

# INTER-MUNICIPAL COOPERATION AS AN ALTERNATIVE TOWARDS EFFICIENT PUBLIC SERVICE DELIVERY IN ALBANIA

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## ABSTRACT

This policy paper aims to analyze Inter-Municipal Cooperation (IMC) as an instrument for improved public service delivery in Albania. Firstly, this paper will screen the existing policies, legal framework and structures for IMC. It will further identify, analyze and evaluate inter-municipal cooperation development practices which have proved successful. Finally, it draws a set of policy recommendations for improved inter-municipal cooperation as a premise for efficient public service delivery.

This policy paper combines quantitative and qualitative methods while data collection is based on a reputational case sampling. Qualitative data are gathered via various study instruments such as key informants interviews and in-depth interviews, whilst conducting field visits in the municipalities and communes as selected case studies.

## Key words:

inter-municipal cooperation, social capital, efficiency, public service delivery

## INTRODUCTION

As the country is edging closer to EU candidate status, policy reform challenges for sustained socio-economic development are gaining increased attention by the policy community. Stimulating regional and rural economy, ensuring economic competitiveness of regions, alleviating development disparities, improving planning capabilities, efficient management of capital and social investments and strengthening capabilities of the regional/local public and private stakeholders represent some of the burning issues in the context of regional development in Albania.

Efficient local governance represents one of the most complex and challenging tasks for Albania. The European Commission (EC) Progress Report 2012 concludes that no progress was made with regard to local governance and reiterates the need for improvements and innovations in the functioning of the local government system, increasing its efficiency and effectiveness as well as raising the quality of public services that local governments provide to their citizens. Furthermore, the latest 2013 EC Progress Report for Albania draws attention to the difficulties of small Local Government Units (LGUs) in implementing development programs and projects. In this vein, it is important to acknowledge the value of Inter-Municipal

**Box I:****“Legal Framework  
on Local Governance”**

- **The Constitution of the Republic of Albania**, ratified in 1998 stipulates: “The organs of local government units have the right to form unions and joint institutions with one another for the representation of their interests.”
- **The European Charter of Local Self-Government of the Council of Europe**, ratified in 1998 stipulates: “Local authorities shall be entitled, in exercising their powers, to co operate and, within the framework of the law, to form consortia with other local authorities in order to carry out tasks of common interest.”
- **Law 8652, dated 31.07.2000: “On Organization and Functioning of Local Governments”** stipulates: “Any units of local government may delegate performance of any of its functions to another local government.”
- **Law No. 8653, dated 31.07.200: “On the Administrative-Territorial Division of Local Government Units of the Republic of Albania”** sets the boundaries of LGU-s in Albania.
- **Law No.10119, dated 23.4.2009, “On territorial planning”** stipulates “the local planning authorities of the local government units adjacent to the state border shall cooperate with the authorities of the same level of the border countries, if the measures that they take in the area of territorial planning may have one-way or two-way impacts, on this side of or across the border.”

Cooperation (IMC) in order for the LGUs to fulfill their main duties and responsibilities.

IMC is at an embryonic stage in Albania and there is limited discussion and policy discourse on the topic. Currently the attention is shifted towards the drafting of the new national administrative and territorial reform. Hence, at this very moment, further evidence based research and increasing public attention on IMC is essential before advancing with new reforms.

Albania has in place the necessary legal framework to successfully implement IMC. The government ratified the European Charter of Local Self-Government, adopted the Law No.8652 on the Organization and Functioning of Local Government, and a National Strategy on Decentralization and amendments in several sectoral laws. However, when it comes to the texture of regional and local organization into units, the country is highly fragmented, which increases the need for heavier application of IMC.

The map of local government structure is diverse with regard to size, technical capacities and provision of public services. The Law No. 8653 “On the Administrative-Territorial Division of Local Government Units of the Republic of Albania” recognizes 65 municipalities covering the territories of urban areas and 308 communes covering the territories of rural areas of the country. These constitute the units of the first level of governance. The second level of governance is composed of twelve counties composed of municipalities and communes that share geographical proximity, economic and social features and common cultural traits.

