

Rethinking Municipal Competence in Albania: Effective Decentralisation and the Implications for Administrative-Territorial Reform

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Abstract

This article assesses whether Albania's post-2015 legal framework for local self-government has delivered effective, rather than merely formal, decentralisation, and draws out the implications for the Administrative-Territorial Reform 2.0 (RAT 2.0) now before the decision is taken in the Albanian Parliament. The article combines doctrinal legal analysis of the Constitution, the European Charter of Local Self-Government, Constitutional Court jurisprudence and sectoral legislation with documentary analysis of two independent empirical sources: a legal-financial audit of the legislation implementing Law No. 139/2015 (2019) and the government's Performance Measurement System covering all 61 municipalities (2023-2024) which have started to be produced on regular basis since 2023. Albania has

achieved substantial formal alignment with European standards of local autonomy but continues to fall short of substantive decentralisation. Both empirical sources corroborate a recurring formal-real gap: functions historically exercised locally show the least genuine autonomy, while several functions newly transferred in 2015 are comparatively better regulated but under-resourced. Fiscal dependency on central transfers persists, and the statutory mechanism for monitoring financial adequacy has not been operationalised. The analysis relies on two government-produced datasets that are not independently audited, and the 2019 legal audit predates several subsequent legislative amendments. A second territorial reform confined to redrawing municipal boundaries would leave the more consequential legal-harmonisation and fiscal-adequacy deficits identified here unaddressed. This is the first study to combine doctrinal legal analysis with two independent empirical audits of Albanian municipal competence to inform the ongoing RAT 2.0 debate.

Keywords: *Municipal competences; Local self-government; Fiscal autonomy; Administrative-Territorial reform; Subsidiarity.*

Introduction

The transition from a centralised administrative state to one founded on decentralisation and local self-government has been a defining feature of Albania's post-1990 political and legal transformation. It has been understood not as a technical redistribution of administrative tasks but as constitutive of democratic statehood, tied to subsidiarity, accountability and the quality of services delivered closest to the citizens who use them.

Albania signed the European Charter of Local Self-Government in 1998 and ratified it by Law No. 8548/1999, incorporating into domestic law a treaty that defines local autonomy as the right and the effective ability of local authorities to regulate and manage a substantial share of public affairs under their own responsibility. The 1998 Constitution gave this a specific foundation, embedding decentralisation among the state's organising principles in its dedicated Part on local government (Articles 108-115). Two legislative cycles have since translated this commitment into ordinary law: the first, in 1999-2000, established the post-communist model through Law No. 8652/2000 and Law No. 8653/2000; the second, in 2014-2017, restructured the territorial map and the functional and financial architecture of local government through Law No. 115/2014, Law No. 139/2015 "On Local Self-Government," and Law No. 68/2017 "On the Finances of Local Self-Government."

This article asks a single question running through both cycles and the decade since the second: has Albania's legal framework delivered *effective* local

governance — the real capacity of municipalities to decide and act independently within a clearly defined, adequately resourced sphere of competence — or a more sophisticated but still largely *formal* decentralisation, in which legal recognition of competences is not matched by the means to exercise them? The central argument is that the effectiveness of Albania's local governance model is constrained less by the wording of the organic law than by the surrounding legal and institutional ecosystem: the relationship between organic and sectoral legislation, the financing mechanisms conditioning formally recognised competences, and municipalities' administrative and technical capacity to use the autonomy the law affords.

The remainder of the article proceeds as follows. Section 2 reviews the constitutional, European and jurisprudential literature defining local autonomy in Albania. Section 3 sets out the methodology. Section 4 presents the results of a functional analysis of the 2015 reform and Law No. 139/2015, triangulated with the two empirical sources introduced in Section 3. Section 5 discusses the findings in relation to sector-specific recentralisation, fiscal autonomy and the democratic costs of territorial consolidation. Section 6 states the study's limitations. The analysis is timely: RAT 2.0 is, in the agenda of public discourse and later for decision in the Parliament. The evidence assembled here is offered as a contribution to that debate rather than as a purely retrospective assessment.

Literature Review: The Normative and Jurisprudential Framework of Local Governance

International theories of decentralisation and multi-level governance

Before turning to the Albania-specific normative framework, it is useful to situate the article's central formal-real distinction within the wider comparative and theoretical literature on decentralisation, since the tension it identifies is not unique to Albania but recurs across the international scholarship on multi-level governance.

The economic case for decentralisation rests principally on fiscal federalism theory. Oates (1972) formalised the proposition, since known as the decentralisation theorem, that welfare is maximised when local public goods are provided by the level of government able to tailor output to heterogeneous local preferences, provided doing so does not sacrifice economies of scale or generate significant inter-jurisdictional externalities. This efficiency logic underpins the subsidiarity principle examined in Section 2.3 below, but it is a conditional rather than unconditional argument for devolving authority: Oates's own framework implies that decentralisation is welfare-improving only where local governments in fact possess the informational and institutional capacity to exercise the discretion

assigned to them — the same conditionality this article's formal-real distinction is designed to test empirically.

