

"FUNCTIONAL AND FINANCIAL DECENTRALIZATION OF SOCIAL SERVICES IN ALBANIA THROUGH A CASE STUDY IN THE LEZHA MUNICIPALITY"

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ABSTRACT

The last reform in the field of social services in Albania is based on the national and sector strategy 2015-2020, which is applied immediately after the new administrative and territory reform in Albania. The main objectives of the both above reforms has been strengthening local governance and increasing their efficiency in improving welfare of citizens and their services. The objective of this paper is: "To evaluate the social service system not only in terms of how it serves in achievement of the objectives mentioned above reforms, but especially in terms of functional and financial decentralization in order to strengthen local governance especial on key social services for their respective communities".

This analysis will be performed for Lezha municipality through assessments of legal framework, and financial managerial and other sector capacities using interviews and analyzes of data collected in this municipality. The paper aims to address the issues that affect the development of as a social as well as that of local governance, into strengthening financial stability at the local level toward meeting the needs of the regional community. In that meaning the purpose of this paper is to are provided some conclusions and recommendations for improving the financial management system toward a system pure decentralized in decision making, as well as financing policy of that scheme, covering treatment and payment services for people in need of all categories; poverty, disability, those discriminated, abused children and women, etc.

Keywords: *social services, financial decentralization, functional decentralization*

JEL Classification: *H750*

1. Introduction

As it is by EU's common basic social standards the enlargement countries should take further measures necessary to improve and enhance the socio-economic transformation of potential candidate countries, and the revitalization of socio-economic rights². The paper aims to provide an evaluation of recent reform in social sector, based on national strategic development, issues of concern, and some conclusions and recommendations. This analysis is based on studying the development of the reform at the municipal level through studying, analyzing and evaluation the data collected for municipality of Lezha. Since the reform of the social sector was implemented as administrative-territorial reform ended, this analysis is based on researches collected in the municipality of Lezha, as one of 61 new municipalities (after this reform).

The analysis is focused on economic and social assessment, as well as the system established on providing, delivering and financing of social services in local level, seeing this closely with the

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² Chapters 23 and 24; "The Europeanization of a strong social model".

process of decentralization of local government functions in Albania, which is a process widely begun from 1999, (or after ratification of European Charter for Local Autonomy). Still more, this analysis also provide an assessment of stakeholders and target groups regarding their perception about quality and efficiency of delivered social services. The data are collected based on a methodology that includes interviews and questionnaires, reviewing of legal framework and policies, as well analyses of collected information regarding the municipality of Lezha.

2. General policy, legal, economic and social context for Social Services in Albania.

The Albanian governments' policy and strategies on social sector are focused on a deep reform with a significant economic and social development impact, and to ensure the better quality of life and the welfare of the citizens. The main objectives are outlined in the 2015-2020 National Strategy for Development and Integration includes; (i) develop an integrated and sustainable social services system, (ii) strengthen the role of regional as well as local governance on social services, (iii) modernization of the process, and (iv) strengthen the administrative capacities and control of public funds management. Other sector strategic documents are drafted, which affects the social development and social inclusion of certain target groups, such are: The National Strategy for Gender Equality (2016-2020), National Strategy for Social Protection and Social Inclusion (2016-2020), National Action Plan for Integration of Roma and Egyptians etc. Beyond of all, the Cross -Cutting Strategy for Decentralization and Local Government (2015-2020), affects directly the social sector in national and local level, because of reconfiguration of the local administrative units, transferring to them some other new functions and strengthening the efficiency of local governance and toward sustainable local development. The objectives of these reforms are; (i) supporting decentralization process; (ii) increasing the quality and effectiveness of public services provided by local government using best standards; (iii) increasing the transparency and accountability of local government; (iv) increasing the participation of citizens and stakeholders in the local decision making process.

The legal framework is most of reviewed recently. There was amended low on social assistance and is under implementation a new IT system. The legal framework on measures against domestic violence, includes measures to prevent, reduce and protect the victims of violence, (especially children, the elderly and persons with disabilities), where the local governance has its role for social integration of the victims. The rules and certain national a local agencies are established for institutional protection of children rights and for monitoring the law enforcement and relevant policies in their territory .For the rights guaranty of minorities there is a specific low for protection from discrimination (including Roma and Egyptian), which, recently were on the focus of many project funded by EU, UNDP, and has taken increasing attention of national and local government budget. Even if there is not any specific legal act³ for preventing and combating human trafficking and protection of the victims of trafficking, there is a sector strategy and action plan (2014-2017)⁴, also is establishment the State Committee, as tools against trafficking of persons.

