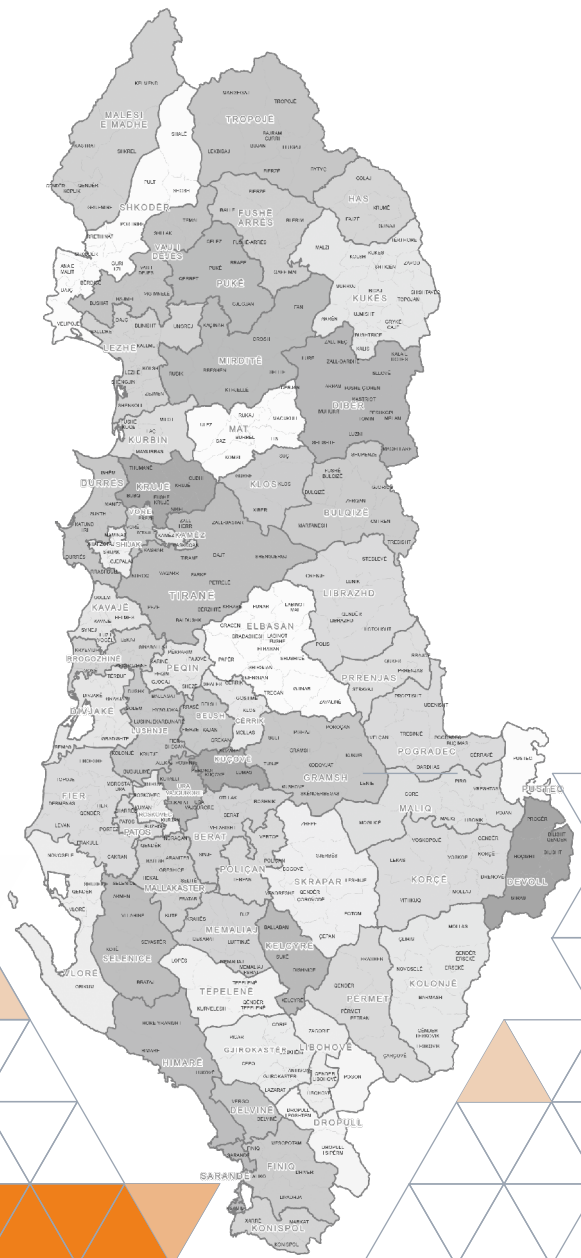
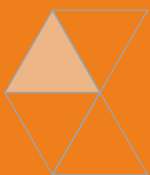




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Report of Mid-Term Review of National Cross-Cutting
Strategy for Decentralization and Local Governance
(2015-2020)



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October 2018

Prepared for Ministry of Interior

Author: Sabina Ymeri

Contributors: Mirsa Titka, Stefan Pfaeffli, Peter Clavelle

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Executive Summary

The National Cross-cutting Strategy on Decentralisation and Local Governance (NCSDLG) was approved by the Government of Albania (GoA) in 2015, setting out the objectives for the decentralization processes in Albania. This document was drafted and approved through quite an extensive process of consultations and by involving a large number of experts, consultants, national level institutions, local representatives as well as international development partners¹. In the spirit of NCSDLG a new law on local self-governance was adopted², along with a new law on the territorial and administrative division of Albania³. These three acts lay the foundation of the system of local self governance in the country and aim to strengthen decentralization and increase the space and importance of local government, in direct contact with the communities and the citizens. In addition, a new law on local finance was adopted in 2017, aiming at determining clear rules, principles and procedures of local government finance from their local and state budget sources; as well as setting out rules for public financial management at the local level.⁴

This Mid-Term Review (MTR) aims at informing the responsible authorities of Albania on the progress made with the implementation of the strategy, identify implementation constraints, and draw lessons to redefine and optimize the actions and interventions for the achievement of the objectives and outcomes of the strategy.

The specific objectives of the review were as follows:

1. To assess the effectiveness of the implementation of the NCSDLG and its Action Plan 2015-2017;
2. To assess the relevance of the objectives and activities of the decentralization reform;
3. To assess the performance and the efficiency of the management of the new functions⁵
4. To assess the efficiency of the management structures for the decentralization reform;
5. To draw lessons and provide recommendations in case a revision of the strategy is needed, or prepare the ground for a new strategy post 2020.

The MTR explores the period from 2015 to beginning of 2018 and highlights the achievements of the first three years of the strategy implementation in relation to the level

¹ USAID/PLGP programme alongside several other international partners.

² Law 139/2015 “On Local Self-Government”

³ Law 115/2014 “On the administrative and territorial division of local government units in Albania”

⁴ Law 68/2017, “On local self-government finance”

⁵ This objective has been addressed in detail through a separate study on performance of new functions, which has been prepared in parallel to the MTR with dldp support. The Mid-Term Review briefly elaborates on the new functions in response to the evaluation questions.

of achievement of the objectives of the strategy. It is intended as an input to the process of updating and/or refining the strategy and/or action plan for the implementation of the strategy for the period of 2018-2020.

The questions in this review fall into two groups. The questions addressing *efficiency* and *effectiveness* consider the public administration level itself and address issues that are essentially under direct control of the implementing authorities at the central and local level. The questions on *relevance*, *impact* and sustainability⁶ consider the effects the policy measures will have on the wider environment. These latter questions are more difficult to measure objectively, and they are less under the control of the operational stakeholders.

Methodology

To ensure a well-coordinated and credible review, a systematic approach and methodology was developed to guide the process. In particular; a dedicated Working Group involving officials from the Ministry of Interior, Agency for Support to Local Government, Ministry of Finance and Economy and other line ministries was established to support undertaking the review. The Team leader of the MTR process is the Deputy Minister of Interior. The review was carried out by a team of external experts, in close consultation with the Mol working group.

The methodology for the review was based on the Organisation for Economic Cooperation and Development's (OECD) project evaluation criteria. Information for this assessment was obtained via two channels: desk review of secondary data: Publically available documents as well as other reports, analyses; as well as collection of primary data through i) a questionnaire distributed to all municipalities and line ministries and central institutions that interact with local governments and ii) structured interview meetings with all identified project evaluation target groups at the local and central level, with a view to finding answers to the evaluation questions and/or verifying assumptions based on analysis of the preliminary publicly available information.

All information gathered was analysed and triangulated with other sources from interviews or factual data/reports. A series of validation meetings were held with stakeholders to solicit different perspectives of the reform and validate findings and recommendations of the review before the submission of the final report to the Consultative Council and Government of Albania. An important element of the review process has been the direct involvement of the implementing agencies, which is extremely critical for ownership.

The review has its own limitations, related with the time and resources; as well as availability

⁶ Impact and sustainability are outside of the rigorous scope of the MTR.

of data. It largely reflects opinions of stakeholders as expressed in interviews or as reflected in reports.

Relevance

The strategy of decentralisation is well aligned with the principles of the Council of Europe Charter for Local Governance and the National Strategy for Development and Integration. Overall, the strategy of decentralisation remains fully valid and relevant to the needs of local governments, central government and other stakeholders. However, explicit relevance of the decentralization policy agenda is not readily apparent at the level of sectoral strategies, which in several instances fail to recognize the increasing role of local governments at objective and measure level. It must be noted that the process of preparation of the sectoral strategies 2014 – 2020 has preceded or has occurred simultaneously with the preparation of the decentralization strategy which may have led to some inconsistencies in the strategic frameworks.

Maintaining relevance will be critical in the medium term, to ensure that efforts are sustained into aligning strategic and legal frameworks, as patterns of inherent competition between sectors/line ministries and local government, have started to emerge particularly in areas where decentralization principles have not been mainstreamed into sectoral strategic and legal frameworks, such as the role of local government in primary healthcare; agreement on assignment of authorities in pre-school services; or forestry management and rural development.

Effectiveness

In terms of effectiveness, the MTR aims at reviewing the degree of achievement of the targets for the quantitative indicators as set out in the decentralisation strategy, with a view to identify whether contributions to objectives and outcomes can be observed. Overall, progress in implementation of the strategy has been satisfactory across the four pillars, although efforts in transfer of assets; harmonisation and completion of regulatory frameworks primarily with regard but not limited to the areas of newly devolved functions; or increased transparency and accountability of local governments may need to be stepped up.

The ***territorial and administrative reform*** is the overarching theme of the first pillar of the strategy. The vision and objectives of TAR were very ambitious; nevertheless they were

largely successfully achieved. Major efforts were put into supporting the territorial, administrative and financial consolidation process by the central government and international partners. Stakeholders at the central and local level alike believe that the reform has led municipalities to increase their management skills; integrated planning capacity and attract more qualified staff; enhance capacities to raise revenues from own sources; as well as provide better quality services for their citizens and increase coverage. A number of important achievements have laid the foundations for the functioning of the new system of local governance that came into force as of 2015; including the intensive efforts for the legal transfers and asset and financial inventories of the new municipalities and the establishment of one-stop-shops, to improve the quality and timeliness of administrative services for citizens at the local level.

Strengthening the dialogue and mutual accountability between the central and local levels of governance is another key objective under the first pillar of the decentralisation strategy. The establishment of the *Consultative Council*, as the main forum for consultation on new strategies, policies and legislation that may have an impact on local governance is an important achievement. The forum is appreciated by central and local governments alike and there is consensus that serious efforts are being made by ASLG to support CC and raise its profile. Although the forum remains vulnerable, the procedures for its operation are gradually being streamlined; while meetings have become more regular and an increasing number of issues have been put up for discussion.

Resources available to local government have significantly increased during the last three years: in 2017, local government budgets (from both conditional and unconditional sources) amounted to 61,8 billion lekë; or 4% of GDP (as opposed to 47,8 billion lekë, or 3,2% of GDP in 2016), in line with the strategy objective. *Discretionary funding* – as a degree of financial and decision-making autonomy – has also increased to 35,5 billion lekë in 2017 or 57% of total resources; up from 29 billion or 61% of total resources in 2016. The pool of the unconditional transfer increased to 23,4 billion lekë in 2018, up from 22 and 18 billion lekë respectively in 2017 and 2016 (including specific transfers)⁷ and fully in line with the target of at least 1% of GDP, as sanctioned in the Local Finance Law. In terms of the *grant system*, a revised horizontal equalization formula for the

⁷ The unconditional transfer pool for municipalities and communes in 2015, the last year before the reform was 9,26 billion lek. Excluding the specific transfers, the unconditional pool in the 2016 budget (normative act no.2) was 11,4 billion lek; in 2017 (normative act no. 3) was 13,9 billion lek and in 2018 (normative act no. 1) 14,9 billion lek, or 23%; 22% and 8% year-on year increase for 2016, 2017 and 2018 respectively. Source: Ministry of Finance, budget tables.

unconditional transfer was introduced since 2016. No progress has been made with regard to the conditional grant system in place, in particular RDF with regard to its role in local government financing.⁸ The RDF continues to be the single most important source of financing for bigger infrastructure development projects at the municipal level; although it remains an instrument of national policy, while the transparency and stability of the scheme has often undergone criticism.

The Local Finance Law introduced significant positive changes to the system of *shared taxes*: the level of sharing for the Vehicle registration tax increased to 25% of collection in favour of municipalities; while the personal income tax was first introduced as a shared tax, at 2% of collections in favour of municipalities (although application is pending technical solutions). Changes to the property tax, moving to a value-based system for the tax on buildings, is perhaps the single most important change in the regulatory framework for own source revenues of local governments. The process has encountered some technical difficulties and application of the new system was postponed to January 2019. In the meantime, the central government is working on the establishment of a fiscal cadastre for purposes of property tax administration at the local level and has advised its intention to assign the public electricity company (OSHEE) as the collection agent for the property tax.

The *law on local finance* established important links between strategic planning and budgeting; clarified the budgeting process at the local level and established a series of building blocks for prudent financial management at the local level, including the preconditions for realistic budget assumptions, rules for intergovernmental transfers, own source revenues and budget monitoring and controlling rules. As a result, it is reported that the quality of MTBPs prepared by municipalities has visibly improved. The Ministry of Finance followed by establishing guidance on the medium-term budget process (MTBP) and structure of programme budgeting for LGs.

Despite the positive progress made, challenges in the financial framework persist. 90% of LGs have accumulated arrears, although stock of arrears has decreased from 12.2 billion lek in 2017, to 7,4 billion lekë as of June 2018⁹. Likewise, no steps have been made towards enabling local government borrowing.

Significant strides have been made in the area of (historic) *own functions*. The allocation of historic responsibilities has not changed drastically from the pre-strategy period. However, the reconfiguration of local governments has enabled quality leaps in the

⁸ In the framework of the Regional Development Reform the RDF is also undergoing structural change; however it is unclear whether and to what extent these changes will impact local governments.

⁹ Source: Ministry of Finance and Economy interviews

delivery of services; particularly in solid waste management; water utility management, planning and delivering larger scale investments. Challenges in financing persist especially for larger scale projects.

In the ***water supply and sewerage*** sector the reorganisation of the water companies in line with the new territorial layout strengthened municipal oversight and accountability in water management. Nevertheless, the financing gap for the sector is very significant, also following years of deferred maintenance. The central government has committed to financing the municipal water companies through contracts based on target performance indicators. The latter are, arguably, not clearly measurable nor always efficient.

In the ***waste management sector***, coverage of waste removal services has increased from 60% to 80% of the territory post territorial reform. Integrated management/treatment of waste remains a challenge. The Ministry of Tourism and Environment (MoTE) has developed a masterplan for landfills and controlled collection sites; while MoTE reports that 199 former illegal dumping sites have been identified and activities ceased. Waste treatment is also typically a regional service, which cannot be performed individually by each local government.

In environmental protection, division of authorities between the central and local levels of government remain unclear. Municipal administrative powers are extremely limited (i.e. minimum sanctions based on municipal police framework for infringements; with virtually no impact).

Pre-university education, primary healthcare and social care were jointly classified as “shared functions” under the old legal framework and in the decentralization strategy itself. In the current legislation, municipal responsibilities in the above-mentioned sectors have been narrowly define, and sanctioned as “own” functions. In essence, the difference between the definitions in the former and current legal framework on local government is only one of semantics; however, the new definition fails to convey the entrenching interactions between the two levels of government that are crucial for the performance of these functions, due to their very own nature.

In ***pre-university education***, the major change brought about by the decentralization strategy and consequently the new law on local government was the allocation to municipalities of full authority over the pre-school (kindergarten) system. However, inconsistencies persist between law 139/2015 and law on pre-university education¹⁰, which has impaired full management authority of municipalities in pre-school system (kindergartens). Furthermore, teachers’ and students’ transport was recentralized

¹⁰ Law 69/2012

allegedly due to unaccountable local governments in delivering the service¹¹. However, the disputes may disclose deeper inefficiencies in exchange of information and internal management of schools and regional education directorates. The Ministry of Education has shown high resistance to deepening the decentralization process.¹² In turn, many municipalities as well as other stakeholders are of the opinion that municipal authorities in the pre-university education system should further be strengthened to include among other municipal oversight over staff management at all levels, in order to ensure better accountability of the educational staff to the local communities, particularly in rural areas. The strategic and legal framework for social protection and **social care services** is in line with the decentralization principles as defined in the NCSDLG, recognizing the role of local governments in reaching out and supporting vulnerable population. The sector law has defined concepts such as the minimum basket of services (i.e. minimum standards). Social care services are scarce nationally and fully missing in the majority of medium and small sized municipalities.¹³ Financing of the sector remains a challenge. The establishment of social fund, to finance creation and operation of services at the local level, is expected to support local governments create and expand the range of social care services. However, the sources of financing and operational details for the social fund remain unclear while the regulatory framework is currently under development. In primary healthcare, the central government still retains full authority over maintenance of primary healthcare centres.

With regard to **functions decentralized in 2016**¹⁴, division of authorities remains vague in some instances, in particular with regard to monitoring functions. The transfer of functions was not preceded by in-depth analysis of the decentralisation potential; leading to local government claims on unfunded mandates in several areas (forestry management; agriculture; fire protection). Even if specific transfers covered operational costs fully, investment remains under the discretion of central government. Similarly, the division of administrative powers between the two levels of government needs to be clearly set out in the regulatory framework. Despite obstacles, improvements in service delivery have been noticed in numerous instances, particularly in irrigation¹⁵.

¹¹ As reported by the Ministry of Education, Sports and Youth

¹² The main dispute arises from inconsistencies in the sector law, which defines specific authorities of the Ministry of Education in appointing educational staff and the organic LG law. A revised draft law currently in Parliament is expected to address these inconsistencies.

¹³ The Ministry of Health and Social Protection reports that there are 27 municipalities which do not deliver any social care services.

¹⁴ Please refer to specific study for a more thorough discussion of performance of new functions

¹⁵ Ibid.

Efficiency

In terms of efficiency, this review looks at the degree to which original assumptions on in the strategy and its action plan were realistic in terms of timelines and budgets; and the governance structure of the strategy and the way institutions have cooperated with each other. Overall, this review concludes that the strategy was overall **realistic** and implementation is largely on track. Nevertheless, the strategy would benefit from a regular follow-up on activities and evaluation of results at high policy levels, to ensure that line ministries remain committed to the decentralisation objectives.

The strategy is quite ambitious, even more so due to the vast scope. The most ambitious component has been perhaps TAR. However, although TAR overlaps with the decentralization strategy, they are not identical. The essence of the decentralisation strategy lies in the allocation of responsibilities and the financing mix. These components were in fact quite realistic and were designed as a result of a broad consultation process. The strategy does not always provide a well-defined roadmap for policy directions. It provides an indication of the need to decentralise but limited rationale on administrative arrangements. Lack of clarity on the division of responsibilities has the potential to undermine results. Strategic objectives and key activities/indicators do not always correlate in a meaningful manner and may need to be revisited. Furthermore, the strategy leaves out some key questions and unresolved issues that are quite relevant for local governments, among other linkages between decentralisation and regional policy; role of Qarks; national and local prerogatives in financing national/regional local development or further direction on the evolvement of the intergovernmental grant system (primarily conditional grants).

Overall, the strategy remains relevant and valid to the needs of all involved stakeholders. Important progress has been achieved so far, but it is still early to evaluate impact on citizens. Three years into the implementation period, there may be a need to revised the implementation action plan of the strategy as well as improve the monitoring framework.

Sporadic tensions and inherent competition between municipalities and sectoral interests at the central level are arising; in particular in sectors where inconsistencies in the strategic and legal frameworks persists. Three years on, there appears to be “fatigue” from the decentralisation theme. It is implied that the reform has achieved its results and decentralisation is not as high on the policy agenda, leading to policy “stagnation” in the most recent period.

A broad consensus amongst stakeholders on the degree of decentralisation has not materialised yet: various stakeholders have expressed in favor of further decentralisation in a number of sectors; while others have remained skeptical. The decentralisation process may not have finished yet and a dialogue on the directions of the reform, scope and depth in existing and new sector may be needed.

The management structures for the decentralisation strategy are not streamlined and leading progress and taking timely corrective measures are cumbersome processes. The government needs to reiterate the strong will to pursue the objectives of the strategy and hold line ministries accountable for results. While ASLG has been committed to the process, line ministries have not been involved in an equally active way.

Abbreviations and Acronyms

AGFIS	Albanian Government Financial Information System
ASLG	Agency for Support to Local Self-governance
ASPA	Albanian School of Public Administration
AZRT	National Agency for the Implementation of the Territorial Reform
CC	Consultative Council
CS	Civil Service
DCM	Decision of the Council of Ministers
dldp	Decentralization and local development programme
DoPA	Department of Public Administration
ESF	European Structural Funds
EU	European Union
GoA	Government of Albania
IDM	Institute for Democracy and Mediation/Instituti për Demokraci dhe ndërmjetësim
IDRA	Institute for Development and Research Alternatives/ Instituti për Kërkime dhe Alternativa Zhvillimi
IPMG	Integrated Policy management Group
IPRO	Immovable Property Registration Office
LG	Local (Self-)Government
LG	Local Government
LGU	Local Government Unit
MoI	Minister of Interior
MoIE	Ministry of Infrastructure and Energy
MoSLI	Minister of State for Local Issues
MTBP	Medium Term Budget Framework
MTR	Mid-Term review
NCSDLG	National Cross-cutting Strategy on Decentralisation and Local Governance
NWSSA	National Water Supply and Sewerage Agency
OECD	Organisation for Economic Cooperation and Development
PAR	Public Administration Reform
PLGP	Planning and Local Governance Programme
SDC	Swiss Agency for Development Cooperation
STAR	Support to Territorial and Administrative Reform Project
TAR	Territorial and Administrative Reform
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WRA	Water Regulatory Authority
MoTE	Ministry of Tourism and Environment

1. Introduction

1.1. Contextual background to NCSDR

The National Cross-cutting Strategy on Decentralisation and Local Governance (NCSDLG) was approved by the Government of Albania (GoA) in 2015, setting out the objectives for the decentralization processes in Albania. This document was drafted and approved through quite an extensive process of consultations and by involving a large number of experts, consultants, national level institutions, local representatives as well as international development partners¹⁶. In the spirit of NCSDLG a new law on local self-governance was adopted¹⁷, along with a new law on the territorial and administrative division of Albania¹⁸. These three acts lay the foundation of the system of local self governance in the country and aim to strengthen decentralization and increase the space and importance of local government, in direct contact with the communities and the citizens. In addition, a new law on local finance was adopted in 2017, aiming at determining clear rules, principles and procedures of local government finance from their local and state budget sources; as well as setting out rules for public financial management at the local level.¹⁹

In terms of institutional set up, there have been a number of changes of national structures dealing with local governance. In 2013, GoA established the Minister of State for Local Issues (MoSLI), which was responsible to bring forward a number of important reforms impacting local governance. To support MoSLI, it was instituted the National Agency for the Implementation of the Territorial Reform (AZRT), under the Prime Minister hierarchy, which supported the process of real amalgamation of the new municipalities (institutionally and territorially). AZRT was responsible as well for the decentralization of new functions from the central government (line ministries) to local governments. In 2017, after the general elections and reconfirmation of the GoA, substantial changes were made. MoSLI was abolished and local issues were transferred as a field of responsibility under the Ministry of Interior. One Deputy Minister of Interior was charged directly to cover local issues. A department for local issues was instituted to cover national policy on decentralisation, while AZRT was downgraded and put under the authority of the Minister

¹⁶ USAID/PLGP programme alongside several other international partners.

¹⁷ Law 139/2015 “On Local Self-Government”

¹⁸ Law 115/2014 “On the administrative and territorial division of local government units in Albania”

¹⁹ Law 68/2017, “On local self-government finance”

of Interior. The name of AZRT was changed into Agency for Support to Local Self-governance (ASLG). The Department of Local Finance within the Ministry of Finance and Economy (MoFE) was further strengthened.

The progress in implementation of the decentralization strategy has been assessed through two Annual Monitoring Reports for 2016 and 2017²⁰. According to the monitoring reports, 36% of activities as foreseen in the Action Plan of the Decentralization Strategy had been completed as of end of 2017, while 49% of the activities were still ongoing. The process of data and information collection for drafting the annual monitoring reports was reportedly difficult and challenging, mainly due to low a level of response by the line ministries, which are important actors for the implementation of the activities. The monitoring reports elaborate on the degree of completion of activities and outputs in accordance with the Action Plan of the NCSDLG, but do not focus on the degree to which these have led to actual impact at the local level. In turn, the Action Plan of the NCSDLG broadly designs the major directions for the decentralisation reform at the sectoral level.

1.2. Purpose and Scope of the MTR

With the Mid-Term Review (MTR), the implementation of the National Crosscutting Strategy for Decentralization and Local Governance 2015-2017 is assessed over the first three years²¹. The review aims at informing the responsible authorities of Albania on the progress made, identify implementation constraints, and draw lessons to redefine and optimize the actions and interventions for the achievement of the objectives and outcomes of the strategy.

The specific objectives of the review were as follows:

6. To assess the effectiveness of the implementation of the NCSDLG and its Action Plan 2015-2017;
7. To assess the relevance of the objectives and activities of the decentralization reform;
8. To assess the performance and the efficiency of the management of the new functions²²

²⁰ Annual monitoring reports were prepared through support by the Swiss-funded project dldp, available at http://www.km.dldp.al/wp-multimedia/decentralization_strategy/Raporti%20i%20dyte-STRATEGJIA%20NDËRSEKTORIALE%20PËR%20DECENTRALIZIMIN%20DHE%20QEVERISJEN%20VENDO RE.pdf

²¹ Annual monitoring reports are however available only for year 2016 and 2017. The analysis in the MTR includes data as recent as June 2018, where data was available from other sources.

²² This objective has been addressed in detail though a separate study on performance of new functions, which has been prepared in parallel to the MTR with dldp support. The Mid-Term Review briefly elaborates on the new functions in response to the evaluation questions.

9. To assess the efficiency of the management structures for the decentralization reform;
10. To draw lessons and provide recommendations in case a revision of the strategy is needed, or prepare the ground for a new strategy post 2020.

This mid-term review explores the period from 2015 to beginning of 2018 and highlights the achievements of the first three years of the strategy implementation in relation to the level of achievement of the objectives of the strategy. It is intended as an input to the process of updating and/or refining the strategy and/or action plan for the implementation of the strategy for the period of 2018-2020.

The questions in this review fall into two groups. The questions addressing *efficiency and effectiveness* consider the public administration level itself and address issues that are essentially under direct control of the implementing authorities at the central and local level. The questions on *relevance, impact and sustainability*²³ consider the effects the policy measures will have on the wider environment. These latter questions are more difficult to measure objectively, and they are less under the control of the operational stakeholders.

1.3. Methodology for the review

To ensure a well-coordinated and credible review, a systematic approach and methodology was developed to guide the process. In particular; a dedicated Working Group involving officials from the Ministry of Interior, Agency for Support to Local Government, Ministry of Finance and Economy and other line ministries was established to support undertaking the review. The Team leader of the MTR process is the Deputy Minister of Interior, as accompanied by an Order of Minister²⁴. Terms of Reference for the Mid-Term Review were developed in late May 2018. The review was carried out by a team of external experts, in close consultation with the Mol working group.

The methodology for the review was based on the Organisation for Economic Cooperation and Development's (OECD) project evaluation criteria²⁵ to better guide the data and information gathering process (Annex 1).

The evaluation questions, as defined in the Terms of Reference have guided the information gathering process. The review approach included information gathering for the indicators identified for the 4 groups of questions, as described in Annex 1 of this report and

²³ Impact and sustainability are outside of the rigorous scope of the MTR.

²⁴ Order no. 312 od May 28th, 2018 of the Minister of Interior

²⁵<http://www.oecd.org/dac/evaluation/dacriteriaforevaluatingdevelopmentassistance.htm>

structured interviews with the core stakeholder groups of the evaluation. Information for this assessment was obtained via two channels:

- Secondary data: Publically available documents as well as other reports, analyses
- Primary data: Data was collected through a questionnaire distributed to all municipalities and line ministries and central institutions that interact with local governments.²⁶ Secondly, structured interview meetings were held with all identified project evaluation target groups at the local and central level, with a view to finding answers to the evaluation questions and/or verifying assumptions based on analysis of the preliminary publicly available information.

All information gathered was analysed and triangulated with other sources from interviews or factual data/reports. The processed information was synthesised with a view of:

- presenting the facts and findings pertinent to the outcome of the specific strategic objectives
- drawing conclusions on the effectiveness, efficiency and relevance of the implementation of the Decentralisation Strategy;
- preparing recommendations for the adjustment of the objectives and action plan of the Decentralisation Strategy

A series of validation meetings were held with stakeholders to solicit different perspectives of the reform and validate findings and recommendations of the review before the submission of the final report to the Consultative Council and Government of Albania. An important element of the review process has been the direct involvement of the implementing agencies, which is extremely critical for ownership.

1.4. Limitations

This review has its own limitations. First, the time schedule allowed for the fieldwork was quite tight, in particular considering the broad areas/sectors covered by the strategy. Secondly, there was limited time available for analysis and follow-up and discussions of results. The interview stage of the review was carried out during the summer period and it was more difficult to reach out to stakeholders.

The analysis presented herewith draws heavily on a qualitative approach, based on interviews with public officials and external stakeholders, as well as the desk study of reports. Findings in this review are indicative of the views expressed by these stakeholders and informed experts. Nevertheless, the level of confidence attributable to

²⁶ A summary report of the responses from questionnaires, prepared by Ms. Mirsa Titka, is presented in Annex 2 of this report.

the assessment would have been larger if there had been a rigorous process of data collection and analysis in each of the sectors. This is particularly relevant to the extent to which data can be verified and cross-checked. The experts did not have the time and other resources to verify each claim made in interviews and existing reports. This approach enables an overall judgement of the achievements, but does not have the level of confidence that derives from analysis of data and is based largely on interviews, review of progress monitoring reports and other reports. There were not sufficient resources to carry out in-depth analysis of sectors. This limitation was in turn mitigated through the validation of findings through triangulation.

Data availability is another crucial aspect of this review: documentation was limited in some of the sectors encompassed by NCSDLG, in particular as regards new initiatives that are being undertaken. Other reports (including the NCSDLG monitoring reports) have a heavy activity emphasis, with limited analysis of results versus plans. Furthermore, the Action Plan of the NCSDLG does not always contain clear baseline data and targets for the results to be achieved. Not all ministries responded to the questionnaire distributed for purposes of this review. The response rate from municipalities was quite high; although the quality of responses was at times too generic.

2. Findings

2.1 Relevance

The strategy of decentralisation is well aligned with the principles of the Council of Europe Charter for Local Governance and the National Strategy for Development and Integration. Overall, the strategy of decentralisation remains fully valid and relevant to the needs of local governments, central government and other stakeholders. Maintaining relevance will be critical in the medium term, to ensure that efforts are sustained into aligning strategic and legal frameworks, as patterns of inherent competition between sectors/line ministries and local government, have started to emerge particularly in areas where decentralization principles have not been mainstreamed into sectoral strategic and legal frameworks, such as the role of local government in primary healthcare; agreement on assignment of authorities in pre-school services; or forestry management and rural development.

The overall objective of the Crosscutting National Strategy on Decentralization and Local Governance 2015-2020 is: *“Strengthening of local governance and decentralization process with the goal of ensuring a higher efficiency of local government and increase of financial and functional autonomy”*. The priority areas of work, as defined in the strategy include:²⁷

- (i) Finalization of the administrative-territorial reform;
- (ii) improvement of the process of decentralization of public financing;
- (iii) quality enhancement and improvement of public services delivered by local governments, based on European standards, in line with citizen rights and needs;
- (iv) enhance local government transparency and accountability;
- (v) increase participation of citizen in general and women in particular and ensure adequate representation of stakeholders’ interests in local decision-making processes.