A parallel literature, more institutional than economic, distinguishes types and degrees of decentralisation. Rondinelli (1981) proposed an influential typology distinguishing deconcentration (the administrative dispersal of central authority to field offices, without genuine transfer of decision-making power), delegation (the transfer of specific functions to semi-autonomous bodies remaining accountable to central government), and devolution (the transfer of authority to independent, democratically accountable local governments) — a distinction later adopted by the World Bank as the standard framework for assessing decentralisation reforms in developing and transition countries (Litvack, Ahmad, & Bird, 1998). This typology is directly useful for the Albanian case: several of the recentralisation episodes examined in Section 5.1, in which sectoral legislation reassigns nominally devolved functions to centrally controlled joint-stock companies or agencies, are better classified, on Rondinelli's typology, as a reversion from devolution toward delegation or deconcentration, notwithstanding that the organic law continues to describe the underlying function as a municipal competence.

Multi-level governance (MLG) theory offers a complementary lens. Hooghe and Marks (2001, 2003) distinguish Type I MLG, characterised by a limited number of general-purpose, non-overlapping jurisdictions nested within a stable territorial hierarchy, from Type II MLG, characterised by task-specific, overlapping and more flexible jurisdictional arrangements. Albania's post-2015 model was designed as a Type I system — 61 general-purpose municipalities within a stable, nationally defined hierarchy — but the sector-specific recentralisation documented in Section 5.1, in which individual functions such as water supply or waste management are reassigned to specialised central agencies operating alongside rather than through the municipal hierarchy, introduces Type II characteristics into what remains formally a Type I framework. Whether this hybridisation reflects a considered institutional design choice, or an unplanned accumulation of sector-specific carve-outs is a question this article's evidence base cannot fully resolve, but the pattern itself is consistent with what the MLG literature would predict from a reform combining ambitious formal devolution with continued sectoral policy centralisation.

A third strand of the literature is more sceptical of decentralisation's presumed benefits. Prud'homme (1995) cautioned that decentralisation can as easily entrench local elite capture, widen regional disparities and undermine macroeconomic stability as deliver the efficiency and accountability gains its advocates predict, while Treisman (2007) shows, through a wide cross-national review, that the empirical relationship between political decentralisation and outcomes such as government quality, corruption and public service delivery is considerably weaker and more context-dependent than the normative literature often assumes.

Bardhan (2002) similarly stresses that the benefits of decentralisation are conditional on local accountability mechanisms functioning effectively, without which devolved authority risks reproducing central governance failures at a smaller scale. Rodríguez-Pose and Gill (2003) and Rodríguez-Pose and Ezcurra (2010) add a distributive dimension directly relevant to Section 4.4 and 4.5 below: cross-country evidence suggests fiscal decentralisation is associated with rising regional disparities in low- and middle-income countries, even where political decentralisation proceeds in parallel, a pattern that resonates with the uneven, size-correlated performance this article documents across Albania's 61 municipalities.

Finally, a smaller literature addresses decentralisation specifically in Central, Eastern and South-Eastern Europe. Swianiewicz (2013) identifies a distinct Balkan pattern of local government organisation, in which the formal scope of municipal functions is narrower than in the Central European states that joined the European Union in 2004, notwithstanding directly elected mayors and superficially similar constitutional guarantees. A recent OECD/SIGMA comparative assessment of subnational government across the Western Balkans confirms that Albania's 2015 territorial consolidation is broadly representative of a regional trend toward merging small local government units to increase administrative capacity, but finds that across the region "subsidiarity is operational only when supported by clear competences, predictable financing, and proportionate oversight" — conditions the same assessment finds only partially met, with central governments retaining substantial control "through fiscal instruments, detailed regulation, [and] discretionary oversight" even where formal legal frameworks assign functions locally (OECD/SIGMA, 2023, p. 3). This regional finding anticipates, at a comparative level, the country-specific formal-real gap that this article documents in the sections that follow through Albania's own constitutional and jurisprudential framework and the empirical record of its implementation.

The European Charter of Local Self-Government as a normative benchmark

The European Charter of Local Self-Government (ECLSG), adopted by the Council of Europe in 1985 and ratified by Albania in 1999, remains the principal international benchmark against which the domestic framework must be measured. Article 3 defines local self-government as the right and the *effective ability* of local authorities to regulate and manage a substantial share of public affairs under their own responsibility and in the interest of the local population — a functional test requiring inquiry into whether local authorities can, in practice, exercise their assigned competences, not merely hold them in law. The Charter frames local autonomy as encompassing interdependent political, administrative and financial dimensions, and further requires that administrative supervision be, as a general rule, limited to a review of legality and proportionate to the interests

it protects (Article 8), and that local authorities be entitled to adequate financial resources commensurate with their responsibilities, at least part of which must derive from local taxes and charges over which they have rate-setting discretion.

