

The Institutional Progress and Strategic Reforms in Albania, Require Active Role of Government Policies

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Abstract: Business takes place worldwide, in a huge diversity of societies and between widely varying organizations. Actually, the business environment has become more complex, with expanding and deepening ties between societies and between the many organizations within those societies. The aim of this article is to present an overview of the international environment, highlighting the differing levels, from local and national, to regional and international. The discussion focuses on the main identifying features of the business organization, including ownership and decision-making structures, as they adapt in differing geographical contexts. It is emphasized that the multinational enterprise (MNE), central to international business activities, covers a variety of organizations, large and small and the growing interactions between organizations, governmental and societal players are resulting in a broader view of the business organization in society. This argument looks at varying perspectives, often argued to be the defining characteristic of our times. The Government of Albania has adopted a comprehensive policy reform program to strengthen Albania's weak institutional and governance capacity. The overall objective of the proposed Public Administration Reform Project is to provide required resources for technical assistance, training, goods and incremental operating costs that are needed to implement the Government's Institutional and Public Administration Reform.

Keywords: International environment; Roles of governments; European Community; Albanian situation, Public administration

JEL Classification: H190; H 490

1. Introduction

Albania is open to foreign investment and increasing FDI is a top priority for the Albanian Government. Albania has put in place a liberal foreign investment regime, including a 10 percent flat corporate and income tax and has taken measures to improve the business climate by streamlining business procedures

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through e-government reforms. These improvements along with NATO membership and progress toward EU integration have contributed to the increase in invests interest during the last couple of years. Promising sectors for foreign investors and include: energy (including alternative energies), mining, transportation, telecommunications, and tourism.

The strategic country's geographic position places it at the crossroads of Western and Eastern Europe makes it a stable U.S. ally, a member of NATO, the WTO and a probable candidate status in the European Union. Although FDI has increased during the last couple of years, it still remains among the lowest in the region with a significant part of it coming from privatizations. Despite progress in reforms the major factors hindering FDI seem to remain the same: widespread corruption, weak law enforcement, in sufficiently defined property rights, lack of developed infrastructure, a sluggish government bureaucracy and frequent changes in the legal framework.¹ Foreign companies continue to face significant challenges in entering the market, particularly in areas that touch on property rights. Despite advancements government bureaucracy and inefficiency greatly hampers the ability to hold successful, open and transparent government tenders. They are under-equipped to handle essential tasks. These are primarily to manage transition, provide the regulatory/administrative framework for the market, establish relations with the international community and negotiate and manage aid flows. But these tasks must be carried out while re-establishing order and maintaining social safety nets, under conditions of budget stringency.

The Importance of this Study and the Hypothesis

This study empirically examines the impact of debt management policies on borrowing costs incurred by state governments when issuing debt in the municipal bond market. Based on positive political theory and the benefit principle of taxation, it is proposed that states that adhere to best practice debt management policies transmit signals to the credit ratings, investment community and taxpayers that the government should meet its obligations in a timely manner, resulting in lower debt costs². As a result (USA political debt and reforming policies) of a multi-block multivariate regression model the implication of adhering to debt policies aimed at promoting transparency results in a borrowing cost savings in terms of true interest cost (TIC). However a comprehensive debt policy is not a significant indicator of borrowing costs. These results suggest a product of a pull-push process between the economic forces of the bond market on one hand and

¹ An Overview of Public Administration in Albania pg 6 year 2008. Economical analyze, an analyze by Albanian report, USAID data (Internet link) 2010, Albanian Progress Report 2009, pp. 12, 14, 28.

²Albanian Macroeconomic incomes 2006, pp. 10, 12, 24, 46; Albanian publisher by Albania international bank 2010, report Albania Government journal, pp. 14, 27, 39, year 2009.

politics on the other, pulling the administrative function toward efficiency in the former and democratic values of responsiveness and transparency in the latter.

There are four specific hypotheses in this paper research. During the concepts and data we are trying to explain the important role progress reforms in Albanian areas, that can't do the progress without governance role.

