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FUNDAMENTAL AND TECHNICAL ANALYSIS OF THE STOCK PRICE

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Abstract

Trading with stocks in developed market conditions for some is fun, for others it is a way to preserve the real value of the asset, while for the most is a challenge to gain bigger profits quickly and easily. Dreams on stock market alchemy rely on the development and upgrading of special systems whose ultimate goal is to uncover stock price secrets and their changes. What are the chances of this happening? Chances are minimal, according to experiences from the world's leading stock exchanges in the past. The stock market complexity, the number and unpredictability of factors affecting stock prices and unexpected changes or stability do not give much hope to those who know what's going to happen in the future. In such endeavors there are equal opportunities for both stock exchange experts and full-time amateurs. For all this, if the stock market cannot be defeated or deceived, then it is better to join it. So this means: to create a diversified portfolio of securities that provides a safe income, slightly higher than annual inflation, minimizing the risk.

Key words: *stock market, stock price, financial market, financial forecasts.*

Introduction

In countries with a developed market and a major stock market tradition, securities trading is an attractive activity for both stock exchange experts and the uninformed investors. In short, a number of small and large investors try to win the market by predicting future events. Based on the expected price changes, the sale or purchase of stock materials is done. For this reason, there are various methods in use: such as analysis of general economic development indicators or the application of different models. So in both cases the goal is the same: sell when the price is higher - buy when the prices are lower.

Fundamental funders are exploring macroeconomic aggregates, and based on the current state of affairs and expected changes, future price outlines are drawn. Such an approach is based on real economic categories and rational completion elements. Technical analysis becomes more affirmative in a broader audience. At first glance the reasons seem to be very convincing: on the basis of the price movement of securities in the past, the position for future flows is also formulated. In such an approach, there must be no persistence in the scientific bases of the methods that apply but in reality their applicability in practice. Thus, various forms of statistical analysis developed by stock exchange experts. The question is whether or not the market can be obtained using fundamental or technical analysis; i.e., Was the stock price alchemy detected?

Methods used for identifying and providing the future of movement prices

Following the most explicit stock conditions and their main characteristics, as well as the main stock indexes, the following will be keen to the main techniques and methods for defining and forecasting the future movement of their values.

The main methods for determining the value of shares

Each action may or may not have a nominal value. The nominal value represents the "initially planned and initially estimated value" by which the action is first transmitted to the market that is recorded in the share during the initial issue. There are two basic sets of valuation methods:

- 1) Balance method;
- 2) Method of deduction.

Balance method for determining the value of shares

1) Accounting value of the share

One of the main methods of valuation balance is the determination of its carrying amount, which is taken as the ratio of the net value of the enterprise and the number of ordinary shares issued. The basis for determining the carrying amount is the balance sheet of the company, while the net value represents the difference between assets and liabilities. The carrying amount actually indicates the stable resources of the allocated funds for individual stocks. The main constraint on the carrying amount of the share is „that it is determined on the basis of the loan, which is based on the results achieved in the past, during which the determination of these values is conditioned by the respect and application of numerous accounting principles".

On the contrary, the market price also includes the expected results, and will usually be higher than the book price. If the company does not produce good results, the market price may be lower than that of accounting, so the carrying amount can not represent a lower reliable limit below which the market price of the share may not fall.

2) Liquid share value

A much more credible measure for determining the lower price limit of the stock market is the amount of liquidation of the company for ordinary shares. Where the value of liquidation represents a profit from the sale of the company's assets, which is reduced by debt repayment. Thus, here is supposed termination of business operations and the sale (liquidation) of its assets and repayment of debts, therefore the liquidation value is lower than the carrying amount. Liquidation value is also an important indicator in taking the company. That is, if the market value of the stock price depreciates below its liquidation value, the company will become an attractive target to take, no matter how its other performance is.

3) Reproductive value (replacement costs)

Another important method of balance for determining the value of the stake is the replacement cost of the company or the costs necessary to create approximately the same company. The market value of a company should not be much higher than the value of its reproduction, otherwise the competitors would be motivated to create the same company and the increase in competition and the appearance of similar companies in the branch would result in lowering the market value and approximating it with replacement costs.

Within this concept, the indicator Tobin q is used, which represents the relationship between the company's market value and the value of its reproduction, that is, the replacement cost.

The discounting methods for determining the value of shares

Although the financial statements provide a significant basis for determining the value of a firm, they are based on historical values and as the company continuously operates, it is necessary to take into account the expected future cash flows that it will realize. Therefore, discounting methods of stock valorisation are used, which are intended to determine the intrinsic value (intrinsic value).

The domestic stock value is compared with the current market price to determine whether an action is exaggerated or underestimated. Over-appreciated items are those whose current market price is higher than the domestic ones and they should be sold, and then be sold undervalued, the current price of which is lower than the domestic value. Previously, we mentioned that return on investment includes realized capital gains and cash dividends. Then we can determine the expected yield in the Expected HPR, according to the formula:

$$ExpectedHPR = E(r) = \frac{E(D_1) + (E(P_1) - P_0)}{P_0}$$

Where:

$E(r)$ - Expected future value of the action;

$E(D_1)$ - Dividing the pending cash;

$E(P_1)$ - The expected share price at the end of the period;

P_0 - Share price at the beginning of the period.

So the expected return on investment is actually the amount of expected dividend yield - $E(D_1) / P_0$ and expected return on capital gain - $(E(P_1) - P_0) / P_0$. However, in order to determine whether an action is interesting to the investor or not, or if it is exaggerated or underestimated, it is necessary to compare the expected rate of return with the required rate of return. To determine the required level of yield, we have three main types of discount methods available:

1. The capitalization method of profit;
2. Methods of discounting dividends;

3. Money discounting method.

1) *The profit capitalization method starts with Capital Asset Pricing Model(CAPM) model*, which links the required yield rate of a certain value paper with its risk (which determines β).

According to the CAPM model, the ratio between the required yield and β is as follows:

$$E(rD) = rf + \beta D (E(rM) - rf)$$

Where:

$E(rD)$ - the required level of yield;

rf - free yield rate;

$E(rM)$ - Expected market rate;

βD - beta (risk) of a given paper.

In the text below, we will mark the required return rate with k . If the expected return is higher than the required return, the action will be underestimated and the investor will want to have more such shares in his portfolio. On the other hand, if the expected return is lower than required, the action is overestimated and the investor will not be interested in keeping it.

Another way to determine the required rate of return is based on comparing the internal share value with the current market price. Intrinsic value - internal (I_0) represents the present value of the expected future cash flows of the companies, discounted at the required return rate (k). Shares will be underestimated and represent a good investment if the domestic value is higher than the stock market price. On the other hand, if the domestic value is lower than the market price, the shares will be overestimated. The formula for determining the internal value is:

$$I_0 = \frac{E(D_1) + E(P_1)}{1 + k}$$

Where:

$E(D_1)$ - the expected dividend in cash;

$E(P_1)$ - the expected share price at the end of the period.

The required return rate is in fact a discounted rate set by the market consensus to reduce expected future cash flows to the present value and, as such, are called market capitalization rates.

2) The dividend discounting model (DDM) is the most common discount rate for stock valuation. This model implies that the company's internal value is equal to the present value of collecting all future expected dividends. To simplify it, $E(D_1)$ will be defined as D_1 , and $E(P_1)$ as P_1 . From the previous text we saw that:

$$I_0 = \frac{D_1 + P_1}{1+k} \text{ analogous to this, } I_1 \text{ will be } I_1 = \frac{D_2 + P_2}{1+k}$$

If we assume that $P_1 = I_1$ and term I_1 replace it instead of P_1 and then assume that the same will apply to an infinite number of consecutive periods, by further fixing we get the following expression:

$$I_0 = \frac{D_1}{1+k} + \frac{D_2}{(1+k)^2} + \frac{D_3}{(1+k)^3} + \dots$$

From which we conclude that the domestic value (share price) should be equal to the present value of all future dividends expected in infinity. Ordinary shares are securities without any exact life expectancy, which makes it very difficult to predict future expected dividends and it is necessary to introduce an additional variable, which is the dividend growth rate. Then assume that the amount of dividend at point 2 is equal to the amount of dividend at point 1, corrected for the dividend increase rate (g), on the basis of which we have:

$$D_2 = D_1(1 + g_2), \text{ from where it is: } g_2 = \frac{D_2 - D_1}{D_1}$$

After the introduction of this variable, the dividend discount model can be presented in three forms:

- Model with zero growth rate of dividends, when $g = 0$.
- Model with constant growth rate of dividend, when $g = \text{const.}$
- Model with a variable rate of dividend growth, when $g_1 \neq g_2$

3) Another way of determining the value of the share is the application of the cash flow discount method. In the first variant, the discount of the Free Cash Flow for the Firm (FCFF) is carried out at the weighted average cost

rate to obtain the value of the company. Then, this value decreases with the value of the debt to get the share capital. The free cash flow for a company can be determined using the following formula:

$$\text{FCFF} = \text{EBIT} (1 - t) + \text{Am} - \text{CC} - \text{Increase of NWC}$$

Where:

EBIT (earnings before interest and tax);

t (tax);

Am (amortization);

CC (capital costs);

NWC (net working capital)

Another variant of this model involves the application of Free Cash Flow to Equity holders (FCFE). This flux, available to shareholders, is obtained by correcting FCFF in the following way: $\text{FCFE} = \text{FCFF} - \text{interest costs} (1 - t) + \text{net debt growth}$.

If we want to determine the final value (terminal) and assume that we have a continuous growth model, we get the following formulas if we apply cash flows FCFF and FCFE:

$$P_T = \frac{\text{FCFF}_{T+1}}{\text{WACC} - g} \quad \text{dhe} \quad P_T = \frac{\text{FCFE}_{T+1}}{k_E - g}$$

Where:

WACC (Weighted Average Cost of Capital)

k_E - share capital cost rate.

Methods for determining future stock price movements: basic and technical analysis

The current price, according to which the stock will be currently sold in the market, may be significantly different from the previously mentioned nominal value. In order for an investor to make a rational and accurate decision about what stock will be purchased, first and then at that point, an appropriate analysis is needed. An investor analysis should provide the necessary information, first of all if an action is overstated or underestimated, and then in the upcoming movement of some prices. In this regard, two important analyzes were conducted on economic theory: technical and fundamental analysis.

Fundamental analysis

Within a fundamental analysis, the main purpose is to identify the difference between the value and the price of an asset so that the investor succeeds in gaining market share and profit. In doing so, shares may be underestimated when their value is greater than the market price or overestimated when the market price is higher than their present value. The main idea under this analysis is the observation, "all the underlying factors that may affect the share price, such as income, sales, return on equity and the company's cash flow, which are analyzed." The two main approaches to fundamental analysis are top-down and bottom-up approaches.

If we apply the top-down approach, we will first see the price movement in the economy as a whole, then the specific sector in which the issuer belongs, then the issuer's activity and eventually within the designated company. Rather, bottom-up approaches really start from the price movement at the company level, and then macroeconomic factors or trends in the economy as a whole are gradually emerging.

Therefore, the fundamental analysis is based on the analysis of the company's historical performance trends and expectations of future developments, mainly profits, product quality, competition, conditions in a particular industry, followed by a balance and forecast analysis of the cash flow. This analysis starts mainly from the core group of financial statements for the purpose of obtaining data on the profitability, debt and cash flows realized in the given company.

According to a fundamental analysis, the factors that influence the stock price move are numerous and can be stimulated by the company itself, or its wider and narrower environment. Some of the most important external factors are macroeconomic factors, such as the inflation rate, the gross domestic product production rate, and the amount of public debt. Other significant external factors that may affect the stock price are: trends in a particular industrial branch where the company is concerned, interest rates and exchange rate of the country in which the

company operates, return rates of the equity instruments other financial assets, such as bonds and the like. Internal factors will naturally depend on the company's own performance and will be identified on the basis of the analysis of the financial statements and then the relevant statements, which will be more accurate from now on.

Technical analysis

Technical analysis is a method by which market trends and statistical data are used to predict future stock movement and "giving an answer to a question" when "buy or sell a certain share". The essence of the technical analysis is "anticipating changes and future price levels based on historical time series and turnover volume". For this reason, technical analysis is mainly based on the use of tables, charts and coefficients, while the main driver of this analysis is the short-term, long-term forecasts of the price movement of a given stock.

Technical analysis supporters believe that the share price at a given moment will approach their fundamental (real) value, but changes in factors that affect the underlying value can be predicted in advance and that investors can use these observed price trends earlier to achieve a certain profit.

Such an understanding of technical analysts is at odds with the expectations of the functioning of an efficient capital market. According to the hypothesis of market efficiency, change in the underlying factors should immediately affect stock prices, however, technical analysts believe that this will not happen, but prices will gradually change, which will result in emerging trends in prices. Then, as mentioned, some of these trends can be used. However, if investors discover these models and try to comply with them in order to benefit, their activities will inevitably affect prices, which will result in a change in the initially-priced models. Therefore, this phenomenon is called a self-destructive model.

Dow's theory

We have emphasized that technical analysis is mainly based on the application of charts, so technical analysts are often called Chartists. Chartists use the observed trends to earn some profits. Dow's theory was named after its creator, Charles Dow, the founder of the Wall Street Journal, and it represents the main basis of technical analysis. The main rule of Dow's theory is that the shares are sold at the top of the downward trend and are buying at the foot of the growing trend.

The two main indicators used in Dow's theory are:

1. DJIA – Dow Jones Industrial Average and
2. DJTA – Dow Jones Transportation Average.

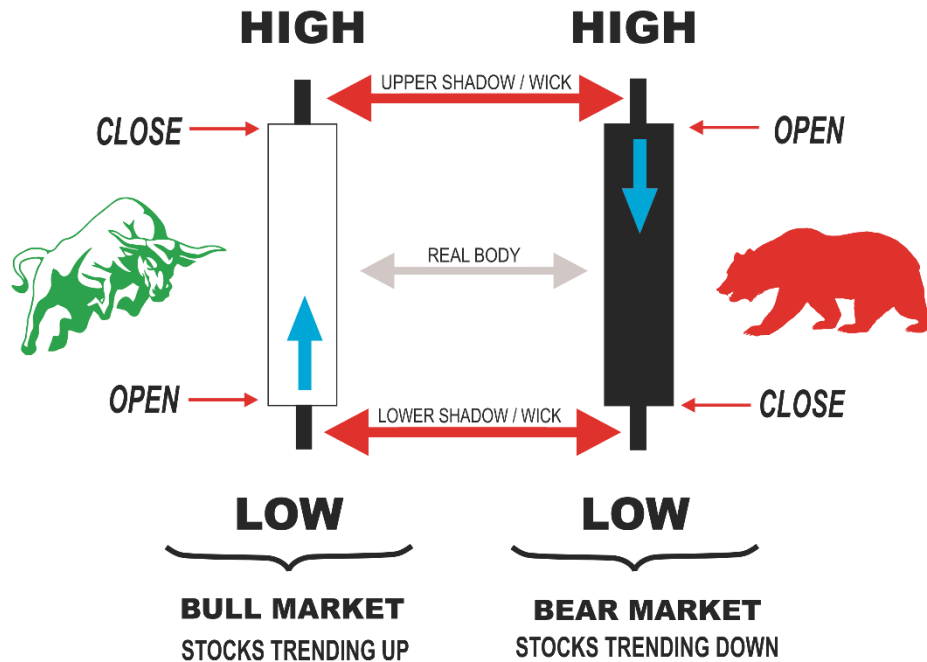
These two indicators are mentioned and explained above, but it is important to note that the main indicator of key trends is the DJIA index, while the DJTA index is used to control to reject or accept a particular signal provided by the market.

There are three main trends affecting stock price within Dow's theory:

- 1) Primary trend: may be bullish or bearish and lasts from several months to several years. This trend cannot be manipulated.

In the picture 1. the bullish and bearish trends are presented with three main phases of the bullish trend (accumulation phase, public participation phase and optimism phase) and the three main phases of the bearish trend (distribution phase, public participation phase, and panic phase phases).

Fig.1.The Dow Theory Bull & Bear Market



Source: <http://elitemarkets.com/index.php/stocks/stock-market>

2) Secondary or secondary trend: is created due to price deviation from a basic (primary) tendency. These deviations usually last from one to three months, after which they are again approaching the main trend of price correction.

3) Tertiary or Minor Trend (Small Trend): means daily price fluctuations, which will not have a significant impact. They can last up to several weeks.

Within the framework of Daw's theory, it is important to distinguish two concepts, which are:

- 1) Level of support: Indicates the price level below which it can not fall action or stock index.
- 2) Resistance Level: indicates the level of price over which the stock is unlikely to increase or the stock index will not fall.

These two levels are determined by analyzing data on price movements in the previous period.

Conclusions

Investors need to understand and use different techniques, such as fundamental and technical analysis, analysis of reports and financial statements, horizontal and vertical analysis, and financial analysis from investors' point of view, which in addition to information from the basic financial reports are used market information. All of these concepts and methods are needed to get a complete picture of a company's performance so that factors affecting a business are included, measured and reported, and therefore also in the formation and movement of stock prices when it comes to joint stock companies. In the paper, we have focused on the formation of stock prices as a subject of the strong impact of a large number of different factors, which makes the prediction of their upcoming movement difficult and complex. Exactly, the stock price forecast is very difficult due to the impact of internal and external factors on a company's business and because of the difficult involvement and accurate measurement of the effects of these factors.

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IDENTIFICATION AND EVALUATION OF SOME DETERMINING FACTORS IN THE CONSUMER DEMAND FOR APPLES IN THE TIRANA AREA

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Abstract

Knowing consumer preferences on the demand of different products is the key to success for different businesses. Different customers have different preferences regarding the demand for goods and services. Factors affecting demand determine the quantity required for a good. Some of these factors are: sales price, consumer income, consumer preferences, consumer forecasts for the future, substitute and complementary goods prices, etc. By knowing and analyzing these factors well we are able to determine consumer choices for goods and services. In this paper we will analyze how some of the factors determining demand affect apple consumption. The study refers to a survey conducted for casual consumers in the Tirana area on the preferences and quantities consumed by this product.

Key words: determining factors; preferences; demand, consumption.

Main Problems and Objectives

Main Problems

The need to study and examine consumer behavior is becoming more and more current. The consumer is seen as the key driver of the market and the expected profits of different firms, so companies should conduct a detailed market analysis to understand consumer needs and expectations, and identify the individual factors and incentives that impact consumers when buying products. with the aim of achieving the maximum satisfaction possible for them. As a result, market research and consumer recognition are also one of the main tasks of manufacturing and trading firms.

With this in mind, we focus our attention on studying consumer behavior and examining the impact of various factors that influence consumers on product purchasing. Specifically, at the beginning of the paper, we present some general theoretical insights on consumer behavior, consumer behavior, and factors that influence consumer behavior.

Objectives

Some of the main objectives of this study are:

- Identifying and evaluating consumer preferences referring to several different apple product attributes.
- Assessment of consumer willingness to pay depending on socio-economic characteristics.
- Observe consumer behavior in purchasing decision making when the determinants of demand change.
- Customer responsiveness to both domestic and imported product.

Goals and methodology

Goals

This paper focuses on the study of various factors that influence consumers in purchasing apple product. The reason we chose this fruit is related to the great value of the apple product but also to the fact that there is a high demand for this product and it is not lacking in the tables of every family. Apples are known for their tremendous nutritional value and ingredients to protect against a variety of symptoms and diseases.

Methodology

The methods used in this analysis consist of:

- The economic method
- Statistical analysis
- Customer Survey
- Official data

Determinants of apple consumption demand

The apple market, like any fruit and vegetable market, is a separate market due to the fact that products are easy to break down and because they represent an important food component for consumers. Because of these aspects, this market has many challenges from the production process to the distribution of end consumers.

To determine consumer behavior in relation to apples, a survey was conducted. The purpose of the survey was to analyze and examine the cognitive and emotional reactions to purchasing behavior and determine their rationality from the consumer's point of view. It consisted of two parts. The initial section asked respondents about their economic status, age, employment, monthly income and so on. The second part consisted of questions about the consumption of fruit in general and the apple product itself in particular. The feedback on the purchasing process for some product groups was analyzed. This survey process was conducted in the period May-June 2019 in the city of Tirana. There were 88 people who were randomly selected by the interviewer.

The most important factors of consumer behavior that are noticed in are:

The economic situation

These include the source and availability of the product, household income and percentage of income expenditure on food. It can be seen how the change in the economic situation, the average income per household, the change in the per capita income proportionally leads to a change in the amount consumed by the family. Thus a family with a large number of persons and a low average income would normally consume much less than a high income family. This is related to the price. We can say that price and consumption have an inverse proportional relation. So, as the price increases, the quantity consumed decreases. Respondents generally stated that prices are normal or high. And looking at households' monthly income we can say that it is a very important factor in deciding whether or not to consume the product.

Demographic and social factors

These include the number of family members, age, gender, education, resources, and leisure use. Thus, in addition to its use for food and cooking, it is noted that some respondents use it for aesthetic purposes. Normally this is observed in most female respondents as well as in younger ages. This has to do with information on new and different uses than the traditional apple as well as a good economic situation. So young ages and the female gender are more likely to consume more for this reason.

Buyer confidence in product origin and food safety

Today's consumer faces a wide variety of products, a variety of prices, a large number of providers in the market, so there is freedom of choice and replacement is very simple. Looking at the skeptical nature of the respondents and the lack of confidence in the quality and origin of the apple, we note two clusters. In the first group is the proportion of respondents who consume apples in normal or high quantities (2-3 times a week / 2-3 times a month). Here we note that they have established a line of trust with the supplier that in most cases is either from the village or from ambulance vendors. In the second group we observe those persons who deprive their diet of consumption of this product. Given the lack of confidence in the entire food security population in the country in all products, we can say that this is an important factor.

Availability and replaceability

Apples are a product that is readily available throughout the year due to refrigerated storage and resistance and quality preservation. Among the locally produced products we can say that this is the most consumed and this means that substitution can be made very rarely and this in periods or seasons where other fruits are consumed. So, the only products we can also find throughout the year are those imported. Among them are banana, kiwi and pineapple. They are also highly consumed but apples having high resistance and preserving physical hardness and other qualities at low temperatures at times make them more consumable and not easily replaceable.

Customer preferences

However good a product has in the end it will only be consumed if preferred by the consumer. Apples, given the widespread distribution and consumption in the Albanian population, we can say that it is preferable to most. So, the apple has no problem with preference being the most present on the table.

People's expectations

People's expectations can be very influential. People tend to act according to the course of action of the majority. However, it has less impact on the demand for apples than other factors. For example, let's say winter revisited in late spring with snow, which destroyed many apples (and other fruit) flowers.

Price of replacement goods

The effect of the price of substitute goods on the demand for apples is both large and small. Great because there are many substitutes for apples like pears and other fruits. If the price of these substitutes falls, people consume more of these commodities and less apples. At the same time, it is small because what causes the price of these substitutes to fall is likely to cause the price of apples to fall. In addition, even if the price of apples does not fall, pears and other fruits may not replace apples perfectly. For guest table cover, for example, there is as much room for apples as for pears or other fruits, no matter how different the price of apples is from the price of other fruits. In the case of apple juice, however, the substitute price is important because orange or other juices can easily replace apple juice.

People's tastes or preferences

Consumer taste is an important factor in the field of economics. If consumers change their attitude about the product positively, they will want more of it. Demand for any given price increases. Firms cannot increase supply immediately, so their first response is to raise prices. If consumers change their attitude negatively, the opposite happens. However, for apples, consumer tastes do not change from time to time. Health announcements regarding vitamins in apples affect demand, but not enormously.

Statistical analysis and interpretations on appropriate consumption findings

Description of sample taken for analysis

For the realization of this paper a direct field survey method was used. Thus, 88 random customers in the Tirana area were interviewed for this topic. The survey questions were of a demographic and economic nature. The

purpose of this survey is to determine some of the factors affecting apple demand and consumer behavior when changing one of the factors affecting demand.

The following are some descriptive analyzes of the determining factors of apple demand.

Descriptive analysis of the determining factors of apple demand

During the interviews with consumers, several factors were identified that played an important role in the decision that consumers would make regarding the demand for the apple product to buy, the origin of the product, the place to buy, the price they would buy. be willing to pay etc.

Some of the factors are: gender, place of residence, employment, income, age, education, etc.

Listed below are customers rated by gender, residence, income, education, etc.

The following table gives the rating of customers by gender, age and occupation.

Table 1: Consumer ratings by gender, age, occupation. Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Number	88	1	88	44.50	25.547
Gender	88	1	2	1.49	.503
Age	88	18	65	35.33	13.157
Occupation	88	1	3	1.35	.662
	88				

Table 2: Assessment by gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	45	50.6	51.1	51.1
Valid Female	43	48.3	48.9	100.0
Total	88	98.9	100.0	
Missing System	1	1.1		
Total	89	100.0		

Table 2 gives the consumer rating by gender, which shows that out of 88 consumers surveyed, 45 are male and 43 are female.

Table 3: Respondents' assessment by income level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Low income	29	32.6	33.0	33.0
	Average income	43	48.3	48.9	81.8
	High income	16	18.0	18.2	100.0
	Total	88	98.9	100.0	
Missing	System	1	1.1		
Total		89	100.0		

Table 4: Consumer rating of apple consumption

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Po	76	85.4	86.4	86.4
	Jo	12	13.5	13.6	100.0
	Total	88	98.9	100.0	
Missing	System	1	1.1		
Total		89	100.0		

Table 4 shows that 76 consumers responded that they consumed the apple while 12 consumers did not prefer the apple. Individuals have different tastes and preferences so to be in demand for a good is not only enough to be able to pay but you need to be at the same time ready and willing to have a preference for the product.

As can be seen from the table above, the majority of respondents consume the apple product once or twice a week, one of the reasons being that they consume other fruits alternately. Another reason is the low level of income that they can only provide for the consumption of basic commodities.

To make the statistical evaluation of the respondents, the linear model was used: $Y = a + bx$, whereas the dependent variable is the consumers' income and the independent variable X is the employment of the respondents.

The following hypotheses have been raised to make a statistical assessment of income and employment:

Table 5: Estimation of the frequency of consumption

	Frequency	Percent	Valid Percent	Cumulative Percent
1-2 times a day	11	12.4	12.5	12.5
1-2 times a week	42	47.2	47.7	60.2
1-2 times a month	26	29.2	29.5	89.8
Fare	9	10.1	10.2	100.0
Total	88	98.9	100.0	
Missing System	1	1.1		
Total	89	100.0		

Assumptions:

H0: There is no link between income and employment.

