

Development of Administrative Capacity and Regional Policy EU funds for touristic sector in post crisis

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Abstract

This paper research provides an overview of European Structural and Investment Funds and Cohesion Policy in light of current trends in public investment. It highlights the importance of quality governance practices and administrative capacity in optimising public investment, and underscores the importance of strong administrative capacity among Managing Authorities in order to boost the effectiveness of European Structural and Investment Funds investment. It concludes with a description of the OECD diagnostic framework developed to support administrative capacity building in the context of managing EU funds under Cohesion Policy. Albania, one of the smallest countries in Eastern Europe, has experienced a period of transition marked by sharp economic swings and periods of civil strife. The early phases of decentralization witnessed the transfer of political autonomy, limited administrative and fiscal authority to local governments, inadequate legislation outlining central/local responsibilities, scarce financial resources and developing ITC projects to manage touristic services.

In January 2006, the government promulgated a national Strategy for the Decentralization and the Local Autonomy which included laws to strengthen the autonomy of local governments and increase their capacity to manage local infrastructure and services. The Albania Government has in its focus issues related to tourism.

Keywords: Socio-demographic, Big push theory, Internet use, Touristic models, Decision making, SWOT analyse, EU Regional Policy, EU Structural Funds.

Introduction

I argue that small rural municipalities in Albania have not been able to use the EU Structural Funds support as effectively as large municipalities because their administrative capacity has been weaker and their co-financing possibilities have not been sufficient. I hypothesize that Structural Funds have not increased regional disparities in Albania region, but have increased competitiveness of regional projects. ¹In the 2014-2020 programming period, EUR 461 billion, or over half of the total EU budget was allocated to the ESIF, which supports over 500 programmes (European Commission). This allocation represents a 4.4% increase over the previous programming period in which the planned amount for ESIF was EUR 441 billion (European Commission, year 2019)

The funds make it possible to advance national and sub national-level investment in competitiveness, growth and jobs in EU Member States. It is estimated that by 2015 ESIF investment associated with the 2007-2013 programming period supported a 3%

⇨ OCED 2011, BB Funds 2018.

increase in GDP among EU 12 countries and a similar increase is expected by 2023 associated with the current programming period (European Commission, 2018)

Theoretical part of the article is based on the growth centres theory, big push theory, reflections on the EU Regional Policy and literature related to the aid allocation and Europeanization process. The article is based on a qualitative research conducted among Albanian city governments and rural municipalities in 2012. The survey showed that large municipalities do not have major problems with their administrative capacity for the management of the EU Structural Funds, but almost half of the small municipalities find discrepancies in their administrative capacity. Small municipalities often face the problem that their development specialists have not had access to professional training in project management.

The state of public investment: spending is picking up, but needs remain significant. The 2008 global financial crisis put strong pressure on global investment (IMF, 2018; OECD, 2018). The fiscal consolidation strategies and austerity packages that followed the crisis in OECD member countries strongly affected public investment, which was mainly used as an adjustment variable (OECD, 2011; 2013). This also holds true in the European² Union. Of the EU 28 countries, public investment has declined since the 2008 crisis. There was a stabilisation between 2012 and 2016, but this was followed by a slight decline in 2015, which can be partially explained by fiscal consolidation, as well as the impact of ESIF. According to the European Investment Bank (EIB), in recent years and among countries that are heavily dependent on ESIF, these funds accounted for around two-fifths of public investment, or nearly 2% of GDP. This caused them to suffer from a “cliff effect” suddenly turning negative after the 2015 deadline for payments under the 2007-2013 programming period (EIB, 2016). Entering the 2014-2020 programming period, and since 2017, public investment started to rise, as countries and regions implement ESIF investments. Nevertheless, according to the 2018/2019 EIB report, while public investment is gradually picking up, it remains low. In particular, the fall in government infrastructure investment was most pronounced in countries subject to adverse macroeconomic conditions and more severe fiscal constraints.

The capacity of the municipalities to employ the EU Structural Funds project managers has been weak. Most of the municipalities have been satisfied with the Structural Funds measures, but one fifth of the municipalities could not take advantage of the possibilities that the EU Structural Funds offer because the design of the measures did not satisfy their needs. Most of small and large municipalities have taken loans for co-financing the EU Structural Funds projects. (Bonnet 2011) The self-evaluation showed that large municipalities always achieved the objectives of the projects. However, only two thirds of small municipalities tended to achieve the objectives of the projects. After the questionnaire, we have specified the two assessments using the econometric models, the first about internet and its home access and the other about the frequency of the Internet's utilisation in other places including the purpose

2 The majority of ESIF – EUR 351.8 billion – are dedicated to funding EU Cohesion Policy, through ERDF, ESF and CF. As for the 2021-2027 programming period, the European Commission (EC) has proposed an allocation of EUR 373 billion to fund Cohesion Policy, channelled through ERDF, European Social Fund Plus (ESF+), and CF (European Court of Auditors, 2019).

of use, reasons for getting Internet service as well as its impact on improving social revenues. A growing body of work points to the positive effects of public investment on growth, and OECD³ research shows that countries with higher levels of public investment increase their productivity faster than countries with lower levels of public investment (Fournier, 2016). In the long-run, increasing the share of public investment in primary government spending by one percentage point could increase the long-term GDP level by about 5% (Fournier, 2016; OECD, 2013). These questions provide more details about price structures than simple supply and demand, thereby guiding investment and capital expenditure decision-making. Advanced econometric techniques are used to present an assessment of demand about the Internet functions, including socio-demographic characteristics of individuals and their families (Bonnet 2011).