The number of LGUs is relatively high in proportion to the national territory and most of municipalities and communes are

of small size and unable to provide the assigned services in unilateral action. The high fragmentation leads to distinct disparities between the LGUs and their ability to provide public services for their citizens. Disparities are noted among LGUs based on the geographical position, size, number of the population, economic and community resources. The remote LGUs have less access to capital investments of infrastructure, water supply and sewage system, waste management, etc. The small-sized municipalities and communes suffer from population outflows and limited resources. LGUs lack resources and infrastructure, making it extremely hard for the local authorities to provide high quality services for their constituents, thus halting the regional development process and increasing disparities between the core and the periphery.

This policy paper aims to analyze the current state of IMC in Albania, and to identify, analyze and evaluate IMC development practices which have proved successful. The paper will draw useful findings and provide recommendations for further development of IMC in the country.

## 2. DEFINING INTER MUNICIPAL COOPERATION

Inter-municipal cooperation is a relationship between two or several local authorities (i.e. entities at the first level of territorial administration) having a status of legal persons, endowed with competences, powers and resources in accordance with the European Charter of Local Self-Government.<sup>1</sup>

The importance of IMC lies in addressing the numerous challenges faced by local authorities in the context of decentralization and globalization.<sup>2</sup> IMC allows LGU's to jointly manage and

### THREE DIMENSIONS OF IMC



coordinate important services in areas such as urban, spatial and development planning, environmental protection, economic and sustainable development, and agricultural and food production among others.

Herewith, IMC is analyzed based on a three-dimensional approach: economic, socio-political and legal. The economic dimension consists in the economic structure of the territories involved and in enhancing their economic competitiveness. Scholars (Bel and Fagenda:2006; Slack:1997) agree that the economies of scale for the service provision of many municipal entities allows for reduction of costs and better services. The municipalities will opt to provide the public services at local level with cost advantages due to the expansion of the network of units and also lower transaction costs. Slack (1997:1) notes that "the larger the population being served, the lower the costs per capita for services such as water, sewers, and roads." The legal dimension consists of institutional relationships among the central and local government, which determines the feasibility of IMC and local decision-making and contributes to the joint delivery of services. The socio-political dimension consists of socio-cultural aspects such as level of trust, common culture, skills and tradition, which allow for common understanding and establish a sound basis for efficient cooperation. Mayors and local officials will be likely to put their best

<sup>1</sup> Inter Municipal Cooperation: Toolkit Manual, 2010, p.7.

<sup>2</sup> Congress of Local and Regional Authorities. Recommendation 221, 2007, Institutional Framework of inter-municipal cooperation, Art.4, p.1.

efforts so that they could be re-elected by the local population. There is a continuous interaction between the local community and the representative institutions. If neighboring local government units cooperate, knowledge spillovers might take place from one LGU to the other.

IMC goes in line with the autonomy of the LGUs. IMC can help local authorities to cope with market constraints and growing demand for better and qualitative service delivery at the local level. IMC can be complementary with territorial and decentralization reforms.<sup>3</sup>

However, IMC can also trigger some problems with regard to arising democratic deficits and the questioning of legitimacy. Tax revenues collected from citizens and local businesses will not solely benefit them, but rather serve to another community. This problem known as “catchment area” is a matter to be consulted with the multiple stakeholders if the services result unsatisfactory. There are also relational and socio-cultural aspects such as the level of trust, a common culture as well as skills and tradition to be considered in order to establish a sound basis for efficient cooperation. If social capital is lacking, then the cooperation might be considered problematic. Agents’ capacities and their political commitment have a direct impact on the success of IMC. Lack of trust between stakeholders can hamper the cooperation and slow down the process. However, if implemented with patience and on a wide scale, these issues can be overcome.

**Territorial consolidation** can stand as an alternative policy option to IMC, offering a number of comparable advantages. According to Swianiewicz<sup>4</sup>, LGUs resulting from a territorial reform have the capacity

to provide a wider range of functions at the local level. Due to the economy of scale, larger LGUs offer more effective and less expensive services. Swianiewicz reinforces the territorial consolidation reform with additional arguments namely, the lower income disparities among municipalities which reduces the pressure for equalization systems and eliminates problems of free-riding.

