

The energy of Albanian and foreign investments with impacts on overpassing the global crisis effects

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Abstract

The development and improvement of individual and social welfare, viewed from the post crises situation management spectrum in global level and national as well, leads us to the energy of Albanian and Foreign Investments with Impacts on Overpassing it's effects

Based on the potency that the science of economy, literature with its scholars and researchers' considerations and their development in Albania, focused on its Southeast, give to energy investments, the role of them takes a special significance.

Recent theoretical and empirical literature suggests that foreign direct investment (FDI) exerted positive impact on economic growth through the process of technological diffusion. The literature also suggests that the development of the domestic financial system of the host country is an important pre-condition for FDI to have a positive impact on economic growth. A well developed domestic financial sector enhances efficient allocation of financial resources and improves the absorptive capacity of a country with respect to FDI inflows. Particularly, a more developed financial system positively contributes to the process of technological diffusion associated with foreign direct investment. The way the Albanian economy functions within the globalization is sufficient reason to be treated in this Conference the role of Albanian and Foreign Investments in the overpassing of the crises effects.

Furthermore, the High, Sustain and balanced economic growth, requires the increase of investments, which make it necessary the effective use of capital sources.

World economy deep crisis is felt in Albania, too, testing so the foundations of economy: financial stability and macroeconomic balances. Nevertheless, the initial good condition of our economy and the proper reaction of macroeconomic policies helped in successfully over passing this test. The Albanian economy has obtained a positive increase by maintaining financial stability and the main indexes of macroeconomic stability, prices sustainability, the level of public debt and the constancy of salary balance.

Reference to bank market, which was the epicentre of worldwide crisis, expressed in credit and bank deposits, reference to sectors that generated the largest part of the income for country's economy such as tourism, agriculture, export, and even imobilar sector (real property buying-selling), followed by the level of investments, the tendency in emigrants remittances, or the income from taxes and customs, affirm that the credit financial crisis found the Albanian economy with divers constant expansion, during which satisfactory rates of increase were noticed. The necessity of focusing on the above directions in supporting and encouraging incentive policies bring about investment increase and are affected by them. The impressive way of civilization accepted by the Albanian society, is proved by the engagement in the development of human capacities. Research and scientific infrastructure includes objects, equipment and necessary services for research and scientific work such as laboratories, scientific libraries, scientific informative services, scientific publications etc.

From the treatment of some aspects of reality in the focus of this paper, it is clearly seen that the measures taken combined with Keynes' and neoliberal recepies of state interference, world economy, after this Global crisis, has started a new regeneration cycle and economic – social progress, by testing so, the capitalist economy ability for advancement, development and improvement of social and individual prosperity.

Macroeconomic stability and Albanian economy consolidation, as part of the global process development, attest that alongside with the health that should be given to economy in general; agricultural, agroindustrial, rural, tourism development seem to be take given the needful attention as important sectors for Albanian economy, which requires the mobilization of public funds and local and foreign investments attraction without resting to announce the values which are the basis of the Albanians national strategy, being so an important part of the image, to absorb and transmit to life reality the effect of investments “as a bird ‘flitting”.

Introduction

Based on the potency that the science of economy, literature with its scholars and researchers’ considerations and their development in Albania, focused on its Southeast, give to energy investments, the role of them takes a special significance.

Recent theoretical and empirical literature suggests that foreign direct investment (FDI) exerted positive impact on economic growth through the process of technological diffusion. The literature also suggests that the development of the domestic financial system of the host country is an important pre-condition for FDI to have a positive impact on economic growth. A well developed domestic financial sector enhances efficient allocation of financial resources and improves the absorptive capacity of a country with respect to FDI inflows. Particularly, a more developed financial system positively contributes to the process of technological diffusion associated with foreign direct investment. Being familiar with the role the image of the country plays in inhaling (attracting) foreign investments and their impact on the economic growth, as well as being among academicians, friends of Albania, I consider it right to highlight that the Albanian image appears in the Global World with the brilliant dimensions of a country member of NATO and an Adriatic gateway to Balkan Peninsula, which as part of Western Balkan, is on the process (on the way) of its entrance into the Euroatlantic structures and EU. The country borders the former Yugoslav

provinces of Montenegro, of Macedonia, Serbia and Greece to the South. The capital is Tirana.

Albania, with population of 3,170,048 (01, January 2008/ INSTATE), with the macroeconomic performance continuously consolidating, is really part of global developing process.

The real growth of GNP (Gross National Product) has proved sustainable development of Albanian economy. Economic growth was 7,7% in 2008 y via 2007y, even though the world was experiencing the effects of global financial crises in respective economies (3.5% 2009; these levels on the rhythm of growth, for these period was forecasted from the experts to happen, because of indirect effects of the crises). Consumption Price Index (CPI) in April 2011 was 112.2% via December (2007 y=100) marking so a decrease of 0.6 % compared with the previous month.

Albanian Exports in three quarters of 2010y resulted to be 59,4% higher via to the same period of the previous year.

During 1995y-2009y, there has been an increasing tendency of the monthly average salary for every worker in public sector. In the year 2009, the increase of monthly average salary by 11,9% and the increase of consume prices by 3,5%, affected in the increase of real salary by 8,1% (Data source of population, employment and indexes/INSAT) .

Korca, the city of the first Albanian school, the cradle of our melodic and lovely language, pride of its speakers, this University city, with different objects, characteric dwellings, meseums etc. as real touchable treasures which testify the works of high-minded people, philanthropists of Korca, offers its beauty and the diversity of the Albanian Southeast by promoting so the jewellery of a part of the string of the Albanian values.



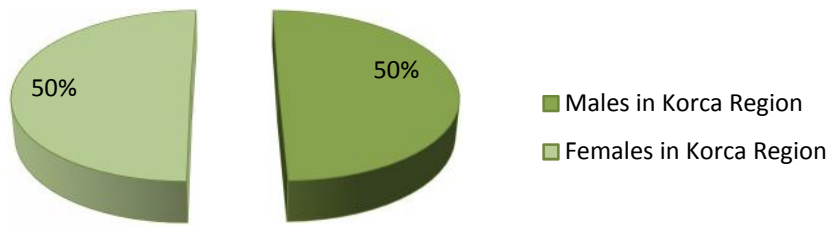
**Korça is located in the South-Eastern part of Albania.
It has a Mediterranean climate and style of living.**

The city of Korça is surrounded by mountains. It is the biggest city of south-eastern Albania. It was established in the 15th century and has been an important trade centre. The caravans passed along Greece, Turkey and Russia. The city has inherited oriental characteristics. The French governing has left its own signs (footprints) in its urban appearance. The city is clean and well administered. At this moment most of visitors are transit tourists that travel towards Greece, Macedonia or businessmen for their affairs.

