PRESIDENCY AND BOARD OF MEMBERS

Prof. Dr. Agim Kukeli, PhD, President
Rector of “Aleksandër Moisiu” University, Durrës, Albania

Prof. Dr. Bardhyl Ceku, Vice president
Dean of Faculty of Economics and Administration,
“Aleksandër Moisiu” University, Durrës, Albania

Prof. Dr. Esmeralda Uruçi, Member
“Aleksandër Moisiu” University, Durrës, Albania

Prof. Assoc. Dr. Mit’hat Mema, Member
“Aleksandër Moisiu” University, Durrës, Albania

Prof. Dr. Salvatore Messina, Member
Rector of European University of Tourism, Tirana, Albania

Prof. Michel Bonneau, Member
University of Angers, France

Prof. L.S. Fan, Member
University, Fort Collins, Colorado State, USA

Prof. Francesco Scalera, Member
University of Bari, Italy

Editorial Board

Dr. Arif Murrja
Doc. Ilir Hoti
Blerim Kola, MMK
Viorela Polena
<table>
<thead>
<tr>
<th>Page</th>
<th>Title</th>
<th>Authors</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Corporate Responsibility – Marketing or Legal Issues for Transitional countries – Case of Bosnia and Herzegovina –</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Vesna Babić-Hodović, Phd; Eldin Mehić, Msc; Amra Kramo, Bsc.</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Going Global. Success Factors for Penetrating Emerging Markets -</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Doc. Lindita Mukli.</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>Foreign Direct Investments in the Western Balkans -</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Prof. Dr. Esmeralda Uruçi; Dr. Albana Boriçi (Begani).</td>
<td></td>
</tr>
<tr>
<td>44</td>
<td>Tax and Structural Reforms in the Transition from Comand to Market Economy - Antonio Troisi; Laura Gjeta.</td>
<td></td>
</tr>
<tr>
<td>56</td>
<td>Managing Profitability and Liquidity in the Banking System in Kosovo</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Shpresa Reshidi.</td>
<td></td>
</tr>
<tr>
<td>66</td>
<td>The Imperative Need for a Genuine Reform in the Field of Research in</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Albania - Sofokli Garo, Ph.D.</td>
<td></td>
</tr>
<tr>
<td>75</td>
<td>University and Knowledge: a Private or a Public Good</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Prof. Assoc. Dr. Luljeta Minxhozi.</td>
<td></td>
</tr>
<tr>
<td>80</td>
<td>Information Technology Management the Key to Public Sector</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Improvement (sport sector) - MA. Juel Jarani, MPA; MA. Anduela.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lile; Prof. Asoc. Dr Fatos Gjata.</td>
<td></td>
</tr>
<tr>
<td>91</td>
<td>Historic and Cultural Challenges of Albanian National Identity Towards</td>
<td></td>
</tr>
<tr>
<td></td>
<td>the Process of European Integration - MA. Esilda Luku.</td>
<td></td>
</tr>
<tr>
<td>104</td>
<td>New Risks that Threaten Albanian Well-Being - Esmeralda Hoti.</td>
<td></td>
</tr>
<tr>
<td>118</td>
<td>Albanian Integration in the EU. A Technical Process or/also a Political One - MA. Daniel Borakaj; Albin Gega.</td>
<td></td>
</tr>
<tr>
<td>128</td>
<td>The Role of Albania in the Balkans - MA. Elda Zotaj; MMA. Eda Bezhani.</td>
<td></td>
</tr>
<tr>
<td>138</td>
<td>Accounting Harmonization a Condition of Macedonia’s Membership in EU</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Fitim Deari; Rasim Zuferi.</td>
<td></td>
</tr>
<tr>
<td>147</td>
<td>Development of Sustainable Tourism in Albania – Present and Future Challenges Toward a Sustainable Economy - Ledia Matja, MBA, Doc. Hysen Hoda, MBA</td>
<td></td>
</tr>
</tbody>
</table>
160 Relationship Marketing Challenge for Albania Businesses - Ervin Myftaraj, MBA; Teuta Çerpja, MBA.

172 Some Consideration on Climate and Tourism in the Context of Climate Change in Albania - Mirelatase, Msc.; Prof. Dr. Petrit Zorba.

180 Financing Political Parties in Albania: Legal Frame and Evolution - M.A. Klejd Këlliçi; Viorela Polena.

191 Competition Authority or the Authorities’ Competition? - M.A. Ulpian Hoti; LL.M. Ersida Teliti.

201 Institucional and Legal Position of Albania in European Union - M.A. Elena Kocaqi.

211 The Lack of Managing Capacities of the Local Governmental Units - A Serious Obstacle in Realizing the Decentralized Reform - Dr. Arif S. Murrja; Agim Ndregjoni, MBA; Vlash Kallanxhi.

223 Job Satisfaction and its Impact on Public Administration Performance - Gentiana Kraja, MPA; Fatbardha Kadiu.

236 The Recruitment of Public Employees in Albania’s Public Administration. Neutral or Political Process? - Marsida Ismaili.

245 Reallity and Trends of the Labour Market - M.A. Msc. Majlinda Hafizi (Bushati).

258 Global Crisis in Albania and EU Integration - Blerim Kola, M.M.K.; Edlira Llazo, M.F.K.

270 Theories on Addressing the Current World Economic Crisis and Responses by International Institutions - Lavdosh Ahmetaj.
Corporate Responsibility
– Marketing or Legal Issues for Transitional Countries
– Case of Bosnia and Herzegovina –

Vesna BABIĆ-HODOVIĆ, PhD
School of Economics and Business in Sarajevo
E-mail: vesna.babic-hodovic@efsba.unsa.ba

Eldin MEHIĆ, MSc
School of Economics and Business in Sarajevo

AMRA KRAMO, BSc
School of Economics and Business in Sarajevo

Abstract

Corporate social responsibility is becoming more current topic in transitional countries, together with their transformation and process of globalization. The low level of economical development, as well as the disordered legislative system at developing markets, complicates the implementation of responsible behavior in this area.

The fields of marketing and corporate social responsibility are very close interrelated, especially in the process of implementation companies’ goals and strategies. That is the thing we have to think about when we expect companies to apply and implement different level of charitable and responsible activities.

On the other side there are significant influence different requests and prerequisites, EU institutions put in front of transitional countries applying for EU members. That means the transitional societies and companies, working on transitional markets, at the same time face with the several challenges when try to work on responsible way. First of all, there is the problem of determination
of the concept itself and different meaning of CSR. Weak laws and political situation, as well as poor economic conditions, are often used as the explanation for escaping responsible behavior to different “stakeholders”.

On the other side results of previous research show that companies’ responsible behavior and responsible business is becoming more and more important factor in the investment decision making process or choosing potential partners for investments, and finally in the process of choosing attractive countries.

This is the reason why management has the most important role in the process of accepting and implementing responsible behavior. Most often, the responsible companies are simply lead by the responsible management. Conversely, responsible management is taking care of the main stakeholder interests.

We have conducted a research about managers’ and customers’ perception of the responsible behavior meaning and responsible practice. We wanted to find out main categories between identified groups, in order to compare them with the results of previous research.

Namely, very often one faces the customers, expressing preferences for companies’ responsible behavior, but at the same time trying to escape owns’ role or obligations. That means customers do not want to pay higher prices for the products that are sold by “responsible companies”. Furthermore, we have compared perception between those stakeholders groups in order to detect possible gaps companies have to close using information models.

In the paper we have presented results of attitudes and perception of CSR meanings and possible ways to resolve conflicts between different groups. The research was conducted among Bosnian managers and customers.

We have found that there were significant differences between managers and customers attitudes, specifically of the responsible behavior meaning and quality of responsibility. We concluded it was very important, since credibility of the companies or their actions are the crucial part of successful results of trying to include customers as active partners.

At the same time companies have to lobby for legislative order. Only to work parallel on all those areas might provide the results and create a critical mass that will help Bosnian and Herzegovinian companies and customers to find the way to build responsible practice and responsible behavior at the supply and demand side.

Key words: CSR, management, marketing, customer opinion
1. INTRODUCTION

Social marketing concept had firstly included social responsibility together with other elements focus on customers, their wishes and needs. Today corporate social responsibility (CSR) is closely interrelated with marketing, in the companies struggling for competitive advantage or successful way of differentiation. Benefits of CSR integration in business operation and strategies based on the increased sales and market share of responsible companies, strengthened brand positioning, enhanced corporate image, increased ability to attract, motivate and retain employees, decreased operating costs and increased appeal to investors and financial analysts. That means that in highly competitive markets CSR might yet prove to be valuable basis for differentiation (Smith, 2005).

Until recently, board members often regarded CR as a piece of rhetoric intended to placate environmentalists and human rights campaigns. But now, companies beginning to regard CR as a normal facet of business and are thinking about ways to develop internal structures and processes that will emphasize it more heavily. To view the modern corporation in a strict economic sense is to ignore reality, and to suggest that its responsibilities include only economic obligation is myopic (Wartick et al, 1985).

The growing emphasis on corporate social responsibility is affecting the relationship between companies and their various stakeholders, such as investors, customers, vendors, suppliers, employees, communities and governments. The purpose of this paper is to point out some of more important results we found during research among management of the most successful Bosnian companies and MBA students, their attitudes about CSR, problems and implications associated with the CSR concept, and differences between management perception and contrary MBA students perceptions regarding the most important CSR dimensions.

2. MEANING OF CSR

Concept of corporate social responsibility is closely interrelated with the corporate governance, more precisely concept of strategic marketing management. Only synergy between the corporate governance, marketing concept and responsible business can create base for successful business and company differentiation (Sparkes, 2003).

Unfortunately, anyone looking with the large and evolving literature about
CSR, with a critical eye will notice that the concepts and terms, as: corporate social responsibility, corporate responsibility, social responsibility, corporate citizenship, global citizenship, corporate accountability, social involvement, corporate responsibility... are explained and used by various authors in very different ways and supported (or critiqued) with diverse and often contradictory evidence and arguments. That explains that very often, the term of corporate responsibility is used as the synonym for corporate social responsibility. According to Philip Kotler and Nancy Lee, Corporate social responsibility is a commitment to improve community well-being through discretionary business practices and contribution of corporate resources (Kotler, Nancy, 2005).

“Corporate responsibility is really about ensuring that the company can grow on a sustainable basis, while ensuring fairness to all stakeholders (Marthy, 2005) This definition emphasizes the company’s external relationships. But EIU survey shows that executives are much more focused on the internal aspects of CR, in particular: ethical behavior, corporate governance and transparency. The most important stakeholders for executives, after customers, were employees and shareholders.

Hypothesis 1: There is no unique definition of CSR concept among managers and MBA students in B&H. They have mainly tried to define CSR based on negative determination.

3. DIFFERENT KINDS OF RESPONSIBILITY

The most important dimension of responsible business is connected with the primary and secondary stakeholders, as well as with those who influence the company (Donaldson, Preston, 1995). Based on that, CSR encompasses various kinds of responsibilities (Post et al, 1996). The most important and the most frequent are the ones toward: (I) Employees and other stakeholders within the company (labor relations, additional health care, education at the workplace, transparency in corporate governance, etc.); (II) The economic system: honor contracts, transparency, preserving competition etc.; (III) Environment: preservation; (IV) The social system: respect for state recommendation (e.g. inner city redevelopment, education); (V) Social welfare (Help to disabled, support people in need etc.) and (VI) Cultural needs and institutions, (e.g. banks as art collectors).

All those groups, as the target of company’s activities, have more delicate
position in transitional countries. Firstly, law system and regulation is very poor, and insufficient resources create strong conflict between company’s stakeholders. On the other side, basic premise that corporate managers have an ethical obligation to consider and address the needs of society, not just to act solely in the interests of the shareholder or their own self-interest, is not developed still (Wilson, 2003). Competitive pressure of globalize companies and low level of purchasing power create very hard “responsible environment” for the companies.

Hypothesis 2: Company and managers create different level responsibility regarding their stakeholders, and there are differences between the perceptions of top managers of the best Bosnian companies and MBA students’ for the most important stakeholders groups and factors that would influence on implementation of business ethics practices.

4. CORPORATE RESPONSIBILITY IS THE RESULT OF INDIVIDUALS’ ATTITUDES REGARDING CSR

Trying to determine responsible or irresponsible behavior, we have to start with the next attitude: for organizations to act irresponsibly, individuals must act irresponsibly. When individual irresponsible actions become systemic and significant, the problem then becomes an organizational one. While it is possible to understand why some individuals act badly, it is more difficult to explain why other individuals, especially senior management, condone or even become involved in such actions, especially given that the consequences are often serious and can lead to the company’s failure. After all, everything that we know about good leadership suggests that leaders must demonstrate integrity. That was the reason we have started with the research about management perception of CSR in order to test expected level of CSR activities in company.

Hypothesis 3: Companies will act responsible if their managers and employees accept responsibility and act responsible toward different stakeholders.

That was the standpoint for creating research between managers and MBA students, trying to investigate their attitudes about CSR, dimensions they think are the most important, and main obstacles they are faced with.

For analyses and summarizing, as well as for creating hypothesis, we have used a stakeholder model (Bhasa, 2004) of the corporation instead of conventional input-output model (Donaldson, Preston, 1995). We have started with the
preposition that the stakeholder theory is good way to describe, and sometimes to explain, corporate behaviors toward different interest groups (Freeman, 1984).

5. RESEARCH METHODOLOGY

The purpose of this study was to examine the nature of corporate social responsibility and the degree of social responsibility, as well as the importance of responsibility towards different stakeholders in Bosnian companies (their managers) and MBA students.

In development of the research methodology in this study, aspects of previous surveys in corporate social responsibility and business ethics were taken into consideration. Developed questionnaire reflects previous research instruments and allows respondents to retain their anonymity and still provide more detailed information.

The questionnaire contained three parts: (I) Determining the views on and aspects of social responsibility of companies; (II) Determining the aspects of responsibility in a company toward the most important stakeholders and (III) Determining the most important obstacles to development responsible behavior.

6. FINDINGS

Findings will be discussed in terms of sample composition, overall views on corporate social responsibility, company’s attitudes towards elements of social responsibility, companies and MBA students’ differences, and main factors for implementation of responsible behavior.

The sample was composed of the managers of the best Bosnian companies, announced each year, based on their business results (return, profit, export…; public and private) and MBA students, studying at School of Economics and Business, Sarajevo and Sarajevo Graduate School of Business (first American MBA program in the region). Sample included 31 companies and 20 MBA students.

Company’s attitude towards ethical issues

First part of the research addressed the meaning of social responsibility between managers and students. Since the concept of social responsibility does not have a universally accepted definition, the respondents in both areas were asked to define the concept between three possible categories.
From these answers it is possible to conclude that the majority of companies (58%) (managers in companies) and students (50%) think that the corporate responsibility is the same as decision-making, which do not have negative influence on company’s stakeholders. About 40% of them are lean toward a positive view that presumes strategic stakeholder management, as a concept in which company while creating strategy and setting the goals starts from the interests of its main stakeholders (Berman and Wicks, 1999). We can conclude that hypothesis one is proved.

Besides that, it is necessary to emphasize the main differences (in comparison with other answers and attitudes) between the answers that managers and students gave, regarding corporate philanthropy. Still, 10% of the students think that responsible behavior is a charity or company’s philanthropic behavior, even when that has negative effects on profit. Considering that, this kind of behavior belongs to the category “borrowed virtue”, and logically has a negative influence on shareholders’ interests, even the employees in some sense. Based on this, it is necessary to start developing a critical attitude towards this thinking in the university curriculums.

**Differences between companies and students**

Based on acquired answers we have compared grades of importance of some responsibility dimensions towards some the most important companies’ stakeholders. While doing that, we have used four, the most important interest groups, derived from previous corporate responsibility and ethical behavior researches: customers, employees, public and stakeholders (The Economist Inteligence Unite 2005 and Fulop et al, 2000)

Significance of dimensions of responsible behavior towards chosen interest groups, on a scale from 1= not important at all, till 5= very important, is shown below:

**Table 1. Ranks of responsibility toward stakeholders**

<table>
<thead>
<tr>
<th>DIMENSION</th>
<th>Companies</th>
<th>MBA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsibility towards stakeholders</td>
<td>4,4</td>
<td>4,3</td>
</tr>
<tr>
<td>Responsibility towards customers</td>
<td>4,374</td>
<td>4,2</td>
</tr>
<tr>
<td>Responsibility towards employees</td>
<td>4,31</td>
<td>4,22</td>
</tr>
<tr>
<td>Responsibility towards public</td>
<td>4,258</td>
<td>4,17</td>
</tr>
</tbody>
</table>
Towards Independent Samples Test, main statistical difference between attitudes of companies and MBA students does not exist, when we look at the elements of dimensions of responsibility towards specific interest groups. If we look at specific elements of responsibility it is possible to see that among first five elements (in single ranking) we can find four of them belong to the customers, quality products dimension and customers relationship dimension.

Besides these results, it is interesting that among the least important elements of responsibility towards some stakeholders are fair advertising and offer diversity out of the group of customers, and that the fair prices are in the lower part of the rank. These results are in contrary with thinking and emphasis on building the relationship with the customers as a dominant element, which we find at the top of the list. That could refer to the standard problem called perception of quality by consumers and by managers, known in gap analysis (Parasuraman et al, 1990). Statistically significant difference between company and students’ attitudes in ranking some of the elements of responsibility, we can see between attitudes regarding Supply diversity as the element of Responsibility toward customers (p<0,05). Between other elements there is no statistically significant difference between answers.

**Table 2. Statistically significant difference for Supply diversity…**

<table>
<thead>
<tr>
<th>Element</th>
<th>Levene’s Test for Equality of Variance</th>
<th>t-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>Sig.</td>
</tr>
<tr>
<td>Supply diversity…</td>
<td>3,095</td>
<td>,091</td>
</tr>
</tbody>
</table>

It is also important to emphasize the grade of significance of particular factors that would influence the implementation of responsible behavior. In ranking of these factors managers are pointing out at customers’ or supplier objections as the most important with 2,73. After that is company’s negative image created by media. On the opposite side of that, students emphasize court decisions to company’s disadvantage as a dominant factor with 2,63 and company’s negative image, as well. At the bottom of the rank, there are corruption in B&H report factors with 1,68 answers, given by students and
1,93 answers given by companies’ managers, as well as signs of insufficient ethical behavior in the company with 1,89 from students, 2,06 from managers and pressure by the environment protection groups 1,95 and 2,11 respectively. Out of this it is possible to conclude that the real responsibility, i.e. true moral behavior, is still insufficient moving factor for startup and implementation of ethical practice and responsible behavior. If these estimates are compared with the priorities respondents put at the top of the list of responsibility dimension there is justification to ask a question: are the certain priorities under significant influence of adopted mission and vision statements, as well as company business objectives, i.e. curriculum, more than the result of individual understanding and belief.

In ranking of the factors, that would influence the implementation of the responsible behavior, it is possible to find the great differences between the students and managers. While companies rank customer objections factor and management change factor on the top of the list, MBA students stress court decision to company’s disadvantage factor and company’s negative image created by media. But at the same time, pressure by the environment protection groups and signs of insufficient ethical behavior in the company are at the end of list for both groups.

However, according to Independent Samples Test, the difference among the attitudes between the companies and MBA students about factors that contribute to start the ethical questions we can notice only with grade of customer or supplier objective factor (p<0,05 which means there is statistically significant difference between statistically means analyzed gaps). According to the other attitudes there is no statistically significant difference among observed groups.

Table 3. Statistically significant difference for Customer objections…

<table>
<thead>
<tr>
<th>Element</th>
<th>Levene’s Test for Equality of Variance</th>
<th>t-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>Sig.</td>
</tr>
<tr>
<td>Customer objections...</td>
<td>1,904</td>
<td>,174</td>
</tr>
</tbody>
</table>

On a basis of results we’ve got from research, we can conclude that
hypothesis two is only partially proved. That is in the part regarding on ranking of significance of certain dimensions.

_Individual responsibility and company’s responsibility_

Research results confirm noticed tendency that the responsible behavior (of individual or company) has been identified with obeying laws. That is why 74% of respondents from the managers’ sample have linked term ethical behavior in the company with obeying laws that regulate company’s business. On the other side only 15% of the students have accepted the same definition of ethical behavior. However, when we talk about main reasons for absence of corporate responsible behavior of the company, the both groups of respondents think that the reason for that is a non-existence of legal obligation for responsible behavior, 48% of managers and 60% students. One fifth of respondents in the both samples think that the negative effects of not emphasized enough of irresponsible behavior, are the reason why companies are not ready to lead their businesses towards satisfaction of their interests groups.

Among the respondents from student sample it has been noticed, majority of them think that the responsible company’s behavior is going to be caused by responsible individual’s behavior (55%). In managers sample this percentage is much lower, 13%, which could be logically explained with the fact that the acceptance of this attitude has actually increased their personal responsibility for company’s actions. Their orientation, mostly in the direction of obeying the laws, is logical consequence of their position in the company and as well similar perception of the companies and management that leads them into the public.

7. MANAGERIAL IMPLICATIONS (CONCLUSION)

On a basis of conducted research we can conclude that the majority of respondents are prone to define corporate responsible behavior as a behavior that does not jeopardize company’s interest groups and that among the respondents the most significant are shareholders. These results refer to the fact that corporate responsibility, as well as the employees towards public and customers still have not reached the necessary level for the competition and economically developed environment. Despite the fact that there is a “double” game of the customers, that would gladly have business with responsible corporation, but not paid the burden of the responsibility. In these circumstances differentiation based on responsible
behavior is still a sufficient reason for companies to accept this practice.

Out of this fact and previously presented results it is necessary to act towards implementation of given standpoints and decisions, included in mission statement and company’s goals, as well as respondents attitudes. Namely, practical experience and the standpoint toward NGO sector as well as obligation of objective reporting show the need of further development of objective responsibility.

Two conditions are necessary to prevent corporate social irresponsibility: a set of strong and consistent organizational values that espouse corporate social responsibility, and employee empowerment that permits and encourages individuals to express their concerns to senior management.

Finally, corporate social responsibility is not an invitation for companies to take over charitable functions better left to foundations and publicly elected bodies. In economic terms it is a constraint on business activity, which must be integrated into management decision-making in order to maximize long-term profits. To repeat, CSR simply means that companies should carry out their core function of making profits by the provision of goods and services – but, and this is crucial, by doing so in a socially responsible way.

**BIBLIOGRAPHY**

Abstract

The objective of this qualitative research study using the Delphi technique is to identify the success factors that contribute to mass market penetration in consumer goods by multinational corporations. The research used the perceptions of a panel of industry experts to examine their lived experience and identify the factors that contribute to emerging market success. This research represents a significant contribution to the development of business strategy as it is applied to emerging global markets. It reflects a major paradigm shift from applied strategies to a process of cultural assimilation and integration as reflected by the primary success factors.

The primary success factors identified in this study are: (a) assembling and developing a strong organizational staff of experienced local managers; (b) that understand the local culture and marketplace and are able to translate that understanding; (c) into product features and options that meet the needs of the local marketplace. The top three success factors emerged as much more than simple elements of success; taken together, they represent a formula for

1 Lindita Mukli is graduated at the Faculty of Natural Since, University of Tirana. In 2007 she earned the MPA (Master in Public Administration) degree at the Faculty of Economy, University of Tirana. She is PhD student in Kamza Agricultural University research field: environment. She has been the deputy rector. Actually she is lecturer of mathematics and director of Professional Higher School in University “Aleksandër Moisiu” Durrës. She has also been part of some local and abroad conferences and she is the author of some scientific lectures.
successful market penetration and are foundational steps for business success.

Key words: market penetration, globalization, business strategy, multinational corporations.

1. THE CHALLENGES AND BARRIERS OF GLOBALIZATION

The past 25 years have been characterized by an unprecedented amount of change. This change has manifested itself in our business communities through the powerful forces of globalization that are fundamentally changing the nature and dimension of business strategy (Eisenhardt, 2002). “Creating change, managing it, mastering it, and surviving it is the agenda for anyone in business who aims to make a difference.” (Fishman, 1997, p. 64).

As world events have changed, the political, economic, and business realities have been forever altered; organizations with long histories of success often find themselves in a struggle for survival. The dynamics of the post modern era have forced business leaders to refocus their attention from traditional objectives to alternative measures of business success, such as core competence (Prahalad & Hamel, 1990), global marketplace penetration (Rugman, 2001), learning organization adaptability (Senge, 1990), emerging economy market share (Prahalad, 1990), reengineered efficiencies (Hammer & Champy, 2001), participatory management (Lawler, 1992), knowledge worker development (Nonaka, 1991), multinational growth rates (Porter, 1985), organizational adaptability (Ulrich, Halbrook, Meder, & Stuchlik, 1991), and the application of emotional intelligence (EI) in organizational leadership (Goleman, Boyatzis, & McKee, 2002).

These alternative strategies add both complexity and uncertainty to the business climate as business leaders concentrate on developing measures that produce the most beneficial results. As Prahalad (1996) said, “It is not enough to imagine the future—you also have to build it” (p. 66).

National boundaries and trade barriers have given way to open boarders and free trade agreements opening access to markets that have been historically closed to outsiders. Global investments and joint ventures have allowed foreign organizations to compete with nationals on what is perceived to be a level playing field. Throughout the emergence of global markets, “a few players have prospered by turning the environmental turmoil to their advantage, many more have merely survived--struggling to adjust to
complex, often contradictory (market) demands” (Bartlett & Ghoshal, 1989, p. 3). Many business organizations intent on growing globally have yet to find the definitive road to riches.

2. MNC-S AND THEIR ROLE IN THE GLOBALIZATION

2.1. MNC-s presentation

As multinational corporations (MNC) expand beyond their national boundaries, they generally begin by adopting their domestic business models and attempting to apply these models to foreign market applications (Arnold & Quelch, 1998). Often, business enterprises that have achieved great success in their domestic markets have attempted to apply the systems that were developed and matured locally to new and foreign global marketplaces with disastrous results (Bartlett & Ghoshal, 1989). Effective business models developed in sophisticated, industrial, and mature domestic economies are often derisory and inapplicable to foreign markets due to inadequate infrastructure, insufficient resources, and local customs (Bartlett & Ghoshal, 1989).

Although there has been a considerable increase in investments in foreign markets in the past several decades by MNCs, much of this investment has been targeted at developed countries or countries that are at generally the same stage of economic development as the MNCs’ home countries (London & Hart, 2004). Many international management scholars in the final decades of the 20th century adopted a Westernization assumption, or the idea that emerging markets (EM) will develop in the Western tradition, and assumed that multinational organizations would simply wait for these markets to develop as a means of extending their global influence (Peng, 2001). These assumptions have not become a reality, and consequentially they have deferred or diluted the development of a unique and individual emerging market strategy, because MNCs defined emerging markets in relation to their existing paradigms. MNCs that are accustomed to creating market advantage through patents, brands, and contracts are wary of entering emerging markets in which their proprietary technology cannot be protected by legal systems (Delios & Henisz, 2000). EMs cannot be defined in relation to the existing western paradigms and their road to emergence is dependent on circumstance (de Soto, 2000).
2.2. MNC's opportunities

Using domestic success criteria in foreign markets has proven expensive, redundant, and sometimes detrimental for many business organizations intent on expanding into global markets. Additionally, these MNCs have been applying business models that are characterized by invest and adapt cycles, which are costly, promote only one-dimensional trial and error learning, and often end with practices that are significantly different from the organization’s natural skill sets and are difficult to sustain in a global arena. London and Hart (2004) said, “Emerging economies should not be viewed as following a homogeneous pattern of economic development in which all markets are evolving towards a more Western-style business environment” (p. 355).

The global business environment has absorbed a tremendous amount of change over the past 20 years. The elimination of trade barriers (Bartlett & Ghoshal, 1989), the demise of most economic forms of communism (Eisenhardt, 2002), and significant reductions in global transportation costs (Cavallo, 2003) have all altered the competitive landscape in the developed world as emerging and Third World economies compete for market share with low cost labor (Graham, 2001) and devalued currencies (Lai, Chang, & Chang, 1996). These changes have resulted in the saturation of major markets in the developed world and caused MNCs to turn their attention to emerging economies in countries, such as Brazil, Mexico, Hungary, China, India, and Indonesia, as target markets for sustaining future growth (London & Hart, 2004). These emerging economies provide substantial opportunities for business organizations that are intent on expanding their global markets and have a significant domestic market share (Arnold & Quelch, 1998).

However, the strategies required to capture market share in emerging economies are likely different from the strategies that contributed to the success of these organizations in the past. Prahalad and Lieberthal (2003) noted that most MNCs focus on selling products similar to those in their domestic markets to emerging economies. Often, these products are higher-quality, sell at higher price points, and therefore are targeted at wealthy consumers who may prefer these goods because of their inherent quality, their designer nature, and the status associated with owning imports (Prahalad & Hart, 2002). Prahalad and Lieberthal (1998) noted that MNCs use an “imperial mindset” (p. 70) to sell existing products to established upscale markets in emerging economies.

As global multinational organizations invest in both the means of production and the efficient distribution channels in emerging economies,
competition will result in both lower cost and higher quality products for the mass consumer population (Balu, 2001). Global multinational organizations will also benefit from the economies of scales by tapping this emerging substantial consumer market (Ellison, Moller, & Rodriguez, 2003).

The identification and application of the success factors will allow businesses to acclimate more quickly to foreign markets and to tailor their products and services to meet the needs of these new consumers. This will result in an increase in competition, lower pricing, and an improved value equation for the end consumers. Additionally, improvements will result in more efficient distribution systems, supply chains, and local infrastructure, as well as an enriched overall domestic economy.

The history of trade among nations is more ancient than the recording of those transactions. Coins, clay tablets, and the walls of ancient fortresses tell the story of people engaged in economic transactions and weave the threads of civilization bind as well as to put people of different cultures in a competitive stance. (Wren, 1994, p. 415)

Trade has been the hallmark of great civilizations, in spite of vast distance, significant natural challenges, and the great difficulties associated with transport and logistics (Wren, 1994). Traditional civilizations established significant trading networks with one another in order to exchange both commerce and ideas. The ancient Phoenicians pioneered seagoing commerce across the Mediterranean; they produced products such as dyes, fabrics, glass, and pottery (Encyclopedia Britannica, 2006). Adam Smith became the first advocate of free trade with the advent of laissezfaire economics (Encyclopedia Britannica, 2006). Smith intended to remove mercantilism and to show that national wealth depended on trade, not the balance of power, and on free markets, not on the care and feeding of the uneconomical enterprise (Wren, 1994, p. 415). This historical context has exerted a profound influence on the international business environment, which has been moulded by dynamic, economic, political, and social forces.

These strategic forces have exerted significant influence over the structure and organization of the business community. By the early 1900s, enterprises quickly learned that their survival was dependent on capturing the scale of economies made possible by mass production, and this propagated their expansion into international mass markets (Bartlett & Ghoshal, 1989). However, in these early days of global expansion, there were significant barriers to entry, such as language, currency, and culture, which made the process of globalization expensive and limited.

The primary goal of the MNCs, according to Narula and Dunning (2000),
has been the maximization of the welfare of their owners, whereas national governments wish to do the same for the constituents within their jurisdiction. Narula and Dunning defined economic globalization as “the increasing cross-border interdependence and integration of production and market for goods and services and capital” (p. 142). The process of globalization can best be demonstrated by increases in the transnational flows of both portfolio and direct investment and in the number of cross-border strategic alliances. The most profound effects of globalization were felt in industrialized nations; however, there have been significant trickle-down influences in emerging economies.

3. THE IMPACTS OF GLOBALIZATION PROCESS

Globalization has had a profound effect on both location-specific advantages and corporate-ownership advantages. Business organizations and governments alike have adjusted their strategies and policies to the realities of this new global environment. The nature and content of MNC activity have undergone marked shifts as their own specific intangible assets, particularly intellectual capital, have become more mobile; and national governments now increasingly compete with each other to attract this beneficial and mobile investment (Narula & Dunning, 2000).

The process of globalization has not affected all countries in the same way. The nature and content of MNC activity have undergone marked shifts as their own specific intangible assets, particularly intellectual capital, have become more mobile; and national governments now increasingly compete with each other to attract this beneficial and mobile investment (Narula & Dunning, 2000). Some nations have been able to leverage the significant advantage by attracting more Foreign Direct Investment (FDI), whereas others have fallen significantly behind. Thus, the process of globalization and the attraction of foreign direct investments have had an acute effect on emerging economies by having a significant impact on the means of production.

The effects of the globalization process have been most profound on business organizations that have significantly reduced the cost of production, and in some cases related development costs, in order to make their products more attractive to the consumer market. Additionally, benefits are derived from the nation states by attracting the investments and creating higher levels of employment in their country. As we enter the 21st century, the resulting effects of the globalization process are only beginning to be felt in the
development of consumer markets in emerging economies. The development of these consumer economies represents a major opportunity for MNCs as these become viable markets for their products.

Organizational success factors are often associated with the Business Excellence Models (BEMs). There are many models used throughout the world. One such model used in the United States is the Malcolm Baldrige Criteria for Performance Excellence.

The Baldrige Criteria for Performance Excellence provide a systems perspective for understanding performance management. They reflect validated, leading-edge management practices against which an organization can measure itself. With their acceptance nationally and internationally as the model for performance excellence, the Criteria represent a common language for communication among organizations for sharing best practices. The Criteria are also the basis for the Malcolm Baldrige National Quality Award process. (National Institute of Standards and Technology [NIST], 2006, p. 2)

The Malcolm Baldrige Criteria for Performance Excellence are designed to help organizations use an integrated systematic approach to organizational performance management that results in (a) delivery of the improving value to customers and stakeholders, thereby contributing to organizational sustainability, (b) improvement of overall organizational effectiveness and capabilities, and (c) organizational and personal learning (NIST, 2006). The Criteria are built on a set of interrelated core values and concepts: (a) visionary leadership, (b) customer-driven excellence, (c) valuing employees and partners, (d) agility, (e) focus on the future, (f) managing for innovation, (g) management by fact, (h) social responsibility, (i) focus on results and creating value, and (j) systems perspective (NIST, 2006). These values and concepts are embedded beliefs and behaviors found in high-performing organizations and become the foundation for integrating key performance and operational requirements within a results-oriented framework that creates the basis for action and feedback.

Often, organizations successfully expand in the global marketplace by leveraging their competitive advantage (Dunning, 1995; Ghoshal & Moran, 1996; London & Hart, 2004), whether through low cost leadership or product differentiation. Figure 6 illustrates a model of competitive advantage originally developed by Porter (1985). This model suggests that organizations use their resources and capabilities to formulate distinctive competencies, which reveal themselves in either cost or differentiation advantages that ultimately are the value-generating competencies of the organization.

An improved understanding of the key elements of the consumer value
equation in emerging economies provides insight into the success factors for MNCs in emerging economies and a strategic advantage to those organizations that are able to adopt and implement these strategies successfully. The adoption of these strategies provides reduced risk, lower-cost, and more competition within the emerging nation-states. Likewise, it will result in increased competition and have a beneficial effect on consumer pricing by improving competition, which will result in an environment of improved product quality, lower cost, product differentiation, and increased availability.

**CONCLUSIONS**

First world markets have become increasingly competitive. MNCs have begun to focus their attention on emerging economies such as India, China, Mexico, Brazil, and Hungary.

The traditional market strategies of most MNCs have focused on the wealthy elite in emerging markets using business models comparable to the models used in their home markets.

MNCs’ attentions have historically been focused on the wealthy minority at the top of the economic pyramid rather than the masses who make up the foundational base of this pyramid. The MNCs have capitalized on the smallest portion of the market and have ignored the emerging mass market on the bottom of the market pyramid. Some MNCs have significantly increased their market share in emerging economies by providing consumer products to the mass market. If elements could be identified that significantly contributed to a company’s successful emerging-market penetration, then these elements could be extended to other organizations seeking to penetrate similar mass markets in similar conditions.

This study has concerned with MNC ability to penetrate global markets in emerging economies and the identification of the specific success factors that have contributed significantly to that success. MNC analysis has demonstrated that most MNCs have a significant market share in their home markets. However, in emerging markets, MNCs target to the designer, or affluent, market virtually the same products environment had profound effects on how businesses viewed global trade, international competition, and emerging markets.
BIBLIOGRAPHY

Foreign Direct Investments\(^1\) in the Western Balkans

Prof. PhD. Esmeralda URUÇI\(^2\)
Deputy Dean, “Aleksander Moisiu” University, Faculty of Economics and Administration, Durrës, Albania
Tel: 00355 42253 244; E-mail: esmeraldauruci@hotmail.com

Dr. Albana BORIÇI (Begani)\(^3\)
Head of Business Administration Department, University “Luigj Gurakuqi”, Faculty of Economy, Shkodër, Albania.
Tel: 003552250050; Fax: 2243747; E-mail: albanabegani@hotmail.com

Abstract

The aim of this study is to analyse the development and the structure of FDIs in the Western Balkans countries concentrating mainly in the case of

---

\(^1\) Abbreviation - FDI

Prof. Dr. Esmeralda Uruçi has finished her postgraduate qualification at the University of Padova, Italy and a wide spectrum of scientific research at the University of Padua, Perugia and Bologna in Italy; University TEI of Piraeus, Greece; University of Ljubljana, Slovenia; University of Nebraska, USA; Academy of Science of Bulgaria, etc. Mrs. Uruçi holds her PHD since 1994 and has been the Dean of the Faculty of Economics at the University of Shkodra “Luigj Gurakuqi” and the Minister of Culture, Youth and Sports of Albania, Director of Public Relations Department of Bank of Albania. She is a continual lecturer at University “Nostra Signora del Buon Consiglio”. Actually she is Deputy Dean of Faculty of Economics and Administration at “Aleksandër Moisiu’ University in Durrës.

Dr. Albana Boriçi (Begani) has a Bachelor diploma from Faculty of Economy, University “Luigj Gurakuqi”, Shkoder [1999] and earned the MBA degree at the Southern Illinois University, Carbondale, USA on 2002. Mrs. Boriçi has participated in research and qualification programs in the field of economic development and business administration at international level by including Italy (University of Bologna), Germany (University of Applied Sciences of Eberswlade in Germany, and University of Applied Sciences Braunschweig/Wolfenbuttel), Austria (University of Graz and Vienna), etc.
Albania. An important issue discussed in this paper is also the presentation of foreign investors’ perceptions about the necessary improvements to be done in the business environment of each of the Western Balkans countries, in order to make them more attractive for these investors.

FDIs have been considered to play an important role in the reconstruction of economies of these countries during their transition from centralized to market economies. FDIs contribute to the transfer of advanced technologies, administration skills and the entry to export markets.

By now the Balkans is not considered anymore a centre of conflict and instability. For example, in the case of Albania and Croatia, the membership in the NATO organization has contributed positively to the increase in the level of security and stability, therefore creating a favourable climate for FDIs.

Key words: Western Balkans, Foreign direct investments, privatization, investors’ perceptions.

1. FDIs AND HOST COUNTRIES’ BENEFITS

1.1. FDIs definition

The theory of product life cycle, from a logical and conceptual perspective, has been playing the role of a bridge between the model of international trade development and the theory of foreign direct investments, which assumes the international movement of capital. In fact, according to Vernon’s assumptions, the capital and technologies should move freely around the world and the product life cycle should determine the geographical trajectory of investments4.

Attempting to harmonize with each other, IMF and OECD have developed a common definition of FDIs: “...the foreign direct investment reflects the goal to provide a sustainable interest by a resident unit in an economy (the direct investor) on a resident unit in another economy (the direct investment)...”5. Another definition of FDIs, which emphasizes the

---

4 L’internazionalizzazione nelle teorie economiche, in Mercati Internazionali, Italia, p.57.
importance of the administration participation concept, is the one provided by Rugman & Hodgetts, (1995): “The foreign direct investment is the ownership and control of foreign assets, meaning a complete or partial ownership of a company in a foreign country”. “One of the main reasons for the variety of FDIs definitions is the fact that various authors put different levels of importance to the characteristics of companies operating in an international arena” (Hood & Young, 1979).

In this context Moosa (2002) argues that all FDIs definitions have two main terms in common: “control” and “decision power”, which represent the basic feature that distinguishes FDIs from portfolio investments. In the later the investor does not pretend control over the company where he/she has invested. In general, a minimum of 10% of shares is considered to allow the foreign investor exercise a considerable influence over the company6. However, at the OECD discussion meetings held in October 2004 and April 2005 on Foreign Investments Statistics participants agreed to change from 10% to 20% the limit used to define FDIs (OECD, 2005).

### 1.2. Host countries benefits from FDIs

FDIs provide many benefits to the host countries, such as: new technologies and knowledge for domestic companies, “spill over” effects, increase of competition and increased access to international exports markets. Furthermore, FDIs represent a preferred way for the financing of the current account deficit (which is particularly high in transition countries), because FDI flows do not create new debt. Therefore, besides some negative effects that might be associated to FDIs, they are considered a valuable resource for the reconstruction of the Central and East European countries. In this region some countries have performed better than the others as far as FDI inflows is considered, especially Central European countries as compared to South Eastern European ones.

FDIs in Albania have been as well a very important factor for the economic growth of the country, changing through the years both in the form and the volume. Nevertheless, Albania still remains one of the less developed countries of the region which has attracted also less FDIs during the transition period.

---

2. WESTERN BALKANS A REGION WITH A HIGH POTENTIAL FOR ATTRACTIONS FDIS

With the EU expansion toward the east and the south of the continent, the Western Balkans\(^7\) is continuously considered from actual and potential investors as the next Europe high value location\(^8\). A series of factors make this region very attractive for foreign investments. According to Redžepagić & Richet (2008), when transferring capital in this region foreign companies can access to a market of about 150 million consumers. Also, the labour, land and the public services cost in these countries is still low, even lower than the respective costs in the new members of EU\(^9\). The region is also distinguished for a skilled and educated labour force, as well as for a favourable political and legal climate for FDIs\(^10\). Moreover Ranieri (2007) emphasizes the strategic location and raw materials resources (such as wood, metal and agricultural products resources) as two other advantages of the region.

But, besides these stimulating factors Western Balkans countries have attracted much less FDIs than other countries in the Central and Eastern Europe\(^11\) and they have been concentrated mainly in Croatia. This has been a consequence of the political and economic instability in the region associated to a slow implementation of structural reforms, a slow progress toward EU membership and a non very much favourable business climate characterized by the corruption phenomenon\(^12\). FDIs in the Western Balkans have been drawn mostly through the privatization process, while the level of greenfield investments has been generally low\(^13\). The services sector has attracted more FDIs, while the home countries of most of the investing companies are Italy, Greece, Austria, Germany, Hungary and Slovenia. The following chart shows the level of FDIs per capita in each of the Western Balkans countries for the period 1989-2008.

\(^7\) The Western Balkans is composed of Albania, Bosnia & Herzegovina, Croatia, Macedonia, Montenegro and Serbia (Redžepagić & Richet, 2008) as well as the Kosovo.


\(^9\) Ranieri (2007).

\(^10\) Redžepagić & Richet (2008).

\(^11\) Dragusha et al. (2008).

\(^12\) Redžepagić & Richet (2008).

\(^13\) Dragusha et al. (2008).
Chart 1. Cumulative flows of FDIs per capita 1989-2009 (in USD)

Source: Data processed by the authors based on EBRD (2008)\textsuperscript{14}

3. A COMPARATIVE ANALYSIS OF FDIs IN WESTERN BALKANS COUNTRIES

3.1. Albania

FDIs continue to be an important factor for the economic development of the country. They have determined the progress of the balance of payments capital and financial accounts and have contributed considerably to the financing of the current account deficit. Besides the fluctuations in the level of FDI inflows during the last 10 years the tendency in general has been a continuous increase\textsuperscript{15}, except for the year 2009, when a decline is expected as a consequence of the actual global recession effects transferred to the Albanian economy.

In the year 2004 FDIs reached the first record value of about 275 million USD which is attributed mostly to the privatization of the former Albanian Savings Banks, which was sold to the Austrian bank Raiffeisen Bank for a value of 126 million USD\textsuperscript{16}. The second record value was registered in 2007 (651 million USD) an increase by 75% compared to the previous year. Albtelecom privatization and increase of foreign capital participation in the Albanian financial sector have played the major role in this increase. However, FDI inflows peaked in the year 2008 reaching the value of 880 million USD or 7.2% of GDP \textsuperscript{17}. But, even with this increasing tendency, the level of FDIs

---

\textsuperscript{14} http://www.ebrd.com/country/sector/econo/stats/index.htm

\textsuperscript{15} Boriçi (Begani) (2009) fq. 58.

\textsuperscript{16} Redžepagić & Richet (2008a)

\textsuperscript{17} Banka e Shqipërisë, Raporti Vjetor 2008, fq. 55.
in Albania continues to be low, especially when compared to other countries of Western Balkans\(^{18}\).

**Chart 2. FDI progress in Albania during the period 1999-2009\(^{19}\)**
*(in million USD)*

![Chart showing FDI progress in Albania](chart.png)

*Source: Data processed by the authors based on EBRD (2008)*\(^{20}\)

Italy and Greece represent the two most important FDI resources for Albania with respectively 48% and 34% of the total investments \(^{21}\). Other EU countries as well account for an important part of Albanian FDIs, such as Austria and Germany. The majority of FDIs in Albania is concentrated in the capital and in the city of Durrës, where is located the biggest port of the country. Korça and Gjirokastra too, which both border Greece perform well too as far as FDI inflows is concerned \(^{22}\).

The transport and communication sector rate through the most attractive sectors of foreign investments for the period 2001-2006. It accounted for about 38% of the total FDI stock during this period. Also the financial intermediation sector has experienced a significant increase from a 4.43% of the total stock in 2001 to a 30.04% in 2006. Very attractive has also been the shoes and textile processing sector, because of the Albanian low labour cost in these industries \(^{23}\).

According to Nakuçi & Zizo (2006) what attracts mostly FDIs to Albania is: its geographical position, the possession of two ports, the low labour costs,

---


\(^{19}\) The value of FDI inflows fo the year 2009 is a projection.


\(^{21}\) Redžepagić & Richet (2008a).

\(^{22}\) Uruçi & Boriçi (Begani) (2008).

the favourable legal framework, lack of domestic competition, privatization process, expansion and development of the banking sector etc. On the other hand, according to Ranieri (2008) the most attractive sectors include: textile and shoes processing industries, agriculture, business services, tourism and infrastructure investments.

Nonetheless, independently of these advantages many foreign investors think that the Albanian business environment has some serious problems which need to be solved. These perceptions have been expressed too in the survey conducted with foreign investors by the World Bank in 2006-2007 24, whose results for Albania are as follows.

**Chart 3. What must be improved?-Investors perceptions (Albania)**

An important stimulus for FDIs in Albania will be its recent membership to the NATO. It has consolidated even more the freedom and independence of the country and has increased the security of whoever wants to invest in our country25.

### 3.2. Bosnia & Herzegovina

FDIs in Bosnia & Herzegovina have also shown an increasing tendency, peaking in 2007 at a level of 2,023 million USD26. During the recent years this

---


country has progressed significantly as far as FDI legislation and stimulation is concerned, even if still exist duplicated governing structures, both at the national and the cantonal level. Privatization has been the major model used to attract FDIs. Investors’ interest on Bosnia & Herzegovina enhanced particularly after the signing of the Stabilization and Association agreement between this country and the EU\textsuperscript{27}.

Chart 4. FDI progress in B & H during the period 1999-2009 (in million USD)

Source: Data processed by the authors based on EBRD (2008)\textsuperscript{28}

Chart 5. What must be improved?-Investors perceptions (Bosnia & Herceg.)

3.3. Croatia

The level of FDIs in Croatia has continuously been higher compared to other Western Balkans countries. The first record was registered in 2003 and is attributed mainly to the selling of the oil company INA to the Hungarian company MOL\textsuperscript{29}.

\textsuperscript{27} Business Monitor International (2008)

\textsuperscript{28} http://www.ebrd.com/country/sector/econo/stats/index.htm

\textsuperscript{29} Redžepagić & Richet (2008a)
The second record value belongs the year 2007, when FDI inflows reached 4,644 million USD. Greenfield investments are not yet usual in Croatia too. During the period 1993-2004, the financial sector, telecommunication and the pharmaceutical industry took the major part of FDI inflows, respectively 21%, 16% and 11%. According to Ranieri (2008) other interesting sectors for FDI may be: tourism, biotechnology, information technology and business services.

In the case of Croatia too improvement of the political and legal environment is considered by the majority of investors a priority for this country’s government.31

Grafiku 7. What must be improved? - Investors perceptions (Croatia)

---

3.4. Macedonia

Traditionally Macedonia has attracted more FDIs per capita than many other countries in the region, but the situation deteriorated because of unstable civil conditions and ceasing of the privatization process\textsuperscript{32}. However, with the involvement of this country in the process of Stabilization and Association and its application for the candidate status in the EU a new wave of FDI increase is expected. The majority of FDIs in Macedonia originate in Hungary and Greece.

Chart 8. FDI progress in Macedonia during the period 1999-2009 (in million USD)

![Chart 8](image)

*Source: Data process by the authors based on EBRD (2008)*\textsuperscript{33}

The telecommunication sector has benefited the most from FDIs through the selling of Maktel company to the Hungarian Telecom, the production sector accounts for only 25\% of FDIs, while the food and beverage industry\textsuperscript{34} together with the textile industry, tourism, business services and chemical industry constitute the sectors with the highest potential for FDI attraction\textsuperscript{35}. FDI progress and investors’ perceptions about business environment in Macedonia are as follows:

\textsuperscript{32} Redžepagić & Richet (2008a).
\textsuperscript{33} \text{http://www.ebrd.com/country/sector/econo/stats/index.htm}.
\textsuperscript{34} Redžepagić & Richet (2008a).
\textsuperscript{35} Ranieri (2008).
3.5. Montenegro

FDIs in Montenegro have been generally attracted through the various forms of privatization\textsuperscript{36}. They have been mainly concentrated in the telecommunication, tourism and the banking sector. In the recent years, the definition of a clearer model on the ownership right has caused the increase of FDIs in the real estate sector. But Ranieri (2008) mention that the automobile and the wine processing industry may also be of interest to potential investors. The majority of Montenegro FDIs come from Greece, Slovenia and Russia. One of the most known examples of FDI belongs to the selling of Jugopetrol to the Hellenic Petrolum\textsuperscript{37}. Following are presented the progress of FDIs in Montenegro during the period 2001-2009 and the investors’ perceptions about this country’s business environment:

Chart 10. FDI progress in Montenegro during the period 2001-2009 (in million USD)

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{chart10}
\caption{FDI progress in Montenegro during the period 2001-2009 (in million USD)}
\end{figure}

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|c|c|}
\hline
\hline
FDI (in million USD) & 10 & 84 & 44 & 63 & 482 \\
\hline
\end{tabular}
\end{table}

Source: Data process by the authors based on EBRD (2008)\textsuperscript{38}

\textsuperscript{36} Pjerotic & Vitić (2008)

\textsuperscript{37} Redžepagić & Richet (2008a)

\textsuperscript{38} http://www.ebrd.com/country/sector/econo/stats/index.htm
3.6. Serbia

Privatization has been used as the major instrument for attracting FDI even in the case of Serbia. Some of the most important examples of privatization include: the selling of Sartid, the Serbian steel producer, to the U.S. Steel, the selling of the special tire producer Ruma Guma to the Galaxy Tire and the selling to the foreigners of the biggest travel and tours Serbian company Uniworld in 2003\textsuperscript{39}. The privatization of banks has also progressed since its start in 2001. According to Ranieri (2008) the most attractive sectors for potential investors in Serbia include: the production of specialized products such as jewellery, furniture production and automobile industry. In the later, the emphasis is placed in the agreement between Fiat and Zastava (in July 2008) which formalizes the selling of 70% of Zastava ownership to the Fiat Company.

Chart 12. FDI progress in Serbia during the period 1999-2009 (in million USD)

Source: Data process by the authors based on EBRD (2008)\textsuperscript{40}

Increase of political environment security is considered by investors to be

\textsuperscript{39} Redžepagić & Richet (2008a)

\textsuperscript{40} http://www.ebrd.com/country/sector/econo/stats/index.htm
a priority for the Serbian government as well as in the case of other Western Balkans countries.

