

STRENGTHENING OR WEAKENING LOCAL GOVERNANCE?

Proposals for a new law on LPEs and challenges in municipal service management in Albania

Illustrations from the waste management sector



Arben Kopliku

Component Manager at the BtF project in Albania, Helvetas

Valbona Karakaçi

Regional Advisor for the Western Balkans, Helvetas

The history of municipal enterprises in Albania and decentralization

Communist regime (until the 1990s): Waste management delivered by state-owned municipal enterprises (Ndërmarrjet Komunale). After 1992 (the first local governance law), the responsibility for public services was transferred to municipalities; services are still run by inherited communal enterprises.

During the '90s, the main challenges were a lack of funding, weak technical capacities. Declining service quality pushed municipalities to outsource to the private sector.

After 2000, with new laws and decentralization reforms, municipalities became fully responsible for waste collection, removal, and treatment within their jurisdiction.

After TAR (2015), besides outsourcing the service, municipalities started to experiment with other forms of service provision, such as creating their own local public enterprises (LPEs), PPPs, and joint intermunicipal enterprises.

Municipalities, LPEs, and the legal framework

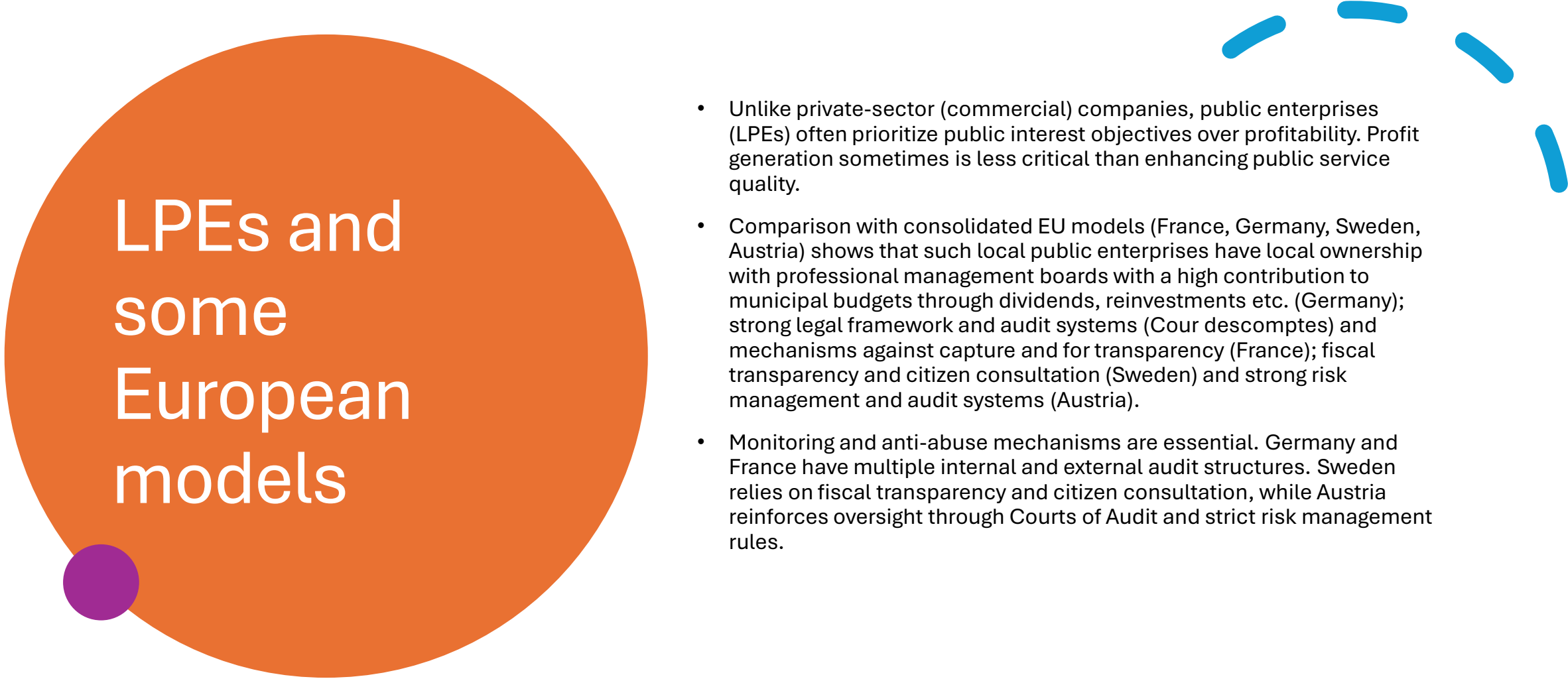
- As per Law No. 139/2015 municipalities are responsible for delivering public services either through their own administrative structure or through public service enterprises, public-private partnerships, or commercial companies wholly or partially owned by the municipality.
- Municipalities organize waste services through administrative units, municipal companies, and public-private partnerships (PPPs).
- Approximately 54 LPEs are operating within a commercial framework, fully owned by municipalities in managing local markets, waste management, parking administration, and sports and cultural services.
- PPPs, mainly involved with municipalities with minority responsibilities in service provision, especially in managing waste infrastructure such as incinerators.