H1: There is a link between income and employment.

Table 6: ANOVA between income and employment

				Sum of Squares	Df	Mean Square	F	Sig.
income employment	(Combined)			1.827	2	.914	1.882	.015
	Between Groups	Linearity		.772	1	.772	1.590	.211
	*	Deviation from Linearity		1.055	1	1.055	2.175	.144
	Within Groups			41.253	85	.485		
	Total			43.080	87			

Table 7: Descriptive analysis between income and age

	N	Minimum	Maximum	Mean	Std. Deviation	Variance	Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
income	88	1	3	1.85	.704	.495	-.942	.508
age	88	18	65	35.33	13.157	173.097	-.663	.508
Valid N (listwise)	88							

From the statistical estimation in the following table, it can be seen that the value of F is greater than the value of 0.05% security level. This means that the H_0 hypothesis does not hold true and the H_1 hypothesis holds. So, there is a link between income and whether consumers are in employment, school or have both.

This, table 7 provides a descriptive analysis of income and age.

In table 8, For the statistical evaluation of the respondents, the linear model was used: $Y = a + bx + e$ where the consumer income was taken as the dependent variable and the age of the respondents was taken as the independent variable X.

Assumptions:

H_0 : Income does not depend on age.

H_1 : Income depends on age.

Table 8: ANOVA between age and income

		Sum of Squares	df	Mean Square	F	Sig.
age	Between Groups	596.413	1	596.413	3.546	.00033
	Within Groups	14463.031	86	168.175		
	Total	15059.443	87			
income	Between Groups	.007	1	.007	.014	.907
	Within Groups	43.073	86	.501		
	Total	43.080	87			

Even in this analysis the variance results that the value of F is greater than the 0.05% confidence level so H0 falls below and stands as true H1 meaning that the income level is age dependent.

Coefficients^{a,b,c}

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(constant)	1.702	.262		6.488	.000	1.173	2.231
Age	.007	.007	.144	.952	.346	-.008	.021

a. Dependent Variable: income

b. Weighted Least Squares Regression - Weighted by profession

c. Selecting only cases for which gender = male

$$Y = a + bx + e \quad Y = 1.702 + 0.007x + e$$

Interpretation: with increasing age (X) to 1 year, income (Y) increases by 0.007 ALL and a = 1.702 denotes income when X is zero and the effect of other factors does not change (e).

Table 9: descriptive analysis---Descriptive Statistics

	N	Minimum	Maximum	Mean		Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic
Daily price	86	1	3	2.23	.068	.626	.392

Table 10: The place where apples are bought

		Frequency	Percent	Valid Percent	Cumulative Percent			
Valid	Supermarket	44	49.4	50.0	50.0			
	costermonger	35	39.3	39.8	89.8			
	In village	9	10.1	10.2	100.0			
	Total	88	98.9	100.0				
Missing	System	1	1.1					
Total		89	100.0					
Price holiday		88	1	3	2.42	.066	.620	.384
Valid N (listwise)		86						

The table above gives a descriptive analysis of the price of apples daily and their price in the case of holidays.

As can be seen from Table 10, out of 88 consumers surveyed it results that 44 of them buy apple product at the supermarket because they feel safer there, 35 respondents buy it at out-of-town retailers who live in areas where they do not live. are very confident and 9 respondents make purchases in the village to their acquaintances because they believe that the product, they buy is bio.

Table 11: Daily price

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid low	9	10.1	10.5	10.5
average	48	53.9	55.8	66.3
high	29	32.6	33.7	100.0
Total	86	96.6	100.0	
Missing System	3	3.4		
Total	89	100.0		

Table 11 shows that 9 of the respondents think that the daily price is low,

48 respondents think that the average price of apples varies daily and 29 respondents think that the price is high.

Statistical refinements of the data from the 88 consumers survey reveal that factors such as apple price, fruit price, gender, age, employment, consumer preferences greatly influence consumers' decision to buy. . Changing one of these factors will make it change and the demand for the apple product positively or negatively depends on the factor that has changed.

Conclusions

The apple is a fruit that is available for most of the year and this makes it and the most consumed fruit in the country, at least when it comes to local produce.

As noted in the first section, price and availability are the deciding factors in the consumption demand for apples. The price of most of the respondents is defined as average, thus allowing it to be consumed without spending too much. Looking at nutritional values, the many ways of using it (including the aesthetic one that is most noticeable in younger ages and women) we can understand why it is even more preferable to a large number of respondents. (76 persons or 85% of respondents). Nearly half of respondents admit to consuming apples at least twice a week and at least 12.5% admit to consuming apples twice a day.

Below we note that there is a link between income and whether consumers are in employment, school or have both. Thus, that part of the higher income population (also in employment and / or work and school).) consumes apples relatively more often than that lower-income portion with only school relationships. The higher the level of employment, the more it will affect the increase in consumption from income derived from employment.

The linear model $Y = ax + b$ was used to judge whether there is a relationship between income and employment where the income level was taken as a dependent variable and as an independent variable employment.

Using Fisher F statistic, for its value higher than 0.05% alpha coefficient we came to the conclusion that H0: There is no relationship between income and employment declines and we accept H1: There is a relationship between income and employment. So, there is a link between income and whether consumers are in employment, at school or both.

On the other hand, we tried to find out if there is a relationship between income level and age, again using the linear model with dependent variable income level and age independent variable. From the equation obtained: $Y = 1.702 + 0.007x + e$, through Fisher's F statistic we regained the same results. For the 0.05% security level H0 drops down and we get H1: There is a relationship between income and age. Specifically, it results that with the increase of age by 1 year, the level of income increases by 0.007 ALL.

Finally, we can say that the statistical analysis shows that factors such as apple price, fruit price, age, gender, income, employment and consumer preferences will influence the decision to buy from consumers. The change in one of these factors will affect the change in demand for the apple product. However, whether the change will be positive or negative depends on the type of factor being changed and the extent of the change.

Recommendations

Internal market conditions and supply (land and climate, human capital and tradition) have been the main drivers of the development of the apple sector. Domestic demand will continue to support the development of the apple sector in the event of an improvement in the combination of growers to meet consumer preferences, so there is the potential to target high quality and higher priced consumer segments.

Packaging centers (refrigerated warehouses with marketing equipment) are needed to improve standards, also taking into account that in the future production growth will increase the pressure for exports (considering that the internal market is already saturated), and export markets are very competitive and demanding in terms of standards.

Given that a large proportion of respondents used apples for purposes other than consumption and cooking, the aesthetic would recommend investing in apple processing and derivative products (such as fruit juices, face aesthetics, shampoo etc.). ...). The fact that there is a population that is increasingly attracted to these products

means that there is a good job market. This is also an investment that requires technology to preserve freshness and product quality so you would definitely need an investment in refrigeration equipment first.

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ALBANIA AND STRATEGIC REFORMS IN ECONOMY AND DECENTRALIZATION OF LOCAL AUTONOMY

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Abstract

The main issues handled out in this presentation are: strengthening local government leadership and initiative; partnership between municipalities and NGOs; concluding all of these in the community-based approaches to infrastructure services and neighborhood revitalization.

Almost everywhere problems of water scarcity can be considerably mitigated through metering, leakage detection and reduction, network improvements, disconnection of illegal connections, and optimization of storage and supply patterns. The distribution problem in Albania also has a seasonal aspect: much more water is needed during the summer growing season; when rainfall is scarce, rural drinking water is often misused for irrigation; and the tourist resort areas use large amounts of water.

Albania is open to foreign investment and increasing FDI is a top priority for the Albanian government. Albania has put in place a liberal foreign investment regime, including a 10 percent flat corporate and income tax and has taken measures to improve the business climate by streamlining business procedures through e-government reforms. These improvements along with NATO membership and progress toward EU integration have contributed to the increase in investors' interest during the last couple of years. Promising sectors for foreign investors and include: energy (including alternative energies), telecommunications and tourism. The country's geographic position places it at the crossroads of Western and Eastern Europe. A stable U.S. ally, Albania is a member of NATO, the WTO and is in the process of applying for candidate status in the European Union.

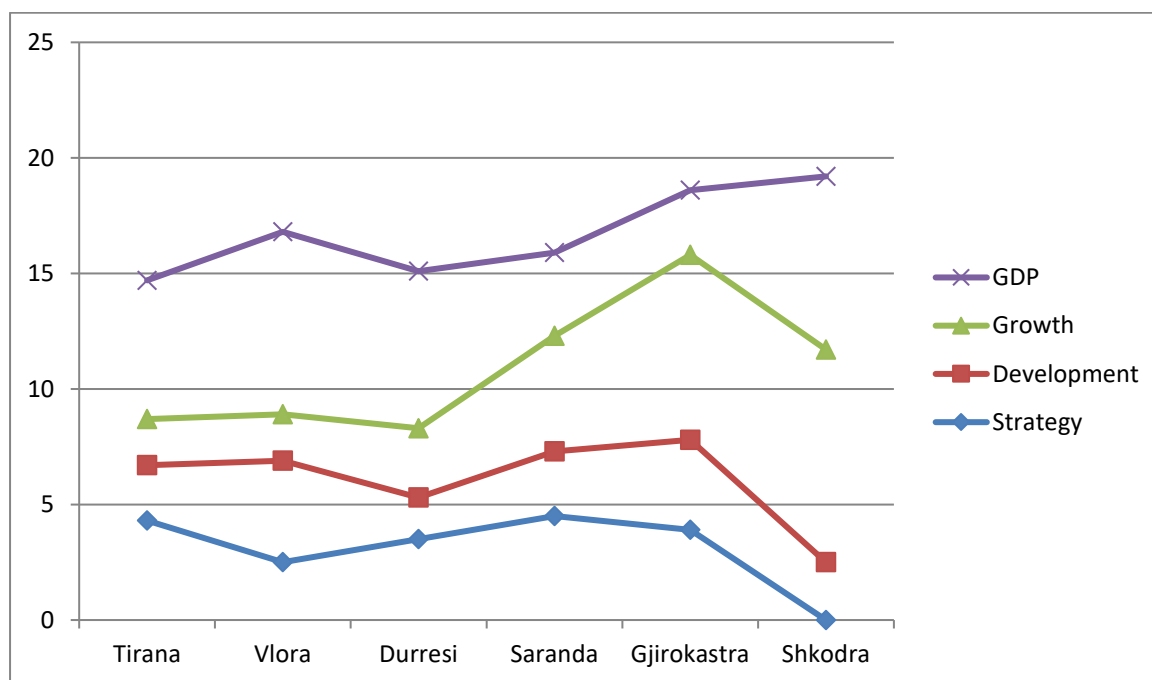
Key words: *Albanian reforms, EU process, development strategy, NATO*

General information

The concept of local autonomy, as defined in art.3 of ECLSG, is understood as the right and the ability of local authorities to regulate and manage, within the limits of law, a substantial share of public affairs under their own responsibilities and in the interest of local population. This right is exercised by local councils or assemblies, which may possess executive organs responsible to them. The notion of "ability" expresses the idea that the legal right to regulate and manage certain public affairs must be accompanied by the means of doing so effectively; meanwhile the expression "under their own responsibility" stresses that local authorities should not be limited to merely acting as agents of higher authorities. In reality most affairs have both local and national implications and responsibility for them. (Hoxhaj E)

Albania's tax system does not discriminate against foreign investors and no distinction is made between foreign and domestic investors. The e-taxes reform is progressing and as of January 2008, corporate income tax was reduced from 20% to 10%, one of the lowest in the region. In addition, as of May 2009- 2010, the social insurance contribution payable by employers will be reduced again from 20% to 15%, down from 29% in 2006. Businesses

can file their tax returns and social insurance declarations electronically in 12 cities including Tirana and electronic payment of taxes is also possible through certain banks.



The law “On Concessions,” No. 9663, dated December 18, 2006

The mission of local government in Albania, as previewed in art.3 of the law “On the organization and functioning of local government” – which by the way is in compliance with art.4 of ECLSG, – is to provide governance at a level nearer to the citizens by means of: acknowledgment of the existence of different identities and values of the communities; respect of main citizen’s human rights and liberties stated in the Constitution or other laws; choosing different sort of services and other local public facilities to the good of the community; effective exercise of functions, competences and realization of duties by the organs of local government; realization of appropriate services; effective egging of community participation in local government.(Hoxhaj E)Supported by donor assistance and international and local NGO’s the city initiated a community-based development strategy in the informal. The program brought together local government teams, NGO’s and residents to formulate a development plan for the neighborhood define priorities for improvements and determine equitable cost-sharing formulas to finance infrastructure. *Source: Albanian progress reforms, 2010.* This partnership led to the upgrading of roads and electrical networks, the construction of community buildings and schools, improved public spaces and programs for youth housing.

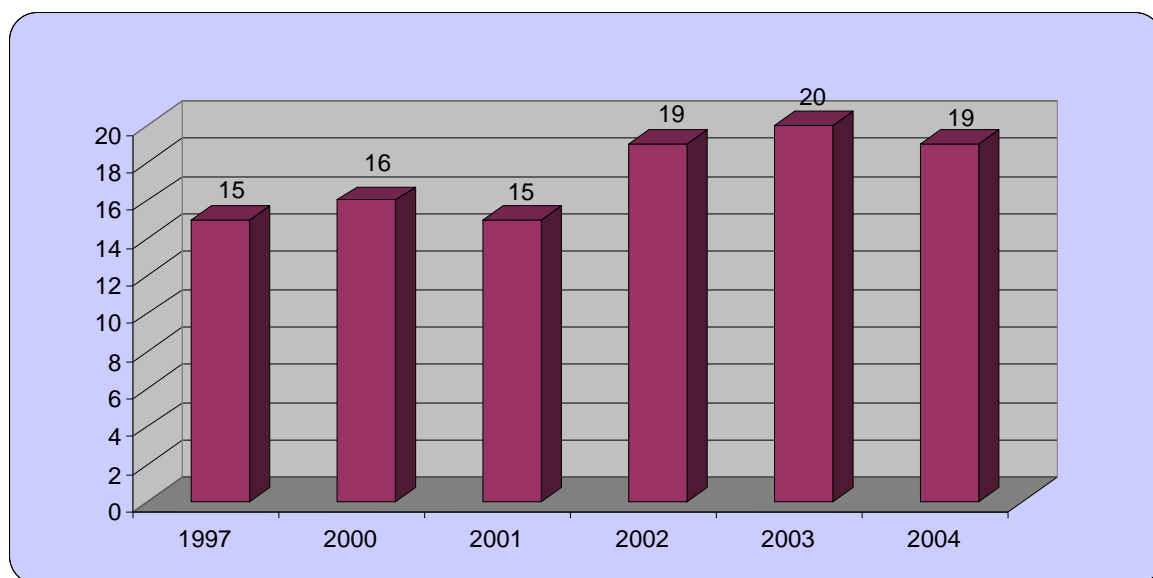
Finally, the engagement of senior government officials in the dissemination of project information secured commitment among communities and farmers. Albania has improved public procurement by approving a new law and introducing e-procurement. The new law takes into account the principles of non-discrimination and equal treatment, transparency, and legal protection of interests of bidders on public contracts. Direct tendering has been abolished and criteria to identify abnormally low bids have been introduced. The Public Procurement Advocate was established as an independent institution reporting to parliament. However, it has no particular executive powers and its functions duplicate the monitoring tasks of the PPA.

Introduction

Many activities in Albania required cumbersome licensing procedures and permits. In 2007, the GOA approved the Action Plan for Regulatory Reform which provided for a full review of Albania's entire legal licensing system to harmonize the licensing legislation to EU standards and reduce administrative barriers for businesses operating in Albania. As a result, many licenses were removed while a broad simplification of licensing procedures has been completed in many sectors including, mining, hydrocarbons, public works, health, agriculture and the environment. By October 2008, 64 out of 151 licenses identified in 18 sectors of the economy were removed and another 21 licenses were changed into self-declaration.

Albania, one of the smallest and poorest countries in Eastern Europe, has experienced a transition marked by sharp economic swings and periods of civil strife. The early phases of decentralization witnessed the transfer of political autonomy and limited administrative and fiscal authority, to local governments, inadequate legislation outlining central/local responsibilities, scarce financial resources and deficient infrastructure strained the capacity of local governments to manage urban services.

In January 2000, the government promulgated a national Strategy for Decentralization and Local Autonomy which includes laws to strengthen the autonomy of local governments and increase their capacity to manage local infrastructure and services.



Tab1. Albania Municipal Water and Sanitation Project – Agricultural ministry project 2004

Strength Local Government Leadership and Initiative

Work is in progress to identify other licenses that could be removed. For the remaining licenses the government plans to start a "One-Stop-Shop" for licensing within the first quarter of 2009. However, licensing and post-registration processes require further simplification and the removal of licenses needs to be accompanied by a

strengthening of the supervision capacities of public agencies. The procedures for getting a license are the same for national and foreign companies.

Decentralization has given local governments the discretion and scope they need to take a lead role in responding to the challenges of economic down-turn, degradation of the urban environment, and social hardship. They institute bold initiatives and innovative practices. Western European nations have put in place sophisticated frameworks to provide local governments with technical and financial assistance.

The European Union supplements these national programs with coordinated assistance aimed at promoting economic development, assisting distressed localities and fostering social inclusion.

The keys of success are seven key factors:

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

PARTNERSHIPS BETWEEN MUNICIPALITIES AND NGOS FOR PUBLIC GOALS.

Partnerships with municipalities has provided the best channel for the participation of communities in the organized delivery of public services and paved the way for the growing role of NGO's and CBO's in this sector in urban and rural areas and different regions of the world.

Supported by donor assistance and international and local NGO's the city initiated a community-based development strategy in the informal. The program brought together local government teams, NGO's and residents to formulate a development plan for the neighborhood define priorities for improvements and determine equitable cost-sharing formulas to finance infrastructure.

This partnership led to the upgrading of roads and electrical networks, the construction of community buildings and schools, improved public spaces and programs for youth. Clarifying the legal status of residential land and formalizing an urban plan resulted in the sufficient leveraging of community and household resources to provide infrastructure and build new housing. Finally, the engagement of senior government officials in the dissemination of project information secured commitment among communities and farmers.

To work closely with Community- Based organizations so as to enhance their capacity to participate in development programs and strengthen the City Council's capacity to respond to requests from communities

- To adopt a new approach to Environmental Planning and Management based on capacity building.

The CIP upgraded infrastructure, enhanced participation and built the capacity of CBOs and stakeholders. CIP strengthened institutional capacity by establishing program offices in each community, forming steering committees made up of representatives from all stakeholder groups and formalizing institutional links between

the relevant partners and information for decision-making and monitoring of performance among the stakeholders altered attitudes and understanding of roles and responsibilities.

COMMUNITY-BASED APPROACHES TO INFRASTRUCTURE SERVICES AND IMPROVEMENT OF HEALTH SYSTEM

Expropriation and Compensation

In the post-communist period, expropriation has been limited to land needed for infrastructure projects, such as roads and airports. Compensation has generally been below market value and some owners have complained about the slow compensation process and low payments. The restitution process of properties confiscated during the communist regime started in 1993 but is still far from complete. The process is tainted with corruption and lack of political will. Several U.S. citizens and residents have long-running disputes with the government regarding restitution for property. Many property cases end up in the courts and drag on for years without a final decision.

No requests will be accepted after the deadline. However, the entire set of restitution compensation claims is not expected to be resolved before 2014. The GOA has presented three methods of compensation for expropriation claims: 1) restitution, 2) compensation of property with similarly valued land in a different location, and 3) cash settlement/financial compensation. The successful implementation of the restitution process is an important challenge for the government and is keys to future economic development.

The property registration process has been completed in approximately 86% of the country and almost entirely in rural areas. However, more lucrative land in high value urban and coastal areas has still not been registered. Many of the unregistered properties are in the south coastal area, which is more valuable for its tourism potential, and where disputes are more frequent. The main institutions dealing with property restitution and registration are the Agency for Restitution and Compensation and the Office for the Registration of Immovable Properties.

This is a highly significant feature of infrastructure programs and carries important implications for local development. *The law "On Concessions," No. 9663, dated December 18, 2006*

Sustained political pressure and the demonstrated capacity of municipalities to manage their responsibilities were the driving forces for local administrative and fiscal autonomy. Initial assessments suggested that decentralization did improve the quality-of-service delivery and foster a new, user-oriented attitude, facilitating the transition from a centrally planned to a market economy.

Decisions on appeals are taken by the same unit of the PPA that is responsible for interpreting the law and giving advice to contracting authorities. Current procedures for handling complaints still do not meet recognized international standards. Despite progress, its application is hampered by technical problems, the insufficient IT capacity of many contracting authorities and corruption in drafting tender documents. Companies continue to experience issues with transparency in specifications and communication in competing for public tenders. Overall, the improvements in the public procurement legislation are advancing while the proper enforcement of the law is still a work in progress.

The law "On Concessions," No. 9663, dated December 18, 2006, established the necessary framework for promoting and facilitating the implementation of privately financed concessionary projects enhancing transparency, fairness, efficiency and long-term sustainability in the development of infrastructure and public service projects. One of its major amendments includes a better regulation for unsolicited proposals and of public-private partnerships in general. The law applies to a wide range of sectors, including:

transport (railway system, rail transport, ports, airports, roads, tunnels, bridges, parking facilities, public transport);

- b) generation and distribution of electricity and heating;
- c) production and distribution of water, treatment, collection distribution and administration of waste water, irrigation, drainage, cleaning of canals, dams;
- d) collection, transfer, processing and administration of solid waste;
- e) telecommunication;
- f) education and sport;
- g) health;
- h) tourism and culture;
- i) prison infrastructure;
- j) recycling projects, rehabilitation of land and forests, in industrial parks, housing, governmental buildings, service of maintenance of IT and data base infrastructure;
- k) natural gas distribution;
- l) management contracts or provision of public services including those related to sectors specified above.

In order to promote investments in priority sectors the GOA may offer concessions to local or international investors for the symbolic price of one euro. The GOA, with the approval of the Minister of Economy, authorizes concessions in other sectors besides the ones listed above. The law does not apply to concessions that require a separate operating license unless that is included in the framework of the concession agreement. *The law "On Concessions," No. 9663, dated December 18, 2006*

The privatization process of the past 19 years has almost come to an end with only a few large privatizations remaining. Privatization forms include public auctions and public tenders.

Following some large privatizations which were finalized in 2009, the GOA will most likely start the procedures for the privatization of 100 percent of the state-owned insurer INSIG (following the failure of negotiations with the winner in early 2009 for the sale of 61 percent of the shares, EBRD and IFC exercised the put option for their 39 percent and GOA became the owner of 100 percent of the INSIG shares.) In addition, the GOA has announced its intention to fully privatize Alb-petrol, the state-owned company that manages and administers all the existing gas and oil fields in Albania. The company also has the right to sign petroleum agreements with interested parties for the existing gas and oil fields. In addition, the GOA will also privatize through an auction the 16 percent of state-owned shares of the fixed line monopoly Alb-telecom. *The law "On Concessions," No. 9663, dated December 18, 2006*

The commune represents a territorial administrative unit by rule in rural areas and in particular cases in urban areas also; meanwhile the municipality represents a territorial administrative unit mainly in urban areas and in particular cases include also rural areas – these are the definitions given by art.5 /2,3 of the Albanian law "On the organization and functioning of local government". By them we can simply understand that the commune includes some villages; meanwhile the municipality is created principally on city base. Subdivision of the commune is the village or, in rare cases, the city; subdivision of the municipality in urban areas is the quarter, but it can be also the village when the municipality includes rural areas. According to Albanian legislation quarters are created by decision of municipality council in a territory with more than 15.000 inhabitants, and villages are created in a territory with more than 200 inhabitants (Hoxhaj E)

All partners are unlimitedly and jointly liable for the debts of the entity. Creditors can claim against a partner for the debts of the partnership, only if they have failed in their claims against the partnership as a whole. In unlimited partnerships, the partners are all considered administrators of the partnership, unless the contrary is stipulated in the bylaws. Each partner represents the partnership with third parties. An unlimited partnership should issue annual financial reports. The rights, duties and obligations of partners are governed by written bylaws, which should be filed with the National Registration Center. *The law "On Concessions," No. 9663, dated December 18, 2006*

Limited Partnership

A limited partnership, which is seldom used in practice, consists of one or more general partners (unlimited) with unlimited liability and one or more limited partners whose liability is limited to the amount of their agreed contributions of the initial capital. Source: *Commission of the European Communities*),

A limited partner may not take part in the management of the partnership even if he is given a proxy, otherwise he incurs unlimited liability. The Articles of Incorporation of the limited partnership should contain: -

1. The total amount or value of the contributions of all partners;
2. The amount or value of the contribution made by each general or unlimited partner;
3. The percentage of the participation of all general partners and of each limited partner in the partnership's profits and in the remaining value after its dissolution.

Source: *Commission of the European Communities*), 1992.

Limited Liability Company (LLC)

This is the most common legal form of conducting business in Albania. Its members enjoy limited liability and, unless the articles of the bylaws provide otherwise, members have the right to transfer their shares to other persons, upon decision of three fourths of the shareholders. It can be established by one or more partners, legal or natural persons, who are responsible for losses only to the extent of their contribution to the capital of the company. The minimum required capital for this form of company is approximately \$1 USD. The capital is divided into shares and there are no mandatory requirements for their nominal value. The contributions to capital can be in cash or in any asset, tangible or intangible. The law does not permit contributions in services. Administrators nominated through the General Assembly of the shareholders manage the limited liability company. Extraordinary decisions, increases or decreases in the share capital, mergers and acquisitions are to be approved by at least three quarters of the capital shareholders. The law requires annual financial statements to be prepared by the company. The transformation of this form of business into unlimited and limited partnership is subject to decision of general assembly of the shareholders that takes valid decisions upon majority vote of $\frac{3}{4}$ of shareholders and after approval of financial statements for the last two years. Source: *Commission of the European Communities*),

Foreign Direct Investment Statistics

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

Years	2004	2005	2006	2007	2008	2009*
FDI in million Euro	279	212	359	481	653	580

	32%	28%	32%	35.8%	41%	52%
Profitable in million Euro						

Source: Bank of Albania *A B estimate for the first three quarters of 2009

FDI during the first nine months of 2009 is estimated to have reached 580 million euro despite optimistic GOA projections for 2009 fueled mainly by strong investor interest witnessed during 2007-2008. A large part of FDI is due to privatizations. The Albanian government collected 103 million Euro from the privatization of 76 percent of the shares of the distribution arm of Albanian Power Corporation; 48 million Euro from the privatization of 12.6 percent of AMC state-controlled shares; 5 million euro from the privatization of 40% of GOA controlled shares of the United Bank of Albania. INSIG (insurance company) privatization failed during the negotiation process with the winter and it might take place during 2010. {1} *Albanian government report 2010 pg 12,25,41,58,74*

Leading investor nations in Albania include: Italy, Greece, Turkey, Austria, Germany, Canada, Spain and the U.S. Foreign investment focuses on financial sector, oil and gas production, telecommunications, mining, metallurgy, energy, manufacturing production.