**Chart 13. What must be improved?-Investors perceptions (Serbia)**

![Chart 13. What must be improved?-Investors perceptions (Serbia)](image)

3.7. Kosovo

The acquisition of independence added another country to the Western Balkan, the Kosovo. The youngest state of the region, independently of its small surface, offers many opportunities for foreign investors. Mineral resources in the north and their processing in the establishment of Trepce make Kosovo a very much attractive location for these investors. So far the majority of foreign direct investments in Kosovo originate in Germany, Italy, Slovenia and Austria. Following is presented a chart showing the progress of FDI inflows in Kosovo during the period 2001-2008.

**Chart 14. FDI progress in Kosovo during the period 2001-2008 (in million Euros)**

![Chart 14. FDI progress in Kosovo during the period 2001-2008 (in million Euros)](image)

---


CONCLUSIONS

The Western Balkans constitutes today a very attractive region for foreign investors, especially for European investors. It offers a series of advantages such as: a big market, low labour and resources cost, satisfying level of labour qualification, strategic location and a general favourable legal framework. Nevertheless, this region has attracted less FDIs than other countries of the Central and Eastern Europe, even if the general tendency of the FDI inflows has been a continuous increase. The privatization process has been the main form used to attract FDIs, while Croatia represents the most preferred Western Balkans country by foreign investors.

The low level of FDIs in this region can be principally explained by the unstable political and economic situation characterizing these countries. Invests themselves believe that the lack of a stable political environment, the incongruence of laws and regulations with the EU standards, as well as infrastructural problems still influence negatively their decision to enter and invest in the Western Balkans. Therefore it is imperative that necessary measures be taken by these countries governments to make the right adjustments in each of these issues.

Based on the Lisboan Treaty Western Balkans countries, in particular Albania should stress more on “the various competitive and dynamic knowledge earned by the world economy and on the experience of those countries which guarantee a sustainable economic growth43”.

BIBLIOGRAPHY


si kontribues në zhvillimin ekonomik të komuniteteve”, Shkodër, Shqipëri, 31 Tetor 2008.


Tax and Structural Reforms in the Transition From Comand to Market Economy

Antonio TROISI¹
Laura GJATA²

Abstract

The purpose of this paper is to verify the validity of pessimistic view (Blanchard 1997) on the role played by public finance in meeting and distributing the costs of transition from command to market economy.

In conclusion, we may say that, even though referring to the specific case of Albania, the model of the Structural Reform Index (SRI) allows to discuss alternative views on the nature and causes of the impact of the fiscal phenomena on the transition process. The findings were confirmed, using the Bagnai method, by the real evolution of the Albanian economy, and by the valuations of the World Bank and the IMF, both recognizing the importance of the fiscal factor.

Key words: Fiscal feedback and the derailment of transition, the Structural Reform Index (SRI), the Bagnai method

1. INTRODUCTION

The most authoritative literature on the economics of transition highlights the sense of failure people experienced in the change from real socialism to democracy, from a planned economy to a free market (Erik Bergloff, 2008).

¹ Antonio Trosi is Professor of Public Finance at the University of Foggia.
² Laura Gatta, ia Research Doctor at the University of Foggia. She supervised data collection and processing on Structural Reform Index and Bagnai method.
The deterioration in public goods and services was among the possible explanations of this perception, to the point that Blanchard (1997) supported the pessimistic view that transition was derailed by economic and fiscal policy measures.

In particular, Blanchard considered that the restructuring of state companies induced increased unemployment, which gave rise to a heavier burden for the community, due to higher spending for unemployment benefits. The consequent, larger financial commitment inevitably caused higher taxes or excessive expenditure cuts, greater debt or money creation. Thus tight fiscal policy, deriving from the costs of higher unemployment, produced the derailment of transition (Blanchard, 1997).

The purpose of this paper is to verify the validity of this pessimistic view on the role played by public finance in meeting and distributing the costs of transition from command to market economy.

1. **Transition from plan to market: the fiscal institutions**

   Indeed, it must be recognized that, contrary to what occurred with other structural innovations, the role of public finance in this complex process of changeover and development did not attract much attention from the scholars of the economics of transition.

   Their focus generally turned to the market oriented reforms (privatization, price liberalization, foreign trade and exchange rate reforms), which were considered more important than those of the tax system.

   This disregard stemmed from at least three reasons:

   - The difficulties faced by the ex-socialist countries’ tax systems in abiding to the law of the market in the creation of the private ownership of means of production and capital markets;
   - The complexity of the issues concerning tax reforms, which was increased by the difficulty in understanding the development scheme of the new economic institutions;
   - The greater importance given, in terms of macroeconomic stability, to the reform of exchange rates and of monetary and credit policies (Ved P. Ghandi and Dubravko Mihaljek, 1992).

   Actually, the design of a system of public finance, capable of managing such an atypical economic transformation, was above all hampered by the limited knowledge on the effective role of the tax system in the collectivist economies and, consequently, on the way the new policies should have
been implemented (M. Camdessus, 1992). Therefore, in creating such fiscal institutions, many errors may have been made which reduced the chances of success for governance in this complex transition.

In other words, if the premise of sound public finance is the creation of efficient fiscal institutions, this goal was not easy to achieve because the fiscal institutions of the market economies were not functional at that stage to the transition process, or, to put it better, other types of institutions would have been required (M. Camdessus, 1992).

Consequently, it is necessary to distinguish fiscal institutions in the transition economies from those in the market economies.

2. The backing and distribution of transition costs, and growth in the transition economies

The disregard for public finance was connected to the complete change in the role of governance in the transition economies, compared to the functioning of the state and of the institutional mechanisms of the command economy.

In the period prior to transition, a financial and economic planning ministry did not exist, but, however, the state, acting autonomously and in an authoritarian way, made the decisions on the destination of the tax revenue, sometimes diverting it into specific economic sectors. The system lacked a budget, tax laws and a treasury ministry, and companies that were in difficulty could negotiate with the state a lowering of their tax burden (V. Tanzi, 1999).

Consequently, the impact of the transition on the tax system was dramatic: the information that the plan had provided was eliminated; the number of potential taxpayers increased sharply; and the taxable base was enlarged to comprise sectors, such as financial markets, which did not exist in the previous system.

To this end, the findings of the International Monetary Fund’s econometric model gave an important contribution to the analysis (IMF Working Paper, 1998). After examining conversion and development in transition economies in the period 1990-1997, the IMF reached the following conclusions:
- The best contribution to the efficiency of the changeover stemmed from the evolutionary mechanisms towards a market economy which were put in place in the early periods of recovery, rather than from the expansion of the factors of production – capital and labour;
- The stylized organization of facts which can explain the nature of growth shows that in the transition economies the improvement of efficiency
was an important and decisive factor in taking a step toward growth; thus, the main prerequisite of reforms was to promote the reallocation of resources. This is an essential condition for allowing the process of restructuring of the collectivist economies to trigger the growth process, which distinguishes the change from a transition to a market economy.

In conclusion, according to the above mentioned econometric model, the transition process constitutes a historical cost. The phenomenon is thus not easy to analyse because of its complex and multidirectional nature, due to the fact that it comprises economic, as well as political and social changes (IMF Working Paper, 1998).

However, as Habergher noted, the IMF model does not really explain growth, but basically illustrates its nature, using a stylized organization of facts (IMF Working Paper, 1998).

3. The types of fiscal transition and the mechanisms for approaching the market system

However, it is not sufficient to merely note the existence of a historical cost for transition. Actually, one has to try to explain the constraints of such a cost and, above all, the relationship between the tax levy and its coverage and distribution. This should enable to identify the characteristics of the fiscal institutions of the transition, with reference to the mechanisms for approaching the market, typical of the first phase of transition.

In order to take a proper approach to such a complex issue, one must start from the premise that the mechanisms for nearing the market, namely the measures of economic liberalization, can be supported and facilitated by fiscal institutions, insofar as they cut the allocative and distribution waste of expenditures, and as long as the increase in efficiency/fairness of the tax revenue is functional to the capacity of these mechanisms to fuel the reallocation of resources.

Evidence of this conclusion comes from the fact that when transition countries turned to the IMF to obtain adequate assistance they were generally imposed a practically similar model, in which structural reforms were linked to inflation control only. This clampdown on prices was merely intended to cut the fiscal deficit, which emerged because these countries ventured in the adoption of a market economy suddenly abandoning the old schemes of the centralized regime.

In fact, the system relied on mechanisms for approaching the market capable of explaining public economic activity only in terms of completion
and imitation of the market. They did not consider state intervention for restructuring the command economy institutions through the provision of public services, for which costs had however to be financed and distributed.

Thus, it was impossible to overcome the two obstacles which the start of the economic liberalization processes produced in the first phase of the transition:

- Assigning to the tax system the role of replacing the plan as key instrument for economic and social policy during the process of transition;
- Considering public finance a tool of economic policy capable of achieving multiple objectives, some of which were in contrast: favouring weak initiatives, sustaining employment at the expense of training, and sustaining wages instead of stimulating productive activities (Saleh M. Nsouli, 1999).

With such economic policy instruments, the government of transition could not create the conditions for raising revenues to finance public sector activities, for spending these revenues productively, for bringing required corrections to and controls over the working of the private sector (V. Tanzi, 1999).

Moreover, the failure of the model of market socialism was actually caused by the inability to solve the central problem of creating a model of public finance able to combine the control over cyclical developments with the institutional reforms capable of overcoming the traditional weakness of the socialist economies, and associating economic growth with the changes in technology and in the production structures (Chilosi, 1990).

4. Fiscal feedback and the derailment of transition

The above mentioned IMF econometric model brings to the conclusion that the recovery in transition economies was not really prompted by new investments, but was rather driven by the reallocation of existing resources, and that reforms sustained the reallocation of resources. The economies with the best growth performance generally had lower inflation and a higher level of structural reforms (IMF Working Paper, 1998).

The case that macroeconomic stability and structural reforms were the key to economic recovery was brought forward using the model of de Melo (1997), who built a liberalization index for the period of transition, in order to classify countries in transition in various groups, depending to the kind of reforms they implemented.

This index, consisting of three sub-indices which sum up to the Cumulative Liberalization Index (CLI), gives an important contribution to overcoming the
difficulties of the objective interpretation of the factors which characterized the economic performance of the 20 transition economies considered (de Melo, 1997).

In particular, the annual liberalization index, calculated for each country over the period 1989-1994, ranges from 0 to 1, where 0 represents the lack of reforms and 1 the complete realization of the reforms. The considered countries are divided into four groups depending on the value of the reform index thus calculated: advanced level of implementation of reforms (CLI>3); upper intermediate level of implementation of reforms (2<CLI<3), lower intermediate level of implementation of reforms (1.3<CLI<2), poor level of implementation of reforms (CLI<1.3).

However, the analysis of the results clearly shows the limits of the CLI and of its sub-indices, which are due to the fact that the indices are based on qualitative factors (political/institutional), such as the opinions on the level of implementation of reforms, rather than on quantitative phenomena.

A more correct analysis, instead, would suggest moving towards objective parameters of public finance, such as the share of efficient and productive taxes to total tax revenue and the fall in the ratio of non-productive spending over total spending.

These quantitative data can give a measure of the functionality of fiscal institutions in the transition and of the capacity of structural reforms in tackling disorganization and supporting restructuring (A. Troisi, 2003).

5. **The Structural Reform Index calculated according to the various kinds of fiscal transition**

This paper tests such assumption for the particular case of Albania. The Albanian model of socialism mirrored the Stalinist model of the Soviet Union; it was its exact transposition. Because of this particular specificity, it allows us, as in an ideal laboratory, to investigate if the fiscal measures implemented in the period 1992-2007 have enabled structural reforms to foster the reallocation of resources.

Three sub-indices (A, B, and C) were built for the Structural Reform Index (SRI), based on different kinds of fiscal measures, for both the revenue and expenditure components. It was thus possible to verify if the single fiscal measures were instrumental to the reallocation capacity of the three most important structural reforms (liberalization of prices of finished products, privatization of enterprises, and social security reform).
The functionality index was calculated for all the individual sub-indices and for the overall SRI, which came in positive (see Table 1).

It was thus possible to obtain, this time on the basis of objective parameters, the confirmation of the relationship between the reforms and GDP growth, which in Albania was particularly high, compared to the other transition economies.

The results of the SRI, built taking into account the various fiscal policy measures adopted in transition economies, were compared to the findings of the de Melo reform index, which did not seem to correspond to reality: actually, the very high mark given to the country for the complete implementation of the reforms did not mean that such innovations were able to impact on disorganization and restructuring, and thus make a real contribution to getting through transition. Moreover, considering the various types of fiscal policies related to the individual sub-indices, the quantitative base of the SRI index also allowed evaluating the larger or smaller role of structural reforms.

A verification of this result may also be performed using the Bagnai method (Bagnai, 2003), which permits, through a two equations model (a stochastic equation and an accounting one, based on the most important macroeconomic variables) and the utilization of the WinSolve (version 3.60) econometric software, to quantify the economic transition of Albania from a command to a market economy. In our case, the use of this empirical analysis tool allowed us to answer to the following question: “What would have been the impact of economic policy, put in place in the considered years, if certain macroeconomic variables were changed?” Having noted in particular, according to the findings of the Structural Reform Index, that value added tax (VAT) was the most important fiscal variable for the period of transition – it showed favourable cash and functionality results –, it is right to question what would have happened to GDP if VAT had been introduced in 1993 instead of 1997.

Figure 1,2,3 reports GDP data according to both its historical base values (blue line) and to the simulation values for an earlier introduction of VAT (pink line): the chart shows that introducing VAT in 1993, instead of 1997, would have produced higher GDP growth.

Lastly, a third verification of Blanchard’s pessimistic view may be carried over considering the results of the calculation of two SRI sub-indices, namely A1 and A2, for the Albanian economy. The combined manoeuvre of the removal of consumer price subsidies and administered prices and, on the other hand, the introduction of a modern business tax system led to the replacement of public goods, supported by subsidies, with better quality private goods, linked to price liberalization, which resulted in stronger GDP growth, to which emigrants’ remittances also contributed.
This positive trend, with few exceptions, such as in 1997, was upheld by the IMF (2006), which forecast a continuation in the following years.

The importance of the role of the tax factor was confirmed by the conclusions of the World Bank (2006), which acknowledged the realization of an overall fiscal system, which assured a gradual lowering of the government deficit, prudent monetary policy, low inflation, and higher confidence in the country’s currency. Structural reforms were implemented in key areas for economic development, such as trade, education, healthcare, banking and insurance, and public services.

These measures resulted in the redistribution of resources from low productivity sectors, such as agriculture, to higher productivity ones, namely services, construction, and transportation. As a result, economic development in Albania during transition was prompted by an improved allocation of resources which produced rapid economic growth (Besciu, T., 2008).

The IMF (2006) shared the same considerations. In its 2006 Report, the IMF noted that the progress in the implementation of structural reforms was satisfactory. Macroeconomic developments were in line with forecasts and the fiscal performance was stable. Even tax revenue was in line with expectations, while continuous improvements were made in custom and tax administration.

Based on these findings, the IMF forecast for Albania stable growth up to 2013 for both per capita and overall GDP, controlled inflation, and a significant appreciation of the Lek.

6. Concluding remarks

In conclusion, we may say that, even though referring to the specific case of Albania, the model of the Structural Reform Index (SRI) allows to discuss alternative views on the nature and causes of the impact of the fiscal phenomena on the transition process. Thus the outlines of the mechanisms for approaching the market system can actually be traced, not in terms of imitation and complement to the market, but taking into account the distinctive features of this totally atypical transformation of the economy. The adopted fiscal reform measures can be used for building the sub-indices of the overall Structural Reform Index (SRI).

The findings were confirmed, using the Bagnai method, by the real evolution of the Albanian economy, and by the valuations of the World Bank and the IMF, both recognizing the importance of the fiscal factor.

Therefore, the thesis of Giavazzi and Pagano (2005) was confirmed: they
argued that a rise in taxation does not inevitably weaken demand, but may rather stimulate it, thus expanding GDP.

**BIBLIOGRAPHY**

15. World Bank-Report no. 36453 - in date: 2006/12/01
### Appendix:

**Table 1. The Structural Reform Index for Albania for the period 1993-2007**

<table>
<thead>
<tr>
<th>Sub-index</th>
<th>Type</th>
<th>Regression Coefficient</th>
<th>Weight</th>
<th>Value</th>
<th>Weight</th>
<th>Level III Value</th>
<th>Vat Included</th>
<th>Vat Excluded</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>Turnover taxes (revenue)</td>
<td>0.53738632</td>
<td>38,274,7206</td>
<td>0.507056761</td>
<td>40,600,087</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A2</td>
<td>Subsidies for consumption expenditure</td>
<td>0.00784333</td>
<td>2,325,3692</td>
<td>0.507056761</td>
<td>40,600,087</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B1</td>
<td>Business taxes (revenue)</td>
<td>0.13899612</td>
<td>5,394,9296</td>
<td>0.137571743</td>
<td>5,450,3875</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B2</td>
<td>Privatization transfers (expenditure)</td>
<td>-0.00099149</td>
<td>55,4580</td>
<td>0.137571743</td>
<td>5,450,3875</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C1</td>
<td>Social security contributions (revenue)</td>
<td>0.15801559</td>
<td>14,894,6915</td>
<td>0.107456442</td>
<td>38,462,9418</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C2</td>
<td>Social security spending (expenditure)</td>
<td>0.0754145</td>
<td>23,568,232</td>
<td>0.107456442</td>
<td>38,462,9418</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 1. Actual and simulated turnover tax data for the Albanian economy (A1)

Source: World Bank, World Development Indicators Database and CIA World Factbook.

Figure 2. Actual Albanian GDP

Source: World Bank, World Development Indicators Database and CIA World Factbook.

Figure 3. Assessing the impact on the Albanian GDP of the introduction of VAT in 1993, instead of 1997 (actual data (blue line) and simulated data (pink line), in US $)
Source: World Bank, World Development Indicators Database and CIA World Factbook.
Managing Profitability and Liquidity in the Banking System in Kosovo

Shpresa RESHIDI
Lecturer at the University Illiria, Pristina - Kosovo
E- mail : shpresareshidi@hotmail.com

Abstract

In terms of globalization and increased competition in the banking market, management of profitability and liquidity is one of the most important conditions for a stable positioning and development of banks. A good management of profitability and liquidity will affect the growth of competitiveness and the creation of the bank’s priorities in the banking market in Kosovo.

- The banking system in Kosovo is characterized by the following development trends:
  - Process of purchase – bank integrations;
  - Technological banking innovations (e - banking, ATM, POS, etc.);
  - Bank competition;
  - Deregulation of the banking market;
  - The integration of Kosovo in the euro zone;
  - High participation of banks with foreign capital;

From the results obtained we conclude that:

1. Despite negative developments in the financial sector worldwide, the financial sector in Kosovo continued to grow. At the end of 2008 total sector assets reached a value of 2.3 billion euro, an increase of 20.2 percent compared with 2007.

---

1 Shpresa Reshidi is lecture at Royal University “Illiria”. She earned the Master of science degree in Banking Menagement. She has carried out some other domestic qualification and scientific research in international conferences in the field of Banking management, Monetary credit policy, Corporate Finance.
2. Deposits of the banking sector, which is the most important sector within the Kosovo financial sector, recorded an annual growth rate of 26.4 percent in 2008. On the other hand, loans grew by 32.7 percent.

3. Besides the expansion of the activity, the banking sector remained sound. Capital adequacy ratio stood at 16.5 percent while non-performing loans represented only 3.3 percent of total portfolio in 2008. (Annual Report 2008) In general, the banking sector in Kosovo remains liquid and with sufficient percentage of capital on minimum percentage required, on the bases of one of three pillars of Basel-II

1. INTRODUCTION

Banking system in organized economies that are operating under free market principles is divided into two levels. Dividing of the banking system into levels is done in order to identify different functions that central bank and banks at the second level.

At the first level is the Central Bank. Bank of Kosovo is the central bank of the Republic of Kosovo.

Central Banking Authority of Kosovo-BPK, that was established in 1999 – from UNMIK & IMF, as a special public entity with the right of licensing, supervising and regulating of financial institutions. Central Banking Authority of Kosovo, was established in June 2008 with approval of Law no.03/L-074 for “Central Bank of the Republic of Kosovo” by Kosovo Assembly, that among other things determines that Central Bank of the Republic of Kosovo is an independent institution that reports to the Assembly of Kosovo.

1.2. Commercial bank

These banks are financial clean intermediaries, functioning mainly as a universal bank, established in the form of shareholding companies and are aiming to secure profits for their owners. Banks that are operating in Kosovo are:

- Economic Bank
- Bank For Business
- Procredit Bank
- Raiffeisen Bank Kosovo
- National Commercial Bank
- Teb Jsc
- Komercialna Banka Ad Belgrade
- Nlb Prishtina
Since January 2008, two new banks with foreign ownership, Türk Ekonomi Bankası (TEB) from Turkey and Nova Ljubljanska Banka (NLB) Prishtina from Slovenia, started to operate in Kosovo banking market. Entry of TEB in the banking market of Kosovo at the end of 2007 followed a full licensing of this bank by the CBK. On the other hand, NLB Prishtina is established by the joining of two local banks (Kasabank and New Bank of Kosovo), most of whose shares had been purchased preliminary by NLB. From a total of eight commercial banks operating in Kosovo, only two of them have local ownership, while the participation of foreign banks assets in total banking sector assets is about 90 per cent.\(^2\)

Bank is a typical example of a financial broker.

Historically, their role has been the accumulation of the economic savings in the form of deposits and placing of these savings available to sectors of the economy that needs them, in the form of loans. But rapid development of the financial system, coupled with increased competition among financial intermediaries, has led banks to expand significantly the scope of their activity.

2. PURPOSE OF STUDY

The purpose of the study is monitoring the changes in the development of banking system and analysis of financial indicators of profitability and liquidity during the three years 2006, 2007 and 2008.

Implementation of the latest computer technology remains the main force of development of the banking industry; deregulation of the sector has led to a rapid consolidation of the banking sector and an increase in the unions of banks (NLB). Privatization, mainly on foreign owners, is another clear trend in the banking industry ProCredit Bank, RaiffeisenBank.

Analyzed financial indicators are compared Analyze the financial indicators are compared with standards preferred by the Central Bank of Kosovo, which are based on the Rules and Laws Basle -II.

3. METHODOLOGY

Data for analysis were taken from the publication of annual reports of the Central Bank of Kosovo, the master material (banking management of BPB bank) and other relevant literature.

Methodology of the study was descriptive, historical, analytical, comparative and dynamic. All analysis of financial ratios are compared with the preferred standards of the CBAK.

4. MANAGEMENT OF FINANCIAL INDICATORS

Financial indicators, having in mind the dimension of time, initially can be divided into two groups. One group of financial indicators includes bank’s business within a certain period (the longest one year) and it is based on indicators from the profit ratio, while the other has to do exactly with the specified time which matches with the time of drafting the balance and express bank’s financial position at that moment. Indicators usually see them as carriers of information that is necessary for management of the business and banks development. Therefore, indicators are excogitated and calculated exactly as an excuse for excogitation of the informative base that is necessary in order to make certain decisions. From this we can conclude that a good management in a business means fulfillment of two criteria:

- **Security criteria** (liquidity, financial stability and debt) and
- **Criteria of success**, i.e. efficiency (profitability, means break even).

Security and success criteria, in the short term, in principle, are opposed. However, looking at the long term success, security conditions success and vice versa.

(Brealey, Myers: Principles of Corporate Finance, Boston, 2000)

Calculated indicators, regardless which indicator, do not say to much themselves. In order to get out an qualitative judgment, about that are amounts of criteria satisfactory or not, it is necessary to compare those levels with the size of certain standards which in this case are the basis of comparison. The most frequent use of standard sizes of those indicators is the Central Bank of Kosovo, based on the Rules of Bazel.
5. RESULTS

The survey results are some of financial indicators of the banking system of the Republic of Kosovo for the past three years: 2006, 2007 and 2008. These indicators are presented in the following tables: profitability, liquidity and solvency. Presented indicators, present the performance of the banking system for three years.

5.1. Indicator of profitability

ROA (Return on Assets), that shows what success is using management of common assets.3

Table 1. Indicator of profitability: ROA, in the banking system in Kosovo, during the years 2006, 2007 and 2008.

<table>
<thead>
<tr>
<th>Indicators / years</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>1.8%</td>
<td>2.7%</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

ROA, for the year 2006 was 1.8% which is 0.7% less than preferred by the CBK.

ROA for the year 2007 was 2.7%, that is 0.2% more than preferred by the CBK and ROA for the year 2008 was 2.2% which is 0.3% less than preferred.

The average trend indicator of profitability: ROA, during these three

---

3 Luboteni, Gazmend: Banking management, Pristina, 2004, page 129
years was: 2.2%, which is a very satisfactory level, within preferred levels by CBK.

Another indicator of profitability: ROE (return average profit) that shareholders of the bank shows that as the institution gains from their investments.\(^4\)

**Table 2.** Indicator of profitability: ROE, in the banking system in Kosovo, during the years 2006, 2007 and 2008.

<table>
<thead>
<tr>
<th>Indicators / years</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>23.1%</td>
<td>25.9%</td>
<td>20.2%</td>
</tr>
</tbody>
</table>

ROE, for the year 2006 was 23.1%, which is only 1.9% less than the preferred percentage; again it is a good return for shareholders. Indicator of profitability: ROA for the year 2007 was 25.9%, thus 0.9% more than the preferred.

The average trend indicator of profitability: ROE, during the three years analyzed, was 23.1%, which is 1.9%, under the CBK favorite within the framework of the CBK favorite. Indicators of profitability, show us that there is a movement between years, but they are stable for banks and shareholders. Thus Kosovo banking sector continues to be profitable.

**5.2. Liquidity Indicators**

Banking Supervision aims to protect depositors funds and the development

\(^4\) Luboteni, Gazmend: Banking management, Pristina 2004, page 130
of a sustainable financial system by taking care of an efficient and competitive financial environment. Promoting a safe, healthy and sustainable financial system is one of the fundamental reasons of supervision and regulation of financial institutions. A stable financial system provides a secure place for depositors assets. (Annual Report 2008)


<table>
<thead>
<tr>
<th>Indicators / years</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio L/D</td>
<td>68.9%</td>
<td>78%</td>
<td>80%</td>
</tr>
</tbody>
</table>

Ratio: Loans / Deposits, for 2006 was 68.9%, that is within the proposed percentages of CBK (60% -80%). Year 2007, had these indicators of liquidity: Ratio: Loans / Deposits 78%, thus within the proposed percentage. Year 2008, presents a ratio: Loans / Deposits by 80% . The average trend indicator of liquidity: Loans / Deposits, during these three years was: 75.6%, which is preferred within the CBK.

Table 4. Indicators of liquidity: Ratio: Liquid assets / Assets, during the years: 2006, 2007 dhe 2008.

<table>
<thead>
<tr>
<th>Indicators / years</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio LA/A</td>
<td>41.7%</td>
<td>33.1%</td>
<td>33.2%</td>
</tr>
</tbody>
</table>
Another indicator of liquidity; ratio: Liquid assets / Assets, for 2006 was 41.7%, that is within the preferred percentages of CBK (30%). In 2007, the ratio: liquid assets / assets was 33.1% and in 2008 the ratio: Tools liquid / assets was 33.2%. Average liquidity trend indicator: Tools liquid / assets during the three years analyzed, was 36%, which is preferred within the levels of CBK.

Liquidity reports show if the organization (bank) is ready to face its current liabilities, which express the organization’s (bank’s) ability to face its obligations when it comes to the repayment period.5

Indicators of liquidity show us that the first shield of liquidity for depositors in banks in Kosovo is stable, and simultaneously ready to support customers with loans. Kosovo’s banking system continues to be liquid.

5.3. Capital sufficiency indicator

Bank’s main source of profit is the size of its capital, which is required to be as a “moral influence” – which should not be greater than what is needed to ensure the proper impact.6

Based on the Rule of the first Central Bank of the capital sufficiency, Ratio: Capital / Weighted assets , (minimum 12%), note that:

5 Mustafa, Isa., Financial Management, Pristina 2005, page 83
6 Luboteni Gazmend: Banking management, Pristina 2004, page 67
Table 5. Indicator of solvency – Capital Sufficiency: Capital / Weighted assets, during the years, 2006, 2007 and 2008.

<table>
<thead>
<tr>
<th>Indicators / years</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rato Capital / Weighted Assets</td>
<td>9.4%</td>
<td>11.5%</td>
<td>16.5%</td>
</tr>
</tbody>
</table>

In 2006, the index was 9.4%, 2.6% rates lower than preferred, for 2007 to 0.5%, and in 2008 it was 16.5%. so we can clearly see a major development of bank management in Kosovo. The indicator of capital sufficiency that presents the ratio of capital with weighted assets during the analyzed years presents a significant improvement from 9.4% in 2006, 11.5% in 2007, thus reaching the percentage of 16.5% in 2008.

The average trend indicator capital adequacy, during these three years was: 12.5%, which is within the requirements of the CBK.

Kosovo banking system also continues to be solvent with Indicators of the capital sufficiency, that is clearly above minimum level of 12 percent set by the CBK. Moreover, none of these banks operating in Kosovo does not have this indicator below the minimum level that is required by the regulator.

CONCLUSIONS

Banking system in Kosovo, had an significantly positive development during these years (1999-2008) by applying the progress of new services and products Atm, Pos and E-Banking. Banks in Kosovo in a market economy, are exploiting the opportunities that are offered as relevant trends, changes in technology and markets.
Central Bank of Republic of Kosovo (CBK) in cooperation with German Bank for Development (KfW) and Frankfurt School (FS), during 2008 proceeded their endeavors in establishing the deposit insurance system in Kosovo.

The Credit Registry of Kosovo (CRK) is a contemporary technological system developed by the CBK, which aims at credit information exchange on debtor and applicant for the credit of related creditor. Also the debtor’s itself and the applicants of credit as the crediting subjects may provide the relevant personal information. The RKK has been designed as an application based on internet, which enables the direct approach in a real time to the Credit’s Institutions. Whereas, from the credit subjects may approach to the relevant information only through the CBK. The Supervisors of Credit Institutions may also approach to the KRK.

Analysis of financial indicators are satisfactory and shows the performance of the banking system in Kosovo. Thus banking sistem of Kosovo continues to be profitable, liquid and solvent.

Banks, as financial institutions have an experienced and independent board of directors, which is focused on creating the conditions for sustainable development of banking activities, based on rules of Basle -II .

**BIBLIOGRAPHY**

The Imperative Need for a Genuine Reform in the Field of Research In Albania

Sofokli Garo, Ph.D.¹
“A. Moisiu” University, Durres, Albania
Tel. 052 239167, Fax: 052 239163, E-mail: sofokligaro@gmail.com

Abstract

The purpose of this study is to provide a set of proposals which would contribute to the debate surrounding the slowed down reform on the field of research in Albania. Adaptation of European models in the field of research is an imperative need of Albanian universities in their road toward European integration. The descriptive approach used in this study focuses on the variables of academic freedom, as symbolized by the “ivory tower”, and entrepreneurial model, a characteristic of American university system. An overview in the field of research in Albania shows that: (1) the research in Albanian universities is characterized by an adverse status and (2) there is imperative a need for recognition and implementation the European research models. Aligned with the first idea the study underscores the fact that in Albanian universities there exists an old mentality and administrative structure and efforts for advancement of true achievement rather than of obedient immobility are necessary. In relation with the second idea the study suggests the recognition of the French model that is on the way of finding

¹ Sofokli Garo, Ph.D. Department of Teaching and Learning, University of North Dakota, Grand Forks, ND, USA. Major: Teaching and Learning. Minor: Mathematics. He is lecturer in Faculty of Education. University “Aleksander Moisiu”, Durres, Albania. From 2009, he is Assistant Professor (Adjunct). University of North Dakota (Courses taught on-line: Theories and Philosophies of School Curriculum). From 2005-2008 he has been Mathematics instructor, University of Minnesota at Crookston. (Courses taught: College algebra, introductory statistics). He has different publications in the Mathematics field.
the point of balance between the freedom of the ivory tower, implemented in Western European universities, and the productivity of the entrepreneurial model. According to this model research and teaching are activities of quite different natures and objectives; therefore they are governed by two separate agencies. Based on the French model the study provides a list of implications for the university system in Albania, some of which are: (a) The country needs a national research agency, responsible for the entire work in the field of research; (b) The universities should take into their accounts the implementation of a flexible two university career track system: a research track and a teaching track. In order to start a career on the research track one would first have to win a project from the national research agency. In order to obtain a permanent research position, a researcher would need to accumulate a certain number of points. The points are given according to the projects won, and to the number and impact factors of peer reviewed publications; (c) The agency would open annual calls for proposals of two main types: subject calls and white calls. The study concludes with a couple of recommendations, which would contribute to the improvement of research situation in Albania.

Key words: research, universities, reform, project.

1. INTRODUCTION

In every country the work of universities is characterized by four dimensions, namely, those of creating knowledge through research, transmitting it through education, exploiting it through technology transfer and ensuring a responsible use of that knowledge. Since no transmission and use of knowledge is possible without knowledge generation, the dimension of creating knowledge is vital for the life of universities. Much of today’s public discourse concerning the state of higher education in Albania is guided by how the universities in this country are completing the mission of creating knowledge and whether they are following the recent trends and fashions that typify universities in the rest of Europe. In this paper I begin with a broad review of the current trends that outline the work for research carried out by the modern higher education system in Western world, in general, and in France, in particular. Then I move to a summary of main ideas that articulate the need for adaptation and reform on the part of Albanian university system. Finally I propose an efficient implementation of these main ideas in
our public universities. What directly follows is an attempt to isolate some broader features of the continuously evolving educational landscape of the Western world.

2. CURRENT TRENDS OF HIGHER EDUCATION SYSTEM IN WESTERN COUNTRIES

In terms of research and innovation the European decision makers are currently facing a dilemma: finding the point of balance between freedoms of the “ivory tower”, traditionally implemented in Western European universities, and the productivity of the entrepreneurial model, a characteristic of American universities (Rohrs & Hess, 1987). It is clear that the injection of economic values and criteria into academia has helped push researchers out of the ivory tower. However, there are policy makers, especially in Europe, who worry that the incentives in the entrepreneurial model are too unidirectional, leading, in the long term, to a complete corporatization of universities (Ruegg, 2004). They do not see any mechanism which would guarantee the openness and freedom of intellectual inquiry which are responsible for the global success. Establishment of the balance between entrepreneurial model and the retention of academic freedom constitutes a compromise that Europe is currently searching. It is exactly this compromise underlying all efforts for reforming the current university system in Western Europe (Ruegg, 2004).

It seems likely that, as in other fields, initiative and leadership comes from the national level. In the case of France, examined below, it is important to note that even though French academic culture does not have the natural affinity to entrepreneurship of its American counterpart, the importance of the contact with the private sector is not a completely new concept. Incremental steps in this direction have been made since the 1980s. For the time being the French system is undergoing a flow toward enhanced productivity and performance, a system which attempts to reflect the required academic balance. It is moving on four main directions: autonomy, flexibility, evaluation, and funding (RCLC, 2008).

The autonomy reform, which is already under way, changes the decision-making structure of universities. Broadly speaking the contact between the university and the government will be limited to its budget, which would come in one installment per year. By relaxing some of the imposed regulation and controls, a more flexible academic experience would be possible. Instead of a rigid division of work between research and teaching, faculty would be
able to adjust their emphases as needed. Those with above average research productivity, teaching ability or with a stronger record of technology transfer and contacts with industry would be allowed to spend more time on what they are best at. Regarding evaluation, academic work is notoriously difficult to evaluate due to the long-term nature of its. This is why the only evaluation which has been implemented on a large scale is peer-review. However a more comprehensive evaluation approach is now required. Under consideration is the suggestion for the creation of a national evaluation agency. This would factor, in addition to publication rates in peer-reviewed journals, in aspects such as the international visibility and initiatives. The funding of French research has seen a very gradual evolution from permanent funding dependent on the position, toward funding based more and more on the activity and performance (project based). It is exactly this evolution the cause of creation of the National Research Agency (ANR), which awards projects to groups based on proposals (Langlois-Berthelot et al., 2007).

3. THE NEED FOR REFORM IN ALBANIA

Albanian higher education is in very bad shape. In fact it ranks last in Europe on all relevant and available indicators of quality and performance (Thelwall, 2009). In its research component the system follows a traditional ivory tower model. However, the lack of funding and the limitations on free inquiry over several decades of communism, combined with an exodus of talent, immediately after the fall of totalitarian system, led to a system dominated and tightly controlled by a privileged caste of highly conservative and scientifically old-fashioned faculty. Obviously the obstacles to change are the mentality and the administrative structure. The very low intensity and quality of scientific activity in Albanian universities is the result of decades of financial neglect combined with a systematic promotion on criteria of loyalty, obedience and conformism. This has produced a pathological academic medium with a strong hostility to novelty, reform and innovation. With rare exceptions today instructors of our universities simply teach without any other scientific activity. The recent governmental initiative for using Brain-Gain program, intended to support the return in Albania of the highly qualified specialists educated in western countries, is being compromised due to the old mentality and fierce resistance on the part of existing administration. You can hardly find scientific articles written by Albanian professors or students.
and published in international journals. In addition, academic journals that at a time used to be published periodically by Albanian scientific institutions and public universities, now have ceased to appear or are too discretely published. Meanwhile, smaller and less scientifically capable countries are presented significantly better in the international arena. The lack of genuine academic publishing and scientific conferences and workshops is creating a fearful devastation for the future of this nation (Shaska, 2009). In this case, the ivory tower is not a mechanism of freedom and independence (as originally intended), but on the contrary, it has become a mechanism of control and censorship. Resistance to renewal and reform is possible due to the architecture of the decision making structure. This architecture has been designed by old-fashioned high hierarchs and implemented by the universities in such a way that decision making power is concentrated in the hands of those who occupy certain key positions. The system by which one is promoted to these key positions is carefully controlled in order to ensure the perpetuation of the system of values based on loyalty and obedience, leading to the continuity and resilience of the pathology.

Guided by the four previously mentioned directions we saw how the French system has implemented a drift toward enhanced productivity and performance. This is what must happen in Albania, except that we do not have the luxury of gradual adaptation, over several decades, as the French system has had. In Albania the situation is alarming, and it requires stronger measures. What follows is simply a collection of ideas from which policy makers can pick and choose those they find most useful.

4. RECOMMENDATIONS FOR THE IMPLEMENTATION OF REFORM

The majority of faculty members at Albanian universities today have a very weak or non-existent research activity, and they concentrate on teaching to such an extent that certain individuals have double or triple time teaching loads. Consequently, for faculties within 11 public universities in Albania I would propose their grouping into two categories: (1) research faculties and (2) teaching faculties. Faculties of the first category would operate in two tracks: the research and the teaching track. Aligned with an earlier proposal of Hasimja (2006), the research track would be organized around a research center, which would employ only researchers with very small teaching loads
in M (master) and D (doctoral) levels. The two tracks would be regulated by two private agencies, research agency and education evaluation agency. The national research agency would rely on expert referees who would be either individuals with permanent positions obtained using the above research track, or foreign researchers of international standing and recognition. The European Commission may be able to make available some of the experts from the Framework Program expert pool for this purpose (EC, 2006). At the beginning, therefore, the national research agency would rely exclusively on foreign experts, since no permanent researchers will have been appointed yet. Only after several years, when some researchers had won permanent positions on this track, would some of them be recruited as referees.

All current faculties would start out in the teaching track. In order to start a career on the research track one would first have to win a project from the national research agency. The agency would open annual calls for proposals of two main types: subject calls and white calls. The subject calls would finance research in predefined directions decided through a multi-annual national research strategy. The white calls would be researcher driven; individuals would be able to propose a research direction of their own choosing. The white calls will be designed to encourage and support researcher freedom and originality.

Each project would include not only financing for the research expenses such as equipment, bibliography or travel, but also the compensation of the researcher who had submitted the proposal. In order to obtain a permanent research position, a researcher would need to accumulate a certain number of points. The points are given according to the projects won, and to the number and impact factors of peer reviewed publications. The algorithm may evolve, but it would involve the number of project-years divided by the number of authors. For example, if a 4 year project is won by a proposal with two authors, each of them would gain 2 points. The point system may also take into account European projects. All proposals will have to clearly distinguish between the authors of the proposal, and the other researchers and group members who will be working on the project if and when it is awarded. A group will be composed, in general, of faculty from both career tracks, research and teaching; it is the authorship of project proposals that will distinguish between the two. Salaries of permanent positions would be fixed by the ministry of education and would evolve based on seniority and quality of research and teaching activity, with the added bonus that a permanent researcher who wins a project and does not use it to hire someone in his or her group, may add that salary to their own, up to a certain ceiling fixed by the ministry of education. The net result
of this measure would be that permanent researchers who do not produce projects on a regular basis will be paid less than researchers with a sustained level of research activity. Thus, the distinction between the authors and the other participants to a submitted project would be important to permanent researchers as well, though for a different reason than to fixed term researchers. The teaching duties of faculty on the research track would be lighter than of faculty on the teaching track, and they would generally teach M and D courses. Faculty on the teaching track would teach most of the B (bachelor) courses.

The existence of two career tracks, research and teaching, would allow the equilibrium between the two to drift. By changing the relative amounts of funding given directly to universities as wholes and to individual researchers (or groups) through projects, the balance of power between faculty members on the two tracks can be adjusted. Also the number of hours of teaching of research track members can be adjusted.

Note that according to the description above, when evaluating the quality of education, departments and universities are treated as wholes, while the quality of research is evaluated on an individual basis, for each researcher, according to the number of projects awarded. In short, the public authorities will be concerned only with the quality of education offered by public institutions (through the education evaluation agency), and with the quality of research projects submitted by researchers (through the national research agency). Note also that researchers will be interested in the teaching evaluation and ranking of their university because it will eventually be correlated with the quality of the students in their M and D programs, students which they would later recruit as part of their research projects. Thus the fact that universities as institutions are evaluated on the basis of teaching quality alone would force researchers to have an active interest in the quality of education in their institution.

The importance of the separation of the research and teaching in the evaluation process, by the separation between the two national agencies, is due to the different natures of these activities. Broadly speaking, while research happens in the international arena, education is a national concern. Albanian higher education is financed by the Albanian taxpayer, and its mission is above all to contribute to the development of the Albanian society and economy. The international relevance of higher education therefore derives in a large part from its connection to research. Research and teaching are activities of quite different natures and objectives, and it is natural that two separate agencies and evaluation mechanisms be implemented in Albania. The European Union has already implicitly acknowledged the distinction between the two,
as can be seen from its concern with the European harmonization of the university systems only (the Bologna reform), while leaving secondary and primary education to the latitude of the national governments (Kok, 2004).

In my view the distinction between research and education is generally valid in any country, but the argument has exceptional relevance in the Albanian case. In Albania this separation is the only way to allow researchers to work effectively, and avoid friction with the existing faculty members, who are overwhelmingly teaching-oriented. An additional, and crucial, feature of this separation is that, if correctly implemented, this reform will not constitute a threat to the existing faculty because in the short term it will not aim to remove them, but only to bypass their inefficient management methods. This aspect is essential, because this group of faculty control the current system to such an extent that the chances of success of any reform which they perceive as threatening, or which places them in control of research policy, are nil.

There are several knobs that this proposal provides. These should be adjusted to minimize friction between the teaching and research parts of the faculty of universities, and to bring their interests in alignment wherever possible. Any reform should be designed to be as non-invasive as possible to the existing educational establishment. Note that in my proposal the situation of all existing faculty is left unharmed. At no point do any of them lose their current status (aside from the possible closing of several small and underperforming universities), and they will continue to play an important role in the new order. For instance they will make up the initial composition of the evaluation agency. The reform should endeavor to bind their undeniable teaching experience for the best result and in the most constructive way possible. Change is not a zero-sum game and everybody has something valuable and important to contribute.

CONCLUSIONS

The international status and confidence of a European Albania depends in a crucial way on the advancement of true achievement rather than of obedient immobility. Based on the French experience this article is meant to provide directions for a reform in the research field. These directions may be summarized in a set of recommendations that discuss the number of points required for obtaining a permanent position, the proportion of funding reserved for white calls, the number of teaching hours required (or perhaps allowed) of researchers, the remuneration of research track members for their teaching
activity (which would be in addition to their research related remuneration),
and the difference between the salaries of permanent research and teaching
track faculty member. The above proposals are certainly incomplete, and
inevitably so, since, in a subject as versatile and complex as this, no single
individual can be expected to be in possession of the “ideal solution”. The most
that can be hoped is that these ideas will help decision makers better integrate
upcoming initiatives in the context of higher education evolution and reform.

BIBLIOGRAPHY

   C, 305:52.
   challenges faced by our universities]. Paper presented on the conference
   on issues of higher education in Albania.
   Technical report, IGF and IGANER.
   Technical report, République Française.
   International Perspective”. Verlag Peter Lang.
   in the Nineteenth and Early Twentieth Centuries”. Cambridge University Press,
   2004.
   [Development of our Universities towards Contemporary Levels]. Mendimi
   Akademik, Vol 1, No 1.
University and Knowledge: a Private or a Public Good

Prof. Assoc. Dr. Luljeta MINXHOZI
Dean of Economic Faculty
European University of Tirana

Abstract

Using most of my life at university either as student or as lecturer I have no doubt that education is one of key inputs to economic development and social democratization. The discussion about the report “education - economic development” is not only an early discussion, but also permanent. In the European Commission’s report “Education in the 21th century” education is recognized as one of the most valuable tools to promote the deepest and harmonious development of human capital, to reduce poverty, inequality and avoid ignorance, social oppression and wars.

Key words: benefits, education, public, private good.

1. BENEFITS FROM EDUCATION

In my discussion I try to debate on university education and its impact on social development and bring in some economic terms, in the sense that market increases efficiency and quality of education.

I begin with an economic definition and a question:

---

1 Prof. Assoc. Dr. Luljeta Minxhozi is graduated in 1983 from the Faculty of Economy, University of Tirana. In 1996 she has taken the scientific degree Doctor in Economics and in 1999 she has been awarded the scientific title Associate Professor. During her academic career she has contributed in developing new curriculums and different study programs. Luljeta Minxhozi has share her opinions in the development of the Albanian Economy in many international conferences in UK Italy Denmark France. Actually she is the dean of the Faculty of Economy at the European University of Tirana.
“Theoretical definition is that education is first and foremost a private
good whose demand has been formulated by individuals who need to
increase their capacity for work in order to ensure a sustainable and
long-term welfare”.

If we raise this question in the context of today’s development of education
we would further pose the following question” Why are governments
committed to invest in education and not leave this private good up to
competition market?

So it looks like we are faced with a dilemma
“Is it education a public or private good”? A short discussion about this
dilemma would help us to better understand the role public and private sector
have in an efficient system of quality education.

The first step to understanding this mutual connection would be to list
benefits individuals and society has from education.

We can classify the benefits in the following categories:

- **First, private financial benefits**
  An investment in education, in any kind of system level means more
  employment opportunities and more monetary income for the individual who has
  invested in education. In terms of the welfare, this individual increases its well-
  being and of his family through education (this shows it is a private good).

- **Second, private but not financial benefits**
  In this category are included the benefits that an educated individual gets
  but not directly from himself. Such benefits include facilities created through
  better working conditions, greater time for holidays, benefits of a quality
  health service, increased life long, etc. (this shows it is public good).

- **Third, the social benefit**
  This group includes all benefits a community has from its individuals who
  are educated. Thus, the education enhances the capacity of each community
to use in its favor the best technological achievements and to benefit from
the development of other communities. Through education, the communities
increase incomes, create new professions and increase job mobility, encourage
entrepreneurial skills, create innovations and technology transfer. (This shows
it is a public good).

It is evident that education creates private benefits as well as public
benefits and it gives the impression that categorization of education as a
private or public good becomes even more uncertain. To distinguish between
these two categories often in public debate and more often also in academic
debate there is a very simplified division in which:

The term public = government = state property = non market activity.

The term private = private ownership = market activity.

In fact, this conventional terminology has been created with the purpose of presenting more symbolic of policy formulation than to explain how to analyze the education behavior.

2. A MACROECONOMIC APPROACH OF EDUCATION

Confusion regarding terms of private and public education is associated more with uncertainty about ownership and legal status of educational institutions than with the type of the product these two sectors produce. In fact the output of the education sector does not make any difference. All educational institutions of higher education produce “knowledge” as learning and teaching, scientific research services in national and international level, diplomas, graduation certificates and scientific titles. All these products and services are as much public as private.

This universal feature of the product of the educational system creates a positive effect on multiple economic systems. These effects or those most economists call “externalities” occur in the micro and macro level.

In macroeconomic level, the increase of the education level leads production towards the use of technological achievements reflected in the growth of labor productivity, efficiency and standard of living improvement. These new economic conditions lead to a welfare improvement, which means not only better health conditions and long life for the population, but more equality in the labor market.

Benefits from education may be measured at the macroeconomic level. Education creates a new economic category that is human capital. In all neoclassical economic growth models (Solow Model-T 1956) human capital is considered as one of the main sources of this growth. Moreover, this source of “new” growth has no limits as is the case with growth of physical capital, which is limited by universal rarity law of resources or by decreasing marginal income.

For this reason, the human capital is considered today as an endogenous source of growth. All this discussion constitutes the theoretical background which has supported and is supporting all efforts that have been made in recent decades to finance investments in education and especially higher
education. At global level, in all countries there is a significant increase both in private and public funds spent on education and also in the number of registered people in education system. In order to evaluate the quality of using these expenses a question could be raised: Do higher expenses have impact in having a better quality of education?

The answer of this question very often is quite contradictory. Many of the growth theories consider human capital created by higher education, the main engine of growth of national product and welfare. But on the other hand there are other studies (Hanishek 1997 Psacharopoulos 2007), which prove that the impact of increasing the cost of education in economic growth especially in developing countries, but also in eastern European economies in transition is very limited. Findings of these studies show that human capital created by intensive education spending fails to generate an increase in labor productivity.

3. MARKET OF THE KNOWLEDGE; DEMAND AND SUPPLY

Explanation that may be given to the different effects coming from the use of expenditures for education, could be the degree of market development in which the product of the education sector will be sold. The output of higher education system, human capital is a market-oriented product, regardless of whether the product is created by a public or private property. The amount of higher education institutions (public or private) and higher education policies are two important inputs to produce an offer of this market which is in any case private.

The demand for market knowledge is created by the degree of development of basic sectors of the economy and is measured by the ability economic sectors have in absorbing knowledge. An undeveloped economy is not able to absorb the created supply of knowledge in favor of growth development.

Until now the public policies in the education sector have been focused on development and reform of the supply for knowledge and education. Indeed, the whole process to reform the higher education sector should be focused on market development of the university education product. Educated people with knowledge and skills gained at school must be verified when entering the labor market. Dealing with market estimates the validity of their knowledge, their quality and appropriateness of this knowledge with labor market requirements.

In a dynamic economy with great opportunities for investment in the
future would create more incentives for all stakeholders for a quality education system. Development perspectives promote students to study more and more, while parents are interested to monitor a quality education system and teachers be under a pressure to improve their teaching quality.

Consider the situation in a stagnant economy without incentive to invest in the future and without a dynamic perspective. In these conditions, students will be discouraged in following teaching of some classes and will require to stay longer in education. Meanwhile, parents will be more interested to send their children to work than to stay in a university, which does not provide a competitive degree and teachers will not have any incentive to get qualified.

Binding the dynamics of higher education with labor market and the professions will increasingly create incentives for a large dynamic and efficient education system.

If there is a need for public intervention in higher education system, I am of the opinion that it would have been more efficient if the long-term policies are oriented in investments in technology, development of new professions and in facilitating information between business university institutions.

Through these interventions public funding would encourage fair competition among institutions of higher education regardless of public or private ownership of universities.