Tendencies (1) – who delivers better?

- Since the 2015 territorial reform, larger municipalities increasingly deliver services through their own enterprises.
- Limited contract flexibility and substantial financial power of private companies have forced municipalities to find alternative instruments to apply their duties properly.
- Such a tendency is based not mainly on efficiency arguments, but also on the will of municipalities to have more control over the service provision, more job opportunities and social care, flexibility, and more freedom to apply innovations compared to the outsourced services.
- According to the 2024 AMVV report, municipalities using outsourced services (subcontracting) for waste management performed better than those relying solely on public service delivery, both in terms of coverage and cost recovery.

Tendencies (2) – biggest challenges

- lack of transparency
- red flag procurement processes
- overpriced contracts and poor contract enforcement
- enterprises do not publish financial data, service coverage rates, or environmental performance metrics
- external audits are rare
- the appointment of managers is often politically influenced
- in some cases, LPEs function more like clientelist structures than professional public service providers
- investigated PPPs and municipal waste tenders, have identified frauds, overpricing, and misuse of public funds



LPEs and some European models

- Unlike private-sector (commercial) companies, public enterprises (LPEs) often prioritize public interest objectives over profitability. Profit generation sometimes is less critical than enhancing public service quality.
- Comparison with consolidated EU models (France, Germany, Sweden, Austria) shows that such local public enterprises have local ownership with professional management boards with a high contribution to municipal budgets through dividends, reinvestments etc. (Germany); strong legal framework and audit systems (Cour descomptes) and mechanisms against capture and for transparency (France); fiscal transparency and citizen consultation (Sweden) and strong risk management and audit systems (Austria).
- Monitoring and anti-abuse mechanisms are essential. Germany and France have multiple internal and external audit structures. Sweden relies on fiscal transparency and citizen consultation, while Austria reinforces oversight through Courts of Audit and strict risk management rules.

Reflections for a new law on LPEs in Albania

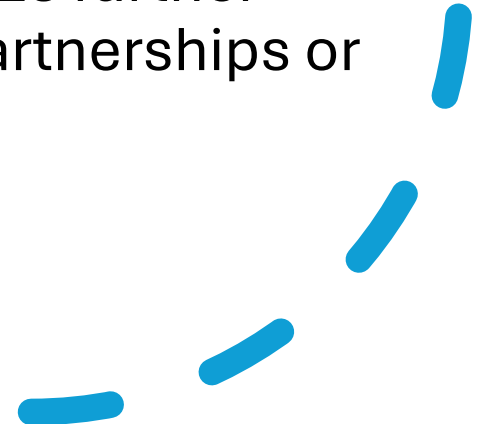
- A new legal framework should strengthen municipalities' entrepreneurial capacity and clarify governance for local public enterprises (LPEs).
- Why a new law on LPEs?
 - Clearly defines the roles, governance, and reporting obligations of LPEs, which could standardize organizational models
 - Attract foreign investment, and allow enterprises to access external funding opportunities
 - Overcome limitations in organizing public enterprises solely as commercial companies which are linked with rules regarding governance, decision-making processes, oversight, and managerial accountability.

Recentralization tendency in the MSW sector: enlarging competencies of the Central Government Agency

- On October 16th, 2025, parliament adopted the law on IWM that acknowledged the national agency for the economy of waste (AKEM) as a central public institution in the form of a shareholder company, subordinate to the minister responsible for the environment, responsible for the final waste treatment infrastructure.
- The new Law removes from municipalities the competence for waste treatment, transferring this responsibility to the AKEM, aiming to centralize the management of waste treatment facilities and ensure a more unified and controlled approach at the national level (Hungarian model??).

Open questions

1. How present are such limitations in public services provided by public enterprises operating solely as commercial companies?
2. What are the problems associated with transforming municipal activities into companies?
3. Since municipalities in Albania are heavily dependent on state transfers, if service quality declines, will the steps toward LPEs further open the door to public-private partnerships or even full privatization?





Thank you for your attention.