

## The Effects of Territorial Reform in Albanian Government in 2015: Case Study Gjirokastr 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 adaptating 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 Gjirokastr 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 23<sup>rd</sup> June of 2014.

Through the research we have tried to analyze the whole reform model in the Gjirokastra Region with the aim of evaluating and judging this reform. This topic may be considered premature to some people of certain extend, 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 Gjirokastra 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 offers 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 Gjiokastra 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 Gjirokastra 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	Total TR	TR/per capita	Cost Admin	Cost Operation s	Cost Total	Counselor s	C/per capita	invest
B.Tepelena	4334	21500	35624	64919	14.979	16339	5708	22047	1900	5.0869866	7630
Q. Tepelena	3179	8226	17175	26000	8.178673	7685	5065	12750	3012	4.0106952	1590
K. Lopes	723	1827	7188	9015	12.46888	5400	2400	7800	900	10.788382	100
K.Kurvelesh	705	3978	15825	19944	28.28936	8711	4370	13081	1310	18.55461	1630
Total	8941	35531	75812	119878	13.40767	38135	17543	55678	7122	6.2272676	10950
B.Memaliaj	2647	2227	38260	40487	15.29543	11090	10432	21522	2214	8.130714	1200
K.F. Memaliaj	1606	2900	11765	14665	9.131382	5815	3400	9215	3000	5.737858	1387
K.Luftinje	1734	3000	16005	23877	13.7699	7797	3100	10897	1505	6.2843137	7320
K.Qesarat	1379	2890	9131	12358	8.961566	5555	3794	9349	1366	6.7795504	1479
K.krahes	2554	2100	13369	15769	6.174236	7717	3500	11217	1562	4.3919342	1550
K.Buz	737	4860	9912	14772	20.04342	6062	2316	8378	1610	11.367707	2170
Total	10657	17977	98442	121928	11.44112	44036	26542	70578	11257	6.6226893	15106
B.Përmet	5945	48008	38406	86414	14.53558	18348	5294	23642	2245	3.9767872	2800
K.Q.piskove	1742	4238	18772	24700	14.1791	6988	4150	11138	1560	6.3938002	150
K.Frasher	387	1700	11391	15885	41.04651	5797	4432	10229	1223	26.431525	2900
K.Petran	1622	6429	17279	26227	16.16954	7452	3326	10778	1557	6.6448829	6279
K.Carshove	918	3422	17279	20701	22.55011	6980	3210	10190	1523	11.100218	3400
Total	10614	63797	103127	173927	16.38656	45565	20412	65977	8108	6.2160354	15529
B. Kelcyrë	2651	16792	15362	35081	13.23312	7990	2700	10690	2225	4.0324406	2561
K.Dishnice	1159	2500	15190	19379	16.72045	7547	3722	11269	1683	9.7230371	1800
K. Ballaban	1047	2779	10820	15037	14.36199	5474	3403	8877	1324	8.47851	3075
K.Suke	1256	2513	11389	15670	12.47611	5350	2205	7555	1412	6.0151274	700
Total	6113	24584	52761	85167	13.93211	26361	12030	38391	6644	6.2802225	8136
B.Gjirokastrë	19836	87543	105518	319324	16.09821	45262	22583	67845	2775	3.4202964	107117
K.antigone	998	7558	6992	14550	14.57916	7552	1460	9012	1211	9.0300601	4415
K.Lunxheri	1941	8300	12928	25231	12.99897	9569	6222	15791	1368	8.1354972	5728
K.Picar	937	5996	14007	20003	21.34792	8194	3614	11808	1211	12.601921	5350
K.Cepo	1727	15246	16151	36398	21.07585	10755	7303	18058	1350	10.456283	5550
K. Lazarat	2801	9944	11140	23119	8.253838	13206	4147	17353	1008	6.1952874	2100
K.Odrie	433	3524	6618	10142	23.42263	7757	3369	11126	1000	25.69515	0
Total	28673	138111	173354	448767	15.6512	102295	48698	150993	9923	5.2660342	130260
B.Libohove	1992	7115	13098	20213	10.14709	12884	3442	16326	875	8.1957831	1000
K.Q.Libohove	1264	2527	13816	21322	16.86867	12878	4440	17318	901	13.700949	5496
K. Zagori	432	2131	14777	16908	39.13889	10231	3201	13432	862	31.092593	1223
Total	3688	11773	41691	57152	15.49675	35993	11083	47076	2638	12.764642	7719

