The Effects of Territorial Reform in Albanian Government in 2015: Case Study Gjirokaster County

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Abstract

According to the initiation of the classical Albanian politics, the functioning of local government in Albania has been realized in its historical context. This has occasionally resulted in different cartographies of local government in their own way of being organized and their own way of functioning as well. Despite the specific conditions of our country, it naturally needs to revise the model of organizing and functioning of the government by adapting the model of local government reform. During 2015 such reforms were more than necessary, as far as the inefficiency of local government in services was evident in poor financial conditions. The fragmentation was a real obstacle in investment taking into account the high level of corruption.

Keywords: The Effects of Territorial Reform in Albanian Government in 2015: Case Study Gjirokaster County

1. Introduction

This paper deals with the issue of assessing the efficiency of administrative and territorial reform in Albania in terms of achieving the goal of decentralization as a common consequent of the reform goal undertaken by a number of Eastern European countries in the last decades. The paper aims to evaluate the impact that the recent administrative-territorial reform has been approved by the Albanian Parliament on 23rd June of 2014.

Through the research we have tried to analyze the whole reform model in the Gjirokastër Region with the aim of evaluating and judging this reform. This topic may be considered premature to some people of certain extent, but often after a reform implementation are results that speak loudly about the efficiency. During the course of the study different materials have been used to analyze this process, how the administrative and territorial reform has been perceived and concretized at the national level and especially at the local level in Gjirokastër region, without ignoring the studies done for this purpose by institutions such as WB, UNDP, IMF etc. assessing the efficiency its are ed to talk about.

1.1 Questions of Research

1. Has Albania’s administrative and territorial reform brought an increase of the efficiency of local government?
   a. Has the financial strength budgets of the local units been increased?
   b. Have the per capita income increased in LGU?
   c. Is the cost per capita in LGU reduced?

1.2 Research hypothesis

H1: The functional area model implemented by the Albanian Government is the most appropriate model for local government reform, which increases per capita income, and reduces administrative expenses per capita.

H1.a: Increasing the size of the functional area has a positive correlation about per capita income.

H1.b: Increasing the size of the functional area has negative correlation with administrative spending per capita.

Objectives: This paper aims to show de-facto data on local unit budgets in order to be more efficient after the reform of local units.
2. Literature Review

Politicians generally believe that the largest municipalities exhibit a great efficiency. References offer little support for unit size and efficiency relationships, and therefore, little concrete evidence, but guaranteed on a case-by-case basis for reform at different locations. Gabler 1971, Katsuyama 2003, Mabuchi 2001, Byrnes & Dollery 2002, discuss the boundaries of a size of local government units at such limits:

- There is little general correlation between size and efficiency, in municipalities with a population between 25,000 and 250,000.
- There is a U-shape curve relationship between size and efficiency in one overall level.

Efficiency increases with the size of the population to about 25,000 inhabitants, in which the point is stable to about 250,000 inhabitants, and decline thereafter.

The study results suggest that large cities tend to hire and spend more for residents than small towns "(Gabler, 1971). Postwar reforms in Japan also showed U-shape functioning, but in different levels of the population, indicating that 115,109 persons were the population's limit of an efficient local unit (Mabuchi, 2001).

In a survey in the countries that provide local services in Iowa (Koven and Hadwiger, 1992), authors see that there is no evidence for "Bigger, Better". Factors such as service quality, clumsy organizational system, and residents' willingness to pay for services should be taken into account in order to draw definitive conclusions about the advantages of structural reorganization plans.

Australia has adopted many unions of local government units, based on the general principle that larger municipalities will exhibit greater economic efficiency.

Bodkin and Conklin, 1971 suggest that very small municipalities, even those with a population ranging from 5,000 to 10,000 people, which can provide fire protection, security, waste disposal, health preservation, local low priced services than large municipalities. Boyne, (2003) presents an empirical review of public service performance studies. He points out, "There are few arguments about the relationship between organization size and service performance." Generally, management variables have a significant impact on performance (Mera, 1973).

3. Methodology

In order to get results over this study, descriptive methods of statistical analysis were used, with quantitative data obtained from the archives of the prefecture of Gjirokastër region.

