

The “Functional Zone” model in local government reform in Albania, how the criteria were implemented Case study Gjirokaster Region

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Abstract

In July 2014, the Parliament of the Republic of Albania approved the local government reform, reducing an ineffective amount in the provision of services to the communities of local units (municipalities and communes) from 365 to 61 municipalities.

Today, almost 6 years after its implementation, according to the Albanian institutions (KLSH) and international institutions that have analysed the effects of the reform, have noticed a series of weaknesses in the implementation of the reform.

Most importantly, the reform was approved without political consensus (Majority-opposition) and as a result the opposition has promised to reconsider it if it comes to power. In practice such major issues with strong political, economic, and social impact to be effective and long-lived should have been done with the widest possible consensus

Despite the interest of the opposition in the context of its advantage and disadvantage in relation to the political interest of the new administrative-territorial configuration in the electoral process, this article aims to analyse the reform in the context of implementing the criteria of the "Functional Zone" model by the government bringing weaknesses in the practical functioning of the new local units.

Keywords: The “Functional Zone”, local government, Albania, Gjirokaster Region.

Introduction

In Albania, the process has avoided the links of a parliamentary and legal review, they were not based on the good European practices for which they took as a reference, for example Denmark, which extended the process over 4 years of discussion, but also in the report of area and population of countries (Denmark has an area of 43,094 km² and a population of 5,514,451 inhabitants and 98 local units; Iceland an area of 103,369 km² and a population of 319,368 inhabitants and has 78 local units). No less than 1% of GDP is allocated from the central budget, which is the lowest regional level, thus preventing municipalities from increasing the quality of services and exercising new competencies. The reform did not pass in the processes that accompany a reform such as: preliminary preparation and review of legal acts; referendum on populations affected by change; geo-cultural criteria and administrative tradition; economic interaction; minimum population criterion Law no. 68/2017 “On Local Self-Government Finances” and Law no. 139/2015 “On Local Self-Government” do not guarantee local government decision-making, autonomy and deepening decentralization The increase in personnel costs (in 2017 they are twice as high as in

2013) and operational ones, does not agree with the major objective of administrative and territorial reform, increasing operational efficiency and reducing administrative costs

Administrative expenses occupy 67%, capital expenditures, including public investments, do not bring performance for municipalities, because in this amount of 33%, 11% are the funds allocated by the RDF, According to the report of NALAS (2018: 45): "Albania is the only country in the region that implements a system where municipalities are required to compete to finance their exclusive functions.

1. Literature review

What is a functional area? Let us refer to the Ministry of Interior (July, 2014), the concept of "functional area" will mean a territorial space where there is a dense and frequent interaction between residents and institutions for economic, social, developmental and cultural purposes. In this sense, the "functional area" is the local unit organized around an urban centre that has the highest number of population, compared to other centres within the area and has the opportunity to provide the full range of public services that a local, while also implementing the efficiency of the "economies of scale".

Each new local government unit based on the concept of "Functional Area" must guarantee the functioning of the local unit starting from the existence of at least one urban centre to have:

The necessary socio-economic infrastructure such as: the existence of a network of schools, hospitals, social care centres, police services, fire service, interurban transport services, private state services for the benefit of citizens and businesses. The reform brought the focus of decision-making of local units that include one unit, but on the other hand brought the fragmentation of central services by increasing costs and reducing the effectiveness of services.

Polycentric development of local government units, which presupposes that within the LGU there are several development centres beyond the main urban centre. In fact, the reform has done the opposite and has fragmented the functional areas (see fig.1).

Detachment from the current concept of artificial division of urban and rural areas. This criterion has led to the integration of areas as a whole, but there are deformations in the inclusion of areas in territorial space. .

The "functional area" also allows the provision of services of the same quality to the inhabitants of urban and rural areas, guaranteeing the "appropriate economy of scale" for the provision of public services. And this criterion has not brought such a result because investments have been made only in urban areas, but most of the central services are located in the former district municipalities.

Preliminary analyses and studies show that the "functional areas" belong or in most cases overlap with the administrative territories of the former districts. From the map of the configuration of local units, no unit matches the administrative territories of the former districts, but are fragmented, for example: the former district of Gjirokastra is divided into three units, Gjirokaster, Libohove, Dropull.

Statistical data also show that the municipalities in the centre of the district are also

the centres of economic, social and public gravity in most of the country and remain points of reference in development policies and in achieving economies of scale. But in practice the opposite happened the territory of the municipalities centre district was fragmented.

The whole debate on the theoretical functional area and its practical implementation is based on the size of the functional area, we must have large or small units to have the implementation of the functional area. Given the criteria and advantages, the disadvantages of large or small local units emerging from the reform, this debate remains open and calls into question the reform in Albania.

