

The effects of fiscal decentralization in Albania

Blerta Dragusha, Elez Osmani

Abstract

“Basically decentralization is a democratic reform which seeks to transfer the political, administrative, financial and planning authority from central to local government. It seeks to develop civic participation, empowerment of local people in decision making process and to promote accountability and reliability: To achieve efficiency and effectiveness in the collection and management of resources and service delivery”¹

The interest and curiosity of knowing how our country is doing in this process, still unfinished, served as a motivation forme to treat this topic: fiscal decentralization as a process of giving 'power' to local governments, not only in terms of rights deriving from this process but also on the responsibilities that come with it.

Which are the stages before and after decentralization, and how has it affected the process in several key indicators? Is decentralization a good process only, or can any of its effects be seen as an disadvantage?

Key words: Fiscal decentralization, local governance units, revenues, expenses.

Methodology

The *primary and secondary data* are used in the realization of this paper. The majority of the data is taken from publications of the Ministry of Finance, World Bank publications, contacts with responsible persons at some Communes, online research, publications in Albanian or foreign language.

¹ Decentralization Secretariat, 1994: Page 33-34.

1. Theoretical overview on decentralization

1.1. Basic concepts

Decentralization is seen as being composed of three components: political, administrative and fiscal. All the three of these elements can not be understood separately from each other. *Political decentralization*² involves the transfer of political authority from central to local governments.

Administrative decentralization has three elements:

- *De-concentration*³ means the distribution of responsibilities between central and local governments. De-concentration means the horizontal transfer of power
- *Delegation* means a situation where local units operate as agents of central government to implement its functions.
- *Devolution*/transfer of power: means the power of local governments in decision-making, not only implementation but also the power to decide.

What is more important in this paper is the understanding of fiscal decentralization:

1.1.1. What is fiscal decentralization?

Fiscal decentralization implies releasing some competencies to the elected bodies at local level, to determine within certain areas of law the opportunity to establish the taxable level for some specific local taxes, as well as the right of use of these revenues according to the needs of the respective communities. Achieving economic efficiency, equity and macroeconomic stability, can be considered among the main issues of fiscal decentralization. Fiscal decentralization covers *two issues* closely related to each other: The first relates to the allocation of resources and expenditure at different levels of governance. The second relates to the power given to local governments to determine their income and expenses.

1.2. Basic principles

In transition countries, decentralization is based on the principle of *subsidiary*⁴ according to which "the exercise of public responsibilities should, in general, belong more to the authorities closest to citizens." Meaning that local governments will offer services that go to benefit local jurisdictions and the landscape, which gives priority to increasing the efficiency of public services and an efficient allocation of resources in the economy. *Discretion* is another principle which entitles local governments to decide on the level and nature of local services.

The basic idea⁵ that guides fiscal decentralization is "*the creation of an adequate and logical sustainable system of domestic revenue, but without creating additional costs for the national finances and that is consistent with fiscal and macroeconomic policies.*"

² At the institutional level, political decentralization is represented by the municipalities – as local units of the first level, districts – as local units of the second level and the Ministry of Interior – as drafting and coordinating body of the implementation of the decentralization reform.

³ Litvack and Seddon, 1999---decentralization = de-concentration + delegation + devolution. At the institutional level, *de-concentration* is performed by the Prefect, that operates at regional level in terms of spatial administrative and regional departments of respective ministries and departments at the district level.

⁴ Article 2, Law No. 8652, 'On the Organization and Functioning of Local Government', 2000

⁵ Feruglio, N., Fiscal Decentralization Advisor, UNDP, Bratislava Regional Centre, 2007, discussion paper

1.3. The basis of fiscal decentralization⁶

Appointment of local own revenue sources: implies what would be the income collect by the communes and municipalities and what proportion will be the transfer from central government and which taxes will go entirely as government revenue.

Determining the responsibility for costs means which are costs exclusive to communes and municipalities, which are functions delegated by the central government and what are those costs which will be covered commonly from both sides.

