

The influence of EU Accession Bid in the Regional Development
Processes of Albania

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Author's Declaration

I, the undersigned Onelda Perndreca hereby declare that I am the sole author of this thesis. To the best of my knowledge this thesis contains no material previously published by any other person except where due acknowledgement has been made. This thesis contains no material which has been accepted as part of the requirements of any other academic degree or non-degree program, in English or in any other language.

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Abstract

The purpose of this study is to analyze the effect of the EU accession process of Albania concerning institutional structures of regional development. Albania is an official candidate for accession to the European Union after being recommended by the European Commission since June 2014. The study is based on two research methods analysis of the legislation and policy documents and papers, as well as qualitative research with interviews of decision-makers and main actors in the regional development policies in Albania. The analysis is grounded in the process of EU accession and regional development to explain the conditionality of EU and their effect on such policies. The findings show that EU conditionality during accession process achieved several transformations of the institutional structure of the regional development processes. They changed a certain amount the institutional framework, but the reform is yet to be finalized. The newly established Regional Development Agencies are in their early phases, and their role is not significant also due to their duplication with Regional Councils as the second level of local government. The research indicates suggestions for future improvements of the current institutional framework of regional policy design and implementation.

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List of Abbreviations

RDA-Regional Development Agencies

EU-European Union

IPA-Instrument for Pre-accession

RDF-Regional Development Fund

SME-Small Medium Enterprise

JMB-Joint Management Board

NARD-National Agency for Regional Development

REDA-Regional Economic Development Agency

DPB-Development Partners Board

NUTS-Nomenclature of Territorial Units for Statistics

IPA II- Instrument for Pre-accession Assistance

CBC-Cross Border territorial cooperation

RC-Regional Council

ESF-European Social Fund

EAGGF-European Agriculture Guidance and Agricultural Fund

EC- European Community

CSRD- Cross-Cutting Strategy for Regional Development

ISPA-Structural Policy for Pre-Accession

SAP- Stabilization and Association Process

LGU-Local Government Unit

EBRD-European Bank for Reconstruction and Development

INSTAT- Institute of Statistics in Albania

NSDI-National Strategy for Development and Integration

SAA- Stabilization and Association Agreement

Introduction

The EU accession bid of Albania toward the European Union placed the country in an *intensive* process of policy development in the specific area of regional policy. Regional policy, as a new public policy, which encourages new member states to adhere to specific EU policies in order to accelerate or accommodate their EU conditionality, this would include new member states to establish and create an institutional framework that would be compatible with EU regional development programs at the national and local level.

This research focuses on analyzing the effects of the EU accession process of Albania in relation to institutional structures of regional development. It is the contentious issue of regional development via EU Accession negotiations that spark a “discursively rich” data that can reveal the main obstacles or institutional challenges for cohesive regional policy. In order to properly investigate and analyze these discourses, the following research questions will be posed: What is the impact of EU Accession Criterion upon the formation and implementation of regional policy in Albania? Furthermore, what specific type of institutional obstacles are present and does Albania have the “capacity” to successfully implement such changes? These are the essential questions that will guide this study and will be the basis for a “Semi-Structured Interview” with “fieldwork” professionals and key stakeholders.

The structure of this thesis will consist of the following: Literature Review, Context section in relation to both the local (i.e. Albanian) and the macro-level (European Union) dynamics and a synopsis of previous negotiations between these actors. The next chapter will be designed to explain and highlight the differences in “region” and “regional policy” in relation to the conceptualization of region and its impact upon the “unit” itself; which in turn will assess the territorial and administrative aspects of regional policy reform.

Finally, the concluding chapter argues that Albania *has* undertaken several of the EU-mandated reforms to align regional policy with EU institutional framework. Nevertheless, the EU Accessions process has continued in Albania, where political will is present, but the resources to achieve EU norms is lacking. There are numerous challenges on the institutional-governmental level alongside the “discursive specter” that is surrounding EU Accessions reforms. The reforms of institutional structures are not successful without the financial support and capacity building of the administration in charge to implement such policies.

Relevance of the research

The socio-economic disparities of regions and EU accession process in Albania present new challenges to regional development and the optimal use of EU funds. There have been numerous reports and policy proposals presented addressing the issues inhibiting regional development policies such as decentralization, pre-conceived boundaries of regions, and an overabundance of power concentration within the central government financially. However, there is no clear answer on how to ensure proper combat these challenges and promote EU requirements for regional policy affectively in the specific sector.

Since the start of the relationships with the European Union, Albania has undertaken several reforms for the institutional framework and the central and local level, from political to judicial reforms. Each of these reforms has been an essential element of the EU governance and influence in Albania, placing her closer to adhering to EU Accession criteria. In spite of these, Albania continues to lack a unified regional policy, and there is still a large socioeconomic disparity between regional units, given the fact that specific regions have access/receive more development funds, that have urban areas.

Since the first establishment of the “regional unit” in 2001 several attempts have been undertaken to conceptualize a regional policy. Regional policy has been part of the priorities of the government especially after the signing of the Stabilization and Association agreement

where it also included the commitment for a balanced development of the regions. In 2007, the government approved a Crosscutting strategy for regional development that enshrined the goal of a balanced and sustainable growth of regions in order “to support a rapid development of the country and accelerate the integration processes into the EU and NATO.”

Also, Regional Development is part of National Strategy for Development and Integration 2015-2020 vision calls for "Albania – toward a stronger democracy, on the way to its integration into the European Union, with a competitive, stable and sustainable economy that guarantees fundamental rights and human freedoms." Furthermore, Albania is part of NUTS II regions as a requirement from the European Union. The process is done in close collaboration with the Institute of Statistics of Albania when they send the data to ensure the participation of Albania in NUTS. The NUTS allow the country and regions to participate in EU funds schemes, therefore gaining the much-needed access to capacity building tools.

