



Written Contributions for the Albania 2025 Report

Co-PLAN, Institute for Habitat Development

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Introduction

The following is a summarised contribution to the Albania 2025 Report prepared by Co-PLAN, Institute for Habitat Development. It builds upon the experience and knowledge that Co-PLAN has acquired on the socio-economic and political environment and on different themes due to its involvement in development projects, research, and policy-influencing work.

1. *Governance issues at the local level*

Based on findings gathered through expert roundtables, monitoring of official documents, and ongoing engagement with local actors, several structural and practical challenges persist in the governance of Albania's municipalities, despite incremental reforms noted in the European Commission's 2024 Albania Report.

Albania's progress in the EU integration process offers numerous opportunities for local governments, as nearly 70% of related initiatives are expected to be implemented locally. However, this progress also poses significant challenges. Local governments must enhance infrastructure and services for citizens while meeting the demands of the EU integration process through proactive engagement and influence. From our work with local governments and discussions with stakeholders, several challenges have been identified:

- (i) **Low Absorption of EU Funds:** Despite some improvements and ongoing EU support, Albanian municipalities face difficulties effectively utilizing EU pre-accession funds due to limited technical and financial management capacities.
- (ii) **Limited Administrative Capacity:** Smaller and rural municipalities struggle with insufficient human and technical resources, hindering their ability to deliver services effectively or manage development projects.
- (iii) **Weak Mechanisms for Citizen Participation:** While tools such as public hearings and participatory budgeting are available, their application is often inconsistent and symbolic. Consequently, municipalities remain heavily reliant on central government transfers, which restricts their ability to independently plan and implement local development initiatives.

In late 2024, the Government of Albania launched a one-year pilot project to horizontally decentralize specific competencies in health, education, and agriculture to the municipalities of Shkodër, Berat, Kolonjë, and Divjakë. While the initiative aims to bring services closer to citizens, it raises two primary concerns:

(i) Municipalities often lack the necessary administrative and sectoral expertise to manage the newly delegated functions effectively

(ii) The additional responsibilities are not accompanied by adequate financial allocations from the Government of Albania, jeopardizing the successful implementation of these functions.

The status of local public financial management has seen minimal change. Local government (the 61 municipalities) occupies a small share vis-à-vis the general government. Municipalities depend

heavily on central government transfers (both unconditional and conditional) and own-source revenues, representing approximately one-third of total available resources (highly centred in the municipality of Tirana and from the infrastructure impact tax). Meanwhile, property tax revenues are falling short of expectations (including building, agricultural, and urban land taxes). Disparities in municipalities' fiscal and financial capacities continue to hinder their investment capabilities, especially for those funded by their own resources.

The Minister of State for Local Government, while presenting the 2025 budget, announced a 13.2% increase in funding for local governance, including an increased unconditional and conditional transfer, a rise in staff salaries, and a performance-based grant scheme. However, the size and allocation criteria of the grant, as well as long-term financing, remain unclear. On the expenditure side, the increase in public sector salaries has imposed an additional burden on the local budget, raising questions regarding its financing and sustainability in the medium to long term. Weaknesses in budget planning and execution persist, and arrears stock locally persist.

The Swiss Agency for Development and Cooperation (SDC), a key donor supporting capacity building at the local government level in Albania, has indicated that it will conclude its support by 2028. Given the limited number of donors and available funds for technical assistance at the local level, it is crucial for the EU to take a more active role in this area. The continuation of the EU4Municipalities project, anticipated to launch soon, along with the EU4Governance project support for the local government level, must be succeeded by additional EU-funded initiatives aimed at strengthening local capacities - not only in service delivery and absorption of EU funds, but also in enhancing citizens' participation, transparency, and accountability. To ensure that the decentralized authority and power effectively translate into meaningful governance at the local level, it is imperative to broaden the focus beyond national-level reforms. EU has a vital role to play in facilitating this process.

2. Governance Issue at the Regional Level

Based on our ongoing engagement with institutions and experts involved in Albania's regional development and cohesion agenda, including technical meetings, monitoring of strategic documents, and participation in roundtables, Albania's progress on regional governance, particularly under Chapter 22, is still unclear.

