

ECONOMICS AND BUSINESS

Difficulties facing the organization, promotion of HR and how to encourage or to motivate investments in organizations

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Abstract. *Markets in which organizations operate today face various problems, both economic and non-economic in nature. They are also disturbed from long transitions, and weak development perspectives of some regions. In order to develop business in the long term and to stimulate investments, the challenges faced by organizations have been the focus of many research institutions in Kosovo, as well as of independent researchers. In this context, the high financial difficulties of businesses have been part of the analysis of many authors. The purpose of this paper is to investigate the financial difficulties of companies operating in the Kosovo market and to offer recommendations that can be useful for businesses interested in setting up and developing, as well as for other institutions. The results of this analysis show that businesses are facing financial difficulties and lack of investment as a result of higher interest rates, administrative barriers, corruption, informal trade, unemployment, lack of reforms in the economy, monopoly, integration, etc. The topics investigated may have special relevance for human resources wishing to make changes or for overcoming financial difficulties, stimulating investment, promotion and business development in the longer term.*

Keywords: *financial difficulties; informal competition; interest rates; advance of human resources, Kosovo economy.*

Introduction

The models of modern organizations are considering new methods and mentality, which require dedication, determination and adequate knowledge from employees, as well as from managers. But organizations in southwestern Balkans still have difficulties of legal and ethical nature. A part of businesses are operating outside the legal system. In this way they negatively influence the market and contribute to wide spread of

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informality in the economy and other negative impacts on the economic system.

In Kosovo, organizations lack long-term funding and capital. Therefore, measures should be taken to ensure accountability and inclusion, as well as to create conditions that make possible the provision of the necessary financial resources for investment. Business sustainability is essential for the country's economy. This is why they must be stimulated in order to have a more active stance against economic development, and exit from the current economic situation.

The aims of the research

In this study we are doing research in the field of resource management in organizations, respectively we investigate difficulties that organizations face and how to encourage or motivate investments, as well as in the field of human resource management. We analyze the impact of inclusive factors as:

- a) The impact of interest rates on bank development organizations;
- b) Policies of competition in the country and beyond;
- c) Non-formal competition as a factor of instability organizations;
- d) Lack of professional human resources in specific economic activities.

Topics addressed in this research may be of particular importance for human resources that wish to make changes or analyzes of the impact of factors such as interest rate, informality, motivation of human resources in organizations operating in Kosovo market.

Methodology

For the preparation of this publication we reviewed the literature for the management of organizations, and human resource management. The sample selection is based on the following criteria:

- a) the organization is operating in the local market and is a legally registered business;

b) the organization offers accesible information.

An analysis of documents and published data was carried on. Data, reports and surveys of participants were analyzed in detail, in order to create a clear picture related to research topics.

The difficulties facing the organization and how to encourage or to motivate investment

Difficulties that organizations face today are numerous, such as:

- a) The impact of interest rates on bank development organizations;
- b) Policies of competition in the country;
- c) Informal competition and destabilizing organizations;
- d) Lack of professional human resources in specific economic activities.

We will investigate in detail the above-mentioned factors.

The impact of bank interest in the development of organizations

Eight banks operate in Kosovo. 90% of total assets, more than 88% of deposits and about 80% of credits are concentrated in the three largest banks in Kosovo. This situation is linked with high risk of credits, low effects of courts, judicial system, etc. (KCB, 2007).

The research of the Institute of advancing study (GAP, 2013) shows that loan rates remain high and nevertheless no steps to get a better situation are taken. The banks find it difficult to operate in business and political environments that do not respect the laws in force and when courts do not do their job. High profits of the banking sector are mainly based on high interest rates on loans. A characteristic of the banking services in Kosovo is that banks charge their users fees for many services that are offered for free elsewhere.

But how could be overcome such a situation?

It is thought that increased competition in the financial system of Kosovo would have resulted in the reduction of interest rates, which affect the growth of new investment interests in all areas of business.

The development of the banking sector from 2000-2010 was associated with the establishment of new banks, with the expansion of products offered, as well as the extension of the geographical span to cover the whole territory of the country. Although a continue effort of banking operators to ensure a broad base of customers in the context of increasing competition is registered, this situation has not had significant effects in reducing interest rates on loans and in narrowing the gap between interest rates on loans and deposits which is high (Authority Kosovo Competition Authority, 2011, p. 20). In general, the banking system in Kosovo is developing very fast. This sector has been steadily increasing in value of assets while the level of bank deposits grew higher compared with the region. The banking sector in Kosovo is characterized by a large presence of financial capital, which has contributed to the advancement of the financial system bringing advanced financial practices in the management of banking operations. Despite the rapid development of the banking system in Kosovo, interest rates have remained quite high. Especially for long-term investment needs they are among the highest in the region. These high interest rates directly lead to higher costs for businesses and impact the competitiveness in the local market, as well as outside it.

The growth of the number of banks and development of the financial market in Kosovo are meant to lead to increased level of competition, but this has not happened until now (The Kosovo Competition Authority, 2011). Interest rates for loans increased, as a result of growing demand for loans. High interest rates continue to remain an impediment to business activities in Kosovo. Reduction of banking interest rates would impact positively on the economy of Kosovo; would have direct implications on the establishment of new businesses and the development of existing ones. Also, increased competition through licensing of new banks and taking concrete measures are expected to reduce interest negative influence.

The impact of market competition policy in the country economy and beyond

Competition is an economic phenomenon, which manifests itself in a free market economy. Kosovo, as the newest country in the world and in southwest Europe, can be considered as the last country that is applying the principles of free market economy, after major changes in the political system. The processes are complex. The presence of high level of risk for business, unfair competition, as well as informal market in which some of the organizations operate are generating the instability of economic, business and organizations (Gjinovci, 2014).

In general, is hard to consider any real competition from businesses in Kosovo. Most of the organizations that operate in this market are still in an early stage of their development. Opportunities to develop faster are limited as a result of the economic policies applied. The market faces a tough competition especially in food industry and construction by countries in the region: Serbia, Macedonia, Bosnia and Herzegovina, etc. As a result of the lack of administrative institutions and the establishment of international segments, for a long time products imported from these countries had tax and customs facilities. They have had direct influence on local organizations that already face numerous economic and non-economic problems. Therefore, a number of problems consist in weak competitive activities, loss of power when considering exporting organizations in Kosovo. The current tax policy is to favor domestic productions.

The nature of economic problems:

- Lack of financial capital. To be more competitive in the market where these organizations operate, wider financial resources are required. They are difficult to be obtained. Economic partnerships are difficult to achieve under the current conditions, as banks offer loans but bank interest rates are the highest in the region. High banking interests are leading to the extinction of many organizations.
- Lack of experience in global markets. Organizations that operate in this market are quite limited; just a few businesses offer services in the global market.
- Lack of experts with designated profiles. In recent years the number of professionals and their willingness to study has increased. Nevertheless

some specialists and certain professions, including in the field of human resources (HR) are still missing in the region.

- Weak promotional and marketing activities.

- Weak legal infrastructure. Applicable laws are very democratic. For instance they offer the opportunity to appeal, but expectations for the review of complaints are long, many times they extend over more years. Although for years in Kosovo international legal structures, as EULEX², have been installed, citizens are facing difficulties in the protection of their rights; they are faced with the shortcomings of the justice system.

- Lack of information. At the same time Kosovo is a country of diaspora, which is very rich/ generous and their financial resources could influence the development of the current organizations and set of new ones. But to have direct investments the interested sectors have to be informed, to decide in what to invest and which conditions are suitable. Increasing institutional support could lead to benefits both for society and for investors. Now organizations are faced with weak institutional support, as well as other administrative barriers.

Kosovo is going through a process of political and economic transformation. For instance it has to deal with the industrial structures inherited from the Yugoslav federation based on heavy industry. At the present Kosovo is still unable to face the requirements and standards of the market economy.

Kosovo is the last country that has entered the transition processes in southeastern Europe. As a result of local policies and conflicts, the country and the region have gone through a process of long and painful transition. Consequently Kosovo faces continue economic decline and recession and, therefore, difficulties in developing businesses. Kosovo companies face unfair competition created by businesses that cause adverse effects to consumers, as well as other unlawful practices such as the sale of goods of lower quality than is stated, false declaration of goods in order to avoid paying taxes, departure payment of income derived on account and payment of cash flows of the gray economy, the sale of goods without the required accompanying documentation, keeping of irregular and inaccurate records on the movement of goods, etc.

2. EULEX, European Union Rule of Law Mission in Kosovo (date 19.05.2014).

Informal competition as a factor of instability of organizations

The phenomenon of informal economy characterizes all countries, and it has been present at all times. Today it is found in most developed countries, but in these countries it is always under control and not endangering normal economic movements.

The informal economy is defined as the economy otherwise illegal, unofficial, and parallel to the black market (Komoni, 2008). Among the key factors that influence the decision to enter into the gray area of business are:

- Slow functioning justice system and law enforcement mechanisms;
- Weak administrative control level towards economic liberalization;
- Tax charges, macroeconomic instability and destruction of the payments system.

To understand the economy it is necessary to study its both parts, formal and informal. The need for the study of unregistered economic activities primarily stems from the requisite for effective implementation of the macroeconomic policy of the state (Suceska, 2006). Informal economic forms differ more or less from place to place. It appears in various practices and in almost all areas of economic activity:

- a) Import and export of illegal goods.
- b) Cash Flow outside payment services. It is typical for many countries the utilization of cash for business. This form is quite common in the Balkan countries, and it seems that for a long period of time it will not be replaced. Doing business in cash is easy especially after the loss of confidence in banking, and legal systems. Therefore, consumers as well as service providers prefer cash. This phenomenon has a significant impact on the growth of the informal economy.
- c) The smuggling of various goods in the domestic market. Such action is quite easy considering the extent of the territory of Kosovo and the problems faced by neighboring countries.
- d) Elusion from paying taxes and fees, the tax evasion and the fraud of the tax system. The period of economic transition, war, conflicts, suffering, have resulted in uncertainty, as well as distrust in the state assistance.

e) Misuse of official duty, commercial or public. Absence for longest period of economic growth, lack of perspectives, and lack of personal ethics has created conditions for misuse of official position or business.

Illegal economy has many negative impacts on the economy as well as for the society. Some consequences are unpredictable. A partial list of the effects is:

- The creation of unfair competition,
- Erosion of morality in business,
- The creation of false statement on real income and
- Negative impact on legal businesses.

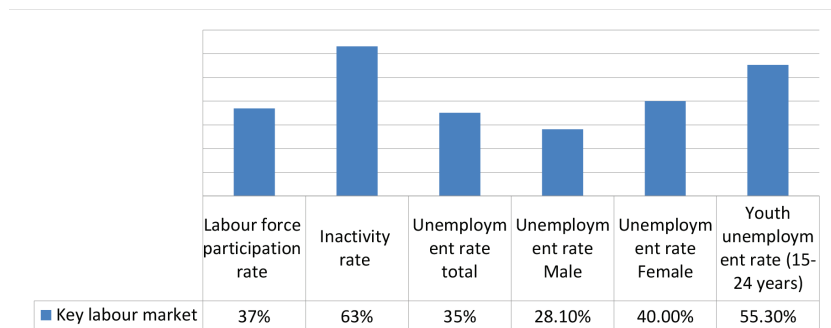
Business models today are oriented towards new knowledge; this is the reason why more and more businesses are considering resources and human potential, requiring a new approach, a new model of thinking and a new structure. So a new way of approach of certain issues is necessary, businesses are required to put the individual in the first place.

Unemployment is an impediment to the business. In most countries of the world human capital is considered as the most important factor for economic growth, innovation and investment. The quality and flexibility of the workforce is one of the main factors influencing the investment decisions of foreign investors. Kosovo faces high unemployment rate and in some cases the lack of appropriate qualifications. The main challenge for the country's economy continues to be a high unemployment rate, which directly affects the development of genuine businesses. Based on the current trend of economic growth and the generation of new jobs in the economy of Kosovo can be considered that the unemployment rate is not expected to decrease significantly in the medium term (BQK, 2010).

Based on data from the Statistical Office of the Republic of Kosovo (ESK, 2010), the unemployment rate in Kosovo exceeds 45%. According to the data published by SOK (2014) unemployment rate is 36.9% in total.³

3. <http://ask.rks-gov.net/> (date 19.05.2014).

Figure 1. The key labor market in RKS, state statistic
(<http://ask.rks-gov.net>).



Such high unemployment affects the purchasing power and thus the creation of new business ideas and new places to work.

The role of managerial barriers, and the role of corruption in markets.

Empirical and theoretical studies on this phenomenon show that a favorable condition for the existence of corruption exists when a public resource is brought under the control of a person or a group of administrative public workers (Corruption in AL, 2005). The independence of businesses and anticorruption are some of the weakest political dimensions of South East European countries. While there are laws and institutions against corruption, little has been done for their implementation and enforcement; it has been influenced by factors indirectly (Transparency International, 2012). The experience of developed countries shows that the high level of corruption impairs circulation of capital, the level of investment, economic growth, etc.

By all indications, corruption is a serious problem in southeast European countries including some European Union countries (EU anti-corruption report, 2014).

Countries in the region, including Kosovo, are committed to:

- adopt international anticorruption instruments,
- strengthen of national legislation,
- promote business integrity,
- create a more active civil society in the fight against corruption.

Despite the measures undertaken and the adaptations to date, results have been limited to preventing or minimizing the barriers created by the administrators appointed to local or regional institutions including several European Union countries, which directly affect the investment or investor loss.

K. Shaipi (2008) underwent a study to assess, among other aspects, the difference between perceived and encountered corruption. When posed a straightforward question: ‘Have you ever offered bribes to institutional officials?’ most of the businesses do not have the courage to respond and the level of sincerity in their responses is doubtful. Some 52% of respondents refused to answer this question, which leads one to believe that they are not being quite honest in their responses. The rationale behind such a claim is that if the respondents, indeed, have never offered bribes, they would not hesitate to answer, as a negative reply would not hurt their reputations. Through that argument, one can conclude that the percentage of respondents who have offered bribes to public officials should be represented as an aggregate percentage of those who confirm having offered bribes (over 14%) and those refusing to respond to the question. If the two percentages are added together, we get an alarming 66% of businesses interviewed that have offered bribes in the past.

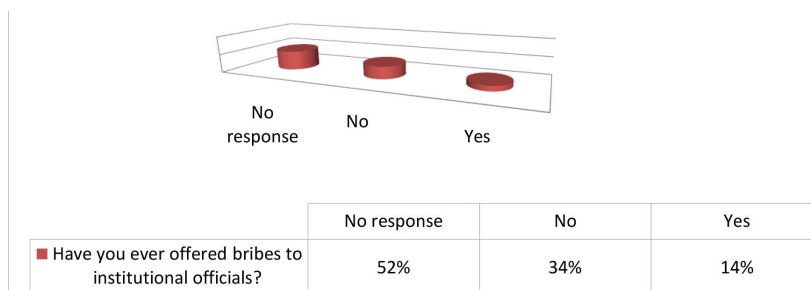


Figure 2. The experience in offering bribes

This phenomenon occurs frequently and is common in countries that have problems with the rule of law, which characterize the administration especially in Eastern European countries. Corruption is present and quite problematic especially for countries that go through periods of transition; these countries are usually characterized as ineffective in combating this phenomenon, which has a direct impact on business and beyond.

Lack of professionals in specific economic activities

For an advanced economy, state policies should be directed at building professional human resources. These persons will be able to compete without any problems in the labor market, especially in the requirements of foreign companies, but also local ones that could be competitive on the global market. The question which was addressed to the respondents was: How supported the advancement of staff under preparation, education and occupation in your organization? From interviews held with employees in public organizations such as Post of Kosovo (PT) and Post Telekom of Kosovo (PTK), we notice that 90% of employees surveyed consider that their organization does not support the advancement based on professional preparation, based and experience or education. These organizations, as well as other organizations, do not distinguish between Bachelorit, Faculty, Masters and PhD graduates salary (Gjinovci, 2013).

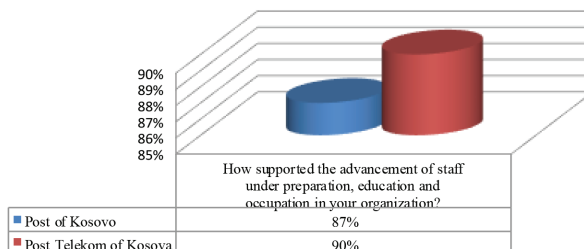


Figure 3. The supported the advancement of staff under preparation, education and occupation in PT, and PTK

Therefore, why not make it a realizable dream to work in organizations that operate in Kosovo. The strategy would be to determine the younger generations to orient themselves towards those professions needed most. For meaningful labor market professionals companies also are paying more. Lack of experts designated profiles is hampering the local production to be more competitive. In recent years the number of professions and willingness to study have greatly increased. But still, certain professions and facilities are still missing in the region.

Therefore, food organizations should take positive measures for favoring and support experts in their organization. Especially, this applies to organizations that deal with the production of biscuits, milk, chocolate,

etc. Studies conducted in several large commercial organizations operating in the local market; Viva, Super viva, Inetex, ETC, etc. Although Slovenian dairy products should be more expensive because of higher costs, as the labor force, distance, other operating costs. Making these products attractive would be the result of investment in improving their quality. But to achieve this, manufacturing organizations need to hire professional human resources. Therefore organizations should consider concrete advancement of human resources through: Hiring professionals outside (the external site), which in some instances is quite expensive, and to support human resources in specialized education, even when they are quite costly.

How to encourage or motivate investors

Some countries in the region have improved business environment, despite that the southwestern Balkan region as a whole suffers from a negative image for the support of businesses and foreign investment. Developing marketing skills and learning how to promote the region as an attractive destination for foreign investment will be a priority in the future. But until today, there was no significant change regarding encouragement and motivation of the serious investors and or for ideas. A challenge that characterizes the region, including Kosovo, is investment protection. But the risk of investment in the country and in the southwestern Balkans is very high. Most of investments are in individual businesses. Also there are missing financial consultants in the business service as well as specialized offices for advising and giving of recommendations for decisions related to the operations of banks and financial markets (Civici, 2009).

According to the World Bank report (2011), facilities for doing business put Kosovo in the 117th place, Albania on site 82, while Bosnia and Herzegovina in the 125th place. Problems that discourage businesses include: electricity, registering property, protecting investments, enforcing contracts, getting credit, etc. While, according to the World Bank report (2013), doing business positions Kosovo in the 98th place. Whereas in latest report (2014), Kosovo is ranked in the 86th place, but this position is still under desired level, and the country should do more to down below.

Years	Place			
	Kosovo	Albania	Bosnia and Herzegovina	Montenegro
2011	117	82	125	/
2012	117	77	127	/
2013	98	85	126	/
2014	86	90	131	44

Figure 4. The rapport of doing business in some states in Balkan region and in Kosovo

Regarding institutional support to businesses, Kosovo is far behind the countries of the region. Almost all countries have taken concrete steps to facilitate the administrative procedures of business registration procedures. Procedures referring to importing processing machinery, as well as manufacturing are simplified.

Businesses in Kosovo are still at the stage of the impossibility of coping with challenges, especially with increased competition in the regional market, limited productions capacity, the low quality products and services, as well as no professional managers.

Conclusions

Businesses face a lack of cooperation and joint investment with local and international partners due to major negative factors such as legal barriers, lacking of political and economic present stability, despite laws guaranteeing investment protection. By reducing interest rates banks will positively contribute to the economy of Kosovo, would have a direct impact on the establishment of new businesses and the development of existing ones. The reform of the financial sector and the creation of financial markets are necessary. Other transformations required are essential changes in tax policy since the current tax policies do not favor domestic production, and discourages the development of manufacturing businesses in Kosovo.

High interest rates adopted by the management of the banks are justified by the high-risk loans, as well as the low efficiency of judicial system.

Therefore concrete steps should be taken to strengthen the judicial system (raising the performance of this system). Most of the investments are in individual businesses and when facing certain financial problems they remain at the mercy of the market. The solution lies in finding individual choice as institutional support is lacking. Institutions therefore need to support businesses in generally.

Implementing independent programs to stop economic crime, which is a syndrome of some European countries, including some EU countries. Tax and customs facilities are needed for businesses that use the region that means the application of tariff incentives for investors. It is about reducing customs duties on capital investment and reproductive material from 10% to 0, and reduction of the VAT rate on imports of capital equipment. Extension of the tax system would affect the growth of the number of taxpayers and certain tax deductions.

Employment in public administration is based on certain criteria, taking into account the professional training and experience of human resources. In many cases during the recruitment process of candidates do not meet specified criteria of human resources. Public administration reform is not only the responsibility of government but is also the responsibility of civil society including the business. Restructuring of the energy sector and support the privatization of distribution as a measure to overcome the energy crisis during which indirectly influencing the cost of setting up businesses. Promote investment, support businesses in improving competitiveness through increasing or improving productivity.

Kosovo border points should be covered properly in order to prevent the introduction of higher excise items through illegal routes as from the border with Serbia. Bilateral and multilateral agreements and respect the agreements signed. Obstruction of any direct or indirect interference in the justice system is necessary, by not ignoring the international institutions. Minimization of smuggling which is growing as a result of constraints and implications for the institutions to be called on behalf of the establishment and development of economic and legal systems.

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The role of remittances in the Albanian economy

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Abstract. *The potential of remittances to contribute to the economic development of a country depends on a number of factors, such as demographic characteristics of households, transfer methods and the use of financial institutions. Remittances could contribute, besides the consumption growth, also directly into productive investment, increasing the liquidity of banks, making it possible to grant loans to entrepreneurs with competing interests, creating an enabling environment for starting and expanding SMEs, facilitating attraction of emigrants to return to their countries. Economic and political systems in Albania have gone through rapid development since the collapse of the communist regime. However, the geographical coverage of the financial institutions is still weak in some parts of the country, especially in the rural areas. The personal transport accounts about 60% of all remittances. The proximity of the two host countries, Greece and Italy, allows the majority of legal emigrants to visit their country once or twice a year, which gives the opportunity to carry money in cash. The World Bank characterizes the political and the financial environments in Albania as non-propulsive for entrepreneurs. Regardless of the size of remittances and their importance for the economy of Albania, there is a general lack of policies and strategies for management and use of remittances. Some of the factors that adversely affect the business environment can be addressed at national level, such as unstable supply of electricity and quality of infrastructure, or issues related to tax collection. For a better development of the Albanian emigration control, the National Strategy for Migration covers: protection of the rights of the emigrants abroad, building and joining the communities abroad, the orientation of remittances towards the investments, organizing an appropriate policy on migration for employment, the facilitating travel for the Albanian citizens and finally, the development of an appropriate legal and institutional framework.*

Keywords: *Albanian emigration; remittances; the national strategy; economic development.*

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Introduction

Remittances constitute a great potential for creating economic growth. Given the size of Diaspora and the fact that 55% of emigrants send money to their families in Albania, remittances are a major radix of the foreign currency and an important stimulus for the national economy. The remittances constituted 13.5% of the GDP in 2004 (www.bankofalbania.org). The largest value of the transfers from migrants to Albania belongs to 2007. It was about 952 million euro.

Table 1. The value of the transfers from emigrants 2004 – 2013

(Albanian Bank 2014).

Years	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Remittances	774.21	802.11	937.23	951.71	833.31	781.32	689.77	664.53	675.28	497.21

Remittances have been destined mainly for the financial support of the family members. Most emigrants send money to parents, spouses and children. These two groups account for 90.5% of all recipients, while the relatives accounted for only 9.5%. This evidence suggests that 90% of remittances are used for consumption and only 10% for investment (IOM and ILO, 2007, p. 9).

The remittances which are a financial support for families tend to be small, which in most cases, are withdrawn immediately from bank accounts or other financial operators and money is kept at home. As a result, the capital representing money is not enough for productive investment purposes. It is estimated that 60% of remittances come from Greece and 30% from Italy (IOM and ILO, 2007 p. 10). 10% of them come from other countries like Germany, France, Great Britain, etc. Remittances go to rural areas in a proportion of 69%. (IOM and ILO, 2007 p. 10). Most remittances sent by the emigrants, are mostly irregular and seasonal flows.

Financial service providers

The use of banks is relatively limited: only 26% of the households (ILO and IOM, 2007 p. 7) that receive remittances have bank accounts. Furthermore, the financial products always meet the needs and demands of households that receive remittances. The low use of the banking services is partly influenced by a mistrust in the financial institutions for a part of the customers. There is a preference to hold cash rather than bank savings accounts (IOM and ILO, 2007 p. 11).

Money transfer methods are: the banking methods, the methods of the money transfer operators and the personal transfer method.

Banks

Banks offer a variety of standard financial products, including savings accounts and loans, and all provide transfer services. While banks provide transfers, there is still no coordinated effort to inform emigrants about these services. Some individual branches have begun in recent years to promote their services for emigrants at border crossings and ports.

While banks have developed a range of transfer products for expatriates and their families, some of them try to tie transfer services with other financial products they offer. Currently the only product directly linked transfers is a mortgage that allows migrants and remittance recipients to buy real estate based on documented income of emigrants in host countries (IOM and ILO, 2007 p. 12).

Banks consider emigrants and their families that have a small potential as consumers, and banks are perceived by this group that have very little to offer. Banks are seen as too complicated and bureaucratic and as offering slow transfer services. There is also a lack of knowledge of the products and services that banks propose. Given the fact that banks do not see this group as the main customer base, there is a limited selection of appropriate financial products. However, there are indications of an increase in transfers of remittances through formal financial channels. They are assessed on a scale from 39% in 2001 from 7% in 1994 (Uruçi and Gëdeshi, 2003).

This shows that emigrants' confidence in the financial system is rising gradually. The confidence in banks is also indicated by the deposit growth from 0.7 billion to 4 billion USD in 2004 (IOM and ILO, 2007, p. 13).

A particular issue for banks is the lending policies. The policies vary from one city to another, but in general are restrictive. There is a great reluctance to provide credit to new SMEs. Some banks require 12 to 36 months being business to consider lending. This is in addition to the collateral that must be 150% of the loan value. This makes it impossible to access loans to start business and adoption of this policy is an obstacle for the economic development of Albania. While banks are limited in relation to urban SMEs, most of them do not provide loans to the agricultural sector. This sector is considered high risk, given the problems that people face registering property and numerous legal disputes for the right of ownership of land, poor extension services available to the agricultural sector and the reports on the abuses of purchasers of the agricultural products from the monopoly and oligopoly positions. While there are a large number of recipients of remittances in rural areas, the population density is too low to be acceptable by the banks to expand their network in these areas. There is one exception, ProCredit Bank, which has previously been an MFI, and provides micro loans to farms except lending in urban areas.

Money transfers offers (MTOs)

Western Union (WU) and Money Gram are two main MTOs in Albania and have a total of 300 offices together. WU has the advantage of a comprehensive network which means that it is better positioned to serve customers in the rural and marginalized areas where banks are not present due to non-profitability of the customer base, by including post offices. The main reasons MTO's success in capturing such large market are:

- Fast service. In many cases, the transfer time is less than an hour to transferred money from abroad in Albania.
- Ease of use. MTO service is described as friendly user, especially for people with limited exposure to the formal financial system. Working with documents is limited and straightforward.
- For irregular migrants it is often the only alternative to personal transport. MTO does not require any document to small amounts. Banks often require documents to facilitate the transfer.

The quick and easy service of MTO means that they, rather than banks, are used in emergencies and unforeseen expenses. However, the cost of using MTO is high, about 5 - 10% of the transferred amount. (IOM and ILO, 2007 p. 16). This means that there are good opportunities to save by emigrants when they go to the traditional bank transfers. Although MTOs are part of the formal financial system, they have little potential to contribute directly to the economic development of the country.

Micro – finance institutions (MFIs)

Albania has a growing number of MFIs, with a market loans about 5% to the total loans (IOM and ILO, 2007 p. 16). They specifically target segments of society that are not served by commercial banks. MFIs provide loans to businesses (including start-ups) and also give credit for unregistered businesses. Although MFIs have enjoyed a huge increase, they are limited by law to savings. This means that for example, NOA is bound to attract loans from commercial banks. This is the reason that MFIs raise the cost of the financial products.

A separate provider of the financial services is The Savings and Loan Association. It has the legal basis to accept savings and provide loans, but serves only to the association members and the local community. These associations are scattered across the country and have become the largest financial institutions in rural areas with 11,500 members, operating in 400 villages. (Uruçi and Gëdeshi, 2003). As MFIs they cover in rural areas.

Personal transportation

Personal transport is considered more reliable and cheaper than bank transfers. The illegal emigrants, who cannot travel themselves, charge the others as couriers to bring their money home. However, personal transport is not safe and courier service is not free. A fee of 1% is the norm. Moreover, there is evidence that the money carried by couriers have not reached the destination (IOM and ILO, 2007 p. 18). But, nevertheless, the personal transport for illegal emigrants is the only solution. In both countries, Italy and Greece, banks require documentation to make the transfer, which means that illegal emigrants are effectively prevented from using banks for these services.

Political environment

The link between remittances and the economic sustainable development should be done locally and the local government has a central role as coordinator and promoter. There are only limited efforts to create proper infrastructure for emigrants, such as organizing information sessions prior to departure, or to support the launch of new businesses by emigrants. The local government does not promote the use of formal financial channels for transferring remittances, or to provide training for financial aspects for emigrants and their families.

A separate issue is the large informal economy (IOM and ILO, 2007, p. 21). The difficulties associated in starting a new legal business and the fact that SMEs can easily operate without permits and licenses, discourages entrepreneurs who have formalized their businesses. This presents a number of concerns, but also presents a barrier to the economic development of the country in the long run.

Use of remittances

Use of remittances in Vlora (case study)

The district of Vlora is the part of the southern mountainous area of the country. It includes Vlora, Saranda and Delvina. The region is very mountainous, but also has hilly meadows and valleys, enabling local people to earn a living through agriculture and livestock production (IOM and ILO, 2007 p. 31).

This county has a population of 175,640 inhabitants (INSTAT, CENSUS 2011). A survey conducted by the ILO shows that the average household size is 3.8 persons and less than 13% of households can be characterized as large, with more than 5 people. 45% of families have children on the school age, although only half of them have more than one child in school. A relatively high number of household heads are retired (50 %)(IOM and ILO, 2007 p. 32).

As in all other parts of Albania, significant changes occurred after 1990. Most of the population is now self-employed and working in small activities

in agriculture, services and tourism. Most enterprises in the region (95%) are small with 1 to 5 employees and the rest (5%) employ more than 6 persons. There are only a few large companies with over 80 employees, occupying 26.5% of the total number of employees in the region. Tourism is an important sector, which generates 23% of the revenue of the region. It is also considered the sector with high potential to promote economic development in the region (IOM and ILO, 2007, p. 31).

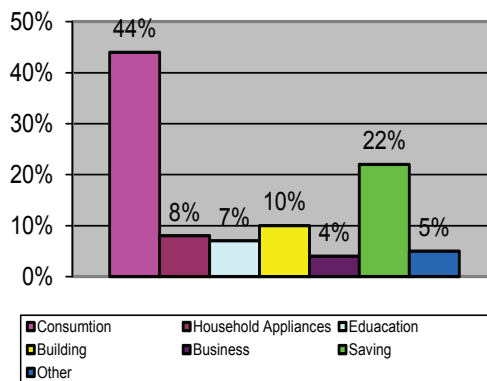


Figure 1. The use of remittances (Vlora)

Source: Albanian Government, IOM (2005).

Given the low level of income, 16% of respondents have savings as the main use of remittances and savings account for 22% of the total use of remittances (Figure 1). For a large majority of households spending pattern has not changed in the last five years. For those few that have changed the direction of spending, it seems that they have spent on education and savings.