One of the key issues that pose a “large barrier” to effectively implementing EU norms to regional policy in Albania, is that of Decentralization. Decentralization is an issue but *not* the root cause of inefficiency when it comes to regional policy reform. Another factor that contributes to having a proper implementation of EU regional policy is that of the dependency of region size. When a region size is reduced, it becomes more compatible with the government’s newly established regional development agencies in conjunction with NUTS requirements. Furthermore, regional development demands collaboration not only from the central government but also from the local level with all the relevant stakeholders. Therefore, this research focuses on analyzing regional development processes with regard to EU accession bid of Albania, alongside the extent in which reforms were undertaken as part of EU requirements. Consequently, resulted in the massive amount of changes in institutional structures and policy implementation; which has yet to prove successful.

Identification of the problem

The last couple of years represent the most important years for conceptualizing the regional policies in Albania. The administrative-territorial reform, establishment of the regional development policies, allocation of several financial instruments for EU funds serve all towards one goal: EU accession of Albania. The territorial-administrative reform was partly fulfilled as it did not reduce the number of regions. Furthermore, the establishment of regional development agencies faces challenges of financial and human resources. Regional Development Agencies are also highly dependent on the central government not only for budget allocation but also in decision-making level.

Since 2013, the government was committed to realizing the reform for new regions in compliance with EU models of self-government regions. The government was also determined to increase the budget for the local/regional institutions--a new and efficient model of central and local institutions at the regional level--the reform was a prerequisite for the EU accession, and an opportunity for local and regional institutions to obtain funds from EU financial instruments. The regions will be in alignment with European Chart, and orientate regions to focus on regional development issues.

As a conclusion, it is important to implement regional policies that refer to EU models, but they have to take into account the context and lack of financial and human resources for such implementation.

In the context of EU accession and other EU requirements, Albania demands to incorporate EU policies and domestic framework for regional development (IPA III) to make the regional development policies in compliance with EU and subsequently increase their efficiency. There is an existing Regional Development Fund (RDF, 2010) as well as the Cross-cutting Strategy for Regional Development. Nevertheless, the institutions in charge of its implementation are under pressure and in high demand for capacities and structures

development with regard EU accession. In this regard, the domestic policies are tailored toward EU policy instruments; which has been the major topic of discussion between academics.

Chapter 1: Literature review

EU Enlargement processes cannot be understood without the conditionality that follows the applicants to join the Union. The latest Enlargement processes and the significant use of conditionality from EU have expanded the studies in the field (Plümper - Schneider - Troeger 2003; Schimmelfennig, 2005; Noutcheva, 2006).

When it comes to Western Balkans, conditionality has some characteristics compared to other countries willing to join EU. The conditionality in the Balkans is multi-functional, as is focused not only on reforms but also on reconciliation and reconstructions (Zuokui 2010). All the research conducted for the characteristic of conditionality in the Balkans have corresponding features. Firstly, Conditionality it is a process where EU ‘forces’ or ‘pushes’ these countries for institutional, structural reforms and this assistance is conditional. Secondly, the EU conditionality is not only a ‘bargain’ or agreement between EU and the applicant but also ensures stability and peace for the country and the region (Ibid). Therefore, conditionality in the Balkans does not represent only ‘rationalist’ framework but is associated with the ‘reciprocal’ requests and beneficial for both parties (Ibid).

In the 1990s, the EU proposed several financial instruments and institutional building for the Western Balkans. The primary purpose was to equip the applicant with the right elements and fulfill the Copenhagen criteria with regard to conditionality and allow them to fulfill several reforms in justice, economy, politics and constructions (Ibid). For such assistance from the EU, the potential candidate and candidate countries are demanded to accept the conditionality to implement the required reforms (Ibid). All the strategic priorities of the applicants should be in alignment with EU to obtain EU accession.

Enlargement policies are never a one-way policy process. It requires the willingness of a potential country to be part of the Union, and in turn, the latter has to give the approval or not approve the request. What determines the decision of a country for EU accession, is the level of reforms undertaken and the level of democracy in the country. On the other hand, EU determines its decision based on the reforms applied in alignment with *Acquis Communautaire* (Plumper, Schneider, Troeger, 17). The authors use the Heckman selection model to test the theory which is based on the level of support the political parties give to the policies that would lead the way toward European accession.

Other theoretical views do not see any correlation between the application of countries to join EU and the decision of the latter to select or not the prospective applicants. Some scholars have seen the EU as the primary factor conditioning the enlargement process. This debate has created two divisions between constructivists and nationalists. The nationalists believe that the driving force of EU enlargement is the economic reasons. EU accepted the countries that would fulfill as much as possible the economic interests of the member states, especially the biggest ones. The outcome was a win-win situation for both sides. While the old member states increase economic and trade opportunities for the new members, the latter had reduction in poverty, immigration issues and improvement on property rights matters (Alesina, Angeloni and Etro, 2001)

EU policy on conditionality is realized through incentives of intervention to decision makers for the alignment of strategic national laws and regulations. EU arrange the criteria when the states are in alignment with EU requirements. Nevertheless, there are cases when actors fail to comply. In this scenario, the EU applies mechanisms that hinder them for non-compliance like delaying negotiation processes or withholding of financial resources (Noutcheva, 2006). The incentive for Western Balkan countries is full membership. The EU

affects the domestic institutional structures of the prospective members through EU conditionality of regional cooperation, market economy, democracy, and sovereignty.