This city is the economic and cultural centre of the region and for this reason the business' tourism and that of the important events, means a lot as a tourism form of a special interest. Some attractions are such as Archaeology Museum and that of the Medieval Art Museum, the old market and the historical quarters of the city. There are some other cultural events that attract the tourists, they can organise tours in different places especially during the weekends. Korca might be a main point for undertaking such tours within the region. The tourist potential in it does offer many possibilities of the regional development.



Males & Females in the Region



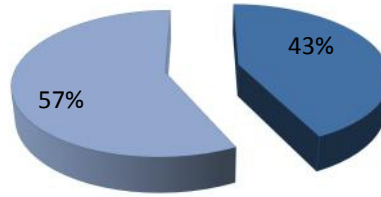
(Data source: Korca Statistical Office)

Males & Females in the Region	Males & Females in the Region
Males in Korca Region	181083
Females in Korca Region	182646

URBAN & RURAL POPULATION	Number of Population
Urban population _Number	155733
Rural population _Number	207996

Number of Population

■ Urban population _Number ■ Rural population _Number



Urban & Rural population by M&C	Number
Urban population _Number	155733
Number of Districts	4
Number of Municipalities	6
Rural population _Number	207996
Number of Districts	4
Number of Communes	31
Number of Villages	344

CITY / VILLAGE	Population			No of families	Increase		Decrease		Natural increase			Infants mortality
	M F	M	F		M	F	M	F	M & F	M	F	1-4 vjec
Region	363729	181083	182646	106833	288	427	219	292	204	69	135	0
Korca Districts	201483	99599	101884	62793	137	188	93	132	100	44	56	0
Korca City	86596											

Maliq City	8058											
Pogradec Districts	92325	46535	45790	26730	89	142	81	103	47	8	39	0
Pogradec City	40178											
Devoll Districts	43449	21673	21776	11475	37	61	26	33	39	11	28	0
Bilisht City	9974											
Kolonje Districts	26472	13276	13196	5835	25	36	19	24	18	6	12	0
Erseke City	9927											
Leskovik City	2853											
City in total	155733	76103	79630	49344	77	155	85	101	46	-8	54	0
Village in total	207996	104980	103016	57489	211	272	134	191	158	77	81	0

The way the Albanian economy functions within the globalization is sufficient reason to be treated in this paper the role of Albanian and Foreign Investments in the over passing of the crises effects.

Furthermore, the High, Sustain and balanced economic growth, requires the increase of investments, which make it necessary the effective use of capital sources. $(\text{Capital} / \text{Number of labor force}) \times \text{productivity}$.

World economy deep crisis is felt in Albania, too, testing so the foundations of economy: financial stability and macroeconomic balances. Nevertheless, the initial good condition of our economy and the proper reaction of macroeconomic policies helped in successfully over passing this test. The Albanian economy has obtained a positive increase by maintaining financial

stability and the main indexes of macroeconomic stability, prices sustainability, the level of public debt and the constancy of salary balance. (www.bankofalbania.org)

Global economy asserts (affirms) reclamation of economic activity with the packages of stimulant monetary and fiscal measures for the stability of global economy.

The policies proposed by economics science and the measures taken by the government and appropriate institutions in international, regional and global level for over passing the latest economic – financial crisis, considered as the greatest after that of the years 1929 – 33, reaffirms the role and importance of Economic Thought & Anti crisis Policies in the Globalization Epoch.

Crises represent an endogen phenomenon of the capitalist system and not an accidental case, which might be crises of real and financial – creditor economy, as well as crises of the particular fields such as that of budgetary, monetary and salary balance deficits.

J.M.Keynes in his work “General theory of employment, interest and money” for the explanation of the causes and possibility for coming out of the crisis of the year 1929 – 33, discovered the key to the problem, which consists in biopsychology law according to which, “... with the income increase, the consumption will be increased too, but to a smaller amount”. The law application means that the part of consumed income (C) is smaller than the sum of the produced income (Y). The difference represents savings (S). If savings was to be all invested ($S=I$), then everything would go well, as $Y=C+I$.

Every piece of the produced product would be sold, and everyone from the working force who wanted to work, would be employed. But, for S to be invested ($S=I$) two conditions are required:

1. The savings owner ought to be interested in borrowing or depositing them with profitable percentage of interest and not to keep them in house liquidity.
2. For (S) to be invested (I), the interest norm of borrowing from the investor should be lower than marginal rent ability of the capital. If this does not happen, then on one side, we will have uninvested savings and on the other hand, unsold

products and unemployed workers (as investment for the employment of those who wanted to work was not realized).

Without going into a detailed analysis of the above mentioned theory, I would like to emphasize that the state should interfere with its budget funds to secure the appropriate investments in order to realize $Y=C+I$ and $S=I$. The state interference may also be realized by accepting the creation of budget deficits (B), for the financing of the investments in different sectors of public interest, as well as by state buying of super (extra) products. (G). Thus, changes will be reflected in the above equations: $Y=C+I+G$ and $S+B=I+G$.

For a complete (analysis) argumentation of Keynes' recipes on anti crisis policy, the use of economic categories of multiplier plays a great role in the policy of economic growth and anti crisis measures to reduce (fight) unemployment. It is multiplier which defines the times PBB is increased versus each investment unit, while accelerator indicates how many investment units are required to increase one unit of the GDP. So, if each 1 income unit is used 80% (0,8 unit) for consumption and 20 % (or 0.2 unit) for investments, it results that the investment multiplier is $1/0.2 = 5$ times. This means that an initial investment from a budget of 50 million lek in other unchanged conditions would bring about an increase of GDP equal to $50 \text{ million} \times 5 = 250 \text{ million lek}$. On the other hand, the increase of GDP as the result of multiplier involvement (use) creates supplementary sources for the growth of investments volume (capacity) and use of accelerator. So, if the use not only of multiplier but that of accelerator too, is taken into consideration, continuous economic growth can be ensured through further investments. The effect of accelerator by the increasing of investments, besides other factors, also depends on the coefficient of the capital units used for each GDP units produced. So, if for each unit of GDP is required 0,5 capital unit, then the size (amount) of accelerator will be $1/0,5 = 2$. Under these circumstances, if, from the growth of GDP which led to the multiplier, 60 million lek is going to be used for the growth of the new capital, with this level of accelerator we can ensure another extra amount of GDP equal to $60 \times 2 = 120 \text{ million lek}$.

Thus, the combination of multiplier and accelerator use, leads to the continuous growth of GDP and reduction of unemployment.

“If the human nature did not feel any temptation from the attempt to have a chance, it would feel no satisfaction from the construction of a factory, railway, mine or farm” Keynes said, and later he forewarned ...”Human nature wants quick results, has a special zeal to make progress quickly while later profits are discounted by the average man with a very high percentage”

Despite the problems of different crises, considering the study of economic history, one thing is certain: “Each crisis has served to reveal new scientific discoveries and to find better instruments for the pragmatic economic – financial policy.

The choice of the right moment to attract monetary and fiscal economic stimulus has a decisive role for the progress of the world economy.

