

# VALUATION ANALYSIS OF THE REGIONAL DEVELOPMENT PROCESS IN ALBANIA.

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## ABSTRACT

Regional development is one of the priorities for governments all the world. The concept of regional development is closely linked with the role and functions of the Regional Council that is the second level of local government. Until now there is not a clear platform of regional development and institutions provided with clear roles. Studies have shown that regional disparities are attributes not only of large countries but also developing countries (Shankar & Shah 2003, 2008). This concept leads to increased social and economic disparities between regions, prevents competition and slows development. In this paper I will analyze the early and the new approach on regional development. The aim of this paper is to evaluate the current model of regional policy in Albania and which is the perspective of regional development in reducing of social economic disparities. What is the aim of the new policy, which are the models that propose in Albania context? The study was conducted by using the method of primary research. Regionalization in Albania is an alternative that dictated by the current global development, especially European integration.

**Keywords:** *regional development, local government, regionalization, regional disparities, new model, regional strategy.*

**JEL Classification:** *H11, R10, R50, R58*

## 1. Introduction

Local government reforms are one of the tasks and challenges of the future in Albania. They are closely related to regional development which takes a special importance in the context of EU integration. Reforms have begun to change the system in 1990 to enhance implementation of local democracy and decentralization principles that are present today.

Principles of local government reform are based on the European Charter of Local Government and the Albanian legislation for this purpose. In the center of regional policies or practices is the efficient use of the potential of each region, considering that the municipality and commune level. Inequalities that exist within the region and between them show that the economic potential in some regions is not fully utilized, and this reduces the overall performance at the national level. Now, regionalism is a new concept that aims to stimulate and diversify the economic activity of a country. However, to provide a starting point for economic growth in every segment of society, to support the growth and movement of population from rural to urban areas, as the quality and variety of public services and infrastructure, remains the identification and addressing social and economic issues the regions.

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Regional development has a territorial dimension to focus on the region and a development dimension according economic sectors. During the last decade the government has recognized the importance of regional development knowing what stage they are for getting candidate status increase opportunities for hope in favor of reforms. Regional development based in three areas: decentralization, local regional development and regional development within the EU. The decentralisation process is focused in the first level of local unit mainly in financial decentralisation and competencies that has not happened with second level of local unit. Some services require the economy of scale that is not realized by small local units. Debates are encouraged about cooperation and consolidation of large local units.

## **2. Actual regional policy model in Albania.**

Concept of regional development in Albania relate with role and functions of Regional Council. Until now I notice there isn't a clear platform of regional development as well as institutions with clearly roles. This concept leads to increased social and economic disparities between regions, prevents competition and slows development.

The legal basis consists of several draft strategic documents adopted by the Albanian government. NSDI<sup>2</sup> covers the period 2007-2013. Under the vision set out in this document, the Albanian government will continue to deepen the decentralization process in accordance with European Charter of Local Self-Government and the Albanian Constitution. This document treats first level of local units towards strengthening and improving territorial devise while for the second local level needs a new legal framework.

The most important role belongs Regional Development Cross-Cutting Strategy which was conducted in 2007 and approved in 2008 but was not put into effect. But that year was drafted a law on regional development which is not yet approved. This strategy aims to provide a sustainable socio-economic development of regions and to ensure coordination between levels of government. According that, proposed two programs, the National Program for Regional Development and the Program for the Development of Disadvantaged Areas. Likewise proposed to create the National Agency for Regional Development and 12 agencies at the regional level. Also under this strategy will be developed Regional Development Strategies for each region. This document was in the same line with the EU policies for regional development and cohesion policies. It seemed that this strategy was too ambitious and required extensive involvement of stakeholders in this process and I think this was one of the factors and was not implemented. I see that the decentralization process and regional development policies are not coming forward together. Development is more than a distribution of services and regional development policies must be not only to associated with fiscal equality policies, with adjustments forecasting of services or the transfer of powers and additional resources in individual regions. The difference is that regional policies are those policies for socio-economic development with specific regional focus.

Based on literature I see there are two-regional policy models: the classic model that means regional policies implemented through direct state intervention and contemporary model that provides opportunities to develop themselves by regions. The new model is characterized by a decentralized intervention based on integrated plans and strategies for regional development,

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<sup>2</sup> National Strategy for Development and Integration

designed by partnerships and regional and local actors. This model requires the transfer of substantial resources (assets, financial resources such as subsidies, tax part) allowing access to credit, particularly in developing the capacity of local and regional authorities to act as development actors and not just as service providers. In Albania contemporary model of regional development not exist. This model requires major changes in legislation and enough time to be implemented effectively. According to Charles: "Changing the paradigm of regional development (from classic to contemporary approach it) is neither universal, nor complete; in many countries and regions, the change in policy is partial and may result in temporary "(Charles, 1994). Consequently, sustainable regional development must fulfill two purposes: to provide an acceptable level of welfare for the regional population, which can be supported in the future; and should not be in conflict with sustainable development in over-regional level (Nijkamp, Ouwersloot, Tingbergen Institute, 2008).

### 3. Comparative analysis of two regional development models.

A comparative overview at the changing regional policy model allows us to better understand how it develops.