Intergovernmental fiscal transfers are also associated with the point stated above, because it refers to funding provided to local units by the central government and given conditionally (conditional transfer) or for any need that the local government has (unconditional).

Local borrowing as a financing option: Local governments can also rely on this type of financing, although the burden for borrowing will fall back to the central government.

1.4. Decentralization, yes or no?

Decentralization has prompted debates by the experts of economy, who based on the cases of countries with various political and economic history have reached to give a number of arguments or reasons for and against this process. Below are listed a few:

1.4.1. Arguments for⁷ decentralization... why yes?

- Decentralization and local authorities represent the basic principles of *democratic consolidated* societies; guarantee the democratization of a country, abandoning the centralized and bureaucratic state.
- Central government is 'relieved' by the management of a few problems for service delivery and focuses on important national issues.
- The existence of LGU (Local Governance Units) allows the *efficient administration* of public affairs closer to citizens, based on the concept of local autonomy as "fair and effective capacity of LGUs to govern and administer in accordance with the law, under their responsibility and *the benefit of their communities*, an important part of public affairs".
- Participation of citizens in decision making process, in terms of giving priority to allocation of income and *transparency*. Fiscal decentralization *empowering people* by strengthening their local governments.⁸
- The level of decentralization in general, and particularly fiscal autonomy, has allowed the LGUs to have appropriate legal instruments to draft medium-term and long-term plans of *local economic development*: An encouraging policy can be done this way and beneficial partnerships with business investment in infrastructure and reduced unemployment, which leads directly to economic growth⁹ and poverty reduction.

⁶<http://siteresources.worldbank.org/PSGLP/Resources/FeruglioandAndersonoverviewofFiscaldecentralization.pdf>

⁷Wasswa Hassan Galinwango, Decentralisation and development: the contradictions of local governance in Uganda, faqe 45-70, <http://www.nmmu.ac.za/documents/theses/Binder1.pdf>

⁸Bahl, R., Pillars of Fiscal decentralization: <http://www.caf.com/attach/19/default/200807Bahl.pdf>

⁹ According to Feruglio, N. Reducing poverty through better delivery of services, like education, health, and other public services'.

- The empirical evidence¹⁰ provides a link between better control of inflation and budget deficit through fiscal decentralization.

1.4.2 Arguments against decentralization... Why not?

Difficulty in maintaining macroeconomic stability of the country after the coordination of objectives is complicated in local and central levels. Since all the objectives of decentralization can not be achieved simultaneously, setting priorities hampers the management of LGUs. Then there are tasks that only central government can properly conduct: e.g.: redistribution of income.

Inefficient provision of services to citizens, which consists of two main developments: *weak prioritization*¹¹ of allocation of funds, seen in an inappropriate mixture of input factors in local level and structural imbalances of territorial administration, that on one side is consisted from fragmented administrative units that operate with high fixed costs and sometimes with excess capacity and on the other side with a few overloaded urban centers with infrastructure and social services facilities.

Managing difficult natural and social situations as a consequence of separate and shared responsibilities, and a discordance between the two power leads to dysfunction of the state.

Much of real estate assets, which are owned by the local government, do not generate income (e.g. roads, schools, parks, etc.) and the cost of operation of these assets increases continuously due to inflation, increased maintenance requirements and increased demand for services. Keeping these costs in control requires an efficient management of public assets by local governments

Local governments are funded by the central government, and this increases the possibility for inaccurate overview of income and expenditure by local governance units towards the central government.

Also, empirically Fornasari (2000) and DeMelo (2000) concluded that increased spending and the deficit at the local level leads to increased deficit in central government level

2. Stage of fiscal decentralization in Albania

2.1. Main phases of the decentralization in Albania

Decentralization in Albania foresees three respective implementation phases: *first phase*, 1991 - 1998 is the phase of political decentralization and is performed by transitioning from *de-concentration* to decentralization. The start of the local governance begins with the 'Local Governance Act' of 1992: the local governance units are established but after this system remained centralized. This remained until the year 1998, when the Constitution has given an impulse to decentralization. At this stage, fiscal decentralization and economic reforms remain at a disadvantage against the political one.