BIBLIOGRAPHY

Information Technology Management the Key to Public Sector Improvement (Sport Sector)

**MA. Juel Jarani, MPA¹**
Academy of Physical Education and Sports “Vojo Kushi”
Department of Professional Education Sciences
Muhamet Gjollesha AEFS “Vojo Kushi” Tirana
Tel: 00355672120239   E-mail address: jueljarani@gmail.com

**MA. Anduela Lile**
Academy of Physical Education and Sports “Vojo Kushi”
Department of Professional Education Sciences
Muhamet Gjollesha AEFS “Vojo Kushi” Tirana
Tel: 00355684041307   E-mail address: anduela.lile@gmail.com

**Prof. Assoc. Dr. Fatos Gjata²**
Academy of Physical Education and Sports “Vojo Kushi”
Department of Professional Education Sciences
Muhamet Gjollesha AEFS “Vojo Kushi” Tirana
Tel: 00355682093168   E-mail address: fatosgjata@yahoo.com

---

¹ MPA. MA Juel Jarani was graduated at The Academy of Physical Education and Sports “Vojo Kushi” in Tirana and has a Master Degree from University of Tirana, The Economic Faculty for Master in Management Public Administration. He has finished European Master for Physical Activity and Health, and actually is attending European PHD for Physical Activity and Health in the University of Study “Foro Italico” in Rome. He has carried out some qualifications and scientific research. He got the title “Master” in 2008. Mr Jarani since 2003 works as a lector at University of Sports in Tirana at the Department of Professional Sciences.

² Prof. Assoc. PhD Fatos Gjata, was graduated at the Physical Education and Sports Institute in 1984. His post-graduations cover the sociology field at the Faculty of Social Sciences, University of Tirana in 1996 and legislation at the Faculty of Law of the University of Tirana in 2002. Gjata has accomplished qualifications in the sport’s psycho-sociology at the “Ecole des Hautes Etudes en Sciences Sociales” in Paris, and at the “Université Libre de Bruxelles”, Belgium. Actually he possesses a PhD degree in sociology and is awarded “Professor Associate – Maître de Conférences” in 2004. Mr Gjata is lecturer of sociology at the Tirana Sports University.
Abstract

The public sector is a part of the state that deals with the delivery of goods and services by and for the government, whether national, regional or local/municipal. Most of economist study points to information technology as the vital component in transforming public sector management. Most of the public sector executives agree that the ability to adapt quickly to change and improve service quality using information technology (IT) will offer a greater advantage to public sector organizations especially in sport sector. Sport sector organizations will turn to flexible technology solutions to quickly adapt to and support the challenges of shrinking budgets and increasing expectations for better service delivery and transparency. The ability of an organization to adopt new business models and IT innovation will be one of the biggest indicators of its success in the next era of sport-sector transformation. The continuously growing importance of information technology (IT) requires sport institutions to integrate IT decisions with their common planning and decision-making processes at all organizational levels.

Our purpose in this paper is to suggest a framework that will address the needs of managing Information Technology in the sport sector. After presenting the theoretical framework from reviewing the literature the paper is concentrated on specific cases from the sport sector in Tirana. This paper is focused in public services in Tirana such as: Ministry of Tourism, Culture, Youth and Sports, National Olympic Committee, Academy of Physical Education and Sports, Sports Federation and Sport Clubs.

In this paper are used questionnaire methods concerning most of the problem in managing information technology such as: what technologies are used in these sector, forms of communication, what is changing in the management etc. Approaches to IT planning and evaluation, installing major IT facilities, integration of IT operations (computer hardware, operating systems, communications, software applications and data processing, including the management of network) and their limitations are discussed. Questionnaires Analyzes was focused on organizational structures, planning processes, and management of IT in above mentioned institutions.

The study concluded that although the focus is on IT management, sport sector management has to migrate from small or medium IT solutions to centralized service oriented solutions. Sport Clubs and Federations don’t
have any internal network, but they have internet access. Tendencies to use e-mail versus traditional postal service is obvious, thanks to email very low cost and time reduction. Postal Service still remains a main medium for communication with 27%. The use of Email is around 20%. Neither Messaging nor networking is used. Only Sport Clubs don’t have any official website, all the other institutions do. Website content is updated in weekly or monthly basis, which is a very important improvement.

This study hopefully will contribute in sport sector administration, providing guidelines to effectively implement and manage IT strategies.

**Key Words:** sport administration, Information Technology, IT planning, PC, Computer Hardware, IT management.

1. **INTRODUCTION**

The public sector is a part of the state that deals with the delivery of goods and services by and for the government, whether national, regional or local/municipal. Public sector organizations will turn to flexible technology solutions to quickly adapt to and support the challenges of increasing expectations for better digital services. Management should perform a health check of its business activities and IT infrastructure. IT management needs to understand where the organization is, where it needs to go, and what IT systems are needed to get there. Management also needs access to real-time information to ensure that departmental activities are in line with objectives.

IT should help to:
- extract the relevant information to provide a clear overview of the current situation
- provide the necessary hardware equipments and software, based on user needs analyzes
- analyze and review budget plan
- support hardware failures and software problems
- create a framework to document a performance plan and review, including desired results, measures

While the management of information content is emerging as a new skill, the successful application of IT makes it possible to maximize the benefits of information content (1). The IS literature typically refers to this stage as
strategic information systems, where the benefits of managing information content translates into competitive advantage in the marketplace (2). Some public-sector models of strategic management explicitly include and highlight the role of IT in strategic management processes (3). Most of the public sector executives agree that the ability to adapt quickly to change and improve service quality using information technology (IT) will offer a greater advantage to public sector organizations especially in sport sector. Sport sector organizations will turn to flexible technology solutions to quickly adapt to and support the challenges of shrinking budgets and increasing expectations for better service delivery and transparency. Information Technology Management is concerned with determining strategic and operational capabilities of the organization in developing services for maximum productivity, profitability and competitiveness (4). ICT has become the engine that is driving all sectors of today’s economy be it industry, government, education or indeed, sports. The ability of an organization to adapt IT innovation in facilities, tools and information system will be one of the biggest indicators of its success in the next era of sport-sector transformation. The continuously growing importance of information technology (IT) requires sport institutions to integrate IT decisions with their common planning and decision-making processes at all organizational levels. A standardized Information and Communication Technology ICT environment costs less to install and maintain than a heterogeneous one. It is obvious that Information Technology Management helps public organizations increase process efficiency and transparency while better serving the needs of the public (5). IT can increase management effectiveness in public sector if its role is carefully designed. A well designed IT plan should be able defining user processes based on organizational structure and speeding up feedback system in order to help produce continuously improving results in every day job (6). Full use of capability of today’s information technology involves data access through on-line services. IT Management must first provide basic hardware facilities and software such as: PC, printers, scanners, operating system, word processing, spreadsheets etc. Data Communication is a key point to IT improvements through: file sharing in local area networking, internet access, internet services (web, ftp, and email), and intranet. The field of Management Information System has grown and is a vital organizational resource for public administration through different MIS such as: Content Management System (DMS, CMS), Human Resource Management System (HRMS), and Financial and Accounting management information systems (7). With the growth and importance of IT,
organizations of moderate to larger size now tend to have an independent IT department (8) because IT is now viewed as infrastructure serving everyone and should not be under control of any single department. Also, because there is now a strong acceptance of the need to have as much standardization of hardware and software as possible, the IT unit is often vested with final approval over major purchasing decisions

2. OBJECTIVE AND STUDY DESIGN

Nowadays trend is to build a digital society so that we might obtain better and easier services and achieve greater efficiency. Our goal is to define a general Information and Communication Technology framework for public administration (sports sector), that fulfill user requirements and to suggest a framework that will address the needs of managing Information Technology in the sport sector. The list taken for questionnaire survey represents main activities to define Information and Communication Technology Framework in public institutions (sports sector):
- Infrastructure Overview (number of PC available, network typology, servers, other devices, platform and technology etc...)
- Define main Software used
- Data communication (internet, web, email etc)
- Support & Maintenance
- Staff PC skills, Personnel Training

3. METHODS AND SUBJECT SELECTION

Questionnaires are used, concerning most of the problem in managing information technology such as: what technologies are used in these sectors, forms of communication, what is changing in the management, communication forms and trends etc. Approaches to IT planning and evaluation, installing major IT facilities, integration of IT operations (computer hardware, operating systems, communications, software applications and data processing, including the management of network) and their limitations are discussed.

This cross section survey is focused in sport-public services in Tirana such as: Ministry of Tourism, Culture, Youth and Sports (MTCYS), National Olympic Committee (NOC), Academy of Physical Education and Sports
(APES), Sports Federation and Sport Clubs in Tirana. For analyses all 22 National Sport Federations are divided 2 groups (individual and team sports federation), and then selected randomly. In this survey it is not use the Albanian Soccer Federation because except from this federation all the federations mentioned above is depended and takes the budge from the government.

**Results**

**Infrastructure Overview**
Data from the Graph 1.1 demonstrates low computer availability for staff members, only 43% possess a personal computer.

**Graph 1.1 Computer availability for staff members**

![Graph 1.1 Computer availability for staff members](image)

Data from the Graph 1.2 demonstrates computer availability for staff member’s frequencies. We have high PC resources in NOC with 160%, and very low PC resources in Sport Clubs.

**Graph 1.2 Computer Resources Distribution for staff members**

![Graph 1.2 Computer Resources Distribution for staff members](image)
4. NETWORKING OVERVIEW

Figure 1.1 illustrates General LAN Diagram for APES, NOC and MTCYS. Ethernet LAN contains all physical devices: server, switches, hubs, printers, faxes, scanners, projectors etc. Above mentioned institutions are in the planning or implementing phase of the intranet (internetworking). Sport Clubs and Federations don’t have any internal network, but they have internet access.

Figure 1.1 Local Area Network Diagram

5. WEBSITE

Only Sport Clubs don’t have any official website, all the other institutions do. Website content is updated in weekly or monthly basis, which is a very important improvement.
6. DATA COMMUNICATION

Internet access is available and widely used by the staff. It is provided and supported by local ISP. Internet connection types used are: ADSL, DSL and Wi-Fi. Graph 1.3 explains what type of communication medium sports institutions choose to communicate with other national institutions. We notice that for international communication they most connect via telephone calls or fax service 53%. Tendencies to use e-mail versus traditional postal service is obvious, thanks to email very low cost and time reduction. But Postal Service still remains a main medium for communication with 27%. The use of Email is around 20%. Neither Messaging nor networking is used.

**Graph 1.3 Communication with national institution**

Data from Graph 1.4 explains what type of communication medium sports institutions choose to communicate with other international institutions.
7. SOFTWARE AND INFORMATION SYSTEM OVERVIEW

An information system (IS) collects, processes, stores, analyzes, and disseminates information for a specific purpose. Like any other system, an information system includes inputs (data, instructions) and outputs (reports, calculations). It processes the inputs by using technology such as PCs and produces outputs that are sent to users or to other systems via electronic networks and a feedback mechanism that controls the operation. A critical issue in public administration (sports sector) is the need for the implementation and integration of information systems. Actual Information systems used by sports institutions are represented by the table 1.1. APES, Sport Clubs and Federations don’t have any Financial and Accounting System, but they compute financial data using Microsoft Excel spreadsheets.

**Table 1.1 Information Systems Distribution**

<table>
<thead>
<tr>
<th>Information System</th>
<th>Functions</th>
<th>Used by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Document Management System (DMS)</td>
<td>Responsible for digital document delivery through user access rights and</td>
<td>NOC (n=1)</td>
</tr>
<tr>
<td></td>
<td>policies and document hierarchy</td>
<td></td>
</tr>
<tr>
<td>Human Resource Management System (HRMS)</td>
<td>Responsible for staff organization, events and payments</td>
<td>Federation (n=1)</td>
</tr>
<tr>
<td>Financial and Accounting System</td>
<td>Responsible for Computing of Financial and Accounting data</td>
<td>NOC, MCTYS (n=2)</td>
</tr>
</tbody>
</table>
8. E-SERVICES

“E-government” is the use of ICT to transform the internal and external relationships of public administration in order to optimise internal processes. Its goal is then the faster, more reliable and cheaper provision of public administration services and to ensure greater openness of public administration towards its customers. The new public procurement law requires all public tenders and awards to be published on the free-o-charge e-tenders portal; so all sports institution use e-procurement. Sports Institutions don’t use any E-Business, E-Pay or any e-Learning tool.

CONCLUSIONS

The study concluded that although the focus is on IT management, sport sector management has to migrate from small or medium IT solutions to centralized service oriented solutions.

Sport Clubs and Federations don’t have any internal network, but they have internet access.

Tendencies to use e-mail versus traditional postal service is obvious, thanks to email very low cost and time reduction. But Postal Service still remains a main medium for communication with 27%. The use of Email is around 20%. Neither Messaging nor networking is used.

A better practice is to institutionalize Information technology management plan as an annual process with quarterly checkpoints, and use this increased frequency to tune planning methodologies as well as make midcourse corrections.

A critical issue in public-sports sector is the need for the implementation and integration of information systems.

The new public procurement law requires all public tenders and awards to be published on the free-o-charge e-tenders portal; so all sports institution use e-procurement. Sports Institutions don’t use any E-Business, E-Pay or any e-Learning tool.

Only Sport Clubs don’t have any official website, all the other institutions do. Website content is updated in weekly or monthly basis, which is a very important improvement.
**General discussion**

To manage its unique opportunities and constraints, IT needs a documented strategic plan that is tailored to its own goals, maturity, and requirements, and using context to drive the purpose of the plan.

IT governance and IT planning in public sector can:
- Aid in aligning IT with the organizational goals and strategy.
- Raise the profile of IT.
- Aid in performance measurement.
- Aid in embedding IT into the organization’s culture.
- Aid in demand management (demand for IT’s services by other departments)
- Optimize IT operations.

By investigating the benefits and limitations of the framework, we can develop continual service improvement plans to ensure the IT infrastructure adequately supports user needs. This study hopefully will contribute in sport sector administration, providing guidelines to effectively implement and manage IT strategies.

**BIBLIOGRAPHY**

Historic and Cultural Challenges of Albanian National Identity Towards the Process of European Integration

MA. Esilda LUKU
Lecturer, “Aleksandër Moisiu” University, The Faculty of Economy and Administration, Durrës, Albania
Section of Political Sciences and Public Administration
Tel: 0692154982; E-mail: esildaluku@yahoo.com

Abstract

To the question: “Quo vadis Evropa?”, the ex-president of the European Commission, Romano Prodi, answered: - “The Europe we are building is a Union of people and nations, which constitute its essential historic and cultural framework”. The meaning of this sentence planned clearly the future of the European Community and its respective identity that represents the common peculiarities of the component national identities, thus a multicultural Europe. This last one implies the diversity of the European nations, which are distinguished among them by the native language, the geographical position, the historic heritage, the traditional culture, the lifestyle, the social mentality, the customary law etc., as a result the European Continent does not have a definite cultural and civic identity.

1 MA. Esilda Luku has a Bachelor Diploma in History and a Master degree on Contemporary History at the Faculty of History and Philology, the University of Tirana. Actually she is attending the Ph.D program. Mrs., Luku is the co-author of “History of Civilization in Antiquity and Middle Age” and “History of Contemporary Civilization”. Presently is a full-time lecturer at “Aleksandër Moisiu” University of Durrës, since October 2006.
According to the above point of view, the national identities of the European states aim to emphasize the totality of values, characteristics, contributions, personalities, goods, cultural and spiritual treasures, that are created, preserved and developed from their peoples during ancient and modern history. Similarly, Albanian national identity, authentic due to the complexity of its values, with an internationally known and accepted autochthony, represents a concrete historic and contemporary reality, vital and dynamic in its development, which can be distinguished for its original contribution to the treasure of European and world heritage.

**Key words:** western civilization, Albanian nation, integration, European Union.

### 1. INTRODUCTION

In these conventional European space, culturally diversified, the heightening of the respective identities is based not only on the preservation of the national historic continuity, but also on its cultivation, reinforcement and advancement, in the face of natural changes that come as a result, either of the influences, or of the general human and cultural developments, always preserving the essence of the ethnic group untouched, unharmed, sacred, that’s necessary for the self-identification and in order to gain a considerable support from the great and civilized nations, in the common challenges towards the European integration processes.

According to the above point of view, the national identities of the European states aim to emphasize the totality of values, characteristics, contributions, personalities, goods, cultural and spiritual treasures, that are created, preserved and developed from their peoples during ancient and modern history. Similarly, Albanian national identity, authentic due to the complexity of its values, with an internationally known and accepted autochthony, represents a concrete historic and contemporary reality, vital and dynamic in its development, which can be distinguished for its original contribution to the treasure of European and world heritage.

---

6 Ndue Ukaj (2005). Can the oriental identity be built over occidental culture? [http://www.trepca.net/.../050915_nu_a_mund_te_ndertohet_identiteti.htm](http://www.trepca.net/.../050915_nu_a_mund_te_ndertohet_identiteti.htm)
As part of western civilization historically, geographically and spiritually, the Albanian nation legitimately claims to realize the aspiration of integration into the Great European family.\(^8\) Except that becoming a member of European Union bears the challenge of “threat” to the historical and cultural heritage of Albanian people in three dimensions: content, time and space one.

The **Content dimension** means the diversity of national identities, the distinguished values of their civilizations and the special interests of the European nations. Conceiving the common European identity as a system of national cultures that influences and completes each-other reciprocally; the project of United Europe itself implies the acceptance of differences; it is the process where being much more European, does not mean at the same time you do not feel even more British, French, Albanian, Bulgarian etc. In this context, there is no doubt that Albanian culture, like that of all Balkans, in comparison with the culture of the other peoples of the Continent, has its specific features… outcomes of the geography as much as of the history of this peninsula.\(^9\)

In concrete terms, the source of the originality of our national identity is the authenticity over two thousand years of Albanians’ cultural and civilized developments, fundamentally relevant to western substrata. For this reason, in communications with Europe, Albanian culture is vital and holds a clear identity, based on language, experience and the human messages it transmits. So, … the way towards integration processes poses no threat to the identity of Albanian culture, but strengthening its dynamic helps to set much more constant values.\(^10\)

Besides contacts, Albanian culture itself is shaped by substantial features of the occidental civilization, which are used as national identifying marks of our nation’s European belonging. Historically this appraisal is transmitted from the wide range of Albanian literature works, known as Latinisation period with humanists creativity (Mikel Maruli, Marin Beçikemi, Marin Barleti etc.), pro-western bibliography of Renaissance figures (the Frashëri brothers, Pashko Vasa etc.) up to the rich literature of contemporary writers (Faik Konica, Eqrem Çabej, Gjergj Fishta, Fan Noli, Branko Merxhani, Mehdi Frashëri, Kristë Maloku, Ismail Kadare etc.). The generality of Albanian writings conveys the emancipated traditional psychology of Albanian people.

---


On the whole, Albanian culture represents a symbolic synthesis as consciousness of civilized values, a pure western output result of the natural interactive communication with the Occident.\(^{11}\) This last one is made possible by using spoken and written language that constitutes the most essential component of the Albanian national identity. Originating from Pelasgians, which are considered a pre-Illyrian population, preserved and developed by Illyrians in ancient times … (it) has come in the modern times unique and original like an unseparated part of Indo-European languages’ stock. This fact is based on a series of “studies conducted by outstanding linguists, such as Bopp (Germany), Meyer (Austria), Andersen (Denmark), in particular Norbert Jokli (Austria), Bartoli e Tagliavini (Italy)”.\(^{12}\)

Moreover, various albanologists have defined as Illyrian even a number of words used in other ancient or modern languages of Europe, considering them like loans or derived from the Illyrian language. Most of them are questionable, except some with probable veracity. To be mentioned: lat. Mannus = colt, compared with Albanian language maz/mëz; gr. Balios = white, alb. balë; gr. Kalibe = hut, alb. kassole etc.\(^{13}\)

The Albanian language was originated and developed in a regional linguistic atmosphere very complicated, competitive and often aggressive in relation to Latin, Greek, Slavic and Turkish-Arab languages. Nevertheless it gave and took with neighboring languages, … preserving, adapting and enriching substantial lexical, morphological, syntactic and semantic elements completely distinguishable from them.\(^{14}\) This achievement became institutionalized in the Congress of Manastire, in 1908, where the Latin alphabet was established in written Albanian language, like our monument of cleverness and patriotism, that helped natural reciprocation of cultural and artistic values between western societies, realizing an important civilized occidental dimension.\(^{15}\)

However, in the circumstances of intensification of Euro-Atlantic


\(^{13}\) The Academy of Sciences of Albania. The Institute of History (2002). *The history of Albanian people*, vol. 1. Tiranë: Toena, 54

\(^{14}\) Bashkurti, *op.cit.*, 113

\(^{15}\) Artan Fuga (2009). “For and beyond traditional communication language-nation”, *Contemporary communication within Albanians*. University of Tirana, Faculty of History and Philology, Department of Journalism, 11
integration processes, Albanian standard language faces different challenges, such as: the demotion of its status, inside and particularly outside Albanian borders; the increasing efforts to share the linguistic arena and the creation of new political languages; incomplete mastery and application of language rules; the decomposition of spoken and written linguistic culture; the fast involvement of foreign words and constructions into Albanian language; the non-standardisation of terminology on the national level; the imposition of the media and colloquial languages as main functional styles; the wide diffusion of non-albanian languages and writings, in all Albanian territories, on public spheres – in firms, advertisements, media and the likes etc.16 Besides these problems, Albanian society and also other linguistic cultures’ conveyers use English as lingua franca of the World. This last one is considered a mean of intercultural communication, not a homogenization source, that helps to preserve and, in fact, to strengthen special cultural identities of peoples.17

A distinguished value of national identity is the co-existence and interreligious harmony of Albanians, which represent a nation with a consolidated language and ethnocultural belonging. Their religious plurality, consequence of historical records, was gained by contacts, sometimes peacefully other times violently, among various civilizations. For nearly a millennium Albanians embraced and cultivated Catholicism, but under the pressure of rivalry between Roma Papal authority and the Patriarchate of Costandinopole that ended with the great schism of the XI century (1054), some Albanian Catholics converted to the Orthodox faith. While expansionist expeditions of ottoman invaders in Balkan, since the XV century and later, determined the pragmatist behaviour of massive conversion to Islam.

These religious identities, originated from communicative and socializing spaces18, have consolidated the spirit of understanding and tolerance within Albanians, who adopted Crypto-Christianism, a form of religious compromise between the Christian spiritual tradition and the imposed islam reality. Differently known as secret faith or religious dualism, its traces have been

found from Shpati zone and Berati to Kosovo. Along the entire Albanian territories, the development of faith dualism “has no doubt, as a first condition, sine qua non, the absence of religious fanaticism, in a grade that permits the co-existence of the three religions in the same place, within a family, and also at somebody’s heart and mind.”

In such a context, acceptance, respect and interreligious harmony of Albanians constitutes a Balkanic as much as an European value and a progressive model for human society. According to the analyst Veton Surroi: “the religious plurality is well integrated into Albanian people, …its final outcome is tolerance as a innate state within the nation and the absence of religious dimension in conflicts with other people”. Thus religious diversity is considered a great wealth because the experience of good understanding between Albanians, believers of Islam, Catholicism and Orthodoxy, helps the integration perspective and builds a European civilization, that protects and cultivates the identity of the Islam faith. The last one constitutes the most stereotype element for the negative historic image, made by pseudo-scientist, who present Albanian people as too much close with Islam fundamentalists ideas. For that reason, the membership of the Albanian nation with different religious belonging, compared with that of the other states, is considered a real challenge to the European Community, in order to overcome the dividing walls, the fear and the fobia, coming as memory from the past”. Consequently, the approach of United Europe consists in building a multi-identity society that lives in peace and harmony.

However, national identities constituents or candidates to become members of the great European family are placed in conformity with respective values and contributions of personalities of different disciplines. In concrete terms, the shape of international image of Albanians has been under the influence of the excellent performance of many figures of Albanian origin, like emperors of Rome and Byzant; vizirs of the Sublime Porte; Cardinals of the Vatican;

19 Gazmend Shpuza (2005). “Interreligious co-existence within Albanians”. Perla, A scientific and cultural magazine, Nr 1 (36), 68
20 Bashkurti, op.cit., 123
22 Bashkurti, op.cit., 233
23 Redi Shehu (2008). “Towards integration into EU or the assimilation of cultural identities”. The integration of Albanians into Europe and the values that Islam conveys to this integration. Tiranë: Islam Forum of Albania, 9
military strategists, legionnaires and well-known personalities of all genres of art.

In these pleiad of famous Albanian people, we can distinguish our National Hero - Gjergj Kastrioti – Scenderbeg. He became the portrait of Albanians, the essence of their national identity and the substance of their Christian spiritual constitution. Thanks to his prominent military and political activity, Scenderbeg was valued as the first Albanian statesman and was honored from Pope Pal II with the title “Athleta Christi” for the protection of western culture and civilization. Prof. Aleks Buda described him as a great “swordsman”, a fighter for “freedom” in general, and a defender of “Christianity” against “Islam and East”.24 In the history of European diplomacy, Scenderbeg is the first politician that created the Adriatic-Balkanic dimension through which he considered the Albanians’ interests balanced and harmonized with those of the region and whole Europe.25

The historic personality of Gjergj Kastrioti was raised to a fetish from the ideologues of National Renaissance because of their effort to legitimize the Albanian State. Thus our national hero’s Renaissance myth, as “the protector of western civilization”, helped to provide the support for this primary goal from the European actors. The evocation of the history of middle ages and the emphasis of pro-european visions of Scenderbeg were widely evidenced by the Albanian and foreign historiography. “For the sake of its grand activity, Gjergj Kastrioti has entered the ranks of the colossi of history, whose brightness has deeply shone during the centuries. The graphic of historical and literary works dedicated to the personality of Scenderbeg and the war he led has been increased continuously. A testimony of this fact is the important position of his name and work in the european historiography. Considering not only the number of publishings, but also the value of their content, each century has overtaken the previous. There have been written over a thousand studies, translated into more than twenty languages, in almost one hundred cities all over the world. Nowadays, Scenderbeg’s historiography is in its full blooming.26

The figure and the mission of Scenderbeg doesn’t have only a historic dimension. First of all, he represents the symbol of civilization for the

25 Bashkurti, op.cit., 147
Albanian nation and people. They have been motivated by the philosophy of Scenderbeg towards the modern processes of Albania’s integration into the European and Euro-Atlantic structures, because it presents the philosophy of Euro-Christian civilization, of humanism and illumination, of relentless devotion of medieval Albanians to defend Europe through self-sacrificing. The Albanians are interested in the processes of European and Euro-Atlantic integration not as an outside coming imposition, but as a continuation of the same historic and civilized logic that has begun from Scenderbeg more than five centuries ago. In Europe Albanian citizens feel at home.27

Despite the contribution of our national hero Gjergj Kastrioti, in the halo of European culture and broadly, there can be distinguished many Albanian personalities, like: the charities of Mother Tereza, considered the icon of Albanians’ humanitarianism, who self-sacrificed in the name of the triumph of goodness and love values all over the world civilization; the well-known writer Ismail Kadare, a symbiosis between Albanian language letters and the best world literature in the course of centuries. “In his works, Albanian and foreign values co-exist wonderfully as part of one only literary world. Homer and Eskil are mixed with Mujo and Halile of our epos, Dante and Shakespeare are intertwined with Costandine and Doruntina, Bajron and Berns are harmonized with De Rada and Frasheji, in such a way that make a real image of the world where the universal values overcome every time and space restriction”.28 Regarding the genre of art, we can distinguish the world-famous Albanian soprano Inva Mula, winner of many important national and international prizes; our gifted actors and ballet dancers, as James Belushi, Eliza Dushku, Kledi Kadiu, Ambeta Toromani etc., who are integrated naturally into the European screens and stages; successful sportsmen of known clubs of Europe and professionals of different disciplines with brilliant careers in the European countries.

The Time dimension means the shape and the consolidation of all components of national identity during historic evolution. This last one is considered a unique, autochthonous, authentic, unrepeatable value, which constitutes the international profile of our people and country. The national identity is inherited from history, developed in time and space, in competition with the identities of other nations. The features, the values and the activities of the personalities that have survived and are appraised, constitute “the national brand” of our identity in the world civilization.

27 Bashkurti, op.cit., 154
28 Ibid, 189
Since the second millennium B.C, in the territories of Western Balkan, over the existing pre-illyrian substrata was shaped an original autochthonous civilization that coincided with the Illyrian ethnic group and culture. The linguists’ researches, the archaeologists’ excavations and the ethnographers’ studies have argued with persuasive facts about the genetic bonds between ancient Illyrians and their descendents, Albanians, based on linguistic, evidences of the material and spiritual culture. Prof. Aleks Buda has also analysed the historic continuity of Albanian people in the middle ages, referring to the nation formed by a very ancient balkanic ethnic component, united in a language community and a spiritual habitat expressed in its culture, in the common territory and in the history clearly distinguishable from that of the other nations of the peninsula, shaped at the same time. According to him, medieval Albanians had lived in the territories called “Arbanon” or “Albanon”.29

Chronologically the peoples of Balkan suffered for almost five centuries the Ottoman Rule, which made their connections and cooperation with western society difficult, deepened the ethnocultural diversity imposing the elements of Islam culture and civilization and in general separated artificially the peninsula from Europe and its dynamic.30 Nevertheless the ottoman period didn’t violate the historic memory, the national consciousness and the substantial features of the Albanians’ national identity. These fact was confirmed in the intellectual and diplomatic activity of Renaissance figures who were orientated towards the emancipated West. “They led a cultural and political struggle to let the Europe know the sources and the constituent factors of the Albanian national identity. The origin, the language, the culture, the system of values and the common history were the essential characteristics of our identity, through which National Renaissance persuaded Europe that the Albanian nation made its requests as a historic subject.31

In concrete terms, the League of Prizren (1878), the Congress of Manastire (1908) and the declaration of Albania’s Independence (1912) were three rings of the same and undivided chain. Their main personalities, like Avdyl Frashëri, At Gjergj Fishta and Ismail Qemali contributed respectively through politics, culture and diplomacy to lay the foundations of a new Albanian state and its pro-european orientation.32 This last one constitutes

29 Buda, op.cit., 79
30 Bashkurti, op.cit., 76
also the primary objective of Albanian governments of post-communism, that
carrying reforms in an accelerated pace aim to integrate the Albanian nation
into the European Community, as a full right member. In this context, the
ratification of Association and Stabilization Agreement (June 2006) can be
considered “an identity card”, an honorific title with positive psychological
effects on Albanians\(^33\), based on similar cultural traditions and true European
values of our national identity.

The \textit{Space dimension} means that an essential part of the reality of the
civilization depends on the limitations and the advantages of its territorial
possessions.\(^34\) The geographical position influences on the formation of
substantial features of national identity and its changes during the historic
evolution. In concrete terms, “situated at the crossing of great ways of world
communication, the territories where Albanians and their Illyrian ancestors
lived, came early into useful reciprocal contacts, got involved in the economic
and social processes of Europe, consisting in the circulation of material goods
as much as ideas and artistic-cultural trends; but, they were on the centre of
the political interests and military-invading campaigns of world emperors of
Roma, Byzant, ottoman sultans up to Great Powers, in the first half of the
twentieth century.\(^35\)

Nevertheless the Europe of “ideological conflicts” period and of “the end
of history” initiated and reached consensus on building the European space
with a respective identity. The last one “can be compared with the kaleidoscope
that changes continuously, mixing the perceptions of the past with the request
of a coherent future …like a diversified and complicated community that
above all conveys the idea of belonging to a common legitimate space.\(^36\)
So, the present reality of Europe represents a conglomerate of its cultures,
civilizations, religions, languages and nations.

The question: “Which are the borders of Europe?”, the Commissioner for
European Union enlargement, Olli Rehn, answered: “The map of Europe is
in the europeans’ minds. The geographers set the landmarks, but, finally the

\(^33\) Hamit Beqja & Lekë Sokoli (2006). “We and Europe, a socio-psychological approach”,
\textit{Tirana Observer}, Thursday June 15\textsuperscript{th}, 11
Komunikimit, 45
\(^35\) Buda, \textit{op.cit.}, 11-12
\(^36\) Gjergj Xexo (2007). The European Identity. \url{http://www.shqiperia.com/dir/.../art/109/Identiteti-evropian..html}
values determine its borders”. The Albanian nation, even though de jure is not a member of the European family, it belongs to the European civilization due to geographical position, historical and cultural heritage and spiritual values.

The philosophy of building the United Europe is based on the achievement of unity through the preservation of the diversity of the national identities of the member states. Thus, the aspiration of the Albanian people corresponds with “the geographical position, the ethnographic and geopolitic dynamic that make our country a central crux towards Europe, together or as an important part of the Balkan Peninsula”.

**CONCLUSIONS**

The Albanian national identity, a conveyor of important elements of historic and cultural tradition of western civilization, faces a three dimensional challenge of heightening its substantial values towards the process of integration into the European Union.

*Firstly*, it needs to emphasize the European roots of psychological and cultural values of Albanian nation, such as language, customs, traditions, social mentality, religion etc. In particular the three religious belonging of Albanians constitutes a matter of double importance: a) the admission in the European Union of a nation with a majority of muslim population, which transmits the values of tolerance and interreligious coexistence. b) the “self-emancipation” of the European family, conveys the values of religious plurality among its people. Also, the specific contributions of Albanian personalities in different fields help to strengthen the positive image of our country in the region.

*Secondly*, reasoning with scientific arguments the historical continuity of Albanians’ national identity aims to emphasize the features of its autochthony and authenticity.

*Thirdly*, the geographical position in the south-east corner of Europe has determined considerably the position of the Albanian nation in the European identity.

The emphasis of these three factors influences the importance and the

---


contribution of the historical and cultural values of our civilized identity in
the treasure of the European heritage.

BIBLIOGRAPHY

7. Fuga, A. (2009). “For and beyond traditional communication language-nation”, *Contemporary communication within Albanians*. University of Tirana, Faculty of History and Philology, Department of Journalism
disintegration ideas of today’ Albanian society, Tiranë: Toena


New Risks that Threaten Albanian Well-Being
Survey on perceptions of global problems by students of the University of Shkodra.

Esmeralda HOTI
Lecturer, “Aleksandër Moisiu” University, Faculty of Education, Durrës, Albania; E-mail: esmeraldahoti@yahoo.it

Cultivating inner discipline is a process that takes time; expect an immediate result is a sign of impatience. Paradoxically, that modern man wants is the best, the most fast, the easiest and, if possible, the least expensive.

Dalai Lama (2002)

Abstract

Most of sociologic theories have developed in the last decade some effect on society of new phenomenon as globalization, postmodernism, individualism, information and multiculturalism. The purpose of this paper will be, precisely, a modest treatment of new risks emerging in recent years in these post-modern societies, elements which exhibit the first signs even in global Albanian and perceptions of these problems by students of University of Shkodra, who have gathered and discuss aspects of globalization.

To achieve the purpose of this paper will address these arguments to:

---

1 Esmeralda Hoti finished her studies in 2001 at the University “Luigj Gurakuqi”, Faculty of Social Sciences. She followed up her studies in the University of Turin, Faculty of Psychology, Possessing a graduate Master Psychologist in Clinical and Community Psychology. During 2008 - 2009 she attended Psicodiagnosi ‘s developmental age, at the Institute of Psychotherapy “Alfred Adler”, Turin. Currently works as a lecturer at the University “Aleksander Moisiu” Durres and at the University “Luigj Gurakuqi”, Shkoder.
social genesis of new risks; conditions of life in globalize: environmental risks, working conditions, customer requirements, social protection and reduction of urban security; reflective globalization; individualism, multiculturalism and information; new ideas for promotion of welfare; interpreting data from the survey on the works of students and a psychological problem for the Albanian community.

The objective of this work is to file a first attempt to approach the problems of globalize, according to the analysis and offer contemporary perspective Albanian issues.

The analysis shows a degree of pessimism on the part of students in the hope of finding work just finished their studies.

Key words: globalization; individualism, multiculturalism, information, Albania.

1. INTRODUCTION

The colony sound remains the lack of meritocracy in the selection of personnel working in various fields and corruption; an indication of the presence of the consumer and non-Albanian non-global obsession is not diffusion of shopping malls, which are turning into new places empty anonymous communication which are turning into new places empty anonymous communication; not only in the global cities, but also big cities Albania becoming unsafe, not for lack of light, which is now recovering, but the green spaces are not enough and people are living under the same place. Migration and emigration of citizens are the main causes of the transformation of the perception of security in Albania are highlighting different cultural orientations pursuing wellness programs and fitness orientation, demonstrating that the body and its appearance are becoming flexible central for the great city, its aesthetic orientation, where women are now slaves of the wellness centers and personal care orientation towards quality of life, he sees developing adaptation against environmental pressures.

If you are wondering if we live in a social and psychological well-being, do not know if the answer is yes, this is because if we look at three broad areas of social life, that of living conditions, social relations, culture and communication is noted that ‘era of globalization involves global reflective or was the opening of new risks, both in quantitative and qualitative terms.
(Ingrosso, 2007). The life of the nations power of the globalize economy is characterized by a climate of competitive social mobility, flexibility and risk are more and more ground in the everyday and if these trends are justified in economic benefits and organizational-level staff create a series of emotional reactions - such as fear, anxiety, stress, tension or crisis of identity.

The perception of environmental insecurity, real or potential loss of benefits, confidence in others and in the future, uncertain construction of identity has led to the spread of aggressive attitudes, angry and cynical, creating new forms of mental illness. For example, in ASL in Italy talked about the statistics of those diagnosed as borderline, the border line between neurosis and psychosis, indicating that aggression cannot be processed and handled by patients. We can now look closely at the perceived risks and analyzed recently:

2. ENVIRONMENTAL HAZARDS

Beck (2000) proposes a first category to understand the “social threats,” the risk. It is intended as a threat and damage of social origin, and more particularly productive, but that out of reach and control subjects. According to this author, environmental degradation and threats to health arising from consumption and production typical of industrial society is a qualitative leap, not yet understood. Phenomena such as the epidemic BSE (mad cow) of radioactive fallout, pollution of cities (e.g. cancer, allergies, respiratory diseases, poisoning and psychosomatic illnesses) and natural environments seem not so much of technical reasons, when economic, political and cognitive.

In Albania there are still some serious studies on the effects of pollution and bad food for the health of citizens. Statistics show is always a frightening increase of patients diagnosed with cancer, but specialist’s reasons are “orphan” and what worsens the situation and lack the interest of the institutions to change the situation. Recently there has touted noise due to music close to the highest in local home centers, small construction firms or horn of machines. It is important to bring certain issues in the agenda, because it shows that is changing the sensitivity in regard to these issues and with it the attitude of the Albanians.
3. WORKING CONDITION

Sennett (1999) proposes a second category, that of working conditions. The attitude toward the work environment has changed. The author quotes: “Today a young American, who has had at least two years of college, can expect to change jobs at least eleven times during his career”. This is clearly a situation of “contingent” to maintain a sense of if it is consistent and stable ties with others. Everyone must rely only on themselves, forgetting that calls on solidarity and that is the cornerstone in building a sense of community and identity. Not to forget the anxiety and the emotional and relational discount that makes the working atmosphere in the present day. We cannot but feel that the discomfort is also contaminating “the worker” Albanian, which shows that fear is living with the non-economic stability of the present day. But where we can deduce this fact? The work proposed by the students shows that the individualization is increasingly becoming the leitmotiv of the affective and relational life: young people are more selfish, less cooperative and defensive.

The Albania becomes increasingly inevitable part of “do it yourself” and people feel increasingly alone one from the likes, but also by institutions. Working conditions not feel the stress of reliability and this means a reduction in work performance. What has changed in the philosophy of the worker in Albania is the flexibility to change along with market demands. This change is slow, but is also “infiltration” in the classrooms of universities, where students are informed that out of there the working world is cruel and must learn to take hard and fight for survival.

Students show a degree of pessimism in the hope of finding work just finished their studies. The colony sound remains the lack of meritocracy in the selection of staff working in different fields and corruption.

4. THE CONDITION OF CONSUMER

The global society is a society of consumption. At the center of the economic mechanism are the goods and services that are used by the citizen consumer. Consumers appear at the core of the market, but, notes John Caroll, there is a relationship between implicit conception of wealth and consumption styles, “the spirit of this company proclaims: If you feel bad, eat! ... Melancholy is the reflection of consumerism, implies that the illness resembles the feel empty, cold “(Bauman, 1999).
The other three categories that Bauman propose are: 1. *Modern consumers*, tourists who want to try excitant experiences. 2. *The vagabonds* free to move so capriccioso. 3. *The players*, for who time is divided into a series of games. Consumers Albanian because of economic conditions in the European standards, consumes a great deal at the level of markets, small shops or supermarket in the area of residence. Another indication of the presence of a consumer is not global, non-obessive non-commercial distribution centers, which are turning into new places empty anonymous communication. Equally, the small number of diagnoses of anorexia and bulimia, or the thinness of the escape prevailing in postmodern society, shows that the Albanian consumer does not need to react defensively to the malaise and a widespread reliance Environment invasive or opulent.

I wonder, but the family in this entire where is it? Because clearly all the issues revolve around the fundamental micro global society: the family. Although the Albanian family in the last 20 years has changed its structure, shifting from extended family to the nuclear family ties still seem to be a priority for emotional and relational Albanian citizens. A study that I conducted at Shkoder in 2008 on sexual problems of young people, showed that most of the sample, 76% (200 students from 17 to 18 years), did not feel the need to learn from a sex education program information on the life of torque from a relational view, but only on the act sexually. Clearly the data are limited in a residential area, but this indicates that the family that comes after the couple’s life gives security at an unconscious level.

**5. URBAN INSECURITY**

The ideology of globalization also entails projecting the individuals in an area of life de-localized, where boundaries dissolve, social environments are mixed. The ability to move in the labor market and to fill the lives of “real” consumption are the basic elements that define the lives of people. This placement involves polarization, inequality and differentiation, but these positions are not defined once and for all, are mobile. But the fact remains worrying marginalizing of that part of the population who cannot move with the times and rhythms of the market, degenerating conditions of life. In this whole situation is added to the transformation of cities: they become insecure and anonymous. Studies carried out in several Italian cities, showed that the factors that gave security in their cities were: the lights, green space, the gates where it was
written “Beware of Dog” and certainly the presence of the person (Zani, 2003).

Not only in the global, but also big cities Albania becoming unsafe, not for lack of light, which is now recovering, but the green spaces are not enough and people are living under the same place. Migration and emigration of citizens remain the main causes of the transformation of the perception of security: cities like Tirana, Durres, Shkoder and Vlore are living this reality. For students of Shkoder, this could be noted in the speeches made by their parents if they leave the streets complain that they do not know anyone, do not say more “like you woke up” to people familiar.

You Wandering through the streets and see people you’ve never seen. Another problem, they always stressed, is also what he sees them as protagonists. No longer left alone in quiet after a certain time and clamoring who are the parents of our friends. According to their parents perceive the danger that emerges from the “unknown”, everything that is familiar and secure. But surely cities like Shkoder, with 120,000 inhabitants, have not the same problems and insecurities of the city of Tirana, which now has 800,000 inhabitants. The anonymity and identification which remains the everyday feels most is in labor relations and in those intimate. Are the same students that emphasize greater collaboration among students in local universities than in the capital? Clear that their conclusions are not empirical, but due to human relationships with their peers who study and live for years in the capital. In conclusion: the Albanian cities have big problems of foreigners and their integration, so the bias developed in our cities affect only those who do not belong by birth to the city where they reside.

The planetary society there is a strong identification of the report, resulting in family relationships and more. The risks of social concern in identifying the first place, the identity, differentiation, recognize and are recognized. To do this we need the constant presence of the other, the real presence and full of meaning. In the global society, where values come into conflict and people are victims of narcissistic disorder, that they want to be everything and everywhere, breaking up their identity, this is possible?

Galimberti (2008) speaks of the crisis of society, which consists of a change of sign of the future: the future - a promise to the future - threat. And as the mind is healthy when it is open to the future (unlike the depressed mind wholly concentrated in the past and psyche manic entirely concentrated in the present) when the future closes its doors, then, as Heidegger says, “the terrible has happened”, because the motivation grows and initiatives are going out. The future threat is also perceived by young Albanians who told
him in their essays: forms of intolerance, the root of selfishness, the economic crisis, the emergence of new diseases (just appoint H1N1), and finally new wars in the name of saving the global but in the end are wars in the name of “wealth” staff. Several students have highlighted a significant effect of these phenomena: they teach us that to survive; “we” we suffocate “the others”, to feed our “soul” we suck “experienced” an ‘other soul. Galimberti thinks that the generations of our children have much more uncontrolled emotionalism and a space for reflection more limited. Their emotional background was solicited by a volume of sensations and impressions too high relative to their capacity of containment. Since the early years of life have much experience (television or otherwise) with respect to their ability to process.

But lacking in young Albanians another experience essential to their soul: the emotional education, which grows within them the ability to understand other, to feel the suffering of others and to develop this empathy needed to build the real human bonds. In an individualistic society, where time is no longer your best friend and the space is relocated (Ingrosso, 2007), the new and global Albanian man is insecure and vulnerable, because the table of her house no longer the same values, the same beliefs of their fathers and I feel his discomfort. In fact, the mass media seek the increase of drug addicts, depression and suicide, as the unmistakable signs of the missing social and psychological well-being of citizens.

Despite these emotional effects of economic globalization and the movement increasingly expanded the Albanians in Albania are highlighting different cultural orientations pursuing wellness programs and fitness orientation, demonstrating that the body and its appearance are becoming central to the flexible big city, its aesthetic orientation, where women are now slaves of the wellness centers and personal care orientation towards quality of life, he sees developing adaptation against environmental pressures. The presence of these new practices tells us something important about what people consider important in their lives, which they feel the need or desire.

If it is true as stated Ingrosso(2007) which reflexivity becomes an important part in social global, then the lack of development of these welfare states of truth reflects a collective unconscious dynamics Albanians: the need for non-heal inwardly at the expense of appear the best we can. The new Albanian global expansion is becoming prey of body subject of media manipulation and consumption.

In fact, the students clearly demonstrate, through their stories, as this
manipulation affects mainly the “successful”, the people who are part of the demographic shifts or work. The effort to assimilate almost grotesque in a different context of life and manners, makes them the example par excellence of an individual in crisis with their own identity. Indeed, one consequence of cultural and economic globalization and the formation of macroscopic phenomena of exclusion, resulting from the difficulty of being “different” to integrate. Rather than global citizens, they represent the individual who does not find the necessary resources for the processes of individuation. The tasks of the students show an interesting description of these phenomena: the girls all dress alike and have the same hair and makeup (such as high-heeled shoes, the same jeans, same walk or how to talk differently.)

James (1890) described the settlers on the “me” as a social, recognition received from others, of a spiritual nature, the collection of my states of consciousness and of my faculties and of a material nature, body, clothes and home.

The demographic facts, combined with the economic and communicational processes, generate another impressive set of processes such as aging populations (in rich countries, but which is also reflected in the major Albanian cities, where new families prefer to take further training and economic stability), and the mass migration (in the countries emerging). Moreover, the increasing social mobility for business and tourism contributes to homogenization of lifestyles in the eradication compared to local (Ingrosso, 2007).

Even in the emerging environmental powerful globalizing pressures, since such phenomena as the effect evening, acid rain, pollution, and now, even in Albania, the future of nuclear risk, know no borders. Similarly, in health, the rapid extension of new diseases (AIDS, Ebola, H1N1) is also developed in the countries of Westernization, that is also in our country. Simply quote all the prejudices against the new H1N1 virus taken by the Ministry of Health, as a time of globalization of health care and overall coordination. But do not forget a big problem that emerges from this phenomenon: the local communities are overridden by decision makers and invested in negative catastrophic wars in the last decade have ridden humanity. Local communities can play a role only through the creation of a consensus based on the promotion of some specific qualities of social life over which there is pending and to do this you must rely on trust. The concept of trust has begun to find acceptance in the social sciences in particular to undertake the disengagement of social exchanges and cooperative behavior in social settings furniture. The psychological studies have revealed at least four pro social types of behavior-based trust: altruistic ones, involving personal sacrifice, and those help, which includes the use of its resources, skills
and time for others, those of cooperation, where are for personal and collective needs and to consider the views of others (Ingrosso, 2007).

It seems that the relations of trust in Albania are still prevalent only in small towns that retain a sense of community. The local community, city, religion and ethnicity become symbols of inclusion, but also sometimes to the exclusion of another. This phenomenon, unfortunately, is spreading even in areas of public service and health. While large cities in the world are dealing with phenomena of racism and discrimination against migrants, in Albania global multiculturalism is not a problem because due to the economic slow migration is absent, but the phenomena of discrimination are present. The inflexibility of mental and spiritual simply accept the difference; it seems a collective problem of modern society Albanian.

According to social identity theory developed by Tajfel and Turner (Bonnes & Bonaiuto & Lee, 2004), part of the identity is defined by membership in groups and scores of positive self-extended group membership as this helps to define the identity itself. In this way there will be a tendency to work against low intergroup objectives. Prevails inclination to see their group membership (in-group) in a more positive light than out-group. Another theory that describes the important issues of identity, Identity Process Theory of Breakwell, considers that the structure of identity is regulated by the dynamic processes of assimilation, accommodation and evaluation (ibid.).

The first refers to the absorption of new components within the structure of identity, the second adjustment to make room for new elements introduced, and the third involves the allocation of meaning and value to content and the old and new identity. A threat of identity occurs when the processes of assimilation and accommodation are no longer able to cope with the principles of continuity, instinct, self-efficacy and self-esteem (ibid.).

Another effect of globalization is the increased sense of insecurity. According to Bruno Zani (2003) the sources of insecurity in the cities are the urban stress and fear of victimization. The environmental stressors play a key role in the social construction of the city as unsafe place: pollution and traffic. Albania sees the global traffic is also an indicator of urban quality. No coincidence that the majority of young students indicated the heavy traffic as a major source of pollution, which poses a global threat to health. In close association with these two elements appears as a source of urban stress, poor maintenance of roads (the presence of holes, intersections, “cursed”, roads with no lighting), which increases the risk of accidents and makes the most dangerous cities and suburbs.
A further indicator of the hazard in urban centers is also the fear of victimization, fear most affected by teenagers, fear of aggression, fears of being threatened in personal identity, anxiety associated with future inability to exercise freely their right to change.

In large cities Albanians these insecurities increase, because the population shifts and migration are increasing more and more. This involves the formation of subcultures that are difficult to integrate and make a place in society without being judged or discriminated against at the same time, the increase of insecurity because of lack of knowledge of the environment both physically and socially.

In recent years, clinical psychology moves away from the concept of healing, turning their eyes to the concept of change desired intrapsychic and psychosocial dynamics that we are describing is now far from the health-illness polarity, inching closer toward constructs subjective feelings and perceptions of wellness-illness, how to include exclusion from the individual self and the social group, harmony-disharmony with their previous experiences at intrapsychic and relational experiences daily, the result of the interaction of the self, with the interject and the outside world, agree-disagree with their motivation at both conscious and unconscious, and with the intention of the reference group significant. Thus, the authors try to integrate various surveys that measure various aspects of welfare, to create an instrument for measuring the welfare that takes into account the simultaneous presence of levels “organic, ethnic, primary relationships, family, group-, social, institutional and environmental aspects” is suggested a tool that takes account of two hitherto little environmental variables measured, the rate of social capital (defined as opportunities in the community for meetings between different groups) and the rate of inequality in income distribution (Francescato, Processes of globalization and the desire to communities, PDF).

Because the quality of the social fabric and the differences in income affects health has been documented by Richard Wilkinson (1996) in a brilliant essay that explains how in most developed countries the incidence of diseases is lower where the social fabric is more compact and income differences less pronounced. Exceeded a certain level of income increases health, both because there take better care of ourselves as individuals, and because it works better the social fabric that surrounds us. Numerous epidemiological studies underline the positive effects on health produced by the social network: who has more human contact and is an active community life in which it is, is better than those who lead an isolated existence. The decline
of social capital in American society, which is the model for many others in the era of globalization, has been brilliantly documented by political scientist Robert Putnam. Putnam argues that in America in recent decade’s economic liberalization and the pursuit of individual success has been accompanied by a strong decrease in all forms of citizen participation in political and social life (ibid.).