The constitutional architecture of local government

The 1998 Constitution translated these international commitments into domestic constitutional law. Article 13 establishes local government and decentralisation as a foundational organising principle of the state, and Part Six, “Local Government” (Articles 108-115), elaborates this into concrete guarantees. Article 108 recognises communes, municipalities and regions (later restructured by ordinary legislation) as units of local government with legal personality, elected bodies and the right to manage local affairs. Article 109 guarantees local units ownership of assets and independent management of local revenue, while Article 113 provides an enumerated, non-exhaustive catalogue of local competences, including the right to collect and spend revenue necessary for local functions, to set local taxes in accordance with law, to determine local organisation and functioning, and to defend local competences in court — a guarantee that transforms local autonomy into a justiciable right.

The Constitution does not, however, conceive of local autonomy as independence from the state. Article 114 establishes the prefect as the Council of Ministers’ representative in each region, confined in principle to legality review and coordination rather than substantive oversight. Article 115 allows the Council of Ministers to dissolve elected local bodies only for serious violations of the Constitution or law, subject to judicial review by the Constitutional Court with suspensive effect. A recurring theme in the constitutional text and Albanian scholarship is the distinction between the *formal transfer* of a function and its *effective exercise*: a function assigned by law but exercised without adequate decision-making authority or financing amounts to a formal reallocation of administrative burden rather than substantive decentralisation — a distinction between genuinely transferred competences, competences delegated subject to central instruction, and administrative tasks imposed without corresponding authority or financing that becomes the central analytical tool of this article.

Constitutional Court jurisprudence on decentralisation and local autonomy

The Constitutional Court has played a central role in giving legal substance to these constitutional guarantees, principally through its jurisdiction over disputes of competence between central and local authorities under Article 134 of the Constitution. In Decision No. 29/2006, a jurisdictional dispute between the Municipality of Tirana and central authorities over urban planning, the Court

articulated the leading domestic definition of decentralisation: local government reflects the right of a territorial community to govern its own affairs independently, and decentralisation transfers authority and responsibility for defined functions from central to local government on the principle of subsidiarity. The Court held that granting the Construction Police power to intervene without judicial authorisation in urban planning encroached upon functions the Constitution reserves exclusively to local government organs.

In Decision No. 19/2015, reviewing the constitutionality of Law No. 115/2014 on the new administrative-territorial division, the Court confirmed that territorial reform is not immune from constitutional scrutiny where it threatens to hollow out the substance of local self-government, though it ultimately upheld the 2015 reorganisation. Later decisions extended this jurisprudence to specific competences. In the National Theatre case, the Court found that failing to consult Tirana's Municipal Council before disposing of municipally owned property violated Article 133 and the principles of decentralisation and separation of powers. In Decision No. 19/2009, concerning the transfer of shares in water and sewerage companies to local government units, the Court affirmed that local authorities may challenge before it any act they consider to infringe decentralisation or local autonomy. In Decision No. 22/2010, arising from a parliamentary commission investigating the Municipality of Tirana, the Court reiterated that local self-government carries constitutional status, including the exercise of local functions free from central interference. In Decision No. 37/2015, the Court held that stripping local organs of competence to the point of rendering self-government illusory would itself violate that right, and found the central authority's decision breached Articles 13, 108, 109 and 113 together with the Charter.

Taken together, this jurisprudence has consolidated a functional understanding of local autonomy: decentralisation is not achieved by the formal transfer of functions alone, but requires the concomitant transfer of the legal, organisational and financial instruments necessary for their effective exercise, and any limitation of local competence must be grounded in law, proportionate to a legitimate aim, and respectful of the core content of self-government. This standard provides the principal legal yardstick against which the 2015 reform and its implementation are assessed below.

Methodology

This article adopts a mixed doctrinal-empirical design appropriate to a question that is simultaneously legal and factual: whether formally assigned municipal competences are, in practice, effectively exercised. Three complementary methods are combined.

Doctrinal legal analysis

The first component is a conventional doctrinal analysis of primary legal sources: the 1998 Constitution, the European Charter of Local Self-Government and its ratifying legislation, the organic law on local self-government (Law No. 139/2015) and its predecessor (Law No. 8652/2000), the law on local government finance (Law No. 68/2017), sectoral legislation governing individual competence areas (water and sewerage, waste management, territorial planning, public transport), and the published jurisprudence of the Constitutional Court on disputes of competence under Article 134 of the Constitution. Sources were identified through the Official Gazette (Fletorja Zyrtare), the Constitutional Court's public case database, and cross-referencing within the two empirical reports described below. The analysis is interpretive rather than statistical: it traces how the legal text distributes competence, decision-making authority and financing responsibility across levels of government, and how that distribution has changed through amendment since 2015.