According to a study made in Albania by AGENTA Institute in 2011, about 53.8% of families have received less money from emigrants in the last 5 years and approximately 57.6% of families at home have taken the money less than a year ago. The 73.8% of remittances are mainly used for food. Their use for consumption has fallen to 60.8%, for savings at 32% and 72% for investments. A portion of shipments, 11.1% spent on health expenses especially for more specialized health services.

The national strategy for emigration

The Albanian Government, with the support of IOM has provided approval of the National Strategy for Migration. Emigration is a major concern for Albania because about 20% of the population has fled the country for more than a decade, making Albania one of the countries with the highest level of migration flows in the world. Migration is also an important aspect of Albania's relations with the European Union member states as countries of destination for the majority of emigrants. Albania is in many cases considered by the EU as a third country where priority should be given to the fight against irregular migration. Management of migration flows is thus made an integral part of Stabilization – Association process.

The aim of this strategy is to provide a more comprehensive policy on migration, a policy that mainly reacted on fighting illegal flows, in a more comprehensive policy on the management of migration, and in particular of the migration flows. Below some of the points of the National Strategy for Emigration are selected briefly for this presentation.

The fight against the illegal emigration. The root causes of migration

It is known that people migrate from their country when resources and opportunities to meet their needs and aspirations are lacking. This is the situation of Albanian emigrants that left their home for a better life for themselves and their family. The main factors are:

- Economic factor. Albanians left their country mainly for economic reasons, such as the lack of employment opportunities, poor living conditions, especially in some areas that are short of the basic conditions as electricity, water and housing. The high levels of unemployment have been the main factor for the massive emigration flows in the 90s.
- Public Safety. Albania is facing massive migration flows as a result of the low level of public safety or riots in the country. A large number of qualified persons with good economic conditions have left the country for a more secure future for themselves and their families. This has been particularly the case after the 1997 riots that was followed by another frenzy of the mass exodus (National Strategy on Migration and National Action Plan on Migration, 2005, p. 22).

Presentation of the current policy

The National Strategy for Socio-Economic Development approved in 2001 is the first step for the development of Albania through sustainable and comprehensive economic growth. Some of the goals of the strategy are: to reduce the number of citizens living in poverty, improvement of the infrastructure and related services, improvement of health and education etc. (National Strategy on Migration and National Action Plan on Migration, 2005, p. 23).

In March 2002 was approved the Rural Development Strategy which presents an approach focused on promoting economic growth and poverty reduction in rural areas. This paper highlights the role that emigration plays in the loss of the active labor force in Albania, especially in rural areas, and emphasizes the need to combat the root causes of migration and not just limiting migration flows.

The Strategy for Employment and Vocational Training, adopted in January 2003, aims the creation of jobs by improving the labor market, by training staff through continuous education and by supporting the development of small and medium size enterprises.

In order to improve the functioning of the state structures, Albania is engaged in many cases to take effective measures to combat corruption and strengthen the rule of law by the Anti-Corruption Strategy in 1998 which is accompanied by an Action Plan 2002-2003 and 2003-2004 (National Strategy on Migration and National Action Plan on Migration, 2005, p. 23).

Assessment of the current and perspective policies

Migration in Albania is mainly treated in the framework of the measures against trafficking and border management. Emigration cannot be fought only with repressive methods, but also requires preventive measures. This concern is taken into account in the Rural Development Strategy and partly in the Strategy for Employment and Vocational Training, but not at the right level in the Strategy for Socio-Economic Development.

The rural Development Strategy takes into account the links between emigration and agriculture. The high incomes obtained from emigration have reduced the agricultural activities of Albania. This is one of the main reasons why Albania is obliged to import almost all agricultural products. If work will be evaluated properly, Albanian emigrants working in agriculture in neighboring countries such as Greece and Italy would prefer to do the same work in their country (National Strategy on Migration and National Action Plan on Migration, 2005, p. 24).

The Strategy for Employment and Vocational Training touches issues of the vocational training for returning emigrants who are in difficult economic conditions. The focus of the strategy should be expanded in order to provide sustainable employment measures so that they do not leave the country again (National Strategy on Migration and National Action Plan on Migration, 2005, p. 24).

The Strategy for Socio-Economic Development does not address emigration in particular. Special attention should be paid to areas abandoned by emigrants due to lack of basic vital conditions such as water supply, electricity and infrastructure and to consider the ways to revive those areas (National Strategy on Migration and National Action Plan on Migration, 2005, p. 24).

The return of migrants

The process of returning has been from voluntary to forced return and it is done through a series of ways (National Strategy on Migration and National Action Plan on Migration, 2005, p. 25). According to these return programs, the returnees are given financial and material assistance. A large number of them are expelled as a result of irregular entry or stay in European countries. Most of them are from Italy and Greece, where a large number of illegal emigrants stay, and the United Kingdom where emigrants have not been successful in their application for asylum.

The return of the Albanian emigrants are often carried by air, however in the cases of Greece and Italy returns are made by land and from the ports of Durres and Vlora. After returning, the authorities select all individuals to ensure vulnerable groups, such as victims of trafficking and children

(National Strategy on Migration and National Action Plan on Migration, 2005, p. 25).

The way of return (voluntary or forced) has an impact on the sustainability of the return and the ability and desire of returning migrants for reintegration. Some sources suggest that returnees are especially young and unmarried.

Presentation of the current policy

All the readmission agreements are subject to third-country nationals and citizens of Albania. These agreements regulate matters concerning the administrative and procedural issues, which are the competence of the Ministry of Public Order.

The National Strategy to Combat Trafficking does not mention return as a phenomenon in itself, but uses it in the context of reintegration. The national strategy to combat trafficking of children is more comprehensive than the above presented strategy. It is focused on: the protection and reintegration of children victims of trafficking, assisted voluntary return; the interaction of the participants engaged in the fight against children trafficking (National Strategy on Migration and National Action Plan on Migration, 2005, p. 25).

The National Strategy for the Socio-Economic Development (2001) does not contain any reference to returnees and some law refers to consular functions, while in the framework of the national strategy on employment and vocational training (2003) it is necessary to enable the vocational training for the returning migrants to face the economic and social problems (National Strategy on Migration and National Action Plan on Migration, 2005, p. 26).

Assessment of the current and perspective policies

The current policy has demonstrated a clear commitment for the returnees as an element of the emigration policy, especially with the conclusions of the agreement between Albania and the EU. Its implementation has many

advantages (National Strategy on Migration and National Action Plan on Migration, 2005, p. 26).

The failure of the legal bases concerning emigration law for Albanian citizens for employment has determined that the proposed measures to provide assistance for migrants who have returned voluntarily are not completely effective. The Council of Ministers must specify which categories of the voluntary returnees will receive reintegration assistance and what assistance will be offered. This is because a number of people are not turning back willingly, therefore the strategy needs to adapt provisions which include other categories of returnees (National Strategy on Migration and National Action Plan on Migration, 2005, p. 26).

The studies in the field of “return migration” suggest the need for the creation of small and medium enterprises as well as sustainable employment, instead of some vocational training provided by the strategy. All these measures can be considered as a key in the root causes of migration and in ensuring a sustainable return (National Strategy on Migration and National Action Plan on Migration, 2005, p. 26).

Migration and the development of Albania

Improvement of the image of Albanian emigrants abroad

The image of Albania and the Albanian people abroad often carries negative effects that do not help in covering the major changes taking place into the country, which are positive in majority and improve the quality of life in a country that has emerged from 50 years of isolation. The Albanian emigrants, especially those found in Greece and Italy, where is concentrated the bulk of them, have been at the center of a unfavorable climate, which in many cases it is displayed in the form of discrimination and xenophobia. Anti-Albanian propaganda has been undertaken by media in host countries (National Strategy on Migration and National Action Plan on Migration, 2005, p. 29).

One of the reasons that contributed to the creation of this image is the social composition of a category of emigrants, which is characterized by

persons with low educational and cultural levels (National Strategy on Migration and National Action Plan on Migration, 2005, p. 29).

Another factor is the expression of xenophobia in political and electoral debates about migration in the host countries, which has a major impact on the public opinion. According to the press, the Albanian emigration appears as a disturbing element in the host society. This misconception states that the entire community of emigrants is involved in criminal activities, when in fact only a small part of this group is doing this (National Strategy on Migration and National Action Plan on Migration, 2005, p. 29).

Presentation of the current policy

In May 2003, the Albanian Cultural Institute was opened in Vienna, with the support of the President of the Republic of Albania and the Albanian Ambassador in Austria, with the financial contributions of the Albanian emigrants in Austria (National Strategy on Migration and National Action Plan on Migration, 2005, p. 29).

The Program for the United Nations Development is implementing a project called "The image of Albania" in close cooperation with the Ministry of Foreign Affairs and the European Integration Ministry. The purpose of this project is to improve the quality and the quantity of the information that is available for Albania and the cooperation with the government partners, the media and the local governments to increase skills in creating a more positive image of Albania and its people (National Strategy on Migration and National Action Plan on Migration, 2005, p. 30).

Assessment of the current and perspective policies

Currently there is no specific policy to improve the image of migrants in the host countries. As a result of the limited financial resources available for this purpose, this part of the strategy should focus on Greece and Italy, where most of the emigrants live. These communities may be urged to contribute financially or in other ways (National Strategy on Migration and National Action Plan on Migration, 2005, p. 30).

Although the first institute of the Albanian culture opened in Vienna, where the number of emigrants is very small, the community showed the vitality and the willingness to cooperate in such projects. Bilateral cultural agreement must relate at least to Greece and Italy and provision should be taken for the implementation of the existing arrangements to increase cultural exchanges highlighting the common aspects of the heritage of the host countries and the countries of the emigrants (National Strategy on Migration and National Action Plan on Migration, 2005, p. 30).

Another way of improving the image of Albanians abroad is highlighting the successful cases of Albanian emigrants, as students who are achieving high results in schools, entrepreneurs who run companies, sportsmen, scientific researchers and artists. It ought to be launched an awareness campaign to award the title “Ambassador of Albania” and finding the necessary financial resources for the media campaign to promote successful emigrants (National Strategy on Migration and National Action Plan on Migration, 2005, p. 30).

The contribution of migrants in host countries and in particular in their economies is quite large. The government should impose the duty to the Albanian Television to prepare a documentary on the Albanian migration with the positive and negative consequences for Albania and for host countries, in particular Greece and Italy. The cooperation should be sought and the Greek and Italian televisions to facilitate the collection of the information in the host countries and to finance the project (National Strategy on Migration and National Action Plan on Migration, 2005, p. 30).

Efforts have been made so far to address the migration and in particular to combat the organized crime related to it through the trafficking and the smuggling with concrete and understandable data (National Strategy on Migration and National Action Plan on Migration, 2005, p. 31).

The orientation of Remittances toward business investments

Analysis of the current situation

Remittances are the main mechanism of the poverty reduction in Albania and increase of the income of families. They provide not only an important economic support for the families of emigrants, but also for the social and economic stability of the country. They are used mainly to meet the daily needs (food, clothing, etc.). Secondly, they are used to improve the quality of life (the electronic equipment, furnishing houses, etc.) Third, they are used to expand and build new homes. A small portion of remittances are used to maintain traditions (marriage), etc., and kept in the bank or at home. Only in some cases remittances are used to purchase real estate in the services sector, agriculture, etc. (National Strategy on Migration and National Action Plan on Migration, 2005, p. 40).

The importance of remittances for the Albanian economy can be understood by their contribution to the country's GDP. Their importance can be measured when compared remittances with the Foreign Direct Investment or the Foreign Aid for Development. Remittances play a major role in the partial financing of the large trade deficit, but they cannot be considered as a permanent factor, as it is difficult to predict the remittance flows in the medium-term (National Strategy on Migration and National Action Plan on Migration, 2005, p. 41). Remittances play an important role in the country's macroeconomic stability by financing imports, affect the value of the local currency and the rapid development of the construction and service sectors. As a result, remittances have been a major factor in determining a characteristic of the Albanian transition: the domestic consumption is higher than the national production.

The transfer of remittances in Albania becomes possible through two channels, formal and informal ways. The informal channels are the main ways of transferring remittances in Albania. This is done mainly by emigrants themselves or from the wide circle of relatives and friends (National Strategy on Migration and National Action Plan on Migration, 2005, p. 41).

The ways of transferring remittances in Albania depend on a number of factors, such as the status of Albanian workers in the host country, short-

run or long-run migration, the development and the effectiveness of the banking system in Albania, the confidence of the migrants in the banking system who broke sharply from the collapse of the pyramid schemes in 1997, the level of information of migrants or their relatives about the banking system, the high cost of transfers for a small amount of money, the existence and the effectiveness of the informal channels, the unwillingness of emigrants to show the quantities of the money they transfer to Albania (National Strategy on Migration and National Action Plan on Migration, 2005, p. 42).

The remittances transferred in the informal way bear risks. A part of expatriates use couriers or other services to transfer money by paying a commission. This element continues to be important, but virtually its accurately is impossible to study.

The current policy

The Article 14 of Law no. 9034, dated 20/03/2003, for “The Emigration of Albanian citizens for employment purposes” is the legal basis for the remittance policy, according to which “the Government of Albania creates favorable conditions for facilities and the distribution in banks of cash of the Albanian emigrants “ (National Strategy on Migration and National Action Plan on Migration, 2005, p. 42). Government through its 2002-2005 strategy aimed “to encourage absorption of formal remittances by providing a favorable environment for improving the relationship between consumption and long-run investments”. Measures to encourage the emigrants to invest their remittances in business activities are continuously undertaken in comprehensive reforms (National Strategy on Migration and National Action Plan on Migration, 2005, p. 42).

Progress has been made in promoting domestic and foreign investments. The government has approved a medium-term strategy “for the development of small and medium-size enterprises”. This strategic document aims to create a favorable climate for the establishment of SMEs (National Strategy on Migration and National Action Plan on Migration, 2005, p. 42).

Institutes of microcredit and microfinance have been effective by serving those who do not meet the criteria for being clients of commercial banks.

The importance of the Albanian microcredit institutes is affirmed in the “Medium-Term Expenditure Framework for 2004 - 2006”, which is a budget program prepared by the Ministry of Finance in accordance with the National Strategy for the Social and Economic Development (National Strategy on Migration and National Action Plan on Migration, 2005, p. 42).

The estimates of current and prospect policies

Despite the importance of the present policies to attract remittances, there is still no developed and refined policy about the management and the use of remittances in favor of social development. The weakness of the financial system allows the exclusive use of remittances for the purchase of imported goods, and limits significantly the positive effect that could have their use in the development of the national economic system (National Strategy on Migration and National Action Plan on Migration, 2005, p. 43).

For the management of migrant workers a coherent policy should be developed and further more should be implemented, for two reasons: first, considering the extent and the impact on the economy, and second, the flow of remittances will probably decrease in long-run term due to continues integration of migrants in host countries (National Strategy on Migration and National Action Plan on Migration, 2005, p. 43).

Economic stability and favorable investment climate are the necessary conditions to implement any policy on migrant remittances. The main aim is not only to increase remittance flows, but to turn them into productive investment in Albania. Consequently, such a policy should identify measures to increase transfer of remittances through formal structures. High flows of remittances of migrant workers who cross through unofficial channels increase the demand for the improvement of official channels in terms of efficiency, safety, cost and anonymity. The expansion of the banking system in the country and the creation of new opportunities for transfers of money are important elements of such a policy. In particular, the Albanian banks can receive remittances of Albanians working abroad through the mediation of the “correspondent banking institutes” in host countries and the Albanian organizations of micro-credit and micro-

financing that can serve as local agencies that can channel this process (National Strategy on Migration and National Action Plan on Migration, 2005, p. 43).

The impact of remittances in the development of Albania

Usually, emigrants are not the focus of banking services, because this client group is considered of unstable workers and their transactions have relatively low returns, while the cost of managing this service is high. For emigrants banks could provide various financial products. This includes the relationship between remittances and investments (for example, the link of remittances flows with the loans or the micro-credit products) and the support of the contribution of migrants and migrant associations to the development of Albania (National Strategy on Migration and National Action Plan on Migration, 2005, p. 43).

Finally, the increase of the impact of remittances can be encouraged by strengthening the financial networks and the distribution network in the receiving cities of remittances in Albania, including the rural areas. The efficient distribution of remittances could be improved if would be authorized the micro - finance institutions and / or the credit unions that have an extended financial network in the country, that dealing with the underlying population with low income, who participate in the remittances market, or as an external actor or as a distribution partner of the existing institutions (National Strategy on Migration and National Action Plan on Migration, 2005, p. 43).

Conclusion and discussions

The lack of the appropriate jobs for educated people in the service sector and the lack of the modern industrial production capacities remain the major problems in the labor market. Poverty is the main cause of migration. Many rural areas have become depopulated areas.

There are weak links between remittances, the formal financial sector and the contributing factors. Remittances represent a great potential for increased transfers and savings in the banking system, making funds

available for the productive investment. The new social, economic and political condition of Albania confirms the need of a new Nation Strategy on Migration. The European Union and the Government of Albania should consult with migrant workers and the organizations that represent them; so their voices and their families could be heard in debates about the development of migration policies. The European Union should support the Albanian Government in the development and implementation of legislation and programs that will help vulnerable communities to obtain loans for the development of new businesses.

The remittances should be channeled from consumption to investment and production activities taking multilateral policies that encourage the returned emigrants to invest their earnings back home. In this context, the government should consider the possibility of introducing fiscal incentives to attract emigrants back home, such as: property tax exemption for returning emigrants to invest at home; the return of some taxes for the purchase of new equipment; and the return of new taxes or fees in the event that the activity launched by returning emigrant creates new jobs.

New policies should aim to increase the use of formal transfer channels (especially through banks) and to promote the use of savings accounts through financial awareness campaigns (for immigrants and their families), including information on the advantages and facilities of bank transfers, friendly treatment from banks, development of appropriate financial products for emigrants and supports for the emergence of SMEs.

An increased attention should be paid to the preservation and development of Albanian human capital, including preservation of cultural heritage and traditions in the country of emigration. The Albanian language instruction for emigrants' children abroad should be seen as a priority, while the Albanian government should support and encourage the creation of Albanian language courses through Albanian cultural centers abroad.

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Emerging trend: the use of mobile technologies in Romanian nonprofits

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Abstract. *This paper is an exploratory intercession in the way mobile technology is used by the Romanian nonprofits, including work activities, stakeholder engagement, and the perceived impact upon their mission fulfillment. The purpose is to map the current state of use in order to identify the local trends and to shed light on how Romanian nonprofits can harness the entire potential of mobile devices. The research is based on a self-administered questionnaire developed by the author, addressing issues related with daily work flow, mobile applications, SMS campaigns and benefits of the mobile technologies for the organization. The global tendency in what concerns mobile technology for nonprofits has shifted from administrative efficiency towards delivering a mobile experience for the nonprofit stakeholders, innovation in fundraising strategy, data analysis, integration of their activities with their own mobile application and changes in the way nonprofits drive their mission online and offline. The findings reveal an increasing interest in the mobile technologies in the Romanian nonprofit sector, including building their own mobile app or using SMS campaign for different purposes, but the main activities are targeting the daily work routine and organizational administration.*

Keywords: *nonprofit/NGO; mobile technology; nonprofit development; digital technologies; information and communication technology (ICTs).*

Introduction

Mobile phones, smartphones, tablets, SMSs, applications, pictures, videos, and the near instantaneous ability to upload and share information on the Internet or within the personal online network are being integrated in the daily work flow of present-day nonprofits². These powerful tools allow direct communication with the entire world, and the advantages of

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2. Various terms are used to refer to the target audience, from NGO, community benefit organization (CBO), civil society organization (CSO), charity, nonprofit and social

these devices have only started to be discovered by the nongovernmental organizations (NGOs) as innovative fundraising campaigns, support for the efforts to amplify and generate social change, in addition to increased ability to communicate directly with the stakeholders, donors, partners, and volunteers.

Research in the domain of the use of information and communication technology (ICTs), as well as mobile technology³ within NGOs has typically focused upon the impact associated with major events and activities, for example the use of smartphones for natural disaster relief in the aftermath of the Haitian earthquake (Reiersgord, 2011; Yates and Paquette, 2011). There is, however, little research underscoring how the nonprofit sector integrates mobile technologies in their strategies, and which is the ultimate economic impact this has upon budgets and funding. This article will focus on the way Romanian nonprofits make a strategic use of smartphones and tablets, in addition to how mobile applications (apps) allow NGOs to directly engage stakeholders and influence the donation process, being the first research in the country to address these issues.

Today, many nonprofit organizations are seeking to go beyond simply using technology to strengthen operations; they are working toward transformational uses of these new tools and strategies to enhance their programmatic efforts and to achieve social outcomes (Pelstein, 2011, p. 45). In this sector, technology has enabled organizations to change and to go beyond administrative efficiency (Hacklet and Saxton, 2007, p. 474). As McNutt and Boland (1999) pointed, technology has the ability to enhance the playing field for organization of varying resource. Scheinder (2003) states that the nonprofits which lack the means to invest in technology (including financial and human resources) will fall even further behind in their quest to support and improve their programs. In what concerns the purpose of using technology, most of the nonprofits use ICTs to provide

benefit organization (SBO). In this research, nonprofits and NGO are used as umbrella terms for the sector.

3. The mobile technology definition used for the purpose of this research is: all the means with cellular communication technology, including smartphones, mobile applications or apps (defined as software units available for download on smart phones with specific functions), and tablets (mobile computers that are typically operated by touch screen) (Boles, 2013).

services to stakeholders (Hopkins, 2010). In addition, the successful usage of ICTs in the nonprofits enables the reconfiguration of their internal structure, as well as their relationships, both within organization and outside the organization, helping them to improve their learning and knowledge management systems (Burt and Taylor, 2000).

Towards a mobile world, including nonprofits

Portio Research (2013) shows that 1.2 billion people worldwide were using mobile apps at the end of 2012, and the market is projected to reach 4.4 billion users by the end of 2017. On the same subject, a report from Cisco Systems, Inc. (2014) affirms that by 2018 there will be 4.8 billion unique mobile users, up from 4.1 billion in 2013. According to the same document, by 2018, there are projected to be over 10 billion connected devices, 8 billion of which will be personal mobile devices, and smartphones, laptops and tablets will generate 94% of all mobile data by 2018.

These numbers have the potential to dramatically impact the nonprofit sector. Like their business counterparts, these technological transformations can readily be translated into increased efficiency, greater impact upon the community, fundraising prowess, effective budget management, and eliminating or at least mitigating development barriers. In the report *Technology for Good: Innovative Use of Technology by Charities*, authored by TechSoup Global and The Guardian, 10 primary domains have been identified in which technology can have a major impact in this sector. Many of them are related with the mobile technology and derivate tools, such as *mapping technology, social media and crowdsourcing, data management technologies, cloud technology, or portable networks*. Other studies made across the United States show that the most frequent used technologies among nonprofits are websites, e-mail systems and databases, and only 35 % of the nonprofits use mobile technologies (Boles, 2013, p. 71).

Using mobile technologies, NGOs are afforded the possibility of maintaining close relationships with individuals who support their cause, and find innovative solutions to deliver their mission. In the *State of the Nonprofit Industry* (2012; 1500 respondents from nine countries:

Australia, Canada, France, Germany, Italy, Netherlands, New Zealand, Great Britain and the United States), two thirds of French nonprofits planned to implement at least one mobile strategy in their fundraising efforts in 2013, and the majority of the UK organizations planned to use SMS/text giving as part of their fundraising strategies. The same study indicates that by the end of 2013, two thirds of organizations will have mobile-optimized websites, and over one third of organizations plan to use at least one mobile application in their fundraising strategies.

Hacklet and Saxton (2007) have identified six key strategic organizational competencies related with the ITC field for the nonprofits: IT planning; IT budgeting, staffing, and training; Internet and website capabilities and use; the measurement of IT effectiveness; board support and involvement in IT decision-making; and leaders' understanding of the strategic potential of information technology.

Not only how technology is used within nonprofits is important for our study, but also it is relevant to have a look at the stakeholders' behavior, especially the donors, in what concerns the use of technology. As mentioned earlier, important events affecting large communities, such as hurricanes, conflicts etc. have been triggers for a change in the donor behavior. Researchers state that, starting from 1999, the Internet fundraising has a major milestone. At that moment, Kosovo crisis and Hurricane Mitch spurred a massive increase in online giving, followed by 9/11 events, when online giving reached the hundreds of millions (Bhagat, Loeb and Rovner, 2010).

In the light of the mobile devices rise, it can be observed a change in the way donors interact with nonprofits. For example, the study conducted by Bhagat, Loeb and Rovner (2010), shows that 77% of the respondents heard something about mobile giving options for Haiti relief, 9% actually donated and another 22% say they considered it. The results showed that 41 mil. USD have been raised through the SMS campaign. Other situation refers to the fact that individuals can donate money to UNICEF by texting *FOOD*, or give money to the International Rescue Committee by texting *AFRICA* (Linskey, 2011). In the survey conducted by Coda Research Consultancy, 40% of the respondents mentioned they had texted

a gift after the 2011 Japanese tsunami and earthquake, 27% did so after the 2010 British Petroleum oil leak in the Gulf, and 18% gave a mobile gift to help those harmed by U.S. tornadoes in 2011 (Smith, 2012). A 2012 Pewinternet research asserts that over 50% of all donors already use mobile devices to access NGOs websites and to check their emails, while nearly 40% use a mobile device to make donations.

The facts above allow us to take into consideration the means technology brings both the NGO and the donor closer: donating via SMS, via an app, through special mobile devices etc. are all instruments a nonprofit can use in its fundraising strategy. From this point of view, special attention should also be given to the mobile applications. Portio Research (March 2013) forecasted that 82 billion apps will be downloaded worldwide in 2013, and by 2017 there will be more than 200 billion downloads per year. Mobile apps can be used as both endorsement mechanisms for NGOs' causes, and as a tool for fundraising.

An example of good practice in what concerns the mobile apps are the mobile applications that allow NGOs to enhance fundraising indirectly. Apps developed in order to manage donor databases, such as Blackbaud's *The Raiser's Edge* and *SofterWare's Donor Perfect* help fundraisers make updates regarding former pledges, to update contact information, and to siphon and sort demographic data. Other tools, such as FrontLine, a free, open source system⁴, and one of the first platforms to help harness the power of mobile technology for social change, allows NGOs and not only to distribute and collect information via text messages, opening the door for increasing their capacity in what concerns the professional use of SMS to engage stakeholders.

Furthermore, there are numerous applications allowing for direct payments to NGOs for live events and donations. These applications have payment technologies available, such as point of sale (POS) that can be installed on mobile devices and work as a scanner for credit cards. Also,

4. Open-source software (OSS) is computer software with its source code made available and licensed with a license in which the copyright holder provides the rights to study, change and distribute the software to anyone and for any purpose.

money transfers through SMS have gained success and developed in new directions of raising money. Vodafone launched in 2007 for Safaricom, Kenya's leading mobile phone operator, M-Pesa (*m* for "mobile" and *pesa*, the Swahili word for "money"), a program regarding banking services through mobile technology and micro-financing service, without needing a banking infrastructure. Starting from Kenya, the services expanded to Afghanistan, South Africa, India and Eastern Europe, Romania included.

In what concerns the impact of mobile technology for the NGO employees, a research conducted by the United Nations and the Vodafone Foundation, reveals that 86% of NGO employees use mobile technology in their work. NGO representatives working on projects in Africa or Asia are more likely to be mobile technology users than their colleagues in areas with more wired infrastructures. Moreover, nearly a quarter describes this technology as *revolutionary*, while another 31% say it would be difficult to do their jobs without it. This finding is supported by Hopkins (2012), who identified the perceived value of smartphones in the workplace after adoption takes place. He found that 87% of respondents identified with being able to send and receive emails at any time and place as the most valuable smartphone service. At a much smaller but still significant rate, 30% of respondents found mobile Internet access valuable for business related purposes (Hopkins, 2012, p. 71).

Romanian nonprofits mobile landscape

In what concerns the mobile technologies usage in Romania, a study conducted by Ipsos Group and Google (2013) in 84 countries across the world, revealed Romanians behavior when it comes to these types of devices. The study shows that 28% of the respondents own a smartphone, and 90% of the ones with Internet access use this option daily. 71% of them access their mobile apps daily, and, on average, the Romanian user has 17 apps installed, 2 being paid apps. The study also points out that 95% see advertisements on their mobile devices, offering this type of equipment a greater efficiency (opportunity to see) than in other environments. Additionally, a research conducted by EuroGSM group, asserts that 80% of Romanian mobile users are Android based devices.

Looking at the mobile for social good, in the last two years, have been several initiatives encouraging the use of apps to support Romanian nonprofits. Local and international companies, especially from the ITandC and telecommunication fields, had calls for apps ideas or developed in house such tools. For example, the Romanian IT company ITNT⁵, launched in 2013 two social IT applications, an email application for vision deficiency persons, and an audio guide for museums. 12 students under the supervision of the companies' specialists built the apps during program training, ITNT Bootcamp. The email application, called *Echoes*, allows the users to receive and to send emails from/to their mobile phone, using only gestures. The audio guide, called *Mooseum*, available in several languages, allows visitors to use it directly from their mobile phones.

Mobile for Good, an international initiative of Vodafone Foundation had an echo in the Romanian landscape as well. Launched in 2012, this is one of the most important programs in Romania tackling the way mobile technology can enhance the disadvantaged persons to have a better life. The initial investment for this program was 500,000 euro from Vodafone Foundation, benefiting in the same time from the Vodafone network and the associated services. The first projects were developed for persons with diabetes, elderly who needed home care services and sportsmen with intellectual disabilities. For example, elderly persons have the possibility to benefit from home tele-assistance. A project developed by Caritas Alba Iulia Association together with Vodafone Foundation offers special mobile phones, with panic buttons and bigger keys. When the button is pushed, a call goes to a server, allowing the nurses to get alerted. The information provided to the hospital personnel helps them to know where to go and what they need to do for those persons. In 2013, 600,000 euro more were invested, growing in this way the number of beneficiaries. Moreover, three new projects have been released: a 4G telemedicine solution for the new intensive therapy section for newborn from Marie Curie hospital in

5. ITNT is one the most successful IT entrepreneurial initiatives in Romania, being specialized in web, mobile, server side, desktop, marketing, sales, support, editorials development and having an international impact. One of their most successful project, Soft32, is one of the most renowned software platform in the world, hosting over 100 000 Windows, Mac and Mobile applications.

Bucharest, a pediatric call-center in Cluj county and video telemedicine equipment for the SMURD⁶ ambulances in all over Romania.

Orange Foundation has a grant program, called the *World through sound and color*, which aims to find innovative solutions for vision and hearing deficiency persons. In 2014 took place the second edition, and 9 projects were elected to benefit from the grant, having and the total value of 357,724 euro. Among the proposals, there were ideas involving mobile technology. *Elephant step* is a project proposed by Urban Development Association. It aims to equip a special school for vision deficiency persons with 10 tablets and software that can transform schemes, graphics and formulas in audio documents. MediaPro Foundation for Education and Development aims to develop with the help of the grant an application that can audio convert a series of news from several websites from their company's portfolio, allowing the vision deficiency persons to gain more independence in their access to information.

Related with using the mobile technology in order to fundraise, the Romanian nonprofits can benefit from an American initiative. Vouchery, an American based company, with over 20 years experience in cause marketing, has launched *Vouch!*. This mobile app allows the user to choose a local charity (in this case, a Romanian nonprofit already listed in app), or an international one (there are over 900,000 causes displayed). After the app has been installed, all that the user has to do is to click the option Vouch, which is an action similar with the Check-in one. For every Vouch, the user receives a certain number of virtual cherries. When the user collects 10,000 cherries, he can monetize them into a donation for their cause.