- (1) The comprehension of the importance for innovations and developing the entrepreneurship in Albania
- (2) Identify and analyze for **multi-block multivariate regression model and the implication** factors.
- (3) Resolve the problems of Albania's economic designing, developing the governance capacity.¹
- (4) Albanian **government services and tax-payers opportunity** that leads to a more democratic society.

There are Four Hypotheses in this Paper Research

We are trying to do an exhibition for Albanian situation under hypothesis views.

The problem lies in policies that respond to the bond market but virtually exclude any other community interest in policy making. It is recommended that openness in government and allowing taxpayers to understand government services are essential goals in ensuring responsible citizen oversight and providing taxpayers the opportunity to be less likely to propose restrictive initiatives or force dramatic political or management changes through the electoral process or bond referenda.

1.1. Albanian Local Government Programs and Projects

Refers to European Community, the difference of single states policy applied to grow the own international trade, are small. What is the real situation in states not members of European Community, like Albania, according to international business environment?

The external environment includes an array of dimensions, including economic, political, legal and technological factors. The article analyses their impacts on societies and the environment, and considers the roles of governments and firms in the wider stakeholder context.²

¹ European Commission – retrieved on 27, June 2007.

² U.S. Department of State, Center for Administrative Innovation, U.S. Embassies. GovLeaders.org, author Cynthia McCauley, methodology, p. 128, year 2009.

Naturally, at the end of this article we will have a complete vision of Albanian situation. We are going to illustrate the nature of globalization, highlighting trends in globalized production and market, by contrasting the key features of foreign direct investment (FDI), foreign indirect investment and other modes of international operations. The whole Society and Albanian Local Government Support Program (CSLGP) aims to increase the level of informed and organized civic activism at the local and national levels, along with more participatory, decentralized, accountable governance that leads to a more democratic society. The project will reach this objective through three programmatic components: (1) local government and civil society collaboration, (2) fostering civic participation, advocacy and activism, and (3) facilitating decentralization and local fiscal autonomy. Project aims to support Albania rapprochement through developing new business partnerships and regional professional networks; engaging civil society in alliance-building to further contribute to Albania normalization; and supporting government and non-government efforts toward rapprochement with research.

1.2. Rule of Law Albanian Development Program core programmatic objectives include: (1) increasing the judiciary's knowledge of the European Court of Human Rights (ECHR); (2) enhancing the institutional capacity of the Independent Bar Association; (3) improving the quality of legal education; and (4) fostering an effective environment for human rights protection.¹

Administrative changes in Albanian public policies as an obstacle to the operating foreign investments, comparison of EU like these factors:

- A dynamic local government leadership;
- A coherent strategy acted upon with determination;
- A healthy climate of cooperation with business;
- Improving the quality of legal rules;
- Local government's investment initiatives to jumpstart the stagnant economy;
- Creative use of EU funds to implement local policy;
- Efficient municipal administration;
- Coherent links among urban planning, infrastructure and economic development.

¹ Analytical Report accompanying the Communication from the European Parliament and the Council, Brussels, 09 November 2010.

The Access to Information for Albanian Community Involvement program focuses on: (1) Training of public officials, local government representatives and civic groups on freedom of information, (2) media outreach to inform and update the public and the government on freedom-of-information, (3) production of a freedom-of-information (FOI) website; (4) Improving mechanisms for proactive publication of government-held information; and (5) free legal counseling to citizens and community organizations on FOI.

2. Objectives

2.1. These results suggest a product of a pull-push process between the economic forces of the bond market on one hand and politics on the other, pulling the administrative function toward efficiency in the former and democratic values of responsiveness and transparency in the latter.

The problem lies in policies that respond to the bond market but virtually exclude any other community interest in policy making. It is recommended that openness in government and allowing taxpayers to understand government services are essential goals in ensuring responsible citizen oversight and providing taxpayers the opportunity to be less likely to propose restrictive initiatives or force dramatic political or management changes through the electoral process or bond referenda.¹

The external environment includes an array of dimensions, including economic, political, legal and technological factors. The article analyses their impacts on societies and the environment, and considers the roles of governments and firms in the wider stakeholder context.

