Annual Review of

TERRITORIAL GOVERNANCE

IN THE WESTERN BALKANS

JOURNAL OF THE WESTERN BALKAN NETWORK ON TERRITORIAL GOVERNANCE (TG-WeB)

Territorial Agenda for the Western Balkans

EU versus China Investments in the Region

Participatory Planning and Resilience

SMEs and Economic Development

Decarbonisation of Public Transportation

Agricultural Land Consolidation

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Scope: Annual Review of Territorial Governance in the Western Balkans is a periodical publication with select policy briefs on matters related to territorial governance, sketching the present situation, the Europeanisation process, the policy and the research and development agenda for the near future. The publication targets policy-makers and policy-influencing actors.

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EDITORIAL

All Western Balkan countries share, despite their diversity and idiosyncrasies, a common aspiration for a future within the European Union, similarities with respect to development and integration agendas, as well as face imperfections of their planning systems and Territorial Governance (TG) practices. The current socio-political ambitions and regional dynamics in the Western Balkan Region, call for societal actors to actively participate in the discourse on territorial governance.

Territory as a policy dimension and as a resource, is inherent to any decision-making that addresses sustainable development, socio-ecological interactions, and resilience. Political dynamics also build on the territory, distressing territorial functionalities and capital, both vital to the mere existence of the society, and shared in common by communities. Such a complexity is highly present in the Western Balkan, a region where diversity and commonalities are utterly intertwined and deeply rooted in its historical course. Such a complexity, is also understood to underpin the challenges faced by the region in its efforts to integrate internally and with the European Union, hence pursuing the path set by the Berlin Process.

The Western Balkan Network on Territorial Governance,[1] a group of civil society organisations and researchers believes that a prosperous, cohesive, yet diverse Western Balkans demands for territorial governance and necessitates cooperation: cooperation between places, actors, and sectors, with sustainable territorial development as the final aim. As part of the societal actors, the Network, which comprises of civil society actors based in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, Hungary, Italy, Kosovo, Luxembourg, Montenegro, Netherlands, Republic of North Macedonia, Serbia, Slovakia, and Slovenia, believes that cooperation should be nourished from the bottom-up, with non-state actors inducing and driving governments towards endorsing a common approach for the region. Yet, while this process is desirable, it is also complex and necessitates well-versed stakeholders to shape it.

In this frame, the Network proposes the 'Annual Review of Territorial Governance in the Western Balkans', an annual periodical, as a platform for informed policy interaction, *aiming at bringing together research and policy-influencing actors, to enable good territorial governance in the Western Balkan Region, in line with its sustainable development goals and European Union integration ambitions.* This periodical welcomes contributions focusing on territorial development and governance matters in the Western Balkans, as well as context framing articles with varying territorial perspectives, relevant to the territoriality and developments in the Western Balkans countries. As such, all articles aim to bring a policy outlook relating to sectors, institutional capacities, polycentricity in place-based governance, politics of the territory, and geostrategic decisions that affect the region.

[1] Hereinafter referred to as the Network.

In this first issue, the Network is pleased to share contributions that explore the relationship between the need for a pan-European territorial agenda post-2020, impact of infrastructure investments from China in the Region, land and economic development, and spatial planning that is evolving towards being participatory and adaptive. This issue is a first milestone in the Network's knowledge exchanging and sharing efforts for catalysing a regional discourse on the so much needed territorial governance approaches.

Sincerely,
Rudina Toto
Editor-in-Chief

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Cooperate on Territorial Governance to Address Major Development Challenges in Europe

Kai Böhme[a]

Summary

In Europe (not just the EU), societal and territorial fragmentation, along with spatial inequalities are a growing challenge to the development of our places and societies. They are further fuelled by exogenous and endogenous development trends that affect future spatial developments.

This article provides a quick glance at major development trends shaping Europe's future development and outlines what these trends imply for societal and territorial fragmentation before reflecting a few possible policy responses. The potential of the new Territorial Agenda for the European Union (EU), to be agreed upon in autumn 2020, and the idea of a place-sensitive approach to investments are underlined as possible ways forward. In both cases, territorial governance and the possibility of motivating a wide range of actors to commit to putting the new Territorial Agenda – or a place-sensitive approach to investment – into action are essential. Combatting territorial fragmentation and spatial inequalities requires a wide range of collaborative efforts.

Keywords: Territorial Governance, Fragmentation, Territorial Agenda, Functional Mismatches, Place Sensitive

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Introduction

In this article I argue that it is high time for powerful responses to increasing territorial fragmentation and spatial inequalities in Europe. In the first section, I address the issue of spatial inequalities and how future trends risk to increasingly drive apart people and places in Europe. Based on my experience working with Spatial Foresight and the Territorial Thinkers on various assignments linked to territorial policies in Europe, the second section outlines some ideas on how to address fragmentation and increasing spatial inequalities. Finally, the third section provides conclusions and summarises ideas for possible ways forward.

Europe's Increasing Spatial Inequalities

The world is changing rapidly and many trends we observe currently will affect the territorial balance and territorial governance in Europe in the decades to come.

There is no shortage of attempts to collect, filter and categorise the trends and developments that are most decisive for future developments in Europe (see e.g. Böhme et al., 2016; Böhme & Lüer, 2016; Böhme et al., 2019; ESPON, 2018; European Strategy and Policy Analysis System, 2015; Gaub & European Strategy and Policy Analysis System, 2019). A few of the main exogenous (primarily technological and environmental) and endogenous (primarily economic and social) trends include the following:

- **Technological** progress is a main driver of change at a global level, impacting developments in Europe. The fourth industrial revolution is expected to have disruptive effects across production systems, work organisation, the transformation of industry, and health and education systems. Other trends expected to shape future perspectives range from social and new media, mining and processing of big data, automation, 3-D printing, digitisation, and artificial intelligence.
- **Environmental** trends including climate change, loss of biodiversity, and pollution of the seas may change our territories or at least lead to substantial policy responses, such as the decarbonisation of energy production and consumption – from transport and industry to electricity and heating. Environmental trends will also provoke changes in the field of sustainable mobility. At the European level, environmental policies will need to address the challenges resulting from these overall developments, from biodiversity and eco-system services to an economic transition towards circular and eco-system-based approaches.
- **Economic** trends affecting European territories include global competition and tensions over global trade, the rise of protectionism, the collaborative and cooperative economies, the circular economy, high levels of economic growth in developing countries and the rise of the global middle class, increasing economic concentration in a few hotspots, and the intangible economy. At the European level, the 'debt trap' and expanding tourism offers are important trends in some countries.
- **Societal** trends underline asymmetries shaping future global demographic developments including aging (a particular challenge for some European countries) and migration (both domestic and international migration). Another trend refers to worldwide Urbanisation is leading to ever greater shares of the total population living in urban areas worldwide. The most attractive and fastest growing centres are expected to be outside of Europe and may increasingly attract talent from Europe. Moreover, societal trends are characterised by contradictions: our societies are becoming more diverse and developing new forms of democratic

participation while, at the same time, demonstrating decreasing trust in traditional democratic institutions.

All of these trends have implications for territorial development and governance in Europe. Taken together, the majority of future trends point towards an increasing concentration of wealth and decision-making power, which can fuel increasing spatial inequalities and territorial fragmentation.

In Europe, inequalities between people and places increase at all geographic and administrative levels (see e.g. Böhme & Martin, 2019; ESPON, 2019). Spatial inequalities permeate a wide range of domains including, but not limited to: demography and society; economic performance; innovation and education; climate change and loss of biodiversity; air, soil and water quality; secure, affordable and sustainable energy; physical and digital accessibility; the circular economy; the bioeconomy; accountable and good governance; and last but not least, quality of life and well-being. The types of inequalities that are increasing and the speed at which they increase vary. However, a common feature of spatial inequalities is that from the sub-local to the pan-European level, they stand to manifest themselves and increase largely due to the market-driven dynamics and concentration of economic activities, which include following economies of scales, increasing access to market areas, and increasing access to qualified labour.

Europe has a long history of talking about diversity and disparities between places – be it between cities, between regions or between countries (see e.g. Eser, 2009; European Commission, 2008; 2017). Indeed, EU regional policies have sought to address these disparities for several decades. Additionally, as concerns planning, spatial inequalities were the primary concern of the European Spatial Development Perspective (ESDP) agreed upon in 1998 (European Commission, 1999). Back then, the approach to tackle spatial inequalities focused on polycentric development at various geographical levels and rural urban partnerships. This was later followed by the two Territorial Agendas for the EU, one in 2007 and one in 2011 (European Union Ministers responsible for Spatial Planning and Territorial Development, 2011; MUDTCEU, 2007).

Despite all policy initiatives and efforts, growing inequalities between places have not been curtailed over the past 20 years. Today, increasing spatial disparities are an ever more pressing concern, reaching a level of a territorial expression in Europe. As divisions, diversity, and disparities between different types of territories grow, territorial fragmentation emerges as a major and complex challenge across Europe. Territorial fragmentation is at the very heart of today´s development challenges (e.g. related to shrinking cities and regions) and needs to be recognised as such if we want to avoid other regions turning away from Europe (Böhme & Martin, 2019). This fragmentation is a result of places feeling disconnected or left behind (Dijkstra et al., 2018; Rodríguez-Pose, 2018), and of the fact that there is an increasingly territorially diverse 'European geography of future perspectives', where different cities and regions face different everyday realities and their inhabitants see different future perspectives; not all of them positive (Böhme, et al., 2019).

If territorial fragmentation is already one of the major challenges for Europe, and will become an even bigger challenge based on future development trends, it is high time to prepare adequate responses. These responses lay mainly in policymaking's ability to have better spatial awareness, i.e. a place-based approach (Barca, et. al., 2012; Doucet, et al., 2014; Zaucha et al., 2014); stronger territorial governance (Rodríguez-Pose & Ketterer, 2019); and, in particular, territorial strategies or visions embedded in the potential of functional areas and increased cooperation between places, sectors, and groups of society (Böhme & Martin, 2019; Mehlbye et al., 2019).

Spatial Inequalities need Policy Responses

We need to pay more attention to growing spatial inequalities and take into account the spatial effects of public policies and investments. Increasing spatial inequalities risk affecting the acceptance of public interventions and diminishing the marginal utility of investments in infrastructure, human capital, and technology. At worst, they could feed a vicious circle whereby increasing inequalities drive a wedge between the productivity effects of investment in less developed regions as compared to more developed regions, thereby reinforcing spatial inequalities., If left unaddressed, spatial inequalities risk growing and translating into political, societal, and ultimately spatial fragmentation, undermining the foundations of our society and economy.

Summarising the results of previous European Territorial Observatory Network (ESPON) work (see e.g. ESPON, 2017; 2018; 2019), Böhme and Martin (2019) arrived at the following available and practical pathways, which could centre around three key features that underline the need to strengthen territorial governance to manage territorial fragmentation (ref. Böhme et al., 2015):

- **Acknowledge interdependencies and cooperate to address fragmentation.** Territorial and societal fragmentation is linked to the fact that today's development challenges and potential can no longer be mastered by decision-makers in charge of individual municipalities, regions, or countries (Böhme, et al., 2019). For almost any development issue, the territorial impacts extend beyond administrative borders. Therefore, decisions at different administrative levels and in different territorial units need to be joint ones (Mehlbye & Böhme, 2017). Such interdependencies – ranging from urban to rural, cross-border to macro-regional and transnational – shape territorial development in Europe and underline the need for functional and integrated approaches.

- **Multifaceted territorial strategies for functional areas in Europe.** Territorial fragmentation is intrinsically connected to the lack of a shared territorial vision for Europe. Some parts of the society and some territories see a bright future with new opportunities, while other parts of society and other territories expect an increasingly less optimistic future. Therefore, Europe needs to ensure that all places and parts of society are heard as part of its commitment to social, economic, and territorial cohesion. To bridge the gap between municipalities, regions, and Europe as a whole, we need diverse and place-based territorial strategies for functional areas in Europe. These strategies need to address functional (rather than administrative) areas, take account of their actual development challenges and potential, and also address their role in a wider transnational or European perspective. The objectives of these strategies may be multifaceted and even contradictory between different functional areas; yet together they should be used as an opportunity to obtain a new understanding of Europe and its future development perspectives.

- **Empower places to develop place-based strategies and cooperate.** Local and regional actors (e.g. local and regional authorities or civil society organisations) not used to engaging in European policy debates need to be empowered to actively contribute to and conjointly work on future and alternative perspectives for their regions and municipalities (ESPON, 2019; Rodríguez-Pose & Ketterer, 2019). Local stakeholders have the tacit knowledge needed for this, i.e. they know best

what their place-specific strengths and weaknesses are. As such, they need to be involved in the process as key players, which requires pro-active support, incentives, and investment. Only in this way can local actors assist in developing a shared vision and preparing an implementation process to generate the necessary policies and action.

A New Territorial Agenda for Europe A Future for all Places

Therefore, the new Territorial Agenda for Europe needs to become a powerful framework for action, striving for a future for all places in Europe. The new Territorial Agenda will be agreed upon by the ministers responsible for spatial planning and territorial development in the EU Member States on December 1, 2020 in Leipzig. Relatively little time is left to influence the wording of this agenda and to ensure a wide commitment of relevant stakeholders to act in applying the agenda.

The objective of the Territorial Agenda should be to ensure that increasing inequalities between people and places are addressed. To do so, the Territorial Agenda needs to provide strategic orientations for territorial development, strengthening the territorial dimension of policies at all levels of governance. Furthermore, action is needed to ensure a bright future for Europe. Actions must be based on a common understanding that development needs and the impacts of future developments differ between places (cities and regions) in Europe. Furthermore, cooperation and joint efforts between different places and policy sectors are needed to address complex issues and utilise diverse potential.

A Territorial Agenda for Europe must not only address EU policies and national planning policies in EU Member States, as spatial inequalities cannot be addressed by a single actor. The Territorial Agenda must address, motivate, and commit decision makers at all levels of policymaking (from the sub-local to the pan-European) and in all sectors, going beyond the planning sector to also include civil society and enterprises. Furthermore, it should invite relevant actors in EU neighbouring countries (especially in EFTA[1] countries and the Western Balkans) to take note of and contribute to the Territorial Agenda, as well as apply it at the European, transnational, and cross-border level. Where suitable, European Free Trade Association (EFTA) and Western Balkan countries may be encouraged to apply the Territorial Agenda.

A Place-Sensitive Public Policy and Investment Approach

Going beyond agenda setting and policymaking to address spatial inequalities, investment decisions need to be place-sensitive by taking into account the specificities of a place and the impact of the investment on the role or weight of a place in its wider regional, national, or European context.

Every public investment should be assessed with regard to its spatial dimension considering (i) the place of investment, (ii) the expected spatial impact of the investment, and (iii) the governance dimension of the investment:

a) The assessment of the place of investment is about the coherence of the investment with relevant spatial development strategies (at the local, regional, or national level) and whether the place of the investment is underperforming in a European, national or regional comparison.

b) The assessment of the spatial impact of an investment is about checking whether the impact will improve the position (European, national, regional, or local) of the place of investment for specific domains (linked to topics discussed in the report), and whether other areas will be impacted by the investment,

i.e. expected spill-over effects in local neighbourhoods, neighbouring municipalities, regions, etc. These spill-over effects particularly concern access to services of general interest, reflecting the importance they play in the analysis and the potential of functional areas for their provision.

c) The assessment of the governance dimension should reflect the importance of accountable and transparent government and governance and the involvement of relevant players, as well as the acceptance by the local population of successful investments.

Conclusions and Ways Forward

Societal and territorial fragmentation are big questions that need to be addressed by powerful policy decisions. However, this should not imply that relevant stakeholders can simply wait for the others to become active.

Indeed, small steps towards curbing societal and territorial fragmentation can be taken by civil society and through intergovernmental processes. One example is the ongoing process of revising the Territorial Agenda for the European Union. This intergovernmental policy document outlining the overall spatial planning objectives for Europe is currently under revision and a new Territorial Agenda will be presented in December 2020. This process holds opportunities for stepping up action against societal and territorial fragmentation. However, for this to happen, many different actors need to engage with the elaboration of the new Territorial Agenda and commit to putting it into action or we risk having just another paper tiger. These actors do not necessarily need to come from within the EU. As the challenges to be addressed are equally relevant for EFTA and Western Balkan countries, there is a great opportunity to bring together EU stakeholders and actors from neighbouring countries. This is occasion is not to be missed (Böhme, Toptsidou, Lüer, Toto, Ciro, & Shutina, 2019).

Notes

1. European Free Trade Association

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From Space in Transition to Space of Transit - Risks and Opportunities of European and Chinese Investments in the Western Balkan Region

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Summary

The Western Balkan Region (WBR) is currently undergoing a complex process of integration into the European Union (EU) that is supported by a number of programmes and actions. In the last decade, however, a new and cumbersome set of actors entered the game. The launch of China's Belt and Road Initiative (BRI) has triggered a growing influx of foreign capital in the region, potentially limiting the influence of the EU. In this light, this contribution seeks to compare the logics of Chinese interventions on the WBR to those that underpin the ongoing European integration process, in order to identify existing mismatches and intersections, and reflect upon their potential consequences. The analysis shows that, whereas the EU remains the most relevant influencing actor in the region, China's growing impact may slowdown integration in the long run.

Keywords: Belt and Road Initiative, Western Balkan Region, European Union, China, Conditionality

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The Western Balkans and the European Union

After the collapse of the Berlin Wall and, in particular, since the beginning of the 2000s, the EU has progressively invested in the geopolitical and economic stabilization of the WBR.[1] Since the launching of the Stabilisation Agreement Process (SAP), however, relations between the EU and the countries of the WBR have not been linear and the integration process differs from one country to another. Since the Stabilisation and Association Agreements were signed, the majority of countries are still dealing with the transposition of the acquis communautaire and a complex institutional preparedness process that leads to integration (Table 1).

Table 1. EU Integration steps for WB's countries

Steps	Agreements	AL	BA	ME	MK	RS	XK
Pre-Adherence Agreement	Potential Candidate	2000	2003	2000	2000	2000	2000
	SAA	2006 - 2009	2008 - 2015	2008	2001	2008	2014 -2016
	Application for EU membership	2009	2016	2009	2004	2009	n.a
	Candidate Status	2014	n.a.	2010	2005	2012	n.a.
Screening	Analytical examination of the acquis	2018	n.a.	2011	2018	2013	n.a.
Negotiation	Chapters' Discussion Period	n.a.	n.a.	2012 -	n.a.	2015 -	n.a.
Adhesion	Adhesion Treaty	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Status	Member State	n.a.	n.a.	n.a.	n.a	n.a.	n.a.

Source: Authors' own elaboration

According to official data (European External Action Service, 2017) there is a strong economic relationship between the EU and the WBR. Share trade volume reached EUR 49.5 billion in 2017, with the EU countries that represent the WBR being the best trading partners with 73% of the total volume (ibid.). As a consequence, the EU has a strong influence on the economy of the region and this interdependency is expected to be consolidated further once full integration is achieved. To this end, the EU has mobilized a set of tailor-made funding mechanisms that target strategic fields like transport infrastructure; energy production and efficiency; environmental protection and green investment; and justice and public administration reform. Despite being excluded from the EU's structural funds programming, WBR countries are eligible for a number of funding schemes grouped under the Instrument of Pre-Accession Assistance (IPA). At the same time, they are involved in the EU Macroregional Strategy for the Adriatic-Ionian Region and in the EU Macroregional Strategy for the Danube Region.

Since the introduction of IPA I (2007-2013) and IPA II (2014-2020), the EU has invested more than 23 billion EUR on the WBR. Under the umbrella of IPA II, numerous projects concerning regional cooperation and connectivity have been developed. Importantly, a large share of funds has been dedicated to shorten the distance between border communities by facilitating and implementing cross-border projects, both among member states and non-member states, as well as between two or more non-member states (either candidate or neighbourhood countries). Looking more carefully at the allocation scheme of the IPA II, one can note that funds have not been equally distributed among sectors (DG

for Internal Policies, 2018). Despite slight differences among countries, the majority of funding has been dedicated to the rule of law and competitiveness sectors while less attention has been given to issues like environment, transport, and social policies (see Table 2). One should highlight that these tools, similarly to the pre-accession tools implemented in Central and Eastern European Countries (CEECs) throughout the 1990s and early 2000s, have progressively contributed to channelling a number of EU priorities in the region such as: sustainable regional development, tourism, environmental protection, measures against social exclusion of minorities, and mitigation of climate change effects (Cotella, 2007, 2014; Cotella et al., 2012; Adams et al., 2011). This has occurred through incremental logics of economic conditionality, with the EU having developed an articulated set of conditions for the attribution and use of the established economic incentives.

Table 2. EU Integration steps for WB's Countries

Sector	AL	BA	ME	MK	RS	XK
Democracy and rule of law	27%	28%	19%	15%	22%	22%
Democracy and governance	16%	8%	11%	11%	15%	14%
Rule of law and fundamental rights	10%	7%	7%	4%	8%	8%
Competitiveness and growth	23%	42%	30%	35%	27%	28%
Environment, climate change, and energy	3%	6%	6%	10%	10%	12%
Transport	2%	3%	5%	10%	3%	0%
Competitiveness, innovation, agriculture, and rural development	14%	4%	12%	11%	11%	10%
Education, employment, and social policies	5%	2%	8%	4%	4%	6%
Total	**1279**	**789,3**	**568,2**	**1217**	**3078,8**	**1204,2**

Source: Authors' own elaboration based on the Indicative Strategy Papers – Revised version. Data provided by DG NEAR (2018)

China's Growing Influence in the Balkans

Since the beginning of the new millennium, China has progressively expanded its geopolitical, economic, and strategic influence around the world (Pu, 2016). One of the ways that China has pursued this is in the revitalization of the ancient Silk Road, which for centuries constituted the only corridor connecting the Western and the Eastern side of the Eurasian continent. To do so, in 2013 President Xi Jinping launched the so-called Belt and Road Initiative (BRI), aimed at connecting China with its international partners by investing in roads, motorways, and railways, as well as maritime infrastructures such as harbours and docks. The BRI seeks to mobilize over USD 4 trillion through 2049 and concerns more than 68 countries around the world, together accounting for 65% of the world's population and over 40% of the world's total GDP. In this sense, the BRI is the most ambitious and economically relevant initiative ever experienced, comparable only with the Marshall Plan launched by the United States after WWII and the activities of the Council for Mutual Economic Assistance instituted by the Soviet Union shortly thereafter (Figure 1).

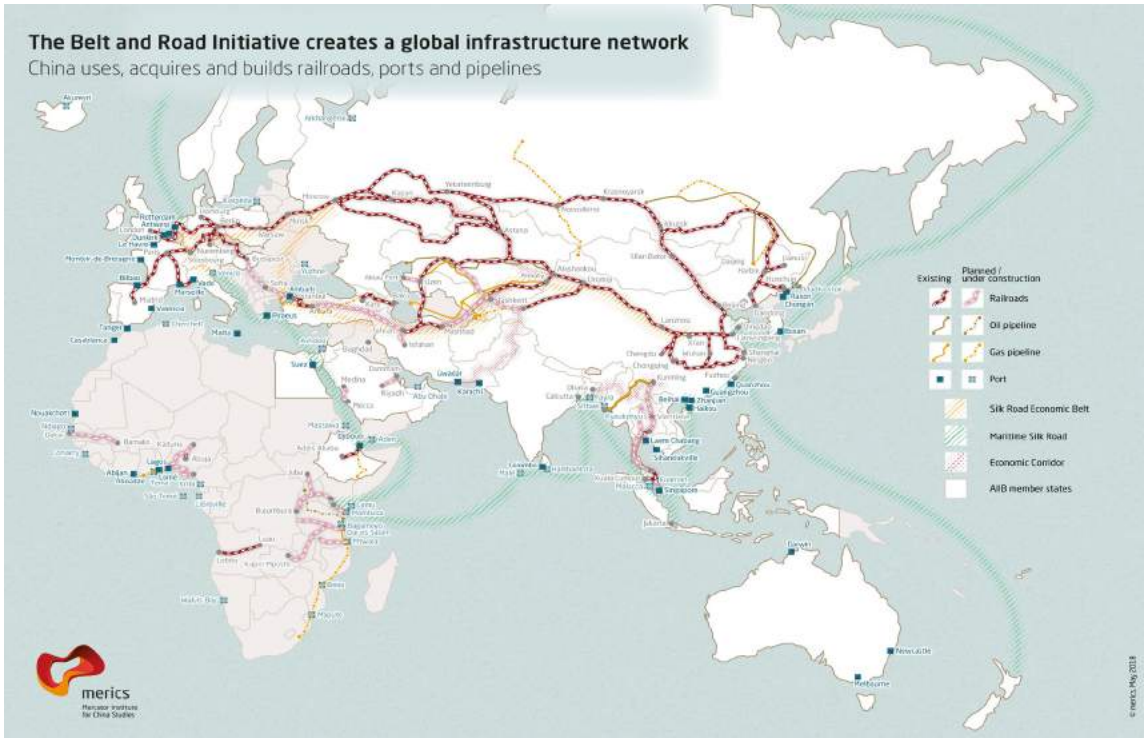
The future economic and geopolitical consequences of the BRI and, more generally, of China's trans-continental ambitions, are a subject of debate. As it is widely recognized (Liu, 2015; Griger, 2016; Djankov, 2016; Tonchev, 2017; Cai, 2017) the reasons behind the BRI can be divided into three groups:

a) China's domestic and contextual needs and priorities: China seems to have reached its internal market expansion limits, causing an economic slowdown which could derail social stability in the country and increase unemployment (Grieger, 2016; Pu, 2016). To avoid that, China is looking to find new open markets for its goods (Pu, 2016; Cai, 2017).

b) Exploitation of global geopolitical contingencies: Externally, the BRI takes advantage of a set of global geopolitical contingencies. These include the recent EU economic, political, and social crisis and the concomitant retreat of the United States from a number of multilateral agreements, which have made room for China's increased international investments[2] aimed at reducing the transport cost of goods and securing China's energy supply.

c) Development of a new geopolitical order: As explicitly argued by Xi Jinping during the Peripheral Diplomacy Work Conference in 2013, the objective of his economic policy is to turn China into the pivotal centre of the world economy by connecting existing markets on the Eurasian continent and consolidating an increasing economic interdependency between the main economies in the world.

Figure 1. The geographical scope of the BRI



Source: Mercator Institute for China Studies, 2018 (used with permission)

Heavily impacted by the 2008 global economic crises (Furceri and Zdzienicka, 2011), CEECs and WBR countries started to sign bilateral investment agreements with China as early as 2012, demonstrating a rather positive attitude on behalf of these countries when compared to the suspicious approach of most Western countries. In 2013, the "16+1 Initiative" was established, a platform meant to facilitate Chinese public and private investments to increase infrastructure connectivity within CEECs and the WBR while simultaneously catalyzing the implementation of the BRI economic

and spatial visions.[3] Having a strategic geographical position between Western Europe and the East, Western Balkan countries are attracting the majority of Chinese investments within the framework of the 16+1 cooperation. Numerous projects are being implemented in several sectors such as infrastructure, energy, electricity, and logistics (Liu, 2015). Another particularity of the 16+1 is the proliferation of coordination platforms amongst participating countries in different sectors like tourism, agriculture, infrastructure, logistics, and energy, among others. These platforms are primarily aimed at facilitating cooperation among institutional and non-institutional actors.

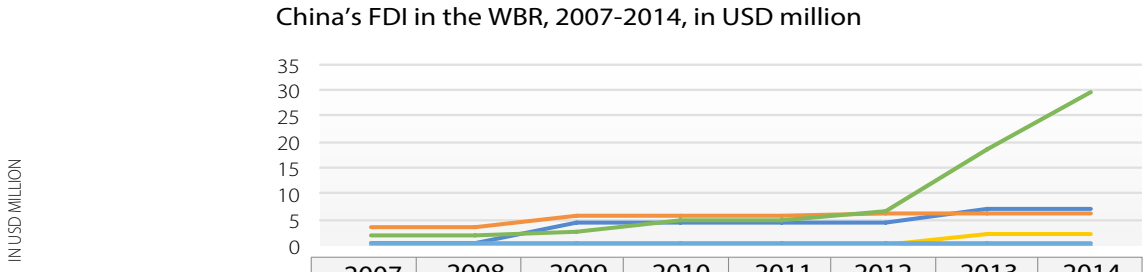
Coming back to the BRI, the synergies between its land and sea routes will increase cooperation and trade exchange between the two major economies on the Eurasian continent: China and the (Western) EU.[4] This is perhaps the main reason why China is investing time, resources, and diplomatic efforts to ensure cooperation with the countries involved. As a consequence, an incrementally growing volume of economic and political efforts has been dedicated in recent years to infrastructure development (ports, roads, railway, etc.) to guarantee a good connection network within the region and outside of it. However, unlike the EU approach to infrastructural development, (which aims at regional balance and cohesion), China seems to be uninterested in evaluating the social and environmental impacts of the initiative (Tonchev, 2017; Tracy et al., 2017). Moreover, as recognized by Liu (2015), the implementation of the BRI potentially raises a number of domestic and international challenges. In the Balkan region in particular, the initiative must deal with path-dependent economic and political instability, as in the case of the Greek crisis for instance (ibid.). Despite this, Chinese investors and local authorities have unanimously recognized the importance of the WBR segment of the BRI (Tonchev, 2017). When it comes to the financial means adopted by China to support the implementation of the BRI in the WBR, several financial institutions have been introduced, such as the Silk Road Fund, the Asian Infrastructure Investment Bank, and the China CEE Investment Co-operation Fund. These institutions operate along three different lines of investments:

a) direct investments - through which Chinese private or state companies acquire local companies

b) open credit lines and loans - used for the development of strategic infrastructure; and

c) acquisition of national debt shares.

Figure 2. China's accumulated foreign direct investments in the WBR



	2007	2008	2009	2010	2011	2012	2013	2014
Albania	0.51	0.51	4.35	4.43	4.43	4.43	7.03	7.03
Bosnia and Herzegovina	3.51	3.51	5.92	5.98	6.01	6.07	6.13	6.13
Kosovo	0	0	0	0	0	0	0	0
Macedonia	0.20	0.20	0.20	0.20	0.20	0.26	2.09	2.11
Montenegro	0.32	0.32	0.32	0.32	0.32	0.32	0.32	0.32
Serbia	2.00	2.00	2.68	4.84	5.05	6.47	18,54	29,71

Source: Authors' own elaboration on data of MOFCOM, SAFE, NBS, 2015

Each of these credit lines has been set according to different objectives and together they constitute the financial framework for the implementation of the BRI. However, whereas the positive impact of Foreign Direct Investments (FDI) has been reported by various sources (See Figure 2), the acquisition of national debt shares by Chinese state funds risks producing negative impacts in the long run in terms of states' debt accumulation and debt interests (Stumvoll & Flessenkemper, 2018; Hurley et al., 2018).

According to Jakóbowski (2015), during the period 2011-2014, a credit line of EUR 10 billion was dedicated to the development of infrastructure and, in particular, to the construction of the Bar-Boljare motorway in Montenegro; the Mihajlo Pupin Bridge in Belgrade; and the Stanari thermal power plant in Bosnia and Herzegovina. The last publication of the European Investment Bank affirms that since 2013 China has invested almost EUR 7.8 billion in the region, particularly for the development of several projects in the fields of transport, energy, and technology. According to the report prepared by Bastian (2017) for the European Bank of Reconstruction and Development (EBRD), China dedicated almost EUR 8 billion to the development of the only Balkan Silk Road (from Piraeus to Budapest) investing in four countries: Greece, North Macedonia, Bosnia and Herzegovina, and Serbia. Despite divergences regarding the total volume of investments, it is interesting to note that the majority of funds are loans, which mean that sooner or later countries will have to pay them back. Moreover, it is important to highlight that in most cases, the awarded contractors of the projects are Chinese companies, as are the credit providers. This demonstrates that the direct benefits of the projects mostly remain in the hands of Chinese companies, largely limiting the spill over effects on domestic economic systems.

Comparing EU Initiatives and China's 'Going Out' Vision

According to the BRI's spatial and territorial vision, the WBR should become the trait d'union between China and the EU. In this light, it is worth comparing the way the EU and China approach the WBR to identify potential convergences and divergences and, in turn, to bring to light potential synergies and clashes. This section compares how the EU and China approach the WBR through the EU Integration process and the implementation of the BRI (respectively) according to five main categories (Table 3): vision, approach, priorities, investment sectors, and implementation.

The first category concerns strategic vision and how the WBR is seen from a geopolitical, geo-economic, and geostrategic viewpoint. From this perspective, there seems to be a substantial divergence between the EU and China. China's 'going out' strategy is profoundly characterised by a top-down approach whereby China establishes the main objectives as well as the rules of the game; partners are rarely included in the process of vision-making. In contrast, the EU is promoting a more Euro-centric perspective, putting a more open market system and the full integration of the continent at the centre of its vision. Being at the centre of this international dispute can negatively influence the WBR's economic performance, turning it into a transit region for goods and resources with the risk of distancing itself from the EU Integration path.

The second category of analysis refers to the adopted approach and the types of influence involved in the process. In this respect, the EU and China seem to follow rather different paths in terms of adopted agreements (multilateral versus bilateral), economic conditionality (co-financing versus loans), and political conditionality (political stability versus divide et impera). Chinese pragmatism in international

relations favours bilateral agreements over multilateral platforms in order to accelerate the implementation of the BRI. Meanwhile, EU institutions privilege complex multilateral arenas to create consensus. In this sense, the main risk for the Balkans is to remain stuck within a number of international disputes that can slow down the integration process. The third category refers to the priorities of the players in the game. Here, China and the EU show very different political, economic, social, and environmental concerns. Whereas the EU promotes particular attention to environmental sustainability through the conditions and regulations specified in its Treaties, China pays no particular attention to the preservation of the environmental quality and does not seem concerned by the impact of its investments on local communities and/or their social consequences (Tonchev, 2017; Tracy et al., 2017). At the same time, both players agree on the importance of the economic growth of the region and its capacity to convey goods and resources towards wealthier EU regions.

The fourth category focuses on the different investment sectors. First of all, both players agree on the importance of infrastructure development in the Balkans; the Orient-East Med corridor planned by the EU's Trans-European Transport Network (TEN-T) coincides with the BRI's Balkan Silk Road segment and the general ideals for the main development trajectories in the region seem to coincide. In this sense, the recently signed "Memorandum of understanding on establishing a Connectivity Platform between the EU and China" (2015) marks an opportunity to strengthen the synergies between the BRI and the TEN-T. Divergences emerge, however, in relation to the fields of energy and industrial development. While the EU is promoting an eco-friendly and sustainable use of resources by financing renewable energy provisions, China is still funding coal power plants such as the Kakanj plant in Bosnia and Herzegovina. Moreover, whereas the EU promotes local research and innovation through specifically dedicated programmes throughout the WBR, China focuses on the acquisition of local innovative industries, provoking unintended consequences in terms of the desertification of the domestic industrial environment.

Finally, the last category explores implementation mechanisms. Here evident divergences emerge in relation to management, financial mechanisms, and environmental and social standards. The majority of Chinese projects are awarded to Chinese companies through rather opaque selection processes, which means using Chinese contractors, suppliers, workers, and materials (EIB, 2018), whereas the EU procurement package clearly establishes how tenders should be conducted, respecting principles of transparency and open-access.

In sum, while the EU seems to aim at the systematic social, economic, political, and environmental integration of the WBR, China's approach appears to focus more on guaranteeing infrastructural continuity along the BRI, paying scarce attention to the sustainable and inclusive development of the region. In this sense, whereas the EU approach seems to be the best chance for the WBR to achieve social, economic, and territorial cohesion, China's BRI contributes almost exclusively to the WBR's infrastructural integration and in a shorter time frame. Overall, the coexistence of these two regional development approaches may lead to negative externalities in terms of WBR countries' credibility and political and economic instability.

