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SCIENCE, ART AND EDUCATION – THE NEW PARADIGM

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Abstract

Contemporary world is global, interdependent, rapidly changing generating uncertainties compounded by bankrupting nature, destroying human and social capitals. In addition, some sovereign countries possess weapons of mass destruction. It is obvious that the current world is not sustainable, and reduction of threats cannot be achieved within the current paradigm. A new social, economic and political paradigm is required and that can be achieved not by violence, but by more knowledge. Power has shifted from military force to wealth and now to knowledge. Power shift does not merely transfer power, it transforms it. New paradigm is a continuous change, where scientific research, art and education play a dominant role.

Keywords: Science, new paradigm

Introduction

Recent studies determined the age of our universe to be 13.798 ± 0.037 billion years¹. Claimed accuracy of less than 40 million years is amazing, particularly when compared with Kelvin's wrong calculation of the age of our Earth somewhat more than hundred years earlier, when he obtained that the age of our Earth is less than 100 million years. From the beginning of our universe until about 380,000 years there was only physics – only elementary particle, atoms did not exist, and there was no light, it could not pass through ionized space. Chemistry began about 380,000 years after the Big Bang. The age of our Earth is determined to be 4.54 ± 0.05 billion years. There is evidence for life on our Earth as early as 4.4 billion years ago², suggesting that if life arose so quickly on the Earth, then life should be fairly common in our universe. Discovery and use of fire dates 800,000 years ago. Culture, language and what we could term cognitive revolution dates about 70,000 (and possibly 160,000) years ago³, and Neolithic Agricultural Revolution was 12,000 years ago. Inquisitive human mind asked numerous questions:

“How and from what is the world made?” (Thales), “Where do we come from? What are we? Where are we going?” (as expressed in Paul Gauguin’s painting) and „What should we do?“. These questions were also expressed through art in numerous cave paintings as Altamira and Lascaux. Science progressed when instead of general questions, it focused on specific questions and that is the birth of scientific disciplines. Sometimes it seems that additional scientific research cannot bring anything novel: all essential is known – end of science⁴⁾. The opposite is true. When physicists thought they understood everything and only two minor clouds dimmed the bright sky, they discovered quantum physics and theory of relativity. When Standard model ruled particle physics, it turned out that it accounts only for 4.9% of our universe, while 26.8% is dark matter and 68.3% is dark energy, and we do understand neither what dark matter is, nor dark energy. Though Higgs boson has been recently discovered, we still need to understand why the electron has the mass it has. Our inadequate understanding is much greater as one turns from simple issues as our universe (which is determined just by six numbers!) to more complex problems: consciousness, economy and politics. More than two century ago F. Schiller wrote prophetically “Our century has given birth to a great epoch, but the great moment finds Keynote talk, September 2015, Oxford, UK stunned generation and even more stunned politicians”⁵⁾, and more recently Y. Dror wrote “It is absurd to believe that everything is going to change, but politics will and can remain the same.”⁶⁾, and John Avery wrote the book “Space-age Science and Stone-age Politics”⁷⁾ forgetting that politics also achieved remarkable successes (UN system, end of colonialism, many successful treaties, etc), but that the progress of science and technologies is so fast that it overwhelms the rate of political achievements. Contemporary world is not sustainable. There is a need for a new economic and political paradigm.

Two cultures, three cultures, one culture. In 1959 C.P. Snow gave the Rede lecture entitled „The Two Cultures and The Scientific Revolution“ emphasizing a widening gap between natural science and humanities and art⁸⁾. Less than 50 years later Jerome Kagan argued that there are three cultures: natural sciences, social sciences (including economic and political sciences) and the humanities/art⁸⁾. Real world is complex and complexity manifests in an inability of any formalism to adequately capture all its properties. It requires that we find distinctly different ways of interacting with systems. “Distinctly different” in a sense that when we make successful models, the formal systems needed to describe each distinct aspect are not derivable from each other.

A meeting of scientists and artists “Signature of the Invisible” was organized in 1999 at CERN. Scientists and artists have been interacting always, sometimes in a single person, e.g. Leonardo. One can draw parallels

between lives of Einstein and Picasso. Stephen Pile wrote: "What would C.P. Snow make of all this. It is 42 years since he observed that art and science are two different cultures, but suddenly they are getting along just fine." Keith Tyson wrote "Richness is always at the frontiers. Science and art are way of exploring the same thing, one culture with two fascinating abilities... Society suffers from reduction and compartmentalization, leading to social autism.... Like good artists, good scientists are simple in their explanations, open-minded, humbled by experience." Steve Miller was fascinated by x-rays, Rorschach test and DNA and he produced a series of paintings Neolithic Quark. Miller said: "Art is useful to present complicated information such as Michael Frayn play Copenhagen".

In his Nichomachean Ethics Aristotle calls politics master science. Edward Shils, founding editor of journal *Minerva*, wrote "After WWII scientists became politicians. Politics was always part of science but now relationship between science and politics became more explicit and prominent. It manifested itself in science advisory capacities but also in Pugwash Movement¹⁰⁾. Scientific research did not produce only better understanding of nature and society, but also provided new forms of organization and leadership. For instance, CERN experiments at LHC cost several billion euros and include thousands of researchers from several hundred institutions from several hundred countries without a special chief executive officer, and without strict hierarchy. This leads to holocracy - a democratic distribution of leadership, the new management system for a rapidly changing world leading to more agile team that turns everyone into leader. Scientific research is an example of holocracy! Nobody in charge → all in charge → all responsible! Can politics be organized in such a way? Should it be?

Education for the 21st Century

Spoiling youth has been considered one of three most deplorable sins in ancient China. Bertrand Russell optimistically said in his Nobel Prize acceptance speech: "The main thing needed to make the world happy is intelligence. This is an optimistic conclusion, because intelligence can be fostered by known means of education." However, in 1937 Sigmund Freud wrote that "psychoanalysis is the third impossible profession following two much older: bringing up the children and governing of nations.". Education is broader than "bringing-up the children" and even more impossible. Who should be educated and how, and for what goal? In a global world the answer to the first question is clearly *everybody - all human beings*. Since knowledge now increases exponentially with a doubling time of 5-10 years, education cannot be time limited, but it has to be *life-long*.

Global education in the 21st century for a changing human being and for a rapidly changing world in order of achieving global knowledge-based society has to encompass specialized, disciplinary education and paradigmatically different holistic approaches. The universities have a mission and a responsibility which goes far beyond the task of providing industry with efficient employees, marketable ideas or science-based solutions. Their mission is to produce mature, independent, critical and responsible personalities, who are not tools in anybody's service. Many different forms of higher education are developing, just to mention a few: massive-on-line-open courses (MOOC), Future University, Singularity University and University of Everywhere.

Employment and Retirement

Words retirement and employment were not in use 150 years ago. In 19th century permanent manufacturing establishment meant a radical separation in time and space from family and leisure time. Now, there is an erosion of traditional employment through part-time work, fixed-contracts, temp-agency work, fractional employment, self-employment and multiple jobs. Robots, automation and ICT make and will make many jobs obsolete, e.g. 47% of all jobs in the USA are in the high-risk category, i.e. potentially automatable in the next decade: office and administration, sales, service and taxi drivers. Low risk jobs are health care, education, arts and media¹¹⁾.

Increase in the life expectancy which almost doubled in about a century and now reaching about 80 years make the retirement at 65 years impossible. Nevertheless, there are numerous jobs that cannot be done at age over 60, e.g. miners and ballerinas. This requires that we should change jobs, likely several times during our lifetimes.

Power-shift and Paradigm Change

Contemporary world can be compared with Neolithic Agricultural Revolution. Then humans started their cohabitation with animals and plants. Now we are cohabitating with robots, automation and new technologies. However, there is a profound difference. While our ancestors could continue being hunter-gatherers, our contemporary world is not sustainable. A new socio-economic-political paradigm is needed since we bankrupted nature, in an Anthropocene Epoch we are destroying human and social capital and we have means – weapons – that can destroy our civilization and we cannot repair or even decrease these threats within present paradigm.

In his book Power-shift¹²⁾ Alvin Toffler argues that throughout history power has shifted from violence and military force to wealth and now to knowledge. A new paradigm has to be based on knowledge. Knowledge is a very broad term encompassing all sciences and the humanities, as well as

arts and political decision-making. While old forms of power: violence and wealth are limited, knowledge is inexhaustible, it is increased by sharing. Powershift does not merely transfer power, it transforms it. New paradigm is a continuous change, future full of surprises, augmented by creative activities: scientific research and art, as Turkish poet Nazim Hikmet Ran (1902-1963) wrote:

“The most beautiful sea: hasn’t been crossed yet. The most beautiful child: hasn’t grown up yet. Our most beautiful days: we haven’t seen yet. And the most beautiful words I wanted to tell you I haven’t said yet...”
(1945)

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MODEL FOR STRATEGIC MANAGEMENT OF TECHNOLOGICAL INNOVATION IN MANUFACTURING COMPANIES: A PROPOSAL

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Abstract

Small and medium manufacturing companies have continued with the basic use of administrative management technologies in its core business processes. Recent studies on adoption of processes for the integration of information and communication technologies, have shown that these companies have problems with the innovation, production, and the generation of knowledge. It also had problems with its practical application in products, processes, and services. The aim of this study is to develop a model for strategic management of technological innovation as the basis for the development of a computational tool that integrates the different phases of the model. However, it can be applied to manufacturing companies, which will help to increase the competitiveness, productivity, and innovation of these companies. In addition, a proposal for the model was developed and the analysis of the software for managing the model was conducted.

Keywords: Innovation, SME's, Technological Model, Management, Knowledge

Introduction

Innovation, technological improvement, and the transfer of technology which is applied to productive activities, are the major drivers of economic growth of the companies for the globalization of markets (Goycochea, 2012).

Therefore, it is necessary to create a strategic solution to improve the capabilities of these companies and respond quickly to the challenges, either business related or technological, which is today's markets demand (López-Acevedo & Tan, 2010).

Porter defines innovation as the creation of new products, processes, knowledge or services using existing or new scientific or technical knowledge. Porter also mentions that firms are evolving into value chains that is based on intangible assets such as knowledge, technology, intellectual property, and others (Porter, 1991).

Afua also defines “innovation as the use of new technological knowledge, market knowledge, and business models that can deliver a new product or service, or product/service combinations, to customers who will purchase at prices that will provide profits” (Afua, 2003).

Consequently, the "Innovation Economy" is the production and generation of knowledge and its application in products, processes, and services. Thus, it has become the main asset of developing dynamic competitive advantages (Porter, 2008).

Innovation is very important for companies to grow successfully. Therefore, some factors are changing the environment where the companies are competing. Among these include (Warren & Susman, 2013):

- Access to knowledge: Permit to companies provides them access to the best ideas, technologies, research resources, and experts at low cost.
- Trade Barriers: Are rapidly being dismantled; hence, all markets are been opened up to global suppliers.
- Access to Capital: The funds may now seek opportunities on a global basis, and companies must compete internationally for capital.
- Technological Obsolescence: Market life cycles are now less than product development cycles. Thus, companies are developing new methods to reduce their product development times.

Therefore, we are migrating into an innovation era, where wealth firm will be created through innovation.

A study by the Centro de Tecnología Avanzada A.C. (CIATEQ) developed in 2008, found an insufficient capacity of Small and Medium Enterprises (SME's) for the production of knowledge and technology. As a result, little demand is on them and there is a disconnection between demand and the possible public offering (Lizardi, Baquero, & Hernández, 2008).

Furthermore, it also reflects that SME's had greater difficulties during the process of integrating it into the productive chains. This integration is done along with a lack of coordination between the system of technological innovation and the technological demand from firms.

Elizondo and Heredia argue that a combination of factors explains the lack of entrepreneurship in the technology of Mexico (Elizondo & Heredia, 2000). These factors include:

- The development model implemented by the Mexican Revolution that did not encourage private investment in Research, Development, and Innovation.

- The weakness of institutions to defend the rights of intellectual property.
- Developing countries are struggling to compete with industrialized countries.
- The Mexican businessmen have preferred to seek state protection against imports, rather than seeking to compete in the technological field.
- The educational tradition does not encourage criticism or research.

Other researchers have mentioned that innovation management involves elements such as: the process of innovation, strategy, technology management, knowledge management, information sharing among staff, measurement and monitoring, learning, customer orientation, environment monitoring, and partnerships (Velasco, 2008).

An important element for innovation is the alignment of technology management with strategic planning (Noisi, 2008).

However, an understanding of the dynamics of the generation and dissemination of knowledge in companies creates competitive advantages in an economic and a dynamic environment. In this environment, markets are subject to technological impacts arising from the supply side (technology push) and presses on the demand side (pull technology). Here, technology leadership is defined by those who show a greater capacity to create knowledge i.e. original and applied (Boutellier, Gassmen, & Zedtwitz, 2008).

Most SME's do not have a system of innovation management. However, they have a little knowledge of government financing, and do not invest in research and development, since they depend on customer's demands (CONACYT, 2009). This is in addition to the lack of infrastructure, qualified personnel, and a culture that supports innovation (Khalil, 2000).

Furthermore, the SME's should have a technological management model to receive government financial support.

Among the battery of recommended measures include those aimed at leverage private investment in research, development, and innovation; reduced fragmentation of public research system; as well as actions to promote collaboration and technology transfer. Other measures include human resources with highly qualified public R & D to business and productive sectors. Hence, this fosters the partnership of public - private medium to long term priority sectors. The study also considers it important to promote the creation of new business R & D, preferably domestic or foreign which is linked to the public research system. In addition, it promotes the demand of technological developments and innovation through public procurement in key sectors for the quality of life and development.

I.

Some management of technology (MOT) models has been proposed. Among these include a six sequential stages model that has been created. Thus, these stages are (Khalil, 2000):

- Technological environment.
- Technology categorization.
- Market and competition.
- Innovation process.
- Value added.
- Acquisition and export of technologies.

The process of technological innovation is a set of activities that transform ideas and scientific knowledge into physical realities and real-world applications.

Goycochea and Rivera, have proposed a MOT model with the components below (Goycochea, 2012):

- Planning: Strategic, technological, and business.
- Technology Surveillance: Patent centers and environment assessment.
- Financing: Programs and strategies for government financing.
- Research and development.
- Project management.
- Marketing: customer and market strategies.

Therefore, all these set of components of SME's aims to develop a model of strategic technology.

Darbanhosseiniamirkhiz and Khairuzzaman recommend Advanced Manufacturing Technologies (AMT) for improving manufacturing productivity. Therefore, AMT refers to technologies related to the manufacturing process (Darbanhosseiniamirkhiz & Khairuzzaman, 2012). Thus, they have proposed an integrative framework for AMT.

The proposed framework has three contexts:

- Environmental context
 - External pressures, supplier support, and financial resources.
- Organizational context.
 - Organizational structure, organizational culture, manufacturing strategy, human resources practices, and top management.
- Technological context.
 - Perceived benefits and technology in use.

In the environmental context, the external conditions have an important role in SME's inclination to adopt advanced technologies.

However, some researches contend that the main external pressure source is the market (Spanos & Voudouris, 2009).

The benefits of AMT adoption in manufacturing companies can be achieved only in cases of the compatibility of the organizational design. In addition, the structure of the company plays a crucial role in the implementation process, and the traditional hierarchical structure would create impediments for AMT adoption.

Also, there is an analyses of how organizational culture, manufacturing strategies, human resources practices, and top management, would be shifted or updated for alignment with the AMT adoption.

In the technological context, the recognizing of the practices is a powerful predictor of the AMT adoption success.

After the analysis of some MOT, the study of the proposal is shown in Fig. 1.

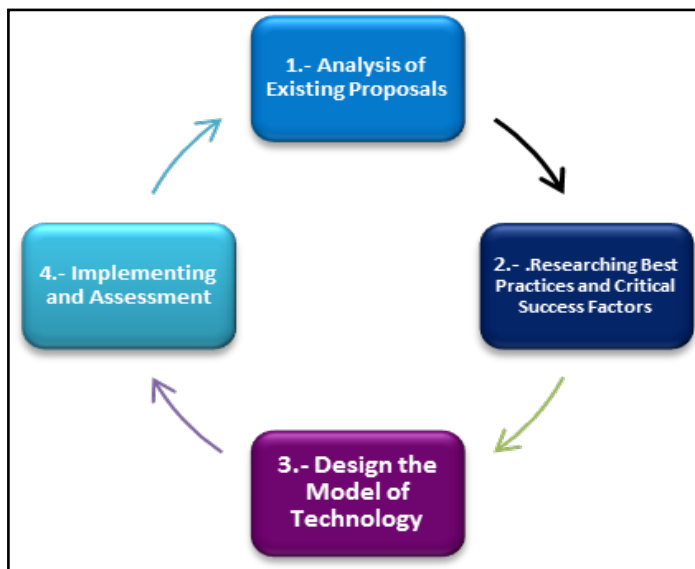


Figure 1. The methodology for the proposal

Beginning with the analysis of existing models of technology across the world, it continues with the research of best practices and critical success factors. Therefore, with these elements, the proposal for a model of technology, and another stage of the assessment of the implementation in SME's manufacturing companies will be designed.

Best Practices

The firms that are highly profitable through innovative practices are classified into three categories:

- **Internal:** Intellectual property management, knowledge management, information technology applications, maturity, governance, culture, and human resources practices.
- **External:** Closeness to customers, supply chain and competitor knowledge, and proactive engagement with the environment for acquisition of technology.
- **Bridging:** Creative business model, partnership, integration across the stages of the product development cycle, and balance between external and internal factors.

However, these identified practices are similar to the characteristics of success models analyzed above.

The SWOT matrix shown in Fig. 2 for the manufacturing companies, give some insights about the state of this industry and how the model can be emphasized in terms of its weakness and threats (Valdez & Cortes, 2014).



Figure 2: SWOT Matrix

The threats identified are: High competency, high government, taxes, row material expensive, and others.

Consquently, these elements have been considered by the MOT proposal. With this information, the design of the model is displayed in Fig. 3 below.

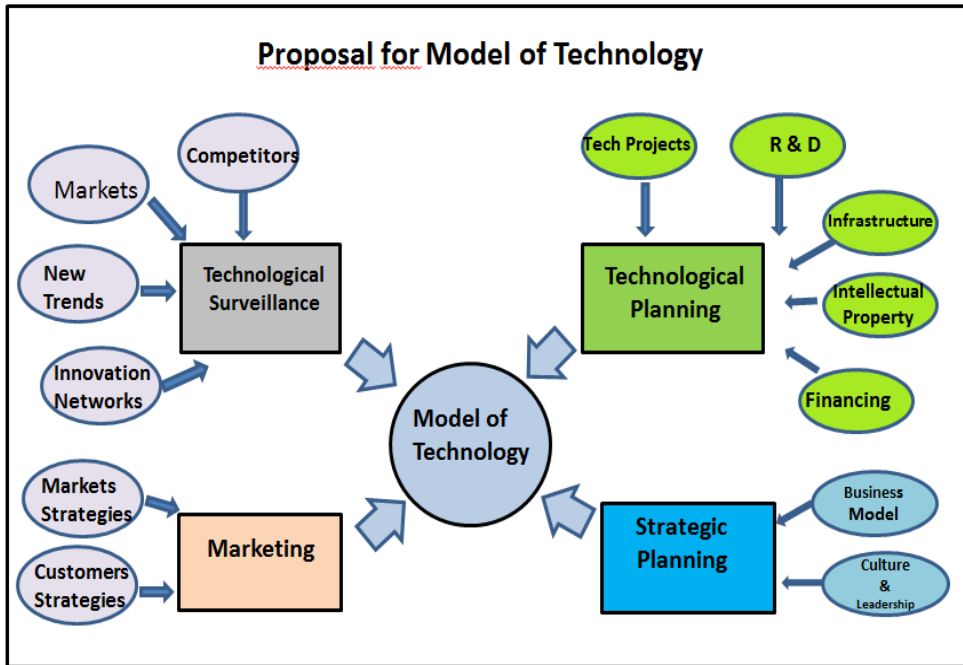


Figure 3. Proposal for MOT

The four main components of the model are:

- **Technological Surveillance:** Competitors, markets, new trends and innovation networks, focuses on the external environment for new trends and emergent technologies.
- **Technological Planning:** Management of tech projects, research and development, infrastructure required by projects, protection of intellectual property, and financing for tech projects. Also, it includes the alignment between technological planning and strategic planning.
- **Strategic Planning:** This involves a business model with a mission, vision, goals, strategic objectives, clients, market, competitive advantage, geography, organizational structure, organizational culture, leadership, human resources practices, motivation for innovation, and others.
- **Marketing:** Incorporation of new products into the market, strategies for customers, and strategies for markets.

All these components are the model of technology proposed for manufacturing firms.

Computational Tools for Scientific and Technological Surveillance (STS)

One of the main activities of the model is that the scientific and technological surveillance, are important services due to the increasing availability of data. Hence, this requires software tools to quantitatively analyze the information recorded on various sources of information.

The success of the process of scientific and technological surveillance depends on the way it is carried out, which includes both the organization and the software system used.

The metrics (bibliometrics, informetrics, scientometrics, cybermetrics, biometrics, and others) are those instrumental disciplines involved in analyzing quantitatively recorded information on various sources of information. For coverage of application trend studies, research lines innovation, market leaders, knowledge flows, user studies including others, have been introduced in some cases and for specific purposes. Thus, this entails the functional design of different tools used in the process (Macias, Guzman, & Martinez, 2009).

Furthermoe, the technical aspects is considered as:

- The equipment, hardware, or physical technology platforms used.
- The networks or communication platform used.
- The software platform used.

Software for STS:

- ThemeView.
- VxInsigth.
- Omniviz.
- Tetralogie.
- VantagePoint.
- Neurodoc.

Conclusion

In conclusion, this research project is at the beginning phase. Thus, there is little information about software that can manage the STS.

The application of the model will be in sequent phases for future works for the authors. Also, the proposal is in the trend of design and it has computational tools that fit with SME's.

Therefore, the review of the literature has shown the need for innovation in the manufacturing companies.

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A PERSPECTIVE ON THE ILO CONVENTION ON THE ELIMINATION OF FORCED OR COMPULSORY LABOUR: THE CASES OF NIGERIA AND CAMEROON

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Abstract

Since its inception in 1919, the International Labour Organization (ILO) has promoted worldwide eradication of forced or compulsory labour as one of its primary objectives. Given its status as a universal and core international labour standard as promulgated within the ILO's 1998 Declaration on Fundamental Principles and Rights at Work, the Convention on the Eradication of Forced Labour or Compulsory Labour has so far been ratified by many member states, including Nigeria and Cameroon. Here, the concept of forced labour is distinguished from the practice of labour exploitation, which is equally common within less developed economies. This article examines the implementation level within both nations as actors in the struggle against forced labour in the twenty-first century and the reality of implementing the Convention on the eradication of forced or compulsory labour within their respective legal systems. Examining the efforts put in by both nations till date will equally shed light and contribute to the discussion on the implementation process of the ILO's core labour standards and challenges faced, particularly within the context of developing economies.

Keywords: Forced, Compulsory, Labour

Introduction

The convention on the elimination of all forms of forced or compulsory labour is a fundamental principle in the area of international labour relations. It draws strength from two major International Labour Organization (ILO) conventions on forced labour; Convention No 29 on

Forced Labour, 1930 and Convention No 105 on the Abolition of Forced Labour, 1957.

While Convention No 29 defines forced labour as “all work or service exacted from any person under menace of any penalty and for which the said person has not offered himself voluntarily” (subject to the exceptions listed in Art 2, Para 2), Art 1 of Convention 105 provides by way of definition that every ratified member of this convention shall undertake to suppress and not to make use of any form of forced or compulsory labour in the following instances:

- A. As a means of political coercion or education or as a punishment for holding or expressing political views or views ideologically opposed to the established political, social or economic system
- B. As a means of labour discipline
- C. As a punishment for having participated in strikes
- D. As a means of racial, social, national or religious discrimination.

The act of forced labour occurs where work or service is imposed either by the state or individuals who have the will and authority and are in such a position as to threaten workers with severe hardship and deprivation such as restricting their mobility, food, wages or property and subjection to sexual, physical and verbal abuse (ILO, 2015). Arts 4 and 5 of the United Nations Charter expressly prohibit such treatment as they clearly state that no individual should be subject to degrading treatment such as torture, slavery, slave trade or servitude (Brownie and Goodwin-Gill, 2010).

From the above definitions, it may appear that the practice of forced or compulsory labour is in fact straightforward and easily deciphered. However, it is not always the case as the practice has been observed to take on other salient forms such as domestic workers being locked up or forbidden to leave the house or non-payment of wages as a form of punishment for disobedience. Another form of forced labour occurs in a situation wherein villagers are compelled to do manual work such as construction of roads and irrigation dykes where such villagers are threatened by government administrators or local rulers to show up at work sites (ILO, 2014).

At this point, it is worth mentioning that the concept of forced labour is quite distinct from exploitation, which is often characterised by people consenting to provide their services for unbearably low wages, due to adverse economic situations. A major distinguishing factor here is the presence of some form of ‘consent’ though often triggered by other circumstances such as severe lack of resources or poor economic circumstances. Here, individuals may choose to carry out menial jobs for extremely low wages in exchange for their freedom.

Another distinguishing factor is the individual's freedom to leave or cease from such menial work. In such a case, the individual would be considered as a victim of exploitation, but this would not amount to forced labour (Anderson & Rogaly, 2005; ILO, 2015). Hence, there should not be evidence of coercion for such a practice to be qualified as 'forced labour'.

Over the years, the practice of forced labour has been observed sometimes to take more modern forms such as human trafficking. Forced labour may originate as a result or consequence of labour trafficking, wherein traffickers assume a threatening position by confiscating the identity documents of the people they are transporting for employment purposes (Busse & Braun, 2003; ILO, 2014). Another form is to resort to kidnapping, particularly of the more vulnerable in society such as women and children. This is usually done by means of violence, abuse of authority, threat, intimidation or other forms of coercion (Outshoorn, 2005). Intimidation can range from threat of physical or sexual abuse or simply, the fear of revealing the victim's illegal status to the authorities.

A more traditional form of forced labour is debt bondage (Belser et al., 2005). This is usually witnessed in developing countries, where poor and illiterate peasants sometimes pledge labour services to an intermediary or landowner to work off a debt over a period of time. Besides the fact that such arrangements are rarely defined or limited in duration, these tend to be manipulated by such intermediaries or landowners in such a way that services provided are never sufficient to pay off the debt and so it is passed on from one relation to another and from one generation to another. Moreover, such arrangements are characterized by poor working conditions where individuals are at the mercy of the 'employer' and such relationships later deteriorate into forced labour. Studies conducted by the ILO revealed that practices of forced labour within private economies generates up to US\$150 billion in illegal profit yearly (ILO, 2014).

Convention 182 of the ILO further defines forced labour as one of the worst forms of child labour. However, a working child is not necessarily a forced labourer, unless there is lack of voluntariness and lack of evidence of coercion or threat of penalty. Lack of 'voluntariness' here indicates a violation of the person's freedom of choice (Skrivankova, 2010).

Studies conducted by the ILO revealed that a minimum of 12 million people were victims of forced labour at some point between 1995 and 2004, and by 2012, this figure had increased to 12.9 million, consisting of practices into which they were coerced or deceived to enter, and from which they cannot leave (ILO, 2005; Belser et al., 2005; ILO, 2012).

Consequently, the subsequent sections will go on to examine the concept of Forced or Compulsory labour and its key indicators, particularly within the framework of the ILO. The steps taken by both nations towards

the implementation of this Convention will also be analysed. This analysis will shed light on the reality of the implementation process and highlight challenges faced, most of which are common to both nations as developing economies. In line with the challenges identified, recommendations will be made on how to improve the implementation process of this Convention.

Key Indicators of Forced or Compulsory labour

The above definitions highlight three major aspects of the concept that need to be ascertained for an act of forced labour to be established within the scope of the convention. The notion of work or service rendered must be established. ‘Work’ here should however be distinguished from cases wherein an obligation is imposed to undertake education or training, as the principle of compulsory education is recognised within several ILO international standards as a means of guaranteeing the right to education for all (Kern and Sottas, 2003). Hence, for forced or compulsory labour to be deemed in existence there must be the imposition of work or service rendered.

Secondly, following the 1930 Convention, the service rendered must have been obtained “under the menace of any penalty” or the threat of punishment, such as the loss of privileges or rights. Hence, the absence of threat or menace would not qualify such an act as one of forced labour.

Lastly, there must be the aspect of “involuntariness”, wherein victims are compelled to perform certain tasks, using threats or coercive measures. As established earlier, the use of fraud, deception and the withholding of the victim, therefore, can amount to forced labour, as the victims are subjected to perform tasks which they would otherwise not have consented to do under different circumstances, and thus, there is an aspect of involuntariness. It connotes involuntary entry into labour relations as well as the use of coercion or intimidation to remain within it (Lerche, 2007).

Consequently, the Declaration compels member states to ensure the elimination of forced labour, guaranteeing the freedom to choose whether or not to enter into a work relationship and to ensure the protection of workers. It is on this premise that several states have taken the initiative to develop standards, which are in consonance with these minimum standards set out by the ILO.

Elimination of all forms of Forced or Compulsory Labour in Nigeria

The State of Nigeria has ratified the ILO Convention on the Elimination of Forced or Compulsory Labour. As mentioned in the introductory section, Convention No 29 of 1930 on the elimination of forced or compulsory labour defines the concept of forced labour as “all work or service exacted from any person under the menace of any penalty and for

which the said person has not offered himself voluntarily”. As such it refers to the practice of subjecting a person to work against their will, under the threat of some form of punishment into which they were coerced or deceived and from which they cannot leave (ILO, 2015).

As a ratifying member state of this Convention, Nigeria has taken significant steps towards eliminating the practice of forced or compulsory labour within its borders. However, being the most populous nation in Africa with an ever-increasing population of 179.6million people, Nigeria’s implementation of the Convention on the Elimination of Forced or Compulsory labour has not been full effective as it has been often marred by challenges within the implementation process.

Legal Implementation

Section 12 of the Constitution of the Federal Republic of Nigeria – 1999 provides that the National Assembly must approve all ratified treaties in order for them to be passed into law and be legally enforceable in Nigeria. This process is referred to as the “domestication of laws”, which applies to all international instruments, including the core ILO labour standards. In order to ensure enforceability of this labour standard, Sect 270 of the Nigerian Penal Code provides for the prohibition of forced labour in Nigeria and defaulters are liable to a fine or imprisonment for a term, which may extend to one year.

Moreover, Sect 73 of the Nigerian Labour Code prohibits the practice of forced labour and imposes a penalty of imprisonment for a term of two years or a fine of up to N1000. However, in the case of public officers involved in the practice of forced labour activities, it imposes a reduced imprisonment term of up to six months or a fine of N200. Also, the Nigerian Agency for the Prohibition of Trafficking in Persons (NAPTIP) Act, as amended in 2005 bans the practice with the highest penalty of a five year term imprisonment term or a N100.000 fine or both.

Evident from the above mechanisms on the abolition of forced labour is the variance in terms of penalty ascribed to those convicted. Considering the grievous effects of forced labour practices within a society, there is clearly a need for greater harmonization between the various mechanisms on the elimination of forced labour. In the case of the Labour Code, the penalty ascribed, particularly to officers, may be rightly deemed insufficient, if not inconsequential in comparison to the often lasting psychological, physical, social and economic effects of forced labour practices on its victims.

The foregoing evidently demonstrates a multiplicity of laws in Nigeria (similar to the case of the United Kingdom), which is intended to check and possibly eradicate the practice of forced labour. However, following the results of major studies conducted on forced labour which

highlights some key factors influencing this practice, the enforcement of conventions on forced labour in Nigeria may prove to be a herculean task for the government.

One of the major contributing factors of forced labour remains the economic depravity and low living standards of the victims (Skrivankova, 2006). As such, poverty plays a major role towards encouraging the practice of forced labour. Being the most populous nation in Africa with an ever increasing population of over 179.6 million people, common plagues such as unemployment and joblessness especially among the youthful workforce, is inevitable. Also, in a bid to earn a living, many sometimes tend to resort to inhuman working conditions. This is described by the ILO as a “state-imposed” form of forced labour to which 2.2 million people around the world are subjected (ILO, 2015).

Consequently, there remains an urgent need for the Nigerian government to complement the existing laws on the fight against forced labour, particularly its ratification of the major ILO conventions on forced labour, with social and economic policies and incentives such as job creation, welfare, social and educational opportunities, as well as increased awareness of negative effects of this horrible practice within its borders in order to ensure effective implementation.

Elimination of All Forms of Forced or Compulsory Labour in Cameroon

The ILO principle on the elimination of all forms of forced or compulsory labour draws strength from two major ILO conventions namely; Convention No 29 on Forced labour and Convention No 105 on the Abolition of Forced Labour, which were ratified by Cameroon in June 1960 and September 1962, respectively (ILO, 2015).

However, the practice of forced labour in Cameroon dates further back to the days of colonialism during which the French Colonial authorities imposed rigorous and consistent forced labour within all its colonies in French West Africa (including Cameroon), as a form of “civil obligation” (Schultz, 2012; Nfi, 2014). This resulted in the emigration of French speaking Cameroonians fleeing from their homes to seek refuge in southern parts of the country, which were formerly dominated by separate British rule. Moreover, the incidence of forced labour in Africa can be traced back to the historical legacy of slavery, reflecting the acute level of discrimination and exploitation that existed against the more vulnerable groups incited largely by foreign colonial authorities (ILO, 2009).

As such, the practice of forced or compulsory labour is not an entirely new concept within the context of Cameroon. Nevertheless, with the increase in globalisation and technology, this evil practice has equally

evolved from its traditional forms to more complex and modern practices, making it even harder for the authorities to effectively address. As mentioned in the preceding sections and according to the provisions of Art 2 of Convention No 29, “forced labour” refers to all work of service, which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily.

Legal Implementation

Cameroon has made it a point to condemn and discourage all forms of forced or compulsory labour by adopting both national and internationally recognised instruments on the subject. Within the international level, Cameroon is a signatory party to several key conventions on the elimination of all forms of forced or compulsory labour such as the UDHR and the United Nations Charter which expressly prohibits the practice of forced labour. Art 8(3a) of the ICCPR to which Cameroon is a party, expressly forbids the use or practice of forced labour or compulsory labour, by stating “no one shall be required to perform forced labour or compulsory labour”.

At the national level, the 1992 Cameroonian Labour Code and its subsequent amendments in 1996 expressly prohibit or ban any practice of forced labour in its Sect 2(3) and (4). However, it provides an exception to the above provision in relation to work exacted on the grounds of compulsory military serve, work conducted as a civic obligation towards the general interests of the citizens, work conducted as a consequence of a conviction in a law court or any work exacted on the basis of force major such as war, disaster or threatened disaster (Section 2(5)).

Surprisingly, the Constitution of Cameroon makes no express provision for the prohibition of forced labour, as in the case of Nigeria. Moreover, contrary to most developed legal systems in the world, as in the case of the United Kingdom, besides failing to include provisions prohibiting forced labour, the Constitution equally makes no mention of the exploitation of migrant workers from Cameroon, who are coerced with fake promises of remuneration and later subjected to forced labour. This has led several Cameroonians to be lured away to work in foreign countries, being subjected to forced labour upon arrival. An example is the case of Cameroonian workers who were lured with forced promises of pay and good conditions to work in Sweden by a forestry firm, only for them to be later subjected to forced labour on plantations under new and horrible working conditions (ITUC, 2013).

Also, studies conducted in relation to forced labour in Cameroon revealed that forced labour practices are recurrent within the sector of domestic work, trafficking, work in spare parts shops and street vending, carried out mostly by children (Ndienla, 2012).

In an attempt to understand the practice of forced labour practices, particularly within the African continent where in it is prevalent, studies conducted by the ILO and UNESCO identified a set of endogenous and exogenous factors which are deemed to significantly contribute to this horrible practice (ILO, 2005; UNESCO, 2005). These studies revealed that the prevalence of wars in the African continent in the recent past which have negatively affected the level of governance and the rule of law in those nations, which inadvertently creates a conducive environment for forced labour and other human abuses which go unchecked. Secondly, the report attributed the wide prevalence of forced labour in Africa to regular participation of children in the revenue making process, which is largely due to poor living standards of the people.

Moreover, given the importance of agriculture in Africa in terms of employment in terms of employment, the impact on the increasing gross domestic products in several African countries, its positive contribution towards increasing the living standards of the African people, plays a significant role in alleviating poverty (Quartey, 2014). This implies that a significant percentage of the rural population is involved in agricultural practices such as farming and forestry, which are mainly conducted within the rural areas. The need for a constant supply of cheap labour was considered by the above report as one of the major factors influencing the horrible practice of forced labour as individuals are constantly 'lured' or coerced into working on such plantations or farms.

However, the above-mentioned factors cannot be considered as valid reasons for the use of forced or compulsory labour as they remain clear examples of violations of fundamental human rights of such victims. As such, developing a robust legal and policy framework nationally which duly addresses such issues labour is a prerequisite and good starting point towards the successful eradication of this evil practice. The absence of sufficient legal policies addressing such matters would only serve to provide a more conducive environment within which such practices would thrive.

Summary of Country-based Analyses

From the discussion provided throughout this chapter, it is obvious that both Nigeria and Cameroon have taken significant steps towards implementing the core international standards within the 1998 Declaration within their respective legal systems, both at the national and international levels. However, the review equally reveals major differences at the level of implementation or domestication of these international standards within the respective legal systems. An example of such differences in levels of implementation is in relation to the principle of elimination of discrimination

in respect of employment and occupation with these three selected jurisdictions.

While more developed nations such as the United Kingdom has followed its ratification of the relevant ILO conventions with the development of appropriate national laws and socio-economic incentives in order to facilitate practical implementation, Nigeria and Cameroon, being developing economies with less efficient and structured legal mechanisms, coupled with even fewer socio-economic mechanisms, so far have considerable gaps within their legal systems which have led to incessant reports of violations of the these standards. Sharing similar social, cultural and historical characteristics, as well as political aspirations, both African states are equally plagued with similar socio-economic problems, such as poverty, high unemployment rates and poor social reforms which all act as deterrents to the effective implementation of these international labour standards.

However, a closer examination at the latter systems, reveal that the Nigerian legal system enjoys a more robust legal framework, as compared to Cameroon, with a significant number of national laws and policies addressing the implementation of these four principles. An illustration of this difference can be observed through the establishment of a Nigerian national labour court in charge of addressing all industrial disputes and labour related matters. This can be contrasted with the case of Cameroon whose Constitution makes no allocation for the establishment of an organ for adjudication. This therefore leaves the settlement of such labour related issues to labour inspectorates and other regular courts.

The above discussion equally reveals that in addition to developing national laws and policies, effective and full implementation can only be achieved when accompanied with relevant socio-economic incentives such as education and training, general poverty alleviation, the development of both governmental and non-governmental agencies which monitor and control the implementation of these standards within the communities. All in all, it is obvious that the success of every legal system lies in its practical implementation and enforceability.

Conclusion

The above discussion illustrates a gulf between the process of ratification and effective implementation of this international labour principle and right at work, enshrined within the ILO's 1998 Declaration. This has been evidenced through the demonstration of a gap between theoretical and applied literature on this core labour standard, both in Nigeria and Cameroon. The researcher is of the view that such an analysis is not only relevant for the creation new knowledge within the area of legal

implementation of this fundamental principle, particularly within the African context, but it is also relevant in practice as it helps to elucidate key major challenges faced and practical measures to improve implementation, thereby bridging the existing gap.

Moreover, the conceptualization of this law has further revealed differences within both nations, cutting across socio-economic development and political structures. In the case of Forced labour, extreme levels of poverty and low living standards in Nigeria and Cameroon reveal that families often succumb to such dehumanizing treatment so as to earn some form of wage in order to sustain themselves (Edet and Etim, 2013). High levels of employment equally lead to young people seeking “greener pastures” overseas, which often lead to human trafficking, degenerating to forced or compulsory labour.

From the review conducted on the literature, the researcher concludes that in as much as there is evidence of ratification of the Convention on the elimination of Forced or Compulsory labour by the Nigerian and Cameroonian governments, there remains a gap at the level of its implementation by both parties, evidenced through the examination of labour case law files and a comparative analysis of the provisions of the ILO Declaration and the Nigerian and Cameroonian Labour Legislations. Several gaps have been identified within both systems, with regards to the protection of this core principle, some aspects of which are barely covered or mentioned. From this study, the researcher concludes that one of the major factors responsible for this inadequacy is the issue of Legislative incorporation, which upon ratification of this core standard requires member states to thereafter proceed to incorporate this convention within their individual national legislations, as a prerequisite for effective implementation. By this, implementation of these standards remains largely subject to the countries’ legislative actions, whether or not they decide to incorporate them within their respective labour codes, as law.

Also, the onus lies on member states to ensure that the provisions of their respective labour laws in no way contradict such international standards, in order to avoid legal misinterpretations and wrongful application of the provisions there in. However, at this point, the researcher recommends that these international standards be re-visited by the ILO for further deliberation, to ensure that its provisions practically take into account the individual development levels of its members, economically, socially and politically.

All in all, within both Nigerian and Cameroonian contexts, effective implementation of this law will only be guaranteed on the basis of effective incorporation into national legislation and relevant socio-economic restructuring, such as the provision of socio-economic incentives, alleviation

of poverty and effective mechanisms for monitoring and supervision of these laws. As such, the above-mentioned factors have been identified from the literature as major challenges to the implementation processes in both nations.

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RENMINBI INTERNATIONALIZATION, AN INTERPRETATION OF REAL CHINA ORIENTATIONS AND POSSIBLE EFFECTS FOR HONG KONG STOCK EXCHANGE MARKET

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Abstract

The article is a research on Chinese Political Economy, dealing about Renminbi Internationalization and its effects on Hong Kong Stock Exchange. In the article I went through the step conducted by Chinese government to internationalize its currency. Then tried to analyze real Chinese intentions and actions, examining indexes of Hong Kong market to understand what are the effects on Hong Kong finance market. Hong Kong is an ideal stage to measure perceptions of benefits underpinned to Renminbi (RMB) internationalization. In fact Hong Kong is part of People's Republic of China as a Special Administrative Region and benefits from this situation, having particular political and economic autonomies. In particular Hong Kong has its own currency and political economy and can deal with Chinese economy from the particular position of an external insider. Hong Kong is also the first market where have been issued bonds in Renminbi and is probably going to become the most affected economy from the internationalization. I conducted an analysis of possible real benefits (or negative effects) that Hong Kong and its population could have from an internationalized RMB taking in account effects of Chinese step toward Internationalization on Hong Kong finance market. In conducting my research I found out four steps particularly representatives of RMB internationalization, for each step I analyzed Hong Kong financial market behavior and I tried to assess the effects of a definitive RMB Internationalization. I finally tried to conclude if process has to be considered and advantage or disadvantage for Hong Kong and what could be better actions for Special Administrative Region to take in order to avoid or diminish possible negative effects of RMB Internationalization process.

Keywords: Renminbi, China, Hong Kong, US Dollar

Introduction

While the world is facing the end of the economic crisis started in 2008, financial crisis is probably not near to a resolution. The European Union is still under a negative finance situation. China is protagonist of a positive recovery from the crisis finance crisis started in 2009 and has consolidated its role of second world economy (even with a revised GDP). The People's Republic of China policy of Renminbi Internationalization has made big progress from 2009 onward, probably also because PRC and People's Bank of China are trying to take advantage from impasse caused on US Dollar and Euro from the crisis. Internationalization of Chinese currency it's having and will have huge effects on Hong Kong HUB (one of the principal Stock Market worldwide).

In the first part of the article I summed up an history of RMB Internationalization policy illustrating it trough principal Chinese actions and strategies. In the second part of the article I listed the effects of Chinese step toward RMB Internationalization on Hong Kong Stock Exchange (either if planned or not from PBoC). Finally in third part I tried to understand the real intentions of PBoC (is China willing to Internationalize RMB in short terms? What are the risks?).

I finally analyzed what Hong Kong should expect in term of effects on its HKSE in the near future, concluding if RMB Internationalization in short term will be positive or negative for that market. I even suggested what should be better steps for Hong Kong Political Economy in order to avoid Internationalization negative effects. For my analysis I used a comparative methodology: I collected official data from Hong Kong Stock Exchange website (Hong Kong Stock Exchange, *Annual Fact Book*, 2000-2014, from <https://www.hkex.com.hk/eng/index.htm>) and from specialized print editions (newspaper Il sole 24 ore, daily editions 2009-2014). I selected data starting from four principal steps that are considered China main steps in Currency Internationalization road by literature. By this selection data are taken from different periods for each step analyzed: as an example the Internationalization of dim sum bond market started in 2010, so I considered data from 2010 to 2015. I tried to read from data taken the HKSE behavior in term of gain and loss and so to interpret if the road to Internationalization is carrying positive or negative effects on Honk Kong's Political Economy.

Renminbi Internationalization:

First steps. At the end of 2003 Central Bank of China started to work toward RMB internationalization and in 2004 China started to allow border trading of money, especially through Southern and Western border. Since that date Chinese Central Bank started a policy to apt and adapt its money to be exchanged in International markets (Eichengreen & Kawai, 2015). In fact

internationalize a money is the process through which a State and its Central Bank get its currency apt to be used (exchanged and available to Foreign Direct Investments) outside its borders.

The first step took place in 2000 with the Chiang Mai Initiative and the signing of the bilateral agreement between the ASEAN countries and the three East Asian Major economies: South Korea, China and Japan. Most of the exchanges planned by the treaties were effected in US dollars, but some of them also in RMB (Otero-Iglesias, 2011). An amount of analysts consider one of the first motivations to start the process a consequence of the great financial Asian crisis of 1997-8. This crisis was caused by the opening of Thailand financial market to foreign investments. These investments were mostly speculative, as they were realized in order to earn a short-term profit on interest rate differences, and lead to market instability through economic bubbles. Thailand Central Bank couldn't manage to control the speculative flow and asset prices joined an unsustainable level. These asset prices finally began to collapse, resulting in panic among lenders and investors. This situation took to a sudden withdraw of liquidity and a credit crunch. The crisis caused GDP growth rates to fall rapidly, bankrupting of companies overexposed to foreign-currency risk, and eventually necessitating costly and politically humiliating IMF-led bailouts. Critical situation spread from Thailand to the other Asian countries, and at the end was solved with the help of Chinese economy that renouncing to its strong exporting country role made most hit economies starting recover.

One of the lessons perceived from the 1997-8 crisis was that Asian countries couldn't rely on the Western financial institutions (IMF and IRBM) and they had to develop their own system and a second lesson was that China acted as a leading economy of these institutions.

So we can affirm that China around 2000 years started to conceive its role of hegemonic regional economy to understand that internationalized money was one of the first step to fulfill this role.

Main benefits that China could obtain from the Renminbi internationalization are 1) To reduce the change risk for Chinese enterprises operating abroad, for example in European market (Fox & Godement, 2009). 2) To incentivize and sustain Chinese FDI outflows (Kang, 2007) 3) To enter its currency in the official basket of currencies used to quote the SDR, actually China would need this capability to play a bigger role in the International Political Economy obtaining a greater autonomy in international monetary affairs.

First and second points have become more and more important starting from 2005 (Zhu, 2008), when China increases its interests in trading with European economies. Particularly China, as a lot of analysis suggest, (Gabusi & Andornino, 2012) established with EU a number of "asymmetric

competitions” in market. China and Chinese enterprises used basically three tactics to operate in EU markets (Fox & Godement, 2009). First is to take advantage of differences between its own centralized authority and the EU’s rules-based system. In fact, China makes full use of the openness of EU markets while using fragmentation of its own administrative channels is able to restrict access (even with non-tariff barriers) to its own market to the European Union firms (Fox & Godement, 2009). The internationalization of RMB would make Chinese firms gain the confidence of European States (for having liquidity in internationalized currencies) but they actually wouldn’t maintain the protection of the political Chinese apparatus.

Second Chinese tactic is based in assuring EU on its opening to questions as general human rights and opening to market economies, in effect, as quoted from Fox and Godement “EU hails as a great victory the opening to human rights dialogue with China” (Fox & Godement, 2009). A bigger victory for EU and Western markets in general will be, at the same way, the perception of opening to finance markets realized with RMB internationalization.

Third factor used by China would be to have a strong and international currency and autonomous monetary policy, renouncing fixed rates of exchange.

Third point to examine is the Chinese awareness of importance of Renminbi entrance in the “club” of currencies used by IMF to quote SDR. This basket encompasses Euro, US dollar, Sterling pound and Japanese Yen. The currency value of the SDR is determined by summing the value in US dollars of the currencies of this basket. IMF and generally international finance system recognize the currencies of the basket as the “major currencies” (IMF, 2015). Being part of the basket is fundamental for major economies currencies for having an immediate quotation in SDR. China realized to be one of the leading economy and its need to be part, with RMB as major currency, of IMF system after the 1997-1998 crisis, with its entrance in WTO in 2001 and during Hu Jintao Era (Breslin, 2010). In fact in 2009 China Central Bank Governor, Zhou, started to talk about SDR in a relevant contribution appeared in People’s Bank of China website. He, quoting Keynes and Triffin, enounced possibility of transforming SDR in a super national reserve currency, used to give liquidity decided by IMF and administrated with a clear corpus of rules. This particular kind of use of SDR could have taken to overpass US dollar (money used for IMF operations). Zhou’s idea naturally, even if evaluated by a UN’s commission wasn’t approved, but, if read as an expression of Chinese thoughts about the balances of currencies in IMF, it’s a signal that China and Chinese officials understood the new role of their economy and their currency. China need an international Renminbi to be in a directive position in the finance world.

Chinese position in financial community has then become much more important after the 2008 International crisis and a partial “erosion” of US dollar role (Eichengreen, 2009). In fact, one of the effect of International finance crisis has been the weakened role of America economy and US Dollar, that left space for a new strong currency, that currency could be, completing its internationalization by 2016, the Chinese Renminbi. On the one hand from 2008 date China started to potentiate their reserve to prepare Renminbi to enter in the International currency market as a strong currency and to accelerate the pace for RMB internationalization, on the other hand, Western countries investors started a series of speculative attack to Chinese markets either just with speculative purposes or more broadly, to defend their market and currencies from imminent internationalization of a strong new currency. In any case, as economic reforms process started with Deng an proceeded steadily and almost monotonically until Hu Era, China is going to join the aim of Renminbi internationalization by next years and, road map to arrive to that date has been really interesting and dense of events until present days.

Actions toward an RMB Internationalization. As we have seen in 2004 Chinese government started to allow cross border money trading (first step toward the currency internationalization). Political opinions on RMB internationalization are generally positive either for neoliberal thought (Eichengreen, 2015) and non-liberal thought (Subacchi,2015) . In effect even recent scholarship suggests that this positive view is right. One of t conventional view is that there can only be one international reserve currency at a point in time. Recent historical scholarship shows, to the contrary, that several international currencies have regularly coexisted. If we analyze the currencies History, The unconventional period from this point of view is the second half of the 20th century, to use different words, the “Washington Consensus Era”: an era when only the US possessed deep and liquid financial markets open to the rest of the world and, consequently, the dollar was the lonely and really International Country.

But there is no reason why, in the circumstances of the 21st century, the dollar and the RMB could not both play major global roles. There is no reason why the US should continue to possess a monopoly in international finance without starting another International financial crisis (Eichengreen & Kawai 2015).

Of course, the same arguments suggesting that two currencies can share the international stage at a point in time also admit the possibility of more than two international currency (another candidate could be Euro). Despite of this theory, as we will see, from 2010 onward there have been two speculative attack to Chinese markets from Western investors probably related to the internationalizing policy of China Central Bank.

A first acceleration in the project was made with the creation of “dim sum bond market”. The definition “dim sum bond” generally is related to RMB-denominated bonds issued in Hong Kong. The majority of dim sum bond are denominated in CNH, but some are linked to RMB and quoted in that currency. In July 2007, dim sum bonds worth a total of US\$657 million were issued for the first time by China Development Bank. These bonds were issued to foreign investors in Renminbi, for first time, rather than the local currencies.

In June 2010, China allowed Financial Institutions in Hong Kong to issue dim sum bonds. HSBC was the first foreign credit Institute that issued RMB Bond (dim sum bond). In August 2010, the American McDonald was the first corporate that issued dim sum bonds. In October, the Asian Development Bank (ADB), became the first supranational agency who issued dim sum bond and also the first dim sum bond listed in HKSE. The dim sum bonds market grew 2.3 times from 2010 to 2013, with an amount at the end of 2013 of 310 billion of RMB (Artus & Xu, 2014).

One of the biggest evolution was in August 2012, in that year China and Taiwan signed an memorandum of understanding on new cross-strait currency settlement and in March 2013, China Trust Commercial Bank became the first to issue RMB bonds in Taiwan market (known as Formosa bond). Political issues were overpassed for PRC needing to internationalize RMB.

Another important series of action taken from China was the 2008 Cross-Border Trade RMB Settlement Pilot Project on 24 December 2008. China allowed import and export in RMB between Yunnan province and countries in GMS including ASEAN countries, Guangdong province, Hong Kong and Macau.

Then on 1 July 2009, China officially announced regulation on RMB Settlement Pilot Project and opened up Shanghai and 4 cities in Guangdong (Guangzhou, Shenzhen, Zhuhai and Dongguan) with Hong Kong, Macau and ASEAN countries.

By 2014, RMB cross-border trade settlement reached RMB 5.9 trillion making a 42.6% (YoY) increase, which represent 22% of China's trading volume.

Third Chinese step toward a future currency internationalization started in 2009: since that year China has signed currency swap agreements with numerous countries such as Argentina, Belarus, Brazil, Canada, ECB, Hong Kong, Iceland, Indonesia, Malaysia, Singapore, South Korea, Thailand, the United Kingdom and Uzbekistan. The Renminbi deposits in Hong Kong gradually grow up and become 59 billion in 2009.

In June 2013, first country of G7 to start an official currency swap line with China was United Kingdom, that event was an official

acknowledgement of the Chinese third step through currency internationalization.

As of 2014, the RMB is the 7th most traded currency in the world while US Dollar remains the First one (with 41% of transactions in USD). (IMF, 2015).

Finally the fourth macro-step in RMB Internationalization was taken from China in 2013: the opening of Shanghai Free Trade Zone (SFTZ). The SFTZ was launched on 29 September 2013 with key implementation details announcing in 2014. The SFTZ is being used as a test ground for trade, investment and financial reforms, before the complete extension nationwide. The RMB can flow freely between Free Trade Account (FTA), non-resident onshore account and offshore account. Transactions between resident onshore account outside SFTZ and FTA with the same entity are also allowed provided they do not involve capital account transactions that are not yet approved by People's Bank of China (PBoC) and SAFE (Eichengreen & Kawai, 2015). United Kingdom finance immediately showed its interest in project sending an Expert task force in Shanghai and a large number of British financial services provider started to operate in Shanghai.

Notwithstanding the actions taken from China road to the RMB Internationalization is far from complete. History suggests that economic stability in the form of low inflation, small budget deficits and stable growth is also important. China's record of supportive government policies and macro-economic stability has undoubtedly contributed to the RMB's appeal in recent years but probably Chinese economy is not yet enough stable to risk a RMB Internationalization (Subacchi 2015).

In addition a deep, open and well-regulated capital markets are necessary so the currency can be used to finance trade as well as provide a large enough market in securities for investors. The opening up of China's onshore capital market will be an important step in the RMB becoming a major investment currency. For the RMB to be a truly global and become a more widely held reserve currency there needs to be greater access for foreign investors to local capital markets, even deeper global RMB liquidity and wider cross-border flow channels. But one time PBoC will have established these conditions, it should have the instruments to defend its markets from external speculation (in order to avoid 1997-1998 Thailand crisis outcomes).

While, on the one hand the scholars see, in general, the RMB Internationalization, positively, on the other hand that step will open Chinese markets to speculation. We already assisted to a double speculative attack in partially opened markets.

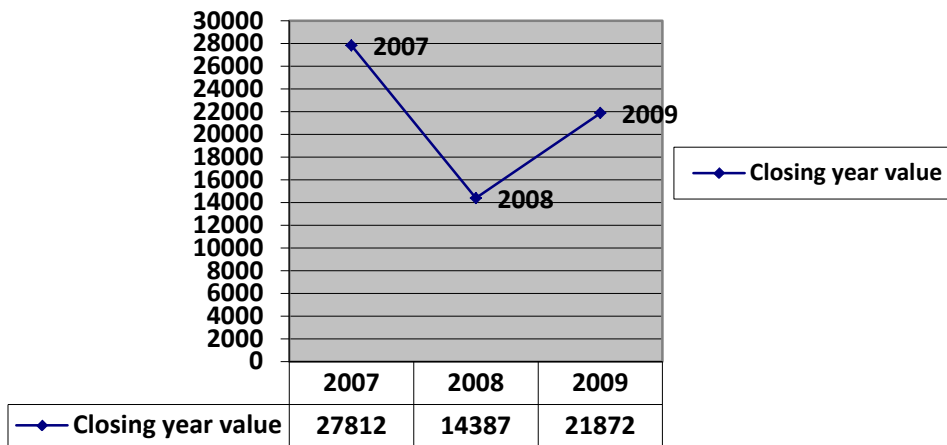
A double attack was conducted in 2010 and 2013 and could be read as an attack to China policy for currency Internationalization or a preemptive attack to taste speculative possibilities (Aveline-Dubach, 2013). We assisted to a speculative bubbles on real estate markets in China that took to an unjustified overestimation of properties in some areas controlled by foreign investors.

Effects of Internationalization in Hong Kong. Hong Kong is a particular case of a mixed sovereignty state from 30th July 1997: when Great Britain governor abandoned the British colony. The return of Hong Kong under Chinese sovereignty marked the success of Deng's concept of "one country, two systems" and combined the Chinese Communist Party control on Foreign Affairs Political (International Policy) aspect and Defense with a large autonomy in Internal Politics and Political Economy, maintaining its own currency, financial market and autonomous political choices. Hong Kong remains one of the biggest finance market and it has been a sort of access for Chinese investors to International finance markets.

I will try to examine effect of the four macro-steps realized by PRC on Hong Kong stock market (with data taken from official sources), then I will try to conclude if those effects could be replicable in case of a definitive Chinese currency internationalization for Hong Kong stock markets or not and what could be the effects of a real, definitive RMB internationalization on Hong Kong finance market.

Chiang Mai initiative started in 2000 with the negotiation for a series of bilateral swap agreements, even if Hong Kong entered in the agreements just in April 2009. Hong Kong contributed to the currency reserve with a monetarization of 19,2 US \$ contribution and its liquidity was summed to the one of PRC though Hong Kong remained a sovereign administration in its own. That event represented an advantage either for PRC because China doubled its contribution (precedent was 19,2 US \$) and Hong Kong for it joined Chinese economy being part of an far bigger economy even if it partially lost its autonomy. In April 2000, also because the newborn Hong Kong finance market (really autonomous from 1997) wasn't affected from start of negotiation and it didn't register any major effect (HKEX, 2000-2014). In fact Hong Kong wasn't involved in Chiang Mai Initiative (CMI) if not partially until 2009. First agreements between China and Hong Kong were signed in April and on 8 April, HKEx and the Shenzhen Stock Exchange entered into a Closer Cooperation Agreement. In the same month Hong Kong signed a Memorandum Of Understanding with State Securities Commission of Vietnam to strengthen their cooperation in cross border capital movements control. That happened for the new Chinese and Hong Kong orientation toward capital and currency internationalization. In June HSBC Holdings started (as first no-mainland China Bank) to issue Renminbi

(RMB) bonds in Hong Kong, with an issue of RMB1 billion (HK\$1.1 billion) bonds by its Mainland branch to institutional investors. For first I examine the principal index of trading: the Hang Seng. The Hang Seng Index (HSI) reached its highest level of the year at 22,943 points on 16 November 2009 and closed the year at 21,872 points, 52% higher than the previous year's closing. At the end of 2009, the Hang Seng China Enterprises Index (H-shares Index) increased year-on-year by 62%, closing at 12,794 points. The Hang Seng China-Affiliated Corporations Index ended the year at 4,059 points, a year-on-year increase of 23%. That happened despite 2009 was immediately successive to the 2008 crisis effect. Considering Graphic 1 we can better assess the immediate recovery of Hong Kong finance market from crisis effects.



Graphic 1 Hang Seng Index value last day of the year (2007-2009)

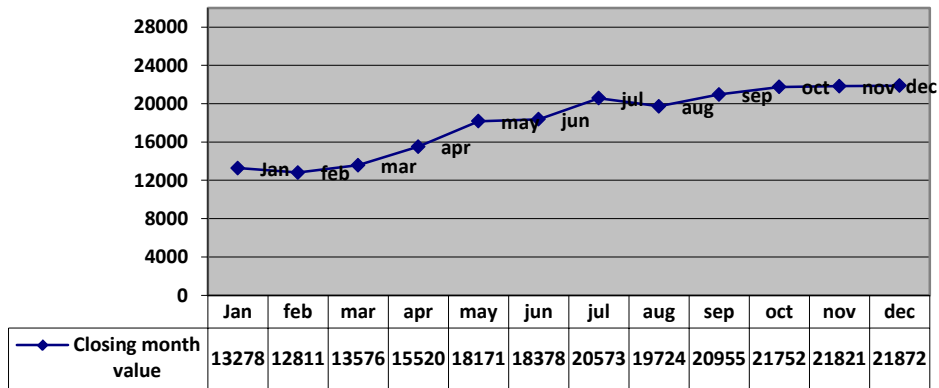
Immediate recovery from crisis, due to new trust given to Hong Kong market, especially if compared with Euro countries was probably effect of RMB area swap agreements. A general progress in crisis response was made thank to Chinese dimension of the Hong Kong market, and was helped by the swap agreements (HKE, 2009).

In Graphic 2 are reported monthly closing indexes, and we can better highlight the changing point of negative HS index was April, when

agreements

were

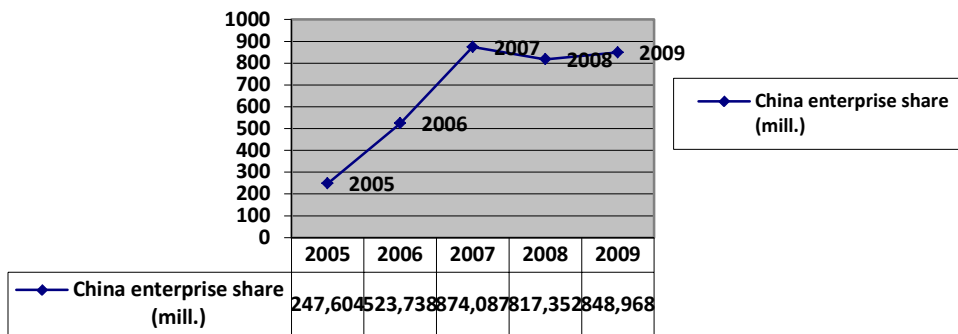
sign



Graphic 2 Hang Seng Index value last day of the month (2009).

From Graphic 2 is clear that growth of the index start after agreements date and keep on until the end of the year (apart from August flexion due to the closing period of some international markets for Summer).

Another really interesting index to consider is the China Enterprises Share reported in Graphic 3.



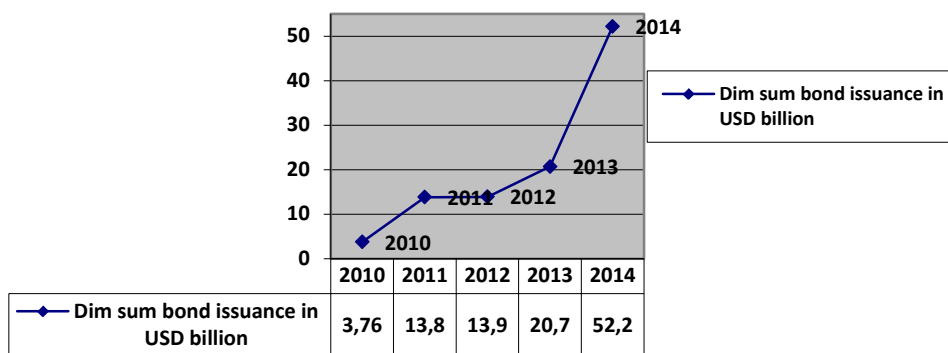
Graphic 3 China Enterprises share in the year (2005-2009).

Chinese Enterprises represent biggest group of enterprises listed in Hong Kong market and are an huge resource of capitalization. RMB swap agreements are a mean to facilitate Chinese Enterprises in Hong Kong and we can assess the importance of the agreements considering the increase in number of Chinese Enterprises operating in Hong Kong. In fact Chinese Enterprise passed from 80 in 2005 to 95 in 2006, going to 104 2007 and to 110 in 2008 to arrive at 116 in 2009, after the agreements. From Graphic 3 we can notice that shared increased starting from 2007. This effect was probably created from Chinese Institutions (PBoC) to prepare the Hong

Kong market for the agreements and to better convince Hong Kong government in signing them. A positive aspect of increased number of Mainland Enterprises in Hong Kong is the liquidity taken from China to the market.

There is evidence that Chinese swap agreements to prepare their currency internationalization resulted in a series of positive immediate effects for Hong Kong. In fact Hong Kong market lost partially its autonomy to gain an huge liquidity and a number of Chinese finance investors.

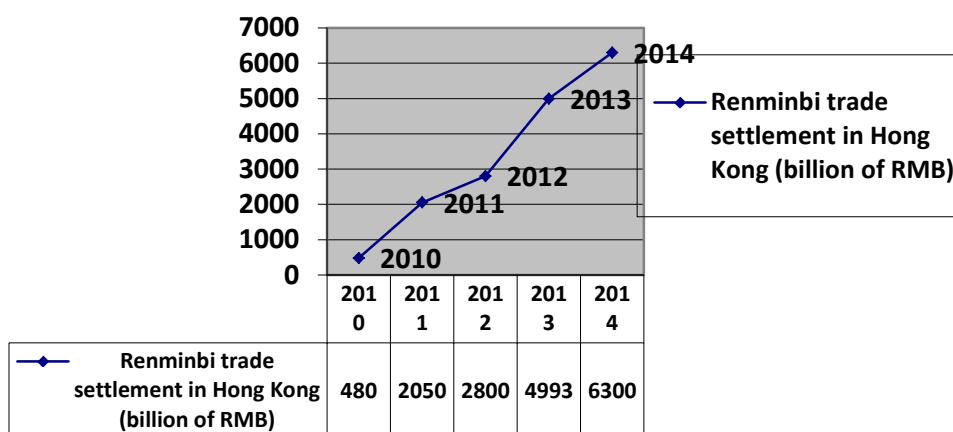
The creation of some international “dim sum bond” markets is another important indicator for RMB internationalization effects on Hong Kong market. China gave permission to Hong Kong financial Institution to issue bonds in RMB in June 2010. Regional actors accepted this possibility and even if offshore RMB issuing is still modest, (just 2% of all global trade settled in Chinese currency and a low 0.3% of all notes and bonds denominated in RMB in 2013) but expansion of its use will almost certainly continue as suggested from analysts: for example from J. Ciorciari in “Asian Survey” (J. Ciorciari, 2014). In Graphic 3 is reported the dim sum bond market growth from 2010 to 2014, considered in term of dim sum bond s issuance (value expressed in US dollars at the issuance day). We can immediately notice the growth year per year from 2010 to 2013 at a pace of some percent points. In 2013 we witnesses an increase of 49,6 % and from 2013 to 2014 to an explosive increase of more than 100%.



Graphic 4 Dim sum bonds issuance (2010-2014).

On the one hand the dramatic increase in dim sum bonds market represent an immediate advantage for Hong Kong Exchange by the fact that more than 50% of that bonds are issued in Hong Kong. On the other hand it exposes Hong Kong Exchange to a number of risks linked to speculative bubbles. Hong Kong market is, in a certain sense, used as an experimental stage from PRC (Frankel, 2012), in realizing and testing economic and finance acts.

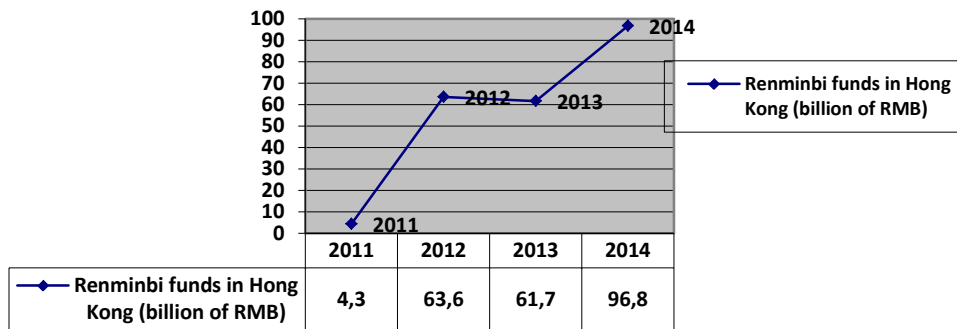
Concerning the Cross-Border Trade, started in December 2008, Hong Kong has been newly one of the first country involved and with an huge amount of finance traffic. By 2014, RMB cross-border trade settlement reached RMB 5.9 trillion making a 42.6% and became 22% of total Chinese trading. Generally speaking, Renminbi deposits in Hong Kong are an enormous amount of liquidity available to Hong Kong banks and Institute and are an important part in making its market the most important Asia market. Cross-border trade of currency followed an incremental trend from 2010 to 2014 in Graphic 5 are shown the trade settlement realized in Hong Kong with Chinese currency.



Graphic 5 Renminbi trade settlement in Hong Kong billion RMB value per year.

Hong Kong is the first market offshore for Renminbi trade and trade settlement in RMB in 2014 have been almost the same in Hong Kong than in Mainland China. Therefore China push to realize much more cross-border traffic in Renminbi has caused an impressive increase of Hong Kong market trade volume.

The forth step of the road to RMB internationalization is the creation of Free Trade Zone (SFTZ). The SFTZ was launched on 29 September 2013 with key implementation details announcing in 2014. The SFTZ is being used as a test ground before the complete extension of economic reform to the whole Mainland China. As an example in SFTZ are not applied tariffs otherwise present in Mainland China. SFTZ has been seen by many analysts as a try of China to build a HUB competing with Hong Kong market (Subacchi, 2015;). Notwithstanding fear of completion between the two zones if we analyze, for example, data regarding Renminbi funds deposited in Hong Kong, shown in Graphic 6.



Graphic 6 Renminbi funds in Hong Kong billion RMB value per year.

We can immediately notice that even if in 2013 has been started and promoted the new Mainland China HUB (SFTZ), instead than decrease, the number of RMB funds in Hong Kong has grown sensibly. The effect is even a natural consequence of presence of a large number of Chinese Enterprises operating in SFTZ in HKE. SFTZ rather than being a finance market competitor of Hong Kong is a zone of economic reform whose Enterprises operate in Hong Kong Finance Market (Haibin, Z., Grace G., Lu J., 2014). Furthermore, through the Shanghai-Hong Kong Stock Connect (created in 2014 by the Chinese Prime Minister Le Keqiang), Hong Kong and international investors are able to invest in eligible shares listed on the Shanghai Stock Exchange, and Chinese investors can invest in eligible shares listed on the Hong Kong Stock Exchange directly. Thank to this new channel Chinese Enterprises are facilitated in investing in Hong Kong and has been created a link between SFTZ and Hong Kong Stock Exchange

Real Chinese (and PBoC) orientations. If we consider the growth of the two major stock exchanges in China, Shanghai Stock Exchange (SSE) and the less important Shenzhen Stock Exchange (SZSE), the internationalization could be considered as an idea already present in PBoC behavior from 2000.

The SSE was founded on 26 November, 1990 and has become the most preeminent stock market in Mainland China in terms of number of listed companies, number of shares listed, total market value, tradable market value, securities turnover in value, stock turnover in value and the T-bond turnover in value. As at the end of 2013, there were 953 listed companies on SSE, with 1 new listings in 2013. By the end of the year, there were 997 listed stocks on SSE with a total market capitalization of RMB 15,116.53 billion and free-float market capitalization of RMB 13,652.64 billion. The SZE, founded in the same year as the SSE, is also growing fast. Focusing ont the domestic market capitalization in USD millions in January 2014, the

NYSE (17 006 535.4) e la NASDAQ OMX (5 997 512.8), the two most important American stock exchange, are the first and the second position in the international ranking, but the SSE (2 414 391.4) and the SZSE (1 510 124.8) have the sixth and tenth place.

If SEE will reach the same level as the Hong Kong Exchanges, fifth in the international ranking, there will be a significant alteration of balance, as the most important stock exchanges in Asia would be Chinese, incrementing the RMB key role at the international role. Whereas now, Tokyo and Singapore still have a higher domestic market capitalization. So, even if China tried to build strength in its markets, generally, Renminbi needs a more effective capitalization.

The PBoC, in charge of Internationalization process, consists of 18 functional departments (bureaus) and in particular General Administration Department (in charge of political affairs) and Monetary Policy Department (in charge of Monetary Policy). PBoC has never used officially the word “Internationalization”, even if it is speaking about a progressive opening of markets from 2004 onward (Eichengreen & Kawai, 2015). On the one hand there are evidence of Chinese reinforcement of their financial markets, on the other hand there are not initiatives involving the whole Chinese territory (in term of cross border exchange) and markets (in terms of global swap agreements). While the political level (General Administration Department) could benefit in term of soft power policy and general opening to liberal system (Cheng, 2013), there are not evidences that Chinese economy could be able to sustain a currency Internationalization as many analyst declare (Fu, 2015). We can say that while Dollar is the first currency for use (41% of transactions), Renminbi, despite the huge Chinese Economy, doesn't actually need an International dimension before increasing its real circulation (still at 1,47%), speaking in term of Political Economy, at the same time, speaking in term of Economic Policy, China would need a more International image, that could pass through an International currency.

Conclusion

There are evidences that for Hong Kong Stock Exchange the Renminbi Internationalization is going to cause an increase in trading, capital flow and capital accumulation. I highlighted how Renminbi swap agreement and Renminbi cross-border traffic increased the volume of trading in Hong Kong and the number of Chinese Enterprises in that Market. Furthermore China created a deposit of RMB to increase liquidity of Hong Kong banks and Hong Kong participation to the swap agreements. Hong Kong's Hang Seng Index has had dramatic increase, as an example on May 2015 after China made it easier for mainland funds to use the cross-border link to buy

stocks, energizing newly the Hong Kong Market and linking more to the world's second-largest economy.

Dim Sum Bonds Market has become an important part of Hong Kong Stock Exchange to the extent that Hong Kong has become the principal issuer of the RMB bonds, and is giving to Hong Kong the principal role in a market in rapid expansion.

Even SFTZ, as I stressed in the last part of text is going to be a resource other than a disadvantage for Hong Kong Stock Exchange. To sum up there will be no short term negative effect in a Chinese currency Internationalization.

On the one hand a RMB internationalized would cause a huge increase of capital flow in HKSE, on the other hand is going to expose Hong Kong to an excessive linkage with China (diminishing its autonomy in Political Economy) and to the excessive growth risks (as speculative bubbles).

Especially if China has not yet the real intention of Internationalize its currency in a relatively short term (as I suggest in the very last part of my text) Hong Kong operators should avoid to concentrate their investment solely in Chinese capitals, bonds and enterprises. In fact basing every investment on Chinese currency will expose too much Hong Kong to an experimental stage (that is, at this moment, the RMB Internationalization) eligible to all the risk of an experiments and not yet solid.

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A MODEL SUGGESTION FOR CASH CONVERSION OF INVENTORY AND BASEMENT OF MODEL FINANCIAL RATIOS ANALYSIS

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Abstract

Companies are trying to compete with each other with different management techniques such as cost management, sales management etc. Financial analysis is a very important tool for companies in measuring efficiency, measuring the degree of success, and in measuring the determination of companies' target and cost volume. Although companies focus on cost management, they do not consider financial ratio analysis on the same platform. Traditionally, companies usually consider material costs. However, the aim of this study is to give vision beyond the material costs according to the financial statement ratio analysis. We aimed at looking at material costs as a finished cost with their performance result. Thus, it will give a more competitive power to companies. Also, we considered to see through analytical liquidity analysis simulation tables, material costs cash collection and their effects on financial ratios. In addition, we analyzed the current assets cash flow and cash balance and their effects. On the other hand, we aim to simulate with different current assets, scenarios effects on companies' financial structure and cash balances through this model. Consequently, we aim to make risk analysis (risk simulation) for different current assets scenarios. Thus, this is done in order to simulate effects on companies' financial structure and cash balance.

Keywords: Financial ratio analysis, cash flow, risk analysis, cash balance, analytical liquidity analysis

Introduction

Financial analysis technique is very important for companies to see their performance result. However, it is a very important tool to plan a companies' future. Conventional financial analysis ensures a company's

financial results through efficient calculation techniques. We aim to show that in a company's production, there is a relationship between the production department and the finance department of the company. In addition, our model shows companies' cash flow situation before the start of the production process. Then, it shows what will happen next when the company starts production. We built a new model titled "Cash Conversion of Inventory and Basement of Model Financial Ratios Analysis" to show production cost with efficient financial ratio analysis and proactive cash flow management to company. We developed our model known as "cash conversion of inventory" to be able to show cash flow situation beyond the conventional financial management techniques. Consequently, according to this model, we aim to make special link in the middle of the production and finance department with new and effective interfaces.

Financial Statements

Income Statement

Income statement presents information on the financial results of a company's business activities over a period of time. The income statement communicates how much revenue the company generated during a period and what costs it incurred in connection with generating that revenue. Net income (revenue minus all costs) on the income statement is often referred to as the "bottom line" because of its proximity to the bottom of the income statement. Income statements are reported on a consolidated basis. Thus, this means that they include the revenues and expenses of affiliated companies under the control of the parent (reporting) company. Sometimes, income statement is referred to as a statement of operations or profit and loss (P & L) statement (Robinson & Thomas, 2008).

Balance Sheet

The balance sheet (also known as the statement of financial position or statement of financial condition) presents a company's current financial position by disclosing the resources that the company controls (assets) and what it owes (liabilities) at a specific point in time. Owners' equity represents the excess of assets over liabilities. This amount is attributable to the owners or shareholders of the business. Thus, it is the residual interest in the assets of an entity after deducting its liabilities. The three parts of the balance sheet (assets, liabilities, and owner's equity) are formulated in an accounting relationship known as the accounting equation. However, this equation is expressed as: $Assets = Liabilities + Owners' equity$ (that is the total amount for assets must balance with the combined total amounts for liabilities and owners' equity) (Robinson & Thomas, 2008).

Cash Flow Statement

Although the income statement and balance sheet provides a measure of a company's success in terms of performance and financial position, cash flow is also vital for a company's long-term success. Disclosing the sources and uses of cash helps creditors, investors, and other statement users to evaluate the company's liquidity, solvency, and financial flexibility. In addition, financial flexibility is the ability to react and adapt to financial adversities and opportunities (Robinson & Thomas, 2008).

Financial Analysis

In general, analysts seek to examine the performance and financial position of companies as well as forecast future performance and financial position. Analysts are also concerned about factors that affect the risks of the company's future performance and financial position. Analysts usually work in a variety of positions. Some are equity analysts whose main objective is to evaluate potential equity (share) investments. Therefore, this is used to determine whether a prospective investment is attractive and what an appropriate purchase price might be. Others are credit analysts who evaluate the creditworthiness of a company to decide whether (and with what terms) a loan should be made or what credit rating should be assigned. Analysts may also be involved in a variety of other tasks, such as evaluating the performance of a subsidiary company, evaluating a private equity investment, or finding stocks that are overvalued for purposes of taking a short position (Robinson & Thomas, 2008).

Scope and Purpose of Financial Analysis

The role of financial reporting by companies is to provide information about their performance, financial position, and changes in their financial position. Thus, this is useful to a wide range of users in making economic decisions. The role of financial statement analysis is to take financial reports prepared by companies, combined with other information, in evaluating the past, current, and prospective performance and financial position of a company. This is done for the purpose of making investment, credit, and other economic decisions. In evaluating financial reports, analysts typically have an economic decision in mind. Thus, their decisions include:

- Determining the creditworthiness of a company that has made a loan request.
- Extending credit to a customer.
- Examining compliance with debt covenants or other contractual arrangements.
- Assigning a debt rating to a company or bond issue.

- Valuing a security for making an investment recommendation to others.
- Forecasting future net income and cash flow.

These are certain themes in financial analysis. In general, analysts seek to examine the performance and financial position of companies. In addition, it also forecast the future performance and financial position of the company. Analysts are also concerned about factors that affect the risks of the company's future performance and financial position (Robinson & Thomas, 2008).

Financial Analysis Techniques

Financial statements are analyzed by financial analysis techniques and obtained results are reviewed. The techniques used in financial analysis are (Arat, Finansal Analiz Aracı Olarak Oranlar, 2005):

- Horizontal Analysis
- Vertical Analysis
- Trend Analysis
- Ratios

Horizontal Analysis

Horizontal analysis is the calculation of changes on financial statements which are prepared for financial analysis in two sequential periods (Yazıcı, 1976). In other words, horizontal analysis technique provides changes in accounts of assets, liabilities, and income statements over two consecutive periods in the fastest way (Arat & Durmuş, Mali Tablolar Tahlili, 1997). In horizontal analysis technique, the income and balance sheets of two sequential periods are compared with each other. Also, variance is calculated by the subtraction of the last period from the previous period. Difference between two period with (+) and (-) sign is put on the variance column. In addition, increasing and decreasing values are put on additional column in order to see variances on accounts in a better way.

Therefore, the following example shows the horizontal analysis of balance sheets in two sequential periods.

ASSETS	2013	2014	Variance	Increase	Decrease
<i>CASH AND CASH EQUIVALENTS</i>	<i>41.000</i>	<i>26.000</i>	<i>-15.000</i>		<i>-15.000</i>
<i>BUYERS</i>	<i>76.262</i>	<i>120.309</i>	<i>44.047</i>	<i>44.047</i>	
<i>NOTES RECEIVABLE</i>	<i>415</i>	<i>347</i>	<i>-68</i>		<i>-68</i>
<i>FINISHED GOODS</i>	<i>234.694</i>	<i>222.420</i>	<i>-12.274</i>		<i>-12.274</i>
<i>RAW MATERIALS AND SUPPLIES</i>	<i>120.000</i>	<i>100.000</i>	<i>-20.000</i>		<i>-20.000</i>
<i>CURRENT ASSETS</i>	<i>472.371</i>	<i>469.076</i>	<i>-3.295</i>		<i>-3.295</i>
<i>FIXED ASSETS</i>	<i>97.889</i>	<i>146.909</i>	<i>49.020</i>	<i>49.020</i>	
TOTAL OF ASSETS	570.260	615.985	45.725	45.725	

LIABILITIES				
<i>BANK LOANS</i>	308.129	361.857	53.728	53.728
<i>ACCOUNTS PAYABLE</i>	4.534	4.860	326	326
<i>OTHER PAYABLES</i>	5.785	10.955	5.170	5.170
SHORT TERM EXTERNAL RESOURCES	318.448	377.672	59.224	59.224
TOTAL OF LONG TERM EXTERNAL RESOURCES	5.287	19.189	13.902	13.902
EQUITY	136.234	134.428	-1.806	-1.806
TOTAL LIABILITIES	459.969	531.289	71.320	71.320

Vertical Analysis

Vertical analysis technique is an analysis of financial statements by assuming the value of an item as 100, and calculating other items value as a percentage of this item (Yazıcı, 1976). In vertical analysis of balance sheet, the total of assets and total of liabilities are assumed as 100. Percentages of other lines are calculated based on the total assets and total liabilities. Sales value is assumed as 100 in income statement. In addition, the percentages of other lines are calculated based on sales value.

Therefore, the following example shows the vertical analysis of balance sheets in two sequential periods.

ASSETS	2013		2014	
<i>CASH AND CASH EQUIVALENTS</i>	41.000	7,2	26.000	4,2
<i>BUYERS</i>	76.262	13,4	120.309	19,5
<i>NOTES RECEIVABLE</i>	415	0,1	347	0,1
<i>FINISHED GOODS</i>	234.694	41,2	222.420	36,1
<i>RAW MATERIALS AND SUPPLIES</i>	120.000	21,0	100.000	16,2
CURRENT ASSETS	472.371	82,8	469.076	76,2
FIXED ASSETS	97.889	17,2	146.909	23,8
TOTAL OF ASSETS	570.260	100,0	615.985	100,0

LIABILITIES				
<i>BANK LOANS</i>	308.129	67,0	361.857	68,1
<i>ACCOUNTS PAYABLE</i>	4.534	1,0	4.860	0,9
<i>OTHER PAYABLES</i>	5.785	1,3	10.955	2,1
SHORT TERM EXTERNAL RESOURCES	318.448	69,2	377.672	71,1
TOTAL OF LONG TERM EXTERNAL RESOURCES	5.287	1,1	19.189	3,6
EQUITY	136.234	29,6	134.428	25,3
TOTAL LIABILITIES	459.969	100,0	531.289	100,0

In this example, the percentage of “CASH AND CASH EQUIVALENTS” line is calculated by the following formula:

$$x = \frac{41.000 \times 100}{570.00}$$

$$x = 7.2.$$

Thus, this means that 7.2% of the total assets are cash and cash equivalents line.

Trend Analysis

Trend analysis technique aims to show changes on financial statements over the periods which is based on the first period (Arat, Finansal Analiz Aracı Olarak Oranlar, 2005). In this technique, the value of the first period of each line is assumed as 100. Then, other periods of each line are calculated based on the first value as percentage. The following formula shows the trend value of a line:

$$x = \frac{\text{Value of current period} \times 100}{\text{value of base period}}$$

Increases and decreases in accounting components can be easily observed when we view the trend analysis in an easy way. The results which are above 100 show this increase. Furthermore, results which are below 100 show the decrease (Aktan & Bodur, 2006).

Therefore, the following example shows the trend analysis of balance sheets in two sequential periods.

ASSETS	2012	Trend I	2013	Trend II	2014	Trend III
<i>CASH AND CASH EQUIVALENTS</i>	40.000	100,0	41.000	102,5	26.000	65,0
<i>BUYERS</i>	72.273	100,0	76.262	105,5	120.309	166,5
<i>NOTES RECEIVABLE</i>	120	100,0	415	345,8	347	289,2
<i>FINISHED GOODS</i>	247.893	100,0	234.694	94,7	222.420	89,7
<i>RAW MATERIALS AND SUPPLIES</i>	110.000	100,0	120.000	109,1	100.000	90,9
<i>CURRENT ASSETS</i>	470.286	100,0	472.371	100,4	469.076	99,7
<i>FIXED ASSETS</i>	89.735	100,0	97.889	109,1	146.909	163,7
TOTAL OF ASSETS	560.021	100,0	570.260	101,8	615.985	110,0
LIABILITIES						
<i>BANK LOANS</i>	298.325	100,0	308.129	103,3	361.857	121,3
<i>ACCOUNTS PAYABLE</i>	8.412	100,0	4.534	53,9	4.860	57,8
<i>OTHER PAYABLES</i>	65.982	100,0	5.785	8,8	10.955	16,6
<i>SHORT TERM EXTERNAL RESOURCES</i>	372.719	100,0	318.448	85,4	377.672	101,3
<i>TOTAL OF LONG TERM EXTERNAL RESOURCES</i>	4.591	100,0	5.287	115,2	19.189	418,0
EQUITY	140.123	100,0	136.234	97,2	134.428	95,9
TOTAL LIABILITIES	517.433	100,0	459.969	88,9	531.289	102,7

Ratios

The word “ratio” can be defined as a reasonable relationship between two quantities. In other words, rate describes the links (connections) between the actives or passives in balance sheet and income statement items by a percentage or a fraction (Arat, 2005, s. 89). Ratio analysis is different from the other techniques in that it is applicable to all financial statements and it reveals the relationships between items which are hidden in the financial statements. In this way, it provides a better understanding of the financial statements. When credit institutions and finance managers want to obtain an overview of key statistics of a business, they use the ratio analysis. By following these ratios over time, they obtain information about the performance of the business (Aktan & Bodur, 2006).

However, commonly used ratios are divided into four main groups (Akaytay, Çatı, & Yücel, 2015):

- **Liquidity Ratios:** The aim of the ratio in this group is to measure the power of the short-term loan payments and to determine whether the company has enough capital. For this reason, it is even more important for lenders. While calculating this ratio, we build various relationships between the sum of items of assets or components and short-term foreign sources.
- **Financial Structure Ratios:** This is the ratio that indicates to what extend the business is financed by debt, the degree of the financial risk, and the safety margins of the people providing credit to a business.
- **Profitability Ratios:** These ratios indicate to what extend that funds brought to the company by shareholders or provided by external sources allocated to the investment are used efficiently and profitably. Through these ratios, it is possible to reach the ultimate information about business regarding what extend it is managed effectively. However, this is possible by measuring profitability from different dimensions.
- **Turnover (Activity) Ratios:** Turnover ratios indicate whether or not the assets of businesses are managed effectively. Furthermore, it also states if the asset investments are sufficient or not. If there is a high turnover of assets of businesses, it can be stated that the assets are being used efficiently. Hence, because of this, profitability is positively affected.

Liquidity Ratios

Liquidity ratios are used to examine the short-term debt repayment capability of the business. Ratios are calculated by dividing the current assets to short-term debt on the balance sheet. The reason is that sources used for the repayment of the business' short-term debt are the current assets. If these rates are extremely very high, this shows that the business could not reach profitability targets by holding liquid assets. If these rates are low, this shows that the business had difficulties in the repayments of the debts coming days

(Berk, 2002). In loaning to a business, firstly we should look at the liquidity ratios. Therefore, bankers and credit analysts examine the various liquidity ratios (Brealey, Richard and Markus, 2001). A full liquidity analysis requires the use of cash budgets. Consequently, by relating the amount of cash and other current assets to current obligations, ratio analysis provides a quick and easy-to-use measure of liquidity (Brigham & Ehrhardt, 1999, s. 73).

More especially, we need to give attention to the following points in the analysis of company's liquidity ratios (Berk, 2002, s. 35). Thus, these points include:

- Trend in which the current assets is compared to the volume of the business.
- Trend in which the liquid assets is compared to previous periods.
- The collection ability, times, appearance reasons, and sales compliance of the registered receivables
- Appearance reason of debts on specialty.
- Nature of stocks.
- Appropriateness of the term structure of short-term debt.
- Appropriateness of the net working capital compared to business volume.
- Consideration of the other factors that affect the company's ability to pay its short-term debt.

Consequently, the analysis of the company's solvency often uses three main rates. These are: current ratio, acid-test ratio or liquidity ratio, and cash ratio (Berk, 2002).

Therefore, the example of the following balance sheet will be used in the explanation of current ratio, acid-test, and cash ratios.

ASSETS	2014
<i>CASH AND CASH EQUIVALENTS</i>	26.000
<i>BUYERS</i>	120.309
<i>NOTES RECEIVABLE</i>	347
<i>INVENTORIES</i>	322.420
CURRENT ASSETS	469.076
FIXED ASSETS	146.909
TOTAL OF ASSETS	615.985
LIABILITIES	
<i>BANK LOANS</i>	361.857
<i>ACCOUNTS PAYABLE</i>	4.860
<i>OTHER PAYABLES</i>	10.955
TOTAL CURRENT LIABILITIES	377.672
TOTAL OF LONG TERM EXTERNAL RESOURCES	19.189
EQUITY	134.428
TOTAL LIABILITIES	531.289

Current Ratio

Current ratio refers to the ability of the firm to meet short-term obligations. Current assets normally include cash, marketable securities, accounts receivable, and inventories. Current liabilities consists of accounts payable, short-term notes payable, current maturities of long term debt, accrued taxes, and other accrued expenses. The current ratio is calculated by dividing current assets by current liabilities (Brigham & Ehrhardt, 1999, s. 73). Thus, this can be expressed as:

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Current ratio indicates how many dollars of current assets the company have corresponding to the company's short-term foreign sources of 1 dollar. The purpose of calculating the current ratio is to measure the ability to pay short-term debts of the company and to determine whether there is enough of the business source or not. It is a better measure that shows the company's debt repayment capacity compared to net working capital amount (Arat, 2005). When the current ratio is above the standard, it shows that there are current assets which are more than enough. Although this is viewed positively by the lenders and creditors, it is not good in terms of the adverse impact on the return on equity. This can mean that there is the presence of idle operation and it is not well evaluated (Arat, 2005). This situation can be thought negatively by shareholders. Current account ratio is calculated as follows according to the sample of balance sheet:

$$\text{Current ratio} = \frac{469.076}{377.672}$$

Current Ratio = 1.24

In the balance sheet sample, 1.24 dollars of current assets corresponds to the company's short-term foreign sources of 1 dollar.