Social service model. As a candidate member country, Albania is under the process of harmonisation of social services policies with those of EU. Behind similarities, the problems that must be discussed here are differences between Albania and EU members on this sector issues,

³ It is treated by Criminal Code only.

⁴ DCM No.8663dated17.07.2013

of which the most important are those cultural, historical, social and economic. The Scandinavian model (Sweden, Denmark, Norway and Finland), has been based on universalism principle for a long time, by which all social services beneficiaries are paid from taxes. Recently this system is modified toward "welfare pluralism" because of increasing of the number of NGO-s in social services. Other Mediterranean countries, (Greece, Spain, Malta and Italy), have in use "the family care" model, where the state provides limited services, while the most of them are provided by catholic families and well-established NGO-s (even if the model has critiques because of not well protection of rights of service users). United Kingdom model is based on a system where is reduced the traditional role of state as direct service provider through contracting with private providers or NGO-s (in residential care for elderly people etc). In other northern Europe countries and France is mostly in use the "subsidiarity model", where the social services are provided mainly by NGO-s, but the state plays a major role in financing those NGO-s. If we take a look at region of South East Europe countries we can see that the role of local government is still extremely limited, the local expenses are also limited, where Albania is ranked at the end.

Table 1. Regional Comparisons: South East Europe ⁵

	Macedonia	Serbia	Croatia	Slovenia	Albania
Pop. in mill.	2.0	7.3	4.4	2.0	2.8
LG as GDP%	8.1	6.9	4.0	10.2	2.2
Social Welfare	Decentralized	Mixed	Central/ Parallel	Decentralized	Mixed

History of social protection and social inclusion in Albania is completely different with other regional and European countries because of totalitarian role of state on everything including social issues, and because of the very long transition process.

Economic context is closely linked with the state capacity in financing social services. Total expenditures used for social benefits are depended on different economic development of countries. Albania is qualified as a lower middle income country, with GDP per capita equal to 3,840 \$ in 2015⁶; is 13th by National Poverty Headcount ratio (the percentage of the population living below the national poverty lines)⁷. Albania is ranked as 98th from 189 countries per GDP per capita (PPP). The table below shows an unsustainable economic development.

Table 2. Real GDP growth⁸

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
5.9%	6%	7.5%	3.4%	3.7%	2.6%	1.4%	1%	1.8%	2.8*	3.4%*

Social context. Relating some social indicators, Albania is ranked 52nd from 150 countries as by social progress index for 2015, and population below poverty by last estimation/2012 has been 14.3%. Albania has a well educated young workforce (about 57% of population is under the age of 35), but unemployment rate is continue to be high as it is given on the tables below.

⁵ Derived from: Coffey (2012) and Albanian data from ISB

⁶ Albania Overview, World Bank

⁷ Index Mundi; Poverty headcount ratio at national poverty lines (% of population) - Country Ranking - Europe.

⁸ IMF World Economic Outlook 2016 (*estimated index)

Table 3. Unemployment rate⁹

2013	2014	2015	2016*
16.0%	17.5%	17.1%	16.9%

The curve of poverty after 90-ies has been almost sustainable. (45.2% in 2008, 47.5% in 2012, and 46.7 % in 2014). Although some progress has been made in recent years, the situation of homeless peoples continues to be serious, when the number of applicants for social housing is 2.77 times higher than the number of beneficiaries¹⁰, and municipalities continue to not have correct information on number of homeless peoples (69.23% reported having information on the number of homeless individuals, meanwhile, 30.77% do not have such kind of information). It continues to have a higher poverty of rural and mountain areas, larger flows of internal migration, higher unemployment rates, especially of the long term nature for females and middle aged labor force, problems of elderly, orphans and disabled, abused women and youth, problems of Roma and Egyptian minorities, etc.