The first step: Collecting data
Second Step: Data processing through SPS program
The third step: Analyzing the results of statistical processing
Fourth Step: Conclusions

4. The data for the analysis

All comparisons have been made between the pre-and post-reforms from 2014 to 2016. The economic indicators for current municipalities for 2014 have been calculated according to the 2014 budget data of units depending on their territory today. Data were received from the Gjirokastër Prefecture for all local units, with the exception of local minority units, for which there were no data in the prefecture.

All comparisons have been made between the pre-2014 and post-reform reforms for 2016. The economic indicators for current municipalities for 2014 have been calculated according to the 2014 budget data of units that they are subordinated to their territory today. Data were received in the Gjirokastër Prefecture for all local units, with the exception of local minority units, for which there were no data in the prefecture.
Table 1: Data of local units 2014 in 000 lek

| Municipalities     | The population | TR. persons | Grant | TR/ Total | TR/per capita | Cost Admin | Cost operation s | Cost Total | Counselor s | C/per capita | invest |
|--------------------|----------------|-------------|-------|-----------|---------------|------------|------------------|-----------|-------------|--------------|--------|
| B. Teplelena       | 4334           | 21500       | 35624 | 64919     | 14.979        | 16339      | 5708             | 22047     | 1900        | 5.0869866   | 7630   |
| Q. Tepelema        | 3179           | 8226        | 17175 | 26000     | 8.178673      | 7685       | 5065             | 12750     | 3012        | 4.0106952   | 1590   |
| K. Lopes           | 723            | 1827        | 7189  | 9015      | 12.46888      | 5400       | 2400             | 7800      | 900         | 10.788382   | 100    |
| K. Kurvelesh       | 3978           | 3978        | 15825 | 19944     | 28.28936      | 8711       | 4370             | 13081     | 1310        | 18.55461    | 1630   |
| Total              | 8941           | 35531       | 75812 | 119878    | 13.40767      | 37615      | 17403            | 55678     | 7122        | 6.2272676   | 10950  |
| B. Memalaj         | 2647           | 2227        | 38260 | 40487     | 12.95944      | 11090      | 10432            | 21522     | 2214        | 8.130714    | 1200   |
| K. F. Memalaj      | 1606           | 2900        | 11765 | 14665     | 9.131382      | 5915       | 9400             | 9215      | 3000        | 5.737858    | 1367   |
| K. Lufinje         | 1734           | 3000        | 16005 | 23877     | 13.7699       | 7779       | 3100             | 10897     | 1505        | 6.2843137   | 7320   |
| K. Q. Libohove     | 3179           | 8226        | 17175 | 26000     | 8.178673      | 7685       | 5065             | 12750     | 3012        | 4.0106952   | 1590   |
| B. Libohove        | 3179           | 8226        | 17175 | 26000     | 8.178673      | 7685       | 5065             | 12750     | 3012        | 4.0106952   | 1590   |
| K. K. Cepo         | 8941           | 35531       | 75812 | 119878    | 13.40767      | 37615      | 17403            | 55678     | 7122        | 6.2272676   | 10950  |
| Total              | 8941           | 35531       | 75812 | 119878    | 13.40767      | 37615      | 17403            | 55678     | 7122        | 6.2272676   | 10950  |

5. Analysis of Findings

5.1 Empirical analysis

According to the calculations only the reduction of the number of councilors expenses 23 (twenty-three) million new lek as a result of reform.

From the data of the table shows the calculation of expenditures in relation to the weight gained in the income for the years 2014 and 2016: Libohova 72 % to 47 %, Këlìriè 38 % to 28 %, Tepelema 40 % to 20 %, 40 % to 24 %, Memalaj 38 % to 29 %, Gjirokastër 68 % to 12 %, The weight of budget expenditures has decreased considerably, because mountain municipalities spent a lot on administrative expenses.
Investments in relation to the expenditure weights in 2014 and 2016: Libohova 16% to 19%, Këllita 21% to 38%, Tepelena 19% to 61%, 23% to 60%, Memalaj to 21% to 45% Gjirokastra 68% to 112%, it turns out that investments have been increased by spending in 2016, because mountain municipalities spent a lot on administrative expenses. Services in relation to the expenditure varying from 2014 and 2016: Libohova 32% to 124%, Këllita 45% to 116%, Tepelena 56% to 209%, 68% to 204%, Memalaj 34% to 108%, Gjirokastra 78% to 207%, The increase comes from saving the expenses by joining the municipalities and by reducing the number of local administration. The service growth ratio in 2016 is roughly 3 times bigger than in 2014.