Researchers offer little support for unit size and efficiency ratio, and therefore little concrete evidence, other than guaranteed on a case-by-case basis of reforms in different countries. Gabler 1971, Katsuyama 2003, Mabuchi 2001, Byrnes & Dollery 2002, discuss the boundaries of a local unit size within such limits. There is little general correlation between size and efficiency, in municipalities with populations between 25,000 and 250,000 and that smaller municipalities (population under 25,000) are less efficient.

There is a relationship in the U-shaped curve, between size and efficiency at a general level. Efficiency increases with the size of the population up to about 25,000 inhabitants, at which point it is stable up to about 250,000 inhabitants, and decreases thereafter. In other words, the U-shaped curve suggests that in smaller governments the costs are greater for accessing services. This statement is a starting point: 'The consensus among scholars is that almost 80 percent of municipal services and activities have economies of scale, for a population of over 20,000 inhabitants. (Katsuyama, 2003), (Gabler, 1960 uses the threshold of 25,000 inhabitants).

Authors from all over the world (Gabler 1971, Katsuyama 2003, Mabuchi 2001, Byrnes & Dollery 2002) provide reasons for the size of a local unit, which leads to increased efficiency in local services. It is not fair to say that there is an optimal size of local units, because the difference in the activities of municipalities does not match the space of their optimal location (Sankton, 2000, p. 74).

Byrnes and Dollery, (2002: 74) concluded that, in general, 39% of researchers found evidence of the effect of the U-shaped curve, 29% found no statistical relationship between lower per capita expenditure and increase in size. local, 24% found economies of scale, 8% found economies of scale.

Below are four main reasons in favour of large units (Dollery 2004, Janno Reiljan, Aivo Ulper, 2010: 7, Gabler 1971, Mabuchi 2001, Byrnes & Dollery 2003):

The economies of scale are an excuse for merging local units (Dollery, Auster & Marshall, 1997). Economies of scale are another reason for increasing the efficiency of service delivery (Bailey, 1999: 25).

Larger units have more financial opportunities to support a more possible development of the regions (Aalbu et al. 2008: 41).

Large local units will improve the access and delivery of public services, as well as revenue collection.

Large units are more democratic in their political functioning. Another reason in favour of large local units is that the one who argues that the political process is more democratic in large units.

1.1 Small units

(Deller, et al, 1992; Deller and Halstead, 1994), conclude: "Small governments may better adapt to local communities in accessing services, but at a high cost."

But in rural areas due to the space and specificity of services, it is difficult to succeed in the benefits of economies of scale, as well as to avoid duplication of services (Bailey 1999: 27).

For some services, economies of scale may increase cost / unit or have the opposite effect of not having economies of scale (Dollery, Crase 2004: 269). In the conditions of Albania where the terrain is 60% mountainous, it is difficult to realize economies of scale for many services, because many villages are scattered both from each other, but also in themselves. For this reason it is better for local units to cooperate with each other, than to unite in a single unit (Friedrich Reiljan 2010).

Regarding the development of democracy in large units, this argument seems to be contradictory, because small units are thought to be more democratic than large units (Aalbu et al. 2008: 34). Reilain and Timpann (2001: 434) emphasize that the development of democracy is important at low levels of public administration in the treatment of citizens.

Large local units can not establish proximity to citizens. For models implemented in other countries (Plostajner, Z: 62, Dollery, 2002) there is no standard model in terms of the size of a local unit: first, the size of the lower level of government varies between different countries, second, small country governments often lack the capacity to manage and improve certain functions.

2. Methodology

This study tries to analyze the administrative-territorial governance from the perspective of Gjirokastra region, but also to examine in a more concrete way the reform that has included each region of the country. The analysis of theoretical and practical approaches to the size of municipalities seeks to highlight whether the current administrative-territorial units are fragmented and inadequate. Based on the issues discussed and the answer to the question, the criteria have been applied in the implementation of the "functional area, we come to this hypothesis.

Hypothesis: The "Functional Area" model is more realized in consolidated municipalities (former district municipalities) than in unconsolidated ones (not district centre).

H.a: Population growth has a positive impact on the growth of public services.

H.b: Population growth has a positive effect on increasing the number of business units.