Acid Test or Quick Ratio

The quick ratio or acid test is calculated by deducting inventories from current assets, and then dividing the remainder by current liabilities (Brigham & Ehrhardt, 1999, s. 73):

$$\text{Acid Test, or Quick Ratio} = \frac{\text{Current assets} - \text{Inventories}}{\text{Current liabilities}}$$

This ratio completes the current rate ratio and makes it more meaningful because it ignores inventories which are the least liquid item in a balance sheet (Acar, 2003).

Acid-test ratio calculation is as follows according to a balance sheet sample:

$$\text{Acid Test, or Quick Ratio} = \frac{469.076 - 322.420}{377.672}$$

Acid-test ratio = 0.39

Cash Ratio

Cash ratio means the ability of the firm to meet short-term obligations with only cash and cash equivalents. Cash ratio is calculated by adding cash and cash equivalents, and dividing it by the total current liabilities. This can be described as shown below:

$$\text{Cash ratio} = \frac{\text{Cash} + \text{Cash Equivalents}}{\text{Current Liabilities}}$$

This rate is more accurate than the other rates. It demonstrates the ability of the company to pay its short-term debt in case of interruption in sales, uncollected receivables, and if they encounter difficulties during the redemption of stocks.

Cash ratio calculation is as follows according to a balance sheet sample:

$$\text{Cash ratio} = \frac{26.000}{377.672}$$

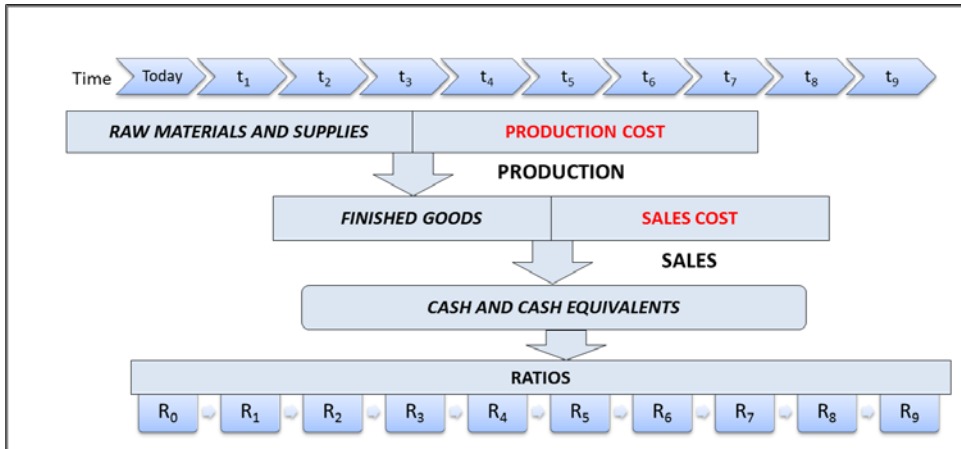
Cash Ratio = 0.07

In a related example, if the company's sales are completely stopped and the company cannot collect the receivables, they are able to pay only 7% of the short-term debt.

A Model Proposition for Cash Conversion of Inventory and Raw Materials

While the evaluation of businesses is being carried out using the rates of raw materials and supplies, inventories are evaluating their current value. In fact, raw materials and supplies can be converted to inventories by enduring production costs. During this conversion, the value of the inventory is greater than the value of raw materials. Inventories can be converted to cash and receivables by enduring sales cost. The obtained value as a result of the sale of the inventory cost by enduring sales costs is lower than the value of inventories. In addition, it is more than the value of the raw materials used to produce these inventories. These conversions change the financial ratio of companies.

The following proposed model shows the effect of raw materials and supplies on ratios.



In this model, raw materials are converted to finished goods, but it consumes cash and cash equivalents for production. In this case, the value of finished goods is greater than the difference in the value of raw material and production cost. It can be shown in the following formula: Value Finished Goods > Value of Raw Materials – Production Cost. For example, \$ 15,000 worth of products can be produced with materials worth of \$ 10,000 and \$ 1,000 cost. Finished goods are converted to cash and cash equivalents, but it consumes cash and cash equivalents for sales cost. In this case, cash changes on balance sheets can be shown in the following formula: Cash Changes = Value Sold Goods – Sales Cost. In both cases, liquidity ratios may change. In this model, effect of raw materials and finished goods on ratios and cash flows are considered in a right way.

The following example is used to illustrate the above.

ABC Company is in the manufacturing industry with production of machine. In the management of ABC Company, the identified activities they perform are as follows:

- 1- ABC Company produced 10 ratios as R_0 , R_1 , R_2 , R_3 , R_4 , R_5 , R_6 , R_7 , R_8 , and R_9 . These are different ratios requiring different amount and volume of production activity.
- 2- ABC Company has 9 due dates to organize cash flow management as T_1 , T_2 , T_3 , T_4 , T_5 , T_6 , T_7 , T_8 , and T_9 . Thus, these represent the due date for payment in planning a wide range of cash flow.
- 3- ABC Company has 3 financial analysis ratio types which are current ratio, acid test ratio, and cash ratio. Thus, these represent due date for payment in planning a wide range of cash flow. They are shown according to each item types under the due date financial situation basement of production activity.

BALANCE SHEET CHANGES										
ASSETS	t ₀	t ₁	t ₂	t ₃	t ₄	t ₅	t ₆	t ₇	t ₈	t ₉
CASH AND CASH EQUIVALENTS	50.000	102.550	155.100	207.650	260.200	312.750	365.300	417.850	470.400	523.170
BUYERS	120.000	120.000	120.000	120.000	120.000	120.000	120.000	120.000	120.000	120.000
NOTES RECEIVABLE	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
FINISHED GOODS	250.000	223.000	196.000	169.000	142.000	115.000	88.000	61.000	34.000	6.780
RAW MATERIALS AND SUPPLIES	200.000	180.000	160.000	140.000	120.000	100.000	80.000	60.000	40.000	20.000
CURRENT ASSETS	621.000	626.550	632.100	637.650	643.200	648.750	654.300	659.850	665.400	670.950
FIXED ASSETS	150.000	146.909	146.909	146.909	146.910	146.911	146.912	146.913	146.914	146.915
TOTAL OF ASSETS	771.000	773.459	779.009	784.559	790.110	795.661	801.212	806.763	812.314	817.865
LIABILITIES										
BANK LOANS	361.857	361.857	361.857	361.857	361.857	361.857	361.857	361.857	361.857	361.857
ACCOUNTS PAYABLE	4.860	4.860	4.860	4.860	4.860	4.860	4.860	4.860	4.860	4.860
OTHER PAYABLES	10.955	10.955	10.955	10.955	10.955	10.955	10.955	10.955	10.955	10.955
SHORT TERM EXTERNAL RESOURCES	377.672	377.672	377.672	377.672	377.672	377.672	377.672	377.672	377.672	377.672
TOTAL OF LONG TERM EXTERNAL RESOURCES	19.189	19.189	19.189	19.189	19.189	19.189	19.189	19.189	19.189	19.189
EQUITY	134.428	134.428	134.428	134.428	134.428	134.428	134.428	134.428	134.428	134.428
TOTAL LIABILITIES	531.289	531.289	531.289	531.289	531.289	531.289	531.289	531.289	531.289	531.289
PRODUCTION & SALES										
Production										
Consumed Raw Material and Supplies		20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000	20.000
Production Cost		1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400	1.400
Produced Finished Goods		28.000	28.000	28.000	28.000	28.000	28.000	28.000	28.000	28.000
Sales										
Sales Cost		1.050	1.050	1.050	1.050	1.050	1.050	1.050	1.050	1.050
Saled Finished Goods		55.000	55.000	55.000	55.000	55.000	55.000	55.000	55.000	55.220
RATIO CHANGES										
	R ₀	R ₁	R ₂	R ₃	R ₄	R ₅	R ₆	R ₇	R ₈	R ₉
Current Ratio	1,64	1,66	1,67	1,69	1,70	1,72	1,73	1,75	1,76	1,78
Acid Test	0,45	0,59	0,73	0,87	1,01	1,15	1,29	1,43	1,57	1,71
Cash Ratio	0,13	0,27	0,41	0,55	0,69	0,83	0,97	1,11	1,25	1,39

Conclusion

Information technology provides very effective and well detailed information quickly to companies. However, management is responsible to choose the right tool for their operation. Companies need to check their financial situation timely and fairly. In addition, financial planning is a very important part of the management system. Management departments need to be sure when they budget their activities. Furthermore, we give an assurance to companies so as to plan their management activities in their financial management difficulties. Our model ensures the effects on cash inflow and financial ratios of the material stock. In addition, our model ensures the effects of analysis on cash return and cash balance of the current assets on a monthly basis. On the other hand, through this model, we can simulate effects of activities on companies' financial structures and the cash balance of the different current assets scenarios.

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LEGISLATIVE AND ADMINISTRATIVE REGULATIONS IN TURKEY WITHIN THE FRAMEWORK OF KYOTO PROTOCOL

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Abstract

Kyoto Protocol which is the last phase of the idea of a need for an international corporation in order to prevent ecocide since 1970s was put into operation in 2005. Kyoto Protocol is an addition of “United Nations Framework Convention on Climate Change (UNFCCC)” which was accepted in Rio Summit. In this study first of all, the development process of Kyoto Protocol before its operation will be analyzed, the classification according to the responsibilities and development of the state parties will be dealt. Later on, what kind of solutions does the protocol bring to the climate change problem and the mechanisms that are applied for the projected declines for the emission rates will be scrutinized. Lastly, the legislative and administrative steps that have been taken in the frame of Kyoto Protocol that is effective in Turkey since 2009, and the deficiencies during the adaption process of the protocol is aimed to be put forth.

Keywords: Kyoto Protocol, Climate Change, Environment

Introduction

In the period after the Second World War, one of the fields that the increasing importance in international relationships of United Nations (UN) was reflected has become the environment. As a result of the idea of a need for states to make more collaboration concerning the environmental

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problems, especially in 1970s, several conferences under the initiative of the UN were held and various agreements were brought up taking the role of the mechanisms into consideration, which were developed by the international institutions for the protection and improvement of the environment. Now it is obvious that environment is perceived in the responsibility of the international organizations and there is a specialization on this issue (Torlak ve Ege, 2007: 49).

Thus in 1971, a report namely 'Limits of Growth'² was published declaring that the world was in a destruction in terms of environment and ecology, and that if industrialization kept its speed, the environmental disasters that would occur in the further years would bring the end of humanity and the ecologic system. By ensuring the growing interest in environment, the report has given a ground to organization of the Stockholm Conference, Rio Summit and the agreement of the Kyoto Protocol.

Establishment of the Kyoto Protocol: Rio Summit and UNFCCC

Kyoto Protocol existed as an addition of UNFCCC that was accepted in the Rio Summit. The Rio Summit declaration which was held in 1992, defines the right of development of people and the responsibilities for the protection of the environment. In Rio Declaration, it was stated that the only way for a long term sustainable economic development is to protect the environment. It was also emphasized that this rapport could only be established by a global partnership that is based on equality and in which countries, governments, societies and nongovernmental organizations take an active role. According to the declaration, states should establish international agreements that would protect the unity of the global environment and development system (Öztunç, 2006: 78).

Another important agreement that was accepted in Rio Conference is UNFCCC. This convention mainly emphasizes on the international cooperation in the prevention of the hazardous climate changes from the point of law of nations. The main purpose of the UNFCCC is to limit the dangerous gas emissions that cause global climate changes. It puts certain responsibilities upon the countries in the frame of the determined limits. Also, it was projected for developed countries to give a support to the less developed countries on executing the responsibilities of the contract (Torlak ve Ege, 2007: 60).

The Kyoto Protocol

² The report was organized by the Rome Club that was triggering the environmental action of the era. Rome Club was established by the Italian industrialist Aurelio, Secretary General of OECD Alexander King and some Italian businessman (Torlak and Ege, 2007:55).

The Kyoto Protocol that was signed in the Kyoto city of Japan in 1997 was organized in order to keep the greenhouse gas emissions of the developed countries at the level that of in 1990. As part of this object, the main purpose of this protocol is to decrease the consumption of the fossil fuels and to control the global warming (Yaşar ve Yıldız, 2009: 114). Although the protocol was signed in 1997, it could only be put into operation and have its legal binding in 2005. There were some factors which caused a delay in Kyoto protocol. In that, the Protocol should be accepted by at least 55 countries and the states that were responsible for at least 55 percent of the total emission amount that was registered in 1990 should be included into the Protocol. The total emission rate that was 41 percent before the participation of Russian Federation have reached to 61 percent upon Russia's taking side of the Protocol (Türkeş, 2006: 8-9). There is a difference in the rates of emission reduction between the states and some blocks in Kyoto Protocol. For example, while European Union have to reduce its emission averagely about 8 percent, this rate is 7 percent in USA, 6 percent in Japanese and 0 percent in Russia (TUİK, 2009: 9).

Being signed pursuant to UNFCCC and aiming to undertake very effective works in terms of environment, Kyoto Protocol projects some provisions that the contracting parties should obey. These provisions have been stated in the 3rd head of the Protocol as this: The greenhouse emission gas of countries between 2008-2012 should be kept below at least 5 percent in comparison with 1990; particularly in the industry sector, low- energy technology should be used in all sectors; alternative energy resources should be used in order to minimize the effects to environment and more importance should be given to bio-fuels in highways ([http:// unfccc.int/ resource/docs/ convkp/kpeng.html](http://unfccc.int/resource/docs/convkp/kpeng.html)).

The countries that take part of the Kyoto Protocol are categorized in two in terms of mission and class. Being classified as Annex I and Annex II, these countries have different responsibilities. Annex I countries list comprise of the industrialized states that have become a member of OECD in 1992 and the states that are in a transformation process to market economy, and these states are responsible for reducing their greenhouse gas emissions. On the other hand, Annex II countries involve the states that are responsible for technology transformation and conducting the financial investments.

Flexibility Mechanisms of Kyoto Protocol

Besides the national and international policies that aim to reduce the greenhouse gas emission of Annex I countries, there are three other flexibility mechanisms in Kyoto Protocol that would make easier for countries to reach the goals.

- ***Joint implementation:*** The joint implementation mechanism that is regulated in the Article 6 of the Kyoto Protocol mainly rests on the activities on the project that the state or private sector conducts in another country in order to reduce the greenhouse gas emission (UN, 1998, 6-7; Türkeş, Sümer ve Çetiner, 2000; UNFCCC, 2007). According to this flexibility mechanism, if a country, whose emission rates have been determined, executes emission reducing projects in another country that the emission rates are also determined, it gains an emissions reduction unit (ERU) and these units are deleted from the goal of the executer country (Karakaya ve Özçağ, 2003: 5).
- ***Clean Development Mechanism:*** This mechanism which is applied apart from Annex I and Annex II is defined in the Article 12 of the Protocol. The main purpose of this mechanism is to establish a coordinated collaboration between a country that has a certain emission goal and a less developed country that has no determined an emission goal yet and to make them conduct joint projects. The mechanism is directed by “Clean Development Mechanism Executive Board”. Clean development mechanism undertakes the role of supporting the developed countries to fulfill their responsibilities on limiting and reducing the emission. As a result of these projects, the country that has a certain emission goal earns “Certificated Emission Reductions” (CERs) and deleted from the total goal (UN, 1998: 11-12; UNFCCC, 2007).
- ***Emission Trading:*** Emission trade mechanism is regulated in the Article 12 of the Kyoto Protocol. By the “Emission Trade” mechanism, the states that have certain emission goals are able to do an emission trade with each other in order to accomplish the rate goals the responsibility of which they have undertaken before (UN, 1998: 15; UNFCCC, 2007). If any country in the Annex I list makes a reduction more than the determined greenhouse gas emission goal, it can sell this extra reduction to other contracting parties. Emission trade is an extremely effective mechanism in the realization of the goals of the Kyoto Protocol and is appropriate to the Protocol. In emission trade, while the biggest buyers are USA, Japanese and some EU countries, the biggest sellers are Russia, Ukraine and some East Europe countries (Karakaya ve Özçağ, 2003: 5). Flannery (2007: 198) indicates that according to this mechanism, a carbon budget for the countries would emerge, the carbon unit of the industries that cause more pollution would increase and as a result of this, the countries would prepare their own carbon budgets, interchange carbon and pay for the pollution right.

Kyoto Protocol and Turkey

During the organization phase of the Protocol in 1997, Turkey was both evaluated in Annex I and Annex II lists as an OECD country, and she also took place in both lists. However, Turkey did not want to participate in

the Protocol because of the heavy responsibilities that Annex II would bring upon. In the conference that was held in Morocco in 2001, as a result of being removed from Annex II and given special provisions, Turkey accepted to agree the Protocol (UNFCCC; 2001). Consequently, the Protocol has been put into operation by the recognition of TBMM (The Grand National Assembly of Turkey) in 2009. Turkey has shown different attitudes between the years 1992-1997 from Rio to Kyoto. While its demands before 1997 were towards to be removed from both appendix and to be provided with particular provisions, after the 3rd conference of parties in 1997, it has followed a more constructive policy. Because of its special location, Turkey is not responsible for a certain gas emission reduction as the other Annex I countries have. The European Union (EU) climate change framework that was organized in December 2012 has warranted Turkey's special condition until 2020 in the 18th conference of parties. Nevertheless, in order to clarify Turkey's special condition, following decision is taken in the Conference: The parties of Annex II that have the opportunity, within the definition of their tasks, through the Global Environment Fund (GEF) and multisided institutions, international finance institutions, other corporations and initiations, private sector or any other regulations, incites the Annex I parties whose particular conditions are recognized by the Conference of the Parties in order to execute their national climate change strategies and action plans, and to improve their low emission development strategies and plans according to 1/CP.16 coded decision and also stimulate them to provide a financial, technological, technical aid and support to capacity building (<http://www.eskarus.com/turkiyeden-haberler.aspx>).

United Nations Framework Convention on Climate Change (UNFCCC) 19th Conference of Parties (COP 19) was held in the in Warsaw on November 11-12, 2013. The position of Turkey for after 2020 is mainly constituted of two factors. One of these is to avoid from making a commitment on emission reduction as a still developing country in terms of industry; and the other is to benefit from the financial aid opportunities given to the other developing countries in order to supply the required investments on the struggle against the climate change (<http://www.tusiad.org.tr/bilgi-merkezi/fikir-ureten-fabrikadan/uluslararasi-iklim-degisikligi-gorusrmeleri-varsova-sonrasi-notlar>).

United Nations Framework Convention on Climate Change 20th Conference of Parties was held in Lima, Peru, on December 1-14, 2014. Conducted since the 16th Conference of Parties by Turkey, the negotiations for providing a support on finance, technological transformation and capacity improvement within the struggle against the climate change in Turkey have been concluded successful in the 20th Conference of Parties. In the frame of the accepted decision, the way for a support by the developed countries for a

finance, technological transformation and capacity improvement was cleared for Turkey for at least 2020. Now, with regards to this decision, Turkey will make necessary negotiations with multisided institutions and other countries, and will put the gains into operation (<http://www.csb.gov.tr/projeler/iklim/index.php?Sayfa=haberdetay&Id=16278>).

Legislative and Administrative Regulations

Legislative Regulations

The “Regulations on Monitoring of Greenhouse Gas Emissions”, which was prepared by the Ministry of Environment and Urbanization, was published in the Official Gazette dated 25.04.2012 and numbered 28274 and then, was put into operation. However, it was put away by another regulation in 17.05. 2014 dated, 29003 numbered Official Gazette and the new regulation was put into operation. The regulation was an important attempt within the struggle against the climate change and organizes the primary factors and methods about the monitoring process of the greenhouse gas emissions at the facility level and also confirmation and reporting of them. These greenhouse gas emissions are the results of the sectors that constitute a significant part of the greenhouse gas emissions such as electric and steam production, petrol refining, petro chemistry, cement, iron-steel, aluminum, brick, ceramic, lime, paper and glass production ([http:// www.altensis.com/hizmetler/kurumsal-surdurebilirlik/karbon-yonetimi](http://www.altensis.com/hizmetler/kurumsal-surdurebilirlik/karbon-yonetimi)).

By the Ministry of Environment and Urbanization, following the regulations, the “Regulation on the Monitoring and Reporting of the Greenhouse Gas Emissions” was prepared and published in 22.07.2014 dated, 29068 numbered Office Gazette. The technical details of the monitoring plan document which is the base of the follow-up process of the emissions and is responsible for providing the facilities and presenting them to the ministry, were remarked ([http:// www.csb.gov.tr/gm/cygm/index.php?Sayfa=haberdetay&Id=18236](http://www.csb.gov.tr/gm/cygm/index.php?Sayfa=haberdetay&Id=18236)).

The “Voluntary Carbon Market Project Registration Regulation” was published in 09.11.2013 dated, 28790 numbered Official Gazette and then, was put into operation. It was prepared for the follow-up of the carbon certificates that were gained by these projects and for the registration of the projects about the Voluntary Carbon Market which was developed by the Ministry of Environment and Urbanization. The object of this regulation was to register the projects efficiently which were developed in order to reduce the greenhouse gas emission in Turkey and to gain a carbon certificate (<http://www.csb.gov.tr/gm/cygm/index.php?Sayfa=duyurudetay&Id=4318>).

In the frame of Kyoto Protocol, so as to operate a coordination and collaboration between related institutions and organizations, the “Climate Change Coordination Commission” has been established by the 2001/2

numbered Circular; also the 2010/18 and 2012/2 numbered Circulars have been reconstructed and by the “Air Emission Coordination Commission” has been established by the 2012/22 numbered Circular. In that, the project has been to enhance the inventory of the national air emissions and the greenhouse gas emissions as to include the information about Turkey, to take the necessary precautions against the hazardous effects of the climate change, to determine the appropriate domestic and foreign policies considering the conditions of our country and to present the fundamental strategies of the emission reduction. Since the subjects of struggle against climate change and management of air emissions are related and complementary to handle together, as the related institutions and organizations are common with regard to national scale, these two subjects have been combined and transformed into a new commission so called “Climate Change and Air Management Coordination Commission”, by the Prime Minister Circular, which was published in 07.10.2013 dated, 28788 numbered Official Gazette (<http://www.csb.gov.tr/projeler/iklim/index.php?Sayfa=sayfa&Tur=webmenu&Id=12433>).

Administrative Regulations

The significance given to the climate change was gradually decreased in the In the 9th Development Plan (2007-2013). In a period that discussions over Turkey’s taking part in the Kyoto Protocol were current, it was stated in the Plan that “Considering the conditions of our country, by the participation of the related parties, a National Action Plan that presents the greenhouse gas reduction policies and precautions will be prepared and the responsibilities related to the the Contract will be executed”. Therefore, in that period, that is to say, in the economy and development bureaucracy of the association process to the Protocol, this is one of the indications of the perception of the climate policies as a threat that is getting vast. The 10th Development Plan (2014-2018) has been the most essential plan of the subject. In the plan, in which the part titled Climate Change and Environment took place for the first time, the climate change is also remarked as a risk factor in the part named “The Efficient Usage of Food, Water and Natural Resources”. Likewise, it is stated in the Plan that “the frequency of the disasters as a result of the climate change has also increased and its effects have become serious”. Unlike the other plans, this time it has been mentioned with the proposals such as green growth, clean production, and eco-efficiency; that is to say, there are signs that the climate change is not only seen as a threat, but is also perceived as an opportunity for the economic growth and development (Şahin, 2014: 37).

Turkey has prepared the “National Climate Change Strategy” in order to contribute to the global efforts for the reduction of the effects of the

climate change, according to its own particular conditions and opportunities. Besides the aims that are going to be realized in a short term such as in one year, the strategy, which is designed by the Ministry of Environment and Urbanization, includes the medium term objectives that are going to be or expected to be realized in a 1-3 year term and the long term objectives that expand for 10 years. With this strategy such as to guide the attempts for the struggle against the climate change in the period of 2010-2013, Turkey has aimed to contribute to this struggle within its possibilities in the frame of the idea of “common but differentiated responsibilities”, which is one of the main principles of the UNFCCC. Also, it presents the policies of national reduction, adaptation, technology, finance, and capacity building (ÇŞB, 2012:6)

The National Climate Change Action Plan covering the years between 2011 and 2023 was designed by the Ministry of Environment and Urbanization. Totally this plan is consisted of 49 aims, 107 missions and 541 actions in order to execute them. In 2010 National Climate Change Action Plan, which is not such of an official document confirmed by Higher Planning Council such as “National Climate Change Strategy Document”, has shown a goal in neither the aims and missions, nor in the emission reduction in the action (Algedik, 2013: 35).

Apart from the Ministry of Environment and Urbanization, other ministries also have given a place to the subject of struggle against the climate change in the documents they have prepared. In the “Turkish Struggle Strategy and Action Plan for Agricultural Drought” (2013-2017) by Ministry of Food, Agriculture and Livestock, in the “National Program and Action Plan of Reduction of the Health Effects of the Climate Change” by Ministry of Health and in the “Turkish Sustainable Development Program” by Ministry of Development, the issue of the struggle against the climate change has been cited.

Conclusion

The Kyoto Protocol encumbers certain responsibilities upon states so as to reduce their greenhouse gas emissions, and accordingly, the determined goals are achieved by using particular mechanisms. In that, by the operation of the Protocol, the developed countries will be able to produce clean technologies by the special climate change fund. Likewise, it is aimed to expedite the clean technology production adaptation process of the mentioned states by the fund for the less developed countries. In addition, through Kyoto Protocol Emission Trade Mechanism, the Annex I countries will have the opportunity to make emission trades with each other. As the developed countries can make a credit aid to the investments such are able to contribute to less developed country funds and climate projects, they will

also gain credit from the emission rates that the less developed countries reduced. Though the Kyoto Protocol is thought to be efficient and useful, there are also certain negative approaches towards it. Flannery (2007) argues that the protocol is established significantly for commercial purposes; it is a paper tiger and that the determined goals are low. On the other hand Yaşar and Yıldız (2009) think that the protocol is such as a market conflict of the developed countries to sell their technologies.

Initially, Turkey did not accept to sign the Kyoto Protocol, which is an addition of the Contract of the Climate Change; however, upon being removed from the Annex II countries list that suggests heavy responsibilities and being given special provisions, she accepted the Protocol. In the frame of the Protocol, Turkey has taken steps on energy efficiency and has shown improvements. The responsibility for greenhouse gas emission reduction constitutes a factor that can slow down the industrialization process of Turkey. Thus, in the 19th Conference of Parties held in 2013, the main approach of Turkey has been to avoid from making a commitment on emission reduction after 2020 and to benefit from the financial aid opportunities that were given to developing countries. On the other hand, Turkey has remarked that in the case of the emission rates reach to critical levels, she will perform the incumbent responsibilities. Parallel to this approach, steps such as being efficiently represented in the 19th Conference of Parties and combination of the climate management unit and air management unit have brought Turkey “Award of Fossil of the Day” by Network of Climate Action. The 20th Conference of Parties in 2014 has led a significant change in the approach of Turkey towards the Protocol. According to the decisions taken, the developed countries are going to give a finance, technology transfer and capacity building support to Turkey until 2020. Thus, Turkey will perform the necessary environmental transformations much easier without giving any harm to the industrialization process in the frame of the Protocol.

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COMMODITY INVESTMENT MODEL AND ITS SIGNIFICANCE FOR INVESTORS

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Abstract

There are often changes in today's market environment, which force investors and companies to seek new solutions, practices, support new branches, and design new models etc. This article discusses a commodity investment model and its importance for investors. It aims to determine the right price for commodities based on the designed investment model. The main problem with commodities in the investment environment is that it is very difficult to determine intrinsic value, as is required for equities. The result of this paper is a model and its mathematical expression, which determines the right price, including its application to selected commodities. The model will facilitate the decision-making of investors on commodity markets when to buy and when to sell selected commodities. The use of this model in practice can provide investors a competitive advantage on the commodity market.

Keywords: Model, commodities, investor, right price, decision-making

Introduction

Current markets are frequently turbulent, which greatly affects the investment plans of companies and investors. Changes in their decision-making processes and behavior mean new solutions and processes are required, and new branches, new models and their combinations are created. New investment plans should primarily provide a competitive market advantage for both professional as well as non-professional investors, which can be reflected in the generation of profit or elimination of losses.

Nowadays, surplus units as well as some deficit units search for the best value for their free or foreign resources. However, due to globalization the forecast for the future development of the market environment is relatively unstable, which has an effect on the business environment. Changes resulting from current market conditions accompanied by the effects of globalization affect management decisions. Company decision-

making should result in the selection of the investment instruments invested into and models to be used.

The prognosis of price developments on commodity markets for various raw materials is difficult and depends on e.g. mining, climatic influences. The aim of this paper is to determine the right price for investment using the designed model, which will contribute to better decision-making on investment plans. The main problem that occurs on these markets is that it is very difficult to determine intrinsic value as in the case of stocks and bonds. The result of this paper is a model of investment commodities including its mathematical expression which determines the right price, and its application on selected commodities. The model facilitates investors in deciding on when to buy or sell selected commodities.

Although the new model can yield positive findings, companies still need to decide whether the investment plan should be made according to the proposed model or whether other best practices should be used. These conflicts arise from the legal forms of the companies and the decision-making of senior management. The issues of conflicting situations and defending the priorities of interest groups in corporations are covered by Sejkora, Horčíčka (2014).

1. Theoretical basis

1.1 Commodities

People see and consume commodities every day; although they are not directly involved in commodity markets they have a significant indirect effect on them. Each consumer has is their favorite food that they consider necessary for everyday consumption e.g. cocoa. Usually they know the price of their favorite food but price levels are significantly influenced by the development of certain goods on commodity markets, which depend on demand and supply.

The daily presence of commodities is confirmed by Rogers (2008), who recommends that investors first understand the functioning of commodity markets and then invest in other instruments such as stocks, bonds, etc. Novice investors should be aware of commodities that stem from their daily work and eating habits. For example, an investor works in an office at a desk made of wood and drinks a cup of coffee with milk every day, so they come into contact with at least three key raw materials traded every day on commodity exchanges all over the world. This is taken up by Tang (2015, p. 121) who highlights the importance of commodities in the provision of catering services in restaurants. *“He states that food prices are rising on average by 2.8% per year, but agricultural commodity prices show signs of volatility due to e.g. climate change, disease, global demand. At the*

same time income from this industry is estimated to reach 683 billion USD in 2014.”

Commodity markets offer another opportunity in the form of the commodity stocks of companies whose business activities are mainly related to raw materials. These companies are typically involved in the search for new resources, mining and research of commodities. (Shipman, 2007) Commodity markets also offer sworn stock investors the opportunity to invest in commodities through equities. These can be very risky because many companies are very sensitive to interference from the government and environmental activists, which can manifest itself in the amount of taxation for example.

In addition to stocks and other investment instruments, commodity markets offer further investment opportunities to investors in the form of direct purchase, commodity indices, forwards, futures, options, mutual funds, exchange-traded funds (ETF) or managed futures.

The issue of financial indices including commodities is dealt with by Svoboda (2006), who divides the indices into several regions according to the orientation of the associated commodity exchanges. The indices are divided into several groups according to the composition and focus on the types of commodities that cover these areas - energy, precious metals, industrial metals, agricultural products, livestock and actual commodity indices. One example of a commodity index is the RICI (Rogers International Commodity Index) Metals Index, which consists of ten industrial metals i.e. copper, aluminum, gold, silver, lead, zinc, platinum, nickel, tin and palladium. Four of these metals are most represented in the index, with the largest being gold 19.92%, followed by copper, aluminum and silver, each having the same share of 15.94%, other commodities have less than 10% of the share. (RICI 2015) Jílek (2010) and Loader (2002) support the importance of the commodity derivatives. These represent a replacement of fixed amounts of cash for commodity instruments at an exact date in the future. Trading through commodity derivatives augments an investor's other investment opportunities because it increases the supply of trade in agricultural products, precious metals, industrial metals and energy commodities.

Nesnidal (2007) highlights of the future importance of commodity markets and argues that there is a change in investment behavior, whereby investors that invest in shares today will invest in commodities in the future. This statement once again underlines the importance of worldwide commodity markets.

The importance of raw materials has led in the past and still leads to political and military conflict, which clearly illustrates how commodities such as oil, gold, and silver are key for the economies of several countries. It

is important to realize that every country has a limited amount of raw materials and some are irreplaceable and indispensable for industry, which again adds to the importance of commodity exchanges over others e.g. stock exchanges. This division is pointed out by Fabozzi (2008), who divides commodities into two basic groups - renewable and non-renewable. One of the irreplaceable precious metals to affect humanity from the very beginning is gold. No other metal is so popular, desirable or sought-after. Many authors look at this commodity, which has influenced generations all over the world from different perspectives e.g. from industrial use, through art, to investment, including the branches this precious metal has influenced. The issue of gold is dealt with from several completely different viewpoints by Struž (2005), Bocker (2009), Bernstein (2000), Batterson (2009), and Revenda (2013). Yet it still maintains its dominant role in investment companies either in the form of jewelry or investment ingots etc.

Like any other investment commodity it has its shortcomings compared to investment securities. If an investor decides to create a long-term conservative portfolio, consisting only of investments in physical forms e.g. gold, silver, copper, then they will not generate any additional income in the form of interest, rents or dividends, which can be achieved by investing in equities. In this case an investor can only achieve capital growth.

1.2 Investment models

Investment models should be viewed as tools that are generally applied in the decision-making of professional as well as non-professional investors. Market economies are characterized by market turbulence, which leads to the greater risk and complexity of decision-making, which has a direct effect on shortening the validity of certain investment and financial models. The issue of forecasts is dealt with by Plummer (2014), who focuses on the psychology of investing in the financial markets. Investments, either in the form of financial or real, should be viewed the same way as finances. They contribute to the regulation and control of the economic processes and systems of individual countries.

These attributes were further exacerbated as a result of the global crisis in 2008. This was initiated by the US real estate market, where there was a bursting of the speculative bubble in connection with an abrupt rise in prices and the granting of mortgage loans to individuals who were not able to meet their obligations. The issue of price bubbles in real estate markets is dealt with by Shiller (2008), Hunter (2003). Although this crisis took place quite recently some authors such as Ren (2012), Funke (2013), and Tsai (2011) draw attention once again to the speculative bubble in the Asian real estate market. In some areas of investment e.g. real estate or commodities it is very difficult to determine the correct price. Newly designed or even

already existing models should allude to and prevent negative phenomena occurring on financial markets.

The assumptions on which each model is based are important. If these conditions are not met then the rule cannot be applied. It is also necessary to simplify and apply a model correctly to show the most objective results that lead to the investment decisions. A factor may appear on the market that is not included in the model, whereby its predictive ability decreases or becomes inadequate and then it must be modified to the current conditions developing in the market environment. The issue of financial models is dealt with by e.g. Zmeškal (2013), Shreve (2005), and Rachev (2011). Factor models and their application on the commodity markets are described by West and Wong (2014), who used them for changes not only to real but also nominal prices of selected commodities represented by e.g. lead, gold, corn, and coffee.

2. Methodology

When creating a commodity investment model the correct scientific method needs to be applied. One of the main scientific methods applied in this paper is analysis which was applied to the search of literature relating to investing in commodity markets. Analysis is further supplemented by synthesis which links knowledge from available resources that have paired relationships. This is followed by abstraction, the result of which is a model in the form of a graphic expression including a verbal description. The modeling method was further used to create the commodity investment model shown in Figure 1. During the evaluation of mathematical calculations of the obtained data, the design of the proposed model and the results, the principles of logic and reasoning were used, particularly in the application of methods which are paired to each other e.g. analysis-synthesis.

3. Design and mathematical expression of the commodity investment model

3.1 Design of the investment model

The design of the model relies on technical analysis through graphic representation i.e. bar graphs with a top (upper limit) and base (lower limit). It is also possible to design an investment model based on numerical values without any graphical representation. Firstly, a specific time interval needs to be selected for determining the right price of a commodity, i.e. t_0 to t_1

The process for designing the model and determining the right price is expressed in Figure 1 and consists of the following eight steps:

1. Line p leads from the highest point in the monitored period i.e. the top B around the last known price C – thus line p is determined by points B and C.

2. Create line q passing the lowest point A, which represents the base parallel to the x axis.
3. Point D is then the intersection of lines p and q.
4. Create line r passing point B parallel to the x-axis.
5. Create line s passing point D parallel to the y-axis.
6. Point E is then determined based on the intersection of lines s and r.
- r.
7. Create another line t, which is determined by points A and E.
8. Point F is then the intersection of lines t and p, which is the right price for the investor.

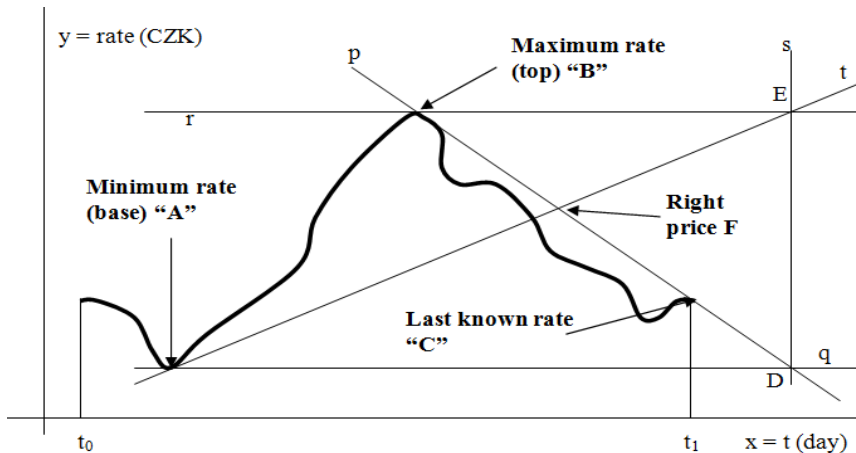


Figure 1: Poccus for designing the model and determining the right price of a commodity
 Source: own adaptation based on (Novotny, 2014)

3.2 Mathematical formulation of the commodity investment model

Mathematical formulation of the commodity investment model consists of the following eight steps that are listed in Section 3.1 which lead to the derivation of a formula for determining the correct price of selected commodities. The resulting formulation of the model is as follows:

$$y = \frac{-c_x b^2_y + c_y b_y b_x - a_x b_y c_y + a_x b^2_y - b_x a^2_y + c_x a^2_y}{2a_y c_x - 2a_y b_x - 2b_y c_x + b_x b_y + c_y b_x - a_x c_y + a_x b_y}$$

Identification and explanation of the individual data in the formula:

1. Points A, B, C.

Point A $[a_x; a_y]$ = minimum price of the commodity in the monitored period.

Point B $[b_x; b_y]$ = maximum price of the commodity in the monitored period.

Point C $[c_x; c_y]$ = last known price of the commodity in the monitored period.

2. In the orthogonal coordinate system used in the calculation the coordinate x-axis is aligned with the time period (day), the y-axis is the

selected currency expressed in monetary units, e.g. Czech Crowns, US Dollars, Euros.

3. To simplify the calculation the coordinate system is shifted in the direction of the x-axis to point A and the x-coordinates of the basis points (i.e. A, B, C) are calculated according to the given unit starting from 0.

4. Verification of the investment model for selected commodities

The model is applied to investments on commodity markets. The industrial metal palladium was chosen for the application for a selected time interval of three months from October 27, 2014 to January 27, 2015 in Czech Crowns per ounce. Table 1 shows data for the calculation of the right price, which was obtained for the selected time interval. The lowest rate in Czech Crowns in the period amounted to 16,700.95 per ounce on November 6, 2014, the highest value was 19,668.16 on January 13, 2015, and the last known rate was 19,240.02 on January 27, 2015. (Kurzy, 2015) Figure 2 shows the verification and quantification of the investment model using a practical example.

Table 1 – Data for calculation of the correct price

Points A, B, C	No. of days /price of commodity		Coordinates
Point A	No. of days	0	x coordinate of point A
	Price in CZK	16,700.95	y coordinate of point A
Point B	No. of days	42	x coordinate of point B
	Price in CZK	19,668.16	y coordinate of point B
Point C	No. of days	52	x coordinate of point C
	Price in CZK	19,240.02	y coordinate of point C

Source: own work

The data in Table 1 is substituted into the following formula:

$$y = \frac{-52 \cdot 19668,16^2 + 19240,02 \cdot 19668,16 \cdot 42 - 0 \cdot 19668,16 \cdot 19240,02 + 0 \cdot 19668,16^2 - 42 \cdot 16700,95^2 + 52 \cdot 16700,95^2}{2 \cdot 16700,95 \cdot 52 - 2 \cdot 16700,95 \cdot 42 - 2 \cdot 19668,16 \cdot 52 + 42 \cdot 19668,16 + 19240,02 \cdot 42 - 0 \cdot 19240,02 + 0 \cdot 19668,16}$$

$$y = 18\,529,56 \text{ Kč}$$

The result of the calculation shows that the industrial metal is currently over priced. The investment decision is as follows: an investor who decides to invest in palladium should wait and not buy this commodity until the rate reaches the right price i.e. 18,529.56 CZK/ounce. An investor holding this metal should sell because the price is overvalued for the selected time interval.

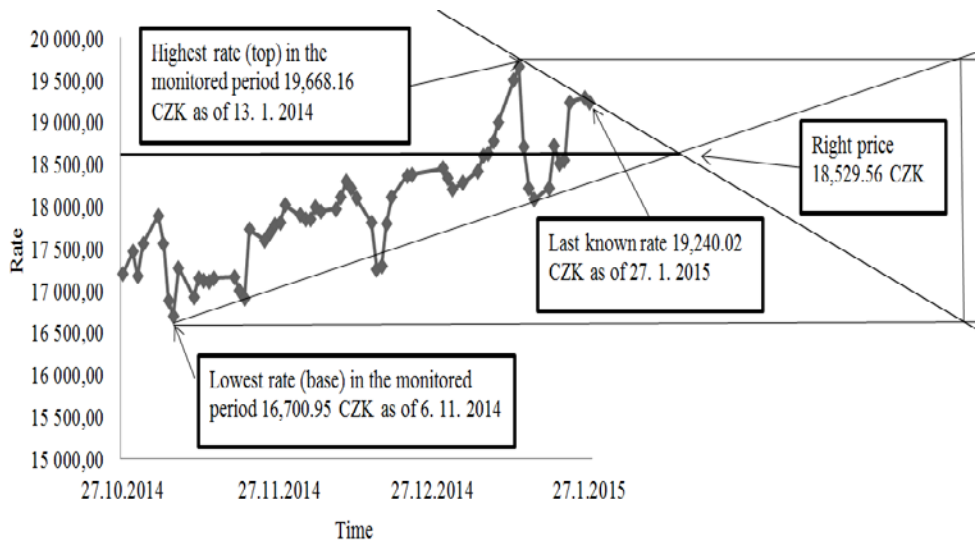


Figure 2: Verification of the investment model
Source: own work

5. Discussion

The presented commodity investment model provides new knowledge that could lead to better decision-making of professional and non-professional investors in their investment plans. However, the model is based on several assumptions and without these conditions it is not possible to design and use the model. One is that the model is based on numerical data or graphical representation. This implies that the investor must know the historical price trend of the commodity or the model cannot be compiled. After a certain period of time the top or base may have new values, then the right price will have a new current value. It may then take several days or months before the selected commodity begins to develop above or below the right price. Prior to application of the model the investor must decide what time interval to select for determining the right price and based on this make investment decisions.

To demonstrate greater objectivity of the results it would be useful to verify the model further in practice. The subject of further examination will be its use and testing not only on commodities but also on currency and equity markets, where it will be compared with the intrinsic value of shares. New time intervals will also be used. Selecting other time intervals and setting new right prices for each selected time interval can create a fluctuation band of right prices, which will help to improve the process. A fluctuation band in which the right price moves for a long period of time will eliminate extreme price fluctuations and will objectify the actual value of the commodity. The investor can then decide when to buy and when to sell based on the fluctuation of the price within the band. Incorporation of these

modifications will yield better results, which can help investors make better decisions on their investment plans.

Conclusion

In a market economy under the conditions of globalization investors need to use investment models to obtain better results. Only then can they gain a competitive advantage. This advantage can translate into profits and reduce losses, costs, etc. The models should be regularly updated and modified as required by market conditions in order to continuously provide meaningful results. The validity of each model is limited. Professional and non-professional investors must respond to new situations on financial markets, which may affect their investment practices and the models used.

Certain prerequisites need to be met for a commodity investment model to be used in practice. Practical use demonstrates the application and quantification of the model for the selected industrial metal of palladium. As with any investment instrument, the investor has a key moment for when to buy or sell and the presented model facilitates this decision. Furthermore, it should be based on knowledge of investing on commodity markets. Making investment plan decisions for selected commodities based on the quantification of the proposed model can be regarded as an entirely new approach to knowledge-based investment.

The current market environment is extremely volatile and rapidly changing. Nowadays, investors must make decisions and respond quickly to these changes, with the right conclusions and the best possible results. This requires good theoretical and practical knowledge of the appropriate management methods and decision-making models.

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THE LETHAL EURO CRISIS: NOT THE GLOBAL FINANCIAL CRISIS BUT THE EUROZONE GOVERNANCE IS RESPONSIBLE

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Abstract

The paper deals with some experiences as gathered from our research in the area of the European Integration within the EU in general and with the current handling of the ongoing global economic and financial crisis in particular. That in addition to various other negative impacts on the Internal market of the EU has brought with itself also a direct threat to the very existence of its common currency Euro and the entire Eurozone and finally also the EU itself. The paper in more details presents some of the main reasons for these negative development and impact on Euro. It analyses some of the hectic and unsystematic reactions and measures as taken by the EU institutions in order to save its common currency from a total collapse and/or its splitting into two “sub-currencies” as a stronger north and weaker south Euro currencies, Eurozone extra “government”, etc. That all after the decade long total ignorance of the Maastricht Treaty and its convergence criteria for the common currency. If its criteria have been observed strictly by all Euro zone members including of course also by Germany and France and/or otherwise all being penalized including those latter ones by the EU institutions there would be no such a deep crisis of Euro as it has been going on for already more than seven years.

Keywords: Eurozone, Euro governance

Some key background information on reasons why especially Euro has been so negatively effected by the global economic and financial crisis

In this respect it is important to realize that the entire process of preparation and implementation of Euro has been a long term process that has originally started as an integral part of the process of the development of the European Economic and Monetary Union (EMU). In view of this relatively complicated inception of Euro as a common EU currency it is important to take into account that the first initial steps towards future common currency have been laid down by the so-called Werner Plan yet in

1971 in order to overcome at that time threatening currency crisis that led to abolition of until that time existing a system of stable exchange rates among major world currencies. As a result, finally a ECU – European Currency Unit was introduced as a special currency unit that was not existing as a real currency but was serving as a kind of some financial and accounting and non-cash unit. However, only after 17 years in 1988 the European Council has adopted a strategy of gradual introduction of a true and real common European currency within the framework of the Economic and Monetary Union and on the basis of the so-called Delors' Report in three relatively independent stages:

1) This first stage of 1 July 1990 – 31 December 1993 was marked by an abolition of any limitations on the free movement of capital within the EU. During this period on 7 February 1992 also the so-called Maastricht Treaty on the European Union has been signed that among others adopted also the famous Maastricht convergence criteria that are serving as the basic criteria for EU member states to become eligible for entering into the European common currency that at that time had not yet had its official name.

2) Again with some delay the second stage 1 January 1994 - 31 December 1998 has introduced some institutional provision for the future common currency viz. the EMI - European Monetary Institute. During this stage also the name of the future common currency i.e. Euro has been approved in December 1995. After another year in December 1996, the design of future Euro banknotes and coins has been approved and in June 1997 the so-called Stability and Growth Pact has been adopted as the necessary precondition for adoption of the future common currency.

However, the most important outcome of this stage has been the decision made by the Council of the EU that on the 2nd May 1998 has - although unanimously - adopted for the fate of the future Euro a rather controversial decision that altogether 11 EU member states are “meeting” the Maastricht convergence criteria and thus they are eligible for adoption of Euro since 1 January 1999. With the effect of 1 June 1998 the EMI has been replaced by the ECB – European Central Bank as the central institution being responsible for Euro as the new EU common currency.

3) The third, last and the most important stage in Euro preparations and implementation started on 1 January 1999. On that date, the mutual exchange rate system among the particular currencies has been unchangeably fixed up. What as it has been proved later was not the most favourable decision for the new common currency as it has thus fixed up also some differences in economics of the member states and thus putting some of them into somehow permanent disadvantageous position. Since that date, also the Euro has become the official “common” currency of the EU for 12

EU member states that adopted the new common currency Euro on 1 January 2002. On that date also again by a certain paradox - with the three years delay after the date when the Euro has become the official currency of the EU - also the new Euro banknotes and coins have been put into real circulation and practical utilization.

Summary of some main problems and weaknesses of the Euro preparation and implementation that made it so volatile vis-a-vis the current global crisis

In a brief summary, the main problems and weaknesses of Euro due to its above complex and long preparation and many surrounding controversies have been as follows.

The entire process of preparation and implementation of Euro as a common currency has been too long lasting for more than 30 years since inception of the Werner Plan so the momentum of the new currency has been during those years to some extent lost especially as far as the citizens of the EU are concerned with a quite natural question – if it is so complex and complicated and with so many compromises what is it all good for

In spite of such a long preparation, one of the biggest systems shortcomings of the new common currency has been the fact that due to above longevity and complexity of its inception, it has been prepared only as a special currency in the form of common banknotes and semi-common coins but without any harmonization in the fiscal and other related policies. So from the very beginning it was only a common currency in circulation but not in any of at least elementary fiscal especially taxation common policy. Due to this fact the Euro in different member states countries has very different “value” so to achieve one of its main objectives i.e. mutual comparability of prices in different countries is absolutely impossible

Another important negative aspect of the new currency has been an unclear and confusing institutional provision and responsibility for the new currency. In addition to the ECB – European Central Bank as the main regulating and control authority for Euro it is also the shared responsibility of all central banks in all Euro-zone member states what in practice means that there is a natural space for a kind of irresponsibility in taking a due care for their common currency. This inconsistency has come up and been manifested in full only since the beginning of this crises when all countries instead of their common approach to protect Euro started mainly to protect their own national interests through various national “initiatives” like e.g. a “scraping car bonus”, etc. And it has been so since the very beginning of Euro although not so much demonstrated as after the outbreak of the crisis. Otherwise it could not happen that the catastrophic situation with public finances in Greece has been “discovered” only after more than 10 years since

introduction of the Euro as a common currency and after “permanent and systematic ” monitoring of the Maastricht criteria strict observance . And this is not only the grave mistake and irresponsibility of the ECB but also all other institutions that are responsible and/or co-responsible for controlling macroeconomic performance and in particular Maastricht criteria like it is in case of the European Commission but also the Eurostat and to some extent also the European Parliament,

The Maastricht Treaty has had at least on “paper” very demanding, strict and obligatory so-called Treaty obligations i.e. criteria to be met not only by applicant countries in order they could become eligible for becoming the Euro club and/or the Euro Zone members but also by permanently by all Euro zone members. In failing to do so it has been possible to punish the particular country by adequate fines as applied towards violators of any part of the treaty or any other part of the EU legislation. But unfortunately from the very beginning the interpretation of the Maastricht criteria in practice and requirements for their permanent observation has been very controversial, full of double standards etc. What finally led to the current deep crisis of Euro not because the global crisis but mainly due its internal controversies we have just presented.

The disrespect for the Maastricht criteria – originally only two-three countries met them in full - as one of the main reasons for the current critical situation with Euro and/or where was the European Commission for ten years of this disrespect as a guarantor of the basic treaties or the ECB as a guarantor of Euro...?

As mentioned in the end of the previous part, one of the main deficiencies of Euro as a new common currency of the EU has - in addition to some others as described above - been not a very systematic handling and application of the so-called Maastricht convergence criteria. As the key selection criteria on eligibility or non-eligibility of the applicant country for joining the Euro Zone they were supposed to play the key role in selecting future Euro Zone countries and also in achieving a permanent stability and strength of Euro . Basically, those criteria as the Treaty duties and obligations should not allow any different interpretation and/or derogations in case of the Euro zone applicant countries.

Finally, the following specific convergence criteria (in addition to some more general criteria on macroeconomic stability, etc.) have been adopted and have become a part of the Maastricht Treaty:

- the price stability and/or inflation – not more than 1.5% above the level of three best performing EU member states
- the state budget and/or government deficit – not exceeding 3% of the GDP

- the ratio of total government debt to the GDP shall not exceed 60%
- the interest rate should not exceed by more than 2% those of three best performing countries in the above inflation for at least one year before the examination
- participation in the exchange-rate mechanism of the EMS for at least two years without any fluctuation above or below that mechanism.

As usual in the EU by a certain unwanted paradox, the biggest problems to meet these criteria had had also those countries like Germany or France that were most demanding in their most tough and demanding formulation. In order to meet them, finally they had to resort to various (temporary) not-so-clear measures in order to pass through them and qualify themselves for becoming future Euro Zone members. Although it had to be clear for them that such their “successful finish” could not on a long term basis secure their non-problem participation in the Euro Zone as according to the Treaty terms all these criteria must be met on a permanent basis otherwise, the violating country will be severely punished by a high financial penalty to be paid for the entire period of non compliance.

Finally, in spite of all various measures often being on the threshold of unfairness, eleven EU member states “met” these criteria but...

The detailed analysis of their performance in the decisive period before the adoption of Euro shows that in full these criteria were met only by 3 (three!?) out of “eligible” 11 EU member states:

- France but it had also some big problems and needed some “innovative” solutions in revaluation of their gold reserves in order to meet the criterion on the budget deficit but finally has not succeeded in their sustainability
- Finland
- Luxemburg.

Again and certainly by a certain paradox we may see that among those three countries meeting the Maastricht criteria in full was missing also the country considered to be a main economic engine of the EU and the proponent of the most tough formulation of these criteria!

It is evident that such a composition of three only member states – moreover two of them too small for being considered even as a representative sample or prototype of any future common currency - could not represent the first group of the users of the future EU “common” currency. Hence, in interpretation of individual criteria were finally and again as usual in the EU adopted such various supporting clauses existing in the Treaty as the last resort that made them eligible in even cases that their total debt (on these criterion otherwise failed altogether 7 out of 11 “eligible” countries) exceeded the limit of 60% of the GDP by almost 100% and was hovering on the levels of around 120 % like in case of Italy and Belgium!

But could one imagine that the top representatives and thousands of well over paid EU bureaucrats of the most important EU institutions stationed in Brussels would be paid in Belgian Franks instead in their "own" new common currency – Euro?!

Hence, finally the selection of eligible countries was a process of various politically and otherwise motivated compromises that enabled to choose those 11 "eligible" countries that "met" Maastricht criteria or as one of "saving" clauses stated "demonstrated that any exceeding above the reference level was only exceptional and temporary and the ratio remains close to the reference value ...".

With the difference of more than fifteen years since those "temporary... exceptional...close to be..." exceptions were used, we could state that most of them remain until now almost on the same high levels as when they were approved. What has changed it was the fact that some additional problems with other criteria have just appeared. Hence for some time there was the strong general tendency to soften some criteria as they are too tough, rigid and as such "breaking" any sustainable economic development in the Euro Zone member states. These tendencies have intensified especially when also France and Germany started to have serious problems with keeping their budget deficits within the required limit of 3% of the GDP. As it was already problem of two main engines of the EU it is not surprising that finally not those two "EU engines" were punished by the severe financial penalties but... the particular criterion was... somehow softened exceptionally for them but not e.g. for new applicants for Euro from the NMS – New member states?! They have to meet original Maastricht criteria in full and on permanent basis. For example Lithuania was originally rejected from joining the Eurozone as it has not met the budget deficit by some fraction of percentage at the time when already most of the Eurozone members were in big recession and out of any Maastricht criteria?! Because in the EU we all are equal .. just some members are more equal!

In order to finish this part on some different application of the Maastricht criteria – otherwise typical approach in the EU - we dare to add only that: only Greece originally was used as an example that the EU authorities concerned were very consequent in demanding the meeting of the Maastricht criteria. Thus in this only case, they clearly demonstrated that Maastricht criteria are not a rubber ones that could be somehow adjusted to any not properly performing countries.. Therefore, later on, Greece had to meet all criteria in full in order to become the 12th member of the first Euro group of states that introduced the "real" Euro on 1 January 2002, This Greece case is a difference to some other much bigger states that even until now have not managed to reduce their enormous exceeding of their total debts as it is in the case of Italy or Belgium, but...Also now during the

critical situation with Euro mostly only Greece is singled out as an example of a country that has not been respecting its obligations towards Euro. As the only country that has been carelessly manipulating with the indicators – but where were the EU institutions like the EC, the ECB or the Eurostat - on the Maastricht criteria and with other important macroeconomic indicators while some other countries not being much better than Greece like e.g. Italy, Spain, Portugal, but also Ireland are mostly not mentioned at all or only very marginally. Although for example according to the latest available statistics Italy has still very high total debt of 132% of the GDP i.e. going up since being accepted for Eurozone with that clause on indicated positive development?!.. It means that in ten years Italy has not managed not to reduce its total debt at all but it has been further growing. Although it has been accepted to the Euro zone on the basis that it has been showing a positive development in this respect?! But where has been that positive development is not clear even until now! And of course it has to be taken into account that just 1% of the GDP of Italy is something completely different than in case of the tiny Greece, but...

Hence there is an immediate question where have been all those already mentioned regulatory and control institutions of the EU like the ECB, EC, EURSTAT, EP that they in 10 years have been unable to discover violators of Maastricht criteria not only in case of Greece but also all other?! But unfortunately also in the EU it is true that we all are equal but some are just more equal especially if you are big and strong enough country.

These and various other criteria and “criteria” for Euro are on the other hand in some sharp contrast with the real situation in using Euro, that in addition to the EU member states has already been used instead of national currency in numerous states that are not EU members and have not met any Maastricht or other criteria as e.g. it is in case of Monaco, Andorra, San Marino, Vatican (even with a special privilege to mint its own coins?!) and also some other countries that are even not EU neighbours like Montenegro or Kosovo in order to mention just Euro “users” in Europe. All these and some other cases have of course nothing to do with any monetary or other common policy of the EU, it is just a politics and towards a tourism business oriented tolerance if we realise that the set of Vatican coins with the face value of 3.88 Euro is possible to buy in the souvenir shop for only not less than 400-500 Euro?! Quite a good business isn't it?! However, definitely it is unfair and discriminatory towards the EU own especially new small members that have to meet without any derogations all Maastricht criteria and prove also its sustainability while its own big members did not need that and the same also those external states-users of Euro like e.g. Kosovo or Montenegro. Although in some respects they are bigger than

some of the smallest Euro zone member states like Malta, Cyprus but also Slovenia.

Current situation and problems of Euro vis-a-vis its ongoing lethal crisis that could finally lead even to the demise of this “common” currency

After such a complicated and often controversial development, a careless regulatory and control mechanism from the side of the particular EU institutions led by the ECB and EC it is no surprise that the Euro has been so negatively effected by the ongoing global economic and financial crisis.

At at the outset of the crisis there was existing quite an indifferent and critical only approach towards the Euro crisis that has been most dangerously presented in Greece. On one side especially from the side of Germany there was originally no intention to help Greece to get out from the crisis under the slogan that German workers would be not working till the age of 65 in order the Greeks could retire as before at the age of 55 with many extra benefits, perks, etc. There was forced an opinion that the EU is a market economy with the rules also for bankruptcy that should be applied not only in the case of unsuccessful companies but also of states. But soon after when it has been finally discovered or at least publically admitted that Greece is not the only member state of the Euro zone on the verge of bankruptcy and that most of so-called “toxic” loans to Greece were quite logically from big German and French banks also the general strategy of the EU towards Greece has completely changed.

The saving Greece and thus also Euro and Eurozone has become a case of the EU “solidarity” and mutual help as it has been enshrined in the basic Treaties. It is pity that this kind of the “solidarity” is applied only mostly in case when big members feel to be threatened and not also towards small new member states regarding e.g. a free movement of their citizens, for which we in the NMS had to wait for full seven years, the CAP – Common Agricultural Policy subsidies that are still in the NMS only about 60% of their much more richer old member states’ farmers, etc. And so on and so forth.

Finally after many heating debates at the never ending “summits” the EU leaders have come to the plan to save and help to Greece and to prevent anything similar in the future by adopting to main instruments in this respect i.e.:

- A massive loans to Greece as an award for its own deadly reforms. Although nowadays after several years of these “reforms” the country is in much worse situation than it was when the these safety measures have been launched. It is generally agreed that the so-called “Troika” i.e. the European

Commission, the ECB and the IMF have just failed as it had to be clear to everybody who has some knowledge on macroeconomics but...

- A so-called “Euro walls” i.e. large funds that in the future could be used immediately in similar cases to help to any Euro member states in case of similar crisis.

But again it would not be the EU if again also this plan would not be creating some controversies. The first is that the sources for both of them were sought not where the problems were made but under the false and often otherwise overlooked principle of “solidarity” it was sought within all members of the Euro zone and of course without any kind of direct accountability for this disastrous situation of Euro. Only in such a way could happen that e.g. for particular “Euro wall” the countries have to contribute by the following per cents of their GDP:

- | | |
|--------------------|-----------------|
| - Slovakia 6.50% | - Spain 4.81% |
| - Germany 4.78% | - Greece 5.16% |
| - Luxemburgh 2.80% | - Belgium 4.44% |
| - Italy 5.02% | - France 4.60% |

What is on these figures interesting it is several facts:

- Slovakia that was at that time the far poorest country in the Euro zone with only the GDP per capita 21,245 USD has had to contribute by the highest percentage of the GDP although it has been in the Euro zone only a little longer than one (!) year before the crisis so much damage in this respect could not be made

- Luxemburg as the richest member with the GDP per capita 78,395 USD has allocation only 2.80% although it has been a founding member of the Euro zone and thus also directly co-responsible for the ignorance of the Maastricht criteria from the very start. Although it is also true that it is only one of 2-3 countries that really and fully met the Maastricht criteria from scratch

- Even more interesting are the cases of those who on the long-term basis and from scratch have still been violating the Maastricht criteria without any punishment so one would be expecting that at least in this case they would be allocated by a proportionally high contribution to this fund that to the large extent has to be created mainly due to their irresponsibility but... As we may see the contributions of Greece, Italy, Belgium, Spain as the main culprits in this respect but also France and Germany as the main architects of the Euro are only between 4.44 – 5.02%. By a certain paradox these limiting figures are of Belgium and Italy who for more than 10 years since inception of Euro have been permanently violating the total debt within the Maastricht criteria as it has been illustrated above on the case of Italy And of course they GDP per capita is between 29.109 in case of Italy to 35.422 USD in case of Belgium.

What is even more interesting, it is the fact there was taken no action in this respect towards the EU institutions that are paid by EU citizens/tax payers like the EC, EP, ECB, EUROSTAT etc. as they have directly been responsible for controlling member states regarding their meeting of Treaties obligations and the EU legislation requirements in full and without any derogations. If this has been the case also regarding Euro and the Maastricht criteria there would not be needed any Euro wall and loans from the Euro zone member states! Such and really a huge Fund of collected fines from the violating member states would have been completely full after the ten years of irresponsible disrespect to the Maastricht criteria. But it could not be the case of the EU being infamous for its special interpretation of the Treaty duties, responsibilities, expected solidarity and generally applied “double standards”, etc.

As a result all above EU institutions have not been anyhow negatively effected by their irresponsible behaviour towards Euro. There have been taken no personal consequences towards e.g. the European Commission and it was led for standard two terms by the same President whose first term in years 2004 – 2009 was the most important for successful implementation of Euro. But as we demonstrated it was more about disastrous development of Eurozone than anything else. And it is absolutely true that in this respect it has totally failed in protecting interests of the EU regarding its common currency what is its main Treaty obligation. The same is regarding the ECB. What consequences have been taken against its top executives that they let Euro to slide into such a deep crisis threatening the very existence of the Euro. And of course there have been so far no financial cuts to the budgets of these and all other EU institutions for their complete failure towards protecting Euro from its current crisis that is still not over and it really could happen what has been predicted by many experts that sooner or later the Euro could really demise

Conclusion

In conclusion we could state that Euro even after more than thirty years of its preparation and more than decade since its introduction as a “common” currency of the EU has not yet become for various reasons truly and fully a real common currency for all its current 28 member states and its citizens and now it is almost impossible to image any massive enlargement of the Euro zone at all. On the other hand as a consequence also of this its internal position, Euro has not yet become an international currency that would be on par with its main competitor on international markets i.e. the US\$. It will need many more years and mainly more systematic and consequent policies and not only monetary to make Euro what it has originally been intended i.e. a common EU and internationally highly

recognized currency. The current Euro crisis as we have at least partially presented it in the previous parts of this paper has definitely not contributed to the respect, prestige and confidence towards this very special “common” currency. It is really a question what will be its future development, “enlargement” and position in the world. It is more than clear that not only Greece, Portugal, Spain, Ireland, Italy, Cyprus, etc. have not definitely been the last countries that have been so negatively effected by the current Euro crisis. There are many more EU countries as potential candidates to follow their problems and to extend the original PIGS (Portugal, Ireland, Greece, Spain) to current PIIGSC i.e. adding Italy and Cyprus. It could be very soon PIIGSCB and it could also be F for France in connection with its ranking and so on and so forth. And that is already more than a half of the current Euro zone. And there exist even an opinion of many experts that perhaps there will if not a total demise of Euro as a common currency then at least its split into two categories, or ejection of some members like Greece that has already been on the verge of the total bankruptcy, etc. It is simply just not possible to ignore own criteria for so many years and hope that somehow it will be settled down. Especially the European Commission should be in this respect more self-critical and drawn its own lesson from this Euro crisis. On the other hand from the Eurozone member states it is also required more discipline and self-criticism and mainly responsibility. Especially its big and strongest members should be very active not only in searching ways and means how to save their biggest banks that have made bad loans in Greece in billions and billions of Euro but also in their ability to respect by themselves initiated various criteria, safety walls, debt limits, etc. The latest developments clearly shows that although the so-called debt-break of 60% of the total debt of the Eurozone members has not yet been even implemented in full, there are already rumours that some of its initiators are already asking for postponing deadline for reaching that debt ceiling?! The biggest paradox is that it is absolutely nothing new as already in the Maastricht treaty that introduced Euro legally yet in 1992 it has been clearly stated that the countries that want join the Euro zone have to have the total debt not more than 60% of the GDP! And that was already more than 20 years ago and as we know the basic treaties and thus also the Maastricht one is in the conditions of the EU a case of its surrogate constitution?! Hence, why we have needed to introduce now during the lethal crisis the same just under the new name of the debt brake, etc.?! And finally there is just one single question. What system is it if such a really tiny country like Greece with its population of only about 2 - we repeat two - per cent of the total EU population could so lethally threaten such a giant like the EU with its over 500 million citizens?! .

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CREATIVE MANAGEMENT AND INNOVATION IN EUROPE AUTOMOTIVE DIMENSION

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Abstract

Nowadays, entrepreneurship is determined by creativity and innovations. Creativity means constantly aspiring process of innovation and progress, and both are important keys to any effort how to be success in business world. Innovation has an impact on every area of organization: design and technology, product development and value creation, creativity and problem solving, structure reorganisation etc.. Creativity and innovation in company or in entrepreneurship should be able to provide and contribute solving problems. The paper is trying to describe a creative process in management of innovation in European automotive companies in developing new products or creating new strategy. It develops the idea of how creative techniques and innovations can be used to enhance a potential of the activities of the organizational processes that can be oriented towards to achieve the objectives and specific tasks to manage.

Keywords: Innovation, creative management, management of innovation

Introduction

Application of creativity techniques with innovations depends on the type and characteristics of a pocket of creativity. Creative management is the study and practice of management, drawing on the theories of creative processes and their application at individual, group, organizational and cultural levels. In Europe, research on creativity and innovation in business followed the rise in interest in the United States. Companies are critical element in the innovation system, and their health determines the competitiveness of countries. Innovation systems are tested at various levels. The majority of analyses are conducted on national innovation systems, since it is considered that the characteristics distinctive to individual nations most affect the distinctness of the innovation process in companies: the type and number of institutions and their behaviour.

Usually innovation is automatically associated with new technologies. Innovation is often measure by the amounts of money spent on research and development. It has the advantage that it can be measured quite precisely, but innovation is something quite different. Innovation also can be changing processes, changing the way we do things. Innovations determining the competitiveness have not only technological dimension, but also the organizational and personal one – the quality of human resources is extremely important for the profitability and the development of an organization.

European examples of creativity and innovation in management

The automotive industry worldwide need radical change and innovation required to meet the environmental challenges that are emerging in our modern society. The point has been reached where it has become evident that action was required long ago to redirect production towards more environmentally friendly and sustainable offerings. If car manufacturers are to survive, they need now to strive continuously towards more efficient product development processes using new technologies, novel designs and specially developed features. These needs require creativity and innovation. Improvements have tended to focus on areas such as performance, fuel consumption, safety, comfort and driver information, all areas that have improved exponentially. Automotive firms have developed their capabilities to innovate within this paradigm, resulting in ‘more-of-the-same’ products, while competition has become ever fiercer due to structural changes in the marketplace, intense brand competition, stricter regulation, growing fragmentation and shorter product lifecycles. All these changes are subjecting car manufacturers to extreme pressure – to excel in the execution of current capabilities and to develop new organizational capabilities in areas that are unfamiliar to them while at the same time revising their overall strategic direction. In general terms, organizational capabilities signify what an organization is (or is not) able to do for instance, organizational capabilities have been seen as the abilities of firms to deploy their available resources to achieve the desired end results, describes the firm’s core capabilities as the set of knowledge that provides competitive advantage. According to her, these capabilities have four dimensions: employee knowledge and skills; technical systems; the managerial systems that guide the knowledge creation and control processes, and the values and norms associated with these processes.

The paper describes how real creativity and innovations have been implemented in European companies.

Vision 2020

The Vision 2020 project was brought to an end in early 2009 in the context of a major re-organization of Volvo Cars under new creative managers (CEO and others). New creative management project was decided to establish a new organizational unit – **Long Range Strategy and Innovation** – to deal with long-term strategic issues and creative innovation. The more detailed agenda for the unit is still under development, but should allow a more structured way of dealing with developing capabilities to achieve innovativeness. It could be argued that institutionalization of the project is a major creative achievement.

The objective of the Vision 2020 project was to build the new creative organizational capability in process of developing car to break away from the prevailing incremental approach to innovation and to **‘innovate differently’**. In particular, Volvo Cars wanted to be able to create and launch offerings that encompassed safety and eco-environmental improvements, to increase attractiveness and the willingness of customers to pay for a ‘common good’, but without relying on external incentives related to greening. Thus, the overarching aim was to learn how to creatively innovate so that the offer could be profitable while the level of both private and common good could be increased, which translated in the aim to develop Volvo Cars’ creative capabilities for innovation. Vision 2020 was a bottom-up initiative, but it was well anchored in parts of Volvo Cars’ top creative management team and overall responsibility lay with the Vice-President (VP) of Brand.

The Vision 2020 project was small in terms of staffing. The core team initially was three people and was reduced to two in 2007, one of whom was replaced during the latter part of 2008. However, throughout its two-and-a-half year life, the various activities of this core team had the support and involvement of many people from different parts of the Volvo Cars organization. The aim of the Vision 2020 project to develop the creative company’s organizational capability was focused on two explicit objectives: first, to be experimental creative and explore different methods of and approaches to creative innovation, and second, to systematically develop a different mindset for the creative decision makers – at all levels. The project defined four routes to achieving the first objective of being experimental and exploring new approaches:

- 1) **Defining targets.** Defining what needed to be achieved in order to overcome societal and ecological constraints and thus define the problem as well as part of the solution.
- 2) **Defining technology pathways.** Participating in studies on alternative energy consumption and provisions for the future, in order to choose from technologies that fitted with future paths.

3) **Innovating differently.** Experimenting with combinations of different expertise in the processes of idea generation (especially to the bundling of private and common goods and combining different perspectives), and creative product development.

4) **Conducting small-scale market tests** as a way of learning (business model development). To address the second objective of developing organizational competence and cognition, that is, influencing those involved in creative decision making, the project team identified a need for continuous development of competences, but without originally specifying or knowing how this could be achieved. It became obvious that this objective was a dominant and time-consuming part of the project.

Experimenting with Alternative Creative Methods

In terms of activities and processes, the Vision 2020 project had a strong focus on experimentation. The project started with some experimental activities related to how to creatively innovate, based on multi-disciplinary workshops designed to promote ideas and concept development, drawing on design-based theory and external knowledge sources. Central to the project was that Volvo Cars needed to develop alternative activities to enable it to innovate differently, or as a member of the core project team expressed: We need to create an organizational ability to earn profit on our core values of safety and environment. That is [we need] to learn how to creatively innovate differently.

Experimenting with Ideas Generation in Terms of Focus and Approach

The Vision 2020 project was based on hands-on or 'learning-by-doing'. The aim was to experiment with relatively small innovations (such as car subsystems), then to capitalize on that experience to persuade creative management to fund a larger experiment (potentially a car). The insights developed would be disseminated through the company in order to contribute to the development of creative organizational capabilities. This dissemination was enabled by the contributions of an extended team linked to the project that included key members of the organization.

The project kicked off with an ideas and concept-generation workshop series to define desired attributes. The series involved various stakeholders from different internal disciplinary and functional backgrounds in the organization coming together to form temporary taskforces. The outcomes of the workshops were drawn on for a subsequent series of idea-generation creative exercises based around environmentally friendly concepts.

Aligning with and Breaking Into Existing Arenas

Another aim of the project was to align with the intentions of existing initiatives or processes that were focused on future production. For example,

the project was aligned to the ongoing Premium Brand work and an Alternative Fuels Strategy initiative aimed at winning acceptance of building capabilities ideas.

Important is that project has participated in the international five-year **Living Tomorrow** project (2007–2012). This involved some 50 partner companies, among which *Volvo Cars was the only car manufacturer*. **Living Tomorrow** is providing a vision of how people will live, work and travel in the future. The fundamental idea of **Living Tomorrow** is to create physically visible, groundbreaking creative innovations that are shown in Brussels. The Vision 2020 project participated in mutual learning from its involvement with this endeavour.

Aspects of creative management and innovation

Creative management in project Volvo Vision 2020 is based on creativity of subjects, not economically connected to Volvo Company – leader of project. This concept in development of new products in automotive industry is not typical. Development connection existed only in the case of personal or economics connection relationships between companies. Development of automobile industry is usually done by external company but for the first time Volvo used for design of concept of new product.

The Volvo study also points to an urgent capability that, although well known, is too often neglected: creativity of management. Study shows that without the explicit and consistent support of top management, capabilities development will not progress, but there are few in-depth discussions of this in the literature on innovation capabilities. In the case of Volvo Cars and the Vision 2020 project, it soon became apparent to the core team that the main problem was a lack of strategic direction in the company (and a lack of strategic development work). This made it difficult for the project to achieve a pioneering impact on the organization. Despite their efforts, the team members were unable to gain the leverage required without the simultaneous development of a strategic dimension and management's acknowledgement of the need to develop new capabilities. Strategic direction can be formulated in terms of the implementation of strategic rules. At Volvo Cars, during the time of the project, there were few explicit rules, and those that were in place worked to reinforce the organization's existing behaviour of following the same paths, rather than enabling the required strategic change. Since top management was not providing a clear strategic direction for the organization, the members of the organization applied their own interpretations about what needed to be done and acted accordingly. The aim of the project was to renew the way that the firm worked and this required a much stronger link to strategy.

SAFER Partner Organizations

Project SAFER is Sweden open innovation arena involving 22 partners from academia, industry and government conducting joint research on traffic and vehicle safety. The organizations include large actors such as AB Volvo, Scania and Autoliv and small technology organizations. SAFER provides office space and meeting rooms for the partners. Its explicit vision is: 'to enable Sweden to reach world leading competitiveness and to provide new countermeasures to considerably reduce both the number of traffic accidents and the number of fatalities and serious injuries'. Its aims are 20-fold growth in project money turnover in 10 years. The research involves work on active safety (pre-crash), passive safety (crash and post crash) and traffic safety analyses, and is multi-disciplinary in that it encompasses many different areas from vehicle dynamics and communication technologies, to biomechanics and human behavior. Field operational tests are conducted in the accident analysis area.

SAFER is an interesting case because it differs from the innovation actors previously studied in the literature. It enables innovation by providing a physical space for the collaborating partners and has a proprietary vision to become a world leader. SAFER was launched in 2006. Five years later, there are about 170 people working on SAFER projects as part of their daily operations, while still being employed by their respective companies. SAFER has a board with nine members (including the chairman), mainly from industry. The board has overall strategic responsibility for the centre, monitors the project portfolio, decides on the start of projects and academic courses, can request projects to be initiated in areas not covered by the current project portfolio, and appoints the operating manager. A group of the participating partners proposes people for consideration as board members.

The activities of SAFER are organized around four research areas (pre-crash, crash, post-crash and traffic safety analysis). The projects within each research area are managed by a coordinator with the support of an expert reference group. The reference groups enable active researchers (from university, industry, research institutes, public authorities) to co-operate and create an innovative research environment. There are 12 competence areas (for instance road user behavior and biomechanics) each of which has an assigned leader.

Thematic analysis of the interview transcripts identified three types of challenges: one in the interface between SAFER and the partner firms, one between the partner firms and one in relation to the role of SAFER. These issues and illustrative quotations are presented below.

SAFER has the ambition to become world leader in traffic safety, a goal to which the partner organizations are expected to contribute. This vision is complementary to the goals of some of the partner organizations, and

similar to that of others, which results in a competitive situation. Despite an often explicit desire to contribute to the joint vision of SAFER, company representatives expressed the difficulties this implies in practice. For instance, SAFER's success is perceived as threatening for one partner organization.

People involved in projects at SAFER come from different organizations. It is often unclear how the work in SAFER projects is valued by these organizations. For instance, the work in the arena is sometimes considered additional and not contributing to career development in the home organization. This is illustrated in a quote from a university researcher who is the project manager of a SAFER project including members from several partner organizations.

Launching a SAFER project requires a board decision. However, being a partner in a collaborative arena implies dealing with a variety of decision systems, to launch projects. SAFER needs to be convinced by the proposal as well as the participants' home organizations. If these organizations are part of a large international group, decision processes can be extensive and time consuming.

There are also challenges related to the interfaces between the partner firms. Since SAFER is constituted mainly by partner firms, problems among partners have a major effect on the open innovation arena and are an important concern for its director. At SAFER, people are continuously encouraged to share knowledge. The assumption is that if everyone gives, everyone gains. *There are different reasons for participating in SAFER, which are apparent in how the different companies relate to each other in the collaboration. Some want to contribute to the overall knowledge generation while others go to great lengths to create benefit for themselves. This can cause difficulties in projects.*

SAFER provides an opportunity for the partner organizations to collaborate with many other organizations, including competitors. However, partner organizations are not entitled to participate in every project. The teams are decided project by project, and there are no guidelines for project team make-up. Sometimes a partner organization considers a project not very interesting because the 'right' people are not involved.

Aspects of creativity and innovation of SAFER project

The creativity management of project SAFER is based on establishing new type of scientific research consortium. Consortium consists on strong economical partners (Scania, Volvo), university, small research companies and state institutions. Creativity depends on connecting diverse interest entities whose entire project was different. On one side better and safer trucks on other side legislation and on third side economic profit.

Merging of different aims require creativity of managers – to create concept investigators – researchers, academic staff, company managers (Volvo, Scania) and state employees.

The centre for this project was established in university because of biggest creativity of academic staff.

Conclusion

Creativity management is used to describe alternative approaches to business processes such as strategy development and organizational change at the operational level, the development of new products and technological innovations and their introduction into practice. The paper is presented different cases of creative management with innovations in practice.

Case SAFER describes process of establishing consortium of large automotive companies, small research companies, universities and state institutions. For success of this project is necessary to find structure of cooperation, because of aim of all partners is different. Creativity and inventions are required in process of cooperation different teams. Project SAFER is specific. To manage, where high business companies, small research companies, universities and state institutions are connected together is difficult. Strong creativity how to connect university level thinking with business oriented companies and byrocratic state institutions is required. Currently the project is still successful and still functional. To get the most creativity in the project is centrally managed mainly from the universities.

Volvo Vision 2020 project is a special project to develop a new concept car with free new ideas for future collaboration with external partners. Difficulties may be to manage the project on interaction with other projects, for example - Living tomorrow. The development of entirely new product - a hybrid car is held in the new structure. External companies are members of the new team that was responsible for a new concept. But to manage this team is not easy. Volvo car used information from another project team member as Living tomorrow - and then the automobile design pursued with regard to the human body and the quality of life. Creativity management was to link human needs, quality of life and respecting the technical constraints.

Creativity in management is used to describe alternative approaches to business process, such as strategy formation and organizational change, and at the operational level to refer to new products development and technological innovation.

Paper described typical scenarios in which creativity impacts business processes and their management and presented exemplary strategies and actions that organizations apply to deal with the phenomenon of creativity to enhance process performance and quality of creative products. It is relevant

and timely to take a closer look at the role that creativity plays within business processes and how it can be managed. Existent modelling techniques, tools of management and management practices may support some of the important creative aspects in this context. However, until now there is no comprehensive approach on how to manage creativity from a business process perspective. With this paper could to set the baseline for a discussion on the notion of the creativity-intensive process.

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SUSTAINABLE DEVELOPMENT OF THE ALBANIAN ECONOMY, COMPARATIVE ANALYSIS OF SME GROWTH RATES

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Abstract

In this paper we will precisely focus on the definition of SME and their ability to build a business plan that will help them to be successful in terms of seeking funds. For this reason, SME and their financing opportunities in our country is one of the issues that we will treat. Firstly, we will treat the business plan in theory and its role on SME, and is being build a business plan for a Travel Agency. In this paper, firstly we stop on the study of literature on SME concept and the business plan. For this reason we have found valid date information on studies from various writers and publications in foreign newspapers, as well as the publications of Prof. Alba Dumi "Entrepreneurship and small business management" as well as studies of different authors. By giving a financial view on SME over Albania, we have received information from bulletins of the Albanian Bank. I have contact with different banks in Albania, and especially with the employees of Raiffeissen Bank.

Keywords: SME growth, Albanian business, Business plan, Economic rules, Law Problems, FDI,traditional culture

Introduction

Since 1992, Albania has progressed rapidly in the transition from a centralized economy to a free market economy. These were the years of the implementation of macroeconomic stability policies and economic growth, based on a series of reforms.

The structure of the economy, in terms of development, has undergone significant changes over the years as well as in many other countries. Thus, the role and importance of primary production (agriculture, forestry sector, etc.), secondary production (industry, wood processing,

construction) and tertiary production (services, public services, communications, etc.) in the national economies of many countries, has been changed in noticeable order. Primary and secondary production has decreased, while services have taken the leader position in the economies of many countries, resulting in increased employment and added value. We see the same situation in our country.

The global experience makes clear the importance of entrepreneurship and small business management as a driving force in the new world economy. Albania is one of those countries after the collapse of centrally planned economies that was characterized by rapid development of the private sector, with the premise of small business growth, referring as the backbone of the market economy. Private sector development has been hard during these difficult years, the streamlining of our economy physiognomy. Entrepreneurship and small business management and secondary there have been and remain still today the promoter of generating sustainable economic growth, employment and poverty alleviation. The main role today in the failure or success of the business which is played by entrepreneurs; it creates a new business which puts greater risk and uncertainty, with a view to achieving profitability, growth and identification of opportunities. It is the duty of entrepreneurs to work harder to be transformed these opportunities, in order to secure profits. State intervention in the economy must be legitimate and originally defined in Constitution. It is the fundamental law of a state and contains basic general principles upon which will be built state policies. In order to run these policies in all economic activities in the country the laws are regulators. They are accompanied by rules which are generally divided into three main categories: economic rules, safety rules and regulations of information.

Development of Entrepreneurship and SME

During recent years the Albanian government has undertaken significant reforms to channel the Albanian economy in the formal sector. Entry into force of the flat tax, the establishment of fiscal cases, reform of the VAT system, improvements to the tax authorities' procedures, the success of the National Registration Center and simplifying business licensing procedures have been very successful reform and Albania has shown that economic growth despite the global crisis. Albania, too, in the last 5 years has become overrun in most global rankings on reforms and competitiveness. However, a significant part of the economy remains in the informal sector. Albanian Government with the support of the donor community has been the leader in the region in terms of efforts on electronic governance and pervasive system of procurement on line operation in Albania is a success story for which Albania has been hailed in the

international arena. Great efforts are being made in the field of taxation, implementation and transparency with database online properties and similar efforts are being made in health and education.

Literature Review And Hypotheses

Current Situation and Development of SME Sector

By the end of '80 no important economic reform Albania was taken. Starting from the '90s the government started to show signs of readiness to set aside the utopian goals imposed by the former regime. In 1989 former president then was found in an irreversible process of liberalization of Albanian Economy. This process began with the granting of limited financial autonomy for state enterprises, in recognition of the right of farmers to livestock cooperatives in the state. Still it was not for the emergence of SME, property title and the ability to sell agricultural products prices at open market were dictating by government. Immediate measures taken by the state at the time could not serve to stop the economic downturn that was manifested in all directions, starting with the explosion of foreign debt, inflation (which in the years '91 / '92 touched respectively 104 % and 236.6%), decreased drastically by more than 50% of GDP in the period '90 / '92 (-13% in the 90-s, in '91 -28% and -10% in '92), immediate growth of unemployment and almost paralyzing generate agricultural and industrial production.

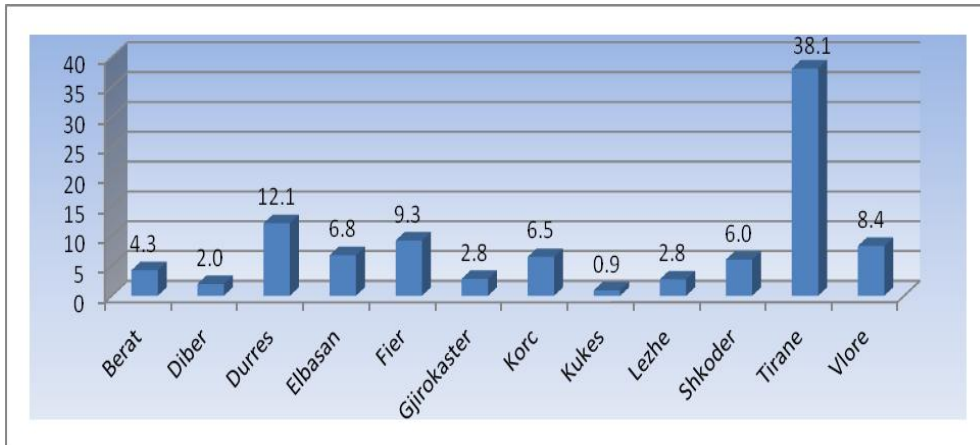
The economic transition and development in Albania

To treat the social- political emergency and economic situation in May of '91 was formed a coalition government. In the economic field was drafted by the government and approved by parliament a program containing urgent measures for macroeconomic stabilization and liberalization of the economy. The SME sector has a substantial contribution to economic growth and employment. Based on data from INSTAT (2011), the contribution of SME to GDP is more than 73% and more than 71% in the employment sector. Also the number of active enterprises in late 2011 was about 106.503. Compared with active enterprises in 2005 has increased by 65%. The number of enterprises that run or are owned by females is 27%. According to the structure of active enterprises in 2011 is noted that SME are mostly dominated by micro-enterprises with 1 to 9 employees, who constitute about 95.2% of the total number of active enterprise.

Distribution of active enterprises by economic sectors is as the following: trade market 43.8%, 16.1% hotels & restaurants, transport & communications 10.2%, industry 9.8%, construction 4.3%, agriculture and fishing 1.8% while other services occupied 14.1%. It is worth mentioning that the sectors of trade, hotels, bars and restaurants are dominated by

domestic enterprises with a slight shift in recent years towards international trade, especially during the summer as a result of increased tourism in the country.

Graph3. Distribution of SME according to regions



Source: ASN - INSTAT 2011

Over 50% of active enterprises are operating in Tirana, Elbasan prefectures, Durres. Vlore, Debra and Kroc is noticed only a slight increase of enterprises leaving the situation in the state of almost a year ago.

Prevailing in number are the activities in trade market and catering sector - restaurants with 60%. 43.8% of enterprises are in the trade field with a slight decrease of 0.6% compared to 2010. The producers account only 16% of service providers. Such dominance is common in all prefectures. Compared with last year turnover in 2011 has been risen by 8% .This increase of 32.3% came as influence in construction-building field. Compared to 2010 commodity producers has been risen by 6.3%, while service providers, compared with the same year has been risen by 5.7%.

Financial and Credit Facilities

- According to the report "Doing Business" from World Bank 2011-2012, Albania is ranked as 23rd in the world for ease of lending. Based on data from the Albanian Bank, the share of private sector credit of GDP in December 2012 was 40.2%. Annual growth rate of the loan portfolio was found to be about 14%.

- Banks are the biggest funders of the economy as the banking sector constitutes more than 95% of the financial sector. In order to improve the financing environment for SME, in recent years have been taken measures in relation to the introduction of schemes to guarantee loans to SME.

- SME scheme implementation credit from the official launch of the program in January 2009, until December 2012 has been lending to SME 25 million EUROS, which were financed in 79 Albanian SME projects with a funding of 17.4 million EURO of which 10 projects are "Started up". Moreover, a guarantee fund of 2.5 million is available as part of the Program for the Development of SME in order to guarantee bank lending.
- The European Fund for Southeast Europe (EFSE). FEEJ has given a loan of 20 million EURO to National Commercial Bank (NCB). So far, 23.8 million loans were approved for 332 clients financing businesses in several different districts and for different purposes such as: investment in inventory and active properties. The condition of these loans outstanding was 17.9 million, while having a very satisfactory repayment performance.

Development of Hypotheses

The SME financing argument has increased in recent years, but is still considered insufficient to induce a rapid development of this sector. Also SME and especially SME encountered enough difficulties to obtain loans from the banking sector, where the cost of credit is relatively high.

Requirements of banks are not favourable for business, especially for the high level of 120-150% collateral and high interest loan when is required for investment in materials, machinery and equipment, but there are still missing supportive policies to start-up businesses.

The lack of alternative financial resources for SME, such as venture capital, innovation vouchers, small business, etc.

During the last three years Albania has had an economic growth of 6%, an increase has been noticed as among the best in the region. No doubt that the SME sector has an important contribution on this process.

The contribution of the SME sector is estimated at 64% to GDP and employing about 66% of employees in the private sector.

Referring to the structure of employment, small enterprises and medium SME with 1-80 employees are more than 99% active companies in Albania. The number of companies with over 80 employees is 423, while the number of companies with over 250 employees is only 40.

The data above constitute the backbone of the policies in the field of business development for the coming years.

During 2005 there has been found a rapid growth of new enterprises created respectively by 9993 with an increase of 4% compared to the year 2004. Even during the first 10 months of 2006 is being noted a high number of new enterprises registered at about 16,000 new entities.

