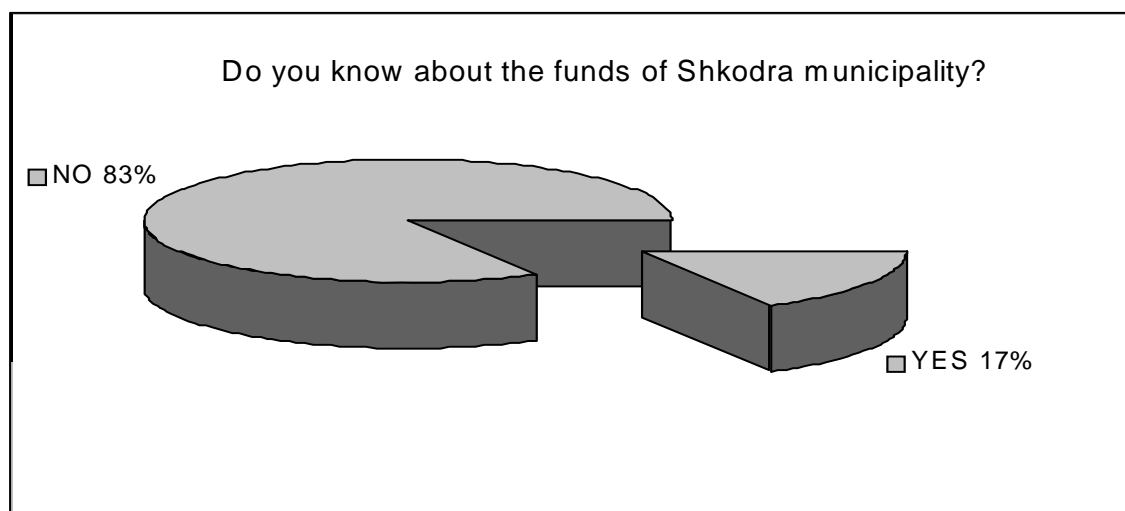
7.2 Questionnaire interpretation

With the use of this questionnaire, we have managed to get the citizens' opinion related to Shkodra Municipality, and the results are not so positive. Let us analyze them more in detail.

The first four questions were related to the personal information of the interviewees. Their composition is as follows: 60% women and 40% men; 10% had attended elementary school, 40% had finished high school, 44% had a university degree, and 6% were post- graduated; 20% were employed in the state sector, 30% in the private sector, 9% were self-employed, 16% were unemployed, 10% were retired, and 15% others (see below).



Do you know about the funds of the municipality and how they are distributed?
Where did you get the information on the usage of funds by Shkodra municipality?



The figures related to this issue are very disappointing. As it can be seen in the chart, 83% of the interviewees do not have information about the funds of the municipality of Shkodra. 63.3 % of the sample of Region no. 1 are informed generally by the media, 20 % of them know about the funds of the municipality and 6.7% know how they are distributed. 33 % do not have any information about these funds.

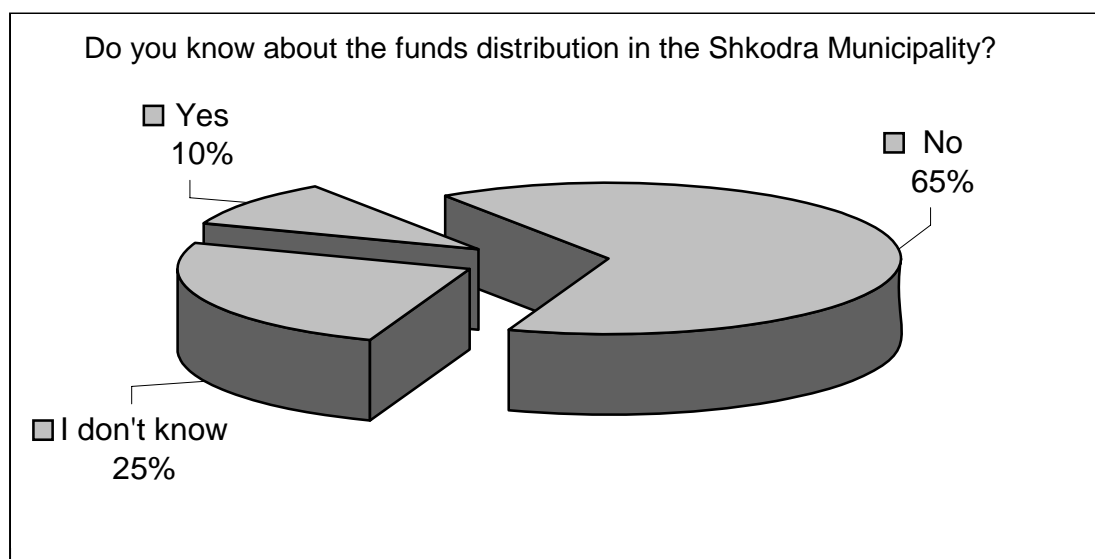
According to statistics, Region no. 2 is the less informed region. 93.3 % do not have any information related to this, 70 % do not know at all about the funds and how they are used.

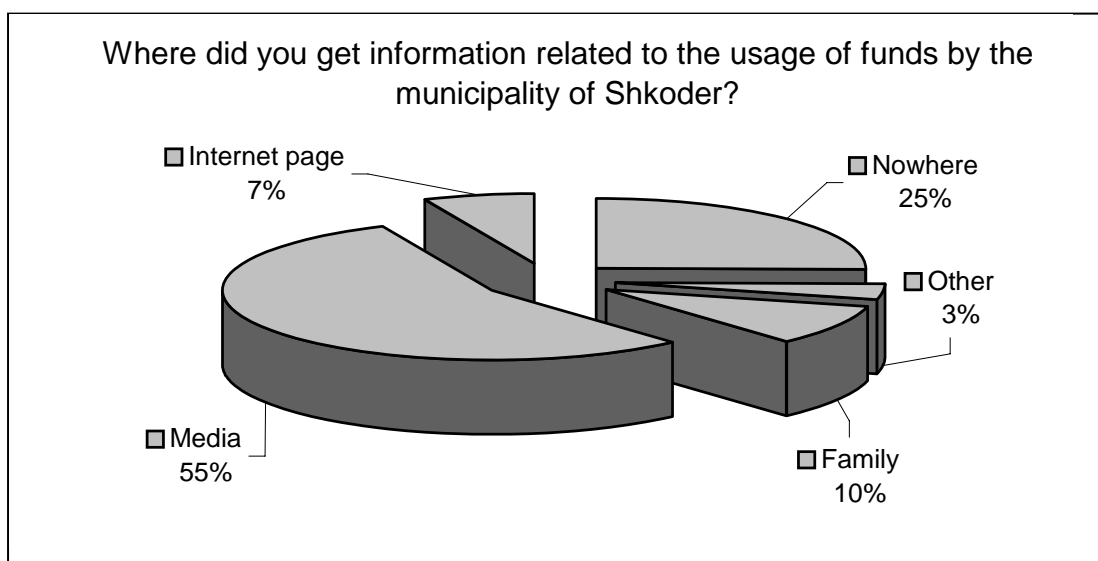
Region no. 3 has the best results in this questionnaire, but not on the desired level. Media is the primary means of information. 86.7% know about the funds and among them only 26.7 % know how they are distributed.

In Region no. 4, we still get high figures of the lack of information. 30% of the sample have not received any information on the funds and 86.7 % do not know about the funds of the municipality at all.

No good results are yielded from Region no. 5 as well. 23.3 % of this sample have no information about the municipality or its funds and 66.7 % of them do not know about the funds and their distribution.

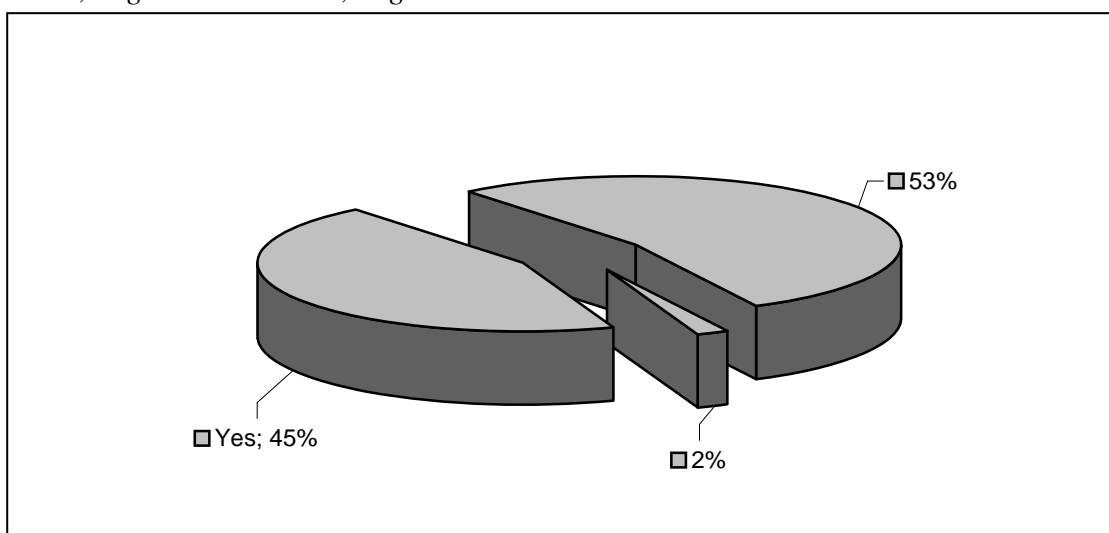
From the total elaboration of answers given by the 150 interviewees related to their knowledge about the funds of the Shkodra municipality, the situation is presented in the following chart.





Do the citizens of Shkodra know they have the right to participate in the meetings when the City Council approves the annual budgets and establishes the immediate needs of the community as regards investments? Analyzing the answers of five regions related to the question it is quite clear that the lack of information of citizens cannot be blamed only on the work of the municipality. The fact that 53 % of the citizens do not know shows that municipality must do more in informing citizens about their rights.

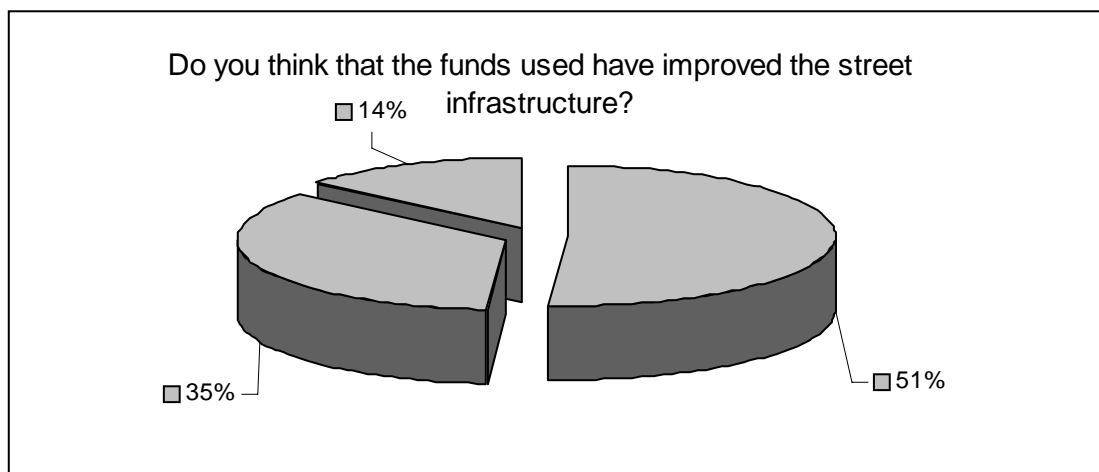
53.3 % of the sample of *Region no. 1* know about this right, *Region no. 2* is the region with the lowest knowledge with only 23.3 % knowing about this right, *Region no. 3*: 40 %, *Region no. 4*: 40 %, *Region no. 5*: 66.7 %.



Do the citizens of Shkodra ascertain that the funds used by their municipality have improved street infrastructure and the lightening network? Do they notice improvements in the work of the municipality during the period 2003-2006 and how do they think can the work be better organized for the monitoring of the usage of

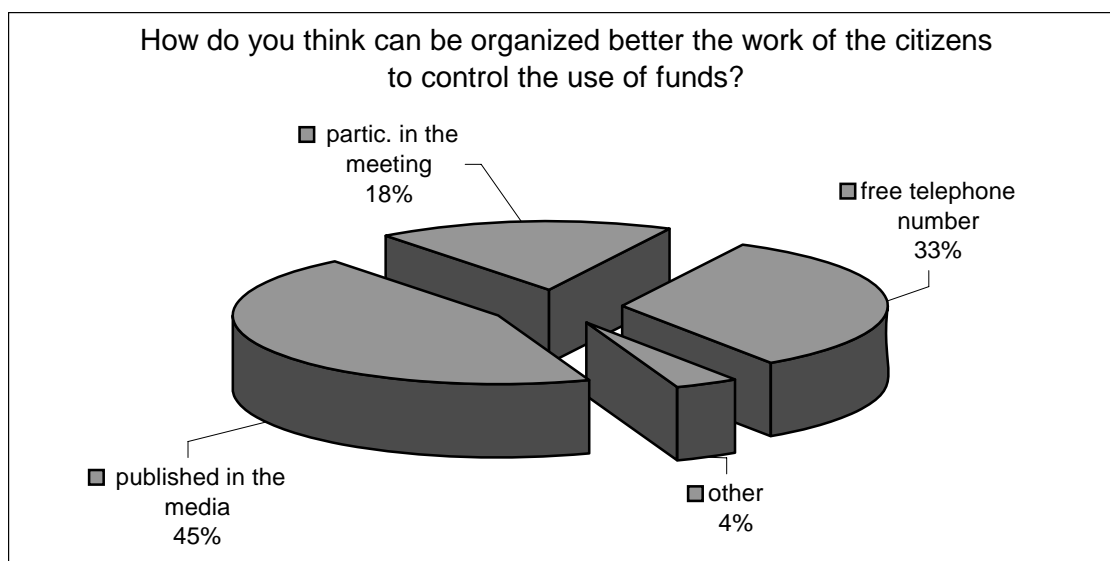
funds by this municipality? The analyses of the chosen samples in the five regions present high percentages of negative answers. More than 51 % of the samples do not see improvements of the streets or lightening system. High percentages of answers conclude that there were no changes or improvements of work in the Municipality of Shkodra during the period 2003-2006.