Another imposition from EU is related to Copenhagen criterion regarding alignment of domestic laws of candidate countries with *acquis Communautaire*, which means the rearrangement of EU policies into the domestic law. The alignment happens during the pre-accession negotiations—as soon as Copenhagen criteria are fulfilled—preparing the countries to apply EU law once they become the member. When countries accomplish the requirement of the *acquis*, the subsequently obtain an invitation as candidate country (Ibid). Moreover, other form of EU conditionality is the EU assistance programs responsible for implementation of development projects in many policy fields. Although in general to get EU assistance a country must fulfill EU standards to pave the way toward EU, on the other hand, EU does not condition assistance with rigid alignments. Countries will continue to receive financial assistance despite fulfilling or not the Copenhagen criterion (Ibid)

The constructivist theories, on the other hand, have another approach. They argue that what is important in this process is shared of common values and beliefs. A representative of this theory, Schimmelfennig, for instance, claims that prospect member states ‘adoption of and compliance with’ liberal values and norms in their domestic policies is a prerequisite for their accession to EU. As a result, the decision of the Union to begin or admit accession of candidate countries is related to the reforms in their domestic norms. The more democratic a state is, the more chances it has to establish relations with European and North Atlantic institutions. Less democratic and fewer chances to be part of such institutions (Schimmelfennig, 620).

The decision of EU enlargement policies to admit in the union only countries that have a free market, democracy and conditionality for their domestic policies created a selection process

for candidates and potential candidates(Plumper, Schneider, Troeger:18).The selection process led EU to rely on other criteria rather than the democracy(Ibid).

On the other hand, Schimmelfennig argues that with reference to EU liberal norms is of fundamental importance for enlargement policies and the countries' application. Democracy is not only important for accession at a vertical level but also at a horizontal level of institutional structures (Schimmelfennig, 623).The author claims that democracy is the most important factor for EU accession of a country, even more than economic or political factors (Ibid). Furthermore, the criteria for enlargement are not different with those of other western organizations such as NATO or Council of Europe (Ibid).Democracy cannot be an assumption that even other socio-economic policy areas are in alignment with EU acquis. With their accession, the new Member countries can create problems to decision making bodies of EU. To avoid such problems, EU-supervised the legislation in their respective countries incentivized by the EU *Acquis Communautaire* (Ibid).The authors argue that there is a distinction between the reasons behind the application and the criteria for EU accession although it is admissible that they are correlated.

By using the Heckman Model to support their assumptions, the policy choices of the potential candidate and candidate countries influenced the EU accession of the applicant country (Plumper, Schneider, Troeger: 18) In his paper about EU's conditionality and the western Balkans, Zuokui concludes that EU should undertake long-term measures and intervention to ensure the sustainability of the reforms in the region. The EU policies for conflict resolution and short-term conditionality and inequality will affect the effectiveness of the EU conditionality. In all its interventions, EU should apply the same framework for conflict resolution and long-term conditionality (Zuokui 2010, 97).Moreover, these policies should be corresponding to the needs of conflict resolution for the respective countries (Ibid).

Chapter 2: Methodology

In order to accurately gather data on such a sensitive subject, this study utilizes Qualitative methods in order to obtain relevant data on the “perceptions” and the “on the ground realities” that pose a major challenge to proper implementation of EU regional policy. As such, the interviewees of the study were obtained by a “snowball effect method” with the result of a sample size of 6 (N=6). The primary data will be collected through Semi-structured interviews, with those who were *willing* to participate, and allowed them to express their feelings or experiences openly with an ‘interview guide’.

The selection of the experts has been carried out based on their functions and experience they have on the regional development processes in Albania. All six interviews were carried out from early April and May 2017. Before the interviews, a set of questions was prepared and sent to all the experts and decision makers, planned to be part of the interviewing process. This method would help them to know what to expect and be concise on what it is required and relevant for the questionnaire (See Appendix 2).

The interviews were conducted in Albanian language given that all participants are native speakers. The interviews were conducted via video-Skype chat each interview ranged from 30 minutes to an hour period, resulting in a vast amount of rich data.

Limitations

One limitation to this study would be that of sample size and the time limitation. However, in spite of the small sample size and time allotment, the interviews conducted provided a myriad of topics and rich data from “political stakeholders.” The richly embedded data was due the professionalism and expertise of the interviewees who were representatives from the respective ministries (N=2), and experts from civil society organization (N=2) and regional development experts in Albania(N=2). During the study there were many attempts to reach out to EU Regional Policy Stakeholders and decision makers to participate in this study.

However, no reply was provided, thus allowing only the “national” perspective to be included in the study. In spite of this methodology limitation, the interviews provided a great amount of contextual information that is not presented in academia; which the following chapters will present.

Chapter 3: Regions and Regional Policy in Albania

3.1 Regions

Local government is divided into two level: municipalities and regions (Constitution of the Republic of Albania, 1998). Before the new administrative and territorial reform in 2015, Albania was divided into 12 Regions and 308 municipalities and 65 communes (Law No. 8652, dated July 31, 2000 "On the Organization and Functioning of Local Governance")

According to the law on “local self-governance” the region “represents an administrative-territorial unity, consisting of several municipalities with geographic, traditional, economic, social and common interests and links (Law No. 139/2015). The new reform that took place in 2015 created 61 municipalities and maintained the same number of 12 regions. The former communes will serve as administrative units of the new municipalities (Cross-cutting strategy for decentralization and local government 2014-2020). While the number of municipalities decreased and changed substantially, the regions have fewer municipalities in their territories, and that will facilitate and make more efficient its coordinating role of local/regional policies with the national policies (Ibid).

Since their creation in 2001, the role and influence of the regions have been irrelevant. The causes are due to lack of financial resources and institutional capacity and lack of an action plan for the activities of the region (Ibid). Although it is demanded that regional policies will give a bigger role to the regions. They also have to be in alignment with the recommendation of the Council of Europe and European Union requirements regarding their institutional structure (Ibid).

The functions of the region are expected to change with regard to a better coordinating role of the new municipalities created with the new law and the new policy of regional development. They are expected to play a major role in aligning the local/regional policies with the national level. They will also have competencies to design and implement development plans about social services, environment, and territorial development. The new regional development policies will allow regions to play a key role in coordination and proposing strategic investment project at a regional/local level (Ibid, 23). The regions are also eligible to apply for EU funded projects and allocating and implementing EU funds. Nevertheless, the new administrative-territorial reform has weakened their role in coordinating the municipalities (Ibid).