2. Literature Review and Collecting Data

Municipalities who have received the EU support during two last programming periods of Structural Funds confirmed during interviews that they had gained experience in project management and they also highlighted that the implementation of last programming period 2007-2013 projects had been easier than the implementation of the first projects after accession to the EU.

The research was conducted in two stages. In the first stage the questionnaire was sent to all 14 Albanian region of municipalities that, based on the data derived from the Structural government had received the EU Structural Funds' support for municipality administration from European Regional Development Fund, 57 responses (34%) were received. In the second stage of the research a separate shorter questionnaire was sent to the rest 8 heads of the municipalities in order to find out whether they had benefited from the EU projects; 24 responses (41%) were received. Taking into account that Albania has 26 municipalities, answered to the questionnaire that represents 36% of municipalities. 10 cities out of (30%) and 71 parishes out of (37%) answered to the questions.

An econometric pioneer focuses on the adoption of the broadband Internet service (Madden, Savage and Simpson 1996), with data collected in the Australians homes. Before 2004, the European Commission supported the socio-economic development of the selected EU countries. Economic and Social Cohesion programme (ESC) and Phase Cross Border Co-operation (CBC) programme. Phase ESC supported only less developed regions in the North-East EU countries. Municipalities started to receive substantial amounts of foreign assistance only after the accession of EUC to the EU in 2004. Municipalities in EUC have received support of over 125 million euro from the Structural Funds and the Cohesion Fund (CF) during the period 2004-2010 (SF central

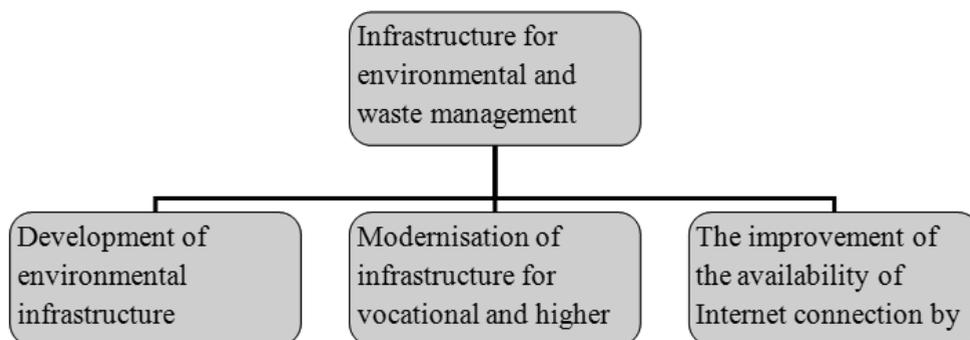
3 See more: Several studies show that improving the management of public investment can also lead to substantial savings and enhanced productivity (OECD, 2013, IMF, 2015, McKinsey Global Institute, USA).

McKinsey Global Institute, 2013 USA Some estimates show that it is possible to generate savings of about 40% on infrastructure projects by making project selection, delivery, and the management of existing assets more effective

register 07.04.2011).

With 1 billion of international travellers expected in 2012, like never before, nowadays people are dealing with such a myriad of different cultures, religions and lifestyles. Globalization reduced space and time on an unprecedented scale. The rapid development of the travel and tourism industry and the immense movement of travellers which is translated into economic growth, jobs and development opportunities, engender more and more opportunities for intercultural dialogue⁴(Charles Polidano 1999). International tourist arrivals worldwide grew by 5% in the first four months of 2012, despite remaining economic uncertainties in some of the major outbound markets.

According to the latest UNWTO World Tourism Barometer, prospects remain positive for the period May-August, the Northern Hemisphere's summer peak season, with around 415 million tourists expected to travel abroad. Between January and April 2012, international tourist arrivals (overnight visitors) worldwide totalled 285 million, 15 million more than in the same period of 2011 (+5%). Asia and Africa (both +8%), show the best results.



Tab 1The structure of development of EUC

2.1 The touristic demand and the development opportunities

Among the many motivations for travelling, visiting cultural sites and discovering new traditions and customs ranks on the top of the traveller's list. This interaction between individuals and their host communities, under the shelter" would be more convenient of responsible tourism, can contribute to tolerance, respect and mutual understanding—the building blocks of the universal values.⁵ The economy of Albania maintained macroeconomic stability and positive growth during and in the aftermath of the global crisis (Clark, J., Baker, T., & Li, M. (2007).

