

Decentralization and Regional Development in Albania

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Abstract

Regional development, an important issue in the candidate countries of the European Union (EU), aims at eliminating social and economic disparities among regions. The aim of this paper is to present underlying problems of regional development in Albania and to draw conclusions and lessons from the frameworks of regional development in the Czech Republic and Poland, countries that have undertaken a set of reforms in this field. This paper uses a comparative case study method, comparing regional development in Albania with that in the Czech Republic and Poland. The study concludes that regional disparities in Albania are increasing, and there are inadequacies in the institutional and legal frameworks in regional development, evident in the lack of support programs, policies and practices, that have been successfully applied in the Czech Republic and Poland. This paper presents recommendations which would enhance regional development in Albania in order to facilitate the accession of Albania to the EU.

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Introduction

The aim of this thesis is to show that the present status of regional development in Albania has many inadequacies and missing elements that can cause a delay for Albania in the process of acquiring membership in the EU, and that there has been no comparison of Albanian regional development to that of the EU member states that have successfully implemented reforms and undertaken support programs on regional development before they joined the EU. Such a comparison is useful as it provides a number of valuable insights which could be applied to the framework of regional development in Albania.

Albania began moving towards regionalism in 2001 with the establishment of regions and Regional Councils, yet, since that time no legal and institutional reforms have been conducted nor national strategies and policies implemented to enhance the role of regions in regional development.

In this paper I argue that compared to other countries of Central and Eastern Europe (CEE), regional development in Albania is lagging behind with many reforms and elements missing in this area, and that useful insights can be drawn from practices of regional development in the Czech Republic and Poland which can be applied to the framework of Albanian regional development. To support my argument in this paper, I explore the following research question: What institutions, practices, and actions are missing and required for regional development in Albania based on successful regional development programs that have been implemented in the Czech Republic and Poland?

My analysis indicates that there are at present several inadequacies in the regional development of Albania and that regional disparities have increased recently which should

induce the Albanian government, regional governments, and policy makers to review the status of regional development in Albania and push for further reforms in this sphere.

The methodology used in this paper is a comparative case study which involves the comparison of practices of regional development in Albania to those in the Czech Republic and Poland with the aim to draw lessons and practices from the experiences of these countries that could then be implemented in Albania to enhance regional development. I have chosen the Czech Republic and Poland for this analysis because these two countries, just like Albania, were under state socialist regimes for more than 40 years. Yet, after having established democracies, development in the Czech Republic and Poland proceeded more rapidly and efficiently than in Albania. The Human Development Index (HDI) value, an indicator to used measure the development of a country, ranks the Czech Republic regularly among developed countries “with a high level of human development” (Potůček et al. 2003, p.85) reaching the value of 0.885 in 2004, whereas that of Poland is 0.862, as opposed to only 0.784 for Albania in that year (UNDP 2006)¹, showing thus a need for further development of the country. Relatively similar social, political and economic conditions that these three countries experienced during state socialism, and yet, considerably more rapid progress in terms of overall development in the Czech Republic and Poland that occurred after the collapse of communism gives reason to look at the practices of regional development in these two countries, in order to see if some of these might be used to enhance regional development in Albania. For instance, various aspects of the Czech government’s preparations for Structural Funds of the EU received praise from the EU (McMaster 2004, p.10) while Poland has implemented many reforms on regional development by creating institutions relevant for

¹ The Human Development Index: Poland.
http://hdr.undp.org/hdr2006/statistics/countries/country_fact_sheets/cty_fs_POL.html

boosting regional development, such as Regional Development Agencies and the Regional Contracts, which should also be established in Albania.

The sources I have relied upon in conducting this research constitute various publications on regional development in Albania, the Czech Republic and Poland issued by institutions such as the United Nations Development Programme, the World Bank, the Institute for Contemporary Studies, Albanian Association of Municipalities, Council of Europe, Open Society Institute /Local Government Initiative, the Albanian Ministry of Economy, and the Human Development Promotion Center.

This paper aims to contribute to the existing body of literature on decentralization and regional development by drawing a comparison of practices of regional development in three countries – the Czech Republic, Poland and Albania, which has not explicitly been conducted before. In doing so, this research points to the inadequacies in the current framework of regional development in Albania and provides specific recommendations, based on practices of regional development in the Czech Republic and Poland, which Albania should implement in order to enhance regional development in the country and thereby accelerate and facilitate acquiring membership in the EU. As such, this study might be relevant for the Albanian national government, local governments, the UNDP, or other authorities who are engaged in devising development policies for Albania.

In Chapter One of this paper I give an overview of regional development in Albania, the Czech Republic and Poland, as presented in the existing body of literature. Chapter Two aims to analyze the Albanian case of regional development exploring the current status of decentralization and regional development in Albania. In Chapter Three I present the policies

and practices used to enhance regional development in the Czech Republic and Poland prior to their entry in the EU. In Chapter Four, findings and lessons from the comparison of practices and policies on regional development in the Czech Republic and Poland are given, followed by 10 recommendations to boost regional development in Albania, formulated on the lessons drawn from the analysis of the Czech and Polish cases of regional development. I conclude that Albania should enhance regional development by implementing similar practices and policies that have been used in the Czech Republic and Poland before they joined the EU, in order to speed up and facilitate the accession of Albania in the EU.

Chapter I: Decentralization and Regional Development in Albania, Poland and Czech Republic—Literature Review

1.1. General Overview

This chapter will present an overview of the existing body of literature on regional development in Albania, the Czech Republic and Poland.

Decentralization and regional development became important issues in the countries of Central and Eastern Europe (CEE) after the fall of communism. Both received special attention in the prospect of these countries to join the EU because the EU places emphasis on regional development out of the concern that the single market of the EU will widen the disparities among regions without the protection of their respective governments (Davey 2003, p. 7). While the Czech Republic and Poland joined the EU in 2004, Albania is still in the pre-accession process after signing the Stabilization and Association Agreement (SAA) with the EU on 12 June 2006. Decentralization and regional development in Albania, Poland and the Czech Republic have been discussed in several papers, publications, books, and papers prepared by institutes and organizations after the transition from the communist regimes to democracies as well as received significant attention from the governments of the respective countries and by international organizations.

The administrative reform at regional level started in Albania in 2000 with the establishment of the region as the second level of local government; a year later the Czech Republic created its regions (Blažek et al. 2003, p.21), whereas Poland defined its regions in 1999 (Głowacki 2002, p.111). While these three countries have established their regional level of government at the same time, this reform in Albania has not been considerably analyzed and discussed

by scholars and the public, as opposed to Poland and the Czech Republic. Since the conception of the regions, Poland and the Czech Republic have made efforts in mitigating the disparities among the regions by special measures such as the Czech Support Programs (Blažek et al. 2003, p.211) and have succeeded to a certain extent in eliminating the disparities between their respective regions. The regional councils, established in Albania in July 2000 with the aim to enhance regional development, have not sufficiently fulfilled their purpose.

Regional development in the Czech Republic and Poland has been widely discussed by scholars. Great importance has been given to capital investment (Blažek et al. 2003, p. 25) and especially to support programs for weak regions. Regional development in the Czech Republic and Poland is more inclined to the actions and ways through which the economic and social status of the regions was boosted. Not much importance is given in the reviewed literature on the formal structure of the regional councils in these countries, whereas it is implied that regional development denotes the development of infrastructure and investment in the environment, human resource development, business support (Blažek et al. 2003, p. 269), capital investment funding, and creation of state agencies to eliminate the disparities among regions (Bak et al. 2003, p. 530). The focus of regional development in the Czech Republic and Poland (which were candidates for membership before since 1996 for the Czech Republic and since 1998 for Poland) was aimed at the fulfillment of certain requirements of the *acquis* that dealt with the regional policy on their entry to the EU (McMaster 2004, p.10). The literature covered the acts regulating regional development that have been passed in the Czech Republic and Poland in 2000—the Act on Support to the Regions in June 2000 (ibid. 2004, p.16) for the Czech Republic and the Act on Rules of Regional Development Support of May 2000 (Głowacki 2002, p.125) for Poland. In the

literature it was argued that these acts clearly assigned roles and responsibilities to the regions, and introduced the principles of regional development regarding programming, management, institutional structures, and funding of regional development programs, aspects that are missing in Albanian regional development.

In addition to what was mentioned above, a special attention was given to the series of reforms which created the regional level of administration and focused on regional economic development under the regional pressures of growing disparities, and the EU accession process (McMaster 2004, p.1). These reforms in Poland created the Polish National Regional Development Strategy with the main task of focusing on regional development based on the development of infrastructure, the restructuring and diversification of regional economic bases, the supporting of human resources development in problem areas, providing cooperation between regions (cross-border, transnational).” (Bak et al. 2003, p.479).

Regional development in Albania has received considerable attention from the Albanian government, international organizations, and institutes within Albania. The United Nations Development Programme (UNDP) and the World Bank have published several papers and reports on the decentralization process and regional development. The Institute for Contemporary Studies (ICS) in Albania has dealt considerably with the issues of decentralization and regional development in Albania, having published several papers on these topics.

There are diverging views on regional development in Albania in the publications of the aforementioned institutions, most of them placing significant emphasis on the role and competences of the regional councils while not proposing measures that have to be taken to

enhance regional development. For instance, the report (2004, p. 4) prepared and published by the Ministry of Foreign Affairs and the Ministry of Finance of Albania, in collaboration with the UNDP and the UN Country Team in Albania on the progress towards achieving the Millennium Development Goals (MDGs) in Albania, emphasized regional development policies as the core means to reach the MDGs, but doing so in general terms, without outlining any specific development policies. The report suggests that businesses contribute to the attainment of MDGs, yet no comparison with other cases is done and nothing is said about capital investment in regional development.

In view of my finding that no in-depth studies involving the comparison of regional development in Albania to other cases has been conducted, the best attempt to find the means that can apply to Albania is to compare the Albanian case with the Czech and Polish cases which are chosen for reasons that were presented in the introduction of this paper.. In the next section I present the main position held by the principal bodies discussing regional development in Albania. At the end of the section, I present the main points discussed on this issue and identify the research gap in the discussion on regional development in Albania.