As far as it has to do with the way of organizing, the majority of the inhabitants of the Regions 1, 2 and 5 think that it is necessary to publish municipality funds in the media.

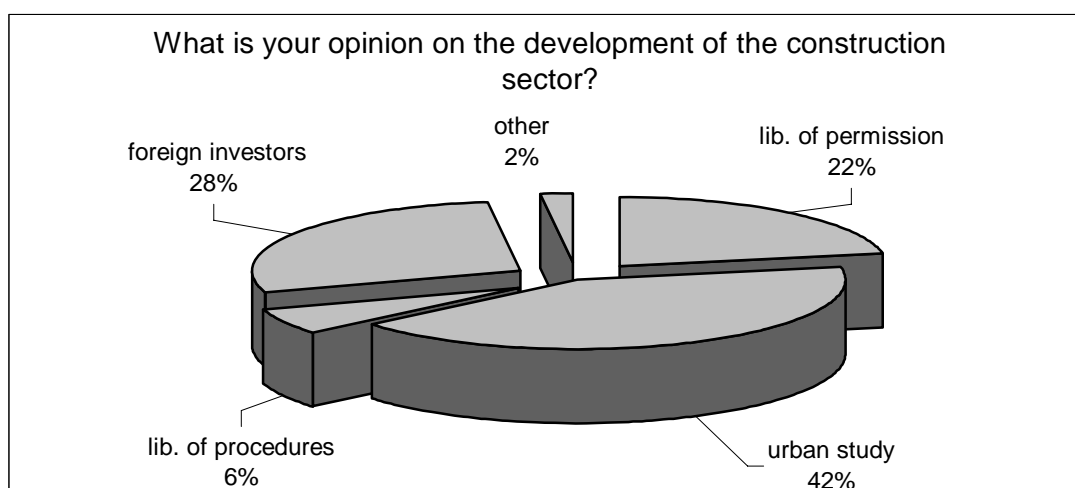


According to the answers regarding Region no. 3, people are keen to have a wider participation in both the City Council and Territory Regulation Council meetings. Taking this into consideration and the fact that 60 % of the residents of this region know their right to participate in these meetings, the question arises: Why are these citizens not present in a wide participation in the organized meetings?

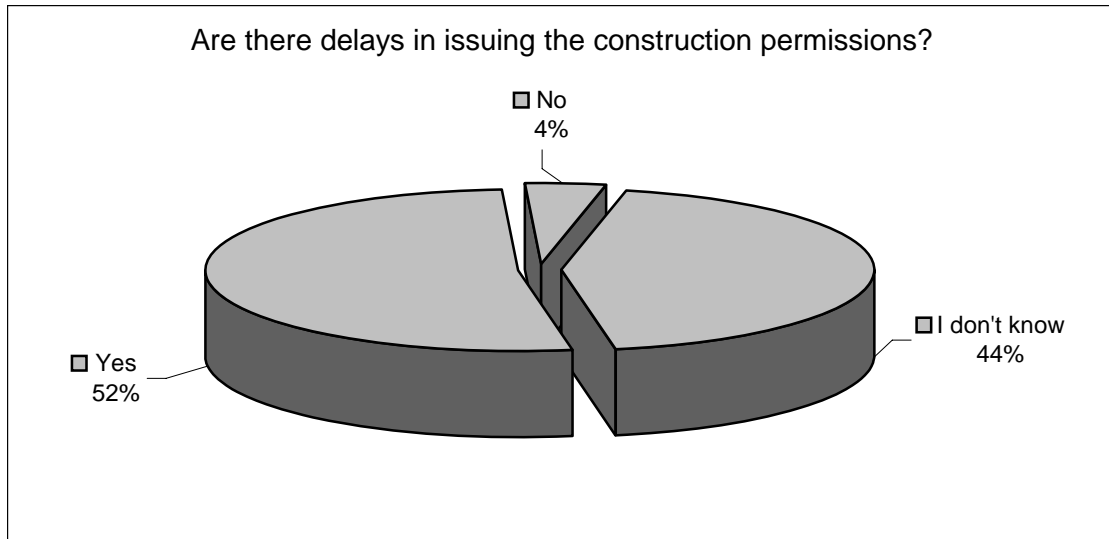
This shows once again a lack of responsibility from the side of the citizens. This is opposed to opinions gathered from citizens of Region no. 4, which see a solution in a better organizing or a free toll number to report different cases.



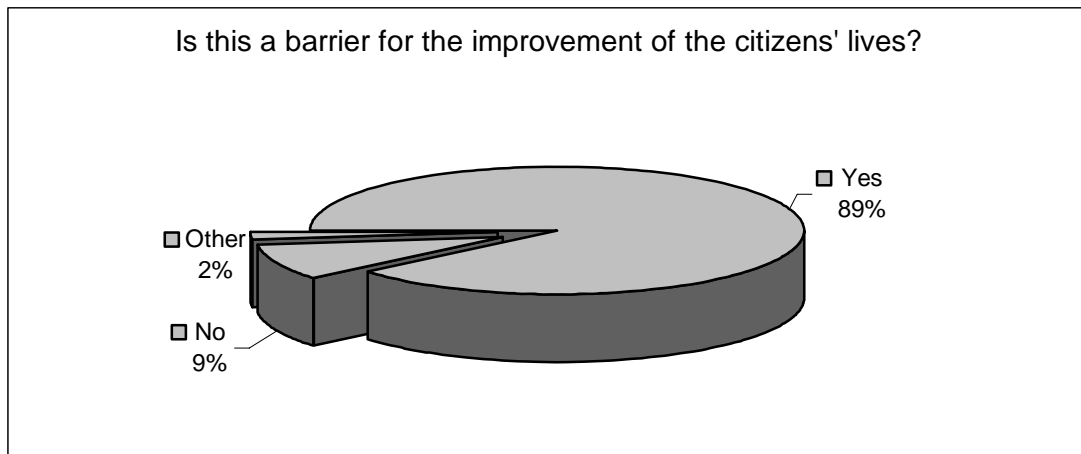
What is the opinion of the citizens on the development of the construction sector in Shkodra? Are there delays in issuing construction permissions and if yes is this a barrier for investments? Do the citizens think that this has to do with the corruption in Shkodra Municipality administration? As far as the organizational aspect is concerned, the majority of residents of Regions no. 1, 2 and 5 think that the publication of funds in the media is necessary. They ask for a comprehensive urban plan for the whole city and not only for the center. The majority of *Region no. 4* residents say that the policies that attract funds from the state or foreign investors must be established and implemented.



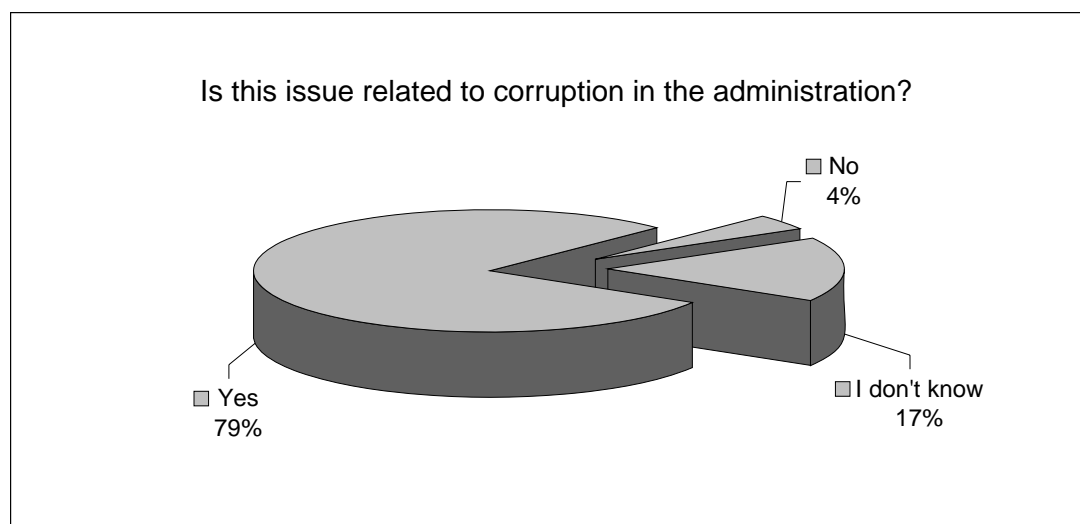
To the questions related to the delays of construction permissions many of the answers were “yes” and “I don’t know”. Talking into consideration the fact that not all the citizens are involved in the construction sector, these answers were very acceptable.



The majority of the samples respond that there are delays in giving these permissions and that this influences the development. With different figures, this is a representative response of all the five regions.

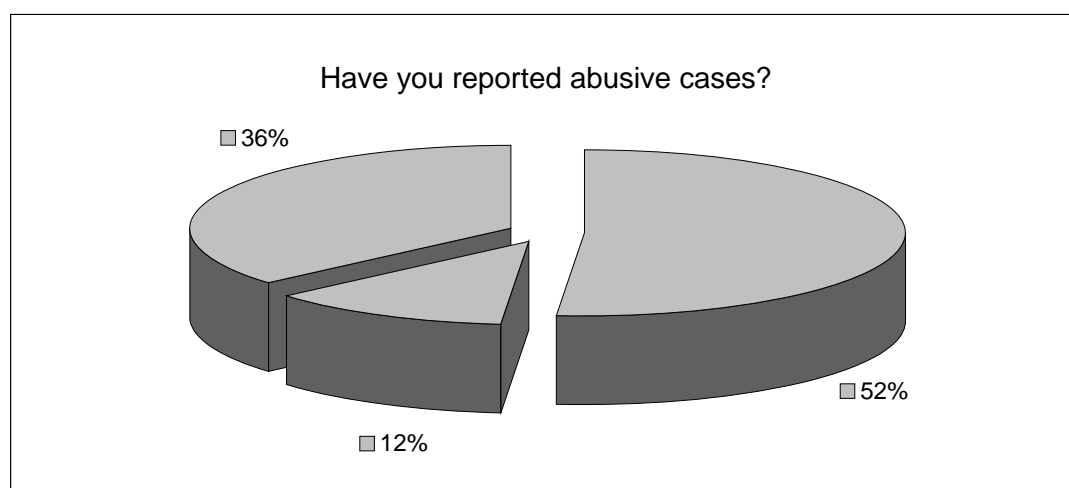


As far as it concerns the problem of corruption, despite the knowledge on the construction sector, 83.3 % of Region no. 1 answer deduct that this issue is related to corruption.



We see the same percentage, 83.3 %, in Region no. 2 and Region no. 3 respondents, 70% in Region no. 4 and 76.7 % in Region no. 5. These are very shocking facts, which represent a general negative opinion of citizens towards municipal administration.

Have the citizens ever reported to leaders of the municipality or have they called the relevant toll free telephone number? Based on the data above and the explicit claims of citizens related to corruption in the municipality administration, the next question was if they ever had reported any abusive case, which they faced during their daily activity.

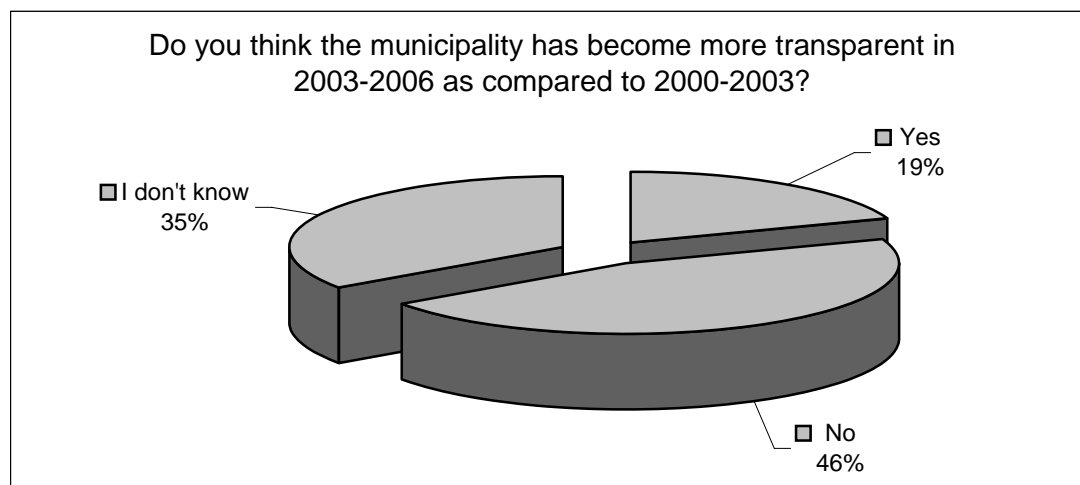


89.4 % of the sample replied “no” to this question. Thus, we can draw two conclusions:

- the relations between citizens and the local administration are at a low level and as a result the citizens are totally different in their behavior,
- they do not trust at all the municipality and for this reason “they do not move a finger” to report abusive cases.