Independent variable, population size, Dependent variable: Public Service Institutions, Businesses, Health Institutions Having quantitative data we used the method of linear regression for data processing Theoretically, regression models are used to examine the component relationships between variables in terms of the comparative significance of the independent variables and the values predicted in the dependent variables. The study of the effect of explanatory variables on the dependent variable was performed using linear regression,

$$Y = b_0 + b_1 * x_1$$

3. Analysis

3.1 Empirical analysis, interaction in the functional area

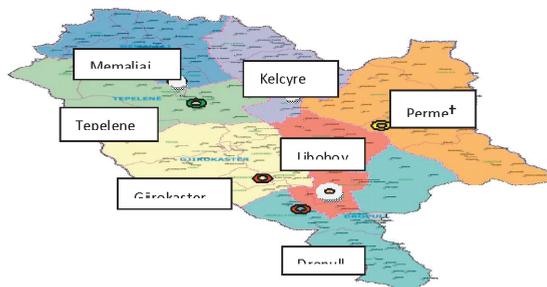
The presence of central institutions has an effect on the institutional and intercity interaction with the institutions, creating a difference of 50% in the approach of services between the municipalities of Tepelena (former district) and Memaliaj; in the difference 70% between the services provided by the municipality of Permet (former district) compared to the Municipality of Këlcyre; a difference of 99% of the Municipality of Gjirokastra (is-around) compared to the services provided by the Municipality of Libohova. (See tab.1); (See fig.1)

Table 1. Public Service Institutions, Business Units, in relation to the population

Municipalities	Population	Public Service Institutions	Business units	Health Service Institutions
Gjirokaster	28 673	61	61	1169
Libohove	3 668	4	24	3
Permet	10 614	25	324	14
Kelcyre	6 113	8	124	6
Tepelene	8 941	20	69	11
Memaliaj	10 657	9	29	9

If we see the map of the interaction zones in Gjirokastra Region, we have three interaction zones or "Functional zones" 1-Tepelena, 2-Gjirokaster, 3-Permet (See fig.2.fig.3). From the table above it is noticed that the distances between the central units are very small Memaliaj Municipality and Tepelena Municipality are 9.5 km away from each other (8min) (see fig.2;fig3), Libohove and Dropull municipalities are approximately 20 km away from Gjirokaster Municipality (18 min). Kelcyre municipality is 25 km from Permet municipality (20 min). It can be noticed that, based on the above table (see tab.1) and the map of functional areas (see fig.2;fig3) three areas can be clearly distinguished: Gjirokastra, Tepelena, Permet based on the grouping of time distances. Precisely for this reason, referring to economic efficiency, economic interaction in the Gjirokastra region, we identify three functional areas: the one centred on Gjirokastra; centred in Tepelena; centred on Permet, which the reform has divided (see fig.1).

Fig.1 Municipalities according to the division of the 2015 reform in a functional area.



3.2 Analysis of Simple Linear Population Regression as an independent variable with Public Service Institutions as a dependent variable

The tables provide a regression analysis for the variables considered: Public Service Institutions with the population.

Table 2. R value, linear regression analysis, Public Service Institutions

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.963a	.927	.908	6.375

a. Predictors: (Constant), Population

b. Dependent Variable: public service institution

From the summary table for the model used, we see that the coefficient of determination R^2 is equal to 0.927 (we say that 91.2% of the dependent variable in the model is explained by the value of the independent variable). This result shows that a significant part of the variance of the dependent variable "public service institution" is explained by the independent variable population. Although R^2 is a general indicator of the binding strength of the variables included in the model, it does not reflect the degree of binding of each independent variable to the dependent variable. This relationship is explained in the summary table of coefficients.

Table 3. Regression coefficients, linear regression analysis, Public Service Institutions

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	-5.019	4.508		-1.113	.328	-17.536	7.498
Population	.002	.000	.963	7.113	.002	.001	.003

a. Dependent Variable: Public Service Institutions

Public Service Institutions = -5.019 + 0.002 * population

To assess whether this regression model was valid or not, ANOVA analysis was performed (see tab.6). According to the values shown in the table, if all the coefficients β_i are equal to zero ($H_a: \beta_1 = 0$), it is discarded. According to hypothesis H_a , in the regression equation, the coefficients near each independent variable are \neq zero, which means that the impact of the population on the performance of Public Service Institutions will be negligible. In this model, H_a stands. This is confirmed by the statistical value of the indicator F with degree of freedom k (number of independent variables) and $n-k-1$. So the critical value of F (1, 3) = 10.12. In our model, the value F

= 50.599 > 10.12 was significant for the control level 0.05 (because $p = 0.000$ is less than 0.05). Looking at the graphic "e" we conclude that the conduct of factual observations has a very good approach against the linear regression line expressed in the above equation. As a result, the value of R_2 equal to 0.927 is the result of chance and the independent variables are able to explain the variation in the dependent variable.

Statistical values "t" for the control of regression coefficients, indicate that these coefficients are different from zero and significant (sig. <0.05). Population $\beta = 0.002 > 0$, $p = 0.002 < 0.05$

Hypothesis H. a is accepted. The beta coefficient of the independent variable - population, has a positive value and makes a significant contribution to the model.

