

Local government reform and unitary state consolidation: Controlled decentralization in Albania after the 2015 territorial reform _____

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Abstract

This article examines Albania's 2014-2015 Territorial-Administrative Reform (TAR) as a political-institutional process through which local government reform may strengthen the unitary state while formally advancing decentralization. It treats TAR as a rescaling of authority, not as a simple reduction of local units. The study is theoretical-conceptual and is based on an integrative narrative review. It combines decentralization theory, state rescaling, infrastructural power and intergovernmental steering. Albania is used as an illustrative case, supported by country-specific secondary sources from the Council of Europe, OECD/SIGMA, NALAS and the World Bank. The paper develops the concept of controlled decentralization: a configuration in which formal delegation of municipal functions coexists with central steering through fiscal conditionality, administrative standardization and party verticality. In Albania, TAR reduced fragmentation and increased municipal scale, but also made local government more legible, comparable and governable from the center. The paper does not provide an original causal test of TAR; it offers a mechanism-based conceptual framework for future empirical research. The framework helps

assess whether reform expands meaningful local discretion or mainly improves local implementation under stronger vertical control. The article links territorial reform to debates on democratic accountability, state capture and democratic erosion in South-East Europe.

Keywords: *controlled decentralization; territorial reform; unitary state consolidation; fiscal decentralization; administrative standardization; Albania*

Introduction

Local government reform is rarely a purely administrative matter. Even when it is presented through the language of efficiency, professionalization and proximity to the citizen, it reorganizes the territorial distribution of political authority. In a unitary state, where constitutional sovereignty remains concentrated, the local level operates as the point where the state becomes concrete. It is there that financial transfers become services, central standards are translated into daily administration and political parties mediate the relationship between national strategies and local communities. For this reason, decentralization should be read not only as a promise of local self-government, but also as a political technique that may reshape the balance between center and periphery.

The comparative literature has long emphasized that decentralization is not a linear movement from the center to the local level. Reforms formally described as decentralizing can expand municipal responsibilities while preserving, or even strengthening, the instruments through which the center directs local action (Falleti, 2005; Eaton, Kaiser, & Smoke, 2011; Dickovick, 2011). This is the paradox of decentralization. Autonomy may increase in legal form while practical discretion remains limited by funding rules, administrative standards, reporting obligations and party hierarchy. The paradox is especially visible in post-transition unitary states, where local revenue bases are weak, administrative capacity is uneven and political competition is often organized through national parties rather than autonomous local platforms.

Albania's 2014-2015 Territorial-Administrative Reform (TAR) offers an important context for examining this paradox. The reform consolidated a fragmented territorial system by replacing 373 communes and municipalities with 61 municipalities and by reorganizing sub-municipal administrative units within the new structure. The official justification stressed economies of scale, improved service delivery and the need to create municipalities capable of exercising broader responsibilities. These objectives are not insignificant. Fragmentation may weaken local administration, reduce professional capacity and make public services unequal. However, the same reform also simplified the institutional

map for central ministries, reduced the number of local interlocutors and made auditing, reporting and programme implementation easier to standardize.

This article develops the concept of controlled decentralization to capture this dual movement. Controlled decentralization refers to a reform configuration in which the formal delegation of responsibilities to municipalities coexists with central steering through fiscal conditionality, administrative standardization and party verticality. The concept does not deny the managerial advantages of territorial consolidation. It also does not assume that every form of central coordination is illegitimate. Rather, it asks how local responsibilities are financed, monitored and politically aligned, and whether municipalities have the resources and discretion needed to respond primarily to local democratic preferences.

The Albanian case has relevance beyond national institutional history. Across the Western Balkans, Europeanization has encouraged both local self-government and stronger state capacity. SIGMA's regional assessment for 2024 covers Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia and treats public financial management, accountability, service delivery and digitalization as core dimensions of administrative reform (OECD, 2025b). NALAS also situates Albanian local finance within wider South-East European patterns of fiscal decentralization, local revenue constraints and intergovernmental transfers (NALAS & KDZ, 2025). This regional setting matters because debates on decentralization intersect with debates on democratic erosion and state capture. Where parties and central institutions control access to resources, local government may either become a counterweight to centralized power or another channel through which power is vertically organized (Bieber, 2020; Richter & Wunsch, 2020).

