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The Impact of Tourism Sector in the Economy of Albania

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Abstract

Nowadays, tourism represents a natural social phenomenon, which involves people, societies and economies of both industrialized and developing countries, but still remaining not completely understood. People who travel for leisure or...
for business purposes are now a daily reality. Tourism is also considered to be an important contributor for the development of many countries. In fact, taking into account the large number of tourism activities and of people participating in these activities, as well as their extent around the globe, it can be viewed as one of the largest world industries.

Travel and tourism is likely to figure in all aspects of GDP. First, most expenditure by tourists would be regarded as consumption spending (C), if it is for domestic tourism or for the home-provided elements of an international trip. Second, expenditures by businesses on buildings, plant, equipment and so on, to provide tourism services, is part of investment (I), together with similar government expenditures, especially on infrastructure. Third, when a country sells its transportation or tourism services to international tourists from elsewhere, this is obviously considered export (Ex) activity for this country, while the contrary occurs when its residents buy transportation or tourism services provided by other countries. The later becomes part this country’s imports.

The purpose of this paper is to evidence the effects of tourism in the economic progress of countries, both theoretically and practically. At first it provides a comprehensive analysis of factors affecting tourism contribution to GDP, such as the stock of a country’s resources, the state of technological knowledge, the social and political stability and this country’s population attitudes and habits. Arguments from various researchers in the field of economics of tourism are provided to support the role of these factors.

Second, the paper aims to evidence how recent developments in the tourism sector have affected the economy of Albania. Based on data provided by the National Tourism Agency as well as the Bank of Albania this paper offers an overview on the number of tourists visiting Albania in the recent years, on their origin and on the amount of revenues they have supplied our economy.

Of particular interest is the use of the Tourism Satellite Account (TSA) data to compare the contribution of tourism industry and economy on the level of GDP and employment between Albania and other Western Balkans countries for the last two years. The Tourism Satellite Account (TSA) is a conceptual framework proposed first in the year 2000 by the World Tourism Organization (UNWTO). It has constantly been used by the World Travel and Tourism Council (WTTC), the biggest global private tourism organization, to evaluate the impact of tourism on the economy of a country, a region
or on the world economy, for the benefit of travel and tourism decision makers, operating both in the private and the public sector. Consequently, by processing and presenting on this paper comparative TSA data for Albania and other Western Balkans countries, we believe to draw the attention of both Albanian tourism businesses and government authorities on the great economic potential of this sector.

**Key words:** tourism sector, social phenomenon, indstrie.

## 1. INTRODUCTION

Tourism is neither a phenomenon nor a simple set of industries. It is a human activity, which encompasses human behaviour, use of resources, and interaction with other people, economies and environments.\(^3\)

In many economies, the travel and tourism sector has for some time been recognised as a major area of activity which both draw upon the resources of those economies and affect their nature and development. Additionally, governments have increasingly considered it appropriate to use tourism as a subject or agent of macroeconomic policies. Tourism often has a high involvement in policies related to employment levels or the balance of payments, whose significance in modern macroeconomic management is high.

Travel and tourism is likely to figure in all aspects of GDP. First, most expenditure by tourists would be regarded as consumption spending \((C)\), if it is for domestic tourism or for the home-provided elements of an international trip. Second, expenditures by businesses on buildings, plant, equipment and so on, to provide tourism services, are part of the GDP investment \((I)\) component, together with similar government expenditures, especially on infrastructure. Third, when a country sells its transportation or tourism services to international tourists from elsewhere, this is obviously considered export \((Ex)\) activity for this country, while the contrary occurs when its residents buy transportation or tourism services provided by other countries. The later becomes part this country’s imports.

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2. FACTORS AFFECTING TOURISM’S CONTRIBUTION TO GDP

Variations in tourism’s roles and contributions to national economies in different countries are caused by a number of factors. Some of these are demand-side factors (that is, the importance of tourism is partly determined by strength of domestic and inbound demand for local tourism), but the ability of a tourism sector to expand within an economy to satisfy these demands and create more depends more frequently on supply-side factors. Tourism in this respect is no different from any sector.

It is possible to identify five major factors which determine tourism’s role in GDP. In each case it is likely to be the nature of these factors within the tourism sector relative to other economic sectors—or the ‘average’ situation within an economy, rather than their absolute values, which are determinants.4

2.1 The stock of resources

Economic activity depends first and foremost on the stock of resources available to use as factors of production. In traditional economic terms, these include the resources of land, labour, capital and enterprise. But, travel and tourism make some special calls on particular resources concerned with land and its attributes, and the uniqueness or simple possession of these attributes can ultimately dictate whether or not an economy is likely to be able to support a tourism sector.

The role and activities of modern tourism, however, demand far more than just land attributes. Most tourism activities involve some elements of service, which require a competent and willing labour force. Whilst many jobs in the industry may not require a very high level of traditional skills or qualifications, the presence or absence of a pool of labour with a positive attitude towards tourism and tourists is of vital importance.5

Equally, an economy’s willingness and ability to supply the capital investment required for a tourism industry, in the shape of infrastructure, hotels, transportation and so on, will influence the size to which that industry can grow.

2.2 The state of technical knowledge

Many less-developed countries have regarded tourism as an easy industry to develop, because it demands relatively low technology compared with many other industries, and skills which can be easily mastered. Unfortunately, as tourism worldwide has grown and become more sophisticated, high-value contributions to GDP by tourism have tended to become associated with higher technologies. When technical advances are applied to existing inputs or other resources, they enhance the productivity of the industry concerned and hence its contribution to GDP. Certainly there will always be a place for low technology tourism, particularly whilst there are market segments which deliberately seek out the simple or natural life.

2.3 Social and political stability

Non economic factors, particularly cultural and political ones, have long been recognised by economists as vital in determining the capability and growth of sectors in an economy. In tourism this is especially important. According (Van Raaij, Woodside and Lysonski 1989), the social and political stability has been cited as a characteristic of the tourism product, which for many tourism segments directly influences demand. As social and political conditions may be far more variable in a destination than, say, the stock of productive resources, they are more likely to be responsible for short-term fluctuations in the value of the tourism sector.

2.4 Attitudes and habits

First, the attitudes of a host population towards tourists, and in particular those of workers within the tourism sector, are an important facet of the tourism product, and their influence is similar in nature to that of social and political stability.


Secondly, on the demand side, tourism consuming habits are important. According Burkart and Medlik, two generating markets with similar levels of income may, all things being equal, have different propensities to travel. This may be a function of cultural and traditional values, attitudes, or the quality of climate and physical surroundings at home. The propensity to travel will influence domestic tourism and the development of the sector in any destinations closely linked to those generating areas.

2.5 Investment

Economies which possess a good stock of resources available for use in tourism may have a head start in developing sector. But the level of investment or fixed capital formation which an economy undertakes is increasingly important.

An economy’s ability and willingness to provide finance for such investment influences tourism’s role in that economy. This in turn depends on savings patterns, the nature of financial markets, and rates of return available in tourism compared with other industries, coloured by general perceptions of the sector and government support for it.

3. TOURISM GROWTH AND ITS EFFECTS ON AN ECONOMY

Tourism receipts by businesses are transformed into payments for factors of production – rent, wages, interest and profits – which swell income (Y) and provide consumption tax and income tax revenue (T) to governments. Governments may stimulate development of a tourism industry through grants and loans, and by undertaking their own fixed investment (G); if the capital required is obtained from capital markets by government or private businesses, there is a direct increase in I. Outbound tourists take expenditure out of an economy which is equivalent with an import (M), but the method of funding trips may put aside money towards the trip for some time, either in advance or by credit instalments afterwards. In the short term this may represent increased savings (S), and less consumption of other items.

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4. THE IMPACT OF TOURISM IN THE ECONOMY OF ALBANIA

Official data published by the National Tourism Agency reveal that the total number of tourists visiting Albania during the period January-December 2009 was 3,050,828, representing a 34% increase from the previous year or 2.4 times the number of tourists visiting Albania in 2005. 40% of these visitors or 1,264,783 were Albanian citizens resident in other countries. On the other hand, the number of foreign visitors amounted to 1,786,045 or 25% more compared to the previous year. 71% of visitors have reached Albania overland, 19% by air road and 10% by sea road. It is interesting to know as well what have been the reasons motivating these tourists visits to Albania. Data from the National Tourism Agency convey that 82% of visitors entered Albania for leisure purposes, 5% for business purposes and 10% for other purposes. Only 3% of these visitors were excursionists, visiting Albania during the day.

According to the Annual Report 2009 published by the National Tourism Agency, 92% of international visitors were Europeans, 5% Americans, 2%...
Asians and only 1% tourists from other regions of the world. The following chart provides a more detailed structure of international visitors during the year 2009 based on the country their country of origin\textsuperscript{12}.

\textbf{Chart. 1 International visitors structure by country of origin}

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>3%</td>
</tr>
<tr>
<td>Turkey</td>
<td>1%</td>
</tr>
<tr>
<td>Serbia</td>
<td>3%</td>
</tr>
<tr>
<td>Montenegro</td>
<td>7%</td>
</tr>
<tr>
<td>Macedonia</td>
<td>17%</td>
</tr>
<tr>
<td>Kosovo</td>
<td>37%</td>
</tr>
<tr>
<td>Italy</td>
<td>6%</td>
</tr>
<tr>
<td>Greece</td>
<td>6%</td>
</tr>
<tr>
<td>Germany</td>
<td>3%</td>
</tr>
<tr>
<td>France</td>
<td>1%</td>
</tr>
</tbody>
</table>

\textit{Source: Data from the National Tourism Agency\textsuperscript{13} processed by the authors}

As can be clearly noticed from the chart, during the year 2009, tourists from Kosovo represent the majority of foreign visitors to Albania, followed by Macedonian visitors. The main reasons for the increase in the number of foreign visitors during the year 2009 are related to the improvement of the touristic image of the country, to the diversification of the touristic product, to the significant improvement of road infrastructure, and also to the positive effect that the membership of Albania in NATO has had on the reduction of the perceived political risk of the country.

If we analyze data on\textsuperscript{14} the incomes provided by the tourism sector during the period 2007-2009, we notice a considerable contribution of this sector in the country’s economy. During the period 2000-2007, tourism receipts amounted to the level of 1.002 million euros, in 2008 they reached the level of

\textsuperscript{12} In this case the term country of origin signifies the country where is located the actual residence of the visitor

\textsuperscript{13} Ivi

\textsuperscript{14} Ivi
1.170 million euros\textsuperscript{15}, while during the first 9 months of 2009 the total receipts from the tourism sector were calculated to be around 1.054 million euros\textsuperscript{16}.

According to the data selected from the Bank of Albania\textsuperscript{17}, during the second half of the previous year, travel services have accounted for the majority of both services exports and imports, with a respective percentage share of 81.5\% and 78.2\% of the total value of services. The net balance of the services registered a strong surplus of around 91 million euros compared to the surplus of the previous year which amounted to the level of 94 million euros. Foreign exchange entries from travel services during the second half of 2009 reached the value of 543,4 million euros which signifies a 40\% increase from the same period of the previous year. This is mainly due to the increase in the number of visitors during the summer touristic season. Foreign exchange entries resulting from the travel services were about 2,7 times higher than incomes resulting from the export of goods. The consumption of Albanians resident outside Albania was calculated to be around 453 million euros, a volume 54,2\% higher compared to the period July-August 2008\textsuperscript{18}

5. THE CONTRIBUTION OF TOURISM SECTOR IN THE GDP AND THE EMPLOYMENT LEVEL IN ALBANIA AND OTHER WESTERN BALKANS COUNTRIES

In order to show what has been the contribution of the tourism sector in the GDP and the employment level in Albania, as compared to other Western Balkans countries, we will refer to data provided by the World Travel and Tourism Council (WTTC) for the last two years. The latter, represents the forum for business leaders in the Travel & Tourism industry, whose goal is to raise politicians awareness of the Travel & Tourism (T&T)\textsuperscript{19} sector as one of the world’s largest industries and to stipulate cooperation between the private and the public sector in developing tourism\textsuperscript{20}. The WTTC has spent around

\textsuperscript{15} Ivi
\textsuperscript{17} Bank of Albania (2009), The Declaration of Monetary Policy. Second half of 2009
\textsuperscript{18} Ivi
\textsuperscript{19} We will use during the rest of the paper the acronym T&T to represent Travel and Tourism
\textsuperscript{20} http://www.wttc.org/eng/About_WTTC/
20 years developing a research on the economic impact of tourism in various countries of the world, for the benefit of T&T decision makers, operating both in the private and the public sector, using the Tourism Satellite Account (TSA) framework. The first recommendation on the development of the TSA conceptual framework was proposed by the World Travel Organization (UNWTO) in 2000 with the 2000 Tourism Satellite Account (TSA): Recommended Methodological Framework –TSA: RMF 2000–, which however needs to be updated in the light of International Recommendations for Tourism Statistics 2008.

A TSA is based on a “demand-side” economic activity, because tourism’s production and supply is composed of a variety of products (durables and non-durables) and services (such as transportation, accommodation, entertainment, food and beverage, government services etc.) which are delivered to the visitors. Two major demand aggregates, the T&T Consumption and Total Demand are measured by the TSA. The first is composed of the Personal T&T, Business Travel, Government Expenditures (individual) and Visitor Exports, while the second includes the T&T Consumption as well as the Capital Investments, Government Expenditures (collective) and Other Exports.

Based on the input/output modelling of these aggregates the TSA has also produced two major and also complementary aggregates of T&T supply: 1) the T&T Industry and 2) the T&T Economy. The first is used to measure the contribution of the direct tourism industry in the level of GDP and the level of employment in a particular country, region or in the whole world. Meanwhile, the second is used to measure the contribution (in the level of GDP and the level of employment) not only of the direct tourism industry, but of all other industries that supply and support the tourism industry with products and services.

For purposes of this paper we will focus on data provided by the WTTC on the supply aggregates of Albania and other Western Balkans countries TSAs for the years 2008-2009. The Western Balkans is a region composed of Albania, Bosnia & Herzegovina, Croatia, Kosovo, Macedonia, Montenegro and Serbia. Since

21 http://www.wttc.org/eng/Tourism_Research/
22 unstats.un.org/unsd/statcom/doc08/BG-TSA.pdf
23 www.wttc.org/bin/pdf/original_pdf_file/albania.pdf
24 Ivi
25 Uruçi & Boriçi (Begani), (2009), Foreign Direct Investment in the Western Balkans, International Conference “
WTTC data do not include Kosovo, the comparison of tourism impact on GDP and employment between Albania and other Western Balkans countries as presented below, will not also include Kosovo.

*Chart. 2 T&T industry GDP (in billion US$)*

![Graph showing T&T industry GDP (in billion US$) for different countries and years.](image)

Based on data from the WTTC\textsuperscript{27}, we can say that the contribution of T&T Industry on the level of GDP in Albania during 2008 and 2009 has been particularly low, accounting respectively for only 6% and 6.6% of the total GDP. In 2009 the T&T Industry GDP experienced a slight increase from the level of 0.783 billion US$ in 2008 to the level of 0.799 billion US$.

Croatia appears to be the country in the Western Balkans with the highest contribution of the T&T Industry on the level of GDP, both in 2008 and 2009, with a respective percentage share of 12.2% and 11.8%, followed by Montenegro with respective percentage shares of 10.8% and 10.5%. In Bosnia & Herzegovina, Macedonia and Serbia, the T&T Industry seems to have a much weaker contribution. It is obvious that this is then reflected on the T&T Industry contribution to the level of employment in each of these countries.

\begin{itemize}
  \item \textsuperscript{26} Data from the WTTC processed by the authors, http://www.wttc.org/eng/Tourism_Research/Economic_Data_Search_Tool/
  \item \textsuperscript{27} http://www.wttc.org/eng/Tourism_Research/Economic_Data_Search_Tool/
\end{itemize}
The number of people employed in the T&T industry in Albania in 2008 was about 58,900, which accounted for 4.8% of total employment. In the mean time, in 2009 the contribution of T&T Industry in the level of employment increased to the level of 66,400, equivalent with the 5.3% of total employment.

Source: Data from the WTTC processed by the authors
Macedonia on the other hand appears to be the Western Balkans country with the lowest contribution of T&T Industry in the level of employment.

It is normal to expect that the T&T Economy contribution to both the GDP level and the level of employment will be higher than that of the T&T Industry, because, as mentioned above, the first aggregate includes the second one.

30 Data from the WTTC processed by the authors, http://www.wttc.org/eng/Tourism_Research/Economic_Data_Search_Tool/

31 Same as above
As can be observed from the chart on the right, Albania lies far behind Croatia for the T&T Economy GDP level, but still when we look at the percentage share chart, we notice that our country rates third, after Croatia and Montenegro as far as the contribution of T&T Economy in the GDP level is concerned.

In fact, as can be observed by the following chart (chart 7), the T&T Economy Contribution to the level of GDP in Albania increased from a 19% share in 2008 to a 20.6% share in 2009. These figures are very close to the respective percentage shares in the case of Montenegro meaning that tourism industry and other industries supporting and supplying tourism play almost the same role in the economic development of these two countries.

![Chart 7 T&T Economy GDP (in % share)](image)

**Chart. 7 T&T Economy GDP (in % share)**

T&T Economy has provided a number of 186,900 jobs for the year 2008 and a number of 205,400 jobs for the year 2009, which account respectively for the 15.4% and 16.6% of total employment. These figures rate again Albania at the third place after Montenegro and Croatia for the contribution of T&T Economy on the total level of employment in the country.

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32 Ivi
However, when we refer to the real growth rate of the contribution of T&T Economy on both, the level of GDP and that of employment for the year 2009, we detect an interesting fact. Albania is the country of the region with the highest growth rate of both T&T Economy GDP (10.9%) and T&T Economy employment (9.9%). This means that, first, our country is becoming a strong competitor within the region in the industry of tourism and second, the contribution this sector to the economic development of the country is continuously promising.

33 Ivi.
34 Ivi.
35 http://www.wttc.org/eng/Tourism_Research/Economic_Data_Search_Tool/
6. CONCLUSIONS

Over the last decades, tourism has become a key sector in the world economy: its contribution to balance of payments, incomes and employment of various countries has significantly increased over time. Tourism influences every component of GDP. Hence, most of the spending made by visitors to benefit from tourism services is considered consumption spending (C), while governments and businesses expenditures on plants, equipment and infrastructure, to provide tourism services, are regarded as part of the investment (I) component. On the other hand, the selling of a country’s transportation and tourism services to international visitors is considered to be part of this country’s export (EX) activity, whereas the contrary occurs when visitors from this country buy tourism services supplied by other countries. The latter is viewed as a part of this country’s imports (IM). A number of factors shape the contribution of tourism sector in the economy of a nation, such as, the stock of this nation’s resources, the level of technological progress, the level of investments, the social and political stability as well as the attitudes and habits of this nation’s population toward tourism.

Albania represents a country with a vast opportunity for the development of the tourism sector thanks to its large and diverse supply of natural and cultural resources as well as its strategic geographical position. However, the role of tourism sector in the economy of the country appears to be low so far if we compare it with some Western Balkans countries.

Data from the National Tourism Agency reveal that the number of tourists entering Albania has been increasing in the recent years. Albanian citizens actually living in other countries represent around 40% of these tourists, while the rest of the inbound tourism flows is mainly composed by visitors from various countries of Europe. Specifically, visitors from Kosovo and Macedonia prevail on the structure of inbound tourism flows for the year 2009. The majority of tourists (around 82%) visit Albania for leisure purposes, whereas the rest of them for business or other purposes. The increase in the level of inbound tourism flows during recent years has affected as well the enhancement in the level of tourism receipts, which in 2009 reached the level of 1.054 million euros. Additionally, according to Bank of Albania, travel services are continuously becoming an important positive contributor in the net balance of the Albanian trade of services, which in 2009 resulted with surplus for a consecutive year.
Nevertheless, data made available by the WTTC for the last two years show that the contribution of T&T Industry and T&T Economy in the level of GDP and employment rate Albania in the third place when compared to Western Balkans countries, after Croatia and Montenegro, or after Croatia and Serbia, with a relatively large distance from Croatia. Taking into consideration the immense and diverse touristic resources of Albania we can conclude that the potential of tourism industry to influence positively in the economic development of the country has yet to be exploited.

Developing this potential is a responsibility of both the public and the private sector and the first step in this process is to raise their awareness on the particular opportunities created by tourism industry for the economic development of Albania. A strong and continuous cooperation between them is required as well in order to solve problems that hinder attraction of tourists and their money to Albania. Problems, such as, weak infrastructures, weak economic and political stability, undetermined land ownership, deceptive information and others alike, keep away domestic and foreign visitors and investors.

It is government’s responsibility to solve most of them in order to provide a safer and appropriate environment for touristic businesses to invest and develop their strategies for the attraction of visitors. On the other hand it is businesses’ responsibility to determine their target markets and create high quality offers to satisfy these markets’ specific needs and preferences. Special attention should be placed on the attraction of high income visitors. The rich Albanian cultural resources may be very attractive to them, but tourism businesses must do their part of the work by providing a high service quality that matches their expectations.

In order to achieve this, businesses need to attract and maintain qualitative human resources both at the operational and the management level. Hospitality and other tourism businesses must seek professional management and qualitative students graduated in our universities or western ones in the field of tourism can be an alternative pool from where to choose good tourism industry managers.

It is critical to mention as well the role played by the promotion in attracting visitors to Albania, especially foreigners. The development of a destination marketing system can be an effective tool in promoting Albanian tourism offer and in selling services provided by Albanian businesses to domestic and foreign visitors. This system can be created by the Albanian Ministry of Tourism, Culture, Youth and Sports in cooperation with Albanian
businesses operating in the field of tourism, therefore reflecting the necessity of cooperation between the public and the private sector in developing Albanian tourism industry. However, for coordination purposes the management of the system should be a responsibility of the Ministry of Tourism.

The system can be equipped with a specific website which will provide all the necessary information to every visitor related to Albania as a touristic destination, in terms of touristic offer and attractions as well as in terms of companies offering specific services. Through this website Albanian tourism companies would have the possibility to promote and also sell their services, while the visitors would have the commodity to get to know and choose among them directly from the commodity of their home. Within the system could also be created a database on customers, where data on their behaviour and preferences would be deposited, and then, supplied by request to tourism businesses to be used for the development of their marketing strategies.

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A Review of Relationship Between Electronic Customer Relationship Management and Information Technology

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Abstract

Customer Relationship Management (CRM) is one of the main activities that corporations have been using for a long time. A good and successful CRM implementation increases customer and corporations profitabiliy. Developments in Information Technology (IT) and continuous changes in corporations view about customer position brought CRM. With the growth of web technologies in the last decade Electronic Customer Relationship Management (eCRM) has emerged. Even though the most part of CRM is technology, considering it just a technology solution makes failure possible to happen. In order to have a successful CRM implementation, corporations must find the perfect balance within this three components: technology, process, and people.

The objective of this literature review is giving an overview of eCRM implementation strategy from the perspective of information technology, that is one of main research areas on CRM. Our purpose is to present an overview of the eCRM and IT relationship, and explore how it is represented on different corporations.

Key words: Customer Relationship Management, eCRM, Information Technology.

1. INTRODUCTION

1.1 A REVIEW OF E-CRM AND IT RELATIONSHIP

Nowadays most of the companies have already recognized that having good relationships with customers are the main part of organizational success. As stated in a research, “a satisfied customer shares his positive experience with an average of three people, but an unsatisfied customer shares his negative experience with an average of eight other people”.4

CRM is becoming the main strategy to maintain the best relationship with the customers, by considering their needs and behaviors. The best way to gather useful information about customers’ behaviors and their values is to combine technology and human resources.5

The main purpose of this study is to investigate relationship between IT and

CRM. The study tries to: (1) review briefly the evolution of CRM; (2) review technological differences between CRM and eCRM, and (3) review relationship between IT and eCRM, and explain the most important aspects of this relationship.

1.2 CRM AND E-CRM

CRM Definition
There are many different definitions of what CRM means depending on which aspect it is seen. The most important one to remember is that “CRM is not a technology or even a technology solution”.⁶ According to Bradshaw and Brash (2001), “customer relationship management is a management approach that enables organizations to identify, attract and increase retention of profitable customers, by managing relationships with them”. Galbreath and Rogers (1999) explain customer relationship management as “a group of activities a business performs to identify, qualify, develop and retain increasingly loyal and profitable customers by delivering the right product or service, to the right customer, through the right channel, at the right time and the right cost”. The second and third definitions are mostly focused on business, but CRM can also be defined as “a cross-functional, customer-driven and technology-integrated business process management strategy that maximizes relationships”.⁷

eCRM Evolution
Figure 1 presents the evolution of CRM technologies, yielding eCRM.

![Figure 1: CRM evolution](http://www.chapelfieldsystems.com)

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The first steps of CRM began in the early 90s, after SFA (Sales Force Automation) systems era. Before that, Sales and Marketing were not important part of companies’ IT investments, because other activities such as Accounting, Office Automation and ERP (Enterprise Resource Planning) were given more priority. But as the time went by, consideration of companies about CRM has changed. Nowadays, CRM is an important voice on IT investments planning (Chapelfield Systems, 2010). Emergence of eCRM expanded the traditional CRM techniques by integrating technologies of new electronic channels, such as Web, wireless and voice technologies and combined them with e-business applications into the overall enterprise CRM strategy.  

The purpose of eCRM is to “serve the customers in better way, retain valuable customers and enhance analytical capabilities in an organization”.10

1.3 Technological Differences Between CRM and eCRM

Many technological differences exist between CRM and eCRM, and some of them are mentioned below. Through these differences we can create a better view of what eCRM is and how benefits can grow by using it.

Considering customer contacts, in CRM the contacts are initiated through traditional means of retail store, telephone, or fax, while in eCRM they are initiated through the Internet, e-mail, wireless, mobile and PDA technologies.

Another difference exits on system interface. While CRM works with the back-end applications through ERP systems, eCRM is designed for front-end operations, which in turn interface with back-end applications through ERP systems, data warehouses and data marts. CRM web-enabled applications require a PC client to download various applets and applications, while same eCRM applications do have such requirement; the browser is the customer’s portal to eCRM.

There are many differences on customization and personal information. In CRM, different audiences require different views and types of information and personalized views for different audiences are not possible, also individual customization requires programming changes. In eCRM it is possible to create customized, dynamic and personalized views based on customer preferences and on customer categorization.

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About system focus, CRM system is designed around products and job functions (for internal use), while eCRM system is designed around the customer’s needs (for external use).

CRM implementation is a long process that has a lot of cost for the company, because the system is maybe at various locations and on several servers, while eCRM is more profitable than CRM in time and cost. System implementation and expansion can be managed in one location and on one server.\textsuperscript{11}

2. CRM BENEFITS

In the market today there are a lot of different companies, with different activities and with different objectives and visions. So depending on their activities each organization expects to gain different CRM benefits. Although implementing a CRM system might request considerable time and expense for an organization, it also brings significant benefits to them, if it is properly implemented.

According to Swift (2001)\textsuperscript{12}, companies can gain many benefits from CRM implementation. He states that the benefits are commonly found in one of these areas:
\begin{itemize}
  \item Lower cost of recruiting customers
  \item No need to acquire so many customers to preserve a steady volume of business
  \item Reduced cost of sales
  \item Higher customer profitability
  \item Increased customer retention and loyalty
  \item Evaluation of customers profitability
\end{itemize}

3. THE ROLE OF IT IN CRM

IT is concerned with the use, design, development, implementation and support of computer-based information systems. This includes the secure collection, storage, protection, transmission and retrieval of information\textsuperscript{13}. IT


attempts to provide both strategic and operational value to businesses. IT provides the specific technology to implement one-to-one CRM applications and techniques on a large scale which are of benefit to firms, individuals and customers.

It is known that CRM has improved marketing a lot. In order to see the relationship between IT and CRM, first we should consider IT and marketing relationship. The figure below is a full picture of this relationship evolution.

![Figure 2: Overview of the evolution of IT with respect to marketing](image)

The basic CRM functionality is being contact manager software that gathers and retrieves the main customer information in applications such as Microsoft Outlook. But it has also another important part, that has to do with some complex IT components, such as data warehouses, data marts, analytical tools and some other applications that are used to gather and retrieve customer information from a variety of internal touch points, and create connection with external touch points (e.g., My SAP and Oracle).

There are three main categories of CRM that can be implemented separately, intersected, or integrated from the beginning – analytical, operational, and collaborative CRM.

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Figure 3 shows the architecture and relationships between different components that are used in an analytical and operational CRM implementation.

![CRM IT model](image)

**Figure 3**: CRM IT model (Richard, 2008)

### 3.1 Operational CRM

Operational CRM is the “customer-facing” applications of CRM, such as sales automation, enterprise marketing automation, and customer service. It also focuses on “automation of horizontally integrated business processes, including customer touch-points, channels, and front-back office integration”. Development of Internet and communication technologies has had a strong impact in the evolution of operational CRM. Due to this, operational CRM is nowadays in two variants as eCRM and mCRM. Another useful component of Operational CRM is EAI (Enterprise Application Integration) which integrates front and back-office processes.\(^{19}\)

---

3.2 Analytical CRM

“Analytical CRM has to do with strategic, effective and efficient use of data in order to provide management with good decision-making possibilities. Due to IT and e-Business development, customer data accumulates by an ever-increasing quantity. To better address this situation, analytical CRM requires support from robust, best-practice enabled data processing and management technologies, typical examples of which are data warehouse and data mining”\(^{20}\).

3.3 Collaborative CRM

Collaborative CRM is an extension of traditional CRM application. It involves relationship management with external stakeholders in the value chain, including suppliers, distributors, value added resellers, etc. It is a communication center, coordination network aiming to provide the neural paths to the customers and suppliers. Major applications of collaborative CRM include enterprise portal based on extranet infrastructure, and partner relationship management software that provides access to customers, resellers and business partners across the Internet.

3.4 Research Methodology

This study has reviewed articles and case studies from different countries. The main purpose of this research was to:

- give an overview of eCRM and its evolution
- investigate relationship of IT and CRM/eCRM theoretically
- investigate relationship of IT and CRM/eCRM from case studies

To satisfy the first aim, the research team reviewed 12 articles without technical concepts about CRM/eCRM. For the second aim, 5 technical reports and 4 case studies have been reviewed to research the technological part of CRM/eCRM. Table 1 gives a summary of articles reviewed.

### Table 1: Summary of Reviewed Articles

<table>
<thead>
<tr>
<th>Year</th>
<th>Author(s)</th>
<th>Findings</th>
</tr>
</thead>
</table>
| 2007 | Anumala et al. | • Customer interaction and satisfaction was found to be an important benefit provided by banks using e-CRM  
• Speed at which the transaction have been processed and their rate of accuracy is an advantage provided by bank through the use of e-CRM  
• Trust in overall services of the organization is an important benefit provided to the customer  
• Technology plays an important role in enhancing the role of eCRM in developing the relationship with the organization  
• Through technology you protect customer information from unauthorized access. |
| 2003 | Chen, Popovich | e-CRM  
• Extends capability to the customer for self-service and Internet applications  
• Attracts existing and new customers through personalized communications and improved targeting  
• Integrates customer and supplier relationships  
• Constructs metrics to analyze common and unique customer patterns |
| 2004 | DeJarnett, Laskey, Trainor | • IT value comes from innovations in business practices.  
• IT advantages arise from people, not IT.  
• IT risks exceed advantages if the risks are not well understood and/or managed. |
| 2000 | Fairhurst | By the use of technology the following elements can be facilitated to:  
• Capture, store and distribute data, and transform them into valuable information  
• Understand customer behavior through data mining and statistical analysis  
• Define and distribute the business rules to apply to each customer interaction  
• Allow many different variations of products and services to be tailored to the individual  
• Enable real-time tailoring of interactions with customers depending on their characteristics and how the interaction has progressed. |
| 2003 | Fjermestad, Romano | • Focusing on usability can reduce resistance (training and educating users) and focusing on resistance can improve usability  
• CRM is a complex combination of technology, software, people, and business processes |

<table>
<thead>
<tr>
<th>Year</th>
<th>Author(s)</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>Muntean</td>
<td>The data warehouse provides a starting point and the data foundation for enabling CRM applications such as customer segmentation, targeted marketing, customer loyalty, profitability analysis, and other forms of combining customer touch points with external data to generate a valuable business asset.</td>
</tr>
<tr>
<td>2008</td>
<td>Richard</td>
<td>Greater CRM technology adoption improves relationship strength and consequently relationship performance. Companies which embrace IT as part of their business strategy more successfully adopt and benefit more from CRM technology. Technology Adoption has a significant and positive effect on B2B relationships.</td>
</tr>
<tr>
<td>2002</td>
<td>Rigby, Reichheld, Schefter</td>
<td>Successful CRM depends more on strategy than on the amount you spend on technology.</td>
</tr>
<tr>
<td>2004</td>
<td>Chandra, Strickland</td>
<td>Field-level studies are needed to understand strategic and operational technologies adoption concern form marketing and IT managers.</td>
</tr>
<tr>
<td>2002</td>
<td>Suresh</td>
<td>Successfully CRM develops a strong relationship between company and customer. CRM provides a sustainable competitive advantage for competitors. CRM adds to a sense of expectation and loyalty being instilled within the consumer and the development of a relationship between company and customer that competitors find hard to break. SFA help in automating and optimizing sales processes to shorten the sales cycle and increases sales productivity. Call Centers help in automating the operations of inbound and outbound calls generated between company and its customers. Data warehousing facilitates forecasting and planning efforts.</td>
</tr>
<tr>
<td>2000</td>
<td>Thompson, Ryals, Knox, Maklan</td>
<td>Succeeding CRM requires: Strong senior management sponsorship. Middle management alignment. Alignment of rewards and measures to the desired new behaviors.</td>
</tr>
<tr>
<td>2003</td>
<td>Zikmund, McLeod, Gilbert</td>
<td>CRM Improves customer focus, Improves retention efforts, Increases share of customer, Enhances long-term profitability, Enables continuity across channels, Personalizes service, Enhances satisfaction.</td>
</tr>
</tbody>
</table>

4. RESEARCH FINDINGS

As mentioned before, 4 case studies from Sweden have also been reviewed. Activities chosen for this research were among banks, telecommunication and service firms. Each firm has made a prediction about the benefits that eCRM implementation may bring to each of them. According to the two banks that are taken into consideration during this research the benefits predicted were:

- Improvement in relationships with customer
- Use e-mail for communication
- Personalized services or one to one services
- Website to market products and services
- Transaction security

Almost all of the benefits above are connected with IT technology. After eCRM implementation and technology improvements the results about these benefits are seen in Table 2.

<table>
<thead>
<tr>
<th>No</th>
<th>Benefits</th>
<th>SWED Bank</th>
<th>SEB Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Improvement in relationships with customer</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>2</td>
<td>Use e-mail for communication</td>
<td>+/-</td>
<td>+/-</td>
</tr>
<tr>
<td>3</td>
<td>Personalized services or one to one services</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>4</td>
<td>Website to market products and services</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>5</td>
<td>Transaction security</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>

These presumptions are raised in theory, but the table above shows that not from all of them is gained the same benefit in this banks. For example, e-mail is not effective during eCRM implementation. They explain this lacking in use with e-mail trusting and security problems, while saying that websites offer security nowadays and are more trustful.

According to Limayem (2004) for CRM to be successful and thus achieve its intended purpose, the components must be 70 percent people, 20 percent process and 10 percent technology.

To test this theory two case service companies were considered. Figure 4 presents the results.

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As can be seen from this figure, although firms may have the same concepts about CRM during its implementation a lot of differences are noticed. These differences depend on which implementation phase was each of the companies during study results collection. Another important fact to mention is that realities and structure within the organization have a great affect on three components allocation percent.

5. CONCLUSION

CRM is a vital strategy for all the companies who interact with the customers. When implemented correctly, it can bring lots and significant benefits for companies and customers as well. Many researches and implementations show that developing and implementing a CRM strategy is full of economic risks and most of the time concludes with bad results and failures. Occasionally, these failures occur in companies that invest IT without really fulfilling customer needs.

Most of previous researches state that IT is closely connected with CRM/eCRM implementation and has a very important role in its success or not. CRM/eCRM can gain benefits from IT use, but can also touch failure from a bad use of IT.

Technology must be used after creating a suitable business strategy, including a deep analysis of customer needs and expectations and well-implemented customer customization. In this way IT and CRM integration becomes a strong and effective competition power for the businesses that implement CRM.

BIBLIOGRAPHY


Is Albania Attractive for German Tourists? 
are German Tourists Attractive for Albania?

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Abstract

These are the times where the countries in Southern Balkan are looking towards the North and the West again. For centuries, the region has been a land bridge between Europe and Southern Asia, providing important transport routes between distant locations.

After leaving the isolation of the communist era, Albania looks for close association into the European Union.

An increasing German interest of Albania can be determined by the provision of cultural, academic and education exchanges between both countries. Germany is the third biggest trade partner for Albania in the EU, following the direct neighbor countries, Greece and Italy. Germany is also the biggest bi-lateral provider for development funds.

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2 Mrs Olta Nexhipi is giving lectures for politics and management at the Business faculty in “Alexander Moisiu” University in Durrës, Albania. She holds a Bachelor Degree in Management and has completed a master in marketing in “University of New York” Tirane. She has worked as a manager for a branch of Okaidi shop, also as a marketing manager for “Flesh-Servis Albstone” in Durrës. Her connections with the “Aleksander Moisiu” University have started in March 2009 when she started to work as a human resources specialist, in September of the same year she started to lecture in the business faculty.
This paper investigates, if the Tourism Sector, as one of Albania’s evolving branches, could be a suitable choice for German travelers, and vice versa, if Germany is an attractive customer market for Albania.

Traditionally, the Germans bear the title of being “Traveling Champions” (“Reise-Weltmeister”), outranking even the U.S.

Almost two third of the German population is traveling at least once a year for vacation reasons, preferably into “sunny” regions; top ranking countries are Spain, Italy, Greece and Turkey. In 2008, the Germans spent more than $85 billion for their vacation.

The first part of the paper will briefly outline the different target groups, the population of the respective countries, their financial capabilities, the recent economic development and its influence of the travel and vacation behaviors.

Based on the open available sources, we will perform analysis on the travel and vacation behaviors of German tourists.

In the second part we will outline, which resources the Albanian Tourism Sector can provide and how it is presented to the target group. By using the new media and internet search engines, we also will briefly evaluate how Albania as a country in general is presented (and represented) in the German media, not only focusing as tourist attraction.

Further on, we will to see where and how the potential customers can be attracted for the Albanian tourism sector.

The third part will deal with German customers’ expectations; what are the expect for a successful holiday; what are the requirements in regards to facilitation and accommodation; which infrastructure is mandatory, available, acceptable or required to build/improve; which recreation possibilities are preferred (and required to implement or build, where not existing).

Presenting some already existing, cooperative initiatives to establish a sustainable tourism sector in Albania for foreigners, we will analyze their feasibility for the German market.

Finally, some risks and restrains in the national development of Albania have to be pointed out. If the population of Albanian, the economic and the governmental leadership cooperate seriously to exploit the unique resources of Albania for tourist developments, some political and economical coordination, control and reasonability has to be put in place to control the emergence of the economy in order to prevent the mistakes of many other countries –the destruction of the unique resources.

**Key words:** “Reiseweltmeister”, budget, economic crises, partnership, founds.
1. INTRODUCTION

These are the times where the countries in Southern Balkan are looking towards the North and the West again. For centuries, the region has been a land bridge between Europe and Southern Asia, providing important transport routes between distant locations. After leaving the isolation of the communist era, Albania looks for close association into the European Union. An increasing German interest of Albania can be determined by the provision of cultural, academic and education exchanges between both countries. Germany is the third biggest trade partner for Albania in the EU, following the direct neighbor countries, Greece and Italy.

In addition, Germany is the biggest bi-lateral provider for development funds—with more than 387 billion Euros since 1988. Including all national contributions to multinational programs of the EU, World Bank or United Nations, Germany more invested more than 700 billion Euros for development in Albania; by this, Albania is—per capita—in the top group of receiving countries.3

While most of this paper is dealing about “Germany”, we should not limit our view too strictly on Germany as a country, but also to the German language, the German culture; taking in consideration that Austria and partially Switzerland (even though not part of, but economic associated with the EU) are related to Germany by history, tradition and development, we can easily increase the “target group” where we focus on to more than 90 million people with an annual GDP of $ 3168 billion) or $ 32,300 per capita4—an enormous potential, compared with the official figures for Albania: $ 3,051/2,304 €.5

2. THE GERMAN ECONOMY

Why do we focus on Germany when we investigate the EU integration of Albania?

Germany is interesting for Albania in many ways; first of all because

3 Webportal of Deutsche Botschaft (German Embassy), Tirana
5 Instituti i Statistikës [2010], Economic Indicators/National Accounts, Gross Domestic Productions 2008, Tirana
of its economic power and influence on the world market, secondly
demographically, and third, its recent history should motivate other countries
– including Albania – to join strong partnerships, political and economic.

3. HISTORICAL BACKGROUND

After World War II, Germany was among the most devasted economies
in Europe; the total war production had exhausted all resources, industries
and plants were destroyed by countless bomber attacks, more 11 million
(!) Germans were in custody as prisoners of war, while another 11 million
people were “displaced persons” in their own country, many of them coming
as refugees without any property.⁶

In this catastrophic situation, but with the strong assistance of the European
neighbors and by receiving massive, directed economic support from the
United States of America (Marshall Plan), the economy in (West-) Germany
boosted to the legendary “Wirtschaftswunder”, the economic miracle, probably
best symbolized by the factory roll-out of the 1-millionst produced VW Käfer
(‘beetle”) in October 1955 - only 10 years after the end of WW II. ⁷

4. GERMANY IN THE EUROPEAN UNION

Not only today, but also from the very beginning of the European Idea,
Germany is one of the core countries.

After WWII, the political leadership in Germany quickly recognized that
stability and prosperity for the country can only blossom in Europe in close
cooperation with its neighbors; Germany is bordering 9 independent countries.

Already in 1951, when the Ruhr Area (Germany’s most concentrated industrial
area) and the Saarland Region (one of the richest coal deposits) were still under
international control, Belgium, Luxemburg, the Netherlands, France and Italy
joined together with Germany the Montan-Union, the European Union for Coal
and Steel (EEKS) for the free trade of these commodities within the union.

The EEKS became the nucleus for the European Economic Union (EEC/
EWG), founded in 1957. The joint creations of several other multinational,

⁶  S. Mannes [2002], Die Zäsur von 1945, Albert-Ludwig-Universität Freiburg
⁷  www.volkswagen.de, Geschichte
economic and legal agreements during the years between European countries, combined or in parallel, and the integration of further western and central European economies lead in 1997 to the transformation to the European Union (EU). Originated from a regional free trade initiative, the EU today is the biggest common market in the world, hosting almost 500 million inhabitants in 27 member countries. The significance of Germany in the EU was just again made obvious in the recent European crisis summits; when in April 2010 the collapsed Greek economy was subsidized by EU loans of 80 billion Euros - 28% of this burden, a share of 22.4 Billion Euros will contributed by Germany. 8. Being the paymaster for Europe is a direct result of the strong economy; the Gross Domestic Product (GDP) of Germany is about 20% of the EU’s total. Consequently the German economy is often called the “steam engine” of the European economies.

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<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>European Union</td>
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<td>5,712.44</td>
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</tbody>
</table>

2006 GDP Rankings for Europe and Purchasing Power Parity (PPP), September 2007

5. “REISEWELTMEISTER” IN NUMBERS

Beside the ambitious attempt in becoming the title of “Football World Champion” and defending its position as “Export Champion”, the Germans traditionally also bear the title of being “Travel Champions” ("Reise-Weltmeister"), and regularly outrank the U.S.A.

Almost two third of the German population is traveling at least once a year for vacation reasons, preferably into “sunny” regions; top ranking countries are Spain, Italy, Greece and Turkey.

8 Frankfurter Allgemeine Zeitung, Hilfe kostet Deutschland 8 Milliarden Euro ,18 April 2010
In line with the economic development in Germany, the travel habits of tourists changed in the last decades; while in the 1980, the average travel tour lasted 18.2 day, it decreased to only 13.2 days in 2007.  

Despite the pressure of the economic crises, the job insecurity and salary cuts, the German desire to travel is still unbroken. In 2009, German tourists spent more than 59.9 billion Euros for their vacation purposes, only slightly less than in 2008.

The trend is to save costs, either to stay in the country or shorten the vacations abroad, it’s better to have a “one week trips” – than none at all.

Under these conditions, the pressure for travel agencies were forced to lower the prices extremely, many Germans now tend to book “last-minute” travel and other discounted offers.

Another trend is to book “all-inclusive” offers to have better control of additional and total costs, a trend where countries like Turkey and Egypt benefitted since they focused such clienteles “club hotels”, and second and third travels are becoming rare (11.6%).

Due to the economic crises, the average travel budget of the German Tourist decreased down to 960€ (per person), which equals 80€ per day per person.

The demand for cost savings on one hand and maximum flexibility on the other hand led to the result that the means of travel are also shifting; the number of holiday flights is stagnating while more people use their own vehicles to travel into vacation.

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9 Focus[2008], Tourismusanalyse – Deutsche verreisen wieder länger, 06.02.2008
10 Easytracking [2009], Reiseweltmeister Deutschland, 28.07.2009
11 Focus[2009], Tourismusanalyse – Rezession bremst Reiselust, 04.02.200
12 BAT Stiftung für Zukunftsfragen [2009], Kurzbericht zur BAT Tourismusanalyse
The German attitude towards the EURO is similar to people in other countries – the subjective feeling is of a permanent price raise, German tourists show an increasing demand for cheaper destinations, preferably outside the EURO currency zone.

Finally, we can observe the polarization of trends between exclusive luxury-journeys and low cost travels.

6. ALBANIA IN NUMBERS

6.1 Albania, as represented in Germany

The bi-directional connection between Albanian and German population is not strong enough for country promotion; while Germany has a significant share of foreign residents, Albania is under represented. The central register indicates only approximately 11,000 Albanians are registered residents in Germany, compared to a total of 6.7 million foreigners (May 2006). The knowledge about Albania in Germany is quite low, due to the former isolation policy, there is hardly now information disseminated, despite the historical interest in the early 20th century.

In the public view, Albania does not appear in the news, also in the literature, Albania is under represented; the book seller amazon.de lists 5.5 million books in total, but only 233 of them appear in the search “Albanien” (Albania) and 155 in the search “albanisch” (Albanian) – which including dictionaries and reports about Kosovo-Albanian.

The most famous book about Albania is for sure the title “Durchs Land der Skipetaren”, a novel written by the German author Karl May in 1892 (!), part of an adventure sequence of 6 books in the Balkans and Near East.

6.2 Bi-lateral Relations between the countries

According to the Albanian Institute of Statistics INSTAT, the trade with the EU countries is 68.3 percent (Albanian exports 88%, imports 60%). Naturally, the most important contacts for Albania to the EU are the direct bordering countries, Italy and Greece. Third biggest trading partner for

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13 Institut i Statistikës [2010], Economic Indicator - Tourism, Tirana
14 Auswärtiges Amt – Albanien, www.auswaertiges-amt.de/diplo/de/Laenderinformation/Albanien/Bilateral.html
Albania in the EU is Germany with a recent trade volume of 180.1 Million Euro (of which are 36.8 million Euros from exports to Germany)\textsuperscript{15}. Due to Albania’s rapid economic growth in the recent years, production and demand for foreign trade is increasing in volume, as displayed in table with data extracted from the German National Statistic Institute \textsuperscript{16}:

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|c|}
\hline
\hline
\textit{Albanian exports to Germany} & 22.9 & 26.6 & 36.6 & 31.9 \\
\textit{in \% (2005=100)} & 100 & 116 & 160 & 139 \\
\hline
\textit{German exports to Albania} & 114 & 120.8 & 144.4 & 193.7 \\
\textit{in \% (2005=100)} & 100 & 106 & 127 & 170 \\
\hline
\end{tabular}
\caption{Trade between Albania and Germany, in million Euro}
\end{table}

\textit{Statistisches Jahrbuch 2009}

Since 1988, Germany is cooperating with Albania in development works; on behalf of the German Ministry for Economic Cooperation and Development (BMZ), the “Gesellschaft fuer Technische Zusammenarbeit”, GTZ is preparing Albania to join EU, mainly in the fields of sustainable economic development and water management, GTZ is also advising in the reform of the health insurance system and also to implement international standards for handicapped.\textsuperscript{17}

6.3 Albanian Tourism Sector

According to the World Travel & Tourism Council (WTTC), the Albanian export earnings from international visitors and tourism goods generate approximately 59\% of the total exports in 2010, with 69,000 people directly employed in the tourism sector and another 140,000 in related and depending economic branches, representing 16.7\% of the total employment in Albania.

The Tourism and Travel Industry contributes directly $841 million and additional $1712 million in related and depending braches, the equivalent of 20.7\% of the total national GDP\textsuperscript{18}.

WTTC expects a constant growth of the Travel and Tourism Industry, forecasting up to 250,000 dependent employees and a GDP proportion of $2 billion.

\begin{thebibliography}{9}
\bibitem{15} ibid
\bibitem{16} Statistisches Bundesamt [2009], Statistisches Jahrbuch 2009, Kapitel 18, Aussenhandel, Wiesbaden
\bibitem{17} Die GTZ in Albanien, www.gtz.de
\bibitem{18} World Travel & Tourism Council [2010], Travel & Tourism Economic Impact – Albania, London
\end{thebibliography}
In 2007, Albania hosted already more than 2.1 million visitors from other countries, an increase of 19% compared to 2006 (and 45% compared to 2005), again in 2008 Albania experienced another increase of 26% (compared to 2007).

It is estimated that most of them are Albanians who live abroad and come for business trips or to visit their families. About one million visitors were foreigners, half of them coming from Kosovo and Macedonia\(^{19}\) while another 28% from direct neighbors (Greece, Italy, Montenegro, and Serbia); only 4% are coming from Austria, Germany and Switzerland.

According to DSATIS, already almost 940,000 passengers from Albania came in 2006 to Germany\(^{20}\), despite the fact that only 11,000 Albanians are registered residents in Germany.

**Opportunities and Risks**

Travel & Tourism investments are estimated with ALL 30.9 billion ($606 million) or 6.5% of the total investments in 2010.

The investments of the GTZ result in improvement of a stable water supply and the implementation of ecologic sewage systems\(^{21}\), a perfect synergetic effect of economic development and improvement of tourist requirements.

In the “Top Ten Languages” of the world, German is ranking on position 7, where not only the distribution (people speak language) but also the significance for the relation with other countries, especially economy wise (economy, financial power, science,)\(^{22}\) and fifth in the virtual media\(^{23}\) - currently Albania has an academic exchange program with Germany.

Beside the remote, mountainous areas, Albania has also the two oldest and deepest lakes in Europe (and the biggest in the Balkans region) with 146 different life forms (17 kind of fish), unique in the world, ready for natural exploitation.

The average expenditure in this group is estimated with 1221 Euro per travel in a foreign country, spent over 13.2 days\(^{24}\).

Another attempt must be attracting German investors in the non-financial economy and industry; in 2006, between 50% and 70% -depending on

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19 AlbaniaTourism [2008], Albanien-Tourismus weiter auf Erfolgkurs, Contact & Creation GmbH, 01.04.2008.
20 Satistisches Bundesamt[2007], Tourismus in Zahlen, Wiesbaden
21 Die GTZ in Albanien, www.gtz.de
23 Internet World Stats. [2007], Internet World Users by Internet, Miniwats Marketing Group
24 Focus [2010], Reiseweltmeister melden sich zurück, 10.02.2010
branch, planned to move (parts of) their production into the new EU member countries. As “important” or “most important” motive was the reduction of costs for salaries/wages (82%).\textsuperscript{25}

The considerably low income (minimum basic salary 2006 was $137 monthly, according to the Auswaertiges Amt).

With a project to generate income and reduce poverty in Northern Albania, the GTZ developed a sustainable tourism concept in the town of Theth since 2006, and in 2008 already 5000 tourists from Europe, USA and Israel visited the region to find intact nature, simple life and romantic\textsuperscript{26}.

While one group prefers the “all inclusive offers” which Albania cannot provide currently (and will face heavy competition with countries with established facilities and reputation, like Turkey, Egypt, but also Thailand and Dominican Republic), 86% of the Germans prefer to participate in sportive activities; 35% like hiking, 20% cycling\textsuperscript{27}, also “wellness holiday” is trendy. Such opportunities do not require high investments in facilities and can be operated on a small scale.

7. RECOMMENDATIONS

\begin{itemize}
  \item Several German professors teach language in Tirana, Shkodra, Elbasan and Korca, the universities of Tirana have increasing contacts to German universities in several cities (Bamberg, Bonn, Jena, Potsdam and Siegen), regular academic exchanges are already in place with different organizations (DAAD, Alexander-von-Humboldt Stiftung) and the German is awarding “International Stipendium”, several other organizations are hosted in Albania, promoting economic and cultural events and offering German language courses, a dual education system is planned to be implemented for Albania, a cooperation project with the University of Durres. These already existing contact needs to be intensified, to be activated as multiplier for promoting Albania.
  \item The exchange of business people can further enhance the acceptance of Albania as travel destination, because according to a German survey of
\end{itemize}

\begin{itemize}
  \item Statistisches Bundesamt [2009], Verflechtungen deutscher Unternehmen mit dem Ausland, Wiesbaden
  \item Die Zeit [2009], Einfach leben, Sanfter Tourismus, 24 November 2009
  \item StiftUng für Zukunftsfragen, 26. Tourismusanalyse
\end{itemize}
business travels, 82% of survey responders said that the most efficient meeting type for important negotiations\textsuperscript{28}.

✓ Tirana International Airport is now connected to Tirana and Durres, but the main road connections still lack essential pieces for safe and quick movements to the rural areas. The permanent enhancement to cope with a growing number of passengers is immanent due to two aspects:

a) Against the global trend of a 8% decrease of air traffic, flights to Albania increased by 4.5\%\textsuperscript{29}.

b) Tirana is the only airport with international flight connections.

✓ The railroad net in Albania is not up to European standards and needs radical reconstruction, if it is intended to contribute to Albania’s prosperity, tourists arriving by plane or ferry should find convenient and affordable transport connections to favorite locations without the high costs of car rentals (also considering that the road traffic in Albania is in some aspects different than in the tourists’ home countries).

The future economic development of Albania can not be seen isolated without a close look to the Balkans region; Corridor VII is the main traffic concept, connecting and maintenance of existing routs ant inter-connect them with each other;

✓ Port development Port of Durres, Albania’s largest, which assures closest connection to Bari (Italy). Price increase in air travel in Germany resulted in increased use of own cars for tourist travel (51%), a beneficial factor for Italy – with attractive ferry connections and modern harbor infrastructure, Albania could gain also a contribution of these tourists.

✓ The Flore-Fier region is important for industrial development and will be the site for a deep water port for oil and gas transshipment\textsuperscript{30}. It is absolute important for the sustainability, that the planned “energy park”, the oil terminal and the port construction will be planned, constructed and operated responsible, carefully balanced between economic prospering and nature preservation.

\textsuperscript{28} Harvard Business Review [2009], Managing across Distance in today’s Economic Climate: The Value of Face-to-Face Communication, Harvard Business Review Analytic Service

\textsuperscript{29} DRV [2009], Bilanz der Luftfahrtindustrie des Jahres 2009, Deutscher ReiseVerband DRV, BERLIN

\textsuperscript{30} Richard England [2004], The Corridor VIII LED Network, Open Society Institute
8. CONCLUSIONS

Albania has a Mediterranean climate along the coast line; summers are warm and mostly rainless. Food in Albania is good, most farmers grow organic, and fish is always available fresh. The German tourists do not want to miss their “best weeks in the year”, but they are not willing – or able – to spend so much as before, an opportunity where Albania with its considerably low prices can fill the demand.

Due to the low salary level, service is affordable and the infrastructure is developing.

With a population of 62 million people, one out of 6 EU citizens is German, about 2/3 are spending their holidays in foreign countries… and they prefer (beside sea cruise) camping and mountain tourism, but less culture and city travel\textsuperscript{31}. The desire for sunshine is over all other demands - guaranteed sun becomes a synonym for satisfactory holidays\textsuperscript{32}.

The demographic changes in Germany – like in most western countries - can be a great advantage for Albania, when focusing on individualism and soft tourism instead of mass tourism and “bed bunkers; the most potent tourists will be an increasing number of singles, retired or couples without children.

Due to its natural heritages, Albania has great opportunities to become a favorite holiday destination for Europeans; if proximity can be achieved by further sun stainable development of the infrastructure, Albania is competitive to “traditional” tourist destinations.

Germany with its economic interest in Albania and the Balkans region is an attractive market by its absolute size and wealth,

A tourist partnership between both countries will benefit both national and the common economy.

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Environmental Impact on Tourists Influxes and Sustainable Tourism Caused by Naval Means and Vehicles. The Case of Durres, Albania

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Abstract

Sustainable Tourism is a matter of international concern. Use of tourism sources providing their use for the future is a issue of an increasing concern between all worldwide Tourism players. The purpose of this study is to provide information on the environmental situation of the port of Durres and a deeper review on future trends. The Durres is perceived as the city where the Sea bathes Antiquity, is the major hub for Albania’s naval, road and rail transportation systems. In this study we have taken into consideration pollution parameters such as environmental air quality in the zone of direct vicinity and within the terminal area, expertise on noise levels, as well as an analytical results of the effluent waters. An initial analyze of the actual naval traffic for passengers and goods based on the forecasts for their increase status till 2015 will give us a better view on the environmental impact that will accompany this upward increasing trend.

Key words: Sustainable Tourism, Ambiental pollution, Port, Transportion, Sustainable development

1. INTRODUCTION

Sea or land transport plays a major role in the economic development of a country. Always associated with positive and negative impacts connected with the environment.

In this study we will concentrate on an analysis of the current environmental situation in the sea of the port of Durres. Since a decade, the ports world has started to cope requirements for the respect of the environment. Initiatives of an institutional character are seeking to deepen the sector specification and encourage the different operators. ESPO (European Sea Ports Organization) during the year 1994 has formulated an “Environmental Code of Practice” to promote the project together with the EU Eco-Information in European Ports, which was followed by ISO 14001 and EMAS certification.

The port of Durres which represents one of the most important ports in the Adriatic even though in continuance reconstruction phase for the improvement of all piers, has started tracking and enforcement of norms defined by ESPO or various institutional initiatives. Environmental pollution is according to direct factors such as size of the port, its functional characteristics (Passenger
port, port processing container, industrial ports or many other functions) and the different volume of traffic. The port of Durres has as its characteristics all the elements mentioned above. Is to be taken into consideration is the fact the location of the port of Durres in a territory where the distance from residential areas is less than 1KM.

In this study, should make obvious the increase of the raising awareness by the Port Authority of Durres and especially the work of the office “Environmental Protection” in terms of environmental policies, work that concluded during the collaboration for the realization of this paper.

2. A BALANCE BETWEEN THE ECONOMY AND THE LIVING ENVIRONMENT (SUSTAINABLE TOURISM)

Tourism is traveling for recreation, leisure or business purposes. The World Tourism Organization defines tourists as people who “travel and stay in places outside their usual environment for more than twenty-four (24) hours and not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited”.

In the last few years tourism has reached its highest level. Based on these results it is predicted that in 2035 tourism industry will increase 179%. If tourism was a state it would be linked as the third state after USA and China. The increase of the tourism activities induces economic benefits but even social costs related to the environment which in most cases are higher than the benefits. This brings the necessity to implement a new tourism typology which will decrease the environment pollution. It means sustainable tourism. The UN’s Brundtland Commission defined sustainable development as ‘the development that meets the needs of the present without compromising the ability of future generation meet their own needs’. Sustainable development is development in which social (people), ecological (planet) and economic (profit) interests are balanced.

Sustainability has a direct influence in economy. Most of tourism areas create their own popularity because of their nature beauties; it’s quit clear that if these beauties get destroyed their tourist incomes will decrease. The decrease in the number of tourists will bring even an economic decrease of the tourism destination. With sustainable tourism it is intended even responsible tourism and this leads to a higher carefulness in the social component especially in tourism ethics.

In the social-cultural profile tourism is an important instrument in the diffusion of culture, in discovering natural resources, history and the culture
of other countries, it creates a network of positive relation toward the nature and humanity, becoming like this a peace instrument in the world.

3. SUSTAINABLE TOURISM AND MARINE ECOSYSTEM

Marine ecosystem is characterized by an ecological phenomenon of interest. Its characteristics like the extent, depth and persistence of parts, show that the sea is one and indivisible. Changes of temperature, salt and depth determine the main obstacles to the free movement of aquatic organisms. This is an important factor to understand the consequences of ecosystem change.

Our society provokes a great harm to the marine environment and its biodiversity, which can be identified in the pollution of rivers, sea shores, industrial and urban areas. There are many chemical elements in the sea (presumably many of them are known) but also large quantities of toxic and chemical substances of an industrial origin, which with their presence change the balance. Adding to this even the spills of oil-tankers, craft accidents, intensive use of coastal areas and pollution due to shipping activities like cleaning of patrollers tankers, remnant of ports and the impact of the trawlers.

If we would do an analysis in terms of the Mediterranean, we would see that pollution has caught alarming figures. Mediterranean region represents 25% of all world traffic, even though it represents only 0.7% of the sea water. At the same time it represents the most polluted sea area by hydrocarbons and various toxic components. Every moment there are counted nearly 300 oil pipeline which floatage nearly 350 million tons of oil per year4. Meanwhile the growth of global trade strongly effects pollution. This even for the fact that the Mediterranean Sea is a closed sea and its waters move very slowly (80-100 years). Another reason that effects pollution is the decomposition of algae in the sea surface as a result of the chemical elements such as nitrate and phosphate. When algae die, their decomposition provokes a loss of oxygen in the water which is accompanied by a bad smell. And this is one of the causes for the changing in the ecosystem.