Nonetheless, it would be more difficult to have a participatory territorial consolidation reform compared to the inter-municipal approach. Local actors would not wish to resign easily from their political power and the consolidation reform implies risks of losing job positions. Local communities might resist consolidation reforms as this might undermine the transparency, responsiveness and accountability of local governments, which can be more inherent in small and decentralized local government units.

IMC can be achieved more easily by the communities that wish to create benefits for their citizens, which is why it could be the preferred scenario in the short- to medium-term run. IMC on the broad scale can then lead to more thorough territorial consolidation at a later stage.

## INTER MUNICIPAL COOPERATION TRENDS

In many countries, IMC is seen as an excellent mechanism to achieve efficient local governance. Exchanging expertise, resources and facilities between local authorities of different municipalities or communes helps to resolve the imminent issues in local areas by providing the required services at a much lower cost and at a higher quality. Current IMC trends in Western European countries focus on improving efficiency of joint institutions

<sup>3</sup> Inter - municipal Cooperation: A viable Alternative to Territorial Amalgamation” Robert Hertzog

<sup>4</sup> Territorial Consolidation Reforms in Europe, Pawel Swianiewicz



as well as increasing their accountability and representation. Highly integrated, mainly public – law model based, on specific inter-municipal entities with their own legal personality have been established in France, Spain and Portugal. In other countries such as Lithuania, Bulgaria and the Czech Republic, a more flexible model, mainly founded on the freedom and autonomy of LGUs to organize cooperation based to their needs has been introduced.

A growing need for IMC is also noted in the Western Balkan countries. In Macedonia, a Memorandum of Understanding in the area of Inter-Municipal Cooperation was signed between the Ministry of Local Self-Government and the Local Government Associations in 2007. Further, a joint Commission for Inter-Municipal Cooperation was established with the purpose of coordinating activities related to IMC in Macedonia.

In Albania, the legal framework provides for the establishment and functioning of IMC. Even though a specific law on IMC does not exist, the existing legal base sets some positive legal rights. Local government units are not bound by any negative legal right and/or prohibition such as territorial size, population, financing mechanisms etc. before initiating an IMC process.

Some of the basic problems with the establishment of IMC in Albania include:

- There is lack of awareness on the opportunities and benefits that IMC brings and limited technical knowledge and expertise at the municipal and communal level.
- The secondary legal framework is not explicitly defined and procedures are not clear for LGUs. LGUs need to have detailed procedures to follow for joint agreements and tendering processes when engaged in IMC

initiatives.

- Templates of inter-municipal cooperation statutes and agreements are missing. Their provision enhances capacities of local officials and supports IMC initiatives.
- There are no formal incentives for Albanian LGUs to enter into IMC, such as formal support for capital investment of joint inter-municipal structures (joint offices) and management of inter-municipal bodies by central government authorities.

## SUCCESSFUL IMC CASES IN ALBANIA

As IMC is still embryonic in Albania, there is not sufficient data on IMC developments. There have been attempts of the Council of Europe Office in Tirana to capture and analyze IMC cases. A survey<sup>5</sup> carried out to establish an IMC inventory identified between 24 and 37 agreements with varying degrees of formalization between different Albanian municipalities and communes.

Among the inventory of IMC initiatives in Albania, two cases – the Zadrime Inter-Communal Association and the Berat-Kucova Water Management Enterprise – have been selected for the purpose of this analysis based on the recommendations of consulted experts and key informants. Specifically, these IMC structures considered as impactful are intended for delivery of a certain public service (waste management in Zadrime and water management in the Berat-Kucova case) and they do operate in different forms. Zadrime operates as a non-profit organisation and Berat-Kucove as a shareholder public company. The number of the constituent

<sup>5</sup> Albania: Baseline Assessment Report on Inter Municipal Cooperation, Programme on Reinforcing Local and Regional Government Structures in Albania, Council of Europe Office Tirana

local government units is approximate the same, six for Berat-Kucova and five for Zadrime. The comparative method used in these two case studies allows for a thorough analysis of their similarities and differences, while also provides general observations that find a broader application.

Analysis shows that both cases of IMC have fulfilled the preconditions for a functioning inter-municipal cooperation: (i) social capital of the participating local government units which affects the feasibility of the intended local public service, (ii) economies of scale affecting the efficiency of the offered local service and (iii) joint actions undertaken by the involved stakeholders of IMC contributing to the quality of services at local and regional level. These preconditions have been briefly summarized in Annex 1.

