

Administrative Reform as an Essential Instrument for Socioeconomic Stability in, Albania

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Abstract: - Administrative reforms constitute essential instruments for both economic development and effective state governance. While a positive relationship exists between the implementation of administrative reforms and economic growth, this relationship is neither automatic nor direct. The mere adoption of reforms does not guarantee economic development; rather, reforms must be implemented in a coordinated manner, aligned with political conditions and supported by a broad set of economic parameters. Albania represents a characteristic case where recurrent political transitions and institutional restructuring have made administrative reform a continuous and indispensable process. The findings reveal several important conclusions. Political stability is found to have a negative effect on real economic growth, highlighting the complex and non-linear nature of political-economic interactions. Public debt exhibits a dual role, exerting a positive impact in the long run while generating negative effects in the short term. Moreover, the year 2012 emerges as a structural breakpoint in the Albanian economy, indicating a shift in the growth regime.

Key-Words: - reforms, economic growth, socio-economic stability, public debt, tax revenue, political-economic interactions

Received: June 11, 2026. Revised: July 13, 2026. Accepted: August 5, 2026. Published: September 21, 2026.

1 Introduction

Administrative reform is conceptualized as a set of coordinated actions aimed at improving the functioning and performance of public institutions. Such reforms are inherently dynamic, continuously evolving in response to economic, political, and social transformations. As a result, administrative reforms play a critical role in shaping fiscal effectiveness and institutional quality, thereby influencing long-term economic growth trajectories. Historically, the role of the state has evolved significantly: from an entity primarily responsible for safeguarding citizens' security to a more complex institutional system [1]. Within this evolution, structural change grounded in policy and administrative capacity has emerged as one of the most influential determinants of successful reform implementation [2]. In countries undergoing systemic transitions, particularly those emerging after the collapse of communist regimes, administrative reforms were largely unavoidable, serving as critical turning points in governance structures and economic development paths. While some cases reveal positive associations between institutional quality and per capita economic growth, as well as reductions in corruption and poverty, these outcomes lack a unified and standardized theoretical framework [3].

1.1 Administrative Reform

Administrative reform is inherently a political process aimed at mitigating the adverse effects of bureaucratic inefficiencies, improving service delivery, and strengthening the overall functioning of the state. In this sense, it represents an interactive framework involving government, citizens, and political institutions [4]. Historically, administrative reform has frequently been associated with efforts to enhance public sector efficiency, often through technical assistance programs directed at developing countries [5]. Countries characterized by higher levels of openness tend to exhibit more effective public administrations, reflecting the disciplining effects of transparency and external competition [6]. Studies of new EU member states demonstrate a positive association between institutional quality and export strategies, with institutional improvements playing a critical role in supporting firm-level internationalization, particularly among small and newly established enterprises [7], [8]. The administrative process is inherently complex, aiming to ensure citizen well-being, deliver high-quality public services, and foster the cultural and economic development of a country [9]. States pursue

sustainability not only in functional terms but also in dynamic operational aspects; however, such outcomes cannot be achieved without clearly defined rules and procedures that guide the execution of administrative reforms [10]. To realize the objectives of administrative reforms, public administrations employ systematic control mechanisms that evaluate outcomes, service quality, legal compliance, and performance, including before-and-after analyses and comprehensive 360-degree assessments [11].

1.2 The impact of administrative reforms on the economy

Government involvement in economic development through administrative reforms has become increasingly essential, particularly in transition and post-communist economies. The importance of this relationship is underscored by the structural role of administrative reforms, which highlight how political commitment and administrative capacity jointly determine the effectiveness of state-led policy implementation [2]. Empirical studies of post-communist transitions consistently emphasize the pivotal role of administrative reforms in facilitating economic transformation, with governments acting as key agents in guiding economies [12]. A well-qualified and professional public administration supports the development of human capital and enhances resource efficiency, thereby fostering sustainable economic growth. Conversely, weak administrative capacity is associated with pervasive corruption, excessive bureaucracy, and constrained economic development [13].

