

INCREASING THE SIZE OF LOCAL GOVERNMENT IS A GENERAL TREND IN EUROPEAN COUNTRIES

PhD. Arben Hysi

“Ismail Qemali” University of Vlora
Department of Business Administration

Abstract

After 50 years, all Western European countries were especially involved in the local government reforming process. The main factors of this were demographic changes in the rural population moving towards increasing urban centers. This came as a result of economic changes themselves where the main role was technological development, which led to the increase of mass production and the need for employees. This population movement was accompanied by changes in the local government organization and functioning to respond on time with quality services. The political changes after 90s in Eastern Europe, the transition from centralized political systems in those of democratic ones brought the necessity for involvement of all of the countries in the local government reform. This process even today is a matter of topicality in these countries government policies in order to adopt the economic and social rapid changes with local government. Albania, as a former communist country, in the 90s became involved in the process of local government reform, with the change of the political philosophies of its organizational and operational principles. The transition from planned economy to market was a difficult process, which causes even nowadays many political, economic and social problems, to be as issues requiring continuous transformation. In this context even the local government reform is a policy fundamental issue in the growth of its size.

Key words: reform, local government, Europe, indispensable, process.

1. Introduction

The size of a local unit has been discussed by numerous authors not only in different Western Europe countries after the 50s, but also by authors from Eastern Europe countries after 90s. After the 90s, almost all Eastern European countries were included in the local government reorganization under democratic principles having as an orientation "The Local Autonomy European Card". Albania has also been one of these countries. But what is to be emphasized is the size of a local unit, what size should it have and why.

One of the most important principles of the Local Autonomy European Card is that of subsidiarity, which means the highest public service insurance, at a service level closer to residents and it is considered as one of the entire reform basic goals at a European level in the local government field.

Following this logic, today local governments, especially in the mountainous areas, is not efficient in offering services to the respective communities, leaving open the debate on revising the territorial division of the Albanian Republic.

The improvement in the administrative territorial division is a mechanism which increases the financial resources as well as the programming ability and economic and social development of the community at country level, reduces the corruption degree, and increases staff professional skills. That is why it is seen as the only solution.

2. The European countries experience

2.1 The Eastern European countries experience.

Hungary: built its legal basis (Balas.G, & heugeus.J: 100) through a two-level governance system, eliminating the intermediate level. Since 1990, the government units number is multiplied from 1523 (in 1990) to 3154 (in 1999), generally by voluntary division of the existing local units. That was a reaction of the coercive and restrictive policy of the 70s communist regime. In 1996, the Hungarian government ratified a law on regional planning and development, aiming to ensure the Hungary's regional policy consistency with the EU policy system and development tools (Balas.G, & heugeus.J: 100). Hungary developed a 6-year program that lead to the creation of seven regions, aiming to avoid the problems encountered from two governance levels but also to benefit from the regional development funds granted by the European Union. The conclusion to be drawn from Hungary is that the second intermediate level between central and local governments is necessary for better management in the intermediate spaces.

Eastern Germany: inherited a very fragmented system of local government (Bulow, J: 116). While Western Germany had in 1990, a population of 60 million people and 8500 local units, cities and communes, Eastern Germany with a population of 17 million people had more than 7500 cities and communes, and the most particular feature is that almost three quarters of them had less than 1000 inhabitants.

The Saxony's example: the reform in Saxony began in 1994 and was completed in 1999 (Bulow, J: 116). An important criterion was: the inhabitants' number per commune not to be less than 1000 inhabitants and as a result the number of communes was reduced to a third of the previous number. But only a small part of new communes had the opportunity to keep staff employed in a permanent way. Because of this weakness, the central government appointed the number of inhabitants per unit, not less than 5,000 inhabitants per unit, which constrained small communes to join the so-called administrative unions or administrative communities where commune's employees are independent (there is a council and a mayor of its own), but they keep the same administrative apparatus that serves everyone.

To take away the suburbs development and avoid the historical center of the city as well (Bulow, J: 116), it was noted that cities were declining and the suburbs were becoming even stronger, therefore suburbs (communes) joined the cities, because they hindered the cities revitalization. This made 75% of the small units to join voluntarily without central government compulsion, but agreeing with each other on legality basis. Despite volunteering lander have the right to do the union of small communes and they have also the right to defense in court their right toward administrative reforms.

