

Implementing regional development in Albania

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Abstract

This paper focuses in challenges on implementing a Regional Development Policy as a very new area of public policy in Albania.

The paper draws a distinction between decentralization and regional development policy. Regional development does not simply involve a reactive transfer of resources between regions; rather, they have clear long-term regional economic development aims and explicit spatial objectives and involve active policy interventions at the regional level. The main characteristics of regional policies are that they are pro-active socio-economic development policies with a specific regional focus.

The main conclusion of this paper is that Regional development policy should be designed and implemented in close coordination not only with decentralization reform (and eventually administrative-territorial reform) but also with other major national policies and reforms.

In Albania the preparation of strategies for decentralization on the regional level and the design of regional policies required significant time; reaching political consensus and implementing the process were not always straightforward and positive results were not always immediately achieved.

Introduction

As Albania is accelerating its preparations towards the EU candidate country status, numerous areas of public policy and practices undergo intensive development processes. Pressure for regionalization has thus come from two directions. Externally there has been the EU imperative regarding the need to establish the institutions necessary to administer the *acquis* at a national level and to effectively participate in EU regional development programs at the regional level. Internal pressures arise through the increasing recognition of the emergence of regional development disparities as the transition process unfolds.

One of the most important policy domains in this respect is regional development, which initially will allow the country to tap into Instrument for Pre-accession (IPA) (EU, European Union, 2006) Component III funding, and in the long term will decide on effectiveness and efficiency of use of the EU Structural Funds.

Regional development and Albania's preparedness for managing future IPA funding are becoming increasingly strategic priorities for structuring the country's development policy throughout the territory.

Theoretical background supporting regions

In the geographical literature regions are defined in three ways as, respectively, uniform, functional and administrative areas (Dunford, 2008). Most useful for economic development purposes are functional areas which combine places characterized by strong degrees of interdependence and strong complementarities. Examples

include market areas that combine market centres where the function is performed and the places in which the people who use those market centres reside. A classic case is afforded by Christaller's (1933) theoretical account of the size, number and spacing of market centres and market areas in Southern Germany. Another example is a travel-to-work area which combines places of employment and the places where the people who work in those places of employment live. As this definition implies, functional areas are essentially city regions.

The degree of emphasis placed on functional definitions of regions varies. In part this variation reflects the shifting relative importance attached in geography to the study of regions as self-contained entities (as in the regional tradition and more recent 'territorial' approaches to regional development studies) (Wrigley, 1965) (Pike, 2007) and as places that can only be understood in terms of their relationships with other places (as in the location tradition and in recent relational approaches to economic geography (Wrigley, 1965; Pike, 2007).

There has been significant debate and confusion in Albania as to exactly what is meant by the term "region". Different criteria have been used in subdividing national territory into regions. These are normally split between normative and analytic criteria:

Normative regions are the expression of a political will; their limits are fixed according to the tasks allocated to the territorial communities, according to the sizes of population necessary to carry out these tasks efficiently and economically, and according to historical, cultural and other

factors. In Albania the two levels of normative region are the Qark (County) and the Commune/Municipality. Functional regions are set up for a specific purpose: for example several countries have established functional regions for the purpose of the management of EU Structural Funds. For example, the United Kingdom has no normative region comparable to the EU's Nomenclature of Territorial Units for Statistics (NUTS) II region (an explanation of NUTS regions and its compatibility with Albania's regional policy will in chapter 5). The EU has created functional regions (comprising groupings of counties (normative regions) solely for the purpose of programming Structural Funds. In Albania the district (which is no longer a normative region, but is still a level of statistical collection) is a functional or analytical region.

A number of regions in the country lag behind the more developed ones in terms of growth, employment and provision of basic services to their growing population. These depressed regions especially the rural areas became the seat of discontent in many instances in the past. The rapid migration of population to a few urban areas of more developed regions resulted in serious employment, housing, health and other congestion problems. This premature migration made urbanization more an aspect of poverty than a symbol of growth.

Conceptualizing Regional Development in Albania

From the administrative viewpoint, based on the law of July 2000 the country is presently divided into 12 Regions/Qarks/counties (nominative regions), 309 communes and 65 Municipalities. Qarks/ counties are divided into 36 districts which represent geographical units composed by the aggregation of communes and/or municipalities sharing common historical, geographical and cultural features. Communes and municipalities are divided into cities and villages, which represent the lowest administrative unit in urban and rural areas respectively. Cities with more than 15 thousand inhabitants are subdivided into municipal units. Communes and municipalities belong to the same administrative level. Commune boundaries include rural areas, while municipalities correspond to urban areas.

The twelve regions were established with a threefold purpose:

1. To optimize the provision of public services. The small size of local government units impedes any economies of scale and often the endemic poor infrastructure and shortage of capacities and capital lead to a lack of investment.
2. To provide a platform for achieving a common interest shared by all or a group of communes and municipalities within the boundaries of the region. Inter-municipal cooperation is one of the means that works towards this end.
3. To ensure the alignment of local, regional and national priorities and the harmonization of local and regional policy with national objectives.