In the post-communist Albania, citizen participation in social and political life has increased with the passing years, with increased education and training. The creation of civil society, foundations and associations without profit, the Albanian society is experiencing an important moment for democratic growth and human. The institutional regulation of the trust that is based on the delegation of experts or organizational structures is lacking, because, unfortunately, trust in institutions has not yet reached the desired levels. Reforms in this sector are taking the start and what it takes to Albania is to have an “unquestionable ally”: time. In a fragmented society in which it is changing the institutional regulation of trust (Ingrosso, 2007), it is possible that the trust focuses on determinants actors or social groups. This seems to be characteristic of postmodern times and, paradoxically, the Albanian society is developing these trends, because what prevails and the attention and the belief that “leaders” can do “change.” From all the surveys conducted in Albania during the elections of 28 June 2009, showing that the Democratic leader Sali Berisha and President of the Republic Bamir Topi, were voted as the best figures of the political future. Even the opposition leader Edi Rama had obtained a place in the standings. In fact, this trend does not seem to be all postmodern, when the result of a totalitarian regime that had put at the center of governance one figure, all-powerful and unique. And if it is true that ideologies are rooted strongly in the personal and collective psyche because of the need for adaptation and social survival, and sometimes physical, then we can say that it is an early mention of the development of generalized trust and universal for the Albanian context. The generations that have suffered the nightmare of never being them “knowingly” cannot suddenly become pioneers of postmodernism.

The security agreement as a common good implies the need to develop social policies based on an alternative model to the forensic, a model that is based on the principles of social inclusion, strengthening of ties within the territory of the integrated treatment of the causes of insecurity (Zani, 2003).

It is necessary to reopen the question of social welfare, both to counter the new risks global era is to pursue new goals of social quality and quality
of life. Beside phenomena risky in the world today are tracked other guidelines bearers of innovative ideas for the physical and mental health.

If health systems traditionally a mixture of naturalistic observation and social experiences of care, ethical guidelines, religious, the current extension to the dietetic medicine, sport, skin care and so on. The definition and verification of new healthy lifestyles are an important public interest at the very time when their production is today as more complex than in the past. They have a right to health which is not limited to the dissemination of health benefits in the territory, but take care of the determinants and conditions of the spring being.

Interventions in the natural sciences and social ones in this area are not a guarantee of relevance in terms of control. In some ways the ending of certain scientific intervention lead to the spread of unexpected effects of the spread and create new social problems: such as Viagra, a drug manipulation tool for people all over the world. There is a need for the same social research to acquire more qualitative methodological tools, such that the processes of welfare can be understood from the inside (Ingrosso, 2007).

Albania also needs to develop comprehensive and think of a social field with observational tasks, training and innovation centered on the lifestyle favorable to health, mainly operated in the interaction of public and third sector working in this field such as wellness centers, natural food, etc. Unfortunately, these centers are scattered throughout Albania, but only in larger cities, where economic conditions and life styles are closer to those of cities worldwide. Even those centers that make projects of mass education, sex education, protection of the elderly, women abused or orphaned children do not have the support of the legislation and suitable structures. One gets the feeling that every initiative, every search result, each association does work “abstract” to the context, precisely because the scientific mentality is changing, but the underlying structures not yet. Therefore need a more effective coordination between economic resources, legislation, research and promotion of health – wellness.

Concluding, I will focus on promoting well-being globally. Since the ‘80s, the World Health.

Organization (WHO) has defined a new direction of health policy called Health Promotion. The main directions of work of health promotion have been summarized in the Ottawa Charter (1989), which indicated a healthy lifestyle, environment health, enhancement of community resources, reform
of social services - health development function and coordination of public policies (Ingrosso, 2007).

But only parts of the promises of the Ottawa Charter have been retained. In Albania only recently is making the reform in health care and healthy lifestyle still seems far away, not because we want, but the economic and political development has not reached the high steps of efficiency. Centers of welfare seem to be more an opportunity for financial gain, which is a possibility of launching a new culture of wellness. Advice dietetic most useful proposals that seem to the health of sporadic attempts to advertise the saying that produce food for only one category with a high economic status (e.g. if you order two servings a day of food dietetic for a month in Tirana cost you 300,000 lek or 230 euro, whereas in Albania and the average pay of 250,000 lek or 200 euro). Globalization has brought a regression of social policies as the instruments of national sovereignty are inadequate to govern the actors and global problems. This situation defines a new sphere of action independent of the territory (Ingrosso, 2007).

Reinick propose an answer to this kind of challenge: a global public policy, in which nation states are associated with voluntarily giving part of their sovereignty to the most powerful governmental entities Kickbusch and de Leeuw speak of “global public health”, meaning three strategies:

- Policies for Global Public Health Network
- Initiatives supported by partnerships oriented approaches, such as the World Bank and WHO, working in Albania. (Statutes and guidelines agreed between international actors UN agencies, government (public regional and local). Such schemes have been tried in relation to the ozone issue, the trade in baby milk, with the proposed Convention on Tobacco Control.
- Non-state actors – e.g. global social movements. A social movements are passed by a line no - global to a new global approach, presenting itself as a place of developing an alternative proposal to that of the G8 (ibid.).

The European constitution becomes a fundamental step if it is capable of going beyond the centrality of nation states without denying them. A Europe of citizens implies a choice and decided to share a new policy of the European welfare state that knows how to bring the focus of the social quality and the quality of life. In the face of new risks planetary era Albanian society has an obligation to understand the role of social and individual well-being,
because only if we citizens are healthy, both mentally and physically goals we aspire to reach the standards required by the European Community.

Perhaps the wisdom of a people is worth a thousand policies designed around a table of experts, when it says “healthy mind in a healthy body “!!

**BIBLIOGRAPHY**

Albanian Integration in the EU
a Technical Process or/also a Political One

MA. Daniel BORAKAJ
Lecturer at the “Aleksander Moisiu” University, Durres, Albania
Tel:0035542368643, e-mail:daniel_borakaj05@yahoo.com

ALBIN GEGA
Lawyer, Political Sciences Bachelor
Tel:0672010065,e-mail:albingega@yahoo.com

Abstract

Among its intentions to be integrated into the EU, Albania faces the two – standards EU policy. This stand makes clear the fact that the integration process is not just a technical one, but is mostly political. This issue’s analyze intends to show the difficulties of this process. As a consequence of Albania’s confront with these difficulties, the achievement of its objective for the membership requests much more time and social-political strain.

We have used the scientific comparing method in this paper with the intention to clarify our stand and arguments. More specifically, we will compare the reality in Albania and the reality in other EU members. Three indicators have been selected for this comparison: freedom and human rights (minorities); free and fair elections; economic development.

Key words: EU policy, freedom, human rights, fair elections, economic development.

1 Daniel Borakaj, finished his studies in the Faculty of Social Sciences/Department of Political Sciences, University of Tirana. His postgraduate studies cover the field of European Studies. He has worked as a lecturer at the Faculty of Educational Sciences, University “Luigj Gurakuqi”, Shkodra (2006-2007) and as director of the Sos Children Village, Tirana (2007-2008). Actually he is a lecturer at the University “Aleksander Moisiu”, Durres, department of Political Sciences and Public Administration.
1. FREEDOM AND HUMAN RIGHTS (MINORITIES)

The European Union has adapted the European convention of human rights and the universal declaration of human rights into the European right. It interacts with other organizations to exchange information and to undertake common actions with the goal of freedom and human rights respecting. One of these organizations is CoE. This organization prepares annual reports for each member regarding the situation of human rights and freedoms respecting. To be more substantial, will be analysed the situation of two countries members of the EU, which have realized their membership with full rights in the EU in 2005, Slovakia and Hungary. Also will be analyzed the situation of other two countries that have completed their membership at last: Bulgaria and Romania.

The case of Slovakia shows that the EU with or without intention did non take in consideration the notices that have been done from the Supervisory Committee of the CoE in relation to the respect of human rights in this country. As it may be seen below, it is about breaking the European right. The problems in Slovakia start by the loopholes noticed in their legislation regarding the national minorities. These loopholes are reflected also in the situation on the ground. The Supervisory Committee in its report on 2005 reflects that the prejudices and intolerance toward some groups are very strong. Some violent and aggressive stands have been noticed toward the rom community. This flagrant impingements of human rights in a country that the EU has turn on the green light for their membership cannot be neglected. As for coincidence, the report was drafted the same year that was completed the membership of Slovakia with full rights in the EU. Despite the obligations for each country that aims its integration in the EU, the Slovak government authorities did not try and did not gather the information about cases of race discrimination, including some criminal cases taken before court. Without taking in consideration the real intention of some social reforms in this country, the decrease of the level for social support did not achieve nothing else but widening of poverty and made life very difficult for many rom families. These reforms were accomplished on 2004 and their effect was felt immediately. A large number of rom children (especially girls) left their schools and remained uneducated. The Supervisory Committee reported some sterilization cases of the rom women without their consent (written approval after they were informed). Without any hesitation we may say that this kind of cases “deserve” to be called inhuman. Even these
cases reported from the Supervisory Board did not result sufficient for the EU hesitation regarding the Slovakia’s membership.

If we make a comparison with the report of the Supervisory Board for Albania of the same year (2005) we may notice that we have to do with a qualitative contrast. Despite the difficulties that the minorities have for access in the social field, media, etc, they have real possibilities to be active in the politics. They participate in the country’s government from the ministry’s level to the local level, as mayors or head of communes. The Greek minority is the largest in this country and they get educated in their mother language. Not only, there do work Greek language desks that serve for the qualification of the young teachers. The minority zones are covered by family doctors, as all other areas all over the Albanian territory. The Albanian legislation allows the creation of minorities political-cultural organizations as Omonia, Rozafa- Moraca etc.

Despite all essential contrasts in the minorities’ treatment in these two countries, the EU stand in this case resulted with two standards. When Slovakia’s General Attorney took an investigation for the cases of sterilization, no one was law suited as the author of the crime. Some NGO that published the cases got threats from the governmental authorities.

As a conclusion, the Supervisory Committee said that despite the governmental authorities’ pretentions for a minor number of discrimination cases, the official statistical data show an increase of the criminal cases with ethnical bases since 2004 and on.

Neither these conclusions were enough for the EU to consider the Slovakia’s membership case. To have a more convincing and clearer view, we will analyze also the situation in relation to the human rights and freedoms respect in Hungary. From the Supervisory Board report for this country is ascertained an anti-rom feeling and the negative stereotype spread mainly. This feeling affects directly in the recruitment of employees from employers in various sectors accomplishing a clear behaviour of the race discrimination. As in Slovakia’s case, even in Hungary were reported cases of rom women sterilization without the right to give their consent. A case like this is under investigation from UNO. In Hungary was reported also for policy brutality and violence cases against these groups. The racial discrimination is spread all over the country including the right for education. The education system continues to create a strong phenomenon for the rom children exclusion, ex. a considerable number of rom children are taken to special schools for children with mental diseases. In the report is made clear that these practices and other forms of discrimination are dedicated not only to the actual legislation and the
loopholes it has, but especially to its not practicing.

Supervisory Committee noticed that the proper legislation was not respected for the inclusion and the representation of minorities in the parliament. This fact was emphasized by the Constitutional Court. The situation of respecting the human rights in Hungary has an essential contrast with the situation in Albania.

In Albania’s case, there is an anti-discrimination policy from the Ministry of Education and Sciences. Junior high schools, high schools and Universities are opened for rom children, despite their residence. These children are spread in various classes and not in a special one, so the rom isolation phenomenon is not evident in educational institutions or special classes, as it is in Hungary.

Despite the Supervisory Board reports for Slovakia and Hungary, the WU has turned on the green light for their membership with full rights in 2005. The EU has executed its policy of two standards in the Balkans with the last membership of Bulgaria and Romania.

As in the abovementioned countries, even in Bulgaria the Supervisory Committee published its ascertainment in relation to the respect of human rights and freedoms. It showed that in Bulgaria there is no legal definition for the national minorities, as there is not a specific legislation for the minorities’ protection. Not only this, but the Bulgarian Constitution does not mention the existence of national minorities. The Macedonian minority is not considered as a minority from the Bulgarian authorities. Also the pomaks are not treated as a minority because the Bulgarian government thinks that they do not fulfil the criteria to be treated as such. The supervisory committee evidences the fact that in this country persists at a high level the discrimination against the rom population. Also there is data for a large number of rom prisoners and Muslims (pomak). There are some reports for psychological and physical abuses of these persons during the investigation phase.

Compared to the situation in Bulgaria, the Supervisory Committee in Albania did not ascertained differed treatments in the investigation period because of race. Also there is not noticed a large number of rom prisoners or prisoners that belong to other minorities. The Supervisory Committee ascertains the persistence of violence acts in Bulgaria, but such thing is missing in Albania.

From the abovementioned data, not fulfilling the respect of human rights and freedoms criteria in Bulgaria did not became an obstacle for their integration in the EU.

A similar situation with Slovakia, Hungary and Bulgaria is also in Romania. The Supervisory Committee ascertains the no appliance of the
antidiscrimination law at very high levels. It has criticized the National Council for the weak war against discrimination. It is noticed that the illiteracy is at a high level at minorities. The education in the mother language for minorities does not exist. The Supervisory Committee has identified a total lack of transparency for the state’s budget funds that must be used for rom people. The ethnical communities have major problems for the return of properties. In Romania there are many difficulties for the registration of minorities’ organizations. In this country besides the problems with the rom minority there are other problems with the Hungarian minority, the pomak, etc, where the inter-cultural communication is very difficult.

In Albania the minority has been treated the same as the rest of the population in relation to the property (Law 7501) and the problem of organizations registration does not exist.

As was ascertained from the data above, the case of Romania is one fact more that serves to prove the policy of two standards in the EU. We are not taking in consideration the case of Greece that does not accept to have minorities and much more a Supervisory Board to investigate the respecting situation of freedoms and human rights.

At the four countries we have mentioned in relation to the respect of human rights and freedoms, we may notice that have been worse or at the same situation with Albania. For the EU an equal treatment would mean a tolerance for not fulfilling the criteria from this countries or no tolerance for none. An opposition to this stand would say that Albania does not fulfil other criteria as: free and fair elections or a developed economy. In this way it is useful that the comparison of the reality in Albania for these two criteria to be done with other member countries of the EU.

2. FREE AND FAIR ELECTIONS

The first case we will study is Slovakia for the only reason that we are following a chronologic roder of the EU new members.

In the Republic of Slovakia were taken the presidential elections on 3 April 2004, one year before its membership in the EU. What was reported since the beginning from the OSCE/ODIHR observers was the definition of an elections system that created some problems for the way it was foreseen to be voted. The law had an important deficit for the president’s election, which is the lack of sanctions and penalties for every possible person that breaks the process.
Another important fact brought from the observers of OSCE / ODIHR was the extremely short electoral campaign (only 13 days). It is understandable that in this case the problem stands to the politicians that cannot show their platform also to the citizens who cannot take the political message at a high qualitative message, making it impossible to choose the most qualitative project.

Another problem that was noticed was the definition to take a referendum at the same day with the presidential elections. This fact created the process duplication problem after the division of the electoral commissions and the electoral centers for each voting process. This situation demoralized many citizens who did not attend the voting process. One of the definitions of democracy is: Democracy, power of the majority and the low level of political participation does not show a consolidated democracy. The Law for the President election left another important loophole regarding the contestation of the possible irregularities during the electoral process. It is known that an important factor of democracy is the public contestation and if this value is eliminated or contracted for political reasons or even more according to the Law, it questions the democracy itself.

Considering that these elections, with these noticed problems from the European institutions did not question the membership of Slovakia in EU, it only shows the policy of two standards.

Just one case cannot generalize; it may be expressed from an opponent opinion. For this reason, below we will analyze the electoral processes in Romania and Bulgaria.

On 28 November and 12 December 2004 in Romania were taken the parliamentary and presidential elections. The observers of OSCE/ODIHR in their final report highlight as a first concern the electoral law approval only two months before the elections. A delayed law created difficulties first in its comprehension by all the society and second its correct implementation. This is a phenomenon that is encountered in all societies of a democracy that is not consolidated. Another problem that was noticed from the observers was the use of the voting cards more than once. It is understandable that this fact shows the impingement of one of the basic principles for the free and democratic elections, as is the equality principle. This principle defines that citizens are equal for their power and this equality is ratified by the fact that each citizen has the right of a vote (one man = one vote).

The observers have noticed a confusion feeling among the citizens in relation to the voting centres. This confusion brought discontent to many voters. As in Romania and other countries of democracies that are not
consolidated this phenomenon happens a lot. The case of the not correct results published in the official tabulates made manipulation doubts raise. This fact was denounced from some candidates even in some other cases. Even in this case we have to do with the impingement of another principle of free and democratic elections as is the honesty principle. This principle defines the will of people reading as the people have expressed through their vote. Also, the OSCE/ODIHR expresses in the report their uncertainty in relation to the Romanian parliament intention in the decision taken to allow the use of voting cards and identification cards. In this period, the Romanian citizens were equipped with identification cards. In the best case, this fact may be marked as a negligence and professionalism absence of the Romanian policymaking. In the worst case it may be seen as a chance more for not legitimate advantages. From the observations in the voting and counting centres was ascertained a big concentration of unauthorized people. Also, it was reported the use of physical and psychological violence from this people toward the local and international observers.

In a situation like this, it is hard to talk about the use of citizens’ free will to elect their political representatives. Even in this case we have to do with the invasion of freedom principle. These are also situations that are encountered in countries with unconsolidated democracies.

Another problem that was noticed from the observers was the publication of the final result from the ECB (Elections’ Central Bureau) without treating the candidates’ and political parties’ complaints. In the report are mentioned cases of physical violence use in the voting centres from the majority commissioners toward the minority commissioners. This fact was reported even from the civil society observers.

In the end of the elections in Romania case study, we cannot leave without mentioning the exercise of the decision no. 105 from the ECB, which limited the voting in special lists. This decision created main problems in the comprehension and in the implementation from the citizens. It was considered as neglect of the right of vote for many Romanian citizens.

Analyzing all the abovementioned facts we came to the conclusion that the parliamentary and presidential elections of 2004 in Romania can be named anything else but free, honest and democratic.

The parliamentary elections of the 5 July 2009 in Bulgaria had many problems. As in Romania even here the electoral law was approved two months before the elections. But what is more concerning is that the law passed without a wide consensus, which is not in accordance with the good
international practices. The OSCE/ODIHR observers noticed a serious problem with the voting lists. Those had more than 6.8 million voters, when the population of Bulgaria is almost 7.6 million people. The blown list of voters showed strong possibilities of manipulation. Neither this fact shows a consolidated democracy. The flagrant case of abuse with the lists was in the district of Kardjalit where during the elections for the European Parliament were registered 148,853 voters, meanwhile during the election of the 5 of July were registered 221,710 voters. Except this, the observers noticed cases of vote falsification in Varna, Montana, etc. The most spread phenomenon was the one of vote purchase that was noticed mainly in Vratsa, Lovech and Plovdiv. The falsification phenomenon and the vote purchase mine the electoral process. The will of citizens not only was deformed but is seen as a product in the market that may be bought and sold. These facts show a country of an unconsolidated democracy.

Another problem that was noticed during these elections was the difficulty till the impossibility for a complaint process from parties and coalitions. A complaint case from the Blue Coalition was taken to the general attorney, who directed the complaint to the Constitutional Court, who didn’t consider and examine it.

Everything we have written above for the election in Bulgaria shows how much are respected the democratic principals and free and fair elections. Often the EU in its communication equates the free and fair elections with democracy itself. For all the abovementioned cases we came to the conclusion that the EU has accepted the membership of countries that have not fulfilled and do not complete its criteria. From the equation of free and honest elections with democracy we may deduct that the EU has recruited countries of an unconsolidated democracy.

In the case of Albania was not applied the same standard. Much more urgent this fact becomes when in the final report for the elections of June 28th in Albania, OSCE/ODIHR reports that in these elections is marked a considerable progress regarding the voters registration, the identification process, the legal framework approved with both bigger parties consent in relation to the voting process, counting process and the judging of electoral conflicts.

### 3. ECONOMIC DEVELOPMENT

Continuing the logic of comparison between Albania and other countries members of EU based on the indicators (freedom and human rights; free and
fair elections); in the following we will continue the comparison based on the economic development.

Despite the major attempts from the Bulgarian Government to decrease the Public Debt, to increase the foreign capitals and investments, during 2008 the inflation achieved disturbing numbers (14.7%). The economic raise did not exceed 6%. Part of the legislation for businesses registration and for the responsibilities transfer from the juridical system to the administrative one, has not been approved yet. The reform related to the administrative and civil procedures has been delayed. Because of these facts, many businesses are not completely ready for the entrance in EU. A major issue is the high level of corruption which is a serious obstacle for the legislation’s implementation. Also, the taxes procedures are very complex and are applied in an incorrect method.

In relation to Romania, IMF has ascertained a decrease of the economic development and an increase of the inflation. It affirms the fact that Romania is passing an economic recession. The deprivations in production are the highest in the region (8.5% of the GDP). At the other hand, a report by EBRD for the economies in transition highlights the fact that Romania continues to suffer from the corruption phenomena.

Despite the problems that are noticed in these countries in relation to the economic development as: corruption, the barriers from the lack of legislation etc, all of these was not an obstacle for their membership in the EU.

Compared to these countries Albania has a noticeable improvement of the business climate. This comes as a consequence of the Public Administration’s high performance, the system of taxes etc. Also it is considered very positive the government step in relation to the public businesses registration in less time. IMF notices that the inflation in Albania is at the lowest level in the Region. The fast economic growth, the prices stability and the high remittances have improved life conditions. The IMF has noticed even a progressive decrease of the Public Debt, from 66% in 2001 to 53% in 2007. Although there are noticed some problems, as: the electric energy sector (high level of loss in the lines and low level of receivables).

As it may be noticed even in relation to the economic development, Albania, in comparison to Romania and Bulgaria is at a higher level.

CONCLUSIONS

Based on the three indicators that we have studied during this paper, compared to other EU members, Albania stands ahead or in equal position,
than it is clear that the integration process is not only technical. It is more a political process that depends from the political will of EU to accept or decline the membership.

As we have seen by the above mentioned facts, this will have existed for some countries that did not fulfil the important chriteria, sanctioned even by the European right, as the respect of freedom and human rights and minorities.

Despite breaking the principles of the UE as the non-discrimination, free and fair elections etc, this countries today are part of the European family.

Despite the better situation or equal in the main aspects with these new countries of EU, this is not happening with Albania.

BIBLIOGRAPHY

3. DAHL.R, Poliarky,(2005) editor PEGI, Tirana
   www.coe.int/t/dghl/monitoring/minorities/2nd_OP_Slovak Republic
   www.coe.int/t/dghl/monitoring/minorities/3_FCNMdocs/PDF_2nd_OP_Hungary_en.pdf
   www.coe.int/t/dghl/monitoring/minorities/2_FCNMdocs/PDF_2nd_OP_Rumania
   www.coe.int/t/dghl/monitoring/minorities/3_FCNMdocs/PDF_1st_OP_Bulgaria_en.pdf
   www.coe.int/t/dghl/monitoring/minorities/2_FCNMdocs/PDF_2nd_OP_Alpinia_enipdf
   www.imf.org/external/np/2008/pn0894.htm
   www.imf.org/external/country/ROU/index.htm
The Role of Albania in the Balkans

MA. Elda ZOTAJ
Lecturer, “Aleksander Moisiu” University, Economics and Administration Faculty, Durrës, Albania
Tel: 00355 69 35 85 077; E-mail address: eldazotaj@yahoo.com

MMA. Eda BEZHANI
Lecturer, “Aleksander Moisiu” University, Economics and Administration Faculty, Durrës, Albania
Tel: 00355 67 21 35 241; E-mail address: edabezhani@hotmail.com

Abstract

Albania is an important factor of the Balkan Region stability. Political situation after 90, which had to do with the violent disintegration of the former Federal Republic of Yugoslavia and especially the creation of new states, has shown Albania such a good stabilizer of balances relationships in this Region.

It is the fact there are ethnic Albanian minority in almost Balkan countries, where in some of them the great number of this population, has played a crucial role in their constituent processes (just to mention the case of Macedonia and Montenegro).

Albania throughout post-communist period has shown that it works to have good neighborly relations, embracing any political and economic initiatives that ensure peace and sustainable economic development of countries in the Region.

Key words: Ex-Yugoslavia, The last ethnic conflict, Stabilization & Association Process, Integration, Market economy

1 MMA. Eda Bezhani has a bachelor degree from Faculty of Economy & Agribusiness (Agricultural University of Tirana) and completed her Master degree in Marketing, at the IAMZ University of Zaragoza, Spain. Currently is attending doctoral studies at the Economic Faculty, University “Aleksandër Moisiu”, Durrës.
1. INTRODUCTION

The aim of this paperwork is the identification of the importance of Albania’s integration processes in the Balkans. The paper will focus on analyzing the role of our country after the 90s, but also it will not miss an analyze of major developments before this period. The research on time in order to be better reflected the evolution of relations between Albania and other Balkan countries.

2. HISTORICAL DEVELOPMENT

In fact if we will refer to historical developments, the Balkans has been identified as an area with frequent conflicts and tensions. Spanning an important geo-strategic position as a bridge between East and West, historically this region is involved in the influences and interests configuration of various world powers, which not a few times have influenced that it will be converted in confrontations and conflicts territory. On the other hand numerous reasons of crises that have characterized this part of Europe also explained by the fact of ethnic divisions, a mixture of different cultures, religious communities, backwardness in economic development, cultural and democratic.

In this kind of environment, Albanians and their territories often have found themselves as a trophy, trophy alleged by neighbors ...

Prior to dwell on the importance that has been Albania in the Balkans during different periods of time, is to clarify the term of the Albanian issue where the researcher R. M. Della Rocca is defined as: The disability of reuniting in a single state of territories inhabited by Albanians. From the nationalist point of view this is the issue of the Greater Albania, the final goal was the National Renaissance².

Two main concepts related to the Albanian issue are Albania and Albanians. Is to clarify that these concepts are not equally valued with each other and their meaning clarifying will facilitates the content of this paperwork.

Albania as a country gained independence in 1912, including within its borders about half of the Albanians population. Many of the territories

---

² Della Rocca Roberto Morozzo, (2000) Albania Crisis Roots pg.76
inhabited by the Albanian population, almost the other half, was left outside. This was the population living in Kosovo, Macedonia, Montenegro, Serbia and Epirus.

Despite the inability to reunite the territories of Albanians living in these territories, they still represent a unique history and culture of Albania.

Ethnic and territorial problems that have existed and exist in the Balkan region are related to two main factors: firstly coexistence between populations located in the same territory and the second result of complex historical events related to these different periods of occupation sovereignty.

3. ALBANIA POSITION AFTER WORLD WAR II

During and after World War II, and the establishment of the communist regime in Albania and Yugoslavia, we have a new stage of relations between these countries in the Balkans.

In the early post-war relations between Albania and Yugoslavia remained a present the issue of minorities, living and being part of the new Federation in the Montenegro, Macedonia and Kosovo, a problem which was trying to be resolved by Tito’s government.

The existence of the Albanian minorities in neighboring countries would not be in the Albania’s “foreign policy agenda”, after the frozen of relations with Yugoslavia and after with Russia.3

Relations between Albania and Greece after World War II were characterized by an emphatic harshness, it was preserved the situation of war, although the attack on Greece had been Italy’s decision. As the “Issue of Chameria” (Albanian population with Muslim religion who lived in the province of Chameria that is currently in Greece) it remained unresolved. Issues of great national importance remained in silence through the “indifference” of Official Tirana in regarding to Kosova and other territories, which testify a powerlessness of Albania foreign policy.

In fact, the relations between West and Albania were frozen from the establishment of eastern side political line. In these conditions, Russia, the Albanian’s greatest ally, was more pro-Slavic peoples and their interests than the right solution to the issue of Albanian territories, unfairly separated from the Great Powers.

Pursuing a separation policy against Western Camp paralyzed Albanian state in the resolving its cause. The self isolation in the following years, affected the importance negatively in the geographical and political aspect.

4. BALKAN AFTER THE FALL OF COMMUNISM REGIME

Despite historical injustices, this small country in the center of the Balkans, survived until in nowadays through tragic centuries with losses and great sacrifices. The early ‘90s for Albania has marked a new page in its history. The changes that accompanied the Albanian state in the economical – political transformation were not only in the region.

It is important to emphasize the political situation of the same period in the region, which had to do with the violent disintegration of the former Federal Republic of Yugoslavia and especially the creation of new states. War in Slovenia, Croatia, Bosnia – Herzegovina and Kosova, occurred during a decade. These bloody conflicts, in which lost their lives thousands of innocent civilians, it were nothing more than last madness of a hybrid creature of Yugoslavia, where under the ethnic cleansing, were made efforts to occupy of the others territories ...

Once again the International Community attention was focused on this region of Europe, for those issues that were avoided by the true solution.

During the disintegration process of Yugoslavia, the events followed each other as a warned disaster, and it was impossible to stop their fatality flow. After the struggle of Bosnia, the international intervention, the Dayton agreement and the presence of UN forces, was achieved to restrain the Serbian revanche in the period from 1996 to 1998. But this “peace” was temporary, because it was preparing another disaster for Kosova...

After years of ’90 Albanian people of Kosova refuse the legality of the Belgrade government (the University of Prishtina students efforts have beginning from the year 1981, the Independence Referendum in year 1991, and many other efforts for secession from the former Federal Republic Yugoslavia), peaking the top in March 1998 with Prishtina’s demonstrations and mass repression by the Belgrade regime.

Violence during the clashes was increased rapidly, meantime was showing clear the signals of an ethnic cleansing, and its purpose was to empty the Albanian – populated territories. In spite of international diplomatic efforts, even during the Rambuillet meeting, the violent actions continued.
The failure of the Rambuillet talks, raising the refugee’s tide that across the Albanian border, the vivid facts of mass killings indicate another historic moment, NATO forces began military operations against Serbia on March 23\textsuperscript{d} 1999 to stop genocide in this province. This initiative was without precedent, and constituted the first European war after 1945.\textsuperscript{4}

Albania role was the most important in facing the Kosova humanitarian crisis. Albania hosted in a fraternal way more than 400 000 Kosova refugees. In fact till the recognition of Kosova independence in 1991, the official Tirana has shown unconditional support to Kosova, although it was the only country in world that has recognize it. Among this time, Albania with its internal trouble problems, the Kosova issue was in the center of its attentions. NATO strikes were suspended on June 8, 1999, and Kosova came under the international community administration. Kosova’s final status remained for another decade unresolved.

5. ALBANIA AND ITS ROLE IN KOSOVA CRISIS

Albanian factor in the Balkans is of first hand importance, making the contribution and role of the Republic of Albania to be very important in creating an atmosphere of harmony, coexistence and mutual cooperation in the interest of peace, prosperity, welfare and integration of Balkan region into the EU.

Humanitarian crisis in Kosova, and non conflict involvement of Albania, affirmed its role as a good stabilizer of Balkans balances and also as an important factor to regional stability...

It is the fact there are ethnic Albanian minority in almost Balkan countries, where in some of them the great number of this population, has played a crucial role in their constituent processes (just to mention the case of Macedonia and Montenegro). In Kosova for example, Albanian nationality are about 85\% of the population; in Macedonia lives an Albanian national population claiming that constitutes 40\% of the country’s population, as par Macedonian official data this percentage is lower up to 23\%, from more realistic sources this percentage goes from 26 – 30\%, because all the Macedonian western area along the border with Albania is densely inhabited by Albanians. Others are Albanians in Montenegro and constitute from 6 – 10\% of population of this country, about 100,000 are Albanians in Serbia.

Like many other countries of the former eastern block, the Republic of Albania has had to face the consequences of the totalitarian system and transition. Crisis of 1997 and the humanitarian crisis came as a result of the conflict in Kosovo left their tracks and asked the time needed for neutralization and excess.

To understand the role and active policy of European Union countries after 1991 in the Balkans (and more intensive after 1996 with concrete programs of regional integration), is to clarify that the real map of Europe (western, central and eastern) became not only by political division of the eastern part on the side of the communist bloc, but also by researchers, historians and politicians, having a Western Europe that stood away from Balkan Europe (part of Eastern Europe).

Element of Balkan Europe avoid a complex term which desire mercy Balkan countries with geographic reality of their existence was establish especially with the latter orientation towards the European Union.

It rises as a black legend, where its history filled with wars, conflicts and hatred with claims for space territories constituted continuing unrest in the region.

The trouble flirt that was perceived for the Balkan (Balkan Europe) is twofold: Foreign, and here we are dealing with a selfish intellectual part of Westerners who do not find it appropriate to stop the extremely complex problems of an area that has always been peripheral and poor, and the other an internal perception of thinking which have issued the Ballkans westward only national propaganda messages where every nation has defended his cause by blackened neighbors ...

In this swirl of events of unrest, misunderstandings and indifference Balkans is getting through after painful story...

6. EU INITIATIVES AND BALKAN APPROACH

With the proclamation of Kosova Independence on 17 February 2008, which was the outcome of last ethnic conflict, for this region began a new reconstruction era.

During the first decade of this century have occurred three major historical events, three capital “miracles” for the Albanian people of extraordinary significance and meaning as well as economic policy: The independence of Kosovo, Albania’s membership in NATO and the construction of Durres –
Kukes highway. With these three events, Albanians are part of a new economic rapid development phase which is related with their reputation in the region.

At the regional level, Balkan’s people, for the first time after many decades are orientating toward the same social – political model and toward common geo-strategic orientation, which is related to their European and Euro Atlantic integration.5

In 1996 the European Union adopted the policy for the Balkan countries called “Regional Approach”.

General Affairs Council, at this time, determines a range of political and economic conditions that Balkan countries should be met to develop and strengthen their relations with the EU. The concept of Regional approach was adopted by the General Affairs Council on 29 April 1997. In essence it represents a framework for developing relations with five countries of the Balkan region, with which the EU had not adopted until the end of 1996 guidelines for the opening of the association agreement, these countries were Albania, Bosnia-Herzegovina, Croatia, Macedonia and FR Yugoslavia.

Until 1999 the European integration policy was implemented on two directions: the Association Agreement, which were included Romania and Bulgaria, and the “Regional approach” to specify countries mentioned above.

In May 1999, the Stabilization – Association agreement was offered to five Balkan countries, to establish closer relations between the EU and the countries concerned.6 Stabilization and Association Agreements were to bring a new dimension of cooperation by overcoming relations with those countries that had not reached this level and more advanced developing relationships with others who have already signed the cooperation agreement. It seemed clear that the process of integration would be as an individual work as well in the group.

Albania is one of the first countries recognized as potential candidates began negotiations for a Stabilization and Association Agreement in 2003. These negotiations have successfully concluded and was materialized in the signing on 12 June 2006 to this very important agreement, have completed the first steps towards a full membership of Albania into the European Union.

Special role in the up to now work and achievements of Albania has played foreign policy pursued by our country.

The really genius idea of Mone and Schumann to join around a common economic interest, which would avoid new conflicts between European

5 Bashkurti Lisen, (2006) About the International Right and International Organisation pg.8
6 www.mie.gov.al
countries it results to be the best investment and also more stable and fruitful, that Europe had needed more.

It is this vision which Albanian diplomacy operates in framework of regional cooperation, keeping the stability, in peace and economic prosperity, in a dynamic open regional cooperation, where crises do not dominate but a cooperation which produced and evaluated the best values.

Albania throughout the post-communist period has shown that works to have good neighborly relations, and embrace any political and economic initiatives to ensure sustainable peace and economic development of countries in the region.

Cooperation in the Balkan region is closely related to some common reasons and interests of these countries.

Through good cooperation and neighborly in Balkan Countries is preserved peace, progress and stability, which is closely related with countries in political sustainable development and economic growth.

It is a fact that after 1999, the Balkan countries are cooperating with each - other in some sectors. Free movement of population in Montenegro, Macedonia, and recently with Bosnia, are indicators of good neighborly relations. Establishment of diplomatic relations between Kosovo and Macedonia, Kosovo and Montenegro, attesting the political maturity and stability in the region.

We can mention that Albania’s internal stability is not only the best model of religious harmony, but also a positive model of minorities treatment, which testifies the seriousness and commitment to respect minority rights. Since the ‘90s, political freedoms, social, economic, cultural, etc., to everyone, have recognized progress. In this regard, the minorities in Albania have benefited from this democratic space that is created, and not only that but they have served for the approach of countries with each other.

Intensification of regional trade has brought the trade benefits beyond state borders that in general can be very simply summarized as a spreading prosperity and encouraging peaceful relations between countries.

States within the EU assistance programs have focused their energies on building and strengthening the state rule and law, respect for democratic principles, freedoms and human rights, development of market economy. Shared goal of integration into EU structures has yielded results in the performance of these countries in implementing the obligations under the Stabilization and Association Agreement, where the successful accomplishment of the above objectives are a prerequisite for the process of European Union Membership.
It is clear that a stable Balkans would mean a faster integration into EU structures where economic interests take a different priority.

A different regional cooperation is the Free Trade agreements. Free Trade Agreements are the product of a great intensification of international trade in goods and services. They are nothing else but agreements (bilateral and multilateral) that regulate international trade of products and services.

In the Balkan Peninsula is a delayed in time repetition of what happened with the Treaty of Rome of 1957, which later lead to the present EU. These agreements with countries of the region intended to create a regional market of 60 million consumers. While the economies of Balkan countries taken separately are very small, economic integration and the creation of free area creates many opportunities for foreign investments. Analyzing this approach to the Albanian economy, viewed as a good opportunity, because domestic production is relatively little as a result of lack of investment in the new manufacturing technologies application, making necessary the import products from other region countries.

It seems that Albanian producers were billed by a major burden for the products survival in the market, but competition actually gives them the opportunity to promote and improve products quality and prepares them to a much bigger market such as European market. This market of course that brings challenges and opportunities. Again, the primary opportunity that is created consists in the fact that businesses can easily sell their products in a market not only national but in a much broader region. In this way the customers have in their hands an extensive range of choices and products qualities.

Such agreements enable the elimination of customs barriers for products and goods, the only way effectively cope with competition.

The regional free trade provided not only peace but also prosperity and secure continuity of economic development.

CONCLUSIONS

In conclusion we can say that Albania in the course of history, has managed to overcome many injustices committed against it, coming in today with an important position in the Balkans. Throughout the period of post-communist Albania has shown maturity in diplomatic relations with neighboring countries. She has been involved with European institutions and
NATO, and has maintained its position as a stabilizing factor and a strong ally of Western Europe. The role of Albanians in the Balkans and their influence has increased with the victory of the independence of Kosovo, which is the second state in ethnic Albanian region.

She has played and will play a major role in the Balkans, especially in the economic field (Albania - Kosovo market with over 6 million inhabitants), through free trade agreements signed with countries in the region; Political Albania, where political stability will mean stability for the other region where ethnic minorities play a determinant role in political decisions as Macedonia, Montenegro, etc., and it balances the upholding of peace in the region.

**BIBLIOGRAPHY**

   www.mie.gov.al.
Accounting Harmonization a Condition of Macedonia’s Membership in EU

Fitim DEARI
Lecturer Assistant at South East European University, Business Administration Faculty, Ilindenska nn, 1200 Tetovo, Macedonia, Phone: +389 44 356 072, E-mail: f.deari@seeu.edu.mk

Rasim ZUFERI
Lecturer Assistant at South East European University, Faculty of Business Administration, Tetovë, str. Ilindenska nn, Macedonia; E-mail: r.zuferi@seeu.edu.mk

Abstract

Generally, different countries use different ways in preparing and reporting financial statements. Their reporting quality is evolving as evolves their economical, juridical, cultural, and social requirements. The recent trends are for practices unification with the purpose of decreasing costs and increasing benefits for decision makers. Those trends are addressed to International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS).

The enhancement of financial reporting should not be viewed as an objective for its own sake. But, it is much more than this and there is a need of all stakeholders to participate in micro level as well in macro level. High quality financial reporting is the cornerstone of a well functioning...
market economy and the bedrock of a country robust financial system. Thus, implementation correctly of IAS and IFRS is very progressive step and challenge for Macedonia and its financial system, and a condition for country economic integration.

Since the Stabilization and Association Agreement in April 2001, the economic orientation of Macedonia has moved increasingly toward Western Europe. Consequently of economic integration, accounting harmonization has become even more important after the European Union (EU) granted Macedonia candidate status on December 17, 2005

Key words: IAS, IFRS, Macedonia. JEL classification: M410

1. INTRODUCTION

The initial steps in the line of accounting harmonization systems across Europe were gained through EU accounting directives. The Fourth Directive was signed in 1978 and the Seventh Directive was signed in 1983. Member States were obliged to implement into national law.

In 2002 the regulation of the European Parliament and of the Council introduced as obligatory the use of International Financial Accounting Standards (IFRS) for publicly traded companies and consolidated account.

The requirements for group listed enterprises to prepare IFRS reports from 2005 were established in most transitional economies, but it is still unclear to what extent other enterprises will prepare IFRS financial statements. Without common accounting standards, there could be 27 different national methods of accounting in addition to the use of IFRS and US GAAP, which are permitted by some EU countries (Whittington, 2005). Brown and Tarca warn that “the future of the IASB is tied to the successful introduction of IFRS in Europe” (Brown and Tarca, 2005). The EU motivates the regulation by referring to the enhanced international comparability and transparency of financial statements and improved access to the international capital markets resulting from IFRS usage (Cuijpers and Buijink, 2005). Schipper states “if the IASB declines to provide detailed implementation guidance for IFRS, I predict that preparers and auditors will turn elsewhere, perhaps to US GAAP or perhaps to jurisdiction-specific European GAAP, for that guidance” (Schipper, 2005).

In addition to the use of IFRS by listed companies, many countries adopt international standards for unlisted companies or model their domestic
standards on the basis of international standards. The Australian government had decided to adopt international standards for the statutory accounts of all domestic companies from 2005, and New Zealand has indicated the year 2007. The 2003 survey by Deloitte and Touche (2007) suggested that more than 90 countries would either require or permit IFRS for listed companies by 2005, and according to the latest Deloitte survey now there are over 100 such countries. This provides an interesting example for those who argue that accounting standards should be left to competition in the marketplace (e.g. Watts and Zimmerman, 1986).

2. MACEDONIAN ACCOUNTING STATUTORY FRAMEWORK

Macedonia gained its independence peacefully from Yugoslavia in 1991. Since the Stabilization and Association Agreement in April 2001, the economic orientation of Macedonia has moved increasingly toward Western Europe. Consequently of economic integration, accounting harmonization has become even more important after the European Union (EU) granted Macedonia candidate status on December 17, 2005.

The importance of high quality financial reporting should be seen from both, country and companies perspectives. Improving financial reporting is predicted to have positive effect in many segments as: development of financial markets, financial stability, private sector growth, improving accessing to credit, and last one which is more important for the country, European Integration.

Event to, Macedonia in 2006 has developed a national strategy and action plan to enhance the quality of financial reporting, studies shows that Macedonia is classified as country that has “doubt” in IAS implementation. Correctly implementation of IAS has fail in some standards as IAS 1, IAS 27, IAS 40 (IAS 25), IAS 39, IAS 16, IAS 38, IAS 32, and IAS 7.

According to Company Law (2004, Article 469), each commercial entity shall be obliged to keep accounting records and submit annual accounts in a manner determined by this law, and the accounting regulations. Each large and medium size commercial entity, commercial entities specified by a law, as well as commercial entities performing banking activities, insurance activities, commercial entities listed on the Stock Exchange and commercial entities, the financial statements of which are included in the consolidated financial statements of the above mentioned commercial entities, shall be
obliged to prepare and submit financial statements in accordance with the adopted International Accounting Standards, published in the “Official Gazette of the Republic of Macedonia”.

The Minister of Finance shall prescribe special regulations for the keeping of accounts. The format and contents of the balance sheet and income statement prescribed by the Minister of Finance applies to large and medium enterprises. Simplified balance sheet and income statement apply to small enterprises.

Accounting regulation is driven by the Ministry of Finance, which also regulates and collects taxes. On the other hand, implementation of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) is not an enclosed process, but it is the standard-setting process which takes into account the needs of all accounting information users.

3. PRESENTATION OF FINANCIAL STATEMENTS – CASE OF MACEDONIA

According to Company Law (2004, Article 471), each commercial entity, in accordance with the principles of proper keeping of accounts, shall keep its trade books in a manner that clearly reflects all business and legal operations and the position of its assets, liabilities, equity, revenues and expenses. The trade books shall be kept in a manner that enables any third party -expert when reviewing the trade books to gain a general overview and insight into the operations of the commercial entity, as well as the financial condition and financial results of the company. The trade books shall clearly present how all of the business transactions of the commercial entity have been commenced, conducted and completed. The commercial entity shall be obliged to keep one copy of each business letter sent. Such copy shall be identical to the original sent. The trade books shall be kept according to the double entry accounting system. Trade books, kept in accordance with the double entry system shall be the Journal, the Ledger and the Subledger records.

According to Company Law (2004, Article 472), the commercial entity shall keep their trade books in the Macedonian language, using Arabic digits and values expressed in denars. All data registered in the trade books shall be comprehensive and complete, prepared in a timely manner, up-dated as necessary and presented chronologically, or shall accurately reflect the time sequence of their occurrence. The trade books shall be kept on the basis of
reliable accounting documents. Records registered in the trade books shall not be altered in such a manner that would prevent the determination of the originally registered contents. Making changes or modifications in a manner that prevents distinguishing the original and initially entered (registered) contents from subsequent additions or changes shall be contrary to this law. Trade books may be kept in a hard copy (in separate or bound sheets) or in electronic form, in accordance with proper accounting principles. The commercial entity shall be obliged, regardless of the method of keeping and storing the trade books, to provide access to the trade books, at any time and pursuant to a reasonable notice period and to keep and ensure their protection from interference during such stipulated period, and to guarantee their availability at any time. Trade books kept under the double entry accounting system shall be kept by applying single accounts as prescribed by the Chart of Accounts. The Chart of Accounts shall prescribe the accounts that are obligatory for all trade companies, unless otherwise provided by law. The commercial entity shall, according to its needs, break down the accounts from the Chart of Accounts into analytical accounts (in its Subledger Chart of Accounts). The Minister of Finance shall prescribe the Chart of Accounts.

IAS/IFRS require retrospective accounting so that the correction of an error is excluded from the determination of profit or loss for the period in which the error is discovered. Such inconsistencies result in difficulties for preparers and auditors, who may find themselves unable to comply with both domestic law and international standards (Hegarty et al., 2004, p.6).

According to Company Law (2004, Article 473), each commercial entity shall compile an accurate inventory of its entire property. The inventory shall separately present the immovable property, installations, equipment, stock, intangible assets (patents and licenses), cash and cash equivalents and all current assets by stating the value for each part of the property separately. The balances of assets and liabilities in the accounting shall be reconciled, at least once a year, with the actual balances as determined by the inventory as at the 31st December. The commercial entity shall draw up the inventory every business year that shall last one calendar year. All entities considered to be commercial entities according to their form, as well as sole proprietors, shall be obliged to draw up an inventory. Parts of the property of the same or similar type may be presented together as a group with their total value. The commercial entity shall also draw up an inventory in the event of reorganization, liquidation and bankruptcy proceedings and in other cases stipulated by law.
As we can see, according to Macedonian Company Law, regulation in line of preparing and presentation of financial statements is more a formal than essential a guide. It doesn’t mention others criteria like International Accounting Standard 1 for fairly presentation, going concern, accrual basis, consistency of presentation, materiality and aggregation, comparative information, etc. Those are fulfilled in Macedonian Law on Accountancy. But, oriented according two laws, i.e. Company Law and Law on Accountancy can be an obstacle for companies in line of preparing and presentation of financial statements.

The financial statements must “present fairly” the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation (IAS 1.13).

IAS 1 requires that an entity whose financial statements comply with IFRSs make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with IFRSs unless they comply with all the requirements of IFRSs (including Interpretations) (IAS 1.14). Inappropriate accounting policies are not rectified either by disclosure of the accounting policies used or by notes or explanatory material (IAS 1.16). IAS 1 acknowledges that, in extremely rare circumstances, management may conclude that compliance with an IFRS requirement would be so misleading that it would conflict with the objective of financial statements set out in the Framework. In such a case, the entity is required to depart from the IFRS requirement, with detailed disclosure of the nature, reasons, and impact of the departure (IAS 1.17-18).

An entity preparing IFRS financial statements is presumed to be a going concern. If management has significant concerns about the entity’s ability to continue as a going concern, the uncertainties must be disclosed. If management concludes that the entity is not a going concern, the financial statements should not be prepared on a going concern basis, in which case IAS 1 requires a series of disclosures (IAS 1.23). IAS 1 requires that an entity prepare its financial statements, except for cash flow information, using the accrual basis of accounting (IAS 1.25).

The presentation and classification of items in the financial statements shall be retained from one period to the next unless a change is justified either
by a change in circumstances or a requirement of a new IFRS (IAS 1.27). Each material class of similar items must be presented separately in the financial statements. Dissimilar items may be aggregated only if they are individually immaterial (IAS 1.29).

Offsetting: Assets and liabilities, and income and expenses, may not be offset unless required or permitted by a Standard or an Interpretation (IAS 1.32). IAS 1 requires that comparative information shall be disclosed in respect of the previous period for all amounts reported in the financial statements, both face of financial statements and notes, unless another Standard requires otherwise (IAS 1.36). If comparative amounts are changed or reclassified, various disclosures are required (IAS 1.38).

According to Macedonian Law on Accountancy (Article 27), assessment of the accounting statement items shall be done by applying the assessment rules defined in the Entity’s accounting policy, which are in line with this Law, the accepted accounting principles, standards, principles and the current accounting practice.

According to Law on Accountancy (Article 28), the basic assumptions for composing accounting statements shall be:

- constancy,
- consistency,
- keeping of records of the changes as they occur.
- The general rules (criteria) of assessing the accounting statement items shall be:
  - caution (carefulness), the principle of accomplishment and equal values-impairments,
  - individual assessment of property and obligations,
  - linkage of the balance sheet in the time,
  - material meaning.

### 4. CONCLUSION

The adoption of IFRS is supported in many countries inside and outside the European Union because it may improve the quality and comparability of financial reporting. In addition to the use of IFRS by listed companies and in some countries also by unlisted companies, many countries have developed their own national accounting standards based on the international ones. Macedonia is a transitional economy based in “Central and Eastern
Europe” and is still the candidate country. Even country has work toward implementation of IAS/IFRS, there is still open window in practice.

The most significant problem of the financial statements and items shown is the complete inconsistency of measurement bases and the application of the historic (acquisition) cost, the fair value and the present value. At present, the principle of measurement based on the historical cost is fading out as it is gradually being replaced by the IFRS trend of reporting fair values, which are, however, difficult to measure in less transparent markets. At the same time, the reporting based on the fair value includes the hidden danger of future volatility of such values and the consequent impact of the changes on financial statements (Strouhal and Deari, 2009).

**BIBLIOGRAPHY**

5. Hegarty, John; Gielen, Frédéric; Ana Cristina Hirata Barros (September 2004). Implementation of International Accounting and Auditing Standards: Lessons Learned from the World Bank’s Accounting and Auditing ROSC Program.
6. IAS 1, Presentation of Financial Statements.
7. IAS 16, Property, Plant and Equipment.
8. IAS 25, Accounting for Investments.
9. IAS 27, Consolidated Financial Statements and Accounting for Investments in Subsidiaries.
11. IAS 38, Intangible Assets.
13. IAS 40, Investment Property.
Development of Sustainable Tourism in Albania – Present and future challenges toward a Sustainable Economy

Ledja MATJA, MBA
Lecturer, “Aleksandër Moisiu” University, Faculty of Economics and Administration, Durrës, Albania; E-mail:lmatja@hotmail.com

Doc. Hysen HODA, MBA
Lecturer, “Aleksandër Moisiu” University, Faculty of Economics and Administration, Durrës, Albania; E-mail:hhoda@hotmail.com

Abstract

Tourism is one of the largest and fastest growing industries in the world. It is an increasingly important source of income, employment and wealth in Albania. International tourism now accounts for a larger share of foreign exchange receipts and export earnings than any other industry.

