LOCAL COMMUNITIES AND REFORM OF TERRITORIAL ORGANIZATION: CASE OF BOSNIA AND HERZEGOVINA

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Abstract

Interaction between local economic development and reform of territorial organization is the topic of this paper. In this paper we research the problem of negative reflections, quality and instability of territorial organization on the local economic development. Aim is to identify the problem, its input and output. Timeframe is period 1952-2013, with focus on 1990, 2000 and 2010. Spatial frame of the research is Bosnia and Herzegovina and other countries in region. Main hypothesis is: number of local units (communities) is increasing in time of instability. In this paper we used DEA method of analysis and other relevant methods. Paper consists of: abstract, introduction, overview of territorial organization, evaluation of efficiency of territorial organization applying Data Envelopment Analysis, conclusion, and resources. Authors research transformation in territorial concepts from nation building to concessions, interaction of geographical and territorial vision facing the crisis, objective and framework for territorial development in different states, territorial organization and territorial cohesion between expectations, disparities and contradiction, territorial organization of society and territorial structure of a state from state to local level, the quest for new territorial paradigms in an interconnected world economy, and other. Main question in this paper is: Is it possible to give the territorial dimension more relevance for choices of competitiveness, efficiency and sustainable policies?

Keywords: Local community, Territorial organization, Bosnia and Herzegovina, Reform.

Introduction

This paper aims to determine the economic and functional efficiency of territorial organization. The efficiency of the territorial organization of Bosnia and Herzegovina

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is analyzed in the case of municipalities and cantons of the Federation of Bosnia and Herzegovina. Preparing analytical materials on the assessment of territorial efficiency of territorial organization in Bosnia and Herzegovina and the Federation of Bosnia and Herzegovina, could have a functional value in BIH, as well as a global framework in relation to the analysis, evaluation and reform of territorial reorganization. Literature overview with the similar theme of territorial organization (Chobanov and Mladenova 2009; Swianiewicz 2010; Osmanković 2002; Osmanković and Pejanović 2006; EUROSTAT; Leksin 2009; Capuno et al. 2013; Finka 2004; Lu 2009; Schnell 2001, Prezioso, 2013; Prezioso 2008; Cojanu 2012; Pejanović and Sadiković 2010; Koprić 2010; Zlokapa and Damjanović 2008; Rahmayantia and Homb 2011; Dobrić 2011), was based on the determination of criteria for judging the rationality of territorial organization of local and regional governments. Establishing DEA methodology for evaluating the effectiveness of local governments (municipalities) and the selection of criteria for determining variable analysis will be aimed at an attempt to find the answers (Zhang et al. 2007; Šeg 2008; Rahmaynatia and Homb 2011; Rabar and Blažević 2011; Nedeljković and Drenovac 2006; Martić and Savić 2001a; 2001b; Karbownik and Kulaii 2011; Herrera and Pang 2006; Herrera and Pang 2005; Cooper et al. 2006; Koprić 2010). That should be the precondition on which the political entities could avoid the politicization of the most important issues, the territorial organization of the state.

Overview of territorial organization of EU countries

The basic principles of EU local government define the degree of decision-making power between central and local government. Democracy recognizes local government as a political platform and creates opportunities for citizen participation, efficiency and capacity of local authorities to carry out public services to citizens more efficiently (Greer et al. 2005 : 11).

In Denmark, there was a reduction of territorial fragmentation, as the first territorial reorganization began in 1958 and lasted about ten years, where on the basis of voluntary association local governments decreased from 1,386 to 1,098. Having carried out the first major territorial reform in 1970, local governments further reduced to 277 (Swianiewicz 2010; Osmanković 2002; Osmanković and Pejanović 2006; EUROSTAT; Leksin 2009; Capuno et al. 2013; Finka 2004; Cojanu 2012; Pejanović and Sadiković 2010; Sadiković 2010).

In 1974 two smaller local governments were abolished and their final number was 275. Reformation after 2007 resulted that Denmark is divided into five regions, merging 13 counties which were abolished, as well as 98 municipalities which merged previous 270 municipalities. The reform of the territorial organization did not affect 32 old municipalities that were previously united and had more than 20,000 residents, considering that at the end of reforms main municipalities covered 440
km² and had about 55,000 inhabitants. Five newly formed regions were also significantly greater in size and population than the repealed 13 counties, where the average county had 368,546 inhabitants and an area of 3,261 km², and the average region had 1,095,158 inhabitants and an area of 8,619 km². (Swianiewicz 2010; Osmanković 2002; Osmanković and Pejanović 2006; EUROSTAT; Pejanović and Sadiković 2010; Manojlović 2010; Sadiković 2010)