Concluding Remarks and Future Research Prospects

The article addresses the question of whether China is a credible alternative to or supports the integration of the WBR into the EU. This raises a series of considerations concerning the role of the EU and China in the region and, in particular, the economic,

Table 3. Similarities and differences of European and Chinese interventions in the Western Balkan Region

	Factors	Convergent, Divergent, or Neutral	European Union	China	Opportunities and risks for the WBR
Vision	Geo- political	Divergent	Complete the EU Integration Process	Implementation of the 'Going out strategy'	This geo political dispute may slow down the EU integration process for the WBR
	Geo- economic	Divergent	Pro open- market	State oriented market	Risk of increasing negative economic trade balance
	Geo- strategic	Divergent	EU -centric Continental vision	China-centric Global vision	Risk for the WBR to become a 'land of transit' of resources
Approach	Nature of agreements	Divergent	Preferable multilateral	Combination of unilateral/multilateral	Political ambiguity where emerged personal interests and corruption
	Economic conditionality	Divergent	By promoting market continuity and EU investments	Loans and investments	Balkans countries may benefit from those external investments (attention of the debt trap)
	Political conditionality	Divergent	The EU aims at guaranteeing political stability	Divide et impera' strategy	Political representatives are being attracted by the China pragmatism in the field of investment by losing sight its political implications
Priorities	Political	Neutral	Integration of the Balkans to the EU	To guarantee the implementation	The Balkans may benefit from the opportunity offered by the BRI only if its implementation can facilitate the EU Integration process
	Economic	Convergent	Improvement of market economy indicators in the region	China agrees on the develop of WBR	Positive effects on regional economic performance
	Social	Neutral	Increasing of social well- being	No specific indication	Risk to underestimate the social effects of China's investments
	Environmental	Divergent	Protection of natural resources	Overexploitation of natural resources	Serious environmental risks
Investment sectors	Infrastructure	Convergent	Increasing connectivity in the WBR	Balkans Silk Road	WBR can benefit from the potential synergy of TEN-T and BRI
	Energy	Divergent	Renewable energy	Carbon based energy	Increasing risk of overexploitation of natural resources and air pollution
	Industry	Divergent	Creating positive innovation based industrial policies	Acquisition of the best innovative industries	Desertification of innovative industrial environment
Implementation	Management	Divergent	Transparency and public procurement	Not transparency mechanism	Lack of market competition, limit spill over effects, increasing corruption etc.
	Financial Mechanism	Divergent	Co-financing mechanisms	Top down financial instruments	Risk of increasing of state debt
	Environmental Standards	Divergent	Stringent regulations and standards	Scarce attention to environmental issues	Risk of over exploration of natural resources
	Social Standards	Divergent	Social cohesion	No particular importance has been given to this issue	Underestimating the potential social impacts of project implementation due to the top-down approach adopted

Source: Authors' own elaboration

political, social, and environmental consequences they may provoke. Since the beginning of the 2000s, all Balkan countries have been involved in the EU Integration process. Despite the important progress made, the majority of countries are still struggling with the transposition of the acquis communautaire (Berisha, 2018) and their respective institutional arrangements.

While there seems to be no chance of joining the EU before 2025-2030 (European Commission, 2018), the remaining Western Balkan countries are looking for alternative political alliances and economic opportunities (also as a consequence of the growing instability that characterises the overall European project) (Jones et al., 2016). Doubtless, the increasing geopolitical action of China is attracting more and more interest. In particular, the BRI places the WBR in high regard due to its location between Western Europe and China. This ensures important economic incentives and unprecedented infrastructure development for the region, representing a tempting alternative to the EU initiatives.

As recognized by Stumvoll and Flessenkemper (2018), China is moving into a structural development gap and is meeting real investment needs in the region, a dynamic that the EU has been slow to acknowledge. Whereas China does not seem to have any explicit intention to interfere with the process of EU Integration (being rather interested in the overall stability of the Western Balkans), there are four elements that support the argument that China is not facilitating the integration of the WBR into the EU. First, the EU Integration process is not a priority for China, hence there is no explicit initiatives in this direction. Secondly, from a political point of view, no common EU-China agenda for the WBR has been developed; China is rather seen as an alternative partner to the EU. Thirdly, from an economic perspective, China's investments are mostly oriented to the benefit of Chinese actors and pay scarce attention to the actual impact of projects on local beneficiaries. Finally, yet importantly, there are considerable differences between Chinese and European approaches in dealing with the development of the region.

However, since several divergences emerged between the two approaches, perhaps China could facilitate the WBR's integration into the EU. This ambiguity forces the countries of the WBR to make some important choices. Should domestic authorities privilege the EU Integration path or allow themselves to be fascinated by China? Should they conform to the conditions imposed by EU laws, norms, and regulation in terms of transparency, standards, and public procurement or follow the more pragmatic mechanisms attached to Chinese investments? Until the EU is no longer the biggest investor in the region, to follow this former path seems to be the safest bet. Similarly, it is the path that ensures the most benefits to the domestic actors involved, as the requirements and conditions put in place by the EU will contribute to increase both the internal coherence of the WBR, as well as the embeddedness of the latter within the broader European scenario.

For this to happen, the EU should increase its commitment towards the integration of the region. While this has been already argued in a number of official communications (e.g. President Tusk's remarks after the EU-Western Balkans Summit in May 2018),[5] concrete actions should follow in at least three directions. Firstly, additional investments, specifically tailored to the needs of the region, should be introduced in order to counterbalance Chinese investments and further strengthen the appeal of the integration process. An important step in this direction has already been made with the introduction of the Western Balkan Investment Framework – Infrastructure Project Facility (WBIF – IPF7), constituting one of the largest pillars for infrastructure investments in the WBR. At the same time, these additional investment tools should start targeting the whole region

instead of single countries, thereby fostering further cooperation and integration among countries and territories and favouring the development of a joint vision for the territorial development of the WBR within the EU. Finally, the accession process should be accelerated, especially for those countries that are currently lagging behind (Bosnia and Herzegovina and Kosovo, for example). If there are further delays in the Integration process, an increase in China's economic influence in the region could represent a slowdown factor, potentially triggering episodes of de-europeanisation in the long run.

Notes

1. For the purpose of this article, the Western Balkan Region includes Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia.
2. China's annual foreign direct investment in Europe grew from USD 840 million in 2008, to USD 42 billion in 2017 (Le Corre, 2018).
3. The countries involved in the 16+1 Initiative are: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Montenegro, Czech Republic, Estonia, Lithuania, Latvia, Macedonia, Romania, Serbia, Slovakia, Slovenia, Hungary, and Poland (Góralczyk, 2017).
4. In this sense, Liu (2015) affirms that more than 80% of Chinese products are exported to Europe through shipping while land transportation is still in its initial stages.
5. Available at: https://www.consilium.europa.eu/en/press/press-releases/2018/05/17/remarks-by-president-donald-tusk-after-the-eu-western-balkans-summit/

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Strengthening Cooperation for Spatial Planning - A Case Study on Participatory Planning in Albania

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Summary

The Albanian context still faces challenges on promoting participatory democracy in decision-making in all governmental levels. The increased activity in territorial planning over the last years, evidenced from the changes in legislation and preparation of plans at national and local level, has brought to discussion the challenges of establishing and reinforcing cooperation and participatory approaches.

This article, aims to discuss participatory planning in the Albanian context, as a model for territorial cooperation through its achievements, failures and challenges. Using as a broad conceptual framework, the Arnstein Ladder of Citizen Participation (1969), the paper analyses two crucial timeframes of the Albanian planning system; a) the period 1995-2006 where bottom-up approaches were developed as a response to the institutional milieu; and b) the post 20015 period, where participation was institutionalized and structured in a multi-layered way.

The research explores the context through an historical perspective, by using the Arnstein ladder as a conceptual framework in order to generate insights and policy orientation for improving and enhancing participation in spatial planning. This contributes to the overall discussion on collaboration and stakeholders' inclusion in decision-making, which constitute the core of participatory planning.

Keywords: Participatory Planning, Arnstein Ladder, Bottom-up Approach, Collaborative Planning, Public Hearing, Co-Creation, Citizen Engagement

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Introduction

Participatory democracy,[1] as a fundamental tool/mechanism of democratic systems, puts decision-making directly in the hands of citizens. Similar to other political approaches, the way democracy is implemented throughout governmental systems, has produced varying shades of understanding. The idea of democracy as a political system has been profoundly challenged by the dissatisfaction it generates in some sectors of society, where "exclusion from public policies and low participation in decision making are rattling the fundamental principles of it…" (Riera, 2010, p. 13).

Although most democratic systems recognize citizen engagement as an integral part of democracy, even the more solid participatory democracies face real challenges integrating stakeholder participation into planning processes. Questions ranging from 'Why do we want citizens to participate?' to 'What are the responsibilities of the planner regarding citizen participation?' (Fisher, 2001), raised since the earliest models of participation in planning, are still relevant to today's contexts.

Participatory planning, as a case for participatory democracy, is indeed a paradigm that emphasizes the involvement of the entire community in the strategic and management processes of urban/territorial planning. It encourages citizens to take part in decision-making in planning aspects that affect or are of interest to them.

On the other hand, concepts such as cooperation and collaboration are frequently used among scholars and decision-makers in the framework of spatial planning (see Box 1). In essence, though these concepts are not new, they constitute the next level in the complexity of participation, which results in (or aims at) a better use of territory and resources for sustainable development.

Following the change in the political system in the early 1990s in Albania, practices of participation started to evolve. The process was neither legally binding, nor institutionalized or formalized, and emerged as a response to the challenges of urban development in the informal settlements during the period 1995-2006. This process was later turned into an institutionalized, systematic approach, integrated into the local and national planning process, in accordance with legal and institutional changes.

The planning system in Albania has paradigmatically changed in the last ten years, with a shift from the urbanism approach, to comprehensive and integrated spatial planning. This constituted an emergent need to also change the mentality of perceiving the territory as a rigid division of forms and functions. The latter was the case in the central planning approach prior to 1990, where urban and rural development was always defined at the national level, in a centralized way, and as a mere effect of economic development policies. The change in the planning system in Albania occurred in parallel to several political processes, such as government decentralization, territorial administrative reforms, and the ongoing European integration process. At the same time, there was an incremental increase in experience, knowledge, and self-awareness of local planners that the system had to change (Dhrami, 2018).

However, the challenge of changing the planning system is accompanied by the overwhelming issue of poor local capacity, both in terms of human and financial resources (Greca, et al., 2019). Relevant institutional and legal measures have been adopted to ensure some form of participation in planning processes at the national and local levels. Nevertheless, since the shift of planning processes and instruments has taken place at a relatively fast pace (and is still underway) it is almost impossible to observe and benchmark

real results from the reforms at this given moment (ibid.).

In this framework, considering the dynamic evolution of the Albanian planning system, it becomes interesting to explore and analyse the evolution and challenges of participatory approaches in planning. The latter is also the purpose of this contribution, channelled into two main timeframes. Ultimately, the following question will be addressed: How can planning approaches be improved (or changed) in favour of territorial cooperation and more participatory democracy in territorial development decision-making? In trying to achieve the aim, the conceptual framework of the Arnstein's Ladder will be used as a basis of analysis for the case studies (see Box 2).

Box 1. The Evolution of Collaborative Planning Theory

Participatory planning is considered a planning paradigm that emphasizes the involvement of the entire community in the strategic and management processes of urban planning, as an integral part of community development. (Lefèvre, et al., 2001)

The earliest ideas of participatory planning stemmed from theories of key pioneers such as Paulo Freire, Kurt Lewin , Patrick Geddes, Lewis Mumford, etc. A fundamental inspiration for the participatory planning movement was their belief that poor and exploited people can, and should be, enabled to analyse their own reality (Fisher, 2001).

These theories have been implemented through a series of approaches and techniques since the 1970's, such as Participatory Reflection and Action (PRA), and the Participatory Learning and Action (PLA). These methodologies were first used with rural communities in the developing world and in the UK, aiming at tapping into the unique perspectives of the rural poor, helping to unlock their ideas not only on the nature and causes of the issues that affect them, but also on realistic solutions. PRA tools include a variety of ways of visualizing or representing aspects of local reality, such as social mapping, well-being ranking, network and Venn diagramming, matrix scoring, etc.

The incentive to develop these instruments came, inter alia, also from the dissatisfaction and protests of citizens towards many urban renewal projects that were designed in the post war period. The movement encouraged by Jane Jacobs attests to this. Since then, 'learning together' and 'open-ended inquiries' have become the main keywords of these participatory, action-based processes. With time, the array of instruments of participation evolved into a wider concept, that of communicative planning (or collaborative planning), which gathers stakeholders and engages them in a process to decision-making that respects the positions of all those involved. Since the 1970s, the communicative planning theory has evolved based on the notion that communication and reasoning come in diverse forms, knowledge is socially constructed (Davoudi, 2015), and people's diverse interests and preferences are formed out of their social contexts (Friedmann, 1981).

Finally, communicative planning theory advances the idea that planning happens in everyday practice and social relations, and consensus-building can be used to organize people's thoughts and move past traditional ways of knowing and decision-making.

Box 2. Arnstein's Ladder of Citizen Participation

In terms of citizen participation in decision-making, Arnstein (1969) has developed a simple, yet comprehensive categorization of levels, ranked from the least to the most participatory. This concept addresses power structures in society and how they interact, in the face of important decision-making processes. Below is a short explanation of each level of the 'Participation ladder':

1 Manipulation and **2 Therapy**. Both are non-participative. The aim here, is to cure or educate the participants that the proposed plan is the best and the job of participation is to achieve public support through public relations.

3 Informing. It's the most important first step to legitimate participation, but too frequently the emphasis is on a one-way flow of information. No channel for feedback.

4 Consultation. Again, a legitimate step attitude surveys, neighbourhood meetings and public enquiries. But, Arnstein still feels this is just a window dressing ritual.

5 Placation. For example, co-option of hand-picked 'worthies' onto committees. It allows citizens to advice or plan ad infinitum, but retains for power holders the right to judge the legitimacy or feasibility of the advice.

6 Partnership. Power is in fact redistributed through negotiation between citizens and power holders. Planning and decision-making responsibilities are shared e.g. through joint committees.

7 Delegation. Citizens holding a clear majority of seats on committees with delegated powers to make decisions. Public now has the power to assure accountability of the programme to them.

8 Citizen Control. Have-nots handle the entire job of planning, policy making and managing a programme e.g. neighbourhood corporation with no intermediaries between it and the source of funds.

Source: (Arnstein, 1969); Adapted by authors.

Based on this conceptual framework from Arnstein the Albanian case will be analysed in two planning timeframes: 1995 – 2006 and post 2015.

The Bottom - up Approach to Participatory Planning (1995 – 2006)

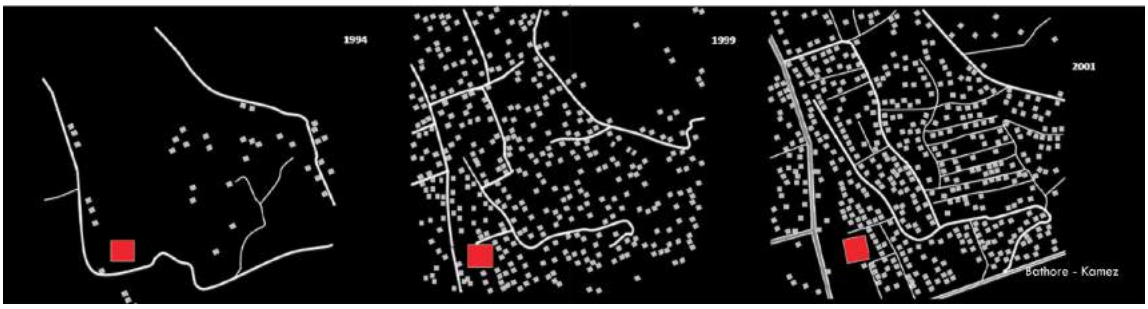
The period 1995-2006 was not addressed by chance in this chapter. It coincides with the first mobilized efforts to address in a systematic way the phenomena of informality that emerged in the periphery of urban areas (and especially in Tirana) following the fall of the communist regime.

There are several factors that induced the development of informal settlements in Albania, such as: the new property relations regime that emerged (especially on agricultural land); the internal migration of the population to the urban areas; a lack of robust institutions; housing market distortion and unaffordability of housing in the centre; and the emergence of pyramid schemes and the civic turmoil that followed (Aliaj, et al., 2009)[2] . In this context, the case of

the village of Bathore in the municipality of Kamza is studied as the most representative example of both a rapidly growing informal area and of successful efforts to address informality and its development consequences through participatory urban upgrading processes.

Before the rapid urbanization that took place during the 1990s, Kamza was a small settlement[3] with a population of approximately 6,000 inhabitants and a predominantly rural character (both in terms of employment and land use). By 2001, it had transformed into a dense urban extension of Tirana, with more than 60,000 inhabitants (INSTAT, 2001) and its residents were facing severe problems in accessing main infrastructures, public services, and amenities (see Figure 1).

Figure 1. The densification of the informal settlements in Bathore 1994-2001



Source: Co-PLAN, Urban Land Management Project 2001

Highly disregarded at an institutional level in the beginning of the 1990s, the process of informal urbanization took off in such an aggressive scale that after 1997, the local authorities started to think about what measure to take. The first attempts were to demolish the illegally constructed houses in Bathore in 1995, but these were held off by the vivid protests of the inhabitants. In contrast to these attempts, a project was developed between 1995 and 1997 in the outskirts of Tirana to engage residents of informal areas into developing their own models of neighbourhood upgrading. In light of this practice, other means of managing informality were sought. As a result, central and local government, in cooperation with the World Bank, supported a local initiative in Bathore that created conditions for citizen engagement in participatory planning. The novelty of these cases[4] was that a local NGO facilitated and technically assisted the implementation process, in collaboration with local and national authorities (Shutina & Slootweg, 1998). This pilot project would turn into one of the most successful co-creation and collaborative experiences in planning in Albania at the neighbourhood level and replicated itself not long after in other informal settings in the country.

The citizen engagement process went through several stages: from analysing the socio-economic conditions; establishing contact with community leaders and building trust; co-designing the best option for infrastructure layout and plot partition; building relationship with the local and national authorities; developing a clear feasibility and cost analysis to be formalised in individual agreements with each settler; and facilitating registration of the final property layout in a temporary register (Shutina & Slootweg, 1998). One of the challenges addressed in the case of Bathore was that out of the total project value (16 million USD), 25% was to be contributed by the inhabitants themselves (20% for secondary infrastructure and 100% for tertiary infrastructure). Not only would the settlers need to rearrange the plot partitions

Figure 2. Images from the consultation processes in Bathore

Source: Co-PLAN archive

to accommodate the new infrastructure, but they had to contribute financially and later register their properties to eventually enter the legalization process more easily (see Figure 2) .

This intensive process of community engagement enabled the inhabitants of the area to feel secure and proactive, and allowed for a relatively smooth process of upgrading in Bathore. If we take into consideration Arnstein's ladder, the process started from Step 3 (information), and climbed to Step 6 (partnership) and partially Step 7 (delegation). The first step of information was of utmost importance because of the necessity to build trust in a context where planning as a concept was hated, due to sensitivity to past centralized planning path dependencies. The information phase included systematic encounters with community representatives to consult them on the proposed interventions of infrastructure layout in the area, and, most importantly, to share the cost of the interventions, where the community needed to finance at least 20% of the cost. The mobilization of the community was done through a thorough process of identification of the so-called 'community leaders' during the socio-economic survey.

They were eventually engaged in a registered citizen association, which would be able to represent the needs of the neighbourhood in the planning processes carried out at the local level (Shutina & Slootweg, 1998). While this was not a permanent representation of the community at the citizen council level, it was still a successful approximation to power delegation (Step 7) in the given context. Finally, Step 6 was reached formally through an agreement between the aforementioned association and local authorities, not only for the approval of the new neighbourhood layout in Bathore, but most importantly, for the new registered status of property in the subdivided areas. This constituted a clear case of partnership between a community representation and a local authority, intermediated by an NGO, which ensured the realization of the program and the co-

financing mechanism. This was a learning process both for the community as well as for the local authority (ibid.).

Nevertheless, this process of participation was limited in scale and cases, replicated through the strategy and project in Kamza (at the time a 22 km^2 administrative territory) and in Këneta area in Durrës (an approximately 30 ha area). The process required a lot of time and though it was not formalised, it was structured in approach, with logical and clear steps to follow. The replication of the model attained successful results in all contexts where it was applied. Though replication did not continue after 2006, the model remains a significant policy and development action, marking two important contributions to the forthcoming participation process in Albania:

a) **A policy impact on the buildings legalization reform** initiated by the government in 2005-2006. This governmental program and the respective laws and bylaws relied on the experience of the above model.

b) **The commencement of efforts to build local government capacities in cooperating with citizens and carrying out strategic urban planning at the local level.** The municipality of Kamza was the first to adopt a Strategic Urban Development Plan in 2002 (Aliaj, et al., 2009). Based on this experience, the municipalities of Fier and Elbasan also adopted urban plans following place-based citizen-engagement processes in 2004 and 2005 respectively.

However, regardless of its policy impact in the legalization reform, the above model affected the planning approaches of the time in a limited way. In Kamza, Fier, and Elbasan the participatory planning experience was very comprehensive, well-structured, and well documented. Still, participation was conducted in smaller geographical areas compared to the current territorial size of Albanian municipalities, and was largely based on the willingness of the respective municipalities to have civic processes and to pursue political and development strategies based on cooperation with people. Broadly speaking, participation in planning during this period (2002-2009) was not legally institutionalized. It was mainly observed in processes of strategic and local economic development planning, carried out in various municipalities with the support of donor programs, but not as a widespread practice in the preparation of urban regulatory plans.

The Integrated Approach to Participatory Planning after TAR (2015 – to date)

From 2009 to 2015, 45 local urban plans were drafted, but with limited traces of documented public hearings held for planning purposes. Between 2012 and 2013, a few small municipalities such as Kruma, Zagoria, Burreli, Bajram Curri, and Vora developed some interesting planning processes, adapted to their local contexts. These plans were jointly developed by POLIS University in Tirana and the respective local authorities. As part of the process, the teams conducted socio-economic surveys, target group consultation workshops, as well as several site visits. This approach created the opportunity for citizens and other stakeholders to be engaged in the process and offer feedback. In these municipalities too, the participatory approach was specific to the local context and fuelled by the need of the local authorities to identify, through planning, means and strategies for socio-economic development in their respective areas. On the other hand, due to lack of documentation, it is impossible to assess participatory approaches to planning in other municipalities.

Following the territorial administrative reform of 2015, with the amalgamation of municipalities/communes into larger territories and populations, the need for planning became increasingly higher. This led to the commitment of the national

government to support spatial planning for the whole urban-rural-natural territory of the municipality, based on a newly adopted law of territorial planning and development. Under the leadership of a newly formed Ministry of Urban Development, the territorial planning law[6] and its bylaws[7] were amended and, in parallel, for the first time, the National General Territorial Plan of Albania was drafted (together with two national sectorial plans – the Cross Sectorial Plan for the Economic Area Tiranë-Durrës and the Integrated Cross Sectorial Plan of the Albanian Coast (NTPA, 2019). This national planning process was carried out in consultation[8] with professionals and through public hearings. Documents were made available for public access in the official websites of National Territorial Planning Agency (NTPA), Ministry of Urban Development (MoUD), and in social media.

Through donor support,[9] and MoUD open calls,[10] 31 General Local Territorial Plans (GLTP) were drafted in between 8 and 15 months. By 2019, out of 61 Municipalities, 36 of them had already approved and had started to implement their plans,[11] eight were still in the process of approval, 16 plans were being drafted and 1 Municipality had not started the process yet. During this period, as a result of legal requirements, participation in planning has become an important component of the process (Hoxha, et al., 2017). The rigid planning of the pre- and early 1990s in Albania is gradually but steadily shifting towards a comprehensive approach, combining political objectives and development visioning processes, strategic and action-led planning, and rapid implementation and concrete development projects. Stakeholder involvement and interaction is also part of the planning process, as defined by law. However, the quality of the processes and transparency and access of information are aspects of participation that need further assessment in terms of accountability and the proper functioning of a feedback mechanism for participation.

Indeed, the recently implemented Territorial Administrative Reform (TAR) has brought about challenges in the establishment of network relations and the facilitation of stakeholder interactions due to the large territorial scale in which planning now takes place. In this context, municipalities also have the responsibility to conduct at least three to four public hearings while drafting the GLTP. Yet, while municipalities have in all cases complied with the legal requirement, the concerns about participation is not so much about the number of public hearings, as it is about the quality of participation and citizen contribution during these hearings. Taking into consideration the relatively short time in which the local planning process took place and the large size and complex territory of the new municipalities (each varying from 15,000 to 800,000 inhabitants), it remains to be evaluated whether these public hearings[12] are representative enough to be considered as a basis for citizen participation.

The analysis of the 36 GLTPs (see Box 3) shows the following:

- Out of 36 GLTPs' documents, 32 contain evidence of the participatory process held during preparation (usually minutes of the meeting).
- The vast majority of the 32 municipalities have some form of evidence on three or less public hearings. Nine municipalities have documented more than 6 public hearings (including the local coordination forums).
- Nine municipalities have declared at least one meetings held with specific focus groups, or citizens in the administrative units. The rest of the hearings were held in the central municipality building, or any venue of choice in the city, without targeting any particular interest group.
- Evidences of the signed attendances shown in some of the GLTPs (in this case only 6 municipalities have provided

the signing sheets), suggest that about 30% of participants were municipal staff. The estimated average number of participants in public hearings for the municipalities is 33,13 varying from as low as 19 participants, to 60 in some cases.

- In 20 out of 36 cases, the planning documents include reflections and measures taken after the hearings, based on citizens' feedback.
- Traditional media, like television and newspapers, and social media have been used extensively in the 30 GLTPs reviewed, primarily to announce and document the process, as well as to inform any related decision-making (Figure 3).

Box 3. Methodology for participation evaluation in 36 Approved GLTPs in Albania

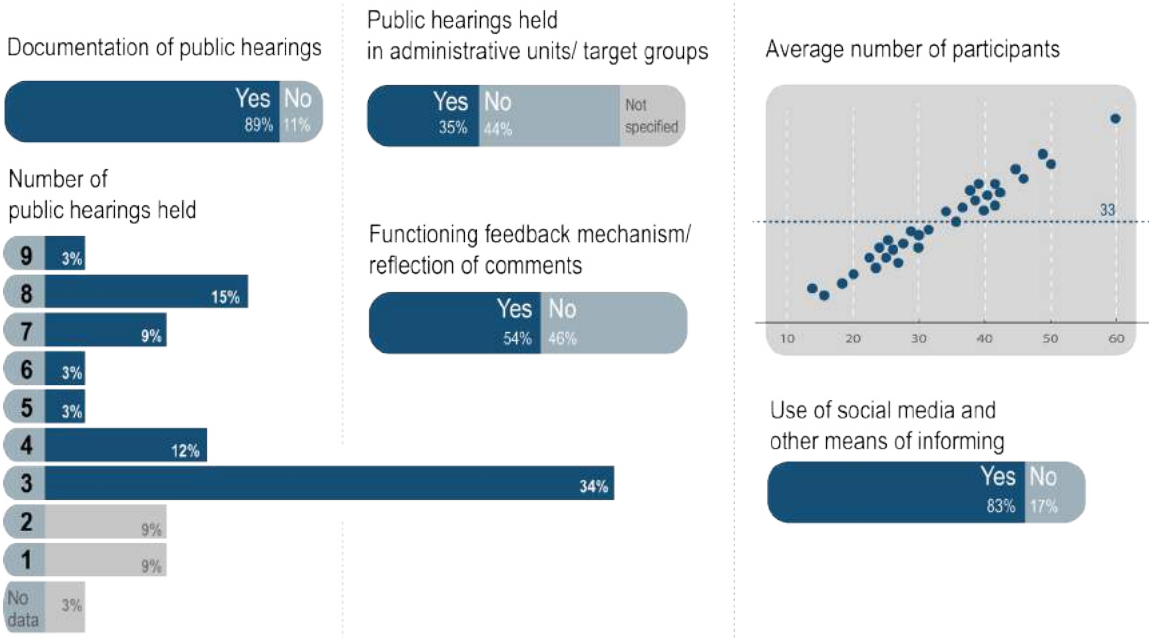
For the purpose of the evaluation of participation in local planning, the respective documentation of 36 Albanian municipalities was assessed. These municipalities have already approved their GLTPs and the final GLTP documents are available online in the NTPA webpage.
The following questions were raised and relevant data was collected through content analysis of two of the main GLTP documents for each municipality: i) The Territorial Strategy; ii) The proposed Territorial Plan.

1. Are public hearings and participatory processes documented and the information on the process made accessible and transparent to the public at large?
2. How many public hearings were held in total and how many in the administrative units of each municipality?
3. How many public hearings were held in total and how many in the administrative units of each municipality?
4. How many people attended the public hearings?
5. Is there any transcripts of questions and answers addressed during the consultations/ hearings? Is there any feedback mechanism in place to ensure accountability?
6. Did the municipality make use of [social] media during the drafting of GLTPs?

Each of the abovementioned documents should provide data and information regarding participation, as stated by the law.

Next to the above review, reference is made also to a benchmarking report published in March 2019, on the implementation progress of GLTPs.[14] The benchmark report uses information that NTPA collects regularly from municipalities on institutional basis, and information generated out of focus groups and interviews conducted with the staff of the 11 municipalities that were subject to the monitoring process and the report. According to the report all surveyed municipalities confirm that the participation in public hearings was with an average of 40-60 citizens/per public hearing (while there were 5-6 cases with a higher number of participants 80-120). The report states that 5 municipalities held dedicated hearings for the Strategic Environmental Assessment (SEA) process, while the other municipalities ntegrated these hearings with the GLTP ones. These results are slightly higher than those derived from the review of the planning documents (even for the same municipalities), emphasizing further the fact that a proper documentation of the participatory process is missing, and it

Figure 3. Results from the analysis carried out in 36 municipalities



Source: Authors, based on GLTPs published in the Territorial Planning Registry, accessed and downloaded in August 2019

is possible to generate more accurate data on the participatory planning process only by talking to people involved and collecting testimonials.

Both the analysis of 36 GLTPs and the benchmark report, show that many municipalities and their technical advisers have opted for a variety of approaches to increase public participation, considering the participatory process as a milestone in the legitimization of the whole planning document. For instance, the municipalities of Tirana, Shkodra, and Lushnje, besides broad public hearings, have also organised focus groups for gaining insight on the current context needs, setting priorities, and drafting policies and actions (Hoxha, et al., 2017). The focus group is usually more content oriented and target to a particular group, promoting more in-depth discussion, and hence being more effective than public hearings. The latter tend to be usually of an informative nature, with less time dedicated to questions and answers in the end (ibid.). Moreover, a series of Local Planning Coordination Forums were organized by NTPA for horizontal and vertical coordination of proposals between the municipality involved in planning and the neighbouring local governments. One of the major novelties in terms of organized citizen engagement in recent years has been the creation of Local Urban Forums and/or Citizen Advisory Panels (CAP).[15] These forums/panels were made very good use in terms of participatory planning, particularly in 5 municipalities, where they have organized periodical thematic meetings and have contributed to the public hearings of the GLTP-s. In other cases, the groups were less active, but still present in the public hearings (NTPA, 2019). Finally, all approved documents are published in the NTPA website. In terms of institutional effort, it seems that many positive steps are taken to 'climb' the Arnstein ladder, beyond the tokenism stage.

Finally, in terms of dissemination of information related to the planning documents and the public hearings, though the procedure is formalized, the outcome was not always as expected. In most of the cases, the materials to be consulted in the hearing, which should have been made

accessible for the public within a timeframe of 1 month before the hearing, failed to do so in due time. This is understandable to a certain degree, since the allocated time-period for GLTPs' preparation was relatively short (Hoxha, et al., 2018). In some cases the materials were made available only one day prior to the meeting, resulting in some form of manipulation and therapy and tendency for information, when referring to the Arnstein ladder. The presentations of the plans come with a huge informative luggage, in some cases very technical, making this too much to be digested by the citizens. Not having the information prior, they would come unprepared, with no structured thoughts or proposals, leading to an impulsive feedback on what is presented at that specific moment, and what they can superficially understand (Figure 3).

Social media and the municipality webpage have been used to notify citizens about the hearings date and time (and in few cases as in Tirana the uploading of the presentations), but no further outcome of these hearings is documented. In few cases, the plan was also debated in TV shows (though in the case if Tirana, most of the debate happened after the approval), which reached greater audience. It is also worth mentioning the case of the municipality of Lezhë, which can be seen as a good practice in terms of e-participation, because of the establishment of an open source GIS application made available to the public, to check and comment in real time regarding the plan (Hoxha, et al., 2017). The same was done in an open access platform for the GLTP of Tirana, but only in the very early stages of analysis. These creative ideas reduce time and mitigate territorial constrains, and help engage citizens in a more comprehensive way, closer to the 'placation' 16 step of the Arnstein ladder.

Other methods include questionnaires, which were realized by a large number of working teams, but in none of the cases the samples were representative enough, but were merely used for a rapid assessment of deficiencies and territorial needs. Nevertheless, no institutional data is available for the hearings, making it difficult to understand and assess the scale of participation. In terms of effectiveness, only in few cases the documentation of hearings includes citizen comments and the replica given by the expert during the hearing. Thus, the real contribution of the citizens in the territorial decision-making, remains still unknown and in the shadow.

The abovementioned results, show that in all of the GLTPs considered for this study, have successfully climbed the (3) Informing Step in the Arnstein ladder. All of the Municipalities, have provided information on the GLTP content, through public hearings and forums, [social] media, and/or the Territorial Planning Integrated Register. Today, all of the approved GLTP documents are accessible online. There is still work to do in the dissemination of planning documents in timely manne

Yet, the 4th Ladder Consultation, remains a dressing window as Arnstein would say, in most of the cases analysed. Very few municipalities have held meetings with focus groups, or in their rural areas. Furthermore, the public hearing process is handled differently in different municipalities, therefore the consultation degree varies, and due to lack of proper documentation is impossible to analyse. The average number of participants in the public hearings held in the central part of the municipality, as compared to the respective municipality's population, shows that the processes were not representative enough. The feedback mechanism is present in about half of the cases, and even so, they represent remarks given in these limited occasions, and not a continuous process of participation.

Conclusions and Recommendations

Analysing these two main periods of participatory planning processes in Albania reveals two relatively different contexts and approaches: 1) mobilising community

in co-creation of space, including support for local authorities, in a bottom-up but non-formalised way, and 2) implementing an entire planning process through institutionally defined mechanisms for citizen feedback. Both periods were analysed in time and scale and the following conclusions are drawn.

The experience established during the first period is very important, because it created a model, which, besides achieving place-based results, it also contributed to formation of the current territorial planning system and law. The cases are easily traceable because of being well documented and had tangible impacts on the respective communities. The planners involved in the implementation of the cases gained knowledge, which they transferred to the planning system and revised practice after 2009. However, the cases of this first period are limited in number, compared to the need for bottom-up citizen engagement in planning. Also, this bottom-up approach, though broadly recognised, it was not carried on for implementation after 2009, parallel to the institutional processes of participatory planning. In general, stakeholders in Albanian consider that resources, time and capacities to undertake bottom-up citizen engagement in planning are beyond their means. Municipalities in particular are not necessarily keen in replicating such long and intensive processes, given the multitude of pressing governance issues they have to deal with. Furthermore, the bottom-up processes may need also capacitated intermediaries, such as representatives of civil society or community-based organisations, in order to manage the negotiations and balance the interest.

Still, the case of Bathore and other cases implemented in Kamza and Këneta (in Durrës) informal areas show that that in small community/neighbourhood territorial scales, bottom-up citizen engagement in territorial planning is possible and perhaps the best mechanism to enable territorial development. The results are also sustainable because communities take ownership of the final product.

The experiences of the second period entail a large territorial scale – city and beyond, looking also at interlinkages between urban-rural-agricultural and natural sites. Besides an increase in territorial size and complexity, the second period saw also major improvements in the planning legislation and practice, starting with shifting toward strategic and comprehensive planning of the territory and preparation/approval of 36/61 plans respectively. Citizen engagement was formalised through law. This guarantees that all municipalities undertake at least a minimum of citizen participation events, even for large-scale territorial planning. However, the efficiency of the citizen engagement may not necessarily be high, or lead towards democratic solutions on territorial development. This is so due to the large scale and high complexity of the territories to plan; difficult communication between communities and local governments in some remote territorial contexts; costs of the process, which are higher the less accessible a territory is; the increasing stakeholders' diversity leading to a large variety of needs and challenges to consider through planning. Furthermore, in the specific case of Albania, it is noticed that documentation of the participatory processes is not complete and well traceable. Also, there has been a certain mismatch between time dedicated to planning, time needed for triggering citizen willingness to engage in planning and carry out participatory processes, and the role of technical assistance. As a result, effective and qualitative feedback from citizens was not always achieved.

On the other hand, municipalities, in some cases, reduce citizen participation both as a result of their lack of capacity and recognition of the importance of the process. Adding to this, the time pressure seems to having turned participation into a bureaucratic procedure in some cases, while other municipalities have designated

the necessary time to citizen involvement in planning. As such, in Albania one can observe the presence of both, effective participatory planning on one hand, and mostly bureaucratic participation to legitimize top-down decisions on the other.

As a conclusion, to guarantee citizens' participation and further promote and enhance participatory planning in Albania the following recommendations can be taken in account:

Strengthening the interest groups' capacities, to influence political power and be able to formulate and bring forward their ideas, needs, and rights is important to ensure effective participation. This is achieved through information and increased cooperation between municipalities and local actors, through the intermediation of national agencies. Local governments should encourage communities and civic society to engage in learning about planning policy cycles, instruments and decisions. Hence, planning departments should not see their role limited to technical processes only.