Brief history of the Albania administrative - territorial division

1912 – 1924; After the declaration of Albania's independence from the Ottoman Empire, the Albanian government adopted the administrative organization sanctioned in the "Suitable Albanian Civil Administration Canon" sanctioned on November 22, 1913, under which the country was divided into prefectures headed by the prefect. Further, there were *under* prefectures directed by *under* prefects and province run by the provincial. There were eight prefectures: Berat, Dibra, Durres, Elbasan, Gjirokaster, Korce, Shkodra and Vlora.

1925 – 1945; The local administration organization and functioning were determined by "the municipality organic law" adopted in 1921 and later, by the Civil Code adopted in February 1928. In 1927 Albania had 10 prefectures, 39 *under* prefectures, and 69 provinces with 2,351 villages. In 1934 there were 10 prefectures, 30 *under* prefectures, 160 communes with 2,351 villages. In 1940 it had 10 prefectures, 30 *under* prefectures, 23 municipalities, 136 communes and 2551 villages.

1945 – 1992; In 1945 it was maintained the administrative division with 10 prefectures and 61 *under* prefectures, but communes and municipalities were suppressed. In 1946 was developed the new administrative division which consisted of 10 prefectures, 39 *under* prefectures and it was partially introduced the *locality*.

In 1947 the locality took advantage, replacing the comune. In 1953 the county replaced the prefecture. This new division included ten counties: Shkodra, Tirana, Durres, Elbasan, Vlore, Berat, Korce, Gjirokaster, Diber and Kukes. The law predicted the County's Popular Council election. Within counties were included 26 districts and each district had three or more locations. In the mid 50s the administrative-territorial division was reorganized into four districts: Elbasan, Gjirokaster, Korce and Shkoder, with 3-4 districts in each county. Berat, Durres, Fier, Kukes, Kruje, Selfos, Mat, Peshkopi, Skrapar, Tirane, Tropoje, Vlora and Tirana city came aside at district level.

In July 1958 the county was suppressed and there were created 26 districts. The city of Tirana maintained the district level. According to this division, there were 26 districts, 203 localities, 2,655 villages, 39 cities and some of these had also neighborhoods. After 1967, appeared the new denomination '*united village*'. In 1968 Albania had 26 districts, 437 united villages, 2641 villages, 65 cities and 178 town's neighborhoods. In 1990 there were 26 districts, 539 united villages, 2848 villages, 67 cities, 306 town's neighborhoods. The Tirana city consisted of 3 regions, which included several neighborhoods.

1992 – 2013; In 1992, according to the 1st jurisdiction clause of Law no 7572, date 10.06.1992 "For the local government organization and operation" in June 1992 the Ministers' Council made changes to the administrative-territorial division. It settled 36 districts, 44 municipalities and 313 communes. At the district, municipality and commune level local councils were created with members elected by the public, and mayors and municipal executive bodies elected directly by the public. After that, under the law no. 7608, date 22.09.1992 "For prefectures", there were created 12 prefectures as units headed by prefects appointed by the Council of Ministers. Each prefecture included 2-4 districts. Actually, there are 12 counties, 309 communes and 65 municipalities in Albania.

2.2 The Nordic countries experience in the administrative-territorial division

In this section we will have a look at the experience and practices followed by the Northern European countries (Nordic countries), Finland, Sweden, Norway, Denmark. This will help us to study the factors that should influence the Albanian local government reform considering these practices. Regarding the Finland government organization we can say that it is similar to the Albanian government organization as it is built on two levels: central and local, so the local government is autonomous and it is noted that the municipalities are small. Some services such as health services are concentrated from 21 to 19 regions. (Aalbu et al., 2008: 19)... in addition to municipalities union, there are 6 state agency units and 15 centers for economic development, transport and the environment which started to operate in 2010. These agencies and service centers are provisional as "national" services, in regional level.

Since the World War II the Finland Local units have been reduced to 30% of their total number. Finland had 547 units in 1955, 464 units in 1977, in 1996 there were 455 units, 416 units in 2007, and in January 2010 it had only 342 units. (Oitmaa, Roigas 1998:88-89); The developed economy and government support made the small units to voluntarily join the big and rich units.

Ireland has got a population of 4.6 million inhabitants but with an area twice of Albania. The local government units' reorganization started in 2012 and continued till 2014 consisting of 19 months. At the end of it from 10 regions, 34 districts and 114 municipalities nowadays Ireland has got 3 regions and 31 municipalities, reducing also the number of councilors to 45%.