3.2 Establishment of Regional Development Agencies in Albania

Regional Development Agencies are established in Europe in the 1950s and 1960s to supervise and monitor the central government development programs. In the 1980s, they have an expansion from the private sector and local actors in response to social and economic changes. In the early 1990s, an increase in the number of RDAs was due to the importance that development programs of United Nations Agencies like World Bank gave to such institutional structures. Nevertheless, the legal form, financial resources, functions and duties and how they operate with other stakeholders differs. According to some research conducted in the early 1990s, the differences of RDAs are a consequence of the political process in their respective countries (Halkier, Danson, 1991, 1992). Another reason is the dynamic and changeable environment such entities tackle when they are created.

The competencies of the RDAs differ in every country, and they are multifaceted. Although there is no single framework of their tasks and duties, there are some primary functions of the RDAs as following:

- Provision of financial assistance and consultancy to investors

- Collaborate with local, national and international agencies and give financial support to SMEs
- Boosting the inventions and new technologies
- Supporting the local businesses in their investment
- Bringing new investors in the region
- Supervise energy-related activities and infrastructure
- Expand the network of the region at the national and international level
- Designing strategic planning processes at the local and regional level as well as their implementation
- Giving technical assistance and information to the business sector

These Regional policies were aimed to comply with the local/regional and national structures in Albania. However, the challenge is the impact of compliance and how it is achieved through decentralized local/regional institutions. Which theory, will improve the performance of the regions. Improvement of the regional capacities is fundamental for the EU enlargement conditionality and allocation of other EU funds. In Albania, the establishment or Regional Development Agencies is mainly part of EU conditionality on accession process.

In Albania, the Regional Development Agencies were first established in December 2015 through a Decision of Council of Ministers (Decision no.2, December, 2015). The government act also established the National Regional Development Agency and Regional Economic Development Agency. The purpose is to reduce the gap between developed and underdeveloped areas, the creation of public and private partnerships, promotion of integrated investment policy of the regions and their potentials and implementation of development projects. The agencies are in charge of implementation of regional development policies and harmonize them with social and economic factors for the balanced development of all

regions. Furthermore, agencies promote competitiveness, improve the efficiency of the resources and that of public services.

According to the decision, agencies are funded from the state budget, foreign aid programs and their fund and revenues.

The Joint Management Board (JMB) coordinates the functioning of the mission of Regional Economic Development Agency (REDA) and National Agency for Regional Development (NARD). The board is composed of representatives from the Committee on Regional Development, Regional Development Agencies, National Territorial Planning Agency, National Agency for Regional Development and the Agency for Regional Economic Development. The Board is responsible for the budget approval, organization and functioning of the agencies and their reports.

On the other hand, Regional Development Agencies as public legal entities, extend their functions in 4 areas as defined by the decision of Council of Ministers. The headquarters for each agency are Shkodra, Tirana, Korca, and Vlora. They are directed through the Development Partners Board and the Director of the Agency. The Development Partners Board consist of Minister or Urban Development, Minister responsible for Transport and Infrastructure, Minister for Agriculture, Minister for Economic Development, Tourism, Trade and Entrepreneurship; and Mayors of four municipalities where RDAs are established. The Development Partners Board is in responsible for budget approval, structure, organization, and functioning of the agency, approves strategic development programs and the Strategic Action plan of the agency.

The Director of RDA is nominated from the Mayor of the local unit with the largest population of the respective Region. The structure of the RDA is approved with an order of the Prime Minister, and the Development Partners Board has the prerogative to dismiss the Director of the agency.

Competencies and functions of the four Regional Development Agencies are as follows:

- Managing the information system for all development projects at regional and local level and update at the central level the National Agency for Regional Development
- Design and implementation at regional and inter-regional level of development projects and financial programs
- Promote regional partnerships and projects to contribute to cohesion policy and regional development
- Develop operational programs at the regional development areas
- Collaborate and assist the local government with the local development plans, for the establishment of the partnerships at local, regional and interregional level.

3.3 Administrative and Territorial Organization

Administrative and territorial organization of local units has been part of several changes since the collapse of communist regime in the early 1990s. These changes are related to social and political situation, geographic scope and their functioning structures. The last administrative-territorial reform is determined mainly from EU conditionality. The factors for such reform are demographic changes, fragmentation, lack of promotion and support for economic development (Minister for Local Government, General Report on the Commission's administrative-territorial reform, April 2014, p.11). Furthermore, there is also a demand for the domestic, regional development policies to be in compliance with EU regulations (General Report on the Commission's administrative-territorial reform, April 2014, p.6)

The territorial-administrative reform took place in 2014 with the adoption of the Law No.115/2014 "On the administrative and territorial units of local government in the Republic of Albania". The criteria for such territorial organization were first: EU integration,

disparities, access and mobility, historical and cultural relations, functions and political representation geography. The new reform defined 12 counties and 61 municipalities ((Law No.115/2014 dt.31.07.2014).The Council of Ministers also approved the Cross-Cutting Strategy 2015-2020 to assist the implementation of the reform(Decision No. 691 dated 29.07.2015 “On approval of the crosscutting strategy for decentralization and local governance 2015-2020)).

As a candidate country of the EU, Albania is part of Nomenclature of Territorial Units for Statistics (NUTS). Every country should design the national plan for development based on the needs and priorities of the regions as well as those from priorities of European Commission. NUTS region creates the structures for EU funds allocation for regions. Programs of the member of EU candidate countries are based on the objectives such as European Territorial Cooperation, Regional Competitiveness, and Convergence (Toto, R., Co-Plan, 2008).

Albania is part of NUTS-1; NUTS-2:3 non-administrative regions and NUTS-3: 12 Counties in harmonization with EU Acquis. The division of NUTS ensures not only reliable data collection on regional projects, but also compliance with EU on the definition of what region is, and also ensures the implementation of regional development policies.All the regions design their regional development plans and projects to tackle inequalities and have compliance with regional policies for the EU accession.