The purpose of the article is therefore conceptual and analytical. It clarifies controlled decentralization as a lens for examining local government reform in unitary states; it identifies the mechanisms through which territorial reform may consolidate central power; and it provides a set of observable indicators for future empirical research. Albania is used as an illustrative case. The article does not claim to provide a full causal evaluation of TAR, but it offers a framework that can be used to assess whether decentralization expands meaningful local discretion or mainly strengthens local implementation under central direction.

Controlled decentralization and the political logic of unitary consolidation

Controlled decentralization describes a governance configuration with three related features. First, municipalities receive or expand functional responsibilities, such as service delivery, planning, local infrastructure and community

development. Second, central institutions retain or strengthen the instruments that determine how those functions are financed, standardized and monitored. Third, the combined effect may increase the infrastructural power of the unitary state, understood as the ability to implement decisions across the territory through administrative reach, information systems and organizational coordination (Mann, 1984). In this sense, decentralization and consolidation are not automatic opposites. They may be produced through the same reform.

The concept stands between two simplified interpretations. One interpretation treats decentralization as inherently democratic and equates autonomy with the formal allocation of competences. Another interpretation treats decentralization as only a rhetorical cover for central domination. Controlled decentralization offers a more precise diagnosis. It does not begin from the label of the reform, but from the mechanisms that structure real decision-making. It examines how rules, money, information and political careers define the actual choices available to mayors, municipal councils and local administrations.

Decentralization is multidimensional. Political decentralization concerns elected local authorities and representative institutions. Administrative decentralization concerns the organization of public service delivery. Fiscal decentralization concerns revenue authority, spending discretion and the predictability of local resources (Oates, 1972; Rondinelli, 1981; Treisman, 2007). These dimensions rarely move at the same speed. A municipality may have an elected mayor and a broad list of tasks, while still depending on transfers designed at the center. It may manage services while operating inside national templates for procurement, personnel and reporting. When responsibilities expand without corresponding resources and discretion, reform produces responsibility without autonomy (Rodden, 2004).

The order of reforms is also important. Falleti's sequential approach shows that the timing of political, administrative and fiscal decentralization affects the bargaining power of central and local actors (Falleti, 2005). If municipalities receive administrative tasks before they obtain stable fiscal authority, the center can later steer local action through transfers, eligibility rules and oversight procedures. This sequence is relevant in post-transition systems, where central institutions often justify stronger steering by referring to weak local capacity, uneven service quality and fiscal discipline.

Central influence is often exercised through steering rather than direct command. Contemporary governance works through instruments that operate at a distance by shaping incentives, information and standards (Hood, 1991; Pierre & Peters, 2000). Conditional grants, performance indicators, audits, inspections and digital reporting systems do not formally abolish local competences. They define the conditions under which those competences can be exercised. From a principal-agent perspective, delegation creates risks of information asymmetry

and policy divergence; monitoring and conditionality respond to those risks. Yet the same instruments can become political technologies of control when they are discretionary, selectively applied or connected to access to funds.

Fiscal conditionality is the first mechanism of controlled decentralization. In unitary states with weak municipal tax bases, intergovernmental finance becomes decisive for local autonomy. Own-source revenue protects discretion only when it is sufficiently broad and usable. When municipal budgets depend heavily on transfers, the design of transfers shapes local agendas. Predictable, formula-based and unconditional transfers can protect a minimum of local choice. Earmarked grants, competitive investment funds and complex co-financing requirements can give the center a filtering role. Municipal priorities then become aligned with central programmes because access to resources passes through central rules and approvals (Eaton et al., 2011; Smoke, 2015).