Joint Stock Company

Its capital is divided into shares, with shareholders held responsible for losses only to the extent of their contribution to the capital. The minimum initial capital required is ALL 2 million for companies with no public offering, and ALL 10 million for public offerings. The Commercial Law provides for the adoption by joint stock companies of a flexible administration system. This type of companies may choose to adopt either the “monistic” system (with a board of directors/administrators conducting both management and supervising functions) or the “dualistic” system (with board of directors/administrators and supervisory board conducting supervising functions). The supervisory council exercises control over the board of director’s performance. This council should have not less than 3 and not more than 21 members.

The capital is fully subscribed when the partners have promised to bring assets to the company in cash or in kind for an amount equaling the capital. In the moment of the subscription, at least one quarter of the nominal value of the shares representing contributions in cash must be paid in. Payment of the remaining value shall be made in installments upon the decision of the management bodies of the company. Shares of contributions in kind must be fully paid in at the moment of subscribing. The law does not permit contributions in services.

In January 2000, the government promulgated a national Strategy for Decentralization and Local Autonomy which includes laws to strengthen the autonomy of local governments and increase their capacity to manage local infrastructure and services. {1} *De Soto, Hermine; Egamberdi, Nilufar; Center for Economic and Social Studies (CESS), 2006*. Supported by donor assistance and international and local NGO’s the city initiated a community-based development strategy. The program brought together local government teams, NGO’s and residents to formulate a development plan for the neighborhood define priorities for improvements and determine equitable cost-sharing formulas to finance infrastructure.

This partnership led to the upgrading of roads and electrical networks, the construction of community buildings and schools, improved public spaces and programs for youth. Clarifying the legal status of residential land and formalizing an urban plan resulted in the sufficient leveraging of community and household resources to provide infrastructure and build new housing. Finally, the engagement of senior government officials in the dissemination of project information secured commitment among communities and farmers.

- To work closely with Community- Based organizations so as to enhance their capacity to participate in development programs and strengthen the City Council's capacity to respond to requests from communities
- To adopt a new approach to Environmental Planning and Management based on capacity building. {1/
Albania -Rural Water Supply and Sanitation Strategy 2009

The CIP upgraded infrastructure, enhanced participation and built the capacity of CBOs and stakeholders. CIP strengthened institutional capacity by establishing program offices in each community, forming steering committees made up of representatives from all stakeholder groups and formalizing institutional links between the relevant partners and information for decision-making and monitoring of performance among the stakeholders altered attitudes and understanding of roles and responsibilities. Communities have agreed to earmark part of stakeholders, as a partner in urban development ensures, the sustainability of these assets.

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STATE OF KOSOVO AND ITS RELATIONS WITH INTERNATIONAL COMMUNITY

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Abstract

No organization represents community of states more than the United Nations (UN). The UN provides balance, neutrality, security and stability for the international community. States invest more legitimacy in that than any other organization and through its universal membership, it serves as a road and guide to international norms.

In other hand the United Nations doesn't have the competence to recognize states, but states recognize states. If you're not a UN member, it doesn't mean that you're not a state. The four criteria for being a state are determination of a territory, the populations, the government and ability to reach agreement with others.

In this contest Republic of Kosovo is facing difficulties in joining United Nation, and his specialized agencies, also facing the difficulties, to join international organizations as a way to secure recognition and complete statehood in international arena. Showing the will and the determination to respect international obligation regulated by each specialized agency and organization, the process of application in UNESCO is the case which shows how the states are divided in international arena, and one of the major failures of Kosovo foreign policy and diplomacy after rejection of Kosovo bid to join UNESCO in 2015.

The application process and steps followed by Kosovo institutions, decisions and recommendation of the UNESCO executive board, discussed on the General Conference, part of the general conference discussion related to the Kosovo application and voting process on the General Conference distribution of votes from the states who voted in favor, against, abstention and absence during General Conference and rejection of Kosovo bid. And the conclusions while what are the benefits on joining the UNESCO and the consequences for Kosovo in the rejection of bid to obtain a seat at the organization UNESCO, what are the next steps and the chances of Kosovo Institution and recommendations for future, and selection of approaches on the second bid to join UNESCO in the near future.

Key words : *International Community, UN Special Agencies, UNESCO, statehood, Executive Board, General Conference, admission, Republic of Kosovo, rejection.*

Introduction: Problem analysys and research goal

International recognition of the states is initially one of the main challenges of the new states and this is crucial for a country in order to find the easier to way to join the United Nations (UN), specialized agencies, institutions and other intergovernmental organizations, political, economic, cultural, sports, scientific, etc. Another challenge for the new states is to create an influential position and place on the global scene, but it is also determined by military, economic, political power on the regional context of the geo-strategic position in which it is located, as well as state orientations and anions / positioning from the major military and economic powers of the world who are the global factor in regulating the system and global rules.

As for the Republic of Kosovo, after the declaration of independence on 17 February 2018¹, its commitments as a state remain the pro-Western orientation, trying to take an integrative step with the countries of the region in the Euro-Atlantic integration processes, being beside the states which have helped them in the process of liberation, state-building and integration into international organizations and agencies. Therefore, one of the priorities of the government is to overcome the challenges and find the shortest path to Kosovo's membership in the UN.

To join international agencies and organizations, whose goal is ranked among the top priorities of Kosovo's foreign policy, priorities promoted and affirmed by key government officials, including the President, Prime Minister, Minister of Foreign Affairs, Ministries and lobbying organization around the world, among them the most influential ones in the United States and Great Britain.

This comes as a natural result of the ongoing integration and globalization processes in which Kosovo wants to integrate quickly and it is thought that membership processes in international organizations will be concluded much faster than what is actually happening in recent years due to developments in the world, but also the extreme polarization of society and the internal battles for power by the numerous political parties in Kosovo, which create additional obstacles to achieving these goals.

Since its declaration of independence in 2008, Kosovo is a member of 64 international and regional organizations². In addition, Kosovo is a member of two United Nations Specialized Agencies (IMF and World Bank) and a member of two organizations closely linked to the Council of Europe, the Venice Commission and the European Bank for Reconstruction and Development. To date, Kosovo has adhered to several Multilateral Conventions, namely the Apostole Convention, Hague Convention (through which it became a member of the Permanent Court of Arbitration) and the International Customs Organization³. But the priority of Kosovo's diplomacy over the last few years remains a change in approach and that from bilateral integration to multilateral integration has been crowned with important achievements in recent years, so for MFA and Kosovo institutions, multilateral integration has become the main success of Kosovo diplomacy in the international arena⁴.

No organization represents community of states more than the United Nations (UN). The UN provides balance, neutrality, security and stability for the international community. States invest more legitimacy in that than any other organization and through its universal membership, it serves as a road and guide to international norms.

In other hand the United Nations doesn't have the competence to recognize states, but states recognize states. If you're not a UN member, it doesn't mean that you're not a state. The four criteria for being a state are determination of a territory, the populations, the government and ability to reach agreement with others. (Alesdeir Bell 2016), taking in to the consideration those explanation, criteria for mutual recognitions of states lays on individual states to decide whether will recognize and enter in to bilateral agreement or not, it's a sovereign choice of the state itself.

Challenges of Kosovo towards membership in International Organizations

¹ Declaration of Independence https://www.assembly-kosova.org/common/docs/Dek_Pav_e.pdf (consulted on date; 02.11.2018)

² Pristina Institute for Political Studies Report, pg. 5-7 [Kosovo's Multilateral Integration - June 2018.pdf](https://www.pis.edu/kosovo-multilateral-integration-june-2018.pdf)

³ Ratification of Apostole convention <https://www.kuvendikosoves.org/common/docs/ligjet/05-L-093%20sh.pdf>(consulted on date; 22.10.2018)

⁴ Kosovo Foreign policy Priorities <http://www.mfa-ks.net/politika/481/prioritetet-e-reja-t-politiks-s-jashtme-t-kosovs/481> (consulted on date; 24.10.2018)

If an organization can be considered as a place of meeting and recognition for a state and society, then that place is the United Nations (UN). The United Nations is the ultimate address of the conclusion of the international subjectivity of Kosovo, so acceptance in this organization would legitimize Kosovo as a full-fledged state in the international arena alongside peoples and large and small states of the world.

By joining the United Nations, and its specialized agencies, Kosovo would immediately establish bilateral and multilateral relations with countries that are reluctant to recognize independence and enter into mutual relations with the state of Kosovo⁵.

Upon accession to the UN automatically states are admitted to specialized UN organizations and agencies, with this move Kosovo would receive international obligations and at the same time would benefit from access to funds from specialized agencies, where for the moment besides the World Bank and the International Monetary Fund⁶, Kosovo has no direct access to other agencies.

The fact is that the vast majority of Kosovo's recognitions are made thanks to the work and insistence of states sponsors of Kosovo's independence and those who support this statehood since the beginning of the status process. If you can see the map of the world with the states that have recognized Kosovo, it is clear that the word is for countries with great influence on Western powers such as the United States of America, Great Britain, France, Germany and Turkey. Recognitions have been missing from countries where Russia and Spain have an impact. Russia to the countries of the former Soviet Union and to some Islamic countries, which have anti-Western stance, while Spain in some countries in North Africa and Latin America.

Opposing of recognition of independence of Kosovo by the 5 EU member states has made life difficult for Kosovo and has made it difficult for the EU to realize the enlargement policy in the Balkan region. Dissatisfaction has also made it difficult for Serbia to face the new reality that Kosovo is a state. This was privately said by some Serbian politicians who, before declaring independence, had warned that if there are countries that will not recognize Kosovo, then Serbia can not do it.

At this point we are still today, ten years after the declaration of Independence. While, over time, Serbia is being encouraged, hoping that one day the international circumstances will change and may turn the situation to Kosovo in its favor.

In any situation, the Republic of Kosovo must prove that it is capable and willing to accept international obligations and to appear as a serious partner in the relations with the international community.

By fulfilling international obligations unilaterally, such as the implementation of international conventions and the change of state laws by harmonizing and advancing to the highest standards, by advancing institutional mechanisms for the preservation and protection of cultural and natural heritage, which emerge as commitments for self-respect and implementation of international obligations, Kosovo gives the message that it is a state devoted to respecting international obligations and norms.

Kosovo is a new reality in the Balkans and Europe, as aid to the youngest state has not lacked political, economic and social support through various projects and programs by agencies and organizations that come from friendly and sponsoring states of independence. By orienting Kosovar society towards functional democracy. The socio-economic situation, the negative news about riots, youth migration, unstable political situations, organized crime, corruption, negative reports are negative messages for the state of Kosovo in the eyes of the world, the challenges that need to be overcome if Kosovo wants to provide a meritorious place in clubs and organizations of progressive nations.

Rules and procedures of membership in UNESCO

One of the major failures on the foreign affairs and Kosovo diplomatic effort, after the declaration of Kosovo's independence was the non-acceptance of Kosovo to join UNESCO in 2015, Kosovo failed to become a member

⁵ United Nations and new world order <https://www.britannica.com/topic/diplomacy#ref233755> (consulted on date; 26.10.2018)

⁶ Integrating Kosovo into the United Nations System GLPS-Policy-Report-Integrating-Kosovo-into-the-UN-System.pdf (consulted on date; 01.11.2018).

for only three votes. The whole process that Kosovo follows for joining the UNESCO as a non UN member state, which issue raises many questions, turning to UNESCO's admission regulations, which the right to enter the organisation is regulated by the UNESCO constitution⁷.

UNESCO is created with the mission of reaching peace and cooperation among peoples through culture, science and education. The UNESCO founding idea stems from the approach by which politics and economics are not enough to achieve reconciliation between people and nations in the world. Today, UNESCO counts 195 member states and 11 associate members⁸, this number clearly exceeds the number of UN member states as the founding organization, this number is a proof that joining an international organization helps new states to avoid bilateral recognition by states individually but with membership in UN special agencies this is easier way to confirm international subjectivity of new state. The most typical example when an entity without a recognized international subjectivity has managed to join a multilateral organization is the acceptance of the Palestinian Authority in UNESCO on 23 November, 2011⁹.

Membership of states in UNESCO is regulated with the Constitution and the Rules of Procedure of the General Conference. According to Article II, paragraph 1 of the UNESCO Constitution, Membership of the United Nations Organization shall carry with it the right to membership of the United Nations Educational, Scientific and Cultural Organization. However, Article II also foresees a procedure for non-member countries of the UN: paragraph 2 of Article II provides that, "Subject to the conditions of the Agreement between this Organization and the United Nations Organization, approved pursuant to Article X of this Constitution¹⁰, states not members of the United Nations Organization may be admitted to membership of the Organization, upon recommendation of the Executive Board, by a two thirds majority vote of the members of the General Conference."¹¹ The Rules of Procedure of the General Conference also define the procedure for the admission of new members to the Organization. Rule 85 of Chapter XV – Voting requires a two- thirds qualified majority of Members present and voting for the admission of new Member States which are not Members of the United Nations, on the recommendation of the Executive Board Rule 99, paragraph 1 provides that, "Any state not a Member of the United Nations which desires to become a Member of UNESCO shall submit an application to the General Secretariat. This application shall be accompanied by a statement that the particular state is willing to abide by the Constitution, to accept the obligations contained therein and to contribute to the expenses of the Organization¹²,"¹⁴ while Rule 100 provides that, "Applications by states not Members of the United Nations for membership of UNESCO shall, upon recommendation of the Executive Board, be dealt with by the General Conference in accordance with the provisions of Article II, paragraph 2, of the Constitution.

The Rules of Procedure of the General Conference describe the procedure to be followed by the states for membership in UNESCO, in the case of Kosovo all this rules and procedures are followed. Under these rules, any non-member United Nations which wishes to become a UNESCO member must submit an application to the Director-General, in this case Kosovo's request has been addressed to the Executive Board's Director on 4 August 2015 by the side of the Ministry of Foreign Affairs at that time by the Deputy Prime Minister and Minister of Foreign Affairs, which is part of the session document no. 197 EX / 43¹³, explaining how Kosovo has expressed readiness to join UNESCO's organization.

⁷ UNESCO constitution http://portal.unesco.org/en/ev.php-URL_ID=15244&URL_DO=DO_TOPIC&URL_SECTION=201.html (consulted on date: 15.09.2018)

⁸ UNESCO member state <https://en.unesco.org/countries/member-states> (consulted on date 16.09.2018)

⁹ UN news 31 October 2011 Palestinian admission in UNESCO <https://news.un.org/en/story/2011/10/393562-unesco-votes-admit-palestine-full-member> (consulted on 17.10.2018)

¹⁰ Article X of the constitution http://portal.unesco.org/en/ev.php-URL_ID=15244&URL_DO=DO_TOPIC&URL_SECTION=201.html (consulted on 20.09.2018)

¹¹ The Rules of Procedure of the General Conference can be accessed at UNESCO basic documents: <http://unesdoc.unesco.org/images/0021/002161/216192e.pdf> (consulted on 21.09.2018)

¹² Quest for Statehood: Kosovo's Plea to Join International Organizations PHD Ermira Mehmeti (consulted on date (consulted on 23.09.2018)

¹³43 Board decision pg.71 (197 EX/43) <http://unesdoc.unesco.org/images/0023/002351/235180e.pdf> (consulted on date 19.09.2018)

¹³ Request of Albania and Co sponsors pg. 1 <http://unesdoc.unesco.org/images/0023/002346/234649e.pdf> (consulted on date; 22.10.2018)

¹⁴ Application on behalf of ministry of Foreign affairs, pg3 <http://unesdoc.unesco.org/images/0023/002346/234649e.pdf> (consulted on date; 30.09.2018)

This document clarifies that this request / article is included in the Executive Board's Agenda in its 197 Session at the request of Albania and co-sponsored by Austria, Bahrain, Belize, Burkina Faso, Chad, Costa Rica, Ivory Coast, Denmark, Dominican Republic, Guinea, Haiti, Honduras, Ireland, Jordan, Kuwait, Latvia, Lesotho, Luxembourg, Netherlands, Oman, Panama, Papua New Guinea, Qatar, Elbasan, Gambia, Saudi Arabia, Senegal, Slovenia, Somalia, South Sudan, Sweden, Togo, Turkey, United Arab Emirates, United Kingdom and Northern Ireland, United Republic of Tanzania, United States of America and Vanuatu¹⁴.

Explanatory Note by: Executive Board 197 session of UNESCO, addressed to the General assembly date 22 September 2018

1. By letter dated 4 August 2015 addressed to the Director General, His Excellency Hashim Thaçi, First Deputy Prime Minister and Minister of Foreign Affairs of the Republic of Kosovo, applied on behalf of his Government for the admission of the Republic of Kosovo to the United Nations Educational, Scientific and Cultural Organization¹⁵
2. In accordance with Rule 98 of the Rules of Procedure of the General Conference, this application is accompanied by a statement that the Republic of Kosovo is willing to abide by the Constitution, to accept the obligations contained therein and to contribute to the expenses of the Organization.
3. Under the terms of Article II, paragraph 2 of the Constitution of UNESCO, "States not members of the United Nations may be admitted to membership of the Organization, upon recommendation of the Executive Board, by a two third majority vote of the General Conference". As the Republic of Kosovo is not a member of the United Nations, it is the responsibility of the Executive Board to make a recommendation to the General Conference concerning the application for membership.
4. The United Nations Interim Administration Mission in Kosovo (UNMIK) has already confirmed in its letter dated 26 August 2015 that the issue of Kosovo's membership to UNESCO is solely for UNESCO and it is organs to determine
5. The Executive Board,
 - Considering the request of the Republic of Kosovo for admission to UNESCO submitted on 4 August 2015.
 - Having noted that the Republic of Kosovo accepts UNESCO's Constitution and is ready to fulfill the obligations arising from its admission and to contribute towards the expenses of the Organization.
 - Considering Article II, paragraph 2, of the Constitution of UNESCO, which stipulates that "States not members of the United Nations Organization may be admitted to membership of the Organization, upon recommendation of the Executive Board, by a two thirds majority vote of the General Conference".
 - Recommends that the General Conference admit the Republic of Kosovo as a member of UNESCO.

The Executive Board adopted this decision following a roll call vote: 27 votes in favour, 14 votes against and 14 abstentions:¹⁶

AGENDA OF THE 38TH SESSION OF THE GENERAL CONFERENCE

Discussion Point 8.3 - The request of the Republic of Kosovo for membership in UNESCO, by a decision of the Board 197 EX / 43 recommends that the Republic of Kosovo be accepted as a member of UNESCO. The decision on this request must be voted on by the General Conference, the subject proposed by Albania. 197 EX / Dec.43, 197 EX / Dec.22 (I), 38 C / 60

¹⁶ Voting process in Executive board for decision pg. 71 <https://unesdoc.unesco.org/ark:/48223/pf0000235180>

The session of the General Conference on 9 November 2015, at the beginning of the General Conference meeting, Serbia, as expected, has requested postponement of the vote on Kosovo's membership in UNESCO. Representatives of the Serbian state have asked for the discussion on Kosovo to be postponed for the next session, with the reason, as they stressed, to give space to the Kosovo-Serbia dialogue on normalization of relations, a dialogue launched in 2013¹⁷.

Immediate replication and response of the UK representative in UNESCO, who stressed that Kosovo's membership in UNESCO and the dialogue between Kosovo and Serbia in Brussels are two separate issues, pointing out that it has never happened that the General Conference refuses a decision of the Executive Board and if this happens it will be a precedent for the future function of organization. This request was also opposed by the German and Austrian ambassadors at UNESCO. The Serbian proposal was put in the vote, and the result was that 89 states have rejected Serbia's request to postpone the vote for reviewing Kosovo's membership in this organization. Meanwhile, Serbia's proposal has supported 59 votes, 22 states have abstained, of the 170 eligible country voters.

Immediately from after the voting process, requested by Serbia, continued the General Assembly meeting, reviewing this item on the agenda and the voting process for Kosovo's accession to this organization¹⁸.

Voting results in the General Assembly related to Kosovo bid to join UNESCO

Kosovo was not admitted to UNESCO, 142 member's states voted, of which 92 member states voted in "favor" of Kosovo, while 50 member states voted 'against' and opposed their vote for Kosovo's accession to this organization. A total of 29 states abstained, among them states that have recognized Kosovo's independence, while representatives of 15 states were not involved in the voting process and were out of the hall of the General Conference meeting and the voting process.

To win UNESCO membership, Kosovo needed a two-thirds majority. Of the 142 countries that voted, 92 backed the motion, 50 voted against and 29 abstained, meaning the bid fell short by three votes.

Importance of the UNESCO membership to the Republic of Kosovo

The failure of Kosovo to join UNESCO is among the strongest setbacks to Kosovo's statehood on international area and its integration. This was one of the biggest diplomatic failures of Kosovo state, since the declaration of independence and as such should serve as a moment of reflection on important political and institutional point of view including changes. Kosovo and Serbia are in negotiating process since 2012,¹⁹ and the effects of the negotiations has very significant progress, even after six years of negotiations, while Serbia is using the alibi of negotiation to stop the progress of Kosovo in his path to join international organization and community. Serbia and its allies consider the frozen conflict with Kosovo is an advantage and expect a more favorable moment, even more using favors in the integration processes of Serbia in relation to the European Union.

Kosovo is the only country in the Balkans and in the world that has harmonized and fulfilled the entire legal framework for achieving international standards and obligations on cultural heritage, and protection and conservation of this heritage without being a member of UNESCO. The Kosovo legal framework for the protection of cultural heritage is generally in line with relevant international human rights standards. However, some responsible institutions, such as Kosovo Council for Cultural Heritage and the inter-ministerial working group for communication and implementation have largely remained ineffective.

UNESCO assists member states in developing a system of education, science, culture and quality and inclusive information through building their capacity to design and implement policies in member countries of this

¹⁷Request of Serbia for postponement of vote, Archive Lajmet pub. 09.11.2015 <http://www.arkivalajmeve.com/Deshton-kerkesa-e-Serbise-per-shtyrjen-e-votimit-per-UNESCO.1047881846/>

¹⁸ YOU TUBE Live stream General assembly discussion e 38session of UNESCO <https://youtu.be/LQNZ4RFdaOM> (consulted on date; 30.10.2018)

¹⁹ EU facilitation process Kosovo and Serbia https://eeas.europa.eu/headquarters/headquarters-homepage/14670/eu-facilitated-belgrade-pristina-dialogue-implementation-of-the-telecommunications-agreement_en (consulted on date; 14.11.2018)

organization. Kosovo's membership in the United Nations Educational, Scientific and Cultural Organization of UNESCO will crown its efforts to comply with all international norms, standards and laws in multidimensional field-activity which is included in UNESCO²⁰.

Creating an environment for the development of effective public policies, strictly monitored by commonly accepted rules KOSOVO - UNESCO, is not only a matter of political will but also an issue of institutional legitimacy. UNESCO membership would also have an impact on the strengthening of Kosovo's state subjectivity, entering into bilateral and multilateral relations, but also opening up new opportunities for membership in other UN agencies and ultimately shortening the path to membership of the United Nations. UNESCO will help Kosovo and its people address social and ethical challenges, promote and promote cultural diversity and intercultural dialogue. In practice, the areas covered by this organization in science, culture and education (UNESCO covers over 70 different programs)²¹ in which Kosovo could participate in the first year after membership, where human capacities with great intellectual baggage would be needed.

In the field of cultural heritage, Kosovo would apply for placing under the global protection of all categories of heritage such as: archaeological heritage (sites / reserves), architectural heritage objects, movable heritage, intangible heritage, cultural landscapes and natural heritage. UNESCO's action focuses on the main areas of education where 19 education programs are active²², where funds will be allocated to increase the quality of education and school infrastructure at all levels of education and studies. Direct Education Assistance and UNESCO is the issue of reforming, standardizing and exchanging educational programs globally.

Currently, UNESCO at world level, in the field of cultural and natural heritage, has 22 active programs and this is a missed opportunity for Kosovo because it could benefit in building institutional and human capacity, standardizing laws and implementing conventions. Youth would have access to education in different countries and exchange of experiences in the field of cultural and natural heritage, funds and projects would promote a new level of responsibility for the protection, conservation and management of all categories of cultural heritage. Membership in UNESCO also has obligations and responsibilities, such as advancing legislation, inventorying or creating a list of permanent assets, cultural heritage protection as well as preservation and management. Kosovo benefits because it enters the map of destinations of cultural heritage and cultural tourism. But there are also the financial benefits for programs that are implemented around the world, various funds for the advancement and standardization of education, science and culture in the form of grants. It should be noted that UNESCO in Kosovo has supported the restoration of the Novo Brdo Fortress worth several million even though we are not members of this organization. UNESCO Worldwide there is 2079 clubs, which are active. Kosovo would only benefit from twinning with clubs from countries that have recognized Kosovo's independence, expanded influence, but would also exchange experiences with clubs of countries that have not yet recognized its independence.

Conclusion

Kosovo's membership in various regional and international organizations does not imply direct or automatic recognition of its international subjectivity as a new entity. However, in practical terms, this form of action may aim to achieve that recognition as a political act. Kosovo has so far been able to sit on the same table with most of its neighbors and discuss on equal terms the various regional challenges.

Kosovo has proved that the Constitutional Framework, Laws, regulations and strategies are in harmony with all UNESCO Conventions and in particular for Education, Science and especially for the human rights and Cultural Heritage which requires not only laws and their implementation, but also institutional mechanisms for their implementation, this should be seen as an additional argument for defense mechanisms, which will be an additional argument for pledging respect for international conventions.

Finally, reforms in cultural heritage management, quality education, media freedom, gender equality, science and technology development and other areas of interest for UNESCO's work are of vital importance for Kosovo itself. Kosovo's membership in UNESCO will not only undermine the important legacy of Kosovo Serbs, but rather will create additional conditions and guarantees their protection in Kosovo.

²⁰ UNESCO worldwide programmes www.internationals-buero.de (consulted on date; 11.11.2018)

²¹ Educational framework action 2030 <https://en.unesco.org/themes/education> (consulted on date; 28.11.2018)

²² Educational programs <https://en.unesco.org/themes/education> (consulted on date; 09.12.2018)

Kosovo must prove to the world that it is interested and ready to be positioned along the progressive countries and taking concrete legal and institutional actions for the preservation of cultural heritage values, with unilateral approval of UNESCO conventions, the proclamation of cultural heritage properties in permanent protection, drafting of management plans for cultural heritage properties, internal dialogue in Kosovo for Orthodox heritage monuments, treatment of illegal constructions within protected areas of heritage and adoption of new law and strategy national heritage.