These changes in the ecosystem can cause:

 ✓ damages in the marine biological resources, preventing the system of autoclean;

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4 Camarsa G. (2003) Turismo Sostenibile” L’impatto ambientale provocato dalle nave di crociera e dai turisti, Azioni e metodologie,
✓ a danger for the health, if the analyzed area is a destination for holidays;
✓ prohibition of fishing and other aquatic activities (water sports, fishing, navigation);
✓ deterioration of the tourist quality activities in the coastal territory, coupled with dwindling water resources

A major role in the pollution of the Mediterranean, especially in the last two decades has played the activity of the cruisers, which has had an increase of 39%. Cruisers are floating hotels and to be taken in consideration is the precise quantity of pollution they produce, because they often pollute sensitive areas from the naturalist viewpoint. We can distinguish atmospheric and marine pollution caused by passengers, garbage on board, the impact on the visited environment when landing on the ground etc. These phenomenon although not of the same size as in the Mediterranean, can be found even in the Port of Durres.

4. DURRES PORT

Durres Port (DP) is the biggest in Albania. The Port for thousands years has served as the gateway to the Balkan’s peninsula. Even the historians don’t know how to answer if was city that created the harbor, or the harbor that created the city. Durres is a 3000 years old city. Most of the maritime transport, both cargo and passengers, is covered by DP. It is a very important port, and the total size of DP is 140 hectares, 80 of which are inland and the remaining 60 hectares are on sea.

It is an international harbor where 80% of its traffic serves to Albanian economy, and the remaining 20% serves to the rest of region, mainly Kosovo and Macedonia. A limitation of DP are its shallow waters which allows only mid size ships within its borders. DP circulates around 4 million tones of cargo, 800 thousand passengers, and an annual turnover of around 20 million euro. Investments reach 20 million euros per year. Full-time employees are around 600, but in terms of private sector port related activity full-time employment, we have another 6000 employees.5

5  http://www.apdurres.com.al/
The facilities of the port welcome ships with goods of different nature and size. Environmental pollution depends directly from factors such as: size of the port, its functional characteristics (passenger port, port for container processing, industrial port and many other functions) and the volume of different traffics. All the elements mentioned above are characteristics of the port of Durres. To be taken in consideration is even the fact that the Port of Durres is located in a territory where the distance from the residential area is not more than 1 Km.

This is accomplished through four terminals that operate in the port. All kinds of goods are embarked and lightered in the port of Durres, such as: minerals, fuel, cement and items of different categories. Currently in the port of Durres are being processed even goods depots.

Impact on tourism:

- Rifuxho is expected to have a negative impact on tourism development
- Due to the location of the cruisers terminal passengers will have to walk to town or go there by bus. This road runs along non attractive flats which does not bring benefits to the development of tourism.
- Polluting goods: coal, minerals, cement and clinker affect the environmental pollution
- Grains: the current productivity is 350,000 tons and the expectation is 600,000 tons. For their embarkation a new modern system with air-power discharger will be installed to enable the wind to inflate in the grain, in order to protect the environment.
Table 1: Rotation of ships with common goods in the port of Durrës

<table>
<thead>
<tr>
<th>INDEX</th>
<th>UNIT</th>
<th>2005</th>
<th>2006</th>
<th>2007*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vessel Number</td>
<td></td>
<td>835</td>
<td>731</td>
<td>272</td>
</tr>
<tr>
<td>Total of goods per year</td>
<td>Ton</td>
<td>954.989</td>
<td>934.281</td>
<td>346.885</td>
</tr>
<tr>
<td>Average of ships embarkement</td>
<td>Ton/vessel</td>
<td>1.144</td>
<td>1.278</td>
<td>1.275</td>
</tr>
</tbody>
</table>

(* First semiannual.

Table 2: Rotation of ships with goods of grain in the port of Durrës.

<table>
<thead>
<tr>
<th>INDEX</th>
<th>UNIT</th>
<th>2005</th>
<th>2006</th>
<th>2007*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vessel Number</td>
<td></td>
<td>82</td>
<td>83</td>
<td>26</td>
</tr>
<tr>
<td>Total of goods per year</td>
<td>Ton</td>
<td>264.726</td>
<td>301.481</td>
<td>92.193</td>
</tr>
<tr>
<td>Average of ships embarkement</td>
<td>Ton/vessel</td>
<td>3.439</td>
<td>3.852</td>
<td>3.709</td>
</tr>
</tbody>
</table>

(*First semiannual

Table 3: Rotation of rifuxho minerals in the Port of Durrës

<table>
<thead>
<tr>
<th>INDEX</th>
<th>UNIT</th>
<th>2005</th>
<th>2006</th>
<th>2007*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vessel Number</td>
<td></td>
<td>50</td>
<td>42</td>
<td>21</td>
</tr>
<tr>
<td>Total of goods per year</td>
<td>Ton</td>
<td>102.562</td>
<td>200.897</td>
<td>175.629</td>
</tr>
<tr>
<td>Average of ships embarkement</td>
<td>Ton/vessel</td>
<td>2.051</td>
<td>2.656</td>
<td>12.181</td>
</tr>
</tbody>
</table>

(*First semiannual

As we can see from the tables above, there have been many changes in the number of ships that touched the quay of our port in the last years. The increase of the quantity of depots for minerals and the number of the ships with grains obviously are followed by an increase of the level of pollution. It would have been good if we could make a comparison between the environmental impacts of the last years with that of 2009, but it is not possible because of lack of information. In the same time it is to be taken in consideration the fact that the port of Durrës is located only 1 Km far from the residential area where this pollution is felt very much.

4.2 Index of the ferry services

The indexes of the ferry services for 2010 are predicted to increase, considering their movement and the increase in number in comparison with 2009.

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6 Source: Portual Authority of Durrës
According to BCEOM study (2007) it is predicted a traffic of nearly 3.5 million passengers for the year 2015 (a considerable part of them are cruise tourists). Cruises are predicted to touch the quay of the port of Durres mainly during the summer time. In this study is predicted an average number of 20 ships/year with a capacity of 600-800 passengers. The ships length is from 100m till 170 m. Meanwhile the reality of latter days shows us new facts: the number of cruisers that anchors in the port of Durres has increased. According to the tourism operators it is believed that the number of foreign visitors that will touch the port of Durres during the year 2010 will increase of 30%.

This should be taken into consideration to anticipate the measurements of pollution in order to limit it the most possible. There is no connection between the number of passengers and the size of the ship. Meanwhile we can not say the same thing for the connection between the number of passengers and the pollution they cause. Let's make an analyze of the pollution of the port of Durres with the measurements made during the year 2009 from the Environment Ministry.

5. INFORMATION ON AIR QUALITY SURVEY IN THE TERMINAL OF TARGETS OF DURRES SEA PORT

Measurements on air quality in the terminal of targets in Durres sea port were conducted in the time period 27.07-14.08.2009. Measurements were localized in the direct vicinity and inside the zone of terminal.

7 Source BCEOM
Results of the measurements and accompanying data are given herebelow in Table 1.

**Table 4.** Monitoring of environmental air quality in the zone of direct vicinity and inside the zone of terminal.

<table>
<thead>
<tr>
<th>Place</th>
<th>Meas. unit</th>
<th>SPM</th>
<th>PM 10</th>
<th>NO₂</th>
<th>SO₂</th>
<th>CO</th>
<th>HC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point 1</td>
<td>µg/m³</td>
<td>360</td>
<td>210</td>
<td>58</td>
<td>28</td>
<td>3500</td>
<td>530</td>
</tr>
<tr>
<td>Point 2</td>
<td>µg/m³</td>
<td>340</td>
<td>160</td>
<td>44</td>
<td>34</td>
<td>4400</td>
<td>370</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EU limit</th>
<th>µg/m³</th>
<th>100</th>
<th>50</th>
<th>40</th>
<th>50</th>
<th>6000</th>
<th>250</th>
</tr>
</thead>
</table>

* Point 1- at customs building, ca 50m north of main entrance in the tragets terminal zone.
* Point 2- at technical offices inside the zone of construction of tragets terminal.

**5.1 Interpretation of the results**

Air measurements are conducted based on 24 hours averages. This is a prerogative for standard methodology of environmental air quality measurements, in order to evaluate long term health risks of respective pollutants. Content of suspended particulate matter (SPM), respirable particles (PM 10), and the main gases created from normal working activities during the construction of tragets terminal (nitrogen dioxide NO₂, carbon monoxide CO, sulphur dioxide SO₂ and hydrocarbons HC), in the presence of normal activity of tragets in the old part of terminal, is considerable and in many cases above allowable limits of EU countries (ref. to graph. 3 and 4).
Graph 3. Contents of SPM, PM$_{10}$, NO$_2$ and SO$_2$ (µg/m$^3$) in environmental air of two points and respective limits in EU.

LNP, PM 10, NO$_2$ dhe SO$_2$

Graph 4. Contents of carbon monoxide CO and aliphatic hydrocarbons CH (µg/m$^3$) in environmental air of two points and respective limits in EU.

The obtained values should be considered as pertaining to the construction period of the new targets terminal, and have a provisory character. This kind of monitoring is advisable to be carried on every three months according to Albanian environmental legislation, for proper evaluation of time series of air quality results.

The graphics above show that the contamination with monoxide carbon does not exceed the limits set by EU. However is more than necessary to keep the situation under control and to be monitored every three months, to be in accordance with the Albanian environmental law. We can also add that the emissions of CO$_2$ are inevitable, but can be limited by the efficiency of the vessels motors by the change of the speed. Liberation of SO$_2$ depends from the quality of the ships, from the high composition of zolf (of an average of 1.5-5%) in the volume. In 1997 shortly before the KYOTO (L.IMO in the field of “Marpol Agreement) Diesel engine are designed to reduce the liberation of nitrogen, carbon oxide or other gases in the air.

The Kyoto Protocol is a protocol to the United Nations Framework Convention on Climate Change (UNFCCC or FCCC), aimed at fighting global warming. Under the Protocol, 37 industrialized countries commit themselves to a reduction of four greenhouse gases (GHG) (carbon dioxide, methane, nitrous oxide, sulphur hexafluoride) and two groups of gases (hydrofluorocarbons and perfluorcarbons) produced by them, and all member countries give general commitments.

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8 The Kyoto Protocol is a protocol to the United Nations Framework Convention on Climate Change (UNFCCC or FCCC), aimed at fighting global warming. Under the Protocol, 37 industrialized countries commit themselves to a reduction of four greenhouse gases (GHG) (carbon dioxide, methane, nitrous oxide, sulphur hexafluoride) and two groups of gases (hydrofluorocarbons and perfluorocarbons) produced by them, and all member countries give general commitments.
5.2 Expertize on noise levels

Section of Sanitary Physics atIPH conducted monitoring and expertize of noise levels inside tragets terminal in Durres sea port. Measurements were carried on during all day on 21/08/2009, including 24 hours divided according to methodology in Day, Evening and Night.

Measurement equipment is Sound Level Meter EXTECH 407764 RS-232 / Datalogger, with a correction of ± 0.5 dB (A). In our country legislation, apart from industrial noise levels exist also limits on noise levels in dwellings and urban spaces, according to the Law Nr.9774, date 12.07.2007 “On Evaluation and Administration of Environmental Noise”.

Based on the joint Guide line of Ministry of Environment & Ministry of Health Nr.8 date 27.11.2007: The obtained results are in the zone of normal values, below the allowable limit of 85 dB (A) approved for construction works and industrial zones.

Entrance gate, Day $L_{AeqD}$ 69.5 d

The measurements above realised in different points of the port, demonstrate the environmental pollution caused not only by the ships but even by the transportation vehicles, cars and trains that circulate in the internal surroundings. If we would refer to acoustic measurements realized in different parts of the city will see that reaches its maximum at the entry point under the overpass caused by the movement of vehicles. The movement of vehicles of different tonnage has increased and this is reflected very well in this measurement.

Another reason for environmental pollution are the strong lights coming from the port area. The ferryterminal, the rifuxho processing areas, and the lightening for security reasons are a concern for the residents who live in the buildings near the port.
Table 5: Monitoring of the pollution of Durres city in its four main points

<table>
<thead>
<tr>
<th></th>
<th>Entrance under the overpass</th>
<th>In front of the Prefecture</th>
<th>Pore crucifixion</th>
<th>Plepa crucifixion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mesdite (12.00)</td>
<td>76.5 dB</td>
<td>69.2 dB</td>
<td><strong>72.6 dB</strong></td>
<td>71.6 dB</td>
</tr>
<tr>
<td>Mesnate (24.00)</td>
<td>43.5 dB</td>
<td>38.3 dB</td>
<td><strong>41 dB</strong></td>
<td>43.4 dB</td>
</tr>
</tbody>
</table>

Another reason for environmental pollution are the strong lights coming from the port area. The ferry terminal, the rifuxho processing areas, and the lightening for security reasons are a concern for the residents who live in the buildings near the port.

Analytical results of effluent waters in targets terminal, Durres sea port

Samples taken from effluent waters in targets terminal, Durres sea port, were analysed for microbiological, physico-chemical and toxicological indexes. Below are given in tabulatory form respective analytical results:

**Microbiological evaluation: (result given /100 ml water)**

<table>
<thead>
<tr>
<th>Number</th>
<th>Microbiological index</th>
<th>Surface effluent waters in targets terminal, Durres sea port</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Coliforms total</td>
<td>120 000</td>
</tr>
<tr>
<td>2</td>
<td>Coliforms faecal</td>
<td>100 000</td>
</tr>
<tr>
<td>3</td>
<td>Streptococ faecal</td>
<td>80 000</td>
</tr>
</tbody>
</table>

**Physico-chemical evaluation & heavy metal**

<table>
<thead>
<tr>
<th>Nr.</th>
<th>Analytical indexes</th>
<th>Surface effluent waters in targets terminal, Durres sea port</th>
<th>Analytical indexes</th>
<th>Surface effluent waters in targets terminal, Durrës sea port</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>pH</td>
<td>7.2 (unit pH )</td>
<td>Mercury (Hg)</td>
<td>60 µg/l</td>
</tr>
<tr>
<td>2</td>
<td>Suspended matter</td>
<td>138 (mg/l)</td>
<td>Lead (Pb)</td>
<td>20 µg/l</td>
</tr>
<tr>
<td>3</td>
<td>Nitrate</td>
<td>2.06 (mg/l)</td>
<td>Chromium (Cr)</td>
<td>n.d.</td>
</tr>
<tr>
<td>4</td>
<td>Nitrite</td>
<td>514 (mg/l)</td>
<td>Nikel (Ni)</td>
<td>167 µg/l</td>
</tr>
<tr>
<td>5</td>
<td>Turbidity</td>
<td>79 (njësi FTU )</td>
<td>Mangan (Mn)</td>
<td>0.5 mg/l</td>
</tr>
<tr>
<td>6</td>
<td>Organic matter</td>
<td>68 (mg/l)</td>
<td>Iron (Fe)</td>
<td></td>
</tr>
</tbody>
</table>

9 Ina Xhakoni, the environment, the problems that exist and the steps for improving the situation.
As seen above the sea is a good incubator of poisons. Meanwhile data from the cleaning company “Sea cleaning” which is a company that takes care of the port cleaning from several ears, shows that during the year 2009 are produced 2200 tons of sentins water and 1920 tons of garbage and solid waste, figures destined to rise with the increase of the tourist flows (especially cruisires).

New transport system technology, along with the process of liberalization and the increase of competition represent the factors that have influenced more the transformation of port functions. The port is not only a center for the movement of goods, but now plays the role of a logistic platform involved in the integrated network of services. In this context, The Port Authority of Durres, responsible for one of the most important ports in the Adriatic have to: Identify, promote and support all possible actions and initiatives in order to protect the environment.

This can be realized by:

- controlling and reducing the environmental impact directly associated with activities carried from the port;
- using appropriate tools to reduce any negative impact
- evaluating in advance negative effects for the environment
- new activities using the best technology available for management and processing of waste produced in the port area and promoting their differentiated collection
- promoting energy saving by adopting the use of alternative energy sources;
- minimizing emissions in the atmosphere and seeking solutions to minimize the negative impact of manufacturing activities and the quality and of air traffic
- monitoring critical situations and adopt measures necessary to reduce noise
- adopting “green public Procurement ‘ and favors supplier of opera, the goods and services that operate in respect of the environment.

Must be considered even the criteria’s of the clean sea and fresh air, which include:

- Prevention of accidental pollution by hydrocarbons (implants for the separation or filtration of water that flow into the sea, ensuring at least 15 ppm of garbage, crates, lubricant oil located above a double bottom ship).
- Prevention from pollution of solid wastes (collection of differentiated wastes on board of the ships under MARPOL 73/78 requirements, special care in terms of special liquid waste used for photo development, chemicals, medicines expired or not in use, kartuce to copy).

10 “ Un mare in veleni” Mario Torrenti www.cosedimare.it
Innovation: Meanwhile can be used even innovations like the cold ironing system:

**Cold ironing System:** Meanwhile and innovations can be used as Cold Ironing system. Cold ironing system. Most recently in the port of Los Angelos it is successfully used a new system of food in the land of ships anchored in port, without holding engine burning to keep assistance board generators on. The system allows the engine to shut down all the time that the ship stays in the terminal for a period of five days. The average consume during this period is about 1MW. Considering the consume of oil by the anchored ships, ground power grid connection provides a saving in gasses emission and decreases in a considerable degree the noise pollution.

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Gis Technique for Tourism Activities

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Abstract

Tourism is a complex and multidisciplinary phenomenon which is difficult to define and to measure. Governments need to support economic policy decision-making by ensuring that the travel and tourism industry is accurately measured. This means that adequate analytical and statistical tools need to be developed. Governments are also required to work closely with the private sector and to increase the dissemination of ongoing statistical projects and achievements. This paper gives discussion on an initiative for the development and the implementation of Geographic Information System (GIS) in the organization and the advantages it has to offer, for tourism in one region of Albania, focusing on the analysis, decisions making and management using GIS technique. The analysis has been carried out using some typical GIS function. The Tourism Industry has seen many advances and potential for new opportunities with the introduction of GIS.

Key words: GIS, Tourism Statistics, Data and Analysis, Tourism Industry, Management of data Analysis of Elements.

1 Dr. Bederiana Shyti graduated in Mathematic and Economy, has finished her postgraduated qualification at the University of Tirana, in applied mathematic, since 2008. Actually she is a lecturer of financed and applied mathematic, at “Aleksander Xhuvani” University in Elbasan.
1. INTRODUCTION

Tourism is defined by the World Tourism Organization\(^2\), as the act of traveling for the purpose of recreation and the provision of services for this act. In another term, Tourism is said to be the activities of people traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes related to the exercise of an activity remunerated from within the place visited. As a service based industry, tourism consists of a number of tangible and intangible elements or components.

Geographic Information Systems (GIS) and tourism share a common characteristic, that is, both cross the boundaries of disciplines and application areas. As such, the potential for GIS applications in tourism is significant. GIS is now recognized widely as a valuable tool for managing, analyzing, and displaying large volumes of diverse data pertinent to many local and regional planning activities. Its use in environmental planning is rapidly increasing. Tourism is an activity highly dependent on environmental resources. Although GIS is well suited to the practice of tourism planning, the use of the technology is still limited.

Another dimension of tourism resource inventories is to provide information about tourist destinations over the Internet. Map-based information for tourists that may be found on the web or at info-kiosks is a quite popular application of GIS. An ever-increasing number of destinations are promoted via the Internet and map-based information is used in many cases. Depending on the application, this information may be static or interactive allowing limited operations to be handled on line.

GIS technology permits the integration and management of the various data.\(^3\) Points out those integration capabilities facilitate the identification and monitoring of indicators. Moreover, exploitation of the analytical capabilities that GIS offer may provide the complex measures and indicators that are often required for monitoring sustainable development.

This category refers to what\(^4\) described as routing applications answering to the question “which is the best way?.. The best way may be determined on the basis of diverse criteria such as the shortest path, or the way that

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\(^2\) (NSCB, 2004)

\(^3\) Butler (1993)

\(^4\) Rhind (1990)
combines passing through various points. In tourism applications this is mostly related to tourism time-space analysis. Tourist time-space analysis aims at understanding the behavior of tourist or visitors. Traditionally this is being accomplished by analyzing static numbers of tourists/visitors and their socioeconomic and demographic characteristics. GIS can be a powerful tool in such analysis offering a better understanding of tourists flows in a given region or area. Understanding of tourist behavior may further lead to better infrastructure and activities management, protection of the environment and spreading of benefits such as economic gains. Tourism time-space analysis is also related to the next category of analyzing relationships associated with resources. As it involves understanding visitors’ behavior with respects the use of available resources.

GIS have a number of advantages for supporting decision-making and planning for sustainable tourism. Tourism is an activity which strongly implies the geographical dimension for all, the users (the tourists), the providers and the planners. GIS is the technology specifically developed for the management and study of spatial phenomena. Moreover, tourism is a complex phenomenon involving besides its spatial dimension, social, economic and environmental implications. It involves tourists and locals in an interactive way; it generates income, which in many destinations is the major source; and it depends on the use of the natural resources and the quality of the environment. GIS is a technology capable of integrating various data sets both qualitative and quantitative in a single system.

2. METHODOLOGY

Tourism destinations are usually characterized by three different landscape features: points, lines, and polygons. Point features are individual tourist attractions, for example, a campground in a park, or a historic site along the highway. Coastal beaches and resorts often follow a linear pattern, while big theme parks or natural parks are characteristics of a polygon feature. These location attributes are essential to a geographic information system. The following tables illustrate the functional capabilities of GIS and relevant applications in tourism (Table 1); and the range of issues and potential applications of GIS (Table 2).

5 (Dietvorst, 1995)
### Table 1: Capabilities of a GIS

<table>
<thead>
<tr>
<th>Functional Capabilities of a GIS</th>
<th>GIS Basic Questions</th>
<th>Tourism Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data entry, storage and manipulation</td>
<td>Location</td>
<td>What is at?</td>
</tr>
<tr>
<td>Map production</td>
<td>Condition</td>
<td>Where is it?</td>
</tr>
<tr>
<td>Database integration and management</td>
<td>Trend</td>
<td>What has Changed?</td>
</tr>
<tr>
<td>Data queries and searches</td>
<td>Routing</td>
<td>Which is the best route?</td>
</tr>
<tr>
<td>Spatial analysis</td>
<td>Pattern</td>
<td>What is the Pattern?</td>
</tr>
<tr>
<td>Spatial modeling</td>
<td>Modeling</td>
<td>What if...?</td>
</tr>
<tr>
<td>Decision support</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Table 2: Common tourism-related issues and GIS applications

<table>
<thead>
<tr>
<th>Problem</th>
<th>GIS Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benchmark/database Environment management Conflicts Tourism behavior Carrying capacity Prediction Data integration Development control and direction</td>
<td>Systematic inventory of tourism resources</td>
</tr>
<tr>
<td></td>
<td>Facilitating monitoring of specific indicators Mapping recreational conflicts: recreation-wildlife; user conflict Wilderness perceptions Identify suitable locations for tourism/recreation development Simulating and modeling spatial outcomes of proposed tourism development Integrating socio-economic and environmental datasets within a given spatial unit Decision support systems</td>
</tr>
</tbody>
</table>

7) The GIS produced three different types of information: tourism resource maps, tourism use maps, tourism capability maps. The overall conclusion is that GIS is an efficient and effective means of helping the various stakeholders

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6 Source: Bahaire and Elliot-White 1999.

7 Source: Adapted from Butler 1993, (cited in Bahaire and Elliott-White (1999).
examine the implications of land-use decisions in tourism development.

The most important point, however, is that although GIS may influence the analytical process within tourism and recreation planning, it may not necessarily influence the final decisions or improve outcomes. The significance of quantitative data used in a GIS can often be questioned by planners not familiar with these complex tools. Also, there is the danger in viewing GIS as a technological solution to complex issues such as tourism in which human values, emotions, and behaviors are often far more important than more quantitative data. Maps can often be misleading and it will much depend on how the GIS analyst presents the data to the practitioners. While there is no doubt GIS can be a powerful tool in facilitating decisions, it can often be misused and interpreted as the end in itself rather than the means to an end.

Using GIS therefore, it becomes possible to integrate tourism information, visualize complex scenarios, present powerful ideas and derive effective solutions otherwise not possible. Besides, geographic information systems are dynamic, allowing the user to ‘enter’ the map to explore, enquire and analyze geographic locations and the information linked to these locations. Questions like:

- where is it? (Location)
- What is it? (Condition)
- What if? (Modeling)
- What has changed since? (Trends)
- How do they occur? (Patterns)

Are easily answered within the context of a tourism GIS. And these are the most likely questions a potential tourist and/or investor may seek answers for in order to plan and undertake a trip or to consider to make a potential investment decision.

3. CASE STUDY

Region (District of Elbasan), figured in Tourism Movement Schedule, extends in the center area of Albania. It has a common area of 3292 km² and a population of 434,911 habitants (population for 2009). It is limited in north and north-west with the district of Tirana, in east and south-east with the district of Korca, in west and south-west with district of Berat. In its structure are 4 unions: the union of Elbasan which is the center of this district, the union of Librazhd, the union of Peqin and the union of Gramsh. Officially the district has 7 corporations, 43 communes and 386 villages.
The union of Elbasan has an area of 1481 km² and a population of 282,277 habitants (population for 2009). In its structure are 3 corporation (corporation of Elbasan, Cerrik and Belesh) and 20 communes. It extends in the center of Albania and it is limited with: in north-west with union of Tirana, in east and north-east with the union of Librazhd, in south-east with the union of Gramsh, in south with the union of Berat and Kucova and in south-west with the union of Lushnja. It extends in the field with the same name, in the right of the median current of river Shkumbin the height of 120 m. For the relieve of the region of the district of Elbasan 38% is formed by mountains, 34% by hills and 28% by fields.

Problems of tourism in Elbasan Region: Due to the discovery of tourism potentials in Elbasan Region, several attempts have been made to enhance its development. However, these attempts have suffered some drawbacks which include:

- Difficulties in updating existing graphical tourist guides and maps (expensive, tedious and time consuming).
- Lack of digital information for tourism facilities and destinations.
- Lack of comprehensive information based on the internet.
- Inadequate motivation for effective marketing.
- Inadequate and insufficient promotion of the region tourism.
- Lack of a technology-driven approach for the region’s tourism

The reasons for the drawbacks above form majorly the motivations for this project i.e. to design a database containing information of tourism facilities in Elbasan Region and to develop a web enabled GIS for tourism in the region.

In this research, tourism data were gathered in under the following categories, which constitute layers and sub layers in the designed GIS database:

- Traditional Cultural Tourism: Museum, art galleries, cultural, religious and national festivals, historical monuments, natural features such as sites and buildings, arts and crafts.
- Ecological Tourism: Geological / geophysical / geomorphological features, (mountains, waters, falls, springs, national parks, games/forest reserves, botanical / zoological gardens etc.
- Notable modern Features and Facilities: Hydroelectric power, sporting facilities and other notable engineering structures. Travel and Accommodation Facilities, Tourism Centers and agents, and other related data to tourism (see fig 1).
The data obtained under the three classes were related to their geographical locations in their states and local government areas of Albania. The graph below contains a sample data from the Database.

**Fig. 2: Hierarchical design of the web enabled GIS system**

There are basically two types of architectures for developing Internet-based GIS applications: client-side and server-side.

- **Server-side architecture** allows users (clients) to submit requests for data and analysis to a Web server. The server processes the requests and returns data or a solution to the remote client.
- **Client-side architectures** allow the users to perform some data manipulation and analysis locally on their own machines.
4. CONCLUSIONS

The result of this research project have revealed that presenting tourism information in GIS in a computer environment and the internet would offer an unparallel platform for the management and promotion of the tourism industry. Tourism agencies, tourists and the people at large would have access to comprehensive information and thus serve as a great source of motivation to boost the performance of the tourism sector. Moreover, difficulties in updating existing graphical tourist guides and maps could be eliminated.

The Multimedia GIS database for tourism is a veritable tool for attracting indigenous and foreign investors to contribute to the economic development of Albania, apart from making access to tourism information easy to both Albanian international travelers. It is therefore recommended that a multimedia GIS database for tourism should be made available on the websites of the Albania government and those of tourists and travel agents.
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Abstract

Strategic orientation based on nature ecosystem was firstly introduced at Harvard University. The idea of a business ecosystem is based on nature and on the interaction that exists between its members. This analogy helps firms to engage in strategic management, to avoid turbulent economic environments, and to attain a more efficient supply chain management of the markets in which they operate. A successful supply chain management assists firms to build a strong connection with suppliers, retailers, and consultants both on a regional and global level. As a result, in order for firms to survive and to achieve global recognition they should be able to know, evaluate, and manipulate the environment of the business ecosystem around them. This paper will examine in detail the components of a business ecosystem and the principles of its operation. In addition, this paper will present the techniques and strategies like the Niche Creation that a firm can employ in order to increase its competitiveness in the global markets. Applications of business ecosystem employed by major corporations will be analyzed and evaluated. Finally, the paper will introduce the risks faced by firms in a business ecosystem and a comparison between nature and business ecosystems.

Keywords: Business ecosystems, Niche creation, supply chain management, risk management, competitiveness.

1. INTRODUCTION

Daily the market is becoming more competitive and is getting hard for firms to survive. Some firms bankrupt and some other firms enjoy the top of their
economic activity. In reaching the so desired success firms should be aware and should know how to use in the best possible way the changes in the environment around them. The triumph of the computer giant Microsoft and Wal-Mart during the recent global crisis is a direct result of successfully capturing market trends and of an effective collaboration with business partners. The success of these two giants is also related to their ability in differentiating consumer’s tastes and in remaining technologically a step ahead of their competitors. Firms aiming to survive tough competition have to enhance logistics and operations that would result in an efficient supply chain of the market share a firm has. A successful supply chain would cause a better appraisal of human capital that can facilitate the revitalizing of the intellectual capital. Therefore, in order for firms to reach the so desired economic boom, they should be able to know, evaluate, and manipulate the environment of the ecosystems around them.

2. THE BUSINESS ECOSYSTEM OF A FIRM

Firstly, this paper will identify the main components of an ecosystem of a firm operating in free markets. The idea of adopting the term ecosystem in the business field was firstly introduced from management professors at Harvard University. The analogy introduced between ecology and management helps to recognize the following members of a business ecosystem. In today’s business environment the operation and the output of a firm is assisted from a network of other firms that are called business partners. Business partners constitute the first category of members of a business ecosystem. The network of business partners includes firms that help in the delivery of final products, firms that provide the technology required during the production process, firms that offer financial assistance and firms that generate complementary products used during the production process. Secondly, business ecosystem includes non-production factors members that influence the development of products or services outside the firm. This category includes competitors, consumers, regulatory agencies, and the media (Iansiti and Levien, 2004).

In addition, a business ecosystem classifies its members depending on size and on various philosophies firms have regarding the operation of an ecosystem. For large firms, participating in an ecosystem means to guide smaller firms to apply their standards and to play the game in favor of the rules imposed by the larger ones. On the other hand, for small firms participating in an ecosystem means to undertake the so called Niche strategy which can
be very useful if the firm employs it effectively and turns it on its favor (Longobardi, 2004). Consequently, the size and the philosophy of the company becomes a critical factor in the game a firm should play in dominating the market.

2.1. Measuring a business ecosystem

The current financial crisis during which companies like Lehman Brothers and Bearing Sterns went bankrupt provides a clear indication that each operating firm in the market wants to have a business ecosystem which is as strong as possible. Consequently, for every firm it is of outmost importance to know how powerful the ecosystem in which it operates is. In order for a firm to judge how “healthy” its ecosystem is, it should apply the three main measurements of a business ecosystem.

The first measurement is productivity. Productivity is the ability that a firm has to use effectively advanced technology and raw materials so achieving low production costs and launching new products in the markets. One generally agreed way to measure productivity is the return on the invested capital. Productivity varies from firm to firm and from industry to industry. The research conducted for the time period 1994-2002 on the software, biotechnology, and internet services industries show that these industries have outstanding productivity differences in their performances. During these years software firms had on average around 10% return on the invested capital, biotechnology firms had on average 5% negative return on the invested capital, and internet services firms had on average 40% negative return on the invested capital. In the year 2000 internet industry firms had the lowest return on the invested capital approximately negative 100%. Therefore, based on negative figures of invested capital, starting from the year 2000 and onwards the future of the internet industry is highly questioned.

The second measure of a business ecosystem is robustness. Robustness is the ability of an ecosystem to face unexpected market troubles like changes in technology, supply shocks, etc. Robustness is measured with the survival
rate a business ecosystem has over time in comparison with other ecosystems. Firms that are part of a robust ecosystem have high predictability regarding the future movements of the market. These ecosystems are characterized with an efficient collaboration between members and with an immediate response to external shocks. In the study performed during 1994-2002 firms operating in the software industry had the highest robustness because the number of firms operating in the market was the largest. The highest number of operating firms reached around 550. Due to the current financial crisis the number of software firms has declined to around 420 in the industry. The software firms are followed by the biotechnology firms and internet services firms that are approximately on the same levels. From the above mentioned study, most problems arise with the internet services firms that due to the current financial crisis are experiencing a decrease in robustness due to a significant reduction in the number of firms operating in the internet industry.

The third measurement of a business ecosystem is the Niche Creation. Niche Creation is the ability that a firm has to absorb external shocks and to successfully implement innovations in the production process (Ahuja, 2004). The Niche Creation is useful in increasing the diversity of the production processes within the firm. One way to measure the degree of a Niche Creation is to observe how new technologies are implemented from firms in the production process within a given ecosystem. Firms that have achieved the highest degree of technology implementation have been most successful in Niche Creation.

2.2. Principles under which an ecosystem operates

Today when competition is fierce it is a necessity for every market participant to become aware of the principles under which a business ecosystem operates. When a market participant has learned the principles it is easier to achieve the objectives imposed from the management. A business ecosystem has three main principles. Firstly, a business ecosystem is subject to change as various forces act on it. For example, an unexpected shift in the demand for computers in a particular region may force software firms to increase collaboration with their business partners in that particular region. A better collaboration would help software firms to successfully face shifts of the demand.

The second principle of a business ecosystem is that its outcomes are unpredictable in terms of size and range. For example, if a regional corn producer decides to become partner with a cereal producing company that
today has a huge market share like Kellogs or Nestle it may enjoy low production cost and high sales today and tomorrow the corn producer may experience huge loses.

The third principle of an ecosystem is that the rules of survival and adaptability differ as the ecosystem changes. For example, strategies used by firms ten years ago to make their product more attractive differ from those of today because the consumer’s taste and needs have changed. Consequently, if firms aim to maintain the market share of their product they have to anticipate the movements in the consumers taste.

2.3. Characteristics of a business ecosystem

The principles of a business ecosystem constitute the foundation for identifying the major characteristics of an ecosystem. The first characteristic of a business ecosystem is self-organization. For firms to survive they should develop a strategy that is autonomous from the forces that control the market. An independent strategy permits the firm to modify the structure, to adjust the decision making, and to alter the production processes.

The second characteristic of an ecosystem is to create continuous innovations. When a firm is operating in an ecosystem that is connected to other business ecosystems it should continuously try out new products, services, distributions channels, and production efficiencies. A given firm has to find an appropriate strategy to implement these innovations successfully even if this means that it should transform or forget the traditional ways of operating in the market.

The third characteristic of a business ecosystem is to learn under pressure. This characteristic indicates that market participants that are able to learn quickly and to avoid the impeding forces of the market will be the ones that will manage to transform knowledge into innovative and patented products (Rabkin and Bradford, 2002).

3. SUPPLY CHAIN MANAGEMENT OF A BUSINESS ECOSYSTEM

At the heart of a business ecosystem lays a successful supply chain management. One major component of a business ecosystem is the supply chain management. The necessity of enhancing the supply chain management comes from the environmental factors that involve technological advances
and market deregulation. These factors modify the rules of competition that may cause fluctuations in the market share of a product. Therefore, firms find as appropriate to develop and innovate their production process, to engage in partnerships, and to establish a close connections with their consumers and suppliers. One way to face competition is by further organizing the supply chain management. The importance of supply chain management lies on the fact that it is responsible for the vertical flow of the firm’s economic activity (Peck and Juttner, 2000). Supply chain management incorporates a variety of independent suppliers that have as a common purpose to survive competition. In surviving competitors suppliers establish a “value flow”. The main purpose of a “value flow” is the supervision of a product or service throughout the production process starting from raw materials until it is delivered to consumers. All the efforts devoted in the production process lead to an integral connection between suppliers, the management, and the working force.

Professors at the Massachusetts Institute of Technology-MIT argue that congruence is a required feature for a well-organized supply chain. Congruence is defined as similarity, compatibility, or fit. In supply chain congruence results as an indispensable factor which coordinates the elements of work, people, and resources thus achieving internal efficiency in the production process. On a larger scale according to MIT congruence is the “optimal intra-organizational effectiveness” which results in a strong compatibility between the five domains: strategy, structure, management processes, individual tasks, and technology (Angles and Nath, 2001). In addition, for congruence to be effective, partner firms should move and act in a total accordance with each other. For example, the giant computer manufacturer, Dell, followed supply chain rules by involving in the production process as few as possible firms that would act as they were an integral part of the company (Angeles and Nath, 2001).

Intellectual capital is another determinant feature of an effective supply chain. In maintaining its intellectual capital as productive, creative, and innovative as possible, many firms apply consumer co-opting. Consumer co-opting refers to mastering of consumer knowledge in order to revitalize the intellectual capital. One way of applying co-opting is by categorizing consumers according to the degree of contribution they have in the “value creation” of the firm. Therefore, after applying consumer co-opting, the so called intangible revenues of a firm result from consumer contribution. Firstly, intangible revenues enhance the learning abilities and the ideas of
the employees. These revenues are generated from competence-enhancing consumers. They improve the level of organizational competencies by testing employees with new demanding projects and force them to learn.

Secondly, intangible revenues improve the prestige of a firm by providing a good indicator for a new target group of customers. The category of consumers responsible for the improvement of the prestige of a firm are called image-enhancing consumers. They make better the external structure of the firm through references and testimonials. This category of consumers supports the firm in finding new customers and in reducing advertising costs (Gibbert, 2001).

Thirdly, intangible revenues enrich the internal structure of a firm through projects that transfer the consumer knowledge into the production process. These intangible revenues are a direct consequence of the organization-enhancing consumers. This category supports the firm in ameliorating the internal structure of the company by increasing the productivity of employees and reducing the overall costs of production.

Another method of revitalizing the intellectual capital is by categorizing consumers according to their preferences. In classifying consumers based on preference criteria such as price/quality, functionality, image, reputation, relationship, and service are taken into consideration. After, categorizing consumers based on preference, a specialized organization within the firm is appointed in determining the measurements of customer capital. In this method measurements such as market share, customer acquisition, customer retention, customer satisfaction, and customer profitability are highly applicable for the firm. Because of their high importance, customer measurements are referred as the “core measurement group.” These core measurements are interconnected with each other as shown in Fig.2. Customer profitability is placed in the center because a higher profitability would result in a larger market share for a specific firm. One of the main purposes of consumer measurements is the “learning and growth” perspective that it introduces to the intellectual capital. Customer measurements serve to enhance the capabilities, the motivation, and the alignment of the intellectual capital. If the skills of the intellectual capital remain innovative the market needs of customers may be fully accomplished.
4. HOW TO IMPROVE A BUSINESS ECOSYSTEM

But how can a firm improve its ecosystem? This is a major concern faced daily by firms. The answer is by applying a keystone strategy. A key stone strategy aims to develop and raise the overall efficiency of the ecosystem by offering a set of common assets for the members of the ecosystem. A keystone strategy can increase productivity by simplifying the network connections or by facilitating the creation of new products. It can enrich the robustness of a business ecosystem by integrating technological innovations and by providing a point of reference to the management helping them to react quickly to vague conditions of the market. In addition, a successful keystone strategy has two main characteristics.

Firstly, a keystone strategy can “create value”. The creation of the value can be achieved through: the formation of a platform, the promotion of an asset in the form of services, or the acquisition of new technologies. The platform can be a physical asset like employing a highly qualified labor force or it can be an intellectual asset like the Windows software platform.

The second characteristic of a useful keystone strategy is the “share of value”. For network participants it is vital to understand the “share of value” of a platform including the costs of creating, maintaining and sharing it (Iansiti and Levien, 2004). The cost of a platform increases quickly as the number of firms benefiting from this platform goes up. A good example of a winning keystone strategy is the online retailer, eBay. It has produced efficient means to satisfy existing members and encourage potential customers to join. It charges a commission of not higher than 7% for a single transaction. This commission is significantly below a 30%-70% commission that the majority of retailers would charge. A low commission has created a solid business ecosystem that sums up to 70 million buyers and sellers worldwide.

Beyond theory, it is crucial for every firm to decide the best survival strategy in its operating business ecosystem. A survival strategy is influenced from the following factors: the kind of the firm, the objective of the firm, the level of turbulence in the markets, and the types of relationships with other ecosystems. The necessary information is conveyed to market participants in a form of a pay-off matrix. The pay-off matrix in Fig.3 shows that if the operations of a firm changes rapidly and if a firm controls a considerable amount of assets a niche strategy is the most appropriate. Applying a niche
strategy will differentiate the firm from the other competitors and will make it capable of surviving during all the phases of a business cycle.

On the other hand, if the firm is at the center of a complex network of asset-sharing relationships a key stone strategy is the most effective. A keystone strategy will make possible for the firm to manage a wide range of assets and to lead a business environment in which it belongs through innovation. If a firm relies on a complex network of external assets but operates in a solid industry, the firm may choose a physical denominator strategy. In a relatively stable environment the innovation caused from diversity becomes a priority. In a physical denominator strategy it is important that the dominant firm in a given industry becomes the main firm in the ecosystem by managing the assets that its business partners need the most.

5. RISKS OF A BUSINESS ECOSYSTEM

Although business ecosystems benefit firms to dominate the market, they expose firms to various risks. Today, managers are the ones who design a business ecosystem, claim their position within the ecosystem, and promote their role in delivering a product or service to the target group. Focusing mainly on the delivery of the product managers overlook the risks of a business ecosystem that emerge over time. The dominant position of a firm depends on how well it assesses the risks. A business ecosystem is characterized by three fundamental types of risks.

The first type is initiative risk. It deals with the uncertainties of managing a project. Uncertainties are both challenging and risky for the management in delaying the delivery of a product on time whether it is a computer chip, a breakfast cereal, or a legal service. Assessing initiative risks requires evaluating the feasibility of the product, the potential benefit to the customers, the competition of other products, and the quality of the product management team.

The second type is interdependence risk. It consists of uncertainties in coordinating the delivery process of a product with complementary firms that

Fig. 3 Pay- off Matrix
are part of the delivery. Interdependence risk is measured as a joint probability that various business partners will be able to satisfy their commitments within a given time period. The more dependent a product innovation is on business partners, less control a given firm has over the success of its products. The probability of success is assessed from a consultation with managers, double-checking with suppliers, and examination of historical precedents. These assessments yield certainty about the delivery of a product within the predicted time period.

The third type is integration risks. It deals with uncertainties closely related to the market in which a firm hopes to launch its innovation. Integration risk is assessed by adopting techniques that aim to estimate delays caused by intermediary business partners. If benefits don’t exceed the costs for a particular product, business intermediaries will not be willing to launch the product in the market. If business intermediaries are mostly concerned with personal expansion the main firm may delay its own progress and may incur higher production costs. On the other hand, if business intermediaries need to readjust their production process so to exploit the innovation, the main firm can reconsider the product price setting it as a percentage of realized cost savings.

6. A COMPARISON BETWEEN ECOLOGY AND THE BUSINESS ENVIRONMENT

After providing a detailed analysis of business ecosystems it is of interest to provide a comparison between ecology and the business environment. Firstly, both ecologic and business environments have a large number of interconnected individuals that depend on each other for survival. If an ecosystem is “healthy” its members will prosper and if the ecosystem is “unhealthy” the members will suffer. In addition, a keystone strategy may be compared to a sea otter. The sea otter helps to regulate the Pacific Northwest coast by consuming a large number of sea urchins. In addition, a niche player is represented in nature by thousands of species that like firms have tried to find innovations and distinguish themselves in a ecosystem. In addition, both the ecological and the business ecosystems apply the Darwin’s law of the survival of the fittest. As ecological ecosystems the business ones evolve by distinguishing the best companies. Consequently, companies with the best strategies and with most specialized intellectual structure will be able to survive, to obtain the highest market share and expand internationally.
7. CONCLUSIONS

To conclude, the importance of knowing, evaluating, and manipulating the ecosystem in which a firm participates is priceless. Firstly, it is important for the integration of a firm in the market. Integration is essential because it allows the firm to use resources that it does not own. Taking advantage of outside resources encourages a firm to accomplish innovation. Innovation would revitalize the structure and the intelligent capital of the firm. Secondly, if a firm knows its business ecosystem it may attain technological advancement and may respond immediately to unexpected fluctuations of the market. Thirdly, according to David Longobardi firms that are aware of their ecosystem would engage in the “acceleration effect”. This effect increases competition among firms because each time a particular firm applies or introduces an innovation other firms follow up. Fourthly, firms that disregard the business ecosystem in which they participate greatly question their existence in the market. A valuable advice to all firms is that if they want to survive and be profitable they have to KNOW and ADAPT to the changes of business ecosystems.

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The impact of air pollution in illnesses, mortality and hospital admissions throughout years in Albania

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Abstract

In this paper we have used the statistical data during the years 2005 - 2008 in terms of air pollution in the U.S. compared with illnesses and mortality. We have taken for study six largest air polluting agents that are accepted by international organizations such as NAAQS (Air Quality Standards National Environmental) via EPA (Environmental Protection Agency U.S. sometimes USEPA), which today are used widely worldwide, and the WHO. The six pollutants are: CO-Carbon Mono-oxide, Ozone $\text{O}_3$, the lower atmospheric layers, Pb-lead, $\text{SO}_2$ sulfur dioxide, PM10 (and in some cases PM2.5) –particles of dust, and NO2-oxide nitrogen.

¹ Assoc Prod.Dr. Pirro Prifti is working as the Head of the Department of Medicine in the Integrated and Professional Faculty in “Aleksander Moisiu” Universit, Durres. He has gained the title Associated Professor and also Doctor at the Faculty of Medicine in Tirana. During the 35 years of his work experience he has published 7 texts for students and also in 9 books he was a scientific editor. He speaks very well English and Italian.
Allowable rates are respectively received for: CO-to 35ppm (40 mg/m³); NO₂ 0053 ppm (100 ìg/m³) O₃ 0075 ppm (150 ìg/m³); Pb - 12:15 ìg/m³; PM10 - 40 ìm/m³; SO₂ - 0030 ppm (80 ìg/m³). The level of pollutants in all major areas of pollution in the U.S. are presented in the table above. The group compared with three diseases most prevalent in Albania, which cause disease incidence and higher mortality, is noted that increasing levels of pollution to some of these pollutants and increasing influence adds level of disease and mortality in the country. Most prominent are the increased level of pollution with PM10 and O3 report on the disease incidence (and hospital admissions) and mortality in all types of cancer, while increasing disease (and hospital admissions) and mortality for chronic diseases pulmonary and cardio-vascular ones (HTA and SIZ). It is observed a correlation with increased levels of PM10 pollution as well as the levels of Pb, SO₂, CO, NO₂. While there was not any connection between diseases (and hospital admissions) for bronchial asthma in relation to increasing levels of pollution from six of the mentioned pollutants.

**Key words:** Pollution, Cardio-vascular diseases, Cancer, pulmonary diseases, NO₂, SO₂, O₃, Pb, CO, PM10.

**1. PURPOSE AND OBJECTIVES.**

The problems of environmental pollution are the most acute problems of our times, especially when air pollution, water and land has reached such high levels in certain regions of the world as if dirk is affecting global temperature increase to the level of damaging the ozone layer, creating a high risk for future of Nee radiation increase that in part is prevented by this layer. However in this article is taken to review the impact of air pollution in the U.S. and its impact on growth of diseases, mortality, and in increased hospital admissions for three major groups of diseases: chronic respiratory diseases (bronchial asthma, occupational diseases pulmonary) disease cardio-vascular (HTA and SIZ) and cancer (in total, pulmonary cancer, laryngeal cancer). Objectives of this study were taken in the study materials and statistical analysis to assess their potential impact on increasing air pollution diseases of Albanian population. In this study we will only analyze the air pollution from pollutants that are confirmed by the WHO, EU, EPA, NAAQS. Pollutants and soil water

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Factors that affect the environmental pollution. Although Albania is not calculated in countries that pollute the environmental rate of global air pollution, water and soil has been seen as a problem in past and present. Without entering the period of dictatorship in history when it presented the results of measurements, after change of political systems, heavy industry had lost its importance as well as pollution caused by it, but pollution was added in major metropolitan areas because of migration of population from rural areas, either due to lack of collection and processing of waste, whether for inappropriate burning of wastes. In turn, new businesses were created near towns like the production of cement, burning tires, processing the stones for building material, the regulation of new roads, the addition of more vehicles with fuel, began to pollute the air. Today in several major cities for more specific in some areas of cities like Tirana, Elbasan, Korca, Durrës, Shkodra, the level of contamination was still remain very high by some pollutants, mainly from PM10. Having summarized the factors that influence air pollution which will take the study they can be: -Migration of population from rural to city, -Deficient culture of the population, -Non-implementation of laws on environmental protection -Cutting of forests, -Construction of the industries that pollute the air without a precise strategy program and inadequate environmental measures (near the urban population) Non-application of regulations by polluting industries, Non-receipt of advanced technologies for these industries, -Fertilizers, collection, processing, inappropriate burning and dumping them in places not appropriate.

2. MATERIALS AND METHODS.

In this paper are used official statistical material received by the Ministry of Health, INSTAT, Institute of Public Health, the material provided by EPA, NAAQS, WHO, the European Community Environment. Standards based on air pollutants are required by the NAAQS (Air Quality Standards National Environmental) via EPA (Environmental Protection Agency U.S. sometimes USEPA), which today are used widely in the whole world. Six air pollutants are set as criteria to measure the purity of the air environment:

3 Air quality monitoring report in Republic of Albania-INSTAT data from P.H.I.-2008; and Environmental Report Situation-2008,
1. Ozone-\( \text{O}_3 \)
2. The materials in the form of dust particles which are smaller -PM10 particles of dust or heavy particles with size: 10mikrometer (\( \mu \text{m} \)) are used as standard. PM2.5, or particles with much smaller parameters: 2.5 (\( \mu \text{m} \)) and smaller
3. The Carbone-monoxide CO
4. \( \text{SO}_2 \) sulfur-Dyoxide
5. Oxyde of Nitrogen-\( \text{NO}_2 \)
6. Lead-Pb

Primary standards of outside air or the environment are defined by American law: the Clean Air Act (42 USC 7401 et seq, so is the title of the Code dealing with Public Health and Social Wellbeing) to protect human health a sufficient safety margin is set, including sensitive populations such as children, age three, individuals suffering from respiratory disease.

Secondary standards set to protect the welfare of the public health from any harmful effect known or anticipated pollutants (e.g., facades of buildings, viewership, crops, and pets).

Standards (accepted)

**Title 40 Code of Federal regulation (Part 50)**

<table>
<thead>
<tr>
<th>Pollutant</th>
<th>Type</th>
<th>Standard</th>
<th>Average Time</th>
<th>Regulatory citation</th>
</tr>
</thead>
<tbody>
<tr>
<td>( \text{SO}_2 ) ( \text{SO}_3 ) ( \text{SO}_2 )</td>
<td>Primary Primary Secondary</td>
<td>0.14 ppm (365 ( \mu \text{g/m}^3 )) 0030 ppm (80 ( \mu \text{g/m}^3 )) 0.5 ppm (1.300 ( \mu \text{g/m}^3 ))</td>
<td>24h annual 3h</td>
<td>40 CFR (Code of federal regulation 40) Section 50.</td>
</tr>
<tr>
<td>PM( _{10} )</td>
<td>Primary and Secondary</td>
<td>150 ( \mu \text{g/m}^3 )</td>
<td>24-h</td>
<td>-.-</td>
</tr>
<tr>
<td>PM( <em>{5.2} ) ( \text{PM}</em>{5.2} )</td>
<td>Primary and Secondary Primary and Secondary</td>
<td>35 ( \mu \text{g/m}^3 ) 15 ( \mu \text{g/m}^3 )</td>
<td>24-h Annual</td>
<td>-.-</td>
</tr>
<tr>
<td>CO CO</td>
<td>Primary Primary</td>
<td>35 ppm (40 ( \text{mg/m}^3 )) 9 ppm (10 ( \text{mg/m}^3 ))</td>
<td>1-h 8-h</td>
<td>-.-</td>
</tr>
<tr>
<td>( \text{O}_3 ) ( \text{O}_3 )</td>
<td>Primary and Secondary Primary and Secondary</td>
<td>0.12 ppm (235 ( \mu \text{g/m}^3 )) 0075 ppm (150 ( \mu \text{g/m}^3 ))</td>
<td>1-h 8-h</td>
<td>-.-</td>
</tr>
</tbody>
</table>
1999 EU Directives (1999/30/EC and 96/62/EC) has set these limits for PM10 particles in the air:

<table>
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<tr>
<th></th>
<th>First Phase From 1 January 2005</th>
<th>The second phase From 1 January 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average annual</td>
<td>40 μm / m³</td>
<td>20 μm / m³</td>
</tr>
<tr>
<td>Average daily (24h)</td>
<td>50 μm / m³</td>
<td>50 μm / m³</td>
</tr>
<tr>
<td>Exceeded the number allowed each year of</td>
<td>35</td>
<td>7</td>
</tr>
</tbody>
</table>

These are the features of the six air pollutants above

1. **Ozone (O₃).** It is a molecule consisting of three atoms of oxygen. Oxygen is a allotropy (chemical element that exists in more than one chemical form), which is less stable than diatomic allotropy (O₂). Found in higher atmospheric layer called the ozone layer it prevents potential damage by ultraviolet rays of stopping them reaching the surface of the earth. Ozone found in the lower layer of the atmosphere is a pollutant of the air with harmful effects on respiratory systems of animals and human. Ozone concentrations appear to be depressed throughout the earth’s atmosphere. Ozone has many industrial and consumer applications. WHO recommends a percentage of ozone in the air from 51 PPB (parts per billion or μg/m³) and the EPA recommends a level even lower of ozone up to 40 PPB because scientists believe the ozone levels above 40 PPB could harm vulnerable people from the pollutants.

The low ozone levels to atmospheric (troposphere) are considered by WHO and EPA as pollutants and formed by the reaction of light of the sun with air containing hydrocarbons and nitrogen oxide to form ozone pollution.

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at the source or many kilometers down wind. Concentrations for eight consecutive hours of 85-104ppb are harmful to sensitive population groups, and concentrations of 125-404 as many unhealthy GDP.

In the interior premises of ozone may also be present air pollutants in electronic devices like, photocopies and printers. Ozone when operating in inhaling lungs forms metabolites derived from cholesterol, which thought that interfere in atherosclerotic pathogeneses tiles slabs thus facilitate the formation of atherosclerotic (in heart disease). Ozone converts the power of blood cholesterol in plaque that narrows and solidifies atherosclerotic blood vessels. Exposure for a long time in the environment increases the risk Ozone death from respiratory diseases. ‘Ozone cracking’ is a serious problem with car tires so when it is produced by friction (i.e. at work) or the burning of old car tires. Many people may discover when he found the ozone concentration of 0.01ppm in the air because it has a specific smell of chlorines convene used as bleaching. 0.1-1ppm exposure causes headaches and irritation of upper respiratory routes. Even depressed concentrations in the air it is very destructive of organic materials such as plastic, latex and pectoral. In this way, depressed and ozone concentrations is harmful to the upper respiratory tract and lungs and depends on concentration and time-duration.

2. Dust particles (PM) and many smaller particles. They are solid particles or liquid particles that stay suspended in air or liquid. On the contrary, Aerosol refers to particles and gases together. Sources of particles are made by people or may be natural.

The object of the fine (smaller particles). In water pollution, particles can be either in solid or dissolved state. Solid particles filters may leave or be removed from the water. As the particles dissolved in water are collected after water evaporation, leaving behind the dissolved particles. Salt is an example of particles dissolved in water. Some particles are found naturally and originate from volcanoes, dust, storm, forestry, drugs and fires set in the field, the living vegetation, and the seas’ sparkles. Human activities like burning of fuel in cars, energy plants, and different industrial processes also produce significant amounts of aerosols. Anthropogenic aerosols average standing on globe-those produced by human activity, give approximately 10% of the total amount of aerosols in our
atmosphere. Increased levels of smaller particles in the air has more about health risks as heart disease, pulmonary function damage, and cancer of the lungs.

Each particle below 100 nm down to volume level of individual molecules are classified as ultra fine particles (too small) or UFP or UP. Particle volume faction PM10 (infant faction) <= 10 μm PM2.5 (respiratory faction) <= 2.5 μm PM1 (respiratory faction) <= 1 μm Very small (UFP or UP) <= 0.1 μm PM10-PM2.5 (bitter faction) 2.5 μm - 10 μm

Note that the difference PM10-PM2.5 and PM2.5 and PM10, so it includes only the fraction of PM10 tough. All aerosols distribute and absorb solar and terrestrial radiation. In general, small and light particles stay longer in the air. As larger are particles (larger than 10 mikrometra diameter) the more tends to fall to earth within a few hours due to gravity, while smaller particles (less than 1 micrometer) can stay in the atmosphere for weeks all and can leave by precipitation. Diesel particles stay above it at the source of release.

Composition of aerosol particles depends on their source. Primary particles consist of: mineral dust consisting of mineral oxides and other particles are thrown away by currents of wind that I have taken them off the face of the earth, the aerosol is absorbing the light. Sea salt is ranked second in the global budget and reflects aerosols composition of sea water here include: Potassium, Magnesium, Sulphate, Calcium, etc. Besides these sparkling addition of sea aerosol containing composition in organic chemistry is what affect them. Sea salt soak is not light.

Secondary particles resulting from the oxidation of gases such as sulfur and sulfuric acid within notrosic oxides (as liquid) and nitric acid (like gas). The ancestors of these aerosols -so these gases from which they flow, may have anthropogenic origin (since the beginning of humanity) by burning fossil fuels and biogenic origin. In the presence of ammonium, secondary aerosols take the form of ammonium as in salts, ammonium nitrate, sulfate of ammonium (both may be in the form of water solutions) in the absence of ammonium secondary compositions take the form of acid (as in form of liquid aerosols) and nitric acid (atmospheric gas). Secondary aerosols nitrate and sulfate may cause increased volume of aerosols which distributes them easily.

Organic particles can be either primary or secondary, and the latter is derived from oxidation of VOCs (volcanic organic compositions) in the atmosphere or

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organic material can be biogenic or anthropogenic. Organic particles interfere in the distribution of atmospheric radiation and its absorption.

Another important type is aerosol’s elementary composition of carbon (EC), also known as Carbon Black (BC): this type of aerosol is an absorbent material and is intended to provide large positive radiation force. Carbon and organic particles together constitute the basic carbonate of aerosol’s faction. Aerosol’s chemical composition affects directly with solar radiation. Different chemical components within the whole aerosol refractory index. Refractory index determines how much light is distributed and inhaled.

**EFFECTS ON HEALTH.**

Particles break, block and / or pass through the alveolus, causing cancer, Alzheimer, atherosclerosis, and drop lung permanent capacity. Effects of inhalation of the particles are widely studied in people and animals and include asthma, cancer of the lungs, cardio-vascular problems and premature deaths. Particle size may penetrate into the deeper parts of pneumonia. Large particles are generally filtered by the nose and throat and cause no problem, while particles smaller than 10 micrometer, which I refer, may be included in PM10 and cause health problems in respiratory system and lungs. PM10 represents no strict border between the particles and non respiratory system, but was admitted to monitor particulate air environment through environmental and health agencies. Similarly, particles smaller than 2.5 micrometer so PM2.5 tend to penetrate inside exchange areas in lungs gases, particles <100 micrometer can pass lungs affecting other organs. According to a JAMA study, led to PM2.5 particles deposited on the tiles of arteriosclerotic artery, causing inflammation and thus a narrowing arteriosclerosis- and hardening of blood vessels by reducing elasticity, causing possible problems of cardiac attack and other cardio- vascular problems. The researchers suggest that even short exposures to increased concentrations of these particles can help in revealing cardiac problems. Study of these problems in May 2008 by an edition of JAMA, found indications that air pollutant particles 2.5-10 micrometer diameter caused hospital admissions patients with cardio-vascular disease and no respiratory
disease hospitalization. Studies continue. Particles smaller than 100 nanometer may harm cardio-vascular system and other organs because the blood migrate with the blood stream and may go up in the brain. It is assumed that such particles can cause damage to the brain that are found in patients with Alzheimer. Particles released by diesel engines (which I refer to particles Diesel or DPM) are 100 nanometer in diameter (0.1micrometer). In addition, the particles also carry cancerous tar substances as benzopirenes ingredient absorbed into the surface of their surface. A 10 micrometer particle size is approximately equal to the same extent of a million particles with a diameter of 100 nm, but it is clear that they are far less dangerous because they may never enter the body, and if this happens, they leave quickly. Today other propositions are made as legal arrangements for these problems.

Another risk is that asbestos particles may enter into lungs. The form with angles of these particles have more surface area than round form of other dangerous particles. Particle pollution with PM causes about 22,000 to 52,000 deaths annually in the U.S. and 20,000 to 30,000 deaths in Europe.

3. NO₂, NITROGEN DIOXIDE.

It is a chemical composition with the formula NO₂. It is one of the industrial synthesis of intermediate nitric acid which millions of tons are produced each year. This toxic gas has a characteristic sour smell and is a pollutant of air. NO₂ is a paramagnetic molecule with a curved point of the symmetric group C₂v. NO₂ is toxic when inhaled but this can be avoided because the chemical is easily detected because of the wind. Source potential exposure to nitric acid that evaporate spontaneously produces NO₂ in the temperature over 0 C. Displayed symptoms of poisoning after several hours in the form of pulmonary edema and small doses, doses⁶ that are fatal. In depressed concentrations (4ppm), this gas does an anesthesia to the nose by creating the opportunity for exposure to excessive gas. Exposure for a long time to NO₂ at concentrations 40-100µg/m³ causes adverse effects on health. NO₂ is formed in many processes in which air burning is used as an oxidative agent. With the increase of the temperature N joins O₂ and NO₂ is formed. This process occurs in the production of heating stations, internal combustion

vehicles and less on the use of timber in factories, in the soft material for the manufacture of paper. Using butane gas heaters also produces such a gas agent. Excess air used for burning fuel to complete these processes, enter inside nitrogen gas combustion and thus produce NO$_2$. Limitation of NO$_2$ production requires precise control of quantities of air used for combustion. NO$_2$ is also used by nuclear testing and is responsible for the reddish color of the mushroom cloud.