Documentary and empirical analysis

The second component is a documentary analysis of two independent, non-academic empirical sources that together allow the doctrinal findings to be tested against administrative practice. The first is the Matrix of Competencies of Local Self-Government (Urban Research Institute, 2019), a legal-financial audit, funded by the European Union and prepared for the Ministry of Interior, that reviewed approximately 400 legal and sub-legal acts across every sector in which municipalities exercise functions under Articles 23 to 29 of Law No. 139/2015, classifying each function by the degree of regulatory and financial autonomy it in fact affords municipalities. The second is the government's own Performance Measurement System (Sistemi i Matjes së Performancës, SMP), operated since 2023 by the Ministry of State for Local Government and the Agency for the Support of Local Self-Government (AMVV) developed with international expertise, which scores all 61 municipalities annually against a common set of financial, service-delivery and governance indicators; the two SMP reports published to date cover the 2023 and 2024 reporting years (AMVV, 2024, 2025) and they constitute the first ever reports comprehensively monitoring the performance of municipalities. Both sources were analysed. Quantitative indicators relating to the six competences transferred to municipalities in 2015–2016—pre-school education, irrigation and drainage, forest and pasture management, rural roads, fire protection, and social services—were extracted and compared across the 2023 and 2024 SMP reports to identify within-source performance trends. These findings were then assessed

against the 2019 Matrix of Competencies, which remains the only comprehensive legal-financial audit of the implementation of Law No. 139/2015. As no equivalent cross-sectoral assessment has been produced since then, the Matrix was supplemented by a doctrinal review of constitutional, statutory and sectoral legislation, incorporating amendments adopted through mid-2026. The combined analysis enabled the study to determine whether the structural legal constraints identified in 2019 persisted, had been modified by subsequent legislative changes, or were reflected in later administrative performance.

Analytical framework

The three sources are triangulated through a single analytical construct used throughout the article: the distinction between the *formal* transfer of a competence — its inclusion in the organic law's competence catalogue — and its *effective* exercise, understood, following Charter Article 3, as the municipality's real ability to regulate and administer the function under its own responsibility. A competence is classified as having a *wide formal–real gap* when evidence from multiple sources indicates a mismatch between the legal assignment of responsibilities and their practical implementation. This classification is made where: (1) the doctrinal legal analysis identifies sectoral laws or secondary legislation that limit municipal discretion; (2) the 2019 Competence Matrix independently categorises the same competence as centrally regulated or legally non-executable; and (3) Municipal Performance Measurement System (SMP) data show low or stagnant performance on the corresponding indicator. Agreement between two or more of these sources is treated as corroborating evidence, increasing confidence in the classification. This construct is not specific to Albania: it operationalises, for a single-country context, the distinction the international literature draws between the *de jure* assignment of authority and its *de facto* exercise, reviewed in Section 2.1 below.

Scope, periodisation and limitations of method

The validity of the analysis is strengthened through triangulation of three types of evidence: constitutional and statutory provisions, an independent legal assessment, and administrative performance data. Rather than relying on a single source to assess municipal capacity, the study compares evidence across these sources. Where the doctrinal legal analysis and the empirical evidence lead to different conclusions, these differences are explicitly reported and discussed rather than resolved through assumption. Reliability is nonetheless bounded by the fact that two of the three sources originate from, or were commissioned by, the same institutional family (the Ministry of State for Local Government and AMVV), which may share common blind spots in what is measured and reported; this is

treated as a limitation of the evidence base rather than of the analytical method, and is discussed further in Section 6.

The analysis covers the period from the 1998 Constitution to mid-2026, with primary emphasis on the decade following the 2014-2017 reform cycle. All 61 municipalities are within scope, though the SMP data allow disaggregation by population size (four bands, from under 10,000 residents to Tirana) and by business density, which the analysis uses to test whether municipal size, rather than the legal-financial framework itself, better explains observed variation in performance. Methodological limitations specific to the empirical sources — including their government provenance and the temporal gap between the 2019 audit and the present — are addressed together with the study's other limitations in Section 6.

Results

The 2015 reform: from a fragmented to a consolidated territorial model

The model established by Law No. 8652/2000 was the first comprehensive legal architecture for local self-government in post-communist Albania, recognising local units as public law subjects and laying the foundations of administrative and financial autonomy broadly aligned with Charter standards. In practice, however, it exhibited a persistent gap between assigned competences and the capacity to exercise them. Its territorial structure — 65 municipalities and 308 communes — offered proximity between citizens and administration, particularly in rural areas, but at a considerable institutional cost. Many small units lacked specialised administrative capacity, project-design capability and sufficient own-source revenue to deliver increasingly complex services, and the division of functions among “own,” “shared” and “delegated” competences produced significant overlap, particularly for shared functions where it was often unclear which level bore ultimate responsibility, even as decision-making, standard-setting and resources remained largely central.

These weaknesses supplied the principal argument for the 2014-2017 reform, implemented through Law No. 115/2014, which replaced the 65 municipalities and 308 communes with 61 municipalities, eliminating the commune as a distinct category. Law No. 139/2015 then established the new legal framework governing municipal organisation, functions and competences, while Law No. 68/2017 addressed the financial dimension. According to the decennial performance assessment by the Ministry of State for Local Government and AMVV, the pre-reform structure of 373 units carried disproportionately high administrative costs, and consolidation into 61 municipalities is estimated to have reduced local

administrative expenditure by approximately 30 per cent (AMVV, 2024); over the same decade, local government's share of GDP rose from 2.4 per cent in 2015 to 3.2 per cent in 2023, suggesting that at least part of the released resources was redirected toward service delivery. As Sections 4.2 through 4.6 show, however, this fiscal expansion has not translated uniformly into effective local decision-making capacity, and more than a decade after implementation a considerable gap remains between the reform's declared objectives and results achieved.