Sweden has got 9.7 million inhabitants, 85% of them live in urban areas, and after the 50s it has developed 2 local government reforms. In 1946, the Swedish parliament decided the limit number of inhabitants in a local unit to be not less than 2000 (Gustafsson 1983: 28), as a result the number of municipalities was reduced from 2496 to 1037 units in 1952 (Oitmaa, Roigas 1998, 82). In 1964 the parliament raised the limit number per inhabitants, constrainedly (Scandalow 1978: 773) from 821 municipalities in 1969 to 675 units, and to 278 units in 1974 (Oitmaa Roigas 1998: 83). An argument for the mandatory union was that political activity was very high (Oitmaa Roigas: 83) in the small municipalities, that was as a need to democratize life in rural areas.

In 2009 we have the number of municipalities, and Regional Councils, in 290 units. The reasons for the local units' reorganization have been population's demographic changes, people moved to urban areas. As a result the rural areas services became inefficient. The used criterion was the organization of local units in groups (klauser), based on the concept of natural area, which includes rural areas around administrative and economic/commercial centers. Local government reform in Sweden followed the way of constrained union. In recent years the number of local units has been reduced to 2 times from the early 90s (Monti 2000: 3).

Denmark; the process of reforming local government in Denmark after World War II was developed in two stages: first in 1970 by reducing the number of basic local units, municipalities from 1387 to 275, and the number of regions from 24 to 14 (Denmark local government 2009: 3). The second stage coincides with the time period 2001 – 2006 as its implementation period, resulting in a reduction of the basic units, municipalities were reduced from 271 in 98 units, and the number of regions from 14 to 5 (Aabu et al. 2008 : 17-18).

Norway; Like other countries, even Norway has been a little bit involved in the local government reform which is organized in two levels: the first level consists of municipalities; and the second level consists of regions (counties). Norway has 430 municipalities as the first level and 19 regions as the second level (Local government in Norway 2008: 7). In Norway we have had stability in the local government organization, in which only a small number of units has been joined up until the year 2000 (Aabu et al. 2008: 22).

Iceland; Local government is organized in only one level, unlike Sweden, Finland and Denmark which have organized their local government in two levels. The Iceland local units' peculiarity is that the number of their inhabitants is much smaller, and in some cases there are 50 inhabitants per unit. Iceland is a country where the majority of population lives in the city, only the capital of Iceland has got 75% of the country's population (Aalbu et al. 2008: 25). The Iceland government has supported the union of local small units, but while Sweden and Denmark followed the way of mandatory union, Iceland the same as Finland and Norway followed the voluntary union way. In 1950 Iceland had 229 local units, in 1990 there were 204 units, and today it has got 78 local units; the small number of inhabitants is a characteristic of them, where 14 units have 200 inhabitants. (Aalbu et al. 2008: 25). Judging by the use of voluntary way from Finland and Norway, as well as the constrained one from Sweden and Denmark, we can say that this is because of the conditions, economic, terrain, density and different vision that these countries have for the local government organization. Another reason is because Denmark and Sweden have a strong central state system, and do not want to divide it, because in the past they may have been a concern for public services.

3. Factors pro and against local major units

3.1 Reasons for the construction of a large local unit

The Constitution of the Albanian Republic defines two levels of local government construction, that is the basis for the simultaneously development of territorial and administrative reform, which aims to increase the efficiency and quality of services. According to Ananieva.N the reform should aim:

1. Restructuring and territorial, functional development, and institutional organization of the local government, as well as developing more effective relationships with institutions and central government bodies.
2. Execution and development of democratic procedures and mechanisms of local self-government organization and functioning.
3. National security and interests' protection, even more nowadays after the situation in Crimea. Countries which have conflicts with minorities should be more careful in this regard, in order to avoid destabilizing situations.
4. Regional and local structures Integration with European analogous structures; this will enable the benefits especially for underdeveloped regions in Albania, in order to reduce inequalities and to benefit from the European Regional Development Fund.

Below are presented four main reasons in favor of major units (Janno Reiljan, Aivo Ulper, 2010: 7):

1. Large local units are efficient in economic concepts.

There are two ways to increase efficiency in a local unit: *firstly*, the economic way, that is lowering operating costs of local administration, through effective use of funds, but also by reducing unnecessary expenditures made by the administration; *secondly*, the political way, that is the local units reorganization itself, by changing boundaries are also reduced the administrations of the merged units. In this case, being that local units funding from the national incomes is made according to the number of inhabitants and the surface of the local units, the new unit will have fewer expenditures for the administration.