NO$_2$ is a contaminant of a high degree of air especially near rock bottom levels in soil and in some cases its concentration levels may be unhealthy for levels near -30 $\mu$g/m$^3$.

NO$_2$ role in the chemistry of the atmosphere includes the formation of the troposphere Ozone. In a 2005 study by scientists at the University of San Diego California assumes a connection between the NO$_2$ and sudden death syndrome of children 0-12 months.

4. SO$_2$. SULFURIC DIOXIDE.

Is a chemical composition that is produced by volcanoes and industrial processes. When oil and burning sulfur composition are emitted their burning process SO$_2$. Further oxidation of sulfur in the presence of a catalyst such as NO$_2$ produces H$_2$SO$_4$ causing acid rain. This is a concern of environmental pollution from these types of fuels. It is one of the types of gases with high reactivity, known as sulfur oxides. The biggest sources of pollution in the atmosphere from combustion exits in the burning of fossils (fossil Fuel) and from burning of oil industry. Some standards are set since 1971 with the content of SO$_2$ in the air annually 30 ppb (and secondary set of standard 3-hour average of 500ppb) to protect public health. SO$_2$ can be used as a preservative of dried fruits (because avoids putridity) but also for antiseptic characteristics. Research have shown that short-term exposure to SO$_2$ (from 5 min-24h) lines affects the upper respiratory causing bronco-contrition and asthmatic symptoms in asthmatic especially when they are in effort of respiration, studies have shown that populations at risk are children, elders and asthmatics. EPA organization also recommends that there are serious threat to other groups which are sulfurous lesser in concentration in the atmosphere as SO$_3$ groups sulfurous gases that

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are in the form of sulfur and other groups defined as SOx. These form of sulfur particles (PM) in air can penetrate deeply into sensitive parts of pulmonary and can cause or worsen respiratory disease such as emphysema and bronchitis, cardiac disease burden could increase the cardiac and respiratory admissions to hospital and early death.

5. PB. LEAD.

The group is a key element in the symbol Pb with atomic number 82. It is a malleable poor metal, and also considered a heavy metal. There is a gray color when exposed to air (Freshly produced has blue-white color combination). Used in industrial batteries, lead, different alloys and in use of the radiation protective apron. Lead is a powerful neurotoxin when inserted in the body. Lead poisoning date back to ancient Rome, ancient Greece and ancient China. Effects on Health.

Lead is a toxic heavy metal to human health and damages nerve ganglions (especially in children) and causes blood and brain disorders. Pb poisoning caused by food or eaters contaminated with lead, but it can occur in accidental poisoning from eating soil particles, dust, or by touching the paintings painted with Pb, then contaminated with a Pb. Long time exposure to Pb or his soluble or strong oxide agents causes nephropathy and abdominal pain. Pb enters the body by two ways: from the mouth, by ingestion or by respiration, but can affect any organ of the body. Pb is the main toxic that touches directly the nervous system in adults as well as children. Exposure for a long time to Pb and its soluble causes early weakness in hands or fingers to key locks, the legs and later causes anemia, hypertension, especially in middle age and elderly population. Exposure to high levels of Pb and its soluble causes in adults or children, severe brain damage and kidney. Pregnant women reduces fertility and cause abortions or atop to men. The antidote to treat such syndromes is Dimercaprol (Bal) and succimer (or Detoxamina which is a chelant).

To children causes deficits in learning process (Cognitive deficits) and chronic exposure of Pb to girls causes hypertension and delayed puberty. Today there are vastly reduced production of colors for painting with lead content for the

above reasons. Today, lead compositions and use of it has declined significantly, especially in the oil mixture, to vinyl, and isolators of electrical cords, to many toys coming from China, which are not imported as they contained Pb (during 2006-2007). Old houses containing large amount of paintings and colorants like white lead is drawn from industrialized countries but still kept in course lead-chrome yellow. Old paintings should not be cleaned with a paper-producing powder corrosive because its dust is inhalable.

Pottery veneer soluble have Pb contents and sometimes cause poisoning, especially when acid drinks (i.e. fruit juice) emit ions in air and liquids drank. ‘Sugar of Pb’ (Pb acetate) used by the Romans to candied wine has been the cause of dement to users. Pb is found in pipes that deliver water or underground tankers carrying gasoline. Pb remains for a long time in corrosion of teeth and bones and released into the bloodstream during pregnancy, lactation, osteoporosis (the ‘stress of calcium’), and especially risking the fetus. So, it can be inhaled or orally taken. Water pollution has recognized Pb methods that measure blood Pb (human protoporphirin ), urine, and hair.

6. CO

Carbon mono-oxide. Gas is colorless, flavorless, it is very toxic to humans and animals. It has covalent link with the oxygen. Oxi-carbon is simpler and is an anhydride of formic acid. Formed when not enough oxygen is in the environment and produced by stoves, internal combustion vehicles, and modern technology of certain processes such as melting of iron. Working in closed environments. CO is burned with a blue flame which then produces CO₂. Toxicity. Mono-poisoning by carbon monoxide inhalation⁹ is fatal because on one side it is odorless, colorless, tasteless and in turn strongly associated with Hb thus forming Carboxy-Hb providing a link that is stronger than Oxide-Hb. Concentrations as high as 667ppm cause 50% of Hb’s structure to convert in carbon oxide Hb. In the U.S. long-duration in the work place exposure to CO should not exceed 50 ppm. Symptoms are headache, nausea, vomiting, vertigo, lethargy, confusion, disorientation, vision disorders, cardiac syncope, and contractions. Skin color is a deception because the intoxicated skin is colored of spice in red.

Dissolved in body after 4-6 h. There are also serious effects on the fetus of pregnant women. The chronic poisoning gives body disorders such as hypertension, cardiac insufficiency and inflammation. Open air and in other countries employment concentrations are as follows: Level in the natural environment - 0.1ppm. Average level in the house - 0.5-0.05ppm Level home with gas stoves properly regulated - 5-15ppm The level at home using firewood -100-200 ppm The level of exhaust heat in cars without catalytic converters-7000 ppm CO is present in small amounts in the atmosphere mainly in production of volcanic activity but also as a product of natural and man-made fires. Waste burning fossil CO also helps produce. Since CO production is changing every year, is essential to measure accurately. CO indirectly helps in strengthening the radiant effect from increased methane concentration and the troposphere area through ingredients on other atmospheric reactions (i.e. radicals of hydroxyls).

CO is the main pollutant in some urban areas, mainly urban environment by bringing in air contamination from engines working with diesel fuel, gasoline, and generators but released in atmosphere by incomplete combustion of fuels such as wood, coal, oils, paraffin, propane, natural gas and fertilizers. Indoor CO can easily grow to levels bearer with death. On average 170 people die each year from carbon monoxide intoxication. It is produced by the consumer with no automatic tools such as stoves, water boiler, the coal burning system at home heating. In 2007 the U.S. has had 15.769 intoxication cases of CO and 39 deaths.

Carbon monoxide is present in tobacco smoke. In the presence of strong acids and water reacts with CO (fiber molecules with polymers) to form carboxylic acid. Health. According to JAMA -2006, persons exposed to CO suffer heart damage and an increased risk of heart attack. Heart muscle damage from CO poisoning (in a study) is characterized by increased levels of troponin-I or kinesis cretin and ECG changes. Inhalation of CO in lungs cause suffocation because CO has proven many times greater affinity than O₂’s Hemoglobin causing serious tissue hypoxia and suffocation. A person suffering from CO intoxication by first proves a euphoric state and few headaches later, followed on nausea, vomiting, and increased concentration of blood Carboxyl hemoglobin. To prevent this intoxication OSHA has established a PEL (permissible exposure limit), a rate of no more than 50 ppm over 8 hours. More exposure to CO later established a CO exposure to no more than 35 ppm for less than 8 h, 40 h during the week, in working environments.

Benzopirenes or Benzene (C20H12) are polluting substances that are not included as primary pollutants but are included in PM10 cancer genes with high risk. Poly-cyclic aromatic composition are arising in the air environment
as non-complete combustion temperatures between 3000-6000 C. Thought that causes cancer to scrotum, and cancer to the skin especially in the 19th century to the workers of the chimney and fuel industry. Issued in the form of automobile tar smoke and burning of organic materials or fried foods in causing cancer to the colony of the carrier. In lung cancer causes pneumonia, deficiency of vitamin A and emphysema in smokers. Smokers of marijuana are more prone to fall ill because cigarette smoke weed contains much more benzopiren -30 compared with 21 nanogram to tobacco smoke. This undermines cancer genes Gen-in P53, which binds 50% of human cancers and 70% of cancers of the lungs.

**Comparative tables in years in Albania**

<table>
<thead>
<tr>
<th>Year</th>
<th>CO</th>
<th>Benzene</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>2</td>
<td>3.5</td>
</tr>
<tr>
<td>2009</td>
<td>3</td>
<td>3.6</td>
</tr>
<tr>
<td>2010</td>
<td>4</td>
<td>3.7</td>
</tr>
<tr>
<td>2011</td>
<td>5</td>
<td>3.8</td>
</tr>
</tbody>
</table>

Note: UAT time-Upper-assessment threshold upper limit of the assessment; LAT - assessment low-threshold threshold under evaluation. Values of pollution with benzene (rate-3.5 μg/m³) and NO₂ (rate = 40 ppm or 4μg/m³³) received 42 points in the concentration of localized in Durres Pogradec, Korce South, Fushe-Kruje, Berat and in the area of Patos-Marinez oil. Of these 14 points controlled in Durres Pogradec, Korce South, Fushe-Kruje, Berat and in the Patos-Marinez oil values were higher than values What time, while in 28 other controlled items in Tirana, Elbasan, Fier, Vlora, Lezha, South, Kuçova have values between LAT and UAT time. The

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population of these cities corresponds to 50% of urban population and 22% of the population of the country. (According to IPH ‘-2008 Report of air quality monitoring in the territory of the Republic of Albania’ 23).

Points of Measure about evaluation of pollution with six above-mentioned pollutors in Albania are taken from 42 points through four years localized in: Durres Pogradec, Korce South, Fushe-Kruje, Berat and in the area of Patos-Marinez oil, Tirana, Elbasan, Fier, Vlora, Lezha, South, Kuçova.
Summary table for January-december-2008 about six main albanian cities

<table>
<thead>
<tr>
<th>µg/m³</th>
<th>Korca</th>
<th>Vlora</th>
<th>Tirana</th>
<th>Shkodra</th>
<th>Durresti</th>
<th>Fieri</th>
<th>CE Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>LNP</td>
<td>228</td>
<td>210</td>
<td>348</td>
<td>228</td>
<td>234</td>
<td>236</td>
<td>100</td>
</tr>
<tr>
<td>PM10</td>
<td>92</td>
<td>86</td>
<td>173</td>
<td>108</td>
<td>116</td>
<td>112</td>
<td>50</td>
</tr>
<tr>
<td>SO2</td>
<td>10.6</td>
<td>7.8</td>
<td>20.7</td>
<td>16</td>
<td>18</td>
<td>32</td>
<td>50</td>
</tr>
<tr>
<td>NO2</td>
<td>42</td>
<td>40.6</td>
<td>50</td>
<td>28</td>
<td>35</td>
<td>33</td>
<td>40</td>
</tr>
<tr>
<td>C6H6</td>
<td>2.8</td>
<td>2.5</td>
<td>3</td>
<td>2.6</td>
<td>2.9</td>
<td>3.2</td>
<td>3.5</td>
</tr>
<tr>
<td>O3</td>
<td>37.5</td>
<td>42.1</td>
<td>28</td>
<td>69</td>
<td>64</td>
<td>70</td>
<td>110</td>
</tr>
</tbody>
</table>

with red colors are value above permitted standarts Albania/CE
As for Tirana some points more polluted are: 21 dhjetori, AMP Tirana, point close to DSHP.

As for Elbasan are two point into city more polluted: Elbasan city center, and Elbasan Metalurgic Combinat.

**B. ILLNESS (QSU ADMISSIONS IN TIRANA)**

According to data obtained from the Ministry of Health of the three main diseases group QSU laid in Tirana in 2005-2008, they are: Cardiovascular which are included in HTA and SIZ, chronic pulmonary diseases are included in Pneumoconiosis, bronchial asthma\(^\text{12}\), and total cancer, including in particular Pulmonary Cancer, Laryngitis Cancer, noted that there is an increase in admissions from year to year the number of cases of cancer in general from 14,140-18,214, and Pulmonary cancer from 2735-6196. On the other hand it is observed an increase in

\[\text{Report for Environment Condition of Albania -2008'-Albania Ministry of Environment; Forest Staff Agency and Environment data-2005-2008.}\]
years of heart disease (HTA and SIZ) from 4383-4457, which indirectly indicate paving and the addition of disease in place for these diseases, respectively.

Features in these cases is that the increase of admissions between men and women have difference of 550 admissions in favor of males for each year of the period 2005-2008. Also noted that admissions of patients with pneumoconiosis (different types) has increased from 80 hospitalization in 2006 to 1,244 in 2007 and 1190 to 2008. Reasons did not have data on specific cases admissions for 2005 comes more from not meeting regular statistical therefore are not taken as final data in the table below.

<table>
<thead>
<tr>
<th>Diseases: admissions in QSUT</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cancer</td>
<td>14,140</td>
<td>14,057</td>
<td>17,846</td>
<td>18,214</td>
</tr>
<tr>
<td>Total new cases</td>
<td>3250</td>
<td>3271</td>
<td>3132</td>
<td>3468</td>
</tr>
<tr>
<td>New cases Males</td>
<td>?</td>
<td>?</td>
<td>1879</td>
<td>2011</td>
</tr>
<tr>
<td>New cases of female</td>
<td>?</td>
<td>?</td>
<td>1253</td>
<td>1457</td>
</tr>
<tr>
<td>Pulmonary Cancer</td>
<td>?</td>
<td>2735</td>
<td>1240</td>
<td>6196</td>
</tr>
<tr>
<td>Laryngitis cancer</td>
<td>?</td>
<td>157</td>
<td>305</td>
<td>104</td>
</tr>
<tr>
<td>Chronic pulmonary diseases SPOK and (+ Pneumoconiosis)</td>
<td>?</td>
<td>1080</td>
<td>1244</td>
<td>1190</td>
</tr>
<tr>
<td>Total bronchial asthma</td>
<td>2977</td>
<td>2510</td>
<td>3078</td>
<td>2769</td>
</tr>
<tr>
<td>Men bronchial asthma</td>
<td>1490</td>
<td>1251</td>
<td>1526</td>
<td>1334</td>
</tr>
<tr>
<td>Female bronchial asthma</td>
<td>1487</td>
<td>1259</td>
<td>1552</td>
<td>1435</td>
</tr>
<tr>
<td>Total heart disease</td>
<td>4383</td>
<td>4557</td>
<td>4510</td>
<td>4457</td>
</tr>
<tr>
<td>Male</td>
<td>1914</td>
<td>1880</td>
<td>1915</td>
<td>1979</td>
</tr>
<tr>
<td>Female</td>
<td>2469</td>
<td>2677</td>
<td>2595</td>
<td>2478</td>
</tr>
</tbody>
</table>

In terms of mortality for the three main diseases which group actually occupied the first three countries in the mortality of the Albanian population for years we can see that there is an increase in cardiac diseases (mainly from complications of SIZ and HTA) from 8844 to 2005 -9322 death in 2008, on the other hand it can be observed in total cancer mortality is almost identical. As for pulmonary diseases (Pneumoconiosis and SPOK) mortality rate has not increased but has been constant over the past four years\(^{13}\).

\(^{13}\)Mortality data extracted from INSTAT (Statistical Institute data of Albania)-2008
**Mortality for three groups of diseases**

<table>
<thead>
<tr>
<th>Diseases</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cardiac (Hypertonic + SIZ)</td>
<td>8844</td>
<td>8959</td>
<td>7734</td>
<td>9322</td>
</tr>
<tr>
<td>Pulmonary (+ SPOK)</td>
<td>807</td>
<td>771</td>
<td>611</td>
<td>500</td>
</tr>
<tr>
<td>Cancer (In total)</td>
<td>2767</td>
<td>2918</td>
<td>2458</td>
<td>2725</td>
</tr>
</tbody>
</table>

**Issues and analysis of data**

To see if there is any link between air pollution from the six classical pollutants measured in different places of the country with the increase of disease and mortality you can see these correlations:

1. Correlation between cardiac disease (SIZ and HTA) with higher values of pollutants are thought to cause cardiac disease: \( O_3 \), \( CO \), \( Pb \), \( SO_2 \) and PM10 in the four-year period 2005-2008 is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Heart Diseases Admissions in QSUT</th>
<th>Heart disease Mortality</th>
<th>( O_3 ) ( mg/m^3 ) (Ppm)</th>
<th>( CO ) ( mg/m^3 ) (Ppm)</th>
<th>( Pb ) ( mg/m^3 ) (Ppm)</th>
<th>( SO_2 ) ( mg/m^3 ) (Ppm)</th>
<th>( PM_{10} ) ( mg/m^3 ) (Ppm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>4383</td>
<td>8844</td>
<td>96</td>
<td>8.11</td>
<td>0.47</td>
<td>21</td>
<td>445</td>
</tr>
<tr>
<td>2006</td>
<td>4557</td>
<td>8959</td>
<td>106</td>
<td>-</td>
<td>0.04</td>
<td>31</td>
<td>369</td>
</tr>
<tr>
<td>2007</td>
<td>4510</td>
<td>7734</td>
<td>99</td>
<td>-</td>
<td>0.66</td>
<td>38</td>
<td>354</td>
</tr>
<tr>
<td>Year 2008</td>
<td>4457</td>
<td>9322</td>
<td>70</td>
<td>4</td>
<td>0.32</td>
<td>32</td>
<td>112</td>
</tr>
<tr>
<td>Year 2009</td>
<td>?</td>
<td>?</td>
<td>90</td>
<td>-</td>
<td>0.4</td>
<td>21</td>
<td>148</td>
</tr>
<tr>
<td>Rate Albanian</td>
<td>?</td>
<td>?</td>
<td>65</td>
<td>1</td>
<td>60</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>WHO rate</td>
<td>65</td>
<td>35</td>
<td>0.5</td>
<td>50</td>
<td>50</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note. *- Highest values in Eagle-4; \( O_3 \)-Eagle-5;*

The above data estimates that air pollution, especially for PM10, \( O_3 \), and \( Pb \) has been the norm throughout the years and associated with increased hospital admissions for heart disease. These pollutants are charged as damaging of cardio-vascular equipment as well in acute and chronic.

As for the pollutants \( CO \) according to data from the Ministry of Environment is under the average annual rates of EU and WHO, but not in the U.S. measurement data for the years 2006 and 2007. \( SO_2 \) pollutant that damages also cardio-vascular equipment in the U.S. are found under the average values of pollution, so cannot be held responsible. Of course, disease increase of cardio-vascular diseases in relation to population growth in Albania for the years 2005-2008, there is a large increase (from 3.1-3.2 million people) has also
indirectly influenced the level of stress, increased the inherited cholesterol, overweight, and the impact of tobacco is introduced within the PM10.

There are direct links in relation to mortality, which has increased from year to year. It should consider that the statistical data in Albania have fluctuations in terms of fixed dates of receipt of data but by the institution that is interested in these data. As for the values of pollutants on the growth rate observed in 2009 and again PM10, Pb, O₃ compared with a year ago has SO₂ reduction. CO values are measured for 2009.

2. Correlation between pulmonary disease and bronchial asthma with the highest values of pollutants that harm lungs such as O₃, PM10, SO₂ and NO₂ are presented by the table below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Admissions to hospital for lung diseases. And chronic (+ Pneumoconiosis)</th>
<th>Mortality From Chronic Pulmonary Disease</th>
<th>Bronchial asthma Paving in Hospitals</th>
<th>PM (PM₂.₅) (Ppm)</th>
<th>SO₂ (Ppm)</th>
<th>NO₂ (Ppm)</th>
<th>O₃ (Ppm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>807</td>
<td>2977</td>
<td>445 *</td>
<td>21</td>
<td>31</td>
<td>55</td>
<td>96</td>
</tr>
<tr>
<td>2006</td>
<td>771</td>
<td>2510</td>
<td>369</td>
<td>38</td>
<td>69</td>
<td>99</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>1244</td>
<td>611</td>
<td>3078</td>
<td>354</td>
<td>32</td>
<td>52</td>
<td>70</td>
</tr>
<tr>
<td>2008</td>
<td>1190</td>
<td>500</td>
<td>2769</td>
<td>112</td>
<td>38</td>
<td>52</td>
<td></td>
</tr>
<tr>
<td>Albanian rate</td>
<td></td>
<td></td>
<td></td>
<td>70</td>
<td>60</td>
<td>40</td>
<td>65</td>
</tr>
<tr>
<td>WHO</td>
<td></td>
<td></td>
<td></td>
<td>50</td>
<td>50</td>
<td>40</td>
<td>65</td>
</tr>
</tbody>
</table>

As stated above, the impact of these pollutants causing chronic pulmonary damage depends on several factors such as long-duration, concentration, and illness predisposition association. This is briefly mentioned above on the effects of pollutants.

- Particles smaller than 2.5 micrometer PM2.5 therefore tend to penetrate inside exchange areas of lungs, particle gases <100 micrometer can pass lungs affecting other organs.
- Exposure to a long Ozone environment increases risk of death from unrespiratory diseases. ‘Ozone cracking’ is a serious problem with car tires so when it is produced by friction (i.e. at work) and the burning of old car tires. In this way, depressed and ozone concentrations it is harmful to the upper respiratory tract and lungs and depends on concentration and time-duration. Short-term exposure to SO₂ (from 5 min-24h) lines affects the upper respiratory causing bronco constriction and asthmatic symptoms in
asthmatics, especially when studies have shown that populations at risk are children, elders and asthmatics.

For NO₂, displayed symptoms of poisoning after several hours in the form of pulmonary edema and small doses, doses that are fatal, data port for chronic pulmonary damage are slim. From the table it appears that in addition to SO₂, which is measured in the areas of focus under the norm, three other pollutants have an impact on mortality and pulmonary illnesses if to be associated with other factors. It appears that mortality has been decreasing while admissions have increased relative. Pollutant values presented for 2009 are growing in terms of PM10 and NO₂ in 2003 and values are the same as in 2008 but increased the rate, which means that illnesses and hospital admissions will be increased by having an increased mortality, but data from INSTAT and IPH have not come yet.

3. Correlation between cancer and general pulmonary cancer, laryngitis cancer in particular in relation to the pollutants that affect the growth and mortality cases of which are included PM10 and benzopirenes are released from diesel engines smokes and from the tobacco which is known due to content and benzopiren tar, which also includes PM10 (and PM2.5) will appear as maximum values in the table below.

<table>
<thead>
<tr>
<th>Year</th>
<th>Cancer in general (Admissions)</th>
<th>Cancer pneumonia (Admissions)</th>
<th>Larynx cancer (Admissions)</th>
<th>Total cancer mortality</th>
<th>PM 10 (PM 2.5)</th>
<th>Benzene (benzopiren) µg/m³ (PPB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>14,140</td>
<td>≤ 2735</td>
<td>≤ 157</td>
<td>2767</td>
<td>445</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>14,057</td>
<td>2735</td>
<td>157</td>
<td>2918</td>
<td>369</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>17,846</td>
<td>1240</td>
<td>305</td>
<td>2458</td>
<td>354</td>
<td></td>
</tr>
<tr>
<td>Year 2008</td>
<td>18,214</td>
<td>6196</td>
<td>104</td>
<td>2725</td>
<td>112</td>
<td>2.3</td>
</tr>
<tr>
<td>Albanian rate</td>
<td>?</td>
<td>?</td>
<td>?</td>
<td>?</td>
<td>70</td>
<td>5.3</td>
</tr>
<tr>
<td>WHO and EU rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>50</td>
<td>5.3</td>
</tr>
</tbody>
</table>

In terms of hospital admissions, these were taken into consideration in comparison with estimated illnesses risk factor for patients. This factor was higher among patients than in ambulatory. Interestingly, as was explained above that the benzopiren content (C₆H₆) is higher in marijuana smoke as to tobacco cigarettes. The data shows that rates of admissions with cancer and cancer mortality rates are increasing from year to year and seems to have a direct connection with our level of PM10 air particles according to data from 11 control points located throughout Albania. As for the level benzene analysis of the total pollutant factors in relation to pollutants measured in the U.S shows increased admissions for cancerous diseases, cardio vascular and chronic pulmonary in relation to air pollutants such as O₃, PM10 (and PM2.5) which are charged as detrimental to cardiovascular diseases as hypertension and atherosclerosis (PM2.5 and O₃) and carcinogenic effects mainly to lungs, we can see that the level of these in relation to hospital admissions is according to data above.

Apparently the main role in increasing admissions and indirect illnesses increase in mortality are the three main categories outlined above (cardio-vascular diseases, and cancers in lungs) belongs to the main polluters in the U.S. in which PM10 included some particle PM2.5 and other polluters they are: Benzenes (mainly car fuel, industrial exhaustion of fuel, tobacco smoke, marijuana smoke, aerosols and LNP-called total dust particles or - solid substances ), burning of waste and garbage, and high levels of O₃, but less SO₂, NO₂, CO, and Pb.

It should be noted also the place of taking air samples in our data were taken in some of the most problematic points in Albania by state controllers (Ministry of Environment, IPH), but may add that the data have some shortcomings years and especially for CO benzene.

Referring to WHO statistics, about 200 deaths annually in the U.S. are connected only with air pollution, thus becoming a cause for undermining the quality of life. Study of the Public Health Institute shows that about 1400 new cases of cancer that occur each year, occur because of environmental pollution factors. Cancers, according to the study, are of different types, with lung and skin cancers, coming directly from the environment, which are key factors.

CONCLUSIONS.

✓ From the data we have analyzed cannot be completely prove the direct link between air pollutants concerned with increased mortality, hospital admissions, but can affect mortality and increased hospital admissions.
✓ There should be further studies in the future with specific population groups to draw the correct conclusions. IPH-official statistics. MH, INSTAT, the environment must be taken with caution and should be compared in terms of time issuance of the data because they appear as shortcomings.
✓ Noted that there is no direct link between PM10 pollution from increased hospital admissions for heart disease and mortality of these diseases.
✓ PM10 and other pollutants have no direct connection with bronchial asthma levels, indicating that bronchial asthma disease primarily affects other factors.
✓ Notice that has direct links with air pollutants in terms of overall cancer and cancers of the larynx pneumonia especially in terms of PM10 pollution component (which included smoke, benzene, etc.). Enforcement of tobacco laws should be more rigid.
✓ Government’s task is to take preventive measures in terms of establishing businesses in disappearing pollutants of the air (but burial in water and earth in places where do not pose a risk to the population.
✓ Establishing and implementing more EU standards for minimum contamination of these businesses either by construction of modern plants that pollute less and the improvement of the legislation for this purpose.
✓ Control of air pollution for diesel vehicles and fuels, through the introduction of the ban for old cars from abroad, and issuing out of use rules of old vehicles by law.
✓ Create a realistic strategy for collecting and processing program, differentiation, and elimination of urban waste, industrial chemicals (+ plastic), and making modern incinerators for this purpose to reduce the level of pollution from cancer genes substances, and toxic caused by burning rubbish.

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14. Newswise: National Study Examines Health Risks of Coarse Particle Pollution


20. ToxFaqs for Benzene, Agency for Toxic Substances and Disease Registry, Department of Health and Human Services


On The Reduction of Environmental Pollution Caused by Gases Automobile Emissions

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Abstract

In the present study is analyzed, how it can impact on the reduction of environmental pollution by emissions of gases that issue automobile engines in urban areas. For this needs to take into consideration, modification of the structure of automobile use in urban areas in terms of their renewing with less polluting vehicles, to reduce the level of environmental pollution. This can be achieved through the implementation of economic policies tax proportional with pollution caused.

In the study, will be given changes in emissions of gases depending on the improvement of automobile construction, according to years of production, in accordance with the requirements established by the legislation of EU countries, the automobile manufactures (in graphical form), and the level of emissions from automobile engines in the city of Tirana, for two types of engines to measure experimentally in the Technical Control Center of Tirana, according to the years of production, in graphical form. Changing the structure vehicle inserted in use, automobile of production after 1996, the pollution level decreases 2 times

1 As. Prof. Dr. Asllan Hajderi has finished his postgraduate qualification at the Polytechnic University of Tirana. He is the author of several university books and has performed many studies and projections in the field of mechanics and automotive, which are implemented. Mr. Hajderi hold the title Associate Professor since 2000. Actually he is Head of Department of Engineering Sciences, at Faculty of Professional Studies at ”Aleksander Moisiu” University in Durres.
Also in the study is analyzed the possibility of modifying the urban intersections with additional lanes before crucifixion, to reduce the residence time of vehicles in traffic and reduce environmental pollution to 2 times.

Keywords: Reduction pollution, Automobile emissions.

1. INTRODUCTION

In recent decades has been concern for human society economic activity causing damage to environmental pollution in the city, by gases emissions that issue automobile engines in the atmosphere. These emissions have strong toxic effects on human organism and influence the creation of greenhouse effect on global warming. In cities across the globe, personal automobile has become the biggest polluter of the environment on the amount of emissions that release into the atmosphere over a billion cars. The negative effects of vehicle emissions are maximum, especially when you sit in traffic surrounded by cars. Everyone sitting in an traffic jam is getting poisoned.

The challenge in the use of cars is now replacing existing automotive by versions more efficient and less polluting. While the focus of car manufactures is that people buy a car for a better future for themselves and their children.

For leading authorities to EU states steadily is raised the task of determining ways to reduce environmental pollution and global warming. For damages caused to human society in terms of increasing environmental pollution they take steps to reduce it through two ways [1]:

- Economic price-setting pollution through the introduction of a tax, which is proportional to the pollution carried out.
- The sale of rights to pollute

So the cost of environmental damage and its directory should be added to the cost of one who uses the vehicle that damage.

2. ELEMENTS OF POLLUTION FROM AUTOMOTIVE EMISSIONS AND WAYS TO REDUCE IT

Cars used in urban transport are mainly with internal combustion engine, which use thermal energy released by burning fuel. For a clean fuel, typical

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2 Arne Jon Isachsen, etc. “Understanding Market Economy” Oslo 1993 (translate) Tirana p.105
Combustion in the engine can be expressed [3]:

\[ \text{Fuel + Air} \rightarrow \text{Hydrocarbons + carbon monoxide + carbon dioxide + nitrogen oxides + water} \]

Hydrocarbon emissions are fragments of fuel molecules, partially burned. Hydrocarbons react in the presence of nitrogen oxides and sunlight to form ground-level ozone, which is a major component of smog. Ozone irritates the eyes, nose, throat and damage the lungs. A number of hydrocarbons are toxic, some with the potential to cause cancer.

Carbon monoxide is a colorless, odorless, poisonous gas, a product of incomplete burning of fuel. Most CO is produced when air-to-fuel ratios are too low in the engine during vehicle starting, when cars are not tuned properly, and at higher altitudes, where thin air reduces the amount of oxygen available for combustion. Two-thirds of the carbon monoxide emissions come from transportation sources, with the largest contribution coming from cars. In urban areas, the passenger vehicle contribution to carbon monoxide pollution can exceed 90%.

Carbon dioxide is seen initially by the U.S. Agency for Environmental Protection (EPA) as a product of the “perfect” burning, but now viewes as a pollution concern. Carbon dioxide is a greenhouse gas that contributes to global warming of the earth.

Nitrogen Oxides are formed under high pressure and temperature conditions in an engine, by reacting of nitrogen and oxygen atoms. Catalytic converters in car exhaust systems break down heavier nitrogen gases, forming nitrous oxide (NO2) - 300 times more potent than carbon dioxide as a greenhouse gas. Nitrous oxide makes up about 7.2 percent of the gases that cause global warming. Vehicles with catalytic converters produced nearly half of nitrous oxide.

Automobile manufacturing plants in 80’s have been requirements to perfect the construction in terms of increasing the power of the engine for the same weight, without being limited in terms of environmental pollution. Because the properties of automotive emissions are very harmful for human health, the EU after 1990 has focused scientific research in term of increasing fuel efficiency and has decided to factories producing automobile legislation setting limits on emissions that automobile engines issue in the atmosphere. So their obligations are decreased by stages as shown in table no. 1, for gasoline engines and in Table 2 for diesel engines, in accordance with Directive

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**Table 1**

<table>
<thead>
<tr>
<th>Standard</th>
<th>Year of Introduction</th>
<th>CO g / km</th>
<th>HC</th>
<th>NOₓ</th>
<th>NOₓ + HC</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU Stage I</td>
<td>July 1992</td>
<td>2.72 (3.16)</td>
<td>-</td>
<td>-</td>
<td>0.97 (1.13)</td>
</tr>
<tr>
<td>EU Stage II</td>
<td>January 1996</td>
<td>2.2</td>
<td>-</td>
<td>-</td>
<td>0.5</td>
</tr>
<tr>
<td>EU Stage III</td>
<td>January 2000</td>
<td>2.3</td>
<td>0.2</td>
<td>0.15</td>
<td>-</td>
</tr>
<tr>
<td>EU Stage IV</td>
<td>January 2005</td>
<td>1.0</td>
<td>0.1</td>
<td>0.08</td>
<td>-</td>
</tr>
</tbody>
</table>

**Table 2**

<table>
<thead>
<tr>
<th>Standard</th>
<th>Year of Introduction</th>
<th>Engine type</th>
<th>CO g / km</th>
<th>No + HC g / km</th>
<th>G particulates g/km</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro 1 (SI)</td>
<td>July 1992, January 1993</td>
<td>Indirect Injection</td>
<td>2.72</td>
<td>0.97</td>
<td>0.14 (0.18)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Direct Injection</td>
<td>3.16</td>
<td>1.13</td>
<td></td>
</tr>
<tr>
<td>Euro 2 (S II)</td>
<td>July 1996, January 1997</td>
<td>Indirect Injection</td>
<td>1.0</td>
<td>0.7</td>
<td>0.08 (0.1)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Direct Injection</td>
<td>1.0</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td>Euro 3 (S III)</td>
<td>January 2000</td>
<td>Indirect and Direct Injection</td>
<td>0.64</td>
<td>0.56</td>
<td>0.05</td>
</tr>
<tr>
<td>Euro 4 (S IV)</td>
<td>January 2005</td>
<td>Indirect and Direct Injection</td>
<td>0.5</td>
<td>0.3</td>
<td>0.025</td>
</tr>
</tbody>
</table>

To decrease the level of environmental pollution by automobile emissions effect:

- The quality of fuel used
- The regular technical state of vehicles in circulation
- The construction of engines to consume less fuel
- The construction of engines to produce less harmful gases
- The standing time of vehicle in circulation that depend on traffic density

The quality of fuels produced from oil refineries came improved by requirements manufacturing plant and EU directives, by reducing the proportion of harmful elements sulfur, phosphorus and degree of particulate matter (PM), arising in the atmosphere.

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For technical state of automobile, MPWT have decided technical standards, which are set and technical requirements in terms of environmental pollution with direction.no. 6527 date 12/24/2004, A summary is given in Tables 3 and 4.

### Table 3. Vehicles with gasoline engine

<table>
<thead>
<tr>
<th>No.</th>
<th>Year production</th>
<th>Fuel</th>
<th>Regime of engine work</th>
<th>Contaminant elements</th>
<th>Lambda</th>
<th>Vehicle Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Before 01/10/1986</td>
<td>gasoline</td>
<td>In Gap 800 - 1000</td>
<td>5.5</td>
<td>800</td>
<td>M1, N1</td>
</tr>
<tr>
<td>2</td>
<td>After 1.10.1986 until 30/12/1995</td>
<td>gasoline</td>
<td>In Gap 800 - 1000</td>
<td>4.5</td>
<td>600</td>
<td>M1, N1</td>
</tr>
<tr>
<td>3</td>
<td>After 1996</td>
<td>gasoline</td>
<td>In Gap 800 - 1000 The burden 2000-2500</td>
<td>2, 1.5</td>
<td>300-250</td>
<td>0.97-1.03, 0.97-1.03</td>
</tr>
</tbody>
</table>

### Table 4. Vehicles with diesel engine

<table>
<thead>
<tr>
<th>No.</th>
<th>Year production</th>
<th>Fuel</th>
<th>Diesel Engine</th>
<th>Absorption coefficient K m⁻¹</th>
<th>Vehicle Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Before 1988</td>
<td>diesel</td>
<td>With natural attraction with turbokompressor</td>
<td>4, 4.5</td>
<td>M, N</td>
</tr>
<tr>
<td>2</td>
<td>1989 - 1996</td>
<td>diesel</td>
<td>With natural attraction with turbokompressor</td>
<td>3.5, 4</td>
<td>M, N</td>
</tr>
<tr>
<td>3</td>
<td>After 1997</td>
<td>diesel</td>
<td>natural attraction or turbokompressor</td>
<td>2.5</td>
<td>M, N</td>
</tr>
</tbody>
</table>

While experiments of recent years have shown in the older models can easily put additional equipment on fuel supply system without touching them, which lead to reduced fuel consumption to 15 % and pollution level to 46% (HC and NO x). They can be the device type magnet or catalyst.

Environmental pollution is a priority in the planning of an urban transport and to perform any analysis is essential knowledge of traffic flow. For this carry out the projections and the studies to reduce urban traffic, and the standing time of vehicle in circulation. They purpose the diminution of intersections and the increasing of lane numbers.

Below we will analyze the impact of improving the structure of vehicles in use (in terms of pollution) in urban traffic and the traffic of urban intersections.
3. STRUCTURE OF THE AUTOMOBILE IN USE IN OUR COUNTRY

Tirana, as any other city in the world, has a structure vehicle with different production years, from 1976 until today. According to records made in all the country taken from the archive’s central of General Directorate of Road Transport Services (GDRTS), shows that the number of vehicle for Tirana and all the country for the years 2000 to 2009 has been changed as shown in Figure no. 1:

![Figure 1: The number of automobile in use for years 2000-2009](image1)

While the number of vehicles introduced only in 2009, by year production and type of engine (taken from the archive’s central of GDRTS) is shown in Figure no. 2:

![Figure 2: Number of registered vehicles for 2009](image2)

The number of vehicles introduced in 2009 for Tirana and all the country according to the types of vehicle is given in Table 5.
Table 5

<table>
<thead>
<tr>
<th>TYPES</th>
<th>Motocycles 2,3,4</th>
<th>Cars</th>
<th>Buses</th>
<th>VMT</th>
<th>Truck</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>I</td>
<td>II</td>
<td>I</td>
<td>II</td>
<td>I</td>
</tr>
<tr>
<td>TIRANA</td>
<td>460</td>
<td>430</td>
<td>12242</td>
<td>228</td>
<td>1106</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1328</td>
<td>1388</td>
<td>25529</td>
<td>522</td>
<td>2971</td>
</tr>
</tbody>
</table>

From Table 5 note the increasing tendency of personal vehicles (the number of cars introduced in first part of the year in the total goes to 84% of vehicles, while in the second part goes to 90%).

4. SOME RESULTS ON THE LEVEL OF POLLUTION FROM THE AUTOMOBILES IN USE

To see the level of pollution caused by vehicles actually used in our country, the Technical Control Center of Tirana, were carried out experimental measurements of the amount of pollution for 675 different brands of vehicles (cars + vans) produced in the years 1976 to 2001. By calculating the average values of pollution by year of production, for vehicles with diesel engine coefficient of opacity shown in Figure no.3. For vehicles with gasoline average values of hydrocarbon by year of production is shown in Figure No.4, while the average values of carbon monoxide and carbon dioxide shown in Figure no.5.

Figure no.3. Average values of the coefficient of Opacity by years of production
Figure no.4. Average values of hydrocarbures by years of production

Figure no.5. Average values of carbon monoxide and dioxide by years of production

Also according to limit values of gases emissions in cars with diesel engine for four standards by introduction years, values of carbon monoxide (CO), oxides of nitrogen (NO x) and particulate (PM) in g / km are shown in figures no.6 and no.7.
5. ANALYSIS OF THE LEVEL OF POLLUTION BY ALTERING OF THE AUTOMOBILE STRUCTURE

From the graphs the level of pollution of vehicles measured (Figure no.3) results, that for produced cars before 1992, the opacity coefficient is two times greater than in models produced in 1997 and three times larger than models produced after 1999. From figure no.4 results, that for cars with gasoline engine, produced before 1991, the average level of hydrocarbon pollution is 2.1 times larger than models manufactured after 1995 and three times greater than those manufactured after 1999. Also from figure no 5, the average level of pollution by carbon monoxide is 2.3 times greater than those produced after 1995.

Experimental measurements match with the information of limit values production factories for the cars with gasoline and diesel engine (fig.6), where there is a pronounced reduction of pollution in the models produced in 1996, relatively old constructions produced before 1992, to over three times for the carbon monoxide, while hydrocarbons and nitrogen oxides by 1.5 times. As well as the level of pollution by particles (PM) (Fig.no7) for the old constructions automobile manufactured before 1992 is 1.8 times larger than models manufactured in 1996 and 3.6 times greater than models produced after 1999.

Also according to conditions of technical control (tab2), which is currently in use, we see that the limit value of the coefficient opacity for diesel cars produced before 1996 is 1.6 times more than the models produced after 1996.
While diesel cars manufactured before 1996, the levels of carbon monoxide and hydrocarbons are about two times higher than the models produced after 1996.

While the number of vehicles introduced in our country by the citizens in 2009 (Fig.no 2) shows that the old constructions produced before 1995 are 2.5 times more than the new models produced after 1996. Between two types of engine is the diesel engine.

To restrict the introduction of old constructions the economic policies should use the tax of pollution, based on the principle that it should be proportionate to the harm pollution caused [3]. To solve this problem correctly, the state authorities (Ministry of Environment) have to undertake the introduction of additional pollution tax for old constructions produced before 1995 to two times, which must be controlled from the technical control Center. This will prevent the introduction of old models, and will impose to limits the circulation of old models introduced.

While for the old vehicles from MPWT and GDRTS must be obtained measures for increasing information that vehicle managers to use additional equipment to reduce environmental pollution and the introduction of these devices by our services. Also in the technical control centers should set the regulations to require the use of these devices.

6. SOME RESULTS OF THE VEHICLES STANDING TIME IN THE CROSSING AND MEASURES TO REDUCE IT

The level of pollution from automobiles in urban areas also increased due to very heavy traffic, created by the existence of an intersection with some lane for sense regulated by traffic lights. For this we take into consideration at an intersection with two lanes for sense regulated of the traffic light, which is currently used more in the city of Tirana. Such an intersection is the “21 Dhjetori”, in which there is a heavy traffic. The incoming branch has two lanes, one for turning left, one toward and for turning right, which commanded by traffic lights. For this intersection were performed in April 2010, experimental measurements of the vehicle standing time in the branch incoming vehicles before the intersection for five working days of the week, from 0700 am to 2100 pm and are calculated average standing time of vehicles in minutes , which is shown in figure no.8.
The standing time before intersection can be reduced, if eliminate the phenomenon of “throat of the bottle” created before crossing. According to measurements the number of vehicles before crucifixion is proportional to the standing time of vehicles. The average standing time is 3.6 minutes. For this we have before intersection 30-40 cars. (The time of cycle work of the traffic lights is 2 minutes). If we modify the existing intersection, by adding an extra lane for turning left, we give two lanes for moving of vehicles toward and turning right. This allows to double the number of vehicles that will go toward and turn right and reduce two times the standing time of vehicles in the intersection and will also lead to reducing pollution to two times.

7. CONCLUSIONS & RECOMMENDATIONS

1. On the renewal of automobile in use with models manufactured after 1996, can be obtained a reduction of the level of pollution in urban areas by automobile emissions to two times.
2. The structure improving of the automobile in use with models manufactured after 1996 can be achieved, if the state authorities decide a environmental additional tax, for old constructions automobile manufactured before 1993.
3. Ministry of Public Works and Transport should establish rules for the placement of equipment to limit environmental pollution especially for old construction and the technical control centers to control their placement.
4. In urban areas with heavy traffic, to achieve a twice reduction of the traffic and environmental pollution, the intersections with two lanes for sense, must be modified by adding an extra lane before the intersection.
Abstract

Environmental impacts are caused in the main by pollution, or wastes leaving the facility. If these have a negative impact on the local environment the business will suffer from complaints, arguments and possibly the weight of the law. These wastes also cost the business money to treat and dispose of. Less waste is less environmental impact, more product and hopefully more profit! The key benefits for a business in undertaking an environmental management program are legal compliance and improved performance. The impacts of any operation on the environment are basically related to the material flows and wastes that have to be assimilated by the environment, and the contributions from the physical nature of the operation, noise and possibly odor that it emits.

The aim of studying the environmental impacts is to understand the wastes that are discharged into the environment. While it can be quickly said that the

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environmental impacts are due to waste water, solid wastes and air emissions from a brewery, if we want to control these emissions it is necessary to split them into the processes that are causing the wastes. This is most commonly done by flowcharting processes and determining inputs and outputs from each process in the flow chart. Environmental protection regulations cover emissions to land, air and waterways. In practical terms these regulations disallow waste impacts that affect the beneficial uses of the environment to which they are discharged. Waste minimization must be practiced by recycling and reusing materials in preference to disposal.

Environmentally hazardous wastes have to be treated to remove the risk or disposed of to secure depositories through licensed contractors. Putrid organic wastes must be contained and treated before disposal to land to avoid the generation of unstable and odorous land fill. Air emissions must be such that they comply with the individual chemical ground level concentration requirements. No visible emissions are allowed from the premise other than steam and no odor is to be detectable beyond the boundaries of the premise.

Key words: pollution, environmental impacts, law.

1. INTRODUCTION

This study has been done to assist breweries with environmental management planning. Environmental management plans are now a necessary part of good business planning and are required for most planning applications of new operations. This study has been designed as a practical reference tool for small breweries, but it will not be sufficiently comprehensive for breweries that function in isolation. There will always be environmental issues that relate to a particular site and type of operation that cannot be covered by a general study such as this.

The focus of environmental management within this study is on the following basic operations:

✓ malt milling
✓ brewing *
✓ fermenting
✓ bottling
✓ cleaning of vessels

Other environmental issues that may require examination include:

*the process of wort preparation
particular sensitive sites, esthetics, malting, hops preparation, buildings, specific plants and equipments, warehousing, serving facilities (licensed premises, cafes…) and business infrastructure.

2. WHY IS ENVIRONMENTAL MANAGEMENT ACCOMPLISHED?

Environmental impacts are caused mainly by pollution, or wastes left by the facility. If these have a negative impact on the local environment the business will suffer from complaints, arguments and law consequences. These wastes have also a cost for the business budget to treat and dispose them of. Less waste is less environmental impact, more products and hopefully more profit. The key benefits for a business in undertaking an environmental management program are legal compliance and improved performance.

3. WHAT ARE THE ENVIRONMENTAL IMPACTS OF A BREWERY?

The impacts of any operation on the environment are basically related to the material flows and wastes that have to be assimilated by the environment, plus contributions from the physical nature of the operation, noise and possibly odor that it emits. The key to manage environmental impacts is to cope properly with the wastes that are discharged into the environment. While it can be quickly said that the environmental impacts are due to waste water, solid wastes and air emissions from a brewery, if we want to control these emissions, it is necessary to split them into the processes that are causing the wastes. This is most commonly done by flowcharting processes and determining inputs and outputs from each process in the flow chart.

4. MANDATORY ENVIRONMENTAL CONTROLS

Environmental protection regulations* cover emissions into the land, air and water. In practical terms these regulations disallow waste impacts that affect the beneficial uses of the environment to which they are discharged. Waste minimization must be practiced by recycling and reusing materials in stead of disposal.

*Refer to State Environment Protection Policy.
Environmentally hazardous wastes have to be treated to remove the risk or to be disposed of to secure depositories through licensed contractors.* Putrescible organic wastes must be contained and treated before disposal into the land to avoid the generation of unstable and odorous land fill.

Air emissions must be in compliance with the individual chemical ground level concentration requirements. No visible emissions are allowed from the premise other than steam and no odor is to be detectable beyond the boundaries of the premise.

Noise emitted from operations should be within the limits allowed by the Noise Regulations at the site boundaries. This is only marginally above the background levels experienced, which in turn are dependent on the time of day and location.

5. BUSINESS STRATEGIES FOR ENVIRONMENTAL MANAGEMENT

While most of the environmental impacts of a brewing operation can be determined from the outputs provided in the flow charts for brewing, fermenting, packing and associated operations, the importance of these impacts

* Solid waste that contains organic matter capable of being decomposed by microorganisms
will depend on the location of the brewery and the specific environmental values of the location.

The impact of operations on the local environment and the residents that use it are the primary focus of environmental management. A flourishing and sustainable business relies on the ability to satisfy local residents and comply with the regulations, as well as financial concerns.

5.1 Business strategies for good environmental management have the following elements:

- Systems to ensure regulatory compliance
- Systems to manage environmental risks
- Systems to measure and improve performance

These can be built into an environmental management system, an EMS. An environmental management system is designed to build the environmental controls that will ensure compliance with regulations and at the same time provide improvements that benefit the business as they reduce wastes. The strategies of building compliance and reducing wastes are complementary. If waste reduction strategies are successful then environmental impacts are reduced and compliance with regulations is easier to attain.

The first step is to identify and measure wastes from operations and to determine what improvements are required by regulation and practically by the surrounding community. A cleaner production program can then be developed to tackle the important wastes and to build better efficient operations for cost savings and compliance with community requirements.

6. ENVIRONMENTAL MANAGEMENT OBJECTIVES

When setting plans for environmental management, the benefits to the business need to be assessed in the following ways setting priorities and objectives that are within the resources of the business to accomplish in a comprehensive manner.

- To reduce wastes at all practical levels, to reduce resource usage and improve environmental outcomes.
- To establish control measures to ensure compliance with environmental regulation.
To apply measures that renders the treatment and reuse of wastes environmentally sustainable on site.
To establish contingency measures that will cover the major outcomes that may impact on the open environment.
Possible specific objectives for a brewery include:
Reduction in yeast losses (improves yeast usage efficiency and reduces waste water BOD*, nutrients and solids)
Reduction in beer losses (improves yield on raw materials and reduces waste water BOD)
Recovery and reuse of clean waste water streams (saves water consumption and waste water discharge)
Recovery of heat from hot water waste streams (saves energy and fuel purchases, reduces the temperature of waste water discharge)
Breweries have to measure water consumption, yeast wastes and waste water temperature, BOD to be able to tackle these objectives. They also need to know what the regulations are that they must meet.

7. WASTE MANAGEMENT PLANS

A. Solid waste management
a) All recyclable solid wastes must be segregated and recycled.
✓ Recyclable wastes include:
✓ Clean water streams
✓ yeast bottoms and hops**
✓ paper and cardboard
✓ aluminum and ferrous metals
b) Putrescible solid wastes must be composted (on or off-site).
Putrescible wastes include:
✓ filtration sludges
✓ trub*** / spent grain
✓ tank sludges
✓ yeast wastes
✓ fermentation solids

* BOD- Biochemical oxygen demand
** hops- are the female flower clusters of a hop species, Humulus lupulus.
*** refers to the layer of sediment that appears at the bottom of the fermenter after yeast has completed the bulk of the fermentation
grain dusts

c) Hazardous wastes must be collected for treatment, recycling, or disposal by licensed contractors.

✓ Hazardous wastes include:
✓ chemical containers
✓ waste greases and oils (and contaminated rags)
✓ un-neutralized cleaning wastes

d) General solid wastes must be collected and contained for removal by contractors.

e) Spent grains must be removed off-site for composting or use as animal feedstock.

f) Grease trap and septic tank sludge’s must be removed by a licensed contractor on a 6 monthly basis (or more frequently if required) for disposal to a licensed site.

B. Waste Water Management

Waste water from breweries may contain significant levels of organic materials from the raw materials used and a degree of acidity and alkalinity from the cleaning chemicals.

The organic and inorganic contaminants can have adverse effects on the environment so that waste water needs to be treated before it is released into the open environment. This treatment is undertaken at sewerage treatment plant of major municipal waste water systems in which case the brewery has to comply with the pollution limits expressed in its trade waste agreement.

In any case brewery waste water should be monitored continuously with the objectives of water efficiency improvement and waste water reduction. Water consumption should be graphed against production so that efficiency of water used is calculated relative to production levels. Targets can then be set for improvements in water usage efficiency.

C. Air Emission Controls

Air emissions are generated as carbon dioxide from fermentation and fuel fired water heaters and water vapors from the brew kettles. These are not expected to generate significant environmental impacts unless accompanied by offensive odors which may require control measures. Carbon dioxide can be collected and used for carbonation, while the heat available from the water vapor can be transferred to incoming water for brewery usage.
D. Odor controls

The potential for odor emissions is primarily in the anaerobic breakdown of the brewing wastes, both waste water and putrescible solids. Odor from brew kettles will be generated during wort boiling along with significant quantities of steam. High BOD waste water entering storage may also have the potential to develop bad odors if it becomes anaerobic.

If these sources of odor are significant brew kettle discharge and emissions from fermentation, they can be treated through a water cooled condenser, or a water spray scrubber to cool the odorous emissions and trap water and volatile organic materials. Compost odor can be minimized by regular windrow turning to ensure adequate aeration for any composting process undertaken on site. Solid wastes held for off-site disposal should be contained in a sealed bin to prevent fugitive emissions.

E. Noise controls

Noise will result from pumps and motors driving the refrigeration plant, compressors and water movement within the brewery. These sources should be positioned to minimize the potential radiation of this noise to the boundaries, or enclose to baffle noise. If noise is detectable at the boundaries, further enclosures or baffles should be constructed in order to attenuate the noise to acceptable levels.

F. Energy management

Energy consumption is also dependent on production and is predominantly electrical power in a small brewery. Energy is an excellent candidate for efficiency improvements as savings reduce production costs as well as Greenhouse gas emissions to the environment.

G. Prescribed waste controls

Prescribed waste is environmentally hazardous waste that requires special treatment and disposal methods.

The hazardous wastes generated at a brewery may include:

- Spent Greases and Oils
- Oily rags
- Chemical containers
- Lead acid battery wastes
- Oil filters
- Triple interceptor pit sludges
✓ Alkaline or acidic residues from cleaning
✓ Waste water treatment pit sludges

These wastes have to be segregated from general wastes and collected in a contained area. Only licensed contractors should be engaged to dispose these wastes and a prescribed waste certificate system must be used.

The implementation of cleaner production practices in the brewery industry reduces the pollution significantly but does not possibly eliminate it. Waste water will still be generated from the production line albeit with less pollution load. The waste water requires appropriate treatment to reduce its pollution to meet the discharge standard set by the government. The brewery wastewater is characterized by slightly low pH (around moderately high COD*, (in the order of 1000 mg/L to 5000mg/L) and significant concentration of suspended solids (200mg/L to 400 mg/L).

The relations between the production output and the characteristics of waste water product are shown in the following table

**Table 1: Relationship of Product Output and Waste water Produced**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water to beer ratio</td>
<td>4-15 hl water/.hl beer</td>
</tr>
<tr>
<td>Waste water to beer ratio</td>
<td>1.3-3 hl/ hl</td>
</tr>
<tr>
<td></td>
<td>lower than water to beer ratio</td>
</tr>
<tr>
<td>BOD</td>
<td>0.6-1.8 kg BOD/.hl beer</td>
</tr>
<tr>
<td>Suspended solids</td>
<td>0.2-0.4 kg SS/ hl beer</td>
</tr>
<tr>
<td>COD/BOD</td>
<td>1.5-1.7</td>
</tr>
<tr>
<td>Nitrogen</td>
<td>30-100 g/m³ waste water</td>
</tr>
<tr>
<td>Phosphorus</td>
<td>30-100 g/m³ waste water</td>
</tr>
<tr>
<td>Heavy metal concentration</td>
<td>very low</td>
</tr>
</tbody>
</table>

The waste water is biodegradable and generally has sufficient nitrogen and phosphorus nutrients to support the biodegradation reaction. Both anaerobic and aerobic degradation processes can be used to remove the organic pollutants from the brewery waste water. Chemical methods such as flocculation and precipitation are not cost effective to reduce the organic pollutants to the

* COD- Chemical oxygen demand.
level meeting the discharge standard because the chemical cost required is high and only a fraction of the COD can be reduced. The anaerobic process is operated without introducing oxygen into the waste water. The anaerobic microorganisms first hydrolyze* the complex organic matters into organic acids. Following that, the microorganisms convert the organic acids into methane gas and carbon dioxide under a neutral pH condition.

The process is summarized as shown below:

```
Fermentative
harterin

Acetogenic
methanoen

Organic wastes → Organic acids and alcohols → CH₄ + CO₂ (NH₃, H₂S)
```

The sewage treatment plant for further treatment to reduce its organic pollutants is done to meet the environmental discharge standard. The anaerobic process produces a relatively small amount of biomass compared to aerobic process. Hence, the waste sludge disposal problem is less for anaerobic processes than for aerobic processes.

8. EMERGENCY CHECKLIST

Site Inspection
- Hazardous raw materials and wastes are stored in bounded and contained areas.
- Spill kits are available in high-risk areas.
- Drainage points are identified.
- Material Safety Data Sheets (MSDS’s) and spill response procedures are accessible.

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* Hydrolysis is a chemical reaction during which molecules of water (H₂O) are split into hydrogen cations (H⁺)


Water Resources Issue in The Face of Climate Changes

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Abstract

Albania has relatively abundant fresh water resources. Seven main rivers run from east to west in Albania. The long-term average discharge into the Mediterranean is \( Q = 1,244 \, \text{m}^3/\text{s} \). The total volume of water flow is \( W = 39,220 \times 10^6 \, \text{per year} \). The specific discharge is very high- \( 29 \, \text{l/s.km}^2 \).

The climate impact in water resources is significant. Albania has currently experienced less rain than ever, therefore dryness of the reservoirs.

Recent studies carried out in the field of climate change for Albania show that climate change will affect Albania with less precipitation, an increase in temperature and a rise in sea level. More specifically, the impact of climate change is found to be significant on water resources. Albania’s coast is one of the parts of the country most vulnerable to the current and expected impacts of climate change.

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1 Dr. Miriam Bogdani Ndini has finished her postgraduate qualification at the VITUKI “Water Research Institute”-Hungary where she obtained the master degree. A range of other qualification in the International Institution enriched her experience as those in Tel Aviv, IZRAEL Near the Institute of Agrometeorology; Varshave, POLONI near the Institute of Meteorology and Water Management; Zaragoza, SPANJE CIEHAM-International Centre for Advanced Mediterranean Agronomic Studies; Kolorado, USA at “US-Forest Service”; Podgorica, Monte Negro-Institute of Hydrometerolgy; Beirut, Liban –UN-ESCWA-Economic and Social Commission for Western Asia; Aleppo, Syria -ICARDA International Centre for Agricultural Research in the Dry Areas. She got the title Doctor since 1997. She works in the Institute of Environment, Water and Energy –INEUM as a hydrologist and is a part time lecturer in the Polytechnic University of Tirana-Department of Hydraulics and Hydro-technique. She works in many EU projects as water specialist.
The water flow differs from year to year under the influence of climatic factors and mainly atmospheric precipitation and air temperature. Other factors, except human influence, have a slow influence, coming after the climatic changes. So from all factors, the climatic one is the most changeable. Climatic changes influence directly in water resources regime and step by step, the changes in flora, relief etc. in natural conditions the hydrologic regime needs century, and the soil and relief much more than this. But, under the human influence these rhythms change a lot in increasing direction.

To evaluate the effects of Climate Change on the water resources, a hydrological rainfall – runoff model was applied. The precipitation and temperature input into the model was spatially averaged using Thiesen method for precipitation and arithmetic mean for temperature. The model was calibrated with data for standard period 1961-2000.

The water flow differs from year to year under the influence of climatic factors and mainly atmospheric precipitation and air temperature. Other factors, except human influence, have a slow influence, coming after the climatic changes. So from all factors, the climatic one is the most changeable. Climatic changes influence directly in water resources regime and step by step, the changes in flora, relief etc. in natural conditions the hydrologic regime needs century, and the soil and relief much more than this. But, under the human influence these rhythms change a lot in increasing direction.

This paper represents some results of the impact of expected changes of climate in water resources for the profiles distributed all over the country and for the period 1961 – 2000. The climate impacts have a consequence on water flow, but man’s influence cannot be ignore, although the watershed and profiles used in this study, are selected in that way to be free of human influence.

Keywords: climate variation, rainfall, runoff, trend analyses

1. INTRODUCTION

The area surrounding Albania has relatively abundant fresh water resources. Seven main rivers run from east to west in Albania. The contribution of the rivers discharging into the Adriatic Sea is very large (95%) compared with the rivers discharging into the Ionian Sea (5%). The long-term average discharge into the Mediterranean is \( Q = 1,244 \text{ m}^3/\text{s} \). The total volume of water flow is \( W = 39,220 \times 10^6 \) per year. There are two characteristic periods in the year
in terms of the water flow; the wet (October – May) and the dry period (June – September). 86% percent of the annual water flow is discharged during the wet period and 8% during the dry period. June is the transition period accounting for 6% of the annual water flow.

Table 1 Long term runoff (Q – Discharge (m3/s); Vx106 - Volume (m3) per year)

<table>
<thead>
<tr>
<th>River basin</th>
<th>Drini</th>
<th>Mati</th>
<th>Ishmi</th>
<th>Erzeni</th>
<th>Shkumbini</th>
<th>Semani</th>
<th>Vjosa</th>
<th>Bistrica</th>
<th>Pavla</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q (m3/s)</td>
<td>675</td>
<td>87.4</td>
<td>19.8</td>
<td>16.9</td>
<td>58.7</td>
<td>86</td>
<td>189</td>
<td>32.1</td>
<td>6.69</td>
<td>72.1</td>
<td>1244</td>
</tr>
<tr>
<td>V x106 (m3)</td>
<td>21287</td>
<td>2756</td>
<td>624</td>
<td>533</td>
<td>1851</td>
<td>2712</td>
<td>5960</td>
<td>1012</td>
<td>211</td>
<td>2274</td>
<td>39220</td>
</tr>
</tbody>
</table>

This paper represents some results of the impact of expected changes of climate in water resources performed in the project Vulnerability & Adaptation Assessment, within the framework of First National Communication in Albania.