1.2. Regional Development in Albania—the main views

This section gives an overview of the positions taken by the main bodies engaged in discourses on regional development in Albania. The main actors involved in these discussions on regional development in Albania are the UNDP, the World Bank, the Institute for Contemporary Studies (ICS), and more recently a mission of the Council of Europe (CE) that came in Albania in 2005 to develop a Program Framework in support of regional

development in Albania. Below I present the positions of these organizations on the regional development in Albania.

Since the establishment of regions in Albania in 2000, the UNDP has supported the process of regional development by taking “a lead role in the donor community in coordinating assistance in the area of local governance, decentralization and capacity development” (CE Mission 2005, p.2) to central and local governments and to the regional councils of the 12 regions of Albania. One of the major points in the papers from the UNDP² was the support to the clarification of the role and functions of the Regional Council (Reinholdsson 2002, p.2). The UNDP contacted the Swedish Association of Local Authorities (SALA) requesting assistance in provision of expertise on legislation, which was given in a paper written by Jonas Reinholdsson on behalf of the UNDP, entitled “The Role and Functions of the Regional Council as a Local Government Institution in Albania”. Reinholdsson states that the main problem in regional development in Albania is the missing definition in law of the role and responsibilities of the Albanian Regional Council (ibid. p.9) which were created for the first time in 2001. According to Reinholdsson (ibid.) the Regional Council is “highly dependent on decisions and ambitions of the State as well as the Communes and Municipalities when defining the councils’ role and functions which is even further emphasised by the economic dependency on grants from the state and revenues from Communes and Municipalities”. In the paper mentioned above, Reinholdsson argues that the Regional Councils have no real independent functions and no tools to implement regional policies. Although the UNDP shows the need for clarification in legislation of the role and functions of the Regional Council, it states that regional development in Albania can be “fairly ensured with the current legal framework.” (Hoxha & Dhimitri 2006, p.5) Another issue raised in Reinholdsson (2002, p.10) is the need to extend competencies of the Regional

² “The Role and Functions of the Regional Council as a Local Government Institution in Albania”, Jonas Reinholdsson; “Administrative territorial reform—why?” UNDP 2007, “Concept paper on administrative division”, UNDP 2007.

Councils by transferring part of the urban planning competencies to them. The main point discussed here is the transfer of more responsibilities to the Regional Councils by decentralizing further the state functions, as a key for regional development which, according to the UNDP, will “improve democracy and decentralisation with maintained or increased results of performance.” (Reinholdsson 2002, p.13) Education, health, and social care are the fields proposed where the transfer of responsibilities from the state to the Regional Council should happen. Reinholdsson (2005, p. 14) also emphasizes the need for a directly elected Regional Council which is also seen as a problem by the World Bank (2004, p17) and will be discussed below in the paragraph that deals with the World Bank’s position on regional development in Albania. In two other papers of the UNDP (2007a, b), the need for reform in the administrative and territorial division in Albania is seen as a must for the economic effectiveness of the local government units and for regional development as a whole, as these papers argue that some of the current administrative units are too small to be viable for an efficient economic development.

Having presented the major points on regional development in Albania as articulated by the UNDP, I now consider the report published by the World Bank in 2004 analyzing decentralization in Albania “Albania: Decentralization in transition”. Among other issues, the report identifies territorial fragmentation, the lack of fiscal power of the regions and no direct election of the Regional Council as serious concerns that can hamper decentralization and regional development (pp. 15-19). It states that the lack of representation hinders the accountability to the citizens (ibid. p.17). The World Bank insists on defining the responsibilities of the regions in a law (ibid. p.51).

Next, I analyze the position of the ICS on decentralization and regional development in Albania, as presented in their recent paper, “Fiscal decentralization in SEE countries”. In this paper, Hoxha and Dhimitri (2006, p.4) identify the so-called “crisis of the regions” which constitutes “the incapability of the regional council to provide services and to address the regional development issues”. The cause of this crisis, as seen by the central government and the heads of the regions is “the wrong constitutional model and the solution according to this opinion group is to shift toward a reduced number of the regions (3-4 or 5-6), direct election of the regional council and empowering the regional authority by assigning to them clear functions and more means” (ibid. p.4). Other arguments explaining the causes of the crisis of the regions include wrong implementation of the constitutional model on the regions and “unrealistic expectations on the role of the regional councils on the mid-term” (ibid.).

Finally, I present the findings from the mission organized by the Council of Europe in September 2005; a mission aimed at developing a Program Framework in support of regional development in Albania. As a result of their work, it was established that changing the model of the region is not a top priority for the Albanian government. The mission found that intergovernmental transfers have contributed more to the “regional disparities than fiscal equalization” (CE Mission 2005, p.6), recommending the use of the “transfer system as a policy instrument”, The mission aligns with the Council of Europe regarding the role and the status of the regions, and the absence of direct election of the Regional Council. It agrees that there is “no clear definition of the meaning of this function [development and implementation of regional policies and their harmonization with the national policies at the regional level] and the regional councils lack the necessary tools for implementation of regional policies” (ibid. p.7).

The mission (p.8) gives the following two options to ensure effective regional development:

- Directly elected regional councils;
- Strengthening the Regional Council by transferring competencies from the central government.

The mission finds that the effectiveness of regional authorities is hampered by “the lack of understanding of the advantages of regional development and their unwillingness to accept regional guidance and coordination by the municipalities and communes [...] and by the weak capacity, knowledge and lack of resources available to regional authority, as well as the absence of the state policy on regional development” (ibid. p.9). Furthermore, the mission presents the problem of current insufficient financial resources, lack of management skills, and the problem of fragmentation into small municipalities incapable of providing services in an efficient and effective way because they state that “it is apparent that larger municipalities are able to carry out a wider scope of functions than smaller municipalities and communes” (ibid.).

In addition to these shortfalls, the Mission found that there is no national policy for regional development. According to the Mission, the key issue in the discussion on regional development has to do with the question of how to define regional development:

Development is more than delivery of services [...]– does it mean a specific level of development (a specific territorial level of development no matter who is doing what and who’s interests are reflected in strategies and actions/ integrated multi-sectoral approach to development as an alternative to the sectoral approach) or is it perceived more as a specific type of development (development initiated, owned, carried out and at least to some degree funded by regional actors, led by regional authorities)? (ibid. pp.22-24).

In the conclusion of the report, the Mission states that “the key to success in accessing EU support for the regions is capacity development and not reorganization of territorial division, change in the mechanisms for election of the RCS [Regional Councils] members or transfer of additional legal competencies” (p.34), where capacity development requires “the sustainable creation, utilization and retention of the ability of individuals, organizations and

societies to perform functions, solve problems, and set and achieve objectives, in order to reduce poverty and improve people's lives" (ibid. p.47).

In the sections above, I have presented views on the regional development in Albania, as articulated by the UNDP, the World Bank, ICS, and the Council of Europe Mission. In addition, I have considered the recommendations and findings of these bodies on decentralization and regional development in Albania. In the last section of this chapter, I summarize the major findings on regional development in Albania and identify a research gap in existing literature on regional development in Albania.

Conclusion and Research Gap

In the previous sections of this chapter, I have outlined views in existing literature on regional development in Albania, as well as pointed out the situation regarding regional development in the Czech Republic, and Poland. The practices and main findings on the regional development in the Czech Republic and Poland outlined here will be analyzed in Chapter Three. As evident from the findings presented in this chapter, it can be concluded that the literature on regional development in Albania is primarily focused on the organization, role, functions, responsibilities, and election of the Regional Council, while the question – what does regional development denote and how can it be effective? - has remained unanswered. In addition, my analysis indicates that not much has been written on how to develop the regions and what elements of regional development are missing compared to the Czech and Polish case. The analyses of the sources I reviewed suggests no such comparison of regional development in Albania with regional development in the Czech Republic and Poland has been done. Following the signing of the SAA of Albania with the EU on June 12, 2006, emphasis on regional development became more urgent because the

entry of Albania in the EU requires the narrowing of the disparities between regions in order to compete in the single market of the EU.

Regarding regional development in the Czech Republic and Poland, great importance has been given to capital investment (Blažek et al. 2003, p. 25) and especially to support programs for weak regions. Regional development in the Czech Republic and Poland, before they joined the EU, was more inclined towards the actions and ways through which the economic and social status of the regions was boosted. Regional development in the context of these two countries was viewed primarily as the development of infrastructure and investment in the environment, human resource development, business support (ibid., p. 269), capital investment funding, and creation of state agencies to eliminate the disparities among regions. My analysis of the framework of regional development in the Czech Republic and Poland suggests that the legal, structural, and administrative elements of regional development in these two countries can provide important insights for Albania. However, before applying these findings to the Albanian context, the analysis of the state of decentralization and regional development in Albania should be given, which is the aim of the next chapter.

Chapter II: Regional Development in Albania – Situation Assessment and Problem Analysis

This chapter seeks to assess the status of decentralization and regional development in Albania and highlight key problems in the field by giving an overview of the progress and recent reforms in regional development. I begin with providing background information to decentralization in Albania which is needed to understand the framework within which regional development has been taking place, before moving on to the legal framework where the regional development in Albania is based. I consider the following elements relevant to regional development: the legal framework of the regions, fiscal powers, the roles and responsibilities of the regions, fragmentation of the local governments, the status of local borrowing, and regional disparities.