The real course of history and the theoretical analyses have now testified that the capitalist system of the trade market remains the most capable (suitable/ appropriate). Through centuries, it has ensured a surging development of productive forces by the help of the mechanization of market competition and the long term improvement of human welfare in particular.

This development is characterized by two features: a- the general tendency of a continuous increase from one epoch to another and b- the periodic fluctuation of this general tendency in the form of economic cycles. Considering the majority of authors’ opinion, cycles and economic financial crises are endogenous phenomena of the capitalist economy and are not caused by accidental factors.

The key problem to the understanding of the roots of financial and credit crisis is the difference existing between the mechanisms of consumption goods market and the market of financial elements and bank products that are bought with the accorded loans. The raising prices of property elements does not reduce but increases the demand, the number of new buyers, leading so to the further raising of prices of the different elements of property.

Besides these, the new products created by the inventions of financial engineering, named financial derivatives, might also have negative consequences in cases when they are wrongly used.

..”Capital is not bad in itself, it’s wrong use makes it bad. In one or another way, it will always be useful” (Mahatma Gandhi)

Thus, throughout the world, the level of liquid means/assets had reached in 812 % of the world PBB; this was only because of immense growth of financial derivatives making up 81% of all forms of liquid means.

Consequently, the banks did not know their real obligations and the real value they were guaranteed.

The wide spread crisis worsen almost all the macroeconomic figures of the main countries.

But the figures which follow speak about may outs from the crisis of developed countries.

The economic growth of Germany is advancing (is going ahead) more than it was expected. For the first three months of the year 2011, it marks a noticeable growth of 1.5 %. Figures (data) show that import and exports for Germany are increased over passing the records set in the year 1950. This is clearly noticed by the economic progress of the Euro zone countries.

France and Austria have declared a growth of 1 %, while Italy and Spain follow them with a growth of respectively 0.1 % and 0.3%. The economic growth of France has been higher since the second half of the year 2006. The figures (data) about Italy are worse than it was expected, as the growth is the same with the last quarter of the year 2010. Last month, the government reduced the predictable level of the economic growth for the year 2011 from 1.3 % to 1.1 %.

The economic growth in Spain is encouraging as its growth for the previous quarter of the year was 0.2 %. Spain is encountering (facing, coping with) a high percentage of unemployment, which reaches up to 21.29 %.

Undoubtedly, the globalization of world economy, besides its advantages and great profits, could not prevent a series of negative phenomena that affected economic condition of countries of the world.

Which one has been the nature and the size of the possible effect of the global economic & financial crisis to Albania?

To give answer to this question some special factors charactering our economy, need to be taken in consideration:

1. The level, the size of development of our economy, it's structure, with a less complicated financial and bank system, are less affected by the world economy fluctuations. About 60% of the Albanian GDP goes for services (where public sector, education, health service etc. are dominant)
2. About 18 % of GDP (for the year 2010/Open Data Albania) goes for agricultural products, which in present conditions, are less affected by the economic financial crisis, because the reduction of food consumption is ranked at the bottom/the last.

As for food products, considering the existing conditions, there are all possibilities for their increase due to the increase of agricultural products, by substituting a part of import, (A. Pano)

that is why the strengthening of rural development policies in our country, as well as the platform for economic diversification in rural communities is a priority. We are at the same line with the EU philosophy:

-We are in need of rural development, because a) it leads to the development of the countryside and people living in it.; b) rural areas are vital parts of physical presentation and identity of each country; c) marvelous sceneries give special character to every region and zone; d) rural areas encounter challenges caused by climatic changes; e) countryside offers its value as a place of beauty, recreation and vocation and continuously affirms "the value of the traditional food" as a monument of human cultural heritage of the "Green Bible"; f) people are greatly attracted when they are offered adequate service and infrastructure.

The support of this sector by the Albanian government has influenced on the double and triple increase of the agricultural products sale and on the increase of farmers' families income to the amount of 60-70 % compared with five years before..

The policy of rural development of 2007 – 2013 is focused on three thematic axes which every EU country respects: **a)** improvement of competition

in agricultural and forestry sectors; **b)** improvement of the environment and village in general; **c)** improvement of life quality in rural areas and stimulation of diversification in rural economy.

Based on what is mentioned above, as well as on the ascertainment that, with the measures taken for rural development and agricultural modernization, do exist great possibilities for the increase of competitive capacity of some agricultural and farming products of the country, with the effect to reduce their imports and ensure the income to pay the imports of the advanced technological equipment, it is proved that in EU as well as in Albania, where agriculture is a prior sector, the strengthening of the rural development policies and the platform for economic diversification in rural communities is priority.

The policy of rural development means everything; i.e. coping with the challenges and unlocking the existing potentials.

For these and the fact that agriculture is the fundamental instrument in reducing famine, in securing sustainable development, economic growth, in protecting global environment, systematic gender integration in rural development activities, where policies exceed regional and national dimensions, as they are European, Global, I do stress the importance of schemes and investments backbones implementation for agricultural, agro industrial and rural development. The support given to this sector in the recent years is realized not only by the investments in rural infrastructure but also directly by regulatory initiatives.

A solid package to finance agricultural development includes: a – agriculture organization in medium and big farms (the law for creating agricultural farms); b – creation (foundation, establishment) of National Agrarian Bank, which might be totally focused on agricultural projects and rural inhabitants, from which banks would profit too, by hypothetically formatting it as a public-private partnership, with the dominion of the last one; c – combined with the creation of investment financial funds, centralized in agriculture sector, as a successful farm does not require only plenty of land or devotion in work from the rural inhabitants, it above all, requires technological infrastructure for the production, which is accompanied with a high financial bill. That is why support from the market

financing mechanisms should be offered, such as the bank private sector which needs to supply the agricultural sector with capital.

The progress of the agricultural sector through these instruments improves the structure and the rates of economic growth, as well as the life quality of more than half of the population; for this reason, within the last four years 1.6 milliard dollars were invested in the rural areas infrastructure, agro business and agricultural production.

The specific support of agriculture and agro industry is based on two types of instruments:

1- Basic instruments such as: Investments in agriculture infrastructure, especially irrigation/drainage passing then to modern systems, land protection from erosion, consultation service, marketing and products delivery into appropriate markets, preventing and fighting of diseases and complete specification and registration of private property.

2- Specific investments such as subventions for the producers/farmers to invest in agricultural cultures according to appropriate zones, fiscal incentives or access to mitigating credits as well as incentives for ploughing and rational use of agriculture land.

Consequently, in the 21st century, agriculture continues to be a fundamental instrument for mitigating poverty, for sustainable development, economic growth, global environment protection, systematic gender integration in activities of rural development

3. The sector that has recognized more development in the last years and which might be affected by the world crisis is construction. It has ensured about 14 % of GDP.

Actually, the main way to compensate the possible reduction of private constructions might be the rapid initiation and extension of huge infrastructure works supported by the budget funds and great investments of foreign investors in our country.

Concerning our industrial production in the last years it has ensured 8% of GDP and its largest part goes for energy (electricity) production, extraction of some minerals for export and for clothing products most of which are exported.