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FOREIGN DIRECT INVESTMENT AND THEIR IMPACT ON MACEDONIAN ECONOMY

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Abstract

Foreign Direct Investments are a very crucial factor on economic development to a given developing country. Recently, according to the data issued by OECD, there is down turning point in this indicator in the global level. In the case of Macedonia are taken several major investing countries and their investments are compared starting from 2010 to recently, the data are quarterly. Some countries have the so-called divestment procedure done more than the others. The paper attempts to give answer to the question why this is the case. As all of the other countries Macedonia's GDP is more dependent on the consumption. The brut investments are the last component with the smaller proportion of the total GDP. Imports and exports cointegrate but they are not cointegrated with a coefficient close to one. Even though the main growth theory suggests that economic growth is dependent more of capital, human and soil recourses there is also a proof that the productivity is the main component are not well managed and surely the mother countries of these investments are not behaved with full responsibility on implementing them. Methods used here are statistical and comparative.

Keywords: *divestment, economic growth, FDI, Macedonian economy, cointegration*

Introduction

According to OECD report, overall flows of FDI in 2017 fell for 18% compared to that of the 2016. In 2017 the total FDI globally was estimated to be 1,401 billion dollars. From this very report we can also stress that since the 2013 the fourth quarter of 2017 had the lowest value of the FDI. FDI s are very important deal in the economy, especially for the countries in the transition. North Macedonia has faced a lot of political, social and economic challenges and thus this country had a variety of obstacles which led to FDI inflow fluctuations. The European Commission Report in 2018 showed a lot of problems and weaknesses but on the other hand there are mentioned some improvements that are made in some law and economic fields. Concerning the economy this report stresses out that North Macedonia should pay attention to “developing a medium-term budget framework and pursuing fiscal consolidation including by better targeting of transfer spending, improving contract enforcement and reducing informality and enhancing labor market participation and employment, especially for women and youth”.

If we consider the last Fall Economic Report for Western Balkans by World Bank, we would notice that North Macedonia had, during the 2018, the lowest growth rate of GDP. The leaders in growth were Albania and Kosovo, followed by Montenegro. This will after be discussed even more analyzing the data taken into consideration. Standard & Poor's credit rating for Macedonia is BB- with stable outlook, also Fitch's credit rating for Macedonia was last reported at BB with positive outlook. This is improvement considering the rating form the 2016 when Fitch rated Macedonia with negative outlook.

Comparison of data

If we observe closely the [Figure 1](#) we see a lot of changes and interesting facts. Countries that are made comparison to are our neighbors and these countries have faced similar problems being those social or political. Albania, Bosnia and Herzegovina, Kosovo, Montenegro and Serbia in the Figure 1 have series compared along with

Macedonia, the data are annually from 2000 to 2017. The small dots that are on the left corner of each graph show the values of the respective series in the year of 1990. Sadly, for most of the country's 1990 data miss.

The graph for final expenditure growth shows that all the countries face lowering of this rate, being Montenegro the country with the biggest expenditure growth rate, followed by Albania and Kosovo. Macedonia in this graph is the last.

The graph for FDI s, inflows, outflows and net FDI all show that Serbia is the most favored to foreign investors when it comes to investments, followed by Albania. Macedonia and Kosovo seem to have struggled with FDI inflows. It is very interesting that North Macedonia in the 2017 had increasing value of FDI outflows, bigger than Serbia. The inflows of FDI for most of the countries do not exceed even the 100-million-euro value.

Serbia and Kosovo for now have bigger growth rates of GDP, Macedonia again is the last one in this, even though in the 2018 the country showed some improvements. GDP per capita growth rate is also showing that Serbia seems to converge more rapidly than any other country taken into consideration in these graphs.

FDI and growth in Macedonia- analyzing the data

What are FDIs? Foreign Direct Investment are investment that are made by one country in another one, or we could say that FDI are investments made with foreign money. This means that the capital in mother country increases without having it to provide the main resources to start for example a business or something else related to business. FDI can be inflows or outflows and net FDI are difference between the FDI outflows and FDI inflows. As we can see from the corresponding figure, Macedonia in 2017 has had two consecutive quartal decrease in FDI, [Figure2](#). Furthermore, it is clearly that the FDI inflows in Macedonia do not have trend, since the series is stationary. For the period being reviewed the highest value of investment is shown in 2010, around 200 million dollars.

In the [Figure 3](#) we can observe some of the countries that have invested in Macedonia and how their investments changed during the period taken into consideration. [Figure 4](#) however shows the comparison of each country FDI inflow and from this we can see that more noticeably is the FDI inflow of Switzerland in 2014, and divestment of France in the same year and quarter as Switzerland and even bigger amount of divestment of France in 2015.

Now let's see what is the correlation coefficient between series of real GDP growth, and FDI of North Macedonia. It is necessary to underline the fact that the series that are taken for regression analysis are not long and they are quarterly series considering the period from 2010 until 2017, so overall there are 31 data. The correlation between growth rate of real GDP and FDI is like -0.485. What does it mean? It means that these two variables are correlated linearly about 49% but negatively. When FDI increases, growth decreases.

Table 1- Coefficient of correlation between growth rate and FDI of North Macedonia

	FDI	GROWTH
FDI	1.000000	-0.485227
GROWTH	-0.485227	1.000000

Source:estimation done by authors

Furthermore, there is done regression analysis to see if the growth could be predicted when we know the FDI. As are shown in the [Table 2](#) the estimated coefficients and tests for signification indicate that FDI has not statistically significant coefficient but the model lacks other independent variables. Coefficient of determination is quiet low, it is not even 1 percent. It was very hard to find quarterly data for other series for the taken period, there were needed quarterly data for the unemployment series, or either population growth and of course the rate of savings. If these variables were in the model, we could see the true effect of the FDI on the growth. However, still there is the negative correlation that bonds these two series and that is not good news for North Macedonia. It is very

important to mention that the model is done after the series have been seasonally adjusted since we have quarterly seasonal data.

Table 2- Output for regression estimation coefficient for growth rate as dependent variable on FDI of North Macedonia

	Coefficient	t-stat (p-value)
<i>Growth rate</i>		
<i>FDI</i>	-0.000403	-0.055 (0.9596)
<i>Constant</i>	1.1451	2.089 (0.0456)

Let us leave a little bit the FDI and analyze the graph of real GDP and its components measured with expenditure approach, [Figure 5](#). It is very interesting to see these features in this figure:

- Consumer spending is the most prevalent component
- Imports are the second most anticipated component
- Exports come after the import but surely these two series are far apart of each other even though they have same shocks and changes
- Brut investments are the second last component
- Government spending are the lower value series considering the whole period
- During the period considered there are no changes in the weigh of the components to the total GDP level
- Imports are getting closer to the consumer spending,
- Government spending is not showing any trends in the considered period.

We have done some cointegration analysis of exports and imports and Real GDP. The cointegration is done with Johansen test and those are the following results:

Unrestricted Cointegration Rank Test (Trace)

Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None	0.376118	21.84129	29.79707	0.3074
At most 1	0.264327	8.631051	15.49471	0.4006
At most 2	0.001282	0.035909	3.841466	0.8497

Trace test indicates no cointegration at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

Source: Authors calculations done with EViews

When series cointegrate they show that they are in the long run equilibrium. In the case of North Macedonia these series do not cointegrate this means that growth is not relied on exports nor imports, furthermore the trade deficit is large meaning that the imports do not approach the exports and thus country is more buying from foreign countries than it is selling to them.

Conclusion

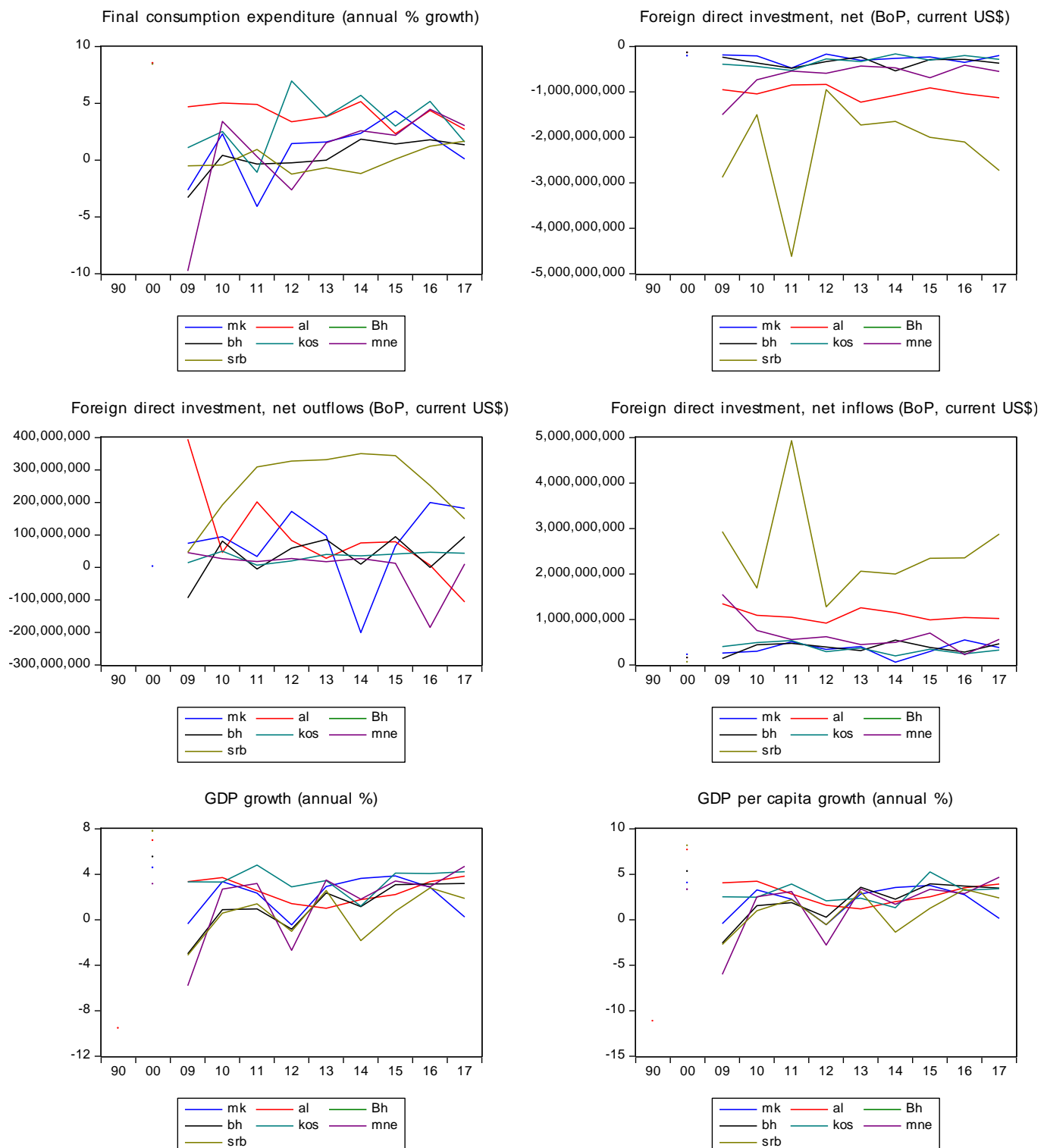
What we can conclude from the above analysis is that Macedonia is having a hard time to face with in the following periods. The political problems led to the falling of the FDI, growth rate, expenditure rate and even bigger trade deficit. These economic indicators are tied up and they affect one another consecutively. North Macedonia is relied on import- growth theory. As we saw before its imports are lately getting close to the consume spending. This is not the best solution for a country that has been so much through social, political and economic problems. Brut investments are the last category in the value of the GDP, this is the main problem. All of the governments never had a strategy on how to fix the problem with the investments, even though there was implemented the flat tax law.

The problem of the FDI is visible, the country has done so much damage when permitted some of the foreign investors to come and to stimulate with benefits. The negative correlation between FDI and real growth rate should be very concerning. This means that investors come into our country and take from us thus lowering our growth rate and GDP per capita. Mentioning the last one brings us to the problem that North Macedonia is the last country that is converging economically in the region.

There is urgently needed stricter laws and control on the foreign investors, since they are draining our economic potential and doing more harm than benefit.

Appendix

Figure 1- Series of macroindicators for 6 countries



source: <https://databank.worldbank.org/data/>

Figure 2- Individual graphs for countries which are the main source of FDI in North Macedonia

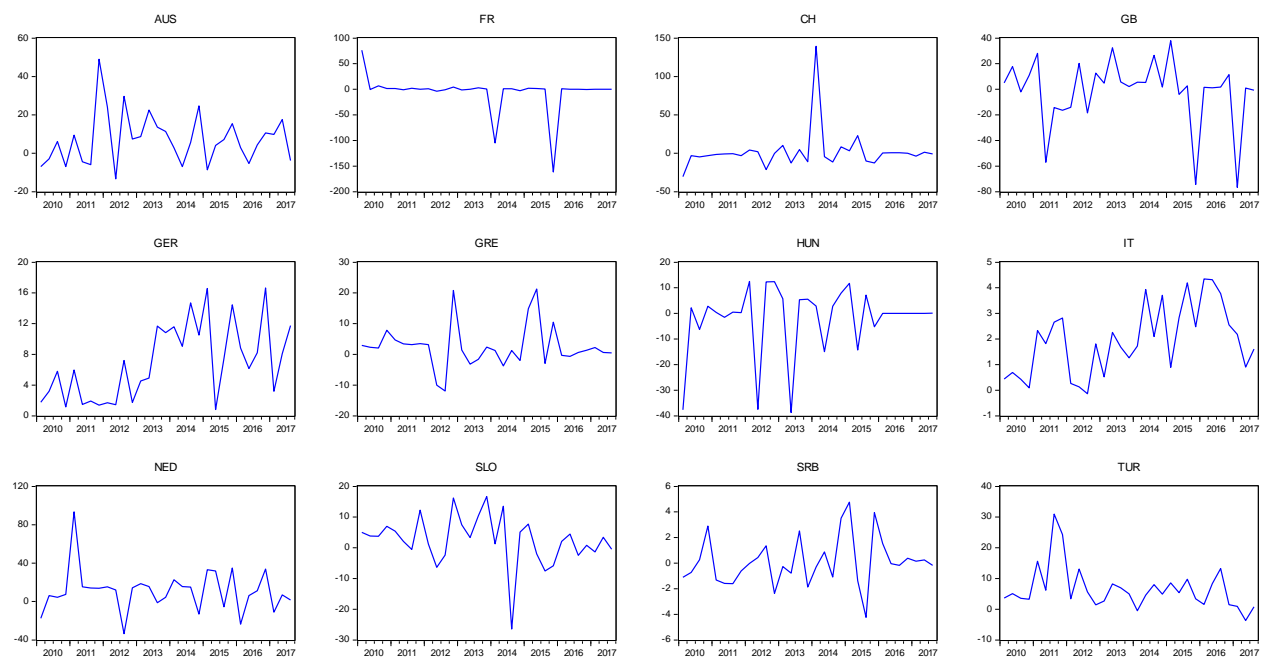


Figure 3- Cross Section Graph Countries which are main resource of FDI inflows in North Macedonia

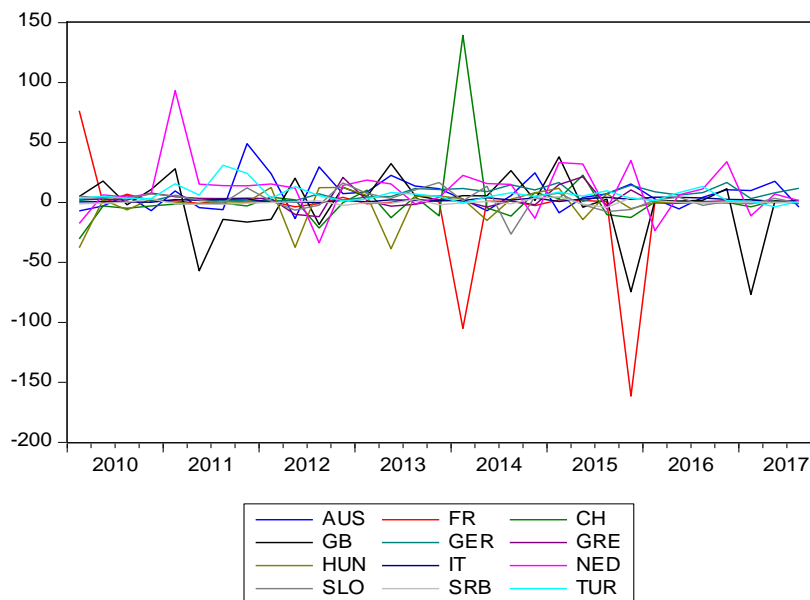
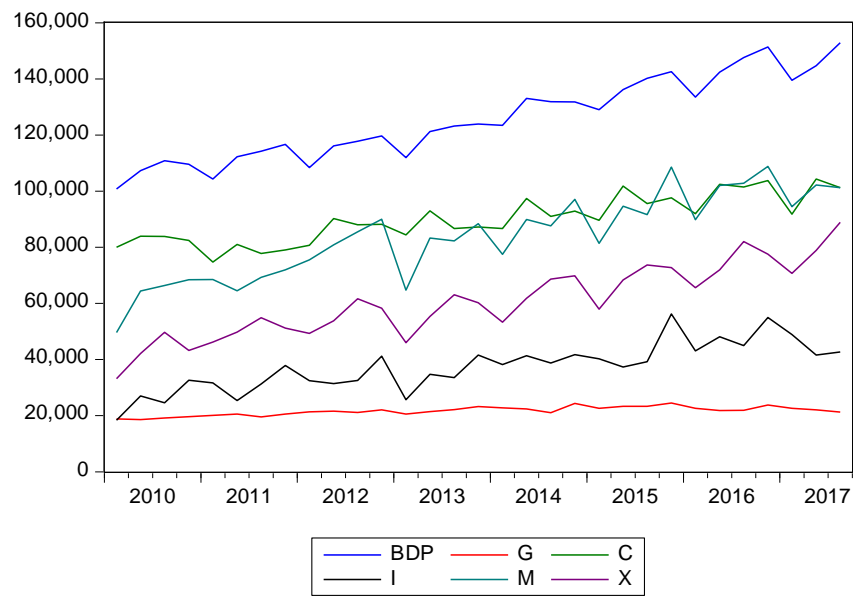


Figure 5- Real GDP of Macedonia and its components (expenditure method), quarterly data 2010-2017



Source: www.stat.gov.mk

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IMPACT OF NONPERFORMING LOANS ON PROFITABILITY ON THE BANKING SYSTEM IN THE REPUBLIC OF NORTH MACEDONIA

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Abstract

Banks are the most important participants in the financial system, but also the most significant and largest financial institutions around the world, measured through their share in the total financial sector assets. Banks play a significant role in economic growth, namely by diversifying the risk to their activity. Interest rate risk is one of the most important financial risks of each bank which the banks face. Each risk is in itself a direct or indirect negative impact on the profit, activity, or realization of the ultimate goal of the banks. The risk of a change in interest rates in the portfolios of banking activities is a risk of loss arising from unfavorable changes in interest rates, as seen by the bank.

The research in this paper concentrates on several directions with a common goal - the role and the need for bank profitability in today's conditions. The main research question is if in the research is a significant link between non-performing loans and bank profitability?

Based on these goals, the research pays special attention to the importance of the asset management companies, from which we determine the determinants of the profitability of the banking system and we analyzed them from 1998 to 2016. For this purpose, we used Ordinary Least Square the method with the determination of the determinants, where it is noted that the non-performing loans showed a negative correlation with the level of the profitability in the Republic of North Macedonia and are statistically significant.

It is recommended that regulators draw up regulations and monitoring tools that will cause early warning signals about possible failures of the bank due to accumulation of non-performing loans.

Keywords: *Bank, Regulation, Profitability of banks, ROA, Economic.*

Introduction

Banks are the most important players in the financial system, but also the most important and largest financial institutions around the world, measured through their share in the total assets of the financial sector. The banking system is the most important part of the total financial system in the Republic of North Macedonia, because 90% of the total assets of the financial system belong to banks.

Banks play a significant role in economic growth, namely through the diversification of the risk for their activity. Interest rate risk is one of the most important financial risks of each bank that banks face. Each risk in itself represents direct or indirect negative impact on the profit, activity or realization of the final goal of the banks. As seen by the bank, the interest rate risk in the banking activities represents a risk of loss arising from unfavorable interest rate changes.

The research in this paper concentrates on several directions, but at the end there is a common goal - the role and the need for bank profitability in today's conditions. Special attention is paid to the role of banking regulation regarding competition and financial stability. In this way, the research on the impact of non-performing loans (NPL) appears to be important in the assessment of ROA. The main research question is: what is the impact of non-performing loan on the bank profitability in Republic of North Macedonia? To respond to that question, this paper is organized into six sections.

The research is structured in this way. The introduction belong inspection one. In section two is done discussion review of literature on bank profitability. Section three describes the performance indicators under study in the banking system in Republic of North Macedonia. Section four coincides with the description of the data obtained in the study and was analyzed the methodology used, while in section five will be presented the main results identified through linear regression model. In section six will discuss the results of the study and the conclusion of the research.

The methodology of research is based on the time series method by the Ordinary Least Square. The data used are from 1998 to 2016. The main objective of the research is to analyze the impact of non-performing loans on the progress of profitability in the banking system of the Republic of North Macedonia.

Literature Review

Banks play an important role in the financial market. However, to function normally they must be safe and to be perceived as such. Banks play a significant role in economic growth, namely through the diversification of the risk for their activity and also, they play a significant role in the financial market. Why is important to determine the determinants of the profitability of the banks in the Republic of North Macedonia? Knowing these factors would help in the future easier to overcome potential negative shocks and maintain the financial stability of the banking system in the Republic of North Macedonia. The assessment of all-round banking operations as well as monitoring their financial situation is important for depositors, potential investors, managers and of course, regulators.

Historically, the incidence of banking sector failure resulted from insolvency which has often been associated with massive accumulation of non-performing loans (Fofack, 2005). When banks lend out money, they do it with the hope that their borrowers will make their payments as scheduled, but that doesn't always happen. Sometimes borrowers run out of money or fall into situations where they can't repay their debt, and that's how non-performing loans become a problem for so many banks. A non-performing loan, or NPL, is one that is in or close to fail. This typically happens when principal and interest payments on the loan are overdue by 90 days or more. Non-performing loans are generally considered bad debt because the chances of them getting paid back are minimal. The more non-performing loans a bank has on its books, the more stock price is likely to be affected more. (According to this web: [The Motley Fool](#)). Samir and Kamra (2013) argue that non-performing loans have a deleterious impact on bank profits as they reduce interest income and erode current profits and capital base through provisions.

Non-performing loans are considered determinants of profitability because, high levels of non-performing loans adversely affect bank net profit through provisioning of doubtful debts and write-offs of bad debts, which normally affect profitability (Ombaba, 2013). Subsequently, the moment when non-performing loans exceed bank capital in a relatively large number of banks, it comes in banking crisis, which eventually turns into a financial crisis (Biabani 2012 and Karim 2010).

In addition to non-performing loans, the GDP growth is also used to illustrate the relationship between GDP and profitability in the banking system, which has been analyzed by many authors, including Demirguc-Kunt and Huizinga, 2000.

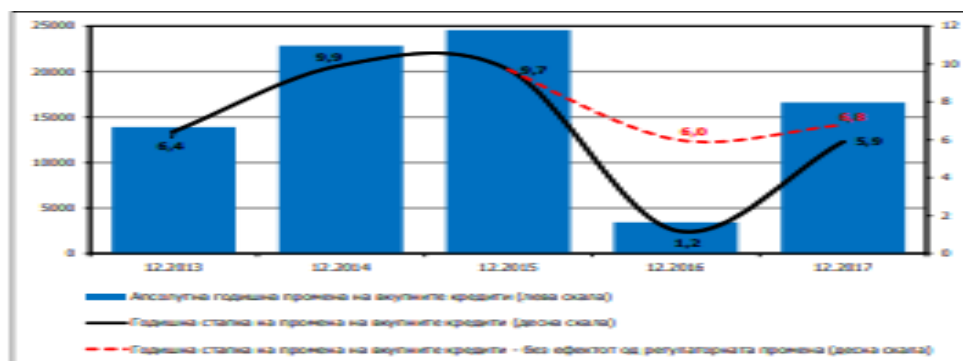
Brief Review of the Developments in the Domestic Banking System in 2017

According to [National Bank of the Republic of North Macedonia](#), the activities of the banks in 2017 had different tendencies in the first and in the second half of the year. In the first half of 2017 the activities of the banks were under the influence of the reduced economic activity and the still were present risks from the domestic political events and the global environment. The total assets of the banks in this period featured modest growth which was primarily due to the decline in the deposit potential of the banks in the first quarter of 2017 and due to the minimal growth in the second quarter of the year. The gradual stabilizing of the situation and the ascertainments of the economic entities in the second half of 2017 has relevant impact on the positive tendencies on the foreign currency market and on the upward tendency of the deposit base of the banks, mainly from the households. The dynamics of the credit activity of the banks followed to a large extent the tendencies of the deposits. The credit growth was due to the increased credit support of the banks to the household's sector, but also due to the growth in the crediting of the corporate clients.

In a situation of moderate healing of the domestic economy and stabilization of the expectations and the trust of the economic entities, the crediting to non-financial entities¹ featured growth in 2017 for 5.9%.

Graph 1. Annual growth of the loans to non-financial entities

In millions of denars



Source: NBRNM, using data provided by the banks (2013-2017).

The banking system increased the profits in 2017 as well, albeit with far less growth rate compared to the last years. The largest contribution to the increase of the profit in 2017 was provided by the non-interest revenues, contrary to the usual trend from the last years when the net interest income was the continuous main contributor to the growth of the profit.

In 2017 the banking system generated profit of 6.6 billion denars, which is more by 230 million denars i.e., 3.6% in comparison to the profit realized in 2016. The annual growth of the profit features certain slowdown compared to the last five-year period (2011 - 2016), when it was growing at an average of 40% per year.