The present work provides an overview of climate impact on basic hydrological balance elements for 18 profiles distributed all over the territory of Albania, for the period 1961–2000.

The data used comprised both hydrological and climatologically data based on the mean values. Mean seasonal and annual runoff series are analyzed as well.

To develop the climate change scenarios for Albania MAGICC/SCENGEN2 software is used, recommended by the National Communication Support Program (NCSP) office at UNDP/GEF. The predicted mean changes in temperature and precipitation, were simulated with four GCMs in 2025, 2050, and 2100.

2. Surface Water Assessment

Results of the analyses showed that the long-term mean runoff, precipitation and evapo-transpiration are distributed throughout the seasons as follows:

Runoff: 38.6% occurs in the winter, 35.6% in spring, 16.1% in autumn and 9.7% in summer. Precipitation: 35.3% occurs in the winter, 29.3% in autumn, 24.2% in spring and 11.2% in summer and evapo transpiration: 5.7% occurs in the winter, 20.7% in spring, 27.1% in autumn and 46.5% in summer.

The results of the analyze show that for two seasons (winter and summer) the seasonal variability of runoff is conformity with the seasonal variability.

2 Prepared by CRU/UEA, UK
of precipitation and evapotranspiration, in the sense that the highest and the lowest values of runoff are followed by the highest and lowest values of precipitation and the lowest and highest values of evapotranspiration. The analysis shows the following distribution of long-term runoff, precipitation and evapotranspiration throughout the seasons:

![Figure 1 Distribution of the runoff throughout the season (%)](image)

![Figure 2. Distribution of evaporation](image)

![Figure 3. Distribution of precipitation](image)

For two other seasons (spring and autumn) the value of spring’s runoff is higher that the value of autumn’s runoff although the spring’s precipitation is lowers than the autumn’s precipitation. In this case the snow melt and the antecedent condition of soil should be taken into account. During the spring season the soil is saturated, therefore low infiltration rates increase the surface runoff. During the autumn season the soil is unsaturated, very dry after the summer season, so the higher infiltration the lower surface runoff. Furthermore, evapotranspiration during the autumn is higher than spring.

In an attempt to achieve the goal of our study, the first step is to identify the present situation trends. According to the obtained data it can be seen, that almost all the profiles showed a decreasing trend but only 10 out of 18 profiles showed a significant decreasing trend for annual series.
3. VULNERABILITY ASSESSMENT ON SURFACE WATER

3.1 Evaluation of impact of climate change on the mean annual river runoff

For determining the impact of a changing climate on the mean annual runoff, the a simple model relating runoff–forming factors (annual sum of precipitation and mean annual evapotranspiration) to the long-term mean annual runoff have been tested.

Table 2 shows the average of the expected change of runoff for 18 profiles in comparison with the respective values from the reference period (1961-2000) in percentage, responding to the climatic scenarios, the changes of precipitation and temperatures.

<table>
<thead>
<tr>
<th>CCSA scenarios</th>
<th>2025</th>
<th>2050</th>
<th>2100</th>
</tr>
</thead>
<tbody>
<tr>
<td>T°C</td>
<td>0.8</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>P%</td>
<td>-3.8</td>
<td>-3.4</td>
<td>-3.8</td>
</tr>
<tr>
<td>Runoff change</td>
<td>-8.5</td>
<td>-9.1</td>
<td>-9.6</td>
</tr>
</tbody>
</table>

For 2025 the differences are negligible, for the second time horizon, 2050, more significant and for the third time horizons, 2100, are considerable.

The main result is that the scenario causes decrease of long-term mean annual runoff. It means that decrease of precipitation and increase
of temperature in our conditions leads to decrease of runoff. The degree of decrease varies according to the scenarios employed, but both exhibit acceleration in the decrease towards 2100. The extremity of the decrease in runoff will be increase with the growth of the mean annual temperature, and thus with the broading of the time horizon.

![Figure 6. The mean annual discharges simulated for the level of 2025, 2050 and 2100](image)

### 3.2 EVALUATION OF IMPACT OF CLIMATE CHANGE ON THE SEASONAL RIVER RUNOFF

The Climatic Change Scenarios for Albania (CCSA) anticipates an increase in air temperature and decrease in precipitation for the time horizon chosen (2025, 2050, 2100).

Results of analyses shown that when comparing changes in the seasonal water bearings according to CCSA scenario we can conclude that a decrease in discharges can be expected for all the time horizons. The degree of decrease exhibits acceleration in the decrease toward 2100, which can be seen more clearly in the Figure 5.

The winter period represents a period of increase and decrease in runoff
but in very low values. They varies from –1.67 % to 4.59% for the time horizon 2100. It may be concluded that there are no significant changes for the winter period for all time horizons.

The spring period is the second period after summer in that respect that the expected decrease may reach high values up to –82.5% when the temperature increase by 3OC and precipitation decrease by –7.4% in 2100.

In comparison with the standard (baseline) period, river water resources can markedly change during the summer period, when the anticipated decrease for horizon 2025 may vary from –41.7% to –52.8%. Moving in the direction of farther horizons, the discharges during the summer period rapidly decrease. The decrease may reach up to –99.9% for horizon 2100 when temperature increase by 4.1OC and precipitation decrease by –27%. During the summer time we may expect the highest decrease compared with the other seasons, probably because the climate changes (temperature increase and precipitation decrease) are more significant than the other seasons.

During the autumn period the runoff will be probably gradually decrease from –10.1% to -48.2% for the farthest horizon. The highest decrease –48.2% is observed in 2100 when the temperature increased by 3.8OC and the precipitation decrease by –16.2%.

![Figure 7 The average change in mean runoff according to CCSA scenarios for three time horizons (2025, 2050, 2100)]
5. CONCLUSION

Comparing the results of the changes in river runoff obtained for the CCSA scenario which expect an increase of the long term mean annual and seasonal air temperature and a decrease of mean annual and seasonal precipitation it can be stated that a decrease in the long term mean annual and seasonal runoff has to be expected for the whole territory and for all the three time horizons.

The highest decrease in runoff is expected during the summer period and the lowest one in the winter period. Therefore the runoff during the summer time will be more vulnerable than the runoff during the winter period. The drought of the summer period could reach a severe degree. Spring is the second seasons, which shows high decrease in runoff and after that is coming autumn. The highest decrease in runoff during the summer period does not influence very much the annual runoff because the summer runoff is a small part of the annual runoff (9.7%).

Although the results of the predictive equations seem satisfactory for annual, spring, autumn and winter runoff, for the summer runoff the predictive equation gives unrealistic results. The value of the runoff decrease during the summer time is expected to be the highest one compared with the other seasons but not in those values, which are predicted by the equation. All the equations are not intended to be definitive. There is considerable scope for refining them. However, they can provide information for preliminary studies of water resources planning.

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Conditionality, is it The Right Tool for The EU Integration And Regional Cooperation In Albania?

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Abstract

In recent years, several new studies dealing specifically with the international aspects of transition have been published. As a result of closer scrutiny, assessments of the EU’s role have become more critical. The EU has applied a range of instruments, but the most important has always been the conditions for membership and financial assistance as a tool to fulfil this precise obligation.

It has been more than one decade since 1997, when the EU General Affairs Council adopted the Regional Approach Policy, establishing political and economic conditionality for the development of bilateral relations with the five Western Balkan countries. The conditions included respect for democratic principles, human rights, and the rule of law; protection of minorities; market economy reforms; and regional cooperation. Conditionality was not a new policy, but had in fact formed the basis of EU–East European relations since the end of the Cold War. Within the Central and Eastern European countries, conditionality was introduced with the launching PHARE program and the Europe Agreements. However, the manner in which conditionality was applied in the case of the Western Balkans in the first steps of the Stabilisation and Association process clarified the contours of a distinctly different mode of relations that the EU would maintain with the region.

Within the framework of the Stabilisation and Association Process with the countries of the Western Balkans, the European Union has set up European Partnerships with each of the countries. After the Thessaloniki Summit in 2003, these partnerships set up a framework of priority action and a financial
structure to improve the stability and prosperity of the region, with a view to
greater integration with the EU as these countries are recognised as potential
candidates for membership, apart from Croatia as a candidate country for
which membership negotiations are going on, benefits from its own accession
partnership.

Although the European Union has in many ways supported democratization
in Western Balkans, it has also imposed new constraints on the functioning of
democracy. The principles and norms that dominated enlargement\(^1\) constrained
democratic politics in the applicant countries and limited their EU accession
to a very narrow sphere of elites and experts. Nonetheless, democratization
scholars now generally acknowledged that international dimensions played
a more significant role in the Western Balkan countries than in any previous
cases of transition and that the EU was the most influential external actor in
the region. As a result of closer scrutiny, assessments of the EU’s role have
become more critical. The EU has applied a range of instruments of democracy
promotion which for sure most important are, the conditions for membership
and financial assistance, but the impact of these tends to be overestimated.

By penetrating the domestic politics of applicant countries, integration
into the EU becomes an inseparable part of reproducing their democracy.
Earlier conceptualizations of the international dimensions of democratization
offer limited help for studying these dynamics, for several reasons. First, they
focus on earlier stages of regime change and, hence, on questions related
to bringing about democracy and supporting the establishment of a new
political system. Integration into the EU of these countries, by contrast,
could only properly start after these countries had passed the transition phase
or, in other words, satisfied the Copenhagen political criteria and started to
consolidate. Second, the impact of EU integration differs from that of other
external factors because applicant countries gradually become part of the
EU seen as an organisation with extensive competencies and strong elements
of supranationality. In that case transition countries, Albania included, tends
to be a “model pupil” among the applicants.

**Key words:** European Union, politics, partnership, obligations.

\(^1\) Most notably inevitability, speed, efficiency and expertise;
1. INTRODUCTION

1.1 Conditionality as the unique tool offered by EU

From six members in the 1950’s to 25 in 2004 and 27 in 2007, the European Union can now rightly claim to represent a continent. Stretching from the Atlantic to the Black Sea, it reunites Europe’s western and eastern parts for the first time since they were split by the cold war 60 years ago.

The European Union itself is open to any European country which is democratic, has a market economy and possesses the administrative capacity to handle the rights and obligations of membership. This means enlargement is an ongoing process. The EU has already welcomed successive waves of new members. It has also created a single market and a single currency, and expanded its responsibilities from economic and social policies to cover foreign and security policy as well. Every enlargement has added to the wide cultural and linguistic diversity which is a hallmark of the European Union. The 2004 enlargement, from 15 to 25, was the biggest in the Union’s history. It had its roots in the collapse of communism, symbolised by the fall of the Berlin Wall in 1989. This offered an unexpected and unprecedented opportunity to extend the stability and prosperity enjoyed by EU citizens into Central and Eastern Europe. Bulgaria and Romania became EU members in January 2007.

The experience of previous EU enlargements has shown how well the EU integration process works. But major change is often a cause for concern and the 2004 enlargement was no exception. To meet these concerns, EU leaders agreed in June 2006 that future enlargements will take into account the Union’s capacity to absorb new members. This will not, however, be a precondition for membership but implies the new membership conditions based on conditionality in order to fulfil the core principle of functioning of EU such as functionalism.

The 1992 Maastricht Treaty says\(^2\) that any European state which respects the principles of liberty, democracy, human rights and fundamental freedoms, and the rule of law may apply to join the Union. Further clarification came when EU government heads at a meeting in Copenhagen in 1993 laid down the basic conditions for membership. By the time they join, new members must have:

*stable institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; a functioning market economy*

\(^2\) In Article 49;
and the capacity to cope with competitive pressure and market forces within the Union; the ability to take on the obligations of membership, including support for the aims of the Union. They must have a public administration capable of applying and managing EU laws in practice.

Any European country which respects the principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law may apply to become a member of the Union. The Treaty on European Union sets out the conditions. Applying for EU membership is the start of the long and rigorous process. The official starting point is that a country submits an application. A valid application triggers a sequence of EU evaluation procedures that may - or may not - result in a country eventually being invited to become a member. The speed with which each country advances depends solely on its own progress towards our common goals.

The application from a country wishing to join is submitted to the Council. The European Commission provides a formal opinion on the applicant country, and the Council decides whether to accept the application. Once the Council unanimously agrees a negotiating mandate, negotiations may be formally opened between the candidate and all the Member States. This is not automatic, though. The applicant country must meet a core of criteria before negotiations start.

The so-called “Copenhagen criteria”, requires a candidate country to have:

- stable institutions that guarantee democracy, the rule of law, human rights and respect for and protection of minorities;
- a functioning market economy, as well as the ability to cope with the pressure of competition and the market forces at work inside the Union;
- the ability to assume the obligations of membership, in particular adherence to the objectives of political, economic and monetary union.

In 1995 further clarified that a candidate country must also be able to put the EU rules and procedures into effect. Accession also requires the candidate country to have created the conditions for its integration by adapting its administrative structures. While it is important for EU legislation to be transposed into national legislation, it is even more important for the legislation to be implemented and enforced effectively through the appropriate

3 Treaty of Maastricht: Article 6 and Article 49.
4 Although this invariably arises out of an already strong bilateral relationship with the EU.
5 Set out in December 1993 by the European Council in Copenhagen.
6 The Madrid European Council.
administrative and judicial structures. This is a prerequisite of the mutual trust needed for EU membership.

In addition, the EU must be able to integrate new members: it needs to ensure that its institutions and decision-making processes remain effective and accountable; it needs to be in a position, as it enlarges, to continue developing and implementing common policies in all areas; and it needs to be in a position to continue financing its policies in a sustainable manner.

### 1.2 Conditionality in the case of Western Balkans

Stabilisation and Association Process is the clearest picture of the Conditionality applied for post – conflict countries of Western Balkans. Indirect and unintended impacts of integration have been more pervasive than the EU’s policies of democracy promotion. By penetrating the domestic politics of applicant countries through the financial aid of several projects, integration into the EU becomes an inseparable part of reproducing Copenhagen Criteria’s in those countries. Many authors have seen European Union’s strategy towards the Western Balkans as a hegemonic project. The European Commission’s strategy is neither total exclusion nor rapid integration. The Commission’s aim is to restructure the Western Balkans in line with neo – liberalism to prepare the region for the “reincorporation stage”, using its financial support.

At present, there are three candidate countries, Croatia, Turkey and Macedonia. The other countries of the Western Balkans; Albania, Bosnia and Herzegovina, Montenegro, Serbia and Kosova, have all been promised the prospect of EU membership as and when they are ready. They are known as potential candidate countries. With all the countries of the Western Balkans the EU has established a process which aims to bring them progressively closer to the EU. Thanks to this process, these countries already enjoy free access to that of the EU single market for practically all their exports, as well as EU financial support for their reform efforts. The centrepiece of the process is a Stabilisation and Association Agreement which represents a contractual relationship between the EU and each Western Balkan country, entailing mutual rights and obligations.

The Stabilisation and Association Agreements focus on respect for key

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7 Under UNSC Resolution 1244/99.
8 Known as the Stabilisation and Association process.
9 For an example, see agreement between EU and Albania.
democratic principles and the core elements which are at the heart of the EU single market. Through a free trade area with the EU and the associated disciplines\textsuperscript{10} and benefits\textsuperscript{11} and through reforms designed to achieve the adoption of EU standards, this process will allow the economies of the region to begin to integrate with that of the EU. Provided the conditions are fulfilled, the Stabilisation and Association Agreements can be completed with all Western Balkan countries in 2008, with agreements either signed or in force. These countries have to demonstrate that they will be able to play their part fully as members. Something that as a base condition requires wide support among their citizens, as well as political, legal and technical compliance with the EU’s demanding standards and norms.

The EU operates also conditional approval procedures that ensure new members are admitted only when they have met all requirements, and only with the active consent of the EU institutions and the governments of the EU member states and of the country concerned. The requirements have been spelled out with increasing clarity over the course of the EU’s evolution, to provide the most helpful guidance to countries wishing to join, and to ensure that the EU can maintain its own continued integration.

Countries wishing to join the EU can proceed from one stage of the process to the next, but only once all the conditions at each stage have been met. In this way, the prospect of accession acts as a powerful incentive to reform. The EU policy on enlargement ensures that the process is meticulously managed, so that accession brings benefits simultaneously to the EU and to the countries that join it.

\section*{1.3 Regional cooperation as one of the main conditions for the EU integration}

In April 1997 when the EU General Affairs Council adopted the Regional Approach Policy, establishing political and economic conditionality for the development of bilateral relations\textsuperscript{12} with the five Western Balkan countries. The conditions included respect for democratic principles, human rights, and the rule of law; market economy reforms; and regional cooperation. Within the Central East European Countries, conditionality was introduced with the launching PHARE program and the Europe Agreements. However, the manner

\textsuperscript{10} Competition and state aid rules, intellectual property ., etc.

\textsuperscript{11} For example, rights of establishment.

\textsuperscript{12} Not still for EU integration.
in which conditionality was applied in the case of the Western Balkans in the first steps of the SAA process clarified the contours of a distinctly different mode of relations that the EU would maintain with the region. “The region can be integrated to the EU after the internal economic cohesion through regional cooperation” Within the framework of the SAA process with the countries of the Western Balkans, the European Union has set up European partnerships with each of the countries. After the Thessaloniki Summit in June 2003, these partnerships set up a framework of priority action and a financial structure to improve the stability and prosperity of the region as a whole. The strongest conditionality tool now became CEFTA\textsuperscript{13}, which is a prerequisite for profiting in big projects of communitarian assistance mainly for CARDS and IPA. Neighbourhood Programmes were presented as new programmes for which the European Commission shall allocate € 45 million for a 3-year period\textsuperscript{14}, but without replacing any of the existing regional programmes.

On 16 March 2003 the European Commission launched the Communication on wider Europe, followed by the Communication of 1 July 2003 “A Wider Europe” to prepare the way for the new instrument of neighbourhood. Then the Commission issued the guide notes for the preparation of Neighbourhood Programmes and the implementing Instructions which aim at completing and clarifying in deal how these programmes will be implemented. These programmes are presented as umbrella for the existing regional programmes\textsuperscript{15}.

The objective and the goal of the individual Neighbourhood Programmes\textsuperscript{16} will be set out by the participatory countries. Commission shall approve individual NF following the normal procedure applicable to INTERREG. Furthermore, the Commission shall sight a Financial Agreement with each of the foreign partners\textsuperscript{17} to establish the connection between the internal funds\textsuperscript{18} and external funds\textsuperscript{19}.

\begin{flushleft} 
\textsuperscript{13} Free Trade Agreements with the Southeast European Countries. \\
\textsuperscript{14} € 15 million each year. \\
\textsuperscript{15} INTERREG, PHARE, CBC, Tacis, CARDS and Meda. \\
\textsuperscript{16} For example in Albanian case, three out of four neighbourhood programmes, Albania-Greece, Albania-Italy and Italy-Adriatic have a cross-border nature, whereas the last one CADSES is a trans-regional programme involving 9 EU Member States and 9 other non member states. \\
\textsuperscript{17} Non EU member countries. \\
\textsuperscript{18} Funds to be used inside the EU Member States. \\
\textsuperscript{19} Funds to be used in the non member states. 
\end{flushleft}
2. COMMUNITARIAN FINANCIAL ASSISTANCE AS THE CONDITION FOR POLITICAL AND ECONOMICAL REFORMS IN ALBANIA IN THE FRAMEWORK OF EU INTEGRATION

2.1. Conditionality in the different political stages of EU integration of Albania

Albania has expressed its long-term vision for European Union membership since the transition began. Since 1991, successive Albanian governments have placed in the top European membership of their programs. The peak of relations has been reached when was signed the full text of the Stabilization and Association Agreement and the Agreement between the Republic of Albania and the European Union for Trade and Commercial Cooperation.

Our country has been introduced for two decades in a reform process which is determined by clearly defined conditions starting right after the Copenhagen Summit in 1995, and a series of similar documents such as Royamont processes, the Stability Pact. The Stabilization and Association Agreement summarized in a single principle that the conditionality. SAA framework consists of four pillars: political dialogue and regional cooperation, trade provisions concerning progressive liberalisation of exchanges until the establishment of a free trade area between the parties, Community freedoms and cooperation in priority areas, particularly in the areas of justice and home affairs.

Conditionality, has affected political and social life of the country. Today EU not only conditions but more than that, forcing democracy and social development of the country through policy enforcement, and especially through the aid instruments are presenting the current situation for community donations or assistance in Albania inherent element of this conditioning.

Although the role of positive incentives the EU’s transition to democracy and market economy is fully accepted, it remains to be seen whether the instrument of conditionality of the EU will work is similarly in the case of Western Balkan countries and especially in case of Albania when the demand for internal reform is so deep and detailed if front of a sensitivity to people’s inherited historical identity of the Albanians.

20 June 12, 2006, in Luxembourg.
In Albania, the EU increasingly faced with the doubt that the application of conditionality does not work enough in the direction of reform. At the same time, aiming to stabilize the region, the EU wants to ensure that the progress of reforms will continue. To analyze the structure of incentives provided by the EU for Albania, we need a critical look into the two main instruments of conditionality: the opening of negotiations and further stages in the process of acceptance, support and technical assistance.

In the case of Albania, its transition process has been much more difficult and generally had lower levels of income and structural weaknesses, such as institutional capacity or the rule of law. The dilemma today is facing the EU increasingly in the principle of conditionality of inadequate functioning in terms of reforms. At the same time, the EU seeks to ensure that the pace of reforms in these countries continue to stabilize the region.

Conditionality, used as a dominant approach is developed to explain the effectiveness of EU support reforms towards democracy and market economy in Central and Eastern European Countries. With the use of incentives as “promises”, the EU seeks to effectively influence the reform process in the targeted countries. In this context, the EU relies on a wide range of instruments to influence policy and institutional transformation in Albania. These can be characterized as the opening of negotiations, the provision of legislative and institutional models, support and technical assistance, policy advice and monitoring.

Access to negotiations and other stages of the accession process is strongest instrument of EU conditionality, and thus, the most powerful tool of its institutional change. Moreover, aid assistance has been an important tool by which the EU is the largest source of external financing in Albania.

Financial assistance to Albania is conditional on progress on satisfying the Copenhagen Criteria and on meeting the specific priorities of this European Partnership. The assistance is also subject to the conditions, in particular as regards the recipients’ undertaking to carry out democratic, economic and institutional reforms. Specific conditions are also included in individual annual programmes. The financing decisions have always been followed by a financing agreement signed with Albania.

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21 Failure to respect these conditions could lead the Council to take appropriate measures on the basis of Article 21 of Regulation (EC) No 1085/2006 or, in the case of pre-2007 programmes, on the basis of Article 5 of Regulation (EC) No 2666/2000.

22 defined by the Council in its conclusions of April 1997.
Albania has long taken the reformation course which proceeded in several stages to come to the actual level when integration in the European Union is aspired. These reforms were supported continuously by the EU assistance. The objective of these Community programmes is to support the Western Balkan countries such as Albania, Bosnia and Herzegovina, Croatia, Serbia, Montenegro and Macedonia in their Stabilisation and Association Process.

European Union is the major donor to the Republic of Albania. Financial support of this block of countries was present in Albania since the 90’s and continued to grow every year. Financial assistance offered by the European Union constitutes the main supporting source for the fulfilment of obligations under the Stabilisation and Association Agreement, will the main scope being to support the integration process in Albania, strengthening the rule of law and democratic stability, establishment of European standards and economic and social development.

If we take an overview of the actual situation, and of the donations and Community assistance in Albania, some chapters indicate Community assistance in comparison to the funds provided by other International Institutions such as the World Bank, International Monetary Fund, UNDP etc., analysing similarities and differences in the constituting elements of these funds, and the inputs of this assistance.

Albania’s aspiration is full membership to the EU, which implies meeting some already established standards and criteria. And Community assistance in Albania, inter alia, helps in fulfilling both political and economic criteria, extending to all their composite parts.

2.2. How does the financial instruments were conditional in their principal proposes

2.2.1 PHARE

Since 1992 when Albania signed the Trade and Cooperation Agreement with the EU, Albania becomes eligible for funding under the EU’s PHARE Programme, Mainly in the urgent humanitarian assistance and infrastructure development. We have to note here that still is not a pure conditionality as in the Europe and/or Associations Agreements typical for the CEE countries.

During the 90’s, EU assistance was made possible mainly through the PHARE program and through the important forms of assistance that included

23 Poland and Hungary: Assistance for Restructuring their Economies;
assistance for food security, human assistance in an emergency\textsuperscript{24}, the balance of payments support, for development within election standards in the country, assistance in education projects and loans from the European Investment Bank.

PHARE Programme was the main channel of financial and technical cooperation of the European Union with the countries of Central and Eastern Europe, which until 2000 included several Eastern European countries. PHARE Programme was established in December 1989\textsuperscript{25}, to support the reform process in Poland and Hungary and, in particular, to finance projects to restructure the economy. Since then, the PHARE program has been extended, in all countries. In Albania this program was focused on:

Institutional reform – Ability of the state to preserve internal security and starting to build a public administration based in EU standards;
✓ Judiciary reform – Focused basically in the division of powers and respect of human rights;
✓ Collecting state incomes – Through the different missions in customs and taxations;
✓ Creating a socio – economic database;
✓ Infrastructure development.

\textbf{2.2.2. CARDS}\textsuperscript{26}

Started after Zagreb Summit 1999, for this reason conditions for the EU integration becomes clearer. The priorities listed for the financial assistance have been selected on the basis that it is realistic to expect that Albania can complete them or take them substantially forward over the five years. A distinction is made between short-term priorities, which are expected to be accomplished within one to two years, and medium-term priorities, which are expected to be accomplished within three to four years. The priorities concern both legislation and its implementation. In view of the need to set priorities, clearly there are other tasks for Albania to complete which may become priorities in any future partnership, also taking into account future progress made by Albania. Among the short-term priorities, the key ones have been identified and grouped together at the beginning of the list. The order of these key priorities does not imply a ranking of their importance. Here I will

\textsuperscript{24} ECHO program.
\textsuperscript{25} The order of the Council (EEC) no. 3906/89 (OJ L 375, 23 December 1989).
\textsuperscript{26} Community Assistance for Reconstruction, Development and Stabilisation.
be focused on the political and legislative reforms, as well as market economy and administrative reforms.

A key external relations’ priority for the EU is to promote stability and peace in the Western Balkans, not only on humanitarian grounds but also because the region’s conflicts are at odds with the wider objective of security and prosperity across the continent of Europe. In 2000 aid to the region was streamlined through a new programme called CARDS\textsuperscript{27}. The programme’s wider objective is to support the participation of the countries of the Western Balkans.

The Stabilisation and Association Process is the cornerstone of the European Union’s policy towards the region. It seeks to promote stability within the region whilst also facilitating closer association with the European Union. A key element of the SAP, for countries that have made sufficient progress in terms of political and economic reform and administrative capacity, is a formal contractual relationship with EU in the form of a Stabilisation and Association Agreement. The SAP is designed to help each country to progress at its own pace towards greater European integration. Through the programme €4.6 billion has been provided to this region in the period 2000 to 2006 for investment, institution-building, and other measures to achieve four main objectives:

Main goal of the Community assistance under this programme is the support for the participation of beneficiary countries in the Stabilisation and Association Process and in the implementation of the Stabilisation and Association Agreement signed on 12 June 2006 by the Albanian government;

Financial amount for the implementation of this programme for the period 2000 to 2006 for all the Western Balkans countries is €4 650 million\textsuperscript{28};

Form of Community assistance which is grant\textsuperscript{29};

Strategic framework used to define this programme’s intervention priorities in the beneficiary countries which includes:

Long term strategic framework 2000-2006\textsuperscript{30} which sets long-term objectives and priority fields of action in recipient countries. This document does not define financing funds of CARDS Programme;

Mid-term strategic framework – multiannual indicative programmes for 2-3 year periods for each country receiving Community assistance – which


\textsuperscript{28} Fund allocations to Albania under this programme for the period 2001-2006 amounts to approximately €280 million.

\textsuperscript{29} For free.

\textsuperscript{30} Country Strategic Paper.
are drafted on the grounds of the long-term strategic framework. They reflect priorities set under the Stabilisation and Association Process and priorities agreed with the partners concerned. Such programmes describe the reforms to be carried out by partners in priority sectors. Furthermore, indicative amounts\(^\text{31}\) are given for funding the programme;

Annual action programmes take into account the long-term strategic framework and are based on the multiannual indicative programmes. They are drawn up for each country receiving Community assistance. They set out in detail the aims pursued, the fields of action and the budget provided. The annual action programmes contain a detailed list of projects to be financed and specify the relevant amounts. These programmes are approved by both the granting party and the beneficiary in accordance to the legal procedures of each party.

Main areas of integration for CARDS Programme for Albania, referring to the documents\(^\text{32}\) which ensure the strategic framework of CARDS Programme for Albania and according to which the EU assistance is offered for this period, were:

*Justice and Home Affairs* – including aspects of strengthening the legal system, order, improving integrated border management, the fight against organised crime, trafficking and corruption;

*Administrative capacity building* – including the improvement in general of the implementing capacity and sustainability of the public administration, focusing in those directions which accelerate the Stabilisation and Association Process;

*Economic and social development* – including aspects of trade promotion, education and local infrastructure; capacity and sustainability of the public administration, focusing in those directions which accelerate the Stabilisation and Association Process;

*Economic and social development* – including aspects of trade promotion, education and local infrastructure;

*Environment and natural resources* – includes support in institutional building for the implementation of environment protection programmes, and special attention is paid to improving environment indicators as regards regional and urban planning; *Democratic stability* – includes support and strengthening of the civil society in Albania.

\(^{31}\) Overall and for each sector.

2.2.3. IPA and its components

Started after Thessaloniki Summit, Albania had a clear perspective of EU membership, since 1992 Maastricht Treaty says that any European state which respects the principles of liberty, democracy, human rights and fundamental freedoms, and the rule of law may apply to join the Union. Further clarification came when EU government heads at a meeting in Copenhagen in 1993 laid down the basic conditions for membership. By the time they join, new members must have, stable institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union; and the ability to take on the obligations of membership, including support for the aims of the Union. They must have a public administration capable of applying and managing EU laws in practice.

All of the priorities are detailed in projects and conditions to fulfil benchmarks for the further EU integration. Since 2007 Albania has received EU financial aid under the instrument for pre-accession assistance. The allocation for 2008 totals €70.7 million. More concrete: in Public Administration The EU is currently preparing the Albanian authorities for the decentralized management of EU assistance. In Justice and Home Affairs: The EU is providing technical assistance to the Albanian state police in order to bring them closer to EU standards. Regarding Economic Development: The EU supports Albania in maintaining sustainable growth and increasing the competitiveness of the private sector, as well as in providing a healthy business environment for investment and employment. According Acquis Communautaire: One of the biggest projects, which the EU supports, is the improvement of the health and environmental conditions in four Albanian coastal regions via the construction of an adequate and sustainable water supply and sewerage infrastructure.

The Instrument for Pre-accession Assistance supporting candidate and potential candidate countries shall replace the existing assistance instruments. Albania benefits from two components out of 5, specifically from Component I for Transition Assistance and Institution Building and Component II for Cross-Border Cooperation. However there are opportunities to benefit funding for measures similar to the other components III, IV and V. IPA objective is to ensure full decentralised management, i.e. decentralised management of contracting, grants and payments, with only ex-post rather than ex-ante control. Overall policy,
Main directions leading the EU assistance for Albania under IPA component I shall focus primarily on these fields:

- strengthening of democratic institutions and the rule of law;
- promotion and protection of human rights;
- public administration reform;
- reform in justice and home affairs;
- support to economic reform through private sector assistance, restructuring of industry and modernization of strategic sectors;
- environmental protection policy;
- civil society development and social inclusions.

In addition to the fields mentioned above, potential candidate countries\textsuperscript{34}, assistance in the framework of component I, can be used also to support infrastructure investments under components of regional, rural and human resources development. With the view of strengthening and developing regional cooperation to ensure political stability, security and economic prosperity, so-called multi-beneficiary actions can be supported by IPA Component I. These programmes complement and add value to the support already provided by national programmes.

Multi-beneficiary actions focus on support that requires collaboration among the Beneficiaries, such as regional structures, networks of experts or civil servants, or to tackle needs or problems of a cross-border nature. Under the multi-beneficiary actions, assistance may be offered in areas including project preparation facilities, support to civil society, and support to small and medium-sized enterprises, municipal finance facilities and municipal infrastructure. Support is also foreseen in a wide range of policy areas such as judicial and police cooperation, internal market, public administration reform, environment, transport, energy, and statistics amongst others.

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3.2. Authors

3.3. Records
The Fragmented Information System in The Harbor District of Durrës; Analyses, Risks and Challenges of E-Bussiness in The New Era of Global Economy

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Abstract

All the development of Durrës city, its nearly three thousand year old civilization, its history and progress, are related to the biggest harbor of the country and its economic importance as a strategic location in the global market.

Durrës harbor not only provides most of the national shipping trade, but is also a multi-modal traffic node, offering to the city a favorable position concerning “Corridor VIII”, which will facilitate the transportation of goods to Europe.

This paper investigates the analyses of “fragmented” information in the biggest market of shipping services in which various state and private operators cooperate and manage the traffic in the conditions of lacking an integrated information system as well as the risks related to that.

It is evident the need for a coordination of information and statistics which play an essential role in modern industries especially in the sphere of transport and logistics.

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E-business, the utilization of information and communication technologies and digital platforms in support of all the activities of business, will be the challenges of Harbor District of Durrës in the “New Era of Global Economy”.

**Keywords:** information system, ICT, E-business, global economy, harbor of Durrës.

1. **INTRODUCTION**

Paper focuses on the region of Durrës port, the largest port of Albania as one of the most important and strategic region of national economy as Durrës harbor not only provides most of the national shipping trade, but is also a multi-modal traffic node, offering to the city a favorable position concerning “Corridor VIII”, which will facilitate the transportation of goods to Europe.

This paper investigates the analyses of “fragmented” information in the biggest market of shipping services in which various state and private operators cooperate and manage the harbor traffic in the conditions of lacking an integrated information system as well as the risks related to that.

The analysis follow the path of the long and fragmented information about the management of port traffic in the world of multimodal Transport & Logistics (T&L) by highlighting the risks that come from lack of an integrated information system for the whole port region and the paleness of performance; it is evident the need for a coordination of information and statistics which play an essential roles in modern industry especially in the sphere of T&L.

In the paper is used the methods of scientific researches and also the quantitative and qualitative analysis of surveys conducted to port actors “in site”.

Innovation is the idea that digital platforms like the E-business will be the challenge of Harbor District of Durrës in the “New Era of Global Economy”.

2. **PORT OF DURRËS - HIS HISTORY AND ECONOMICAL AND STRATEGIC IMPORTANCE AS LARGEST ALBANIAN HARBOR IN CORRIDOR VIII**

All the development of Durrës city, its nearly three thousand year old civilization, its history and progress, are related to the biggest harbor of the country and its economic importance as a strategic location in the global market.
It is difficult to be said if the port was established in the town, or became due to the creation of the city. The whole development of Durrës, his civilization around three thousand years, its history and progress, associated with the seaport and its economic and strategic importance.

Durrës port region has a marine reservoir with surface of 67 ha, storage area of 270 thousand m2 and 11 aprons with overall length of 2.2 km. The port is located 300 m from the center, 500 m from the train station and is connected to the main nodes of the highway of the country. The seaport of Durrës is the country’s main port and one of the biggest in Adriatic and Ionian seas; its geographic location has given a berth with considerable surface, depth and protection from winds and a natural gateway for the traffic between Europe and the Balkans.

Departing from the Port of Durrës starts the corridor East-West, or the “Corridor VIII” that connect the Adriatic with the Black Sea (port of Varna and Burgas, Bulgaria).

The Second Pan-European Conference of Transport (Crete 1994) determined the East-West corridor as a priority of the nine transport networks in Europe and conditioned an effective collaboration between European countries in identification of the links that are missing, obstacles, areas of poor integration across priority corridors in cooperation with international financial institutions.

Law 9130 date 09.08.2003 “For the Port Authority”, pioneering the fundamental changes in Durrës Port Authority (Autoriteti Portual Durrës - APD), stresses the need to have an integrated main port in the sectored plan key sector as an integral part of the system of international ports. Although a national strategy for ports is not ready yet in Albania, the study of Master Plan of Port of Durrës is developed by recognizing that this port will be the main port that will support the development of commerce in Albania and predicts the expansion of Port of Durrës as the most important port to hold the lead role among other ports.

Commercially, Port of Durrës wants to access its resource with efficiency, to be attractive and increase competition, to approach port services and infrastructure according to international practices, to provide a set of port services at a reasonable cost, harmonized with practices and international standards concerning the quality, quantity, safety and environmental protection as well as aiming to link the national economy with the international market and European neighboring countries in order to advance the development of the Albanian economy.
Over 90% of import/export trade is conducted by global shipping industry. “As a rule, the mode of transportation provides the cheapest means of moving products. It is more suitable for large products, small value that does not break down easily….In many cases, may provide an advantage of international services that combines two or more methods of transportation”. (2010 B. Ceku, “Marketing Database”)

The Sector of industry T&L covers all modes of transport air, land, sea and rail as well as related services such as tillage, storage, loading and unloading and eventually value added services such as packaging, labeling, accumulation, etc.. In addition to these services “physical”, T&L includes all types of services planning, organization and management in the area T&L which has a trend of integration and globalization.

In the national economy, the port of Durrës is the largest national port through which is accomplished 85% of the Albanian port traffic in the regional context.

Durrës harbor not only provides most of the national shipping trade, but is also a multi-modal traffic node, offering to the city a favorable position concerning “Corridor VIII”, which will facilitate the transportation of goods to Europe.

Historically, the countries are involved in intensively in the development of their ports through the presence of the state itself as the main responsible for port activities, from the investments to intensify the development, to security and establishing clear policies for optimizing the capacity of port of Durrës, to the concept of further and long-term development of port region of Durrës. The enforcement of existing legislation and recommendations that have been given by International Institutions, have led to the creation of the Advisory Council of Port Region, which is a statutory body consisting of 11 members representatives from state and private sector, providing to the business, international standards services at competitive prices. APD aims (Law Nr.9130 08.09.2003, “For Port Authority “):
- implement a development strategy in the infrastructure, superstructure, equipment, financial and human resources of loading ports of Republic of Albania, as an effective support for achieving social and economic
objectives at the local and regional objectives for the implementation of trade competitive;
✓ make the most efficient and commercially oriented system of ports of Albania, to enhance competitiveness, assist economic development through direct investment from the private sector, to reduce public expenditure and modernization of ports;
✓ to turn the ports of the “service port” in “port land management”, to increase the independence of the commercial port;
✓ to make similar port services and infrastructure under international practices, to the same standards between countries;
✓ provide a set of high level services in order to satisfy such a reasonable cost with the needs of users;
✓ gesture a high level of safety and environmental protection;
✓ to provide a high degree of independence to manage the port, and for different operators, who perform services at the port;
✓ provide concession or lease certain equipment for port operations;
✓ to coordinate marine activities and transport system.

The state encourages the attraction of private actors in the port sector, to their ability to perform so excellent services and the ability to invest in port infrastructure to enhance the image, security and credibility at the Port of Durrës.

In the region port except APD, perform a series of port state actors as well as through further privatization and fiscal expansion in the area, aims to increase the number of private actors operating within the port area. Increased efficiency of management in the port region will be realized on one hand through collaboration with the APD, with more than 1500 port stakeholders, with the development of strategies and policies to be appropriate for commercial orientation of the port and port traffic management. Another side is the establishment of partnership relations with all port clients and mainly with ship owners in terms of goods often-diverse interests of conflict between them.

While cooperation with foreign operators as global business partners is very important in Albania’s main entrance gate on important global market. So port actors because of the studying, are categorized into six categories as APD, Institutional port actors, port agency services, port operators, stock-owners and ship-owners.
4. THE IMPORTANCE OF STATISTICS AND INFORMATION COORDINATION IN THE MODERN, TRANSPORT, LOGISTICS INDUSTRY

It is evident the need for a coordination of information and statistics which play an essential role in modern industries especially in the sphere of transport and logistics.

APD as a public entity and public institution needs a port system to collect statistical data for the purpose of regional planning, marketing, development of port and port traffic management that has to do with floating vessels that anchor in the harbor. Creating a database with details of ships in port (by IMO\(^2\)), vessels that are expected to come and the assessment of performance of the vessels left, will improve the operations.

Information is one of many sources of business, the cost of which has fallen significantly over the last decade. Management is still in the infancy of learning how to consider information as a business asset, but culture in this area is changing very quickly. Industry T&L has as main objective: “...getting accurate information from the appropriate person at the right time, in order that the right decision for the right reason - beat competitor”.

“Logistics market requires integrated logistics systems (ILS), including materials management, flow systems, distribution and information and communication technology (ICT). Terminals of service stations, uniformity of services and goods codes, satellite tracking of their location, the exchange of electronic data and electronic funds transfers are some of the more contemporary format. These have reduced the time of booking orders and have reduced work in offices, have reduced the extent of errors in documents and can provide improved control of operations. (2009 B. Korsita “Direction of delivery and logistics”)

The world has already been moved from the industrial economy to the networked, digital economy. In this new informational era, characterized by the fast growth and development of ICT (Information and Communication Technologies), a further and faster expansion of Internationalization and globalization processes can be easily noted. The economic world has moved from cluster of national economies to a global, wide, international marketplace.

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2 IMO – International Maritime Organisation
Though, the emergence of global business models based on digital technologies and Internet has become an imperative for businesses of all size.

To measure the performance in ports is required a number of data to be processed on the following indicators, which make the controllable performance indicators such as financial performance, port, shipping, operations and trucks. (HPC-Hamburg Port Consulting GmbH, February 2009 “Improvement of operations at the Port of Durrës”).

Source of information and links are subject to our study.

International business T&L provides the use of platforms and digital as provider-leading global in solutions e-commerce to T&L oceanic, as fast and efficiently applications in a virtual stall that performs not only informing the buyers, communication, promotion as well as selling of services online. The majority of B2B e-commerce of T&L Global accomplishes through platforms such the direct connection that remains neutral and does not take possession of goods or services by providing access and quick procedure and multiple global organizations.

In the article are taken as model the platforms of global industry T&L serving to the consignees, owners of ships container, brokerage and their partners, offering a schedule full traceability “web-based” oceanic lines of container that implement reservation, billing and payment service on-line. The access in them is simply by combining channel solutions: Link (EDI-based, system-to-system connection), Desktop (off-line PC application), or Act (web-based application).

Using such a platform does not already means more visits in many website and gathering data from various sources, but it means searching to integrate a digital platform where hundreds of thousands of containerized lines projected per weeks inheriting more than 10% global containerized trade.

Customers integrate to the intranet have the advantage of super fast connections and multiple XML and EDI between the platform and carrier partners by saving time and money on management and maintenance of operations. Here is combined the expert “know-how” of e-commerce “with an understanding of the operations of oceanic global logistics systems, and market needs.

“Albania today is suffering from underdeveloped infrastructure, especially in telecommunications. Even though, it is one of the developing countries, which have defined the development of ICT technologies as important part of their strategy.
The main goal is to improve the ICT sector and raise its use, productivity and efficiency”. (2009 Sevrani K. Gorica K. “Effects of information technology on models of distribution and sales channels, performance and productivity of businesses: some marketing implication on E-business”)

Part of Albanian ICT development strategy in the transport industry, will be the engagement of public administration in related projects. The aim of this involvement is the creation of a database of information of all Shipping Industry Supply.

Innovation of the article is the idea that this will be the first step in creating the Integrated Systems of T&L in Albania.

5. THE ANALYZING INFORMATION OF THE BIGGEST NATIONAL MARKET OF THE SERVICES AND RISKS.

This paper investigates the analyses of “fragmented” information in the biggest market of shipping services in which various state and private operators cooperate and manage the traffic in the conditions of lacking an integrated information system as well as the risks related to that.

In this article, it is chosen the method of six categories of the regional actors of Durrës and the qualitative analyzing of what is given (total 50) in Annex I.

I. Durrës Port Authority

Durrës Port Authority (Autoriteti Portual Durrës) APD needs exact information from all the agents for the expecting traffic and the planning out of structure, technology and the economic services (HPC Hamburg Port Consulting, Feb 2009 “The improvement of the operations in the Durrës harbor). It uses Albanian software in its own local region and is preparing for the giving and electronic banking of the operations. At this moment there is no online communication with the other actors.

II. The Institutional Actors

Durrës Master Harbor (Kapiteneria e Pergjithshme e Porteve) KPPSH takes information manually from the agents for the arrival of a watercraft and plans the sources and input for the watercraft, the start and the observation of the safety measures, the discipline and the control of the traffic in the sea and the harbor. Through professional software in stalled in the central server till 400 miles of the whole Albanian space.
Durrës Port Registry (Regjistri Detar Porti Durrës) RDPD is doing inspections, classifications and certifications of the watercraft but it has no indicator of the information. It would be very necessary the existence of a software which would help in recoding and registering all the data for the watercraft.

Durrës District Frontier Police (Drejtoria Rajonale e Policisë së Kufirit & Emigracionit) DRPKE has as its objective the protection of the border and they are actually working now with a professional software (RMSI-TIMS) of the police in the national area but there is nothing but traditional communication with almost all the other actors.

Albanian National Network of Customs (Rrjeti kombëtar i Drejtorisë së Doganave) DDD uses the system of managing the declarations all entirely digitalized Asycuda World through which only the agents connect with.

III The Agencies of the Services

Shipping Service Company (Anijet e Shërbimit Detar ASHD), Shipping Cleaning Company (Pastrimi Detar PDD), Import-export agencies (Agjensi import-exporti AIE) - 638 companies, Customs Agencies (Agjensi Doganore ADG) - 112 companies, Shipping Transport Agencies (Agjensi Transporti Detar ATD) - 79 companies or passengers (Agjensi transport pasagjerësh ATP) - 238 companies or goods (Agjensi mallrash ATM) - 356 companies.

ATD, ATP use the software “Forth Crs” and “Citrix” for the working of the jobs with the global operators and communicate only traditionally with the local operators and APD.

ATM spends a lot for the pone and communicates only traditionally with the actors thinking that the time of business has come.

AIE of containers logistics sails in the digital platforms of the global companies and plans the operations of a line totally “web-based”. They operate in different platforms; their relationships with the local operators and actors cut off to continue with faxes, scanned manual bills whether with the institutional actors they exchange information with writing and faxes.

IV. Shipping Operators

The three companies OPD of the market have no indicator of the management and communicate with other traditional actors.

V. Ship-owners

The Owners of the Ships PA request for information in connection with
the prices, traffic from APD, in accordance with the providing the vehicles from OPD and the working of the boat from ATM in a way that his ship can stay the least amount of time on the harbor. The information comes very late, not complete at a time that the global market operates electronically.

6. STOCK-OWNERS

PM request in any moment from AIE the information of the placement of their new stock, information from APD for facilitating the quickest way of bringing back the product and the continuation of the logistic chains towards hinterland. AIE takes information from the digital platform and with PM continues communicating traditionally, even so with the ADG. By the analysis of the actors that operate in Durrës is seen:

- ✓ the connection with the local operators is done with each other with writings, faxes, radio, phones, email in a missing system of information in connection with the traffic
- ✓ in general in private companies misses the computers
- ✓ every job opening is recorded in the internet
- ✓ very few have their professional programs installed
- ✓ the bankable receipts and paying are scanned and resent with fax in the platforms of the global market
- ✓ the faxing of the services from the global market are done online
- ✓ the faxing of the services for the local market continue to be done with paper bill
- ✓ the system of the information has its own risks. in this paper is analyzed the coordination of the missing information in the region of Durrës creating the mosaic of the local systems of the information at the actors (of their missing) that communicate slowly softening the performance of the services and traffic management.

Theoretically “Actually the companies have opportunity to share information with each other; but they prefer to share as little information as possible because of the concerns for the privacy and competition, getting scared from the exit of the information in the hands of the competitors and the effect “boomerang” of the exit of the information. But the need of sharing the information continues to grow after the clients continue to search even more from restocking chains. The companies that will find the way of sharing the data will be they that will create the chains of restocking with the
competitors…” (2009 Korsita B. Drejtimi i shpëndarjes dhe logjistika)

The lack of an integrated information system brings:
✓ A lack of the performance in the region
✓ A lack of good management of the traffic
✓ Lowers the activation of the region of Durrës against regional harbors
✓ Lowers the income of the industry T&L and national economy

7. E-BUSINESS CHALLENGE – ICT IN SUPPORT OF ALL THE ACTIVITIES OF BUSINESS IN THE HARBOR DISTRICT OF DURRËS

E-business, the utilization of information and communication technologies ICT in support of all the activities of business, will be the challenge of Harbor District of Durrës in the “New Era of Global Economy”.

E-business has become fast growing area in the Internet economy and represents crucial imperative for small and medium size businesses in order to create and maintain competitive advantage on the global market. The rapid adoption of e-business models is shaping the future of global businesses and driving deep and profound changes in the structure of small and medium size businesses practices of organizations and the interactions between companies. The strength points of using ICT are related especially to marketing activities, structural and organizational problems, but especially as follows:
✓ communications perspective
✓ a commercial (trading) perspective
✓ a business process perspective
✓ a service perspective
✓ learning perspective
✓ a collaborative perspective
✓ a community perspective

It is evident now, that the companies’ strategies will both have, at the same time, the dimension of internationalization and digitalization, having in mind the character of the information and the importance of the Internet.

From the actors, only AIE sustained entirely in the services of Internet, manage the traffic from “dedicated transshipment hubs” of global container Transship till the Harbor of Durrës with operations web-based optimized and a well managed cost. Through the simple installation of the digital platforms of their global partners, the Albanian brokers can:
Create direct documentation of booking of logistic lines from the platform
Send booking directly to the owners of the ships via web
To access the full global itinerary of their container from the origin destination
To book free direct itineraries in the platform of the ships
To use what is given standardized of the multimodal lines
To grow the efficiency of the service by speeding the workflow processes

The e-business challenge in the region will include the use of the digital platforms that will offer easiness in doing direct transactions of the inline services, the information of all the buyers, for communicating, promotion for selling all the services on internet. The day will come very soon when all the e-business practices will be made online and all the actors will use different strategies for competing online.

Of course, e-business in the regional harbor of Durrës will bring a challenge for all the operators. “Many late companies in the online system are unsure if they need to put in an online commercial channel. Some of them have already built a website where they describe their businesses, but have resisted the request of adding an electronic channel on their website. The pattern of integration of the business has opened the way for a virtual integration. The performance of the integrated system of the channels is an obvious improvement that the companies can always improve in this field.

Now the companies have the opportunity to share information with each other, but they prefer to share the least amount of information because of the concern of the privacy and competition, getting scared of the fact that the information will go in the hands of the competitors and the effect “boomerang” of the exit of the information. But the need of sharing the information continues to grow after the clients continue to search even more from restocking chains. The companies that will find the way of sharing the data will be they that will create the chains of restocking with the competitors.

8. THE ADVANTAGES AND DISADVANTAGES OF THE REGION OF DURRËS

The actors of the services have many alternatives for achieving the market. They can sell directly or use channels with one, two or three levels. The effective management of the channel requires a selection of intermediates, training and their motivation.
The main goal is the creation of a lifelong partnership that will be very beneficial for all the members of the channel. With the advance of the internet and the digital era in general, the industry of the services is operating through new virtual patterns such as telemarketing or telecommuting that makes possible working outside the region sustained in the digital platforms and telecommunication.

Through e-business it is realized the electronic data interchange EDI; therefore the standard business transactions are made according to standard formats of the companies sustained in the same digital platform would be a choice for the community.

The trend of cooperation of information industry and T&L industry creates these advantages in Harbor District of Durrës:

✓ a full and fast information relating of shipping services
✓ diminution of transactions errors
✓ eliminating of hard copy documents
✓ a better traffic management
✓ a better services coordination of APD and the others private and public actors
✓ an operators open databases connectivity
✓ efficiency towards the tradition
✓ velocity in the global business transactions
✓ a business intelligence
✓ an improved performance of district
✓ a superior financial performance; the companies of T&L improve the efficiency, velocity and intelligence in business
✓ an increasing of attraction of Durrës port
✓ The disadvantages of Albania are a lot as follows:
✓ the lack of master-plan of Durrës port
✓ the lack of digitalizing projects of district
✓ the difficulties of coordination and unifying between operators
✓ the economical cost of software and hardware specific solution
✓ the need to train and consult the actual staff
✓ the need to continuous assistance
✓ the information security
✓ the defense of unauthorized users
✓ the lack of updating disorders the database

The use of electronic bulletin board accessible of various actors, the GPS systems (global positioning systems) to track the vehicles of multimodal and
intermodal transport by satellite, and the sophisticated services of ICT will improve the advantages of virtual business of Harbor District of Durrës.

9. CONCLUSIONS AND RECOMMENDATIONS

Until now, there is any management information system but the actors operate with Microsoft Office Packet or “stand alone” systems supported in separated LANs.

It is urgent a wider digitalization, based in the international advanced experience and the links of Albanian companies with the other global partners.

All goods orders and the other port actors of the chain of T&L must be accessible online to the Durrës port information.

PM order online and want to know the coordination of their goods in every time; PA wants to know the placement of their ship in every time and the arrival time in port; the shipping operators OPD want to share their sources to minimize the late time of the ships; ADG want to deliver in time the full ship documentation in APD and DDG to sure a free transit of load and the ship; AIE want to know the coordinates of every container in the port to orient the delivering of the goods to orders; KPPSH must know the ETA and the ETD of every ship to organize the workflow…

The new of this paper is the idea to create an unique digital platform to help the management of the port multimodal traffic in Harbor District of Durrës.

It is recommended that APD must full unify and digitalize in an integrated system the traffic information offering access to public institutions and the private shipping services actors operating in Port of Durrës; this will request a re-engineering of all businesses actors almost.

This will give the role of leadership port of national, district and global economy really, to the Port of Durrës.

Durrës Port, must not only to realize the most of shipping national trade, but it must offer the district a favorable position relating to Corridor VIII and to create the facilitates to transport the goods to Europe.

The Master-Plan of Durrës Port Authority forecast that the extending of fiscal zone, a double capacity of private shipping services will realize.

The private broker actors supported by ICT navigate in the global platforms of T&L – a sample to follow.
To realize this study, first, is used the five years experience’s authors as informatics consultant in the Durrës Port Authority. Secondly, are used the ideas of professionals of APD and the other actors.

Today, the big port districts everywhere in the world, are running to change to “Cyber-harbors”. The Port of Hamburg uses the Dakosy\(^3\), a digital business platform.

The new is the idea that this would be the future of Harbor District of Durrës – a main integrated harbor in the sectored plan, a port of Balkan district. This will request a transformation of shipping traffic information industry towards to Durrës Cyber Harbor.

A fully digitalized center of information and statistics would give an exact and detailed information to all foreign and local shipping operators, creating the facilities to all types of port actors in an unique coordinated system of information.

The racing advantages of information technology realize the mostly incomes of logistics efficiency in the New Era of global economy.

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E-Commerce in Albania – Legal and Economic Perspective

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Abstract

The use of E-commerce is being more often a time permanent necessarily for applications in practice, especially in the conditions where the society is

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became more and more contemporary. The development of Albanian society towards computing, the crescent use of internet consumers and the need for a continuity reformation is became an unpreventable criterion of Albanian society toward integrations, broken so every boundaries between countries. Selling through websites is the fastest growing method of trading worldwide. There are many different types of products and services that are traded online now a days including books, CDs, cars, holidays, clothes, and insurance. The notable projects are undertaken by Albanian government, such as Digital Registration Population of Albania, E-Learning and E-School, etc. The object and the aim of this study is to analyze the development and the structure of e-Commerce, the emergent necessarily of e-Commerce as a development possibility, the demand and the possibilities in the EU countries concentrating mainly in the case of Albania from legal and economical point of view. The European E-commerce guideline (2000/31/EG), implemented in national laws, such is: The Albania legal framework for electronic Commerce and the national law No. 9135, date 11.9.2003 for consumer protection. An important issues discussed in this paper are the action plan for electronic Commerce and the steps for the development of e-commerce in Albania and although the outlay on developing a good website is substantial the potential benefits are enormous in providing most types of business with a competitive advantage.

**Keywords:** E-Commerce, E-Services, integration, trading, law, economic, websites.

1. **INTRODUCTION**

Electronic commerce technologies have been studied extensively, especially in the field of Economy and Informatics. In recent years, there are many aspects of research in electronic commerce, including supply chain model, Internet auctions, decrease the volume of the Internet, electronic banking and stock trading, and others.

The growth of electronic commerce research activities can be observed in a number of other areas. Nowadays it is almost true to say that the development of electronic communication technologies and especially the Internet has revolutionized the traditional methods of purchasing access to tratativat and created at the same time a global market for exchanging goods and services. The use of information technologies creates opportunities to connect parties
to a contract that provides more speed and ease with which traditional means of making the contracts can not be compared easily. This phenomenon has transformed the country in which the related contracts, not only by reducing distances and cutting the time but also influenced the understanding and perception of stakeholders about agreements.

Electronic means of exchanging data is very convenient and is also an effective substitute for traditional written documents transmission between the parties and the number of people buy and sell on-line financial transactions and the increased tens of times.

This article is designed to present an overview of European legislation in relation to E-Commerce. Here are the main areas of legislation addressed and ways to respond to the contracting parties against the norms of legislation. Moreover, this material will include a number of suggestions which are based on a combination of legislation and best practice. In explaining the legal and economic trends, it is inevitable that even Albania soon face the need for a legal framework on trade electronic, viewing this as a prerequisite to inclusion of Albania in the European Union. Best practices and the adoption of legislation with international legal requirements of EU Directives for electronic commerce, connection distance contracts and consumer protection, and electronic signatures will be Albania’s guide to achieve and to comply with those standards.

This article will consider the current structure (legal framework) of the European Union in regulating the interactions of large area electronic communication. In the context of efforts that are making Albania for EU integration, this theme aims to bring an example of the way through which to move the Albanian legislation.

As “e-commerce”, called electronic commerce is growing in popularity day by day as well as in purpose, other instruments older will probably come out function. New laws will be added and existing ones should be developed further, vary in accordance with the specific requirements of new modern instruments of communication. Anticipating legal guidelines for electronic contracts, the recognition of documents in electronic format, the knowledge of “electronic signature” (e-signature), consumer protection, protection of copyright (copyright), electronic funds transfer, card use credit and debit, domain names, the responsibilities of ISPs or conflict resolution will increase the stability and predictability of legal environment for e-business and will further develop consumer confidence in on-line services (e-service). Moreover, legal provisions of the directive on electronic communications
will further complete the legal framework. The purpose of this article is to encourage activities in this area and to bring an interest to researchers in electronic commerce.

2. WHAT IS E-COMMERCE?

Electronic commerce, commonly known as ("e-Bazaar") E-commerce or eCommerce, consists of purchases and sales of products and/or services through electronic systems such as the Internet and other computer networks\(^4\). Develop Commerce transmitted electronically has grown tremendously with the widespread use of Internet nowadays. One of the most significant characteristics of electronic communication is his character without boundaries, which allows users to communicate and to conclude contracts with the same ease regardless of where the other party to the contract can be located. Normally barriers caused by distance and administrative boundaries to the electronic pass.

The use of electronic commerce is done in this way, promote and attract new ones or on innovations in electronic funds transfer, supply chain management, Internet marketing, processing on-line transactions, electronic data exchange (Electronic Data Interchange - EDI), inventory management systems, and automatic data collection systems.

Business “modern” advanced electronics usually uses World Wide Web at least at a certain point the flow of life cycle, although it can also include a wide range of technologies such as e-mail. A percentage of the electronic commerce is entirely electronically for items virtual such as access to the main content of a website (web site), but most electronic commerce involves the transportation one way of physical objects. Online retailers sometimes known as e-tailers (e-merchants) and online retail is known as e-tail (e-tail). Electronic markets are platforms that provide support for transactions in the market for sales or on-line purchases of goods and services. Electronic commerce conducted between businesses is referred to as business-to-business or B2B (business-to-business). B2B can be open to all interested parties (e.g. good exchanges) or limited to certain special specifications, the participants of the pre-qualification (private market electronic). Electronic trade carry on between businesses and consumers, on the other hand, is known as trade business-consumer or

B2C (business-to-consumer). This is the type of electronic commerce made by companies such as Amazon.com. “Bazaar On-line” is a form of electronic commerce where the buyer is directly online with the computer usually through internet retailer. There is no intermediary service.

Sales and purchases transactions completed electronically in real interactive time, such as Amazon.com for new books. If an intermediary is present, then the sale and purchase transaction is called electronic commerce, as eBay.com. Electronic trade is generally considered to be in terms of sales e-bissnes. It also consists of data exchange to facilitate the financing and payment aspects of business transactions.

3. FUNDAMENTAL PRINCIPLES OF E-COMMERCE

3.1 Public Policy Principles for Electronic Commerce and Insurance

The rapidly growing Internet economy has raised numerous questions and issues regarding government policy with respect to the electronic marketplace. Insurance markets, while similar in many respects to markets for other goods and services, also present unique issues and requirements that need to be considered in the formation of e-commerce policy. In this article, several governing principles are proposed to guide and assist policymakers as they define the role of government in e-commerce generally and specifically as it applies to the business of insurance.

3.2 Government’s Role in the Electronic Marketplace

The emergence of the electronic marketplace appears to be causing much less dislocation throughout the economy than previously expected. Rather than simply shifting business away from traditional “bricks and mortar” operations to Internet-based operations, e-commerce appears to be generating a significant amount of entirely new economic activity -- activity that would not have occurred without e-commerce. In retrospect, this fact is not surprising when one considers two of the inherent benefits and advantages of e-commerce -- increased access to markets bringing more buyers and sellers together, and more and better information available to buyers describing competing products.

and services. The Internet is often lauded as an educational tool because of the way it provides expanded access to seemingly unlimited information on virtually any subject. The Internet appears to be having a similar beneficial effect on the economy by providing a new marketplace where consumers have more options and more information to assist them in making economic decisions. Additionally, because the electronic marketplace is often more efficient than traditional markets, buyers and sellers can benefit from lower prices and lower costs.