1.3 Albanian reforms and economy

Law No. 115/2014, "Territorial and Administrative Division of Local Government in the Republic of Albania," marked a significant milestone in post-communist Albania. Central to the reform was the decentralization of functions, which empowered local units to participate in decision-making alongside central government authorities [14]. Decentralization in Albania reflects a broader post-communist trend, serving as a countermeasure to authoritarian centralization and as a step toward democratization [15], [16]. The Albanian economy has experienced significant fluctuations, shaped by the country's transition since 1990. Despite these challenges, the Albanian government has consistently pursued reforms. Key macroeconomic indicators of Albania include a population of 2.4 million, GDP of \$27.3 billion, GDP per capita of \$11,389.7, and life expectancy of 76.8 years. Inflation stood at 2.2%, largely due to import price pressures. The current account deficit was 3.7% of GDP, projected to reach

4.1% by 2027, reflecting both the positive impact of reforms and the balancing role of exports in containing the deficit. Administrative reforms have also guided fiscal strategy, exemplified by the Revenue Strategy 2025–2027, which projects public debt at 52.8% of GDP. The currency effects are a very important factor for the economy. This observation aligns with findings by [8], who highlight the significant role of the euro–all exchange rate in shaping macroeconomic stability. Inflation remains another critical determinant of economic performance in Albania, affecting key sectors such as banking and finance [17]. Likewise, the base interest rate and the monetary policies of the Bank of Albania influence both economic growth and the scope for administrative reforms [18].

2 Methodology

2.1 Research Questions

The paper addresses several interrelated research questions:

First, does government expenditure exert a positive effect on GDP growth? Second, do tax revenues significantly influence economic growth? Third, does public debt have a negative impact on GDP growth?

2.2 Research Method

The methodology of this study draws upon the approach of [19], focusing on the effects of administrative reforms on economic development by examining multiple governance and economic indicators. The dependent variable is real GDP growth, chosen to capture economic performance while minimizing distortions from exogenous shocks. The independent variables measuring the effectiveness of administrative reforms include Political Stability and Absence of Violence (PS), Voice and Accountability (VA), Government Effectiveness (GE), and Regulatory Quality (RQ) [20]. Economic variables include public debt, representing the efficiency of reforms in fiscal management, and tax revenues, reflecting government income and expenditure [21]. The study period spans January 2003 to December 2023, encompassing 252 monthly observations. For variables reported annually, values were converted to a monthly format through averaging. Data were sourced from INSTAT, the IMF, and the World Bank. The ARDL framework captures dynamic interactions, incorporating error correction mechanisms to identify both immediate

and sustained effects of fiscal and governance variables on real GDP growth.

2.3 Data Analysis

The research aims to explore the administrative reform in the economy. To provide a nuanced analysis, three distinct subperiods were examined: 2003–2011, 2012–2023, and 2003–2023. This segmentation accounts for differences in political leadership—Democratic Party governance from 2005 to 2011 and Socialist Party governance from 2012 to 2023—and allows for comparison of short- and long-term impacts of reforms under varying political contexts. The Autoregressive Distributed Lag (ARDL) model is selected for its suitability in assessing both short-term and long-term relationships, particularly when variables exhibit mixed levels of stationarity $I(0)$ and $I(1)$.

2.4 Research Limitations

Despite its contributions, this study is subject to several limitations. First, the governance indicators are largely perception-based, reflecting public and expert assessments rather than purely objective economic measures. Second, the temporal scope of the analysis does not cover the entire post-communist transition period. Third, although the model incorporates key fiscal, institutional, and governance variables, it does not account for all structural, political, and external factors that may influence economic performance.

3 Data Analysis and Research Findings

The data analysis in this study employed multiple methods to ensure a comprehensive assessment of administrative reforms. The first method applied was Ordinary Least Squares (OLS), used to conduct a preliminary examination of the relationships among variables. To capture the effects of political and economic changes over time, the analysis was segmented into three distinct periods: 2003–2011, 2012–2023, and the full period 2003–2023. From this analysis has resulted that for 2003–2011, C exhibits a positive and relatively stable average, while for 2012–2023, the average growth is higher but accompanied by greater variability, and for the full period 2003–2023, the average is lower when both sub-periods are combined. Regarding government spending, the results indicate an increasing negative effect of government spending on economic growth, suggesting inefficiencies in fiscal allocation, particularly after 2012. For governance effectiveness (GE), the evidence indicates that prior to 2012,