The second phase of decentralization began in 1999 with the announcement of the National Strategy for Decentralization and Local Autonomy, and therefore the adoption of Law no. 8652, (31.07.2000) "Organization and Functioning of Local Government"¹². "

¹⁰ Shah Studies (1998) and King&Ma on the issue of China (2001)

¹¹ Lack of capacities at local level or excess of capacities in one unit or another.

¹² Called "Organic Law"

Through this law districts were determined as the *second level* of local government. 12 such were created instead of 36 districts. The total number of local units of *first level* rose to 308 municipalities and 65 communes

Fiscal decentralization process was developed *after 1999* and the initial focus was:

- Provision of block grant (unconditional transfer) for the local costs of operating and maintenance
- Transfer of administration of tax revenues on commune and municipality buildings
- Creating space in local decision-making for determining local tax rates (+10 / - 30%) or discretion.

Almost all local taxes began to be under the jurisdiction of local authorities, as taxes on small businesses, taxes on agricultural land etc. This process had *costs*: the main economic resources in the exercise of their functions were obtained exclusively through the allocation of funds from the central budget. The main problem was the underdeveloped local capacity to forecast financial needs based on real needs. **Currently**, decentralization in Albania has entered its third phase, the one of testing reform instruments as a result of its consolidation: In addition to the positive achievements, decentralization, aiming at *full devolution*, did not fully respect the principle of subsidiary. Moreover, the type of territorial fragmentation¹³ in Albania, has adversely affected the optimal efficiency of services and therefore in their quality and citizen access options. Even the inter-municipal interaction, proposed as an instrument to achieve efficiency, has not worked due to the lack of guidance platforms. At this stage, when through fiscal decentralization, the financial responsibilities are growing and it's moving towards *full independence in decision making*, on using the proceeds, aiming for:

- *Self-financing* or covering the expenses through costs from the revenues by the user.
- *Co-financing* which the user participates with work and monetary contributions.
- *Increasing the revenues* through collection of direct and indirect taxes, by use of the assets (properties) of the commune or municipality.
- Collection of taxes on *small business* will constitute a challenge in itself during the period.

2.2. Basic changes

Communes and Municipalities will manage the so-called "conditional" and "independent budget". The first is consisted of funds allocated by the central government for delegated and common functions, which are supervised by respective ministries. The second consists of its revenues, which are derived income through local taxes and fees for various services that the commune offers, from the sale of its various assets, and since 1999 from the unconditional transfers. With the fiscal reform more rights to local councils has been given to increase taxes on justice and transparency in the allocation of grants. In terms of local taxes, they are transformed in the manner of collection, and also in the values that have previously been and some others are created, e.g. as the immovable property tax, hotel tax, new

¹³ Although, not extreme and comparable with countries in the region, like Croatia

construction, etc. Costs have also undergone changes because LGUs have put emphasis on community services.

2.2.1. Local Budget Structure¹⁴

- *Revenues of local units:*

- **Local taxes and fees:** includes small business taxes, taxes on immovable property, taxes on hotel accommodation, infrastructure impact fees for new construction, agricultural land tax, tax on transfer of property rights, annual vehicle registration tax, tax for occupying public space, taxes on plates, and other interim taxes¹⁵. Fees¹⁶ for public services performed by LGUs as cleaning, public lighting, issuance of licenses to exercise private activity, advertising, etc.
- **Other non-tax revenues:** income from rent on land, the sale of capital assets of the local unit, revenue from grants, sponsorships, or administrative offenses fines, fees for nurseries, kindergartens, scholarship students, etc.
- **Transfers** from central government: **unconditional** funds are the ones that LGUs take for fulfilling their own and joint functions without the condition of return. *Vertical compensation transfers*, which are based on the division of responsibilities/functions between central and local authorities that aim to support, in general, the expense on of LGUs functions and public services. Equalization grants or *transfers of horizontal compensation* aimed at supporting the LG that objectively lack national income and resources. **Conditional - competitive grants** to carry out the delegated functions and competences, provided to be used for the given purpose and in the end, if they are not used to be returned to the State Budget and this amount is approved during the financial year onwards.
- **National shared taxes** such as: personal income tax and taxes on profits of companies. These taxes will be collected and distributed by the central authority.
- **Loan** since 2008 can be obtained from local financial institutions, banks or the central government. The Loan¹⁷ can not exceed 130% of the unconditional transfer and not more than 20% of the conditional transfer for three years and at least 71% of operating surplus LGUs to exceed the loan. It deals with financing temporary shortfalls of cash, investments or short-term deficit.