In what concerns the SMS campaigns, according to www.donatie.ro⁷, Romanians send annually 280,000 SMS to support humanitarian causes,

6. SMURD is an emergency rescue service based in Romania. The name is the Romanian acronym for "Serviciul Mobil de Urgență, Reanimare și Descarcerare", which means Mobile Emergency Service for Resuscitation and Extrication.

7. Donatie.ro is a web-based platform developed by Community Relation Association during the program Easy Giving Mechanism. This offers customized Client Relationship Management software that allows the use of two types of fundraising tools for the NGOs: donations through mobile phones – one-time donation of small amounts in response to a fundraising event or emergency; and Direct Debit donations – for recurring donations, based on a long term contractual commitment to a cause.

meaning more than 550,000 euro for projects lead by the local nonprofits. Between June 2012 and July 2013, 23 nonprofits developed 25 campaigns using the platform. Local telecommunication players, such as Vodafone, Cosmote, and Orange joined the program, allowing NGOs to raise more money for their projects. The value of an SMS is 2 euro, and the donations went mostly to rehabilitation and equipment for hospitals (216,712 euro), human rights and children education (193,590 euro), hospice and health services (185,308 euro), as well as individual causes (18,962 euro). Additionally, the platform offers the direct debit option for fundraising.

In 2012, TechSoup Romania, together with TechSoup Global, conducted a survey regarding the use of cloud computing⁸ in the nongovernmental organization in Romania (250 local respondents, the results were integrated with an international survey⁹ on the same topic). Asked about what cloud based services they use in their daily activity, the respondents mentioned as primary tools email (83%), social media (69%), and web conferencing (45%). In what concerns the mobile, SMS (cloud based) is used by 12% and phone services by 10% (Figure 1).

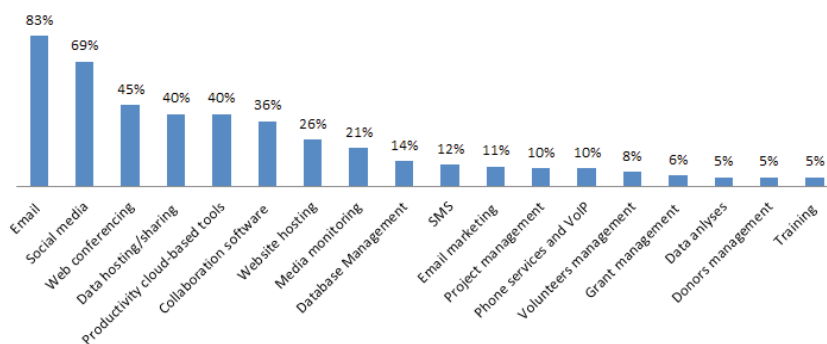


Figure 1. Cloud based services used by Romanian nonprofits

8. The definition of cloud computing used in this research is that cloud computing allows persons to access software via the Internet instead of from your hard drive or your local computer network. Cloud-based software is available anywhere through the Internet, not being limited to a certain space or place (e.g. the office).

9. Over 10,500 respondents from 88 countries from Africa, the Americas, Asia Pacific, Europe, and the Middle East took the international survey regarding the use of cloud computing in the nonprofit sector.

The main challenges faced in terms of ICT were inadequate IT system (41%), insufficient training for IT staff (26%), and integrating data from different systems (25%). Romanian respondents cited email (37%), client/CRM database (23%) and volunteer management (18%) among the cloud-based services they plan to start using in their daily activity.

Having these facts in mind, it can be observed that mobile technology is a key factor in what concerns the organizational development of the NGOs, their fundraising strategy and their relationship with the donor. Moreover, nonprofits are confronted now with the possibility to unlock the real potential of mobile technologies. Integration of their work together with the use of mobile offers them a new path for growth, innovation and joining the technological changes their stakeholders have embraced. Confronted with these tools, organizations can build towards smarter working space, increased efficiency, new types of collaboration, stakeholder engagement, receive and give more information about their activities, measure their impact and their performances, as well as tackling new opportunities for fundraising. As seen above, there has been a continuous interest in the topic across different countries, especially in Africa, the United States of America and Western Europe. Incorporating the mobile technology in their daily activities and delivering mobile experience, finding supporters across the country and even from abroad, building their own applications, and including mobile technology in their fundraising strategies are emerging trends in these regions. The global trend is going mobile when it comes to nonprofits, and it's not limited only to the organization. The current research was conducted having these trends in mind and the purpose was to map a picture about these shifts towards tech for social change in the country, as per date there were few studies regarding the Romanian landscape.

Research methodology

The current research, conducted in June-July 2014, aims to give a better understating of the mobile technology use in Romanian nonprofits, and future plans regarding the integration of technology in their activities. By looking at the current situation, as well as identifying trends and concrete examples of technology use in nonprofits, the first intention of

the author is to shed light on how the Romanian nonprofits can harness the potential of mobile technologies. The value of this research will be beneficial both for the nonprofit sector, as well for the ICTs companies which aim to develop new programs for the sector, showcasing different trend and patterns in the local nonprofits.

The research questions are:

Q1. What are the main activities in which Romanian nonprofits use mobile technology?

Q2. How do Romanian nonprofits use mobile technology to engage with their stakeholders, including fundraising?

Q3. How do Romanian nonprofits perceive the impact of using mobile technologies in their activities?

The research was conducted online, through a self-administered questionnaire made available using Google forms, during 15th of June and 10th of July 2014. The questionnaire included 36 items, identification questions, closed questions, multiple answer items, items with one answer and Likert scale items. The author, for the purpose of this research, developed the questionnaire. The questionnaire was sent to over 250 persons, nonprofits representatives. The results of the research are based on 106 responses gathered in the period mentioned, from the representatives who answered the online form.

Questions 1-10 target general information about the organization: activity, localization, team members, budget, general view about technology and local ICT infrastructure (devices and Internet access). The next questions focus on the current research topics. Questions 19-23 tackle the subject regarding how nonprofits use mobile technologies inside their organizations (correlated with research question 1). These items refer to the use of mobile technologies in general in the nonprofit, the trend of Bring your own device, applications used by the respondents in his work activities, applications used in general in the organization. The next couple of questions (24-27) are correlated with research question number 2. The respondents had to answer if their nonprofit has built its own application, what's the purpose of it, if they ran SMS campaigns and what was their purpose. Questions 28 to 36 tackle the way respondents perceive the

value and impact of mobile technology for their organizations, being correlated with research questions number 3. This last set of items include the evaluation of the return on investment regarding mobile technologies, difficulties in accessing and implementing mobile technologies, and the impact correlated with specific activities (time management, budget economies, efficiency, communication and interaction with their stakeholders).

Results

Regarding the main activity of the organization, the focus is on education and activities related with it (Figure 1). The majority of the respondents are from Bucharest (59%), followed by Cluj (3%) and Bacau (3%), other answers referring to various cities across the country. Most of the respondents have only one branch (83%), followed by 13% which have 1 to 5 branches, 3% between 6-10 and 2% more than 15 branches. In what concerns the employment, 36% have 1 to 5 employees, followed by 34% who do not have any employee. 13% of the respondents have more than 20 employees. In addition, 29% of the organizations have more than 20 volunteers, followed by 26% that have 1 to 5 volunteers and 24 % who have 6 to 10 volunteers.

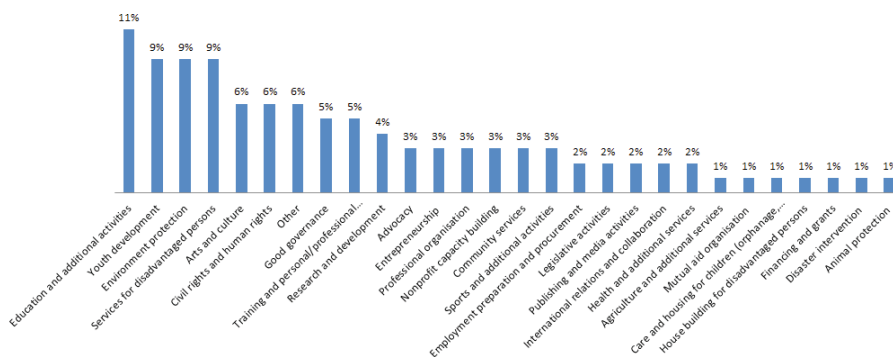


Figure 2. The main nonprofit activities mentioned in the survey

The top three biggest sums mentioned as annual budget are 5,000,000 euro, followed by a budget of 3,000,000 euro and 2,000,000 euro. There was one NGO that mentioned 0 euro, and the medium budget mentioned

was more than 160,000 euro. In what concerns the official position in the organization, 24% of the respondents were Executive Directors, followed by 12% project managers (Figure 3).

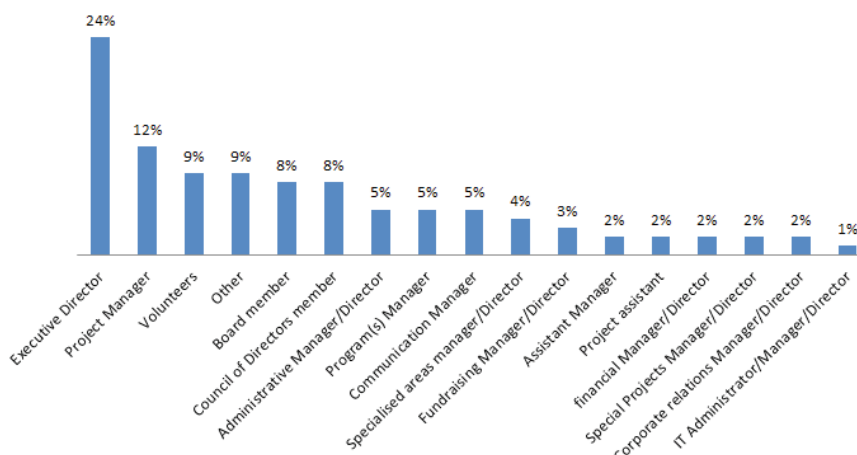


Figure 3. The position of the respondents in their organizations

92% of the respondents use ICTs in their work, seen as the use of hardware devices and software, smartphone use and/or other portable devices (including the intention of buying this kind of devices), plans to employ qualified personnel and to train the current employees.

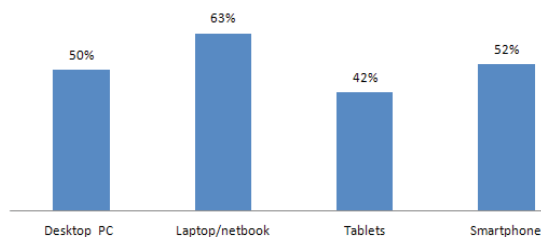


Figure 4. The percentage of respondents who own 1-5 devices from each category mentioned in the survey (desktop PC, laptop/net book, tablets, and smartphone)

As we observe from Figure 4, there is a shift towards the use of mobile devices, the focus still being on laptops, followed by smartphones. Looking at the ownership of these types of devices from big size NGOs¹⁰ (12%), there are more desktops, laptops and smartphones within the organization and in small size NGOs¹¹ (70%), there are more laptops, smartphones and tablets. Besides that, the trend *Bring your own device* has emerged among Romanian nonprofits as well, 42% of the respondents encouraging their team to use their own equipment, many of them being from small organizations. Reasons for the spike of this trend are numerous, including savings for the organizational budget, increased connectivity, more productivity and time flexibility. On the other side, nonprofits need to take into account the implications regarding data security, disaster recovery and specific IT policies in what concerns the work on the personal devices.

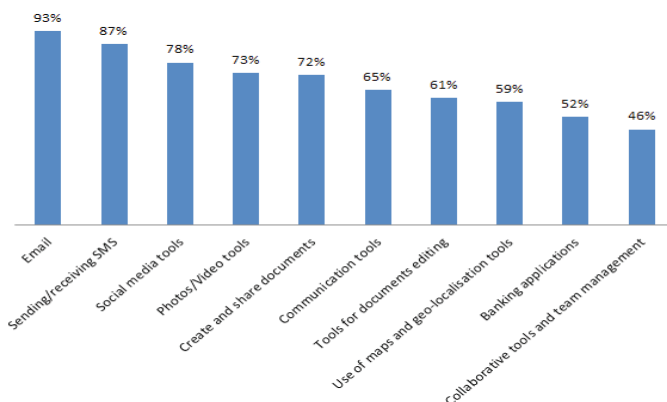


Figure 5. The main activities involving mobile technologies, as used in the work routing by the respondents

Many of the respondents use the main functions of mobile devices, from email to social media applications, as it can be seen in Figure 4. Regardless, there is a number of respondents who add a series of other activities in which mobile technologies play an important role for them. These are:

10. Big NGO is going to be considered a nonprofit having more than 10 employees, more than 10 volunteers, with more than five branches and a budget over 100,000 Euro.

11. Small NGO is going to be considered a nonprofit having 0 or less than 5 employees, 0 or less than 5 volunteers, with one branch and a budget under 50,000 Euro.

programming and design, eLearning, applications for their beneficiaries (for children with autism), applications to gather physical and chemical parameters regarding the environment, applications for graphic design, applications for media live and on-demand, screen sharing for trainings, workshops and video production, applications for web audiences monitoring, applications to create presentations CAD applications, fax applications, data base management, remote control for desktop, event management applications. These additional responses show us that a new trend is emerging, which surpasses the administrative functions of mobile technology, and goes to the strategic use of it, fitting their specific mission and activities, and bridging the gap between the current and the maximum potential of ICT in their organization.

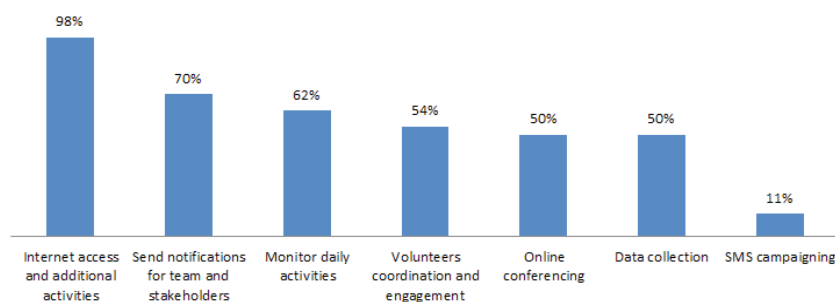


Figure 6. The main activities using mobile technology involving the organization and its stakeholders

Concerning the use of mobile technology as a point of reference for engaging with stakeholders, many of the respondents use the Internet and its additional features, an important role playing coordination and monitoring activities, as well as communication. Findings reveal that, besides the activities mentioned in Figure 6, the respondents use mobile technologies for the following purposes: design (with pressure sensitive accessories), desktop publishing (for drafts and schemes), meetings management, web design and content creation, as well as fundraising. We find it important to mention that one person mentioned that the organization does not use any of the mobile technology tools in its activity, as well as one person who mentioned that the activity has shifted from working on laptops to working solely on tablets. These findings help us to better understand the current capabilities of the NGOs, as they foster a

new set of practices. Interestingly, it is more likely for small and medium NGOs to invest in these types of tools rather than the big organizations.

Asked if they build their own mobile app, 9% mentioned they do have a mobile application build for the use and/or promotion of the NGO. Nevertheless, 45% said they do not have an app, but they intend to have one in the next three years, while 36% do not have an application and they do not intend to build one in the next three years. When detailing their own application, the nonprofits mentioned the following:

Table 1. Information about mobile application developed by the respondents

Name of the organization	Activity Domain	Name of the application	Description of the application
Adept Foundation	Community promotion	Discover Tarnava Mare*	A touristic mini guide, allowing the users to visit and plan, overall, a walk through Târnava Mare, Transylvania. <i>*Besides this application, the organization mentions they have an application for time management, project timesheets, and daily activities.</i>
Carpathian Transylvanian Society	Environment	Geographic information system (GIS) of the protected areas	<i>(development in progress)</i> The application will offer information about the protected areas managed by the organization. It will offer ecological education and ecotourism information, a virtual path paved with QR (quick response) codes.
Ecoteca Association	Environment	Waste reporting	The application has the role to inform and educate about the selective waste collection.

Legal Resources Centre, EPAS Association and Eruption anti-corruption Movement	Civil rights, Legislative activities	InfoCorruption	Allows the user to report in an anonymously manner and to take notice regarding the corruption situations he encounters himself and/or situation in which he did not have to bribe, to be informed about anticorruption events across the country and to join the online community of the project.
MaiMultVerde Association	Environment	First aid lesson	Was developed together with SMURD and ING Life Assurance in order to offer a prevention and education program to the most frequent emergency situations for persons without a prior medical training
Pro Romanian Diaspora Association	Community promotion	Access to forum and support Pro Romanian Diaspora	Offers accessible information for the members of its community.
React Association	Health and additional services	Controllin	Helps their diabetic beneficiaries, offering glycaemia monitoring through a telemedicine system, showing data regarding the patient health evolution and real time information, sending alerts when there is a change in the information, as well as offers training regarding a healthy lifestyle
Reper21 Association	Social responsibility	Societal	Was built in order to promote the homonymous project and the principles of social responsibility, based on the triple bottom line (environment, economy and society).

Romania on bicycle	Sports and additional activities	Romania on bicycle	Offers information about cycling roads in Romania. The application allows the user the view a map with the roads and details about them, the type of recommended bicycle, and other needed data for the this type of activity, has a voyage data recorder and an alarm system alerting the user when he has lost the track.
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Additionally, *www.donatie.ro* was mentioned among online tools used by the Romanian nonprofits.

These results reveal that the apps developed by each organization are in strong connection with their mission and they are used as promotional tools for the organization. Most of these apps can be found in Google Play Store, and not in other app stores, and they are free to install. As seen above, 80% of the market share is using Android system, allowing these nonprofits to target the mass of the population using the system developed by Google. Still, the evidence shows us a slow adoption of this practice and none of the above applications are used in fundraising purposes.

When it comes to the use of the SMS, 49% of the nonprofits said they did not have such a campaign and they do not intend to implement one in next 1 to 3 years. 12% said they did have a SMS campaign, while 35% said they did not have one, but they do intend to develop a strategy in this direction for the next 1 to 3 years.

In what concerns the type of campaigns the nonprofits did their responses show the following activities: volunteers' mobilization and coordination, campaign for 2% donation¹², fundraising activities, promotion of the organization mission, information. The specific examples the nonprofits gave are: *Știri la zi (Daily news)* - daily campaign implemented in order

12. 2% donation is a legal facilitation affording Romanians to distribute this respective amount from their tax on income for a nonprofit.

to send relevant information about the main areas of interest for the organization's beneficiaries), SMS alert campaign for the farmers in order to inform them about real time changes in what concerns the National Plan for Rural Development, *Bistrița mea, secretul meu!* - online votes raising campaign developed in order to obtain the community support for a nonprofit financing competition (twice), campaign to promote the foreign citizens rights in Romania, and Oltenians for Oltenians campaign.

The numbers are surprisingly low for SMS campaigning, compared to their potential. This type of campaigns are easier to develop and implement, being in the same time an efficient and fast method to communicate the cause and to fundraise, not to mention the possibility to enlarge the donor data base and to start building on a long term relationship with the community. Moreover, SMS campaigning can also involve volunteering possibilities or can work as an informative channel, as seen from some of the responses. Looking the other way round, it is easier for the potential supporter to give money, to get involved in the organization's activities or to keep him informed about the evolution of the programs he has donated for.

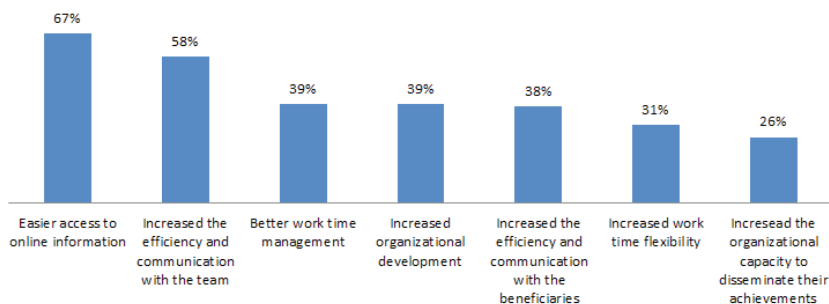


Figure 7. Main benefits of using mobile technology in daily work for nonprofits

Romanian nonprofits use mobile devices in order to perform basic work activities. Taking into consideration the advantages of using these types of devices, there is a strong correlation with the daily tasks, including communication with the team, access to information and better time management. Advantages like using them as fundraising tools or making a

contribution to the organizations budget are still underrated advantages of mobile devices, the nonprofits could benefit (Figure 7).

Conclusions

Mobile technology can be used to serve a series of purposes and missions for nongovernmental organizations. The NGOs examined show that nonprofits use technology mainly for increasing their efficiency and communication purposes, but they also all likewise used them to raising funds, management team and volunteers; afford assistance or specific activities related with their mission. The profile of the organizations that use mobile technology, both in terms of size and budgets (mid organizations, with 1 to 5 employees, 10 to 20 volunteers, medium budgets being around 110,000 euro), make us question if building an app would be as fruitful for small sized entities and why big organizations have not invested yet in developing their technological dimension. None of the three nonprofits having budgets over 1,000,000 euro has its own app or invested in SMS campaign, as well as their answers regarding the use of technology, in general, are situated below the average level. This finding is opposite to the ones from Hackler and Saxton (2007, p. 482), who found that less wealthy nonprofits are, less likely to have the organizational capacity, or *IT savvy*, that can facilitate the strategic utilization of information technology.

The organizations which invested in building their own app are rather small to medium size NGOs, and their interest is bigger not only in using, but also in investing in infrastructure (e.g. using tablets in their work). Although the international trend is the shift towards harnessing the potential of mobile technologies beyond increasing administrative efficiency, in Romania the numbers are still showing us the fact that local nonprofits have not yet fully given the credit and explored additional options when it comes to mobile. Regardless of the route ultimately selected by an NGO, there remains a continuous growth of data collection, use of smart and handheld devices, and a host of options for donors and volunteers to utilize. Although, there is a promising path of integrating ITC in the daily work routine, seen as tools to make significant developments for their strategic plans, currently nonprofits have not made a big step in what concerns their ITCs capabilities.

In what concerns the perceived impact, the results are mixed. Mainly, nonprofits perceive technology rather as administrative tool, and focus on the basic ways to employ ICTs. Not many of the respondents believe IT can have a bigger impact in areas like research, donations, or stakeholder relationship management.

This research could be a starting point for a wider debate in academic domains about the use of mobile technology for this sector. As new as it is, the subject has the potential to contribute to the development of the NGO sector, in at least three areas: donors behavior, fundraising development, and lastly opportunities for NGOs to deliver their mission goals more efficiently and cost effectively. The limited volume of academic articles on this subject was a point of particular difficulty, especially regarding the Romanian landscape.

Mobile devices will almost certainly become the instrument of choice in the nonprofit assistance and fundraising sector if for no other reason than that is where the market is heading. In a donor driven world, where technology moves fast and funders possess a myriad of options, successful NGOs will modify their organizational behavior and use technology to directly reach out to, compartmentalize and understand the motivations of those who afford them funding, and to ultimately solicit future funding from donors.

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Online resources

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Increasing organization's overall performance through mobile technology. Albania case study

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Abstract. *Information, performance and cost saving are the key elements in which organizations are investing money, energy and efforts. Any organization wants to offer the best tools to its employees and also wants to increase its efficiency by making them work offsite. In this study I will analyze the impact of the mobile technology implementation to end users and their behavior toward it. Part of this study shows how this technology helps the organization to reduce its impact on the environment and its operational costs. This study shows how users from different ranges of age and education react to mobile technology and analyzes the overall performance of these users and the processes related to their daily operation. Mobility of field employees is the key for increasing the organization's overall performance, as well as the quality of data and it helps the organization to better manage its resources.*

Keywords: *mobile technology; performance; employee; environment; Albania.*

Introduction

Nowadays, mobile devices are not limited just to send SMSs and make phone calls; they are used for different purposes like navigating the web, checking emails, playing etc. Mobile devices' capacity of storing and processing information has increased a lot, and different operating systems have made these devices easy to use for almost everyone, no matter his/her age or education.

"Native mobile applications make user interface transitions and interactions generally smoother" (Wroblewski, 2011, pp. 14-18) due to their direct access into handheld resources. All these features make mobile technology a suitable tool in order to replace the old PC at the office. "The key feature of mobile computing technologies is mobility/portability" (Karahoca,

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2012, p. 27). Every manager can go out of office with his/her mobile device and access in real time all his office applications, Information Systems (IS) and e-mails from his/her mobile device. He/she can even authorize or initialize some important operation directly from his/her mobile device. This is possible due to the integration of mobile technology with other IS Components inside and outside the organization.

I consider mobility and convenience of the usage of mobile devices the key to the nowadays success and this is not just my opinion but it's also the opinion of many managers operating in the retail sector, banking sector, utility sector etc. In 2011 mobile devices overcame PC shipments worldwide and this trend is not going to change according to Gartner (Gartner, 2013).

Information and Communications Technology (ICT) budget is reduced a lot due to the current economic situation. The High Level managers in coordination with ICT Manager/s have to focus on how to spend this money in the most efficient way in order to increase the company's performance and decrease operational and maintenance costs.

Most of the organizations operating in Albania haven't embraced the mobile technology due to different reasons as mentioned below:

- The workforce is not expensive. Integration and automation of processes through mobile devices in general reduce workforce.
- Utilities' price is low (electrical energy, water etc.). Mobile devices consume less power than Personal Computers.
- Most of the high level managers are used to have his/her employees on site in order to control them.
- Mobile Devices, Mobile Technologies and Applications are relatively expensive, complex and need investments in order to integrate with existing IS and work processes.
- The high management of the organization focuses more on office workers rather than on field workers.

However, things are changing in Albania and now the mobile technology is turning in a must for some important organizations like CEZ Shperndarje, Posta Shqiptare etc. In this paper, I will show the study conducted by me in coordination with managers of the subject organization.

The company I'll present in this paper is CEZ Shperndarje, the only Albanian power distribution company. This company has more than 4,000 office employees and more than 650 field employees for reading the energy meters of its clients that are located all over Albania. The average age of a Meter reader is 47 and their education is at high school or lower level. CEZ Shperndarje has more than 1,200,000 active clients that should be visited by the readers once per month in order to get their monthly electrical power consumption. Also, these clients receive their bill every month, pay their bill every month and also they have the right to officially complain if the bill is not correct or mismatched. Due to this workload, the existing MIS system of CEZ Shperndarje is very complex and needs to be very accurate and updated with clients' data. Adding to that complexity is the fact that individuals with various skills and abilities are responsible for executing business processes by using mobile technology (Monk and Wagner, 2013, p. 56).

Literature review

The impact of ICT in today's organization on performance and qualitative terms has led to a wide range of studies. Some earlier analyses present contradictory evidence stating that there is a weak link or there is no link between ICT and performance (Weill, 1992; Brynjolfsson, 1993). Other studies (Baldwin, Sabourin and Smith, 2002, pp. 174-176) state that simply purchasing advanced technology does not lead necessary to success if they are not implemented correctly into the organization; the performance of enterprise is significantly increased only when they reengineer the business to strategically align with ICT (Henderson and Venkatraman, 1993). Furthermore, productivity growth is slowing down due to migration from production to information sector (Shu, 2003, p. 367).

Other studies (Brynjolfsson and Hitt, 1996, p. 557; Dewan and Min, 1997) indicate that there is a positive relationship between ICT and performance. Bresnahan et al. (2002) state that combination of ICT with organizational design increase productivity. Sarv Devaraj and Rajiv Kohli (2003, pp. 285-286) state that greater usage of ICT leads to better quality performance and financial results. Proactive attitude of Managers toward new technology will increase the impact and better results in organization (Gargallo-Castel and Galve-Górriz, 2007, pp. 51-52).

The technology allowing computing capability on the move using portable devices through wireless networks is mobile technology (Varshney and Vetter, 2000; Malladi and Agrawal, 2002). Importance of mobile technology is increasing in organization (Gayeski, 2002; Andersen et al., 2003). The main characteristics of mobile technology are mobility and reachability (Kim, Holmes and Mims 2005, p. 62; Karahoca, 2012, p. 27).

Methodology

My approach to identify the effect of mobile technology on employee performance is by taking several variable data before the implementation of mobile technology and after the implementation of the mobile technology. These data are measured again and the comparison between them shows the real effect this technology has on the organization of this case study. The organization studied in this paper is the biggest one in the energy sector in Albania.

In this study I focus on analyzing intangible and tangible benefits of mobile technology. I have studied and collected data from the biggest and the only electric power distribution company in Albania that has more than 4,000 employees where about 60% of them are working and gathering company data in the field.

Organization's Challenge

CEZ Shperndarje is the biggest company in Albania with more than 4,000 employees where 60% of them have no fixed working place and

about 17% of them collect data in the field every day. Before the company acquisition from CEZ Group, these data were manually collected not in electronic format and the operators updated the IS with these data manually. The biggest problem of the company 4 years ago was the reading of all the meters in one month. This was done using printed lists that were distributed to each reader for his/her zone. The readers read the meters, wrote the results on papers and sent these papers back to their managers. This was a very inefficient way for this operation because of the following reasons:

- The process of printing lists, delivering these lists to the meter readers, gathering lists back again, input the data of the list to billing system is time-consuming.
- Due to manual data entry from meter readers in their printed tables, and because of entering this information to the billing system by operators, there were a lot of human errors.
- Printing costs were high, and in this case the environment should be considered too.
- Processing the data in real time was impossible.
- Implementation of automated checks during data entry in order to warn the end user (Meter Reader) in case of big differences in reading was impossible.

There were two ways to change the situation for CEZ Shperndarje using New Technology approach:

1. The first option was to change all the existing meters with GPRS capability meters in order to get meter data online using a GPRS Mobile Network. This option was difficult to implement, with high costs and the project implementation time was too long. Thus, this option was not taken in consideration from the organization because of its difficulty to be implemented in a short period of time and because of its high costs.
2. The second option was a software implementation that uses Mobile Technology in order to read the meters online and send the data back to MIS Components in real time. By doing this, the organization expected to increase the efficiency of the reading process, reduce operation costs and decrease human errors by implementing logical checks for each reading.

Technical solution

The prerequisite of implementing Mobile Technology in order to integrate it with the existing IS components were as follow:

- The purchase of mobile devices for each employee in order to work in the field;
- Implementation of a Software running on this device that can send data to the IS in order to integrate Mobile Technology (MT) with IS;
- The selection of a Mobile Network Operator (MNO) that will provide real time connectivity between mobile devices and MIS system;
- The integration between Smart devices and IS system in order to exchange information with each other;
- The creation of a central database in which the information will be sent directly by mobile devices and that can also be accessed from all users. "This database minimizes data entry errors and provides accurate information in real time to all users" (Monk and Wagner, 2013, p. 184).

The Smart Device selected for this purpose was Motorola PDA MC55 with a Windows Phone 7 operating system. This device is shown in Figure 1.



Figure 1. Motorola MC55 Device

The technical specifications of the device are as follows:

- Bluetooth and 802.11a/b/g connectivity with flexible VoIP;
- 2 megapixel auto-focus flash-enabled optional color camera with decode capability;
- Multiple voice and data capture modes;
- 3.5 inch high definition QVGA color display;

- Available with a Magnetic Stripe Reader;
- Bar Code Reader/GPS/Camera.