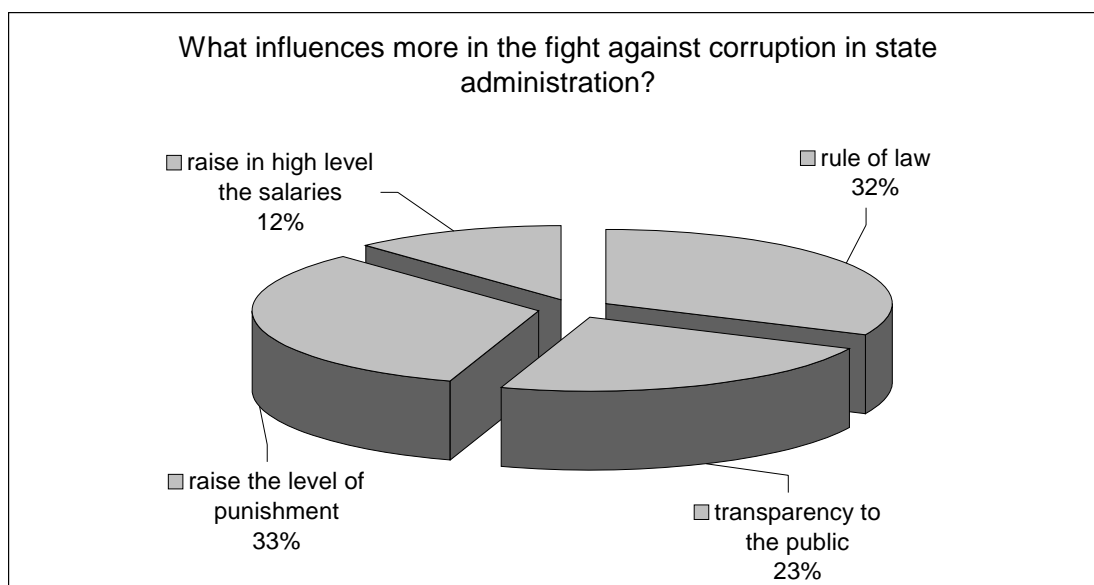
We must stress the fact that 13.4 % of the interviewees said they had reported cases but had achieved nothing with this action.

Do the citizens think that Shkodra Municipality has become more transparent in the communication with the public in 2003-2006 and which could be the way to increase the fight of corruption in state administration?



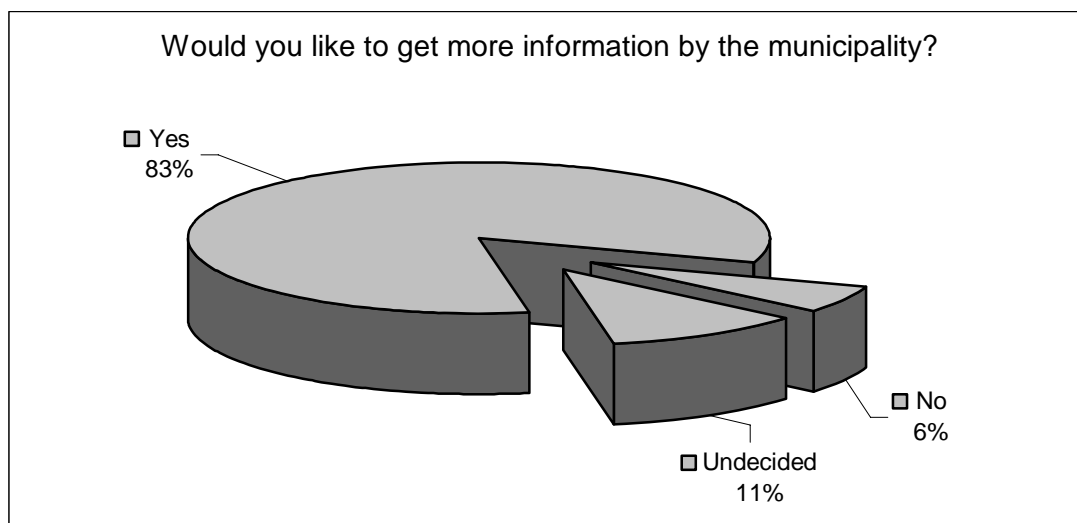
In the answers related to the first part of the question, represented in the above chart, we can see that 19.4 % of the sample answers that the municipality has become more transparent, while 46 % of them are of a quite opposite opinion. However, 40 % of the sample of this region thinks that raising the level of punishment for bribery is the best way to fight corruption in state administration, showing that actual transparency has not achieved the right standards. In the other three regions, more than 50 % of respondents say that there has not been any increase of transparency by the Shkodra Municipality, and as the main mechanism for the fight against corruption they see the rule of law and the increasing of the level of punishment for people involved in bribery.

Among the solutions they think might fight corruption there are law enforcement, 32 %, and harsher punishments on bribery, 33 %.



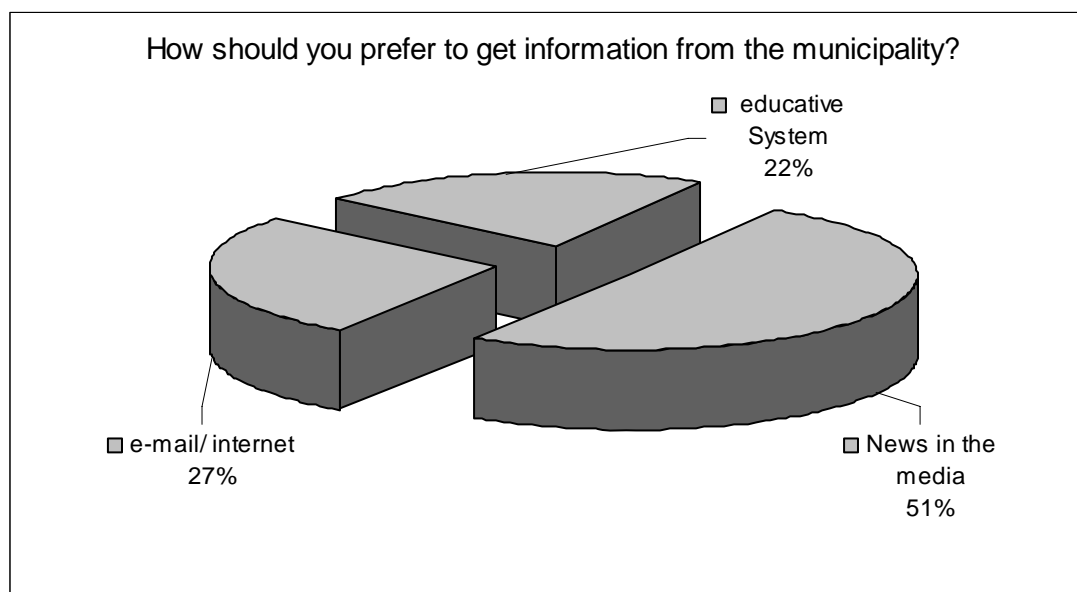
Would the citizens like to get more information about the municipality and how would they prefer to get it? We may say with certainty that citizens would like to have more information about the municipality. 83.3 % of Regions no. 1 and no. 3 answered positively to this question, while quite high figures were achieved in Region no. 4 with 90 %, and Regions no. 2 and 5 with 80%.

The most preferable way to get this information is media with 50.6 % of interviewees sharing this opinion. In total, related to the way of getting information, the persons asked have replied as shown in the graphic below.



Media option is followed by the desire to get informed online, a preferred way of the inhabitants of the Region no. 1 and 4. A crucial element to this study and especially to the applicative part (direct contacts with citizens) was the information gathered. It helped in the creation of a real picture of the level of relationships between citizens and the local government as well as of the attempts that are being made to improve

the situation. The data elaboration helped the drawing of some conclusions and the formulation of several recommendations.



To follow up on the issues presented in this case study, we have foreseen for this year the carrying out of other questionnaires, by which we will measure the development in the degree of transparency, the level of corruption and the eventual change of civil awareness related to this issue.

8. Conclusions

- The Public Affairs and Information Sector in Shkodra Municipality sees transparency as an issue of special importance in the communication with the public. In this institution, there is a real commitment to work in this direction, but the actual level of infrastructure is not on the desired level.
- Municipality still lacks a study upon which to build strategies and objectives for the concrete realization of problems that are related to transparency and the legal duties that the administration of the local government has towards its citizens.
- The results of this case study reveal that the involvement of Shkodra citizens in the decision-making process of the municipality is not good enough. Effective means to make citizens interested in the active participation of community affairs and the drafting of projects have not yet been found.
- There is a desire of citizens to have more information about local government, but still the adequate communicative means for getting this information are missing. According to them, the preferable means of getting informed is media.
- The overwhelming perception is that the level of transparency in the usage of municipal funds is very important for the quality of life of citizens.
- The lack of cooperation between the municipality and the public is evident.

- Citizens perceive a certain level of corruption in the local government, which affects negatively the development of the city.

9. Recommendations

- This case study must be seen as a theoretical and practical contribution in the study of transparency and related issues. We are of the opinion that the data, as well as the conclusions and recommendations of this research must be made available to officials in charge with the information of public on local authorities' activity.
- The municipality must use all the possibilities for building and consolidating a full infrastructure of the Public Affairs and Information Sector through which to realize all the legal obligations that flow in the field of transparency.
- As compared to other offices of Public Affairs in other institutions, this office is still far from the required standards. It has to take into consideration the best experiences, for example, the Municipality of Tirana case.
- The most practical communication means of the Municipality of Shkodra with the public remain the private local television channels (3) and the state local radio station (1). We consider that internet should not be neglected, though it is not a widely used means of information at the present by citizens. The real time information flow, low cost and the variety of information will increase the interest of citizens, especially youth, to use internet in the future as an informative means. A viable option would be also the written information distributed through the newspaper kiosks' network.
- Live appearances of local government representatives in television shows are to be encouraged. By presenting the programs, the projects and the funds that the municipality has, the citizens will be interested in their realization.
- Meetings or round tables between the municipal administration and representatives of intellectuals, business, media and the university in the preparatory phase of the budget plan for the next year should be organized. Such meetings will evidence different problems and will affect the decision-making process of the Local Government.
- The municipal communication channels must be carefully chosen by the administration. A clear description of projects, objectives and municipal funds should be communicated to the public. This way, the citizens' interest will increase and the possibilities of bad management will narrow.
- Communication with citizens and getting their opinions about the municipality improves efficiency, influences the transparency level, increases the civil awareness and improves the performance of the local government. For this, the best specialists will have to be chosen, because they are a very reliable source of information on the social and economic developments.

Annex A: Literature

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Annex B: Questionnaire

Dear citizen!

We are working on the topic “Transparency of the Municipality of Shkodra”.

We need your help by filling in this questionnaire. It is anonymous and the data are collected only for study purposes. This will not require more than 15 minutes of your time.

<p>1) Gender (tick where appropriate):</p> <p>a) Male</p> <p>b) Female</p>	<p>2) What is your age: (tick where appropriate):</p> <p>a) 19 – 35 years old</p> <p>b) 36 – 55 years old</p> <p>c) 56 – 65 years old</p>
<p>3) What is your employment status? (Tick one option, the one which provides more incomes to you).</p> <p>a) Unemployed</p> <p>b Self- Employed</p> <p>c) Employed in the public sector</p> <p>d) Employed in the private sector</p> <p>e) Retired</p> <p>f) Other (pupil, student, soldier, ..)_____</p>	<p>4) What is your education level (tick where appropriate)?</p> <p>a) Elementary School</p> <p>b) High School</p> <p>c) Graduate</p> <p>d) Post-Graduate</p>
<p>5) Region you live (tick where appropriate)?</p> <p style="text-align: center;">1 2 3 4 5</p>	<p>6) Where did you get information about Shkoda municipality funds (tick where appropriate)?</p> <p>a) Municipality website</p> <p>b) Media (newspapers, television, radio)</p> <p>c) family (relative, friend, etc.)</p> <p>d) Other. Specify: _____</p> <p>e) nowhere</p>
<p>7) Do you know about the funds of the Municipality? (tick where appropriate)</p> <p>a) Yes</p> <p>b) No</p>	<p>8) Do you know about funds distribution and have you seen them published in local bulletins or local media (tick where appropriate)</p> <p>a) Yes</p> <p>b) No</p> <p>c) I don't know</p>
<p>9) Do you know that you have the right to participate in the City Council's meetings when the annual budget is approved and the most immediate investment needs are established?</p> <p>a) Yes</p> <p>b) No</p> <p>e) Other. Specify: _____</p>	<p>10) Do you think that municipality funds have improved the street infrastructure, city lights network, the environment we live in?</p> <p>a) Yes</p> <p>b) No</p> <p>c) I don't know</p>
<p>11) Do you notice changes or improvements during the 2003-2006 period? (tick where appropriate)?</p>	<p>12) How can citizens control municipality funds better?</p>

Uruçi - The perception of transparency in Shkodra Municipality

<p>a) Yes b) No c) I don't know</p>	<p>a) Municipal funds have to be published in the media b) Wider participation in the City Council and TRC meetings c) Free toll telephone number to report different cases d) Other</p>
<p>13) What is your opinion on the development of the construction sector in the Municipality of Shkodra? a) Liberalization of construction permissions b) Urban study for the whole city, not only for the center c)) Liberalization of tender procedures d) Policies to raise funds from the state and foreign investors e) Other</p>	<p>14) Are there delays for issuing construction permissions? a) Yes b) No c) I don't know</p>
<p>15) There are delays in construction permissions. Is this a barrier for investments and the improvement of citizens' lives? a) Yes b) No e) Other. Specify: _____</p>	<p>16. Does the above-mentioned problem have to do with corruption in Shkodra municipality administration? a) Yes b) No c) I don't know</p>
<p>17) Have you ever reported in the free toll telephone number the abusive cases you have encountered in your daily activity? a) Yes b) No c) If yes, has the case been followed? _____</p>	<p>18) Do you think the municipality of Shkodra has become more transparent in its communication with the public in 2003-2006 as compared to 2000 - 2003? a) Yes b) No c) I don't know</p>
<p>19) Which of the following influences more on the fight against corruption in state administration: a) Rule of law b) Tranparency c) Harder punishment for bribery d) Salariy increase for officials heading offices that carry out services for the citizens.</p>	<p>20) Would you like to get more information by the municipality? (tick where appropriate) 1) Yes 2) No 3) Undecided</p>
<p>21) How would you like to get this information? (tick where appropriate) 1) Education System 2) Media 3) E-mail/Internet</p>	

Thank you for your collaboration!