- *The costs of local government units:*

- ⇒ **Expenses for its functions (exclusive):** which are financed from own resources and unconditional transfers from the state budget and is predicted at the early stage of drafting the budget. This category includes costs for administration as wages, contributions, expenditures and investments.
- ⇒ **Costs for common functions:** from unconditional transfers by the state budget for LGUs, its revenues to LGUs, competitive grants for investment *education, primary health care, public health protection.*

¹⁴ According to the law, must not include a deficit

¹⁵ According to Feruglio, N. so-called 'local taxes'

¹⁶ Determined with the article 16 of the law no. 8652 date 31.07.2000 and when this fee is applied, it cannot be greater than the service rendered fee.

¹⁷ According to the law no. 9869, date 04.02.2008, on "Domestic Loans"

- ⇒ **Costs for delegated functions:** Expenditure on salaries, social security and health for the NRC (National Registration Center) and civil status, economic assistance financed by conditional transfers..

2.3. Context before the reform

In 1998, only a year before the fiscal reform, the structure of local revenues was based on: 96.6% of revenue from the state budget as conditional transfers (5.4% of GDP) and only 3.4% of self income of LGU. Almost the same situation remained in 1999. In the state budget, local revenues from taxes were 9% of GDP, and 18% of local revenues, total tax revenue 52%, 100% collected from property taxes and 20% tax on consumption. Local tax revenues were 0% of the total and non-tax were 1.6% of the total. The level of local autonomy was zero and only domestic loans were allowed. Detail in figures and percentage is given in *Table 1*:

Table 1: Overview of total local revenues before the fiscal reform

	1995	1996	1997	1998	1999
Total revenues (mln Lekë)	41569	51341	57594	93515	107506
Local revenues = Local expenses	20705	20691	19989	26029	34482
Transfer from the State Budget	20484	20066	19361	25135	33331
Conditional	20484	20066	19361	25135	29920
Block grants	-	-	-	-	3411
Unconditional	-	-	-	-	-
Tax and non-tax revenues	221	625	628	894	1151
% of the total local revenues					
Transfers from the State Budget (%)	98.9	97	96.9	96.6	96.7
Conditional	98.9	97.0	96.9	96.6	96.7
Block grants	0	0	0	0	0
Unconditional transfers	0	0	0	0	0
Local tax and non-tax revenues	1.1	3.0	3.1	3.4	3.3
% of the total central government revenues					
Transfers from the State Budget (%)		39.1	33.6	26.9	31.0
Conditional		39.1	33.6	26.9	27.8
Block grants		0	0	0	3.2
Unconditional transfers		0	0	0	0
Local tax and non-tax revenues		1.2	1.1	1.6	1.1

Source: World Bank

Concerning the structure of expenses, only a year before decentralization the focus was on maintenance and even the funds spent on salaries were significant. Local revenues in the state budget remained minimal. (1.1%)

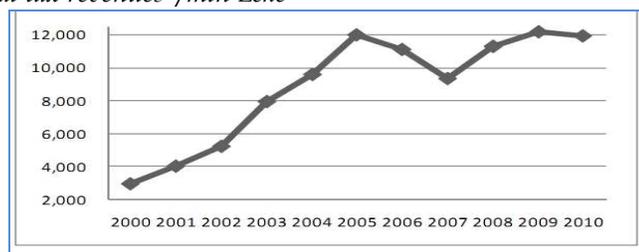
2.4. The effects of Fiscal Decentralization in Albania

2.4.1. Impacts on income and expenses

From 1999 to **2001**, the fiscal autonomy of LGUs remained modest. Local budget expenditure stood only 5% of the total state budget. State budget transfers were dominated by conditional transfers, while block grant took about **16-18%** of local expenditures. During this period, local government was largely *maintenance functions*, in 2001 spending over 50% of the budget for this purpose, 20% for salaries and only 28% for investments.