The competence catalogue of Law No. 139/2015

Law No. 139/2015 assigns municipalities own, shared and delegated functions across 41 discrete areas, ranging from drinking water and wastewater treatment, local roads, public transport, waste management and pre-university school infrastructure, to pre-school education, territorial planning, social services, cultural heritage, environmental protection, agriculture, forestry, local economic development and civil protection. Six of these forty-one functions were transferred to the local level for the first time in 2015. The law provides that local units regulate and administer their own functions fully and independently, in accordance with the Constitution, the Charter and applicable law, while central government may establish general standards to safeguard national interests and service quality, extending financial support where local units lack sufficient means to meet them.

The legal attribution of a function, however, is only the first stage of decentralisation; whether it translates into genuine autonomy depends on the clarity of the division of responsibility, the decision-making discretion actually available, the adequacy of financing, administrative and technical capacity, and the extent to which sectoral legislation conditions its exercise. Law No. 139/2015 does not organise functions as a clean list unambiguously classified as exclusive, shared or delegated: establishing a function's real legal character requires a combined reading of the organic law, relevant sectoral legislation and the concrete pattern of implementation, since a purely formal reading risks misrepresenting the actual relationship between local and central authorities.

Subsidiarity in practice: formal competence versus real capacity

The principle of subsidiarity, embedded in the Charter and the Constitution, requires that public responsibilities be entrusted to the level of government closest to the citizen capable of exercising them effectively. The 2015 consolidation was intended, in part, to create the administrative conditions for its fuller application. The evidence assembled here suggests, however, that subsidiarity cannot be assessed solely by asking who holds the competence, but requires a second, more substantive inquiry: who has the real capacity to exercise it in the citizen's interest?

Even where a function is formally attributed to a municipality, its exercise frequently remains conditioned by sectoral legislation and sub-legal acts adopted centrally, prescribing standards or requirements that narrow local discretion. The reform also introduced a distinct community-level subsidiarity problem: the new, larger municipalities possess greater organisational capacity, but the administrative units created to replace the former communes lack political and financial autonomy, so decision-making on matters of immediate local concern has, in practice, moved further from smaller communities than before the reform.

Municipal size and institutional performance

Larger municipalities generally possess more developed administrative structures, broader human resources and greater capacity to mobilise financing, contributing to more consistent delivery of public functions. Size is not, however, determinative in itself: comparable variation can be observed even among similarly sized municipalities, and its influence is most visible in functions requiring specialised technical capacity — environmental management, local economic development, drainage and flood protection — where smaller administrations more often struggle to recruit and retain the required professional profiles. Functions such as social services and civil protection, by contrast, depend more on inter-institutional coordination and standardised procedures than on population size. Institutional performance thus appears to be a function not merely of size but of how the surrounding legal and institutional framework is structured, with legal ambiguity or competence overlap disproportionately disadvantaging smaller, less capacitated administrations.

Performance evidence: the SMP data, 2023-2024

The formal-real distinction can be tested directly against the two SMP reporting years, which allow six of the functions transferred in 2015-2016 to be assessed against the effective-ability standard of Charter Article 3 rather than the fact of formal transfer alone. Results are uneven across sectors. Irrigation and drainage — transferred in 2016 with a largely amortised inherited network — remained only 45 per cent (irrigation) and 64 per cent (drainage) functional nationally in 2024, with the shortfall attributed principally to unresolved asset-ownership questions and the absence of a technical canal inventory rather than to municipal effort (AMVV, 2025). Forest and pasture management shows a comparable pattern: only 26 of 61 municipalities (43 per cent) had adopted a management plan by 2024, covering 24 per cent of forested area, and forestry staffing — 0.54 employees per 1,000 hectares — remained a fraction of the EU average of roughly three (AMVV, 2025). In both sectors the formal 2015-2016 transfer has not been matched, a

decade on, by the capacity, or by property and cadastral clarity, needed to exercise it in substance.

Other transferred functions show a more encouraging trajectory. Fire protection and rescue, established in every municipality only by the end of 2018, had by 2024 reached roughly one firefighter per 1,500 residents, following a decade in which personnel nearly doubled, from 705 in 2015 to over 1,300 (AMVV, 2024, 2025). Waste management improved comparably: population coverage reached 85.6 per cent nationally in 2024, and cost recovery through tariffs rose from 68 to 83 per cent. Even here the improvement is unevenly distributed: firefighting capacity per resident is several times higher in municipalities under 10,000 residents than in Tirana, and waste cost recovery in the smallest municipalities remained below 50 per cent in 2024.