- (i) Institutional Overlap and Coordination Gaps:** Responsibilities related to regional development and cohesion are currently dispersed among multiple actors, including the Chief Negotiator's Office—the Agency for Support to Local Government (ASLG), the State Agency for Strategic Programming and Aid Coordination (SASPAC) for the Operational Programmes, and the Albanian Development Fund (ADF) for regional planning and programming.
- (ii) Pending Roadmap for Administrative Capacity Building:** While the 2024 Albania Report mentions preparing the Roadmap for Administrative Capacity Building to ensure clear institutional mandates and avoid functional overlaps, this document has not yet been finalized or made available to stakeholders.

- (iii) **Lack of a Strategic Framework:** As of early 2025, Albania has not yet adopted a National Strategy for Regional Development and Cohesion, nor has the regional development plans been finalized. These strategic documents are essential for defining investment priorities and achieving territorial cohesion. Without these documents, the policy framework remains fragmented and donor-dependent. Albanian Development Fund has continued to work on preparing the documents (and has even made some rearrangements/redesignations of the development regions).
- (iv) **Limited Implementation of the Partnership Principle:** Field observations and discussions with stakeholders reveal that local governments, civil society, academia, and the private sector are insufficiently involved in the planning and implementing regional development interventions.
- (v) **Operational Programmes Under IPA III still pending:** Despite Albania fulfilling the accreditation conditions for three Operational Programmes under IPA III since 2023, these programs have not yet been approved or published for consultation, with their implementation still pending.

3. Public Financial Management Reform Process in Albania

Reflecting on our continuous engagement and expertise in PFM, it is evident that the Government of Albania (GoA) is actively working to establish a dependable medium-term macro-fiscal framework to aid in crafting the Medium-Term Budget Program (MTBP) at local and central levels. A key goal of the government is to further reinforce this framework by introducing procedural rules that remove persistent optimism biases in GDP and revenue forecasts (fiscal rules).

Ongoing initiatives focus on refining the development and assessment processes of strategic sector policies to ensure they better align with MTBP preparation, strengthening monitoring and managing fiscal risks. Revenue collection and management have progressed, but frequent changes in tax policy, tax and customs administration capacities, taxpayer compliance, tax evasion, and the informal economy's levels pose substantial risks and challenges.

Despite efforts to increase public finances' transparency, there remains significant room for improvement in coverage, consistency, accessibility, and citizen-friendly fiscal information. The Public Internal Financial Control (PIFC) system at the central and local government levels remains challenging for GoA. This includes boosting managerial accountability within all public institutions, fortifying the internal and external audit functions, and enhancing the efficiency of public financial inspections.

A significant milestone in the PFM reform process is the June 2024 approval of the Public Financial Management Sectoral Strategy 2023–2030 and its accompanying Action Plan for 2023–2026, aligned with the National Strategy for Development and European Integration (NSDEI) 2022–2030. The strategy aims to establish a transparent, accountable, disciplined, efficient, and equitable public finance system to enable improved public service delivery, foster economic development, and support Albania's EU integration process.

Another step forward is represented by the Medium-Term Revenue Strategy for 2024–2027, including its action plan (adopted in December 2024).

Meanwhile, PEFA Assessments (Public Expenditure and Financial Accountability Performance Assessment Report) are being processed at both the central and local levels.

4. Quality of Legislative processes & limited public participation

Through continuous monitoring of legislative initiatives and active involvement in consultation processes – both independently and in cooperation with other stakeholders – Co-PLAN has identified significant shortcomings in the quality of Albania’s legislative process.

- (i) Superficial Implementation of Public Consultations:** Although Albania has established legal and institutional mechanisms for public consultations, the actual implementation remains largely procedural rather than substantive. The public consultation portal (<https://konsultimipublik.gov.al/>) does provide a degree of transparency by publishing legal acts under review; however, it often fails to facilitate genuine input from stakeholders or to reflect their feedback meaningfully in the process.

Recently, the government launched the “Transparent Albania” platform (<https://transparentalbania.al/>) as a tool to bridge the gap between the government and citizens, promising enhanced access to information about daily government activities. However, the development of this platform lacked consultation with Civil Society Organizations, academia, media, and other stakeholders during its design phase, raising concerns about its effectiveness and inclusivity. The information available on the platform appears largely redundant, as it mirrors what is already published on the Ministry of Finance’s website and other governmental resources, particularly concerning the central government budget. While there are indications of an emerging feedback mechanism, it remains unclear how this will be implemented and followed up in practice. If the “Transparent Albania” platform aims to truly enhance transparency, it must provide more comprehensive details and extend its temporal coverage. Currently, it does not introduce significant new insights beyond what is already publicly accessible, thus limiting its potential to foster meaningful public engagement and accountability.