Administrative standardization is the second mechanism. Standards for budgeting, procurement, personnel management and sectoral services can improve integrity, legality and equal treatment. However, they also centralize information and narrow the space for local adaptation. Digital reporting systems, audit routines and inspection regimes make local action visible and comparable. This visibility can strengthen accountability, but it also increases the capacity of the center to intervene. Under controlled decentralization, municipalities are not necessarily deprived of tasks; they are placed inside a dense structure of standards that turns political choice into procedural compliance.

Party verticality is the third mechanism. Center-local relations are mediated not only by law and finance, but also by party organization. In nationalized party systems, local candidates, mayors and councillors often depend on national party leadership for nomination, political advancement and access to resources (Chhibber & Kollman, 2004). When investment channels and administrative careers are politically mediated, local autonomy becomes conditioned by vertical loyalty. This dynamic does not require open illegality. It can operate through expectations of alignment, informal brokerage and selective access to programmes. The result is a form of local discretion exercised under the shadow of central political control.

Territorial rescaling connects these mechanisms. Reforming municipal boundaries is not only a question of administrative size. It changes the scale at which public problems are governed, representation is organized and state capacity is projected (Brenner, 2004; Jessop, 2002; Keating, 2013). Municipal amalgamation can create larger administrations with stronger professional capacities. At the same time, it can make the local field more legible to the center, reduce the number of actors to be coordinated and facilitate uniform standards. This is why local government reform can function as state consolidation without openly recentralizing competences.

Albania after the 2015 Territorial-Administrative Reform

TAR in Albania was presented as a response to territorial fragmentation. Before the reform, many communes and municipalities had small populations, limited staff and weak revenue bases. Consolidation into 61 municipalities was intended to create larger jurisdictions with more professional administrations and better capacity for planning, service delivery and investment absorption. The reform therefore had a credible administrative rationale. However, its political-institutional effects cannot be reduced to administrative efficiency. It also changed the interface between the central state and local government.

Recent secondary sources support this interpretation. The Council of Europe's Congress acknowledged substantial progress in decentralization and welcomed the implementation of the 2015-2020 decentralization and local governance strategy. At the same time, it stressed that the division of responsibilities between central and local authorities needs further clarification, and that delegated powers remain exercised under close ministerial supervision, limiting local room for initiative (Council of Europe, 2025). This is precisely the tension captured by controlled decentralization: formal progress in local government reform coexists with mechanisms that keep practical initiative under central direction.

SIGMA's 2024 assessment provides additional grounding. It notes that the 2014-2015 reform reduced the number of municipalities to 61 and that Albanian municipalities now have one of the largest average population sizes in Europe (OECD, 2025a). This supports the claim that TAR strongly rescaled the territorial structure of local government. SIGMA also observes that multi-level governance is steered by central institutions and that local autonomy in policymaking and management of functions remains relatively low. The same assessment reports that less than 40% of surveyed citizens expressed trust in local governments, which is significant for the democratic implications of the reform (OECD, 2025a).

The fiscal dimension is equally important. SIGMA reports that own revenues account for 41% of total municipal budgets in Albania, above the Western Balkan average, but also underlines very large disparities among municipalities and limited equalization effects. It notes that the difference in per capita own revenues between the first and ninth decile of municipalities was over 28 times in 2022, and that 53 of 61 municipalities had considerable payment arrears in 2023 (OECD, 2025a). These figures show that aggregate improvement does not eliminate uneven fiscal capacity. Some municipalities may have room for local initiative, while others remain highly dependent on transfers and central support.

NALAS and KDZ also confirm the importance of fiscal asymmetry. Their 2025 fiscal decentralization report shows that Albanian local government revenues

reached EUR 302 per inhabitant in 2023, or EUR 864 million in total including conditional grants. It also notes that the infrastructure impact tax represented 38% of own-source revenues in 2023, but that this revenue is concentrated mostly in Tirana and a few other large municipalities (NALAS & KDZ, 2025). This confirms that own-source revenue cannot be treated as a uniform sign of autonomy. It is territorially unequal and closely linked to patterns of urban growth.