But, while tourism provides considerable economic benefits for the country, regions and communities, its rapid expansion has also had detrimental environmental and socio-cultural impacts.

1 Ledja Matja is a Lecturer in “Aleksander Moisiu” University of Durres and chairs the Tour Operators, and Travel Agencies Sector of Albanian Tourism Association. She is following up her PHD Studies and mostly is devoted to tourism concerns in Albania. Matja has served as international consultant for donor programs/projects.

2 Doc. Hysen Hoda finished with high scores in the Faculty of Economy at the University of Tirana in 1987 in the branch trade economist. She worked for several years as chief finance and accounting in various sectors of the economy in Commercial company, the Albanian Power Corporation and worked for several years as Chancellor of the University of Tirana. Currently is working for his PHD. Mr. Hoda has participated in national and international scientific conference as in Tirana, Bari, Italy, Montenegro, Macedonia, Greece, Hungary, Croatia, Romania, etc.. As has published articles as in Albania, Greece, Romania.
Sustainable Tourism is a contemporary concept that is used to reflect the need of a comprehensive analysis and to consider Tourism as a need, experience and business.

Anyway this shouldn’t be our single consideration. Tourism is part of overall efforts toward achievement of a sustainable Albanian Economy.

The paper argues that the promotion of sustainable tourism development is essential for maximizing its socio-economic benefits and minimizing its environmental impact.

Key words: Albanian Economy, Environmental impact, Sustainable Tourism

1. GENERAL OVERVIEW OF ALBANIAN TOURISM

Albania is a pretty attractive country with quite a complex touristic offer. The whole package varies from its great nature, mountains, rivers, woods, skiing places, natural unspoiled parks, till unique culture, folk, culinary, religion harmony, and of course people.

The combination of all those components gives a unique high valued product which unfortunately is not quite often promoted as it should be.

It is very rare to find in such a small area the variety of nature where in less than three hours you visit mountains, beaches and forests. The frequent landscape changes make visitors experience the uniqueness of our products.

The fast increasing of worldwide tourism demand toward adventure, ecotourism, culture and personal experiences are greater responsibilities for our country to develop its short term offer in order to give an attractive version of all those kinds of tourism. Albania has great potentials for the development of all the forms of tourism and together with a better, promotion, investments plan, and human resources, will make that tourists experience the “pleasant unspoken truth” of this country.

What the state has difficulties to understand, and especially to implement, is that the Tourism development is very complex. The increase of Tourism industry does not mean only creation of a positive investments climate but even development of other industries, development of infrastructure, people, transport, communication, clear land ownership, etc. Without a balanced growth of all sectors Tourism can still not have the weight in the Albanian Economy as it should has.
1. Travel and Tourism Industry – The Impact on Economy

Travel and Tourism including, transport, accommodation, catering, transport and services for visitors is one of the world’s largest industry with a high growth percentage of employers and employees.

According to a report of World Travel and Tourism Council published in 2009, the Travel and Tourism Industry in Albania is represented with the following figures.

Table 1: Travel and Tourism in Albania, and its impact on economy

<table>
<thead>
<tr>
<th>Albania</th>
<th>2009</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Al Lek bn</td>
<td>% of Tot.</td>
</tr>
<tr>
<td>Personal Travel and Tourism</td>
<td>101.6</td>
<td>10.9</td>
</tr>
<tr>
<td>Business Travel</td>
<td>26.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Government Expenditures</td>
<td>5.3</td>
<td>3.8</td>
</tr>
<tr>
<td>Capital Investments</td>
<td>29.3</td>
<td>7.0</td>
</tr>
<tr>
<td>Visitor Exports</td>
<td>96.1</td>
<td>36.4</td>
</tr>
<tr>
<td>Other Exports</td>
<td>1.7</td>
<td>0.6</td>
</tr>
<tr>
<td>Travel and Tourism Demand</td>
<td>260.1</td>
<td>15.9</td>
</tr>
<tr>
<td>T&amp;T Industry GDP</td>
<td>41.2</td>
<td>3.7</td>
</tr>
<tr>
<td>T&amp;T Economy GDP</td>
<td>140.2</td>
<td>12.5</td>
</tr>
<tr>
<td>T&amp;T Industry Employment</td>
<td>36.7</td>
<td>3.0</td>
</tr>
<tr>
<td>T&amp;T Economy Employment</td>
<td>125.8</td>
<td>10.1</td>
</tr>
</tbody>
</table>

The Report emphasizes the following facts:

GDP

**Albania** - The Travel & Tourism Industry is expected to contribute directly 3.7% to Gross Domestic Product (GDP) in 2009 (ALL41.2 bn or US$445.1 mn), rising in nominal terms to ALL88.0 bn or US$748.4 mn (3.8% of total) by 2019.

The T&T Economy contribution (% of total) should rise from 12.5% (ALL140.2 bn or US$1,514.3 mn) to 12.9% (ALL300.0 bn or US$2,550.5 mn) in this same period.

**Central & Eastern Europe** - Travel & Tourism Demand is expected to reach US$380,804.0 mn in 2009, growing to US$1,066,680.0 mn in 2019.

**Worldwide** - In 2009, it is expected to post US$7,339,990 mn of economic activity (Total Demand) and this is forecast to grow to US$14,381,500 mn by 2019.
Demand

Albania - In 2009, Travel & Tourism is expected to post ALL260.1 bn (US$2,808.4 mn) of economic activity (Total Demand), growing to ALL560.0 bn (US$4,761.3 mn) by 2019.

Central & Eastern Europe - The Travel & Tourism Industry is expected to post a direct GDP contribution of 1.6% in 2009, while the Travel & Tourism Economy contribution will be 7.6%.

Worldwide - In 2009, the Travel & Tourism Industry should contribute 3.2% directly to worldwide GDP. The broader Travel & Tourism Economy should contribute 9.4% to world GDP in 2009.

Growth

Albania - Exports make up a very important share of Travel & Tourism’s contribution to GDP.

Central & Eastern Europe - The Travel & Tourism Economy is expected to post average annualised gains of 5.7% between 2010 and 2019.

Worldwide - Travel & Tourism is a high-growth activity, which is forecast to increase its total economic activity by 4.% worldwide in real terms over the next ten years.

Visitor Exports

Albania - The Travel & Tourism Economy is expected to grow by 4.8% per annum in real terms between 2010 and 2019. Of Albania’s total exports, Travel & Tourism is expected to generate 46.4% (ALL97.8 bn or US$1,056.0 mn) in 2009, increasing to ALL211.8 bn or US$1,801.1 mn (40.4% of total), in 2019.

Central & Eastern Europe - Travel & Tourism exports are expected to represent 10.1% of total exports in 2009.

Worldwide - Travel & Tourism is a major exporter, with inbound visitors injecting foreign exchange directly into the economy

3. THE ALBANIAN TRAVEL AND TOURISM INDUSTRY – A CLOSER LOOK IN FIGURES

According to the National Tourism Agency the figures for Incoming visitors during the first half of 2009 are as follows:
The number of tourists coming to Albania is considerably increasing every year. From the successive year up to now there has been always a higher demand of visitors toward Albania. The figures show that there is an increasing trust toward Albania, proven by the increasing rates of tourist influxes.

In June 2009 we experienced an increase of more than 47000 tourists compare to the same period of 2008.

From an adverse negative image, today Albania counts many writer friends who are promoting unique natural, historical values of the country. Magazines such as Balkan Traveler and very soon National Geographic will promote specific types of articles and broadcasts that boast different types of Tourism in Albania and rank Albanian Tourism as one of the most authentic worldwide.
The Ministry of Tourism, Culture, Youth, and Sports at present is able to provide an exact structure of tourists coming to Albania, but from the figures we may deduct that since the majority of them have arrived from June to September, they come principally for the sunny tourism because of the long Albanian summer and sound beaches. Of course up to now we can not say we have developed the elite tourism, but the mass tourism still is attractive for some tourist segments in Albania.

The economic and politic stability of the country at present is out of any question. The political elections of July 28, 2009 have had no adverse impact on the number of visitors.

According to National Tourism Agency during January – June 2009 compared with the same period of the previous year there was a 10 per cent increase in the number of visitors.

71 per cent of the overall number reached Albania by national roads, 19 per cent reached Albania through air and 10 per cent by sea.

81 per cent of the overall number has come for vacations, 5 per cent for business, 3 per cent are daily visitors while 10 per cent are for other purposes.

The greatest number of visitors is from Europeans (92%), than Americans (5%), visitors from Asia (2%) and from other countries only 1 per cent.

The revenues from Tourism are:

- In 2007: 1.002 million Euro
- In 2008: 1.170 million Euro
- The first quarter of 2009: 212 million Euro
The Congress Tourism is increased reaching in the first half of 2009 the number of 26,261 persons.

Even business travelers are visiting more often touristic destinations of Albania during holidays or weekends.

Therefore we might deduct that the interest of foreign visitors is considerably increasing. Even the interest of investors for many massive investments in Tourism is increasing. But together with the increase in interest it is becoming more and more present the risk of overexploitation of resources which might bring a shorter life of Tourism in Albania. Therefore measures for a balances and sustainable Tourism growth should be considered. Below are explained the measures that should be taken from all Tourism actors with this regard.

4. SUSTAINABLE DEVELOPMENT VERSUS SUSTAINABLE TOURISM

Briefly speaking the concept of sustainable or balanced development entails the realization that in any society priorities relating to economic growth objectives (namely job creation, enhancement of Gross Regional Product, economic diversification, etc), must not outweigh goals for protecting the natural and human-built environment, nor should they outweigh goals relating to social equity. Hence, then, the achievement of sustainable development in any society necessitates generating a balance between goals that, in all likelihood, are in constant conflict with each other.

Unfortunately, the achievement of this balance remains elusive because in the vast majority of cases certain goals (most often the economic ones) dominate over the other two. Importantly, these are some of the main reasons that sustainable development remains little more than rhetoric in policy documents:

1. It is extremely difficult to generate a consensus among various stakeholders as to what sustainable development should entail. For example, it is hard for most stakeholders, especially those who are profit-driven, to appreciate the long term, intergenerational perspective that sustainable development entails.

   a) In instances where lip service is paid to sustainable development, it is obvious that authorities and others are intent on preserving the economic benefits deriving from tourism. In these instances, environmental conservation (and/or less frequently socio-cultural objectives) is often embraced if it
can be shown that this will benefit economic motives. This perception of sustainability can be labelled the weak.

b) In cases where one group of stakeholders (e.g., environmental groups) support a strong view of sustainable development, their objective may be in conflict with policymakers who stress economic priorities or even community residents who may view restrictive environmental protection as an impediment to improving their quality of life.

2. Stakeholders’ perspectives relating to sustainable development do not remain static and may be both geographically and historically contingent.
   a) This means that in areas where tourism development has been excessive (and consequently the industry’s effects are highly visible), support for strategies for sustainable development may be stronger than in areas where tourism is in its early stages.
   b) Moreover, there may be a divorce between national and local policies on what sustainable tourism development entails.

3. Unfortunately policies that address issues of sustainability are often sectoral (developed by one agency), meaning they address a single issue (e.g., tourism or transportation) without examining its interconnections with other sectors.

4. The perception among some observers that sustainable solutions are incompatible in destinations that have already matured as mass tourist meccas.

5. WHAT IS SUSTAINABLE TOURISM AND ITS ALBANIAN CHALLENGES?

‘Sustainable tourism’ is simply sustainable development achieved through tourism. Sustainable development is economic development that takes a long-term view. It balances the benefits of economic development against environmental and social costs. Just as sustainable development assumes continued economic growth, so sustainable tourism assumes continued tourism growth.

Sustainable tourism is not a marketing idea to attract new markets - it is a strategic term to describe a specific approach to the development of tourism. Sustainable tourism aims to take all impacts, positive and negative, into account. All tourism has the potential to be more sustainable.
As well as encouraging continued tourism growth, sustainable tourism will ensure that Albania’s two key tourism assets, our natural heritage and our communities, will survive and thrive.

Sustainable tourism has the following characteristics;

**Economic prosperity**
- long term competitive and prosperous tourism businesses
- quality employment opportunities, fair pay and conditions for all employees

**Social equity and cohesion**
- tourism that improves the quality of life of local communities,
- community involvement in tourism planning and management,
- safe, satisfying and fulfilling visitor experiences

**Environmental and cultural protection**
- reduced pollution and degradation of the global and local environment
- tourism that maintains and strengthens biodiversity
- tourism that maintains and enriches our unique and diverse culture

What are the key challenges to the sustainability of Albanian tourism?

**Challenge 1: Reducing the seasonality of demand** The concentration of tourism trips in certain periods of the year has a major effect on sustainability. Not only does it reduce the viability of enterprises to maximise capacity utilisation and offer year round employment, it can also place pressure on communities and natural resources at certain times while leaving surplus capacity at others.

Seasonality of demand makes it very difficult to plan and manage the provision of tourism facilities efficiently. A process of stimulating demand at less busy times of the year, taking up spare capacity, would enable revenue from tourism to grow while putting less pressure on the environment and community.

Appropriate action to strengthen the appeal of off-season visits includes:
- adjusting target market selection towards less seasonal markets (e.g. business tourism, non-family segments and certain niche markets),
- innovative product development, packaging, events and promotion in the off-season,
- promoting price differentials and incentives,
- joint working between service suppliers and operators to extend opening times and cooperate on marketing and promotional activity.
Challenge 2: Addressing the impact of tourism transport

It is estimated that tourism transport (inbound and outbound) currently accounts for 8% of CO₂ equivalent emissions in the EU. Daily revelations about the advance and impact of climate change and associations with transport emissions have made this a fundamental and high profile issue for tourism.

The tourism sector must respond actively and responsibly to this challenge. The approach should seek to increase total visitor spending and economic benefit (in line with the 50% growth target) while reducing emissions resulting from this activity:

- ✓ promoting carbon-offsetting schemes to travellers, with the support of operators,
- ✓ promoting alternative transport options (equally for the enjoyable experience they offer as well as for their low impact),
- ✓ promoting Albania to more local / domestic markets,
- ✓ encouraging fewer, but longer, holidays while recognising that this goes against recent market trends.

Challenge 3: Minimising resource use and waste

Tourism can be a significant and, at times, profligate user of environmental resources. Much of the action required to address this challenge rests with strengthening environmental management in tourism enterprises:

- ✓ minimizing energy consumption and encouraging the use of renewable sources and improved technology,
- ✓ promoting and facilitating the reduction, reuse and recycling of materials,
- ✓ water quality, including the efficient treatment of sewerage, avoiding discharge into marine and river environments,
- ✓ reducing and managing litter,
- ✓ developing and using local supply chains, in particular to reduce food miles.

Challenge 4: Looking after our natural and cultural heritage

The quality of the natural and cultural heritage is, in most areas, fundamentally important to the generation of economic prosperity through tourism, to the quality of life of local communities and to the visitor experience. All three can benefit from:

- ✓ strengthening the relationship between protected areas, biodiversity and local tourism interests,
✓ visitor management, information and interpretation, and monitoring,
✓ increasing contributions to conservation and management from visitors and tourism businesses,
✓ quality products and services

**Challenge 5: Enhancing quality of life for Albanian communities through tourism** Tourism has significant power to change the character and prosperity of the places where it occurs. Two types of change present particular challenges and opportunities for local communities at the moment; property development associated with tourism (e.g. the proposed Trump golf course or the building of houses to be used as self-catering or second homes) and the restructuring of local economies, resulting from a decline in traditional activities.

Careful destination planning and management is required to:
✓ maximise the proportion of income that is retained locally and other benefits to local communities,
✓ strengthen local supply chains and promote use of local produce and merchandise (e.g. craft goods), shops and other services by visitors.

**Challenge 6: Improving the quality of tourism jobs** One of the key impacts, and benefits, that tourism has on Albania is through the employment opportunities it offers. To make sure that tourism brings net benefits to those it employs we need to encourage:
✓ exchange of good practice in tourism training and HR management,
✓ integration of sustainability issues into mainstream tourism training and education,
✓ active promotion of tourism as a career.

**Challenge 7: Making holidays available to all** Social inclusion and equity are important principles of sustainable development. It is estimated that around 40% of European citizens do not take a holiday, often due to various forms of deprivation or disability.

This challenge has strategic implications for sustainable tourism. A policy of maximising revenue from tourism without increasing volume could go against social inclusion. However, pursuing social tourism has also been shown to assist in reducing seasonality and supporting year-round employment, as many people who can be reached in this way, such as those on lower incomes, are well placed to travel outside the main season. Relevant action includes:
✓ raising business awareness of the size of the market,
✓ designing and adapting tourism facilities and sites to meet (not just
legislative but market-driven) requirements for physical disability and sensory impairment,

- improving information relevant to disabled people and under-privileged groups,
- encouraging a broad price range in tourism facilities and experiences,
- pursuing specific schemes to facilitate and encourage holiday taking by people on low incomes.

**CONCLUSIONS**

As stressed above, tourism is expected to resume its rapid growth in the future because of improved living standards, rising incomes and amounts of free time, the falling real cost of travel, and improved transportation around the world. This growth can be harnessed not only for the enjoyment of tourists themselves but, more importantly, for maximizing economic benefits and thus increasing the living standards of host communities and countries. At the same time, it is bound to have negative environmental and socio-cultural impact on those communities, whose involvement in tourism planning, development and management can be crucial to minimizing the impact. The major challenge for the international community is, therefore, not only to minimize the negative impact of tourism but also to ensure that the economic benefits of tourism can contribute to environmental protection and the sustainable use of natural resources.

Sustainable Tourism is one of the fastest growing tourism sector and further rapid growth is expected in the future. In other words, if carried out responsibly, sustainable tourism can be a valuable means for promoting the socio-economic development of host communities while generating resources for the preservation of natural and cultural assets. In many developing countries, tourism has been particularly successful in attracting private investments for the establishment of privately owned natural parks and nature reserves. Many of such reserves are well-managed, self financed and environmentally responsible, even when profit remains the main motivation behind the operation of a private reserve. In this way, the tourism industry can help to protect and even rehabilitate natural assets, and thus contribute to the preservation of biological diversity and ecological balance.

Albania has unique ecological features that provide significant but under-utilized tourism potential, including coastal areas, mountainous terrain, rivers, parks, and protected areas. The tourism industry in Albania currently focuses
on coastal areas, rather than on the unique features that set this country apart from its neighbors. Albania’s natural features have the potential to attract tourists seeking ecological and cultural experiences. Thoughtful, sustainable development of these resources could enhance rural village and community livelihoods throughout Albania.

However, if not properly planned, managed and monitored, the concept of sustainable tourism can be distorted for purely commercial purposes and even for promoting resources damaging activities by large numbers of tourists in natural, historical, or archeological area. It is increasingly recognized, therefore, that unsustainable tourism activities may threaten the very natural, social, human, or natural environment upon which they depend.

To reach sustainable tourism is not easy. Everyone should be aware on its role to promote and protect the sustainability concepts. This can be achieved through the development of new strategies for managing resources, involving the active collaboration of Society as a whole. The continuous growth of tourism gives substantial urgency to the needed understanding and collaboration between all stakeholders of the industry in order to reach the desired results.

BIBLIOGRAPHY

4. Conference on Sustainable Tourism in Small Island Developing States (SIDS)
10. WTTC – Tourism in Albania 2009
Relationship Marketing Challenge for Albania Businesses

Ervin MYFTARAJ, MBA¹
Lecturer, “Aleksander Moisiu” University, Faculty of Economics and Administration; Email: ervin.myftaraj@yahoo.com

Teuta ÇERPJA, MBA²
Lecturer, “Aleksander Moisiu” University, Faculty of Economics and Administration; Email: teuta_cerpja@yahoo.com

Abstract

Marketing of relationships, named differently, direct marketing is suffering a turning, bringing us to an orientated relationship. Different researchers claim that the evolution of relationship marketing, model stock that shows up to date marketing will be insufficient to explain the phenomenon of growing interactive marketing. During our study we conducted a survey with representatives of some of the largest companies operating in Albania. The survey comes out the not knowing of the meaning of marketing relationship,

¹ Ervin Myftaraj has a Bachelor and Master Degree, in Marketing, Business Administration, Faculty of Economy, University of Tirana”, 2004-2008. Following up his graduation, in 2008, Myftaraj is a lecturer of Marketing, at the Faculty of Economics and Administration, University “Aleksander Moisiu”, Durres, Albania. He has participated in different conferences in Albania and abroad.

² Teuta Çerpja is graduated in July 2007 in Economics, in Economic Faculty, at University of Tirana, and since 2008 is a lecturer for “Microeconomics” and “Macroeconomics” in the University “Aleksander Moisiu” Durres. Currently she is at the end of master studies for ”Marketing and Operational Management”. During these years she has participated in many training and qualification courses organized by Albanian Universities, and is some scientific conferences.
not its implementation in most cases and the only way, those of “classical marketing. Albanian businesses follow the marketing of their products. In this way, the Albanian business application in the form of marketing relationship marketing remains a challenge, as a necessity for their success in the course of a global market.

**Key words**: Marketing of relationships, Albanian businesses, global market, service

1. INTRODUCTION

Relationship marketing is surfaced as a new phenomenon, though the practice of relationship marketing has strands in the era before - industrial. Studying the history of marketing practices, we can illustrate how the invention of the production in series, exit out of the mediators, and the separation of producers from consumer to industrial era bring us to a transactional marketing focus. Now, based on technological advancements, direct marketing is suffering a reversal, leads us to a relationship orientation. The authors claim that the evolution of relationship marketing, theory model that show up to date marketing, will be insufficient to explain the phenomenon of increased marketing development, collaborative buyers in the process of production. *An alternative example of marketing needs to develop is more process than consequence orientations, and creation of critical value than a distribution.*

Although the marketing practices date back to 7000 BC (Carratu 1987), marketing thought as a distinct discipline that was born from the economy around the beginning of the last century. *As a* rapid discipline earned and developed through three first sources of the 20th century, the primary focus was on transactions and marketing models. However, development of marketing as a field of study and practice is undergoing a new conception in its orientation thought relationships transactions (Kotler 1990, Webster 1992). In fact, exit out of a relationship marketing academics thinkers is a warning, given in the growth interest of relationship marketing. At this stage, we observe that the shift of the model to the relationships transactions is associated together with the return of direct marketing in B2B (business to business) and business to buyers market. As in the era before - industrial (characterized by direct marketing practices of agriculture and artifact producers) again, direct marketing, although in a different form is becoming
more popular, and consequently is being the orientation of the relationship of traders.

When producers and consumers create an interactive connection, there is a greater potential for relationship marketing that excess economic theories. They can understand and evaluate each other’s needs, are more inclined to cooperate with each other, and this become more orientated relation. This is in contrast to the orientation of the model of mediators (sellers and buyers). For the mediator, particularly wholesalers, transactions economies are more important, and thus, they are less connected emotionally with products. In fact, many mediators do not see physically, feel, touch products, but simply act as agents and take some of the goods in a way to provide risk sharing.

Division of manufacturers from retailers was a natural growth of the industrial era. On the one hand, production in series forced producers to sell through intermediaries, and on the other hand, industrial organizations, due to the specialization of functions co-operative, created purchase of specialized departments and professional buyers, so sellers sharing by producers. However, today’s technological advances allow manufacturers to interact directly simultaneously with many users, due to a variety of organized development processes, such as empowerment and total quality programs. Academic inquiries are reflected these trends in market practice, and looking for a new model of marketing discipline that can describe and explain it better. As any new change in focus marketing, there are supporters and critics to focus on marketing relations. However, in the same way as Kotler (1972, p.46) who studied the new changes in marketing, we believe that the exit out of a relationship focus will equip with “new concepts” and extensive, marketing science.

2. METHODOLOGY

The paper is constructed in two parts, one part is the theory for which we have used the relevant literature to argue the hypothesis, and the second part was built based on a survey which confirms the hypothesis rose.

- The aim of marketing relationships

The aim of marketing relationships is to increase productivity by achieving efficiency and effectiveness (Sheth and Sisodia 1995). Different practice
of marketing relationships can help to achieve the efficiency, as is keeping buyers, customers efficiently in response (ECRs) and division of resources among marketing partners. Each of these activities has the potential to reduce operational costs of traders. Similarly, can be achieved a greater effectiveness of relationship marketing, because it aims to include buyers in the early stages of marketing program development, facilitating future marketing in efforts for the success of the company. Also, between individualized marketing and adoption of processes in a series of buyers, can be better addressed to the needs of each buyer, making the market more effective.

3. RECOGNITION AND IMPLEMENTATION OF MARKETING RELATIONSHIPS IN ALBANIA.

Marketing relationships is one of the newest formats that international companies have successful implemented. As in our country is it applied relationship marketing, and those companies that have applied did realize that good marketing is that of loyalty? For a most effective study, we realized some polls to the different companies, answer of which are carefully analyzed. The first question that was directed to the companies surveyed requires them the way of how this company provides their clients. Data obtained from these companies that perform their activity in our country are interesting. 40% of respondents stated that has been “chance” that has brought costumers in their shops. Although at the conducted polls it was not any specific questions about “chance”, we think that in most case are rumors that bring to those company “chance”. 38% of given answer are for attracting clients throw recognition. This height percentage makes us think that relates to the nature of the businesses interviewed. 16% of interviewed think that two mainly elements of mix marketing, namely promotion and publicity, help them finding their clients. Whereas 10% think that they provide their clients throw to other elements of mix communication, such as billboards and posters. We see therefore, that in total are only 26% of the interviewed companies of which believe in using of active elements marketing to attract their clients. Regardless of how companies provide their clients, almost all of the interviewed companies have knowledge about marketing. Asked about “What do you understand with marketing?”
How do you find your clients

- With the help of posters: 40%
- With the help of friends: 16%
- Casualy: 32%
- Promotion, advertisement: 10%

How do you think a company is able to keep its existing clients

<table>
<thead>
<tr>
<th></th>
<th>With competitive prices</th>
<th>With good quality</th>
<th>Contacting the clients</th>
<th>With a partnership with clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 1</td>
<td>46%</td>
<td>46%</td>
<td>2%</td>
<td>6%</td>
</tr>
</tbody>
</table>

For you marketing is

- To inform client for the product that you trade: 18%
- To inform the client time after time for the existence of your product: 10%
- Marketing means to find new clients: 5%
- To keep existing clients: 28%
- All of them: 9%
- Other (specify): 10%
- Pa pergigje: 10%
Only 18% are not responded. 28% of respondents, understand provide of new clients, 10% of them understand client information for the product existence or their mark. 5% understand creative marketing, and 9% understand loyalty programs to existing clients. 20% of respondents has expressed that with marketing understand four forms of marketing, whereas 10% of their understand a different element from what was mentioned above. Businesses require not only better relations with partners but also to make the strongest connection with clients. In the past, there was an idea that can always keep a customer and also thought that if lose some customers there was no problem because you can easily replace with some others. Today is different, the cost of the profit of a new client is increased, and it has become several times higher than keeping existing customers. For this reason, more and more companies are building programs of loyalty, for their customers. Loyalty program is an expression of a company culture. Being linked closely with customers in a personal care, bring a sense of partnership to them. Providing a loyalty program for their clients tells them that they are “special” and that the company cares for them in a special way. The best loyalty program tries to obtain for a large part of most of clients. Use of an incentive is necessary to “stuck” customers, so that customers come to visit often more often the firm and buy its products in place of the competitor’s products. Implementation of marketing relationships allows creating a closed relations client-firm, creating in this way an interactive environment. This becomes possible by the process of changing customer behavior, behavior which is difficult to predict, because clients are skeptic for each firm that makes as such offers. Normally, the “best clients” are easily identified in those programs. They should be given a special attention. In fact, the rule of this loyalty program is 80/20 that means the 80 percent of total turnover business comes from 20 percent of clients. So are the “best clients” they who pays. Member’s loyalty clubs evaluate their
membership. They believe to the hospitality of the company, its products and people who services them. They feel a special sense that means that they belong to someone. Communicating with them should be friendly, preserved and should, therefore attending their performance. But in our country, how company excited for keeping of their customers? According to the survey realized, the question “How do you think that a company achieves keeps its existing clients? Responses given by Albanian companies make to think that they are still not keeping proper attention to the customer. Companies that operate in Albania, still think that offering a competitive price and quality it will help them keeping their clients. 46% of respondents think that is sufficient a competitive price, and just 46% of respondents think that is offered quality that makes client them connected with their company. From that data comes out that Albanian companies use less care programs and building a relationship marketing. Only 6% of respondents think that could be achieved with a partnership, whereas only 2% think that contacts are bridge-connecting contacts for loyalty relations with clients. Whereas the question “Did you contact with the clients after they have bought your products or, with the lost clients?” The most part of companies surveyed, about 70%, did not. Other part, which contact with their clients is about 30%. In relation to forms of communication we see that those companies that have a contact with customers in most case use phone or mobile, to the extent that 80% of the respondents. A small portion of businesses that have contact, contact through other forms as e-mail address, physical contact, etc... Enterprises know that the cost of maintaining a customer is many times smaller than winning of a new client. This happen because marketing defender is cheaper than marketing offensive, as in the end it will need a direct confrontation with the competition.

Classical marketing theory, the model stock, has studied the capture of a new market. The tests are based more on preparatory activities for sale than in those activities relating to after-sales process.
Many companies in Western countries, rather than expensive marketing research, large amounts spent on massive publicity and large marketing departments, these companies use more limited resource. They have stayed in closer contact with their clients and have established satisfactory solutions for the needs of clients. These companies have created buyers clubs have used creative public relations and are focused to provide high quality products and gain long-term customer loyalty.

Relationship marketing practices shared and studied at five different levels. The methodology used in our study, during interviews conducted with Albanian and foreign companies operating in our country, we put a question about the level of marketing relations offered by these businesses. Asked about “what level of marketing operates you as a company”, the majority of the respondents have choused the first answer, which corresponds to the basic level. Basic level of service delivery to marketing in a company happens to those businesses and markets, where the seller sells the product but never meets the buyer. Answers provided, maintained this level reached the extent of 46% of total respondents. 36% of given responses belong to second-level marketing operation, reactive level. Reactive level encourages the seller to the buyer to contact for any possible problems such questions, comments, suggestions.

The responsible level is the third level of the marketing of relations. The companies that operate in this level are part of those situations where the seller calls the client, a short time after the purchase, in order to understand if the client is satisfied from the product. In these situations, every suggestion and complain is recorded in the company database. In Albania, according to some questionnaires, 18% of the interviewed declare that they operate in this level. In relation with the two other more advanced marketing levels in orientation of marketing of relation, the answers were in the rate 0%. The other level “proactive” is the case when the seller calls the client time after time, to obtain the information about the product and to see the reactions or
different suggestions related to usage of the product. Even for the closest level, with application of better marketing of relations practices, the given answers were in the rate of 0%. A company implements the most effective practices of marketing of relations in the case when it is in a continuous contact with client in order to help for his productivity. Even after the survey, with corresponding matrices, of two last questions of survey, which had to do with the number of the interviewed company’s clients and with the margin’s norm applied from them, again it result that over 50% of the companies operate on the base level and the other part on reactive level.

- **Consequences of marketing of relationship model**

Invention of the marketing relationship model has as a purpose to alternate the base of the marketing emplaced during the last century. Different marketing academics are trying to find the “stock market” sufficiency model in explanation of display of marketing relationship and its practices. (Cannon and Sheth 1994, Christopher, Ballantyne 1991, Gronroos 1994, O’Neal 1989), some of these critics are based on the orientation of “stock-market” model result, in which they argument that there are three missing points: the quality, seller services and keeping the client.

Even that the stock-market model has been very successful in the development of the marketing theory, it has survived in its use. As a result of a transaction focus, the stock –market is used as a useful purpose to explain the value of the distribution among marketing actors. In industrial era, there existed only factories for creation of values by development and productive activity, and negotiator shared the risk of possession and assured the time and the useful place. The stock-market model was a useful way to study the value of allocation by these marketing actors.

The customers had an over plus and beneficent from this stock-market, but they couldn’t contribute so much in the value of creation. However, where the customers are involved in production and have independent relationship with producer, the relationship with the value of creation is very high. Stock-market model can explain transaction in an existing house that is on sale where the value of allocation is undertaking. After all, in the case of house construction or dealer, it needs an alternative marketing model. It comes an implicated absorption of stock-market theory, that seller and customer (marketing actors) had determinate their role, they have created the value in an independent way, and that it can be found a place and time for transactions
that could be articulated easily for stock-market. However, in the era of marketing relationship, the role of producer, seller and customer is unclear. The customers are becoming producers in a high rate. Not only because there is less need for dealers in this process, but also it is found less space between producers and customers. In these examples, trade members consolidated with each other, they become part of the design process, development, predicament and the consume of products and services. Some of these relationships and activity becomes so complicated that is very difficult to separate marketing actors from each-other. Difference which is getting deeper in Albania trade, trade that work under the free economy theory, for no longer than 19 years. In marketing of relationship theory there is also an uncertainly for time and place of borders between producer and customer. In marketing of relationship, borders of organizations are difficult to distinguish because the societies can be involved in separate relations with their marketing partners. Some of these activities are related with a connected planing of, production, marketing, brand etc. Where the plans in relationships brings their resources together in order to create a bigger trade value. In Albania there are a small number of businesses that brings to trade a concentrated value of product, extension which is created from its clients. Although some authors still name this type of co-operation like a stock-market form and they call it “stock-market relationship” (Dwyer, Schurr and Oh 1987, Gundlach and Murphy 1993, Morgan and Hunt 1994).

The companies that operate in Albania are still not informed with the new applied theories in marketing. As we said before, confirmed even from the questionnaire, marketing of relationship remains still a challenge for Albanian businesses. With development of trade and the customers segment, with the increase of fidelity towards brands and with the increase on the concurrence, it will be a necessity presentation and application of this new form of modern marketing, where in center of every reaction is customer.

**CONCLUSIONS**

-From the study we can see that, marketing of relationship is the tendency of marketing. It is cheaper, more reliable and the only one that can create longtime relation between companies and it’s clients.

-Recently, marketing of relationship is having and increasing consideration in whole marketing. Companies increasingly are supporting this to increase client fidelity and to create a positive impact in community.
- Companies of the same industry are losing distinctive feature. In these conditions, clients have nothing to do except to pay attention to companies behavior in order to choose between competitors. People like to purchase from those kind of companies that "take care" about client, as long as there are no big difference between the products, quality and its price.

- Consumers are becoming high rate producers. There is not only less need for a dealer in this process, but also there are fewer borders between producers and consumers.

- Marketing of relations practices, are separated and studied in 5 different levels. In methodology used in our study, during the interview with Albanian and foreign companies that operate in our country, we asked a question related to marketing of relation level offered from these businesses, the majority part of interviewed gave as answered the first question which correspond with basic level. In a company, the base level in offering a service in marketing happens in those businesses and trades where the seller sell its product but he never meet his buyer and he never take care about him. The given answers that confirm this level reached 46% of the total interviewed.

- Companies know that the cost of holding a client is fewer that the cost of finding a new client. This happens because protective marketing cost less than offensive marketing, because in the last case is needed a direct confrontment with rivals.

- Marketing of relationship remains a challenge for Albanian businesses. With development of trade and consumer segment, with increase of fidelity to brands and increase of competition, it will be necessity presentation and application of this new form of modern marketing, where in center of every reaction is customer.

- There are a small number of companies that operate in our country in this way, which spend majority part of marketing founds for taking care about existing customers than in finding new customers. There were only 18% of these companies that declare that they were operating in a marketing level which in a way is the average between classic and modern form of marketing. Responsible level is the third level of marketing of relationship. (In total 5 levels). Companies that operate in this level are part of those situations where the seller calls the buyer (client), a short time after the purchase, in order to understand if the client is satisfied from the product. In these situations, every suggestion and complain is recorded in the company database. In Albania, according to some questionnaires, 18% of the interviewed declare that they operate in this level.
BIBLIOGRAPHY

4. Kotler P., 2005, FAQs on marketing, Answered by the Guru of marketing
5. Loca S., 2006, Sjellje konsumatore; Tiranë.
Some Consideration on Climate and Tourism in the Context of Climate Change in Albania

Mirela TASE, Msc.
Lecturer, ”Aleksander Moisiu” University, Faculty of Economics and Administration, Durres, Albania
Tel: 0422371889; mob_: 0682023336; E-mail: mirelatase@hotmail.com

Prof. Dr. Petrit ZORBA,
Institute of Energy Water and Environment – UPT
Address: Nikolla Tupe St.; Tel: 0682151684; E-mail: aspetalb@yahoo.com

Abstract

Climate is a national treasure. Albania, though a small country because of physical and geographical conditions of climate perspective there settlements or territories with a very wide variety of meteorological indicators, which are characterized for example, with a yearly air temperature from 1400 °C, the same northern Europe (south of the Scandinavian countries) as well as space that characterized many annual temperature to 6100 °C similar to countries such as Cairo, Tel Aviv, etc., that are in these levels is this indicator. In the context of climate still remains a tourist outfield and assess the level required by the demands of tourism today for our country more to follow in view of climate changes and impacts that might affect expected in this sector. In this presentation aimed to provide some considerations on those specific aspects of Albania’s climate offers of interest to tourists, who according to groupings and interests need to have a good knowledge not only of organizing previous best of him, but about the prospects of his election as to time and in space. Also attention will be paid and extraordinary weather phenomena that occur occasionally problematic for the country’s economy, but how and how they can influence the tourist and his decision is another side of this presentation.

Key words: Climate, Tourism, Albania
1. CONSIDERATIONS ON THE HISTORY OF CLIMATE AND METEOROLOGICAL OBSERVATIONS IN ALBANIA.

Albania is a part Mediterranean climate, where most of the territory characteristics of this climate as mild winters and wet and hot summer with drought are most visible features and frequent that recorded each year, while most inside the country and in particular on the side of the VL and JL as a consequence of being on benefits and presents hanging on continental characteristics, which buffer the effects of proximity to the sea are no longer present, while the extended influence of continental origin air measures, and consequently the amplitude climate see a higher temperature, with extreme values on many prominent and less precipitation (from 3000 to 3500mm in the VP of the country in 650-700mm in the SE), all as a result The dominance of measures on air with low moisture level and with characteristics very different from those prevailing on the western lowlands.

Regime of air and soil temperature has a very large variability as a result of highly variable balance of solar radiation relief mainly due to geographical and physical characteristics that represents the territory. Countries with average air temperature in the months where the cold in January, February rarely descends below the threshold 10°C as part of the Ionian coast: Borsh, Himara, are similar to a period during the year with certain countries of the north Africa, not including the area of Saranda and field Vurgut somewhat different from the one above, or areas such as Biza, Boga, Sheqeras, etc., which are characterized by minimum values of air temperature to minus 24.8°C more similar to northern European continent countries.

Absolute maximum height of 24-hour rainfall in some stations is marked: on 18/12/1963 in Theth 420mm, 193mm and 153mm Konispol 14.10.1972 to 15.11.1962 on in Tirana.

Solar radiation through marks radiation indicator values in 2000 (B. Curri) until 2800 (Fier) hours of sunshine a year, with trend growth as a result of greater frequency survey of the synoptic weather situations relatively less precipitation of cloudiness to follow the effect of mutations or words on climate change and space of our country. Albania has more sunny days than in certain countries in equator regardless of the appearance and theoretically there should be no more (3500-4000 orë), this because in those areas has a predominantly measures often follow air with overcast weather and
precipitation significantly reducing the level of solar radiation that reaches the earth surface.

Due to its geographical position and relief with average height around 708 m, approximately as 2 times that of the continent, as well as chain orientation also have a different picture in terms of wind and weather phenomena of exceptional, which followed up from time to here the situation of certain measures movement or air supremacy over our continent. These indicators and the dominant weather features such synoptic situations generally observed in the limited space and many more diluted than those verified in other countries of the world or our own continent. A picture is significant in absolute figures on (vortex field) and wind vectors which clearly distinguished it as a break condition set in the passing air mass over the continent and when it approaches on our country.

So for these reasons our country is not observed in hurricanes or storms of high volatility levels as in other Asian countries or America. Meteorological observations are in every country of the world base from which studied the climate, trends and assessing the resources for these various sectors of the economy. The climate around the world considered a national treasure, while our country is considered by WMO among countries with very low levels of use of meteorological information. In this context it is worth mentioning that the first meteorological observations in Albania started in 1868 in Durres (2 October), (while that for the first time in the world in an organized way have started in England in 1860); then starts Shkodra work station 1888, and later a national network of about 20-30 stations in 30 years of the last century of providing meteorological information to national airlines, who testified and from airports that still exist today and which are also operating in spaces of some of their weather stations such as Tirana, Shkodra, Kukes, Korce, Kucova and Gjirokastra. At the end of 90 years was reached 226 place function for rainfall and 174 of them had measurements of air temperature, etc.. Actually this number amounts to about 105 place with a certain range of indicators for surveys that are conducted in accordance with scientific technical norms of the International Organization of Weather where our country has members and is one of the first accessions made by the Albanian state in international organizations after World War II.

At different time synthesis and assessments are made on the climate of Albania or the countries where Albanians lived, where they mention the prophet. A. Baldacci - Tanzania 1929, G. Isidorov - Climate of Albania in 1955, Institute - Climate of Albania in 1974, Institute - Climate Atlas of Albania in 1988. Use of meteorological information and climate in our country compared to developed countries remains far degree of monitoring, and evaluation use.
2. KNOWLEDGE OF CLIMATE AND ITS FEATURES IN SCALE - AN ATTRACTIVE ELEMENT FOR TOURISM.

The climate of our country has been classified into 4 area and 13 sub areas, which due to various indicators of temperature, moisture, rainfall, solar radiation, etc., constitute a truly great variety for a small country like ours, following the and offered and tourist area on a very wide variety of areas in the territory, which at different periods of the year and opportunities that offer features not found and in places nearby.

2.1. Climate Division of Albania.

Also in terms of certain medical seats in the territory as areas of Voskopoja, Bjeshket, Llogara, etc., etc., are known for specific medical terms climate in health assistance. Potential that our country holds climate conditions and offers a very diverse vegetation that directly or indirectly linked to tourism because of its nutrition. Generally preference for local products that characterizes each has come as offering the whole territory of our country without a truly wide variety imaginable, as in the SW part of the country provides conditions to the production of crops such as citrus pro warmth (lemon, orange, etc.), it is north of Tirana or in the North, VL and JL the country offers many culture conditions for the limited demand for warmth with shorter vegetative cycle as potato, etc..

Different microclimate in combination and provide a variety lands conditions for viticulture production, pro-thaw cultures, ether-oil, grains, industrial crops like cotton, hemp, or that can be used for production of processed, alternative energy or culture fodder for which is recorded and the situation of the vegetation at a time when it reaches its minimum level, in February, according to indicators of NDVI. It is obvious in the picture that vegetation covers a good part of Western Lowlands, unlike the rest of the country that is able to settle winter.

3. INDICATOR II NDVI DECADE MONTH FEBRUARY 2006

In every corner outlook recognition and disclosure of climate characteristics of each area, district or municipality would be a very important element and attractive for tourism, for the most appropriate time of orientation
and direction of tourist flow, so that the territory our country we have all annual tourism-oriented and well-defined goals and groups. In assessments climates territory of our country for certain parts of it are appropriate in the period of the winter season for winter sports and activities that require snow cover conditions. But such information is of value and circulation of tourists in the area and measures should be taken into account by tourist operators in cases blocking roads or arriving in support. Satellite view shows snow cover over Albania on December 20, 2002 and 26 March 2003. Space Coast and in particular the Adriatic and Ionian seas seem still far from being considered as an important source of income from tourism of the area. Coastline of 476km and in particular the warm periods of the year especially for the beaches and nature’s capacity to offer our country in this space, not only on earth but it is water and should be a priority of recognition, publication and attention of operators tourism and state in order that these potentials are known and used primarily in accordance with modern criteria. Surface water that belongs to Albania has value not only for those groups who are interested in tourism in these areas but also for the use of alternative energies such as the waves of the sea for electricity production, in particular where it differs from the Ionian Sea and maritime space within which what belongs to our country can build plants for conversion and obtaining electricity. Capital of every country is the first point of information for any tourist headed in a particular country, to a more detailed presentation to be required anyway for Tirana, mainly for maximum temperature and minimum air difference and its annual performance, extreme values, or different probably rainfall, overcast days, radiation, frost days, etc. Following is a graphical presentation of performance over 365 days of the year for Tirana, where you can easily obtain an image for that as well as anyone that levels of air temperature is above 10°C threshold, or when it passes through the night on 20°C, which is a characteristic of tropical nights and it is their frequency, etc., etc. In general a combination of elements of air temperature and moisture allows an assessment of the degree of comfort that represents the climate, and for which capital or certain places in our territory is distinguished from many other foreign countries where this level of comfort is far more limited in time and space, making it very positively assess our country’s climate.

At that stop at one of the tourist towns not far from Tirana, in that the Kruja, climate offers a very different view as to how the temperature as well as other elements, it directly connected with the balance of solar radiation, which is source and the most important factor in creating a certain climate in a given country. The following figure given for Kruja moment of birth and
then sunset and the duration of the period with radiation, from which we easily understand that a significant reduction versus areas not far from this city, where minimum temperatures reach very low levels grade C or below zero rainfall mark a significant increase compared with 20-30% at rest. Cloudiness also higher and more frequent, as well as a climate wind condition, though somewhat different in the air line appears Adriatic and are not too far from it.

4. MUTATIONS (CHANGES) CLIMATE AND WHAT IS EXPECTED OF THEM AS IMPACT ON TOURISM IN ALBANIA.

The climate in Albania is of course not isolated from the whole of the region and continent, and many phenomena to be identified in recent years related to the potential impact of climate change present (to be more scientifically accurate some of the observed mutations) are in different stages identified and our territory. Trends in temperature and rainfall for the period of the years 2041 - 2060 compared with the period 1951 - 2001 presented in the following maps, which marked a significant increase in air temperature values with 0.8-1 °C in 2025 and 2.1-3.6 °C in 2100, while rainfall is expected to have a 3-4% reduction by 2025 and up to -6% in 2100. Cloudiness, while expected to mark a decrease of 6-8% until 2050, which indirectly means an increase in the number of hours of sunshine, and likely so and an opportunity and great potential for using solar energy and its conversion in thermal or electrical better meet growing energy needs for the tourism sector. Unlike other countries of the continent, especially the northern part where changes are greater, our country can not be considered in those with high-level change, but from different studies WB, etc, still recorded the fact that the reaction of the economy and adjustment with these changes is far from what is required. The problem of some elements of climate should not be seen simply in their values than they are or are likely to be against the norm, but let’s say in their character, like, other indicators that monitor and other phenomena as rainfall can indeed have a decrease, but more important is how to cut the way they will be observed, like with a greater intensity in unit of time, in a lesser number of days, etc., etc., following the situation and perhaps most problematic in the unit of time or space where they will be observed (as local flooding), and although temperatures marking an increase, although still to date have not broken record listed first in the maximum values. It is worth mentioning that we have an increase in duration of periods of time with temperature values over a certain threshold, or not
only a number of days with frost on low but hardly more limited in time, which is more important how many people the number of days with frost. These changes reflected a growing phenomenon of forest fires as a result of higher temperatures, higher evaporation, etc., which in certain areas can follow the concerns and tourism sector, to know their time is interest to avoid the presence in those spaces.

In the context of climate capital assessment and climate change, based on some data of recent years, it is worth taking note, and always consider the phenomenon of thermal island effect urban and what is reflected in changes identified observed especially for Tirana air temperature, which appears very clearly and in graphic. This increase in air temperature in particular in the warm period is higher than those observed in Lezha of Vlora, which have been during these years that the development boom and spatial extent as Tirana. Another interesting feature observed by measurements of recent years is that although there is a reduction in height of annual rainfall (up to 14%), September is characterized by a significant growth rate versus rainfall (+25%), which that seem clear and relevant graphic, prompting this month and the rate of temperature increase rate to be lower, although the trend continues to maintain, so the rate remains.

**CONCLUSIONS**

Need more recognition of our country’s climate, which should be in classroom, media, etc.. have more monitoring in space and time, which requires the support of institutions that cover the area of weather.

Need more studies, analysis of scientific publications.

Integration of other sources of information (such as satellite, etc.) that serve to direct or indirect assessments on climate are an important element that should keep into consideration and integrated in scientific research.

In the tourist sector as a whole does not appear to have any adverse impact that will be offered after the time period with a higher comfort level than before in a wider territorial space and in particular this visibility the establishment in height. More sunny days, a longer vegetation period, that the most appropriate use of irrigation systems and water resources will provide higher production potential, an increase in the possibility of breeding new cultures who want warmth, or cultivation on the height, etc..

It is not looks very promising duration of the period with stable snow
cover, which tends to decrease, not favoring winter sports, but the water reserves for energy sector, which requires a special attention to be studied and dealt with scientific accuracy.

Increase cooperation and exchange of meteorological information with counterpart institutions and the European regional centers would be highly appreciated and a contribution to the tourism sector.

**BIBLIOGRAPHY**

1. Baldacci A., (1929) L ‘Albania, Italy
2. Isidorov G., (1955) Climate of Albania
Financing Political Parties in Albania: Legal Frame and Evolution

M.A., Klejd KËLLIÇI¹
Lecturer, “Tirana European University”, Albania
E-mail address:k.kellici@gmail.com

Viorela POLENA²
Lecturer, University “Aleksander Moisiu”, Faculty of Economics and Administration, Durrës, Albania; E-mail address:polenaviorela@gmail.com

Abstract

The financing of political parties in Albania is a periodical and debatable issue especially during electoral campaigns. The complication of electoral activity, its length or the engagement of foreign consultants have increased the need of political parties for financial funds.

From the prospective of organization, parties are facing a lack of interests

¹ MA Klejd Këllçi has a bachelor degree from the Faculty of Political Sciences, University of Turin and a Master degree at the Catholic University of Sacred Heart, Milan, Italy. Currently is following up his PhD in the University of Bari, Faculty of Law in “Comparative Politics and Institutions”. Mr. Këllçi has worked as a Lecturer of European Comparative Systems and Coordinator of the International Relations and Political Science Department in the University of “Our Lady of Good Council” in Tirana. Actually he is full time lector of Political Science and Comparative Systems and Politics at the European University of Tirana. His main academic interests range from comparative politics to comparative law and political science.

² Viorela Polena finished graduate studies in 2007, at the University of Tirana, Faculty of Social Sciences with a major in Political Sciences. At present, she is attending postgraduate studies. She has finished the two year socio-political specialization in “Democracy and Local Development”. Currently is a full-time lector at “Aleksandër Moisiu” University of Durrës on Introduction to Political Sciences, European Integration and History of Civilizations. She has co-authorised the text-book “History of Civilization in Antiquity and Middle Age”. 

180 | Vol 1. No 2. 2010
from the members and the modification of the way of conducting a campaign.

The aim of this paper is to investigate the legal frame work of party financing and the current situation we are facing in Albania.

Key words: Albania, electoral campaigns, party financing.

1. SHORT DESCRIPTION OF PARTY AND POLITICAL SYSTEMS

Political developments and the actual political system in Albania were shaped by the fall of the communist regime in 1990 and the following transition to democracy. Unlike other east European countries, the party system in Albania developed in two main political alternatives, the left center and the right center, which surprisingly survive even today. The first pluralist elections three months later and the polarization of the crisis conditioned the aggregation of the electorate toward two opposing parties. Moreover there was a lack of tradition and the inputs arriving form other sectors of the society were inexistent. In some other east European countries, constant reforms and the survival of autonomous sectors of civil society (like churches, literary-cultural associations, the existence of small private propriety) were primary responsible for the emerging of different political identities and as consequence, of the production of multi party systems.