5.2 Local Unit Revenue Analysis

Being economical efficiency is the key element of reform, and also the most empirical variable.

In the table below are the revenues for each pre-reform local government unit that are counted as part of the new municipalities for 2014.

**Table 2: Revenues for 2014 in 000 lek**

| Municipalities  | The population | TR. persons | Grant   | Total TR | TR/per capita |
|-----------------|----------------|-------------|---------|----------|---------------|
| B. Libohove     | 3688           | 11773       | 41169   | 52942    | 14,35520607   |
| B. Kelcyre      | 6113           | 24584       | 52761   | 77345    | 12,65254376   |
| B. Tepelene     | 8941           | 35531       | 75812   | 111343   | 12,45208131   |
| B. Permet       | 10614          | 63797       | 103127  | 166924   | 15,7277596    |
| B. Memalaj      | 10657          | 17977       | 98442   | 116419   | 10,92418129   |
| B. Gjirokaster  | 28673          | 138111      | 173354  | 311485   | 10,86258825   |

The following table provides the independent budgets of the new units for 2016, from the table that the per capita income for 2016 is higher than 2014.

**Table 3: Revenues for 2016 in 000 lek**

| Municipalities  | The population | TR. persons | Grant   | Gr.spec | Total TR | TR/per capita |
|-----------------|----------------|-------------|---------|---------|----------|---------------|
| B. Libohove     | 3688           | 29060       | 35241   | 7735    | 72036    | 19,53253796   |
| B. Kelcyre      | 6113           | 32520       | 48235   | 12881   | 93636    | 15,31752004   |
| B. Tepelene     | 8941           | 36566       | 62243   | 59237   | 158076   | 17,67950158   |
| B. Permet       | 10614          | 57300       | 85975   | 51470   | 194745   | 18,34793669   |
| B. Memalaj      | 10657          | 27000       | 82220   | 38931   | 148151   | 13,90175472   |
| B. Gjirokaster  | 28673          | 179800      | 147445  | 139202  | 466447   | 16,26781293   |

**Figure 1: Comparison of income per capita**
In the graph we compare the income per capita for the period before the administrative-territorial reform for 2014 and the per capita income for the period after the reform for 2016.

Gjirokastra Municipality with a growth difference of 5.4 million ALL / 30%, Memalaj Municipality with a 3.3-billion- per capita increase or 25.3%, the Municipality of Tepelena with a growth differential of 5.2 thousand leke per capita or 44.1%, the Municipality of Parma with a growth difference of 3.2 thousand Leke per capita or 23%, Kėlcyra Municipality with a rise of 3.3 thousand Lek per capita or 24%, Libohovė Municipality with a growth difference of 4.8 thousand Lek per capita or 32 percent.

Tabel 4: Descriptive Analysis for TR between 2014-2016

|                | N | Minimum      | Maximum      | Mean          | Std. Deviation | COV     |
|----------------|---|--------------|--------------|---------------|----------------|---------|
| TR /per capita 2014 | 6 | 10862.658250 | 15726.775960 | 12829.0744000 | 1918.003978677 | 0.14950447 |
| TR / per capita 2016 | 6 | 13901.754720 | 32207.826180 | 20433.51297500 | 6162.305871955 | 0.301578386 |
| Valid N (listed) |   |              |              |               |                |         |

The table above provides descriptive income / inflation analysis in the Gjirokastra Region, which compares the 2014 years before the reform with 2016 after the reform. From the market it is clear that the average income in 2016 has increased to 66.9% compared to 2014, the standard deviation from the average has increased from 2014 to two times for 2016.

The main indicator is CoV coefficient of covariance, respectively 0.1495 for 2014 and 0.3015 for 2016. So it is 2 times higher, with a positive increase towards 1 covariance coefficient. This shows that the reform has achieved the goal of increasing the financial strength and per capita income in all Gjirokastra district government units.

5.3 Analysis of local unit expenditures Gjirokastra region

Figure 2: Comparison of per capita expenditure

In the graph we compare the spending per capita, for the period before the administrative-territorial reform for 2014 and the expenditure per capita for the post-reform period for 2016.