Investment finance further illustrates the logic of controlled decentralization. NALAS and KDZ report that local capital spending in Albania reached EUR 295 million in 2023 when conditional grants are included, and that local governments contributed about 25% of total public investment in that year (NALAS & KDZ, 2025). These data show that municipalities matter for public investment. Yet the inclusion of conditional grants also shows that local investment capacity is partly structured by central and programme-based funding channels. The World Bank's analysis of intergovernmental fiscal relations similarly emphasizes the need to align municipal responsibilities with predictable and adequate financing (World Bank, 2021).

Administrative standardization reinforces this fiscal relationship. Larger municipalities can absorb sectoral programmes and donor-supported projects more effectively. Yet absorption often requires compliance with centrally defined planning formats, procurement rules, reporting systems and performance expectations. This may improve professional administration, but it also places municipalities inside a national architecture of monitoring. The central state can observe, compare and correct local activity more easily after the territorial map has been simplified. In this sense, TAR increased local administrative capacity while also increasing the center's capacity to steer that capacity.

The political dimension completes the picture. Albanian local politics is strongly connected to national party competition. After TAR, municipal leadership positions became more significant because the new municipalities cover larger populations, budgets and administrative territories. This increases the strategic value of mayoral offices for national parties. Where access to investment programmes, administrative appointments and political careers is mediated by party hierarchy, local discretion becomes conditioned by vertical alignment. This is not only a question of legal design; it is a question of how political power is organized in practice.

The Albanian case therefore illustrates a broader Western Balkan pattern. EU candidate countries are expected to strengthen decentralization, participation and local self-government, while also improving regulatory coherence, public financial management and administrative performance. SIGMA's regional overview treats these as core reform areas across the Western Balkans (OECD, 2025b). NALAS frames fiscal decentralization as a regional issue because local governments across South-East Europe face similar problems of revenue constraints, unequal capacities

and dependence on intergovernmental finance (NALAS & KDZ, 2025). Albania is not an exception to this pattern. It is a case in which territorial consolidation makes the paradox especially visible.

This interpretation does not deny that TAR may have produced managerial benefits. Larger municipalities can plan better than very small communes, employ more specialized staff and develop more coherent service systems. The point is that capacity-building and central consolidation can be co-produced. The same reform that enables a municipality to implement more tasks can also make it a more efficient channel for central programmes, central standards and party-mediated priorities.

Democratic implications and analytical indicators

The concept of controlled decentralization must be empirically traceable. It cannot remain only a theoretical label. Five groups of indicators can guide future research and policy analysis without transforming this article into a quantitative study.

The first group concerns territorial scale and democratic access. Relevant indicators include the size and internal geography of municipalities, the distribution of administrative units, travel time to municipal centers, the location of service points and participation in local consultations. Territorial consolidation may increase administrative capacity, but it may also create internal peripheries if rural communities become distant from municipal decision-makers. Democratic proximity should therefore be assessed together with administrative efficiency.

The second group concerns fiscal autonomy and predictability. Researchers should examine the share of own-source revenue in municipal budgets, the weight of unconditional transfers, the share of earmarked or conditional funds, the stability of revenues per capita and the ability of municipalities to reallocate expenditures without central approval. Fiscal dependence becomes a mechanism of control when funding is unpredictable, discretionary or tied to centrally defined priorities. Formula-based and transparent financing is therefore a democratic safeguard, not only a technical budget rule.

The third group concerns investment channels and conditionality. The key issues are the weight of competitive funds, co-financing requirements, transparency of eligibility criteria and predictability of disbursement. When access to investment depends on central approval, municipalities may adapt their agendas to the priorities of ministries or national programmes. The center then steers through incentives rather than command. This is a softer form of recentralization, but its democratic effect may be substantial.