governance had a negative impact on reform efficiency, whereas post-2012, improvements in perceived government effectiveness contributed positively to economic growth, coinciding with administrative reforms and government transitions. Voice and accountability (VA) also show a notable change, demonstrating that citizen participation and democratic accountability significantly improved after 2012, positively influencing economic growth. Political stability (PS) findings indicate that declines in perceived political stability post-2012 negatively affected economic growth, highlighting the influence of broader political dynamics on economic performance. Regulatory quality (RQ) shows a positive coefficient; this indicates that regulatory quality contributed positively to growth before 2012 but deteriorated thereafter, resulting in negative effects on economic growth, reflecting citizens' perception of state functions and reforms. Total debt suggests a modest positive effect on growth, implying that public debt functioned as a fiscal stimulus. Total revenue demonstrates consistent positive effects, indicating that increases in tax revenues contributed sustainably to economic growth, independent of citizen perception. Model explainability shows that the pre-2012 period explains approximately 80% of the variation in growth, whereas post-2012 explainability declines, suggesting increasing economic complexity and the influence of additional variables. To identify potential structural breaks affecting administrative reforms, the Chow breakpoint test is applied. Based on Table 1, it has been found that there is a break point in the period January 2012.

Table 1. Chow Breakpoint source author's calculation

Indicator	Value
F-statistic	10.55126
Log likelihood ratio	77.05401
Prob. F (8,236)	0.0000
Prob. Chi-Square (8)	0.0000

Source: created by the authors

Statistically, the results indicate that the coefficients before and after 2012 differ significantly, suggesting that the relationships between the dependent and independent variables have changed. This shift is closely associated with political transitions and the administrative reforms undertaken between the two periods. While economic and structural factors may have contributed to these changes, the reforms implemented by successive governments played a decisive role in shaping these dynamics. The identification of a structural

breakpoint reinforces the rationale for dividing the analysis into three distinct periods. In Albania, governments typically remain in power for approximately eight years before political rotation occurs, providing sufficient time to implement reforms and evaluate their outcomes. This supports the application of the ARDL and ECM framework, as the structural break clearly affects the volatility of Real GDP Growth, influenced by fiscal reforms such as those in 2013–2014, alongside political changes. After applying the ADF test, all variables were found to be stationary at the first difference. Based on trend analysis, Real GDP growth shows a downward trend before 2012, while after 2012 it exhibits both upward and downward fluctuations, with the COVID-19 pandemic period requiring special consideration. For the ARDL model to be optimal for forecasting and serve as a reliable analytical tool, it must undergo several diagnostic checks, including an assessment of heteroskedasticity, which examines the variability of the residuals. Based on the Breusch-Pagan-Godfrey test, the F-statistic = 26.756 ($p < 0.001$), the Obs R-squared = 153.985 ($p < 0.001$), and the Scaled Explained SS = 2473.077 ($p < 0.001$), meaning that the residuals are heteroskedastic. This implies that the variance of the residuals changes depending on the explanatory variables. Examining the coefficients of the regressors, some variables in the first difference significantly impact residual variance: both the total debt variable and its first difference exhibit strong positive and negative effects ($p < 0.001$), demonstrating that public debt levels statistically contribute to residual variation. Other variables, including PS, PS (-1), VA, VA (-1), RQ, RQ (-1), GE, GE (-1), and Government Expenditure and its lag (-1), each have distinct effects on heteroskedasticity. These findings suggest that using standard coefficients in OLS analysis may yield inaccurate confidence intervals and t-tests. Autocorrelation was tested, yielding Prob. F (1,234) = 0.4359 and Prob. Chi-Square (1) = 0.4195, which is above the 0.05 threshold, indicating that the residuals are not temporally correlated. This confirms that the dynamic effects are captured accurately and that the coefficients are not distorted by autocorrelation. To further assess the reliability and stability, the CUSUM test will be applied. The coefficients of the model are stable and exhibit no structural breaks, confirming the suitability of the model for analysis and decision-making. To address potential issues of heteroskedasticity and autocorrelation, the ARDL model with robust error correction was applied.