Regionalism and reform of territorial organization are ubiquitous in modern countries, either federal or those with a unitary political system, with a higher degree of autonomy or internal organization. Spain and Italy have recognized their democratic potential in territorial reorganization, where Spain supports the establishment of autonomous communities with different status, in accordance with their capacity and needs, and expands their powers. The level of autonomy of Spanish regions was significantly influenced by the historical context of individual regions. Thus, one can come across regions which are established through the medieval legal norms (for example Navarre and the Basque Country) or those which are reflected in the establishment of cultural identity, such as Catalonia. In this way, they created two distinct regional identities with the highest level of autonomy. Spain also in Article 151 of its Constitution defines other regions, determining for them a high degree of authority, while Article 143 set the other ten regions with slightly lower levels of authority, but gave the possibility to assimilate with other regions (Swianiewicz 2010; Osmanković 2002; Osmanković and Pejanović 2006; EUROSTAT; Pejanović and Sadiković 2010; Sadiković 2010).

The first phase of constitutional reform in Italy has to deal with disproportionality of powers that are assigned to individual regions, where out of fifteen established regions, five of them had a special status and different types and levels of authority. Constitution defines responsibilities in the region, attributed to all other areas of the country, and assigns original legislative powers to regions with special status. In Constitutional reforms since 2001, decentralization was made in accordance with Article 119 which provided for the financial autonomy of the regions and municipalities, as well as the provinces (Swianiewicz 2010; Osmanković 2002; Osmanković and Pejanović 2006; EUROSTAT; Leksin 2009; Capuno et al. 2013; Finka 2004; Pejanović and Sadiković 2010; Sadiković 2010).

Analyzing Sweden, which is one of the most developed countries, it implemented the reform of local government focused on territorial reorganization. It is clear that these activities have been mainly initiated to facilitate opportunities for cross-border cooperation and access to structural funds. Sweden has a simple state with two level system of local government – the counties and the municipalities – where the county level, the local level of government, has very good cooperation with government departments, holds broad powers of local authorities and sufficiently large funds. In 1991 a number of analyses were performed on the necessity to adapt such
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a process of territorial organization of Sweden. Municipalities have experienced tremendous reorganisation where their number was reduced from 2500 of them in 1952 to the current 278. The number of counties remained the same (total of 21) as was in year 1634, although some counties have experienced some changes in organization (Swianiewicz 2010; Sadiković 2010; Osmanković 2002; Osmanković and Pejanović 2006; EUROSTAT; Leksin 2009; Capuno et al. 2013; Schnell 2001; Prezioso 2013; Prezioso 2008; Cojanu 2012; Pejanović and Sadiković 2010).

Even Belgium was not exempt from the reform of the state and its territorial distribution. With the adoption of the law on language in 1962 and 1963, Belgium began reforming and the result was the establishment of linguistic boundaries and the establishment of the territorial principle. The establishment of the three communities, three regions, and four linguistic regions, resulted after four amendments to the Constitution in 1970, 1980, 1988 and finally 1993, where gradually the Constitution allowed institutions of the Flemish Community and the French-speaking community to establish Flemish and Walloon region. Flemish community institutions took over the powers of the region in 1980, after which only north Flemish Council retained its unique powers (Swianiewicz 2010; Osmanković 2002; Osmanković and Pejanović 2006; EUROSTAT; Leksin 2009; Capuno et al. 2013; Finka 2004; Sadiković 2010; Prezioso 2013; Prezioso 2008; Cojanu 2012; Pejanović and Sadiković 2010).

Czech Republic is cited as an example of extreme division of the territory, with 6,250 municipalities with an average population of 1,650, where 80% of municipalities were with less than 1,000 inhabitants. This territorial arrangement suffers from unsustainable financial and administrative inefficiency. One approach to overcoming this problem was the creation of financial mechanisms that will encourage municipalities to merge on a voluntary basis, where the scope of the community gets some self-competence from the municipalities. In addition to this approach, the municipalities themselves have realized the need to create a voluntary association of municipalities, which proved to be much more flexible because it would not necessarily come to the transfer of powers of municipal authorities to association. This type of cooperation has been developed over the last 17 years in over two thirds of municipalities in the Czech Republic (Swianiewicz 2010; Osmanković 2002; Osmanković and Pejanović 2006; EUROSTAT; Leksin 2009; Capuno et al. 2013; Sadiković 2010; Finka 2004; Prezioso 2013; Prezioso 2008; Cojanu 2012; Pejanović and Sadiković 2010).