The significantly slower growth of the profit in 2017 had influence on the indicators of profitability and efficiency of the banking sector. Following several years of continuous growth, the rates of return on average assets, the average equity and reserves featured minimal decline of 0.1 percentage point each and in the end of 2017, they are 13.5% and 1.4%, respectively. The analysis of particular components of the rate to return points out to certain decline in the profit margin and in the turnover of the average risk-weighted assets, which also contributed to the minimal decline of the rates of return.

Data and Methodology

Methodology

The primary objective of this study is to identify and evaluate an econometric model to assess the links between dependent and independent variables. Primary data in this study are derived from secondary sources, mainly identified from annual reports and statistics published by the National Bank of the Republic of North Macedonia, World Bank, FRED Economic data | ST. Louis FED, different data and information reports.

The methodology of research is based on the time series method by the Ordinary Least Square. Identified data are processed by the statistical program EViews 9.0. Initially, the relevant tests have been developed for evaluation of variables and construction of the final model of linear equation. The data used are annual, from 1998 to 2016 and the main objective of the research is to analyze the impact of non-performing loans (NPL) on the progress of profitability in the banking system of the Republic of North Macedonia.

This research adopted causality research design and deductive research strategy. The causality research design has been chosen because: The study attempted to test and analyze the relationship among hypothesized variables, the design helps to find empirical association between the independent variables and a dependent variable.

This research used descriptive analysis and multiple regression analysis methods to analyze data. To ensure that the sample matched with multiple methods of regression analysis, data was tested for normality, multi co-linearity and heteroskedasticity. No significant violations were found.

Based on these goals, the research pays special attention to the importance of the asset management companies, from which we determine the determinants of the profitability of the banking system and we analyzed them from 1998 to 2016. For this purpose, we used Ordinary Least Square method for the determination of the determinants, where Return on asset (ROA) is dependent variable and Non-performing loans, Liquid liabilities to GDP and GDP growth represent independent variable. A regression model is estimated to examine the relationship between NPL and ROA. The model is expressed as:

$$ROA_t = \beta_0 + \beta_1 NPL + \beta_2 LL + \beta_3 GDPg + u_t \quad (1)$$

Whereas: β_0 = Constant parameter;

β_{1-3} = Coefficients of independent variables;

u_t = Represents the unexplained residual and t = time.

where, ROA: *Return on assets (dependent variable)*, NPL: Non-Performing Loans, LL: Liquid liabilities to GDP and GDP growth: GDP growth. According to these data, hypotheses are:

Effect of NPL on bank profitability in Republic of North Macedonia:

H₀. The non-performing loans has a positive effect on bank profitability (ROA) in Republic of North Macedonia;

H₁. The non-performing loans has a negative effect on bank profitability (ROA) in Republic of North Macedonia.

Effect of Liquid liabilities to GDP on bank profitability in Republic of North Macedonia:

H₀. Liquid liabilities affect bank profitability in Republic of North Macedonia;

H₁. Liquid liabilities do not affect bank profitability in Republic of North Macedonia.

Effect of Economic growth on bank profitability in Republic of North Macedonia:

H₀. Economic growth affects bank profitability in Republic of North Macedonia;

H₁. Economic growth doesnot affect bank profitability in Republic of North Macedonia.

Empirical Results

Times series data is used in this study from 1998-2016, all data are obtained from NBRNM, World Bank and FRED Economic data | ST. Louis FED. Identified data are processed by the statistical program Eviews 9.0. **Table 1** below also shows the descriptive statistics of all data used in the study.

Table 1. Descriptive statistics of variables impacting ROA

	ROA	NPL	LIQUID LIABILITIES TO GDP	TO GDP GROWTH
Mean	1.035263	17.66263	38.45799	3.031569
Median	0.980000	10.93000	41.84910	3.378736
Maximum	2.260000	41.30000	54.42080	6.473487
Minimum	-1.020000	6.280000	13.37290	-3.067246
Std. Dev.	0.734282	12.43570	14.47170	2.326454
Observations	19	19	19	19

Source: Researcher's own construct using Eviews 9.0.

This study is used to find the impact of independent variable on bank profitability, by using following variables NPL, Liquid liabilities to GDP and GDP growth, with 19 observations. So, the descriptive analysis shows that NPL has an average of 17% and Std. Dev. 12.43570, the maximum and minimum values are 41.30000 and 6.280000, respectively. Liquid liabilities to GDP have an average of 38% and Std. Dev. 14.47170, the maximum and minimum values are 54.42080 and 13.37290 respectively, GDP growth has an average of 3% and Std. Dev. 2.326454, the maximum and minimum values are 6.473487 and -3.067246, respectively.

Relevant tests identified are: the test of autocorrelation and multico-linearity test. Multico-linearity test serves to evaluate the linear relationship between the variables, if the index value is greater than 10, it is estimated that variable has a high co-linearity, suggesting his departure from the model. The results are shown in **table 2**, which suggests that multico-linearity does not exist.

Table 2. Correlation of variables impacting ROA

	Δ ROA	Δ NPL	Δ LL	GDP growth
Δ ROA	1.000000	-0.610874	-0.375925	0.280948
Δ NPL	-0.610874	1.000000	-0.265152	-0.028050
Δ LL	-0.375925	-0.265152	1.000000	-0.130076
GDP growth	0.280948	-0.028050	-0.130076	1.000000

Source: Researcher's own construct using Eviews 9.0.

Autocorrelation is tested by Durbin-Watson test and $DW = 2.44$. Autocorrelation in the regression analysis is related to the presence of the correlation between accidental errors, the assumption is that the value of the accidental error for one observation is not correlated to the value of the accidental error for any other observation. The result suggest that positive autocorrelation is not significant and to continue with data analysis.

Linear regression model results

This section will show the relevant results of the linear regression model (OLS) and the data were tested using the EViews 9.0 statistical program. On the basis of the results from the testing it is possible to make transformations of series and their modelling, with Unit Root test. (Hyndman.) The series of ROA, non-performing loans and liquid liabilities to GDP are non-stationary series for our model, so the final econometric model for bank profitability and non-performing loans is presented in this form:

$$\Delta ROA = 0.034253C - 0.104883\Delta NPL - 0.164824\Delta LL + 0.056327GDPgrowth \quad (2)$$

The NPL coefficient estimate is negative and statistically significant, indicating the higher the level of non-performing loans, the lower the ROA. The possible explanation for this relationship is that the client's delay in interest and principal payments affects the balance sheet as well as the income statement. Therefore, the results support Hypothesis 1. The non-performing loans has a negative effect on bank profitability (ROA) in Republic of Macedonia.

The estimated coefficient of *Liquid liabilities* ratio is negative and statistically significant, the coefficient of *GDP* is positive and statistically insignificant. A possible explanation for this is that an increase in economic activities is associated with a low rate of defaults.

The following will appear statistical tables of results in total deposits. It is noted that the variables involved in the study may explain about 71% of ROA in years 1998-2016. Durbin-Watson stat. is 2.44, F-statistic is 11,94450, Prob(F-statistic) is 0.000377, estimating that the model is statistically significant.

Table 3. Model Summary

Method: Least Squares Independent Variables	Coefficient	Prob.	R ²	Adjusted R-squared
C	0.034253	0.8635	.719	.658
Δ NPL	-0.104883	0.0002		
Δ LL	-0.164824	0.0023		
GDP growth	0.056327	0.2098		

Source: Researcher's own construct using Eviews 9.0, with bank data and macroeconomic data from 1998-2016 and with dependent variable ΔROA .

Meanwhile, in the following table are presented summary in which the hypotheses raised in the case is confirmed.

Table 4: Summary of the hypothesis of studying the depended variables ROA

Hypothesis

Impact

Non-performing loans has an impact on the ROA	Negative
Liquid liabilities to GDP has an impact on the ROA	Negative

GDP growth has an impact on the ROA

Positive

Source: Researcher's own construct using Eviews 9.0

* Hypothesis is accepted if the value of p is less than 0.05%, for each variable.

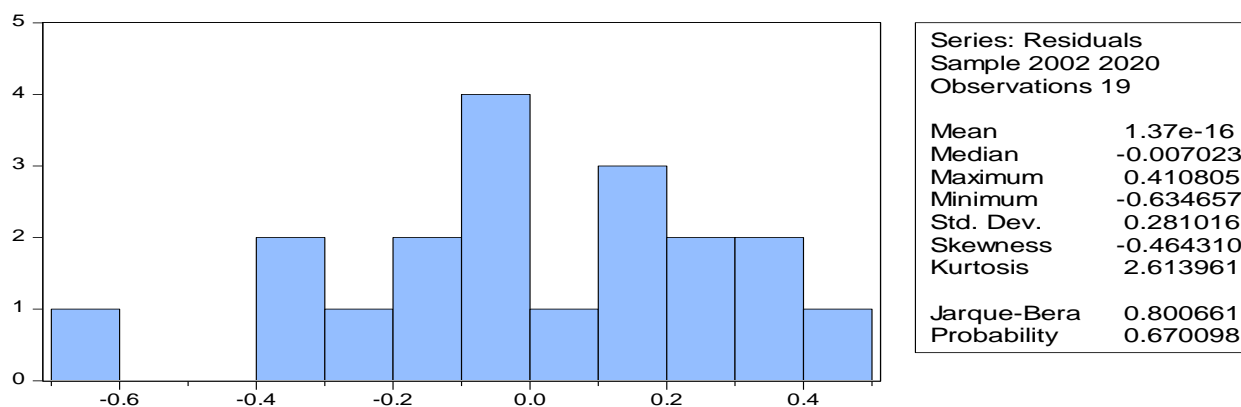
The results of the paper have identified significant results for ROA in the banking sector in Republic of North Macedonia from the 1998 – 2016.

Econometric Tests

Normality test

The normality test was based on the null hypothesis of normality distribution of the residuals. The results in **figure 1** indicate that we do not reject the null hypothesis of normality distribution at 5% level of significance. Thus, the residuals are normally distributed.

Figure 1. Normality test



Source: Researcher's own construct using Eviews 9.0

Heteroscedasticity

Based, on the zero hypothesis of non heteroscedasticity. The results in **Table 5** show that we do not reject the zero hypothesis which implies that the remains are homoskedastic

Table 5. Heteroskedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	1.288175	Prob. F(3,15)	0.3146
Obs*R-squared	3.892278	Prob. Chi-Square(3)	0.2733
Scaled explained SS	1.957683	Prob. Chi-Square(3)	0.5812

Source: Researcher's own construct using EViews 9.0.

Conclusion

The profit rate of each financial institution is influenced by several factors. Some of them depend only on her and others are part of a wider environment in which she does not always have influence. The results we received from the analysis largely coincide with the constant literature we have read.

In this paper we used the OLS method to examine the impact of non-performing loans on the profitability of the banking system of the Republic of North Macedonia. The survey showed that the increase in non-performing loans is associated with a decrease in ROA (return on assets). These results support the theory, which argues that increased credit risk exposure, measured by non-performing loans, usually is associated with an increase in operating costs and leads to reduced profitability. The results of this study leave several implications for researchers, practitioners and regulators.

On the other hand, regulators should carefully monitor the efficiency of the bank's performance and capital adequacy by paying greater attention to the movements in the relationship between costs and income and the bank's capital position. In particular, regulators should develop regulations and monitoring tools that will trigger early warning signals about possible failures of the bank due to the accumulation of non-performing loans.

Linear regression results show that the differentiation-stationary with Unit Root test of non-performing loans has a negative impact on the differentiation of the banking system's profitability (ROA) and are statistically significant, the independent variable explains about 71% of the model in the period 1998-2016, which would say that the model provides 71% base for the forecast.

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Development and Reforming in Public Reforms and Health care system in Albania, support and reflection.

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Abstract

The Health Care Systems in Transition (HiT) profiles are country-based reports that provide an analytical description of a health care system and of reform initiatives in progress or under development. The HiTs are a key element of the work of the European Observatory on Health Care Systems. HiTs seek to provide relevant comparative information to support policymakers and analysts in the development of health care systems in Europe. The HiT profiles are building blocks that can be used: to learn in detail about different approaches to the organization, financing and delivery of health services; to describe the process, content and implementation of health care reform programmes; to highlight challenges and areas that require more in-depth analysis; and to provide a tool for the dissemination of information on health care systems and the exchange of experiences of reform strategies between policy-makers and analysts in different countries.

The HiT profiles are produced by country experts in collaboration with the Observatory's research directors and staff. In order to facilitate comparisons between countries, the profiles are based on a template, which is revised periodically. The template provides the detailed guidelines and specific questions, definitions and examples needed to compile a HiT. This guidance is intended to be flexible to allow authors to take account of their national context. Compiling the HiT profiles poses a number of methodological problems. In many countries, there is relatively little information available on the health care system and the impact of reforms

General information of this paper research

The Albanian Health sector is in the continuing transformation in the function of the realization of the proper standards. To realize the reform in this sector and to help the decision makers in their decision is necessary to have the right information on the source of the financing of health sector, on the destination of the expenditure in this sector and their control. “The establishment of the National Health Service is an integral part of the new Albanian Government program and it is also the fairest intervention intended to upgrade the system of service financing at the levels required by providers and recipients of health services.

In this paper research we are try to present the current situation concerning our insurance scheme, developments in financing the primary health care and hospital sectors, our future projects to improve the way of financing hospital services, etc. were displayed in this presentation. Our learning and evaluation team reviewed every incoming evaluation to ensure that it met the quality standards in our policy. When evaluations failed to meet the standard, the three most common concerns, wich are analyze in this paper: (1) evaluation teams received too many questions—especially questions that are too general and ill-defined—relative to the resources available for the evaluation, (2) the data collection and analysis methods were not appropriate to answer the evaluation questions, or (3) evaluation reports.

Keywords: *HIV aids, Health sector, National service, Progress in health service, Performance*

Jel Clasification: I 10, I13, I15, I 16

Introduction

Albania's population is younger than that of other European countries. A third of its 3.1 million inhabitants is under the age of 15, and 40% is younger than 18. The population grew by 1.2% per year in the period 1980–1999, with a fertility rate in 1999 of 2.4 children per woman of childbearing. The country experienced even higher population growth in earlier decades, encouraged by the pronatalist policy of the Communist regime. A high proportion of Albania's population lives in rural areas, amounting to 58% in 2001. However, since restrictions on freedom of movement were lifted in the 1990s, there has been a level of internal migration from rural to urban areas, that is unprecedented in Albania. In 1979, only 33.5% of the population was urban. This figure rose to 35.5% in 1989, and in 2001 it reached 42.1%. Due to this influx, the population in the district of Tirana

The term health insurance is commonly used in our country to describe any program that helps pay for medical expenses, whether through privately purchased insurance, social insurance or a social welfare program funded by the government. Synonyms for this usage include "health coverage," "health care coverage" and "health benefits." In this paper research we want to present the new low reforming in health care system in Albania. Like any robust reform process, we face significant challenges across a spectrum of efforts. (Gottler A. Focus 2014)

This article presents a summary of the current status, of health Albanian system. The developing health care system of undergraduate, postgraduate and continuous medical education in Albania and suggests opportunities for development and partnerships that would help the country's medical education reform. Designing country strategies, in Albania was more time and labor intensive than originally anticipated, particularly because a large number of partners were engaged in the process to determine tough trade-offs. In the year ahead, we will continue to prioritize the development of country strategies and enable better coordination with our partners to reconcile competing priorities and focus on areas where we each have a comparative advantage. (Hana E, ISKSH 2012)

Our effort to focus our assistance programs has been successful for the past two years either because we successfully exited from sustainable projects or because our programming was too minimal to have a true impact. As we look ahead, we must continue to make tough choices and use each country's strategy as the backbone for decision-making to ensure the greatest development impact. The health sector is defined as the priority sector in the Albanian Strategy for the social and economic development.

1.1. PHC Provider Payment System and Albanian health care amount

From 1995 through 2007, HII funded only GP salaries. It was clear during this transition period that HCs had little or no management or operational autonomy. MOH and the HCs themselves were unable to monitor important elements of their medical activities, and no one was directly responsible for the success or failure in providing services to the population. The HCs had no indicators for measuring and evaluating the performance of providers, and there were few financial and professional incentives to improve the quality of their services.

In 2007, the GOA initiated a comprehensive reform of the health system. This led to a change in the method of funding providers, and began the transition of HII to a single-payer. This was followed by steps to consolidate the PHC budgets in HII, and to allocate it by region, and then to allocate it by Health Center. The Director of the HC (as well as a Board) would be responsible for managing the funds in the bank accounts for each HC. A contract process was designed between HII and each HC to specify the package of services to be provided in the HC in order to receive payments from HII. (National Health Accounts (NHA), Albania, July 27, 2010)

1.2 Health Care Reform and management of the civil servant in Albania

The Economics of Public Health Care Reform in Advanced and Emerging Economies Public administration reform is another key priority of the Opinion. The adoption in May of the Civil Service Law, one of the measures required for obtaining candidate status, was a major step towards de-politicising public administration. The law, entering into force

in October, is essential for building a professional, effective and merit-based public administration. It aims to create a consistent legal framework comprising state administration, independent institutions and local government units. It provides a clear classification of civil servants formally establishes a top-level management civil servants corps and provides the basis for a transparent recruitment and promotion system. (USAID, Albanian Reform 2013, pp 13)

Health management administration

The Administrative Council includes 11 representatives, one each from of MOH, Ministry of Labor, Social Affairs and Equal Opportunities, and MOF, the General Director (GD) of HII or his/her representative, the Director of the Social Insurance Institute or his representative, a representative of the workers' syndicate, a representative of the health care providers as defined by the Order of the Medical Doctor, a representative of the self-employed individuals and a representative of the consumers' association who represent the beneficiaries of the Fund. The law abrogates existing legislation without providing the necessary transitory provisions until its implementing legislation enters into force; the government approved in September 2013 technical amendments to avoid this legal vacuum. Timely adoption of the secondary legislation compliant with the principles of the law and proper implementation is essential. The Law on General Administrative Procedures is still pending.

2.1 Social environment and social effects

Such attitudes are a reflection of the quality of life residents seek to enjoy and preserve, whether it is limiting growth in order to maintain the rural image of a small community; expanding the boundaries of the village; or providing a variety of housing choices to new, diverse residents and businesses. Changes in a community's social well-being can be determined by asking the individuals and representatives of groups or neighborhoods in the area to make explicit their perceptions and attitudes about the anticipated changes in the social environment.

2.2 Current reforms in health care system

Any health reform to be undertaken has to take into consideration the existing informal payments, as gifts or as unofficial payments, made by own willingness or not. Recently the rules for formal payments from the uninsured persons are being enforced, this is supposed to decrease the informal payments, but at the same time this carries the risk of excluding the poorest from health care service. Reforms should provide protection to the most vulnerable social groups, as poor, elderly, Roma and Egyptian minority, etc. Some of the current reforms undertaken or envisaged by the government are: the patient referral system; introduction of official fees; calculation of service costs; and digitalization and 'informatization' of the health care system. (ISKSH Albania reforms 2013)

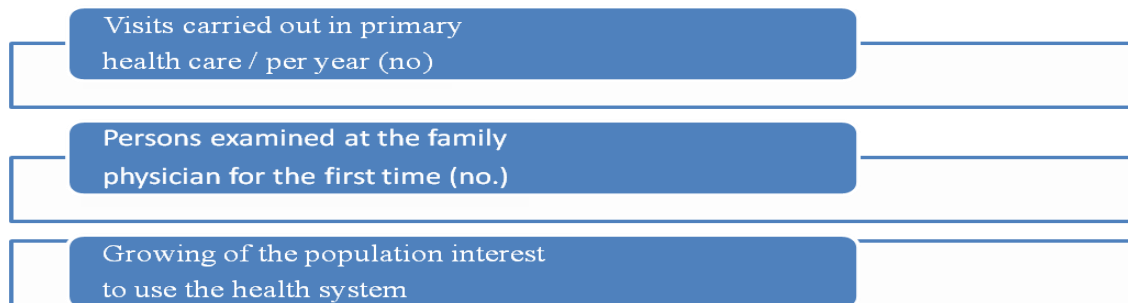
Literature Review and Hypotheses

Declining rates of coverage and underinsurance are largely attributable to rising insurance costs and high unemployment. As the pool of people with private health insurance has shrunk, Americans are increasingly reliant on public insurance. Public programs now cover 31% of the population and are responsible for 44% of health care spending. Public insurance programs tend to cover more vulnerable people with greater health care needs. (USA Health indicators, Logann, Internet link, 2012)

In a more technical sense, the term is used to describe any form of insurance that provides protection against the costs of medical services. This usage includes private insurance and social insurance programs such as Medicare, which pools resources and spreads the financial risk associated with major medical expenses across the entire population to protect everyone, as well as social welfare programs such as Medicaid and the State Children's Health Insurance Program, which provide assistance to people who cannot afford health coverage. (Meddings F &Gottler A. Focus 2014). In Albania health care system, we are trying to implement these good experiences.

3.1 Some data in Albanian conditions

The voluntarily insurance is another opportunity to be insured. The contribution rate is 3.4% of minimal month salary. Budget for the year 2011 is estimated to amount to 27.4 billion, or a 7% increase compared to 2010. This growth will make possible a salary increase of 4-5% on average for other health sector employees. The amount to be allocated for the drugs reimbursement will be also increased and it will amount to Lek 6.7 billion (Source: ISKSH, year 2010)



Tab 1 Data

analyze on 2010-year indicators of the health services utilization through health insurance scheme

The new residents and their associated activities will require a variety of services provided by the areas public and private institutions. A social impact assessment must determine the quantity and variety of anticipated needs. The goods and services most commonly included in a social evaluation are open space and parks; cultural and recreation facilities; education; health care; special care for the elderly, the disabled, the indigent and preschool-age children; police and fire protection; and a variety of administrative support functions. (Gotemm S, Jesr Usa, 2014)

The optimum number of resources that would be required for the satisfaction of needs is based on either planning standards, which are guidelines established by professional organizations and government agencies, or service levels, which are observed national (or regional) average amounts of resources expended per capita or some unit of size.

H1: Albanian new health insurance law reforming in Albania, as a new vision of the health care system under EU standards.

Health care costs have been growing rapidly in the past several decades. Since 1970, total real per capita health spending has increased fourfold, while spending as a share of GDP has increased from 6 percent to 12 percent in advanced economies. In emerging economies, total health spending has increased from below 3 percent of GDP to 5 percent. These increases have put great fiscal pressure on governments and financial pressure on households and businesses.

H2: A local health finance specialist was deployed prior to the arrival of two international consultants to perform the initial identification, collection, and review of documents relevant to HII's evolving history and mission, organizational structure, processes, and relationship with other health sector institutions.

The Health Insurance Institute (HII) has made significant progress over the last 15 years to move toward a single-payer model for the implementation of compulsory health insurance coverage in Albania. This progress has been made in coordination with a national strategy for health reform by the Government of Albania (GOA), the Ministry of Health (MOH), and other GOA and health sector institutions. (ISKSH journal 2013)

H3: The services have started to be fragmented and a higher priority is given to the quantity than to the quality. That the health insurance scheme currently includes all vulnerable categories, categories which are covered by the Albanian state

New programs, from mentoring to training to individual consulting support, can help support our next generation of development leaders, no matter where they are from. The National Health Accounts 2003 estimate that Albania spent 43.8 billion Lek (USD 360 million) overall on the health sector and per capita expenditures of 13,983 Lek (USD 114.7).

3.1 Public services and social impact of variety of life

The total expenditure on health is 5.9 percent of the GDP and is significantly higher than previous estimates that had placed health care expenditures at 2.9% of GDP. This level of expenditure is more in line with middle income countries and is lower than the average for European neighbor's countries. These partnerships do not mean that we write blank checks to foreign governments. Assessments are used to identify specific institutions that will be good partners.

3.2 Macroeconomic stability and influences in health care system

The imperfections in the health care market imply that governments must play an important role. However, there is no single model that delivers the best results across all countries. The pervasiveness of market failures and a desire to ensure that access to basic health care reflects need and not ability to pay have motivated extensive government involvement in this sector in advanced and emerging economies (Musgrove, 1996). The nature of government intervention (e.g., mandates, regulations, provision, and financing) has varied substantially across countries and over time, as has the level of public health spending. Source: (The economics of public health care reform in advanced and emerging economies, David C& Sanjeev G. – Washington, D.C)

Methodology

Research Goal

In this survey we aim to identify the mediating affect of Albanian health care reforms, under EU consideration we inspire to go ahead. The review was conducted in April- December 2011, 2012, January –December 2013. We are formed 50 questionnaires in health care institutions and 30 questionnaires with ill people. The methodology used for the review consisted of:

- Collection and review of background documents prior to field work;
- Meetings to discuss objectives and processes with the EEHR team at the project office;
- Interviews with USAID and other counterparts;
- Interviews and data collection with key stakeholders at HII, MOH, and other relevant health sector institutions; DRSKSH (Directory of health care services) in Vlora, Tirana, Shkodra
- Site visits to regional facilities (Vlora, Tirana, Shkodra) and a private hospital in order to observe conditions and discuss various issues, relationships, roles, and responsibilities
- Analysis of findings and presentation of recommendations.

Coherent links among - infrastructure and economic development

	Indicator A	Indicator B	Indicator C	Indicator D	Criteria X
First choice	142	118	157	159	166
Second choice	142	71	52	63	141

$$M_R = \frac{n_1(n_1+n_2+1)}{2} = \frac{4(4+5+1)}{2} = 20 \text{ cases of health treatment } M_R + M_S = \text{Ifs } 20 + (57/4) = \text{Ifs}$$

The synthetic estimator for function code f of state g is:

$$Y_{gf}^S = \frac{\sum x_{gf}}{\sum x_{gf}} \hat{t}_g^{DB}$$

These indicator is auxiliary information which is
 Mrs+ Mss (indic of perf)* Miq(indic of quality)*
 Mdt(indicator of disease treatment)/ number of
 emergent case for month

where Obtained (first choice and second choice) are indicated from patient and treatment of ill portion of

Census of Government and the state total, \hat{t}_g^{DB} is obtained by the Decision-based from

Equation, $M_R + M_S = \text{Ifs } 20 + (57/4) = \text{Ifs}$

In this study the criteria of indicator of sceerining are very high.