The results of this correction test are as follows:

$$(1) \text{CE} = \text{Real GDP Growth}_{(t-1)} - 0.004136 * \text{Total Debt}_{(t-1)} + 0.000262 * \text{Total Revenue} - 12.234498 * \text{PS}$$

$$_{(t-1)} + 13.016769 * \text{VA}_{(t-1)} - 6.638456 * \text{RQ}_{(t-1)} + 15.551096 * \text{GE}_{(t-1)} - 0.018135 \text{ Government expenditure}_{(t-1)} + 0.556348.$$

Based on the correction analysis, the long-term effects of the ARDL model show that Total Debt_(t-1) has a positive and statistically significant impact on GDP, indicating that public debt has served as a fiscal stimulus in the long term. The PS_(t-1) variable exhibits a negative effect, suggesting that political stability, as perceived in the period analyzed, has a dampening effect on economic growth. Similarly, RQ_(t-1) and RQ show negative impacts, reflecting that regulatory quality in the given context has not positively contributed to long-term GDP growth. In contrast, GE_(t-1) demonstrates a positive effect, indicating that government effectiveness is a key driver of economic growth.

Government expenditure_(t-1) has a negative impact on real GDP growth, implying inefficiencies in public spending. These results highlight that institutional quality—captured through PS, RQ, and GE—has a significant structural effect on Albania's long-term economic performance. This aligns with Institutional Theory, which claims that strong institutions are central to sustainable economic growth [22]. Another test applied to the ARDL model is the bound test, based on this test, the result indicates that the variables do not exhibit a cointegrating long-run relationship at this stage. The short-term effects of the ARDL model reveal the immediate impacts of the explanatory variables on Real GDP Growth. Specifically, D (Total Debt) = 0.0033 ($p = 0.0000$) indicates that debt shocks generate a positive effect on Real GDP Growth, reflecting a short-term fiscal stimulus. D(PS) = -10.61 ($p = 0.0000$) shows that a decline in political stability has an immediate negative impact on economic growth. D(VA) = 14.72 ($p = 0.0014$) highlights that improvements in governance accountability (Voice & Accountability) provide a quick positive stimulus to GDP. D(RQ) = -6.35 ($p = 0.0004$) demonstrates that negative regulatory quality exerts a short-term adverse effect on growth. D(GE) = 13.16 ($p = 0.0000$) shows that improvements in government effectiveness positively affect GDP, while D (Gov Expenditure) = -0.014 ($p = 0.0000$) suggests that immediate increases in public spending reduce growth, indicating short-run fiscal inefficiency. The comparison of the error correction test between the long-run and short-run model periods indicates that the model's explanatory power decreases from the long run to the short run. This suggests that when the analysis is conducted over fragmented periods, the behavior of the variable changes. Specifically, the impact of independent variables on Real GDP Growth

varies depending on political shifts and the administrative reforms undertaken in Albania.

To address the research problems and to achieve the main and specific objectives, this study was performed by testing the following hypotheses:

H1: Public debt supports Real GDP

Shocks in total debt are positive and statistically significant in both the short and long term, indicating that public debt supports Real GDP Growth by functioning as a compensatory instrument for public projects. This positive effect persists across different governmental approaches, showing that administrative reforms in various periods have consistently supported economic growth.

H2: Political stability impacts Real GDP Growth

Shocks in Political Stability (PS) and Regulatory Quality (RQ) have negative effects on Real GDP Growth, highlighting that fiscal and regulatory reforms exert a strong and immediate impact on the Albanian economy.

H3: Government Effectiveness (GE) impact on Real GDP Growth

Shocks in Government Effectiveness (GE) show positive effects, indicating that improvements in administrative efficiency translate into GDP growth, reflecting the tangible returns of reforms.

H4: Government Expenditure's Impact on Real GDP Growth

Government expenditure shocks have a short-term negative effect, suggesting that spending strategies implemented under different governments were not always effective. Since the ARDL model conditions are satisfied for forecasting, the analysis proceeds with a comparison of the three periods—2003–2011 and 2012–2023 to evaluate the role of reforms under changing political contexts.