Annex C: Interview guideline

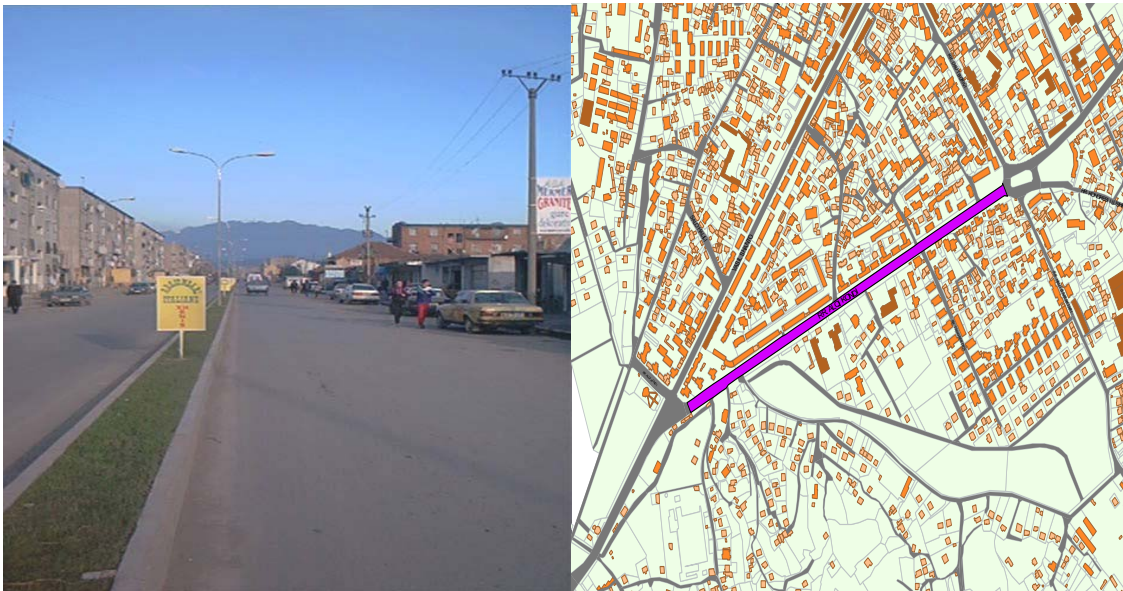
- Are local government structures clearly specified in budget preparation, execution and reporting?
- Are the responsibilities of different branches of local government (executive, legislative and judiciary) separated?
- Is there a clear mechanism for coordination and management of budget and extra-budget activities?
- Is there a clear arrangement local government and non-governmental public sector? Are there clear deals between the local government and the public non-governmental sector?
- Is inclusion of government in the public sector done publicly? Are there clear and non-discriminatory rules and procedures?
- How complete are laws on the budget, which relate to public funds?
- Upon what legal basis are taxes, tariffs, taxations and duties applied? Are they acceptable and understandable?
- Which is the level of standards on ethical behavior of public officials?
- Who covers budget and extra-budget activities of the local government, and is its fiscal position published?
- Is there a comparison between the actual annual budget and the budgets of two previous years?
- Is it a legal obligation of the government to publish fiscal information and is this carried out?
- Which are the budget documents and the extra-budget activities that make up the backbone of the annual budget?
- Are there fiscal rules and are they clearly specified?
- Have there been new policies during the last year and are they explained clearly in the annual budget presentation?
- How are the larger fiscal risks identified and determined?
- Are budget data reported by annual incomes, expenses and investments distinguished from expenses classified in economic, functional and administrative categories?
- How is a presentation of objectives achieved by the majority of budget programs provided?
- What happens when the non-governmental public sector undertakes significant fiscal activities?
- How does the system of payment delays' assessment work?
- What is the role of internal audit in the executive budget?

Uruçi - The perception of transparency in Shkodra Municipality

- Does law from the political direction protect the administration of national taxes?
- Is the semiannual budget report prepared?
- Is the comparison between achieved results and budget objectives carried out each year?
- Where do you report and are budget data presented in the macro economical developments?
- Is there a national audit or an equivalent organization, which prepares reports for the public on the financial integrity of government accounts?
- Are independent experts invited to assess fiscal and macroeconomic forecasts upon which they are based, as well as the essential guarantees?
- Is there a national statistical agency for the verification of the fiscal data quality?

Local Government Functions and Activity

Final Report

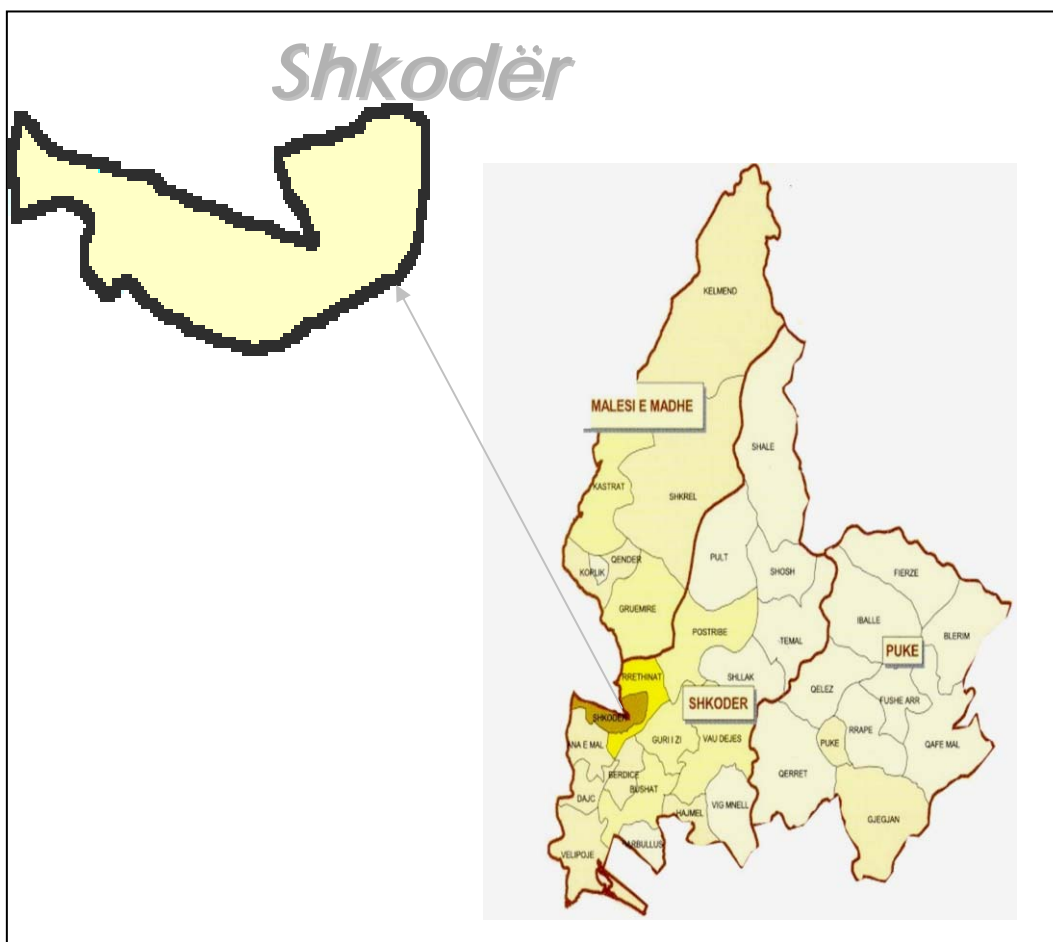


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Shkodra Region



The city of Shkodra is located in the South - Eastern coast of Shkodra lake (latitude $19^{\circ} 30' 22''$ and longitude $45^{\circ} 03' 51''$). It is characterized by a flat falling terrain, from East to the West, at around 10 – 25 m above sea level.

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Abstract

The state structure in Albania is organized according to the principle of horizontal and vertical lines of power on the basis of the Constitution (Article 108). The Constitution determines that “Local Government in the Republic of Albania is founded on the basis of the principle of decentralisation of power and is exercised in accordance with the principle of local autonomy.”¹

The Local Government Authority (LGA) with its various links to the citizens is classified as “the champion of local interests”, which serves the implementation of key national policies at local level. It is the main partner in the promotion of local development. According to Kaelin (2002) it is exactly these chain links of local government, with the responsiveness and respective duties that stay close and know much better the needs and the problems that families and citizens under their jurisdiction face every day.

The national development depends on the local institutional support level on one side and also the active participation of citizens in the growing institutional substance of these governing organs, ranging from the drafting of strategies and concrete plans of developments to the management of resources. For this, it is important to recognize and understand these structures, their functions and the challenges the decentralisation process is facing.

This case study focuses on road maintenance and tries to assist local governments and experts who work in this field in the implementation of their functions. It also aims at the better understanding of the process of law implementation.

This study includes recommendations on how the road maintenance functions shall be reorganized in view of the improvement of the system of local government in the region of Shkodra.

1. Theoretical background

1.1 Local government and its functions—a historic dimension

The decentralisation process in Albania started in 1992, gradually introducing a more autonomous model in the Local Government Authorities (LGAs), with growing competences and responsibility of the local institutions for some services and functions directly related to the public. Local Government had thus become politically autonomous, but fiscal and administrative autonomy were still limited at that time. Function and responsibility were often prescribed in general terms, did not match with the function or resources and often there was an overlapping of responsibilities with central functions.

In fact, though the law made LGAs responsible for many public services, it did not give them the authority to execute them. The LGA acted as an executive agency of the central government. Funds were given by ministries that were in charge of respective investments. Their budget was financed up to 75% by unconditional funds from the Central Government (CA), the majority of which were for salaries.

The transition period and the whole economic and social dynamic factors had an inhibitive role on the decentralisation of local government. Decentralisation in Albania, as in other countries, was primarily based on centralized political objectives. This caused the necessity of a

¹ Article 108 of the Constitution of the Republic of Albania, 1998

decentralisation strategy, approved by the government by the end of 1999.

The LGA mission is as follows:

Local Government in the Republic of Albania ensures governance at the closest level to the citizens through:

- recognizing different identities and values of different communities;
- respecting fundamental rights and freedoms of citizens guaranteed by the Constitution or other laws;
- choosing different types of services and other local public facilities;
- effectively carrying out functions, responsibilities and tasks by LGA organs;
- services' providing;
- fostering effective community participation in the LGAs.

and is based on the essential functioning principles, which are:

- LGA unit institutions operate on the basis of the local autonomy principle;
- the relationships between LGA and CG institutions are based on the principles of subsidy and collaboration;
- they abide to the Constitution, laws and acts drafted for their execution.
- LG institutions are juridical entities;
- each commune, municipality, and region is governing organ in continuity.

In this context, a broad range of legal and sub-legal acts was drafted that helped to convert the strategy of decentralisation from an idea into a concrete process. These laws were as follows:

- “On the organization and functioning of Local Government” (Law no. 8652, date 31.07.2000). This law establishes the mission, the essential principles of the functioning of LGA institutions, their rights, the functions of LGA organs (dividing them into own, common, and delegated functions), the finances of the LGA, establishment method, composition, the organization and division of competences of elected LG organs, and the ways and procedures of territorial reorganization.
- “On state real estates”² and “On the transfer of state real estates to the LG”³
- “On the administrative - territorial division of LG units” (Law no. 8744, dated 22.02.2001).
- “On LG finances”, which improved the way how state financial resources were used by applying a basic formula which took into consideration the number of population, geographical extension, environmental features, etc.

² Law no. 8743, date 22.02.2001.

³ Law no. 8744, date 22.02.2001; in the framework of these laws there was the Decree no. 500 of the Council of Ministers, 2001, that led to the establishment of Inventory and Real Estate Transfer Agency.

- Functions such as: ‘On water supply and drainage canal’⁴, ‘On road transport’⁵, ‘On urban planning’⁶, ‘On the service of local character roads’, ‘for the management of the agricultural land’⁷, ‘for the police of the municipality and commune’⁸, ‘for pre-graduate education’, ‘for the primary health service’, ‘for the protection of the environment’, ‘for the role of the council of region’ and other delegated functions.

1.2 The role of decentralisation in the road sector

The nature of the road network

The road network comprises roads that were built in different periods and with different materials. They have different types of traffic which amount from tens to thousands of cars passing each day. Different roads in the network have different levels of traffic; they even vary from tens to thousands of cars per day.

The technical conditions of roads change continually as a result of traffic and natural weather impact. Differently from other types of infrastructure, roads compose “an open system”, where the control of the traffic administrator that operates the network is minimal or inexistent. As a result, roads get their value as being part of a network; unlike some other types of infrastructure they cannot exist by themselves.

In other words, we can say that the administration and management of the road infrastructure is more complicated than other types of infrastructure.

Roles in road maintenance

It is necessary to distinguish the different roles played by different actors in the management of the road network and the relationships between them in a decentralized administration. The terms used by us are based on Madelin and Parkman 1999.

Proprietor

Role, or organization, which is responsible for the financing, and for the establishment of road policies as well as regulative and legal structures of the road network management.

Administrator

Role, or organization, which is responsible for ensuring that the performance of the road network fulfills the general policy purposes of the proprietor.

Manager

Role, or organization, which is responsible for specifying activities to be carried out; charged with their execution, surveillance, control and monitoring. In some cases the role of the manager is combined with that of the administrator.

Contractor

Role, or organization, which is in-charge of carrying out the operations.

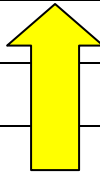
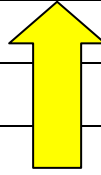
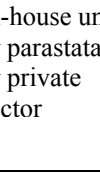
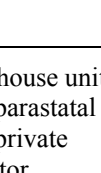
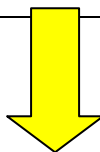

⁴ Decree no. 550 of the Council of Ministers

⁵ Law number 8908 dated 06.06.2002 and law no. 8652 dated 31.07.2000

⁶ Law number 8991 dated 23.01.2003

⁷ Law no. 8752, dated 26.03.2001, and Decree no. 532 of the Council of Ministers.

⁸ Decree no. 313 of the Council of Ministers, dated 01.07.2002

Model	Proprietor	Administrator	Manager	Contractor
Deconcentrated	Central Government	Central Government		
Delegated	Central Government	Private sector by contract		
Devolved	Local Government	Local Government		
Top-down principal agency	Central Government	Local Government through an agency		
Bottom-up principal agency	Local Government	Central Government through an agency	In-house unit, or parastatal or private sector	In-house unit, or parastatal or private sector
Devolved and delegated	Local Government	Private sector by contract		
Joint services committee	Local Government	Common service committee with the participation of local government.		