“It is not acceptable to take a PC screen design and merely cut it to size to fit a PDA screen” (Buttle, 2009, p. 409) and in order to achieve this, specialized software is needed. The software selected to integrate mobile technology with IS components was programmed by Kvados Company and this software is called myAvis. Data connection between PDA devices and IS components located in the main office server was offered by MNO Albania Mobile Communications (AMC). The integration between PDA and IS was made by Kvados Company in collaboration with the CEZ Shperndarje ICT Team. In Figure 2 is shown the interaction between different myAvis components.

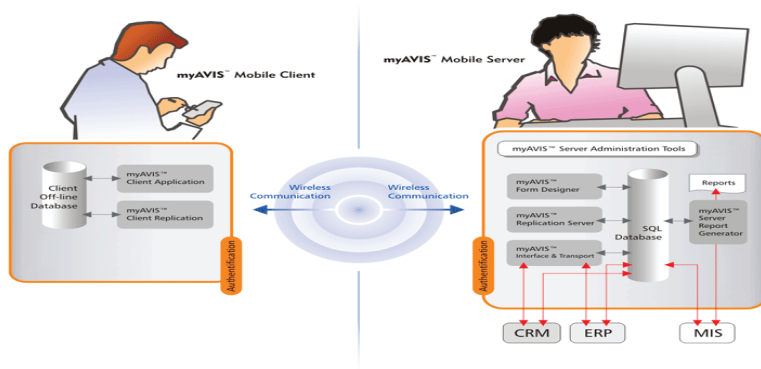


Figure 2. Process of communication among systems/ Kvados, a.s., MyAvis ecosystem

Information security is one of the key elements that the organization has to take in consideration during mobile technology implementation and integration with the existing IS. In this case, the MNO offered the first level of security regarding network issues by separating the public network from the organization's network by using a dedicated APN. Further to this physical separation of networks, the software itself offered dedicated authentication through a username and a password for each employee working in the field. Also, the software limited the amount of data that a handheld device can contain. Due to this limitation, the mobile user had

to synchronize its handheld data with the central system and during this synchronization the data was removed from the handheld device. In case of a lost handheld device, only a small portion of data could be found into the handheld device's database because of this limitation.

Data analyses

The data shown in this study are gathered in two stages of the mobile project implementation and integration with IS and business processes:

- The situation before implementation of the new system that uses mobile technology and integrates the reading process with the components of IS.
- Eighteen months after the implementation of the new system that uses mobile technology and integrates reading process with the components of IS.

These are the results of my analyses two months after the reading through mobile device method was implemented:

Table 1 and Table 2 show respectively the data belonging to the Meter Reading Department before Mobile Reading was introduced and after the implementation of mobile reading through Motorola MC55 and myAvis system.

Table 1. Data of MR Department before MT Implementation (CEZ Shperndarje, ICT, HR and Meter Reading Departments)

Description	QTY	Unit
Total Number of Meter Readers	704	Persons
Printed Pages for reading purpose	227,270	Pcs
Operators for data entering	57	Persons
Information exchange frequency/ per Meter Reader	4	Times/Month
Meter Readers visits at respective main offices	2,860	Times/Month

Table 2. Data of MR Department eighteen months after MT Implementation (CEZ Shperndarje, ICT, HR and Meter Reading Departments)

Description	QTY	Unit
Total Number of Meter Readers	586	Persons
Printed Pages for reading purpose	4,000	Pcs
Operators for Data assignment and analyses to Meter readers	44	Persons
Information exchange frequency/ Per Meter Reader	40	Times/Month
Meter Readers visits at respective main offices	586	Times/Month

The data shown in Figure 3 changes several parameters in MR Department between the two periods of data analysis and in this report I have listed the findings:

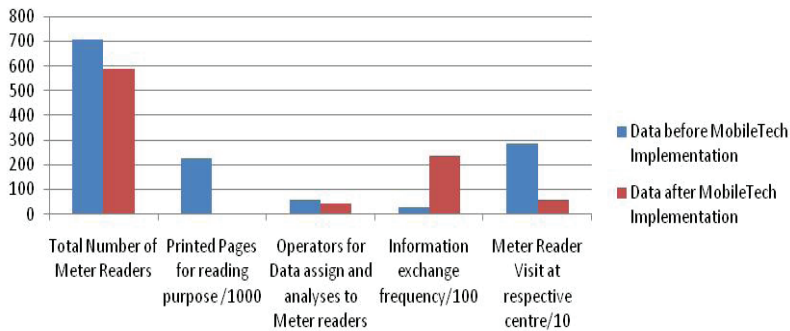


Figure 3. Data comparison between two stages of the project

The number of Meter Readers decreased by 118. The readings of all clients finished in expected time. The project implementation influenced directly better resource planning. Also because of the CRM information located on PDA, readers used the working time more efficiently. The number of pages printed every month for reading purposes decreased by 56.8 times after the implementation of myAvis project. The operation costs on distributing and printing the reading lists were reduced. Also, the company had less impact on the environment by reducing printings.

The number of operators was reduced, but on the other side data analysts who were used to load the daily data for meter readers to myAvis system replaced them. Data analysts were used for analyzing and checking meter readers' performance and data quality. In this case, the costs weren't reduced, but the quality of data increased due to more frequent and real time controls performed by data analysts.

Information exchange between meter readers and centers increased 8.3 times. The synchronization between meter readers and myAvis system was done twice a day using mobile devices. Before myAvis implementation, the information was exchanged 4 times a month for each meter reader and also the information, after being taken from the meter reader to the main regional office, was entered manually by the operators in the main billing system. After the implementation of myAvis, the data were synchronized directly from mobile devices to the billing system without the need of the operators. The information after myAvis' implementation was updated in real time using mobile technology. This process increased the quality of data and reduced operation costs.

Each week the meter readers had to go to the meter reading center in order to deliver the readings and get the empty list for the next week reading. In rural areas this increased the costs for the company due to transportation costs and also affected directly the working hours of the meter readers due to the long distance between reading centers and meter reader area. After the implementation of myAvis the meter readers received the clients' data directly to their mobile device and after reading, they sent them back to the system using GPRS Connection provided by the MNO.

Perception of mobile technology by employees

This analysis shows that the new technology affected directly the operation costs, the performance, quality of data and environment. But how did workers, in this case meter readers, react to this new technology?

Most of the meter readers had no experience with smartphones and personal computers. Also, at the beginning of the project, meter readers were not enthusiastic about the change in the traditional way of doing their daily job. However, later on, the mobile device was the main tool

for them and they were happy to use it. In order to see how meter readers reacted to the new technology, I have made another analysis to find out the end user's reaction to the new technology.

Table 3 and Table 4 show the data of the survey conducted by me in collaboration with CEZ Shperndarje ICT department and CEZ Shperndarje Meter Reading Division in two different stages of mobile technology implementation/integration with the existing IS and processes.

Table 3. The survey data two months after the introduction of mobile technology (CEZ Shperndarje, ICT Department)

Description	QTY	Unit
Phone calls for technical support in the ICT Department	113	Phone Calls/ Month
Satisfaction of meter readers regarding the new technology	3	0-10
Number of visits of meter readers to ICT Department	40	Time/Month
Average speed for entering a single reading in PDA	180	s/record

Table 4. The survey data eighteen months after the introduction of mobile technology (CEZ Shperndarje, ICT Department)

Description	QTY	Unit
Phone calls for technical support in ICT Department	17	Phone Calls/Month
Satisfaction of meter readers regarding the new technology	7.50	0-10
Number of visits of meter readers to ICT Department	7	Time/Month
Average speed for entering a single reading in PDA	50	s/record

The data in Figure 4 shows the reaction of the employees toward the mobile technology and mobile devices based on the user's performance, satisfaction and technical problems encountered during working processes.

During the first months after myAvis was implemented there were different kind of problems regarding the new technology. The problems that appeared at this stage of the project were technical and psychological.

Due to the analyses of the data listed above I have listed the following findings.

At the beginning of myAvis project the frequency of the phone calls for technical support from mobile users were frequent. This phone calls were frequent because of these reasons:

- The end users had no experience with mobile device and mobile technologies.
- The end users had no experience on using myAvis software.
- ICT Department had no experience on supporting mobile device and mobile technology.
- The end users where not confident regarding the data entry to the mobile device.

After 18 months, I conducted the same survey and the number of phone calls was reduced by 6.6 times. This means that the end users and ICT department where confident with the new technology.

At the beginning of myAvis project the average time for entering an entry in the mobile device was about 180s. This was not acceptable from the management and the normal time asked from them was 70s in order to meet the readings deadline. In order to have a better performance, the management started to push the readers to increase the speed of entering the data to their mobile devices. After 18 months the data analyzed showed that the average time for entering a single entry in the mobile device was 50s. This shows that the meter readers have increased their performance due to experience, confidence and due to the easy way of interacting between them and mobile technology.

Meter readers didn't trust mobile technology at the beginning of myAvis project due to their little experience with this devices and also because the new way of interaction between them and the billing system. Now, they are

directly responsible for the data they send to the system. So during the first survey, two months after myAvis implementation, they were not satisfied with the new technology and the whole reading process. After 18 months of usage of mobile technology and meeting management requirements, meter readers change the perception toward mobile technology. They were confident with it and also managed their working hours and met their deadlines faster and in a more efficient manner than before. During the second survey they looked satisfied with the new technology and the new way of interacting with the system.

The visits of meter readers to the ICT Department for technical support decreased because of their experience and confidence gained during the working period with mobile devices and mobile applications.

Green IT implementation

Green IT is the conscious implementation of technologies, techniques and policies designed to reduce the carbon footprint of the IT function within the organization. Mobile technology is helping us to implement Green IT in the organization. This case study's data has shown that printing pages were reduced drastically by implementing mobile technology in a specific division of CEZ Shperndarje. In Table 5 and Table 6 we can calculate power consumption for 1 hour for desktops, laptops or thin clients (<http://michaelbluejay.com/electricity/computers.html>). In this case study, most of fixed position employees were using desktops and total power consumption for 1 hour is:

$$\begin{aligned} & \text{Conventional Desktop PC(no power management)} + \text{LCD Monitor}(19 \text{ inch}) \\ & = 110W + 50W = 160W/h \end{aligned}$$

Battery specifications for the PDA used by the organization are: Rechargeable Lithium Ion 3.7V, 3600 mAh Smart Battery (Motorola). A full recharge of the battery takes two hours with a 40W charger that means that for a single full recharge of PDA are needed 80w. With one recharged battery the employee finishes its 8h working day most of the times and according to the survey I conducted in this organization, the

performance of the battery is good for 2 years, so we can consider that the battery lifecycle for this devices is 2 years. The cost of the battery is about 45\$, that means that we have an extra cost of 22.5\$ per year. By comparing costs of energy for each of the two elements that the organization is using, we can say that in a year, that has approximately 260 working days, a PDA consumes 20.8 kW and a PC consumes 332.8 kW. In Albania 1kW costs about 12c, that means that a PC consumes about 39.93 euro/Year and a PDA consumes 2.5 euro/Year. If we apply the cost of the battery 20 euro/Year, then we can say that the cost for the PDA on power consumption plus battery purchase is 22.5 euro/Year.

Table 5. Power consumption without Monitor		Table 6. Power consumption of Monitors	
System Unit Type	Power Consumption (Watts)	Monitor type	Power Consumption (Watts)
Conventional Desktop PC – no power management	110W	Conventional CRT monitor - 19 inch	140W
Conventional Desktop PC – power management	90W	Conventional CRT monitor - 17 inch	80W
“Green PC”	80W	LCD Monitor - 19 inch	50W
Laptop PC	60W	LCD Monitor - 17 inch	30W
Notebook PC	40W	OLED Monitor	10W
Thin Client	15W		

Source: Michaelbluejay (2013)

In one shift a single user consumes $160W * 8 = 1.28 \text{ kW/d}$ and this is the best case scenario because some users may work more than 8 hours and many other won't shut down their PC when they leave the office. By implementing mobile technology the data will flow from PDAs, tablets or mobile phones to the organization servers, and as a result of this new way of data flow after implementing mobile technology, the number of back office operators will decrease and this is not valid only for the organization studied in this paper, but for almost all organizations that have back office operators that gather data from mobile users and enter those data to their

system. Mobile technology will reduce the number of back office operators and also, since the data is in electronic format, the number of printers and printing pages will decrease. Mobile technology helps the organization to reduce its operation costs and help it to be more green and friendly toward environment.

Conclusions and limitations

Mobile technology is very complex and affects the organization processes and employees. Based on the data analyze, I have identified two key findings:

-Employee: Mobile technology is not easily accepted by employees and the performance using these tools was very low at the beginning but with the time employees increase their expertise on using the device and software. In this specific study I noticed by analyzing the data that employee performance on data entry is increased by 3.6 times in 18 months (Devaraj and Rajiv Kohli, 2003). Due to technology 16% of employees in Meter Reading department were laid off, according (INSTAT, 2013) in Albania the unemployment rate was 15.6% at 2013 (INSTAT, 2013), by taking this in consideration the new technology had negative effect on employment for the specific case.

- Environment: Mobile technology helps us to be more responsible toward the environment by reducing energy consumption, printed papers, fuel consumption and decreases the quantity of raw material needed for building a single device in comparison with desktop PC. In this study I found that printed paper for specific department was decreased by 56.8 times and power consumption was decreased 16 times.

This study is conducted in a single utility company in Albania for a two year period, and does not contain cross-sector data source comparison of others companies in Albania or region. This limits the study in analyzing specific effects of this technology between organizations.

This study offers empirical evidence on this topic by analyzing a wide range of data in a country where mobile technology is perceived as a need rather than an opportunity. The research in the sector will be extended in

the future and will analyze cross-organization data regarding the impact of mobile technology in organization's performance and data quality.

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Factors determining the development of peripheral areas

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Abstract: *This paper reviews the main criteria for classifying the eastern Polish border region as a peripheral area. Apart from geographical location economic, social and cultural criteria have also to be considered. The article refers to the economic, social and cultural conditions of local development. The main direction of development of the eastern Poland is agriculture. The area is also characterized by low population density. This hinders the development of the area. It can also be an advantage, especially bearing in mind tourism development. The paper discusses selected factors determining the development of eastern Poland. The emphasis is put on their diversity and the fact that the interpretation of their actual impact remains inconclusive as it is in the case of the border itself. The boundary state can be both a barrier and a stimulating factor. The analysis justifies the conclusion that each of these factors contributes to the development of border areas. The strength of their impact depends on the strategy of development. This article uses an analysis of source materials, as well as the author's own observations arising from years of research conducted in this area.*

Keywords: *development factors; peripheral areas; eastern Poland.*

Introduction

Clearly, the environment of the border determines the development of the neighboring areas. According to Więckowski (2010) borders are primarily barriers (spatial, economic and political). They act as a filter, but they are also the contact zones between neighboring countries. Socio-economic and political changes in Europe, mainly in the countries of the European Union, lead to the marginalization of the function of boundaries. The processes are most advanced in the Schengen area.

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The situation of eastern Poland is particularly interesting as for 20 years the permeability of the border first increased significantly (in the early 90s), and then it slowly sealed (mainly after 1 May 2004). Thus, the analysis of factors determining the development of peripheral areas is illustrated with the example of the Polish eastern border provinces. The main purpose of this article is to discuss factors influencing the growth of eastern Polish border region. The study applies a deductive and reductive research approach. The conclusions derived from secondary data analysis have been partially verified by the author's own empirical research. The article uses the method research desk - an analysis of the literature and statistical studies. A critical analysis of the available literature was made. In formulating assessments, the author benefited from her research experience. Research on the eastern border of Poland has been conducted since 1999.

Polish eastern border region as a peripheral area

The term "periphery" can be seen in three contexts: geographical, economic and legal (Moraczewska, 2008). Grosse (2007) proposes a review of definitions of the term "periphery". In the opinion of this author peripheral regions are areas: 1) sparsely populated, distant from economic centres and with restricted access to them due to poor transportation; 2) characterized by a low level of economic development (in the EU it is measured with GDP in purchasing power parity); 3) dominated by labor-intensive industries including agriculture and forestry; 4) characterized by underdeveloped infrastructure and a low level of entrepreneurship and innovation.

All these features are characteristic of studied area. One can also analyze the economic dependence of peripheral areas on economic and political centers and their distinct cultural, religious and political individuality. According to Bański et al. (2010) it has been widely recognized that "[...] the eastern border region in our country shows the typical characteristics of geographic and economic periphery". This area has long been called "the eastern wall", "Poland B", and "a problem area" in the studies published by the Institute of Rural and Agricultural Development (Rosner, 2002; Kłodziński, 1999).

Numerous studies provide credible evidence that the area situated along the eastern border meets the criteria set for a periphery (Dziemianowicz 2008). For example, Operational Program for the Development of Eastern Poland (OP DEP): lists the characteristics of this area, which allow us to classify it as peripheral:

- low level of wealth (measured by GDP per capita - the average in Poland 10,097 EUR in border regions: Podlaskie – 7,160 EUR, Subcarpathian – 6,760 EUR, Lublin – 6,880 EUR (GUS, <http://stat.gov.pl>);
- low level of spatial, social and economic coherence;
- ineffective economy structure with a predominance of traditional agricultural production, low level of entrepreneurship and the relatively low level of competitiveness and innovation;
- insufficient potential of growth centers stimulating local development, including well developed urban agglomerations with metropolitan functions;
- underdevelopment of infrastructure of higher education and a poor relationship between science and economy;
- low level of development of technical infrastructure (mainly telecommunications and transport) and poor accessibility of the area.

An important problem in border areas is migration (W. Leimgruber, 1999). In border areas above all an overspill is appearing, of particularly young persons. It affects the development of this area negatively.

Characteristics of eastern Poland

The least populated province is Podlaskie in eastern Poland which occupies 14th position in the national ranking and in terms of population density ranks 16th.

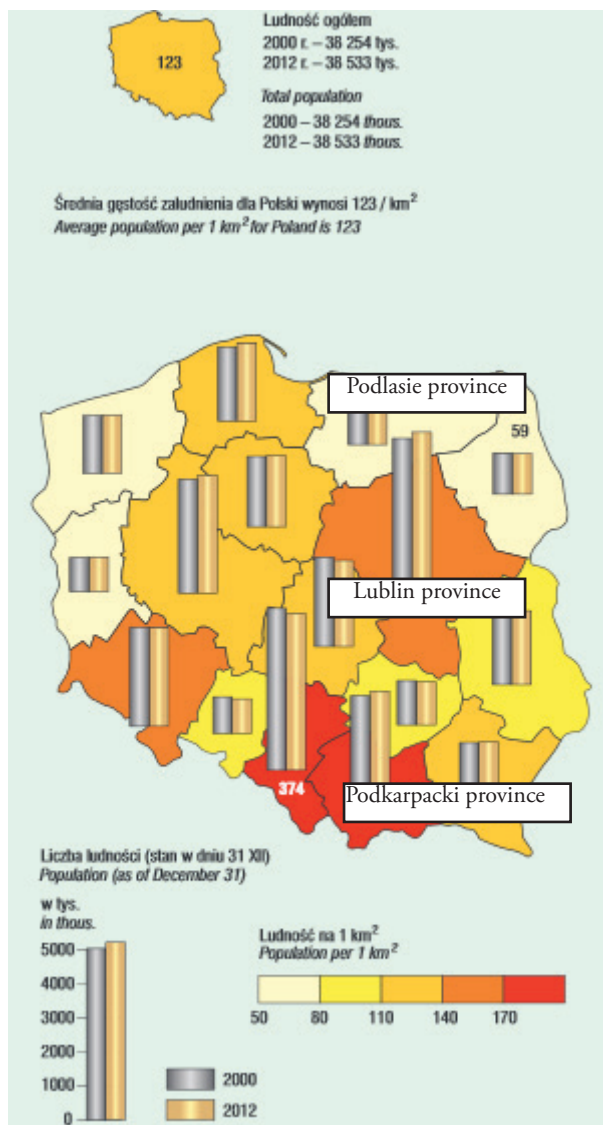


Figure 1. Population and population density regions in Poland

Source: Central Statistical of Poland, 2013. p. 556.

The greatest population density is in Podkarpackie (7th position in the national ranking). This province has also the highest (58.6%) share of people living in rural areas, which in the provinces of Lubelskie and Podlaskie amounts to respectively 53.4% and 39.4%.

Table 1. Development and population of the eastern Polish provinces in 2012

(own elaboration based on Central Statistical Office data from the series Local Government Statistical Handbook, www.stat.gov.pl)

Provinces	Area in sq. km.	Share in the area (in %)					Population	
		Agricultural land	Wooded land	Land under water	Developed land	Ecological land and fallow	Total (in thousands)	Per 1 sq.km.
Podlaskie	20187	60.3	31.8	1.4	3.6	2.9	1188.3	59
Lubelskie	25122	70.8	23.6	0.8	3.6	1.1	2151.9	86
Podkarpackie	17845	53.9	39.8	1.1	4.3	0.9	2103.5	118

The unemployment rate in all studied provinces (Table 1) is higher than the national average which, at the end of December 2013, reached 13.4%. In studied provinces it amounted respectively: Podlaskie – 15.1%, Lubelskie – 14.4% and Podkarpackie - 16. 4%. (<http://www.stat.gov.pl>).

The analyzed provinces are primarily agricultural-forestry areas, as shown in Table 1. The Lubelskie province has the largest share of agricultural land and Podkarpackie has the largest share of forests and forest land.

Conditions for the development of peripheral regions in eastern Poland

“It can be assumed that factors determining growth are elements of the structure of the territory, which are or may be activated to enable operations in the field of production, distribution, circulation and consumption” (Strzelecki, 2011). In literature we find a number of classifications of determinants of local and regional development (Geise, 2009; Dziemianowicz, 2008; Strzelacki, 2011; Zakrzewska-Półtorak,

2010; Przygodzki, 2007; Parysek et al., 1997). Due to the limitations of this study the analysis of each classification cannot be provided. Therefore the categorization proposed by Parysek has been adopted.

Parysek (1997) observes that some factors “are universal, while others are activated only in certain places and certain moments in time” (Parysek, 1997). The needs of local community are listed among the key factors determining local development. “Every economic development, including local development, is directly related to meeting the growing needs of the society [...] and is simply determined by these needs” (Parysek, 1997). It applies to common needs, typical for all people regardless of their demographic characteristics and place of residence rather than individualized needs originating in beliefs, standard of living and culture. The needs which predominantly influence local development can be divided into the following groups: 1) existential (related to the functioning of households); 2) residential (involving the increase in the number of affordable houses improving the quality of life); 3) cultural (related to secondary education and high culture); 4) social (related to specific social groups, such as children, seniors, people with disabilities and large families). One can assume that most needs are universal.

Due to the character of the border area, security needs (which belong to existential needs) may appear to play a key role. A survey was conducted among residents of border communities in 2006 under the KBN/MNiSW 2P06R09628 project in the following communes: Szypliszki, Giby, Płaska, Krynki, Dubicze Cerkiewne, Mielnik, Rokitno, Wola Uhruska, Dorohusk, Horodło, Lubycza Królewska, Hrubieszów, Horyniec Zdrój, Radymno. In 2012, it was repeated within the framework of statutory research of Warsaw University of Life Sciences. It showed that only 25% of 650 randomly selected residents see risks related to the proximity of the border. In 2012, the survey was repeated, and this share amounted to 30.9% (sample consisted of 600 people).

The natural environment is another important factor determining the local development. This category includes, in particular:

- Raw materials - coal seams (Lublin Basin), oil and gas (Carpathian Basin), chalk in the Podlasie region, (especially in the area near Mielnik).

- Mineral water - mineral water deposits are located in all border provinces. Many of them are bottled and distributed all over Poland (e.g. Krynka, Cisowianka). Some are used in spa medicine, e.g. in Horyniec or PolanczykZdrój.
- Surface water and groundwater in the broad sense. All production branches use significant amounts of water. Its quantity and quality also affects the standard of living of local residents. Surface water is also an important tourist asset determining the attractiveness of the area and the development of tourist infrastructure. Bug River is a natural hydrographical Polish border.
- Climatic conditions - significantly determine the economic and social development. This applies in particular to agriculture, construction, transport and tourism. The unique climatic qualities are also used by medical spas.
- Soil structure - it varies along the border, but taking into account the average in all border provinces the area has the largest share of Class IV soils (46% in Podlaskie, 37.25% in Lublin and 42.85% in Podkarpackie), and the share of soils classified as Class I-III is the highest in the province of Lublin (39.74%), followed by Podkarpackie (29.65%) and much lower in Podlaskie (6.9%) (RocznikStatystycznyRolnictwa, 2011, GUS).
- Wildlife and wooded areas. Forest is not only a source of timber but regulates water economy and has a beneficial influence on residents living in the vicinity (air purification, noise reduction). It is also a source of fruits of the forest, which is important especially in regions at risk of poverty and poor regions.

Most of these elements of natural environment are classified in the group of natural assets. This category also includes terrain, wildlife (especially protected species), as well as protected species and communities of plants. Exchanged elements of the natural environment are complementing each other mutually, and their meaning development dependent on accepted direction. These elements are appearing in the corner step on the remaining border area, particularly in length border west. However the quality of the natural environment on the eastern borderland is highest in Poland.

Another important factor determining local development is human capital, including: 1) age structure of the population (including the

contribution of individual economic groups); 2) economic activity; 3) employment rates; 4) the level of education, professional qualifications and occupational structure; 5) wealth of the population; 6) health status of the population (Markowski, 2008). Nowadays, the term social capital (a broader concept of human capital) is increasingly in use and is defined as “skills and physical, mental and intellectual abilities used in the economic life” (Potoczek and Stepień, 2008). It is spatially variable and, as noted by Markowski (2008), social capital (also known as relational capital), is not “any new economic category, but an asset whose importance in the modern organization of socio-economic processes is growing steadily. By enhancing relational capital it is possible to boost the local economy. The attributes of social capital include (Markowski, 2008):

- economic and social responsibility and willingness to save money;
- willingness to take economic and professional risk;
- entrepreneurship and hard work;
- openness to new ideas;
- willingness to learn and broaden the knowledge;
- readiness for cooperation and exchange of experience, confidence in institutions and partners on the market;
- pro-social attitudes;
- social discipline and willingness to conform to social norms;
- the ability to compromise and dialogue, understanding the necessity to meet the priority needs in the process of cooperation.

Determining the attributes of human capital is easier than in case of social capital, which belongs to the scope of sociological research. According to the data contained in the “Strategy of Socio-Economic Development of Eastern Poland 2020” (www.mir.gov.pl) the level of human capital is insufficient. The author’s own research shows that only 14.7% of residents of border communes declare the need to increase qualifications. It is a small part. For example, in Western Pomerania participation of people participating in training is 44.4%. (www.ewaluacja.gov.pl).

Another significant factor determining local development is the state of technical and social infrastructure also called infrastructural investment (Parysek, 1997). Technical infrastructure development directly enhances

the quality of life of local people, facilitates business operations and is an important argument for new investors to choose the site. The villages with border crossing points have better developed infrastructure. The rest of the area is continually developed, however the progress is still insufficient (Wesołowska, 2011).

Local development also depends on economic potential. "Diversified economic structure creates the atmosphere for local development, the atmosphere in which conditions are created for new entities to start business operations, conditions for cooperation with other entities and conducting complementary actions" (Parysek, 1997). Naturally, cities have greater economic potential, particularly those whose development is multi-functional. M. Slusarciuc stresses that the important issue of economic potential are small and medium-sized enterprises (M. Slusarcius, 2012) Rural areas due to the poorer socio-economic financial, educational and political structure are characterized by a much lower potential. On the eastern border the level of economic potential is positively correlated with the level of development of tourism (Transgraniczne).

Parysek (1997) argues that to recognize a market as a factor in local development is legitimate. He highlights the bipolarity of relations on the market (supply and demand). There is a local market and external markets. "The second type of market orientation in local development is enabled especially by the use of unique local resources, unique manufacturing skills of the residents, professional traditions, heritage, local culture, etc." In the study area these conditions are met only in case of tourism (influx of tourists from other regions of Poland and foreign tourists) and trade (demand for products from the citizens of neighbouring countries).

Also science and culture play an increasingly important role in determining local development. Scientific and cultural institutions are usually located in big cities. Although the EU assistance programs stimulate scientific and cultural activity in the study area it is accumulated mainly in the capitals of provinces. It is Kostro who is an advocate of inclusion of broad cultural context in economic studies and refers to Edward Hall's proxemics (Kuciński, 2011). Culture has a significant impact on decision-making processes, the location of business investments and finally on local

development. "Local cultural conditions become factors determining business location, [...] they transform other location factors, especially the soft ones [...], influence the perception of their benefits by the culturally different investors" (Kuciński, 2011). Culture of the study area is different than in any region of the country. It is connected with the history of this area, and most of all the changes of borders and population inhabiting different nationalities (Poles, Belarusians, Ukrainians, Jews, Tatars) and religion. This cultural diversity is used primarily in tourism development. It also results in greater openness and tolerance for other people, which has a positive effect on the development of the area.

Bearing in mind that the study area is located along the border of Poland, it would be justified to focus more on the location itself. "The benefits of a location, however complex in their nature, are a factor determining local development" (Parysek, 1997). The location of rural communes relative to urban transportation routes and tourist attractions is a major factor influencing the scale and direction of their development. Usually, in literature, the term "location rent" is used, which can be defined as "potentially more or less tangible benefits of the location of an entity (such as a commune)" (Bartkowiak and Ossowska, 2010). Szewczuk (2011) uses the term "location benefits" and stresses that "villages and communes are considered attractive if they have unique assets and favorable location, regardless of whether they are natural assets, accumulated capital or economic potential". Parysek lists the characteristics of a site that determine its value and economic potential: the location in the country (relative to national borders, border crossings, ports, major routes and hubs, business centers), technical infrastructure and the possibility to develop it, the type of soil and its agricultural utility (Parysek, 1997). It is difficult not to agree with the statement of J. Parysek, that the particularly attractive sites include those "with unique assets and favorable location, regardless of whether they are natural or developed" (Parysek, 1997). An interesting approach to border location is provided by Bartkowiak and Ossowska (2010) who, relying on Domański, argue "borders are an essential element of today's economy [...]. They have multiple impacts on both international and inter-regional relations. Borders separate natural resources, and often act as a filter, reducing the number of interactions between the regions. Therefore, the location near the border, or along the borders separating neighboring countries may prove advantageous."

Similarly, other authors treat the border as “a source of location benefits stimulating local development” (Bański at al., 2010). The benefits derive from products and services provided to transit travellers and residents of neighboring countries and are visible mostly near border crossings. Also, the study prepared for the Ministry of Regional Development concludes that “Polish eastern border location provide both opportunities and threats for the region” (Transgraniczne). The research study conducted by the author in border communes in 2012 shows that 39.7% inhabitants of the border areas recognize the benefits of the border proximity related to the development of trade and tourism.

K. Kuciński's team proposes an interesting approach to location attributes. Analyzing local development in the context of globalization they introduce the term “glocalisation”, which is a synthesis of two concepts: globalization and localization. “It draws attention to the importance of local action and its place in the globalization process, as well as the importance of globalization in local development strategies” (Kuciński, 2011). In his discussion of the relationship between location and globalization, Kuciński cites scientific axioms of globalization, including the axiom of glocalisation, according to which “globalization makes it possible for the local communities to fully participate in this process. It creates a chance to overcome the isolation and economic and civilization backwardness for many regions which are underdeveloped, forgotten or even excluded from the globalization processes” (Kuciński, 2011). At the same time the author questions the truth of the axiom quoted, because, as he rightly observes, both foreign and domestic businesses tend to invest in relatively more developed regions.