2010 has been an historic year for the Albanian economy because foreign investments and exports have marked record figures. Direct foreign investments reached the value of 840 million euros or 20 % higher than the year 2009, most of which is used for the improvement of infrastructure and energetic sector.

The export of goods “Made in Albania” has been 1.2 milliard euros or differently expressed 30 % higher than during the year 2009. For the first time in the national economy, the ratio of exports versus imports is 1 – 3, while some years before this gap was too deep. Powerful stimulation of national production and encouraging of exports “Made in Albania” constitute two important backbones of the sustainable economic development model where we rely, focusing on the sectors which give priority to export such as agriculture, textile, minerals etc.

4-The most delicate point of our economy is the amount of income from emigrants who represent one of the most important sources of country’s buying force (affordability) and the *influence in our currency rate. Economic decrease of the two neighbor countries (Italy and Greece)* where the greatest part of emigrants work, may influence on their income and money sending in Albania. This factor may considerably reduce the buying force (affordability) of our population, as well as the possible investments of emigrants in our country. So, the way of possible compensation of emigrant income reduction is by increasing tourism not only by foreign visitors but also by the tourism of our emigrants in these difficult periods.

The process of migration presents another feature of the profile of the global crisis effects in the Albanian economy, and raises the necessity of finding adequate ways of income mobilization by emigrants in the investments form in Albania.

According to a survey conducted by the Albanian Bank, for the first quarter of the year 2011, about 26 % of the families in the territory of the Albanian Republic profit from the foreign currency in form of emigrant remittances. About 59 % of them live in rural area and profit about 66 % of remittances, while the others live in the urban area and profit 34 % of them.

Based on the data of the Albanian Bank, the remittances marked the most considerable reduction during the last year, reaching so the lowest point in the last seven years.

In the year 2010 the remittances shrank to 696 million Euros, or 11 % less than a year before, a reduction greater than that of the year 2009, when the global crisis culminated. But the main concern is the remittances tendency. Compared with the year 2007, when the remittances of the Albanians working abroad, peaked to 952 million Euros, today they are 256 million Euros lower, a figure equal to 3 % of the inner national product. This reduction is due to economic stagnation of the countries they live.

Since the first years of transition, emigrants' remittances have been the main source of the foreign currency in Albania and have financed country's needs for imports and economic growth, but now it is obvious that our economy is referring to other currency sources. It seems that remittances reduction is being compensated with the direct foreign investments, which last year reached the highest level marking 827 million euros.

Albanian emigrants' naturalization in their destination countries on one hand, and the crises especially in the neighboring countries, where Albanian emigrants of Korça region have emigrated..., affirm that Albania needs to think about the gradual substitution of the emigrants remittances (which theoretically are considered as the export of the working force / service export), with real goods export. It seems that Albania is losing one of the main sources of remittances, those of emigrant's remittances.

Tourism, as in the whole world economy, is vital for Albania, that is why the last years investments are the most convincing argument of the developing policies in the Albanian economy, as the actual financing level to tourism conforms the treatment done to this industry as a prior sector, as everyone's business, as producer or consumer of tourist product.

To possess touristic potentials is one side of the medal. Clients consume touristic product ; so the followings mechanisms receive importance:

1. Changing of products in touristic potentials;
2. New forms of organization for tourists' reception;
3. Tourism development is insolubly

connected with infrastructural improvements; 4. Marketing of touristic product; 5. Integration and application of alternative tourism forms to Euro regional dimensions.

Albania's service sector, especially its restaurants and hotels, already offers exceptional things. The hospitality is great. We are ready for an influx of tourists and people will leave impressed. The incomes from tourism have been 1,2 billion Euro for the year 2010 and the number of tourists is increasing as well.

By far the biggest step is the program of "Albania for one euro". The plan aims to offer extremely good terms to investors interested in strategic sectors like mining, agriculture, import reduction and energy. Albania is rich in natural resources, such as oil, gas, copper, chrome and hydroelectric potential

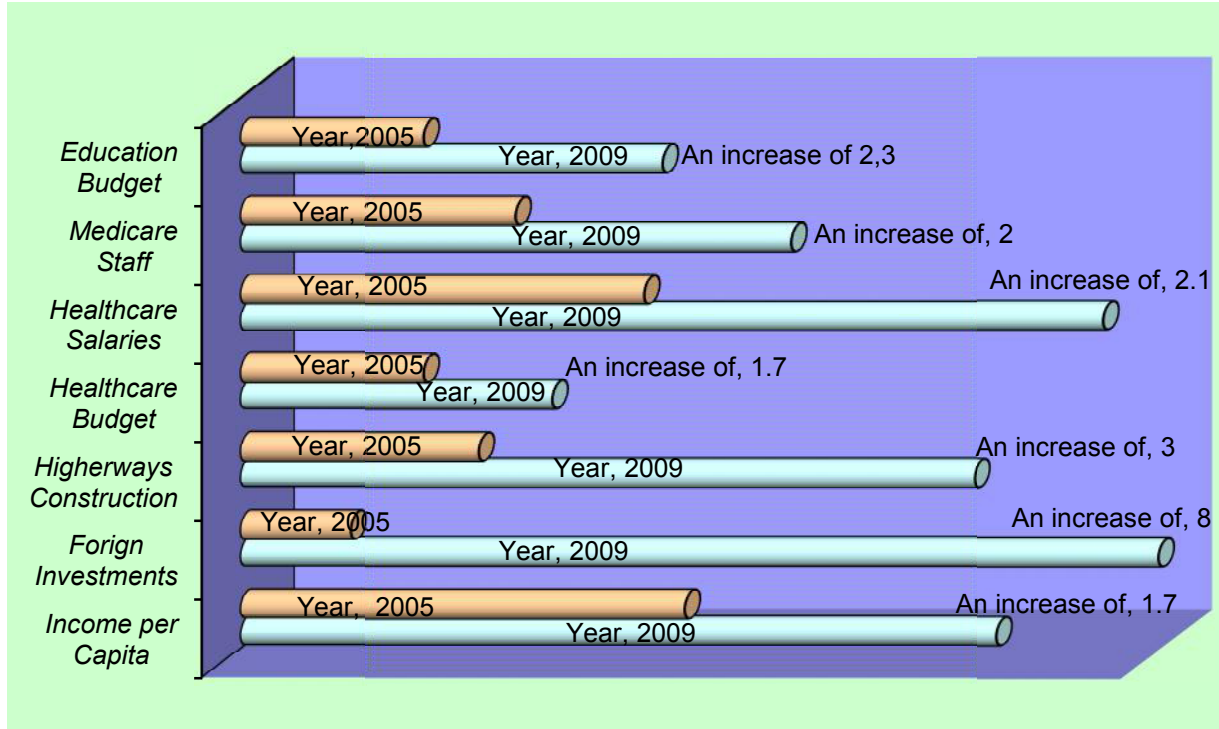
All above mentioned argue that the management of situation and crisis over pass depends on the financial and/or real national and foreign investments in different sectors. The key to be successful in this process has to do with the way its origin is perceived and where it is reflected more.