Note: We have “market decentralisation” when the private sector undertakes at least one of the roles of contractor, manager or administrator; it is unlikely the private sector to undertake the role of the proprietor.

Table 1: Summary of road network management models on administrative decentralisation
Source: Robinson and Stield, 2000.

Road network management

Road maintenance is neglected in some places because the results of the money spent are not clear and the pressure to widen the network of infrastructure in new zones (lately populated) is stronger (Worldbank 1988). The road maintenance resulted to be more complex than the road construction (Robinson 1998).

Current international trends in the reform of road management stress the need to transform the service of road maintenance. There must be a clear change of mentality. The field experts of Shkodra think that privatization increases the efficiency of the maintenance service, and hence the quality of roads; this is supported also from international experience. A commission of experts within the Municipality might be established to be responsible for prioritizing interventions and supervising tendering procedures as well as service implementation.

The shift from the public sector into the contractual private sector offers an effective way to improve efficiency. According to Talvitie (1996), this process raises the efficiency by 5-15% and improves the responsibility of maintenance operations of road maintenance.

This is proved from an experiment done in the axis Shiroke –Zogaj, around 7.5 km, where the maintenance operations have been transferred to private companies by tender. The road is in satisfactory conditions, compared to other roads. Other benefits include improved services for road users, secure funds for road maintenance, and a reduction of the state institution burden (staff, equipments and buildings) necessary for road maintenance.

In a long-term analysis, this method reduces maintenance operation costs substantially. A study conducted by ILO in Cambodia found out that road maintenance contracted to the private sector is 24% cheaper than direct work (Munters 2003), while improving the quality and effectiveness of the maintenance works at the same time.

Also according to Lighthizer 1994 and Forbes 1997 the advantages of this method are:

- keeping under control an activity for which the government is responsible
- prevention of the private sector monopole
- According to the General Accounting Office (General Accounting Office, 1997) this methods' efficient implementation demands:
- political support;
- the government to create an organization and an analytical structure for effective implementation;
- legal changes to encourage privatization
- It is important to note that the change in this process leads to social and logistical problems. We need to take into consideration similar case studies, thus to learn from countries that have applied the same procedure.

Examples and practices from other countries differ a lot from each other, which relates to the socio-economical developments of these countries. For example the experience of the city of Fridley (Minnesota, USA, 2002) requires a set of preconditions, like:

- There are strict standards and classifications of roads;
- The unit undertakes repairs only if the road is constructed according to standards;
- Makes a road classification on the basis of standards and local assets estimation;
- Has specific policies on each type of road, and on the processes or phases of their maintenance;
- Compiles understandable road plans;
- Strict description of works; who carries them out or has to do that; the sequence of their implementation and their queuing according to a climatic calendar.

This panorama is unlikely to be seen in the Albanian landscape. If we refer to a more similar example - the Solomon islands - taken from the study of Gupta (2000) where there are lacks of governmental funds, governing institutions capacities, contractors, etc., the solution is the increase of private sector involvement in road maintenance which demands the establishment of an efficient contracting administration within a central or local governing agency, as well as the existence of contractors. This governmental structure would be responsible for the planning procedures, tender announcement, offer admission and evaluation, contracting, monitoring, payments, and the mechanisms for conflict resolution.

2 Methodology

2.1 Hypothesis and the purposes of the study

By keeping pace with the purpose of the project, which supports the development of local government in Albania (Shkodra region) through research initiatives which would stimulate policies' establishment and sector performance improvement, this case study argues in favor of the following hypothesis: **An appropriate decentralisation model increases LGA units' performance.**

The objectives of the study are:

- To develop a strategic understanding of the LGA institutional framework through different levels according to respective constitutional laws and the LGA responsibilities in a certain level (i.e., the municipality)
- To assess the LGAs performance (based on a case study; the impact in the general performance,) and
- To review the LGA capability to engage in leading and promotion local economic development through a contemporary infrastructure.

2.2 Methodological proceedings

To carry out this study, various primary and secondary sources were used complementing each other and in function of the hypothesis. The study is based on the use of a wide array of Albanian and foreign literature and studies on public sector and decentralisation of road maintenance, as well as materials from the Internet, etc.. This has been combined with the practical part of the study in which the historical and new data have been collected with interviews and questionnaires.

The focus of the case study is the Shkodra local government, especially the unit of municipal services. We have to mention furthermore the use of archival data that correspond to the performance of this service in the past years, compared with the new data about daily activities, how it is financed and the performance of this unit.

The basic techniques used are interviews conducted with key persons (managerial staff, former staff, experts of the field, etc.), and also the survey with questionnaires of citizen, in order to retrieve their opinion on the issue.

The interviews were composed of open questions in accordance with the subject (see Annex A). The questionnaires were composed of closed questions (see Annex B)

200 questionnaires have been distributed based on a random stratified sample and all have been returned. The stratification consists in the inclusion of all quarters of the city as presented in the chart below:

Quarter	%
M. Alimani	7.1
3 Heronjte	9.5
Qemal Stafa	14.3
Daniel Matlija	11.9
Perlat Rexhepi	9.5
Salo Halili	4.8
Ahmet Haxhija	16.7
Kongresi i Permetit	7.1
Cerciz Topulli	4.8
Vasil Shanto	2.4
Ndoc Mazi	2.4
Guerrile	2.4
Partizani	2.4
Vojo Kushi	4.8
Total	100.0

Table 2: The interviewees according to city quarters

2.3 The constraints of the study

- Difficulties in collecting data and contacting people. Here we distinguish and appreciate the help given by the Mrs. Lali Reçi (Chief of the Economical Branch), who was willing to give any necessary information.
- Lack of different data on this service. There are difficulties of information flow even within the Municipality Unit (each of the offices complains about the other).
- Lack of written analyses by specialists of the field.
- Lack of willingness to collaborate with the Faculty of Economics study groups. We think that a specialist of the field should have been included in the team.
- Studies of this kind, which identify deficiencies of a certain unit, face resistance in the field. Every dusky, deficient and hidden information is an example of this outspoken resistance.

3 Case Study – Shkodra

3.1 Shkodra Municipality

Shkodra Municipality is the third biggest city of Albania. It is part of Shkodra Qark (there are 12 Qarks, or regions in Albania) and its surface amounts to 3,562 km². The city is located in the northern part of the country, with developmental potential in the transport sector because of its location near the border with Montenegro. The main international network is foreseen to pass in the direction North-South and transiting the Adriatic-Jonian coast.

According to the data of the Civil State Office of Shkodra Municipality, the population of the city numbered 112,358 in January 2006. In the last decade there was a rapid growth in population, mainly internal migrants moving into the urban area from the mountains.

The present organizational structure of the Municipality of Shkodra is as follows:

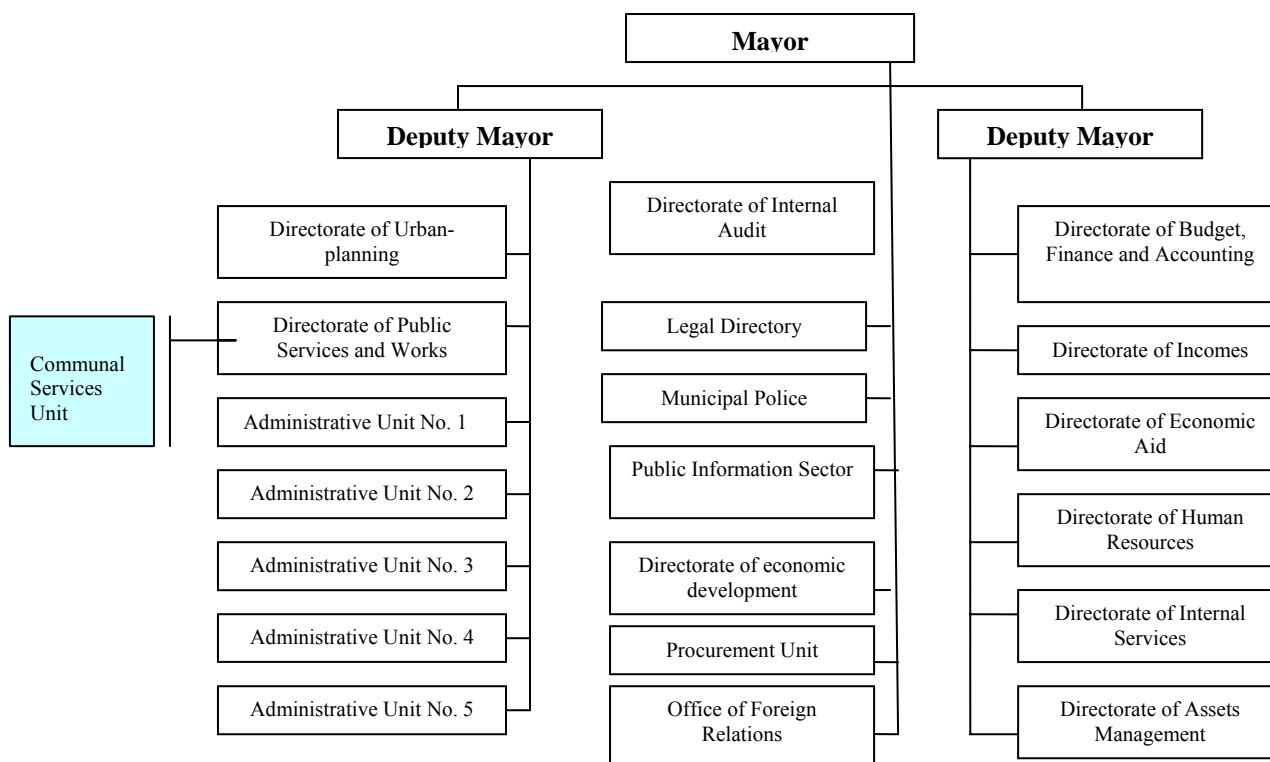


Figure 1: *Organizational structure of the Municipality Source: Services Guide. Shkodra Municipality. February 2007*

The focus of our case study is the administrative decentralisation of road maintenance.

3.2 Communal Services Unit

History

The communal services unit was created in 1962. Its predecessor was the Handicraft Services Cooperative; while after 1962 there have been continuous changes as shown below (see also Annex C for more details).

Functions	1962	1968	1973	1980	1983	1987	1992	2002	2006								
Shiroka lake beach, services with motorboats, electrical services, hydraulics, auto and primitive transport (by cart)	Communal Services Enterprise	Services Enterprise	Building Enterprise	Building Enterprise	Municipal Service Transport Enterprise	Municipal Service Transport Enterprise	Municipal Service Transport Enterprise	Municipal Service Transport Enterprise	Municipal Service Transport Enterprise								
City cleaning										Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise
Greenness																	
Fuel supply		Building Enterprise		Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise								
Water supply (waterworks)										Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise
Mills (Luarse, Pentare)		Building Enterprise		Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise								
Maintenance of roads and canal drainage network										Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise
Maintenance of state buildings		Building Enterprise		Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise								
Electricity										Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise
Velipoja beach and Shiroka		Building Enterprise		Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise								
Industrial Production Activities										Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise
Building Activities		Building Enterprise		Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise								
Cemetery Activities										Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise
City lightening maintenance	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise	Building Enterprise									

Table 3: History of functions of the Communal Services Unit. Source: Finance Office of Communal Service Unit

If we refer to the Communal Service Unit during 1993-2006 in regard to the number of employees we have the following development:



Figure 2: The number of workers in the Communal Service Unit continually decreased since 1993.

In 1987 the activity of this unit was suspended and a new enterprise was established, which did the cleaning for the entire city, while still in 1989 the activity of the later was suspended and the “Greenness Enterprise” was created.

In 1992 the activity of building-repair service is suspended, starting as a self-financed activity and later in 1993 totally abandoned.

In 1992 the maintenance of state buildings was separated by this enterprise and the Building Enterprise created. A Building Agency was created, which was in charge of financing and monitoring the works on state buildings for the homeless, their sales, and the privatization of those buildings on which the privatization law had not been applied.

In 1992 also the Production Unit and the Cemetery Service was separated from this enterprise and starts operating through subsidies until it is privatized.

In July 1992, services left under coverage of the Municipal Services Enterprise are road maintenance, drainage canal works, and beaches maintenance.

The decrease of the number of workers from 106 to 86 in 2002 comes as a result of the Drainage canal service dependency passing from the Communal Service Unit to the Waterworks Unit and the addition of service of cemetery maintenance. Here, 86 is an average number of workers per year taking into consideration the exits (the dismissal of workers of the Drainage canal) and the entrances (coming of the workers of the cemetery maintenance) happened in different periods of the year. In other words, the change of workers’ number comes as a result of the changing of services and not as a result of the analyses of their work efficiency.

This description shows that:

First, that this service has existed under different names during the period of centralized government, and was a cooperative of services before its origin in 1962 (see Annex B).

Second, it was a function that moved from one unit to another, and these units have operated until 1990 as independent;

Third, there are changes in the number of workers and in the ways of financing.

Structure, Tasks and Competences of the Communal Services Unit

Referring to the organizational structure of the Municipality shown above, The Directorate of Public Services and Works is directly dependent on the Deputy Mayor and deals mainly with policy drafting and is an important factor in the strategy drafting of the Municipality. The Communal Services Unit depends on this directorate to undertake concrete actions.

According to regulation “For the organization, functioning and competences of the administration in the municipality of Shkodra” (p. 14), The Directorate of Public Services deals with:

- Maintenance of roads and the drainage canal network;
- Maintenance of cemetery;
- Cleaning;
- Greenness;
- Passenger Transport Park (subsidy);
- Sewerage (subsidy).

For all these services the expenditures plan is prepared according to the forms distributed by the Budget Directorate. The expenditures plan in the budget-drafting, and then its specification, is technically analyzed by the Directorate of Public Services.

The road maintenance service in the Municipality of Shkodra is a function of the Municipality according to law no. 8652, date 07.31.2000 “On the organization and functioning of the local government.” But according to the rule mentioned above, this function has been delegated by the Municipality to the Communal Service Unit, which is a municipality-dependant unit.