The strategy is in line with the principles and the standards defined in the European Charter of Local Governance²⁸ and the principles of the European Administrative Space²⁹ on local governance. The strategic objectives of the strategy, linked with 1) increased efficiency of local government structures; 2) local finance and financial decentralization; 3) sustainable local development and 4) good governance at the local level are also fully in line with the national strategic framework, as enshrined in the National Strategy for Development and Integration³⁰. However, explicit relevance of the decentralization policy agenda is not readily apparent at the level of sectoral strategies, which in several instances fail to recognize the increasing role of local governments at objective and measure level³¹. It must be noted that the process of preparation of the sectoral strategies

²⁷ The strategy defines a set of priorities as crosscutting streams of work for each of the objectives, which have been defined later.

²⁸ The strategy and law on local self-government recognize the authority of local self-governments to manage a substantial share of public affairs in the interest of local population; recognizes the principle of subsidiarity and the denote the degree of authorities exercised at the local level for different types of functions. Furthermore, these acts set out norms for intergovernmental relations in line with the principle of subsidiarity, including oversight by central authorities; as well as lay the foundations for fiscal autonomy of local governments.

²⁹ The strategy sets out the principles of legality; transparency and openness as well as accountability to other authorities; alongside the principles of efficiency and effectiveness in pursuing public policy, in line with the general principles of the ESA. See for instance “European Principles for Public Administration” available at <http://www.sigmaweb.org/publicationsdocuments/36972467.pdf>

³⁰ Decentralisation and Local Government Reform has been set out as one of the key areas of work under the Chapter Foundations: Good Governance, Democracy and Rule of Law in National Strategy for Development and Integration 2015 – 2020. Specific objectives are fully aligned with the strategic objectives of the NCSDLG (See pp. 90 of the NSDI II).

³¹ For instance, the Strategy for the development of the Pre-university Education 2015 – 2020 (<http://www.arsimi.gov.al/wp-content/uploads/2018/03/FLETORJA-ZYRTARE-STRATEGJIA->

2014 – 2020 has preceded or has occurred simultaneously with the preparation of the decentralization strategy which may have led to some inconsistencies in the strategic frameworks.

The strategy remains highly relevant and valid to the needs of local governments. Its objectives are widely accepted by stakeholders as being in line with the desired course of action. The first years of the implementation of the strategy were dominated by the theme of the territorial and administrative decentralization and the need to consolidate the new local governments. However, there is wide consensus among stakeholders that the scope of the decentralization strategy is – and should be – quite broader than the process of territorial consolidation. Three years following the territorial reform, the new municipalities have achieved some degree of territorial and social cohesion and integrated vision for their development. As the consolidation process is now complete ³², stakeholders indicate that practices and services appear to have been streamlined at the municipal level across the country; and (cross-sectoral and cross-territorial) integration is emerging at local government level through multi-thematic interventions. Stakeholders expect that the next policy cycle should increasingly focus on improving the quality and outreach of services and maximizing the benefits – for the constituents - from the decentralization process. Maintaining relevance of the decentralization objectives is critical in the medium term: three years from the adoption of the decentralization strategy, the policy context has changed and sporadic tensions are observed between the central and local government levels regarding policy mandates. This inherent competition between sectors/line ministries and local government is characteristic of all decentralization processes – however, it is much stronger in those policy areas where decentralization principles have not been mainstreamed into sectoral strategic and legal frameworks, such as the role of local government in primary healthcare; agreement on

APU_2014_2020.pdf), Action A10 indicates the need to move towards conditional transfers to municipalities for education; while it does not mention the full administrative decentralisation of pre-school education. The Strategy for Rural Development 2014 – 2020 at http://www.bujqesia.gov.al/wp-content/uploads/2018/02/STRATEGJIA_NDERSEKTORIALE.pdf does not explicitly mention the role of local governments, including under forestry (Measure 7); balanced rural development (Objective 3.1.3 Measure 8 and Measure 9, where local units are indeed recognised as beneficiaries), Transfer of know-how and innovation (Objective 3.1.4 including extension services). It does, however, marginally mention local government authority in irrigation and drainage as well as local development.

³² The process of amalgamation took the majority of resources during the financial year 2015, including extensive efforts for the physical and financial consolidation as well as operation on what was called as “transitory budgets” for 2015. The financial year 2016 was programmed on the basis of the new territorial layout. A DCM on “The Approval of the updated map of administrative-territorial boundaries of the local government units”, expected to be adopted within 2018, will be the last legal act to complete the full package of the territorial reform.

assignment of authorities in pre-school services; or forestry management and rural development.

2.2 Effectiveness

The section of effectiveness aims at reviewing the degree of achievement of the targets for the quantitative indicators as set out in the decentralisation strategy, aiming to identify whether contributions to objectives and outcomes can be observed. Overall, progress in implementation of the strategy has been satisfactory across the four pillars, although efforts in transfer of assets; harmonisation and completion of regulatory frameworks primarily with regard but not limited to the areas of newly devolved functions; or increased transparency and accountability of local governments may need to be stepped up.

According to the latest Decentralization Strategy Monitoring Report (2017), the status of implementation of activities is as follows:

Status of activities as of 31 December 2017	
Actions completed	36%
Action in progress	49%
Actions delayed	13%
Actions to start beyond 2017	2%

Strategic Objective 1: Efficiency of LG structures

The territorial and administrative reform is the overarching theme of the strategic objective. The vision and objectives of TAR were very ambitious; nevertheless, they were largely successfully achieved. Major efforts were put into supporting the territorial, administrative and financial consolidation process by the central government and international partners. Stakeholders at the central and local level alike believe that the reform has led municipalities to increase their management skills; integrated planning capacity and attract more qualified staff; enhance capacities to raise revenues from own sources; as well as provide better quality services for their citizens and increase coverage. The role of the central government in supporting TAR has been crucial, through the direct support to the administrative and procedural aspects of the amalgamation, as well as through the establishment of the Agency for Support of the Territorial Reform (now Agency for Support to Local Governance); which has played a key role in the coordination of the reform and later on providing hands-on support to local governments. As of

January, 2018³³ the mission and scope of work of ASTR was revised, to include some key functions in the decentralization process and intergovernmental relations, including:

- i) Coordination of the decentralization process in support of the Ministry in charge for local affairs; as well as coordination with local governments and between the two levels of government
- ii) Monitor the action plan of the decentralization strategy; produce analyses and reports and coordinate improvement of the legal framework in support of the decentralization process
- iii) Provide advice and support to local governments, identify and promote good practice as well as inform the public and interested parties
- iv) Perform the functions of the secretariat to the Consultative Council between the central and local levels of government

A number of important achievements have laid the foundations for the functioning of the new system of local governance that came into force as of 2015; including the intensive efforts for the legal transfers and asset and financial inventories of the new municipalities. In addition, the central government has been instrumental in mobilizing broad international partner technical and financial support for the territorial reform – and consequently for the decentralization process.³⁴ Infrastructure support for the new municipalities – mainly through the Regional Development Fund – has continued in line with the action plan.

One of the most important achievements has been the establishment of one-stop-shops, to improve the quality and timeliness of administrative services for citizens at the local level. As of 2018 at least 18 municipal one-stop-shops are reported to have been established, of which 11 provide full territorial coverage in the respective municipalities; while an additional 8 municipalities are planning to establish OSSHs during the course of 2018.³⁵ In the context of the territorial reform, establishment of one-stop-shops becomes even more relevant to ensure timely service outreach even in the most remote areas of municipalities. Nevertheless, some stakeholders have raised concerns on the efficiency

³³ DCM no. 11, dated 12.01.2018, amending DCM 83, dated 28 January 2015 “On the establishment and functioning of the Agency for the Implementation of the Territorial Reform”

³⁴ The central government and ASTR were instrumental in mobilising substantial international partner support for the support to the territorial reform, including the establishment of a multi-donor trust fund for the support of the TAR (STAR project) managed by UNDP, which provided critical hands-on support for the amalgamation process and operationalisation of new practises and models in the new municipalities, among other. Other partners, such as Swiss funded dldp and USAID PLGP also provided important support to municipalities and the decentralization reform process.

³⁵ According to the 2017 monitoring report, 11 OSSHs had been established by the end of 2017, providing 109 different types of services overall. The figures above were reported by the Ministry of Interior in August 2018.

of OSSHs in various municipalities, pointing out that streamlining of procedures and authorities has not been completed everywhere and it is unclear to what extent OSSHs perform integrated services and/or function as simple front offices to receive service requests. This activity has not reached the objectives of 70% of municipalities as stated in the decentralization strategy.³⁶

Activities under this strategic objective have also aimed at enhancing the enabling environment for the operation of the local government structures in the new context, in particular as regards the efficient functioning of the representative bodies, consolidation of the administrative units, enhancing cross-local and inter-institutional cooperation, amendment of the local government law, etc. the new Law on Local Self Government³⁷ revisited the authorities of the Mayor, aiming at strengthening his oversight of the internal administration as well as management of municipal property; as envisaged in the strategy. The Department of Public Administration and School of Public Administration (ASPA) in cooperation with international partners were instrumental in providing models of internal organisation, typical job descriptions as well as training programmes for new Mayors. Priority was given by ASPA for arrangement of the mandatory training of the new entry into civil service at local level. The LGUs are advised to use the *e-PAV electoral platform* for planning of the trainings. Also, trainings were provided to high-level officials at local level in the leadership and strategic management, respectively 109 officials for 2016-2017 and 22 in 2018.³⁸

Furthermore, support is being provided to prepare General Local Plans to underpin the territorial and economic development of municipalities. As of 2017, 44 General Local Plans were completed³⁹, and the drafting of an additional 16 GLPs were under process, financed primarily through the state budget and facilitated by the Agency for Territorial Planning.

Transfer of assets from central to local government property remains a controversial issue. The decentralisation strategy indicates that by 2017, at least 70% of property should have been transferred to municipalities. However, despite various pieces of legislation granting authority to municipalities since 2015 and before, limited progress has been achieved. The lack of a reliable, comprehensive inventory of assets to be transferred

³⁶ The action plan indicates the number of services to be offered through OSSHs rather than a timeline for establishment of OSSHs in all municipalities. It is implied however that 10 services should be provided in OSSHs by 2017 in all municipalities; which should be increased to 67 by 2020. The performance indicator matrix indicates that 70% (of municipalities) should have OSSHs by 2017.

³⁷ Law 139/2015.

³⁸ See summary report on questionnaires.

³⁹ Annual Monitoring Report 2017

has been identified by stakeholders as one of the key bottlenecks in the process⁴⁰. At the same time, this also renders an estimate of the degree of progress quite difficult. As of July 2018, half of the municipalities reported that they had registered 50% or more of the properties.⁴¹ Inventories of assets – where they do exist – are not clear, often contain only nominal data and miss crucial information such as GIS data; value, accumulated amortization, and other necessary data. In some cases, procedural difficulties persist for transfer, such as in the case of transfer of assets from the drainage boards; while in the majority of cases documentation is incorrect and/or incomplete. Even where procedural difficulties have been overcome, it is not uncommon that municipalities lack the financial resources to follow-up the process and register assets with IPROs for properties of dubious market value.⁴²

Strengthening the dialogue and mutual accountability between the central and local levels of governance is another key objective under the first pillar of the decentralisation strategy. The establishment of the Consultative Council, as the main forum for consultation on new strategies, policies and legislation that may have an impact on local governance is an important achievement. There have been seven CC meetings since its creation in December 2016⁴³ and its role has gradually strengthened, while the number of meetings has increased especially during 2018. The role of the CC has gradually strengthened. The forum is appreciated by central and local governments alike; while opinions on its effectiveness vary. In particular, several stakeholders' express concerns on the degree of commitment of central government institutions to the consultation process. There is consensus that serious efforts are being made by ASLG to support CC and raise its profile. Although the forum remains vulnerable, the procedures for its operation are gradually being streamlined; while meetings have become more regular and participation and an increasing number of issues have been put up for discussion. Stakeholders point out that the rules and procedures for the functioning of CC may need to be revisited to ensure more meaningful and efficient discussions, among other with regard to i) ensuring that local government representatives do not exceed the number of members; ii) central government is represented through senior management officials; iii) CC takes a more proactive role in discussing policy initiatives at an earlier stage in the

⁴⁰ This shortcoming was identified both during interviews as well as from the questionnaires.

⁴¹ The data refers to municipalities responses in questionnaires. It is likely that the figure has been overestimated by assets that are currently in the use of municipalities, but have not been registered yet.

⁴² Please see summary report on questionnaires in Annex 2.

⁴³ DCM no 910, dated 21.12.2016

policy cycle, rather than just before the adoption of legal acts when the likelihood of changing the course of action is quite limited; iv) institutionalising the discussions and opinions expressed in the CC through a formal deliberation issued by the CC. The last direction of work under this pillar of the strategy is related with the restructuring of the organisation of central government structures at the regional/local level (i.e. deconcentrated structures), in order to facilitate smooth interaction and cooperation between the two levels of government. In this respect, the adoption of the new “Law on the Prefect of the Qark”⁴⁴ revisits the Prefect’s role towards the coordination of central authorities at the regional level. More importantly, the role of the Prefect towards monitoring the legitimacy of local government operations has been slightly strengthened⁴⁵; as well as the Prefect’s authority to establish working group and task forces with the mandatory participation of central and local government units to follow up national level policy or regional emergencies has been strengthened.

Strategic Objective 2: Fiscal and financial autonomy

The objectives of the decentralization strategy under the second pillar relate respectively with i) increasing local revenues; ii) improving and simplifying the intergovernmental transfer system; iii) increasing local borrowing and iv) improving financial management at the local level. These objectives are also fully reflected in the Public Financial Management Strategy 2014 – 2020.⁴⁶

Progress under this pillar has been generally positive. Resources available to local government have significantly increased during the last three years: in 2017, local government budgets (from both conditional and unconditional sources) amounted to 61,8 billion lekë; or 4% of GDP (as opposed to 47,8 billion lekë, or 3,2% of GDP in 2016), in line with strategy objective. Discretionary funding – as a degree of financial and decision-making autonomy – has also increased to 35,5 billion lekë in 2017 or 57% of total resources; up from 29 billion or 61% of total resources in 2016. Local government own source revenue was 20,3 billion lekë in 2017 (or 70% of discretionary funding) and 15,2 billion lekë in 2016 (or 43% of discretionary funding).⁴⁷ The pool of the unconditional

⁴⁴ Law no 107/2016, dated 27.10.2016.

⁴⁵ Articles 15 – 17 of the Prefect Law set out the Prefect’s responsibility to verify legality of local government acts and the obligation of the Prefect to carry out on site verifications at least every three months in every municipality, twice as frequently as in the previous legislation.

⁴⁶ Pillar 2 of the strategy, PFM in local governments addresses local government finance in a comprehensive manner. Available at http://www.financa.gov.al/wp-content/uploads/2017/09/Albanian_PFM_strategy_2014-2020-1.pdf

⁴⁷ Data are from USAID PLGP Programme, based on MoFE’s Treasury data. It was not possible to collect detailed information on the financial performance of the Regional Development Fund from MoFE or other line ministries.

transfer increased to 23,4 billion lekë in 2018, up from 22 and 18 billion lekë respectively in 2017 and 2016 (including specific transfers).⁴⁸

Composition of Total Local Government Revenue, in billion ALL

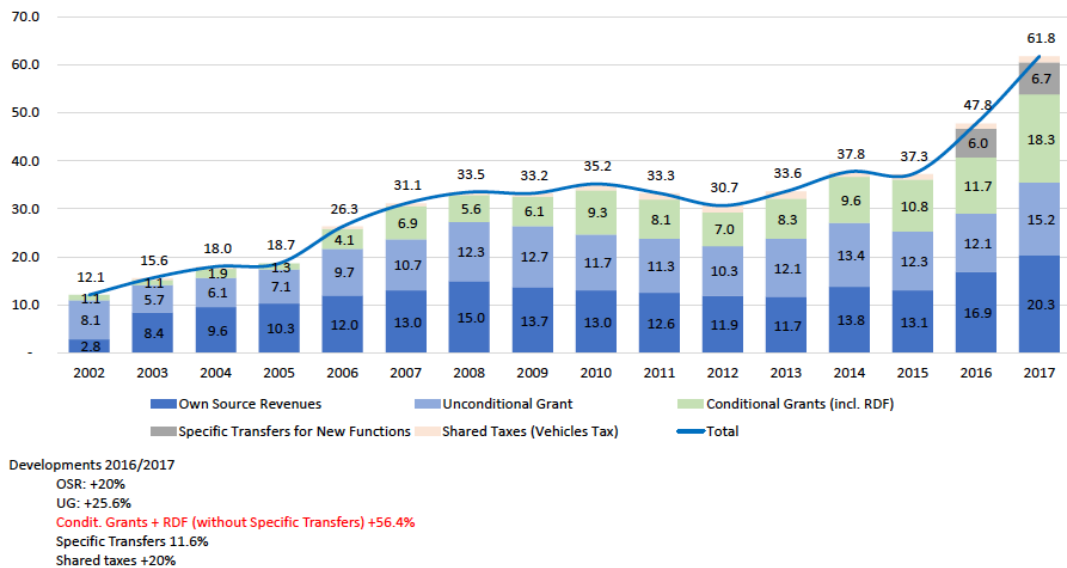
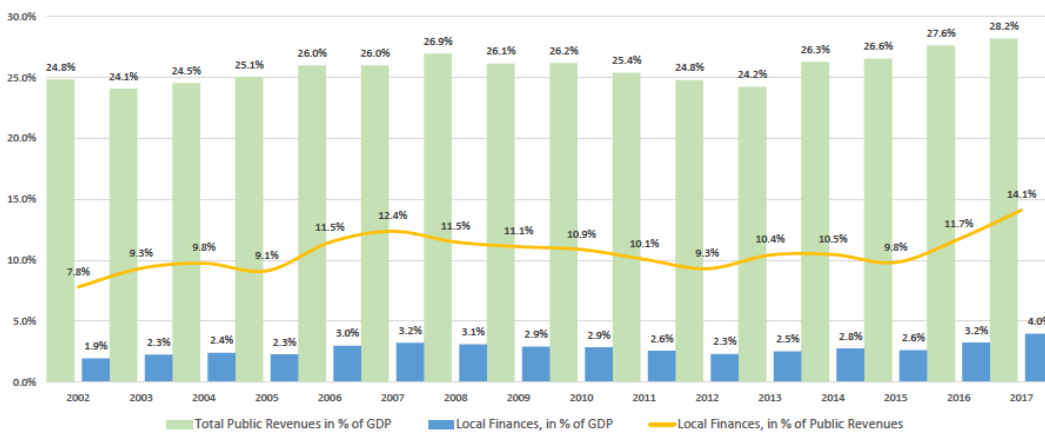


Figure 1

The Performance of Total Public and Local Revenues



Total Local Revenue include: Revenues from Local Taxes, The Unconditional Transfer, Shared Taxes, Specific Transfers for the New Functions, Shared Taxes and the Regional Development Fund;

Figure 2

⁴⁸ The unconditional transfer pool for municipalities and communes in 2015, the last year before the reform was 9,26 billion lek. Excluding the specific transfers, the unconditional pool in the 2016 budget (normative act no.2) was 11,4 billion lek; in 2017 (normative act no. 3) was 13,9 billion lek and in 2018 (normative act no. 1) 14,9 billion lek, or 23%; 22% and 8% year-on year increase for 2016, 2017 and 2018 respectively. Source: Ministry of Finance, budget tables.

Between 2017 and 2016 conditional grants grew at the highest rate (40% increase); followed by an increase in own source revenue (33%). It must be noted that the increase in own source revenue is driven primarily by a marked surge in revenues from the infrastructure impact tax, mainly concentrated in bigger municipalities; followed by a moderate increase in property taxes and service fees.

The adoption of the law on local finance⁴⁹ may be one of the main achievements under this pillar of the strategy. In terms of the grant system, a revised horizontal equalization formula for the unconditional transfer was introduced since 2016. Most importantly, the local finance law enshrined a vertical equalization rule for the state budget, setting out that the unconditional transfer may not be less than 1% of the previous year's GDP, contributing to increased predictability and stability of local government resources⁵⁰. No progress has been made with regard to the conditional grant system in place, in particular RDF with regard to its role in local government financing.⁵¹ The RDF continues to be the single most important source of financing for bigger infrastructure development projects at the municipal level; but the transparency and stability of the scheme has often undergone criticism.

In line with the objectives of the strategy, the local finance law introduced changes to the system of shared taxes: the level of sharing for the Vehicle registration tax increased to 25% of collection in favour of municipalities (slightly short of the 30% target specified in the strategy); while the personal income tax was first introduced as a shared tax, at 2% of collections in favour of municipalities. Although the application of the shared PIT should have started to be applied since January 2018; it has not become operational yet due to technical difficulties in identifying the origin of taxpayers in the General Tax Directorate database. In addition, municipalities report that sharing of the mineral rent tax⁵² also does not happen in practice for some municipalities.

Changes to the property tax, moving to a value-based system for the tax on buildings, is perhaps the single most important change in the regulatory framework for own source

⁴⁹ Law 68/2017

⁵⁰ The unconditional transfer pool for generic functions was at 1% of the GDP for both 2017 (expected) and 2018 (2018 budget). The unconditional transfer pool for both the generic (formula-based) pool and the specific transfers amounted to 1,4% and 1,46% of the GDP in 2017 and 2018 respectively. Based on the Fiscal Table for the Revised Budget 2018 (Normative Act 1), for 2019 and 2020 the general pool will amount to 0,9% of the GDP, while the specific transfer pool will amount to 0,4% of the GDP.

⁵¹ In the framework of the Regional Development Reform the RDF is also undergoing structural change; however it is unclear whether and to what extent these changes will impact local governments.

⁵² Law 9975/2008 as amended provides for sharing of 5% of proceeds from the mineral rent tax with local governments. The Municipality of Maliq reports that they do not receive any proceeds from this tax.

revenues of local governments. The process has encountered some technical difficulties and application of the new system was postponed to January 2019. In the meantime, the central government is working on the establishment of a fiscal cadastre for purposes of property tax administration at the local level and has advised its intention to assign the public electricity company (OSHEE) as the collection agent for the property tax. The majority of stakeholders at the local level believe that OSHEE would be a good agent for the tax, ensuring good coverage as well as efficient collection mechanisms. However, it has been pointed out that administration of the tax – including the responsibility for the assignment of the agent should be local. Several municipalities would prefer to manage at least selected taxpayer segments directly and assign OSHEE to manage household taxpayers only; while others have raised concerns over the accountability a giant corporation like OSHEE will have towards smaller or bigger municipalities and the need to build a system of assurance that appropriate procedures for the identification of taxpayers; reconciliation of data and regular and timely transfer of proceeds are in place. As far as fiscal autonomy goes, no major progress – if any - has been recorded. The most recent amendments to the Law on the Local Tax System⁵³ have introduced reference tax levels for almost all taxes. Local discretion in modifying the tax rate is preserved for the property tax only, at +/-30% of the indicative tax rate. The law on local finance, in turn, establishes an important principle that links service fee levels to service delivery costs⁵⁴. An important issue to note is that there are a number of clashes and inconsistencies in the legislative framework on local taxes.⁵⁵

The law on local finance established important links between strategic planning and budgeting; as a result of which it is reported that the quality of MTBPs prepared by municipalities has visibly improved. The Ministry of Finance followed by establishing guidance on the medium-term budget process (MTBP) and structure of programme budgeting for LGs⁵⁶. In addition, the Ministry of Finance provides comments and guidance to local governments on formal and substantial aspects of their MTBPs within June of

⁵³ Law 9632/2006

⁵⁴ A methodology for the calculation of the service fee for solid waste disposal and treatment has been adopted in line with said principle. See section on SO3.

⁵⁵ Between the organic LG law, local tax law and national tax law.

⁵⁶ Instruction no. 3, dated 30.7.2018, "On standard procedures for the preparation of medium term budgets of local self-government units". The instruction puts forth a structure of 36 budget programmes to be used at LG level, which is viewed by some local governments and independent experts as being too detailed at programming level (i.e. it undermines the solid links between strategic objectives and budget programme expected results). These assumptions will need to be MoFE and followed up during the next budget cycle in order to take corrective action, if deemed necessary. An Excel based Financial Planning Instrument was made available to municipalities to support with the medium term budget planning process.

each year; in addition to supporting the preparation of a training curriculum on local budget issues and conducting a course for budget officials through ASPA in the early spring of 2018.⁵⁷ While it is still early to evaluate substantial aspects (i.e. budget compliance; realistic estimates, consistency over years; etc.), the local finance law has clarified the budgeting process at the local level and established a series of building blocks for prudent financial management at the local level, including the preconditions for realistic budget assumptions, rules for intergovernmental transfers, own source revenues and budget monitoring and controlling rules. However, concerns persist among local governments on the degree of oversight by the Ministry of Finance and the degree to which the MoFE staff have the sufficient resources to process and use in a meaningful way the amount of information that is transmitted.⁵⁸ Municipalities have also pointed to the increased burden of reporting and somewhat unrealistic budget calendar enforced by the new law, as well as the lack of proportionality in the definition of administrative sanctions⁵⁹.

Despite the positive progress made, challenges in the financial framework persist. 90% of LGs have accumulated arrears, although stock of arrears has decreased from 12.2 billion lekë in 2017, to 7,4 billion lekë as of June 2018⁶⁰. Several municipalities have indicated that a concerted effort to support municipalities recover from this financial distress would be desirable in order to free up resources for public investment; in particular in cases when debt has been inherited from the former communes.⁶¹ Likewise, no steps have been made towards enabling local government borrowing. An assessment of local government borrowing capacity, which was to be undertaken within 2016 does not appear to have been started by the Ministry of Finance; while no dialogue has developed on the need to allocate a small share of the total public debt for local government borrowing.

While the AGFIs is currently under development/expansion under the lead of the Ministry of Finance, no clear timeline has been agreed upon with regard to local government direct access to the treasury system. The Municipality of Tirana is the only municipality with real time access to treasury. In 2017, the Ministry of Finance and Economy imposed very

⁵⁷ Training curricula were developed by MoFE with dldp assistance and the course was delivered through ASPA.

⁵⁸ The Department of Local Finance at MoFE has however succeeded in reviewing and providing comments to all local governments as needed during the MTBP cycle 2019 – 2021. Comments are of an advisory, rather than mandatory nature and aim at supporting local governments improve consistency and budgeting practices.

⁵⁹ Article 61 of Law 68/2017.

⁶⁰ Source: Ministry of Finance and Economy interviews

⁶¹ Please see also Annex 2.

strict cash limits on local government spending from the first week of November throughout the end of the year. This, according to the Municipality of Shkodër strongly impaired local government operations and created distress for the normal exercise of their functions which lasted well beyond the first weeks of the new financial year.

Strategic Objective 3: Sustainable economic development

Significant strides have been made in the area of (historic) own functions. The allocation of historic responsibilities has not changed drastically from the pre-strategy period. However, the reconfiguration of local governments has enabled quality leaps in the delivery of services; particularly in solid waste management; water utility management, planning and delivering larger scale investments. Challenges in financing persist especially for larger scale projects.

In the **water supply sector**, the territorial reform enabled the reconfiguration of the water corporates to mirror the new local government boundaries. Currently, in the majority of cases, municipalities act as sole shareholders of the water companies (58 SH.A.s and 151 rural water supply systems), which alongside better Mayor oversight of the operations as guaranteed through the organic law, create the pre-conditions for better management of the sector. Indeed, there is evidence of the improved management of water utilities across the country – according to the Ministry of Infrastructure, the level of informality is decreasing⁶² and many municipalities are taking steps for the financial and asset consolidation of the water companies as well as development of business plans. Nevertheless, the Water Sector Performance Report prepared by the Water Regulatory Authority (WRA)⁶³ indicates that no visible improvements have been made, in particular as regards cost recovery and improvement of operational efficiency. Furthermore, the infrastructure in the sector is randomly obsolete and has suffered years of deferred maintenance. 37 out of the 58 water companies are subsidised from the state budget. There is urgent need of major investment, which cannot be secured without state budget support. The financing mix for the sector is highly distorted: water tariffs cover only up to

⁶² The Ministry of Infrastructure reports that for instance over 20 thousand clients have been formalised in recent months, see <http://www.infrastruktura.gov.al/zv-ministri%20bonati%20mbi%2020%20mije%20kontrata%20te%20reja%20uji%20ne%20pak%20muaj/>

⁶³ Water Regulatory Authority of Albania, "Report on the Performance on the Water Supply and Sewerage Utilities 2017", http://www.erru.al/doc/Raporti_Performances_2017_eng.pdf

50% of costs⁶⁴, the amount of non-revenue water remains high at 64%⁶⁵ and the investment gap is significant vis-à-vis the financing needs. Recently the government has developed a sector financing strategy, which acknowledges the structural problems, the unaffordability of investment needs and the low level of coverage of water supply services, especially outside urban areas. The sector financing strategy⁶⁶ has developed a series of scenarios, which envisages the most feasible option as a gradual improvement (but not optimal) coverage, alongside enhanced focus on efficiency improvements and gradual tariff increase. In this context, the government has also announced that it will finance the water supply sector at 30 million Euros annually based on a performance grant system⁶⁷. Although the concept has been reiterated for several years now by the central government, the criteria for the allocation of the performance grants remain unclear to the municipalities. This is also recognised by WRA, which indicates that at the beginning of 2018 each municipality (Water utility) had to enter into a performance contract with the National Water Supply and Sewerage Agency (NWSSA) on behalf of the Ministry of Infrastructure and Energy (MoIE). The contract, based on performance indicators, included the allocation of incentive funds for subsidies or physical investment; however, it was difficult to establish credible baselines for the performance indicators at the time. Furthermore, the central government has most recently embarked in a process of developing water sector-specific legislation. The concept for this new reform is still under development, but it appears to aim at aggregation of water systems, possibly aided through incentive-based schemes. These latest developments have not been foreseen in the decentralization strategy.

Challenges in the *sewerage and wastewater treatment* sector are similar, if not even more pronounced than the water supply as regards coverage and quality of services as well as the financing gap. Sewerage systems are almost non-existent outside urban areas; while waste-water treatment facilities are very limited. The government has developed a

⁶⁴ David Michaud, Practice Manager, World Bank, available at http://www.calm.md/public/files/presentation_WB_Albania_Financing_strategy.pdf. See also "Albania: Water Supply and Sewerage Financing Options" by L. Sotiri (GoA) and COWI, May 2017 available at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=2ahUKewiShZxsp_eAhVFzKQKHwfAFkQFjAAegQIBxAC&url=http%3A%2F%2Fwww.danube-water-program.org%2Fmedia%2FEvents%2F2017%2FDWC_2017%2FPresentations%2FDay_1%2FSession_2_Strategic_Financial_Planning%2F2-Sotiri_Jacobsen_The_case_of_Albania.pptx&usg=AOvVaw1Q3qz89RYUS8M3B58aZuxW

⁶⁵ http://www.erru.al/doc/Raporti_Performances_2017_eng.pdf

⁶⁶ Draft National Strategy of Financing the Water Supply and Sewerage Sector.