3.3 Simple Linear Population Regression Analysis as an Independent Variable with Business Units as a Dependent Variable

The tables provide the regression analysis for the variables considered: Business Units with the population.

Table 4. R value, linear regression analysis, Business Units

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.955a	.912	.889	147.927

a. Predictors: (Constant), Population

b. Dependent Variable: Business Units

Looking at the graphic we conclude that the behaviour of factual observations has a very good approach against the linear regression line expressed in the above equation. As a result, the value of R^2 equal to 0.912 is the result of chance and the independent variable is 'capable' of explaining the variation in the dependent variable, the statistical values "t" for controlling the regression coefficients, showing that these coefficients are other than zero and mean (sig. <0.05). Population $\beta = 0.048 > 0$, $p = 0.03 < 0.05$ Hypothesis H. b is accepted. The beta coefficient of the independent variable - population, has a positive value and makes a significant contribution to the model.

Table 5. Regression coefficients, linear regression analysis, Business Units

Coefficients ^a								
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		
	B	Std. Error	Beta			Lower Bound	Upper Bound	
1	(Constant)	-258.470	104.615		-2.471	.069	-548.927	31.987
	Population	.048	.007	.955	6.419	.003	.027	.069

a. Dependent Variable: Business Units

$$\text{Business Units} = -258.470 + 0.048 * \text{Population}$$

To evaluate whether this regression model was valid or not, ANOVA analysis was undertaken (see tab.7). According to the values shown in the table,

If all coefficients β_i are equal to zero (H.b: $\beta_1 = 0$), it is discarded. According to hypothesis H.b, in the regression equation, the coefficient near the independent variable is \neq zero, which means that the impact of the population on the performance of Business Units will be negligible. In this model, H.b stands.

This is confirmed by the statistical value of the indicator F with degree of freedom k (number of independent variables) and n-k-1. So the critical value of F (1, 3) = 10.12. In our model, the value $F = 41.199 > 10.12$ was significant for the control level 0.05 (because $p = 0.000$ is less than 0.05). Hypothesis is true, municipality former district (Gjirokaster, Tepelene, Permet) are more adaptable for "functional area" implementation than municipality (Memaliaj, Kelcyre, Libohove, Dropull) that haven't been district.

Given that the reform divides the functional area, central services and the inability of municipality to offer public services and tradition of administrative organisation: I think that a fair division would be according to functional area in their center Gjirokaster (Libohove, Dropull), Tepelene (Memaliaj) and Permet (Kelcyre) (see fig.2).

Fig.2 Functional area Girokaster Region (Suggested model)



Conclusions

1. The analysis shows that the model "functional area" implemented in 2015 does not match the current division of local units
2. Public and private services are located in the municipalities of the former district (Gjirokaster, Tepelene, Permet) and have a large difference in the number of services with local units that are currently created not around (Memaliaj, Libohove, Kelcyre, Dropull).
3. There is fragmentation and division of "functional areas" that interrupt the interaction of the activity of realization of public and private services.
4. The reform should have created three municipalities according to the three "functional areas" Gjirokastra, Tepelena, Permet (shih fig.2) which are also centers of interaction for public and private services in the three functional areas.

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6. Appendix

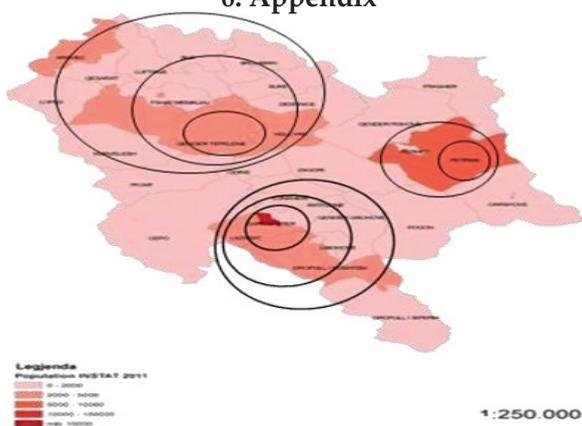


Fig 3. Functional area Gjirokastra Region

Tab. 6 ANOVA

ANOVAa						
Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	2056.278	1	2056.278	50.599	.002b
	Residual	162.555	4	40.639		
	Total	2218.833	5			

a. Dependent Variable: Publik Service Institution

b. Predictors: (Constant), Population

Tab. 7. ANOVA

ANOVAa						
Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	901540.692	1	901540.692	41.199	.003b
	Residual	87530.141	4	21882.535		
	Total	989070.833	5			

a. Dependent Variable: Business Units

b. Predictors: (Constant), Population