2.1. Decentralization in Albania

2.1.1. Background to the Decentralization in Albania

Albania is an independent state since November 12, 1912, but recognized with the actual borders only in 1913 when half of the lands and population was left outside its borders splitting up historical regions which disrupted the economy of the regions and of the entire country. Albania was an extremely centralized state from 1944-1990 when local governments acted as extensions of the central government which regulated all activities. The political decentralization in the country started in 1992, subsequent to the first democratic local elections which took place in that year. Law no. 7275/1992 “On Organization and Functioning of the Local Government” set the basis for local governance although administrative and fiscal autonomy was not yet sufficient for actual authority and

responsibility of local governments in exercising their functions (AAM 2001, p.6). A new administrative division followed in 1992, establishing 316 communes, 44 municipalities, 36 districts (ibid.) out of 26 districts that had existed during the earlier centralized system, and 12 prefectures. The new division was to a large extent established based on the past territorial division of the Socialist Republic of Albania, with some corrections followed. The prefectures had significant “oversight and political influence over the local governments, particularly through their control of the District Councils” during the period from 1990-2000 (World Bank 2004, p.7).

In 1998 Albania signed the European Charter of Local Self Government. The key principles of the Charter were incorporated in the Constitution (Hoxha & Dhimitri 2006, p.2) which was approved in the same year. According to the Constitution, local governments are established on the principle of decentralization and local autonomy. In addition, the Constitution asserts that Albania is a unitary state with two levels of local governments: communes and municipalities as the first level and regions as the second level³. The Constitution set the ground for the framing of the National Strategy for Decentralization and Local Autonomy in 2000 which produced two important laws for decentralization: the new organic Law no. 8652/2000 “On Functioning of the Local Government” and the Law no. 8653/2000 “ On the Administrative-Territorial Division”. These laws set the beginning of the reforms on regional development in Albania. Currently, Albania is composed of 309 communes and 65 municipalities in the first level and 12 regions in the second level. In the next section I present the status of decentralization in Albania after the reforms of the 2000.

2.1.2. The Status of Decentralization in Albania

Significant progress has been made after the reforms of the 2000 in the first level of local governance in Albania. In this part, I look at the first level of the local government:

³ Article 1, 13, 108, 110, Constitution of the Republic of Albania, 1998

communes and municipalities, the functions assigned to them as well as fiscal decentralization which are key components for the proper functioning of local governments.

Communes and municipalities exercise their democratic function by representing the public through the local council and chairperson/mayor who are elected by general election every four years using the majority voting. The new reforms gave to the communes and municipalities a wide range of functions that can be divided into the following categories: own functions, shared functions, and delegated functions. According to the Law no 8652/2000 “On the Organisation and Functioning of Local Government” local governments exercise functions such as “water supply, sewerage, lighting of the streets, public transportation, public parks, waste removal and management, urban planning, cultural and sport activities, local economic development, civil protection etc” (AAM 2001, p.24). Legally, the responsibilities for local infrastructure and public utilities have been transferred to local governments while responsibilities for providing water supply, urban planning, and sewerage have still remained to a large extent under the authority of the central government.. It should be noted that Albania is the only state in South Eastern Europe where local governments do not own these services (Davey 2004, p.3). Water supply and urban planning are important items in local infrastructure and of vital importance in enhancing sustainable local economic development but so far “only a small number of water systems have been transferred to the local governments’ control; it is more accurate to consider this sector as owned and managed by the central government” (UI & ICS 2006, p.23) .The water supply and sewerage are expected to be transferred to the communes and municipalities in 2007, which may lead to the cutting of subsidies after the transfer. As many water supply systems are in a bad situation as a result of “deteriorated technology and bad management” (Hoxha & Dhimitri 2006, p.14), the government has planned to “give more than two-thirds of the state budget investments funds for the water sector” (UI & ICS 2006, p.31) for the improvement of

the water sector in 2007 and subsequently expecting local governments to establish cost-recovery tariffs. The decentralization of the water sector is a key element in the regional economic development for businesses and tourism especially in the regions on the seaside where lack of continuous water supply is hampering the development of sustainable tourism (Gazeta Shqip 2007).

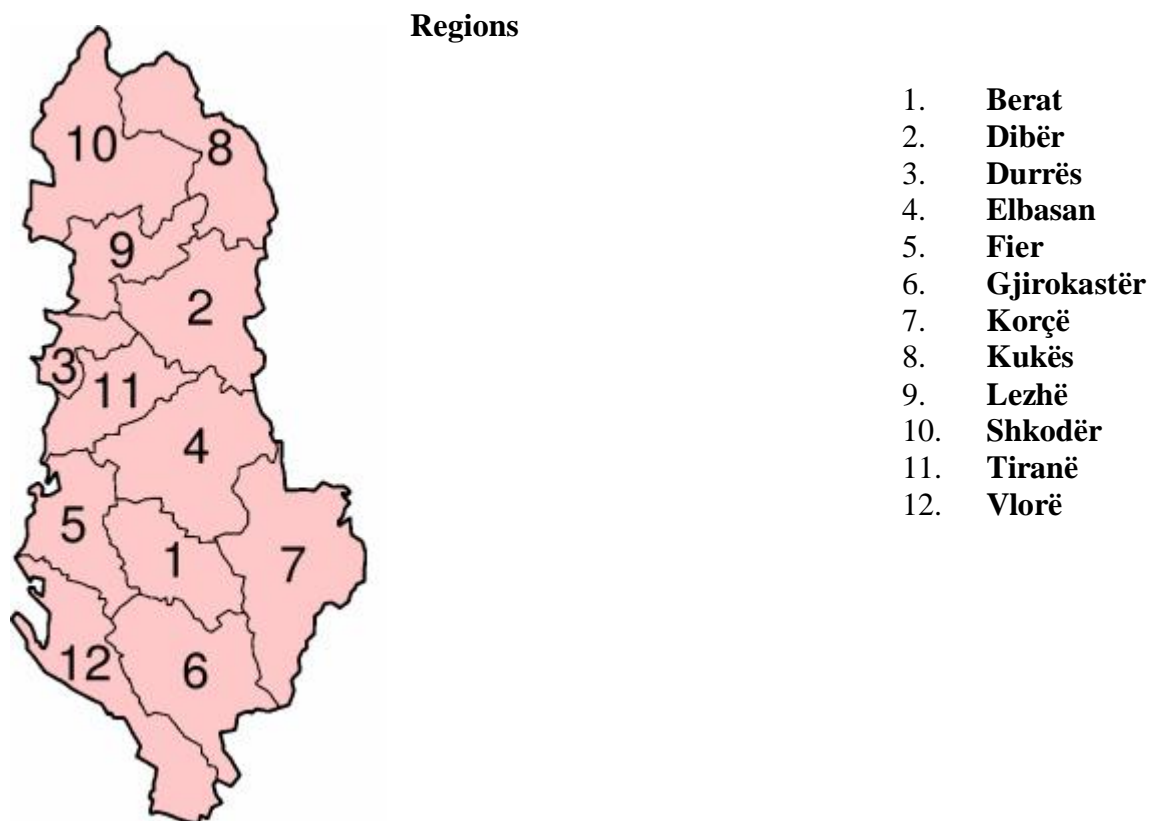
2.2. Regional Development in Albania

The Constitution of 1998 introduced the region as a new level of local government, with the aim to harmonize national policies and coordinate municipalities and communes (Hoxha & Dhimitri 2006, p.3). The regions came into effect in 2000 after the Law no 8652/2000 “On the Organisation and Functioning of Local Government” and the Law no. 8653/2000 “On the Administrative-Territorial Division” were adopted, which abolished the former districts and formed 12 regions on the same territories covered by the prior 12 prefectures. The Regional Councils were constituted in the early 2001 (Hoxha & Dhimitri 2006, p.4). According to the Constitution⁴, the Region (*qarku*)

- Is composed by units of local government that have economical, social, traditional ties, and common interests;
- It is the unit where the regional policies are built and harmonized with the policies of the Central Government;
- The Regional Council consists of members of the communes and municipalities that compose the region in proportion with the population of the constituent communes or municipalities.

The following map shows the current regional administrative division of Albania:

⁴ Article 110, Constitution of the Republic of Albania, 1998

Map 1: Regions of Albania

Although according to the Constitution the region is composed by units that are tied economically, socially, traditionally and that have common interests, the number of the regions was decided arbitrarily, and no “analysis for the appropriate number and the territory of the regions” (Hoxha & Dhimitri 2004, p.4) was undertaken. As a result of the arbitrary decision, some regions are composed of units that were not historically tied and there is a lot of internal migration in Albania which is changing the structure and composition of the population of many regions, a problem which will be discussed in the a later section on the regional disparities.

The Government⁵ assigns a Prefect to each region responsible for verifying the legality of acts issued by local governments, whose task is to “coordinate central government policies at the regional level” (Reinholdsson 2002, p.8).

2.2.1. The Regional Council

The establishment and the role of the Regional Council has been debated by several actors who criticize it as moving away from its original definition in the Constitution. For instance, Hoxha & Dhimitri (2004, p.4) argue that “the starting approach of the regional council establishment was of considering them as being district councils but only extending in a larger territory and population.” The region is a new level which was attempted to be constructed according to the EU countries’ models but it “has not yet found its role and has not been able to exercise its authority properly because it does not rely on a clear mandate and does not have clear competencies, nor assets, funds and property of its own” (HDCP 2002, p.11),

2.2.1.1. The Legal Framework of the Regional Council

On August 2006, the majority and the opposition came into the agreement to extend the mandate of the local elected authorities, mayor, and council members from three to four years” (Hoxha & Dhimitri 2004, p.6). Elections for the local authorities are held only at the first level, in communes and municipalities but not for the Regional Council. While the organic law defines the removal from the office of the local officials; the law seems to suffer from a democratic deficit because the citizens can elect the local officials but not remove them. Article 42⁶ of the organic law states that the mayor or the head of the commune may be discharged by the Council of Ministers for the following reasons

- Acts in serious violation of the Constitution or other laws;
- Conviction by a final decision of a court for a penal act;

⁵ Article 114, Constitution of the Republic of Albania, 1998

⁶ Organic Law no. 8652/2000 “On Organization and Functioning of Local Government”

- Proposed to be dismissed by the council of the commune or municipality due to his absence from duty for a consecutive three month period.