What then should be government policy toward the Internet economy? As with the medical profession, the first requirement should be to “do no harm.” Any potential involvement in the electronic marketplace should be carefully examined to ensure that the impact of government involvement is fully understood. Following this basic rule, government policy toward e-commerce should be based on the following broad objectives:

- protecting the integrity of the system;
- promoting competition by providing open markets; and
- ensuring regulatory efficiency and supporting efforts to maximize system efficiency.

Specific issues within each of these broad objectives are discussed below, with special emphasis on implications for the insurance industry and efforts underway to ensure sound public policy in the area.

3.3 Safety

Safety is the primary issue for the operation of IT systems generally and for electronic governance in particular. Physical protection of equipment is necessary to reduce the risk of unauthorized access to data and to protect against loss or damage. Security in electronic governance will increase in line with the implementation of security policies. Local government institutions are part of the network of Albania’s government and part of the safety standards and regulations. Mostly of these institutions is a lack of proper physical security of information technology equipment and data security. Implementation of projects without respecting standards has resulted in reducing of data security, making data transfer through physically memorouse devices (USB, CD, etc.). Increased data security or increasing physical security should be by centralization projects in accordance with applicable policies or standards for safety DTI.
3.4 The Growing Internet Economy

The Internet economy is continuing to grow at an unprecedented rate. Online retail sales to consumers in the U.S. totaled $36.6 billion in 1999, 120% above 1998 sales. European online sales grew even more rapidly in 1999. Consumer-based e-commerce is only part of the total e-commerce picture. Business-to-business Internet transactions worldwide totaled $145 billion in 1999, and are expected to $7.3 trillion in 2004. The insurance industry is rapidly establishing its presence in the electronic marketplace. E-commerce insurance sales in the U.S. are expected to total $2.1 billion in 2001. Sales of life insurance products and personal lines property and casualty coverages are expected to grow most rapidly. By 2005, 10% of all personal lines insurance purchased in the U.S. and 5% of all personal insurance in Europe will be purchased online. Significant growth in commercial insurance areas also is expected.

4. E-COMMERCE IN THE EUROPEAN UNION

4.1. E-commerce in the European Union directives on electronic communications

In order to examine the experience of European countries is necessary to review the directives on the use of electronic contracts.

Three are the most important directives:

Protect consumers Directive in contracts related to the distance of 1997 which includes even the forms of electronic connectivity contracts\(^6\). This directive is implemented by member states in June of 2000.

The directives for Electronics firms of 1999 which is implemented by member states from 19 July 2001\(^7\).

Electronic Commerce Directive of 2000 which is implemented by member states before 17 January 2002\(^8\).


4.1.1. Directive for protection of the consumers in contracts related in the distance of 1997 which applies for all forms of remote sales and also includes provisions specifically related to the use of electronic communications, this directive is applicable in EU member countries since June 2000.

The Directive define the distance contracts as a contracts related between a supplier and a customer for goods and services under a arranged distance sales or in a service scheme run by the supplier who for the purpose of contract uses exclusively one or several communication tools in distance until in the moment of end of the contract between the parties. In the Annex 1 of this Directive is a descriptive list of communications technologies where besides the usual tools such as letters, including press advertising is including email and facsimile transmission. The provisions of the directive to be effective beginning stage when the customer is required to enter into a contract, the main requirement is that promotional techniques should show due respect for consumer privacy principles of trust and provide clear information about the free ngatërrueshëm nature of each product and service, price and identity of suppliers.

The Directive also provides some limitations on the use of communication technologies such as remote systems and automatic caller faxes. They can not be used without prior permission of the customer. In the case of other forms of communication provided that the communication be made only in cases when we have a clear conflict and open the customer to be ofertuar. The provisions of the directive to protect consumers who enter into contracts to provide more distance of new rights to enter into such consumer contract by the Internet phone or fax. Some key points are:

1. Consumers should be given detailed information before he decides to buy in enough time before the contract terminated.

These new rules do not apply to some contracts concerning property and financial services and auctions. Some of these rules may not apply to delivery of goods or transport food and beverages.

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9 Caller automatic systems include the use of computer systems to call numbers and then answer that call by playing a previously recorded message.

10 The article 10 of Directive 1997/7/EC, dated 20.05.1997 “On the protection of consumers in respect of distance contracts”. 
4.1.2. Directives for Elektronic Firms is a much more detailed directive and defines a framework for recognition of electronic signatures and certification requirements for service / certification for member states.

Article 1 defines the purpose of this Directive is to facilitate the use of electronic signatures and to contribute to their legal recognition to ensure ”proper functioning” of the internal market by implementing a legal framework. And if the case Firms Electronic Directive will promote electronic commerce within the EU borders by encouraging the use of electronic contracts\(^\text{11}\).

Article 5 provides that electronic signatures are based on a credible qualification certificate and generated by a certain device design firms are equivalent firms cast with handwriting.

Electronic signatures can not be denied legal validity based solely on the argument that they are produced by a source from an unqualified or unsafe equipment. Although the definition of ”qualified certificate” and ”qualified service providers” create high standards language used is essentially technologically neutral.

Requirements seem to be aimed at ensuring the safety criteria established by member countries to be as reliable as possible and not to compel member states to use a single device for this purpose.

Referring to Section 2 and in particular advanced electronic signatures for their use of electronic signatures should be:
1) uniquely linked to the signatory party,
2) capable of identifying the signatory,
3) created using only signatory resources which can be in control of his, and
4) associated with the data that it supports so that subsequent changes to the data to be distinct.

These standards required seems to describe a digital signature. This fact might lead us to the conclusion that the EU is following in some areas of the UNCITRAL\(^\text{12}\) Model Law on Electronic Firms. In any case, the harmonization of signs is acceptable and this first goal among member countries and later in other countries like Canada and the United States where electronic signatures / digital is currently used. The same standard also recognizes our Law No. 9880, dated on 02.25.2008 ”On electronic signature” adopted last year by the Albanian Parliament.


3.1.3. Electronic Commerce Directive has established the necessary legal framework to support electronic commerce in the Internal Market. This Directive removes obstacles to cross border services on-line in the EU and provides sufficient legal certainty to businesses and citizens.

Directive 2000/31/EC on electronic commerce applies to all information society services provided by service providers in the EU information society, these services are defined in Article 2 of the Directive, including any service provided to remote payment, by electronic means and at the request of the recipient / beneficiary of services. This directive is intended to be a general framework of electronic commerce under which member states had been left to choose the manner of its implementation. The article 9 of this Directive requires member states to give effect to use electronic contracts and forbids the creation of barriers to their use or denial of legal validity based solely in terms of their league final. An important element of a successful regime of 'E-mail commerce'-providing mechanisms to reduce / restrict the civil and criminal liability of Internet service provider, ISP where these entities act as negotiators whose simply provide essential access to the Internet. This effort is needed to protect ISPs from a range of possible claims, including breach of copyright, unfair competition, misleading advertising, violations such as defamation, breach / theft of the brand, where offensive activities carried out by parties third, which use the services of ISPs. EU Directive on 'E-commerce'-in includes language that limits the liability of "intermediary information providers and social servives" (example: Internet service providers and broadcast career or hosting the information provided by the third parties, users of these services).

Moreover, the Directive on electronic commerce makes it clear that an ISP acting as a channel or simply as a hosting capacity or leader has the obligation to monitor information transmitted or stored, or to act actively


15 Internet Service Provider.
to seek facts or circumstances indicate the existence of an illegal activity. Obligations and benefits arising from this Directive shall apply only within the EU and therefore trade with a business from a country which is not a member of the EU is not alleviated by this directive.

5. E-COMMERCE IN ALBANIA

5.1 Legal framework for information society

Development of information society dependent upon the adaptation of relevant legislation required. Until now, are drafted and adopted in accordance with commitments in SAA a significant set of rules in the field of information society:\footnote{16}:

- Law No. 9880, date on 25.2.2008 “On the electronic signature”\footnote{17};
- Law No. 9643, date on 20.11.2006, as amended, “On public procurement”\footnote{19}, which carries the possibility of electronic procurement;
- Law No. 9723, date on 03.05. 2007, “On National Registration Centre”\footnote{20};

The objective of the draft law on electronic commerce is the establishment of rules for commercial transactions electronically, through the services offered by information society for the protection of persons participating, the legal protection of customer privacy or confidential data on participants in and to ensure the free flow of information services, defining the responsibilities of providers of information society services.

In the article 2 of this bill which relates to the field of action said that the first principle, this law applies to information society services against persons

\footnote{17} Official Bulletin no. 40, dated 19.03.2008, pg. 1781 -1794.
\footnote{19} fficial Bulletin no. 133, dated 22.12.2006, pg 5189.
\footnote{20} For further changes, take a look at Law “For some changes in the law no.9723, dated 03.05.2007 On National registration Centre”, no. 9916, dated 12.05.2008, Official Bulletin no.76, dated 28.05.2008
\footnote{21} Official Bulletin no.84, dated 10.06.2008
or legal entities, their beneficiaries, except:

a) Action notary or other similar operations, directly related to the exercise of public authority;

b) Representation of persons and protection of their interests before the public administration and courts, and in any organ, where a person’s appearance can be made by third parties, through acts of representation;

c) Activity fee for the participation of players in the betting, lotteries, games of chance, electronic games, and racetrack casinos.

And secondly, Ky law extends no legal effect relationships that are created:

a) tax in the tax;

b) for the protection of personal data;

c) for issues related to the practice of settlement, regulated by competition law.

The law no. 9135, dated 11.09.2003 “On Consumer Protection”, in its Article 1 addresses the rights of consumers, the relationship between consumers and producers, sellers, suppliers, service providers and market control authorities of standardization.

His goal is to protect the health, environment, security of life and other rights of consumers, and sanctioned by this law.

This law regulates relations between consumers and producers on the one hand, retailers, suppliers and service providers, in turn, and sets all the obligations arising from international agreements related to consumer interests. In Article 32 of this law is, sale and delivery of remote services expressly states:

1. Contracts of sale and delivery of services related to distance between consumers and retailers, suppliers or providers of services, under a organize scheme of the sale or delivery of service by the seller, supplier or service provider, which, for purposes of contract uses exclusively one or more communication tools in distance, until in the time of signation of the contract.

2. Communication tools in distance are all tools used for making the contract without the simultaneous physical presence of both parties, such as pen, catalog, email, fax, phone and television.

3. To use communication tools in distance, the seller, provider or service provider receives mandatory prior consent of the customer. In Article 34, dealing with data in the distance contract expressly stated that, during the

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22 This law is abolished by: Law no. 9902, dated 17.04.2008 “On consumer protection”, Official Bulletin no. 61, dated 07.05.2008. These laws has the same aims, but the first one regulate more specifically the electronic contracts in the articles 39-43. The law no.9902 does not rule these contracts, but regulates them under the distance contacts.
implementation of the distance contract and not later than the completion of its implementation period, the customer, in addition to data required under Article 33 of this law, take the written confirmation from the seller and the service provider for:

a) the conditions and procedures for exercising the right to give up the contract;

b) the address where you can navigate objections;

c) after-sales service and guarantee, if any;

d) Anulling of the contracts.

The right to abandon, the principle expressed in Article 35 of this law states that:

1. The customer has the right to shelve the contract concluded under article 32, without being subject to sanctions and without explanation, within a period of seven calendar days after receiving the goods or service contract, provided that within this time service not be performed.

2. When the customer is not notified of his right to renounce the contract, period, according to point 1 of this article, starts when the customer gets the instant knowledge.

3. When the consumer exercises the right of renunciation of the contract, within the period specified in paragraph 1 of this article, he announces, before the end of this period, seller or service provider who is obliged to return the amount the customer paid.

4. Return expenses paid by the customer.

In the area of cyber crime, Albania has signed and ratified the Convention on cyber crime in 2002 and reflected in the Penal Code and Criminal Procedure Code requirements of this Convention. Completion of legal framework and improving it according to European best practices is one priorities in terms of continuous development of information society.

5. Benefits of E-commerce

E Commerce is one of the most important facets of the Internet to have emerged in the recent times. Ecommerce or electronic commerce involves carrying out business over the Internet with the assistance of computers, which are linked to each other forming a network. To be specific ecommerce would be buying and selling of goods and services and transfer of funds through digital communications.\(^{23}\)

The benefits of Ecommerce:

Ecommerce allows people to carry out businesses without the barriers of time or distance. One can log on to the Internet at any point of time, be it day or night and purchase or sell anything one desires at a single click of the mouse.

The direct cost-of-sale for an order taken from a web site is lower than through traditional means (retail, paper based), as there is no human interaction during the on-line electronic purchase order process. Also, electronic selling virtually eliminates processing errors, as well as being faster and more convenient for the visitor.24

Another important benefit of Ecommerce is that it is the cheapest means of doing business.

The day-to-day pressures of the marketplace have played their part in reducing the opportunities for companies to invest in improving their competitive position. A mature market, increased competitions have all reduced the amount of money available to invest. If the selling price cannot be increased and the manufactured cost cannot be decreased then the difference can be in the way the business is carried out. Ecommerce has provided the solution by decimating the costs, which are incurred.

From the buyer’s perspective also ecommerce offers a lot of tangible advantages.

1. Reduction in buyer’s sorting out time.
2. Better buyer decisions
3. Less time is spent in resolving invoice and order discrepancies.
4. Increased opportunities for buying alternative products.

The strategic benefit of making a business ‘ecommerce enabled’, is that it helps reduce the delivery time, labour cost and the cost incurred in the following areas:

1. Document preparation
2. Error detection and correction
3. Reconciliation
4. Mail preparation
5. Telephone calling
6. Data entry
7. Overtime
8. Supervision expenses

Operational benefits of e-commerce include reducing both the time and personnel required to complete business processes, and reducing strain on other resources.\textsuperscript{25} It’s because of all these advantages that one can harness the power of e-commerce and convert a business to ebusiness by using powerful turnkey e-commerce solutions made available by e-business solution providers.\textsuperscript{26}

Conclusions regarding the harmonization of Electronic Commerce in the European Union and its potential application in Albania

Harmonization of legal framework to guide the formation of electronic contracts in Europe seems a logical line with efforts to promote and facilitate electronic transactions that would eliminate concerns and lack of forecasting which still characterizes the contracting procedure by means of electronic tools. However achieving a uniform solution in this regard can not be easy if you refer to the historical course of drafting the Directive on electronic commerce.

Harmonization of the law that deals with the formation of contracts electronically should not be separated from efforts being made to harmonize the law of contracts in general and also this harmony can be possible only when based on the provisions that are already known as an acceptable compromise for Europe for the regulation and formation of contracts such as the Principles of European Contract Law. As the norms resulted Principles of European Contract Law generally does not require further modifications to include within them and the reality electronic contracts. But anyway the implementation of the Principles of European Contract Law in matters of formation of electronic contracts may require supplementation by more technical rules which can ensure a faster response and better to the reality of electronic communications.

The right must be flexible and its role is to set the framework within which should remain the goal for the development of correct principles. Forecasting and uniform interpretation of these principles can be achieved by filling the frame with relevant guidelines. This in Principles of European Contract Law is part of their comments. This article reflects the current status of European legislation and other international models, which are based on the experience of best practices. However, legislation and business models are


rapidly changing world of electronic commerce. Sources of legislation should be updated to refer to new information, as well as legal advisers should refer you for detailed information and interpretation purposes.

Very soon, Albania will have to take necessary measures to ensure within four years after entry into force of the Stabilisation and Association Agreement, a level of protection of intellectual property rights, industrial and commercial similar to those that exist EU, including effective means for implementation and monitoring of these rights. Under the obligations that arise from the moment of signing the SAA, Albania and the European Union will confirm the importance of giving adequate security protection and enforcement of intellectual property rights, industrial and commercial, including electronic commerce.

Albania is moving towards the road to membership in the European big family is therefore essential that the economic development, increasing local investment and foreign, increase the number of Internet users and promote electronic commerce as a very favorable to doing business, all these will lead the country towards the necessity of regulating all these activities by law.

Very important steps in this direction have been made not only through the adoption of the Inter Sectoral Strategy of Information Society by Decree No. 59, date on 21.1.2009, but also with expectations in terms of electronic communication containing various laws recently adopted, as for example law No. 9874, date on 14.02.2008 “For the public auction”, law No. 9723, date on 03.05.2007 “On National Registration Centre”, law No. 9643, date on 20.11.2006 “On public procurement”, change and other by-laws which provide the opportunity for the performance of electronic means.

It must be admitted that there is no need to make changes in contract law in order to ensure the functioning of electronic commerce in Albania. Presumption that existing law is generally suitable for electronic commerce allows us to offer solutions to address and stamped over the years by different generations of lawyers.

Preparations for the legal framework that addresses the formation of electronic contracts should not be separated from the efforts made to approximate the right contracts in general and this estimate may also be possible when based on the provisions that are already known as a compromise acceptable to all EU countries for the regulation and formation of contracts such as the Principles of European Contract Law. But anyway the implementation of the Principles of European Contract Law to issues of forming electronic contracts may require supplementation by more technical
rules which can ensure a faster response and better to the reality of electronic communications. Different experiences have shown that the development of legal framework should precede economic development, in order to facilitate and encourage various initiatives and international cooperation by removing borders and reducing barriers that arise as a result different.

Based on international best practices and experiences of various European countries, it also recommended that Albania should precede the development of electronic commerce by creating the necessary legal basis for growth and development of these activities in future.

Albania has become the first step by adopting the law “for electronic signature” and under the continuing process of EU integration process of improvement the legislation in the field of e-commerce, it seems impartible already.

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The E-Government and E-Economy Reform is it Functioning in Albania?

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Abstract

The Albanian government has made it one of its priorities to promote the use of electronic based applications for business purposes. It has also embarked into a courageous program of revolutionizing the way government services are offered to citizens. The e-government portal was publicized to the most important event in the public administration reform of the last decade. The ‘digitalization era’ program for the Albanian society began by jointly introducing new management techniques in governance in the private and public sector. The fiscal reform introduced in 2006 had as part of its objectives the promoting of e-government and e-economy. It is the intention of this paper to make an analysis of the present situation, more than three years after this reform program began. We will analyze the fundamental tenets that underlay the idea of e-government and e-economy. Why has the Albanian government opted for this reform and what were the objectives designated and the timeline of their fulfillment. After assessing this theoretical aspect we will evaluate the present status of this reform. Have the objectives been fulfilled fully or partially? At least, are they in the process of being fulfilled? An internal-external evaluation analysis (IE matrix) will be conducted.
It will be comprised of a SWOT analysis and a BSG matrix. This will be done by comparing and contrasting data from the official sources and other organizations which refer to this issue directly or indirectly. Reports from the World Bank and UNDP will be a primary source for this evaluation. From official governmental sources we will evaluate if the steps designated have been done. After assessing the present situation of this reform the paper will present some reflections on the impact this reform already has, or may have, on the consumer. Will the public benefit from it on the short, mid or long term, or will this reform impact negatively on the welfare of the Albanian citizens? Of course this paper does not pretend to have exhausted all that can be said on this respect, but it certainly will be a first tentative to measure the real effect of government reforms on the consumer.

**Key words:** e-government, SWOT analysis, BSG matrix.

### 1. INTRODUCTION

E-Government: its role in the socio-economic development of societies.

There has been much talk in the political sphere about the digitalization of the Albanian society and the role that technological innovations should play in its social and economical development. Many authors argue that innovative technology is one of the crucial factors in economic development. They put e-government among the latest technological innovations and emphasize its importance in socio-economic development.

The scope of this paper will be to present the e-government reform that the Albanian government is still undertaking and how it is affecting economic life. It affects it by forming a space of e-economy / e-commerce which benefits businesses and citizens alike.

Thus, before beginning our inquiry on this important reform that the Albanian government is still undertaking, it is better that we define our term. In fact, there are many definitions for e-Government and e-Governance in the scholarly literature. These definitions have a wide range. There are working definitions like “the ability for anyone visiting the city website to communicate and/or interact with the city via the Internet in any way more sophisticated than a simple email letter to the generic city (or webmaster) email address provided at the site”\(^2\). Yet, another very

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different one is “the use of technology to enhance the access to and delivery of government services to benefit citizens, business partners and employees”\(^3\). Nevertheless, as we can understand, both of these definitions are correlated to each other. The first one shows e-government as a form of communication and interaction between two different spheres: the public sphere of citizens and the bureaucratic sphere of the government and its administration. Traditionally state bureaucracies have been characterized from the hermetical closure and lack of public accountability. The e-government revolution came as a result of an increasing public demand for more transparency and accountability from the public administration departments and officers. The second definition provided emphasizes this fact. It also came as a result of the rising tensions between government as a provider of certain basic services and the citizen as a consumer of these products and services. Increasing competition from the private sector as provider of these, or substitute, products and services put governments under pressure. The advent of e-government was a response to the rising ‘threat’ from the private sector and a means of survival of governments in the expanding global economy\(^4\).

I believe the reader understand now that e-government is the “use of information and communication technologies (ICTs) to improve the activities of public sector organizations and make them efficient and less costly for the state budget at the same time”\(^5\). There are three main domains of e-government, three models of delivering e-government to citizens / consumers. The three models, domains of e-government are:

1. eAdministration – or the improvement of government processes: initiatives within this domain deal particularly with improving the internal workings of the public sector, like cutting process costs and managing performance\(^6\).

2. eServices - the way to connect citizens with governmental institutions or with each other. This is the part which deals with the relationship between government and citizen either as voters/stakeholders from whom the public sector should derive its legitimacy, or as customers who consume public services\(^7\).

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5 Ibid. pg. 17.
7 Ibid.
3. eSociety: the formation of external interactions. This is the part which deals particularly with the relationship between public agencies and private sector companies. You will find the models illustrated in the Figure below.

**Figure 1: Domains for e-government Initiatives (taken from the UNPAN website)**

The above explanation is very important. It is the ‘official’ view of the United Nations Public Administration Network agency regarding the issue and Albania has been using that as a model. Of course this view of the role of e-government was totally encouraged and subsidized from the American administration. With the above theoretical assessment in mind let us analyze the process as it is unfolding in Albania.

2. ‘EALBANIA’ REFORM DEVELOPED BY THE ALBANIAN GOVERNMENT. ITS SCOPE, DESIGN AND IMPLEMENTATION.

During the last four to five years, the term ‘e-government’ has been used frequently used in the political language in Albania. The prime minister and other cabinet ministers have been using this term to depict one of the most

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8 Ibid.

9 In fact, one might say that the UNPAN policy was shaped by the neo-liberal agenda of the Republican administration.
important reforms the government had been undertaking. The Albanian government has also a ministry dedicated to technological innovation and development. This ministry had as part of its agenda the supervising of the ongoing of the e-government reform. But the term e-government has been used always on an economic-political basis. In most of the press releases or the times that he spoke publicly about the issue, the prime minister of Albania, Mr. Berisha, always emphasized the importance of this program in improving business atmosphere and individual freedoms. Many times he concluded by stating that the implementation of this innovative technology will give huge impulses to country’s development and to the welfare of Albanian citizens. In fact, the e-government reform seemed to be the most important reform the government was undertaking. At the beginning of 2008, all preparations seemed to be finished and it was the time to launch the reform in full format. It was officially labeled as the ‘eAlbania vision’. Prior to this moment, there was only one pilot project that was implemented to see if the administration had the potential to carry on with this reform. During 2007 there was the formation of a new National Registration Agency for businesses. This agency was designed to be based on the e-government principles and the Estonian agency was taken as model. To recall the importance of such program Prime Minister Berisha even labeled that year as the ‘year of the digital age’ for the Albanian society. During the cabinet meetings in January 2008, Mr. Berisha asked his ministers to “try to move at the maximum speed possible now that the National Registration Agency proved to be a success. We must try to digitalize all other government services and procedures, and create an interface between them”\(^\text{10}\). He also added that Albania should follow the Estonian model to use digital technology to improve government services in order to widen the choices Albanian citizens have. This reform began initially with three pilot projects which were the introduction of a criminal records register, internet access in secondary schools and the newly opened credit registry for Albania’s Central Bank. Such importance had this reform as Mr. Berisha urged his cabinet after the approval of the timetable of implementation:

“I insist that every one of you comply with the obligations undertaken with the country’s digital age initiative,” and that, “The digital age takes one forward, otherwise one makes no progress or even worse, moves backward”\(^\text{11}\)

Within two years various new institutions were formed and existing ones were radically changed in the way they operate. As we can see the language

\(^{10}\) Office of the Prime Minister of Albania. (2008, January 29) “Press release”.

\(^{11}\) Ibid.
used seems like business communication techniques. The main scope of
the reform is to bring the Albanian public administration apparatus in the
digital sphere so it can better serve citizens and businesses. This way, the
e-government reform is viewed as means of the development of democracy
through the development of business opportunities. This is congruent with
the neo-liberal view that the enhancement of economic freedoms will enable
societies to enhance individual freedoms and democratic values. This view,
this belief, is expressed by the Prime Minister of Albania himself during the
inauguration of the National Registration Agency (of which we will discuss
later in details) on December 2007, just days before the e-government reform
was to be launched in its full version.

“This is an important day for democracy in Albanian history… This
center expands individual economic freedoms of businesses in the country…. Institutions like this one will greatly develop not only business opportunities
but democratic values as well.”

We can take the words of the Prime Minister as the official governmental
policy. It is clear that the upcoming e-government reform was meant to develop
democracy in the society through the formation and well functioning of an
e-commerce sphere. This e-commerce sphere will be developed through the
establishment of various institutions which will serve as a forum where the
government, citizens and the private sector come together. In fact, that is no
news in the last decade. Since the ‘eGovernment Act of 2002’ the United States
have been moving fast toward the formation of this virtual forum of interaction.
The Bush administration had a clear view that democracy can be fully achieved
only through means of free market interactions. The role of government is
to enhance economic liberties and create the best atmosphere possible for
business to thrive. In the case of Albania it seems that our government has
just followed the footsteps of the example set by the American administration
and other European counterparts. This is, I believe, one of the reasons the
reform began with the facilitation of the procedures for the establishment
of new businesses and continued with the reformation of the tax system. It
was designed according to the neo-liberal principles set forth by the former
US administration. The implementation was through the formation various

institutions or restructuring existing ones in order to facilitate the interaction between citizens, governmental agencies and businesses. In order to be more specific regarding the implementation the next section will deal with these institutions formed or restructured by the e-government reform.

2.1 Institutions formed and restructured from the e-Albania program.

New business opening.

One of the first things to be developed from this reform was the creation of the National Agency for Information Society which would be in charge of the implementation of the reform along with the supervision of the State Ministry\textsuperscript{14}. The online portal of the agency symbolizes the common space where business, government and citizens come together. In fact, if we check the www.e-albania.al portal we will immediately notice the three sector division clearly visible: for government, for citizens, for business.

As mentioned above, prior to the full launching of the reform in early 2008, the National Registration Agency was formed as part of the e-government reform which served as a test for the program. The formation of this agency was accompanied by colossal changes and interventions in legislation. In fact, the principle behind these interventions was deregulation. The registration of new businesses was made easier, cheaper and faster than in the previous 17 years. It is not by accident that this first pilot project for the reform was directly financed with the help of the United States government through the USAID program in Albania and the American Millennium Challenge Corporation. The US ambassador, John L. Withers II, emphasized the fact that the partnership between the Government of Albania and the Millennium Challenge Albania project made the National Registration Center from dream to reality; a reality which encourages Albanians to take advantage of the new business registration procedures in order to enhance democracy\textsuperscript{15}. All information required for new business start-up is disclosed freely on the NRC’s website. For the first time in the history of Albania every citizen can browse freely a national commercial registry where he/she can search

\textsuperscript{14} Just prior to finishing this paper, the Albanian Cabinet took the decision to give make the NAIS an autonomous body, detracting it from the direct hierarchy of the State Minister. Thus, on April 23\textsuperscript{rd} the President of the Republic decreed that the Ministry of State and Technological Development will now on became Ministry of State which will have only supervising power over the NAIS.

\textsuperscript{15} USAID Albania. (2007, December 10) “Business in Albania: Simpler, cheaper and easier”.

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for a registered business. Up until the present the procedure of registering a business is not entirely online. Nevertheless, all the required application procedures and package is found online on the NRC’s portal and leave an appointment with the NRC’s clerk to make the application in person at the NRC’s building.

You can even check your application status online. The other important feature of this institution is that in its portal the new business owner can find very useful information regarding the procedures of submitting of the annual financial statements. In comparison, only a couple of years before, if a citizen wanted to start a new business, only to get the information on how to register the business and regarding the financial statements, he had to spend a lot of time going from institution to institution. Now, all the information can be found on the same place, online. You have to spend only a couple of minutes to get them. Even the procedure of registering the business is a fast one. A positive consequence of having to pass through various offices of the administration to register your business is that the fees are also cut down dramatically. There is only a onetime fee for the registration process now.

**Tax reform.**

The second institution to be mentioned as an important part of the program is the reformation of the tax system. The same principles as for the business registration reform were used. The existing tax system was kind of demoralizing and inefficient from an economic point of view. For example, a small business owner had to go through five different procedures in paying various taxes in both levels of government, local and central. He had physically to go to the administration offices and spend time and efforts unnecessary. He could have used this time and efforts to invest in his business. In this case there was no need to form a new institution but to reorganize an existing one, the General Directorate of Taxes. The first step of the reform was to differentiate among businesses not only on the amount but even in the way they pay taxes. Since the beginning of the 2009 fiscal year, small and medium enterprises (SMEs) pay their entirely near the offices of the General Directorate of Taxes at the local governments buildings. The same is true for the registration process which is entirely done at the local governments building, NRC offices there. If you are ‘small’ now you have business with your local municipality. As for the NRC, an online portal enclosing all the information and application procedures was necessary. At first, when the web portal of the General Directorate of Taxes was online only the information and application procedures were available. Still you
had to go to their offices to buy the sales and purchases books within the 14th of each month. Then you had to calculate your VAT according to sales and pay it, along with all other taxes. Nevertheless, as the portal’s IT system became more stabilized the reform went on. On May 12th, 2008 the Minister of Finance issued a decision regarding the value added taxes which removed the “requirement of the monthly submission of sales and purchases books, while reconfirming both, the legal obligation for accurate and regular record-keeping by businesses as well as the principle of self-declaration and selective tax audits”\textsuperscript{16}.

A third and final step was to introduce the total online declaration, calculation and payment of your taxes. In fact, that is the final scope of the reform. Actually, this third step process has begun but it is available only for large businesses. Small business will have still to wait. That is logical since the small business makes up the majority of the business community in Albania. If the project was to have any problem or technical difficulty it would cause chaos. Thus it is more appropriate to start with large businesses which are fewer in number. The ‘e-filing’ option was launched in November 2009. From now on:

“Large Tirana taxpayers and the taxpayers registered in the Tirana Tax Office (not including the small business taxpayers) can e-file and e-pay the Value Added Tax, the Income Tax, the Social Insurance and Health Contributions, as well as the annual Profit Tax. These forms will NOT be available for pick-up at the respective tax offices. For more information, please click on My Taxes on your left.”\textsuperscript{17}

This GDT also announced that these taxpayers could pay their taxes without the need to go to any tax office but directly at various bank accounts available. This sparked a reaction in the market. What the government had done was to create a demand for alternative methods of paying taxes other than cash. The banking sector of the market responded by offering those ways. These taxpayers could now pay their obligations to the government by bank wire transfer. Many banks in Albania began to offer e-banking options for taxpaying purposes. Now the client could log on to his bank account, and make the transfer online to pay his business taxes. Banks even offered consulting services for such client on how to fill out correctly the forms required for tax declaration or VAT. The tax reform is an argument on how the e-government initiative formed an e-commerce sphere between banks, business owners and GDT.

\textsuperscript{16} General Directorate of Taxes (GTD). (2010, January 20) “Tax Reform in Albania”.
\textsuperscript{17} Ibid.
Public procurement.

Public procurement has also been part of the e-government reform. In fact, public procurement has been one of the main concerns for corruption cases during the last decade. It has maybe the worst public image and perception. This public image and perception can be described by this simple mathematic equation:

$$\text{Public Procurement (tender)} = \frac{\text{Nepotism} \times \text{Corruption}}{\text{work}}$$

The result was high profit margins for the companies or individuals that won the tenders and little public benefit from the work they were supposedly contracted to do. Thus, the government decided to make the process almost completely virtual. The Agency of Public Procurement (APP) needed to be radically transformed in the way it operated. A web portal was developed so that individual citizens and businesses could find all the information online without the necessity to contact any of the public procurement officials. The idea is behind this portal is similar to that of the portals described above. The final phase will be not only to get information, but also to use the portal to make the application, track it, and even digitally take part into the auction will take place online. This way the possibilities for bribe and corruption diminish significantly. Albanian economic operators, which are registered in the NRC, may apply to also register in the Electronic Procurement System (EPS) in order to have the opportunity to electronically bid in the procurement procedures. The same possibilities are offered for foreign economic operators with the condition that they register first. They can do so online at the portal and will be provided with a user account and ID. The benefit for citizens is that all the information is available online and everyone can check it. This information available to citizens include “the tender documents and then, continuing with all the notifications that are related to the progress of a procurement procedure beginning with the contract notice up to publishing of the notification about the signed contract”\(^1\).

4. EVALUATION OF THE REFORM.

One of the forms of evaluation is to direct attention toward the effects that e-Albania reform has had on the market. One of the positive effects would be the attraction of foreign investments in Albania. As a developing country, Albania is in needs foreign investments to ensure a stable economic growth. The involvement of international businesses in a developing country can

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\(^1\) Agency of Public Procurement, APP. (2009) “Benefits of the e-procurement portal”.

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become one of the key factors for its economic growth. Many times it has proved to be a better alternative to foreign aid or loans\(^\text{19}\). In fact, the bigger the company interested in investing in a developing country, the greater the capacities it has for investments in that particular country. The e-government reform aimed at making Albania an attraction for big business in the field of communication and information technology. The government hoped that the involvement of such big companies would serve as an investing incentive for other local or international businesses.

Another important achievement would be the increase in computer literacy or professional development by part of the population. If the level of computer proficiency is increase, the use of internet or the presence of innovative technology in the market is increased, the whole of society will benefit\(^\text{20}\). These indicators were first elaborated from the Nobel Prize winner, Amartya Sen, and then supported by many other economists. Have these indicators improved since the beginning of the e-government reform in Albania? And what about the comparison with other neighbor countries?

\textbf{a. International big business attraction.}

In July 2007 our government stroked a deal with Microsoft Inc, the world’s biggest software company. One year later, on May 5th, 2008, Microsoft opened its representation office in Tirana. During the presentation of the new office, the Director of Microsoft in the Central and Eastern Europe, Goran Ramadan, expressed his conviction that “Microsoft Albania”, will give a new inducement to the Albanian economy, innovation, preparation of the generations on the digital systems, and the regional communication in different fields. The opening of the new branch of Microsoft was seen as a very important step in the project of the Albanian government to bring Albania to the “digital age”, and to bring the Albanian market closer to the advanced digital technology. The presence of the Microsoft in Albania will be the locomotive that will push forward the digitalizing of many procedures in Albania, especially in the Albanian administration\(^\text{21}\). Among other, Microsoft would be the provider of the software capability requirements for the web based platforms to be developed as

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21 Koleka, O. (2008, March 5) “Microsoft company opens its branch in Albania”. \textit{SCORE Project EU}.
\end{flushleft}
a requirement of the e-government reform. This is a case where e-government served as a basis of technological improvement in various sectors of the market and impacted directly the life of citizens. With better technological preparation young people would be better prepared professionally to compete in the market. Also, the opening of this new branch will enhance local employment. The presence of Microsoft will also have an effect on the legalization of the software products offered in the market. This will force companies to offer better services and quality products to customers.

For the hardware capability requirement the Albanian government turned to one of the three giants of the industry, Huaweiy Technologies International. It is IT Technology Company specialized in communication networks and database management. This company was already present in Albania as a contractor for Eagle Mobile. In fact, the role of Huawy would be to assist the government in building the necessary networks. But the government hoped that this company, and others like it, would become attractive to local Albanian businesses in order so that they could improve their IT technology. During his visit to China in 2009 Prime Minister Berisha declared that:

“We are ready to collaborate with Huawy Technologies in order to expand the electronic services available to the Albanian citizens. You will certainly find very attractive opportunities to expand your activities in Albania”.

By engaging this company into such project the government is inviting and facilitating to other private companies to invest or take advantage of the technology Huaway offers. Since Huaway will have a presence in Albania these companies will have significant cuts on their expenses. By normal economic logic, these lower expenses, combined with favorable tax policies and procedures, will produce lower prices for their products and services. The end result is a win-a-win situation for both business and consumers. Thus, until this moment, the e-government has succeeded in attracting the attention of big international business toward this country.

b. Internet literacy.

The use of internet among Albanians has increased during the last couple of years. At least this is the evaluation of the Albanian government in the ‘Progress Report’ for the past year. Officially there are 1179 educational institutions of all levels where internet have been introduced for free usage


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from students. This development means that tens of thousands of students have free access to the web and will also have the possibility to get professional knowledge regarding technological issues. Also, the Ministry of Education has introduced various curricular changes to middle and high schools program introducing information technology as a course. In all secondary level schools in major cities now have a computer lab with internet capabilities with the latest hardware and software technology. This official claims of the government are supported by the reports of that the World Bank and UNDP. Both of their reports note that Albania has made significant progress in the e-government reform and computer literacy. The World Bank report points out that this reform has had positive effects on fiscal policy, tax policy and the business atmosphere in general. It also points out that it has helped fight corruption and restore public faith in governmental institutions and eased access to public services.

c. Problems.

Nevertheless, there are quite a few problems regarding the e-government issue. Even though it is still early to make a proper evaluation, since the reform is still ongoing, the data showing progress should not elude us. Still Albania is one of the poorest countries in the region and majority of its citizens are not frequent user of the web. A significant part of it even does not have access opportunities to computers, remaining thus computer illiterate. The same 2009 report of the UNDP points out that many of the computer labs in high schools are not operational. This is especially true for medium size to small size cities. Another problem is the lack of professionally trained teachers and mentors needed to deliver the professional knowledge expected. If a teacher does not have adequate training in technology or IT communication, it is quite difficult for him to transmit any knowledge to the students. This is the reason why, in partnership with the UNDP, the government has initiated an IT professional training program for 450 high school teachers and 1200 primary school teachers.

Another problem is that in comparison to other neighbor countries, Albania has performed less. And here we are discussing about the labeled Western Balkan countries, not EU members. The comparison is significant
since these countries have begun their e-government reforms approximately in the same period, from 2006 (Croatia) to late 2008 (Serbia). The UNPAN published its 2010 e-government survey just last month and it ranks Albania 85th in e-government development. In comparison, Macedonia is ranked 52nd, Bosnia and Herzegovina 74th, Montenegro 60th, Croatia 35th and Serbia 81st. It is significant to note that Albania is positioned lower in the ranking than countries that have begun the reform later like Bosnia & Herzegovina, Montenegro and Serbia. That may mean that Albania will encounter difficulties with this reform in the near future. From the ranking this may not be clear so it is better to compare the values of the development index as assessed from the UNPAN. These index values are a result of three factors: the degree of access of citizens to public services via web portals, the efficiency of public institutions, the easing of interaction between the private sector and governmental agencies, the level of technological innovation introduced in the market.

In the same UNPAN 2010 e-government report mentioned above we find that from 2008 to 2009 the index value of Albania went up from 0.3982 to 0.4670. That was a significant improvement. Instead in January 2010 the index for Albania contracted to 0.4519. That means that the country’s index value has regressed by 5.17% during the last year. But this was not the only regional case. Serbia, the nearest regional country in world ranking, saw its index value decrease from 0.4828 in 2008 to 0.4525 in 2010. That is a 6.27% regression. Yet, other than Serbia, the other neighbors are a success. Macedonia saw its index value rise in 2008-2010 from 0.4866 to 0.5261, an 8.26% increase. Montenegro in the same period saw its index rise from 0.4282 to 0.5101, a 16.05% increase. So, from the better developments of e-government in these countries one can expect that their economies will have better capabilities for development compared to Albania. The end result would be that this will be one among other factors that their economies will outperform Albanian economy. One of the first risks is that foreign business might find these neighbors more attractive than our country.

Yet, Albania one can raise the question whether the positive effects that this e-government reform is having on the market will last. Due to the global financial crisis and the expected hit from its shock waves, the e-government reform could be hit hard. The government could find itself in a position where it can no longer continue to continue making significant financial expenses

25 Ibid.
and stop the development of technology networks, which are costly products. The businesses also may not respond positively to the hopes of government that they will take advantage of the presence of IT technology companies and invest in technological innovation due to financial constraints from the crisis. Unfortunately, it is still too early to make empirical assessments regarding these hypothetical effects. They may be the theme for another paper.

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Regional Development: An Opportunity or a Challenge for The Albania Joins The EU

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Abstract

As the enlargement of the EU continues to be a topic of discussion in the European continent the Balkans countries look forward to this opportunity. Among the EU member states, there are those who believe that further enlargement of the Union is indeed beneficial for the future of the EU as a whole and the Western Balkans countries provide an opportunity to such enlargement.

The Government of Albania has identified many challenges: the need for an integrated, coherent regional policy based on its growing concern over the widening gaps in socio-economic performance and fortunes between different parts of the country. As Albania seeks to fully integrate its economy and its markets in the global context and, in particular in the EU single market, there is an imperative to ensure that all areas of the country are capable of competing

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there. While Albanian regional development has to deal with a combination of significant urbanization and rural depopulation, it also faces challenges of an east/west country division in prosperity and potentials. The challenge is to promote national economic development while realizing the potential of its rural and mountainous areas and providing opportunities those who are less able or willing to move. Another challenge for Albania would be the type of action and outcomes that will be required to promote regional development in the future. This needs to be set against the broader economic context in which Albania is likely to operate in the future (e.g. globalization, environmental issues, demography, technology developments) and lessons from elsewhere.

Through arguments we will come to the conclusions of what should be included within the concept of regional policy and recommend strategic guidance to the development of regional programmers.

**Key words:** region; policy; integration; regional development, NUTS.

**INTRODUCTION**

Regional development policy is a very new area of public policy in Albania. 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.

With the process of EU integration at hand, regional development has become a top priority for Albania’s EU funding. Confusion about EU requirements on decentralization and regional development policy needs to switch to understanding and flexible interpretation of EU regional policy, EU structural funds principles: partnerships, programming and balanced regional development.

The actual Albanian regional development policy reinforces the role and responsibilities of the local public administration and that of the regional organizations in the economic and social development as an important component of the local autonomy in order to comply with the legal and institutional requests of the European Union cohesion policy. The goal is the diminution of the regional imbalances, focusing on the stimulation of the balanced development of the areas.

Regional development and Albania’s preparedness for managing future Instrument for Pre-Accession Assistance IPA (EU, 2006) funding are becoming
increasingly strategic priorities for structuring the country’s development policy throughout the territory implying NUTS 2 region.

The European Union is recently engaged in supporting capacity and institutional building for managing the Instrument for Pre-Accession Assistance, Component 3-Regional Development (EU, 2006), IPA 32 and the harmonization of domestic and integration agendas in the context of the existing governance framework for regional development.

2. REGIONALIZATION AND EU

The word ‘region’ can have different connotations. All of them have in common the idea of space as entity, so that the most significant definition of region is that of representing a unit which contains a limited number of medium length zones territorially adjacent. (Murray, 2006)

Regions may either be normative regions: 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; or analytical (or functional) regions: defined according to analytical requirements; they group together zones using geographical criteria (e.g., altitude or type of soil) or using socio-economic criteria (Azoulay, 2002) (e.g., homogeneity, complementarities or polarity of regional economies).

Although most of the European states are unitary states, the decentralization of the decision is an idea unanimously accepted. Consequently, the regionalization became a common tendency in the evolution of the territorial organization of the European states, the regions representing the structures responsible for the assurance of the institutional convergence of the states, members of the European Union.

In all post-socialist societies in Central and Eastern Europe (Gorzelak, 2010) 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

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2 In order to improve the efficiency of the Community’s External Aid, a new framework for programming and delivery of assistance has been envisaged. The present instrument constitutes one of the general instruments directly supporting European External Aid policies.
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. (Larion, 2008)

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. (David Bailey, Lisa de Propris, 2006) 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.

Although the formation of regions is not a consequence of the regional development policy of the European Union the high level of the funds meant to accomplish its general objective: the acquisition of the economic and social cohesion by eliminating and preventing the imbalance among regions. This has an important contribution to regionalization as well as to the establishment of some strategies, plans and programs of regional development which can ensure appropriately the distribution and utilization of the resources.

There are wrong assumptions leading actors to believe that larger regions and strong regional self-government are required to access EU financial instruments. In fact there is a flexible interpretation of EU requirements on decentralization and regional development where balanced regional development is encouraged along with minimal regional disparities and competitiveness that will help to alleviate poverty, strengthen partnership and programmes. (Turnock, 2002) Part of achieving this success includes the drafting of strong national policies on regional development.

The traditional regional policy dilemma that was typical for all CEE countries in the 1990s was the right balance between spatial equity and national growth. Simply put, it should be a broad consensus on what is more important for the country in the mid-term; national growth or balanced regional development (reducing regional disparities). When deciding this dilemma the analysis should not be limited to national data – an international comparison could help to answer the question\(^3\). Almost always there is some trade-off between national

\[^3\] E.g., in Bulgaria case there is relatively broad consensus that national gaps (the difference between Bulgaria and EU member states as well as most of the candidate countries) and the gaps even to EU and CEE most disadvantaged regions are significantly higher than interregional disparities (disparities between NUTS 2 regions) (Turnock, 2002)
convergence (efficiency) and regional convergence (equity) that is not only suggested by theory but also supported by empirical data from practice⁴.

Efficiency considerations argue in favor of focusing support on the most productive regions where agglomeration economies are more likely to exist and where the productive sector is more developed, rather than spreading resources throughout the country and thereby diluting the concentration of support and its potential impact. Equity and efficiency concerns support transfers to the poorer regions with low rate of return. (David Bailey, Lisa de Propris, 2006)

3. REGIONAL POLICY IN ALBANIA AND THE NEED FOR A COORDINATED HOLISTIC APPROACH

In Article 158 of the European Community Treaty it is stated that “the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favored regions or islands, including rural areas”.

The European Union is one of the most prosperous economic areas in the world. At the same time, there are wide geographical disparities in income and levels of opportunity between Member States and regions. With each enlargement, these have tended to widen, especially after the accession of twelve new Member States after May 2004. In an effort to ensure that the benefits of the free-trade zone in Europe, or single market, are spread as widely as possible, the European Union has adopted explicit political priorities promoting harmonious development in the Union as well as economic and social cohesion.

Over the past several years, particularly since 2000 onward, headway has been made in the devolution of powers to the local level. However, a legalistic approach to reform prevails in Albania meaning that little has been done beyond the enacting of the basic legislative framework. This includes the adoption of the European Charter of Local Self-Government into the Constitution, the Law on Organization and Functioning of the Local Governments (Law 8652/00) and the Law on Administrative-Territorial Division of Local Government bodies (Law 8653/00) with the intention of eliminating the old districts and councils, the Law on Prefecture, and the

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⁴ E.g. in 1980s Portugal had significant national growth, but regional disparities increased more than proportionally to the aggregated growth. On the other hand, Greece had slow growth but the highest level of regional cohesion amongst cohesion countries in EU. (Gorzelak, 2010)
National Strategy for Decentralization and Local Autonomy. In order to apply the regional development strategy, 12 development regions were set up in Albania, spreading throughout the whole territory.

The progress made towards the implementation of the complex package of decentralization reforms and the enhancement of capacities of local authorities to plan and manage public resources effectively and provide public services has been thoroughly examined by the cross cutting Regional Strategy. (Ministry of Economy, 2007) The Strategy has provided both institutional and research support for the development of decentralization policies. The international community has also noticeably assisted and promoted the development toward decentralization. (DSDC D. f., National Strategy for Development and Integration 2007-2013, 2007)

Considerable differences in the social and economic fabric of Albania compounded the need for a state regional development policy that can ensure more balanced development of all regions, municipalities and communes. The human development index shows significant disparities between different parts of the country (capital Tirana, coastal – South Eastern, mountain - North eastern, Central), as well as among different types of municipalities and communes. The average HDI in the region of Tirana is 0.830, while in the mountain area it reaches only 0.632 (Ministry of Economy, 2007). Differences between rural and urban areas, center and periphery are also significant. For example 29.6 per cent of the Albanian rural population lives below the poverty line as compared to 20.1 per cent of the urban population (HDPC, 2005). While disparities between the regions are noticeable, even greater differences in income, output, productivity and employment are observed among municipalities and communes.

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\(^5\). (Payne, 2004)

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\(^5\) “Decentralization itself is neither good nor bad. It is a means to an end, often imposed by political reality. The issue is whether it is successful or not. Successful decentralization improves the efficiency and responsiveness of the public sector while accommodating potentially explosive political forces. Unsuccessful decentralization threatens economic and political stability and disrupts the delivery of public services… The success of decentralization depends on its design” (Payne, 2004)
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 economic development policies with a specific regional focus. (Civici, 2007) They do 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.

Drawing a distinction between decentralization and regional development policy does not mean that they should not go hand in hand. In fact, the approach to decentralization and regional development policy in Albania is logical and is in no way unique. (UNDP, 2005) 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. Amongst them the required:

✓ Firstly, there is a need to upgrade the economic infrastructure in order to create an attractive and suitable environment for future investments. A number of difficulties need to be overcome with regard to this: such as the obvious lack of resources and the legacy of the inherited administrative structures and practices by which investment planning is typically carried out by ministries with little concern for the local and regional impact.

✓ Secondly, the issue of deepening regional disparities in Albania needs to be addressed better and can be done through a regional policy;

✓ and thirdly, the compliance with the EU membership, which requires the regional policy and its institutions.

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. Regional development and regional policy design are often perceived as “experiments”, as processes of “learning by doing”, based on the feedback principle. (Azoulay, 2002) 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 strategy 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.
4. ESTABLISHING BIGGER AND STRONGER REGIONS- THE LEVEL MATTERS FOR EU ACCESSION

It should be noted that issues of regional division are politically sensitive, generate a great deal of tension and can take significant time to be resolved as evidenced by the experience of Poland, which needed several years to decide only on the number and boundaries of the new NUTS 2 regions and where the final decision is not perceived as the best option (Gorzelak, 2010) On the other hand the discussion on the number, size, boundaries and centers could easily overwhelm more important issues like purpose and role, competencies, financial resources, method of operation of the regions, etc. and, if not well designed and communicated, the introduction of new regions (whatever their function will be – statistical or administrative) could be confusing, as evidenced by the experience in Bulgaria (Larion, 2008) and to some degree in Czech Republic.

In any case the size is a trade-off between legitimacy (smaller regions are closer to citizens and their bodies especially when directly elected have higher legitimacy) and efficiency (service provision in bigger regions would be more efficient and only bigger regions could play a role on international/European level). (EC C. o., 1995) Ideally, eventually bigger (NUTS 2) regions could allow administrative and functions to be combined in regions that are big enough to be economically strong and viable and to be “visible” on the map of Europe. However, this option will provoke resistance from the lower level political elites, who could rely on local “patriotism”. As a consequence the political choice is not so easy.

It seems that current regions or counties (qarks) are perceived as being too small and the establishment of bigger and stronger regions is proposed, most often with arguments related to EU and NUTS classification. Although the regional development strategies themselves are focused on regional actions (incl. local) as well as on donor support, reaching a consensus on the definition of future regional development in Albania is critical.

As Albania intends to become a member state of the European Union it will need eventually to integrate with the EU’s statistical administrative sub-division system -- the Nomenclature of Territorial Units for Statistics.\(^6\)

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6 NUTS was established by EUROSTAT more than 25 years ago in order to provide a single uniform breakdown of territorial units for the production of regional statistics for the European Union. The NUTS classification has been used since 1988 in Community legislation. However, it was not until 2003, after 3 years of preparation, that a Regulation of the European Parliament and of the Council on the NUTS was adopted.
The NUTS is a three-level hierarchical classification. Since this is a hierarchical classification, the NUTS subdivides each Member State into a whole number of NUTS 1 regions, each of which is in turn subdivided into a whole number of NUTS 2 regions and so on.

At the regional level (without taking the municipalities into account), the administrative structure of the Member States generally comprises two main regional levels (Länder and Kreise in Germany, régions and départements in France, Comunidades autónomas and provincias in Spain, regioni and provincie in Italy, etc.) (Gorzelak, 2010).

The grouping together of comparable units at each NUTS level involves establishing, for each Member State, an additional regional level to the two main levels referred to above. This additional level therefore corresponds to a less important or even non-existent administrative structure, and its classification level varies within the first 3 levels of the NUTS, depending entirely on the Member State: NUTS 1 for France, Italy, Greece, and Spain, NUTS 2 for Germany and the UK, NUTS 3 for Belgium, etc.

The EU determines eligibility for its high level Structural Fund support (the old “Objective 1” and the new “Convergence Objective”) for funding from the Structural Funds by selecting NUTS 2 level regions whose GDP, measured in purchasing power parities and calculated on the basis of Community figures for the period 2000 to 2002, is less than 75 % of the average GDP of the EU-25 for the same reference period. (Ministry of Economy, 2007)

This suggests that the NUTS 2 level is a critical level and must have its own administrative structure if only to implement the Structural Funds. The critical decision for Albania will be the establishment of NUTS 2 regions. The question of the determination of the NUTS 2 regions is therefore an important political decision that should not be made on statistical grounds alone.

Ireland has been since its access ONE region NUTS 2 until 2001. Most of the new smaller countries (like Estonia and other Baltic states) also are ONE region. This way the whole country is eligible for highest structural funds status. The result is also that there is one central agency that will plan and organise the development schemes. The fact is that even in countries that are bigger (like Rumania and Bulgaria) with different regions, there still is only

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one central agency that is managing the funds. Therefore it is highly unlikely that in Albania this will be different.

Albania will therefore be considered by EU as ONE region, which makes in the future the whole country eligible for the highest level of structural funds. When Albania would choose to split in 2-3 (do not even talk about 12 actual) regions, it would deprive the most advanced zone (Tirana-Durres-Fushe Kruje triangle) from having access to EU funds. This would harm the development to EU standards of Albania as a whole. It is of highest importance that the motor of Albania’s economy has access to EU funds.

A common understanding on the level at which regional disparities are measured is required. Both common sense and research suggests that disparities are usually bigger when measured on a lower level (e.g. disparities between municipalities or communes are inevitably bigger than disparities between NUTS 2 or NUTS 3 regions). This is evident for Albania even by a quick look on regional statistics. The practical approach is to measure disparities on all territorial levels (as far as the statistics allow) and to take clear political decisions on which level of regional disparities should be addressed as priority – between bigger regions or between municipalities/communes. At the moment this matter is not at the center of the public and political debate in Albania.

The Regional Development Fund (DSDC D. f., 2009) it is lately better articulated and it becomes clear it is a renewed competitive fund scheme, where the different line Ministries will fund projects within their competence directly to municipalities and communes and possibly to Qarks. The fund will be coordinated by DSDC with important role for Ministry of Finance and that for Interior. It is not very likely that there will be regional funds administrated at another than central level. This because the above mentioned discussion about Albania as one region within Europe and questions of efficiency and effectiveness.

5. CONCLUSION

The overview of the situation in Albania related to regional development reveals several aspects, which can lead to the conclusion that in the field of regional policy, there have been a lot of progresses achieved during the last years, but there are still many things to be done. The Albanian government and society have invested great effort in the decentralization reform especially
after the preparation and adoption of the Decentralization Strategy. 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).

6. RECOMMENDATIONS

Closely related to the above issues is the establishment of a common understanding of the meaning of regional development. With the process of EU integration at hand, regional development has definitely become a top priority for Albania’s EU funding. Confusion about EU requirements on decentralization and regional development policy needs to switch to understanding and flexible interpretation of EU regional policy, EU structural funds principles: partnerships, programming and balanced regional development.

The fact that Albania is considered ONE NUTS-2 region, and will remain so for at least some 15 years after access (like was the case in Ireland) does not mean that Albania should not have an INTERNAL regional policy where it strives to reduce disparities between the different regions in the country and to build up capacities at regional level to formulate projects and to implement them. Even though no major decisions have been taken a number of issues are now becoming clearer. This process should be influenced as well from a sharp acceleration of pace on planning with regard to IPA-3 (Regional Development) in coming years. Nevertheless due to recent developments, it is time to extend further the dialogue and information sharing with the donors community in order to build a common vision and support about the immediate and longer term challenges Albania has to go through. In this context, technical assistance with a very good level of knowledge and expertise is needed for Albania to deal with the implications on regional development vis-a-vis with the roadmap that Albania will be following to comply with IPA decentralized management and the challenges to face in integrating domestic regional development concerns within this framework.
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Insolvency Procedures in Relation to Other States
(Cross - Border Insolvency According to Albanian Legislation)

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Abstract

Law no. 8901 dated 03.05.2002 “On insolvency” took effect on 1 October 2002. Its scope is to lay down similar compulsory rules for debtors to settle their liabilities during the insolvency procedures. In the context of EU integration, and due to the inevitable process of globalization of the economy, a highly interesting aspect in the field of insolvency is cross-border insolvency, or the international law on insolvency. The most outstanding international instruments of insolvency are the UNCITRAL Model-Law on Cross-border Insolvency, the EU Regulation on insolvency 1346/2000 and the European Convention “On

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defined international aspects of insolvency, approved by the Council of Europe on 05.06.1990. Considering the fact that increased cross-border trade and investment leads to greater incidence of cases where enterprises and individuals have assets in more than one state, it is more than necessary to have a deep insight on the legal regulation in this aspect. When a debtor with assets in more than one state becomes subject to an insolvency proceeding, there often exists an urgent need for cross-border cooperation and coordination in the supervision and administration of the insolvent debtor’s assets and affairs, thus fair and internationally harmonized legislation on cross-border insolvency that respects the national procedural and judicial systems and is acceptable to states with different legal, social and economic systems would contribute to the development of international trade and investment. This paper aims to outline the cross border insolvency proceedings laid down by Albanian Law on Insolvency Proceedings. A detailed analysis of the provisions on cross border insolvency will be presented, aiming at pointing out the problematic issues of the Insolvency Act of 2002.

Having an effective and efficient legal regulation harmonized especially with EU acquis, is the key element on the Regional or European integration.

**Key Words:** Insolvency proceedings, cross border insolvency, recognition of foreign judicial decisions, main insolvency procedure, secondary insolvency procedure, debtor.

### 1. INTRODUCTION

Law no. 8901 dated 03.05.2002 “On insolvency”\(^3\) took effect on 1 October 2002. The law has 284 articles and its scope is to lay down similar compulsory rules for debtors to settle their liabilities during the insolvency procedures.

The Law “On insolvency” shall be implemented in the context of other legal provisions, which are widely in use and have been incorporated in the Civil Code\(^4\), the Code of Civil Procedures\(^5\), the Law “On security charges”\(^6\),

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3 Law No. 8901 dated 03.05.2002 “On insolvency”, *Official Gazette of the Republic of Albania* No.31/02

4 Civil Code of the Republic of Albania adopted by Law No. 7850, dated 29.7.1994

5 Civil Procedure Code of the Republic of Albania adopted by Law No. 8116, dated 29.03.1996


Although the law regulates in detail the insolvency procedures, the number of cases examined by Albanian courts in relation to the insolvency procedures is inconsiderable8. The complexity of insolvency law and lack of experience in the treatment of insolvency cases accounts for lawyers having recourse to other laws in order to resolve disputes over liabilities instead of referring to the law on insolvency. Seeing that the law was not being applied in practice, it was deemed necessary to intervene in some parts of the Insolvency Proceedings Act in order to improve some of its aspects, with a view to adjust it to the needs of the economic reality of the country. Without touching the essence of the underlining principles of the functioning of the law, the amendments made to the insolvency law9 affected some of its aspects and made it more efficient.

In the context of EU integration, and due to the inevitable process of globalization of the economy, a highly interesting aspect in the field of insolvency is cross-border insolvency, or the international law on insolvency. The most outstanding instruments of insolvency are the UNCITRAL Model-Law on Cross Border Insolvency10, the EU Regulation on insolvency 1346/200011 and the European Convention “On defined international aspects of insolvency”12.

The Albanian law on Insolvency in Part Eleven (articles 278-282) contains also some provisions on cross border insolvency. The Albanian courts may commence an insolvency proceeding against a trade company that has a registered branch or its seat (or habitual residence) in Albania or one of its assets in Albania. The Albanian courts may start insolvency proceedings

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9 Law No. 9919, dated 19.05.2008, Official Gazette of the Republic of Albania No.83/08
against an Albanian debtor at the request of a foreign creditor. The insolvency procedure is the same as that commenced by an Albanian debtor or creditor. After examining the enactment of court rulings, we may say that the decision of a court of another jurisdiction is recognized by Albanian courts after the relevant procedures have been adopted for mutual recognition of decisions. Although Albania has not ratified the Convention on jurisdiction and the enforcement of judgments in civil and commercial matters”, Brussels 196813, the decisions of Albanian courts shall be recognized by other jurisdictions pursuant to their national legislations on relevant decisions.

It is important to note that the Albanian insolvency law envisions non-main supplementary procedures to the main procedures. The law stipulates that, in addition to the debtor or creditor, the administrator or some other appointed representative for the assets of the debtor in the foreign insolvency procedure, should enjoy the right to submit an application for commencing a non-main insolvency procedure. A non-main procedure may be initiated without having to prove the existence of insolvency conditions.

2. CROSS-BORDER INSOLVENCY

Cross-border insolvency is one of the most complicated legal issues since it involves a number of issues related to material and procedural law. The commencement of insolvency procedures affects the debtor’s solvency state in all legal aspects. In this instance we may speak of:

A national insolvency procedure, which covers all the assets of the debtors in any state where they may be;

Foreign procedures, which should be recognized by the relevant country.