Local governments can do more to encourage community organized groups, such as CAPs and urban forums, and other stakeholders, to be more proactive in the planning decision-making, moving away from closed-doors policy making. This cooperation should continue beyond approval of planning documents and at any time there is planning decision-making, because planning is a continuous process.
It is important for local authorities to envisage citizens as an integral part of decision-making, supported by the inclusion of private sector interest groups and higher education institutions in a quadruple helix system.

In practice, especially now that territorial plans are approved, municipalities need to create a structure that is capable and works in negotiation processes with people for all of their territorial development needs. These can be for public and private initiatives. In any case, the municipality should be transparent in its decision-making and the participatory/negotiation processes should be well-documented and open to the public. Furthermore, as the review of the general territorial plans is a continuous process, municipalities should take corrective action and apply mechanisms to reintegrate the community in the process and give it the proper time prior to sending the revised documents for approval. In such way, the bottom-up approach could be revived.
To a large extent planning has to discover new methods of inclusion, perhaps using more technology, especially in context of difficult access, or as a means to saving time. On the other hand, planning officials should regularly spend time on-site, talking to communities in need and boosting their involvement in planning. The good practices, reported in both periods, need to be replicated and improved further, such as: e-communication tools, focus groups, the feedback documentation systems applied by some municipalities, etc. The range of methods vary from small scale co-designing experience, to games, and recently with the advances in technology E-participation can easily take a strong emphasis. The latter goes from the use of social media in planning processes, towards more sophisticated measures of using GIS-based platforms for actively engaging the public (Conroy & Evans-Crowley, 2006).

Notes

1. Sometimes in literature could be also found as direct democracy.
2. The emergence of the informal sector in Albania is not subject of this paper, but there is significant literature that covers the phenomena, such as: Aliaj, B., 2008. "Misteri i Gjashtë: Cili është kurthi që mban peng zhvillimin dhe integrimin e ekonomisë shqiptare me botën moderne?". 1st ed. Tiranë: POLIS Press. Aliaj, B., Dhamo, S. & Shutina, D., 2009. Midis Vakumit dhe Energjisë. Tiranë:

POLIS Press. Co-PLAN, 2000: City made by people, vol 2, Tiranë; etc.

3. Until the 90's Kamza was an agricultural area, with farms and the agricultural University, focused on academic practices in a part of the agricultural area.
4. Initially, the participatory urban upgrading approach was tested in the informal neighbourhood of Breglumasi (Tirana). as a pilot project in the framework of the Urban Land Management Project in Tirana, supported by the World Bank and Dutch donor organisations. The project aimed at extending the infrastructure networks and services in the project area, as well as at developing institutional capacities in planning and land managemenent.
5. Co-PLAN, Institute for Habitat Development
6. Referring to Law 107/2014 "On Territorial Planning and Development, amended".
7. Accordingly, DCM 671 "For the approval of the Territorial Planning Regulations" and DCM 408 "For the approval of Territorial Development Regulations".
8. Evidence on the public hearings held during these processes is documented in the NTPA official website. See http://planifikimi.gov.al/index.php?id=158&L=2.
9. Through the USAID support 5 Municipalities in Albania (Berat, Elbasan, Lushnje, Berat and Kuçovë) were the first to start (and latter approve) the GLTP process. In 2017 other 5 municipalities were able to draft and approve their plans through SDC support.
10. The first open call from MoUD was opened in 2015 for 26 Municipalities divided into 10 LOTs to 10 consortiums of local and international companies supporting local authorities to complete the GLTPs. Later in 2017 MoUD supported another seven municipalities in drafting their plans and in 2018, MIE supported the 16 remaining municipalities.
11. For update, see http://planifikimi.gov.al/index.php?id=732.
12. Article 24 of Law 107/2014, sets the legal basis of conducting at least one public hearing for each document to be approved. As such in this process, four documents should be approved: The Territorial Strategy, the Territorial Plan, the Regulations, and the Strategic Environmental Assessment.
13. This estimation takes into account either photos of public hearings in the GLTPs, or photos of the respective sign-in sheets.
14. The 'Benchmarking Report on the Monitoring of Implementation of General local plans in Albania', drafted by NTPA with the support of USAID and the technical assistance of Co-PLAN takes into consideration only 11 municipalities that, at the time of the drafting of the report (2017-2018), had started the implementation of their GLTPs since at least six months from approval date.
15. CAP-s were established by the Planning and Local Governance Project (USAID), to regularly consult with municipal officials on issues such as taxes, annual budgets and city development.
16. The placation stage means 'pleasing' citizens. It allows them to advise or plan ad infinitum but retains for power holders the right to judge the legitimacy or feasibility of the advice.

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Territorial Governance through Spatial Planning in Albania and Kosovo

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Summary

Albania and Kosovo have taken various initiatives over the last decade with the aim of reforming territorial governance and their spatial planning systems. The territorial development trends of both countries have shown great similarities over the last 20 years. The aim of the paper is to compare the evolution of territorial governance and spatial planning in both countries. The Albania-Kosovo case study is important to analyse due to current cooperation between the two governments. Using territorial governance as a main conceptual framework, the analysis of the two planning systems will focus on three dimensions: coordinating the actions of actors and institutions, integrating policy sectors, and mobilizing stakeholder participation. The analysis shows that although both countries have made important steps forward in terms of changing their legal frameworks in order to respond to local challenges as well as current trends in territorial governance, there are still evident gaps in the institutionalization of the new system.

Keywords: Spatial Planning, Territorial Governance, Comparative Planning Studies, Western Balkans, Planning Evolution

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Introduction

Albania and Kosovo have gone through important reforms over the last two decades in an effort to catch the European integration train (Cotella & Berisha, 2016). Both countries come from centrally planned dictatorial regimes (Hoxha, et al., 2017; Aliaj, 2008), hence one of their biggest challenges has been (and still is) the shift towards a functioning democratic rule (European Commission, 2018a; European Commission, 2018b). The spatial planning systems in Albania (Toto, 2012; Aliaj, et al., 2014) and Kosovo (Hoxha, et al., 2017; Allkja, 2017) have shifted from an 'urbanism approach' towards a 'comprehensive and integrated spatial planning approach'.

The main aim of the paper is to critically analyse the evolution of territorial governance achieved through spatial planning in Albania and Kosovo in order to: offer a comparative perspective in their evolution, add to the research conducted in the territorial governance and spatial planning spectrum, as well as offer insights regarding policy making. The evolution of the respective spatial planning systems will be analysed through three main dimensions of territorial governance: coordinating the actions of actors and institutions, integrating policy sectors, and mobilizing stakeholder participation, which are highly important from a planning perspective. The methodology for this research is based on content analysis of policy documents, legislation, and secondary sources on spatial planning processes in Albania and Kosovo.
From 1945 to 1991, Albania and Kosovo were under centralized political and economic systems (Aliaj, 2008; Hoxha, 2006), which were reflected in their respective territorial planning systems. The absence of private property during this period turned the planning process into a technocratic urban design exercise rather than a process of co-development of the territory (Aliaj, et al., 2009). Territorial development was a highly centralized function, conducted at the national level through five-year programing (Aliaj, et al., 2014). Rules and policies were imposed from the centre to the line ministries as well as from the centre towards the local level under the strict control of the socialist party (Aliaj, et al., 2009). Central Institutes of Urbanism in Albania and Kosovo were the main actors in the preparation of planning instruments and regulation. While instruments at the local level were quite similar in the two countries, a distinct feature of the Kosovo system during these years was the presence of the National Spatial Plan of Kosovo. Albania lacked a national planning instrument which would give territorial expression to the national policies, using instead the five-year development programs as the main instrument.

Both countries show attempts to somehow break the path dependency on the traditional urbanism approach (especially over the last ten years) with deep legal and institutional changes. Considering the changes in legislation and the attempts made during the last decade to prepare various planning instruments, particularly since 2013, this paper will focus its analysis within this timeframe in order to better understand the institutionalization of the respective systems and their efforts in achieving territorial governance.

Janin Rivolin (2012) indicates that territorial governance is strongly linked with spatial planning and spatial planning systems (though not always). ESPON[1] supports the idea that "Spatial planning and territorial governance are collections of formal and informal institutions some of which are shared" (ESPON, 2016, p. 6). There are different reasons why planning can be seen as a way of achieving territorial governance including its multi-dimensional, cross-sectorial, and multi-level application. Planning as a discipline is always evolving, and so are planning systems (Getimis, 2012). As previously mentioned, the analysis of the planning systems of Albania and Kosovo will be structured along three main dimensions of territorial governance. The first dimension on the coordination of actors and actions of institutions focuses on issues such as the distribution of power across

levels, modes of leadership, the presence and roles of structures of coordination, and the way the system deals with constraints to coordination. The second dimension focuses on the issue of sectorial policy integration. More concretely it focuses on the structural context for sectoral integration, the ability to achieve synergies across sectors, the acknowledgement of sectoral conflicts, and how to deal with sectoral conflicts. The third dimension is focused primarily on participation issues and looks into stakeholder identification, securing democratic legitimacy and accountability, the integration of different interests or viewpoints, and insights into territorial governance processes.

Framework of Spatial Planning in Albania and Kosovo

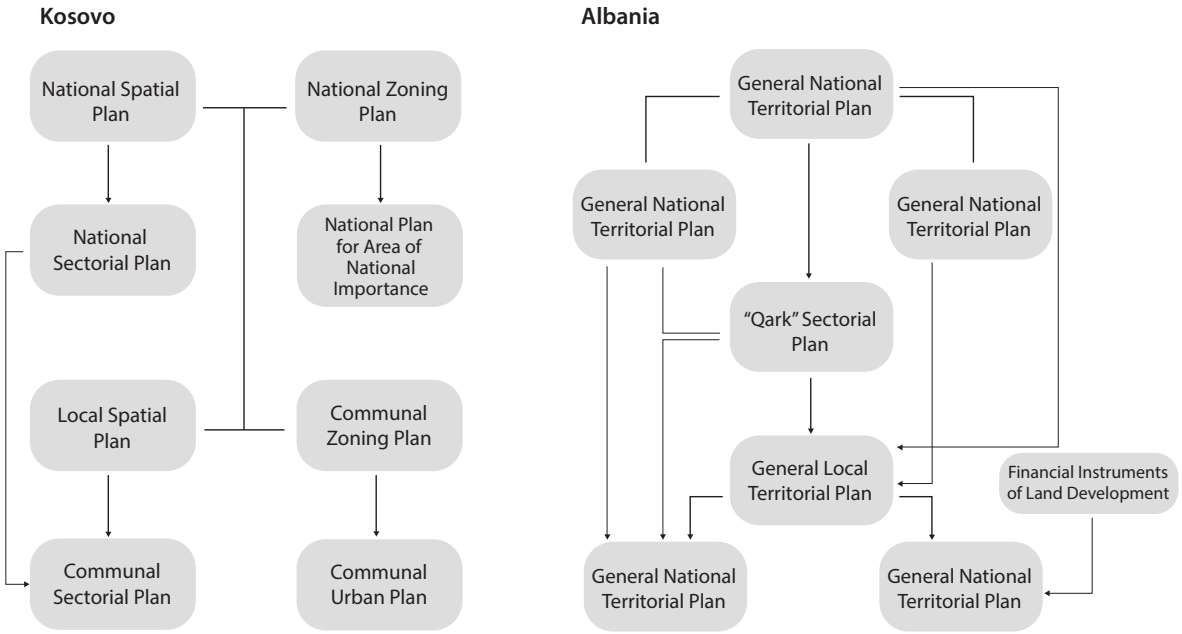
In Kosovo, following the declaration of independence in 2008, a new (revised) spatial planning law was prepared. At the national level, the main institution and key player in planning is the Institute of Spatial Planning, hosted within the National Environment Agency under the Ministry of Environment and Spatial Planning. National Plans are drafted by the Institute of Spatial Planning and are approved by the parliament (GoK, 2013). At the local level, the main planning institutions are the Communes. In terms of planning instruments in Kosovo, the main instrument at the National Level is the National Spatial Plan. This document is composed of the National Strategy and the Zoning Map of Kosovo, the latter introduced in 2010 as a result of legal reform. In fact, it was the introduction of the Zoning Map that created a stalemate in the planning activity in Kosovo for almost three years. The Zoning Map of Kosovo created confusion among planners, who could not agree regarding the meaning and role of the instrument. At the local level, the main instrument is the Local Plan composed of the Local Plan, the Zoning Map, and accompanying regulations (Ministry of Environment and Spatial Planning & USAID, 2017).

Meanwhile, in Albania, following the strategic legal changes of 2009, which established a new approach to the planning system, some planning initiatives were taken at the local level in the period 2009-2013. However, a significantly intensified planning activity took place after 2013 due to increased government priority in planning. The legislation was reviewed resulting in the preparation of Law 107/2014 'On territorial Planning and Development', as amended (GoA, 2014). The review did not bring about a new framework but clarified and simplified some of the handicaps of the previous law. According to this legislation, the most important plan in terms of spatial planning instruments at the national level is the General National Territorial Plan (GNTP). The latter is supported with sectorial plans as well as Detailed Plans of Areas of National Importance. At the local level the most important document is the General Local Territorial Plan (GLTP). It can also be complemented with sectorial plans and the Local Detailed Plans (LDP). The GNTP and the GLTPs are composed of three main documents: the Territorial Development Strategy, the Territorial Plan, and the Regulation of Development.

In terms of institutional actors, the Ministry of Infrastructure and Energy is responsible for planning, while the National Territorial Planning Agency, established in 2009, serves as the main institution at the central level. The National Territorial Council (NTC), a collegial entity composed of ministers of ministries which have an impact on the territory and led by the Prime minister, is the institution responsible for approving plans of national and local importance. It is worth mentioning that at the local level only the GLTPs are approved by the NTC while the LDPs are approved by the Mayor. Lastly, municipalities are responsible for planning at the local level. Due to the territorial administrative reform implemented in 2015, municipalities in Albania have been reduced from 373 units (municipalities and communes) into 61 municipalities covering larger and more complex territories. The territorial reform, besides increasing the population of each territory, was also associated with an increase in powers and responsibilities at the local level. This created

a large demand for planning at the local level in order to better manage their territories. As a result, 37 of the 61 municipalities have their GLTPs approved, 8 are in the approval process, 16 are in the drafting process, and one municipality is waiting to initiate the process for the preparation of the GLTP (NTPA, 2019).

Figure 1. Planning Framework in Albania and Kosovo



Source: Authors' own elaboration

Analysis of Territorial Governance Dimensions

Coordination of Actors and Actions of Institutions

Following the end of the dictatorial regimes in both countries there has been a tendency to allocate government powers at the local level. In Albania, this process has happened incrementally and spanned across a larger timeframe (i.e. 1991 to today) while in Kosovo the change occurred abruptly after the end of the war with Serbia in 1999. In 2004, with the approval of the Law of Spatial Planning, Kosovo established a hierarchical system of planning with similar instruments at the national and local level. In Albania, the different waves of decentralization reform were also reflected in planning, particularly following the legal changes of 2009, which aimed to create a more hierarchical system with planning instruments at the national and local level.

Planning in both countries is a shared competence between the national and the local government level, with the latter having specific degrees of autonomy to make their own decision. The shared aspects of planning come into play when dealing with instruments such as Areas of National importance and building permits of the same importance, as well as for the approval of territorial plans. A similar feature in both countries is the absence of planning activities at the regional administrative level. In Kosovo this government tier is missing; In Albania, it exists[2] and de jure is supposed to plan for its territory. In reality, it does not undertake planning, as it cannot implement its plans. This can also be considered as an institutional gap in terms of mediating and coordinating between the national and local levels, particularly when functional mismatches are observed between administrative jurisdictions and territorial development aspects.

Although there is a distribution of powers between the central and local level, at least from the formal point of view, the lack of leadership in smaller municipalities (Albania) and communes (Kosovo) means that planning is highly influenced by central level institutions. The absence of capacity at the local level is not only professional but also financial (Toska & Bejko (Gjika), 2018; Co-PLAN, 2018). This is important challenge, which hinders the leadership of local authorities. Nevertheless, the question of leadership is not only an issue at the local level.

In Albania, during the period 2013-2017, a specific ministry was created around Urban Development. The ministry took leadership on planning policy making and strengthened the role of the NTPA, an institution which was one of the main coordinating structures with regard to planning. The role of the NTPA was quite important during the preparation of the national territorial plans and as a main coordination body during the preparation of GLTPs by local authorities. However, since 2017, when the Government of Albania abolished the Ministry of Urban Development, planning passed under the competence of the Ministry of Infrastructure and Energy. Within such a large institutional machine, territorial planning was reduced to one department, and the ability of the NTPA to serve as a leader in coordinating institutions has been weakened. It seems as if the political priority on planning in Albania was considered complete with the preparation of the general territorial plans.
A similar process of deprioritizing planning can also be witnessed in Kosovo. The Institute of Spatial Planning was established within the Ministry of Spatial Planning and Environment as one of the main coordinating bodies at the central level. The Institute was heavily involved in planning activities at the national level (i.e. the preparation of the Kosovo National Spatial Plan and the subsequent plans for areas of national importance). It also served as an institutional reference point for all communes in their efforts to prepare their local plans. However, once the Institute was integrated within the National Environmental Agency, it started to lose its power and role as a coordinating actor. The ability of national institutions to coordinate territorial development issues is examined in the next session, which deals with the integration of different sectors into the planning process.

Integrating Policy Sectors

In 2009, the introduction of new legislation in territorial planning articulated the need for policy integration. This was also reflected in the new planning instruments that were introduced, including a General National Territorial Plan that would coordinate the different sectorial processes in an integrated manner and serve as a basis for local governments in drafting their local plans. Only in 2013 did the Albanian government start the process of drafting the GNTP of Albania, as well as the Integrated Cross Sectorial Plan for the Coast and the Integrated Cross Sectorial Plan for the Economic Zone Tiranë-Durrës. The three plans were approved in 2016 by the National Territorial Council and with the respective Decisions of the Council of Ministers. In parallel to the initiatives at the national level, local planning had also become a priority, as previously discussed. The NTPA and the municipalities made some important efforts in terms of coordinating and integrating policies not only from a sectorial perspective but also administratively. For example, Coordination Forums were organized by the NTPA to coordinate the plans of bordering municipalities.

The planning documents demonstrate a general effort to integrate the different sectors' needs and priorities into the planning process. From a planning instrument point of view, the three territorial plans make reference to all sectorial strategies at the national or regional level (NTPA & Ministry of Urban Development, 2016). In addition, when looking at the process, it can be assumed that most sectorial ministries that impact territorial development have been part of the planning process, or have at least

been consulted (NTPA & Ministry of Urban Development, 2016).

However, the integration of different policy sectors, both at the national and local level, remains a big challenge in Albania (especially during the implementation phase). Although most planning instruments have comprehensive and integrated strategies, they are usually reduced to mechanisms that facilitate issuing building permits. Municipalities find it difficult to use their GLTPs and their respective strategies to their fullest extent. This is usually a consequence of various issues such as: limited financial capacity at the local level to develop and implement strategic projects, limited human capacity, the clash of different interests, the political powers of certain actors, and a general absence of a culture of sectorial integration. Often, territorial planning departments consider the plans as their "property," allowing for little integration with other sectors. Hence, both at the national and local level there is a significant degree of integration between the different sectors in terms of preparing planning documents, but a poor integration in terms of implementation. The achievement of sectorial integration and coordination is also a question of planning culture, which takes time to change considering the path dependency from the previous centralized approach that focused primarily on urban regulatory planning.

On the other hand, Kosovo, through international support, has tried to integrate different policy sectors into the planning process. Although a new state, Kosovo has had a National Spatial Plan since 2004, reviewed subsequently in 2010 (Ministry of Environment and Spatial Planning, 2010). Nevertheless, continuous changes in the administration as well as in planning legislation have marginalized the power of planning in the territorial governance of Kosovo. The latter has started to lose its position when compared to other sectors (Ec ma Ndryshe & ProPlanning, 2016). This handicap is due to changes in the legislation of spatial planning in Kosovo, which have occurred in the period 2010-2013. The introduction of a new concept in the planning legislation such as the Zoning Map created confusion in the planning sector. For three years, planners could not agree on the meaning of this instrument and the way it should be developed both at the national and local level. Combined with continuous political stale-mates, the role of planning has been reduced in the policy making arena. The frequent changes in ministerial cabinets have not allowed for policy learning and capacity building. Based on the above analysis, though both countries had different starting points and experiences in terms of planning practice and sectorial integration, their respective systems offer limited capacity in terms of policy integration. There is general and formal policy integration in terms of planning documents but practice is yet to catch up. Nevertheless, this must be seen as a step forward by Albania and Kosovo in trying to modernize and improve their planning systems and culture. Shifting from an urban planning/design practice towards an integrated and comprehensive approach remains a challenge for some of the most sophisticated and mature systems, let alone for Albania and Kosovo, which are still in a dynamic process of institutional and democratic change.

Examples of poor policy integration and coordination are present in both countries at the national and local level. In Albania, for example, debates regarding the environmental impacts of small hydropower plants have escalated over the last few years. In Kosovo too, debates regarding the prioritization of energy production over environmental risks are increasing. National plans are in sync with the priorities of the Ministry of Environment, however, they are contradictory with the sectorial plans for economic or energy development. The development of small hydro-power plants, for example, is contradictory to the protection of environment and tourism development. The development of mass tourism facilities in protected areas also shows a lack of coordination (Allkja, 2018). Regional development is another policy sector that shows a lack of coordination and

integration in Albania (Imami, et al., 2018). There is a discrepancy between the proposed regions of development in the GNTP and the DCM on the regional development. Similarly, the pressure of construction at the local level in agriculture, the environment, coastal areas, and public infrastructure and cultural amenities is quite high (NTPA & Ministry of Urban Development, 2016; Ec ma Ndryshe & ProPlanning, 2016). This is evident at the local level and especially in the respective capital cities of Tirana and Prishtina. Not surprisingly, both of these cities rank among the most polluted in Europe (Numbeo, 2019; Bajcinovci, 2017). The dichotomy between environmental protection and energy production is especially evident in the city of Pristina. The large thermal power plant in the periphery of Pristina is one of the largest pollution sources. When this is combined with high levels of construction in the city and poor traffic management, the situation becomes highly aggravated (Bajcinovci, 2017).

Therefore, there is a general lack of synergy across the different sectors, especially during the implementation phase. Although sectorial conflicts are acknowledged in territorial plans and there are (normative) policies in place to reduce these conflicts, the complete opposite situation is observed in practice. The short term benefits of investment in construction, energy, and infrastructural sectors very often outweigh the impacts on socio-environmental aspects (Allkja, 2018; Bajcinovci, 2017). The approach in dealing with the deficiencies of coordination and sectorial integration are similar in both countries. Sectorial conflicts are primarily resolved in a post-factum manner. For instance, only once there are protests and civil society raises its voice, the respective governments try to respond under high public pressure (Luta, 2019) (Shehu, 2019; Allkja, 2018). This is not a typical approach advocated by each country's respective planning system, where these types of issues are expected to be solved through planning and prevention, rather than reactive measures following adverse decisions.

Mobilizing Stakeholder Participation

The basis for public participation in territorial planning in Albania is set out in Article 24 of the Territorial Planning and Development Law (as amended). Public participation is also regulated by Article 8 of DCM 671 on the Territorial Planning Regulation (2015, as amended). This article also introduces a Forum for Local Counselling. This is a special body, created on a voluntary basis and aimed at engaging local communities and other stakeholder groups in the planning process. The local planning experience of Albanian municipalities over the last five years incorporates various methods used by municipalities to guarantee citizen participation (Hoxha, et al., 2017). Methods range from public hearings (the minimal legal requirement) to more elaborated internet-based approaches. Nevertheless, participation is still limited and, in many cases, it is mostly used as an information mechanism rather than as a basis for efficient collaboration in the preparation of plans.

Similarly, the situation in Kosovo has evolved since the 2000s. Law 04/L-174 'On Spatial Planning' (Ministry of Environment and Spatial Planning, 2013) sets the basis for public participation through Article 20, Chapter 4 on Participation on Public Information. Compared to the Albanian framework, legal provisions in Kosovo are less elaborated. There are no legal conditions regulating the number of participation events and the time for conducting public participation. Local authorities need to make their plans open to the public, encourage participation, and incorporate written recommendations and the complaints of citizens and other interested parties in the planning documents. These practices regarding public participation are fairly limited (Ec ma Ndryshe & ProPlanning, 2016). Public participation is merely a question of informing the public rather than working together to produce a plan.

In Albania, the legal framework has been improved and different mechanisms have

been put in place to foster participation and increase transparency. Citizen Advisory Panels were introduced, which allow community representatives to become part of the process in a structured and coherent manner. Additionally, transparency is increased by the fact that all plans are expected to be published in the Territorial Planning Register. However, public participation practices2 in Albania between 2014 and 2018 show that the latter is a formal procedure (with few exceptions) with limited impacts on the planning process and products (Hoxha, et al., 2017). Nevertheless, there are some good practices in the Albanian context that have not been able to be fully implemented in all planning processes . This lack of implementation also comes as a consequence of path dependency from the previous regime, where public participation was not conceived of as an integral element of governance. Thus, citizens' ability to take part in planning and decision-making processes is not yet fully recognized. This means that stakeholders are not fully identified and made part of the consultation process. Authorities and planners have also limited experience and capacity in developing meaningful and productive participation and collaboration processes.

The lack of participation and transparency is a great hindrance in both systems with regard to securing democratic legitimacy and accountability. Additionally, most of the viewpoints and interests that come from the citizens or other stakeholders come during the formal public hearings. In most cases, the interests expressed are related to individual, private interests, regarding the implications of the plan for one's property, or come as immediate reactions to the presentation of the plan. Thus, when looking at the evidence from planning hearings, most of the comments and viewpoints received are not considered to be appropriate. Planners in these cases are not able to generalize these comments and reflect them in the plans. Participation practices lack the mechanisms to document the chain of concerns raised by the public to the point of addressing them either specifically or in general terms, something that would increase the citizens' trust in the participatory processes. On the other hand, in Kosovo, it is almost impossible to find evidence of the way that different viewpoints have been integrated into planning documents. In conclusion, though there has been an increase in planning activities in Albania and Kosovo in recent years (and, consequently, participatory planning activities), their results are limited to formal processes.

Conclusions and Recommendations

The aim of this paper was to compare the evolution of territorial governance of spatial planning in Albania and Kosovo. Both countries are trying to move away from urban regulatory approaches towards spatial and integrated planning. Considering their initial starting point, Albania and Kosovo have made steps forward in the conceptualization of planning, especially from a legal and instrumental perspective. Both planning systems, at least from the formal point of view (rules and laws) try to reflect north-west European planning models and Europeanization tendencies. Nevertheless, while changing a law can take a day, changing a planning culture can take years. Practices of territorial governance through spatial planning are still lagging behind in issues such as policy coordination, sectorial integration, and public participation. In this framework, it is important for both countries to focus their efforts on institutional strengthening. Measures should be taken to foster the development of capacities for those involved in planning both at the national and local government level. The National Territorial Planning Agency in Albania and the Institute of Spatial Planning in Kosovo are the two main coordinating actors in the respective countries. While in Albania the NTPA has taken ownership of the planning

processes and tries to lead and coordinate, in Kosovo, the Institute is losing its leadership role. The integration of different policy sectors remains somewhat weak in both countries. Although instruments of planning are integrated and comprehensive from a sectorial perspective, in reality, the implementation of sectorially integrated decisions is limited. Sectorial integration is a challenge for most countries with consolidated planning systems (Böhme, et al., 2019), let alone for two developing countries with embryonic planning systems. In this context, the "formal" integration that occurs in planning documents can be considered as a first (though not sufficient) step for sectorial integration, which requires follow-up during implementation. Therefore, the role of the NTPA and ISP should be increased at the national level. They should be involved in issues of decision making regarding major projects falling under line ministries. Similarly, at the local level, planning directories need to go out of their "urban development" nest and try to offer integrated approaches, especially in a context of mixed-use urban-rural territory. Of course, construction is an important sector, which brings financial gains to the municipality. However, decisions on building permits should be taken in compliance with other sectorial issues, such as the environment, socio-cultural aspects, and the need for public spaces.

Public participation is one the weak spots of territorial governance through spatial planning in Kosovo and Albania. In both countries, participation activities in their current state are just another formal, bureaucratic procedure in the planning process. Responsibility for this state of affairs is not to be credited only to spatial planners, but is also due to the low participative culture of citizens. Therefore, it becomes highly important that, in both countries, practices of public participation are enhanced by national and local authorities. These practices should go beyond the formal procedure of public hearings and try to integrate the public at all levels of decision making. Public participation approaches are not 'one-size-fits-all', meaning that it is the role of planners at the national and local level to increase their efforts and test different methods of citizen engagement and collaborative planning. Thus, it is highly important for planners to educate citizens about an institutional culture of public participation and recognize the power of participation as an inherent part of the planning process.

Notes

1. European Territorial Observatory Network
2. The planning legislation allocates planning responsibilities to qark. Qark is the second tier of local government that should coordinate and bridge strategies for development between the national government and municipalities according to the Constitution. However, the Qark administration does not have the legal power to control or manage territorial development; it cannot levy taxes and fees; and therefore cannot impose its planning decisions for implementation by municipalities or any other government body.
3. For more detail, see Dhrami and Imami, 2019 in this publication.

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Decentralisation and Local Economic Development in Albania

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Summary

Local governance in Albania has been the subject of several reforms over the last few years. The consolidation of local self-government units into 61 municipalities through the administrative and territorial reform was accompanied by the approval of a new law on local self-government, a new strategy for decentralization, and the devolution of some new functions to the local level. The completion of the legislative framework with a law dedicated to local finances was of particular importance for local governments. Nevertheless, while the available financial resources to the 61 municipalities are assessed to have followed an upward trend, their allocation seems to have had different effects on local economic development.

Stronger decentralization and fiscal autonomy at the local level leads to better services for citizens, and theoretically translates into favourable conditions for promoting local economic development. This article assesses the relationship between the local government decentralization processes undertaken after 2010 in Albania and local economic development. The results, based on data for the period 2010-2018, are different for municipalities of different sizes, demonstrating the need to complement decentralization reforms with instruments that enhance local capacity and are tailored to local needs. Furthermore, it is concluded that these findings are introductory and not exhaustive, as long as a commonly agreed indicator approximating local economic development is not set. However, the assessment brings added value to the deepening of knowledge on the effects of decentralization policies on the local economy and can inform further steps towards fiscal decentralization.

Keywords: Decentralization, Local Economic Development, Fiscal Autonomy, Asymmetric Decentralization, Disparities, Local Capacities, Albania

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Introduction

The decentralization process in Albania has progressed at a slow pace and in waves, shifting over time in recent years in all dimensions: fiscal, administrative, political, and economic (Ahmad, et al., 2010). This process has materialized in the progressive and symmetrical transfer of administrative and fiscal authority from central to local government. This process is largely based on the theory of economic benefits that can be obtained through a higher level of vertical decentralization, reinforcing the potential role of local governments in economic development (Toska & Bejko (Gjika), 2018; Co-PLAN, 2019) . The idea that local and regional development policies can be more effectively addressed at the subnational level is now widely accepted in Albania. Local administrations, with the level of autonomy they enjoy, are important actors in local economic development. However, the findings of this paper show that decentralization reforms have been accompanied with increased social and economic disparities at the municipal level (Toska and Bejko (Gjika), 2018) and at the county and regional level (Boeckhout et al., 2010; Shutina et al., 2015). Thus, while the process of fiscal decentralization seems to have a positive effect on the country's largest municipalities, with a high concentration of population and economic activities, the same cannot be said for smaller municipalities. The latter face major challenges in providing better services to citizens, especially given an absence of human resources. All this, together with the limited ability to orient investment policies towards local needs and potentials, seems to reduce the chances of these municipalities to promote local economic development (Dhrami & Bejko (Gjika), 2018; Imami et al., 2018).

Theories advocating for vertical decentralization are broadly based on two complementary hypotheses. The first is that local governments have information advantages over central government, and consequently higher efficiency in public service delivery (Musgrave, 1959; Oates 1972, 1993; Rodrígues-Pose & Krøijer, 2009). The second is the hypothesis originally raised by Tiebout (1956) and further tested by Cantarero and Perez Gonzales (2009) and Yushkov (2015), according to which the freedom of population displacement from one territory to another, and competition among local governments will be a strong impetus to find the best balance between consumer-voter preferences and local self-government. Based on these considerations, and according to Davoodi and Zou (1998), policies aimed at delivering public services that are sensitive to local specificities (such as infrastructure, education, etc.) are more successful in promoting growth when defined locally, versus those determined by the central level, which fail to capture or ignore local differences. Following this, a decentralized fiscal system where local governments play an important role in delivering local public services can indirectly lead, among other things, to accelerated economic growth (Oates, 1993; Thiessen, 2003; Bartlett et al., 2018).

Although this link is theoretically asserted, empirical findings suggest a range of relationships (from positive to negative to indeterminate or no effect) between decentralization and economic growth. The quality of the data used and the duration of the data series, the indicators used to approximate the concept of decentralization and economic growth, the models used to assess this relationship, and the inability to isolate fiscal decentralization (both administratively and politically) are some of the technical aspects that are estimated to influence the determination of the relationship between indicators. Also, the relative success of decentralization is the result not only of the decentralization model designed and implemented, but also of factors such as country-specific characteristics, the stage of development it is in, the level of democracy, and especially the

existence of effective and strong institutions at all levels of government (Dabla – Norris, 2006). Consequently, the level and patterns of decentralization are very different from one country to another. For example, in the Organisation for Economic Co-operation and Development (OECD) countries the local government sector accounted for about 16.2% of Gross Domestic Product (GDP), 40.4% of public spending, and about 56.9% of public investment in 2016. In South East European countries, local budgets made up only 5.9% of GDP on average and 16.9% of public spending in 2017 (NALAS, 2018).

In Albania, decentralization reforms play an important part in the government's reform program, and the deepening of decentralization continues to be widely suggested by international organizations. Meanwhile, empirical studies and findings suggest that the effects of decentralization on local economies are far from what expected and to have deepened inequalities at local level (Toska & Bejko (Gjika), 2018). In this context, the purpose of this policy paper is to empirically assess the existence (or not) of a relationship between decentralization reforms and the improvement of local economic development in Albania. Research on this relationship has not previously been conducted for Albania. This paper carries the added value of informing policy-making on further steps towards fiscal decentralization, improving local economic development, and consequently improving the socio-economic conditions of communities. This policy paper also contributes to the enrichment of the literature on local government in Albania.

The Relationship between Decentralisation and Local Economic Development

To assess the existence of a relationship between fiscal decentralization (assessed against the right to generate revenues and make expenditures) and economic growth (measured by some proxy indicators), simple statistical indicators have been used since the construction of econometric models is impossible due to short and limited time series . Initially, it is assessed the performance of some decentralization proxies making use of national level data and is tested whether there is a relationship between them and the economic development proxy indicators. Further, the same is done with indicators at the municipal level. In both cases, the Pearson correlation coefficient is used to assess the existence of a relationship between decentralization indicators and local economic development ones .

At national level, the economic development indicator is proxied by the per capita income indicator, measured as the ratio of nominal GDP to average annual population , for the period 2010-2018. In the literature, a number of indicators have been used to measure and assess the level of decentralization. In this analysis two categories of Proxy indicators will be used to assess the decentralization level: proxies on the revenues raising responsibilities and proxies on expenditure assignment responsibilities' over the period 2010-2018:

- Ratio of expenditures / revenues of municipalities (with own source, freely disposable and total revenues) to general government expenditures / revenues (appendix 1);
- Ratio of expenditures / revenues of municipalities (with own source, freely disposable and total revenues) to nominal GDP (appendix 1).

In nominal terms, decentralization indicators show an upward trend over the considered period, marking the highest level in 2018 (see Appendix 1). In this regard, the increase and the stabilization of the size of the unconditional and specific transfers is estimated to have been particularly influential. The Pearson indicator analysis suggests a positive relationship between economic development indicators and indicators used to assess fiscal

decentralization in Albania. Besides that, the relationship between indicators turns out to be strong (with correlation indices above 0.72) and significant (with low probability of error).

Table 1. Relationship between decentralization and economic development, indicators at national level

Indicators on expenditure assignment responsibilities:	*GDP per capita*	**Indicators on revenue raising responsibilities:**	*GDP per capita*
	Pearson Correlation Cofficient		*Pearson Correlation Cofficient*
Municipalities' own source expenditures to general government expenditures	0.792*	Municipalities' own source revenues to general government revenues	0.786*
Municipalities' expenditures with freely disposable revenues to general government expenditures	0.786*	Municipalities' freely disposable revenues to general government revenues	0.786*
Municipalities' total expenditures to general government expenditures	0.763*	Municipalities' total revenues to general government revenues	0.720*
Municipalities' own source expenditures to nominal GDP	0.824**	Municipalities' own source revenues to nominal GDP	0.824**
Municipalities' expenditures with freely disposable revenues to nominal GDP	0.800**	Municipalities' freely disposable revenues to nominal GDP	0.855*
Municipalities' total expenditures to nominal GDP	0.790*	Municipalities' total revenues to nominal GDP	0.790*

Source: INSTAT, Ministry of Finance and Economy, www.financatvendore.al and authors' calculations

* Correlation significant at the 0.05 level (2-tailed).
** Correlation significant at the 0.01 level (2-tailed).