- (ii) Limited Reflection of Civil Society Input:** Throughout 2024–2025, numerous important strategies and laws have been adopted, both related to EU integration and national development, with minimal engagement from civil society. For instance, despite Co-PLAN submitting official comments within the designated deadlines, formal acknowledgment or incorporation of feedback has been nonexistent, except in one instance involving the Law on Waste Management in 2024.

- (iii) Independent Consultations Led by Civil Society:** In response to the gaps in public consultation, Co-PLAN, with support from international donors, has proactively organized consultation processes on major reforms, including the Energy Efficiency Law, the Co-Management of Buildings Law, the Energy and Climate Strategy, the Gender Equality Law, and the Waste Management Law. These roundtables have

involved a wide range of actors and aimed to improve the quality and inclusivity of policy-making.

- (iv) **Political Polarization as a Barrier to Dialogue:** The ongoing political divide has posed challenges to constructive dialogue. In response, Co-PLAN has reintroduced its approach under the GreenAL project, which shares its strategic recommendations on legal documents with all political parties engaged/interested/vested in the process. This initiative seeks to promote transparency and foster cross-party collaboration on critical reforms.
- (v) **Concerns with High-Impact Legislation:** Specific sensitive laws have undergone extremely limited and exclusive consultation processes, adversely affecting vulnerable and often marginalized communities who already struggle to access decision-making. For example, the recently approved “*Paketa e Maleve*” law, promoted under the “*Investo në tokën tënde*” initiative, aims to stimulate investment in Albania’s mountainous areas by offering land, often in high-value tourist or protected zones, for as little as 1 euro. While the measure may be well-intentioned in revitalizing underdeveloped regions and engaging residents and diaspora, it raises significant concerns. The law incentivizes development in ecologically sensitive or strategically valuable areas, potentially jeopardizing environmental integrity. Moreover, the investor selection process lacks clarity and transparency, leaving room for misuse and undermining trust in its equitable implementation.

5. The CSO’s environment & limited financing mechanisms

Through direct engagement with civil society organizations (CSOs) across the country, participation in sectoral dialogues, and sustained monitoring, Co-PLAN has identified a number of persistent and emerging challenges that continue to constrain civil society's operational space and effectiveness in Albania.

Although some formal frameworks exist—for instance, the statutory time limit for consultations and the availability of online portals—the implementation remains superficial. Public consultations are still conducted unevenly across institutions, with varying standards and insufficient efforts to promote broad participation, particularly in parliamentary initiatives. This severely limits the ability of civil society, the media, and the general public to engage in legislative processes.

Several developments in 2024-2025 have raised serious concerns regarding the shrinking of civic space. Notably, the closure of USAID’s mission in Albania and the suspension of its support programs have created significant uncertainty. Moreover, some actors have publicly misinterpreted this development to question the legitimacy and role of civil society, further polarizing the environment.

Some civil society organizations and their leadership have faced coordinated attacks, including through disinformation campaigns and media sensationalism. These efforts appear aimed at

discrediting independent oversight voices and manipulating public perception for political or financial gain.

Lastly, civil society's involvement in EU integration processes lacks a structured and meaningful approach, limiting its ability to contribute effectively and ensure inclusive, accountable policymaking.

6. Green Transition and Climate Governance

Albania has made progress with the adoption of critical laws, including the Law on Climate Change (99/2024) and the revision of the National Energy and Climate Plan (NECP), with significant steps (like auctions for solar and wind, performance-linked subsidies). However, implementation gaps remain significant. While Albania remains highly dependent (95%) on hydropower, the diversification of renewable energy sources remains minimal (4.3% from solar/wind). Energy communities are still unregulated and lack support mechanisms; Grid infrastructure needs urgent modernization to integrate distributed RES; Tariff schemes and fiscal incentives are not yet inclusive or transparent.

Co-PLAN, through the GreenAL project, brought together in March participants from Civil Society to discuss issues on Energy and Climate at policy-level. Some core recommendations deriving from this meeting include:

- (i)** The urgent need to establish the National Greenhouse Gas Inventory and a transparent Monitoring, Reporting and Verification system across sectors, as mandated by the new climate law.
- (ii)** Establish a legal framework for energy communities and support prosumers through simplified procedures and incentives.
- (iii)** Integration of climate-smart planning at local levels.
- (iv)** Enhancing grid capacity and storage systems to integrate solar and wind energy sustainably.