What is more, today we possess everything needed to understand our globalize economy. This is a world which offers us new colossal opportunities but meanwhile makes us cope with great new challenges.

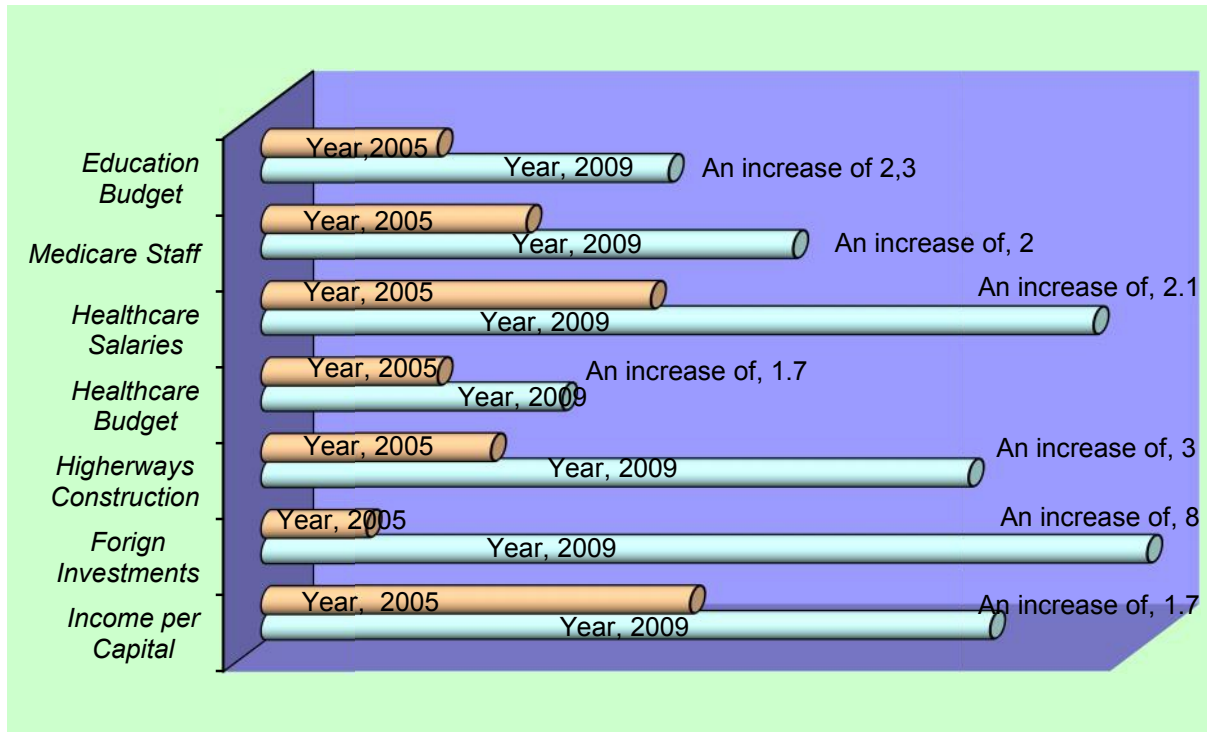
The performance of Albania, Western Balkan Countries and former centralized economy, prove how the World functions.

Liberalization of economy and the veneration for the universal principles of economic growth opened new way to FDI- and has helped the integration of the Albanian economy towards world economy.

The Investments in Albania according to the Sectors Between two periods



The Investments



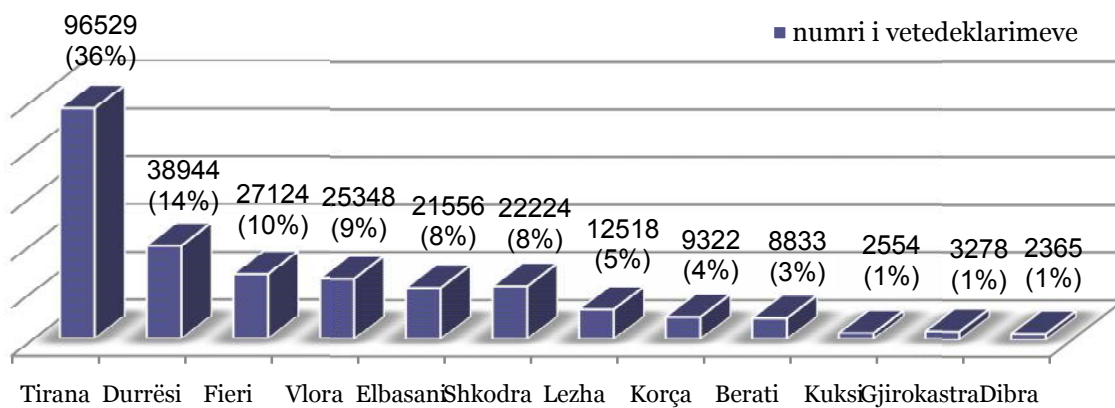
98,7 billion lek investments during 2006-2010 went for the national road Durrës –Kukës (the foreign funds in this amount are 31,8 billion lek). The investments for the Road Tirane Elbasan 380 million Dollars which will be implemented actually, are with positive social & economic impacts.

The consolidation and respect for the achieved and European standards in fields as the right of ownership, institutional stability, respect for human right, functioning of the structures of trade market economy, the ability to undertake membership obligations, inner competition and the degree our country is opened towards world market speak about Albanian progress.

So we come to the evaluation of legalization process in Albania” Formalization & Integration of Informal Constructions/Challenges of a reform & the fulfillment of its objectives’, which in the essence is: informal economy formalization: giving life to a dead capital. Democratic developments after 90s were accompanied with rapid democratic movements which together with the need for residences, brought within themselves the phenomenon of informality in construction.

The inherited lack of regulating legislation for shelter, management of territory and ownership, was a stimulating factor for informality. Informal properties registered result to be about 350 000, occupying a surface of 320000 ha. Through voluntary self declaration of the informal buildings possessors (July 15-November 15, 2006), were included in the legalization process 270 595 objects of these kinds: totally informal objects; -legal objects but with illegal constructions added by their side or at their top. This process makes Euro 10 milliard productive (construction cost of these objects with the market value). After the legalization, subjects become owners of these objects with the market value. It is understood that the process has evident positive economic & social effects, because a part of the invested value in construction is money is made by the work of Albanians in migration.

**Informal Selfdeclared Constructions in Albanian Regions
in % (total 270595)**



Data source: ALUIZNI Directorate of Albania

- i. As it is seen, the comparison of some economic indexes during and post crisis period in our country presents apparent improvements. So, if during the crisis the conditions to give credits became restricted, during the first quarter of the year 2011, they became more mitigated, especially for some special categories such as credit for consumption and small and medium sized enterprises.