Table 2. Comparison of ARDL models between periods 2003-2011, 2012-2023, 2003-2023

	Periods		
	2003-2011	2012-2023	2003-2023
Indicators	Coefficient	Coefficient	Coefficient
	t	t	t
Real GDP Growth(-1)	0.886139	0.863954	0.910965
Government Expenditure	0.003854	-0.017476	-0.014837
Government Expenditure(-1)	-0.004479	0.014568	0.013115
GE	-2.616465	21.29137	10.04911
GE(-1)	1.687871	-19.40141	-8.653126
VA	20.80788	3.868789	17.57488
VA(-1)	-20.43105		-16.94830
PS	-3.096026	-14.28764	-10.99556

PS(-1)	3.125667	11.95399	9.806225
RQ	0.948638	-3.191555	
Total Debt	0.001050	0.003555	0.003266
Total Debt(-1)	-0.001068	-0.002913	-0.002885
Total Revenue	0.000479	2.73E-05	3.34E-05
Total Revenue (-1)	-0.000494		
C	0.085512	0.131344	0.056167
R-squared	0.961734	0.920277	0.925064
F-statistic	165.1574	126.0158	244.8382
Prob(F-statistic)	0.000000	0.000000	0.000000
Durbin-Watson	1.956249	1.956249	1.926230

Source: created by the authors

Based on Table 2, the results indicate a structural break between the periods before and after 2012, reflecting a shift in Albania's economic growth strategy from institutional transition reforms to a consolidated fiscal environment. Based on the coefficients, real GDP growth over time remains high across all models: 0.886 for 2003–2011, 0.864 for 2012–2023, and 0.911 for 2003–2023. The post-2012 economy shows increased sensitivity due to governmental changes, highlighting that reforms implemented alongside political transitions have significantly impacted economic growth. Regarding government expenditure, the effects were weak and statistically insignificant during 2003–2011, indicating an unconsolidated fiscal policy. After 2012, the short-term effect became strongly negative, while the long-term effect turned positive, signaling the emergence of a more stable fiscal policy. This pattern persists in the total period analysis, confirming that post-2012 public spending has increasingly focused on economic stabilization. For the Voice and Accountability (VA) variable, the transition period (2003–2011) shows a significant positive effect, while 2012–2023 is insignificant, and the total period shows a low-intensity positive effect. This suggests that during Albania's institutional transition, accountability played a key role in economic growth, but after 2012, institutions had matured and contributed less directly, reflecting the effectiveness of prior reforms. Political Stability (PS) demonstrates a moderate impact before 2012, which becomes stronger afterward, indicating increased economic sensitivity to political conditions. Public debt shows a positive effect in both sub-periods but exhibits a negative lagged effect, consistent with financial incentive theory; these effects are stronger post-2012, showing heightened dependence on debt policies. Government revenue promoted growth during 2003–2011, but its impact declined after 2012 and became insignificant over the total period, indicating a

decoupling between revenue generation and economic growth.

Equations

Period 2003-2011

$$(2) \text{ Real GDP Growth} = 0.886139 \text{ Real GDP Growth}_{(t-1)} + 0.004479 \text{ GovExpt}_{(t-1)} + 1.687871 \text{ GE}_{(t-1)} + 20.43105 \text{ VA}_{(t-1)} - 3.125667 \text{ PS}_{(t-1)} - 0.948638 \text{ RQ} + 0.001068 \text{ TotalDebt}_{(t-1)} + 0.000494 \text{ TotalRevenue}_{(t-1)} + 0.085512 + \varepsilon_t$$

The long-term equation (long-run) — multipliers (for 2003–2011, $\phi = 0.886139$):

$$(3) \text{ Autoregressive coefficient} = 1 - \phi = 0.113861$$

For the other coefficient autoregressive coefficient Government

$$(4) \text{ Expenditure} = -0.005489, \text{ GE} = -8.155505, \text{ VA} = 3.309562, \text{ PS} = 0.260326, \text{ RQ} = 8.331545, \text{ Total Debt} = -0.000158, \text{ Total Revenue} = -0.000132, \text{ Long-run constant} = 0.751$$