⁶⁷ MTBP 2019 – 2021, www.financa.gov.al

masterplan on wastewater treatment utilities⁶⁸, which foresees the need to revisit wastewater removal tariffs. Naturally, the process of imposing new tariffs or increasing existing ones is not very popular among local governments, which are reluctant due to perceived political cost. On the other hand, wastewater treatment services may not be provided individually by each local government, but are best provided at regional scale. A cautious process of analysis and consideration, including negotiations with local governments should precede further developments in the sector. Overall, the water supply and sewerage sector is undergoing a thorough reform and prospects for local governments remain unclear in the absence of clear financing commitments.

Local governments also perform other **water related functions**; such as participation in the water basin regional committees (deriving from sector laws). According to the Ministry of Infrastructure and Agency of Water representatives, not all local governments take this role seriously and many fail to grasp the importance of water resource management for other direct responsibilities of the local level, including water supply or irrigation. At the same time, there is a need to strengthen municipalities' monitoring authorities, in particular with regard to management of water resources.

As regards **transport and road infrastructure**, the municipalities received the responsibility for the management of rural and urban road network, which was previously under commune and/or *Qark* responsibility. The inventory of roads has been completed, but there are no plans to develop an integrated road maintenance framework, despite it having been indicated in the strategy action plan. It has been reported by municipalities that concentration of funds due to amalgamation has led to much higher investment power from local government resources, which has benefitted rural communities as well, as demonstrated by empirical evidence in the consulted municipalities⁶⁹. Recent changes to the law on road transport⁷⁰ have allegedly increased local government authorities in road transport, including the authority to approve public transport charges as well as license operators. However, local governments indicate that the recent changes have

⁶⁸ The most recent publicly available strategy is the National Strategy of Water Sector 2011 – 2017 available at http://www.erru.al/doc/NATIONAL_STRATEGY_OF_WS.pdf. However, the Ministry of Infrastructure has indicated that a revised masterplan has been developed. The development of the masterplan is also referenced in the IPA Action Document for Support to Water Management, available at https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/ipa_2016-038718-5_support_to_water_management.pdf

⁶⁹ For instance, one of the many examples in the municipality of Tirana was that of a road investment in the Krrabe administrative unit during 2017, the funds for which were 8 times higher than the annual budget of the former Krrabe commune. The Municipality of Shkodra also indicated that the investment in rural communities is a specific priority.

⁷⁰ Law 8308/1998

narrowed down municipal authority in managing public transport routes, timetables and licenses.

The new Strategy on *Integrated Waste Management* is generally in line with decentralisation principles: the central government retains policy and monitoring functions; while local governments are in charge of service delivery and investment. A new DCM⁷¹ on measures and costs for integrated waste management provides guidance for local governments. Waste management services remain largely subsidized through the general budget of local governments – service cost recovery through service fees is very low and municipalities hesitate to increase tariffs due to political costs. The territorial reform has brought visible benefits in the sector: coverage of solid waste removal services has increased to 80% of the territory (from 60% pre-reform)⁷², due to major municipal efforts to expand the service coverage areas to the territories of former communes. Integrated management/treatment of waste remains a challenge. The Ministry of Tourism and Environment (MoTE) has developed a masterplan for landfills and controlled collection sites; while MoTE reports that 199 former illegal dumping sites have been identified and activities ceased^{73,74}. Waste treatment is also typically a regional service, which cannot be performed individually by each local government. The responsibility for the selection of sites for waste treatment facilities and monitoring of standards is retained nationally. The MoTE is enforcing a stricter process of monitoring as well as has intensified cooperation and coordination with municipalities, including through targeted actions such as the Clean Albania Action. At the same time, work undergoing for establishment of modern treatment facilities.

In *environmental protection*, division of authorities between the central and local levels of government remain unclear. Law 139/2015 enshrines protection from air, water and acoustic pollutions as municipal functions. Nevertheless, they are managed fully as central functions under the authority of the Central Inspectorate. Municipalities have no regulatory powers (i.e. permits, licenses), and the responsibility to develop environmental action plans appears to be regarded simply as a formality. Municipal administrative powers are extremely limited (i.e. minimum sanctions based on municipal police framework for infringements; with virtually no impact).

⁷¹ Decision of the Council of Ministers no 319, dated 31.5.2018, “On the approval of measures for the integrated management of waste”

⁷² Interview with the Deputy Minister of Environment

⁷³ Integrated Solid Waste Management in Albania – Sector Study for Investment Demand (ISWM Masterplan)

⁷⁴ Dumpsite Risk Mitigation Final Report, Tirana 2018; and amendments to DCM no. 452 dated 11.7.2012 “On waste landfills”.

Pre-university education, primary healthcare and social care were jointly classified as “shared functions” under the old legal framework (i.e. Law 8652/2000) and in the decentralization strategy itself. The concept of shared function denominated “those functions, for which local government units have their own part of responsibility, distinct from that of the central government; and which is associated proportionately with authorities which it exercises in an autonomous manner”.⁷⁵ In the current legislation, municipal responsibilities in the above-mentioned sectors have been narrowly defined⁷⁶, and sanctioned as “own” functions. In essence, the difference between the definitions in the former and current legal framework on local government is only one of semantics; however, the new definition fails to convey the entrenching interactions between the two levels of government that are crucial for the performance of these functions, due to their very own nature.

In *pre-university education*, the major change brought about by the decentralization strategy and consequently the new law on local government was the allocation to municipalities of full authority over the pre-school (kindergarten) system. However, inconsistencies persist between law 139/2015 and law on pre-university education⁷⁷, which has impaired full management authority of municipalities in pre-school system (kindergartens). Currently, authority over recruitment of personnel is highly debated. Furthermore, teacher and student transport was recentralized allegedly due to unaccountable local governments in delivering the service⁷⁸. However the disputes may disclose deeper inefficiencies in exchange of information and internal management of schools and regional education directorates. The Ministry of Education has shown high resistance to deepening the decentralization process.⁷⁹ In turn, many municipalities as well as other stakeholders are of the opinion that municipal authorities in the pre-university education system should further be strengthened to include among other municipal oversight over staff management at all levels, in order to ensure better accountability of the educational staff to the local communities, particularly in rural areas. Other challenges in the system and source of discussions between the line ministry and municipalities

⁷⁵ Law 8652/2000 (abolished), Article 3/2.

⁷⁶ For instance, article 23.11 of Law 139/2015 defines “The construction, rehabilitation and maintenance of pre-university education objects, with the exception of vocational schools” as an own function. Likewise, Article 23.13 defines similar responsibilities in primary healthcare.

⁷⁷ Law 69/2012

⁷⁸ As reported by the Ministry of Education, Sports and Youth

⁷⁹ The main dispute arises from inconsistencies in the sector law, which defines specific authorities of the Ministry of Education in appointing educational staff and the organic LG law. A revised draft law currently in Parliament is expected to address these inconsistencies.

include the possibility of rationalization of the school facilities in rural areas; quality of teaching in remote areas as well as availability of qualified human resources. The Ministry of Education, Youth and Sport (MoEYS) and Ministry of Finance and Economy (MoFE) are currently discussing the redesign of the unconditional transfer formula to include a stronger education-related variable, based on the number of students and schools. This initiative has not been discussed in the decentralization strategy, but it has been implied in the pre-university education sector strategy.

According to the organic local government law, municipal authorities in *primary healthcare* are related with the maintenance of primary healthcare facilities (in the same fashion as pre-university education) as well as some public health functions. In practice, all these functions are fully retained by the central government, although some local governments do deliver small scale maintenance work for primary healthcare centers.

The strategic and legal framework for *social protection and social care services* is in line with the decentralization principles as defined in the NCSDLG, recognizing the role of local governments in reaching out and supporting vulnerable population. The sector law⁸⁰ has defined concepts such as the minimum basket of services (i.e. minimum standards). However, no clear progress has been achieved in practice. Several social care centres were in theory decentralised since the mid-2000s, but the majority continue to operate as central government institutions (financially and administratively reporting to the line ministry in charge). Another handful of social care centres were transferred under municipal authority in 2016 and are currently being financed through specific transfers. Social care services are scarce nationally and fully missing in the majority of medium and small sized municipalities.⁸¹ Financing of the sector remains a challenge. The establishment of social fund, to finance creation and operation of services at the local level, is expected to support local governments create and expand the range of social care services. However, the sources of financing and operational details for the social fund remain unclear while the regulatory framework is currently under development.⁸²

Local government functions in social protection – poverty alleviation have been centralized, with local governments acting as agents on behalf of the central government

⁸⁰ Law on social care services

⁸¹ The Ministry of Health and Social Protection reports that there are 27 municipalities which do not deliver any social care services.

⁸² A working group has been established for this purpose through PM Order no.100, dated 16.7.2018, in charge of the preparation of the methodology for the calculation of funds for financing social care services and the design of the financial mechanism for transferring funds from the central budget to budgets of local government units.

in the management of the poverty alleviation cash benefit scheme. This policy change is duly reflected in legal framework but there is no public awareness. Recent changes in the cash benefit system have sometimes undermined public trust in municipalities as well as created disruptions for the social department operations. Currently, municipalities have very limited LG discretion in assisting vulnerable groups outside the national cash benefit scheme.

With regard to *functions decentralized in 2016*⁸³, division of authorities remains vague in some instances, in particular with regard to monitoring functions:

- In the agriculture area, legislation was pushed proposing to recentralize agriculture extension services (veterinary control), allegedly in line with EU best practice.
- In forestry management, issues persist with asset management, safeguarding and development; as well as monitoring authorities and capacities
- In fire protection, legislation has been developed but municipalities encounter difficulties due to obsolete equipment and high costs, including for staffing.

The transfer of functions was not preceded by in-depth analysis of the decentralisation potential; leading to local government claims on unfunded mandates in several areas (forestry management; agriculture; fire protection). Even if specific transfers covered operational costs fully, investment remains under the discretion of central government. Despite obstacles, improvements in service delivery have been noticed in numerous instances, particularly in irrigation⁸⁴. Similarly, the division of administrative powers between the two levels of government needs to be clearly set out in the regulatory framework.

As regards *local economic development*, by now 60 municipalities have completed (or are in the process of completing) General Local Plans⁸⁵. As explained above, transfers of assets have not progressed as envisaged. According to municipalities, there has been very limited focus on local economic development issues during the first mandate, where resources were concentrated on streamlining services and getting to know the new territories. LED will most likely develop further in post-consolidation (next) mandate. However, a number of government-led - and financed - initiatives on (regional) economic development have emerged in the recent years, such as the Urban Renaissance

⁸³ Please refer to specific study for a more thorough discussion of performance of new functions

⁸⁴ Ibid.

⁸⁵ GLPs for 16 municipalities have been contracted and are expected to be finalized within the first half of 2019.

Programme of the Regional Development Fund, or the most recent “100 villages” led by the Ministry of Agriculture and Rural Development.

Strategic Objective 4: Good Governance

The fourth and last pillar of the strategy focuses on strengthening capacities of the local government officials to provide better services; as well as increased transparency and accountability of local government structures.

Local governments indicated that they have benefitted from DoPA and ASPA support, in cooperation with international partners, for the reorganisation process, streamlining of HR and capacity building Municipalities rate training courses as useful.

Capacity building	2016	2017	1 January - 30 June 2018
Number of training events	38	42	33
Number of participants (local administration)	915	1147	673
Number of local officials (new entry) who have completed the obligatory training program	65	737	468
Number of high-level officials / or elected person trained in leadership /or strategic management programs		109	22

Source: Albanian School of Public Administration

In order to facilitate reorganization of the administrative structures after the completion of the territorial reform, the Department of Public Administration developed guidelines for streamlining structures to municipalities. 62% of the municipalities have revised their structures following the DAP’s guidelines; while 82% of the municipalities have revised and adopted new job description templates according to the Law on Civil services for over 70% of the total number of the job positions in their local administration.⁸⁶

At the same time, steps have been made towards increased transparency and access to digital information and services. Most municipalities have websites (79%) and publish

⁸⁶ See Annex 2, Summary report of questionnaires.

council decisions online (67%)⁸⁷. However, there is room for improvement in both openness and opportunities for citizen engagement, which is also acknowledged directly by municipalities. The LG Mapping study carried out by STAR⁸⁸ concludes that “...information flow to the citizens is rated average and ... transparency and performance tracking systems are found to be inadequate. An issue of greatest concern is the low level of citizens’ engagement in the democratic processes.” These findings are corroborated by another study, which also concludes that the level of satisfaction of citizens is low and they do not feel represented by local councils.⁸⁹ These two studies point to the fact that there is vast room to improve on transparency and consultation practices; alongside quality of services. However, we cannot conclude on whether there has been an improvement or deterioration with relation to the pre-strategy period (i.e. before 2016).

Ensuring open, transparent and accountable governance at the local level requires strengthening the role of local councils. The territorial administrative reform has led to a democratic deficit in Albania, by moving local government seats further away from most citizens – both literally and figuratively.⁹⁰ More efforts need to be done to build local council capacities effectively exercise their oversight functions, including by ensuring availability of reliable data and information. Women participation in councils also may have a positive impact within the council and broader community⁹¹. In 2015, women comprised 35% of local council seats, up from 12% in 2011⁹², but still short of the 50% gender quota established in the electoral code⁹³.

⁸⁷ Raport vlerësimi: *Situata aktuale, sfidat dhe mundësitë për transparencë dhe llogaridhënie efektive në nivelin e vetëqeverisjes vendore në Shqipëri*; Instituti për Demokraci dhe Ndërmjetësim, Shkurt 2018, at

https://www.google.al/search?q=STAR+dhe+IDM+raporti+i+transparences&rlz=1C1KAFB_enAL590AL590&og=STAR+dhe+IDM+raporti+i+transparences&aqs=chrome..69i57.8975j0j8&sourceid=chrome&ie=UTF-8. However, only 18% of municipalities public public consultation notices on their websites.

⁸⁸ Governance Perception in a Reforming Albania, Nationwide Local Governance Mapping in Albania, UNDP/STAR, at http://www.al.undp.org/content/dam/albania/docs/LG_Mapping_en.pdf

⁸⁹ “Current satisfaction of citizens that their interest are represented by local councils”, IDRA/Helvetas for “Bashki te forta”

⁹⁰ See Khan, Dauti (2017), “Strengthening Municipal Councils In Albania: Political Economy And Power Analysis Of Albania’s Decentralisation Reforms”, Bashki te forta/Helvetas for a thorough discussion of the role of local councils.

⁹¹ Beckwith & Cowell-Meyers, 2007; Mansbridge, 1999, in “Gender Quotas and Women Substantive Representation in the Local Council in Albania”, UNDP Albania 2017

⁹² Central Election Commission statistics, as referenced in “Gender Quotas and Women Substantive Representation in the Local Council in Albania”, UNDP Albania 2017

⁹³ Electoral Code of the Republic of Albania, last amended with law 31/2015, dated 2.4.2015.

The process of European integration indirectly influences local government operations, insofar as the legal and regulatory frameworks as well as standards for services delivered also at the local level need to be brought up to European standards. In addition, municipalities and regional authorities are eligible for a series of IPA cross-border programmes and some efforts have been made in building capacities of local governments on EU related issues, as well informing Albanian citizens and local administration on EU policies and programmes.⁹⁴ As Albania progresses in the path to EU integration, there will be need for targeted interventions to build local government capacities benefit from EU instruments such as the European Structural Funds (ESF).

2.3 Efficiency

In terms of efficiency, this review looks at the degree to which original assumptions on in the strategy and its action plan were realistic in terms of timelines and budgets; and the governance structure of the strategy and the way institutions have cooperated with each other. Overall, this review concludes that the strategy was overall realistic and implementation is largely on track. Nevertheless, the strategy would benefit from a regular follow-up on activities and evaluation of results at high policy levels, to ensure that line ministries remain committed to the decentralisation objectives.

The strategy of decentralization is implemented by an array of different central government institutions and 61 municipalities. It is very broad and cross-cutting and it is cumbersome to bring the different streams of activities together for purposes of monitoring. In terms of the strategy management structure, implementation was steered under the Minister for Local Issues until 2017. The responsibility was transferred under the Ministry of Interior from late 2017. ASGL plays an important role in coordinating activities and monitoring strategy implementation, including follow-up on new policy initiatives and secretariat functions to the CC. Given the wide scope, ASGL alone is not in a position to hold line ministries and sectors accountable to complying with commitments in the decentralization strategy, despite its commendable efforts in this

⁹⁴ See for instance the EU programme “Bashkite per ne Europe”, at <http://www.bpe.al>

regard through the institutionalization of the Consultative Council which is becoming increasingly instrumental.

At the policy level⁹⁵, the governance structure for the strategy lays with the Integrated Policy Management Group (IPMG) on Public Administration Reform (PAR) and Good Governance, under the Deputy Prime Minister’s guidance, which eventually reports to the Strategic Planning Committee. The IPMG needs to bring together the sectors responsible for the implementation of the strategy to discuss progress and challenges. Two monitoring reports were produced for the implementation of the strategy with external technical assistance support; and they were also discussed in the IPMG meetings. The monitoring reports focus on activities rather than results – partially also due to the fact that evaluation of results over a relatively short period of time is more challenging. In addition, the monitoring reports do not focus on shortcomings and/or deviations from the strategy objectives. A similar discussion does not appear to have occurred in a structured way at the higher policy level at least during the last two years.

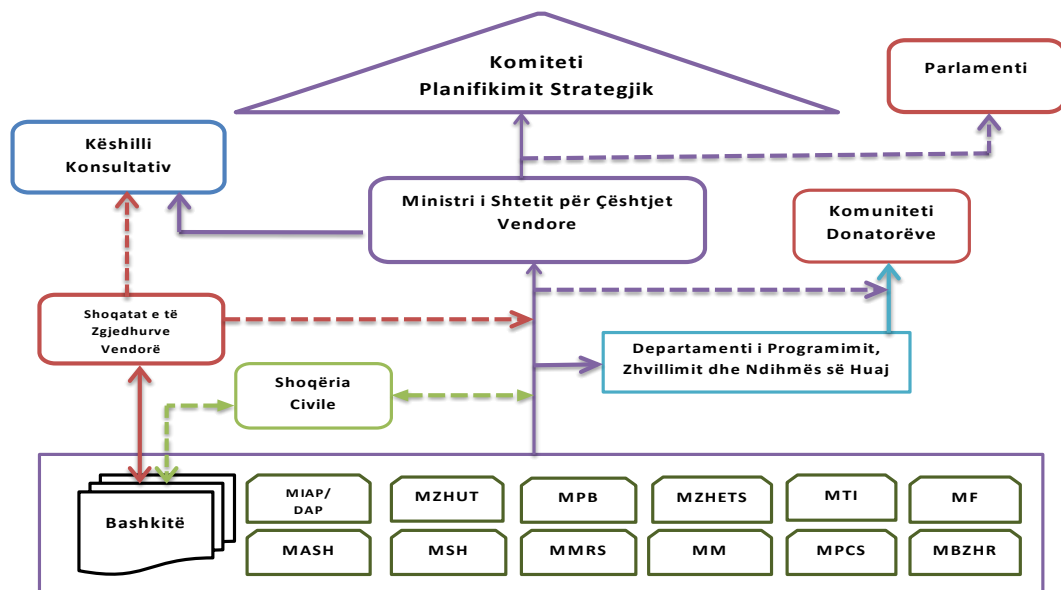


Figure 3 Governance structure for NCSDLG

The Department for Development and Good Governance (DDGG, formerly Department for Programming, Development and Foreign Aid) has the responsibility for policy and strategy coordination and performs secretarial functions for the IPMG as well as the SPC. MoSLI (currently Mol) was envisaged to have overall coordination functions for the

⁹⁵ See governance structure in Figure 3, as shown in the NCSDLG. Please note that the IPMG has been established later than the approval of the strategy as a policy coordination mechanism.

strategy of decentralisation. In turn, Mol maintains regular contacts with municipalities, including through the ASLG and the Prefects. The Consultative Council is an additional forum that brings together the national and local level institutions, as well as important stakeholders such as the local associations, civil society and the donor community. With the transfer of authority under the Mol, it would appear that the direct linkages between the government level policy coordination mechanisms (i.e. DDGG, IPMG and SPC) and line ministries may have become less straightforward.

As a result, it appears that there is no clear vision of where the reform is headed, or mainstreamed into sectors, particularly in relatively disputed/controversial areas, such as the water sector; agriculture and rural development; primary education and healthcare. Communication, exchange and reporting to central government authorities amount to an administrative burden for municipalities that is not insignificant. Frequently, the types of request for information addressed to municipalities overlap with each other, but different central institutions require the same types of data individually from LGUs.⁹⁶ This is an area where the Prefect's role could be strengthened in terms of collecting a standardised set of data and transmitting it to the interested central institutions to reduce transaction costs for LGUs.

Activities and outputs of the strategy have been implemented according to plan for the majority of actions. As of end of 2017, 122 of 141 activities were undergoing; 52 of 46 planned have been completed (6 activities had been completed before the deadline). This is not a clear-cut indicator of the success in implementation: in some cases, some quite relevant activities have not occurred at all. For instance, there has been limited progress in the activities linked with the transfer of assets under the first pillar of the strategy; activities related with local borrowing or the revision of the conditional grant system have not commenced within the second pillar; or the analysis of the impact and clarification of detailed matrix of authorities in shared and delegated functions (Objective II.1.3.C) has not been completed for a number of sectors within the third pillar of the strategy.

The strategy has estimated a financial portfolio for the implementation of activities. While the actual spending is difficult to estimate; substantial support has gone to the reform through the public budget and donor support.

⁹⁶ For instance, municipalities are required to provide tourism related data to different central authorities and line ministries at the same time.

2.4 Scope and Design

The strategy is quite ambitious, even more so due to the vast scope. The most ambitious component has been perhaps TAR. However, although TAR overlaps with the decentralization strategy, they are not identical. The essence of the decentralisation strategy lies in the allocation of responsibilities and the financing mix. These components were in fact quite realistic and were designed as a result of a broad consultation process.

However, the strategy does not always provide a well-defined roadmap for policy directions. It provides an indication of the need to decentralise but limited rationale on administrative arrangements. As briefly explained earlier in this report, the lack of clarity on the division of responsibilities has the potential to undermine results.

Strategic objectives and key activities/indicators do not always correlate in a meaningful manner and may need to be revisited⁹⁷. Furthermore, the strategy leaves out some key questions and unresolved issues that are quite relevant for local governments, among other:

- Where do the decentralisation reform and regional development reform intersect? What does that entail in terms of financing for development needs?
- What are national and local prerogatives in national/regional/local development? (i.e. 100 villages and the Regional Development Fund/Regional Development Policy)
- What is the role of the Qarks?
- Where is the financing strategy headed? Will we deepen fiscal autonomy? What will the system of intergovernmental grants evolve into – will conditional grants be used extensively and if so, in what sectors and what form (competitive grants; performance-based grants, etc.) What will happen with the financing of newly decentralized functions after the transitory period of the specific transfers? Will we encourage the establishment of sectoral funds for local government?

⁹⁷ For instance, the key performance indicators under the Strategic Objective 1 are the Index of asset inventory and transfer (these could arguably be used more efficiently as an indicator of local economic development); or the number of project financed through PPP schemes. Under Strategic Objective 3, the performance indicators are defined at a very broad level, which is not conducive of clarity, i.e. “clarified list of own functions and degree of implementation”; or “Number of public services with minimum standards” and “Degree of legislation review”. Similarly, the activities envisaged under SO3 with regard to the definition of functions and authorities are typically limited to “legislation review” and “sector study”, which are not conducive of clarity. Naturally, it was too early in the process to define some of these issues in a confident matter when the strategy of decentralisation was under development.

2.5 Impact

Impact is difficult to measure, in particular within a relatively short time span. Nevertheless, the following observations are based on emerging perceptions and information reported by stakeholders and reports:

The territorial reform has produced visible positive impact across the country. There is consensus across the board that TAR has achieved its main purpose of establishing local governments that are better equipped to face development changes.

Rural communities have also benefitted, despite concerns of underrepresentation, as evidenced by better service coverage; better quality of services; or higher likelihood of receiving larger scale investments, as predominantly perceived by central and local level stakeholders and informed experts alike.

Nevertheless, Benefits of TAR have not materialised equally everywhere. Broad variations in the size and financial, administrative and human capacity of the 61 municipalities persist. 80% of the population is based in less than half of the municipalities. The reforms seem to have produced rather asymmetric effects: Larger local governments have reaped the benefits of the reform not only due to their endowments, but enhanced negotiating power and political relevance also play a role. These benefits are not equally visible in all communities.⁹⁸

Increased local administration efficiency was one of the key drivers for the territorial reform. It is difficult to estimate the pattern of evolvement in terms of local administration costs, economies of scale that may have (or may have not) occurred and differences in service quality. The situation is likely to vary significantly across different LGUs. However, in general local governments are perceived to be more productive and more efficient now – this is a view strongly shared by both local and central government officials.

As far as administrative costs go, the majority of municipalities have increased spending in wages both in 2016 and in 2017. In nominal terms, the wage bill seems to be higher in 2017 for 61 municipalities at 18,399 lekë per capita than it was in 2015 for 373 local

⁹⁸ As indicated by all stakeholders interviewed.

units at 13,584 lek per capita.⁹⁹ When discounting for newly transferred functions, which were not under municipal responsibility before the reform, a slight increase in personnel costs is still evident¹⁰⁰. However, differences in coverage and quality of services and range of functions performed need to be taken into account; including the need to strengthen municipal policymaking and monitoring functions.

Administrative burden on local governments in relation with central government requirements does not appear to have decreased: numerous state institutions request periodic information on same issues directly from the municipality (i.e. tourism). The Prefect is instrumental in following up on central government instructions with local government, but does not seem to play a constructive role in streamlining the array of different requests for information and reports simultaneously requested from the local government officials.

3. Lessons Learnt

Current progress in the decentralisation strategy indicates some general patterns that could be regarded as “lessons learnt” in the future iterations of the strategy and action plan.

Government commitment is key to achieving results. This was clearly demonstrated by the performance of the territorial reform, where central government support mobilised human and financial resources to support a rather complicated and cumbersome process. The decentralisation aspects of the strategy were partially hidden in the strong rhetoric of the TAR. Three years on, there is a feeling that the reform has achieved its results and decentralisation is not as high on the policy agenda, leading to policy “stagnation” in the most recent period

Sector/Line Ministry buy-in into the decentralisation objectives is crucial: Decentralisation is not about local governments only. Stronger coordination at policy level is needed to avoid clashes of responsibility.

⁹⁹ Co-Plan, 2018, “Administrative and Territorial Reform and the Strategy of Decentralisation: How close/far the desired objectives are we after a governing mandate?”

¹⁰⁰ USAID/PLGP reports that 60 municipalities increased the wage bill in 2017 as opposed to 2016 in “Local Government Finance Indicators in the Aftermath of the Implementation of the Law on Local Self-Government Finance”, July 2018.

Functional analysis of sectors undergoing decentralisation should precede any reform, outlining an analysis of the context; inputs needed and results desired; alongside financing needs. Local governments need to be equipped with clear authority for service delivery in order to obtain results and effective modes of cooperation with other public authorities should be put in place. Delegation of fragmented responsibilities will only produce meagre results.

4. Conclusions and Recommendations

The strategy remains relevant and valid to the needs of all involved stakeholders. Important progress has been achieved so far, but it is still early to evaluate impact on citizens. Three years into the implementation period, there may be a need to revised the implementation action plan of the strategy as well as improve the monitoring framework.

Maintaining relevance of the decentralisation objectives is critical in the medium term. Sporadic tensions and inherent competition between municipalities and sectoral interests at the central level are arising; in particular in sectors where inconsistencies in the strategic and legal frameworks persists. Three years on, there appears to be “fatigue” from the decentralisation theme. It is implied that the reform has achieved its results and decentralisation is not as high on the policy agenda, leading to policy “stagnation” in the most recent period.

A broad consensus amongst stakeholders on the degree of decentralisation has not materialised yet: various stakeholders have expressed in favor of further decentralisation in a number of sectors; while others have remained skeptical. The decentralisation process may not have finished yet and a dialogue on the directions of the reform, scope and depth in existing and new sector may be needed.

The management structures for the decentralisation strategy are not streamlined and leading progress and taking timely corrective measures are cumbersome processes. The government needs to reiteration the strong will to pursue the objectives of the strategy and hold line ministries accountable for results. While ASLG has been committed to the process, line ministries have not been involved in an equally active way.

The following are some specific recommendations for the way forward:

- **Assignment of responsibilities:** There is a need to reevaluate and clarify assignment of authorities in a number of sectors, including pre-university

education and kindergartens in particular; primary healthcare; as well as forestry and pasture management. This includes the need to fully harmonise and complete the legal framework in the abovementioned sectors as well as the social sector; fire protection, environmental protection, etc.

- **Legal and strategic frameworks:** Mol and ASGL needs to coordinate the process of identifying the inventory of legal acts that need to be amended/completed and agree on a definite timeline and responsibilities for the revision.
- **Engagement of Line Ministries:** Decentralisation, to be successful, requires the more consistent and robust engagement of line ministries. Regular and high level participation of line ministries in the Consultative Council is essential.
- **Intergovernmental fiscal relations:** Notwithstanding the increase in total resources available to local governments, the central government needs to pursue a consistent approach in preserving the rate of increase of local resources at comparable levels with the state budget and GDP.
- Ensure CG continued commitment to **finance the newly devolved functions:** The Ministry of Finance and line ministries need to initiate a dialogue on the consolidation of financing means for functions that were decentralised in 2015 and ensure that levels of funding for the newly devolved functions are sustained at least at the same levels as during the transitory period for each municipality.
- **Predictability and stability of municipal investment funds:** There is a need to reduce municipal dependency on the central government for capital expenditure – this may entail the possible redesign of a share of the RDF to be dedicated to local government investment needs and well embedded in the medium term budget processes. In addition, there is a need to formulate a clear and transparent policy on municipal investment facilities (sectoral funds, performance based and other conditional grants)
- **Enable local borrowing:** Take measures to enable local borrowing to finance infrastructure and otherwise development projects. This may entail among other the need to carry out an analysis of the creditworthiness of local governments, potential impact in public debt levels and allocation of a portion of the national debt ceiling for LG purposes, as envisaged in the strategy.
- **Fiscal autonomy:** The government needs to speed up measures that enable local government own source revenue generation powers; including resolving technical issues for the implementation of PIT as a shared tax; effective sharing of the mineral rent tax; as well as accelerate efforts for the new value based property

tax, finalizing the fiscal cadaster and discussing administration issues with local governments.