3. The municipality dimension on social services- Lezha Municipality.

Economic context: Municipality of Lezha is one of 61 municipalities of Albania, with 10 administrative units, 137 thousand citizens (63% urban community.)¹¹ The main economic sectors are services and trade, agriculture and forests, fishing and fishing agro processing, some industries which work with the principal raw materials (fason), and construction; in total there are about 1,700 business entities. Since the 95% of businesses are small and medium entities as well as 73% are in trade and services sector, they have approximately 1-4 employee, where about 39% of businesses are managed by women entrepreneur. Even if the Lezha region has a favourable geographical position with natural resources for economic development, the region has the lowest GDP per capita with about 24% lower than national one (after Dibra with 36% lower)¹², and lower than the GDP for the North Region (which was 23.6% of total Albania in 2013), constituting about 3.1% of the total national GDP.

Poverty and Social Exclusion¹³: The Lezha region has the poverty level higher than other coastal regions also higher than the average total of the country, as it is in table below.

Table 4. Poverty indicators

Poverty measures	Lezha region	Coastal		Total	
	Poor	Poor	Extreme poor	Poor	Extreme poor
Headcount	18.4	17.7	3.0	14.3	2.3
Depth	4.7	3.8	0.5	3.0	0.4
Severity	1.8	1.3	0.1	1.0	0.1

⁹ IMF World Economic Outlook 2016, (*estimated index)

¹⁰ UNDP; Social housing situation in Albania

¹¹ INSTAT, year book 2015.

¹² Administrative and territorial reform, analysis of the local government situation in Albania , April 2014.

¹³ The social exclusion means "the failure of the society to provide certain individuals or groups with the rights and benefits which normally are available for other members, such are employment, housing, health care, education etc".

Active working force 15-64 years old is 72% versus the total population, where women are about 49%. The Roma and Egyptian communities account for approximately 1330 people, 5% of the population's size. About 35% of jobseeker in Lezhais of age less than 30 years old, and unemployment rate among the youth is 33%. In 2016, more than 50% of them have only secondary education or less, which is the reason why several courses' programs are into implementation for 16+ year old people with preference individuals living under social assistance. There are over 1,500 families living with social assistance in this municipality.

4. Country model in social services delivering, through analyses of municipality of Lezha, and its implications

Albania is under implementation of a social services delivering system in three levels; national, regional and local one. In this meaning the institutional capacities are established in compliance with this system in which the Ministry of Social Welfare and Youth is responsible for drafting, monitoring, implementing and financing the system through National Agency, the regional agency for social services is responsible in regional level, and the social service unit within municipality is the structure responsible for delivering those services. This system has some implications, which are:

a) Legal and other regulatory implications in shared functions and its implementation;

The decentralization reform has increased the municipalities' competences. Albania is still identified as a country "in the decentralization process". By "National Crosscutting Strategy for Decentralization and Local Governance 2015-2020", and by law¹⁴ are legally defined below local government functions:

- Infrastructure and public services;
- Social services;
- Culture, sport and entertainment services
- Environmental protection
- Agriculture, rural development, public
- Local economic development
- forests and pastures, nature and biodiversity
- Public Safety

On the other hand, by the State Budget legal framework, relating budget execution, those functions are categorized into; i) their own functions; the municipality has to use the municipal budgets/incomes (local taxes, local fees, shared taxes, loans, subsidies); and, ii) delegated functions from central government; the central governance provides tools and sufficient financial resources to perform these functions, which is defined by law¹⁵. Referring the mode of functioning of the economic assistance scheme for Lezha municipality, it is obvious that the local government is not executing its functions on social services defined by law as a function of local government, because the model under implementation is mixed governance from the standpoint of the functions execution as those of funding, as it is showed in the figure no.1.