Another major factor in local development and regional growth is international cooperation, which can be both financial and advisory in character. Financial support may include attracting foreign investors, but also the use of assistance funds. Consulting includes training, know-how or town twinning. Border areas, due to their location, can take advantage of cross-border cooperation within the framework of Euro-regions. Along the eastern border there are four Euro-regions: the Neman, Białowieża Forest, Bug and Carpathian. The activities of Euro-regions is the most positively evaluated (Borshch, 2014). The level of this cooperation was discussed, *inter alia*, in documents prepared for the Ministry of Regional

Development (Transgraniczne). Deppisch is an interesting example of cooperation between border areas (2012).

There are more factors determining local development, which should certainly be mentioned like the role of local authorities, state policy and the EU role in the development of peripheral areas. This issue, however, is so extensive that requires a separate study. The development of the border areas is also affected by global crises. Despite the crises, in the years 2007-2010 Poland was not adversely affected (Ignasiak-Szulc and Kosiedowski, 2011).

An important factor in the development is of course the political situation in Ukraine. While western Ukraine is not covered by military activities, but anxiety prevailing in the country affects arrivals residents of Ukraine to Poland. It also affects the cooperation of Polish companies with businesses in Ukraine. In this case the limit is primarily a barrier to development.

Conclusion

The Polish eastern border region is widely regarded as an area of unique development potential. Due to many years of investment neglect and the particular character of a border region, the main factors determining local and regional development are endogenous. These are mainly natural, cultural and social resources. The role of the border in local development is still disputable. In the opinion of the author it can be both an opportunity and an obstacle to the development of the neighboring areas. In the literature, the many factors in the development of peripheral areas are investigated. According to the author, these factors are mutually reinforcing. Each of them is important, but the most important is the individual (human capital), which is able to use other factors.

It is also difficult to answer the question if without the stimulation from the outside this region will develop. Previous experience with the use of various international instruments leads to the conclusion that it would be a difficult task.

Sparse population and lack of industrial centers can be used in the development of tourism. The situation of the study area is also special because it is the eastern borderline of the European Union. The political situation in Ukraine also affects negatively the area. It is difficult to say what will be the direction of the development of the area after the accession of Ukraine to the EU.

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Socioenergy, co-existence and co-evolution: key factors of a Romanian national development strategy

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Abstract. *The Romanian society, as any other society, needs a dynamic, and balanced correlation of the individual with the community energies. Normally, the idea expressed above should be at the basis of any social construction program and of any national development strategy. As a part of EU and NATO, Romania has acted during the last decades in the same paradigm of the co-existence that was specific to the Cold War period. The Russia-Ukraine war is the result of the co-existence paradigm. The future of the international relations needs a paradigm shift - the replace of co-existence paradigm with the co-evolution paradigm, which Romania should be part of. A co-evolution paradigm based national and international politics for Romania might start from the Ministry of External Affairs and the National Bank of Romania as “islands” of stability within a too dynamic political environment between 1990-2014.*

Keywords: *social energy; anti-social energy; co-existence; co-evolution; mutual support.*

We will say, as the chronicler, that the unfortunate man is “under the control of time”, his life and his belongings being directly influenced by the cycle of “times”. Of course, to a large extent the events in history have happened as the chronicler would tell us. However, man is not completely under the influence of time. By the power of his mind and arms, lasting life structures have often been built. And this happened when man knew how to work together with his fellows. When achievements reached “together” were possible, man’s enemies proved helpless. The following

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demonstration centers on this idea. We aim to prove that the safest security source in the life of human communities lies in man and in the strength of human connections.

Our study is considering a simple hypothesis: a distinct form of energy, namely social energy, is generated and manifests itself in society's life, as a result of the specific relationships between the significant social players, individuals, groups and human communities (Iacob and Iacob, 2010, pp. 54-59). As we have already shown (Iacob and Iacob, 2006, pp. 39-44), the security of nations is strongly influenced by the force of social energy existing in a society, the relationship between the nations' security and social energy being directly proportional.

About correlations between community and individuals

For the beginning, we shall notice that in the social theory, in sociology, the concepts having paradigmatic value become possible only in terms of likely and desirable correlations between human community and individuals. A few examples may be useful:

- The social system includes a lot of "objects" that interact so strongly that their states are interdependent, the change of one of them leading to changes of all the others. Social systems tend towards balance. Social systems are dynamic systems, characterized by the fact that their internal changes are continuous, without reaching highly stable balance states. Essentially, balance represents a continuous process of balancing and rebalancing.
- Social balance finally means the capacity of a social system of compensating for the changes of certain constituents by the change of other constituents. Social systems are evolutionary due to their homeostasis. By means of feedback systems continually rebalance in relation with the environment, ensuring both their stability and evolution.
- Social action takes into account both social stability and historical creation. To Max Weber, an action is social if and to the extent to which it modifies depending on another's individual's activity, on the basis of values or symbols shared by the members of a community. To Talcott Parsons, the social character of an action is given by an individual's interpretation of the other individuals' behavior. The interpretation system of the "others"

behavior includes the following alternatives – type – orientation towards the self or the collectivity; particularism/universalism; quality/performance; affectivity/affective neutrality; and diffusion/specificity. According to Parsons, a human action is social if, in a situation involving the interaction of at least two players, each of them aims to obtain the highest satisfaction, by selecting from the five pairs of alternative-constitutive pairs of variables of the social structure.

Considering what has been said above, we highlight two ideas. Firstly, the understanding of the social system is considered within a communicational paradigm. Both to Talcott Parsons, and to the representatives of the Palo Alto School, communication is a fundamental unit of the social, a social system that has the capacity of guaranteeing the production and reproduction of optimum communication. Actually, as understood by the Palo Alto School, the optimum social aggregation is the result of the normality of the social communication. At the same time, it is useful to remember one of Aristotle's ideas (Encyclopedia of Philosophy and Human Sciences, 2004, p. 279); the Stagirite uses the concept of energy ("energeia") related to the action by means of which potentiality is turned into action. Actually, according to our hypothesis, the social energy expresses the society's capacity of turning the potential social relationships into deeds of social performance and national security.

The premises of a possible definition of socioenergy are the following:

- human societies develop within certain civilization contexts, by means of which certain relationships among individuals, groups and human communities are expressed; thus, there are socio-historical contexts, such as the western type ones, in which the individual's role is predominant (civilizations and cultures centered on the individual), as there are contexts, such as the eastern ones, in which the community predominates (civilizations and cultures centered on community values); in both cases the social matrix (the type of social equation) is the result that highly depends on the historical context, the particular conditions under which one civilization or another has been created and developed;
- the analysis of history and social life emphasizes a requirement of social performance, which is the essence of the performance capacity of the social structures - namely the dynamic balancing and the mutual intensification

of individuals, groups and communities, in their interdependency relationship; expressed in other words, it is not societies that are constituted by strong individuals, namely strong societies that are powerful and performing, but it is particularly those societies that succeed in multiplying the individual's strength by means of an optimum connection with the power of the group, of the community and the other way round.

Basically, *socioenergy is the distinct type of energy resulting from a permanent mutual intensification of the energy of the individuals and the energy of the community*. Against history and various civilization experiences, socioenergy has minimum values when the social cohesion is destroyed, when the connections between individuals and communities are broken, but also when, within the social equation, one of the terms dominates the complementary one. On the contrary, socioenergy will have high values within the civilization experiences where there exists the wisdom of generating social action forces by means of the cumulative action of all the social actors.

Socioenergy and anti-social energy

Socioenergy refers to *positive processes* in the dynamics of a community that take place under the sign of cooperation, openness, social construction, participation and engagement in joint activities whose purpose is in line with the common interest of a community. In a sense, social energy could for instance mean public decision of the elected representatives of local, regional, national and international community. The social energy is the source of development projects and strategies of a community of different size or of a social group.

Anti-social energy is the correlative concept of social energy. Social energy becomes destructive, inhibitory, and can become a hindrance for the community development to the extent that it takes the form of a conflict on the basis of private or group interests, which may replace the common interest of the community members. The anti-social energy is the source of conflict that at some point of the accumulation can embrace physical violence, with its extreme form of armed war. The anti-social energy can be found in physical and symbolical social violence whereby a part of the

group or of the community tries to assume a private or a group interest for the resources or for the redistribution of resources of a community. The anti-social energy may have as vectors political parties and pressure groups that define common interest as private / group interest when they have access to public decision. An actor who uses anti-social energy can also be the state or an alliance of states that, in the absence of development, cooperation or negotiation projects in order to solve problems, chooses war violence or invents a reason to justify and use war violence.

Socioenergy or *anti-social energy* of a community uses as means of manifestation the accidental and the unplanned event, but also the project and the planned strategy of acquisition or maintenance or re/distribution of public resources of a wider national or international community. Finally, the two concepts aimed actions – planned or not – claim or set against the common interest. The two forms of social energy are found in projects and cooperation actions: social, economic, political, cultural development projects, within a monopole or group actions over the resources of the community and their unethical distribution. The construction and development project and the different forms of social conflict whose parts could no longer negotiate over a certain problem represent principal ways of manifestation of *social* and *anti-social energy*.

The world of peaceful *co-existence* and the world of *co-evolution*

The two concepts acquire a significant endorsement in the special context of communist and post-communist history after World War II. The end of the war as a form of manifestation and concentration of anti-social energy at a peak level launches suddenly a second War - The Cold War -, the concrete form of manifestation of negative social energy of the same type, in which the anti-social energy is ideologically based: The Communist and The Capitalist Alliance define and build each other in a project for over a half century in terms of Good and Evil.

From the perspective of the previously used conceptual pair social/anti-social energy, we deal with a world where the anti-social energy dominates, which rejects any common project, dividing the world into Good and Bad. We call this world the *world of co-existence*. Apparently, we have to deal with a peaceful world. The physical war is avoided -

which is fine, but the history after WWII until the '90s is marked as a symbolic conflict era: capitalism and communism co-exist peacefully. More specifically, the Cold War occurs, fueled by the logic of division and potential conflict between East and West. It imagines the ideology of peaceful co-existence, which makes it less likely the hot conflicts, but does not generate a combustion development. *Peaceful co-existence* means delimitation of spheres of influence and a symbolic constant conflict under an assumed ideology and permanent reactive strategies. *Peaceful co-existence* means separation and mutual denial, strategic defense and attack management, demonstrations and counter-demonstrations of power of different kinds, testing and response tests or traps - *a permanent symbolic war which eliminates the joint projects or the authentic dialogue.*

In 1986-87 it seems that the Soviet leader Gorbachev realized that freedom of speech could become a development resource, because in freedom people can create and can participate to the creation of a more effectively future than under communist oppression. Moscow lost economic and military war because the single centralized party proved to be inefficient in the battle with the free market, the multi-party competition and the economic development from the western world. The development resource that Gorbachev wanted to use as a resource for conservation of the communist world in the same peaceful co-existence turned against the USSR and succumbed. The Cold War ended with the defeat of the USSR at least at a formal level. In fact, the logic of this peaceful co-existence dominated federal political thinking of Russia after 1991 until today. Holder of energy that Europe needs Russia behaves in the same field of peaceful and anti-social coexistence. And the West reacts in the same way as in the Cold War, although the Cold War - formally - is over.

The statement that we want to stress in this paper is that today, in the context of Russian-Ukrainian war, both Russia and the EU or the US think in the same logic of the Cold War - the two sides co-exist and seem incapable to think in terms of social energy constructive cooperation, evolution of one joint venture and joint development. The Russia-Ukraine war is the violent answer, by anti-social energy at global level, which appears in the absence of any economic development projects and of increase of the living standards. Russia is using violence war because it played continuously in the logic of the Cold War after 2000 and its

government today has resorted the violent means in order to compensate the lack of development projects.

From the conceptual perspective that we propose, this war, and also its continuation by apparently peaceful means of negotiation is the result of co-existence and of the inability to overcome this separatist logic, incapable to generate social energy of joint social development projects.

Such new logic entails co-evolution and the transition from a logic of conflict to one of cooperation. Social energy is the means by which the model of co-evolution manifests - a response to the congestion created by the behavior based on the logic peaceful co-existence.

Co-evolution and the use of its elements at socio-political and economic level are equivalent to a shift of paradigm in the understanding and the projection of development at national and global community. The logic of the Cold War should be replaced with a logic of participation and cooperation, of joint development projects, where conflict and - his most destructive form - violent war block the resources of understanding and cooperation.

Socioenergy and the security values

The security values, as well as the insecurity ones of the socioenergy are easily visible. First of all, in the historical situations when socioenergy has minimum values, societies' capacity of surviving throughout time is significantly diminished, these societies running high risks of dissolution and chaos. To this end, it is useful to notice that, as a rule, under circumstances of anarchy and social violence, the main explanation consists in the serious imbalance of the relationship between individuals and community.

Out of what has been said before it results that, finally, the most profound and severe form of aggression against a society is the triggering of the processes which destroy the balance between individuals and society, the social energy being dissipated in peripheral, disintegrating experiences. At

the same time, it is obvious that it is essential that a national security strategy should rely on a social human-community construction program, in which individuals can find their optimum environment of existence within the community life.

The American and the Japanese civilizations cases - a brief discussion

In the following paragraphs we consider two historical cases, extremely complex, therefore difficult to summarize. It is first of all, the *American case*, frequently mentioned in various contexts. From the standpoint of the current discussion, the experience of American history has in its forefront the individual's dominant profile. It is the individual whose force actually builds a new community. In the American civilization the norm, as an essential expression of community life, is the major influence of the individual's practical life. Basically, the force of the American society, its social efficiency, is the result of this very relationship, constantly contradictory but permanently balanced, between individuals and community.

To conclude this brief remark on America's power, we present a quotation from an analysis of American literature (Secolul 20, 1999, p. 250): *"During our extensive discussions on American literature he showed me this paradoxical duality of the hero on the new continent: the need for community and the escape from the world, to reach solitude..."* Actually the above quoted words are a concise formulation of the equation of the American social performance – the dynamic connection between "solitude" (individuality) and community.

The other historical case we are considering, *the case of Japanese civilization*, expresses, in an exemplary way, a performing socioenergetic construction formula, based on the mutual intensification of the individual and community energies. By comparison to the American experience, the Japanese case is more interesting as its historical beginnings are completely different, the Japanese civilization relying on an intense community life. Japan's entrance into modernity meant the very intense triggering of individual energies, without diminishing the community's social significance. This sociohistorical construction process fuels Japan's current

prosperity and power. From what we notice, another significant power of the 21st century is undergoing a similar sociohistorical construction process: it is China.

The Romanian case

For the Romanian case, we use as a reference Constantin Noica's famous comment related to the word "longing for" ("dor" in Romanian) (Noica, 1987, p. 205): "When one wants to show that we mean something else by our words and that as a result of this, the Romanian language is entitled to exist in the world, the first word that comes to your mind is <longing>... The word <longing> has in its structure a prototypical feature..., it represents a blending..." In line with Noica's thinking, we can easily imagine the idea by means of which <longing> means the very need of blending between man and world, between individual and community. Obviously, starting from this idea, a likely rich social Romanian anthropology can be undertaken.

The task of putting together the Romanians' socioenergetic construction is a self-contained one. However, even considering things very broadly, it can be stated that *the Romanian people's socioenergetic core* is healthy and resilient. The tradition of community life, the village population and the strength that connects man, as an individual, to the land and the customs of life shared with others support this idea.

The overall context of the Romanian people's history has indicated *socioenergetic disturbances over the last decades*. From this perspective, two major risks of manifestation of a socioenergetic deficit in Romanian social life could be identified: a) firstly, the Romanian society has been affected by the experience of the pseudo-community life after years following the second World War; b) secondly, but not less negatively, there have been the processes of false development of human individuality, under the precarious normative circumstances of the social transition.

Lucian Boia (2012, pp.80-81) correctly noticed: "The Romanian culture lacks the capacity of every-day democratic adjustment capacity, which would maintain things in balance, removing the risk of dangerous drifts. Romanians do not commit themselves, they look for insignificant

individual solutions instead of searching for collective solutions, and then nothing fundamental will be solved while the tensions will continuously build. The lack of a minimal dialogue, of a minimal protest, of a minimal compromise has generated the unexpected and huge explosion in December 1989”.

This very situation of cultural deficit, this precariousness of the community-democratic practice has generated, in our opinion, an extremely painful paradox. In December 1989, the Romanians had an issue, expressed essentially by the totalitarian pressure over people and communities. In December 1989, in the following months and years, Romanians dealt with the issue with which they were confronted, the totalitarian political structure being destroyed. However, the issue has been dealt with in a way that has generated many other issues, extremely serious. First and foremost, it is the issue of the political climate, the community behavior and the people’s frame of mind. It is difficult to find a more telling example of the lack of public intelligence...

Along the ideas expressed above, the same Lucian Boia (2012, pp. 93-94) comments: “What does not work in Romanian society, or works with obstacles is the selection of values. The dominance of personal or group relationships over institutional requirements: older faults, increased during communism, and left uncontrolled after 1989. Simultaneously with the overcoming of the totalitarian system, a sort of individualistic wilderness without rules has manifested itself, for securing a better position...”

Obviously, in order to survive in time, the Romanian society, as any other society, needs a dynamic, and balanced correlation of the individual energies with the community energies. Normally, the idea expressed above should be at the basis of any social construction program and of any national security strategy. We think that Romanian needs a paradigmatic shift in the strategic thinking for domestic and international politics. The co-existence paradigm should be soon replaced by a co-evolution paradigm.

Romania - the future has to be defined within the *co-evolution* paradigm

Romania has been governed in the domestic and foreign policy by decisions and strategies belonging to the peaceful co-existence paradigm. This Romanian approach is part of a global game that unifies and divides Europe after the fall of communism. Although it changed the political sides, Romania participates today at the game of co-existence as part of the West. The camps during the Cold War were redefined after the fall of the USSR, but the logic of Russia's relations with the West remained the same – the peacefully co-existence generated by negative social energy.

What is sure today is the destructiveness of Russia-Ukraine war in Europe. Nothing suggests that there is some form of social energy this war may produce, even for Russia. Our hypothesis is that this extreme form of negative social energy at European level - the Russo-Ukrainian war - is the result of the absence of joint development plans of the EU, the US and Russia. It seems that the paradigm of peaceful co-existence came to a deadlock. The result of lack of the economic development projects for Russia was the war violence - a social manifestation of the negative energies more manageable for Russia than projects and strategies of economic development.

What could Romania do in this context, as a part of the EU and NATO?

Romania's internal difficulties

Internally, it is hard to immediately identify a project for transforming the generalized symbolic political violence, based on the coexistence paradigm into projects of co-evolution and national cooperation. Cooperation projects, political alliances, coalitions of government are short and insignificant in relation to conflict and political aggression - forms of manifestation of social negative energy. Social energy does not preclude conflict, but getting over its limit to get cooperation and development in confronting different views and projects. The conflict between two ruling parties concerning the number of vice-premiers is a conflict that does not eliminate the co-evolution in the alliance of government. Nevertheless, the rupture and getting out of the government because the parties failed to agree over the attributions of a proposed vice-premier is a clear case of

peaceful co-existence and anti-social energy. Romania cannot build inside a national policy shared in its principles and frameworks by a majority of the governing elite (political parties). *Romanian national politics unfolds a quarter of a century still in the frameworks of anti-social energy that is specific to the paradigm of peaceful co-existence.*

Domestic opportunities in Romania

We believe, however, that we can identify in the Romanian public space *islands of co-evolution* and of allowing the creation and the manifestation of *social energy*. An optimistic outlook would suggest that, based on those islands, around them can coagulate important social and political actors that are able to generate a wave of change to a national co-evolutionary logic: Ministry of Foreign Affairs and the National Bank of Romania.

Try to consider these two areas are *islands of co-evolution*, which could generate cooperative and coagulation movements of development cooperation projects at the national level, by stimulating cooperation and co-evolution potentials of social energy at the political and civil society levels. We further operationalize the co-evolution potential that the Romanian Foreign Ministry owns (The co-evolution potential of the National Bank of Romania represents the subject of another research project we are working on).

Somehow away from the accelerated dynamics of change in depth, the Foreign Ministry has a stable body of expertise that may be used for projects in a co-evolutionary paradigm at international level, in which Romania may be an active part or even the initiator.

Such a development project could be represented by the proposal and by the organizing of Romania of a framework for discussion and cooperation on economic and social development projects in response to the war between Russia and Ukraine. *Organizing an international Summit in Bucharest focused on economic development projects and solutions could be the offer of social energy and a paradigm shift in the relations between the EU, the US and Russia, which is held today in the specific logic of the maximum manifestation of negative social energy - the violent war.*

A foreign policy of co-evolution could mean overcoming the conflict and mutual potentiation of resources development. Romania could initiate with full coverage in the logic of history, co-evolutionary processes of the European Union and Russia. An international summit held in Bucharest, of the EU and Russia, with special guests to debate the common strategy of co-evolution (the US, China, Japan, and all countries with investment potential in the area), may represent the beginning of a paradigm shift at global level.

Co-evolution does not share Kant's categorical imperative - it will be an utopia to invoke ethical values outside politics in the policy of states. Co-evolution means in this case *win-win strategies*. If we don't see them, it doesn't mean they don't exist. The international EU-Russia Summit in Bucharest, inviting NATO, the US, China and other international actors that could participate in socio-economic development projects would be a good opportunity to test the potential of the co-evolution. A logic similar to the Pascalian bet would suggest to calculate the odds of risk of this International Summit in the following terms:

- (i) If Romania is betting on the success of the proposed international summit in Bucharest and loses the bet, it does not lose anything - you cannot lose what you never had.
- (ii) If Romania is betting on the success of the proposed international summit in Bucharest and the summit will be successful, we will win everything is at stake (cooperation, joint EU-US-Russia economic and social projects, win-win social and economic projects of a global type, the elimination of the war violence).
- (iii) If Romania is betting on the failure of the proposed international summit in Bucharest and the Summit is a failure, we won the bet, but, in fact, we don't win anything because we remain with the existing war situation.
- (iiii) If Romania is betting on the failure of the proposed international summit in Bucharest and loses the bet, meaning that it would be a successful summit, we will, in fact, never organize it, and therefore we will never know anything about its success.

Using the same Pascalian logic, one of the four hypotheses is preferred and has the biggest gains.

A *co-existence logic* is compatible with the cases (i), (iii), (iiii).

The paradigm of *co-evolution* is compatible with the rest.

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The effect of organizational culture and uncertainty on supply chain collaboration.

The case of Albanian beer producers

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Abstract. *Supply chain uncertainty is higher nowadays due to the global crisis, the fast changing technology and the increasing vulnerability of supply chains. Companies use different strategies to reduce uncertainty, like building agile supply chains, increasing resilience, postponement, etc. All these strategies require strong supply chain collaboration. Although research interest in supply chain collaboration is growing, no research has been done in Albania. This paper is one of the first to investigate supply chain management practices and the extent of supply chain collaboration in the Albanian beer industry. The aim of this research is twofold: first, to investigate how supply chain uncertainty influences the extent of collaboration with the supply chain members, and second, to analyze how organizational culture facilitates the collaboration process. The research is focused on the Albanian beer producers because the beer producers have a global supply chain, and the consumption of domestic beer is increasing even after the crisis. Semi-structured interviews were conducted with the managers of the main beer companies. A guide questionnaire was prepared. It consisted of open and rate-scale questions about supply chain collaboration, supply chain uncertainty, supply chain management practices and organizational culture. The research will show that a high level of supply chain uncertainty does not always bring a high degree of collaboration with the supply chain members. Organizational culture is the key driver of a successful collaboration. Not all types of culture can facilitate collaboration but only the ones with an external orientation. Albanian beer producers are aware of the many benefits of supply chain management, but the costs of implementing the supply chain practices are not justifiable especially due to lack of customer education in this field. The focus on the focal company instead on the aggregate supply chain and on one industry are the main limits of this study.*

Keywords: *supply chain management; supply chain collaboration; supply chain uncertainty; organizational culture, beer industry, Albania.*

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Introduction

Customers require more choices, better prices, high quality and better post sale services. Technology is changing quickly, and if a company does not catch the last trends, it may lose competitive advantage. It cannot satisfy customers and be at the leading edge of technology if suppliers are not reliable and consistent with the supply of materials.

Uncertainty from demand, technology and suppliers are the main sources of supply chain uncertainty (Chen and Paulraj, 2003). Today supply chain uncertainty is higher, firstly because supply chains are more vulnerable. They have been always vulnerable, but today they are more vulnerable, as the companies are less vertically integrated, and their supply chain is located all over the world (Wagner and Bode, 2007).

Secondly, mentioned in the first paragraph, the current technology trends are increasing the supply chain uncertainty. The technology changes quickly, and companies need to be innovative, to introduce new products in the market. As new products are frequently introduced, companies need to keep little inventory because many of the components will not be needed to produce the new products. Companies reducing inventory, rely on global sourcing, on lean manufacturing (Shah and Ward, 2003) and on just in time inventory management (Christopher, Lowson and Peck, 2004), which require close collaboration with the supply chain members (Liker and Choi, 2004).

Lastly, the global crisis of 2008 amplified the sources of supply chain uncertainty. We can mention sources like unstable trade and capital flow, currency risk exchange, uncertainty about the environment regulations and an increase of uncertainty regarding the decision of choosing suppliers as companies in developed countries are becoming more credible (Malik and Ruwadi, 2014).

Reducing supply chain uncertainty is of strategic importance for companies. Strategies used by companies to reduce uncertainty vary from building flexible, aligned and agile supply chain (Lee, 2004), increasing resilience of supply chains (Sheffi, 2005), postponement, flexible supply base (Tang, 2006), etc. All these strategies require strong collaboration

with the supply chain members. Many companies acknowledge their success to the relationships with their suppliers and buyers (Myers, 2010).

Research aim and hypothesis

The aim of this research is twofold: first to investigate how supply chain uncertainty influence the extent of collaboration with the supply chain members and second to analyze how organizational culture facilitate the collaboration process. The research is focused on the Albanian beer producers.

There are two main reasons why I chose the Albanian beer producers for this research. Firstly, the consumption of domestic beer is increasing in Albania due to increase in quality and variety with reasonable price (Chan-Halbrendt and Fantle-Lepczyk, 2013). Second, the supply chain of the beer producers is a global one and so they can benefit more from supply chain collaboration.

Chen and Paulraj (2003) found that the main sources of uncertainty are supply uncertainty, demand uncertainty and technology uncertainty. Supply and demand uncertainty depends on demand forecast and supplier reliability (Mc Laren, Head and Yuan, 2005). By collaborating with suppliers and customers more accurate demand forecast can be done, and long-term relationships can be built based on trust, respect and commitment. Also collaboration can reduce technology uncertainty, as by sharing information in real time with the chain members, you can catch the last technological trends quickly (Boon and Wong, 2011). These observations suggest the following hypothesis: *As supply chain uncertainty increases, collaboration with the supply chain members also increases.*

Collaboration requires sharing information, joint decision-making, commitment, trust, and respect (Laskowska-Rutkowska, 2009). In other words, collaboration requires focusing on building and managing relationships with the others. This approach is easier for cultures with external orientations. Cameron and Quinn (2011) define cultures with external orientations as the ones focused on interacting with others outside

their boundaries. This discussion suggests the following hypothesis: Organizational cultures with an external orientation facilitate the process of collaboration.

After the introduction section, there is a brief description of the Albanian beer industry, continuing with the relevant literature regarding supply chain collaboration, supply chain uncertainty, organizational culture and the relation of the last two with supply chain collaboration. Then, the methodology is explained. After the methodology section the findings are discussed, and I conclude with limits of the study and recommendations for managers and future research.

Albanian beer industry

In Albania, beer was first produced in 1928 with the establishment of the Korca Beer by the investor Umberto Umberti (Italy) and Selim Mborja from Korca. There was a production capacity of 20,000 hl beer/year (1 hectoliter = 100 liters). In 1960, Birra Tirana was founded, with a capacity of 50,000 hl beer/year. After 1991 other beer producers, Stela, Norga, Kaon and 80 mini-brewery entered the market (Kume, 2011).

Albanian beer market is growing even after the crisis. This increase is shown by the improvement in the quality of Albanian beer, increased consumption of domestic beer compared with imported beer due to differences in price, increased variety of beer and huge innovations in technology (Chan-Halbrendt and Fantle-Lepczyk, 2013).

The main players in the Albanian beer market are large and medium manufacturers, small producers that compete on low price and imported beers. The large and medium manufacturers are dominated by five Albanian companies: Tirana beer, Stela beer, Korca beer, Kaon beer and Norga beer. Tirana beer is a joint stock company with a long experience and tradition in the Albanian market. It is the company that holds the highest market share, thanks to its long presence in the Albanian market (since the 1960s). Korca Beer is a well-known brand by customers because of its special taste. Stela beer is the second largest producer after Tirana Beer. Kaon and Norga

beers are two new brands that have entered the Albanian market after 90s, and were able to catch a part of the beer market (Kume, 2011).

Literature review

Supply chain collaboration

Today companies are not competing with each other, but the competition is with supply chain versus supply chain (Ketchen Jr. and Hult, 2007). This new competition requires a shift from open market negotiations to co-operation, which is the starting point for supply chain management. But co-operation is not sufficient, so the next transition is to co-ordination, when real-time information is exchanged with the trading members (Spekman, Kamauff Jr. and Mhyr, 1998). The last transition is collaboration, based on trust and commitment with the supply chain members. It is obvious that supply chain collaboration is the key driver of effective supply chain management (Spekman, Kamauff Jr. and Mhyr, 1998).

Supply chain collaboration has become one of the most important topics in the business area not only of its importance in supply chain management, but because it also provides many benefits to the chain members (Min et al., 2005). These benefits are more than just improved efficiency and effectiveness, including increased customer satisfaction (Myers, 2010), improved profit and market share (Myers and Cheung, 2010), reduced lead-time and improvement in innovation (Spekman, Kamauff Jr. and Mhyr, 1998).

Collaboration is easy with the right partners, so an important aspect of collaboration is the selecting of supply chain members. According to Barrat (2004) supply chain collaboration means sharing joint objectives, intellectual agility, trust, respect and commitment, to get the best outcome for each member. The last three factors are the ones that companies value most when they select their partners (Spekman, Kamauff Jr. and Mhyr, 1998). A prime selection is done based on their reputation, quality issues, financial performance and past experience with the company (Duffy, 2014). Normally selection criteria will vary for each industry and company, but criteria like economic benefits, tax and environmental advantages, a high degree of integrity and the existence of synergy are the most important

criteria for selecting the supply chain partners (Spekman, Kamauff Jr. and Mhyr, 1998).

After the selection of the appropriate partners, companies must decide the elements of collaboration. Many consider supply chain collaboration as a unilateral process that focus on one element like information sharing, co- managed inventory, process coordination and workflow realignment (Lee, 2000). Simatupang and Sridharan (2005) argue that key elements of collaboration interact between them. According to them the key elements of collaboration include information sharing, decision synchronization and incentive alignment. Information sharing refers to the access in the personal data of the supply chain members. Decision synchronization is defined as the extent at which the supply chain members coordinate critical decision at planning and decision level. Incentive alignment refers to the sharing of costs, benefits and risks with the supply chain members. Based on these three elements of collaboration the mentioned authors developed a collaboration index that will be used in this research to measure the extent of supply chain collaboration.