The organization, functions, duties and sources of revenues of the regional councils are defined in the Law on Organization and functioning of Local Governments

(hereinafter the Law No. 8652). Organizationally, it specifies that regional councils are composed of representatives of the communal and municipal Councils. Within this body, a board is established whose members, and executive posts of Chair and deputy Chair, are elected by a majority vote of councilors. The Regional Council approves the regional statute in which the responsibilities and internal organization are defined. The administrative structure of the regional councils may differ by region, although the following units are usually present: public service, urban, finance, legal and land administration departments, cadastral and protocol offices, program and development office (in charge of strategy development), and personnel section.

The role of the Regional Council in the process of decentralization and regional development is important. However, proper capacity and institution building (including improved horizontal and vertical inter-governmental cooperation and donor coordination) is necessary in order to avoid the risk of having the resources without a mechanism to initiate delivery. This could impede the implementation of Regional Development Strategies and could limit the ability of the regional councils to perform their role in coordinating the implementation of regional policies through facilitating cooperation among local governments and with the central level.

Ambiguity prevails regarding the status/role of the regions in Albania. As mentioned above, the Regional Council is not directly elected by the citizens of the respective regions. The indirect election of the members of the Regional Council is stipulated in the Constitution (Art.110). International experience demonstrates that an indirect form of representation at the regional level means that the community members will lack democratic influence on the way local services are managed (Marinov, 2004). This often results in a lack of accountability on behalf of the regional councils. The regional councils are perceived more as local government associations, rather than in their envisioned role as an intermediary level of government able to effectively promote regional development and facilitate cooperation among local governments. Examination of the system of local government in Albania shows that the requirement of the regional level is also supported by the need for better coordination and planning. Albania's local governments are characterized by significant disparities in size and capacity. This results in the inability of communes and small municipalities to take responsibility for public services that require large or/and increasing scales of production and which also involve significant externalities (e.g. water supply, waste management, secondary education). The challenge of fragmentation includes not only economical efficiency but also the administrative and technical capacities of local governments to provide services in an efficient and effective way. As international experience proves, the fragmentation of local government systems is related to the extent of financial decentralization (Commission of European Communities, 2001). It is apparent that larger municipalities are able to carry out a wider scope of functions than smaller municipalities and communes.

Furthermore, in numerous cases the autonomy of the smallest local governments is mostly symbolic, as in practice they are unable to take responsibility for any significant public service. For these reasons, the fragmentation of the local government system in Albania may act as a serious constraint for the further process of decentralization in the country and as an argument against decentralization.

The above challenges have prompted a discussion among the government and the Albanian think-tanks about the need for revision of the administrative and territorial division of the country (TAEX Mission and Charlie Woods, 19-22 May 2008). The main objective is perceived as twofold: a/ to overcome the fragmentation, deepening regional disparities and differences in size and economic capacities; and b/ to align with the EU requirements of minimum population sizes for its regional development funding. Some of the possible strategies for consideration and further pursuit are: amalgamation of local government units, establishing voluntary associations, provision of incentives and technical support for inter-municipal cooperation, establishment of planning-structural regions equivalent to European NUTS (II-III) level, amongst others.

Implementing Regional development

At the moment it seems that regional development in Albania is associated mainly if not exclusively with decentralization and the scope of action of regional (county) councils. Although this link is evident and in most cases inevitable, it should not lead to the interpretation that regional development is equal to decentralization or to transfer of competencies to regional level (regional authorities). Decentralization is only a means to an end and not an end in itself (World Bank, Albania: Decentralization in Transition, 2004).

Drawing a distinction between decentralization and regional development policy does not mean that they should not go hand in hand. Regional development policy should be designed and implemented in close coordination not only with decentralization reform (and eventually administrative-territorial reform) but also with other major national policies and reforms.

Development is more than delivery of services and regional development policy should not be associated only with fiscal equalization policies, uniform service provision regulations or the transfer of more competencies and resources to regions. Distinguishing feature of regional policies is that they are pro-active socio-economic development policies with a specific regional focus. Regional development does not simply involve a reactive transfer of resources between regions; rather, they have clear long-term regional economic development aims and explicit spatial objectives and involve active policy interventions at the regional level to achieve these aims and objectives.

The Albanian government and society have invested great effort in the decentralization reform especially after the preparation and adoption of the Decentralization Strategy (Department for Strategies and Donor Coordination, 2008). Significant progress has been made in this direction, even

if in many cases the results are perceived as unsatisfactory. Albania has committed itself to speed up and deepen decentralization with a strong focus on immediate actions on the local level and especially on strengthening the financial capacity and autonomy of local authorities (municipalities and communes), as well as on increasing the mandate of elected officials from three to four or five years.

At first sight one could get the wrong impression that the regional level of governance and, more broadly, regional development and regional policy have been neglected despite the significant regional disparities and perceived need for regional actions (complementary to actions on the national level) and stronger regional development policy. In reality such conclusions could be misleading, as regional councils have been established and are operational (although there is room for improvement and enhancement of their operations), regional development strategies reflecting a new approach to development have been prepared in all regions.