The principal arguments treated. Through its programs in the areas of anti-corruption, local governance, rule of law, alternative media, and parliamentary assistance, USAID is working with civil society and reformers within the Government of Albania to help create opportunities that helps Albania to advance the country's democratic reform both at the local and national levels. Based on an "active citizen"² approach to democratic development, USAID is broadening efforts to foster greater citizen participation at the grassroots level and strengthening advocacy NGOs by providing core funding, advocacy grants and tailored technical assistance.

¹ Bundo Sherif ,risku dhe primi botimi 2001. Ciceri Beshir Finance university text, year 2003. Ray Blunt , American society INCOMS. July 2006 column for GovLeaders.org, U.S. Department of State, Center for Administrative Innovation, year 2007, pg 7, 21 ,45. U.S. Department of State, Center for Administrative Innovation, year 2004, pg 2

2.2. Analyses Selected Indicators for Responsiveness of Public Administration

The business environment may be visualized in terms of layers, beginning with the immediate internal environment within the organization, and moving outwards to the external environment surrounding the business and influencing its organization and operations. While only a few decades ago these external aspects were seen as centering on the home country of the business, the environmental horizon of business has now widened to take in a host of international forces, which interact with national and local factors.

Tensions exist between an organization and the external forces that impact on it, from local through to international, and these tensions are reflected in its internal environment.

For this, when we think of international business, we tend to think of large multinationals, but most of the world's businesses are very much smaller, and, increasingly, these smaller firms are becoming international in their outlook. Nowadays, thanks to advances in communication technology and transport, it is easier for companies to expand a variety of business activities across national borders. A large American corporation such as IBM may seem to have very little in common with a family-run firm in Tirana that selling its products or purchasing raw materials abroad, and go on to producing its products abroad. Even if their answers on how to achieve a smooth-running and efficient organization and how to satisfy the needs of customers may be different, both companies in their own way will affronting universal issues.

Like we know in the past the most important factors which influenced the firms were cultural and social, legal and technological factors. Now the factors which compose the economic policy and influenced international environment are not so unpredictable. The problem is that are complicated for the different decision making stakeholders at a time of a stagnant economy.

3. Methodology

The research methodology used to complete this article is that to compare the latest international economic policies to respond to different features present or not in them. To pursue this purpose we will use as a reliable research sources such as the European community, the Ministry of Economy of Albania, etc. Albanian companies act in an environment that is more or less favorable to them. The environment is significantly limited by the institutional framework that the rules of the game and is controlled by public administration and is responsive to the needs of foreign companies.

Regional cooperation is a principle of the highest importance for the political stability, the security and economic development of the WBs countries: Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, and Serbia Montenegro and Kosovo. Many of the challenges facing the WBs countries are not only common to them but also have a cross-border dimension, which involves their regional programs and projects..

In the empirical part of the paper, we analyze selected indicators for responsiveness of the public administration in selected Albanian programs, compared European Union (EU).

Table 1. Table shows the indicators of the public and political process in Albania

<i>Strengths</i>	<i>Weaknesses</i>
<ul style="list-style-type: none"> • Commitment of Government of Albania-GOA and political consensus in country on the EI process of Albania; • Central state coordination bodies (Cabinet of Ministers-COM, Ministry of European Integration-MOEI, EI Units in Line Ministries, Inter-Ministerial Working Group on the Implementation of the SAA, The European Integration Committee in the Assembly); • Instruments that align national priorities and policies with EU policies are established and functional: Strategy for Development and Integration (NSDI), Integrated Planning System (IPS), National Plan for the Implementation of the SAA (NPISAA); • The Albania efforts to EU are supported by IPA program. 	<ul style="list-style-type: none"> • There is no a full political stability in the country; • Insufficient administrative capacity to cope with demanding EI processes; • The current mechanisms do not provide any clear guidance and involvement of some independent institutions, due to the separation of power doctrine; • There is no clear and effective communication mechanism between independent institutions and line ministries, also between central and local government; • Lack of involvement of EI parliamentary committee (infrequent meetings, no regular review of SAA-related topics etc.); • Weak coordination of EU assistance with other donors assistance and State budget; • Low capacities on absorbing EU financial assistance.