Supply chain uncertainty

A recent report, concluded that uncertainty is affecting supply chain in four ways: by adding costs, increasing inventory levels, increasing lead times and reducing speed to markets (Butcher, 2014). The impact of these negative effects is sometimes felt in the long term, so reducing supply chain uncertainty is of strategic importance for companies. Strategies used by companies to reduce uncertainty vary from building flexible, aligned and agile supply chain (Lee, 2004), increasing resilience of supply chains (Sheffi, 2005), postponement, flexible supply base (Tang, 2006), etc. All these strategies require strong collaboration with the supply chain members. Many companies acknowledge their success to the relationships with their suppliers and buyers (Myers, 2010).

Lancaster, Simangusong and Lancaster (2011) argue that the main sources of uncertainty can be divided into three groups, uncertainty that come from the focal company (internal organizational uncertainty), internal supply chain uncertainty that comes from the relations with the supply

chain members and external uncertainties that come from factors outside the supply chain.

This paper is focused on the internal supply chain uncertainty. Chen and Paulraj (2003) argue that internal supply chain uncertainty can be attributed to three sources: supplier uncertainty; demand uncertainty and technology uncertainty. Supply uncertainty relates with indicators of quality, timeliness and the inspection of supplier requirements. Demand uncertainty refers to fluctuations and variation in demands. While technology uncertainty relates with the technological changes within the industry.

Supply chain collaboration initiatives help to coordinate customer demand with supplier and manufacturer production plan, by reducing demand and supply uncertainty (Mc Laren, Head, and Yuan, 2005). Supply chain collaboration also can reduce technology uncertainty, as the continuous sharing of information makes more visible the recent trends in technology (Boon and Wong, 2011). I can conclude that collaboration with the supply chain members can reduce uncertainty deriving from supply, demand and technology.

Organizational culture

Hofstede, Minkov and Hofstede (2010, p. 17) define organizational culture as the “*collective programming of the mind, which makes members of one group or category of people different from those of another*”. Cameron and Quinn (2011) developed a competing value framework to study organizational culture. This framework focuses on two main dimensions: the first dimension differentiates criteria based on flexibility and dynamism versus the other criteria based on stability, order and control. The second dimension differentiates criteria based on internal orientation versus criteria based on external orientation. These two dimensions are the main issues in supply chain management, so this framework is the most appropriate for examining the relationship between the organization culture and supply chain collaboration. From the combination of the two dimensions, four types of organizational culture arise: hierarchy culture, market culture, clan culture and adhocracy culture. The characteristics of each type of culture are presented in table 1.

**Table 1. The competitive value framework
(adapted from Cameron and Quinn, 2011)**

Dimensions	Internal orientation	External orientation
Flexibility	<i>Clan culture</i> Shared values and goals Cohesion Collaboration Teamwork Main objectives are long term benefits and individual development Ideal for uncertain environment	<i>Adhocracy culture</i> Flexible Risk taking Adaptable to new opportunities Innovative Appropriate for hyper turbulent environment Main objective is being at the leading edge of new product, services and knowledge
Stability	<i>Hierarchy culture</i> Clear lines of decision-making Multiple hierarchical levels Formalized procedures and rules Conservatism Main objectives are stability, effectiveness and efficiency	<i>Market culture</i> Oriented toward the external environment High competitiveness Main objectives are profitability, secure customer base and strategic positioning

Supply chain management requires collaboration, which in turns requires membership, trust, commitment and sharing information (Laskowska-Rutkowska, 2009). Perhaps a culture with an external orientation will be the best, but there is little evidence in literature about the best type of culture that make easier the supply chain collaboration process in organization.

Methodology

From the main five Albanian beer producers, only four become part of the study, as the managers of one company did not agree to give information about the topics of the research.

Semi- structured interviews were conducted with the managers of each company. The persons interviewed were purchasing managers, sale

managers and in one case the owner of the business. In some companies was interviewed only one person, while in another company two persons were interviewed. All interviews were conducted face to face, and the confidentiality of data was promised.

A questionnaire guide was prepared to support the semi-structured interviews. It has four main parts: supply chain management practices; supply chain collaboration; supply chain uncertainty and organizational culture. The first part consisted of open questions and one-rate scale questions. The open questions were about the supply chain management practices adopted by the companies in terms of collaboration with suppliers, collaboration with customers and information sharing. The rate scale question was about the reasons for selecting the supply chain members. A list of reason was presented, and they were asked to give an evaluation from 1 to 5, when 1= strongly disagree and 5= strongly agree. The interviewers were free to mention other reasons that were not in the questionnaire.

For the second part the collaboration index of Simantupang and Sridhran (2005) was used. The authors measure collaboration based on three dimensions: information sharing, decision synchronization and incentive alignments. In Appendix 1 are listed the items for each dimension. The respondents were asked to give an evaluation from 1 to 5, when 1= strongly disagree and 5= strongly agree, to each item. The index score simply equals the sum of the aggregate scores of each dimension, assuming equal weight for each of them. Higher the index score higher is the collaboration between the supply chain members. Comparing the score of the collaboration index with the maximum score, I could evaluate if the level of collaboration is low, medium or high. The maximum score of the collaboration index relates with the maximum score for each dimension (the respondents evaluate five each item).

To measure supply chain uncertainty, the study of Chen and Paulraj (2004) was used. As mentioned in the literature review, they identified three sources of uncertainty: supply, demand and technology uncertainty. The authors for each type of uncertainty provide a list of items that are presented in Appendix 2. The respondents were asked to give an evaluation

from 1 to 5, when 1= strongly disagree and 5= strongly agree, to each item. Regarding supply uncertainty, a total score of 10 signifies that the suppliers fulfill all the requests and offer materials of consistent quality, so the supply uncertainty is low. An evaluation of 25 for the second dimension (in the case when the respondent evaluates with the maximum points all the five items) is related with high demand uncertainty. Lastly, high technology uncertainty relates with a total evaluation 20 (in the case when the respondents evaluate with the maximum points all the four items). The scores for each source of uncertainty were compared with the maximum scores, to evaluate the level of uncertainty for the three sources of uncertainty.

The last part was focused on organizational culture, and consisted of open questions.

The questionnaire guide was first evaluated by academicians, and was tested in one of the companies that are part of the study. Some questions were improved and changed based on the feedback of the academicians and the result of the first interview.

The most relevant ethical issues for this research are confidentiality of data, avoiding causing harm and lacking respect, informed consent and promise to provide the participant with a copy of the study.

Research findings

The name of the beer producer will not be mentioned as they asked to be anonymous, so I will call them Beer producer A, B, C and D.

Supply chain member's selection

Table 2 summarizes the findings of what participants consider important when selecting a supply chain member.

Table 2. Supply chain member's selection

	What are the main reasons for selecting the supply chain members?	
	<i>The most important</i>	<i>The less important</i>
Beer producer A	Is reliable Had been reliable in the past with us Is committed to us Offer economic benefits Help to reduce the production costs Help to reduce the workforce cost	Offer political advantages Offer environmental advantages
Beer producer B	Is reliable Has a high degree of integrity Has a good reputation Had been reliable in the past with us Offer economic benefits Improve our competitive position Help to reduce the production costs	Offer political advantages Offer tax advantages Offer environmental advantages
Beer producer C	Is reliable Offer economic benefits Offer tax advantages Offer environmental advantages Help to reduce the production costs	Offer political advantages Has a high degree of integrity
Beer producer D	Is reliable Has a high degree of integrity Exist synergy between us Offer environmental advantages Help to improve the competitive position	Offer tax advantages Offer political advantages Offer economic benefits

All the beer producers seek members that are reliable and help to reduce the production costs. They do not consider tax and political advantages as important criteria. Beer producer D very differently from the others does not select the supply chain members based upon the economic advantages they offered.

Supply chain practices

The suppliers of many beer producers are unique and strategic; sometimes they have the same supplier, which is consistent with the findings from the previous part (the most important selection criteria for supply chain members is reliability). Having strategic suppliers requires building strong relationships with them, which in turns requires collaboration. But the beer producers are engaged very little in supply chain management. There is little collaboration, synergy and information sharing between the supply chain members. Sophisticated supply chain processes like EDI and flexible manufacturing cells are not used. Even other sophisticated tracking mechanisms are not used, and many of them do not know about these mechanisms.

They do not have software to exchange information in real time with suppliers and customers due to the high cost of implementing the software. Suppliers and especial customers are also not accustomed to use software and to provide information for inventory level, price etc., considered by them personal and strategic, to the supply chain members.

Supply chain collaboration

Table 3 reports the score for the collaboration index, expressed as the sum of the score of the three dimensions of the index, for each beer producer.

Table 3. Collaboration index

Beer producer	Information sharing	Decision synchronization	Incentive alignment	Collaboration index
Beer producer A	15	17	17	49
Beer producer B	38	35	14	87
Beer producer C	30	26	14	70
Beer producer D	25	17	11	53
<i>Maximum score</i>	<i>50</i>	<i>40</i>	<i>25</i>	<i>115</i>

The collaboration is at medium levels for the Beer producer B and C, and at low levels for Beer Producer A and D. It makes no sense to interpret these results alone, as the research aims to find the correlation that exists between supply chain collaboration and supply chain uncertainty. So I will analyze the finding for supply chain uncertainty and then I will relate them with the present findings.

Supply chain uncertainty

The sum of the evaluations given from the respondents for each type of uncertainty is presented in table 4.

Table 4. Supply chain uncertainty

Beer producers	Supply uncertainty	Demand uncertainty	Technology uncertainty
Beer producer A	7	19	13
Beer producer B	8	16	12
Beer producer C	9	11	8
Beer producer D	10	6	10

The data in table 4 shows that supply chain uncertainty is low for all the beer producers. The demand uncertainty is high for the first beer producer, at medium levels for the other two beer producers and low for the fourth beer producer. Lastly, technology uncertainty is at medium- low levels.

The overall supply chain uncertainty is at high- medium levels for the first three producers and at low levels for the last producer.

Beer Producer A has the highest level of supply chain uncertainty in comparison with the other beer producers, while it has the lowest score of the collaboration index. Beer producer C and D have a low level of supply chain uncertainty and low-medium score of the collaboration index, while Beer producer B has the highest score of the collaboration index and supply chain uncertainty at medium levels. The literature and hypothesis 1 argue that when supply chain uncertainty is high more supply chain collaboration is required. The research shows that this is not true in the case of Beer Producer A. Let's analyze the findings related with organizational culture and then analyze more in detail this contradicting result.

Organizational culture

The framework used to analyze the organizational culture is the competitive value framework of Cameron and Quinn (2011). After carefully analyzing the elements of the organizational culture for each producer, I concluded that Beer Producer A has a clan culture, Beer Producer B a market culture while the others have a hierarchical culture. The most important elements

of the organizational culture for each beer producer are summarized in Appendix 3.

Beer Producer B has a culture with an external orientation and has a high score of the collaboration index while the other producers have organizational cultures with internal orientation and low-medium score of the collaboration index. The finding does not contradict hypothesis 2.

Beer producer A, with clan culture, has a high level of supply chain uncertainty but a low level of supply chain collaboration. The lowest level of collaboration was at information sharing and decision synchronization. The manager of Beer Producer A during the interview mentioned that for them privacy is important, so suppliers and customers do not need to have access to their personal information or participate in their decision making processes. Their organizational structure is flat, and I noticed that they tended to work in group. It would be better that they adopt this spirit of collaboration even with the external members of the supply chain, to reduce the high demand uncertainty that they are facing.

Conclusions

Albanian beer producers are aware of the many benefits of supply chain management, but the cost of implementing the supply chain practices are not justifiable especially due to lack of customer education in this field.

In general the level of collaboration in the Albanian beer industry is at medium levels, with an average score of the collaboration index of 65. Albanian beer producers do not like to share information with the supply chain members, but instead they argue that decision synchronization and sharing of costs and benefits with the supply chain members would benefit everyone in the supply chain.

The new business environment is facing more supply chain uncertainty that can be attributed to three sources: supply uncertainty, demand uncertainty and technology uncertainty (Chen and Paulraj, 2003). The main source of uncertainty for the Albanian beer producer derives from demand while

uncertainty from supply side is very low. Their suppliers always fulfill their requests and offer materials of consistent quality.

This research shows that there are cases when a high level of supply chain uncertainty does not bring to a high degree of collaboration with the supply chain members. Organizational culture is the key driver of a successful collaboration. The findings of the present study show that not all types of culture can facilitate collaboration, but only the ones with an external orientation. As cultures with internal orientations are the most common between the Albanian beer producers, the implementation of supply chain collaboration practices will not be easy. The next section provides some recommendations to help managers in dealing with supply chain collaboration, taking into consideration their organization culture and level of supply chain uncertainty.

Recommendations for managers

Based on the finding of the research my suggestions for the managers are the following:

Multiple sourcing versus single sourcing: We are living in an uncertain world, and it is better to have more than one supplier. Many companies keep one supplier to meet their normal demand of components and another supplier in case of a sudden increase in demand for components. Some companies rely on many suppliers, as they want to secure the flow of components. If something happen to one supplier, the other supplier is available. But having many suppliers, means “destroying money and relationships”. Destroying money as you have to invest money to find and keep many suppliers. If you rely on many suppliers, you cannot build strong relationships with each of them. Before deciding to rely on one or more suppliers, analyze the competition to see if any of your competitors rely on the same supplier. If you share the same supplier with your competitors, it is necessary to create strong relationships with your supplier and to analyze the supplier market in case of any inconvenience by the supplier side.

Collaboration to detect the weakest link in the supply chain: Today many supply chains are global and complex, so it is difficult to monitor and manage them. If one part of the supply chain is weak, all the supply chain

will be weak. The best suggestion for quickly discovering the weakest link is collaboration and continuous information sharing with all the companies in the supply chain. By collaborating with all the members in the supply chain, you can help them to meet your objectives and also you will know them better. Companies need to collaborate in normal times and especially in difficult times. If you exchange real-time information about demand and supply with your members in the supply chain, you will notice immediately if something happens to them and vice versa. A small problem can bring big problems, so it is better to discover and solve it immediately.

Understand your organizational culture: Companies have different cultures that sometimes help them to engage easily in supply chain collaboration and sometimes impose limits. So it is suggested to understand who are the strengths and limits of your corporate culture. When you decide to engage in supply chain collaboration, you have to consider these strengths and limits.

Organize internally and then externally: The spirit of collaboration must exist first inside the company and then outside the company. If people in the company are not used to collaborate and work together as a team, it will be a waste of time trying to collaborate with other companies.

Limitations and recommendations for future research

The results of this study are relevant for the Albanian beer producer. Further studies should expand the study in other industries.

Another limitation of the study is the focus on the focal company. Future research may focus on different companies in the supply chain, for example, the best case will be to conduct a study on the aggregate supply chain.

The Albanian beer producer relies on one supplier for many products and they do not build strong and lasting relationships with them. Based on this finding, one interesting area for future research will be the problem of single sourcing versus multiple sourcing. The research will be useful in

helping managers to understand if single sourcing or multiple-sourcing is the best option for their company.

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Appendix 1. Collaboration index*Information sharing*

Our business unit consistently shares the following information with our suppliers:

1. Promotional events
2. Demand forecast
3. Points of sale (POS) data
4. Price changes
5. Inventory holding costs
6. On-hand inventory levels
7. Inventory Policy
8. Supply disruptions
9. Order status or order tracking
10. Delivery schedules

Decision synchronization

Our business unit consistently incorporates our suppliers input to:

1. Jointly plan on product assortment
2. Jointly plan on promotional events
3. Jointly develop demand forecasts
4. Jointly resolve forecast exceptions
5. Consult on pricing policy
6. Jointly decide on inventory requirements
7. Jointly decide on optimal order quantity
8. Jointly resolve order exceptions

Incentive alignment

Our business unit consistently:

1. Shared saving on reduced inventory costs
2. Delivery guarantee for a peak demand
3. Allowance for product defects
4. Subsidies for retail price markdowns
5. Agreements on order changes

Appendix 2. Supply chain uncertainty measurement model

Supply uncertainty

1. The suppliers consistently meet our requirements
2. The suppliers produce materials with consistent quality.

Demand uncertainty

1. Our master production schedule has a high percentage of variation in demand.
2. Our demand fluctuates drastically from week to week.
3. Our supply requirements vary drastically from week to week.
4. We keep weeks of inventory of the critical material to meet the changing demand.
5. The volume and/or composition of demand are difficult to predict.

Technology uncertainty

1. Our industry is characterized by rapidly changing technology.
2. If we don't keep up with changes in technology, it will be difficult for us to remain competitive.
3. The rate of process obsolescence is high in our industry.
4. The production technology changes frequently and sufficiently.

Appendix 3. Elements of the organizational culture

Beer producers	Elements of the culture	Type of culture
Beer producer A	Risk takers Teamwork Collaboration Low level of hierarchy	Clan culture
Beer producer B	High level of hierarchy Very competitive Oriented toward profits and strategic positioning	Market culture
Beer producer C	High level of hierarchy Individualism Formalized rules and procedures High level of indulgence	Hierarchical culture
Beer producer D	High level of hierarchy High level of indulgence Formalized rules and procedures Individualism	Hierarchical culture

The role of the European Union funds in economic development

Cristian PĂUN¹

Abstract. *The European Union project initially started as a peaceful solution for post-war reconstruction in Europe. European countries decided to cooperate rather than to compete in an aggressive way. At the beginning, this project supposed market liberalization, trade barriers removals, market access improving (initially for coal, steel, energy and, later, for all goods, services, workforce and capital). Unfortunately, in the last decades, all these Single Market facilities have been backed by redistributive schemes, protectionist mechanisms, social engineering, subsidies and facilities packed in so-called "EU policies". New „European" institutions have been created; more and more funds have been involved to financially support this very complex redistributive intervention. Political dimension of the European Union project enhanced the economic dimension and constantly suffocated private markets and economy. The „incomes" of the European Union that fuel its financial support are coming from taxes and / or inflation (better administrated after the introduction of Single Currency – euro). This paper will discuss the relevance of European Funds for economic development, especially for new members in this project.*

Keywords: *European Union; European funds; economic integration; single market; euro.*

Introduction

The European Union integration process is very complex and unique. This process started as a common market for heavy industries (coal and steel) on 9 May 1950. The project was presented to the public as a solution for cooperation among western European countries involved in a very destructive war and a peaceful project of economic development. This process had different stages: firstly started as a free trade area consisting in the removal of trade barriers between founding countries for a specific

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number of heavy sectors (coal, steel and later energy) in 1951; the process evolved to a generalized free trade area for all goods and services called „common market” and then to „single market” in 1992 supposing the four fundamental free movements of goods, services, people and capital (Wallace, Pollack & Young, 2010). Common institution with specific roles emerged: European Parliament (legislative), European Council (legislative), European Commission (executive), European Courts (control and judicial aspects) and, later, European Central Bank (monetary). The next step in the integration process was the creation of a single currency area as a support for single market. Political union represents now the last challenge for the European countries. Common policies have been implemented: common agricultural policy, environmental policy, monetary policy, competition policy or common security and foreign policy (Cini & Borrigan, 2013).

All the EU members have been „forced” to participate to the budget of the European Union administrated by the European Commission. A significant part of local taxes have been transferred to this higher level. Taxation significantly increased after '90s in all EU countries, in order to be able to support this project (Joumard, 2002, p. 93). After financing all operating expenditure for all EU institutions (including EU Parliament), the EU budget allocates important funds for financial support of common policies: the European Agricultural Guarantee Fund providing direct payments to farmers and European Agricultural Fund for Rural Development providing funds for rural development or LIFE Program for environment and climate action are relevant examples of such funds. Redistribution was reinforced by introducing more social sophisticated financing instruments such as European Social Fund with an allocation of 80 billion euro only for 2014 – 2020 period and extra 3.2 billion euro for Youth Employment Initiative for the same period, European Regional Development Fund, European Cohesion Fund that allocated 63,4 billion euro mainly for transport infrastructure and environmental projects and, recently European Union Solidarity Fund that provided 3.6 billion euro for 23 countries until now. Additional funds have been created to support sensitive sectors like SMEs or city areas are giving them a humanized name: JEREMIE - Joint European Resources for Micro to Medium Enterprises focused on providing financial support (guarantees, co-guarantees and counter-guarantees or equity guarantees), (micro) loans for small business ideas, credit insurance policies, securitization operations, venture capital

funding, business angels funding and technology transfer financial support; JESSICA - Joint European Support for Sustainable Investment in City Areas ensuring financial support for developing urban infrastructure, improving cultural sites, commercial infrastructure for SMEs, IT or RandD sector, university buildings and JASPERS - Joint Assistance to Support Projects in European Regions providing funds for new comers in European Union for strengthening their capacity to submit financing project proposals (European Commission Official Website, 2014). For passing the crisis time, European officials created more sophisticated funds such as the European Financial Stability Facility (EFSF) created in 2010 with a total capital of 701.9 billion euro from which paid-in capital is 80.2 billion euro empowered with ability to borrow money to governments, to recapitalize banks that encountered problems or to directly purchase debt form primary or secondary debt market (ESM Official Website, 2014). More and more institutions and public servants are continuously added to the whole EU mechanism (for instance, for the administration of EFSF was created ESM – European Stability Mechanism with 130 public servants in present). The idea of this paper is to analyze, from a theoretical perspective, the current European Union project and its relevance for economic development.

The economic growth concept and its determinants

Economic growth is a holistic concept and could be interpreted in various ways. Commonly it is associated to „*the process by which a nation's wealth increases over time*” (Merriam – Webster Dictionary definition). The way of measuring this economic growth consists in using a specific macroeconomic indicator called GDP – Gross Domestic Product adjusted with inflation rate the result being real GDP growth rate. Business cycles are defined based on the same indicator: „*a period of temporary economic decline during which trade and industrial activity are reduced, generally identified by a fall in GDP in two successive quarters*” (Oxford Dictionary definition). Additional indicators are proposed to measure economic growth: GDP per capita, national income per capita, national consumption per capita etc.

First of all, we should mark the severe inconsistency of the concept of economic growth: the nation's health is difficult to be measured being

composed by individual wealth. How we can objectively estimate this individual wealth considering that various assets compose it: lands, buildings, financial assets (equities, debt instruments) that should be up-to-date evaluated at the market price? The approximation of nation's wealth with this GDP is far away from the reality. GDP is including the market value of the *final* goods and services produced by an economy within a specific period of time (usually a semester or a year). So, no *intermediary* goods and services are included in this GDP. But, intermediary goods are part of nation's wealth. Lands, buildings or other kind of resources (raw materials) are part of a nation's wealth. Any change in their market value from a year to another should be included in the concept of economic growth.

On the other hand, GDP is very problematic being aggregated in three different ways (all of them being an approximation of nation's wealth):

1. *Production method* consists in adding the total sales of goods and services made by all the companies in various sectors for a defined period of time (1 year) minus the intermediate consumption of these companies (this difference is called GDP at factor cost) and adjusted with the difference between indirect tax (VAT or sales tax for instance) and all kind of subsidies (GPD at producer prices). The problem with this method consists in the fact that it is inappropriate to approximate nation's wealth only with net profit of private business excluding public sector activities (public institutions such as universities are not selling anything) or by excluding balance sheet of all kind of operators (market value of their assets and liabilities are also significant component of nation's wealth). Ignoring the value of buildings or lands that could increase or decrease over the time is significantly altering the measure of nation's wealth and its change through GDP at producer prices. Moreover, money production (including credit expansion) is also part of this wealth. Barter economy and subsistence economy is not included in such sales. Underground economy (unofficial economy that is never registered) is also not included in such estimation.

2. *Income method* is based on the classification of incomes into few categories (wages, corporate profit, financial incomes including interest rate and dividends, income from agricultural business, and income and

other incomes from unincorporated business). The sum of these incomes adjusted with the difference between indirect taxes and subsidies and with the depreciation of fixed assets (that is added in this case) will generate GDP at factor income. Again, the income from the difference between market value of fixed assets (a land or a building have a changing value over the time) is not taken into consideration. Unofficial sector and barter economy are also excluded from such estimation. Rentals are not included in this GDP at factor income. Therefore, an alternative method of computing GDP at factor income is adding the compensation of employees (all kind of compensation) to the gross profit of private business, to the gross result of unincorporated business and to the difference between taxes and subsidies. Another one is adding rentals to wages, profits and interests and statistically adjusted incomes (corporate income taxes, undistributed corporate profits and dividends). All these methods are an approximation of nation's wealth. This income method is very sensitive to money production and to credit expansion based on easy and cheap money policy. If the central bank will print money and will distributed this fresh money as profit or income, GDP will significantly increase for a while even in real terms (until the inflationary effect will be present in the economy).

3. *Expenditure method* is the common used method and consists in adding investments (I) to private (households) consumption (C), to government spending (G) and net exports (the difference between exports – X and imports M). Again, this method has a lot of problems: it is difficult to establish when an acquisition is an investment or a consumption; investments are excluding the real estate investments or financial investments or savings; consumption is excluding the acquisition of a house or a land for personal consumption. Government expenditures are including those made by using a credit from a commercial bank that bought a treasury bill or bond and that discounted it to the central bank for fresh money. So, using this method, a government could increase GDP by increasing public deficit and public debt. All these expenditure (C, G and I) are including only final goods and services and not intermediary goods used to produce final goods. In the wealth of a nation, these intermediary goods count too a lot.

Looking to all these different methods of computing a nation's wealth we see that it is very difficult to measure such thing and to estimate its change

over time with accuracy. Economic growth of a nation based on GDP is useless.

Secondly, economic growth should be measured in real terms. Inflation rate is used to correct nominal GDP. Inflation rate is also a problematic indicator. Inflation is defined as a *generalized* increase of prices in an economy, for a defined period of time. Therefore, when we are measuring inflation, we should take into consideration all goods and services traded in an economy within that period of time. This is an impossible task so, the officials proposed a harmonized prices index (consumers or production prices) at the level of EU countries. This is an index based on a weighted average of the most important prices from those economies (not all of them). But this index is excluding some important prices such as financial assets prices, real estate prices, rentals, interest rate (the price of capital), exchange rate (the price of other currencies) etc. Moreover, this inflation refers to no one of us because it is based on a basket of goods (a weight of the price for an automatic washing machine and the price for a manual washing machine, none of us will buy both of them in the same time). No consumer's behaviour could be associated to such an index. Additionally, monetary impact (the increase or the decrease of prices due to the increasing or decreasing volume of existing money or existing credit in the economy) could not be divided from natural impact (the increase of prices due to a higher demand or a lower supply on the market).

Who is influencing the economic growth? The determinants of economic growth are considered to be: the volume of savings; the investments in capital goods; volume of exports; the human capital resources or technological progress that is influencing the productivity level (Solow, 1956; Perotti, 1996; Barro, 1998). The public sector could influence this economic development in various ways (not necessarily positive ones): higher taxation will increase the underground economy and will transfer money from private economy for paying public expenditure, the result being lower economic growth rate; a lot of public investments financed from credit expansion or money production are in fact expenditures or public consumption of resources without important impact on economic growth (the allocation of these resources is merely arbitrary and politically reasoned than economically justified); investments made by public sector have lower efficiency than those made by private sector due to the existing

moral hazard or the inexistence of bankruptcy (no one will assume the failure of political allocation of such resources).

The implication in the European Union (a very complex system of treaties and agreements) complicated more the situation of economic growth by increasing the risk of crisis contagion or spill over among the members of the union. The existing treaties force the members of the EU to act in the same way and to enter almost simultaneously in the same business cycle (it is problematic when this cycle means crisis or economic recession). A mistake or a problem registered at the level of one country (or few of them) could push the entire economic union in the crisis (the case of Greece, Ireland or Cyprus are relevant for this statement).

Concluding, the economic growth is not a clear concept that could be measured with accuracy. Real growth rate of GDP is inconsistent and any attempt to catch the impact of more integrated countries or the impact of the EU funds on economic growth will be biased, due to the significant imperfection of this indicator to express the changes in the wealth of nations over the time. Moreover, the economic growth of a single country from European Union is significantly affected by the situation of the other countries due not only the economic channels that spread the crisis (foreign trade with the other EU members or foreign investments made in a member country by the others) but due to the political channels (the treaties that force the countries to act as a whole not individually).

The European Union's financial support and the economic growth of the member countries

Public intervention is merely viewed as something good and always generating a positive impact in the economic field. But the state intervention means *„the intrusion of aggressive physical force into society; it means the substitution of coercion for voluntary actions”* and the State is *„is the only organization in society legally equipped to use violence and since it is the only agency that legally derives its revenue from a compulsory levy”* (Rothbard, 2009, p. 877). In the same way, Mises (1998) defines state intervention as *„an isolated order by the authority in command of the social power apparatus; it forces the entrepreneur and the owner of the means of production to use these*

means in a way different from what they would do under the pressure of the market. The order may be by command or interdiction" (Mises, 1998, p. 10). According with the same author, the State intervention could be divided into two different systems: (i). a pure *socialist / communist system* (formerly applied in Eastern Europe) where any mean of production is owned by the state, there is no market cooperation, the prices and the allocation of resources, the production volume and structure is fully controlled and determined by the government and (ii) the *corporatist socialist system* (formerly applied in Germany) where the means of production are owned by private companies, the exchanges are privately done within the markets, but the government is establishing what should be produced, what should be bought or sold on the market, the level of prices and so on. The interventionism is seen as a third viable system placed between socialism (where all the means of productions are publicly owned) and capitalism (where all the means of production are privately owned). In the interventionist system the means of production are privately owned, but the state is regulating the market conditions, the prices, the competition level, the consumers' behaviour and so on. In fact, this system is close to the corporatist socialist system.

The way in which the State is hampering the private exchanges and production could be classified in various ways. The most relevant could be the classification proposed by Rothbard, (2009, pp. 1058-1059): 1. *Autistic intervention* that is „*command an individual subject to do or not to do certain things when these actions directly involve the individual's person or property alone*". In this case the coercer is not claiming something from the coerced subject. For instance, the State could force a company to apply specific environmental standards or to sell the production in a certain way to customers, by creating additional "rights" to them (the "right" to return a merchandise a specific time after purchasing it if the customer is not "satisfied" by it). 2. *Binary intervention* consisting in „*a coerced exchange between the individual subject and himself, or a coerced "gift" to himself from the subject*". In this category we can include all direct and indirect taxes (income taxes, VAT, sell taxes). Compared with autistic intervention, binary intervention is claiming something from the coerced subject in exchange with a service provided by intervener (a tax for providing controlling services on the market or a tax for simply authorizing the access on the market or the production of a certain good). 3. *Triangular*

intervention that is the situation when „*the intervener compels or prohibits exchanges between sets of two other individuals, like are price control and licensing*”. In fact, in case of triangular intervention, the state is intervening in the exchange of goods and services between market participants hampering the mutual voluntarily agreed contract between them. Often, the private contract is containing clauses or conditions that arbitrarily and aggressively established by a third party (the State) that has nothing to do with the parties involved in such contracts: sellers or buyers, employer and employee, saver and banker, investor and investment institution etc. State intervention is claimed to introduce more market order and to better regulate the commercial contracts signed between market participants. All these types of interventions are aggressively exercised by the State itself (through its public servants) or by agencies created and protected by the State. Sometimes, these kinds of agencies are considered to emanate from private market and to be privately created institutions such as central banks or capital market controlling institutions (SEC – Security Exchange Commission for instance). These agencies are not private and their „incomes” are in fact taxes applied to those who are acting in a specific sector or market.

The European Union could not be considered a capitalist project. In many countries, the means of production are merely owned by private operators. But significant products or services continued to be delivered only by the State, considering that this kind of sectors are too sensitive or are not interesting for private operators that could not obtain much profit from such activities: healthcare system remained publicly owned in a lot of the EU countries, educational system is publicly owned also in almost all of them (in Greece there are very few private universities, similar with France where about 80% of schools are public ones or Belgium where private schools are subsidized in the same way as public ones), pension funds are publicly administrated by State in a lot of countries (in Romania, for instance, the contribution to public pension scheme is compulsory and this scheme does not suppose an investment of these contributions but the payment of pensions for existing retired persons, similar with France that have a compulsory social security system on a ”pay as you go” scheme or in Italy where there is a similar „pay as you go” unfunded scheme for public pension system combined with a voluntarily private schemes). Research and innovation sector is also associated with the State, especially in the

countries where education (universities) is merely delivered by public universities.