The removal from the office procedure provided by the law does not ensure a continuous democratic process because the citizens elect the local governments' heads but the Government dismisses them. This does not take into account the decisions of the citizens that elected them and for the will of the citizens for the dismissal of the heads of the local governments if they do not like their performance. I outlined this problem here in order to show that there is a need for the amendment of the organic law and that this example can serve as a lesson for the Regional Council elections which will be discussed in the next paragraph.

The Regional Council, as indicated above, is indirectly elected and is composed of mayors, heads of communes and other members of the respective regional municipality or commune council. As outlined above, the territories of the regions were not delineated by conducting research between the units composing a given region. The members of the Regional Council are there to "represent their local community and not the region" (World Bank 2004, p.17), as the World Bank noted and it added that the Regional Council looks "closer to a local association concept rather than to any intermediate level government concept" (ibid.). The direct election of the Regional Council is one of the "available directions for future development of the regional model" (Reinholdsson 2002, p.14). According to the Council of Europe (2005, p.7), international experience has demonstrated that "an indirect form of representation at the regional level means that the community members will lack democratic influence on the way local services are managed" which often results in the lack of accountability on behalf of the Regional Councils. The indirect election of the Regional Council leads to the lack of accountability on their part towards the citizens of the respective

region. In order to assure a sound socio-economic regional development, direct elections are a way of involving the stakeholders, who, according to Pamfil (2003, p. 23), are a key element to ensure “quality growth”.

Another flaw in the Albanian legal framework is the absence of a law dealing with the regions. Article 13 of Law no. 8652/2000⁷, assigns the following functions to the Region:

- Development and implementation of the regional policies and their harmonisation with national policies at the regional level, as well as any other exclusive function given by law;
- Any function that is assigned to it by one or more communes or municipalities within the region, according to agreement between the parties;
- Those functions delegated to it by the central government, according to the principles stipulated in article 12.

This law “vaguely outlines the roles and responsibilities of the regional level” (CE Mission 2005, p.7), making them “unclear.” (Reinholdsson 2002, p.9)

2.2.1.2. Fiscal Powers of the Regional Council

Currently, the fiscal power of the Regional Council is minimal. The Regional Councils lack their own source of revenues as they are heavily dependent on the Central Government and the local governments.

“From the central government they receive conditional grants and a share of the unconditional transfers and from the local governments the Regional Councils are supposed to receive an agreed percentage (in general 4 percent) of own revenue of the self-government units in the regional jurisdiction—although some municipalities (e.g., Tirana) have been reluctant to contribute their share” (World Bank 2004, p.19).

⁷ Organic Law no. 8652/2000 “On Organization and Functioning of Local Government”

According to the UI & ICS (2006, p.13), the communes and the municipalities receive around 90% of the total fund of the unconditional transfer and only the remaining goes to regional councils. In this context, the Regional Council “lacks the necessary tools to implement regional policies” and has “no fiscal authority” (Reinholdsson 2002, pp.7-9). The CE Mission (2005, p.9) established from interviews with representatives of the Regional Councils that “some municipalities hesitate to contribute the required amount to the regions.” They also lack any tax base to make them fiscally viable units with sufficient budget resources to have any impact (ibid.). The Ministry of Economy of Albania in collaboration with the UNDP has issued in 2003 a handbook with frameworks on the strategies for regional development for the regions of Albania but as the CE Mission (2005, p.9) states in its report “current available financial resources are insufficient to support the implementation of these strategies.” The disparities among the regions are large and therefore Hoxha & Dhimitri (2006, p.24) propose that “in such conditions efforts for more equalization through the national transfers will be necessary.” In 2004, the sources of Regional Council revenues were “the unconditional block grant from the state budget (lek 941 million in 2004 or 15% of the total unconditional block grant to local governments) and a transfer from municipalities and communes of 4% of their revenue collection (though this amount is not being enforced). Regional Councils do not have the competency to raise own-revenue” (Ministry of Finance 2005, p.45).

2.2.2. Responsibilities of the Regions

According to the World Bank (2004, p.18) the regions in Albania were created to “improve the cooperation and the coordination” among communes and municipalities to attain the coherence between the “local interests and concerns with the national policies” (ibid.). As seen in the Article 13 of the Law no. 8652/2000, the regions can only have competencies that

are delegated by the communes and municipalities and the central government which again brings up the necessity to have a specific law on the regions. This problem was also observed by Marcou (2004, p.14) in his paper, entitled “The State of Local and Regional Democracy in South-Eastern Europe”, where he argues that “there is not a single clear responsibility assigned to the new regions”. In addition to that the “mayors, especially of the big cities are unwilling to accept regional guidance and to contribute to the regional budget, or intermediation in their economical and political dialogue with the central authorities” (CE Mission 2005, p.8). The Ministry of Finance (2005, p.44) shows that “the region is permitted to deliver public goods and services as decided by the Regional Council and within the limits of the law; regional development strategies are being developed but the regions do not have the responsibility or financial means to implement these strategies or the clout to influence the sectors on the development and coordination of their decentralization policies.”

2.2.3. Local Government Borrowing and Municipal Bonds

At present there is no legislation on the issuance of municipal bonds in Albania. Local governments in Albania are not allowed to borrow except from the state budget. According to Article 16.5 of the new organic Law no. 8652/2000 “On Functioning of the Local Government”, “communes and municipalities take out loans for local public purposes in accordance with the manners specified by law”. In the organic budget Law no 8379 of July 29, 1998, the Article 6 on local government revenues mentions only “borrowing from the government”, and no other kind of loan, and according to Article 35.2 “local governments are entitled to borrow only from the Government and these loans shall be made only under specific budget appropriations”. There is no law on the bonds which are one of the ways by which municipalities may issue debt, in order to raise funds for the investments needed in the infrastructure. They long-term debt is being used in many CEE countries to finance their

projects, especially for public purposes, such as for infrastructure projects. Developing the ability to leverage local investment resources through access to private debt financing can be a way to increase the funds from the public as local communities are facing an increasing burden to invest more in the infrastructure in order to develop the regions of Albania.

2.2.4. Fragmentation of Local Governments

The problem of fragmentation has been presented as an element that hampers the regional development by the World Bank (2004, p.15) where it states that the “administrative fragmentation of self-governing units is in fact a serious concern that the country must address”, further emphasizing that “excessive fragmentation tends to leave the smaller communities short of the administrative and technical capacities needed to implement new policies and operate public service delivery efficiently.” The focus of the discussion by the UNDP on the fragmentation of the small communities is especially directed at rural areas. The INSTAT (cited UNDP 2007b, p.2) shows that “4 from 5 poor persons are from the rural areas as a consequence of unstudied fragmentation of the budget as well as a result of the existing administrative territorial division, which creates premises for not harmonizing the development policies.” In addition, the CE Mission (2005, p.9) mentions this problem stating that the fragmentation “results in the inability of communes and small municipalities to take responsibility for public services that require large or/and increasing scales of production and which also involve significant externalities (e.g. water supply, waste management, secondary education). [...] It is apparent that larger municipalities are able to carry out a wider scope of functions than smaller municipalities and communes.”

2.2.5. Regional Disparities in Albania

Regional development has been emphasized by the EU as a means to tackle the widening of the regional disparities (Davey 2003, p.7). In Albania, regional disparities have recently been increasingly widening, influenced by several factors which I present below. Çabiri et al.

(2002, p.12) states that there is “profound regional inequality in human development in Albania, in particular in economic development, and this inequality is rapidly increasing.”

The majority of Albania’s population, economic activity, and infrastructure are concentrated in the capital and the western-central part of the country, that is, in the cities of Tiranë, Durrës, Elbasan, Fier, and Vlorë. However, even among these cities there are evident economic disparities, as for example between Elbasan which is in the central part of Albania and Vlorë which is a seaport in the southern part of the country. Tirana and Durrës, along with the area in between them, have become the main commercial centers of Albania with the highway between these two cities having a very large concentration of industries along its flanks. Tirana is the center of economic growth in Albania, whereas the periphery of the country has fewer businesses and the infrastructure is in poor conditions. Paradoxically, although the city of Shkodër has a large influx of population it is ranked as the third poorest region of Albania (Bardhi 2007 citing the State Social Service 2007).

Since 1991, when the movement of population was no longer forbidden⁸, Albania has had extensive internal migration. Tirana and the coastal cities are swelled with the newcomers whereas towns and whole villages have been abandoned (Çabiri et al. 2002, p.14), and their population decreased significantly. De Soto et al. (2002, p.40) states that “Albania is a country on the move” because of the large numbers of people moving inside and outside the country. Among of the causes of the migration of the population from northern Albania are “the difficulties in mining and industry that afflict the northern sites” (ibid. p.41). Tirana, the capital and the coastal regions are the main absorbers of the internal migration in Albania

⁸ Before 1991 the communist regime strictly controlled the movement of people and it was not allowed to relocate from one district to another without permission from the office of the Ministry of Interior of the respective cities.

with Tirana accounting for 30 percent of the incoming migrants (Carletto et al. 2004, p.7). The major causes of migration are the infrastructure problems hurting the domestic and foreign investments in the communities (De Soto et al. 2002, p.49).

This migration has created difficulties in the administration of the communes and municipalities affected by the migration of inhabitants towards other cities. Educated people from rural areas are migrating to the capital Tirana or to other larger (De Soto et al. 2002, p.44) creating a shortage of qualified labor force. As a result, many communes have a very low professional level and there are even communes that have no people with higher education (UNDP 2007b, p.3). Furthermore, as Carletto et al. states, “the depopulation of the countryside and the unsustainable demographic pressure on cities like Tirana is likely to create additional impediments to a balance and equitable growth process” (Carletto et al. 2004, p.19) increasing the disparities between the regions at an increasing trend (CE Mission 2005, p.23).