In the four years **2002-2005**, the total government budget totals about 68 billion or **10.2%** of the state budget without funds and health insurance. Of these, **49%** were derived from local sources, compared with less than **27%** in 2001. Independent local budgets, conducted in 2003, grew compared to the year 2002, to 1.8 billion Lekë or **13.5%** more; year 2004 revenues were 2.4 billion Lekë higher than the realization of 2003: the year 2005, 1,879 billion Lekë greater than in 2004. For 2004 and 2005 were realized by **100%**. Income of the year 2005, compared with the 2002 implementation was 6.3 billion Lekë higher or in relative figure **47%** larger. **Figure 2.2** illustrates this performance better:

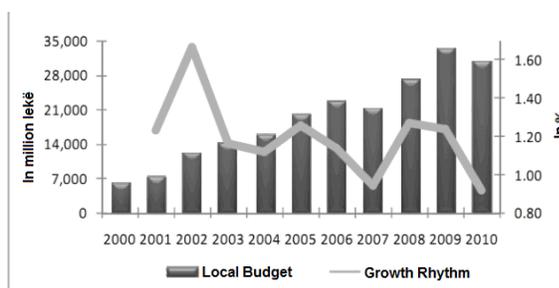
Figure 2.1. : *Local tax revenues /mln Lekë*



Source: Ministry of Finances, March 2011

The weight of investment expenditures for the period 2002-2005 amounted to **42%** of total local budget. Expenditures for salaries and other operational amounted at the level of 23% and 35%. In Figure 2.2. is given the pace of domestic expenditure during the post-decentralization period with the pace of growth: \ddot{E}

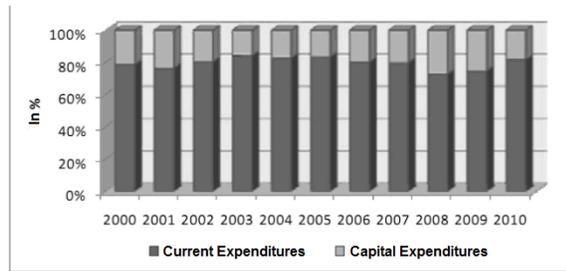
Figure 2.2.: *Local government expenses*



Source: Ministry of Finances, March 2011

If we refer to local expenditures, in 2000 they accounted 14:33% of the State Budget, in 2002: 13.88% and in 2006: 20:39%. Compared with 2004, in 2005 expenditure on wages and social insurance were down 5.5%, operating expenses decreased **6.4%**, while investment expenditure increased **12.5%**. (**Figure 2.3.**)

Graphic 2.3 : *Annual expenditure structure*



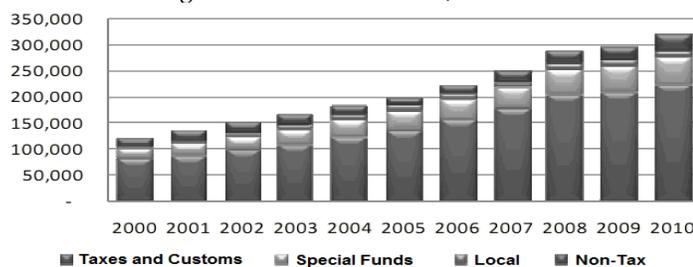
Source: Ministry of Finances

During this period, the capacity of local governments in the collection and administration of local taxes represented a major problem: evasion cases were found, lack of transparency and mismanagement.