Another interesting example is that of introducing euro as a Single Currency for the Single Market. The European Union eliminated in this way the competition between European countries in terms of money production and credit expansion. More State owned producers of money have been replaced by a single one fully controlled not directly by each country participating to this Single Currency Area. Even the production of money is less „competitive” now than initially was, generating more moral hazard and more power for the EU institutions.

The European Union project started as a project that helped the market in few specific heavy sectors well affected by the WW2: coal, steel and later nuclear energy. The state intervention in this sector was seen to be lowered by creating a common market without trade barriers between the Six founding countries. Less controls, less taxes, less trade barriers means lower state intervention. The project continued in the same way, being extended to a larger number of countries in different moments (now the European Union project has been extended to a number of 28 countries, the last one accepted in 2013). In the same time, the „freedoms” have been significantly extended from (specific) goods to services, labour and capital. At the first sight, the Single Market project could be considered a liberal initiative meaning a lowering of state intervention at the level of member countries. In fact, this intervention was slightly moved from national level to supra-national level by creating new EU institutions with specific policies that are regulating the „free” movement of goods, services, capital and labour. Almost all of means of production, mostly privately owned, became dependent from the public support in a sort or another:

- There are „sensitive” sectors like SMEs sector (Small and Medium Enterprises) or agriculture that are significantly subsidised in different ways: direct payments for animals and for cultivated surface; guarantees for private loans that increase the credibility and the borrowing capacity of SMEs or farmers; subsidised interest rate; guaranteed prices (minimum price for agricultural products); protection from external competition using pricing schemes;

- There are many companies that are encouraged to develop their project and business ideas using a significant co-financing scheme from EU funds that cover different kind of expenditures in an important percentage (60% - 80%). This kind of projects suppose the acquisition of new machineries for production purpose, the building of touristic facilities in rural areas, the human resources development programs, the acquisition of a patent or a production licence, the start-up of a business, the building of a technological park for SMEs;

- Another important intervention consists in financing an important value of projects developed by local public authorities (the water supply of a community, the sewage system for a village, the roads system, cultural heritage preservation, historical sites). Even the financing is granted by the European Union (there could be a co-financing part from local or national budget), the development of such projects supposes the subcontracting of them to private companies for construction, operating, maintaining the sites. The connection with the State of private sector is present again in this case;

- Another form of intervention is to regulate the market. The private operators should take care of so many regulations established by EU public servants that claims to take care of consumers or, sometimes, of producers. This over care of European regulators about the market conditions are futile and very costly for private operators that are trying to remain competitive and connected to the real needs of their consumers. In a capitalist system, the consumers are the regulators of the market. They are sanctioning any entrepreneur that is increasing the operating costs by introducing unnecessary ones. They are sanctioning (by refusing to buy from them) any entrepreneur that will make a mistake or that will be far away from their needs. The perspective of bankruptcy in this case is significantly reducing the moral hazard of these entrepreneurs. In a socialist system, the power of market to regulate (or to correct / to adjust) the problems is replaced by the power of government. Without having any reason or economic logic, the European Union developed a huge and complicated regulating system trying to intervene in any sector as much as possible: they have forbidden the traditional sacrifice of pigs with the occasion of Christmas Eve (the animal should be totally anaesthetised before). The private markets are full of imperfections due to the fact that are based on

cooperation between people interested to exchange goods and services. The buyers and sellers are not robots or machines, they subjectively act, they have imperfect information, they have limited time to decide and they have limited capacity and resources to deal with existing data and information. Moreover, not all of them are honest with the others, trying to obtain maximum as possible from each market transaction. The power of market to regulate and to correct all these imperfections is simply reduced to the elimination of those operators that are far away from the competitors. Replacing this power with the European Union institutions' power to regulate the private markets is a huge mistake that will introduce more imperfections in the exchanges of goods and services at the level of Single Market. The markets are always unstable, dynamic and full of unforeseen events. All these imperfection are part of uncertainty that is associated to economic decision. Without these imperfections the profit of entrepreneurs will be not present and the price of goods and services will be calculated at the cost level only. The absence of this profit will determine the absence of entrepreneurs. The way of dealing with these „imperfections” exercised by the State's institutions is altering this natural state of markets and the efficient allocation of resources. The capacity of markets to correct such imperfections automatically is significantly reduced. Finally we have more volatile markets (due to necessary correction and adjustments that occur from time to time and that are generally called „crises” or „economic depressions”), more imperfect markets and less „just” or „fair” prices and costs.

By looking to the current situation in the European Union we can simply state that this group of countries is promoting a more socialist than capitalist system. We can find all types of public interventions (autistic, binary and triangular interventions) exercised by the EU institutions in collaboration with the local administration. The last economic crisis significantly strengthened this intervention by creating new institutions and policy instruments (see the case of European Fund for Financial Stability). Private owners of production means are suffocated by taxes, by increasing public debts that are producing nothing valuable for the markets, by increasing number of institutions and market rules or by increasing number of public servants never connected with real economy. The allocation of resources based on market principles and needs is slightly replaced by an allocation significantly controlled by the State (including

here the European Union institutions). The introduction of euro increased the capacity of such European Institutions to produce more debt and deficits, providing the ability to issue debt securities on behalf of the EU tax payers. Unfortunately, the path is not in the direction of capitalism and free market but the opposite direction: more controlled and regulated markets.

This evolution is not improving the wealth of the EU citizens. Day by day, this wealth is destroyed and transferred from more efficient to less efficient allocation. The economic arguments are very simple:

1. All these state intervention mechanisms are in fact operating costs for private operators. The private entrepreneurs have limited possibilities to deal with such additional costs. If they will try to transfer all these costs derived from higher taxation, higher bureaucracy and more complicated barriers in the final price of goods and services labelled EU origin, the prices will be higher than elsewhere and this entrepreneurs will become less competitive compared with others located outside the EU. If they try to support all these costs and not to transfer them in the selling price, their profits will significantly decrease. It will be more profitable to locate the business outside the EU where the profit margins will be higher. Due to this lower profitability, the EU originating business will become less competitive than elsewhere;

2. All these restrictions, barriers, subsidies, financial support are affecting in an irreversible way the structure of production in a specific region or country. The producers will be focused on supplying goods and services that are connected to the public funds provided by the European Union (it is well known the case of farmers that traditionally cultivated a specific type of plant or grow a specific type of animal and that changed their option in accordance with existing subsidies or cheap financings from the European Union). The capital goods are channelled to the same direction. If the European Union is interested in „green energy”, all entrepreneurial efforts are artificially connected to this public policy that means cheap finance too. Competition policy, agricultural policy and fiscal policy contain a lot of protectionist elements. By protecting European farmers for instance, the European Union hampered the market in a negative way

creating huge surpluses of specific agricultural products (the EU countries are producing a surplus of 2 billion of wine bottles per year more than they can consume or sell as the result of decades of EU intervention in this sector). The market needs are completely ignored and the allocation of funds (from taxes mainly) has a strong political nature: under pressure or lobby of specific groups of producers or consumers, European institutions are always changing / adjusting their priorities for public policies and financing mechanisms;

3. The interventionist measures taken by European institutions created and protected different privileges for specific groups of interests. In case of market economy everybody is free to enter in the market as entrepreneur or as employee. All the entrepreneurs are acting under the permanent pressure of consumers, controlling their costs and managing the uncertainty in the best way possible. There is no protection in the market for those who are not able to fulfil the consumers' needs accordingly. There is no privilege there. The producers are enslaved to their consumers. If someone wants to be consumer and to dominate by his consuming decisions the actions of different producers, this person should act as a producer and seller of something on the market. In the market economy everybody is in the same time producer and consumer of something. But before being consumer, we should find something to produce and to sell. The wealth of everybody is linked to the production and exchange capacity. The interventionism of the European Union created privileges for the producers of taxes (fiscal entrepreneurs) and producers of money (monetary entrepreneurs). Without producing something valuable for the market, more and more privileged persons are increasing their wealth in an unfair way. In this system, keeping yourself outside of this interventionism seems not to be a profitable choice. The power and the fight between different privileged groups significantly increased. Producing taxes (including in this category also those entrepreneurs that are financing the development of their business by using EU financings), regulations (working as a market controller) or money out of nothing is more "valuable" than supplying the market with needed goods and services.

Concluding, the European Union project is far away from market economy. Interventionism is suffocating the private initiative and is forcing more and more entrepreneurs to be connected to this public intervention that

is granting a lot of privileges and is redistributing the wealth by involving political means. All these privileges have a cost; they are financed from the others' wealth (there is no „free lunch” in the economic system), usually those that are less (or none) connected to the public funds and subsidies voted and granted by central planner that is now moved from national level to the EU level. In a long run, such interventionist project will fail into a socialist one or will enter into bankruptcy due to the fact that it is impossible to create and to finance privileges for everybody without producing notable disruptions and losses for somebody. The last decades reveal a weak and reduced economic growth rate for almost all EU economies, with very few exceptions (Germany, Poland or Netherlands but for very short periods).

European Funds and the myth of their role in the economic growth

The European Union project is unique and full of contradictions. The interest for this project significantly increased in the last decades. A lot of former socialist countries decided for acceding into this project considered to have more benefits than costs. One of the reasons for those countries was the redistribution of wealth through so-called EU funds for different purposes: regional development, rural development, increasing competitiveness, and economic development. Almost all European countries linked their economic growth to EU funding absorption capacity. The impact of such funds on economic growth is inconclusive: countries with higher absorption rate have lower economic growth than countries with lower absorption rate (with very few exceptions). Countries that based their economic development on such funds (Spain, Italy, Portugal, Greece or Ireland) face now with long recession with clear recovery problems.

Why these funds are not so effective in ensuring a long term and sustainable economic growth, such as it is claimed in their very generous aims and objectives? In order to answer to this key issue it is very important to understand the complete mechanism of the European Funds. The first step in this mechanism consists in the contributions made by each country to the European Union budget. Each country collects the annual subscription from their tax payers, in accordance with a local fiscal code and collecting system. There is no uniform fiscal code at the level of the European

Union. The main taxes are different in terms of levels and even in terms of accounting and reporting procedures from a country to another. These taxes are collected with a cost by local administration. This means that from 1,000 euro collected by local administration, a share of this amount is covering the collecting expenditures (including the operating costs and the wages of fiscal operators). The amount of money collected by local authorities is annually transferred to the European Union, where it is voted to be redistributed by the European Council and the European Parliament following a very complex procedure. The European Commission should administrate this budget proposing programs and funding schemes for member countries in accordance with the principles and priorities of the European Union (as it is politically decided from time to time). This means that a significant part of 1,000 euro collected taxes transferred to the EU budget is used to cover the expenditures of all these EU institutions that take care of them. After these expenditures are paid, the European Union is transferring the funds back to the local authorities from eligible countries. We should notice that a significant redistributive principle is applied, meaning that richer countries are receiving fewer funds than poorer ones and, locally, richer regions are receiving fewer funds than poorer ones. The same redistributive principle is applied to selected economic sectors: agriculture or SMEs sectors are receiving more funds than other sectors. Local authorities are now responsible to distribute the EU funds in accordance with local financing programs and mechanisms. Specific institutions (different than initial fiscal collectors) are created to generate and to administrate such programs. Taxpayers support the expenditures of such institutions, too. This means that a small proportion of initial amount of 1,000 euro taxes collected by fiscal authorities from different member countries is coming back into real economy. After a very expensive travel from pockets of tax payers to local fiscal authorities and then to EU institutions in order to be sent back to local financing authorities in order to be distributed to eligible „private” applicants for such funds, the available amount of money that could be used for economic growth is substantially diminished.

The economic growth of „private” sector interested to apply for such funds (farmers or entrepreneurs interested to develop a new business idea or an existing one) is significantly harmed by economic growth of wealth of each political entrepreneur involved in such mechanism. If we take into

consideration the entire bureaucratic system that is associated to the EU funds (including the auditors, the controllers, the regulators etc.) we will notice that the available funds for economic growth are much reduced. Instead of letting those 1,000 euro at the level of private operators to decide their allocation in accordance with market needs, the European Union considers that its funding mechanism could produce more positive economic effect, without revealing the fact that an insignificant part of this amount of money is returned in the markets. This is the main problem with the European financing schemes. Money is coming from everybody and is very costly to be allocated in such way. Instead of taxing European citizens to create a funding mechanism to ensure the financing of building a road or sewage system in a village from a poor region, it could be better to let the market to decide if that village needs a new improved road or a new sewage system. It could be better and less expensive for all of us to be free to decide what kind of infrastructure or part of our existence need to be improved, to be free to enter in a private contractual partnership to generate such projects and to be to decide the conditions of such developments. The way of dealing with market imperfections and negative externalities proposed by the EU project is too expensive for us.

Additionally, European Funds are public funds initially collected by fiscal operators. These operators are submitted to be corrupted. In a country with weak state administration (like most of European countries are), this collection of taxes could be arbitrarily applied (deliberately or not). The government could negotiate with selected groups of tax payers the deduction or the exclusion of them from paying certain taxes. The tax collectors could negotiate with taxpayers their tax evasion (especially when taxes are too high or when the tax collectors are not well remunerated). European budget is voted and allocated in accordance with political agenda of certain countries or groups. After being transferred back to local authorities, these funds are redistributed by public institutions created in this respect (management authorities). In the case of a corrupted administration or a weak state (problems with justice and controlling authorities), this allocation could be politically influenced in a significant proportion.

The European Funds are allocated in accordance with voted priorities. It is clear that at the level of the European Union there is a competition

among different categories of operators. German farmers are not open to any subsidy that is granted to Romanian farmers from the Germans' taxes. Therefore, the priorities and eligible actions and financings are politically influenced. It is well known that the European Funds could be used only for established sectors and type of projects, especially for the case of funds allocated for agriculture and business sector (including SMEs). This competition developed by existing producers' taxes is not seen to be necessary so good. Many financed projects in agricultural sector from Romania encouraged the snail farming (heliculture) or ostrich farming. In the same time, allocation for animals (per capita) was different and significantly below the allocations for former countries (France for instance).

Another problem with these funds, as politically distributed funds, is related to the fact that conditions for redistributing such money locally are established by public authorities with specific interests. All the guidelines elaborated by managing authorities are full of mistakes and incomplete, generating confusion and frustration at the level of applicants. It is not fair for the EU contributors to such funds to accept to finance private small business developments with internal rate of return below 10% (the proposals with such return below 10% or 5% that is cost of capital are more rewarded than the proposals with high returns, meaning that EU is more interested to finance inefficiency and not to stimulate the performance). Moreover, after the project is accepted by taking in consideration such problematic criteria, the control after the implementation of such projects made by local authorities is also very weak. The public controllers are very corruptible and disposed to close their eyes and to cover mistakes or frauds made by applicants. Due to the crisis (but not only) a lot of projects financed by EU funds encountered serious problems with the market (clients). Nobody was kept responsible for accepting such uncertain projects that had many errors in the market estimations from the beginning.

Concluding, European Funds represents an interference of State in the economy that is contrary to the market economy. This kind of public finance represents a very negative impact on private by increasing the role of State in the allocation / redistribution of resources. It is an important source of moral hazard and source of entrepreneurial error. This public intervention (consisting in gathering funds from taxes or inflation and redistribution of them by public institutions) is altering the economic

behaviour and it is creating an unfair competition among those who have a direct access to such cheap financings compared with those who are not able to obtain them.

Conclusions

Economic growth became an obsession (or a nightmare) of each politician. The absence of this growth is submitted to create social convulsions and violence. Everybody should be employed in a productive job and this „full” employment is stimulated only by economy that is growing. Stimulating instruments are used to boost the economy and to reduce, as much as possible, the recession period. In fact, the business cycles are very relative and measured by using composite indicators such as real GDP growth rate. These indicators are very inconsistent and unable to catch the evolution of an economy or of a group of integrated countries. Due to these inconveniences, any public policy applied to correct the economic situation is, in fact, a source of major errors at the level of real economy.

European Union and entire public policies (and instruments) proposed to improve the wealth of its citizens is more and more close to socialist economy than to market economy. The production means are privately owned but fully controlled by public institutions that are influencing what should be produced and sold to the market, how the goods and services should be sold on the market, how the business should be organized etc. All these interventions became barriers against any entrepreneurial action. Strong additional costs are permanently added to any private business developed within the EU Single Market. These costs are affecting the price of goods and services making less competitive the EU economy or are affecting the profits of private business determining a lower efficiency of invested capitals with the clear result of re-allocation of such business elsewhere than EU area. Interventions promoted by European Institutions are creating privileges for selected groups of interests reducing the chances or the wealth of others. Redistribution of resources creates negative stimulus and increase the connectivity of private operators to the State. Redistribution based on political means and criteria is generating corruption and bureaucracy, increasing the costs and reducing the wealth of everybody. Interventionism is suffocating the private initiative and is transforming

the economy from one connected to the market to one connected to the State's intervention. Socialist economy failed and significantly reduced the wealth of everybody. The failure of socialism was predicted before the bankruptcy of economies from Eastern Europe (the lack of market prices, the political allocation of resources, the error in the redistributive process etc.). No lessons have been learnt from the failure of socialist economies. Today, more and more institutions and State intervention measure are created by bureaucrats from European Union applied in combination with local public policies. The crisis introduced the concept of "austerity" understood as State intervention reduction by reducing social assistance allowances, by cutting off the wages in the public sector or by reducing the public expenditures and debt (including the reducing of employees in the public sector). The austerity has a huge electoral cost for almost political parties that promoted this solution to fight with economic crisis. Socialists with their propaganda won elections in almost important EU countries fighting with this "wrong" idea of austerity in the public sector. The logical solutions for economic crisis have been replaced with more State intervention: the banks have been saved by special created funds, more subsidies and more financial aids have been pumped in the economy from the European Central Bank (similar with "quantitative easing" from United States). Finally, after many years of recovery by refusing austerity and State intervention reduction, almost European Union is facing with problems of economic growth and employment. Competitiveness and innovation stagnate also.

European Funds are seen as a consistent support for weak economies of new EU members from Eastern European area. Local authorities are obsessed by "absorption rate", "contracting rate" or "reimbursement rate". The entire EU allocated budget should be used for boosting economic growth. Of course, GDP increased in almost Eastern European Countries due to this redistribution from others' GDP (Germany, France etc.). But it is very important to understand how this GDP increased in the last years. It is this growth consistent and durable without this strong financial support? Will create durable jobs and business such public funds? In these countries with weak public institutions and weak justice and anti-corruption services, these political allocated funds are submitted to create more bureaucracy and frauds than economic growth. Errors and moral hazard are present in any EU financed project. Controlling efforts are altered by

the quality of public institutions too. In this case, not only the allocation is submitted to be full of errors and frauds, but the implementation and after implementation phases too.

The economic growth promoted by European Union intervention is not a durable one because is away from market conditions. This intervention is more concentrated to equalize the incomes and wealth than to support the most performant sectors or regions to become more competitive. This intervention is creating privileges and protection for different groups of operators and costs for others. Finally, the intervention and the bureaucratic apparatus will become stronger. All these enthusiastic and ambitious social programs promoted by EU institutions (Horizon 2020 for instance) will fail into a bankruptcy, as Eastern European socialist economies finally failed, after producing a lot of wealth problems for their citizens.

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The effects of structural funds absorption on the business environment in the north-eastern region of Romania

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Abstract. *To reduce disparities between the members of the European Community, the Commission has allocated significant sums from the European Union's budget to finance the Regional Development Policy. Many authors have analyzed the absorption of European funds, focusing on various key aspects (efficiency of institutions, staff training, the volume of funds absorbed, the impact generated by absorption or GDP growth attributable to these funds). This article examines the effectiveness with which companies in the northeast region of Romania have used Structural Funds. Most papers dealing with this type of research have a macroeconomic perspective, but at that level of aggregation there are multiple factors of influence. This research is done at the micro level, focusing on the comparative analysis of annual financial statements (this analysis has focused on the development of three key indicators: fixed assets, turnover, net income) of a group of businesses that have benefited from financial grants and a control group of businesses that haven't benefited from this instrument. The comparative analysis did not identify significant differences between the two groups, leading to the conclusion that in the short-term, structural funds have had limited effect on the companies.*

Keywords: *Structural Funds; SOP IEC; ROP; microeconomic analysis; comparative analysis; Romania.*

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Introduction

As a member of the European Union (EU), Romania fully benefits from regional development policies financed from the Community budget. The efficiency with which these resources are used by the Romanian authorities, however, is questioned (Hapenciuc, Moroşan and Arionesei (Gaube), 2013).

There are several papers that analyze the absorption process, but the results are very different. Some authors focus on the issue of absorption capacity (especially the efficiency of the institutions involved and the procedures that are being used) claiming that the low absorption is attributed to inefficient procedures and lack of staff training in the system (NEI, 2002; Horvat and Maier, 2004; Horvat 2005; Oprescu, Constantin, Ilie and Pîslaru, 2006; Morovan, 2010; Jaliu and Rădulescu, 2013), other authors address the perspective of the impact that these funds have on economic development (Zaman and Georgescu, 2009; Cace, Cace and Nicolăescu, 2011; Zaman and Cristea, 2011).

This paper falls into the second category, analyzing the impacts of the funds used. A major difference between existing work and this research is the level of aggregation of the analysis, if the mentioned work was carried out at macroeconomic level, in this paper the analysis is performed at the microeconomic level.

The main objective of this work is to determine the impact that structural funds have had on businesses in the North Eastern Region of Romania. Starting from this objective, two hypotheses were stated:

H1: Non-reimbursable financial aid has contributed, in the short term, to the increase of turnover of the beneficiary company;

H2: Non-reimbursable financial aid has contributed, in the short term, to the increase of net result of the beneficiary company.

The analysis performed focuses on the annual financial statements of companies that have benefited from this support during the period 2007-2012.

Methodology

To test these hypotheses we used a comparative analysis of the two groups of companies: one group consisting of businesses that have received financial grants (group 1) and the second group consisting of a sample of companies that have not received aid (group 2 is the series of control). Through comparative analysis of several key indicators we would be able to quantify the effect that absorbed funds had on businesses.

This approach is not new, professor Edward Altman used a similar analysis in the research “Financial ratios discriminant analysis and the prediction of corporate bankruptcy” published in “The Journal of Finance”, September 1968. In that work, the professor of finance analyzed the bankruptcy of several corporations during 1946-1965, focusing on a comparative analysis of two groups of firms (group 1: industrial corporations that went bankrupt and group 2: industrial corporations which maintained their activity). Altman’s analysis focused on the financial statements of companies in the two groups (66 companies of various sizes were analyzed, ranging from total assets of 0.7 million U.S. dollars to 25.9 million dollars - the variation is relatively large).

The main method used is the comparison method, both in time (“comparing phenomena in different stages of evolution”) and in space (“structures or other companies with similar activities competing”)(Mărgulescu and Dumitru, 1994, pp. 38-39).

The group of companies that have received financial grants (group 1) was built on the lists made public by the managing authorities of the Sectoral Operational Programme Increase of Economic Competitiveness (SOP IEC) and the Regional Operational Programme (ROP), which are the only programs that directly finance companies (providing grants for productive investments)(Moroșan, Hapenciuc and Stanciu, 2014; Moroșan, Stanciu and Hapenciuc, 2014). The control group (group 2) was built on random sampling principles of companies from the database of the Recom software (provided by the National Trade Register Office). The construction of the control group was based on the structure of group 1 in terms of three criteria: territorial distribution (distribution among the six counties of North-Eastern Region of Romania), field of activity and business size.

Annual financial statements for the two groups were obtained from the database of the Ministry of Public Finance (www.mfinante.ro). The analysis focused on three periods: the project implementation period, the first year of operation compared to the start of implementation and the first year of operation compared to the year of completion of implementation (Moroşan, Hapenciuc and Stanciu, 2014; Moroşan, Stanciu and Hapenciuc, 2014).

Research results

To test the two hypotheses stated, the evolution of three key indicators was analyzed, namely: absolute change in fixed assets, absolute change in turnover and absolute change in net income during the three periods defined above.

Comparative analysis of fixed assets

The first analyzed variable is the change in fixed assets. The analysis of this variable is divided into three sections, namely: analysis of histograms, comparative analysis of descriptive statistics and statistical t-tests on means.

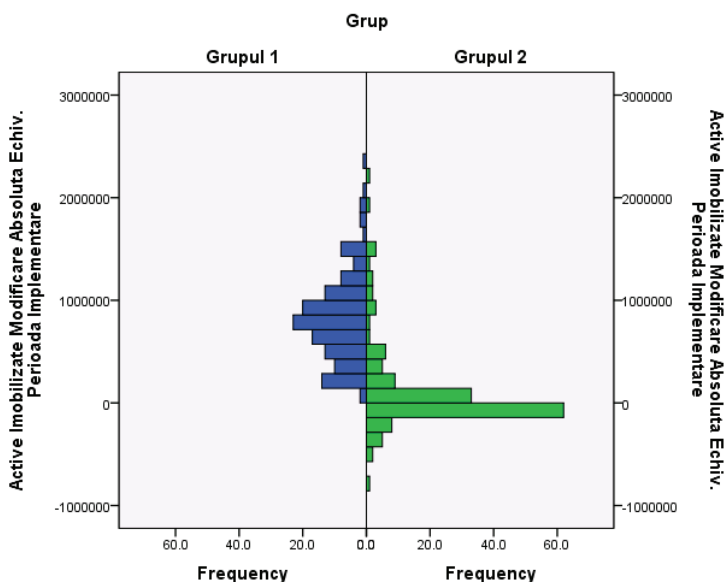


Figure 1. Graphical representation of absolute change of fixed assets pre-post implementation group 1 and group 2. Source of data: SOP IEC MA and ROP MA databases consultation in July 2013 and Ministry of Finance July-September 2013

Analyzing the distributions shown in Figure 1 we can establish the existence of differences between the group of companies that have received financial grants (group 1) and the control group (group 2 - group with a similar structure built on random sampling principles). We see that in the first group changes close to the value to 1 million lei are predominant, while in the second group two changes close to 0 are predominant (for a large number of enterprises fixed assets decline).

Table 1. Fixed Assets Absolute Variation – Implementation Period

Group	Group 1	Group 2	Total
Mean	831516,19	126348,83	470272,56
Median	808241,00	-1725,00	307511,00
Std. Deviation	441364,365	444509,771	565877,152
Range	2200066	3104942	3119419
Minimum	91556	-827797	-827797
Maximum	2291622	2277145	2291622
Number of records	139	146	285
Source: Calculations using SPSS version 20			

Analyzing the data in Table 1, we can appreciate that the difference between indicators of central tendency of the two groups is very large. The two groups have a similar standard deviation, which supports comparisons between groups. We appreciate that companies that have received financial assistance (grants) had undertaken larger investments, which is otherwise expected. Another aspect to note is that the maximum value is approximately equal, indicating that there are companies that have not received financial aid and managed to implement major investment.

Table 2. Comparison between means – Fixed Assets – Absolute Variation

Variable	Group	N	Mean	Std. Deviation	Std. Error Mean
Implementation Period	Group 1	139	831516.19	441364.365	37436.037
	Group 2	146	126348.83	444509.771	36787.890

First operating year compared to the start of implementation	Group 1	60	924221.05	777317.737	100351.288
	Group 2	64	167675.47	655692.790	81961.599
First operating year compared to the year of completion of implementation	Group 1	53	-61983.58	131227.223	18025.445
	Group 2	53	-35418.70	104720.030	14384.402

Source: Calculations using SPSS version 20

Analyzing the data in Table 2 we note that in the operating period, the differences between the means of the two groups are still large. In order to establish if the differences are statistically representative, t-test (Table 3) were applied for each of the three periods.

Table 3. Independent Samples Test - Fixed Assets – Absolute Variation

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Implementation Period	eq. var. assumed	1,923	0,167	13,433	283	0,000	705.167	52.495	601.836	808.498
	eq. var. not assumed			13,435	283	0,000	705.167	52.486	601.854	808.481
First operating year compared to the start of implementation	eq. var. assumed	4,675	0,033	5,871	122	0,000	756.546	12.8861	501.453	1.011.638
	eq. var. not assumed			5,839	116	0,000	756.546	129.569	499.912	1.013.179
First operating year compared to the year of completion of implementation	eq. var. assumed	1,357	0,247	-1,152	104	0,252	-26.565	23.061	-72.296	19.167
	eq. var. not assumed			-1,152	99	0,252	-26.565	23.061	-72.323	19.193

Source: Calculations using SPSS version 20

In the first analyzed period (implementation period) following Levene's test of equal variance it was found that the variation between the two groups is not similar, thus the results in the second row of the table ("eq. var. not assumed" - equal variances not assumed) were interpreted. T-test indicates that the difference between the means of the two groups (705,167 lei) is statistically significant, it can not be attributed to the sampling process. It can be appreciated with a 95% probability that the difference between the means will be within the range of 601,836 lei and 808,498 lei.

Analyzing the difference between the average changes of fixed assets in the first operating year, compared to the start of the project in the two groups we find a positive result for Levene's test (Sig. <0.05) the variance in the two groups is equal (in these circumstances we analyze row 3 of the table 'eq. var. assumed "-" equal variances assumed "). The difference between the means 756.546 lei, appears to be statistically significant, but considering the confidence interval generated by the software which is slightly wider (501,453 lei – 1,011,638 lei), which indicates the fact that the maximum error is higher than in the previous case.

Analyzing the last period in table 3, the first year of operation compared to the year of completion of implementation, we find that the variation recorded in the two groups is different, therefore we will analyze the results given in the last row ("Equal variances not assumed "). The results of this last test indicates that the difference between groups is not statistically significant (t-test for Sig. is greater than 0.05).

As a result of these tests we can say that the main difference in terms fixed assets between group 1 (group of companies which have received grant funding) and group 2 (control group consisting of companies chosen by random sampling) is generated by the project. In the implementation period it is found that group 1 recorded the largest changes compared with group 2, these differences being statistically significant.

Differences found in the case of other variables (turnover, net income) can be attributed to the financial aid received (the difference between the means of the two groups is close to the average value of the grant 667.406 lei - the value obtained after eliminating outliers).

Comparative analysis of turnover

The first result indicator analyzed is turnover. This indicator represents the total revenues from the sale of products or services. The analysis will be carried out similar to that of fixed assets.

The two distributions plotted in Figure 2 shows some differences, but they are much smaller than in the case of fixed assets. In the first group

there are fewer enterprises that recorded a decrease in turnover in the implementation period, compared with the control group (group 2).