3.1 The Real Situation of Financial Sector in Albania

The financial sector in Albania has in general been spared from the global financial turmoil, primarily due to the low amount of loans in relation to total deposits. Also the lack of a housing/construction bubble has minimized pressure on the banks. However, a significant reduction in bank deposits took place in the fall of September 2008 as individuals withdraw their money due to fear from losing their savings. Since October 2008 deposits dropped by about 15% and during 2009 they were below their top level. After summer 2009 there has been a stable increase in bank deposits and by the end of 2009 they reached their pre-crisis level. Lower deposits created some liquidity issues but banks were well equipped to face the situation. Banks have increased their equity capital to better face the situation and also BOA has an active monitoring program to ensure enough liquidity in the banking sector. The financial sector is totally dominated by commercial banks funded with private capital. Currently, 16 banks are operating in the country – two domestically owned banks and 14 foreign or joint ventures.¹

Referring to the above mentioned financial crisis which influenced companies stocks, we can say that, on Albanian SME`s have little or no influence. This, not only for the mentioned reasons above, but because only 3% of the Albanian companies are with private capital trading in stock exchange, the rest are joint stock companies with public capital.

3.2 Foreign Direct Investment Statistics²

The FDI has increased although it still remains among the lowest in the region. The cumulative FDI is also the lowest in the region. The Bank of Albania reported the following figures for foreign direct investment in Albania. Regardless of numerous contracts, only a few projects materialized in 2009.

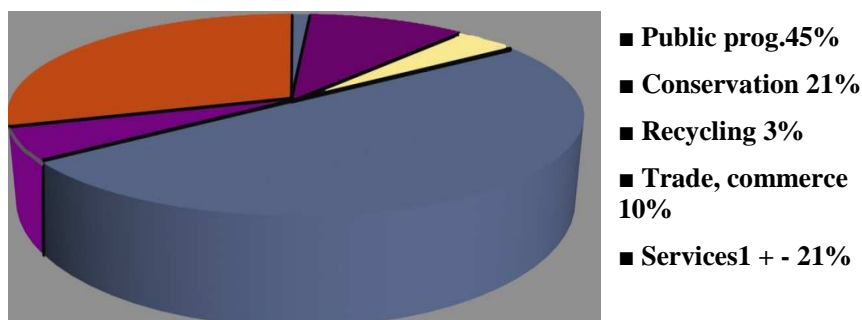
Table 2. FDIS in Albania

Years	2004	2005	2006	2007	2008	2009*	2010
FDI in million Euro	279	212	259	481	653	580	588

¹ Winter 2003-2004 issue of Albanian economical report, pp. 147-123-158. 9. USAID report 2007, 2009, 2010,

*BA estimate for the first three quarters of 2009, 2010, Albanian Finance MF incomes 2009, p. 10.

² Albanian publisher, Albania international bank 2010, report.



Source: Bank of Albania *BA estimate for the first three quarters of 2009, 2010

The direct investments in Albania in 2009-2010

FDI during the first nine months of 2009, 2010 is estimated to have reached 580 or 588 million euro despite optimistic GOA projections for 2009 fueled mainly by strong investor interest witnessed during 2007-2008. A large part of FDI is due to privatizations. The Albanian government collected 103 million Euro from the privatization of 76 percent of the shares of the distribution arm of Albanian Power¹ Corporation; 48 million Euro from the privatization of 12.6 percent of AMC state controlled shares; 5 million euro from the privatization of 40% of GOA controlled shares of the United Bank Albania. INSIG (insurance company) privatization failed during the negotiation process with the winner and it might take place during 2011.

3.3. Public Debt and Albanian Situation

Analyzing the relationship between economic shocks and public debt that is having lately the European Community (we refer in particular to the crisis of the GDP of the two member states like Greece and Italy) budgeting decisions in the context of local economic shocks reveal the local fiscal policy priorities.

The analysis of Albanian incomes, finds that current expenditure paths are more influential when making cuts than when expanding budgets.