The Instrument for Pre-accession Assistance (IPA II) is the main financial instrument of EU to support countries that aspire to be part of EU implement their reforms (Official Journal L 77, 15.03.2014, p. 11). The instrument also serves to support and prepare the country for other financial instruments such as Structural Funds and Cohesion Fund. The financial instrument aims to support the political reforms, territorial and economic

development, alignment and implementation of the Union acquis, and fostering territorial cooperation and regional integration. Furthermore, the instrument addresses five policy areas:

- regional and territorial cooperation
- economic and regional development,
- agriculture and rural development
- reforms about institution and capacity-building
- human resources development, employment, education, promotion of gender equality, social policies

In the context of EU enlargement strategy for Albania, in 2003, European Council confirmed that Albania has its future within EU. In 2004, Albania started the process of Stabilization and Association and completed the agreement in 2006. The country petitioned for EU membership in 2009. Taking into consideration the progress made so far, in 2013, the Commission recommended to the Council to grant Albania, the status of the candidate country. Nevertheless, for the opening of accession negotiations, Albania should undertake several reforms on human rights, public administration, judicial reform and property rights (EU Enlargement Strategy and Main Challenges 2013-2014).

The use of financial instruments does not serve only to the purpose of compliance with EU policies but also to the establishment of the institutional structure with EU models (See Appendix 3) (Indicative Country Strategy Paper for Albania (2014-2020)).

Regional Development component of IPA aims to reduce the socio-economic differences of regions and improve the cohesion with regard to EU adherence.

For the period 2014-2020, one of the EU financial programs is the cross-border territorial cooperation (CBC). The program aims to strengthen the sustainable development of regions through improving the economic situation of undeveloped regions. The framework of IPA II

has a single authority and less thematic priorities compared to the previous one, in order to ensure greater outcome and impact. The program allows Albania to take part in projects where partners are EU member states, and the financial contribution comes from both IPA II and European Regional Development Fund. By so doing, regional and local institutions can apply the same rules and regulations as member states for territorial initiatives and extend their partners with EU member state countries.

EU funds are not only a demand for comprehensive reforms from EU, but they provide also a chance to improve the quality of life of citizens and ensuring a sustainable regional development.

To absorb EU funds efficiently, Albania has to strengthen its technical capacities and undertake administrative and institutional reforms that are a prerequisite for the cohesion of policies and EU compliance. The financial management of IPA II has a decentralized approach.

Management of the funds will be transferred from EU delegation in Tirana to the respective line ministries of the government of Albania. The previous financial instrument was managed by the EU Delegation and Albania was eligible only for two of its components such as Institution building and Cross-Border Cooperation. During that period as a potential candidate country, Albania had access to IPA annual program 2007.

Chapter 4: Regional Development Policy & EU

European Regional Policy addresses the socio-economic disparities through several instruments that are designed and implemented since 1957. The cohesion policy paved the way to its foundation only in 1986. The new policy based its principles in the inclusiveness of local and regional partners, focusing on less disadvantaged areas, multi-year programming and the planning of strategic investments. The Treaty of Maastricht, 1992, and the amended treaty of the Community entered into force in 1993 and created the Cohesion Fund and the Committee of Regions. Furthermore, the Treaties introduced the principle of subsidiarity. The period from 1994-1999 is known as the consolidation phase. In 2004, ten new member states joined the EU.

EU enlargement policies led somehow to increased inequalities in employment and income. The EU structures understood that a paradigm shift regarding cohesion policy is needed as the new member states the GDP was below the EU average. The changes of the policy focused on clustering the financial resources in the most disadvantaged countries and regions of EU. The policy would boost employment and economic growth of the regions. For this purpose, the EU programs will be achieved through Convergence, Regional Competitiveness, and European Territorial Cooperation.

The Concept of Region in the European Union

Before analyzing the regional policy of the European Union, it is important to define the concept of region. The region is not only a geographic term, but a region is also an area of water or land which for instance is smaller than a state or river basin and larger than an area. Usually, region is well-known as an area which involves historical, cultural, geographical and residential areas (Ulrich Brasche, 2001)

The Evolution of the European Regional Policy

The history of the European Policy starts with the Treaty of Rome of the then European Community (Now the European Union). Signatory members declared that “reducing the differences existing between the various regions and the backwardness of the less favored regions”. The treaty also wanted to harmonize and balance the economic development of regions. The Treaty of Rome did not create a financial instrument for the regional development. This was done indirectly with other sectoral policies. The regional development was promoted by the European Investment Bank which would assist by giving loans to project to fight regional disparities. European Social Fund was created in 1958 to allow and facilitate the regions to have a balanced development. Furthermore, after the creation of the ESF, European community creates the European Agriculture Fund that will also facilitate the harmonious inter-sectoral development of the regions. Until the early 1970s the regional policy was vague and at an early phase of its creation (Commission of the European Communities (1969) A Regional Policy for the Community, COM (69)950, 15th of October 1969, Brussels, p. 13.). The policy was still was politically sensitive, and the states were not ready yet to have a comprehensive regional policy at the Community level (See Chapter 9 of Balassa B., (1961), The Theory of Economic Integration, R.D. Irwin).

In 1975 we had the concrete foundation of the European Regional Policy with the establishment of the European Regional Development Fund (ERDF). This instrument would allow member states to redistribute funds to the less developed regions. The economic crisis that followed the early 70s concerned the member states and they decided to tackle the disparities, unemployment, and stagnation of the economy due to the oil crisis. ERDF would tackle the disintegration of regions that was bigger now also due to first EU enlargement. The creation of the single market and the expansion of EU with Greece (1981), Spain and Portugal (1986) accelerated the creation of an integrated cohesion policy arranged to prevent its consequences it had in disadvantaged regions. Therefore, less advantaged regions obtained

the Structural Funds for a better integration and cohesion with other developed regions. The cohesion policy principles were to involve regional and local partners, multi-annual programming, concentrating in regions with disparities and strategic investments.