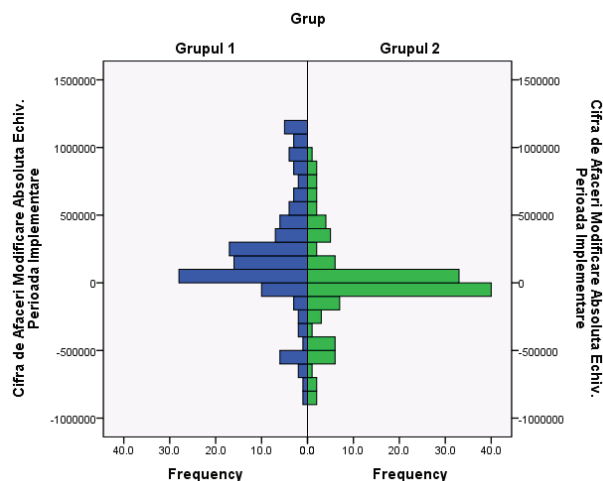


Figure 2. Graphical representation of absolute change of turnover pre-post implementation group 1 and group 2

Source of data: SOP IEC MA and ROP MA databases consultation in July 2013 and Ministry of Finance July-September 2013

Table 4. Turnover Absolute Variation – Implementation Period

Group	Group 1	Group 2	Total
Mean	199326,29	-7876,06	95315,62
Median	136228,00	-5961,00	37590,00
Std. Deviation	421289,322	325045,736	389411,138
Range	1970108	1807993	1981793
Minimum	-803949	-815634	-815634
Maximum	1166159	992359	1166159
Number of records	126	127	253
Source: Calculations using SPSS version 20			

Analyzing the indicators of central tendency (Table 4) calculated for the two groups (mean and median) we observe that there are important differences. For group 1 these indicators have positive values (between 100,000 lei

and 200,000 lei) while for group 2 they have negative values (they do not exceed -10,000 lei). Taking into account the fact that the indicators describe the same period, it can be appreciated that the Structural Funds have had a short-term effect on the activity of the beneficiary enterprises. In terms of range, maximum and minimum values there is no significant difference between the two groups.

Table 5. Comparison between means – Turnover – Absolute Variation

	Group	N	Mean	Std. Deviation	Std. Error Mean
Implementation Period	Group 1	126	199326.29	421289.322	37531.436
	Group 2	127	-7876.06	325045.736	28843.145
First operating year compared to the start of implementation	Group 1	61	384852.07	1057135.817	135352.372
	Group 2	56	106968.09	808674.053	108063.616
First operating year compared to the year of completion of implementation	Group 1	54	60012.63	299822.705	40800.702
	Group 2	54	434.39	289466.930	39391.460

Source: Calculations using SPSS version 20

Analyzing the absolute change in turnover over the other two reference periods (Table 5), it is found that Group 1 recorded higher values in each case than group 2.

To determine whether the differences between averages are statistically significant, t-test was applied in each analyzed period (Table 6). Before applying the t-test, the SPSS software tests whether the variation in the two groups (group 1 and group 2) are similar or not (for this Levene's test of equal variance is used). In the first analyzed period (implementation period) the results show a similar variation between the groups (Sig. <0.05), while the last two tests show a different variation in the two groups (Sig. > 0.05)

In the implementation period, the differences between absolute changes in turnover between the two groups are statistically representative. In the

two groups the difference between the means is 207,202 lei, but taking into account the possible errors, the mean difference will be with a 95% probability between 114,073 lei and 300,331 lei.

Table 6. Independent Samples Test - Turnover – Absolute Variation

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Implementation Period	eq. var. assumed	8.664	.004	4.382	251	.000	207202.349	47286.668	114073.136	300331.561
	eq. var. not assumed			4.377	234.949	.000	207202.349	47334.297	113948.470	300456.228
First operating year compared to the start of implementation	eq. var. assumed	3.468	.065	1.586	115	.115	277883.976	175164.082	-69082.358	624850.311
	eq. var. not assumed			1.604	111.464	.111	277883.976	173199.335	-65306.341	621074.293
First operating year compared to the year of completion of implementation	eq. var. assumed	.188	.665	1.051	106	.296	59578.241	56713.177	-52861.148	172017.630
	eq. var. not assumed			1.051	105.869	.296	59578.241	56713.177	-52862.751	172019.232

Source: Calculations using SPSS version 20

In the other two analyzed periods the difference of the means are not statistically significant (test-t Sig.> 0.05). These results suggest that the Structural Funds have had an impact only during the implementation period, development of the turnover in the first year of operation did not produce a different pattern from that of the control group.

Comparative analysis of net profit (net result)

The second result indicator analyzed is the net result. This indicator can be considered an indicator of the efficiency of the company, showing the difference between total revenues and total expenses.

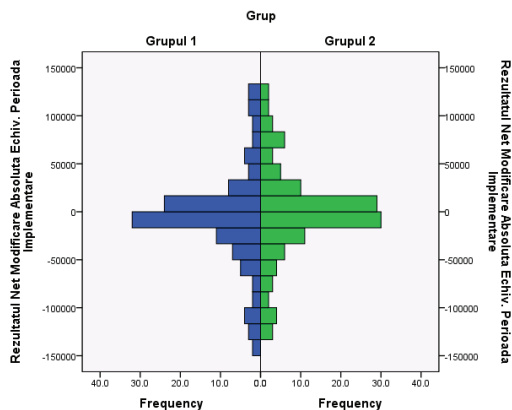


Figure 3. Graphical representation of absolute change of net profit pre-post implementation group 1 and group 2

Source of data: SOP IEC MA and ROP MA databases consultation in July 2013 and Ministry of Finance July-September 2013

Looking at Figure 3, we can state that between the two distributions there are no significant differences. The evolution of the absolute change in net profit during the period of implementation is similar for the two groups.

Table 7. Net profit - Absolute Variation – Implementation Period

Group	Group 1	Group 2	Total
Mean	-6104,88	-2096,44	-4050,55
Median	-2324,00	-596,00	-1762,00
Std. Deviation	53579,968	49192,388	51309,401
Range	277431	256484	277431
Minimum	-144726	-132813	-144726
Maximum	132705	123671	132705
Number of records	117	123	240

Source: Calculations using SPSS version 20

Analyzing the indicators presented in table 7, we can state that between the two groups there are no significant differences. Between the means there is a difference of less than 4.000 lei and between the medians there is a difference of less than 2.000 lei.

What is interesting is that the central tendency indicators of net profit present negative values, implying that most businesses have recorded a decrease in net earnings during the implementation process. Moreover, group 1 (the group of companies that have benefited from structural funds) declined more than group 2 (control group). This can be explained by the evolution of the debt, firms in group 1 contracted more credit during the implementation period than those from group 2.

Table 8. Comparison between means – Net profit – Absolute Variation

	Group	N	Mean	Std. Deviation	Std. Error Mean
Implementation Period	Group 1	117	-6104.88	53579.968	4953.470
	Group 2	123	-2096.44	49192.388	4435.528
First operating year compared to the start of implementation	Group 1	53	-3007.83	93024.417	12777.886
	Group 2	53	-176.49	61207.405	8407.484
First operating year compared to the year of completion of implementation	Group 1	51	-15906.76	64171.157	8985.759
	Group 2	52	-6935.69	55760.945	7732.652

Source: Calculations using SPSS version 20

Analyzing the reported net profit for the other reference periods (Table 8) we see that the situation is similar to the period of implementation. In all three analyzed periods, average changes of the net result are negative, and the values recorded for group 1 are lower than those for group 2.

Table 9. Independent Samples Test – Net profit – Absolute Variation

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Implementation Period	eq. var. assumed	.326	.569	-.604	238	.546	-4008.441	6634.906	-17079.084	9062.202
	eq. var. not assumed			-.603	233.725	.547	-4008.441	6649.118	-17108.306	9091.423
First operating year compared to the start of implementation	eq. var. assumed	6.050	.016	-.185	104	.854	-2831.340	15295.756	-33163.398	27500.719
	eq. var. not assumed			-.185	89.918	.854	-2831.340	15295.756	-33219.409	27556.729
First operating year compared to the year of completion of implementation	eq. var. assumed	2.257	.136	-.758	101	.450	-8971.072	11838.652	-32455.772	14513.628
	eq. var. not assumed			-.757	98.510	.451	-8971.072	11854.863	-32495.139	14552.994

Source: Calculations using SPSS version 20

Based on the results presented in table 9 we can say that the differences between the two groups are not statistically representative (test-t Sig.> 0.05 for all periods analyzed). We appreciate that the Structural Funds have had no effect on net profit of enterprises.

Conclusions

Following the analysis we estimate that the effect on short-term of structural funds is low. In terms of change of fixed assets, the difference between the two groups is large, which suggests that non-reimbursable financial aid contributed to the accumulation of capital in enterprises (exogenous and endogenous growth models consider this as a prerequisite for economic growth)(Hapenciuc, Moroșan and Arionesei (Gaube), 2013). However, the difference in turnover variation between the two groups is much smaller, being significant only in the period of implementation, which involves partial acceptance of the first hypothesis. The hypothesis is partially accepted because in the first year of operation there is no significant increase in turnover of businesses that have benefited from financial aid grant (as one might expect).

Regarding the evolution of the net result, the Structural Funds have had no effect. Between the two analyzed groups there are small differences,

statistically unrepresentative, which leads to the rejection of the second hypothesis of the study.

We can appreciate that the impact of structural funds offered by the EU is low in the short term. This is mainly caused by the poor quality of projects, proposing unrealistic financial forecasts, and by the evaluators who do not pay enough attention to the financial evaluation (Moroşan, 2013).

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Privatization process in the Republic of Kosovo as “*sui generis*”

Bajram FEJZULLAHU¹

Abstract. *Among the most important events of the last century in the countries of the former socialist block and states which formed from the fall of that system is the process of transformation and transition of the entire socio-economic and political systems. This is especially worth for the world of socialist economies. These two processes were also introduced in Kosovo, where despite having similarities with other countries with a centralized and nondemocratic orientation, it also had its own specifics that differed from the other countries. The privatization process in Kosovo in the first phase was conducted through the Kosovo Trust Agency where the international mechanisms (UNMIK United Nation Interim Mission in Kosovo) had the dominant role, whilst PAK (Privatization Agency of Kosovo) took charge of this responsibility in the second phase, when the executive power was passed on to the local employees. The process of privatization of socially owned enterprises in Kosovo is still ongoing. As Kosovo's case for many reasons is sui generis. The process of privatization of the social property (although this process has not yet started for the public-state property) was adjusted to the after-war conditions in Kosovo, which were earlier unknown in the previous privatization processes in the rest of the countries where the process has been applied. The experimental nature of the process has had negative consequences in Kosovo (unemployment, corruption etc.), far more than the positive impact it may have had. The intention of this paper is to include all of what has happened and what is happening with the process of privatization. Nothing can be performed without any errors, and that is what encouraged us to do this work, looking for new solutions and ways to make the process more beneficial. The methods used in this paper are: the method of comparison, which will serve me for the comparison of the collected data about the course of events prior to privatization and after, the degree of effect on the livelihood and the success (or lack thereof) of the privatization process in Kosovo. Analytical method - used as factor analysis, PEST analysis, comparative, and so on.*

Keywords: *privatization; transition; social properties; Kosovo.*

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Introduction

The fall of the Berlin wall, the transformation of property from public and socially owned to private, and the transition of political and economic system in Europe are the most celebrated events of the previous century. However, only in this century Kosovo has been part of these transformations.

After 1999, a military mission called KFOR was responsible to ensure security and protect Kosovo borders, whereas the economic and political life was administered by UNMIK (United Nation Mission in Kosovo). Whilst the presence of the KFOR was evident from the beginning, UNMIK on the other hand was being rather slow in organizing the civil life. The bureaucratic methods of UNMIK contributed to slow economic recovering of the country. UNMIK had chosen the method of transforming the social property of Kosovo as a way to transition the political system, which later would be one of the main elements and will serve to proclaim the independence of the Republic of Kosovo. More than three years had to pass before the first legal regulations regarding the transformation of property in Kosovo took place (*UNMIK Regulation no. 2002/12 of 13 June 2002*). This responsibility was given by UNMIK to the Kosovo Trust Agency, which was part of Pillar IV in accordance with 2002-12 regulation).

Kosovo is a “sui generis” case for many things. The privatization process and the methods to privatize the property were special as well. In this paper we highlight the challenges, the methods and the progress in the process of privatization in Kosovo. Attempts to exhibit the bright and the dark side of this process will be made, by making suggestions and recommendations for the future continuation of this process.

Before Kosovo could become part of these changes, there was one more obstacle. The process of transition should have been preceded by a process of transformation and to this process (by some logical order of processes) should have preceded a process of forming a state, which Kosovo lacked. However, the process from the very beginning was reversed. Namely the process of privatization of Public Enterprises preceded the forming of the country by UNMIK. The successful finalization of the privatization of the socially owned and public enterprises is a very important step towards

Kosovo's integration into the European family, as well as a way to political and economic stability.

The methods of the process of privatization in the Republic of Kosovo

The process of the transformation of property and privatization firstly of the state owned property has its beginnings in the 50s in the United Kingdom. This process continues in many countries in present days. All the models applied after the process of privatization can be separated into two categories:

1. The model of fast privatization using the concept "shock therapy". The first model of privatization was characteristic in most transition countries, which had the support of the International Monetary Fund, whereby it came to quick results. This model was implemented in Poland, in Russia during the first stage of reforms (Gajdar reform), in the former Yugoslavia through the reforms of Ante Markovic, in Bulgaria, Romania, Albania etc.
2. The gradual model of privatization, known as "step by step". The gradual model, or "step by step", was conducted in a small number of countries in transition. Despite the shortcomings that this model had, considering the past course of privatization, we can say that this model was more successful than the first.

The first model (Bashota, 1998) proved to be quite successful. It was used in Poland, Russia, Former Yugoslavia (via the reforms of Ante Markovic), Bulgaria, Romania, Serbia, Macedonia, and Albania, among other countries. As a model for privatization, the methods it used included: a) The direct method of selling, b) Privatization through shares c) Privatization using the return of property. Despite the fast results, this model is risky in terms of Macroeconomics.

The second model, planned in phases, although fairly slow, turned out to be even more effective. The gradual privatization (step by step) in its analysis emphasizes the complexity of the privatization process primarily on the establishment of legal regulations, especially in countries that need to go through the transition process. The creation of effective institutions, according to this view, is a long process that involves much trial and error.

According to them, it means that the reforms must be evolutionary as well as a process of pragmatically and gradually adjusting the existing institutions to match the new needs as they arise, as happened for example in China.

Other known models are:

1. The internal model of privatization (recapitalization, extension of common property). The model of internal privatization represents a model where workers employ managers to buy the company, through internal shares with or without compensation. Significant examples of this model are the model of recapitalization, and the etatization model of social assets and property (in former Yugoslavia) as a prerequisite for the transformation process.
2. External model (public registration of stocks, private selling of stocks, selling the property of the common enterprise, loans and contracts with management, selling to the foreign investors, privatization of property through institutional investors). The model of external privatization uses several methods through which it conducts sales of shares or the distribution thereof to the entire population or specific population groups.

Suitable methods of privatization were used, depending on the current situation of the countries. Each of these methods had its advantages and disadvantages.

In Kosovo's case, the process of transformation of the property was a necessity, and turned out to be very complex. The lack of independence made impossible for Kosovo to find a solution for itself. Both the choices and the solution were imposed to Kosovo.

The organization of institutional life in Kosovo and the process of privatization through UNMIK

After 1999 Kosovo was in a situation where almost everything had been destroyed. No cell of life was functioning normally. The United Nations had decided that UNMIK (The United Nations Interim Administration Mission in Kosovo) would be responsible to organize the civil life as well as

the governmental institutions. The situation in Kosovo is profiled also by the following documents. United Nations Security Council on 10 June 1999, adopted Resolution no. 1244, which placed Kosovo under international administration (UNMIK and KFOR). According to this resolution Kosovo is an autonomous region within Yugoslavia. By the United Nations Mission in Kosovo (UNMIK - United Nation Interim Administration Mission in Kosovo), bring the decree no. 2001/XX, dated 20 May 2001, signed by the Special Representative of the Secretary General of the United Nations (Hans Hakerup), as a "Constitutional Framework for Provisional Self-Government". After the UN Security Council Resolution 12 441 and Military-Technical Agreement on Kosovo (in Kumanovo), KFOR and UNMIK exercise rule over Kosovo. In Belgrade, on 5 November 2001, it was signed a "Joint Document of UNMIK and the Federal Republic of Yugoslavia" (Covic - Hakerup).

The representatives of the special general secretary of UN had the right to govern Kosovo. UNMIK quickly started to organize the civil life in Kosovo through four Pillars, which served as ministries:

1. Pillar I - Police and Courts
2. Pillar II- Civil administration
3. Pillar III- Democratization and building institutions
4. Pillar IV- Rebuilding the Economy.

According to the 1244 UN resolution, these institutions were given temporary powers until the final solution of Kosovo's status. UNMIK, through its fourth pillar (including trade and industry), according to the regulation 2002/12 of June 13, 2002 created the Kosovo Trust Agency as the only responsible institution to privatize the socially owned enterprises in Kosovo, and the Kosovo Chamber of Supreme Court, which would deal with legal issues. This regulation was updated in April 22, 2005 with the regulation No. 2005/18. The Kosovo Trust Agency was dominated by the international factors, who were serving as executive directors. The Committee was composed of eight directors, including four international directors and four residents of Kosovo who have been appointed to the Special Representative of the Secretary General of the United Nations. Three of the directors from Kosovo were also ministers in the self-governing institutions in Kosovo, one of which is of Serbian nationality,

while the fourth director was the president of the Union of Independent Syndicates of Trade of Kosovo. Decisions were made by simple majority of the quorum, where at least five members must have been present. The director and his two deputies determined the Board of the Kosovo Trust Agency.

One of the first problems for the officials of the Kosovo Trust Agency was that they didn't understand the term "social property". Social assets and social ownership, is a relatively new category of property rights and its analysis is relatively new. Because this category of property was introduced in the former Yugoslavia in the early 1950s, the theorists who have analyzed this aspect of ownership have pointed out that it cannot constitute a satisfactory theory as such, this type of property where there is a man deprived of ownership of the entire structure.

Regarding the definition of social ownership, there are various considerations. Some theorists believe social ownership as an ownership society of the wider community (not state), a community of all citizens. At present it is considered that all the citizens of the co-owners of property. This explains the great interest in its preservation, as much for its constantly increasing (Mulaj, 2006).

Social property was created as a successor of state ownership in the former Yugoslavia during the introduction of a system of unknown and unique in the world "socialist self-management." Historically, this type of property on the termination dates from the time of Yugoslavia's relations with Russia, whereby state ownership is replaced with the social. While public ownership still retains the character of the state, where the state owns, the social property owner remains undefined (Knudsen, 2008). Without ever taking into account the opinion of the local people, KTA determined the methods of privatization, unseen before. Privatizing the socially property in Kosovo was approached in two ways:

1. Selling the enterprise; selling what can be sold and using the money to pay the company's old debts.
2. Assets in the form of land given under lease for 99 years because of the difficulties that were ongoing in relation cadastral documentation, which was quite badly damaged or moved out of Kosovo.

The process of privatization used by the Kosovo Trust Agency had three methods:

1. The method of regular spin-off - Rules of Tender for the spin-off privatization (the circular closure, which involves only the sale of assets of enterprises, namely, within the existing company formed a new company that includes only the assets of the company, and shall remain in old company, which will later apply the process of liquidation, the funds from the sale go into a special fund under the control of the PAK and will be used to settle liabilities to creditors, owners and workers). The model of an old company can develop more new enterprises, while funds raised during the sale of share in a way that 20% goes to workers while 80% goes to fund the trust that will serve to cover obligations made during the operation of the old company. Apart from a small number of obligations (property taxes for the past 12 months, payment of public services for the last 3 months), the new owner of the company being acquitted of all other obligations that the company had previously.

2. The method of special spin-off: a part from the rules that are worth for a regular spin-off, special spin-off added to the model are still some limitations for the new owner of the company. In fact this model, the owner must complete the obligations that were in the process of tendering and to have: highest price offered in the tender; investments that will be the time period; continuing the existing contracts for the current employees, and generating new job positions. Privatizations through this model were not successful.

3. The method of liquidation: This is a method of selling the remaining assets of the enterprise from the previous process of privatization. Although proposed as a model for privatization of parts of companies or enterprises as a whole, during the existence of the KTA has partially implemented and as far as the liquidation process, it is not implemented. As a model could be implemented in a small number of firms that were small-scale or those that have already been plenty of earlier stopped working and who have been in bankruptcy proceedings.

Through Kosovo Trust Agency, until June 20, 2008, there have been 30 waves of privatization and 498 new enterprises have been created, this way raising 392 280 728 of euro, whilst the 397 selling contracts have been signed (PAK Annual Report, 2008).

The work of this agency terminated on June 30, 2008 and was substituted by the Privatization Agency of Kosovo (Law 03/L-067 of constitution of PAK).

The beginning of the process of privatization of socially owned enterprises in Kosovo under the UNMIK administration

Simultaneously with the entry of NATO forces in Kosovo with the formations known as KFOR, came to power and civilian mission in Kosovo known as UNMIK. KFOR forces had the primary task of securing peace and creating a climate of security throughout the entire territory of Kosovo. UNMIK has as its priority set to create the social structure of both political and economic plans (UNMIK Regulation no. 1999/01 of July 25, 1999).

On the basis of resolution 1244 (1999) United Nations Security Council (UN and WB), 10 June, which acted through the United Nations Interim Administration Mission (UNMIK) took over responsibility for Kosovo draw credible conclusions. Responsibilities of the Special Representative of the Secretary General (SRSG), who is also the highest authority in Kosovo, was considerable and included the legal and executive powers and passing of various laws in terms of regulations and other auxiliary instruments (UNMIK Regulation 2002/12)

Pillar IV and Department of Trade and Industry; have invested a lot of effort to create a legal basis for the transformation of social property. At the beginning of this process was accompanied by doubts and politicization (three of members of board of directors in PAK were in minister range) No studies that measure the local or international institutions in Kosovo have taken to resolving issues of property rights would not be complete if it touches issues of privatization. Privatization of public and social enterprise is a complex, political charged process in Kosovo. It affects a large number of people in all communities and raises serious questions about past and present injustices related to waves of nationalization, expropriation and confiscation of property.

In addition to potential long-term effects on economic development, the way it is enforced by privatization in Kosovo proved to be controversial.

Concerns sparked, referring about abuse of authority of the relevant agencies with the issue and problematic provisions that could lead to discrimination. The mere fact that domestic factors in the preparation of legal and other regulations for the privatization process was out of reach, beginning of the transformation of social assets should be considered in three time periods.

1. The period from September 1999 to September 2000 - After quite of detailed research regarding the social forms of ownership (per cent of the international factor in this type of ownership was not very clear), Pillar IV UNMI, in the second half of 2000, coming up with a proposal known as "White Letter" Joly Dixon (Leader of the Pillar IV), which proposes and prioritizes the improvement of private sector in Kosovo and the beginning of the privatization process, which involves primarily:

- The creation of the Agency and the Privatization Fund, with the possibility of participation of workers 30-40%, as a complementary method, and;
- Commercialization For Lease Company for a period of 10 years.

The idea of privatization is not supported by the United Nations, and commercialization began and remained as an option, but with modest results. During the commercialization, DTI (Department of Trade and industries) offered contracts with long-term concessions (ten years) for the socially owned enterprises, selected through public tender (KIPRED-Kosovar Institute for Policy Research and Development, Prishtina).

The investor who has won this tender is the right use of natural resources and manpower companies and the right of management of companies. However, the investor has not acquired the right of property companies, which is also a difference between commercialization and privatization.

2. The period from November 2000-June 2001 - At the end of 2001 as Department of Trade and Industry giving a new proposal by the transformation of SOEs into joint stock companies, based on the "Law of Markovic-1989", according which the majority of shares went to employees (60-70%), while the other part would be enabled sales to foreign investors and of this fund would be created for privatization. This was considered

a reasonable solution for the United Nations and the foreign investors. However, even this solution for the United Nations was not any better than the previous one and was not accepted (Official Gazette SFRJ No. 51/94). The privatization was an option, but it is an incentive given to the provision that the earnings growth of employees may be paid only in shares. During 1990 reform, the privatization process included 1200 enterprises (Ante Markovic's economic program-Prime Minister of Yugoslavia). In the end of 1993, a large number of companies, using the absence of provisions on revaluation of debt for inflation, privatized completely.

During the June 2001-May 2002 period, UNMIK was committed to a completely different model of privatization that allowed privatization without regard to property, which remains to be resolved by special procedures. The process went towards a model of the "Spin-off" that meant some sort of amputation, which means that this model of a social enterprise might have to create more new businesses which also implies the creation of subsidiary companies of assets of company without regard to the existing company's property. All funds from the sale were held in a fund that was the "Trust" fund.

Its principal function was to "maintain or grow the value of the company" through the Kosovo Trust Agency. The main advantage of this model is that new enterprises do not inherit any of the previous debt.

The privatization process of the socially owned enterprises through the Privatization Agency of Kosovo (PAK)

The Privatization Agency of Kosovo was established based on article 03/L-067 which came into power on 06.15.2008, in accordance with the Constitution of the Republic of Kosovo (Law 03/L-067 2008). PAK is an independent agency (according to article 142 of the Constitution of the Republic of Kosovo), which will do its duties and fill its responsibilities completely independently. The agency has juridical rights to independently sign contracts, to take, withhold or sell the property and has complete competence to finish the duties and use the authority given by the Law of Privatization Agency of Kosovo.

PAK has authority over the socially owned enterprises including rights to privatize and liquidate enterprises. PAK uses this authority in accordance with article 159 of the Constitution of the Republic of Kosovo.

Declaration of statehood and independence of the Republic of Kosovo, the Kosovo Trust Agency (KTA) has stopped working. After a short delay, 15 Jun 2008 years promulgated the Law on the Establishment of the Privatization Agency of Kosovo (PAK). The very beginning to drop was not very promising from the fact that it is not done regularly transfer, was even and positional disorder in the documentation, while one part of the documentation under mysterious circumstances had been burned. Data regarding to previous rounds were on the server, but lost and burned records creates many doubts and concerns. Soon PAK is reorganized and became operational.

There are 120 liquidation Commissions, which had already been established (all inherited from predecessor agencies (KTA). Any liquidation committee has international members, appointed by the International Civilian Representative (ICR) (9thchp. 2 Law on the Establishment of PAK). The initial members of the ICO are set at the beginning of the 20 liquidation Commission respective Regional Offices of PAK in 2009 in regard to preparation for the further sale of assets and liquidation of reviewing the appeals of various claimants. in 2010, all of the liquidation work in Certain liquidation committee, the regional Offices in the implementation process of liquidation of companies as quickly as possible.

During the mandate of its predecessor agencies (KTA) has not been uniform procedures and guidelines for the liquidation of which would help the liquidation commission in conducting their daily duties arising from laws that are applicable and operational policies of the Agency. For the above reasons, the Department of liquidation and experts from "Poll Consulting and Associates" (as support PAK has updated the liquidation of form (pattern) and create Instructions for liquidation of previous liquidation Commission.

Laws and regulations that govern the liquidation of the time-tested and are planned PAK abilities to meet all the necessary activities for the upcoming process of liquidation of SOEs. It is now apparent that while

the liquidation is going through all the planned steps and it is considered that the time period (planned) of 34 months is quite an optimal process to be completed in its entirety. However, until now it is noted that the dynamics of planned activities not consistent with reality and can expect significant improvements.

Delays in the process of liquidation of companies can be expected to create significant problems in all units operating within the PAK. One such unit is the unit for a transition that is responsible to manage resources related to the company transition period. Transition period the company is the period between closing of tenders, the company is preparing to submit a new customer and begin the process to dissolve the company. During 2009, the Unit for the transition is managed to process 397 signed contracts for providers of services (195 transitions and 202 in liquidation). These are agreements signed with former employees of SOEs in order to prepare the archive privatized SOEs and started work on preparing a list of employees to compensation for sale of company shares from 20% of which belongs to them under the Act, as well as other items pertaining to the transitional phase of privatization and liquidation.

All units within the PAK are closely related to one another and thus form a whole. It closed completely in the process of selling and liquidation of an enterprise has an important role of the Unit for the closure of tenders, whose duty is to prepare a draft contract for the sale conducted by the PAK method through spin-off and liquidation. Later, as the Steering Committee approves the sale and supply are fully paid, to close the tender unit begins with the preparation of draft contracts that include fixed assets, which was published in the tender, assets and liabilities and sent to the Legal department for legal review Liquidation Division is one of the two PAK pillars which deal with SOEs liquidation process. Liquidation process coordinates works and duties between HQ and Liquidation Department along with Heads of Liquidation Teams in PAK Regional Offices. After tender procedures and signing of contract dated 10 July 2012 PAK has hired consortium Deloitte and Tashko and Pustina for the project "Professional Service Provider for liquidation of portfolio of the Socially Owned Enterprises in Republic of Kosovo" a contract which is managed by Liquidation Department within Liquidation Division (PAK Annual report 2012).

One of the key assumptions, for the liquidation of SOEs and the process of compiling lists of workers who belong to the law 20% of the shares sold to the company. The very skills of workers who are subject to this list are a process of research data.

Based on the above-mentioned can be considered that one company is fully privatized when it is complete and the process of its liquidation, or when they cover all possible liabilities that had a Social Enterprise. Therefore, all the units together with the liquidation committees are required in the implementation of this process in order to fully privatizing the company.

The process of privatization of SOEs is quite complex in itself. In fact, there are cases where companies are not yet ready to initiate a process of privatization; it means that there is a time vacuum. On the basis of law PAK she is obliged to manage and social enterprises where there are no financial results or are damaged by any of the grounds to their privatization. This is called the direct administration of PAK to be approved by the Board of PAK.

During 2010 -2014 work continued with the same pace of privatization in an attempt to end it as soon as possible this process to be as soon as possible the process of liquidation of SOEs, which also require a lot of work and effort.

The beginning of PAK was not promising since there was no proper handover of the responsibilities, and due to other issues from rush or lack of knowledge. All this created real ground for suspicion. Through PAK there have been 30 waves of privatization, selling enterprises using the method of spin-off and 26 other enterprises were sold using the method of liquidation. It is estimated that over 630 million euro's have been acquired. The process of privatization itself and its consequent result, left their mark in economy, politics, social ethic and all other aspects of life sources.

Conclusion

The wave of change that had been through the countries of the socialist block in the previous century also included the countries of former Yugoslavia. The flow of these changes could not have been predicted. Among eight units of former Yugoslavia, the changes came through bloody war in six of them.

The UNMIK (1999) started organizing the economical, political and social life as fast as they could, being restricted by the circumstances. Kosovo was asked to satisfy “standards” so that it can connect to the democratic world. One of the standards included transforming the socially owned property. UNMIK, through the Pillar four, attempted rebuilding the economy of the country. The department of trade was part of this Pillar too. Accordingly, the UNMIK formed the Kosovo Trust Agency, as the institution through which it would start transforming the property, privatizing the socially owned enterprises in Kosovo. Despite the internal and external pressure, Kosovo Trust Agency managed to finish the job they had started.

The public dissatisfaction appeared since the beginning of the process. The expectations were that this process will reduce the unemployment, and this did not happen. Few were those enterprises that started working after the privatization. Controversy was raised about the methods of privatization, transparency, the money raised through this process and up to the process of selling itself – the announcement of the independence of Kosovo on 02.17.2008 did not make significant changes in the process of privatization. The parliament of the Republic of Kosovo established the Kosovo Privatization Agency as a subsequent of Kosovo Trust Agency. The privatization in Kosovo, although local people took charge, in essence remained the same. Some additional problems surfaced, among the most important ones was paying the 20% of the raised money to the workers, money that belonged to them by law.

Based on the overall past and current events, regarding the process of privatization in Kosovo, it can be said that so far the process of privatization has not ended for any of the socially owned enterprises. The transformation of the property through selling of the socially owned enterprises is characterized by transferring the property to those who buy it

for 99 years. Moreover, until the process of liquidation of these enterprises is not over, and until we are not able to answer the question what will happen to these properties after 99 years, the process of privatization shall not be considered complete.

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