

## **FACTORS INFLUENCING THE DISTRIBUTION OF CONDITIONAL GRANTS IN ALBANIA**

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### **Abstract**

Nowadays decentralization is a central issue in Albania. Although, the new administrative reform implemented in 2015 create basis for improvements, attention should be paid to several issues emerged in the decentralization process during the last decades in order to better understand and implement the new reform. Local government units (LGUs) in Albania have always been financially depended on central government grants. More than 50% of the local government budgets in Albania rely on intergovernmental transfers. Local governments still encounter a number of challenges in providing public goods and maintain accountability towards their citizens. This study focuses on conditional transfers in Albania from 2002 till 2013, which are state funds allocated to LGUs for specific purposes, to achieve national objectives and to perform functions that central government delegates to local government. This study aims to analyze the factors impacting the funds distribution from the central government to the local government units within the framework of improved transparency and institutional accountability. Results highlight the fact that in Albania although the central government follows some principles of decentralization theories such as equity and efficiency, politics and electoral objectives of the incumbents do influence the allocation of intergovernmental transfers as conditional grants are tactically distributed towards supporters of the central government. However the central government changes its strategy during election years, since it turns its attention towards jurisdictions with weak party preferences when the electoral competition is strong. Some of the constraints identified in this paper should serve as a basis for the decentralization reform which has been undertaken the last two years and is being implemented in 2015. Despite the fact that some elements of the new reform create basis for improved management, (e.g. significant increase of LGU size), some of the constraints highlighted in this paper are to be considered during the implementation of the new reform.

**Keywords:** *decentralization, conditional transfers, local government*