This enterprise has a managerial council⁹ and maintenance workers. The Directorate of the Budget sends the approved plans to this enterprise and at the end of the month the enterprise presents to the Directorate of the Budget the situation of expenditures and incomes registered in the Treasury Department. Starting in February 2002, the cemetery service has been delegated to this enterprise, a service implemented up to now from the “FAME” company under a 5-year contract. Even for this service the budget plan is prepared at the enterprise request, pending the confirmation of funds by the respective directorate.

3.3 Actual situation of the Communal Services Unit

Actually some of the main tasks of this unit are as follows:

- **Road Maintenance.** In year 1994, from the 570,000 m² of roads this enterprise was managing, approximately 390,000 m² were damaged. This enterprise has repaired holes on some of the main roads with a lot of traffic.
- **Drainage canal system cleaning and maintenance.** Cleans and transports the garbage collected from the drainage canal system out of the city. Cleans and maintains all the

⁹ By law, the establishment of a managerial council, approved by the City Council, is permitted only to joint-venture companies. Here it appears under this name, which shows a misuse of due managerial and legal terminology. In fact, this is not a managerial council, but an ad-hoc administrative structure of this unit - in its structuring but also in the functions it carries out.

closed canals near pavements and also repairs them. Road and drainage network maintenance together have 31 maintenance workers without the administration.

- **Maintenance of cemetery.** Approximately 20 maintenance workers.
- **Maintenance of city lights network.** This service has been taken over by this unit in the second term of 2006. There are 3 administrative employees, 2 electricians, and one with a moving ladder.

The funds allocated to this enterprise are as follows:

Art.	Expenditures (000 Leke)	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Plan 2006
600	Salaries	9,561	9,941	11,038	11,690	11,850
601	Social Insurance	2,528	2,763	3,123	3,302	3,459
602	Goods and other Services	12,699	13,142	18,258	14,155	15,361
231	Investments	-	-	-	336	2,800
	Total	24,788	25,846	32,419	29,483	33,470

Table 4: Funds for roads maintenance and drainage canal network. Source: Budget Office, Shkodra Municipality, December 2006.

According to funds allocation and the number of employees, the main activities of the Municipal Services Enterprise are the maintenance of roads and drainage canal network.

Actually there are 74 employees whose duties are represented in the chart below:

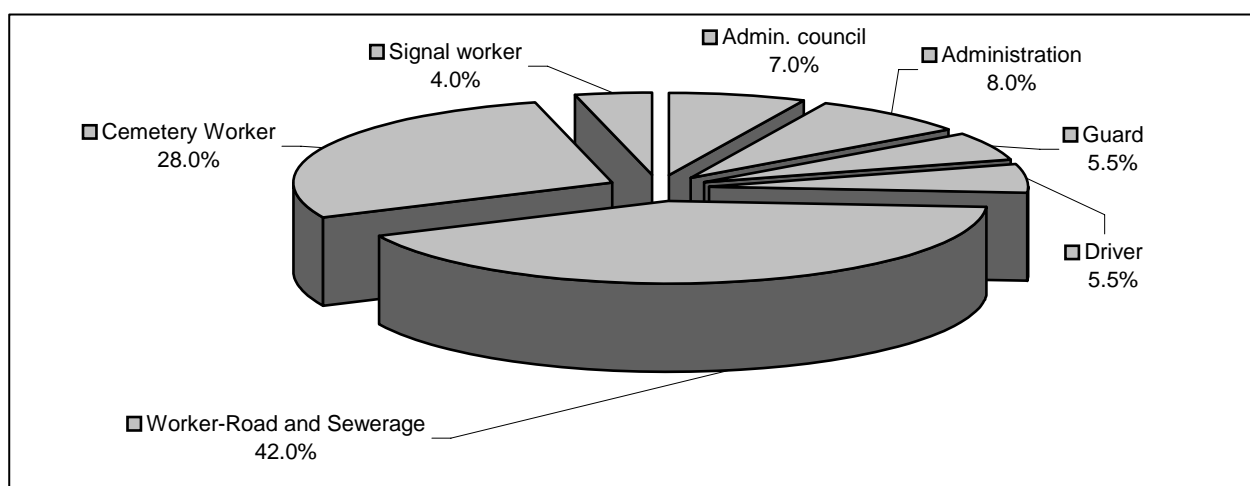


Figure 3: Composition of functions in the Communal Services Unit of Shkodra

As we can see from the figure, the managerial and administrative part of the unit comprises approximately 15%. This is a high figure considering the fact that this unit is a technical service in charge of implementing strategies and plans of the Directorate of Public Services and Works.

Its salary occupies around 38.8% of the total, so every reasonable reduction in size of this administration increases the chances for a better payment of the remaining employees and for a better quality of work, in providing them training in machinery usage of this unit, or raise the fund for materials and expenditures of the maintenance of roads and canals network.

The proportion between different budgets for the maintenance of roads and drainage canal network is presented below.

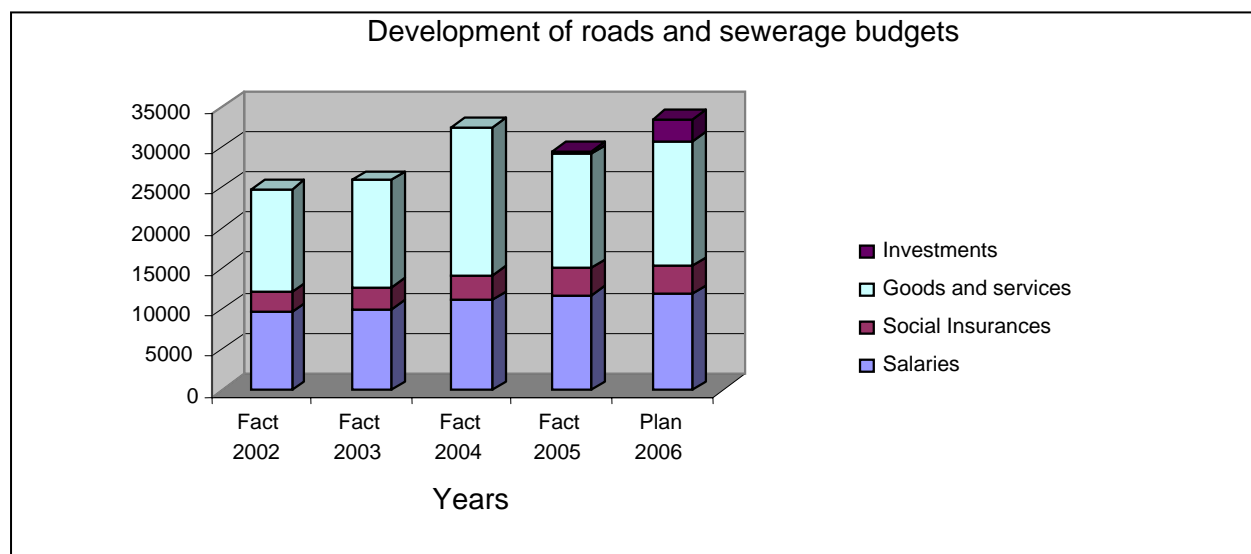


Figure 3: Budgets have increased and the since 2005 there are means for investments.

The salary fund occupies almost 50% of the total budget of this unit but the other expenditure categories have increased faster in recent years. We see that the budget fund for the maintenance of roads and drainage canal network has not decreased even though there has been a new entry in the 2006 budget (investments).

The figure of 8% of investments might seem paradoxical, but this is justified with by fact that the focus of this unit is the maintenance of roads and drainage canal networks and not investments.

According to SIAP (Service Improvement Action Plan) for the roads (USAID/LGDA 2004) the Shkodra roads structure is as follows:

21.9 %	Primary Roads	-	total length: 13.8 km
21.3 %	Secondary Roads	-	total length: 13.4km
56.8 %	Tertiary Roads	-	total length: 35.8 km

These roads differ as regards construction standards, as well as maintenance standards, reflecting the intensity of traffic passing through each of the categories.

Asphalted roads' repairs by the Municipal Services Enterprise

Year	Municipality Budget			Own incomes + community			Total finances		
	Value in 000 Leke	Total surface improved m ²	Surface of holes filled m ²	Value in 000 Leke	Total surface improved m ²	Surface of holes filled m ²	Value in 000 Leke	Total road m ²	Hole surfaces improved m ²
2001	11.6	32,500	9,000	0.35	1,200	600	11.95	34,800	9,600
2002	11.7	34,000	10,600				11.70	3,200	10,600
2003	12.9	38,600	13,100	0.38	2,000	800	13.28	40,600	13,900
2004	13.2	44,000	13,600	0.12	2,300	900	13.32	44,000	14,500
2005	16.3	73,500	17,620	0.13	2,400	900	16.43	73,500	18,500
2006	15.6	91,000	18,480	0.24	2,200	840	15.84	83,200	19,320

Table 5: Overview about road maintenance in Shkodra. Source: Municipal Services Unit, December, 2006

Note: 1) value in 000 Leke of municipal funds represents finances of the Municipality for the maintenance of roads and drainage canal network while the other data in m² represent road maintenance; 2) the value in Leke represents only the fund for goods and services.

We see that there is a decline in the trend of financing the maintenance of roads and drainage canal network, but when we compare roads maintenance separately from the drainage canal network, the funds for roads maintenance are higher, which justifies the volume growth of repairs in m².

The surface of holes filled in 2006 is around 35.8% higher than in 2004, while funds for this kind repair are about 39.7% higher than in 2004. This growth in different percentages is due to: (a) the different nature of repaired holes depending on the road category (according to the intensity of its traffic) and the damage scale (there are superficial holes which can be repaired with small expenses and other deep holes that require higher expenses) and (b) possibly some improvement in the quality of road standards.

If we calculate the cost per m² of the maintenance for 2006, when there has been a greater increase of financing in comparison with the growth in m² of maintenance, we see that the cost is about 129 Leke per m² when the average cost of road maintenance is 1,400-1,500¹⁰ Leke per m². This calculation shows: (a) a lack to comply with standards of maintenance such as erosion of the holes to make the right adjustments, paving a new 4 cm layer, etc., and (b) the possibility of fictitious reports about the m² repaired per each year.

Again, starting from the finances chart above, the fact that there is a tendency to reduce finances in total and to raise the finances of roads shows that there is an apparent decrease of the finances for the drainage network, when it is technically known that a lack of maintenance of the drainage network brings about floods in the roads and as a consequence damages them even when they are repaired.

The charts above present a method for measuring the work carried out in m² during a period of time, for example 1 year, using this as an analysis element. It is strange that as the volume in m² gets larger, the number of workers remains the same. There is only one calculation of the requirement of workers of this unit on the basis of 1988 norms, and in that year the road traffic

¹⁰ Average standard of the private business.

was many times lower than it is today. Thus, we see that there are still old indicators and norms used that justify the existence of the services of this unit although they are very far from the required standards. For example, in the maintenance of rural roads each maintenance worker is responsible for a certain number of kilometers. This is called parceling in kilometers per worker. Each worker is given the road libretto (the road passport) which presents the full work profile and its actual situation. This makes both the workers performance and the quality of the road measurable. The machines are put at the disposal of the worker's demands for maintenance and repairs. Thus, every maintenance process engages a number of workers in the maintenance of the road and others in the machine driving.

While in the cases of kilometers per worker to maintain rural roads the worker has only to clean the side ditches, in the cases of urban roads a more resourceful intervention with special brigades is needed.

The machine capacity of the unit is as follows:

- 2 excavators – one very old, while the other was bought in 2006 (second- hand) with half of the funds from this units' budget and the other half from the Municipality;
- 1 machine for drawing road lines;
- 2 rollers, very old.

This machinery structure is indispensable to carry out a qualitative road and drainage canal maintenance, but the majority of the machines are very old and being used beyond their normal work capacity. A large part of them have been part of different donors' projects.

The lack of effective work division which leads to disorganization, waste of time and inefficiency, as well as the lack of decent machines, increases the costs of road maintenance.

Our observations show that there is inefficiency in maintaining the road quality as well as in the organizational method of work during a maintenance activity.

Recently the Leke Dukagjini Street was repaired, but it's hard to tell this if you see its real conditions today. For a layer of ballast and pitch more than 10 workers were engaged, less than the half of them were effectively working. Each day only some meters of layer were laid, and each laid section was different from others. The street is half done. There have also been interventions in different sections for electrical installations or the potable water supply; as soon as the first meters of the street were finished, works for the electrical lines were undertaken, which made the street conditions worse than before.

4 Survey Analysis

4.1 Methodology

The objective of the survey is the analysis of Shkodra citizens' perception about the activity of the Municipal Services Unit and the future of this service. First, interviews were carried out with the current managerial staff. The output of the interviews gave us an important input for the quantity survey.

The chosen methodology for the quantity survey was interviews face to face with a questionnaire. The result of the survey was detailed information related to:

- The knowledge on the existence of the Municipal Services Enterprise,
- The knowledge on the activity of this unit,
- The quality of the services offered by this unit,
- Continuity of the work of this unit.

The chosen sample was casual and 200 questionnaires were distributed, which were returned 100%.

4.2 Findings

As you see in the chart below, 79% of the interviewed know about the existence of the municipal services unit in the Municipality of Shkodra.

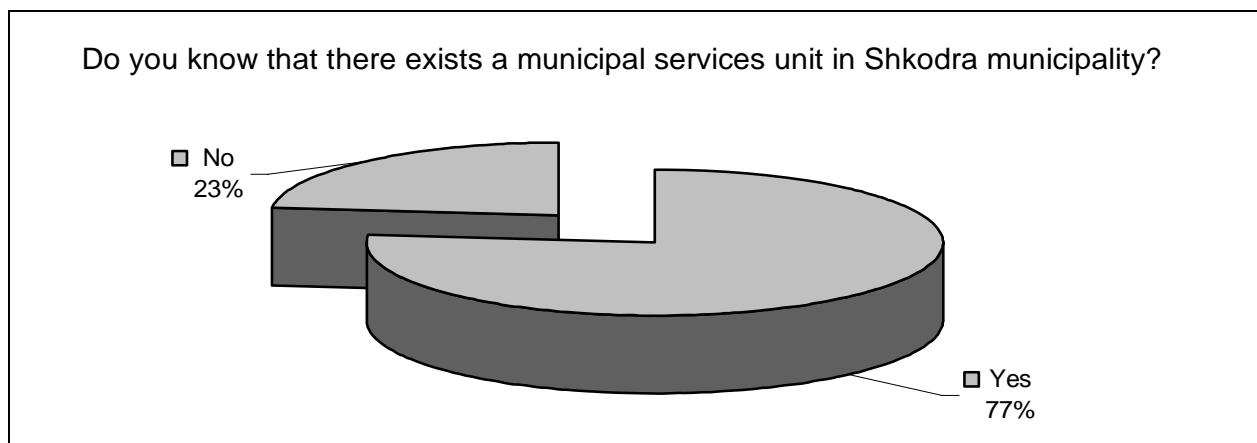


Figure 4: Knowledge about the service unit

As it can be seen in the figure below, only 7.1 % of the interviewed claim they know about the activities of the Municipality Service Unit, but only 3% of them are able to describe these activities. Out of the 40.5% of the interviewees that claim that they partly know its activities, only 20% of them describe these activities. The majority claim this unit covers city cleaning.