In the first instance, distinctions should be made between the main and the specific insolvency procedures.

By the main insolvency procedure we should understand the insolvency procedure that is commenced based on the primary power (e.g. center of the debtor, place of habitual residence) and as such, it aims quite justly at covering all the assets of the debtor, within and outside the country.

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By specific insolvency procedure we should understand the procedure that has commenced on the basis of a subsidiary power (e.g. in the case of branches of assets of the foreign debtor within this country) which as such, quite rightly aims at covering only the assets of the debtor in the state where such procedure has commenced.

The specific insolvency procedure should be distinguished from the non-main insolvency procedure, which implies the insolvency procedure that presupposes the commencement and recognition of the main foreign insolvency procedure and which, in this vein, depends on it. As a rule, it is subjected to the main insolvency procedure and is at the foundation of the rules of cooperation and coordination of such procedures.

As a result of this interdependence, the non-main insolvency procedure may commence only after recognition by Albanian courts of the main foreign insolvency procedure. In this instance, the cause for the commencement of the non-main insolvency procedure is the recognition of the foreign decision; therefore it is not necessary to prove the insolvency state of the debtor or his overburden of debts.

Unlike the non-main procedure, the specific insolvency procedure may commence even when a main insolvency procedure does not exist. The foreign or local creditor may address the Albanian courts to commence a special procedure when he or she proves the state of insolvency or the burden of debts of the branch of the foreign legal person in Albania, or when such a person has assets in the territory of Albania, irrespective of any insolvency procedure having started or not in the foreign state. In this case, the Albanian court has jurisdiction and the power to commence an insolvency procedure (if the legal requirements are met) only in respect of those assets of the debtor that are found in the Republic of Albania.

As we already mentioned above, the Albanian insolvency law has regulated issues of cross-border insolvency as follows:

I. Involvement (jurisdiction over) in the insolvency procedure
II. Recognition of a foreign insolvency procedure
III. Effects of recognition
VI. Non-main procedures
V. Cooperation

These aspects of cross-border insolvency shall be treated together with the

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14 Article 278 et seq. Law No. 8901 dated 03.05.2002 “On insolvency”, Official Gazette of the Republic of Albania No.31/02
principles of private international law and the principles of civil procedures on the recognition of decisions of foreign courts.

**I. Jurisdiction over insolvency procedure**

Actually Article 278 is entitled “Involvement in the insolvency procedure”. The term “involvement” means nothing in procedural terms, but if we refer to the content, we see that it speaks about the jurisdiction of the Albanian court. As the content of this Article shows:

1. The insolvency procedure commenced in the territory of the Republic of Albania shall cover all the assets of the debtor in any state where they may be.

2. When the debtor does not have his seat or habitual residence in the territory of the Republic of Albania, but has a branch of his establishment in this territory or carries out another economic activity there, an insolvency procedure (specific) may commence, which covers only the assets of the debtor that are found in the territory of the Republic of Albania and in which take part only those insolvency creditors whose claims are in respect of such an establishment within the territory of the Republic of Albania, or whose place of residence is found in the territory of the Republic of Albania.

If we refer to the content of this article, we shall see that its two points are based actually on two principles that in essence contradict one another. We see that the first point contains the principle of universality, which means that an insolvency procedure commenced in the Albanian territory should cover all the assets of the debtor, irrespective of the state where they may happen to be. In fact, this principle is not that simple to be applied in practice, because eventually it may run into conflict with other principles of international private law.

Meanwhile, point two refers to the principle of territoriality, which means that the domestic court of the country in which the assets of the debtor are found has the power to commence insolvency procedure and this applies only to those creditors whose claims are linked with such assets, or to the local creditors. Such a procedure would have no effect outside this country and would apply only to assets found within this state.

The principle of territoriality is the principle applied also in domestic law. Thus, the court of the country where the debtor’s seat or habitual residence is found is the competent court to commence an insolvency procedure. If the debtor has no seat or residence in the territory of Albania, then it is an indispensable requirement for commencing insolvency procedure against him that he should have a branch of his establishment in the Albanian territory.
However, in such a case, no main insolvency procedure may commence against such a debtor, only a specific procedure which covers only those assets of his that are found in the Albanian territory. Such a procedure may not have any effects outside the Albanian territory.

II. Recognition of a foreign insolvency procedure

Article 279 of the law lays down that:
1. An insolvency procedure commenced in a foreign state shall be recognized in Albania only if:
   a) The debtor has his habitual residence or seat in this state;
   b) The insolvency procedure does not infringe upon the main principles of Albanian legislation and in particular the constitutional provisions.

   International cooperation and coordination in cases of international insolvencies depend to a large extent on the “desire” and willingness of this state to recognize foreign procedures.

   Under Albanian legislation, the decisions of the courts of other jurisdictions shall be recognized by our courts pursuant to the provisions of the Code of Civil Procedures15, while the principle of recognition of a foreign insolvency procedure is envisioned in Article 279 of the Albanian Law on Insolvency. It contains the circumstances in which foreign court decisions should be recognized to commence an insolvency procedure.

   Article 279 of the Law on Insolvency provides for two sine qua non requirements for recognition in Albania of an insolvency procedure commenced in a foreign state.

   The first requirement stipulates that the recognition of an insolvency procedure commenced in a foreign state shall be recognized only if the foreign debtor the habitual residence or seat in the foreign state. From the analysis of this requirement, we may come to the conclusion that according to Albanian legislation, the decision of the foreign court to commence an insolvency procedure may be recognized by Albanian courts only if the debtor, who is a physical person has his or her place of residence in this foreign state, or if the debtor, as a legal person has his or her center (seat) in the same foreign state.

   The second requirement is linked with the public order clause. Thus a foreign decision to commence an insolvency procedure may be recognized

only if it does not run counter to the public order of the Republic of Albania. The determination of instances that may constitute violations of the Albanian public order is rather difficult given the transformation of the whole political and juridical order in the country in the last two decades, which has led to the changing of the entire basic set of values. Under the doctrine, the definition of the public order is an abstract one. In this manner are upheld the fundamental principles of law and moral, as a set of inalienable principles, which are contained in the fundamental law of the state, namely in the constitution, or which are deduced from the entity of the juridical order and the good customs of the society. Enactment of the clause of public order should be made with caution in order to avoid failures to recognize foreign decisions to commence insolvency procedures. Failure to recognize a foreign decision because it may run counter to the public order should be an extraordinary measure and applied only in those instances when a very serious violation of public order is at stake. Application of the public order clause depends also on the intensity of the connection between the concrete juridical relations, to which the relevant decision is linked, and the domestic order.

In order for an insolvency procedure commenced in a foreign state to be recognized by an Albanian court, it is absolutely necessary for the two requirements provided for in Article 279 of the Law on Insolvency to exist and be met concurrently.

III. Effects of recognition

The effects of recognition of commencement of an insolvency procedure shall be dictated by the law of the foreign state, apart from some exceptions laid down in the law, which are linked:

Firstly, with the claims submitted in the Albanian territory, which have not been stayed;

Secondly, the rights of ownership of solid and liquid assets in the Albanian territory, which should not be violated;

Thirdly, with contracts for immovable properties or employment contracts which are subject to Albanian law alone.

The main effect of recognition of a foreign insolvency procedure is the staying of existing procedures against the assets of a debtor, accompanied with the staying of the actions of individual creditors against the debtor and the staying of the right of the debtor to transfer or alienate his assets.
Under the UNCITRAL Model-Law “On Cross-Border Insolvency”¹⁶ such effects derive necessarily and automatically from the decision to recognize the decision of a foreign court on insolvency, issuing all the necessary local orders under the domestic law to give force to such effects. It is worth mentioning that the automatic nature of such effects means that in actual terms they are provisional until the court changes or finalizes them. Their staying makes possible the taking of positive measures that lead to the collection and reorganization of the assets of the debtor. Until that moment, all the actions are stayed and the possibility to do away with the assets of the debtor is ruled out.

IV. Non-main procedures

Allowing for non-main procedures is a very important measure foreseen by the Albanian law to facilitate cross-border insolvency. Under the Albanian law, recognition of a foreign insolvency procedure does not prevent the commencement of a specific procedure as a non-main procedure to the main procedure already commenced. But in order for this non-main procedure to commence, it is necessary for the criteria of point 2 of Article 278 to exist, which foresee the following requirements:

Firstly, the debtor should have branches of his establishment in the Albanian territory, or should carry out another type of economic activity there;
Secondly, this non-main procedure shall be applied only against assets found within the Albanian territory;
Thirdly, only those creditors whose claims are linked with this establishment may take part in this procedure.

Thus, the non-main insolvency procedure is restricted only to the local assets of the debtor. The formulation of the provision on the specific procedure gives us reason to stress that the non-main procedures may commence only when the debtor has branches of his establishment in the territory of the Albanian state, has his habitual residence, or owns assets there.

The commencement of the non-main procedure is facilitated also by the rule saying that recognition of the foreign procedure is seen as proof that the debtor is in an insolvent state¹⁷. In this manner, any delay that may help the debtor to hide his assets is avoided. Furthermore, the commencement of the

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¹⁷ Article 281, point 3 of Law 8901, dated 23.5.2002 “On Insolvency”
non-main procedure is proof that none of the assets of the debtor may “escape”.

The right to submit an application for commencement of non-main insolvency procedures rests with the debtor or his creditors, but it may also rest with the administrator or other appointed representatives of the debtor in the foreign procedure.

V. Cooperation

Article 282 of the Albanian law on insolvency reads:

1. When foreign and domestic insolvency procedures, as stipulated under this law, are commenced and take place concurrently for the same debtor, the court and the administrator shall cooperate to the highest level with the foreign court or representative.

2. The trade section of the district court has the power to communicate directly with and ask for data or assistance from the foreign court or representative.

Cross-border cooperation is envisaged in Article 282 of the Law “On Insolvency”. Cross border cooperation between courts involved in insolvency cases are important when foreign and domestic procedures are taking place concurrently under the Albanian law. It is essential to treat cross-border insolvency effectively and successfully. Such cooperation does not occur always in practice because judges find it difficult to establish effective cooperation due to lack of bylaws on such cooperation. From the above provision, we see that it provides for cooperation with the foreign court or representative, who may be a foreign administrator. Furthermore, the second point of the law foresees that communication should be direct, that is, all formalities that take up a lot of time should be avoided, such as written orders or interventions through diplomatic or consular channels. This is so because in such cases, it is of essential importance to act urgently. Thus the Albanian law allows for cooperation, laying down that this cooperation should be at the highest possible level, but it does not specify the possible ways of realizing it in practice. If we refer to UNCITRAL Model-Law in order to see if it contains any possible ways of cooperation for applying them to our domestic law, we shall see that it does not provide for any list of concrete ways of cooperation. However, Article 27 of INCITRAL Model- Law gives some examples such as the appointment of a person or body that may act under the guidance of the court regarding coordination of administrations and supervision of the assets.

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of the debtor and issues of communication and information. The Model-Law leaves the concrete format of cooperation at the discretion of the parties involved, while ordering the highest possible cooperation of any form.\textsuperscript{19} This stresses once again the importance of cooperation in order to reach an acceptable settlement in cases of cross-border insolvency, while at the same time guaranteeing that the courts bear in mind all the domestic provisions in force that restrict cooperation, for example, for reasons of protection of data or the debtor’s private life. The level of discretion left to the courts is important. In some circumstances, cooperation may not be necessary at all, while in some others, it may be of primary importance, and as such it should be thorough cooperation.

Another important aspect of cooperation is coordination of concurrent procedures. This aspect is not regulated in the Albanian law, but in order to understand it, we may refer to UNCITRAL Model-Law. Taking into consideration that the law provides for non-main procedures of insolvency, it may lead to an increased number of insolvencies. Therefore it is very important to coordinate these procedures very well. Most importantly, it is necessary to coordinate the local and foreign procedures against the same debtor\textsuperscript{20}. On the other hand, a state may be faced with two or more foreign procedures against the same debtor. Even in such a case, coordination should be facilitated\textsuperscript{21}. Coordination between various procedures is the only way to reach the final goal of every insolvency procedure, that is, the maximization of the value of the assets of a debtor during their liquidation or the most favorable restructuring of the establishment.

Coordination becomes more difficult in those instances when the court is faced with more than one foreign insolvency procedure against the same debtor and when it is required to recognize each and every one of them. Article 30 of the Model-Law stipulates immediate support in order to facilitate coordination of procedures and when one of the foreign procedures is the main insolvency procedure, any support for it should be given in conformity with this procedure. Irrespective of its preference for the main procedure, the Model-Law does not specify how to reach such coordination.

All efforts to establish coordination are promoted by the existence of a rule about the fair division of assets. If the creditors may submit claims in

\textsuperscript{19} Article 25, 26 of UNCITRAL Model-Law “On Cross-border Insolvency”.

\textsuperscript{20} Article 29 of UNCITRAL Model-Law, \textit{supra}

\textsuperscript{21} Article 30 of UNCITRAL Model-Law, \textit{supra}
more than one insolvency procedure, they may not benefit more than the other creditors of the same ranking. This means that the creditors may not benefit unjustly from the existence of several concurrent insolvency procedures. The secured claims or the real right are exempt from this rule. Furthermore, this rule does not affect the ranking of claims.

3. CONCLUSIONS

Irrespective of the tendency and scope of the law to regulate cross-border insolvency, some major aspects are still left unregulated such as: coordination of concurrent procedures, cooperation, and recognition of the decision on insolvency commenced in a foreign state, and other such issues, which may lead to problematic situations in the course of the enactment of such a law. Therefore, it is necessary to amend the law on cross-border insolvency. Another possibility would be to incorporate the stipulations of UNCITRAL Model-Law whose implementation has turned out to be very effective and successful in the countries where it has been enacted. The amendment of the Albanian law on cross-border insolvency is a need both theoretical and practical, because cooperation with international entities and development of trade activities with various countries is in constant development. As a consequence, the law should be constantly improved in order to create a sense of security, effectiveness, and promptness for the entities it applies. The tendency of various legislations in the field of cross-border insolvency is the approximation of material and procedural laws in order to create greater facilities for their enactment, given the fact that the insolvency procedure itself requires effective and rapid implementation.

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Developments Tax Legislation And Changes of Small Business in The Municipalities of Shkodra and Lezha

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Abstract

Another feature of the economical transition in Albania is the permanent change of the tax legislation, a change which passed through three stages that present different tables of fiscal legislation. First stage: there is a lack of fiscal legislation suitable to the economy and as a result, there have been dynamic changes in the fiscal legislation almost every year. One part of the economy was excluded from the fiscal and tax system (the informal economy) and one part of the taxes were not appropriate for the economical level becoming often an obstruction for a formalized economy. The fiscal burden is low. The second stage begins in the late '90-s. This period was characterized by the stabilization and perfection of the taxes legislation aiming at the economy formalization, which was consequently followed by the increase of the fiscal burden that constituted 44% of the budget. Thus, this led to a low pace increase of income and well-being of the population. The third stage begins with the assignment of the Agreement for Stabilization and Association and it is characterized by the approach of the Albanian fiscal legislation to the European fiscal legislation. There is an income increase and a lower fiscal burden. Consequently, there is a people’s well-being increase. The present fiscal system in Albania consists of: a- taxes at a national rate: VAT (Value Added Taxes), taxes, excises taxes, taxes for... casinos, gambling, national taxes as well as other taxes established by specific laws. b. local taxes: local taxes and fees assigned by the system of local taxes as well as taxes established by the local administrative decisions.

The local fiscal autonomy. The fiscal autonomy of the local authorities reinforced the financial independence of the local authorities. These authorities are independent at defining and collecting the income on the budget and they have independent access to the assignment of the expenses. The new organic law “For the organization and functioning of the local governing” created a stable legal framework which would enable the functioning of the decentralized administrative and fiscal structures including self-governing, regions, municipalities and districts. The instigation of the private sector deals with the financing and distribution of the local public services. The

5 The fiscal burden in 2006 is about 29%, whereas in a closer meaning (including social and health dues) ... about 25%. S.Hilmi Gazeta Shqiptare August 2006.
6 Law nr.8652/2000 "For the organization and functioning of local governing “and the Law nr.8653/2000 "For the partition of the territorial and administrative units of the local governing in the Republic of Albania"
direct engagement of the private sector has rationalized the management of the public resources, diminished misuses and provided the continuous distribution of the services.

The fiscal legislation on the local taxes and the system of the local taxes on the small business. The law impact of the local taxes on the small business in the providing of the public income of the local governing. The tax subjects of the small business are people who come to an annual income smaller or equal to 8 million lek. The changes defined by the tax legislation on the small business in December 2007 and their effect on the evolution of the small business in Shkoder and in Lezha.

Welfare of the population with high taxes are in contradiction with each other. Numerous studies conducted by international economic institutions express that, more fiscal freedom and lower taxes has a country, more powerful he becomes. Rely on these studies is estimated that transition countries should refrain policy based on low taxes. Low taxes means diversification of access in economic growth and economic growth of enterprises. While a policy of growth and increased taxes in these countries would represent a heavy cost for development. The tax reduction for Albania has a positive political influence in the political – economic relation.

Was necessary for Albania to follow the model of low taxes in the transition period of its economy from centralized one to a capitalist market economy. This was the model of capitalist countries in which the tax burden was initially very low. In the middle of 19th century the burden of taxes and tax margins reached 16%, while in 2000 grow up to about 37% of GDP. Based on this paradigm in our country has been made efforts in two directions: the formalization of the economy based on law-business and fiscal laws: to reduce tax burden and taxes. Our country has followed this streamline: from a country that originally didn’t have an impost and tax system suitable for the free market system to its creation and modernization. Initially, the fiscal burden on Albania catch a figure not significantly. In 2001, the burden of fiscal revenue in total was about 23% of GDP, while today this figure captures fiscal burden 10.7% of GDP. In our opinion, significant influence has the tax legislation adopted in Albania during the period of economic transition to free market economy after 1990. This was intended to enhance economic development and at the same time create a greater access to business entrepreneurs, especially small and middle business.

Key words: tax legislation, fiscal legislation, fiscal autonomy, national taxes, local taxes.

7 Law “On the local tax system”, nr.9632, 30.10.2006.
1. INTRODUCTION

Tax system in Albania was established after major political transformations and economic transition to market economy after 1990th. Since then, great job has been done for the approximation of fiscal legislation with that of European countries. The first years of transition there was a huge dynamism in changing fiscal laws. It can also be said that they changed almost every year through new fiscal packages that were approved together with the budget. Most important part of the state budget, because of the application of the new fiscal system, were indirect taxes with 44.4%, from which 16.5% was collected by excise and 13.5% by custom taxes. Meanwhile should be mentioned that during the period 1990-1999 it has been made changes of the rates or tariffs, but the most significant changes in the Albanian fiscal system were introduced in 1999 with the law nr.8560, date 22.12.1999 “On tax procedures in the Republic of Albania” and with a new package of tax laws, regarding income tax, value-added tax, excise, and tax on small business. Because of the rapid changes in the economy of the country, of the purposes for the European integration, and also because of the ongoing process for the decentralization of power, the Albanian tax legislation continuously undergoes changes in the way of improving and approximating with EU standards.

This paper does not aim to analyze the consequences that have come to the system and development of the Albanian economy by tax legislation adopted during these years and consequences to the development of small business nationwide. In the attention of this paper, is to bring in light the consequences of the small business development in the area of the city of Shkodra and in the Municipality of Lezhë, by local tax legislation approved in 2006.

2. TAXATION AND TAX LEGISLATION IN ALBANIA.

The first problem we want to treat is relates to income and tax legislation which is subject the economy and private enterprise in our country. The income and tax legislation include the laws and other juridical-acts which regulate the

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impost and tax system in Albania. Impost legislation and tax laws have undergone series of affection determined by economic developments in the economy, towards the European Union countries and the obligations of approximation of Albanian legislation under the signature of the SAA. For consistency, our impost and tax legislation is characterized by several distinct features.

The purposes of European integration and the signing of the Stabilization Association Agreement (SSA) with Albania brought commitments related also to tax legislation. The commitments undertaken in the framework of European partnership, rising from articles 85 and 97 of SAA with Albania concern: the improvement of tax legislation and simplification of tax procedures; effective and non discriminatory application of tax legislation; the improvement of administrative capacities and the most effective use of human resources; increase the effectiveness of tax collection (with lower costs for the administration and for the taxpayers; intensifying the fight against tax evasion; exemption from tax payments for the projects financed by EU in accordance with the Framework agreement of 1992; full and effective implementation of the system of VAT. Related commitments undertaken in the framework of Thessaloniki Agenda, Item 4, concern promoting economic development.

The actual fiscal system in Albania, according to the article 3 of the law nr.9920, date 19.5.2008 “On tax procedures in the Republic of Albania”, is composed of: the international agreements ratified by the Albanian parliament (such as the above mentioned agreements on avoidance of double taxation and to prevent fiscal evasion), tax laws, and bylaws adopted in support of tax laws. The tax legislation framework is presented in two levels: the central level, and the regional level. Taxes and fees involved in the central (or national) level are: the VAT, the income tax, the excise, the tax for gambling, casino and racetrack, the national fees, and other taxes determined by special laws10. The directives, the guidelines and the regulations, related to these taxes and fees are also integral parts of the legal framework in this level. We mentioned above, at the introductory marks, that in 1999 there was a big change in the fiscal system in Albania with the law nr.8560, date 22.12.1999 “On tax procedures in the Republic of Albania” and with a new package of tax laws, regarding income tax, value-added tax, excise, and tax on small business. The analysis in this section of our research concern the changes made during the period 1999-2009 about tax legislation reforms in central level.

10 Such definition for the national taxes and fees is given by the article 4 /2 of the law of 2009th “On tax procedures in the Republic of Albania”.
Regarding tax procedures the relevant law of 1999th introduced the main principles for the organization and functioning of the fiscal system in Albania, the application of restrictive measures for the collection of the local taxes and fees, appeals and other measures against decisions or acts of the administration. Meanwhile the law of 2008th creates further facilities for businesses (except the facilities for registration established in 2007 with the creation of the National Centre for the Business Registration) when: removing the obligation to deliver copies of the sales and purchasing books on tax departments; introducing the compensation of the tax due with the surplus credits from the refund of VAT\(^{11}\); introducing the online declaration for the businesses.

Regarding income tax, the relevant law of 1998th regulated personal income tax and tax profit of companies, which rates were respectively progressive 5-25% of personal incomes and 25% of net profit. The simplified tax profit was introduced in 2005 and was applied to small businesses with an annual turnover of less than 8,000,000 leke and was applied on the gross annual income. That was till the law changes of October 2006, when the Head III /1 “On the simplified tax profit” was entirely abolished.

Furthermore, lower tax policies are applied in July 2007 when: the personal income tax became proportionate 10%\(^{12}\), the rate of tax profit to be applied till 31 December 2007 had to be 20%, while since 1 January 2008 became 10% of net profit. Although the prevision of lower tax polities for big businesses, that seems not to be the same with the small businesses that are subject of the local tax on small business with an annual turnover of 2,000,000-8,000,000 leke. These businesses, according to the changes made in December 2007, specifically articles 8 /gj, \(^{12}\) and 12 /1, became subject of the tax income on a proportionate rate of 10%, and the taxable income was calculated as the difference between incomes and the recognized expenses. There seemed to be as if they were favoured because of the lower tax on the small business, which from 3% in 2006 became 1.5% in 2007, but the amendments of the law on income tax in December 2007 suddenly raised the tax dues for this group of entrepreneurship.

The VAT approved since 1995, was further object of changes, which didn’t affect the substance of this tax, but did some arrangement rising from the practice during its application. It was generally based on the model of the directive 6 of

\(^{11}\) Actually this facility was introduced by adding the article 75 /1 with some changes done lately with the law nr.1014, date 28.9.2009.

\(^{12}\) It was introduced with the changes of the law nr.9766, date 09.07.2007 “For some changes on the law of income tax”, and was called “the flat tax”, which brought many discussions concerning its benefits or not.
EU on VAT, by adopting it to the real conditions of Albania. Its rate is 20%. As subject of VAT are obliged to register all the entrepreneurship whose annual turnover overpasses 8,000,000 leke. With the amendments of these last years, are introduced new dispositions that oblige to register for the VAT also all natural or legal persons who perform import activities regardless the total amount of their turnover. So, also the small businesses which eventually are supplied from imports of goods were introduced in the schema of VAT.

The tax legislation framework in the regional level contains: local taxes and fees determined by the law on local tax system, and also related bylaws approved by local administration. According to article 9 of the Law nr.9632, date 30.10.2006 “On local tax system”, amended, local taxes include: local tax on small business, taxes on immovable property, the tax of accommodation hotel, the tax of impact in infrastructure of new buildings, tax on the transfer of ownership right to real estate, annual registration tax of vehicles, tax for occupation of public spaces, table tax, and also temporary taxes. Some of these taxes will be further analyzed in the ongoing issue of this research paper.

Based on the law “On the local tax system” of 2006, subject to tax on small businesses are all businesses or economic profitable activities, performed by private individuals who realize the fiscal year, an annual gross income (turnover) smaller or equal to 8,000,000 (eight million) Lek. These entities are subject to liability to payment of local taxes on small businesses. This revenue from local taxes on small businesses belongs to the local government unit in the territory whose jurisdiction is the location of local business. Taxation on small businesses is calculated as an annual obligation of taxpayers. The period starts on an annual duty in January and ends on December thirty one of that year. If business activity is established or ceases within that period, the calculation of pro rata liability of taxpayers is only for the period of practicing this activity. Categories of local tax base and local levels of tax on small businesses and tax obligations to be paid by these businesses, determined in accordance with the category of business, which performed at the time of his registration and re-registration. Is the Municipal or Commune Council the designated body that decides on the level of tax that would apply to each category of tax to be applied. This is based on the level of the minimum tax base fee, provided. This body, has in the same time the authority of setting the

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13 Article 4 /3 of the law nr.9920, date 19.5.2008 “On tax procedures in the Republic of Albania”: Local taxes and fees are determined by the law on local tax system.

14 The tax on immovable property includes the tax for buildings and the tax for agricultural land.
tax relief and exemption from local taxes on small business. Local taxes on small businesses apply versus each subject, when the annual gross income (turnover) during the fiscal year is less or equal to 8,000,000 (eight million) Lek.

Local taxes on small businesses, starting from January 1, 2007, administered by the Tax Office to local government units (municipalities or communes). For purposes of this Act, a notice issued by the tax office in the municipalities or the communes, is considered effective in the date when notice is sent by hand in the business premises or residence of the taxpayer, or 7 days from the date of which notice has been posted.

Qualifying as a small business. Taxpayers and local taxes on small businesses, who is based on predictive statement of turnover or on the basis of assessments made by the tax office in the municipality or the commune, resulting in a turnover volume (turnover) more than 8 million calendar year, taxpayers are to be administered by the respective branches of Taxation. Tax offices in the municipality or the commune, within five working days, from the moment of conclusion that the taxpayer’s turnover is over eight million, must immediately notify in writing the concerned branch of Taxation, and to send full dossier of the taxpayer. From this moment (date of written notice), taxpayer and his file is administered by the concerned branch of Taxation. This branch of Taxation by its officially notify the taxpayer of this fact and take all action necessary for registration and activation of the taxpayer as binding to other types of taxes. Tax Branches can perform alone or in cooperation with the municipality and the commune to verify the fulfillment of the qualification of a business as small business. When they determine fulfillment of these conditions, perform registration of the business and pass it under their jurisdiction. At this time, they immediately notify officially the tax office of the municipality or the commune, which performs cancellation of the taxpayer.

When the branches of Taxation estimate that a registered business activity subject to value added tax has conditions to be qualify as small business activity, perform his cancellation and announce the concerned municipality hall or commune for registration of the activity, as small business activity. From this moment, the taxpayer and his activities are placed under the jurisdiction of the municipality or the commune. For purposes of this assessment, except for applications and data submitted by the taxpayer, the central tax authorities accept and review the information provided or requests made by the municipality or commune.
3. CHANGES IN SMALL AND MEDIUM PRIVATE BUSINESS IN SHKODËR AND LEZHË.

The second issue in this paper which constitute his foundation will be addressed of his concerns with the changes that have affected the development of small business in the city of Shkodra and Lezhës because the evolution of tax laws and tax on business. Especially to stop these changes caused by the system on business new local taxes imposed by law in 2006.

In the general framework on tax legislation, regarding establishment of facilities for business activities and simplifying procedures, it should also be mentioned:

The transfer, in November 2004, of the function of collecting “mandatory contributions for social security and health” from the Institutions of Social and Health Insurance to the Tax Administration.

The transfer of collecting “the small business income tax” from the Tax Administration to the Municipalities themselves, since 2007\(^\text{15}\).

The Decision of Council of Ministers nr.781, date 14.11.2007 on the obligation to install fiscal equipments, which tends to avoid fiscal evasion, and thus indirectly avoids unfair competition between entrepreneurships.

Most part of private entrepreneurships in Shkodra region realizes an annual turnover of less than 8.000.000 Lek\(^\text{16}\). We can also reach this conclusion indirectly by data presented in the Graphic 1, that present the change of private entrepreneurships activity in expanding business activity and “passing” from small to big business and vice versa.

In the graphics bellow is presented the continuity of changes form big to small business and vice versa, in the Municipality of Shkodra and Lezha.

It should also be mentioned here that it was of not low influence the tax law reforms of the last 3 years regarding the private entrepreneurships activity. We can shortly remind here two other reasons:

1. The reduction of the rate of tax profit from 20% to 10% since 1 January 2007.

2. The reduction of the tax on small business in 3% (in 2006) and further to 1.5% (in 2007).

\(^\text{15}\) The incomes from the small business tax are part of budget revenue in local municipality.

A.1.1 Represents the total number of businesses that enlarged activity and changed it from small to big business in Shkodra

A.1.2 Represents the total number of businesses that enlarged activity and changed it from small to big business in Lezha
A.2.1 Represents the total number of businesses that reduced activity and changed it from big to small business in Shkodra.

A.2.2 represents the total number of business that reduced activity and changed it from big to small business in Lezhë.
The small businesses with an annual turnover of 2,000,000-8,000,000 leke, in 2008 became subject of the tax income on a proportionate rate of 10%, and the taxable income was calculated as the difference between incomes and the recognized expenses\footnote{The articles that made available such determination were introduced with the changes of December 2007 on the income tax law.}

All natural or legal persons who perform import activities regardless the total amount of their turnover (including small businesses) became obliged to register for the VAT schema, meanwhile before were subject of the VAT only private activities having an annual turnover more than 8,000,000 leke.

Although generally lower taxes it’s not easy to justify the transition to the “passive register” during 2009th\footnote{Note: all the data presented in this research paper are taken from the Shkodra Regional Tax Directorate till November 2009.} of 179 private entreprenurships, 4 of which Small businesses, but may be the reason for such a big number should be found on the world economic crisis of this year. The data for the businesses that were transferred to the “passive register” are presented in the Table 2 below.

Analyzing the 2006-2009th fiscal packages of Shkodra Municipality, we can see that during these years there are no changes for the rate of local taxes, meanwhile there’s a little tendency in growing the fees. The growing of the fees every year could be justified with the higher expenses in offering the service, for which the fee is paid. It should also be mentioned here the difficulties of the municipality to collect its incomes, related to certain fees such as: cleaning fee, lighting fee, etc., because of the law of legal awareness of the community to pay these fees.

\begin{figure}
\centering
\includegraphics[width=0.5\textwidth]{chart.png}
\caption{Nr Bizneseve ne rregjistrin pasiv}
\end{figure}

\textbf{B.1 represents the total number of businesses that were transf the “passive register”}

17 The articles that made available such determination were introduced with the changes of December 2007 on the income tax law.

18 Note: all the data presented in this research paper are taken from the Shkodra Regional Tax Directorate till November 2009.
B.2 represents the number of small businesses that were transferred to the “passive register” (which are included in the total number given in B.1)

B.1.1 Represents the total number of Small business in Lezha, that were transferred to the “passive register”

The tax policies of Shkodra Municipality in 2008, regarding local taxes and fees, it should be mentioned that at local level the Shkodra Municipality benefiting from the legal space that creates article 5 of the law nr.9632, date 30.10.2006 “On local tax system” has done a new categorization for small businesses for the local tax on these businesses, creating a new subdivision
“Retail sales up to 2,000,000 lek for businesses focused on markets” reducing their annual due from 25,000 lek to 17,500 lek.

The strategic plan of Shkodra Municipality for the economic development 2005-2015 also takes into consideration private entrepreneurships in Shkodra Region when planning continuously to promote their activity.

4. CONCLUSIONS

The Albanian tax legislation is in approximating with the standards tax legislation of European Union and creates enough space for the development of business. Tax policies of the last years generally tend to lower taxes, but it should be taken more in consideration the small business. The collection of the small business income tax by the municipality itself since 2007 gives bigger responsibility to the municipality for the regional development of business. Last years there are no changes of local taxes rates by the Shkodra Municipality and Lezha Municipality, but local fees tend to be higher, because of the rising expenses in offering the service, for which the respective fee is paid.

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Albania - Challenges of Regional and European Integration

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Abstract

The main assumption in this paper is that regional cooperation in any given region is the outcome of the interplay between external/international factors and internal dynamics. The first refers to the extra-regional environment which favours and facilitates regional cooperation by a range of mechanisms and is particularly important in cases of conflictual, developing and aid dependent societies like those in South Eastern Europe (SEE). The second refers to the existence of a consensus among local actors on the importance of regional cooperation, their willingness and ability to identify initiatives of common and mutual interest, which will translate to common projects.

Integration into the EU is viewed as crucial for the long-term stability and prosperity of both individual countries as well as South-eastern Europe as a whole. It is a common goal shared by all the countries of the region. It is clearly understood that closer integration with the EU is the only hope for a more positive future. This is why the EU is very popular among the elites in the region. The willingness to associate with the EU, determines, to a large degree, the importance attached to regional cooperation, which is to a limited degree perceived as having a value on its own. The wars in the region have created objective barriers to cooperation from political, economic down to personal level, reinforcing countries’ orientation to step up their links with the EU.

European integration and regional cooperation are two processes which are not very well connected in the minds of the elites. Like in other regional groupings in Central Europe or the Baltic countries, there is a perceived incompatibility between the two and a suspicion that regional cooperation might delay the prospect of European integration.

Albania’s main focus in regional cooperation is on security, both external and internal. The regional nature of many problems facing Albania is a major impetus to cooperation. Yet, Albania’s grave internal problems of poverty and a lack of functioning state represent an agenda in which regional cooperation is seen as only marginal. This corresponds with a view that lack of security, resources and capacity to provide it by the regional structures, as well as peoples’ mistrust, are the main obstacles to cooperation. The political elites are perceived as self-serving, and the quality of the political class is viewed as poor. The civil service is seen as composed by low skilled and low paid individuals that lack the ability to identify regional projects. There is, therefore, little trust in the indigenous effort at cooperation and external pressure is deemed essential. It has been pointed out that the international
community has been influencing the agenda of regional cooperation. This
is to a large degree accepted given that the elites are well aware of the poor
state of the economy and low level of internal institutional support.

Keywords: South Eastern Europe; European Union; Enlargement;
Integration; Albania

1. A COHERENT POLICY FRAMEWORK

The transition from command economies to market economies in South
Eastern Europe has faced dramatic collapses in output in all the countries of
the region and in the case of former Yugoslavia ethnic strife and disintegration
brought additional burdens with negative implications for the region as a
whole. Economic transition had to move in parallel with efforts to restore peace
and political-social stability. A number of unrealistic and poorly coordinated
international initiatives for the region proved fruitless. In light of the above, in
1999, the EU initiated the Stabilization and Association Process (SAP) with
the then five Western Balkan states (Albania, Bosnia–Herzegovina, Croatia,
Serbia and Montenegro including Kosovo, and FYROM) as a step towards
a long-term approach to the region. The European Union thereby, for the
first time in history, held out to all the countries of the Western Balkans the
“prospect of Europe”. The SAP was aimed at assisting countries in the region
“to move closer to the European Union” by “introducing European values,
principles and standards in the region”4. These include democracy, the rule of
law, respect for human rights, protection of minorities and a market economy.
The goal of the SAP is the conclusion of a Stabilization and Association
Agreement (SAA), which binds the EU and the Western Balkan countries in
a formal association over a transition period. The SAP involves exhaustive
support and assistance through technical guidance for better governance,
effective institutions, the process of democratization, protection of human rights,
refugee welfare, economic development and the eradication of corruption and
organized crime. Overall, during the last decade, the policy of the EU towards
the Western Balkans has improved drastically. The EU is viewing each country
both as an integral part of the region, recognizing the common denominators of

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4 Calic, Marie-Janine (2005), “The Western Balkans on the Road towards European Integration”
Internationale Politikanalyse – Frieden und Sicherheit, Friedrich Ebert Stiftung
the problems that in some cases require collective solutions, without at the same
time loosing sight of country specificities. Hence a regional approach coexists
with a tailor-made approach for each country. The major problems relate to
striking a balance between these objectives and distributing funds accordingly
considering the limited resources after the last EU enlargement.

Observers are of the opinion that the recent enlargement of the EU to
Central and Eastern Europe (CEE) has been a success⁵. It brought to a close
a legacy of conflict in that region and gave to the nations the needed impetus
for their political and economic modernization, thus bringing stability and
security to a large part of Europe. In this way, the fundamental value of
European integration has been reaffirmed. There is, therefore, a compelling
reason for pursuing the goal of Western Balkan integration in the Union
if democratization, stability and prosperity are to be achieved in as large
a part of Europe as possible without taking recourse to isolated foreign
policy initiatives. In its 2005 report “The Balkans in Europe’s Future”, the
International Commission on the Balkans expressed⁷⁴⁵ the view that the
target date for accession should be set at 2014-2015: symbolically, a century
after war broke out in Sarajevo in the summer of 1914⁶. The European Council
in December 2006 stated, however, that target dates for accession will not be
set “until accession negotiations are close to completion”⁷.

2. THE ISSUES

2.1. Political and Civil Instability

In spite of numerous efforts and achievements, the Western Balkan
region still faces a number of pressing structural problems in the institutional,
political and economic spheres: these include open status issues, constitutional
uncertainty, the “weak state” syndrome, a poor business environment and
high rates of unemployment and poverty. In its 2005 report, the International
Commission on the Balkans believes that “the region is as close to failure as

⁵ Goldstein, Avery; Batt, Judy: “Balkans in Europe: Why, When and How?”, Policy Brief, Belgium, European


it is to success”.\textsuperscript{8} Democracy and the rule of law are making slow and uneven progress in the Western Balkans. According to the Freedom House Index, all countries have progressed with regard to electoral process, civil society, freedom of the media, good governance, anti-corruption and the rule of law\textsuperscript{9}. The 2006 Democracy Score Chart of Freedom House shows that on a scale of 1 to 7 where 1 represents the highest level of democratic progress and 7 the lowest, the new EU members have scores between 1.7 and 2.3. By contrast, the countries of the Balkan region exhibit scores between 3.6 (Croatia and Serbia) and 5.4 (Kosovo)\textsuperscript{10}. There is still absence of stability and transparency in government; a resurgent appeal to extremism and ultranationalism in some countries; weak protection for the rights of ethnic and minority groups; political and economic pressures on the media; low government receptivity to citizen participation; and pervasive corruption at all levels of society and government. Civil society is still very underdeveloped and highly dependent on external donor funding. Although the countries of the region are moving in the right direction, they are still very far from reaching the position of the Central and East European countries that recently joined the European Union.

\textbf{2.2. LOW ECONOMIC DEVELOPMENT}

On the economic side, GDP growth has been extremely sluggish in most of the region. The GDP levels obtaining before the onset of war in the region have still not been overtaken for the large part. War, sanctions and quick privatization have resulted in the collapse of industry in most of the Western Balkan countries, with resulting unemployment and poverty. In Croatia and Albania, economic growth has led to significant increase in employment, but the situation in the other countries remains a cause of concern. Unemployment and underemployment continue to affect a significant part of the population, and living standards are below the poverty line for large sections of the people. The informal sector plays a major role in the economy of these countries, accounting for more than one third of total income. This leads to increasing poverty and inequality in accessing opportunities and services.

\begin{itemize}
  \item[8] International Commission on the Balkans, op. cit., p. 7.
  \item[10] Figures read from graph in Freedom House, 2006.
\end{itemize}
Table 11: GDP and Population for the Western Balkan countries

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<thead>
<tr>
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<tbody>
<tr>
<td>Albania</td>
<td>3.2</td>
<td>5,201</td>
<td>6.0</td>
</tr>
<tr>
<td>Bosnia – Herzegovina</td>
<td>3.8</td>
<td>7,844</td>
<td>5.0</td>
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<tr>
<td>Croatia</td>
<td>4.4</td>
<td>13,185</td>
<td>4.7</td>
</tr>
<tr>
<td>FYROM</td>
<td>2.0</td>
<td>7,268</td>
<td>4.0</td>
</tr>
<tr>
<td>Montenegro</td>
<td>0.7</td>
<td>n.a</td>
<td>6.0</td>
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<tr>
<td>Serbia</td>
<td>10.0</td>
<td>n.a</td>
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The accompanying table shows that Croatia is the outstanding economic performer in the region with a GDP per capita clearly exceeding those of any other country in the region. While growth rates of GDP have been 4–6% for the region in the recent past, growth forecasts for the current year are largely higher than what has prevailed. The economies of Albania, Montenegro and Serbia are likely to grow by as much as 6%. Inflation is moderate whereas FDI, though still relatively low, is on a rising trend (EBRD data). While this presents some cause for optimism about economic prospects in the region, the Western Balkans are still poor and backward in comparison with the rest of Europe and even the Central and Eastern European (CEEC) countries. Recent experience has shown that the prospect of EU membership increases foreign investment because risks and transaction costs are reduced. It has been found that there is a clear positive correlation between FDI and European integration prospects, and a negative correlation between FDI and political instability. The latter is understandably considered by foreign investors to be one of the key impediments to starting a business. Private business in the Western Balkans has to reckon with a number of impediments that include absence of a competition framework, lack of financial access, poor quality standards, high taxes, and poor access to markets. Countries in the region face both petty corruption and state dominance in many areas of public life. Even though it is the case that the Western Balkan countries are not so well placed for accession as the CEEC countries were in the pre-accession phase, it is undeniable that conditions in the latter have improved considerable compared with a decade

11 Source: European Bank for Reconstruction and Development (EBRD; www.ebrd.com)

12 The EU has granted to the region some Autonomous Trade Measures (ATM), which have, however, had only a minor effect on increasing exports from the region on account of low production standards, legislative barriers, and inadequate certification capacity and control.

ago. The prospect of renewed war is minimal. All the concerned states have officially expressed their desire to come closer to Europe, promote the market economy, and work towards regional as well as towards peaceful settlement of disputes. Moreover, there are unmistakable signs of economic stabilization and recovery all over the region. There is progress as regards institutional reform and market liberalization. Strong grounds exist for believing that the prospect of near EU membership can provide a strong incentive to countries to undertake reforms in a decisive fashion.

2.3. Incentives Due to EU Membership Prospects

More investment allows improved economic performance, raises country credit ratings and promotes further FDI inflows. Unclear political prospects, combined with notorious institutional weaknesses, reduce the likelihood of economic growth. If EU accession prospects are made unambiguous, they can become the most important means of continuing the reform process and attracting FDI. Accession countries are more attractive as a production location because they guarantee access to the European market and protect investors against sudden and arbitrary shifts in trade and market policies.

The European prospect constitutes a powerful incentive for reform and conflict resolution in the Western Balkan region. Experience over the last few years underlines the fact that it has served as a stimulus towards promotion and enhancement of ongoing reforms; as an enabling structure for conflict resolution; and as a framework for better regional cooperation. In the backdrop of European integration prospects, all countries in the region have invested much effort in the reform process.

2.4. The Debate on Enlargement

The negative results in the 2005 referenda in France and the Netherlands on the EU constitution have been interpreted in some quarters—notably, among some European Commission officials and leaders of older EU member states—as an expression of lack of confidence among EU citizens in further enlargement of the EU. The term “enlargement fatigue” has since come into vogue. Even though critics of the constitution did not explicitly oppose EU enlargement, the no-vote

14 Indeed, an opinion poll suggests that an almost absolute majority (49%) backs “further enlargement in future years” (Durrand; Missiroli, op. cit.)
has sparked debate on whether future enlargements (Turkey and the Western Balkans) would be acceptable. Much of the public opposition towards enlargement is caused by fears of immigration and low-cost competition from the new member states\textsuperscript{15}. Public opinion in the older EU states often views further enlargement as being largely for the benefit of the aspirant countries. New interests and shifts of power within the enlarged Union may deepen existing skepticism about inclusion of any future new members.

However, attitudes to Europe in the region are overwhelmingly positive: opinion polls show majorities with pro-European attitudes in Albania (72%), Kosovo (71%), Bosnia–Herzegovina (62%), FYROM (56%), Montenegro (54%), and Serbia (49%). Only small minorities express explicit anti-EU attitudes: in Albania (2%), Kosovo (5%), Bosnia–Herzegovina (8%), FYROM (4%), Montenegro (5%), and Serbia (12%)\textsuperscript{16}.

3. PROGRESS AND PROSPECTS OF WESTERN BALKAN MEMBERSHIP IN THE EU

In terms of closer association between the EU and the Western Balkan states, significant progress has already been made in the area of regional cooperation. An Energy Community has been formed and a regional free trade agreement, the Central European Free Trade Agreement (CEFTA), was signed in December 2006. Through the Stability Pact for Southeast Europe, created in the aftermath of the Kosovo war in June 1999, participating states have undertaken a number of credible initiatives, including the liberalization of their trade regimes.

Substantial progress has been made in settling refugee issues, fighting organized crime and corruption, improving the investment climate, creating a common energy market and developing regional infrastructure strategies. An important lesson from the implementation of the Stability Pact is that those initiatives were particularly successful in which the EU took a leading role and where the accession-related dimension of regional cooperation is clearly visible (for instance, in the areas of trade harmonization and a common energy market). The Stability Pact is about to be transferred fully into Western Balkan hands.


\textsuperscript{16} Calic, “The Western Balkans….”, op. cit., p. 11.
In its deliberations, the European Council has recognized that enlargement has been a success story for the European Union and Europe as a whole. “It has helped to overcome the division of Europe and contributed to peace and stability throughout the continent. It has inspired reforms and has consolidated common principles of liberty, democracy, respect for human rights and fundamental freedoms and the rule of law as well as the market economy. The wider internal market and economic cooperation have increased prosperity and competitiveness, enabling the enlarged Union to respond better to the challenges of globalization. Enlargement has also enhanced the EU’s weight in the world and turned it a stronger international partner”\textsuperscript{17}. In this context, the European Council has reaffirmed that the future of the Western Balkans lies in the European Union. However, each country’s progress towards the European Union depends on its individual efforts to comply with the Copenhagen criteria and the conditionality of the Stabilization and Association Process\textsuperscript{18}. A country’s satisfactory track-record in implementing its obligations under a Stabilization and Association Agreement (SAA), including trade related provisions, is an essential element for the EU to consider any membership application.

**Albania**

Albania lags most in combating organized crime and corruption, democratic institutions fall short particularly regarding minorities and the country is in need of judiciary and administrative reform while the economy remains informal to a great extent. The European Commission has endorsed Albania’s contribution to stability in the region\textsuperscript{27}. EU relations with Albania advanced with the signature in 2006 of the Stabilization and Association Agreement. However, the Commission states that while the country has made some progress on democracy and the rule of law, more work is needed on other priorities that form a part of partnership with the EU.

\textsuperscript{17} CEU, 2007a: 2.

\textsuperscript{18} SAP conditionality emerges from the Copenhagen criteria, set out in 1993, concerning democratic government and market economics. In addition, the EU asks for compliance with the conditions set out in the Regional Approach of 1997. These conditions remain a fundamental element of the SAP and are integrated into the Stabilization and Association Agreements. Furthermore, potential members must fully implement the Acquis Communautaire (the entire body of EU law) into national legislation, and adopt the goals of the political, economic, and monetary union. The EU’s conditionality is more strictly applied today, with greater stress on implementation.
**Bosnia-Herzegovina**

Bosnia-Herzegovina is further behind and most of the progress achieved has relied on foreign aid and international pressure. The country needs institutional strengthening to ensure the viability of the state, more efficient use of aid resources and a framework to boost private investment. The European Commission acknowledges that completion of the negotiations for Stabilization and Association Agreement and its implementation will reinforce the country’s European perspective. Nevertheless, the Commission believes that full co-operation with International Criminal Tribunal for the former Yugoslavia (ICTY) is a key part of the conditionality under which the country can draw closer to the EU. It warns that it would not conclude SAA talks unless the country made progress on reforming its police and co-operated with the UN War Crimes Tribunal.

**Croatia**

In 2006, Croatia continued to make progress in terms of the political, economic and acquis criteria and implementation of its Stabilization and Association Agreement. Croatia has set itself a target date for accession in 3 or 4 years (when the next round of elections will be held to the European Parliament and a new European Commission will come into office). The country is a special case not only in terms of its preparedness for EU membership but also because its accession encounters much less public opposition than that of other candidate countries. Statements that the EU should put a hold on further enlargements until it has reached a new institutional settlement, however, make Croatia’s accession dependent upon the EU’s ability to reform its institutions.

**The Former Yugoslav Republic of Macedonia**

In FYROM progress to sustain a unitary multiethnic state has been substantial despite lags in implementing democratic rule of law. However the overall reform process is still in its infancy particularly regarding public administration and improving the business climate. While FYROM has been accepted as a candidate for membership and the EU is of the opinion that the country has continued to make progress towards fulfilling the criteria for accession, the European Commission underlines that the progress slowed down in 2006. It acknowledges that the government still faces particular challenges

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19 Ibid., p. 12.
20 Ibid. 11–12.
in implementing reforms of the police and judiciary, fighting against corruption, and fully implementing on of the Stabilization and Association Agreement.

**Montenegro**
Following independence in 2006, Montenegro has begun negotiations on a separate Stabilization and Association Agreement (SAA), under new directives that were agreed upon with the EU. Although in the eyes of the European Commission the country has broadly addressed the key priorities of partnership, significant results still remain to be produced in a large number of areas\(^\text{21}\).

**Serbia**
In Serbia, constant internal political disputes keep reform in limbo despite progress towards economic stability. The EU has said that it remains fully committed to Serbia’s European perspective\(^\text{22}\). The European Council endorses the readiness of the Commission to resume negotiations on a Stabilization and Association Agreement with a new government in Belgrade provided it shows commitment and cooperates fully with the ICTY. The EU has expressed its willingness to consider concrete measures that would help Serbia to integrate into the family of European nations.

**Kosovo**
In Kosovo precarious security conditions have hampered the return of displaced persons and the 2004 violence has reversed any small progress to date. Furthermore, the status of the province of Kosovo is still unresolved. The EU has expressed its willingness to play a significant role in the implementation of the status settlement\(^\text{23}\). It has decided to intensify the preparation for a future EU and international presence in Kosovo in coordination with other international actors.

**4. NEW CHALLENGES ON THE HORIZON**

**4.1. The Current Situation**
The legacy of the past that appears in the form of weak institutional frameworks at both political and economic levels has been complemented by new challenges that have mainly arisen from the transition process. Such a key new challenge that

\(^{21}\) Ibid., 12–13.
\(^{22}\) CEU, 2007c: 13.
\(^{23}\) Ibid.
has particular significance for the EU is that of organized crime and corruption that has been overtaking in importance the issue of potentially renewed war conflicts as the latter, seem to have been contained at this stage.

Each of the countries of the Western Balkans presents its own unique challenges that need to be overcome before the path to full membership is clear. While a proactive and rewarding approach should be followed by the EU for all these countries, it should be borne in mind that no two countries are alike in terms of history, tradition, institutions and culture. Individual differences need to be respected and taken into account in order to make the path of transition to accession and integration as smooth as possible.

The European Commission is of the opinion that in the case of Croatia, the main challenges in 2010 will be to build on the progress made and to accelerate the pace of reforms, notably in the key areas of judicial and public administration reform, the fight against corruption and economic reform. Since Croatia is making good progress with its accession preparations, the EU should not discourage the country by making its eventual accession date dependent on an agreement on institutional reform among the existing EU member states. Delays in Croatian accession would send a clear negative signal to the Western Balkans.

For FYROM, it is important that reform efforts be sustained in the period ahead on the basis of co-operation and political consensus. Overall, priority should be given to advancing the pace of reforms in key areas, if progress is to be made towards the goal of moving ahead in the accession process. With EU support, Albania is tackling the challenges of political, judicial and economic reform, as well as the fight against corruption and organized crime. These themes will remain priorities in the period ahead. In the case of Bosnia–Herzegovina, constitutional evolution is essential to build a more functional, sustainable and democratic state. Montenegro has much to do to strengthen its institutions sufficiently to move forward. Priority needs to be given to judicial reform and to the fight against organized crime and corruption. Montenegro needs to upgrade its administrative capacity in view of SAA implementation.

In our opinion the view that the Union should stop talking about

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24 34 CEC, 2006, p. 10.
25 35 UK House of Lords, 2006b.
“enlargement fatigue” and restate its commitment to Balkan EU membership. Balkan governments should stop seeing themselves as passive takers and push ahead with the required reforms on the sole ground of the benefits they would bring to the countries themselves. The present EU Enlargement Commissioner himself is of the view that the EU’s 2004 enlargement was a “success story” but action is needed to address public concerns about the process and ensure the Union has the institutional capacity to function effectively as it grows.

4.2. Can It Really Happen?

It is clear that acceptance of any future enlargement will depend on the public’s perceptions of how the EU works and on people’s ability to identify themselves with the whole European project (issues of social legitimacy). This implies that no definition of the Union’s absorption capacity—no matter how thorough and objective it aims to be—can or will be a decisive factor.

It is necessary to transform the conditionality approach of the EU into a “positive conditionality”, which would require the EU to offer a clear perspective regarding membership to the region and offer a partnership with its existing members.

The view has also been expressed that if the Balkans cannot be integrated in accordance with the current practices, then these practices should change or new ones should be introduced to permit Europeanization at a post-accession stage. It all boils down to the issue of objective reality as opposed to simple aspirations for membership. Can the Western Balkans really achieve the goal of integration? The countries of the

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29 EPC, 2007: 1 ff.

30 EPC, 2006.

31 Durrand; Missiroli, op. cit.


region are still facing too many challenges and are clearly at an earlier stage requiring a preparation period to accumulate more domestic resources and build institutions and market culture. The issue of reconstruction for Serbia and Montenegro, the diversions from reform due to recent ethnic problems in FYR-Macedonia, the reconstruction issues and weak institutional and economic build-up in Bosnia-Herzegovina and the lagging institutions and large unofficial economy in Albania are unlikely to allow for membership considerations before the next decade. However the experiences of the more advanced countries in the region point towards the conclusion that membership for the rest of the countries is more likely to be a matter of time.

**4.3. Could Things Change at EU Level?**

Integration in the latter sense places also emphasis on its political, social and cultural aspects and not simply the economic. The second related issue is the pre-existing democratic deficit in the decision making process in Brussels that has been the other major source of opposition to the EU constitution. The way this issue relates to the enlargement process stems from the implication that the latter would impose additional difficulties for the creation of a European society of citizens coupled with a space for a European public sector and finally a common European political culture that all together might be taken to constitute operational pre-requisites for the convergence of the complex socio-economic and political processes that are in store. Clearly the above considerations could result in a stricter attitude on behalf of the EU regarding the fulfillment of eligibility criteria for EU membership for the Western Balkans and also for Turkey.

This highlights once again the growing importance of institutional factors including issues of democratic political culture and readiness to not simply transpose but also enforce such principles at national level. The final implications for the Western Balkans will greatly depend on decisions taken at EU level regarding the future direction of the Union. These will depend on how the different approaches to European integration between member states will play out. The question is whether the globalization process, with its requirements for fast modernization and consequences for income redistribution, has rendered the overriding European goal for economic and monetary union insufficient by raising the risks for the EU being turned simply into a common market that could face disintegration risks from the contradictory forces of globalization in the future. If that is the case, then
the broader aspects of political and social integration and the need to exert stronger global influence in the cultural and external policy arenas are likely to gain in significance. Regarding potential new entrants a policy shift at EU level towards broader integration would certainly imply greater difficulties for the Balkans to be accepted as members but should that be achieved then membership would be more meaningful and EU support for economic and political integration more readily forthcoming. In the other case where the EU is seen more of a single market then membership could be easier to accomplish but the post membership reality could prove harsher as the countries will have limited support from the Union. It is not the purpose here to speculate on the potential outcomes regarding the form that Euro-Federalism might finally take or the acceptance of a multi-speed EU that could place member states under different categories according to their level of economic and political evolution.

Finally, as it was earlier stressed, the role of public opinion in EU member countries should not be underestimated even though the EU project might have often, in the past, moved forward despite it. The referendums on 2005 relating to the EU constitution have shown that public opinion is skeptical of EU broader initiatives and that EU leaders will likely be more cautious when it comes to enlargement issues. As aforementioned, this applies particularly to the Western Balkans and Turkey.

5. CONCLUSION

At first appearance, arguments of a negative nature seem to present themselves for inclusion of the Western Balkans in the EU. These are largely based on a rooted image of these countries that regards them as beset by poverty, crime and conflict. However, although corruption is endemic across the region and 70 per cent of the drugs and illicit goods smuggled into Europe are trafficked through the Western Balkans, the international community itself is partly to blame for this situation. By giving priority to the holding of elections rather than the restoration of the rule of law after the Balkan wars, it created fertile ground for corruption and organized crime to flourish. The opponents of Balkan membership forget quite easily that the achievement of stability and prosperity in the Balkan countries that EU membership would bring, would in turn make for security, stability and prosperity in Europe as a whole, something in which the EU has a fundamental stake.

The argument for a status below full membership for countries such as
those of the Western Balkans takes it for granted that the influence of external of political factors in internal political reform is very limited. It assumes that any positive trends already in place will continue if the governments of the Western Balkan countries keep on taking the right decisions. However, the history of European integration over the last 60 years has conclusively proven the decisive and continuing influence of external factors. Lucid political prospects and transfers of resources have helped in the impressive modernization of accession countries. It must not be forgotten that the prospect of future EU membership has already had a profound and beneficial transformative impact in the Western Balkan countries. The prospect of EU membership has been and will continue to be the most effective means for ensuring stability and good-neighborly relations in the Western Balkans. It has worked as a mechanism to initiate and sustain reforms, and creates a strong framework for conflict resolution and regional cooperation. The prospect of enlargement is the most important foreign policy instrument by which the EU has promoted and spread internal and external security, democracy, reforms, economic development and prosperity in the former communist states of Southern, Central and Eastern Europe.

As a result, it has helped to guarantee and consolidate the process of transition, and ensure that state-collapse and ethnic conflicts as in the case of former Yugoslavia are avoided. If the EU is to continue play a crucial and instrumental role in shaping the ultimate post-cold war European order, then it must hold out a clear prospect of membership to the last region in Europe that remains to be embraced under a common banner of stability and prosperity. Through a dynamic and innovative policy of Balkan enlargement, the EU should fully exploit its anchoring capacity and soft magnetic power of attraction to help the Balkan states come back to Europe. The benefits of such a policy would be clearly visible for the EU itself as it would be able to increase its global actorness and expand its regional and international interests.

Albania’s main focus in regional cooperation is on security, both external and internal. The regional nature of many problems facing Albania is a major impetus to cooperation. Yet, Albania’s grave internal problems of poverty and a lack of functioning state represent an agenda in which regional cooperation is seen as only marginal. This corresponds with a view that lack of security, resources and capacity to provide it by the regional structures, as well as peoples’ mistrust, are the main obstacles to cooperation. The political elites are perceived as self-serving, and the quality of the political class is viewed as poor. The civil service is seen as composed by low skilled and low paid.
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The Albanian Public Universities and Their “Marketing” Policies in The Context of Private Universities Creation In The Country

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Abstract

Since about 2002 the high education in Albania encounters the reality of the private universities creation. Beyond reserves this fact has sometimes been taken with, it is helpful for giving more possibilities to make high education studies.

As comprehensible, the private system’s institutions in this field, even being initial, in agreement with the market laws, in order to become the most attractive possible and to guarantee its investments and possibly to extend, conceive and complete marketing strategies: the most known between them make different forms of advertising in the media or press: spots, publicity, billboards, posters and informative publications such as leaflets, brochures as well. Except for this, their websites are generally instructive and informative.

In this context, the public universities experienced already, do not successfully face with the new reality and therefore challenges: on the one hand, they are no more unique in this field of activity and on the other; they have to remain first in the “good high education’s products” realization. But few of them, are responsive to this needs: their websites do not really give useful and updated information to those interested in it; the brochures; leaflets or university informative publications are almost inexistent. They aren’t providing their students with the much argued student card which is an administrative obligation for any public university. This means for the student’s status lack of the derivative facilities that are interesting, attractive and helpful for the students.

In conclusion, the public university must show its capacities to maintain the first position in the coexistence and concurrence of two systems: public and private. The social trend is known: the public correspondent sector must precede. To achieve this aim, public universities do not have to hesitate no longer to improve in the directions we presented above and in the same time, to enhance qualitatively.

Key words: private and public sector, marketing, high education, advertising, coexistence.

Preliminary note: this works contains, because of the nature of its study, several concrete names of private and public universities. Its authors keep anyway consciously their distance from any kind of implicit preference or publicity mark in it.
1. INTRODUCTION

High education framework has changed in Albania since about 2002. In 2002 private high education institutions’ creation started with the first private universities such as “New York”, “Luarasi” and “Marubi” universities. Others like “UFO”, the “European University of Tirana”, “Marin Barleti”, “Polis”, “Justiniani i parë”, etc., have soon followed them.

The phenomenon was responding to the needs of extension the possibilities to follow high education studies, which reflected the albanians’ upward trend in the field.

In front of the limited public high education’s possibilities of satisfying as we sad increased will to get university formations and academic titles, the private sector presented a real opportunity in their fulfillment. Till then, the public universities were in the first paces of their liberalization process and yet enlarged with another institution like the University “Aleksandër Moisiu” in Durrës.