In simpler terms, the results suggest that there is a positive relationship at national level between fiscal decentralization and the growth of per capita income. Referring to the indicators, this relationship is positive in both dimensions of decentralization considered, in the right to raise revenues and the right to spend. However, the positive relationship between variables does not imply a causal relationship between the level of fiscal decentralization and economic development. In other words, delegating the right to spend and generate revenue in municipalities and closer to communities can positively contribute to local economic development and translate into more income for citizens.

At municipal level, fiscal decentralisation will be proxied by referring to the ratio of own source revenues of municipalities (revenues from taxes, fees and charges, asset management etc.) to total financial resources of municipalities (calculated as the sum of own source revenues, unconditional and specific/sectoral transfer, conditional transfer and shared taxes). Such an indicator is widely used to assess the financial autonomy of municipalities. Subject to missing data on GDP at the municipality level (or a similar indicator), local economic development will be approximated by using four proxies:

- Small business tax revenues per capita (proxy 1);
- Immovable property taxes (building, agricultural and urban land taxes) revenues per capita (proxy 2);
- Number of active enterprises for 10,000 inhabitants (proxy 3);
- Infrastructure impact tax revenues per capita (proxy 4).

Table 2. Relationship between decentralization and economic development, indicators at municipal level

	Local Economic Development				
	Proxy Indicator 1 *(small business tax revenue per capita)*	**Proxy Indicator 2** *(immovable property tax revenue per capita)*	**Proxy Indicator 3** *(number of active enterprises for 10.000 inhabitants)*	**Proxy Indicator 4** *(infrastructure impact tax revenue per capita)*	**Year**
Fiscal Decentralization Indicator (Financial Autonomy)	**Pearson Correlation Coefficient**				
	0.628 **	0.347 **		-0.126	2010
	0.622 **	0.338 **		0.456 **	2011
	0.594 **	0.346 **		0.642 **	2012
	0.648 **	0.358 **	0.734 **	0.609 **	2013
	0.638 **	0.430 **	0.752 **	0.548 **	2014
	0.556 **	0.579 **	0.555 **	0.566 **	2015
	0.422 **	0.488 **	0.425 **	0.558 **	2016
	0.589 **	0.606 **	0.355 **	0.706 **	2017
	0.423 **	0.539 **		0.690 **	2018

Source: INSTAT, Ministry of Finance and Economy, www.financatvendore.al and authors' calculations

* Correlation significant at the 0.05 level (2-tailed).
** Correlation significant at the 0.01 level (2-tailed).

Overall, the analysis of the relationship between the indicators used (at the level of the municipality) suggests the existence of a positive relationship between fiscal decentralization (financial autonomy) and local economic development. This relationship is positive, relatively strong, significant (with low probability of error), and volatile from year to year.

The strength of the relationship over time is assessed to be determined by the legislative changes that occurred, as in the case of the use of Proxy Indicator 1 (small business tax revenue per capita). In this case, frequent changes in central government fiscal policy related to small business tax/simplified profit tax (such as changes for the tax threshold, tax exemptions, and tax administration by the central tax administration) led to the decline of its contribution to the local budget and the loss of an incentivizing instrument for local economic development (see Appendix 3). Consequently, the relationship between decentralization indicators and that of local economic development appears to have faded from one year to the next.

The relationship between Proxy Indicator 2 for economic development (the immovable property tax per capita) and the fiscal decentralization indicator turns out to be positive and its strength has increased from year to year. This may be a result of the increase in the property tax rate in recent years, as well as the improvement in the level of revenue collection from this tax through the use of Water and Sewerage Utilities as tax agents in some municipalities (see Appendix 4).

In the case of Proxy Indicator 3 (number of active enterprises per 10,000 inhabitants), the relationship between the indicators turns out to have faded from year to year. This result, which goes in the opposite direction of the other estimated approximations, may have been influenced by the uneven distribution of businesses in the territory or their concentration in the Tirana - Durres area and in other large municipalities (see Appendix 4). This finding is in line with a series of discussions and questions raised in Albania regarding the effects of the decentralization reforms undertaken in recent years. The analysis of the data shows that although at the national level the indicators are improving, at the municipal level, the situation presents significant differences among them, due to the concentration of population and

active enterprises in large municipalities such as Tirana, Elbasan, Durrës, Fier, Korça, and Vlora, among others. This has often been associated with the deepening of social and economic disparities between municipalities, disparities which are assessed to be even more pronounced between rural and urban territories.

The relationship of Proxy Indicator 4 (infrastructure impact tax revenue per capita) with the indicator for fiscal decentralization follows a U-shape, and has been intensified in the last two years. This fully coincides with the performance of the revenues generated from the infrastructure impact tax on new constructions, which witnessed accelerated growth over the last two years led by the Tirana Municipality (see Appendix 6). Even in the case of this relationship, we note that the improvement of fiscal decentralization indicators is associated with the improvement of economic growth in cases of municipalities with high concentrations of population and economic activities.

The indicators used at the national and local level to assess the relationship between decentralization reforms and their effects on local economic development are not the same (which makes comparisons difficult). Thus, direct comparisons cannot be made. Despite this limitation, some general assessments and patterns can be identified. In general, the process of fiscal decentralization in Albania is still not fully consolidated. It tends to focus mainly on aspects of expenditure assignments at the local level (excluding large capital expenditures financed with conditional grants), and to a lesser extent on revenue raising rights and the design of fiscal policies. Findings suggest that at the national level the relationship between economic development (income per capital) and fiscal decentralization turns out to be almost as significant and robust as in terms of the right to make expenditures, as well as the right of local governments to generate revenues.

Findings based on indicators at the local level, while broadly corroborating findings from indicators at the national level, reaffirm the discussion and questions raised about the effects of decentralization processes on the deepening of socio-economic disparities between local government units in Albania. The situation is not the same for all Local Government Units (LGUs) and the pronounced economic disparities between municipalities run the risk of deepening as a result of the effects of the decentralization model implemented in the country. Thus, the decentralization of a number of functions at the local level, combined with the lack of human capacity to manage them, translates not only into a challenge for municipalities to respond to the needs of the citizen but also to a reduction in the quality of local services provided. In practice, it seems as if the benefits expected from the intensification of decentralization have not been uniformly translated to all municipalities, and indeed the competences of municipalities in promoting local economic development are limited. In addition, the limited authority of municipalities to undertake strategic investment policies at the local level directly affects the quality of decentralization and its effect in addressing the needs and potentials of local territories and communities. The lack of authority to introduce and implement effective local fiscal policies, especially in smaller municipalities, often leads to the phenomenon of unfunded local mandates with consequences for local economic development.

Conclusions and Recommendations

The progress of the decentralization process, in particular its fiscal dimension, remains one of the most important issues in Albania, especially following the implementation of the territorial and administrative reform of 2014. The expectation of actors advocating more fiscal decentralization is that it will contribute positively to governance and promote economic development and

growth. Often, decentralization has been viewed as a solution for issues related to the democratisation of governance and/ or lack of efficiency and effectiveness in public services provision. While there is not an optimal solution as to how much to decentralize, the effects of this process on the economy will largely depend on the way this process is designed and implemented, the adequacy of human resources in governance, and the quality of governance at many levels (which should be adapted based on country-specific characteristics).

In this article, we have tried to assess through an empirical analysis whether more decentralization brings more economic development by exploring the relationship between fiscal decentralization and economic development indicators. Findings using indicators at the national level suggest a positive and strong relationship between fiscal decentralization and local economic development in Albania over the period 2010-2018. This relationship is strong and significant in both aspects of fiscal decentralization, the rights for raising revenues and the expenditure assignment competences. Although encouraging, this result should be interpreted with caution as the analysis of indicators at the national level may hide aspects and dynamics that are evidenced in the analysis using indicators at the municipal level and at different time periods.

Findings using data at the municipal level show a more dynamic landscape, where the relationship between fiscal decentralization and economic development indicators is again positive, but its strength varies over time (weakening in the case of three indicators used as proxies for economic development at the municipal level), signalling non-uniformly distributed decentralization benefits at the local level.
The positive, but varying relationship between the considered variables raises questions about the decentralization model implemented in the country. Subject to existing disparities and the strengthening of the role of municipalities in governance, the current model of a symmetric decentralization of competencies and responsibilities from the central to local governments may not be the best solution in the case of Albania. A pilot asymmetrical decentralization model could be attempted, given the presence of a municipality like Tirana, which operates in completely different conditions than those of the other 60 municipalities in the country. A vertical transfer of competencies and responsibilities can occur: in political terms (recognizing special legal status); administrative terms (transferring competencies based on the capabilities and capacities of municipalities or setting salaries of staff independently); and fiscal terms (similar municipalities might have similar rights in raising revenues and expenditure assignments). Besides the municipality of Tirana, small municipalities with limited capacities can benefit from an asymmetric decentralization model. For example, the municipalities of Bulqizë, Klos, and Mat (among others), rich in natural resources, could be granted the right to impose a tax/fee for their use. In this way, municipalities, with the differences that characterize them, may be part of a place-informed program adapted to their specificities. Studies show that asymmetric assignment of responsibilities and rights at the local level has been a common practice since at least the 1950s and continues to be followed in many countries today (Allain-Dupré, 2018).

In conclusion, the discussion of the effects of fiscal decentralization on local economic development in the case of Albania remains to be explored further, given that the present findings are preliminary and not sufficient to draw conclusions. The main constraints relate to the availability of data in both typology and time, especially indicators to approximate local economic development at the municipal level. In this regard, detailing statistics at the level of the municipality would be of particular importance (employment rate,

unemployment rate, gross value added, etc.), in order to enable further analysis.

Appendix 1. Indicators for local economic development and decentralisation at national level

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Per capita income ratio of nominal GDP (in ALL) to average population	425,553	447,689	459,527	466,325	482,954	497,902	512,934	540,418	574,811
Responsibility to raise revenues:									
Municipalities' own source revenues to general government revenues	4.0%	3.8%	3.6%	3.7%	3.9%	3.4%	4.1%	4.7%	5.4%
Municipalities' freely disposable revenues to general government revenues	7.6%	7.3%	6.8%	7.5%	7.5%	6.7%	8.8%	10.1%	11.0%
Municipalities' total revenues to general government revenues	15.5%	14.4%	13.7%	15.2%	15.3%	13.7%	15.1%	17.6%	18.5%
Municipalities' own source revenues to nominal GDP	1.0%	1.0%	0.9%	0.9%	1.0%	0.9%	1.1%	1.3%	1.5%
Municipalities' freely disposable revenues to nominal GDP	2.0%	1.9%	1.7%	1.8%	2.0%	1.8%	2.4%	2.8%	3.0%
Municipalities' total revenues to nominal GDP	4.1%	3.7%	3.4%	3.7%	4.0%	3.6%	4.2%	4.9%	5.0%
Expenditure assignment responsibilities:									
Municipalities' own source expenditures to general government expenditures	3.6%	3.4%	3.2%	3.1%	3.3%	3.0%	3.9%	4.4%	5.1%
Municipalities'expenditures with freely disposable revenues to general government expenditures	8.1%	7.1%	6.9%	7.2%	7.2%	7.5%	9.9%	10.4%	10.1%
Municipalities' total expenditures to general government expenditures	13.9%	12.6%	12.1%	12.6%	12.8%	11.8%	14.2%	16.4%	17.5%
Municipalities' own source expenditures to nominal GDP	1.0%	1.0%	0.9%	0.9%	1.0%	0.9%	1.1%	1.3%	1.5%
Municipalities' expenditures with freely disposable revenues to nominal GDP	2.4%	2.1%	2.0%	2.1%	2.3%	2.3%	2.9%	3.1%	2.9%
Municipalities' total expenditures to nominal GDP	4.1%	3.7%	3.4%	3.7%	4.0%	3.6%	4.2%	4.9%	5.0%

Source: INSTAT, Ministry of Finance and Economy, www.financatvendore.al and authors' calculations

Appendix 2. Own source revenues to total revenues indicator (used as a proxy for fiscal decentralization)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Belsh	6.9%	8.4%	9.8%	4.4%	6.1%	6.2%	16.4%	8.1%	7.2%
Berat	21.2%	22.3%	21.2%	20.9%	21.6%	23.8%	21.7%	23.1%	21.7%
Bulqizë	7.7%	9.3%	7.5%	7.8%	5.6%	5.6%	5.4%	7.1%	4.9%
Cërrik	9.3%	10.3%	12.4%	7.8%	10.8%	9.8%	16.6%	10.8%	12.1%
Delvinë	14.7%	13.7%	18.4%	12.8%	13.9%	14.0%	20.6%	15.0%	10.3%
Devoll	12.3%	14.3%	12.4%	12.9%	11.7%	14.4%	14.9%	11.3%	12.7%
Dibër	5.7%	5.9%	5.5%	6.4%	5.1%	5.1%	4.5%	4.2%	4.0%
Divjakë	20.4%	18.1%	20.3%	13.0%	15.8%	12.0%	13.7%	9.0%	12.8%
Dropulli	21.9%	22.2%	24.5%	23.3%	23.0%	26.7%	26.3%	18.2%	13.3%
Durrës	31.3%	38.5%	29.1%	31.7%	33.0%	38.7%	36.6%	35.2%	30.7%
Elbasan	19.8%	23.0%	20.8%	19.5%	23.9%	18.1%	17.9%	17.0%	17.1%
Fier	21.5%	24.4%	31.3%	22.5%	22.9%	24.9%	20.9%	17.3%	21.5%
Finiq	12.2%	11.0%	16.8%	13.3%	18.2%	14.1%	18.2%	14.5%	13.5%
Fushë Arrëz	6.3%	6.3%	5.4%	5.6%	6.0%	5.4%	7.6%	6.7%	4.8%
Gjirokastër	28.1%	29.4%	31.3%	26.2%	23.7%	24.3%	21.4%	17.1%	16.2%
Gramsh	9.9%	8.8%	10.2%	8.1%	9.8%	10.0%	5.8%	6.1%	6.6%
Has	2.0%	2.2%	2.9%	2.4%	2.5%	2.9%	2.3%	2.5%	2.0%
Himarë	39.7%	46.8%	37.0%	30.7%	34.1%	36.8%	46.8%	30.7%	33.7%
Kamëz	18.1%	22.9%	22.5%	23.6%	23.4%	30.3%	31.4%	32.6%	39.0%
Kavajë	27.5%	24.4%	30.2%	28.8%	26.6%	29.5%	29.5%	23.6%	30.0%
Këlcyrë	8.1%	10.2%	9.0%	6.4%	9.7%	8.5%	5.6%	3.8%	3.5%

Klos	3.0%	1.7%	3.3%	3.6%	3.5%	4.9%	6.5%	4.7%	5.4%
Kolonjë	13.5%	13.9%	12.7%	10.7%	11.4%	14.4%	10.0%	10.9%	10.0%
Konispol	18.1%	19.6%	15.2%	16.4%	16.1%	18.5%	15.4%	14.4%	8.0%
Korçë	26.4%	22.7%	27.9%	22.9%	27.3%	26.2%	29.2%	21.6%	24.5%
Krujë	23.3%	16.4%	21.9%	19.7%	17.8%	20.3%	25.2%	17.7%	24.5%
Kuçovë	17.2%	17.0%	20.0%	14.7%	19.9%	20.6%	17.7%	19.3%	15.4%
Kukës	7.2%	5.8%	5.5%	5.1%	5.2%	6.4%	7.9%	6.6%	5.7%
Kurbin	7.4%	9.3%	8.9%	5.5%	7.6%	6.9%	6.5%	6.6%	6.2%
Lezhë	20.9%	24.5%	20.9%	24.0%	27.5%	24.6%	22.0%	22.4%	25.0%
Libohovë	8.6%	7.5%	8.3%	7.2%	11.0%	10.3%	12.6%	7.1%	3.8%
Librazhd	12.7%	13.4%	11.2%	7.6%	7.3%	8.3%	8.7%	8.6%	7.7%
Lushnjë	21.9%	25.6%	25.6%	16.6%	18.9%	23.1%	23.0%	19.1%	18.0%
Malësi e Madhe	5.9%	4.5%	8.4%	4.8%	9.9%	7.6%	17.2%	4.7%	7.3%
Maliq	10.2%	10.1%	10.1%	7.4%	9.1%	10.0%	11.3%	9.6%	11.4%
Mallakastër	16.7%	23.5%	22.9%	20.4%	19.1%	14.7%	21.2%	26.1%	31.0%
Mat	7.1%	7.9%	7.6%	7.6%	7.5%	9.0%	7.7%	8.9%	6.8%
Memaliaj	4.5%	5.5%	4.7%	3.2%	4.1%	5.9%	5.7%	4.9%	3.3%
Mirditë	6.6%	6.2%	8.8%	4.4%	4.7%	4.2%	6.8%	3.8%	6.1%
Patos	11.9%	20.4%	32.5%	21.0%	22.3%	18.0%	19.6%	11.5%	27.5%
Peqin	8.8%	10.9%	9.6%	7.1%	9.4%	10.8%	9.3%	5.5%	7.1%
Përmet	16.3%	14.4%	15.4%	12.5%	11.3%	14.6%	13.9%	10.2%	9.4%
Pogradec	19.4%	22.6%	17.0%	12.4%	11.0%	13.0%	13.7%	6.2%	14.4%
Poliçan	10.6%	11.9%	13.6%	13.1%	13.7%	15.9%	15.2%	14.8%	6.6%
Përrenjas	12.1%	12.7%	10.8%	7.3%	7.4%	8.0%	7.9%	10.5%	5.9%
Pukë	7.6%	6.2%	6.9%	5.8%	9.1%	7.6%	7.7%	4.1%	6.2%
Pustec	5.4%	10.2%	7.9%	7.1%	4.9%	7.9%	8.0%	6.7%	1.8%
Roskovec	19.7%	31.9%	37.3%	25.0%	25.6%	34.4%	35.0%	28.6%	21.0%
Rrogozhinë	24.4%	21.6%	22.9%	18.1%	22.6%	22.2%	18.5%	12.7%	14.8%
Sarandë	35.2%	51.2%	51.9%	37.7%	42.1%	28.0%	26.4%	36.9%	28.5%
Selenicë	6.6%	7.2%	9.8%	6.4%	10.2%	10.3%	11.4%	13.2%	10.2%
Shijak	23.1%	36.3%	27.1%	18.4%	20.0%	33.0%	30.7%	26.6%	22.4%
Shkodër	16.3%	19.1%	14.1%	17.1%	16.6%	17.5%	18.8%	21.7%	22.8%
Skrapar	6.3%	7.9%	12.4%	9.2%	10.7%	18.6%	20.9%	11.3%	14.6%
Tepelenë	8.7%	11.7%	8.0%	8.4%	5.8%	6.1%	5.9%	9.2%	10.2%
Tiranë	57.9%	53.8%	55.2%	54.2%	56.2%	52.0%	57.1%	61.4%	60.6%
Tropojë	4.7%	2.6%	3.5%	10.2%	5.5%	6.9%	13.2%	6.1%	6.4%
Ura Vajgurore	16.9%	15.0%	19.5%	14.1%	23.2%	22.3%	18.8%	16.8%	19.6%
Vau i Dejës	10.4%	11.5%	10.0%	12.6%	13.7%	16.5%	13.0%	7.6%	11.4%
Vlorë	42.7%	36.6%	33.8%	30.1%	29.6%	24.9%	26.4%	22.8%	24.9%
Vorë	37.1%	52.0%	60.3%	51.3%	52.8%	49.9%	57.8%	49.4%	54.9%
Total	**25.6%**	**26.6%**	**26.4%**	**24.4%**	**25.6%**	**25.2%**	**27.2%**	**27.0%**	**29.1%**

Source: INSTAT, Ministry of Finance and Economy, www.financatvendore.al and authors' calculations

Appendix 3. Small Business Tax Revenues per Capita in ALL (used as Proxy Indicator 1 for local economic development)

	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Belsh	222	132	337	203	304	301	72	50	23
Berat	955	919	933	749	761	888	175	101	66
Bulqizë	310	330	199	218	218	349	108	36	32
Cërrik	263	344	325	215	367	325	72	28	32
Delvinë	684	811	455	378	470	442	106	24	26
Devoll	416	453	377	301	392	393	89	30	18
Dibër	203	263	245	176	136	228	67	12	24
Divjakë	350	340	381	201	320	434	97	30	16
Dropulli	1108	1523	505	679	764	953	98	66	65
Durrës	1244	1222	1050	991	854	848	284	135	169
Elbasan	651	558	587	477	520	608	143	60	57
Fier	750	845	754	695	376	653	205	61	60

Finiq	389	393	223	216	395	369	81	7	37
Fushe Arrëz	106	160	159	157	102	198	43	5	15
Gjirokastër	1347	1641	988	990	770	926	209	74	92
Gramsh	426	399	572	339	341	354	46	33	25
Has	88	127	64	35	78	173	37	17	12
Himarë	866	1258	730	703	837	1209	214	268	446
Kamëz	494	438	454	393	266	457	39	30	38
Kavajë	1848	1542	1166	1024	725	796	190	207	116
Këlcyrë	372	385	460	200	297	401	93	19	43
Klos	197	115	152	145	148	175	28	29	24
Kolonjë	1023	1259	791	804	650	597	68	42	36
Konispol	274	371	250	187	239	310	137	38	30
Korçë	1372	1325	1291	1203	686	903	244	162	169
Krujë	215	230	242	126	233	327	153	31	67
Kuçovë	624	396	805	461	597	521	162	37	70
Kukës	136	141	28	189	90	184	57	15	25
Kurbin	352	354	267	198	245	337	80	44	32
Lezhë	436	649	400	344	504	650	176	72	114
Libohovë	260	319	173	213	237	285	59	54	155
Librazhd	444	469	502	373	280	338	64	25	21
Lushnjë	620	646	687	460	451	623	130	59	39
Malësi e Madhe	154	136	113	97	106	180	50	15	18
Maliq	313	308	203	182	237	325	95	15	28
Mallakastër	283	296	417	229	320	375	66	7	14
Mat	438	561	265	322	283	300	78	42	18
Memaliaj	225	185	136	111	115	215	90	43	39
Mirditë	395	493	339	327	367	380	96	13	19
Patos	536	574	529	429	199	408	90	33	18
Peqin	313	442	303	245	315	453	119	21	28
Përmet	759	994	267	387	538	611	92	28	28
Pogradec	670	701	738	496	402	457	87	42	25
Poliçan	548	471	559	375	476	432	48	23	18
Përrenjas	735	586	460	425	239	250	60	16	24
Pukë	404	447	240	288	236	261	37	9	9
Pustec	75	61	73	16	2	197	40	0	6
Roskovec	250	313	223	164	193	379	79	63	65
Rrogozhinë	484	684	469	394	437	468	92	34	99
Sarandë	1845	2606	1717	1780	1709	1946	489	216	362
Selenicë	181	183	131	129	225	213	94	15	57
Shijak	658	717	516	503	555	636	169	124	76
Shkodër	597	885	401	569	496	569	94	34	58
Skrapar	302	313	549	309	364	348	46	50	42
Tepelenë	493	701	302	346	434	643	519	376	512
Tiranë	1668	1770	1602	1587	1140	1404	517	287	292
Tropojë	211	146	311	236	113	213	37	12	38
Ura Vajgurores	375	230	482	239	501	488	96	70	43
Vau i Dejës	173	260	108	121	196	218	39	11	18
Vlorë	1132	1447	1018	877	681	807	257	116	140
Vorë	672	636	540	526	385	339	83	144	106
Total	**851**	**909**	**782**	**722**	**588**	**716**	**214**	**108**	**115**

Source: INSTAT, Ministry of Finance and Economy, www.financatvendore.al and authors' calculations

Appendix 4. Immovable property tax revenues per capita in ALL (used as proxy 2 for local economic development)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Belsh	346	309	355	261	587	419	2,976	1,026	832
Berat	549	567	570	611	1,010	893	1,017	1,474	976
Bulqizë	30	22	37	24	23	20	58	40	47
Cërrik	499	452	499	418	765	537	1,394	832	983
Delvinë	522	362	628	381	529	612	929	860	745
Devoll	302	282	415	341	479	473	598	742	948
Dibër	89	84	86	93	142	105	168	164	168
Divjakë	733	537	725	544	1,172	973	1,275	965	1,093
Dropulli	2,838	2,798	3,611	2,906	3,265	3,671	5,591	4,262	4,036
Durrës	727	735	841	768	1,566	1,833	1,477	1,549	1,593
Elbasan	587	526	566	489	822	937	1,038	1,036	1,087
Fier	693	623	1,020	878	1,520	1,508	1,399	1,537	1,813
Finiq	1,309	1,366	1,472	1,436	1,882	1,580	2,696	2,059	2,086
Fushe Arrëz	350	226	545	488	1,165	661	828	706	616
Gjirokastër	662	654	720	707	961	943	988	939	1,010
Gramsh	218	197	222	243	354	425	375	415	421
Has	50	31	64	87	160	112	80	99	47
Himarë	938	760	911	1,133	1,097	1,520	1,666	2,268	2,158
Kamëz	320	388	433	388	507	732	992	821	786
Kavajë	811	700	876	784	1,644	1,687	2,148	1,781	1,866
Këlcyrë	479	385	685	513	894	594	560	638	756
Klos	47	30	51	53	63	101	133	142	164
Kolonjë	488	458	530	433	621	588	573	642	813
Konispol	1,031	1,041	962	833	1,015	917	1,774	1,497	1,373
Korçë	690	653	815	763	1,155	1,318	1,826	1,590	1,615
Krujë	431	480	530	541	1,075	898	816	919	1,360
Kuçovë	561	431	512	406	916	792	601	536	367
Kukës	29	31	138	69	122	95	151	265	303
Kurbin	97	104	181	113	189	210	294	322	182
Lezhë	329	242	314	254	469	437	694	811	759
Libohovë	575	487	528	656	823	797	1,321	990	863
Librazhd	124	126	140	143	264	390	349	303	418
Lushnjë	603	553	649	526	1,091	1,160	1,586	1,319	1,310
Malësi e Madhe	90	111	169	156	184	206	276	219	287
Maliq	410	328	472	351	554	507	731	707	1,223
Mallakastër	617	704	383	288	494	551	694	426	2,074
Mat	151	126	155	212	305	214	263	282	290
Memaliaj	395	202	226	221	342	417	861	592	356
Mirditë	46	37	63	41	74	63	162	190	220
Patos	1,115	1,642	3,369	1,973	2,779	2,606	995	1,041	932
Peqin	296	325	271	252	398	440	754	554	660
Përmet	403	353	411	405	635	596	727	567	634
Pogradec	223	220	316	350	452	423	678	648	591
Poliçan	948	777	1,216	818	1,681	1,515	1,602	1,500	1,063
Përrenjas	82	87	109	81	179	174	201	192	206
Pukë	248	171	267	368	401	575	362	338	274
Pustec	70	402	200	141	248	371	324	257	119
Roskovec	1,387	2,432	3,001	3,478	4,845	4,186	1,727	5,055	5,298
Rrogozhinë	958	848	1,016	999	1,716	1,508	1,445	1,461	1,561
Sarandë	759	836	915	943	1,919	2,218	3,706	3,570	3,382
Selenicë	709	636	1,135	873	1,303	1,490	1,851	1,086	797
Shijak	526	595	569	642	1,345	1,477	1,557	1,888	1,730
Shkodër	289	323	383	361	552	562	680	728	929
Skrapar	272	367	989	561	596	1,115	1,116	770	836
Tepelenë	504	519	446	463	560	477	555	832	437
Tiranë	786	768	1,015	1,021	1,748	1,997	2,665	3,004	3,234

Tropojë	364	57	75	788	116	115	117	140	123
Ura Vajgurores	721	679	549	492	1,111	1,204	1,173	1,285	1,275
Vau i Dejës	426	419	394	486	671	644	736	641	876
Vlorë	580	496	569	459	837	871	1,197	1,164	1,374
Vorë	1,486	1,316	1,741	1,828	3,112	3,725	4,076	4,504	5,060
Total	**551**	**538**	**679**	**635**	**1,073**	**1,151**	**1,376**	**1,439**	**1,544**

Source: INSTAT, Ministry of Finance and Economy, www.financatvendore.al and authors' calculations

Appendix 5. Number of active enterprises per 10,000 inhabitants (used as proxy 3 for local economic development)

	2013	**2014**	**2015**	**2016**	**2017**
Belsh	13	15	77	102	104
Berat	36	33	48	55	59
Bulqizë	14	16	22	21	20
Cërrik	16	17	40	52	53
Delvinë	32	33	38	52	54
Devoll	20	23	69	86	86
Dibër	13	13	19	20	21
Divjakë	24	24	77	84	87
Dropulli	67	67	78	86	88
Durrës	45	41	56	57	56
Elbasan	33	34	42	45	44
Fier	34	35	58	60	61
Finiq	27	27	33	38	39
Fushe Arrëz	21	18	19	18	15
Gjirokastër	48	49	62	72	72
Gramsh	19	20	24	28	28
Has	9	9	12	16	19
Himarë	67	73	84	89	103
Kamëz	18	18	27	27	27
Kavajë	44	37	58	61	58
Këlcyrë	25	21	40	54	65
Klos	11	11	13	11	11
Kolonjë	39	41	41	58	59
Konispol	18	21	54	70	78
Korçë	42	45	55	66	63
Krujë	24	20	31	31	31
Kuçovë	35	31	44	47	46
Kukës	13	13	19	21	22
Kurbin	18	18	28	29	28
Lezhë	28	31	44	53	51
Libohovë	12	11	26	37	42
Librazhd	19	21	25	27	27
Lushnjë	34	34	72	81	83
Malësi e Madhe	16	13	53	66	73
Maliq	15	16	57	70	73
Mallakastër	25	22	30	31	29
Mat	21	21	26	28	27
Memaliaj	13	10	21	27	28
Mirditë	19	18	24	26	26
Patos	26	24	41	39	38

Peqin	18	19	29	44	45
Përmet	41	37	48	65	70
Pogradec	29	31	37	43	41
Poliçan	24	23	33	43	41
Përrenjas	14	14	19	19	20
Pukë	21	19	26	26	24
Pustec	5	7	33	35	34
Roskovec	20	20	59	62	64
Rrogozhinë	23	20	33	46	46
Sarandë	103	99	108	113	114
Selenicë	17	16	27	29	36
Shijak	32	31	41	39	37
Shkodër	33	30	52	55	55
Skrapar	22	19	24	44	48
Tepelenë	37	32	49	74	84
Tiranë	74	78	82	80	82
Tropojë	13	12	19	23	26
Ura Vajgurores	24	27	76	84	92
Vau i Dejës	14	14	31	37	39
Vlorë	53	55	71	62	62
Vorë	32	34	37	35	37
Total	**38**	**39**	**53**	**56**	**57**

Source: INSTAT and authors' calculations

Appendix 6. Infrastructure impact tax revenues per capita in ALL (used as proxy 4 for local economic development)

	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Belsh	12	209	98	12	16	28	147	654	77
Berat	409	457	8	111	34	313	389	1,072	808
Bulqizë	132	217	50	171	2	20	65	103	126
Cërrik	139	93	85	68	18	116	370	565	226
Delvinë	370	262	3	13	82	16	83	74	175
Devoll	205	209	110	120	27	26	196	184	82
Dibër	144	121	145	239	25	66	108	71	115
Divjakë	213	186	40	29	45	52	367	315	384
Dropulli	380	594	188	378	412	442	1,526	2,246	1,960
Durrës	2,206	1,865	848	1,141	886	1,251	1,618	2,175	1,306
Elbasan	383	850	261	304	122	365	478	574	383
Fier	951	1,173	833	516	354	177	266	497	653
Finiq	40	54	221	63	139	-	4	51	141
Fushe Arrëz	5	480	178	388	71	-	3	208	100
Gjirokastër	553	714	284	103	36	47	214	219	299
Gramsh	40	46	4	16	99	26	96	126	102
Has	95	143	83	38	9	17	23	84	65
Himarë	469	771	1,523	665	441	2,098	5,778	5,086	6,730
Kamëz	469	821	207	78	222	147	291	598	1,017
Kavajë	434	801	894	1,650	1,088	222	1,356	3,429	4,002
Këlcyrë	182	525	180	14	234	21	1	15	32
Klos	116	-	5	25	-	52	69	113	63
Kolonjë	8	75	-	7	86	17	200	51	116
Konispol	-	39	-	23	12	-	128	360	542
Korçë	1,017	949	126	23	65	205	933	960	1,099
Krujë	1,146	566	230	459	179	420	998	429	171
Kuçovë	58	52	3	10	46	71	214	161	11

Kukës	475	448	240	172	155	138	198	36	13
Kurbin	468	583	110	184	174	158	285	296	229
Lezhë	2,131	2,687	1,180	1,818	2,401	1,948	1,135	1,693	2,137
Libohovë	132	74	-	3	-	50	263	528	431
Librazhd	479	751	337	98	74	229	250	272	158
Lushnjë	573	777	244	43	191	233	331	645	558
Malësi e Madhe	209	31	3	3	71	107	2,915	239	626
Maliq	70	69	17	31	39	39	71	123	373
Mallakastër	62	107	28	21	1	3	41	29	374
Mat	225	16	0	32	17	21	123	184	103
Memaliaj	25	30	-	-	34	47	94	93	13
Mirditë	823	375	405	220	469	25	783	35	206
Patos	70	2,282	3	2	116	111	895	44	414
Peqin	63	213	51	4	1	92	189	224	181
Përmet	385	775	801	111	334	90	145	115	451
Pogradec	1,721	1,568	164	114	88	38	130	202	217
Poliçan	87	393	39	18	5	11	178	195	291
Përrenjas	89	228	186	61	41	46	267	330	110
Pukë	114	32	41	169	527	39	136	35	93
Pustec	-	-	-	15	-	-	-	-	-
Roskovec	118	2	3	5	9	7	3	76	149
Rrogozhinë	988	268	129	50	328	228	283	181	201
Sarandë	4,870	9,073	1,938	1,287	516	578	478	1,935	2,592
Selenicë	-	-	-	-	-	23	-	877	475
Shijak	1,697	2,281	1,022	496	486	1,839	2,267	1,762	1,448
Shkodër	725	493	92	408	318	540	371	924	716
Skrapar	11	17	27	103	18	43	1,474	21	43
Tepelenë	146	223	-	42	54	98	187	185	845
Tiranë	1,550	2,186	1,485	1,656	3,042	1,048	2,371	6,059	9,576
Tropojë	81	60	25	367	103	45	2,306	333	634
Ura Vajgurores	191	31	6	12	65	206	318	333	289
Vau i Dejës	1,045	263	372	336	139	67	43	128	266
Vlorë	-	78	22	0	19	20	-	207	1,315
Vorë	3,633	4,505	3,328	3,076	1,509	1,822	4,970	5,678	6,135
Total	**900**	**1,105**	**566**	**620**	**844**	**493**	**958**	**1,803**	**2,521**

Source: INSTAT, Ministry of Finance and Economy, www.financatvendore.al and authors' calculations

Notes

1. The latter is not the subject of the study. However, these dimensions are interrelated: according to OECD (2016; 2019), there cannot (and should not) be fiscal decentralization without political and administrative decentralization, otherwise it would be pointless.

2. In this regard, in the last five years decentralization reforms and processes included: (i) undertaking and implementing the Territorial Administrative Reform (TAR) which consolidated 373 local self-government units into 61 new municipalities, effective in 2015; (ii) drafting and adopting the 'Crosscutting Strategy for Decentralization and Local Governance 2015-2020' and the action plan for its implementation; (iii) drafting and adoption of Law no. 139/2015 'On Local Self-Government', which, among other things, transferred to the local level a number of new functions; (iv) the drafting and adoption of Law no. 68/2017 'On local self-government finance' and a series of laws and bylaws on local public finances. Strengthening local governance and deepening decentralization is potentially expected to strengthen financial and functional positions, increase local fiscal autonomy, increase institutional efficiency, enhance good governance and the enforcement

of citizens' rights, and contribute to the country's economic growth and development (CSDLG, 2015-2020).

3. About 62% of the population lives in only 14 municipalities and over 35% of the population is concentrated in the Durrës - Tirana - Elbasan corridor. The largest municipality in the country generates about three times more per capita revenues than the national average, and has a budget about 307 times higher than the smallest municipality and 14 times higher than the average municipal budget for 2017. Per capita local revenues have increased, but this increase is concentrated in a limited number of municipalities operating in more favourable conditions and dictated by a limited number of local taxes (Toska and Bejko (Gjika), 2018).