Regarding the geographical distribution of businesses in Albania, about 50% of active companies are concentrated in the area between Tirana - Durres, employing 57% of private sector employees. About 69% of

companies with foreign capital are concentrated in Tirana prefecture, about 5% in Korçe, Shkoder while about 5% and 3% in Vlora. (INSTAT, enterprises repertoire, Statistical Bulletin)

Table of indicative costs by sector (draft business development strategy and investment)

Sectors	2006	2007	2008	2009	2010	2011	2012	2013	Sums
Promoting SME	0.5	12.4	26.7	39.3	28.5	35	44	42	228.4
Promoting exports	0	3.1	7	11	7.9	8	7	7	51
Promoting FDI	0	2.01	6.475	7	12.16	17.4	17.25	21.35	83.645
Mines	0.37	0.756	0.756	0.732	0.626	0.455	0.463	0.472	4.63
TOTAL costs	0.9	18.3	40.9	58.0	49.2	60.9	68.7	70.8	367.7

Internet and electronic commerce

During recent years in Albania, the number of SME that use the services of internet has increased, especially by the younger generation of entrepreneurs and managers. According AKEP⁵ 2011 online coverage rate is over 50%, but much lower compared with 67.6% of the EU countries. Despite improvements in the legal framework only 10,000 businesses have broadband internet from 100.687 active businesses.

Creative Economy: It has been felt necessary the intervention with concrete policies for the sector as it can be:

i) regulatory measures aimed at removing legal and administrative barriers; ii) improving the system of vocational education and training (for all activities designers / design, advertising and crafts); iii) legal and financial incentives to support this sector and iv) improve the capacity of organizations that represent the sector.

Include social responsibility in enhancing the competitiveness of businesses, CSR

Corporate of Social Responsibility is a key part of the new strategy "Europe 2020", which requires an integrated approach to "a fast growing, sustainable and inclusive", within an overall vision of a social market economy.

Development of Innovation and Technology for SME

Albania continues to lag behind other countries in terms of poor performance in innovation. Enterprises finance on technological developments are mainly from internal resources, which are limited. The lack of business incubators and clusters is felt; Albania is now part of the European Network of SME, EEN. Implementing proactive policies to support technology capacity building for enterprises, especially SMEs

remains a challenge for the next period 2013-2020. Enterprises run by women proprietors are low, at around 27% of all active businesses in 2011. Over 90% of businesses run by women are in the service sectors (retail, tourism, freelance etc.). About 30% of the self-employed are women. Percentage of disbursement of loans by business women reached 25% in 2011. Lack of policy to support female entrepreneurship and according to the "SME Policy Index 2012" Albania is estimated to 2.5 points (out of 5 points maximum).

Through, the analyses of development of SME we can guide the following hypotheses:

H1: The wood processing industry currently has a tradition and its development is normal in Albania?

H2: Promotion and support of industrial enterprises are efficient in Albania?

H3: Albania was relatively rich in mineral resources, in particular for chrome, copper, nickel, titanium-magnetite and a large number of non-minerals. Industries mineral mining has traditionally been the backbone of the economy.

Is this an efficient sector?

Research Goal

The products of this industry are meeting every day more and more customer requests in country wood products and their presence is becoming apparent even in regional markets. Today wood processing industry has around 700 wood processing firms across the country, 200 of which produce sawn material and 500 firms involved in the production of furniture in which there are employed around 4500 to 5000 employees, with revenues ranging around 20-22 million. Exports of these products amounting to 4 million euros for half wood materials fabricated.

Promotion and support of industrial enterprises.

In terms of global competition, arises as a necessary support for those enterprises that integrate business opportunities in the value chain of industrial investment with foreign capital. With government support and specialized agencies such as AIDA, born as indispensable with the draft to increase the skills and specific things matched with the interests of foreign investors operating in the Albanian market. Usually sophisticated industries such as electronics, etc., create opportunities to subcontract a number of small and medium enterprises in the production of some aggregates (products, equipment, knots, etc.) of their product, resulting to be lower cost than import ones.

This objective seems difficult at the current stage. However, it remains possible and aims to set to a long-term project starting with the

support of enterprises that can fulfil needs of large domestic and international ones.

Development of such industrial capabilities is valued in the context of politics "*import substitution*", *releasing funds as a result of the decline in imports of these products*.

It aims to assess the process of cooperation between foreign investors with local industries, estimating an increase in the production averaged 0.5-1% per year.

From 1970 until 1990, Albania was one of the main producers of chrome and products and a major exporter of processed products of copper, nickel, other metals and minerals processed differently. Large industrial complexes operated in a process of increasing the value of minerals in an integrated manner in the form of a chain that began with the mine production proceeding further in enrichment processes, metallurgical processing and fabrication of metal products.

Due to the difficult economic transition, restructuring and investment in the sector starting pace of development was delayed for nearly a decade. After 2000 the effect of the restructuring of the sector reforms that opened the way for investments in the mining industry, the sector began restoring. FDI search focused on the discovery and exploitation, (as through the opening and reactivation of existing mines and development new ones), and the recovery and development of mineral processing infrastructure system. However, the sector is far from realizing its full potential and its development will remain a priority in the coming years.

Sample and Data Collection

The survey of this study is conducted on:

Transformation of the mining sector in an industry based on growth Albanian economy, which will promote and supply the development of other sectors of the economy, increase exports and contribute to socio-economic development of the country.

The main objectives in the mining industry will be:

- The continuation of works on research and discovery of reserves of mineral resources of the country. This will include deep exploration areas identifying mineral resources, exploration in new areas of the country, and expanding the range of minerals discovered.

The establishment of a national information geological system and mining which will reflect the latest data and statistics collected from search activities and exploration. This system will adopt international standards of classification of resources and mineral reserves and all other indicators related to reserves and mining activities. The development of mineral exploitation increases the existing capacity of mines through the opening and

developing new mines in all known sources. In this regard, efforts should be made to encourage the consolidation of the mining activity in existing mines fragmented in order to attract large capital investment.

Specific goals of this paper research:

The adaptation and modernization of the Albanian mining legislation will harmonize legislation sector with the European Union and will set international standards in the mining industry sector. In particular, the Government will enhance the legal framework regarding ownership of land, rights of access to land ownership and access rights in a mining area. The government will continue with the privatization of mining and mineral processing facilities. Albania mineral resources will be developed by private investors through mining activities guaranteed by the granting of mineral rights in the form of long-term concession and direct investments.

Further steps will be taken to improve the investment climate and environment creating incentives to attract FDI in the sector, improving productivity and competitiveness. An important objective will be the withdrawal of major mining companies to develop new mines.

Ensuring the implementation in practice of sustainable mining operations and environmentally sound as existing mines and new ones, too. It will be designed and implemented a legal framework to ensure sustainable mining activities and based on international best practices.

The aim will be to maximize the rational utilization of mineral resources and reserves while minimizing negative impacts on the environment and society. This will require planning of mining operations, which must satisfactorily address all issues related to environmental, social and economic ones.

Such issues list will not be limited, but will include, through others, mining waste, air pollution, adverse impact on land use, biodiversity, and water pollution and its availability, hazardous materials, noise and vibrations, energy usage, as well as local and regional economic effects.

An important aspect of this policy will be better management of mining waste, promote recycling processes, and to ensure full closure and safe mining facilities which will become an integral part of any mining activity under cycle concept of a mining activity. To ensure the realization of this goal, the Government will establish a system of effective supervision and monitoring modern mining activities and facilities.

Analyses and Results of this paper research, SWOT model, Calon A. 2012

STRENGTHS:	Weaknesses:
<ul style="list-style-type: none"> -Implementation of regulatory reform to help improving the business climate and reducing the costs of doing business; -The development of ICT; -Implementing Strategic document for the development of SME in particular continuous reduction in administrative barriers; -Centre For the National Register, the NRC, as a one stop shop, where registration is done in one day cost 100 ALL -National Licensing --Your, NLC, as a one stop shop where most of the licenses granted within a period -2-4 days, and licenses provided by institutions -Other issued by 10-30 days (excluding licenses construction); -Fiscal -Reform. 10% flat tax on personal income and corporate income. -Creation of AIDA & BRIC. 	<ul style="list-style-type: none"> -Lack of financial support schemes business start-up; - Weak entry and micro enterprises on sources of financing; -Lack of alternative financial resources, SME, as ' venture capital ', innovation, vouchers', 'business angels'; -Gaps in the provision of services to business; -Poor-performance innovations; -Lack Technological skills enterprises; -Lack of space and industrial parks; -Lack of business incubators and clusters;
<ul style="list-style-type: none"> -Albania is a part of the European network of SME, EEN; -Stable macroeconomic mounting. -Equal treatment between domestic investors. 	<ul style="list-style-type: none"> -Informality in the economy; the lack of reliable statistics in analysing the economic indicators; -Limited access to private financing. -Problems To the right of ownership; - Difficulties in obtaining building permits, getting electricity, registering property and payment of fees; - Lower R & D & Capacity(especially in technical fields); - Limited consults with stakeholders and interest groups; -Management Of ISO, is achieved only by a small number of companies. -Lack of gender programs, programs support for women entrepreneurs; - Disabilities in IT and "education", -Internet access;

Conclusion

This survey, which is conducted according to above policy, it will commit to participate in making-decision on all important issues to the development of mining activities, communities, civil society and other stakeholders in policy and decision-making, and there will be a balance on the distribution of profits from mining activities between central and local authorities to make these last interested in the development of the sector. Transparency of mining operations will create involvement in discussions

about the priorities of this sector of all interested groups and the public, and will create a transparent environment for foreign investment. Mining best practices will also include the implementation of all measures and necessary standards to ensure the safety and health at work. The Government will ensure the implementation of international conventions in this field, including the Convention (1995) the ILO occupational safety and health of workers in mines and other similar conventions.

Successful implementation of the above policies will require the introduction of modern technologies in mining, which will improve the efficiency of the sector and will create better conditions for the fulfilment of environmental and social standards. The government will draft regulations and incentives that will encourage the adoption of modern technologies and innovation in the mining industry.

The concepts will be applicable to mining activities. Application of the United Nations system for the classification of reserves (EFG) consists in creating the instrument that allows the classification of resources / reserves of mineral raw materials in ways similar to their international classification applied in the world today. Evaluation will be completed by (NRC) International Classification of Reserves for major oilfields mineral reserves of nickel silicate minerals, titanium-magnetite, tar sands, copper, chromium, to a large extent the fields of decorative stone.

The objectives for the development of FDI in Albania

The strategic objective for foreign investment has turned the country into a leading destination for foreign investment in Eastern Europe attracting, retaining and maximizing their flux. In order to have a clear picture of FDI in the country, their impact and also to find good segments for attracting FDI, the Albanian Government, under the direction of UNCTAD / UNDP has prepared and published the Report of Albanians "On Foreign Investments" (two editions). This report is very useful information specifically to analyse the role of FDI in the economy, their number and volume of production, employment, turnover and contribution of new technologies. Expressed as the above objectives, the strategy of the government attaches great importance not only in the volume of foreign investment inflows, but also on their quality. Greenfield and export-oriented investments, and investments in the production of high value and high-tech products will be a priority of such FDI. The investments have the highest potential for growth, as such having a sustainable economic development.

Results to conclude

The replacement of a functioning economy and a competitive market is a big challenge for the country. The institutionalization of the market

means improving the governing way, making it effective for business and investment. Albania is making an important progress in recent years regarding the business environment and investment climate, as business registration, or fiscal burden. Good laws and regulations do not mean that is sufficient to create good climate, there are more important ways and extent of their application. Having regard the gap that exist in the financial market, a recommendation would be the establishment of a new financial institution, managed by the government, providing various financial services for SME, especially for their support in the phase of their creation. The implementation of business development of a strategy for bridging this gap is impossible to be a responsibility of a single ministry .Ensuring a proper attractive environment for business and political and financial stability requires a collaborative approach by all government structures from higher levels of government to the local ones.

Recommendations

We think we have clear ideas in mind and that we have done all accounts that the activities that we will undertake will be definitely successful .To be sure we are totally wrong. Without building a safe detailed business plan, it is sure that we are close to fail than to achieve our success. History has shown that 90% of new businesses that have failed have not previously built a business plan for its management.

In this way, we can say that banks assess credit award whether the businesses have a plan. But if we refer to SME not all build such a formal plan since most of them do not have a plan for activities. Banks in this case try to collect as much more information needed to give credit to them " is like someone collect bits and pieces of bills or financial documents, financial statements, which in most cases are not realistic to build so disbursement dossier 'Small enterprises in their activities do not have the same economic effect than larger ones, as such they are trying to present their unrealistic balance and do not have the necessary staff for building a business plan. Thus, banks prefer to finance small amounts and not great ones in order not to risk disbursement. Therefore, banks prefer to finance large businesses and construction businesses as well as medium and small ones in many cities of Albania

Also ,to be mention is the fact that today there are efforts both on the part of banks in facilitating the standards and that mostly for corporates and less for businesses to grant loans but not all banks ca do the same thing. One thing is done through reduction of the commission but demand for collateral loan remains styptic arm, where the demand for business loans has increased and the factors have influenced in the positive balance. We recommend the

important points like that: **1.** the capital-funding. **2.** Application credit conditions by banks. **3.** Perception about macroeconomic situation

Further improvement of the business climate by:

Reducing time of opening a business by 5 days which is 2013 in 2 days, reduction of procedures for starting a business from 5 to 2, reduction of days for construction licenses from 436 days to 35 days, improving service for online tax payment, etc.

For innovative SME and entrepreneurship we want to recommend in this paper research:

1. Establishment of a program supported about 100 women, which run businesses in low interest loans.

2. Establishment of a program supported 400 new businesses (start-up), through grant funding and low interest loans. 3. The creation of a fund for the support of 470 creative businesses, especially those in the field of handicrafts with grants.

For the internationalization of SME we recommend:

1. Support of 254 companies with grants to increase their competitiveness.

2. Support of 100 exporting companies with funding guarantee exports.

- Increase the turnover of industry sectors on average each year
- Increasing the added value on average each year.

Based on this study it is recommended that the operation of this institution should be in consistent with a government strategy for SME in further strengthening their financing and support of the development of SME by reducing the existing gap between their needs and offers of financial market.

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SMALL AND MEDIUM ENTERPRISES; WHERE DOES ALBANIA STAND?

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Abstract

Small and Medium Enterprises are vital for economic growth and development in both industrialized and developing countries. They provide the majority of jobs and create new ones, they have the biggest share in added value, turnover, profit, and in the most developed economies in exports. The purpose of this paper is to give information on Small and Medium Enterprises (SMEs) in Albania. Where does Albania stand, how competitive is the economy, what has accomplished so far and what need to be done further. By answering how the Albanian Government promotes their development and what reforms are undertaken to make the business climate more friendly, the conclusion provides some recommendations.

Keywords: SMEs, competitiveness, strategy, reforms

Introduction

Micro - small and medium-sized enterprises (SMEs) are the engine of the European economy. They drive job creation and economic growth, and ensure social stability. In 2013, over 21 million SMEs provided 88.8 million jobs throughout the EU. Nine out of every 10 enterprises is an SME, and SMEs generate 2 out of every 3 jobs. SMEs also stimulate an entrepreneurial spirit and innovation throughout the EU and are thus crucial for fostering competitiveness and employment. Given their importance to Europe's economy, SMEs are a major focus of EU policy. The European Commission aims to promote entrepreneurship and improve the business environment for SMEs, thereby allowing them to realize their full potential in today's global economy. (EU, 2015; pg.3)

Different definitions on SMEs (EU& Albanian law)

International Institutions which have their focus on SMEs can make several definitions. Limits of SMEs definition generally change according to economic size of countries. Thus SMEs phrase have economical meaning rather than legal meaning. Most of countries accept that number of employee is a common measurement of SMEs definition. According to some institutions number of employee have more importance, for the others enterprises turnover have more importance in SMEs definition.(Şentürk et al, 2008)

Different countries define SMEs differently for example; in Canada the term SME refers to businesses with fewer than 500 employees. They further define a small business as one that has fewer than 100 employees (if the business is a goods-producing business) or fewer than 50 employees (if the business is a service-based business). A firm that has more employees than these cut-offs but fewer than 500 employees is classified as a medium-sized business. Generally in Canada an SME is any business establishment with 1 to 499 employees and less than \$50 million in gross revenues. In Germany an SME has a limit of 250 employees, while, in Belgium it has a limit of 100 employees. In New Zealand a small business has 19 employees or fewer. In the United States (U.S.A) a small business refers to those with fewer than 100 employees, while medium-sized business refers to those with fewer than 500 employees.(Thomas, 2014)

Small and medium-sized enterprises (SMEs) are defined in the European Union (EU) recommendation 2003/361.

The main factors determining whether a company is an SME are:

1. Number of employees and
2. Either turnover or balance sheet total

Table 1

Company category	Employees	Turnover	Balance sheet total
Medium-sized	< 250	≤ € 50 m	≤ € 43 m
Small	< 50	≤ € 10 m	≤ € 10 m
Micro	< 10	≤ € 2 m	≤ € 2 m

Source : (EU, 2015)

According to the European Union (2015) definition: ‘The category of micro, small and medium-sized enterprises is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro’. Small and medium enterprises are thus defined

as firms with 10 to 250 employees, and more than 10 million euro turnover or annual balance sheet total. This definition is more encompassing, and much larger, especially with regards to turnover, than some others.

Albania as a country attempting to become member of EU, amended the law no. 8957, date 17-10-2002. On "Small and Medium Enterprises" on 29-10-2008 with the new law no. 10183 in order to bring the SME definition closer to EU standards. The definition is stated in article 4 of this law:

- Micro, small and medium enterprises (SMEs) includes those entities which employ fewer than 250 people and have an annual turnover that does not exceed 250 million Albanian Lek.
- Small enterprises are those entities which employ less than 50 persons and have an annual turnover that does not exceed 50 million Albanian Lek.
- Micro enterprises are entities which employ less than 10 persons and have an annual turnover that does not exceed 10 million Albanian Lek. (Kruja, 2013)

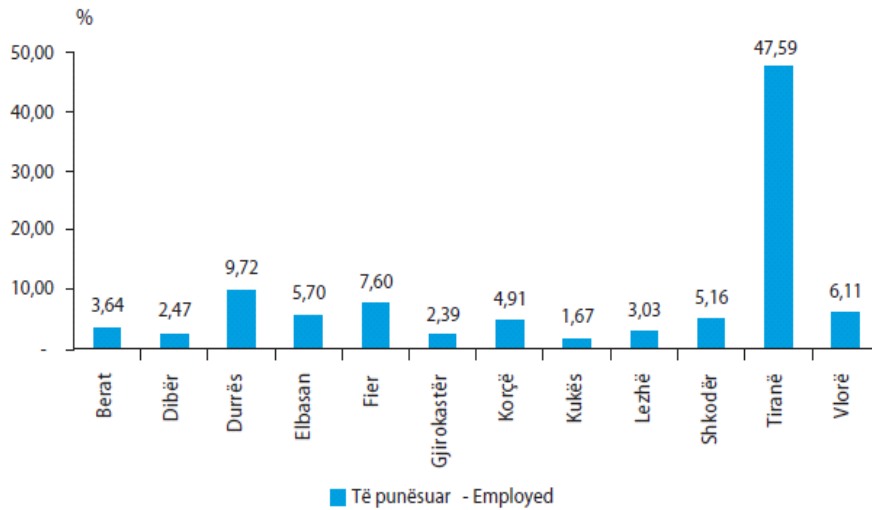
At the end as all these definitions exist, the important thing is that every definition is related to the size of each economy, and micro, small or medium is a relative concept in different countries. Most of the countries adopt the EU employment criterion but use different parameters for turnover and asset classification. (OECD, 2007)

Overview of small and medium enterprises and statistics in Albania,

a) Geographical dispersion of SMEs (Local units)

- In 2014 were 112,537 active enterprises. 110,336 of the total operate only in one location and are considered one local unit.
- 2,201 enterprises carry out their economic activity in more than one location. They cover 2 % of total active enterprises and hire 33.5 % of total number of employed.
- 78.6 % of local unit are concentrated in urban area and 51.3 % of them carry out their economic activity in prefectures of Tirana and Fier.

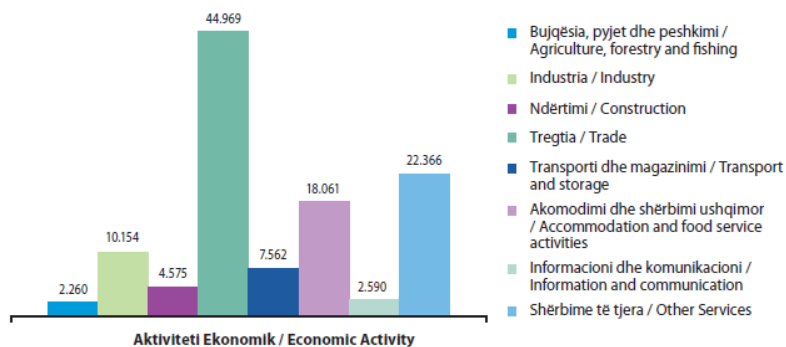
Figure 1: Employed of local units by prefectures



b) Active enterprises by economic activity, number of employed and year of creation

Enterprises with main activity trade, accommodation and food service activities dominate with 56 %. Trade activity continues to be the most favorite when decide for a new activity, and represents 37.4% of new enterprises.

Figure 2: Active enterprises by economic activity



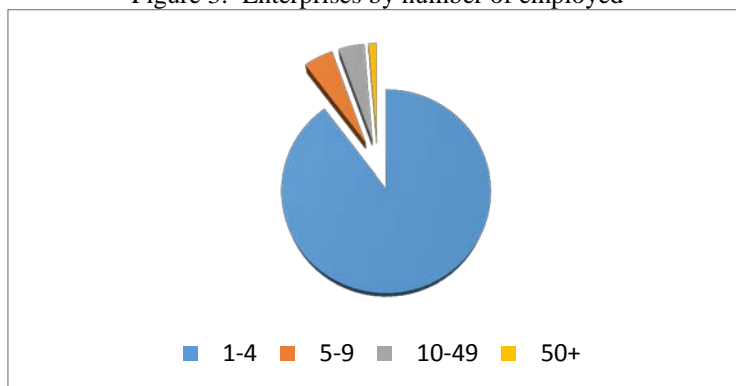
Producers of goods dominate in manufactured economic activity, with 52 %. Producers of services dominate in wholesale and retail trade; repair of motor vehicles and motorcycles, with 47%. (INSTAT, 2014)

Table 2: Number of enterprises by the number of employed and year of creation

Year of creation	Total	1-4	5-9	10-49	50+
Total	112.537	101.025	5.387	4.647	1.478
	17.377	16.572	497	267	41
2013	11.176	10.418	502	211	45
2012	10.081	9.499	357	173	52
2011	8.999	8.457	316	193	33
2010	10.492	9.863	412	184	33
2009	7.558	6.925	357	208	68
2008	8.324	7.574	411	276	63
2007	5.565	4.772	314	417	62
2006	5.379	4.808	272	232	67
2005	27.586	22.137	1.949	2.486	1.014

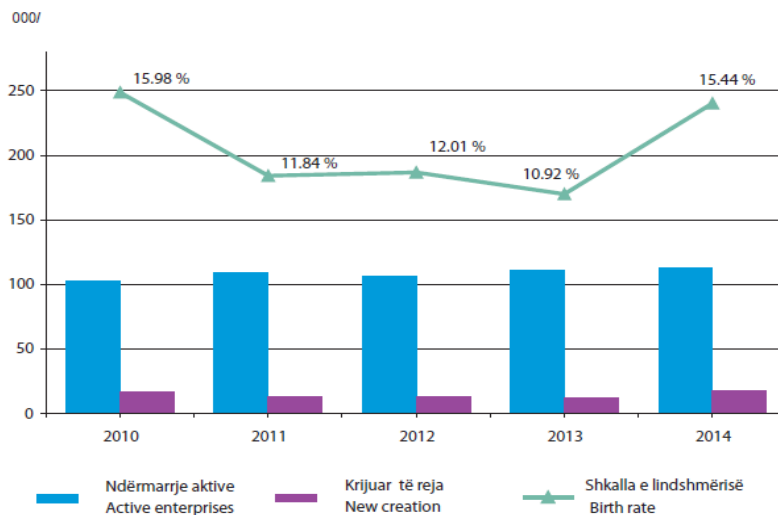
Source: INSTAT; Regjistri ekonomik i nderrmarrjeve

Figure 3: Enterprises by number of employed



From the chart it is easily seen that the major part (90%) of the enterprises are those with 1-4 employed and then (5% and 4%) are enterprises with 5-9 and 10-49 employed respectively. Those enterprises that have over 50 employed are only the 1% of all.

Figure 4: Active enterprises , New creation and Birth rate



c) *Birth rate*

The birth rate of a given reference period is the number of births as a percentage of the population of active enterprises. As it can be seen by Figure 4 during 2010-2014 the number of active enterprises has a growing trend but the birth rate has been at a higher value of 15.98 % in year 2010, and then in 2013 has the lowest rate of 10.92% , with a value of 15.44% in 2014. (Source of Figure 4: INSTAT 2014)

d) *Active enterprises by economic activity and size*

From INSTAT database, it can be retrieved data given from the economic register of enterprises, about the number of active enterprises, by activity and size, during period 2010-2014. What it can be seen in absolute values in total there is an increase in number during these 5 years time with 9 499 enterprises or an average of 9.21%. If we analyze their increase in number for each size category, we can state that firms with 1-4 employees have increased in number with 8.86 % those 5-9 employees with 7.35%, and firms with 10- 49 and over 50 employees, have increased respectively with 13.95 % and 29.19 %. Since microenterprises have the major weight with nearly 90% of the total, its influence in the weighted average is greater than the others. (See Figure 3)

Table 3: Active enterprises by activity and size (2010 -2014)

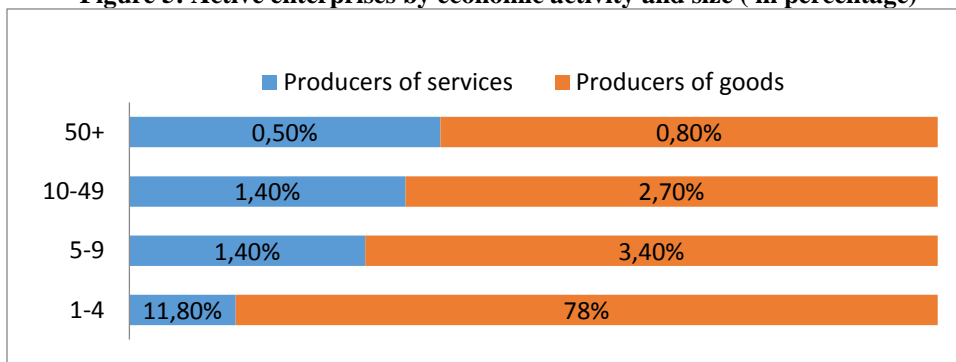
	2010	2011	2012	2013	2014
Total	103.038	109.039	106.837	111.083	112.537
1-4	92.798	97.836	95.520	99.782	101.025
5-9	5.018	5.194	5.636	5.235	5.387
10-49	4.078	4.744	4.439	4.660	4.647
50+	1.144	1.265	1.242	1.406	1.478
Producers of goods	16.049	17.099	16.413	16.842	16.989
1-4	12.198	12.991	12.592	13.071	13.273
5-9	1.791	1.717	1.718	1.565	1.603
10-49	1.649	1.923	1.650	1.681	1.562
50+	411	468	453	525	551
Producers of services	86.989	91.940	90.424	94.241	95.548
1-4	80.600	84.845	82.928	86.711	87.752
5-9	3.227	3.477	3.918	3.670	3.784
10-49	2.429	2.821	2.789	2.979	3.085
50+	733	797	789	881	927

Source Instat 2014

Table 4 Active enterprises by economic activity and size(in percentage)

Number of employed	Total	1-4	5-9	10-49	50+
Producers of services	15.10%	11.80%	1.40%	1.40%	0.50%
Producers of goods	84.90%	78%	3.40%	2.70%	0.80%
Total	100.00%	89.80%	4.80%	4.10%	1.30%

Figure 5: Active enterprises by economic activity and size (in percentage)



Burimi: Regjistri i Ndërmarrjeve Ekonomike- INSTAT 2014 (*Authors calculations*)

As we can see from data in the Table 4 producers of services account for 15.1% of total (mainly in the trade sector, transport and storage, accommodation and food service activities, information and communication, and other) and the producers of goods account 84.9 % of the total. So the

biggest contribution to employment is given by producers of goods (mainly in agriculture, industry and construction).

e) *Albania GDP Annual Growth Rate*

The Gross Domestic Product (GDP) in Albania expanded 2.82 percent in the first quarter of 2015 over the same quarter of the previous year. GDP Annual Growth Rate in Albania averaged 5.03 percent from 1996 until 2015, reaching an all time high of 13.50 percent in the fourth quarter of 1999 and a record low of -10.84 percent in the fourth quarter of 1997. GDP Annual Growth Rate in Albania is reported by the Instituti i Statistikave (INSTAT).

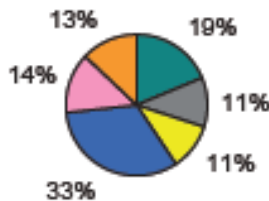
Figure 6: Albania GDP Annual Growth Rate



Source: www. TRADINGECONOMICS.COM (INSTAT)

Figure 7

GDP by major sectors, 2011



According to a United Nations study (2013)(Figure 7) the contribution of major sectors in the GDP are as follows:

- 19 % of GDP come from agriculture, hunting and fishing;
- 11 % from manufacturing, mining and quarrying, energy;
- 11 % come from construction;

- 33 % from wholesale and retail trade, repairs , hotels and restaurants, transport and communications;
- 14 % from financial intermediation, real estate, renting and business activities and 13% other services activities.

1. SMEs in Albania vs. European Union

To have a more clear understanding of the SME sector an overview in figures of the three core indicators by size class are:

- the number of enterprises,
- employment and
- gross value added

The Table 5 is taken from SBA Fact Sheet 2014- Albania Profile, the figures in the table are provided by INSTAT (Albania's National Statistical Office. The data does not cover the enterprises in agriculture, forestry, fishing and services such as education and health.)

The small business sector is well represented in Albania and is similar in structure to the European Union's (EU). Small businesses in Albania provide the majority of jobs and value- added just like in the EU. Small and medium-sized enterprises (SMEs) are very important for the Albanian business economy, accounting for 81 % (EU average 67 %) of employment and generating about 70 % (EU average: 58 %) of added value.

Table 5: SMEs related to added value, employment and number (Albania vs. European Union)

	Number of Enterprises			Employment			Value added		
	Number	proportion	EU 28 proportion	Albania Number	Albania proportion	EU 28 proportion	Albania Billion EUR	Albania proportion	EU 28 proportion
Micro	73 748	95.6 %	92.4 %	130 929	45.6 %	29.1 %	0.65	23.2 %	20.6 %
Small	2 839	3.7 %	6.4 %	55 307	19.3 %	20.6 %	0.79	28.1 %	18.2 %
Medium-sized	503	0.7 %	1.0 %	47 677	16.6 %	17.2 %	0.51	18.1 %	18.3 %
SMEs	77 090	99.9 %	99.8 %	233 913	81.4 %	66.9 %	1.95	69.5 %	58.1 %
Large	89	0.1 %	0.2 %	53 278	18.6 %	33.1 %	0.85	30.5 %	41.9 %
Total	77 179	100 %	100 %	287 191	100 %	100 %	2.8	100 %	100 %

Source : SBA Fact Sheet 2014- Albania

However, since the data for Albania were collected according to a different classification, they cannot be directly compared to EU statistics.

Another distinct difference between Albania and the EU is the importance of the different SME size categories. With almost 46% of all jobs, compared to the EU average of 29%, microenterprises dominate the business economy. In 2012, there were more SMEs operating in the wholesale and retail trade sectors in Albania (34%) than in the EU (27%),

followed by manufacturing and construction. In terms of added value and employment (over 90 %), SMEs dominate the accommodation (96% and 97%), wholesale and retail trade (98% and 96 %) and construction (93% and 96%) sectors. By contrast, in the EU, SMEs in these sectors account for only between 71 % and 88% of employment and 68% to 82% of added value. The construction sector also accounts for more added value than the EU average SMEs in this sector account for 20% of the added value SMEs produce. This is above the EU average of about 11 %. (SBA Factsheet 2014)

3.1 European Charter for Small and Medium Enterprises

The adoption of European Charter for Small and medium enterprises – a pan-European instrument developed under the frame work of the Lisbon



Agenda by all the Western Balkan Countries contributed to a change in policy perspective. Since then the Charter policy guidelines have become a key reference for enterprise policy development in the region.(Bahiti & Shahini, 2010).

To evaluate where Albania and other countries stand in the enterprise policy development is used the SME Policy Index. **(Figure 8)**

The Index is structured around the Charter's ten policy dimensions:

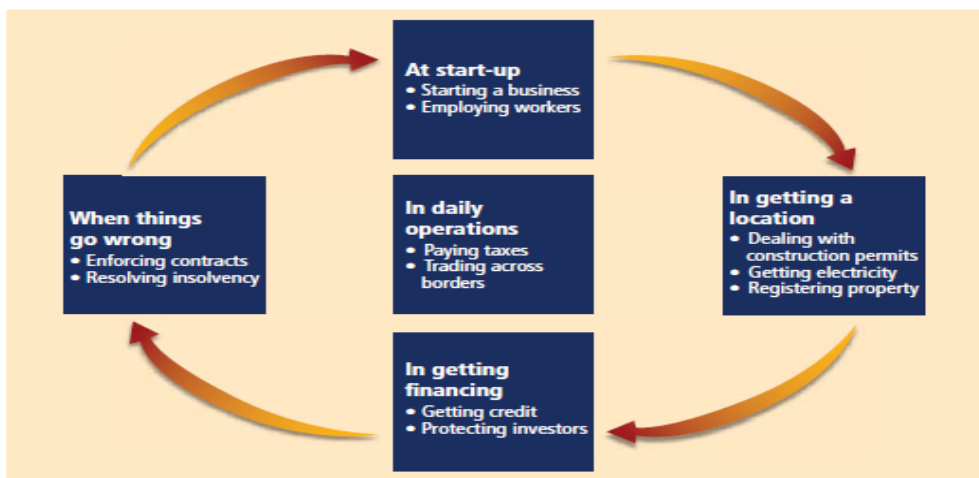
Education and training for entrepreneurship, Cheaper and faster start-up, Better legislation and regulation, Availability of skills; Improving on-line access; Getting more out of the single market; Taxation and financial matters; Strengthening the technological capacity of small enterprise; Successful e-business models and top class business support; and

Developing stronger, more effective representation of small enterprises' interests.

3.2 Competitiveness of Albania

According to World Bank report "Doing Business", Albania has shifted to different positions during years. It is ranked 68-th out of (189 economies) in DB 2015, with a change of 40 positions. Comparing the 10 indicators (regulations as measured by Doing business affect firms throughout their life cycle (Figure 9) of the ranking (as presented in the Table 6)

Figure 9: Regulations as measured by doing business affects firms throughout their life cycle



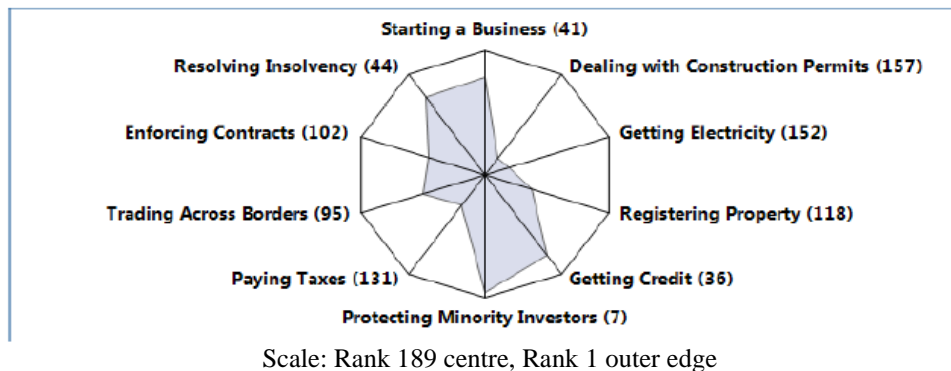
Albania has performed well in some indicators, has a poor performance in some others and no change for two of them.

- Getting credit, trading across borders and resolving insolvency are three indicators that need improvement.
- Protecting minority investors and enforcing contracts have no change in position. (but the objective should be to improve).
- And the other indicators like getting electricity or starting a business although have a positive shift need improvement too.

Table 6: Indicators of Doing business

Nr.	Indicators	DB 2015 rank	DB 2014 rank	Change in rank (2015-2014)
	Ease of doing business	68	108	40
1.	Starting a business	41	45	+4
2.	Dealing with construction permits	157	189	+32
3.	Getting Electricity	152	153	+1
4.	Registering property	118	136	+18
5.	Getting credit	36	19	-17
6.	Protecting minority investors	7	7	No change
7.	Paying taxes	131	144	+13
8.	Trading across borders	95	93	-2
9.	Enforcing contracts	102	102	No change
10.	Resolving insolvency	44	41	-3

Figure 10: Ranking on business DB topics – Albania



2. Reforms for the improvement of business climate for SMEs

The creation of a suitable business environment and the support of the sustainable development of SMEs, are basic conditions for the economic development and the increase of social welfare as a employment source, innovation and productivity. For this reason these objectives are today at the center of the economic policies of many governments, including Albanian Government.

4.1 Administrative simplifications

An immediate effect in the improvement of business climate has come from the law on the National Registration Center (QKR)³(Law no. 9723, dated 03.05.2007) which facilitated shorter procedures for the business registration. Currently, a new business can complete its registration within one day. The same effect was generated by the law on licenses,

³ QKR – in Albanian the acronym for the National Registration Center

authorizations and permits in the Republic of Albania passed on February of 2007, which confirmed the founding of the National Business Licensing Center (QKL)⁴ QKR is one stop shop. The registration in QKR could be done in a work day with a minimal cost of 100 ALL (0.81 Euro). There are 32 QKR offices in all the country. QKL is also one stop shop. It works based on the principle of self-declaring and silent approval. Licenses that belong to group I and II, are issued in a period of 2-4 days. Licenses of group III, need 10-30 days

4.2 Taxes reform

The Albanian government has approved law 179/2013, which has as principal objective the preservation of the macroeconomic stability and the ongoing of structural reforms. The fiscal policy is oriented towards economic recovery of the country in all its potential.

4.3. E-government

Relating to the simplifications of doing business procedures in public administration, there is achieved progress in four main fields: Public procurement, business registration, taxes administering and licensing.

- Online service for taxes declaration and payment
- Online procurement
- Online service in the customs

3. Albanian Government promotes SMEs development

For the period 2014-2016, the Albanian Government has begun to put into action Strategic Programme for Technology and Innovation Development of SMEs, with the approved Decree Nr. 104, date 09.02.2011 of Ministers Council.

The main objectives of strategic programme are as follows:

1. The increase of ability of albanian businesses to develop, use, adapt and commercialize technology.
2. The support of business innovation.
3. The infrastructure development will make possible:
 - i) the creation of *incubators*; to create a favorable business environment to help new innovative business initiatives, creating new jobs, business opportunities.
 - ii) supporting the business *clusters* in key sectors
4. Capacity development and technology transfer
5. Incentives for new business opportunities in the digital age:

⁴ QKL – in Albanian the acronym for the National Business Licensing Center

- *Information and communication technology (ICT)* will be at the service of businesses' development. It is a main instrument in increasing of economic growth and in particular of SMEs. Investments in the digital technology is a way how SMEs can become more competitive. This is considered to be an opportunity and a challenge at the same time, because small businesses need time and financial capital in the application of these new business models.

- "*digital entrepreneurs*" are considered to be all those businesses that make use of digital services and products (with the help of internet). In the framework of European Union Initiative "the smart use of information technology and SMEs integration in the supply chain value of the global industry" will help Albanian SMEs to become part of a global digital network.

- *an awareness campaign* for entrepreneurs and SMEs over the benefits of the new digital evolution.

- *empowerment and support for start-up businesses* in the field of ICT.

6. Empowerment of business services

7. Empowerment of institutional capacities.(MZHETS, 2014)

4. **Concluding remarks**

Today, economic development is at the heart of many economic scholars debates, and the role of small and medium enterprises in this context, is a very important one, based on the contribution it makes to the economy of a country.

- There is a strong entrepreneurial culture in Albania, and as in all other European countries, small and medium sized enterprises (SMEs) form the backbone of the private sector – representing the largest percentage of companies and employment in Albania.

- SMEs play an important role in Albania – fuelling the economic growth, providing flexibility, engaging in bridge-building between Albania and the European Union, and promoting employment.

- The reforms of the government has aimed promoting a friendly business climate, and to provide assistance and incentives for SMEs. Strategies for the business development are based on European Union directives, and are some of the priority obligations that Albania has to fulfill towards European integration.

- The existence of competitive SMEs that have the ability and possibility to grow will be a critical condition for Albania's future growth and prosperity.

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CHARACTERISTICS OF DAIRY SUPPLY CHAINS: THE CASE OF THE BALTIC STATES

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Abstract

There are significant differences in retail food markets in the Baltic States in terms of consumer habits, economic conditions and market participants; however, it is not possible to analyse trade in packaging for dairy products only within one country, as the largest retailers and producers of dairy products operate in all the three countries, implementing single supply operations and other supply chain operations. In the present research, the authors examine further development opportunities for the logistics of and packaging for dairy products in the three Baltic States – Estonia, Latvia and Lithuania – in the dairy supply chain. There are several reasons for such a research study, which are related to the composition of the dairy retail supply chain and the specifics of primary packaging for dairy products. The research aim is to examine the dairy supply chain in the Baltic States in order to identify opportunities for the development of packaging. To achieve the aim, the following research tasks were set: 1) to describe the dairy supply chains in the Baltic States from the aspect of retail trade; 2) to examine the characteristics of the dairy supply chain that affect logistics and the development of packaging in logistics. The research found that a situation has emerged in the Baltic States that a fragmented diversity of returnable packaging is specific to the dairy supply chain, which makes the logistics of packaging for dairy products inefficient. The diversity of returnable packaging hinders reverse logistics, the key hindering operations of which are: sorting, storage and washing of containers ready for transport and other related operations.

Keywords: Supply chain, logistic, returnable packaging

Introduction

For the last 20 years, the production of dairy products has traditionally been the most significant industry in the agro-food sector in the

Baltic States. The accession of Estonia, Latvia and Lithuania to the European Union in 2004 accelerated the growth of their dairy industries, which allowed fully meeting their domestic demand as well as exporting dairy products to other EU and third countries.

After regaining independence in 1990, the Baltic States' dairy processing industries were characterised by the fragmentation of the large milk processing enterprises inherited from the Soviet Union into a large number of small and individually privatised enterprises. For example, in Estonia 11 large milk processors were fragmented into 36 small ones. For this reason, 60% of the production capacity was controlled by milk producers or their cooperatives, while 40% was bought by local private investors. Similar processes took place in Lithuania and Latvia as well. In 1998, a lot of the small enterprises bankrupted owing to the financial crisis in the Baltics. At the same time, during this period, the dairy processing industry was characterised by a fast concentration process in the result of mergers and acquisitions (Jansik, 2009).

Along with the economic processes, the logistics management of dairy supply chains and packaging have developed. It is considered that efficient food logistics has to ensure the delivery of the right product in the right quantity and quality at the right time and place and for the right price, and it has a positive effect on all partners involved in the food supply chain (Bosona, Gebresenbet, 2012). However, practice shows that cooperation among the logistics systems of the organisations involved in the food supply chain is quite weak and fragmented (Bosona, Gebresenbet, 2012). Even within individual companies, the vertical and internal integration of transport and logistics is at a low level, which makes them economically inefficient and unsustainable from the environmental perspective. The necessity for cooperative logistics as one of the most important trends in the development of food logistics in order to meet retail standards in the next decade was also emphasised by the participants of the 12th logistics management conference that took place in Bonn in 2007 (Trends in food logistics, 2007). So, in order to assure the quality of food, an increasing role is played by the right packaging and logistics management. S.Krautwurst-Leister, the head of the food logistics department of one of the leading companies of logistics services in Europe, DACHSER, stressed in his presentation the necessity to reduce the time of delivery, which can be achieved by maximum standardisation of logistics solutions, while at the same time making no compromises in the quality of products (Trends in food logistics, 2007).

Retail enterprises, the market share of which (at present, in the majority of European countries, 40% of the market is controlled by 3-5 retail companies (Geloso-Grosso et al., 2008) allows controlling and influencing food supply chains, have admitted that the most effective is the centralised

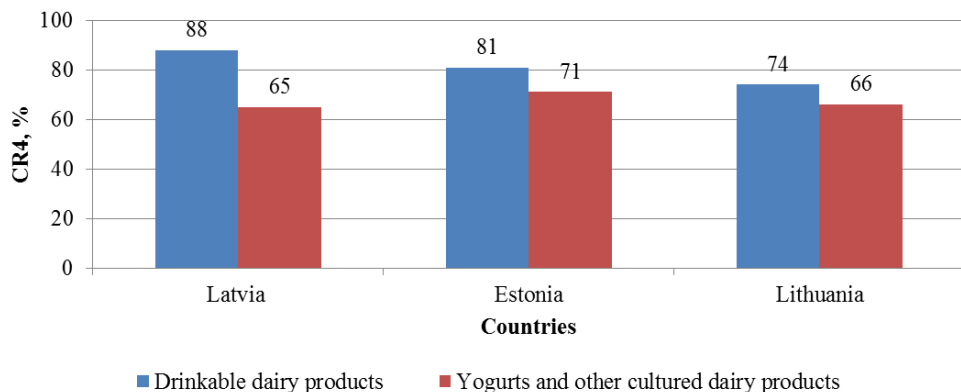
delivery strategy; to implement it, as high standardisation and unification of all logistics-related operations as possible have to be achieved. At the same time, the mergers of companies and the absorption of domestic brands play an essential role also on the part of producers and suppliers of the food supply chain. They too become increasingly rational in creating new products and in managing their deliveries.

The mentioned preconditions and problems determine the research aim: to examine the dairy supply chain in the Baltic States in order to identify opportunities for the development of packaging. To achieve the aim, the following research tasks were set: 1) to describe the dairy supply chains in the Baltic States from the aspect of retail trade; 2) to examine the characteristics of the dairy supply chain that affect logistics and the development of packaging in logistics.

Research methods: the logical and constructive methods, data grouping, the monographic method, analysis and synthesis. The research employed scientific literature, research papers in journals, statistical data and unpublished information provided by enterprises.

Characteristics of the trends in dairy retail sales in the Baltic States

With the concentration and specialisation of milk production and processing in the Baltic States beginning in 1994, a dynamic increase in CR4 (the concentration ratio of 4, which is the percentage market share of four largest enterprises in the industry's total turnover) was observed. In the period 1994-2011, on average, this concentration ratio in milk processing in the Baltic States increased from 29% to 75% (Jansik, 2009).

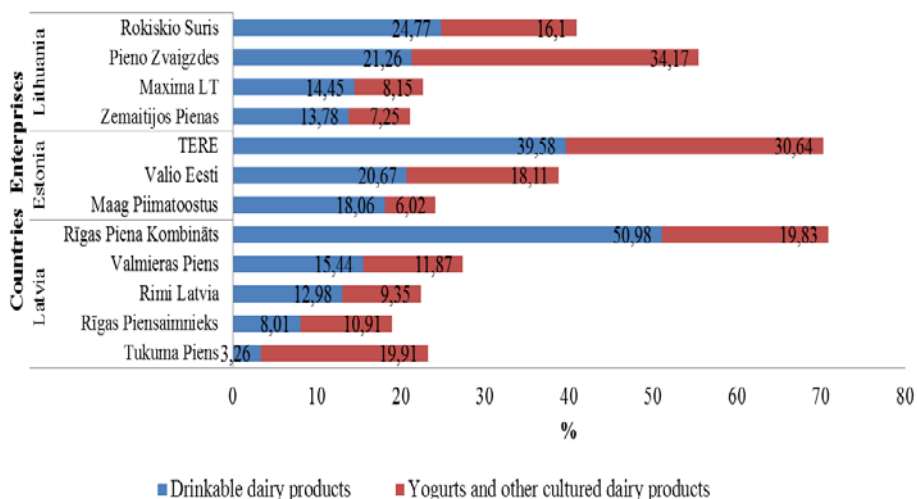


Source: authors' construction based on Euromonitor International data
Figure 1. Concentration ratio for the dairy processing industry (CR4) in the Baltic States in 2011 (%)

As shown in Figure 1, in 2011 in the Baltic States the market share of four strongest enterprises in the group of drinkable dairy products, on

average, was 74-88%, while in the group of yogurts and other cultured dairy products it was 65-71%. In the result of these processes, market structures, in which 3-4 strong enterprises dominate in each country, emerged in the dairy industries in the Baltic States. The rest of milk processors are medium or small specialised enterprises that focus on small market segments.

However, a detailed analysis of each country's leading milk processing enterprises leads to a finding that in comparison with Estonia and Lithuania, Latvia's milk processing sector is more fragmented.



Source: authors' construction based on Euromonitor International data

Figure 2. Market share of milk processing enterprises in the Baltic States in 2011 (%)

The information on the market shares of milk processors in the Baltic States summarised in Figure 2 shows that the convincingly dominant place in the Baltic market is taken by the JSC "Rīgas Piena kombināts", which sells more than 50% of drinkable dairy products in Latvia. After the merger of the JSC "Rīgas Piena kombināts" and the JSC „Valmieras Piens” in 2012, their total market share of drinkable dairy products reached 66.42%. The leading position of the JSC „Tukuma Piens” in sales of yogurts and other cultured dairy products (19.91%) may be explained by the broad assortment of its products and its explicit specialisation.

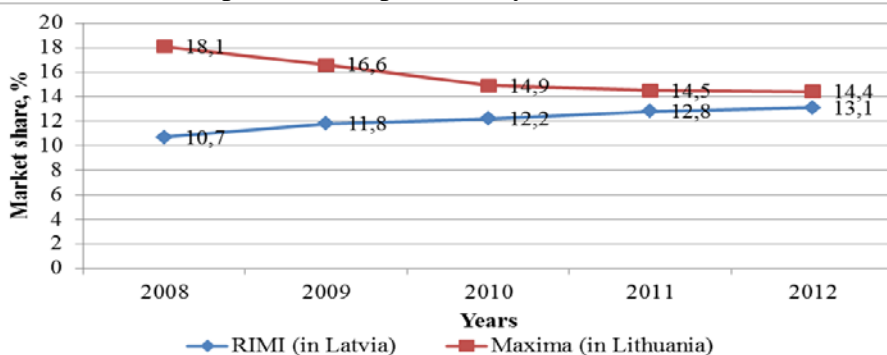
In Estonia, a convincing leader in sales of both drinkable dairy products and yogurts is the JSC "TERE", with the market shares of 39.58% and 30.64%, respectively. At the same time, one has to emphasise that the highest degree of concentration in the market of dairy products was specific to Estonia, as CR4 for the segment of drinkable dairy products was the highest in 2011. Besides, in both segments, the market share of the fourth largest producer was five times smaller than that of the market leader, the JSC "TERE".

In comparison with Latvia and Estonia, there is no obvious leader in the segment of drinkable dairy products in Lithuania, as the market shares of the JSC „Rokiskio Sūris” and the JSC „Pieno Zvaigzdes” are quite similar, 24.77% and 21.26%, respectively. Yet, the dominant position in the segment of yogurts and other cultured dairy products was taken by the JSC „Pieno Zvaigzdes” with a market share of 34.17% in 2011, which may be explained by the large diversity of its products and its large production capacity. Among the Baltic States, the lowest degree of concentration in the segment of drinkable dairy products was observed in Lithuania.

It has to be noted that in the segment of yogurts and other cultured dairy products in Latvia and Estonia, the influence of products of the group “Danone” (brands such as Actimel, Activia, etc.), the market shares of which are 16.36% and 15.61%, respectively, can be observed, which, in the opinion of the authors, can be explained by this company’s experience and opportunities in advertising its products (Packed Goods in Latvia, 2013; Packed Goods in Estonia, 2013).

All the enterprises shown in Figure 2 also distribute their products outside their home country, for example, in 2012 the Estonian producer JSC “Valio” had a market share of 0.31% for drinkable dairy products in Lithuania and a market share of 5.43% in the yogurt market in Lithuania. The Lithuanian enterprise JSC „Pieno Zvaigzdes” supplies 0.11% of drinkable dairy products sold in Latvia, while the Estonian JSC “Valio” – 0.86% of the quantity of yogurts sold in Latvia (Packaged Goods in Lithuania, 2013; Packaged Goods in Latvia, 2013).

Another important specific is the role of private brands in the assortment of products, particularly in Lithuania and Latvia.



Source: authors’ construction based on Euromonitor International data

Figure 3. Changes in the market share of private brands for dairy products in the period 2008-2012 (%)

A specific of the Baltic market is the stable increase in the market share of the private brand “RIMI Baltic” for drinkable dairy products in Latvia from 10.7% in 2008 up to 13% in 2012 (Figure 3). The market shares

of the private brands of “Maxima Grupa” – Optima Linija and Favorit – slightly decreased from 18.1% to 14.4% in the period 2008-2012; yet, these market shares were higher than that of the private brand RIMI in Latvia. Such a different trend may be mostly explained by the positioning of both enterprises’ different private brands in the market – RIMI advertises its brand as being of similar quality but more available. In contrast, the private brand MAXIMA Favorit was initially promoted in the market as that for very cheap products. As the market situation changed and consumers’ quality requirements rose, the attractiveness of absolutely lowest prices declined. In contrast, in Estonia private brands are outdid by domestic producer products, which, in the opinion of the authors, is associated with Estonian patriotism as well as the reluctance of producers to produce private brand products, thereby increasing the competitiveness of products of their own brand.

In general in the Baltic States, an analysis of the dairy supply chain leads to a conclusion that this chain involves the following common characteristics being specific to a single market:

- ✓ each country has 3-4 large milk processors that determine market trends;
- ✓ influence from foreign producers can be simultaneously sensed, particularly in the segment of yogurts;
- ✓ all the large enterprises distribute their products also outside their home country;
- ✓ in the assortment of products, an important role is played by the private brands of retail store chains (RIMI, Maxima);
- ✓ in the dairy industry in the Baltic States, the consolidation of enterprises continues, as well as foreign investors are interested in it;
- ✓ increase in the influence of foreign investors contributes to the entry of foreign supply chain management experience in the Baltic market, which, in its turn, affects the structure of packaging logistics and sale techniques;
- ✓ in all the three Baltic States, dairy products, but particularly drinkable dairy products, are very price elastic;
- ✓ for products with higher value-added, for example, yogurt or sour cream, their taste, convenient packaging, expiry dates, origin of ingredients and chemical composition are important;
- ✓ profit margins of the milk processors in the Baltic States have been within a range of 2-4% of their total turnover.

Logistics of the dairy supply chains in the Baltic States and the development of packaging in logistics

Since 1990, the assortment of products supplied by the dairy processing industry has sharply changed, which is characterised by high differentiation and value-added. The most significant way of distribution of

dairy products is retail store chains of various formats, the price policies of which greatly affect the sale prices of basic necessities.

Some dairy products have historically played a special role in daily diets in the Baltic States. The consumption of dairy products per capita in the Baltic States is different: 183 kg in Latvia, 272 kg in Estonia and 354 in Lithuania (FAO data, 2014). It is also observed that no considerable increase in the consumption of dairy products can be expected. For this reason, to attract consumers under conditions of high market concentration and price competition, the producers increase their product assortments, mainly through creating special product lines and diversifying the packaging of their products. For instance, in 2012 the Estonian dairy producer JSC “TERE” introduced a new, flexible milk packaging, while at the same time modernising also the primary packaging of other dairy products (kefir, sour cream and yogurt). In the segment of drinkable yogurts, the JSC “TERE” introduced packaging for a 12-piece pack. In February 2012, another Estonian dairy producer, the JSC „MAAG Piimatööstus”, started selling 3.5% fat milk in plastic bottles. In Latvia, the JSC „Rīgas Piena kombināts” familiarised the market with a product line “My Family” for which milk, kefir and yogurt are packed in an unusual for the Baltic market 1-litre packaging (Figure 4), which combines flexibility and the opportunity of being placed vertically.



Source: Who is My Family [s.a.]

Figure 4. Primary packaging for the product line “My Family” introduced by the JSC „Rīgas Piena Kombināts”

To make the price of a package more attractive, a number of enterprises reduce the volume of the package, for example, from 1 l to 900 ml. Besides, there are relatively popular kinds of primary packaging for dairy products in each Baltic State: in Latvia consumers prefer 1-litre tetra packs as packaging for milk, whereas in Estonia they want milk in 1-litre polyethylene packaging (unpublished study by Schoeller Allibert Ltd).

So particularly the primary packaging of dairy products mainly affects the choice of transport packaging in the food supply chain because in order to maximally efficiently exploit the capacity of transport and warehouses, dairy producers seek to choose the most appropriate transport

packaging for every kind of primary packaging. Furthermore, the primary packaging of dairy products historically does not meet the standard sizes of logistics packaging – 1200x800mm or 1200x1000mm – accepted in the world (Belcikovs, Praude, 2003); therefore, dairy producers choose three approaches:

1) to reduce the unused space in transport packaging and to increase the stability of primary packaging, returnable packaging, which is partially fit for the logistics of dairy products, is used; its external size – 432x342mm – differs from that for other food categories; in the result, the use of the surface of wooden pallets or batching is not efficient;

2) to ensure the batching of transport packaging on EUR-standard pallets maximally efficiently, returnable packaging, fitting the standard size of 1200x800mm, with the size of 400x300mm or 400x600mm is used; consequently, there is unused space inside the transport packaging, leading to the instability of primary packaging, which, in its turn, increases the loss of products;

3) for every kind of primary packaging, cardboard transport packaging of another size, fitting the primary packaging, is used; as a result, the cost of transport packaging increases, as well as the batching of products on EUR-standard wooden pallets is not maximally safe and efficient (unpublished study by Schoeller Allibert Ltd).

Owing to the mentioned factors, a situation has emerged in the Baltic States that at least 30 different kinds of returnable packaging – plastic boxes –, as well as approximately 300 kinds of cardboard packaging are simultaneously used in the dairy supply chain (unpublished study by Schoeller Allibert Ltd). For comparison, the logistics of bread products employs only eight such kinds, which makes the logistics of dairy products inefficient as:

✓ the cost of transport packaging increases (owing to disposable cardboard or the high production cost of returnable packaging due to its great diversity);

✓ owing to mutual incompatibility, the risk of damage of products increases and the availability of products on store shelves decreases;

✓ the great diversity of returnable packaging hinders the sorting, storage and washing of containers ready for transport and other related operations, increases the proportion of manual work in processing packaging and raises the risks of loss and theft of packaging;

✓ disposable cardboard increases the cost of recycling waste as well as raises environmental risks;

✓ the diversity of transport packaging increases the costs of transport and storage, as it is not possible to fully use the maximum stacking height;

- ✓ the greatest deal of available transport packaging is not appropriate for placing products on store shelves; therefore, in retail trade, dairy products have to be restacked on shelves or into other boxes, which increases the cost of handling the products;
- ✓ the diversity of transport packaging cannot be equipped with standardised and modern identification systems in order to accelerate and enhance the traceability and identification of goods at any stage of the dairy supply chain as well as to ensure precise recording of inventories.

Conclusion

Each country has 3-4 large milk processors that determine market trends in the segments of dairy products, yogurts and cultured dairy products. The Baltic States' milk processing enterprises have a single sales market, in which an important role is played by retail chains and their brands. An increase in the influence of foreign investors contributes to the entry of foreign supply chain management experience in the Baltic market, which, in its turn, affects the structure of packaging logistics and sale techniques. Profit margins of the milk processors in the Baltic States have been within a range of 2-4% of their total turnover.

The great diversity of returnable packaging hinders the sorting, storage and washing of containers ready for transport and other related operations, increases the proportion of manual work in processing packaging and raises the risks of loss and theft of packaging. The greatest deal of available transport packaging is not appropriate for placing products on store shelves; therefore, in retail trade, dairy products have to be restacked on shelves or into other boxes, which increases the cost of handling the products. The diversity of transport packaging cannot be equipped with standardised and modern identification systems in order to accelerate and enhance the traceability and identification of goods at any stage of the dairy supply chain as well as to ensure precise recording of inventories. Therefore, one of the solutions to it is to simultaneously introduce standardised and unified returnable packaging for dairy products in all the Baltic States by making an agreement among all the largest participants of the dairy processing industry.

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THE DYNAMICS OF INNOVATION STRATEGIES IN EUROPEAN ECONOMIES

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Abstract

Innovation is closely related to economic behavior and progress that is often path dependent. This paper provides the evidence of how enterprises' strategies for innovation changed in the context of external changes, i.e. what kind of changes occurred in innovation strategies of European enterprises since the pre-crisis period and how these changes are related to broader environment. For this purpose, CIS6 micro data from 16 economies and CIS8 macro data from 22 economies were processed and compared. It was estimated that medium- and less successful, in terms of firm performance, innovation strategies had sprouted, whereas the most successful innovation strategies had been rarefied due to the grown necessity for cost reduction and for greater flexibility. Only a few countries are still leading in developing new products or in significantly changing existing products as they did about 7 years ago. However, the greater part of the sample economies do not follow the old leadership patterns. Even though more and less innovative economies can still be distinguished, the countries comprising more and less innovative clusters have changed.

Keywords: Change, dynamics, innovation strategy, European economies

Introduction

The dynamics of innovation strategies has recently attracted the attention of a number of scholars (Archibugi, Filippetti, Frenz, 2013; Biais, Rochet, Woolley, 2013; Oberg, Verganti, 2014; Schulze, MacDuffie, Taube, 2015; etc.). The increased interest in this topic is often related to the recent economic crisis that began in 2008 when many industries, economies and enterprises were forced to learn the lesson of the Schumpeterian waves in real life.

Turbulent times significantly affect enterprises' innovation strategies and they experience notable changes. This is because innovation is closely

related to economic behavior and progress that, more often than not, is path dependent, shaped by the conditions in which it takes place and marked by its prior trajectory. For instance, Aidis, Estrin and Mickiewicz (2010) state that significantly lower levels of entrepreneurship in Central and Eastern Europe, in comparison to economies coming from other legal traditions, are determined by the former regime.

Hence, for many companies, especially international ones, institutional environment (in its broad sense, i.e. including social, financial, cultural, etc. dimensions) of target business locations plays a significant role in designing business strategies and directing the change, especially in turbulent times. This paper provides the evidence of how enterprises' strategies for innovation changed in the context of external changes, i.e. what kind of changes occurred in innovation strategies of European enterprises and how these changes are related to broader environment.

For this purpose, enterprises' former and most recent innovation strategies were compared. The basis for the analysis of the former innovation strategies was pre-crisis Community Innovation Survey (CIS6) that encompassed 16 European economies: Bulgaria (BG), Cyprus (CY), the Czech Republic (CZ), Germany (DE), Estonia (EE), Spain (ES), Hungary (HU), Ireland (IE), Italy (IT), Lithuania (LT), Latvia (LV), Norway (NO), Portugal (PT), Romania (RO), Slovenia (SI) and Slovakia (SK).

On the other hand, the basis for the analysis of the post-crisis innovation strategies was the most recent Community Innovation Survey (CIS8) that encompassed 22 European economies: Belgium (BE), Bulgaria (BG), Germany (DE), Estonia (EE), Greece (EL), France (FR), Croatia (HR), Italy (IT), Cyprus (CY), Latvia (LV), Lithuania (LT), Malta (MT), Netherlands (NL), Poland (PL), Portugal (PT), Romania (RO), Slovenia (SI), Slovakia (SK), Sweden (SE), Serbia (RS) and Turkey (TR).

Indeed, the informed research period is designated by major economic and social changes due to the economic crisis of 2008-onwards, so the investigation of the dynamics of innovation strategies of that period is fairly deliberate. Also, it is important to note that, currently, CIS is the newest available broad scale database related to innovation research.

Methodology

For the investigation of the former innovation strategies, I relied on my previous research (Stankevicius, Jucevicius, 2013; Stankevicius 2014a, 2014b, 2015). The innovation strategies were composed of 60 innovation variables in total across 127,674 enterprises. The strategies were formed by means of exploratory factor analysis of CIS6 micro data.

For the investigation of the most recent innovation strategies, CIS8 micro data on strategies for innovation were used. CIS8 includes 16 variables

describing innovation strategies: eight variables reveal if each of eight strategies is highly important, and next eight variables reveal if each of them is not relevant (% of “yes” responses per country). The database gives also the possibility to distinguish between innovative (including enterprises with abandoned/suspended or on-going innovation activities) and non-innovative enterprises. The variables are presented in Table 1.

Table 1. Relevant indicators and labels of innovation strategies in CIS8

Indicator	Label	Indicator	Label
STMKEUR_HIGH	Enterprises that consider developing new markets within Europe highly important	STMKEUR_NR	Enterprises that consider developing new markets within Europe not relevant
STMKOTH_HIGH	Enterprises that consider developing new markets outside Europe highly important	STMKOTH_NR	Enterprises that consider developing new markets outside Europe not relevant
STIHCOŚ_HIGH	Enterprises that consider reducing in-house costs of operation highly important	STIHCOŚ_NR	Enterprises that consider reducing in-house costs of operation not relevant
STEXCOŚ_HIGH	Enterprises that consider reducing costs of purchased materials, components or services highly important	STEXCOŚ_NR	Enterprises that consider reducing costs of purchased materials, components or services not relevant
STINNPĐ_HIGH	Enterprises that consider introducing new or significantly improved goods or services highly important	STINNPĐ_NR	Enterprises that consider introducing new or significantly improved goods or services not relevant
STMKT_HIGH	Enterprises that consider intensifying or improving the marketing of goods or services highly important	STMKT_NR	Enterprises that consider intensifying or improving the marketing of goods or services not relevant
STFLEX_HIGH	Enterprises that consider increasing flexibility / responsiveness highly important	STFLEX_NR	Enterprises that consider increasing flexibility / responsiveness not relevant
STALL_HIGH	Enterprises that consider building alliances highly important	STALL_NR	Enterprises that consider building alliances not relevant

To estimate the direction of the dynamics of innovation strategies, the contents of former and latter strategies for innovations were compared.

Column charts were used to illustrate the differences between innovative and non-innovative enterprises.

Ultimately, hierarchical cluster analysis was performed. The dendrograms (Ward's method, Squared Euclidean distance) let us to observe changes in innovation strategies across the sample countries visually. This part of analysis was supplemented by k-means cluster analysis and a scatter plot. Both innovative and non-innovative enterprises were divided into two clusters, and distance from cluster centre was measured in each case. The sums of respective cluster centers and distances from the centers were used as the data for the scatter plot.

Strategies for innovation: former and latter

If to compare enterprises' strategies for innovation in time, one can definitely notice dynamics. The summary of the enterprises' key strategic orientations for innovation is provided in Table 2 on the next page.

The most apparent difference between the pre-crisis and post-crisis periods is the increased orientation towards cost reduction: both in-house costs of operation and costs of purchased materials, components or services. Not only innovating firms are predominantly interested in reducing costs, but non-innovative ones find the strategy of costs optimization the most relevant out of all given variants.

Interestingly, this type of strategy was considered to be medium-successful before the turbulent times. Then, the most successful in terms of firm performance innovation strategy was semi-open, knowledge-intensive leadership, i.e. the development of new or significantly improved products within networks for innovation, typically financed by third parties (Stankevice, 2014a, 2014b). However, now the focus has moved from introduction of new or significantly improved goods and services to cost reduction, i.e. from risky leadership to safe common welfare. This change could also be explained by unwillingness to form new networks for innovation (too risky) and/or inability to get external funding for innovation. Besides, Kraemer-Eis and Lang (2011) also emphasized the decline in the number and value of venture capital investments and their incomplete recovery. Hence, after the global financial crisis innovative firms simply used to look through building alliances and introduction of new or significantly improved goods and services much more than before. OECD (2012) also state that the economic crisis has negatively affected business innovation and research and development (R&D) in all countries.

Table 2. Former and latter innovation strategies: innovative and non-innovative enterprises

	2006-2008		2010-2012	
	Innovative	Less-innovative	Innovative	Non-innovative
Dominant innovation strategies	<ul style="list-style-type: none"> • Continuous engagement in intramural R&D • Networking due to external funding, e.g. from EU • Enter new markets by intensifying or improving the marketing 	<ul style="list-style-type: none"> • Replace outdated products • Improve quality of products • Increase range of products • Increase flexibility / responsiveness • Reduce labor costs 	<ul style="list-style-type: none"> • Reduce in-house and external costs • Increase flexibility / responsiveness • Introduce new or significantly improved products • Intensify or improving the marketing 	<ul style="list-style-type: none"> • Mostly, innovation strategies non-relevant at all • <i>If relevant, then it is:</i> • Reducing in-house costs • Reducing costs of purchased materials
Modest innovation strategies	<ul style="list-style-type: none"> • Replace outdated products • Improve quality of products • Increase range of products 	<ul style="list-style-type: none"> • Continuous engagement in intramural R&D • Networking due to external funding, e.g. from EU • Enter new markets intensifying or improving the marketing 	<ul style="list-style-type: none"> • Developing new markets outside and/or within Europe • Building alliances 	<ul style="list-style-type: none"> • Innovation strategies non-relevant • <i>Especially rare:</i> • Developing new markets outside Europe • Introducing new or significantly improved goods or services • Intensifying or improving the marketing

Similarly, entering new markets by intensifying or improving the marketing, which was estimated to be the second most successful innovation strategy (Stankevice, 2014a, 2014b), was not in focus after the financial crisis any more. Moreover, developing new markets, especially outside Europe, has become one of the most modest strategies for innovation now. Again, this fact demonstrates the enterprises' unwillingness to risk and invest into the development of new markets.

Figures 1 and 2 illustrate which innovation strategies enterprises recognized as highly important and not relevant in 2010-2012.

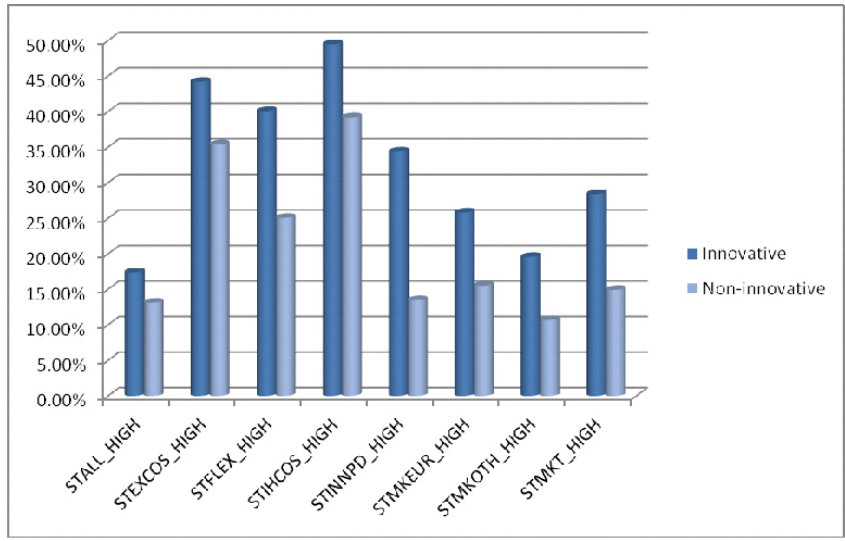


Fig. 1. Enterprises which recognize innovation strategies as highly important, 2012-2012, % on average

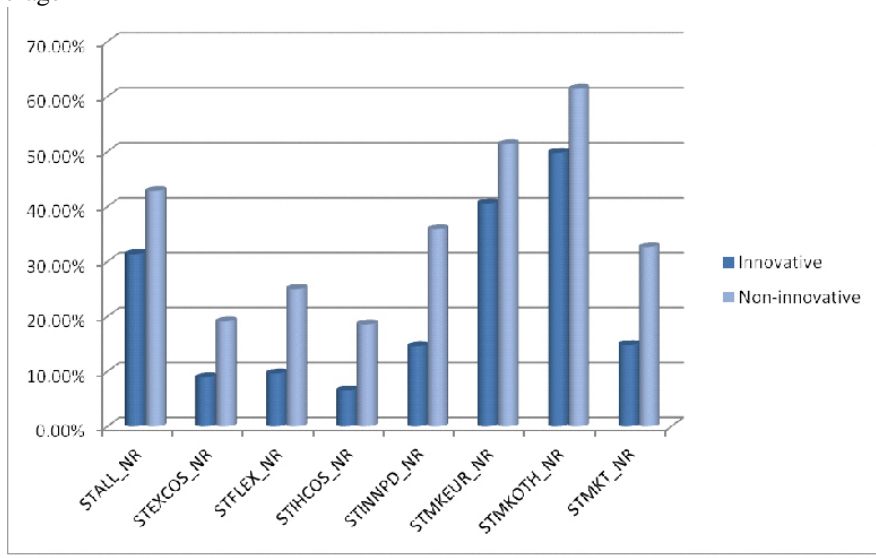


Fig. 2. Enterprises which recognize innovation strategies as not relevant, 2012-2012, % on average

One more aspect is that now the enterprises strive for greater flexibility and responsiveness than before. However, such an attempt was one of the indicators of less successful innovation strategies in 2008, but again, in 2012 the enterprises preferred greater flexibility and reduced costs to developing new markets, developing innovations and building alliances.

Dynamics of innovation strategies across countries

Fig. 3a and 3b portray how enterprises' strategies for innovation have elaborated since the pre-crisis era. The pre-crisis portrait can be found in Stankevice (2014a, p. 178). The former and current innovation shapes are compared taken into consideration both innovative and non-innovative enterprises (fig. 3a and 3b, respectively).

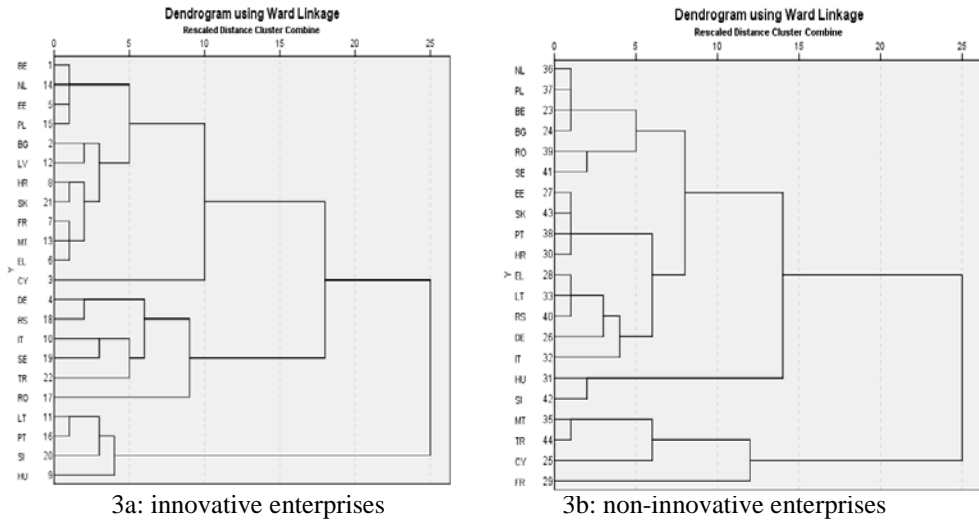


Fig. 3. Country clusters by taxonomies of innovation strategies: most recent state

Hence, the figures above and the one from Stankevice (2014a, p. 178) represent rather different groups of countries, even though a few similarities may also be observed. It is important to remind that some discrepancies may have been influenced by partially different samples and variables. In other words, despite the relative continuity, still, the occurred changes of innovation strategies were pretty notable. If to divide the economies into two groups, the first one would score lower on all CIS8 innovation strategies, while the second one – higher on all of them (Table 3). The result was reached due to 2-means cluster analysis (sig. in ANOVA < 0.05 for each variable).

Table 3. Clusters of CIS8 innovative enterprises

	Cluster	
	1	2
Enterprises that consider building alliances highly important	11.09%	21.78%
Enterprises that consider reducing costs of purchased materials, components or services highly important	33.50%	51.63%
Enterprises that consider increasing flexibility / responsiveness highly important	31.96%	45.71%
Enterprises that consider reducing in-house costs of operation highly important	37.04%	58.10%
Enterprises that consider introducing new or significantly improved goods or services highly important	26.85%	39.62%
Enterprises that consider developing new markets within Europe highly important	19.06%	30.50%
Enterprises that consider developing new markets outside Europe highly important	14.69%	22.94%
Enterprises that consider intensifying or improving the marketing of goods or services highly important	22.85%	32.25%

In addition, 2-means cluster analysis was also performed with two variables only: building alliances and introducing new or significantly improved goods or services (sig. in ANOVA < 0.05 for each variable). This was done in order to estimate which countries better correspond to the most successful in terms of firm performance innovation strategy of CIS6 – semi-open, knowledge-intensive leadership. These economies are: Cyprus, Germany, Greece, France, Croatia, Hungary, Lithuania, Latvia, Malta, Portugal, Serbia, Slovenia, and Slovakia. By the way, in CIS6, Germany and Slovenia were leading in the implementation of the informed innovation strategy, so this pattern remained unchanged. Also, in Spain, Hungary, Italy and Slovenia, this strategy attained the highest scores in comparison with the other innovation strategies, whereas Latvia, Lithuania and Romania scored lowest. Hence, Spain and Italy has become less innovative, whereas Latvia and Lithuania have advanced. This corresponds to OECD (2012) finding that the crisis revealed the pre-crisis weaknesses of some countries, especially some southern European countries.

Similarly, two more variables – developing new markets within and outside Europe – became subject to k-means cluster analysis (sig. in ANOVA < 0.05 for each variable) in order to estimate economies which better reflect the another innovative strategy of CIS6, i.e. expansive, marketing-intensive leadership. Based on CIS8 data, these economies are: Hungary, Lithuania, Portugal, Slovenia, France, Croatia and Latvia. However, back in CIS6, Norway and Slovakia obtained the highest factor scores for this strategy followed by Latvia, Estonia and Hungary. Hence, just as in case of semi-open, knowledge-intensive leadership, the strategic orientation of some countries have changed more than that of others.

The scatter plot of CIS8 economies based on cluster centers and distances from them is provided below (fig. 4).

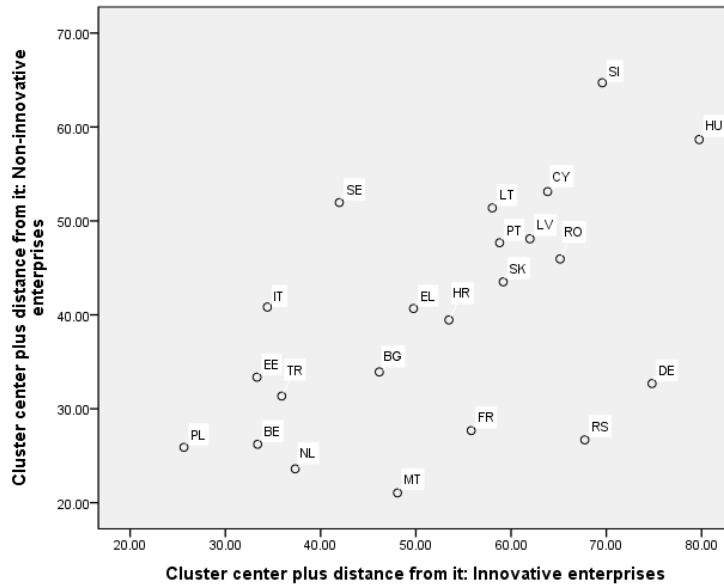


Fig. 4. Scatter plot of CIS8 economies

The plot above demonstrates how close or distant CIS8 economies are in terms of the taxonomies of innovations strategies pursued by innovative enterprises. Based on the comparison with fig. 3, one can conclude that significant changes took place. Even though some countries are still close to each other just as before (e.g. Latvia, Lithuania and Romania), the majority of them have changed their closest neighbors.

Conclusion

If to compare the former and most recent innovation strategies of European enterprises, one can estimate a clear shift of focus from the most-sophisticated and medium-sophisticated innovation strategies to medium-sophisticated and less-sophisticated innovation strategies. To put it differently, the focus has moved from introduction of new or significantly improved goods and services and from conquering new markets to cost reduction and increasing flexibility and responsiveness. Not only innovative enterprises are now predominantly interested in reducing costs, but non-innovative ones find the strategy of costs optimization the most relevant out of all given variants.

Regarding the taxonomies of innovation strategies within the clusters of economies, while some estimated patterns remain unchanged, the other ones demonstrate dramatic changes. For instance, only a few countries are still leading in developing new products or in significantly changing existing

products despite the grown necessity in cost reduction. However, the greater part of the sample economies do not follow the patters similar to pre-crisis times. Even though one can still distinguish between the groups of more and less innovative economies, the members of these groups have mostly changed. Now, the group of medium and less successful (in terms of firm performance) innovation strategies has sprouted, whereas the group of the most successful innovation strategies has shrunk.

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**ORGANIZATION DEVELOPMENT
INTERVENTIONS ON THE GENERAL
MANAGERIAL SKILLS OF COMMERCIAL BANK
EXECUTIVES: A CASE OF KENYA
COMMERCIAL BANK LIMITED IN KENYA,
EAST AFRICA**

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Abstract

This study aimed to determine the effect of organization development Interventions (ODI) on the general managerial skills of the Bank Executives at Kenya Commercial Bank Limited (KCB) in Kenya, East Africa. It utilized an analytical descriptive action type research. Ninety eight (98) executives of the bank were the research subjects who comprised senior managers from head office, branch managers, section heads and supervisors of the bank. Universal sampling was done in identifying research subjects. The study was based on the theory advanced by Kraut et al (1989) who theorized that managers to be effective, they must have a clear understanding of different skills that are important in managerial role. These skills enabled managers to effectively coordinate work, communicate expectations, delivery of feedback, job transitions, training and career development activities. Pre-assessment was conducted to assess the general managerial skills of the bank executives and diagnose problem. The instrument was administered to the ninety eight (98) subjects who are presently employed in KCB Nairobi Branches. The results of pre-assessments on general managerial skills were good as indicated by the factor average rating of (μ 2.816) but could be improved. Implementation of the planned interventions was guided by the schedule of activities. Seventy seven executives of KCB participated to improve performance. Understanding change through other people's eyes by Vicki Schneider was conducted to provide insight on what is the importance

of change. After the implementation of organization interventions, observation over a period of six months was done. Post assessment evaluation on the general managerial skills was done in January and February 2010. The result of the study revealed that there was a significant increase of the mean score in the post assessment in all the eight factors of the general managerial skills. There was improvement after the intervention in the general managerial skills as indicated by the increased mean from (μ 2.816) to (μ 3.959). The organization development interventions implemented were successful in improving the managerial skills in KCB as reflected in the increase of the mean ratings after intervention. The obtained t-value in general managerial skills was 5.149, which was greater than the critical value of 1.960. This meant that the null hypothesis was rejected. The organization development interventions implemented were successful in improving the general managerial skills of bank executives. The Organization Development Interventions yields a significant positive change in all the general managerial skills of the Bank Executives.

Keywords: General Managerial skills, Organization Development Interventions, Bank Executives; Pre –assessment, Post assessment

Introduction

Organizations face multiple challenges and threats today. They could be threats to effectiveness, efficiency and profitability; challenges from turbulent environments, increased competition and changing customer demands; and the constant challenge to maintain congruence between organizational dimensions such as strategy, culture and processes. Individuals in organizations likewise face multiple challenges such as finding satisfaction in and through work and fighting obsolescence of one's knowledge and skills, such challenges and threats can be solved through implementation of ODI.

French et al (2000) describes organization development as the prescription for a process of planned change in organizations in which the key elements relate to (1) The nature of the effort or program (2) The nature of the change activities (3) The target of the change activities and (4) The desired outcome of the change activities. According to Porras, Robertson & Goldman (1990) OD is "aimed at the planned change of the organizational work setting for the purpose of enhancing individual development and improving organizational performance, through the alteration of organizational member's on the job behaviours". Beer (1980) posits that the aims of OD are "developing new and creative organizational solutions; and developing the organization's self-renewing capacity". Bennis (1969) describes OD as a response to change and an educational strategy intended to

change beliefs, attitudes, values and organization structure- all directed toward making the organization better able to respond to changing environmental demands". Cummings and Worley (1997) posits that OD is a planned long- range behavioral science strategy for understanding, changing and developing the organizations work force in order to improve its effectiveness.

The OD process is implemented through application of action research or diagnostic research model which is linear sequential and originates from the identification of a problem. The problem usually manifest in quantifiable and qualitative indicators (Meyer and Botha 2000). An appropriate intervention is identified to bring focus to the change process. Gibson et al (2000:455) posits that OD interventions should be classified according to their targets of change such as techno structural interventions which are focused on structural change or human process intervention which are focused on behavioral change. Some situations may require a combination of interventions which are referred to as multi-related or multi-targeted approaches. (Meyer and Botha 2000).

The Conceptualization of this Study was anchored on the theory advanced by Kraut et al., (1989) who theorized that effective managers must process multiple skills. This study was also grounded on system theory by Lewin (1946) which models organization as three overstepping and independent subsystems (Gersick 1997). The theoretical foundations on which organization development and action research are based on include organizational learning theory (March & Sutton 1997) and organization development theory and Dynamic capabilities theory (Teece et al., 2007).

These are underpinned by other theories such as industrial organization economics theory (Mason 1939; Bain 1956), knowledge based theory (Senge 1990) resource based theory (Barney 1991 and upper echelons theory Hambrick & Masan 1984). Action research which was conceptualized by Lewin (1946) forms the basic premise on which the process of OD is grounded. Action research which is a collaborative approach follows a scientific and cyclical process (D' souza & Singh 1998). Lewin (1946) also pioneered sensitivity training which he conducted with colleagues at MIT. It has been found to improve interpersonal relationships, increase self awareness and understanding of group dynamics among participants (French & bell 2001). Another pillar of OD is the survey research and feedback pioneered by Rensis Likert. It uses structured questionnaire surveys for diagnosing organization problems (French and Bell 2001).

The banking Industry in Kenya has experienced challenges since 1990s. First due to the government borrowing heavily from the domestic market which was as a result of the country's poor relationship with the

Bretton Woods Institutions and bilateral development partners. Secondly banks adopted an aggressive provisioning policy to provide for non performing loans (NPL). The provisioning policy Resulted in Kenya Commercial Bank announce a pre-tax loss of Kshs 4.2 billion in 2002 the biggest in Kenya's corporate history. The bank formulated a turn-around strategy that was implemented between 2004 to 2009. This strategic plan was to reconfigure the entire business of KCB and make it more robust, customer focused and growth oriented. The strategic plan included developing capacity to support technology based products and implementation of strategic Human Resource Development Programs to upgrade and enhance general managerial skills of bank executives within KCB. This study aimed to determine the effect of organization development interventions implemented to enhance the general managerial skills of bank executives.

Literature review

This study was anchored on the *on the theory advanced by Kraut et al (1989), who theorized that managers to be effective, they must have a clear understanding of different skills -that are important in managerial role. Kraut et al., (1989) posits that managers must have a mutual understanding of the skills and responsibilities necessary for other managers across similar and different organizational levels and functions. The appreciation of these skills and responsibilities are critical to every manager in all organizations for effective coordination of work, communication of expectations, delivery of feedback, to prepare for job transitions, training and careers development activities. According to Mintzberg (1973) managers perform ten different highly interrelated roles which can be grouped into three different categories of interpersonal, informational and decisional roles. Prior to Mintzberg's research, managerial roles were understood to comprise planning jobs, staff and leading personnel (Pearson and Chatterjee 2003).*

Katz (1974) suggests that education and experience help managers acquire three principal types of skills: conceptual, human and technical. Business training provides many of conceptual tools which are theories and techniques in functional areas that managers need to perform their roles effectively (Jones and George 2003). Conceptual skills are demonstrated in the ability to analyze and diagnosis a situation and to distinguish between cause and effect. Human skills include ability to understand, alter, lead and control the behavior of other individuals and groups. This includes ability to communicate, to coordinate and to motivate people and to mould individuals into cohesive team. Technical skills are job specific knowledge "and techniques required to perform an organizational role (Bobbins and Judge 2007).

Katz (1974) posits that although all three of these skills are essential to a manager, their relative importance depends mainly on the managers rank in the

organization. Katz (1974) recommends that top management of every organisation require conceptual skills because their primary responsibilities are planning and organizing while technical skills are most important in the lower or first line management but human skills is important for managers at every level.

Luthans (1988) who studied 450 managers concluded that all managers are engaged in four managerial activities which can be grouped into four categories of (1) Traditional management - Decision making, planning and controlling. (2) communication-exchanging routine information and processing paperwork. (3) Human Resource management -motivating, disciplining, managing' conflict, staffing and training (4) Networking - socializing, politicking and interacting with outsiders. Konrad et al., (2001) conducted a five-country study of Australia Israel, Italy Japan and the United States and found out that Networking contributed greatly to success of managers in organizations.

Related Literature

Hunt (1991) posits that an individual manager however talented cannot posses all the managerial skills that are required for successful operation of a complex organization. An efficient and effective top management team possesses complementary managerial skills that are aligned with the organization's strategy and design that integrates external and internal elements (winter, 2000). Skills are said to be a strategic asset when they are specific, tacit and highly patterned to align with the overall organization system (winter 2003). Research on managerial skills suggests several typologies such as: Katz (1974), identified three types of skills; technical, human and conceptual. Christensen et al., (1978) suggested managerial skills which reflect two types of leadership, Taskmasters, mediators, motivators and leaders should possess human sensitivity and administrative ability, personal leaders should possess persuasion and articulation skills and architect leaders should possess creativity skills, intellectual ability and conceptual ability. Castanias and Helfat (1991) and Bailey and Helfat (2003) identified four types of managerial skills. (1)Generic skill (2) Sector-related skill. (3) Organization specific skills and (4) Industry-related skills.

Helfat (1991) posits that generic skills do not produce quasi-rents because they are easily transferable among users. Industry-related skills may be transferable across industries which make related products and have similar production processes. However if combined all four types of managerial skills may generate Ricardian rents. Proponents of resource based views have tried to link managerial skills to competitive advantage and rents (Mahoney 1995; Castanias and Helfat 1991; 2001). According to resource based views productive resources may exhibit differential levels of efficiency (Peteraf, 1993).

Managerial skills differentials may affect firm performance which may intern generate Ricardian rents. Managerial skills could also be explained in relations to external environment, size and age of the organization (Burns and Stalker 1979;

Scott, 1992). *Managerial skills determine fit firms and firms that cannot withstand turbulent environment. Fit firms are in the advantageous competitive position and achieve above normal performance (Itami and Roehl, 1987). The modern organizations which are flatter and less hierarchical with fewer levels and more responsibilities have utilized downsizing and right sizing strategy to reduce cost and streamline operations. (Allen et al., 2001; Mckinley et al., 2000; Miller 1990; De Meuse et al., 2004). Due to improved technology which has seen the emergence of the internet as a major form of communication and e-commerce and a new source of business opportunities changes have occurred to the way managers perform their work and to the way they interact with internal and external clients (Wallance 2004). These changes have brought new challenges to the managers and reasons managers to seek better communication, co-ordination, improved performance, team working and trust (Saras et al., 2004; 2005, Zaccaro et al., 2004). Managers must appreciate their new roles and responsibilities and learn a variety of skills to perform their job effectively and efficiently (Ahearn et al., 2004; Halbesleben et al., 2003; Stockdale and Crosby 20004; Wallance 2004; Zaccaro et al., 2004).*

Supporting Studies

Studies in organization development interventions, diagnosis of organizations effectiveness, general managerial skills development have been conducted by researchers in many countries where organization development is practiced. Hamark (2000) conducted a study titled "Personal and Professional qualities, interpersonal values and general managerial skills of administrators of Cebu City Division: A Correlative Study". The study sought to find out if the administrators practice general managerial skills of human, conceptual and technical as perceived by themselves and the teachers. Based on the perceptions of the elementary school teachers on the four administrator's attributes namely general managerial skills, interpersonal values, administrator's behavior and temperament. There was a low or slight yet significant relationship between managerial skills and temperament; interpersonal values and temperament and administrator's behavior and temperament. She recommended that an in-service training program is a must in order to develop the managerial skills of administrators of Cebu City Division.