Tabele 5: Expenses for 2014 in 000 lek

| Municipalities | The population | C.ad. | C. op | Expenses Total | Expenses /per capita |
|----------------|----------------|-------|-------|---------------|---------------------|
| B.Libohove     | 3688           | 35993 | 11083 | 47076         | 12.76464208         |
| B. Kelcyre     | 6113           | 26361 | 12030 | 38391         | 6.280222477         |
| B.Tepelene     | 8941           | 38135 | 17543 | 55678         | 6.227267643         |
| B. Permet      | 10614          | 45565 | 20421 | 65986         | 6.216883362         |
Municipality of Gjirokastra with a decrease of 1.2 thousand ALL / capita or 15%, Memaliaj Municipality with a decrease of 2.6 thousand Lek per capita or 42%, Municipality of Tevelena with a decrease of 2.8 million Lek per capita or 51%, Municipality The population with a reduction difference of 1.4 thousand leke per capita or 43%, Këlcyra Municipality with a difference of 1.1 thousand leke per capita or 12%, Libohovë Municipality with a difference of 4.3 thousand leke per capita or 31 percent.

This comparison was made by comparing the difference in the amount of expenditure for all units in new units, before and after reform for 2014 and 2016.

Table 7: Descriptive Expenditures / Per capita Analysis Between 2014-2016

| Year   | N   | Minimum     | Maximum      | Mean          | Std. Deviation | COV    |
|--------|-----|-------------|--------------|---------------|----------------|--------|
| 2014   | 6   | 5266.034248 | 12764.642080 | 7229.62318700 | 2749.261889807 | 0.380277342 |
| 2016   | 6   | 3921.485292 | 9327.006508  | 5245.35861267 | 2061.907289680 | 0.393091768 |

The above table provides descriptive expenditure /per capita analysis in the Gjirokastra Region, which compares the 2014 years before the reform with 2016 after the reform. From the market it becomes apparent that the average expenditure in 2016 has decreased to 29% compared to 2014, the standard deviation from the average has decreased from 2014 to 32% for 2016. The main indicator is COV covariance coefficient, respectively 0.38 for 2014 and 0.39 for 2016. It is therefore 1% higher, with a positive increase to 1 of the covariance coefficient value. This shows that the reform has achieved the goal of reducing the expenses per capita in all the local government units of the Gjirokastra region.
5.4 Analysis of Local Unit Services

![Graph showing comparison of services](image)

**Figure 3:** Comparison of services for the years 2014-2016

In the graph we have a comparison of the services for the period before the 2014 administrative-territorial reform and the services for the post-2016 reform period.

**Table 8:** Services for 2014 in 000 lek

| Municipalities | The population | Education | Services | Culture | Sport | Roads | water | The Amount | Service/per capita |
|----------------|----------------|-----------|----------|---------|-------|-------|-------|------------|-------------------|
| B.Libohove     | 3688           | 2420      | 4573     | 200     | 0     | 8212  | 0     | 15405      | 4.17706074        |
| B. Kelcyre     | 6113           | 4732      | 17323    | 175     | 1700  | 6600  | 4886  | 35476      | 5.80339867        |
| B.Tepelene     | 8941           | 11105     | 16910    | 4395    | 3000  | 1800  | 700   | 37910      | 4.2400179         |
| B. Permet      | 10614          | 15275     | 32155    | 6690    | 4861  | 18764 | 6527  | 84272      | 7.93970228        |
| B.Memaliaj     | 10657          | 4970      | 9790     | 1050    | 1700  | 6600  | 4886  | 35476      | 5.80339867        |
| B.Gjirokaster  | 28673          | 32299     | 59250    | 9648    | 760   | 24156 | 42951 | 11.64615   |                    |

In the Municipality of Gjirokastra with a growth of 5.1 million Lek/per capita or 81%, Memaliaj Municipality with a growth difference of 5 thousand Leke per capita or 87%, the Municipality of Tepelena with a growth difference of 7.6 million Leke per capita or 29.5%, Kėlyra Municipality with a growth difference of 1.6 thousand lek per capita or 12%, Libohova Municipality with an increase of 7.5 million lek per capita or 53%.