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Tourism Governance in Albania
An Assessment of the Policy Framework for the Tourism Sector in Albania

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Summary

For several years, tourism in Albania was driven primarily by enthusiasm; (a) the enthusiasm of foreigners witnessing a piece of communist memorabilia amidst a beautiful, intact history and natural landscape; (b) the enthusiasm of locals, able to finally perceive the dimensions and values of their own country as free citizens; and (c) the daring enthusiasm of nascent entrepreneurs and developers undertaking investments, whether out of bravery or confidence in their foresight. In addition to enthusiasm (both a natural and necessary driver in any pioneering stages of development), governance is fundamental to the development of tourism into a sustainable sector and is deserving of research attention. This is particularly the case in Albania, as the tourism sector is generally under-studied. This article analyses the governance of the sector between 1992 and 2019 from a policy perspective, describing the inherent challenges it faces today. It also offers a number of recommendations for policy-makers to consider in the process of improving governance of the tourism sector.

Keywords: : Sustainable Tourism Development, Strategy, Tourism Governance Challenges, Conflicting Interests, Inconsistent Data

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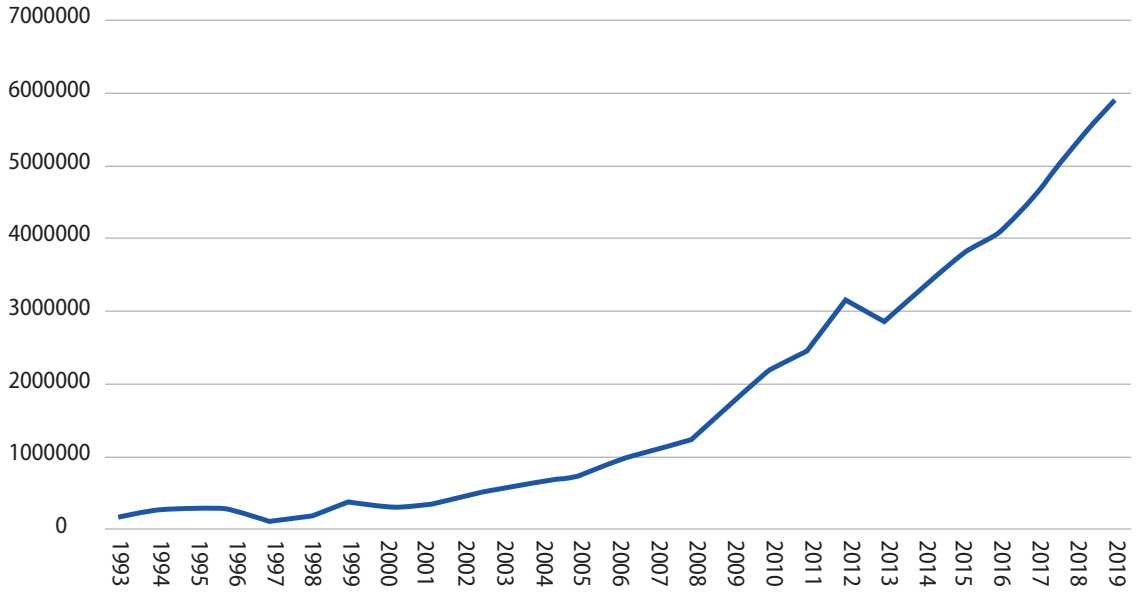
Tourism in Albania

Albania has flirted with the prospect of becoming a tourist destination since at least the second half of the 20th century, but never truly committed to reflecting such an engagement at a policy and economic development level because of the imminent ideology and propaganda that comes with international tourism. Important political developments such as withdrawal from the Council for Mutual Economic Assistance of the Socialist Bloc, and subsequent fall-outs with the Union of Soviet Socialist Republics (USSR) in 1961 and People's Republic of China in 1978 reinforced this policy and kept Albania confined within its own borders. A centralised, demographic movement policy and insufficient income generally kept domestic tourism at minimal levels, restricted to honeymoons or summer vacations.

This isolation meant that, during the period of 1960-1990, Albania only accounted for 1.6% of all foreign tourists visiting the Balkan Peninsula (Humolli & Vishi, 2016). In 1980, Albania had fewer tourists than the overall number of tour operators in neighbouring Greece (ibid.).

With the collapse of the communist regime and the shift towards a free market economy, foreign tourists started to visit Albania. Isolation alone and curiosity to see the most secluded place in Europe served as a magnet to draw regional and international tourism attention. At the same time, increased incomes (including remittances) and increased modes and transportation frequency were translated into the growth of domestic tourism, which accounted for about 76% of the overall tourist numbers for 1993 (Humolli & Vishi, 2016). The image of a long-secluded country in the midst of a highly desired Europe has resonated with tourists' increasing demand for unknown, unexplored destinations, and otherworldly experiences. The increasing number of tourists visiting Albania attests to this fact, with the exception of 1997 and 2013 that mark slight decreases[1] (Figure 1) in what is otherwise a continuously growing trend.

Figure 1. Tourists number in Albania for the period 1993-2019



Source: INSTAT and the World Bank, and author's calculations.

Despite the encouraging figures, Albania's comparatively limited history and experience in the tourism sector, vis-à-vis both the region and the wider European context, has meant that the governance of the sector has inherent limitations and challenges. Institutional and cultural deficiencies in human capacities, resources,

experience, and strategic development vision, lead to tourism development happening in the same laissez faire manner as most other developments. Policymakers and government authorities, until recently have not been able to match the dynamics of this fast-paced sector; they are oblivious to the value tourism development can bring to the economic development and social capital of the country. Targeted attempts to govern the sector date back to 1993 when the Ministry of Tourism supported by the European Reconstruction and Development Bank[2] prepared the first sectorial strategy on tourism.

The aim of this article is to analyse the dynamics and challenges of tourism development in Albania, focusing on policy-making and governance aspects of the sector. The two core concepts at the centre of this article are '[tourism] governance' and 'sustainable tourism'.

For the purposes of this article, governance is discussed based on the United Nations Development Program's (UNDP) definition. It defines governance as "the exercise of economic, political, and administrative authority to manage the complex mechanisms, processes, relationships and institutions through which, interests are articulated, rights are exercised, and differences are mediated among stakeholders" (UNDP, 2012, p.3). Sustainable tourism on the other hand has been defined in many ways (McCool, 2015), with definitions that include elements of planning, environment, man-made heritage, ecology, social equity, participation, economic and social sustainability, and longer-term futures. Here, we adopt the general notion of the UN World Tourism Organization Network for sustainable tourism, defined as "a form of tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities" (UNEP & UNWTO, 2005, p.12). For the purposes of this article we refer to both the sustainable development of tourism, meaning a growth model of the tourism sector that is stable, and the development of sustainable tourism, meaning the development of tourism models with sustainability considerations in the way resources are used.

In the absence of systematic and elaborate studies of the tourism sector, this contribution offers a synthetic analysis of the governance of tourism in Albania. The concept of governance should be understood as multi-stakeholders' processes of governing that facilitate and steer collective action decisions through policies and instruments that ensure the government's accountability towards its constituencies (Capano et al., 2015; OECD, 2011; Wilde et al., 2009). The current assessment focuses on the tourism policy and legislative framework of the past 20 years and particularly assesses the current state of the sector in figures and in actual strategy. The article concludes with a number of recommendations for policy-makers to improve the sector.

An Overview of the Legislative Framework of Tourism in Albania Between 1992 - 2019

The legislative framework concerning tourism development underwent several changes between 1992 and 2019. Similar to the series of sectorial and cross-sectoral strategies related to tourism such as the 1993 Law No. 7665 'For the development of priority areas in tourism' (GoA,1993), the implementation of laws was often flawed by delays and lack of monitoring despite ambitious starting points.

The first law dedicated to tourism passed in pluralist Albania was Law No. 7665, dated January 21, 1993 'For the development of priority areas in tourism'. The law focused on the 'stimuli' concept, providing definitions on the typology of activities, persons, areas, and structures considered as fundamental in stimulating tourism development in the country (MoT, 1993). Importantly, the law introduces the concept of the Committee for the Development of Tourism, an inter-

ministerial structure designed to govern this sector. Further, the law sought to encourage foreign investments based on the provisions of Law No. 7594, dated August 4, 1992 'On Foreign Investments.'

In 2007, a law 'On Tourism' was passed (Law No. 9734, dated May, 14, 2007), defining a regulatory framework for the management of the tourism sector and the development of standards for touristic products and services, among other things. Similar to the strategic document of the time, the implementation of the law did not generate the expected tangible changes. The lack of a clear economic development model and increasing development pressure in the absence of approved territorial plans were two noticeable factors that may have contributed to this failure.

The government was beginning to show increasing support for the development of tourism in 2013-2014, which materialised in the preparation of the sectorial law and the law for strategic investments. In 2015, a new Law No. 93/2015 'On Tourism' (GoA, 2015a) was approved, addressing numerous issues raised by the business community and tourism experts and introducing, for the first time, clear definitions of key concepts, procedures, certifications, and licenses for business entities operating in the tourism sector, along with a classification of accommodating structures. In a 2017 report on the effectiveness of policies for the strategic development of tourism, the State Supreme Audit Institution (2017) found that the bylaws for Law No. 93/2015 were slow to follow, which resulted in the failure to establish some key institutions, as foreseen by law. The law was followed by a new law, No.114/2017 'Amendments to the Law No. 93/2015', which introduced legislative incentives to facilitate the construction of luxurious four- and five-star hotels and resorts.

The Law No. 55/2015, 'On Strategic Investments' aimed specifically at increasing investments in strategic sectors, which included energy, agriculture, tourism, and natural resource extraction (as per Article 8). Particularly concerning sustainable tourism development ambitions, the law views these sectors as highly profitable in the long term and suitable for a fast-paced economy because of the low costs, un-valorised natural resources, and a flexible work force. The law is expected to create the preconditions required for the attraction and retention of strategic investors and a 'fast track' for the processing and approval of strategic investment projects. A Secretariat of the Strategic Investments Committee (AIDA) is responsible for approving the status of each potential strategic investor and orienting potential investment interest from abroad. The law also foresees the creation of a Register of Strategic Investments (Law No. 55/2015b, Art. 10), where all completed strategic investment projects are listed.

The expanding legislative framework in support of tourism development resulted in a number of fiscal and administrative incentives aimed specifically at growth and attracting foreign investments in the sector:

Fiscal incentives

- Reduction of the value added tax (VAT) for all accommodation structures, from 6% to 20% starting from June 2017. The private sector and other interest groups had, for a long time, pointed out that Albania had one of the highest value-added tax levels in the region and had requested a reduction in order to make the sector more competitive. Starting from 2018, the revised VAT level was offered to all services provided in the five-star hotels and resorts granted 'special status' by the government.
- Exclusion from a series of taxes, including: the profit tax for a period of 10 years for all entities that have been granted 'special status' by December 2024; a building tax and infrastructure impact tax for all international four- and five-star hotels or resort brands;

Administrative Incentives

Two administrative incentives were approved based on the Law No. 55/2015 'On strategic investments' (GoA, 2015b), namely:

- Assisted procedure: focused on the role of public administration in assisting prospective investors by facilitating the process of securing the necessary documentation, following, coordinating, assisting, monitoring, and, at times, representing the strategic investment. The procedure also foresees support in the form of enabling infrastructure by making state owned property available to strategic investment development and implementation (Law No. 55.2015). This procedure is available only to the strategic investors in the tourism sector, investing the equivalent of at least 5 million Euros and generating at least 80 jobs.
- Special procedure: in addition to all facilitations foreseen under the 'assisted procedure', the special procedure is designed to create all necessary preconditions, including expropriation of private property and approval of contracts by the parliament of Albania (with the consent of the Council of Ministers) to vouch for an increased guarantee of the legal relationship between the investor and the Government of Albania. The eligibility criteria for the exclusive support that comes with the special procedure includes strategic investments valued at 50 million Euro or more with an impact in economy, employment, industry, technology, and regional development.

In addition, the government has introduced a number of incentives focused on the development of specific types of tourism, i.e. agritourism, including:

- *Financial support for the establishment of agritourist businesses:* once certified as an 'agritourist entity' in line with the DCM No. 22, dated January 12, 2018, these entities benefit from VAT reduced to 6% for the services offered in the hospitality sector, namely accommodation and restaurant[3], and a significantly reduced profit tax from 15% to 5% (GoA, 2018a). Both tax reductions became effective in January 2019.
- *The National Program for Urban Renaissance:* a nation-wide program piloted during the 2013-2017 governing mandate aimed at the physical revitalization of main urban centers, implemented in about 70 cities at an estimated cost of approximately 440 million USD. The extent to which such an initiative added value to the development of tourism remains unclear and at times questionable, particularly in cases where cultural heritage was affected (refer to the case of the public position of the Albanian Union of Architects dated February 13, 2017 on 'Veliera project in the city of Durrës,' and the report on the case of the 'Bypass project' in Gjirokastër by Mërxhani, February 9, 2017). On the one hand, the government states cultural tourism as a priority objective. On the other hand, they undertake investments that are destructive to cultural heritage.
- *The Integrated Program for Rural Development:* starting in 2017, the government shifted its focus to rural development through an exclusive, nation-wide program dedicated to the development of rural space in 100 villages across Albania. With each of the 61 municipalities represented by at least one village, the program promises a coordinated approach to rural development by aligning public investments with donor and private investments in villages that have a rich cultural and natural heritage and subsequently high potential for tourism to develop.

To what extent the newly introduced legislative framework and initiatives have been affected and how that will impact the quality of governance in the sector remains open to question; it will require systematic monitoring and evaluation of the implementation of such initiatives.

A Comparative Overview of the Tourism Strategies in Albania Between 1992 - 2019

In order to gain better insight into the challenges of the sector and the deep-rooted nature of some of them, one needs to conduct an overview of tourism strategies to date, including those that expired in a draft form. Based on the definition of governance as employed by this article, the analysis will focus only on the strategies developed from 1992 onwards, following the transition from an isolationist regime towards a democratic system.

Table 1. An Overview of Tourism Strategies between 1993 and 2019

Year	Strategy	Highlights
1993	*Tourism Strategy 1993 – 2010* (Implementation Status: Discontinued) (GoA, 1993)	The Ministry of Tourism, supported by the European Bank for Reconstruction and Development, prepared the first strategy on tourism development. It marks the first formal attempt to govern the sector. It includes advanced concepts and best -practices for the time, demonstrating environmental consciousness including components such as: • Identification/marking of priority areas with high tourism potential; • Low-rise buildings in line with vernacular architecture; • Distance from the coast and green belts; • Introduction of onestop agencies; • Attraction of foreign investments within the hospitality sector: *Hotel Rogner, Mak -Albania, Chateau Linza, etc.* (Monitor, 2012). This strategy is referred to by experts of the time as a very progressive strategic document with strong sustainable development considerations, which proved to conflict with high real estate development pressure. Half-way through its mandate the strategy was discontinued and replaced by other strategies (MRRT, 2002)
2002	*Tourism Strategy 2002 – 2012* (Implementation Status: Discontinued) (Ministry of Territory Adjustment and Tourism, 2012)	The Ministry of Territory Adjustment and Tourism was supported by GIZ in preparing this document; • The strategy prioritised the development of 'sea-sun-sand' tourism; • It relied on analyses of state of the art institutions, market, and other developments in the country; • It coined the "Albania – Yours to Discover" and "Albania – Europe's Last Secret" brands; • Illustrates the increase from 27 hotels in 1993 to approximately 780 in 2005 (Monitor, 2012); • Describes high development pressure primarily in the areas of Durrës, Tiranë, Shëngjin, Velipojë, Sarandë, and Golem, among others; • Hospitality sector offered a limited range of services, mainly confined to basic accommodation and food. Eventually its implementation succumbed to such development pressure, meaning that implementation was discontinued.
2006	*Strategy on the Sustainable Development of Natural and Environmental Tourism* (Implementation Status: Discontinued) (GoA, 2006)	The Ministry of Tourism, Culture, Youth, and Sports prepared this document with the support of UNDP Albania. • The strategic document relied on numerous consultations conducted with key actors from local governance, civil society, and media in all 12 qarks (State Supreme Audit Institution, 2017), making it both participatory and inclusive. • It offered a clear set of measures for the improvement of cultural tourism destinations. Despite cross-sectoral acceptance, the strategy's implementation failed (ibid.).

2007	*Tourism Strategy 2007 -2013* (Implementation Status: Discontinued) (GoA, 2007)	The Ministry of Tourism, Culture, Youth, and Sports (MTCYS) prepared this strategy, primarily focusing on increasing the number of tourists to 3.5 million by 2013 (MTCYS, 2007). • The strategy was not prepared based on a participatory approach; • It lacked evidence-informed market related analyses and objectives; Similar to earlier strategies, its implementation did not succeed.
2014	*Draft Tourism Strategy 2014 – 2020* (Implementation Status: Draft) (Ministry of Urban Development and Tourism, 2014)	The governance of the sector was assigned to the Ministry of Urban Development. • The strategy contains notable sustainability considerations; • It built on what it regards as the best elements from previous strategies and introduced best practices from OECD countries; Despite its focus on monitoring progress, the strategy remained in a draft form until 2018.
2018	*The Strategy for the Sustainable Development of Tourism 2018 – 2022* (Implementation Status: Draft) (GoA, 2018b)	Prepared by the Ministry of Environment and Tourism, the strategy remained incomplete and in draft form until it was substituted by the *'Strategy for the Sustainable Development of Tourism 2019 -2023'*.
2019	*The Strategy for the Sustainable Development of Tourism 2019 – 2023* (Implementation Status: Approved, in its first year of implementation) (Ministry of Tourism and Environment, 2019)	This document, marks the first approved strategy in a series of attempts that expired in draft form. (Refer to the section 4 of this article for a thorough analysis of this document).

Source: Authors' own elaboration

From this overview, the following findings emerge:

- From 1992 to date, a total of six sectorial strategies were prepared, including the current strategy. Two remained in a permanent draft form until they were replaced by subsequent strategies.
- The timespan covered by each strategy (or draft strategy) has progressively decreased by over four-fold: the first strategy covered a timespan of 17 years, the second 10 years, the subsequent two covered a timespan of six years, and the last two have a mandate of three and a half to four years. Each new strategy has been introduced half-way through the mandate of the existing strategy, often coinciding with the arrival of a new government in office. This attests to the lack of a clear vision and model for economic development and the role that the tourism sector could play to this end.
- The success rate of the implementation of the five sectorial strategies prepared between 1992 and 2019 remains a moot point, given that none of the strategies have been fully implemented.
- Each strategy refers to the preceding strategy, yet does not consider the reasons why the previous strategy was not successfully implemented.
- The first sectorial strategy prepared in 1992 stands out as a pioneering, advanced, and visionary strategy, considerate of other sectors such as the environment and urban planning, among others.

In addition to the sectorial strategies, the governance of the sector has been shaped by a number of cross-sectoral documents. In 2015, tourism was confirmed as a strategic development sector by the National Strategy for Development and Integration 2015-2020 (NSDI). The document acknowledged the sectors' key challenges and set forth two strategic objectives focusing on sustainable tourism development. To ensure implementation, the NSDI called for

the preparation, approval, and integration of a tourism strategy and national plan with other sectoral strategies (NSDI, 2015). Tourism development was upheld as a strategic sector in several strategies prepared in 2015, including:

- *The General National Territorial Plan 2015 – 2030* (NTPA, 2015a)*:* The plan presents tourism as one of its key development priorities and objectives. It integrates the concept of sustainable tourism based on natural resources – very much a place-based tourism model though not explicitly referred to by this terminology. In addition, the plan relies on the territorial dimension of the tourism sector in establishing 'areas of national importance' vis-à-vis planning and sustainable development of the territory, presented in a map of touristic potential. Despite its considerable focus on tourism, the plan remains a national territorial plan. As such, its impact on specific sectors (i.e. tourism) is not significant.
- *Integrated Cross-Sectoral Plan for the Coast 2015 – 2030:* The Integrated Cross-Sectorial Plan (NTPA, 2015b) for the Coast provides a development vision for the coastline, adopting a sectorial development approach differentiating areas of tourism, environment, transport, energy, agriculture, and culture (among others) as well as urban development in the territories administered by municipalities. The plan's stated aim is to strike a balance between the need for private investments and the need to develop sustainably, particularly related to tourism in historical, cultural heritage, and protected natural areas.
- *Cross-Sectoral Strategy for Rural and Agricultural Development 2014-2020:* The document's stated aim is rural tourism development and other activities related to tourism such as cultural tourism, natural tourism, mountain tourism, and summer tourism, among others (Ministry of Agriculture, 2014).
- *Cross-Cutting Strategy Digital Agenda of Albania 2015-2020:* This strategy sets out the strategic objectives concerning the digital agenda of Albania, particularly connected to tourism development on two levels. The first is the electronic governance and delivery of interactive public services, including tourism. This implies the development of a national e-Tourism programme and the establishment of a hotel register, tourist resources and products, cultural inheritance, a tourism portal, and coverage of tourist areas with free Wi-Fi service (Ministry of Innovation and Public Administration, 2015). The second is the development of electronic communications in all sectors including tourism.
- *Sectorial Strategy of Transport and Action Plan 2016-2020:* Approved in November 2016, this strategy focuses on the connectivity/accessibility aspect of tourism, aimed at integrated models of combined coastal tourism (sun and sand), cultural tourism (archaeology and cultural heritage), and natural tourism (ecotourism) (Ministry of Infrastructure, 2016).

Other strategies of national relevance that consider tourism development aspects include: the 'Integrated Cross-Sectorial Plan of the Economic Area Tirana-Durres,' the 'National Sectorial Plan in the field of Tourism for the Albanian Alps Region,' the 'National Strategy of Culture 2019-2025,' the 'National Strategy of Integrated Waste Management,' the 'Inter-sectorial Strategy for Environment,' the 'Strategy for the Integrated Management of Borders 2014-2020,' and the 'Strategy for Business Development and Investments 2014-2021.'

Strategy of Sustainable Tourism Development in Albania 2019-2023: A Critical Assessment

In June 2019, following a series of discontinued/partially implemented (draft) strategies, the Government of Albania approved the 'Strategy of Sustainable Tourism Development in Albania 2019-2023' (GoA, 2019). This constitutes a positive first step towards the management

of the sector. The responsibility conferred to this document is significant, given the role it has in orienting the development of one of the strategic priority sectors crucial to the economic development of the country. However, it remains to be seen whether this 'Tourism Development Strategy' offers a credible, sustainable perspective to transforming Albania from a peripheral to place-based tourist destination. An assessment of the policy is provided below, though implementation has yet to take place.

The strategy begins with the premise of a rather generic and ambitious vision: "Albania, a welcoming destination, attractive, authentic, for the sustainable development of economic, natural, and social potentials of our country' (MTE, 2019, p.16, author's translation). It distinguishes among three types of tourism, namely: coastal, natural, and thematic tourism, and organizes its strategic goals into four distinct groups related to:

1. *Creation of new development poles and industries and consolidation of the touristic offer;*
2. *Increase of the added value and impact of the sector on the economy and employment;*
3. *Development of new tourism products and services and improved quality; and*
4. *Improvement of the country's image and promotion of local products* (MTE, 2019, p.4, author's translation).

The goals are broken into a total of fifteen specific objectives, which are expected to yield significant economic outputs including: an increase of the sector's contribution to the GDP from 8.4% to 10% by 2023; generation of at least 6,000 new businesses related to the tourism sector; 2.552 million EUR in foreign direct investments by 2023; an increase in investments in the tourism sector up to 6.3% of public investments; and a three-fold increase in revenue from direct tax (of the sector) from 9 to 31 billion ALL by 2023. These expected outputs raise two core concerns:

- The accuracy of the database used for the generation of the baseline for each output is questionable, given the major discrepancies between Ministry of Tourism and Environment data and the data generated by the Institute of Statistics of Albania (refer to section 5.1 Our tourism ambitions in figures). As such, growth projections risk being unrealistic and non-representative of actual capacities and potentials, and the monitoring of achievement indicators may skew results due to differing baseline values, providing a very different picture of the sector.
- The extent to which such results can be achieved within a sustainable development framework remains uncertain. Growth across a number of sectors by several fold appears to be based on tourist volumes capable of being generated through mass tourism policies and measures unless the strategy is aimed at the profile of the tourist who cares about the environment and is willing to pay more for sustainable practices, which has often not been the case (Pulido-Fernández & López-Sánchez, 2016).

Further, the strategy lists a number of current and future challenges and does not include currently pressing issues such as conflicting development priorities, and the incomplete and inconsistent data on the tourism sector. For the challenges it recognises as alarming, it does not propose any actions or rectifying measures, such as in the case of 'informality.' In addition, the strategy focuses only on tourism by non-residents (inbound tourism by foreign nationals or expats), as stated in its overall goal: "Albania should be promoted extensively among the international community as a destination worthy of competing on equal with other destinations in the global tourism market" (MTE, 2019, p.16, author's translation). The reason why domestic tourism is not analysed as a subject of this strategy remains unclear, especially when considering the increasing trend of Albanians travelling internally to varied destinations, their

spending capacity, the increasing number of local tour operators, and the increasing number of local businesses particularly in the eco-tourism realm. The government's ambition to extend the tourism season is, in fact, largely related to the continuous flow of domestic tourism. As such, it should have been included in the strategy.

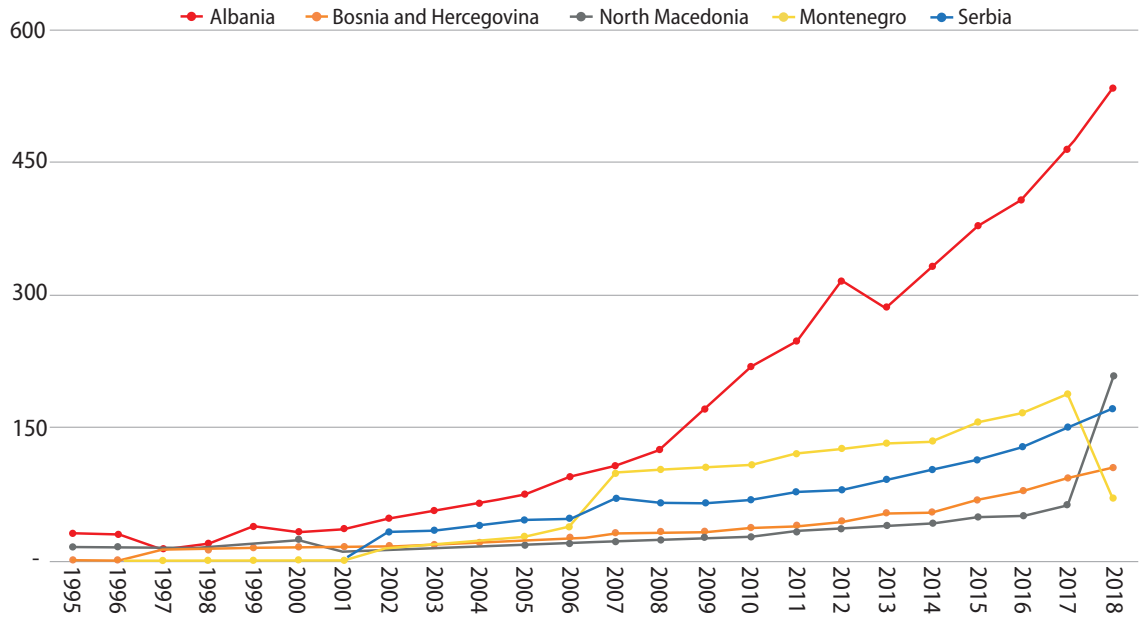
To conclude, it remains unclear the extent to which 'sustainable development of tourism' has been considered and how the government plans to accomplish it, considering that none of the strategic objectives foresee or focus on sustainable development models and practices. This is of particular concern when taking into account that this strategy has been drafted by a ministry that is responsible for both tourism and the environment.

Albania's Tourism Sector in Figures and its Governance Challenges

Our tourism ambitions in figures

Once the most isolated country in the region today Albania marks the fastest growth in the tourism sector among SEE countries (Figure 2), with over 5.3 million reported international tourist arrivals for 2018 and 2.193 million USD in international tourism receipts (UNWTO, 2019). More specifically, the sector has reportedly contributed an average of 2.8% to the GDP, amounting to a total of 45 billion ALL generated through tourism related activities including: accommodation, food and drink services, travel and tour operators, car rentals, and other leisure activities (INSTAT, 2019). The sector's contribution to employment in 2017 was also seen as positive, with 93,000 direct

Figure 2. International Tourist Arrivals 2002-2018 for Five Regional Destinations



Source: World Bank data, based on WTO Yearbook of Tourism Statistics, 2019

jobs and 291,000 indirect jobs attributed to the tourism development value chain, and over 22,785 enterprises operating in the tourism sector (Ministry of Tourism and Environment, 2019).

Data for 2018 from the Institute of Statistics of Albania confirms that foreign citizens have spent on average 4.3 nights in Albania, with 76% having stayed in hotels spending an average of 52 EUR/day (INSTAT, 2019). With over 17,000 rooms and 38,000 beds available to tourists in 2018 (ibid.), if collected and managed correctly by the local government, such figures could have meant good news to local (and central) authorities from a revenue perspective. The future of tourism as projected by the NSSTD (2019) is even more ambitious, with one-third of the GDP (including direct and indirect effects) to be generated by the tourism sector by

2028. Other important projections in the NSSTD include 8.8% of the active work force engaged in tourism related jobs and 8.2% of all investments taking place in the country relating to tourism. Such projections are instrumental in orienting development. Hence, accurate data upon which analyses and projections are based are fundamental to the process. While tourism as a sector is new and relies on relatively poor data and limited time-series, there is a significantly high discrepancy among the figures provided by the Ministry of Tourism and Environment (as part of the NSSTD) and the figures provided by the Institute of Statistics of Albania (INSTAT). A case in point is the tourism sector's contribution to the economy, valued at 8.5% of the GDP according to the NSSTD, which sources its data from the World Travel and Tourism Council (2017). That figure is 2.8% of the GDP according to INSTAT (2019).

Despite differences in methodologies applied, discrepancies assessed at approximately 5.7 percentage points are difficult to explain, particularly when considering that the sector has demonstrated growth from 2017 to 2018. Similarly, significant discrepancies are found when reporting on the number of accommodation structures and available rooms. In their technical note on 'Informality and Competition in the Tourism Sector' (2018), the Albania Investment Council reported 3,800 accommodating structures, 29,000 rooms, and 67,000 beds available to tourists (referring to data from the Ministry of Tourism and Environment). INSTAT (2019), on the other hand, reported 17,000 rooms and 38,000 beds available to tourists in 2018.

Governance Challenges in the Tourism Sector

In addition to the ambiguity related to the lack of data on this sector (inevitably reflected at a policy-making and management level), the sector of tourism has a number of governance challenges, which are identified through the above analysis and by various institutions, and presented in at least three core documents: (1) the Report on the Effectiveness of Policies on the Strategic Development of Tourism, published by the State Supreme Audit Institution in 2017; (2) the NSSTD prepared by the Ministry of Tourism and Environment, and approved by the government through the DCM No. 413 on June 19, 2019; and (3) the Technical Note on 'Informality and Competition in the Tourism Sector,' published by the Albania Investment Council in 2018. While it is difficult to account for all challenges related to the governance of the tourism sector, some of the most pressing ones that are yet to be addressed by the respective institutions can be categorised as 'institutional' and 'market' related, though the dividing line among the two can sometimes be blurred:

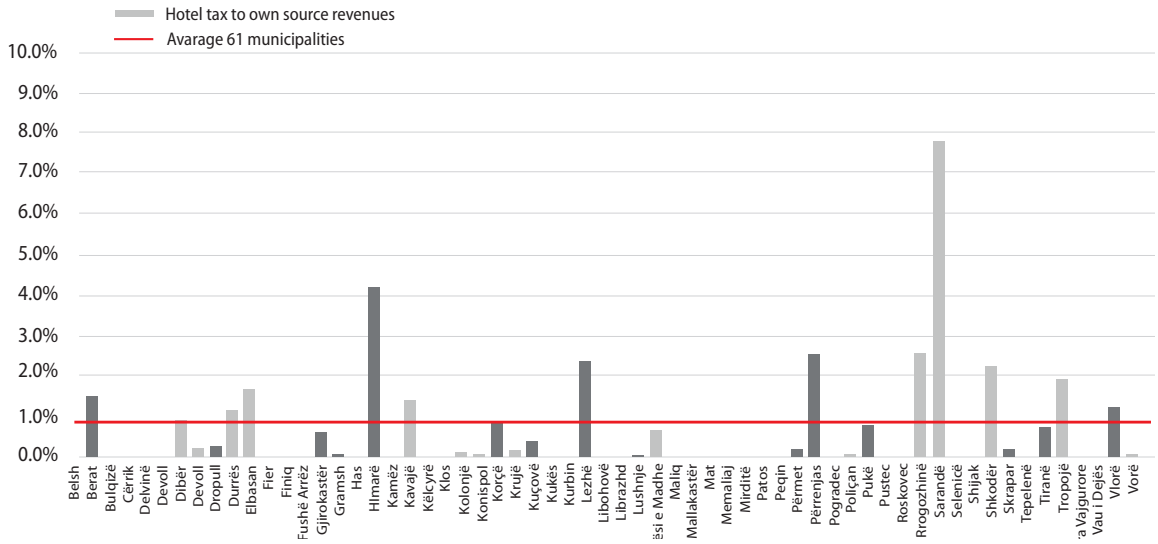
- **Low effectiveness and efficiency** in the tourism sector and the responsible institutions caused by: a lack of clear vision; a lack of evidence-informed, well-formulated strategies and action plans; and a failure to implement the legislative framework and complete it with bylaws. Both laws 'On Tourism', namely No. 9734 dated May 14, 2007 and No. 93/2015 'On Tourism' attest to institutional limitations to draft the bylaws and the necessary regulations and to set up structures as foreseen by the law, such as the 'Commission for the Standardisation of the Touristic Activities,' Regional Committees for the Development of Tourism, and Monitoring Structures.

- **Incomplete and inconsistent data on the tourism** sector primarily owing to: the lack of a clear methodology for the collection and processing of statistical information related to the sector; the lack of a specific, approved procedure on statistical information in the sector; delays in fully updating the database with accurate and complete data on the number of tour operators, travel agencies, and other related actors; and large discrepancies when reporting on various tourism performance metrics, such as its contribution to the GDP and the magnitude of the private sector operating in tourism related services.

- **Informality in the sector** as measured through the tax declarations and own-assessments by the tax administration is reported at 40% (General Directorate of Taxation, 2017). Informality in the sector takes the form of: operating informally as an unregistered business, tax evasion, unreported employment, underreporting taxable income, undeclared revenues, cash-based transactions, and underreporting or no reporting of guests in the case of hotels. In addition to the informality levels reported by the General Directorate of Taxation, informality can be analysed and potentially assessed through the lens of local finances.

Although the sector is poorly covered with statistics, municipality own revenues and revenues generated from the hotel tax have been consulted for the purposes of this analysis. The municipalities in the country generate, on average, 29% of the total local revenues from own source revenues (Co-PLAN, 2019). With the exception of Tirana (an outlier), Kamëz, and Himarë, municipalities show a very low capacity to generate revenues from own sources. Out of the 29% of own source revenues, municipalities in the country generate only 0.9% from the hotel tax payable for each guest/night. The municipalities of Himarë, Berat, Lezhë, Prrenjas, and Vlorë stand above the national average, yet the average is very low – not even 1% (ibid.). With tourism statistics indicating an increase in the number of tourists, such a discrepancy indicates a high level of informality in this sector with regard to the number of guests in accommodation structures.

Figure 3. Ratio of the Hotel Tax to Municipalities' own source revenues



Source: www.financatvendore.al (2019) and author's calculations

- **Insufficient resources and capacities at local level.** The law 'On Tourism' sets out a number of responsibilities for local governments, such as the maintenance and regularly updating of a tourism resource inventory and the provision of supportive infrastructure to local businesses operating in the tourism sector, ensuring that accommodating structures are classified and certified in compliance with the law 'On Tourism', and DCM No.730, dated October 20, 2016. However, most municipalities are not able to fulfill these responsibilities. A recent survey that addressed all 61 municipalities in the country shows that 79% of municipalities claim that tourism is a priority sector for their local economic development. Yet, only 27% of the respondents have a local strategy or plan for tourism development in their municipality. Part of the respondents that considered tourism as a priority sector but did not have a local strategy or plan stated that they use the national tourism strategy and the General Local Territorial Plans (GLTP). To date, at least 37 GLTPs

have been approved, all of which have tourism related considerations in the form of priority objectives. The majority of the municipalities reported that they had no enabling mechanisms in place to support or offer incentives to local businesses. Only about one-third of the municipalities reported some form of incentives, such as a reduction of the fiscal burden for local businesses willing to relocate to a newly requalified tourism improvement district. Similarly, the municipalities that consider tourism as a priority sector also reported dedicated capacities to cover the sector. Qualitative considerations on the skills and technical capacities of the allocated staff were not part of the focus of the survey though most of the reported staff work on a number of sectors. Tourism happens to be an additional task.