The GreenAL network of environmental CSOs and Levizja për Energjinë dhe Klimën (LEK)/Movement for Energy and Climate voiced strong opinions on the closure of the operations of the Thermal Floating Plants in Vlore.

7. Energy Efficiency and Just Transition in Buildings

The draft Law on Energy Performance of Buildings is a timely initiative aligned with EU Directive 2024/1275. However, implementation will face several critical challenges, as brought up by a joint statement of CSOs discussed in November 2024:

- (i)** Lack of baseline data and a national inventory of building stock.
- (ii)** Insufficient financial schemes tailored to vulnerable groups and local governments.

- (iii) Limited capacity of energy auditors and weak integration with housing and social policies.

CSO-s urged that the law be accompanied by a comprehensive implementation roadmap, as well as advice that:

- (i) The National Long-Term Building Renovation Plan to be finalized with adequate funding, followed by the same plans at municipal level.
- (ii) An Energy Efficiency fund is established as separate entity from the Albanian Development Fund.
- (iii) The justice dimension is included to prevent social exclusion and market disruption in the residential sector.
- (iv) Accelerate the digitalisation and registration of building energy data and implement the national solar rooftop subsidy scheme.

Moreover, CSO-s voiced concern that the urgency of developing more than 19 bylaws in one year is unrealistic.

7. Integrated Waste Management and Civil Society Participation

Despite attempting to align with the EU Waste Framework Directive, the proposed Law on Integrated Waste Management has lacked inclusive consultation and failed to address implementation realities on the ground. Environmental CSOs, as consolidated in a September 2024 roundtable of 22 organizations, call for:

- (i) Extension of the consultation period and public hearings as per Law 146/2014;
- (ii) Clear definitions of institutional roles (AKM, AKEM, LGUs);
- (iii) Operationalization of Extended Producer Responsibility (EPR) and “polluter pays” principles;
- (iv) Inclusion of performance indicators and regional waste plans with local capacities in mind.

This process exemplifies the broader democratic deficit in environmental policymaking, where civil society remains underutilized despite EU commitments to enabling environments.

8. Depollution of air, water, soil

Water, air, and soil pollution persist across urban and rural Albania, with limited efforts toward depollution or environmental restoration. Our data from the alternative environmental monitoring of air and noise pollution this year in Tirana, but historically in 6 main cities in Albania, showed for 2024 that 80% of monitoring stations in almost every monitoring round, recorded pollution levels above legal and international limits, of CO₂, NO₂, Particulate Matter, etc. Some recommendations in this regard include:

- (i) Develop and adopt a National Depollution and Remediation Plan aligned with EU standards.
- (ii) Integrate depollution goals with energy transition and climate adaptation strategies (e.g., targeting emissions from energy production, such as floating thermal plants in Vlora).
- (iii) Supporting development of Air Quality plans at local level.
- (iv) Supporting nature-based solutions, including green walls/roofs and Air pollution-tolerant plant species.
- (v) Advocating against urban densification

9. Science and research

The Smart Specialisation Strategy approval represents a key milestone in aligning national innovation priorities with EU cohesion and research policy. The establishment of the EIT community hub and the support of EU4Innovation have also been commendable in fostering an entrepreneurship innovation ecosystem. However, open science and open access practices are still underdeveloped, lacking a clear legal and institutional framework to support open science principles and FAIR data practices.

In addition, a number of organizations, universities, research centers, and think tanks are benefiting from EU research and innovation funds through various programmes designed to enhance knowledge generation and technological advancement, and close the research gaps with EU partners. Nonetheless, significant work is needed to effectively bridge the gap between existing research findings and innovations on one hand, and the needs of the government and business sector on the other. To maximise the impact of these initiatives, a structured approach is essential to ensure that the insights generated from research are translated into practical applications through collaborative forums and partnerships that can facilitate knowledge exchange.

More financing is needed to support civil society organizations (CSOs) to upscale as think tanks, promoting academia-business collaboration and fostering cohesion across society. By emphasizing this integration, Albania can better leverage its human capital and innovative potential, leading to more meaningful outcomes aligned with the country's development goals.