Given the increasing incidence of breast cancer disease and considering the important social policy struggle against this disease, we have set an important indicator for screening 80% of women at an age of risk (over 35 years) by the family physicians. With this result we treat the hypothese H1 and H2,

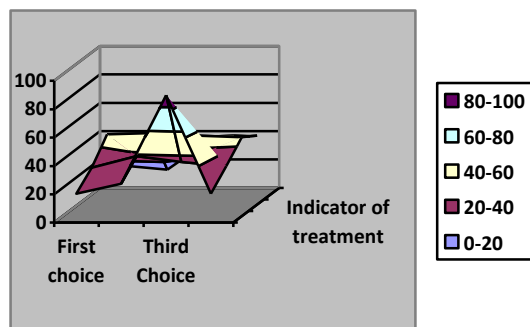
Indicator of HCF performance, this indicator, which is now part of the indicators of quality service, has been added so that the disease is caught in time, the increasing success of the treatment of these cases and decrease of mortality.also, another indicator of quality that has been added to the contract, has to do with a better examination of patients suffering from diabetes, taking account of the fact that this is a disease in expansion (we treat about 510 new cases per month) and with major consequences for the population.

values	<u>21</u>	<u>14</u>	<u>55</u>	<u>26</u>	<u>27</u>	47	17	28	29
Ranks	1	2	3	4	5	6	7	8	9
Performance of recover	12	35	45	56	67	68	69	98	95

$\text{Mrs} + \text{Mss} (\text{Indic of perf}) * \text{Miq} (\text{Indic of quality}) * \text{MDT} (\text{Indicator of disease treatment}) / \text{number of emergent casrs for month}$

Recommendations

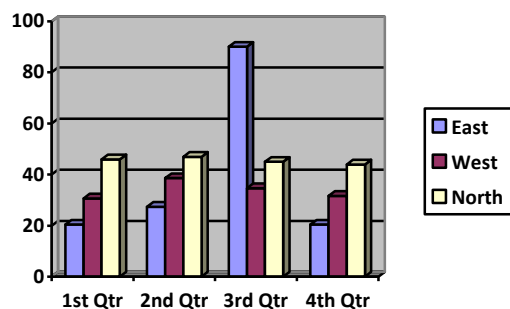
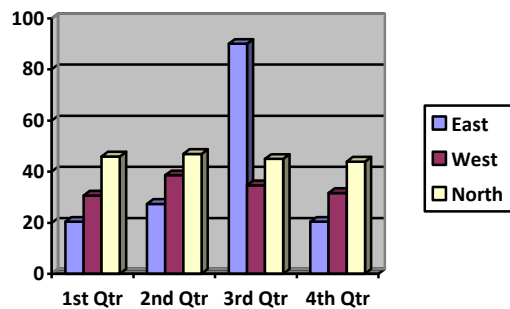
Recommendations may be discussed within HII, among other health sector stakeholders including the MOH and NCQSA, and even by the Prime Minister's task force or at other Government levels as appropriate. Health care insurance institute has approved the new contracts with health services providers of all levels for 2013, putting the emphasis on funding at best the health centers based on the quality provided to patients, extraction of hospital services' costs and stricter controls for reimbursable drugs from the contracted pharmacies.



Conclusions

All citizens of the Republic of Albania benefit from health insurance schemes, whether contributory or vulnerable categories, since the state contributes for the later. The contract emphasis the increase of the healthcare quality provided to the patients, through building capacities of health care personnel. This will be achieved by the physicians' active participation in the system of Continuous Medical Education, as one of the priorities of HII funding policies. Another way of improving the health services quality is the financial motivation of health personnel based on everyone's performance and contribution.

The public hospital sector remains underdeveloped whereas the private sector is growing without proper regulation. The Ministry of Health signed a contract in January 2014 for the establishment of a National Electronic Health Record (NEHR) system but the necessary financial resources still need to be secured. The draft of health strategy has not yet been adopted. For one reason or another, the services have started to be fragmented and a higher priority is given to the quantity of services, than to the quality of health concept in general. The new vision of Health care strategy in Albania is motivated extensive government involvement in this sector in advanced projects and future plans. With regard to communicable diseases, a new draft Law on the control of infectious diseases remains to be adopted and national guidelines on antimicrobial resistance are being drafted. At the national level, reported immunisation coverage for 2013-2015 was over 98%.



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The Impact of Data Visualization on User Interaction

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Abstract

Since the prehistoric times, people have painted various figures inside caves and other places they inhabited. In other words, humans have always wanted to visualize things in order to facilitate their explanation of moments and situations to others. Nowadays, computers on the other hand, have established a bridge for users to interact between themselves, and to make things easier, data scientists have designed visual representations of the data with the goal of making communication easier, and in that way achieving faster results. In this paper we will explain the process of data visualization and its importance for user interactivity.

Key words: data, data visualization, interaction, user interface.

Introduction

Data visualization has been around for quite some time. We can trace its roots all the way to the 18th century, although some go a lot further down history. Of course people didn't use computers back then to display their data; they were mainly drawn representation of important data for a given field. So now, this raises the question, what is different today compared to the past. Well, although at first it doesn't seem that there exists some big change in this aspect, if we dwell deep into the issue, we will see that a lot of things are different. (Kirk, A., *Data visualization: a successful design process*, 2012) With the introduction of computers, especially from the time when they became tools for general use, they became devices for writing, graphic design, gaming, etc. all these fields require different approach to data visualization.

Take for example the gaming industry. When we play a game, be it on a desktop computer, laptop or a cell phone, we will see various graphs which represent the player's name, score, health, ammunition, and so on. This practically is data visualization. But people don't always play games, they use their computers to store data about their monthly expenses, work, family pictures, videos, etc. Every one of those requires data visualization. In other words, when we visualize data, we actually organize data, which is the most important aspect to make any meaning out of them.

Data, data, data,...

When the ex-Microsoft CEO Steve Ballmer was at a conference, presenting the company's achievements and future goals, while talking about the importance of developers, he started repeating that particular word, over and over again. We did the same thing for the same purpose with our title here. Data are extremely important in every business imaginable. They represent the indicators by which we establish our path towards success. Of course, data require analysis in order to use them in a particular field. To achieve a given analysis with more success, we must visualize data so they become more accessible and easier to manage.

Today, we are highly connected with data in every step we take. We go to a store where we use our credit card to make a purchase, we go to a school where we need to be registered in the school's database, we enter a house where we can be recorded by surveillance camera, etc., etc. all these things have made us highly dependent on data. (Kirk, A., *Data visualization: a successful design process*, 2012) This can become scary at times in thinking that everything we do is being recorded somewhere, but that's the truth and we need to accept it and find ways how to use the recorded data so it can benefit us in our everyday life.

A picture is worth a thousand words

Almost all of us has heard this saying. At times it may seem as an exaggeration, but a lot of times it's very near the truth. In other words, we visualize data so we can have a specific view on what we need. By visualizing we can look at graph and in a few seconds understand what's the point and what needs to be done, without wasting time trying to decipher a vast amount of numbers and letters.

Until now it all sounds ideal and very catchy, but we should keep in mind that data visualization is not an easy task. It may seem easy if we use Microsoft Excel for example, and store some data which it will immediately present them as a pie graph or something similar. But think about the code behind such a presentation, think about the designers who had to think a lot in order to find the most acceptable way to visualize a specific set of data, because we must understand that different data, requires different ways of visualization.

To have a better understanding of what data visualization actually means, we will show the following example.

x1	y1	x2	y2	x3	y3	x4	y4
10	8.04	10	9.14	10	7.46	8	6.58
8	6.95	8	8.14	8	6.77	8	5.76
13	7.58	13	8.74	13	12.74	8	7.71
9	8.81	9	8.77	9	7.11	8	8.84
11	8.33	11	9.26	11	7.81	8	8.47
14	9.96	14	8.1	14	8.84	8	7.04
6	7.24	6	6.13	6	6.08	8	5.25
4	4.26	4	3.1	4	5.39	19	12.5
12	10.84	12	9.13	12	8.15	8	5.56
7	4.82	7	7.26	7	6.42	8	7.91
5	5.68	5	4.74	5	5.73	8	6.89

Fig. 1 Sample of statistical data

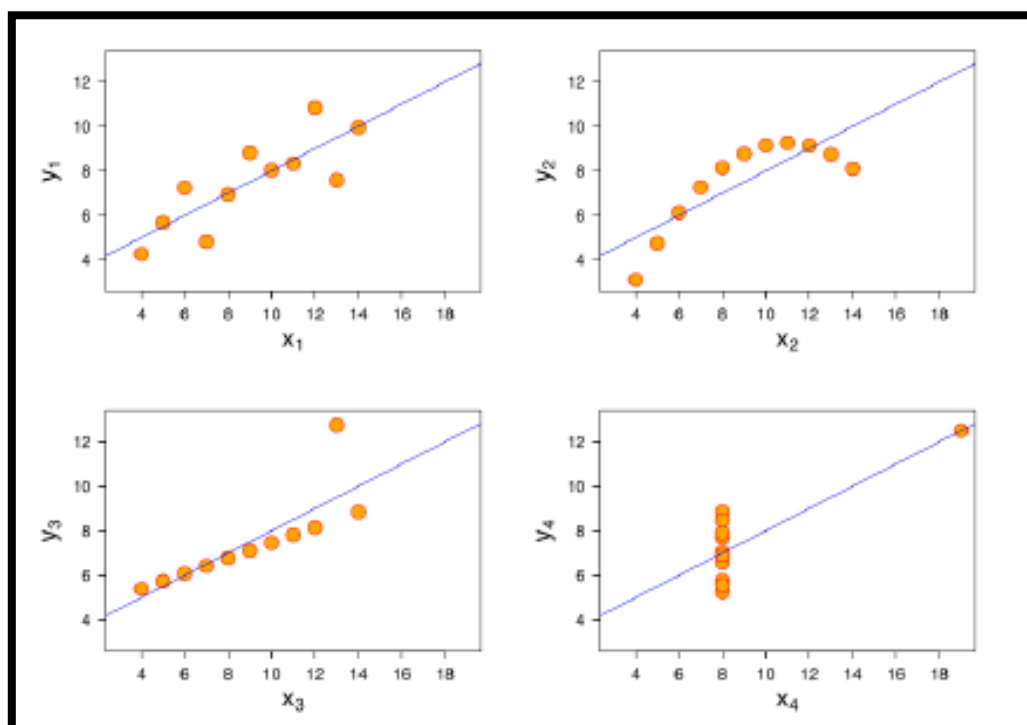


Fig.2 *Visualization of the same data*

(Kirk, A., *Data visualization: a successful design process*, 2012)

As we can see from the pictures above, the difference is very big. The first one requires a deep evaluation in order to get any meaning out of it, because it looks like some random numbers are thrown at us and we have to deal with them somehow. Whereas, the second picture is a lot more clear, and we can immediately see the relationship between X1 and Y1, X2 and Y2, and so on.

Data visualization is especially important when dealing with the end user. A consumer has no interest in the way you manufacture the shoes you sell, the consumer wants a clean user interface when he will want to purchase them from your website, so he can see a picture of the shoes and the price right beside the picture.

Graphics

The main tools to visualize our data are called graphics. They may come in different shapes, but the goal is always the same, making it possible for the user to comprehend what he is looking at. If you can remember, we said that data visualization are not new in the age of computer technologies, they have a long history in the human civilization. Emphasizing this, we can say that if we are to mention a graphic representation that has been used since ancient times, it will probably be geographical maps. They are some of the oldest graphical representation known in the human history. Maps as a visualizing tool have been very helpful for all societies. (Myatt, J. G., Johnson, P. W., *Making sense of data III*, 2011)

In our age we have digital maps that we can access by using our cell phones. They can have animations, 3d representation, different views such as satellite, road and terrain views.



Fig.3 Different visual presentation of geographical data (Google Maps)

To visualize data, a working relationship of a group of people is required. There should be specialists for the given scientific or artistic field, graphic designers, programmers, etc. all of which will cooperate so the end result can be successful.

All in all the process of data visualization can be seen as a two-phase process as suggested by Bertin (fig. 4)

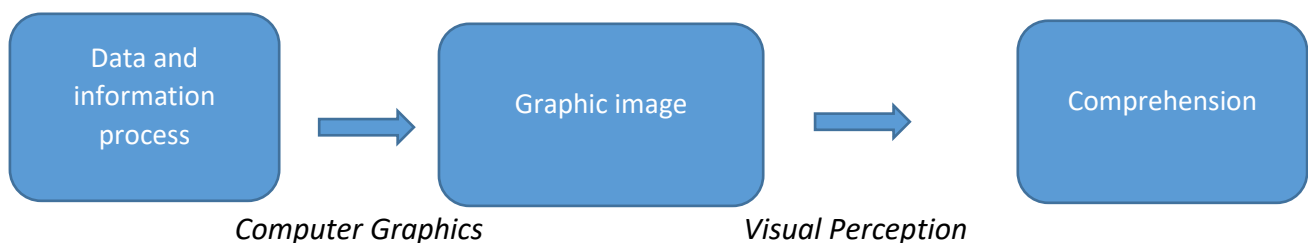


Fig.4 The two-phase process

Where to begin?

User devices come in various shapes and forms. It may be a laptop computer, a desktop, a cell phone, a smartwatch, or something else entirely. Data designers need to evaluate the platform on which they will develop their application, so they can build quality software and appropriate data visualization. This is very important, because it is not the same when you present data on a 32" screen

compared to a 6". Designers must take this issue into consideration if they want to build responsive apps for different devices. Sometimes it will be required to build two or three versions of the same app, based on the usage platform.

Microsoft as one of the IT giants has developed its latest OS while having in mind the facts we mentioned. Windows 10 programmers, are working to make the platform available to all devices, stationary or mobile, so when a developer will make an app, the code will work on both form factors, thus removing the need to recode the same app over and over again. This is very important considering that in today's business landscape, an employee may start working on a desktop PC at work and continue while traveling by bus or train on his cell phone. When the app will be consistent on all platforms, data visualization will benefit from that, and the work will be done in time.

Sometimes, however, data designers, are required to focus on one specific platform where they should visualize the given data.

By the second half of the '90 and first half of the '00, the PC market took the world by storm, and that platform was the main focus of developers, data scientists, data designers, etc., but then everything changed. The mobile market exploded. (fig. 5). This required a shift of focus on everything IT, and data visualization in particular. In the beginning, mobile devices didn't have powerful specs, and in order to make them useful for business or entertainment , developers had to scale down the graphical representation of data, to achieve optimum performance.

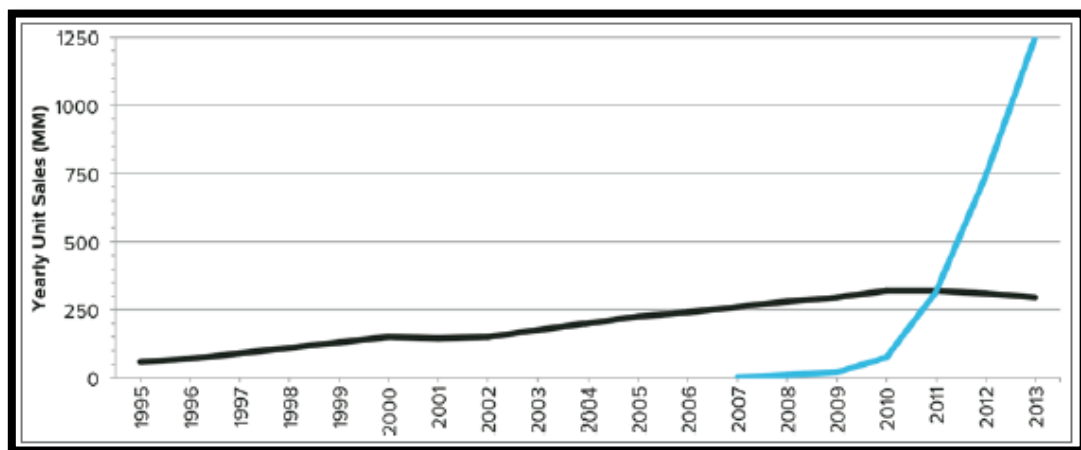


Fig.5 PC and mobile devices sales comparison (black: PC, blue: mobile)

(Hinderman, B., *Building Responsive Data Visualization for the Web*, 2016)

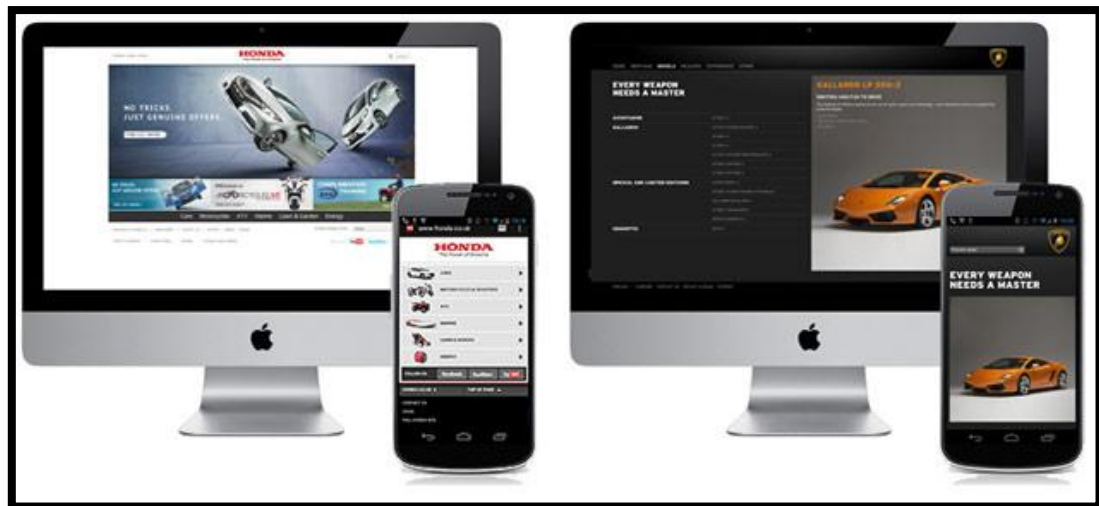


Fig.6 Data visualization comparison (desktop vs. mobile)

(picture taken from: <http://www.vividoptimizers.com/2015/08/11/mobile-search-taking-desktop-usage/>)

The last 3 or 4 years mobile devices have had a huge jump in specs, although still way behind powerful desktop PC-s, still, this means that the gap is getting narrow, especially in relation with visualizing data.

One other thing that data designers should have in mind is to analyze the market, especially the mobile one. There exist a variety of mobile Operating Systems, but only two of them have a vast user community, Google's Android and Apple's iOS platform. At one time the Blackberry's OS showed a promising future, specifically in the enterprise area, but it vanished from the mobile landscape for various reasons. The same can be said about Microsoft's Windows Mobile OS, which also had a short period when it seemed that the platform combined with Microsoft's hugely popular services such as Office, had a great potential, but they failed to gain any important following, so they pulled the plug for the OS.

All these specifics should be known to the data designers, so they can prepare themselves what to expect while visualizing data, if they tend to create a better user interaction.

The Software

The IT landscape which encapsulates an enormous software development landscape, has a lot of data visualization tools by which professionals use to design data. Developers of software such as PowerBI, Excel, Google Charts, Visio, IBM OpenDX and other similar visualizing environments, are continuously finding new ways to improve the way we represent our data.

These tools are invaluable because they help data scientist to easily display a given set of data to the world, where users will interact based on what they see.

There is very popular acronym, especially in relation to Game Engines, that goes by WYSWYG, which expands as What You See is What You Get. This basically means that what you are actually seeing is what the developer has intended for, and there is no need to dwell into deep analysis of what a specific number or word means. This is very important when we deal with business data. When we see a pie chart that shows the percentage of male and female students in a particular school, we are actually seeing all that we need, without the need to make any further evaluation or calculation.

Let's consider this example: what if someone gives us the percentage values for various items in a store in the following way: 10%, 5%, 25%, 13%, 5%, 12%, 11%,... where we need to find the item with the largest quantity. We will have to check and recheck the numbers, to see whether 25% is the number we are searching for. But what if we are presented with this chart:

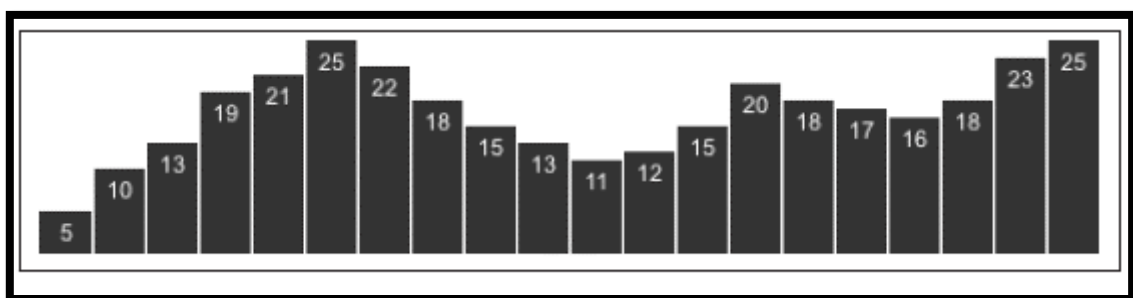


Fig.7 Data visualization

(Murray, S., *Interactive Data Visualization*, 2010)

With this we will immediately find what we need just by looking at the highest bars. That is what data visualization stands for.

The Virtual World

We have seen the Matrix trilogy of movies, where people interact in vast virtual landscapes, fighting viruses that are represented as abominable robots. It seemed only as science fiction at the time when the movies were released, but today we are witnessing a big expansion of virtual reality. In the beginning it was mainly used for the gaming industry where devices such as Oculus Rift gained huge popularity. But in recent years, there is a shift in the usage of virtual devices. Today they are used in many areas ranging from games all the way to architectural visualization. One piece of important technolog needs to be mention here, which goes by the name Mixed Reality, developed by Microsoft. With the introduction of Holo Lens, Microsoft revolutionized the way we use our computers, and in that way data visualization. By using Holo Lens we could interact with the computer in the same way as arranging our room. If by using our PC-s in a conventional way we can store documents in folders and put them on the desktop or any other place in the hard drive, with the new technology we would store them in virtual drawers, or hang our pictures on virtual walls.

This kind of technology is a huge step in the area of data visualization and user interaction. Now an architect can design a house an show it remotely and virtually to the client by walking him around, even though they can be miles and miles apart.



Fig.7 Microsoft's Mixed Reality

(picture taken from: <http://www.techradar.com/news/images-show-windows-10s-upcoming-mixed-reality-viewer>)

Conclusion

We believe that we have shown how important data visualization can be. Regardless of the tools we use for visualization, the importance of the technology rests on the fact that it can be applied on every field of science and art. We have seen that it is a new and an old phenomenon at the same time. No matter how we see it, it seems that we are witnessing the dawn of a true revolution of data design, which will hopefully be of great use to human society, and it will provide us with new methods to improve our lives.

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TOURISM DEVELOPMENT OF KOSOVO AS A TOURIST DESTINATION

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Abstract

Managing tourist destinations is the use of tourism potential of a country for tourism development and national economy in general, requires analytical tools and policies as part of development programs. The correct understanding of structural elements and dynamic processes is a very important factor in the development of a tourist destination.

Kosovo does not have direct access to the sea but has a mountainous hilly character, has a very favorable climate and many natural resources and a rich cultural and historical heritage that are considered as the basis for further tourism development. The purpose of this research is to study the development of tourism in Kosovo and through it is intended to make an important contribution in solving the best models of sustainable tourism development in this region. The Republic of Kosovo is in the phase of change and fundamental development where tourism is considered a very important source for the development of the country's general economy.

According to ministry data, tourism has been identified as one of the most powerful sectors for economic development and a very important market for foreign direct investment.

The Republic of Kosovo pays special attention to tourism and food, due to the climatic conditions and nature that can be used for the development and promotion of tourism as well as due to the great and unparalleled cultural and historical wealth as a very important part of the country's cumulative tourist offer.

Key words: *Tourism, development, destinations, management, regions.*

Introduction

Tourism is an economic activity oriented towards the utilization of tourist potentials.

With all the difficulties and problems in different phases of Kosovo's economic development, this activity is already in harmony with Kosovo's economic development. Tourism is turning into the main sector of economic development with revenue generation and job creation. However, as one of the sectors where the country's economic growth is expected to focus on in the future, tourism is still not finding itself in sectoral development. One of the many problems facing Kosovo's tourism economy today is the identification of the tourism product development strategy, which will lead to sustainable tourism development. Culture is part of the tourist offer and has the potential to become attractive to a tourist destination and is one of the main sources of the heritage of a population. Kosovo's cultural heritage is well-known inside and outside the country and is attractive to tourists who want to see masterpieces of art and culture and learn about the evidence of prehistory, classics, Illyrian period and so on. In addition to the famous museums, there are large collections of objects in Kosovo from all aspects of life, nature, art and the like.

Research Methodology

In this research we have analyzed a number of qualitative and quantitative elements for the identification and analysis of the tourism potential of Kosovo and the importance of tourism in its economic development. The realization of the goals set in the research of this topic is based on the combination of certain methods and will most often be guided by the inductive method (by exploring the general specification where the conclusions are taken according to the facts and the existing premises in order to verify the data and operationalization of concepts) and the deductive method (exploring the general to specific). The development of this topic uses primary and secondary data, ie official data presented in all types of documents, and analyzes the most relevant data and information for confirming real-life images in the stated relationship system. Based on this data, we will try to build the right conclusions.

For phenomena for which there is no data and official information, which are important for the perception of the situation and tendencies in the field of tourism, they will be processed in a qualitative way. This research tries to analyze the behavior of participants in the tourist destination and the understanding of the dynamics of the development of the tourist destination.

A brief historical summary of the development of tourism in Kosovo

Tourism is an economic activity oriented towards the utilization of tourist potentials. With all the difficulties and problems in the different phases of Kosovo's economic development, this activity is already in harmony with Kosovo's economic development. Although it has considerable tourist potential in Kosovo, this activity is still not considered as important in the overall economy of the country. Tourism development can contribute to the country's GDP growth and thus adapt where its country is in the country's economic development strategy. The Republic of Kosovo has recently been introduced to the tourism market as a tourist destination due to the years of isolation and problems that arose due to the lack of networks and communication links. Following the development of the Adriatic highway and the Ibriz motorway in 1971, Kosovo began to affirm itself as a potential tourist market. By 1970, as far as tourism was concerned, Kosovo was a very undeveloped country. Here the first place refers to the creation of accommodation facilities for tourists who are then built only for the needs of the economy (business trips), but also for the needs of the local population, such as hotel and restaurant facilities. The first assessment is that tourism development in Kosovo remains very timely, compared to the dynamics of tourism development in the then federation. This was as a result of the concept of Kosovo's economic development only for the production of raw materials and semi-raw materials.