Regarding the rearrangement of Hungary and its territorial organization, the result is a more comprehensive public service reform initiated in 2002. Successful measures were established in 162 of a possible 164 micro-regional associations, and Hungary opted for a model to overcome the fragmented structure of local government. As a result of these reforms, it seems that the provision of local public services could be improved, and that the local government is satisfied with the ratio of lost power on the one hand, and positive effects on the other. An example of the French territorial...
organization serves as a case in favour of development of inter-municipal cooperation as an alternative to the territorial reorganization and as a way of avoiding the negative consequences of amalgamation. The French case can be seen as a form of cooperation of local government units in the area of finance and local democracy (Swianiewicz 2010; Osmanković 2002; Osmanković and Pejanović 2006; EUROSTAT; Leksin 2009; Capuno et al. 2013; Finka 2004; Lu 2009; Schnell 2001; Prezioso 2013; Prezioso 2008; Sadiković 2010; Cojanu 2012; Pejanović and Sadiković 2010).

Regions of the Balkans after 1990

After the declaration of independence of the Republic of Slovenia in 1991, the reform of territorial organization was carried out through the reform of local government, or as part of the overall reform of the administrative system. Reform reasons were at first mainly associated with its separation, and later with Slovenia joining the EU. The new constitutional concept was established in period 1992 to 1996. The demand to adapt public administration began in 1993 with the reform of local government. Today, the Republic of Slovenia has 58 state offices, which territorially reallocated state power and 210 municipalities as the basic unit of local government. Before independence, Slovenia had 65 municipalities kept as commune, much like the Paris Commune actualized federal and state statutory provisions. Such territorial arrangement was established in 1964, as a result of the reforms of 1963. Half of today’s 210 municipalities are with less than 5,000 inhabitants, where an average Slovenian municipality has twice as many inhabitants. Due to the large number of relatively small municipalities Slovenia has developed several institutes linking municipalities in the exercise of their functions (Sadiković 2010; Osmanković 2002; Osmanković and Pejanović 2006; Koprić and Đulabić 2012; Aristovnik 2011).

Croatia has been struggling with the demands for territorial rearrangement of the state for a number of years, mainly after establishing independence after 1993. With cessation of hundreds of large municipalities, which existed since the 1960, 418 municipalities were created and 69 cities, including the city of Zagreb which already in 1991 existed as a unified government. In addition to these units of local government, 20 counties were formed, with a strong centralist rule, organized according to the principles in which they were established in the time of Ivan Mazuranic. Regardless of such an organization, it should be noted that nearly 400 units are with less than 5,000 inhabitants, where half of them have fewer than 3,000 inhabitants. Territorial reorganization of Macedonia in the period after independence entailed inheritance of 30 large municipalities, relatively developed and independent, with a huge bureaucracy. This was one of the reasons for the reorganization carried out in 1995, which created 123 new municipalities out of the previous 30 (Sadiković 2010; Pejanović and Sadiković 2010; Osmanković and Pejanović 2006; Osmanković 2002; Koprić and Đulabić 2012; Koprić 2010a; Koprić 2010b; Rabar and Blažević 2011; Toskić 1998).
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The reason for the new reform of territorial organization appeared in 2000 and was the result of interethnic conflict between the Macedonian majority and Albanian minority population. After these events, the number of municipalities in Macedonia was reduced from 123 to 84, following the functional reorganization of the territory. The new territorial division unfortunately follows the ethnic logic and becomes the purpose of creating new homogeneous ethnic communities in newly created local governments (Sadiković 2010; Pejanović and Sadiković 2010; Osmanković and Pejanović 2006; Martić and Savić 2001; Koprić 2010a).

The territorial organization of the Federation of Bosnia and Herzegovina

In 1907 the Law on rural municipalities defined organized rural municipalities, when the Austro-Hungarian government recognized the need of certain villages that had certain preconditions to organize and set up a joint body, i.e. the rural commune. With such a legal solution and heterogeneous territorial division of Bosnia and Herzegovina new states were founded after the First World War, which lasted until the establishment of the municipal government in 1928. That same year, the territory of Bosnia and Herzegovina was divided into 399 municipalities (Sadiković 2010; Pejanović and Sadiković 2010; Osmanković and Pejanović 2006).