- ii. If during the crisis, a reduction of investments was noticed, exclusively because of the increase of credit interest norms, today investments rates are increased as a consequence of credits conditions mitigation and the reduction of interest norms. So, economic situation for the time being has been greatly improved compared with the time when the world was involved in global crisis. We emphasize that, as we do not avoid crisis consequences, we are able to manage them optimally.
- iii. Global challenges appearing in front of the countries in the Planet, certainly affirm the achievements as well as the tasks for the European and Global perspective of every region, including Albania.
- iv. Changes in road, naval and air infrastructure and the Internet are favoring the re-dimensioning of economic interdependence level of the regional countries towards global economy (GDP) in the world. On the other hand, improvements in institutional infrastructure lead to economic growth, making Regional countries, through these ways, have the possibility to increase the level of incomes per person. This takes us back to the question raised at the beginning of this paper about welfare upgrading, by increasing resources productivity and exploring the new ones – ways that take us to long-term sustainable increase. (With a balance: $I^* = S$; capital /labor force x productivity)

(Data Source for Investments: Regional Directorates & Regional analyses/E.

Zefi)

Table 1

REGIONAL INVESTMENTS IN TOTAL 2005 - 2009 (000/lekë)							
No	M & C	2005	2006	2007	2008	2009	TOTAL
1	INFRASTRUCTURE	137	391,248	288,784	654,540	1,247,127	2,581,836
2	WATER SYSTEM	-	206,584	96,766	2,446,688	6,528,844	9,278,882

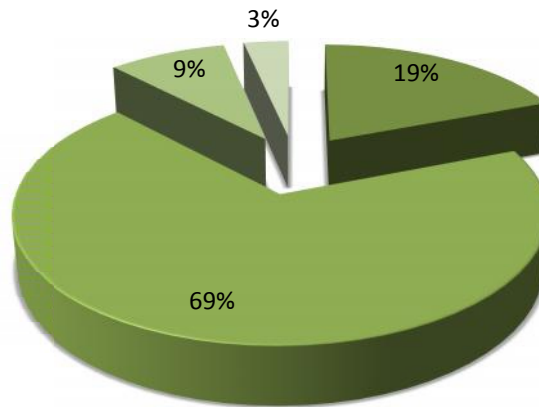
3	EDUCATION	142,663	142,947	246,348	397,704	256,691	1,186,353
4	HEALTH SERVICE	32,385	99,906	33,440	289,300	120	455,151
	TOTAL BY C&M	175,185	840,685	665,338	3,788,232	8,032,782	13,502,222
1	IRRIGATION BOARD	-	18,500	28,200	23,500	45,000	115,200
2	AGRICULTURE DIRECTORATE	-	-	-	138,738		138,738
3	REGIONAL ROAD DIRECTORATE				2,973,691	2,797,048	5,770,739
	TOTAL BY C&M	175,185	840,685	665,338	6,761,923	10,829,830	19,526,899

Table 2

INVESTEMENTS BY SECTORS IN M & H 2005-2009 (000/lekë)		
1	INFRASTRUCTURE	2,581,836
2	WATER SYSTEM	9,278,882
3	EDUCATION	1,186,353
4	HEALTH	455,151
	TOTAL BY M & C	13,502,222

INVESTMENTS BY SECTORS IN MUNICIPALITIES & COMMUNES

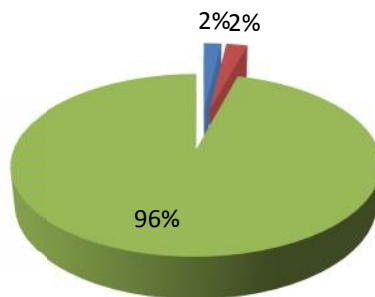
■ INFRASTRUCTURE
 ■ WATER SYSTEM
 ■ EDUCATION
 ■ HEALTH



INVESTMENTS BY DIRECTORATES 2005-2009 (000/lekë)		
1	IRRIGATION BOARD	115,200
2	AGRICULTURE DIRECTORATE	138,738
3	REGIONAL ROAD DIRECTORATE	5,770,739
TOTAL		19,526,899