2. Economy of scale is another reason that increases efficiency of the service delivery, reducing the cost/unit and as a result it makes possible the increase in the volume of services. If we have an economy of scale, the large units will be more able to deliver services to the communities, reducing expenditures and the cost/unit, with a greater professionalism at work. But because of the space and specificity of services in rural areas, it is difficult to have success in the benefits brought from the economy of scale as well as the avoiding of services duplication (Bailey 1999: 27). But the economy of scale may occur for some public services. For some services, the economy of scale may increase the cost/unit or it may also have the opposite effect of not having the economy of scale (Dollery, Cras 2004: 269). In Albanian conditions, where 60% of the terrain is mountainous, it is difficult to achieve the economy of scale for many services, because many villages are scattered from each other and in itself too. For this reason it is better for local units to cooperate between them, than to join in a single unit (Friedrich Reiljan 2010). In many cases, it can also be cooperated with the private sector and denationalize some services instead of the local units union. These are the reasons that should also be taken into account for the local unit size, how much it should be increased in order to save the economy of scale, but on the other hand when it widens significantly it loses it (the economy of scale) because other costs arise such as diversified transport, the distance from the center for services.

3. On the other hand a reason to increase efficiency through large units is also the economic activity in those areas. According to Dollery and Cras (2004: 269) the cost of activity for obtaining the services from one organization is lower than when these services and goods are brought to the citizens from many organizations or operators. This is possible only in urban areas and in areas with intensive economic activity. Delivery service centralization can create costs in the obtaining of services; lastly, the social cost can be increased more than decreased. But over all the local government reform efficiency should not be overestimated, since it is not the most important factor. The local government is not a business, but a state agency that aims to serve citizens and to democratize their lives. Efficiency is important when democratization and administration are resolved as local government processes (Reiljan, timpani, 2001: 433). The union of local units is an advantage in terms of quality of the government administration and citizenship, to obtain necessary services on time and with quality. But in Albania, communities' problems are numerous and their administration for solutions, in bad infrastructure conditions, is even more problematic.

4. The large government units are more likely to promote economic development.

Another reason in favor of the larger local units' creation is that large units have more opportunities in terms of financial potentiality to support an eventual development of the regions, and the investment possibility is greater (Aalbu et al. 2008: 41). A large unit may have more specialized employees to run the administration work in a more effective way than the smaller units. In Albania, especially in rural areas, specialized workers have left these areas due to demographic and poor infrastructure conditions. Large units have more territory spacious and are able to make more efficient and effective projects using funds in order to serve a larger community. But at the same time larger units dispose greater assets to derive incomes, and to create economic activity in order to exploit these assets for revenue extraction so that they can use these profits to serve the community.

5. The large local units will improve public service delivery, and revenue collection. This does not heavily depend on the local unit size. It depends more on the regulation of the relations between local and central government in obtaining more power and supporting financial base for delivering services in adequate time and quality. But nowadays in our country has been unclear the power segregation as well as the possibility for the implementation of those who have local governments. Clarifying competencies and implementation will be a challenge of the future. The territorial reform along with the increase of the local government units' size should also consider deepening the local government decentralization, enabling that way the previous shortcomings completion.

6. Large units are more democratic in their political functioning. Another reason in favor of large local units is also the fact that the political process in large units is more democratic than in small ones. The democracy development in large units seems to be contradictory, because smaller units are believed to be more democratic than the larger ones (Aalbu et al. 2008: 34). Reilain and Timpann (2001: 434) state that the democracy development is important in low levels of public administration in their closeness towards citizens. Democracy in Albania is fragile and people are very connected with politics, because of the present social problems and the high level of poverty; and familiarity especially in rural areas is very present. According to Sootla et al. (2008: 19), a vote of citizens living in a large unit is calculated relatively less in the political decision process, than a vote of citizens living in a smaller unit. People live together in a certain area, also orientated towards a common interest and identity, something which they would like to see in a future local unit. This is what scares them in the creation of a new unit, not to lose identity, and the sense of decision making for their problems in the activity of a local unit, which is also the most important problem of democracy in local governance. In large units, the social differences make it possible for a politician to find support for their ideas, given that the democracy in social structures is still fragile and unconsolidated. In general, the thought that the growth of units increases the communities' democratization level by disconnecting the close links that are due to natural connections, facilitates the development of community social relationships toward a greater interest. Given that the small units are due to strong relations and influence in their election result, with the increased size of units, people will be less involved in politics in their daily lives.