- **Conflicting development priorities** are particularly visible and impactful in the case of energy production through the construction of small Hydropower Plants (HPPs). Sikirova and Gallop (2015) reported at least 583 considered hydropower projects, 75% of which have entered into operation in the past 10 years (Sikorova & Gallop, 2015). Of these 75%, 105 HPPs are located in protected areas (Gjoka, 2018), leading to a series of negative effects such as damaged biodiversity, increased droughts, reduced water quantities, and subsequent reduced access to water. (ibid.). The government's ambitions to develop and promote sustainable, nature-based tourism are inconsistent with and undermined by government granted permits to construct at least 105 HPPs in protected areas and highly popular tourist destinations.
- **Unresolved environmental issues** persist, such as deforestation, including in national parks and protected areas. Despite attempts to curb deforestation through a 2016 declared moratorium of forests, Albania has lost approximately 380 km2 of forest area (Global Forest Watch, 2019), and invaluable biodiversity and landscapes in areas with high tourism development potential, such as the National Park of Lura.
- **Limited quantity and quality of accommodation structures** is particularly relevant in highly popular destinations, where the average number of 'beds per unit' remains low and the overall quality offered is below the expected standard. Given the circumstances and in the absence of a categorisation and classification system, it becomes difficult to devise corrective measures and monitor change.
- **Limited capacities of human resources operating in the tourism sector,** including staff employed in hotels, restaurants, travel agencies, information desks, and other tourism related services. The lack of a solid tradition and prior experience in the realm of tourism has manifested in poor customer service practices, inadequate communication, and overall unsatisfying reviews and customer experiences. In absence of qualitative assessments, one way of gauging this aspect could be through customer feedback in online tourism-related portals.

Conclusions and Recommendations

The aim of this article has been to analyse the governance dynamics and challenges of tourism development in Albania, with a particular focus on policy-making aspects of the sector. Based on an overview of the core legislative framework related to the sector's development, strategies, and its current state and challenges, several conclusions can be drawn.

Albania as a 'tourist destination' is a positively evolving reality, as growth trends have shown over the years. The current picture of the sector does not, however, portray an accurate picture of the sector's dynamics and what its future projections may be for a number of reasons including the following:

- Numerous challenges remain unresolved, including informality present in the sector. Calculated at approximately 40% (General Tax Directorate, 2017), the level of informality is believed to be significantly higher, as indicated by inconsistencies

between the number of overnights spent in hotels and the insignificant level of hotel tax accumulated by the municipalities.

- The policy and legislative frameworks governing the sector, including at least four draft strategies and two laws, have been inconclusive and ranged between drafts and discontinued implementations. The recently approved strategy for the sustainable development of tourism in Albania, although a long-awaited document, does not provide an evidence-informed, thorough, and inclusive strategy for orienting both domestic and international tourism. Domestic tourism, which the strategy does not address, makes up an important tourism contribution because of its year-round seasonality and continuous demand;

- Statistics on the sector, while issued from official sources and responsible institutions, are inconsistent and present major differences. To date, there is no clear methodology for the collection and processing of statistical information related to the sector. This leads to questions about the accuracy of all analyses, plans, and strategies of the sector and all inter-related sectors, and impedes the ability to assess the actual contribution of the sector to the economy.

- Tourism planning offers limited projections for a three to four year period. The sector is dynamic and projections ought to address that. Starting anew with every newly assigned minister, ministry, or government limits the sector's ability to plan for the mid-term and long-term, resulting in sector strategies based on short-sighted visions and action-plans.

- Institutional efforts and processes within and between the central and local level are not coordinated. Conflicting interests and development priorities, as in the case of Albania's energy sector, have a direct, counter-productive impact on the development of the tourism. Mushrooming HPPs in protected areas and national parks, by definition, do not and should not fall within the sustainable tourism promise.

- The newly approved strategy fails to explain what is meant by sustainable tourism development. Most objectives, measures, and expected economic outputs relate to massive tourism, focused on the already crowded and depleted areas, such as the coast.

- The newly approved strategy fails to explain what is meant by sustainable tourism development. Most objectives, measures, and expected economic outputs relate to massive tourism, focused on the already crowded and depleted areas, such as the coast.

- To date, no 'Action Plan' has been developed as part of the strategy.

If Albania is adamant about its tourism ambitions and willing to turn it into a key driver for economic development, actions to improve the governance of the sector are required on numerous levels.

First, it is important that the tourism governance process is realistic and acknowledges that the increasing tourism figures have not translated into actual growth (contribution to the gross value added). The tourism development narrative in Albania needs to be amended along with the ways that success and progress in the sector are measured.

In addition, sustainable tourism development needs to be planned for the long-term instead of being tied to a single governing mandate. This would avoid situations in which strategies are discontinued because of changes in governments or ministers (even within the same governing mandate). Governance efforts should also focus on preventing conflicting development priorities, as in the case of energy vs. tourism; planning, managing, and promoting tourism not only by foreign 200monitoring measures in coordination with the affected sectors and implemented with immediate effect.

This list of recommendations is not exhaustive and can still benefit from more in-depth analyses on the sector. Nonetheless, it constitutes a starting point and food for thought for policymakers.

Notes

1. Primarily owing to the political instability in the country.
2. The strategy was prepared by the UK-based firm Touch Ros and Europrincipal Limited.
3. Reduced VAT does not apply to drinks.
4. The list of challenges presented is not exhaustive given that the focus of the article is primarily on governance.
5. DCM no. 730, dated 20.10.2016 'For the Approval of the Regulation for the conditions, criteria, tariffs, deadlines and procedure for the classification of accommodating structures.'
6. The survey was conducted by the author in September 2019 through electronic communication. It consisted of five questions, including: (1) Is tourism a priority development sector in your municipality? (2) Do you have a Tourism Strategy or Tourism Development Plan for your municipality?; (3) Do you have enabling policies / incentive schemes for local businesses operating in the tourism sector?; (4) Do you have staff dedicated to the tourism sector?; (5) How many service structures (accommodation, restaurants, etc.) operating in the tourism sector result in your municipality?

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Consolidation of Agricultural Land, A Case from Albania

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Summary

Since 1990, after privatization of farmland, fragmentation – division of land in small farmable parcels dispersed on noncontiguous areas – continues to be one of the major factors that hamper sustainable development of agriculture in Albania.

The 'Consolidation of Agricultural Land as an Instrument for Sustainable Development of Agriculture' Project was developed in the Municipality of Fier during June 2017 – June 2018. This project is a success story for the development of land consolidation policies in Albania. It was the result of an inclusive process with the local community and other key stakeholders, as well as of an extensive national discourse on the subject matter. The project resulted in the design of a program for land consolidation, prepared by the municipality of Fier in collaboration with regional agencies and interest groups and with the technical assistance of the authors of this article. The program was extensively discussed at the local level with key stakeholders, as well as in a national conference. Then, it was approved by the Local Council and presented in the respective parliamentary commission, aiming at influencing national policy making on land consolidation. The project is already under implementation.

This article provides a summary of the process, analysis, and proposals of the project and of the land consolidation programme prepared for Fier. In this process, problems that require national-scale solution were identified, and the Project lobbied decision-making and policymaking institutions for application and replication in other municipalities across the country.

Keywords: Agriculture, Land Consolidation, Fier, Case Study

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Introduction

Albania's change of political system in the early 1990s was accompanied by a number of important legal initiatives on privatization. Agriculture was the most affected sector, which, in the preceding period, was centralized and acknowledged no private ownership title on land at all. Transition to private ownership and subdivision of agricultural lands after 1990 were associated with significant land fragmentation, considerably affecting the agricultural productivity and the contribution of this sector to Albania's economy. Every rural household was entitled to land, which was dispersed on several noncontiguous locations (in plains and hills, in cropland cultivated with fruit trees, or vineyards, close or far from farmhouses, above and under water, and with diverse productivity potentials) (Lushaj, 2003). During 1991-1992, the land was fragmented into 1.8 million parcels, in which every farm household gained ownership of about 1.5 hectare of land dispersed on an average of 3-5 parcels of uneven shape and size, and most commonly located in disjointed sites (Müller & Munroe, 2008). However, the size of the parcel varied within and between districts, with a minimum size of 0.23 ha and maximal number of parcels within a property varying between 10-11 (Lushaj & Papa, 1998). Prior to privatization the size of the parcels was between 12-14 ha in lowland areas, and the parcels were cultivated with the same culture and applied the same technology (ibid). These major size and property changes affected significantly the efficiency of production of the agricultural land.

Agriculture remains one of the most important sectors to the country's economy with an average contribution of 18-20 % of the Gross Domestic Product during the 20 last years. Several initiatives have been undertaken over the last few years to address the sector's challenge of land fragmentation, but the system is still deficient. Strategy-wise, two major documents on land consolidation are: 'Inter-Sectorial Strategy on Rural Development and Agriculture 2014-2020'[1] and 'The National Strategy on Land Consolidation'[2]. The strategy on consolidation however is mostly a formal document, which is not comprehensive in regard to its respective subject matter, and does not include the steps and the procedures to implement land consolidation, therefore needing revision.

On the other hand, a Law on Land Consolidation has not been developed yet, leaving unaddressed not only the fragmentation of land, but also the implementation of programs that encourage private initiatives in agriculture, as well as the implementation of the land consolidation strategy as a whole. The strategy foresees a number of implementation steps and its objectives do not go hand in hand with those of the crosscutting strategy on rural development. The land consolidation strategy is mostly a normative document, rather than a practical and comprehensive guide for actions on consolidation. One of the main instruments that the strategy builds on is the reallocation of ownership, while it fails to consider other cost-effective effective approaches. One other shortcoming of the strategy is the insinuated decreasing role of the local self-governments in the development and implementation of land consolidation plans.

In the meantime, the 'Consolidation of Agricultural Land as an Instrument for Sustainable Development of Agriculture' Project, applied in the Municipality of Fier, introduces a new approach for agricultural land consolidation. The Project seeks to identify "the most feasible options of land consolidation to be applied in the context of the Municipality of Fier and its administrative units , to the extent allowed by the relevant legal framework, with aim of eliminating economic, social and environmental consequences of fragmentation, increasing agricultural production and revenues, regulating the territory, conserving the

landscape and protecting the environment" Centre for the Study of Natural Resources & Fier Municipality, 2018, p. 4-6. This project intends to gradually ensure that (household) farms become economically sustainable and competitive. It puts forward new proposals on land consolidation, such as:

- the completion of the legal framework and the review of the national strategy on land consolidation;
- the development of institutional structures for land consolidation;
- implementation of new instruments of land consolidation and preparation of consolidation schemes adapted to the local conditions;
- application of different forms of cooperation that can be used to stop further land fragmentation and that can be replicated nationwide

In view of the above, this article seeks to provide a description of the project and the lessons learned from it as a model and good practice that can be further used and replicated in other municipalities across the country. At first, the article focuses in the theoretical and legal framework on agricultural land consolidation, and then elaborates on the Project's experience. In the end, it proposes several policy recommendations that are applicable to the local and national tiers of governance in Albania.

Consolidation of Farmland

The world literature as Bachman and Osterberg (2004), Dijk (2004), and Torhonen (2004) acknowledge, suggests that land fragmentation is a disadvantage not only for the production level, but also for the economic indicators, for the application of agricultural technologies, and for the protection of land and environment. Land consolidation represents an essential requisite for further interventions in the rural space, and complex land consolidation processes provide an excellent opportunity with substantial synergy effects to integrate land tenure services into the broader framework of rural and regional development (Riddell & Rembold 2002, p.9). When land is fragmented, parcels are typically of uneven shapes and inadequate sizes to allow for the use and implementation of technologies, and for the maintenance of agricultural support infrastructure. As a result, considerable agricultural land remains unused every year. Van Dijk (2004, p.9) reinforces this by stating that "Technically speaking, the overall productivity of that limited amount of land is reduced by its fragmentation, because the borders between the parcels (hedges, ditches) are space-consuming. Also, mechanization is not likely to be applied by small holders and other diseconomies can be expected".

Small parcels of land cannot be managed through scientific practices and, in most cases, they are left uncultivated, because the farmer loses time on transport and other work processes that result in increased expenses. According to previous experimental research, such as diesel consumption while working parcels of size 400 m^2, 1,000 m^2 and 10,000 m^2, it is estimated that fuel consumption for cultivation in small parcels of up to 400-500 m^2 is 30-40% higher than for the same size of area within larger parcels (Lushaj, 2003, p. 61). In addition, land fragmentation leads to decreased production capacities, constraints in the application of agricultural technologies (mechanization, drainage, irrigation, extension service, use of agricultural inputs), and to decreased agricultural output (ibid., pp. 62-65).

To this end, land consolidation is an instrument for sustainable agriculture that guarantees increased size of farmland, merge of parcels into one single land plot, readjustment of uneven parcels, creation of agricultural landscapes, improvement of conditions of rural communities, and application of forms of cooperation that

improve the entire chain of production and marketing. According to Vitikainen (2004, p. 19): "the demand for land consolidation arises from a similar source in all countries: the need for readjusting unfavourable land division and promoting the appropriate use of there a property without changing the status of ownership. In the late 20th century, land consolidation has formed into a rural development instrument with multi-purpose objectives, which can additionally be used for improving the infrastructure, enhancing landscape and nature protection and implementing various recreation area projects".

The land consolidation processes, though needed, encounters several challenges, because it should be: voluntary, democratic, inclusive, negotiable, and a process where farmers and local stakeholders are at its very core. Furthermore, land consolidation is time-consuming and costly. Experiences show that land consolidation processes are not always successful and that they are prone to failure when the local community and stakeholders are not involved in the process. To this end, authorities will have to convince the rural population and the farmers of the advantages of land consolidation, such as rural development and improved quality of life, and also describe the process to them (Kovac and Ossko, 2004).

Additionally, Kovacs & Ossko (2004) reinforce the idea of using land consolidation stating that the application of this instrument should be seen in the framework of an overall agricultural and rural development policy, and as an essential tool within a range of instruments to achieve sustainable rural development. Meanwhile, Torhonen (2004, p. 51), says that "Land consolidation can be a very effective instrument in efforts aimed at making agriculture in the region [South-East Europe] more competitive and at promoting rural development".

The Process of Project Implementation

The 'Consolidation of Agricultural Land as an Instrument for Sustainable Development of Agriculture' Project was developed by the Centre of Study, Use and Management of Natural Resources, partnering with Albanian Agribusiness Council, National Federation of Communal Forest and Pastures of Albania, and in cooperation with Fier Municipality. The project was financially supported by the European Union through its regional project on 'Sustainable Agriculture for Sustainable Balkans'. The project's duration was one year and its final results include:

- The analysis of the level of fragmentation of agricultural land and its economic, social and environmental impacts in the municipality of Fier and for each of the administrative units;
- The preparation of the Agricultural Land Consolidation program for the municipality of Fier together with the various stakeholders such as regional actors, local and national experts, including a presentation in the parliamentary commission for production, trade and environment as well as a national conference;
- Unification of all stakeholders and approval in the Municipal Council of Fier;
- Definition of local and national challenges, such as for example the process of land registration, legal gaps, review of the national consolidation strategy.

The land consolidation program design was based on an analysis of the existing territorial conditions as well as on the experiences acquired in the Central and South-East European countries. The analysis helped in understanding the level of farmland fragmentation and its economic, social, and environmental consequences in the Municipality of Fier. The main documentation employed to design the

land consolidation program included the register of land parcels that contained core data on land ownership and indicators; the register of parcel development, cadastral maps of scale 1:5,000 and 1:2,500, soil fertility, and land fragmentation maps as well as their grouping by type, adaptability, and value. Other documents considered in the program design included farmers' agreements, forms of joint actions among them, and the proposed schemes. About 40 indicators collected from administrative units were investigated for the analysis. Some of these indicators include: production; economy and labour; soil characteristics; support infrastructure and application of technologies; farm size; allocation of parcels and land use; irrigation capability of land; level of mechanization of work processes; and, rate of property ownership registration.

The local stakeholders, regional agencies, and experts participated intensively in designing the land consolidation program for Fier municipality. The participatory process enabled them to contribute to the selection of scenarios on application of land consolidation forms, address deficiencies of the applicable legal framework, and improve the content of the national land consolidation strategy, including lobbying for issues that required national-scale solutions. Fifteen separate meetings with stakeholders were held, in which about 480 individuals took part, and more than 250 discussions and 180 proposals and suggestions were generated and solicited.

At the conclusion of this process, a land consolidation program was designed consisting of the application of forms and schemes of property merging through either direct consolidation or readjustment, territory management, increase of agricultural productivity, improvement of landscape, and protection of nature. The program is currently under implementation, through a slow but steady process. Other issues elaborated during the design of the program include the identification of problems that require national solution, selection of options of land consolidation for sustainable development of agriculture in Albania, legislation improvements, and ways to address problems to decision-making and policymaking institutions at the national level.

Main Findings of Project Analysis

Until 1990, Fier as one of the 26 districts of the country possessed some 71,200 hectares of arable land, administered in 25 state-owned cooperatives and farms. This district managed 10.2% of the country's agricultural land. During 1992-2014, the Municipality of Fier administered the city of Fier, whereas its rural areas were organized in communes. After the adoption of the administrative-territorial reform in 2015, the municipality incorporated 10 administrative units, with a population of 122,475 inhabitants and encompassing a total area size of eight times larger than prior to the reform (Municipality of Fier, 2016, p. 14).

The process of farmland privatization in this municipality followed similar principles as those employed across the country. The land was fragmented at a significant rate, while property of farm households was dispersed into small noncontiguous parcels. In the Fier Municipality, the average number of parcels per farmhouse property varies 4-5.3, while the maximal number goes up to 10-11 plots. The average parcel size is 0.47 ha. These tiny land plots can barely be toiled, cultivated, and irrigated (Lushaj et al., 2018, pp. 20-21).

Size of Farms

An analysis conducted in the Municipality of Fier shows that land fragmentation is at a high level and with significant differences among administrative units. The typology of farms at national level and in the Municipality of Fier is characterized by the allocation of farmable land to the ownership of 26,810 small farm households at an average size of 1.54 hectare per household. The average farmland size varies from 0.47

to 2 hectares among administrative units. At municipality level, farmlands of up to 1 ha take up about 38% of the total number of land plots; nearly 49.5% is dominated by 1-2 hectare farms; and farmlands larger than 2 hectares occupy approximately 12.5% of land plots based in data from the archives of the Agriculture Directory of the Municipality of Fier.

The majority of farm households produce for own consumption. Some larger farms are able to sell their crops, such as vegetables, olive, grape, livestock products, etc., which take up the main share under the regionalization of crops. Mixed (agriculture and livestock) farms constitute the majority of farms, and contribute to deepening further the consequences of agricultural land fragmentation, because of cultivating a large variety of agricultural crops. Specialized farms, such as orchards, vineyard, and livestock, are limited in number, amounting to no more than 660 farm holdings. This indicates that the regionalization of the agricultural and livestock production needs to be enhanced to boost production and alleviate the effects of land fragmentation within farms. Increase of farm size and merging of properties create conditions for the application of agricultural technologies, mechanization of work processes and reduced costs, enhancement of experts' technical assistance, regionalization of production, specialization of farms, and intensification of production for market and export.

Figure 1. Fragmentation of land in the Administrative Unit of Frakull

Source: Authors (2017)

Table 1. Farm size in the Municipality of Fier

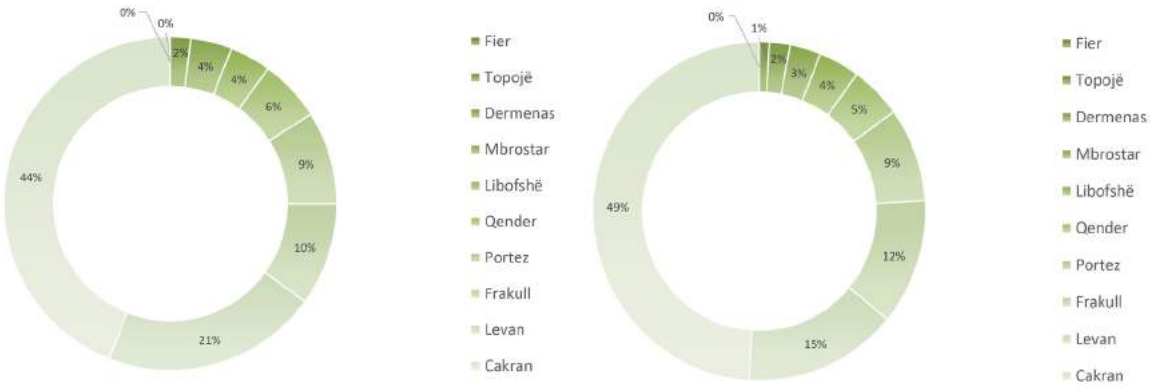
No.	Administrative unit	No. of farms	Average size (ha)	0.5 ha	0.5-1 ha	1-1.5 ha	1.5-2 ha	2-2.5 ha	>2.5 ha
1	Frakull	1,867	1.48	120	880	670	100	70	27
2	Levan	3,465	1.50	126	448	1,324	1,406	117	44
3	Qender	2,380	1.09	150	1,025	943	215	35	12
4	Dernenas	3,300	1.70	50	550	1,000	1,300	300	100
5	Topoje	2,077	1.71	103	203	405	632	410	324
6	Mbrostar	2,650	1.25	115	279	1,193	449	331	283
7	Cakran	3,207	1.39	120	487	1,700	500	300	100
8	Libofshe	2,884	2	491	420	457	568	457	491
9	Portez	2,400	0.88	600	1,500	200	100	-	-
10	Fier	2,580	0.47	2,205	300	60	12	3	-
	Total	**26,810**	**1.54**	**4,082**	**6,092**	**7,952**	**5,282**	**2,022**	**1,380**
	%	100		15.22	22.72	29.66	19.70	7.55	5.15

Source: Archives of Fier Municipality, authors' own calculations

Structure

Following land privatization and the high rate of fragmentation and given the new conditions of market economy, as well as the movement of the population, the structure of the agricultural crops in the Municipality of Fier underwent radical changes. Cotton, sunflower, and tobacco were no more cultivated, with cereals, vegetables, potatoes, beans, forage, fruit trees, vineyards, olives, and livestock products remaining the main crops and produce. Forage crops cultivation increased, so did the size of uncultivated land, which reached about 20% of farmable land. For instance, small parcels and low fertility lands in Povelçë, Shtyllas, Cakran, Portëz, Seman, etc., remain unfarmed. This change of structure prompted new problems vis-à-vis the selection of forms of land consolidation relative to their significance in the cultivation structure and, particularly, with regard to cooperation among farmers and their organization in agricultural cooperative associations and collective farms as well as the support infrastructure.

Figure 2. Area of Olives Cultivated 2016 (left); Land and Production in 2016 (right)



Source: Authors' own calculations based on data from Fier Municipality Archives

The above graphs show that olive cultivation in the Administrative Unit of Cakran occupies 44% of the municipality's total area and 49% of its production. From this perspective, farmers' organization into a collective farm or agricultural cooperative association, coupled with the establishment of a collection and processing centre for their harvests, would help to boost olive productivity and result in potentials for the collection and processing of crops for other administrative units, such as Levan, Frakull, Cakran. Each administrative unit has its particular priorities adapted to land fertility, regionalization, and labour force. Based on data from Fier Municipality archives, Levan, Frakull and Cakran amount for almost 70% of the overall vineyards area of the municipality. Levan, Dermenas and Libofsh cover around 42% of the grain crops cultivated in the municipality. Meanwhile the administrative units Qendër, Levan and Mbrostar are cultivated almost 40% of vegetables.

Another important analysis in this aspect included the agro-production assessment of farmland. This analysis indicates the production capacity of land parcels used by farmer during; renting and/or selling land; readjustment or reconfiguration of plots through exchange between farmes; planning of agricultural production; use of agricultural inputs; and implementation of institutional measures on land protection. According to the agricultural production assessment of the arable land in Fier municipality, soils of classes 1-4 dominate in 67% of the total area of 39,905 ha (Soil Science Institute, 2005, p. 4).Their physical, chemical, and biological qualities allow for the development of intensive agriculture. From the perspective of land consolidation, the soil capacity indicator makes it possible for the scheme of parcel exchange in similar conditions among farmers (readjustment) to be applied in 67% of the municipality's overall farmland.

Proposals on Forms of Consolidation

The forms of consolidation proposed under this program are based on an analysis and study of the indicators collected in the Municipality of Fier as well as on suggestions, ideas, and discussions with various stakeholders. The data show that the consolidation program can be applied in 67% of the total farmland, making use of various consolidation methods. The application of land consolidation forms should match the existing conditions of each administrative unit and should be embraced by local stakeholders and communities. Some of the proposed forms include exchange of parcels of similar conditions among farmers (readjustment), farmers' group work, and farmers' cooperation through collective farms and agricultural cooperative associations, particularly for the collection and sale of produce. Consolidation through readjustment of parcels is extensively being applied in Central and South-East European countries.

Concretely speaking, the Land Consolidation Program in Fier foresees:

- Land consolidation by plot: This can be achieved by means of an agreement among farmers to cultivate the same crop in the base parcel of 12-14 ha, to allow for the application of technology, reduction of costs, and joint sale of their produce.
- Land consolidation by crop: This is based on the cooperation among farmers in the collection and joint sale of their produce in collection sites – and in production locations when available – in order to facilitate farmers' cooperation, protection of farmland, collection, processing, and marketing of production.
- Organization of 10 agricultural cooperative associations:
  The associations may be established through the regionalization of production in the administrative

units, such as in Frakull for vegetables, greenhouses, and strawberries, in Topoja for cereals and livestock, in Cakran for olives and vineyards, in Leval for cereals and vegetables, in Dermenas for cereals and agritourism, etc.. The creation of collective farms, or agricultural cooperative associations is voluntary and maintains farmers' ownership on land. Farmers share assets, deliver their produce in collection points, and cultivate similar crops to meet market demand. In this regard, farmers select leading bodies, and abide by an adopted statute, which regulates the relationship between the collective farm and its members.

- Land consolidation by plot: This can be achieved by means of an agreement among farmers to cultivate the same crop in the base parcel of 12-14 ha, to allow for the application of technology, reduction of costs, and joint sale of their produce.
- Promotion of Land Market (sale and rent): As a major instrument of land consolidation and farm enlargement, the land market – selling and renting, can only reach a level 4-5 % of the overall area of agricultural land, because ownership title registration in this municipality is complete for only 14-15% of the land, based on data from the Regional Immovable Property Registration Office in Fier.
- Exchange of parcels and consolidation after readjustment: The exchange should take place on the basis of a voluntary agreement among farmers, aiming at reallocating parcels to be contiguous within the farm, increasing farm size and adjusting shape, consolidating land, adapting and rehabilitating drainage and irrigation systems and internal roads, and creating agricultural landscapes which are environmentally sustainable. For example, in the administrative unit of Mbrostar, 52.5% of the total farmland belongs to one single productivity class (Class 3), and land parcels of similar conditions can be exchanged among farmers within this area. Exchange of parcels among farmers is the easiest and least costly process to guarantee consolidation. At the end of the process, the newly created properties will be registered at the immovable property registration office. Costs related to the process should be planned beforehand. However, as Brink (2004, p. 9) suggests based on experience from the Netherlands "The importance of land reallocation has gradually diminished", because, sometimes, local conditions require for the application of the other instruments.

Conclusions and Suggestions

This article provided an overview of the 'Consolidation of the Agricultural Land for Sustainable Development of Agriculture in the Municipality of Fier' Project as a good practice for the design of land consolidation programs at the local level. In addition to achievements at the local level, the Project informed on potential amendments to the existing legal framework and national strategies in place.

This study reveals that the level of farmland fragmentation is high, with some 26,800 small farms of around 0.47-2 hectares each, dominated by mixed farms that produce for own consumptions and little for market sale. Land fragmentation is a serious impediment to sustainable development of agriculture in this municipality of significant agricultural attributes. This is clearly seen in the low productivity, lack of application of technologies, increased production costs and decreased economic indicators, poor support infrastructure (deficient irrigation and drainage system), and sparse land use and land loss. Nearly 20-30% of the land is uncultivated and about 500 ha of farmland in the plain areas is unfarmed because

of being taken up by fences and narrow furrows. These factors render collection and sale of produce difficult. Land is physically degraded, because farmers use various non-scientific and non-technological practices. Land plots originally designed for being 12-14 ha in size are sectioned into smaller land parcels and allocated to the ownership of 15-25 farm households.

Land consolidation remains the main tool to circumvent the fragmentation-derived deficiencies of the agricultural production, and to ensure an effective use of land. Local authorities will have to engage in a process of cooperation with farmers, regional agriculture authorities, and experts, to facilitate land consolidation, as clearly shown from the Municipality of Fier's experience. Only in this way can a land consolidation program accepted by all stakeholders be designed. This program has a strong likelihood of successful implementation as it enjoys local authorship, even though land consolidation is a relatively difficult process. Indeed, the land consolidation program in Fier was adopted through an inclusive process at the local level prior to its submission to the parliamentary commission for production, trade and environment.

The land consolidation programs should incorporate a variety of instruments that can be used proportionally and adapted to the existing conditions. These instruments include: land consolidation by parcel; land consolidation by crop; group work and organization of agricultural cooperative associations; readjustment and creation of land consolidation bodies. While they may learn from Fier's experience, other municipalities will need to adapt the land consolidation programs to their own conditions of agricultural lands and to fit their own local interests.

The promotion of the agricultural land consolidation process necessitates the update of the legal and strategic framework on land consolidation at the national level. It is necessary to develop and adopt a law on land consolidation, which will serve as the foundation for the entire process with the final goal of protecting arable land and matching local interests with those of the national government.

The National Land Consolidation Strategy and related legislation should place the local governance at the core of the process and assign to it the responsibilities and competences pertaining to this domain. Likewise, a successful consolidation process is dependent on the progress in addressing land ownership problems and on the improvement of legislation on ownership titles with the aim of reducing the pace of and ending the further fragmentation of agricultural land. Persisted fragmentation is predominantly seen in the separation of newly-created families from the main family trunk.

In addition, the conclusion of the property registration process is another precondition for the prevention of fragmentation and for the promotion of agricultural land consolidation. While land market remains an encouraging tool for farm growth and land consolidation through transactions, the process of land registration in Fier is complete for only 15-20% of the cases – a low figure that discourages financial transactions.

Last but not least, it is indispensable to implement favourable policies for farmers that consolidate their lands and for groups that collaborate through collective farms and agricultural cooperative associations and achieve measurable results. To this end, these farmers and groups can be exempted from tax on agriculture land for a given period of time. Support to farmers with funding or agriculture subsidies should, however, be conditioned with requirements for land consolidation and enlargement of farm size.

Notes

1. Adopted upon the Council of Ministers' Decree No. 709, dated 29.10.2014.
2. Adopted upon the Council of Ministers' Decree No. 700, dated 12.10.2016.
3. A municipality in Albania is composed of a central urban area and several administrative units that are mainly rural.
4. Communes were local governments with mainly rural territories. Communes and municipalities had the same rights and tasks under the legislation on local governance.

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Measuring the Performance of SMEs for Evidence - Informed Economic Development Policies in Albania

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Summary

Without any doubt, Small to Medium Enterprises (SMEs) represent a driving force in economic development today. SMEs by the numbers dominate the world business stage, although their contribution varies among countries. In Albania, SMEs represents about 98% of total companies with a significant contribution of about 70% to the national Gross Domestic Product (GDP). The structure and performance of the national economy is dependent on the economic performance of SMEs and the government has drafted several strategic programs that support the development of SMEs over time. The latest program, Business and investment development strategy for the period 2014- 2020 includes, for the first time, performance indicators that serve to monitor the achievement of strategic objectives for SME development. However, measuring the performance of SMEs and their ability to compete on national and international markets requires more comprehensive information. The analysis shows that although there has been a positive economic growth rate of the GDP over the last few years, the performance indicators of SMEs have shown a slightly negative trend, indirectly indicating the need for more support in order to increase their contribution in the national economy. Although the current results should be interpreted with caution, it's time for economic policy to be based and informed not only on the volume data of SMEs, but also on their performance, as it is the latter that guarantees the sustainability of the economy.

Keywords: SMEs, Business Strategy, Business Statistics, Performance Indicators, Evidence-Based Policy

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Introduction

After the political and economic shift of 1991, the private sector became the main contributor of the Albanian economy, with continuous positive growth trends in all sectors and particularly in services. SMEs are the main actors in Albania's economic development and if we compare their economic structure both at a national and European Union (EU)-level through some basic indicators, their impact in the non-financial business economy is evident. About 0.2% of companies in EU member states are classified as large and provide more than 43% of value added and 33 % of employment, while the rest is provided by SMEs. In the case of Albania, SMEs have a decisive role on economic development (EC, 2017). More concretely, according to INSTAT (INSTAT, 2019a) SMEs in the Albanian economy account for:

- 99.9% of the total number of active enterprises,
- 82% of the registered employment, at the national level,
- 78% of sales (turnover) at the country level,
- 60% of investments at the country level, and
- 67% of the national GDP (excluding agriculture).

The table below shows the general features that characterize Albanian SMEs, demonstrating positive trends (similarly for large enterprises and the total economy).

Table 1. General Economic Indicators of SMEs in Albania

Main indicators of SMEs	Enterprises		Number of employed		Turnover (million ALL)		Investments		(million ALL) Value added	
	2016	growth rate	2016	growth rate	2016	growth rate	2016	growth rate	2016	growth rate
Micro (1-9 employees)	102,965	3.9%	194,015	7.2%	480,991	10.5%	30,397	39%	116,583	14.77%
Small (10-49 employees)	4,413	1.2%	87,796	3.5%	563,124	1.3%	86,318	58%	107,491	-0.06%
Medium sized (50-249 employees)	996	11.6%	98,491	11.9%	420,624	3.2%	49,130	-21%	104,518	8.90%
SMEs (1-249 employees)	**108,373**	**3.8%**	**380,302**	**7.5%**	**1,464,739**	**4.7%**	**165,844**	**20%**	**328,591**	**7.69%**
Large (250+ employees)	152	9.6%	89,363	9.6%	416,923	3.3%	55,559	-20%	162,435	6.67%
Total economy	**108,526**	3.8%	**469,665**	7.9%	**1,881,662**	4.4%	**221,404**	6%	**491,026**	

Source: INSTAT (2019b), calculations by author with 2015 as base year

As part of the general indicators, it becomes interesting to analyse the demographic indicators of SMEs because these trends show their behaviour against external factors. For instance, referring to the birth rate of newly created enterprises (SMEs) for the period 2013-2017, the long-term average rate of this indicator for all SMEs is estimated at about 23% per year, due to the increase in the number of newly created enterprises in 2015 (INSTAT, 2019b, calculations by author). The relatively high birth rate of newly created enterprises, especially after 2014, may be attributed to the government's reform on the formalization of the economy between 2014 and 2016. Nevertheless, the trend of this indicator over the years shows that the Albanian economy has entered into a positive development path, whereby the 'boom' of the newly created enterprises (as a strong characteristic for the first decade of the market economy) has shifted to a more stable level, estimated at an annual average rate of 10-15% (ibid.).

The stock of active SMEs also depends on the variation of non-active SMEs. According to the author's calculations based on (INSTAT, 2019c) the annual long-term average of non-active/dead enterprises is estimated around 20,000, while newly-created SMEs are estimated at about 23,000. The annual rate of newly created enterprises shows a certain stability, while the annual rate of non-active enterprises exhibits positive growth in recent years. In 2016, this indicator achieved its highest level, at about 23,000 dead enterprises, or a 35% increase compared to the previous year (INSTAT, 2019c). There is currently no study on the reasons behind such changes, though the economic formalization reform undertaken by the government during the reported period could be a factor for variations in the demographic indicators for SMEs.

Table 2. SMEs Demographic Indicators

Years	1. Newly created SME	2. Stock at beginning+newly created SME	3. Stock of SME at the end of year	4. Non active (dead) SME (2-3)	5. Non-active as % over SME's stock	6. Growth rate of newly created SME	7. Growth rate of dead SME
2014	17,377	128,531	112,537	15,994	14%		
2015	37,540	150,077	133,041	17,036	13%	116%	7%
2016	19,104	171,392	148,406	22,986	15%	-49%	35%
2017	20,256	180,935	157,784	23,151	15%	6%	1%

Source: INSTAT (2019c), calculations by author

Overall, the Albanian economy can be defined as dominated by micro and small enterprises (95% and 4% respectively in 2017) (INSTAT, 2019a) defining its economic character as a micro-business oriented one. The major economic activity is services, with a prevalence of the trade sector. Geographically, about 70% of SMEs are located in the central area of the country (mainly Tiranë – Durrës – Fier – Elbasan), proportionally related to the distribution and changes of the population. The lowest number of SMEs is observed in the northern part of the country, with about 1% of the total SMEs (INSTAT, 2019c).