- **Consider new local fiscal instruments:** Introduce more fiscal instruments to capture the value of local investments and/or guide urban management policy
- Provide support to local governments for enhanced capacities in fiscal administration.
- **Central – local government dialogue:** Provide continuous support for the Consultative Council, including a statutory commitment for line ministries and central institutions to be adequately represented and provide an explanation of the degree to which CC recommendations have been taken into account in policy and legal initiatives. The Consultative Council should increasingly assume a proactive role in initiating reforms/ providing their input at an earlier stage in the policy cycle.
- **Human resources:** Support thematic capacity building programmes for local government across the country, based on an assessment of the training needs and priorities of local officials. Revise salary structure at local government level, particularly for second and third category municipalities to improve chances of retaining qualified employees.
- **Enhance local democracy:** Strengthen political accountability at council level, including strengthening of participation and consultation mechanisms with citizens and build local councilors' capacities to effectively oversee local operations.
- **Address unresolved issues:** Clarify the role of second tier local government in Albania: provide a definite solution to the role of *Qarks*; linkages with regional development policy (including financing) and regional level services.
- **Asymmetric decentralization:** Is asymmetric decentralization a viable option for eventual future decentralization in Albania?

Annex 1. Evaluation Matrix

Question grouping	Evaluation Question	Judgment criteria	Indicators	Means of verification	Sources of information
Relevance	<p>Are objectives still relevant, have the needs changed?</p> <p>Are local government priorities in line with those of the DS?</p> <p>Are the activities and outputs of the programme consistent with the overall goal and the attainment of its objectives?</p> <p>Does the change require a corresponding adjustment of the intervention?</p> <p>Have the interventions reached/affected the intended target groups?</p>	<p>To be judged still relevant, objectives should be in line with the sectoral objectives as specified in other programming documents of the government</p> <p>Have evolved in line with what was originally envisaged</p> <p>Be actual, i.e. still be in progress</p> <p>Be prioritized in accordance with LG needs with regard to measures taken /resources used; results at LG level (outcome);</p> <p>Have achieved (or are on track to doing so) wider impact for beneficiaries (LGs and communities)</p> <p>Be achievable, given the</p>	<p>Objectives still relevant</p> <p>Objectives still relevant and pursued consistently across sectors, including through sector strategies</p>	<p>Cross-checking through: review of activities pursued; change in funding in strategy period; relevance in sector strategies; stakeholder interviews</p>	<p>Qualitative (stakeholder interviews)</p> <p>Government documents (evaluation reports, sector strategies and policy documents, legal framework)</p> <p>Independent reports (international organizations, research documents, etc.)</p>

Question grouping	Evaluation Question	Judgment criteria	Indicators	Means of verification	Sources of information
		assumptions made & resources allocated.			
Effectiveness	<p>Have objectives been met as planned?</p> <p>Do the results obtained so far ensure that the objectives will be achieved</p> <p>What are the factors affecting the effectiveness interventions? (or reasons for failure?)</p> <p>What is the impact of activities against expectations? Was it higher/lower than expected?</p>	<p>Activities achieved objectives as foreseen</p> <p>Intergovernmental cooperation procedures are pro-active and promote quality and effectiveness</p> <p>Achieved results are taken up by beneficiaries</p> <p>Activities have been carried out as mentioned in the strategy, and result is what was expected</p>	<p>SO1: Efficiency of LG structures</p> <p>1. % of municipalities with asset inventories& transfer completed;</p> <p>2. % of municipalities with OSSH and</p> <p>3. % of municipalities with transparency practices (website, publication of info; participatory decision-making etc)</p> <p>4. % of LGs that have revised organigrams in accordance w/templates (possible sources DOPA, CoE)</p> <p>5. Role of Consultative Council (% of decisions taken w/ participatory approach by LG and CG structures)/ How meaningful is consultation (no</p>	<p>1. Data to be retrieved by ASLG/Mol</p> <p>2. Data to be retrieved by municipalities (has OSSH, when was it established, model of service and no of services). Crosschecked with dldp/STAR/PLGP</p> <p>3. Data from municipalities (have website/what do they publish); cross-checked with possible sources: Infochip monitoring reports; vendime.al</p> <p>4. Verify through DoPA records (have model structures been recommended/implemented; have recruitment procedures been followed, no. of CS</p>	<p>Qualitative (stakeholder interviews)</p> <p>Quantitative (monitoring of indicators as per monitoring and evaluation framework of the strategy)</p> <p>Government documents (evaluation reports, sector strategies and policy documents, legal framework)</p> <p>Independent reports (international organisations, research documents, etc.) (source: government)</p> <p>Moi; star/dldp/usaid/adisa</p>

Question grouping	Evaluation Question	Judgment criteria	Indicators	Means of verification	Sources of information
			<p>of meetings; no of policymaking initiatives discussed, to be collected by CC and ASLG)</p> <p>6. Citizens satisfaction from both local authorities and council (possible sources: dldp – survey w control group IDRA surveys)</p> <p>7. Legal compliance of council decisions</p> <p>8. Factual evidence of progress with decentralization of functions (regulatory framework, funding mechanisms,</p>	<p>complaints); cross-checked with CoE</p> <p>5. Verify through CC/ASLG (secretariat) – no of meetings taken place, issues/policy decisions discussed; outcome; & total no of relevant policies adopted. Collect minutes of meetings. Stakeholder interviews.</p> <p>6. Check available surveys: dldp; IDRA</p> <p>7. Verify through ASLG – to ask Prefects on - % of decisions returned by prefect + % of decisions returned and revised by council – source of information Prefects through ASLG)</p>	

Question grouping	Evaluation Question	Judgment criteria	Indicators	Means of verification	Sources of information
			<p>SO2: Local Finance and Fiscal Autonomy</p> <p>1. LG budget as % of GDP</p> <p>2. Discretionary funding as % of GDP</p> <p>3. Local gov revenue as % of GDP</p> <p>4. % of unc. Transfer in total LG revenue and in discretionary LG revenue</p> <p>5. Review of RDF (% of RDF investment to total LG investment)</p> <p>% of LGUs with arrears; % of LGUS with diminishing arrears</p>	<p>1. MOFE/Treasury</p> <p>2. MOFE/Treasury</p> <p>3. MOFE/Treasury</p> <p>4. MOFE/Treasury</p> <p>5. MOFE/LG Budget, Treasury/PMO (RDF secretariat)</p> <p>6. MOFE/FMC – ASLG to retrieve data; stakeholder interviews on strategy to address arrears</p> <p>All financial data to be crosschecked w/interviews, and PLGP reports</p>	
			<p>SO3: Sustainable local economic Development</p> <p>1. No of Sectors/areas with clearly defined responsibilities of LGUs and CGs (and which</p>	<p>1. dldp report on shared functions; transfer of new functions (2017); stakeholder</p>	

Question grouping	Evaluation Question	Judgment criteria	Indicators	Means of verification	Sources of information
			<p>ones, by sector and description); overlaps with CG at central and regional level</p> <p>2. No. of sectors/areas with unfunded mandates, in particular for newly transferred and delegated functions (source: dldp report)</p> <p>3. No. of public services where minimum standards have been defined exhaustively</p> <p>4. No of LGs have received RDF or other national funding for capital projects in water, waste, agriculture sectors</p> <p>5. No of LGs that apply LED instruments; % of municipalities with Strategic/Territorial Plans + op. dev. Plan (STAR/dldp/former Ministry of Urban Development)</p>	<p>interviews; review of legislation.</p> <p>2. dldp report on shared functions; transfer of new functions (2017); stakeholder interviews; review of legislation (1&2: Possibly ask municipalities on a list of defined functions as per LG Law whether 1) they have full admin, exec and regulatory powers & adequate financing)</p> <p>3. ASLG to provide data + dldp/Strong municipalities reports (if applicable) + interviews</p> <p>4. ASLG to collect data from RDF secretariat</p> <p>5. ASLG to collect data on MTBP/Development plans; from MoFE on MTBP submissions in June 2017.</p>	

Question grouping	Evaluation Question	Judgment criteria	Indicators	Means of verification	Sources of information
			<p>SO4: Good governance</p> <p>1. % of Stakeholder satisfaction levels (same as under SO1)</p> <p>2. % of LGUs having received trainings on CS; including DOPA observations on noncompliance (source: DoPA if available)</p> <p>3. % of LGUs received training from ASPA; no and level of staff (hierarchy)</p> <p>4. % of council decisions online (also under SO1); services online</p> <p>5. % of LGs w/ participatory budgeting approach;</p>	<p>1. As in SO1</p> <p>2. ASLG collect data from DOPA: No of trainings; no of trainees, no of municipalities); no of complaints and outcome.</p> <p>3. ASLG from ASPA</p> <p>4. As in SO1 above</p> <p>5. ASLG to ask questions from municipalities on of meetings held; no of citizens participating and no/% of suggestions taken into consideration (source of data TBC- possibly by municipalities if feasible)</p>	
Efficiency	Are the activities delivered within	Activities were delivered within	1. % and type of activities that	1. Decentralisation Strategy	Quantitative (monitoring of

Question grouping	Evaluation Question	Judgment criteria	Indicators	Means of verification	Sources of information
	<p>the planned budget and time-frame?</p> <p>What was the performance of the lead institution(s)</p> <p>What institutional procedures must be simplified so that implementation becomes more efficient?</p>	<p>the foreseen budget and timeframes</p> <p>Procedures are transparent and promote efficiency</p> <p>Budget and timelines for the majority of interventions were realistic</p> <p>Activities normally do not result in excessive administrative burden for the beneficiary organisations (i.e. local governments)</p>	<p>are implemented in line with the plan</p> <p>% and type of activities that have occurred, but were not envisaged in the plan</p> <p>3. % of activities that have received appropriate funding (as evidenced by the budgets and perception of stakeholders)</p> <p>4. % of activities that are mostly financed by national budgets</p> <p>5. % of LGs who judge that administrative burden is eased</p>	<p>Monitoring Report 2017</p> <p>2. Decentralisation Strategy</p> <p>Monitoring Report 2017, stakeholder interviews</p> <p>3. Change in funding (as collected in SO2), cross-check with stakeholders</p> <p>3. Change in funding (as collected in SO2), cross-check with stakeholders</p> <p>5. ASLG to ask municipalities on whether TAR has rendered service delivery easier (defined list of functions as per Law)</p>	<p>indicators as per monitoring and evaluation framework of the strategy)</p> <p>Government documents (evaluation reports, sector strategies and policy documents, legal framework)</p> <p>Independent reports (international organisations, research documents, etc.)</p> <p>(source: government)</p>
Overall (sustainability & impact level)	<p>Are the outputs and immediate results translated into the desired/expected impacts?</p> <p>Are/can impacts be sufficiently identified/quantified?</p> <p>What can be done to ensure that they are?</p>	<p>The interventions under DS are making, or can be expected to make, a visible contribution to the objectives of the NSDI</p> <p>All interventions fit logically</p>	<p>Outcome level indicators (DS, NSDI progress report – if available) , i.e.:</p>	<p>Weighting of indicators and other evidence as above</p>	<p>Quantitative (monitoring of indicators as per monitoring and evaluation framework of the strategy)</p> <p>Government documents (evaluation reports, sector strategies and policy</p>

Question grouping	Evaluation Question	Judgment criteria	Indicators	Means of verification	Sources of information
	<p>Are there any additional impacts (both positive and negative)?</p> <p>Are there actions which would improve the prospects for impact and sustainability</p>	<p>into the wider objectives of NSDI.</p> <p>Generally, objectives and achievements have been taken up by the local governments and their constituents</p> <p>Systemic issues that would reduce the impact of results or relevance thereof</p>			<p>documents, legal framework)</p> <p>Independent reports (international organisations, research documents, etc.)</p> <p>(source: government)</p>

Annex 2 Summary report of questionnaires

The Analytical Report of the data collected through questionnaires with Municipalities, central institutions and a number of important stakeholders in decentralization and good governance issues, is presented in full, further on in this publication.

Annex 3 Stakeholders consulted

Name	Institution	Position
Antin Bonati	Ministry of Energy and Infrastructure	Deputy Minister
Gerta Lubonja	National Agency for Management of Water Resources	General Director
Tonin Marinaj	Municipality Malësi e Madhe	Mayor
Voltana Ademi	Municipality Shkodër	Mayor
Arbjan Mazniku	Municipality Tiranë	Deputy Mayor
Qazim Sejдини	Municipality Elbasan	Mayor
Bekim Murati	Agency for Support to Local Self-governments	Director
Fran Brahimi	Ministry of Finances and Economy	Director Local Finance
Florian Nurçe	Ministry of Education, Youth and Sports	Director Budget
Ornela Çuçi	Ministry of Tourism and Environment	Deputy Minister
Enea Hoti	Ministry of Agriculture and Rural Development	General Director
Bledi Çuçi	Member of Parliament	Former Minister of Local Issues
Romina Kuko	Ministry of Interior	Deputy Minister
Silvana Meko	PLGP	Expert
Elton Stafa	PLGP	Expert
Sigita Stafa	SDC	Programme Manager
Agron Haxhimali	Association of Municipalities	Executive Director
Merita Toska	Co-Plan	Expert
Sotiraq Guga	Europartners	Director

Jolanda Trebicka	Municipalities for Europe	Team Leader
Aida Gjika	Ministry of Interior	Advisor
Ledion Shahini	Ministry of Interior	Advisor
Denada Seferi	Ministry of Health and Social Protection	Director
Valbona Qirjako	Municipality Durrës	General Director
Ansi Shundi	Public Administration	Expert

Annex 4. Consultations and Workshops

14 September 2018

Round table with Programme Managers (donors at technical level) and Association of Municipalities

15 October 2018

Workshop for validation of findings with MoFE

26 October 2018

Final round of validation of findings with the MoI and ASLG Working Group

05 November 2018

Round table for validation of findings with all Ministries of Line

05 November 2018

Communication (via email) for validation of findings with all Municipalities

16 November 2018

Consultation Roundtable with 25 Municipalities, with AMA and ALA

Annex 4. Documents reviewed

Government reports and documents

National Strategy for Development and Integration II – 2015 – 2020
 National Crosscutting Strategy for Decentralisation and Local Governance 2015 – 2020
 National Strategy on Waste management 2010 – 2025
 National Strategy on Rural development and agriculture 2014 – 2020
 National Crosscutting Strategy on Public Administration Reform 2015 – 2020
 National Strategy on Social Protection 2015 – 2020
 National Policy Document on Social Inclusion 2015 - 2020
 National Strategy on Development of Preuniversity Education 2014 – 2020
 National Strategy on Public Finance Management 2015 – 2020
 National Strategy of Water Sector 2011 – 2017 available at
http://www.erru.al/doc/NATIONAL_STRATEGY_OF_WS.pdf
 Economic Reform Programme 2016 - 2018
 Relevant legislation
 NCSDLG Annual Monitoring Report 2016
 NCSDLG Annual Monitoring Report 2017

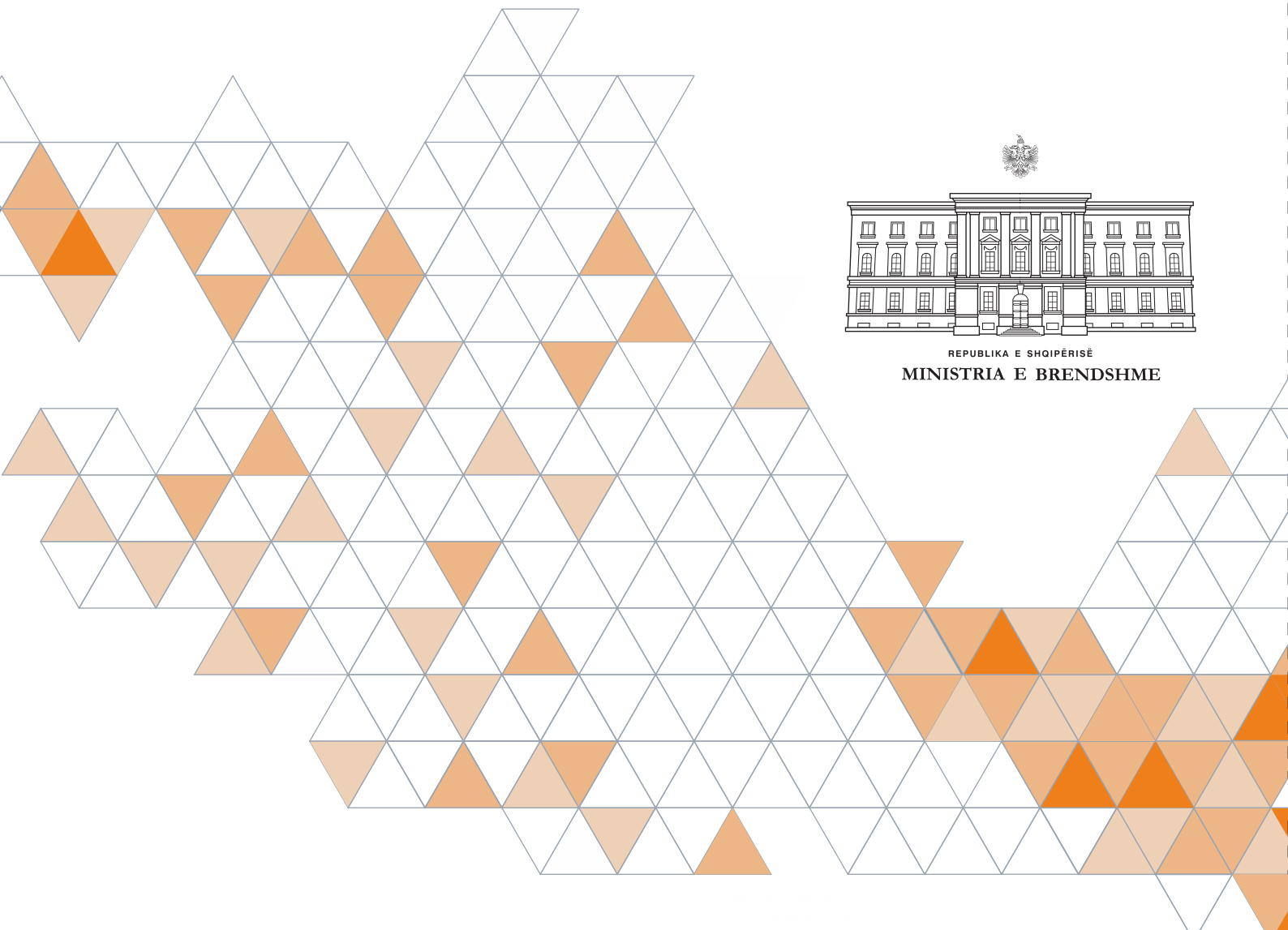
Non-Government reports and documents

Chatterje, IDRA, “Local Governance Mapping in Albania”, UNDP/STAR 2017 available at
<https://www.idrainstitute.org/files/star2/Local%20Governance%20Mapping%20in%20Albania.pdf>
 Co-Plan, 2018, “Administrative and Territorial Reform and the Strategy of Decentralisation: How close/far the desired objectives are we after a governing mandate?”
 Dumpsite Risk Mitigation Final Report, Tirana 2018
 EU Progress Report on Albania 2017, 2018
 Government of Albania, SDG Baseline Report 2017
 Integrated Solid Waste Management in Albania – Sector Study for Investment Demand (ISWM Masterplan)
 IPA Action Document for Support to Water Management, available at
https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/ipa_2016-038718-5_support_to_water_management.pdf
 Khan, Dauti (2017), “Strengthening Municipal Councils In Albania: Political Economy And Power Analysis Of Albania’s Decentralisation Reforms”, Bashki te forta/Helvetas
 National Strategy of Water Sector 2011 – 2017 available at
http://www.erru.al/doc/NATIONAL_STRATEGY_OF_WS.pdf
 OECD, DAC Criteria for Evaluating Development Assistance, at
<http://www.oecd.org/dac/evaluation/daccriteriaforevaluatingdevelopmentassistance.htm>
 Raport vlerësimi: *Situata aktuale, sfidat dhe mundësitë për transparencë dhe llogaridhënie efektive në nivelin e vetëqeverisjes vendore në Shqipëri*; Instituti për Demokraci dhe Ndërmjetësim, Shkurt 2018, at
https://www.google.al/search?q=STAR+dhe+IDM+raporti+i+transparences&rlz=1C1KAFB_enA_L590AL590&oq=STAR+dhe+IDM+raporti+i+transparences&aqs=chrome..69i57.8975j0j8&sourceid=chrome&ie=UTF-8
 Report: “Current satisfaction of citizens that their interest are represented by local councils”, IDRA/Helvetas for “Bashki te forta”, 2018
 SIGMA/OECD, “European Principles for Public Administration” available at:
<http://www.sigmaweb.org/publicationsdocuments/36972467.pdf>
 UNDP Albania 2017, “Gender Quotas and Women Substantive Representation in the Local Council in Albania”
 UNDP/STAR, “INCEPTION REPORT : FINDINGS OF THE RAPID NATIONAL EVALUATION - Assessment on the extent to which Albanian Municipalities digitalize and publish online the Decisions of Municipal Council, December 2017, STAR at
[http://www.al.undp.org/content/dam/albania/docs/INCEPTION%20REPORT%20UNDP.%20INF%20OCIP%20revised.%20jan%2015.%202018%20\(3\).pdf](http://www.al.undp.org/content/dam/albania/docs/INCEPTION%20REPORT%20UNDP.%20INF%20OCIP%20revised.%20jan%2015.%202018%20(3).pdf)

USAID/PLGP, Local Government Finance Indicators in the Aftermath of the Implementation of the Law on Local Self-Government Finance”, July 2018.

Water Regulatory Authority of Albania, 2017, “Report on the Performance on the Water Supply and Sewerage Utilities 2017”, http://www.erru.al/doc/Raporti_Performances_2017_eng.pdf

World Bank Development Indicators



REPUBLIKA E SHQIPËRIË
MINISTRIA E BRENDSHME

A Synthesis Report of data collection and analysis



In the frame of the Mid-Term Evaluation of the National Cross-Cutting Strategy for Decentralization and Local Government, 2015 - 2020



A Synthesis Report of data collection and analysis

In the frame of the Mid-Term Evaluation of the National Cross-Cutting
Strategy for Decentralization and Local Government, 2015 - 2020

30 August 2018

Prepared by:
Mirsa Titka, Development Consultant

Abbreviations

ADF	Albanian Development Fund
ASPA	Albanian School of Public Administration
AKPT	National Agency of Territorial Planning
ASLG	Agency for Support for Self-Governance
AP	Action Plan
AU	Administrative Unit
CC	Consultative Council
CoM	Council of Ministers
CS	Civil Servant
dldp	Decentralization and Local Development Programme
DAP	Department of Public Administration
DCM	Decision of the Council of Ministers
DAR/ZA	Regional Education Directorate/Education Offices
EU	European Union
GoA	Government of Albania
HRMIS	Human Resource Management Information System
iOSSH	Integrated One Stop Shop
ISHA	State Education Inspectorate
LGU	Local Government Unit / Municipalities
LM	Line Ministries
MC	Municipal Council
MESY	Ministry of Education, Sport and Youth
MFE	Ministry of Finance and Economy
MI	Ministry of Interior
MIS	Management Information System
MHSP	Minister of Health and Social Protection
MTA	Mid Term Assessment
MTBP	Medium Term Budget Planning
MTR	Mid Term Review
NGO	Non-Governmental Organisation
NSDLG	National Cross-cutting Strategy for Decentralisation and Local Governance
PFM	Public Financial Management
TA	Technical Assistance
TAR	Territorial and Administrative Reform
PLGP (USAID)	Planning and Local Governance Project
QA	Quality Assurance
E-PAV	Electronic Platform of Public Administration

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1. Introduction

The scope of the Mid-term Review of the NCSDLG is to address the issues related to the implementation process of decentralization strategy along relevance, effectiveness, efficiency and sustainability over the period 2016 – June 2018. The specific objectives of this mid-term review (MTR) are: (i) To assess the effectiveness of the implementation of the NCSDLG and its Action plan, (ii) To assess the relevance of the objectives and activities of the decentralization reform, (iii) To assess the efficiency of the management structures for the decentralization reform, (iv) To draw lessons and provide recommendations in case a revision of the strategy is needed, or prepare the ground for a new strategy post 2020.

2. Methodology for data collection

In addition to the qualitative methods such as the review of key progress based on the study of relevant strategic documents / progress reports and the interviews with key senior public officials, mayors and representatives of the donor-funded projects in the area of local governance, this mid-term assessment (MTA) was focused both on the municipalities' perceptions of inputs received under the umbrella of the strategy implementation, as well as on the Line Ministries and central Agencies perspective of achievements. To get to this level of evaluative quality, two questionnaires – one questionnaire for Municipalities and one for Line Ministries / Central Agencies were designed, both considering the NCSDLG and the Action Plan (AP) at the same time.

The questionnaires were designed and disseminated with the aim of collecting feedback for the NSDLG / AP implementation process which will service to improve the quality of ongoing activities and review/or modify the design of the Action Plan. The questions were grouped into the following evaluation areas using closed questions for quantitative assessment and open questions for additional information.

- Relevance: the extent to which NCSDLG objectives and measures are relevant to the needs of the country and highly important to the decentralization reform process (has the original need changed, and does the change require corresponding adjustment of intervention).
- Effectiveness: To assess the implementation level and impact on the following issues:
 - the functions and performance of the municipalities,
 - positive and negative factors resulting from the strategy,
 - local finance and fiscal autonomy,
 - good governance at local level,
 - the assets transfer process,
 - the effectiveness of the local authorities to ensure proper implementation of the Law on Civil Service (Law no. 152/2013),

- administrative services,
 - the effectiveness of the Local Managing body (Municipal Council),
 - the role of the Consultative Council,
 - local economic development.
- Sustainability and impact level: key results achieved so far through the NCSDLG and the implementation of its Action Plan and recommendations on other issues that would improve sustainability and the future impact of the local governance reform process in Albania up to 2020, and beyond.
 - the preconditions for the sustainability objectives in the country,
 - actions to be taken to ensure sustainability,
 - factors that may adversely affect the sustainability of the achievements.

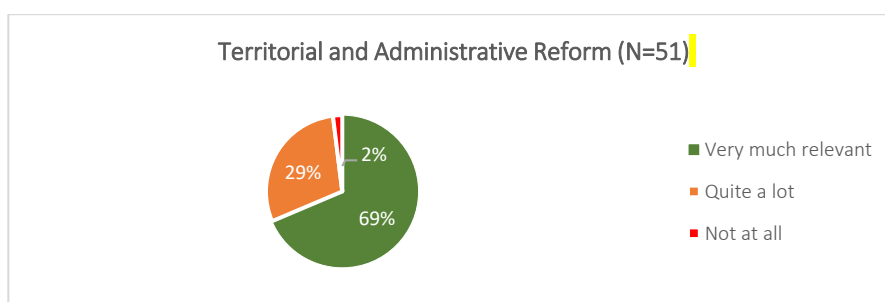
The questionnaires were sent to 61 municipalities and the Consultative Council (CC), and the response rate was 84% (51 municipalities). The Ministry of Finance and Economy (MFE), Ministry of Education, Sports and Youth (MESY), Albanian School of Public Administration (ASPA), National Agency of Territorial Planning (AKPT)¹ and the Consultative Council were involved and responded to the questionnaires (the response rate was 38% among Line Ministries/central agencies). Most importantly, the evaluation criteria and evaluation indicators for each question were discussed and consulted with members of the Working Group set up by the Deputy Minister of the MI composed of experts of the MI and QA external experts of ASLG, PLGP (USAID) and dldp.

Main Findings

(i) Relevance

Overall, both, municipalities and Line Ministries believe that the objectives and key measures of the NCSDLG and its Action Plan are relevant or even highly relevant for addressing the needs of the country and for the decentralization reform process in Albania

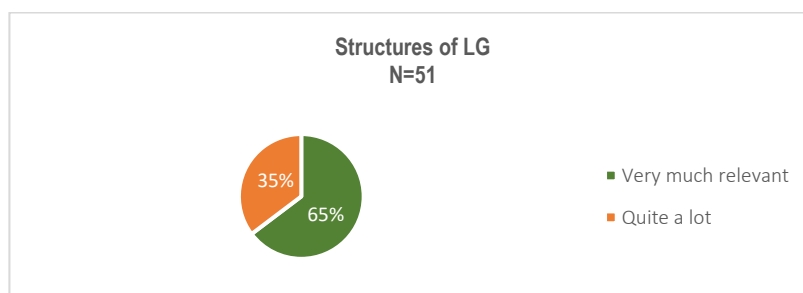
With regard to the implementation of the Territorial and Administrative Reform (reference question Q1. I), 68% of the respondents have assessed this policy as “very much relevant” and 29% as “relevant” (N²=51).



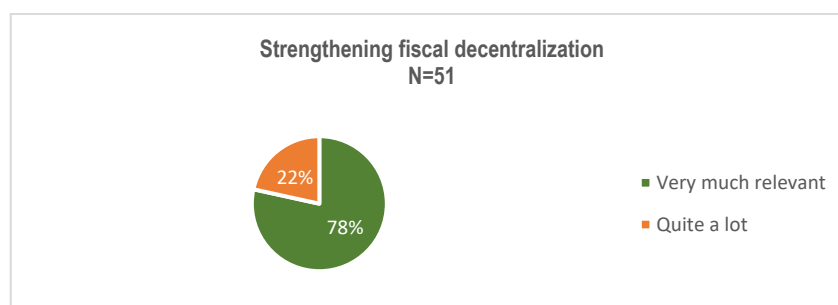
¹ Abbreviation in Albanian as Agjencia Kombëtare e Planifikimit të Territorit.

² Number of respondents

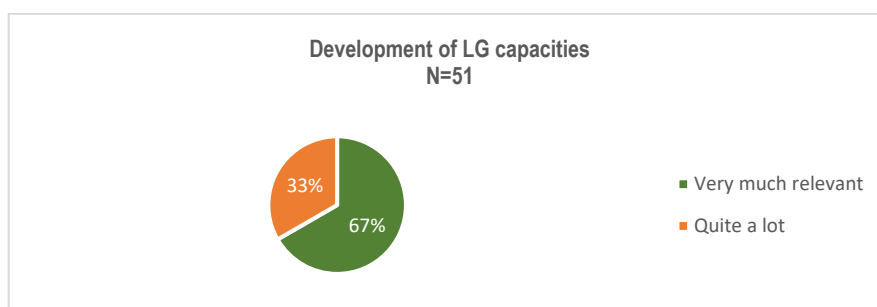
Consolidation of local structures: This objective of NSDLG aims to provide support for the efficient functioning of the representative body (Municipality Council), consolidation of the administrative units, and enhancing cross-local and inter-institutional cooperation. This objective of NSDLG (reference Q1. II) is assessed as “very much relevant” by 65% of the respondents, and “relevant” by 35% of the respondents.



