

Regional Development Fund transfers to local governments and state clientelism in Albania

Elvina Merkaj, PhD

In post socialist countries, including Albania, regional development has been a fast process accompanied by strong deregulation and significant institutional changes. The level of funds being allocated to local government units (LGU) is based on schemes which often do not follow the equity and efficiency criteria of decentralization.

The *focus* of this study is the Regional Development Fund (RDF) during the period 2011-2013. RDF is a competitive scoring based fund. The transparency of the project selection process is reported as being weak and hence leaving great room for discretion.

Data gathers from interviews with 53 mayors are analysed using qualitative methods to examine the factors influencing the probability of an LGU to be financed by RDF. Three case studies are scrutinized to dig deeper behind the specific LGU stories.

Findings indicate that:

- the transparency of the RDF application process is very low and communication is informal
- governing LGUs (local units led by a mayor affiliated with the party in power) have won twice the number of projects compared to non-governing LGUs
- the network is perceived as a very important factor in accessing RDF funds by almost all mayors
- networking is also closely related to party affiliation since contacts are developed through party membership and power positions in the party regional offices
- the most common tactic used is to influence the commission members' preferences through MPs, common friends in the central administration or sometimes even powerful businessmen in specific project areas

Recommendations:

- Make the RDF application procedure transparent to the public
- Decisions for redistribution of funds urge to be regulated based on a planned schedule
- SMART (Specific, Measurable, Achievable, Relevant and Time bound) indicators should be established to evaluate the projects
- Monitoring procedure should be delegated to external evaluators and different stakeholders

Political Economy of Conditional Transfers: the Case of Albania

Elvina Merhaj, PhD

Decentralization is still a new reality in Albania being a post- socialist economy. Financial dependence from the central government has been decreasing; however local governments still encounter a number of challenges in providing public goods and maintain accountability towards their citizens. Local governments are still highly depended on central government grants. More than 50% of the local government budgets in Albania rely on intergovernmental transfers.

Quantitative methods are used to analyze *data* from 373 local units during the period 2004-2011.

The *research questions* of this study are:

- Does the conditional grant allocation system in Albania meet the normative theory requirements of equity and efficiency principles?
- Does the Albanian grants allocation system of transfers eliminate possible politically motivated allocations of transfers?
- Is the allocation of grants influenced by election periods?
- If signs of political influence are found, what are the main tactics used by the incumbent to influence the voters?

Findings indicate that:

- Central government rewards its supporters (local units led by mayors affiliated to the party in power)
- The central government uses conditional transfers to acquire political capital by increasing them during national elections (no increase was found during local elections)
- The increase in conditional transfers during national election years flows towards non-governing and swing jurisdictions. (During national elections central government changes its tactic and turn its attention towards jurisdictions with voters with weak political ideology)

Recommendations:

- Line ministries responsible for the conditional funds are required to stick to budgeting best practices.
- Special regulations on regards to budgetary plans have to be enacted before election years.
- A rigorous application of the Law on the Right for Information on Official Data is a key element for establishing transparency and accountability from the government side
- Watchdog organizations, focused on monitoring budgetary plans amendments, are necessary to be oriented toward budgetary advocacy.
- LGU associations also are necessary to enhance their potentials in order to succeed at presenting their issues to decision-makers.