The European Regional Policy had another important phase from 1993 to 1999. The single market, Monetary Union, and Cohesion policy were the objectives enshrined in the Treaty of Maastricht. The adoption of the Maastricht Treaty that entered into force in 1993 created the principle of subsidiarity, the Committee of Regions and the Cohesion Fund. This period is characterized by an increase of financial resources for the structural and cohesion funds that represented a third of the EU financial resources. The funds would assist the projects in environment and transportation areas of less disadvantaged regions.

The adoption of the Lisbon Treaty also shifted the priorities of the cohesion policy in compliance with the priorities of this Treaty. The EU priorities now focused more on jobs and innovation and growth. Furthermore, EU established financial instrument for countries willing to be members of EU. To promote the development of Countries in Eastern Europe two instruments were created: the Special Accession Program for Agriculture and Rural Development (SAPARD) and Structural Policy for Pre-Accession (ISPA)

For the period 2006 to 2013 EU simplified the rules and structures and added new priorities such as fighting climate change and a greater focus on job creation and growth.

European Regional Policy has been flexible to adapt to enlargement policies of the Union as well as in the context of integration of a cohesion policy for the regions. The development strategy reflected not only the disparities in the region within the Union but also those of the candidate and potential candidate countries.

Other factors for such evolvement of the regional policy are decentralization policies within the Union, economic situation, the creation of the single market, the role of other EU institutions and member states, groups of interest, and governments.

Chapter 5: Results of Study

The other chapters display the concept and issues of regional development in Europe and specifically in Albania. The examination was conducted in a theoretical and practical approach.

This section will emphasize some shortcomings identified during the research, as well as suggestions that derive from the research with regard to regional development. The inequalities about socio-economic opportunities of the regions will demand a well-structured and function regional development policy.

Research issues in regional development in Albania: challenges and conclusions

Regional development in Albania: the key findings and options presented by the people interviewed. The interviewing process delivered important findings and possible solutions for the challenges of regional development processes. The interviews were conducted with representatives of local government, regional development agencies, local NGOs and ministries from the central government. By so doing, a lot of issues emerged from different perspectives of the stakeholders and their relationship with each other. During the interviews, the deliberations were focused on mainly one point: how the Regional Development Agencies would be working together with the Regional Councils for an effective implementation of the regional development policies by EU policies.

The interviewees emphasized that the regional discrepancy is highly politically sensitive. The government has established the regional development agencies which should address the development challenges, but at the same time the Regional Councils are still in function and creating so a duplication of functions. RDAs are created to overcome structural deficiencies and to boost economic development and reduce disparities between the regions. With regard to the current regional development processes, the interviewees do not have a consolidated view, and they show uncertainty of the roles and functions of the local

institutions and agencies. According to them the administrative and territorial reform that was adopted in 2015 found the local government and the administration unprepared for the implementation of the reform. The local government representatives stress the importance to have more power and financial resources. The civil society actors, representatives of Regional Councils and RDAs, and municipalities stated that there is no coherence and comprehensive overview on issues for regional development from the stakeholders.

When asked about regional development concept from Albanian perspective, the representative of Regional Council of Shkoder mentioned that there are merely coordinated actions of local authorities towards shared and strategic objectives and goals. They barely see actions of common interest for all/several municipalities in the region. And the actions within the competences of the Regional Councils are more oriented towards the fact that Regional Councils act more in finding competences in doing what the law does not prohibits them, since there is not right now ‘numbered’ competences for them. By law, Regional Development Agencies have more clear competencies that should and can be translated in actions (Etleva Papekaj, Secretary General of Regional Council of Shkodra).

The answer to the question of who should fund the Regional Development Strategies is complex, because it is related to the body that will implement these strategies, to the time when this funding should start and end. And in regards to ‘who should implement Regional Development Strategies’ even here, it cannot be a one-way answer. It can be Regional Councils or Regional Development Agencies. Nevertheless, the reality has shown that Regional Development Agencies have been successful (the case of Poland) as also Regions (the case of Italy) (Ibid). In regards to the Regional Development (RD) in Albania, the representative of Regional Council of Shkoder made some remarks Regional Development it is not about the institutions having unclear competencies and functions. It has to be and must

be about, among other things, ‘the sustainable development in order to reduce/mitigate the economic and social disparities’.

Political will plays its role in the function and perspectives of the regional development. Instead of trying to emulate/imitate models of regional development, the focus should be shifted on what kind of model, the paradigm we want to create centralized or worse, weakened regional institutions/bodies will affect the regional development (Ibid).

Regional structures need to set up the proper management framework of regional development - supported by a legal and institutional framework, with the appropriate institutional structures accompanied with the necessarily appropriate financial instruments.

Comprehensiveness of all actors in the process of regional development is essential for attaining sustainable regional development.

Keeping in mind the above - At the regional level, looking in the perspective for the regional development, we should aim towards a collective/negotiated governance approach involving national, regional and local government involving also other stakeholders, with the central government taking a less dominant and controlling role.

The Assignment of the Regional Institutions / Bodies which will lead, will be responsible, in collaboration with all international, national, regional and local stakeholders, for sustainable regional development. Furthermore, the empowerment of the Regional Institutions / Bodies with regional functions, competencies and definition of services with regional impacts;

The development of regional strategies, with strategic priorities, focusing on identifying the real regional specific assets, opportunities, accompanied with the Action Plan and a budget to implement the Action Plan.

Chapter 5: Policy Recommendations

5.1 Policy Recommendations:

The key to the success is not much related to the institution in charge but rather to the human resources needed, the capacities of the people involved in the regional/local level (Etleva Paplekaj, Secretary General of Regional Council of Shkoder).

The status of the Regional Councils is not clear for several reasons. Firstly, the previous law no. 8652/00 “On the Organization and Functioning of the Local Government” does not mention them in the regional development strategy. Secondly, the establishment of the Regional Development Agencies has created a duplication of functions and competencies, and that makes it more difficult for coordinating regional policies and the proper use of financial resources.