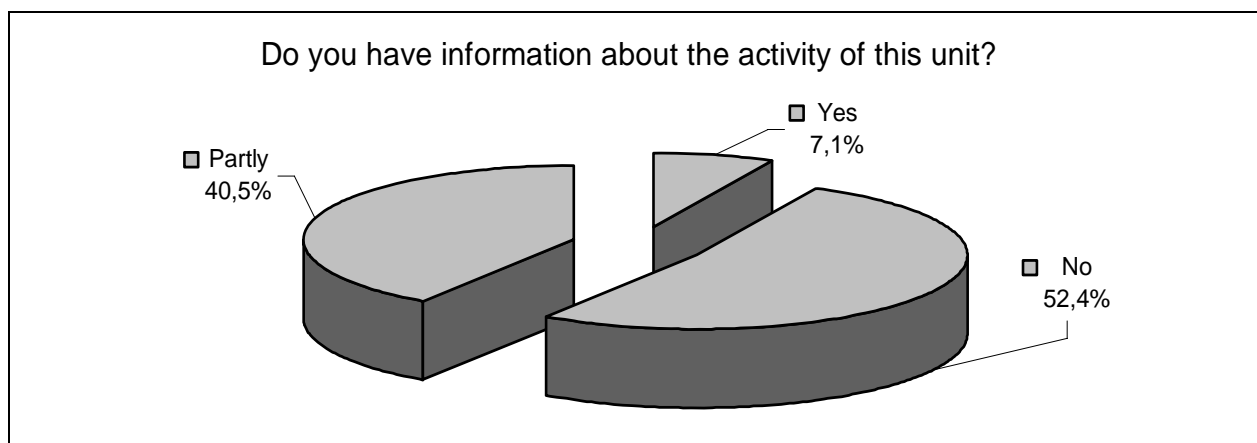


Figure 5: Knowledge about the unit's activities

Do you have information about the funds this unit has for the accomplishment of its activity? 100% of the interviewees don't have information about the funds at the disposal of this unit. This shows clearly the lack of transparency and of the community participation in the decision-making process.

In figure 6 we see that only 4.8% of respondents claim they influence the work of this unit with their opinions and they think they influence simply by presenting their complaints. 95.2% of the interviewees' answers are negative. Out of them, 80% have never been asked for their opinion, while 20% answer that they do not find this reasonable because they represent just one voice.

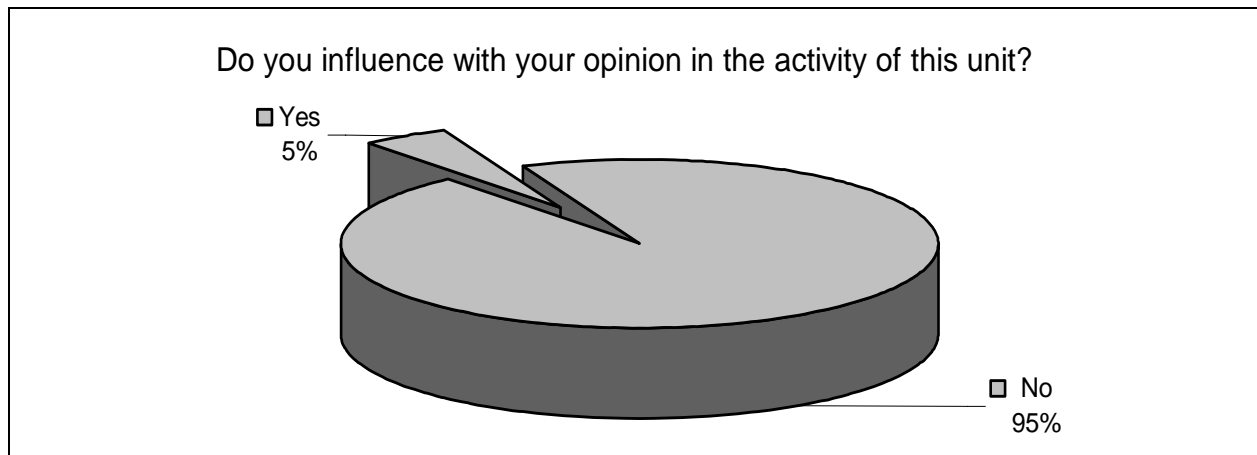


Figure 6: Perception on citizens influence

Asked if they would like to influence, 86% answered positively. And asked about what is your opinion about the actual state of roads, the following response was given:

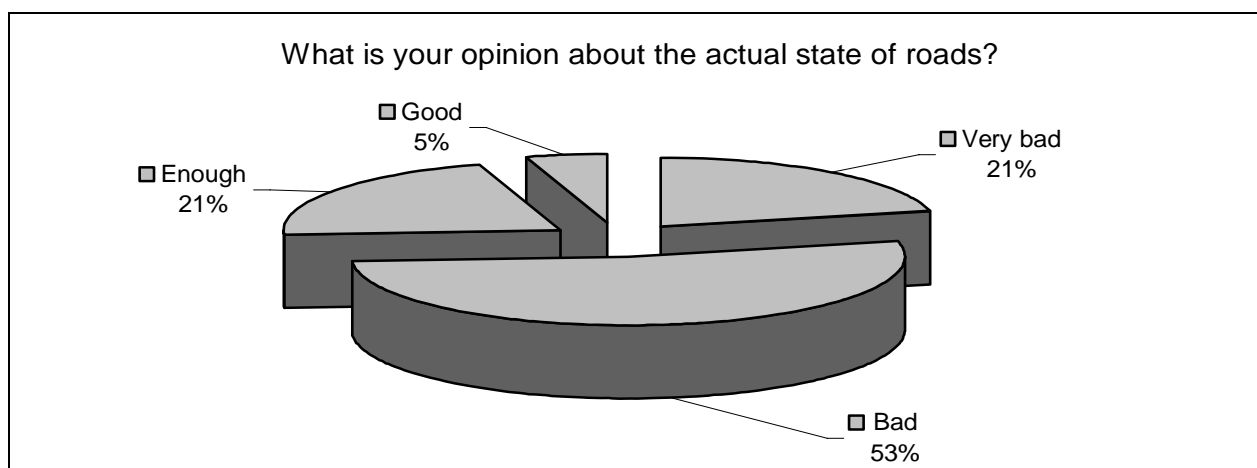


Figure 7: Perception of status of roads

Citizens think that the actual state of roads and pavements is bad or very bad. The state of sidewalks is better than that of roads, because in certain areas the municipality in cooperation with businesses had made some interventions .

The questionnaire includes a chart with 5 statements intended to measure citizens' perceptions about the quality of the unit employees' activity through a Likert scale (1- very bad, 3- neutral, 5- very good).

From the chart below we see that all answers are negative, with the majority of the interviewees assessing this activity as bad or very bad. The worse elements include:

- *Quality of roads maintenance*
- *Quality of roads repair*

	Minimum	Maximum	Average	Standard deviation
Quality of roads maintenance	1.00	4.00	2.0714	.99738
Quality of sidewalks maintenance	1.00	4.00	2.2619	1.06059
Quality of roads repairs	1.00	4.00	2.2381	1.03145
Quality of sidewalks repair	1.00	5.00	2.5000	1.10982
Employees' performance	1.00	4.00	2.4762	.99359

Table 6: Statistical analysis of responses

This low average is because it is related to the quality level of this unit's performance. One of its tasks is: "Cleans and maintains the whole open drainage canal network, cleaning the side ditches from mold and plants and transporting them to the designated areas outside the town."

This task is not carried out, as it should, damaging roads and causing the need for frequent repairs. For example, a road in Ahmet Haxhija quarter of the town was repaired three months ago and its state is still very bad. The main cause is the closure of side ditches by irresponsible citizens and the lack of intervention by this unit. It has intervened only in the opened side ditches. On the other hand, a large number of workers are engaged in one work process, making the role of each of them very ineffective, producing insufficient results.

There is a great willingness by the citizens' side to help this unit, as shown by the 64.3% of respondents. This could include volunteer work (for the maintenance of side ditches), financial contribution, or both. If people believe in the efficient usage of funds, they are willing to offer financial contributions also.

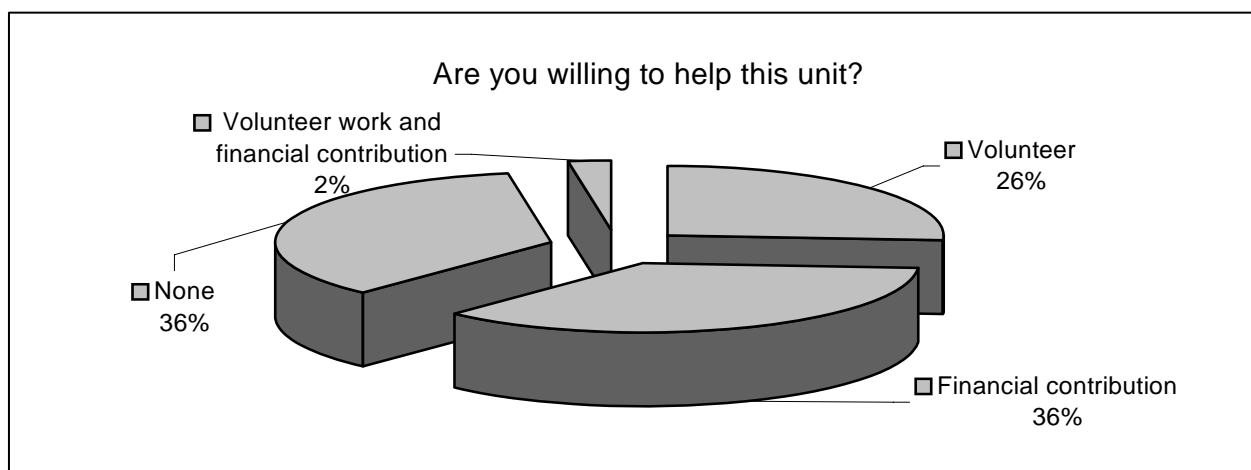


Figure 10 Willingness to support the unit

50% of the citizens think as the best option the increase of the unit's funding, while 35.7% opt for introducing tendering procedures in this service, as it is the case with other services.

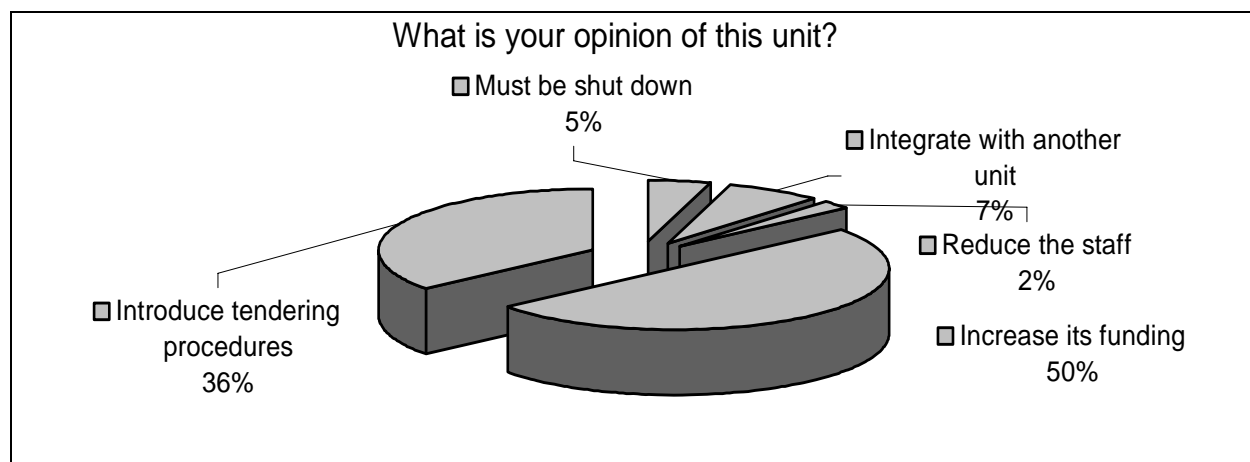


Figure 11: The opinion about various options for the future structure

5 CONCLUSIONS

5.1 Communal Services Unit

- The Municipal Services Unit carries out different activities, among which we can mention maintenance of roads and drainage canal network and is dependent on the Directorate of Public Services. It has a staff of 74 workers, 15 % of them comprise the administration and directive council.
- This unit was established before the 1990s, and has operated under different names and in different fields of activity.

Issues related to the Communal Services Unit on roads and drainage canal network maintenance:

- There are problems in dividing duties and responsibilities on the basis of the legal framework among the structures of the Municipality. So the Directorate of Public services that should be in charge of the planning maintenance periodical interventions, passes this function to the Municipal services Unit which compiles the activities plan within the given budget. Contrary to its nature as an implementing unit, it prepares plans which are approved by the respective directory or the Mayor.
- By not being part of a strategy of interventions, these plans often don't fit into the hierarchy of priorities.
- There is too a high number of administrative employees in this unit, which is a technical and implementing unit.
- There is lack of coordination between activities of different implementing units in the Municipality of Shkodra. An example of this is the Leke Dukagjini Street (school Ismail Qemali): only few days after the start of its repair by the communal services unit it was again damaged because of a change of electrical lines.