Pre-school education and social services display the widest gap between formal responsibility and effective delivery. National kindergarten enrolment stood at 68.6 per cent in 2024, well below the EU average of 90.6 per cent, and seventeen of sixty-one municipalities offered no public nursery place in either year measured. In social services, only around 30 per cent of disability cases referred by assessment commissions received support in 2024, and only 45 of 61 municipalities had adopted the Local Social Plan required by Law No. 121/2016 (AMVV, 2025). Technically demanding, capital-intensive functions and functions with entrenched central-local financing dependency thus show the widest formal-real gap, while more standardised functions have converged more successfully toward the standards implicit in the organic law. The data also complicate a purely linear size-performance relationship: while most indicators scale positively with size, municipalities under 10,000 residents achieved a 76 per cent budget execution rate in 2023 against a 60 per cent national average, while Tirana executed only 54 per cent — evidence that size interacts with, rather than substitutes for, the surrounding legal and financial framework.

Legal-financial audit: the 2019 Matrix of Competencies

The performance gaps documented above were, in substantial part, foretold by the 2019 Matrix, which reviewed roughly 400 legal and sub-legal acts across every sector in which municipalities exercise functions under Articles 23 to 29 of Law No. 139/2015. Its central finding anticipates, at the level of legal text, the formal-real gap identified here: regulatory competence is concentrated almost entirely centrally, with municipalities holding meaningful regulatory authority in only two areas — public transport and nursery administration (Urban Research Institute, 2019, pp. 1-2). Functions with a long local pedigree show the least genuine autonomy: drinking-water and wastewater treatment remain “entirely regulated from the central institutions,” with municipal competence limited to three narrow

monitoring tasks; kindergarten administration is “not at all a competence that can be considered as an own function” of municipalities; and household waste collection was found recentralised in substance through Decision No. 319/2018, which “indirectly determines the tariffs” Law No. 8094/1996 otherwise reserves to municipalities, “violating LGUs autonomy” by sub-legal act (Urban Research Institute, 2019, pp. 154-155).

By contrast, several functions newly transferred in 2015 — fire protection, irrigation and drainage, forest and pasture administration — were found “regulated in a more appropriate autonomous way,” consistent with the fire-protection and waste-management trends later confirmed by SMP. Others were found legally non-executable altogether: agricultural and rural development grants were assigned exclusively to the central Payments Agency, contradicting Article 27/4’s assignment to municipalities; environmental and biodiversity protection had, as of 2019, not been revised to reflect municipal competence; and the entire culture sector remained without a single implementing sub-legal act despite Law No. 27/2018, leaving it without means for its exercise (Urban Research Institute, 2019, pp. 2, 153-156). Primary health care facilities, social housing and storm-water and flood-protection functions suffered comparable legal voids.

The Matrix’s financial analysis identifies a further gap bearing directly on Section 5.2 below: Law No. 139/2015 ties financial adequacy to the “legal standards and norms” required for a function, but Law No. 68/2017 instead calibrates the unconditional transfer to the historical cost of the function as exercised centrally before decentralisation — a narrower, internally inconsistent standard within Albania’s own legislation. The same analysis found that the Ministry of Finance and Economy has no independent instrument for verifying municipalities’ reported costs, and that the biennial reports on achieved local-service standards required by Articles 26-27 of Law No. 68/2017 — the principal mechanism for monitoring financial adequacy — “have never been prepared” (Urban Research Institute, 2019, pp. 3, 151).

Discussion

Recentralisation: sectoral legislation and the erosion of formally assigned functions

A central finding from the decade following 2015 is a recurring pattern in which functions formally assigned to municipalities have subsequently been withdrawn, in whole or part, through sectoral legislation or sub-legal acts — properly described as recentralisation. Water supply and sewerage, listed among municipal own functions, were placed under majority state control in 2022 through joint-

stock utility companies and subsequently brought under a National Water Supply and Sewerage Agency. Local public transport was similarly affected: in October 2025 the Council of Ministers approved “MobAL” sh.a., a wholly state-owned company under the Ministry of Infrastructure and Energy, to operate road-based public transport. Solid waste management is likewise affected by Law No. 57/2025 “On Integrated Waste Management,” under which the National Waste Economy Agency is to become a joint-stock company by mid-2026. The water sector shows this recentralisation to be less a rupture than the formalisation of an arrangement already embedded before 2022: the 2019 Matrix found that, despite the formal assignment of water and wastewater under Article 23/1-2, Decisions No. 63/2016 and No. 1304/2009 already organised the function through joint-stock companies with municipal competence confined to three monitoring tasks (Urban Research Institute, 2019, p. 154). The 2022 reform thus consolidated, through primary legislation, a centralisation sub-legal acts had already substantially achieved a half-decade earlier.

Territorial planning has followed a comparable trajectory through amendments to Law No. 107/2014 and Council of Ministers Decision No. 408/2015: amendments in 2022, 2024 and 2025 have progressively expanded the categories of development for which the National Territorial and Water Council, rather than the municipality, is competent. The timing of the water and waste recentralisation is notable against the performance data available immediately before the change: national water-supply and sewerage coverage stood at 88 and 61 per cent of households respectively in 2023, while municipally managed waste services covered 99 per cent of the self-reported population and recovered 68 per cent of collection costs, rising to 85.6 per cent coverage and 83 per cent recovery in 2024 under continued municipal collection (AMVV, 2024, 2025). These figures do not establish that municipal management was more efficient, nor capture the capital-investment backlog that motivated central intervention in water; but they indicate that recentralisation was not a response to an outright breakdown of service delivery, and that the case for reassignment rested on considerations — capital-investment capacity, sectoral coherence, ability to mobilise external financing — outside the organic law’s own competence catalogue.

This pattern is symptomatic of a broader weakness: the absence of full harmonisation between the organic law and the sectoral legislation and sub-legal acts governing individual policy fields, which has often defined in detail how a nominally local function is exercised, retained central decision-making authority, and kept financing dependent on central decisions. The consequence is an institutional paradox in which municipalities remain accountable to citizens for service quality while the principal legal and financial instruments for defining and financing that service remain, in whole or part, central — compounded by a persistent overlap of competences in which municipalities bear responsibility for

delivery while central institutions retain competence over regulation, financing or strategic decisions, weakening the principle that citizens should know which institution is responsible for a service. Taken as a whole, the post-2015 model can properly be characterised as one of *constrained decentralisation*: municipalities occupy a larger institutional role than ever before, but their real autonomy continues to be limited by financial, administrative and normative factors operating largely outside the organic law itself.

Fiscal autonomy and the financing of local government

The fiscal dimension of reform, addressed principally through Law No. 68/2017, was intended to complete the 2014-2017 package by strengthening financial autonomy and clarifying financing mechanisms. The constitutional guarantees reviewed in Section 2.3 establish the normative baseline, yet the recurring finding across Section 5.1 is that dependence on central transfers continues to condition a significant share of municipal competences, particularly in capital-intensive sectors, where central financing decisions — and increasingly central control of the underlying delivery entities — have effectively displaced municipal decision-making even where the organic law formally assigns the function locally.

The scale of this dependency, and the progress in reducing it, can be quantified from the SMP data. Own-source revenue rose from 13 billion lekë in 2015 to 35 billion in 2023 and approximately 43 billion in 2024 — a 241 per cent increase — while unconditional and sectoral transfers grew only around 60 per cent, so own-source revenue's share of municipal budgets rose from 36 per cent in 2015 to 51 per cent in 2023 and 53 per cent in 2024 (AMVV, 2024, 2025). Arrears fell from roughly 12 billion lekë in 2015 to 3.1 billion in 2024. These aggregates conceal a highly uneven distribution: in 2024, own-source revenue amounted to only around 18 per cent of the budget in municipalities under 10,000 residents, against 83 per cent in Tirana. The national trend toward fiscal autonomy is thus disproportionately driven by a handful of municipalities with a favourable economic base, while most remain structurally reliant on central transfers even for their own functions.

This persistent dependency is consistent with the deeper legal diagnosis in Section 4.6: Law No. 68/2017 calibrates the unconditional transfer to historical cost rather than the legal standards specified by Law No. 139/2015, and the statutory reports intended to monitor whether municipalities receive adequate resources have never been produced. Absent that monitoring mechanism and a legally defined adequacy standard, the steady rise in own-source revenue cannot on its own establish that the constitutional principle of financial adequacy is being met; it establishes only that municipalities have become less dependent on a transfer whose own sufficiency remains, as a matter of law, unverified. The

resulting policy challenge is not a binary choice between central and local power, but a functional division of responsibility in which the state guarantees equity and minimum standards while municipalities retain a genuine sphere for organising services according to local priorities.

Territorial consolidation and democratic representation

The 2015 reform's consequences extend beyond the functional and fiscal dimensions to the democratic architecture of local government itself. Replacing the dual structure of municipalities and communes with 61 unified municipalities eliminated the commune as an institution that had, particularly in rural areas, provided citizens a direct and proximate channel of representation. The administrative units created to preserve a minimal link with these communities do not enjoy the legal status of former communes: they are not autonomous local government units, lack directly elected governing bodies, and possess neither political nor financial autonomy of their own.

Empirical data on how the enlarged municipalities are governed lend some texture to this diminished proximity. Staff turnover following a change of mayor is markedly higher than under an incumbent: rotation reached 17.1 per cent in municipalities that elected a new mayor in 2023, against 10.3 per cent where an incumbent was re-elected (AMVV, 2024). Because a single mayoral election now determines the administration for a territory aggregating, on average, six former communes and municipalities, electoral turnover carries correspondingly larger consequences than under the pre-2015 structure. Women's representation follows a comparable size gradient — averaging 33.7 per cent nationally in 2024 but rising to around 40 per cent in the largest municipalities and Tirana — suggesting consolidation has produced more professionalised but also more electorally consequential administrations. There is no universally optimal size for a local government unit: larger units typically have stronger financial capacity and more professional administration but may also produce greater distance between citizens and decision-making and weaker communal identity, itself an erosion of a foundational element of local self-government.