Pfeffer (1998) proposes that there is evidence demonstrating that effectively managed people can produce substantially enhanced economic performance. Pfeffer (1998) in his research extracted a set of seven; dimensions that seem to characterize most if not all of the systems producing profits through people. Pfeffer (1998) named them the seven practices of successful organization such as an employment security, selective hiring of new personnel, self-managed teams and decentralized on decision making as the basic principles of organizational design,

comparatively high compensation contingent on organizational performance, extensive training, reduced status distinctions and barriers, including dress, language, office arrangements wage differences across levels and extensive sharing of financial and performance information throughout the organization. Pfeffer's findings were that training is an essential aspect of improved performance and crucial in overall organizational effectiveness.

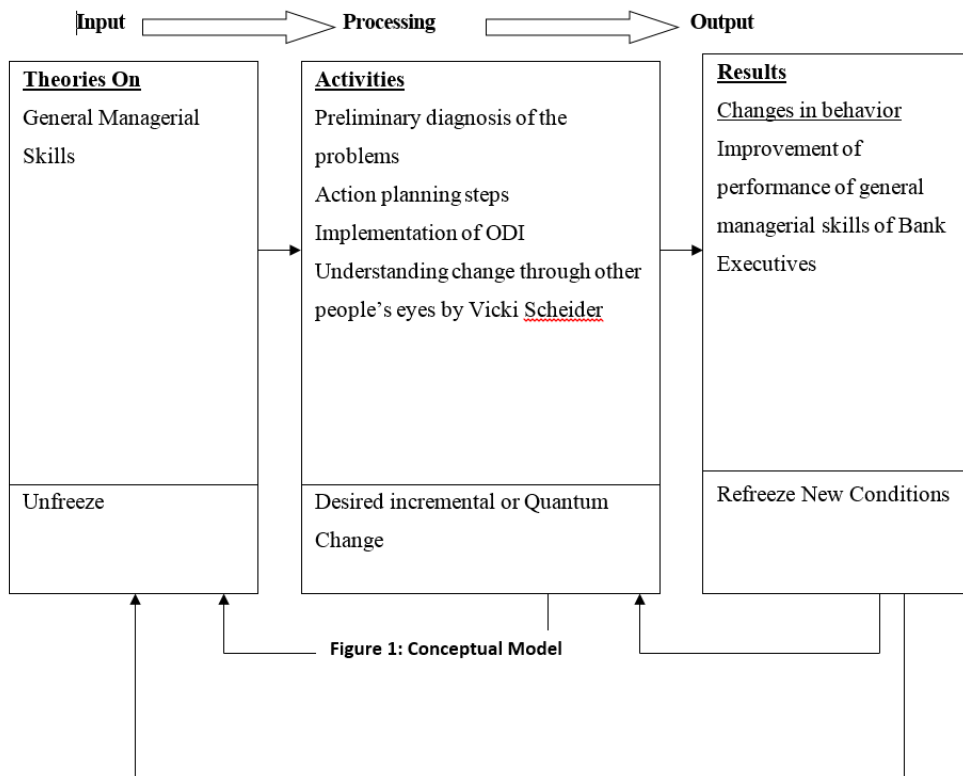
Ismael (2001) determined the effects of organization development interventions in the human resources development program for nursing service personnel; of the Vicente Sotto Memorial Medical Center. Issues such as poor communication system, inadequate analysis of personnel needs, and lack of task groups were the main problems identified by the respondents. These problems were solved after the intervention scheme was implemented by the researcher. Another related study to this study was that which was conducted by Cruz (2002). Cruz (2002) made a human-processual techno-structural diagnosis of Del Monte Philippines. The human-processual dimensions of the organization such as job description, recruitment and selection procedures, training and performance appraisal; promotions, transfers, and separations; management of people; and personnel department programs were analyzed. The study also diagnosed the techno-structural aspects of the organization, such as the formal structure of organization, administrative systems, and formal reward systems. The study revealed that the interventions created favourable changes in the organization after implementation.

Gentry, Harries, Bakes and Leslie (2008) in their study managerial skills what has changed since the late 1980s examined 14,000 managers in two distinct time periods revealed that many of the skills were similar in importance for both waves of managers. However, they found out that communicating information, ideas "and" taking action, making decision, following through" were the most important skills for all managerial levels. Castanias and Helfat (1991) have posited that managerial skills are not industry specific, industry related or firm specific because they are easily transferable among uses.

Conceptual framework

The conceptual model presents the conceptualization of the study based on the theoretical framework that form the basis of the input of the study, the processing which is the activities of ODI that conforms to Susmans and Everedes (1978) five phase action research cycle which was implemented to bring the desired incremental or quantum change and the expected output of the study that indicate improvement of changes in behavior and significant positive change in managerial performance.

Conceptual Model



Schema of the study

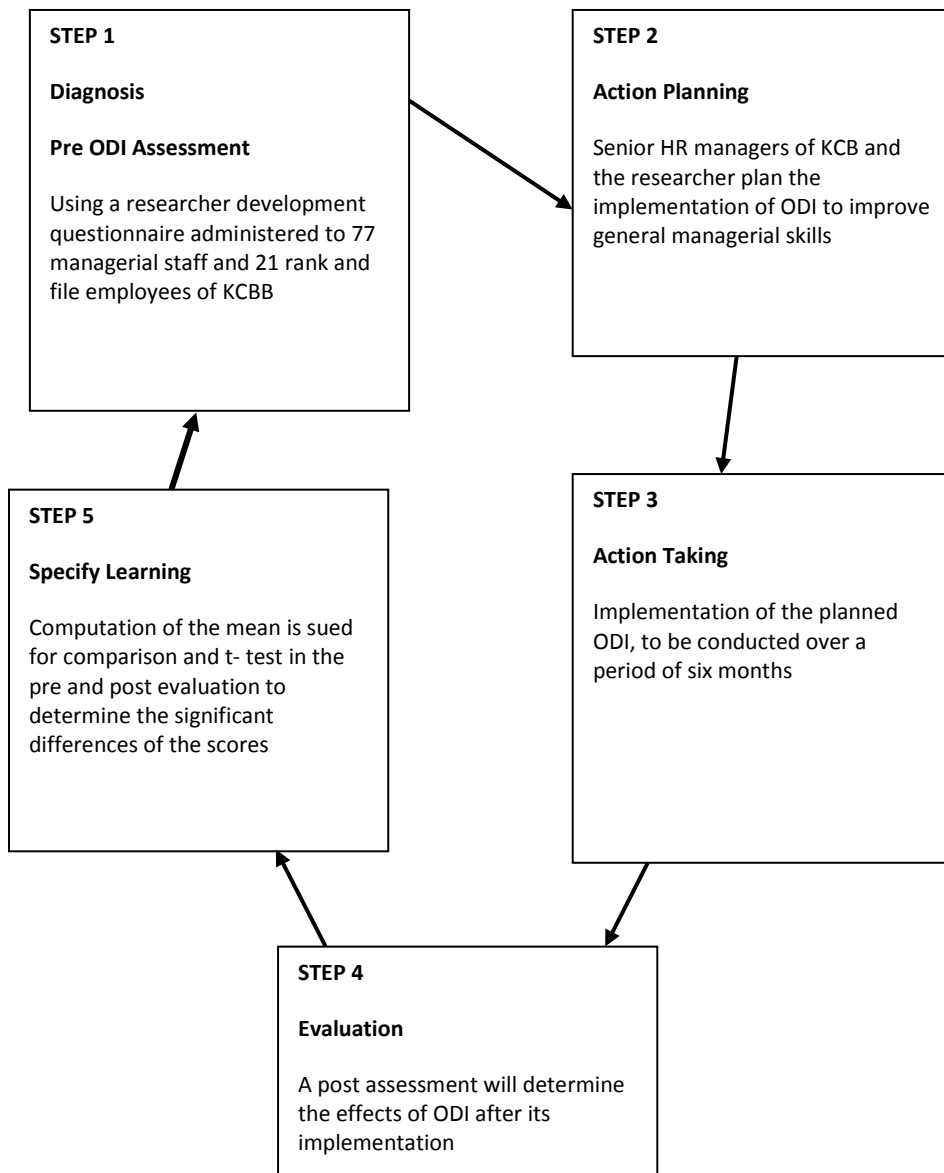


Figure 2: Action Research Cycle

The schema of the study or study flow which action conforms to Susmans and Everedes (1978), action research cycle which follows five phase cyclical processes was conducted to determine the changes brought about by the interventions implemented.

Research problem

The study sought to answer the following questions;

1. What are the profiles of pre and post assessment evaluation on the ratings of the managers in terms of the following general managerial factors;
 - 1.1 Management of quality, innovation and crisis
 - 1.2 Training, sales and marketing
 - 1.3 Planning and organization
 - 1.4 Human relations
 - 1.5 Structuring organization and delegation
 - 1.6 Controlling and overall operations
 - 1.7 Research and development
 - 1.8 Customer services
2. Are there significant in the pre and post assessment data on the eight factors?
3. What transformation indicators resulted from the implementation of the organization development intervention (ODI)?

Organization development interventions

Implementation of organization development interventions was done using the model “understanding change through other people’s eyes” by: Vicki Schneider.

This was done to provide insights on what are the importance of change. To recognize and understand what each person is being ask to give up no matter how essential in the process of contemplating the change. The need for a change is obvious and the sacrifices that have to be made are necessary and reasonable. The Bank executives as trained in June of 2009 at the of Kenya Commercial Bank Leadership Center Karen this was conducted by researcher together with KCB Trainers.

Overview: This interactive exercise helps leaders and associates look at change and its related losses through other people’s eyes, understand better why people resist change; and develop insights that will lead to a more sensitive and successful change climate.

Materials and methods

The study used a survey research design. The sampling frame was computed from the list of all managerial staff of KCB branches in Nairobi County and KCB leadership center in Karen. It was an analytical descriptive action type research design involving 98 managerial staff that was conducted at Kenya Commercial Bank Branches in Nairobi and KCB Leadership Centre at Karen. A situation analysis was conducted by holding meetings with Senior Managers at KCB head office and at KCB Leadership Centre at Karen. The study utilized a researcher developed instrument which was refined after a pilot study. While studies such as Nunnally (1967) posited that an alpha coefficient equal to or greater than 0.50 is adequate to determine internal consistency later studies (Nunnally 1978, Kline 1998, Awino 2007, Ongore 2008) has used Cronbach's alpha values of 0.70 and above. The researcher concur with these later studies and used a cut-off of 0.70 to ensure all measurements attained a high degree of reliability. A content validity index of 0.83 was obtained; this was judged to be acceptable, as it is more than the 0.70 value recommended minimum (Wynd et al., 2003). The Cronbach's alpha reliability index was 0.81, also deemed acceptable in comparison with the 0.70 recommended minimum (Santos, 1999). Action planning was done by implementing planned intervention schedule, interventions covered eight factors of general managerial Skills. Data was analyzed using mean rating and t-test was done to determine the significant differences between Pre-and post intervention assessment.

Statement of the null hypothesis

This study was tested with 0.05 Alpha Level of significance:

H₀: There is no significant difference between the pre and post assessment data on the degree of performance by the bank executives of Kenya Commercial Bank Ltd in terms of the following general managerial skills factors:

- a. Management of quality, innovation and crisis
- b. Training, sales and marketing
- c. Planning and organization
- d. Human relations
- e. Structuring organization and delegation
- f. Controlling and overall operations
- g. Research and development
- h. Customer services

Results

This study revealed that there were significant increases of the mean scores in the post assessment evaluation in general Managerial Skills from (μ 2.816) to (μ 3.959) that is from good to very good.

The table below represents the pre and post assessment mean rating on General Managerial Skills.

Table 1
The Pre and Post mean Values of the Items in General Managerial Skills Before and After ODI

Items	Before ODI		After ODI		Mean Difference
	Mean	Interpretation	Mean	Interpretation	
Management of quality, innovation and crisis	3.100	Good	4.786	Excellent	1.686
Training, sales and marketing	3.252	Good	3.980	Very good	0.728
Planning and organizing	2.853	Good	3.987	Very good	1.137
Human relations	2.644	Good	3.678	Very good	1.034
Structuring the organization and delegation	2.759	Good	4.010	Very good	1.257
Controlling and overall operation	2.971	Good	3.890	Very good	0.919
Research and development	2.202	Good	3.122	Good	0.920
Customer services	2.746	Good	4.222	Excellent	2.02
AVERAGE	2.816	Good	3.959	Very good	1.143

The table shows that general managerial skills improved from 2.816 which is good to very good with an average mean of 3.959 after intervention. The results show that Vicki Schneider's activity in improving understanding change through other people's eyes improved the managerial skills of the bank executives. The activity improved the participants way of looking at change and its related losses, *understand why they and other resist change and helped develop insights that led to a more sensitive and successful change climate. The intervention improved the participants understanding the real expectations in the transformation process, the desired direction of the initiative and the improved their involvement in the transformation process. In the areas of management of quality innovation and crisis mean score increased from 3.100 to 4.786 and customer services increased 2.746 to 4.222 they improved from good to excellent. Training,*

sale and marketing increased from 3.252 to 3.980, planning and organizing increased from 2.833 to 3.987, Human-relations increased from 2.646 to 3.678, structuring the organizational and delegation increased from 2,759 to 4.010 while controlling and overall operation increased from 3.971 to 3.890. All these factors improved from good to very good. In research and development the increase was marginal as it increased from 2.202 which was fair to 3.122 which was good. This area requires to be given special consideration in the five year development plan and more funds should be allocated to research and development.

Table 2

The table below presents the comparison of the significant difference between the Pre and Post Assessment Computed t Value of General Managerial Skills.

<i>Items</i>	<i>Mean Before ODI</i>	<i>Mean After ODI</i>	<i>Computed T- Value</i>	<i>Decision on H₀</i>	<i>Interpretation</i>
<i>General managerial skills</i>	2.816	3.959	5.149	<i>Reject H₀</i>	<i>Significant</i>

NB: Critical value of t is 1.960 at 0.05 Level of Significance

With a computed t value of 5.149, with a critical value of 1.960, at 0.05 level of significance the null hypothesis is rejected, therefore there is significant difference between the pre and post assessment value of general managerial skills. Meaning, there is improvement Management of quality, innovation and crisis, Training, sales and marketing, Planning and organizing, Human relations. Structuring the organization and delegation, Customer services, Research and development and Controlling and overall operation.

Discussion of results

The appreciation of Managerial Skills and responsibilities are critical to every manager in all Organizations of work. In this study the mean on general managerial skills increased from (p2.816) to (p3.959) which was an improvement from good during pre-intervention to very good after the intervention, the intervention improved the managerial staffs way of looking at change and other related issues. Bank executives were able to apply managerial skills to solve routine employee problems and customer complaints.

The research relates these findings of this study to Robbins & Judge (2007) who posits that it is essential for a manager to possess conceptual, technical and human skills. The researcher also relates the finding of this study to Katz (1974) who recommends that top management of every Organization required conceptual skills because their primary responsibilities are planning and organizing while technical skills are most important in the lower or first line management but human skills are important for managers at all levels. The researcher also relates the findings of this study to Hill and

Pullen (2001) who states that effective communication between managers and subordinates should be considered vital component. The researcher also relates the findings of this study to Gupta (1993) who posits that customer defines the business of any enterprise including a bank. Findings on promoting team work have been collaborated by the researcher to Berger(1998) who posits that where people are used to working in teams and putting premium on' consensus, syndicate work will enable them reach to a collective view, quality result and to a strong commitment.

Conclusion of the study

The mean on general managerial skills increased from 2.816 to 3.959 which was an improvement from good during pre-intervention to very good after the intervention. The intervention improved the managerial staff's way of looking at change and other related issues. Bank executives are able to apply managerial skills to solve routine employee and customer complaints.

The Organization Development Interventions implemented were successful in improving the managerial skills in Kenya Commercial Bank as reflected in the significant increases of the mean assessment values after intervention. The Organization Development Interventions yields a positive change in all the managerial skills of the bank executives of Kenya Commercial Bank Limited (KCB).

The researcher recommends that organizations should organize training programs for internalization of vision, mission, core values, roles and responsibility for middle managers and supervisors so that they have a sense of ownership for respective branches and also impact those values to their junior staff. Organizations should also conduct strategic change management behavioral training to all their senior managers.

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A COMPARATIVE STUDY OF PHYSIOECONOMICS EFFECTS IN ASIA

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Abstract

Global economy requires solutions to be sustained efficiently and effectively as figures and facts have been giving daily evidences since several years now. Present paper focalizes on the solid –even though latent– tie between global economics and local forces. They are actually clashing in a titanic effort to lead the world sustainability, whilst present educated question narrows on *clashing forces or merging forces?* Starting from a comparative study of three Asiatic Countries, India, China and Japan, it shapes on a mixed confrontation between old and new economies, fast and slow growing, traditional and innovative cultures, ancient and recent state systems, high and low cultural contextualization, in the effort to spot how forces in action and opposition and influencing the actual state of globalizing processes might be called to sustain it, if properly studied and adopted. Hypothesis is that globalization should care of physioeconomics in action under cultural, anthropological and environmental point of view in order to develop a sustainable model for business development. Phenomena of physioeconomics is observed from different angles, and in different environments during its historical evolution, which are both physical and anthropological ones and offer as a main findings a model of comparative table between Countries to develop a global strategy of development.

Keywords: Globalization, Physioeconomics, Far-Eastern Asian Society, Comparative Study

Introduction: Definition of the Three Environments

Since three decades scholars have been studying how local phenomena clash with the global society, influencing specific economic behaviors (Levitt, 1972). Actually, present paper focalizes on three socio-economic aspects, which are methodologically explained as the physical

environment (the Countries), theoretical environment (the Globalization phenomena) and research environment (Physioeconomics). The expected outcome is the understanding of how Globalization is linked with the physioeconomical instances (Parker 2000; Scaini 2012; Scaini 2015¹; Scaini & Navarra 2015²) in a certain environment, and can be managed through the study of those aspects actually latently in action (Hirts & Thompson 1992; Lynch 1998). There are in fact specific problems bonding globalization and physioeconomical issues.

First Environment: Physical. The first environment or field of study is physical, meaning the three Countries under examination and experimentation. Actually, there are specific situations, which can be found easily in Asia, which are fostering or hindering the process way down to success of the global theory, and at least these Countries appear likewise eligible of a deeper analysis (Nakamura 1964): China, India and Japan represent now the practical field of study and offer interesting situations overlapping and crossing together in order to create a most peculiar warp. Japan is picked from a bucket of mature economies being actually the only Asian Country mature but yet with very strong physioeconomical aspects influencing its economy and international relationship (Mishima 2008¹⁵; Smith 1985). China is representing nowadays the very target market for the world economy and business relationships, calling itself the real pivot of the world economic development and quite a globalized nation (Guthrie 2012), despite different unique conditions making it similar or very differing both from Japan and India (Rambourg 2014). As just mentioned, last taken from the bucket of Asian nations is India, offering a very high cultural context next to developing economies, surely at a slower rate than Chinese one, but longer lasting and with some very specific physioeconomical aspects such as religious issues, theorized over a century ago (Weber 1904-05; 1906) and yet very actual, especially in a global contextualization (Dipankar 2000; Vindhya 2003).

Second Environment: Theoretical. The theoretical environment is represented by the Globalization processes and its constant clash against local traditions, cultures, social behaviors and conventions (Hist & Thompson 1992) and by its dynamic balance due to different forces in constant and yet irregular action (Stiglitz 2007). The theoretical problem of globalization is studied under the point of view of which latent and invisible forces are really acting against the dynamic process of homologation and requiring an always stronger action of adaptation to specific contexts (Lynch 1998).

Third Environment: Research. Physioeconomics have been always in action, affecting regular economy (Parker 2000) and business (Foegel 1994) in a very visible or hidden way. The very vary and unpredictable effects of ambience, religious instances, anthropology (in form of culture, tradition,

ethnics, Parker 1997^{1, 2, 3}) are actually influencing business operations as well as forming the specific situation in which business operations are puzzled for a solution. Main issues observed by present paper, representing as well a future improvement of integration with other forces and more consequences observable, is the effect of endemic culture (highly and lowly contextualized, (Nishimura, Nevgi & Tella 2008), ethnics (Parker 1997²) as well as forms of mono-cultural ethnical and religious membership (Harris 2001; Nakamura 1964) in the global issues and how the reaction of the very Asian stimulated background is. Eventually, crossing the environments it is notable a table with relevant issues and a perspective use of it, offered as one among the main findings.

Question: Clashing Forces or Merging Forces?

The main theoretical problem, now approached from the practical point of view of physioeconomics and practically influencing the development of business in chosen Country, lies in the possibility of being aware of how specific issues operate in a specific environment and using such instances to avoid a clash and learning how to adopt them into specific strategies of progress: this is intended in order to create a very adaptable model for the sustainability of a global economy. Asian framework is considered likewise exemplificative about how physioeconomics influence both in active or passive way the socio-economic life of people (or, citizens) due to influence of hidden forces, yet surely known. An “active influence” is considered here and after when deliberate actions are taken by a Govern or by any actor to use physioeconomical issues in order to generate some effect, which may potentially clash with or foster globalization instances. A “passive influence” is considered here a likewise genuine or artificial phenomenon that generate as a direct consequence a situation, which is notable but yet to be investigated to be understood, and which could both oppose or foster some globalization. Actually, every physioeconomics could be used in both ways and a direct and some solid and consistently empirical observation of phenomena gives evidences.

Ethnical Instances: Chinese governs in last 40 years used a fake and illusory ethnic instance (non genuine) to create a national idea, unknown before, merging different culture (58) under a pre-constructed idea of Chinese nationalism (Bakken 2000; Greenhalgh & Winckler 2005; Rambourg 2014). A similar phenomenon, eventually more genuine, is the ethnic membership with a unique group of the 98% of Japanese population (Mishima 2008¹⁵). Such instance in Japan is a really hybrid one, being a genuine, but early adopted and reinforced for good measure by different political forces along the last century to build the sense of a Japanese Nation

from an original Yamato Nation (Doak 2001), and can be spotted in different aspect of life in Japan (Smith 1985).

Religious Instances: A comparative analysis of China and India can be pursued in terms of influence of religious instances on politics, socials and slightly on economics (Chandler, Steinberg et al. 1987). Basically the religious instance, derived from very original studies (Weber, 1904-05; 1906; Parker 1997^{1, 2, 3}) is affecting the social behavior of broad groups of people (Harris 2001), to make them really “nations” (in the meaning of tribes and closed huge groups) even artificially (McCleary&Barro 2006). Religion can be spotted also as an effective form of resistance to globalization (Johnston 2012; Wessel 2009), and sometime as an opposition to or foster of Pan-Asianism movement (seen like a form globalizing artificial movement) or even national ideas (Saaler & Koschmann 2007). Castes in India derivate from a very traditional religious idea and local beliefs gathered into the Hinduism (Dipankar 2000), eventually resumed to make up a new bureaucracy. As proofed by scholars, religion is one of those genuine forces used, misused or even abused to obtain a very political or even economical effect: for example in China (Guthrie 2012), in Japan (Smith 1985). In India the phenomenon is way down to a very broad relevance being strongly inherited into social psychology (Sheth 1999; Vindhya 2003).

Cultural Instances: curiously, there is no direct link between level of contextualization and level of globalization, despite what is trivially believed. Following Copeland & Griggs (1986), some among the most globalized Countries in the world are actually low contextual cultural ones, such as English, German and American), but some high context culture is as open to global phenomena as the previous ones (Latin America, Southern Europe – France, Italy -, China, India). Sure the understanding of ties between cultural context as physioeconomical consequence and level of globalization is an interesting future improvement. Reason lies apparently in how the local forces were able to be merged in a broad context better than to clash against it, keeping themselves, better than fading away, becoming a part of the whole context. Counting on the three target Countries, it is basically possible to say that Japan isn't very globalization-friendly, while China and India are, but all of three have a strong cultural heritage entered into the vast global phenomena flourishing worldwide. From the other hand, some high context Country is making a strong opposition to Global phenomena, as it is expectable (Russia, Arab Countries and Japan), offering a relevant and consistent preservation of their endemic culture, and some low context Country is offering resistance as well, in a some uncommon way (the southern United States, and Germany or Finland in some specific field, like business models, Nishimura, Nevgi, &Tella 2008). China offers a specific natural model of modelling globalization, being itself a very world, with

strong inner-spective and very controlled outer-spective, able to pick specific physioeconomical aspects and to use them to make a national idea, which is larger enough to be mentioned like a global one (Greenhalgh & Winckler 2005).

Hypothesis: Comparing Physioeconomical Forces in three Asian Countries

Hypothesis, supported by some solid scholars' research and a theoretic comparative analysis between the three target Countries, suggests that physioeconomics can efficiently influence the socio-economic environment, both in a positive or negative way and genuinely or being misused artificially in order to reach a predefined goal. What is also under investigation is whether such forms of influence might be predictable or not. Such artificial use makes physioeconomics able to be adopted as a practical tool of business and economic operations support, and beside that makes them needing an exploration and understanding, in order to avoid dangerous hinds. A perspective empirical analysis can be built on the basis of present research, and future improvements are expected, adopting a similar scheme in order to understand active and passive forces and help business and economic development both in a highly or low globalized environment. Basically, for those business operations focalized on a consistent adaptation to specific environments, understanding physioeconomics forces involved in a specific market is just mandatory for a successful integration and adaptation. Fact is that a predominant globalization and broad standardization level of operations is arguably evident, as far as today, and since it is assumed how physioeconomics have been affecting economic and social outcomes since decades, present hypothesis is proofing empirically:

- which physioeconomical forces have to be considered: not all of them are equally affecting or present in each environment;
- how they act (positive or negative influence): not all are genuine, some has a perceptive artificial construction;
- the outcome on the final development of an environment;
- different outcomes linking same physioeconomical instances together in a different environment.

Paper is hypothesizing that physioeconomical issues clash with globalization urgencies when bypassed, or left unnoticed or treated in a trivial and superficial way, whilst they should be explored not in a mere theoretical way, but in their possible final outcome. Moreover the influence on social behavior should be deeply explored and understood, since, as it is proofed, same forces in different environments result in different outcomes for business, economic and social development.

Countries	China		Japan		India	
Factors	VS - Pro		VS - Pro		Vs - Pro	
Geography	Huge Territory	Late Urbanization	Isolation	Concentration Urbanization	Huge territory	Urbanization
Culture	Cultural areas High context	Commercial tradition huge linguistic areas	High context	Yamato Nation (superiority)	High context	Commercial tradition
Religion	Traditional religions	Communism, Atheism, Buddhism	Shinto, endemic religion	Buddhism	Polytheism, castes	Buddhism
Ethnics	58 main ethnicities	Artificial sense of Chinese nationalism		98% Mono ethnic	Different ethnicities	
Social Behavior	Closed communities outbound	Emigration Emulation	Strong social conventions, nationalism			Weak and late sense of nation
Individual Behavior		Low individualism, communism group culture		being part of family, tribes, company		Auto realization, creative thinking

Table 1: Comparative analysis of Physioeconomics in three different Asian environments

Legenda

VS and PRO represents here which physioeconomics and how are acting in an environment, hindering or fostering “something” (here, globalization). Geography represents all those aspects linked to the physical aspect of a Country, such as weather and climate territory, physic conformation (Foegel, 1994). Culture concerns mainly human and cultural aspects, but for any ethnic one (Copeland & Griggs 1986; Parker 1997¹). Religion defines how religious instances might have influenced or have been influencing social and economic life in an environment (Harris 1985; Weber 1904-05; 1906; Parker 1997³). Ethnics regard the anthropological physical and perceived aspects of a nation (Parker 1997²). Social behavior is basically the outcome of most of Physioeconomics which have already deeply affected a behavior of nations, tribes, groups of people, or human environments,

whilst Individual one regards the single attitude toward something, regardless to what a special belief says (in a Country “smoking” might have a very bad perception, but anyway who smokes, do it in a very specific way; Nakamura 1964).

Findings, Conclusions and Actual Limitations

Actually present paper counting on a solid and robust implant of scholarly proofed theories, gives evidences of very latent but nevertheless strong problems linked with development business and state of sustainability of economics and socials, focalizing on Asia. Such problems are affected by underestimated physioeconomics, influencing environments and can be treated as actual in western Countries as well. Actually, in most environments local forces and globalization forces are clashing, and it is the surface of the iceberg, in fact there is a submerged reality where it is notable how such forces are merging together and local physioeconomics are instead fostering the globalization and standardization processes, even in high context Countries. Such foster is really pulled into the environment by unnoticed phenomena or even phenomena which were really built artificially, maybe with different purposes. Anyway, in the end of the day they have been working effectively to support global strategies. Three cases compared proofed how the same physioeconomical phenomena could have different evolutions and opposite outcomes, as well as different evolutions or different phenomena could have led to same results in different environments. The findings do not concern any tool to make business more predictable, but they enlighten on the theoretical need of research, analysis and eventually comprehension of specific physioeconomics in order to understand how to merge them into a global context without hard clashes, but in order to allow a soft passage from local isolated environmental identities to local globalized environmental identities. Key words appear like "globalizing the environmental experience".

Physioeconomics and Globalization processes clash because there is no acknowledgement about how merging them together and no aspect of study of single instances and perspective of the developing phenomena, even though, as proofed, there is serious robust research behind this phenomenology.

Actual limitations, eventually linked to recommended future improvements, concern a future deeper study of single physioeconomical instances and a quantitate research and measurement of such forces, adopting a tool of measure (Scaini 2015¹). Again, the possible connections between the level of contextualization of culture in chosen three markets and level of globalization is another possible improvement. Moreover it will be interesting to adopt a research based on quantitative method to investigate

furtherly the perception of physioeconomical instances of the people in the environment and to acknowledge the level of consciousness of such phenomena.

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VISEGRAD MEETS VISEGRAD: THE VISEGRAD FOUR AND THE WESTERN BALKANS SIX⁵

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Abstract

Enlargements of the European Union (EU) over the recent decade have not just expanded its territory or increased the headcount of its Single Market; by almost doubling the number of its Member States (MSs) the EU faces multifaceted implications beyond any doubt. Having been challenged by multiple transformation, the Central and East European Countries (CEECs) assumed their rights just like obligations associated with EU membership upon completion of transitional periods intended to allow for as much a smooth integration process as possible. Accession to the EU reinforced their prestige internationally to the extent of intensity of their participation (i.e. in terms of “mere“ EU membership, or even complemented by a single currency in the Euro Area, and/or single external EU border in the Schengen Area). Gradually, they aspire to maximise their inward financial flow from the common EU budget while simultaneously “catching up“ with the “Western“ degree of political and economic development; post-Cold-war democracies increasingly engage in institutional representation, coalition building and pursuit of own interests amidst the EU arena, too. In this respect we streamline our focus to the Western Balkans and the shaping concept of the so-called *Western Balkans Six* with the aim to hint prospects of cooperation inspired by the *Visegrad Group* alias the *Visegrad Four (V4)*.

Key Words: European integration, European Union enlargement, Visegrad^{6,7}, Visegrad Four, Western Balkans Six

⁵ This article results from scientific research conducted at the University of Economics in Bratislava in the framework of: the VEGA project No. 1/1057/12 (Department of International Trade, Faculty of Commerce of the University of Economics in Bratislava); and the Ph.D. thesis of Ms. Dubravka Kovačević titled REFLECTION OF V4 INTERESTS IN THE CONTEXT OF V4 PRESIDENCIES IN THE ENLARGING AND REFORMING EUROPEAN UNION AS A PREREQUISITE FOR AGENDA-SHAPING IN TERMS OF THE NETHERLANDS – SLOVAKIA – MALTA (2016 – 2017) PRESIDENCY *TROJKA*, supervised by Assoc. Prof. Dr. Denisa Čiderová.

Introduction

“In everyday usage the word “integration” denotes the bringing together of parts into a whole. In the economic literature the term “economic integration” does not have such a clear-cut meaning. Some authors include social integration in the concept, others subsume different forms of international cooperation under this heading, and the argument has also been advanced that the mere existence of trade relations between independent national economies is a sign of integration.”

Bela Balassa (1961) in Nelsen, Brent F. - Stubb, Alexander (eds.). *The European Union – Readings on the Theory and Practice of European Integration* (3rd ed. – comprehensively revised and updated). Basingstoke: Palgrave Macmillan, 2003, p. 180.

European integration theories⁸ drawing on related disciplines such as political sciences, international relations, economics, sociology, etc., are further formulated in the framework of the so-called *European (integration) studies* exploring political, legal, economic, social, etc. aspects of the European integration process – in the context of methodological pluralism M. Eilstrup-Sangiovanni states that “[n]o single method or approach is likely to lead, on its own, to a complete understanding of the European integration process”⁹ – alongside real-life developments. As a matter of fact, the 1990s witnessing “centrifugal” disintegration of a number of federal statehoods in Central and Eastern Europe marked parallel “centripetal” attempts of now-independent successor states for (European) integration. Following the (geo-)political commitment of the EU MSs vis-à-vis Central and Eastern Europe, the reality of its “catching-up” in (geo-)economic terms fostered progressive engagement of CEECs in the respective stages of economic integration as defined by B. Balassa¹⁰. *Interdependence*¹¹

⁶ Hungary

⁷ Bosnia and Herzegovina

⁸ For realist, intergovernmentalist, and institutionalist approaches; neo-functionalism and supranational governance; constructivist perspectives; sociological perspectives on European integration; multilevel governance see Jones, Erik - Menon, Anand - Weatherill, Stephen (eds.). *The Oxford Handbook of the European Union*. Oxford: Oxford University Press, 2012, pp. 3-75.

⁹ Eilstrup-Sangiovanni, Mette (ed.). *Debates on European Integration – A Reader*. Basingstoke: Palgrave, 2006, p. 466f.

¹⁰ in chronological order: “*Declaration on Co-operation Between the Republic of Poland, the Czechoslovak Federal Republic and the Republic of Hungary on the Path for Advancing Towards European Integration*” (15 February 1991) alias **international (Visegrad Group) cooperation**; “*Agreement Establishing the Customs Union Between the Czech Republic and the Slovak Republic*” (29 October 1992) alias **customs union**; *the Central European Free Trade Agreement* (21 December 1992) alias **free trade area**

¹¹ originally a catchword of the 1970s

intensified, as J. Pelkmans puts it: “*The splitting up of Czechoslovakia in 1993, while keeping a customs union between the Czech Republic and Slovakia, is a dramatic example of how ‘deep’ economic interdependence gradually becomes with the highest stages of economic integration and how costly disentanglement can be*”¹².

M. Dangerfield phased out stages of *Visegrad Group* development as **Visegrad I-III** and the **Central European Free Trade Agreement** (CEFTA). In its initial phase¹³ (*prior to 1993*) **Visegrad I** experienced multifaceted transformation, including formation of the Czech Republic and the Slovak Republic as a result of the disintegration of Czechoslovakia. The so-called **CEFTA** era (*1993-1998*) and the **Visegrad II** (*1998-2004*) years were targeted firstly on follow-up transition from federal to independent statehood¹⁴ in the case of the Czech Republic and Slovakia (e.g. in currency terms), and secondly, on compliance with the *acquis communautaire* driven by the prospect of joining the EU. Following the 2004 EU accession of V4 countries, the **Visegrad III** phase (*since 2004*) has been marked by more structuralised interaction and perceived by other regional groupings as an inspirational role model of cooperation.¹⁵

Yet, the pre-accession period was characterised by intensive rivalry among candidates for EU membership – including the V4 countries originally split into two rounds of accession negotiations. Despite the fact that EU accession talks with Slovakia were launched two years after they had been initiated with the Czech Republic, Hungary and Poland in 1998, terms and conditions of enlarging the Union to all ten 2004 “New¹⁶ MSs” were anchored in a single Accession Treaty signed in Athens in 2003. In the same year, the so-called *EU perspective* for the Western Balkans was reiterated at the Thessaloniki European Council (Annex 1).

“*Concernant les pays d’Europe du Sud-Est, l’UE met en place, dès novembre 2000, un outil de préadhésion : l’Accord de stabilisation et d’association (ASA)*¹⁷. *Il s’agit d’aider les pays concernés à se réformer, à la fois économiquement et politiquement, en prenant en compte leur situation spécifique d’instabilité suite aux guerres. [...] La mise en place des ASA*

¹² Pelkmans, Jacques. *European Integration – Methods and Economic Analysis*. Essex: Financial Times Prentice Hall, 2006, p. 11.

¹³ *alias* V3 specified in Annex 1

¹⁴ *alias* V4 specified in Annex 1

¹⁵ see also Fawn, Rick. Visegrad: Fit for purpose? In *Communist and Post-Communist Studies*. Vol. 46, 2013. ISSN 0967-067X, p. 348.

¹⁶ Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia

¹⁷ Stabilisation and Association Agreement (SAA)

était un geste fort pour affirmer la vocation européenne de ces États. Toutefois, elle suggérait que l'intégration des Balkans occidentaux se ferait de manière différenciée, pays par pays, et non de manière globale, créant une concurrence de fait entre ces pays. Le pari de l'UE était de considérer que l'exemple des « bons élèves » les plus avancés vers l'adhésion pourrait servir d'émulateur politique pour les pays moins avancés.“

Cattaruzza, Amaël - Sintès, Pierre. *Atlas géopolitique des Balkans – Un autre visage de l'Europe*. Paris: Éditions Autrement, 2012, p. 69.

In an earlier paper¹⁸ we indicated the group of *candidate countries* for EU membership as the one comprising the former Yugoslav Republic of Macedonia (FYROM), Iceland, Montenegro, Serbia, and Turkey, whereas Albania, Bosnia and Herzegovina, and Kosovo under UNSCR 1244/99 (in line with the ICJ Opinion on the Kosovo declaration of independence) represented the so-called *potential candidates*. However, Albania succeeded to “upgrade” its status to a candidate country, and Iceland “*requested not to be regarded as a candidate country*”¹⁹, since. Now, we streamline our focus in a comparative perspective to the Western Balkans and the shaping concept of the so-called *Western Balkans Six (WB6)* with the aim to hint prospects of cooperation inspired by the *Visegrad Four*.

“FYROM trilogy” as an *intermezzo* between the 2004 and 2007 EU enlargement rounds

“Montenegro’s proposal for a Western Balkans Six grouping (bringing together Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Kosovo, Montenegro and Serbia) is a constructive initiative, drawing on the positive experience of the Visegrad Four. It is important that such initiatives are complementary and add value to existing arrangements, and that they are regionally owned and driven. Active participation in the Danube and the [...] Adriatic-Ionian macro-regional strategies can also support economic and social development and promote EU integration.“

European Commission. *Enlargement Strategy and Main Challenges 2013-2014*. Brussels, 16 October 2013, COM(2013) 700 final, p. 13.

The 2006 so-called *renewed consensus on enlargement* emphasised that the forthcoming EU enlargement rounds would rest on three central aspects: *consolidation*²⁰; *conditionality*²¹; and *communication*²². Prospective

¹⁸ Čiderová Denisa - Repášová Vladimíra. Geo-heterogeneity in the Context of the EU. In *European Scientific Journal*. Vol. 9, No. 25, 2013, pp. 1-22. ISSN 1857-7881 (print), 1857-7431 (online).

¹⁹ European Commission website (Enlargement):

http://ec.europa.eu/enlargement/countries/check-current-status/index_en.htm

²⁰ as post-2004-enlargement consolidation in the EU

accession of twelve CEECs and Turkey to the EU spread into three intervals: eight CEECs²³ together with two Mediterranean²⁴ countries entering in 2004; two CEECs²⁵ joining them in the EU in 2007; and, Turkey negotiating its membership in the EU in the position of a candidate country. Another then-a-candidate country – Croatia – stretched the EU further into the Balkans region when becoming a “New MS” in 2013; yet, another then-a-candidate country – the former Yugoslav Republic of Macedonia – has been expecting launch of its EU accession talks since the Commission’s 2009 proposal on passage to the second stage of the association in terms of the SAA. FYROM applied for EU membership in 2004, was granted candidate country status in the following year, and witnessed the so-called *European Partnership* a year later. Thus, such “trilogy” occurring as an *intermezzo* between the 2004 and 2007 EU enlargement rounds (further reinforced through FYROM’s 2008 so-called *Accession Partnership*) seemed to be promising an early prospect of a “New MS”. Nonetheless, FYROM has been prevented from being engaged in EU accession negotiations in the context of the so-called “name issue” and the related Council’s position, as the Commission puts it: “*It remains essential that decisive steps are taken towards resolving the ‘name issue’ with Greece. The failure of the parties to this dispute to reach a compromise after 19 years of UN-mediated talks is having a direct and adverse impact on the country’s European aspirations. Resolute action is required, as well as proactive support from EU leaders. The Commission recalls its view that, if the screening and the Council discussions on the negotiating framework were under way, the necessary momentum could have been created which would have supported finding a negotiated and mutually accepted solution to the name issue even before negotiating chapters were opened.*”²⁶ Both, the case of the former Yugoslav Republic of Macedonia

²¹ as persistent post-2004-enlargement conditionality

²² as ongoing communication: “*For their part, Member States, together with the EU institutions, should lead an informed debate on the political, economic and social impact of enlargement policy*”, the European Commission claims (European Commission. *Enlargement Strategy and Main Challenges 2014-2015*. Brussels, 8 October 2014, COM(2014) 700 final, p. 1).

²³ see footnote 12

²⁴ see footnote 12

²⁵ Bulgaria and Romania

²⁶ European Commission. *Enlargement Strategy and Main Challenges 2014-2015*. Brussels, 8 October 2014, COM(2014) 700 final, p. 23; in this respect the General Affairs Council pursued its view at the meeting in Brussels on 16 December 2014 (Council of the European Union. *Council conclusions on Enlargement and Stabilisation and Association Process*. Brussels, 16 December 2014, p. 9) as follows: “*With a view to a possible decision of the European Council to open accession negotiations with the former Yugoslav Republic of Macedonia, the Council will revert to the issue anytime in 2015, on the basis of an update by the Commission on implementation of reforms, including in the context of the High Level*

(*alias* FYROM), and the case of Kosovo under UNSCR 1244/1999 (in line with the ICJ Opinion on the Kosovo declaration of independence) have been closely linked to the United Nations. Due to the fact that accession of CEECs to the EU was not compatible with their continuous participation in CEFTA (as if “CEFTA 1.0”)²⁷, transformation of the latter to the so-called *CEFTA 2006* (as if “CEFTA 2.0”)²⁸ stretched it to South-Eastern European (SEE) countries including Kosovo (UNSCR 1244/1999) as illustrated in Figure 1 below. Albeit acknowledging engagement of the respective depicted countries in a number of international organisations²⁹ and initiatives³⁰, we zoom-in our attention to potential “lowest common denominators” resulting from involvement in overlapping forms of cooperation with full (CEFTA 2006), major (CEI, EUSAIR), minor (UfM, EUSDR) and individual (BSEC) participation.³¹

Fig 1 Visualisation of the context of cooperation: focus on the Visegrad Four and the Western Balkans Six

Accession Dialogue, and on tangible steps taken to promote good neighbourly relations and to reach a negotiated and mutually accepted solution to the name issue.”

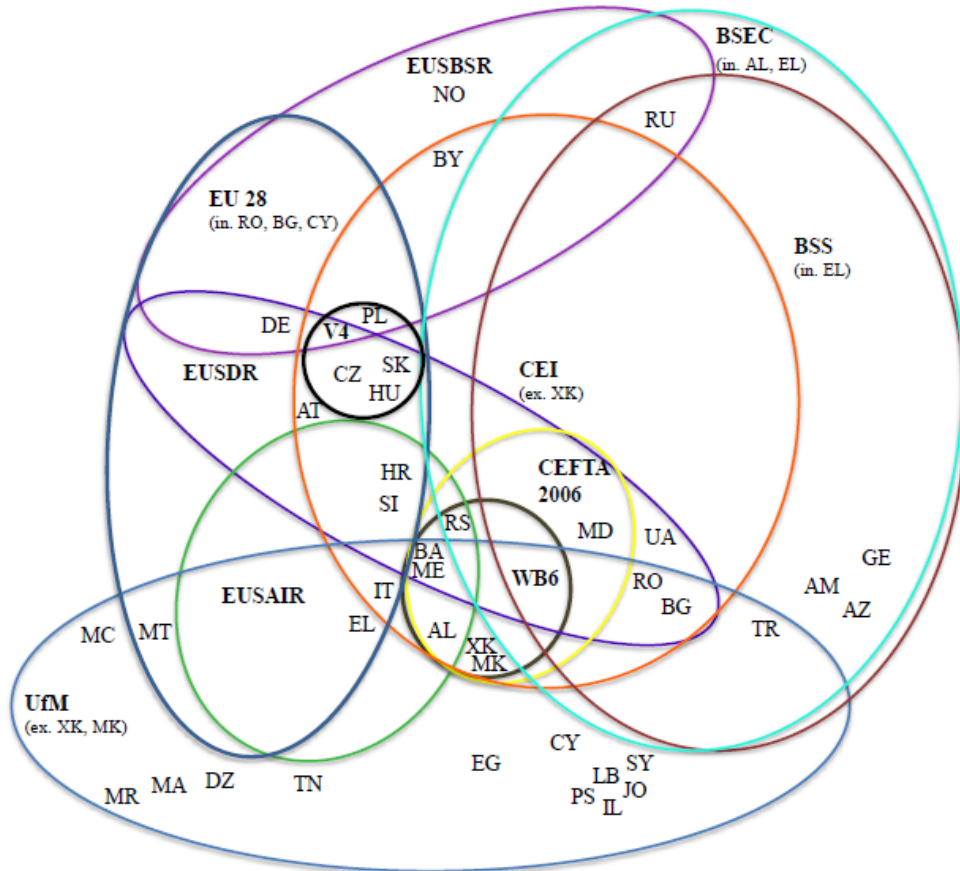
²⁷ Čiderová, Denisa - Dionizi, Brikene. EU Accession Experience and Perspectives: The Case of Slovakia and Kosovo (UNSCR 1244/1999). In Hoti, A. - Kosír, I. (eds.), *European Perspectives of the Western Balkans countries I., Kosovo (UNSCR 1244/1999)*, 2015 (in press)

²⁸ Čiderová, Denisa - Dionizi, Brikene. EU Accession Experience and Perspectives: The Case of Slovakia and Kosovo (UNSCR 1244/1999). In Hoti, A. - Kosír, I. (eds.), *European Perspectives of the Western Balkans countries I., Kosovo (UNSCR 1244/1999)*, 2015 (in press)

²⁹ such as the UN, the Council of Europe, the OSCE

³⁰ such as the South-East European Cooperation Process

³¹ Analogically to the V4 region, the Western Balkans region is involved in two macro-regional strategies of the EU, namely the EUSBSR (addressing e.g. deterioration of the environmental state of the Baltic Sea) and the EUSDR (responding to e.g. unused potential for improved navigability and water quality for an attractive Danube Region) in the case of the first, while the EUSDR and the EUSAIR (referring to e.g. economic, social and environmental diversity and fragmentation in the Adriatic and Ionian Region) in the case of the latter (European Commission. *Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions concerning the governance of macro-regional strategies*. Brussels, 20 May 2014, COM(2014) 284 final, p. 2).



Legend: AL – Albania; AM – Armenia; AT – Austria; AZ – Azerbaijan; BA – Bosnia and Herzegovina; BG – Bulgaria; BSEC – Organization of the Black Sea Economic Cooperation; BSS – Black Sea Synergy; BY – Belarus; CEFTA 2006 – Central European Free Trade Agreement; CEI – Central European Initiative; CY – Cyprus; CZ – Czech Republic; DE – Germany; DZ – Algeria; EG – Egypt; EL – Greece; EUSAIR – EU Strategy for the Adriatic and Ionian Region; EUSBSR – EU Strategy for the Baltic Sea Region; EUSDR – EU Strategy for the Danube Region; EU28 – European Union; GE – Georgia; HR – Croatia; HU – Hungary; IL – Israel; IT – Italy; JO – Jordan; LB – Lebanon; MA – Morocco; MC – Monaco; MD – Moldova; ME – Montenegro; MK – the former Yugoslav Republic of Macedonia; MR – Mauretania; MT – Malta; NO – Norway; PL – Poland; PS – Palestinian Authority; RO – Romania; RS – Serbia; RU – Russian Federation; SI – Slovenia; SK – Slovak Republic; SY – Syria; TN – Tunisia; TR – Turkey; UA – Ukraine; V4 – Visegrad Four; WB6 – Western Balkans Six; XK – Kosovo under UNSCR 1244/1999.

Source: Authors.

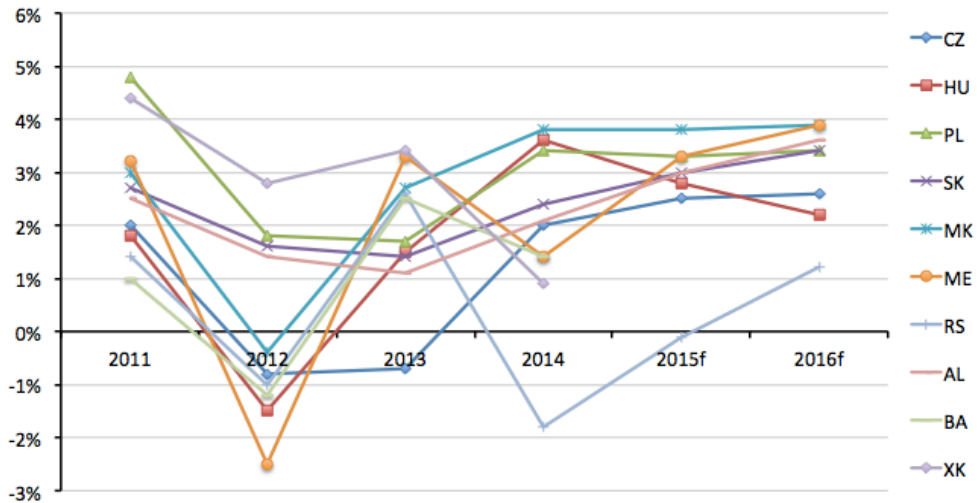
As both consolidation (the EU³² & the Western Balkans³³) and conditionality (the Western Balkans³⁴ & the EU³⁵) remain an imperative, reflection of hard and soft data will follow next.

³² in the context of the global economic crisis

Visegrad Four and Western Balkans Six: Focus on hard data

The period of 2011-2014, including a forecast for 2015 and 2016, has witnessed declines as well as regaining strength in terms of *GDP growth* (Figure 2a) for both the V4 and the WB6 regions.

Fig 2a GDP growth in % (2011 – 2016f)



Source: European Commission. Spring 2015 European Economic Forecast. In *European Economy*. No. 2, European Commission, Brussels, May 2015; European Commission. EU Candidate & Potential Candidate Countries' Economic Quarterly (CCEQ) 2nd Quarter 2015. *European Economy – Technical Paper*. No. 002, July 2015.

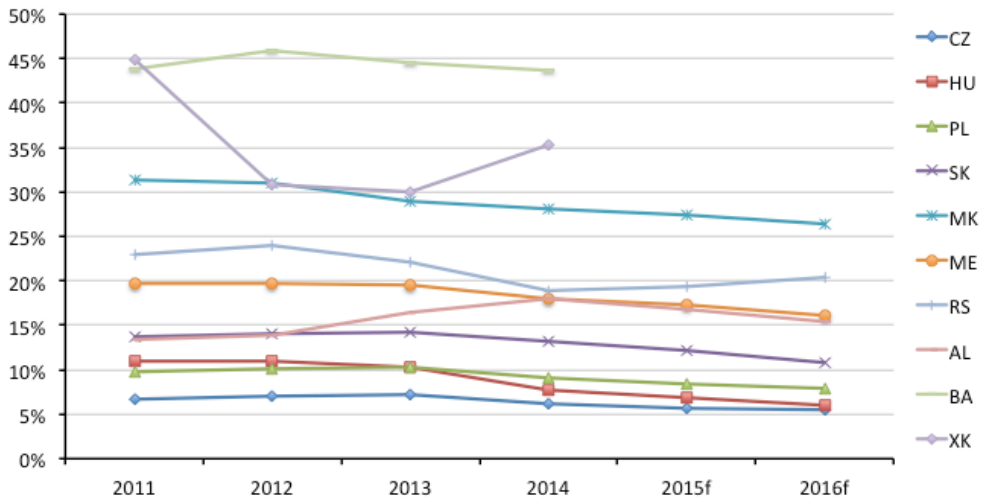
Major drop in GDP growth (in %) was recorded in 2012 in most countries, but had a particularly severe impact in Hungary (-3.3pp) within the V4, and in Montenegro (-5.7pp) among the WB6 participants. Although 2013 proved to be a year of recovery for most countries (with the exception of Poland and Serbia), the 2016 forecast expects Slovakia and Albania to recover the most in comparison to the year 2011. Forecasts for 2015 and 2016 do not cover Bosnia and Herzegovina, and Kosovo under UNSCR 1244/1999; still, data available imply modest, but stronger recovery in Bosnia and Herzegovina. Although GDP growth implies similarities between the V4 and the WB6, one cannot claim the same in the case of the *unemployment rate* (Figure 2b).

Fig 2b Unemployment rate in % (2011 – 2016f)

³³ in the context of the global economic crisis

³⁴ in the context of the European Union membership

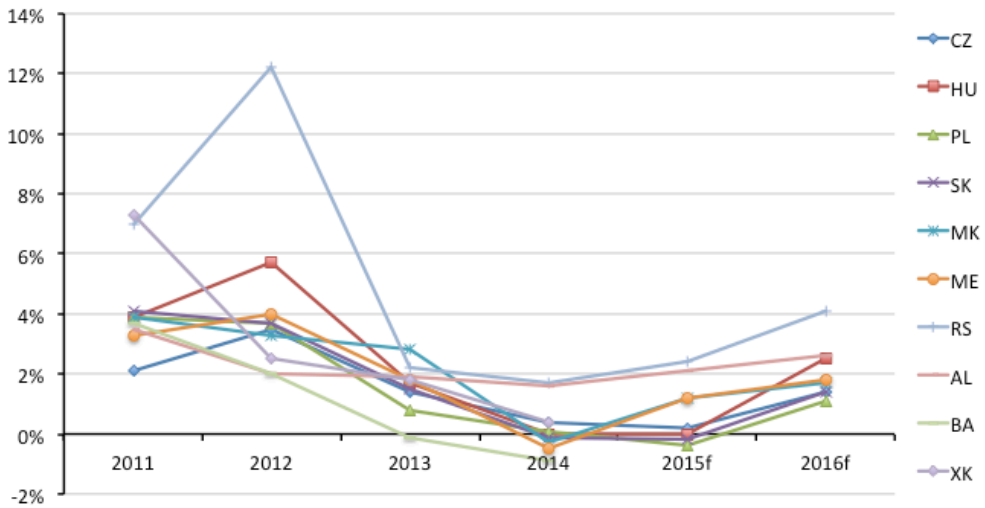
³⁵ in the context of the Euro Area membership



Source: European Commission. Spring 2015 European Economic Forecast. In *European Economy*. No. 2, European Commission, Brussels, May 2015; European Commission. EU Candidate & Potential Candidate Countries' Economic Quarterly (CCEQ) 2nd Quarter 2015. *European Economy – Technical Paper*. No. 002, July 2015.

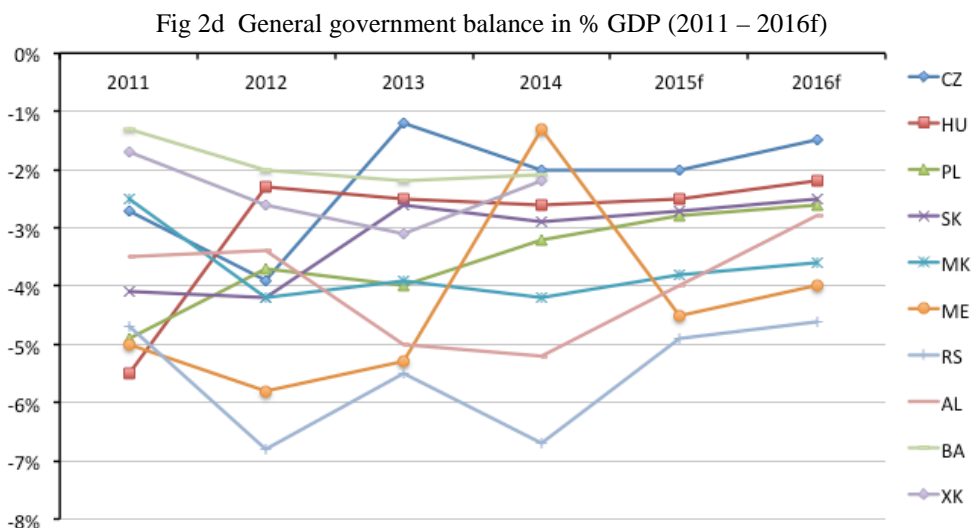
Within the V4, Slovakia is the one most concerned with joblessness; nevertheless, the 2016 forecast expects a decline of the unemployment rate (when compared to the initial 2011 level) of 5pp and 2.9pp for Hungary and Slovakia, respectively. One must conclude that the situation in the WB6 region regarding unemployment is alarming, especially in the case of Bosnia and Herzegovina where it was registered in the interval from 43.6% (2014) to 45.9% (2012). Contradictory developments are documented between 2011-2014 in Albania (joblessness climbing up) and in Kosovo under UNSCR 1244/1999 (joblessness sliding down). Overall, optimistic trends are envisaged for FYROM, Montenegro and Albania, since the 2015-2016 forecasts regarding Bosnia and Herzegovina, and Kosovo under UNSCR 1244/1999 are not available.

Fig 2c Inflation rate in % (2011 – 2016f)



Source: European Commission. Spring 2015 European Economic Forecast. In *European Economy*. No. 2, European Commission, Brussels, May 2015; European Commission. EU Candidate & Potential Candidate Countries' Economic Quarterly (CCEQ) 2nd Quarter 2015. *European Economy – Technical Paper*. No. 002, July 2015.

Inflation rate (Figure 2c) has experienced volatility in the interval from -0.9% to +12.2%, namely: on the scale from -0.1% (Slovakia in 2014) to +5.7% (Hungary in 2012), and from -0.9% (Bosnia and Herzegovina in 2014) to +12.2% (Serbia in 2012). Overall, both the V4 and the WB6 saw weakening inflation in the years 2011-2014; yet, intensifying inflationary tendencies are forecasted for 2015-2016 in all countries in the sample (with the exception of Bosnia and Herzegovina, and Kosovo under UNSCR 1244/19 not covered by the prognosis).



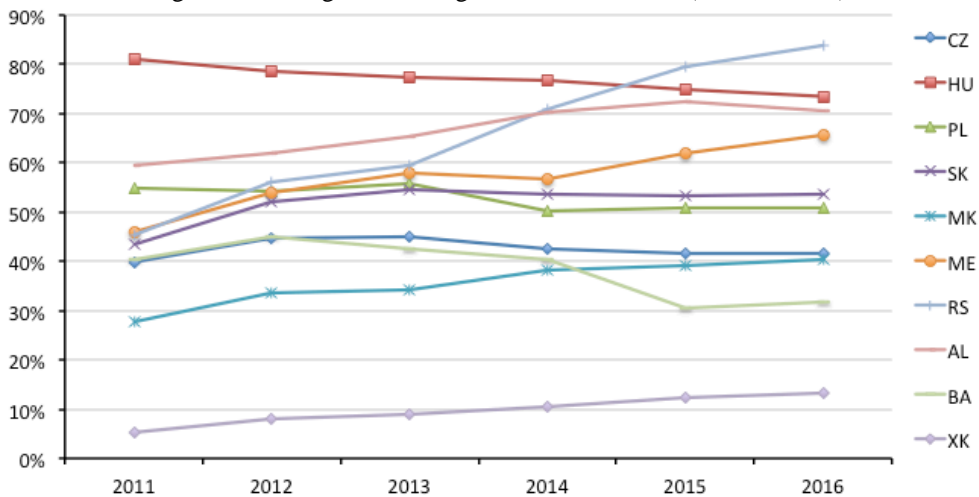
Source: European Commission. Spring 2015 European Economic Forecast. In *European Economy*. No. 2, European Commission, Brussels, May 2015; European Commission. 2015 Economics Reform Programmes (Part I) of Albania, The former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey, Bosnia and Herzegovina and Kosovo*: The Commission's overview and country assessments. *European Economy – Occasional Papers*. No. 229, June 2015; European Commission. EU Candidate & Potential Candidate Countries' Economic Quarterly (CCEQ) 2nd Quarter 2015. *European Economy – Technical Paper*. No. 002, July 2015.

In the case of the *general government balance* (Figure 2d), countries of the V4 and the WB6 are characterised by a budgetary deficit, oscillating in the interval from -1.2% to -6.8%, namely: on the scale from -1.2% (the Czech Republic in 2013) to -5.5% (Hungary in 2011), and from -1.3% (Montenegro in 2014) to -6.8% (Serbia in 2012). Prevalingly, the V4 and the WB6 regions are foreseen to experience improving general government balance in 2015-2016 – albeit with the exception of Montenegro³⁶ – as data for Bosnia and Herzegovina, and Kosovo under UNSCR 1244/19 have not been disclosed. *General government gross debt* (Figure 2e) demonstrated a diverse, but frequently continuous upward trend throughout 2011-2014 (including forecasts for 2015-2016 in both the V4 and the WB6). The spread, however, reflects considerable discrepancies within the two regions under consideration when the forecast represents a range of the general government

³⁶ For details see European Commission. EU Candidate & Potential Candidate Countries' Economic Quarterly (CCEQ) 2nd Quarter 2015. *European Economy – Technical Paper*. No. 002, July 2015, pp. 18-20; European Commission. 2015 Economics Reform Programmes (Part I) of Albania, The former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey, Bosnia and Herzegovina and Kosovo*: The Commission's overview and country assessments. *European Economy – Occasional Papers*. No. 229, June 2015, pp. 37-52.

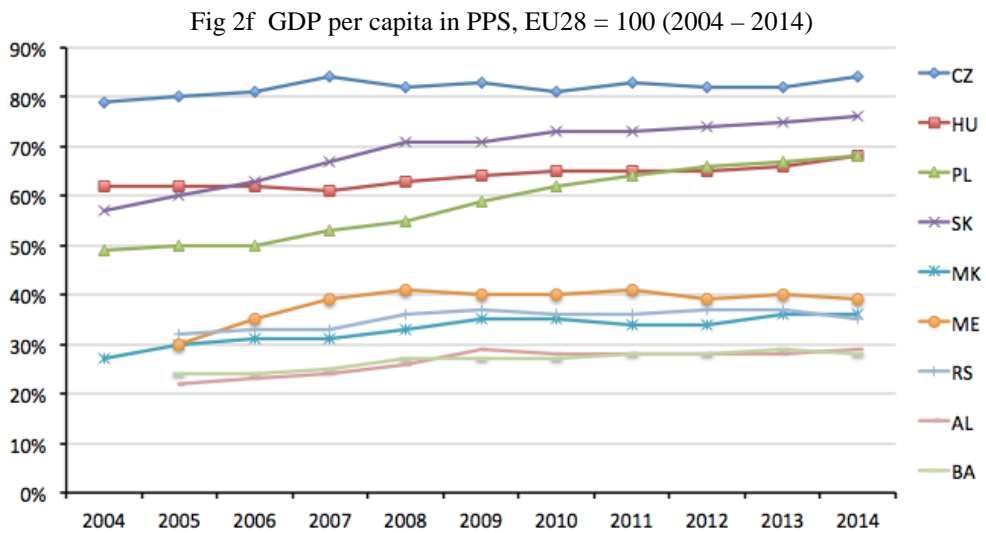
gross debt from 12.4% (13.4%) to 79.6% (83.7%) for 2015 and 2016, respectively.

Fig 2e General government gross debt in % GDP (2011 – 2016f)



Source: European Commission. Spring 2015 European Economic Forecast. In *European Economy*. No. 2, European Commission, Brussels, May 2015; European Commission. 2015 Economics Reform Programmes (Part I) of Albania, The former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey, Bosnia and Herzegovina and Kosovo*: The Commission's overview and country assessments. *European Economy – Occasional Papers*. No. 229, June 2015; European Commission. EU Candidate & Potential Candidate Countries' Economic Quarterly (CEEQ) 2nd Quarter 2015. *European Economy – Technical Paper*. No. 002, July 2015.

According to GDP per capita in *Purchasing Power Standard (PPS)* in the period 2004-2014 (Figure 2f), in which the EU28 equals 100, Poland and Slovakia registered significant progress – boosting from the level of 49% (57%) in 2004 to 68% (76%) in 2014, respectively; still, among the V4 countries the Czech Republic continues to be ahead. Accessible data for the period 2005-2014 (except for FYROM with data coverage over 2004-2014; and Kosovo under UNSCR 1244/1999 where data are non-available) document the degree (GDP per capita in PPS stretching from 22% to 41%) of “catching-up” of the WB6 participants with their V4 counterparts.



Source: Eurostat. GDP per capita in PPS. [Http://:europa.eu](http://europa.eu), 6 August 2015.

In summary, GDP growth (in %) is in the phase of gaining momentum in the V4 just like in the WB6; the rates of joblessness registered for Montenegro and Albania more or less follow the V4 pattern; negative figures symbolise decelerated rate of inflation, gradually rising in both regions again; general government balance has been marked by ups and downs with the outlook of consolidation; and, the general government gross debt in V4 countries levelled off (besides steady fall recorded in Hungary in the context of the so-called *convergence criteria*) while on average it has been augmenting across the WB6 region.

Recently released *Discussion Paper* of the Directorate-General for Economic and Financial Affairs of the European Commission provides evidence of significant real convergence accomplished by a majority of the CEECs joining the EU in 2004 and 2007 vis-à-vis the Euro Area in its 12-Member-State composition. Nonetheless, there is a substantial real convergence gap in terms of average GDP per capita in PPS between those CEECs that have enlarged the EU from 15 MSs to 27 MSs, and advancement of these countries from Central and Eastern Europe in terms of their real and nominal convergence was not just disproportionate, but even not gradual or smooth³⁷. Since the CEECs as EU MSs with the so-called *derogation* have

³⁷ “In general, CEE10 [Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia] countries which entered the EU with lower income levels seem to have converged somewhat faster.”, p. 25. In Forgó, Balázs - Jevčák, Anton. Economic Convergence of Central and Eastern European EU Member States over the Last

become committed to adopting the common currency, their compliance with the convergence criteria continues to be monitored³⁸: out of the V4 and the WB6 it is Slovakia (as an official member of the Euro Area) along with Montenegro and Kosovo under UNSCR 1244/1999 (on the basis of unilateral euroisation with no separate legal tender) that use the euro as their currency.

Visegrad Four and Western Balkans Six: Focus on soft data

Being a part of the European Union (i.e. V4) – or being shortlisted (i.e. WB6) for it – influences and defines perceptions and reflections regarding values, possibilities and obligations that come with the EU membership (Annex 2).

When asked if they personally feel as citizens of the EU, answers within the V4 reflect to some degree the EU28 average: the respondents feel to be the citizens of the EU to the largest extent in Slovakia (75%), more or less followed by Poland (74%) and Hungary (67%). The Czech Republic, however, proves its traditional scepticism when scoring the most where respondents do not feel as citizens of the EU (38%).

When the matter of image that the European Union conjures comes into question, one must conclude that the EU candidate countries (among the WB6 participants) see the Union much more positively than the V4 in the position of its MSs. The most favourable perception of EU image within the WB6 sample of the EU candidate countries is in Albania (75%), with its counterpart in the V4 being Poland (53%). FYROM (59%) and Montenegro (49%), as well as Hungary (43%) and Slovakia (38%) come next, while the least positive image of the EU was communicated by the respondents of Serbia (43%) and the Czech Republic (37%). The latter two also share their negative approach regarding the EU image with 22% of Serbia's respondents and 20% of survey participants in the Czech Republic seeing the Union in a "totally negative" light. Again, Albania and Poland record the lowest percentage in this context: 7% and 2%, respectively.

When asked to express their personal opinion regarding the EU, respondents within the WB6 sample of the EU candidate countries view it (in a descending order) through the prism of: economic prosperity (Albania 59%, FYROM 35%, Serbia 28%, Montenegro 24%); freedom to travel, study and work anywhere in the EU (Albania 58%, FYROM 48%, Serbia 43%,

Decade (2004-2014). In *European Economy – Discussion Paper*. No. 001, European Commission, Brussels, July 2015. ISSN 2443-8022 (online).

³⁸ For details see European Central Bank. *Convergence Report June 2014*. Frankfurt am Main: European Central Bank, 2014. ISSN 1725-9525 (online); European Commission. The 2015 Stability and Convergence Programmes – An overview. *European Economy – Institutional Paper*. No. 002, European Commission, Brussels, July 2015. ISSN 2443-8014 (online).

Montenegro 42%); the euro as the common currency (Albania 33%, Montenegro and Serbia 23%, FYROM 12%); peace (FYROM 34%, Montenegro 31%, Albania 29%, Serbia 21%); and finally, its stronger say in the world (Albania 39%, Serbia 26%, Montenegro 21%, FYROM 17%). Peace is the value that represents the EU the best in Montenegro with 37%; all the remaining categories scored the most in Albania: human rights (50%), democracy (38%), the rule of law (38%) and individual freedom (25%).³⁹

It goes without saying that the EU (continuously) faces a number of challenges – no doubt, among the V4 countries some of the challenges appear to be more pressing than others: economic situation is regarded as the most alarming by Hungary (26% vs EU average of 27%), unemployment by Slovakia (24% identical with the EU average), and rising prices/cost of living by Poland and Slovakia (both 14% vs EU average of 9%).

Crucial challenges from the national point of view show different results: Slovakia considers joblessness as the pivotal challenge (57%), sharing its worries with Montenegro and Albania (both 55%); for Hungary and Albania it is represented by the economic situation (26% and 38%, respectively); and for the Czech Republic along with Albania it's embodied in rising prices/cost of living (24% and 32%, respectively). Mostly on a par with the EU28 average (42%), the case of unemployment is regarded as top challenge for each country – be it EU MSs or candidate countries.⁴⁰ The national economy reflected rather negatively in the eyes of respondents from Slovakia (77%) and Serbia (90%); vice versa, responses from the Czech Republic and Albania were optimistic (43% and 35%, respectively).

The survey has shown that more positive opinion on the future (“*The impact of the crisis on jobs has already reached its peak*”) does slightly win over the negative one (“*The worst is still to come*”) in terms of the EU28 average (48% and 42%, respectively), across the V4 and the WB6 EU candidate countries. The outlook is seen as the most enthusiastic in the Czech Republic (61%) and Albania (74%), whilst Hungary (40%), FYROM and Montenegro (both 46%) share their gloomy vision of the future.⁴¹








³⁹ For key values of the respondents themselves see QD6. in Annex 2.

⁴⁰ In general, respondents just like the EU28 average (27%) are personally far more preoccupied with the rising prices/cost of living (rather than with joblessness), which particularly those representing the Czech Republic and Montenegro in the sample find to be the supreme challenge (both 39%).

⁴¹ Expectations for the following twelve months related to the economic situation and employment in the EU and nationally are on the EU28 average mostly the same; the V4 and the WB6 EU candidate countries comprehend the situation somewhat similarly. The Czech Republic and Serbia consider the following twelve months in the EU to be the same (57% and 35%, respectively), Hungary and Albania go even further when hoping for an improvement (27% and 59%, respectively). The economic situation in the Czech Republic and Serbia is believed by their respondents to experience no change in status quo (58% and

And, finally, it is interesting to compare the EU28 average and the V4 responses with regard to the most positive outcome of EU integration. The free movement of people, goods and services within the EU is taken as the most beneficial by the EU28 average (57%) and Slovakia (76%);⁴² 58% of the respondents from the Czech Republic perceive peace as the crucial aspect in comparison with the EU28 average of 55%.⁴³ Slovakia with its 43% – almost a double of the EU28 average (23%) – regarding the euro as the key asset of the EU does not come as a surprise.

Tab 1 Introduction of the euro in the MSs that have not yet adopted the euro currency

	2015-2016	2017-2018	2019-2020	2021 or later	Never	Don't know
TOTAL	3%	10%	35%	21%	12%	19%
 BG	4%	17%	36%	12%	2%	29%
 CZ	2%	10%	39%	16%	20%	13%
 HR	2%	22%	36%	22%	6%	12%
 HU	1%	10%	38%	28%	11%	12%
 PL	2%	9%	34%	20%	10%	25%
 RO	5%	13%	41%	22%	3%	16%
 SE	1%	4%	18%	27%	35%	15%
Highest percentage per country		Lowest percentage per country				
Highest percentage per item		Lowest percentage per item				

Legend: BG – Bulgaria; CZ – Czech Republic; HR – Croatia; HU – Hungary; PL – Poland; RO – Romania; SE – Sweden.

Source: European Commission. Introduction of the Euro in the Member States that have not yet adopted the common currency. *Flash Eurobarometer 418*. May 2015, p 13.

36%, respectively); however, 22% of respondents from the Czech Republic as well as from Slovakia, and Albania (46%) consider economic prospects in their countries to be improving. Hungary (29%) and FYROM (38%) prepare for the worst. Employment situation on the national level will continue to be the same, as stated by respondents of the Czech Republic (56%) and Montenegro (37%); or will perhaps become better (Czech Republic 21% and Albania 42%); or may rather worsen (Hungary 32% and Serbia 40%). Personal job situation in the following twelve months remains unchanged for Poland (62%) and FYROM (50%); it appears to improve in the case of Slovakia and Albania (18% and 45%, respectively), but is felt as rather deteriorating in Hungary and FYROM (19% and 20%, respectively).

⁴² Economic power of the EU is prominent on the scale of the EU28 average (20%) just like across the V4 (CZ and HU 25% each, PL and SK 23% each).

⁴³ Political and diplomatic influence of the European Union in the rest of the world was acknowledged on the EU 28 average (19%), too.

Views concerning introduction of the euro and expected date of its adoption expressed by the V4 respondents from the Czech Republic, Hungary and Poland correlate (Table 1), with the most common beliefs suggesting the interval 2019-2020. Croatia, Bulgaria and Romania follow a similar pattern; however, their expectations regarding the period 2017-2018 exceed those of the non-Euro-Area V4 members considerably. Despite the fact that – unlike the United Kingdom and Denmark – Sweden has not been granted an opt-out, and introduction of the single currency has not taken place as a result of rejection in a referendum, over a third of Swedish respondents remains sceptical about euro adoption.

Conclusion

“The V4 was not created as an alternative to the all-European integration effort, nor does it try to compete with the existing functional Central European structures. Its activities are in no way aimed at isolation or the weakening of ties with the other countries. On the contrary the Group aims at encouraging optimum cooperation with all countries, in particular its neighbours, its ultimate interest being the democratic development in all parts of Europe.”

Visegrad Group profile, <http://www.visegradgroup.eu/about>

The Visegrad Group cooperates on an ad-hoc or regular basis with other regional bodies and single countries in the region or beyond, alike: first and foremost with the *Benelux*, the *Nordic Council of Ministers*, the *Eastern Partnership* and the *Western Balkans*. The regions of the Visegrad Four⁴⁴ and the Western Balkans⁴⁵ share the legacy of multiple transformations. The CEFTA format of (the primary degree of) economic integration stretched over the years to a number of countries in the Central and East European region; yet, both the EU and the Western Balkans pursue the prospect of the so-called *European perspective* of the Western Balkans. With the 2015/2016

⁴⁴ with population nearly 70 million; cf. Bost, François - Carroué, Laurent - Colin Sébastien - Girault Christian - Humain-Lamoure Anne-Lise - Sanmartin Olivier - Teurtrie David (eds.). *Géoéconomie-géopolitique 2014. Images économiques du monde*. Paris: Armand Colin, 2013, pp. 197 – 202; and, Bost, François - Carroué, Laurent - Colin Sébastien - Girault Christian - Humain-Lamoure Anne-Lise - Sanmartin Olivier - Teurtrie David (eds.). *Géoéconomie-géopolitique 2015. Images économiques du monde*. Paris: Armand Colin, 2014, pp. 203 - 208.

⁴⁵ with population nearly 20 million; cf. Bost, François - Carroué, Laurent - Colin Sébastien - Girault Christian - Humain-Lamoure Anne-Lise - Sanmartin Olivier - Teurtrie David (eds.). *Géoéconomie-géopolitique 2014. Images économiques du monde*. Paris: Armand Colin, 2013, pp. 197 – 202; and, Bost, François - Carroué, Laurent - Colin Sébastien - Girault Christian - Humain-Lamoure Anne-Lise - Sanmartin Olivier - Teurtrie David (eds.). *Géoéconomie-géopolitique 2015. Images économiques du monde*. Paris: Armand Colin, 2014, pp. 203-208.

Czech Presidency in the Visegrad Group assumed upon recent completion of the 2014/2015 Slovak Presidency in the V4, as well as with the upcoming so-called 2016 Slovak Presidency in the Council of the European Union there is room for contemplation whether the former Yugoslav Republic of Macedonia, Montenegro, and Serbia will sign the European Union Accession Treaty in the course of the 2016 Slovak Presidency⁴⁶ in the Council of the EU; or whether EU accession negotiations with Albania, Bosnia and Herzegovina, and Kosovo under UNSCR 1244/1999 (in line with the ICJ Opinion on the Kosovo declaration of independence) will have already been initiated by December 2016, bearing in mind that EU MSs holding the Presidency in the Council of the European Union for a period of six months experience top visibility resulting from (exogenously invoked) crisis management and (endogenously fuelled) Presidency-specific initiatives. As a matter of fact, turbulent developments brought about by both the global political (as well as security-related) status quo and the unfolding multidimensional global economic crisis lead to a growing number of ad hoc summits attended by EU heads of state or government; smooth combination of compatibility to the EU goals alongside with being a driving force for V4 regional targets is enabled by regular V4 meetings taking place before the European Council summits. Indeed, the V4 follows and strongly promotes the European idea whilst advocating for own regional interests; by formulating its approach in the motto: “...*regional cooperation for European integration and bridge between macro-regions...*“ the Central European Initiative supports its MSs on their so-called *European path* when promoting their alignment to EU standards, and the Regional Cooperation Council complements it through the Euro-Atlantic dimension. In the complexity of overlapping forms of international cooperation depicted above two mainstream avenues of common interest may be identified: firstly, in the field of transport and energy (EUSBSR, EUSDR, EUSAIR, BSS, BSEC, RCC) in the context of environmental protection (V4, EUSBSR, EUSDR, EUSAIR, BSS, BSEC); and secondly, in the area of education and research (V4, EUSBSR, BSS, BSEC, UfM, RCC) alongside culture (V4, EUSBSR, EUSDR, EUSAIR, RCC).

Latest initiative alternatively referred to as: “*Yugoslavia version 4.0*“, “*Western Balkans Six*“, “*G6*“, “*Western Balkans Six + 1*“ and “*WB6 + 2*“ varies in its concept – depending on whether Slovenia and/or Croatia are involved in the advancing coordination (in 2014 hosted in Berlin and in 2015 taking place in Vienna).

⁴⁶ Čiderová - Kovačević - Fejesová, 2015 (in press)

Whilst participants of the “*Western Balkans Six+*”⁴⁷ develop regional cooperation, the so-called “*Regatta approach*” established prior to the “Big Bang” 2004 EU enlargement continues to monitor progress achieved on their individual European path based on the respective country’s own merits. It goes beyond any doubt that in the context of strategic interaction between the *Visegrad Four* and the *Western Balkans Six* in the framework of EU-accession-related-knowledge-and-best-practice-transfer there is a great potential and room to manoeuvre for the *Think Visegrad – V4 Think Tank Platform* as a network for structured dialogue on issues of strategic regional importance providing recommendations to V4 governments as well as their Presidencies in the Visegrad Group.

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⁴⁷ cf. V4 or V4+ format, p. 390. In Törő, Csaba - Butler, Eamonn - Grüber, Károly. *Visegrád: The Evolving Pattern of Coordination and Partnership After EU Enlargement*. In *Europe-Asia Studies*. Vol. 66, No. 3, 2014, pp. 364-393. ISSN 0966-8136 (print), ISSN 1465-3427 (online).

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<<http://www.adriatic-ionian.eu>>

EU Strategy for the Baltic Sea Region (EUSBSR):

<<http://www.balticsea-region-strategy.eu/about>>

EU Strategy for the Danube Region (EUSDR):

<<http://www.danube-region.eu/about>>

European External Action Service (EEAS):

<<http://eeas.europa.eu>>

Organization of the Black Sea Economic Cooperation (BSEC):

<www.bsec-organization.org>

Visegrad Group (V4):

<www.visegradgroup.eu/about>

Annex 1 Timeline: Visegrad Four and Western Balkans Six in a comparative perspective
(1990 – 2015)

<i>Year</i>	<i>Visegrad Four</i>	<i>Western Balkans Six</i>
1990	CS Agreement between the EEC and the EURATOM and the Czech and Slovak Federal Republic on Trade and Commercial and Economic Cooperation CS, HU & PL Visegrad Group (V3); CS Europe Agreement signed between the Community and the Czech and Slovak Federal Republic (16 December 1991); HU & PL Europe Agreement	XK as Republic of Kosovo
1991		MK declared independence
1992	CEFTA	BA independence; RS & ME as new Federal Republic of Yugoslavia (State Union of Serbia and Montenegro)
1993	CZ & SK independent countries; Visegrad Group (V4); Copenhagen European Council: Copenhagen criteria; CZ & SK Europe Agreement	Copenhagen European Council: Copenhagen criteria
1994	Essen European Council; HU & PL applied for EU	Essen European Council
1995	SK applied for EU	BA Dayton/Paris
1996	CZ applied for EU Luxembourg European Council: CZ, HU & PL bilateral intergovernmental conference to be convened in 1998;	
1997	SK preparation of negotiations to be speeded up in particular through analytical examination of EU <i>acquis</i>	
1998	CZ, HU & PL accession negotiations launched	
1999	Helsinki European Council	XK UNSCR 1244/1999 Feira European Council: all SAP countries “potential candidates” for EU membership; Zagreb Summit: SAP launched
2000	SK accession negotiations launched	MK signed SAA
2001		
2002	Copenhagen European Council: CZ, HU, PL & SK completion of accession negotiations for 2004 EU enlargement	

<i>Year</i>	<i>Visegrad Four</i>	<i>Western Balkans Six</i>
2003		Thessaloniki European Council: EU perspective for the Western Balkans reiterated
2004	CZ, HU, PL & SK joined the EU	MK applied for EU;
2005		AL European Partnership MK candidate country status
2006		ME declared independence; MK European Partnership; AL signed SAA; CEFTA 2006;
2007	CZ, HU, PL & SK joined the Schengen Area	ME European Partnership, signed SAA XK unilaterally declared independence, EULEX;
2008		MK Accession Partnership; ME applied for EU; RS & BA European Partnership; RS & BA signed SAA.
2009	SK joined the Euro Area; CZ Presidency in the Council of the EU	RS applied for EU AL applied for EU ME candidate country status;
2010		XK ICJ Opinion on the Kosovo declaration of independence and UN General Assembly resolution
2011	HU & PL Presidency in the Council of the EU	RS – XK EU-facilitated dialogue launched ME accession negotiations launched; RS candidate country status;
2012		XK declared end of supervised independence, SAA feasibility study; BA High Level Dialogue on the Accession Process
2013		RS – XK First agreement of principles governing normalisation of relations
2014		RS accession negotiations launched; AL candidate country status; XK SAA initialled
2015		XK European Commission proposal for SAA

Legend: AL – Albania; BA – Bosnia and Herzegovina; CS – federation of CZ & SK; CZ – Czech Republic; EU – European Union; HU – Hungary; ME – Montenegro; MK – the former Yugoslav Republic of Macedonia; PL – Poland; RS – Serbia; SAA – Stabilisation and Association Agreement; SAP – Stabilisation and Association Process; SK – Slovak Republic; XK – Kosovo under UNSCR 1244/1999.

Source: *Adapted from Čiderová, Denisa – Dionizi, Brikene. EU Accession Experience and Perspectives: The Case of Slovakia and Kosovo (UNSCR 1244/1999). In Hoti, A. - Kosír, I. (eds.), European Perspectives of the Western Balkans countries I., Kosovo (UNSCR 1244/1999), 2015 (in press); <http://europa.eu>; Europa Publications (ed.). A political chronology of the world. London and New York: Routledge, 2011, pp. 11-14, 94-102, 236-240, 357-360, 500-503, 561-566, 620-622, 739-743, 791-800, 810-813.*

Annex 2 European Commission Standard Eurobarometer 83 (focus on Albania, the Czech Republic, the former Yugoslav Republic of Macedonia, Hungary, Montenegro, Poland, Serbia, and the Slovak Republic)

	EU28	CZ	HU	PL	SK	MK	ME	RS	AL
QD1.	For each of the following statements, please tell me to what extent it corresponds or not to your own opinion. "You feel you are a citizen of the EU."								
Total 'Yes'	67%	62%	67%	74%	75%				
Total 'No'	31%	38%	32%	23%	25%	N/A	N/A	N/A	N/A
DK	2%	0%	1%	3%	0%				
QA9.	In general, does the EU conjure up for you a very positive, fairly positive, neutral, fairly negative or very negative image?								
Total 'Positive'	41%	37%	43%	53%	38%	59%	49%	43%	75%
Neutral	38%	42%	43%	38%	43%	29%	32%	34%	22%
Total 'Negative'	19%	20%	13%	7%	18%	11%	17%	22%	2%
DK	2%	1%	1%	2%	1%	1%	2%	1%	1%
QA12.	What does the EU mean to you personally?								
Freedom to travel, study and work anywhere in the EU	49%					48%	42%	43%	58%
Euro	35%	N/A	N/A	N/A	N/A	12%	23%	23%	33%
Peace	27%					34%	31%	21%	29%
Stronger say in the world	23%					17%	21%	26%	39%
Economic prosperity	14%					35%	24%	28%	59%
QD5.	In the following list, which values best represent the EU?								
Peace	36%					33%	37%	25%	18%
Human rights	36%					37%	31%	23%	50%
Democracy	31%	N/A	N/A	N/A	N/A	37%	34%	25%	38%
Individual freedom	19%					19%	13%	17%	25%
Rule of Law	18%					29%	30%	24%	38%
QD6.	In the following list, which are the three most important values for you personally?								
Peace	45%					52%	47%	39%	24%
Human rights	40%					42%	37%	30%	46%
Democracy	26%	N/A	N/A	N/A	N/A	34%	21%	13%	33%
Individual freedom	27%					17%	27%	39%	32%
Rule of Law	15%					26%	25%	15%	39%
QA5.	What do you think are the two most important issues facing the EU at the moment?								
Economic situation	27%	18%	26%	20%	20%				
Unemployment	24%	13%	18%	20%	24%	N/A	N/A	N/A	N/A
Rising prices, cost of living	9%	10%	9%	14%	14%				
QA3a.	What do you think are the two most important issues facing (OUR COUNTRY) at the moment?								
Economic situation	21%	19%	26%	15%	24%	32%	36%	37%	38%
Unemployment	42%	29%	45%	53%	57%	54%	55%	53%	55%
Rising prices, cost of living	14%	24%	22%	19%	21%	20%	25%	22%	32%
QA4a.	What do you think are the two most important issues you are facing at the moment?								

<i>Economic situation</i>	10%	10%	14%	8%	11%	19%	18%	18%	17%
<i>Unemployment</i>	16%	9%	17%	19%	12%	35%	27%	20%	36%
<i>Rising prices, cost of living</i>	27%	39%	27%	26%	35%	22%	39%	28%	34%

	EU28	CZ	HU	PL	SK	MK	ME	RS	AL
QA1a1.	How would you judge the current situation in each of the following?								
	<i>“The situation of the (NATIONALITY) economy.”</i>								
<i>Total 'Good'</i>	38%	43%	30%	38%	20%	31%	14%	8%	35%
<i>Total 'Bad'</i>	59%	55%	69%	56%	77%	67%	83%	90%	64%
<i>DK</i>	3%	2%	1%	6%	3%	2%	3%	2%	1%

	EU28	CZ	HU	PL	SK	MK	ME	RS	AL
QC1.	Some analysts say that the impact of the economic crisis on the job market has already reached its peak and things will recover little by little. Others, on the contrary, say that the worst is still to come. Which of the two statements is closer to your opinion?								

<i>The impact of the crisis on jobs has already reached its peak</i>	48%	61%	55%	47%	55%	48%	52%	47%	74%
<i>The worst is still to come</i>	42%	33%	40%	36%	37%	46%	46%	44%	24%
<i>DK</i>	10%	6%	5%	17%	8%	6%	2%	9%	2%

	EU28	CZ	HU	PL	SK	MK	ME	RS	AL
QA2a.	What are your expectations for the next twelve months: will the next twelve months be better, worse or the same, when it comes to... ?								

	EU28	CZ	HU	PL	SK	MK	ME	RS	AL
	<i>Economic situation in the EU</i>								
<i>Better</i>	24%	14%	27%	17%	24%	49%	36%	33%	59%
<i>Same</i>	44%	57%	50%	53%	51%	23%	33%	35%	19%
<i>Worse</i>	19%	15%	14%	11%	13%	9%	11%	14%	2%

	EU28	CZ	HU	PL	SK	MK	ME	RS	AL
	<i>Economic situation</i>								
<i>Better</i>	26%	22%	21%	19%	22%	25%	38%	24%	46%
<i>Same</i>	48%	58%	49%	50%	52%	31%	35%	36%	33%
<i>Worse</i>	21%	15%	29%	19%	21%	38%	23%	33%	18%

	EU28	CZ	HU	PL	SK	MK	ME	RS	AL
	<i>Employment situation</i>								
<i>Better</i>	26%	21%	20%	15%	20%	24%	34%	22%	42%
<i>Same</i>	46%	56%	46%	54%	51%	34%	37%	32%	33%
<i>Worse</i>	23%	19%	32%	23%	22%	35%	26%	40%	19%

	EU28	CZ	HU	PL	SK	MK	ME	RS	AL
	<i>Personal job situation</i>								
<i>Better</i>	22%	14%	14%	18%	18%	22%	29%	16%	45%
<i>Same</i>	60%	59%	58%	62%	56%	50%	40%	39%	41%
<i>Worse</i>	8%	7%	19%	10%	8%	20%	10%	14%	8%

	EU28	CZ	HU	PL	SK	MK	ME	RS	AL
QD3T.	Which of the following do you think is the most positive result of the EU?								

<i>Free movement of people, goods and services within the EU</i>	57%	70%	56%	64%	76%				
<i>Peace among the EU MSs</i>	55%	58%	45%	53%	46%	N/A	N/A	N/A	N/A
<i>The euro</i>	23%	6%	16%	10%	43%				
<i>Economic power of the EU</i>	20%	25%	25%	23%	23%				
<i>Political and diplomatic</i>	19%	22%	19%	15%	14%				

*influence of the
EU in the rest
of the world*

Legend: AL – Albania; CZ – Czech Republic; DK – Don't know; EU – European Union; HU – Hungary; ME – Montenegro; MK – the former Yugoslav Republic of Macedonia; MS(s) – Member State(s); N/A – not applicable; PL – Poland; RS – Serbia; SK – Slovak Republic.