The new territorial organization was established by the introduction of the new municipal system in 1955. The smaller municipalities were integrated into larger municipal territorial units and established 106 municipalities, which were kept up to year 1978. Then from 1978, until independence in 1992, the territory of Bosnia and Herzegovina contained 109 municipalities. Number of municipalities varied from four hundred eighteen municipalities in 1952, up to a hundred and twelve municipalities in 1991, or one hundred fifty-four municipalities in 1998 (Osmanković 2002: 175). The Constitution of the Federation, within the definition of municipal government, introduced a provision which specifies that the municipality exercises self rule on local matters and municipality statutes (Pejanović and Sadiković 2010: 47). Ten new municipalities in the Federation of Bosnia and Herzegovina were formed through the adoption of the constitution of new municipalities in the Federation. Amendment XVI to the Constitution of FBIH introduced the provision related to municipal authorities, where this provision allows for the two or more municipalities that are territorially linked by the everyday needs of citizens to establish a city as a unit of local government.

Territorial organization of the Federation of Bosnia and Herzegovina does not correspond to the constitutional changes regarding the position of municipalities. There is a noticeable increase in the number of settlements. The reasons for their formation and start of process of formation of new municipalities were mainly ethnically
motivated, initiated mostly from villages in which the mono-ethnic structure was represented. This was done disregarding the criteria for constitution of new municipalities, where one of the regulations for the constitution ties cantons to municipalities through its laws, determining the minimum population for the establishment of the municipality, i.e. specifies the number at 4,000. In addition to the above obligation, the establishment of a new municipality cannot be done in the territory in which more than 50% of people are displaced. Analysis of the financial picture of municipalities indicates that debt and contingent liabilities of municipalities in the Federation on 31 December 2010, including contractual and undrawn credit means (according to the Ministry of Finance of FBiH), amounted to 128.19 million BAM. The debt arising from loans was 92.44 million BAM or 72.10%, and the potential liabilities arising from guarantees issued were 35.75 million BAM or 27.90% (Aganović et al. 1996; Osmanković and Pejanović 2006; Pejanović and Sadiković 2010; Sadiković 2010; Savanović 2009).

Evaluation of efficiency of territorial organization applying Data Envelopment Analysis

Data Envelopment Analysis (DEA) is a nonparametric mathematical methodology for estimation of efficiency of the analyzed units based on the input and output variables.

Formula of efficiency that has been set by Charnes, Cooper and Rhodes (CCR) model in 1978 has undergone its first revision in 1984, when the Banker, Charnes and Cooper (BCC) established BCC model, which assumes variable returns to scale. Unlike CCR model which assumes constant returns to scale and is represented by the direction, BCC model formed the sample unit and the efficiency frontier convex shell.

Table 1: Results of BCC model focused on output

<table>
<thead>
<tr>
<th>Results of BCC model focused on outputs</th>
<th>1990</th>
<th>2000</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average relative efficiency</td>
<td>0.9342</td>
<td>0.8949</td>
<td>0.8975</td>
</tr>
<tr>
<td>Standard deviation</td>
<td>0.0989</td>
<td>0.1583</td>
<td>0.1240</td>
</tr>
<tr>
<td>Lowest value of relative efficiency</td>
<td>0.55941</td>
<td>0.058606</td>
<td>0.34258</td>
</tr>
<tr>
<td>Number of relatively efficient JLS</td>
<td>37 (49.33%)</td>
<td>36 (45.5%)</td>
<td>33 (44%)</td>
</tr>
<tr>
<td>Number of relatively inefficient JLS</td>
<td>38</td>
<td>43</td>
<td>46</td>
</tr>
<tr>
<td>Number of JLS which have relative</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>efficiency lower than average</td>
<td>25</td>
<td>26</td>
<td>33</td>
</tr>
</tbody>
</table>
The average relative efficiency by BCC had the lowest value of 0.8949 in 2000. BCC model identifies the minimum value of relative efficiency in 1990 with 0.55941. Number of relatively efficient units significantly changed from year to year. In 1990, according to BCC model there were 37 relatively efficient units and it was the year with most relatively efficient units, almost 50% (49.33%).

Conclusion

Territorial dimension has relevance for competitiveness, efficiency and sustainability of local, regional and state development. This paper focuses on efficiency of local level or local government units. It could be concluded that this paper presents negative repercussions of territorial reforms and instability of territorial organization on local economic development (in the first place in case of Federation of Bosnia and Herzegovina). Most Balkans countries have increased number of municipalities in early 90’s. Results of CCR DEA model have shown how efficiency has been decreasing after 1990. Territorial organization on the local level is very important for research and is a very important political question, especially in the context of strategy and policy of local economic development. Time is for redefinition of territorial structure on the local level in context of efficiency, sustainability and quality of life.

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