Strengthening of local finances and fiscal autonomy include the new law on Local Finance, improvement of stability, equity and transparency of the unconditional transfer system, implementation of property tax and other relevant issues. This objective (reference Q1.III) was considered as “very much relevant” by 78% of the respondents, while 22% of the respondents have rated it as “relevant”.



Development of local government capacities include establishment of a merit-based and sustainable civil service at local level, strengthening of professional and administrative capacities of local public administration. About 67% of the respondents have assessed as “very much relevant” and 33% as “relevant” (reference question Q1.VII).



Open governance, accountability and E-governance at local level (reference question Q1.VIII). 48% of the respondents have assessed as “very much relevant” and 52% as “relevant”.

European Integration and local governance (reference question Q1. IX): 63% of the respondents have assessed as “very much relevant” and 37% as “relevant”.

In response to the question whether the NSDLG and AP have left out important measures and issues that should be considered during a potential review of the Action Plan (reference question Q2), the respondents have recommended several times the following issues:

- Further development of the fiscal decentralization reform;
- NSDLG needs to be updated reflecting reforms that were carried out in local governance (e.g. the TAR, the law on local self-government and the law on local government finances). The strategy should also be revised in the context of opening the country's negotiations with the European Union;
- Adoption of sub-legal acts to the relevant laws ensuring clear competencies among central and local governments;
- Integrated financial support portfolio making the execution of all functions affordable and making sure that a good quality service of the functions delegated to the local level since 2016 is ensured.
- Lack of a fully elaborated legal framework concerning some functions delegated to the local level since 2016. This is being referred to the management of irrigation and drainage - agriculture sector, forest management and pre-university education. (e.g. the issue of the appointment of teachers and heads of schools).
- Law on local finances should be revised concerning the competences of the mayor and the Municipal Council.
- Linking the local policies with the European integration agenda.
- Pre-university education: the concerning issue is the appointment of teachers and heads of schools.
- Review (amend) legal framework for the veterinary sector.
- Development of an integrated and unified platform (MIS) for the delivery of the administrative service (OSSH) by the municipalities.
- Improving social and public services, supporting tourism and cultural heritage development and strengthening the municipal capacities related to the EU integration process.

(ii) **The Effectiveness in managing the functions**

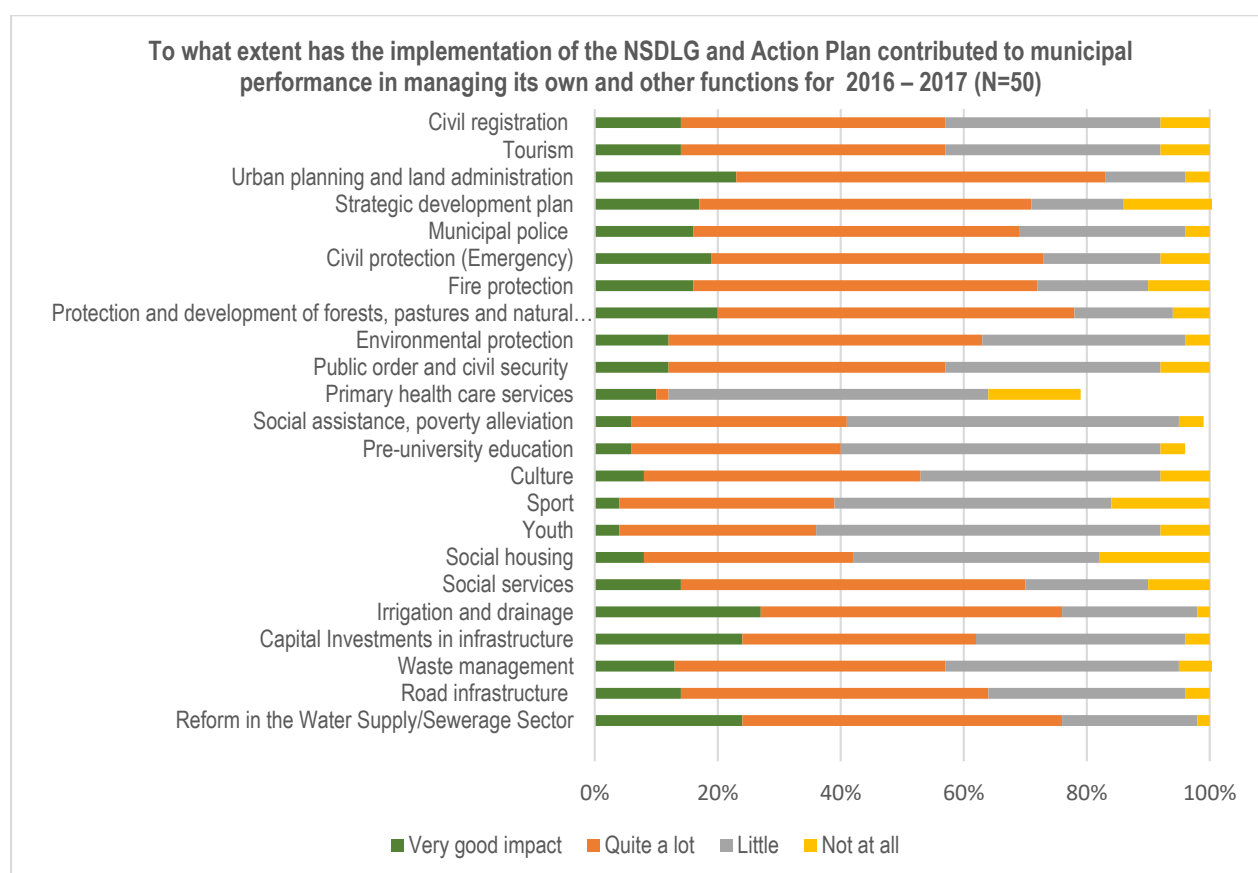
The scope of this section is to show the impact of NSDLG and its Action Plan from the point of view of the municipalities concerning:

1. The effectiveness (impact) in managing the functions, both its own functions and delegated (shared) ones;
2. Factors affecting the effectiveness of results
3. Capacity building

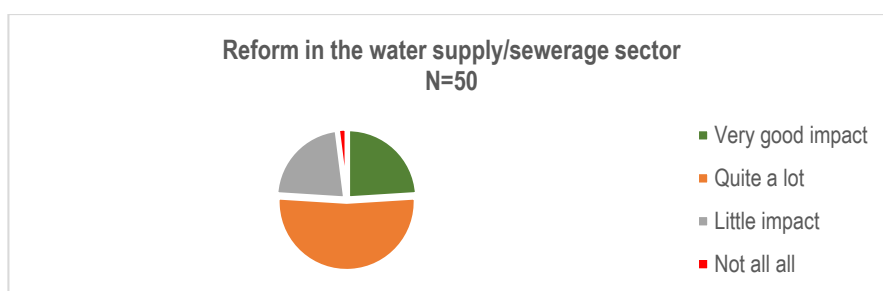
4. Recommendation on new interventions (measures/or activities) that must be undertaken by the Ministry of Interior / Line Ministries for further improving municipality performance for the period 2018-2020.
5. Transfer of Assets.

(II.1) The Effectiveness in managing the functions

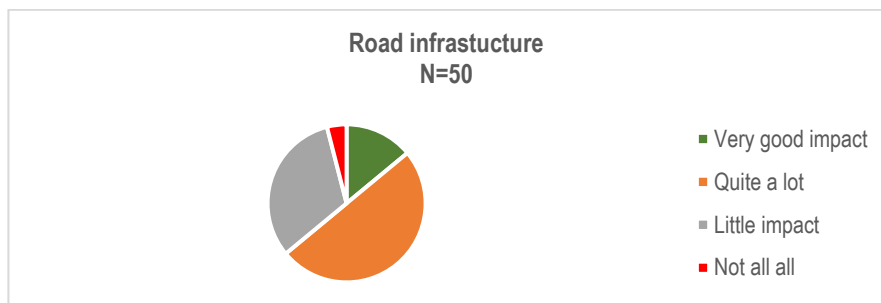
The most significant impact from the decentralization strategy is assessed in the municipal performance related to the functions of “Urban Planning and land administration”, “Forest management”, “Irrigation and drainage” and “Water supply and sewerage”, while the functions with less impact are “Primary health care”, “Sport”, “Youth” and “Pre-university education”.



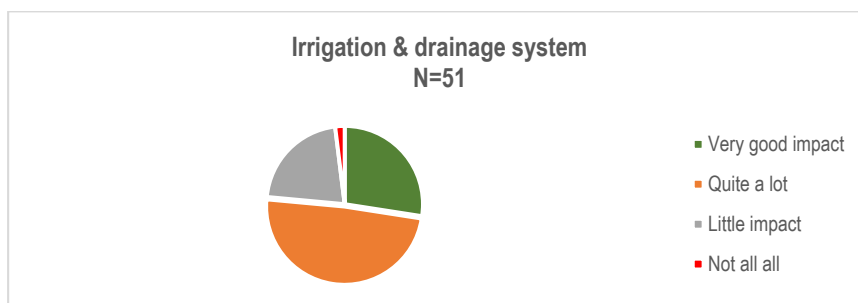
Information regarding the impact on municipal performance for each function is provided in the following charts:



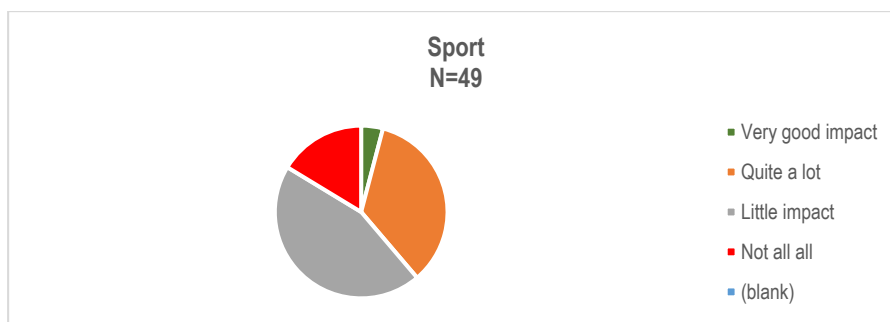
- *Impact on Water supply and sewerage*: 24% of the respondents rated the impact to this function “as very good impact”, and 52% as “quite a lot”.



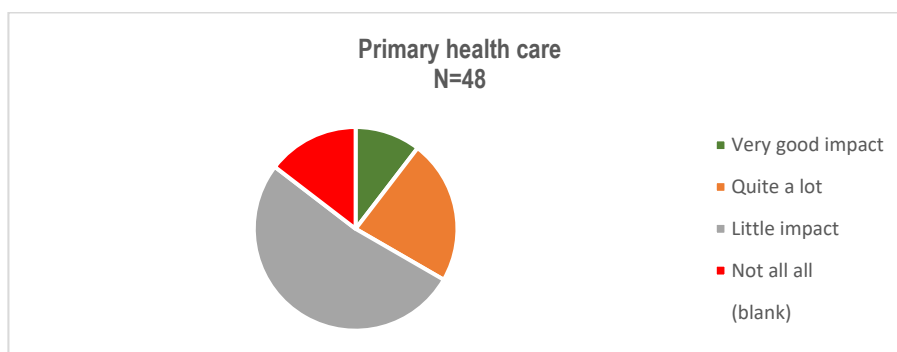
- *Impact on Road infrastructure*: 64% of the respondents rated the impact to this function “as very good/and good impact”, and 32% as “little/and no impact”.
- *Impact on Waste management*: 57% of the respondents rated the impact to this function “as very good impact/and good impact”, and 38% as “little/and no impact”.
- *Impact on Capital investments in infrastructure*: 62% of the respondents rated the impact to this function “as very good impact/and good impact”, and 34% as “little/and no impact”.
- *Impact on Irrigation and drainage system*: 76% of the respondents rated the impact to this function “as very good impact/and good impact”, and 22% as “little/and no impact”.



- *Social housing*: 42% of the respondents rated the impact to this function “as very good impact/and good impact”, and 56% as “little impact” and 8% “not at all”.
- *Sport*: 39% of the respondents rated the impact to this function “as very good impact/and good impact”, 45% as “little” impact and 16% “not at all”.



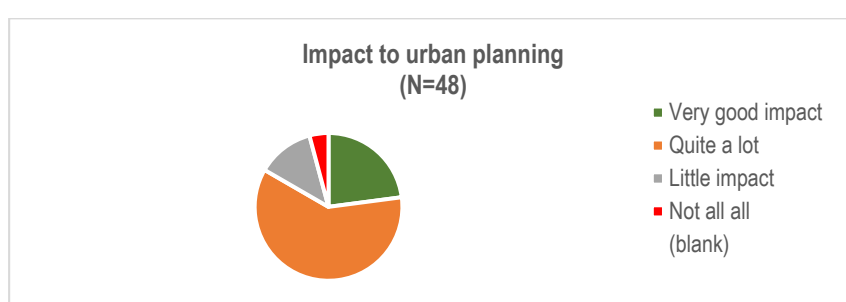
- *Culture*: 53% of the respondents rated the impact to this function “as very good impact/and good impact”, 39% as “little” impact and 8% “not at all” (N=49).
- *Pre-university education*: 40% of the respondents rated the impact to this function “as very good impact/and good impact”, 56% as “little/no impact”³ (N=50).
- *Primary Health care*: 12% of the respondents rated the impact to this function “as very good impact/and good impact”, 52% as “little/no impact”.



- *Public order*: 57% of the respondents rated the impact to this function “as very good impact/and good impact”, 43% as “little/no impact” (N=49).
- *Environment protection*: 63% of the respondents rated the impact to this function “as very good impact/and good impact”, 37% as “little” or “not at all” (N=49).
- *The forest, pastures and natural resource management*: 78% of the respondents rated the impact to this function “as very good impact”/and “good impact”, 22% as “little / no impact” (N=50).
- *Fire protection*: 16% of the respondents rated the impact to this function “as very good impact”, 56% “good impact”, while 28% as “little/ no impact”(N=50).

³ Source MESY: The transfer of teaching staff of pre-school education institutions and non-teaching staff in pre-university education is fully completed with 7101 employees transferred to the municipalities in 2016. The legal framework for the employment of educators in the pre-school system and for the non-teaching staff is amended with bylaws in 2017. According to the MESY, there are adopted the standards for kindergartens and schools and the quality of education services is assessed through DAR/ZA, ISHA, and MESY.

- *Emergency system*: 19% of the respondents rated the impact to this function “as very good impact”, 54% “good impact”, while 27% as “little / and no impact” (N=48).
- *Municipal police*: 16% of the respondents rated the impact to this function “as very good impact”, 53% “good impact”, while 31% as “little/and no impact” (N=49).
- *Strategic planning*: 17% of the respondents rated the impact to this function “as very good impact”, 54% “good impact”, while 30% as “little/and no impact” (N=48).
- *Urban planning*: 23% of the respondents rated the impact to this function “as very good impact”, 60% “good impact”, 17% as “little /and no impact”.⁴



- *Tourism development*: 14% of the respondents rated the impact to this function “as very good impact”, 43% “good impact”, 43% as “little” / and no impact” (N=49).
- *Civil register*: 14% of the respondents rated the impact to this function “as very good impact”, 60% “good impact”, 43% as “little / and no impact” (N=49).

II.2 About factors affecting the effectiveness of results of the municipal performance: it was recommended to make a distinction between factors resulting from the initiatives of the municipality (internal) and other outside factors (e.g. central governance and donor

⁴ Valuable contribution to the impact for urban planning is provided by AKPT for the development and adoption of GLP (PPV) and facilitation of the coordination work with the municipalities and other central institutions.

When asked about the role of AKPT in improving the functional role and competencies of municipalities for urban planning, the outcomes have been assessed as: (i) improved territorial planning, (ii) transparency, through publication of urban planning activities in the municipal register, (iii) technical Assistance to municipalities on Law on Territorial Planning and Development, (iv) improved coordination between municipalities and central authorities (ministries, agencies, National Council of the Territories), (v) technical assistance/ capacity building linked with urban planning at local level, with impact on environmental sustainability.

Other related activities for urban planning have been the adoption of changes on “Regulations of the territorial planning” (Law no.128/2017, and Law no. 107/2016 “On Territorial Planning and Development”, amended), technical assistance for harmonizing Territorial Development Plans after the TAR (completed in 44 municipalities); the drafting of the Territorial Development Plan for 16 other municipalities is in process: Fushë-Arrëz, Has, Bulqizë, Peqin, Roskovec, Patos, Mallakastër, Maliq, Pustec, Devoll, Selenicë, Memaliaj, Tepelenë, Libohovë, Delvinë and Finiq, while the Municipality of Dropull has initiated the process for the General Development Plan for its own territory.

funding programs). As **positive factors**, the questionnaire's respondents have highlighted several times:

- The Law on "The local government finances" has brought positive effect on improving the financial management at local level;
- Administrative and Territorial Reform;
- Public services delivery reform;
- Improved cooperation between central and local governance; increased the transparency in decision-making including public consultation (public hearings);
- The management of local finances (budget planning and expenditures) and the management of human resources at local level is improved;
- Strengthening of the strategic local and territorial development (urban planning), and decentralization of the five functions in 2016 creates optimum conditions for sustainable development at local level.

The MFE provided a substantial contribution to law no. 68/2017 "On Local Self-Governance Finance", technical assistance and capacity building concerning the new law, enhanced the supervisory role of the ministry over the performance of the municipality, and improved the coordination and monitoring role, less prominent concerning service standards and IT solutions (new system). It is important to mention that the bylaws of the Law no. 68/2017 are in the drafting process. The activities of the MFE realized within the deadlines of the Action Plan: (i) the Law on Self-governance finance, (ii) new formula of unconditional transfer, (iii) improved regulations of PFM at local level.

The most important improvements concerning PFM which are highlighted several times by the municipalities and MFE:

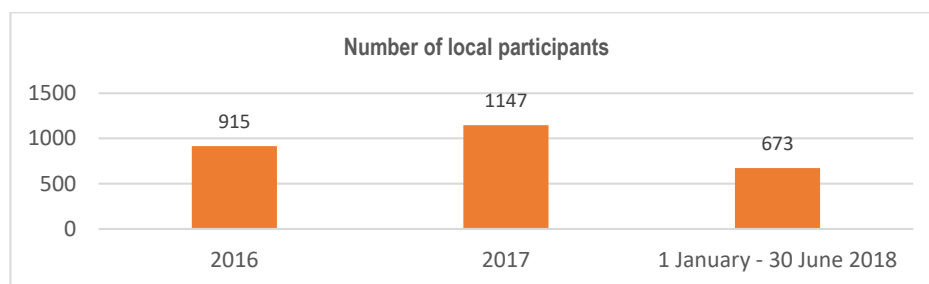
- Unification of procedures for the mid-term budget planning at local level.
- Budget planning based on standardized program.
- Unification of templates for mid-term budget planning.
- Budget planning (MTBP) based on outputs (2019-2021).
- Improved local revenues from taxes and local tariffs with direct implication on increasing local expenditures.

When asked about "What remain the three to five most important weaknesses concerning the management of the self-governance finances that must be addressed and prioritized by the central governance (MFE, MI / ASLG), in the frame of the review of NCSDLG and its Action Plan, the following issues were highlighted:

- Increased transparency of local governance with involvement of citizens, enhanced accountability of local authority/local administration based on reliable performance systems from all units of local self-government;
- Strengthening of local capacities in strategic planning and project formulation (donor funded);
- Improved practices and capacity for participatory budgeting;

- Increased capacity of local self-government units for borrowing.

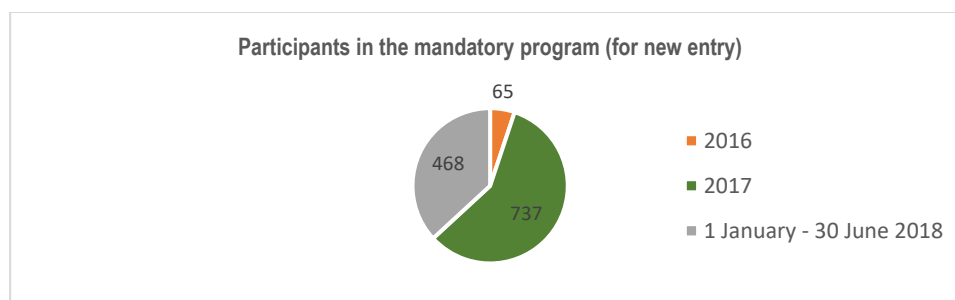
(II.3) Capacity building: priority has been given by ASPA for the arrangement of the mandatory training of the new entry into civil service at local level. Other training are provided in cooperation with donor-funded projects. The LGUs are advised to use the *e-PAV electronic platform* for the planning of the trainings. Also, training was provided to high level officials at local level in the leadership and strategic management, respectively 109 officials in 2016-2017 and 22 in 2018.



Source: Albanian School of Public Administration

When asked about “To what extent have the measures led by ASPA contributed to improving training outcomes for local administration”, the following is considered as important:

- Improved curricula – 75 curricula revised for 2016-2017
- Applying the Quality Assurance system
- Improved certification system for the participants
- Setting up the E-library
- Functional electronic platform E-PAV



Source: Albanian School of Public Administration

ASPA has provided training for local administrative staff in different areas including: mandatory training for civil servants during the probation period, urban waste management, human resource management (recruitment, performance assessment), HRMIS, public procurement, anticorruption, integrity of local officials, integrated planning system, Law on Decriminalization and Performance Assessment, EU funds Implementation Procedures, European Union Policies at Local Level, Project Writing Cycle, provision of administrative services at the central level, EU Corner Management for 61 local EU Desk coordinators, leadership, effective writing of documents and communication.

As **negative factors** which are affecting the effectiveness of the results in the municipal performance, ASPA identified the limited budget to cover all the needs of local government for capacity building and reviewing all the curricula for the local governance; municipality's requests for trainings to ASPA are not accompanied by a complete analyse of capacity building needs in accordance to local administration priorities and performance requirements at local level.

Other important factors mentioned several times as negative ones by the municipalities' respondents are grouped in the following categories:

- *Adequacy of finances*: Inadequate financial resources, insufficient financial sources (through specific transfers) for the newly transferred functions: irrigation and drainage network, rural roads, forest management, fire protection services, pre-university education, insufficient unconditional transfers, insufficient investments in infrastructure (rural roads, agriculture, tourism development, waste management).

Fiscal decentralization is not sufficient (deeper interventions are needed for further development of fiscal decentralization).

Emergent Local tax system and lack of proper functioning of the law for local borrowing.

- *Adequacy of administrative competencies, roles and responsibilities* regarding the execution of functions and regarding staffing policies: there is a lack of clarity of the competencies between the local and central level in some areas; lack of a well-developed legal framework for exercising adequately and efficiently the competences and functions of LGUs.
- *Human resource management and capacities*: the frequent change of the public structures (administration) violates the sustainability of capacity building; lack of qualified human resources for some key positions in public local administration; poor quality of identifying training needs at local level, Implementation of the Law for CS.

(II.4) What interventions (new measures/or activities) must be undertaken by the Ministry of Interior / Line Ministries to further improve the performance of the municipality in 2018-2020

In the framework of the increased decentralization, municipalities must concentrate their efforts on improving their performance based on measurable results in managing all the functions, including those new functions transferred to local governance based on good planning and financial indicators linked to the services. Actually, MFE is providing assistance to ensure sustainable scheme for the financing of the new functions.

Other issues recommended by the LM and municipalities are:

- *Legal framework*: increasing local capacities in the implementation of the legal framework in all sectors including provision of technical advice and legal support for specific issues; review and adoption of the legal framework related to the functions decentralized in 2016 (including the pre-university education).

- *Adequacy of finances*: increased public funding for investments (in roads, water supply, schools and pre-school education institutions), financing of the activities related to the preservation and sustainability of the environment for waste management and further protection and reforestation of natural areas affected by deforestation; Standardization of categories of expenditure (e.g. Staff costs or personnel expenses);

Review of the transfer system based on the needs of local government, especially for the low-income municipalities.

In cases where changes in fiscal policy will be associated with reduced revenues at the local level, the MFE and the MI must take measures to offset compensation through increased financial transfers, local borrowing or other forms of financing.

- *Adequacy of administrative competencies, roles and responsibilities* regarding the execution of functions and regarding staffing policies.
- *Human resource management and capacity building*: setting up structures within the municipality which will be responsible to ensure proper implementation of the functions and competences deriving from General Development Plans (urban planning and strategic development); Review and unification of local administrative structures; developing a model of administrative structure based on the criteria of civil population and other relevant criteria;
Further capacity building programs for improving local administration capacity; Support for the formulation of donor funded project (including EU funds).
- *Adequacy of statistical data availability*: Establishment of an effective system for data collection for urban planning and interpretation at local level.
- *Adequacy of emergency system*: Improving civil emergency system.
- *Adequacy of assets transfer*: support for acceleration and completion of the assets transfer to the municipalities.
- *Other measures*: setting the boundary according to cadastral zones (territorial administration), and review of some territorial division; more support to the small northern municipalities.

Change plans and donor /budget assistance needed for improving specific aspects of the Local Self-Governance (question 4)

- Advancing the fiscal decentralization (including property tax)
- Funds are needed to reduce / settle the municipalities' obligations accumulated over the years.
- Determining the financial performance indicators for calculating the level of grants and other alternative resources in support of the development of local self-government units generally and for tourism development.
- Technical assistance to support local administration for the EU integration process (in fulfilling obligations and European standards).
- Completion of the reform in the water supply and sewerage sector.

- Change plan for administration of rivers and 1st network of irrigation and drainage system.
- Permits by LM (Ministry of Environment and Tourism and Ministry of Infrastructure) for authorized waste disposal sites.
- Investment on the infrastructure and logistic for fire protection system.
- Capacity building programs for local administration (specific trainings to improve management capacities and the municipalities' performance).
- Know-how with the best practices of EU member states such as Croatia, Slovenia or the Western Balkans countries such as Macedonia, which have established the National Fund to cover the applicants' needs for co-financing EU projects.

(ii.5) Transfer of assets (question 5 to 6)

The scope of the NCSDLG / AP objectives concerning the transfer of assets to local governance is the completion of the process by 2020. Based on the information received, 52% of the municipalities have a level above 50% of the assets transferred from central governance.

The problems and constrains that have negatively impacted the progress of the assets' transferring process and inventories are:

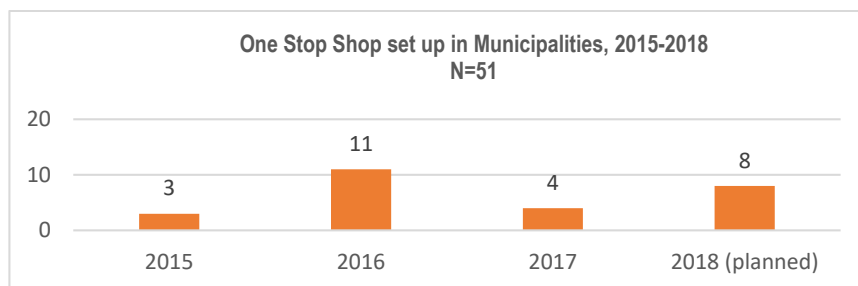
- Lack of assets' registry with key data: purchase date, initial value, accumulated amortization, and other necessary data.
- Problem with documentation (in some cases, irregular documentation), problem in asset delivery (procedures) and lack of delivery party (problem with transferring of assets from "the Management Boards/"Bordet e Kullimit").
- Lack of the elaborated legal framework that regulates this process.
- Failure to reconcile with the balance sheet of the former communes with the physical condition of the assets.
- Lack of financial means to cover expenses for administrative documentation.
- Lack of qualified staff dealing with the asset transfer and heavy workload.
- Delay in endorsement of the final inventory list and the transfer of immovable public from CG institutions to the municipalities.

(iii) **Integrated Administrative Services** (question 7 to 12)

Q.7 Did the quality of the administrative services in your Municipality improve in the last 3 years, 2015-2017 (more services, quality improvement, cost and time savings)?

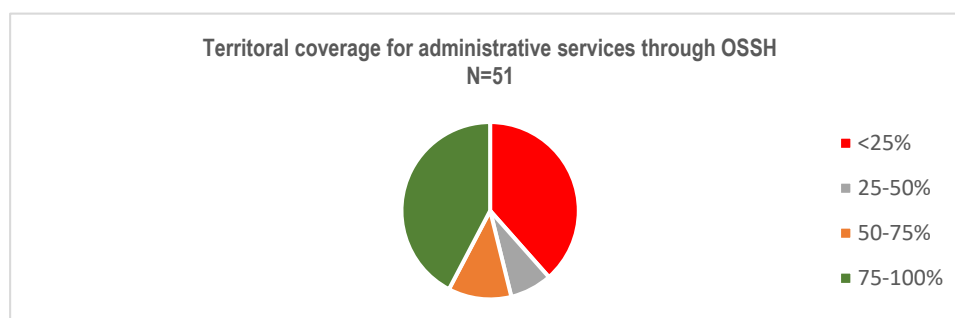
To this operational question, 98% of the respondents have stated that the situation related to the administrative services has improved. This is noted specifically for the municipalities where One Stop Shops have been set up, which are offering better coverage of the services, improved speed in delivery of the services and improved cost-

effectiveness. 18 municipalities have set up the integrated OSSH during 2015-2017, and the number of administrative services offered through OSSH varies from 70 to 130, while 58% of the municipalities have a level of the territorial coverage for administrative services through OSSH of over 50%. The first OSSH was set up in the Municipality of Shkodra in 2015.



Source: Data from Municipalities

The number of applications submitted by citizens for getting administrative services has increased (up to twice the number of applications for services in some municipalities). 39% of the municipalities, where OSSHs are set up arrange citizen satisfaction surveys. The evidence of the surveys show that the citizens are satisfied with the speed of the services and professionalism of the staff. Some municipalities have admitted that much work is still needed to improve the quality of the administration services.

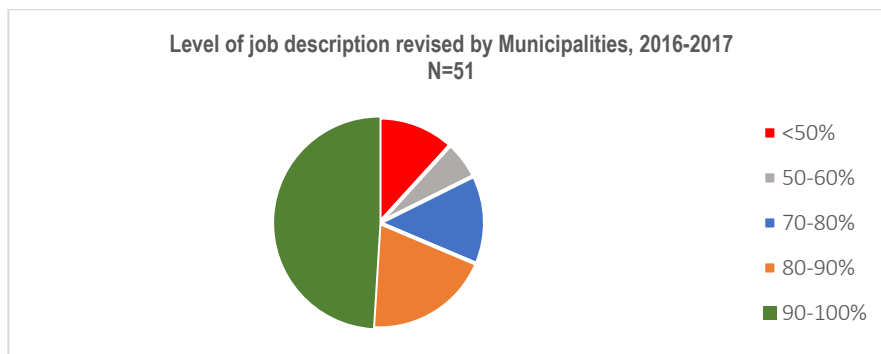


Source: Data from Municipalities

(iv) Effectiveness of local authorities to ensure proper implementation of the CSL no.152/2013

To facilitate the reorganization of the administrative structures after the completion of the Territorial and Administrative Reform (TAR), the Department of Public Administration developed guidelines for streamlining structures to municipalities. 62% of the municipalities (N=51) have revised their structures following the DAP's guidelines.