The Albanian experience was confined by the development of a left-right general confrontation on general problems which later led to stabilization. The electoral system followed the same pattern adapting to the real conditions of the political situation. The selection of the formula relied on the adoption of single member electoral district election in two turns. In the first round candidates who reached absolute majority were readily elected. If none of them had achieved absolute majority, a second round of election would take place and only the first two candidates who had reached the relative majority would run. This system was one of the determinants that shaped the political arena and the party development in the years to come in Albania. Since 1991 the Albanian political panorama has been characterized by the same political subjects who were formed during the transition period. The later types of electoral systems were intended to suit the actual situation without changing

---

the patterns and the structure of political parties. The change from a two-round system in 1991 into the mixed variants 1992-2005 and the proportional one did not result in changes regarding political parties.

One of the main concerns of political sciences is the study of party system using especially the variable of the quantity of subjects. One of the most important models for calculating their numbers in a given political system was proposed by Sartor, who suggests two main criteria: that of the potential of threat and that of coalition\(^4\). If we have a look at today’s parliamentarian arena in Albania by using the above mentioned categories, we find out that the system is composed by only two and a half parties and can be considered as a moderate multipartite system. The two main parties, Democratic and Socialist one together with the small Socialist Movement for Integration can be part of the Sartorian scheme. As long as there is a firm coalition among the D.P. and the S.M.I, there is no sense in taking into consideration the other two small parties in the parliament. The reduced number of political parties and the strong dominated coalitions has influenced the longevity and coherence of the executives. This does not mean that stable and durable governments equal efficiency in office as long as stability is being considered an end in itself as long as executives in Albania have not performed better than their peers in other countries of the area where party fragmentation is higher. The Albanian model is still an exception in term of patterns of party system compared to countries in Eastern Europe.

This parenthesis is important in order to link our analysis to the theme of party financing as long as the relationship between politics and financial resources is a very important issue. There is always a possibility of misuse of funds which may result in a deformation of representation and access to politics.

Traditionally, political parties in Europe have been subject to private financing like party quotas or personal donations\(^5\). After the Second World War the role of the political parties was institutionalized in the respective European constitutions considering democracy as party centered and where they are considered to be the main channel of interest articulation and representation\(^6\).This fact made possible the use of public funds which were integrated by other traditional private such as quotas and donations. Albania followed this example where both ways of parties financing were kept. In

general, the traditional structure of party financing has not been keeping the pace with party structure itself and its change vis a vi the society. Two main factors determine the party financing structures today.

1- The growing cost of politics. Here we include especially the way the electoral campaigns are structured as well as the increasing weight of the media, the employing of professionals and consultants or other experts7.

2- The reduction of membership, which includes their contribution through quotas and also the reluctance of political party capability of either collecting them or not keeping the trend with inflation rates. This trend is visible not only in Western Europe but also in the eastern part of the continent8.

In the last years, the relationship between economy and politics seems to have grown if we consider also the fact of direct participation of actors with relevant economical interests directly in politics.

2. THE LAW ON PARTY FINANCING

The Albanian legislation has undergone different changes from 2001 to the present electoral code. These changes mainly include problems which occurred in structural changes of parties and electoral campaigns. The electoral code of 2000 provided for mix financing, both private and public. It designed some categories for their distribution like: number of parties involved, parliamentary parties, proportion of votes taken in national and local elections9. The law also retained a basic threshold of 2.5 % were nonperforming parties, had the obligation to return public funds. Despite such restrictive position none of the political subjects which had failed to overcome it ever returned public funds. The law also did not take into consideration imposing any limits on party expenses during electoral campaigns. Thus, on the one side, the law provides forbidding funding from private companies on the other hand; it was unclear on personal founding. In fact no limits were imposed on such transfers. Considering also the fact that most of the companies in Albania are family or personally run, it meant that persons could fund parties representing in fact their own particular interests.

---

8 Bozoki, A. “Political Parties and prospects for democracy” unc.edu/depts/.../parties/papers/bozoki_constitution2.pdf
If we consider the time span, the old legislation has been active, we also note a sort of “decentralization” of electoral campaigns. In single electoral districts, candidates managed their own campaigns without any restrictions on spending and without any accountability either in regard to their own party or in regard to the Central Electoral Committee. The same phenomena were present in local elections which for their nature are highly personalized and candidates are less subject to controls. If we take into consideration a study presented from Birch on irregularities of elections and electoral systems, it emerges that personalized competition increases not only the possibility of distortions but also the irresponsibility of the candidates\(^\text{10}\). Based on the above-mentioned assumption, this conclusion may be applied also to the party financing pattern. The more personalized the competition is, the more candidates will be personally inclined to use without prejudice funds either personal or from other private sources. Even if there are no evidences or at least no studies on the links between electoral systems and spending we can assume that delegating part of the process to single candidates may lead to miss use of funds. In countries adopting proportional electoral systems this problem might be more controllable as long as campaigns are party-centered and not candidate-centered. Candidates, contrary to personalized campaign types are more responsible in modeling electoral campaigns\(^\text{11}\). Responsibility has a personal and an organizational dimension. The first has to be a rule as politics is based on moral virtues and personal capabilities while the second relies mainly on party type, electoral system and campaign type.

In order to fill the legal gap and provide the system with at least legal transparency, a new electoral code was approved by the parliament containing specific dispositions on party financing.

3. THE STRUCTURE OF FINANCING

Political party financing is a problematic question not only in Albania, as a country with limited democratic experience, but in many European countries, too. We assume it as problematic according to the results of what was previously explained. Party spending is repeatedly much higher than

\(^{10}\) Birch, B. (2007) “Electoral Systems and Electoral Misconduct”, Comparative Political Studies, Volume 40, Number 12

public funds transferred to them, so directing their focus on acquiring from other sources (private money transfers). This includes personal donations either from individuals or via private companies. Researches point out two peculiar situations which have profoundly changed the perception of parties on financial means. One is globalization, which has made possible transfers less subject to controls12 while the other is linked to the use of media as a preferential channel of communication with the public opinion.

Both these dimensions have affected Albanian political arena and parties. The entity of money transfers during electoral campaigns is still unknown. If we consider the rate of corruption present in the country, it is probable that party financing is subject to illicit practices. Media coverage during electoral campaign over the limits prescribed by the law demonstrates that there must be a feedback in financial means by parties, which are hardly made transparent.

We can assume that the transformation of the political arena has pushed political organizations toward a wider use of private funds and an increase in spending.

Relying heavily on private sources on the one side and using the gaps present in the legislation informal institutions are becoming a norm in political behavior13. Formal institutions are threatened and weakened by the use of unorthodox ways of financing politics14. Illicit practices or the use of informal institutions are deliberately used to overcome prescribed norms. Their existence is present especially in Eastern Europe where political parties do not respect what is prescribed by the law. The approach toward private donations by political actors is an example of how the system works.

We have to consider the way political parties approach to fund taking in detail in order to evaluate the legal framework in Albania and the presence of informal institutions.

In Albania the legal frame has undergone substantial changes with the new electoral code of 2008. The law prescribed two ways of financing the political parties during the electoral campaign, by public and private funds. The first includes transfers planned by the state budget to political parties in accordance with their parliamentary presence during the legislature prior to actual elections (50% of the overall sum). They are also base distribution of public funds upon the registration of subject which will take part in the electoral process. As we see public funding of political parties is still considered as important. The law

---

13 Busse, A (2004), “Informal institutions and the post-communist state”, Yale University, 7
prescribes also the conditions upon which parties can benefit from private transfers establishing maximum ceilings for financing by private individuals or private sector (companies, organizations, etc.). To this extent the law completes what was not considered in the law for political parties.

Apart from legal considerations, the need to seek more funds pushes political subjects not to violate the limits posed over accepting private funds15. To this purpose the Albanian electoral code has undertaken some legal measures in relation to private donations to parties or individual candidates. It requires and obliges every political subject and candidate to register private entries or donated sums in a special register. There are two considerations to be made to this extent; first, the degree of collaboration of parties with institutions which audit expenses, in this case, the same unit which overlooks over the financial state of the Central Electoral Committee and second, the very nature of this Institution. C.E.C. is a mix of technical and political body composed by members who are designed by the political parties themselves so it is difficult that controls are to be performed with a certain rigor. Secondly, the law does not take into consideration private or public material transfers. Financing does not include only money transfers but also material goods which may be given by privates to parties in the form of facilities and which can hardly be accounted. The misuse of administrative means is also an issue not to be underestimated as long as parties in office use facilities provided by their function in order to run electoral campaigns.

4. TRANSPARENCY

Taking into consideration that parties financing structures can change upon the peculiar condition of single countries, what emerges is that there is a difficulty from political subjects to register funds and ultimately be transparent. This is a public issue in most of the countries of Eastern Europe where NGO-s, private companies or other subjects are eager to finance parties in exchange for favorable public policies or favors16. Taking into consideration the case of Albania, despite the sanctions provided by the law on mishandling or reporting of private funds, we have a different reality. In Albania, private sources of parties financing are unknown as long as there hasn’t been yet any kind of

15 Bozoki, A. “Political Parties and prospects for democracy” unc.edu/depts/.../parties/papers/bozoki_constitution2.pdf f.9.
16 Busse, A (2004), Informal institutions and the post-communist state, Yale University,7
transparency. Reports from ODHIR require the need for more transparency from the electoral subjects on expenses and contributions given to them\textsuperscript{17}.

The electoral code provides for fund and expenses auditing from experts designed by the Central Electoral Commission itself. The Audit and the control are presented in the form of a document to the Committee and which has to be made public. In reality the control over financing of political subjects lacks coherence as long as the Committee is in itself controlled by parties and as consequence there is conflict of interests as long as it makes no sense that the designers be controlled by designees. To further push the argument, there do not exist any serious enforcement procedures by the CEC toward parities\textsuperscript{18}.

Governments have put some efforts in resolving the problem of party financing through law amendments either as a necessity, or as the political arena has been undergoing serious changes\textsuperscript{19}. This path has been taken also by Albanian legislators who have tried to establish and determine the agent or donors, maximum sums to be donated either in monetary value or other means and also maximum expenses a party can make during electoral campaign.

If we compare and consider the overall legal base which has regulated the activity of political parties in Albania we find out that it has tried to keep the pace with social and political changes nevertheless these changes are still insufficient. Taking in consideration the electoral laws in the period 2000-2008, we find out some essential elements. At first, the electoral code of 2000 does not take into consideration any limit on electoral expenses while the one of 2008 establishes the maximum use of funds. Secondly, the range of classification of funds is increased from two to three\textsuperscript{20}. Thirdly, it still remains unclear in both codes the entity and the importance of the institution which has the responsibility to enforce transparency on private donations and funds\textsuperscript{21}. Political parties simply do not consider respecting the legal constrictions posed\textsuperscript{17}

\textsuperscript{17} International Foundation for Election Systems, Albania 2004, “Tackling corruption worldwide”.

\textsuperscript{18} Jano, D. (2008) Polis, Nr.6, Rreth shqagjeve dhe faktorëve që lidhen me korrupsionin: Rasti i Shqipërisë, f. 38


\textsuperscript{20} (Kodi eletoral i 2000 parashikonte 1. shpërndarjen e 10% të shumës së atribuar nga buxheti i shtetit të gjitha partive politike të regjistruara 2. 30% të kësaj shume partive që janë të përfaqësuara në paralment dhe 3. 60% e shumës u shpërndahej për të të votave të marra në zgjedhjet e mëparshme.)

\textsuperscript{21} Ikstens, Smilov, Walecki, (2000), Party and Campaign Funding in Eastern Europe: A study of 18 member countries of the ACEEEO, 8-9
by the law and they simply ignore the requests by auditing institutions as in this case the C.E.C. audit unit. It is the duty of this institution to exert control and seek transparency form subjects involved in the process .The law does not establish the obligation of parties to report the information to audit experts as long as the obligation might not be respected or bypassed . There are indeed sanctions or at least the law generally mentions administrative and penal ones but this prescriptions are general. It may be assumed that they might fall under the discipline which sanctions corruption but the very nature of political parties does not allow for such unless their representatives are in public office. Once mishandlings are established it remains on the will of the Audit unit to report them but this institution will not sue or at least there is no obligation on suing subjects in courts.

CONCLUSIONS

The problems of party financing are linked not only with legal frame but also with the existence of informal institutions. The lack of formality is present especially in the financial sector where it is visible but it is more problematic if we consider the measurement of material goods, leases facilitations which are very difficult to be calculated in terms of private funds. The management of electoral campaigns is to be considered another important issue as long as they simply turn sometimes into a set of self run mini campaigns. Candidates themselves turn out to be an important source of financing their campaigns reducing in this way the accountability of the process .The registration of expenses in these conditions is quite challenging and difficult to monitor. According to the daily Shekulli the CEC should prepare the report on monitoring by the end of November but prior to this situation only 5 political parties had open bank account in order to give a transparency to the process while the others simply did not. Keeping bank accounts for donations is considered a sign of transparency but this is not enough as long as means for bypassing the law are available. Private funds and financing is only one of the dimensions of electoral campaigns what is even hardly measurable is the use of parties in government of administrative sources during campaign. The last question which remains to be considered is the enforcement and how it will work as long as lately appeared on the news that many parties which took part in elections but did not made it to

22 “Financimet e fushates vetem ne nentor” Shekulli 03/08/2009
the parliament are exempted from refunding public funds as long. Many of
these subjects took part in coalitions and their votes were transferred to the
leading parties in cases when smaller ones could not gain sits in parliament so
this was taken as an argument by the C.E.C. auditing body to exempt them
from refunding. Lately the CEC has released an official financial statement
which consist on reports produced by independent accountants on each of
the participant parties in the electoral campaign. Apparently no misuse or
misconduct has been found even there are still doubts on real entity of the
expenses as long as problems of informalty persists.

BIBLIOGRAPHY


Kthimi i parave të fushatës, Kolegji fal partitë e vogla F.Brahushi “Shkulli” 09/11/2009
Competition Authority or the Authorities’ Competition?

M.A., Ulpian HOTI
Chancelor, “Aleksandër Moisiu” University, Durrës, Albania
E-mail: ulpian.hoti@uamd.edu.al

LL.M. Ersida TELITI
Lecturer, Faculty of Law, University of Tirana
E-mail: ersidateliti@yahoo.com

Abstract

The competition is regarded as the main drive to the existence of the open economy. Possible failures of the market, ask for the interference of regulating authorities through the legal and institutional mechanisms. These kinds of failures are mostly evident in the economies that pass through the transitional process, like the Albanian economy does.

Since the early ‘90s until nowadays, considerable changes are made in the fulfillment of the legal and institutional framework aiming its approximation to the respective legislation and structures of the European countries. The institution that guarantees the incitement of fair competition and the opening of new markets is the Authority of Competition. The competition took a

1 Mr. Ulpijan Hoti has a bachelor diploma from the Faculty of Economy, University of Tirana and since November 2009 he possesses Master degree in Economic Science, from International University of Struga. He has actively participated in qualification and scientific research in international conferences in the field of finance and management.

2 Ersida Teliti LL.M. is graduated in July 2006 at the Faculty of Law, University of Tirana, rewarded with Golden Medal. In September 2008 she earned the LL.M. degree at the Faculty of Law, University of Tirana. She has carried out some other domestic qualification and scientific research in international conferences in the field of Civil Law, especially in Consumer Law.
comprehensive handling in the political and social life, departing from the fact that the previous system had generally excluded competition from all aspects of life and the state had the key role, assimilating in this way completely the competition regarding the market prices, request and offer. However we should be conscious that further improvement, in the improvement of the legal structure as well as its applicability in the Albanian territory are necessary.

**Key words**: competition, authority, legal structure, agreements, market.

1. INTRODUCTION

The Albanian economy is a new economy in the conditions of the moderators of the open economy. Besides problems periodically noticed, maximal attempts are made in the creation of legislation in accordance with the international standards.

The Competition Law is a new development in the Albanian market relations. The survey spots the attempts in the creation of an optimal legal and institutional infrastructure and the rate of its applicability in the economic reality of Albania.

The main hypothesis reasoning of this article is related to the fact whether the fair competition is a favorable or a restrictive factor in achieving fair business standards.

Secondary Hypothesis is treated in two different perspectives:

First, the insufficiency of the legal framework in Albania and the inefficient applicability in practice due to institutional and private factors. Secondly, the lack of information of a considerable number of subjects related to legal obstacles that exist in the conditions of disagreements and dominations of the market.

The reasoning of the proposed hypothesis is based upon the survey of the Albanian market and the use of all the information sources related to this field.

The survey is based in the analysis of the official materials (doc), scientific publishing, and the contemporary international bibliography. Different data, facts and indicators are used to prove the submitted hypothesis, to create alternative ideas opinions, and to reach the conclusions and recommendations.

After creating a general idea on the hypothesis of this article, it is expected to result in the idea that the Albanian economy is developed according to the international conditions and standards in the creation of an environment where
the business is to work according to the conditions of fair competition.

Main institutions and private enterprises in the market react in accordance to the freedoms and the function they have in the economy.

After looking over the literature and analyzing the data, it was noticed that the Albanian economic reality is different from what we expect it to be. A considerable number of problems changed the expectations of the article.

2. THE AUTHORITY OF COMPETITION ACTIVITY AND THE FORMS OF RESTRICTING THE FAIR COMPETITION.

The activity of the authority of Competition is based in two directions:

a) The protection of fair and effective competition and the competitive process through the control of the enterprises’ behavior that restrict competition and the control of the concentration between enterprises.

b) Enactment of fair competition, the opening of new markets and the reduction of entering obstacles through the exercising of the influence in the legislative process.

The Authority of Competition in order to exercise the above mentioned directions exercises the decision making competence provided in the Competition Protection Law. Parallel to the exercising of activity based in regulations and acts, the Authority of Competition undertakes a process internationally known as Advocating of Competition. This process includes the activities undertaken from the Authority of Competition in the promotion of a competitive environment for the economic activity, through the mechanisms that do not include the enforcement of law, especially through the relations with the other government units, aiming the increase of the public awareness of the competition profits. Avocation of Competition is even more important in the transitional countries like Albania, where for years and years other public objectives have been privileged that prevent the functioning of the fair market and make more difficult the protection of competition.

The Authority of Competition along with the different functional problems needs to undertake these tasks as well:

a) The protection of the Competition that is related to the control of the non-competitive behavior and the unification of enterprises.

b) The regulation of entrance that insures the non-discriminatory entering

---

3 Relationship between Regulators and Competition Authorities, OECD 1999.
for the necessary inputs, especially in the net infrastructure.
c) The economic regulation that takes measures to control the monopoly prices.
d) The technical arrangement, that establishes and monitors standards, in order to insure the desirable competitiveness and pays attention to the security, confidentiality and environment protection problems.

3. ESTABLISHMENT OF THE RELEVANT MARKET.

The establishment of the relevant market is the root of the enforcement of the competition law and it is the fist step in the analyzing of the competition cases, as the competition can not be abstractly evaluated. In the regulations on competition, two included componative elements of the relevant market are found, the product market and geographic market.

3.1 The Product Market.

It includes all the goods and services that are considered as replaceable by the consumer due to the characteristics, product prices and their use. A product market includes all those products and services that are estimated as convertible or replaceable from the consumer, considering the characteristics of the product, its price and usage. The reasonable replacibility seen in the use framework refers to the archaic ability of the consumers to exchange goods/services.

A product or service differentiates from another product or service, from special characteristics, that fulfill and satisfy the non-flexible needs of the consumer.

3.2 The Geographical Market.

It includes the territorial space where the goods that constitute the product market are traded/dealt. In the case of Albania, the geographical market is the

---

4 Directive of Authority of Competition: “For the Establishment of the Relevant Market.”
6 Korah Valentine, “Cases and materials on EC Competition Law”, pg. 100.
8 Ritter Lennart, Brawn David, “Europe on Competition Law”, A practitioner’s guide, pg.27.
territory of the Republic of Albania.

Law is enforceable for the subjects that exercise commercial activities within the Albanian territory as well as for those that exercise activities outside the territory, but the consequences of the activities are noticeable in the Albanian market. A respective geographical market includes the area within which customers and competitors are limited.  

In order to establish which products are included in the relevant market and which are not, the SSNIP test (established in the Directives of the Authority of Competition: “In the establishment of the Relevant Market”) gives a clear methodology.

1) The price of product A increased by 5-10%.
2) This is a permanent increase.
3) This makes consumers of product A to replace it with the purchase of product B.
4) The product A, manufacturer faces loss of profits from the increase of the price of product A as a consequence of the reduction of quantity, that he cannot sell anymore.

4. PROHIBITED AGREEMENTS/CARTELS, AGREEMENT DEFINITION, AGREEMENTS FORM AND TYPES.

The competition law as well as the European Treaty, restricts agreements that bring the obstruction, constriction or the distortion of competition in the market. The form of the agreement is not at all important in the competition framework. According to the Competition Law, all kinds of discussions, formal or informal, are covered by the meaning attributed to the agreement conception. In cases when competitors do not communicate directly, but negotiate silently or in conclusive actions, this practice is covered by the agreement notion. Hidden agreements permit enterprises to have market power, that they would not have in other circumstances and in artificially restrict competition, increase prices, reducing the consumer’s welfare.

Cartels are harmful to the economy and it is important for the Authority of Competition to detect them. A cartel is unification of mutual companies’ independents of each other, that get together in order to control prices, divide

---

10 EU Competition Policy and the Consumer.
markets among each other and restrict competition. Being illegal, cartels are generally secret and it is usually very difficult to find evidences about them. However, the no-fine facilitating policy encourages companies to provide evidence related to these cartels to the Authority of Competition, simplifying the activity of the Authority of Competition.\textsuperscript{11}

The tow main categories in the Competition Law are horizontal and vertical agreements.

*Horizontal Agreements* are those dealt among enterprises operating on the same market level (between producers and wholesale dealers).

*Vertical Agreements* are those made between enterprises operating on different market levels (distributor - manufacturer).

Vertical agreements are less harmful than horizontal ones because in these types of agreements the “output” of one enterprise constitutes the “input” of the other. The impact in the market of the vertical restrictions is complex due to the fact that they bring potential reduction of the competition between brands.\textsuperscript{12}

Besides negative effects, agreements have positive effects as well. Among positive effects we can mention:

1) Facilitation of entrance into a new market.

2) The release of new products, services and technologies in the market is characterized by a high initial cost that can be managed by the unification of two or more companies through the respective agreements.

However, not every agreement that restricts competition is necessarily illegal. Agreements that have more positive than negative effects are allowed. Generally, allowed agreements are those that are not completed between competitors or when companies involved have only a small and inconsiderable part of the market.

In every jurisdiction, hidden agreements are one of the hardest violations of competition and as a consequence are hardly fined. Enterprises undergo penalties for getting involved in a cartel.

a) These enterprises are fined

b) They may be constricted to pay compensation to the damaged consumer.

Policies followed in detecting cartels are:

*Surprise Inspection:* Identification of evidence that brings in the detection of cartels (a process that may be attained through inspections)

\textsuperscript{11} Leniency Programme, European Commission pg. 10.

\textsuperscript{12} Gavil Andrew, Kovace E. William, Baker B. Jonathan, “Antitrust Law in Prospective”, pg. 354.
Fine Discharging: enterprises gain immunity (general or partial) from sanctions provided by law only when these enterprises report the offence before the authority itself has opened an investigation process on the same case.

4.1 Main sources of prohibited agreement evidences are:

Main sources of prohibited agreement evidences are:

Direct Evidence (cooperation): such as plans, meetings, meeting minutes, confidential information on the market exchange and other close contacts.

Indirect Evidence of cooperation concluded from the parties’ behavior in the market that can not be otherwise explained except the negative agreement or cooperation.

4.2 Some Prohibited Agreements Cases

The Authority of Competition through its activity has investigated some cartel cases and specifically three of them in the financial sector, concrete manufacture, and bread making.

Eight insurance companies have signed a cartel which contradicts the “The Protection of Competition” Law, for through this agreement the companies have fixed the market price and shared the market with each-other. The Competition Commission decided the cessation of the 5th April, 2005 agreement “On the Border Security Pool Foundation, of the Responsibility toward the third parties of the motor holder” and to the participating companies in the agreement a fine of 2% of the 2005 annual turnover was put.

The Authority of Competition was informed of an agreement between the concrete production enterprises, through which they fixed the production prices of concrete, and decided to open the investigation process in the concrete production market against the partecipating companies of this agreement. The companies, to which a request from the Authority of Competition to bring information was adressed, did not answer the request pretending that the agreement was not ever practised. After the end of the trial, the Authority of Competition decision was let in force, which provided a 1% of the 2006 annual turnover fine toward these companies for minor violetion.

The Authority of Competition undertook on its own iniciative, an investigation on the crops production sector in Fier region, which had fixed the bread price and had increased at the same percentage the price of the other
products. The promter of this agreement was not informed of the existence of the regulations that ban cartels. The agreement had not become effective, the companies partecipated in the respective hearings and there was a specific separate sanction for the prompting company.

### 4.3 Dominant Position Abuse

Dominant Position abuse refers to the position of an economic power of a company that brings the distortion of the effective competition in the respective market lacking the power to behave in an appreciated rate independent of his competitors, customers and consumers.\(^{13}\)

- **Theoretical Cases of Dominant Position**
  - Application of high and unfair prices, those weigh on the consumer.
  - Application of low prices that weaken the competition in the respective market sector.
  
    The European Court has established as criteria for the abuse with low prices:
  - Under the Variable Average cost pricing should always be considered as abusive
  - Under the Total Average cost pricing but above the Variable Average cost, should be considered as abusive if the purpose to eliminate can be proved.

  In Albania the Competition Commission inspected the dominant position abuse case of Albanian Mobile Communication, Joint Stock Company and Vodafone Albania, Joint Stock Company in the mobile phone market, or other competition violations in this market for the 2004-2005 periods. The Authority of Competition has estimated the unfair character of the price, first comparing the price level with the economic value of the product, or otherwise with its cost. Both companies, AMC and Vodafone, have applied national termination fee over twice higher, comparatively with the termination average fee of the region countries, with the level of the Gross Domestic Product (GDP) and income per capita comparable to Albania.

  At the end of the investigation the Authority of Competition established:

  AMC, Joint Stock Company and Vodafone, Joint Stock Company have abused with the dominant position establishing unfair prices in the mobile phone market during the investigation target period (2004-2005).

---

\(^{13}\) Jones Alison, Sufrin Brenda, “EC Competition Law”, pg. 351.
On the noticed violation, Albanian Mobile Communication, Joint Stock Company (AMC) and Vodafone Albania, Joint Stock Company are respectively fined with 2% of the annual turnover of the respective product in 2005.

CONCLUSIONS

The same as the European legislation and the competition legislations in nearly every country, the Albanian legislation defines as illegal the anti-competition practices in the form of cartels and of the dominant position abuse.

Cartels are harmful for the economy and it is important for the Authority of Competition to detect them.

The deviation from regulations is not in every case the purpose of the agreement between two or more companies.

In order to get the dominant position, a complete economic analysis is important, starting from the analysis “of the respective part of the market of the company/-ies under investigation and of the other competitors”.

The Albanian mobile telephony operators have twice higher fees than the average fees of the region mobile telephony operators. The Authority of Competition has estimated the unfair nature of pricing, first comparing the price level with the economic value of the product, or with its cost.

Comparing the service cost of the mobile operators of the region under investigation, it results to be similar to the Albanian mobile operators, and this brings to the conclusion that AMC and Vodafone apply significant higher fees than their cost, that means application of unfair prices contrary to law.

RECOMMENDATIONS

The responsible institution for the competition should precede the rapid changes in the Albanian market. A great importance and attention should be paid to all the manners in which the companies operate today in the market, in order to control their activity and to prevent that kind of activity that contradicts the Competition Law.

Considering the situation in which we presently are, a great importance should be given to the enforcement of decisions taken from the Competition
Commission. The reality demonstrates that some decisions, which remain on paper because the fixed fees form the Authority of Competition that go straight to the state budget, are not executed due to the different bureaucratic obstacles that the state structures practice.

The improvement of the actual legislation and its completion with the necessary secondary legislative acts in accordance with the European legislation, as well as the fee facilitating policies in cartel cases, is one of the objectives that institutions that protect fair and effective competition in the market should follow.

The conduct of the necessary investigative procedures aiming the most problematic sectors today in the market such as: electricity, pharmaceutical sector, free professions, public procurement, etc should be one of the challenges of the competition preservation in the market and the challenge of the institution itself.

**BIBLIOGRAPHY**

3. Authority of Competition, Directive: “For the Establishment of the Relevant Market”.
5. European Commission Leniency Programme.
6. EU Competition Policy and the Consumer.
10. Korah Valentine “Cases and materials on EC Competition Law”.
Institucional and Legal Position of Albania in European Union

M.A. Elena KOCAQI
Lecturer, University “Aleksandër Moisiu”, Economics and Administration Faculty, Durrës, Albania; E-mail address: ekoqaqi@hotmail.com

Abstract

Albania as a future member of the EU will change its position and legal status faced the EU institutions. Report that Albania will have with the European confederacy will be changed in the institutional field and in the legal one. Albanian State will respect the rules established by the EU treaties.

The European Union is never treated as a federation but de jure and de facto is becoming a kind of federation that has a special form of state unions (siu generic) that is never realized until today in the history of political systems. The changes of the legal position of EU policy dictates, even changes of the position of Albania. This change should be seen from the viewpoint of internal sovereignty and external because the change of the institutional-legal position is linked closely and exclusively with the sovereignty of a country.

Key words: EU policy, European confederacy, political systems.

1. THE SOVEREIGNTY OF ALBANIA AND THE EU.

Very soon Albania will accede to the European Union and its sovereignty will be limited within the European Union which is evolving towards a

---

1 MA. Elena Kocaqi LEVANTI is graduated in July 2005 at the Faculty of History, University of Tirana. In July 2007 is graduated 2002 for justice in the University of Tirana. She is graduated in 2008 on Master of Science at the University of Tirana. She is Ph.D candidate. She is professor in same universities in Albania and author of many books.
federal super state. EU is not called federation or confederation, but a form of union without experimenting until today that is actually moving towards a federal super-state. This state structure is evolving gradually, but not without opposition from national governments who want to preserve their sovereignty in some key points of the economy. Despite member states want to maintain national sovereignty with jealousy day by day they are delegating more powers to EU and are limiting their sovereignty. In all the EU Treaty is not mentioned the term of federation but fathers who founded Europe have seen it as it.

Shuman stated in 1950 that “the establishment of coal and steel production will ensure the establishment of joint economic development as the first step in Europe and federation will changed the fate of this region that for very long is dedicated to manufacturing ammunition for war, from which they have been constant victims”. The European Federation was wanted from older politician as Napoleon Bonaparte who wanted a European federation of the big countries of Europe. Also from the former Foreign Minister of Germany Joschka Fischer who thought that the EU should contain all the elements of the future federation.

The participating States are building a political union with the help of a double logical that of integration or federalism and intergovernmental cooperation. Maintaining subsidiary principles and unanimity in certain issues in decision-making are clear indicators of wills of states to maintain their sovereignty. So the states are interested to preserve their sovereignty but also from the other side they are interested to further European integration. EU is based on cooperation between sovereign states and are the states that have established treaties on which operates this union. Transfer of powers to the union does not mean that member states are giving their sovereignty they are merely exercising their sovereign rights in a confederacy.

For issues that decide the EU the sovereignty belongs to this political body. On the other hand the sovereignty belongs to the people who shall exercise it through his representatives as well as directly. These representatives are kippers of the sovereignty of the people and they can not make decisions on behalf of people without asking the people who gave them this right. Ratification of EU treaties in national parliaments is a deviation from the sovereignty of the people. European Constitution or the Lisbon Treaty is approved by almost all

---

3 Pierr Gerbert, (1999) La construcson de Evrope, P. 17
4 Paskal Milo (2002), Bashkimi Evropian, P. 343
member states with parliamentary approval. Here in after changes the concept of sovereignty and the position of member states because now we have a new kind of sovereignty that of the European people. The sovereignty of the people will now be converted by the sovereignty of the Albanian people, France and so on in the sovereignty of European people. Can this change be made without asking the people that you change this position and in this case the Albanian people? Albania as a future EU member states need to make this change by popular referendum because the sovereignty of the Albanian people will change it will be one of the voices of European sovereignty.

The European Constitution is a contract between the peoples of Europe who agree that this organization will take their political sovereignty. This contract is invalid as long as it is done by parliament. The representations can not remove the rights for which they received the mandate.

In connection with the EU is not sovereign Albanian nation, but its institutions. So in this case the sovereignty of the Albanian state institutions. The sovereignty of the peoples of the EU has passed the third hand, as many areas as we also state sovereignty has passed its second hand and in the foreground is out of Community sovereignty. The sovereignty of the people represented by his government which takes decisions on behalf of his people, but there are occasions that the people would not approve them. We have sovereignty of the people about the election of representatives of their state, then the sovereignty of the governments that represent the people of their own and after a part of their sovereignty they have submitted to Brussels. Even if the scary word federation is not seen in the treaty agreement that doesn’t made some form of federalism inevitable. The sovereignty of the money is disconnected from the sovereignty of member states. “Speaking to the sovereignty no country in Europe is sovereign. Sovereignty has been lost or has been submitted to Brussels. In fact there is not a surrender of sovereignty than a union sovereigns member states in order to achieve objectives that they can not reach when they were alone. Sovereignty can be seen in two respects, the decision or the legal viewpoint, and in view of law enforcement.

2. LEGISLATIVE DECISION MAKING AND ITS IMPLEMENTATION BY ALBANIA

Albania will be a decision taker in the European Council that is composed by the governments of member states that sets benchmarks of the constitution and most important European legislation.
Albanian State will be in the role of decision taker in the EU but also has to implement these decisions even if they are not voted by it. Adenauer in connection with decisions of the European Council said that “Council is in the crossroad of two types of sovereignties that national and supranational. While he maintains national interests, it should not be viewed as superior of his intention. His aim is to promote superior interests of the community, and if so then the Community interests will not be developed. Council that consists of the top leaders of member states, stands between two sovereignties because he keeps its sovereignty but also will comply with decisions to be taken in this council On the other hand the decisions of Albanian institutions must be conform to those of EU. If there is a conflict between decisions of the institutions of Albania and the EU will be superior those of the EU. The decisions taken in recent years have highlighted the superiority of EU.

From these we can mention

- Majored score vote that marked the end of a state veto, so there is no state sovereignty on the various issues of EC. This favors the community structures.
- European Court decisions have contributed to the loss of power to member states. Why? Once they have interpreted Community law in such a way that makes it superior over domestic law. Court of Justice that is arbiter of the Community has stabilized the supremacy of Community law over national law, together with the principle of direct effect.
- Legislative power does not stand at the European Parliament which has not an independent status from the Council of Ministers but the decisions of parliament must be dismissed with qualified majority by the Council. That made the parliament strong. So the Council can not legislate without the consent of Parliament.
- The European Commission is a body that is elected and serves the community in advancing the common policy. We can say without fear that the Commission is super-national body and independent from the member states.
- Community Treaties meet the requirements of a Constitution and have placed the executive, legislature and judiciary powers. In 1963 the European Court of Justice in case Van Gend en Loos declared that the state has limited sovereign rights. So thus the EU is becoming a super-state that is leaving in shadow the member states and is taking up not only in economic and social issues but also issues related to foreign policy.
Another side of sovereignty is law enforcement. What will be the position of Albanian legislation toward EU legislation and who will have priority. EU legislation will have priority over that of Albania. There are several principles that have given priority to Community law which are.

The principle of direct effect enables the right deriving from Community institutions to become part of the interior law of member states, without being incorporated into domestic law with a normative act. The legal system of member states and a number of states can be divided into two main categories, on the basis of how they make the right part of their community, monist and dualist system.

Monism begins with attraction, or accession to international law, without the need for ratification. Dualism on the other hand does the opposite, as international law and national divides in two legal arrangements that differ from each other. International law can become part of domestic law only with specific ratification by domestic law.

The superiority principle according to which member states have transferred some rights to the community so the community institutions have supremacy over the emerging norms in legislation of member states if that is inconsistent with them. Every act in domestic law can not have precedence over the law of EU if is inconsistent with be declared null. When there is a conflict between domestic law and that EU law, the latter has always priority. The same applies to the judiciary and the interpretation of the law. In order to be fully binding Community law need to be required before a national court. However, this court will have need of Community precedent and laws if we have a conflict with the national law. This is known as the principle of precedent superiority of Community law. The concept of direct effect and supremacy of Community law is not specifically regulated by the Treaty. The European Court of Justice Decision in Van Gend en Loos case decided the principle of direct effect and created a legal order for the benefit of any member state. This has caused them to limit their sovereignty, and directly applicable Community law.

The conflict related to a Dutch company which import chemical products from Germany and who should pay a special tax customs. The company rejected the deployment of new customs fees based on Article 12 ECT which not speculate on the introduction of new customs tax between member states. After the judgment the European Court of Justice delivered a historic decision that decided the basis of direct application of Community law.

Court declared the application of Community law directly. Court had confirmed the direct application of Community law, in the case Van Gend en
Loos and limiting the sovereignty of member states concerning the law\(^5\).

In the case Costa against ENEL began to focus superiority of Community law.\(^6\) It was decided that Community law has supremacy over domestic law. The issue had to do with an Italian lawyer Flaminio Costa, who did not want to pay the bill to the Italian electricity state company ENEL. He claimed that nationalization of the Italian state electricity company was in violation of the provisions of the Treaty (former Articles 37, 53, 92, 102) after he violated the principle of competition. Court of Milan sent a request ECJ to prepare a preliminary ruling regarding the deadlock between Italian law and the law of the Treaty.

ECJ response was that the community has an autonomous legal order, which was recognized by member states when they dropped some sovereign rights. Community legislation has precedence over the legislation of member states, when the latter comes into conflict with. Court to Simmenthal issue was more explicit in the decision saying that the nature of Community law excludes the adoption of national measures which would be incompatible with community expectations.

Simmenthal was an Italian company that imports from France to Italy and need to pay a tax under Italian law regarding the control of health. The company rejected the tax because it was inconsistent with the free movement of goods supposed to the Treaty.

In this case Italy should not reveal the laws that fall in contradiction with the norms of the Treaty and whether they were in conflict with Community law and was applied directly superiority of the Community law.

In another case the Court found that any internal Court was under obligation to implement the Community law on individuals.

Plaintiffs were a number of Spanish fishermen who wanted to cancel the English legislation which gives the right to register a ship as the British to the people that had genetic link with England. The court ruled that in case of conflict between Community law and national law, not only that the latter should be ignored, but must avoid at all court.\(^7\) The member states also have an obligation to ensure that the national law should not present any obstacle to its full implementation. If states do not act so they will give account before

---


\(^{6}\) Case 6-64 Costa versusu ENEL. http://www.ena.lu/judgment_court_justice_costa_enel_case_6-64_15_july_1964.

\(^{7}\) Walter Cairns (2002), Introduction to European Law, P.111
the committee. Superiority provides that any conflict between national law and Community law will end with priority given to the latter.

Subsidiary principle has to do with that the community does not need to regulate those relations that are regulated at the national level.

Community intervention should not go beyond what is necessary to achieve the objectives of the Treaty in question. There was no legislation that can whiten its specific meaning. For this purpose the Treaty of Amsterdam were the following explanations. Subsidiary principle is not all powers promulgated by the European Community. The permitted limits Community action and expands its power when the circumstances reveal contradictions, make their implementation impossible.

For Community actions justified when the objectives of the proposed actions can not be achieved with national constitutional system, so then they would be better resolved by the Community actions. This guide is to be followed when these conditions are met.

- The issue under consideration has transnational aspects which can not be realized with the actions of the National Law
- The actions of the member states are in conflict with the requirements of Community
- Community-level actions can produce clear benefits by reason of its scale or effects compared with national-level actions.

Subsidiary is granted in Article 5 of the Treaty that states that the Community action should be taken only in those areas where the objectives of the Treaty can be met effectively in national and Community level\(^8\). Decisions should be taken closer to the citizens. However, the second paragraph of Article 5 demonstrates that the principles applied in areas which do not fall into the exclusive competence of the Community. Competencies are seen to take three different forms. Exclusive Community powers are transferred from member states by treaties in specific parts of policy. In areas such unilateral actions of nations are not allowed, since they are an exclusive competence of the Community institutions. Exclusive powers held by member states in other policy areas in which community has the potential powers. Powers recognized competitive and non-exclusive or separate policy areas where the Community and member states cooperate. In areas such power is transferred to the Community, but they are not exercised or they are still exercising, but not so complete.

A major problem arising is related to the separation of powers that is not

---

found in articles of the Treaty. So that line of demarcation between Community and national powers, which in theory should exist, is in practice difficult to implement. However the powers are possessed by the community and despite the fact that is not clarified in the Treaty the states are delegating powers. So national law can do but if he is authorized by the community.

In cases of competing powers, the priority is of Community. In fact only a few areas of activity in which member states have some powers, national rules must not enter into conflict with those of EU law. Community legislation can be presented as conqueror of the powers of the states. States can act to exercise their competitive power, but they should not harm the interests of the Community.

The principle of proportionality that has to do with that the each action can not be taken except in accordance with the situation and necessary to achieve the proposals set. Any Community action should not be beyond what is necessary to be achieved. It is important to recognize that the principles of proportionality apply for any Community action undertaken in areas where competitive or exclusive powers are. The protocol gives guidelines for actions.

- When the question is an aspects that can not be satisfactorily regulated by acts of Member States.
- The member states may be in conflict with the requirements of the Treaty.
- Community-level actions can produce clear benefits due to the reason of their scale or impact of actions compared to the level of member states. Areas in which the community has an exclusive jurisdiction are those of economic treaties, and institutions of member states can not take unilateral action. The court has exclusive jurisdiction to declare Community in a number of areas.

- Common economic policy of silence is a community where you can act and rule out any possibility of competition by participating states.
- Community has exclusive jurisdiction to become part of international conventions in this field because it has legal personality, but also the objectives of the Treaty on Euro-atoms.
- Community has exclusive competences in water management issues maritime community. On these issues he has powers and it can not be returned to member states. There are some areas where treaties have not specified a jurisdiction by treaties, but that are potential areas of
Community responsibilities.

Community rates of self-applicable. There are provisions of the Treaties, and regulations issued by the Community which are applied directly on persons and to their states. They have direct effect because the individual has the right to refer to a community norm of law before a national judicial body.

And when there is conflict between state and community rates the same range of community law prevails over that of previous interior.

The Italian High Court has given a decision that is historical for that issue. They interpreted so “Italy has acceded to the community by accepting the terms of equality with other states. If we gave the Judge the power to do not implement the domestic law that are incompatible with Community norms is the same as the rate of implementation of the Community law only Inter Parts9.

One of the factors that separate the Community law by international law is the impact to individuals. Direct effect may be defined as a mechanism that makes it possible to broadcast the citizens of the Community law before a national court, which was required to recognize, protect and constrain the rights provided. The Treaty obligations were imposed on national authorities, the rule is able to create horizontal and vertical effects. Article 249 (former 189) of the EC Treaty declares that the regulations are directly applicable to the participating states. So most of the regulations have a direct effect. Directives can not have direct effect before the arrival of the deadline set and they do not have horizontal direct effect. Court has ruled that national courts are obliged to interpret national law in light of the directives. This obligation is referred to as the principles of indirect effect and is set for the first time in Von Colson issue10.

Implementation of Community Law can be realized fully when there is a clear understanding about how Community rules may be part of member states. As was explained earlier, this prediction shows that the regulations are directly applicable to member states. Directives, decisions, and provisions of the Treaties can not be directly applicable until they require approval by national legislatures to implement them. For this it is essential to distinguish between direct effect and a direct implementation.

---

9 The decision of the Italian Constitutional Court. Number.232. 30.10.1975
10 Case 14-83, Sabin von Colson, 10 april 1984
CONCLUSIONS

Albania as a future EU member states will be part of decisions that the community will take but it will also apply these decisions when they are in conflict with its domestic law. Albania’s sovereignty will be limited because a large part of the decisions will be taken in Brussels and will be required under the principles of superiority and direct effect. Sovereignty in many areas exceeds the EU where the sovereignty of the money goes first. Albania as well as other countries would sacrifice a part of its sovereignty, but from the other side it will benefit in economic field and the free movement. The positions of the Albanian state institutionally and legally it will be a federated state within a pan-European federation.

BIBLIOGRAPHY

4. Italian Constitutional Court Decision nr.232 of 30/10/1975.
10. The treaty of Amsterdam, October 1999.
The Lack of Managing Capacities of the Local Governmental Units - A Serious Obstacle in Realizing The Decentralized Reform

Dr. Arif S. MURRJA
Deputy Dean, “Aleksander Moisiu” University, Faculty of Economics and Administration, Durrës, Albania
Tel: 0693072331 e-mail: murrja.arif@yahoo.com

Agim NDREGJONI, MBA
Lecturer, “Aleksander Moisiu” University, Faculty of Economics and Administration, Durrës, Albania
Tel: 0682063117 e-mail: andregjoni@gmail.com

Vlash KALLANXHI
Lecturer, “Aleksander Moisiu” University, Faculty of Economics and Administration, Durrës, Albania
Tel: 069420941 e-mail: vlashkalaxhi@yahoo.com

Dr. Arif S. MURRJA has finished his studies in the Faculty of Economics and Administration in the Agricultural University in Tirana in 1991. In the same University he finished his masters and doctorate studies in the field of Finance-Accounting respectively in the years 2004 and 2008. He has worked as a director in the municipality of Peshkopi, and in the Regional Directory of the Sanitary Supervision in Diber. From 2006 has worked as a financial director in the construction company “Teuta Konstruksion” Durrës, and the trading company “Doka Roal”, Tirana. From 2008 he is a lecturer in the faculty of Economics and Administration in the university “Aleksander Moisiu” Durrës, and he is Vice Dean of this faculty.

Agim Ndregjoni, MBA is graduated in July 1996 at the Faculty of Economy, University of Tirana. In July 2008 he finished the MBA (Master in Business Administration) degree at the University of Tirana, he has carried out many qualifications and scientific research courses organized by Albanian universities/institutions in cooperation with western universities and institutions, always in the field of economic development and business administration. He actually is following the doctoral studies at the Faculty of Economy, University “Aleksander Moisiu”, Durrës.
Abstract

The non-delegation of responsibilities of the central government to the local governmental units is only one side of the “medal” of the decentralized reform. From scholars of the local government must be answered the question: Do local governmental units have managing capacities to confront the responsibilities of the decentralization? The answer to this question is the other side of the “medal” of this important reform for the country.

Through this scientific research we will present the fact that the lack of capacities of the local governmental units has come as a result of the political changes of the 90s. At these times the communities of the peripheral zones of our country migrated massively towards the urban centers such as Tirana and Durres. This migration according to the Tiebout Model, searching for a better basket of goods and services did not only left undeveloped these administrative units but also created a lot of problems for the receptive local units of Tirana and Durres.

Our study is concentrated of the local units of the circuit of Diber and the municipality of Durres. The circuit of Diber is one of the northeastern zones of our country that is deeply touched from the migration phenomenon. In the mean time the municipality of Durres is one of the most receptive units or one of the most stretched (grown) from this dislocation of the population. Another problem that is treated in this study in the decentralization theme is the role of the circuit in an intermediary level of the governance from the central government at the commune and municipality.

At the end of our study we conclude that independently from the location of the local governmental unit, the lack of managing capacities and the inefficiency of the circuit roles is evident in the whole national territory. For example not only the farthest communes of the circuit of Diber lack the managing capacities but also the municipality of Durres is not performing well in the usage of its own funds and in presenting of the projects for strategic developments. For the local government to attract responsibilities or said differently the common actual functions and also pretend to take in administration other taxes such as a percentage of the Added Value Tax (AVT), it necessarily needs to increase the managing capacity in quantity and quality. It must be noted that all of these measures need to be associated with legal initiatives for the budget and local finances, and in the mean time the unison of local territories.

Based on the above conclusions we recommend as a prerequisite condition
or term the growth of managing capacities, the unison of communes and municipalities in greater administrative units.

Key words: Capacities, managing, unit, decentralization and administrative circuit.

1. THE LACK OF CAPACITIES AS A CONSEQUENCE OF THE MIGRATION IN THE 90S.

Currently the decentralism of the local government is one of the most important problems for the entire Albanian society headed in her way to the European Union integration. The normal functioning of a democratic society requires not only an independent executive power from the legislative, judicial, the media but also from the local governing power. Diverse analyst of the field of local government studies criticize the central government for its lack of desire to decentralize the responsibilities, that currently are known as common functionalities, to the local governmental units. Apart from taking charge of the common functionalities, local governmental units need to be prepared to take in administration the percentages, from the tax over personal income, from the tax from profits, from the added values tax for the persons that are employed in the private economical units that are inside their administrative territory. Not avoiding from the responsibility the central government for the non delegation of functionalities, towards the local governmental units, we think that this is only one side of the “medal” of the decentralization reform. From scholars of the local government must be answered the question: Do local governmental units have managing capacities to confront the responsibilities of the decentralization? The answer to this question is the other side of the “medal” of this important reform for the country.

During the last decade Albania has been a country of great political, economical and social destruction that have been the most particular in its history. This period is characterized with profound changes from a dictatorial and a mono-party system into a democratic and pluralist system. From a country with a centralized economy, Albania was developed into a free market country. Essential changes associated the Albanian society, which won many rights such as the freedom of speech and the freedom to express the thought freely, the elective system were changed from the roots for the central and local organizations, the freedom of religion, which was denied for many
years, was institutionalized, etc.

Another phenomenon that associated the Albanian reality during the transition years was the migration of the population, be it outside or inside the country. The wide freedom to choose the place of living and working that the Albanians won it at the beginning of the 90s was associated with a chaotic movement, in and out of the country. This phenomenon, inside the country migration, is presented as an intensive movement from the rural areas to the urban areas, from the highland areas to the plains and sea shores and also from the peripheral areas to the center living areas. One of the main reasons of the migration is not only the withstanding of the poverty but also the desire of a better system of the public and social services. In the rural and peripheral areas is possible to have unqualified local administration, teachers, and doctors. This in consequence brought the retreat of the rural areas and the fast growth of the population in some of the main cities of the country. Compared to the 1989 the population if the country has changes as noted below:

<table>
<thead>
<tr>
<th>The movement of the population</th>
<th>Municipality</th>
<th>Commune</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has moved 75% of the population in</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Has moved 50-75% of the population in</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>Has moved 25-50% of the population in</td>
<td>35</td>
<td>84</td>
</tr>
<tr>
<td>Has moved 10-25% of the population in</td>
<td>21</td>
<td>116</td>
</tr>
<tr>
<td>Has moved less than 10% of the population in</td>
<td>4</td>
<td>65</td>
</tr>
</tbody>
</table>

It must be evidential that there are special centers, that are even named “city” that because of the movement of the population have been left with a very limited number of inhabitants and they do not attract the attention of the community for urban development, territorial development etc., in particular Kami in Tropoje, Kurbneshi in Mirdite, Ternova in Bulqize. There also are 12 communes with up to 1.000 inhabitants and 170 communes with up to 5.000 inhabitants, meaning that almost 60% of the communes have fewer than 5.000 inhabitants.

2. THE MOVEMENT OF THE POPULATION ACCORDING TO THE TIEBOUT MODEL

The movement or the migration of the population is done according to the principles of Tiebout. In the beginning of the 90s the movement was a massive one, in search of a better life or as we call it in the economical language “in search of a better basket of goods and services”. Accordingly with the migration, our
population was involved also in the process of immigration. The immigration separated the society in rich and poor. In the peripheral areas of Albania immigrated mainly the rich and the educated. Naturally they searched for a better basket of goods and services and logically they would pay to profit those. Is not the same to live in the center of Tirana, Durres and Vlore and in their peripheral areas?

So relying on the *Tiebout Model* there is a differentiation of the population according to their income which means that the rich were located to the urban centers and at the touristic areas of Tirane and Durres, and the poor in their peripheries. We *think* that the families of the Tropoje, Kukes, Gramsh, Librazhd, Puke, Mirdite, Korce, Permet, Tepelene jurisdiction etc. Located in the peripheries of Tirane and Durres or Lushnje profit better basket of goods and services compared to where they were before. We can argue the same for the rich of these areas, which as a result of their income, are located in the centers of the urban cities. There is a movement of the population also inside a circuit and the reasons of the movement are the same. The migration or the movement of the population in Albania according to the *Tiebout Model*, is presented in *Figure 1*.