2.4.2. Impact on State Budget

In the four years 2006-2009 the main developments relate to the practical application of the concept of "common function". The decentralization reform was supported by a *substantial increase* in local financial opportunities, mainly because of budget transfers. Total government budget amounted to about **129 billion Lekë** or 1.9 times more than the previous four-year period. Weight of the local budget on what state achieved in **12.5%**. Weight of investments amounted to **47%** of total government budget, while those on salaries and other operating at 25% and 27% respectively. Revenue from local sources increased by **1.6 times**, while transfers from the state budget increased by **2.2 times**. Communes and municipalities continued to develop as *investment institutions*. Revenue growth in 2008, is **2.16 times** more than in 2005, indicating the *positive effects* of fiscal decentralization reform. Significant impact was noted on revenues from property taxes, taxes on business, the infrastructure impact taxes, and administrative fees and local regulators, secondary income and payment services, other income from property. Largest collection of these items allowed greater local costs and increase of contributions to the Consolidated Budget. (Figure 2.4.)

Figure 2.4 : Consolidated Budget Revenues / mln Lekë



Source: Ministry of Finances

As illustrated in **Table 2**, local revenues in the Consolidated Budget have a progressive increase in% until 2005 and then a slight decrease as a percentage in noted.

Table 2: *The contribution of the local government revenue in the State Budget*

Name	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total (in mln Lekë)	130642	145639	154595	167224	184355	206519	226283	253455	291238	29950	324721
Revenues from LGU	36387	37699	38287	44105	47432	52635	26226	26335	27526	36835	37067
- Own	1316	2038	2676	4979	5553	8226	11112	9366	11307	18412	10621
- Transfers	35071	35661	35611	36182	37819	40617	15114	16988	16219	18423	26466
Weight of local TA in the State Budget	28%	26%	25%	26%	26%	26%	11%	10%	9%	11%	10.5%
Δ , ∇ , - ¹⁸	∇	∇	∇	Δ	-	-	∇	∇	∇	Δ	∇
Weigh of the unconditioned transfer in the SB	4%	5%	8%	9%	9%	9%	11%	10%	9%	11%	4.7%
Δ , ∇ , -	Δ	Δ	Δ	Δ	-	-	Δ	-	-	Δ	∇
Revenues from the local government to SB	2.26%	2.75%	3.38%	4.74%	5.21%	5.89%	4.84%	3.72%	4.38%	5.49%	3%
∇ , Δ , -	Δ	Δ	Δ	Δ	Δ	Δ	∇	∇	Δ	Δ	∇

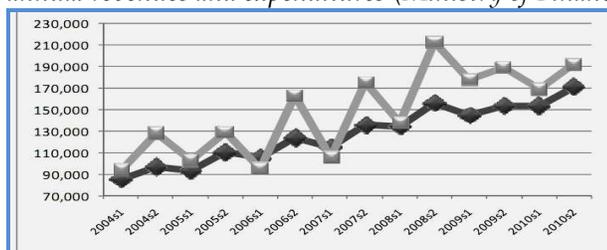
Source : Ministry of Finance, (processed by the authors)

From 2009-2011, the focus has been coordination of the fiscal objectives between the central government of local government, after the global crisis effects have been felt more or less in Albania. If we refer to the consolidated budget, based on data published by the Ministry of Finance, in 2010: central government revenues are 80% total, revenues from special funds 17% and only 3% of the revenues from the local government. Out of these, communes provide most of its revenue 71%, municipalities 25% and 4% of income belongs to the districts. During this period, capital investment fell in comparison with the previous period. The revenues collected from local taxes for 2010 amounted to 11.9 billion Lekë or 2.1% less than the previous year. Current expenditures reached 24.4% of GDP by about 24.% than the previous year. Compared to 2009, these expenditure result about 16 billion Lekë higher or about 5.6% more. 1.9 billion Lekë or 2.7% less than the amended plan, this is a result mainly of savings in salary costs. Compared to the year 2009, budgetary expenditures result about 18.1 billion Lekë lower, or about 4.8% less. General budget

¹⁸ ∇ rënie, Δ rritje, - s'ka ndryshim

expenditures at the end of 2010, amounted to about 361.8 billion Lekë, from about 371.8 billion Lekë provided, realizing about 97.3 percent or a shortfall of about 10.0 billion Lekë. (Figure 2.5)