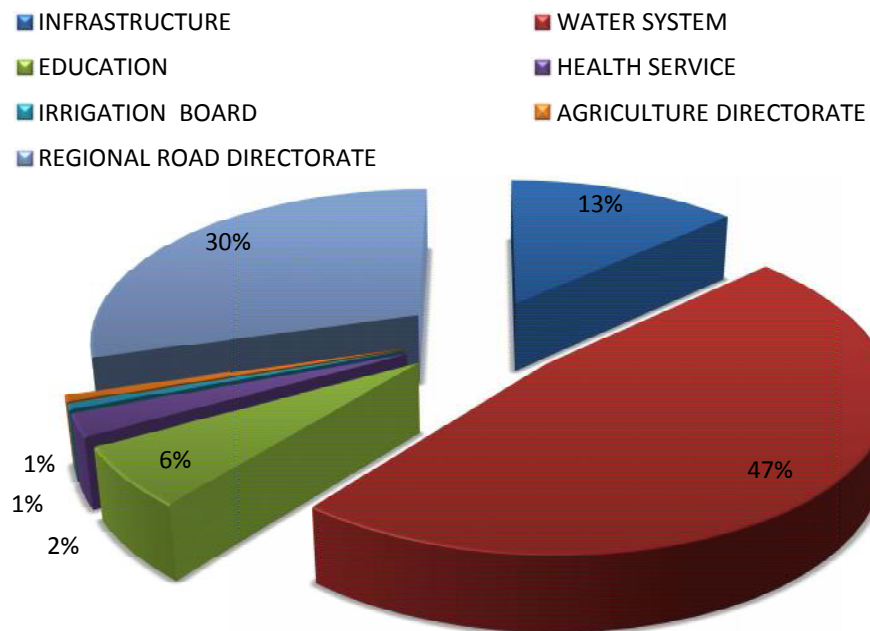
INVESTMENTS BY DIRECTORATES

■ IRRIGATION BOARD ■ AGRICULTURE DIRECTORATE
■ REGIONAL ROAD DIRECTORATE

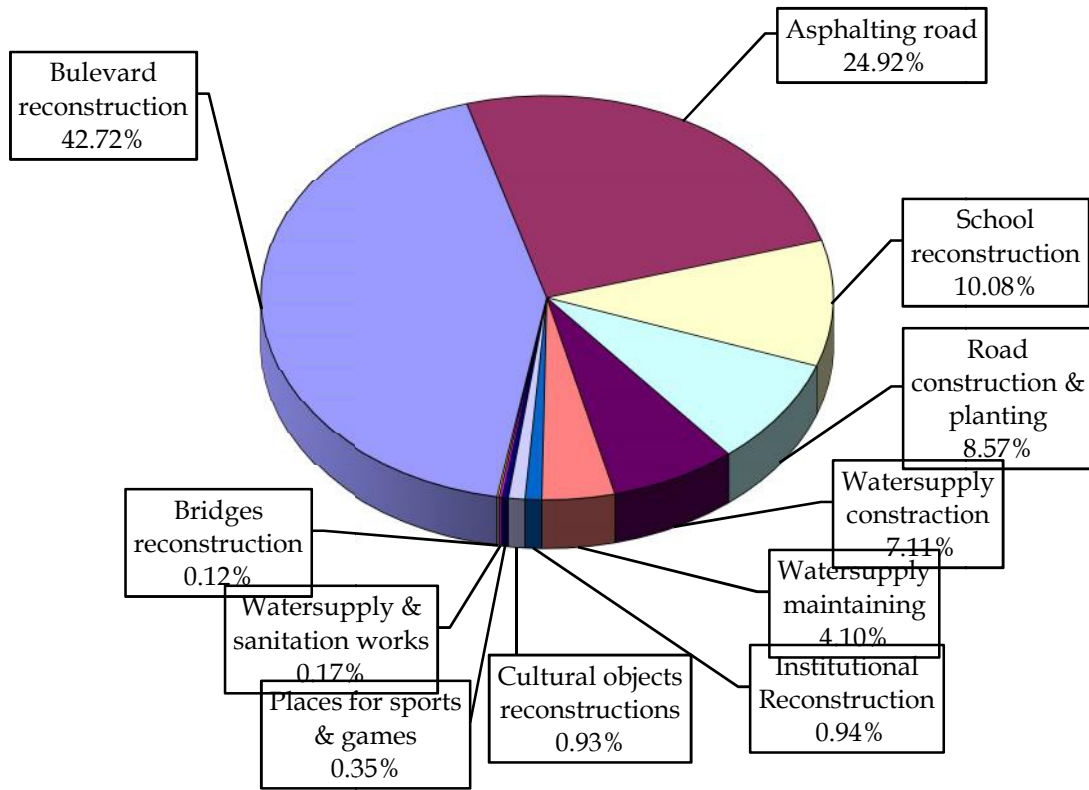


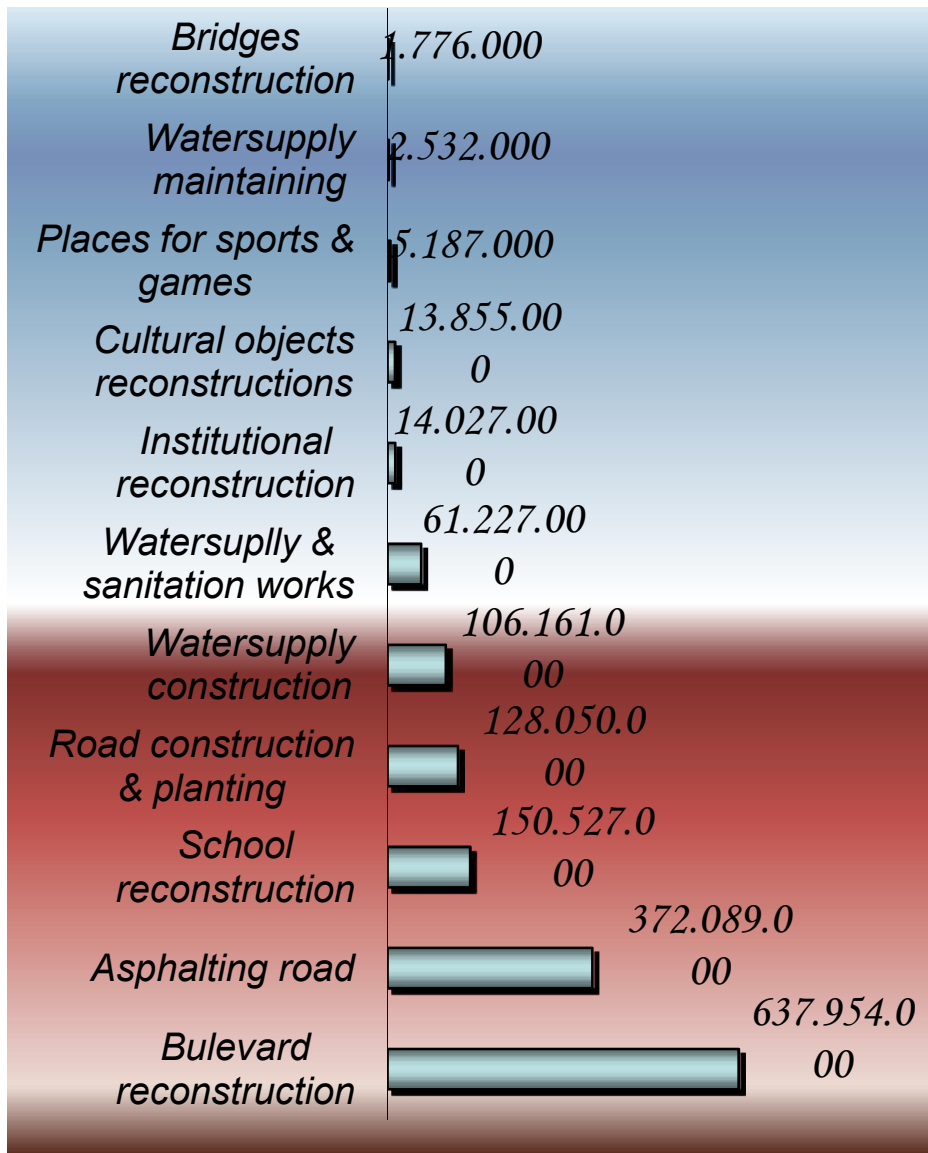
TOTAL OF INVESTMENTS 2005-2009 (000/lekë)		
1	INFRASTRUCTURE	2,581,836
2	WATER SYSTEM	9,278,882
3	EDUCATION	1,186,353
4	HEALTH SERVICE	455,151
5	IRRIGATION BOARD	115,200
6	AGRICULTURE DIRECTORATE	138,738
7	REGIONAL ROAD DIRECTORATE	5,770,739
	TOTAL	19,526,899

TOTAL OF INVESTMENTS



The trend of investments in the Region of Korca for the year 2010





The works on the water & sanitation, water net, sewerage net /drainage project & plant of waste water processing in Korca (as pilot project succesfully realised) which started in the year 1997 will be over by the end of the year 2011, implementing investments on four steps. Cofinancing from KFW & BEI((European Investment Bank), and Albanian State Budget as well is 61,5 million Euro, while 20 million Euro in this amount is donation from German KFW.

In Pogradec (Korca Region): 12 ,114,000 Euros is the investment for the

water System, which is cofinanced from a Switzerland Foundation (7,480,000 Euro) & German KFW (the difference).

FDI have influenced in the economy structural changes, capital behaviour, advanced technology, new methods of supervision and work management, creation of new markets, new job placements, export increase and deficit reduction of commerce balance, etc.