Regional entities have the lack of capacities, and a proper coordination between the stakeholders is missing. Challenges of the regional policies identified during the interviews held with actors involved in regional development processes are:

- Lack of coordination between local government and central government to tackle the capacity building of the local administration in compliance with the national policies
- Units of local governments use different approaches for their regional/local planning, and sometimes donors do not coordinate their actions.
- There is a lack of transparency and accountability not only from the central government but also at the local/regional level.
- Distribution of financial and human resources is not equal to the local/regional level

These factors are inhibiting the best collaboration not only between public entities with each other but also with the civil society representatives.

Civil society representatives mentioned that regional development programs most of the time are designed without their contribution and participation. Moreover, their contribution in development processes is missing, and therefore the local/regional programs do not address

the real development needs. They are a key factor for the implementation of these programs and their involvement in development processes is a prerequisite for the success of such programs.

Most of the development projects implemented by the international development agencies do not ensure sustainable development. This is due to lack of coordination and short-sighted projects.

Regional Councils are highly affiliated with political parties as neither their Chairman nor the members of the Regional Council are elected officials. Their nomination comes from their respective political parties they represent. Interviewees suggested that at least the Chairman of the Regional Council should be elected by the popular vote. The proposal will create more independence for this institution, and they can undertake less political, regional policies. Representatives of local government suggested that there is a need for better coordination between the local/regional and the national policies. Also, the approach undertaken by the local units should be a bottom-up approach. The approach will ensure the efficiency of the development programs implemented as they will address the current needs at the local and regional level.

There are suggestions that the key players at the regional level should play a bigger role in designing policies at the national level. This will facilitate the compliance at the local and regional level. The central government representatives indicate that the decentralization is a continuing process and they will continue to support financially the regions in compliance with national and EU policies for regional development. The support consists regarding financial resources and competencies. What all the interviewees highlighted is that there is a need for a better coordination from the local/regional and national level, civil society organizations, business sector and donors operating their development programs in Albania. Without this cooperation, the regional development will not be sustainable.

The research analysis for the situation in Albania shows that the regional development is ‘forced’ from European structures and must be aligned with EU regional policies to ensure the EU accession of the country. Regional strategies for the regions should address their needs but also have to be in alignment with policies at the national level.

5.2 Administrative and Territorial Reform

It is the Administrative and Territorial Reform that should be in alignment with Regional development policy. Albania undertook a territorial and administrative reform with the approval in the parliament of two important laws: Law No.115/2014 “On the Administrative-Territorial Division of Local Government Units in the Republic of Albania” and the law No. 139/2015 for “Local self-Government”.

The reform divided the territory into 61 municipalities and 12 counties (officially ‘regions’ as the second level of local governance). According to the law on “local self-governance” the region “represents an administrative-territorial unity, consisting of several municipalities with geographic, traditional, economic, social and common interests and links”(Law no.135/2014). The border of the region match with the borders of the municipalities that compound the region. The center of the region is located in one of the municipalities that compound it” (Law No. 139/2015 for “Local self-Government”). It is worth mentioning that during the deliberations of the law for the administrative reform emphasis was put on number reduction of the Regional Councils. In this regard, the political will prevailed in letting the division of RCs as the previous legislation regulated them.

With the new reform, the Regional Councils continue to have the same competencies and functions they had from the previous law. They are designing and implementing regional policies, exercising functions that are delegated from the municipalities or the central government. National policies for regional development should not focus only on decentralization. Capacity building and coordination between the relevant stakeholders and donors is a prerequisite for the implementation of the regional policies.

The regional policies cannot be successful only with law amendments, or new institutional structures. They should provide the institutional structures with the required financial and human resources and foster the coordination with the stakeholders at a vertical and horizontal level.

Designing and implementing regional policies is a requirement not only from the EU as the primary donor but also from central/regional/local government, business sector, and civil society. As the regions face disparities and inequalities, the government should have a cohesion policy in alignment with EU and donor community.

All the reforms undertaken by the government are strongly supported and initiated as a precondition for European Union accession. With regard to the regional policy that means that the reform should take into consideration the subsidiary principle. Also, an alignment with the cohesion policy of European Union demands from the domestic policies the implementation of concepts such as balanced regional development. These principles must be incorporated into Albania's domestic legislation.

Albania is divided into 3 NUTS. The NUTS-1 includes Albania, NUTS-2 includes the three non-administrative regions respectively North, Central, and Southern Albania. NUTS-3 includes the 12 Regional Councils (INSTAT). The regional disparities demand a regional policy to ensure the balance socio-economic framework and development.

Recommendations for the European Union and National-Regional Stakeholders

The government should align the regional development policies with cohesion policies of European Union. Compliance will allow tackling the disparities of regions as they will get access to development assistance, and EU pre-accession funds for candidate countries. This can be achieved by the adhering to the following steps:

- Regional development policies should be evidence based at all the stages of the policy cycle

- The regional development policies should be in accordance with the principles and approaches of EU regional policies such as ‘regional competitiveness’ and ‘balanced development’, ‘partnership and coordination’ and able to absorb EU funds.
- The new territorial-administrative reform did not reduce the number of regions and maintained the same number as in the proposal for the year 2001
- larger regions are a prerequisite for the compliance of NUTS, and their role, functions, financial sources *should have* a comprehensive approach of all stakeholders and well-defined roles and responsibilities

In addition to these steps the government should create a legal framework for regional development policies that will assist all the actions undertaken at local and national level. The measures will have a twofold intervention: assistance from the central government to disadvantaged regions and regional policy should be implemented with other strategies tackling socio-economic development and integration.