**Table 1:** Comparison of two-regional development models (traditional vs. new model)

<b>The Regional Development Strategies:</b> Sector analyses		Integrate analyses
<b>The competitiveness objective:</b> Base in strategic, socio-economic factors, consider like contributive sectors		Development direction accepted and implemented through
<b>The cohesion objective:</b> Compensation and redistribution difference		Concentrating on key problem for a measure that makes
Grants and state aid	<i>Means</i> 	Integrated infrastructure interventions and those activate business and social capital.
<b>Territorial application</b> Administrative unit, rural areas e.g. cities surrounded by rural areas		Functional unit, theory on Homogeneity sets base role.
<b>The actors</b> Government and Regional Agencies.		Governments, social actors, Business.

#### 4. Methodology of study

In this study, the methodology used was an applied research as it is conducted in order to find answers to specific and practical questions, and shows the implementation of regional development models and theories in the present context of the country. Also search can be categorized as a descriptive and comparative research. Since part of the study are interviews of people, they are often unpredictable in their behavior due to the influence of external factors, I tried to minimize their impact through rigorous elections in the questions asked. For organizing and collecting opinions, were taken into account the following conditions: geographical coverage of interviews; structure for civil society; organization of opinions in favor, against and undecided; the number and structure of those who expressed orally, and through electronic version.

**Table 2:** Structure of responders.

Structure of interviewees	Number
Representatives of Regional Council	35
Representatives of local units	45
Different decision making	25
Representatives of Ministries	20
Members of Parliament	10
<b>Total of political representatives</b>	<b>135</b>
Representatives of civil society	48
Representatives of RDA	10
<b>Total Civil Society</b>	<b>58</b>
<b>TOTAL</b>	<b>193</b>

According to the interviews results that 30% are members of civil society while 70% belongs to political decision making. During interviews two methods were used, directly responses (face to face), in the form of open conversation in base of questions and second method by means of electronic mail. About directly interviews were used several national meetings that were held in the form of roundtables related to the local government issues. The criteria were: geographical coverage, the chiefs of regional councils, mayors of municipalities from 12 regions in Albania as well as their representatives. Civil society representatives were selected from education, university, business, citizens, NGOs, regional development agency. While political representatives included decision making bodies from municipalities, regional council, and parliament members. The questions were: What do you think about regionalization in Albania? Is it necessary or not? Why? What types of decisions and competences should be transferred to the regional level? How can we organize an efficient and sustainable process? How can that region enhance the socio-economic and territorial cohesion? Which are the risks that could damage the process? What do you think about regionalization in Albania? Is it necessary or not? Why? 77% of interviewees were in favor of the regionalization process, 14% were not agree with regionalization process and 9% were undecided or not clear.

The main arguments that support the need for regionalization of Albania are: Process of decision making will be more efficient means to reduce costs and bureaucracy in public system. The creation of large region will make possible absorption of EU funds and use them so efficiently; supports and stimulates economic development reducing inequalities between regions. The regionalization that is accompanied with the administrative territorial organization is an important

decision with a national impact on national development planning. The use so efficient and effective of local resources; development of economic competitiveness; the urban and rural integrated development; are factors that make regions promoter of development.

The main arguments that not support regionalization process are: increase the regional disparities between reunion larger urban capitals and regions; the damage of small towns and rural units; loss of jobs in administrative institutions; the higher cost of the process will be paid by taxpayers; the time is not adequate because it is connected with the global crisis especially our neighbors; the increase of bureaucracy as a result of legislative changes passed by an administration form in a regional else. Larger units significant lower level of local democracy because they will be less geographically connected with citizens; the administrative center of region will be the winner and will be greater economic potential.

The undecided responses mainly related to the limited information regarding this process, the lack of legislation or specific packages of regionalization or the need for studies and impact analysis.

## **5. Which are the suggestion models in Albania conditions?**

The new policy should to create conditions to provide quality and efficiently public services for community. It will encourage regional sustainable development by strengthening social and economic cohesion, improved competitiveness and setting up a legal and institutional framework to response EU challenges.

Until now the regional development and regionalization treat divided. However goals of decentralization, regionalism and regional development are connected between them, where decentralization offers the best services and better conditions for development, regionalization generates funds for services.

What the meaning to integrate policy of decentralization, regionalization and cohesion policies of EU? Means to treat the regional disparities to improving the equity and strengthening competitiveness, to increase the regional responsibility before the regional voters; to accelerate the integration process of Albania aims to be part of EU funds; to improve quality of public services (transportation, water supply, education and health services, tourism, environment etc.); to build capacities to design and implementation of projects for regional development. The situation in Albania shows that the capacities of regional development are in the development stage and the concept of the form of the region is still unspecified.

There are three models proposed from the representatives of local units and stakeholders which can be adapted with Albanian conditions: Regionalism model from below to up which to preserve the actual situation but improve the regional council performance; Administrative regionalism model which strengths decentralization or deco centration process in county level and the regional decentralization model which coincides with the creation of new regions.

In any case preserved the tendency for regional development and scope of government and all stakeholders to work for EU integration. Whatever the option chosen, it must come through a process characterized genuine analysis of the criteria, costs and forms of decision making, and consensus among stakeholders.

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