The fourth group concerns administrative standardization and oversight. Indicators include the number and rigidity of national templates, the frequency

of audits and inspections, the use of digital reporting platforms, the scope of sanctioning powers and municipal discretion over staffing and procurement. Oversight can protect legality and integrity. It becomes problematic when it shifts decision-making from local political deliberation to compliance with central procedures. The analytical task is to distinguish integrity-oriented oversight from politically selective control.

The fifth group concerns accountability and party verticality. Evidence may include the oversight capacity of municipal councils, transparency practices, local media vitality, civil society participation, candidate selection practices and patterns of partisan alignment between municipalities and central government. A systematic shift from horizontal accountability toward vertical compliance is the democratic signature of controlled decentralization. Municipalities continue to exist as elected institutions, but their practical agenda may be shaped more by funding rules, inspections and party hierarchy than by local public deliberation.

These indicators also connect the article to debates on democratic erosion and state capture in South-East Europe. State capture is not expressed only through illegal acts or formal institutional breakdown. It may also operate through stable control over resources, appointments, oversight bodies and access to public investment (Richter & Wunsch, 2020). If local government becomes dependent on vertically controlled channels of finance and political advancement, decentralization can strengthen the territorial reach of captured or dominant party networks. Conversely, if local councils, transparency mechanisms and autonomous revenue bases are strengthened, municipalities can become counterweights to democratic erosion.

The practical implication is clear. A unitary state has a legitimate interest in coherent service standards, fiscal discipline and equal minimum provision. These goals should not be pursued by hollowing out local autonomy. Reform design should protect predictable unconditional transfers, clarify the division of responsibilities, reduce discretionary filtering of investment resources and strengthen municipal councils and public participation. Central oversight should focus on legality and integrity, not on replacing local democratic choice with administrative obedience.

Conclusions

This article argued that local government reform in a unitary state should be analysed not only as decentralization, but also as a possible instrument of unitary state consolidation. Through the concept of controlled decentralization, the paper showed how formal delegation of municipal responsibilities can coexist with stronger central steering through fiscal conditionality, administrative standardization and party verticality. Albania's TAR illustrates this configuration.

The reform reduced fragmentation and created larger municipalities, but it also made local government more legible, comparable and steerable from the center.

Several conclusions follow from the analysis. First, local autonomy cannot be measured only by legal competences. Real autonomy depends on the alignment between responsibilities, resources and discretion. Where municipalities receive broader tasks but remain dependent on centrally designed transfers and standards, decentralization may create implementation capacity without full self-government. Second, territorial rescaling is a political process. Municipal amalgamation can improve administrative performance, but it can also increase the distance between peripheral communities and municipal centers. Third, intergovernmental finance is the main channel through which a unitary state can steer decentralized governance. Transfer design, conditionality and investment approvals determine whether municipalities act as autonomous political communities or as local implementers of centrally defined priorities.

Fourth, administrative standardization is politically significant. Standards, reporting systems, audits and inspections may improve integrity and service quality, but they also centralize information and define the range of acceptable local decisions. Fifth, party verticality shapes how formal decentralization operates in practice. When local political careers and access to resources depend on national party hierarchies, municipal discretion becomes politically conditioned even without open legal recentralization.

The democratic implication is central. Controlled decentralization can contribute to democratic erosion when it shifts accountability from citizens and municipal councils toward ministries, oversight bodies and party leadership. It can also contribute to state capture when control over investment, administrative careers and oversight is organized vertically and selectively. This does not mean that every act of central coordination is undemocratic. It means that the democratic quality of decentralization depends on whether central steering is rule-based, transparent and integrity-oriented, or whether it becomes a mechanism for disciplining local power.

The article's limitation is that it is theoretical-conceptual and does not offer original quantitative testing. Future research should examine Albanian municipalities comparatively, combining budget data, institutional analysis and interviews with local and central actors. Particular attention should be given to fiscal disparities, internal peripheries, party alignment and the strength of municipal councils. Such research would clarify when decentralization strengthens local democracy and when it mainly expands the infrastructural reach of the unitary state.

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