According to calculations made on the basis of INSTAT (2019a), SMEs account for 81% of total employment at the national level, while their rate of employment has increased by 7.5%. Hence, SMEs constitute the main machine generating new jobs. About 78% of the total turnover in the economy is produced by SMEs and its contribution by size class (micro, small and medium) remains nearly stable, realizing a growth rate of turnover of about 5% (INSTAT, 2019b). The value added of SMEs represents almost 70% of the total value added produced in the economy and has increased by 7.7% compared to the previous year (ibid.). As such, almost all of the basic economic indicators on SMEs during the period 2013-2017 show a positive trend, positively correlated with the trend of the GDP indicator.

However, an in-depth analysis of SME performance (using not only volume data as described above, but also more complex performance indicators (see Table 4)) leads to different findings and shows a slightly negative trend. An important question for further analyses is 'why does the performance of the national economy show a positive trend, while the SME performance indicators show a negative trend?'. Large datasets are required – in the form of statistics and research analyses – to identify the reasons behind this situation. That is why there is an urgent need to introduce a full set of performance indicators, which have to be systematically measured and used, into the strategic documents for SMEs to evaluate the factors that impact SME performance. Reliable statistics and performance indicators would improve the preparation of economic policy to support the development of the SME sector.

The Importance of SME Performance and How to Measure It

Although the above-mentioned figures provide a general overview of SME performance, a more detailed analysis is required to understand the full spectrum of SMEs. Performance indicators for the SME sector are useful and informative instruments for policymakers at the local and national level. Both can assist the government's policy response and improve the current environment of the sector. A strengthened SME sector would benefit the society at large, with an increase in productivity and access to more jobs.

The government has introduced several strategic programs to support SME development over time. The most recent program, 'Business and Investment Development Strategy for the Period 2014- 2020', is in line with EU strategies for SMEs, including the principles of the Small Business Act/ SBA, produced by EC since 2011. This strategy also reflects economic development policies aimed at improving the welfare of citizens and facilitating European integration. According to the Ministry of Finance and Economy (2014), the strategy determines the main directions of the SME development policy:

- Improvement of business climate;
- Promotion of entrepreneurship at all levels of education;
- Promotion of formalized SMEs;
- Improvement of access to finance;
- Promotion of woman entrepreneurs;
- Support of start-up businesses;
- Improvement of the dialogue and partnership between public and private actors;
- Stimulation of social businesses and corporate responsibility in business operations; and
- Promotion of 'Green SMEs' models.

However, as mentioned in the SWOT-analyses of the SME sector, the presence of weaknesses such as a high level of informality and lack of credible statistics in the analysis of economic indicators (Ministry of Finance and Economy, 2014) will threaten the effectiveness of policies to support SME development, including access to diversified finances (ibid.). The latter point is highlighted in the strategy as one of the key challenges faced by the sector. Improved performance of SMEs is one of the key conditions for facing this challenge.

This strategy (compared to previous strategic documents for the first time) includes some key indicators used to monitor the achievement of strategic objectives in SME development. Nevertheless, the indicators focused on SME performance are limited when compared to the large set of SME performance indicators recommended internationally. The Albanian strategy lists mainly volume data, such as the number of enterprises, employees, number of women-led enterprises, and disbursed credits of business conducted by women. This list is not sufficient to cope with the need for in-depth analysis and assessment of SME performance. The absence of data and indicators on performance does not provide a comprehensive view of the SME sector. As a result, national policymaking processes remain ill-informed, hampering the opportunity for place-based governance of economic development, particularly at local government level. In this context, it becomes very urgent to introduce a more complete list of SME performance indicators, and to systematically guarantee their measurement as a reference to validate the performance level of SMEs.

At the European level, the model used for that purpose is called the 'SBA Fact Sheets' (The Small Business Act for Europe). Introduced in 2011, it represents a valuable tool to facilitate SME policy assessments. This document is published on a yearly basis and is prepared using the latest statistics and data. It is important to underline that this document should be considered as an additional source of

information, which helps policymakers to improve the policy process and conduct evidence-informed governance. The concept of 'SME performance' used in this document refers to a wider set of criteria, such as: entrepreneurship, second chance responsive administration, state aid and public procurement, access to finance, the single market, skills and innovation, and environment. The overall Albania SBA profile produced by EC since 2015 maintains a consistent conclusion the results should be interpreted with caution (EC, 2018). This notice is due to the lack and shortage of national data and statistics (ibid.).

Another model to evaluate SME performance is the model proposed by the Asian Productivity Organization, which includes a considerable number of indicators as described in the following table. The advantages of this model include: simplicity in application, clarity, and transparency in the compilation methods. Due to these advantages and because there is a gap in terms of a technical guide or a handbook explaining what, why, and how to compile performance indicators in the case of Albania, the above mention handbook should be considered in making a preliminary analysis of Albanian SMEs.

Table 3. Summary of SME Performance Indicators

Sales per employee	Labour cost per employee
Customer satisfaction index	Labour cost competitiveness
Complaint ratio	Employee turnover rate
Compliment ratio	Employee satisfaction index
Customer retention	Employee participation rate in team activity
Sales growth	Employee participation rate in suggestion scheme
Value added to sales ratio	Cost saving from employee involvement activities
Profit margin	Training hours per employee
Annual inventory turns	Training expenditure/sales
Defects rate	Absenteeism rate
Customer rejects/return	Capital productivity
Scrap/rework level	Sales per dollar of capital
On time delivery commitment	R&D investment ratio
Labour productivity	Capacity utilization rate

Source: Asian Productivity Organization (2015)

Another model to evaluate SME performance is the model proposed by the Asian Productivity Organization, which includes a considerable number of indicators as described in the following table. The advantages of this model include: simplicity in application, clarity, and transparency in the compilation methods. Due to these advantages and because there is a gap in terms of a technical guide or a handbook explaining what, why, and how to compile performance indicators in the case of Albania, the above mention handbook should be considered in making a preliminary analysis of Albanian SMEs.

In reference to this model and the availability of annual business statistics, it becomes possible to establish a national model for SME performance indicators in Albania. However, the application of the model in the Albanian context is only possible with a selection of the recommended performance indicators, mostly those related to quantitative data. The rest of the

performance indicators are missing, due to the lack of information related to qualitative surveys on SMEs in the country (Rembeci, 2017b). The results prepared for the last five years are shown in Table 5. According to them, one can observe that:

- Almost all of the performance indicators of SMEs demonstrate a downward trend during the period 2012-2017.
- More concretely, the negative trend of SME performance indicators is evident in productivity lever 1, lever 3, and lever 4. Only in productivity lever2[1] – related to 'Improvement output per unit cost of production' – do the results show a slightly positive trend.
- In productivity lever 1, related to ' Enhance sales revenue,' it is important to mention that although we have the same indicator, the methodology recommends two kinds of measurements: 'VA /sales' and 'sales per employee'. According to the results, in the first measurement we identify a positive trend over the last two years, while in the second measurement the trend is negative for the whole period. Both measurements are important to evaluate the performance of sales as one of the the most important economic indicators of SME activity.
- Also in productivity lever 1, referring to the total sales, the SME sector shows a potential increase in volume. Yet, again, further detailed analyses are needed to understand the real reasons behind the negative trend of the second measurement apart from the increase in the number of employees, evaluated as a long-term average of about 8%, with value added of about 2.8% (INSTAT 2019b, calculations by author).
- In productivity lever 3, all three measurements around 'Optimize labour productivity' present a negative trend. The worst situation is identified both in cases of 'labour productivity' and 'labour cost competiveness'. The trend of the third indicator described as 'labour cost per employee' appears to climb and fall, and reflects the efforts of SMEs to reduce their general expenses, specifically labour costs.
- In productivity lever 4, both measurements within 'Optimize capital utilization' demonstrate a negative trend. The most significant decline is identified at the 'sales per dollar' indicator at about -10% in 2015 compared with previous year. This is due to the fact that although there are positive growth rates for both sales and fixed assets, the growth rate for sales is less than the growth rate for investements (5 % and 10% respectively) (INSTAT 2019b, calculations by author).

The overall macroeconomic situation of the country, according to statistics from INSTAT (2019a), seems stabilized and the annual GDP growth rate is increasing gradually after its lowest level in 2012. According to INSTAT (2019a), in 2017 the national economy recorded an annual growth rate in terms of volume of about 3.8% compared to the previous year. From the production point of view, the main contributors to this growth were the processing industry, construction, and almost all services, respectively estimated for about 12.22%, 7.04%, and 6.6%. In terms of the GDP structure in 2017, again the majority of economic activities came from services (48% of the total GDP). Industry and construction both represented about 20.4% and the rest of GDP was composed of agriculture and fishing (20%) (ibid.). Other macroeconomic indicators, such as the increase in job creation, decrease in unemployment rate, and positive growth rate of FDI, support the conclusion that the economy so far has entered into a stable development path.

Table 4. GDP and SME Performance during the period 2012-2017

Performance of GDP and SMEs	2012	2013	2014	2015	2016	2017
Annual GDP, in million ALL	1,332,811	1,350,053	1,395,305	1,434,307	1,472,479	1,551,281
Annual growth rate of GDP	1.42	1.00	1.77	2.22	3.31	3.82
Total number of SMEs (no. agriculture)	83,491	84,678	85,075	104,395	108,373	107,511
Annual growth rate in number of SMEs		1.42%	0.47%	22.71%	3.81%	-0.8%
Value added of SMEs in million ALL	427,875	413,550	431,149	460,332	491,026	525,642
Annual growth rate of SMEs VA		-3.3%	4.3%	6.8%	6.7%	7.05%
SME performance indicators (annual change index)						
Labour productivity		-11%	-3%	-9%	-1%	-2%
VA/sales		-7%	2%	-1%	3%	1.1%
Labour cost competitiveness		-11%	-5%	-5%	-6%	-3.6%
Sales/fixed assets		3%	-5%	-10%	-2%	3.5%
Profit margin, profit/sales		-5.7%	-2.3%	41.5%	1.0%	-10.8%

Source: INSTAT, (2019a), performance indicator calculations by author

However as argued above, the role of SMEs in this economic performance is unquestionable. In terms of volume, the basic indicators of SMEs show annual increases, matching the overall macroeconomic trends. Statistically, using the correlation coefficient, there is a strong relationship between the GDP indicator and the number of SMEs. That coefficient is estimated at about 0.97 (INSTAT, 2019a) for the period 1994-2017, which means that the increase or decrease in GDP figures is strongly related to an increase or decrease in the number of SMEs. Nevertheless, detailed analyses (especially those related to SME performance indicators) demonstrate a different trend, which reverses those of the volume data, and is negative. Not only should the reasons behind these figures be investigated through further studies, but a key take-away is that models of indicators for SME performance need to be expanded to include qualitative data. This would of course require the introduction of statistical surveys being undertaken on regular basis.

Conclusions and Recommendations

SMEs are highly important for the still fragile Albanian economy due to their significant contribution to GDP and employment (70% and 80%, respectively, for the year 2017). In terms of employment, the contribution of SMEs is increasing on a yearly basis. In 2017, the growth rate is evaluated to be 7.5% compared to the previous year, with SMEs remaining the main generator of new jobs in the national economy. The Albanian economy is characterised by a high birth rate of SMEs estimated at approximately 13% annually for the period 2013-2017. This can partially be considered to be as a result of the formalization reform initiated by the government, and/or an improved business environment in recent years.

During the last five years, the majority of the general indicators for SMEs demonstrate a positive growth rate (positively correlated with GDP growth rates), while the performance indicators show a downward trend. This mismatch between trends in the data indicates not only that the SME sector needs support for improving its performance and empowering its contribution to the national economy, but also that the current data (mostly volume-based) are not sufficient to inform policymaking in the economic development sector and therefore improve governance. In general, the current model of profiling SMEs remains incomplete, due to the lack of availability of detailed data, especially related to qualitative surveys on entrepreneurship and management issues.

Table 5. Summary Table of Performance Indicators in Organizational Terms, 2012-2017

Productivity lever - 1 Enhance sales revenue				**Total Economy/SME**						**Index of yearly changes**				
	Indicator	**What it measures**	**Formula**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2013**	**2014**	**2015**	**2016**	**2017**
1	Sales per employee	Efficiency of market strategy	VA/sales	0.277	0.253	0.248	0.255	0.261	0.258	-8.6%	-1.9%	3.0%	2.2%	-1.13%
2	Sales per employee	Efficiency of market strategy	Sales per employee	4.895	4.751	4.690	4.139	4.006	4.133	-2.9%	-1.3%	-11.7%	-3.2%	3.17%
3	Sales Growth	The potential of the company for growth	[sales (t) -sales-(t 1)/sales -(t 1)]		0.058	0.063	0.036	0.044	0.074		8.1%	-42.2%	21.7%	
Productivity lever - 2 Improve output per unit cost of production				**Total Economy/SME**						**Index of yearly changes**				
1	VA to sales ratio	Proportion of sales created by purchased materials and services	VA/sales	0.784	0.727	0.713	0.708	0.729	0.697	-7.2%	-2.0%	-0.7%	3.0%	-4.4%
2	Profit margin		Profit/sales	0.067	0.063	0.061	0.087	0.088	0.078	-5.7%	-2.3%	41.5%	1.0%	-10.8%
Productivity lever - 3 Optimize labour utilization				**Total Economy/SME**						**Index of yearly changes**				
1	Labour productivity	Efficiency and effectiveness of employees in generating VA	VA/number of employees	1353	1200	1162	1057	1045	1066	-11.3%	-3.2%	-9.1%	-1.1%	2.0%
2	Labour cost per employee	Average remuneration per employee	Labour cost/ number of employees	0.408	0.407	0.417	0.401	0.421	0.466	-0.1%	2.5%	-3.9%	5.0%	5.8%
3	Labour cost competitiveness	Efficiency and effectiveness of company in terms of its labour cost generating VA	VA/labour cost	3.320	2.949	2.787	2.636	2.482	2.393	-11.2%	-5.5%	-5.4%	-5.9%	-3.6%
Productivity lever - 4 Optimize capital utilization				**Total Economy/SME**						**Index of yearly changes**				
1	Capital productivity	Efficiency and effectiveness of fixed assets in generating VA	VA/fixed assets	2.875	2.539	2.378	2.211	2.218	2.269	-11.7%	-6.3%	-7.1%	0.3%	2.3%
2	Sales per Dollar (unit value of money) of capital	Efficiency and effectiveness of fixed assets in generating sales	Sales/fixed assets	10.398	10.049	9.596	8.655	8.499	8.793	-3.4%	-4.5%	-9.8%	-1.8%	3.5%

Source: Asian Productivity Organization (2015), INSTAT (2019b; 2019c) and author calculation

In these circumstances, the governments (local and national) should collect and interpret SME profiles with caution, due to the lack of data in various aspects of SME production and management processes. As a first step, the model of performance indicators for SMEs needs to be expanded to include qualitative data. One of the minimum requirements in order to achieve this would require the introduction of further statistical surveys conducted on a regular basis by INSTAT.

A national database should be established containing quantitative and qualitative micro data for SMEs. Access to this database should be regulated by law, to account for all stakeholders, including those who deal with SME policy and research analyses. This would lead to the adoption of a complete and systematic performance measurement system for SMEs. The same model should be used also at the regional and local level so that regional disparities can be better identified and more effective regional development measurements/policies can be endorsed.

Notes

1. Productivity Lever 1: Enhance sales revenue;
   Productivity Lever 2: Improve output per unit cost of production;
   Productivity Lever 3: Optimize labour utilization;
   Productivity Lever 4: Optimize capital utilization

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Decarbonisation of the Public Transport Sector in Tirana.

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Summary

The transport sector is one of the main contributors of air pollution, accounting for 25% of gas emissions in the European Union (EU). In Tirana, Albania, the transport sector plays a big role in pollution concentrations, affecting public health. Compared to other countries, the heavy industry and energy sectors in Albania are barely significant in terms of their environmental footprint, thus making the transport sector one of the main contributors to greenhouse gas (GHG) emissions.

To achieve significant cuts in emissions, and in line with the Paris Agreement's (PA) long-term goal, the decarbonisation of the transport sector is seen as a key priority in the international policy arena (New Climate Institute, Ecofys, Climate Analytics, 2016). All transport modes should contribute to the decarbonisation of the mobility system (European Commission, 2018). Transport accounts for 33% of energy consumption and 64.5% of oil consumption in the EU. In Albania, according to the National Agency of Natural Resources (NANR), the transport sector (primarily road transport) consumes 47% of the total domestic production of crude oil. Such a comparison is made to recognise the fact that Albania exports most of the crude oil extracted domestically and does not directly supply internal markets (especially the transport sector) due to poor refinery technologies. Tirana plays an important role in this respect, as there are more than 255,000 private vehicles (including private cars and light and heavy-duty vehicles), and at least 305 public transport buses.

This article addresses the decarbonisation of public transport sector as one of the ways to influence mobility policies at a local level. Taking into consideration evidence-based information on Tirana's air pollution and estimated emissions from the sector, the article also offers policy orientations for the Municipality of Tirana, aimed at promoting a climate neutral path for the public transport sector.

Keywords: Public Transport, Air Pollution, Climate Change, Mobility, Decarbonisation

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Introduction

The technologies of the 21st century have diversified the means to obtain and produce energy. However, there is still a high dependence on fossil fuels. Nowadays, the CO^2 concentration in the atmosphere is around 555 ppm, and is expected to increase to between 750 and 1300 ppm by 2100 (IPCC, 2014). This will cause the global average temperature to rise between 2.2 and 3.7°C above the pre-industrial period (ibid.). Between 2030 and 2052, global warming is expected to reach the critical point of 1.5°C higher than the average global temperature recorded before the pre-industrial period. It is crucial to limit the rise of global temperature to this point, in order to prevent irreversible impacts on the earth's ecosystems. This threat was also stated by the members of *Talanoa Dialogue*[1] during the Conference of Parties (COP-24) event in Katowice, confirming that the next generation will face a climate emergency at a global scale without a transitional period or adaptation options.

Decarbonising the transport sector is crucial for the transition into a low-carbon society in line with the Paris Agreement (PA) and the long-term goal on stabilizing the average temperature up to 1.5°C (Rogelj & Luderer, 2015). Between 2007 and 2009, the urban population surpassed the rural for the first time in history, thus putting more pressure on urban areas in terms of infrastructure and services. Consequently, the increased transport demand resulted in a trajectory of CO_2 emissions expanding its footprint on a global scale. In order to mitigate such impacts, various studies and initiatives have been carried out, including the report of the International Transportation Forum (ITF) in 2018 titled, 'Policy Priorities for Decarbonising Urban Passenger Transport'. ITF acts as a technical and policy platform for its 59 members, including Albania. Through its policy recommendations, ITF has adequately imposed a pathway to a climate-neutral sector and orients strategic investments to facilitate the transition. The ITF report takes an inclusive approach towards the measures foreseen to be implemented on a large-scale by the Paris Agreement and the EU 2050 *Strategy for Going Climate Neutral*. The document takes into consideration technological burdens, economic implications, and three typologies of country profiles (high, medium, and low income). The final global aim is to completely phase out the usage of fossil fuels in the transport sector by 2050.

According to data from the Institute of Public Health (IPH) in Albania, the transport sector is negatively impacting the quality of life in large to medium cities such as Tiranë, Durrës, and Vlorë. Urban areas are experiencing enormous pressure from air pollution and increased heat, leading to psychological effects on the population and permanent disturbance from noise pollution (Instituti i Shëndetit Publik, 2014). Albania has also been attempting to adopt a strategy and legal framework in response to the ratification of the PA and the Kyoto Protocol. However, not enough progress has been recorded in terms of implementation, and it seems that no dedicated mitigation is taking place (European Commission, 2019). The EU Progress Report for Albania (2019), the National Transport Plan of Albania, the General Local Territorial Plan of Tirana, and Tirana's 2018-2022 Sustainable Development Strategy (SDS) all highlight that the three most pressing urban transport challenges in Tirana are: accidents and safety issues, inadequate public transport services, and a low accessibility rate to basic public services.

Recently, another document, the Green City Action Plan of Tirana, has tried to offer solutions for the above-mentioned problems. Yet, this document indicates that it is too early to initiate the discussion on decarbonising the public transport sector, as there are more urgent matters to be addressed such as: congestion, the improvement of the public transport service quality, and the diversification of transport

modes. It is clear that transport, urban, and environmental planners involved in the preparation of the above-mentioned documents did not necessarily seek to orient the public transportation sector towards climate neutrality that would have contributed to the incremental decrease of transport emissions rates, known as the decarbonisation path. Considering the general context, there might be two main reasons why a decarbonisation path is not clearly elaborated. The first reason is the absence of air quality monitoring and scientific benchmarking for the public transport sector in terms of pollution load on a yearly basis. Secondly, it is due to the low priority being assigned to the environmental sector at an institutional level, reflected in budget allocations; for instance, the 2019 national budget allocated for the environment was only 0.5% of all year-round state incomes (EkoLëvizja, 2018).

In this context, the aim of this article is to discuss the impact of the public transportation sector and possible pathways for its decarbonisation, making use of Tirana as a case study. Considering that an indicative baseline study on the actual urban passenger transport for Tirana has not yet been carried out, we are interested in understanding public transportation's footprint on the urban environment, making use of alternative sources of information.

The analytical approach comprises: local policy; institutional and technical analyses of the existing situation of the public transportation sector in Tirana; the classification of each bus of the urban fleet into Euro II-III-IV-V-VI ; the calculation of the year round emissions of PM_{10}[3], CO_4, CO_2[5], NOx[6], and HC[7] from each bus, referring to results from articles, studies, and the Directive 70/220/EC, Regulation 715/2007; and the costing of the emissions footprint, referring to the Australian and New Zealand Emission Trading Register.[8] A GIS tool is used to calculate the average distance that each bus travels to complete a full trip. Finally, in terms of the total number of working days per bus, a tolerance margin of 9.5% is used, since each bus has 35 days-off per year due to mechanical services.

International Policies and Actions Addressing Emissions by the Transport Sector

The Paris Agreement has been translated into concrete actions (legal measures and investments), with the EU leading the way on a global scale. Specifically, European Parliament on Transport and Tourism (TRAN) and Environmental Committee of the European Parliament (EVI) have recommended a mandate of 100% Electric Vehicles (EVs) for new European car sales, potentially allowing the EV to significantly penetrate the market and offer an alternative for economic and job sustainability across Europe (International Transport Forum, 2018). In November 2018, the European Commission presented the EU 2050 long-term vision for a prosperous, modern, competitive, and climate neutral economy emphasising (among other key topics) the importance of orienting the transport sector towards zero-emissions:

"With 75% of our population living in urban areas, city planning, safe cycling and walking paths, clean local public transport, the introduction of new delivery technologies such as drones, and mobility as a service, including the advent of car and bike sharing services, will alter mobility. Combined with the transition to carbon-free transport technologies, reducing air pollution, noise and accidents, this will result in large improvements in the quality of urban living". (European Commission, 2018, p. 11)

In order to achieve the long-term goal of maintaining global warming below 1.5°C, the European Commission (EC) adopted the new CO_2 standards for cars and vans as part of the Mobility Package, as well as introduced them on trucks and heavy-duty vehicles for the first time. Additionally, in 2017 the EC launched the 'European

Battery Alliance' among all key industrial stakeholders, Member States, banks, and research institutes. Their main aim is to unlock synergies for a competitive, safe, sustainable, and totally recyclable battery industry, which addresses car batteries and the storage of renewable energy. The EU will deploy a fund of up to €4 billion into clean vehicles, public transport accessibility, recharging stations, etc. Finally, the EU revised the public procurement rules to orient all authorities, make it easier to purchase EV, and promote clean mobility (ibid.). Referring to the EU Directive 2018/2001 on the promotion and usage of energy from renewable sources, each member state should ensure that 37% of the gross final energy consumption sources comes from renewable energy. This share should proportionally affect each consuming sector.

The Albanian Approach to Mitigate Climate Change Impact from the Transport Sector

Even though some Climate Change (CC) impacts are already being felt in Albania, the country is still in an early stage in terms of adoption, prevention, and implementation of mitigation measures (Gjoka et al., 2018). The overall resilience of the country is jeopardized by various factors such as: the apathy of central government institutions and agencies[9] in acknowledging the presence of climate change; poor monitoring and recording of leakages and emissions from any sector, (conducted by NEA and IPH as competent authorities) leading to an uninformed public-opinion as the public is not provided with evidence-based analyses on the subject matter; and last, but not least, central government authorities such as Civil Emergencies and especially the Ministry of Tourism and Environment continue to address climate-related emergencies on an ad-hoc basis (Duro, 2015). Although Albania has transposed 75% of the CAFE[10] EU programme into national legislation, implementation in terms of monitoring, control, and reporting stands at nearly 5% (according to the latest findings from SANE).[11] Referring to the transport sector, "Albania aims to increase the share of renewable combustion fuels up to 7% of the gross annual fuel consumption" (GoA, 2018, p. 32-34), which is higher than the 3% reported for 2017 and considered as a baseline share of consumption for the sector. However, electrification of public transport, even partially, is quite difficult to achieve, mainly due to financial implications and the required technical expertise. However, there are specific responsibilities and obligations for local governments to initiate planning for air quality management according to the Law no.162/2014 'On the Protection of Air Quality'. In addition, there is a great potential to reduce transport emissions by 11.5%, if appropriate measures are taken to embrace the EU Urban Agenda approach and integrate renewable energies into the mobility sector.

In November 2016, Albania adopted the National Transport Strategy and Action Plan and, in 2019, the National Plan for Air Quality Management through the Decision of Council of Ministers (DCM) No. 412, dated June 19, 2019 (GoA, 2019). Both national plans offer synergies and intend to deliver common measures in reducing the environmental impact from the public transport sector in urban areas. These plans also state that in order to mitigate air pollution resulting from public transport, all municipalities should develop Local Air Quality Management Plans (LAQMP) and Local Sustainable Transport Plans (LSTP). This would enable them to promote low carbon emitting systems and ensure a transitional phase-out of the actual public transportation fleet with new EV or Low Emitting Vehicles with combustion ignition engines that meet the Euro VI emission standards.

Currently only the Municipality of Shkodra, has initiated a process of preparing both an LAQMP and an LSTP. The Municipality

of Tirana has adopted an integrated approach to dealing with issues of air and transportation by preparing and approving a Green City Action Plan (GCAP), financed by the European Bank for Reconstruction and Development (EBRD) and the SDS in 2018. Both the GCAP and the SDS acknowledge that the concentration of PM_{10}, $PM_{2.5}$, and CO_2 in Tirana exceeds the daily exposure compared to national and EU standards, at 44%. The main pollution sources are ranked as follows: transport, low fuel quality, uncontrolled waste burning, and construction activities (Municipality of Tirana, 2018a).

Tirana aims to transform its transport systems to achieve sustainable mobility by focusing on public transport, cycling, and smart transport solutions (Municipality of Tirana, 2018b). However, the SDS does not address the EU trend on paving a decarbonisation path for the transport sector at large, or for Urban Passenger Transport specifically. It may potentially lead toward decarbonisation through smart transport solutions, but there is no indication of any specific goal for the reduction of emissions from the public transport fleet. As previously mentioned, it is common for dynamically growing cities, such as Tirana, to address congestion, transport modes, and safety, and not include measures on lowering vehicles' emissions or set targets for a climate neutral sector (International Transport Forum, 2018).

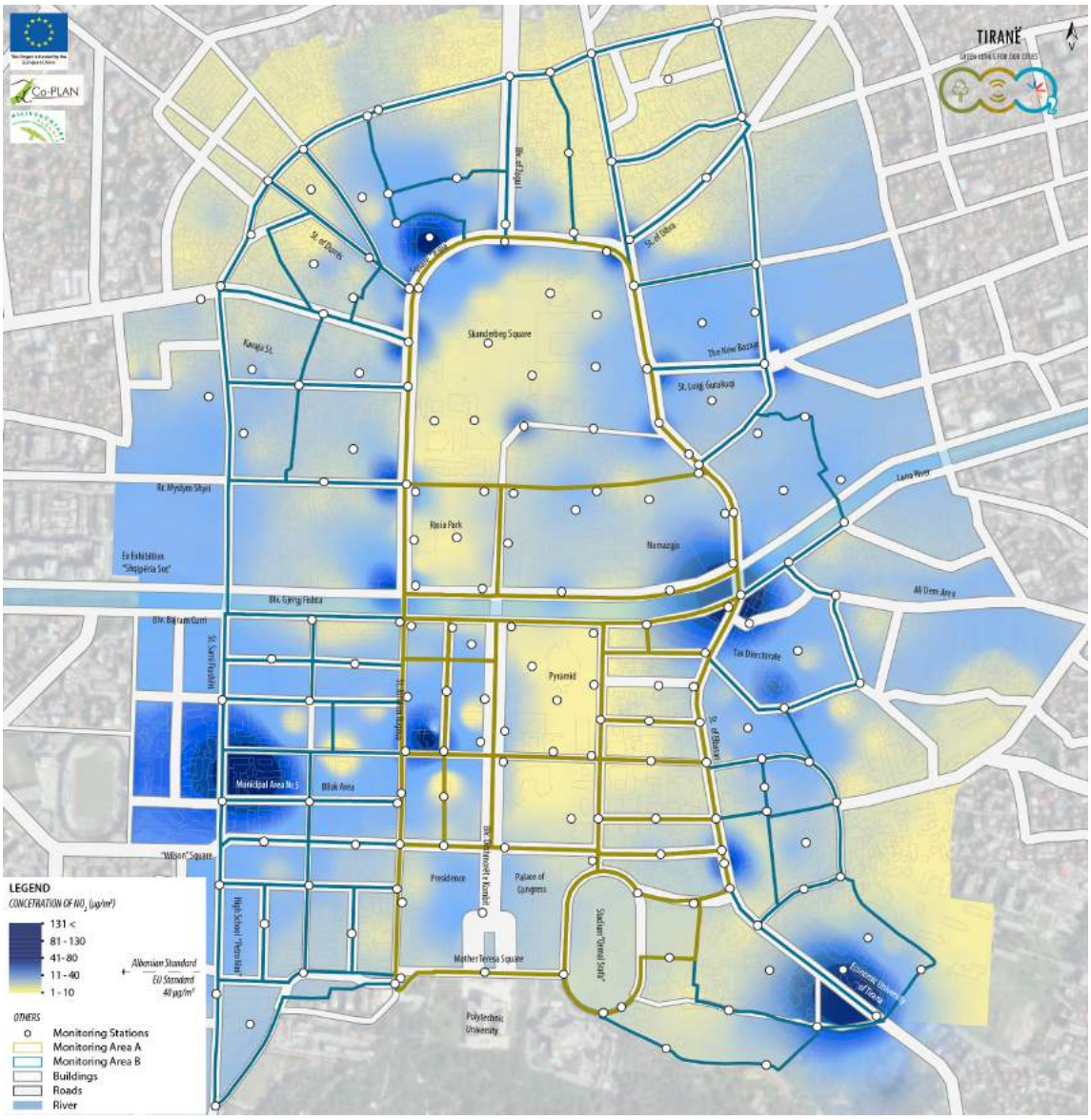
Additionally, the Municipality of Tirana has recently kick-started the process for the development of the Sustainable Urban Mobility Plan (SUMP) funded by the German Ministry for Economic Cooperation and Development, and implemented by GIZ.[12] The SUMP is assumed to be a step towards the improvement of the city's carbon footprint, where properly planned mobility can contribute to a decrease in traffic jams and improved flow of motorized transport. It should be acknowledged that nowadays, the local administration has been making a substantial effort towards creating a network of more than 30 km of dedicated cycling lanes, and more than 25 km of dedicated bus/taxi and emergency lanes on the urban road network of Tirana (Municipality of Tirana, 2018a). In order to assess the impact of these infrastructural improvements on the social behaviour and usage rate of bicycles in Tirana, GDi[13]-Albania is providing real time data through a monitoring process that detects cyclers from the existing street through Closed Circuit Television (CCTV). Preliminary figures indicate that there seems to be a slight increase in bicycle users and a slight decrease in urban cycling accidents (Daci, 2019).

Cycling in Tirana has become safer as long as the dedicated lanes are used. However, the introduction of bike lanes has a cost that goes beyond that of building the lanes. Their construction happened on previously pedestrian and parking space along the road network, therefore reducing the mobility space for pedestrians, and further increasing the demand for parking. The bike lane network has not led to a decrease in the use of private cars (ACP, 2018), nor has the new parking system[14] applied by the municipality in the last two years solved parking & traffic congestion. Hence, in a city with 175,000 private cars (ibid.), there are more than 6,000 physical public parking lots along the road sections and 14 public parking spaces that have a total capacity of 1,132 lots (Municipality of Tirana, 2018a). As a consequence, only 5% of the private fleet has access to public parking, while everyone else either has a private parking lot, or occupies public spaces in particular those within Tirana's neighbourhoods. Such mobility dynamics have diminished the comfort and attractiveness of walking and cycling, not only along the main streets, but also within neighbourhoods.

Walkability and cycling in Tirana is also conditioned by a combination of urban air pollution, noise exposure, lack of urban green areas, and numerous construction sites. Accompanying the process of increased mobility for cars/buses and

bicycles, walking in the city has been marginalised in Tirana, due to the exposure of pedestrians to environmental and safety risks. Furthermore, the Municipality of Tirana often claims that it supports the idea of the compact city, and as a result, it promotes city densification and infill development. Most of the land development that happened as a part of infill in the urban core from 2017 to 2019 caused the loss of 30 ha of public green areas (Green Lungs, 2019). This reduction and infill development lead to higher concentrations of pollutants in the air, reducing city breathability, and therefore walkability. This is also confirmed by the measurements of NO_2 concentration, conducted in the framework of the Green Lungs project in Tirana city centre and presented in Figure 1.

Figure 1. Nitrogen Dioxide concentration heat map in Tirana city centre.



Source: Green Lungs (2019) – experts' calculation on the pollution load from the public transport fleet

On the eve of 2020, Tirana is ranked first among European capitals with the most polluted air (NUMBEO, 2019). This demonstrates again that improving mobility in the city is a complex task, which should be addressed at various levels of planning and management and for all users.

Pollution Load from Public Transport Sector

The public transport service in Tirana is delivered through contracts between the municipality and private operators. The fleet is comprised of a variety of vehicles (fuel combustion engines). There are no alternatives such as trains, metro, or electric or hydrogen vehicles for public transport. This sector actually contributes significantly to air and noise pollution in urban areas. The combustion process leads to high emissions as a result of the combination of poorly refined local fuel and the age of the fleet. The fuel marketed in Albania is of poor quality (Supreme State Audit, 2015) and is expensive compared to most other countries in the region (Autotraveler, 2019). The Albanian government has imposed one of the most aggressive tax regimes on fuel in the region, where 60% of the final price for one litre of fuel is taxes[15]. Yet, there have not been any improvements regarding fuel quality or monitoring and marking practices (Kondi, 2019). Furthermore, the fleet of public transport vehicles is between 13 and 14 years old.