Source: *Adapted from* European Commission. *Standard Eurobarometer 83*. July 2015 – Country files: the Czech Republic, Hungary, Poland, the Slovak Republic, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, Albania.

OF VALUE (VALUELESS, IF NO EXCHANGE CAPACITY)

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Abstract

In this paper I consider the question: What is Value? Value means the worth of something in terms of money or other goods for which it can be exchanged: a thing is valuable only when it has exchange capacity. From the point of view of economics a thing is valuable if and only if it can earn or has returning capacity. Return on Investment (ROI) is based on this principle: the more earning the more value, the less earning the less value, no earning, no value. Thus no exchange capacity signifies no value at all. This is a narrow account of value. A mother's affection is a most valuable exchange: recalling this affection with nostalgia renders a man sad by the recollection of the past golden days of childhood. The first smile of a lover is valuable to an emotional heart, so valued that a thousand lovers in the future can hardly compensate for the loss of the warm feeling thus exchanged, that beckoned once to conquer the head and heart of the emotional man rendering him homeless ever after. The value is in the exchange – of money, of goods, of affection – changing our lives.

Keywords: Value, Exchange Capacity, Gradation, Valueless

Introduction

Creative writing is based more on manifestation rather than on expression. It does not inform rather reveals. So it bears no reference. The present article is an outcome of creative writing meant for lay readers. As such free style is the methodology adopted so that pleasure of reading can be enjoyed by the common mass. As you know well that Francis Bacon (1561-1626), the immortal essayist, wrote many essays namely Of Love, Of Friendship, Of Ambition, Of Studies, etc. The myriad-minded genius rightly pointed out that all the words of the dictionary can be the themes of essays one can write. But little has been done, in this regard since his death, in order

to finish his unfinished monumental works. In fact Bacon's way of presentation i.e., his unique individual style kindled the imagination already in me and encouraged me as well to write essays, in the light of creative writing, thus to get relief through Catharsis.

Value means the worth of something in terms of money or other goods for which it can be exchanged. Now the question arises, how one can judge that a thing is valuable. In fact a thing is valuable only when it has exchange capacity. Thus, from economics point of view a thing is valuable if and only if it can earn or has returning capacity. Return on investment (ROI) is based on this principle. The more earning the more value, the less earning the less value, no earning means no value. Thus no exchange capacity signifies no value at all.

Every goods has its gradation. It is equally true in case of human being also. A beautiful face conquers everybody's heart. On the contrary an ugly face faces hurdles everywhere. In any production unit there are skilled, semi- skilled and unskilled laborers. And their wages are determined accordingly. The valuation of anything is judged considering all its attributes. It is a summation decision.

They say, value of a thing lies in uses not in decoration. But this concept is not valued always. Emotion ignores this advice, for emotion hankers after beauty ignoring duty. To worship beauty is the nature of youth. Youth seldom cares reality. But in course of time the said promising beauty simply leaves, when the lover fails to fulfill the ever increasing demands of his beautiful fiancée and only then the lover gets back his lost sense. Further, decoration also has its use. Food is primary demand and decoration is secondary option to a hungry stomach. Decoration ignites aesthetic sense that offers classical success. It nurtures emotion. An artist thinks for aesthetic value. An honest person pleads for ethical values.

We preserve a thing thinking its future use. But the paradox is that everything will again be useful in future. Then everything should be preserved. If so, then the house will be a place of garbage. So, we keep a thing of immediate use or which may be useful in near future. If a thing is kept it must be in use in future. But future is unknown. So, it is very difficult to identify or decide which thing we should keep or throw away in the dustbin. A theologian opines that a thing, which is neglected and is thrown away into the dustbin, takes revenge in future. This doctrine seems to be true since sometimes we need that one very urgently which we simply threw away. Similarly, we need a person again whom we kicked once instead of kiss.

However, to keep or not to keep that is a question. Only a judicious brain can take the right decision. In fact one's garbage is valuable to other. Use and throw is the modern strategy. Someone throws away a paper after

use. Someone collects it and sells to the recycle agency just to support his livelihood. Similarly to a fool book is liability but to a scholar it is an asset. So fool is the seller, wise is the purchaser of books.

An experienced personnel gets higher salary. But in case of marriage experience is not desired. Rather experience is considered as demerit. In the patriarchal society chastity of a woman is the yardstick of her purity. In fact a divorcee or deserted woman is valued less for losing her chastity. As such, in the market they experience less demand since they have to compete with the fresher i.e., virgin. In fact these unfortunate women get unequal treatment both in patriarchal and matriarchal society as well. Everybody hankers after garden fresh moistened with dewdrops. As such, feminists naturally protest and agitate against this inhuman event.

In a beauty contest a glamorous heroine wins due to face value. But this face value becomes valueless in an educational institution where an ugly mathematician is welcomed for having talent. The converse is also true.

The, exchange capacity i.e., the general definition of value seems to encompass all the concepts related to valuation. But a thing which is valuable to someone may not be valuable to another. Also a thing which is valuable today may not be valuable tomorrow and vice versa. In seems valuation is a matter of instant but not constant.

A person who has less demand in the society does suffer from inferiority complex. Conversely, a person who experiences, thereby enjoys much demand suffers from superiority complex. Between these two characters the latter one suffers from tension due to fluctuation of demand. But the unhappy and inferior person is free from such tension, since he has nothing to lose except sad luck. Thus it may be easy to create demand but difficult to hold it for long due to rivalry and various known and unknown factors. This is true in case of players whose form does not remain constant. And this is bitterly true in film industry where the heroes and especially the heroines always suffer from nightmare since they know the path of acquiring glamour is awfully complicated.

Money is most valuable. They say money is sweeter than honey. In fact, the most benefit that money offers is its easy handling, transportability and liquidity. A man may fail to keep promise. But money always pays and thus keeps its promise to its bearer. So it is called promissory note. The most dangerous and important fact against money is that it keeps promises to its bearer only, not to third party. A thief takes this advantage of being bearer. So the warning of 'beware of pick-pocket' is seen. Thus the merit of money is that it keeps its promise. Simultaneously, the demerit of money is that it keeps its promise. Money gets full exchange capacity but kind may not always be kind enough to return back its principle value. As such, boss

always is so kind that he accepts only cash. He is afraid of taking any kind of risk.

Goods suffer from decay. Man loses complexion or power and becomes valueless due to old-age. But money never loses its value. To survive, money is must since it serves basic needs. But money has its limitation. Because money can hardly solve all the problems of life as are faced with. Also through money everything cannot be purchased. Money can purchase man but not mind. The paradox is that mind needs money. This need stands for basic need, the classical demand. When this demand surpluses the basic need it becomes commercial.

All cannot exchange even resource is at hand. One has to know the mechanism of exchange. A child does not know how to exchange a promissory note but an adult knows it. Similarly a child knows not the thrill of love as is experienced by a lover. A man has to attain certain age and maturity thus to enjoy the romance of love.

An inanimate object cannot exchange itself of its own. A car cannot move alone. It needs a driver. A swimmer or a diver has value. He can save a drowning man or matter. He has to learn the art of swimming. A man has to know how to swim. Many animals get it by birth. A duckling gets it by birth. A tiger crosses a river for hunting.

A man forgets its lesson if not practiced regularly. But a man does not forget the art of swimming even not practiced further. Thus an old man who learnt the art of swimming or riding a bicycle at childhood can swim or ride a bicycle, at old age, even without any single practice till learning.

A handsome person can attract easily than an ugly one. Similarly, an aged woman experiences less demand thereby value than a younger one in the male-dominated market of love and marriage. In the patriarchal society women are merely considered as commodity only nothing else more.

A cricket player when scores century is valued most. In the very next day if he scores zero then that very yesterday's hero becomes valueless and ridiculed as present day's zero. Again if he scores double century, in the second day, then his market value obviously becomes double. Man seldom knows his future value.

Share market depends on uncertain future. Share certificate is exchanged with the face value of present day. Value of anything either man or material depends on supply and demand theory of economics. Value of labor is determined by the wage policy of any nation and a laborer earns accordingly. But value of president or prime minister of any country cannot be determined by that wage policy. These are honorary post and they earn honorarium. In some private firms employees enjoy perks which sometimes are more than salary itself. It is done either to insist for better work or to avoid tax or both simultaneously.

Uncertainty compels a man to save for future. The more the merrier. Thus the more saving the more security, the less saving the less security, no saving no security. Poor men have no savings. So they have no value. Savings is an art. Only the rich knows it. The poor is only interested in present. They bother only for day to day life. Also they have to support their livelihood through poor earning. They have no future. They live a meaningless hand-to-mouth existence. They live with present, die with present. To them, present implies face value or face value implies present. Common people hope and desire to get anything at once. They desire to have anything instant just like instant coffee. To them present is more valuable than future. A good student reads attentively thereby exchanges valuable moments of student life to build up his career. A bad student, on the contrary, wastes valuable time of childhood. This misuse of moments of student life can hardly and seldom be compensated by thousand hours of future.

Value of God varies. God experiences various valuations depending upon time and place. It is culture free. It depends upon the emotion of the concerned devotee. Since mood and motif of human being are gloriously uncertain god also experiences various devotion. It depends upon the demand of the concerned person. It fluctuates always since human mind vacillates always. God enjoys much demand when a man faces danger. The degree of prayer depends upon the gravity of the danger. The more problem the more prayer, less problem less prayer, no problem no prayer. But a real devotee never prays god's favour whatever severe the situation may be. Intrinsic value deals with genuineness of anything or which is inherent in nature. Commodity value implies the utility of anything. Essential commodities are valued most to run the engine of life. As such every nation takes care so that its citizens get those items at ease.

Aesthetic value quenches the thirst of romantic hearts. Also it serves and satisfies the taste of a sensitive soul. A solvent character honours ethical value much. A person possessing ethical value is honoured and welcomed everywhere. Such a character is alias and akin to pious heart. Value and canon offers didactic lessons. Medieval literature is the store house of these didactic lessons and morality as well. Every doctrine has its limitation. One idea is replaced by another one that can explain the unexplained matter clearly. Research means to agree or disagree with the existing standards. If agreed then further advancement of the idea is rendered. If not then the cause of disagreement is to be explained.

Formal value is attained by the customary norms. Emphasis and accent within texts are influenced by the customary norms. Also reception of guest falls within this category.

Value and editorial decision give birth to authoritative text that is authentic and scholarly in nature. An editor possess this power due to his wisdom. In case of publication the reviewers may have choice but voice of editor is final. A good editor seldom compromises with quality of publication. The value, or non-value, of certain methods and approaches to the study of literature is very important.

An attempt to resist the allocation or expression of value is illegal. Hidden or concealed values cannot be realized by all. The power of assumed values is very crucial to determine the real value of the concerned thing.

Conclusion:

Mother's affection is most valuable. Moral values are the greatest of all. Nostalgia renders man mad by its past golden days especially of childhood. First day smile of lover is valuable to an emotional heart. First lover is so valued that thousand lovers of future can hardly compensate the warm feeling thus offered and thereby beckoned once to conquer the head and heart of the emotional heart rendering him homeless bohemian. Mother, moral values, nostalgia, lover, etc. are valued much in the field of literature thus to create immortal creation.

DISASTER MANAGEMENT IN COAL MINE INDUSTRY OF BALOCHISTAN

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Abstract

The room and pillar mining method is responsible for high death toll and disability rate of coal mine workers in Baluchistan. The frequent incidents of roof falls day to day accidents, and suffocation due to sufficient emission of methane are the main causes of increased death rate. Substantial increase in injuries are also causing complications in the life of poor coal workers

Keywords: Threshold limits, exposure limits, death toll, partial disability, complete disability, obsolete mining methods

Introduction

The basic causes of accidents and injuries in mines are unsafe conditions, unsafe acts, or both Rosen and James, 2005. Disasters occur in mines as a result of large mine fires, obsolete mining method, powerful mine explosions, violent rock gas outbursts Sernia and Hwang, 2007. Fatality rates reveal that even though there are variations in the fatality rates per 1000 persons employed, however, it is found that accident rate in Baluchistan coalmines in high as compared to other countries. All operating mines have to contend with the real danger of being overtaken by one or more disasters at some point of time during their lifespan. Plans for disaster management are, therefore, drawn by the mine managements. Due to the large number of high-risk industrial activities, Baluchistan coalfields are highly disaster prone. Underground fires are quite frequent phenomena. The need for strengthening disaster mitigation efforts at national level has been felt.

Objective of the Study

To point out the reasons for higher death toll in underground coal mining of Baluchistan and suggest the disaster mitigation plan to overcome the frequent accidents in underground coal mine.

Subjects and Methods

Two types of data were collected. Primary data was obtained through topographic survey and questionnaire while Secondary data about the health issues, medical facilities and other allied facilities of coal mine workers of Baluchistan were collected from; Mine & Mineral department of Quetta, hospitals and medicals facilities in coal mine fields. Three mine fields i.e. Mach, So-range-Degari, and Chamalong coal fields were selected for research purpose.

Results

The average emission of Methane (CH₄) and Carbon monoxide (CO) in coal mine fields was 11.8m³/ton and 36ppm respectively which exceeded the permissible limits of 1-10m³/ton and 30ppm.

The concentration of coal dust (Carbon and Quartz) was 4-5mg/m³ and 0.35mg/m³ respectively which exceeds the threshold limits of 2mg/m³ and 0.05-0.1 mg/m³ and are the source of health degradation and increase death toll.

Conclusion

Government of Baluchistan and coal mine owners should take concrete steps to improve the adverse mining conditions.

Material and Methods

To investigate the reasons for high death tolls in coal mine industry the concerned departments like mine and Mineral, Hospitals, Dispensaries, Environmental protection agency, were approached for the collection of data. Whereas the high quality analytical equipment of Baluchistan Environmental Protection Agency (BEPA) was mobilized and used on selected coal mine sites to find out the reasons for disaster in coal mines. For the simplicity three sub-mines from each selected coal fields were selected and marked as M₁, M₂, and M₃ at Mach coal field; SD₁, SD₂ and SD₃ at So-range-Degari and C₁, C₂ and C₃ at Chamalong coal fields. Approximate 10% sample size (n = 228 coalmine workers), 65 coalmine workers from Mach (M₁, M₂, M₃), 77 coalmine workers from So-range-Degari (SD₁, SD₂, SD₃), and 86 coalmine workers from Chamalong (C₁, C₂, C₃) were selected for this research study (Table-1). The coalmine workers were divided into age group ranged between 15 years and 45 years and above with medium age of 32 years. The

percentage of coal drillers, helpers, coal loaders (laborers) and coal transporters were 60%, 15%, 20% and 5% respectively. The total strength of coal workers was further divided into four age groups (Table-2)

MS excel and Statistical Package for the Social Sciences SPSS 20 was used to examine the data collected from the questionnaire. The reliability of data was also conducted with the help of a test i.e. Cronbach's Alpha. To verify the data being parametric or non-parametric Shapiro-Wilk Normality Test was used, to identify whether the data is normally distributed or not. To identify the variances in perception Kruskal-Wallis test was conducted. The significance level was considered to be 5% to show the statistically significant relationships. Barriers to sustainable building of Pakistan were assessed using mean value method.

Table-1 Sample Sizes of Different Coalmining Fields

#	Mine Field	Sub-mines	Selected Miners
1	Mach Coal Fields	M ₁ ,M ₂ ,M ₃	65
2	So-range-Degari Coal Fields	SD ₁ ,SD ₂ ,SD ₃	77
3	Chamalong Coal Fields	C ₁ ,C ₂ ,C ₃	86

Source: Field data.

Table- 2 Distribution of Selected Coal Workers into Age Groups (N=228)

Age Groups in years	Coal Workers (Nos.)	Sample Size (%)
Under-15	15	6.5
15-24	37	16.2
25-35	121	53.2
36-49	39	17.1
50 & above	16	7
Total	228	100

Source: Field data.

Results and discussions

An accident can occur anytime and can disrupt the day to day life Ditya and Michael, 2004: carelessness, negligence, sudden roof collapse because of obsolete mining techniques Roet and Choi, 2004, suffocation due to high rate of emission of gases and inadequate training are the main causes of disaster Talli and Jiang, 2004, which could result in injury or even death in Baluchistan coal mine industry. The research has revealed that no death/injury/disability record of coal workers was being maintained at any level like at coal fields by the coal mine owners or in the hospitals or government agencies like Mines and Mineral Department of Baluchistan etc resultantly no attention was drawn to this gray area and coal workers remained neglected. There are many reasons for high death toll in Baluchistan coal mine industry like using obsolete mining methods, suffocation, Exposure to over-emission of gases and coal dust etc. In this regard a comparison with

other coal producing countries and Baluchistan has been drawn in below mention table-3, 4 and 5;

Table -3 Deaths due to various Incidents in coal mine industry of Baluchistan

#	Cause	Death cases				
		2005	2006	2007	2008	2009
1	Roof collapse	1120	1050	1230	995	1110
2	Over exposure of Gases (Suffocation)	774	885	622	915	814
3	Over exposure of coal dust	77	46	180	345	278

Source: MMD of Baluchistan.

Table -4 Comparison in Coal Production and deaths

#	Country	Year	Coal Produced in Million Tons	Deaths in No
1	Pakistan (Baluchistan)	2004-	1.89	77
		2005	2.02	246
		2005-	1.92	180
		2006	2.30	345
		2006-	1.98	78
		2007		
2	China	2007-		
		2008		
		2008-		
		2009		
		2004-	60.44	55
		2005	50.27	45
3	India	2005-	46.01	42
		2006	41.35	38
		2006-		
		2007		
		2007-		
		2008		
		2004-	198.3	180
		2005	80.2	73
		2005-	116.9	136
		2006	147	163
		2006-		
		2007		
		2007-		
		2008		
		2008-		
		2009		
		2009-		
		2010		

Source: MMD Baluchistan, EPA India and China

Table -5 Annual Comparison of death cases in Coal producing countries

#	Country	Death cases				
		2005	2006	2007	2008	2009
1	Australia	8	7	2	4	5
2	U.S.A	4	12	26	15	14
3	PAK (Baluchistan)	77	246	180	345	78
4	China	3938	3306	4746	3712	3302

Source: Respective EPAs of Coal producing countries

The above mentioned tables-3.4 and 5 show that although the amount of coal produced in Baluchistan is less as compared to other countries but the rate of casualties in mine industry of Baluchistan is more and the reasons which have been noticed during research are poor mining techniques . Efforts have also been made to work out how many coal workers die at the cost of production of million ton of coal so as to find out whether the production of coal at the cost of life is carried out or not. The table-6&7 clearly shows that the coal production in Baluchistan is very less while the death ratio and injury trend respectively is very high as compared to India and China. This all happens due to least interest of Government, Poor mining conditions and inadequate mining techniques;

Table-6 Annual rates of Injury Trends in Coal Worker of Baluchistan

#	Year	Source of Data	Injury Type	
			Major	Minor
1	2004-05	Civil Hospital Quetta	375	-
		Miss Fatima Jinnah T.B., Clinic, Quetta	520	-
		Bolan Medical Complex Hospital, Quetta	275	-
		Fatima Jinnah General & Chest Hospital, Quetta	745	-
		Sajjad Clinic, Quetta	175	-
		Akram Hospital, Quetta	429	-
		Dispensaries in the field	-	6,250
		<i>Sub Total</i>	<i>2,519</i>	<i>6,250</i>
		Grand total	8,769	
		<i>Annual Injury Rate = (total number of injuries ÷ total number of coal workers in Baluchistan) × 100 = (8,769 ÷ 40,000) × 100 = 22%</i>		
2	2005-06	Fatima Jinnah T.B., Clinic, Quetta	349	-
		Bolan Medical Complex Hospital, Quetta	494	-
		Fatima Jinnah General & Chest Hospital, Quetta	382	-
		Asthma Clinic, Quetta	714	-
		Sajjad Clinic, Quetta	109	-
		Akram Hospital, Quetta	382	-
		Dispensaries in	-	7,016

		the field		
		<i>Sub Total</i>	2,430	7,016
		Grand total	9,446	
		<i>Annual Injury Rate = (total number of injuries ÷ total number of coal workers in Baluchistan) × 100 = (9,446 ÷ 40,000) × 100 = 24%</i>		
3	2006-07	Miss Fatima Jinnah T.B., Clinic, Quetta	396	-
		Bolan Medical Complex Hospital, Quetta	505	-
		Fatima Jinnah General & Chest Hospital, Quetta	392	-
		Asthma Clinic, Quetta	629	-
		Ali Clinic, Quetta	122	-
		Sajjad Clinic, Quetta	111	-
		Akram Hospital, Quetta	336	-
		Dispensaries in the field	-	6,829
		<i>Sub Total</i>	2,491	6,829
		Grand Total	9,320	
		<i>Annual Injury Rate = (total number of injuries ÷ total number of coal workers in Baluchistan) × 100 = (9,320 ÷ 40,000) × 100 = 23%</i>		
4	2007-08	Miss Fatima Jinnah T.B., Clinic, Quetta	442	-
		Bolan Medical Complex Hospital, Quetta	642	-
		Fatima Jinnah General & Chest Hospital, Quetta	407	-
		Asthma Clinic, Quetta	696	-
		Sajjad Clinic, Quetta	179	-

		Akram Hospital, Quetta	441	-
		Dispensaries in the field		7,410
		<i>Sub Total</i>	2,807	7,410
		Grand Total	10,217	
		<i>Annual Injury Rate = (total number of injuries ÷ total number of coal workers in Baluchistan) × 100 = (10,217 ÷ 40,000) × 100 = 26%</i>		
5	2008-09	Miss Fatima Jinnah T.B., Clinic, Quetta	439	-
		Bolan Medical Complex Hospital, Quetta	779	-
		Fatima Jinnah General & Chest Hospital, Quetta	326	-
		Asthma Clinic, Quetta	642	-
		Sajjad Clinic	182	-
		Akram Hospital, Quetta	453	-
		Dispensaries in the field	-	6,920
		<i>Sub Total</i>	2,821	6,920
		Grand total	9,741	
		<i>Annual Injury Rate = (total number of injuries ÷ total number of coal workers in Baluchistan) × 100 = (7,941 ÷ 40,000) × 100 = 24%</i>		

Source: field work.

Note: Approximate total number of coal workers in Baluchistan = 40,000

Table -7 Occupational Injuries comparison between Baluchistan and U.S.A

#	Nature of Occupation	Injury (%age)	
		Baluchistan	U.S.A.
1	Continuous Mine Operator	45.7	29.6
2	Mine Helper	44.9	32.7
3	Loader / laborer	46.2	45.4
4	Shuttle Car Operator (Belt Conveyor)	27.5	38.1
5	Load Haul Dump (Truck Loader)	34.5	26.5

Source: Field Work and EPA of U.S.A.

The trends in injuries due to occupation especially in underground mines are more pronounced and prominent in Baluchistan than the other mining countries. The comparison between Baluchistan and U.S.A has been given in table-7. It clearly shows that Baluchistan was leading in all steps of mining and this was just because of negligence from all stake holders. No one was ever bothered to force the mine owners to import the new mining and mine safety equipment, adaptation of new mining techniques, installation of coal dust and gases control devices or just to ensure the safety measures. If only pay and other allied benefits were increased, the working hours of coal workers would automatically reduce and resultantly, the injury rate would decline. The above mentioned statistics can also be represented in graphical shapes in Figures-1 and 2 whereas overall injuries trends in Baluchistan coal mines has been shown in Figure-3

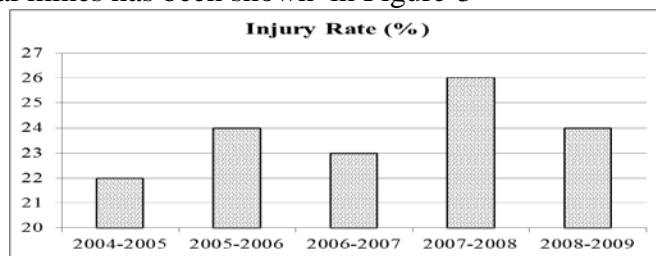


Figure-1 Yearly Injuries Trends in Coal Workers of Baluchistan

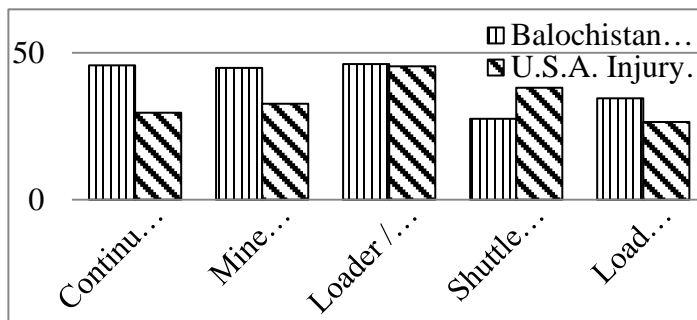


Figure -2 Comparisons of jobs oriented Injuries in Coal Workers of

Baluchistan and USA in the Year 2008

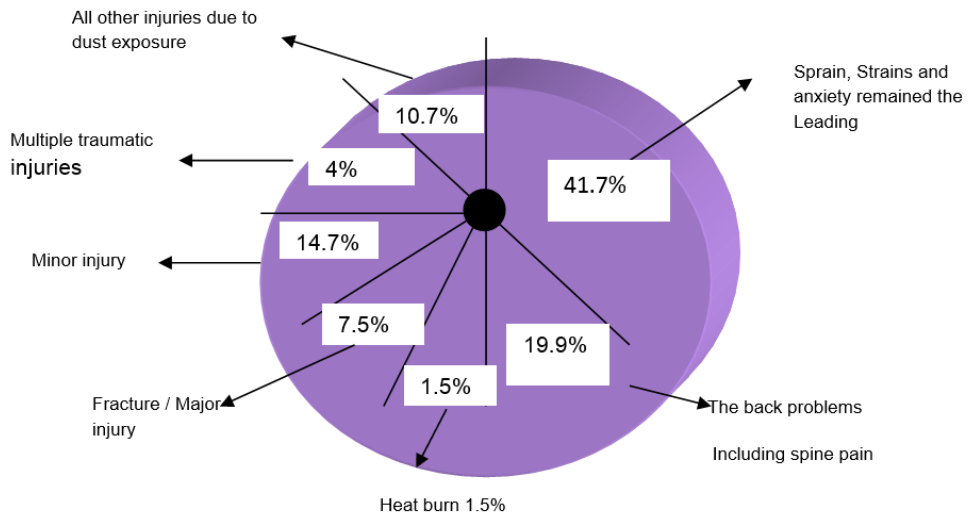


Figure -3 Injuries Reported from Coal Mine Fields of Baluchistan. (Data from different hospitals of Baluchistan)

The figure 3 shows that most frequently occurring injuries are due to strain/stress, and back problems due to working position in the coal mine. The main reasons were inadequate working facilities, non-availability of modern mining techniques and allied facilities. Another important factor which can lead us to evaluate the reason of high death/ fatalities rate in Baluchistan coal field is the age factor of coal worker. This indicates at what age the coal workers are more prone to injury/disability. A comparison between the Baluchistan and U.S.A has been shown in table-8

Table -8 Age Factor in Injury/Disability Trends in Coal Workers of Baluchistan and USA

#	Occupation	Coal Workers% age with respect to Occupation in Baluchistan	%age of Coal Workers% age with Disability Amongst Various Age Groups in Baluchistan out of Total %age		%Age of Injury / Disability amongst Various Age Group in U.S.A. out of Total %age				
			18-34	35-44	45 and above	18-34	35-44	45 and above	
1	(Continuous Miner)	45.7	4.7	12.5	28.5	29.6	5	7.4	16
2	Mine Helper	44.9	3.9	11.2	29.8	32.7	7	10.9	1.9
3	Mine (Loader)	46.2	7.5	13.2	25.5	45.4	3.10	16	21.3

4	Shuttle Car Operator (Belt conveyor)	27.5	5.2	3.9	13.4	38.1	7.13	11.2	9.77
5	Dump Truck loader	34.5	2.7	14.9	16.9	26.5	3.9	3.2	4.4

Source: Research work and EPA U.S.A

The table-8 shows that the injury trends in old age coal workers of Baluchistan is more pronounce especially in 45 and above age workers. Reason was quite obvious that coal mining up to the age of 45 years and above, the coal workers remained exposed to coal dust, coal gases, and coal effluents for longer duration, and develop multiple diseases. Moreover, working under similar conditions/positions, make them prone to different types of stresses and strains that sometimes, made it hard for them to properly handle the equipment .Inadequate medical facilities and their financial position force them working without treatment and weaken them continuously

Mitigation Measures

In Baluchistan, the underground mining is carried out mostly with Room and Pillar method of extraction which is the oldest and most dangerous method and this mining technique has been rejected all over the world Nitish and Yardarshu, 2008. The most common form of subsidence from room and pillar mining are skin hole collapse Leckne and Zhang, 2001, and saucer shape depression Anderson and McLoren, 2006 following pillar failure and pillar mining surface subsidence can occur many years after mining is done Kalin and Feng, 2005. Timber remains too far from the face that creates more gaps between the face of mine and pillar, and becomes less sustainable and ultimately collapses Deulas and Giang, 2002. Miners work under loose roof Yohi and Wang, 2007. The strength of column support is not properly analyzed and designed for the dead load Alker and Julien, 2001. Timbering began to be seen as a critical bottle neck in the mechanical mining process Miller and Julien, 2005, which causes death and injuries Edward and Coln, 2008. some of the following mitigation measures can be suggested;

The emergency response plan and training should be made compulsory, so that prevention of fatalities and serious injuries through a systematic and comprehensive risk management based planning and designs process can be made possible. The plans specify the measures to be taken to address specific hazards at the mine. Incorporate the use of strategically located ventilation or escape shafts equipped with escape hoists when

feasible and consistent with a risk analysis as a strategy to reduce escape times from a mine during an emergency.

- Safety devices are to be ensured at each coal field and worn by all miners.
- Install life lines, preferably with metal core, to facilitate emergency communications, or other direction Indicating devices in all designated escape ways.
- Make tag lines available at strategic locations in a mine, including near the beginning of all designated escape ways.
- Locate oxygen supply device in substantially constructed or protected areas between adjacent designated escape.
- The minimum medical facilities which in case of emergency are required are to be maintained by the mine owner.
- The miner should have understanding how to overcome the stress and slow their pace when they encounter resistance to breathe.
- The department has quite sophisticated laboratory equipment but not used to measure the emissions of greenhouse gases through coal mining, effluent and hazardous waste, its disposal, health, and environmental effects due to mining activities are not reported by this agency.
- The pollution tax and penalty which is required to be imposed on excess emission of gases and coal effluent is not charged, since no physical monitoring is carried out. The reduction in emission is possible through implementing aggressive renewable energy and energy efficiency policies for the power generation.

Recommendations

During the research the main focus remained on the evaluation of those factors which are causing the numerous deaths and deleterious effects on the health of coal workers. In this regards the laid down criterion of the coal mining countries was compared with the prevailing situation of the coal mining in Baluchistan, especially the latest techniques and innovations which have been developed all over the mining countries to avoid and minimize the death, accident ratio and coal dust exposure. Although the mining industry in Baluchistan must be abreast with all new methodology as rest of the world, however following bear minimum recommendations are suggested for implementation

- It is recommended that the personnel safety and mine safety equipment like dust mask, goggles, safety lamps, respirator, good helmet, mine shoes, washable suite firefighting equipment, oxygen cylinder, gas concentration detection appliances, self-rescue kit, rescue station, Gravimeter and first aid equipment should be provided by mine owners to coal workers.

- Medical History Sheet of each coal worker should be maintained with all stake holders.

Mining methods to be revised

If Government cannot afford disability, injury and death benefits to the dependent family then efforts should be made to get all the coal workers insured at minimum premium rate.

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FOREIGN DIRECT INVESTMENT AND ECONOMIC GROWTH IN TIMES OF ECONOMIC CRISIS: EVIDENCE FROM SOUTHEAST EUROPEAN COUNTRIES

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Abstract

Countries of Southeast Europe are at different levels of economic growth and accession to the European Union. Bulgaria, Romania and Croatia are already valid members of the EU. While Albania, Macedonia, Montenegro and Serbia have the status of the candidates for membership, Bosnia and Herzegovina still waits for the status of candidate for the accession to the EU. The common thing for all the referred countries is that they are far away from other members of the EU regarding their economic development. Therefore, foreign direct investments appear to be an important factor of speeding up the economic growth of these countries. Linear correlation between the foreign direct investments and the indicators of economic growth in the countries of the Southeast Europe is analyzed in the paper. The period before the economic crises and the period after the beginning of the economic crisis are analyzed separately, in order to observe the linear correlation between FDI and economic growth. The following variables are taken as indicators of the economic growth: GDP per capita, export, import and rate of unemployment. The results of the research speak in favor of the existence of a statistically significant correlation between FDI and other macroeconomic indicators in the period before the economic crisis in the majority of the analyzed countries. After the beginning of the economic crisis, the linear correlation has been extremely weak. Effects of the crisis very strongly influenced the economies of the observed countries.

Keywords: Foreign Direct Investment, Growth, Crisis, Southeast Europe

Introduction

Foreign capital has the key role in the economic development of every country. Regarding the exporting countries, the export of capital provides increased utilization of capacities, market expansion, new technological development, increase of profit, especially within the middle and long-term periods. Regarding the importing countries, the import of capital provides additional accumulation, transfer of new technology and knowledge without buying licenses, increased export, possibility of financing new investments that influences the increase of employment, income, productivity, increase of budgetary revenue, etc. (Kragulj, 2014). The criterion for the volume and the direction of capital flow in contemporary conditions is not just the difference in the profit amount. The importance of other factors also rises. The role of uncertainty and risk criterion originating mostly from economic and political reasons has been increased significantly. Economic and political instability may not only slow down, but also sometimes stop the capital flow. Certain economic and political circumstances are the key determinants that establish the inflow of foreign direct investments (FDI) into a host country (Kragulj, 2003). The countries of the southeast Europe (SEE) are characterized by the lack of capital. They have met the process of transition through their economic development, and also with the global economic crises in the recent period. The result of all that was that all these countries must significantly speed up their economic development in order to come up with other European countries. Unlike additional borrowing, foreign direct investments are imposed as the most suitable way for attracting foreign capital. Economic crisis that overflowed also to the countries of the SEE significantly slowed down the economic growth of these countries. FDI carry both positive and negative effects, differentiating from one country to another. Therefore, the accent in this paper is in the investigation of the correlation between FDI and economic growth, represented through GDP per capita, export and import performances and unemployment. The goal is to recognize the correlation between FDI and economic growth in the period before the economic crisis and the effects of FDI after the beginning of the economic crisis.

Previous researches

There are different researches on positive effects (Borensztein et al., 1998; Campos and Kinoshita, 2002; Giroud et al., 2012) and negative effects (Stanisic, 2008; Doytch and Uctum, 2011) of FDI on economic growth and other economic variables. Certain studies show a significant influence of the FDI to export performances of the SEE countries, providing entrance to global markets for these countries (Castellani and Pieri, 2013; Kornecki and Rhoades, 2006). Researches show that inflow of the FDI depends on the

level of accession to the EU. The difference was made between the group of countries that were candidates for the membership in the EU before 2004 and other countries that were predicted for the accession to the EU later. The first group of countries received almost 60% of the total inflow of FDI in the region. The various studies pointed out that the countries of so-called Western Balkan (Croatia, Bosnia and Herzegovina, Serbia and Montenegro, Macedonia and Albania) were not able to attract FDI due to slowdown of economic reforms and political instability (Acaravci and Ozturk, 2012; Joze, Kostevc and Rojec, 2013).

Lyroudi, Papanastasiou and Vamuakidis (2004) were researching the connection of FDI inflow with economic growth. The research included 17 countries in transition during the period 1996-1998. Results of the research showed that there was no statistically significant correlation between the FDI inflow and the economic growth in the transitional countries. The observations that FDI go mostly to developed countries (Kragulj, 2014) also speak in favor of this study. Namely, multinational investment corporations choose high-productive, quickly growing and profitable economies (Rodrik, 1999). Campos and Kinoshita (2002) in their study included 25 countries from Central and East Europe during the period 1990-1998. The study showed a significant positive effect of FDI to technological advance of the countries that were the subject of the research. Certain studies put in the foreground the process of privatization of companies. Advantages of the external model of privatization in attracting FDI concerning other models of privatization were pointed out (Merlevede and Schoors, 2009).

Linear regressive dependence of import and export of goods and services and growth of BDP per capita from FDI inflow in the countries of SEE during the period 1995-2011 was tested by the study from 2013. The most important conclusions of the study were that a high level of correlation between FDI inflow and other variables was present in Albania, while this correlation was very low in Bosnia and Herzegovina. In addition, the influence of FDI inflow to economic growth was the lowest in Macedonia (Jacimovic, Bjelic and Markovic, 2013). Insufficient influence of FDI to economic growth should be looked for in the structural reforms in these countries, as well as in the inefficiency of local companies (Stanisic, 2008).

Methodology and data

Subject of analysis in this paper is the correlation between the FDI and economic growth in the countries of SEE-8 (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Montenegro, Romania and Serbia). For the calculation of the simple linear correlation, we use Pearson's coefficient given by the expression:

$$r = \frac{n * \sum xy - \sum x * \sum y}{\sqrt{n * \sum x^2 - (\sum x)^2} * \sqrt{n * \sum y^2 - (\sum y)^2}} \quad (1)$$

where the Foreign direct investment, net inflows (BoP, current US\$) is the variable x, while the variables y are:

- GDP per capita (current US\$)
- Unemployment, total (% of total labor force) (modeled ILO estimate)
- Export of goods and services (current US\$)
- Import of goods and services (current US\$)

All the data required for the research were collected from statistical bases of the World Bank (World Bank, 2015). Coefficient of determination (R^2) is used in the analysis that represents the squared value of Pearson's coefficient and measures which part of variance of the two variables is mutual.

Results and discussion

Chosen period of the analysis is 2000-2013. The last year for which data exist in the World Bank bases – the year 2014 is excluded from the analysis due to incomplete data for certain macroeconomic indicators. In order to observe the influence of the world economic crisis, the period was divided into two sub-periods: the period before the economic crisis 2000-2007 and the period after the beginning of the economic crisis 2008-2013. 6

FDI and economic growth (2000-2013)

On basis of the obtained results for the observed period 2000-2013 (Table 1), we may conclude that only in case of Bosnia and Herzegovina there is no statistically significant correlation between FDI and other macroeconomic indicators. The examples of Bulgaria and Romania show that there is statistically significant negative correlation between FDI and rate of unemployment. The correlation is more expressed in Bulgaria ($R^2=0.520$), while it is for Romania $R^2=0.306$. Such the results may be ascribed to the influence of FDI to establishing new working positions. There is a statistically significant negative correlation between the FDI and the rate of unemployment ($R^2=0.529$) also in Croatia. Besides, Croatia is characterized also by the statistically significant correlation between the FDI and the import of goods and services ($R^2=0.355$), which speaks in favor of the fact that Croatia is dependent on import of raw materials and semifinished products.

Table 1: Correlations between FDI net inflow and GDP per capita, Exports, Imports and Unemployment rate (2000-2013)

Country	Correlations	FDI net inflow	GDP per capita	Exports	Imports	Unemployment
Albania	FDI net inflows	1	.919**	.932**	.923**	-.064
	Pearson Correlation					
	Sig. (2-tailed)		.000	.000	.000	.829
	N	14	14	14	14	14
Bosnia and Herzegovina	FDI net inflows	1	.301	.272	.433	.470
	Pearson Correlation					
	Sig. (2-tailed)		.297	.348	.122	.090
	N	14	14	14	14	14
Bulgaria	FDI net inflows	1	.299	.213	.437	-.721**
	Pearson Correlation					
	Sig. (2-tailed)		.299	.465	.118	.004
	N	14	14	14	14	14
Croatia	FDI net inflows	1	.442	.402	.596*	-.727**
	Pearson Correlation					
	Sig. (2-tailed)		.114	.155	.024	.003
	N	14	14	14	14	14
Macedonia	FDI net inflows	1	.500	.586*	.565*	-.127
	Pearson Correlation					
	Sig. (2-tailed)		.068	.028	.035	.665
	N	14	14	14	14	14
Montenegro	FDI net inflows	1	-.241	-.761*	.147	-.502
	Pearson Correlation					
	Sig. (2-tailed)		.603	.047	.753	.251
	N	7	7	7	7	7
Romania	FDI net inflows	1	.458	.287	.497	-.553*
	Pearson Correlation					
	Sig. (2-tailed)		.100	.320	.071	.040
	N	14	14	14	14	14
Serbia	FDI net inflows	1	.576*	.500	.608*	.428
	Pearson Correlation					
	Sig. (2-tailed)		.031	.068	.021	.127
	N	14	14	14	14	14

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

The most expressed degree of correlation between FDI and other macroeconomic indicators is present in Albania. Strong correlation is present between FDI and GDP per capita ($R^2=0.845$), FDI and export ($R^2=0.869$), FDI and import ($R^2=0.852$). Moreover, a strong negative correlation is also present between FDI and rate of unemployment, but due to the absence of

Pearson's coefficient, it is not statistically significant and we cannot make dependable conclusions.

Montenegro is characterized by significant negative correlation between FDI and export of goods and services ($R^2=0.579$), which indicates that FDI were not export oriented.

Correlations between FDI and export and between FDI and import are present in Macedonia, which illustrates that FDI had modest level of congruence only with Macedonian trading flows. Serbia is characterized by significant correlation between FDI and GDP per capita and between FDI and import of goods and services.

FDI and economic growth (2000-2007)

Completely different results regarding the correlation between FDI and economic growth are obtained for the observed period 2000-2007 (Table 2). Statistically significant correlation between FDI on one hand and GDP per capita, export and import on the other hand is present in all of the observed countries, with the exception of Macedonia. At that, the coefficient of determination is everywhere higher than 0.60 ($R^2>0.6$) for all of the observed correlations. Statistically significant correlation between FDI and export of goods and services is present in Macedonia ($R^2= 0.539$). It varies regarding to the whole observed period 2000-2013, where the correlation between FDI and import existed apart from this correlation.

Montenegro is excepted from this analysis since it exists as a sovereign country from 2006 and the data are available from 2007.

Table 2: Correlations between FDI net inflow and GDP per capita, Exports, Imports and Unemployment rate (2000-2007)

Country	Correlations	FDI net inflows	GDP per capita	Exports	Imports	Unemployment rate
Albania	FDI net inflows	1	.865**	.922**	.892**	-.129
	Pearson Correlation					
	Sig. (2-tailed)		.006	.001	.003	.760
	N	8	8	8	8	8
Bosnia and Herzegovina	FDI net inflows	1	.947**	.789*	.795*	.689
	Pearson Correlation					
	Sig. (2-tailed)		.000	.020	.018	.059
	N	8	8	8	8	8
Bulgaria	FDI net inflows	1	.950**	.976**	.977**	-.841**
	Pearson Correlation					
	Sig. (2-tailed)		.000	.000	.000	.009
	N	8	8	8	8	8

Croatia	FDI net inflows	Pearson Correlation	1	.814*	.803*	.808*	-.661
		Sig. (2-tailed)		.014	.016	.015	.074
		N	8	8	8	8	8
Macedonia	FDI net inflows	Pearson Correlation	1	.628	.734*	.701	-.054
		Sig. (2-tailed)		.095	.038	.053	.900
		N	8	8	8	8	8
Romania	FDI net inflows	Pearson Correlation	1	.916**	.946**	.932**	-.399
		Sig. (2-tailed)		.001	.000	.001	.327
		N	8	8	8	8	8
Serbia	FDI net inflows	Pearson Correlation	1	.829*	.881**	.823*	.769*
		Sig. (2-tailed)		.011	.004	.012	.026
		N	8	8	8	8	8

*. Correlation is significant at the 0.05 level (2-tailed).

** . Correlation is significant at the 0.01 level (2-tailed).

The differences between the countries of the SEE are illustrated by the level of correlation between FDI and rate of unemployment. Statistically significant correlation exists only in the cases of Bulgaria and Serbia. This correlation in Bulgaria is negative ($R^2= 0.707$), while in Serbia the correlation between FDI and rate of unemployment has a positive preceding ($R^2= 0.591$). The positive correlation in Serbia, illustrating that there is a decrease in working positions with increase of FDI, might be explained by process of privatization that was very intensive in this period. Companies were rationalized by privatization and number of employees was reduced in order to increase labor productivity (Stosic, Redzepagic and Brnjac, 2012).

On basis of the above, we may conclude that the effects of FDI to economic growth before the economic crisis were much more significant than within the whole period.

FDI and economic growth (2008-2013)

After the beginning of the economic crisis, the correlation between FDI and economic growth became even weaker (Table 3). There is no statistically significant growth correlation between FDI and macroeconomic indicators in Albania and Macedonia.

Statistically significant correlation between FDI and import exists in Bosnia and Herzegovina ($R^2= 0.743$), while there is a negative correlation between FDI and export in Montenegro ($R^2= 0.576$).

Romania and Bulgaria are characterized by high level of negative correlation between FDI and rate of unemployment, while a positive correlation between FDI and GDP per capita exists in Serbia. Surely that the global economic crisis affected the economy of Serbia and made the already bad economic situation even worse (Parezanin, Jednak and Kragulj, 2014).

Table 3: Correlations between FDI net inflow and GDP per capita, Exports, Imports and Unemployment rate (2008-2013)

Country	Correlations	FDI net inflows	GDP per capita	Exports	Imports	Unemployment rate
Albania	FDI net inflows	1	-.035	-.379	.149	.152
	Pearson Correlation		.948	.459	.779	.774
	Sig. (2-tailed)					
Bosnia and Herzegovina	FDI net inflows	1	.665	.091	.862*	-.327
	Pearson Correlation		.149	.864	.027	.527
	Sig. (2-tailed)					
Bulgaria	FDI net inflows	1	-.104	-.352	.373	-.814*
	Pearson Correlation		.844	.494	.466	.049
	Sig. (2-tailed)					
Croatia	FDI net inflows	1	.856*	.415	.840*	-.816*
	Pearson Correlation		.029	.413	.036	.047
	Sig. (2-tailed)					
Macedonia	FDI net inflows	1	.555	.635	.800	.322
	Pearson Correlation		.253	.175	.056	.534
	Sig. (2-tailed)					
Montenegro	FDI net inflows	1	-.228	-.759*	.134	-.495
	Pearson Correlation		.664	.080	.800	.318
	Sig. (2-tailed)					
Romania	FDI net inflows	1	.658	-.226	.472	-.978**
	Pearson Correlation		.156	.666	.344	.001
	Sig. (2-tailed)					
Serbia	FDI net inflows	1	.915*	.150	.681	-.454
	Pearson Correlation		.011	.777	.136	.366
	Sig. (2-tailed)					
	N	6	6	6	6	6

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

An exception is Croatia, where a strong correlation exists between FDI and all macroeconomic indicators, except for export. Effects of the economic crisis to economies of the SEE countries are clearly visible from the referred. Apart from the decrease of FDI in absolute amounts, their effects to macroeconomic indicators are almost negligible.

Conclusion

The last empiric studies confirm the positive effect of foreign direct investments to economic growth of developing countries. FDI are recognized as the important channel of international transfer of technology. However, studies in European economies in transition do not show such a consistent result. The cause may be found in the process of transition itself, but also in the effects of economic crisis. Due to structural reforms in the countries of SEE, there is a decrease of production and employment because of inefficiency of local companies. This may neutralize or even excel the positive effect of FDI to economic growth.

While reliable conclusions regarding the linear correlation of FDI and other macroeconomic indicators cannot be made for the whole observed period 2000-2013, the periods before and after the beginning of economic crisis give us a clearer acknowledgement about the correlation between FDI and economic growth. The period before the economic crisis is characterized with a strong correlation between FDI on one side and GDP per capita, import and export on the other side in almost all the countries of the SEE. The difference between the countries is in the influence of FDI to the rate of unemployment. While in Bulgaria new working positions have been created, unemployment as the result of privatization process has been increased with increase of FDI in Serbia. Adverseness is that there is a positive correlation between FDI and import with the majority of analyzed countries, which might be the result of import of semifinished products necessary for the process or insufficient import substitution from foreign companies dealing in the analyzed countries.

The period after the beginning of the economic crisis is characterized by the absence of linear correlation between FDI and economic growth in all analyzed countries except for Croatia. A significant positive effect of FDI has been accomplished only in Romania and Bulgaria regarding the reduction of unemployment, while positive effects have been sublimated in the growth of GDP per capita in Croatia and Serbia. Influences of economic crisis significantly disturbed the flows of capital in the analyzed countries and reduced their influence to economic growth.

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CUSTOMER SATISFACTION AND BRAND LOYALTY IN THE HOTEL INDUSTRY

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Abstract

Most of marketing literature recognizes customer satisfaction as a significant antecedent to Brand loyalty. Further, the relationships between both satisfaction constructs with Brand loyalty have mostly been studied separately.

The purpose of this study is to explore the effects of three customer perceptions (brand image, price fairness) on customer satisfaction and Brand loyalty. A combination of a convenience and judgmental sample survey of 584 guests of three different hotels in Damascus was used to test the hypotheses. The results illustrate that customer satisfaction significantly affects customer loyalty. Also, the factors of brand image and price fairness affect Brand loyalty. Customer perception of brand image and price fairness are almost equally to build up the satisfaction. We suggest that managers should consider price fairness as foundations to build up customer satisfaction, Brand loyalty and, also to improve brand image as an added on value for customers .

Keywords: Customer satisfaction, brand loyalty, brand image, price fairness

Introduction

Customer Satisfaction and Loyalty have become a major marketing topic today. In the last 15years, a lot of marketing research focus on identifying describing , and analyzing both subject (E.G., Anderson and Sullivan, 1993; Reichheld, 1993; Dick and Basu,1994; Jones And Sasser,1995; Blomer and Kasper,1995; Bolton and Lemon, 1999; Edvardsoon *et al.*,2000; Homburg and Giering, 2001; Auh and Johnson,2005; Bodlet,2007; Terblanche and Boshoff, 2010).

The high level of consumer satisfaction has many benefits for the brand; such as increased consumer loyalty, enhanced brand ,reputation , reduced price elasticity, positive word of mouth and lower switching

tendency (Anderson *et al.*,1994; Fornell, 1992). It is believed that consumer satisfaction is a good, if not the best, indicator for a firm's efficiency to profit (Fornell,1992; Kotler, 1991; Reichheld and Sasser, 1990).

Reichheld (1994) argued that satisfied customers are not necessarily loyal. However, Evidently, Reichheld and Markey (2000) noted that the customers who said they are 'satisfied' or 'very satisfied' showed that between 60 and 80% will defect in most businesses. The criticisms of relying solely on consumer satisfaction survey (Jones and Sasser, 1995; Reichheld, 1994) have deliberately called for a paradigm shift, from emphasis on satisfaction to the pursuit of loyalty as a strategic business goal (Oliver,1999). Oliver (1999) noted the shift "appeared to be a worthwhile change in strategy for most firms because business understood the profit of having a loyal customer base" (p.33). Therefore it was suggested that those who are measuring customer satisfaction should not stop there (Reichheld, 1994). The shift to measure loyalty is based on a desire to better understand retention, a component of loyalty, which had a direct link to a company's profit (Taylor, 1998).

Brand loyalty can provide essential benefits for both consumers and companies. For consumers, a brand toward which they feel loyal, can act as a signal of achieved expectation. Because of familiar and favorable signal that a brand sends consumers buy the brand with more comfort believing that the brand will meet their expectations. This comfort would mostly come from the credibility of the brand established from past experiences. For companies, customer loyalty enhances brand equity by lowering vulnerability to competitive marketing actions, increasing margins, increasing marketing communication effectiveness and possibly generating more brand licensing or extension opportunities (Keller,1998). A study by Bain & Co. (Reichheld and Teal,2001) shows that 5% increase in customer loyalty, can increase a company's profitability by 40 to 95% and an increase in customer loyalty of 1% is the equivalent of 10% cost reduction. Furthermore, Kapferer (2005) stated that "Brand loyalty is a marketers' Holy Grail".

For managing customer satisfaction and loyalty, it is necessary to identify the antecedents of these constructs. Several scholars have suggested that express image, may generate more loyalty consumers (Bennett and Rundle, Thiele, 2005; Nandan, 2005). Empirical evidences have confirmed that image does impact satisfaction; which in turn led to loyalty in many industries (e.g., Bloemer and Ruyter, 1998), However, the impact of image on satisfaction required more validation, as some contradictory results can be observed in marketing literature (Palacio *et al.*, 2002).

Price another important factor on consumer satisfaction, (Parasurman *et al.*, 1994), but it was rarely investigated in previous studies. Voss *et*

al., (1998) suggested that the price decision has an impact on consumer satisfaction. Also, they pointed out the lack of literature exploring the possible effect of consumer's price decision on the degree of satisfaction. Parasuraman, Zeithaml and Berry (1994) also indicated that the influences of product quality and consumers' perceived price, were often ignored in prior consumer satisfaction studies. Further, until now, the simultaneous investigation of the interrelationships between perceived quality, brand image, price fairness, satisfaction and loyalty has not yet been done.

This paper aims to examine the relationships between brand image, price fairness, satisfaction and loyalty; in the context of hotel industry. The following section describes the theoretical framework and development of hypothesis, a description of the research method and results. The discussion with conclusion, limitations, managerial implication and suggestion for future research are also reported.

Literature review

Consumer Satisfaction

Consumers' satisfaction has been considered one of the most important constructs (Morgan *et al.*, 1996; McQuitty *et al.*, 2000), and one of the main goals in marketing (Erevelles and Leavitt, 1992). Satisfaction plays a crucial role in marketing because it is a predictor of purchase behaviour (repurchase, purchase intentions, brand choice and switching behaviour) (Oliver, 1993; McQuitty *et al.*, 2000). Fornell (1992) has defined satisfaction as "Overall evaluation after purchase". However, (Oliver, 1997) offered a deeper definition of satisfaction, "the consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under- or over fulfillment". Finally, Kotler (1997) defines satisfaction as "a person's feeling of pleasure or disappointed resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations".

Consumer satisfaction research began in the marketing field in 1970s and it is currently based on the "disconfirmation of expectations paradigm" (Cadotte *et al.*, 1987). This paradigm says that consumer brand evaluation involves comparing actual performance with certain standards. Three outcomes are likely:

- (1) Confirmation: where performance matches standards, leading to neutral feelings.
- (2) Positive disconfirmation: where performance is deemed better than standard, resulting in satisfaction.
- (3) Negative disconfirmation: where performance is deemed worse than standard, resulting in dissatisfaction.

Therefore, it is commonly accepted that in order to determine satisfaction or dissatisfaction, comparisons must be made between customers' expectations and the perceived performance of the product (Yi,1990).

Marketing researchers also distinguish between transaction-specific and cumulative consumer satisfaction (Johnson *et al.*,1995; Andreassen, 2000). Transaction-specific consumer satisfaction is a post-consumption evaluative judgment of a specific purchase occasion (Oliver, 1980, 1993). In contrast, cumulative consumer satisfaction that represents an overall evaluation based on the entire purchase and consumption experience with a product over time (Johnson and Fornell, 1991; Fornell, 1992; Anderson *et al.*, 1994). This is more fundamental and useful than transaction-specific consumer satisfaction in predicting consumer's subsequent behaviors and firm's performance (Fornell *et al.*, 1996 ; Johnson *et al.*, 2001).

The satisfaction response will be reflected towards the level of affection for the brand, which is in line with the suggestions, by Oliver (1997,1999). Oliver (1999) noted that consumers at the affective stage would develop a positive attitude towards the brand or liking the brand as a result of satisfactory repetitive usage over time. This current study embraced this viewpoint.

Brand Loyalty

The concept of "loyalty" grew out of the term "insistence" coined by Copeland (1923). Insistence is the last stage of consumers' attitudes toward the demand for branded product. In this stage, consumers do not accept substitutes when they decide to purchase a product or service. Since Copeland, the concept of brand loyalty has been extensively investigated in consumer and marketing studies.

Oliver (1999) defined brand loyalty as "a deeply held psychological commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior" (p. 34). Current conceptualizations of loyalty have, for the most part, adopted one of three approaches (Jacoby and Chestnut, 1978). It has been suggested that loyalty may refer to customers' behavioral consistency (the behavioral approach), attitudinal predisposition toward purchase a brand (the attitudinal approach), or a combination of the two approaches (the composite approach).

Jacoby and Chestnut (1978) provided a conceptual definition of brand loyalty as: (i) biased (i.e. non-random), (ii) behavioral response (i.e. purchase), (iii) expressed over time, (iv) by some decision-making unit, (v)

with respect to one or more brands out of a set of such brands , and is a function of psychological (decision-making evaluate) processes.

Oliver (1999) has proposed four ascending brand-loyalty stages according to the cognition affect conation pattern. The first stage is cognitive loyalty. Customers are loyal to a brand based on their information on that brand. The next phase is affective loyalty, which refers to customer liking or positive attitudes toward a brand. The third step is conative loyalty or behavioral intention. This is a deeply held commitment to buy a "good intention" This desire may result in unrealized action. The last stage is action loyalty, where customers convert intentions into actions. Customers at this stage experience action inertia, coupled with a desire to overcome obstacles to make a purchase. Although action loyalty is ideal, it is difficult to observe and is often equally difficult to measure.

To sum up, the issues of loyalty mainly concerned on how loyalty is operationalized. It is very important to understand how we should measure loyalty. The authors of this study have adopted the composite approach to brand loyalty. For this study, loyal customers are customer who hold favorable attitudes toward the company, commit to repurchase the brand and recommend the brand to others.

Customer Satisfaction and Brand Loyalty

Many studies have been concentrated on the investigation of the satisfaction- loyalty relationship(Olsen, 2007; Balabanis *et al.*, 2006; Suh and Yi, 2006; Auh and Johnson, 2005; Yang and Peterson, 2004; Szymanski and Henard, 2001). When consumers are satisfied with the product/brand, they are more likely to recommend the product to others, are less likely to switch to other alternative brand , and are likely to repeat purchase (Bennett and Rundle-Thiele, 2004). Similarly, Szymanski and Henard (2001) using a meta-analysis of satisfaction advocated satisfaction as a direct antecedent of loyalty. Fornell (1992) also established that satisfaction directly influences loyalty although he found that the link depends on the industrial context. Many related empirical studies (Szymanski and Henard,2001; Johnson *et al.*, 2001; Cronin *et al.*, 2000; Blomer *et al.*, 1999; Oliver ,1999 ; Bloemer and Ruyter, 1998; Zeithaml *et al.*, 1996) reported that satisfied consumers demonstrate more loyal behavior. Accordingly, the first hypothesis is to repeat the test of this relationship:

H1: Customer satisfaction is positively associated with Brand Loyalty.

Brand Image

In marketing literature great attention has been given to brand image from company's and consumer's perspectives. The approach of company

focuses towards the improvement of marketing activity long with strategies of brand positioning and retaining a positive brand image. Consumer's approach is based on his or her attitude towards the interpretation of brand image and brand equity. The significance of brand in the market is influenced by company's ability to evaluate the fact how consumers interpret brand image and company's ability to manage the strategy of brand positioning, adequately revealing brand's equity to a consumer (Kotler, 2001).

Reynolds (1965) noted that " an image is the mental construct developed by the consumer on the basis of a few selected impressions among the flood of the total impressions, it comes into being through a creative process in which these selected impressions are elaborated, embellished, and ordered " (p. 69). Kotler (2001) defines image as " the set of beliefs, ideas , and impression that a person holds regarding an object " (p.273). On the other hand, Keller (1993) considered brand image as " a set of perceptions about a brand as reflected by brand associations in consumer's memory " (p.3). A similar definition to Keller's was proposed by Aaker (1991), whereby brand image is referred to as" a set of associations, usually organized in some meaningful way"(p.109).

Keller (1993) regard that brand image will associate brand perception with consumers' memory. During the buying process, brand characteristics will influence consumers' decision, and marketing activities and consumer personal attributes will also influence brand image and purchase intention of consumers. So, a strong brand should have a clear brand image such as brand personality, organization association, feeling and self expression to represent consumer commitment by the corporation.

Aaker(1991) also regard that brand image can generate value in terms of helping customer to process information, differentiating the brand, generating reasons to buy, give positive feelings, and providing a basis for extensions. Creating and maintaining image of the brand is an important part of a firm's marketing program (Roth, 1995) and branding strategy (Keller, 1993; Aaker, 1991).

Although there are not much research found relationship between brand image and customer satisfaction, Reynold and Beatty (1999) and Stephen *et al.*, (2007) revealed some linkages between the brand image and customer satisfaction by seeing peoples reactions to different salespersons. This study, therefore proposes the impact of brand image on customer satisfaction:

H2: Brand image is positively associated with customer satisfaction.

Price Fairness

According to Kotler and Armstrong (2010), price is the amount of money charged for a product or service, or the sum of the values that customers exchange for the benefits of having or using the product or service. However, Stanton *et al* (1994) defined price as the amount of money or goods needed to acquire some combination of another goods and its accompanying services. Anderson *et al.* (1994) emphasized price as an important factor of consumer satisfaction, because whenever consumers evaluate the value of an acquired service, they usually think of the price.

Usually, the lower the perceived price the lower perceived sacrifice (Zeithaml,1988). Then, More satisfaction with the perceived price and overall transaction are created. On the other hand, it is also possible that consumers use the price as a clue. It implies that lower monetary price or perceived price does not guarantee higher satisfaction. Consumers usually judge price and service quality by the concept of " equity ", then generate their satisfaction or dissatisfaction level (Oliver, 1997).

Recently, marketing literature showed researchers' inclination towards price fairness in relation with customer satisfaction (Hermann *et al.*, 2007; Kukar-Kinney *et al.*, 2007; Martin-Consuegra *et al.*, 2007). Price fairness refers to consumers' assessments of whether a seller's price is reasonable, acceptable or justifiable (Xia *et al.*, 2004; Kukar-Kinney *et al.*, 2007). Price fairness is a very important issue that leads toward satisfaction. Charging fair price helps to develop customer satisfaction and loyalty. Research has shown that customer's decision to accept particular price has a direct bearing at satisfaction level and loyalty and indirectly (Martin-Consuegra *et al.*, 2007). In another study of Herrmann *et al.*,(2007), it was concluded that customer satisfaction is directly influenced by price perceptions while indirectly through the perception of price fairness. The price fairness itself, the way it is fixed and offered have a great impact on satisfaction. In this context, this study then proposes the following:

H3: *price fairness is positively associated with customer satisfaction.*

The Relationship Among Brand Image , Price Fairness And Brand Loyalty

According to Johnson *et al.*,(2001), key to perception of corporate image is the organization-related association held in a customers memory. Since consumer could evoke the past experience in future purchase intention, previously image could appear as an explicatory variable of the purchase intention in this context.

Moreover, when the company on the basis of it's view of the market creates brand and translates this brand into the brand image as perceived by customer, this strategy develops greater customer satisfaction furthermore

greater brand loyalty (Royle *et al.*, 1999). Based on this discussion, the next hypothesis is:

H4 : Brand image is positively associated with Brand loyalty .

Ti Bei and Ching Chiao (2001) found perceived price fairness has positive effects; both direct and indirect effect (through consumer satisfaction) on consumer loyalty. From customer's perspective, price is what is given up or sacrificed to obtain a product. It is possible to display the intention of repeat purchase behavior. On the other hand, if customers do not feel that their sacrifices are worthwhile, they may not the purchase again, even when they are satisfied with the quality of a product. Based on this discussion, the next hypothesis is:

H5 : price fairness is positively associated with Brand loyalty .

Research methodology

Sampling design and data collection

Testing the suggested research hypotheses was accomplished through a combination of a convenience and judgmental sample survey of guests of three different hotels in Damascus, Syria. The questionnaires were delivered through the reception desk to those guests checking in during the four weeks' data-collection period. A total of 600 questionnaires were distributed. Incomplete and inappropriate answered, using cross-test, were excluded 584 usable responses were obtained, which providing an acceptable level of response rate (97.3 %) . Among the 584 respondents, 44.2 % were male and 55.8 % were female .40% were age between 25-54 years and 60% were age above 55 years . 30.5% were annual income between \$25,000-\$50,000, 55% were annual income between \$50,000-\$75,000, 14.5 were annual income between \$75,000 and more.

Results

Measurement model

This study implements a structural equation modeling (SEM) approach, using AMOS 18, to develop a model that represents the causal relationships among the variables (Chin, 2001). The questionnaire items employed to collect data were adapted from Fornell *et al.*, (1996), Yoo *et al.*, (2000), Aaker and Alvarez (1995) and Kukar-Kinney *et al.* (2007). Each variable was measured using previously developed components of instruments that have demonstrated good psychometric properties. The study survey consisted of Five sections: perceived quality, measured using Six items; Brand image, measured Two items ; price fairness, measured using four items; customer satisfaction, measured using three items; Brand loyalty, measured using eight items.

A confirmatory factor analysis (CFA) was conducted to empirically test the measurement model. Multiple tests on construct validity and reliability were performed. Model fit was evaluated using the maximum likelihood (ML) method.

Construct reliability. Construct reliability was assessed using Cronbach's α , composite reliability (CR) and average variance extracted (AVE) using CFA. As the α -values (Table I) for all the constructs are greater than the guideline of 0.70, it can be concluded that the scales can be applied for the analysis with acceptable reliability (Saunders et al., 2003). CR and AVE were calculated from model estimates using the CR formula and AVE formula given by Fornell and Larcker (1981). In the measurement model, all constructs had a CR over the cut-off of 0.70 and the AVE for all exceeded the recommended level of 0.5 (Bagozzi and Yi, 1988). Based on these assessments, measures used within this study were within the acceptable levels supporting the reliability of the constructs (Table I).

Construct validity. Construct validation includes content, convergent, and discriminate validities. Content validity was verified by expert judgment and by a careful literature review. Convergent validity can be evaluated by examining the factor loadings. All estimated standard loadings (Table I) were > 0.50 , suggesting good convergent validity (Lin and Ding, 2006). To assess the discriminant validity, Fornell and Larcker's (1981) criterion, that square root of the AVE for each construct should be greater than the correlation between constructs, was used. Table II shows the values of the square root of the AVE are all greater than the inter-construct correlations.

Nine common model-fit measures were used to assess the model's overall goodness of fit. As shown in Table III, all the model-fit indices exceeded the respective common acceptance levels suggested by previous research, demonstrating that the measurement model exhibited a good fit with the data collected.

Items	BI	PF	CS	BL
1	0.807			
2	0.806			
2		0.888		
4		0.887		
4		0.871		
6		0.828		
7			0.799	
8			0.749	
9			0.645	
10				0.748
12				0.732
13				0.732
14				0.720
15				0.715
16				0.654
17				0.613
18				0.600
Reliability	0.722	0.907	0.790	0.883
CR	0.727	0.909	0.794	0.887
AVE	0.572	0.713	0.563	0.502

Table II. Correlation and average variance extracted

	BL	BI	PF	CS
BL	0.709			
BI	0.362	0.756		
PF	0.281	0.169	0.845	
CS	0.637	0.350	0.328	0.750

Table III. Measurement Model Fit Indices

Fit index	Recommended value	Indices values
Chi-square / (df)	≤ 3.00	2.49
GFI	≥ 0.90	0.92
AGFI	≥ 0.80	0.90
NFI	≥ 0.90	0.92
IFI	≥ 0.90	0.95
CFI	≥ 0.90	0.95
TLI	≥ 0.90	0.94
RFI	≥ 0.90	0.90
RMSEA	0.05 to 0.08	0.051

Structural model

Bootstrapping with 1000 resample's was done to derive *t*-statistics to assess the significance level of the model's coefficients and to test the hypotheses (Chin, 2001). Using AMOS version 18.0, the researcher determine the path coefficients. Figure 1 shows the Results of structural model.

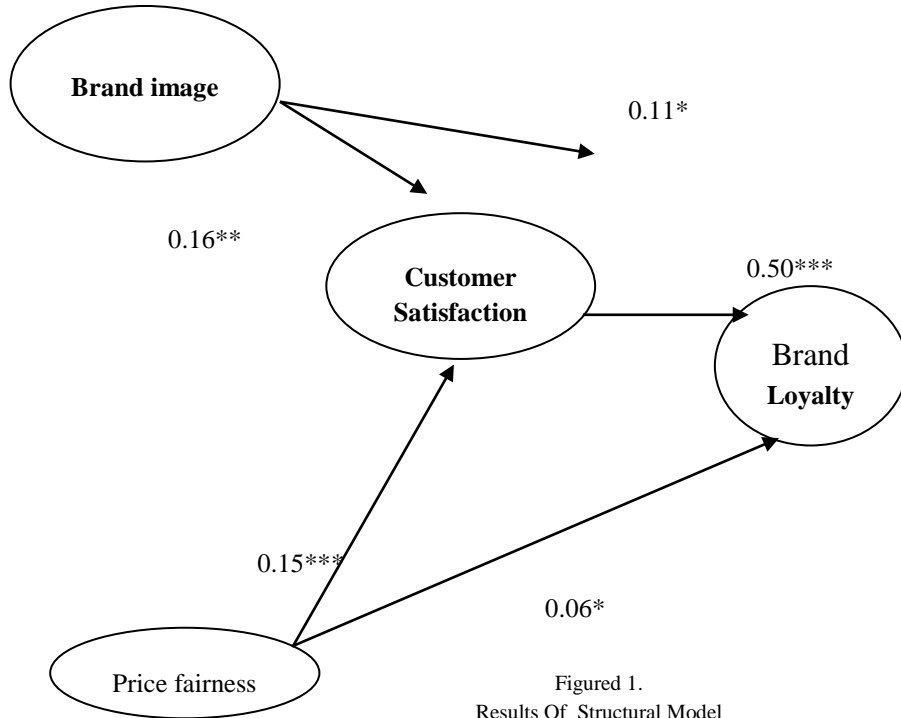


Figure 1. Results Of Structural Model

Table IV. Hypothesis-testing results

Path		Coefficients (B)	t-values	p-value	Result
H2	→ :BI	0.157	3.142**	0.002	Supported
CS					
H3:PF	→	0.154	5.546***	0.000	Supported
CS					
H1:CS	→	0.499	7.457***	0.000	Supported
BL					
H4	→ :BI	0.111	2.226*	0.026	Supported
BL					
H5	→ :PF	0.063	2.242*	0.025	Supported
BL					

Notes: *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$

BI showed had a positive effect on both CS ($\beta = 0.157$, $p < 0.01$) and BL ($\beta = 0.111$, $p < 0.05$). Thus, $H2$ and $H4$ were supported (Table IV). In addition PF had a positive effect on both CS ($\beta = 0.154$, $p < 0.001$) and BL ($\beta = 0.063$, $p < 0.05$). Therefore, $H3$ and $H5$ was supported. CS had positive effect on BL ($\beta = 0.499$, $p < 0.001$). Therefore, $H1$ was supported.

Discussion And Conclusions

The key objective of this study is to explore the effect of brand image and price fairness on customer satisfaction and loyalty. The result of this study have verified the previous finding (Cronin *et al.*, 2000; Lee, 1998; McDougall and Levesque, 2000; Stephen *et al.*, 2007).that customers established higher loyalty toward a brands when they are more satisfied. This is also consistent with prior studies (Bloemer and Kasper, 1995; Fornell, 1996; Lee, 1998; Oliver, 1999; McDougall and Levesque, 2000). In addition, brand image and price fairness played important roles on satisfaction. Although numerous mentioned that relation between customer satisfaction and customer loyalty and which determents effect to customer satisfaction, there was no empirical study focusing simultaneously on brand image and price fairness. Since brand image and price fairness were often not include in previous marketing studies regarding customer satisfaction, this study endeavors to establish the links among these elements. That price fairness is an important determinant of customer satisfaction. Also, the results provide concrete empirical evidence that brand image is positively related to consumer satisfaction, which are as important as price fairness. Thus, from a managerial standpoint, managers should not emphasize only price fairness in a total customer satisfaction program. Brand image is fundamental and also important to build up consumer satisfaction. None of them can be ignored or partially accented.

As expected, brand image and price fairness are positive related to Brand loyalty. Managers need to understand the important role of, brand image, price fairness and satisfaction in order to be able to predict brand loyalty. All the above variables provide several managerial implications and are important issues in the development and implementation of marketing strategies aimed at building and maintaining market share.

The results suggest that to improve brand loyalty and customer's satisfaction in the hotel industry, marketers should improve the hotels brand strategy that relates to aspects of how the branded hotel can provide a solution to their customer's needs and expectation, the good impression of visiting their hotel, and the effectiveness of the brand. Price is the necessary sacrifice that a customer gives to exchange for the service. However, if consumers are only satisfied with the service and price provided by a firm, they may only repeat visiting habitually, but without true loyalty. Thus, the

best strategy for a marketing manager in mobile industries is to ensure the basic quality of services sold at a fair price, then emphasize brand image to provide added values in order to maintain customers.

This study highlights the important of image, price fairness and customer satisfaction to improve loyalty. Moreover, in a hotel chain, this may present challenges for management since the performance of on hotel may influence customers' perception of other hotels in the same chain. It is thus vital to maintain consistency in service standards of all hotels belonging to chain. This may prove difficult where the chain hotel has properties in different countries. Although customers value consistency highly, they equally value personalised service. Hence, it is important that a chain hotel also maintain its individuality through personalised service. Customer loyalty can therefore be nurtured by providing consistent superior room facilities, complemented by the personalised services of housekeeping staff.

The finding of this study contributes to the growing body of knowledge in service management and hospitality management. This study could be replicated in chain restaurants and/or in other service sectors. The strength of this research lies in the fact that it provides an actionable focus for the managers of hotels in their pursuit of a competitive advantage. The author conclude that an organization's long-term success in market is essentially determined by its ability to expand and maintain a large and loyal customer base. However, it is important to recognize that customer loyalty is time specific and non-preferment and, thus, requires continues and consistent investment. Hotel organization must, therefore, constantly strive to develop and maintain their customers' loyalty or, as is true in the majority of relationships, risk losing it to someone else.

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THE ENVIRONMENT-FRIENDLY SMALL FARMERS AT THE CENTRAL HIGHLANDS OF MEXICO

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Abstract

Conscious consumers demand better quality, and food locally produced with safety measures to have improved health and lower their carbon footprint. Regional ecology-friendly agriculture can fulfil such requirements. The objective of this paper is to present a case study of environment-friendly farmers in the State of Tlaxcala at the Central Highlands of Mexico, and the challenges that they have to confront. Groups of small farmers growing organic products created the Alternative Markets of Tlaxcala and Apizaco. The products sold in these markets are cultivated directly by 36 family groups, with an average of five members. They indirectly benefit another 150 people. Their plots are small, up to 5 hectares. They grow and sell temperate fruits, vegetables, cereal grains, honey and its derivate products. They also offer processed foods, handcrafts, personal hygiene products, and botanical goods. They use an alternative certification system, a participatory guarantee one. Since 2013, a plan of actions to consolidate the participative certification committee and to offer technical advice and training on organic production and food safety was conducted. The Alternative Markets have promoted the production and transformation of environment-friendly goods. They offer the option to sell products for higher prices than conventional ones. Consumers are willing to pay a

premium for food and other items free from toxic agrochemicals, bought directly from the producers. The farmers and transformers of such markets are beginning to understand the importance to grow safe food and other products, and to implement procedures to achieve this objective.

Keywords: Organic agriculture, Good Agricultural Practices, Good Manufacturing Practices, Value addition

Introduction

Modern agriculture involves worldwide supply chains with high mobility and high-carbon footprint. Such movements involve not only products, but also information, people, pest and diseases. Such problems have alienated many people.

Thus, conscious consumers demand better quality, food locally produced with safety measures to have improved health and lower their environmental impact.

In opposition to the conventional model of production and marketing, and international trade, there is a social growing concern of the compatibility of the productive processes with the environment, and the preservation of cultural traditions. The quality of the products it is not only judged by their appearance, but also about their nutritional value and the consequences of how it was obtained (Prieto-Díaz, 2007).

In the last decades, the valorization of the intangible attributes has been higher, based on the ethical considerations of the consumers. There is a growing trend in the demand of differentiate products with better quality. Brand's certifications and trademarks convey and guarantee such attributes as Organic or Fair Trade.

The organic sector has a very dynamic development in the world. In Mexico, it has had a very high growth rate (higher than 25% per annum since 1996). Greater return to the farmers is an important drive for this expansion. Coffee had the higher planted area (50% of the total organic in 2007-2008), followed by horticultural crops (10% of the total organic planted area; Gómez-Cruz et al., 2010).

Most of the Mexican organic production is exported (Gómez-Cruz et al., 2010). However, the domestic market has been expanding. The Mexican Network of Organic Markets was founded in 2004 to meet such demand (Nelson et al., 2010).

A growing number of consumers prefer organic products because, among other things, they are not exposed to toxic agrochemicals. Other aspects related to food safety are not always considered in environmental friendly agriculture.

Unsafe food can be found everywhere. It can contain harmful bacteria, viruses, parasites or chemical substances. They are responsible for more than 200 diseases and the death of approximately 2 million people per annum worldwide (WHO, 2015).

Food safety is a major concern to public health. Even though, many farmers and food processors, mainly in developing countries, are not aware of the practices and processes needed to achieve it. Organic producers have to face the same difficulties. The rules to ensure the production or the transformations of safe foods do not exist, or they are lax, or not enforced. Thus, the problem of contaminated food is growing.

The objective of this paper is to present a case study of environment-friendly farmers in the State of Tlaxcala at the Central Highlands of Mexico, and the challenges they have to face.

Materials and Methods

This research was conducted in locations of Españita, Apizaco, Santa Cruz Tlaxcala, Hueyotlipán, Tlaxco, Yauhquemecán, Chiautempan, Santa Isabel Xiloxotla municipalities at the State of Tlaxcala, in the Central Highlands of Mexico.

The State of Tlaxcala is located in the central east part of Mexico, between the latitudes 19° 05' 43" and 19° 44' 07" N, the longitudes 97° 37' 07" and 98° 42' 51" W. It has the smallest area (4,061 km²). Its average altitude is 2,230 meters above sea level. Tlaxcala, its capital and main city is 124 km away from Mexico City, about two hours and a half drive.

The farmers selected for this study, sell their products directly to the consumers in the "Alternative Markets" located in the cities of Tlaxcala and Apizaco, the main ones in the State of Tlaxcala (Fig. 1).



Figure 1. Meeting and stand at the Apizaco Alternative Market.

In order to study and to discuss directly with the environment-friendly farmers their problems and needs, 24 visits to their production and food-processing units were conducted (Fig. 2). The productive activities, the

handling of the harvests, the transformation processes, the packaging, the exhibition for sale, and the product differentiation strategies were examined.

Because of the visits and group discussions in ten meetings, food safety, good agricultural practices, good manufacturing practices, value-adding processes, and an experience's exchange were identified as top priorities (Fig. 1). Five workshops were carried out to fulfill such needs (Fig. 2).

The main objective of the training was to increase production and food safety, and to improve the quality of the products, their transformation processes, and marketing strategies in a highly competitive market.

Training materials for oral presentations, and hands-on activities for higher involvement of farmers were designed. Materials and procedures from the World Health Organization (2007, 2012) and other reputable sources were also used.



Figure 2. Workshop for members of the Alternative Markets of Tlaxcala and Apizaco, and organic plot.

Results and Discussion

Small agricultural friendly farmers and handcrafts producers from several locations of Españita, Apizaco, Santa Cruz Tlaxcala, Hueyotlipán, Tlaxco, Yauhquemecán, Chiautempan, Santa Isabel Xiloxoxtla municipalities of the State of Tlaxcala at the Mexico's Central Highlands, have been organizing local actions. Those are aimed for direct production, transformation, and marketing of agricultural goods, food, and other products to improve their quality of life through "Alternative Markets" in the cities of Tlaxcala and Apizaco.

The Alternative Markets of Tlaxcala

Groups of small farmers producing organic goods created the Alternative Markets of Tlaxcala and Apizaco. The Tlaxcala alternative market was inaugurated in 2005. The Apizaco one started activities in 2009. They belong to the Mexican Network of Organic Markets. These markets

can be conceived as production-consumption units with high environmental, social, and economic responsibility. They promote a bond between farmers and consumers.

The Tlaxcala and Apizaco Alternative Markets are the result of the demand, from consumer groups, to have healthy foods, free from toxic agrochemicals, harvested by small farmers, social and environmental responsible. The products sold in these markets are cultivated directly by 36 family groups. A family group has an average of five members. They indirectly benefit another 150 people.

Within every family group, the participants collaborate in several tasks, from production and transformation to selling in the markets. They have men and women from different ages. Their plots are small, ranging from few square meters to 5 hectares. Very few have a higher area.

They grow and sell temperate fruits, vegetables, cereal grains, honey and its derivate products. They also offer processed foods, handcrafts, personal hygiene products, and botanical goods. Each market open only one day per week.

They work based on cooperative principles, but without any formal organization. Democratic values are important too. Every participant group has rights and obligations. Their core principles are: 1) Open and voluntary membership; 2) Democratic decision taking; 3) Economic contribution; 4) Autonomy and independence; 5) Education, training, and information; 6) Cooperation; and 7) Social responsibility (Alternative Markets, 2015).

Those farmers have been working together for the last eight years. In some cases, they have achieved agreements for joint production and transformation to add value.

As a mean to have better market participation and higher profits, they have organized to offer differentiate products, and they have to learn skills to produce in an ecological way.

A barrier for a wider distribution of their goods is that they do not have a third party certification for organic production because it is a lengthy, expensive, complicated, and highly bureaucratic process. It is almost impossible to comply by a small farmer. They use an alternative certification system, a participatory guarantee one (IFOAM, 2013; Nelson et al., 2010 and 2015). Nelson et al. (2010) have described it.

Their participatory certification committee have meetings every Tuesday. It decides on the introduction of novel products or the acceptance of new farmers. Afterwards, when it is necessary, it conducts visits to production or transformation units. The committee also performs continuous evaluations of the Alternative Markets members.

They received external support to improve their technical processes and market strategies. Nevertheless, they need more training and information about their productive processes, health legislation, and marketing.

In order to strengthen its participatory guarantee system, the organic production, and food security processes, the participants of the alternative markets looked for the involvement of professors and students of Chapingo Autonomous University (CAU), the largest and oldest agricultural university in Mexico. Its main campus is located in the nearby state of Mexico. Somacidich Agroideas (SA), a consultant group of environmental friendly technologies and knowledge, is participating too.

Since 2013, a plan of actions to consolidate the participative certification committee and to offer technical advice and training on organic production and food safety was done. It was formulated jointly by farmers, by professors of CAU, and by personnel of SA. They have conducted it successfully.

As it has been stated, unsafe food is a major problem in developing countries. Mexico is not an exception. Despite the actions of the Ministry of Agriculture's National System of Health and Food Safety (SENASICA in Spanish), most farmers are not aware of the systems or regulations to ensure food safety.

Good Agricultural Practices, Good Manufacturing Practices, other processes or certifications related to food safety are only followed or obtained when other countries or institutional buyers require them.

The small farmers of the Tlaxcala and Apizaco Alternative Markets are seeking new and more profitable distribution channels. They are aware that supermarkets and other important buyers have requirements related with food safety. Thus, they requested more information and workshops related to CAU and SA personnel.

During 2014, an introductory workshop on food safety was conducted. The farmers began to realize the requirements needed to produce, transform, transport, and sell safe food. None was even close to fulfil such requirements.

A workshop on Good Agricultural Practices and another one about Good Manufacturing Practices were also given. They provided knowledge that is more specialized for farmers and food transformers. Individual visits to interested groups are helping to identify steps and strategies to improve food safety.

Farmers of the Alternative Markets of Tlaxcala and Apizaco are beginning to understand and to implement procedures to obtain safer food. The fulfilling of national or international standards on food safety is still far away. They seem to have the will to achieve this goal.

Conclusion

The Alternative Markets of Tlaxcala and Apizaco have promoted the production and transformation of environment-friendly goods. They offer the option to sell products for higher prices than conventional ones. Conscious consumers are willing to pay a premium for food and other items free from toxic agrochemicals, bought directly from the producers.

The farmers and transformers of such markets understand the importance to produce safe food and other goods. They are beginning to implement procedures to achieve this objective.

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MOBILIZING PRIVATE FINANCE FOR PUBLIC GOOD: CHALLENGES AND OPPORTUNITIES OF SOCIAL IMPACT BONDS

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Abstract

Social Impact Investing (SII), defined as investment that aims to create a positive social impact in addition to a financial return, is a promising approach to solving pressing social issues. One of the key topics in this context is a new “pay-for-performance” financing instrument for social services that has been implemented in the UK, the US and Australia to facilitate impact investments: Social Impact Bonds (SIBs). The extension of the scope of the SIB outcomes-based model to achieve improved social outcomes in developing countries implies the use of Developing Impact Bonds (DIBs). The adaption of the SIB approach for developing countries is the most recent financial innovation derived from the impact investing industry. This work using a multiple case study approach, provides an analysis of the role of typical financial instruments of SII in welfare policies through a descriptive and explorative analysis of the contractual scheme and of the technical and economic aspects of some currently existing SIBs and

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This paper is the result of a collaboration between the authors. In particular, Annarita Trotta contributed to paragraphs 2 and 3; Rosella Carè contributed to paragraphs 1,4,5 and 6; Alessandro Rizzello contributed to paragraphs 4.1 and 4.4; Maria Cristina Migliazza contributed to paragraph 4.3 and Raffaella Severino contributed to paragraph 4.2.

DIBs and provides a comparison of SIBs and DIBs by highlighting their similarities, differences, opportunities and challenges. The results offer practical suggestions for professionals and policy makers to support suitable strategies for the evolution of these instruments in the delivery of welfare services.

Keywords: Social Impact Bond, Development Impact Bond, Social and Sustainable Finance

Introduction

Social Impact Investing (SII), defined as investment that aims to create a positive social impact in addition to a financial return, is a promising approach to solving pressing social issues (Hochstadter & Scheck, 2014). This enormous market opportunity covers four mega trends, namely, markets at the bottom of the pyramid, a green economy, the Lifestyle of Health and Sustainability (LOHAS) segment and the reconfiguration of welfare states (Martin, 2013).

One of the key topics in this context is represented in a new “pay-for-performance” financing instrument for welfare services that has been implemented since 2010, especially in the UK, in the US and Australia, to facilitate impact investments: Social Impact Bonds (SIBs) (Social Finance UK, 2014c).

The extension of the scope of the SIB outcomes-based model to achieve improved social outcomes in developing countries implies the use of Developing Impact Bonds (DIBs) (Center for Global Development and Social finance, 2013).

Based on this assumption, our work aims to contribute to the academic debate on SII and to analyse the role of typical financial instruments of SII in welfare policies through a descriptive and explorative analysis of the contractual scheme and of the technical and economic aspects of some currently existing SIBs and DIBs, highlighting their similarities, differences, opportunities and challenges.

The methodology adopted is founded on a multiple case study approach (Yin, 2014).

This study is structured as follows. The next section provides a short literature review on this topic. This is followed by the methodological approach. The subsequent sections provide a brief description of the case studies, the findings, a discussion and a conclusion.

The results offer practical suggestions for professionals and policy makers to support suitable strategies for the evolution of these instruments in the delivery of welfare services.

Theoretical and methodological notes

The contribution of social finance to welfare policies: The state of the art

Over the past two decades – and especially in the aftermath of the most recent economic and financial crisis– the reconfiguration of public expenditures has undergone significant changes that have posed new challenges, opportunities and threats to welfare policies and to their financing. The pressing constraints to public expenditures on welfare policies may be considered one of the main drivers for the development and diffusion of a financial innovation useful for social needs and social innovation (Social Impact Investment Italian Task Force, 2014; Azemati, Belinsky, Gillette, Liebman, Sellman & Wyse, 2013).

Especially in recent years, scholars, practitioners and policy makers have scrutinized the issue of the sustainability of the welfare system. In particular, the identification of new forms of financing and financial instruments able to attract private capital for the public sector in order to sustain (and integrate) social expenditure outline more and interesting questions (Del Giudice, 2015, p. 19).

Social Finance (SF) seems to be a useful construct to address these questions.

However, despite the recent growing interest in the literature towards this new stream of inquiry, there is not a clear understanding of what the term “Social Finance” stands for.

Different definitions of SF have been proposed by many authors.

This work adopts the approach used by Weber (2012), according to which SF can be considered “an umbrella term for financial products and services that strive to achieve a positive social, environmental or sustainability impact” (p.3). A positive social impact includes an impact on society, the environment, or sustainable development. SF attempts to achieve this by offering products and services, such as loans, investments, venture capital, and microfinance (Weber, 2012; Geobey & Weber, 2013). In the broad range of the SF landscape, Impact Investing has gained significant momentum in recent years (Martin, 2013).

Impact Investing is defined by the Canadian Task Force on Social Finance (2010, p. 5) as “the active investment of capital in businesses and funds that generate positive social and/or environmental impacts, as well as financial returns (from principal to above market rate) to the investor”.

The Impact Investing concept goes by many names (Hebb, 2013; Hochstadter & Scheck, 2014) and, as depicted by Hebb (2013), “these include double and triple bottom line, mission related investing, program-related investment, blended-value, economically targeted investing and social finance” (p.71). Impact Investing is an emerging asset class that presents a special risk-return relation (O’Donohoe, Leijonhufvud, Saltuk,

Bugg-Levine and Brandenburg, 2010) and has characteristics similar to those of “*high-yield*” investments (O’Donohoe et al., 2010; Brandstetter & Lehner, 2014; Geobey, Westley, & Weber, 2012).

The first academic studies on social impact investments were published in 2011. The potential market for SII is estimated to be between 1000 and 14000 billion dollars (O’Donohoe et al., 2010), and it represents the most promising approach to solving social challenges (Jackson, 2013, p. 608).

Our recent work (Rizzello, Caré, Migliazza & Trotta, 2015) explores the SII landscape. We provide a better picture of the existing state of the SII academic landscape and note three main “domains” of research in this field: sustainable finance, impact entrepreneurship and public policy in the social sector. SIBs are closely related to the “public policy in the social sector” domain, including other important terms such as Social Policy, Politics of Austerity, Social Outcome, New Public Management, Payment by Results, and Pay for Success, but have a key role in connecting the three domains. For these reasons, SIBs are one of the most promising pillars of the Impact Investing industry.

McHugh, Sinclair, Roy, Huckfield and Donaldson (2013, p. 247) define SIB as a new and innovative model of financial investment that can transform the supply of social services.

Considered one of the many innovative financing schemes garnering increasing attention in the social finance field (Demel, 2012), SIBs represent an expansion of the New Public Management approach into social program delivery through the use of its three main aspects: contracting, performance measurement, and Public-Private Partnerships (PPPs) (Warner, 2013, p. 305).

SIBs are characterized by i) the participation of private and public actors in Public Private Partnership(s); ii) an initial monetary investment; iii) an action program.

However, with respect to SIBs, there are different definitions provided by scholars and practitioners.

Brandstetter and Lehner (2014) highlight that different regions use several terms. In Europe, these financial products are known as Social Impact Bonds. They are also known as Pay-for-success (PFS) in the United States and Social Benefit Bonds (SBBs) in Australia. The latest version of this financing scheme includes Development Impact Bonds (DIBs), which involve external development agencies and governments (Development Impact Bond Working Group, 2013; Saltuk, Bouri & Leug, 2011; Brandstetter & Lehner, 2014). As stated by Wilson, Silva and Ricardson (2015), DIBs are built around the SIB model and are also structured as Pay-for-success schemes focused on developing countries. Wilson (2014) shows that DIBs

"seek to improve the effectiveness of traditional donor-funded projects by shifting the focus on to implementation quality and the delivery of successful results by introducing private sector actors who may be better-positioned than the public sector to take on risks associated with innovation" (p.19).