There are significant differences in the Human Development Index⁹ (HDI) between urban areas and rural areas, and between northern regions and lowland regions According to Çabiri et al. (2002, p.29), 23.35 % of the population has a low HDI, 44.64 % of the population has a medium HDI, and 32 % of the population has a high HDI. The results of the calculations by Çabiri et al. show substantial differences in the levels of human development between the various regions of the country. The highest HDI and GDP per capita were in the region of Tirana, which ranked first, and the lowest level was in the region of Kukës. The Data indicate that Tirana and Fier are the regions with the highest level of human development. Six regions

⁹ The Human Development Index is a general measurement of human development based on three main components of human development: life expectancy, education, and the standard of living expressed by per capita GDP and in terms of purchasing power parity (PPP). HDI varies from 0 to 1 where the highest levels correspond to the highest level of development (Çabiri et al. 2002, p.27).

have a medium level and four regions, Lezhë, Shkodër, Dibër and Kukës, have a low level. This situation is illustrated in the table and the map below where the HDI is presented according to the regions of Albania, whereas in the map the HDI and GDP are given according to the regions.

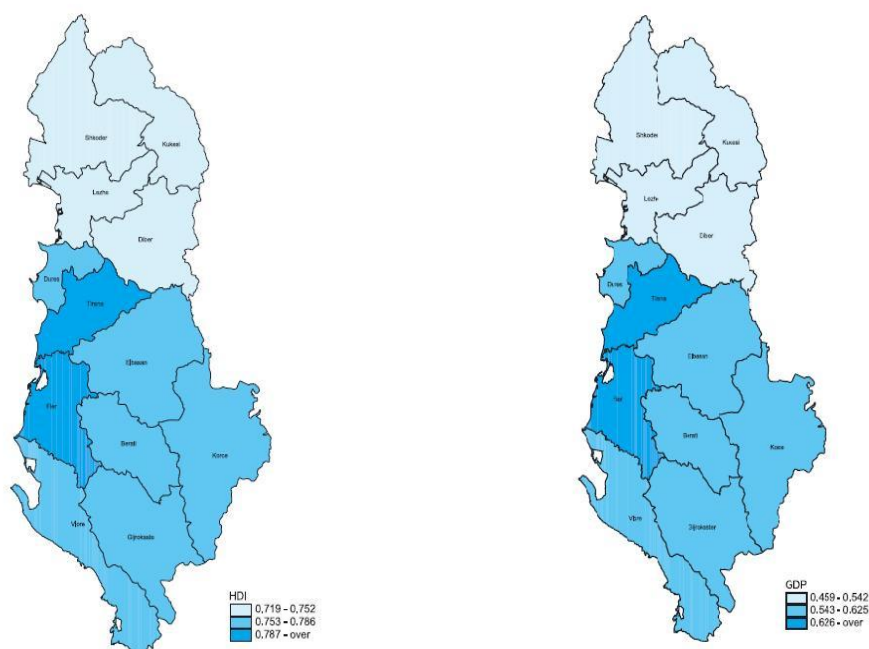
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Table 1. The HDI at the Regional Level

Region	Index of life expectancy	Index of education	Index of GDP/per capita (PPP US \$)	HDI	Rank according to the HDI
Tiranë	0.825	0.928	0.713	0.822	1
Fier	0.825	0.914	0.626	0.788	2
Durrës	0.813	0.942	0.600	0.785	3
Vlorë	0.835	0.915	0.543	0.764	4
Gjirokastrë	0.816	0.924	0.544	0.761	5
Elbasan	0.795	0.910	0.575	0.760	6
Berat	0.825	0.895	0.558	0.750	7
Korçë	0.802	0.918	0.551	0.757	8
Lezhë	0.806	0.921	0.530	0.752	9
Shkodër	0.815	0.922	0.486	0.741	10
Dibër	0.798	0.907	0.497	0.734	11
Kukës	0.788	0.908	0.459	0.719	12

Source: Çabiri et al. 2002, p.29

Map 2. HDI and GDP According to the Regions



Source: Çabiri et al. 2002, pp. 30-31

As evident from the table presented above, the regional inequalities are significant. The GDP of the four lowland regions, those of Tirana, Durrës, Elbasan, and Fier cover about 65% of the total GDP (Çabiri et al. 2002, p.54). The national average HDI of Albania for the 2002 can be calculated from the HDIs of the regions presented in the table above giving an HDI of 0.76. These wide inequalities in the regional level can hamper the country's process of acquiring membership in the EU because the whole economy of the country would not be able to compete with the common market of the EU.

Conclusion

In this chapter, I presented the overall situation of regional development in Albania. Although the regions were established in 2000, disparities have widened and many elements in the regional development framework in Albania are missing compared to other states that were under communist regimes and now are in the EU. These elements (legal framework on the regions, strategies, support programs, and agencies) will be discussed in Chapter Four where the measures that the Czech Republic and Poland have taken to develop their regions will be presented, which is the aim of the next chapter. Several useful lessons for Albania can be drawn by looking at their models of regional development.

Chapter III: Regional Development in the Czech Republic and Poland—Practices Applicable to the Albanian Case

This chapter will present practices followed in the regional development in the Czech Republic and Poland, and the main findings that can be applied to the Albanian case. I begin with a short presentation of regional development in the Czech Republic, after which I give an overview of the main policies and strategies used in regional development in the Czech Republic. The same framework will be used to explore regional development in Poland.

3.1. Regional Development in the Czech Republic—Policies and Measures Used to Boost the Development of the Regions

“Regional development has attracted increasing attention in the enlargement process of the EU because the main channel to support the economic catch-up process of the CEEC after their accession will be the structural policy of the EU which is focused on regional development policy and regional actors” (Brusis 2000, p.1). The new member states of the EU should fulfill certain requirements of the *acquis* that deal with the regional policy on their entry to the EU. According to McMaster (2004, p.10), these requirements are:

- *Programming capacity*: the creation of a structured programming framework, including National and Regional Development Plans, to select the projects that contribute most to achieving regional development objectives;
- *Administrative capacity*: the Candidate Countries have to clearly define the tasks and responsibilities of all the bodies and institutions involved in the preparation and implementation of Structural Funds and the Cohesion Fund to ensure effective Ministerial co-ordination;
- *Partnership/decentralisation*: regional development programmes should be prepared and funds administered in close co-operation between Member States and the European Commission, as well as with national, regional and socio-economic partners within the Member States.

The Czech Republic, having joined the EU in the 2004, paid special attention to the regional policies and regional economic development. The policies and strategies used in the Czech Republic to boost the regional development will be presented in the next sections of this chapter.

In November 1989, the “Velvet Revolution” in the former Czechoslovakia overthrew the communist regime ending 42 years of totalitarian communist regime that controlled all areas of life in the Czechoslovak society. The regional level of administration was abolished mainly for “political reasons”, in order to destroy the communist hierarchical system (Blažek et al. 2003, p.183). The Czech Republic came into existence after the division of Czechoslovakia in 1993. Soon after the birth of the Czech Republic, the need for the deconcentration of the state administration led to the establishment of the regional tier (Lacina & Vajdova 2000, p.262). Numerous municipalities that were established after the fall of the communist regime and the abolishment of the regions caused two principal problems according to Blažek et al. (2003, p.183). First, there was the urgent need for investment for the small municipalities and their limited budget that hampered the implementation of the investment projects. The second problem had to do with the limited human resources of the small municipalities that had shortage of skilled personnel – an issue that was solved by creating a network of about 380 larger municipalities and delegating them some additional tasks, which they perform also for other smaller municipalities. To add a third concern to these two, according to McMaster (2004, p.6), there was the “difficulty in mobilizing sufficient personal political, economic and organizational resources, inability to launch more ambitious developmental projects or provide sufficient services, and weakness as partners in negotiations with state offices.”

The lack of the second tier of the local government also created some other problems such as “the lack of an institution responsible for managing services and dealing with issues on above the municipal level.” (Blažek et al. 2003, p.184).

As a response to these problems, the Czech government initiated a series of reforms to tackle these issues of regional development starting with the establishment of a dedicated Ministry for Regional Development (Ministerstvo pro místní rozvoj –MMR) in 1996 (McMaster 2004, p.6).

In 1997, the Parliament approved a constitutional law that stated that from the year 2000 the Czech Republic would consist of 14 self-governing regions. However the regions were established in 2001 due to the delay in the preparation of the full package that defined all the acts for the regions (Blažek et al. 2003, p.184).

The Czech government introduced a series of reforms which created a new regional level of administration and focused on regional economic development under the regional pressures of growing disparities, and the EU accession process. These reforms “significantly advanced the position and relative status of regions and regional policy in the country” (McMaster 2004, p.1) and were intended to reduce the growing disparities between the Region of Prague, that already exceeded the EU average before the integration in the EU (Brusis 2000, p.4), and other regions. The government aimed at the reduction of regional disparities and economic development to accelerate the catch-up with the economies of other EU countries.

3.1.1. The Role of the Regions in the Czech Republic

The newly created regions became a focus of discussion in the attempt to find the best framework for their function. The establishment of new regional levels of administration led to the adoption of the Act on Support to the Regions in June 2000 which “paved the way for regions to take on new regional economic development responsibilities” (McMaster 2004, p.16). In 2000, the regions were allocated “2.52 percent of personal income tax, and 10 percent of revenues from personal income tax paid by small entrepreneurs on their territory but special coefficients were applied to mitigate differences between *rich* and *poor* regions” (Blažek et al. 2003, p.188). The problem with this financing of the regions, according to the paper of Blažek et al. (ibid.), is the fact that the regions remain “at least 80 percent dependent on state specific grants [...] [which] limits their possibilities to participate in state support programs that require co-financing by final beneficiaries”. It should be noted that the Regional Council is directly elected contrary to the Albanian model (World Bank 2004, p.17).

McMaster states that the Act on Support to the Regions of 2000 clearly defines the responsibilities assigned to the regions which according to her (ibid. p.16) are:

- Co-ordination of the development of the region;
- Development, implementation and production of regional development programs;
- Co-operation with central state administrative authorities and co-ordinating the interests of municipalities in regional development matters whose significance extends beyond a single municipality;
- They take part in decision-making on the allocation of public funding to support regional development, for instance funding some regional development agencies.