The first case study on Zadrime IMC describes a voluntary initiative covering the territory of five LGUs situated in the northeastern part of Albania<sup>6</sup>: The geographical boundaries of this IMC case go beyond a single county within Albania because the Municipality of Vau i Dejës and the Communes of Bushat and Hajmë belong to the County of Shkodër, while the Communes of Dajç and Blinisht are under the regional administration of the County of Lezhë. The total population of the five local government units being served is 55,190 inhabitants. Members have opted for a non-profit organisation as the legal form of the cooperation. The main aim of the Inter-Communal Association of Zadrime is to encourage social and economic development of Zadrime through coordinated interventions among the member LGUs. The Association can perform tasks according to the Statute only if authorized by a qualitative majority of its members. The areas of competence

vary across the economic and urban sectors, but the association is mainly tasked with the joint waste management system of the region. The collaboration among these LGUs dates back to the assistance provided in the framework of the development projects funded by the Italian region of Tuscany since 1999. The Zadrime IMC has been designed based on the Italian model of Val di Cornia, a collaboration of five Italian communes in the Region of Tuscany with similar geographical and demographic features. The Association is located in the Commune of Dajç. The staff is composed of the President of the Inter-Communal Association, who is managing the programmatic and operational activities, a person responsible for waste management who monitors the performance for this public service and three workers engaged in the collection of waste when the service is offered in the targeted areas. The Steering Committee composed by the Mayors of the five local government units is the decision-making body of the Association. The members pay a membership fee and an annual fee to the Association to cover the costs of the waste collection and management service.

The second case study of Berat-Kucova IMC analyses the joint initiative of these two municipalities and four communes (Vertop, Otlak, Perondi and Kozare) situated in the County of Berat, in the southern-central part of Albania. This cooperation is embodied by a joint shareholder company Kucova-Berat Water and Sewage (SHA Ujësjetës-Kanalizime Berat-Kucove), which provides water supply, sewage collection and processing for the above mentioned units and a population of 133, 291 inhabitants.

This joint company was created by the merger of the previous companies SHA UK Berat owned by the Municipality of Berat, Commune of Vertop and Commune of Otlak and SHA UK Kucove owned by the Municipality of Kucove, Commune of

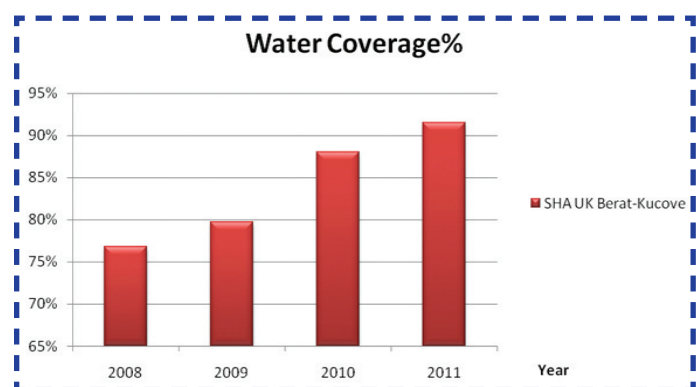
<sup>6</sup> Albania: Baseline Assessment Report on Inter Municipal Cooperation, Programme on Reinforcing Local and Regional Government Structures in Albania, Council of Europe Office Tirana

Perondi and Commune of Kozare. Both companies were founded separately on 19.11.1992 based on the Law No. 7638 "On Commercial Associations." The merger act has been registered in the National Registration Center on 19.05.2008 and it stipulates the changes of the statute of the SHA UK Berat as the absorbing company. The creation of the joint company Berat-Kucove Water and Sewage Management (SHA UK Berat-Kucove) is considered as a form of IMC because of its founding members being LGUs. The ownership structure of the stocks determines its character as a public commercial company, owned by the local government units concerned. The decision making process is led by the members of the Shareholders' Assembly composed by the local government units mentioned above. The steering structures of the company are composed by the Supervisory Council elected by the Assembly of Shareholders and the General Director.