In fact, the approach to decentralization and regional development policy in Albania is logical and is in no way unique. In all post-socialist societies in Central and Eastern Europe the first priority of decentralization has been to re-establish and strengthen local self-government as well as to complete the most urgently needed macro-level reforms. Only later has the issue of regional policy, regional level of government and in many cases introduction of regional self-government appeared on the political agenda. Some other common features of CEE countries should be noted: in most cases the formulation of a "national" policy for regional development has been strongly influenced, if not initiated, by prospective EU accession and the related access to EU funds (Payne, 2004) (EU, European Union, 2006).

In most cases the design of regional policy and especially the restructuring of the regional level and regionalization (the introduction of regional self-government or at least significant change in the administrative territorial structure) became a "stumbling block" to the reforms (Illner, 1997). In most cases the preparation of strategies for decentralization on the regional level and the design of regional policies required significant time; reaching political consensus and implementing the process were not always straightforward and positive results were not always immediately achieved.

Therefore the approach of the government not to deal immediately with regional level of government and regional development policy seems to be both rational and practical, indeed this approach has been supported by the road-map for decentralization in the World Bank report (2004). There are too many uncertainties, too many different experiences on the ground, too different and sometimes radical proposals and not enough clarity, consolidated visions and consensus to attempt to introduce significant changes immediately (or if such steps will be taken they will face the risk not to be well thought and prepared with related negative implications).

However this does not mean that the issue of conceptualization of regional policy should be postponed to

a "better" time. The discussion and preparation should start immediately in order to agree on specific political options that, when fully developed, could be implemented through legislative changes, establishing new structures and supplying them with the required resources, developing new systems and inter-institutional relationships, etc.

Regional development and regional policy design are often perceived as "experiments", as processes of "learning by doing", based on the feedback principle (Marais, 2001) (McGarney, 1999). A large number of initiatives have supported this experimentation. Therefore the conceptualization of regional policy should be based on the already existing and diverse experience in the country gained in the last few years, especially with the development of regional development strategies and the transfer of new competencies to regional councils. It seems that it is the right time to consolidate this experience (on the basis of its assessment) and to mainstream it into national policy.

Regional development policy is a very new area of public policy in Albania. Formally regional development is mandated mainly under the duties of the Ministry of Economy, Trade and Energy (METE). The Directorate for Public Investment Programming is responsible for balanced regional development through harmonization of sectoral and regional policies. The Directorate must also coordinate with local government units the preparation and implementation of economic strategies and programmes.

In reality, however, because of the absence of a national policy for regional development and relatively low leverage, and also due responsibility being placed on one line ministry, the role of the Directorate in regional development is quite limited. Consequently there is no strategy or action plan for addressing the socio-economic disparities and regional inequities, which would allow for more effective targeting of resources. It should be noted that in most of the new EU member states an inter-ministerial coordination body (i.e. council for regional development), was established at the national level to develop the regional policy and supervise its implementation, and one of the ministries was authorized by the Government to coordinate the implementation of the regional policy.

Most of the twelve Albanian regions have already worked through one or more cycles of Millennium Development Goals (MDGs)-based Regional Development strategy preparation and implementation (HDPC, Human Development Promotion Center, 2005). The quality and the content of strategies differ and they are not compatible

since different methodologies were used. While some regions may find it useful to return to a step or a process that may have been skipped over, such as: consolidating multiple sectoral strategies into an overarching framework; linking regional priorities with NSDI; establishing forecast indicators; costing and potential partners; resource mobilization strategy, etc; others may find it more urgent to focus on improving their data collection and monitoring system, operationalizing the strategies, preparing action plans and costing priorities thus further pursuing implementation.

Conclusions and recommendations

If growth in Albania is to be increased and sustained, investment in physical and human capital needs to be increased, innovation needs to be stepped up and Information Communication Technology widely used to boost productivity and employment. This, however, ought to happen not just in regions which are relatively more developed (e.g. Tirana) but throughout the country. Therefore wide regional disparities should not be ignored. These differences stem from structural deficiencies in key factors of development and competitiveness; inadequate endowment of physical and human capital (of infrastructure and skilled human resources), a lack of innovative capacity, of effective business support and a low level of environmental capital. Regions need assistance in overcoming these structural deficiencies and in developing their comparative advantages in order to be able to fight poverty, achieve higher levels of human development. This in turn requires that a regional development policy be established in Albania, which would address the above challenges through targeted support and the creation of a supportive investment climate.

The central government should vigorously pursue national cohesion policy to tackle disparities, whilst the donor community should respect national priorities and align its aid with them. The financial support to underdeveloped regions will come from domestic and external sources, including Official Development Assistance, Foreign Direct Investments and in the future EU pre-accession/ structural funds (DSDC, Department for Strategy and Donor Coordination, 2005).

Therefore, the need to establish a regional development policy in Albania is manifested by a number of reasons, as confirmed by a growing understanding among various stakeholders, including the business community, the donors and central and local government institutions.

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