- 82% of the municipalities have revised and adopted new job description according to the Law on CS for above 70% of the total number of the job positions in their local administration.



Source: Data from Municipalities

Concerning the problems and undesirable experiences faced by local authorities and local administration to ensure proper implementation of the law on CS⁵, the respondents have highlighted different problems such as:

- Insufficient human resources in different sectors, little opportunity for getting training in legislation and capacity building in specific areas covered by the local administration.
- The criteria set out in the Law on Civil Servant create barriers for recruitment, given the HR constraints at local level.
- Salary level in local administration.
- The attractiveness to enter the local administration is relatively low; there are few applications (sometimes just one application) for vacant positions publicly announced (e.g. law, engineering and other areas).

The municipalities have recommended getting further support from the DAP, MI and ASPA for the following issues:

- Need for standardization of local administration structures for small municipalities, and assistance for job description drafting covering all economic / service sectors.
- Training needs assessment of local staff and developing capacity building program on sectorial basis; more professional trainings are needed.
- Capacity building in performance annual assessment of the local administration staff, human resource management trainings.
- Assistance and training on legislation (laws and bylaws).
- The role of the admission committee for the recruitment process needs to be further enhanced; simpler recruitment procedures should be adopted.
- Creating the e-recruitment system for avoiding delays in the job vacancy management system led by the National Employment Service.

The data about the *entry level and turnover* into the local administration is generally misinterpreted by the municipalities. The municipalities were asked to provide data on the number of (i) job vacancy, (ii) the entry into civil service and (iii) turnover rate by referring only to the local administration, subject to the CS law (no inclusion of the public services). So the data provided are not accurate and cannot be used for analysis and conclusion.

⁵ Law no. 152/2013 on Civil Servant

(v) Accountability of local authorities and decision-making process

The majority of municipalities (79%)⁶ make regularly publication of the Municipality Council decisions in the municipal website and in the portal 'www.vendime.al', whereas 62% (N=50) of the municipalities have stated that they do not have set up a register of complaints about the MC decisions.

(vi) Legal compliance of the MC

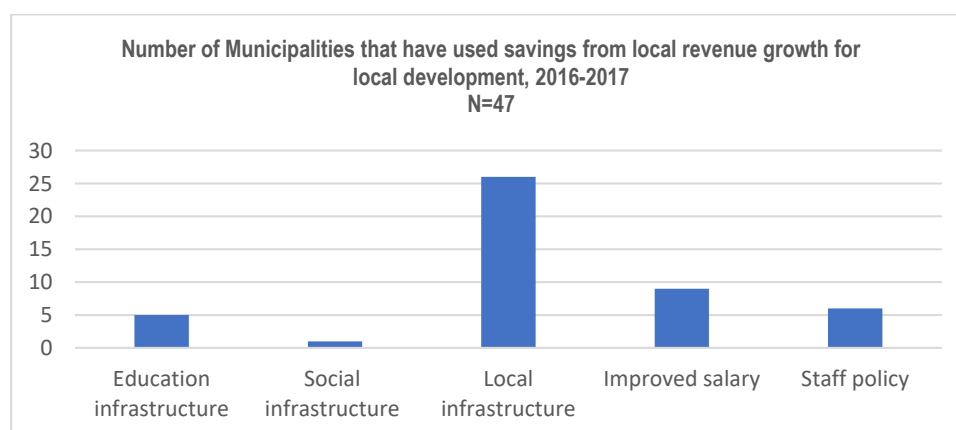
The data on the number of Municipal Council's decisions and their legal compliance is provided in the annexes to this report. According to the data collected, the ratio of the number of MC's decisions returned by the Prefect varies from 1% to 16% in 2016, and 1% to 28% in 2017. The level of decisions which are revised by MC based on the Prefect's recommendations is above 90%. Full data on MC for the period 2016-2017 is provided in the annex 1.

(vii) Role of the Consultative Council

The Consultative Council is considered an important instrument for advancing the decentralization and local governance reform process, institutional coordination, and the consultation process among central and local governance for some municipalities, but this question about the role of the Consultative Council (CC) is not well understood by a number of municipalities - they have made reference to the role of the CC at local level.

SO2: Local Finance and Fiscal Autonomy

The municipalities have improved the performance on the revenue administration for 2016-2017. When asked about how they have used their savings from the revenue growth during the period 2016 – 2017, the data shows that about 68% of the municipalities have allocated savings for improving the local infrastructure, including education institutions, social infrastructure, and other infrastructures.

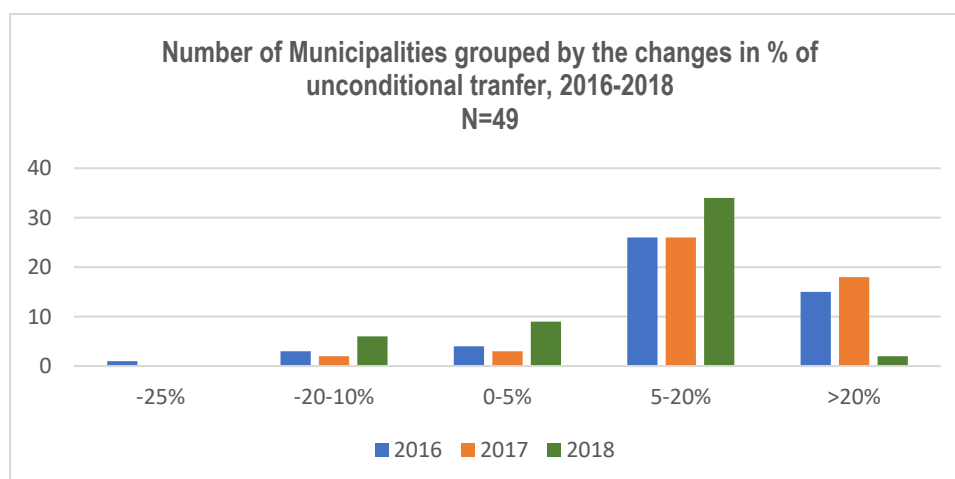


Source: Data from Municipalities

⁶ Source: First Monitoring report "Municipalities for Europe", 2018

Predictability of transfers in local government budget: When asked about the time the municipality receives information on the unconditional transfer for the next financial year, 62% of the municipalities (N=50) have responded 'November of previous year', other municipalities stated between July – October. The information on the unconditional transfer becomes official in November and December of the same year.

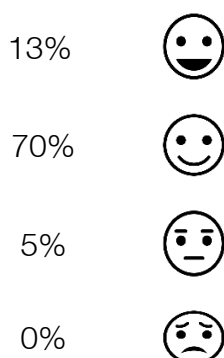
When asked about whether the municipality is confident on the approximate amount of unconditional transfers in medium term, 88% of the municipalities stated "Yes", and 12% - "No". Data on the number of municipalities grouped by the changes in percentage of annual unconditional transfers from year to year is provided in the following chart:



SO3: Sustainable local economic Development

There are 45 municipalities⁷ which have developed and adopted a strategic local development document, 35 municipalities (N=49) have adopted GDP (PPV), 18 municipalities – Strategic Development plans, 15 municipalities adopted Local Development Plans, and 14 municipalities stated that a Plan for Integration of Roma and Egyptian is adopted at local level.

The scale of implementation of the municipalities' strategic local development plan (N=30 out of 51) is rated as following:



⁷ Source: First Monitoring report "Municipalities for Europe", 2018

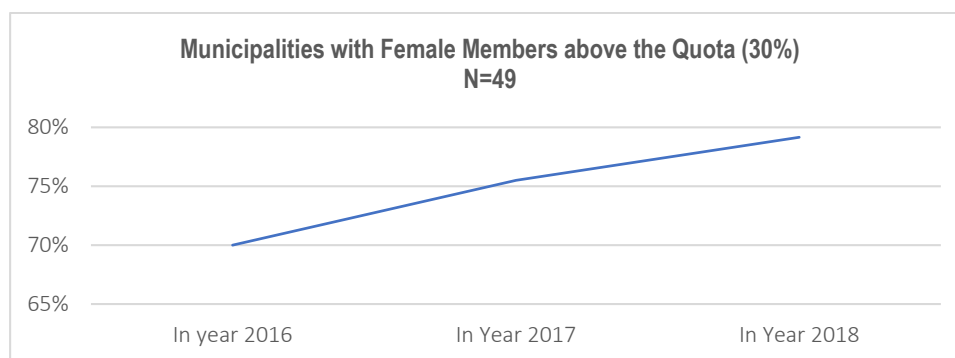
SO4: Good Governance (transparency and gender issues)

The majority (48) of municipalities have developed and maintained their website, 66% of the municipalities publish all decisions made by the MC, while 13% of them publish only the main decisions⁸. Law no. 119/2014 “On the right to information”, and Law no. 146/2016 “On notification and public consultation” have been considered important factors for improving the transparency of the local governments.

When asked about the number of public consultations undertaken on budget issues and other development topics, the number varies from 2-64 in 2016, and 2-49 in 2017.

Gender Equity

When asked whether women are adequately represented among members of the Municipality Council (MC) against the legal requirement (quota)”, the data shows:



Overall Sustainability & Impact level

When asked about “the most important results achieved so far through the progress implementation of NCSDLG and the Action Plan”, the most common issues referred to are: (i) the enhanced legal framework for local governance⁹, (ii) TAR, (iii) increased decentralization of competences to LG, (iv) administrative services through OSSHs, (v) improved competences of the municipalities, public consultation and strategic local / urban planning, (vi) improved effectiveness in the management of the drainage and irrigation network, forest and pastures management, and other transferred functions (vii) training on the Law on CS, local finances, waste management, (viii) EU integration issues and other issues.

For the forthcoming period, issues that would improve the effectiveness of the decentralization and local governance reforming process, foreseen / recommended several times by all actors involved are the following:

⁸ Source: First Monitoring report “Municipalities for Europe”, 2018

⁹ Law no.139/2015 “for Local Self-governance, Law no.68/2017 “for Local Finances”, Law on “The Prefect”

- *Legal framework*: completion of the legal framework with bylaws (sub-legal acts) for some functions (MZSH, education sector); Legal and technical assistance for local governance units in exercising the functions and clarification of competences; Improving the Law “On Self-Governance Finances”.
- *Adequacy of finances*: deepening the decentralization of self-governance finances, revision of the grant formula, increasing budget support (both unconditional and specific transfers) from the central governance.

Financial support for improving the quality of education infrastructure (reconstruction and building new schools) and equipment for laboratories.

More financial resources for the small municipalities (category III and IV).

- *PFM capacities*: further strengthening result-oriented budget planning based on well-defined budget performance indicators.
- *Strategic Development*: Support for priority strategic investments in the tourism sector and cultural heritage objects; Establishment of a digitalized system for monitoring implementation of the national planning documents related to the urban planning and territorial development.

Applying an integrated planning system for the local roads maintenance.

- *Human resource management and capacity building*: The Human Resources Directory of the Local Government should develop an annual training plan based on the need assessment of the local administration in collaboration with ASPA; each training module for the local administration should be revised by ASPA for QA and certification.

Need for a well-structured process for training need assessment of local administration:

- HR management (recruitment, annual performance assessment, other relevant issues).
- Urban planning and statistics.
- Other sectors as prioritized by the municipalities.
- *Adequacy of support for CSO*: enabling financial environment to support civil society organizations and increase their participation in good local governance
- *Other measures/activities*: support children with disabilities; Improving standards for education institutions’ infrastructure; effective use of education institutions with the scope to improve the capacity of accommodation facilities and educational services.

Strengthening of the local administration for improved transparency and citizens’ rights in the decision-making of the local authority.

Improvement of the public services quality that LGUs provide with their own budget.

Better institutional cooperation among actors involved for decentralized governance for development.

Adequacy of assets: Completion of assets’ transferring and inventory.

Annex 1: Data from the Line Ministries, ASPA and AKPT

Financial indicators	2016	2017
LG budget		3% of GDP
Discretionary fund		2,7% of GDP
Local government revenue	1% of GDP	1,2% of GDP
Ratio of unconditional transfer in total LG revenue and in discretionary LG revenue	0,8%	1%
Ratio of RDF investment to total LG investment	37.5%	31.3%
Ratio of LGUs with arrears		90% of LGU
% of LGUs with diminishing arrears		24.5% of the LGU with arrears

Source: Ministry of Finance and Economy

In thousands ALL

Investment in Education Sector	Beneficiary	2016	2017
Fund for investment	61 municipality	1,575,231	1,743,601
Cost for the transport of teachers/pupils	61 municipality	520,899	400,643

Source: Ministry of Education, Sports and Youth

Capacity building	2016	2017	1 January - 30 June 2018
Number of training events	38	42	33
Number of participants (local administration)	915	1147	673
Number of local officials (new entry) who have completed the obligatory training program	65	737	468
Number of high level officials / or elected person trained in leadership /or strategic management programs	109		22

Source: Albanian School of Public Administration

Urban Planning Development	Beneficiary	2016	2017 - 2018
Technical and financial assistance for GDP (PPV)	50 municipality (from state budget) 10 municipality (supported by donor programs)	26	24
Technical assistance for drafting PDV	32 municipality		In 2018

Source: National Agency of Territorial Planning

Municipality Council Decisions, 2016 - 2017

Municipality	Viti 2016				Viti 2017			
	Number of MC decisions adopted (subject of Prefect Review)	Number of MC decisions returned by Prefect	Number of MC decisions revised according to the Prefect's recommendations	Number of MC decisions not changed based on prefect's recommendations	Number of MC decisions not changed based on prefect's recommendations	Number of MC decisions not changed based on prefect's recommendations	Number of MC decisions not changed based on prefect's recommendations	Number of MC decisions not changed based on prefect's recommendations
Permet	73	6	6	0	87	2	2	1
Lushnje	106	1	0	1	103	2	0	2
Belsh	60	7	6	1	94	7	7	0
Berat	90	0	0	0	102	3	0	0
Delvine	58	0	0	0	45	0	0	0
Devoll	92	2	0	0	93	11	0	0
Dropull	73	70	3	0	65	58	7	3
Elbasan	128	2	0	0	136	0	0	0
Gramsh	74	0	0	0	99	0	0	0
Bulqize	121	0	0	0	180	0	0	0
Polican	61	2	0	0	72	4	0	0
Mat	146	5	4	1	79	2	2	0
Kavaje	87	2	5	0	100	2	4	0
Sarande	60	9	X	9	52	3	3	0
Cerrik	105	7	0	0	100	2	0	0
Pogradec	71	2	2	0	56	9	2	7
Shijak	44	0	0	0	33	0	0	0

Kruje	70	0	0	0	91	5	0	0
Maliq	83	6	4	2	110	7	7	0
Roskovec	84	1	2	0	78	3	1	2
Klos	138	1			111	5	4	1
Librazhd	125	2	0	0	104	2	0	0
Kukes								
Malesi e Madhe	56				152			
Kurbin	68				180	4	4	
Libohove	129	1	1	0	96	4	0	4
Kolonje	96	5	3	2	110	9	6	3
Fushë-Arrëz	51	8	8	0	61	11	11	0
Këlcyrë	47	4	3	3	75	21	21	21
Konispol	52	0	0		42	0	0	
Finiq	31	1	1	0	42	5	5	0
Dibër	83	13			110	27		
Mallakaster	60	2	2	0	61	2	2	0
Lezhe	212	11	6	3	239	0	0	0
Fier	103	0	0	0	100	0	0	0
Shkoder	60	2	2	0	83	4	2	
Vorë	63	0	4	2	82	4	2	0
Patos	57	0	0	0	42	0	0	0
Tirane	92	0	0	0	132	0	0	0
Durres	80	1	1	0	76	0	0	0
Prrenjas	99	3	4	0	92	3	3	0
Tepelene	32	1	0	0	47	5	2	0
Puke						4		1

Vlore	72	0	0	0	106	0	0	0
Rrogozhine								
Memaliaj	37				38	1		
Vau i Dejes	65	2	2	0	47	2	2	0
Skrapar	87	2	0	0	86	4	0	0
Korce	126				135	1	1	1
Selenice								
Tropoje	102	0	0	0	106	0	0	0

Source: Data from the questionnaire completed by the Municipalities

Annex 2: Tables for quantitative questions

Q1: To what extent do the objectives and priorities of NSDLG correspond to the country development needs?

Objectives and measures	N=	Very much relevant	Quite a lot	Little	Not at all
I. TAR	51	69%	29%	2%	
II. Structures of local governance	51	65%	35%		
III Strengthening of fiscal decentralization	51	78%	22%		
IV. Functions:					
1.Reform in the Water Supply/Sewerage Sector	50	76%	24%		
2.Road infrastructure	50	80%	20%		
3. Waste management	50	68%	32%		
4. Capital Investments in infrastructure	49	70%	30%		
5. Irrigation and drainage	51	67%	33%		
6. Social services	50	54%	42%	4%	
7. Social housing	48	48%	44%	8%	
8. Youth	51	33%	55%	12%	
9. Sport	51	33%	51%	16%	
10. Culture	50	34%	58%	8%	
11. Pre-university education	51	53%	39%	8%	
12. Social assistance, poverty alleviation	50	58%	36%	6%	
13. Primary health care services	50	42%	50%	8%	
14. Public order and civil security	50	62%	32%	4%	2%
15. Environmental protection	50	64%	32%	4%	
16. Protection and development of forests, pastures and natural resources	51	45%	51%	4%	
17. Fire protection	51	63%	33%	4%	
18. Civil protection (Emergency)	51	55%	37%	8%	
19. Municipal police	50	40%	50%	10%	
20. Strategic development plan	48	65%	35%		
21. Urban planning and land administration	49	57%	41%	2%	
22. Tourism	50	54%	40%	6%	
23. Civil registration	49	41%	51%	8%	
V. Local economic development	48	75%	25%		
VI. Regions and Regional Development	49	31%	45%	14%	10%
VII. Development of Local Government Capacities	51	67%	33%		
IIIV. Open Governance, Transparency, Accountability and E-Governance at Local Level	50	48%	52%		
IX. European Integration and Local Governance	51	63%	37%		

Q3. To what extent has the implementation of the NSDLG and Action Plan contributed to the municipal performance (results level) in managing the functions for 2016 – 2017:

Objectives and measures	N=	Very good impact	Quite a lot	Little	Not at all
Functions:					
1.Reform in the Water Supply/Sewerage Sector	50	24%	52%	22%	2%
2.Road infrastructure	50	14%	50%	32%	4%

3. Waste management	48	13%	44%	38%	6%
4. Capital Investments in infrastructure	50	24%	38%	34%	4%
5. Irrigation and drainage	51	27%	49%	22%	2%
6. Social services	50	14%	56%	20%	10%
7. Social housing	50	8%	34%	40%	18%
8. Youth	50	4%	32%	56%	8%
9. Sport	49	4%	35%	45%	16%
10. Culture	49	8%	45%	39%	8%
11. Pre-university education	50	6%	34%	52%	4%
12. Social assistance, poverty alleviation	48	6%	35%	54%	4%
13. Primary health care services	48	10%	2%	52%	15%
14. Public order and civil security	49	12%	45%	35%	8%
15. Environmental protection	49	12%	51%	33%	4%
16. Protection and development of forests, pastures and natural resources	50	20%	58%	16%	6%
17. Fire protection	50	16%	56%	18%	10%
18. Civil protection (Emergency)	48	19%	54%	19%	8%
19. Municipal police	49	16%	53%	27%	4%
20. Strategic development plan	48	17%	54%	15%	15%
21. Urban planning and land administration	48	23%	60%	13%	4%
22. Tourism	49	14%	43%	35%	8%
23. Civil registration	49	14%	43%	35%	8%

Q5. How do you assess the progress on the transfer of assets and inventories as planned by municipalities up to date?

Level of Assets registration	N=50
<25%	4
25% - 50%	20
50%- 75%	19
75% - 100%	7
	50

Q.7 Has the quality of the administrative service in your Municipality improved in the last 3 years, 2015-2017 (*more services, quality improvement, cost and time savings*)?

Improvement of Administrative Services	N=49
Yes	48
No	1
	49

Q9. When was the “One-Stop-Shop” (OSSH) office set up in your municipality?

Improvement of Administrative Services	N=26
2015	3
2016	11
2017	4
2018 (planned to be set up)	8

Q11. As a proportion of your municipality territory, what percentage of the territory is covered by OSSH in delivery of administrative services?

OSSHs - Level of territorial coverage	N=26
<25%	10
25% - 50%	2
50%- 75%	3
75% - 100%	11
	26

Q12. Has the municipality managed to conduct a citizen survey on the issue of OSSH in 2016 – 2017?

Citizens survey by municipalities	N=23
Yes	9
No	14
	23

Q14. Has your municipality reviewed (streamlined) the structure and organigram following the DAP's instructions approached after the Territorial and Administrative Reform?

Municipality structures revised	N=51
Yes	49
No	2
	51

Q15. As a proportion of the total positions of local administration (civil service), what percentages of positions have job descriptions following the DAP's instructions?

Level of job description revised	N=51
90% - 100%	25
80% - 90%	10
70% - 80%	7
60% - 70%	-
50% - 60%	3
Less than 50%	6

Q18. Do you have a complaints' statistics (database) concerning MC's decisions?

Statistics of complaints on MC decision making	N=50
Yes	19
No	31
	50

Q22. How has your Municipality used the savings made by the improved revenue situation in 2016 - 2017?

Use of the savings for development	N=47
Education infrastructure	5
Social infrastructure	1

Local infrastructure	26
Improved salary	9
Staff policy	6
	47

Q23.4 How much has the annual unconditional transfers changed from year to year (in percentage) respectively:

	-25%	-10%	0%	10%	25%
Changes from year to year: 2016 vs 2015 (N=49)	1	3	4	26	15
Changes from year to year: 2017 vs 2016 (N=49)		2	3	26	18
Changes from year to year: 2018 vs 2017 (N=51)		6	9	34	2

Q24. Has the municipality developed Strategic / General Territorial Plan / other plan?

Strategic (Local) Development Plan	Yes	No
PPV (N=49)	55	14
Strategic Development Plan (N=39)	18	21
Local Development Plan (N=33)	15	18
Plan for Integration of Roma and Egyptians (N=33)	13	20
Other (N=20)	9	11

Q25. To what extent has the municipality implemented its Strategic / Operational Development Plan up to now against the targets?

Level of Implementation of Local Plans	N=30
Very good progress	4
Good progress	21
less satisfactory	5
very weak progress	-

Q26. Does the municipality have a website?

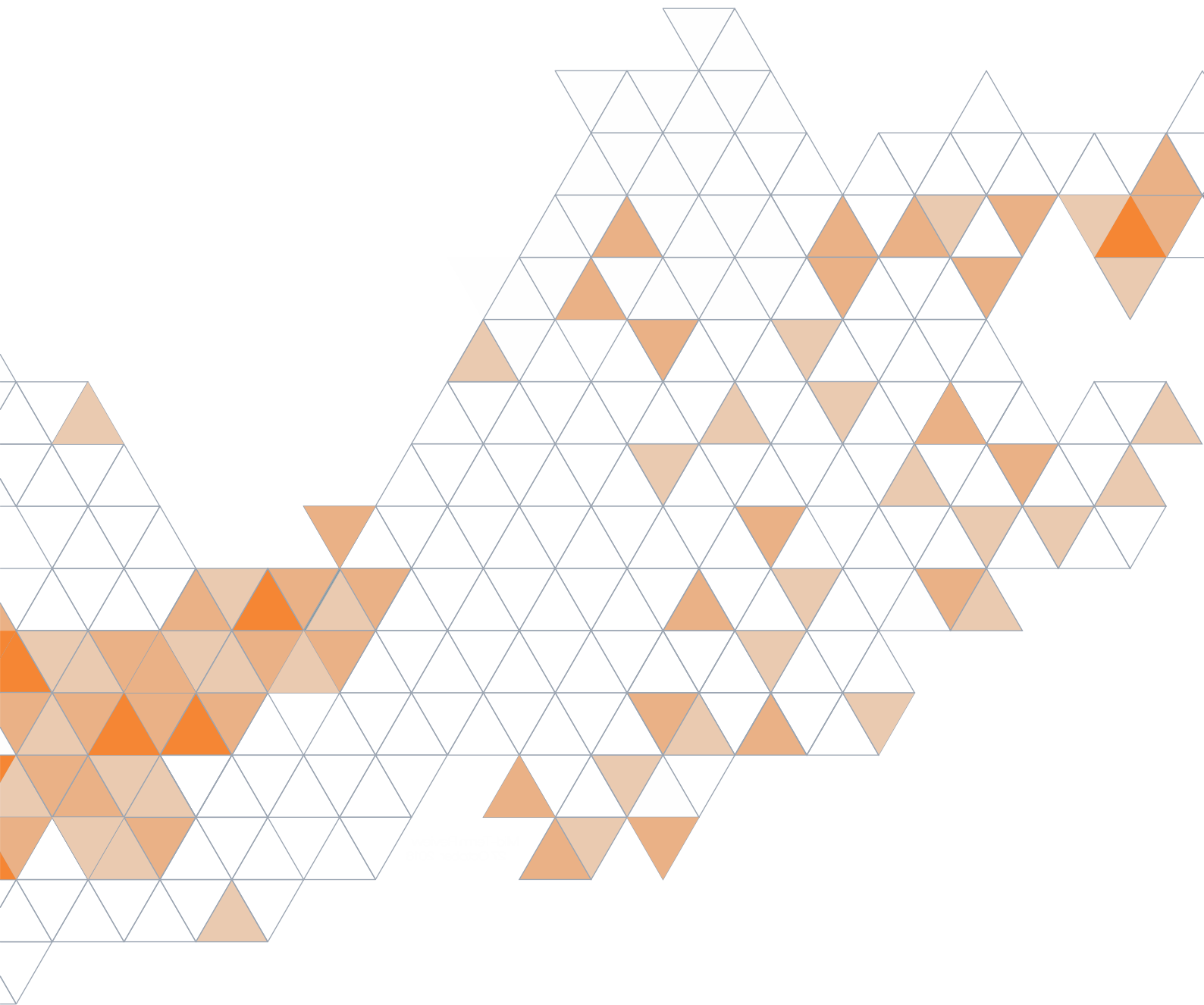
Municipality Website	N=49
Yes	45
No	4

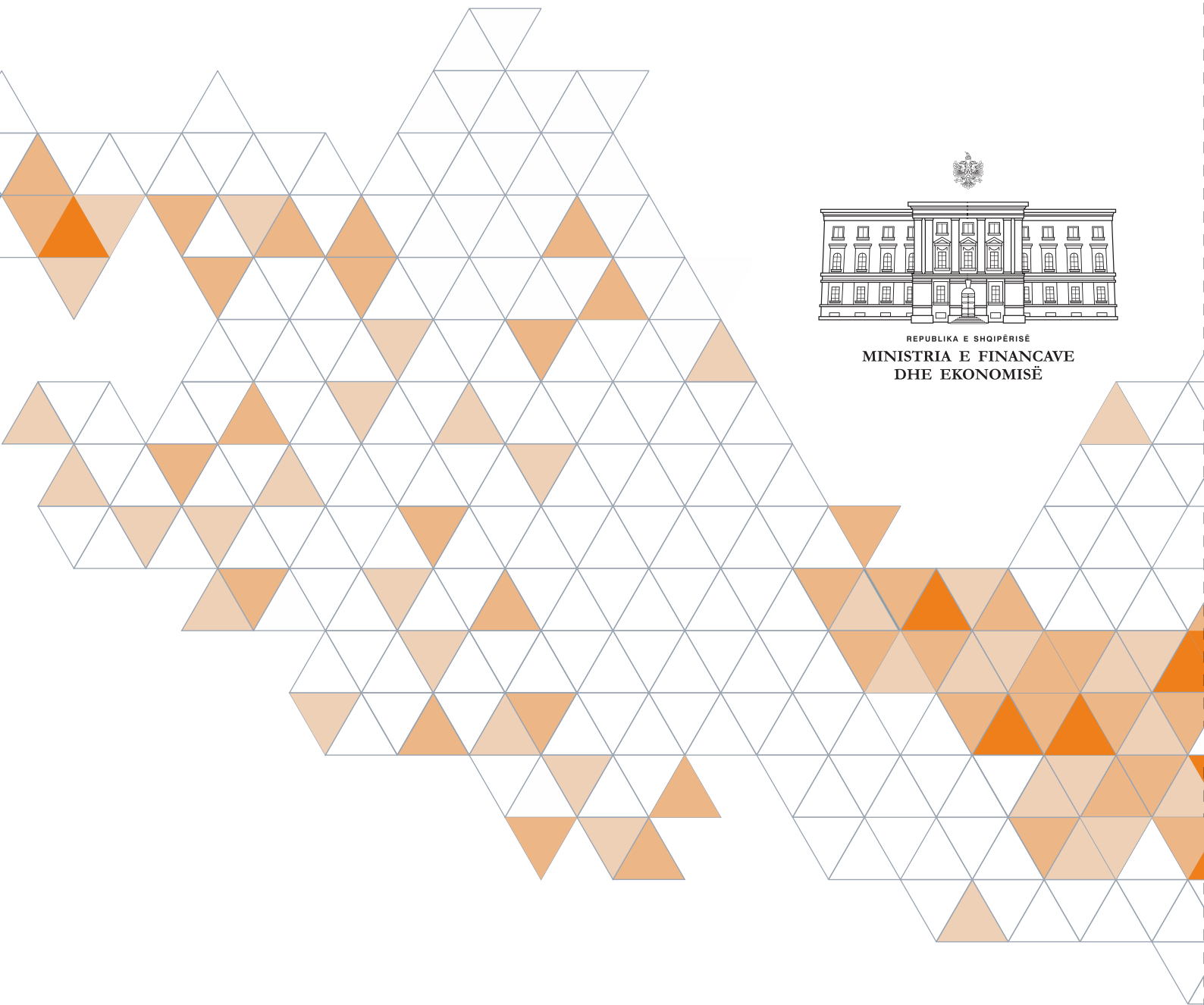
Q27. Does the municipality regularly publish the MC decisions?

Publication of MC decisions	N=47
Yes	42
No	5

Q28. Are women adequately represented among members of Municipality Council (MC) against the legal requirement (quota) and in the management position of local administration?