In both cases, cooperation was induced by external actors, but the approach differed extensively. Regarding the first case of Zadrina, COSPE, an Italian development NGO, worked closely with local government units to convince them on the benefits of the cooperation. In the second case, the German Bank KfW Bankengruppe as a financing investor put pressure on the local government units that if they did not merge the companies the investment foreseen for Berat and Kucova in the framework of the project "Supplying the central part of Albania with drinking water" would be interrupted. This pressure was due to the negative economic performance of both companies. Even though IMC cooperation was triggered from outside actors, its implementation relied heavily on bonding and bridging social capital as a basis for the socio-political dimension of IMC. With regard to legal implications, when IMC initiatives are implemented in a given region they are also followed by legal

upgrading. This was the case for both Zadrina and Kucove-Berat IMCs, as they represented two examples of resolving local concerns and improving service delivery. Moreover, the IMC implementation led to greater efficiency of human resources management.

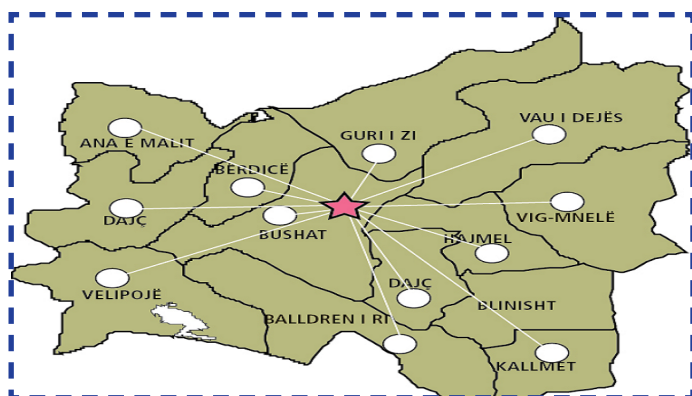
From the analysis we can derive that the implementation of the IMC model in Albania contributed to the reduction of expenses, increase of the service coverage area and improved financial performance. Key indicators such as service coverage, sharing of capital investment costs, collection and transport costs, human resources costs as well as tax collection rate demonstrate promising developments enhanced by IMC in Zadrina. Similarly, water coverage in Berat and Kucova, considered as an indicator of the degree to which a supplier meets the needs of the residents in its defined service area has increased from 2008 to 2010 by 14.71%. As the chart on water coverage indicates, in 2008 SHA UK Berat-Kucove provided water supply to only 76.81% of the area's population. In 2009 there was an increase



by only 2.91% compared to the previous year. While in 2010 a higher increase was witnessed with 87.99% of the population receiving water supply; 2011 had the highest increase in service provision within the whole study period. In 2010 there was a 3.52% increase in the percentage of population profiting of water supply, taking the overall percentage to 91.51%. From 2008, which is considered as the starting year of IMC until 2011, one can

thus notice a continuous increase. Other indicators such as water production, water sale, average price per m sold and direct operational costs per m<sup>3</sup> of water and sewage sold have greatly improved.

In the other case of Zadrime, one can distinguish several costs that occur for the waste management service, such as: capital investment costs, operational costs, personnel costs, deposit costs/ landfill, depreciation costs. The comparative advantage of the LGUs consists in the



fact that they are situated in a physical proximity to the landfill of Bushat. The distance from the landfill varies from 6 km for the Commune of Bushat, 12 km for the Municipality of Vau i Dejës, 20 km for the Communes of Blinisht and Dajc and 24 km for the Commune of Hajmël. The five LGUs are among those that can transport the waste directly to the landfill due to physical proximity.

The data suggest that the five LGUs of the Inter-Communal Association of Zadrime share capital investment costs, operational costs and personnel costs. This results in a measurable reduction of cost than if the service would be provided by each LGU with its own limited resources. Studies of the total costs for each of them and the total costs of the service provision by the IMC structure indicate the difference and the comparative advantage. The municipality of Vau i Dejës was the only LGU from the members of Inter-Communal Association of Zadrime that has conducted such a study. Referring to it, the total costs for this service delivery amounts to 3,050,375 ALL without VAT and 4,309,562

ALL including VAT. In 2011, according to the statistical data of the Inter-Communal Association of Zadrime the service costs of Municipality of Vau i Dejës is 1,507,746 ALL, the membership costs 300,000 ALL and the total costs 1,807,746 ALL. From the above mentioned, one can conclude that the costs of the waste collection, transportation and deposit are 2.5 times less if offered by inter-municipal cooperation.