## 5. Analysis of Findings

### 5.1 Empirical analysis

According to the calculations only the reduction of the number of councilors expends 23 (twenty-three) million new leks 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%, Këllirë 38% to 28%, Tepelena 40% to 20%, 40% to 24 %, Memaliaj 38% to 29%, Gjirokastra 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%, Memaliaj 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%, Këllira 45% to 116%, Tepelena 58% to 209%, 68% to 204%, Memaliaj 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.

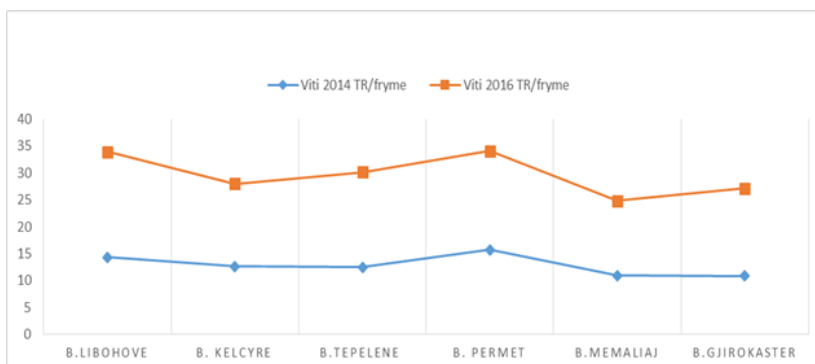
**Table 2:** Revenues for 2014 in 000 lek

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	12.45308131
B. Permet	10614	63797	103127	166924	15.72677596
B.Memaliaj	10657	17977	98442	116419	10.92418129
B.Gjrokaster	28673	138111	173354	311465	10.86265825

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

The population	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	36596	62243	59237	158076	17.67990158
B. Permet	10614	57300	85975	51470	194745	18.34793669
B.Memaliaj	10657	27000	82220	38931	148151	13.90175472
B.Gjrokaster	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%, Memaliaj 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%, Këlcyra Municipality with a rise of 3.3 thousand Lek *per capita* or 24%, Libohovë Municipality with a growth difference of 4.8 thousand Lek *per capita* or 32 percent.

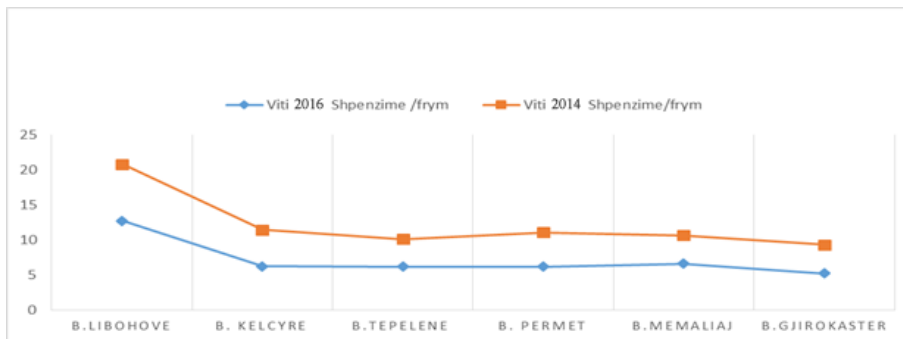
**Table 4:** Descriptive Analysis for TR between 2014-2016

	N	Minimum	Maximum	Mean	Std. Deviation	COV
TR /per capita 2014	6	10862.658250	15726.775960	12829.07444000	1918.003978677	0.14950447
TR / per capita 2016	6	13901.754720	32207.826180	20433.51297500	6162.305871955	0.301578386
Valid N (listed)	6					

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.