**Figure 1. The movement of the population in Albania after the 90s**

Definitively it must be noted that the *Tiebout Model* is harmful, because the movement towards the urban centers, leaves undeveloped the peripheral areas and creates many problems for the administrative units of the embarking areas. This non-development of the peripheral areas and the chaotic situation of the urban areas are very much evident today in our country. The migration has also brought the lack of managing capacities of the local governmental units in national level. To stop the movement of the people towards the urban centers is necessary the intermediation of the central government.
3. THE CAPABILITY OF THE LOCAL ADMINISTRATION

A problem that affects the managing capability, which is gotten worse because of the migration of the population, has made the administrations of the small municipalities to struggle in keeping talented professionals in a young age that leave in search of better employment opportunities, higher paychecks, and better living and working conditions. This movement has been a great challenge for the communities of northern and southern regions where the migration takes origin inside and outside the country. This challenge is particularly important keeping in mind the lack of a national program for the creation of professional capacities at a local level. Professional weaknesses are especially sharp in the field of budgeting, where the financial procedures are not the same in fact. The planned budgets and the real budgets often are different, where the control (if it is done) is not regular, and the monitoring and the valuation practically do not exist.

In the communes and the municipalities away from the urban centers, in reality we have unprofessional local administrations. Even the political parties are represented at local elections from candidates for head of communes with a secondary school education level (high school diploma). For example, at the communes Lurë, Luzni, Reç in Dibër, the candidates for head of communes at the elections of 18 of February 2007 were with the High school diploma. The municipality of Kukes has 25 members at the municipality council and their education level is separated equally, 1/3 has a university degree, 1/3 has high school diploma and 1/3 has finished primary school. It must be noted that from 25 members, 11 of them are independent. From the 14 communes in the circuit of Dibër, in 9 of them the local finances are administered form mid-financial personnel or employers that do not belong to this profession. The members of the council for the communes of, Lurë, Selishtë, Kala e Dodës, Reç në Dibër, Krast, Ostren, Trebisht në Bulqizë, Xibër dhe Rukaj in Burrel, are over 90% with a secondary educational degree or a primary educational degree.

To make evident the lack of capacities at the urban administrative units we will refer to Durres municipality. To verify its expansion and growth at the beginning we will present the number of the population from the year 2001 to the year 2007. The city of Durres according to the data from the Office of Civil Statistics up to December of 2007, has a population of 197,698 residents, form these 50.5% are male and 49.5% are female. In 2007 we had a growth of 24.6% of the population, compared to 2001; 18.5% compared to 2002; 12.7% compared to 2004; 4.3% compared to 2005, and 1.3% growth compared to 2006.
Graph 1- The population growth rhythm (Durrës)

Graph 1 shows very clearly the growth of the population number form 2001 until 2007. The linear curve from 2001 has been on a growth tendency or in other words in percentage this growth in 2007 has been 24.6%. We conclude that that the growth rhythm of the population in the city of Durres in the recent years is one of the largest in the world, which comes as a consequence of the demographic growth, migration, the history, and culture and why not because of the geographic location.

To argument the lack of managing capacities of the municipality of Durres we will analyze the pragmatism of the local budget for 2008. In 2008 the incomes of the local budget of the municipality of Durres are in value 1,673,570,708 leke, whereas the factual local expenses are in value 1,063,268,948 leke. Based in the records done the Treasuary- Budget Branch of the Durrës Prefecture, the budget situation of this municipality for 2008 in a more detailed way is presented below:

<table>
<thead>
<tr>
<th>Table 1 –Local Budget 2008 (Durrës)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Incomes</strong></td>
</tr>
<tr>
<td>Local Incomes</td>
</tr>
<tr>
<td><em>Inherited from 2007</em></td>
</tr>
<tr>
<td><em>From 2008</em></td>
</tr>
<tr>
<td>Unconditional transfers (grants)</td>
</tr>
<tr>
<td>for 2008</td>
</tr>
<tr>
<td>The competitive grants of the</td>
</tr>
<tr>
<td>Ministry of Interior</td>
</tr>
<tr>
<td><em>Income total</em></td>
</tr>
<tr>
<td><em>To be inherited in 2009</em></td>
</tr>
</tbody>
</table>
We can see that the local budget of 2008 results in a sufficit (a positive difference between the incomes and expenses) of 598,301,760 leke. It must be noted the fact that the unconditional grants since 2000 are distributed with a formula where is considered the surface, the number of the population, the poverty, the economical development etc. Also what is noted for the municipality of Durres is the profit from the competitive grants of the Ministry of Interior in value of 5,000 thousands of leke.

At first sight it seems that the municipality of Durres, for the year 2008, has been in a good financial situation where inherits for year 2009 around 598,301,760 leke, but in the mean time this shows the lack of managing capacities of this unit because year after year it inherits large sums of monetary values. Currently, about 35% of the 2008 budget is inherited for the upcoming year.

4. THE TERRITORIAL SEPARATION AND THE ROLE OF THE CIRCUITS

Even though Albania is a small country (its surface is approximately the same as that of Maryland and it has nearly 3 million Inhabitants) its territory is separated officially in 374 self-governmental local units of first degree, from which 65 are municipalities and 309 are communes. In topic 1, “The lack of capacities as a consequence of the migration after the 90s”, we emphasized that we have 12 communes with up to 1000 inhabitants and 170 communes with up to 5000 inhabitants, so around 60% of the communes with less than 5000 inhabitants. As it happens in many other European countries in development transition, this defragmentation grows concern that surpasses the arguments of the economical efficiency, where are involved judgments of a political and administrative nature. From one side, to fragmentize, means that the decision makers are closer to the voters this escalades the democratic involvement and depending from the plan in decentralizing the competencies and the stimulus, it can increase the count of responsibility from those that have given trust and political responsibility count. From the other side, the defragmenting in excess has a tendency to depart the small municipalities from self financial sources and without the needed administrative and technical capacity to apply the politics in an efficient way and to accomplish the public services in an effective way, an argument that doesn’t stick to with decentralization.

The non-existence of the old Circuits and their replacement from a second level local self government (meaning the Council of Circuits) it compounds
a new aspect of the administrative and territorial reform of 2000. The law determined to the Council of Circuits special functions of planning and settling of acts with regional interest and of the distribution of the public services that could have been delegated to those from the central government or the municipalities or the communes that were part of them.

Anyhow, in practice the concept of local governance of the circuit is still a precept of an “empty box”, since the functions of the Council of the Circuits are not yet clearly defined. The councils are not supported with a fiscal autonomy from the central government and the local of the first degree, and also hesitate to delegate functions. In fact, since the members of the Councils of the Circuit are not elected directly from all the citizens of the circuit, to them it lacks the responsibility count and based on this the prefects and the heads of municipalities (the first to be named from the central government and the second are elected directly in municipalities and communes) have doubted the legality of the circuits authority. The heads of the largest municipalities, especially, have no desire to accept from the circuits or that the circuits intermediate their communication with the central authorities, since they [the heads of municipalities] repeatedly are able to gather a large enough number of participators. Apart from this, the ministers of the central ministries and the ministers of the line are habituated that in local level to work according to the model of disconcerted services in territory and it seems that they like to continue in acting this way.

The overcoming of the administrative defragmenting of the local governmental units is possible by applying the obligatory unity of the smaller units (especially communes), or stimulating (even financially), to encourage different forms of volunteer associations of the local authorities.

The first way can have the favor of being more effective and simpler to be directed from the center, but it bears the risk of confrontation with local traditions and it can create political uproars, since it can be thought of as an compulsion from up-down. The second way according to the definition, is more effective since it respects the tradition and local preferences, but its applying has tendency to require more time (if it is applied) and itself is very complicated to be monitored from the center.

Keeping in mind the political sensitivity of the case, the Albanian Government might take in consideration and elastic stand (keeping in mind the terms and the right moment):

a) Passing the responsibilities (and the respective sources) to the local authorities in a asymmetric way, meaning according to their respective capability of distributing special local public services in an effective way; and
b) Clearly determining the stimulating instruments (including the direct technical support, the qualification and the financial/fiscal support) in a way that the right jurisdictions can easily understand that the volunteer unison/association can increase the effectiveness and can enrich them perpetually. This can also make the betterment of their possibilities to use the privileges of the EU in a future phase.

**CONCLUSIONS**

The movement of the population according to the *Tiebout Model* is harmful, because the movement towards the urban centers leaves undeveloped the peripheral areas and creates many problems for the administrative units of the embarking areas.

Because of the movement of the population according to the *Tiebout Model* the peripheral areas have been left with a very limited number of inhabitants and they do not attract the attention of the community for urban development, territorial development etc., in particular we mention the “city” of Kami in Tropoje, Kurbneshi in Mirdite, Ternova in Bulqize etc. There also are 12 communes with up to 1.000 inhabitants and 170 communes with up to 5.000 inhabitants, meaning that almost 60% of the communes have fewer than 5.000 inhabitants.

Relying constantly at the *Tiebout Model* there is a differentiation of the population according to their income which means that the rich were located to the urban centers and at the touristic areas of Tirana and Durres, and the poor in their peripheries.

The capacity of the local administration has worsened from the migration of the population, migration which has made impossible the keeping of talented professionals in a young age that leave in search of better employment opportunities, higher paychecks, and better living and working conditions. This in turn has made that even the political parties are represented at local elections from candidates for head of communes with a secondary school education level (high school diploma). *For example*, at the communes Lurë, Luzni, Reç in Dibër, the candidates for head of communes at the elections of 18 of February 2007 were with the High school diploma. The municipality of Kukes has 25 members at the municipality council and their education level is separated equally, 1/3 has a university degree, 1/3 has high school diploma and 1/3 has finished primary school. It must be noted that from 25 members,
11 of them are independent. From the 14 communes in the circuit of Diber, in 9 of them the local finances are administered form mid-financial personnel or employers that do not belong to this profession. The members of the council for the communes of, Lurë, Selishtë, Kala e Dodës, Reç në Dibër, Krast, Ostren, Trebisht në Bulqizë, Xibër dhe Rukaj in Burrel, are over 90% with a secondary educational degree or a primary educational degree.

The lack of managing capacities is reflected also in the municipality of Durres, from which about 35% of its budget for 2008 is inherited in the succeeding year, and also the profits from the competitive grants are in value only symbolic. This means that the municipality of Durres does not have and efficient local administration to well-administrate the incomes of its budget and to compete with development projects for higher competitive grants.

The current separation of the local governmental units in 65 municipalities and 309 communes is overly defragmented. This excessive defragmentation has a tendency to leave the small municipalities and communes without its own financial sources and without administrative and technical capacities, necessary to apply the politics and to accomplish their public services in an effective way.

The activity of the second level of the local government (circuit) is not effective because of the fiscal autonomy, the indirect election of the circuit council, and also the influence of the institution parallel to the prefect.

**RECOMMANDATIONS**

The unison of the communes and the municipalities in bigger administrative units. This unison is received by passing the responsibilities (and the respective sources) to the local authorities in a asymmetric way, meaning according to their respective capability of distributing special local public services in an effective way; and clearly determining the stimulating instruments (including the direct technical support, the qualification and the financial/fiscal support) in a way that the right jurisdictions can easily understand that the volunteer unison/association can increase the effectiveness and can enrich them perpetually. This can also make the betterment of their possibilities to use the privileges of the EU in a future phase.

The growth of the professional level of the local administration that can facilitate qualitative competition in development projects and profits of investments from local government, the community and businesses altogether.
An increase in the number of employees of the sectors covering local 
taxes for the business administration and the gathering of the local incomes. 
An increase in collaboration with the local government.

**BIBLIOGRAPHY**

Job Satisfaction and its Impact on Public Administration Performance
Case of Academic Staff in Public Universities

Gentiana KRAJA, MPA¹
Lecturer, “Aleksandër Moisu” University, Faculty of Economics and Administration, Durrës, Albania
Tel:0672174835, Email: gentianakraja@yahoo.com

Fatbardha KADIU²
Lecturer, “Aleksandër Moisu” University, Faculty of Economics and Administration, Durrës, Albania
Tel:0672737918, Email: fatbardhakadiu@yahoo.com

Abstract

The aim of this paper is to emphasize the importance of job satisfaction and the great impact it has on the human resource performance, and this way to organizational performance. The state itself is represented by public institutions which are managed by public administrators, so the state

¹ Gentiana KRAJA MPA is graduated in July 2001 at the Faculty of Economy, University “Luigj Gurakuqi”, Shkodër. In July 2005 she earned the MPA (Master in Public Administration) degree at the University of Tirana, Faculty of Economy. She has a good work experience in private and public sector. She worked for several years at Bank of Albania. During this period she has done a modest but a good work in research and publication which is concentrated in the fields of Ethics, Organizational Behavior & Human Resources Management.

² Fatbardha Kadiu has a bachelor diploma in Economics from Faculty of Economy, Ege University, Turkey and a specialization certificates from George Town University USA, on Financial Management in Public Institutions. Complementary qualifications and scientific research include her participation in University of Kentucky -USA, training and qualifications organized by local government in corporations with UNDP and University of Tirana. She worked for three years as Director of Tax Administration in Durrës.
performance is directly influenced by public administrator’s performance. Structure of our public administration is still characterized from bureaucracy and this is reflected in their internal relationship and in their public, and this destroys the image of public institutions but not only, this sends public administrators to be unmotivated, not satisfied from their jobs, not motivated and the result of all this is Low Performance.

The inappropriate consideration and treatment versus employees in general in Albania, and public administrators in particular is inherited of centralized economy that Albania had during communism, and from the author point of view this is a great challenge to be solved from Human recourses management science, during this period of transition.

Main goal of this paper is to evaluate the great importance that job satisfaction has on the human resources management in general and human resources management in public administration specially. For this reason author has identified the essential components of job satisfaction and their influence on the human resources management process. The author also through conclusions and recommendations has given the way to change low performance of human resources in public administration to high individual and group performance in public administration.

Education Sector has the main influence on public welfare, and in Albania they represented many problems, even though the government has undertaken specific policies and public politics to change the situation, these problems are still actual. In this sector the employee has an essential role, and this role and its performance is strongly influenced by job satisfaction.

After presenting the theoretical framework from reviewing the literature the paper is also concentrated on specific cases from High Public Education institutions in Tirana and Durrës & Shkodra.

The factors that influence job satisfaction are categorized in three main groups: economical, psychological and organizational-managerial factors. This study hopefully will contribute in public policies in both sectors as well as in internal policies.

Key Words: Public administration, job satisfaction, health, education, politics.
1. GOALS

✓ Identify the importance of job satisfaction in human resources performance on public organization performance.
✓ The role of job satisfaction in HR performance, as a result in public organization performance.
✓ Identify the elements which effect directly in public administrator job satisfaction in general, and specifically in academic staff.
✓ Set up, practical application and interpretation of questionnaire results.
✓ Presentation of paper’s conclusions and recommendations.

_Hypothesis: improving of job satisfaction as one of the most important depending variable of performance in public administration._

2. METHODOLOGY

This paper is set up in two parts, theoretically its explores the literature in order to support the hypothesis and second part is based on the questionnaire which prove and interpret the hypothesis from a practical perspective.

3. THE PERFORMANCE OF PUBLIC ADMINISTRATION AND THE PRACTICES USED FOR MANAGING HUMAN RESOURCES.

Performance of the organization is the comparison between actual results and the ones intended. The indented results of public administration can be listed as above: policy transparency, policy flexibility, achievement of goals and objectives, their impact on the real life, mission achievement etc. As it can be understood each of this results is realized through the individual (public administration), in other word it is the individual which which generates this performance. So improving the individual performance will lead us to the public organization performance.

In the figure 1. It is shown the relationship public administration performance practices used by HR. These practices used for managing HR is the key tool which relates the strategy of public policy and the strategy of HR. The relation of public strategy and strategy of public HR strategy is according to Matching school, which supports this position. According to this school the strategy of public organization should be lead by human resources
strategy that the organization tends to implement. Opposing this school there is Howard school. Howard school underlines the idea that this kind of relationship shouldn’t exist, so it is the public organization which first identify its own strategy, and under this strategy should be lead the HR strategy. As in our day in public sector it is strongly predicted the engineering phenomena, or the use of private sector practices in public sector, so we found it appropriate to support this kind of relationship. At the end we conclude that the performance of HR in public organization is a aggregate of each individual perform ace that brings to the improvement of the whole organization.

4. THE ROLE JOB SATISFACTION IN HUMAN RESOURCES PERFORMANCE ON PUBLIC ADMINISTRATION.

As mentioned above the performance of public organization is strongly influenced by individual performance, it is necessary, for improving the organization performance, to study the factors that directly influence the HR performance in public sector. This is clearly explained by figure 2, schematically there are shown the factors influence it. Not casually job satisfaction is fixed on on three main elements which effect and also is effected by HR performance. That is the reason that this paper is focused on this variable.
5. JOB SATISFACTIONS

In its simplest contest job satisfaction reflects how much the person like or dislike his/her job. So the set of emotions, thoughts and the trust and the individual has for his job. It is kind of emotional reaction on his/her job. This means that job satisfaction is not at all a unique concept, it is easy to understand but difficult to measure and manage it. From a visual perspective job satisfaction can be compared with a prize that seen by any point of view takes different colors. Additionally this element, because of feasibility lack in adapting situational conditions in public administration, it takes a considerable role in this sector. Wages and rewards even having a strong impact on job satisfaction, there are clearly well defined by laws and regulations in public administration it is menageries and administrators duty to find other motivating instrument in order to improve job satisfaction.

On figure 3 you can clearly defined the elements effecting job satisfaction as: individual personality, job characteristics, values, and social influence.

Figure 3. Indicators of job satisfaction

Source: OB. Brenet Smith. 1999
The researchers of Corner University developed a Job Description Index, in order to understand individual job satisfaction. The dimensions they described were: job, wage, promotion, colleges, and supervision. The researchers of Minnesota University concluded that job satisfaction can be measured by 20 different dimension of the job itself. So the concept of job satisfaction as easy and complex too. Even though the five dominant and more useful theories are the ones below: need fulfillment, expectations, imposed values and equity and genetic components.

*Need fulfillment* model proposes that job satisfaction is defined through job characteristics that permit the individual to fulfill his her needs. Even needs model have generated a considerable cotraversion among each other, generally its is accepted that needs fulfillment is positively related to job satisfaction.

*Expectations theory* proposes that job satisfaction is a result of the individual expectations. These expectations represent the difference between the individual expect and what he/she actually gets. When this difference is negative the person will not feel satisfied. And the reverse if the difference is positive he she will feel satisfied by this/her job.

*Imposed Values* model underlines the fact that when the individual can use and realize his/her values through the job than he/she will be satisfied. This model shows that managers include in work and structure it so that work environment can be adapted to workers’ values. Also the managers should not only know their values but they should play a role in reinforcing their values. On the other side workers too should tend to take in the values that are considered important for the organization. This fact is very concrete in public organizations, as the public sector should promote values to the public, it is public administrator’s duty to promote this values. It makes the imposing values process a necessity, which practically goes through may difficulties.

*In equity model* the job satisfaction is a function of equity perception that the individual gets from the treatment in his/her work place. Job satisfaction results from the comparison between job output, related to the input, with another persons output/input. This model encourages the managers to be sensitive to those perceptions of equity that individuals get. They should undertake actions with each person in order that he/she can be felt as equally treated.

*The model of genetic component* explains job satisfaction based on personal characteristics and genetic factors of the individ. Even the number
of studies that have tested this model have been small enough they have shown that there exist a relationship among personal characteristic and job satisfaction. It was shown that genetic factors have a considerable impact on life satisfaction, individual wealth fear and job satisfaction.

One of the main results of job satisfaction is motivation. Motivation has a positive relation with job satisfaction at a considerable moderate level. Another result with positive and moderate level of relation, is job involvement and civil organizational behavior. Job performance, life satisfaction and mental health have also a positive and moderate relationship with job satisfaction.

Aside positive results, job satisfaction have also negative results. Like: absenteeism, delays, quittance, heart diseases, circulation. The studies have shown that absenteeism and delays have a weak level of relation whereas circulation and stress have a moderate level of relation with job satisfaction.

Figure 4, The element influenced by and influenced ed by job satisfaction

<table>
<thead>
<tr>
<th>Motivation Needs, Variance, values, equality genetical components and personality work conditions</th>
<th>Affect</th>
<th>Job Satisfaction</th>
<th>Work performance, Turnover, Absenteeism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source: OB, third edition, Kreitner, Kinicki, 2006, fq. 146</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As it can be seen by the figure motivation is a factor which is influenced by job satisfaction and also it influences job satisfaction. Considering job satisfaction it should be carefully noticed the influenced elements and the elements that influence it.

6. JOB SATISFACTION INDICATORS

Work its self & mental challenges of work, payment, quality of supervision, colleagues & tema working, promotion & carrier.

Now we will illustrate the effects that these indicators have on Job Satisfaction:
<table>
<thead>
<tr>
<th>Indicators</th>
<th>High job satisfaction</th>
<th>Low Job satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work &amp; challenge</td>
<td>Comes Early; goes latly</td>
<td>Wants transferation, absent, comes late, abandons work</td>
</tr>
<tr>
<td>Quality of supervision</td>
<td>requires superior society, accepts his demands and advice, stay in work</td>
<td>avoids superior, complains, makes hassle, does not accept advice or demands, complains above, abandoned work</td>
</tr>
<tr>
<td>Colleagues-team working</td>
<td>approaches, applying norms of behavior, stay at work</td>
<td>avoids colleagues, makes quarrel, missing, abandoned work</td>
</tr>
<tr>
<td>Payment</td>
<td>modifies efforts depending on the level of salary, stay at work</td>
<td>complains, accepts bids from competitors, modifies his efforts depending on salary level, abandoned work</td>
</tr>
<tr>
<td>Carrier &amp; Promotion</td>
<td>increased effort, raised expectations, stay in work</td>
<td>low effort, has low aspirations, away from work</td>
</tr>
</tbody>
</table>

6.1. Job satisfaction in Public Administration

One early debate in the public administration literature centered on whether public employees were satisfied with the characteristics of public organizations (DeSantis & Durst, 1996; Steel & Warner 1990). Some believed the bureaucratic nature of public organizations coupled with low salary levels inhibited high levels of job satisfaction among public employees. Contrary to these expectations, many researchers found job satisfaction to be high among public employees at all levels of government, whereas other studies reached an opposite conclusion (Bright, 2008). The work conditions found to be the most influential on the job satisfaction and turnover intentions of public employees were the intrinsic nonmonetary characteristics of their work, such as good social relationships with coworkers and supervisors, promotion opportunities, professional development opportunities, and participatory management strategies (Borzaga & Tortia, 2006; DeLeon & Taher, 1996; Ellickson, 2002; Emmert & Taher, 1992; Kim, 2002, 2004; Wright & Davis, 2003).

6.1. Job satisfaction of academic staff.

Basing on figure 4 of job satisfaction, a questionnaire as an interview to the public administrators is tested up. Mostly to the public universities. In this questionnaire, there are include elements that influence in job satisfaction. Each of them is interpreted by a different questions, tending to make the
answers more concrete, tending to understand each element’s importance considered by the individual. We will be explaining he elements that was issued during the interview and which bring a negative impact on the job satisfaction.

**Work place conditions**
- %70 have not the adequate equipment for a good performance
- %50 of them think that work is overload, even it exceeds their capacity
- %100 think that they are not able to take vacation when they need it to

**Gratefulness and equity**
- %80 do not feel the gratefulness of their work
- %90 do not think they have the support for being creative and innovator
- %65 think they miss the chance to do what they best know
- %50 do not feel safe, and this perception comes as result of gratefulness’ lack and many times of unequal treatment.

**Challenges related to the job**
- %90 think that job influence considerable in their private life and vise verse
- %55% think their work is not clear enough
- %50 think that they can not profit from other processionals experience
- %60 do not feel as part of the institution

**Supervision**
- %60 do not take feedback
- %50 are not informed in time cases which they are of their profile
- %60 is not included in decision making which influence their work
- %70 percepts their ideas as unworthy for high level management
- %70 do not agree on their performance appraisal

**Group performance**
This element has the best percentages, even in the cases when high management in part of the group.

**Needs**
- %75 think that their needs are not in the focus of the human resources management
✓ %40 think their are unidentified in the institution when they work in Values
✓ %80 do not know this values or they see them like duties
✓ %85 do not know the philosophy, the vision and the mission of the university
✓ %60 do not feel themselves free in their academic work.
✓ %60 do not perceive feasibility as part of their work
✓ %65 feel better of when leaving the institution, when they have no class but appear to be in work place for other tasks. This is an answer that provided enough information about their job satisfaction.

CONCLUSIONS

Job satisfaction effects strongly the HR performance in public administration, so on the performance of public organization itself. As the organization provide public services, the individual is considered of a relatively high importance. Through these organizations the ones of public universities play a main role.

As job satisfaction is effected by physical and nonphysical conditions of the work, they are considered as performance’s factors too. Academic staff in order to achieve and realize its mission need to have the adequate equipment (not PC, or digital tools but adequate literature, membership on academic site etc) so they can identify the quality of their job objectives. As part of its particular profile the academic should have the flexibility for managing his/her individual time. From this perspective public institution should apply practices of more experienced and advanced High Education Institutions, the importance of this element was evident from the interviews of academic staff that are member of both public and private universities.

Job satisfaction is also effected by the values imposed, characteristics, professional priorities of academic staff according to their fields. If this imposition is not treated as a fragile process by itself, starting from recruitment and continuously it exist the probability to risk the whole performance of the organization. Our suggestion in this case are the continuous round tables of group discussions, indirect interviews so that the staff can have the possibility to express its skills and priorities. Another suggestion could be the reward of the work group, or individual work. To this suggestions should be added the safety of the job position as an element of motivation, so that the staff can be clearly enough about it way to work.
The job by itself and its elements have a special importance in the performance, circulation, abstention. This is because the individual for more the academic if he/she cannot respond to the job objectives tend to be unsatisfied, and to turn this factors in demotivating factors for the other members, he would be unbalanced in his/her attitudes and unstable too. Our suggestion in this case is the continuous treatment of academic staff for the work manual, his contract, regulations, the ethical code in order to reduce the possibility for mistakes and especially when they come as a result of information inadequacy or lack of information. Another suggestion is the continuous promotions of the goals and objections of the institution so that the staff could be part of the decision-making process. Participative decision making of the goals not only tend to motivate them but will make them feel as an important part of the institution too.

Performance appraisal and the methods used for it have a strong impact on staff’s emotions and their job satisfaction. Job satisfaction is very sensitive to the formal and informal practices used to measure the performance. As a result our suggestions based in the questionnaire results too, is that high level of management and especially the HR management should realize the performance process in a considerable time period, with honesty and dignity too. Secondly in process should take part the feedback of each member of academic staff. This is very important for the academic staff because of their kind they are very sensitive if negative elements are mentioned in front of their colleagues. At the end of this section we found it very important to underline the importance of finding the appropriate methods for measuring performance and this referring to the context of performance especially in academic staff case as the questionnaire results too shown very openly that the institution was not seen as helpful in realizing this formal performance.

**RECOMMENDATIONS**

The evaluation of needs and aderation of staff to the high level of management, making them feel as the center of the attention brings to higher job satisfaction, higher performance and reduce their desire for abstention.

Knowing the values of the working place is very important especially for improving job satisfaction and institution image. So for the public universities it comes as role and duty to inform and promote continuously their own values. This will make the staff to absorb institution values as their own
values. Values are not of the same with duties and standards, that is why when we put sanctions and rules they rarely bring to the intended results. So it comes as a duty for the high level management train continuously the staff for the institution values, and the values required by the staff too and they should assist the staff on the way to achievement. In this way the staff will be very clear and will try harder to improve its self toward the integration of the institution. From the results of questionary, more specifically from the question “do you feel relief as going out of the institution?” 65% of the interviewers were positive. This shows that the situation is critical. Is was used the word “relief” and not “tired” or “sad” or “irritated” because this are normal reaction even for a very pleasant job. But “relief” shows that you were stressed, unsatisfied till at the moment that you were inside of the institution. From this perspective more experienced and advanced High Education Institutions, universities are ahead, they promote and help in achieving the values required by academic staff, they cannot permit that their staff to be chaotic for the values that should be achieved.

Career and wages were to elements left a part not because their are no factors of job satisfaction. But because the person which tries to be part of a public institution generally and especially in public universities have adequate information about the wage and the scientific grades or titles, and the way how to they can get. The same logic is valid for career. So in order to improve job satisfaction and public universities performance the managers can use this two instruments. From this perspective more experienced and advanced High Education Institutions universities are more advantageous. But the our universities should try to operate in the same way as the more experienced and advanced High Education Institutions, universities on the areas that is possible to. They should find other ways, that are not contrary to the law, maybe they will not have a formal value but they can be of moral stimulation.

BIBLIOGRAPHY

1. Brent Smith Organizational Behavior, 2006 (slide show)


    http://www.business.bham.ac.uk
    http://www.mubs.mdx.ac.uk
    http://www.bnet.online.com
The Recruitment of Public Employees in Albania’s Public Administration. Neutral or Political Process?

Marsida ISMAILI
Lecturer, “Aleksander Moisiu” University, Economics and Administration Faculty, Durrës, Albania
Tel: 00355 52 23 91 68, E-mail address: marsidaismaili@yahoo.com

Abstract

This essay is focused on one of the most important functions related with the employment and the retain of human resources in the public sector. Every time we look at a vacant job position in the public administration, that is announced in different mass media, logically we ask ourselves if the employees’ recruitment process will be fair and honest. A serious problem in Albania has been that of the fragile institutions that has pointed out the need for reform in the public sector.

In this study the focus is on the effectiveness of the recruitment process of public employees in Albania, in the central level of institutions, viewing more in detail aspects like: approaching and recruiting the best candidates for the job vacancy, the effectiveness of the strategies used for recruitment and the criteria/s that must be fulfilled, in order to have a successful recruitment process.

Thus, the thesis in this study is that the more influenced politically is the recruitment process of public employees then it is more possible that the talented and, the best candidates wouldn’t be hired in the public sector to offer services to citizens and, this will affect in turn the process of democratization in Albania.

The methodology used in this study is the scrutiny of different documents

1 Marsida Ismaili is a full-time lecturer in the University “Aleksandër Moisiu” Durrës, and teaches different courses in the field of Political Science. Marsida has finished the university studies in Political Science, at University of Tirana, in the Faculty of Social Sciences. Actually, she has finished the postgraduate studies, in the Master of Public Administration, at the Faculty of Economy in Tirana.
and reports to obtain the proper logical instruments for a detailed and concise analyze of the situation.

Surely, the recruitment process is one of the most important stages of human resources management and affects all the other processes related with employment and retaining, in working relations of the qualified work-force.

In this context, the reform of the public administration in Albania began when the government adopted the Strategy for Institutional and Public Administration Reform in 1999. The most important part of it is the public service reform in 1999, initiated with the adoption of the Law nr. 8549, date 11.11.1999 “Statusi i nëpunësit civil (The Status of Public Employee)”. Even with the recent achievements in the road toward country’ democratization, in line with the demanded reforms for the European integration of Albania, we can say that the recruitment process of public employees is politically influenced. This situation creates significant capital and human costs, without creating possibilities to recruit the best candidates in public office. This for sure, is an indicator of the lack of good government.

**Key words:** Public administration, recruitment, institutional reform

---

1. **THE RECRUITMENT CONTEXT OF PUBLIC EMPLOYEES IN ALBANIA’S PUBLIC ADMINISTRATION**

The recruitment process of public employees in Albania has moved on different phases, reflecting also the economic, social and political conditions of our country. What has to be pointed out is that Albania is in a difficult phase of transition toward democratization and for that reason, is undertaking different steps related with structural reforms. So, it can be noticed the improvement of different political, economic and social areas, requested and also sustained by the democratic countries and some international organizations. Here we mention the implementation of the principle of the rule of law, the improvements of the fragile and unstable institutions macroeconomic stability, political stability and the forge of cooperation with other states in the international arena. One of the most evident problems has been that of fragile and unstable institutions (as a direct consequence of the past communist’ legacy), and this has been one of the most important reasons for undertaking the public administration reform in Albania.

Thus, ‘the public administration reform began with the governmental adoption of the Strategy for Institutional Reform and in the Public Administration in 1999. The most important part of it is related with civil
service’ reform in Albania, started in 1999 with the adoption of the Law nr. 8549 date 11.11.1999 “Statusi i nëpunësit civil”. In July 2000 it was held the first testing procedure for public employees’ recruitment...In order to implement the law there were created some new structures or institutions and also another objective was to improve the institutions that already existed… the final objective of this legislation and also the most important objective of the governmen has been that of creating a professional and stable civil service’.

In this context, the most evident sign for the definition and regulation of working relations in civil service, is the Law for the Status of Public Employee, that in art.1 states that : ‘the objective of this law is the definition of the equal regulations about the conditions and the procedures for civil service employement, for the starting and termination of job relations, for career development, for guaranting the rights and defining the obligations of public employees, in order to create an efficient, stable and professional civil service. Further on, the law states that a civil servant is by the terms of this law, an individual employed in the public administration, in the central or local level of government, that execute public authority for managing, controlling or executing duties, that are predetermined in the art.11 of the law.

In this way, the focus here is in the recruitment of public employees in the central level of governmental institutions that is administered by Public Administration Department, PAD, (Departamenti i Administratës Publike), initially a structure within the Council of Ministers and actually part of the Ministry of Interior, MOI. Even so, the role of PAD is only discussed here from the perspective of the recruitment of public employees.

The recruitment process is one of the most important phases of the management of human resourses and it affects all the other phases related with employement and retaining of qualified workforce in working relations. So, the recruitment is related with the process of searching and taking a decision about the qualified individuals for a job position in one organization or company.

Based on ‘The Status of Public Employee’ the primary criterias that should be fulfilled in order for an individual to be part of public administration in Albania are the following:

- To be Albanian citizens.
- To be able to fully operate.
- To fulfill the legal criterias related with the educational level and to have the necessary professional abilities for the requested job position.

2 Raporti Vjetor i Këshillit të Ministrave, 2003
To be in good health conditions to fulfill their respective duties.
To be free from a charge or accusation from a court.
The individual shouldn’t have been obliged to leave the civil service, from a prior act that was in contradiction with the law and regulations for civil employees.

Another important aspect here, is the way in which the recruitment process is completed in the public administration. This procedure is stated in the thirteen article of the law:
1. The acceptance in civil service is done with open competition that is based on the merit principle.
2. In the central level of public administration the job announcement is completed by PAD, with the request of the respective institution. In the independent institutions the announcement is done by human resources department.
3. The job announcement is then published in the two major newspapers at least 30 days before the predetermined testing’ date.
4. The job announcement shows a list with the general and specific requirements that the candidates should fulfill, and also the areas for which is held the testing procedure, specified by PAD in collaboration with the interested institution and in the case of independent institutions by the human resources departments.

2. THE FACTORS THAT INFLUENCE THE RECRUITMENT PROCESS OF PUBLIC EMPLOYEES

The reforms in Albania are based on the best practices offered by the democratic and developed countries in the world. Nevertheless the deficiencies acknowledged in these efforts, put in question the fact if in the recruitment process of public employees are considered and implemented the best standarts and the necessary criterias that the law prescribes.

Therefore when we consider the success or failure of the recruitment process, there are some factors to bear in mind. Generally in the recruitment process are important five elements or factors:
1. The breadth and quality of the recruitment process.
2. The size of labor pool and the relative position of jobs.

---

4. Job quality that is reflected in the need for security in work, the challenges and the required potential, working conditions, and also specific professional requirements.
5. Organizational image related with ethical civil service.

All the above factors contribute to the effectiveness of the recruitment process of employees, making it possible to find and employ the best possible candidates for the specified job position for which it is organized the recruitment and then the selection phase.

3. THE EFFECTIVENESS OF THE RECRUITMENT PROCESS OF PUBLIC EMPLOYEES IN ALBANIA

The recruitment process in Albania’s public sector is not very effective, when taking into account the factors and their respective influence on the recruitment phase.

Meanwhile, when analyzing the factors of breadth and quality of the recruitment process and also the size of the labour pool and the relative job positions the experience of these years shows that they’re not really considered in this process.

This happens for the reason that in the vacant job positions are encouraged to apply only a limited pool of applicants, and mostly on the basis of personal contacts and political affiliations. This harms very much the quality of the recruitment process and in consequence the good governing process, because these individuals in public office have less probability to act in regard of the citizens demands for goods and services by the government. Instead this leads to the major problems that urge the need for reforms in order to further on the rule of law concept and the principle of the good government.

However, the actual Head of PAD, in the Ministry of Interior, Blerta Selenica, described the management of the human resources, in the public administration in these terms: ‘the testing procedure of the recruitment process is more elaborated and accurate, and in consequence the process of recruitment is improving, and for this reason the public now believes much more in the neutrality of the process. This is also shown from the major number of job applicants, for an announced vacant job position”.

But, in this regard, a study from the Open Society Foundation for Albania, SOROS, in the period from 1.10.2007-15.10.2008, has acknowledged that: “the
law is not implemented in practice, and this is evident even in the process of recruitment of public employees, where are noticeable the break of deadlines to organizing the testing procedure and the limited number of participants in them. In the major part of these tests, there have been only four candidates in the testing phase, that is a minimal number. Also, for different job positions compete the same candidates, that casts doubts on the procedures used to recruit these employees, that as it can be understood aren’t based on merit and objective’fulfillment.

From the analysis and evaluation of the situation it doesn’t result that for un-argumented leave of job for public administrators, based on the Court of Appeal or Civil Service Commission’decisions, there have been taken measures to point out the administrative or financial responsibilities for the burden on the state’ budget…it has to be underlined that the state’ budget doesn’t have a particular voice, to regulate the work of the public employees that have sued and won the respective cases but these funds are prescribed as part of the salaries’fund in each institution”.

The other factors that influence the recruitment process, and that are taken into account, are the public employees’ salaries and benefits, job quality and the public administration’ image. Although public sector’ salaries are relatively low compared with the private sector, in Albania it was pointed out that this isn’t a troublesome factor and does not prevent the individuals to trying for being employed in the public administration.

In our country, the perception regarding employment in public administration, is generally positive, even if there are relevant problems in the country’ civil service, such as high levels of corruption, the clientelist recruitment of public employees, nepotism and things like that.

This is best shown by the observation done by SOROS, in Albania when is described the situation of country’s public administration and the role of PAD in it, and more specifically : “PAD continues to play a weak role for the protection and promotion of the civil service principles. The development of the professional career and in particular, the recruitment process and the achievement of a high position in the administration’ hierarchy, isn’t done based on the necessary criterias and the principle of professional merit that would lead to responsible and efficient civil service, but it is done on political grounds or nepotism. The selection and appointment of the new Head and members of the Civil Service Commission (KSHC) has been accompanied

4 For more information in relation with the Civil Service Commission in Albania visit the website: www.kshc.gov.al and the “ Status of Public Employee ”Civil (art. 5).
by interferences and political debates, thus damaging and putting in discussion the independence of this institution.

Hence, the Albania’s Public Administration performance continues to be low. One of the most important reasons for the low performance is the lack of political will to create an administration in accordance with the principles of civil service. This situation leads to the phenomena of polical clientele relations, nepotism and major disregard of the civil service legislation that is accompanied with the employees’ uncertainty for their job positions. The quick and unreasonable changes in the institutional structures, commonly have been accompanied by unfilled vacant job positions for months and also the reduction of staff, have created a situation where some ministries suffer the lack of human resources.

The recruitment process in the public administration has been accompanied by continuous breaks of the Law for the Civil Service and in the meantime there have been often noticed political appointments in the higher and medium job positions in the public administration. Also, PAD has a problematic and weak role to the protection and the promotion of the civil service’ principles.

4. THE PROBLEMS ENCOUNTERED IN THE RECRUITMENT OF PUBLIC EMPLOYEES: PUBLIC ADMINISTRATION’ CONTRACTS, THE FICTITIOUS TESTING PROCEDURES.

Generally, the process of recruitment of public employees has shown itself ineffective. Thus, it has not been possible to recruit and select the best candidates for a job vacancy. Therefore, the major problems that are encountered in the process and that request immediate solution are related with the following:
1. The political interests, specifically faced in the third phase of the testing procedure and, the discretionary right of the superior to choose one of the best ranked candidates from the competing process.
2. Public administration in Albania shows a relevant level of nepotism phenomenon.
3. Public administration is characterized by human resources “scarcity”. This is evident in the inability to achieve different objectives, the delays in relation with predetermined objectives, and the lack of realistic objective’ planning.
4. Another concerning issue is the employment in public administration in Albania, by mean of one-sided contracts.
5. The unreasonable delays from the part of ministries related with the announcement
of vacant job positions or the misconceptions of these announcements.

6. Another problem is the long lists of waiting that create burdens on the state’ budget, because these persons are paid for one year, with the salary that they had when registered in these lists.

7. And also, the lack of cooperation between the responsible institutions for the recruitment and retaining of public employees, like PAD, and the Civil Service Commission, CSC, that also reflect the fragility of public institutions in Albania.

These problems certainly affect in a negative way the principle of good-governing and in the same time, the necessary reforms to leave the long transition period toward country democratization.

CONCLUSIONS

When analyzing the factors involved in the recruitment process in the public sector, it can be derived that the public employee’ recruitment is based mostly on the system of political patronage and nepotism than on merit’ principle. This affects negatively the concept of good-government in a way that prevents from applying the necessary reforms in the direction toward country democratization.

Even with the progress achieved toward the improvement of the recruitment’ process of public employees with the fulfillment of some of the basic criterias, prescribed in the Status of Civil Employees, again there are a considerable number of problems related with the political influence in recruitment phase. This is reflected from a limited number of participants in the testing procedure for the job position in public sector, the fictitious, and costing tests for the vacant positions in administration, one-sided employment contracts in civil service, that are out of the sphere of law regulations of work relations.

Thus, the process of recruitment of public employees is not politically neutral, and that means a negative impact in the offering of public services to citizens and in the implementation of the rule of law’ principle.

However, in accordance with the recommendations for the improvement of the recruitment process in public administration it would be more practical the creation of transparently’government activity with its citizens. So, the promotion and protection of open and honest processes of recruitment and selection in public administration, will increase the public’ belief on the
government. This in turn, would contribute to the fostering and implementation of good-governing principle for offering different public goods and services for citizens, in direction toward country democratization.

**BIBLIOGRAPHY**

3. Division for Public Administration and Development Management (DPADM) Department of Economic and Social Affairs (DESA) United Nations December 2003
4. eR21: Recruitment Administration and e-Recruit
6. KËSHILLI I MINISTRAVE, RAPORT VJETOR 2005
7. KËSHILLI I MINISTRAVE, RAPORT VJETOR 2006
8. KËSHILLI I MINISTRAVE, RAPORT VJETOR 2007
9. KËSHILLI I MINISTRAVE, RAPORT VJETOR 2008
12. Raport i Monitorimit të Shqipërisë në Procesin e Stabilizim Asociimit (1 Tetor 2007 – 15 Tetor 2008), SOROS.
13. RAPORT I QEVERISË SHQIPTARE PËR SHËRBIMIN CIVIL 2003
Abstract

During the past decade all Western Balkan countries, at different points of time and at different speeds, have started the process of economic and social transformation into functioning democracies and market economies. As in other transition countries the transformation process has been difficult, and despite the progress made to date, major challenges still exist in all fields, including social and economic development. The Western Balkan countries will need to continue their intensive and systematic efforts in order to succeed in the economic restructuring process and to ensure the necessary economic growth and social cohesion to enable them to catch up with, and sustain a closer relationship with, the European Union (EU).

The labor market challenges and the policy responses are examined against the four broad key objectives set out in the revised European Employment Strategy: increasing the adaptability of workers and enterprises; attracting
more people to enter and remain in the labor market; investing more and more effectively in human capital; ensuring better implementation of reforms through better governance.

**Keywords:** European Employment Strategy, human capital, labor market.

1. OVERVIEW ON ALBANIA LABOR MARKET ASSESSMENT

The 2001 census registered 3 069 275 Albanians, a decrease of 3.6% compared to the 1989 census. This decline is the result of falling fertility rates\(^2\), but also mainly of the large-scale emigration that began in 1990. Around 1 000 000 Albanians have emigrated since the beginning of the transition period, with most moving to neighboring Greece and Italy. The vast majority of the migrants went abroad to find work. During the socialist period the population growth was actively encouraged by the government and for the period 1960-90 the Albanian population grew by 2.4%, three to four times more than in other European countries. During 1995-2005, government jobs were reduced by 36% (INSTAT)\(^3\).

Employment is a pressing concern in Albania. Like most formerly planned economies, Albania has found the transition from guaranteed full employment to a market-based employment model a difficult one. Job creation in the private sector has been weak. According to new estimates presented in this study, the working age population is 2052000 persons, from them 1383000 persons are employed in 2007,\(^4\) approximation about 62% are employed, which is below many other countries in the region. The 2009 unemployment rate was over 12.70%. Labor market status is a significant determinant of economic wellbeing and being unemployed or in a “bad job” is strongly correlated with being poor.

Much of the expressed concern about the labor market situation focuses on the effects of the increasing informalization of employment and the large migration flows. These are serious issues and are part of the broader problem of formal job creation. Three-quarters of the workforce is employed informally and, while informal employment is important both to the economy and to the welfare of many households, these workers are especially vulnerable and are often poor.\(^5\) Moreover, many Albanians have chosen to leave the country to find gainful employment. The

---

\(^2\) INSTAT census 2001.
\(^3\) INSTAT 2006
\(^4\) Annual Report of NES, 2008
remittances flowing from this offshore employment are a critical source of income but migrants also represent a “brain drain” for the country. Both informalization and migration are consequences of the fundamental problem that employment is not growing overall and especially not in the formal sector.

This employment record is especially disappointing since it has occurred in a context of relatively strong economic growth. Annual real GDP growth averaged almost 8% from 1998 to 2008. However, this economic growth has not led to corresponding rates of employment growth. Although data deficiencies make it difficult to accurately assess the labor market picture prior to 2001, according to INSTAT data, total employment (formal and informal) was only 11,000 higher in 2005 than it had been three years earlier.6

The labor force is still growing and could be an important source of future growth. But if Albania cannot improve its job creation record, this potential “demographic gift” could further aggravate the unemployment problem. Over the next decade, the working-age population will grow by about 5% annually and by 2015, will account for two-thirds of the total population. The resulting low dependency rates will create a potential demographic gift”.7

However, realizing this potential will require significant improvements in the capacity of the economy to generate jobs. Encouraging employment is a complex challenge for any government because job creation is inherently a multi-sector phenomenon involving mutually reinforcing policies in a number of areas. Sound macro policies and a favorable business environment are essential for the economic growth needed for employment. Education policies and an effective social protection framework are also critical to ensure a skilled and adaptable labor supply.

2. WHAT ARE THE MOST IMPORTANT LABOR MARKET CONDITIONS AND TRENDS

Labor force participation and employment have lagged well behind population growth. Both the labor force and employment (including formal and informal) have been rising at a slower pace than the working-age population. In other words, the number of adults who are neither working nor looking for work has been increasing.

Public-sector employment has declined enormously during the transition period but job growth in the private sector has been too slow to compensate.

---

6 Idem.
7 INSTAT 2006
Improving this job creation performance is the number one labor market challenge. The decrease in the number of jobs in the public sector has been dramatic, with most of this reduction occurring in the first few years of the transition. Now, less than 20% of total employment is in the public sector.\(^8\) However, job creation in the private sector has not been strong enough to compensate for the loss of public-sector employment. According to INSTAT data, private-sector employment increased by only 23,000 between 2001 and 2005, adding only 2.5% to total employment over this period.

### Table: Employment in public sector by education level

(\textit{in numbers})

<table>
<thead>
<tr>
<th>Year</th>
<th>8 –years</th>
<th>Secondary</th>
<th>University</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>60,144</td>
<td>136,012</td>
<td>79,731</td>
<td>275,887</td>
</tr>
<tr>
<td>1996</td>
<td>46,813</td>
<td>117,992</td>
<td>74,045</td>
<td>238,850</td>
</tr>
<tr>
<td>1997</td>
<td>49,972</td>
<td>116,983</td>
<td>59,340</td>
<td>226,295</td>
</tr>
<tr>
<td>1998</td>
<td>45,528</td>
<td>108,715</td>
<td>58,507</td>
<td>212,750</td>
</tr>
<tr>
<td>1999</td>
<td>41,897</td>
<td>102,728</td>
<td>56,804</td>
<td>201,429</td>
</tr>
<tr>
<td>2000</td>
<td>30,135</td>
<td>94,501</td>
<td>66,530</td>
<td>191,166</td>
</tr>
<tr>
<td>2001</td>
<td>25,793</td>
<td>94,410</td>
<td>68,762</td>
<td>188,965</td>
</tr>
<tr>
<td>2002</td>
<td>24,125</td>
<td>93,203</td>
<td>68,737</td>
<td>186,065</td>
</tr>
<tr>
<td>2003</td>
<td>22,736</td>
<td>87,955</td>
<td>70,725</td>
<td>181,416</td>
</tr>
<tr>
<td>2004</td>
<td>21,304</td>
<td>86,820</td>
<td>67,941</td>
<td>176,065</td>
</tr>
<tr>
<td>2005</td>
<td>21,177</td>
<td>85,057</td>
<td>68,781</td>
<td>175,015</td>
</tr>
<tr>
<td>2006</td>
<td>19,678</td>
<td>81,600</td>
<td>67,722</td>
<td>169,000</td>
</tr>
<tr>
<td>2007</td>
<td>18,528</td>
<td>80,900</td>
<td>67,672</td>
<td>167,100</td>
</tr>
</tbody>
</table>

The unemployment rate declined between 2007 and 2009, from 13.67% to 12.70%, but the rates show a substantial amount of discouragement in the labor force. Long-term unemployment is high and has been increasing in 1995-2007, from 72.7% to 86.8%. Two-thirds of unemployed workers in 2007 had been looking for work for at least one year (see table 3).

\textit{Underneath the national statistics are significant differences in regional rates.} The highest employment rates are in the Central Region (64.9% in 2007). The Tirana Region had the lowest rates (50.1%), plus the highest unemployment rate (19.2%).\(^9\) These results indicate that rural areas of the country, where agriculture dominates, have more favorable aggregate labor market indicators than do urban areas. This is not because rural economies and rural labor markets are working more efficiently than urban ones. Rather, they reflect differences

---

\(^8\) Annual Report of NES, 2008

\(^9\) Idem.
in the two spheres of economic activity, with agriculture relying on the labor of family members as the primary (and often unpaid) factor of production.

On the other hand, weak labor demand results in inactivity and unemployment in urban labor markets.

The structure of employment reflects the fact that the economy is still dominated by agriculture and other traditional activities; the “modern” employment sector is quite small. (see table 7). Almost 60% of total employment is still in agriculture where production is small-scale and, as noted above, typically organized around the household unit. Given this, it is not surprising that the “modern” wage sector is rather small. In 2004, the self-employed accounted for 61% of employment, with three-quarters of this self-employment in agriculture. Wage-earners represented just 38% of all employment in 2004.10

Even among wage employees, informality is high (42% of all wage-earners). Compared to formal wage workers, informal employees receive low wages (difference of 16% after other personal characteristics controlled for), work long hours (8 hours more per week), and have no access to formal social protection.10 Furthermore, there is little mobility between formal and informal sectors. The least-educated, the poor, and young people are heavily overrepresented in informal employment.11

There is a general and growing problem of exclusion in the labor market. Labor market outcomes are particularly unfavorable for women and ethnic minorities. Women have low participation and employment rates and very high unemployment. (see table 2).12

In fact, women in urban areas had an unemployment rate of almost 30% in 2005. On average, female wages are 35% lower than they are for men, even after adjusting for age, education, and other personal characteristics. Unemployment rates in the Roma and Egyptian communities are estimated to be around 70% and those who do work are generally in very low-wage and often risky employment in the informal sector.13

The less-educated also experience considerable problems in the labor market. With further economic development, this group will face even greater exclusion from the labor market. Labor market outcomes depend a great deal on education.