In addition she argues (ibid. p.16) that the regions “provide targeted support to municipalities within their area.” The Czech local governments (municipalities and regions) are allowed to

borrow and to issue bonds to collect capital for their investments (Ježek et al. 2004, p. 151) contrary to the Albanian local governments that are not allowed to do that.

3.1.1.1 Policies and Strategies for the Development of the Regions in the Czech Republic

Regional policies in the Czech Republic began to be developed starting from the establishment of the Ministry for Regional Development of the Czech Republic on November 1, 1996 by Law No. 272/1996 (Ministry for Regional Development 2007). The responsibilities of the Ministry for Regional Development are the following according to the official webpage of the Ministry for Regional Development¹⁰:

- regional policy, including regional support for private enterprises
- housing policy
- development of housing resources
- leasing of residential and non-residential facilities
- zoning
- building regulations
- investment policies
- tourism

“The Ministry for Regional Development also manages financial resources provided by the Government for areas of housing and regional policy of the State, co-ordinates the activities of other Ministries and central bodies of State Administration when implementing the housing and regional policy of the State, and also provides information and methodology for counties, cities and municipalities and their associations and supervises the activities associated with the process of integrating regions into European regional structures” (ibid.). In 2000, the Czech government approved the Strategy of Regional Development in the Czech Republic which guaranteed the design of Czech Regional policy, setting out “a general strategy for future development, specifying priorities and measures for support and regions to receive targeted state support” according to *The Strategy for Regional Development of the*

¹⁰Ministry of Regional Development of the Czech Republic
<http://www.mmr.cz/index.php?lang=3>

Czech Republic of the Ministersvo Místní Rozvoj ČR 2002 p.39 cited in McMaster (2004, p.11). This strategy led all the regions in the Czech Republic to have their own documents of strategic development and action programs (Potůček et al. 2003, p.92).

The Czech government approved support programs for the two most affected from the transition shock regions (NUTS II Northwest and Ostravsko) providing support to municipalities in these regions mainly in the sphere of infrastructure including business infrastructure such as industrial zones and increasing the financial volume allocated to the regional policy (Blažek et al. 2003, p.192). The support programs presented in (Blažek et al. 2003, pp.193-194) for these affected regions included:

1. Preparation of industrial plots and buildings for business activities and revitalization of unused industrial spaces;
2. Construction of tourism related infrastructure;
3. Several projects aiming at new job creation or the increase of competitiveness;
4. Construction or reconstruction of municipal technical infrastructure like public buildings (schools, health centers, churches, etc.), and business related infrastructure;
5. Reconstruction of local roads, public lights, bicycle roads etc. and upgrading of public spaces and greenery;
6. Integrated programs (projects aiming at synergy among infrastructure, labor market policy, SMEs development, environmental care), and investment into productive sector;
7. Human resource development.

In addition, Blažek et al. (2000, p.194) present the following two weaknesses encountered during the implementation of these support programs:

1. Preparation for the EU policy of economic and social cohesion (ESC) was hampered by the lack of several key elements like missing legal codification of relations between different regional levels (NUTS III, NUTS II and the central level), not completed system of financial management and control, and non-existent suitable system for co-financing of the EU programs;
2. The other problem was the lack of qualified people able to prepare and implement projects according to demanding EU regulations [...] clearly demonstrated during the implementation of current PHARE programs.

The Czech government emphasized the role of the state in the creation of employment by establishing regional Labor Offices to provide employment services by launching

professional training programs, consulting, and programs aimed at job creation (Potůček et al. 2003, p.58). In order to combat unemployment and promote economic development, in 1993 the government launched small-scale programs to support small and medium-size enterprises in regions with high unemployment (Brusis 2000, p.8). The Czech government passed a resolution in March 1998 which aimed at aligning Czech regional policy with principles of EU structural policy whose main objectives of regional policy were “to support a balanced and harmonious development of regions, to decrease differences in development between regions and to activate the economic and social potentials of regions” (ibid. p.8). The major components of the National Promotion Program for Small and Medium-Sized Enterprises (SME) in the Czech Republic are concentrated on several spheres like: program of assistance to small business, development of existing SMEs, assisting the development of consulting and information services for SMEs and the establishment and operation of science- and technical parks, SME development in selected underdeveloped regions, and financial support for job creation for citizens from problem groups of the population (Szabó 1997). There is variety of Regional Development Agencies (RDA) in the Czech Republic where each region has one or several RDAs (McMaster 2004, p.20). “The task of the RDAs is to support entrepreneurial activities within the region and contribute to systematic development of the region; the RDAs can provide region-specific information, mediate contacts with local businesses and guide the investor through local government structure” (CZECHINVEST 2006).

In order to align with the EU principles of economic and social cohesion policy, the Czech government launched several support programs which are summarized in the table below:

Table 2. Regional Support Programs in the Czech Republic

Sphere	Program	Result
Infrastructure (P1)	Program of the Support of Industrial Zones	Efficient
	MRD Regional Support Programs I.	Limited success
	Program of Revitalization of Countryside	Positive—the most popular program
	CBC/PHARE Large Infrastructure Projects	Positive especially in the border areas
	Grants for Tourist Regions	Effective
	Programs of the Support of Housing	Limited success
	Programs of the Protection of the Components of the Environment	Successful
	Programs of the Support of Renewable Resources of Energy	Positive response
	Programs Construction and Reconstruction of Water Related Infrastructure	Positive
	State Fund for Transport Infrastructure	Positive
Business Promotion (P2)	MIT Programs of the Support of SMEs	Effective in creating job opportunities
	MIT Regional Business Support Programs (START and RECONSTRUCTION)	Ineffective
	Programs of the Support of Research and Development (Technos and Park)	Successful
	Program of the support of energy saving and of the use of renewable resources	Positive
	Programs of the Support of Risk Capital (Fund for Risk Capital and Czech Venture Partners)	Limited success
	EU Programs for SMEs (Euro Info Correspondence Centers, Europartenariat, Interprise)	Limited success
	Programs of the Support of Participation in Trade Fairs and Expositions and of the Support of Propagation Activities	Effective
	MRD Programs of the Regional Support SMEs	Effective in creating new job opportunities
	MRD Regional Policy Programs II. (RegioGuarantee, Region 2, Regional Support Programs for Industrial Enterprises in Northwest Bohemia and Ostrava regions)	Limited success
	SMEs Support Programs in the Sphere of Agriculture	Positive especially in the border areas
Human Resource Development (P3)	Programs of the Support of Research and Development (EXPORT, CENTERS, STRATECH)	Successful
	CBC/PHARE Small Projects Fund	
	Active Employment Policy	Effective in creating new job opportunities
	PALMIF	Effective in creating new job opportunities
	Program for Development of Social Services	Positive

Source: Blažek et al. 2003, p.268¹¹

As evident from the table, most programs were successful although some of them partially.

The most effective programs were those aiming at the unemployment reduction by creating

¹¹ The first two columns are cited from Blažek et al, while the third column that gives the results of the programs was added by me on the basis of the results presented by the authors.

thousands of jobs (Blažek et al. 2003, p.254). Programs targeted at the revitalizing the countryside received wide popular support.

Another important document in the sphere of regional development prepared by the Ministry for Regional Development (MRD) is the National Development Plan. According to the MRD cited in McMaster (2004, p.12), the plan has “five operational programmes: industry and enterprise; infrastructure; human resources development; rural development and multi-functional agriculture; and a joint regional operational programme.”

The joint program that covers the period 2004-2006 had the following goals (ibid.):

1. Increase the prosperity of the regions by developing small-scale enterprises and crafts, by increasing the volume of direct investments into the regions and by creating new job opportunities;
2. Improve the general quality of regional and local transport and telecommunications infrastructure whilst respecting environmental protection;
3. Improve the living conditions of inhabitants and integrate socially excluded groups into the community and into the labor market;
4. Improve the quality of all components of the environment in municipalities and regions;
5. Improve the living conditions of the rural population and develop the rural parts of regions;
6. Increase the share of tourism in creating economic prosperity in the regions; increase the volume of direct investments in tourism development and create new job opportunities.

Another aspect of the Czech regional development was the PHARE program that assists the CEE countries in their preparations for the EU membership. This program comprised also Albania (UNIDO 2001, p.20) until 2000, but from 2001, the CARDS program (Community Assistance for Reconstruction, Development and Stability in the Balkans) is providing assistance to Albania¹² (EU Commission 2007).

¹² EU Commission, 2007. *Phare* http://ec.europa.eu/enlargement/financial_assistance/phare/index_en.htm

3.2. Regional Development and Policies in Poland

Poland is a unitary state with a population of 38.5 million (CIA 2007)¹³ and many large centers besides Warsaw. The introduction of the local government began after the establishment of the democratic government in 1990. The 16 regions (*województwa*) of Poland were created by an act of the parliament in 1999 (Kowalczyk 2000, p.222) with the aim of boosting the economic development (Głowacki 2002, p.110). The Regional Council in Poland is directly elected by the residents of the regions (Pamfil 2003, p.50) contrary to the Albanian case, where the Regional Council is indirectly elected.

Progress was achieved in the sphere of regional development in Poland by the “empowerment of the regional systems, adjustment of regional development policy to the EU principles, building up the social foundations of regional development policy, formulation of a state policy on regional differentiation, utilising the opportunities offered by Poland's geopolitical situation, and formation of modern instruments and institutions providing financial support for regional development” (Szlacha 2002 p.1). Poland has a regional policy that is characterized by highly active network of RDAs at the local level (Brusis 2000, p.21) which, at the moment, are missing in the Albanian regional development.

3.2.1 The Roles and Responsibilities of Regions in Poland

The main purpose of the regional government in Poland is to foster the development of the region in a broad sense of the word (Głowacki 2002, p.114). The responsibilities of the region are the following:

1. Create favorable conditions for economic development by stimulating the labor market, acquiring and collecting public and private funds to be used for public

¹³ <https://www.cia.gov/library/publications/the-world-factbook/print/pl.html>

tasks, and cooperation and promotion of the region internationally, maintenance and development of the technical infrastructure (Głowacki 2002, p.114);

2. Support for the educational aspirations of the citizens and support for the development of science (Kowalczyk 2000, p.230);
3. Shape the natural environment in accordance with the principles of the sustainable development (Głowacki 2002, p.114).