The initiative in this sector was to be greeted as it represented the good will to invest in the high education field (private investments existed already in the primary and secondary education level preceding further steps and actions), and to create improved alternatives in the material conditions and academic performances aspects.

Financially talking, it represented a considerable effort to invest in the high education field that was quite a new-ness and a courageous step to be undertaken.

Beyond the debates the private universities’ matter usually wakens, it is a known fact that they have in general succeeded in offering more possibilities to make university studies in our country and also better material conditions for their proper development.

2. PRIVATE UNIVERSITIES’ MARKETING POLICIES

Private universities act differently in some functioning aspects compared to their sisters public institutions.

They effectively pay a lot of attention to the public requirements for information and to the publicity, as their directors and managers are very aware of the general needs to inform the better way possible and on the other hand, to face the competition in the sector (the number of private universities is considerable already in our country). In other words, as they constitute private initiatives and enterprises, they have to dedicate a special care to their
marketing policies and means. This care is reflected and embodied in the big, various and interesting publicity campaign they usually do to make their activity known. We have observed that the more one private university tends to get larger; the most it invests funds and efforts in these aspects.

Concretely, they apply all the possible different forms of contemporary advertising such as leaflets, brochures, posters and informative or instructive papers which constitute published publicity ways; they also make publicity in the written and electronic media as advertisements in the newspapers or television spots (“UFO” University had also opened a television channel as an electronic media to be used for its special educational purposes) without neglecting forms not less important as the bill boarders with publicity or the massive calls in the e-mail publicity messages.

In respect of the actual economic and social situation, the private universities’ managers think properly when they place marketing policies in the list of priorities: this is very indispensable not only to face the competition and the rivalship in the competing spirit, but also to create a profile in the high education “market”, profile that public universities have already built up, in particular those with the longest duration in the country.3

3. THE COMMUNICATION STRATEGY AND THE PRIVATE UNIVERSITIES’ MARKETING MEANS
(A concrete view from the albanian experience in this sector)

It is quite evident that initially at the creation’s phases, the communication strategy applied by the private universities’ marketing realizations was larger and more compelling than these two last years. We were witnesses of a dynamic competition between the private universities’ which was reflected in their publicity campaigns.

At the beginning the communication strategy in question aimed generally at attracting the largest public possible (young people in particular and individuals interested in the private high education sector in general). This was very understandable in the direction of gaining the most of its interest possible by targeting at youth public, but not only. Let’s mention here the fact that they had to use for this purpose all the possible marketing means like television spots,

But after the initial phase, when some of these private universities began to create their profile, the communication strategy changed a little aiming the most at a particular and specialized public.

Part of this profile’s construction was effectively the quality assessment process, the accreditation’s procedure, under which the private universities were recently submitted to. It is comprehensible that the principle of the “proved or guaranteed product” (as can be considered the accreditation’s process result) works, as in the other kinds of marketing ways, in the high education private sector too.

Universities that are already accredited passed really now to only a good informative system, which has the tendency to become internal (this is the case of some private universities like the “European University of Tirana”, “Marin Barleti”, “Polis”, “Zonja e Këshillit të Mirë”, etc.,).

According to this tendency, we must show that the above-mentioned universities make actually advertisements in television or distribute leaflets and brochures mostly for the publicity of master degrees studies. This is a testimony of the fact they have already assured a ground for their development in the first study level, the “Bachelor” diploma according to the Bologna academic titles terminology.

There are as well universities (e.g. the “Epoka” private university) that follow the high schools’ pupils’ progress proposing to the more advanced of them scholarships and reduced tuition fees in this university. Used by several private universities, this is one of the most efficient marketing means that attracts in the future more interested students in following university studies near them.

The most important part of this communication strategy is conceived and contained in the detailed information some of the private universities such as the “New York” University of Tirana, the “European University of Tirana” or “UFO” University present in their web sites.

A comparative observation between the web sites’ contents of certain important public and private high education institutions, shows these last are much more informative.

The interested researcher will find there various features presenting useful information about the academic aspects like the knowledge’s control and the evaluation system, the school attendance and the academic consultation possibilities, the practical academic programmes and trainings, the graduation requirements.

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4 In the same work : 37
details, the university curricula and the studies transfer procedures as well.

In these web sites any interested person can also find information about
the student life namely the students’ government, all kinds of students’
services and facilities, proposals and dates of different scientific, social,
recreation activities, internet centers, an employment office, an office for the
handicapped students, etc.

4. PUBLIC UNIVERSITIES’ “RESPONSE” IN THE PRIVATE
UNIVERSITIES’ APPEARANCE CONTEXT

Public universities’ “response” in the new context described above implies
in theory changes in the organizing philosophy of public universities. These
changes are certainly dictated by the introduction in 2002 of new actors in the
high education mosaic.

We bring to the reader’s attention the fact that the enlargement of the high
education framework is a big challenge to be faced by the public albanian
universities which was in truth quite expected in a open economy of market.
Models of this phenomenon were already present in other southern and eastern
european countries preceding eventually the same phenomenon in Albania.

The albanian high education law, drafted the three last years, supported
by new provisions the reality of two kinds of institutions coexistence in the
high education sector.

As the matter of fact, the private universities were lately submitted to an
internal, evaluation process in order to estimate their careful fulfillment of
quality parameters and criteria and consequently to make their accreditation.
Even not called “an accreditation process”, an internal quality evaluation
process is also nearing completion in the public universities.

Let mention another big challenge to be faced by the public universities
which is additional to the first one: the Bologna implementation process that
put at first these public institutions in a careful reformer process requiring
revision in content as well in form and big efforts to guarantee the achievement
of contemporary level of quality in the teaching and the scientific research.

The Bologna implementation process became soon after applicable
to the albanian private universities, but logically with fewer problems in
comparison with the public education’s institutions as the process in question
was contemporaneous to their creation.

Guarantees of this order are fundamental to the public institutions of high
education and public education structures, which have rendered them into the main goals of their mission. It means in other words that is a primary mission for them to create possibilities for the large public to acquire high education qualification and to improve the high education quality standards in order to respond to the social needs in this aspect. On the other hand, mutually, public’s expectations for the public high education institutions are bigger: the satisfaction of its necessities, which are as various as the society’s strata are, is surely a general task to be accomplished.5

Compared to them, the private respectives are not in principle sensitive to this mission that is rather for them, as they are lucrative institutions, the achievement of their profitable aims.

In this context the public universities have attempted to take measures in order to offer their students a better instructive and informative system, but we have to admit that it is still not as sufficient and complete as we wish. They put of course now at the disposal of the students web sites with information about their structures, the admission, the registrations procedures and rules, but we unfortunately observe that the information about the university curricula, the Bologna implementation process presentation and description and also all the elements concerning the students life are utterly lacking.

The public universities must soon provide their students with the student card that is an attractive, helpful and useful element to them and a compulsory administrative measure to be undertaken by these institutions.

Similarly we will find the same absences in the informative published means that as we asserted above are broadly used from the private universities.

The more important aspect of the felt improvement necessities when we talk about the public universities is, without a doubt, the indispensability to invest in the material conditions and infrastructure amelioration, a sector where they aren’t certainly keeping the contemporary rhythms of development. It is a general consideration that it represents an emergency in the context of private universities’ creation.

5. CONCLUSIONS

As we underlined before, the public’s expectation towards the public universities are bigger in comparison with those of the private respective

institutions: this means in other words that is a primary mission for them to create possibilities for the large public to acquire high education qualification and to improve the high education quality standards in order to respond to the social needs in this aspect. On the other hand, mutually, public’s expectations public’s expectations for the public high education institutions are bigger: the satisfaction of its necessities, which are as various as the society’s strata are, is surely a general task to be accomplished.

In the context of private universities’ appearance in the high education framework, the public universities experienced already, do not successfully face with the new reality and therefore challenges: on the one hand, they are no more unique in this field of activity and on the other; they have to remain first in the “good high education’s products” realization.

But few of them, are responsive to this needs: their websites do not really give useful and updated information to those interested in it; the brochures; leaflets or university informative publications are almost inexistent.

They aren’t providing their students with the much argued student card which is an administrative obligation for any public university. This means for the student’s status lack of the derivative facilities that are interesting, attractive and helpful for the students.

Above all there is an indispensability to invest in the material conditions and university infrastructure’s amelioration which is the earnest investment’s domain of private universities.

In conclusion, the public university must show its capacities to maintain the first position in the coexistence and concurrence of two systems: public and private. The social trend is known: the public correspondent sector must precede. To achieve this aim, public universities do not have to hesitate no longer to improve in the directions we presented above and in the same time, to enhance qualitatively.

But the accomplishment of each of these steps leads us to the solution of a very important problem to the public universities: their financial autonomy.

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Nas 15 - Microentity Accounting Standard In Albania

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Abstract

Development of SKK 15 “On the principles of accounting and financial reporting for microentities” from National Accounting Council had its effect on academics, professionals and users of financial statements. In this paper, we aim to bring sufficient evidence for the arguments pro and against the development of this standard regarding the possibility of meeting the needs of users of microentities’s financial statements. The goal is that, with this paper on accounting of microentities, to contribute in the field of standards.

Key words: microentities, accounting, accounting standards

1. INTRODUCTION

NACA\textsuperscript{3} proposal to develop a specific Accounting Standard for Microentities sparked a long debate among professionals and academics in the field of accounting. This paper will aim to gather enough evidence for arguments pro and against NAS 15\textsuperscript{4} to conclude whether the proposed and approved NAS 15 could meet the requirements of users of financial statements for microentities. The aim is to contribute in the knowledge related to accounting of microentities.

In most countries, accounting of small and medium units is subject to national regulation. This adjustment takes into account specific local users and the limited number of users of financial statements (owners not including management, existing and potential creditors and credit rating agencies).

Unlike the status of small unit, medium and large economic entities with public accountability, are required to compile their financial statements in full compliance with International Accounting Standards drafted by the IASB or the National Accounting Standards (NAS)\textsuperscript{5} designed by local setters.

In 2005, the IASB announced the mandatory implementation of IAS and IFRS for all economic entities listed on the stock exchange, leaving open the possibility of choice for the other economic units. But as economic

\textsuperscript{3} NAC – National Accounting Council of Albania


\textsuperscript{5} NAS – Completed National Accounting Standards in Albania
units of small and medium size, play a major role in the global economy, very quickly IASB undertook an initiative to develop IFRS for SME’s. This standard emerged in its final form July 2009. The standard is not mandatory but remains to local regulators setting a deadline for its entry into force.

Referring to business developments in Albania, microentities also have a very special importance to the Albanian economy. Therefore, NACA, as the unique regulatory body of accounting in Albania, established a new standard specifically for Microentities, NAS 15.

But while setting a specific standard for Microentities is an achievement for the quality of their financial reporting, have never been addressed and identified the arguments that supported it.

2. METHODOLOGY

The paper is based on literature review of legislation for microentities, the analysis of specific literature in accounting and, in surveys and interviews of target groups. The paper has a theoretical nature with technical details (exploring the archives for the creation of database), and is also based on studies presented in other articles. Results of surveys and interviews support theoretical conclusions of the paper. To give the Conclusions Of The Paper Are Raised Four Questions Whose Answers, Through Deductive method, will naturally lead to conclusions.

Questions are:
1. Is there a general consensus about Microentity?
2. Should Microentity be the subject of a specific legal adjustment?
3. Should be drafted a specific standard for Microentities?
4. Is the general framework suitable for Microentities?

3. ANALYSIS AND DISCUSSIONS

3.1 Is there a general consensus about Microentity?

This question arises because within the group of microentities take part small economic units of different categories, sizes, natures, sectors, etc. Initially, to give the answer to this question would be helpful to cite the definitions of legislation and NAS regarding Microentity as well as to bring
experiences in the region for classification of microentities:

✓ Law “On small and medium enterprises”\(^6\) defines them as microenterprises:

Microenteprise is called an enterprise, which employed less than 10 persons and which has an annual turnover and / or annual balance sheet total of not more than 10 million lek.

✓ Law “On local tax system”\(^7\) defines them as entities:

Any entity, which conducts a business, through which accomplished during the fiscal year, an annual gross income (turnover) less or equal to 8 million Lek (58.400 Eur)\(^8\), is a subject to payment of local tax liability on small businesses.

✓ Law “On Income Tax”\(^9\) defines them as small bussines units:

Natural persons, subject to local taxes on small businesses, within the meaning of Article 10 of Law no. 9632, dated 30.10.2006 “On local tax system”, which realizes an annual turnover of no more than 8 million lek (58.400 Eur) and not less than 2 million leks, are subject of personal income tax.

✓ The commercial, fiscal and accounting practices in other countries of the region, face other criterias in the classification of economic units. Generally, in EU countries, classification of economic entities in small, medium and large is based on: public accountability and business parameters, namely 2 parameters: the annual turnover and number of employees. In the region as a reference criteria is used the fiscal one. According to the fiscal criteria, in Balkan countries, are generally considered small economic units those businesses that realize an annual turnover of no more than:

1. Macedonia 68 thousands euro
2. Kosovo 65 thousands euro
3. Montenegro 72 thousands euro
4. Bulgary 80 thousands euro
5. Croatia 500 thousands kuna (about 72 thousands euro)

As seen, there is a discrepancy in terminology and quantitative criterias of classification for microentities. First, regarding terminology, we find different denominations:

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\(^6\) Law Nr.10 042, date 22.12.2008, “For small and medium enterprises”,

\(^7\) Law Nr. 9804, date 13.09.2007, “Income Tax”

\(^8\) To calculate the amount in Euro was used the exchange rate 1 Eur = 137 Lek

\(^9\) Law Nr. 9632, date 30.10.2006, “System of Local Tax”
However overlapping of terminology is a challenge of lawmakers. While what concern this paper is the consensus regarding the criterias for classification of microentities. In any of the upper definitions are not handled qualitative criteria as their public liability or any other one, but the classification is based only on quantitative criteria as following:

a) number of employees (less than 10 people)
b) balance figures and / or annual turnover (up to 10 million lek)
c) annual turnover (from 2 to 8 million lek)

Number of employees and the annual turnover and / or balance are determinat criteria of the Law “On small and medium enterprises”, while the annual turnover is the only criteria to determine small bussines as per fiscal law.

Consensus regarding definition and classification of microentities, lies on the type of criteria used for, admitting only quantitative criterias. While in terms of upper or lower limits and number of criterias (one or more), there are differences. However, under consideration of NAS15, the definition of microentity was held as per law “For small and medium enterprises”. The final definition of NAS 15 is “Microentity is called an economic entity, which employed less than 10 persons and which has an annual turnover and / or annual balance sheet total of not more than 10 million lek. These criterias must be met for two consecutive years.”

While in line with the Law “On income tax” and the law “On the local tax system” was designed as a lower limit to avoid the obligation to apply NAS 15, the annual turnover not more than 2 million lek; “Microentities with status natyral person who realize annual turnover up to 2 million lek will keep simplified accounting in the monetary base. All other microentities, regardless of legal form, will keep accrual accounting”.

2) Should Microentity be the subject of a specific legal adjustment?

According to official data obtained by the magazine “The results on structural survey of economic enterprises”, was found that by the end of 2007 were 89.755 active enterprises, of which created new only this year are 16%, or 14.010 all units. In general, dominate economic entities with 1-4 employees which comprise 91.6% of the total. Activity such as hotels, bars, cafes and restaurants are dominat units and make up 62% of the total.
Classified according to the legal form, economic units registered as natural person, are 69,602 in 2007 of which 11,106 have been created during 2007.

Judging that economic entities registered as natural person occupy a very large density, or 78% of the total number of units registered, are presented below a summary table of the number of subjects ‘natural’, by sector and type of activities that those exercise:

<table>
<thead>
<tr>
<th>Nr.</th>
<th>Sector</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>Production</td>
<td>7,563</td>
</tr>
<tr>
<td>1</td>
<td>Agriculture, Fishing</td>
<td>465</td>
</tr>
<tr>
<td>2</td>
<td>Mining and Manifacturing</td>
<td>5,457</td>
</tr>
<tr>
<td>3</td>
<td>Construction</td>
<td>1,641</td>
</tr>
<tr>
<td>B</td>
<td>Services</td>
<td>62,039</td>
</tr>
<tr>
<td>1</td>
<td>Trade, Transport + transport services</td>
<td>42,359</td>
</tr>
<tr>
<td>2</td>
<td>Tourism (Hotels, cafe, restorants)</td>
<td>11,547</td>
</tr>
<tr>
<td>3</td>
<td>Real Estate + financial services</td>
<td>3,244</td>
</tr>
<tr>
<td>4</td>
<td>Others (education+ social services)</td>
<td>4,889</td>
</tr>
</tbody>
</table>

It should be noted that in the category of economic microentities are also included a significant number of other units, with legal status ‘limited responsibilities’, but that does not exceed annual turnover of 8 million lek per year, as determined by the fiscal legislation. This business community is mainly focused on large cities and populated centers of which only in Tirana (over 38%), Durrës City (over 12%), 10% of them located in Fier, Vlora 7%, 5% South and so on.

Judging that:
✓ microentities in Albania occupy 78% of the total number of registered entities,
✓ microentities produce about 84% of the total domestic production,
✓ microentities have employed about 68% of workers,
we reach the conclusion that: Looking at specific weight of microentities over the total of economic entities in Albania, is understandable that they dominate the Albanian economy, and consequently, their formalization through accounting services, is not only a need but a necessity. So they should be subject to a specific legal adjustment.
3.3 Had to be developed a specific standard for Microentities?

This question has been discussed extensively in all areas and forums where concerned stakeholders for the implementation of accounting standards participate. It is a question whose answer engaged IFAC as well as other European structures. While in our country after the announcement of the National Accounting Standards from Minister of Finance and the obligatory implementation of them, the question, first to be discussed and later to be solved, was: “Do economic microentities have to realize a minimum required of accounting services? Does this need developing a specific standard for them?”

National Accounting Standards, Accounting Law in Albania, other normative acts issued by Council of Ministers, Ministry of Finance or NACA, identify no bottom line regarding size of an economic unit which has to apply NAS. Since such restrictions are missing, then microentities, no matter size, shape, nature, etc, were obliged by law to compile their financial statements by NAS.

But, was this the right decision?
- First is to be considered cost-benefit analysis. As users of financial statements are a limited number and the decision-making process in these units is realized by the owners, the additional benefit from compiling of financial statements by NAS would be much less than the cost to realize it. Financial statements drafted applying NAS require additional investment of economic units in human resources and logistics capacity. These human capacities require ongoing training and also differentiated payments. So, compilation of financial statements with completed NAS would be an excessive burden and cost to disproportionate benefits from this kind of benefit.

From the observation of a total of 50 microentities and analyzing the questionnaire’s responses\(^\text{10}\) regarding cost-benefit analysis we came to these conclusions:

Benefits:
- The same quality of decision making
- The same safety level for creditors
- Relatively higher the safety level of bank lenders

Cost:
- Salary of Accounting Specialist (Min 2,600 Euro/Year)
- Logistics as hard, soft, and stationery (Min 700 Eur / Year)

\(^{10}\) See Appendix 1
- Training costs unknown

Referring to data obtained from questionnaires, it is understandable that implementation of mandatory NAS from economic microentities would not be the right decision in economic terms as well as in improving the quality of financial reporting.

- Second is to be considered the best practice outside the territory of Albania. By the IASB and other global and European organizations is raised the issue for economic entities of small and medium enterprises (SME) that must have different standards, more simplified then IFRS. In Albania such a thing is realized from NACA through NAS 15. But given that the use of IFRS or more simplified standards is not inclusive for all economic entities in other country, it has to be the same in Albania. This is one of the basic reasons why microentities were excluded from the implementation of completed NAS.

- Third would have to be analyzed, are the user of microentities financial statements (excluding tax office) and the type of information which they need. Mostly users of this information are:
  (A) Owners and managers;
  (B) Lenders and other creditors;
  (C) Government: For the purposes of micro and macroeconomic planning;
  (D) Tax authorities: For tax assessment;
  (E) SME agencies: To assess the support required by microentities (grant applications, requests for training and subsidizing services for businesses, etc);

The information which they need for is the statement of CASH FLOW and short-term forecasting of liquidity. Also, the information that these users need is more inclined towards the history of the profits of these economic units.

- Fourth, given the interests of the legislator, it necessarily requires to microentities the evidence of some expenditure items which can’t be reported professionally without a minimum of accounting services. In these circumstances we have to do with a conflict. Accounting law obligations do not talk about accounting services for the category of microentities, while indirectly, tax law forced microentities to have a minimum of accounting services. So developing a specific simplified standard would harmonize and satisfy the requirements of fiscal law. Without any discussion, accounting should not be addapeted to fiscal changes, but must be organized in accordance with standards, where all fiscal requirements can receive the appropriate response through the accounting information.
As up, we revealed some argument pro NAS 15, but during the interviews, primarily with professionals in the field, were also given arguments against the development of a specific standard for microentities.

- The dominant argument was the universality. In other words, there is no reason why the rules for small, medium and large economic units to be subject to differentiation as it would violate the principle of preparing true and fair financial statements.

- As a second argument, but less experienced, was the need for comparability. The comparability will be affected especially among those economic entities which have small differences in the quantitative criteria of classification, (up to 10 million will apply NAS 15, more than 10 million will apply completed NAS).

- The third argument against drafting a specific standard for microentities was that of considering microentities and accounting specialists who will provide accounting services for them, as “second hand” category.

We are aware that this paper can not summarize all the reasons pro and against the development of a specific standard for microentities as other reserchers can find others. But seeing the results of questionnaires and interviews and based on professional knowledge, we are convinced that it was indispensable to develope a specific standard for microentities.

3.4 Is the overall framework suitable for microentities?

There have been many debates on this issue between supporters of financial reporting of microentities by complited NAS and supporters for the development of a specific standard. The center of this debate was exactly the question whether the general framework was suitable or not for compiling financial statements of microentities. If microentities will have a specific standard, is it necessary to develope a particular conceptual framework for them? In the end, it was decided to compile the accounting standard for economic microentities, NAS 15, but not a specific conceptual framework for it.

Therefore, there are some conflicts between the general framework of the preparation of financial statements and NAS 15. These conflicts or differences consist in the simplification that was done in the NAS 15 for the following issues:

1. Financial statements (requirement of cash flow statement remains optional)
2. Fair value (assets have to be held with historical cost reduced by the depreciation and any accumulated impeirment)
3. Effective control over legal ownership (no leasing)
4. Goodwill (not recognized)
5. Accounting principle (microentities with a figure below 2 million lek will apply accounting on the monetary base)

4. CONCLUSIONS AND RECOMMENDATIONS

Along the paper has been identified that there are differences between definitions of microentities regarding terminology and classification criteria. While the terminology remains the challenge of the legislator, the classification criteria create confusion in the perception of the public in general and users of financial statements referring to NAS 15 classification and fiscal one.

Microentities are a dominant factor of the Albanian economy and therefore should be subject to a specific legal regulation. Formalization of their accounting services is a necessity.

Considering the cost benefit ratio, human resources, interest in limited information of users of financial statements as well as best practices in the region and beyond, it was necessary to develop a more simplified standard for microentities.

Despite the fact that this standard has some differences from the overall framework for the preparation of financial statements, it is not the case to design a specific framework for microentities. Differences can be easily interpreted in the paragraphs of NAS 15.

However at the end of paper remains an unanswered question: would NAS 15 be successfully applied from Microentities? We will find the answer in the early future, on researches of other academics and professional bodies.

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Problems of Financial Activity and Their Analysis in our Economic Units

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Abstract

We have been working on this short project in order to modestly contribute concerning the financial problems of the economic units. In the past was necessary to have a little intuition and the success of business is guaranteed. With a minimal starting investment it can reach high profit rates, especially if you decide to enter business. There has been a time when the courage and personal relations were more important than the administrative skills. There

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was no need for market studying or skilled administrators. Nowadays, to start an activity, to invest somewhere or to increase the actual activity is not so simple anymore. We should have knowledge on the financial activity of the economic unit, which is developed in the functional area where it also takes its name and which is related to all the other functional areas of organizing directing, and consists in the administration of the capital factor. We should know the financial need of the units that represent the general sum of the financial means that at a certain moments should remain by the economic unit for the development of its economic activity. It presents the absolute measure of the financial need at a certain moment. It is important to define which part of it is long-term and which is short-term one, and other important problems. To orient howsoever the directors of economic units is knowing better the financial problems

**Key words:** Financial needs, Factorization, Economic Unit

1. FINANCIAL NEEDS

The financial need represents the general sum of the financial means that at a given moment should be near the economic unit for the development of its economic activity.

Factorization – The sales of the receivable accounts in a factorizing company or a factor for discount of the risk suppose, at the collecting of accounts. It is also known as the financing of the receivable accounts.

1.1 The financial activity and financial needs

The financial activity of the economic unit, which develops in the functional field where it takes the name from, is connected to all the other functional fields of the organizational directing and consists in the administration of the capital factor. Traditionally, in this field, there are the functions that provide sufficient reserves of financial means to the economic unit. These reserves are necessary to finish their activity.

The modern concepts brings into this field the functions that should be provided by the economic units, the functioning efficiently of these financial means in its activity, i.e. the administration of usage.

They consist in:

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- Providing the economic unit with the necessary sources related to its objectives, in economic conditions,
- The direct administration of investment, which is typical for the financial field
- there have been control duties which allow the verifying, in order for the use of financial means to be efficient, as far as the quantity and quality structure allows.
- In order to achieve the duty in the best way possible, the financial directing uses some instruments:
  * The ones that need take continually under control the needs for funding,
  * The ones that make the systematic gathering, coordination and interpretation of the necessary information for the programming of the economic unit,
  * The ones that analyse the past and present situation of the economic unit, to define why are the financial needs created, how are they covered in the past, and therefore he value of the policies followed in the past,
  * The ones that predict the needs of the future financial needs, in order to program the modalities of the fund providing and financial means.

1.2 Financial needs

Seen under the financial optics, the activity of the economic unit, is developed and made concrete with a complex continuity of monetary fluctuation that come as a result of the dynamics of the activity of investments, financing, their return and replacement.

In order to develop its activity, the economic unit requires financial means to face the need. To cover the financial needs, the economic unit requires apart the means created by its activity, as well the means offered by the financial system and credit.

The financial need is created for the investments and expenditure that cause outlet of monetary means, by the time point of view, are achieved before the income from the monetary means are attained. The financial need represents the general sum of the financial means that at a given moment should be by the economic unit for the development of its economic activity. It represents the absolute size of the financial need in a given moment. It is important to define which part of it is long-term and which is short-term.

- The part that is considered as long-term is represented by the investments on technical objects, long-term, material and non-material, and financial, as well as by the minimal economic level of the material needs, products, etc.
1.3 The ways of covering the financial needs

The covering of the need is expressed in the different sources that are classified into:

- Own or borrowed sources,
- Inner and outer,
- Long-term and short-term

Regarding these differentiations, the balance presents these groups:

- Net wealth, including the inner and outer means
- The long-term passive
- The short-term passive

The wealth ingredients are classified according to

- The technical characteristics,
- The economic characteristics,
- The financial characteristics

Regarding the technical characteristics, the passive voices of the wealth state, should be grouped in a way that they are evidenced to exist:

1. Financial sources left in an enterprise without a defined time and without any condition for remission.
2. Financial sources that put some capital at disposal of the enterprise for some long period, with the condition of their remission.
3. Regarding the economic characteristics, the accounting voices should be classified in a way that it evidences immediately how the different groups take part in the process of production.

This aims at showing that these voices are united into a composite which is able to contribute with a low cost, taking into consideration the fact that the use of its own capital, does not cost, while the use of the capital provided by borrowed means causes costs in the form of passive interests or other forms of obligation.

Regarding the financial characteristics, the accounting voices should be grouped according to the time to be used by the unit.

- An indefinite time, with no condition for remission (own capital),
- For a long period of time, with the condition of its remission (middle-term and long-term obligations),
- For a short period of time, with the condition of its remission (short-term obligations).

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2. THE PROCESS OF CAPITAL BUDGETING⁵

To evaluate how much money a business needs for a given period, the finance managers compile a capital budget. The first step is to predict the sales. Then, they project the necessary assets to support that sales model. Afterwards, they decide if these assets exist now or if they need to buy them. Can the assets be supported by inner funding or do they need outer funding? If there is a need for money, we decide how to provide the funding.

The short-term capital is usually in the form of a loan. The bank loans are common, but many businesses are based on factorial loans. The factors buy receivable account with discount. The discount depends on the fact if the accounting is bought with sources or without sources. “With sources” it means that the factor has the right to return the accounting to the company if it is not able to collect them. “Without sources” means that the factor supposes the total obligation to collect the debit. Without source, there comes a drastic decrease in the value of the receivable accounts, as the factor risks more. The companies should not be as in difficulty by missing the cash, as to be forced to sell stocks without fixed interests, in order to cover the short-term needs for cash.

The case of too much cash
Many successful businesses, for different reasons, for different reasons, do not look for lines of credit, but keep cash money by the good sales seasons to keep them in difficult times. But, by having too much cash, could be a problem as well. Like putting dollars under the mattress, the money alone cannot bring any gain. A fast percentage or an acid test – (actual assets – inventory) / actual obligations, – suggest that the business has too much cash.

The business should at least raise a deleting account – a bank account, whose balances are automatically transferred in interest-holding accounting or investments, as market funding in cash. If there is enough cash left, the business should have some short-term investment means as well.
Every industry has some standard debit percentage, usually a combination of long and short debit. You should look at the comparisons of your company. Supposing debts, and especially when you have cash flow to cover it, it could help to grow softly.

⁵ Bill Webster, (2001) Accounting for Managers, USA.
**Factorisation**
This is how factorisation functions. A factor (a factorizing company) buys accounts of the clients from the company, by discounting usually 3% to 5% of the account sum. This discount is first to compensate the factor and risk taking in accounting. The factor could buy an account *with sources* that means that it has the right to sell the accounts again to the company if it does not collect from the clients within a given time. If it buys accounts without sources, it means, that the factor is responsible for the collecting.

The businesses have more flexibility in the options of financing for long-term capitals. The long-term debit, as a mortgage or other form of the indirect loan, is very common for small businesses. If the business is an entity that can issue stocks, this is an option. Some businesses can choose to issue obligations. In any case, the success in fundraising through stocks or obligations could depend on good financial statements; therefore, there might be again a seduction to become creative with the accounting to improve figures.

3. **THE FINANCIAL SYSTEM IN ALBANIA**

Anyone who asks to take loans in euro or dollars from the foreign banks that operate in Albania, for investments, to buy an apartment, or a new vehicle, should be prepared to pay a high percentage of bank interest.

The raise of the bank interest norm, has taken place since the financial crisis has conquered the markets worldwide.

Their main argument is the very limited presence of Albania in global markets. Nevertheless, this is not what the local experts think. They predict a slow down of the economic growth from 6% in 2008, to 4.5 - 5% in 2009, a decrease of the deliveries of the Albanian emigrants that live and work in the EU countries, as they will have to face the financial crisis that these countries are living.

3.1 **The financial system in Albania and its role in the unit financing**

In the conditions when the effects of the world crisis are more and more visible, the main banking institution in Albania, has taken some measures to face this changing environment. The Bank of Albania has changed and has improved the reporting frame of the banks, leaded by time and quality of the data, especially
related to their exposure towards financial markets (and mother banks), their obligations (depositions and the exposure towards the lines of credit) towards mother banks, and related to the developments in their credit portfolio. However, the effects of the global crisis have influenced some sectors of the economy, especially those producing for export and it decreased the delivery of the emigrants, effects which are expected to influence in a decrease of the economic growth for the 2009, compared to the growth registered in 2008.

In the developed countries, the macroeconomic policies find it difficult to achieve a balance between slowing down of the economic growth and the forming of the pressure of inflation. The consequences of the financial crisis and the raise of pries of the energetic products and food, are materialized in form of considerable loss for important financial institutions, in the raise of the cost of production and the general level of prices, decrease of consume, slowing down of the economic growth, raise of unemployment.

The harmonised actions of the monetary authorities, through interventions to give to the markets the necessary liquidity and to support directly important financial institutions, have avoided a collapse of the financial markets.

The financial system in Albania has been living a stable raise. The actives of the sector have knows continuous growth, but the part of the financial non-banking sector continuous to have a low influence in the financial market. The good Albanian financial result, in the banking system as well as in the non-banking system, continues to be supported by the fast spreading of the activities with a high rate of investment.

The main source of financing the activity remains the public deposits, though even by being increased, the financing of the activity through the credit lines taken by owning banking groups, is still in acceptable levels. The indicator of capitalization in the financing sector and especially in the banking one is increasing, by taking advantage mainly of the gaining capitalization. The analysis of the risking schemes, confirm that the banking sector is in a good position to face the outer risks that could be caused because of the unwanted movements in the exchange rate and interest norms. However, a careful following of the continuity of quality of activities is needed, and it is time to give more attention to the ongoing of the liquidity indicators. In the case of the banking sector, the quality of the credit portfolio is presented as completely reliable.

The rapid growth of the loan and the difficulties that could face special sectors of economy accredited in a sensible way, are factors that could continue putting pressure on the quality of the loan in the future. For this reason, the banks follow a policy to identify as soon as possible the
problematic loan and they create immediately the respective reserve funding. Regarding liquidity, it is necessary that the leading banking structures, follow policies that allow the institution to fulfil the expected needs of liquidity as independently as possible, but having other alternatives which improve their ability to generate liquidity when needed. They should revise the quality of the portfolio of the bonds, especially the ones in currency, to realize the optimal security and indicator characteristics. At the same time, it should be revaluated the compatibility of the defined indicators of level, regarding the differences in the maturation deadlines and in the type of the currency of activities and the sources of funding.

The deepening of the crisis in the financial international markets towards Europe, has made possible that the risk of influencing the financing system in the country to be increased.

However, some factors that where we distinguish the relatively low level of exposure of our financial system towards foreign financing institutions, the low level of integration in general and the well capitalizing of the activity of the European banking groups and their filial that act in our country, will serve as defending elements towards this risk for our financial system.

In the framework of the global economic development, the insecurity for the future developments in the prices of consume goods and in the economic growth in the EU countries, European Zone and USA, will dictate the ongoing of the interest norms in the markets of money and loans, as well as the ongoing of the exchange rate.

There exists as well, the risk that the transmission of difficulties is faced by the European countries and further, be reflected in our country through the decrease of the coming flow of emigrants, and the deterioration of the trade deficit and decrease in the direct foreign investments. However the rate of materialization of this risk and its size, are not expected to be important.

With the last developments in the international financial markets, there is no risk evidenced in the Albanian banking system, any risk that has a high materialization opportunity with immediate outcome in its activity. However, there is a need for the growth of vigilance and care by the financing institutions to provide lower possible exposures in the international financing markets, and to ensure a well-capitalized and liquid activity. In this frame, the Bank of Albania\textsuperscript{6}, has required by the directing structures of the banks, to define and take the necessary concrete actions to guard and improve the ability to generate in continuity positive financing results, by

keeping the quality of the actives and the liquidity indicators. The Bank of Albania will orient and support these activities, through the creation of necessary regulatory incentive. The intensification of the dialogue with the financing industry and the coordination of the actions with the public authorities, are elements, which will serve the preservation of faith of the public in our financing system and in the stable continuity of the activity.

3.2 The banking system in our country

The banking system in the country has shown a positive performance in all its indicators, even during the first quarter of this year, compared to the end of the 2008, although the effects of the international financing crisis. The first quarter of the 2009 indicated an increase of the activities of the banking system with about 0.04 % in relative terms, towards the end of the 2008. Meanwhile this quarter shows an increase in the scale of mediation in the banking sector in the economy. The dynamics in the structure of the actives of the banking system was defined mainly by such developments as: growing tendency of the weight of loaning, reduction of the problematic loan, and raise of the deposits in leke, euro and US dollar. Differently from the previous quarter, the analysis of the dynamics of the structure of the credit portfolio in this quarter is noticed for the high rhythm of the raise of the credit accorded to the businesses towards the credit given to the individuals. The Bank of Albania has intensified the surveillance of the banks in the country in order to monitor closely the process of risk administration and in the way the banks react towards new developments.

3.3 The challenges of the banking system facing the international economic developments

The bank of Albania, evaluates that in front of the international economic evaluations, there is an increase of the sensibility of the financial system towards the inner macroeconomic developments, where the main risks are connected to the slow down of the economic activity of the country.

The developments of the last quarter of the 2008 and of the first months of the 2009 indicate that the economic growth for the 2009, although it is expected to be positive, will be low. The reasons of this slow down of the economic growth are related to the decrease of inner demand, because of the decrease of income of inner economic agents that interact with international markets and with the sensible decrease of financing by the banking sector in the country. For this reason, the possibilities to spread the activity of the
financing system will be more limited and its financial result will be lower. On the other hand, the most difficult situation of liquidity in the inner financial market and the foreign one are accompanied with the rise of cost of financing the budget deficit, by bringing the raise of the fiscal load in a middle-term period. The Bank of Albania evaluates that preserving the objective defined in the beginning of the year for the budget deficit, would serve better the realization of its financing with a lower cost and release of funds for the use of the inner market for the private sector.

4. CONCLUSIONS

The role of the private community in the economic development of Albania is indispensable and in this framework, this would make the healthy clients of the banks and would contribute to the success of both parties.

As you know, the basic function of the banking system is the canalization of the savings or of the cheap means of the suffice units towards deficit economic units.

The loan composes therefore the most important mechanism in the financing of the economic activity of enterprises, while the banks serve as an instrument for the completion of this aim of the funds. The provision of financing through bank loan is one of the most acute problems, met actually by the business in our country.

However, it could be said that the banks have improved towards the creation of proper support towards the Albanian business to start an activity as well as to expand the existing ones.

The Bank of Albania has a legal duty on the loan policy as well. The loan activity of the banks is one of the transmission channels of the monetary policy, and for this reason the bank of Albania is interested in encouraging it.

Referring to the above mentioned, and to the results of the questionnaire, the economic units are interested to work with two types of financing, but taking into account that among the main ways of financing of the economic unit, are still the banks or the banking system. Knowing that there exist connections between the economic growth and the consolidation of the financing systems they reached the conclusion that the development of the financial system is a good predictor for a future increase of the economy.

Therefore as a conclusion, the more developed is the banking system, the

7 Bregasi M., The financial policies of enterprises, The financial policies of enterprises, Tirana, Albania.
greater is the possibility of the economic units to be financed with profitable loans. In spite of the improvements in our banking system, with the raise of their number and the continuous decrease of the banking concentration, the one that can rise is the banking mediation.

In addition, as conclusion, towards reaching the optimum of mixing the financing sources, there remain:

- Large insecurity for the future,
- Inner political and economic situation,
- Non-favourable conditions of financing, insufficient sums, high interest rates, etc.

Moreover, it should be worked a lot in order for the mediation among banks to be made a business culture.

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Service Quality and Customer Satisfaction in Banking The Case of Albania

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Abstract

The paper studies the banking services and customer satisfaction in the banking sector: the Albanian case. It is done a full analysis based on data collected from customers of different banks operating in the country. Through this paper it is analyzed the real level of customer services in Albania, what kind of services are actually offered in the banking system, the efforts of banks to retain

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their clients using the quality of the services, and also “investigating” on the gaps regarding the modern-complex-service that must provide a bank to be covered not only in term of variability of services (fulfilling all customers needs) but also in the impact of those services on the satisfaction of different customer segments.

The aim of this paper will be to confirm the theory that banks should be more concerned for customer perception on service quality. Nowadays the banking services and their quality are a fashion but the most important is to identify the actual need and the perception of customers about services – what is good for the bank may be is not considered to be so from the clients. The used approach and the revealed findings have significant implication for understanding the situation and to lead banks in increase the overall evaluation of services that they provide.

Key words: Service quality, customer satisfaction, banking system

1. INTRODUCTION - THEORETICAL BACKGROUND

The rapid growth of economy is usually followed up by a rapid development and expansion of banking system. The most significant determinant of the activity of a given bank is the level of quality of services provided to its customers.

Taking into consideration the aggressive competition in the market, the internationalization of services and globalization of economy, commercial banks know very well that, as a very successful leverage, service quality is probably the most competitive tool they can use. The main duty for banks now is to correctly identify what the customers perceive as service quality.

It is difficult to define, to appraise and measure service quality considering also the fact that due to competition, banks’ offer very similar services and products.

Every bank must have the ability to attract new customer and particularly to retain existing ones by providing efficient services. Service quality makes really the difference!

The essence of financial services is its emphasis on continuous problem solving and innovation to provide solutions for the clients’ financial needs. The clients’ needs are “a must”.

There is a gap between the evaluation of quality attributes made by banks and the expectations of individual and institutional customers. The consumer’s definition of a good service may not be the same with the concept of the service providers.
Every corporate should first identify what customers needs are and second developing strategies and plans to provide customers what they really need and want.

Feedback from customers enable corporate to find out their specific needs and efficiently allocate resources to design products and services that maximize satisfaction.

Good service quality is a key driver of profit performance. The corporate must deliver products and services that are appropriate for various customer segments. Operational capabilities – service quality – performance (C – SQ – P) facilitates the decision of enhancing the whole corporate performance. The profit and growth are stimulated primarily by customer loyalty and loyalty is a direct result of customer satisfaction.

Two routes that lead to profit-growth in financial institutions are cost-efficiency and differentiation. Effective service contributes to both because the “satisfied customers of a firm decide to stay with the firm for future business”. Banks, being customer – driven, which means relentless change that can also mean investments in systems and technology and differentiation require strong service leadership and empowerment for front – line services.

Furthermore, the cost of retaining existing customers by improving the products and services is significantly lower than the cost of winning new ones.

2. LITERATURE REVIEW

In this paper it is studied the role played by five factors in the quality of services and customer satisfaction in the banks profit, the so called – Quality efficiency model.

1.1 Service definition

Banks offers products and services: “Services have been defined as intangible benefits, purchased by consumers that do not involve benefits” and

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3 Kekre, Krishnan and Srinivasan 1995  
4 Roth and Jackson, 1995 and Heskett et al., 1997  
5 Heskett, et al., 1997
“A product is any offer that can satisfy a need or want\textsuperscript{6}. Services distinguish from products as they are more variable, more perishable and their production is often simultaneous with their consumption\textsuperscript{7}. Services are not possible to taste, feel, see, hear or smell, before they are purchased.

Service quality is a concept that has aroused considerable interest and debate in the research literature because of the difficulties in both defining it and measuring it with no overall consensus emerging on either\textsuperscript{8}. One of the most commonly used definitions defines service quality as the extent to which a service meets customers’ needs or expectations\textsuperscript{9}. Service quality can thus be defined as the difference between customer expectations of service and perceived service. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs.

Services have become an important part of a bank’s activity and its competitiveness is frequently implied by the strength of its service offering, which could differentiate itself from its competitors.

One of the first and widely used scales developed in assessing customer perception of service quality is the SERVQUAL (i.e. Service quality) scale developed by Parasuraman et al\textsuperscript{10} which is widely used also in banking system.

1.2 SERVQUAL Model: Perceived dimensions of service quality

SERVQUAL model measures the gap between customer expectation and experience. Originally it was measured on 10 aspects of service quality: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding or knowing the customer and tangibles. Later on, at the beginning of nineties the authors refined the model by concluding on 5 most important factors:

Reliability: The ability to perform the promised services accurately and dependably. It has been concluded that rude, uncaring or unknowledgeable employees lead to unsatisfied customers.

Responsiveness: The willingness to help customers, to deal effectively

\textsuperscript{6} Kotler, 2000
\textsuperscript{7} Assael, 1998
\textsuperscript{8} Wisniewski, 2001
\textsuperscript{9} Lewis and Mitchell, 1990; Asubonteng \textit{et al.}, 1996; Wisniewski and Donnelly, 1996
\textsuperscript{10} Parasuraman et al., 1985
with the complaints and provide prompt service if mistakes occurs or in any other case.

Assurance: The knowledge and courtesy of employee and their ability to convey trust and confidence. This factor is very important for services that the customers perceives as involving high risk which they feel uncertain about their ability to evaluate outcomes. Customers actually need to establish some type of relationship and develop a bond of trust with their local agent (in our case a bank employee) before they will feel comfortable enough to actually purchase a product or service\textsuperscript{11}.

Tangibles: The appearance of physical facilities, equipment, personnel and communication materials. Tangibles can be viewed as means that provide physical representation or image of the service that customers, particularly new customers, will use to evaluate quality. Some of these factors can influence the customer’s decisions on choosing a bank.

Empathy: The caring, individualized attention provided to the customer such as – customers need clarification, it has sufficient staff that can provide a personalized service.

An interesting part of the model is the identification of seven major gaps in the service quality concept as follows:

Gap 1: Customers’ expectations versus management perceptions: as a result of the lack of a marketing research orientation, inadequate upward communication and too many layers of management.

Gap 2: Management perceptions versus service specifications: as a result of inadequate commitment to service quality, a perception of unfeasibility, inadequate task standardization and an absence of goal setting.

Gap 3: Service specifications versus service delivery: as a result of role ambiguity and conflict, poor employee-job fit and poor technology-job fit, inappropriate supervisory control systems, lack of perceived control and lack of teamwork.

Gap 4: Service delivery versus external communication: as a result of inadequate horizontal communications and propensity to over-promise.

Gap 5: The discrepancy between customer expectations and their perceptions of the service delivered: as a result of the influences exerted from the customer side and the shortfalls (gaps) on the part of the service provider. In this case, customer expectations are influenced by the extent of personal needs, word of mouth recommendation and past service experiences.

\textsuperscript{11} Joseph et al, 2003
Gap 6: The discrepancy between customer expectations and employees’ perceptions: as a result of the differences in the understanding of customer expectations by front-line service providers.

Gap 7: The discrepancy between employee’s perceptions and management perceptions: as a result of the differences in the understanding of customer expectations between managers and service providers.

2. SERVICE QUALITY, THE CASE OF ALBANIAN BANKING SYSTEM

2.1 A country overview

In Albania, the banking reform started at a slow pace. In the early 1990s, the country was characterized by very low levels of financial intermediation, an inadequate legal framework for banking operations and an extensive money laundering problem. In 1991 the Albanian Government approved the new law for the State Bank that was allowed to give loans to the private subjects. Crediting was the first service (and also the basic one) offered in the new banking system at that time. There were some small exchanges too.

In 1992 The Albanian State Bank was separated in two banks – in Bank of Albania (performing the functions of a Central Bank) and the second one was National Commercial Bank.

Until 1996 it has been experienced a qualitative growth of banking system in Albania but in 1997 the financial pyramids collapse destroy about USD $1 billion in savings and only USD $50 million seemed recoverable by year 2000.

With the new millennium, different banks were created and further developments were noticed. The only banking services used from Albanians was – credits and money transfers (through manual operations), some exchanges and cheque services.

After the privatization of the last state owned bank, Saving Bank of Albania (now Raiffeisen Bank) which was (and still being) the biggest bank in Albania, there were created the appropriate conditions for improving competition and the quality of the offered products and services. The quality of services was rather poor because of the low household income and the subsistence farming of the majority of the rural population.

Actually the Albanian banking sector dominates the financial sector with
over 94% of all financial intermediaries’ assets. The banking system consists of 16. The system is made up of a large bank, 5 or 6 medium – sized banks and a remaining set of small banks.

During the last decade it is noted a rapid development and expansion of the Albanian banking system, which provides major opportunities for expansion of banking services. This expansion is due to the steady, rapid growth of the economy, which is expected to continue, and the service growth trend due to cash transactions and new tools, such as ATM’s and card services.

Although without restrictions, with a wide network operating in relatively a small market, Albanian banking sector is facing the situation that growing by acquiring new customers is not any more a helpful policy. Having in mind “the factors that drives performance” and “the maximization of their market value” the banks managers should find the best way to keep the current customers by improving services and the quality of those services.

2.2 Survey methodology

A survey was conducted in order to measure the service quality as it is perceived by the customers going through the key performance indicators of the Albanian banking services market.

The methodology used for the survey is a combined approach for both assessment of effect of determinant factors and their relative importance and effect on satisfaction and dissatisfaction.

This is done through a questionnaire distributed in the houses of a randomly chosen sample of 57 (there were delegated to 70 people and 13 were not available). The people questioned were of age 18 – 65.

The persons answered are of a good level of education, working full or part time and they have a good relationship with banks.

2.3 Limitations of the survey

There are different limitations related to this survey. The results and contributions need to be viewed with the below limitations in mind:

This survey has been conducted only in the capital of Albania, Tirana (it is geographically limited). There are not included opinions of customers in other cities. It is a limitation because it has to do with customer segmentation (different cultures, different ideas, different perception etc…)

The survey has been done with a small number of sample sizes. To achieve
higher statistical sophistication, it should have been conducted to a greater number of samples and with a probability sampling method.

This survey hasn’t been done going through to all determinants of service quality.

The survey doesn’t cover the total country population or the total banking service users.

The period of conducting the survey is January till May 2009, limitation on time.

### 2.4 Survey outcomes

Some of the survey outcomes related to service quality are presented below.

Most of the Albanian interviewed use banking services for depositing their savings. Secondly they buy furniture for their houses (as in most emerged countries people buy new homes), home appliance, followed by other consumer goods.

From the point of view of the Albanian bank customers, the most important determinants factors in choosing a bank are the following:

- Fast procedures
- Service quality
- Consultancy provided, advice
- Easy and simple calculations for the client
- Product favorable for the client
- Good customer care
- A competent personnel
- Variety of services

According to their expectations this could be realized through:

- Stable and sure bank
- Big, powerful bank
- Traditional bank
- Honesty

On the question “Which are the main factors for choosing a bank” almost 20% of the interviewees distinguish “Stable and Secure” as the most important factor. After that is following the “Profitable interest rates”, “I can trust it” and “Powerful bank” factor.

On the question “If you would have chosen a Bank for any service offered, which characteristics of your bank are important for you?” responses shows
that most of the factors were related to the stability of the bank the services offered, the employees, rapid services etc.

2.4 Discussion on survey outcomes

The survey outcomes have not any big difference with the reality.

It is known the fact that service quality in Albania is not at the required level and the products offered by different banks are almost the same: deposits, loans, credit and debit cards, transfers, utility payments, no special products for special segments etc…

There is the gap between the service offered and customer perception. What is good for a bank (of course that their target is the profit) probably is not that good for the customer perception.

The findings of this paper are totally in accordance with the theory of different authors on relative importance of service quality determinants.

In comparison with the SERVQUAL Model, the bank customers in Albania expect almost the same determinants for service quality.

<table>
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<th>SERVQUAL service quality and customer satisfaction determinants:</th>
<th>Albanian customers determinants:</th>
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<tbody>
<tr>
<td>Reliability</td>
<td>Simple offers, practices</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>Fast procedures</td>
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<tr>
<td>Assurance</td>
<td>Big, powerful bank</td>
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Based on the customer feedback on various products and services offered in the financial services sector, there were identified various factors that affect customers’ satisfaction. Here are included of course some quantitative indicators (such as variety of products etc.) that have an average effect on customer satisfaction, but the primary driver of overall satisfaction is, as it is emphasized from the beginning of this research, the quality on products and services provided by the financial institution.

The results indicate that satisfaction with quality have a significant impact on overall satisfaction, particularly for different customer segmentation.

**3. CONCLUSIONS AND RECOMMENDATIONS**

Some general conclusions are presented below:

- Actually, the Albanian Banks are offering almost the same services to the Albanian customers.
- Services are not in the required level by customers of different segments.
- There is an open position in the market not owned by any competitor, “the best in the market for the service quality offered”.
- Banks offer some time slow, complicated procedures (services) and make it difficult for the customers.
- There is really a gap in the market between services offered, their quality and customers satisfaction.

Considering the data collected with the questionnaires and the detailed analysis about the current situation of the banking sector, the following conclusions and recommendations may be retrieved:

The Banking System in Albania is a very competitive market, and relatively a young one, because there are too many banks operating in this small country. Banks must invest in the service quality, as much as they invest in the “quantity” as this is directly linked with efforts of retaining a customer and of course in the “fights” of gaining new customers.

A very good way to satisfy customers is by prioritizing products and services, and identifying the appropriate customers for them. Some customers
are more profitable than other customers and best customers should be really treated as the best. How can banks do this?

- By providing enhanced services
- By offering new products
- By taking care of the efficiency of the product.

Banks must track indicators to tell customers how well they are doing at meeting their needs. One issue may be “What do their indicators reveal about performance and what customers think about banks’ performance” or “What can be done for improvement”.

Variety should be built in e-banking in Albania which has just started. The economic development of the country, the competitive market, the banking cultural knowledge is growing so it is the right time for this product to be widely offered to the Albanian customer. The effort to increase speed of online services (it has to do with speed of processing information) is likely to have an important and positive effect on customer satisfaction.

Banks must be extended not only in the more developed part of the country (banks are concentrated in big cities) but also in the rural part and in less developed parts in order to provide products and services to those customers.

Banks must support real-time/multi-channel/multi-product services, in order to serve customers as they expect to be served.

The challenge for banks in satisfying the customer’s expectation is to have qualitative staff that demonstrates a genuine warmth and empathy to their customers. That’s why banks must invest in training and education of staff, and especially the front line staff, on quality improvement.

There must be find a broad range of new tools to support key online services in order to allow client to get current loans prices and other prices in every day basis, exchange rates, to access database of bank’s promotion programs etc…

There must be a very good combination of advanced hardware & software to provide continuous network operations and a high performance of ATMs network. The continuous information technology updating is important.

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Problems and Challenges to Develop PPP Programmes

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Abstract

Over the last decade or so, private sector financing through public – private partnerships (PPP) has become increasingly popular as a way of procuring and maintaining public-sector infrastructure, in such sectors as transportations (road, bridges, tunnels, railways, ports, airports), social infrastructure (hospitals, schools, prisons, social housing), public utilities (water supply, waste water treatment, waste disposal), government office and other accommodation, and other specialized services (such as communications networks or defense equipment).

Many countries are developing PPP programmes. In this paper we will try to consider some of the general requirements for developing a PPP programme, and its legal framework.

Method used for the considering the general requirements in developing PPP programme and its legal framework, is the reviewing of PPP activity in a representative selections of countries:

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In Albania are given concessions (a form of PPP) only in the field of water power, electricity centrals in a value of 5 milliard Euro, but there are not yet developed such PPP programmes for the other fields of infrastructure. But Albania is in the right way of taking the candidacy of the European Community member. In this point of view, having those experiences, standards and limitations of such EU institutions as the International financial reporting standards (IFRS), EU legal framework for PPP, will be very helpful for the Albanian Public Authorities to understand the problems and challenges that are to be faced in developing PPP programmes.

**Key words**: Public – Private Partnership, PFI Model, Value for Money, Affordability, balance sheet treatment, Economic Justification.

### 1. INTRODUCTION

Over the last decade or so, private-sector financing through public–private partnerships (PPP) has become increasingly popular as a way of procuring and maintaining public-sector infrastructure in sectors as transportation (roads, bridges, tunnels, railways, ports, airports), social infrastructure (hospitals, schools, prisons, social housing), public utilities (water supply, waste water treatment, waste disposal), government office and other accommodation, and other special services (such as communications network or defence equipment).

Structuring PPP is complex because of the need to reconcile the aims of the large number of parties involved – on the private sector there are investors, lenders and companies providing construction and operational services; on the public sector side there are public authorities creating and implementing PPP policies as well as those procuring the PPP, nor forgetting the general public who use the facilities that a PPP provides. Most of these parts need to have a basic understanding of policies and finance issues, and how their part of the project is linked to and affected by them.

But in this paper reviews only one side, public sector in the way how the Public Authority decides to invest in the new public infrastructure, and whether doing so via a PPP is the right approach. There are various measures
which a Public Authority may use to determine if an investment in new public infrastructure is economically justifiable. These measures do not themselves point in the directions of either public sector procurement or a PPP. Additional factors need to be taken into account to make this decision:

- Value for Money (VFM)
- Affordability
- Balance – sheet treatment

Of course since the demand for funding for public-sector projects is almost infinite, and resources are limited (even with the help of a PPP programme), the decision to proceed with a project is based on other factors beside the financial measures set out here.

2. ECONOMIC JUSTIFICATION

When deciding if an investment is economically justifiable, a Public Authority:

- identifies the benefits and costs of the project, including its indirect affects;
- prepares a cost–benefits analysis, a key element of which is the discount rate to be applied to future benefits and costs;
- or calculates the economics return of the project

1.1 Externalities

Apart from the single long-term financial benefits from a new facility compared to continuing the existing one (e.g. on maintaining costs, or because the new facility replaces several older ones), or other benefits which can be priced (e.g. the saving on driving time from a new road), an initial evaluation of a public sector project also has to take account of (and place evaluation on) its wider economic or social benefits or costs (‘externalities’, also known as ‘external economies or diseconomies’). Externalities, which will be positive where they provide a benefit and negative where there is a cost, may include:

- economic development – e.g. increases in land values and general economic activity;
- effects on safety or public health – e.g. reductions in accidents deaths once a new road has been built;
- environmental impact – e.g. increases or decreases in noise or air pollution
It is worth noting that externalities cannot easily be included in the cost paid by Concesssion users, which is why there is a case for public sector subsidy in such cases. Within the Europian Union, any such support is only allowed if it does not constitute ‘State Aid’ (other than certain specific exeptions, such as support for underdeveloped regions, or to promote a major project of common Europian interest). If it is found to constitute State Aid any subsidies must be refunded, and the enforceability of guarantees may be uncertain. The Europian Commission reviewed State Aid for PPP in the context of the London Underground PPP in 2002 (see Bibliography 1). The general conclusion, which illustrates the principles that the public sector should pay for externalities, was that “… when these types of infrastructure arrangements are concluded after the observance of an open, transparent and non-discriminatory (procurement) procedure, it is, in principle, presumed that the level of any public sector support can be regarded as representing the market price for the execution of a project. This conclusion should lead to the assumption that, in principle, no State Aid is involved.

### 1.2 Cost – Benefit Analysis

The benefits and the net externalities should be compared with the facility’s costs; funding of these costs – whether from taxation, public sector borrowing or a PPP – is irrelevant in this context, since economic benefits should be independent of this. The Public Authority has to use either a DCF or an IRR calculation for this purpose, to allow for the different timing of these costs and benefits. Using a DCF calculation, the benefits of a public sector project can be assessed as:

- the NPV of project benefits, plus
- the NPV of positive externalities
- and the costs can be assessed as:
- the NPV of project costs, plus
- the NPV of negatice externalities

The NPV of these figures is calculated using the public sector discount rate (PSDR), discussed below. As with any investment, if the total NPV is positive the investment can be justified. However, the difficulty with a simple DCF approach is that if a choice of projects is being evaluated, the more expensive projects may be favoured by the DCF approach, and therefore a cost – benefit analysis is needed. If benefits cannot easily be measured, which may be the case with social infrastructure, then costs alone of different solutions wouldhave to
be compared – this is known as a ‘costs – effectiveness analysis’.

There is a further issue with using DCF calculations to make public sector investment decisions – the effect of discounting costs a long way in the future (e.g., the costs of repurchasing land). If say, a project involves a costs for the public sector of 1,000,000 USD in 30 years time, discounting this at 6% gives a costs in today’s terms of 174,110 USD, which may be considered small in relation to the NPV of the project as a whole. But in the 30 years’ time the 1,000,000 USD will still be found, unless 174,000 USD is set aside today and saved up with interest for 30 years, which does not happen. Thus the generation of today places an undervalued burden on the future by using a DCF calculation to make investment decisions where there are large-scale costs towards the end of the project. Moreover the higher the discount rate the more the effect of such costs is disregarded.

1.3 Public Sector Discount Rate

The question of what rate should be taken as the PSDR is difficult to resolve, and the approach varies widely from country to country. It is important not to make the discount rate too high, as the effect of this may be to undervalue benefits which may only be available some considerable time in the future, and hence to discourage long term thinking in public sector investments. A public sector investment typically involves an initial negative investment cost followed by years of benefits – hence the lower the PSDR the more attractive the investment will seem. There is surprisingly little international consensus on how to determine the PSDR.

One approach is to use a public sector ‘risk free’ rate, and then add an adjustment to this rate to reflect project risk, which can be done through:

- a generic risk adjustment to the rate for all public sector projects (typically used where no comparison has to be made with private sector projects); or
- a standart risk adjustments to the rate for all projects in a particular sector (as in Norway) – thus for a road project which high risk of construction-cost overruns and uncertainty of long – term usage requirements, a high PSDR would be used; or
- a rate adjustment for a project which reflect its particular risk (e.g. as in Ireland and the Netherland).

The argument for a generic PSDR is that the public sector is spreading risk over many projects, so it is the average risk rather than worst-case or project-risk which has to be taken into account. However this means that high risk projects, which should be less favoured than low risk projects, will in fact be treated the
same way. There is a strong case for accepting that there is no ‘right’ answer to the level of the PSDR, and therefore the best thing to do is to use a range of different discount rates, and see whether an overall pattern emerges from doing so.

But there is also a problem with any discount rate, as construction costs occur early on, so even using a high discount rate will not adjust these by very much to reflect the risk of cost overruns. Therefore an alternative approach is to use the risk-free rate for all public sector investments, but adjust the projected outcomes which are being discounted to reflect risk – thus in the road case, the project cost, operating expenses and usage projections would be adjusted to reflect the risk that the outcome would not be as projected. As projections of cost and benefits are uncertain, it again makes sense to use a range of different risk scenarios when discounting at the risk-free rate, and make a judgement from this spectrum of results. There may be some merit in using a risk-adjusted rate and a risk-free rate with separate risk adjustments to see if they come up with different answers, and if so why, but this is not generally done.