7. Large units will have the opportunity to decentralize various services in order to increase the proximity and strength of public services. What is noted nowadays in the local units work and activities is that they are unable to bring some services in the adequate time and quality. If we take as an example their activity of roads cleaning and maintenance, it seems that many communes are not able to provide this service. In the case of the units merging, the new unit will have more funds, and it is likely to create an enterprise so that to provide this service. Today each commune has two or fewer cleaning service employees, but if we collect these expenditures we will have the opportunity to do a more effective work. The same way we can operate also in the case of other services such as water supply, road maintenance, veterinary services, etc.

3.2 The negative trend of increasing the unit size and decentralization deepening:

The increasing of local unit size requires also the accompanying of this process with the decentralization deepening in the political and financial autonomy dimension. But this brings some negative consequences (Todorovski.I) such as:

- 1- The high level of local government autonomy leads to the government being unable in the economic activity coordination in country level, in the reduction and disruption of economic development and insufficient competition, especially in foreign markets, and making fiscal policy as subjects contradictory to those of the central authorities;
- 2- Almost complete financial autonomy of local government units, deprive the State of the possibility of using efficient tools to help less developed economically local units;
- 3- The vast number of responsibilities and the increased local unit size means a greater local administration, and requires more tax payers so to meet bureaucratic expenditures;
- 4- The large local units can not create familiarity with the citizens.

For the implemented models in the other countries (Plostajner, Z: 62) it does not exist a standard model regarding the local unit size. There are still some questions about the size and role of local self-government territorial structures: *firstly*, the lower level dimensions of the government vary among different countries. Countries with very small local governments face with the fragmented and inefficient service delivery. *Secondly*, small countries' governments often lack the capacity to manage and improve certain functions, at the same time small governments (Plostajner, Z: 62) are thought by many authors to allow greater participation and responsibility and to be politically desirable.

Conclusions

1. In the entire period after the Second World War, Western European countries were included in the local units' reduction.
2. With the end of the Cold War in the process of local units reduction were also included the Eastern European countries.
3. One of the main reasons for the local units' reduction has been demographic changes, movement toward urban areas.
4. Some countries have used the union way constrained by the government and some the voluntary one it adapted to the political, economic and national cultures specificities.
5. With the change of the political system, also the Albanian country has been involved in this process for the local government units' reorganization, a process that continues even today.

References

- Ananiev, N., political decentralization and local self-government in the Republic of Bulgaria, Stiftung edition "Friedrich Ebert" p. 23
- Aalbu, H., Bohme, K., Uhlin, A. Haldusreform. Argumendid ja vaartused. Nordregio, 2008
- Balas, G., & Hegedus, J. territorial reform and local self-government in Hungary. Publication Stiftung "Friedrich Ebert" p. 102-103
- Bulow, J., East Germany administrative reform experience. Stiftung Edition "Friedrich Ebert" p. 105-106
- Bailey, S, J. Local Government Economics: Principles and Practice. London: Macmillan Press, 1999, p.359
- Dollery, B.Fleming, E. A conceptual Note on Scale Economics, Size Economies and Scope Economies in Australian Local Government.- Urban Policy and Research, 2004, Vol.24, No.2 p. 271-282
- Dollery, B. Crase, L. Is Bigger Local Government Better? An Evaluation of The Case for Australian Municipal Amalgamation Programs - Urban Policy and Research, 2004 Vol.22.No.3, p. 271-282
- Gustafsson, A. Local Government in Sweden. Uddevalla: The Swedish Institute, 1983, p.138
- Sootla, G., Kattai, k., VIKS, A. Kohalike omavalitsuste, 2005
- Montin, S. Between fragmentation and Co-ordination: the Changing role of local government in Sweden- Public Management, 2000, Vol. 2, No. 1, p 1-25
- Todorovski, I., Self-government organization in the Republic of Macedonia, Stiftung Edition "Friedrich Ebert", p. 120
- Selenica, T. Albania in 1927, p. 450-453.
- Official bulletin, No. 22, April 1929, p. 1-5
- Official Gazette, No. 25, April 6 1949, p. 17-37
- Official Gazette, No. 2, April 1, 1961, p .2
- Berxholli, A. Thoughts about the administrative territorial organization morphology problem in the Republic of Albania. 2014. p.9-23