Several Authors underline that SIBs represent a financing model adaptable to different social needs (Fox & Albertson, 2011; Hedderman, 2013; Fitzgerald, 2013; Stoesz, 2014). According to Schinckus (2015, p.105), "SIBs are not a miracle way of financing welfare, they can significantly contribute to an improvement of society. By redesigning social programs through market-based solutions, SIBs enhance transparency and evaluation of expenditures made by government, and they can stabilize economic activity and they can contribute to the self-realization of disadvantaged people".

In light of this potential, these financial instruments represent one of the most promising fields of research, with many theoretical and empirical implications for the sustainability of welfare systems.

However, the academic literature on SIBs identifies several obstacles to their development *in concreto*. In particular, we underline the metrics of evaluation and the limits of the valuation of this instrument in a portfolio strategy (Brandstetter & Lehner, 2014; Jackson, 2013; Geobey & Weber, 2013; Wood, Thornley & Grace, 2013; Geobey et al., 2012; Bugg-Levine, Kogut & Kulatilaka, 2012).

Furthermore, Saltuk et al. (2011) affirm that the lack of a track record of investment success is the major obstacle to this sector's development.

Further studies in the academic debate are needed in order to analyse crucial matters and technical aspects.

Methodological notes

This study uses a qualitative approach in order to achieve an exploratory analysis of Social Impact Bonds and Development Impact Bonds, with the goal of better understanding the differences and similarities between contractual arrangements and, in general, technical and economic aspects of different SIBs.

As stated by Kaczynski, Salmona & Smith (2014), "qualitative research is based on a very different frame of meaning construction that allows the researcher to explore and better understand social science issues at a deeper level" (p. 128). Moving from this point of view –given the wide range of qualitative approaches – the Multiple Case Study (MCS) methodology has been selected.

Eisenhardt (1989) underlines the potential of case studies to capture the dynamics of the studied phenomenon. Referring to the issue of generalization, Yin (1994) stresses the need to distinguish between statistical

generalization (where the researcher infers a population on the basis of empirical data collected on a statistical sample) and analytical generalization, which poses as the incorrect use of the first method to generalize the results of a case study.

In light of these specifications, the cases have been selected with the main aim of providing a better picture – and understanding –of the phenomenon. By using the intensity sampling approach, as described by Patton (2002), four case studies have been analysed.

In particular, in a non-random view, we have selected the following among currently existing SIBs: the “Increasing Employment and Improving Public Safety” Social Impact Bond (New York State – USA); the “Her Majesty’s Prison Peterborough” Social Impact Bond (UK); the “Newpin” Social Benefit Bond (Australia) and the “Sleeping Sickness” Development Impact Bond (Uganda).

The final sample is composed of information from rich cases that represent the phenomenon of interest intensely (but not extremely) (Patton, 2002, p. 234).

To ensure the reliability of our study, we developed a research protocol (Yin, 2014). The research protocol provides the researchers the main sources of reliable data, the reporting procedure and the reporting outline. For the case study analysis, we used three primary data sources: i) official documents explaining technical and economic details (e.g., government documents, intermediary documents, and commissioner documents); ii) interviews with key informants; iii) reports and secondary sources (UK Government, Social Finance US, Social Venture Australia and related websites).

The case study analysis

A descriptive analysis of four case studies.

This Section, using a multiple case study approach, provides an analysis of the role of typical financial instruments of SII in welfare policies through a descriptive and explorative analysis of the contractual scheme and of the technical and economic aspects of some currently existing SIBs and DIBs.

The case of the “Increasing Employment and Improving Public Safety” Social Impact Bond (New York State – USA).

During 2012, the State of New York (NYS) launched the policy strategy called "Work for Success"(NYS, 2012). Through this strategy, based on a Pay-for-success financing model for the delivery of rehabilitation services to ex-offenders, the State of New York promoted a Social Impact Bond called “*Increasing Employment and Improving Public Safety*”. New

York State identified Social Finance US⁴⁹ as the project designer and manager of this Pay-for-success rehabilitation program. Starting from the analysis of the needs of formerly incarcerated individuals and from due diligence, Social Finance US selected the Center for Employment Opportunities (CEO)⁵⁰ as a service provider of the SIB intervention.

From June 2013, NYS, Social Finance, and CEO worked together for the development and implementation of the project, while the NYS Department of Corrections and Community Supervision Division of Program Planning, Research, and Evaluation (NYS DOCCS Research) and the New York State Department of Labor Research (NYS DOL Research) evaluated the outcomes through the Randomized Control Trial (RCT) methodology. Chesapeake Research Associates⁵¹ is the independent validator (Social Finance US, CEO & NYS, 2014).

Table 1 provides an overview of the core technical details of the SIB.

Table 1. *SIB “Increasing Employment and Improving Public Safety” (New York State - USA)*

<i>Location</i>	New York City and Monroe County
<i>Country</i>	USA (New York State)
<i>Start date</i>	September 2013
<i>Contract duration</i>	66 months
<i>Social Issue</i>	Prison recidivism
<i>Outcome metric</i>	<ul style="list-style-type: none"> a) Employment: percentage of formerly incarcerated individuals with positive earnings over the first year from release from prison; b) Recidivism: reduction of days incarcerated per person; c) Transitional Jobs: number of formerly incarcerated individuals who start a CEO Transitional job
<i>Threshold for payments from the outcome payer</i>	<p>Outcome a): 5% increase in employment; Outcome b): 36.8-day reduction in recidivism. Threshold is established only for outcomes a and b.</p>
<i>Outcome evaluation method and Evaluator</i>	<p>Randomized Control Trial (metrics a and b). Validated administrative data (metric c). NYS Department of Corrections and Community</p>

⁴⁹Founded in 2011, Social Finance US is a nonprofit social impact financing and advisory firm, particularly dealing with the development of Pay for Success (PFS) financing. For further information, see: <http://www.socialfinanceus.org>.

⁵⁰Center for employment opportunities (CEO) is a nonprofit employment service agency for formerly incarcerated individuals. For further information, see: <http://ceoworks.org>.

⁵¹Chesapeake Research Associates is a for-profit company founded in 2002 to provide research and evaluation services to federal and state governments, non-profit organizations, and businesses both in the US and abroad. Its main expertise is in the design, implementation, and reporting of randomized controlled trials (RCT) in education and other social policy areas. For further information, see <http://www.chesapeake-research.com>.

Validator Supervision Research and NYS Department of Labor Research are the outcome evaluators; Chesapeake Research Associates.

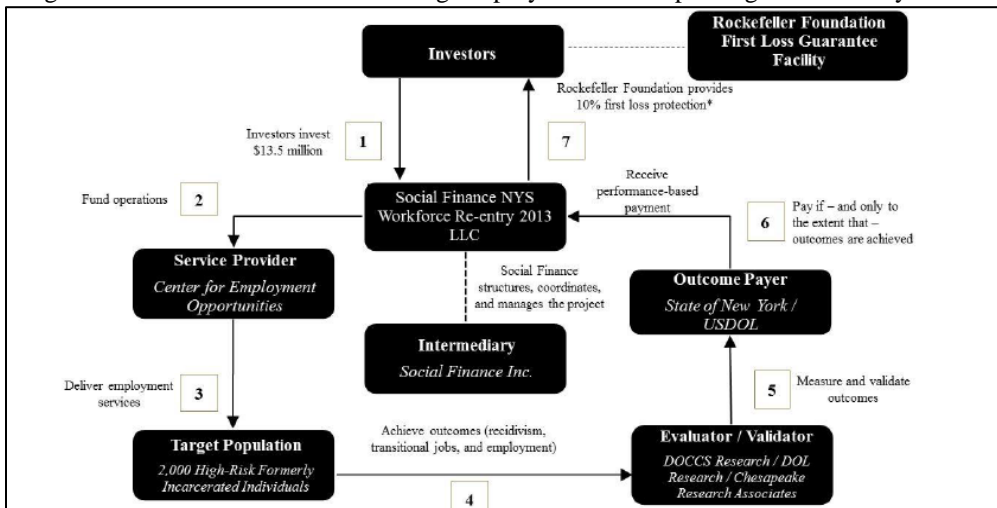
Outcome a): Phase I: \$6,000 x pers.; Phase II: \$6,360 x pers.

Payments beyond threshold Outcome b): Phase I: \$85 x day; Phase II: \$90.1 x day.
 Outcome c): Phase I: \$3,120 x pers.; Phase II: \$3,307 x pers.

Source: Our elaborations.

The total capital raised for this intervention was \$12,180,000, of which more than 90% covered CEO’s employment intervention for 2,000 formerly incarcerated individuals. The remaining funds were for Social Finance’s project and risk management services, Jones Day’s legal work, and Bank of America-Merrill Lynch’s work with impact investors (Social Finance US, CEO & NYS, 2014). Through its financial platform, Bank of America-Merrill Lynch raised the financial resources for the program from more than 40 impact investors and philanthropic foundations. Finally, the Rockefeller Foundation provided a 10% first-loss guarantee for a total amount of \$1,320,000 (Social Finance US, CEO & NYS, 2014). Figure 1 provides an overview of each stakeholder’s role in the project.

Figure 1. Main actors of the “Increasing Employment and Improving Public Safety” SIB.



Source: Social Finance US, CEO & NYS, 2014, p. 5

The total performance-based payment is capped at \$21,540,000 overall the two phases. This maximum amount of payments is equivalent, for impact investors, to approximately 12.5% annual implied IRR (Social Finance US, CEO and NYS, 2014). Performance-based payments are tied directly to the public sector savings and benefits estimated to result from the program’s social impact, and for this reason, such payments from

government never exceed the savings and benefits accruing to the public sector (Social Finance US, CEO and NYS, 2014).

The first cycle of the rehabilitation program is currently underway. The final results and, therefore, the first possible outcome-based payments are expected in the second half of 2017.

The “HMP Peterborough” Social Impact Bond (United Kingdom).

In September 2010, the UK Government launched the first Social Impact Bond with the aim of reducing the reconviction rates of short-sentence male prisoners leaving Her Majesty’s Prison (HMP) of Peterborough. The intervention financed by the SIB provides interventions for male adults of at least 18 years old who received custodial sentences of fewer than 12 months and who were released from the HMP Peterborough prison.

The Ministry of Justice of the UK Government commissioned to Social Finance UK⁵² the design and management of the project. In March 2010, Social Finance UK finalized the initial contracts for the SIB through the arrangement of the Social Impact Partnership, a Special Purpose Vehicle set up by Social Finance UK, as contracting entity for the SIB. In this contract, the Ministry of Justice and the Big Lottery Fund had the role of outcome payers, and One Service, the organization created by Social Finance UK specifically for the SIB, was the negotiation entity with social enterprise partners (such as St Giles Trust, Ormiston, SOVA, YMCA, and Mind) for providing services. The intervention concerns a package of intensive support services (called ONE Services), including housing assistance, drug and alcohol treatment, employment assistance, parenting assistance and mental health support, and was directed towards 3,000 short-term male prisoners aged 18 and older released from Peterborough Prison (Disley, Rubin, Scraggs, Burrowes & Cullery, 2011). The target population was divided into three cohorts, and each cohort included approximately 1,000 men discharged from short prison sentences at HMP Peterborough. Each cohort closed after two years, or when 1,000 offenders were released (Nicholls & Tomkinson, 2013). It was expected that services would be delivered for approximately seven years⁵³ (Disley & Rubin, 2014). Two cohorts received intervention. The service for the second cohort terminated on 30 June 2015. Table 2 summarizes the technical information about the Peterborough SIB.

⁵²Founded in 2007, Social Finance UK is a nonprofit social impact financing and advisory firm, particularly aimed at the development of Pay for Success (PFS) financing in the United Kingdom. For further information, see: <http://www.socialfinance.org.uk>.

⁵³See section 4.2.1 of the study for a discussion of the reduction in the duration of this SIB.

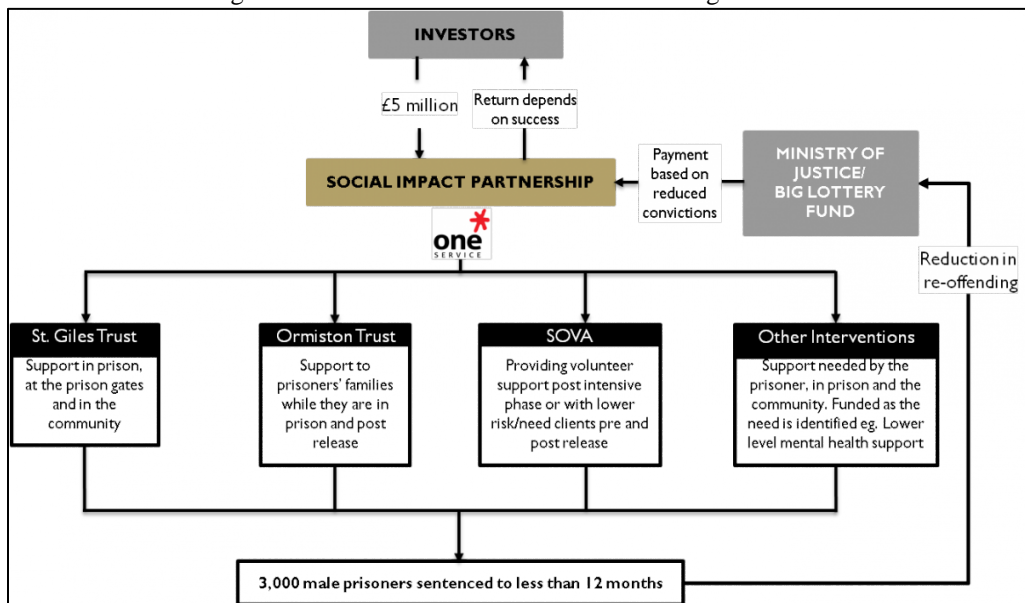
Table 2. SIB “HMP Peterborough” (United Kingdom)

<i>Location</i>	Peterborough, East of England
<i>Country</i>	United Kingdom
<i>Start date</i>	March 2010
<i>Contract duration</i>	96 months
<i>Social Issue</i>	Prison recidivism
<i>Outcome metric</i>	Reduction in the re-offending rate over the 12 months following release from Peterborough Prison
<i>Threshold for payments from the outcome payer</i>	Reduction in re-offending by 10% for any of the three cohorts or 7.5% across all cohorts.
<i>Outcome evaluation method and Evaluator</i>	Matched control group (Quasi-experimental method); Qinetiq and the University of Leicester were selected as evaluator and validator of the results, respectively.
<i>Validator</i>	The evaluator also acted as independent validator.
<i>Payments beyond threshold</i>	Payment is made per re-conviction event reduced, up to a cap of £8 million

Source: Our elaborations.

Figure 2 highlights the main actors involved in the project.

Figure 2. Main actors of the “HMP Peterborough” SIB.



Source: Nicholls & Tomkinson (2013), p. 14

The total investment raised for the SIB was £5 million from 17 investors, and no first-loss guarantee was provided (Disley et al., 2011).

A minimum payment, equivalent to a return of 2.5% per annum, would be released by the MoJ and Big Lottery Fund to the Social Impact Partnership SPV and from this vehicle to investors if the reduction of reconviction events reached the threshold of 10% for any of the three cohorts of 1000 ex-prisoners or 7.5% across the entire 3000.

Outcome-based payments, therefore, are scheduled at the end of each of the three cohorts if reduction in re-offending goes by 10% or, if not, at the end of the program. In the latter case, the threshold of reduction rate in re-offending considered for payments is 7.5% across all cohorts.

Payments are capped at £8 million. This sum of maximum payment is equivalent to a maximum annual implied IRR of approximately 13%.

Actually, the intervention terminated for two cohorts. The evaluation of outcomes for the first cohort was announced from Social Finance UK in August 2014. The first group of 1000 prisoners registered an 8.4% reduction in re-offending relative to the comparable national baseline (Social Finance UK, 2014b). Such results do not imply payments, at this stage, to the investors. However, the outcome payers will make payments to investors in 2016 in the case of a reduction in re-offending of more than 7.5%. As evident from this announcement, Social Finance UK considered the threshold of 7.5% only for the first two cohorts. The change in payment schedule is due to the policy reform called “Transforming Rehabilitation” (Ministry of Justice, 2013) that caused the cancellation of the third cohort of the SIB (Social Finance UK, 2014a).

The Newpin Social Benefit Bond (Australia)

In June 2013, NSW launched the first Australian SBB aimed to fund the maintenance and expansion of *New Parent and Infant Network* (Newpin), an important children and family program run by UnitingCare (Centre for Social Impact Bond, 2013b). Newpin is an intensive therapeutic program for families with children aged less than five years who are either in statutory out-of-home care or are at risk of harm (Centre for Social Impact Bond, 2013a). Between 2008 and 2012, the Newpin program worked with more than 270 families and successfully restored over 120 children who were previously in out-of-home care to their families (Social Ventures Australia, 2013).

Table 3 summarizes the main technical information about the Newpin SBB.

Table 3. *SBB “Newpin” (AUSTRALIA).*

<i>Location</i>	State of New South Wales
<i>Country</i>	Australia
<i>Start date</i>	June 2013
<i>Contract duration</i>	87 months
<i>Social Issue</i>	Prison recidivism
<i>Outcome metric</i>	<p>Outcome Payments (from the Outcome Payer to the Service Provider) are based on the number of participating children who are successfully restored to the care of their family (restoration is determined by the judiciary system), net of the counterfactual.</p> <p>Principal and interest payments made by the Service Provider to Investors are based on the proportion of children attending a Newpin Centre who are successfully restored to the care of their families.</p> <p>Payments from the Outcome Funder to the Service Provider are based upon the number of restorations, net of counterfactual.</p>
<i>Threshold for payments from the outcome payer</i>	<p>For this reason, the threshold is equivalent to the counterfactual.</p> <p>Payments of principal and interest to investors commence above a threshold Restoration Rate of 55%.</p> <p>The evaluation method is based on historical comparison in the first three years and on a quasi-experimental and validated administrative data (from the judiciary system) in the remaining period.</p>
<i>Outcome evaluation method and Evaluator</i>	<p>Deloitte is the independent evaluator.</p> <p>In detail, the counterfactual number of restorations in the first 3 years is 25% of the number of children completing the program (based on historical experience). Starting from the fourth year of implementation, the counterfactual restoration rate will be determined by the outcomes of a matched control group.</p>
<i>Validator</i>	<p>With the goal of determining payments to investors, judiciary data are used to determine the restoration rate.</p> <p>Deloitte.</p>
<i>Payments beyond threshold</i>	<p>Interest payments are based on cumulative restoration rate achieved:</p> <ul style="list-style-type: none"> • Restoration rate <55% - Interest rate 0% • Restoration rate 55% - Interest rate 3% • Restoration rate 60% - Interest rate 7.5% • Restoration rate 65% - Interest rate 12% • Restoration rate 70% - Interest rate 15% <p>Principal repaid on maturity date - between 50% and 100% depending on restoration rate (100% if restoration rate >55%)</p>

Source: Our elaborations

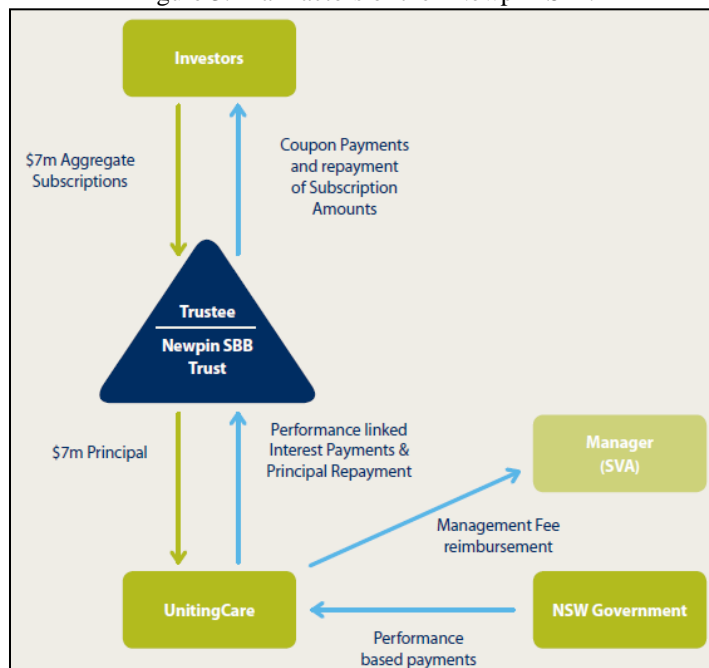
The Newpin SBB reflects a social investment funding partnership between UnitingCare, the NSW Government and private sector investors with the purpose of improving social outcomes in the area of out-of-home

care, thereby producing benefits for the community, the Government, UnitingCare and investors over the expected seven-year delivery term. The funds raised by the Newpin SBB are planned to expand to 10 Newpin centres as well as to support over 700 families, approximately 350 of whom with at least one child age 5 or under who has been in government out of home care for at least 3 months, 175 with at least one child age 5 or under who has been assessed as at risk of serious harm and 175 families with at least one child age 5 or under who has been assessed as needing support.

Social Ventures Australia (SVA) is the entity manager of Newpin SBB. Social Ventures Australia engaged to market the SBB via the SBB Trust, which was created to collect investor funds via the issuance of the Newpin SBB. The 59 investors include UnitingCare Burnside, high-net-worth individuals, family foundations and innovation funds.

The three main financial flows that can occur during the implementation of the SBB are Interest Payments, Principal Repayment and Early Termination Payments. All the financial flows that occur between the actors of the SBB are summarized in Figure 3.

Figure 3. Main actors of the “Newpin”SIB.



Source: Social Ventures Australia (2014), p. 28.

The capital repayment to the investors will be made on the maturity date fixed at 30 September 2020 by UnitingCare in a proportion determined by the restoration rate. More precisely, 100% of the capital invested will be repaid if the restoration rate over the full term is greater than 55% (Social

Ventures Australia, 2014). The early repayment to investors of the Newpin SBB occurs in the case of a low restoration rate or for any other reason that makes the Newpin Program undeliverable. In this case, the maximum potential loss of capital is 25% during the first four years and 50% thereafter (Social Ventures Australia, 2014). Finally, the annual interest payments are subject to a minimum interest rate of 5% p.a. over the first three years, while the maximum interest rate is 15% p.a. over the full term. The amount is related to the restoration rate, as indicated in Table 3. At the end of the first year of SBB implementation, interest payments were 7.5% based on the achieved outcome of 60% in the restoration rate.

The “Sleeping Sickness” Development Impact Bond (Uganda)

In April 2014, the UK Government announced the launch of the first Development Impact Bond (DIB) with the aim of researching and designing a bond to finance a long-term effort to reduce the prevalence and prevention of deadly sleeping sickness in Uganda (UK Gov, 2014).

The intended outcome of the implementation of a DIB is a long-term reduction in the prevalence rates of the sleeping sickness disease known as *Human African Trypanosomiasis* in both cattle and humans. The UK Department for International Development (DFID) promoted the design of an intervention through the DIB model in order to explore the possibility of encouraging social impact with greater efficiency and speed compared to an intervention by the local government or by charities (UK Gov, 2014).

The DIB Inception Programme has been commissioned to Social Finance UK and the Center for Global Development.

The DIB Inception Programme is scheduled to be concluded before the end of 2015. In the first draft of the project, expected results are expressed both as output (number of cattle treated) and outcome (reduction in prevalence of a parasite determined by blood sampling) (DFID, 2014). At the present time, information about the investors, the service provider or the methodologies for measuring impact are unavailable.

Main findings

Prior results and discussion

The casestudy analysis shows a number of similarities and differences across SIBs and between SIBs and DIBs. The main aspects of each case are summarized in Table 4 and grouped into seven levels (Commissioner, Intervention Area, Financial Intermediary, Evaluator, Outcome Payer, Duration, and Validator). The absence of certain data in case 4 is due to the case's early stage of development.

Table 4: Case Study analysis

Case	# Case 1	# Case 2	# Case 3	# Case 4
Commissioner	State of New York	British Ministry of Justice	Department of Family and Community Services (FACS)	UK Government and Department for International Development (DFID)
Intervention Area	Rehabilitation Services - Recidivism reduction	Rehabilitation Services - Recidivism reduction	Children	Disease treatment (HAT) The DIB Inception Programme has been commissioned to Social Finance UK and the Center for Global Development
Financial Intermediary	Social Finance US	Social Finance UK	Social Ventures Australia	
Evaluator	NYS Department of Corrections and Community Supervision Research and	QintetiQ and University of Leicester	Deloitte Touche Tohmatsu	*
Outcome payer	NYS Department of Labor Research US Department of Labor and NYS Department of Labor	Ministry of Justice and Big Lottery Fund	Department of Family and Community Services (FACS)	DFID
Duration	66 Months	96 Months	84 Months	*
Validator	Chesapeake Research Associates	The same as the evaluator	The same as the evaluator	*

* Case 4 is in the design phase. Data are not available.

Source: Our elaborations.

The case study of the “*Sleeping sickness*” *Development Impact Bond* shows some differences with respect to the other SIBs. The commissioner is not the local Government, but an international organization or development agency, and the outcome payer is represented by DFID and not by the Country where the intervention will be delivered.

However, starting from the available data, this DIB shows a contractual arrangement derived from those used in the Social Impact Bond model. Consequently, the DIB model requires the presence of impact investors and a market intermediary, such as in the SIB practices.

In case 1, Social Finance US plays a central role in the SIB structure. It designs, coordinates and manages the project through the Special Purpose Vehicle “Social Finance NYS Workforce Re-entry LLC”. It also manages financial flows between impact investors, service providers and outcome payers. The intervention of a financial intermediary in the collection of social impact investments characterizes the start-up phase of this Social Impact Bond.

In the Peterborough SIB, the management model in the start-up phase represents the first case in which the commissioner plays more of a passive role and allows the intermediary to play an active role. Furthermore, in the case study of the United Kingdom, the service provider – One Service – carries out the activities included in the rehabilitation program in order to educate prisoners using the different entities that form it: the intermediary, Social Finance UK, which has control, the investors and the service provider itself. Another typical characteristic of this SIB is the management company, Social Impact Partnership-Limited Partnership, which is owned by Social Finance as the general partner and in which participate, in addition to One Service, 17 different investors who have financed the project.

A further interesting aspect is the method of measurement and validation of results. From the comparison of the case studies (Tab. 4), the validator coincides with the evaluator two out of four times.

With regard to similarities, the analysis shows that i) both models (SIBs and DIBs) are aimed to solve social problems by offering the investors the potential for a return on their investment; ii) both models show similar component structures, such as public engagement, service providers, and investors. Table 5 provides a summary of the main advantages and limiting factors of the SIB and DIB financing models.

Table 5: Major advantages and limiting factors of Social Impact Bonds

ADVANTAGES	LIMITING FACTORS
Flexibility in terms of involved stakeholders, supplied services, delivery method, objectives and results, timeline	No track record
Ability to combine "evidence-based" models and tools with financial returns / Immediate connection between outcomes reached and performance	Legal restriction
Several areas of intervention: Health, Education, Criminal Justice, etc.	Financial Returns and cash flows unknown / difficulties in terms of portfolio evaluation No guaranteed funds or insurance for investors
	Risk transfer

Source: Our elaborations.

Furthermore, a key dimension of analysis is the relationship between risk and reward. More specifically, through their contractual structure, SIBs move a relevant level of risk to investors, who consequently require appropriate rewards. The analysis of data highlights that risks linked to the success of the program are transferred to private actors, and this aspect generates a significant increase in the yield of the same SIB. These considerations seem to confirm the following proposition by O'Donohoe et al. (2010, p. 66): "impact investing refers to a particular relation between risk and return that allows considering it to be similar to "high-yield" investments".

Table 6 provides a comparison between the implied rates of return available in the cases.

Table 6: Implied Rate of Return comparison

	<i>“Increasing Employment and Improving Public Safety” (New York State - USA)</i>	<i>“HMP Peterborough” (UK)</i>
Implied IRR	12.5%	13%

Source: Our elaborations.

The implied IRRs outlined in Table 6 are higher than the yield of a government bond. This aspect is strictly related to the fact that a government bond ensures that cash will always be available to pay out the bondholders, but this is not true for a SIB in which the rate of return is related to the outcome reached and no guarantees are provided. Furthermore, if we consider the IRR, we evaluate SIBs and DIBs in terms of risk and return, and we can allocate this instrument through the lens of portfolio maximization. However, the investors that chose this type of investment take into consideration a third dimension: social impact.

Further lines of research

This work aimed at analysing the role of SIBs (and DIBs) in welfare policies through a descriptive and explorative analysis of their contractual scheme and technical and economic aspects, highlighting similarities, differences, opportunities and challenges.

The case studies outlined in this work indicate some potential benefit among a wide range of stakeholders from the public and private sectors. In a context of public spending constraints and public debt pressure, many advantages result from the use of new financing models, such as that of SIBs and DIBs, especially by bringing in new players and new capital.

Furthermore, case studies seem to confirm what is stated in the academic debate: SIBs represent a financing model adaptable to different

social needs (Fox & Albertson, 2011; Hedderman, 2013; Fitzgerald, 2013; Stoesz, 2014).

Our results note the weakness outlined in the general literature and relate to the metrics of evaluation and to the financial return uncertainty of SIBs. Similar to traditional investors, "social impact investors" require a measurable return. The presence of public entities – and especially Governments – in the broad range of stakeholders is not enough to ensure the success of the investment.

In addition, we highlight some aspects that need further investigation and that are related to the opportunity to improve standardized but still flexible evaluation tools that are able to take into consideration the financial return, the social impact and the different kinds of risks related to these particular financing schemes. Future research should explore the investment evaluation process not only through the lens of the rational decision-making process but also considering what really drives impact investors' decisions.

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ANALYSIS OF SOME RESOURCES OF ECONOMIC GROWTH IN EGYPT (1977- 2012)

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Abstract

Economic growth is one of the basic goals that all nations strive to achieve. This achievement can be observed in whatever economic system, regardless of the stage of progress or backwardness reached. However, this is due to its impact on the welfare of the country, the level of its citizens, and its reflection on the progress and strength of the economy. Consequently, this stems from the fact that economic growth is characterized by being the outcome of a complex and interrelated process. Many factors combine to make this process succeed. These factors are economical, social, political, and institutional factors. On the other hand, many internal and external obstacles also hamper it. Many theories have discussed about economic growth. Also, different economic schools have tried to interpret its mechanisms based on variables and factors that affect it. Some economic schools focused on external factors, while others focused on the internal factors. In addition, applied studies included a variety of variables to expand the production functions which were used as a theoretical framework for models of economic growth. Thus, this was according to the nature of the economy and the specificity of the factors that controls its performance.

This study aims to analyze the real GDP in Egypt sources, during the period (1977-2012) by determining the contribution of each component of the selected economic factors towards the increase of the GDP. This is with the aim of detecting the importance of each element according to its contribution in GDP. Thus, this helps decision-makers to maximize the benefit from the active growth elements. The study also seeks to predict the size of the GDP and its components during the next four years. It is an important factor to see to how much these values will reach in the future. Subsequently, this helps in shaping the future plan in accordance with the objectives of the required growth and the available possibilities with the quest to improve it.

Keywords: Economic growth, Egypt

Introduction

If we want to understand why countries differ dramatically in standards of living, we have to grasp why countries suffer from extreme variations in economic growth rate in the long term. Therefore, the economies of growth is the part of the entire economy that really matters¹.

Economic growth is considered one of the basic objectives that all countries seek to accomplish whatever their economic systems are and regardless of the stage of progress or backwardness. However, this is because economic growth influences the welfare level of the country, as well as the welfare level of its citizens. This is due to the fact that the whole clear picture that economic growth reflects shows the progress and strength of the economy. It can be defined as the result of a complicated and interconnected process, by which various factors cooperates in helping it succeed. These factors include economic, social, political, and institutional factors. In addition, there are also internal and external obstacles that hamper this process of which different countries seek to deal with and overcome.

Economic growth has two concepts: one is economic, and the other is social. It represents one of the most significant economic indicators. It is also considered as an aim of any economic policy. This can be refuted by the fact that there can be an economic growth that is not accompanied with improvement in standards of living. However, this fact may be due to dysfunctions in mechanisms of income and wealth distribution inside the society; of which economic growth has nothing to do with. This makes us support economic growth not for the sake of growth in itself, but for the sake of improving economic welfare. In other words, it supports sustainable development. Many theories tackled the subject of economic growth. Different economic schools tried to explain its mechanisms on the basis of the variables and factors that affect it. Some economic schools concentrated on external factors, while others are concentrated on internal factors. Furthermore, applied studies listed different variables to enlarge production functions used as a theoretical framework for economic growth models. Therefore, this was done according to the nature of economy and specificity of the factors that control its performance.

The problem of the study is to recognize and identify growth limitations in Egypt through testing special and appropriate variables that influences its level and fluctuations. This requires the induction of economic literatures related to different economic growth theories. Furthermore, it involves conducting a comprehensive survey of distinguished applied economic studies. After then, a research will be made on the nature of the economic status of the country. The problem is not confined to this extent. Therefore, it is necessary to know how important each one of the selected factors is, according to the significance of its relation to and influence on gross

domestic product (GDP). This is a process which needs the formulation of a suitable econometric model that answers these questions. Finally, the problem that faces us is to know the values of these variables in the future. This requires that the model is applicable so that the explanation process is not disrupted.

This study aims to analyze the resources of real GDP growth in Egypt from 1977 to 2012 with the aim of finding out the importance of each factor according to its range of participation in production. These facts will help decision makers to maximize the benefit of the factors that effectively influence growth. In addition, the study seeks to predict the size of this gross product and its factors during the next four years which is very significant for knowing what these values will be in the future. Consequently, this will help draw up future plan according to the required growth objectives and available capabilities, as well as a trial to improve them.

The importance of this study results from the lack of economic studies related to the explanation of economic growth in Egypt, particularly those studies that take into consideration a time sample greater than 20 years. Moreover, decision makers need studies in this regard in the light of contradictory explanations and expectations about annual growth rate. However, this is especially in the light of what the state is undergoing concerning various successive and conflicting political and economic changes.

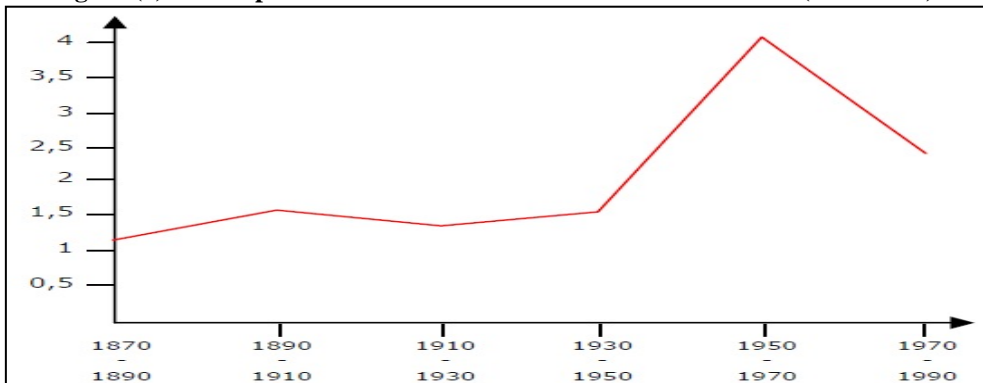
The time framework of this study extends to a long period as it was designed for the study to tackle the time from 1960 to 2012. However, because of shortage in the data of some variables needed for the model, the period has been shortened from 1977 to 2012. Furthermore, the methodology of this study depends on the induction method through a brief and accurate presentation of literatures and theories of economic thought regarding economic growth or related participations. This included the use of deductive approach to reach the most important results concerning that analytical subject. Next is the stage of using the analytical approach based on the experience acquired from the previous two steps. In this approach, we try hard to devise a final vision based on the constants of economic theory, available information, and many other elements in order to build a function relation explaining the phenomenon of economic growth and its relation to the most influential factors. Finally, the existing econometric approach will be used for mathematical models test of the sample. Thus, its results will be tested through using them in the economic theory in this regard in helping to formulate the final model of the studied variable.

This study consists of two main topics. The first one addresses the theoretical framework of economic growth. Also, it addresses previous studies where a quick historical overview is presented about the development

of economic growth rates worldwide, especially during the last century. Next, entity, conditions, gains, and burdens of economic growth are demonstrated. Then, the difference between it and the economic development with a short overview of the most important methods of measuring it was also demonstrated. After that, there was a simple presentation of the most significant economic theories which explains economic growth throughout the history of economic thought. At the end, results of the most important previous studies on economic growth and its relation and many other economic variables were mentioned. Particular focus is given to studies and participations of the American scientist, Robert Barro, Professor of Economics at Harvard University. He was recognized as one of the best scientist all over the world who is interested in subjects of economic growth. The second part is allocated to formulating econometric models needed to explain the main variable of the study and its relation to other variables. Necessary steps have been followed to build the model. In addition, the use of statistical methods has varied according to the nature of variables. Also, statistical programs have been different such as the programs of SPSS and Eviews. Finally, important and basic results of the study were also presented.

The First Party: Theoretical Framework of Economic Growth **(1-1) Historical Overview of Economic Growth around the World**

In a study by Jaume Ventura on economic growth and development of its per capita at the world level during the last five hundred years, it was noticed that the world economy underwent a stage of recession and weakness in economic growth during the middle centuries and for five centuries. This state continued till the beginning of the nineteenth century. However, this century coincided with the beginnings of the industrial revolution when the world economy entered a new phase of economic development that witnessed positive successive and rising positive increases in economic growth rates. Growth rate of per capita product reached 18% from 1500 to 1820, and about 750% from 1820 to 2005. Although economic growth rates witnessed remarkable increases from the beginning of the nineteenth century, they decreased in the period from 1913 to 1945 because of World War I and II. Then, they considerably rose again in the period from 1946 to 1975 and continued as such for thirty successive years in most countries of the world. After that, these rates decreased in later periods².

Figure (1). Development of Economic Growth Rates in the Period (1870-1990)³.

Consequently, it is important to refer to the book of the famous American author, Gergory Mankiw entitled “Principles of Economy”. He points out that considering the development of economic growth rates and the development of per capita gross domestic product, many significant economic remarks can be deducted concerning issues of economic growth⁴. Table (1) shows per capita gross domestic product in thirteen countries around the world where the data available that is related to each country covers a period of time which is about a century or more. It should be noticed that the period of each country is not the same as that of other counterpart countries because of many considerations such as the availability and accuracy of data. In order to make a comparison among per capita gross domestic product in each country, the currency must be unified to an accepted and negotiable currency in all countries of the world. Thus, this currency is usually the American dollars of 2000. It is necessary also to take into consideration the effects of inflation in each country.

However, it is remarkable that the standard of living differs dramatically from one country to another. In the United States of America, for instance, per capita gross domestic product is a value that is nine times greater than that of the Chinese counterpart and fourteen times greater than that of the Indian counterpart. It is observed that average Chinese per capita gross domestic product in 2000 was close to that of the British counterpart in 1870. However, average Bangladeshi per capita income in 2000 was close to the German per capita income a century ago. In the United Kingdom, for example, per capita gross domestic product was 4170 dollars in 1870 and 23500 dollars in 2000. This reflects a rate of annual economic growth that was about 1.35% in 130 years.

The table arranges studies countries according to the average growth rate of GDP. It was found that Japan was on the top with an average of 2.815. Nevertheless, natural resources were scarce in Japan 100 years ago as Japan was not a rich country at that time when the average per capita gross

domestic product was a little more than that of the Mexican counterpart and less than that of the Argentina counterpart. Furthermore, average per capita income in 1890 was less than that of an Indian counterpart in 2000. However, due to the prosperous and constant economic growth, Japan has become an international economic power where the average per capita income is a little less than that in USA. At the end of the list, comes Bangladesh and Pakistan with an annual average growth rate of 1.16% in the last century. The population of both countries lives in abject and continuous poverty till now.

Difference in annual growth rate is the cause of changes in the classification of countries. Japan advanced remarkably to be the first internationally. On the other hand, Britain moved backward in the world ranking. In 1870, it was the richest country with 4107 dollars per capita and an increase of 20% over the USA. It was double the income in Canada. However, average per capita income in UK is less than its previous colonies. The important result deducted from this table is that the richest countries in the world have no guarantee to stay rich, while the poorest countries have nothing to compel them to stay poor or prevent them from growth and advancement.

Table (1). Average Growth Rates of Some Countries in 100 Years' Time⁵

Country	Period	GDP in the beginning of the period (\$ in 2000)	GDP in the end of the period (\$ in 2000)	Average annual economic growth rate
Japan	1890 – 2000	1256	22460	2.81
Brazil	1900 – 2000	650	7320	2.45
Mexico	1900 – 2000	968	8810	2.23
Canada	1870 – 2000	1984	27330	2.04
Germany	1870 – 2000	1825	25010	2.03
China	1900 – 2000	598	3940	1.90
Argentina	1900 - 2000	1915	12090	1.86
USA	1870 – 2000	3347	34260	1.81
India	1900 – 2000	564	2390	1.45
Indonesia	1900 – 2000	743	2840	1.35
UK	1870 – 2000	4107	23550	1.35
Pakistan	1900 – 2000	616	1960	1.16
Bangladesh	1900 – 2000	520	1650	1.16

(2-1): Entity, Characteristics, Gains, and Burdens of Economic Growth

Economic growth is considered a relatively new term in human history that has been accompanied with appearance of capitalism, its mechanical ability, and its industrial production. This capitalism was associated with continuous technical changes and accumulation of capital that led to essential transformations of communities which were previously primitive. It seeks to

gain means of living and survival, and is not interested in the amount or rate of increase⁶. Before mentioning different definitions of economic growth, it must be noted that the key of economic growth in any country is technical and technological progress, as well as the growth rate of the population, savings, and reserve of capital (investment) through which more technology can be attracted. The significant point is not the abundance of natural resources, but the rational use of available resources and utilizing economies of scale⁷.

Definition of economic growth requires identifying the variable according to that which this growth is measured. It also requires the identification and measurement of the variable. The simplest definition of economic growth is the expanding ability of a country in producing goods and services needed by its population⁸. Philip Peru defined it as the recorded rise during a period that is usually a year or successive periods in an expansive economic variable which is the real net product. Moreover, it can be identified as the growth that results in accelerating growth rates to reach higher standards of living through producing more goods and services and improving their quality⁹. Bonnet emphasizes that economic growth is an automatic economic expansive process measured by occurring quantitative changes, while Kosov says that economic growth recorded a change in the size of economic activity¹⁰.

Kuznets identifies economic growth as the ability of a country to offer its citizens a variety of economic goods which result in a growing increase in production capacity based on technological development and institutional modifications required for this matter¹¹. According to this definition, economic growth has six characteristics that distinguished developed communities. These characteristics are¹²:

- a) Availability of high rates of per capita product which are not less than 2%.
- b) Availability of high rates of total productivity of production factors ranging from 50 to 75%.
- c) Availability of high rates of economic structural transformation, i.e. the transition from the agricultural sector to the industrial one, amounting to about 7% of workers in the agricultural sector.
- d) Availability of high rates of social, political, and ideological transformation. However, Myrdal points out that it affects aspects of sensibility, economic planning, social and economic balance, equality, and improvement of institutions and trends.
- e) International dominance.
- f) Limited dissemination of world economic growth.

Limitations of economic growth can be summed up through the above presentation in terms of quality and quantity of human resources, quality and

quantity of natural resources, capital accumulation, technical progress rate, environmental factors, and finally specialization and macro-production¹³. As for the benefits of economic growth, it can be said that they are represented by: increase of quantities of services and goods available for community citizens; rise of people's welfare via increase of production and high rates of wages, profits, and other income; elimination of poverty; improvement of health and educational level of the population; increasing the resources of a country and boosting its ability to undertake all its responsibilities such as provision of security, health and education; optimal income distribution; and finally participation in alleviating the problem of unemployment. On the contrary according to the cost of alternative opportunity, it can be alleged that economic growth has burdens and costs that can be mentioned briefly as follows¹⁴:

- ✓ Whenever economic growth rate increases, the need is more for producing capital goods and directing resources and investments to them. Therefore, this is in addition to increasing investment in training and education which requires sacrificing some Consumer goods at present time in order to increase production in the future.
- ✓ Economic growth in developed countries and even in developing ones leads to increasing environmental pollution, eradication of natural resources, and crowdedness of cities.
- ✓ Lack of economic stability because of economic fluctuation such as partial unemployment. This occurs since the process of economic development takes place in an irregular and unstable way.
- ✓ Whenever economic growth rate increases, the material progress increases. Also, the material aspects dominated the spiritual and ethical ones in the community.

(3-1): The Difference between Economic Growth and Economic Development

In the beginning, we would like to demonstrate the difference between growth and economic development on one hand, and advancement or economic progress on the other hand. Development linguistically means the process of moving forward. Development in the field of economy means the advancement of economy towards previously identified objectives, whether quantitative such as increase of product or qualitative such as better distribution inside the country. Thus, development or progress indicates change and movement. It is mostly used to refer to the economic state of a certain country or sector. For instance, we may speak of economic development or industrial development in a given country during a specific time. It is not a synonym for growth as there can be development in the industrial field with a percentage that is less than that of the population

increase. In this case, there is no growth. It is not also a synonym for advancement as there can be economic development that is not accompanied with structural and social changes that ensures continuity and regularity of this development¹⁵.

According to Todaro, policy makers in developing countries have to take into consideration the achievement of economic growth first before reaching economic development in community. Therefore, the three following basic components must be available¹⁶:

- ✓ Accumulation of capital including all new investments in lands and tangible instruments on one hand, and human resources on the other. This is possible through improving the quality of human capital that greatly affects production capacity.
- ✓ Population growth and consequently the actual growth of manpower.
- ✓ Technological progress that is considered to be the most important factor of economic growth resulting from increase of investment in human capital.

Economic development theories have not appeared suddenly. However, many economic theories appeared to try in the beginning to reach an optimal model to achieve economic balance, to reduce deviations of economic growth in the short run, and then to make it sustainable to lead to deep variations in the economic and social structure of a country. Consequently, this will result in improvement of the share of the poor and middle social categories of the total welfare of a country and of the economic development in turn.

Growth and economic development are considered as an increase in the production capacity of the economy, i.e. productive investment increase the development of material and human capabilities for producing real income in community. Nevertheless, they differ as for the content, aims, and the issues they deal with. Economic growth simply means an increase in quantity and value of goods and services produced in the local economy. It only reflects the progress of the economy and does not necessarily lead to increase in individuals' welfare which is one of the meanings of economic development that takes into consideration the social dimensions in economic growth.

Gerald Meyers, American economist and UN expert, defines economic development as the process through which the real national income increases during a period of time. Hence, this definition includes three main indicators: continuous movement of development process, the relatively long time this process takes, and its reflection in constant rise in real national income¹⁷. Prof. Yehia Al-Naggar defines it as the process that occurs in the framework of presenting basic production factors and composing or forming demand on products without achieving an increase in real national income in the form of size or rates during a long period of time¹⁸. The well-known economist

Tirkus mentions in his book about the formation of constant capital in developing countries that economic development is related considerably to human abilities, social trends, political circumstances, and historic events¹⁹. Furthermore, the outstanding Swedish economist Myrdal defines development as the uprising movements of the social systems as a whole.

In addition, economic development is defined as the actual transition from an economic structure with low productivity as for the individual to a structure that allows high productivity within the limits of available resources. This means using existing capacities in a country in an optimal way through introducing radical changes in economic and social structure, and the distribution of production factors among sectors²⁰.

As mentioned above, it can be defined as the process through which transformation occurs from a state of economic backwardness to a state of progress. Also, it constitutes its requirements of introducing various radical and essential changes in the economic structure. This process allows economy to enter the stage of going forward towards self-growth and fulfills an increase in average per capita real income by time. It happens through changes in the production structure, quality of services, and the produced services provided. However, they are associated with changing the structure of income distribution in favor of the poor. Moreover, it can be defined as the ability of national economy, whose economic conditions have been quite still for a long time in generating an annual increase in gross domestic product of this economy. Thus, its rate ranges from 5% to 7% or more.

Giving a clear concept of the development process is an important and basic step to place a country on the right track as serious mistakes that occurred under the veil of development increased backwardness considerably. Wrong policies and practices led to more backwardness with its various dimensions at the time when the concept of development in developing countries was related to the liberal development thought throughout the main stages. This thought did not manage to solve partial or whole crises in those countries because it depended on the secondary components of the concept of development²¹. Thereupon, some differences between development and economic growth were presented in the table below:

Table (2). The most important differences between Economic Growth and Economic Development

Economic Growth	Economic Development
It leads to an increase in production capacity of economy i.e., increasing productive investment in the development of material and human capabilities to produce income.	It leads and is interested in individuals' welfare and improvement of the average of their real income and their purchasing ability.
It only reflects the progress of the economy.	It results definitely in the increase of individuals' welfare.

Its economic theories try to reach an optimal model to achieve economic balance and to reduce the deviations of economic growth in the short run.	It is concerned with the long term. Through making growth sustainable, it leads to deep changes in the economic and social structure of the country.
It occurs without making any decisions that result in introducing the structural change of community.	It is an intended and planned process that aims to change the structure of community to offer its individuals better life.
It focuses on the change in size or quantity of goods and services gained by individual.	It is concerned with the quality of goods and services provided to individual.
It is not concerned with the distribution of real income among individuals.	It is concerned with the increase in average real per capita income, particularly that of the poor.
It is not concerned with the feature of national income increase.	It is concerned with the feature of national income increase and its diversity.

(4-1) Methods of Measuring Gross Domestic Product (GDP)

Economic growth is measured by gross domestic product despite the contradictions it includes. GDP has great significant as a comprehensive economic variable because it expresses productivity of work and capital and reflects their development. It shows how much different sectors of local economy participate in production. It expresses the importance of job opportunities availability and reduction of unemployment. It gives a comprehensive vision for decision makers about the possibility of expansion in posing taxes required for financing the general expenditures of the country²². It is considered a clear indicator of real economic performance through which the relation between all input and outputs becomes obvious. Therefore, it is important to measure economic growth²³. This differs from one country to another according to many reasons related to the availability of data and statistics, as well as the method of creating indicators and the adopted foundations for that. Estimations of economic growth are basically reflections of the estimations of production size in economy. This is because the economic growth is considered to be the annual relative change in the production size. Consequently, there are three methods for estimating the size of GDP: the method of added value²⁴, the method of income²⁵, and the method of expenditure²⁶. However, in estimating economic growth, the economy through the measurement of GDP is faced with a lot of difficulties that makes this indicator less reflective of economic performance reality.

(5-1) Theories and Models of Economic Growth

Many theories tackled the issue of economic growth. Different economic schools tried to explain economic growth mechanisms depending on the variables and factors that influence it. Nevertheless, current theories have focused on various factors affecting growth level such as the cognitive,

religious, geographic, institutional, and the political factors. In addition, there is a simplified illustration of these theories in the next table.

Table (3). Brief analysis of economic growth theories

Theory	Explanation
1-The Classical Theory	<p>At the end of the eighteenth century and the beginning of the nineteenth century, the industrial revolution with the technological inventions which was presented led to the raising production levels according to the thoughts of most classical economists in western European countries. Depending on this revolution, they formed their thoughts and opinions about economic growth, its reasons, and how they achieved it. Classical economists connected production level to both capital and labor. They pointed out that the increase in capital and labor leads to raising production level and to growth, which in turn requires more specialization, labor division, and freedom of trade.</p> <p>Viewpoints of classical economists are almost similar about economic growth analysis in spite of difference and diversity of analysis methods according to their era and the circumstances that distinguished it. Classical economists pointed out that economic growth is like organic growth as it cannot be achieved suddenly but gradually. In addition, it is an interdependent, integrative, and coincident process with mutually positive impact where growth in a certain sector leads to growth in the rest of the sectors. Therefore, they emphasized the possibility of economic growth continuity without recession. Distribution theory and its relation to growth was a great part in the analysis of classical scientists. As such, they looked for growth causes in the long term relying on process of partial economic analysis.</p> <p>Classical economists thought that development of capitalist economic system is considered a race between technological progress and population growth. If technological progress surpasses population growth, a wave of growth appears because the increase in technical progress leads to more employment, more production, and higher wages. Therefore, a state of economic revival prevails. This later state results in an increase in population and a new wave of recession. This is followed by growth and revival and so on. This theory is said to have the deficiency of ignoring the factor of organization by considering it not to be strategic. The wave of pessimism that prevailed was represented by the growing population on the one hand and the diminishing returns on the other hand. The classical theory assumes that in the light of the absence of external chocks or technological changes, all economies will move towards zero growth because economies do not have any intrinsic properties that cause growth and make it last for long. Growth, thereupon, is the only short term growth that occurs in separate periods. Adam Smith, David Ricardo, and Thomas Malthus are outstanding scientists of this school.</p>

<p>2-The Neoclassical Theory</p>	<p>Beginnings of neoclassical thought in the seventies of the seventeenth century emerged through the participations of the most prominent scientists of this school such as Alfred Marshall, and Cass, Vixl and Clark. In the same way like the classical, neoclassical economists tried to explain the process of economic growth. The two schools agreed on the possibility of continuing the growth process without the occurrence of economic recession. Neoclassic economists devised new mechanisms for economic growth that were free from the rigidity of classical thought because they introduced the factor of technology and innovations as an external factor in the movement of the production process. The technological factor is considered the only one affecting the level of capital reserve which is considered to be a function in capital accumulation when economy is in a state of stability. Therefore, it has a positive or negative impact on economic growth. Regarding the factor of organization, advocate of this theory believe that organizer utilizes technological advancement in a way that eliminates any rigidity in the process of development. He is always capable of renewal and innovation. Classical scientists counted on Sai's law to analyze economic growth, while the neoclassical relied on Marginal utility to identify prices of production factors. The process of capital formation is done through replacing labor with it away from the population theory. Thus, this depends on savings that depend in turn on interest rate and income level. However, investment is identified with interest rate and marginal productivity of capital. Concerning capital, the neoclassical considered growth process as a result of interaction between capital accumulation and growing population. This is because the increase in capital formation leads to an increase in capital supply. Thus, the interest rate goes down, investments increases, and economic growth is fulfilled.</p> <p>The neoclassical theory encountered much criticism such as being focused only on the accomplishment of growth ignoring social, cultural, and political aspects. Also, it entails being concerned with the short term without reference to what may happen in the long term. This model is not important for the role of the state in the economic growth process as it believed that the aims of the state are determined according to external factors. It can be said that this model is one for economic growth only on the long run as is reflects the process of approaching a stable state of economy that is achieved in the long term²⁷.</p>
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<p>3- Keynes's Theory</p>	<p>The outstanding economist John Maynard Keynes depended considerably on studying the thoughts of traditional scientists and finding out how rigid they are, compared to the economic reality. He lived in the era of the Great Recession the world witnessed from 1929 to 1933. That recession was the main reason for showing the deficiency and inadequacy of the classical and neoclassical theories that were incapable of explaining this crisis or finding solutions for it. The classical thought rejected the probability of unemployment or reduction in total demand compared to total supply. In spite of the flexibility that distinguishes the capitalist system regarding wages and prices to the extent that ensures automatic regaining and achievement of balance at the level of complete employment, Keynes emphasized the inflexibility of wages and prices because of labor unions and unexpected strikes. Thus, economic balance may be achieved at a level less or more than complete employment which is a special state that does not occur permanently.</p> <p>Concerning the idea of state interference in the economic activity, Keynes opposed the capitalist thought that advocates refusing any intervention from the state in any case. He stressed the importance of the state intervention as an inevitable necessity. Thereupon, he called for state intervention in the achievement of economic balance via the use of financial policies particularly in the light of the inability market mechanisms and monetary policies to regain activity and economic balance in the Great Recession.</p> <p>Effective supply is the cornerstone and the starting point that Keynes depended on for analysis. He pointed out that the problems of the capitalist system are not due to supply, but to insufficient effective demand which is the basis of economic growth process. Consequently, this is because it expresses all economic dealers whether individuals, institutions or governments. Moreover, he indicates that economic growth process is fulfilled through multiplier mechanism which explains transition of the effect of demand changes in supply.</p> <p>Keynes supposes that investment is a function of interest rate; that savings are function in income; and that balance of production and income happens in the state of equality between planned investment and planned savings. Moreover, he illustrates that in the short term, income becomes local and equal to gross production value. Consequently, any targeted increase of it is not accomplished unless there is an increase in production value. The later can only be achieved through increasing investment and production capacity²⁸.</p> <p>It can be said that Keynes's model can be best applied in developed capitalist countries, while it cannot be applied in developing countries whose essential problem is in the aspect of supply, and not in the aspect of demand due to lack of capital, low efficiency of labor factor, and failure of production means. Hence, governmental expenditure increase is not expected to lead to local production increase. On the contrary, it leads to inflation and rise in the general level of prices. Underdeveloped economies, therefore, requires specific analysis because of particularity and the nature of their economic problems that differs dramatically from those of the advanced countries.</p>
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<p>4- External Growth Theories</p>	<p>According to external growth theory, economy reaches a state of stability in the relation between capital and economic growth because of decreasing returns of capital. Nevertheless, the state of growth stability cannot be surpassed to growth continuity through external or dependent factors determined outside the model such as modern technical innovations that allow raising the level of efficiency of production factors. There are important theories which explain that. These theories include Harrod–Domar model, Solow–Swan model, Walt Rostow's Stages of Economic Growth model, and Mead's model.</p>
<p>5- Internal Growth Theories</p>	<p>The high level of capital formation prevented some countries from fulfilling high growth rates. As a result, some economists have reservations to economic growth models that depend on raising the level of productivity through technical progress as an external factor. Therefore, growth models have been created according to which technical progress is stimulated by economic factors determined from inside the model. This trend has been fostered by the fact that some economists have been influenced by the role of human capital in the remarkable economic growth in the German experience after the second world war. This called for concentration on the significance of human capital accumulation like financial capital accumulation as a growth model.</p> <p>Researches of economic growth took another dimension through the papers of "Paul Romer" in 1986 and "Robert Lucas" in 1988 that set off from the idea of rapprochement among international economies. This idea means that economies of advanced countries are at a level near the point of balance. As a result, their growth rates are low. However, economies of developing countries are far from the point of balance; and as such, their growth rates are high allowing these countries to catch up with the developed ones in the long term. Thereupon, modern thought assumes that economic growth limitations in the long run as an economic policy are considered to be the main factors for economic growth. It also supposes that the factor of technology is an internal factor that is identified inside the growth model. Consequently, there are basis for determining this factor and its resources accurately. Thus, it is considered one of the most significant resources of economic growth in the long run. Therefore, they have been entitled as theories and models of internal growth²⁹.</p> <p>Internal growth theory creates the foundation of positive relation between long term economic growth and development on one hand, and world trade on the other. This is because this theory considers: minimizing trade obstacles, accelerating growth rates and development in the long run through making developing countries absorb advanced technology at a faster rate, increasing benefits that flow from research and development, achieving economies of scale and minimizing prices distortions in a way that leads to greater efficiency in use of local resources in economic sectors, achievement of more specialization and greater competence in the production of intermediate inputs, and presenting new products and services³⁰. Examples of the most important models are Rebelo AK model³¹, Lucas model, Romer model, and the K.J. Arrow model.</p>

(6-1) Previous Studies

In this study, we presented the most important previous practical studies on economic growth in order to shed light on the most significant factors that determine growth and their strength of influencing. It should be noted that focus will be given to studies of the scientist Robert Barro who is considered as one of the most significant and well-known scientists interested in issues of economic growth around the world.

In his study entitled “Economic Growth in a Cross Section of Countries” in 1991, Barro tried to point out the importance of human capital (as a modern concept at that time) in boosting economic growth. He chose the rate of joining primary and secondary schools as a measurement for human capital. The study he conducted on 100 countries during the period next to the Second World War proved that the growth rate of real per capita gross domestic product is directly proportional to the rate of joining primary and secondary schools, i.e. to the growth rate of human capital. In addition, the study proved that the countries that have big stock of human capital have low fertility rates and high investment rates. There is an inverse relationship with governmental expenditure and weak compromise with public investment. The new classical theory which is the external growth theory, indicates that the countries enjoying high level of individuals' income (countries where average per capita capital is high) have low growth rates of real per capita gross domestic product. Therefore, this is because the return on capital decreases after reaching a certain point according to the rule of diminishing returns. From the above, it is clear that the results of this study contradict with the previously mentioned external growth theory. Also, the results of this study cope completely with internal or self growth theory that emphasizes the significance of human capital in the process of economic growth³².

In his study entitled “Inflation and Economic Growth” that he conducted in 1995, Barro used the data of 100 countries in the period from 1960 to 1990 to assess the effects of inflation on economic performance. He found that 10% annual increase in inflation can lead to a reduction in the growth rate of real per capita gross domestic product. Consequently, this is with an annual percentage ranging from 0.2% to 0.3% assuming that the rest of the factors are constant. At first, the relation between inflation rate and growth rate may seem weak and not to be of great importance particularly in the short term. However, this relation is very important especially on the long run. This is due to the fact that continuous 10% inflation for 30 years in a given country results in 4% to 7% reduction in real per capita gross domestic product. This result is very sufficient for proving the importance of prices stability to keep the performance and growth of the local economy of a certain country³³.

In the study he made in 1996 under the title "Democracy and Growth", he analyzed the relation between growth rate of gross product and democracy in 100 countries in the period from 1960 to 1990. In this study, he proved the existence of directly proportional relation between the growth of real per capita GDP and the determinants of democracy. According to the study, these determinants are the rule of law, free markets, government austerity, and the level of human capital. Barro found out that continuous improvements in the standard of living such as increase in age expected at birth, increase of expenditure on education, and raising the level of political freedom, allows the model to predict if those countries will be more or less democratic in the future³⁴.

The study he conducted in 2001 under the title "Inequality and Growth in a Panel of Countries" indicated that the inequality of individuals' income in rich countries is positively proportional to the growth rate of economic real per capita GDP and investment, while the inequality of individuals' income in poor countries is inversely proportional to economic growth rate and investment. This means that incomes policies in developing countries must tend to reduce the inequality gap in income among individuals in order to boost the process of economic growth³⁵.

The study he conducted under the title "Economic Growth in East Asia Before and After the Financial Crisis" pointed out that five countries in East Asia, namely Indonesia, Malaysia, South Korea, the Philippines and Thailand, suffered from severe financial crisis from 1997 to 1998. This was when real GDP diminished sharply and severely in a way that these countries have not witnessed before. Economic growth in the studies of five countries was recovered considerably from 1999 to 2000. However, it is not clear if growth rates before the crisis will be reached or not because there are pessimistic indicators showing the probabilities of permanent recession. Thus, this is due to huge reduction in investment proportions that had only little recovery. Hence, this occurs due to reduction in market stock prices. Data analysis of sectors in these countries' economies showed that the bank crisis caused 3% annual reduction in economic growth from 1997 to 1998 during the crisis. However, growth decreased 2% annually over the five years which followed the crisis³⁶.

In his study under the title "Regional Growth and Migration", Barro and Xavier tried to answer a very important economic question: "Do poor economies grow faster than rich countries?" They analyzed two groups of regional data: 47 districts in Japan and 48 states in USA using Beta-Convergence approach. The study proved that there is an obvious convergence between both countries and that poor states and districts grows faster. Based on the analysis of standard deviation in states and districts, a reduction in economic growth rates in the long term was found. This

phenomenon is called "sigma-convergence". Finally, the study determined regional rates of migration. Again, remarkable aspects of similarity were found in both countries. Response of net migration rates for income was slightly higher than 0.025 indicating slow response, while there was much higher response of population compared to income variations. The study indicated that there are weak evidence that population movement is the reason for the convergence of economic growth among some countries³⁷.

In a study entitled "Economic Growth and Environment" in 1994, the data of Global Environment Monitoring System (GEMS) were used for measuring the relation between some environmental indicators and the level of per capita income in a certain country. The study covered four kinds of indicators: concentrations of air pollution in urban areas, Measurements of the state of oxygen system in river valleys, concentrations of fecal pollutants in river valleys, and concentrations of heavy metals in river valleys. The study proved that there is no evidence of deterioration of environment quality in proportion to economic growth. Nevertheless, the study found out that the beginning of economic growth brings about the first stage of environmental deterioration followed by a successive phase of improvement. However, this improvement begins in the countries where average per capita income is not less than 8000 US dollars³⁸. In a study by Levine and Renelt that sought to discover the relation between long term growth rates and a variety of policies and economic and institutional indicators, it was found that there is strong connection between GDP on one hand and investment share and trade percentage on the other hand³⁹.

In a study entitled "Growth in a Time of Debt" in 1994, he studied the relation between economic growth and inflation at different levels of governmental and foreign debt. Analysis relied on data for about 44 countries, covered almost 200, and included more than 3700 annual observations that cover a wide range of political systems, organizations, arrangements of exchange rates, and historical circumstances. One of the main results of the study showed that the relation between governmental debt and the growth of real GDP is weak if the percentage of local debt/GDP is less than 90%. However, if the percentage is more than 90%, growth rate decreases with a proportion of one per cent. Also, the average growth decreases with much higher proportion. In addition, the study found that limits of public debt are similar in advanced and beginner economies. Emerging markets face reduction of foreign debts (public and private ones) which are usually estimated in a foreign currency. When foreign debt reaches 60% of GDP, annual growth decreases with a percentage of 2%. But when public debt reaches higher levels, growth rates decrease almost to the half. The study proved that there is no clear current connection between inflation and the level of public debt in developed countries (except some countries

such as USA that suffers from high inflation rate because the percentage of debt/GDP is very high). On the contrary, the situation is totally different regarding emerging markets where inflation rises severely with increased debts⁴⁰.

The study under the title "Capital Flows and Economic Growth in the Era of Financial Integration and Crisis" in 1990-2010, tackled the relation between economic growth and flows of international capital categorized into foreign direct investment, portfolio investment, shares investment, and short term debts before and after the crisis using data of 100 countries from 1990-2010. Here, emerging markets became more integrated into the international financial system. The study discovered a complicated and blended relation between growth and capital flows as this relation depends on the kind of financial flows, economic structure, and the models of international growth. The study proved that there is a huge and strong relation between economic growth and foreign direct investment with its two kinds of internal and external flows. However, it was found that the relation between growth and prices of shares is weaker and less stable. There was no relation between growth and debts in the short term before the crisis, while there was a negative relation during the crisis⁴¹.

The study entitled "Implications of Population Aging for Economic Growth" in 2012 has expected the increase of population percentage whose age is ranging between 60 and more in most countries in the world from 2005 to 2050. The study emphasized that population aging usually leads to reduction in participation of manpower and in the rates of savings. Consequently, it leads to more fears about slow economic growth in the future. The study indicates that countries of Organization for Economic Co-operation and Development (OECD) will probably witness slight reduction in economic growth rate, but not catastrophic because of the previously mentioned aging impacts. The study points out that this problem can be dealt with through increasing female workforce and reformation of some work policies such as raising the legal age of retirees in order to minimize the economic implications of the old population. In most countries who are not members of the Organization, low rates of fertility result in diminishing participation of youth in the workforce. However, this can be compensated with reforming some work policies such as raising the legal age of pension to increase adult participation in labor market and reducing the negative effect of low fertility rates. However, the conclusion of the study affirms that population aging will not dramatically hamper the process of economic growth in developing countries⁴².

The study entitled "Catch-up Growth Followed by Stagnation: Mexico, 1950–2010" analyzed the economic history of Mexico 1877-2010. The study divided the history of economic growth in Mexico into three

phases. The first phase is from 1950 to 1981 when Mexico entered economic set-off or in other words, experienced very speedy economic growth. It grew fast for many years due to policies of urbanization, industrialization, and education. The second phase is from 1982 to 1992 when economic growth stopped in spite of the main reformations in the liberalization of foreign trade and investment. The third phase is from 1996 to 2010. Since that time, Mexico has been growing modestly. It urgently needs more reformations particularly in trade liberalization and investment with the purpose of resuming fast growth so that it can approach the income levels of the United States⁴³.

The study entitled “Foreign Currency Debt, Financial Crises and Economic Growth: A Long Run View” aims to consider the indirect impacts of foreign currency debts through their effect on financial crises on the short and long run and on product in 45 countries during two periods, 1880-1913 and 1973-2003. Increased proportion of foreign currency debts to total debts is strongly related to higher risks of financial crisis. This relation depends basically on the size of the reserve of foreign currency that a country has and the credibility of its economic policies. Financial crisis resulting from increased foreign currency debts lead to tremendous losses in economic product and reduce economic growth of the country. This conclusion asserts the findings of the study on the economic crisis of East Europe in late 2008⁴⁴.

The study entitled “Endogenous Innovation in the Theory of Growth” demonstrates the strong relation between investment in knowledge and economic growth. Thus, these investments play a crucial role in the process of development on the long run. The study emphasizes the significance of internal growth theory because it explains the existence of economic growth in the light of the reduced returns on capital. It explains also generally slow economic growth processes and inability of classical and new growth theories to present enough explanations to justify growth process. Consequently, the model of the study proves that the advancement processes and technological dissemination associated with scientific innovations leads to increasing economic growth in the country⁴⁵.

A study under the title “Role of Financial and Monetary Policies in Economic Growth” tried to test the effectiveness of two policies and their impact on GDP in the Kingdom of Jordan during the period from 1966 to 2010. The study found that monetary policy is more influential than financial policies. The increase in the supply of money led to transfer of the curve of production possibilities to the top of the right side. This fact supports the increase of the total demand resulting from the increase in money supply which causes the increase of the total product. Thus, the study

affirms the effectiveness of monetary policy in the short term and the ineffectiveness of financial policy in this term⁴⁶.

A study entitled “Impact of Foreign Direct Investment in Economic Growth in Jordan 1990-2006” asserts that although foreign direct investment (FDI) is important in the process of increasing accumulation of domestic capital and consequently increasing economic growth, its role is limited according to estimations of Cobb–Douglas production function. The function showed the existence of the positive effect of labor in making economic growth. In addition, there was not any impact with the statistical implication of foreign direct investment. The study found that this effect needs time so that in-kind FDI can go deeper in industries and sectors with intermediate and high technologies. Also, this makes it possible for them to integrate well with the factor of relatively efficient labor. This may pave the way for dissemination of technology and knowledge in different sectors of the economy. This requires work continuity for the achievement of economic and political stability, as well as the development of incentives system so that Jordanian economy can attract bigger size and the best quality of these investments⁴⁷. Another study about the impact of FDI on economic growth in countries of Middle East and North Africa showed findings which contradicts that of the previous study. It indicates the existence of positive and significant impact of FDI on economic growth in the studied countries. Therefore, the study calls upon governments of these countries to attract flows of these investments because their increase directly leads to increase in the economic growth of these countries⁴⁸.

A study under the title “Effect of Information and Communication Technology on Economic Growth in Arab Countries” targeted 17 Arab countries from 2000 to 2009. Conclusions of the study indicated the existence of positive and significant effect of information communication and technology on economic growth. This means that more use of internet, telephone, and cell phone have led to an increased average of real per capita GDP. Thereupon, governments of Arab countries have to continue increasing the use of information and communication technology due to its direct and indirect positive impact on economic growth⁴⁹.

A study under the title “Impact of Exchange Rate Systems on Economic Growth in a Group of MENA Countries” selected a certain group of MENA countries represented in Egypt, the Kingdom of Saudi Arabia, Kuwait, Algeria, Tunisia, Morocco, and Libya. After revising the theoretical and measurable framework of the probability of existing relation among them, the development of expenditure system and determinants in each country as for choosing its optimum exchange rate and economic results was taken into consideration. Using VAR technology, the study proved that choosing an exchange rate has no impact on growth in the

selected countries⁵⁰. This proves that the theory of Frankel (1999) states that no particular exchange rate is valid permanently for all countries.

A study under the title “Estimation of the Impact of Exports on Economic Growth in Islamic Countries: Standard Analytical Study” proved the significance of exports in addition to local investment (total constant capital formation) as the explanatory variables for economic growth expressed by GDP. In addition, significant differences have been found among various groups of Islamic countries (with less income, intermediate income, and petroleum countries) expressed in sections of the model or its partial features. Despite the significance of exports in explaining domestic product, their impact is minor in the group of petroleum countries. On the contrary, results indicated superiority of investment impact to exports impact in domestic product in Islamic countries with low and intermediate income. This superiority is less in Islamic petroleum countries⁵¹.

A study under the title “Education and Economic Growth in the Kingdom of Saudi Arabia: A Standard Study Using Simultaneous Equations” found that there is no direct positive correlation between education (those enrolled in public education) and economic growth except through the existence of governmental expenditure on education. Any increase in governmental expenditure on education leads to increasing real GDP of non-petroleum sector. This, in turn, leads to increasing the number of enrolled students in public education. Thus, the vice versa is not true⁵².

The Second Party: The Applied Study

In this topic, there will be formulation and preparation of an economic growth model for the study. The applied study aims to create a suitable optimal econometric model regarding economic and statistical criteria to identify the variables that affect the growth rate of gross domestic product (GDP). Also, this study predict this rate in future years in the light of those variables which will help in drawing up economic policies and making decisions. A time series data were used from 1977 to 2012 of the following data⁵³. As for the variables of the study, they can be expressed in the next table below:

Table (4). Variables Used in the Study

Symbol of the Variable	Description of the Variable
Y	Annual Growth Rate of Gross Domestic Product
X1	Annual Growth Rate of Government Expenditure
X2	Annual Growth Rate of Constant Capital Formation
X3	Annual Growth Rate of Households' Expenditure
X4	Annual Growth Rate of Foreign Direct Investment
X5	Annual Growth Rate of Domestic Savings
X6	Annual Growth Rate of Imports
X7	Annual Growth Rate of Exports
X8	Annual Growth Rate of Inflation
X9	Annual Growth Rate of Money and Quasi Money
X10	Annual Growth Rate of Fertility
X11	Annual Growth Rate of Age Expected at Birth
X12	Annual Growth Rate of Population

Adopted statistical analysis will follow the next steps.

(1-2): Descriptive Statistics of Variables of the Study

Descriptive statistics aims to describe variables of the study regarding central tendency and dispersion and distribution. In addition, descriptive statistics includes some graphs showing sequence of variables' values during the time of the study (See table No.5).

Table (5). Descriptive statistics of variables of the study

Variables	Arithmetic Mean	Standard Deviation	Inflection	Flattening	The Least Value	The Highest Value	Quartiles		
							The First 25	The Median 50	The Third 75
Y	5.14	0.31	12.84	1.08	2.1	1.09	2.41	5.14	6.1
X1	3.01	0.38	0.17	-11.83	3.62	0.16	5.55	3.01	5.09
X2	4.71	0.95	1.49	-13.36	-0.83	0.1	10.69	4.71	13.2
X3	5.13	9.35	-0.95	0.6	4.76	2.01	3.21	5.13	5.86
X4	19.09	5.98	0.33	-679.59	9.68	-1.49	164.89	19.09	58.33
X5	7.86	9.85	0.49	-31.67	0	-0.14	17.44	7.86	18.74
X6	4.77	10.88	28.8	-17.89	0.28	0.17	10.88	4.77	10.4
X7	6.58	17.44	28.76	-14.51	-0.06	0.32	9.85	6.58	12.54
X8	11.56	164.89	23.86	2.27	-0.89	0.17	5.98	11.56	16.59
X9	18.29	3.21	51.42	5.66	3.14	1.49	9.35	18.29	21.43
X10	-1.87	10.69	-0.96	-3.93	-0.2	-0.95	0.95	-1.87	-1.13
X11	0.69	5.55	1.37	0.23	-1.35	0.33	0.38	0.69	1.13
X12	1.87	2.41	2.36	1.54	-1.6	0.49	0.31	1.87	2.2

This will be applied on variables of the study as follows:

Table (6). Descriptive Analysis of Variables of the Study

Variable	Description of the Variable
Annual Growth Rate of GDP (Y)	Throughout the period of the study, it reached 5.14%. Its value approached the median that was 4.98. This fact indicates that values were around this rate with a standard deviation of 2.41. The least value was 1.08%, 1.76%, and 2.2% during 1991, 2011, and 2012 as the rate witnessed remarkable reduction during those years. This reduction may be due to political instability especially during 2011 and 2012. It reached the highest rate that was 12.84% in 1977. In the first quartile of the least nine years, the rate was less than 3.59%. The rate increased in the highest 9 years (the third quartile) to more than 6.1%. The following figure shows this rate during the period of the study. (See figure 2 in the statistical appendix)
Annual Growth Rate of Government Expenditure (X1)	Throughout the period of the study, average growth reached 3.01%. Its value approached the median that was 3.02%. This fact indicates that values were around this rate with a standard deviation of 5.55%. The least value was 11.83% in 1977. It reached the highest rate that was 12.13% in 1981. In the first quartile of the least nine years, the rate was less than 1.47%. The rate increased in the highest 9 years (the third quartile) to more than 5.09%. The following figure shows this rate during the period of the study. (See figure 3 in the statistical appendix)
Annual Growth Rate of Constant Capital Formation (X2)	Throughout the period of the study, average growth reached 4.71%. Its value approached the median that was 4.93%. This fact indicates that values were around this rate with a standard deviation of 10.69%. The least value was 13.36% in 1993. It reached the highest rate that was 25.26% in 1978. In the first quartile of the least nine years, the rate was less than -3.46%. The rate increased in the highest 9 years (the third quartile) to more than 13.2%. The following figure shows this rate during the period of the study. (See figure 4 in the statistical appendix)
Annual Growth Rate of Households' Expenditure (X3)	Throughout the period of the study, average growth reached 5.13%. Its value approached the median that was 4.56%. This fact indicates that values were around this rate with a standard deviation of 3.21%. The least value was 0.6% in 1986. It reached the highest rate that was 15.63% in 1979. In the first quartile of the least nine years, the rate was less than -3.06%. The rate increased in the highest 9 years (the third quartile) to more than 5.86%. The following figure shows this rate during the period of the study. (See figure 5 in the statistical appendix)
Annual Growth Rate of Foreign Direct Investment (X4)	Throughout the period of the study, average growth reached 19.09%. Its value was less than the median that was 6.88%. This fact indicates that positive inflection in data. This means that data are asymmetric and do not follow the normal distribution. This fact was assured by normal distribution test with a standard deviation of 164.89%. The least value was -679.59% in 2011. It reached the highest rate that was 427.93% in 2003. In the first quartile of the least nine years, the rate was less than -38.29%. The rate increased in the highest 9 years (the third quartile) to more than 58.33%. The following figure shows this rate during the period of the study. (See figure 6 in the statistical appendix)
Annual Growth	Throughout the period of the study, average growth reached 7.86%. Its value

Rate of Domestic Savings (X5)	approached the median that was 6.39%. This fact indicates that values were around this rate with a standard deviation of 17.44%. The least value was -31.67% in 2011. It reached the highest rate that was 45.63% in 1992. In the first quartile of the least nine years, the rate was less than -4.44%. The rate increased in the highest 9 years (the third quartile) to more than 18.74%. The following figure shows this rate during the period of the study. (See figure 7 in the statistical appendix)
Annual Growth Rate of Imports (X6)	Throughout the period of the study, average growth reached 4.77%. Its value approached the median that was 3.54%. This fact indicates that values were around this rate with a standard deviation of 10.88%. The least value was -17.89% in 2009. It reached the highest rate that was 28.8% in 2007. In the first quartile of the least nine years, the rate was less than -0.58%. The rate increased in the highest 9 years (the third quartile) to more than 10.4%. The following figure shows this rate during the period of the study. (See figure 8 in the statistical appendix)
Annual Growth Rate of Exports (X7)	Throughout the period of the study, average growth reached 6.58%. Its value approached the median that was 4.93%. This fact indicates that values were around this rate with a standard deviation of 9.85%. The least value was -14.51% in 2009. It reached the highest rate that was 28.76% in 2008. In the first quartile of the least nine years, the rate was less than 0.3%. The rate increased in the highest 9 years (the third quartile) to more than 12.54%. The following figure shows this rate during the period of the study. (See figure 9 in the statistical appendix)
Annual Growth Rate of Inflation (X8)	Throughout the period of the study, average growth reached 11.56%. Its value approached the median that was 11.27%. This fact indicates that values were around this rate with a standard deviation of 5.98%. The least value was 2.27% in 2001. It reached the highest rate that was 23.86% in 1996. In the first quartile of the least nine years, the rate was less than 7.14%. The rate increased in the highest 9 years (the third quartile) to more than 16.59%. The following figure shows this rate during the period of the study. (See figure 10 in the statistical appendix)
Annual Growth Rate of Money and Quasi Money (X9)	Throughout the period of the study, average growth reached 18.29%. Its value approached the median that was 16.66%. This fact indicates that values were around this rate with a standard deviation of 9.35%. The least value was 5.66% in 1999. It reached the highest rate that was 51.42% in 1980. In the first quartile of the least nine years, the rate was less than 11.28%. The rate increased in the highest 9 years (the third quartile) to more than 21.43%. The following figure shows this rate during the period of the study. (See figure 11 in the statistical appendix)
Annual Growth Rate of Fertility (X10)	Throughout the period of the study, average growth reached -1.87%. Its value approached the median that was -1.55%. This fact indicates that values were around this rate with a standard deviation of 0.95%. The least value was -3.93% in 1991. It reached the highest rate that was -0.69% in 1977. In the first quartile of the least nine years, the rate was less than -2.37%. The rate increased in the highest 9 years (the third quartile) to more than -1.13%. The following figure shows this rate during the period of the study. (See figure 12 in the statistical appendix)

Annual Growth Rate of Age Expected at Birth (X11)	Throughout the period of the study, average growth reached 0.69%. Its value approached the median that was 0.66%. This fact indicates that values were around this rate with a standard deviation of 0.38%. The least value was 0.23% in 2003. It reached the highest rate that was 1.37% in 1977. In the first quartile of the least nine years, the rate was less than 0.31%. The rate increased in the highest 9 years (the third quartile) to more than 1.13%. The following figure shows this rate during the period of the study. (See figure 13 in the statistical appendix)
Annual Growth Rate of Population (X12)	Throughout the period of the study, average growth reached 1.87%. Its value approached the median that was 1.68%. This fact indicates that values were around this rate with a standard deviation of 0.31%. The least value was 1.54% in 1995. It reached the highest rate that was 2.36% in 1987. In the first quartile of the least nine years, the rate was less than 1.61%. The rate increased in the highest 9 years (the third quartile) to more than 2.2%. The following figure shows this rate during the period of the study. (See figure 14 in the statistical appendix)

(2-2) Kolmogorov–Smirnov Test of Normality of Data Distribution

Table (7) in the statistical appendix shows results of Kolmogorov–Smirnov Test of Normality of Data Distribution. The table shows that variables follow normal distribution as the level of significance of Kolmogorov–Smirnov Test was more than 0.05. This fact indicates that the data do not differ significantly from the normal distribution which reflects that the condition of "Normality" exists. This condition is necessary for using these data in the regression equation. However, this is true except for the two variables of the "Growth rate of FDI" and the "Growth Rate of Population". However, both variables were excluded from Stepwise Regression equation.

(3-2) Dickey-Fuller Test of Unit Root to Test Stationary Variables of the Study

Variables were tested to find out if they are stationary because if they are not, the regression estimated by ordinary least squares (OLS) is Superior Regression. If variables are stationary, OLS can be depended on because in this case, this method is the Best Linear Unbiased Estimators (BLUE). Table No. 8 in the statistical appendix shows results of Augmented Dickey-Fuller of Unit Root to find out if variables are stationary or not using the econometric program, Eviews. According to the table, it is obvious that variables of the study are stationary at the level. This fact indicates the validity of OLS method to estimate the parameters of the model except for the two variables X11 and X12. Thus, they were excluded from the Stepwise Regression program of the regression model.

(4-2) Multiple Regression Analysis

After applying ordinary least squares method (OLS) on data of the study using the statistical program SPSS to test variables that have significance as for the growth rate of GDP and to estimate the parameters of the econometric model, the results were shown in table No. 9 in the statistical appendix. According to the table, it is obvious that the model is totally significant as the value Faculty= 6.051 with a level of significance that is less than 0.05. The explanatory power of the model is 75%. Therefore, this means that explanatory variables explain 75% of the changes that occur to the dependent variable which is high explanatory power. However, the deficiency of the model is that the explanatory variables are not significant. As a result, Stepwise Regression Model was used.

(5-2) Stepwise Regression Analysis

In case of using many independent variables that have significant correlation, the model is exposed to the phenomenon of Multicollinearity among independent variables that consequently affect the accuracy of results and the significance of variables. Therefore, in this case, we use stepwise regression method which treats this phenomenon as variables are entered gradually according to the strength of their impact on the dependent variable. Only independent variables that do not have significant correlation among them were used. This method follows ordinary least squares (OLS) which is suitable for stationary variables. As variables represent growth rates, they are stationary. This fact was emphasized by applying Dickey-Fuller Test on these variables. (See table No. 10 in the statistical appendix).

1. Estimating Parameters of the Model

After estimating the parameters of the model using Stepwise Regression method, results (according to table No. 10 the statistical appendix) showed that the regression equation took the following form where E refers to random error:

$$Y = 1.766 + 0.246*X3 + 0.047*X5 + 0.074*X2 + 0.076*X9 + E$$

T 3.123 2.810 3.269 3.149 2.558

Sig. 0.004 0.009 0.003 0.004 0.016

R square = 0.683

F test = 16.706 Sig. = 0.000

D.W = 1.88

White Heteroskedasticity Test

F-statistic	3.201954	Probability	0.010923
Obs*R-squared	17.52640	Probability	0.025071

2. Testing the Model as for Economic Criteria

From the model, it is clear that the minimum annual growth rate of GDP according to the model is 1.766. This is obvious from the steadiness of the regression which is the value of the regression equation if explanatory variables equals to zero. Moreover, the variables entered into the model are as follows according to their importance. Thereupon, values and parameters cope with economic theory which indicates that the model matches with the economic criteria.

- ✓ The variable X3 that refers to "Annual Growth Rate of Households' Expenditure" as 1% increase in this rate leads to 0.0246% increase in annual growth rate of GDP.
- ✓ The variable X5 that refers to "Annual Growth Rate of Domestic Savings" as 1% increase in this rate leads to 0.047% increase in annual growth rate of GDP.
- ✓ The variable X2 that refers to "Annual Growth Rate of Constant Capital Formation" as 1% increase in this rate leads to 0.074% increase in annual growth rate of GDP.
- ✓ The variable X9 that refers to "Annual Growth Rate of Money and Quasi Money" as 1% increase in this rate leads to 0.076% increase in annual growth rate of GDP.

3. Testing the Model as for Statistical Criteria

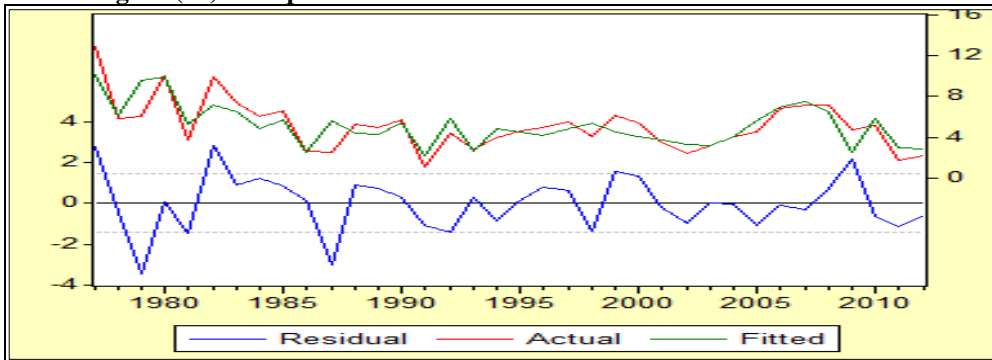
From table No. 11 and figure No. 15, it was concluded that the model has coped with statistical criteria indicating that the model can be used in prediction. However, figure No. 15 shows that actual values are close to fitted values. This proves the quality of model fitting.

Table (11). Statistical Tests of the Model

Test	Result
Significance of the model and the variables	It is proved that the model has coped with statistical criteria as the value Faculty=16.706 with 0.000 level of significance which indicated significance of the model as a whole. In addition, T test proved the significance of all coefficients that entered the model and steadiness of regression because the level of significance was less than 0.01 for each one. This fact proves the significance of these variables.
The explanatory power of the model and quality of fitting	The value of R square= 0.683 indicating that explanatory variables explain about 68.3% of the changes that happen to the dependent variable which is a medium explanatory power. This fact points out fitting of the model. The following figure shows actual and fitted values of the model.
Autocorrelation test	The value of Durbin Watson = 1.88 indicating that this value is close to 2. This fact emphasizes that the model does not suffer from autocorrelation.

Multicollinearity Test	The value of variance inflation factor ranged from 1.071 and 1.335 which is much less than 10. This fact points out that stepwise regression has succeeded in the treatment of multicollinearity.
Heteroskedasticity test	According to Heteroskedasticity test, $F = 3.202$ with a significance level of 0.011. This fact indicates that the model does not suffer from Heteroskedasticity.

Figure (15). Comparison between Actual and Fitted Values of the Model



4. Using the Model in Prediction

The model is used for prediction. First, independent variables are predicted. Then, the values of these variables are put into regression model to get the prediction of the value of the dependent variable. To predict the values of the independent variables, the method of Curve Fitting is used. A model is selected from many ones based on the value of R Square. However, this model is used for prediction. The method of Curve Fitting was used for predicting values of the variable where (t) expresses time and results were as follows: (See table No. 12, 13, 14, and 15 in the statistical appendix)

Table (16). Equations of Predicting Independent Variables

Prediction of "Annual Growth Rate of Households' Expenditure" (X3)	$X3 = 12.719 - 1.307*t + 0.056*t^2$
Prediction of "Annual Growth Rate of Domestic Savings" (X5)	$X5 = 17.846 - 5.508*t + 0.166*t^2 - 0.003*t^3$
Prediction of "Annual Growth Rate of Constant Capital Formation" (X2)	$X2 = 28.0 - 5.643*t + 0.326*t^2 - 0.005*t^3$
Prediction of "Annual Growth Rate of Money and Quasi Money" (X9)	$X9 = 39.989 - 2.448*t + 0.071*t^2$

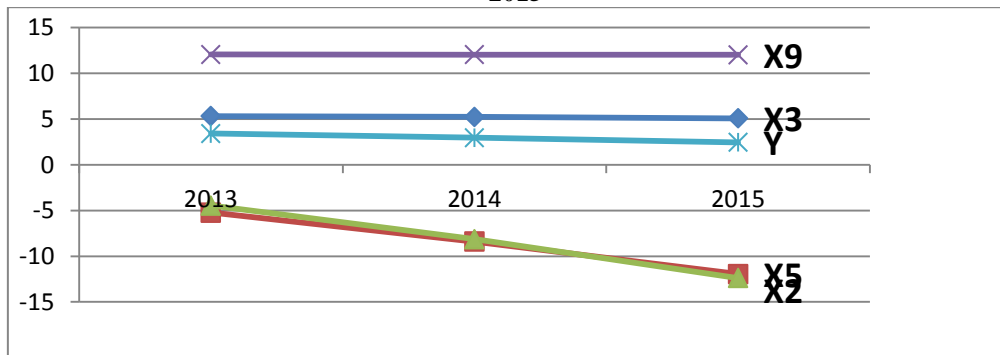
After predicting the values of the independent variables and putting these values into the regression equation to get the value of the dependent variable, the results were as follows: (See table No. 17)

Table (17). Prediction of independent variables and dependent variable

Years		2013	2014	2015	2016
Variables					
X3	Annual Growth Rate of Households' Expenditure	5.33	5.23	5.08	4.87
X5	Annual Growth Rate of Domestic Savings	-5.22	-8.40	-11.95	-15.91
X2	Annual Growth Rate of Constant Capital Formation	-4.45	-8.13	-12.38	-17.23
X9	Annual Growth Rate of Money and Quasi Money	12.06	12.05	12.02	11.97
Y	Annual Growth Rate of GDP	3.42	2.97	2.45	1.85

From the above table, it is obvious that the growth rate of GDP is decreasing from one year to another in the light of current circumstances because of diminishing both "annual growth rate of savings" and "annual growth rate of Households' Expenditure" due to instability. However, they are the main determinants of the growth rate of GDP. The following figure shows future development of independent variables and dependent variable.