Touristic movements up to 1990

In this period, although it is an important part of the overall economy, tourism in Kosovo cannot yet be found in a sustainable development. Kosovo is characterized by a low level of economic development due to violent economic measures and the recent war, the very slow process of privatization, small foreign investments and the like. Of course, tourism was an integral part of these negative economic and political processes. In the late 1980s and early 1990s there were major problems in the Kosovo economy (Ministry of Trade and Industry <http://www.mti-ks.org/sq/Tourism-Hospitality-and-turnover-and-historical-1989-1999>).

- Administrative constraints have been established for all hotel establishments;
- The number of employees in the tourism and hospitality sector drastically decreases;
- Legal regulations on the transformation of social capital, concessions and joint investments have been approved and through fictitious transactions the enterprises with the tourist capital receive "new owners";
- The start of investment in tourism and the maintenance of existing tourist facilities are interrupted;
- Interruption of investment in new lines in the field of telecommunications and related technologies..

Tourism in the period 1991 – 2000

If we analyze the ten-year period from 1991 to 2000, then the following tourist turnover can be noticed:

Table no. 1. Tourism turnover for the period 1991 - 2000

Year	Number of work units	Tourists		Nights		Total	
		internal	stranger	internal	stranger	internal	stranger
1991	54	130000	15000	744000	28000	145000	772000
1992	46	103498	4090	566174	9099	107588	575273
1993	46	103145	3029	432747	8857	106374	441604
1994	50	90840	2675	324136	6882	93515	331018
1995	50	88694	4676	253328	8690	93370	262018
1996	50	107231	2299	285609	4986	109530	290595
1997	50	76773	2532	269920	6934	80305	274854
1998	50	72351	2645	351842	4981	74996	356823
1999	50	38075	4974	179269	19005	43049	198274
2000	23	32610	12616	7952	55720	45226	63672

Source: State Statistical Office of Kosovo, 2001

From the data it can be noticed that:

- The number of tourists in 1991 was a total of 130000 tourists, and in 2000 this number has dropped to 32610 tourists (with the 9th fall);
- The number of foreign tourists in 1991 was 15,000 tourists, and in 2000 this number was 12616 tourists;;
- In 1991, 744,000 overnight stays were made by local tourists, and in 2000 this number dropped to 7,952 arrivals (10,000 reduction);
- In 1991, foreign tourists made 28,000 stays overnight, and in 2000 they made 55,720 nights (2 more for foreign soldiers).

The same is with the capacity to accommodate tourists, where there is a decrease in the number of rooms and beds.

Table no. 2. Number of rooms and beds in the period 1991 - 2000

Year	Number of work units	Number of rooms	Number of beds			Number of chairs	Number of employees
			permanent	aide	Total		

1991	54	3515	7329	498	7827	61291	6077
1992	46	2523	5277	492	5769	69064	5947
1993	46	2571	5277	492	5769	68660	6435
1995	50	2599	5683	423	6106	74352	6563
1995	50	2599	5683	423	6106	27856	3662
1996	50	2613	5739	407	6146	27300	3796
1997	50	2609	5728	407	6135	27004	3921
1998	50	2588	5670	403	6073	29938	3914
1999	50	2614	5885	373	6258	-	-
2000	23	938	1547	134	1681	3740	885

Source: State Statistical Office of Kosovo, 2001

According to the data in Table no. 2 it can be noticed that the number of rooms has dropped steadily over that period, from 3515 rooms in 1991, this number dropped to 938 in 2000.

The same was the situation with the number of beds, so in 1991 there were 7827 beds (7329 permanent and 498 assistants), and in 2000 this number reached 1681 (1547 permanent beds and 134 extra beds). So, from 1991 to 2000, all the categories mentioned in the table show a drastic decline in values. There is a period when the number of rooms is unchanged, as well as the number of beds. A feature of Kosovo's tourism in the mid-1990s was the opening of a number of travel agencies, although none of them met the minimum technical requirements to do business. Most of these travel agencies deal only with the sale of airline tickets or passenger transport.

In the period 1998-1999, Kosovo's total potential destruction of tourism potentials and capacities has taken place, which are so small. In this period, the mass destruction of property that has been created over the years, with which Kosovo finds itself in a devastated economy after the end of the military conflict, occurs. Immediately after the war in Kosovo, tourism has an important place in economic activation or "restart" of the country, so tourism in the country's GDP is estimated to cover 6-7%, and compared to that of the 1970s. the percentage was between 1.9-2.3%. Increasing the share of tourism in the domestic product is a result of the drastic reduction of other private and public sector activities due to well-known reasons, and now due to the changes that have occurred in the macroeconomic environment and private sector vitality in the sector hospitality and catering (The State Statistical Office of Kosovo and the Ministry of Trade and Industry Pristina 2012).

Development of Kosovo's tourism in the new century

The number of enterprises and employees in the tourism and hospitality sector in Kosovo is ranked 4th, according to local and foreign experts. Only during 2001-2002, the number of enterprises in the tourism sector increased by 862 or 55% compared to the previous years. In total employment, 237 enterprises employed 1548 workers for nine months, or 7.7% more.

The spatial distribution of tourist enterprises was almost equal for all municipalities in Kosovo, and in accordance with economic activity, so that:

- Prishtina participates with 32.1% (1373 enterprise),
- Prizreni participates with 12.4% (530 enterprise),
- Mitrovica participates with 6.7% (288 ndërmarrje),

- Gilani participates with 5.6% (239 enterprise),
- Gjakova participates with 4.6% (196 enterprise),
- Peja participates with 3.8% (165 enterprise),
- Ferizaj participates with 2.4% (102 enterprise).

According to the available data, it can be seen that in the number of employees Pristina is ranked first with 3078 employees in the tourism sector or 28.2% of the total number. After 1999, until 2002, compared with the pre-war period, it can be noticed that major changes have been made in terms of the structure of accommodation capacities of tourists and the mode of exploitation. However, the relationship between core and complementary capacities is disadvantageous as the number of basic accommodation facilities is 48.5% compared to 51.5% of additional capacity.

In the territory of Kosovo, the hotel activity is carried out over 100 hotels and according to table data it is noticed that most hotel companies are located in the regions of Prishtina, Ferizaj and Peja.

Table no. 3. Hotel capacities in Kosovo at 2017

ID Region	Region	Number of hotels	Number of rooms	Number of beds
1	Gjakovë	10	200	288
2	Gjilan	9	172	221
3	Mitrovicë	6	119	128
4	Pejë	37	635	1.265
5	Prizren	9	244	511
6	Prishtinë	51	1.588	2.090
7	Ferizaj	15	315	357
Total		137	3,273	4,860

Source: State Office and Statistics of Kosovo, 2017.

Of the 137 hotels operating in these regions, 103 hotels operate in the three areas mentioned above, or 75.18% of the total. In the three largest regions of these hotels there are a total of 2,538 rooms, respectively 77.54% and 3,712 beds, or 76.37% of the total number of registered beds (<http://ask.rks-gov.net/>).

On the other hand, the use of hotel facilities for the period 2013-2017 can be noted from the table below:

Table no. 4. Capacity utilization in Kosovo regions in percentage for the period 2013-2017

Region / year	Gjakova	Gjilani	Mitrovica	Peja	Prizreni	Pristina	Ferizaj	Total(%)
2013	1,64	3,48	2,99	3,77	4,57	18,43	12,58	6,78
2014	3,78	1,73	2,30	14,48	4,29	17,21	2,10	6,55

2015	5,44	4,51	6,53	24,33	11,67	25,05	4,93	11,78
2016	5,39	2,43	4,00	9,17	5,36	17,52	4,38	10,11
2017	3,50	5,12	9,22	9,26	13,42	15,52	5,00	11,54

Source: State Statistical Office in Kosovo, 2017.

According to the survey, the utilized capacity at the country level is 11.54%; for more see Table, which presents the use of hotel capacities in Kosovo at country level according to region. According to the survey data, we can see that the use of state-level capacities is very low, ie in 2013 it was 6.78%, in 2014 it was reduced to 6.55%, while in 2015 there is almost twice the growth capacity of 11.78 %, in 2017, is 11.54%.

The region with the highest capacity utilization for the period 2013-2017 is the region of Pristina, the second is the Peja region and the third is the Prizren region.

Number of tourists and stay at night

In recent years it can be noticed that there is an increase in the number of tourists and nights spent in Kosovo and these data are presented in the table below:

Table no. 5. Number of tourists and stay within the regions for the period 2013-2017

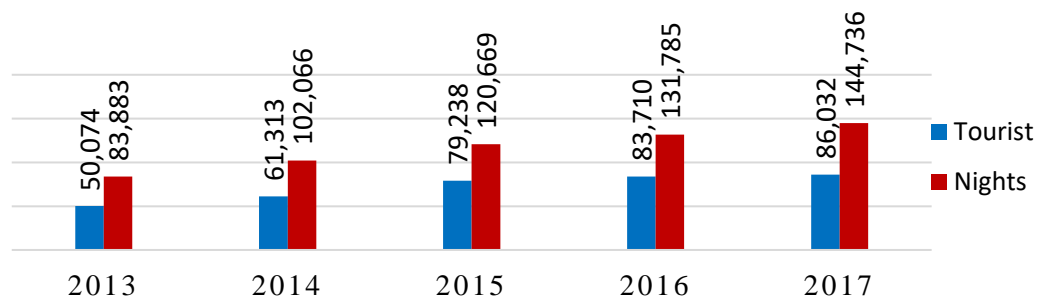
Regions	2013		2014		2015		2016		2017	
	Tourists	Nights	Tourists	Nights	Tourists	Nights	Tourists	Nights	Tourists	Nights
Gjakova	547	1.062	1.003	2.389	1.267	3.836	2.345	4.516	2.450	4.960
Gjilani	737	1.198	794	1.222	712	1.109	1.109	1.973	1.239	2.130
Mitrovica	616	692	532	532	385	414	646	745	953	1.089
Peja	1.326	3.733	5.761	9.197	12.694	17.224	12.649	18.348	10.929	24.968
Prizreni	3.799	5.521	3.520	5.694	9.779	13.947	9.101	13.044	8.792	13.942
Prishtina	42.083	70.517	49.041	82.194	53.057	82.561	56.291	90.998	59.091	94.591
Ferizaji	966	1.160	662	837	1.344	1.578	1.569	2.161	2.578	3.056
Total	50.074	83.883	61.313	102.066	79.238	120.669	83.710	131.785	86.032	144.736

Source: State Office and Statistics of Kosovo, 2017.

From the data it can be seen that the number of tourists in 2013 was over 50 thousand, which carried out almost 83.883 thousand nights.

This number increased in 2014 to 61,313 tourists, who stayed over 102.066 nights, while in 2017 we have a completely different situation, because in that year 86,032 tourists stayed and 144.736 nights were realized. Most of all regions is Prishtina, with almost 68% of the number of tourists in 2017 and over 66% of all attitudes in that year, and the situation is similar for the years to come. Graphically it looks like this:

Graphic appearance no. 1. Number of tourists and stay overnight for the year 2013 – 2017



Source: State Office and Statistics of Kosovo, 2017.

As for foreign tourists for the period 2013-2015, data on their number and attitudes realized overnight can be seen from the following table:

Table no. 6. Number of foreign visitors and their nights of stay according to the region for the period Q4 of the years 2015 - 2017

Regions	Q4 2015		Q4 2016		Q4 2017	
	Tourists	Nights	Tourists	Nights	Tourists	Nights
Gjakova	305	867	518	1.137	356	522
Gjilani	43	55	166	266	432	819
Mitrovica	51	51	125	132	231	299
Peja	1.313	2.062	1.948	4.435	1.599	4.291
Prizreni	2.369	3.429	1.407	2.130	2.271	4.557
Pristina	13.188	21.182	13.913	21.532	14.513	25.379
Ferizaji	635	644	567	894	1.130	1.406
Total:	17.904	28.290	18.644	30.526	20.532	37.273

Source: State Statistical Office of Kosovo, 2017.

According to the data from the table, in Q4 2015, 17,904 foreign tourists stayed in Kosovo and there were 28290 night stands, in Q4 2016 there were 18,644 foreign tourists and 30,526 night stands, while in Q4 2017 there were 20,532 foreign tourists which made 37,273 night stands.

Pristina region and foreign tourists and night stands are ranked first, while the Peja region has the highest growth in the mentioned years.

Foreign tourists who mainly visit Kosovo

Table no. 7. Number of foreign guests and night stays by country of origin 2013-2017

Country	2013		2014		2015		2016		2017	
	Tourists	Nights	Tourists	Nights	Tourists	Nights	Tourists	Nights	Tourists	Nights
Austria	127	139	856	1.435	451	680	500	1.320	233	1.107
Belgium	62	80	100	148	85	108	43	43	108	139
BiH	167	193	880	1.038	269	393	212	390	136	549
Great Britain	1.487	3.919	2.202	4.204	1.296	2.571	1.251	2.539	289	4.071
France	288	488	851	1.068	423	601	301	409	151	875
Germany	734	4.517	3.598	7.211	2.941	8.413	2.750	8.730	716	6.279
Greece	1.578	187	513	554	114	155	37	63	13	287
Netherlands	84	157	317	632	993	342	278	505	99	850
Italy	1.089	2.427	1.429	1.945	1.512	2.320	1.938	2.595	175	6.365
Croatia	931	1.060	1.138	2.901	950	1.752	871	1.973	298	3.344
Montenegro	166	191	350	1.434	270	2.195	181	264	51	1.099
Macedonia	1.195	1.374	1.576	5.958	935	1.284	713	969	305	977
Poland	89	97	44	24	102	143	110	150	13	142
Serbia	250	233	578	446	558	705	515	708	195	1.074
USA	2.450	5.593	3.279	5.500	1.867	4.925	1.628	3.676	624	7.670
Albania	3.213	3.311	6.313	9.511	4.152	4.540	4.050	4.733	1.436	6.395
Slovenia	1.289	1.823	1.481	3.145	1.166	2.017	1.707	4.120	461	7.085
Spain	131	138	62	106	14	18	28	40	6	84
Turkia	1.694	2.099	3.098	5.559	2.184	5.796	2.028	3.116	853	8.627
Switzerland	1.452	2.325	1.245	1.808	471	822	1.061	1.962	256	2.157
Other places	6.140	16.559	6.408	21.416	13.629	36.614	10.147	27.279	6.265	31.792

Total:	24.616	46.910	36.318	76.043	34.382	76.394	30.349	65.584	48.790	90.968
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Source: State Statistical Office in Kosovo, 2017.

In table no. 7 are represented by the number of foreign tourists and by night stay by country from which they originate, for the period 2013-2017. According to these data, the most frequent tourists visiting Kosovo come from Albania, Germany, Great Britain, Turkey and Switzerland.

According to the data, the largest number of tourists in 2017 comes from the Republic of Albania, which has also spent more nights. In 2016, tourists are also the first in Albania with 4.050 tourists, but from a standpoint in the night, tourists are from the Germany with 8.730 night stays.

In 2015, in the first place are tourists from Albania with 4.152 tourists and 4.540 night stays. The list of order includes tourists from Germany, Turkey and Switzerland.

Marketing of tourist destination

Destination marketing is now considered as a pillar for future growth and sustainability of tourism destinations in an increasingly globalized and competitive market for tourists (UNWTO. (2011). Policy and Practice for Global Tourism. Madrid: UNWTO). This argument appears today as a central element of tourism research (Fyall, A., Garrod, B., & Wang, Y. (2012), Journal of Destination Marketing and Management), closely related to the operational activities undertaken from businesses with high competition in attracting visitors to localities. Despite the marketing efforts of destinations to market the product, sustainability is critical for all target actors due to the quality of supply throughout the tourist system (Jamroz, U. (2007) Marketing of tourism: a paradigm shift toward sustainability, International Journal of Culture, Tourism and Hospitality Research). Destination marketing is considered as a strategic tourism management tool that should provide a balance between the stakeholders' objectives for sustainable development in the region and to guarantee the sustainability of destination resources.

Conclusions

Tourism is one of the most essential elements in the overall goals of a particular country, such as promoting the interests of its citizens, economic development and employment, regional development, managing cultural and natural heritage and strengthening the state identity of all citizens. Quality in tourism can contribute to sustainable development by improving the competitiveness of the business sphere, meeting the needs of society and preserving the environment in which we live and act. Being successful at the same time in all areas listed at the level of tourist destinations needed is a global approach that will focus on meeting the needs of tourists. Improving the quality of tourist destinations is an essential necessity for tourists, which would contribute to increasing competition in the tourism industry and ensuring the development of tourism in a balanced and sustainable way.

When it comes to tourists and guests, meeting the needs arising from staying in a particular tourist destination depends not only on the experience gained through a particular tourist service but also on general factors such as hospitality, security, sewage, traffic and tourists management. Most of these factors have a direct impact on the perception of tourists for the declared tourist destination, the level of satisfaction and readiness to return or recommend it to empower tourists.

The boundaries of tourist destinations are created by combining the political and administrative capacities of the country with the help of complex networking of internal and external participants.

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INTERNATIONAL POSITION AND EUROPEAN INTEGRATION OF THE WESTERN BALKANS COUNTRIES

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Abstract

The sub-region of the Western Balkans includes Serbia, Montenegro, Bosnia and Herzegovina, Albania and Northern Macedonia. The international position of these countries is different and depends on socio-economic development, political and security entities and elements. The processes of European integration of individual countries are different, since they are in different phases. This is determined by procedural acts related to Euro integration and open chapters of the nomenclature. In addition, Serbia, Montenegro and Albania have the status of official candidates for admission to the European Union. Due to the permanently expressed security challenges, risks and threats in theory and practice, it is called "barrel with gunpowder". Therefore, this space marks one of the most attractive topics for all social phenomena researchers. The aforementioned micro region of the region of Southeast Europe implies the formulation of authentic foreign policy and security concepts of influential actors in the international community. The article deals with international, foreign political and wider social implications of the Western Balkan countries, inclusion in the strategic concept of Euro integration.

Key words: *Western Balkans, international position, European integrations, state, security, politics, European Union.*

Introduction

Geopolitical, military and economic relations in the modern world are a sign of conflict of interest that defines geopolitics, and therefore a security image of the world. The struggle of interests today is being guided by sophisticated economic and military means, and any study of global relations must be studied by international subjects and their relations. We can monitor world and regional security through the roles of some important actors of the order (the most powerful and largest states in the world, that is, the world's major centers of power) and their interactions. Modern centers of power in the world are the United States, the European Union and the Russian Federation, and their mutual relations are the main factors influencing contemporary international, economic, military and geopolitical relations. It is therefore important to explore these relationships and see what is good in them and what is bad, and what the development trends are. Modern world security is marked by globalization, the shifts of global actors in the world order, attempts to establish global governance and universal conventions.

The paper examines the basic characteristics of the position, national interests and economic, military and foreign policy orientations of the European Union and their impact on the region of the Western Balkans. A review is also made of the security strategy and strategy of this entity's performance in the Western Balkans, through the prism of the impact of that strategy on the security of this region. The regional security of the Western Balkan countries is determined by their individual foreign policies. Accessing these countries to the European Union is one of the main priorities of each of them. This implies the need for future harmonization of the foreign policy of these countries with the Common Foreign and Security Policy (CFSP). This commitment was also accepted thanks to the signing of an agreement on the stabilization of these countries with the European Union. Also, the promotion of the position of the Western Balkan countries within international organizations of a global and regional character can be encouraged through mutual support and lobbying in their work. It is very important for the peace and prosperity of this region to create opportunities for bilateral / multilateral regional partnerships.

The international position of the western Balkans countries

The Western Balkans is the date of a newer date and appears as a neutral geopolitical determinant after the Cold War and the war in the former Yugoslavia. The Western Balkans is primarily a political category and marks

mainly all Southeast European countries that are not members of the European Union.¹ This is the beginning of the 21st century. century is used to identify, first and foremost, the territories of the Balkan states. These are: Serbia, Bosnia and Herzegovina, Montenegro, Macedonia and Albania (since Croatia became a full member of the EU in 2013). Also, this area has been through the history of the territory of the biggest disputes and conflicts in Europe. Over the last 40 years, the space of the Western Balkans is the only place in Europe where war is being waged, while all other countries resolve their misunderstandings with the negotiations. The reason for these conflicts is the centuries-old struggle for territories, and the diverse national, ethnic and religious affiliation of the people.

While the aspirations for unification appeared in Europe, the Western Balkans had a bloody clash at the end of the 20th century. This war took place between the countries of the former Yugoslavia, which lasted for 5 years, and later continued, with the bombing of Serbia and the conflicts in Kosovo. By bringing the Balkan countries closer to the European Union, security risks for war conflicts are also being reduced, and all nations, republics and entities are increasingly resorting to compromises and negotiations at state levels. Such a shift can also be seen within the individual issues of each state, because to date we do not have clearly outlined borders within individual Balkan states where there is still a great desire for secession and autonomy of certain regions in which national issues have not been resolved to date. After the end of the Cold War and the comparative commencement of the process of disintegration of the former Socialist Federal Republic of Yugoslavia, the newly emerging states on its soil began with the redefinition of their own foreign policy. The states created by Yugoslavia, during their first years of independence, distanced themselves from the foreign policy was conducted between 1945 and 1990, although during the first decade of independence, most of these countries did not have the basic strategic documents in the field of foreign policy.

Poor legacy of armed conflicts in post-Yugoslav territory left deep traces of interstate relations between the countries in the region within the region. "The leading actors of the international community, and above all the European Union and the United States, have fully supported the normalization of relations between newly born states and entities since the end of the armed conflicts in the former Yugoslavia. Therefore, during the past fifteen years of fullness, one can notice the gradual transition of the Western Balkans from the armed conflict zone, the over region in which the democratic, economic and security situation is stabilized in the region, all countries are unambiguously oriented towards accession to the European Union. This means that the countries of the region in the perspective are ready to accept a number of European values - peace, democracy, human and minority rights, the principle of equality and the principle of solidarity. "²

Since the situation in the Western Balkans has gradually stabilized, the need for the countries of the region to take greater or fuller responsibility for the functioning of multilateral forms of cooperation, which have been under the auspices of the international community over the past decade. All the countries of the Western Balkan, with the exception of the Republic of Serbia, are clearly defined for membership in the North Atlantic Treaty Organization (NATO). This has created a completely new geostrategic environment in the Western Balkans, since all countries from these territories, excluding Bosnia and Herzegovina, Macedonia, Serbia and Montenegro, have already become members of this military alliance. It is also important to point out that Bosnia and Herzegovina and the Republic of Montenegro will probably soon become members of the North Atlantic Treaty Organization.

Membership in the European Union is one of the priorities and strategic goals of most of these countries. There is a paradox regarding EU enlargement policy. On the one hand, there is a widespread belief (both at the professional level and at the political level) that it is one of the most successful and effective policies of the Union. The realization of this policy was of key importance for the stabilization of the European continent (formerly for the countries of the south-former right dictatorship, then for the countries of eastern and central Europe - the former socialist country), as well as for strengthening the international influence of the EU and positive economic trends on the continent. However, one of the problems is the membership of the countries of the Western Balkans. The Balkans has long been a zone of second-rate interests of the EU, beyond the countries of Central Europe and behind some Mediterranean countries. This approach has changed only in the last years of the twentieth century for two reasons: because of the possibility of expanding the EU to the east, which made the Balkan countries become direct neighbors, and because of the conflict in Kosovo and its effects on the security of the region.

¹Nešković, S., Ketin, S., Šećerov, P., Đelić, T., A., International Politics and Ecology: Special Focus to the Protection of Air, *Frensenius Environmental Bulletin - FEB*, Vol. 27. No 11 / 2018, p. 7545.

²Dukanović, D., International Politics and International Relations, Annual FPN, Faculty of Political Science, Belgrade, 2009, p. 12.

The Stabilization and Association Process (PSA) is a special kind of regional approach for the Western Balkan countries. Albania, Bosnia and Herzegovina, the Republic of Macedonia, Serbia and Montenegro for the first time have been given the opportunity to become full members of the Union on the basis of their customized approach. In this way, the fate of the more successful states in this process is not conditioned by the position of the region as a whole. Starting the stabilization and association process towards the countries of the Western Balkans in 1999, in the conditions of the drastic lagging behind of these countries and in the conditions of the unwillingness of the EU countries to engage more quickly in this process, it points to the long-term period of the EU's accession to the Western Balkans for a decade or two.

The 1996-1999 regional approach did not yield adequate results because the EU measures were not adequate in relation to the size of economic, political and social problems in the Western Balkans region. This has been drastically shown in cases of Bosnia and Herzegovina (BiH), Kosovo, Albania, etc. The main result of the development of the post-crisis space on the territory of the former Yugoslavia is the fragmentation of formerly federal space into mini-states, in the majority of which there is no stability of political institutions of power. The contemporary Balkan crisis has shown that the diplomacy of most countries was very often unprofessional, and international organizations were powerless and that international law was not sought. The only interest and power played a vital role, and the settlement of all inter-ethnic issues did not arise until the situation and resolving of all inter-ethnic issues were made. From the above, it can be concluded that the path of the Western Balkan countries towards the EU can be traced in two phases - the accession process and the accession process. After 2003, all the countries of the Western Balkans managed to secure the status of candidates or the status of potential candidates for membership in the Union.

Foreign Policy and European Integration of the Republic of Serbia

The political public can hear remarks that it is not clear what the strategy of Serbian foreign policy is. The fact is that the modern world is extremely dynamic, and that the very environment of our country is in constant change, so it is clear that the republic of Serbia is determined in relation to The European Union, NATO and the immediate neighborhood in the region of Southeast Europe. This cannot be achieved without defining Serbia's relationship with the leading countries in the world (the United States and the Russian Federation), but also without empowering multilateral co-operation. Improving and strengthening Serbia's status in international organizations is also one of the leading goals.³

The goals of our country's foreign policy are based on the aspirations of the country to join the European Union and the North Atlantic Alliance, to strengthen regional cooperation and bilateral relations with its neighbors, then to develop balanced relations with global foreign policy actors (the United States and the Russian Federation), as well as to foster relations for the countries " Third World ", i.e., developing countries. However, the lack of a clearly defined foreign policy strategy in Serbia may pose a problem for further European / Euro-Atlantic integration of the country.

"It is evident that there is an extremely broad social consensus in Serbia regarding the country's entry into the European Union, but there is evidently no similar approximation of NATO accession. And in relation to Serbia's relations with the great powers there is a significant disagreement between political entities. On the one hand, there are political options that advocate strengthening the partnership with the leading world of the world - the United States, while, on the other hand, there are those who are in favor of balancing relations with this country, the Russian Federation and the People's Republic China." In Serbia, the most common are the "pillars" of foreign policy, which are mainly related to preserving the constitutional order of the country, including the preservation of Kosovo within Serbia, integration into the European Union, strengthening of good neighborly relations in the region of Southeast Europe and balancing relations with The United States and the Russian Federation. However, the layout of these "pillars" of foreign policy is very often changing.