Among, 60% working-age individuals in 2005, only 57%. with less than

---

10 World Bank, Albania Labor Market Assessment, May 2006
11 Idem
13 Idem
primary-school completion participated in the labor force and just 49%, were employed. The concentration of the poorly educated in the informal sector has already been noted.

Earnings are also significantly affected by education. On average, employees with less than primary completion earn 30% less than workers who completed secondary school (holding other factors constant).

### 3. WHY HAS JOB CREATION BEEN SLOW?

“Jobless growth” has been a regional problem but Albania stands out among transition countries with poor job creation records because of its strong output growth. As economies in Eastern Europe have stabilized and recovered after the transition, employment has generally lagged well behind output growth. Many countries in the region, including Albania, have had virtually no net job creation but none have had the economic growth experienced by Albania. (See, Table 9). From a sector perspective, economic growth in services has been especially strong in recent years; however, there was no net job creation in that sector between 2001 and 2008.

The most important barrier to job creation is the unfavorable business climate. Labor market factors are less constraining, although labor costs and regulations do play a role. The overall business climate is not conducive to growth and job creation. This is the single most important barrier to employment. However, within the labor market, costs and regulations do play a part. While labor costs remain relatively low, high payroll taxes to finance social insurance represent a disincentive for employment in the formal sector. Certain restrictive labor market regulations, specifically with respect to hiring rules and labor deployment, have a similar impact.

The experience of transition countries over the past 15 years has underlined the critical role of a positive business environment for job creation. Various studies have identified serious problems with the business environment in Albania. Countries with some success in creating jobs have been able to develop their private sector through the creation of new firms and the expansion of existing ones. Surveys of enterprises and their perceptions about the Albanian business

---

14 World Bank, Albania Labor Market Assessment, May 2006
environment reveal concerns in a number of areas. The EBRD- World Bank Business Environment and Enterprise Performance Survey (BEEPS), May 2006 identified contract violations, anti-competitive practices, corruption, customs and trade regulations, tax rates, and electricity as significant problems for enterprises in Albania. The Bank’s Doing Business 2006 report places Albania at 117th of the 155 countries included in terms of overall ease of doing business, while Bank’s Doing Business 2008 report places Albania at 82nd of the 183 countries.\(^\text{17}\)

Labor costs in Albania remain low relative to other countries in the region. However, they do appear to have grown significantly in recent years. Albania is a low wage economy compared to other countries in South-eastern Europe. Comparative estimates assembled by the World Bank indicate that Albania’s net wage (in Euros, public sector only) was 73.5\% of the (un-weighted) regional mean in 2004. This reflects the relative low levels of labor productivity that still characterize Albania.\(^\text{18}\) (see Table 5). Collective bargaining is essentially limited to the public sector and does not seem to have had a major impact on wages or overall labor costs. In fact, collective bargaining is not very effective and contracts tend not to be well enforced.

Like most other ECA countries, Albania imposes high levies on employees and employers to finance social insurance programs. The resulting tax wedge constrains job creation, specifically in the formal sector. Combined employer-employee social insurance contributions are about 42\% of the gross wage. Although this tax wedge is relatively low when compared to other countries in the region, it is high when compared to most other low-income countries outside ECA.

Employers avoid paying labor taxes by underreporting employment and payrolls. This encourages the informalization of the labor market. When the costs associated with formal employment are high, employers adopt a range of coping strategies. The most common is to avoid or minimize these costs by non- or partial compliance. This is especially possible when public administration capacity is limited and enforcement is weak. Of course, the consequence of this is to increase informal employment. In Albania, non-compliance appears to be a common strategy.

Albania’s employment protection legislation (EPL) is comparable to the rules in other South-eastern European countries. However, they are more restrictive than the rules in more advanced countries in Europe. Albania’s labor market regulations are fairly flexible when compared to other SEE

\(^{17}\) Bank’s Doing Business 2008 Report

\(^{18}\) World Bank, Albania Labor Market Assessment, May 2006
countries but somewhat more restrictive than countries in Central and Eastern Europe and in the OECD. This is especially true in the case of hiring rules for non-permanent employees.

Existing rules on hiring restrict the use of flexible employment forms. The cross-country comparisons indicate that Albania’s hiring rules represent one area where EPL acts against the job creation objective. Fixed-term contracts are permissible only for “objective” reasons - i.e., where the nature of the work is of limited duration.

Rules on working time are also quite restrictive, relative to other countries in the region. According to the Doing Business “rigidity of hours” index, Albania has more restrictive rules on the deployment of workers than other countries in SEE and ECA. This reflects limitations on working hours and overtime, the premium for overtime work, and restrictions on night and weekend work.

4. HOW DO WORKERS COPE WITH THE LACK OF EMPLOYMENT OPPORTUNITIES?

Workers and their families rely on a variety of strategies to manage the risks of unemployment and low earnings. The public safety net provides limited support to relatively small numbers and most households cope through their own means. Social assistance, social insurance, and active labor market programs exist but only on a small scale. In this respect, Albania is not unusual for a country at its stage of development. The most important coping strategies involve migration and flexible job search, which often involves working in the informal sector.

Migration, within the country and outside, has been very large since the transition. Since 1990, approximately one-fifth of the total population of the country has left and is living abroad. Temporary migration flows are even larger than permanent migration flows. Internally, there have been large-scale population movements from rural areas, primarily in the Northern mountain region, to Tirana and other urban centers in the central and coastal regions.

The motivation for both external and internal migration is work-related and the vast majority of migrants are successful in finding work. Over 90% of first-time temporary migration episodes from 1990 to 2002 were work-related, with almost 85% of these migrants successfully finding employment. For repeat migrants, the employment rate appears to be even higher -- 95% in 2002-2003. Among permanent migrants in 2002, 90% of males migrated
for work reasons; many women also permanently migrate for work (33%) although more migrate for marriage or cohabitation (51%).

Remittances represent a major source of income for many families. About 55% of migrants abroad send remittances to their family of origin and, on average, remittances represent 13% of the total income of households.\(^{19}\) Remittances are also an effective instrument for alleviating poverty. They are much better targeted at poor and extremely poor households than are public transfers.

However, because more educated Albanians tend to move, migration has led to a “brain drain.” Migration has been a useful risk management instrument but it has led to the loss of some of Albania’s more educated human resources. Because of the outflows, the population with completed secondary schooling and with post-secondary education has declined since 1990.

Another strategy for workers who are unemployed is to find work in the informal sector. When non-employed workers do become employed, the transition is rarely into wage jobs in the formal sector. Panel data from the LSMS show that there are various transition paths into employment. Most people finding work after being out of the labor force become self-employed or unpaid workers in agriculture. This is an especially dominant transition for women, the poorly-educated, and those 40 years or older.

The public safety net for workers includes unemployment insurance and active labor market programs. These are small programs offering support to relatively few workers. Active and passive employment policies were not needed under the full employment model of the planned economy. (see Table 1). Total unemployment is 141,335 persons, from them 8,485 persons obtain by passive labor market programs, it means unemployment benefits. In 2007, the Government passed the Law on Employment Promotion which provided for unemployment benefits and active labor market policies. They remain small-scale interventions because of the stage of economic development and the low funding and delivery capacity.

Active labor market policy, including job placement, is under the

\(^{19}\) IOM “National Migration Strategy”, 2005

Unemployment insurance actually provides benefits to only e very small proportion of the unemployed. Some unemployed workers are not registered and many who are exhaust their benefit eligibility. (see Table 1). Total registered unemployed is about 12.70 % during first half of year 2009.
responsibility of the National Employment “Service (NES). Most job-seekers no longer rely on the NES to find work; this is especially true for skilled workers. Over the 2002-2006 period, about one-fifth of unemployed workers reported that their most important job search method was to use the labor offices. The reach of the labor offices is essentially limited to urban areas and low-skilled workers and even in these cases, coverage is only partial.

The low level of reliance on the labor offices, in itself, is not a concern in an open labor market. However, the NES offices cannot meet their most important functions which are to provide accurate information on labor market conditions and cost-effective and well-targeted job search assistance. Private employment agencies can play an important role but these are not yet well developed. The Albanian economy is still a largely informal one and, even in more developed transition countries, labor offices are no longer seen as the most effective mechanism for all job matching. However, all forms of job search - whether using the labor office or not - are more efficient if accurate labor market information is available. A recent ILO review has concluded that the NES does not have the capacity to provide this informational service. Private employment agencies are playing increasingly important roles in many countries. In Albania, private agencies now exist but their role is essentially limited to placing workers abroad.

The Employment Promotion Programs are small interventions that subsidize employment and support training of unemployed workers. There is no empirical evidence on their impact or cost-effectiveness. Without this program information, policy-makers cannot know how limited funds should be allocated to maximize their impact and how programs might be improved to increase their effectiveness. The Employment Promotion Programs - when they are carefully designed and implemented -- may help well-targeted groups but they will not solve problems of high unemployment.

5. A LABOR MARKET REFORM AGENDA FOR BETTER JOB CREATION AND WORKER PROTECTION

The creation of more jobs and jobs with higher productivity and wages is essential to reduce poverty and improve living standards. This is one of the key challenges facing Albania. Meeting this challenge will be critical for driving economic growth, on the one hand, and reducing poverty and vulnerability, on the other. Reducing the current “jobs deficit” in the future
will be challenging – labor supply will be growing quickly because of demography and modernization will shift economic activity into less labor-intensive activities outside of agriculture.

*Meeting this employment challenge requires a comprehensive strategy that includes different policy sectors. The single most important area for reform is to improve the business climate.* The policy agenda for job creation includes the business climate, macroeconomic policy, education, labor market policy, and social protection. In the case of Albanian business climate, the need for wide-ranging reforms that will strengthen the rule of contract law, reduce anti-competitive practices, improve tax administration, enhance the capacity and transparency of public administration, reduce corruption and improve the enforcement of regulations is indispensable.

**CONCLUSIONS**

1. **Job creations slow, especially in the formal sector.** Less restrictive rules on hiring would improve labor market flexibility and encourage job creation in the formal sector. On balance, Albania’s labor market regulations are more “employment-friendly” than regulations in many other countries. Rules on working time should be reviewed with the objective of reducing restrictions in the deployment of labor.

2. **Labor market exclusion.** Better enforcement would also encourage formalization of the labor market, as well as reducing harmful forms of employment. Enforcement weaknesses are part of the more general concerns about governance. The high degree of informality even in the wage sector suggests that concerted steps need to be taken to improve enforcement of labor laws. A related enforcement issue concerns the high incidence of trafficking and other harmful forms of employment -- despite the fact that Albania has legislation against these practices and has ratified the relevant ILO core conventions. Improving the quality of Albania’s labor supply will also encourage employment, especially in higher-productivity jobs needed to improve incomes and living standards. Education and training reforms that lead to a more skilled workforce will be critical. Another key to improving labor supply is to ensure that Albania does not lose too much of its scarce human capital to other countries. While migration is a very important source of income for Albanian households, it also risks inducing a “brain drain.”
3. Costly / Ineffective social protection for workers. Options for reducing payroll taxes should be considered as another means for improving formal-sector job creation; however, any changes must be considered within the broader context of the fiscal situation of the social security funds. The tax burden on labor is relatively high and creates disincentives for job creation in the covered sector. Nonetheless, the financing of unemployment benefits needs to be reform. Contributions collected for unemployment insurance should be used to finance unemployment benefits and not other types of social insurance.

RECOMMENDATIONS

1. Improving overall climate for economic growth and job creation, through:
   ✓ Less restrictive and better enforced labor market regulations
   ✓ Ensuring labor costs are not a disincentive to job creation;
   ✓ Raising the quality of the workforce.
2. Broaden access through:
   ✓ More opportunities for flexible employment for women and ethnic minorities;
   ✓ Better access to education and training according to LLL System.
   ✓ The Government should explore various options to encourage educated migrants to eventually return.

   Such a “brain circulation” offers potential future benefits from the skills upgrading and experience workers may have accumulated while out of the country. One option is to explore how migrants’ social security contributions can be transferred from receiving countries to Albania. Another is to explore agreements with receiving countries that provide for formal, but temporary, migration flows and support for education and training in Albania.
3. Improve social protection through:
   ✓ Better coverage and efficiency of active and passive employment programs within fiscal framework.

   The Government, with the social partners, should consider alternative models of income protection in terms of their applicability to the Albanian context of high informality and limited financial and administrative capacity. For low-income workers, especially in rural areas or with no history of social insurance coverage. public works may be the best way of providing some support.
   ✓ Active labor market programs, including the services provided by the National Employment Service, need to be carefully monitored and evaluated, with resources allocated on the basis of performance.
The capacity of the National Employment Service is limited and the NES provides services to only a small proportion of jobseekers.

Active labor market programs are also playing a fairly minor role; furthermore, their impact and cost-effectiveness are not known. The limited resources available for employment services and other ALMPs need to be allocated to activities that demonstrate a positive impact and are cost-effective. Private employment and training agencies should be encouraged to compete to deliver programs. An improved information system, including performance monitoring, is necessary to institute a results-based active labor market policy.

4. Improving labor market data. Better data will lead to more effective policy-making and more informed decisions by workers and employers. This requires timely and accurate information from household surveys, enterprise surveys, and administrative data from government and the education sector. Administrative data on employment programs and the education system are also an integral part of a national labor market information system. This should include both input and output indicators. Public dissemination of labor market data is important so that individuals, employers, unions, and educational institutions can make decisions based on an informed position. Finally, labor market and education data should be made comparable to the extent possible with information from other countries so that Albania can benchmark itself against appropriate international standards.

**BIBLIOGRAPHY**

5. EU, Albania Decent Work Country Programme Document, 2008 - 2010
7. Migration Strategy of Albania, 2005
Global Crisis in Albania and EU Integration

Blerim Kola, M.M.K.¹
Lecturer, “Aleksander Moisiu” University, Economics and Administration
Faculty, Durrës, Albania
Tel: 00355672083505 E-mail address: blekola@yahoo.com

Edlira Llazo, M.F.K
Lecturer, “Aleksander Moisiu” University, Economics and Administration
Faculty, Durrës, Albania
Tel: 00355692077381 E-mail address: llazo@hotmail.it

Abstract

The aim of this article is a tentative for a dynamic analysis on the impact of global crisis in Albania and how it has affected the process of integration into EU. It purports to provide some alternatives on how to minimize the negative effects of this crisis.

Is Albanian Economy being affected by global crisis or is it suffering its consequences? Will this affect the process of EU integration?

This is the main focus of this study, which starts up from macroeconomic indicators, governmental reforms assessments from IMF, WB, and other interested party’s opinion.

¹ Mr. Blerim Kola is a lecturer in the University “Aleksandër Moisiu” in Durres. For a period of time he has worked at the BBC in London, where he has conducted a lot of interviews in the economical field. He has been part of many international trainings in London, Budapest, Brussels, Istanbul and Strasburg. He also attended the School of Politics at the Council of Europe. He has finished the Master of Marketing in the Faculty of Economics in Tirana and from December 2008 is lecturing at the University “Aleksandër Moisiu” in Durrës. He also was a lecture at the university “Marin Barleti”. Now he is attending the first year of the Doctoral Course held near the University of Durres “Aleksandër Moisiu” in the field of Marketing.
Taking into consideration the careful investigation of the progress of macroeconomic indicators, we see that it is necessary to be more careful in some aspects;

First, the good management of the entry and efferent fluxes of currencies in Albanian economy, as a precondition of a sustainable currency exchange, in order to prevent one of the most serious threats of global crisis out of Euro zone, which is the risk of exchange rate.

Second, the composing of efficient policies to keep the budget deficit in accepted levels, which keeps under control the interest rates and gives the possibility of a new respiration of the economy through the process of private sector credit.

Third, trade deficit remains very important, because it has to do directly with exchange rates.

Fourth, a new challenge for the future will be the finding of sustainable resources to finance the economy.

We already know that the severity of the crisis in converging EU members and accession countries raises questions about the sustainability of their integration model during the past decade. How will the impact of the crisis in Albania change political and economic attitudes – e.g., as regards the pace of EU integration and the scale of future FDI flow? How can authorities design policies so as to help re-launch real convergence on a sustainable path? The answers for these questions we aim to give through this scientific article.

Keywords: Albania, global crisis, economical growth, trade deficit, exchange rate, integration into EU.

1. A GENERAL OVERVIEW OF THE BEGINNING OF THE CRISIS

The term financial crisis is used widely for different situations, where some financial institutions and assets suddenly lose a very big part of their value. World History proves that the economical collapses with the global impact are very hard to predict and even more difficult to be prevented. In Eurasia and America the economical “downturns” have appeared approximately 20 times during the last two centuries.

The last crisis is considered as a crisis without a precedent. Almost one year ago the panic that came after the collapse of Lehman Brothers made that the earthquake of the market of mortgage credit in USA to be transformed in an authentic financial crisis with global dimensions.
The integration of financial markets made that the crisis to be spread very quickly, while the vital role of the credit system in the economy of free market transformed it in a recession of the world economy, that affected also the countries of Southeastern Europe.

Today, almost two years after the first signs of the crisis, the economy and the world financial market are in a more optimistic situation. The revitalization of the economy is reflected in the improvement of the indicators of the trust of the businesses and the consumers in smoothing the deflationist pressures, in the normalization of the functioning of the bank and financial systems and also in improving the norms of the economical activity growth in almost all productive sectors.

However it is true that after every crises, the macroeconomics as a science in general has made steps forward. Every crises is in itself an event with special characteristics, different comparing to those that has happened before. Every crises brings to us a new information, despite the intensity, the geographical expanding or the time it lasts.

After two years, still the US economy remains at the center of the storm. Activity is expected to contract sharply in 2009 and a gradual recovery is not expected before 2010. Rising unemployment, tight credit conditions and a sharp decline in asset prices have negatively impacted consumption in the final months of last year. However, there are signs of an improvement in household sentiment and a modest revival in consumer spending. The American Recovery and Reinvestment Act includes massive spending programs as well as tax credits for the vast majority of households. In addition to the fiscal stimulus package, the Administration has proposed a joint private-public sector effort to remove toxic assets from banks balance sheets with the aim of reestablishing the normal functioning of the financial markets.

Eastern European Countries are facing the most severe challenges since they embraced a market based economy, on account of their heavy reliance on capital inflows and because of vulnerabilities built up during the boom years. In these countries, the risks associated with the retrenchment of foreign investment have led to a substantial widening of sovereign spreads and gaps in budgetary financing. In order to preserve the remarkable European Union, has a key role to play in this region as trusted advisor and provider of financial support.
2. THE MACROECONOMIC TABLOO OF ALBANIA ON THE EVE OF THE GLOBAL CRISIS

In the period 2004-2007 Albania was in a critical situation, where the economical growth was 5%-6% and in these years the remittances from the emigrants were in very high levels over 15%\(^2\) GDP in 2006. However Albania was characterized in these years with a very high deficit of current account relatively very high from the power cuts which had an effect on rising imports and influenced negatively in the economical growth.

Albania chose in this period to use the advantages of active instruments of monetary policy. Albania is one of the fewest countries in the region that has chosen fluctuating of currency exchange with different levels of administration and a kind of targeting informal inflation based in the targeting of money growth, so by controlling the aggregate M3. The inflation was 3% ±1%.

During the years 2006 and 2007, especially August 2007 appeared inflation pressures as a result of the rising of the credit volume, the rising of the price of the oil and the energetic power. Albania has maintained a fluctuated regime of exchange, which has resulted in these years with an overvaluing of the Albanian money, especially during the period 2004-2005.

The analyses of the characteristics of the financial activity during the year 2007 began to show a rise of the level of the risk for the Albanian economy, because of the global financial crises, a crises that very soon fell down in the terms of the real economy. The specter of these threats is widened.

3. THE EFFECTS OF THE FINANCIAL CRISES IN THE ECONOMY OF ALBANIA

In our country, the effect of the international crises was raised because of the transformation of it in a real crises of the economy with global spread. At the beginning the international financial crises didn’t have a direct important impact in our financial system.

The reasons of these have to do with the absence of the exposure of the banking sector and the financial system in general and also for the reason of low borrowing in foreign markets.

However in the last three months of the year 2008, because of the psychological effect that caused a deterioration of the crises in international markets and people reacted by withdrawing their accounts in the banking sector.

The consequences of these reactions were the high demand for the liquidity and also slowing down the pace of the credit in the banking sector.

After the intervention of the Bank of the Albania, injecting liquidities in the market, the trust in the banking system came back.

With the transformation of the financial crises in a crises with a global character, the impact of it was materialized in our country in the form of limiting the financial resources for the public and the private sector, there were less remittances from the emigrants and the reducing of the imports.

The progress of these effects in the near future will depend in the ability of economic actors, public and private to be in accordance with these conditions, from the ability of the financial system to keep sustainable rhythms in the financial process of intermediation and also the development of the outsider factors of the risk, as a result of the expanding of financial investments in actives with very high risk.

However, it should be emphasized the fact that the investments of financial and banking groups in the Albanian market, still represent a small piece of the value compared to the value of the group. It is exactly the absence of a developed market that limited the affect of the crises, however in short-terms.

The year 2008 would showed that the Albanian economy couldn’t be protected from the effects of a crisis, that now had been transformed in the level of real economy that had conquered the globe.

The year 2008 marked for Albanian economy a year with significant growth of economy, especially in the first 6 months. This growth was supported mainly from the growth of the inner demand with all its three components; consuming, investment and government expenditures.

The high inner demand and the punishment that the markets took from the crisis in the form of higher prices of basic goods made that during the last 6 months, Albanian economy began to show signs of inflation, which culminated in 4.6 % ³ which was the highest of the last 5 years. But during the last three months the economy had a fall of the inner demand, which brought the fall of the inflation in 2.2% in December 2008.

4. THE CHALLENGES THAT COME FROM THE FOREIGN SECTOR OF THE ALBANIAN ECONOMY ACCORDING TO THE INDICATORS OF THE BALANCE OF THE PAYMENTS

The progress of the balance of the payments is a very important indicator in the situation that our economy is. From an analyses of these indicators we see that from 1996-2006 the currant deficit of Albania has marked an average level from 4% in the 5 first years to 8% in GDP in the second five years, putting aside the year 1997.

We see that this indicator for the 2007-2008 has a remarkable increase. The resources that this deficit has been financed until these days has been the borrowing from the outside, foreign investments and the capital transfers, which have contributed in the reserve of currency that in the year 2008 marked 1.7 milliard Euros\(^4\), a level that was adequate to cover 4.2 months import.

The widening of the commercial deficit has had a negative impact in the outsider of the country, putting pressure for the widening of the currant deficit. The main source of the finance of the commercial deficit have been the remittances from the emigrants that mainly works in Europe. The growing of the crises also in the countries of Europe made that the level of remittances in the year 2008 to have a fall of 6%, keeping this tendency also for the year 2009.

Although in a certain extend, the crisis has affected some of the main indicators of the balance of the payments in the country especially during the half of the year 2008 and still continuing. Because of the strong demand from the inside and the fall of the prices for the basic goods in the global markets affected by the crisis, the import of the goods and the services has sustained growing tendency.

Finally we can say that the year 2008 was closed with a current deficit higher that the previous year and is still keeping this tendency during 2009. The deficit of current accounting from 10.6% of GDP in 2007 goes to 15.2%\(^5\) of GDP in 2008 and 690 millions for the first 6 months of 2009\(^6\), while the commercial deficit from 26.8% of GDP in 2007 goes to 28.1% of GDP in 2008. The main factor of the deterioration has been the growing deficit of the commerce of the goods to 201 million Euros.

Analyzing the structure of the current transactions of Albania with the world to find out the directions where we should move to improve the situation of the payments, what we see as tendency is that the category of services, which is mainly the services of transport, travelling, has brought twice more incomes that the category ‘goods’. This tendency was continued also during the years 2008-2009.

The services of travelling abroad is actually the activity with the highest incomes in currency for the Albanian economy. In this direction a big contribution has given to 33% the rise of the number of the emigrants and the foreign citizens that have visited Albania. Taking into consideration that the touristic activity rises in a indirect manner the demand for the factors of the production and it is for this reason the activity with the highest productivity, there should be serious to think more and more seriously for the further development of this sector.

Today the effect of the import-export of this kind of service is positive for the export but in a small value. During the year 2008 the entry fluxes in the form of remittances and the spending of our citizens for travelling abroad is in the amount 80% of the coverage, while for the year 2007 has been more than 100%.

5. THE EFFECTS OF THE CRISES IN THE FINANCIAL AND CAPITAL ACCOUNT

Taking into considerate the direct foreign investments as an indicator with interest will se that in in 2008 the direct foreign investments have been 653 millions Euros, being 36% higher then the year 2007, but this indicator in 2009 is 313 millions Euros for the first six months of 2009.

For the year 2008 in the foreign direct investments there has been a contribution of 35% of the privatization of state enterprises. It has influenced positively in the capitalization of the banks and the creation of a financial stimuli in the producing sector, to support its progress in a more difficult economical environment.

Secondly, the growth of public and private debit by 456 millions Euros, from which 74 % of the public sector has provided a source of financing,

---

which has brought a relief in the liquidity situation in the domestic market.

The rise of the budget deficit last year more than the year 2007, it has been translated in a rise of the public debt (domestic and foreign) approximately of GDP. Although this value is under the maximum level which was aimed by the Maastricht Agreement for 60% of GDP, it needs to be done a full analyses, which needs to evaluate the capacity of the public authorities to afford the cost of the debt and its tendency.

For this reason it need to be analyzed the tendencies for the economical growth, the structure of the debt and the method of its financing with domestic and foreign sources, the expected level of the realization of the incomes of the government, the situation of the foreign markets and the perceptions for the risqué of the country, the ability of public authorities to generate sufficient resources in currency, etc. In this aspect, giving more time to the maturation of the debt, would serve in a more effective administration.

In fact, putting into life this policy, the Ministry of Finance has continued to give more time the public debt during the year 2008. Thus, comparing it with a year before, the Ministry of Finance, during the first six months of the year 2008 has reduced the amount of the debt in stock with a deadline maturation of one year, approximately with 30 milliards ALL. The widening of the budget deficit and the method of financing it during the year 2008 has had an impact in the orientation of financial fluxes in economy. In general, the needs of the government for the debt have an impact in reducing the offer for credit in the private sector.

For the year 2008, this phenomena is soften because of using in a wider amount the foreign resources for the financing of the deficit. During the past year, the foreign investments have been financed to 60% of the budget deficit. In the year 2007, the financing with foreign sources was in the amount 15%, while the domestic financing was 85%. The foreign debt during the year 2008 was 6.7 times higher then year 2007.

However, because of the debt terms, the cost of the service for the public debt will be considerable in midterms. During the coming the weigh of remedying this debt will be very sensitive in the budget of the state.

According to the tendencies to refinance this debt in a more effective terms through the debt in the international market, the public sector must identify and prepare alternative methods of its payment. The private debt, mainly from the financial sector, has been risen sensitively compared to one year before to 119 millions Euros from 10 millions Euros. The tendency of
the foreign debt is to rise and should be treated very carefully because it is closely connected to the paying ability of the Albanian economy.

6. THE PROGRESS OF CURRENCY EXCHANGE

Albania undertook a regime of a non sustainable course as the best solution for an automatic mechanism to improve the high trade deficit and also the deficit of current account in the earlier levels of transition. This solution was conditioned also by the absence of international reserves. This regime made it possible to function an independent monetary policy, which was based in monetary policies and also direct instruments of monetary control.

The policy of intervention was projected to protect the market of currency exchange from the speculative shocks. Albania is an open place, with small economy that imports a part of the consume from the world, which makes Albanian economy very sensitive from the shocks in international market and also the rate of currency exchange.

The effect of currency exchange on inflation and financial stability is a delicate moment that should have a special attention. The latest development in Albanian economy show that the currency exchange is an indicator, that should have special consideration. The report of demand and offer for currency are causing a disruption in the equilibriums.

Some of the factors that made us skeptical for the progress of the currency are:
✓ The rise of the deficit
✓ The rise of the foreign dept, which is in foreign currency
✓ The fall of the remittances

The Bank of Albania has done some necessary operations in the first three months of the year to bring down the unsustainable fluxes of currency, which may have brought a negative impact in the behavior of economic agents and the situation of inflation.

However it should be mentioned for all economic agents, institutional and individual that the currency exchange is independent. For this reason, all the economical agents must know, to consider the risk that comes from the unfavorable moves of the currency exchange and to administer that risk, through the due operations.
7. THE ECONOMICAL CRISIS AND THE INTEGRATION

The process of the entry of the new countries into European Union in 2004 wasn’t very easy and favorable as it was thought. For this reason also inside the European Union there have been many voices that where against the fast extension of the block. The promise in the Thessaloniki Appointment in 2003 that the Southeastern Europe and the Balkans would be integrated very soon into the European Union seems that it is been kept.

The process of integration could be postponed for the problems that the European Union has in itself which are not only related to the actual economic crises, but there are problems that have to do with the organization of the European Union, in the way how the decisions are taken inside EU.

On the other side we know that the crises affected the main countries of the European Union. We are meaning countries like Germany, France, England that are the most powerful countries, but also other countries like Italy, Greece, Spain, Belgium. We add also another group of Eastern Europe, from the Czech Republic, Slovakia, Poland, without mentioning Rumania and Bulgaria, which are facing a lot of consequences from the economic crises.

For this reason the European Union in very high financial difficulties, but also institutional and economics maybe it is not ready to offer in a quick manner the European integration to the candidate countries or the countries that will get the status of candidate country, but on the other side there are many positive signals.

The politics or geopolitics sometimes has a logic more advanced then the economical, financial or institutional problems. The messages that come from the countries that have or will have the presidency of EU, as the case of Spain or Sweden, are constantly positive regarding the Balkans.

If we are going to speak concretely for the case of Albania, we see that our country is in this road. We have done a formal request to be candidate country of the European Union. The request was formally represented by the Prime Minister Berisha some months ago. Now everything is part of an institutional process of considering from the member countries of EU and then from all the institutions of the Brussels, before we see the green light, but ahead of these institutional procedures it needs that all the economy, institutions, all the finance needs to be awaken. The integration is not a mechanical process, but it is a process of good willing to be part of an developed union, very organized and some of the criteria you should fulfill are of vital importance.
Too many times we see a kind of simplistic attitude which has to do with the European Union. The tendency is to reduce everything with the free movement, visa liberalities and it is forgotten that the European Union has to do with the adaption of what it is called Acquire Communitarian. We have implemented very good laws but the problem is that they aren’t executed.

If we analyze the situation in a macro concept, looking at different indicators, you start to realize that the integration doesn’t have to do with the laws, but also with the economy, finance according to the European Union standards. It is not enough only the rhetoric and the desire to be part of the European Union, it is not enough some conditions of political nature or institutional and legal conditions, but above all the aim of the European Union is the development of Albania. In this sense I think that we should see the European Union as something organic, not as a window to have the visas ready. We see that there is still a lot to be done.

**RECOMMENDATIONS**

1. It is necessary to maintain a stable macroeconomic situation and a strong fiscal and monetary policy, in the conditions of a closer monitoring of the financial markets.

2. It is necessary to have a will to realize carefully and in a stable way the public incomes and spending and also to review them if it is needed, in order that during the time we must have a trend of falling of the budget deficit and the general public debt.

3. It is necessary to define and execute with discipline of the criteria of taking foreign debt, in that way that we should afford the cost of refinancing or remedying of it in the moment of maturation. For this reason, side to side of care that we must take for the terms of the debt, it should be defined the value of it in the rapport with the real opportunities that the economy has to regenerate sustainable funds in currency during the same period, for example, from the progress of exports or for the entry of foreign direct investments.

4. A moment with very high importance is the knowing of the equilibriums of the fluxes in the currency that move in our economy, in order to identify the way of using the public debt in the progress of commercial balance and also the currency exchange. In this frame, we should remind that the last international financial crises showed to us that is wrong to be
dependent from the liquidity in international markets, for a more favorite refinance of the debt. From the half of 2008 we see a drop of interest of foreign investiture to buy the debt of developing countries.

5. The affectivity of foreign financing will be defined also by it use in the domestic market. In this frame, it should be found a better equilibrium between the capital and currant spending of the budget, aiming to orient towards the projects that enlarge the producing capacities of the economy, improve their productivity, ability to compete and the opportunity of employment.

BIBLIOGRAPHY

5. Coricelli, Fabricio, (December 2007), The politics of exchange rate in Southeastern Europe.
6. Fullani, A., (December 2007), The evaluation and the adaption of monetary politics of the Bank of Albania: from the past towards the vision for the future and the need to be proceeding.
Theories on Addressing the Current World Economic Crisis and Responses by International Institutions

Lavdosh AHMETAJ
Kristal University, Tirana, Albania
E-mail: lavdosh.ahmetaj@yahoo.it

Abstract

One stream of economic thought upholds the principle of “perfect market mechanism” and holds that market economy is “self-adjusting” i.e. the market, by virtue of its perfectly competitiveness is capable of restoring the economic equilibrium automatically, without outside interference. The scholars of this trend claim that intervention to grapple with crises maybe necessary only when they are an outcome of external factors. They acknowledge that periods of economic uncertainty can be characterized by unpredictable external shocks, associated with turmoil and shake-offs, affecting prices and public opinion response. This stream of economic thought in recent decades was represented by neo-liberal currents, which in the early ’70 of the XX Century launched a frontal assault against the Keynesian and the new-neo-Keynesian school.

After the Keynesian school, historical data indicate that crises represent an endogenous element of economic and financial cycle; they are inevitable phenomena of the capitalist system operation, demanding elaboration of state policies, if they are to emerge from crisis. According to Keynes, the neoliberal thesis of “perfect market” should be replaced with the thesis “of economic and financial instability”.

Key words: economic crises, Keynesian, financial instability, market, self-adjusting.
1. INTRODUCTION

Let me first note that there are two opposing trends of economic thought on the different ways of addressing this crisis. One stream of economic thought upholds the principle of “perfect market mechanism” and holds that market economy is “self-adjusting” i.e. the market, by virtue of its perfectly competitiveness is capable of restoring the economic equilibrium automatically, without outside interference. The scholars of this trend claim that intervention to grapple with crises maybe necessary only when they are an outcome of external factors. They acknowledge that periods of economic uncertainty can be characterized by unpredictable external shocks, associated with turmoil and shake-offs, affecting prices and public opinion response. This stream of economic thought in recent decades was represented by neo-liberal currents, which in the early ’70 of the XX Century launched a frontal assault against the Keynesian and the new-neo-Keynesian school. After the Keynesian school, historical data indicate that crises represent an endogenous element of economic and financial cycle; they are inevitable phenomena of the capitalist system operation, demanding elaboration of state policies, if they are to emerge from crisis. According to Keynes, the neoliberal thesis of “perfect market” should be replaced with the thesis “of economic and financial instability”.\(^1\) This economic instability is produced on the account of the two following reasons:

**First**, the prices of economic and financial elements for the assets taken into account in the evaluation of state property in the relevant markets are not set in the same way with the prices of goods and services in their own markets.

**Secondly**, money represents a public instrument; this means that behavior against it can be collective only and would consequently lead to violent conduct. In periods of crisis, money plays a crucial role.\(^2\) The assessment of asset value can be only done through money; therefore, the financial&crediting crisis leads to crisis in liquidity.

If commodity markets are observed, then it turns out that demand depends on the customer desires and needs as well as their usage and satisfaction; hence, customers are reached exactly through compliance with these factors.

---


2. Idem, page 269.
The latter have a different source from supply. Therefore, growing consumer demand leads to price hikes. But afterwards customers respond to rising prices by cutting their purchases, which in its turn brings market prices down. Here we have to do with a classic theory of demand - supply whereby their size is defined by other factors of different sources. Thus, for instance, market supply for refrigerators or cars and the relevant customer demand are not dependent on the same factors. Precisely due to these reasons, it is the prices in these markets that can automatically lead to a meeting point between demand and supply. However, this does not apply to the market of financial assets and crediting system products. The elements of these markets represent the property value that produces revenues; so, when their prices go up, their demand follows suit. However, strange as it would seem, the value added for these elements (representing an asset growth that produces earnings) causes automatically their demand growth, creating in this way a vicious circle of increases, without reaching the point of maturity, as in the case of consumer good markets. Abstract wealth knows no boundaries and passion for getting richer is also limitless. As the latest data from banks and other financial institutions indicate that consumers never “whet” their appetite for these assets.

Under normal conditions, the growth of real property elements can be achieved only through real investment savings. The size of the savings in this case would reach the maximum limit of increased property value, i.e. the break – even point between saving and invested funds. ³ The depletion of savings reduces the demand for new investments. Accordingly, we notice either the increase of the price of investment property elements or the start of price decline. In this case, even in the sale & purchase of property market and credit products it could occur what it happens in the commodity and service market. However, this does not happen due to the emerging possibility of credit purchases. Actually, it was this element of special reference to bank loans in financial and credit markets of different types of assets that caused the great crisis under examination.

Only these specifics can explain the growing public desire to buy through loans different property elements in the form of immovable property or different types of securities. The more the credit purchases grow, the more the value of financial

³ The Institute of Finances of Kosovo (IFK) “The Third International Conference on Business and Employment” – Defining Factors for Direct Foreign Investments” Pristine, 8 – 9 September 2009, Page 134.
assets and credits increases; this in its turn produces higher expectations for further increases; in addition, it causes enrichment through credit purchasing, designed to produce a new wave of increased asset value. Thus, an unending process of increased lending and asset purchases occurs at constant higher prices.

Banks in their turn represent profit institutions; profits are generated through the use of deposits of citizens’ lending. More and more loans aimed at making larger profits will be available to shareholders and managers. Therefore, both the interest rate growth and decline help understand why on one hand it was profitable to buy with loans and stock papers of various infinite value, in order to increase their wealth (they represent values which produce themselves surplus value) while on the other hand banks are needed to increase their lending without limit and bring more profits, to make managers and shareholders happier with very large monetary rewards by raising share prices and distributing them to dissidents.

A key issue helping us to go deep into the roots of the credit and financial crisis is the existing difference between market mechanism for market consumer goods and the market of the borrowed financial elements and banking products. In the latter case, raising the prices of assets does not reduce but increases demand, it adds new buyers, fuelling further rises in the prices of various property elements (regardless of whether they are immovable, shares, bonds, gold, foreign currencies and others). As for the banks, they saw that with the growth of the values of credit elements, their lending was supposedly guaranteed, whereas the borrowers on their side, noticing the increase of the value of their assets, sought new credits from the banks, since they already possessed larger warranty amount. This led on one hand to lending increase, which appeared to have a larger value. In this regard, to the bank assistance came the new method of asset evaluation through market prices (market-to-market).

Notwithstanding the above vicious circle of increased lending and asset values accredited, banks have succeeded in increasing long-term loans. This was helped a great deal by the invention of new products of financial engineering, called “financial derivatives” (since they represent a security based on another

---

4 Idem” Social Security and the Challenge of their Financing” page 480.
5 The Institute of Finances of Kosovo “IFK” “The 8th International Conference, 8 – 9 October “ The Central Bank Impact ” Pristine, Page 161.
6 The Economic Research Center in Ulqin “ Buletini Shkencor_ Year 2008, No. 12, Page 209.
security). As each new discovery, the invention of financial derivatives had not only the good side, but their negative aspect of careless use as well.

If banks are to increase profits, they had to increase loans; but to do that; they have to find always larger sources (except equity and customer deposits). To this end, they first used the financial derivative called CDS (Credit Default Swaps). On signing such an agreement, the bank could ensure its own credits through payment of a premium in another institution (which could be a bank, financial or insurance company, and others). In this way, and given the fact that the credit appeared in the bank lending balance, the risk of failing in its collection was shifted to another institution against an insurance premium. This enabled loan banks to reduce to the minimum their insurance reserves and offer new credits with a large part of them.

The second method for increasing the crediting resources used by lending banks was to turn mortgage loans in bonds titles (titles debt) which are sold out in capital markets and money is collected from new mortgage loans. Thus, a whole line of financial derivatives of debt titles was produced, which were guaranteed with the same mortgage loans provided. In addition, through continued efforts to find new lending sources, credit banks and specialized institutions began to buy mortgage loans, classify them under specific criteria, then turn them into various categories of liability titles and collect the cash which can be allocated to other loans. This practice is described in literature with the name “pool creation” (creation of pools of loan deposits and emissions of new obligations for them). In this way, a whole network is established through which financial derivatives, which did not only ensure new crediting sources, but they even distributed the risk of non-settlement of liabilities in several chains. If one looks at all types of financial derivatives, he may reach to the conclusion that today, the global sum of financial derivatives amounts to 60 trillion dollars, or 100 times greater than 10 years ago. In this way, the entire structure of liquid assets was enormously changed and expanded in the global economy.

---


8 The Institute of Finances of Kosovo “IFK” The 8th International Conference on Business and Employment” The Global Financial Crisis” Pristine, 15 – 16 October 2009, Page 127.
COMPARATIVE TABLE OF THE HISTORY OF THE WORLD ECONOMIC CRISIS.

The Rationality of this historical-economic phenomenon - the insight into the crisis was to be more complete if we would compare the losses or benefits caused by the price fluctuations of stock shares in the record of various world crises.

<table>
<thead>
<tr>
<th>Crisis</th>
<th>Losses(-)benefits (+) in% for the whole world</th>
<th>In%</th>
</tr>
</thead>
<tbody>
<tr>
<td>World War I (1914-18)</td>
<td>-12 Germany</td>
<td>-56%</td>
</tr>
<tr>
<td>Recovery after World War I-st (1919-1928)</td>
<td>+206% U.S.</td>
<td>+372%</td>
</tr>
<tr>
<td>Great Depression (1929-1931)</td>
<td>-54 U.S.</td>
<td>-79%</td>
</tr>
<tr>
<td>World War II (1938-1948)</td>
<td>-18 Japan</td>
<td>-96%</td>
</tr>
<tr>
<td>Recovery after World War II (1949-1958)</td>
<td>+516 Germany</td>
<td>+4094%</td>
</tr>
<tr>
<td>Oil Crisis Period (1973-1974)</td>
<td>-47 United Kingdom</td>
<td>-73%</td>
</tr>
<tr>
<td>Recovery of the decade to ’80</td>
<td>+255 Japan</td>
<td>+431%</td>
</tr>
<tr>
<td>The technological revolution of the ‘90</td>
<td>113 U.S.</td>
<td>+279%</td>
</tr>
<tr>
<td>The decline during the technol-</td>
<td>-44 Germany</td>
<td>-65%</td>
</tr>
<tr>
<td>Economic Recovery through loans</td>
<td>120% Europe Developed</td>
<td>160%</td>
</tr>
<tr>
<td>The decline until the current debt crisis</td>
<td>-58% Ireland</td>
<td>-75%</td>
</tr>
</tbody>
</table>

The source of the data: Elaborations made by Credit Suisse, MSCI and by DataStream

With these comparative data of different economic cycles, one can better realize the depth and scale of losses that the economic and financial crisis that began in the U.S. and spread across the world free market has produced to date.9

In order too realize the serious losses that this crisis has inflicted, it is suffice to mention that the IMF’s estimate of the damages in the assets in the form of securities reaches up to 75% of World GDP value. Even the asset value of world’s billionaires in 2008 was reduced to 2 trillion dollars. That is why the billionaire

---

9 The Institute of Finances of Kosovo “IFK” The 8th International Conference on Business and Employment” The Role of Foreign Investments on the development of the Insurance Market in Albania” Pristine, 8 – 9 October 2009, Page 439.
Juorin Baffett has described this crisis as the “Economic Pearl Harbor”.

Against this alarming situation, the U.S.A and E.U. member states began to adopt emergency measures to avoid the banking system bankruptcy, which represents the “heart” of market economy. At first, they hoped to boost the banking system liquidity through central bank intervention and partial nationalization, thinking that the crisis would be confined only to this sector, without spilling over to the real economy of production. But the “disease” of the banking sector, due to very suspicious and uncollectable liabilities was so serious that the measures were insufficient; thus, the crisis began to shift to real economy. It challenged the entire branch of real economy dealing, not only in the construction sector that was disrupted, but also at important branches, such as the car manufacturing industry (with giant company’s GM at the head) and other industries. Production in real economy started to fall, coupled with a disturbing increase in unemployment levels and the start of a dangerous deflation.\(^\text{10}\) Only in the last three months of 2008, GDP in the U.S. fell down to 6.2%. Real economic crisis was spread in all developed countries, while in developing countries with a great weight in world economy such as China; a sharp decline of output growth rates was also noticed. In addition, the deterioration of other macroeconomic indicators in the most important countries occurred. The “Economist” on 12 March 2009 published the following data on the growing number of unemployed in the largest countries: The U.S. unemployment rate in February reached 8.1% - the highest level in this century and the worst figure for the last 50 years. In China, there are nearly 20 million workers laid off, equal to 3% of the labor force. The deepening crisis in the real economy caused the growth of unemployment rate. The data published in “The Economist” on 12 March 2009 reflect this situation in the clearest and fullest extent.

THE RESPONSE BY INTERNATIONAL ECONOMIC INSTITUTIONS
(DECISIONS OF THE MEETING OF G-20)

The decisions of this meeting consist in the following elements:

a) Adding resources and strengthening the role of the IMF, in dealing with the negative phenomena in the world economy and assisting the developing

\(^\text{10}\) Idem, page 83 “The Financial Crisis Effects”.

276 | Vol 1. No 2. 2010
countries. To this end, they decided to triple the Fund resources, from 250 to 750 billion dollars. Japan, EU and China will provide the first 250 billion whereas the rest will come from other countries. In addition, the IMF was given the right to place 250 billion in the framework of the Special Drawing Rights, representing the currency used by the IMF for the management of international payment settlements. This increases the IMF role in assisting the member countries in distress. Besides, they accepted that China, India and Brazil should have a larger impact in the IMF’s decision-making.11

b) Create a new Financial Stability Board, which together with the IMF will make the appropriate warnings on the risks likely to threaten global economy and new precautions that could be taken to avoid excessive loans, strengthen the banking capital, creating in the highest years of profits the necessary contingency funds to cope up with any future difficulties.

c) Restrictive measures and stricter control on the so-called “tax heavens” by placing more rigid monitoring on the so-called “Hedge Funds” (large speculative funds to counter balance risks ). All countries have agreed on the need for strict regulations of the activity of financial and banking companies, the level of risks assumed by them and the large managerial payments; step up and coordinate the activities of all state institutions and agencies tasked with monitoring the operation of financial markets and banking. A great importance was attached to the issue of better operation of companies dealing with the proper evaluation of the loan-borrowing ability on the part of private firms and different countries (Credit rating companies). However, in free market conditions, it would be impossible to make a perfect harmonization of all the above-mentioned institutions. Certainly, the question arises - “why” Since market based on freedom looks like a giant roller crushing down and wiping out every barrier ahead, without caring for houses, gardens and flowers, or for any social value. Each thread of human life should be and is meant to give money. Global perceptions are slowly making way to concrete logic. But, does what is happening today apply solely to global economy, or this is the case with the Albanian economy, too? (local)?12 And therefore the Soros large looking glass clearly magnifies the views, so that we can also have a clear picture of Albanian capitalism.

c) Decision on the creation and use of a 250 billion-dollar funding for financial support in international trade in the next two years through crediting agencies and development banks, such as World Bank. In this case all participating countries once again repeated their determination against protectionism.

d) Measures by the IMF and other international institutions for larger assistance to developing countries and, in particular, to Eastern European countries, designed to overcome the great difficulties from the crisis and the depreciation of their currencies.

The concrete response by major markets to the decisions of this meeting was most positive worldwide. Suffice it to mention that within a single day, major U.S. indices increased S &P-500, 2.8% Dow Jones Industrial Average 2.8%. European markets witnessed significant gains as well. Similar growth was also noted in developing countries, (especially Brazil, Mexico, etc.) the Eastern European countries (especially the Czech Republic, Poland and others.) While noticing these responses, economists Don Hanna and Jurgen Michels from the City Group Inc. labeled the G-20 Summit as the Meeting of the “boom in developing countries.”

The results in the aftermath of the G-20 show that even under the conditions of global market economy and by using proper measures of state intervention it is entirely possible not only to avoid the disaster of the capitalist economy, but also to take the necessary measures to ensure further economic growth for the whole society.

It goes beyond doubt that the globalization of world economy, apart from its positive aspects and overall benefits, could also bring about a series of negative occurrences affecting economic situation in all countries. It is exactly from this perspective that one may note that our country as well is not immune from the negative effects of this serious crisis in the global economy. ¹³

For a better understanding of both the nature and size of the potential impact of global economic and financial crisis on our economy, one should also take into consideration some specific factors characterizing our economy. The most important factors are shown in the following:

STARTING FROM THE CRISIS NATURE AND FACTORS

First, the development stage and structure of our economy. Albanian economy is in a relatively low development stage, with a less sophisticated banking and financial system. Although a series of foreign and domestic banks operate in our country’s economy, the widespread use of all financial instruments of developed markets has not as yet begun. Apart from ordinary bank deposits as well as simple and limited loans, we do not as yet notice the initiation in Albania of all types financial transaction, of different sorts of securities (excluding treasury bills) and different financial derivatives. This means that both customers and banks are less exposed to negative fluctuations of various markets worldwide. From this viewpoint, the integration of our internal financial and credit market into the global economy is weaker than in other countries affected by crisis.

Secondly, the size and structure of our economy are less vulnerable to fluctuations of world economy. If we see the figures of our country’s GDP, it turns that nearly 60% of this product consists of services (which prevails in the state sector, education, health etc.) that are less vulnerable to fluctuations of world economy. However, nearly 19% of the GDP consists of a branch of agricultural products, which in today’s conditions (when oil prices are down) are less affected by economic and financial crises, since food consumption rating points are the last in the list. In addition to the measures taken for the development and modernization of the agricultural branch, there are also major opportunities for increasing the competitiveness of some country’s farm and livestock products and for reducing the imports for these products.

Thirdly, the most developed sector in our country in the recent years and which may be affected by the impact of global crisis is construction; quite lately, this sector accounts for about 14% of the GDP. Due to the cuts in the purchasing power, due to rising costs for construction sites and import materials, this sector might be as well affected by a decline in new constructions unless constructors lower the prices and unless there is a wider crediting for the purchase of houses. This could have a negative impact on the unemployment growth as well (to date it is about 12.8 per cent in our economy) and in the purchasing power of our citizens, which would have

---

its negative impact in our financial-economic indicators. The most important way to compensate the decline of private house construction could be the rapid initiation and extension of major infrastructural works with budget funding and large investments by foreign investors in our country.

As far as our industrial production in recent years is concerned, it has accounted for about 8% of GDP and largely consists in the power production (which is highly dependent on natural conditions due to hydro powers), the extraction of some minerals and clothing products (fason) largely destined for export. Therefore, difficulties in the export of minerals and textile products (the latter account for 48% of exports) accompanied with price declines can negatively affect the pace of our economic growth, employment and the customer purchasing power. As to the agriculture, under current conditions, there exist all potentials for the further growth of farm production, substituting in this way a good part of import products.

Fourthly, the “Achille’s heel” of our economy is the influx of emigrants’ remittances, who represent one of the most important resources for the country’s purchasing power, as well as the impact on our currency exchange rate against other currencies. Economic decline of the two neighboring countries (Italy and Greece) where most of the emigrants work could affect our incomes from emigrants and their remittances in Albania. This factor may considerably reduce not only our consumer purchasing power, but even possible investments by our emigrants in our country, as the only possible way of trading off the decline of our emigrants’ remittances; the enhancement of tourism, not only with foreigners but also through tourism from our emigrants is another assisting means to this end.

In conclusion, it may be noted that the control of state institutions on the operation of banks and other companies would produce opportunities to prevent the deterioration of their situation with uncollectable loans. In general, we can say that in the worst case, the current crisis of global economy in our country caused the decline of economic rates; however, this has occurred without those profound consequences for other countries with higher development rates and with much more sophisticated banking systems. However, thanks to the measures adopted, it is certain that this time as well, the free market economy, combining the Keynesian and neoliberal ideas of state intervention would for sure overcome this crisis, in order to start up with a new cycle of socio-economic growth.
BIBLIOGRAPHY