Direct foreign investments in Albania: *From origin viewpoint-* Italy and Greece are holding a leading position, 51 % of direct investment undertakings are realized with the Italian foreign capital participation and 24 % with the Greek foreign capital. The nearest followers are Turkish capital (4%) and the American one (3%).

Investments in industry have targetted sectors with high concentration of labour force and not those of capital or technology concentration, creating more space to foreign investments in technology transfere and increase of national production technologic capacity. Internal and external migration have played their role in investment level. A considerable percentage of FDI is present in districts bordering Greece, Korçe and Gjirokaster.

Sectional disperse of direct foreign investments in Albania indicates a high level of their concentration in processing industry and fields of wholesale trade. Thus, they have been more evident in sectors with quick profits.

From territorial disperse viewpoint over 95 % of the corporate and foreign enterprises are located in western, southern and southeastern part of the country. The first place of FDI is held by Tr-Dr zone with about 70 % of their number.

It seems that geographic position and the image of Albania in the world favours investments in sectors with positive effects for our national and regional progress.

Infrastructure and services sector have been the back bone where investments are concentrated. Individual and his demand takes central position in services sector. Real investments in this sector are connected with the construction of new health centers. This has affected the decrease of unemployment level.

Investments are also made in establishment or reconstruction of many educational institutions such as nurseries, kindergartens, schools and universities.

Per ndertimin dhe rikonstruktimin e shkollave te ndryshme ne vend, qeveria ka akorduar fondet e saja te cilat zene nje pjese te rendesishme ne buxhetin e shtetit.



Investments in infrastructure sector are focused on paving, reconstructing and opening up new roads, regional or rural ones. Investments making use of state budget funds and those of foreign donors have raised demands and businesses standards which are now approaching to new international models for functioning of their activity.

Effect ester adjure new tourist attraction with the increased number of local and foreign visitors, mentioned above.

According to the experts thoughts: an increase in FDI leads to higher growth rates in financially developed countries compared to rates observed in financially poor countries; local conditions, such as the development of financial markets and the educational level of a country, affect the impact of FDI on economic growth; policymakers should exercise caution when trying to attract FDI that is complementary to local production. The best connections are between final and intermediate industry sectors, not necessarily between domestic and foreign final goods producers; human capital plays a critical role in achieving growth benefits from FDI.

One of the greatest challenges with which the Region and our Country is coping with, is the creation of a contemporary model of development and progress, having as an object the improvement of our position as part of global economy, sustainable progress, increase of its inhabitants' life standard and approaching towards European standards. "Key" factor to success is qualitative and quantitative economic development, a process that ought to go in parallel with the increase of competition among powerful and active enterprises and public – private partnership.

In such circumstances, bank system is offered to play a greater active role in strengthening of private business and initiative. In the last years, banks have undertaken important initiatives to support small and medium businesses and have positively changed the predisposition to offer better services to clients.

New circumstances and global tendencies indicate that the visionary extension spread in space and time of the enterprise activity requires investments in human capital, knowledge, trade research, advanced technologies, activities coordination.

Global free market is, once more, showing that it is under the service of those who dare take risks and compete. What is more, inter-Regional collaboration, foreign investors attraction, creation of the proper ground for common Albanian – Foreign undertakings is favoured by the existence of some customs officies; national axis that connects Region with other part of the Balkan.

In regional level, based on its geographical position, our region is now offering possibilities for undertaking initiatives in the sectors as:

-Energetic infrastructure and its alternative resources, - Tourist industry, - Commerce, - Transport, - Agriculture & Farming – Fruit growing, - Food Industry, - Construction, etc.

The combination of economic and urban development, harmonic economic & space development, environment recuperation, extension of free public spaces, especially green surfaces, objects and recreational space and other factors, give opportunities for long-term priorities.

Regardless of the fact that world economic crisis hit bank system, which makes the energy source for investments from which economy enlivens, with the

role the bank system played with interest norms and exchange rate, the Albanian economy is characterized not only by a constant increase, but also by stabilized exchange rate.

Reference to bank market, which was the epicentre of worldwide crisis, expressed in credit and bank deposits, reference to sectors that generated the largest part of the income for country's economy such as tourism, agriculture, export, and even imobilar sector (real property buying-selling), followed by the level of investments, the tendency in emigrants remittances, or the income from taxes and customs, affirm that the credit financial crisis found the Albanian economy with divers constant expansion, during which satisfactory rates of increase were noticed. The necessity of focusing on the above directions in supporting and encouraging incentive policies bring about investment increase and are affected by them. The impressive way of civilization accepted by the Albanian society, is proved by the engagement in the development of human capacities. Research and scientific infrastructure includes objects, equipment and necessary services for research and scientific work such as laboratories, scientific libraries, scientific informative services, scientific publications etc. Europeanization and science and research internationalization, besides the expenditures in comparison with GDP, contributes to education quality. Cordingd to predictions for this year, the afflux of FDI is expected to be 312.5 million Euros, making so 3.5 % of the GDP. Such prediction is based on the possibility and trust for foreign entrepreneurs to invest in Albania.

Policies in the field of investments support the climate improvement of business, physical infrastructure, utility services, as well as the continuous improvement of regulator framework, which directly affects the reduction of investments cost in Albania.

Capacity strengthening of promoting and implementing structures of the strategies and governmental policies in the field of business and investment stimulation is promising; so that for the period 2008 – 2014 a considerable part of the needs for Albainan economy investments are to be covered by FDI, with the measures taken for the improvement of climate investments, strengthening of regulator capacity on the market, setting of competition and avoidance of

informality in economy, guarantee of the property rights and solution of inherited conflicts, procedure liberalization for market involvement, integration to regional markets of EU, creation of industrial parks with appropriate infrastructure and services. Foreign investments attraction follows the improvement of country image in the World, supported also by the development of information advanced technology in urban, local and rural centers and spreading of telecommunication and Internet services in the remote areas for development stimulation and improvement.

The growth of FDI afflux through accelerated privatization process especially the one of strategic economy and concession sectors, will be the main source of FDI growth for short and middle term period, facilitated by the legislative and regulator framework for concessions and their implementation.

Market and possibilities identification of investments in potential sectors as in those of electro-energetics, mines, patrol, gaz, agrobusiness and tourism means the service towards existing investors as a source for generating of new investments and investments attraction from Albanian emigrants, too.

From the treatment of some aspects of reality in the focus of this paper, it is clearly seen that the measures taken combined with Keynes' and neoliberal recipes of state interference, world economy, after this Global crisis, has started a new regeneration cycle and economic – social progress, by testing so, the capitalist economy ability for advancement, development and improvement of social and individual prosperity.

Macroeconomic stability and Albanian economy consolidation, as part of the global process development, attest that alongside with the health that should be given to economy in general; agricultural, agroindustrial, rural, tourism development seem to be take given the needful attention as important sectors for Albanian economy, which requires the mobilization of public funds and local and foreign investments attraction without resting to announce the values which are the basis of the Albanians national strategy, being so an important part of the image, to absorb and transmit to life reality the effect of investments “as a bird ‘flitting.

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