Despite the positive achievements of these IMC initiatives, the full efficiency of the joint inter-municipal structures has still not been reached yet. This requires a maturity in the inter-municipal cooperation process, an enabling legal environment and clearly set rules and procedures.

## CONCLUSIONS

Policy makers in Albania have identified the problem of the high fragmentation of the territory into small and (most of them) inefficient LGUs, thus directing the policy discourse towards and preparing to introduce a territorial reform through a top-down approach. This policy paper advocated for IMC as the preferred scenario in the short- to medium term, whereby its successful implementation would lead to a more thorough territorial consolidation at a later stage.

IMC cannot be the solution to all local development challenges, but it certainly does contribute to efficient and qualitative local public services. Even though there are no legal impediments for the LGUs to engage in IMC, such an approach is rarely adopted and if so, it remains mainly on sporadic levels and highly dependent on external factors. The analysis of two cases of IMC in Albania clearly shows that such an approach is welcomed by the citizens, and it can prove successful in pooling resources and providing better and more



efficient public services to inhabitants. IMC would best serve to the Albanian LGUs in the actual conditions of small size and lack of financial and technical resource.

## RECOMMENDATIONS

- Undertake a preliminary assessment of possibilities to establish IMC according to the criteria suggested, feasibility, efficiency and quality of public service delivery.
  - The secondary legal framework needs to be explicitly defined and provide the list of competences that must be transferred, as a minimum, to the IMC entity.
  - Templates of inter-municipal cooperation statutes and agreements should be clear and accessible for LGUs
  - Central Government institutions should coordinate and establish a national program to support LGU's in establishing IMC.
  - Identification of human resources and a national pool of expertise for transferring their knowhow and skills to the administrations at local and regional level. They can undertake a series of trainings and provide guidance for legal, institutional and financial implications.
  - Awareness raising campaigns at the regional level should inform stakeholders on the benefits of IMC in comparison to the status quo as well as provide information on a sustainable and effective approach for IMC establishment.
  - LGUs need to be encouraged with supply side and/or demand side incentives
- to undertake capital investments and ensure maintenance with their own resources after a defined period of time of acquiring external support.
  - Carrying out public surveys and/or focus groups as well as citizen juries in each LGU involved in IMC structures provides essential information on the opinion of citizens. Local leaders engaged in IMC actions need to verify if they are fulfilling citizens' expectations.
  - A monitoring scheme can be established for enhancing further efficiency indicators and awarding the best IMC practice as a model for other IMC structures.

**Annex 1: A comparative table of two IMC case studies**

	<b>Inter-Communal Association of Zadrime</b>	<b>SHA UK Berat- Kucove</b>
Social capital	Bonding + bridging social capital	Political willingness and commitment
Duration of formalization process	3 years	3 months
Legal form of the IMC	Non-Profit Organisation with membership	Public Commercial Company with shareholders: Municipality of Berat, Municipality of Kucove, Commune of Vertop, Commune of Otllak, Commune of Perondi, Commune of Kozare
Scope of IMC	<p>The scope of the IMC goes beyond the public service delivery of the waste collection and management. The IMC is engaged in:</p> <ul style="list-style-type: none"> <li>• Designing regional policies to promote community development of the area</li> <li>• Enhancing management capacities of local administrations through inter-institutional-local cooperation</li> <li>• Strengthening capacities to offer community services such as strategic planning, waste management and initiating regional social and cultural activities.</li> </ul>	<p>SHA UK Berat-Kucove aims to ensure:</p> <ul style="list-style-type: none"> <li>• Supplying and/or purchasing drinking water to consumers, being residents in the shareholder LGU-s ;</li> <li>• Maintenance of the water supply system;</li> <li>• Production and/or purchasing water to fulfill needs of consumers;</li> <li>• Provision of the service of collecting and treating sewage;</li> <li>• Maintenance of the sewage system.</li> </ul>
Human resources engaged for the public service delivery	5 persons	271 employees in total; 178 employees for the Berat sector and 93 for the Kucova sector.

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