MC Female Member	N=	% of municipality
2016	50	70%
2017	49	76%
2018	48	79%





REPUBLIKA E SHQIPËRISË
**MINISTRIA E FINANCËVE
DHE EKONOMISË**



Report on the performance of new local government functions



Report on the performance of new local government functions

How well are the municipalities implementing the new functions?

This report is prepared in close cooperation with
Ministry of Finance and Economy
as a supplement of the Medium Term Review of the implementation
of the Inter-sectorial Strategy on Decentralisation

October 2018

The report was prepared by: Ph.D Omela Shapo. The authors' views expressed in this document do not necessarily represent those of DLDP or SDC. The report would not have been possible without the valuable contribution of Prof. Stefan Pfäffli, Prof.As Valbona Karakaçi and Erton Kashta.

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Abbreviations

AITAR AZRT	Agency for the Implementation of the Territorial Administrative Reform
DLDP	Decentralization and Local Development Program
MC	Municipal Council
MoFE	Ministry of Finance and Economy
LGUs	Local Government Units
MTBP	Medium Term Budget Plan
LG	Local Government
CG	Central Government
LM	Line Ministry
SDC	Swiss Development and Cooperation
CSLD	Cross-Sector Strategy on Local Decentralisation
CoMD	Council of Ministers Decision
IPRO	Immovable Property Registration Office

Report on the performance of new local government functions

Prepared by Ph.D Ornela Shapo, PFM expert, October 2018

Introduction

The Albanian Government approved revisions to the Law "On the Organization and Functioning of Local Government" (no. 8652/2000,) as the result of the decentralization reform followed by a series of other sub-legal acts (Government Decisions). This law has introduced significant changes by adding up new responsibilities to the LGUs. The new Law on Local Self-Government no. 139/2015 increases the number of own (exclusive) functions of the LGUs, by transforming the shared functions into exclusive ones. As a result, a series of sub-legal acts were drafted and adopted. One of the most important one is the Ordinance of the Prime Minister no. 127/2015, which defines measures aiming to implement the Cross-Sector Strategy for Decentralization and Local Government. This by-legal act provides details on functions transferred from Line Ministries to LGUs on January 2016.

This report is prepared as Ministry of Finance contribution aiming to address the question on how well new functions were implemented in the first few years after the handover of the functions from line ministries to municipalities on 1st January 2016. Results of this assessment are important in order to support the final decision at the end of the transitory phase (December 2018). The assessment as well provides insights on financial, HR, Trainings, Structures, infrastructure and assets of LGUs as well as coordination between local and central authorities.

Methodology

Two assessment were realized by DLDP project on this aspect as a request by Ministry of Finance and Economy. In April – September 2016 was assessed a pool of municipalities and all Line Ministries that transferred functions in order to provide insights / information how (well) prepared are the municipalities to assume the new functions? In August – September 2018 from a pool of 15 municipalities, based on performance indicators was assessed how well are the new functions being implemented by the municipalities. The municipalities that have provided information on performance indicators are: Tirana, Lushnje, Elbasan, Patos, Berat, Malësi Madhe, Belsh, Devoll, Divjake, Kucove, Mirdite, Pogradec, Rroskovec and Skrapar. The list of performance indicators for each of the new function is given in detail within the respective chapter of this report.

The first assessment on capacities of municipalities to assume the newly transferred function was conducted based on information collected from structured interviews with representatives of LGUs and Line Ministries. The collected information was crosschecked and confirmed, supporting elaboration of findings and suggestions aiming to improve the implementation of these new functions. Initially, an analysis of the basic Law no. 139/2015 "On Local Self-Government", and the Decision no. 127/2015 "On the Transfer of New Functions to Local Government" was developed. A further assessment of the specific legal framework on the transferred functions was conducted: 1) management of forests and pastures; 2) maintenance of rural roads; 3) management of irrigation and drainage system; 4) fire protection and rescue; 5) management of some social centres, and 6) supporting staff for the pre-university educational system, and educators for the pre-school system.

The assessment of the capacities of the municipalities to assume the newly transferred function was taking into consideration four aspects: (i) sufficiency of financial resources; (ii) capacity of human resources; (iii) organizational structures of the municipality; (iv) quality of the services delivered to local community.

The assessment on how well are new functions performed by municipalities is based on performance indicators developed for each new function in collaboration with the Line Ministries that use to implement the respective functions until end of 2015. The indicators relate mainly to output level and efficiency of program budget fund used. For each performance indicator, data were collected from ministries and municipalities covering the years 2015 to 2018, representing fact figures (estimates for 2018). The baseline year 2015 represent the situation before the reform. The data 2016 to 2018 refer to the situation after the hand-over. They were collected for a sample of 15 municipalities which responded to the request for data.

Capacities of municipalities to assume the new functions

Results of the key findings on capacities of municipalities to assume the new functions are resumed below.

Key findings

Local government representatives declare that further decentralization of public functions to Local Government Units is a positive and necessary step. Municipalities have welcomed the Government's decision to transfer the functions and believe that the quality and effectiveness of the services will improve. Being closer to the concrete terrain of function implementation, municipalities in only few months have proved that with the same funds and human resources, which were used up to the end of 2015 by the LM, have delivered better services. There is evidence for a better service delivery by municipalities. This evidence is presented in this paper when assessing the performance of municipalities based on performance indicators during 2016-2018.

The transfer process was prepared very quickly¹. A plan for the transfer of funds, supporting infrastructure, human resources was realized in a very short time, but the provision of a continuous and well-coordinated assistance lacked.

Local representatives believe that decentralization gives municipalities the opportunity to improve the services. It is estimated that the current legal framework supports horizontal cooperation among municipalities on matters of common economic development and interest of local community. This cooperation is vitally important, especially for some new received functions, such as, irrigation and drainage system, forest administration and management, firefighting, and rural infrastructure management. The horizontal cooperation creates preconditions for the new functions to be executed in the most efficient and responsible way, and to reflect the needs of the local community.

Financial capacities

The specific transfer for the new functions compared to the funds allocated from the State Budget for the same functions in 2015 has increased. The specific transfer was calculated based on historical data until end of 2015. Lacking initial analysis on financial capacities and quality of respective services before decentralization, LGUs are not at the position to confirm whether the funds dedicated for the new functions could fully cover the delivery of services within the adopted legal standards.

Support for investments is small and there is no allocation of funds to cover the depreciation of assets. Number of employees and funds dedicated for their salaries and social contributions transferred to Local Government Units were in line with the approved budget plan for 2016, with very few exceptions (mainly in the education sector). The high increase in the education service is mainly related with the number of support staff for the pre-university system.

	Function	Funds - Trend in % 2016 vs 2015
1	Fire protection	102%
2	Irrigation and drainage	102%
3	Rural roads	110%
4	Management of forests and pastures	102%
5	Education	114%
6	Social services	102%
	Total funds	111%

¹ The Cross-Sector Strategy for Local Decentralization was adopted in the summer of 2015, while the Law on Local Self-Government was adopted in December of that year. Within a few months, the Central Government issued all relevant sub-legal acts that support the new functions transferred to LG.

The infrastructure of education institutions suffers many problems; schools do not meet the relevant standards regarding the building, equipment, electricity network, and hydro-sanitary system. The ceiling for investments in schools reconstruction has increased compared to previous years, but it is still insufficient to cover the needs of educational institutions throughout the territory. Financial resources for the rehabilitation and upgrading of existing infrastructure are very limited compared to the local needs. Additional funds are required to deliver some basic services, (made available important funds for irrigation and drainage system). There for, when possible municipalities have made available additional funds from their own budget, mainly for cleaning the drainage and irrigation network. CG has supported in some cases with direct investment, but very marginal compare to the real needs. Education represents the budget share within the new functions transferred to LGUs, almost 70% of the total specific transfer. Little guidance was provided on the specific financing mechanism of new functions, often confusion is created because of the double responsibility and role of function. The presence of the CG is still strong (ex. Education system).

There are cases of inherited debts from the Central Government, deriving from the transferred functions. In general, the assets that support the transferred functions are deteriorated and require new investment and important maintenance cost. Details on asset information are lacking full book value (time, use, residual value, or estimated value referring to the Immovable Property Registration Office (IPRO) or market value).

Human resources

The responsibility for implementing new functions increased the number of personnel by 10,000 (for all LGUs for 6 new functions) and consequently the weight of wages in relation to the total municipal budget by 12% (on average), and an increase of the salaries fund by about 32% in the municipal budgets.

Function	Number of employees transferred to LG
Irrigation drainage	267
Forest management	103
Education	7,101
Fire fighting	739
Rural road	2,000
Social services (only Shkodra)	24
Total	10,234

Staff rotation following the elections (after summer 2015) was at minimum levels. Vacant positions were publicly announced and new enrolled staff filled according to the legal procedures. In some cases it was reported that the personnel transferred for the irrigation and drainage canals is not sufficient to ensure a sound maintenance of the system (channel and reservoir system and respective network). In other cases, the allocation of

human resources staff was lower compare to the standards of the law on fire-protection and rescue. The LM transferred a smaller number of personnel to LGUs. More than 80% of the national forest and pasture fund was transferred to the local level, at about 15% of this fund is classified protected areas. This creates difficulties in terms of coordination of the CG and LG. Poor coordination from Ministry of Education on new function transfer caused delay on transferring the files of education personnel at pre-school system and support staff for pre-university system.

A different recruitment procedure was implemented for the personnel compare to the one on civil servants. Municipalities reported that in some cases the personnel transferred from LM does not fulfil the professional requirements for the specific position. Trainings were offered mainly from foreign development agencies based, not coordinated by Line Ministries.

Implementing structures

Municipalities have made available new structures for all new functions. In general, existing structures have been adopted to accommodate the new function. In other cases, completely new structures have been created (fire-protection and rescue). The number of staff positions was kept close to the number defined by the CG, in few exceptions increased, trying to cover the real needs for service delivery such as education; irrigation and drainage; fire-protection.

Employees transferred at LGUs increased the workload for the Human Resource Directories. New job descriptions, operational manuals etc. required to be developed and adopted. Clear description of roles and responsibilities of LGUs / implementing structures and Line Ministries / CG are still missing. This is important to avoid parallel structures that have been created (e.g. Agriculture Directorate, within the municipal administration, and the Regional Agriculture Directorate, subordinated to the Ministry of Agriculture).

Only few line ministries (Ministry of Tourism and Environment) have provided indicative organizational structure to municipalities.

Municipal performance in implementing new functions

The new law on local finances requires budgeting based on programs. The Medium Term Budget Program is prepared on the program logic aiming to link financial resources with municipality priorities over the medium-term of three years. Performance of programs should be measures in order to insure correct implementation of central and local policies and provide insights to LGUs managers on local service delivery and reporting to citizens and members of the city council. To fulfil this legal requirement the Ministry of Finance

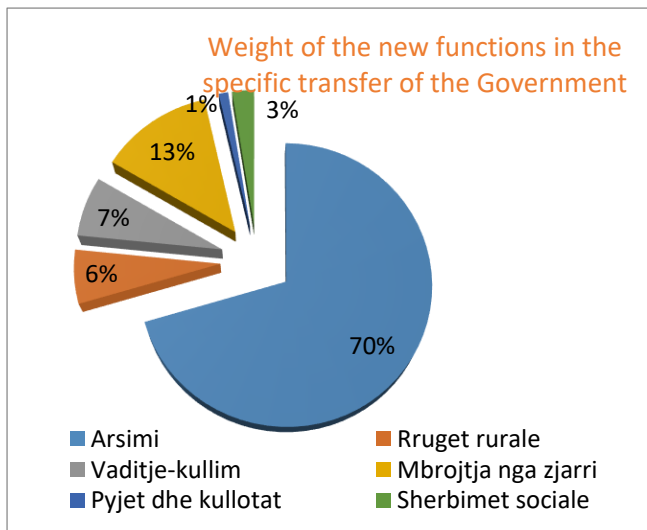
has developed a first draft of a set of performance indicators for all budget programs that municipalities should use in order to fulfill their legal mandate. From this set of indicators are selected and filled out with information budget programs that reflect the new functions received in January 2016. The information received from 15 municipalities on August 2018 is part of 2019-2021 MTBP exercise.

Performance indicators for newly delegated functions are developed to measure the objective of the respective budget program. Three indicators are proposed and filled out with information for the period 2016 – 2017 (fact) and 2018 (expectations) from municipalities. Information for year 2015 is collected from the Line Ministries that use to have the respective budget program within their MTBP until end of 2015. Using this information, we can compare the results of the performance indicators before and after the moment of function transfer (end 2015), providing an analysis how new functions are performed by the municipalities after the transfer.

This methodology has some limitation since this is the very first time the indicators are used and municipalities are not yet trained. There for only 25% of the LGUs have provided information. By that said, we believe that the analysis is still relevant because we have a good representation from municipalities (in terms of size; geographic location; political affiliation).

Performance indicators present 9 services provided to local community from the municipalities which represent functions:

1. Irrigation and drainage of secondary and tertiary network
2. Fire protection and rescue
3. Forest and pastures management
4. Education system:
 - 4.1 Teachers on pre-school system
 - 4.2 Support staff on pre-university system
 - 4.3 Transport of teachers and students that work and live outside residence
 - 4.4 Dormitories for pre-university institutions / not the vocational system
5. Rural roads
6. Social services
 - 6.1 – some social care centers (6 centers)



The biggest share of specific transfer is allocated for education system (pre-school and pre-university institutions) up to 70%, followed by fire-protection up to 13%, forest and pasture fund management and social services representing the smallest share.

Figure 1. The Composition of the specific transfer for new functions (Year 2016)

Irrigation and drainage system management

Central Government Funds for the irrigation and drainage system management function have been increased since 2015. The impressive increase by more than two times in 2017 and 2018 (vs 2015) reflects the investments supported by Ministry of Agriculture and Rural Development providing to each municipality an excavator (in 2017) and other investment in pumping stations in 2018.

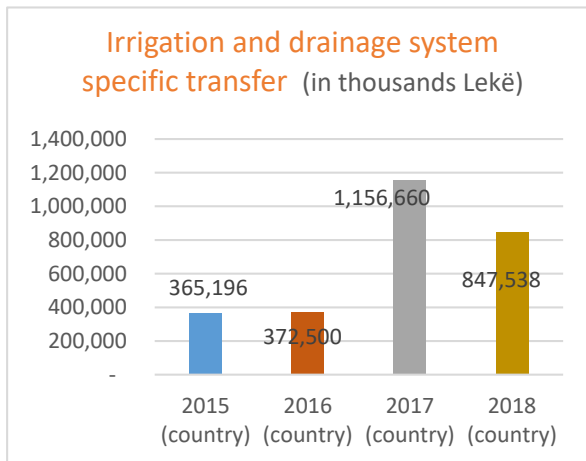


Figure 2. Specific transfer for irrigation and drainage system management

The Ministry of Agriculture transferred the function from the Regional Directories of Irrigation and Drainage Boards to 61 municipalities. The respective staff and supporting assets for the secondary and tertiary system was as well transferred (some staff still working for the LM). The total number of personnel transfer is 267 people (an average of 4-5 people per municipality) from the existing regional drainage boards (4 boards based on river basins: Lezha, Korça, Durrës and Fier). The municipalities in general have extended this service attached to the Directory of

Agriculture services or Infrastructure Unit. Making possible for joint infrastructure (assets and staff) to provide the service to the local community.

The measured performance indicators dedicated to this new function are:

1. Improvement of the drainage network (cleaned km vs total network in %)

2. Improvement of the irrigation network (cleaned km vs total network in %)
3. Efficiency of funds used (thousand Lekë spent per cleaned network/km)
4. Agriculture surface served with irrigation and drainage system

We have been able to collect information only for the first three indicators (not all municipalities have reported on surface covered with irrigation and drainage network). Data for the entire country in 2015 and pool of municipalities in 2016; 2017 and 2018 are presented below.

Table 1. Data on irrigation and drainage system management - country and pool of LGUs

Irrigation and drainage system management		Country	15 municipalities						
		Years							
Service data		2015 (fact)	2016 (fact)	2017 (fact)	2018 (plan)	2019 (plan)	2020 (plan)	2021 (plan)	
1	the area covered by Irrigation	136,000	45,648	49,303	48,043	47,604	47,795	48,216	
2	the system (ha) Drainage	170,000	8,490	9,590	9,940	5,535	5,730	5,750	
3	Total expenditures for irrigation		79,757,397	151,175,229	181,067,794	137,063,436	161,124,672	206,814,380	
4	Total expenditures for drainage		2,147,000	5,255,730	7,613,747	6,203,000	6,003,500	6,003,500	
5	Total expenditures for the pumping station		4,701,377	5,419,262	16,738,233	-	-	-	
6	Total km of the drainage channel	4,100	1,848	1,849	1,889	1,293	906	928	
7	Total km of irrigation channel	7,345	1,867	1,871	1,891	1,169	889	890	
8	Total km of cleaned irrigation channel	808	473	573	676	657	699	761	
9	Total km of cleaned drainage channel	410	314	580	577	445	400	361	

All municipalities report impressive improvement on making the irrigation and drainage network system functional. During 2016 municipalities have cleaned 25% of the drainage network and 17% of the irrigation network continuing further improvement in 2017 and 2018 by an increase of 31% and 36% of the entire network in each year respectively.

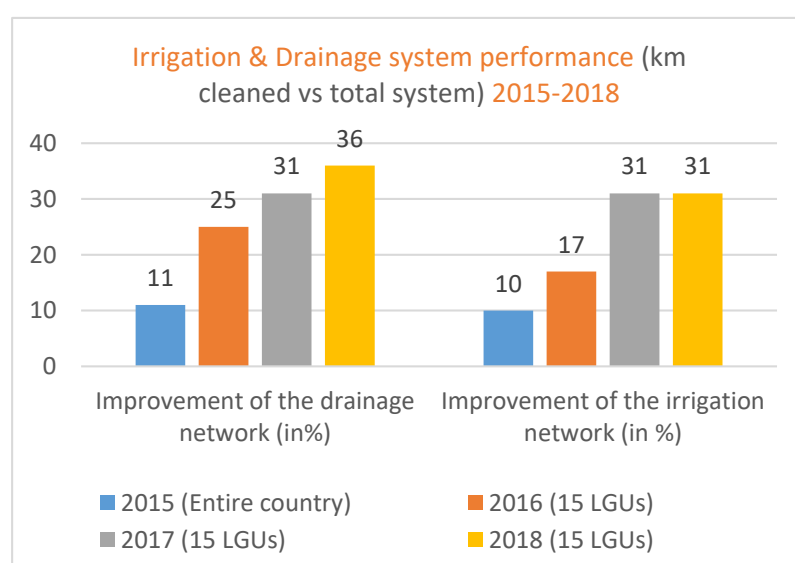


Figure 3. Improvement of the service - irrigation and drainage system management

Note that the Ministry of Agriculture reported in 2015 to have cleaned only 11% of the drainage system and 10% of the irrigation system.

With the same amount of money for operational cost only and less number of staff compare to LM municipalities have cleaned the entire network twice more in the first year of the implementation and even increased the agriculture

area covered with service. On this last indicator, we do not have received data from all municipalities, but still for the few one reporting, the service area has been increased by respective 8% for drainage system and 13% for the irrigation system.

Every budget system divide financial resources by allocating funds for some programs and withholding it from others. The effectiveness of municipal budget programs depends on these allocations, and service delivery conditions (management; structures; staff; supporting infrastructure; capacity building etc.) that foster efficiency. Efficiency of municipal money spent refers to the capacity of government to distribute resources based on the effectiveness of public programs in meeting its strategic objectives through based evidence of service performance indicator. The set of the performance indicators developed for all municipal budget program includes one indicators that aims to measure efficiency. We have evidences that funds allocation have been almost the same (slight increase in 2016) for the first year and increase in the later years, while the service provision conditions are almost the same in terms of HR and supporting assets, while management and structures have been changed.

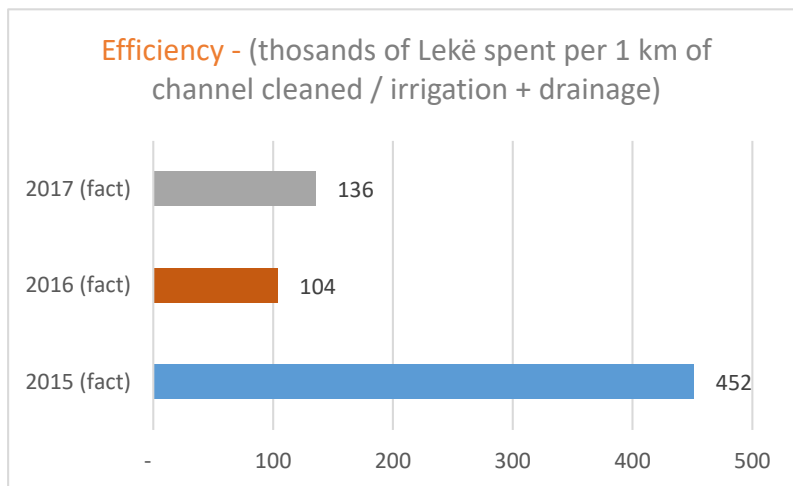


Figure 4. Funds spent per 1 km channel cleaned

In the case of irrigation and drainage system management the efficiency indicator is the amount of money (in thousands of Lekë) spent per one kilometer of cleaned channel being that irrigation or drainage one.

Data provides that at the end of 2015 the Ministry of Agriculture and Rural Development spent in

average 452 thousands of Lekë per 1 km cleaned channel. In 2016 the municipalities in average have spent 104 thousands Lekë per 1 km, proving to be 4 times more efficient in using public more than the CG. The slight increase in 2017 versus 2016 but still much lower than 2015 is due to investment funds allocated by CG to LGUs for this function.

Fire protection and rescue service

The Law on “Fire protection and rescue” no. 152 /2015 regulates the service. The law provides service standard, which requires that the municipality should have a Fire Protection and Rescue Center (FPRC). The FPRC should have at least one professional firefighters for 1,500 – 2,000 inhabitants but not less than 14 employees. In January 2016, the Ministry of Interior Affairs transferred 44 existing FPRCs to 39 municipalities (mainly center of regions/former districts). The remaining municipalities (23 in total) should establish by themselves their FPRCs. The government transferred the respective

infrastructure and staff that used to deliver the service until end of 2015 from Ministry of Interior to LGUs.

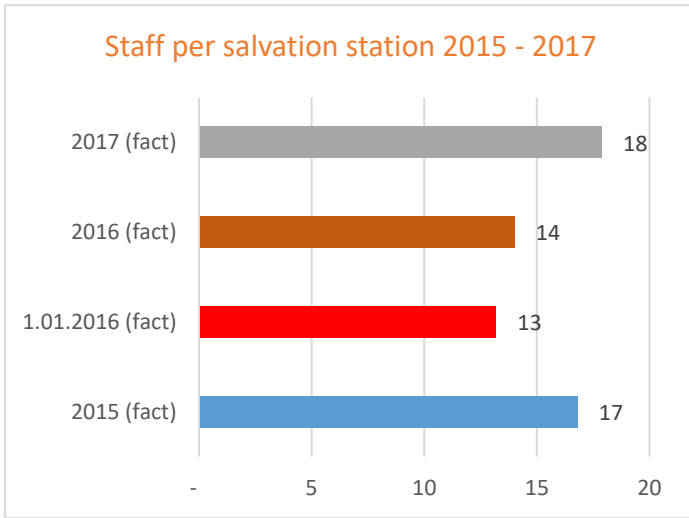


Figure 5. Number of staff per rescue station

Total number of staff transferred from CG to 61 municipalities was 739 employees. The Council of Minister Decision (CoMD) No. 707/2016 defines the administrative units that should be covered from FPRC until all municipalities establish their own stations and also fees for service provision outside LGU administrative boundaries.

In all 44 existing salvation station, the service is lacking: (i) complete number of employees as per the legal standard (1 fire fighter per

1500 – 2000 inhabitants but not less than 14); (ii) basic working conditions, the support infrastructure is very old / amortized (vehicles, equipment etc.), protection uniform etc.; (iii) technical competences to offer the service. The staff is not properly trained. Being an emergency service the majority of the municipalities have added funds from their budget in top of the specific transfer received by the Ministry of Finance and Economy.

The first reaction of LGUs’ managers was increasing the number of staff per salvation station aiming to reach at least the required legal standard (minimum 14 staff per salvation station). The funds for adding staff was supported by their local budget.

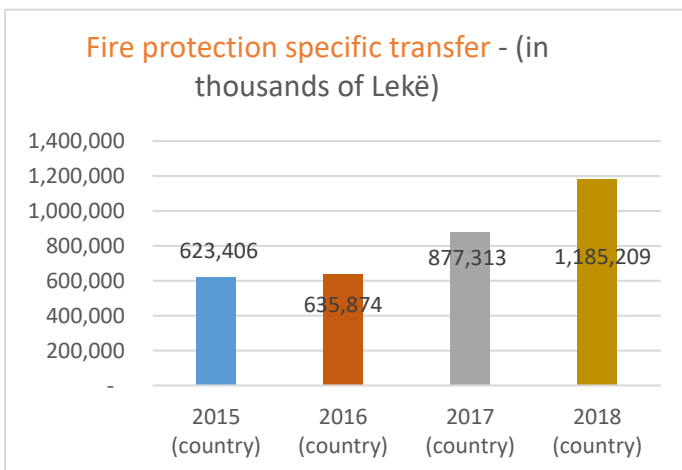


Figure 6. Specific transfer for fire protection and rescue

Central Government Funds for the fire protection and rescue management function have been increased since 2015. The important increase in 2017 and 2018 is dedicated to the investments funds allocated from CG for some municipalities that did not inherited a salvation station in January 2016.

Data collected from Ministry of Interior and pool of LGUs show efforts to increase the territory coverage with fire-protection and rescue service.

Table 2. Data on Fire protection and rescue service - Country and pool of LGUs

Fire protection and rescue		Country	15 municipalities						
Service Data		Years							
		2015 (fact)	2016 (fact)	2017 (fact)	2018 (plan)	2019 (plan)	2020 (plan)	2021 (plan)	
1	Number of municipalities with salvation stations	39	10	10	13	13	13	13	
	Number of the rescue stations	44	16	16	19	19	18	18	
	Number of municipalities covered with service	61	15	15	15				
	Number of the employees (professionals) of the FPR	739	224	286	310	273	315	357	
2	Average time for leaving the station for every case (in sec)	During the day	40	44	44	44	38	38	38
		During the night	60	61	61	61	54	54	54
3	Total expenditures for fire protection and rescue	635,874,000	213,606,750	246,981,946	309,764,132	-	-	-	
4	Revenue generated by the fees	134,962,641	11,376,993	1,369,000	1,200,000	1,400,000	1,400,000	1,400,000	
5	Intervention cases for extinguishing fires and rescue	7,210	2,326	3,500	864	534	555	555	
6	Cases prevented through inspections	5,944	1,497	1,543	510	376	386	396	

The assessed pool of municipalities is reporting that, at the end of this year (2018) will be established three other salvation stations (covering the population of three municipalities that used to be served by neighboring ones).

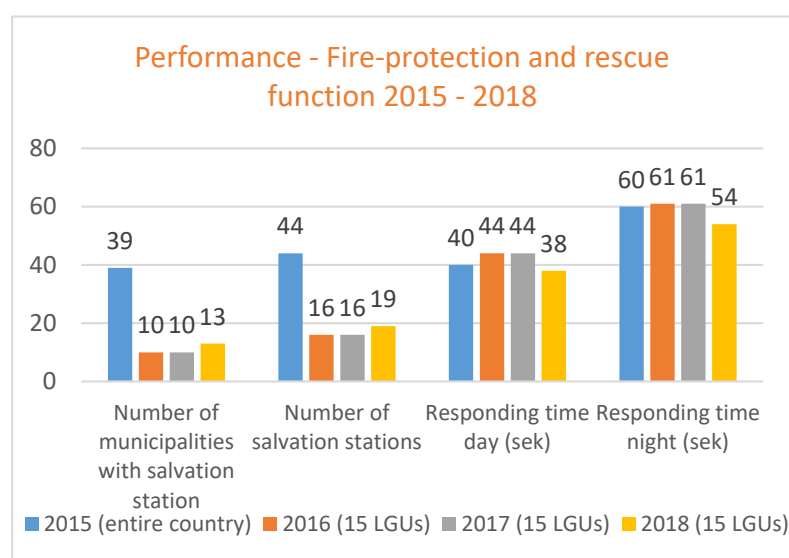


Figure 7. Performance of fire-protection and rescue service

The measured performance indicators dedicated to this new function are:

1. Establishing salvation and rescue service to serve the administrative territory of the LGU
2. The responding time during day and night to intervene on reported cases
3. The Efficiency of funds used (thousand Lekë spent per 1 intervention or prevention case)

The responding time has been increased showing a slight underperformance of the service compare to the CG one. The Council of Minister Decision (CoMD) No. 707/2016 defines the administrative units that should be covered from FPRC until all municipalities establish their own stations. In some cases administrative territories associated with the

existing station do not provide for efficient and effective function implementation (ex. Vau Dejës should be covered by Puka instead of Shkodra station; Fushë-Arrëz to be covered by Puka instead of Malësi e Madhe station; Pustec to be covered by Pogradec instead of Korça etc.). Some municipalities (ex. Shkodra) are claiming to receive calls from citizens in case of emergency for administrative territories, which are not assigned within the respective CoMD. This might be the reason that the reaction time has increased trying to get the clear understanding where to offer the service (is the respective destination within the defined territory by CoM Decision).

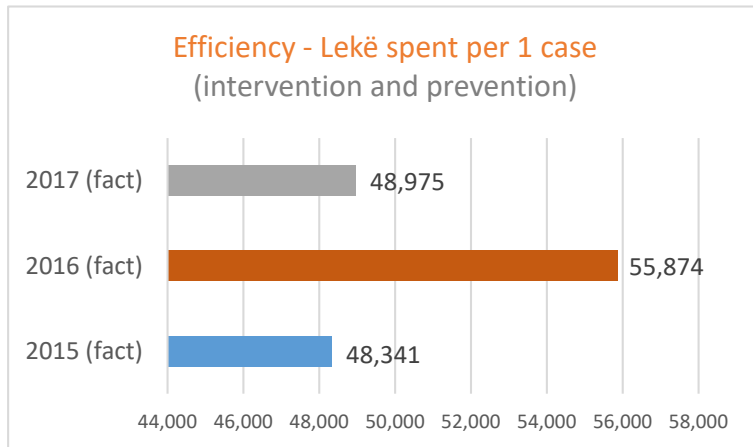


Figure 8. Efficiency of municipal budget funds used to perform the salvation and rescue service

The efficiency of budget program fund for the service of one emergency case (being that salvation intervention or prevention) has been decreased. We have not been able to disaggregate the allocated funds for the service into investment and operational and maintenance, there for we cannot correct the impact of the investment funds allocated to establish three new salvation centers during

2016-2017. We believe this is the only factor that has decreased the efficiency since the number of interventions from the total pool of municipalities analyzed has been increased by almost 32% annually (2017 vs 2016).