Period 2012-2023

$$(5) \text{ RealGDPGrowth} = 0.863954 \text{ RealGDPGrowth}_{(t-1)} - 0.014568 \text{ Govexp}_{(t-1)} + 19.40141 \text{ GE}_{(t-1)} - 3.868789 \text{ VA} - 11.95399 \text{ PS}_{(t-1)} + 3.191555 \text{ RQ}_t + 0.002913 \text{ TotalDebt}_{(t-1)} - 2.73 \text{ E} - 0.05 \text{ TotalRevenue}_t + 0.131344 + \varepsilon_t$$

$$(6) \text{ Autoregressive coefficient} = 1 - 0.863954 = 0.136046$$

For the other coefficient autoregressive coefficient Government

$$(7) \text{ Expenditure} = -0.021019, \text{ GE} = 13.689329, \text{ VA} = 28.433332, \text{ PS} = -1.693321, \text{ RQ} = -23.468105, \text{ Total Debt} = 0.004719, \text{ Total Revenue} = 0.000201, \text{ Long-run constant} = 0.965$$

Period 2003-2023

$$(8) \text{ RealGDPGrowth}_t = 0.910965 \text{ RealGDPGrowth}_{(t-1)} + 0.013115 \text{ Govexp}_{(t-1)} + 8.653126 \text{ GE}_{(t-1)} + 16.9483 \text{ VA}_{(t-1)} - 9.80622 \text{ PS}_{(t-1)} - 3.34 \text{ E} + 0.056167 + \varepsilon_t$$

$$(9) \text{ Autoregressive coefficient} = 1 - 0.910965 = 0.0890351$$

For the other coefficient autoregressive coefficient Government

$$(10) \text{ Expenditure} = -0.019341, \text{ GE} = 15.679048, \text{ VA} = 7.037457, \text{ PS} = -13.358061, \text{ Total Debt} = 0.004279, \text{ Total Revenue} = 0.000201, \text{ Long-run constant} = 0.631$$

Based on the equations, economic growth in the lagged period is consistently strong across all models ($\phi \in [0.864, 0.911]$), indicating that growth is highly responsive to policy measures and economic shocks. Regarding fiscal policy, before 2012, government spending had a modest long-term effect (LRM = -0.0055). After 2012, its role became stronger and asymmetric, with the 2012–2023 period showing a long-run multiplier (LRM) of -0.0210 , reflecting immediate negative effects followed by delayed

corrective effects. This pattern highlights the direct influence of administrative reforms on economic growth. Over the 2003–2023 period, government spending maintained a negative LRM of -0.0193 , confirming the persistent but delayed fiscal impact. Government Effectiveness (GE) exhibits a striking shift over time. Before 2012, GE had a negative LRM of -8.156 , indicating initial adverse effects; however, after 2012, its influence became strongly positive (LRM = 13.689), and for the full period, LRM = 15.679 . This reflects structural changes in governance and demonstrates how reforms have transformed the effectiveness of government policies on growth. For Voice and Accountability (VA), the period 2012–2023 shows a positive LRM of 3.310 , though its significance varies across models. In the full period, VA has a long-run multiplier of 7.037 , indicating that while its impact fluctuates, it maintains structural importance in influencing growth. Political Stability (PS) shows an increasing sensitivity to political conditions. Before 2012, PS had a small positive LRM of 0.2603 , whereas in the full model, the coefficient is negative and larger (LRM = -13.358). For the 2012–2023 period, LRM = -1.6933 , signaling that political instability increasingly affects economic growth. Total Debt demonstrates a consistent positive effect in the long run. After 2012, the LRM is 0.0043 – 0.0047 , indicating that debt functions as a short-term fiscal stimulus with delayed correction effects. Finally, Total Revenue exhibits long-run effects close to zero, suggesting that marginal variations in income during the later period do not significantly impact economic growth. Overall, the ARDL results confirm that economic growth in Albania depends strongly on institutional quality—particularly political stability, government effectiveness, and regulatory quality. Public debt acts as a short-term growth stimulus but generates long-term pressures, emphasizing the need for prudent fiscal management. The stable long-run relationship between fiscal and institutional variables and GDP growth underscores the central role of reforms in shaping Albania's economic performance.