One of the most important tasks for the region is its involvement international cooperation which constitutes determining the goals of the international cooperation, the geographic priorities of the future cooperation, and the plans to join international regional association (Kowalczyk 2000, p.228).

The regional governments in Poland are vested with fiscal power contrary to Albanian regional governments. The regions have shared taxes where 1.5 % of PIT revenues are collected from the region's inhabitants and 0.5 % of CIT collected from the legal entities that have offices in the region (Pamfil 2003, p.48). Regions obtain funds by three types of general subsidies¹⁴ that are paid by the state:

1. Educational, for college level education;
2. Highway;
3. Equalizing parts, for those regions which have a lower share in PIT and CIT than the highest recipient in the Polish region (Bak et al. 2003, p.473)

The regions in Poland are allowed to borrow, a practice that has increased extremely rapidly (Kopańska & Levitas 2004, p.57), and they can also issue bonds (Głowacki 2002, p.123) as source of revenues: "municipal bonds are considered a very comfortable tool for capital investment financing (mostly for highways, new transportation means, municipal housing development and reconstruction of downtowns)" (Bak et al. 2003, p.498). According to Bak

¹⁴ General subsidies are direct transfers from the central budget to regions, they are considered additional revenue to local government public revenues, and can be used for all public tasks (competencies of self governments) (Bak et al. 2003, p.488).

et al. (2003, p.496), 17.6 percent of total capital investment of local governments was financed by borrowing in 2003 in Poland.

Poland adopted the Law on Regional Development in May 2000 and created the Ministry of Regional Development in June 2000 (Pamfil 2003, p.42) which prepared the Polish National Regional Development Strategy for the period 2001-2006 (Bak et al. 2003, p.476). The Law on Regional Development introduced the principles of regional development regarding programming, management, institutional structures, and the regional contract for funding the regional development programs (Pamfil 2003, p.42).

The regions in Poland have other responsibilities which were listed by Głowacki (2002, pp.115-122) as the following:

- Regional transport—planning, developing, maintaining, traffic engineering, permission for commercial passenger transport, etc;
- Regional real estate management;
- Regional physical planning—the regions have broad powers in: development strategy for the region, establishing the Regional Physical Development Plan, preparing regional programs to achieve supra-local and regional public goals;
- Regional environmental protection—developments that are particularly harmful to the environment, environmental monitoring, water resource management, management of extraction of common mineral resources, and monitoring the production of waste particularly harmful to the environment;
- Regional employment—regional employment analyses, reduce the unemployment, organize professional trainings, organize and coordinate employment information, infrastructural investments through public works programs to reduce unemployment, social care homes;
- Regional education—specialized secondary schools, and finance of the university-level professional schools, regional health service—hospitals, regional culture—preservation of cultural heritage and regional monuments.

3.2.1.1 Policies and Strategies to Develop Regions in Poland

The Polish National Regional Development Strategy states that the main tasks to be focused on for regional development were: “the development of infrastructure, the restructuring and diversification of regional economic bases, the supporting of human resources development in problem areas, providing cooperation between regions (cross-border, transnational)” (Bak

et al. 2003, p.479). Funds allocated by the national budget were used to co-finance regional development programs, but large amounts of funds were available for the strategy through the PHARE Socio-Economic Cohesion, Cross-Border, and Institutional Enhancement program (Głowacki 2002, p.127). The Polish government used pro-development expenditures to mitigate the shock of the transition and economic transition in mining and metallurgy (Bak et al. 2003, p.501).

Poland created since 1993 regional agencies to implement the PHARE-STRUDER program that aims at supporting business and infrastructure development projects in Polish problematic regions performing development bank functions such as securing and granting loans, and providing consulting and other business services (Gorzelak 1998; Janikson/Kliimask 1999 cited in Brusi 2000, p.13). Some of these regional agencies according to Bak et al. (2003, pp. 506-) are:

1. Agency for Restructuring and Modernization of Agriculture—agency to support measures to accelerate the process of transformation in agriculture and rural areas;
2. Industrial Development Agency—supports the process of transformation of the enterprises, financing the industrial enterprises undergoing restructuring;
3. Polish Agency for Enterprise Development—implements the economic development in programs, especially in the areas of development of SMEs, exports, and social and economic cohesion.

Another measure used by the Polish government to boost regional development is the governmental support program that started in 2001. According to Głowacki (2002, p.130), the program has the following planned priorities for the distribution of finances:

1. Developing and modernizing the infrastructure that enhances the competitiveness of the region;
2. Restructure of the economic basis and creation of favorable conditions for the regional diversification;
3. Development of the human resources;
4. Support for areas that need support and are risking to become marginalized;
5. Development of inter-regional cooperation.

A significant aspect of regional development in Poland is the regional contract which provides support from the state budget to regional development based on the Act on Rules of Regional Development Support of May 2000 that allows establishing regional contracts between the central and regional governments (Głowacki 2002, p.125). The regional contract enables the regions to apply for funds for several programs and activities that support regional development which according to Bak et al. (2003, p.516) are:

- Development of SMEs, business innovations, restructuring the public services, creation of new jobs;
- Investments in: technical and transport infrastructure, education, and regional and local culture, improving the conditions of the environment;
- Development of institutions that stimulate and support the self-governing activities of the regional and local communities;
- Studies and research needed to conduct regional development policy.

The regional contracts were, according to Głowacki (2002, p.134), new means for transparency “in the relations between regional governments and the central government”.

Conclusion

Having given an overview of regional development in Poland and the Czech Republic, it is now possible to identify the shortcomings in the design and implementation of regional policies in Albania that have led to the current situation of regional development in Albania outlined in the Chapter Two.

As evident from the presentation of Czech regional development policies, the Czech Republic has undertaken several reforms to boost regional development.

These reforms seem to have been successful and to have positively assisted the market economy of the regions, employment opportunities, business support, industrial reconstruction, support for border areas and the environment, as they tend to exploit the potentials of the regions and support their economic development. The EU has been satisfied

with the progress of the Czech Republic, stating that in 1999 the Czech Republic has achieved satisfactory progress “in the preparations for joining the structural policy of the European Union”, and that “there has been a noticeable improvement in regional policy” (Europa 2004)¹⁵. The policies of regional development implemented in the Czech Republic serve as a good example for Albania to continue in the way for applying for membership to the EU. My analysis of regional development in the Czech Republic and Poland has shown that both countries have created ministries for regional development and have passed laws in support of regions and regional development. Both countries have attempted to mitigate regional disparities by launching a number of support programs and creating several regional development agencies—elements that are missing in the Albanian framework of regional development. These inadequacies are discussed in the following chapter where the main lessons that can be drawn for regional development in Albania based on the Czech and Polish cases will be elaborated.

¹⁵ <http://europa.eu/scadplus/leg/en/lvb/e40107k.htm>

Chapter IV: Findings; Lessons and Recommendations for the Albanian Regional Development

In this chapter I present the findings from Chapter Two and Chapter Three with the aim to identify the failures that have led to the actual situation in regional development in Albania and the lessons, measures, policies, and strategies that can be used from the examples of regional development in the Czech Republic and Poland. Albania should do more on regional development by implementing practices and policies that have been tried in the Czech Republic and Poland before they entered in the EU. These two countries have successfully entered in the EU in 2004, whereas Albania has just signed the Stabilization and Association Agreement with the EU on 12 June 2006. Albania should implement the practices and policies of the Czech Republic and Poland on regional development in order to get easier and faster access to the EU. I start the Chapter Four with considering the findings from the cases I have analyzed to move on to compare Albanian regional development with the Czech and Polish regional development to determine what is missing in the Albanian regional development and what lessons should be drawn from the cases of the Czech Republic and Poland. After having identified missing elements in Albanian regional development, I proceed, based on the lessons and conclusions drawn, with presenting recommendations regional development in Albania.

4.1. Major Findings from Practices of Regional Development in the Czech Republic and Poland in Comparison to the Current Framework of Regional Development in Albania

As evident from the Czech and Polish examples, regional development does not merely denote assigning roles to regions and expecting them to provide good service delivery - regional development in the aforementioned countries constitutes the reduction of disparities between regions and getting closer economically with other countries of the EU by boosting the economic development of the regions. In view of these findings, I suggest that there are many inadequacies in the regional development framework in Albania which I present and discuss below.

Albania has made considerable efforts in the field of decentralization; however, there remain some services, such as water supply, urban planning, and sewerage which have not fully been decentralized. Regional development in the country is still lagging behind when compared to other countries of CEE as indicated in the previous chapters.

A number of services, such as water supply, urban planning, and sewerage, which are important for a sound decentralization, have not yet been transferred to the local governments. These elements are relevant not only in the decentralization process but also in regional development especially for the western regions which are close to the seaside and attract the greatest number of tourists in Albania.

One of the major reasons behind the inadequacies in regional development in Albania stem from the fact that Albania has undertaken insufficient reforms to promote regional development. The regions were introduced in 2001, but since then, no reform has been conducted in the existing institutional and legal framework to provide the regions with the necessary laws, responsibilities, institutions, and funds to enable them to serve their purpose — to “develop and implement the regional policies and their harmonisation with national

policies at the regional level¹⁶’. In the following section I present the results of the comparison between regional development in Albania and regional development in the Czech Republic and Poland and drawing from these insights, explore reasons why regional development in Albania is lagging behind.

As I showed in Chapter Three based on the examples of regional development in the Czech Republic and Poland, many important elements that were tested in these countries before they joined the EU are missing from the current framework of Albanian regional development. Both countries that are subject to my study, the Czech Republic and Poland, have established ministries for regional development - the Ministry for Regional Development in the Czech Republic, and the Ministry of Regional Development in Poland - an institution that is missing in Albania.