Public Strategies employees strive to support and improve the communities in which they live and work. The government support programs that help those in

¹ Albania Economy statistic facts, year 2009 data, 2010 data.

need who strive to provide for their families; and provide the youth of the community with the tools necessary to become leaders.¹

Also focus on two primary areas to ensure the company provides meaningful contributions to the community. Our corporate contributions of time and money go to promoting philanthropy and to youth leadership development through initiatives that produce measurable outcomes and sustainable results in these two areas.

Government regulations applied to counties, like Albania once classified as not in attainment of ambient air quality standards affect local tax bases.

Local communities are also seen to employ some short-term use of reserve funds when facing negative expenditure pressures, but these funds are not used to completely prevent expenditure cuts. Furthermore, communities do not use debt as a mitigating response to external tax base pressures, but instead alter expenditure patterns.

4. Conclusions and Recommendation

Administrative changes in Albanian public policies as an obstacle to the operating foreign investments, comparison of EU are progressed in Albania like as:

- Developing;
- International investments founds;
- Entrepreneurship ambition;
- Marshalling resources to exploit business opportunity;
- State regulatory statistical and tax reporting.

Local communities are also seen to employ some short-term use of reserve funds when facing negative expenditure pressures, but these funds are not used to completely prevent expenditure cuts. Furthermore, communities do not use debt as a mitigating response to external tax base pressures, but instead alter expenditure patterns. Using the EU measurements and assessment of different areas of the business, namely the production of goods and services, can take place smoothly in Albania. PSI worked closely with high-level public officials and community leaders and provided critical guidance and strategic planning.

On an ongoing basis, PSI continues to adapt to: the changing needs of the communities we serve, legislative and administrative directives, research findings and promising practices from the field. These efforts include:

¹ Albanian Local Government Support Program (CSLGP), year 2006.
Albanian Government finance results 2009, Vol. 12 pp. 21, 25, 29.

- Providing customized training and learning opportunities for partners;
- Managing the daily activities of project staff;
- Monitoring large-scale project implementation benchmarks;
- Monitoring the new opportunities of developing and LC of new business;
- Manage the human resources, youth and women.

Additionally, PSI conducts field research that may lead to adjustments to the program in order to meet greater project goals. This has resulted in a high level of trust with state officials and more effective service delivery because program adjustments are made in a timely manner.

Results and Profits from this Research

Administrative changes in Albanian public policies as an obstacle to the operating foreign investments, comparison of EU. This includes partnerships with community-based organizations, public and private colleges, universities, public school teachers, public health departments. Additionally, more number of community leaders have been trained to deliver educational workshops; PSI has developed a robust workshop leader database, which permits remote access to (and entry of) service delivery information. This will be an important point of administrative changes in Albanian public policies as an obstacle to the operating foreign investments, comparison of EU.

Entrepreneurship ambition has worked to support changes in Albanian law that would offer anti-discrimination protections in keeping with international standards. The another point of administrative changes in Albanian public policies as an obstacle to the operating foreign investments, comparison of EU is: (1) International investments contributed to the improvement of Albania's financial regulatory environment which has strengthened public confidence in the banking system and has provided a more secure, efficient and transparent financial system to meet the credit, savings and insurance needs of businesses and individuals.

As a result, there had been a steady increase in bank deposits and a rapid flow of commercial credit to the private sector in recent years before the global financial crisis occurred. (2) PSI worked with the research team to conduct site selection and provide consultation on outcome measures, implementation findings and sustainability strategies. The project was the first of its kind, focused on low-income married parents, and looked at a comprehensive preventive approach to strengthening families. (3) PSI worked directly with the participating research sites to assist in program design, service delivery and project management, in addition to providing consultation to the research team. PSI conducted site visits and telephone

consultations, and developed materials to support the sites in a variety of operational areas. PSI provided guidance and technical assistance to multiple sites regarding:

The Government of Albania has adopted a comprehensive policy reform program to strengthen Albania's weak institutional and governance capacity. This policy reform program is being supported by a Structural Adjustment Credit, which was approved by the Bank in June of 1999. The overall objective of the proposed Public Administration Reform Project is to provide required resources for technical assistance, training, goods and incremental operating costs that are needed to implement the Government's Institutional and Public Administration Reform agenda effectively in Albania.

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