¹⁴ Low No. 139/2015 "On local government"

¹⁵ The guideline No. 1 date 15.01.2016 " For execution of 2016 budget"

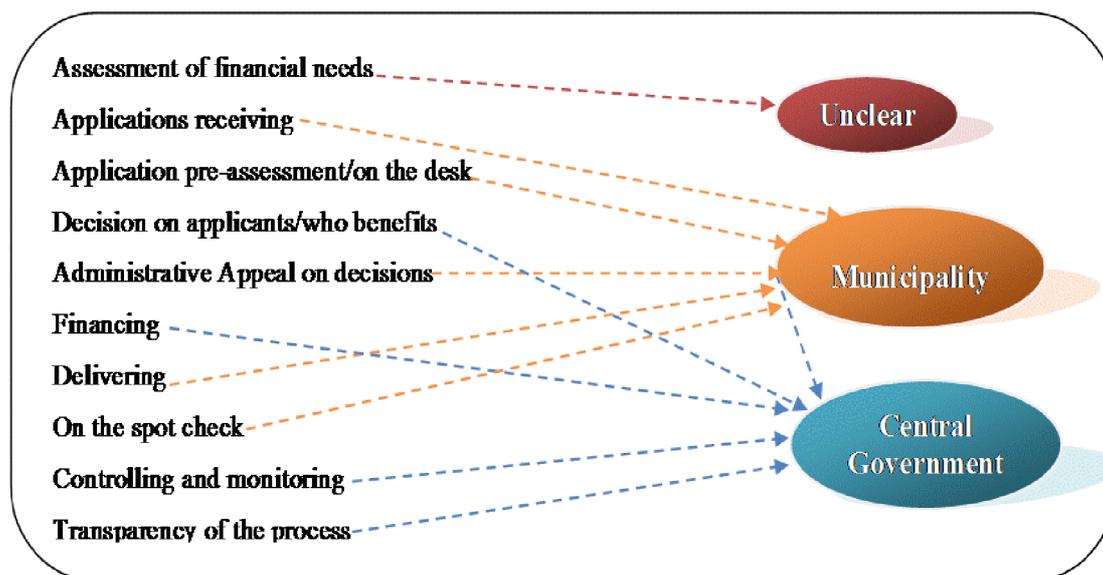


Fig. 1. Operating network on social assistance and disability full process

b) Self governance and local fiscal impairment;

Although the decentralization policy and strategy is aimed at strengthening local governance, the model is being implemented in the field of social services still did not have any impact in this regard, at a time when these still remained only such theoretical concepts, Referring example of Lezha municipality, the model of social assistance implementation appears in several aspects as follows:

Administration of the process. The local administration receives applications and records them in the system, while the decision about eligibility of applicants, the amount calculation and fund transfer are all executed by central administration, and in general does not refers to these needs. The scoring and formula on which is calculated the respective amount is transparent neither for local administration nor for the local community and beneficiaries.

Fiscal capacities and financial management is weak decentralized. The local budget for supporting social needs is negligible, while there is no any budget line dedicated for some specific functions of social service which are formally responsibility of municipality such are social protection, additional economic assistance and disability issues, children rights and protection, protection against any form of the violence, social inclusion and equal treatment of minorities, and social housing, etc. On the other hand, the respective weight of local budget expenditures in the state budget remains relatively low. Although they have several responsibilities, local governments' spending are at the level of about 8 percent of the spending of general government (or 2.4 percent of GDP), which is low compared to other European countries. If we discuss about outcomes from other resources we found that at the end of March 2015, only six local governments had outstanding loans, and their total debt was less than 0.1 percent of GDP. The one of the main goals of administrative and territorial reform has been strengthening of local finances, but so far there is no concrete action toward achieving this.

State budget support is minimal. Besides financing of social economic aid program and partial financing of some national residential centers (for orphans and elders), the state budget has not any other fund delivering dedicated for other social protection issues, which are all under financial support of NGO-s, Red Cross, or other religious. By collected data of Lezha

Municipality, state budget fund for economic aid program, is approximately 7,638,839 monthly level covering 1,590 families¹⁶ (approximately half of the total needs), but over 69% of total fund goes for persons with disabilities. In the table no. 5 below, fund resource is in the majority financed from state budget, and represents the decreased number of beneficiaries and total amount from year to year. Except the financial assistance, the local financial capacity for all other social issues for 2016-2017 has been in very insignificant amount (4.8 million ALL for 50% rent reimbursement for Roma and Egyptian, 500 thousands ALL for a day care center for elder and 200 thousand for gender equality).