Figure 2.5. : Total annual revenues and expenditures (Ministry of Finance)

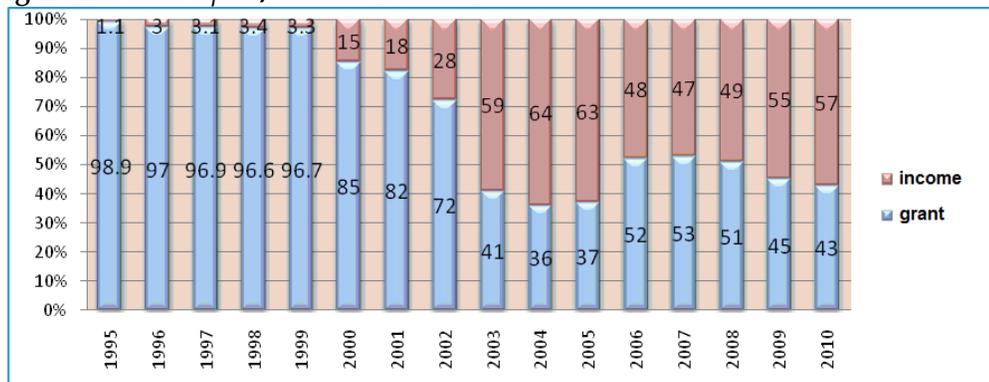


As seen from **Figure 2.5**, the revenues have increased during the period 2004-2010 and almost in the same direction have had domestic costs, taking 'peak' in 2008, mainly in capital investments. By the year 2009 and on, a decrease in investment was noted and income also grew more slowly. Total costs are divided into: 4% to districts, 58% to communes and 38% to municipalities.

2.4.1. Weight of grants in the local budget

As seen from **Figure 2.6** after 2002, the share of transfers from the state budget has dropped significantly and this is because the adoption of the fiscal package that gave local governments the right to generate revenue from local taxes and fees. Thus, transfers to local budgets in 2002 were **9.5 billion Lekë** or **72%** and for 2003, **6.3 billion Lekë** or **41.5%**, for 2004, **6277 billion Lekë** or **35.6%**, for 2005 **7.3 billion Lekë** or **37%**. Conversely presented local tax revenues collected. This indicates an *increased autonomy* of communes and municipalities to determine the income of local people and their levels. This autonomy gives the LGUs. proper instrument of fiscal policy-making and local development policies. This increases the capacity to provide more efficient collection, increases responsibility and autonomy for the collection of such proceeds, based on local needs and priorities

Figure 2.6: Gran report / annual revenues



Source: World Bank, Ministry of Finance (processed by the authors)

After 2006, government transfers (% of local budget) increased, although at a slow pace, only to fall again in recent years. As shown in the graph, financing is becoming more of the units income.

2.5. Unconditioned Transfers

The State Budget for 2002, the concept of giving unconditional transfers for local government with a formula was approved for the first time. This formula was the main results concerning the improvement of equality, creating a greater connection between population size and amount of funds received, providing some *equalization effect*. Formula based on indicators of **Table 3**:

Table 3: *Coefficients for communes and municipalities for the years 2002-2010 / in %*

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010
Fixed amount	3.5	3.5	4	0	0	0	0	0	0
Population	62.5	62.5	62.5	73	70	70	70	70	70
Municipal area	4	4	9	12	15	15	15	15	15
Urban services	20.5	20.5	18	15	15	15	15	15	15
Urban services Tirana	9.5	9.5	6.5	0	0	0	0	0	0
Equalization	-	35	35	35	30	25	25	25	25
Other modifications	yes								

From what is seen, the fixed amount is decreased and rate of population has been increased, surface coefficients and urban services are balanced and the equalization coefficient is improved, which for 2006 decreased by 5% and also in 2007. Furthermore, the formula for the calculation of an unconditional transfer is based on the same elements with further minor adjustments based on the criteria listed above. Unconditional grant from 75% in less than 50% of local budget, competitive grant is tripled (in 2000 was 2.2 billion today over 5.5 billion Lekë). Conditional transfers on 85% of LGUs to almost zero today.