**Table 9:** Services for 2016 in 000 lek

| Municipalities | The population | Education | Services | Culture | Sport | Roads | water | The Amount | Service/per capita |
|----------------|----------------|-----------|----------|---------|-------|-------|-------|------------|-------------------|
| B.Libohove     | 3688           | 2420      | 4573     | 200     | 0     | 8212  | 0     | 15405      | 4.17706074        |
| B. Kelcyre     | 6113           | 4732      | 17323    | 175     | 1700  | 6600  | 4886  | 35476      | 5.80339867        |
| B.Tepelene     | 8941           | 11105     | 16910    | 4395    | 3000  | 1800  | 700   | 37910      | 4.2400179         |
| B. Permet      | 10614          | 15275     | 32155    | 6690    | 4861  | 18764 | 6527  | 84272      | 7.93970228        |
| B.Memaliaj     | 10657          | 4970      | 9790     | 1050    | 1700  | 6600  | 4886  | 35476      | 5.80339867        |
| B.Gjirokaster  | 28673          | 32299     | 59250    | 9648    | 760   | 24156 | 42951 | 11.64615   |                    |

Municipality of Gjirokastra with a growth of 5.1 million Lek/per capita or 81%, Memaliaj Municipality with a growth difference of 5 thousand Leke per capita or 87%, the Municipality of Tepelena with a growth difference of 7.6 million Leke per capita or 29.5%, Kėlyra Municipality with a growth difference of 1.6 thousand lek per capita or 12%, Libohova Municipality with a growth difference of 7.5 million lek per capita or 53%.

**Table 10:** Descriptive Analysis of Services / per capita between 2014-2016

|               | N  | Minimum | Maximum | Mean   | Std. Deviation | COV   |
|---------------|----|---------|---------|--------|---------------|-------|
| Year 2014     | 6  | 1525    | 1750    | 1643   | 143.37         | 0.089 |
| Year 2016     | 6  | 1643    | 1860    | 1730   | 120.45         | 0.067 |
| Valid N (listed) | 6  | 1525    | 1750    | 1643   | 143.37         | 0.089 |
The table below provides descriptive analysis of the services / per capita in the Gjirokastra region, making the comparison of 2014 before the reform with 2016 after the reform.

From the data, it is clear that the average of the services / per capita in 2016 has increased to 86% compared to 2014, the standard deviation from the average has increased by 2014 to 15% for 2016. The main indicator is CoV coefficient of covariance, respectively 0.39 for 2014 and 0.25 for 2016. So it is 0.14 lower to the 1 value of the covariate coefficient.

This shows that the reform did not achieve the goal of increasing the services per capita in all the local government units of the Gjirokastra region. The reason is that local governments are focusing on urbanization of the streets rather than services in rural areas, and despite the fact that grants have been increased but they are going further in expenses to set up new administrations for services from government.

Finally we can say that the first hypothesis on the effects of territorial reform is proven to increase financial strength, per capita income, per capita expenditure, in order to increase services in all new municipalities.

6. Conclusions

1. The administrative-territorial reform has increased the financial strength of the units created by the elections of 2015, according to the law adopted on 31 July by the Parliament of the Republic of Albania.

2. Administrative-territorial reform has increased the income /per capita of the units created.

3. Administrative-territorial reform has reduced administrative / per capita expenses.

4. Administrative-territorial reform has increased the services / per capita.

If we take into account the basis of economic efficiency, exactly the per capita of residents of each municipality show the results that the administrative-territorial reform for the units studied has been reduced because after the reform the state does not compensate the mountain municipalities that have already been added to the new municipalities (see table 1).

The reform has also brought the opportunity of decentralization by passing some powers to local government: fire protection, pre-school and primary education, pre-university education, forest management, irrigation system. This specific grant that was given to 2016 local governments is in the value of 14% of the total grant allocated to local government by the central government.

It is emphasized that the distribution of this specific grant given by the central government in some unconsolidated municipalities is in zero value because they did not have inherited such institutions for obtaining it. This is noted for the municipalities of Belsh, Bulqize, Drago, Devolle, Divjake, Dropull, Finiq, Fushë Arrêz, Has, Himarë, Kamëz, Këllirë, Klos, Kolonjë, Krujë, Kurbin, Libohovë, Librazhd, Maliq, Mallakastra, Memalaj, Patos, Peqin, Pogradec, Polican (Official Journal December 2015).

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