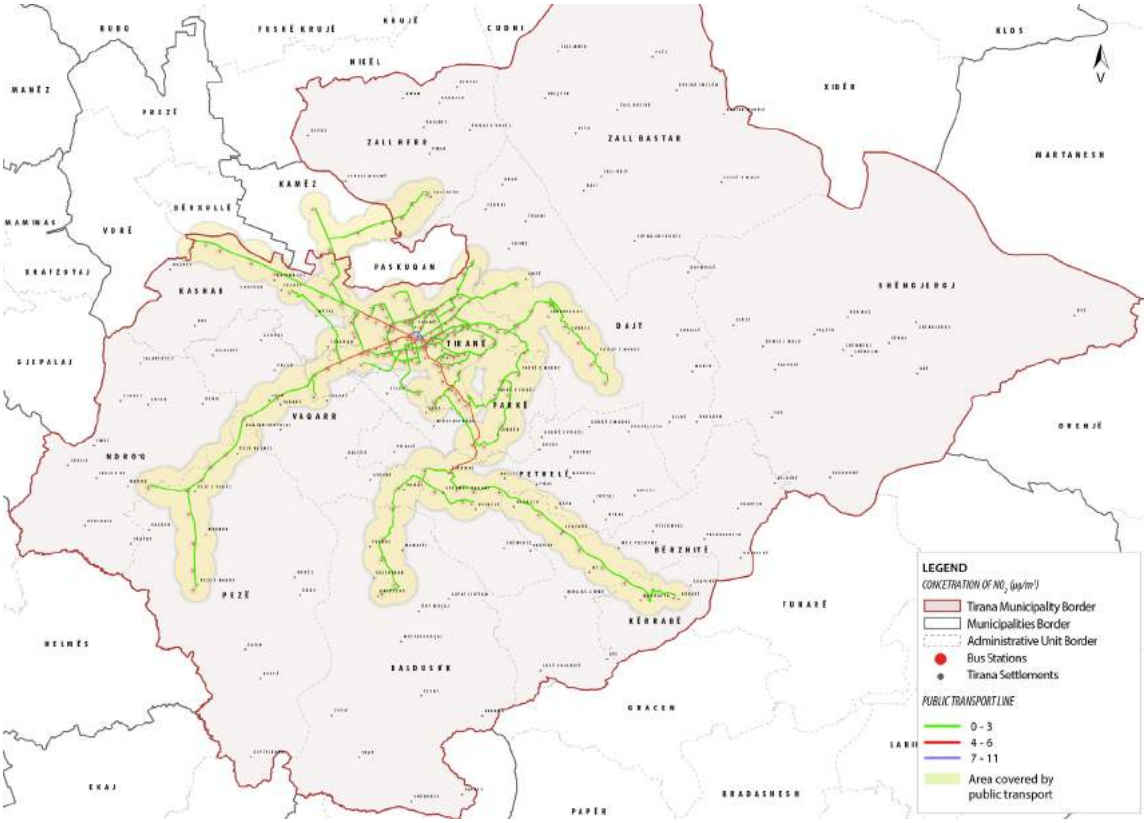
Given that the national annual fuel consumption from the transport sector during 2017 was around 828 ktoe[16] (NANR, 2018), one could calculate that fuel traders have contributed to the state budget with around 20 million Euro coming from the carbon tax applied on the final product price. This is approximately the same amount that the central government allocated to the Ministry of Tourism and Environment for implementing various programs and projects to mitigate environmental issues arising from all sectors during 2019.[17] Nevertheless, this amount is neither sufficient for covering investments to enhance air quality in urban areas, nor to fund the monitoring of air emissions from the industry and transport sectors. It is the fourth consecutive year that the Albania's Environmental Status Report (ESR) (prepared by the ministry responsible for the environment) does not indicate any concrete figure related to air quality, due to the lack of monitoring practices being implemented on site. A lack of monitoring and public information on ambient air quality and, most importantly, on annual emissions from industry and transportation are a direct result of poor budget planning and a lack of human resources to maintain and operate a national laboratory. As a result, not only should there have been policy improvements in terms of controlling and decreasing emissions from the transport sector, but specific targets should have been outlined to phase out large emitting vehicles from the public transport fleet at the local and regional level. Currently, the only monitoring practices officially acknowledged by the municipality were conducted through the private sponsorship of Vodafone Albania in four crucial monitoring stations in Tirana.

According to the GCAP and SDS, more than 18.5 million passengers use public transport within the territory of the Municipality of Tirana each year. There are eight registered private operators that apply a tariff of 40 Lek/person, regardless of the travelled distance, as long as there is no line changing. There are more or less 280 bus stations situated along the served axes.

In order to calculate the pollution load from public transportation, the following data and sources were used. Statistic in Tirana's SDS indicate that 36% of residents are active users of public transport; 27% use their own private cars; and the rest are classified as using alternatives, such as bicycle, motorcycle, and walking (Municipality of Tirana, 2018a). Rural areas, accounting for approximately 17,000 inhabitants, do not have access to such services (ibid.). The actual public transport fleet consists of 305 buses, out of which only 65 buses comply with Euro-V/VI standards on combustion emissions. According to data provided by the Municipality of Tirana, the combined public transport capacity (seats and standing volume) is 30,365 passengers, with only 31% of this capacity consisting

of actual seats. The estimated daily volume is considered to be around 55,000-62,000 passengers (ibid.). For this analysis, 16 lines and 305 buses currently operating in Tirana were taken into consideration.

Figure 3. Public transport coverage area in Tirana Municipality



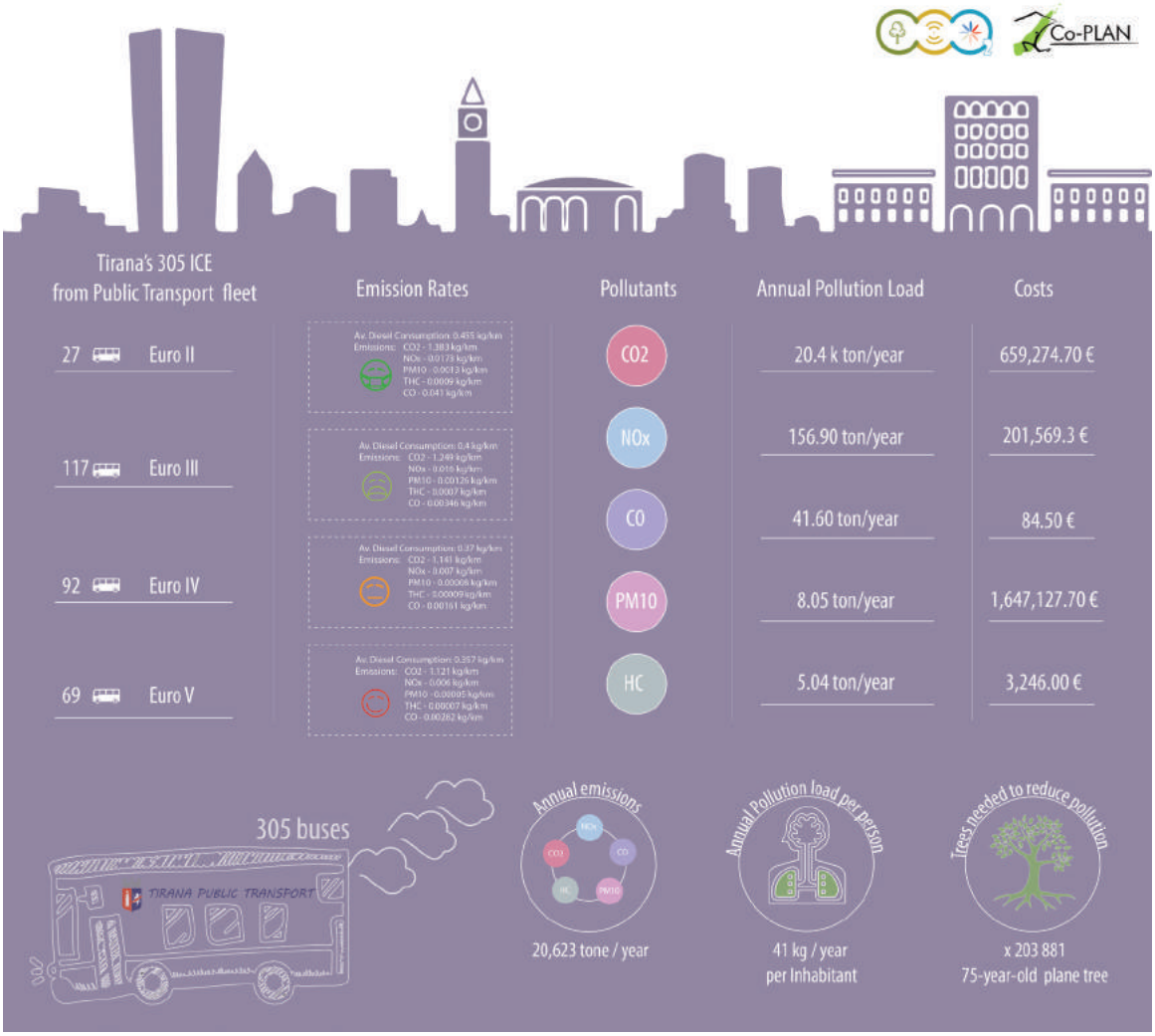
Source: Co-PLAN (2018) - geographical analysis of public transport accessibility in Tirana

The whole fleet of Tirana's public transport works on Ignition Combustion Engines (ICE) and diesel fuel is used on the 305 buses. According to calculations, the CO_2 per litre of diesel burned in open air is 2,640 grams.[18] Standards for Euro II-III-IV-V-VI indicate the level of filtering and processing of particulates that is created as a result of this chemical process. The higher the Euro standard classification the lower the carbon dioxide emissions from the ICE exhaust unit. Complementary data regarding the vehicle type, mark, first year registration, engine power fuel type, and daily cycles were provided officially by the Municipality of Tirana.

Through GIS analysis, route distances were identified and the fuel consumption for each of the buses was calculated. Referring to the Directive 70/220/EC and Regulation 715/2007, the fuel consumption rates (in l/km) and the emission rates for PM10, CO, CO2, NOx, and HC (gram/km) are calculated for an average speed of 20-45km/hrs. The amortization factor of the ICE is not considered since this current analysis intends to provide indicative results rather than a thorough breakdown for each vehicle.

Initially, a classification of each bus is made according to the emission category it falls under, given technical specifications as provided by the municipality. Then, specific routes of each bus were calculated to find the exact number of kilometres travelled per bus. Finally, the overall fuel consumption for each bus was calculated, referring to their ICE Euro category and specific emissions in terms of PM_{10}, CO, CO_2, NOx, and HC per annum.

Figure 4. Pollution results from public transport fleet



Source: Co-Plan (2019) – experts' calculation on the pollution load from the public transport fleet

Once the calculations were adapted to reflect a yearly summary of each pollutant component, the Australian and New Zealand's Emission Trading Register was referenced with regard to the actual costs at which these pollutants are being traded on global markets. If Albania were to adhere to the EU, this sector alone from the Tirana Municipality would cost 2.5 million Euro, taken from the national state budget as a tax on the overall contribution to emissions in the atmosphere.

To conclude, this analysis on emissions sourcing from the public transport fleet of Tirana Municipality indicates that **this sector generates around 21 kt of pollutants per year.** If the problem was to be solved through a natural solution, such as through trees that could absorb most of the pollutants, Tirana would need around 203,881 *platanus trees* of at least 75 years old within the city centre to mitigate the pollution load from CO_2 and PM_{10}.

If the age of the public transport vehicles and amortization factor were taken into consideration, the amount of pollutants could potentially increase to up to 141 kt. For example, a direct monitoring practice was conducted to identify the pollution load emitted from two typical busses falling under the Euro-IV category. This monitoring showed that the age factor contributes to an increase of about 67% of total emissions of PM_{10}, CO_2, and NOx compared to the

Euro-IV baseline. The monitoring was done by placing an AeroQual Series500 monitor at a bus-station near the area '21-Dhjetori'.[20] However, as mentioned above, the age and amortization factor is excluded from the overall calculation of emissions for the purpose of this article.

Conclusions and Recommendations

This article aimed to provide an overview of the current status of pollution from public transport in the Municipality of Tirana, focused on the pressing need for decarbonisation, and on policies that could potentially deal with the issue. Public transportation has become a priority issue for the Municipality of Tirana in the last four years, focusing primarily on managing congestion and introducing bike lanes. On a policy level, the municipality has addressed public transportation through its GCAP and SDS. Yet, decarbonisation is not addressed in these documents, nor is it presented as a concept.

The state of public transportation currently indicates a lack of environmental sustainability and a low quality of service delivery. There has also been a lack of institutional response towards the implementation of legal commitments in terms of emission standards. The absence of state emission inspections and a clear roadmap for the sector's decarbonisation actions has created conditions in which private operators do not feel obliged to decrease emissions, nor to increase standards and the quality of their service. This is also due to the fact that emissions are not currently being monitored and reported.

Following a technical evaluation of the pollution load emitted by the public transport sector in Tirana, findings indicate that each of the inhabitants in the urban area of the city carries a personal load composed of PM_{10}, HC, NOx, and CO_2 up to 42.3 kg/year per person. This quantity accounts for the emissions of only 305 busses in the public transport fleet, assuming that all of the busses meet the respective ICE-Euro emission standards. However, there is also the issue of the age of the fleet, which could potentially increase this value to 70.64 kg/year per person, or by approximately 67%. According to year-round air quality monitoring conducted in Tirana, the average concentration of NO2 is two times higher than the allowed EU and national standard of 40µg/m3 (GreenLungs, 2019). The situation would be further aggravated if all public service vehicles and private vehicles were considered.

In this context, improvements are needed and a number of policy recommendations could be proposed. To begin with, since CO_2 emissions depend on fuel properties (regulated by the central government), national policies and interventions are needed to monitor fuel quality and regulate the import of vehicles to meet Euro V standards or above. However, in order to lead towards full decarbonisation, significant efforts should be made to improve the public transport sector in particular. This means that in addition to improving the fuel and technological features of the ICE bus fleet, the Municipality of Tirana should also introduce a strategy and actions for electric mobility as an alternative. There is a very good opportunity to do so with the Sustainable Urban Mobility Plan, which is currently being prepared. This effort should be supported on a national scale through a policy framework and dedicated financial resources. As Albanian transport technologies are in an embryonic stage and public transport infrastructures are far from developed, there is a good opportunity to leapfrog towards the most recent technologies and mobility systems, particularly electric vehicles and systems for public transportation. This, combined with public-private partnerships, could lead towards decarbonisation and an improved quality of service.

However, the decarbonisation of public transportation can also be achieved through indirect means, such as urban

planning and environmental management. This would improve and increase public spaces and walkability, safety and environmental conditions for pedestrians, and efficient parking spaces. Together with an improvement in the quality of public transportation, this would also reduce the use of private vehicles for mobility. More green spaces, larger pathways for pedestrians, and a fully functioning clean-technology public transportation are imperative, as citizens will not voluntarily expose themselves to polluted air and high noise levels.

Nevertheless, financial implications are relatively high for a municipality to implement the full decarbonisation of its public transportation fleet. Securing funds remains a challenge and the municipality should be more proactive in accessing various sources. As a first step, the municipality should set a clear objective for the full decarbonisation of the transport fleet within the SUMP while integrating financial implications into its budget planning. The municipality should also assess its current contracts and draw up an action plan to amend them or call for new service providers to make sure that decarbonisation goals are achieved. To meet the EU Directive 2018/2001, Tirana's public vehicles fleet should replace at least 14% of its final fuel consumption with EVs powered by renewable sources or engines that operate with biofuels by 2030, as per the commitment made by the GCAP and SDS documents.

Notes

1. Talanoa is a concept from Pacific countries based on the idea that story-telling leads to consensus building and decision making. It was introduced by the Republic of Fiji during the COP23 proceedings.
2. European emission standard classification: define the acceptable limits for exhaust emissions for any vehicle sold within the European Union and European Economic Area. Emission classifications 'Euro' are defined in a series of EU directives introducing an increasingly stringent emission standard.
3. Particular Matter of 10 microns in diameter
4. Carbon Monoxide
5. Carbon Dioxide
6. Oxides of Nitrogen
7. Hydro Carbon residuals
8. The Australian and NZ emission trading system is pioneering the polluter pay principle for light duty vehicles; thus, it introduces cost calculations per each pollution element based on the prices set for the global emission trading system.
9. The Ministry of Tourism and Environment, Ministry of Infrastructure and Energy, National Environmental Agency, Institute of Public Health, Environmental Inspectorate, Water Agency, etc.
10. The Clean Air for Europe programme was established to support the European Commission in implementing the strategy on air pollution based on the Directive on Ambient Air Quality.
11. Screening Albanian National Environmental Legislation for preparation of EU negotiations on Chapter 27
12. The GIZ funding is provided under the SUMSEEC II project supporting cities in Southeast Europe (SEE) to develop energy efficient, sustainable mobility solutions.
13. Private Company focused on providing solutions for resource management, energy, environment, security, safety, etc. Link: https://gdi.net/
14. Tirana Parking is a public agency created by Tirana Municipality to administer and maintain public parking, above-ground and underground, as well as related infrastructure and investments. http://tiranaparking.al/
15. A brief breakdown of taxes included in the final fuel price consists on: 37 Lekë/litre excise tax, 35 Lekë/litre VAT, 27

Lekë/litre infrastructure tax, 3 Lekë/litre carbon tax, 3 Lekë/litre licensing tax, and 1 Lekë/litre marking and scanning tax.

16. ktoe – Kilo ton of oil equivalent 1ktoe = 1000 ton of fuel.

17. The budget for the Ministry of Tourism and Environment approved in 2019 is 2.6 billion Lekë. http://www.scan-tv.com/buxheti-per-turizmin-e-mjedisin-2-6-mld-leke-per-2019-me-shume-fonde-per-pyjet/

18. Basic chemistry behind emission calculations dictates that 1 litre of diesel weighs 835 grams. Diesel consists of 86.2% of carbon, or 720 grams of carbon per litre of diesel. In order to combust this carbon to CO2, 1,920 grams of oxygen is needed. The sum is then 720 + 1,920 = 2,640 grams of CO2/litre of burned diesel. This is if the burning reaction was to happen in normal testing conditions (open air and temperature of 25 degrees Celsius).

19. Technical data-sheet of AeroQual Series 500 monitoring equipment https://www.aeroqual.com/product/series-500-portable-air-pollution-monitor.

20. Air monitoring conducted under the supervision and guidance of 'Green Lungs for Our Cities', implemented by Co-PLAN Institute for Habitat Development and Milieukontakt Albania. The purpose of the project is, among others, to enable alternative monitoring processes and data sources in regard to air pollution, noise and greenery in urban areas.

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Resilience, Uncertainty, and Adaptive Planning

Simin Davoudi[a]

Summary

In October 2018, the world received another stark warning from the Inter-Governmental Panel on Climate Change whose latest report stated that we only have 12 years to keep the increase in the global mean temperature to 1.5°C relative to pre-industrial levels; that every fraction of additional warming would worsen the impact of climate change on a whole host of natural and social processes. Alongside this apocalyptic future, the report also invokes a message of hope and suggests that if we take urgent and radical action in cutting greenhouse gas emissions, we can save the world from climate catastrophe.

It is widely acknowledged that spatial planning has a critical role to play in the transition away from fossil fuel economies by considering, for example, how land should be used to reduce urban sprawl, what kind of buildings should be designed to increase energy efficiency, and how renewable energy can be incorporated into new developments (Davoudi et al., 2009). However, even if the best mitigation measures are in place to keep global warming from breaching 1.5°C, we will still be confronted with the consequences of past emissions. We will still experience sea level rise, extreme weather events, water shortages, frequent flooding, heat waves, and wildfires. We do not know, however, the exact nature, severity, and implications of these events due to the complex feedbacks and radical uncertainties that are inherent in climate systems. Such uncertainties are not exclusive to climate change but are prevalent in all open systems.

When we look at events such as the 2008 banking crisis, periodic terrorist attacks, social upheavals, and even events in our own everyday life experiences, we realise how little we know, or indeed can know, about what happens next. Governing and managing such a state of flux is a great challenge for urban governance in general and planners in particular, whose job is to draw route maps into unknown futures.

Keywords: Resilience, Adaptive Planning, Complexity, Uncertainty, Ecological Relations

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The Growing Popularity of Resilience

In response to this challenge, one concept that has attracted everyone's attention more than any other is resilience. Many believe that building resilience will allow people and places to deal with the seemingly sudden shocks brought about by climate change. The attraction of this idea has been such that a growing number of think tanks, philanthropic organisations, governmental and non-governmental institutions, and corporate entities have made resilience their top priority. Examples include the United Nations' Sustainable Development Goal 11 which promotes "inclusive, safe, resilient and sustainable cities and human settlements"; the World Bank's City Resilience Program; Habitat III's New Urban Agenda; and the Rockefeller Foundation's 100 Resilient Cities. Each of these organizations has developed a multitude of toolkits, guidelines, and indicators about how to make cities, citizens, and ecosystems more resilient. It is not surprising, then, that resilience has been heralded as 'the buzzword of our time' (Zolli, 2012), almost replacing the notion of sustainability.

Multiple Genealogies of Resilience

Resilience has a long and meandering genealogy with multiple roots in science, engineering, disaster studies, psychology, mechanics, and even anatomy. The term itself comes from the Latin Resi-lire meaning 'spring back'. According to Alexander (2013), resilience has been used historically in science by Francis Bacon in 1626; America's reaction to an earthquake in Japan in 1854; mechanics by William Rankine in 1858; psychology in 1950, then in the 1980s by Norman Garmezy; as well as in coronary surgery, anatomy, and watchmaking.

However, neither its long history nor its widespread appeal has led to a common understanding of what resilience actually means and how it is being interpreted in policies and practices. To shine light on these questions and map out how they are linked to planning, this paper will unpack two fundamentally different meanings of resilience and discuss how they align with two different understandings of space and place and two different approaches to spatial planning. In doing so, I draw

Figure 1: The relationship between different understandings of resilience, different conceptions of space and different modes of planning

extensively on my previous work (without repeated self-citations) on resilience (Davoudi, 2012a; 2013; 2016; 2017; and 2018), as well as relational space and interpretive planning (Davoudi & Strange 2009; Davoudi, 2012b and 2015). I start with the engineering interpretation of resilience and show how its assumptions are similar to the absolute and bounded understanding of space and blueprint approaches to planning. I will then talk about the evolutionary interpretation of resilience and show how it is aligned with the relational understanding of space and adaptive approaches to planning (see Figure 1).

Engineering Resilience: Absolute Space and Blueprint Planning

Physical scientists and engineers were among the first groups to use the term resilience to denote "the ability of a system to return to equilibrium after a disturbance" (Holling, 1973, p.17). This means that the resistance to disturbance and the speed at which the system returns to a state of equilibrium constitute the measures of the system's resilience. The faster the system bounces back, like a spring, the more resilient it is. Applying this idea to the socio-spatial contexts implies that a resilient city is a city that is able to recover and return to how it was before a crisis (such as a climate disaster, a terrorist attack, or political upheaval).

This engineering approach to resilience has influenced the debate in a wide array of disciplines. For example, economic geographers often draw on this definition to explain the trajectory of regional economic change as "a process of punctuated equilibrium" (Simmie & Martin, 2010, p.3). Similarly, in disaster studies, urban resilience is often defined as "the capacity of a city to rebound from destruction" (Vale & Campanella, 2005, p.1), often putting an emphasis on quantitative measures of recovery. In psychology, where resilience thinking has a long history, the equilibrium model of resilience to trauma is defined as "the ability of adults (who have experienced a disruptive life event) to maintain a relatively stable level of psychological and physical functioning" (Bonanno, 2004, p.20). In public policy and everyday discourse, many of the references to resilience are implicitly or explicitly based on an engineering perspective, which places the emphasis on bouncing back to a previous, 'normal' state, without questioning the desirability of the normal or seeking a new normal. This is problematic. For instance, for some of the survivors of Hurricane Katrina in 2005, resilience and return to 'normal' would imply a return to poverty.

The equilibrium-based interpretation of resilience can be traced back to the Enlightenment, when the Scientific Revolution stripped the universe from its divinity and symbolic value and conceived of it as an orderly, mechanical device – a giant clock in a state of equilibrium, governed by a set of mathematical rules. It was believed that the laws of nature could be unravelled through scientific discovery and that the behaviour of the clockwork universe could be predicted and controlled. While uncertainty was acknowledged, it was believed that the only limits to knowing the laws of nature were scientific or epistemic; that we could conquer uncertainty and predict future outcomes by having better science. Knowledge was seen as capable of knowing what is to be known (Chandler, 2014). Our continued fascination with prediction and control has its roots in this way of thinking about urban futures and our aspiration to create, maintain, or return to an elusive and static equilibrium.

In planning, the quest for spatial equilibrium and the desire to impose order on the assumed disorder of cities has a long history and has been at the heart of modernist planning ideas in many western countries. A classic and highly influential example is the Charter of Athens (1933), the brainchild of

a group of avant-garde architects, planners, and urbanists who set up CIAM (Congrès Internationaux d'Architecture Moderne) in the 1930s. For this modernist manifesto, a good city was a city in "a state of equilibrium among all its respective functions" (CIAM, 1933, p.3). The Charter described cities of the early 20th century as being in a state of "chaos" because of "uncontrolled and disorderly development, leading to increasing congestion, overcrowding, disorderly use of land, chaotic functional relations and spreading blight" (ibid.).

Their observations of urban problems then can apply to many contemporary cities across the world today. Their solutions for tackling these problems, however, were limited. Such a functionalist reading of the city and their physically-deterministic approaches to planning were based on a conviction that by simply building better cities they could build better societies (Davoudi & Madanipour, 2012). Le Corbusier, the renowned author of the Charter claimed that, "the city is dying because it is not constructed geometrically" (Le Corbusier, 1933, p.7). Doxiadis's ambitious Ekistics theory was to develop a "science of human settlement" based on a series of "orderly classifications" of size, location, and function. His 'ideal Dynapolis' which was supposed to be a dynamic city, was in fact rigidly pre-determined to be "uni-directional" and "built on the basis of a rectangular grid network of roads" (Doxiadis, 1968, p.365).

In many ways, their prescriptions suffered from the same misconceptions that underpin the engineering notion of resilience. They conceptualised space as an absolute, neutral container; a bounded entity in itself, independent of people, objects, and events. This static view of spatial relations led to the top-down and inflexible blue print plans of the post-war era. The planning process was expert-driven and plans were presented to the public as fait accompli. Planners believed that a functional equilibrium and a steady state in the city could be achieved by the commanding power of the plan. Le Corbusier (1933, p.7) wrote in capital letters that "the plan must rule".

In the 1960s, the rise of systems theory (cybernetics) powered by computer modelling gave planners even more confidence about their ability to predict the behaviour of urban systems by unpacking the behaviour of their component parts. That, in turn, would enable them to control the future trajectory of the city through technical-rational planning procedures. These ideas have had a profound influence on the architecture and planning practices of post-war Europe and indeed elsewhere. They have left their mark on numerous cities and towns around the world. In the UK, they led to the planning disasters of the 1960s and 1970s. Although the technical-rational approach still dominates planning practices in many parts of the world, it has been significantly challenged by new developments in spatial theory, as well as evolutionary resilience thinking.

Evolutionary Resilience: Relational Space and Adaptive Planning

Evolutionary resilience is not about bouncing back to normality, but about the ability to change, adapt, and, crucially, to transform in response to sudden shocks or cumulative pressures (Carpenter et al, 2005). It is about untried beginnings and about breaking away from an undesirable 'normal'. Here, resilience is not a fixed asset or a trait, but a continually changing process. It is not a being but a becoming that may emerge when systems are confronted with shocks. In the social context, this means that people may become resilient not in spite of adversities but because of them.

Evolutionary resilience recognises that the seemingly stable state that we see around us in nature or in society can suddenly change and become something radically new, with characteristics that are profoundly different from those of the original. Faced with adversities, we hardly ever return to

where we were. This in and of itself is not such a ground-breaking idea. What is new, however, is the acknowledgment that unpredictable shifts in a system can happen with or without external shocks and with or without proportional or linear cause and effects. This perspective sets the resilience of a system in the context of the evolution of the system itself.

This understanding of resilience is rooted in complexity theory, which has challenged the Newtonian view of the world and its mechanistic assertion of equilibrium. It considers the universe as complex and inherently unpredictable. It questions stasis and equilibrium, and defines open systems as non-linear, self-organising, and "permeated by uncertainty and discontinuities" (Berkes & Folke, 1998, p.12). Its take on uncertainty is radically different from engineering resilience. According to complexity theory, we don't know the unknown, not just because of our limited science, but also because of the logical impossibility of knowing it (Chandler, 2014) since we are dealing with 'unknown unknowns', a phrase popularised by Donald Rumsfeld, the former U.S. Secretary of Defence.

Complex systems such as cities can be approached heuristically as a non-linear iteration of an adaptive cycle with four distinct phases: exploitation or growth, conservation, collapse or creative destruction, and reorganisation. The first loop of the cycle relates to the emergence, development, and stabilisation of a particular pathway. The second loop relates to its rigidification and decline, while at the same time signalling the opening up of unpredictable possibilities or spontaneous reorganisation, which may lead to a new growth phase. So, as systems mature, their resilience reduces and they become 'an accident waiting to happen'. When systems collapse, a window of opportunity opens up for alternative pathways. This disruptive phase is, therefore, the time of greatest uncertainty yet high resilience, since it is the time of innovation and transformation. It is in this moment that a crisis can be turned into an opportunity.

In response to some of the paradoxes of the adaptive cycle (such as flexibility vs. redundancy), Buzz Holling, the Canadian theoretical ecologist, and his team have developed the Panarchy model. This model suggests that systems function in a series of nested, adaptive cycles that interact at multiple scales (from small to large), multiple speeds (from slow to fast), and multiple timeframes (from short to long). Therefore, small changes can amplify and cascade into a regime shift, while large interventions may have little or no effect. This means that the past behaviour of a system is no longer a reliable predictor of its future behaviour, even when circumstances are the same (Folke et al., 2010).

What does all of this mean for planning? Does complexity mean the end of planning? If nothing is certain except uncertainty itself, would "planning be condemned to solve yesterday's problems" (Tayler, 2005, p.157)? The short answer is no. On the contrary, preparedness is at the heart of evolutionary resilience ranging from being prepared for short term emergency responses and immediate recovery to long term adaptive capacity building. The latter means developing "a qualitative capacity that can absorb and accommodate future events in whatever unexpected form they may take" (Holling, 1973, p.21). Complexity and evolutionary resilience call for a different type of planning which is premised on a different understanding of space and place. Instead of thinking about space as a bounded physical container, we need to think about it as relational, fluid, and contingent; as being socially and culturally constructed through the interactions of people, objects and events. As David Harvey (1996, p.53), following Henri Lefebvre, argued many years ago, our social interactions, "do not operate in space-and-time, but actively construct" them.

Our traditional approaches to the physical geography of proximity need to be complemented by the relational geography of connectivity, which is a key feature of a globalised world of material and virtual flows of people, goods, and ideas, as well as environmental resources and pollution. As planners, we need to constantly remind ourselves that people do not live in a framework of geometric relationships; they live in a world of meanings (Hubbard et al. 2004). They attach meanings and values to the places in which they live and work and, by doing so, shape cities through their social encounters, cultural exchanges, historical memories, and everyday life experiences.
Relational understandings of space highlight the contingency of our socio-spatial relations and resonate with the concept of evolutionary resilience, which considers cities to be in a constant process of becoming. To plan under the condition of fluidity and uncertainty, we need to move away from technical, rational, and blueprint planning and embrace what may be called adaptive planning. One of the first discussions about adaptive planning emerged in the 1900s when John Dewey (1927) in Kwakkel and Haasnoot (2019, p.362) a key advocate of American pragmatism, suggested that, "policies should be treated as experiments, with the aim of promoting continual learning and adaptation in response to experience over time". The concept of adaptive planning owes its resurgence to evolutionary resilience and its application in tackling the uncertainties of adaptation to climate change and the adaptive management of socioecological systems.

Adaptive spatial planning is driven not by the 'will to order' space, such as imposing nested spatial hierarchies or geometrical grids, but by the 'will to connect' multiple, overlapping relations between materials, people, resources, and knowledge. This requires combining 'matters of facts' with 'matters of concern', to use Bruno Latour's (1993) words. It requires paying attention to the objective and physical matters of spatial relations, as well as the subjective and social concerns about the place. As Henri Lefebvre (1991, p.38) argued, there is a dialectical relationship between the "conceived spaces" of planners and systems analysts, the "perceived spaces" of imagination, and the "lived spaces" of everyday life.

Adaptive planning is not about predicting and controlling these relational complexities or eradicating uncertainty. It is about working with them, making adjustments along the way, and identifying transformative opportunities that may arise from them. Rather than a retreat to conformity and formulaic policies, adaptive planning focuses on the exploration of the unknown in search of novel practices. It is the rejection of fixity and rigidity – of blue print plans and their rationalistic assumptions. It is about recognising the ubiquity of change and seizing the potential for disruptive innovation. Such a radically different approach to planning requires at least three conditions:

- agile institutional frameworks that can enable creativity and self-organisation;
- highly networked and reflexive planners capable of spontaneous and imaginative responses to changing circumstances; and
- inclusive processes that draw on diverse voices and values and multiple forms of knowledge from systematic and experimental knowledge to tacit and experiential knowing.

As mentioned earlier, complexity theory suggests that small changes can amplify and lead to major shifts. Using this principle, the notion of urban experimentation has gained a growing following. Planners and other actors purposefully intervene in urban areas through small, yet disruptive experiments (such as the temporary greening of High Street in London) in order to innovate, learn, or experience how a small intervention may lead to a larger, transformative change.

Another growing phenomenon is the emergence of 'Urban Labs' or 'Living Lab'. These initiatives often use the notion of experimentation in a scientific way and see the city not as a social construct but as a test bed for collecting data. They collect millions of mega-bites of sensor-driven data ranging from traffic flows to air pollution without always knowing what to do with them. The data is useful and makes some of the relational flows more visible, but urban labs suffer from the same problems that led to criticisms of the technical-rational planning traditions. Like them, urban labs are primarily preoccupied with collecting matters of facts through quantitative measurements, and not matters of concern. They, too, are based on expert driven predictions and a control mentality that focuses on the physical attributes of the city and abstracts the social relations, the sense of place, and the multiple and diverse ways in which people experience and engage with places. Like their less sophisticated predecessors, their scientific, data-driven view of the city leads them to believe that better data creates better places or better policies for places.

Conclusion

We have come a long way in advancing our modelling techniques of forecasting and projecting in order to master uncertainties. These have been immensely helpful for dealing with probable futures and not so helpful for dealing with the unknown. This challenge, plus the entrenched technical-rational mind set and blueprint planning method, has led John Freedman (1993, p.482), one of the great planning theorists, to suggest that, "The conventional concept of planning is so deeply linked to the Euclidian mode that it is tempting to argue that if the traditional model has to go, then the very idea of planning must be abandoned." While acknowledging his insight, I beg to differ with this proposition and to suggest an alternative path forward for planning.

It is true that complexity and uncertainty are the defining features of our time, but this does not mean that we should abandon planning. It means that we need a different kind of planning; one that takes the fluidity and complexity of social, spatial, and ecological relations seriously. One that, more than anything else, mobilises the power of creativity and imagination and does not underestimate our ability to imagine how we might be otherwise.

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Notes

1. Catalysed by scientists such as Nicolas Copernicus, Galileo, Francis Bacon, Rene Descartes, and Isaac Newton
2. Panarchy from the Greek God of Pan (Ruler of Nature) refers to "how variables at different scales interact to control the dynamics and trajectories of change in ecological and socio-ecological systems" (Gunderson, 2009:4).

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Abbreviations

AIDA	Secretariat of the Strategic Investments Committee
AL	Albania
AV	Automated Vehicles
BA	Bosnia and Herzegovina
BRI	Belt and Road Initiative
CAP	Citizen Advisory Panel
CAT	Climate Action Taker
CC	Climate Change
CCTV	Closed Circuit Television (video surveillance)
CEECs	Central and Eastern European Countries
CIAM	Congrès Internationaux d'Architecture Moderne
CO	Carbon Monoxide
CO_2	Carbon Dioxide
Co-PLAN	Institute for Habitat Development
DCM	Decision of the Council of Ministers
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EFTA	European Free Trade Association
ESDP	European Spatial Development Perspective
ESPON	European Spatial Planning Observation Network
ESR	Environmental Status Report
EU	European Union
EUR	Euro (currency)
EV	Electric Vehicles
EVI	Environmental Committee of the European Parliament
EVI	Environmental Committee of the European Parliament
FDI	Foreign Direct Investment
GCAP	Green City Action Plan
GDP	Gross Domestic Product
GHG	Green House Gases
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GLTP	General Local Territorial Plan
GLTPs	General Local Territorial Plans
GNTP	General National Territorial Plan
GURU	Global Urban Research Unit
HC	Hydro Carbons
ICE	Ignition Combustion Engines
INSTAT	Institute of Statistics of Albania
IPA	Instrument for Pre-Accession Assistance
IPCC	International Panel on Climate Change
ITF	International Transport Forum
ITPR	Integrated Territorial Planning Registry
LAQMP	Local Air Quality Management
LDP	Local Detailed Plan
LEZ	Low Emission Zone
LGU	Local Government Unit
LSTP	Local Sustainable Transport Plan
ME	Montenegro
MIE	Ministry of Infrastructure and Energy
MK	North Macedonia
MoT	Ministry of Tourism
MoUD	Ministry of Urban Development
MTCYS	Ministry of Tourism, Culture, Youth and Sports
MTE	Ministry of Tourism and Environment
NANR	National Agency of Natural Resources
NGO	Non-Governmental Organization
NOx	Nitrogen Oxides

NSDI	National Strategy for Development and Integration 2015-2020
NSSTD	National Strategy for Sustainable Tourism Development
NTC	National Territorial Council
NTPA	National Territorial Planning Agency
OECD	Organization for Economic Co-operation and Development
PA	Paris Agreement
PLA	Participatory Learning and Action
PM10	Particular Matter 10micrometer
ppm	Part Per Million
PRA	Participatory Reflection and Action
RS	Republic of Serbia
SAP	Stabilization Agreement Process
SDS	Sustainable Development Strategy
SEA	Strategic Environmental Assessment
SEE	South-East Europe
SMEs	Small and Medium Enterprises
SUMP	Sustainable Urban Mobility Plan
TAR	Territorial Administrative Reform
TEN-T	Trans-European Transport Network
TRAN	European Parliament Committee on Transport and Tourism
UK	United Kingdom
ULEZ	Ultra Low Emission Zone
UNDP	United Nations Development Program
UNWTO	United Nations World Tourism Organization
USD	US dollar (currency)
USSR	Union of Soviet Socialist Republics
WBIF-IPF7	Western Balkan Investment Framework – Infrastructure Project Facility
WBR	Western Balkan Region
XK	Kosovo

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