Forest and pasture fund management

The forest and pastures management is regulated by law No. 49/2016 “On the national fund of foresters and pastures management”. The forest and pastures fund consist of national fund / classified as protected area; local government fund and private entities fund. The entire fund is managed based on the operational plan. The management belongs to the owner of the specific fund: ex. Protected areas are managed by the National Agency for the Protected Areas under the Ministry of Tourism and Environment; the local government fund of forest and pastures is managed by the municipality and the private fund is managed by the private owner. The CG defines policies and service standards. The LGUs manage the forest and pastures fund (their fund) based on the approved plans for forest and pasture management.

On January 1st, 2016 the Ministry of Tourism and Environment transferred 103 employees from National Agency for Protected Areas and Forest Management (Regional Directories for Forest and Pastures Management) to 58 municipalities as part of the function transfer, based on CoM Decision No. 433/2016. Until end of 2015, the CG has dedicated at about one employee for 1,250 ha forest and pastures (in average).

The measured performance indicators dedicated to this new function are:

1. Increased inspection (number of controls per 10,000 ha fund)
2. Improved service (number of staff per 1,250 ha fund)
3. Efficiency of funds used (thousand Lekë spent per one inspection)

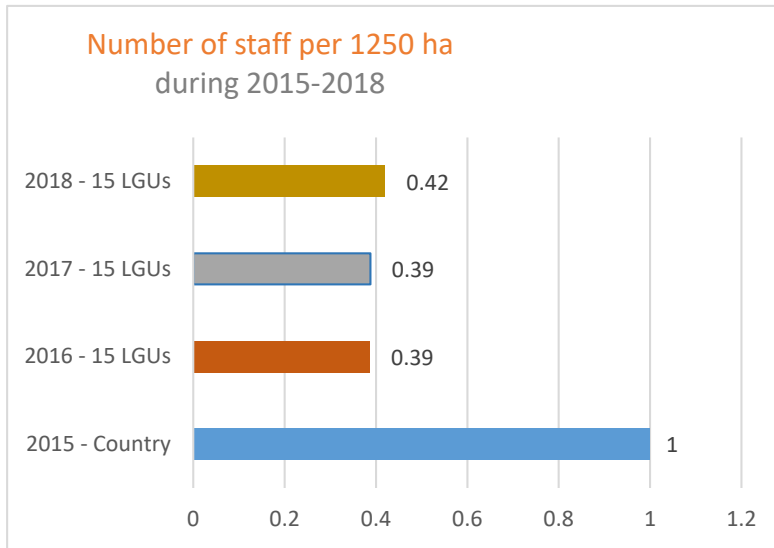
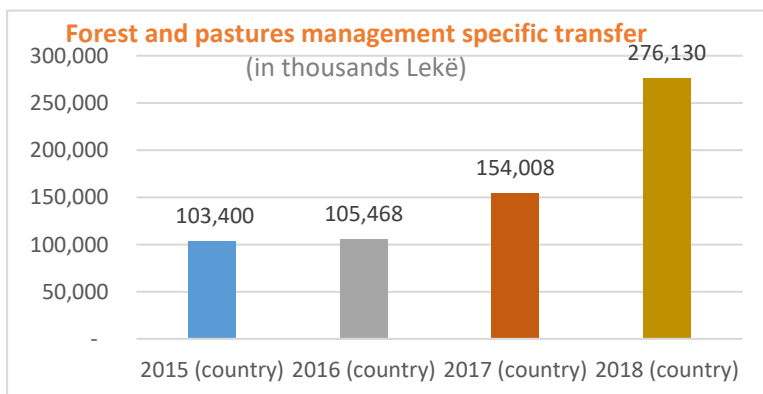


Figure 9. Number of staff managing a 1,250 ha fund of forest and pastures

The number of employees received by the LGUs is inferior compare to the legal standard and to the one used to perform the function until end of 2015, there for municipalities have hired additional staff. The legal framework defines the number of employees dealing with forest and pastures management: (a) one employee for 750 – 1,000 ha forest located at high-level terrain; (b) one employee for 1,500 – 2,500 ha forest located at low-level terrain

and pastures; (c) one employee for 4,000 – 6,000 ha pastures.

Central Government specific transfer to support the management of the forest and pasture fund function has been increased since 2015. In 2018, the specific transfer for this function is more than double compare to the one in 2015 trying to support necessary infrastructure to municipalities facilitating the function implementation.



Data collected from Ministry of Tourism and Environment and pool of municipalities show increased efforts to support the service such as: increased number of employees (+42%), increased funds allocated to the function (almost three times more) resulting in

enlargement of the forest and pasture fund (+31%)

Figure 10. Specific transfer for forest and pasture management fund during 2015-2018

Table 3. Forest and pasture fund management service data 2015-2018

Forest and pastures management		Country	15 municipalities					
Service data		Years						
		2015 (fact)	2016 (fact)	2017 (fact)	2018 (plan)	2019 (plan)	2020 (plan)	2021 (plan)
1	Conducting the check / inspections of the forests and meadows	2,282,156,508	1,168	1,807	1,850	1,477	1,530	1,377
2	Number of the employees meanging the forest fund and pastures fund	103	73	96	104	107	148	136
3	Population	4,430,415	1,584,192	1,584,192	1,584,192	1,584,192	1,584,192	1,584,192
4	Forest and pastures fund (in ha)	8,268,683	236,198	309,415	309,415			
3	Total expenses for forests and pastures management	103,358,538	24,527,400	33,823,288	60,931,746			

Keeping a good part of the employees still at the Central Government level (aiming to support the management of the protected areas) the performance indicator: “number of inspections per 10,000 ha of forest and pasture fund” has decreased. It was reported that, until the end of 2015 the National Agency of Protected Areas and Forest Management was realizing 276 inspection per ha of forest and pastures. The pool of municipalities declare that they realize in average a much lower figure, which has been increased during years, respectively only 49 inspection per 10,000 ha of fund in 2016; 58 and 60 in 2017 and 2018.

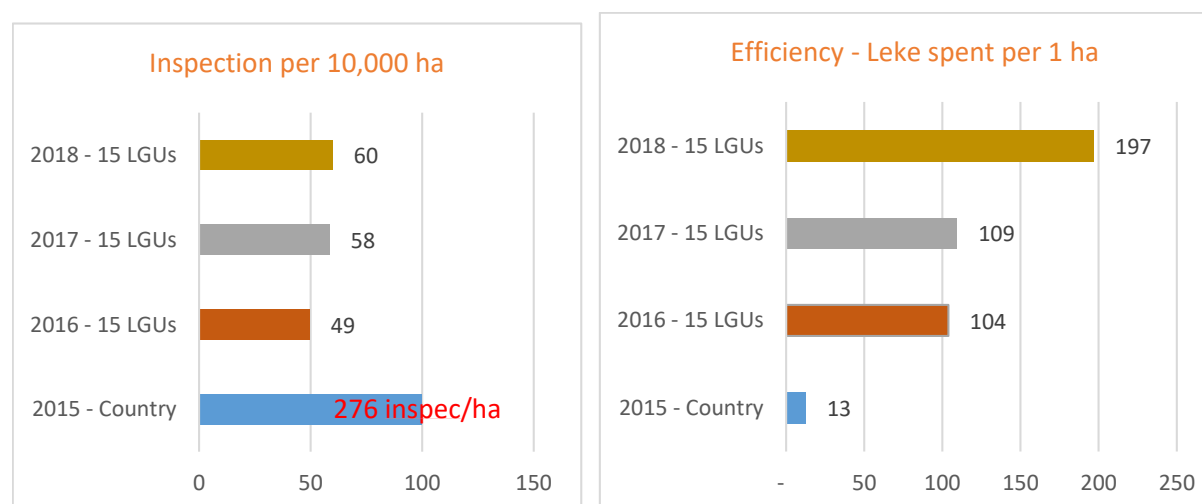


Figure 11. Performance of the forest and pasture fund management

Efficiency of funds used to perform this service has been decreased. Budget spent per ha of forest and pasture fund has increased several times compare to 2015. This is due to investment in this function received through the specific transfer. We have compared

data on this indicator for the CG / protected areas (management of forest) in 2016 with the pool of LGUs in 2016. The result is that CG spends 56 Lekë per ha while the pool of LGUs spend 104 Lekë per ha (almost double), showing a smaller difference compare to 2015 (the year before the transfer). This reveals problems in reporting at CG level and extremely low level of service financing. The increase of budget support from LGUs during 2016-2018 have increased the forest and pasture fund by 30% only in two years there for increased financing has improved the service. Inspections have increased by 22% from actual figures 2016 to planned figures 2018. However, compared with 2015, we see a massive decrease. This goes somehow hand in hand with the reduced staff deployed from CG.

Rural roads management

The rural roads were transferred from the Qark management to municipalities. The newly created LGUs after the territorial reform inherited a much larger surface and roads network to manage. The staff and respective budget funds and respective assets were transferred to LGUs. The complete road network maps and inventory were missing.

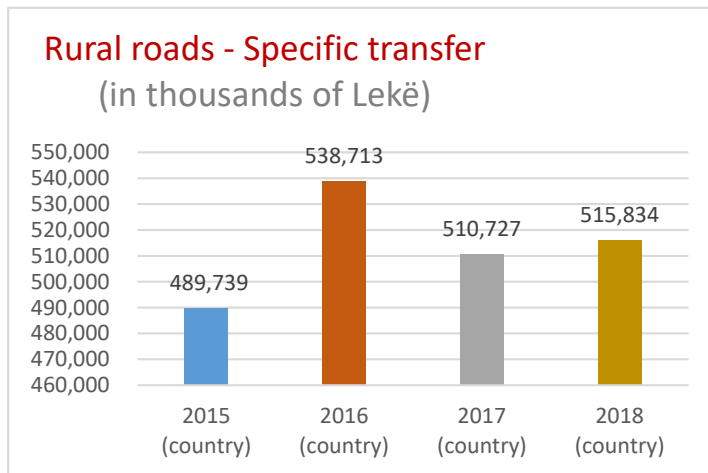


Figure 12. Specific transfer for rural roads maintenance service during 2015-2018

Central Government specific transfer to support the maintenance of rural roads has been increased since 2015. The funds allocated in 2016 were increased by 10% following a smaller increase during the upcoming years.

Unfortunately we do not have data from Qark to provide an analysis before and after the date of transfer, but performance indicators used for the municipal budget program “Transport”

selected for the rural transport only are analyzed for the last two years 2016 and 2017 and reveals very good performance.

Table 4. Service data during 2016-2018 pool of LGUs

Transport		Country	15 municipalities						
Service Data		Years							
		2015	2016	2017	2018	2019	2020	2021	
1	Local road network (km)	Rural	3744.2	3,670	3,779	3,807			
		Urban		829	1,575	1,583			
		Total		4,499	5,354	5,390			
2	Maintained roads	Rural		1,056	1,165	1,428			
		Urban		12,831	43,177	56,340			
		Total		13,887	44,342	57,767			
3	Expenditure for the road network (in 1000 ALL)	Rural		84,938	197,320	230,636			
		Urban	489,739	332,916	731,103	682,282			
		Total		417,854	928,422	912,918			
4	Number of public transport means	Rural		177	255	296	360	367	372
		Urban		297	368	393	425	431	437
		Total		474	623	689	785	798	809
5	Number of public transport lines	Rural		130	155	168	189	195	198
		Urban		50	52	58	64	70	76
		Total		180	207	226	253	265	274
6	Number of travellers (tickets sold) of the public transport	Rural		29,390,990	27,935,080				
		Urban		18,150	19,160				
		Total		29,409,140	27,954,240	27,971,250	-	-	-

It is estimated that Qark transferred at around four thousands Kilometers rural roads network to municipalities in January 1, 2016, from which at around 1,200 km belongs to the pool of LGUs that have provided data for this assessment. The municipalities have extended this new function to the existing infrastructure maintenance and management unit, there for data for the road network system divided into rural and urban are higher compare to the initial figure (1,200 Km).

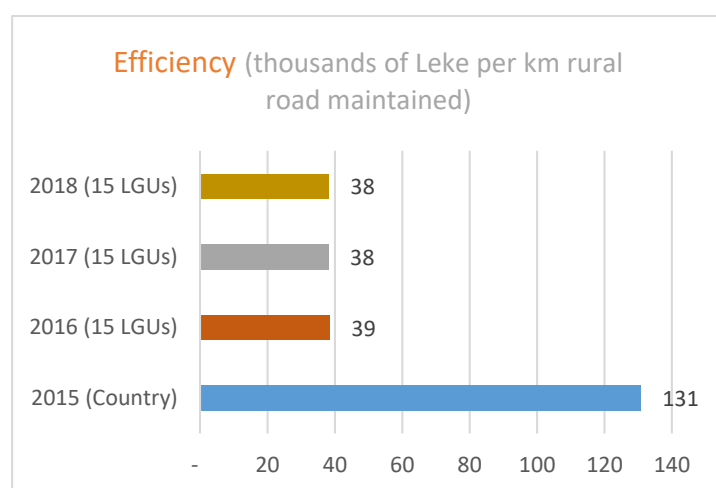


Figure 13. Efficiency of budget funds used to maintain the rural roads network during 2015-2018

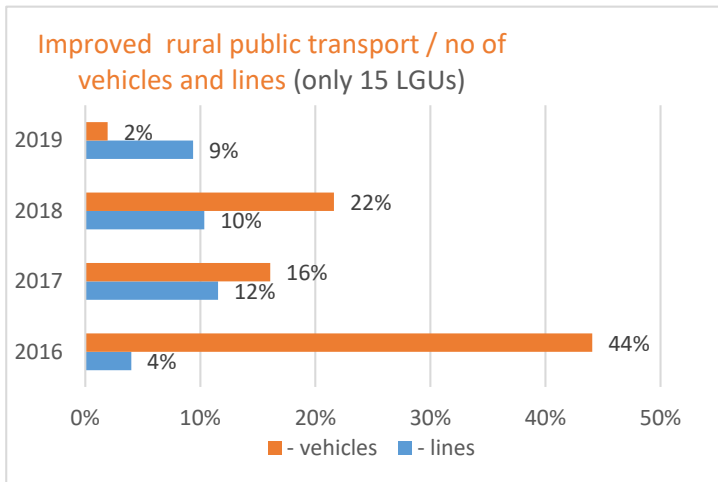
The efficiency of budget funds used for the maintenance or rural roads network has improved impressively compare to 2015.

Joining funds, staff, service infrastructure (vehicles, tools etc.) within the existing infrastructure made possible for serving to a much higher rural road network (almost three times more) with a small increase of budget funds.

The set of performance indicators for this function / program (besides the efficiency of funds used to maintain the rural network are):

1. Improvement on rural road infrastructure

- Increase of rural network (in % vs previous year)
 - Increase of rural network maintained (in % vs previous year)
2. Improvement on rural transport
- Increase in number of rural transport lines (in % vs previous year)
 - Increased in number of vehicles for rural transport (in % vs previous year)
 - Increase number of ticket sold for rural transport (in % vs previous year)



The pool of LGUs show increased performance during 2016-2018 with regard number of public transport and transport lines. We were not able to collect data on number of ticket sold from the entire pool of LGUs.

Figure 14. Performance of rural public transport service 2016-2018 (2019 - plan) - only pool of LGUs

Pre-university and pre-school education system

The CG / Ministry of Education and sports has transferred at beginning of January 2016 some sub-functions to LGUs:

- (i) Support of the transport of teachers and pupils who work or go to school outside their residence
- (ii) The payment of salaries for the educators of the pre-school system
- (iii) The payment of salaries for the support staff of the pre-university institution
- (iv) The management of dormitories of the pre-university institution – not the vocational education ones

The pre-university education system is added transferred to LGUs. The curricula development and capacity building is still a central government function organized through Regional Directories of Education which depend from the Ministry of Education and Sports. The LGUs are responsible for insuring the entire pre-university system infrastructure (except for paying the teachers). The preschool education system management is almost an exclusive function of the local government now, except for the appointment of the educators, which is still depending from the Regional Education Office.

The subsidy of the transport cost for teacher and pupils who work or go to school outside their residence is a function that posed several problems during the first year of

implementation, there for centralized again at the Ministry of Education and Sports. The presence of the CG within the education system is still strong. The allocation of investments from CG / LM are still high (as part of dedicated transfers). There for the performance indicators elaborated for this function / budget program will not show service provision status of the LGUs only. We have measured some performance indicators from the pool of LGUs (as defined below), which do not show clear impact of the newly transferred sub function (such as paying the salaries of educators at kindergarten and support staff for the pre-university system into the quality of the service) for pre-university and pre-school education system.

1. Pre-school education system:
 - Number of children per educator
 - Number of children within in group
2. Pre-university education system:
 - Number of student per class

In general, the pool of LGUs have improved in regard number of students in a class and number of children per educator (with only few exceptions).

The CG funds allocated to support the new sub-functions received as part of the education system management at local level have been increased.

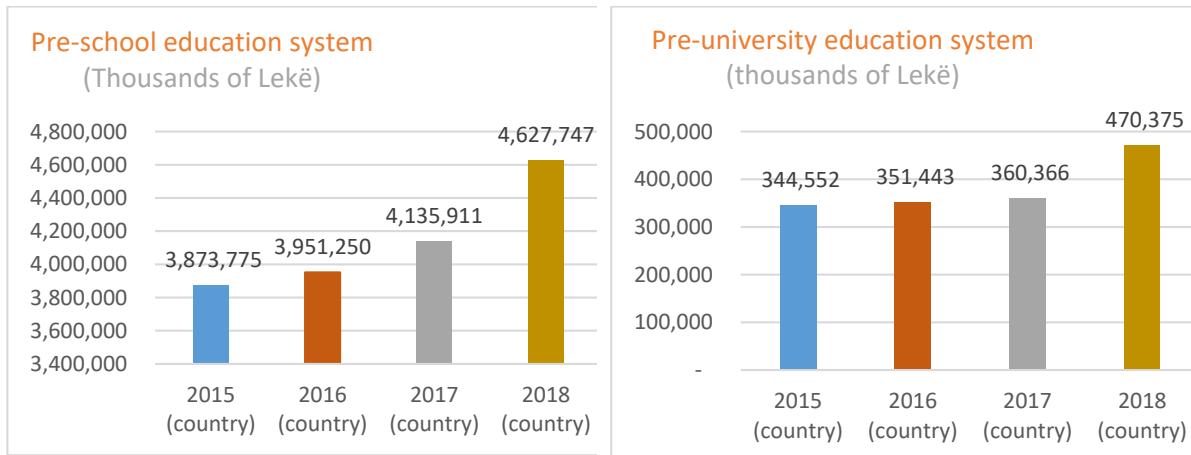


Figure 15. Specific transfer to support new sub-function in the education system during 2015-2018

A completely new sub-function of the education system is the management of the dormitories, there for we have provided some data on this regard.

Dormitories for pre-university institutions except for vocational schools

The CG transferred the staff, operational and maintenance funds, and the respective assets to 27 LGUs. Unfortunately, we have no data on the number of students served within the given number of dormitories at the end of 2015 (27 in total that were transferred to LGUs). We have received information from the pool of LGUs reported for this exercise on number of students and funds spent in 2015 from the CG and data for 2016 – 2017 under their management.

The measured performance indicators dedicated to this new function are:

1. Improved service (number of students accommodated dormitories)
2. Efficiency of funds used (Lekë spent per student accommodated in dormitories annually)

Table 5. Information on dormitories management service

Dormitories of the pre-university educational system		Country	15 municipalities		
Service Data		Years			
		2015	2016	2017	
1	Number of students accommodated in the dormitories	Public	428	454	399
		Private	-	-	-
		total	428	454	399
2	Total expenses for the dormitories (in thousand ALL)	Public	13,517,995	16,279,682	17,029,154
		Private	-	-	-
		total	13,517,995	16,246,933	16,994,039

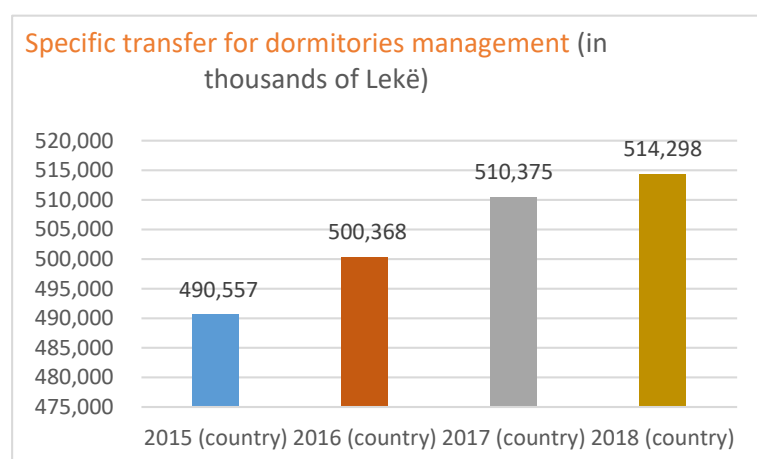
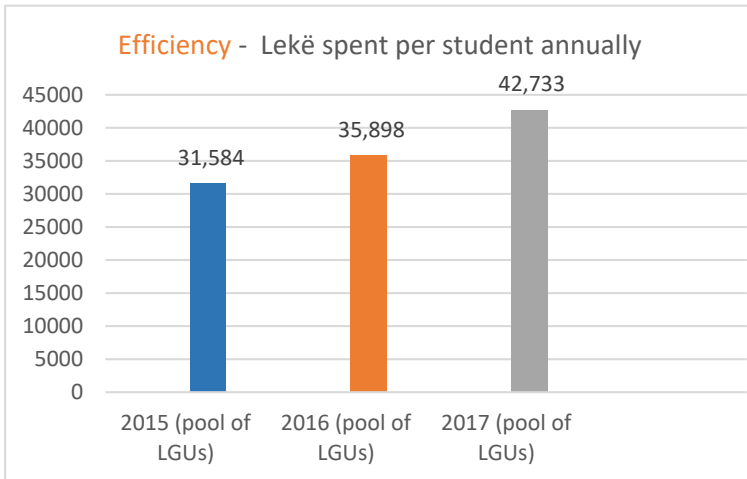


Figure 16. Specific transfer during 2015-2018 - dormitories management

The central government specific transfer is calculated and disbursed at the level of funds used for this function until end of 2015. Out of 15 LGUs reporting on dormitories, only five of them have in their management such institution. The funds used for this function from the pool of LGUs (5 municipalities) has increased by 20% in 2016 and 5% in 2017. The number of students have increased slightly in 2016

compare to 2015 but again decreased in 2017.

In average the respective municipalities spend at about 250 Euro per student accommodated in a municipal dormitory. Poor financing support is reflected to the deteriorated dormitories infrastructure. There for municipalities have made available additional funds for this service from their own budget (20% increase of their funds vs 2% increase of the specific transfer).



A slightly decreased number of pupils accommodated in dormitories and increase of funds for the service have resulted into a decreased efficiency of municipal budget use (increased money spent per one student accommodated in dormitories).

Figure 17. Efficiency of funds used per one student accommodated in dormitory

Social services

The social services are exclusive function for Municipalities as defined by law no. 139/2015. The function is complex and include several services for marginalized and / or in need people: sickness and disability; care for the elderly – third age persons; families and children. The service is offered as a monetary support to beneficiaries (based on approved criteria and funds) or direct service delivered on permanent residencies / centers that offers the service or daily care centers. The service is financed by CG and delivered by CG institutions or municipalities. There are also private entities that offer the service. In January 2016, five centers that offers social services have been transferred to Berat, Elbasan, Kuçovë, Kukës, Shkodër and 1 center in 2017 to Vau Dejës Municipality. The government transferred funds for operational and maintenance of the centers, the personnel and the related fix assets.

The specific transfer for these centers has been increased slightly since 2016 until 2018 due to the fact that another center was transferred in 2018 from CG to Vau Dejës, there for the first graph shows comparable figures.

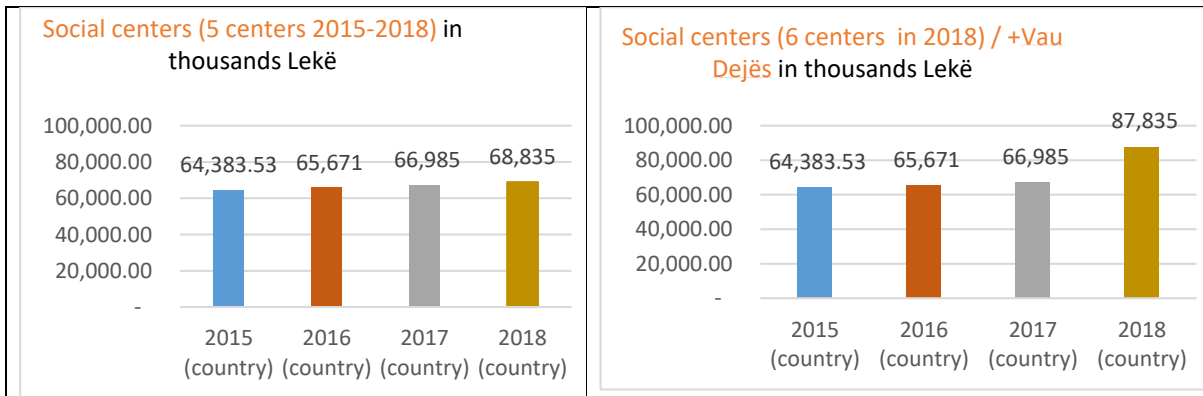


Figure 18. Specific transfer to support management of social centres

The centers serve only a small number of beneficiaries there for, the cost per beneficiary results high. This is also confirmed from several reports prepared by UNICEF² on status and financial situation of social service delivery centers, which is among the highest in the region.

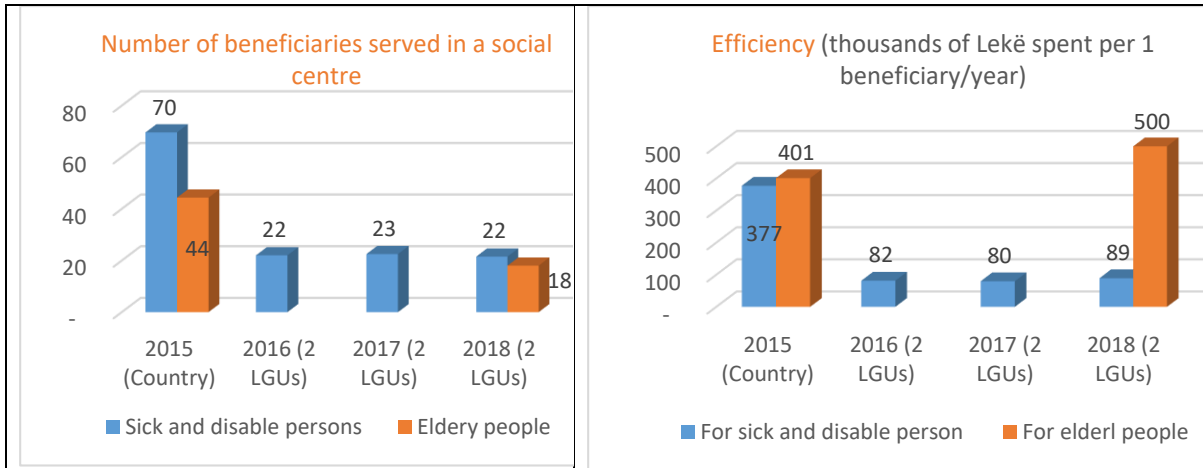


Figure 19. Performance of the transferred social centres

Since end of 2015, the number of beneficiaries has decreased, there for the cost per beneficiary (efficiency indicator) has become even higher. Usually the social services delivered in residential care centers are organized as regional service, where more beneficiaries can be served, making possible for efficiency of funds used.

Key findings and recommendations

All new functions transferred to municipalities in early 2016 are closer to local community, creating a good precondition for management improvement. During the first 2-3 years of new function implementation are noticed impressive improvement on service quantity and territory coverage, except for social service. Mayor improvements are increase of service coverage and improved budget efficiency. In short the key improvement are: (i) service of maintenance and management of the irrigation and drainage system became functional by cleaning three times more the system network (channels); (ii) increased the fire-protection service coverage by 30%; (iii) in reached the forest and pastures fund by 31%; (iv) improved rural transport by increasing number of interurban (rural public transport) lines with 29% and number of vehicles used in rural public transport by 67%.

Municipalities have received positively the new transfer of responsibilities, proved efficient in terms of HR, implementing service structures, use of supporting infrastructure and assets, and effectively allocating financial resources from their own budget and the CG specific transfer. This is a solid evidence to support the final decentralization of newly delegated function at the end of this year. Some functions still remain shared one with

² Concept paper on establishing a package of services in Albania and financing mechanism, UNICEF, June 2015
 Budget planning and execution efficiency of national social service centers, UNICEF, January 2017

CG such as education and social services, there for good results can insure further service improvement if clear roles and responsibilities are defined. The administrative allocation of power is not always clear. Sometimes, functions were re-centralized (the subsidy of transport for teachers and pupils).

The budget program performance benchmarking system (as part of the MTBP) is a good tool that provides insides for function implementation, policy development, managerial decision and reporting to local community and municipality council. This first exercise proves that this system should be further developed to collect insights for all local government functions. To guarantee that reported performance figures are reliable, a system of performance audit should be established eventually.

In general, the minimum legal service standard and base-line figures for the situation before the reform are missing, there for we are not at the position to confirm in all the cases improvement of service quality. All line ministries responsible for policy and service standard should develop service standard in order to facilitate service provision and design policies that support standards achievement.

Irrigation and drainage system management is one of the best performer function. The excellent management from all municipalities made the inherited system functional, in some cases, even extended the agriculture surface connected to such systems. Consolidation of service delivery should be associated with tariff setting and collection of service fees.

Education function both pre-school and pre-university system requires clear division of roles and responsibilities and enforcing the role of the municipality to insure better infrastructure management of the education institutions. The subsidy for transport of teacher and students who work and study outside their residence was centralized again to the line ministry. We are not at the position to provide supporting arguments for this decision.

The municipalities that do not have yet a fire-protection and rescue center have faced difficulties on coordinating with neighboring LGUs that can support them, there for an amendment of the CoM Decision to reallocate the support service between municipalities is necessary.

The management of social service centres requires an in depth analysis before final decentralization. The function should be considered as a regional function rather a municipal one (especially for elderly people and orphanages).