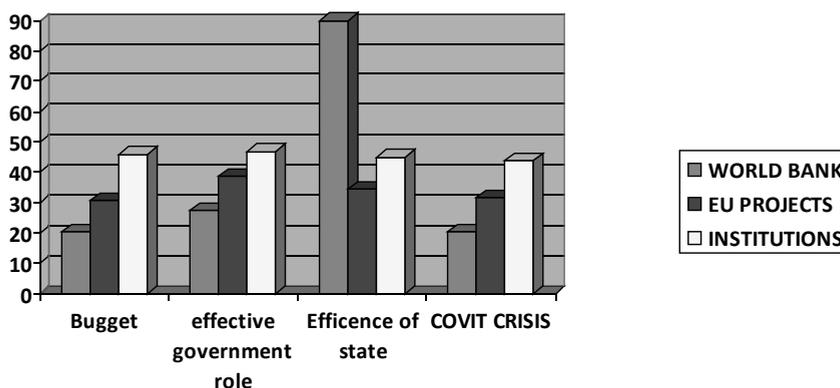
4 Accession to the EU and the EU support has had a positive impact on the economic development of EUC: since year 2000, the GDP per capita in EUC has increased from 45% of the EU-27 average to 65% in 2010 (EUROSTAT).

These authors were the first to discover that demographic characteristics are one of the main influences on the individual decision to use the broadband Internet service.

Goolsbee (2000), Duffy and Deno (2001), Kridel and Taylor (2002), also examined the demand for Broadband Internet access with data from different samples in US cities and households.

5 Clark and Bennis 2019, *IERM Journal*.

The World Bank study suggests the foreign aid projects can be implemented satisfactory in countries that have high quality institutions and better civil liberties; the basic civil liberties like freedom of expression, free media, the ability of groups to organize and freedom of criticism facilitate greater citizen voice and more effective government action (Isham, Kaufmann and Pritchett 1997, 222).



Tab 2 The demand of EUC and the development opportunities

2.2 Europe sees continued growth

In Europe (+5%) results were above expectations, boosted by the strong growth in arrivals to Central and Eastern Europe (+8%) as well as to destinations of Northern Europe and Western Europe (both +6%). Europe's performance is a continuation of an already solid 2011, when international arrivals increased by 6% overall to over 500 million. Demand has held up surprisingly well in the comparatively mature advanced economy destinations of Northern, Western and parts of Southern and Central Europe, despite continued concerns about the economy. Source: UNUOTE May 2012

2.3 Encouraging results across the world

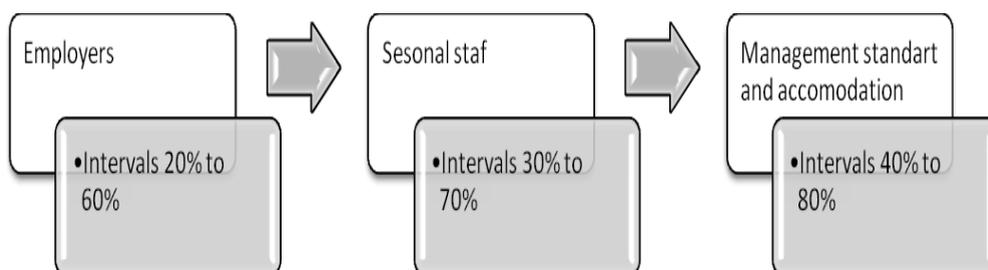
In the first months of 2012, growth was positive in all regions, with the exception of the Middle East (-1%), where there were nonetheless encouraging signs of recovery, such as in Egypt (+32% in the first quarter). South-East Asia and South Asia (both at +10%) led growth by sub-region. The Americas also reported significant growth (+6%), driven by the sustained strong demand in South America (+8%) and Central America (+7%). Source: UNUOTE May 2012

3. Hypotheses and Descriptive statistic management plan

The aim of the paper research is to build on the existing know-how in the aforementioned fields and identify effective partnerships to set up concrete ideas on how to make sustainable tourism a driver in promoting tolerance, intercultural understanding and mutual respect between nations, while preserving their core cultural values.

-H1 The development of the platforms of Economical Decision Making Processes for developing the touristic region in Albania..

One of the best performing economies in Central and Eastern Europe since 2009, Albania's progress^{*} has been marked by a positive GDP growth, an upward trend in GDP per capita, low and improving inflation rate, descending budget deficit to GDP ratio, ascending current account deficit coverage ratio of exports, relatively stable national currency and sustainable fiscal and financial policies. ^{*}(James Mac & Gregor Burns 1999)



Tab 3 The structure of working time

There are no hotels that have employed at peak more than 40 employees. About 30% of hotels have built their structures after year 2000 and 8% are built in 2008 while 4.2% are built in 2009. In recent years the pace of construction in this sector appears low their supplements are about 5%. Prices of rooms are different in different parts of Ionian touristic places.

Conclusions

The municipalities have learned to manage large investment projects and to organize public procurements. The majority of municipalities have developed in-house competences for the development of project applications. The literature suggests that Internet users differ from other users of telecommunication about the kind of attributes that are important. This is supported by studies in 2002, when they describe the differences between the phone application and Internet application. The effectiveness of Structural Funds projects in small municipalities was lower than in large municipalities: two thirds of small municipalities stated that they had achieved the objectives of the Structural Funds projects. Almost half of the small municipalities find discrepancies in their administrative capacity for using the EU support.

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