Figure (16). Prediction of Independent Variables and Dependent Variable from 2013 to 2015



(6-2) Analysis Using ARIMA Models

This method aims to demonstrate steps of using ARIMA models that are Autoregressive Integrated Moving Average ones. This is the approach of Box-Jenkins that relies on merging autoregression and moving average. This approach is used for predicting the growth rate of GDP.

1- Stability of Time Series and Problem of Identification

To examine the stability of the time series and identifying the ARIMA ranks, autocorrelation function ADF and partial autocorrelation function have been conducted. Results were as shown in the diagram (figure 17 in the statistical appendix). Also, table No. 18 (in the statistical appendix) indicated that autocorrelation function ADF and partial

autocorrelation function PADF are not significant in all slowdown periods. This fact proves the stability of time series. Recommended models have been ARIMA(1,0,0), ARIMA(0,0,1), and ARIMA(1,0,1).

2- Estimation of the Parameters of Suggested Models

The following table presents estimated models:

Table (19). ARIMA Models and their Equations

Model	Its Equations
ARIMA (1,0,0) model through which the significance of the estimated parameters appears (See table No. 21 in the statistical appendix).	$Y_t = 5.202 + 0.317*Y_{t-1} + e_t$ T 9.165 1.906 Sig. 0.000 0.065 MAE = 1.645
ARIMA (0,0,1) model through which it is proved that the coefficient e_{t-1} is not significant. This fact indicates that the model is invalid. (See table No. 22 in the statistical appendix)	$Y_t = 5.176 - 0.222*e_{t-1} + e_t$ T 10.716 -1.299 Sig. 0.000 0.203 MAE = 1.683
ARIMA (1,0,1) model through which it is proved that the estimated parameters are significant. (See table No. 23 in the statistical appendix)	$Y_t = 5.316 + 0.818*Y_{t-1} + 0.531*e_{t-1} + e_t$ T 5.603 3.922 1.712 Sig. 0.000 0.000 0.096 MAE = 1.661

(7-2) Using the Model for Prediction

Using ARIMA (1,0,1) model for predicting growth rate of GDP and comparing this rate with the previous results gained by using Stepwise Regression, the results were as follows:

Table (20). Prediction using Stepwise Regression and ARIMA (1,0,1) model

Years / Variables	2013	2014	2015	2016
Stepwise	3.42	2.97	2.45	1.85
ARIMA(1,0,1)	3.91	4.16	4.37	4.55

From the model, it is obvious that ARIMA model is higher in its estimations than Stepwise Regression models. However, Stepwise Regression model is more accurate because it is a causal model; meaning that it takes into consideration the impact of independent variables on the dependent variable. But ARIMA model is a non-causal model; meaning that it takes into consideration the time only. Therefore, predictions based on Stepwise Regression model can be relied on in drawing up policies and making decisions to try to save diminishing growth rates of GDP.

Results of Applied Study

After analyzing time series data from 1977 to 2012 of the independent variables (Annual Growth Rate of Government Expenditure X1, Annual Growth Rate of Constant Capital Formation X2, Annual Growth Rate of Households' Expenditure X3, Annual Growth Rate of Foreign Direct Investment X4, Annual Growth Rate of Domestic Savings X5, Annual Growth Rate of Imports X6, Annual Growth Rate of Exports X7, Annual Growth Rate of Inflation X8, Annual Growth Rate of Money and Quasi Money X9, Annual Growth Rate of Fertility X10, Annual Growth Rate of Age Expected at Birth X11, and Annual Growth Rate of Population X12) to test their impact on Growth Rate of Gross Domestic Product Y, the researcher reached the following results:

- ✓ The researcher found out the factors that have a significant impact on the growth rate of GDP. These factors are:
 - Annual Growth Rate of Households' Expenditure (X3).
 - Annual Growth Rate of Domestic Savings (X5).
 - Annual Growth Rate of Constant Capital Formation (X2).
 - Annual growth Rate of Money and Quasi Money (X9).
- ✓ After testing data as for normality of distribution and stability, the researcher found an econometric model using Stepwise Regression. The model took the following form:

$$Y = 1.766 + 0.246*X3 + 0.047*X5 + 0.074*X2 + 0.076*X9 + E$$

The model has been tested mathematically and statistically. It has been proven that it fits the economic and statistical criteria.

- ✓ The model has been used for prediction after predicting independent variables via Curve Fitting Method. Prediction equations used independent variables as a function of time (t) in the following forms:

$$X3 = 12.719 - 1.307*t + 0.056*t^2$$

$$X5 = 17.846 - 5.508*t + 0.166*t^2 - 0.003*t^3$$

$$X2 = 28.0 - 5.643*t + 0.326*t^2 - 0.005*t^3$$

$$X9 = 39.989 - 2.448*t + 0.071*t^2$$

- ✓ After predicting the growth rate of GDP in future years i.e. outside the scope of data of the study from 2013 to 2016 using Stepwise Regression, it has been proven that this rate will be diminishing because it will be 3.42%, 2.97%, 2.45%, and 1.85% in 2013, 2014, 2015 and 2016, respectively. It has been proven that the decrease in this rate is due to diminishing growth rates of the following variables:

- Annual Growth Rate of Savings.
- Annual Growth Rate of Constant Capital Formation.
- ✓ Prediction has been made Using ARIMA (1,0,1) model which was the one selected. Thus, it took the following form:

$$Y_t = 5.316 + 0.818*Y_{t-1} + 0.531*e_{t-1} + e_t$$

- ✓ Using this model for prediction, growth rates of GDP will be 3.91, 4.16, 4.37, and 4.55. However, the researcher thinks that predictions of Stepwise Regression are more precise because they take into consideration the impact of independent variables on the dependent variable. Nevertheless, this is contrary to ARIMA models that are restricted to time as an influential factor on the growth rate of GDP.

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Used Database⁵⁴

Variables of the Study							
	Years	y	X1	X2	X3	X4	X5
1	1977	12.84	-11.83	12.67	15.27	203.66	21.33
2	1978	5.78	7.99	25.26	3.95	282.28	-9.92
3	1979	6.04	-7.54	16.39	15.63	-54.92	6.21
4	1980	10.01	6.64	-2.17	11.24	37.26	34.43
5	1981	3.76	21.13	11.22	2.10	-60.99	-5.17
6	1982	9.91	-2.30	20.46	2.48	66.91	17.90
7	1983	7.40	10.10	8.52	4.17	48.80	28.82
8	1984	6.09	11.26	4.39	8.10	61.50	-14.12
9	1985	6.60	1.27	4.15	5.97	3.38	17.45
10	1986	2.65	0.71	-12.39	0.60	-22.15	-1.57
11	1987	2.52	3.05	-8.84	5.87	25.57	29.46
12	1988	5.30	1.08	1.75	4.80	5.06	-6.94
13	1989	4.97	-5.12	-8.97	4.50	-41.29	14.73
14	1990	5.70	-7.12	-0.63	5.82	-65.53	1.44
15	1991	1.08	2.33	-10.44	4.64	81.42	-29.98
16	1992	4.43	5.98	-3.84	2.95	7.41	45.63
17	1993	2.90	4.83	-13.36	2.97	154.77	2.28
18	1994	3.97	4.61	10.42	4.23	-52.39	8.21
19	1995	4.64	5.03	6.42	3.32	6.35	14.82
20	1996	4.99	5.39	11.35	4.04	40.02	-4.93
21	1997	5.49	5.11	13.38	4.18	20.82	5.22
22	1998	4.04	2.99	22.64	2.24	-0.99	12.81
23	1999	6.11	2.58	3.93	4.63	15.93	19.03
24	2000	5.37	2.83	-2.30	5.16	-58.71	6.57
25	2001	3.54	4.89	-2.19	3.98	26.87	1.36
26	2002	2.37	2.63	5.51	2.15	-63.30	-6.67
27	2003	3.19	2.73	-8.74	2.33	427.93	-2.96
28	2004	4.09	2.04	6.17	2.10	328.92	3.58
29	2005	4.47	2.80	14.22	4.83	86.82	14.72
30	2006	6.84	3.11	13.79	6.44	15.29	30.54
31	2007	7.09	.19	23.76	6.94	-18.00	15.44
32	2008	7.16	2.13	14.81	5.73	-29.31	28.79

33	2009	4.69	5.57	-9.65	5.68	-4.86	-13.26
34	2010	5.15	4.51	5.46	5.13	-107.56	30.18
35	2011	1.76	3.79	-4.12	4.02	-679.59	-0.77
36	2012	2.21	3.14	0.68	6.37	0.00	-31.67

Variables of the Study								
	Years	X6	X7	X8	X9	X10	X11	X12
1	1977	5.43	9.63	12.73	34.03	-0.69	1.37	2.12
2	1978	3.42	0.24	11.08	27.03	-0.76	1.31	2.14
3	1979	16.23	-3.55	9.90	31.33	-0.86	1.24	2.17
4	1980	8.13	17.01	20.82	51.42	-0.96	1.17	2.21
5	1981	5.35	-1.47	10.32	30.90	-1.04	1.14	2.23
6	1982	-13.17	-10.41	14.82	31.15	-1.11	1.15	2.25
7	1983	1.04	10.74	16.08	22.63	-1.18	1.17	2.27
8	1984	14.79	6.12	17.04	18.85	-1.27	1.19	2.30
9	1985	2.98	4.10	12.11	18.30	-1.52	1.17	2.32
10	1986	-12.67	.45	23.86	20.95	-1.94	1.10	2.35
11	1987	-15.56	6.35	19.69	20.96	-2.43	.99	2.36
12	1988	3.07	11.18	17.66	21.55	-2.96	.87	2.31
13	1989	1.65	16.67	21.26	17.50	-3.46	.75	2.19
14	1990	3.66	7.14	16.76	28.73	-3.80	.67	2.03
15	1991	1.18	3.33	19.75	19.34	-3.93	.63	1.85
16	1992	-4.96	12.90	13.64	19.43	-3.85	.64	1.70
17	1993	12.56	1.27	12.09	13.25	-3.53	.67	1.59
18	1994	1.24	.50	8.15	11.21	-3.07	.71	1.55
19	1995	4.49	11.44	15.74	9.90	-2.61	.73	1.54
20	1996	-1.95	1.72	7.19	10.84	-2.19	.71	1.55
21	1997	5.38	-1.03	4.63	10.77	-1.98	.64	1.55
22	1998	8.01	-3.59	3.87	10.78	-1.94	.55	1.56
23	1999	2.94	9.11	3.08	5.66	-1.98	.45	1.57
24	2000	-3.40	3.80	2.68	11.58	-1.96	.36	1.58
25	2001	-1.13	3.29	2.27	14.07	-1.94	.28	1.60
26	2002	5.53	5.77	2.74	12.31	-1.79	.24	1.62
27	2003	1.28	13.83	4.51	21.09	-1.57	.23	1.64
28	2004	17.24	25.32	11.27	15.82	-1.37	.23	1.66
29	2005	23.82	20.20	4.87	11.49	-1.23	.24	1.67
30	2006	21.77	21.26	7.64	15.00	-1.08	.26	1.68
31	2007	28.80	23.28	9.32	19.12	-1.09	.28	1.68
32	2008	26.29	28.76	18.32	10.49	-1.10	.29	1.69
33	2009	-17.89	-14.51	11.76	9.47	-1.18	.31	1.69
34	2010	-3.16	-2.98	11.27	12.42	-1.23	.32	1.68
35	2011	8.06	3.74	10.05	6.66	-1.32	.32	1.67
36	2012	11.15	-4.65	7.12	12.35	-1.34	.32	1.66

Table (7). Results of Kolmogorov–Smirnov Test of Annual Growth Rates of Variables

Variable	Description of the Variable	Kolmogorov–SmirnovZ	Sig.
Y	Annual Growth Rate of GDP	0.735	0.653
X1	Annual Growth Rate of Government Expenditure	1.802	0.192
X2	Annual Growth Rate of Constant Capital Formation	0.542	0.931
X3	Annual Growth Rate of Households' Expenditure	1.217	0.10
X4	Annual Growth Rate of Foreign Direct Investment	1.490	0.024
X5	Annual Growth Rate of Domestic Savings	0.477	0.977
X6	Annual Growth Rate of Imports	0.833	0.492
X7	Annual Growth Rate of Exports	0.598	0.658
X8	Annual Growth Rate of Inflation	0.542	0.930
X9	Annual Growth Rate of Money and Quasi Money	0.849	0.467
X10	Annual Growth Rate of Fertility	1.044	0.226
X11	Annual Growth Rate of Age Expected at Birth	0.996	0.275
X12	Annual Growth Rate of Population	1.753	0.004

Table (8). Results of Augmented Dickey-Fuller Test

Variable	Description	T statistic	Sig.
Y	Annual Growth Rate of GDP	-5.351	0.0001
X1	Annual Growth Rate of Government Expenditure	-4.739	0.0007
X2	Annual Growth Rate of Constant Capital Formation	-3.697	0.0085
X3	Annual Growth Rate of Households' Expenditure	-5.753	0.0000
X4	Annual Growth Rate of Foreign Direct Investment	-4.553	0.0009
X5	Annual Growth Rate of Domestic Savings	-7.810	0.0000
X6	Annual Growth Rate of Imports	3.815	0.0063
X7	Annual Growth Rate of Exports	-4.105	0.0029
X8	Annual Growth Rate of Inflation	-2.664	0.0904
X9	Annual Growth Rate of Money and Quasi Money	-2.625	0.0976
X10	Annual Growth Rate of Fertility	-3.858	0.0065
X11	Annual Growth Rate of Age Expected at Birth	-2.369	0.1581
X12	Annual Growth Rate of Population	-1.817	0.3657

Table (9). Results of Estimations of Ordinary Least Squares

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.024	3.276		1.839	.079
	X1	-.072	.060	-.165-	-1.198	.243
	X2	.070	.039	.312	1.789	.087
	X3	.196	.134	.262	1.467	.156
	X4	.001	.002	.083	.662	.515
	X5	.034	.020	.247	1.667	.109
	X6	-.053	.047	-.241	-1.126	.272
	X7	.047	.054	.193	.878	.389
	X8	.044	.071	.110	.626	.537
	X9	.044	.044	.173	1.011	.323
	X10	.626	.391	.247	1.599	.123
	X11	1.697	1.671	.268	1.015	.320
	X12	-1.966	1.993	-.250	-.986	.334

a. Dependent Variable: y

F test = 6.051 Sig.= 0.000R square = 0.76

Table (10). Results of Stepwise Regression

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
4	(Constant)	1.766	.566		3.123	.004		
	X3	.246	.088	.328	2.810	.009	.749	1.335
	X5	.047	.014	.342	3.269	.003	.934	1.071
	X2	.074	.023	.329	3.149	.004	.939	1.064
	X9	.076	.030	.296	2.558	.016	.763	1.310

a. Dependent Variable: y

Table (12). Results of Curve Fitting for Prediction of Variable X3

Dependent Variable: X3									
Equation	Model Summary					Parameter Estimates			
	R Square	F	df1	df2	Sig.	Constant	b1	b2	b3
Linear	.094	3.518	1	34	.069	6.853	-.093		
Logarithmic	.262	12.081	1	34	.001	10.177	-1.900		
Inverse	.384	21.152	1	34	.000	3.845	11.048		
Quadratic	.350	8.897	2	33	.001	10.750	-.709	.017	
Cubic	.390	6.817	3	32	.001	12.719	-1.307	.056	.000
Compound	.013	.438	1	34	.512	4.900	.994		
Power	.080	2.962	1	34	.094	7.326	-.196		
S	.157	6.336	1	34	.017	1.318	1.319		
Growth	.013	.438	1	34	.512	1.589	-.006		
Exponential	.013	.438	1	34	.512	4.900	-.006		
Logistic	.013	.438	1	34	.512	.204	1.006		

Table (13). Results of Curve Fitting for Prediction of Variable X5

Dependent Variable: X5									
Equation	Model Summary					Parameter Estimates			
	R Square	F	df1	df2	Sig.	Constant	b1	b2	b3
Linear	.010	.331	1	34	.569	10.865	-1.162		
Logarithmic	.009	.298	1	34	.588	12.858	-1.880		
Inverse	.008	.278	1	34	.602	6.849	8.719		
Quadratic	.011	.184	2	33	.833	9.319	.082	-.007	
Cubic	.036	.400	3	32	.754	17.846	-2.508	.166	-.003
Compound ^a	.	.	.	.	.	.000	.000		
Power ^a	.	.	.	.	.	.000	.000		
S ^a	.	.	.	.	.	.000	.000		
Growth ^a	.	.	.	.	.	.000	.000		
Exponential ^a	.	.	.	.	.	.000	.000		
Logistic ^a	.	.	.	.	.	.000	.000		

Table (14). Results of Curve Fitting for Prediction of Variable X2

Dependent Variable: X2									
Equation	Model Summary					Parameter Estimates			
	R Square	F	df1	df2	Sig.	Constant	b1	b2	b3
Linear	.007	.248	1	34	.621	6.313	-.086		
Logarithmic	.052	1.852	1	34	.182	12.181	-2.808		
Inverse	.082	3.031	1	34	.091	2.743	16.996		
Quadratic	.083	1.497	2	33	.239	13.374	-1.201	.030	
Cubic	.280	4.151	3	32	.014	28.000	-5.643	.326	-.005
Compound ^a	.	.	.	.	.	.000	.000		
Power ^a	.	.	.	.	.	.000	.000		
S ^a	.	.	.	.	.	.000	.000		
Growth ^a	.	.	.	.	.	.000	.000		
Exponential ^a	.	.	.	.	.	.000	.000		
Logistic ^a	.	.	.	.	.	.000	.000		

Table (15). Results of Curve Fitting for Prediction of Variable X9

Dependent Variable: X9									
Equation	Model Summary					Parameter Estimates			
	R Square	F	df1	df2	Sig.	Constant	b1	b2	b3
Linear	.541	40.058	1	34	.000	30.363	-.653		
Logarithmic	.613	53.844	1	34	.000	40.780	-8.459		
Inverse	.349	18.238	1	34	.000	14.728	30.700		
Quadratic	.660	32.039	2	33	.000	38.098	-1.874	.033	
Cubic	.664	21.115	3	32	.000	39.989	-2.448	.071	.000
Compound	.557	42.666	1	34	.000	30.602	.967		
Power	.579	46.798	1	34	.000	50.104	-.422		
S	.306	15.022	1	34	.000	2.622	1.475		
Growth	.557	42.666	1	34	.000	3.421	-.034		
Exponential	.557	42.666	1	34	.000	30.602	-.034		
Logistic	.557	42.666	1	34	.000	.033	1.035		

Table (18). Autocorrelation Function ADF and Partial Autocorrelation Function PADF

<u>Autocorrelation Function ADF</u>				<u>Partial Autocorrelation Function PADF</u>		
Lag	ACF	T	LBQ	Lag	PACF	T
1	0.220000	1.32	1.89	1	0.220000	1.32
2	0.238341	1.37	4.18	2	0.199602	1.20
3	0.204845	1.12	5.92	3	0.130202	0.78
4	-0.153853	-0.81	6.93	4	-0.284296	-1.71
5	0.140309	0.73	7.80	5	0.174370	1.05
6	0.005295	0.03	7.80	6	0.015270	0.09
7	0.050426	0.26	7.92	7	0.078189	0.47
8	0.078230	0.40	8.22	8	-0.069733	-0.42
				9	-0.098567	-0.50

Table (21). Parameters of ARIMA (1,0,0) Model

				Estimate	SE	T	Sig.
y-Model_1	Y	No	Constant	5.202	.568	9.165	.000
		Transformation	AR Lag 1	.317	.166	1.906	.065

Table (22). Parameters of ARIMA (0,0,1) Model

				Estimate	SE	T	Sig.
y-Model_1	Y	No	Constant	5.176	.483	10.716	.000
		Transformation	MA Lag 1	-.222	.171	-1.299	.203

Table (23). Parameters of ARIMA (1,0,1) Model

				Estimate	SE	T	Sig.
y-Model_1	Y	No	Constant	5.316	.949	5.603	.000
		Transformation	AR Lag 1	.818	.208	3.922	.000
			MA Lag 1	.531	.310	1.712	.096

Figure (2). Growth Rate of Gross Domestic Product GDP during the Period of the Study (Y)

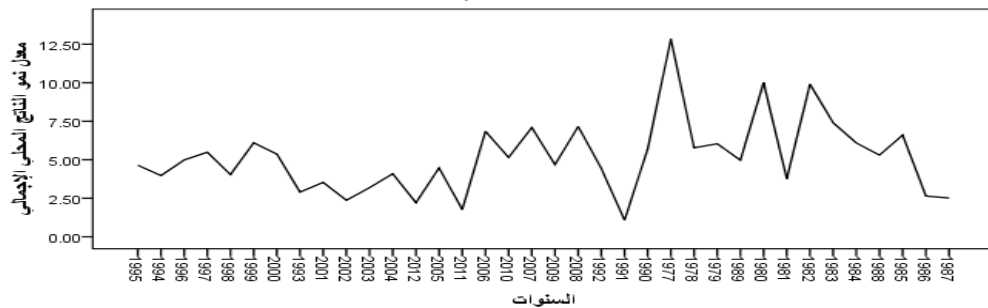


Figure (3). Growth Rate of Government Expenditure during the Period of the Study (X1)

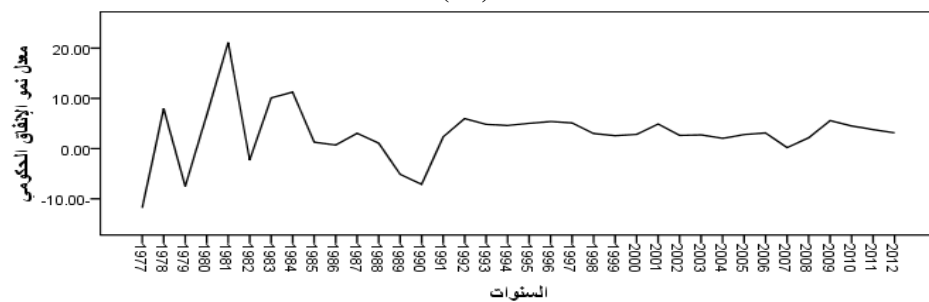


Figure (4). Growth Rate of Constant Capital Formation during the Period of the Study (X2)

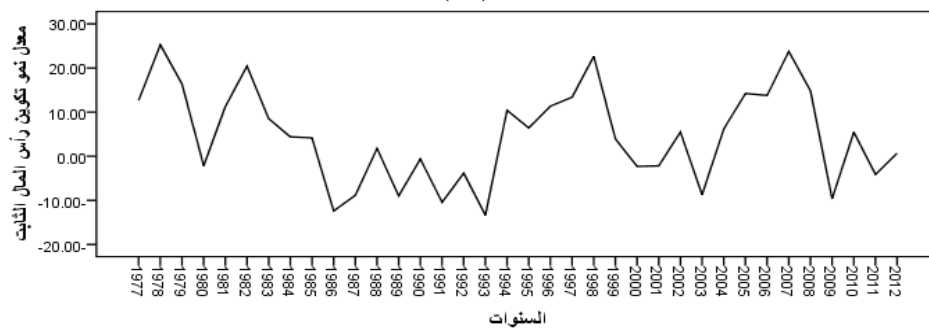


Figure (5). Growth Rate of Households' Expenditure during the Period of the Study (X3)

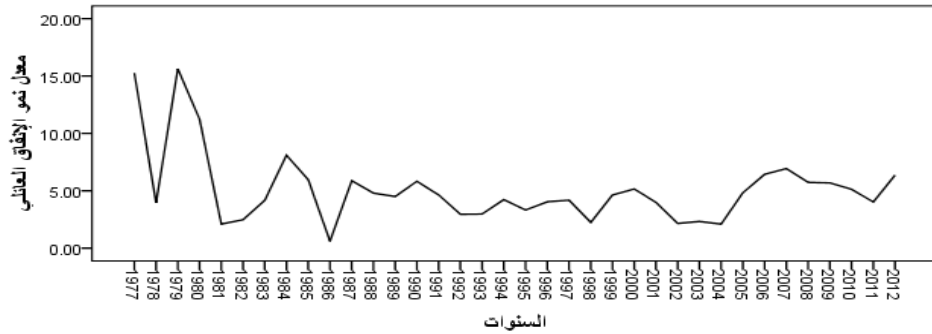


Figure (6). Growth Rate of Foreign Direct Investment FDI during the Period of the Study (X4)

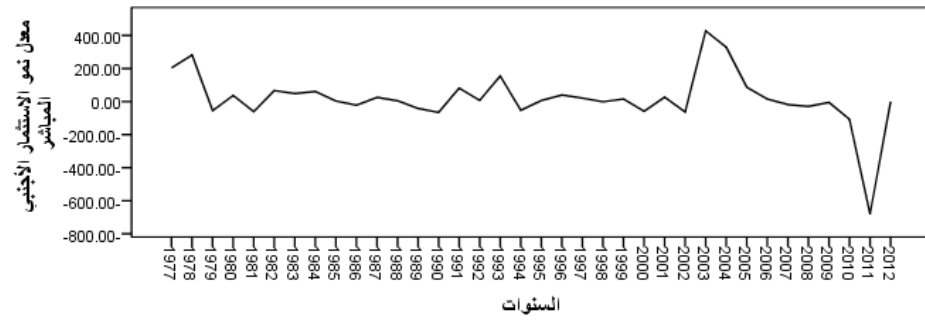


Figure (7). Growth Rate of Domestic Savings during the Period of the Study (X5)



Figure (8). Growth Rate of Imports during the Period of the Study (X6)



Figure (9). Growth Rate of Exports during the Period of the Study (X7)



Figure (10). Growth Rate of Inflation during the Period of the Study (X8)



Figure (11). Growth Rate of Money and Quasi Money during the Period of the Study (X9)

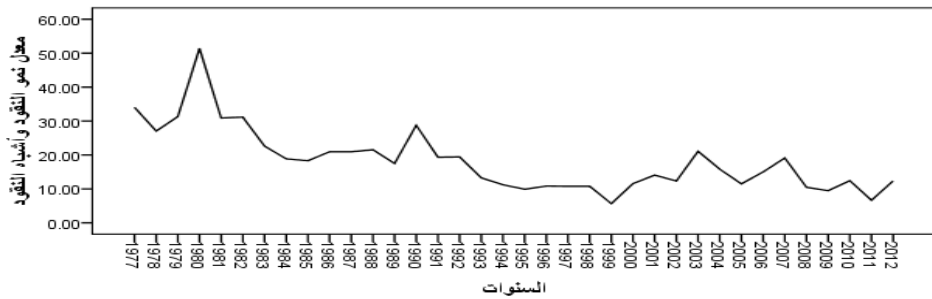


Figure (12). Growth Rate of Fertility during the Period of the Study (X10)

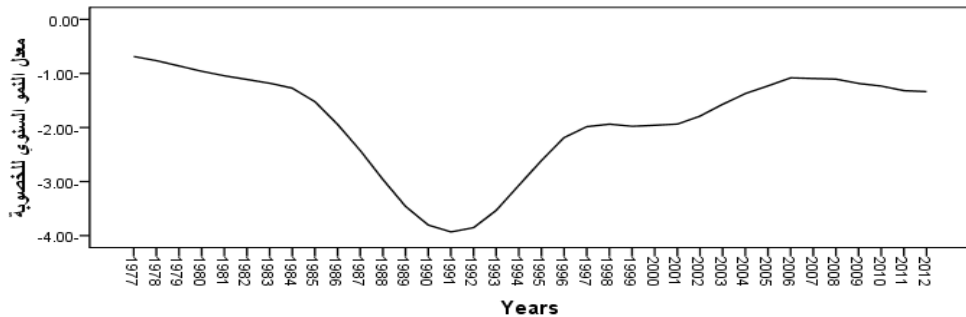


Figure (13). Growth Rate of Age Expected at Birth during the Period of the Study (X11)



Figure (14). Growth Rate of Population during the Period of the Study (X13)

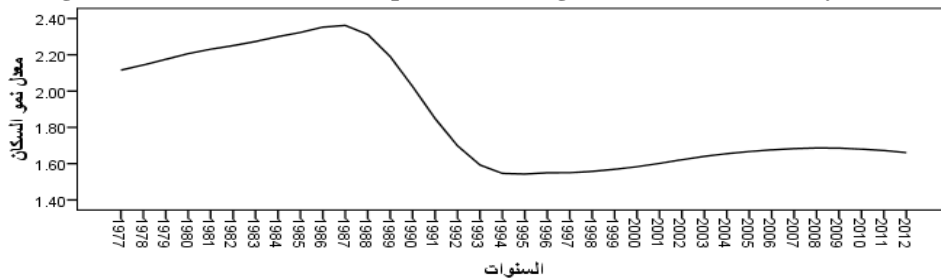
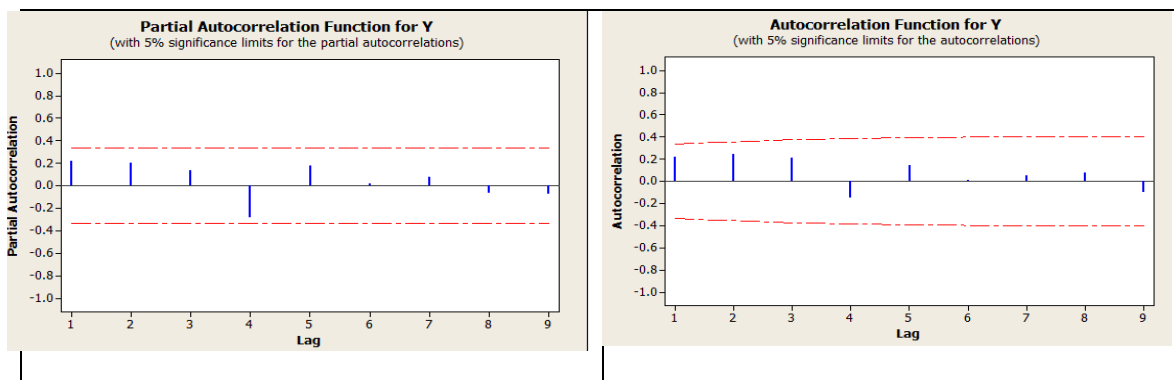


Figure (17). Autocorrelation Function ADF and Partial Autocorrelation Function PADF

دالة الارتباط الذاتي الجزئي PADF

دالة الارتباط الذاتي ADF



LAWS OF SYNERGY IN THE ECONOMY, BUSINESS AND THE OPERATION PROCESS OF THE MANUFACTURE (ORGANIZATION)

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Abstract

This article is devoted to issues of application of laws, synergy machinery in the economy, business and operation process of the manufacture (organization). There are presented concepts, classification of synergy effects and grounds of merger of the organizations. There are presented some fundamental principles, on which the strategic planning of the development of entrepreneurial activity (business) shall be based. There is determined a necessity of application of synergy laws and synergy effect throughout the economy.

Keywords: Synergy, synergy effect, merger, organization

Introduction

Synergy theory is currently the most controversial, promising, widespread, and interesting both in the natural sciences (physics, chemistry, etc.) and in economics, sociology, manufacturing organization, etc.

The founder of the synergy line in researches is the professor of University of Stuttgart Hermann Haken. Defining the term and concept of "synergy" as continuous action, cooperation, mutual effect of huge number of components, aspects, parts, he concluded the need to study their impact in the overall compatibility and integrity (Haken, 1980). Thus it was born a new science - synergy that studies the interinfluence and interconsistency of functioning of parts, which is reflected in the system behaviour as a whole.

Already in the 60s of the XX century a renowned scientist I. Zabuzkyy identified the need for "synergistic" approach for solving non-linear systems and defined such a common, coordinated, effective scientific direction – synergy (Evstigneyeva, 2006).

I.

The essence of synergy theory, for example, for organization of manufacture, is in the fact that when combining two or more organizations,

companies, a new structure will have a possibility to use a wide range of benefits, which arise, as synergy effect, due to association of all resources of members of the newly created structure (association), included in it. However, it shall be noted that members of the structure that has been created by the merger, may be quite varied - manufacturing, trading, social institutions, but all their efforts are aimed to maximize (optimize) the integral (synergy) effect (people welfare, shareholders profit maximization etc.). Thus, the main ground that encourages members to join the newly created structure - is receiving a synergy effect.

Interest and genuine scientific interest in synergy factors in any organization is due to receipt of additional result. This result is called a synergy (integral) effect.

All such synergy effects may be divided into two types: operational synergy and financial synergy. This distribution causes in modern science rather contradictory views, but we believe that this distribution for synergy in the economy (business) is not only appropriate, but essential, as it provides opportunities to select members of the association (cooperation, corporation) more carefully and its development prospects.

Under the operational synergies shall be understood such synergies that permit firms (institutions, corporations, manufactures, etc.) to increase their operational (current) profit, scale of growth, development, etc. Such synergies include:

- savings from increasing the scale of activities by the organization (corporation, association). At that, usually, some costs of such corporation that was formed with the merger and just cooperation between enterprises, become more efficient;
- advanced training of personnel of the enterprise, corporation. Typically, selection (requalification) of personnel, its reduction and review of basic qualification requirements takes place at the cooperation of members of the corporation;
- marketing development. All marketing outlets of every member of the corporation become common to the whole company;
- cost savings for scientific, research, experimental works. All separate research centres are summarized and achievements of each of them become available for all members of the corporation;
- the effect of combining of complementary resources. That is, each member of the incorporated corporation has the ability to use the reserves and resources both each of them and shared ones. Consequently, they own complementary resources.

All these synergy effects lead to an increase of market niche and consequently an increase of influence of the corporation, and an increase of its profit.

Financial synergies - appear when members of entities cooperate on the basis of financial merger, pooling of their capital, investments, profit. At that the synergy effect includes:

- reduction of costs for external capital raising. This is may be explained by the fact that it becomes possible at the merger to use finance of all members;
- tax benefits of the united corporation. Taxes are paid not by each its member, but by the one unified structure;
- increase in cost of the corporation (united structure) and cost of production.

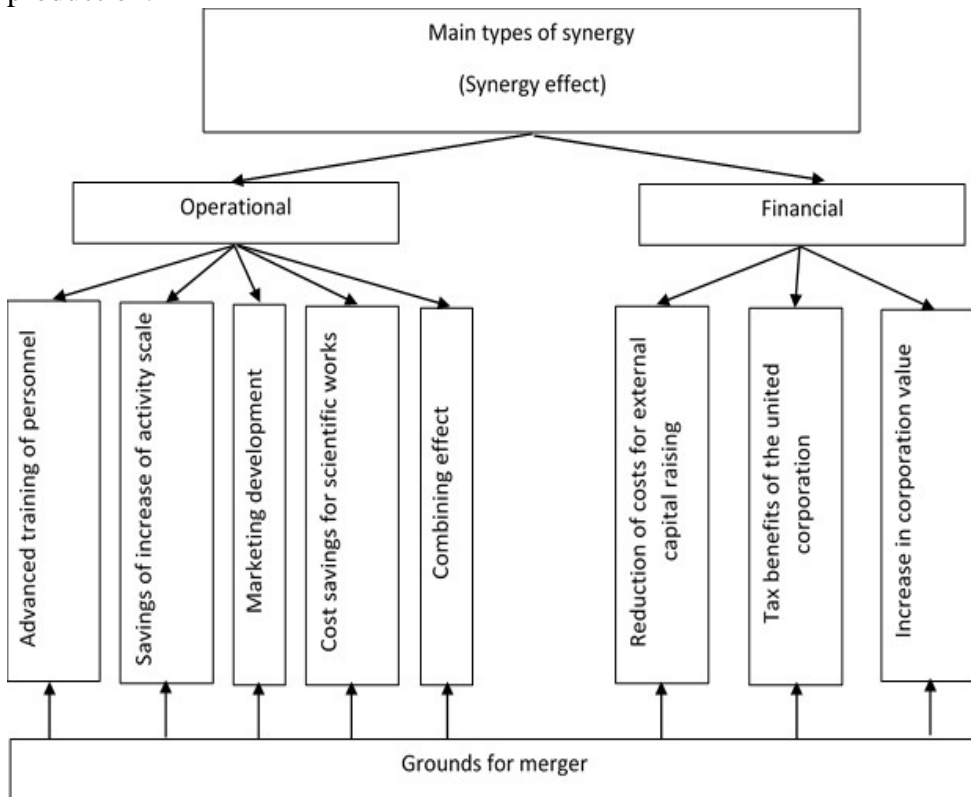


Fig. 1 Grounds for merger of the organizations

The mechanism of determining the benefits of association (merger) of some members of the corporation into a single structure was determined by Stewart Mayers in 1976. He proposed the principle of corporation (structure that was formed as a result of cooperation of several members of corporation) according to arithmetic sum of values of the members that created it (Braley & Myers, 2008).

$$PB > (PB_1 + PB_2 + PB_3 + \dots + PB_n) - B, \quad (1)$$

where: PB - market value of the corporation (unified structure);

PB_1, \dots, PB_n - market value of each member of the corporation;
B - costs for association (merger).

I. Ansoff proposes to assess the synergy effect as a consequence of increase of profit, reduce in costs for reducing the need for investment resources (I. Ansoff, 1979).

According to James K. van Horne and John M. Vakhovych the synergy - is the cost savings that results from the association, when the cost of production of the unified company exceeds simple arithmetic sum of their assets (as with S. Mayers) (van Horne & Vakhovych, 2008).

N.B. Rudyk and Ye.V. Semenкова believe that under the synergy theory the unified enterprise uses all advantages, arising from the pooling of resources.

In business the synergy means an advantage from the joint activity of several enterprises, organizations compared to their separate activities, where everyone defends its own interests.

This principle may be explained by the usual mathematical example. If, according to the laws of mathematics, two plus two equals four, then in a business - the result may be totally different, so that the actual result depends not only on strict methods of calculation or modern calculation techniques, but on the professionalism and character of interaction between managers (administrators) of particular company with the subcontractors.

At that, it is assumed that if the overall result of activities of several companies is below their algebraic sum, than such cooperation (synergy) is negative, and if the result is greater, then such synergy is positive.

This arises from the fact that the increase of system order (reduction of chaos) that was formed of several subsystems, is a result of purposeful activity (governance), and not a result of creation by its own, as random effect. Therefore, it may be both positive and negative.

Synergy occurs both in nature (phenomena, development, processes - physical, chemical, etc.) and in society, biosphere, noosphere, business, etc. Modern realias provide evidence of crises, emergencies, phenomena and processes in various fields of animate and inanimate materia, different fields of life and activity of man and society, in science, economy, politics, culture, etc. Such crises and phenomena become mostly systemic. Nowadays scientists around the world consider it necessary to study such phenomena on an interdisciplinary level.

The principles of synergy in the economy (business), activity of both small and large enterprises, industries, and today even further effective and optimal development of society is a driving force for the continued existence of life. The process of unification (cooperation) of individual members of the corporation that shall be created, becomes the main task of their continued existence. After all, they (members of the corporation) shall associate in such

a way to ensure further effective development not only in the field, in which they exist and work, but also in adjacent fields. There are also mentioned social and natural conditions, which surround them.

The main feature of synergy (social, ecological and economic) efficiency is the manufacture of use values with an aim to meet social needs on the one hand, and to focus on meeting the specific needs in appropriate ecological conditions on the other hand. That is, the enterprise, nature and society shall be considered as equal parts of social, ecological and economic system at the regulatory action of the social factor.

Modern development of the productive forces of humanity takes place in terms of the ecological crisis. Resource sharing between society and nature has reached enormous proportions, all natural and industrial, social and economic components of human life have become so intertwined that any impact on one or another natural component leads to unpredictable consequences.

The course of social development showed that the market economy that had generated a consumer attitude towards natural resources, became unable to overcome global environmental problems. In this regard, a criticism of the basic concepts of classical macroeconomics, the basic principles of which form the basis of modern economic relations, becomes more and more argued (Daly,2000; Tunitsya,2006).

Measurement of true prosperity comes across difficulties of the economic evaluation of natural capital: "There is a very big problem that now stands in the way of integrating of environmental accounting in the accounts of the national income and product. It is the problem of monetary valuation" (Goodwin, Nelson, Harris, p. 9).

At that, ecological and economic situation in Ukraine is crucial to study the problem, and cooperation of enterprises is considered as one of the key measures that positively affect both the economic and the environmental condition.

Complex of measures related to cooperation of enterprises, from a perspective of environmental protection, shall ensure the maximum effect, which consists of both economic and ecological, and also social result.

Ecological result (effect) is caused by a decrease in negative environmental impact and is reflected in the reduction of quantity (amount) of pollutants, harmful emissions and increase in the number of natural resources.

Social result (effect) involves raising the population living comfort, including improvement of health, reduce of incidence rate, maintaining ecological balance, increase of national wealth and prosperity (Tsarenko, 2004).

Analysis of recent researches concerning synergy effect in different areas and fields of human life and nature demonstrates the need for further study and application of synergy principles, as a science, in all areas, and we believe, in the processes of further improvement of production of human needs - material, natural, social.

Under the material needs shall be understood those benefits and consumer values, which ensure the material welfare of human, such one that makes no harm neither nature nor society.

Natural needs - are the processes of human interaction with wildlife that would not only make any harm to each other, but would ensure the most optimal common development.

Under social needs shall be understood the development of society as such.

One of the main objectives of our research is to determine the synergy effect of activity of enterprises (corporations), taking into account the above mentioned processes.

At that the process of association (merger, cooperation) of companies is the main object of research.

The problem of integration (vertical and horizontal), including merger (association) of companies is not new, but in terms of synergy principles (obtaining a synergy effect) it has some features, sometimes so unexpected and unpredictable, which have unexpected consequences in the long result.

Precisely this approach to integration (association) of enterprises causes a particular scientific interest and dominates in our research.

Evaluation of the synergy effect is a difficult and very important task, but nowadays, there is given less attention to its resolution than it is necessary, especially in the work of industrial enterprises, trade organizations, social institutions, etc. This issue becomes particularly relevant at the integration (merger) of some structures (enterprises, departments, etc.) into one large complex, which will include various institutions, both according to their main activity and for their intended purpose (for example, industrial enterprise, trade organization, scientific department, social and other institutions).

According to the theory of integration (merger) in the united structure, where it is expected the synergy effect, the welfare of shareholder shall increase.

One of the main problems is that the synergy effect is enough badly predictable and it is not always easy to achieve the expected result in practice. According to statistics, only 65% of agreements on integration (association) lead to the expected optimal results.

Consequently, the merger (association) as opposed to collaboration (cooperation) - is a development strategy, which is used nowadays by the most successful enterprises (institutions, organizations) to enhance efficiency of their activity. Then the synergy effect becomes the driving force (stimulus) of such actions. The main advantages of enterprises that associate include real opportunities in the new marketing outlets, improvement of product quality, access to various resources and investments, reduce of potential risks.

Unfortunately, statistics shows that in practice, in entrepreneurial activity and business in Ukraine the problem of integration (association) is in the making, it has not received sufficient attention and practice of its implementation. This means the loss of many opportunities that has a threatening prospect in these realias.

And here appears the issue concerning strategic planning of further development of enterprises in Ukraine, its business and optimization of the economy in a whole, precisely from the position of synergy approach - that is, getting the synergy effect in their further activities.

Strategic planning of entrepreneurial activity (business) shall be based on the following grounds:

- detailed studies of the situation;
- analysis of capabilities of enterprises that cooperate for the sake of synergy effect;
- realistic and fundamental forecasts;
- short-term results that may be objectively obtained in the nearest future.

At such planning the comprehensive data (specifications) of all members of the association, including their development risks and many others, individual characteristics inherent in new, associated company, are very necessary.

Particular attention shall be paid to those expenses that arise during the integration (association).

In order to compare the expected costs and benefits of integration (association) it is necessary to evaluate the following key factors:

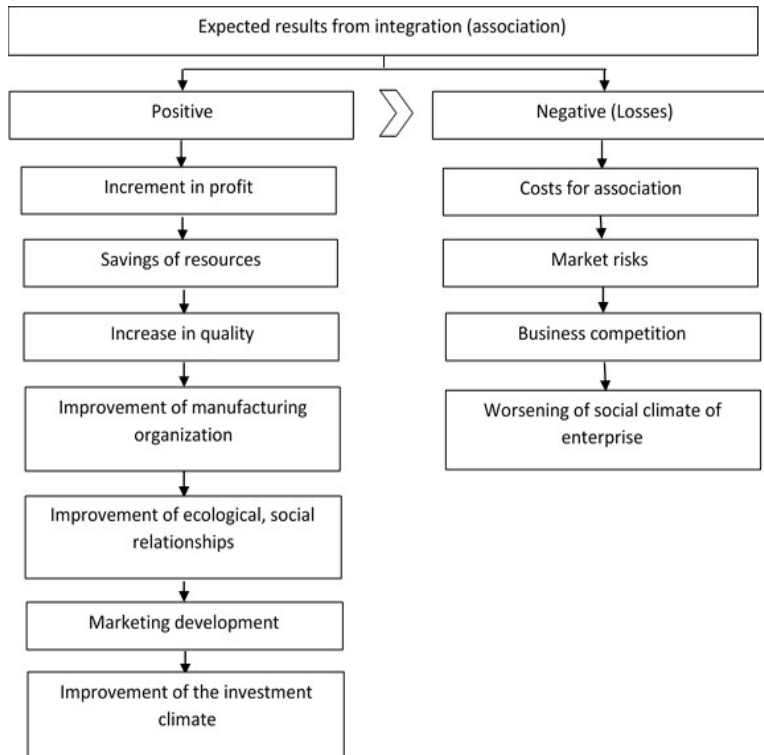


Fig. 2. Results from integration (association)

If positive results are more than negative ones, than the synergy effect will be positive, and any enterprise shall try to achieve such a result, if the negative results prevail, than the synergy effect will be negative. In the future, it appears the question on the assessment of the above mentioned results-factors, which shall be analysed during the strategic development of enterprises in order to obtain the synergistic effect by them.

Conclusion

Synergy approach - is a system of views on the world around, both in its physical and social, ecological manifestation (i.e. in close contact with nature, space, etc.) that allows to investigate the process and get new, generalized and specific results in multidimensional way, from all sides. Such researches make it possible to describe the processes, phenomena from different sides, levels, components, to explain their interaction and identify the peculiarities of the macroeconomic structures.

In economy the synergy researches have an objective to determine the "synergy effect", which usually differs from the economic effect. After all, it is the result of interaction of several coordinated systems - or rather, a large number of such components-systems. As in the economy at the organization of production of one or another type of product, the question is

about improving the system of combination of production factors, than the definition of synergy effect becomes crucially important.

In the field of business management (business economics) the synergy effect shall become a driving force at the creation of concerns, cooperation of enterprises, etc.

In marketing - it is the improvement of market relations according to the classical scheme "supply-demand", where the market as such is considered as an open economic system that organizes by itself, has extra-wide forward and backward contacts, etc.

To identify and calculate, much less to realize the synergy effect taking into account all the combinations of various factors - is an extremely complicated task and, at some times, impossible, primarily because of the limited possibilities of determining all factors, that are, components of influence the overall result (system). By using methods of non-linear mathematical analysis, a possibility of computer analysis of complicated tasks, basing on the laws of synergy, all or even most of the tasks may be solved.

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A PANEL DATA ANALYSIS OF THE RELATIONSHIP BETWEEN LEAGUE PERFORMANCE AND THE SHARES OF THE PUBLICLY-TRADED FOOTBALL CLUBS

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Abstract

Financial analysis of football clubs have gained great importance with the increase in the added value created by these institutions which have had a large share in the sports industry in recent years. The aim of this study is to investigate the relationship between the financial performance of the joint-stock companies belonging to the sport clubs which are traded in Istanbul Stock Exchange (BIST) and the sporting achievements of the professional football branches of sports clubs in Spor Toto Super League. Within this scope, it is aimed to determine in what aspects the share earnings that belong to Beşiktaş, Galatasaray, Fenerbahçe and Trabzonspor Clubs are affected by the match results (win, defeat or draw), and by the difference between the numbers of scored and conceded goals in five seasons between the years 2010 and 2015 by using panel data analysis. Moreover, to analyze the effect of the current market, the variables BIST Sporting Index and BIST 100 Index return values were included in the model.

Keywords: Sports, Stock Market, Panel data

Introduction:

Today's sports business is a fast-growing global industry derived by the consumer demand. Sports Market 2015 Report released by PwC predicts that the annual revenue of the global sports industry could rise above USD 145.3 billion by 2015. Today, sports has come to mean a lot more than professional sports activities. The fact that there exists a kind of sport or sports activity for each age group proves that sports is a part of human life from birth to death (Erdemli, 1996:104). Sports, too important to be only a

recreational activity, has gained an industrial dimension, and has taken on a new identity. Sports has become an interdisciplinary field in terms of its goods and services production as well as its consumption aspects. Today, sports and industry are two complementary fields, and even an essential part of each other. Indeed, sports market has a higher money volume than the economies of some countries. Such that, sports market has been separated from the others and evolved into a unique structure. (İyem, 2012:88). In the competitive sports market, all the big clubs, after their incorporation, have been introduced to the capital market with the aim of informing investors about their activities and of meeting their fund needs. Both the finance and sports authorities emphasize the importance of sporting achievement in attracting the attention of investors to the clubs that are open to the capital market.

When considering the financial analysis of the football in Turkey, the clubs which are called "Big Four" and listed in the stock exchange should be taken into account. These four teams with the most significant share of the huge football cake have been incorporated and began to be traded on the Istanbul Stock Exchange in order to liaise with the industrial football market. Among these clubs, Beşiktaş's listing model had been realized in the form of transferring the entire football related income/expenses to the established company. This model is called the English Model. Other three clubs had been listed on the stock exchange in accordance with the model known as the "Income Weighted". However only the revenues of these three football clubs were offered to the public, while one of the most significant cost item in the financial statement of the clubs namely the costs associated with the technical staff were excluded.

The aim of this study is to investigate how the sporting achievements of the professional football branches of publicly traded sports clubs in the largest national league of Turkey, namely in the Spor Toto Super League affect share earnings ratios. To that end, match results will be evaluated in terms of the differences between wins, defeats and draws as well as the numbers of scored and conceded goals; and it will be explored whether there is a relationship between these elements and share earnings. Accordingly, performances of Spor Toto Super League of Turkey football clubs in five seasons from 2010 to 2015 will be analyzed via panel data analysis. This analysis will identify the size and direction of the relation between the results of matches and the clubs' share earnings ratios. Although financial and sporting achievements have, around the world, long been a widely inquired and researched subject, relevant literature in Turkey has remained relatively limited. In previous literature, league success is measured on the basis of wins, defeats and draws. However, in this study it will be assessed in terms of the difference between the numbers of scored and conceded goals.

Additionally, its effect on stock shares will be explored. Accordingly, it will be determined if lopsided wins or defeats financially matter.

Literature

In recent years, football industry has developed a strong bond with capital than ever before, and been nearly taken under the control of capital. Match results are followed closely by large audiences from individuals investing in the stock shares of football clubs to sponsors; and their effect on the shares of a company or financial performance have been widely researched in literature. Szymanski and Hall (2003) make a panel data analysis of the performance of 16 English football clubs that acquired stock exchange listing. In the study; profits, league orders and expenditures of these clubs are assessed for five years before and after listing. They study three different models. The first model shows how salary expenditures affect league performance, while the other two models show how league performance affect stock returns and company profits. The study concludes that there is a strong correlation between league performance and returns and company profit.

Akgören and others (2008) investigate the performance of four big football clubs during the 87 derbies and 90 champions league and UEFA games between the years 2001 and 2007. In doing so, they aim to understand if league performances of these clubs have an effect on share earnings. Survey results suggest that investors gain over-normal profits a day after the matches. On the other hand, in derbies this is true only after defeats. Since over-normal earnings are higher for matches played in Europe, it is possible to say that investors attach higher importance to these matches than derbies. Bell and others (2009) investigate the effects of match results on share earnings of 19 English football clubs between the years 2000 and 2008. They consider some matches (when there is a possibility of championship or a risk of relegation) more important, and accordingly weigh them, because they expect these matches to have a different impact than ordinary matches. They create separate models for each of these 19 clubs and later on reach a single model by using pooled panel data. As result, they come to the conclusion that lopsided wins or defeats have an impact on shares and that results of important matches have a higher effect on the shares.

Benkraiem, Le Roy and Louhichi (2010) analyze the effect of sporting performances on the volatility of the stock shares of English football clubs for the July 2006 – June 2007 period; and utilize ARCH group models for these purposes. According to the results of their analysis, stock valuation of football clubs is affected by the sporting performance. Besides, the size of this reaction depends on the results and venue of the match (home or away game). It is stated that when teams are defeated in their own stadiums, the

level of volatility is higher. Uludağ and Varan (2013), via case study method, analyze how the Super League and National Championship performances of Beşiktaş, Fenerbahçe, Galatasaray and Trabzonspor, all publicly traded football clubs in Istanbul Stock Exchange, affect share earnings. They, for the periods of 2009 – 2010, and 2012 – 2013, assess 633 matches in total. As a result, they find out that defeats and/or draws have a negative effect on earnings. Another point they reach is that investors of Fenerbahçe and Beşiktaş react more strongly to defeats and draws than do the investors of Galatasaray and Trabzonspor. Godinho and Cerqueria (2014) analyze how results of national league matches of 13 football clubs of six different European countries affect stock returns between the years 2012 and 2013 and adopt MGARCH method for these purposes. They assume match results should reflect unexpected components. In view of these, an expectation point is defined in the light of pre-match betting odds. At the end of the study, they define a meaningful correlation between match results and stock performance. Güngör (2014) analyzes how national and international sporting achievements of football clubs affect financial performance indicators, based on the data from the 2007-2012 period via artificial neural network method. As a result, it is concluded that there is a strong correlation between sporting achievement and the total revenue derived from professional football activities; that there is a medium level correlation between sporting achievement and advertisement/sponsorship. It is also concluded that there is a strong correlation between royalty, license revenue and commercial income. Similarly, sporting achievement is found to be strongly related to youth setup expenditures.

Methodology

Panel Data Analysis requires a special kind of data called panel data, which provides the values of each variable for two or more time intervals. It is a viable method in which variables involve multiple regression data (Stock and Watson, 2011: 351). In mathematical terms, it can be expressed as follows:

$$y_{it} = \alpha_i + x'_{it}\beta_{it} + \varepsilon_{it} \quad t = 1, 2, \dots, T; \quad i = 1, 2, \dots, n$$

In the equation, y_{it} represents the value of the i^{th} unit of the dependent variable at the time t , x_{it} represents the value of the i^{th} unit of the independent variable at the time t ; additionally α_i represents mean zero and constant variance error term, and finally β_{it} represents linear trend coefficient. Panel data enriches empirical solutions via methods which wouldn't be applicable if pure cross-sectional or pure time series data was adopted. This should not come to mean that panel data models are free from problems. Advantages of panel data when compared to cross-sectional data or time series data are as follows (Gujarati and Porter, 2014: 592-593);

Panel data estimation methods allow for variables peculiar to individuals, firms, provinces, countries etc.; and take heterogeneous structures of these variables into account. Panel data, which combines cross-sectional data with time series data, “gives more information, is more variable, has lower levels of common linearity among its variables, has higher and more efficient levels of degree of freedom.” Panel data which works on cross-section of observations repeatedly is more suitable in analyzing dynamics of change. Impacts that are not visible in pure cross-sectional data or pure time series data are more visible and better measurable in panel data. For instance, impacts of minimum wage regulations on employment and income can be assessed more profoundly when the successive waves in minimum wages in the respective province or country are taken into consideration. Panel data enables us to analyze more complicated models of behavior. While handling thousands of units of data, panel data minimizes the aberration that might occur when individuals or firms are aggregated in large intervals.

Panel data is classified into two categories, namely balanced and unbalanced data. Balanced panel represents cases when observations are available for each unit and each time interval; while unbalanced data represents cases which lack a value for at least one unit and one time interval (Stock and Watson, 2011: 353). In our study, since all units and observation dates are available, we adopt balanced panel data. At the estimation phase of panel regression, there exist three methods that handle both the time and cross-sectional data dimension of the model. They are “Pooled Panel Data Regression Model”, “Fixed Effects Model” and “Random Effects Model” (Gülaç, 2014:99).

In fixed effects and pooled models, slope parameters are fixed for all cross section observations. In such models, variability of constants is assessed, while time effects are disregarded (Alp, 2011:36). In fixed effects model, variables of the disregarded unit are considered to be constants which are not variable along the time. (Cameron and Trivedi, 2010:261). The assumption underlying the Random effects model is that error components are drawn randomly from a ground mass (Gujarati and Porter, 2014: 606), because it aims to prevent the loss of degree of freedom that appear in fixed effects model (Pazarlıoğlu and Gürler, 2007:38). In regression analysis, it is conventionally assumed that there are factors which affect dependent variable, but are not included in independent variables and that these factors are expressed through random error variable (Alp, 2011: 37). What bears importance in random effects model is not defining specific coefficients of a given unit and time; but defining error components. Random effects model attaches importance to the impact of differences that occur in the observed sample in accordance with the sections, units and time. Finally, it takes off-

sample effects into consideration, as well (Pazarlıoğlu and Gürler, 2007:38). The idea about the best model is based on the assumptions on possible relations among the single i.e. error components peculiar to a given section and the explanatory variables (Gujarati and Porter, 2014: 606). Keeping the basic differences of the two models in mind, some observations conducted in relation to the preference between the two models are:

If the time series data inspected is large, while the number of section units is low; there is not much difference between the estimated coefficient values defined by fixed effects model and random effects model. Choosing between the two models depends on the ease of calculation; however fixed effects model might be more viable. If the number of cross section units is high, and time series data is small, it is called short panel data; and the estimations made through two methods might yield quite different results. If single error component and one or more explanatory variables are related, estimators of random effects model are biased, while fixed effects model estimators are unbiased. Unlike fixed effects model, random effects model can estimate coefficients of such time-constant variables as gender, and race. Besides, fixed effects model can control all time-constant variables, while random effects model can estimate only time-constant models explicitly placed in the model.

Briefly explained, if it is assumed that error component and explanatory variables are not related, random effects model is more applicable. However, if they are assumed to be related, then fixed effects model will serve our purposes better (Gujarati and Porter, 2014: 606-607). Seemingly Unrelated Regression (SUR) method, which, due to its nature, is more advantageous in panel data analysis, is adopted in the study. The method was first suggested by Zellner in 1962 to be used in solving system equations. In Seemingly Unrelated Regression estimation method, all equations are estimated one by one (Aktaş and Hatırlı, 2010). SUR method assumes that estimated equation systems are correlated only in terms of their error terms, and that equations do not form simultaneous equations. Coefficients are estimated by taking a couple of aspects into consideration. More clearly, the correlation of error terms among each other and their correlation with the error terms in other equations as well as heteroscedasticity problem are taken into consideration. In such cases, instead of OLS, Generalized Least Squares Technique (GLS) is adopted (Etkin Özen, 2010: 46). When working on panel data, advantages of using SUR method are as follows (Etkin Özen, 2010: 47): This method allows correlations among different equations that are found in panel data. Since any correlation not explained by the variables of a model is represented by the error term; it is assumed that an external shock which affects a unit has

an impact on other units, as well. SUR method utilizes GLS. This method is more advantageous if error terms are related.

Data identification

The aim of this study is to investigate the relationship between the financial performance of the joint-stock companies belonging to the sport clubs which are traded in Istanbul Stock Exchange (BIST) and the sporting achievements of the professional football branches of sports clubs in Spor Toto Super League. The main hypotheses of the study, which aims at defining the size and direction of the relationship between match results in league matches and share earnings of the four football clubs that take part in Spor Toto Super League of Turkey, are; H_{01} : Share earnings of football teams are not affected by the difference between the numbers of conceded and scored goals. H_{11} : Share earnings of football teams are affected by the difference between the numbers of conceded and scored goals. H_{02} : Share earnings ratios of football teams are not affected by their match results (win, defeat, or draw). H_{22} : Share earnings ratios of football teams are affected by their match results (win, defeat, or draw).

In accordance with these aim and hypotheses, the difference between the numbers of scored and conceded goals of these four football teams as well as their match results and share earning values for five consecutive seasons between 2010 and 2015 are defined as the data set.

Table 1: Defining the Variables

Variables	Definition
WIN	“1” if football team wins the match, and “0” in other cases.
DEFEAT	“1” if the team is defeated, and “0” in other cases.
DRAW	“1” if the result is a draw, and “0” in other cases.
AVERAGE	Difference between the numbers of scored goals and conceded goals.
Earning	Share Earnings of Football Clubs
Sports return	BIST Sporting Index Return Value
BIST return	BIST 100 Index Return Value

If the difference between the numbers of scored goals and conceded goals i.e. average is positive, it means that the team in question has won that given match; while negative values mean that the team in question has been defeated in that given match. If the match results are expressed as “zero”, it means the match has ended in a draw. For instance, on 18.08.2013, Beşiktaş won the game by two points and its average point became 2; while on 22.09.2013, it lost the game by 3 points and therefore the average point is -3. Similarly, its match on 09.12.2013 ended in a draw, and therefore its average point became zero. Clubs’ share earnings series (Earning) is calculated by

dividing the price of trading stocks on a given t day, by the realized value on $t-1$ day. In mathematical terms, it is as follows:

$$Earnings = \left(\frac{price_t}{price_{t-1}} \right)$$

BIST 100 Index Return series and BIST Sporting Index Return series are also calculated by utilizing the same method. The model to be used in the study is developed in order to investigate the effects of lopsided wins and defeats on stock shares. Which is also a convention in the studies by Bell and et.al.(2009) and Cerqueria (2014). In view of these; Model 1: Earnings = $\alpha + \alpha_1$ *Average + α_2 *Sporting return + α_2 *BIST return, Model 2: Earnings = $\beta_0 + \beta_1$ *Win + β_2 *Draw + β_3 *Lose + β_4 *Sporting return+ β_5 *BIST return

Match results of individual teams are obtained from the official statistics of the Football Federation of Turkey, while share values are obtained from FOREX website. In analyses, Eviews 8 and STATA package software are used.

Empirical findings

As a first step in the study, descriptive statistics for share earning series are calculated. When earning series which consist of 1131 observations are analyzed in terms of clubs; earning average for Beşiktaş is equal to 1.001, while it is 1 for Fenerbahçe. As to the earning average for Galatasaray, it is 0.999. Finally, the average for Trabzonspor is 0.999. Throughout the study term, maximum earning value belongs to Trabzonspor (1.21), while minimum earning value belongs to Fenerbahçe (0.80). When coefficient values of kurtosis of the series are analyzed, it is found out that the series have a pointy structure and that they have a positively skewed distribution because coefficients of their symmetrical structure are positive (See Table 2). Graphs for the earning series of teams are provided in Figure 1.

Tablo 2: Descriptive Statistics for Stock Return Series of Clubs

Clubs	Average	Maximum	Minimum	Standard Deviation	Skewness	Kurtosis
BJK	1.001	1.189	0.842	0.034	1.040	9.713
FB	1.000	1.2	0.807	0.031	0.903	12.159
GS	0.9991	1.176	0.870	0.028	0.852	10.166
TS	0.9999	1.219	0.850	0.035	1.045	8.702
Total	1.000	1.219	0.807	0.032	0.997	10.221

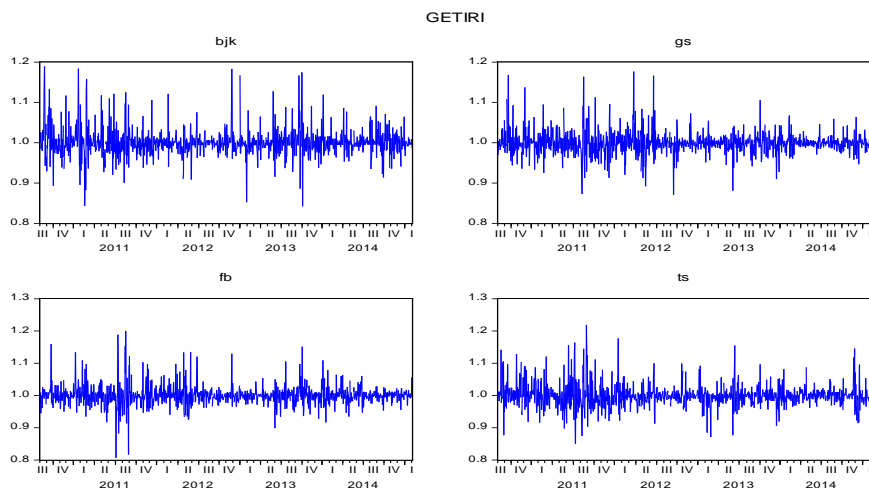


Figure 1: Earning Series Graph

Correlation coefficients of variables which are thought to explain share earning series are provided in Table 3. In the light of the data provided in the table, it is found out that there is a strong and positive directional relationship between earning series and BIST Sporting Index return series. On the other hand, when the dummy variables formed in accordance with the aim of the study are analyzed, it is seen that earning has a positive but weak relationship with the “win” variable, while it has a negative and weak relationship with “both draw and defeat” variables. Apart from this, when compared to other dummy variables, earning is affected more by the “defeat” variable.

Table3: Correlation Matrix of Variables

	Earnings	Win	Draw	Defeat	Average	Sporting return	BISTreturn
Earning	1.00						
Win	0.04	1.00					
Draw	-0.08	-0.05	1.00				
Defeat	-0.09	-0.05	-0.03	1.00			
Average	0.08	0.62	-0.02	-0.40	1.00		
Sporting return	0.67	-0.02	-0.03	0.00	-0.01	1.00	
BIST return	0.30	0.03	-0.01	0.00	0.03	0.42	1.00

Before starting panel data analysis, it is necessary to check if the data to be used is stationary or not. Unit root tests used in panel data analysis are statistically stronger than conventional unit root tests. All variables should be equally stationary in order to avoid spurious regression which is common in econometric analyses and lead to miscalculations (Halaç and Kuştepli, 2008:7). Levin – Lin – Chu and Im, Pesaran and Shin unit root tests can be

utilized to understand whether the series are stationary or not. LLC test, one of the very first tests to be developed in the area, is used to check if each group in a given panel contains a unit root or not. However, alternative hypothesis of LLC test requires autoregressive coefficient to be homogenous. IPS test, on the other hand, is an expanded version of LLC test and yields heterogeneity in short term dynamics. Besides, it suggests that autoregressive coefficient should be heterogeneous not homogenous as is the case in LLC test. In zero hypothesis of IPS test, not all series are stationary, while in its alternative hypothesis, first degree difference of panel series is assumed to be stationary (Gül and Kamacı, 2012: 85). Within this context, unit root test results for the variables used in analysis are given in Table 4.

Table 4: Unit Root Test Results

Unit Root Test	Earning	Sporting Return	BIST Return
Levin, Lin & Chu t*	-33.63*	-30.16*	-39.09*
Im, Pesaran and Shin W-stat	-31.02*	-30.15*	-31.30*

*, ** and *** stand for significance at the levels of p<%1, p<%5 and p<%10, respectively.

Earning series is accepted to be stationary because tail probability values for all unit root tests are lower than 0,01; 0,05 and 0,1. As of this point, two models, also mentioned previously, are formed by using the variables of the study. Then, it is questioned whether it is fixed effects model or random effects model that is more effective on these two models. In order to answer this question, Hausman test, which is compatible with chi-squared distribution with k freedom degree, is adopted. Hausman test refuses the zero hypothesis which suggest the coefficients of random effects model are identical to the coefficients of fixed effects model. This fact can be taken to mean that fixed effects model yields more efficient results (Bayraktutan and Demirtaş, 2011:9). Hypotheses of the test are: H₀: Random effects model is valid. H_a: Random effects model is invalid.

Table 5: Hausman Test Results

	X ² Statistics	P
Model 1: Cross-section random	16.32	0.0000
Model 2: Cross-section random	45.95	0.0000

*, ** and *** stand for significance at the levels of p<%1, p<%5 and p<%10, respectively.

Model 1: Earnings = $\alpha + \alpha_1$ *Average + α_2 *Sporting return + α_2 *BIST return
 Model 2: Earnings = $\beta_0 + \beta_1$ *Win + β_2 *Draw + β_3 *Lose + β_4 *Sporting return+ β_5 *BIST return

According to the test results, since p value is lower than 0.05 significance level, zero hypothesis is rejected. There is no random effect in the model. As of this point, it will be assumed that there is fixed effect in the model. As of this point, it is questioned whether the error terms of the

formed models involve autocorrelation and heteroscedasticity problems. Hence, Wooldridge Test, which is used to detect autocorrelation problems in panel data analysis, is driven; and its zero hypothesis (Model 1: F statistics tail probability value=0.03, and Model 2: F statistics tail probability value=0.005), which suggests that “there is no autocorrelation”, is rejected. Then, Wald Heteroscedasticity Test is applied to analyze error heteroscedasticity problem, and as a result, its zero hypothesis (Model 1: X2 tail probability value=0.0000, and Model 2: X2 tail probability value=0.0000), which suggests that “there is no heteroscedasticity”, is rejected. In order to eliminate autocorrelation and heteroscedasticity problems, model SUR method is estimated. Coefficients of fixed effects model are provided in Table 6. In mathematical terms, equation of the model can be expressed as follows: EARNING RETURN = 0.022 + 0.002 * AVERAGE + 0.95 * SPORTING RETURN + 0.09 * BIST RETURN + [C_x]

In the light of the model results, the explanatory power of independent variables on dependent variables i.e. R² value is defined to be 87.29%, and the model is statistically valid (F Statistics p<0.05). Constant term and BIST Return variables exhibit significance at the level of 0.05, while the other variables exhibit significance at 0.01. In the model, coefficients of the independent variable express the degree of change occurring in dependent variables in the face of one-unit-change occurring in independent variables. An analysis of the coefficients implies that if the other variables in the equation are “0”, share earnings of football clubs will be equal to the constant term. Besides, thanks to fixed effects model, individual effects for football clubs can be defined by a calculation in which constant coefficients of the clubs are added on the constant coefficient of the model (C+C_x). The coefficient which represents the effect of average point on earnings has a positive relation with share earnings of the clubs. This relation implies that, when the other variables are constant, a one-unit increase in the average point results in a 0.002 level increase in returns in a given period of *t*. Sporting index and stock index returns are included in the model to be able to detect how earnings of the clubs are affected by the current market and by the return of their competitors. Returns of these indices affect earnings of the clubs positively. A possible one-unit change in BIST 100 Index return leads to an increase of 0.09 in stock returns, while a possible one-unit change in Sporting Index leads to an increase of 0.95.

Table 6: Results of the Model-1

Dependent Variable: Return				
Method: Panel EGLS (Cross-section SUR)				
Variables	α	Standard Deviation	t-statistics	P
C	0.022	0.008	2.57	0.01**
AVERAGE	0.002	0.0004	4.54	0.00*
SPORTING RETURN	0.95	0.012	85.05	0.00*
BIST RETURN	0.09	0.012	2.34	0.01**
C_{BJK}	0.0007			
C_{GS}	-0.00074			
C_{FB}	6.35E-05			
C_{TS}	-5.50E-0			
R^2	0.873	Adjusted R^2		0.87
F-Statistics	5170.7	p (F-statistics)		0.0000*
Durbin-Watson stat	1.92			

*, ** and *** stand for significance at the levels of $p < 1\%$, $p < 5\%$ and $p < 10\%$, respectively.

Coefficients of shares according to the fixed effects model are provided in Table 9. It is confirmed that match results of the teams, which are assumed to be variables that run the probability of affecting share earnings, are statistically significant according to the fixed effects model. In model, 2 all coefficients are statistically significant. Besides, constant term and BIST Return variables exhibit significance at the level of 0.05, while other variables exhibit significance at 0.01. Equation of the model can be expressed in mathematical terms as follows: $Earning = 0.022 + 0.0034 * Win - 0.0034 * Draw - 0.006 * Defeat + 0.953 * Sporting\ return + 0.026 * BIST\ return + [C_x]$

Table 9: Results of the Model-2

Dependent Variable: Return				
Method: Panel EGLS (Cross-section SUR)				
Period: 8/03/2010 2/03/2015				
Variables	β	Standard Deviation	t-statistics	P
C	0.022	0.009	2.53	0.01**
WIN	0.0034	0.0008	4.39	0.00*
DRAW	-0.0034	0.001	-3.54	0.00*
DEFEAT	-0.006	0.001	-4.28	0.00*
SPORTING RETURN	0.953	0.011	84.62	0.00*
BIST RETURN	0.03	0.01	2.41	0.02**
C_{BJK}	0.00078			
C_{GS}	-0.00085			

C_{FB}	5.50E-05		
C_{TS}	1.63E-05		
R^2	0.862	Adjusted R^2	0.8616
F-Statistics	3522.267	p (F- Statistics)	0.0000*
Durbin-Watson stat	1.91		
*, ** and *** stand for significance at the levels of $p < 1\%$, $p < 5\%$ and $p < 10\%$, respectively.			

When the results of the model are analyzed, in the Model-2, the explanatory power of independent variables on dependent variables i.e. R^2 value is defined to be 86.2% which is lower than that of the Model 1. An analysis of the coefficients of the variables implies that wins of a team have 0.003-high positive effect on earnings, while draws and defeats affect earnings negatively. If a team loses a match, earnings depreciate at the ratio of 0.006, while they depreciate at the ratio of 0.003 if a match ends in draw. In the light of these, it is possible to say that earnings are affected more by defeats while profits and losses in cases of draw or win are equal. As was the case in the previous model, it is found out that share earnings of clubs are affected positively by the current market and by the return of their competitors. Furthermore, a possible change in BIST 100 Index return leads to a change level of 0.03 in stock returns, while a possible change in Sporting Index leads to a change level of 0.95.

Results

Incorporation of football clubs is accompanied not only by institutionalization and professionalism but also by diversification of income sources. Entrance into capital market, as the next step after incorporation, makes it possible to transfer new fund resources to clubs. UK has the highest level of public offering of sports clubs, and the market values of these clubs are pretty high. UK serves as a model in public offerings of sports clubs; and its public offering model, namely "English Model" is accepted by other clubs, as well. This model is the type of public offering which requires the entire sports club to be transferred to the newly established company. As to the public offerings in Turkey, it began with incorporation of football clubs and the transfer of professional football clubs to the newly founded or to-be-founded joint-stock companies. In Turkey, Fenerbahçe, Galatasaray, Beşiktaş, and Trabzonspor football clubs have been offered to public. These clubs became eligible to be offered to public after their incomes were transferred to football A.Ş. or sports A.Ş. (A.Ş. is an acronym for joint-stock company) which were open to stock market. An important point is that except for Beşiktaş, which adopted "English Model", all the other clubs kept expenditures within the structure of their clubs and

transferred only their income to the newly-founded stock companies of theirs. This can be an interesting point in explaining why clubs except for Beşiktaş are not much affected by the league. Since Beşiktaş has both income and expenditures in the stock market, its investors share not only their profits but also their losses. Therefore investors can be psychologically affected by the situation of their clubs. However, investors of other clubs do not share losses; they might not be interested in league performance, because a faulty transfer case, excessive spending or loss of a cup is not a particular concern for investors.

In line with the aim of this study, match results of the clubs are evaluated in terms of their wins, defeats, draws and the difference between the numbers of scored and conceded goals; and it is explored in two separate models via panel data analysis whether there is a relationship between these elements and share earnings. The resulting models are statistically significant. It is seen that the model formed with average point exhibits a better performance than the one formed in the light of the match results. Besides, as the average point rises, stock shares appreciate in value. Accordingly, it is possible to say that lopsided wins or defeats in leagues have an effect on earnings, and investors care about the number of goals, which is one of the most important criteria in the evaluation of league performance. In the model formed in the light of the match results, it is, as expected, seen that stock shares appreciate in value after win while they go through depreciation after defeats or draws. Moreover, BIST Sporting Index and BIST 100 Index return values were included in both models to be able to understand if earnings of the clubs are affected by the current market and by the returns of their competitors, and as result it was found out that returns of these indices affect stock shares of the clubs positively and that share values of football clubs run parallel to the market.

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A WORKSHOP COURSE TO RECONCILE KNOW-HOW AND KNOWLEDGE IN THE FIELD OF TECHNOLOGY (CASE OF LEBANESE HIGHER EDUCATION)

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Abstract

This action research addresses issues related to the skills in higher education in order to provide transferable skills and employability in engineering and technological fields. This research aims to offer a practical guide to effectively integrate skills into first year engineering courses. It is in this spirit, and in the context of Lebanese Universities that we conducted a reflection and an experiment around the design of a learning environment project (Project Approach) as a solution to the fragmentation of subjects in science and technology. We report in this article the problems observed in teaching in Lebanon before presenting our solution (Project Approach), its foundations and put it into practice around the creation of a robot. This study was conducted with 80 first year electrical engineering and computer science students at a Lebanese university.

Keywords: Lebanese Higher Education, Science, Technology, Project Approach

Introduction

The teaching of technology still suffers from a fragmentation of knowledge. Worldwide, there has been a fall in the number of university students in sciences and technology according to a several studies on this field (Graham & David, 2003 UICEE) and (Ginestie, 1999).

With the aim of creating a new relationship between knowledge and know-how in order to improve professional skills and encourage sciences and technology interest, we can embrace different concepts related to learning such as, constructivism (Piaget, 1969), socio-constructivism (Vygotsky, 1934), conectivism (Siemens, 2005) and competency-based approach.

On the other hand (Inshauspe, 1998) and (Vivet, 1990) assure that the new approaches by competency require a profound change in learning activities in science and technology.

Students should be more active, more independent; they have to be involved in a scientific investigation in the laboratory in addition to the lectures from a classical education. Hence, I think that, an action based approach through a collaborative project allows students to build trainable capacities consistent with the expectations of society and enables them to integrate their knowledge.

In this research, in order to demonstrate how the action-based approach is essential for the integration of knowledge and know-how. We have conducted an experiment through a university level course encompassing 80 first year engineering students, from different backgrounds in relation to their usage of technology equipment. The aim was to homogenize the different students in order to be able to achieve a balance of Knowledge and know-how.

Observation on teaching technology

In this section, we will present an overview of technology education in Lebanese schools and universities.

Observation on current teaching of technology in schools

The huge problem starts in our schools. In fact, following the CERD⁵⁴ national program, the teaching of technology still retains its status as an “activity/club” and is not involved in any evaluation in official examinations.

According to the CERD, slightly modernized from thirty years till now, technology is reduced to an application of the science, e.g. sciences refer to the lectures for theoretical presentation and technology to laboratories activities as an experimental support. In general, the CERD reduces technology to practical classes in science education.

Even though the CERD imposes one period per week of technology from the elementary to the secondary cycle, the lack of budget to implement specific laboratories in chemistry, physics or even with computers prevents the majority of Lebanese schools, particularly the public ones to fulfil this requirement.

In fact, although some private Lebanese schools dispose equipped laboratories, they are hugely limited to the demonstration of experiments by the teacher in order to reduce time consumption: They prefer dedicate the allocated period from laboratory activities to their lectures in sciences, which

⁵⁴ <http://www.crdp.org/en> :Center for Educational Research and Development (CERD)

is required in official examinations⁵⁵. This situation degrades the interest of the pupil in technology and takes away the constructive goal of experimentation.

Other schools, which do not dispose of well-equipped laboratories, are content with lectures without any sort of experimental support. This later leads to a students' lack of capabilities in various technological disciplines at the university.

Knowing that, to adhere an engineering, technology or science specialization at most Lebanese universities, pupils must succeed, among other requirements⁵⁶, a baccalaureate in General Science (GS) or Life and Earth science (LES) which in fact do not have a laboratory component.

Observation on current teaching of science and technology at Lebanese Universities

As an electrical and computer engineer I have assumed several academic and administrative responsibilities at the Holy Spirit University at Kaslik – Lebanon at the Faculty of Science and Computer engineering since 2000.

During this period, I have examined most of the engineering and science programs in five of the most famous Lebanese universities⁵⁷. I have found that, most courses use the same teaching model which consists of 3 hours of theoretical presentation per week in addition to 2 hours of practical work in laboratories. The portion of laboratory work allows exclusively to apply and deduce the theories viewed in class. This laboratory session is performed under the supervision of the teacher and strongly guided by a manual. Students perform experiments by following an experimental protocol previously established. The learner is no more the holder of his education and consequently, he loses his autonomy.

Following (Perrenoud, 1998):

“This approach moves away from constructivism and competency-based approach whereby the student becomes responsible for the acquisition of knowledge and organization. These should not be limited to a set of procedures and content to be memorized. The integration of learning is, first: Related to the gradual creation of a coherent whole from knowledge, skills

⁵⁵ In exception to the private schools which maintain a double baccalaureate: the Lebanese one with the French (BF) or the International Baccalaureate (IB).

⁵⁶ Most of Engineering and Science Faculties impose an oriented entrance exam in addition to the baccalaureate in GS or LFS.

⁵⁷ Holy Spirit University of Kaslik (USEK), Saint Joseph University (USJ), Lebanese University (UL), Lebanese American University (LAU) and American University of Beirut (AUB).

and attitudes, and secondly: The implementation and the use of newly acquired skills in different situations.”

Perrenoud says that by limiting teaching to a set of procedures to be memorized, we condemn our students to be closely dependent on us as teachers and mentors. They will be no more responsible for their own acquisition of knowledge. For this author, the integration of learning is based upon: Learning to know and learning to do in new situations.

The heterogeneity of students in their technology activities at the University

According to the above, the students behave differently during the first academic year, from the standpoint of their prior knowledge and know-how. As a teacher, I must consider this disparity in order to plan activities that meet the benefit of all.

I have noticed that the integration of students, coming from a magisterial education is difficult: They slow the progress of their well-formed colleagues in laboratories fields. For the sake of safety during the experiments, the risk of accidents increases because of lack of maturity in the group work.

“We need to break a major paradox: A uniform teaching with a heterogeneous class. Instead of a uniform education where the origin is the teacher, we will design a non-uniform teaching with the student as a central player” (Boudreault, 2003).

Boudreault suggested breaking the traditional way of teaching by subdividing students according to their educational level and consequently assigning an adequate project.

Pedagogical / educational foundations involved: Action learning approach through a project

Unlike most educational subjects, science and technology require, in addition to their theoretical content, the appropriation of functional devices in laboratories (Jowallah, 2008).

To remedy the complications found in science and technology education in Lebanese universities, I suggest the development of an environment of action learning via a collaborative project in laboratories. This tangible learning would allow the student to develop a structure of thought that is more formal while making him more autonomous with the acquisition of knowledge (Akınoğlu & Özkardeş, 2007).

This strategy is inspired from the social constructivism approach. It engages students in solving scientific problems as part of a research project team. It is similar to that adopted in industry.

In this context, as a teacher, I act as an arbitrator fragmenting tasks, I only occur to resolve problems. However, the student learns by organizing his own experimental protocol. Then, I could test the student ownership of an experimental expertise while integrating disciplinary knowledge rather than memorizing them. I am also responsible for guiding my students to the adequate scientific revues and web sites.⁵⁸

By engaging my students in scientific investigation, I hope that, they build knowledge (constructivism) and they are thus able to invest them in the field of labor. (Wills, Dermer, McCauley, & Null, 1999) used the term of “peer learning” to encompass collaborative learning. They presume to touch a better understanding of the problem and students are more active and engaged in their learning⁵⁹.

Description of the context of the work-shop course: Proposed learning environment in Science and Technology

I am aware that a learning environment should reflect a real situation, its goal is to enable learners to transform their experiments into know-how in a quick and efficient way.

“The idea is that to move from a paradigm where the system was a communication system and where we saw the teacher as a producer and the learner is only a receiver, to a system where the student is an actor in his own learning.” (Giardina, Depover, & Marton, 1998).

In this citation, Giardina finds that it is important to change our strategy in teaching from a teacher centered status to a student centered status.

As a member of the programs committee in the Holy Spirit University of Kaslik, I have introduced innovated courses in the first year in engineering and science education, the aim was to help students to adopt a scientific approach, to be familiar with technological tools and especially, to homogenize the differences in their experimental expertise.

Among these courses, a specific workshop- course titled “Electronic Project” (ELE335) was held and I was responsible to develop its content as well as implement it. This situation is similar to the “action learning strategy” (Johnson, 1998).

Description of the organization of the work-shop course

In the work-shop course, the students will be engaged in an activity where they can freely design solutions and get used to the field of professional market. As a trainer, I am always present in supporting and promoting a process of active learning.

⁵⁸ www.solorb.com; www.alldatasheet.com; www.electronics-lab.com; Revue Electronique pratique

⁵⁹ The research findings from two workshops (workshops in June 96 and June 97) at Worcester Polytechnic Institute (WPI).

This project is divided into modules that must be completed within a realistic time frame. During this work-shop course, students have to:

- Draw electrical schematics,
- Make circuit simulation⁶⁰,
- Implement circuit wirings,
- Research materials on the market, etc...

The 15 week organization deals with peer's interactions, which is the heart of all pedagogical organization based on student centered learning. Many research brings to light interesting and relevant outcomes on the interactions among teachers, students and knowledge; at this moment, they constitute the most pertinent scientific contributions to science and technology education (Smith & Cardacioto, 2011) and (Race, 1993).

This workshop course requires two hours per week during fourteen weeks; the fifteenth week is devoted to present the project as a Word document and in Power Point. This presentation is open to a debate with the public (Peer observation). Knowing that the public could be other teachers or groupes' colleagues.

Description of the students' activity, their outcomes and feedback about the work-shop courses

The course objective was to manufacture electronic circuits chosen by the students. At the end of this course, students should be able to make a circuit through the use of a pre- manufactured issue, understand the components and their characteristics offered by the manufacturer's Data Sheet, and write a scientific report of implementation with an oral presentation in PowerPoint.

This workshop aims to make first year students familiar with the laboratory equipment and the commercial market. In addition, they will be able to acquire skills to communicate as a group (socio-constructivism).

Choice of the group

Students are to be freely paired up. As a teacher, I am careful to ensure homogenous groups. Because Science education is based on the argumentative field, this environment needs an educational atmosphere suitable for coordination and communication among the group members.

In this workshop, I consider an aspect of the "theory of situations" of (Brousseau, 1998); I must allow students "to build new knowledge".

In his ouvrage, Brousseau wrote:

"Devolution is the act by which the teacher makes the student accept responsibility for a learning situation (a- didactic) or a problem and accepts, himself, the consequences of this transfer."

⁶⁰ Examples of simulation programs : Pspice and Multisim Electronc's Workbench

Brousseau claims that the hidden objective of an “a-didactic” situation makes the student responsible for his learning. This author introduces the idea of the job of a student, which is to live up to the expectation of the teacher. Since this theoretical description of interactions among teachers, students and knowledge is in accordance with the dynamic process of teaching-learning.

Choice of the project

The project, plausible and affordable, is not necessarily unique for all the class neither imposed by me as a teacher. I present to my students a list of websites and scientific documents. Each group chooses a circuit of his pick and knowledge levels. Since the topics are diverse, the criteria for my approval are diverse as well:

- The plausible and the scientific objectives
- The degree of ability to show the previous concepts and emerge new ones
- The level of complexity that stimulates creativity
- The availability of components in the local market
- The investment of the peers in this activity

(Vergnaud, 2000) proposed: “The organization of the disturbances, in order to cause learning”. Although the subject is not completely designed by the student, its complexity can generate innovation and creativity and evoke a “cognitive leap”.

The implementation of projects ⁶¹

By implementing projects, the learner explores the situation, considering solutions through a process of “trial and error”. (Race, 1993) in his “Ripple models” advanced that teachers must keep students learning by doing, practice and trial-and-error.

Learning depends on the richness of the educational environment, where students are placed with instruments, documents, etc ... Developed by me as a trainer.

Training will be faster when learners are free and motivated to act (Smith & Cardacioto, 2011). This assumes they have a cultural body efficient enough to act responsibly. Here, the prerequisite courses required are: basic electronics and electrical circuit. This knowledge was exploited to make them understand, through their personal efforts, the actual use of circuits in an industrial field.

⁶¹ You can find any further information (videos, photos, reports, ..) on this project on the address of the author marie-therese.saliba@umontreal.ca

An application example: The realization of a robot

One such project- workshop, I really enjoyed, was the realization of a robot. As its name “Line Tracking Robot” revealed (see Picture 1), the robot must follow a black line by making corrections to its trajectory in order to reach its destination.

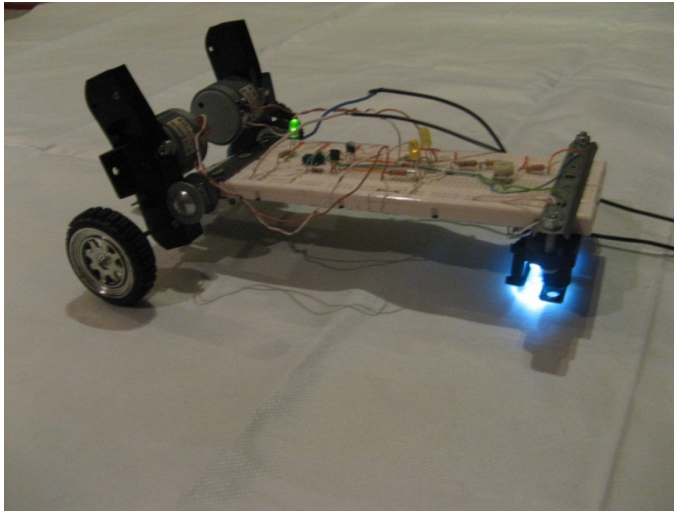


Figure 1 : Line Tracking Robot

The goal of realizing such a project is to visualize the operation of electronic components (LM393, photo resistors, transistors ...), use simulation software, practice building circuits, test and eliminate errors (engine speed, brightness of the field ...).

The project implementation occurred in sequential steps: Construction of the electrical part, then adjustment of the potentiometer to balance the voltage across the photo resistors. The result is perfect. However, at the level of the realization of the mechanical part, the problems appeared: Reduced wheel friction and improving the operation of engines. The motors required poor Intensity 0.6A to start, so students substituted them by toy cars motors.

Students' feedback:

According to the report presented by my students, the development of this project has offered them several advantages detailed in their reports below.

Students' report on “line tracking robot”:

- “The choice of the pair was free; we must take into consideration the place of residence of each to facilitate cooperation and achieve our goal. The choice of the project “Line Tracking Robot” was fun. This robot did not cost too much. All the necessary materials for its construction were available”.

This reveals how the students have become more familiarized with the market and have enjoyed their learning experience which enhanced their self-confidence.

- “This project aimed to familiarize ourselves with the various tools and electrical components”. This shows the students have become well acquainted with the material at hand.
- “We have gained more experience, our technical competence is enriched and our method of working has changed”. This point proves that students are now more competent in their work in the laboratory.
- “It is through the right choice of group work that the project offered us several advantages: The distribution of tasks, saving time, sharing knowledge, opinions, etc...”We can see here that management of tasks between the students became more efficient as the lab work went on.
- “Group dynamics: In a group we feel stronger and we encourage one another”.
- “Group work is far from a magic formula that works every time, so it will never replace the personal work!”
- “Acquaintance with the resources: Books, websites ...”
- “What is conceived well is expressed clearly”: We train ourselves to play the teacher and test our ability explaining.”

The points above were some relevant opinions of the students, revealed by their own authentic style in French in their final Word report then it was translated into English by myself.

In summary, we see that all of the above points, made by the students, have been at the foundation of better understanding, management and even self-confidence within respective teams based on a student’s own personal know-how and knowledge integration.

The students’ feedback, their motivation during the workshop and their questionnaire responses, incited us to presume that the pedagogy of projects in the labs leads students to take responsibility for their learning. Indeed, students are enthusiastic to get their own experiences. They acquire confidence and develop skills and know-how.

(Leroux, 2005) believes that: “In an educational project situation, students require both knowledge and know-how.”