International Position and Euro-integration of Montenegro

³Nešković, S., Lobbying and action of interest groups in the European Union with special reference to Serbia - case study, Proceedings no. 18. "Education and social development of Serbia with emphasis on Bor and Eastern Serbia", Belgrade: Center for Strategic Research on National Security - CESNA B Belgrade and Technical Faculty in Bor, University of Belgrade, 2016, p. 48.

By adopting the Declaration of Independence in the Parliament of the Republic of Montenegro on June 3, 2006, after the referendum on May 21, the Government of the Republic of Montenegro took over the powers of establishing and conducting the foreign policy of the state of Montenegro as an independent international legal entity. Montenegro recognized in good time that good neighborly relations and integration are a guarantee of its successful development. Montenegro, as an independent state, has the opportunity to strengthen its position on the international scene and to dynamics and further improve relations with its most important actors. Accordingly, the Government of Montenegro has established the following foreign policy priorities: 1. Integration into the European Union and the North Atlantic Treaty Organization - NATO, 2. Improving and maintaining good neighborly relations and regional cooperation, 3. Developing bilateral and multilateral cooperation. Montenegro's strategic goal is membership in the European Union. Montenegro sees the EU as the best framework for further development of overall reforms, adaptation to European standards and their adoption, as well as the improvement of bilateral relations with the members of the Union.

In Montenegro, there is a comprehensive agreement on the need for EU integration, which gives an additional impetus for accelerated progress towards this goal. The speed of progress in integration will depend on the dynamics of economic, political, judicial, security and overall reforms, i.e., from the speed and degree in which society as a whole will be engaged and reformed. In the foreign policy context, a regular political dialogue between the CG and the EU plays a particularly important role, as well as the long-term harmonization of foreign policy with the EU's common foreign and security policy. NATO membership is the second strategic foreign policy goal that is equally important, which is realistically achievable in a shorter period of time stability and security required to achieve other strategic goals such as joining the EU. Expectations are that accession to this organization will accelerate EU membership. The integration of Montenegro into NATO is closely linked to EU integration, because it is about two parallel and compatible processes.

Montenegro's strategic integrative goals - joining the EU and NATO - cannot be achieved without an active role in regional cooperation, the development of good neighborly relations and policy-making in a regional context. With all the countries of Southeast Europe, the goal is to develop good relations and communication with mutual respect and constant construction of political, economic, security, cultural, scientific contacts and cooperation and extremely important infra-structural connection. With these countries, Montenegro does not only share the same geographical area, but also the same foreign policy objectives. So far, more than 150 countries have recognized Montenegro and diplomatic relations have been established as well, and a considerable number of embassies in Podgorica have been opened, and the diplomatic and consular network of Montenegro in the world has been expanding. Strengthening economic cooperation with foreign partners through strengthening the economic dimension of diplomacy is one of the key activities on the international level. Strengthening bilateral relations at all levels creates favorable conditions for more content, richer and more intense communication with the diasporas.⁴

In the context of strengthening bilateral relations, the priorities are: strengthening relations and cooperation with the EU's influential countries, as key partners in international organizations and on the international political scene, is an important factor for achieving Montenegro's foreign policy goals, as well as for its internal development. Overall cooperation with these countries through permanent bilateral contacts, but also through the processes of European and Euro-Atlantic integration, contributes to the economic and democratic progress of Montenegro and helps the dynamics of integration. Relations with the United States are of particular importance for Montenegro. Given that the United States is the most important ally in the North Atlantic Alliance and the inevitable partner of the EU, as well as the region, and have an extremely important role in all relevant international organizations, it is logical that Montenegro devotes a significant part of foreign policy to developing and strengthening partnership relations with the US. Historical and cultural relations strengthened by mutual understanding on the political plane, speak about the importance of constant improvement of cooperation between Montenegro and the Russian Federation. Strengthening further relations with Russia, in all areas at the bilateral level and within international organizations, contributes to the integration goals of Montenegro.

Foreign policy of Bosnia and Herzegovina

"The Constitution of Bosnia and Herzegovina lists exclusively institutional frameworks for conducting foreign policy, but it does not indicate certain priorities and directions of the country's participation in contemporary

⁴Nešković, S., External Security Policy of the European Union and the Position of the Republic of Serbia – Case Study, Belgrade: Center for Strategic Research on National Security – CESNA B and Technical Faculty of Bor, 2016, p. 35.

international relations. On the basis of the constitutional authority and in connection with the conduct of foreign policy, the members of the Presidency of Bosnia and Herzegovina in 2003 established "General directions and priorities for the implementation of BiH's foreign policy". This implies a lot of compliance with the generally accepted principles of international law and respect for concluded and ratified treaties. In this regard, it is stated that openness and equality, mutual respect for sovereignty and territorial integrity, principles of peaceful co-operation, constructive dialogue, the fight against terrorism and organized crime and respecting the basic principles of BiH's foreign policy. Starting from the principles already outlined, the Presidency Bosnia and Herzegovina precisely defined the priorities of the country's foreign policy. These are the preservation of the country's insecurity and territorial integrity, the implementation of the General Framework of the Peace Agreement in BiH, the accession of the country to the Euro-Atlantic integration processes, the country's participation in multilateral activities and the promotion of the state as a partner in international economic relations with the aim of achieving full membership in the World Trade Organization".⁵

In creating foreign policy, the BiH Presidency has come from the fact that the world is affected by the process of globalization, which structurally changes international relations and calls for the resolution of burning issues at global and regional levels in order to comprehensively protect human rights, eliminate poverty, develop a global partnership for development, a firm commitment to the processes of integration and transition in the region of Southeast Europe in the political, economic and security sense. Bosnia and Herzegovina's foreign policy is aimed at improving and preserving lasting peace, security and stable democratic and overall state development, that is, inclusion in contemporary European, political, security integration flows. The priorities are as follows: 1. Preservation and protection of BiH's independence, sovereignty and territorial integrity within internationally recognized borders, 2. Complete and consistent implementation of the General Peace Agreement, 3. Accession to Euro-Atlantic integration processes, 4. Participation of BiH in multilateral activities, especially as part of the UN system, the Council of Europe, the Organization for Security and Co-operation in Europe, etc. 5. Promote BiH as a partner in international economic relations and activities that will enable its admission to the World Trade Organization and other international organizations and associations.

On a bilateral level: Improving cooperation with neighboring countries, with member states of the Steering Board of the Peace Implementation Council, the United States, the Russian Federation, Great Britain, France, China and other members of the UN Security Council, EU Member States, member states of the Organization of the Islamic Conference and other countries that contribute to the renewal and development of Bosnia and Herzegovina. BiH will pledge to establish diplomatic relations with the countries with which they have not yet been established, with a special emphasis on bilateral relations with the countries of the region of Southeast Europe. Also, the need for achieving interstate agreements is emphasized, especially in the areas of economy and foreign investment. The main goals of the country's foreign policy are, as stated in the same document, the promotion of the economy, as well as the development of cooperation in the field of science, technology, culture, education and sports.

On the other hand, within the framework of multilateral forms of cooperation, it is insisting on strengthening the position of Bosnia and Herzegovina in the geo-strategic sense and its membership in European and Euro-Atlantic integrations. Although seven years have passed since the adoption of this document, due to numerous internal problems in the country, to significant progress in improving the country's foreign policy position. However, it is evident that there has been some progress in the process of joining the European Union, and in particular NATO. In the meantime, BiH's relations with neighbors have consolidated, but also strengthened forms of multilateral regional cooperation. On the other hand, no progress has been made regarding the country's accession to the WTO, and there has been no improvement in bilateral relations with the leading countries of the world (USA, the Russian Federation and the People's Republic of China). The fact is that only citizens of BiH and Albania still have a rather rigorous Schengen visa regime. The two-entity BiH does not have a broader consensus on NATO membership, which is particularly noticeable in the Republic of Serbia.

The international position of Northern Macedonia

In February 2019, Northern Macedonia officially proclaimed the current name internationally recognized. After declaring independence in late 1991, it was mainly focused on consolidating internal interethnic and political circumstances in the country. The 1991 Constitution of Macedonia, which was substantially amended by the amendments of the beginning of this decade, contains a chapter devoted to international relations in the Constitution of Macedonia, but it does not specify in detail the general direction of the country's foreign policy

⁵ Đukanović, D., Foreign Policy Orientations of the Western Balkan Countries: Comparative Analysis, Annual FPN, Faculty of Political Science, Belgrade, 2010, p.301.

activities. In 2009, within the Ministry of Foreign Affairs of Macedonia, an internal document titled "Objectives and Priorities" was adopted internally. The document identifies the country's commitment to European and transatlantic integration. It was pointed out the necessity of completing the procedure regarding the acquisition of full membership in NATO, the start of negotiations on membership with the European Union, the abolition of visas for Macedonian citizens, the settlement of the name of the country with the southern neighbor - Greece, and the strengthening of economic and public diplomacy.⁶

As one of the leading priorities, strengthening the strategic partnership with the US is also developing a comprehensive partnership with the EU and NATO. At the same time, it is pointed out the necessity of cooperation with the Russian Federation and the People's Republic of China. The importance of the development of good neighborly relations with the countries in the region was also emphasized. Therefore, the construction of security, stability and cooperation represents a very important activity in the foreign policy of Northern Macedonia, both bilaterally and on a multilateral basis, and therefore it will aim for more significant participation in all global and regional organizations. This also implies an international fight against global security challenges - terrorism, organized crime and corruption, and the like.

Promoting the economic potentials and possibilities of Northern Macedonia, preserving the sovereignty, stability and security of the state, as well as affirmation of the national cultural and spiritual identity, are also the foreign policy priorities of the country. The care for members of the Macedonian community outside the country of origin is, as stated in this document, one of the important goals of foreign policy. "Unlike other strategic foreign policy documents of the Western Balkans countries, the goals and priorities of the Republic of Macedonia's policy are the review of the attitude in relation to current international problems. This document therefore contains the views of the Ministry of Foreign Affairs of Northern Macedonia regarding the enlargement of the European Union, international terrorism, as well as the situation in Afghanistan, Pakistan, Iraq and Iran. At the same time, considerable attention is paid to the problems of Taiwan and the territorial integrity of the People's Republic of China, the nuclear weapons of North Korea, the development of the Middle East crisis and the situation in Sudan, the crisis in Georgia, or the postponement of the captured regions of Abkhazia and South Ossetia."⁷ "In the past ten years, Northern Macedonia has managed to make some progress in terms of NATO membership and the abolition of visas for its citizens. It has done a lot in connection with strengthening the strategic partnership with the USA and intensifying good neighborly relations in Southeast Europe. Definitely in February 2019, the dispute with Greece over the name of Macedonia ended, which greatly facilitates the normalization of the bilateral relations of these two countries, as well as the issue of the accelerated accession of this country to NATO and the European Union.

The concept of foreign policy of the Republic of Albania

In 2005, the Assembly of the Republic of Albania adopted the Program of the Government for the period from 2005 to 2009. Within this document it is emphasized that Albania's membership in the European Union and NATO are two of the most important foreign policy priorities, and that, in this regard, it is necessary for all stakeholders in the country to be involved in the realization of the stated goals. The government therefore committed itself to implement and coordinate internal reforms in order to successfully complete the European integration. It is said that Albania should lead a pragmatic and realistic foreign policy, and it is especially important to ensure the possibility of increasing the volume of foreign investment. In international organizations, whose member Albania is, it is necessary to promote a new image of the country. Particular importance will be given to cultural diplomacy and bilateral cooperation with all democratic countries of the world. And relations with the United States are of strategic importance to Albania in the fields of economy, security and democratic consolidation.

"It is also noted that Albania will promote peace and stability in the region of Southeast Europe through the strengthening of political, diplomatic and cultural cooperation, where the conclusion of bilateral agreements with the countries of South-Eastern Europe should also play a significant role. In this document, Albania's friendship with Turkey is particularly emphasized. One of the important goals is also the establishment of better bilateral relations with the EU member states, so Albania will seek to establish better relations with Germany, France and Great Britain, as well as with Austria. The development of Albania's economic and political relations with Japan, India and Canada, as well as stronger economic and cultural cooperation with the People's Republic of China, is

⁶Nešković, S., External Security Policy of the European Union and the Position of the Republic of Serbia – Case Study, Belgrade: Center for Strategic Research on National Security – CESNA B and Technical Faculty of Bor, 2016, p. 36.

⁷Dukanović, D., Foreign Policy Orientations of the Western Balkan Countries: Comparative Analysis, Annual FPN, Faculty of Political Science, Belgrade, 2010, p. 308.

also listed as foreign policy priorities. Albania will best safeguard its national interests through membership in the North Atlantic Treaty Organization. It is highlighted in the Government's Program (2005-2009), but the country will actively engage in the work of regional security and defense forums - primarily within the framework of the Adriatic Charter Agreement and the South East Europe Co-operation Initiative for Southeast Europe - SEDM. "⁸

Like all the countries of the Western Balkans, Albania has managed to make significant steps in European integration. Also, the Stabilization and Association Agreement entered into force. But, despite all of this, Albanian citizens still cannot travel to EU countries without visas. The great success of Albania's foreign policy was achieved in 2009 by joining NATO, and the relations between this country and the United States are continually rising. When it comes to cooperation with the countries in the region, there is a certain relaxation in bilaterally relations with Serbia, which were burdened with the official Tirana's attitude towards the Kosovo crisis. With other Western Balkan and Southeast European countries, Albania has no open issues, which is also stated in the Government's program document.

Security of the Western Balkans countries

The term Western Balkans is most often understood as the countries of the former Yugoslavia - Albania, Macedonia, Serbia, Montenegro, Bosnia and Herzegovina, and less often Croatia and Slovenia. Thanks to the turbulent past, this region is today a mixture of different cultures. In this space, the first civilizations that formed today's world were created. This part is abundant with many natural resources, so tourism is one of the important branches in the countries of this region.⁹ This area represents the shortest connection between Europe and Asia, whether it is road, river or air traffic. The Western Balkans is one of the main transit parts of Europe and because of its geographical position that allows Europe to be open to Southeast Asia, Asia Minor to North East Africa. Poorly developed economies and higher share of agricultural population than in other European countries are largely due to frequent internal conflicts and wars. This part of Europe is synonymous with backwardness in the economy, and the label "barrel with gunpowder" received the most tragic confirmation in the wars of the early 1990s on the territory of the former Yugoslavia.¹⁰

The countries of the Western Balkans have been in the process of transitional changes in the last twenty years. Although the region is still the main challenge for institutional and structural reforms, positive macroeconomic characteristics are visible in the region. The biggest problems in the region are still political instability and large external imbalances (balance of payments deficits in all regions of the region are at a fairly high level). It is characteristic for all Western Balkan countries that these are mainly small economies, have insufficient compliance with European and international standards and standards (although this harmonization process is ongoing), that their products are not sufficiently competitive, that all countries have a trade balance deficit, and budget. All countries, more or less, have unsatisfactory infrastructure, lack of working capital and insufficient and inadequate credit support, high participation of the gray economy, and still more significant corruption and crime.

The economic structure dominates the participation of mining, industry, agriculture and forestry, while the service sector is underdeveloped, which also affects the structure of foreign trade. On the export side dominated by agro-food products, industrial raw materials and semi-finished products, and on the import side of machines, equipment and industrial products of high degree of processing. In economic cooperation with foreign countries, these countries are primarily oriented towards cooperation with the industrialized countries of the West, especially with the EU. Entering the European Union is one of the most important priorities of each of the countries in this region. The national wealth of the Western Balkans is significant, especially in the production of agricultural products, and there are great chances for the development of animal husbandry, especially mountain and mountain, which is considered an ecologically clean environment in this region. There are exceptional chances for healthy food production: meat, cheese, leather, wool, and others. In addition to agriculture, development chances exist in: black and non-ferrous metallurgy, chemical industry, leather industry, footwear and textiles. Cooperation and harmonization of development and joint approach to third countries is of great importance for the further development of this area. Of course, the development of this region is not possible without well-developed

⁸Dukanović, D., Foreign Policy Orientations of the Western Balkan Countries: Comparative Analysis, Annual FPN, Faculty of Political Science, Belgrade, 2010, p. 309.

⁹Nešković, S., European Integration and Tourism Development in the Countries of South-East Europe, International Conference Contemporary Trends in Tourism Development, Proceedings, Travnik: International University of Travnik, 28-29. March 2013, p. 34.

¹⁰Nešković, S., Foreign Policy Orientation and Security of the Western Balkans, New Challenges to the Balkan Security, Vol. 2, Thematic Collective Book, Veliko Turnovo, St. Cyril and St. Methodius University, 2015, p. 15.

infrastructure and road networks. The advantages of a unique geopolitical position would be much better used with the developed road network and communications, and would significantly influence the integration of the countries of this region in the EU.¹¹

Security Policy of the European Union

The geopolitical changes that occurred in the late 1980s and early 1990s in the 20th century; the collapse of communism, the end of the Cold War, the unification of Germany, the collapse of the Soviet Union, the beginning of the conflict in the former SFRY territory - motivated the member states of the then European Union to make an effort in order to make the future of Europe in the field of foreign and security policy unique, decisive and in line with the character that it had as a trade and economic power. The Treaty of Maastricht, which came into force in 1993, established the EU, and its policies were divided into so-called. Three pillars. The EU's common foreign and security policy is also called the "second pillar of the EU".¹²

According to the Treaty of Maastricht, the EU defines and applies the CFSP, which covers all areas of foreign and security policy, the goals of which are to preserve common values, the fundamental interests of the independence and integrity of the Union in accordance with the principles of the UN Charter, increasing the security of the Union in all respects, peace and international security in accordance with the principles of the UN Charter, the Helsinki Final Act and the objectives of the Paris Charter, including those related to external borders, the promotion of international cooperation, the development of democracy and the rule of law, and respect for human rights and fundamental rights freedom. In 1996, at a NATO ministerial meeting in Berlin, an agreement was reached on the creation of a European NATO pillar. Thus, this, the so-called. By the Berlin Agreement, EU countries are enabled, through the Western European Union, to act independently of the NATO military assets with military means, but to have the capability to use NATO capacity if there is a need for this. In 1997, the Treaty of Amsterdam included the so- Petersburg tasks, including: humanitarian and rescue tasks, peacekeeping tasks and crisis management tasks, including peacekeeping. The 1998 position that the EU must have the capacity to carry out autonomous actions - supported by credible military forces - was confirmed at the European Council meeting in 1999 when it was adopted.

The leading goal from Helsinki, which was the first concrete step towards strengthening the EU's military capabilities. It contained the desired (planned) size of the EU's military capacities to be achieved by 2003. In 2002, the so-called Berlin plus an agreement representing a package of agreements between NATO and the EU (i.e., it was a modification and amendment to the Berlin Agreement of 1996). It allows the EU to use military capabilities of NATO in the conduct of its own operations, but with respect to certain procedures. In 2003, at the European Council meeting in Brussels, the European Security Strategy was adopted, and in 2004 at the European Council meeting, as a further step in the development of the EU's military capacities, the so- The main goal of the 2010 European Security Strategy (ESB) was adopted at the European Council meeting in Brussels in December 2003, and its full title is "A European Security Strategy - a Safer Europe in a Better World". For the first time since its inception, the European Union presented and defined its own security strategy in one place. Through four chapters of the strategy, the European Union has analyzed the most important security threats, presented its strategic goals, emphasized the need to modernize its resources, the way it functions and cooperate with partners in addressing security issues.

The European Union believes it belongs to the role of a global player. This assessment is based on the total number of associated EU Member States, the number of inhabitants, the share in total world production and the numerous instruments and resources available to address security issues. In order to achieve and protect its interests, the EU has opted for peaceful action and problem solving, with a common co-operation with existing international institutions and countries. The first chapter is devoted to identifying the security challenges and threats that the EU faces. War, poverty, disease, state competition for natural resources and dependence on energy (water, oil and gas) are recognized as global challenges. The key threats are classified: terrorism, the proliferation of weapons of mass destruction, regional conflicts, failed states and organized crime. In the second chapter, the European Security Strategy has considered the European Union's strategic objectives and presented the activities carried out

¹¹Nešković, S., Traffic corridors in the function of the progress of the countries of Southeast Europe, International conference Mobility and safety of road transport, Proceedings, Travnik: International University Travnik, 30-31. May 2013, p. 21.

¹²Nešković, S., Jovanović, Ž., Ecological Paradigm Within the Context of the International Policy – Development Study, Balkan Journal of Philosophy, Vol. 8, Bulgarian Academy of Sciences, 2016, p. 13.

by the European Union in the previous elimination of threats and its views and attitudes in resolving security issues.

The traditional concept of self-defense by the European Union against the threat of an armed invasion on it has been replaced by a new one. Due to the emergence of new threats, the first line of defense has been shifted beyond the borders of the EU. The emergence of threats that are more diverse, less visible, and less predictable, compared to the Cold War period, have led the Union's readiness to react before the crisis itself and the problem arise at its borders. In order to properly respond to these new threats, the EU had a wide range of necessary military and non-military instruments. The Union also sought to build a stable security environment. The interests of the EU are to have stable and accountable states at its borders. With each enlargement, the Union changed and expanded its borders, and thus increasingly approached security and problem areas. Therefore, the EU intended to create a "ring" of stable countries in its surroundings - especially in Eastern Europe and the Mediterranean. Without the intention of creating new dividing lines, Europe is striving to create stable countries by developing their own development and eliminating potential hot spots for the emergence of security threats that could threaten the EU.

In the last part of the European Union, its efforts in international politics focused on the establishment of an effective multilateral system - the development of a strong international community, functional international institutions and international law. The UN is recognized as the bearer of international changes, alongside existing international trade and financial institutions. The development of the multilateral system gives the developed transatlantic relations, reflected in NATO, and numerous regional organizations. The European Union itself is ready to help many countries left excluded from the international system by assisting them in returning among other countries of the international community. The third chapter of the European Security Strategy points to the need to modernize the EU, what else the Union should do to use all its potentials in achieving strategic objectives and countering threats. In order to achieve the set goals and implement the set tasks, the EU must be more active, more capable, more co-ordinates and cooperate with other partners. Basically, it ends with the emphasis on the necessary Union cooperation with partners. The European Security Strategy is a comprehensive strategic framework of the European Union in the field of security. The EU has taken a serious step in the implemented of the security policy. At the same time, this document provides a vision of the role of the European Union in the world, as well as an analysis of the existing security threats, the strategic goals it seeks, and recommendations that Member States should accept in order to better and more efficiently implement the European security policy. As the main determinants of the ESB we can distinguish: Global responsibility of the EU, Effective multilateralism, Preventive action, Stable security environment, maintaining a transatlantic partnership and cooperation with the USA, Establishing a list of key EU security threats.¹³

The common and common values of all European countries are: democracy, market economy, rule of law and respect for human freedoms. Likewise, the attitude of all EU members, without exception, considers that European security is indivisible, that is, the security of each country depends individually on the security of the environment. From the above it follows that regional and general European security is the interest and concern of all European countries, and cooperation, linking and jointly confronting security challenges, risks and threats is imperative for both the Western Balkans and Europe as a whole. For most Western Balkan countries, the economic factor is the biggest motivator which motivates them to the EU. However, in order for integration to be of high quality, it is necessary to respect safety standards, to resolve disputes peacefully, democratic control of armed and security forces. Peace and stability are a prerequisite for joining the countries of the Southeastern EU region. Therefore, the countries of this region are instructed to work together in combating all negative processes that jeopardize their security.

Although after the conflict in the EU, the EU initiated initiatives such as the Stability Pact and the Stabilization and Association Process with the countries of the region, the rhythm of change is not fast enough. Insufficient cooperation and very slow integration of the countries of this region with the EU have a long-term negative impact on their economic, scientific and technological and all other potentials and, consequently, their competitive position. Countries in the region believe that the road to EU membership is getting longer and more uncertain, and are frightened by the increase in fatigue from the enlargement of the European Union. Also, there is a lot of uncertainty about the EU's engagement in Kosovo and Metohija, and the consequences of the current economic

¹³Nešković, S., Geostrategic Position And Security Synergies of the Black Sea Region Through Cooperation with the European Union, Cross - Border Book Series "New Challenges to Security and Development of the Balkans" Vol. 5, Cross - Border Cooperation, Security and Development Perspectives of the Wider Black Sea Region, St. Cyril and St. Methodius University of Veliko Turnovo, Bulgaria, 2018, p. 28.

crisis should not be neglected, the consequences of which will be long and difficult and will significantly affect all aspects of European integration. The problem of bilateral relations and the historical heritage of the Western Balkan countries also slow down the integration process. Another in a series of problems is the different presence and status of NATO in certain countries of this region. On the other hand, the approval of the candidate status of Serbia and Montenegro, the Association Agreement and Stabilization of BiH, as well as the abolition of the visa regime for the countries of the region, confirms the belief that the Western Balkan countries - belong to Europe.

Conclusion

The region of the Western Balkans represents a kind of ambience, characterized by a heavy century heritage, but also events from a close past. The security research of this region is very current, because due to modern challenges, risks and threats, it is difficult to predict potential consequences for the countries of this region. When looking at the position of the states in a conspicuous international relationship, the most important thing is that there is a certain predictability of their actions in the framework of the multi-lateral and multilateral relations at the regional and global level. That is why the adoption of an external policy strategy is essential for defining the goals and tasks of the state's external action. The foreign policy strategy of the territories of the Western Balkans must be long-term or time-bound by the country's entry into wider integration. It is therefore important that the countries of this region define their own political strategy in relation to EU and NATO membership, and improve relations with neighbors, build a better relationship with the EU, and strengthen the role of these countries in international organizations. At the same time, most countries in the Western Balkans are also pushing for the promotion of their own economy and overall identity in the world.

Speaking about the military-political stabilization and security of the Western Balkans, a special challenge is the slowed European integration, the NATO enlargement process, the new positioning of Russia in the region and the new US concept in this part of the world. Although relevant international factors publicly emphasize the importance of co-operation and dialogue, their role in this region is very often contradictory and undefined. On the one hand, the European Union's firm resolve to strengthen its own security identity, on the one hand, increased the political and military autonomy of the United States against NATO, as well as the new need of the Russian Federation to position itself in the region. Conflicts and different perceptions regarding the resolution of important issues and problems in this part of Europe are very pronounced among them. It can be noted that in the short term, none of the relevant international actors wants a new civil conflict in this region, which characterized this area at the end of the 20th century, but nevertheless, there is the attitude of all of them about the need to retain international forces in this region.

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