**Table 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

<b>B.Memaliaj</b>	10657	44036	26542	70578	6.622689312
<b>B.Gjirokaster</b>	28673	102295	48698	150993	5.266034248

**Tabela 6:** Expenses for 2016 in 000 lek

Municipalities	The population	C. ad	C.op	Costo Total	C /per capita
<b>B.Libohove</b>	3688	21245	8490	29735	8.062635575
<b>B. Kelcyre</b>	6113	23569	8100	31669	5.180598724
<b>B.Tepelene</b>	8941	27195	7867	35062	3.921485292
<b>B. Permet</b>	10614	39482	12300	51782	4.878650839
<b>B.Memaliaj</b>	10657	32143	11231	43374	4.070000938
<b>B.Gjirokaster</b>	28673	88039	29360	117399	4.094409375

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 Tepelena 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

	N	Minimum	Maximum	Mean	Std. Deviation	COV
Year 2014	6	5266.034248	12764.642080	7229.62318700	2749.261889807	0.380277342
Year 2016	6	3921.485292	9327.006508	5245.35861267	2061.907289680	0.393091768
Valid N (listed)	6					

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

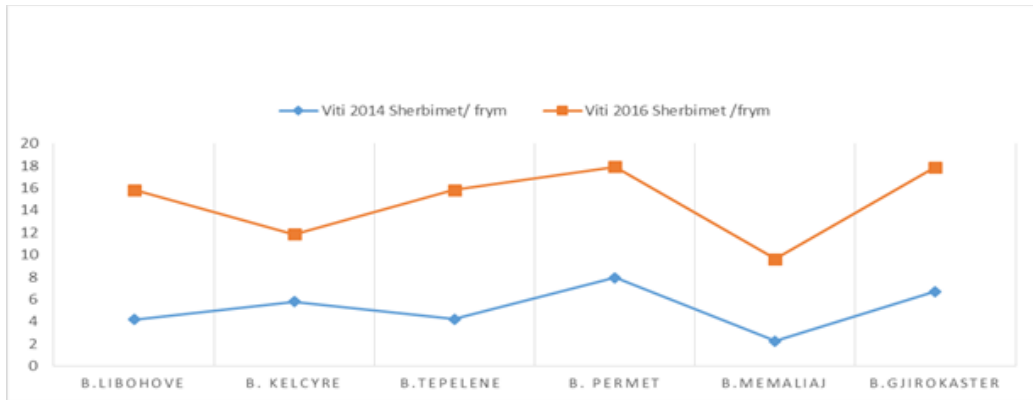


Figure 3: Comparison of services for the years 2014-2016

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	6660	4886	35476	5.80336987
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	2891	4779	600	24080	2.25954772
B.Gjirokaster	28673	32299	59250	23194	21451	42820	12977	191991	6.69588114

Table 9: Services for 2016 in 000 lek

Municipalities	The Population	Fire remains	Forest Admin	Water+drainage	Ar.Pr.univ	Education e.g.	Culture	Sport	Service	Road	Total service	Service/per capita 2016
B.Libohove	3688	0	613	2198	2409	9648	760	0	3167	24156	42951	11.64615
B. Kelcyre	6113	0	613	2198	2321	7749	1200	1000	8978	12890	36949	6.0443318
B.Tepelene	8941	7729	613	2198	9267	46857	5537	6340	19190	5873	103604	11.587518
B. Permet	10614	7729	2452	2198	8644	23752	7650	4000	37972	11554	105951	9.9821933
B.Memaliaj	10657	0	613	2198	6036	30066	3120	3000	21314	12021	78368	7.3536643
B.Gjirokaster	28673	25327	2453	8255	22048	81120	40492	23835	50021	67000	320551	11.179542

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* 44.3%, Municipality of Permet with a growth difference of 2 thousand *Leke per capita* or 29.5%, Kelcyra 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 10: Descriptive Analysis of Services / per capita between 2014-2016

	N	Minimum	Maximum	Mean	Std. Deviation	COV
Year 2014	6	2259.547715	7939.702280	5185.92993967	2035.717386567	0.392546257
Year 2016	6	6044.331752	11646.149670	9632.23315167	2385.814236928	0.247690665
Valid N (listed)	6					

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, Delvine, Devollë, Divjake, Dropull, Finiq, Fushë Arrëz, Has, Himarë, Kamëz, Këllirë, Klos, Kolonjë, Krujë, Kurbin, Libohovë, Librazhd, Maliq, Mallakstra, Memaliaj , Patos, Peqin, Pogradec, Polican (Official Journal December 2015).

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