Table 5. Allocation of Economic Aid in years in 000/leke

Year	Number of families	Total Allocation	Total Expenses ¹⁷	Expenses by the Municipality funds	Total of Economic Aid. ¹⁸
2010	542	126,203	423,066	106,490	2,313,966
2011	555	128,206	515,412	107,786	2,309,627
2012	546	104,081	448,939	107,209	2,251,775
2013	549	99,051	331,624	114,912	2,229,992
2014	501	93,187	527,896	143,089	2,013,225

Neither central government, nor municipality, does not provide funding for other social services, except financial assistance and disability payment. As it is in national level, the social services of residential and day care centers are mostly offered and financed from NGO-s. There are no more financial capacities for other social issues. This is clearly showed in the table no.6 below about grant transfers, where social services fund is zero.

Table 6. Grant transferred from state budget to municipality of Lezha for year 2016¹⁹.

Uncond. transfer	Conditioned transfer by functions									Total
	Residential for pre-univ.edu.	Pre-School education	Pre-university education	Fire protection	Soc. Protection	Forest admin.	Rural roads	Irrigation & Drainage	Inv.	
230,553	8,958	95,447	8,357	25,735	0	3,066	4,957	13,184	0	390,257

Relating the national budget for 2016 by line ministries, the budget for social protection and social inclusion is about 29% of total budget of MSWY, furthermore about 28.7% is for economic aid and disable people. For the year 2016, the state budget for social assistance and

¹⁶ Lezha Municipality, December 2016. <http://www.lezha.gov.al>

¹⁷ Including grants from central government

¹⁸ Financed more by central government budget

¹⁹ www.financa.gov.al

disable people is 1.3% of PBB²⁰, and the structure of this has been; social care 20, 595,500 thousands ALL and social inclusion 74, 051 thousands ALL for year 2016.

c) Political context and well governance;

The local government has a political contract with its citizens. Poor exercise of the functions of local government does not create opportunities for citizens neither in measuring the efficiency of their government, nor to assess the level of implementation of its political promises. On the other part, municipal governor do not have so wide possibilities to show their accountability in front of citizens. They have "reasons" to transfer this accountability to central government, which has centralised both functions and financial resources. Lack of functions execution, financial insufficiency and lack of human capacities, makes the local government fail even in political context, and decline the trust of citizens in its efficiency and capabilities. Another important issue is the equality in social benefits amount in national level. Since the central government uses an equal distribution of financial assistance for social care, this removes the possibility to make a distinction between different local government's performances, as well as for the efficiency measures of resource used, their reallocation in different ways, and better compeering resources with needs.

d) Capacity and quality of social service delivering;

Except financial support for efficient functions, the municipalities need also human capacities, professional training/qualifications, operational procedures, etc. Municipalities are not well prepared for implementing their social services functions with their human capacities. Considering the Lezha municipality, more than 70% of social services unit staff is new hired, not trained, and there are not implemented the rules of social servants low in hiring, training, qualifications etc. Although there is adopted the low on "Order of the Social Workers in the Republic of Albania", to establish professional criteria and ethic standards for social workers, this process has not yet started after about more than two years since the low enforcement. There are not reviewed the practical procedures for everyday working operation, and there is a lack of knowledge in field of management, internal control building and management skills.

5. Conclusions and Recommendations

- 5.1. The main goal of recent reforms on local governance and decentralization were been strengthening local governance power, efficiency and financial independence. There is formally expanded functional autonomy which is not accompanied with financial support. GoA should undertake some other legal initiatives for increasing local capability in improving the social service schema and social inclusion at local level, through creating more sustainable financial resources. Some significant aspects must be; i) a new low on local finances; ii) transferring social fund as part of unconditioned grant (part of national shared tax system using European best practices); iii) supporting with borrowing guaranty, or, iv) more public/national asset transferring , etc.
- 5.2. The current model for delivering and administration of the social services is not neither centralized nor decentralized. To improvestability, simplicity, equity of the transfer system

²⁰ <https://www.osfa.al>

along with increased transparency, it is necessary to establish a fully decentralized model, to transfer all responsibility and accountability to local governance in respect of the Charter of Local Autonomy and European Charter on Local Self-Government.

- 5.3. Local governments have not the necessary managerial and administrative capabilities after administrative and territorial reform. They should improve their self governance and increase their capacities in ensuring and efficient management their resources through providing more regulatory, institutional and human capacity, improving the mechanisms to identify and assess the needs for social care services, according to standard operating procedures and methodologies.

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