CONCLUSIONS

- Δ The process of decentralization in recent years has recognized outstanding achievements. Many functions and competences to services and public work, are transferred and continue to be transferred to local government.
- Δ Fiscal Decentralization in Albania has led to increase of local costs from increased local revenues, improve resource management and focus on capital investments. According to the case study even, the year that notes more revenues has more capital expenditure, e.g. 2008.
- Δ Fiscal decentralization reform has had *positive effects* on the growth of local revenues from taxes and fees, opposed to the revenues from unconditional transfers from the state budget. Also, local revenue contribution in the total revenue, has increased in parallel. The main argument is the highest level of recognition of businesses at local level and more transparent flow of information.
- Δ There were heavy investments in the central tax administration during these years, and this is reflected in a good performance in revenue collection. *The most*

important issue is how to ensure high profits from minimizing the potential costs that the local governments may have.

- Δ Transfer of functions and competencies from central to local levels is accompanied by the necessary financial resources from the state budget. Currently, local government has a substantial autonomy on the authority and role to generate revenue from local taxes and fees.
- Δ Given the importance of this sector to local government budgets, the fact that well-administration of local taxes and fees requires clear procedures, and a professional staff with integrity, and consideration of the fact that Albania still has no special school for public administration, and neither a school for the preparation of local managers.

References:

- Dabla, Norris, E., *The challenge of Fiscal Decentralization in transition countries*, 2006
- Dhimitri, J., Hoxha, A., *Fiscal decentralization in See countries, Case of Albania*, Stability Pact Conference, 30 September 2006
- Muçollari, O., *Policies and instruments of local development*, Tiranë, 2009
- Bird, R. M., Vaillancourt, F., *Fiscal Decentralization in Developing Countries: An Overview* Cambridge University Press, 1-48, 1998.
- Feruglio, N., *Fiscal Decentralization Advisor*, UNDP, Bratislava Regional Centre, *CEU Summer Course, Sustainable Human Development and the MDGs*, 2007
- Albania and Decentralization in Transition*, Analytical report from the World Bank, August 2004
- Fiscal Report of the Ministry of Finance*, March 2011
- UNDP, *Fiscal Decentralization in Transition Economies: Case Studies from the Balkans and Caucasus*, Bratislava, 2005
- Law no. 8652, date 31.07.2000, "On the Organization and Functioning of Local Government"
- Law no. 9632 "On local tax system" amended
- Law no. 9869, date.04.02.2008, "On local loans"
- Fiscal decentralization and poverty reduction*,
http://asia-acific.undp.org/practices/governance/documents/Primer_FDPR-200511.pdf
- Decentralisation and development: the contradictions of local governance in Uganda*, 2008 <http://www.nmmu.ac.za/documents/theses/Binder1.pdf>
<http://www.caf.com/attach/19/default/200807Bahl.pdf>
http://www.flag-al.org/Flag-AL_ORG_files/strategic%20plans/Shkodra%20Alb.pdf
http://www.wds.worldbank.org/external/default/WDSContentServer/WDS/P/IB/2010/12/02/000333038_20101202234107/Rendered/PDF/535990ALBANIAN1ania0CEM0shqip0Final.pdf
http://www.moi.gov.al/drupal1/qeverisja/qeverisja_vendore.pdf
http://www.minfin.gov.al/minfin/Treguesit_Makroekonomik_ne_Vite_58_1.php
http://www.lgpa.al/files/Overview%20of%20LG%20in%20Albania%20for%20Borrowing%20Purposes_ALB.pdf
http://www.wds.worldbank.org/external/default/WDSContentServer/WDS/P/IB/2010/12/02/000333038_20101202234107/Rendered/PDF/535990ALBANIAN1ania0CEM0shqip0Final.pdf
<http://siteresources.worldbank.org/INTALBANIA/Resources/DecentralizimiNeTranzicionV2.pdf>

http://www.minfin.gov.al/minfin/pub/ligj_10025_date_27_11_2008_124_1.pdf