- Work division is very difficult. Very old forms are being used. The fixed number of workers does not make the same standards for different volumes of works possible in different periods of the year.
- Lack of tasks division among workers.
- Very low salaries, though salaries make up the majority of unit's fund. There is a lack of willingness to work, which reflects on the quality of works and the unit's general performance to provide the service.
- Lack of necessary machineries and other equipments to perform the service.
- Lack of analysis of the work performance for each year.
- No use of contemporary standards in framing needs and compiling concrete action plans.
- Inefficiency of the service, reflected in horrible roads' condition.

5.2 Survey results

Citizens think that the work of this unit is inefficient. This is presented below in more detail:

- Citizens don't know about the activities of the Communal Services Unit. This shows that not enough efforts have been undertaken by this unit regarding public relations.
- The citizens are not informed about the funds of this unit.
- The relationship with the community members, in order to get their opinions about how to use funds, is weak.
- The actual situation of roads maintenance and repair is perceived as bad or very bad. The work is carried out in an inefficient way.
- The future of the unit's work is privatization.
- Roads are an important element in the development and economic growth of a country. Roads that are not maintained cause the limitation of movements, increase car operative costs, harm health, increase the number of accidents, etc.

6 RECOMMENDATIONS

6.1 Urgent tasks

Until some essential steps of change are undertaken, the unit faces these urgent tasks:

- Create an employment plan through a studied mixture of the work and the sustaining machineries. Since the unit cannot employ and dismiss workers according to seasonal needs, it is recommended to use the "outsourcing" technique, which implies the hiring of workers according to the needs and demands of the maintenance volume, thus achieving flexibility in the number of workers.
- An accurate calculation of human resources needed for the works according to services offered and complying with new standards.

- To improve the quality of machineries by different ways of using the budget in this regard, by donations, projects, etc. But this can be achieved when we have clear data on the work to be done and on the people that will carry it out.

6.2 The Proposed Strategy for the Road and Drainage canal Network Maintenance

Based on our analysis we agree with the recommendations of the World Bank (Lantran, 1990 – 1994 and Gyamfi and Ruan, 1996) for focusing on the encouragement of private contractors to maintain roads. We think that the most suitable mechanisms of administrative decentralisation might be the model of “*devolved and delegated*” or of the “*road fund*.”

The proposed strategy on the basis of models focuses on a structure based on the work and facilities and technological sustenance together with an increased involvement of the private sector through a transfer of responsibilities.

The main features of the strategy are:

- There should be no intervention in road maintenance up to that period when there exists a road network in the maintenance conditions; this maintenance to be done on a constant basis.
- Preparation and training of local contractors willing to offer this service. This is necessary because many companies deal with road construction without proper experience in routine road maintenance.
- Strengthening of relevant central and local institutional structures.
- Promotion of community participation :
- Monetary contributions: Not only in the asset creation process, but also in their maintenance. Decentralisation at the lowest level often includes community financing. This is a form commonly used for the construction of roads rather than their maintenance. It is easier to generate interest when expenses are focused in the construction of a new road, where the final result is clear. It is easier for people to dip into their pockets for a one-off contribution - rather than continuously for maintenance funds.
- In-kind contributions: Provision of labor and materials (for example, the maintenance of the drainage near their houses) and the participation in decision-making.

For the second model to establish a road fund it has to be added:

- The establishment of a Road Fund for the routine and periodic maintenance of the road network can be created from taxes received from the vehicle license fee (this tax changes depending on the type of the car) which is related to a regulation of the way of tax recast, mainly local, according to the destination for which they are paid.
- The establishment of a roads board with the participation of road users, because the later expect that the funds increase:
 - to be spent on roads,
 - to be spent in an effective and efficient way.
- Road fund board should be in charge of procurements.

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Annex B: The questionnaires

Part 1: Interview with the unit managers

1. History of the Municipal Service Unit.
2. Tasks carried out by this unit.
3. The number of employees in the past, according to fields of activity.
4. Funds allocated and the activity carried out in the past (only about Road maintenance and Drainage canal).
5. The problems faced in the activity of this unit.
6. Opinions for the improvement of the unit's work.

Part 2: Citizen's questionnaire

(The questionnaire is for research purposes. Answers are anonymous.)

1. Do you have information about the existence of the Municipal Services Unit in the Municipality of Shkodra?

- a. Yes b. No

2. Do you have information about the activities of this unit?

- a. Yes b. No

If yes, please mention them:

3. Do you have information about the funds of this unit?

- a. Yes b. No

4. Is your opinion taken into consideration with regard to the activity of this unit?

If yes, how? _____

If not, why? _____

5. Would you like to have a say about the activity of this unit?

- a. Yes b. No

6. What is your opinion on the actual state of roads?

- a. very bad b. bad c. sufficient d. good e. Very good

7. What is your opinion about the actual state of sidewalks?

Tukaj / Kruja - Local government functions

- a. very bad b. bad c. sufficient d. good e. Very good

8. What is your opinion about:

	Very Bad	Bad	Sufficient	Good	Very Good
1. Quality of road maintenance					
2. Quality of sidewalks maintenance					
3. Quality of road repairs					
4. Quality of sidewalks repairs					
5. Quality of the work					

9. Are you willing to contribute for the improvement of this unit?

- a. Yes b. No

10. What is your opinion on the future of this unit?

- a. Must be shut down.
- b. Must be integrated with another unit.
- c. To reduce its staff.
- d. To increase its funding.
- e. To introduce tendering procedures.

11. Personal Data

- a. Individual b. Business

Thank you for your collaboration!

Annex C: Archival materials of the history of the communal services unit

The Communal Service Enterprise was established in 1962. Before this year it was The Handicraft Services Cooperative in charge of this function.

The services it carried out in 1962 were:

- Maintenance of state buildings,
- City cleaning,
- Greenness,
- Fuel supply,
- Water supply (Waterworks),
- Mills (Luarse, Pentare)
- Maintenance of roads and drainage canal networks,
- The beach of Shiroka, services with motorboat, electrical services, hydraulics, auto and primitive transport (by carts).

In 1968 a new enterprise was created, called The Services Enterprise, which has carried out the services of fuel supply, city cleaning, and means of transport by cart, Bathroom. This enterprise was renamed Building Enterprise and its main activity was the maintenance of state buildings and personal buildings. The activities of service-repair-building consisted in works paid in cash or by bank credit for (the services of bricklayer, electricity, hydraulics, carpenter, chimney sweeping) waterworks, electricity, Shiroka beach, auto transport, maintenance of roads and drainage canal networks, sidewalks and asphaltting.

In 1973 the whole municipal service activity was reorganized establishing two large enterprises called The Building Enterprise and The Enterprise of Repair and Services (all the handicraft professions) tailor, shoemaker, green-hide shoemaker, wool manufacturer, pack saddler, leather articles, quilt-maker.

The Building Enterprise carried out:

- **Municipal Services** taking care of the electrical network, city cleaning, greenness, beaches, sidewalks and road maintenance, fertilizer purchase and processing;
- **Maintenance of State and Private Buildings**, for the services of bricklayer, painter, electrical, hydraulics and glazier. These services have been carried out for citizens and third parties. The maintenance of state buildings has been organized according to four city quarters at that time, carrying out the repair services, building of side ditches of drainage canal water and maintenance of bunkers. These services were carried out also by the Building Enterprise (dwelling centers around agricultural enterprises).
- **Other Municipal Services** have been in charge of stair cleaning, wood-cutting by axe, by cart, by motorboat, sewage well cleaning, beach, loading and uploading.
- **Industrial Production Activity** which included the production of building materials. A plant was built for the building materials production such as: stone, ballast, lime, asphalt concrete, grit, cement slabs, mortar, concrete bricks and other building material productions; wood productions like: doors, windows, floors, ceilings, etc. Production of

electrical energy had the function of producing electrical energy in hydroelectric stations in Nderlytaj, Tamare, Selce, Vukel, Vermoshi, and Bene. The waterworks function was to produce and sell drinking water.

- Building activity has carried out investments in asphaltting, waterworks enlargement, hydroelectric stations, and ditches of drainage canal water, buildings in Velipoja beach, reconstruction of the network of waterworks and electricity, and other services.

A table representing the number of workers in the past makes clear the activity of this enterprise.

No	Name	Year 1976	Year 1977	Year 1978	Year 1979	Year 1980
I	Total number of workers	1266	1395	1477	1472	1096
	<i>From these</i>					
	Employees	74		147	148	106
	Workers	1192		1330	1324	990
	<i>From these</i>					
1	Municipal service activity	403	486	466	465	274
	<i>From these</i>					
	Maintenance of the electrical network			178	179	-
	Cleaning, greenness , beaches			196	192	265
	Maintenance of roads and sidewalks			60	64	65
	Fertilizer purchase and processing			32	30	24
2	Industrial Production Activity	219	237	225	256	106
	<i>From these</i>					
	Electrical Industry	32	29	24	25	-
	Mechanical Industry	25	24	24	33	26
	Industry of building materials	73	80	75	87	65
	Wood Industry	19	18	18	18	15
	Water Industry	70	86	84	93	-
3	Building Activity	335	317	324	328	308
	<i>From these</i>					
	Investments	43	51	55	57	308
	Maintenance of state buildings	126	125	125	125	125
	Building Service	146	121	124	126	120
	Maintenance of bunkers	20	20	20	20	20
4	Different Services	99	100	74	101	107
5	Transport Activity	133	135	156	155	176
6	Other	3			19	19

As you see, in 1980 Electricity and Waterworks are divided into separate enterprises called **The Electrical Enterprise** and **The Waterworks Enterprise** which covered the expenses with their incomes but were also financed by the state to compensate for the price difference between production and sale. After the 1980s the organizational structure is presented as follows:

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No	Name	Year 1981	Year 1982	Year 1983	Year 1984	Year 1985
I	Total number of workers	1200	1435	1361	1364	1357
	<i>From these</i>					
	Employees	115	123	109	112	110
	Workers	1085	1312	1252	1252	1247
	<i>From these</i>					
1	Municipal service activity	326	475	483	490	512
	<i>From these</i>					
	Maintenance of the electrical network					-
	Cleaning, greenness , beaches	240	356	342	344	365
	Maintenance of roads and sidewalks	65	97	119	121	122
	Fertilizer purchase and processing	21	22	32	25	25
2	Industrial Production Activity	128	132	101	97	87
	<i>From these</i>					
	Electrical Industry					-
	Mechanical Industry	24	27			
	Industry of building materials	89	90	86	86	12
	Wood Industry	15	15	15	11	15
	Water Industry					-
3	Building Activity	286	379	366	354	366
	<i>From these</i>					
	Investments	56	89	98	74	53
	Maintenance of state buildings	125	125	150	160	178
	Building Service	105	165	118	120	135
	Maintenance of bunkers	-	-	-		
4	Different Services	100	118	118	131	130
5	Transport Activity	162	185	47	45	15
6	Other	103	145	137	135	137

In 1983, the transport activity was divided and a separate Enterprise of *Municipal Service Transport* was created, which has carried out services of transport for all the enterprises of the municipal service system. The distribution of the means of transport was done by the enterprise according to the demands that the enterprises presented for the services in and out of the city.

During the years 1986-1990 the number of workers has been as seen below:

No	Name	Year 1986	Year 1987	Year 1988	Year 1989	Year 1990
I	Total number of workers	1400	1094	1105	785	792
	<i>From these</i>					
	Employees	107	100	98	72	64
	Workers	1293	994	1007	713	728
	<i>From these</i>					
1	Municipal service activity	534	314	327	152	152
	<i>From these</i>					
	Maintenance of the electrical network					-
	Cleaning, greenness , beaches	368	185	186	22	22
	Maintenance of roads and sidewalks	130	129	141	132	130
	Fertilizer purchase and processing	36				
2	Industrial Production Activity	101	99	97	97	91
	<i>From these</i>					
	Electrical Industry					-
	Mechanical Industry					
	Industry of building materials	88	99	84	84	79

	Wood Industry	13	13	13	13	12
	Water Industry					-
3	Building Activity	385	377	386	358	376
	<i>From these</i>					
	Investments	56	54	98	51	53
	Maintenance of state buildings	184	185	150	170	184
	Building Service	145	138	138	137	139
	Maintenance of bunkers	-	-	-		
4	Different Services	126	121	130	57	57
5	Transport Activity	26	26	26	24	23
6	Other	121	57	28	25	29

In 1987 the activity of this unit was suspended and a new enterprise was established, which did the cleaning for the entire city, while still in 1989 the activity of the later was suspended and **The Greenness Enterprise** was created.

In 1992 the activity of the building-repair service, starting as a self-financed activity, was suspended, and later in 1993 totally abandoned.

In 1992 the maintenance of state buildings was separated by this enterprise and the Building Enterprise created. A Building Agency was created, which was in charge of financing and monitoring the works on state buildings for the homeless, their sales, and the privatization of those buildings on which the privatization law had not been applied.

In 1992 the Production Unit and the Cemetery Service also was separated by this enterprise and started operating through subsidies until it was privatized.

In July 1992, services left under coverage of the Municipal Services Enterprise were road maintenance, drainage canal works, and beaches maintenance.

Chart 5

No	Name	Year 1991	Year 1992	Year 1993	Year 1994	Year 1995
I	Total number of workers	638	208	119	110	110
	<i>From these</i>					
	Employees	57				
	Workers	581				
	<i>From these</i>					
1	Municipal service activity	168	190	119	110	110
	<i>From these</i>					
	Maintenance of the electrical network					
	Cleaning, greenness, beaches	34	24	8	8	8
	Maintenance of roads and sidewalks	134	166	111	102	102
	Fertilizer purchase and processing					
2	Industrial Production Activity	58				
	<i>From these</i>					
	Electrical Industry					
	Mechanical Industry					
	Industry of building materials	50				
	Wood Industry	8				
	Water Industry					
3	Building Activity	267				
	<i>From these</i>					
	Investments	32	18			
	Maintenance of state buildings	175				
	Building Service	60				

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	Maintenance of bunkers	-				
4	Different Services	22				
5	Transport Activity	15				
6	Other	51				