Conclusion

Although Albania has undertaken several reforms, there is still to be done for the regional development policy. What is important for an effective implementation of regional policies is that they should have a comprehensive approach and political support. Also, the interviews revealed that the main issue is that the reforms *should not* be designed to accommodate certain criterion rapidly, as they must have sufficient time for the regions to gain proper capacity for the implementation. Furthermore, the regional policy must be part of the public discourse as this will facilitate the actors involved when implementing such policy, not an issue to be politicized for politicians. The European Union has had a crucial role in the design and implementation of regional development policy in Albania, but the country is placed under undue pressures to comply with EU ‘rules’ for not only regional policies, but the national policies as well. Implementation is fundamental not only for the EU accession process of Albania but also for the allocation of EU funds and the capacity building of

institutional structures. The main problem is, that Albania like other “Transitional States” not only lack institutional capacity due to long-term entrenchment of “preconceived notions” of region and is struggles with the EU’s version of “reorganizing” regions to EU bias criterion. Thus, initially creating a negative policy impact upon regional development concerning decentralization and efficiency. Without a proper capacity building or the sufficient amount of human resources, a well-coordinated institutional framework at the vertical and horizontal level will be difficult to implement in Albania.

The government has made the regional policy a strategic priority and the technical and financial support from EU has been fundamental for the materialization of the policy. Nevertheless, the proper implementation of such policies is hindered by issues of decentralization, to which the national government manipulates or politicizes for their political gain the regional-local level; therefore preventing the proper implementation of EU policy.

Appendices

APPENDIX 1: List of experts interviewed during the preparation of the thesis

1. Representatives of Central Government

| No | Name of the interviewee | Position | Institution | Place | Date |
|----|-------------------------|----------------------------|-------------------------------|--------|------|
| 1. | Eglantina Gjermeni | Minister of the government | Urban Development | Tirana | May |
| 2. | Spartak Zekja | Director | Ministry of Urban Development | Tirana | May |

2. Regional and Local Representatives and decision-makers

| No | Name of the interviewee | Position | Institution | Place | Date |
|----|-------------------------|--|-----------------------------|---------|-------|
| 1. | Etleva Paplekaj | Secretary General of Regional Council of Shkoder | Regional Council of Shkoder | Shkoder | April |
| 2. | Kozeta Vuksanlekaj | Director | Regional Council of Shkoder | Shkoder | April |

3. Representatives of Civil Society

| No | Name of the interviewee | Position | Institution | Place | Date |
|----|-------------------------|--------------------|-------------|--------|------|
| 1 | Dritan Shutina | Executive Director | Co-Plan | Tirana | May |
| 2 | Rudina Toto | Regional expert | Co-Plan | Tirana | May |

APPENDIX 2: Qualitative questions for the interviewed decision-makers of local government and other representatives of NGOs and central government

Discussion points (1)

- How do you see the EU accession process is affecting the designing of the regional development policies?

How do you see the evolution of regional development policies in Albania?

- What are the advantages and disadvantages of the Regional Councils after the reform?
- Should funding of the strategic documents at the regional level be decentralized?

Discussion points (2)

- What should be done to ensure the appropriate implementations of strategic programs at the regional level?
- How would the Regional Councils coordinate their functions with the newly established Regional Development Agencies?

How do you see the duplication of functions as both entities are in charge of regional strategic planning and ensuring sustainable economic development?

Elaborated questions to drive the discussion:

What is the context of the Regional Policies in Albania:

- a) Local/regional actors coordinate their actions toward a strategic plan?
- b) Joint activities and one regional policy of the local government for all the regions?
- c) The design of strategic planning of the Regional Councils or municipalities?
- d) The Action plan from the central government to implement one regional policy for all?

What are the advantages and disadvantages of Regional Councils?

What exactly are the benefits for:

- Municipalities and Regional Development Agencies

- The Central Government
- Civil society and citizens
- Enterprises
- Donors

What are the advantages and disadvantages of Regional Development Agencies?

- Municipalities and regions
- The Central Government
- Civil society and citizens
- Enterprises
- Donors

Who should fund and implement the Regional Development strategies?

- Local authorities?
- Regional councils?
- The Central Government/the line ministries?

Who should fund the Regional Development Agencies?

Local authorities

Regional Councils

Central Government

Donors?

Who should be part of the decision-making processes of the Regional Development Agencies?

Central government

Local government

Independent bodies/structures?

What is lacking for the Regional Councils to carry out their functions for strategic regional development?

- Lack of competencies
- Lack of human resources
- Lack of financial resources
- The establishment of regional development agencies

Next steps

What are the most urgent measures to be undertaken at the regional level? Should the number of regions be reduced? What should be done to coordinate the actions with the Regional Development Agencies?

Appendix 3: Table 1: EU Pre-accession assistance to Albania (2014-2020)

| Albania | 2014 | 2015 | 2016 | 2017 | 2018-2020 | Total 2014-2020 (*) | Of which climate change relevant (%) (**) |
|---|-------------|-------------|-------------|-------------|--------------|---------------------------|---|
| a. Reforms in preparation for Union membership | 78.7 | 59.9 | 12.7 | 74.9 | 94.3 | 320.5 | |
| Democracy and governance | | | 157.2 | | 66.3 | 223.5 | |
| Rule of law and fundamental rights | | | 69.0 | | 28.0 | 97.0 | |
| b. Socio-economic and Regional development | 0 | 18.0 | 50.0 | 0 | 100.0 | 168.0 | |
| Environment | | | 34.0 | | 34.0 | 68.0 | 66% |
| Transport | | | 18.0 | | 38.0 | 56.0 | 27% |
| Energy | | | 0.0 | | 0.0 | 0.0 | |
| Competitiveness and innovation | | | 16.0 | | 28.0 | 44.0 | 9% |
| c. Employment, social policies, education, promotion of gender equality, and human resources development | 5.0 | 0 | 14.0 | 0 | 50.0 | 69.0 | |
| Education, employment and social policies | | | 19.0 | | 50.0 | 69.0 | |
| d. Agriculture and rural development | 0 | 9.0 | 13.0 | 18.0 | 52.0 | 92.0 | |
| Agriculture and rural development | | | 40.0 | | 52.0 | 92.0 | 26% |
| TOTAL | 83.7 | 86.9 | 89.7 | 92.9 | 296.3 | 649.4 | |

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