4 Conclusions

From the comparison of the period with OSL, it has resulted that for the variable government expenditure, they have not brought impact about economic growth, after 2012 the negative impact is increasing, an element that indicates inefficient government spending, for the variable GE before 2012, governance has had a negative impact based on the perception of the efficiency of the reforms undertaken, while after 2012, the perception of government effectiveness increases significantly and

brings a positive impact on economic growth. This shows a long-term positive effect of citizen perception on hearing the voice of citizens, a result that shows a stable positivity. Results show that democracy, accountability, and justice have made a strong positive turn after 2012. This also coincides with the change of governments and reforms undertaken by governments for the PS variable. This shows a long-term negative effect of citizen perception on economic stability, a result that shows a stable negativity. Results show that citizens' perception of political stability is negative, which shows that the decline in political stability after 2012 has negatively affected economic growth, but it should be emphasized that the behavior of all parties as a whole in the Albanian political system affects economic stability. For the RQ variable, this shows that before 2012, economic regulation, including economic reforms, was positive for growth, while after 2012, the regulatory quality of the state's functioning as a whole, including reforms, deteriorated and showed a strong negative impact. This coincides with the change of governments and reforms undertaken by governments. However, it should be noted that this is based on citizens' perception of this variable. Public debt shows a positive effect, and public debt has served to support growth as a fiscal stimulus. This coincides with the change of governments and reforms undertaken by governments. Total income shows a sustainable positive effect, elements that show that the increase in tax revenues after 2012 has contributed to economic growth. It should be noted that this variable is measured in numerical values and is not based on citizen perception. This also coincides with the change of governments and reforms undertaken by governments. Statistically, this result shows that the coefficients before 2012 are different from the coefficients after 2012, so the relationship has changed significantly between the influence of the dependent variables. This is also related to political changes and reforms undertaken between the 2 periods. The break shows that the relationship between the variables taken into the study changes over time. In the economic interpretation of the break, it is related to the reforms undertaken, to the increase in the transparency of budgetary policies, and to changes in public policies related to government spending, and the perception of the publication of the efficiency of maximizing public funds, as well as other elements in terms of transparency and accountability. A structural change has resulted in an impact on the volatility of Real GDP Growth, which shows the role of fiscal reforms and political changes in Albania. Regarding the long-term effect of the variables, the Total Debt_(t-1) variable is positive, the

effect of the PS_(t-1) variable has a negative impact, which indicates that political stability negatively affects GDP, the RQ variable has a negative impact on economic growth, the GE_(t-1) variable has a positive impact, which indicates that government effectiveness promotes economic growth, the Gov Expenditure_(t-1) variable has a negative impact on Real GDP Growth. Based on (PS, RQ, GE) show a strong structural effect on Albania's GDP and make them suitable variables for measuring the impact of administrative reforms in Albania. Based on these results, institutions are important elements in economic growth in Albania. The relationships between the variables have proven to be stable in the long term, with temporary fluctuations. Regarding the short-term effects of the variables, it resulted that D (Total Debt) = 0.0033, which shows that debt shocks have a positive impact on Real GDP Growth. The conclusion is also related to short-term fiscal incentives, variable D(PS) = (-10.61), the decline in political stability brings an immediate negative impact, D(VA) = (14.72), (p = 0.0014), while improving governance accountability (Voice & Accountability) brings a positive impact on Real GDP Growth, variable D(RQ) = (-6.35), a negative effect on Real GDP Growth, variable D(GE) = (13.16), positive effect, an element that shows that perceived effectiveness of governance brings a positive impact on Real GDP Growth, variable D(Gov Expenditure) = (-0.014), negative effect, this shows that if public spending increases, fiscality in the short term becomes ineffective. Based on ARDL models, it has been found that economic growth in Albania depends significantly on institutional quality, especially political stability, governance effectiveness, and the regulatory framework. Public debt stimulates growth in the short term, but creates negative long-term pressures. There is a stable relationship between fiscal and institutional indicators and GDP growth.

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Contribution of Individual Authors to the Creation of a Scientific Article (Ghostwriting Policy)

The authors equally contributed to the present research, at all stages from the formulation of the problem to the final findings and solution. All authors have read and agreed to the published version of the manuscript.

Sources of Funding for Research Presented in a Scientific Article or Scientific Article Itself

No funding was received for conducting this study.

Conflict of Interest

The authors have no conflicts of interest to declare that are relevant to the content of this article.

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