As for the legal framework for regional development in the given countries, there is no law on regional development in Albania, whereas acts regulating regional development have been passed in the Czech Republic and Poland in 2000—the Act on Support to the Regions in June 2000 (McMaster 2004, p.16) for the Czech Republic and the Act on Rules of Regional Development Support of May 2000 (Głowacki 2002, p.125) for Poland. These acts clearly assigned roles and responsibilities to the regions, and introduced the principles of regional development regarding programming, management, institutional structures, and funding of regional development programs, an element missing in Albanian regional development which has led to confusion on the roles of the regions.

¹⁶ Article 13, Organic Law no. 8652/2000 “On Organization and Functioning of Local Government”

Whereas the Czech Republic and Poland devised strategies for regional development, the Czech Strategy of Regional Development, and the Polish National Regional Development Strategy, respectively, such documents supporting regional development in Albania are missing from the country's legislation altogether.

Regarding the election of the Regional Council, both the Czech Republic and Poland have a directly elected Regional Council, which is not the case in Albania, where there is no direct election of Regional Councils.

The regions in Albania do not have any fiscal power and thus are entirely dependent on the central government grants and the share of taxes with the communes and municipalities, the latter encountering opposition from the communes and municipalities. In the Czech Republic the regions have some fiscal power, although it on a very low level which makes them "at least 80 percent dependent on state specific grants [...] [which] limits their possibilities to participate in state support programs that require co-financing by final beneficiaries" (Blažek et al. 2003, p.188). In Poland, the regions have shared taxes which are collected according to the following system: 1.5 % of PIT revenues from the region's inhabitants, and 0.5 % of CIT from the legal entities that have offices in the region (Pamfil 2003, p.48). While the Czech and Polish regions are highly dependent on the central government grants, both countries allow their regions to borrow and issue bonds which constitute revenues important for regional development projects. In contrast, Albanian regions (including municipalities and communes) cannot borrow or issue bonds, and are therefore entirely dependent on the central government.

In addition to the issues identified above, constituting an important missing element in Albanian regional development are the support programs and the Regional Development Agencies. Prior to entering the EU, The Czech Republic and Poland have initiated a series of support programs in infrastructure, business promotion, and human resource development, aimed at coming in line with the EU principles of economic and social cohesion policy, and boosting regional development. These programs, essential for preparing the country for the entry in the EU, are missing from the framework of Albanian regional development. For instance, the Czech Republic and Poland have coordinated many support programs with the PHARE program. CARDS program substituted this program for Albania but no coordination with of the CARDS program with regional development in Albania was present in the existing body of literature I reviewed on Albania as no support programs were mentioned there.

Finally, the role of the regional contract in regional development should not be underestimated, especially in the Albanian case since it can provide “equal opportunities for central government support to all the regions, regardless of their political position [...] [and introduce] more credibility into relations between the central government and regional governments” (Głowacki 2002, p.125). According to Głowacki (2002, p.134), regional contracts bring “a greater potential for transparency in relations between regional governments and the central government”. Equal opportunity for central government support and transparency are two key issues in Albania where the support is too much politicized and transparency avoids corruption.

4.2. Recommendations for Regional Development in Albania

Based on the conclusions and insights presented above and drawn from the previous chapters, I recommend Albania to implement the following 10 practices in order to enhance the development of its regions:

1. There is a need for a law on regional development in Albania that would clearly define the responsibilities assigned to the regions and the principles of regional development. Such a law would clarify the confusion that prevails at the moment about the role and responsibilities of the regions in Albania;
2. The experiences of the Czech Republic and Poland show that democracy can be better applied if the Regional Council is directly elected as directly elected members of the council have more accountability towards the citizens that elected them as well as towards the Regional Council. This implies that Albania would need to amend the law on the election of the Regional Council members and introduce direct elections for the members of the Regional Council;
3. Experience with the communes and municipalities shows that there is a democratic deficit in the removal of mayors - as I showed earlier, they can be dismissed only by the Council of Ministers not taking into account the will of the voters. Another amendment is needed in the law to make the dismissal of the mayor (or the head of the Regional Council the Council is elected by the citizens) possible by the citizens who elected the mayor (or the head of the Regional Council). Another amendment required to the law on the local governments would be the abolishment of the double positions a mayor or a head of the Regional Council may currently hold—it should be clearly defined that the mayor or the head of the Regional Council cannot hold another position besides the one he/she has;
4. A National Regional Development Strategy is needed for Albania to lay down the strategy for future regional development, specifying priorities and measures for

support, and to select regions that are in greater need to receive state support for the development of infrastructure, regional economic bases, and support of the human resources development;

5. As evident from the Czech and Polish experiences, the regions in these countries had some fiscal power (although rather limited). Similarly, fiscal powers should be assigned to the regions in Albania, which however, would require a detailed study to be conducted, determining appropriate tax assignment;
6. There is a need for a law in Albania on allowing the local governments borrowing and municipal/regional bonds, as evident from the examples presented above, the Czech and Polish regions can borrow and issue bonds;
7. Taking as the basis the experience of the Czech Republic and Poland, I suggest that there is a need in Albania for support programs especially for such programs that were successful in these countries, such as, the following for Poland, as presented by Głowacki (2002, p.130): developing and modernizing of the infrastructure of the region, creating favorable conditions for regional diversification, development of the human resources, and the following for the Czech Republic, as defined by Blažek et al. (2003, pp.193-194): the preparation of industrial plots and buildings for business activities and revitalization of unused industrial spaces, the construction of tourism related infrastructure, a wide range of projects aiming at new job creation or increase of competitiveness etc. Albania should follow the successful examples available from the experiences of the Czech Republic and Poland;
8. Albania should immediately coordinate support projects with the CARDS program, in order to catch up with other member states once Albania starts the process for acquiring membership to the EU; a delay in implementing pre-accession programs can delay the process of membership to the EU.

9. Albania should introduce the regional contract for regional development as it can provide better allocation of support by the central government to the regional governments, and on the other hand the regional contract would increase the credibility and transparency in their relations (Głowacki 2002, pp.125-134) Equal opportunity for central government support and transparency are two key issues in Albania where the support is too much politicized and transparency avoids corruption, thus the introduction of the regional contract can be a better option to support regional development;
10. The Czech Republic and Poland have implemented a number of programs on the Cross-Border projects mentioned in Blažek et al. (2003, p.233) for the Czech Republic and in Głowacki (2002, p.108) for Poland. Albania should initiate similar programs with the regions of its neighboring countries, in order to enhance cross-border regional development. This practice was also pointed in Potůček et al. (2003, p.103) where it was argued that in the countries that are preparing to join the EU “the regions play an individual and active role in the process of preparation for the entry to the EU, especially the border regions”.

Conclusion

As presented in this paper, regional disparities in Albania are increasing while the EU stresses the need for regional reforms to lessen these disparities as a way to comply with the EU requirements in view of an eventual membership (Marcou 2002, p.13). I have argued in this paper that since the establishment of the regions and their Regional Councils in 2001 in Albania, no further reforms have been undertaken to boost regional development, whereas regional disparities have increased and thus the need for a reform on the enhancement of regional development is indispensable.

The analysis of practices of regional development in the Czech Republic and Poland that I have conducted in this paper indicates that Albania is lagging behind in regional reforms in comparison with these two countries that successfully joined the EU after having applied for membership in 1996 and 1998 respectively. Based on the Czech and Polish experiences of regional development, I have developed policy recommendations that Albania should implement if the country wishes to accelerate and facilitate joining the EU. I suggest that there is a need for reviewing the existing framework of regions in Albania as well as for preparing a law regulating regional development as the Czech Republic and Poland have done prior to their entry in the EU. Further, institutions and national strategies for regional development, present in the Czech Republic and Poland, are missing in Albania which has created a vacuum of coordination on regional development in the country. In addition to the problems mentioned above, my research suggests that there is lack of support programs for regional development in Albania. These findings point out the need for further efforts on regional development that the Albanian government should undertake in the perspective of the EU membership in the near future, as this paper outlines successful practices of regional

development implemented by the Czech Republic and Poland which helped these two countries enter in the EU.

As for the limitations of this research, due to constraints of time and availability of materials, this paper entails a comparison of Albania with only two countries that entered the EU in 2004. The availability of more time and data would enable to conduct a more wide-ranging assessment of regional development in countries that entered the EU more recently - Romania and Bulgaria – countries that in the state-socialist era shared with Albania certain common aspects relating to social and economic conditions. This would constitute one possible direction for further research in this area. Another suggestion to explore this topic further would involve proposing more specific recommendations and models for regional development in Albania, such as suggestions on a reform in the administrative division and developing a model of fiscal power for Regional Councils. The latter would require an assessment of the taxing power of the regions of Albania, as it is difficult to assess on the basis of the data available the model of fiscal power that the proposed Regional Councils should have.

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Appendix: List of Acronyms

AAM	Albanian Association of Municipalities (<i>Shoqata e Bashkive të Shqipërisë</i>)
CARDS	Community Assistance for Reconstruction, Development and Stability
CE	Council of Europe
CEE	Central Eastern Europe
CEEC	Central and East European Countries
CIT	Corporate Income Tax
GDP	Gross Domestic Product
HDCP	Human Development Promotion Center
HDI	Human Development Index
ICS	Institute for Contemporary Studies (Albania)
INSTAT	Institute of Statistics (Albania)
LGP	The Local Governance Programme (Albania)
MDGs	Millennium Development Goals (UN)
MIT	Ministry of Industry and Trade (The Czech Republic)
MRD	Ministry for Regional Development (The Czech Republic)
NUTS	Nomenclature of Units for Territorial Statistics
PHARE	Poland and Hungary: Assistance for Restructuring their Economies
PIT	Personal Income Tax
PPP	Purchasing Power Parity
RCS	Regional Councils
RDA	Regional Development Agency
SAA	Stabilization and Association Agreement
SALA	Swedish Association of Local Authorities

SME	Small and Medium-Size Enterprises
UI	Urban Institute (Washington)
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization