

# REPUBLIC OF ALBANIA

## ALBANIAN ASSOCIATION OF MUNICIPALITIES

### STRENGTHENING THE EUROPEAN TENDENCIES OF DEVELOPMENT IN LOCAL SELF-GOVERNMENT IN SOUTHEASTERN EUROPE

1. Legislative framework of local self-government:
  - Constitutional guarantees;
  - Legislation.
2. Basic structural characteristics of local authorities:
  - Territorial division – number of territorial units;
  - Grouping of municipalities – by number of population, by territory, by other criteria typical for the country.
3. Local government bodies – forming, statute, basic functions:
  - Representative bodies (municipal councils);
  - Executive bodies, structure of municipal administration;
  - Interaction between both types of bodies.
4. Municipal functions by spheres of activities and types of local services:
  - Police;
  - Education;
  - Healthcare;
  - Social welfare and social support;
  - Culture;
  - Water supply and sewage;
  - Cleanliness, waste;
  - Housing;
  - Others (of significance for the respective country).
5. Municipal property:
  - Scope by types of property;
  - Forms of management.
6. Municipal finance:
  - Municipal budgets revenues – local taxes, local fees, shared taxes, subsidies, loans;
  - Municipal budget expenditures – by types of activities (ref. Item 4), current and investment costs.
7. Interaction between local and central authorities:
  - Control over local governments by central authorities;
  - Forms of dialogue;
  - Local governments' associating for defense of their common interests.
8. Citizens participation in local self-government:
  - Local elections;
  - Forms of direct participation – referendums, etc.
9. Future reforms in local self-government.

## **Local government in Albania**

Albanian Local Government before the 1990s was in essence a de-concentrated governance, with limited self- government bodies (elected councils) within the framework of a highly centralized decision making system in charge of managing the implementation of detailed economic planning. In the 1990s, the overall system began to shift to a more decentralized local government system. The first local governments were created at that time (Law on Functions and Organization of Local Governments, August 1992). The reform of 1992 made possible the establishment for the first time of politically autonomous local governments. This must be considered a very important achievement. Some of the services and functions from which the public could benefit directly were passed to the local bodies that, though politically autonomous, still lacked real administrative and fiscal autonomy.

The main structural change was the modification of the role of the two levels of local governments, by (i) strengthening the functions of municipalities and communes as the primary level of local governments with direct responsibilities and more authority, and (ii) modifying the role of District Councils to include a coordination function.

In the first years of transition, the focus was mainly on central reforms to build the key institutions (parliament, government, and judiciary) based on democratic models as well as on basic economic reforms (macroeconomic, banking, privatization, etc.) As a result, there was less attention to local government reforms. Nevertheless, a number of laws and governmental decrees, which defined the competencies and authorities of local bodies, were approved.

The actual status of local governments is characterized by a mismatching between the responsibilities and authority to act. One hand the formal responsibilities of local government bodies are very large but on the other their real power is very limited.

## **1. LEGISLATIVE FRAMEWORK OF LOCAL SELF GOVERNMENT**

### **1.1. Constitutional guarantees.**

The Constitution of the Republic of Albania, adopted in 1998 (after a referendum), stated that Albania is a unitary state and defines the basic structure of the system of local government. It establishes two levels of local government, the regions and the communes / municipalities, which will be decentralized autonomous local public authorities, responsible for delivering public services and goods. The system will also include de-concentrated entities of the National government.

The main provision of constitution establishes that: “Local Government in the Republic of Albania is founded upon the basis of the principle of decentralization of power and is exercised according to the principle of local autonomy”

Chapter VI of the Constitution states that:

- 1. Commune/Municipality is basic unit of local government**
- 2. Region is the upper level of local self-government**

The constitution establishes that LGU-s are juridical persons and grants them the right to:

- a. regulate and administer in an independent manner local issues within their jurisdiction:
- b. exercise the rights of ownership, administer in an independent manner the income created, and also have the right to exercise economic activity:
- c. collect and spend the income that is necessary for the exercise of their functions:
- d. establish local taxes as well as their level in compliance with law:
- e. establish rules for their organization and functioning in compliance with law:
- f. create symbols of local government as well as local titles of honor:
- g. undertake initiatives for local issues before the organs defined by law.

The units of LG issue directives, decisions and orders and the right of self-government are protected in court.

**Regions** as the upper level of local self-government consist of several basic LGU. Communes and municipalities delegate members to the Regional Council in proportion to their population, but always at least one member. The Mayors are always members of the Regional Council.

The regional council is the representative organ of the region. They are responsible for coordinating and harmonizing policies among the communes/municipalities consistent with the regional policies of the National Government. They have the right to issue orders and decisions with general obligatory force for the region.

Article 114 of the Constitutions states that the Council of ministers appoints a prefect in every region as its representative and his powers are defined by law.

Only the Council of Ministers can dissolve and discharge the elected organ of LG, which has the right to complain within 15 days to the Constitutional Court and in this case the decision of Council of Ministers is suspended; the President of the Republic sets a date for holding of elections of the respective LGU.

## 1.2 Legislation

The main laws on Public administration and Local Government

The following laws regulate public administration and local government in Albania:

- Law on Public Procurement (1995)
- Law on Organization and Functioning of the Municipal/Commune Police (1997)
- Law on Taxes System in Republic of Albania (1998)
- Law on Urban Planning (1998)
- Law on the Drafting and Execution of the Budget of the Republic of Albania (1998)
- Law on Status of Civil Servant (1999)
- Law on Organization and Functioning of Local Governments (2000)
- Law on Administrative-Territorial Division (2000)
- Law on Organization and Functioning of Tirana Municipality (2000)
- Law on Immovable State Property (2001)
- Law on the Transfer of Immovable State Public Properties to Local Government (2001)

Law on Organization and Functioning of Local Governments (Basic Law) No.8652, dated 31.07.2000 regulates the organization and functioning of LGU-s in the Republic of Albania, as well as sets forth their functions, powers, rights and duties.

Each local government shall have full discretion to exercise initiatives in the interest of the Local Community to any matters which is not prohibited by law or which is not exclusively granted by law to any other government organ.

According to this law each commune, municipality and region shall have the following rights:

#### **i. Right of governance**

- a. Take any necessary measures for carrying out their functions and exercise their authority.
- b. Based on the Constitution, laws and normative acts, and to carry out their functions and exercise powers.
- c. Local government can create administrative structures and economic units.
- d. Each local government may create committees, boards and any administrative-territorial sub-division within its jurisdiction to perform its governing functions.

#### **ii. Property rights**

Local governments may exercise property rights, including the right to purchase, sell or rent its movable and immovable property or use its property but the property rights are exercised by the respective council, and they may not be delegated to anybody else.

#### **iii. Right to fiscal autonomy**

Local governments may obtain revenues and make expenditures and have the right to set taxes and fees.

#### **iv. Economic development rights**

Local governments have the right to undertake any initiative for economic development, provided that these activities do not contradict the fundamental direction of economic policies of the State.

#### **v. Right of collaboration**

To carry out specific functions, two or more units of local government may exercise any competence given to them by law and may collaborate with similar units of local government in other countries and are represented in international organizations of local governments, in accordance with special legislation in force.

#### **vi. Rights as a juridical person**

Local governments are juridical persons and may exercise all the rights set forth in the Civil Code of the Republic of Albania and in the legislation in force:

- a. the right to enter into contracts;
- b. the right to establish other juridical persons;
- c. the right to bring a civil accusation;
- d. the right to keep accounts;

## 2. BASIC STRUCTURAL CHARACTERISTICS OF LOCAL AUTHORITIES

- **Territorial division – number of territorial units;**
- **Grouping of municipalities – by number of population, by territory, by other criteria typical for the country.**

Territorial division-number of territorial units;

In Albania there are:

1. 12 regions (sub-division of the regions are the districts; 36 districts)
2. 65 municipalities
3. 309 communes

According to the Basic Law, both the municipalities and the communes are administrative-territorial entities. The residents in a municipality are in urban area and in special cases in rural area while in a commune are vice-versa. The territory and name of each commune and municipality is set forth in another law. Subdivisions of municipality in urban area are called quarters (Lagje) but a quarter can not have less than 15,000 residents. A city is a residential center, which will be developed according to an approved future urban and is established by law. There are 73 cities in Albania and only 65 of them are municipalities.

A region is comprised of several communes and municipalities that have geographical, traditional, economic and social ties.

### Main Municipalities and the smallest one in Albania

Municipality	Inhabitants	% of Total Municipality Population
Tirana	455,201	22.4
Durrës	130,170	6.4
Elbasan	116,560	5.7
Vlorë	107,451	5.3
Shkodra	106,415	5.2
Fier	80,804	4
Korça	79,528	4
Berat	64,394	3.2
Lushnjë	55,652	2.7
Kamëz	45,545	2.2
Kavajë	34,431	1.7
Pogradec	33,559	1.7
Patos	33,083	1.6
Gjirokastrë	33,022	1.6
Sarandë	31,508	1.6
Kuçovë	30,749	1.5
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Këlcyrë	4,718	0.2
Libohovë	3,042	0.1
Leskovik	2,945	0.1
Konispol	2,932	0.1
<b>Total</b>	<b>2,033,220</b>	<b>100</b>

But actually the bigger cities are much more populated than the numbers shown on the records and vice versa. In Tirana there are more than 150,000 inhabitants in its surroundings.

**Territorial Structure of communes, municipalities and regions in Albania**

NR	REGIONS	MUNICIPALITIES	COMMUNES	VILLAGES INCLUDED IN THE MUNICIPALITIES	VILLAGES INCLUDED IN THE COMMUNES	CITIES
01.	BERATI	5	20	+ 6	239	5
02.	DIBRA	4	31	+ 15	264	7
03.	DURRESI	6	10	+ 21	85	6
04.	ELBASANI	7	43	+ 16	381	7
05.	FIERI	6	36	+ 19	259	6
06.	GJIROKASTRA	6	26	+ 6	265	6
07.	KUKËSI	3	24	+ 6	179	3
08.	KORÇA	6	31	+ 6	339	6
09.	LEZHA	5	16	+ 32	137	9
10.	SHKODRA	5	29	+ 15	257	6
11.	TIRANA	5	24	+ 15	218	6
12.	VLORA	7	19	+ 22	173	7
<b>Total</b>	12	65	309	179	2796	74

### 3. LOCAL GOVERNMENT BODIES – FORMING, STATUTE, BASIC FUNCTIONS:

- **Representative bodies (municipal councils);**
- **Executive bodies, structure of municipal administration;**
- **Interaction between both types of bodies**

The members of commune and municipality councils shall be elected by procedures set forth in the Election Code. The number of members (Councilors) shall be determined according to the population of the communes and municipalities as follows:

Communes and municipalities up to	5000	inhabitants	13	councilors		
“	“	“	5-1000	“	15	councilors
“	“	“	10-20000	“	17	councilors
“	“	“	20-50000	“	25	councilors
“	“	“	50-100000	“	35	councilors
“	“	“	100-20000	“	45	councilors
Municipality of Tirana					55	councilors

The function of the councilor is incompatible with the function of the Mayor, Deputy Mayor, secretary of the communal/municipal council and every employee of the executive organs.

The commune and the municipality council adopts:

- The statute [charter] and the internal regulation of its functioning as well as the number of the personnel and the criteria for qualification, salaries.
- Norms, standards and criteria for the regulation and the enforcement of the function.
- Regulation procedures and manner of the execution of delegated function.

The commune/municipality council appoints:

- Chairman and deputy chairman of the council
- Secretary of the communal and municipal council

The chairman and deputy chairman are elected from among councilors. The chairman of the council presides the council meetings and signs all acts and reports of the Council.

The council nominates the secretary of the communal/municipal council upon the proposal of the chairman of the council.

Since commune and the municipality council adopts organizational structure and basic regulation of the administration of commune/municipality as well as the number of the personnel, salaries etc, there is no uniform organizational model for the organs of municipality/commune.

Mayors are elected directly by the residents of the commune/municipalities. The mandate of the Mayor shall be verified by the court. The Council of the Ministers may discharge a Mayor. He has the following jurisdiction and duties:

- Reports to the council as required by the latter, on issues that are related to the functions of the municipality/commune;



- Appoints and dismisses the deputy mayors, the managers and other non-managerial employees of the enterprises and institutions under municipality/commune jurisdiction;
- takes measures for qualification and training of the personnel of the administrative staff, the personnel of education, social, cultural and sportive institutions;

The Mayor of the commune/municipality exercises all competencies for the carrying out the functions of the commune and municipality with the exception of those competencies that are exclusive to the council. He implement the decision of the local council and has the right to only once ask the council for reconsideration of a decision of the council that he deems harmful to the interests of the community.

The term of office of the municipal council is three years from the day of election. Its executive body is the mayor.

The council defines the internal executive body structure.

The council upon recommendation of the Chairman of City Council elects its General Secretary.

The City Council establishes its standing committees.

The City Council adopts the organization structure of the executive body, submitted by the Mayor.

The Mayor appoints his/her deputies and the rest of the staff. The mayor performs political and administrative functions and represents the municipality in dealings with other local governments and the state administration. Mayor, his/her deputies are responsible for the execution of resolutions and decisions taken by the council.

A municipal office is divided into departments. The mayor, his or her deputies determine the organization of the offices. These persons supervise the various departments.

The decisions of the local council are usually prepared by departments and are forwarded to city council committees that negotiate draft versions of the final resolutions/ decisions. Afterwards, the council makes a final decision, which then is executed by the mayor or other officials of the municipal administration.

#### **4. Municipal function by spheres of activities and types of local service**

Tasks of the municipality are defined in the Law on Organization and Functioning of Local Governments, which states that the jurisdiction of the local council extends to all matters unless stipulated otherwise by separate legislation. The communes, municipality and regions perform three functions:

- i. The exclusive functions are functions given by law to the local government unit, for the realization of which, it is responsible and has the authority to make decisions and use means for their realization. Local government units shall exercise full administrative, service, investment and regulatory authority over these functions.
- ii. The shared functions are functions for which the local government unit has its share of

responsibility, distinguished from the share of responsibility granted to the central government and these functions are accompanied proportionally with competencies, which are exercised autonomously.

iii. The delegated functions are functions of central government that by law or by a contractual

Agreements are assigned to a local government for performance.

Communes and the municipalities have the following exclusive functions:

- water supply\*\*
- sewage and drainage system and (flood) protection canals in the residential areas\*\*
- construction, rehabilitation and maintenance of local roads, sidewalks and square\*
- public lighting\*
- public transport\*
- cemeteries and funeral services\*
- city/village decoration\*
- parks and public spaces\*
- waste management\*
- urban planning, land management and housing as described in the law\*
- construction permits\*
- preserving and promoting the local cultural and historic values\*
- social services including orphanages, day care, elderly homes\*
- the establishment and management of public market places\*
- veterinary services\*
- protection and development of forests and natural resources\*
- small business development\*
- the protection of public order\*\*
- civil security\*\*

Communes and the municipalities may undertake any of the following shared functions:

- pre school and pre university education\*\*
- priority health service and protection of public health\*\*
- social assistance and poverty alleviation and ensuring of the functioning of relevant institutions\*\*
- public order and civil protection\*\*
- environment protection\*\*

\* Beginning on January 1,2001

\*\* Beginning on January 1, 2002.

Specific Functions of Local Government Units in Albania

Function	Complete Authority			Type of Authority				Exercise of Competence			
	State	Intermediate	Municipality	Exclusive	Shared	Compulsory	Discretionary	Direct	Indirect	In own right	For another authority
<b>EDUCATION</b>											
Preschool			X	X				X			
Primary	X		X		X			X			
Secondary	X			X				X			
Vocational and Technical	X			X				X			
Higher	X			X				X			
Adult	X		X		X			X		X	
Other											
<b>GENERAL ADMINISTRATION</b>											
Security, Police	X			X				X			
Fire Protection			X	X				X			
Civil Protection			X	X				X			
Justice	X			X				X			
Civil Status Register	X			X				X			
Statistical Office	X			X				X			
Electorate Register	X			X				X			
<b>SOCIAL WELFARE</b>											
Kindergarten and Nursery			X	X				X			
Family Welfare Services			X	X			X				
Welfare Homes	X		X		X			X	X		
Social Security	X		X		X			X	X		
Other											
<b>HEALTH SERVICES</b>											
Hospitals	X			X				X			
Health Protection	X		X		X			X	X		
<b>CULTURE, LEISURE, SPORTS</b>											
Theaters	X		X		X			X	X		
Museum and Libraries	X		X		X			X	X		
Parks and Public Spaces	X		X		X			X	X		
Sports and Leisure	X		X		X			X	X		
Religious Facilities	X			X				X			
Other Cultural Facilities	X		X		X			X	X		

Law and normative acts regulate the relations between the local government and central government.

## **5. LOCAL GOVERNMENT PROPERTY RIGHTS**

The constitution recognizes the rights of local governments to have their own property and to exercise all property rights within the limits of the law.

### **Types of local properties**

Local government property will be of the “public domain” or “private domain”. For each of these two types, the local governments will have specific property rights recognized by law. Local governments will have the authority to hold, possess, and dispose of “private domain” property. The “public domain” property is not disposable. Property of this type includes: coast, streets, rivers, torrents, administration buildings, parks, monuments, historical squares and other properties which can not be sold or leased. The “public domain” character of property can be changed.

Local government may own property of two types under current Albanian legislation: (i) movable property, and (ii) immovable property.<sup>1</sup>

### **Mechanism of acquisition of property**

Local governments in Albania may acquire property by:

- Purchasing the properties,
- Exchanging properties with other public agencies,
- Establishing enterprises (in which cases the owner could be a single local government or two or more local governments acting jointly, or there may be co-ownership with private agencies)
- Donation

Local governments may also be eligible for these special mechanisms of property acquisition:

- Eminent domain for local public purposes, and
- Sequestration (mandatory dedication) of a part of private property

### **Asset management**

Within the limits established by law, local governments have full discretion regarding property, which they own. In particular, they may decide on property use, may purchase or sell, lease to private and public agencies, exchange, use as collateral, manage packages (portfolios) of intangible property, etc. Regulations regarding these asset management activities should stipulate transparency of decision-making and transactions with public property. The management of property will depend on the type of property and the level of public interest in it. Law will define the rules and procedures.

## **Authority at local level:**

The authority for property rights and management will be concentrated in the local elected council, which will issue rules for different aspect of decisions. The council has the authority to delegate part of the competencies to the executive body; especially those linked with the operation and management of properties.

On February 22nd, 2001, the parliament passed the Law "on the State Immovable Properties" and Law "On the Transfer of Immovable State public Properties Transfers to Local Governments"

## **6. MUNICIPAL FINANCES**

Municipal finance:

- Municipal budgets revenues – local taxes, local fees, shared taxes, subsidies, loans;
- Municipal budget expenditures – by types of activities (ref. Item 4), current and investment costs.

Law on the Organization and Functioning of Local Government states that the revenues of the communes and municipalities are local taxes and levies on the movable and immovable property, on the economic activity, on personal income derived from donations, inheritance, testaments and local lotteries and others given by law. The law defines the tax base as well as the minimum and maximum rates. Communes and municipalities have the right to apply or not a local tax. In case they decide to apply tax they decide the tax rate as well as the manner for collection and administration within limits and criteria set forth in the respective law.

The classification of the local taxes based on the type is:

- ✓ Registration tax
- ✓ Garbage cleaning, collection and treatment tax
- ✓ Hotel tax for foreigners
- ✓ Market stalls tax
- ✓ Municipality tax on receipts of restaurants, cafes, bar- buffets, discotheques, hotels, and confectioneries at a rate the 1% over the turnover.
- ✓ Advertisement tax
- ✓ Public sign board tax
- ✓ New comers registration tax
- ✓ Amateur hunting and fishing permission tax
- ✓ Parking tax
- ✓ Luxury dog keeping tax
- ✓ Construction permission tax
- ✓ Butchering tax (slaughter).

There are 13 local taxes and their collection is not done only within the municipality building or from "fees agent" which is located outside the municipality building. Some payments are made in the bank or in the offices of telecom (where also the commission and the value of the bill has been included).The receipt (proof of payment) from the bank or the post office for the payment made should be presented again to the tax office where the person receives a certification.

The cooperation between the municipality and the District Tax and Fees Branch has been better than the previous years. This has happened, as a result of an order issued by the Prime

Minister, were it is stated that no activities should be licensed by the district tax and fees branch unless the local taxes have been settled.

Beginning on January 1, 2001, communes and municipalities and regions have the authority to set local fees on the following categories:

- Fees for public services
- Fees for public goods
- Fees for licenses and official documentation

Beginning on January 1, 2002 LGU shall be authorized to borrow funds for investments and will receive financing as described by a special law from the following sources:

- General and equalization unconditional transfers
- Shared national taxes
- Conditional transfers to achieve national objective
- Funds transferred from the central government to LGU for performing the delegated functions

Communes and municipalities are entitled to receive funds from national sources, including:

- a). Shared taxes, consisting of a portion of certain central government taxes, such as the personal income tax and the company profit tax. These taxes shall be collected and distributed by the central government to communes and municipalities on a regular basis not less than three times a year during the fiscal year. The part of the tax and levy, which goes to, their favor, as well as their collection and administration are determined by law for each shared tax or levy.
- b). Unconditional transfer from the central government.

#### Municipal budget expenditures

According to the law, LCU shall have full discretion in deciding how to use all other sources of revenue, which are not conditional transfers. Part of these funds that have not been used during a fiscal year can be carried over to the next year.

The budget is planned according to the Budget Manual sent to municipalities with the document Nr. 3820 dated 03/08/99 from the Ministry of Finance and document Nr. 4569 dated 15/08/99 from the Ministry of Local Government

Planning annual revenues from fees and taxes to be included in the annual budget is prepared based on alternative data and respective historical data, concerning the revenues from the previous three years, as well as the actual revenues during the first six months of the current year, calculating separately each element of revenue.

Expenditures are used predominantly for:

- maintenance and repairs of municipal kindergarten and school buildings
- local public transport
- repair of local roads and streets
- construction of sewage systems
- contributions to cultural establishment.
- salaries of officials and other municipal laborers including payment of social and health service insurance.

## **7. INTERACTION BETWEEN LOCAL AND CENTRAL AUTHORITIES**

### Control over local governments by central authorities

Each LGU is subject to external control by the High State Control. The prefect, the appointed local representative of the Central Government, has extensive control authority over LGU-s acts and decisions.

### Local governments can associate to defend of their common interests

The constitution stipulates that the organs of local government units have the right to form unions and joint institutions for the representation of their interest. The Association of Albanian Municipalities (AAM) was established in 1993, at that time called the National Association of Albanian Mayors (NAAM). In 1999 the General Assembly adopted a new name National Association of Albanian Municipalities whereas on September 2000 the existing name as well as a new statute was adopted.

The supreme body of AAM is the general assembly. The assembly convenes once a year; two persons, the Mayor and the Chairman of the council represent each municipality. At the meeting of the general assembly the Chairman, Chairmanship and the Steering Committee are elected. The Steering Committee which leads the association`s activity during the period between two general assemblies nominates the Director, Financier and the General Secretary of AAM.

The main purposes of AAM are:

1. To protect the common interests of Albanian municipalities.
2. To establish direct relations with the Parliament and the Government for protection of the local self-government bodies interests.
3. To represent the Albanian municipalities in relations with other organisms.
4. To make possible the discussion of common problems in association`s forum aiming at finding practical solutions.
5. To facilitate the establishment of contacts between municipalities and their foreign partners.
6. To fulfill different services for the municipalities, to offer training and qualifications.

AAM has 4 members of staff working full-time.

Whenever AAM has noticed that any article is not on compatibility with the Constitution or International Agreements, it has sent a request to the Constitutional Court. Upon AAM request the Constitutional Court (three times) decided that the relevant articles are to be invalidated.

There is another first level LGU-s association that of Communes, which is too weak and lacks the organizational capacities and full time staff.

## **8. CITIZENS PARTICIPATION IN LOCAL SELF-GOVERNMENT:**

- Local elections;
- Forms of direct participation – referendums, etc

The Constitution of Albania establishes that LGU-s are elected every three years by general direct elections with secret voting. Their borders may not be changed without first taking the opinion of the inhabitants. According to the Basic Law the purpose of LGU-s in Republic of Albania is to guarantee governance at the level closest to the residents mainly through promotion of effective participation of local residents in local government.

Meeting of the Council shall be open to the public and every citizen has the right to attend the meetings. In advance of discussing and approving its acts the council holds public hearings, which are obligatory when:

- Elects and dismisses the Chairman of the Council, his Deputy and the Secretary of the Council
- Adopts the annual budget.
- Approves the budget the change of ownership or giving in use (usufruct) to third parties.
- Decides the rates of all local taxes and tariffs(fee)
- Adopts norms, standards and criteria for the regulation and the enforcement of the functions etc.

## **9. FUTURE REFORMS IN LOCAL SELF-GOVERNMENT**

Future reforms include:

### **1. Creating a Coherent and Consistent Legal Framework fiscal relations**

Law(s) on Local Finances

This law (laws) should define:

- Key financial and budget terms;
  - Rules / methods for ensuring openness and transparency of local public finances;
  - Definition / list of the sources of revenue of local government units; details of local taxes/fees to be included, statement on general principles of autonomy of local government in determining local tax and fee rates, within minimum and/or maximum rates set by law;
  - Rules for national shared taxes, including the specific taxes to be shared, percent allocated to local governments, and procedures of how / when funds are transferred to local government accounts;
  - Rules for unconditional transfers, including principles and formula for their allocation, procedure of how local governments are informed of amount of transfers, mode of transfers;
  - Conditional transfers, including principles for their allocation, use, management and oversight;
  - Rules for borrowing by local governments;
  - Rules for preparing draft budgets, passing the budget, budget implementation and execution, budget modification, control, final closing of budget results;
  - Liability for violating the discipline of local public finances;
  - Cash management and relations to treasury system.
- ### **2. Improvement of the Law on Urban Planning**
- This new law will define the legal sphere of authority and the responsibility of the local government; national standards and methodologies for urban planning in conformity with urban development trends, needs and institutional relations.
- ### **3. Reform in the local public administration. The Law on Status of Civil Servant has not yet been applied.**

Fatos Hodaj

Tirane,17.04.2001

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