Limitations

Three limitations qualify the findings above. First, the two SMP reports, and the 2019 Matrix are government-produced or government-commissioned documents rather than independently audited datasets; several SMP indicators rely on municipalities' own self-reported figures, and the reports themselves note inconsistencies in certain categories, including waste-management coverage and

irrigation-canal length. Second, the Matrix of Competencies dates from 2019 and necessarily predates the water, transport and territorial-planning amendments discussed in Section 5.1; while its diagnosis of the underlying legal architecture is corroborated by later developments, specific provisions it reviewed may since have been amended in ways this article has not independently verified against the current consolidated text of each sectoral law. Third, the doctrinal method applied here draws on published legislation, jurisprudence and two documentary sources rather than primary interviews with municipal officials, central-government counterparts or citizens, and the analysis is a single-country case study whose conclusions about the relationship between territorial size, legal harmonisation and fiscal adequacy may not generalise directly to decentralisation processes in other post-socialist or Western Balkan states. A fourth limitation is prospective rather than retrospective: because RAT 2.0 was still under parliamentary discussion at the time of writing, this article assesses its likely implications in principle rather than its enacted statutory text, which may address some of the deficits identified here in ways this analysis cannot anticipate.

Conclusions

This assessment supports a central conclusion: Albania has achieved substantial *formal* alignment with European standards of local autonomy, evidenced by a detailed constitutional framework, a ratified Charter, an extensive catalogue of 41 municipal functions, a dedicated finance law, and an active Constitutional Court jurisprudence protecting local competences. Measured, however, against the functional test in Charter Article 3 — the *effective ability* of local authorities to manage public affairs under their own responsibility — the picture is considerably more constrained.

Three structural findings recur throughout this analysis. First, the relationship between the organic law and sectoral legislation remains poorly harmonised, producing a persistent pattern in which functions formally assigned to municipalities are subsequently narrowed or withdrawn through central legislation or sub-legal acts, as shown since 2015 in water and sewerage, waste management, public transport and territorial planning. Second, functional and fiscal autonomy are mutually dependent, and continued dependence on central transfers and financing decisions constrains municipalities' capacity to translate formal competences into independent policy, particularly in capital-intensive sectors. Third, the territorial consolidation underpinning the 2015 reform, while addressing genuine weaknesses in pre-2015 administrative capacity, has come at a measurable cost to proximity between citizens and local decision-making, only partially mitigated by administrative units lacking the autonomy of the communes they replaced.

None of these findings implies that the 2015 reform was misconceived, or that a more fragmented structure would better serve decentralisation; the pre-2015 model carried its own structural weaknesses. What the evidence suggests is that effectiveness cannot be secured through territorial reorganisation or an expanded competence catalogue alone. It requires, in addition, a sustained programme of legislative harmonisation between organic and sectoral legislation; a fiscal framework reducing municipalities' structural dependence on discretionary central transfers, particularly for capital-intensive services; and institutional mechanisms — whether strengthened administrative units, participatory budgeting or other forms of sub-municipal representation — capable of preserving a genuine connection between citizens and the local institutions that govern them.

These findings bear directly on RAT 2.0, now under parliamentary discussion. Because RAT 2.0 is, by its terms of reference, principally concerned with the number and boundaries of municipalities, it addresses only the third finding above — and only partially, since the evidence in Sections 4.4 through 5.3 shows municipal size to be one input among several, not the principal determinant, of institutional performance. A reform confined to redrawing boundaries would leave untouched the two findings this article's evidence identifies as more consequential: the unharmonised relationship between organic and sectoral legislation, which has permitted recentralisation of assigned functions without amending Law No. 139/2015 itself; and the unresolved gap between the constitutional principle of financial adequacy and its statutory implementation, including the continued absence of the monitoring reports Law No. 68/2017 requires. As Albania continues its EU accession process, the coherence of this relationship will remain a central test of whether its local governance model evolves from formal decentralisation toward the effective local governance the Constitution and the Charter were designed to secure. Without a parallel programme of legislative harmonisation and fiscal-adequacy reform, RAT 2.0's principal effect may be to re-consolidate municipalities still no closer to exercising in substance the competences the law already assigns them in form.

Future research could usefully extend this analysis in two directions: a comparative assessment of RAT 2.0's eventual statutory design against the functional and fiscal benchmarks identified here once the reform is enacted, and primary interviews with municipal officials and central-ministry counterparts to test whether the formal-real gap documented through doctrinal and documentary sources is perceived, and explained, in the same terms by the officials who administer these functions day to day.

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Note on citation style: legal instruments and Constitutional Court decisions are cited in text by their official title and number, consistent with standard legal-citation practice; the three empirical and institutional reports drawn upon throughout are cited by author and year in APA style and listed below.

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