Studies were carried out in Britain in 2002 and 2004 (see bibliography 2) to try to establish a reasonable range of ‘optimism bias’ as a basis for adjusting projected public sector project outcomes for risk – the risk that the public sector is usually over-optimistic about outcomes, and thus there are substantial cost overruns compared to the original projections. (One reason for this ‘optimism’, other than poor project management skills, is that when public sector investment is constrained, public officials – whose careers benefit from completing projects, and are not necessarily penalized if project costs overrun – have an incentive to understand likely costs to get their projects approved.) The wide range of results – reflected in the British Treasury’s current allowable ranges for optimism bias on capex for new (standard construction) buildings of between 2% and 24%, and for roads of between 15% and 32% - illustrates how much uncertainty there is in this area. (Such figures do not of course take into account the possibility of the Public Authority eliminating cost overruns via a turnkey D&B Contract instead of the conventional design-bid-build approach to public sector procurement. A further issue needs considerations here – what is the ‘risk-free’ rate which should be used as a base for any of these calculations? There are several answers to this, each of which is used in various countries:

✓ the current market rate for government bonds (as in Albania (see Bibliography 3), Ireland, the Netherlands and the United States); or
✓ a fixed rate based on the historical average for government bonds; or
✓ the ‘social time preference rate’ (STPR), the rate which private investors
expect to receive for foregoing present consumption in favour of future consumption (assuming this is a risk-free transaction).

The STPR and the long-term historical average government bond rate should be similar, but the problem with using either a fixed historical rate or a fixed STPR is that these may get seriously out of line with current market rates, which distorts the results, especially where market-base financing comes into the picture as it does with PPP-s. Again there is little international consensus on the correct approach here. Thus in the United Kingdom the risk-free PDSR was reduced from 6% real (without including the effect of inflation) to 3.5% in 2003, which was the government’s calculation of the STPR. Since that time interest rates have dropped considerably and even the 3.5% real rate is currently well over the returns investors expect for a risk-free investment, and the government’s own cost of borrowing.

The arbitrary nature of a fixed PSDR is illustrated by changes made by Norwegian government in 2005. Until then, the PSDR was 3.5% plus a sector based risk mark-up in the range 0.5% - 4.5%. The level 4.5% was applied to road projects, considered to represent a high risk, making a total discount rate of 8%. Sweden, on the other hand, used a total rate of 3%. This meant that a particular bridge between Sweden and Norway was economically justified for Sweden but not for Norway, even though most of its users were Norwegian. In 2005 Norway changed the PSDR to 2% plus a general risk-mark-up of 2%. An Article on this change in Nord Road and Transport Research (see bibliography 4) was entitled (presumably with tongue in cheek) ‘Norwegian Road Projects are now Profitable – the Government Reduces the Discount Rate’.

1.4 Economic Rate of Return

The alternative to a DCF-based calculation is to use the “economic rate of return” (ERR), an IRR calculation which uses the same economic data. This may be contrasted with the ‘financial rate of return’ (FIRR), the direct cash flow return from the project. In the ERR calculation, the investment has to pass an IRR hurdle rate similar to the PSDR to be justifiable. But again as has been above, an IRR calculation has its defects in this respect-in particular the undervaluation of benefits receive in the long term. This measure too must therefore be treated with care, and ideally adjusted by changing the reinvestment rate to the PDSR via a MIRR calculation to better reflect reality. Moreover choosing the hurdle rate and dealing with risk adjustment is as difficult as doing so with a DCF calculation.
2. VALUE FOR MONEY AND THE PUBLIC—SECTOR COMPARATOR

Having decided that a new Facility is economically justified, how can a Public Authority decide whether the PPP route is the right one? This question has two aspects:

Does a PPP offer good VfM compared to public sector procurement?
Is this project being procured as a PPP in a way which offers good VfM?

A Public-Sector Comparator (PSC—also known as a public—Sector Benchmark (PSB) is an attempt to answer the first of these questions. (‘Lease—purchase analysis’, as required by the office of Management and Budget, is the nearest U.S equivalent to a PSC)

A PSC is an assumption of what the NPV cost (sometimes known as the net present cost (NPC)) of the project would have been had it been acquired through a conventional public sector procurement, which is then compared with the NPV cost of PPP. The latter may also be estimated, or it may be known if bids have been receive for it. If the PPP’s NPV cost is lower than PSC, the PPP can be justified. (This is not the same as the economic cost benefit analysis discussed above - here only the two sets of project costs are being compared.) Even if payments are not made by the public authority, as in the case of a Concession, the user charges represent revenue foregone by the public sector and hence the analysis is the same as for a PFI-Model Facility.

But a PSC raises a number of difficult issues— in particular:

How comparable costs are to be produced
What discount rate is to be used to make these costs comparable in NPV terms
How adjustments are to be made for risk transfer and other differences between the two types of procurement, including tax.

The final analysis it is not easy to produce a PSC which will stand up to detailed scrutiny and it is better to concentrate on other ways of ensuring VfM.

2.1 Cost Comparison

It is difficult to compare a PSC’s costs with those for PPP, whether based on initial estimates or actual bids. It obviously cannot be assumed that these costs would be the same for each. Because risks are being transferred to the private sector under the PPP, the PPPs cost will increase to compensate for
this. For examples, if a Construction Subcontractor for a PPP project has to take on extra, the construction price itself will be increased to allow for risk, so the same so the same construction cost cannot therefore be used in the PSC, where this extra risk will not apply. Similarly, if there is a scope for the private –sector innovation which should be a benefit of a PPP, by definition this cannot be predicted in advance and included in the Public Authority’s initial evaluation comparing the PPP to the PSC

As to opex, FM Subcontractor will also charge more where risks are transferred to them under the PPP. Also in a PPP a Public Authority will incur additional costs in procurement, negotiation and later supervision of the Project Company which would not be required if its own officers were running the Facility.

2.2 Discount Rate

Obviously the discount rate which is used for this calculation also greatly affects the result, should this be same for the PSC and the PPP( including bid evaluation)? Suppose the PSDR is 6%( including an allowance for inflation), compared to cost of capital for a typical PPP projects of, say 8%. If the difference between the two represents a valuation of the risk transfer to the private sector, it would be logical to use the 6%PSDR for the PSC and 8% for the PPP to compare the two –assuming a perfect risk transfer the result should be exactly the same, but this is of course a big assumption. (Tax payment by the PPP also distort the position ) Different public –and private sector discount rates also raise issues when valuing a franchise sale. And there are other problems with this approach :

It seems inherently odd to use a higher discount rate when discounting a PPP’s costs, as the higher the discount rate the more a risky project will be favoured. Clearly the Public Authority is taking a greater risk with public –sector procurement than with a PPP, which is an argument for discounting the costs of the latter at a higher rather than a lower rate.

The nature of cash flow being discounted is quite different: the PSC costs consist of a high level of initial capex and a lower level of long term opex, whereas the costs of a PPP consist of a higher long - term Service Fees only, with no initial cost. The NPV cost of a PSC is much more dependent on the discount rate than the NPV cost of a PSC. As discussed above, where a project is capital –-intensive, as with a PPP, discount rates alone cannot properly allow for the initial capex –related risks.
Alternative approaches therefore reflect those used for the economic justification discussed above (again there is little international consensus), namely.

to use single generic, sector or project-specific discount rate which is applied to both PPP and the PSC, without adjusting the latter for risk transfer (this may or may not be the same as the PSDR, a different rate may be used than that for the original economic justification, which does not consider how the facility is to be procured or funded); or

to use the same risk-free discount rate for both PPP and PSC, and adjust the latter’s cash flows for risk as discussed below; or

use a discount rate reflecting the private-sector cost of capital for both PPP and PSC, and again adjust the latter for risk (as in Australia)

Whatever the discount rate, so long as it is below the Project Company’s own cost of capital a PPP will be inherently more expensive in financing terms and hence risk-transfer adjustment are likely to be required in the PSC to demonstrate VfM—the lower the PPP discount rate, the greater the adjustments required. Therefore the Australian approach above is more favorable to PPP’s than the British one.

2.3 Risk – Transfer Adjustments

 ✓ If, therefore, the PSC is to be adjusted for risk transfer the PSC calculation will the consist of:
 ✓ the unadjusted NPV of the PSC that based on cash flow projections without taking account of risks retained by The Public Authority; plus
 ✓ the NPV risk transferred to the project Company under the PPP, which would otherwise be retained by the public authority and so should be included in the PSC cost; plus
 ✓ the NPV of risks retained by the Public Authority; plus
 ✓ an adjustment to take account of the different tax positions of the PSC and PPP

There is an obvious relationship with the decision on the balance-sheet treatment for a PPP, which is as discussed below may also be decided by the level of the risk transfer. The approach to calculating the risk-transfer adjustments (which are the same as ‘optimism bias’ mentioned above is the mirror image of that for deciding balance-sheet treatment, it looks mainly at the risks transferred to the private sector rather than those retained by the sector, by:

 ✓ identifying all relevant risks transferred to the private sector (in summary
the relate to capex, usage, opex and macroeconomics risks);

- assigning a range of likely costs for each risk, had it been retained by the Authority (taking account of the optimism bias discussed above);
- assigning percentage probabilities of occurrence for each risk;
- multiplying the cost impact by the probability to arrive a value for the risk;
- identifying the probable timing of each risk event;

Calculating the NPV of the risk value based on the timing; and adding the result to the PSC, as these risks are retained by the Public Authority public sector procurement

The process can be out in reserve to assess the value of risks retained by the Authority, but this is generally less important as the same risk would probably be by the Public Authority under a PPP, and so the result will be the same for either route.

Another area of risk transfer in the reverse direction, namely that of the inherent flexibility in a PPP leading to increased costs for the Public Authority is seldom taken into account in a PSC. It is true that this effect is difficult to quantify perhaps not much more so than the other risk-transfer calculations, but it is a major issue and should not be ignored.

The PSC should be based on a range of outcomes varying with the probabilities of the risks, rather than one simple NPV amount for the risk transfer—there will be no ‘right’ answer, and there is inevitably a high degree of judgment or subjectivity in this process, as seen from the large range of possible adjustment for optimism bias discussed above, which could be applied here. Furthermore it is arguable whether weighting of risk in this way properly reflects the real world.

Moreover, if the real choice is between a PPP and no project, not a PPP and public sector procurement, the public authority and its advisers will be under strong pressure to manipulate the results “to prove“ that the PSC cost is higher than the PPP cost by making large risk adjustment. This pressure, combined with the subjectivity of the process, fundamentally undermines the credible PCS which use this risk-adjustment approach, despite the logic of the theory behind them.

2.4 Tax Revenues

Calculation of the adjustment for the different tax position of PPP should theoretically be a more straightforward process, as this results primarily from the marginal tax project’s net revenues. If the public authority is not a tax-raising body it may not receive any direct benefit from this extra tax flow
into central or local government, but nonetheless from the point of view of the economy as a whole it is reasonable to take this benefit into account. However, the theory and the reality of tax payment have a tendency to deviate from each other, being very dependent on the structure of the project company’s ownership and how it and its investors deal with their tax affairs. For example, use of share holder subordinated debt instead of equity can almost eliminate tax payments by the Project Company. It is therefore very difficult to generalize about the extra tax benefit to be received from PPPs, or even to compare one bidder accurately with another in this respect.

2.5 Credibility of a PSC

When a risk–adjusted PSC is published, either by the Public Authority or by Government audit office, the result may look something like Table below. The NPV of the Service Fees will usually be higher than the NPV of the cost of public-sector procurement because of the higher cost of finance. Detailed justifications for the PSC adjustments which counterbalance this are seldom published, so the calculation has to be taken on trust. Hence published risk-adjusted PSCs are seldom very convincing, but, as discussed above, PSCs which are not risk-adjusted do not work well either, and in either case the choice of discount rate(s) for the PSC and PPP evaluation makes a big difference to the answer.

Should the PSC be disclosed to bidders? Practice on this is varied: some countries take the view that it should not be disclosed because it may lead bidders to treat the PSC as a target price instead of submitting their best bids: on the other hand others take the view that disclosing the PSC will ensure that bidders understand the requirements of the bid correctly.

Logically, the NPV cost of the PPP should be recalculated regularly throughout the procurement process and compared with the PSC, to ensure that the PPP maintains its advantage over PSC. The PSC itself should only be changed if there are significant changes in the scope of nature of the project, or if it is apparent that cost or risk elements have to be re-priced (although the latter is obviously open to manipulation to produce the “right” result once more). This was the approach in the United Kingdom until 2004, and remains the case in some other countries which use PSCs, such as Australia and the Netherlands. In Albanian there is not such a practice; it has some benefit, as late-stage use of the PSC can be an instrument for negotiating with bidders to push their price down.
<table>
<thead>
<tr>
<th>PSC CALCULATION</th>
<th>PSC</th>
<th>PPP</th>
</tr>
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<tbody>
<tr>
<td>NPV of cost of public – sector procurement (including capex and opex)</td>
<td>990</td>
<td></td>
</tr>
<tr>
<td>NPV of Service Fees</td>
<td></td>
<td>1000</td>
</tr>
<tr>
<td>NPV of risk adjustments</td>
<td>90</td>
<td></td>
</tr>
<tr>
<td>NPV of additional tax</td>
<td>45</td>
<td></td>
</tr>
<tr>
<td>Risk- adjusted NPV cost</td>
<td>1035</td>
<td>1000</td>
</tr>
</tbody>
</table>

But reality dictates that it is not possible to reverse course towards the end of a lengthy period procurement based on a calculation which is merely theoretical in nature, and so if PSC is to be used at all, it is best used at the initial stages of procurement when it could possibly affect the decision. This approach is now taken in the United Kingdom.

However this means that the PSC and PPP figures are both based on initial cost estimates, not bids, which makes them even more difficult to prove; in particular optimism-bias adjustments only against the PSC become very questionable because there is also often substantial optimism bias in the early stages of procuring a PPP, so that the final Service Fees may be much higher (or the scope of the Facility lower) than expected at the initial planning stage.

If there is no PSC (because the Public Authority has recognized that a PPP is the only way that the facility can be procured) or if the PSC is a “one-time” calculation at an early stage of procurement, how can the Public Authority ensure that a PPP procurement is giving the best available VfM? The simple answer to this is that VfM is best produced through competitive tension between bidders, and therefore the procurement process must be such as to maintain this tension for a long as possible.

3. AFFORDABILITY

While VfM is important for the Public Authority, an equally relevant question is that of “Affordability”, whether it can actually afford pay the Service Fees (in the PFI Model), as the Public Authority will probably have a set budget for the project, within which it has to work. Equally, in the Concession Model, the Facility has to be affordable for users. It may be simplest just to set an Affordability limit for the first year of the operation assuming that Service Fees are level thereafter, and measure bids against this, but some care needs
to be taken where Service Fees are indexed against inflation to ensure there is no mismatch with the Public Authority’s own resources in later years.

The first step to ensure that this Affordability limit is not breached is for the Public Authority to take advice on costs, financing, and usage where this is relevant, to form the basis for a realistic ‘shadow’ financial model which demonstrates that the Service Fees should be affordable before the procurement process begins.

If, despite this, bids come in over expectation and the budget cannot be increased, the Public Authority will have to redesign the project in some way, by reducing its scope, to reduce its PPP payments to an affordable level. There are two things to bear in mind in this situation:

if the bids are found not to be affordable, a Preferred Bidder should not be appointed until there has been a further round of bidding on a reduced project scope. Entering into negotiations with a Preferred Bidder without a defined project scope is certain to lose VfM.

The Service Fees should not be manipulated so that they are abnormally low at the beginning of the PPP Contract, as a way of making the PPP ‘affordable ‘to begin with, and then rise steeply later on. This is particular temptation when Affordability is primarily measured by taking the Service Fee during the first full year of operation as a baseline.

As with the PSC a Public Authority has to consider whether it is better to let bidders know what the Affordability limit is from the start, so that unrealistic bids are not submitted, but with the danger that the bidders treat this as a target price instead of offering the best bid. Alternatively, late –stage disclosure of Affordability can be used as a way of negotiating with bidders to bring their final price down.

4. BALANCE – SHEET TREATMENT

If it is clear that the choice is between a project which is outside the public – sector budget (at least in relationship to its initial capex ) and no project at all, which as discussed above is the usual motive for going down the PPP path, then there needs to be a method for deciding whether or not a project is ‘on balance sheet’ for the Public Authority and hence the public sector as a whole.

It is clearly not an ideal approach for Governments to set their own public –accounting rules for PPPs, and there are international efforts to create consistency in this respect based on the United Nations System of National
Accounts last updated in 1993. The international Monetary Fund (IMF) has a Task Force on the Harmonization of the Public Sector accounting which covers, the topic of the Government/Public Sector/Private Sector Delineation. Within the European Union, Eurostat, the Statistical Office of the European Communities, provides the European Union with statistics from EU member countries on a harmonised basis, and as a part of this process has to decide what should and should not be included within the figures for public–sector budgets. Eurostat’s rules on government accounting which are based on SNA, are therefore a useful starting point in considering balance-sheet treatment for PPPs.

Decesion Tree for Eurostat balance-sheet treatment
5. CONCESSIONS

In relation to Concessions, Eurostat’s approach is quite straightforward: so long as less than 50% of the project’s revenues are derived from public–sector payments (by subsidy or otherwise) the Facility concerned will be outside the public budget. But questions soon arise with this simple approach.

Public–Sector guarantees. What if a financial or revenue guarantee, as opposed to funding or revenue support payments, is provided by the public sector? In this case the risk of such a guarantee being called upon has to be assessed, and it will only be counted against the public budget if it is likely to be called on for payment and this would take public-sector support over 50%. This can obviously lead to some highly subjective views about what might happen, years into the future.

Public Concessionaires. What if the Project Company is publicly owned? Eurostat rules allow its assets to remain off the public–sector balance sheet if it is a ‘market unit’, is a publicly–owned entity which is already operating on an arm’s length basis from the state, follows the same rules in respect of subsidies or guarantees as a privately owned company, and was not specifically set up for the sake of the particular project. This obviously leaves a lot of room for using ‘public–public partnerships’.

50% of what? Eurostat takes a form ‘over substance’ approach when considering the 50% rule, so it is possible for a government to subsidise different parts of a system through different private-sector companies such that on a consolidated basis the subsidy exceeds 50%, but not when considered company by company.

4.2 PFI model - finance leases and operating leases

Balance sheet treatment of the PFI Model is more complex. A PFI–Model PPP Contract has obvious similarities with a lease. A lease involves payment for the use of an asset. If a car is hired for a day or two, it is obvious that the car belongs to the car leasing company and should therefore be on its balance sheet. But if an aircraft is leased by an airline for 15 years, with the payments over that time substantially covering its capital and financing costs, this is evidently the same thing as a loan to buy the aircraft and should therefore be on the balance sheet of the airline lessee not the financing lessor. Accounting standards for leasing therefore generally look at the extent to which the risks of ownership are transferred to the lessee (the user of the asset...
a distinction is made between legal ownership (which remains with the lessor) and economic ownership which reflects the reality of the situation. So if there are fixed lease payments and little substantial residual risk is left with the lessor,

- if the NPV of the lease payments covers most of the cost of the asset — say 90% or more; and
- the term of the lease covers most of the useful life of the asset — say above 75%; and
- the lessee has the right to acquire the asset for a nominal sum

the lessee is clearly the economic owner. This position is known as a finance lease and will usually be treated in the same way as a loan and thus transfer to the lessee’s balance sheet. The amount to be shown on the balance sheet is typically the NPV of the future lease payments, discounted at the effective interest rate. On the other hand, if the lessor is the economic (as well as legal) owner, this is known as an operating lease and the asset remains on the lessor’s balance sheet. The short-term car rental mentioned above comes into this category. An operating lease may include the provision of other services, an operating ‘wet lease’ of an aircraft can include provision of not only the aircraft but also its flight crew, cabin staff and maintenance services.

Most PFI –Model structures do not involve residual risk, which suggest that element of the Service Fees covering the capital cost of the project should be treated like an on-balance sheet finance lease to the Public Authority (especially if the Public Authority is also the legal owner of the facility). The argument for not doing this is that in PFI – Model contract other economic –ownerships risks are taken by the Project Company, and it is thus similar to an operating lease; but as the discussion below will show this is a very grey area. It is probably questionable whether a black and white decision on or off the public sector balance sheet – is appropriate, since it is clear that a PPP involves complex gradations of risk transfer. There is an argument for a more sophisticated approach which reflects this and would divide the balance – sheet recording between public and private sector.

However, where a project is still in the construction phase, it is generally accepted that the public accounting does not require the Facility to be included in the public-sector balance sheet during this time, even if it might be considered a finance lease and placed on the public sector balance sheet thereafter. Hence some variants of PPP structures just cover the construction phase with the facility reverting to public sector control thereafter.
4.3 THE PFI MODEL – THE EUROSTAT APPROACH

The Eurostat approach (see bibliography 5) is based on the level of the risk transfer— for a PFI Model Facility to be off the public—sector balance sheet Eurostat requires a transfer to the private sector of (a) construction risk, and (b) either Availability risk (operating/service risk), or demand (usage) risk—which is of course the definition of a PPP adopted in this paper. But the dividing line cannot be drawn as clearly as this statement might suggest. The problem is that transferring risk is not a simple issue which can be covered under such broad headings, as illustrated by the fuller discussion of risk transfer in Chapter 14, and in fact Eurostat states that the Public Authority must transfer ‘most’ (not, ‘all’) of the risks involved:

- if the Public Authority funds a substantial part of the construction cost, and does so irrespective of the progress of construction, this is likely to mean that the Public Authority is really taking the construction risk.
- if the Public Authority has the right to deduct the payments for poor performance, like any commercial client, this is likely to mean that the operating and service risk has been transferred to the project company even if these deduction form a relatively small part of the service fees.

If the Public Authority provides a guarantee (either of the revenues or of the project company debt) the same rule applies as for concessions: if it is ‘not likely’ the guarantee will be called, this will not of itself affect the balance-sheet treatment.

Eurostat rules on public sector ownership of the project company are the same as for concession, so it is possible for an established public—sector company to enter into a PFI— Model PPP which is off the public sector balance sheet, but not where it is a Project Company just set up to finance a specific Facility.

These uncertain boundaries for off—balance sheet treatment give rise to a danger of ‘financial engineering’ a structure for purely public-sector balance—sheet reasons—this is likely to be poor VfM for the Public Authority, since it will probably involve artificial risk transfer of some kind, whereby the private sector is paid for a risk it is not actually assuming. There must also be an implication—which adds further pressure to the process of measuring risk—that if a Facility remains on—balance sheet for the public sector, the level of risk transfer has not been adequate and hence the PPP does not offer good VfM for the public sector.
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The Human Resource Information Systems in Public And Private Sectors In Albania

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Abstract

Human resource information systems (HRIS) define integration between Human Resources Management and Information Technology. The size of organization determines HRIS usage, the type of module it adopts, and how information is analyzed.

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2 Elton Zhuleku (MBA) is a IT Professional. In 2003, he is graduated in Computer Sciences, University of Tirana. Since graduated, he became a lecturer of Computer Sciences, at Faculty of Natural Sciences, University of Tirana. In 2008 he finished his postgraduate qualification of Master in Business Management (MBA) at the Faculty of Economy, University of Tirana. Since then, he participated in several international conferences introducing his articles and papers, focused especially, on the role of HR Information System in Strategic HR Management in Albania. Till 2004, he has been Manager R&D in two Dutch companies and has attended several IT trainings in Albania, the Netherlands and USA. In 2003 (USA) he is graduated as Certified Cache Expert. His expertise consists on offering IT consultancy and developing software solutions for companies who aim to be efficient and create a competitive advantage in the market. Since 2004, he is holding the position of IT Assistant Manager at Intesa Sanpaolo Bank Albania.
The study investigates the extension of Human Resource Information Systems in public and private sectors in Albania. It also tries to find out if there is any significant difference in the usage of HRIS between small/medium size and large size companies.


It is a matter of fact that both private and public sectors in Albania are efficacy oriented. Management is trying to think beyond the classic and autocratic frames. They are sensitised now about the importance of new IT, which dematerialize the procedures and opens new perspectives in administration reorganization. The new procedures enabled by IS support Public Administration Reform by helping in understanding the procedure deficiencies, in cutting down unnecessary steps in the procedures, in speeding up some others, by providing a fast and effective operations management at the bottom line. The IT Department at Central Public Administration, which in the future is intended to be part of the structure in the Local level, speaks for a beginning that promises an exponential growth. At a not very long time distance, this will certainly improve the internal activity of these institutions in many aspects.

Human Resources Management (HRM) is one of the most important facets of one organizations’ management. The quality of decisions taken for human resources, as well as the quality of performance of the Personnel Department depends widely on availability and quality of information at hand. Not only, but the information produced here interfere the strategic management, at least at HR level. This information gives the Personnel Specialist and the Line Manager the bases of collaboration. Being computerized, it is more easily at hand.

This article is an attempt to investigate the level in which the information technology (IT) is used to develop management knowledge in HR at operations, management and strategic levels in the everyday practice of the public and private organizations in Albania. It integrates the results of two independent researches conducted by each of the co-authors, in year 2009.

Key words: Human Resources Management, Information Technology, Development of Information Society.
1. BENEFITS FROM COMPUTERISED INFORMATION SYSTEMS IN HUMAN RESOURCES MANAGEMENT

Being aware of the importance of the effective management of HR, the Public Administration as well as serious private companies in Albania has created special units within structure to deal with personnel. In the everyday practice these are found under the name “Personnel Office”, “Human Resources Department”, etc. There are also created and operate special units within structure to deal with IT. Investigating about operation of these two kinds of units, one can see that the latter is “not obliged” to serve the former. In some second level Banks examples of employment of some of the best IT specialists can be found, but it is not possible to find happy cases of effective use of IT in Human Resources Management at the same banks. From interviews with IT persons from 7 private banks in Albania, it came out that IT in human resources is only used to prepare the payroll and register.

This situation may have different antecedents, but one of the most important is probably in this case the lack of knowledge about benefits from these systems. A human resource information system can (according to Armstrong, 1999):

- Enable the function to provide better services to line management;
- Provide a conduit to link personnel policies and processes throughout the organization;
- Provide essential data for strategic personnel decision taking, enabling business to add value, not just cut costs;
- Help in the process of empowering line managers to manage their own personnel affairs;
- Reduce the workload of the personnel function, providing efficient administrative services.

These benefits will only be achieved in full if a strategic and corporate view is taken of HRI requirements. If the system is used to automate certain aspects of personnel administration such as record keeping, it will not realize its full potential.

The IT strategy of an organization in relation to HR information is concerned first with the use of computerized information for strategic decision making, second with the range of applications which should be included in the system and finally with the provision to the line managers of the facility to have direct access to any personnel data they need to manage their own teams in a devolved organization.
For strategic decision taking, the information may specifically focus on areas such as: HR planning; structural change to adapt to technology; training needs; determination of performance and personality characteristics of the people who will be successful in the organization; assessment of organization’s “health” through attitude surveys and turnover and absence statistics, leading to the development of motivation, retention and absence control strategies; analysis of productivity levels; analysis of the scope for cutting down unnecessary costs from the business.

2. BACKGROUND OF THE STUDY

The literature has been reviewed under the following headings: HRIS usage, role/impact and implementation. Within the last decade, the explosion in information systems related literature confirms that information technology, its implementation, use and benefit is a very well researched area in organizational studies (Robinson, 1997). However, human resource information systems (HRIS), their role on strategic human resource management (SHRM), and how this role is affected by the size of an organization have largely been neglected in this literature in terms of both theory and evidence (Kinnie and Arthurs, 1996; Kossek, 1994) cited in Hussein, (2007). Nevertheless, a small amount of related case studies and survey works exists, some of which has been theorized (Torrington and Hall, 2003; Martinsons, 1999).

HRIS define an integration between human resource management (HRM) and Information Technology. These information systems increase administrative efficiency and produce reports capable of improving decision-making (Gerardine DeSanctis, 1986: 15). The size of organization determines HRIS usage, the type of module it adopts, and how information is analyzed. Hussain (2006) observed that few differences exist between Small/Medium(SME) and large companies HRIS usage.

Even though, numerous studies in this area have provided substantial empirical and theoretical contributions to the field of HRIS, this area of investigation is still in its infancy. Little is known about the role of HRIS in Strategic HRM. As the pressure to shift from HRM to SHRM keeps on mounting, coupling with severe global competition, and in conjunction with the ever-increasing demand for HRIS, further research is still needed in this field.
3. FIRST STUDY

The first study was conducted as a field research. A standard questionnaire with 30 original questions was used. The main purpose of this study was to investigate if there were HRIS in the Central Public Administration and the biggest companies operating in the private sector. If so, up to what level? And what were the products of this service; at what level they were intended to support decision making at any level? A scale of 1 to 5 was provided for respondents to measure the extent of HRIS technological enhancement. The thought behind questions were drawn from the findings of Broderick and Boudreau (1992), Greengard (1999), Groe and Pyle (1996) and Hatlevig (1995). According to the findings, ‘There are increased IT support activities, and that there is positive correlation between more IT and HR tasks automation. ‘HR professionals’ rely on the HRIS in fulfilling job functions. Thus, for the HR professional there is an increasing reliance on the HRIS to fulfil even the most elementary job tasks’ (Anderson, 1997).

The questionnaire was administered in 6 second level banks, 4 big private companies and 4 Central Public Administration Institutions (Ministries). The respondent in every case was the respective IT administrator. This way of gathering primary data allows a reasonable distribution, and guarantees generalization of results, but it does not permit deep analysis as it does not provide information about feelings shared by the system users (HR specialists, line managers, employees). Some other research projects are needed to cover this. Institutionalized agreements (missing actually) among institutions/companies will open way to the researchers to walk in organizations for data gathering, which is almost impossible practically.

4. RESULTS EVALUATION OF THE FIRST STUDY

Analyzing the data gathered, comes out that all the institutions investigated in both private and public sectors have spent a lot in computerizing the information systems. They have also partially computerized some functions of HRM.

In the majority of organizations investigated line managers use

3 All graphs are elaborated by authors, based on primary data gathered through questionnaires.
computerized information in decision taking about their own personnel, but this information is restricted in a narrow number of matters. Employees check their personal register from intranet, and make on-line transactions, in limited time and cost. They also may apply for internal employment, monitor individual achievement, and may participate in attitude surveys. Only 45% of the private organizations in Albania have a multisite intranet (75% being second level banks). They buy out the programs (ministries), or moderate partially (banks 50%). Big companies have tailor made their programs and developed them indoors.

4.1. **Personal records.** These can include personal details, job details, employment contracts, salary details, performance appraisal, contacts and addresses. All the organizations report existence of special programs, computerized 100% in both sectors.

4.2. **Human resource planning.** In private organizations participating in the study HR planning is reported to be 100% computerised. In public organizations this function is not computerized at all, in spite of its importance.

4.3. **Employee turnover monitoring and control.** Computer models can monitor and help in the control of employee turnover. They provide critical input to other areas of HR decision making such as policies on recruitment, promotion, training, and career planning (Armstrong, 1999). It comes out that in public sector only 20% of this function is computerized, in private one in 80% of the cases.

4.4. **Employee scheduling.** An information system can be used to provide an integral system for matching the number of employees to business needs. This process in Albanian practice is getting more complex, as more flexible
ways of employment are getting ground (employees, contracted, home workers, part time, special schedule, etc).

A particular aspect of employee scheduling is employee profiling. It is concerned with the matching of staff to workloads and ensuring that the right number of people is available to meet fluctuations in activity levels over time. Profiling techniques are used where there are measurable volumes of work that can be forecasted with reasonable accuracy. Graph 1 following, shows how employee scheduling is computerized in Public Administration, in Banks and Big private companies. Banks are reported to be more concerned about scheduling employees according to business needs, while the other private companies more on scheduling related the working place needs.

### 4.5. Skills inventories and audits.

Organizations may need to store information about skills, competences and experience of the employees. A separate skills inventory can be linked to a personnel database in order that any measurable change in experience or training can be fed through automatically. They can be compared with estimates of current and future requirements to identify areas where recruitment or training is required.

Analysis of the primary data gathered reveals that this function is not covered by HRIS. Its level of computerization is low in both sectors, the public being the lowest. In private organizations it is computerized only at a level of 36% of them. In the banking sector it is computerized at a level of 28% of the banks, and in the big companies it is at the level of 41% of them. The public sector reports a 0 computerization of this function, although the target group of this study was the highest institutions of the public administration where skills audits are very important for identifying further trainings and recruitments.

### 4.6. Competency modeling.

Competencies modelling bring together organization planning and performance management data to establish the skills or competencies required to do particular jobs. This assists in appointment, promotion and training decisions. Competency analysis looks both at what tasks have to be carried out and the competencies required. Profiles can then be developed by the computer and matched to assessments of current job holders or job applicants. From the data analysis comes out that this function in Public Administration is not enabled by the IT. Only 50% of the private subjects investigated have it computerized.

### 4.7. Recruitment.

A recruitment system can carry out four basic administrative tasks: 1. Storage of applicant’s details; 2. Retrieval and amendment of those details; 3. letter writing (linked with word processing facilities) for invitations to interviews, offers and rejections; 4. management reports, analysis of response
by media and monitoring recruitment costs. Computerized recruitment control packages not only automate recruitment correspondence, but also enable users to determine instantly who has applied for which post, track progress in recruiting for a specific post and match internal candidates.

There comes out to be a comparable situation between public and private sectors analysed. Both have this function computerized at a level of almost 50% of each. It can be deducted that both sectors have the same sensibility towards the services offered by this function of HR and have invested equally in its computerization.

4.8. **Reward management.** The system can be used for pay modelling and to carry out a number of reward administration activities. It can analyse and report on average pay or pay distributions by job, grade, age or length of service; calculate differences between the target pay and the average pay; forecast future payroll costs; administer pay reviews, analysing proposals against the budgets and calculating the cost of performance–related pay awards; provide information to line managers to guide them in their pay decisions; etc.

Investigation brings out a balance in both sectors in using IT for this HR function. Both report computerization, but alas, this is for the moment only restricted at one or two uses.

4.9. **Performance management.** An IS can help to operate performance management, generating forms, analyzing and reporting on the result of performance reviews showing the distribution of people with different degrees of potential or performing at different levels, and highlighting individuals with particular skills or special promise. This system can be linked to others to provide an integrated basis for creating and implementing HRM policies.

All the subjects of this investigation reported total computerization of this service.

4.10. **Training administration.** A system can be used for training administration by: storing competence based training modules on the database, enabling trainers to select the appropriate mix of modules for a specified learning need; analysing the training recommendations contained in performance review reports to identify training needs; identifying suitable training courses to meet training needs; arranging for off the job courses; storing data on standard or individually tailored induction; generating instructions for guidance for training programs; storing progress reports and monitoring achievement; calculating the output of training programmes; recording and monitoring training expenditure, etc.
The analysis of the primary data gathered for this research show that public sector has no IT in service of this HR function. 63% of the private sector reports to have this function enabled by IT; from which, 85% of banks, and 72% of big companies. Public administration reports 100% identification of suitable training courses is covered by IS. Private sector covers this at a level of 38%, i.e. 56% of banks and 47% of private companies. Both sectors report that 100% of informing employees about the arrangements for courses is covered by IS.

4.12. Career management. A system can help in the implementation of career management policies. It does this by analyzing the progression of individuals and comparing the results of the analysis, first with assessments of organizational requirements as generated by the human resource planning models and secondly, with the outputs of the performance management system. Public sector does not report to have IS in this HR function. Private sector reports to have it at 22% of cases. In banks it is only reported to be at 12% of the cases, while in big private companies at 41%.

4.13. Absence control. Recording on/out time and the hours actually worked; enabling employees to record the time spent on particular jobs; calculating bonuses; providing team leaders with a statement showing the length and reasons for absence, etc can be some of the uses of IS for this function of HRM.

Is the register of hours actually worked linked with the payroll system and reward system in the practice?

Table 1.

<table>
<thead>
<tr>
<th>Information on:</th>
<th>Ministries</th>
<th>Banks</th>
<th>Big companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skills inventories</td>
<td>70%</td>
<td>100%</td>
<td>92%</td>
</tr>
<tr>
<td>Training</td>
<td>82%</td>
<td>83%</td>
<td>78%</td>
</tr>
<tr>
<td>Job position</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Payment</td>
<td>75%</td>
<td>100%</td>
<td>96%</td>
</tr>
<tr>
<td>Personal data</td>
<td>87%</td>
<td>100%</td>
<td>90%</td>
</tr>
<tr>
<td>Performance</td>
<td>77%</td>
<td>91%</td>
<td>83%</td>
</tr>
<tr>
<td>Internal transfer</td>
<td>84%</td>
<td>100%</td>
<td>95%</td>
</tr>
<tr>
<td>Promotion</td>
<td>75%</td>
<td>97%</td>
<td>94%</td>
</tr>
<tr>
<td>Absences</td>
<td>80%</td>
<td>89%</td>
<td>85%</td>
</tr>
<tr>
<td>Bonuses</td>
<td>68%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

In the Public sector this function is reported to be included in the IS at 100%, while the private sector has it at only 20% of the subjects investigated. 50% of the subjects from Public Administration, and 62% of private sector subjects report to have advance systems that link information obtained from
clocking on or out direct to a screen in team leaders office so that they can have instant information on how many people are at work and on the incidence of lateness. More specifically, 46% of banks and 77% of big companies have this service. This system in the Public Administration is only used for monitoring and control, not linked with bonus payment, while in the private sector in 75% of the cases it is linked with the bonus system, specifically in 65% of banks and 80% of the big companies. In general, the level of abovementioned functions is computerised in both sectors as in the Table 1.

5. AS A CONCLUSION

The potential for efficiency presented by HRIS are significant. Investments and mentality are two important antecedents of its success, as technical problems become everyday more manageable. There are of course a lot of legal aspects to be considered, but they are not part of this research. From the first investigation covered by the first study comes out that big banks and two of the biggest companies (AMC and Vodafone) have made serious investments in HRIS. Training employees on the new opportunities is an actual challenge for them. Public administration is still far from the private sector, although informatization is one of the Government’s objectives. Without ignoring the high initial costs, it can be said that benefits from HRIS in PA will increase the efficiency of this administration.

It is not correct though, to state that subjects investigated in this research operate authentic HRIS. An HRIS combines separate HR systems into a centralized database that performs the majority of HR transactions. The benefits will only be achieved in full if a strategic and corporate view is taken of HR information requirements. If the system is used to automate certain aspects of personnel administration such as record keeping it will not realize its full potential.

6. SECOND STUDY

The other research was concerned with the role of HRIS in Strategic HRM, by examining how HR professionals or/and managers in different organizations see the effects of HRIS on these SHRM activities, and job roles.

Small organizations may need only a basic card index system for
individual employees and a simple set of forms for recording information on numbers employed, absenteeism and turnover. But larger organizations will need a more complex system because more information has to be handled, more decisions have to be made, and the data change more often. The main question of the second study was: Will small and medium sized companies use HRIS differentially in support of strategic HR tasks relative to large sized companies? The hypothesis was: HRIS will be used differentially by Small and Medium sized companies in support of strategic HR tasks relative to large sized companies.

To evaluate this hypothesis, a standard questionnaire was used, with questions concerning extent in which HRIS are used in support of strategic HR tasks; namely communications, human resource development, workplace learning, career management, managerial leadership, business process engineering, commitment management, trade unions management, and decision making. In designing the questionnaire, Hussain (2006) model of research questions were used.

It was expected that the responses given by the respondents in SMEs regarding the abovementioned tasks would be different from those provided by those in the large-scale companies, indicating that the two organizational types would use HRIS differentially. A five grades scale was available for respondents to measure the extent of HRIS support.

The target group of the second study was HR managers, HR directors, and HR professionals in companies based in Albania. To gather contact info for the companies, was used an emails database, but above all was used the chance that offered the organization of Labour Fair at “Pallati I Kongreseve” at 23rd -24th October 2008, in which the questionnaire was provided to many HR professionals of the most well-known Albanian companies, small, medium or large ones.

Regarding this study, a sample of 170 companies was used. Out of which 27 were returned representing 15.9% response rate. However, 24(14.1%) out of the 27 were actually used. This rate of response was very low, and this can be attributed to the fact that the sample universe was not large enough, which also stemmed from the non-availability of respondents’ personal contact information and financial constraints. Three of the responses were not usable because, the questionnaire was not filled at all. Although a much larger sample size would have been better and representative however, the sample size used for this study was also not unreasonable.
The results of this study are valid because the data primary was, collected purposely for this study. More so, the sample universe was randomly selected and stratified. Respondents of the questionnaire survey were also HR specialists who command respect in the field of study. Furthermore, the questionnaire was tested and the refined version sent to respondents. The email and physical contact used, reduced the possibility of influencing the respondents since there was no personal contact between the writer and respondents. This makes the results reliable especially where people with authority filled the questionnaire. The larger the sample size, with a higher response rate the better it is to generalize the results. In this case, the sample size was limited because of non-availability of contact information of HR specialists. Another limitation was financial resources to send more questionnaires or send reminders. For these reasons, the results of this study might not be used for drawing general conclusions. However, they may form a base for further research.

7. EMPIRICAL RESULTS EVALUATION OF THE SECOND STUDY

The independent sample t-test carried out revealed that the degree of HRIS usage in respondents’ organization in the SME differed from the large organizations. In other words, the degree of HRIS usage in respondents’ organization is dependent on the type of organization.

<table>
<thead>
<tr>
<th>Type of Organization</th>
<th>Significancy (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRIS usage in respondents’ organizations</td>
<td>Large</td>
</tr>
<tr>
<td></td>
<td>SME(Small/Medium)</td>
</tr>
</tbody>
</table>

Significant at 0.05 level

The large companies favoured HRIS usage than the SME. The results from the associated statistical tests are presented in Graph 2.

Moreover, the results from testing the extent of HRIS usage in support of specific strategic HR tasks were as follows:

7.1. Communication. There was a significant difference in the proportion of SME and large companies who use HRS in support of communication as an HR task. There was strong evidence that the degree of use by SME was
lower compared to large companies.

7.2. **Human resource development and workplace learning.** The test showed no significant difference in the proportion of users from SME and large companies who use HRIS in support of human resource development and workplace learning. There was no evidence that the extent of use by SME were any different.

*Graph 2. Frequency distribution of type of organization and HRIS usage in respondents’ organizations*

7.3. **Career management.** There was a significant difference in the proportion of users between SME and large companies, who use HRIS to support Career management as a strategic HR task. There was evidence that the extent of HRIS use in support of career management by large companies were higher.

7.4. **Commitment management.** The study showed no significant difference in the proportion of users between SME and large companies, who use HRIS to support Commitment management as a strategic HR task. There was no evidence of difference in the extent of HRIS use in support of commitment management between SME and large companies.

7.5. **Leadership management.** There was a significant difference in the proportion of users between SME and large companies using HRIS in support of Leadership management as a strategic HR task. There was strong evidence of greater HRIS use in support of leadership management among large companies.

7.6. **Business process reengineering.** There was a significant difference in the proportion of users between SME and large companies, who use HRIS to support business process reengineering as a strategic HR task. Once again, there was strong evidence that HRIS use in support of business process reengineering was higher in large companies.
7.7. Managing trade union relations with the organization. There was evidence of difference in the proportion of users between SME and large companies, using HRIS to support managing trade union relations as a strategic HR task. SME usage was significant, demonstrating limited use of HRIS in support of this.

7.8. Decision-making. There was also a significant difference in the proportion of users between SME and large companies, using HRIS in support of decision-making as a strategic HR task. There was evidence that HRIS use in support of decision-making was lower in SME. Hypothesis is accepted.

The study also indicates that large sized firms are most likely to experience considerable HRIS usage in support of strategic HR tasks. Moreover, there was no significant difference in proportion to the size of a company regarding HRIS usage in support of commitment management. Low response rate of this study makes generalization rather difficult however, future research would benefit from higher response rates for more generalized results.

8. SUGGESTIONS AND RECOMMENDATIONS FOR FURTHER RESEARCH

Whilst this study has confirmed existing studies into HRIS, it provides a platform for future work in this area, which should concentrate on a number of issues. First, a detailed research would be needed to explore the role of HRIS in SHRM, especially with bigger sample size and a higher response rate so that a deeper analysis can be done for generalization.

Second, HRIS represent a large investment decision for companies of all sizes. However, SMEs are increasingly failing to use HRIS in support of strategic HRM tasks. It would therefore be very interesting if future research could geared towards finding answers to why SMEs are reluctant to commit time and resources for the implementation of HRIS in strategic HR tasks.

Finally, as HRIS becomes an increasingly vital component of SHRM tasks performance, researchers must expand their efforts to understand the opportunities and threats that it fosters. There is also a risk that large investments in HRIS will not improve HR professionals’ satisfaction or render the SHRM tasks performance a more efficient cost centre. This may be outgrowth of low technology-acceptance among intended users, inappropriate technology choices, or other factors. Until more is known, investments in these innovations should proceed with caution.
9. AS A CONCLUSION

This article describes two studies, both aiming to explore HRIS role in HRM. The empirical results revealed that HRIS play a key role in HR tasks. However, in the case of specific strategic HR tasks, the degree of the support depended on the type of organization. As the second study reveals, larger firms/companies experience a great deal of HRIS support in most of the strategic HR tasks namely communication, human resource development and workplace learning, career management, business process reengineering, and decision-making. On the contrary, HRIS usage in support of commitment management and managing trade union relations with organizations does not reveal any significant difference in proportion of users in SME and large companies.

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Fair Value Considerations During The Current Financial Crisis

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Abstract

In current economic conditions, accounting applications seem to face new and complex challenges. Especially, these challenges are on the basis of fair value. Recent crisis has highlighted the complexity and difficulty of

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valuing financial instruments when market information is not available or not sufficient to give better economic decisions.

FASB 157 “Fair Value Accounting” became effective by January 1, 2008 for most U.S. companies and some believe that this caused the problem.

Oppositely, a wider group of interested parties and investors believe that fair value increases transparency and give relevant information for decision making.

Depending on the financial reporting framework and the going concern assumption, this paper investigates the process for determining fair value measurements and its in-depth effects in financial reports.

Also, the paper will try to highlight the question: “Can fair value be really the main reason of the global financial crisis?” from the aspect of an accounting academician.

Key words: Fair value, accounting, financial crises, financial instruments, measurements.

1. INTRODUCTION

Within the last decade, it is obvious that there is a move toward principle-based accounting standards based on an improved conceptual framework. The objective of the financial statements is to provide more transparent and useful information by reducing the complexity through main qualitative characteristics such as understandability, relevance, reliability and comparability. The Sarbanes Oxley Act of 2002 required also SEC to incorporate the principle-based standards and in 2004 FASB agreed to converge to International Accounting Standards. The studies indicate that progress has been made nearly in all areas but a more detailed work is needed to meet the original goals of principle-based standards.

The primary goal of principle-based standards is to provide broad guidance so that the standard can be applicable to many different situations. This means that when the situation can not be covered in all aspects, the preparers will turn to principles. This will require the principles to be clearly stated in such a way that they can be easily understandable and not buried with the rules and exceptions to those rules (Greenspan, Hartwell, 2009). \(^4\)

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The current financial crisis in US has turned into a big liquidity crisis and financial market meltdown. In recent years, financial innovation brought a group of new financial products into the markets such as Collateralized Debt Obligations and Credit Default Swaps. These instruments were mainly used for speculation instead of hedging purposes (Deloitte Canada, 2009). In respect of these new financial instruments, the causes of the crisis becomes more clear. In the heart of the crisis lies extreme amount of debts which are created imprudently and much of it in the form of credit securitizations that were held off-balance sheet. The high default risk of some of these financial assets and uncertainty about the losses made the creditors reluctant to create more credit. Then the liquid markets became illiquid and the assets could not be priced reasonably. Within this difficulties another major concern comes into stage which is “valuation”. Financial reporting standards offers key measures for valuations, income and cash flows. In recent years, fair value issues increased for the valuation of some assets and liabilities. Especially, valuation of financial instruments require market values that are available from a liquid market in order to represent information that is useful to all types of contracting parties to facilitate investment and credit decisions. In the absence of reliable market prices, this fair value concerns also caused a problem within the merits of the trend.

This paper includes the review of the events that causes the crisis and accounting complexities in areas such as determination of fair value and off-balance sheet structuring.

2. FAIR VALUE ACCOUNTING

Fair value measurement has been an important part of Generally Accepted Accounting Principles and the Financial Reporting Standards for many years. As stated by Young (Robinson 2008), the determination of fair value is one of the oldest debates in accounting in comparison to historical cost. Within the financial reporting standards fair value defined as “the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction. US Accounting Standard FAS

157 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” Both definitions concentrates on the “value in use” between market participants that refers to the companies’ solvency which is an important aspect of the current crisis. The discussion of historical cost versus market value is not new but a challenging subject. This is due to how the value can be best represented; the value at which it was purchased or the value in the current market. Table 1 briefly shows the key features of historical cost and fair value.

**Table 1: Key Features of Historical Cost and Fair Value**

<table>
<thead>
<tr>
<th>HISTORICAL COST</th>
<th>FAIR VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stewardship</td>
<td>Investment Decisions</td>
</tr>
<tr>
<td>Income Statement</td>
<td>Balance Sheet</td>
</tr>
<tr>
<td>Exclusion of unrealized profit</td>
<td>Inclusion of unrealized profit</td>
</tr>
<tr>
<td>Confirmatory value (transaction based)</td>
<td>Predictive value (present value, models, estimates)</td>
</tr>
<tr>
<td></td>
<td>Disclosures</td>
</tr>
</tbody>
</table>

International Financial Reporting Standards (IFRS) are the standards that are used all over the world including nearly all Europe. Formerly, these standards were known as International Accounting Standards (IAS). IAS 32, IAS 39 and IFRS 7 prescribes the accounting and disclosure for financial instruments. IAS 32 covers how to present the financial instruments by setting out definitions, accounting classifications of instruments and specifically addressing the accounting treatment for these instruments. IAS 39 includes when to recognise or derecognise a financial instrument, and how the different types of financial instruments are measured especially for derivatives. IAS 39 requires financial assets to be classified as follows:

- At Fair Value Through Profit and Loss (FVTPL)
- Held-to-Maturity (HTM)
- Available for Sale (AFS)
- Loans and Receivables (LR)

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types of financial instruments are measured especially for derivatives. IAS 39
requires financial assets to be classified as follows:
✓ At Fair Value Through Profit and Loss (FVTPL)
✓ Held-to-Maturity (HTM)
✓ Available for Sale (AFS)
✓ Loans and Receivables (LR)

The recognition and measurement differs for each category of financial
asset. The first category FVTPL has also two subcategories as held for trading
and fair value option. FVTPL and AFS type of assets are measured at fair value
while the other two (HTM and LR) are measured at amortized cost using the
effective interest method. IAS 39 sets out three key areas for determining the
fair value;
✓ An active market with quoted prices.
✓ No active market: valuation technique
✓ No active market: equity instruments.

Quoted prices are the prices that are readily and regularly available from
a dealer, broker or pricing agencies. Also bid or ask prices for assets to be
acquired or liabilities to be held can be considered as quoted prices. If there
is no active market then the company determines the fair value by using an
acceptable valuation technique which incorporates all factors that market
participants would consider in setting a price, is consistent with accepted
economic methodologies for pricing financial instruments, and relies as
little as possible on entity-specific inputs (Deloitte, 2008)7. When there is
no active market for an equity instrument or derivatives that are linked to it
and the estimates cannot be made reliably then the equity instrument must be
measured at its cost less any impairment. This complex and well structured
standard IAS 39 offers a more favourable treatment than US GAAP offers.

Statement of Financial Accounting Standard (SFAS) 157 “Fair Value
Measurements” was issued in 2006 to be effective for fiscal year 2008, starting from
November 15, 2007. FAS 157 provides three different levels for determining the
fair value of an asset or a liability (Rossi, 2009; Fujioka, Seko, Hoontrakul, 2008)8:

Reactions, and Policy Responses”. Federal Reserve Bank of St. Louis Review, September-
October, 90(5), pp.531-67.
Financial Crisis and Implications to Thailand”. Http://www.ssrn.com/abstract=1303351
– Level 1: Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

– Level 2: Observable market inputs other than quoted prices, such as prices for similar items, interest rates, yield curves, volatilities, prepayment speeds, credit risks, foreign exchange rates, and published indexes. Level 2 inputs might not be directly observable for the item being valued, but they might be derived from observable inputs. Level 2 inputs include:
   (a) Quoted prices for similar assets or liabilities in active markets;
   (b) Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers (i.e. some brokered markets), or in which little information is released publicly (i.e. a principal-to-principal market);
   (c) Inputs other than quoted prices that are observable for the asset or liability (i.e. interest rates)

The recognition and measurement differs for each category of financial asset. The first category FVTPL has also two subcategories as held for trading and fair value option. FVTPL and AFS type of assets are measured at fair value while the other two (HTM and LR) are measured at amortized cost using the effective interest method. IAS 39 sets out three key areas for determining the fair value:
✓ An active market with quoted prices.
✓ No active market: valuation technique
✓ No active market: equity instruments.
   (d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

– Level 3: Inputs that are not observable in the marketplace, but are developed by the entity and are not derived from, or corroborated by, market inputs. Level 3 is subject to special disclosure requirements, including information in the annual financial statements, about the valuation techniques used. Unobservable inputs for the asset or liability reflect the reporting entity’s own assumptions about what market participants would use to price the asset or liability and especially developed using the best information available according to FASB. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, or there is little, for the asset or liability at the measurement date.

FAS 157 and so fair value accounting was stated as the main reason
of the financial crisis. Most of the critics argue that mark to market in an inactive market distorts the financial results because fair values derived from an inactive market cannot be the representative of the true value of the assets. This is relevant especially for level 2 and level 3 inputs for fair value determination. Despite all these concerns, SEC advised that “the suspension of fair value accounting by historical based measures would likely increase investor uncertainty”.

On September 2008, SEC released the amendment of FAS 157 where the main attention was on level 3 inputs. The amendment states that: “When an active market does not exist, the use of management estimates that incorporate current market participant expectations of future cash flows, and include appropriate risk premiums is acceptable. In some cases, multiple inputs from different sources may collectively provide the best evidence of fair value. In these cases, expected cash flows would be considered alongside other relevant information. The weighting of the inputs in the fair value estimate will depend on the extent to which they provide information about the value of an asset or liability and are relevant in developing a reasonable estimate”.

In response to the amendment of FAS 157, IASB also declared the amendments of IAS 39 and for additional disclosures IFRS 7. The scope of the amendments include that: “The amendments will only permit reclassification of certain non-derivative financial assets recognised in accordance with IAS 39. Financial liabilities, derivatives and financial assets that are designated as at FVTPL on initial recognition under the ‘fair value option’ cannot be reclassified. The amendments therefore only permit reclassification of debt and equity financial assets subject to meeting specified criteria”. The other issues clarified by IAS 39 is as follows (Fujioka, Seko, Hoontrakul, 2008):

- Using own assumptions when relevant market inputs do not exist
- In an inactive market it is justifiable to use own assumptions for future cash flows and discount rates that are adjusted for various market risks.
- Broker Quotes
- Broker quotes cannot be the representative of fair value in an inactive market if they do not reflect the transactions in that market.
- Forced transactions and distressed sales
  Due to involuntary liquidations and distressed sales market becomes illiquid. In such markets it is not appropriate to use the inputs derived from involuntary transactions or distressed sales for determining the fair value.

In parallel to the amendments to IAS 39 and to make reclassifications more transparent additional disclosures were required within IFRS 7:
the amount reclassified into and out of each category;
for each reporting period until derecognition, the carrying amounts and
fair values of all financial assets reclassified in the current or previous
reporting periods;
if the financial asset has been reclassified based on the ‘rare circumstances’
exception, details of those circumstances – including the factors that
indicated that the situation was rare;
the fair value gain or loss recognised in profit or loss or OCI for the reporting
period in which reclassification occurs and in the previous period;
in the period of reclassification and in subsequent periods until the financial
asset is derecognised, the gain or loss that would have been recognised in
profit or loss or OCI had the financial asset not been reclassified, and the
actual gain, loss, income and expense recognised in profit or loss; and
the effective interest rate and estimated cash flows the entity expects to
recover as at the date of reclassification of the financial asset.

3. FAIR VALUE AND THE CRISIS

In the context of fundamental changes in the world economy and in
financial markets the causes of the crisis can be easily understood. The roots
of the crisis are basically the mortgage defaults but in fact its only a symptom
or a component of a deeper financial storm. In fact, the main problem are the
financial instruments which are derived from the mortgages such as mortgage
backed securities (MBSs), Collateralized debt obligations(CDOs) and Credit
Default Swaps (CDSs).

Home loans which are the basis for MBSs in 2008 were divided into too
many parts and spread across financial markets. MBSs were restructured into
a wide variety of financial instruments with different levels of risk. If interest
rates increase security bring profit but if falls brings loss (Clark,2008).9
(MBS bring down the US Economy)CDOs are a type of structured asset
backed security (ABS) or mortgage-backed security (MBS) whose value and
payments are derived from a portfolio of fixed-income underlying assets.
CDOs are assigned different risk classes, or parts, whereby “senior” parts

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are considered the safest securities. Interest and principal payments are made in order of seniority, so that junior tranches offer higher coupon payments (and interest rates) or lower prices to compensate for additional default risk. Some CDOs do not own cash assets like bonds or loans. Instead, they gain credit exposure to a portfolio of fixed income assets without owning those assets through the use of credit default swaps, a derivatives instrument. Under such a swap, the credit protection seller, the CDO, receives periodic cash payments, called premiums, in exchange for agreeing to assume the risk of loss on a specific asset in the event that asset experiences a default or other credit event (Vink, Thibeault, 2008)\textsuperscript{10}.

In order to protect themselves institutions especially banks created CDSs. Credit swaps are generally the most favourite of the all other types of credit derivatives. In such swaps, payment to the buyer is triggered by an event which is included in the contract. To highlight the mechanism and the role in the crisis, credit default swap tried to be explained by an example.

**A. Basic Credit Swap**

<table>
<thead>
<tr>
<th>On November 15, 2008 Bank A used credit from Bank C of $1.000.000, with an interest LIBOR+1%, for 6 months. At the same time, Bank A enters into a swap contract with Bank Z, $1.000.000, fixed interest rate 7.25%, for 6 moths and will get premium from Bank Z LIBOR+0.25%.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First case:</strong> 31.12.2008</td>
</tr>
<tr>
<td>$1.000.000 \times 0.0625 \times 45/360 = 7812.5$</td>
</tr>
<tr>
<td><strong>$1250 LOSS</strong></td>
</tr>
<tr>
<td><strong>Second case:</strong> 31.12.2008</td>
</tr>
<tr>
<td>$1.000.000 \times 0.0775 \times 45/360 = 9687.5$</td>
</tr>
<tr>
<td><strong>$625 PROFIT</strong></td>
</tr>
</tbody>
</table>

In this event, Bank A pays Bank Z a fixed amount. The most common form of credit swap is called a default swap. A would pay Z, if termination triggered by the default of Bank C, an amount that is the difference between face value and the market value of a designated note issued by Bank C. In the current crisis, this designated notes usually derived from instruments like Mortgage-Backed- Securities (MBSs). When borrowers had difficulty in making payments on the mortgages MBSs began to perform poorly. As CDOs

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were comprised of subprime mortgages they began to lose value and the banks began to write-down huge losses depending on mark-to-market applications. Many of these banks own CDSs on their subprime securities. Swaps didn’t work out as the one side of the contract failed. Then the exchange of money stopped which caused “The Credit Crunch” (Mizen, 2008).  

The difference between the mortgage crisis and the CDS crisis is that if you depend on a mortgage and if the borrower defaults on a loan, the bank still can cover the loss by selling the house but CDSs are based on actions or events especially credit ratings which is something intangible, this means there is no source or funding to cover the losses (Clark, 2008). Additionally, under distressed sales and illiquid market conditions financial instruments were fair valued in a market where the prices do not reflect the real and accurate cash flows that can be derived from the realized sales of these instruments. Forced sales cannot be the valid determinants of market prices because the accounting frameworks presume that a reporting entity is a going-concern that does not need to liquidate its assets (Scarlata, J., Novoa, A., Sole, J., 2008). As banks are holders of these financial instruments which are valued under these circumstances, losses have been passed through the banks’ capital. The weak capital structure of these banks then directly affected the whole financial system.

Currently, it is obvious that there is a perfect storm which brings the question whether this is because of the fair value or not. In fact, the causes of the crisis are clear enough; newly created complex structured securities that are sold widely at the same time transferring the risk of borrowers’ default to the buyers as a result of the new “originate and distribute” concept of banking system.

Table 2 indicates the advantages and disadvantages of fair value.

<table>
<thead>
<tr>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clarity</td>
<td>Problems of definition</td>
</tr>
<tr>
<td>Transparency</td>
<td>Adds to procyclicality</td>
</tr>
<tr>
<td>Additional information</td>
<td>Based on a price the entity has chosen not to sell at</td>
</tr>
<tr>
<td>Accounts properly for derivatives</td>
<td>Difficult treatment of liabilities</td>
</tr>
<tr>
<td>Less subject to earnings management</td>
<td></td>
</tr>
</tbody>
</table>

The current developments of derivative contracts led to criticism that under historical cost system a wide range of assets and liabilities were not on the balance sheet as they were created with no or little cost, though they gain or lose value as interest rates, exchange rates, libor rates, etc...changed. In these circumstances fair value accounting offers the most appropriate way to bring these transactions into the balance sheet and fully disclose (ACCA, 2009)\(^{13}\).

4. CONCLUSION

Achieving understandable, comparable, relevant and reliable financial reports will always be the most important objective for the fully informed financial markets. The recent crisis have raised two different situation:

1. Increased financing costs
2. Difficulty in the valuation of debt securities.

The second situation also brings the problem with the fair value. It is true that fair value tends to increase procyclicality and make valuation difficult in case of illiquid markets. The main problem in fact are those financial instruments that the banks hold trading in an active market but then the market disappeared which makes the valuation more difficult not the fair value.

Additionally, within the global convergence and harmonization, fair value plays a very important role because investors appreciate the transparency provided by the fair value. Despite its disadvantages, fair value seems the most effective method that reflects the economic realities best in comparison to historical cost applications ignoring the current market values of financial instruments. Fair value, as a market based approach, results with more transparent and additional information that best fits to the following accounting objectives:

- Accurately reflect the current situation of a company which can be stated as “true and fair view”.
- Comparable and understandable financial reports

Financial reports with the most reliable, objective and relevant information.

The use of fair value seems to be criticised widely and continuously. Within the current crisis, it was well understood the risks of using unreliable values.

From the crisis many have learned that the way of judgement for valuation should be changed and the risks should be handled more carefully. Overall, this is not an accounting crisis rather it is a credit crunch.

**BIBLIOGRAPHY**