I realized that, working in teams students learn to follow rules and timelines. They learn to read data sheets, to interpret and to structure their work.

By Internet research, students can navigate through a magma of information in order to expand their knowledge, sort and draw concepts needed to approach their projects. Sometimes, they are led to confront and

negotiate contradictory concepts, analyze and come out with decisions and conclusion.

While carrying out the project, students will be able to modify and correct their models by feedback after seeing results. This phase designated “levels of correction” is pertinent to the development of scientific criticism.

“This project-based approach leads to the acquisition of knowledge, especially in the action of problem solving. Rather than teaching a theoretical method, it gives the student the opportunity to implement it so that it can be integrated in all his training approach” guaranteed (Leroux, 2005).

Many authors e.g (Smith & Cardacioto, 2011), (Jowallah, 2008), (Graham & David, 2003 UICEE), (Wills et al., 1999) and (Race, 1993) advocated that, group work provides an opportunity for students to integrate knowledge and to transfer them.

Impact of the workshop- course

Setting student on collaborative projects activities to build skills transferred later into industry, converges to the line of constructivist and social constructivist theories developed by (Piaget, 1969), (Vygotsky, 1934) and (Wallon, 1937).

From my own experience in the field of science and engineering teaching added to many researches in this domain (Jowallah, 2008) and (Akınoğlu & Özkardeş, 2007), I believe that the project approach provides for both, students and teachers, several benefits:

Advantages for the students

At the end of the 15 workshop sessions, we launched a survey in the form of a questionnaire for the 80 students involved to view their opinion on the course-workshop and group work. This survey will evaluate the level of the enthusiasm felt by the students towards this project based approach.

Table 1 : Questionnaire

Survey	Agree	Don't agree
1-Team work has enriched our technical and scientific knowledge	63.3 %	36.7%
2- We gained in time by distributing tasks	80%	20%
3-Team work allowed us different opinions diffusion	73.3%	26.7%
4- The team communication has been ratified	86.7%	13.3%
5- The group dynamism solicited our integration in the project	76.7%	23.3%
6- When problems occur, we do know the causes (software, hardware, experimental protocol, etc.)	90%	10%
7- The course-workshop is interesting because we see the tangible part of the physical phenomenon	90%	0%
8- During the workshop, the creation of a technological working object was validated	100%	0%

From the questionnaire responses we took away students' appreciation for the collective work. It appears that this strategy has brought satisfaction in terms of minimization of working time, distribution of tasks, exchange of knowledge, the development of their auditory function to listen to and respect the views of all the other defending them. They are required to negotiate and confront sometimes contradictory concepts, analyze and conclude with a decision (skills). These numerous exchanges, returns, attempts, discussions and interactions promote efficient distribution of tasks. It should be noted that, this survey is merely a subject based evaluation, it cannot be generalized and cannot reflect the overall efficiency of our approach.

Advantages for the teacher

In a workshop situation, I could act as a coach, a referee and a manager. I assume that, this context has freed me from the classical situation of a knowledge transmitter.

Since the beginning of the course, I have organized teams to ensure that members are homogeneous, which puts me in a favorable position to assess the work of each member to follow the schedule, plans, timelines, write reports and account-presentation of the project. This organization relieved me of formative assessments, as the work is done by stages in a well-defined period of time.

Barriers of the workshop- course

This workshop represents a polyvalent problem: Seeking an integration of materials, a methodology for group work, communication, negotiation and decision making as well as a certain social maturity.

In collaborative work, difficulties arise. The most important are the organization and the composition of the team considering the ability and motivation of each student and especially the load of problems to face.

My initial objective was to harmonize previous knowledge of students, which showed to be a real challenge in choosing the peer members and the subject matter. According to (Boudreault, 2003), the solution to consider is "breaking the paradigm of homogeneous teaching for a heterogeneous class".

On the other hand, this form of learning is costly in terms of time and materials, which greatly limits its application. It requires smaller classes, more assistants, equipment, research papers...

For some teachers, moving from traditional pedagogy to this new one is risky and could be complicated. In fact, most teachers have themselves been trained by a teacher centered approach. They feel comfortable in this model.

Conclusion

I undertook this study to deal with the fragmentation of disciplines and to encourage involvement in science and technology specialization.

I presented the solution through a collaborative project approach in the laboratory: A workshop course promoting an active involvement of the students by implementing their personal analysis related to a professional technology approach. As a result, I have noticed that my students, having different backgrounds, have become homogeneous and are now working in a more active and efficient way.

I could conclude that this strategy increases continuity of content in a course, supports the connection between the different disciplines making a break with routine curriculum, which segment disciplines in scattered and purely theoretical courses. This conclusion is strongly supported by my students' feedback, the specific survey and their development of professional skills throughout this course.

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POST-SECONDARY REGIONAL ACCREDITATION ASSESSMENT STANDARDS IN THE UNITED STATES

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Abstract

Regional accreditation organizations in the United States have increased their demands for transparency of student outcomes, as well as articulated the demands for a continuous improvement model that includes the assessment and evaluation of student learning. A review of the regional accreditation organizations in the United States was conducted to determine the assessment methods required to meet the accreditation standards. Two broad categories of assessment methods were identified as *direct* and *indirect* methods; however, a universal definition of the two assessment methods did not exist. This review resulted in the categorization of both methods as a resource for those responsible for assessment activities.

Keywords: Regional accreditation, assessment methods, direct assessment

Introduction

In the United States, the cost of higher education has been consistently on the rise, resulting in higher levels of debt for students and their parents. In this climate, colleges are scrutinized to ensure transparency to its constituencies, including parents, policymakers, and the public. As a result, accreditation organizations are requiring institutions to assess student learning in a systematic manner and report the results as a part of their continuous improvement model.

I.

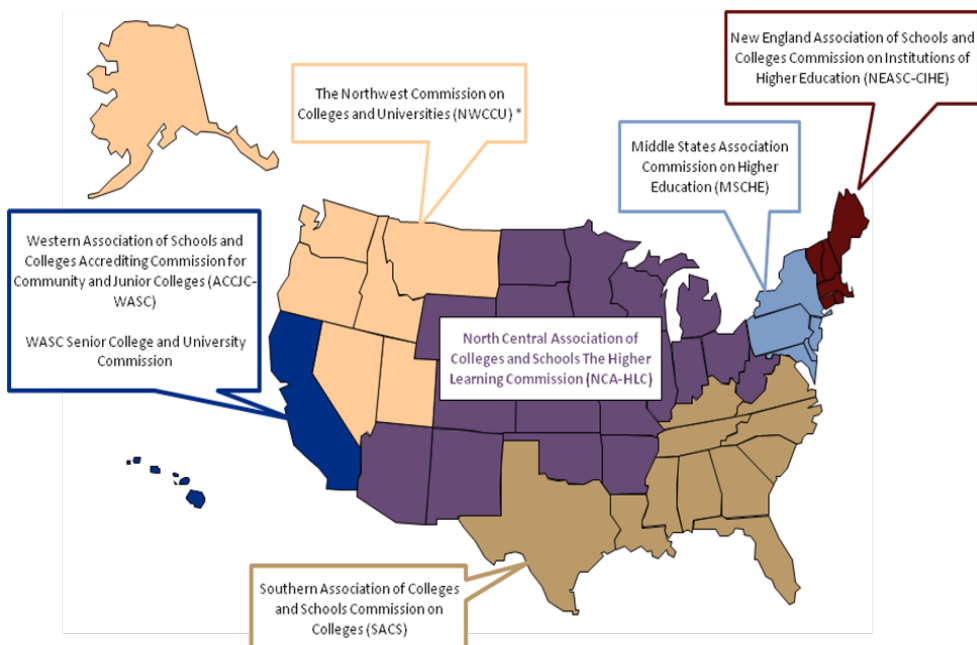
In order for a post-secondary institution to have the authority to grant federal financial aid, the institution must have a valid statement of accreditation status from their regional accreditation organization. Regional accreditation provides accreditation status to the entire institution, not just specific programs, therefore, providing a level of credibility to the entire

institution. There are seven accreditation agencies serving the six regions of the United States (see Figure 1):

1. Accrediting Commission for Community and Junior Colleges
Western Association of Schools and Colleges (ACCJC-WASC);
2. Higher Learning Commission (HLC);
3. Middle States Commission on Higher Education (MSCHE);
4. New England Association of Schools and Colleges;
5. Northwest Commission on Colleges and Universities (NWCCU);
6. Southern Association of Colleges and Schools (SACS); and
7. WASC Senior College and University Commission (WASC-SCUC).

It should be noted that six of the seven accreditation organizations are recognized by the Council for Higher Education Accreditation (CHEA), which is a non-profit organization of colleges and universities serving as the national advocate for voluntary self-regulation. Recognition by CHEA affirms that the standards and processes of the accrediting organization are consistent with the academic quality, improvement and accountability expectations that CHEA has established.

Figure 1. United States Regional Accreditation Agencies



These seven regional accreditation organizations, across the nation, now require institutions to develop and implement a system of continuous improvement which involves four key components: 1) define goals and student learning outcomes, 2) provide evidence of the assessment of these outcomes, 3) evaluate the adequacy of the attainment of the outcomes, and 4)

take actions to improve outcomes based upon the evaluation. In reviewing the standards and guidelines, two broad categories of assessment methods were identified by the regional accreditation bodies as *direct* or *indirect* methods of assessment.

There is consensus among the regional accreditation organizations that an institution's continuous improvement model should include both types of assessment methods in order to provide evidence of student learning, with an apparent emphasis on direct methods of assessment. These measures can be used to assess and evaluate courses, programs, as well as institutional outcomes. In recent years, there has been a shift from the use of indirect to direct methods of assessment.

All of the accreditation organizations provided guidelines for the assessment of student outcomes; however, there was no universal definition for direct and indirect assessment methods. The MSCHE did provide specific examples for each assessment type, which are presented in Table 1. After reviewing the seven regional accreditation standards and guidelines, the most frequently used measures of assessment were categorized as direct or indirect methods (see Table 2). Direct measures of student learning are the result of assessments designed to permit the observation of student work, by a qualified professional such as department faculty. According to WASC (2013), direct assessments are a way of gauging the quality of student learning by examining student work products and performances directly, rather than relying on surrogates such as grades or credit hours. Indirect measures of student learning are the result of self-reported opinions or satisfaction, or data that were not designed to provide a level of specificity to identify strengths and weaknesses for student outcomes or objectives.

Table 1. MSCHE Examples of Evidence of Student Learning

Direct Assessment Methods	Indirect Assessment Methods
<ul style="list-style-type: none"> • Scores on locally developed exams accompanied by test blueprints describing what the tests assess; • Portfolios of student work; • Capstone experiences such as research projects, presentations, theses, dissertations, oral defenses, exhibitions, or performances, scored using a rubric; • Score gains between entry and exit on published or local tests or writing samples; • Summaries and analyses of electronic discussion threads; • Other written work, performances, or presentations, scored using a rubric; • Employer ratings of employee/student intern skills • Ratings of student skills by field experience supervisors; • Scores and pass rates on licensure/certification exams or other published tests; 	<ul style="list-style-type: none"> • Course grades; • Assignment grades if not accompanied by a scoring rubric; • Admission rates into graduate programs and graduation rates from those programs (4-year programs); • Admission rates into four-year institution programs and graduation rates from those institutions (2-year programs); • Placement rates of graduates into appropriate career positions and starting salaries; • Student ratings of their knowledge and skills and reflections of what they learned in the course/program • Questions on end-of-course student evaluations that ask about their course, rather than their instructor • Student/alumni satisfaction with their learning collected through surveys, interviews or focus groups

Table 2. Classification of Direct and Indirect Assessment Methods

Assessment Method	Direct	Indirect
Behavioral Observations collected and documented in a systematic manner	◆	
Focus Groups		◆
Grades		◆
Graduation Rates		◆
Interviews		◆
Locally Developed Exams accompanied by a test blueprint	◆	
Oral Exams with a scoring analysis	◆	
Performance Appraisal with a scoring rubric	◆	
Portfolios with documentation of student achievement of outcomes	◆	
Standardized or Certification/Licensure Exams	◆	
Surveys capturing self-reported learning or satisfaction		◆

According to NEASC (2011), the institution must implement and provide support for systematic and broad-based assessment of what and how students are learning through their academic program and experiences outside the classroom. Assessment should be based on clear statements of what students are expected to gain, achieve, demonstrate, or know by the time they complete their academic program and provides useful information that helps the institution to improve the experiences provided for students, as

well as to assure that the level of student achievement is appropriate for the degree awarded (NEASC Standards, 2011). Similar standards exist for all of the accreditation organizations.

It is clear that assessment is highly valued by accreditation organizations and recognized as a necessary part of the educational process that enables faculty and administrators to identify student strengths and weaknesses, and develop strategies to improve student outcomes. Although accreditation organizations have increased the dialogue of assessment and accountability, some critics maintain that institutions are still not assessing their effectiveness and are not advising the public of the quality of the education they provide to students.

Over the past several years, progress has been made regarding institutional transparency in a coordinated effort through the United States Voluntary System of Accountability (VSA). This system has been successful engaging post-secondary institutions to report select data, which is then provided to the public through the national College Portrait, a website created as part of the VSA. Although the College Portrait is gaining national recognition, and providing an added level of transparency, regional accreditation organizations maintain that institutions cannot only report statistics to a voluntary system such as the VSA, but must also have a documented continuous improvement model that is actively used by the institution. This continuous improvement model should provide the framework for a sustainable and faculty driven assessment process for institution-level, program-level, and in some instances, the assessment of course-level learning outcomes.

Conclusion

Accreditation standards have purportedly resulted in an increased understanding of the assessment of student outcomes at various levels. When communicating the necessity and utility of assessment, as well as the various assessment methods to faculty; it is necessary to provide them with context. Presenting the standards and definitions of the accreditation organization, along with a contextual knowledge of the assessment process, will enable faculty to conduct meaningful assessment activities. Initially, when faculty are introduced to accreditation standards and assessment requirements, they may merely conduct their assessment activities as an act of compliance. However, once they understand that the accreditation requirements align with their regular academic responsibilities, the assessment activities will not be viewed as obtrusive. An institution can assist faculty by helping them to establish an effective continuous improvement system in which they can become actively engaged and witness the benefits to student learning.

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SEMANTIC BASED E-LEARNING RECOMMENDER SYSTEM

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Abstract

Introduction of new technologies in the last few decades have brought about some innovative methods in web-based education. However many of these online courses provide universal static solution which do not cater the individual needs of the learner. Recommender system has been successfully recommending items such as books, movies, news articles etc however recommendation techniques applied in the e-learning domain are relatively new. Many of the techniques applied in the e-learning domain are generic and usually derived from other domains. This paper will present semantic based recommender system for e-learner to facilitate effective learning. We use a novel alternative to conventional recommendation techniques by considering a social network tool such as twitter which is popular for information sharing. Relevant tweets are recommended to the learner as per the current learning topic of the learner.

Keywords: E-learning, Recommender Systems, Semantic Web, personalize, twitter, Lexical matching, unigram

Introduction:

E-learning is often referred to as a mean of learning which is not restricted to physical classroom environment. Rather educational material is accessed with the help of computer and internet connection or CD/DVD anytime anywhere in the world. (n.sharif, 2012)

There are numerous LMS available in the markets which are used to deliver online courses. Examples of the most popular commercial LMS are blackboard/ WebCT, JoomlaLMS similarly free LMS are Moodle, Sakai, and Docebo.

These LMS are largely seen as a fit for all solution. A generic solution is used across different domain of education such as computer science, math, biological sciences etc. The learner is expected to interact with predefined pedagogical process which is set by the institution / instructor.

In order to discover the pedagogical aspects of WebCT Britto (2002) carried out a study. In this study instructor and learners perception of WebCT usage was analyzed. Author discovered that instructor perception of using LMS for course teaching was mainly for handiness and effective course management. On the other hand learner showed dissatisfaction in LMS as it is generic and doesn't facilitate personalize learning.

Recommendation algorithms have evolved rapidly over last ten years. Users have been benefiting from these recommendation techniques when buying movies, books and music etc. Recommender system have established its importance in such domains however recommendation techniques in e-learning domain are relatively few. Many of the techniques applied in the e-learning domain are generic and usually derived from the above mentioned domains.

The influence of internet in education takes the learners and teacher interaction into a new realm which was previously not available. Large amount of information illustrating teacher and learner interactions are continuously produced and ubiquitously available. Wide range of learning contents is available by press of a button. However this great wealth of information can also be problematic if not organized in a structured learning path. For example, a simple search on Google about a particular learning topic can generate thousands of hits and the learner has to select relevant contents manually.

This would be a daunting process for novice learner. Learner would require a few of the most relevant resources related to the task at hand rather than going through millions of generic hits.

Unfortunately traditional e-learning systems have failed to respond effectively to this new era of knowledge management. Traditional e-learning systems are seen more as course management tools to facilitate the instructor in the delivery of course contents rather than catering for the individual learns need.

There is emergence of adaptive and intelligent systems where learner can create his own learning environment which best suits his learning need rather than technology provide his learning context.

More recently personalized and intelligent e-learning systems offer personalize learning experience by constructing the learner model based on learner aims, likes and existing knowledge. A learner should be able to create, manage and organize the knowledge according to his/her personal knowledge management capabilities. Learner past learning experience and current context can be used to provide personalize and adaptive learning experience.

In this paper we proposed a model to facilitate the e-learner. E-learner will create account and complete his/her profile. System keeps history of the topics read by e-learner. Current context consists of current topic viewing, keywords related to this topic etc.

Based on the current context key terms, tweets will be fetched from twitter and stored in local database. Similarly, key terms will be extracted from learner's profile, history and current context and stored in the database.

Pre-processing will be performed on the extracted key terms to get unigrams which will be extended with the help of growbag database. These extended keywords help us to perform semantic-based matching.

Lexical matching will be performed on tweets against extended key terms. Selected tweets are sorted in descending order with respect to their occurrence frequency. Tweet are ranked by using the Relevancy Similarity. Tweets with high score finally recommended to e-learner.

Literature Review

In the literature recommendation process has been discussed by various techniques. These recommendation techniques can be classified as content-based filtering, collaborative based filtering, hybrid, Trust based and Semantic model. An e-learning recommender system can be categorize based on the above mentioned techniques.

In content-based recommendations, e-learner is recommended similar learning objects which the learner liked in the past. (Pazzani 2007)

Learner profile features are evaluated against learning objects features based on the result and new promising learning objects are recommended to the learner.

Collaborative filtering techniques on other hand provide recommendation based on either items usage history or user rating matrix. If user A and B have similar score for a group of items than it is assumed their rating score shall be same on other items as well. (Goldberg, K., 2001)

In trust base recommendation experienced learner recommendations are consider more valuable than novice learner. Each learner is assigned a trust level based on the ability of the learner and its interaction with the system.(Helic, D. 2007), (Bobadilla, J. 2009).

Existing recommender systems have the limitation of domain dependency, cold start, overspecialization and sparsity. (Marin, L 2014).

While recommendation's quality can be enhanced in various domains by combining different recommendation techniques however it should not be seen as generic solution to overcome these limitations. Users who have similar preferences in one domain may not share the same in other domains.

Semantic model can provide various advantages in personalize recommender systems. Learner's interest in particular domain can be dynamically contextualized. (Kumar, S 2015)

Next generation of recommender should consider how the personalization process can take the benefit from semantics as well as social data in order to improve the recommendation. (V. Codina 2010)

In web-based education it's possible to store most of the students learning patterns in large scale data sets and with the help of data mining techniques personalize learning profile can be created. Neil Rubens et al suggest using the artificial intelligence knowledge such as semantic filtering and recommendation systems to be used in LMSs which are geared towards eLearning 3.0. (Rubens, N., Kaplan, D., & Okamoto, T., 2014)The big data concept already exist in e-learning context as web 2.0 technologies like tweets, blogs and wikis are sharing a vast amount of learning resources on the web.

Twitter is a popular social media among student and teacher, Twitter is more open to public than Facebook and provides a fast way to exchange the ideas among peers. (Ebner, M., Lienhardt, C., Rohs, M., & Meyer, I., 2010)

An empirical study was conducted to measure the role of twitter in learning environment. Twitter utilization results demonstrate that it provides a useful mean for sharing information and collaboration among students. Students with more number of followees and followers had better grades than those students who were not actively tweeting. (Ha, I., & Kim, C., 2014).

Proposed Model

In this section we shall describe the semantic model in detail and how the semantic model can provide the useful recommendation for the e-learner. The aim is to provide the learner personalize learning activities and tasks that suits best its individual needs and as result enhance overall learning experience. Similarly recommend related tasks and activities based on previously completed tasks by learner or their peers.

A. Gold Set

In order to evaluate the effectiveness of the system we had to compare our technique with Gold Set however such Gold Set was nonexistent. We had to carry out user study to design our gold set.

We start with the ACM Computing Classification System 2012. 60 Domain Experts selected based on ACM CCS 2012. The proposed system works on research papers, so we collected 5 research papers from each expert. The Proposed system uses tweets for recommendation; therefore, we get 10 tweets per paper from domain experts. These 300 research papers with 3000 tweets will be our gold set and will be treated as bench mark. Collected research papers and tweets will be saved in local database. After performing calculations, evaluation will be performed with respect to this dataset.

B. Input for tweet ranking

Two different types of input provided to proposed system for making recommendations e.g. Paper's Metadata and tweets. Paper's metadata consists of research paper title, keywords and ACM CCS 2012 category from which it belongs. Besides metadata, complete tweets collection will also be provided.

C. Pre-processing

Before performing any kind of lexical matching, some pre-processing is required to make it read for use (Pang, C., Hendriksen, D., Dijkstra, M., van der Velde, K. J., Kuiper, J., Hillege, H. L., & Swertz, M. A., 2015). With the help of natural language processing, pre-processing will be performed on metadata contents (Dai, X., & Bikdash, M., 2015, April).

During pre-processing, word tokenization, normalization and stemming is performed. Improve greedy tokenizer used which handles digits in a smart manner. Remove Non-alphanumeric Characters from starting and ending of a string to make it meaningful. Stop words also removed during this process. Pre-processing phase resulted in the form of Unigrams.

D. Extend unigrams semantically

The unigrams have been extended with the help of two different databases. One is computer science domain specific database known as growbag (Arenas, M., Cuenca Grau, B., Evgeny, E., Marciuska, S., & Zheleznyakov, D., 2014, April) and second database is synonym based database called wordnet (Abdullah, N., & Ibrahim, R., 2015). Each unigram is compared to these databases to get domain specific and synonym based meanings of the words. These extended terms help us to perform semantic-based matching. (Ley, 2009)

E. Lexical matching

Each tweet is analyzed against extended key terms using Lexical matching. Selected tweets are sorted in descending order with respect to their occurrence frequency. Proposed system performs lexical matching on

extended terms (Pang, C., Hendriksen, D., Dijkstra, M., van der Velde, K. J., Kuiper, J., Hillege, H. L., & Swertz, M. A., 2015).

F. Precision / Recall calculation

Finally precision and recall calculated on returned rows. Matched tweets are compared with the tweets given by domain experts. On the basis of matched results, precision and recall score is received (Egghe, L., 2015).

G. Evaluation

After having results for our algorithms, evaluation performed to find out the accuracy of each algorithm. Gold set used for this purpose. We compared the ranked tweets from each metadata category with the tweets given by experts. The more tweets belong to the gold set reflects the better performance of a given algorithm.

The architectural diagram of this proposed system is shown in Fig. 1.

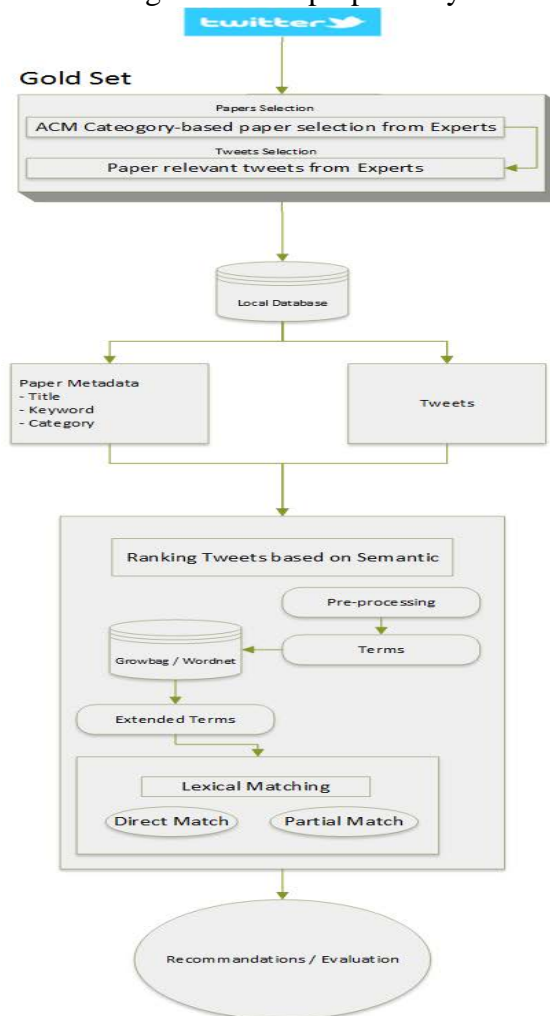


Figure 1 : Architectural diagram of proposed model

Results:

Below find graphically representation of the precision / recall score calculated in the previous step. The result is sorted in ascending order based on recall scores.

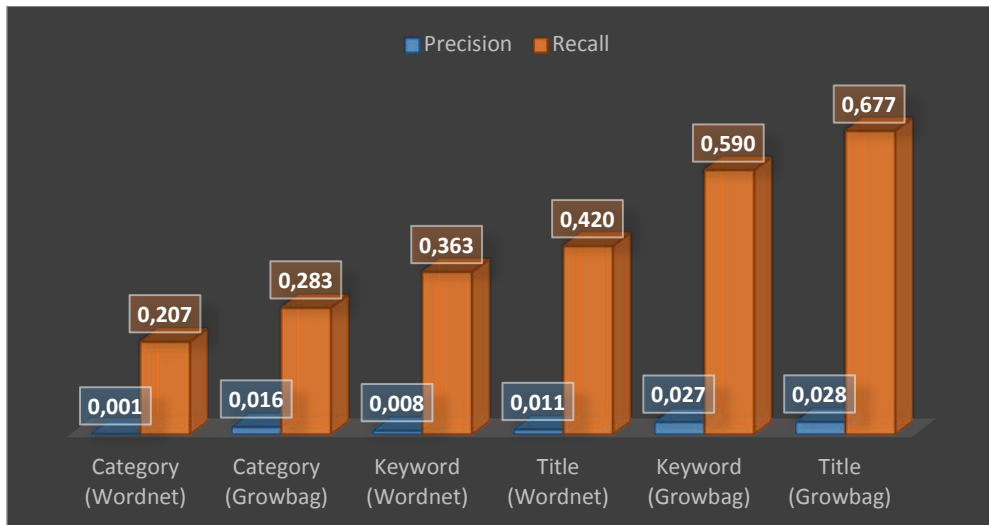


Figure 2 : Precision / Recall score of returned records

The graph shows that the recall is performing much better than precision. One reason is when we extended terms from growbag and wordnet database we received more than 10 times terms. So, retrieved rows increased many times. Hence precision went down. Recall and Precision are inversely related. An Empirical study of retrieval performance indicates that when Precision declines Recall increases. (Buckland, M. K.1994)

Another important point from the graph is Growbag extended terms performed much better than Wordnet. The reason could be that Growbag gave us computer science specific terms which are mostly used in expert's tweets. On the other hand, wordnet extended terms w.r.t. dictionary English. These terms are not too much used in expert's tweets.

Conclusion

Today's learner has the ability to utilize powerful social network tool such as twitter where the learner can independently create and redistribute contents. Hence 'digital native' learner finds general LMS structure inflexible and boring. The research community is actively engage to make the learning experience more effective with respect to the individual needs of the learner. Now the education is more centered towards the learner rather than instructor. In this paper we have presented a semantic based model to facilitate the effective learning. The system was developed and evaluated from domain experts and results were provided.

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TRANSPARENCY AS THE OFFERED SOCIAL SERVICES IN THE ESTONIAN LOCAL GOVERNMENT

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Abstract

The aim of the article has been pointed out, what are the main challenges arise from the interaction between the *transparency and the structure of* the social welfare administration. Used the organizational change theory, originally Mintzberg 1979, (Ferlie & Geraghty 2007) and followed the local government's duties, however, the function of the decision-making process takes in. The strategy of research (methodology) utilised was the collective case study, I followed the information-oriented selection, triangulation has been used as a mixed method of acquiring data. According to the result, there the five challenges existing: 1) The social work profession does not regulate as the profession in the local government, however, the position is the ambivalent and without the professional power; 2) The structure of administration is involving the non-professionals, who are professionals in another field or the about non-educated members; 3) The decision-making process regarding the clients is distributed among different levels; 4) The practice undermines the independence of the social worker, and the social worker cannot protect the rights of the client; 5) The biggest challenge, reflect at the cases, the decision at the client level is politicized. Therefore, I argue, that the Social Affairs Committee or Social Affairs Committee of Municipal Government, the units of the administration of welfare in the local government, they act not necessary.

Keywords: Public administration, social work, knowledge, transparency, social services

Introduction

Well-organized care for fellow citizens forms an essential part of citizen participation in the society and enhances democratic processes, the ability of a person to cope with his/her life independently is in Europe very important. The foundation of social service' practice includes an understanding of the process of identification and development of the client

system, as they are adapted to work with individuals, families, groups and communities.

The public organizations aim to provide the best possible service to clients and to ensure that social work intervention will help solve client's problems, satisfy their needs, and, above all, contribute to their overall well-being. Public organization as a specific domain is defined by the concrete political bodies and administrative structures, which are governed public affairs; constitutions, organics and procedures provide the conceptual glue which generates its unity and its limits (Badie, Berg-Schlosser & Morlino 2011; Sullivan 2009; Peters & Pierre 2003).

Public agencies today must demonstrate that they value diversity, understand and respect diverse cultures, and plan and provide culturally relevant and responsive programs and services (Tomescu & Popescu 2013; Sims 2010; Chow & Austin 2008). The public responsibility however is set to guarantee the citizens that they have the opportunity to seek help and get help from the local government and important, point out the accountability and transparency at the local government level (Walker 2002). Traditionally, transparency is a public value or norm of behaviour to counter corruption, according to Ball (2009), transparency is a complex tool of good governance in programs, policies, organizations, and nation. Practically, transparency is expressed in three activities: 1) public information, 2) open government and organization and 3) complex analyses of policy.

The contrast between northern and southern government systems remains a key distinction which describes the distribution of power, the impact of local politics, the form of representation and the capacity of local government to administer services (Stewart & Bailey 2008). For the Nordic states, local governments enjoy great autonomy and can decide independently on their own affairs – locally elected politicians make all major policy decisions in respect of their areas of responsibility, and the municipal council and committees establish goals and guidelines for local government operations (Bergmark & Minas 2007; Kröger 2009).

In Estonia, the single-tier system of local government formed in 1918, the independent period endured from 1918 to 1940. After the communist period, the single-tier basis of the local government system was confirmed by the Government of the Republic Act adopted in 1995. The main principle regulating local government is stated in the constitution, and stipulates that all local issues should in theory be managed locally and independently from central government, where this is in accordance with the law (Lõhmus 2008).

Discovered the historical impacts of welfare administration in the local government, during the first Estonian independence period, a special board decided who to provide assistance in the local government (Peep

2005). Therefore, the principle of collegial decision-making was in effect until the beginning of the Soviet regime in Estonia. The Soviet authorities were not aware of, nor did they recognize the need for social welfare, so the village councils set up in place of the local government had no need for the board. However, in summary, only since the mid-90s can one talk about the duties in the local government and its implements.

In the 21st century, the structure of the administration involving the several units in the local government: the municipal council, Social Affairs Committee, or/and Social Affairs Committee of Municipal Government, the employer of the social work field, the municipal administration and the Ministry of Social Affairs and the STAR (Social Affairs Ministry) program (Raudava 2013).

At the current article, I discover, following the local government's duties, what are the main challenges arise from the interaction between the *transparency and specialization as the structure of the social welfare administration*. However, the function of the decision-making process takes in, using the organizational change theory, originally Mintzberg 1979 (Ferlie & Geraghty 2007)

The methodology of research

The strategy of research (methodology) utilised was the case study (Yin 2003). Utilizing the collective case study, I followed the information-oriented selection: maximum variation cases for the size and location (Luck, Jackson & Usher 2006).

The preparing of cases followed: a) There were nine (9) cases in the local government in the rural area; b) These local governments do not have boundaries with a County Town; c) There are some differences in the way that the title for a social work employer is used and how decision-making takes place; d) There are fewer than 2,500 inhabitants.

The local governments to be more closely analysed were: Vihula, Viru-Nigula, Rägavere, Laekvere in Lääne-Viru county and Avinurme, Lohusuu, Lügänuuse, Maidla, and Aseri in Ida-Viru county.

The data of case studies have been based on a mix of evidence; triangulation has been used as a method of acquiring data: 1) Document analysis (public documents, law documents, strategies, minutes of social committee meetings, legal regulations of local governments); 2) Semi-structured interviews with the members of a social committee of local governments; 3) Semi-structured interviews with social workers in the local governments.

Used the cross-case analysis, the function of the decision-making process has takes in (M. C. Burns 2010). The writing method of case study has utilised the diagnostic case report (van Blonk 2003), original by

Pettigrew, the report is produced in order to interact with the organizations where the research was conducted, and besides analytical chronology contains a listing and analysis of current problems.

Theoretical overview

Social work is an *academic profession*; social work has emerged as a unique field of study and practice with its own knowledge base; professional standards, values, ethics, licensure, and certification, and accredited schools and degrees. Professional social work occurs within particular social contexts and is guided by specific legislation, social policies, cultural practices in a given locality and accumulated professional knowledge's termed "practice wisdoms" (Dominelli & Hackett 2011, Dominelli 2010; Alphonse, George & Moffatt 2008). Each of these elements is constantly negotiated and changed, and those whose knowledge or narrative counts assume a critical position in setting practice agendas (Kessl & Evans 2015).

The paradigm of the profession includes a broad orientation toward people being served, and identifies social work as a community of likeminded people with a shared understanding of the profession and how it is practiced. The term *knowledge base* of a profession means the key theoretical frameworks supported by research that are used by a profession (Swanzen 2011). Social work is an *academic profession*; according to the Global Standards of Social Work, an academic education is a most important component of professionalism.

Professionalism refers to the situation in which the workers themselves are in possession of the specialised knowledge that is required for their work and are also in charge of the discretionary power to organise their own conditions of work, as opposed to merely being puppets subjected to the will of consumers or managers (van Lanen & Martin 2008). Professionalism includes several characteristics: 1) integrity; 2) professional knowledge and efficiency; 3) ethical decision making; 4) critical thinking and lifelong learning; 5) self-understanding and self-control 6) cultural competence and acceptance of others, and 7) social support (Cournoyer 2008; Koukouli, Papadaki, Phillithis 2007).

According to Higham (2006, 98), the new professionalism of social work is based on: 1) Promoting the social model of intervention with people who use services and care; 2) Working with other professional models and with support workers; 3) Intervening to protect vulnerable people when appropriate, and 4) Promoting human growth and developing individual capable. Gorman and Sandefur (2011) pointed out that four central attributes of professionalism emerge from this body of scholarship: (a) expert knowledge (b) technical autonomy; (c) a normative orientation toward the service of others, and (d) high status, income, and other rewards.

“Professional use of self”, the use of self-knowledge and self-awareness, social work skills, knowledge, values and personal experience (Green, Gregory & Mason 2006). Social workers are ethically committed to promoting social justice and social change while honouring cultural and ethnic diversities. Wirth (2009) argues, that a social worker cannot vote for his clients, or go to work for them, he can only guarantee suitable assistance and communication to social addresses who use his services in order to improve their chances at a chance for (re-) inclusion.

Abbott (1988, 325) pointed out what the ideal type of professionalism based in knowledge-based work. Knowledge means the understanding of patterns in perceived information (Lent 2011; Guzman & Trivelato 2010), use of knowledge by a social worker is an intrinsic part of the profession. However, knowledge is a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information (Dulipovici & Baskerville 2007; Baskerville & Dulipovici 2006).

Three functions are using the knowledge in practice: 1) description, 2) explanation and 3) control (Osmond, Scott & Clark 2008). According to Leung (2010), knowledge is viewed as both an object (evidence-based) and a process (people-oriented process). The social work literature reflects two epistemological views of the knowledge. The evidence-based school presents knowledge as a substantive “product” obtained from logical, scientific, reductionist researches so called the “knowledge-as-object” view. “Knowledge-as process” is based on view of knowledge as something, substantively exists *per se*, clearly articulated and fully describing the subject matter. However, knowledge is viewed as both an object (evidence-based) and a process (people-oriented process) (Leung2014; Leung, Cheung, Chan & Lo Kenneth 2012).

Following to Weber, the necessary element of the public organization is the educated professional (Alfano 2011, Hughes & Wearing 2012; 2007). Nass (1986) has argued, however, the role of professional in the bureaucracy should not be modelled as simple deviation from the classic role of a civil servant, because a professional is not a bureaucratic official. The professional in a bureaucracy is an autonomus organization, sub-contracted by that bureaucracy to achieve a given set of goals. Therefore, the relationship between a professional and the bureaucracy may be expected to be the same as that of any organization that is under exclusive the contract with a larger organization.

Harmon and Mayer (1986) have developed the Weberian theory and have argued that administration based upon information, about employees, processes, records, reports, data, etc. Further, employment which presupposes expert training, the employees hired by the organization must

demonstrate their qualifications for the job through education, training, or experience and employees are full-time career workers. Ferlie (2007) has referred that the role of professionals within large bureaucracies is limited.

According to Smith (1990), the present challenge of neo-liberalism as an economic and political ideology has profound implications for the professions as coherent occupational entries that control task domains and exercise discretion over the performance of complex tasks for the benefit of clients and the larger society. Many of these challenges are clarified using the colloquialisms of the new neo-liberal consensus and contrast those with traditional conceptions of professional practice and the concept of expert labour: a) Consumers know best; b) Markets will determine what is right; c) no credentialing or licensing; d) no codes of ethics, and e) competition will lower fees and salaries (Leicht & Fenell 2008).

The last example of social work as a postmodern activity is the social worker's role in the self-policing of the policing of society. Powell & Gilbert (2007) have argued, however essential part of the professionalization project involves the constitution and operation of social work as a discipline, appeals to "become professional", or claims to professionalism, are ideologically loaded (Williams 2008).

For the organization view, the organizational change theorists study the dynamics of change in distinctive professionalized organizations, originally Mintzberg 1979, with weak managerial capacity and typically resistant to macro or top down change (Ferlie & Geraghty 2007). Mischen (2008) has referred to Choo (1998), who asserted that „knowing organizations“ are those that use information strategically in the context of three arenas, namely, a) sense making, b) knowledge creation and c) decision making.

Specialization as the structure of the social welfare administration in Estonia

The independent social caregiver or the social worker positions did not exist in the local governments in history before 1995. When a person visits a doctor, he or she assumes that the doctor has spent at least six years studying; when visiting a social worker, a person will often not know what to expect. The occupation of social work isn't clearly defined and there isn't the order of the public. The only law that defines the term "social worker" is mentioned in "The Social Welfare Act" and the General Standards of Social Work are absent in Estonia. Reflecting at "Regulated professions and the competent authorities in Estonia", the social worker is not exists in the legal professions system. In regard to the staff of the municipal government, it is not regulated as to a) which positions definitely need to in existence or b) the educational requirements, except for the municipal clerk.

Since 1996 when social work became part of local government again, professional social workers have not existed in Estonia (Tulva 1996). In regards to the staff of the local government, it is not regulated as to which positions definitely need to in existence or which the educational requirements exist, except for the position of local government clerk. According to current examples, the following job titles exist: there are six social advisers (*sotsiaalnõunik*), one social worker (*sotsiaaltöötaja*), one social consultant (*sotsiaalkonsultant*) and one manager of the Social Department (*sotsiaalosakonna juhataja*). The title of “social adviser” (*sotsiaalnõunik*) is widespread in Estonia; the connection between the title and the occupation is imperfect (see Case 1). The responsible employer, who has a professional Master’s degree, bears the title of *social adviser*, (*sotsiaalnõunik*), while his subordinate is not educated, and his or her job title is *social worker*. In practice, we can not to say looking to the job title, whether the employee, who works in a position, represents the profession of social work (educated) or not.

During the past twenty years, the situation has changed, but not necessarily for the better in the local government. For example, 50% per cent of the educated social workers have been employed in the local government in 2006 (Raudava-Salveste 2006). In these figures there is no situation where the responsibilities of the social work official are shared by another official from another field, but there is a common practice in Estonia, where there is "education-sports and social advisers" and other such combinations.

The distribution of social benefits does not require a professional, since the State set conditions in calculating benefits are based on mathematics: household income - expenses documented by accounting type documents (not proving the need according to the situation). The offered social services are not addressed in a systematic way, resulting in a more individual approach to the client, which is a positive effect, but it also gives the social worker an opportunity to remain impassive or to focus on areas which seem to be more inspiring from his/her personal point of understanding.

The statutes of the Social Affairs Committee for two local governments are available publicly, therefore for the rest of the municipality the municipal statutes have been used as the basis. The functions of the Municipal Council's Social Affairs Committee are divided as follows: a) Participation in the development of the local government’s development plan; b) Formulation of the budget by sectors; c) Drafting of legislation and review of acts related to the field; d) The function of assessment of the needs of the client.

In the local government, the social service structure involving the four different units/levels: 1) Political leadership (the municipal council); 2)

Political cooperation (the council committee); 3) Specialist / Officer, or, non-professional (social worker); 4) the political-administrative unit (municipal government and administration) and the STAR (Social Affairs Ministry) program.

The Ministry of Social Affairs has gathered statistics from local governments and providers of social services over the years. The IT "STAR" programme launched in the winter of 2010 requires client work reports of social workers in addition to the statistical data and subsistence benefit calculations. The order from The Affairs of Social Ministry, to send all the client`s cases electronically to the ministry, has increased the bureaucracy in local government and from the client`s perspective, raises the question, is it necessary and can the system safely handle the data.

Based on empirical data, the framework of social welfare administration can be described by four different models: 1) The simple structure, 2) The political structure, 3) The double political structure, 4) The triple political structure (Raudava 2013a). The structure of administration is shared between at several politic-administrations levels and involving the non-professionals, who are the professionals in another field. Discuss as the question as the position of the social worker, is she/he professional or politic, resumed, that social worker is the member of the administrative government (model 3) or she/he is the employer (the professional, model 4). This argument is raises when analyse the function of the decision-process. The assumption is, however, that the social worker makes the decisions in the social worker -client subsystem. They have the knowledge regarding this and they should be given the appropriate decision-making rights.

Describe the function of the decision-making process, the data reveal:

Subsistence benefits paid into the local budget from the State budget, the receipt of the funds is strictly regulated, and using of the funds is under the State oversight, the responsibility of the county government). Subsistence benefits have been incorporated, as a national support package, into the STAR (Social Affairs Ministry) program, which allows the use of the money to be more easily scrutinized.

In order to receive the subsistence benefit, the applicant submits the necessary documents to the local municipality, where they are checked and if necessary, additional controls are implemented. The decision regarding the allocation of subsistence benefits should be within the competence of the social worker, but this happens in only four of the nine townships. In five townships, the Social Affairs Committee, the municipal government or the council participates in the decision-making.

Representing the local social policy, the local benefits are part of the local government budget. Social benefits are mostly related to the individual`s income (proven poverty) and be verified by expense documents.

At the same time, in the list, there are a number of target-based benefits targeted at children, families, disabled and the elderly. However, the social support basing as the third, each other separated criteria: a) to meet requirements of the classification (for example, an age or a disability person; b) the needy-based individual application for the social benefit and c) the social service (for example, the home care service).

Social benefits and services are not a freely available universal service, however, the right to use them or get the local social benefit, the first discussed in the application in the Social Affairs Committee. The council's Social Affairs Committee submits proposals to either the county council or the municipal government, where the final decision is made.

Discovered transparency for the decision-making process more specifically, however, developed the index of transparency for the social services pointed out the big differences in the decision-making process. The pattern has compared, according to the list of the total number, social services, where the social services offered are basing as the third, each other separated criteria, resulted in the rate between the clearly described criteria and the noun described criteria, where the decision based only as the members of social committee knowledge.

The problem is, therefore, the decision process for the offered social services of the local government budget is doubly politicized: 1) at the social commission level, who reviews the allocation and 2) at the council level, who defines the type and amount, and makes the decision regarding allocation of benefits.

The following challenges are carried out at the practice for the structure of the administration of social welfare: 1) The social worker profession does not regulated as the profession in the local government, however, the position is the ambivalent and without the professional power; 2) The structure of administration is involving the non-professionals, who are professionals in another field or the about non-educated members; 3) The decision-making process regarding the clients is distributed among different levels; 4) The practice undermines the independence of the social worker, and the social worker cannot protect the rights of the client; 5) The biggest challenge, reflect at the cases, the decision at the client level is politicized.

Towards transparency as the welfare administration

Modernization of public affair organizations, design the effective organization, however, "effectiveness` meaning", accorded to Kanter & Brinkerhoff (1981), appropriate organizational structure and process, including organizational characteristics, member satisfaction, motivation, communication links, internal conflict resolution, absence of strain between subgroups, etc. Public agencies today must demonstrate that they value

diversity, understand and respect diverse cultures, and plan and provide culturally relevant and responsive programs and services (Tomescu & Popescu 2013; Sims 2010; Chow & Austin 2008).

The organisational structures are typically created by management for specific purposes (Senior 2002; Bartol & Martin 1994). According to the law, the Social Affairs Committee should provide only general guidance. The main activities, however, they are participating in the client work and deciding on the allocation of social benefits and the use of social services in practice. In analysing government's legislation, a legislative act could not be found that would give them the right to discuss and decide about for the services to clients, even if it is only at the proposal level. Social Affairs Committee Members justify the reasons for their own social activities by saying that: 1) the Social Affairs Committee has been there all the time; 2) there is the movement of information, especially on matters relating to children, and 3) they are making a contribution to community-based problem solving.

Understanding to the aim of social work and its values are missing in the post-communist society, the profession of social work has not developed yet in Estonia (Raudava 2013). The social work is the knowledge's profession, social work qualifies for acceptance into the fold of professional occupations where the theoretical knowledge base for professional qualification is 'academic knowledge' (van Heugten 2011; Heggen 2008). Modern speciality practice and literature make a distinction between the professional practice of social work professionals and amateurs/non-professionals, which are generally associated with charitable work (Hughes 2008).

An even more serious problem is the participation of the Social Affairs Committee members in the social worker-client decision-making process without any professional knowledge. The current practice includes several problems stemming from social work ethics and the profession's independence; autonomy is based on a number of problems. The committee members do not have the education-related pre-requisites, thus influencing the decisions of the council members are specific knowledge or ignorance of the world and personal experiences.

Therefore, the decision should be in the purview of the social worker, as only the social worker can offer the client appropriate solutions based on social work goals. Local governments need a social worker, who could act by professional intervention and use his or her own knowledge in the complex and diverse world (Leung 2014; Wensing, Bosch & Grol 2010; Hall & Slembrouck 2009; Danto 2008). According to Weinberg (2010), workers feel individually accountable for any judgments made. The prominence of personal responsibility results in the creation of practitioners who work at

developing strong decision-making skills and follow the rules so as to avoid litigation or disciplinary action.

Most important ones, there is the client protection issue, as the Social Affairs Committee members are ordinary rural residents, who become aware of all client cases and details, but at the same time are not limited by the confidentiality obligation; adding to this debate in the council or municipal government, the client case can become doubly public. The framework of local government arrayed of professional social work, the decision-process regarding the clients is distributed among different levels, the practice damages the independence of the social worker, and the social worker does not protect the rights of client. This practice, where *people from the street* are directly related to client work then, it be regarded as historic, the principle of collegial decision-making continuing in the 21st century.

Use of the collective style in the decision making process, there is lack of understanding of functional the ethical code of the social worker, human rights, human dignity), apparently also lack of skills and knowledge. Gray and Gibbons (2007) have argued that ethical guidelines do not guarantee ethical social work practice, but professional intervention requires professional knowledge. The members of council stressed by the value of local democracy, however, local democracy usually is pursued through two types of instrument: (i) the making of infra-municipal institutions; (ii) the direct involvement of citizens through the procedures of referendums and initiatives and the establishment of neighbourhood councils. Both instruments have been used and developed in European countries in the context of better governance, however, in this case, the concern carried out in the professional social work.

In social work, context is not about exploiting other people or disempowering them; though, granted, many institutional contexts often make it difficult for the authority of the social worker to be exercised in ways that minimise or avoid exploitation and disempowerment. Social work involves working with people who are usually, though not necessarily, located in positions of powerlessness. Therefore, it follows that social workers are obliged both to recognise that difference, and to take reasonable precautions with respect to their own conduct, to ensure that they do not exploit or disempower those who seek (or are forced to seek) their assistance (Jose 2009).

As professionals, social workers have the responsibility to further the principles of social justice by challenging discrimination on all levels, including discrimination based on one's socioeconomic status. Social workers must work together to abolish the social conditions that contribute to economic inequalities by challenging unjust policies and practices at every

level. This includes, but is not limited to, ensuring that those most in need receive resources first, and that the resources offered are distributed fairly.

Conclusion

Local government has been assigned the responsibility to organize social welfare. Responsibility is set at the same time to guarantee the citizens that they have the opportunity to seek help and get help from the local government. The European Union has been conceived as a community of law and is based on the rule of law (von Danwitz 2010). However, be regarded as a local government body responsible for synchronizing information, planning activities and the offered social services each other. The right to receive assistance comes from the constitution, and the exercising of this right should not depend on the region and local authority, where the individual or the family lives.

The results demonstrated that the challenges are, however the changes will be necessary towards transparency social work in local government. In local government, there are two local government bodies, the representative body and the executive body. Understudied that the social worker is a multi-professional one in the local authority, the local governments must clearly define the social worker's position as a position, which only a qualified social worker, with the appropriate educational preparation can hold.

The Social Affairs Committee or Social Affairs Committee of Municipal Government, the units of the administration of welfare in the local government, analysed by the specialization of structure, they do not act necessary. The social affairs committee could be regarded as a citizenship based working method if their activity was limited to solving strategic matters.

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QUALITY MANAGEMENT OF TEACHING – LEARNING PROCESS AT THE TECHNICAL UNIVERSITY OF KOŠICE (SLOVAKIA)

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Abstract

The purpose of this paper is to provide some basic information on the methods applied in the management of quality assurance in the delivery of higher education at the Technical University of Košice. The aim is to present programs and results of the course in the quality management of teaching to ensure the quality of university teachers as one of the areas of the internal quality system of a higher education institution.

Keywords: Teacher professionalism, quality management system of teaching

Introduction

In accordance with the Standards and Guidelines for Quality Assurance in the European Higher Education Area as an integral part of the internal quality assurance system of higher education it is required that a higher education institution have proper tools available to confirm that teachers have all the necessary competences and capabilities to be able to deliver higher education and to encourage them to improve their professional performance. In the Report on the State of Education in Slovakia and Systematic Steps to promote its further development (Slovak Ministry of Education, 2013) it is stated that it is necessary to systematically require universities to ensure the quality of university teachers (the role of university-2-3).

Quality in education requires scientific management with a clear concept of development and above all with high quality teachers able to transform education from “the bottom up”. Many existing approaches and models of quality schools and teaching were focused on the management based on top-down approach mostly. The preference of the top management style (orders, instructions) results in poor co-operation of teachers, which is one of the key requirements of quality management. It is therefore necessary

to design and implement quality management systems not only to ensure the accountability of school staff, but also to promote the quality culture of schools through application of a combined strategy, using both, i.e. the approach of quality management from the top down and from the bottom up. The quality of schools is most closely connected with the quality of their teachers. Problems related to the quality of education are associated primarily with ensuring working conditions for teachers as well as teacher competences.

Communication from the Commission to the European Parliament on the Rethinking of Education COM (2012) 669 final of 20.11.2012 in Strasbourg calls appeared to support European teachers: „Teachers face rapidly changing demands, which require a new set of competences for teachers, teacher educators and education leaders. It calls for strong action to support new approaches to teaching and learning.

High quality and well trained teachers can help learners develop the competences they need in a global labour market based on ever higher skill levels, and evidence shows that a primary influence on learners' performance is the quality of teaching and learning. The quality of teaching is a critical issue in higher education. “

How to ensure the implementation of quality management for teachers in educational activities?

Methods

At the Technical University of Košice, we decided to address these issues by providing quality management courses for teachers along with the application of the quality management system in teaching. The idea to run a course Quality Management of teaching was inspired by the fact that university teachers are expected to be successful in research and at the same time in the delivery of high quality education to students, with teaching being a lesser part in the professional development of university teachers.

The basis for our quality management system of teaching, which was created based on research and practical experience of teaching at different types of schools over the past 30 years in Kosice and completed at the Technical University of Kosice, is a creative and humanistic concept of education and principles of quality teaching management derived from the principles of TQM (Total Quality Management). The driving mechanisms of excellence in teaching include intrinsic motivation, self-evaluation and one's own creativity, which are applied in educational activities of the teaching system using PDCA (Plan - Do - Check - Act) cycle.

The aim of the course of the quality management of teaching is to motivate university teachers to teamwork, to create such an atmosphere in which teaching and learning are successful, to ensure satisfaction of both

students and teachers, to contribute to a higher success rate of study at university and professional development (key and vocational) of students' competences for lifelong learning.

The course graduates have to

- understand the importance and possibilities of the management of quality teaching, critically evaluate and apply it systematically in their teaching practice (particularly in lectures, seminars, workshops and tests), creatively develop it in their work;
- create their own quality program of teaching with an defined mission, objectives and contents of the course, with the application of appropriate teaching strategies, self-assessment and controlling mechanisms.

The objective of the course is to support university teachers

- in creating their own program of quality teaching based on the didactic analysis of the curriculum taking into account the requirements of stakeholders for vocational and key competences;
- in a comprehensive, systemic approach to the learning process to be able to intrinsically motivate students to learning;
- in developing students' creativity respecting their learning styles through systematic application of constructive and metacognitive strategies in teaching using elements of e-learning, project and cooperative teaching;
- in counselling activities for students in academic issues;
- in continuous upgrading of their professionalism by further study, research activities, publishing the results of their work;

The contents of the course include lectures and practical classes focusing on key quality issues in education, presentation of experience of university teachers as well as subsequent debates and discussions. The course curriculum is designed to focus on the following key elements:

Quality and concepts related to quality management. The history of quality management. Major personalities of quality management and their contribution. Models of quality management. The quality of education. The quality of school and quality of teaching. Internal quality assessment of school and teaching. Mission, objectives, values, vision and strategic planning of school. Self-evaluation of the quality of school, teaching, teacher, student. Methods used for quality management of school and teaching. Preparation of the teaching program, key and vocational competences. Options for improving the quality of teaching in lectures, classes, seminars, exams. Teaching skills and learning styles of students. The quality management system of teaching.

The course participants were selected by the vice-deans for education in approximately equal number from each of the nine faculties of the Technical University. Participants were divided into four groups with about

20 teachers and academic officials from all faculties of the Technical University in each group. The pilot course of the quality of teaching started in June 2011 and was completed in September 2012.

The course participants were provided with textbooks Quality Management of Teaching at Universities (Turek et al., 2011) developed with financial support from the European Social Fund through the operational program Education. A website was launched at the Department of Engineering Pedagogy of the Technical University where participants could learn more about the quality of teaching:

(<http://web.tuke.sk/kip/main.php?om=1300&res=low&menu=1310>)

Each course group attended 25 classes for approximately one semester (5 meetings x 5 classes). At least 80% attendance at classes was required which was essential for achieving the goals of the course.

In addition to designing a teaching program with a quality management approach by each of the participants, they could choose and develop one of the other proposed projects. Every participant was required to prepare and submit a report on the project which he/she had undertaken. For example:

- Student evaluation of teaching. The course participants proposed or edited the already developed questionnaire to suit their own conditions for the evaluation of teaching units or teaching in a given time interval. The questionnaire was then given to students to be completed and the feedback was evaluated.
- Implementation and evaluation of PDCA cycle in teaching. The participants had to devise a small innovation in their teaching, implement it in their teaching practice and evaluate it.

66 participants took their final exams (in 4 groups of the course). After successful completion of the course, participants from all four groups received certificates on the completion of the course awarded at the ceremonial meeting by the Rector of the Technical University.

Each of the course graduates regularly assessed individual modules through questionnaires as well as the course as a whole.

Results:

At the end of the course participants were presented a questionnaire to evaluate the course (the figure in brackets is the percentage of responses from the selected 66 participants):

1. What is your opinion on offering the course for all teachers at the Technical University?
 - a) strongly agree (50%)
 - b) agree (42,5 %)
 - c) disagree (1,5 %)
 - d) strongly disagree (0 %)

According to the experience and comments from the course participants of the initial, pilot course we developed a new course of Quality Management of Teaching in 2014 under the operational program Education at the Department of Engineering Education of the Technical University. The aim is to ensure the quality of the teachers of the Technical University and develop their teaching abilities as a part of the internal quality assurance system of the education at the Technical University.

The entry requirement for the course Quality Management of Teaching for the teachers of the Technical University is the completion of the basic course of university pedagogy, or a supplementary pedagogical study or eventually the participant should have a teaching degree from the College of Education Institute for Teacher Education. The coordination of the course for those interested in it is provided by the faculty vice-deans for education. According to the experience and comments from the participants of the pilot course there were proposed the following topics of the course providing 22 lessons of direct teaching:

- I. Introduction to quality, quality of schools and quality of teaching.
- II. Program planning of high-quality teaching (educational profile of the graduate, information sheet of the subject - identification data and a brief description of the subject curriculum, course planning and controlling of the results of teaching).
- III. Improving the quality of educational activities (lecture, exercise, seminar).
- IV. Improving the quality of students' performance evaluation.
- V. The quality management system of teaching: commitment and objectives, principles, areas and indicators, quality standards of teaching, tools for measuring the quality of teaching.
- VI. Final colloquium with graduate's thesis defense, curriculum development, the identified learning outcomes and the course evaluation.

As a result of the discussion with the course participants the following optimal structure of the final thesis for the participants of the course Quality Management has been proposed:

- Introduction (with emphasis on the quality of teaching)
- Quality of the study program of the specialization (emphasis on the educational profile of the graduate: knowledge, skills and competences of the students)
- Creation of the study program of the subject (information sheet of the subject - brief characteristics of the subject curriculum; determination of the commitment and the main objectives of the subject; benefits of the subject for the development of the competences of the student; determination of the cross-curricular contexts; determination of the subject teaching strategies - especially constructivist and metacognitive ones; determination of the teaching equipments - teaching aids, teaching techniques, teaching premises)

equipment, material equipment of the student; content and timetable curriculum of the subject - the key elements of the subject, schedule of individual lessons; assessment of the specific objectives of each lesson; controlling of the teaching process - further an example of the final didactic self-test; self-evaluation of the planned teaching program of the subject;

- Evaluation of the teaching quality standard in the given subject by students via a questionnaire for a certain period, (for example a semester), some educational activities (lectures, exercises, seminars).

- Conclusion - recommendations for improving quality management of teaching by teacher.

A newer version of the course Quality Management in university teaching is currently still in progress as up to 50 participants have signed up for the course. The final results will be known in early 2016. However the on-going evaluation of the course lessons via questionnaires has shown that there prevails a similar opinion of the participants as in the previous course proving that this course should be completed by all teachers at the Technical University, and the accomplishment of the course will be very useful for the teaching practice and moreover the participants declared strong or very strong satisfaction with the course.

Discussion

From the original number of 80 signed-up participants completed the course 66, i.e. 83%. Although we expected acceptable results and interest in the issue of quality management of teaching from the part of university teachers, however, we were pleasantly surprised by the relatively positive response and an unexpected interest in the progress of the course. Maybe it reflects the fact that the first participants in choosing the course by vice-deans of the faculties exhibited better relationship to teaching than to research. If the efforts of the rector's office of the Technical University is that gradually all university teachers should complete this course, then there could occur also opponents of this trend, which will be a challenge for us who prepare these courses, to take even a more resolute standpoint in order to balance the duties of the teachers namely in the field of both education and research.

The commitment of the quality management of teaching is mainly to satisfy the educational needs and expectations of students and professional needs of teachers in education. The recognition, co-creation, determination of indicators and criteria for the quality of the teaching process, adoption of quality management system of teaching by teachers, accomplishment of various components of the system in the teaching process have to lead the teachers

- to further professional development on the basis of systematic introspection, especially due to their own needs;
- to realize the necessity of quality management of teaching in maintaining discipline and interest of students in education;
- to provide high quality education for students in a well-designed study program.

The system supports the teacher's ability to manage himself systematically, helps aware the importance of further professional development which can motivate the students' effort for learning and lifelong learning.

It supports and declares the professionalism of the teacher, his professional responsibility, strengthens the teacher's morale, enthusiasm for the teaching, but also the confidence of the university teacher, as part of his honor and pride. This will also increase the public confidence in the teaching and the prestige of the teaching profession in the society.

The main objective of the quality management of teaching is to customize the teaching - learning process to the needs and expectations of the parties in interest; optimize the processes of teaching and learning, in which first of all the requirements of students will be met (educational needs and expectations associated with teaching) to increase the graduation percentage and then ensure them labour market success. At the same time there have to be achieved the goals set out in the creative and humanistic teaching at rational costs on teaching and the PDCA cycle has to be implemented with the application of internal mechanisms of quality. It is necessary to measure and assess all these processes objectively and take measures in education.

The systems of Quality Management at schools are effective only in that case when they develop the quality of teaching in study groups and especially the quality of students 'own learning.

The quality of teaching is based on the concept of the creative and humanistic teaching which is primarily focused on autonomy, activity and creativity of students. It is the application of didactic principles based on the personality of the student, applying the teaching strategies aimed at active learning, teaching focused on problem-solving and leading to self-creation of a fully developed personality of the student.

The teacher himself is the quality manager of the teaching process, whose primary role is to provide the commitment, objectives and development of his teaching due to the strategic objectives of the school, which can be reflected in preparing a quality program of teaching followed by the actual education activities.

To ensure the effective way of the development of the quality management it is requirable to be aware of requirements of praxis, potential

employers of the graduates of the particular study program. These are important both for the university and faculty, moreover for the teacher as well. At the same time it is necessary to know the expectations of the students for the study program, their levels of satisfaction and needs, and their degree of fulfillment.

Conclusion

Quality management in university teaching is the most recent innovation of professionalism of a university teacher and his teacher's competences. Creating appropriate conditions for the work of teachers and developing their professionalism can improve the quality of teaching (especially lectures, exercises and seminars) as the most important processes at university and in the main area of the quality of the university. As a result the principle of indivisibility of teaching and research at universities can be ensured in a more effective way.

Quality management of teaching should be taught at Education Institutes for Teacher Education for all levels of schools. Without high quality teacher base there are neither school staff, nor managing officers at schools, even no academics, it can be a great contribution to the creation of comprehensive conditions for the education of the nation.

We realize that the complex issue of the quality management of teaching is far from being accomplished despite all our activities, it would be necessary at introduction of this management to have the results of teachers' educational activities. It is however certain, that nothing will change in the school system, if the teachers remain unchanged.

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TEACHING AND PROMOTION ON INQUIRY-BASED INSTRUCTIONAL MODULE

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Abstract

The purpose of this study is to design two teaching modules that will enable science teachers to teach laboratory course for students to achieve a meaningful and useful learning. We emphasize students' self-exploration about science. Each module can be modified for students of different grades (7-12 students) and abilities. The modules greatly enhanced the teacher's own understanding of what he/she wishes the laboratory teaching to achieve. The module contained inquiring activities with explicit teaching of the nature of science. At the same time, these activities can promote their learning motivation; let the students have a better understanding of the science concepts by doing the experiments, and to undergo an experience of learning and reflection by themselves. By observing interesting phenomena and practicing the scientific process skills repeatedly, the modules also efficiently inspired students who lack of learning motivation. This study involves the design of two experimental teaching modules dealing with concepts about animal life, plant life, foraging behavior and social behavior. The designed modules are: 1) Ecosphere experimental teaching module: including photosynthesis, respiration and burning; and 2) Animal behavior ecological observation experimental teaching module: including foraging behavior and social behavior.

Keywords: Instructional module, inquiry-based learning, learning motivation

Introduction

General background information

Recent theories on students learning of science emphasize the construction of personal knowledge is not a reaction to external concrete world, but a result of the active construction by individual mind. For

instance, Jean Piaget proposed that knowledge is not from innate genetic, nor the acquired environment, but from individual's spontaneous action (Piaget, 1970; Boden, 1985). Hofstein and Lunetta (1982) recommended that in addition to academic achievement, attitudes, cognitive ability, operational skills and understanding of the nature of science, scientific process, scientific interest, work independently, maintain memory, we still have to pay attention to the related variables of laboratory teaching environment, including teachers' attitudes and behavior, the nature and content of laboratory activities, experimental teaching objectives, social context and learning environment and so on. Bredderman (1983) presented a meta-analysis findings on experimental learning lessons. He encouraged the use of inquiry experimental activities rather than Didactic Teaching. Also, he proposed the direction of reform efforts that is how to make classes more interesting by experiment lessons.

The purpose

The teaching modules designed in this study consisted of scientific activities related to ecology and physiology, such as photosynthesis and cell respiration. These activities focused on student's self-inquiry of science, and the activities of the experiment modules may vary for students of different grades and abilities. The two modules were: 1) Ecosphere experimental teaching module: including photosynthesis, respiration and burning; and 2) Animal behavior ecological observation experimental teaching module: including foraging behavior and social behavior.

Literature Review

Implementation theory

Teachers are often encouraged not to impart knowledge directly but to apply various instructional principles and teaching strategies, in an attempt to explore ways to guide and assistance student. And then, students are expected to have the experience of using a range of scientific methods and process skills, such as observation, comment, forecast, confirm, assess, and publication. During the implemented process, teachers can induce students' intrinsic motivation (ex. curiosity, knowledge, exploration) to arouse students' learning motivation. Teachers also guide students into abstruse scientific theories through implemented learning experience and reflection. In this way, we can also launch on the promotion of students' motivation effectively. Application of ARCS (Attention, Relevance, Confidence, Satisfaction) (Bredderman, 1983), to train students' "hands-on implementation to learning", we can promote their active learning and build their confidence through DIY. Research studies based on Elaboration Theory (Reigeluth) which emphasized a shift from teacher-centric instruction to

learner-centered instruction has demonstrated that students are highly interested in implementing what they have learned. If teachers provide proper assistance, it can build students' motivation and achievement. Anderson and Mohan also suggested that practical changes to classroom instruction may result in more effective pathways to the Upper Anchor, but there is less attention given to carefully sequence of teaching materials (Anderson & Mohan. 2009).

Value of research

The design, development and production of quality instructional materials are important and urgent for the implementation of science education at schools. The current design of teaching plans and activities in science textbooks has a polarization problem. Some are too complex to operate, using expensive electronic detection equipments and ignoring the observation and analysis of important concepts in biological experiments, the others too simple and low frequency of use, or to make a serious bias of the focus of study, only concerned with finding out the answers rather than engaging students in the operations and processes of scientific exploration and practices. We have made some efforts trying to solve such a polarization problem in this study. In Eco-Box, a combination of a series of modular biological observation experiment aids was developed. We have developed interactive ecology modules that are in line with the goal of science education emphasizing science enquiry and the learning of science concepts. The teaching aids developed in this study have received a number of patents, and they have reached a reasonable market price and popularity commercialization objectives. Using the teaching modules developed in this study, we expect to engage students in activities that will raise students' intrinsic motivation toward curiosity, lead to the acquisition of knowledge and science inquiry skills, etc. We hope to provide increase students' interest in learning and their understanding of the relevant concepts and principles, by guiding them to explore the scientific theories through practical works, which provide them with adequate experiences and opportunities for reflections.

Teaching plan development

1. Implementation design

Eco-Box is a teaching module for natural science, which designed for grade 7-12 students. Teachers or parents can lead students to build up the Eco-Box. While enjoying the DIY process, students can use their imagination to create their own unique miniature ecosystems.

(1) Ecosphere experimental teaching module: including photosynthesis, respiration and burning

Eco-Box is a complex word of ecosystem and box. Respiration (often confused with breathing) is defined as the transport of oxygen from the outside air to the cells, and the transport of carbon dioxide in the opposite direction (uptake O_2 , release CO_2)(Fig. 1). It is essential to cells for survival. The transport of oxygen and carbon dioxide in photosynthesis is reversed. But, both of respiration and photosynthesis cannot be directly observed by naked eyes. Does plant absorb carbon dioxide and emit oxygen under sun light? What kind of changes in the gas proportion will happen? How can we observe the variations in concentration of oxygen and carbon dioxide?

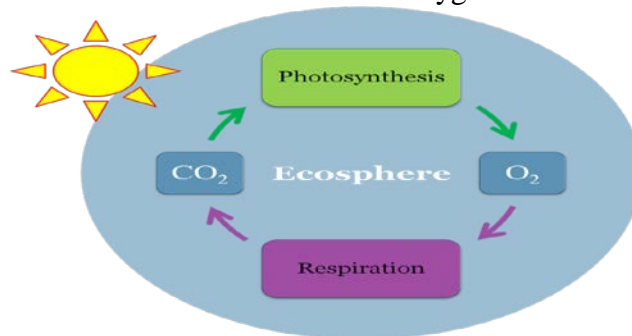


Fig. 1. Carbon is exchanged among the biosphere and atmosphere (incomes and losses) in a specific loop.

The carbon cycle is the biogeochemical cycle. It comprises a sequence of events and describes the movement of carbon as it is recycled and reused throughout the biosphere.

(2) Animal behavior ecological observation experimental teaching module: including foraging behavior and social behavior

This model design with silicone tube connector and has equipment to monitor the concentration of oxygen and carbon dioxide in glasses (Fig. 2). This model is able to examine each experimental group individually. For example, photosynthesis group only use ecosphere (part E). When inserted the plants into this model, the changes between oxygen and carbon dioxide can be measured by gas sensor (part G). In the part A, only using algae to produce oxygen and collect it by gas sensor (part G). Respiration group only use the ecosphere (part E), the same as photosynthesis group. In the B part, using for burning group, the data collected by part G.

When many groups are combined, showed on Fig. 2, to test the effect of oxygen and carbon dioxide on animal and plants, the animal and plant will be put inside the ecosphere (E part). Firstly, the changes between oxygen and carbon dioxide in gas sensor (G) were recorded. Then, switching on the B part to lead the carbon dioxide, created from burning, flowing into the ecosphere (E part) and record the data of changes of glass in gas sensor (G) again. Waiting for a while and switching part B off and part A on. The

oxygen produced by algae flows into part E, and collects the data in part G once again.

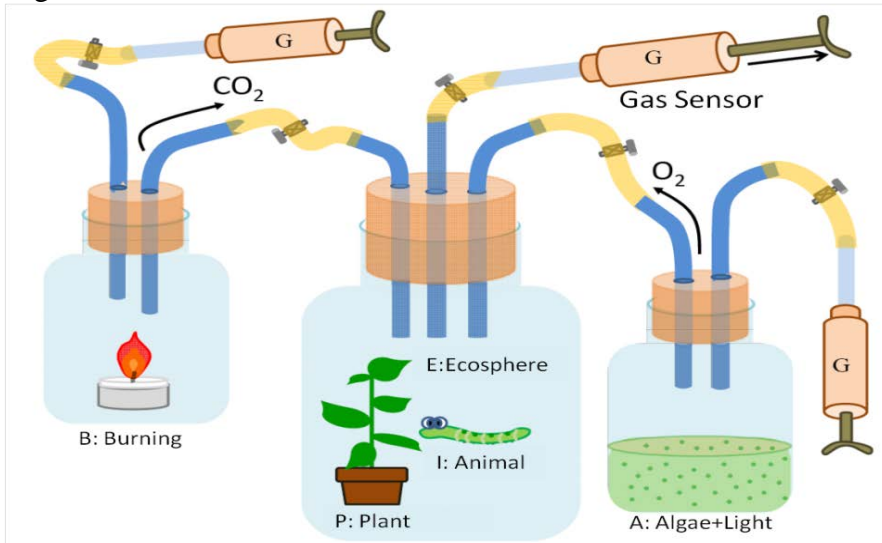


Fig. 2. The teaching aid module

2. The Eco-Box characteristics

- (1) Reusable: All materials of Eco-Box are reusable. It made by acrylic and is easy to clean and reuse (Fig. 3).
- (2) Flexible : Experimental components can be added as you need, e.g. control module of different light waves, gas concentration (oxygen, carbon dioxide and nitrogen), temperature, moisture, etc (Fig. 3).
- (3) Simple: Eco-Box is easy to assemble and carry, consisting of several acrylic plates and columns (Fig. 3). Just a few steps, the user with imaginations and some decorations, a miniature ecosystem is ready to use.
- (4) Adaptability: Box can be used individually or with multiple combinations.



Fig. 3. Eco-Box consists of several acrylic plates and columns, and easy to assemble and carry.

3. The assemblage of Eco-Box

According to the protocol, the Eco-Box is easy to assemble. The border corner area of acrylic components embed magnet. When put each basic component to suitable place, it will fasten by magnetic force. A rectangular box constructs only few steps (Fig. 4). Then put small animals or plant into it, a miniature ecosystem is ready to use (Fig. 5). It can combine two Eco-boxes to large one. Eco-Box is suitable for rearing small invertebrates like ladybugs, snail, crickets, etc.

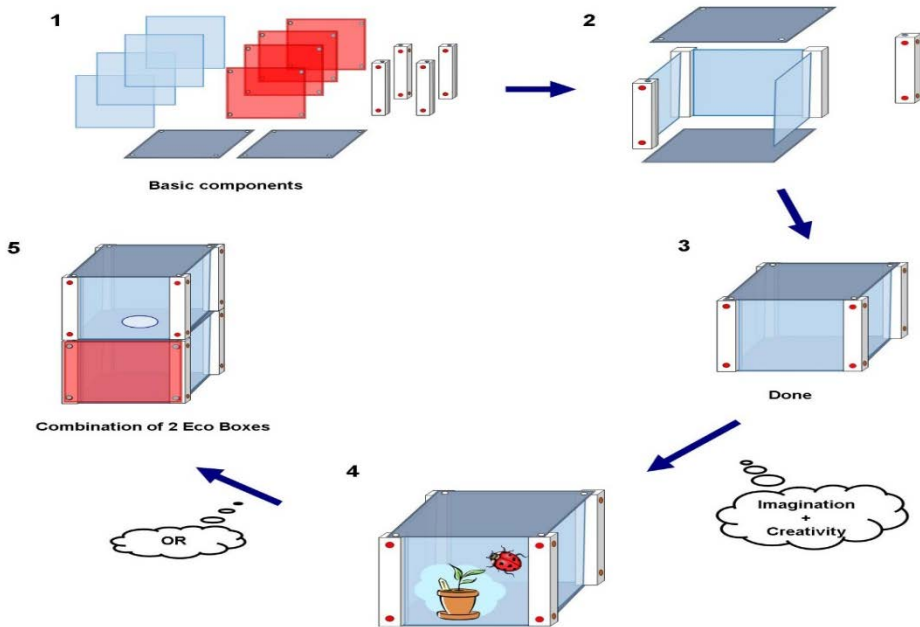


Fig. 4. The procedure of Eco-Box assemblage shows subsequently and it can combine two boxes together.



Fig. 5. A miniature ecosystem is ready to use.

Results and Discussion

Eco-Box is a miniature ecosystem, it makes obscure concept of the ecosystem from theoretical into practical.

1. Ecosphere experimental teaching module: including photosynthesis, respiration and burning

Is there any more convenient, more intuitive approach to investigate the gas equilibrium? We started to design an Ecosphere Experiment Module (Eco-Box), and we hoped that it can integrate the various experiments in one, and can also allow students to do the experiments one by one. And more important, is to make the measurements easily by using gas sensors.

2. Animal behavior ecological observation experimental teaching module: including foraging behavior and social behavior

This model design to examine the balance between the concentration of oxygen and carbon dioxide of the following groups: photosynthesis group including plants and algae, respiration group for animals, burning group. This model is able to test the changes in each group or to combine two to four group together to test the changes for oxygen and carbon dioxide (Fig. 6).

The Eco-Box is very meaningful for nature live in different zone, they can communicate with each other among different species including humanity. Insects and plants can be cultivated in a special space of our design, through individual cultivated or interconnected in series. Each region has its own functionality, such as living, eating and fighting. Consumers can buy modular equipment and instrument, we design to upgrade the function of each zone. They can learn life sciences and ecology from our products and observed and recorded flora and fauna issues. The main idea of our design is establishing the interaction between species and the interaction between the owners. Learning natural science is no more boring but with fun! And through further teaching, students have a better understanding of the ecosystem. During the DIY process, students can learn how to overcome problems by themselves, in order to build up a perfect ecosystem. Eco-Box not only stimulates students' creativity, but also the learning motivation in natural science.

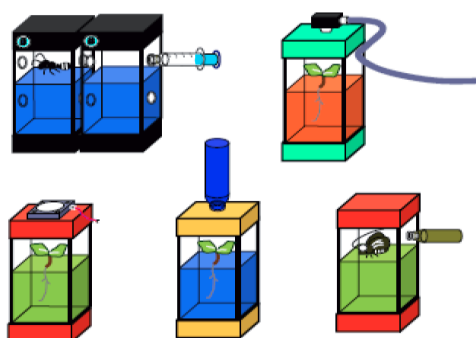


Fig. 6. This system is able to measure the changes of oxygen and carbon dioxide in each group or the combination of two to four groups.

Conclusion

The module we developed in this program is suitable for the promotion of environmental and science education and lifelong learning. Meanwhile, students' feedback indicated that they were satisfied with the module. But, considering the following points, we suggest further research is needed to solve the problems faced.

1. It spent a lot of time waiting for the gas to accumulate. Many students responded that there was not enough time to complete the activity. Students also indicated that more equipments were needed.
2. We could increase the number of hours for the activity next time. We could also let students rest during the waiting periods and devise some mini experiments.
3. Many students have not enough experience and patience in doing the experiments. There is a gap between students' needs and performances, even for students with the same grade.
4. Even though student's background knowledge and understandings were improved, we found that there were still some misconceptions that need to be clarified.

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KURDISH STUDENTS' PERCEPTIONS TOWARD COMMUNICATIVE LANGUAGE TEACHING AT A UNIVERSITY IN KURDISTAN REGION IRAQ

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Abstract

This is a small scale piece of research that has been conducted to investigate about the Kurdish students' perceptions of CLT in Kurdistan. The samples involved in this study were 40 Kurdish undergraduate students; 6 out of these 40s were interviewed via skype. The participants were chosen based on their knowledge regarding CLT. These students have been taught the CLT principles for one year and for almost three years they have been taught through CLT. This study was collected by a mixture of qualitative and quantitative data through using a set of questionnaires and semi-structured interviews. This was done in order to find the answer to three research questions which are: (1) what are students' attitudes toward CLT? (2) Do students think that authentic materials should be used by teachers in English classes? (3) What are the challenges that Kurdish students face when they are taught through CLT method? The findings of the study revealed that students have a positive attitude regarding the use of CLT, as it contributed much to the real world language. Moreover, the results showed that the students are in favour of the use of the authentic materials because they are more interesting than other materials. However, some challenges might face the teachers and the students while implementing CLT in Kurdistan context, such as: lack of authentic materials, lack of teachers' knowledge, grammar-based exams and students' proficiency level. Therefore, the findings also revealed that these difficulties can be tackled and by that this approach will work more properly in Kurdistan.

Keywords: CLT: Communicative Language Teaching, FL: Foreign Language, EFL: English as a Foreign Language

Introduction

English is a highly evolving language that requires extensive engagement for effective communication to be possible. Therefore, many Asian countries have changed their adopted approach of teaching English from a traditional method to a communicative one (CLT) based on real situation use of English.

Communicative Language Teaching (CLT) was introduced in the 1970s and is regarded as one of the most effective approaches to language teaching (Bandl, 2007). Although it has been used for a long time, it still remains a popular method and an accepted approach for teaching English in many countries. However, despite the attention given to CLT, many teachers do not apply CLT to a satisfactory extent due to challenges faced by the teacher and the students, which should be addressed.

Over time, teaching the English language in Kurdistan witnessed many changes with regards to both materials and approaches. In the past, the main method used in the Kurdish context was the grammar-translation method, the direct method, and audio-lingual method (Al-Hamash and Abdul-Rahim, 1982; Al-Chalabi, 1975). However, Kurdistan's Ministry of Education has recently changed the curriculum to include a course book with the title 'Sunrise', which is mainly based on CLT (Biarayee, 2009) to engage students' communicative abilities. However, adopting a more communicative method has little value if Kurdish teachers, who lack training, are to implement CLT using the traditional method of instruction.

Rational of the study

The rationale for carrying out this research is related to several fundamental points. Most importantly, through this study, the attitudes of students towards CLT will be examined. Moreover, based on this study, the advantages and disadvantages of the use of CLT will be discussed in order to identify areas of improvement.

Therefore, the educational system of Kurdistan might needs some improvement such as shifting the role of students from listeners to communicators, class size should be ideal and group work should be adopted. The exam system in Kurdish schools needs to be reformed with the adoption of communicative tasks that cover the four main skills, reading, writing, listening and speaking, and that are less reliant on grammar based exercises.

Literature Review

Over the past 50 years, the history of CLT has witnessed many changes. Since its introduction as a method of language teaching, CLT prompted a continuous evaluation of course design and teaching

methodology. Richards (2006, p.6) divided the history of the evolution of CLT over the last 50 years into three phases: “traditional approaches, classic CLT and current CLT”. The 1960s represent the first phase of development, in which lessons were based on grammar competence. The second phase of development of the CLT method took place between the 1970s and the 1990s, this phase of communication was based on information gap and discussion activities. The third phase is the current CLT and is based on real communication in a free context. Interestingly, although Richards divides CLT into three phases, he does not specify where this development occurred. For example, in Kurdistan where this research study takes place, it should be noted that due to the rapid progress of education, the first two phases were missed out. With this argument this question may be raised whether it would be easier to put CLT into the curriculum without being into the first two phases or it would be challenging?

CLT can be best characterised in line with the definition proposed by Richards (2006, p.2): “a set of principles about the goals of language teaching, how learners learn a language, the kind of communicative activities that best facilitate learning, and the roles of teachers and learners in the classroom”. This can arguably be the most comprehensive definition of this method because it includes the aspects that CLT focuses on, such as the materials and the roles of students and teachers.

Communicative Competence

The main goal of CLT is ensuring that communicative competence becomes the goal of language teaching (Hedge, 2000). The term communicative competence was introduced by Hymes (1972, cited in Brown, 2007, p.246) who defined it as “that aspect of our competence that enables us to convey and interpret messages and to negotiate meanings interpersonally within specific contexts”. The desired outcome of the CLT is not limited to only understanding the rules of the language, but rather it extends to successful communication by students in the target language (Knight, 2001). As Larson-Freeman and Anderson (2011) argue, more than just linguistic competence, mainly forms and grammar, is required in order to obtain a language and have the capacity to communicate using it. Communicative competence involves knowing the aim and context of communication as well as what to say and to whom.

Teachers’ and Students’ Roles

Teachers’ and students’ roles are important in CLT. The teacher’s role as a listener and a co-communicator is emphasised, while the student’s role as a communicator is essential. These roles might be challenging for both students and teachers of English as a foreign language (EFL), as the

focus is on students communicating and learning together. This may be very different to other traditional methods that learners and teachers are used to. Hu (2002, pp.95-96) best describes the vital roles of the learners in the CLT classroom which are assumed to be “those of negotiators for meaning, communicators, discoverers, and contributors of knowledge and information”. This is very different to the role of passive learners. Learners in CLT are encouraged to interact with other students in the class and become active members in the learning process. The described role of students is very useful pedagogically, but in Kurdistan, this may be challenging as it is based on asking the learners to have a different type of learning experience to the one they are used to. In their traditional approach to learning, Kurdish students are more listeners than speakers.

Many researchers argue that the teachers’ role has to change radically. Brown (2007) states that the teacher should act as an aide, who encourages the process of communication, and should not be purely an information supplier; however, this argument might be more relevant in the context of some countries and it may be more challenging for students and teachers in Kurdistan as the teachers in Kurdistan are more used to the traditional method (Domily, 2010), where the learning process is more teacher-centred, and students only play the role of listeners.

Activities in CLT

The key point of CLT is the presence of communicative activities that are required in communicative classes in order to achieve the communicative purpose. As Richards (2006) states, CLT activities must give students the chance to communicate. Communicative practices intend to involve students in interaction in order to develop their communicative competence (Savignon, 2007). Thus, CLT involves the integration of various language skills and the use of authentic materials.

Furthermore, communicative activities may allow students to improve their fluency. Fluency in the target language is another important aim of CLT; that is to say the utilisation of language naturally. As Klippel and Swan (2006) suggests that communicative activities encourages students to be better in oral skills performance.

However, the promotion of group work can be problematic, as well as beneficial. It is indicated by Swantarathip and Wichadee (2010) that in order to promote learning abilities, group work is required as it helps students to eliminate anxiety and improve their level of understanding. However, a number of learners may still feel anxious interacting in the target language in class. This may lead to the reticence because of the fear of making mistakes, even though they are placed in groups, specifically in large

groups. As Chang and Goswami (2011) propose, such methodology might not work within large groups because students.

Furthermore, regarding committing errors, CLT deals with errors as a natural phenomenon in the language learning process. Thus, the correction of errors is, if possible, best postponed to the end of the lesson unless they impede conveying meaning.

Using Authentic Materials in CLT

CLT is described as a meaning oriented method. Arguably, meaningful communication helps students to learn a language in a more effective way (Richards and Rodgers, 2001). Thus, classroom activities may be better generated from real life situations so that students would be able to communicate inside and outside the classroom. These resources include the use of texts, video selections, pictures, announcements, web pages, leaflets, and other authentic audio-visual materials such as conversations.

Challenges Faced in Implementing CLT

Some challenges may be faced when implementing CLT in the contexts of certain countries or cultures as literature on implementation of CLT suggests. This is demonstrated by the findings of Kalanzadeh, Mirchenari and Bakhtiarvand's (2013) study conducted in Iran and Coskun's (2011) study in Turkey, which revealed that the factors that impede the implementation of CLT include grammar-based examinations, students' and teachers' level, the educational system and large class size. These factors, as examined by this study, are discussed as follows.

Context

CLT may not be successful when it is used in different situations and with different cultures as one of the factors that impede its implementation could be the context. Interestingly, Bax (2003) criticizes the use of CLT in his article by arguing that in spite of the significant role of CLT in language teaching, the context is generally neglected. Teaching styles of some cultures may be teacher-centred rather than student-centred, which is the opposite of the CLT instruction. Moreover, a number of studies show that CLT might not be applicable in crowded classes. Such as Hiep's (2007) study in Vietnam, though its findings cannot be generalised to all Vietnam, as Hiep claims, because of the limited samples, however, the findings indicate that large class size can be a challenge to the application of CLT. This is because CLT encourages communication through utilising the target language, and in classes with a large number of students, chances of interaction may not be offered to students evenly. This is relevant to teaching in Kurdistan as it could be difficult to utilise CLT because in Kurdistan each class usually

consists of more than 40 students and lessons are of a very limited time that does not exceed 45 minutes (Biarayee, 2009). These two features might negatively affect communicative competence of the students. Therefore, it is recommended to make class size smaller in order to provide more time to the students to interact in the target language (Littlewood, 2007).

Learners' proficiency level might be another factor as the level of fluency of some students is not the same as others which might affect the implementation of successful CLT. The findings of Li's (1998) study conducted in South Korea revealed that the use of CLT was challenging for some teachers due to the students' low English proficiency.

Lack of Authentic Materials

The absence of authentic materials could be another factor preventing the successful utilisation of the CLT method adequately. Generally, successful teachers with suitable skills can prepare effective materials; however, some teachers might not be able to implement CLT because of their background and teaching experiences as teachers can be affected by the traditional methods based on grammar instruction (Incecay and Incecay, 2009).

Exam Based Classes

The basis of CLT is to develop students' communicative competence and not their grammatical skills. However, some studies indicate that, because of examination requirements, teachers use a combination of CLT and the traditional method (Chung and Huang, 2009). This may be challenging for both the teacher and students as it may be confusing to combine two different methods which have different features.

Methodology

The mixed method approach was chosen to conduct this study. This method was chosen as it provides more in-depth insight to the research as the qualitative data might address some issues that the quantitative data might not. The questionnaire survey and semi-structured interview were constructed as a means to gather information. For achieving the aim of this study three research questions were formed: 1. What are students' attitudes toward CLT? 2. Do students think that authentic materials should be used by teachers in English classes? 3. What are the challenges that Kurdish students face when they are taught through CLT method?

Moreover, the sample size were 40 participants from only one level, undergraduate students in the last year of their studies, in the English department. Their ages are between (20- 30). These students were chosen as they have theoretically and practically experienced CLT. The participants

were from one university in Kurdistan, therefore, the cluster sample is used as Corbetta (2003) argues cluster sampling is the selection of a group instead of individuals and is used when the participants are divided into groups such as in school classes.

Furthermore, since the forty participants are away from the researcher, the questionnaire were sent online. The questionnaire involved close ended questions and the rating scale (strongly agree, agree, uncertain, disagree and strongly disagree) was used as it is easy and straightforward to understand. The second method was the interview which carried out with six of the 40 students and the interview was through the Skype calls.

Discussion and Findings

Simple statistical methods were used to analyse the data obtained from the questionnaire. As for the interview, the thematic approach also known as ‘coding’ was used. Coding is defined as "a name or label that the researcher gives to a piece of text that contains an idea or a piece of information" (Cohen, et al. 2011, p.559). In order to answer the three research questions, this chapter was divided into three sections, each of which is assigned to a theme: attitudes towards CLT, the use of authentic materials and difficulties in implementing CLT.

What are Students’ Attitudes towards CLT?

Most of the interview responses showed that students had a positive attitude towards learning English in general. Responses from the questionnaire revealed that 82.50% of the students agreed that *the aim of English language teaching is to help students to communicate in English*. Interviewee A, in expressing views towards CLT, highlighted an interesting point by stating that “*you can learn a language for many years but if you only read books, watch TV or listen to others speak the language, you will never be good enough*”. Most of the participants expressed support for CLT as they believed that it was the best way to learn a foreign language; this was evident from the conducted interviews.

Similarly to the findings of this study, some studies showed the same results in spite of the different geographical area, such as the study by Gamble et al. (2013), which revealed that university students in Japan have a positive attitude towards CLT.

The participants’ reasons for their positive attitudes towards CLT were based on the advantages of CLT features. The findings revealed that some aspects of CLT were very important and beneficial, and some others were less important points.

The Roles of the Teachers and the Students

The most essential point that all the participants agreed on was the importance of students' and teachers' roles. The teacher's role should be as an advisor in the class, and the students should be the centre of teaching and their role should be communicators, as is shown 75% of the students revealed that *the teacher should act as a guide in teaching English*. In addition. Similarly, interviewee E stated that the teacher can be "*a prompter, and support students to encourage them to speak*". Regarding the role of the students, the questionnaire results showed that around 67.5% agreed that *CLT is a student-centred approach*. Almost all of the interviewees agreed that students need to communicate and interact in class in order to learn the language.

Based on the responses from both the questionnaire and the interviews, the CLT approach was seen as a positive, successful, purposeful and active method of teaching.

Students' Motivation

Students' motivation was seen as important as the students' and teachers' roles according to the participants. As interviewee A stated, the success of CLT depends on the way CLT motivates students, and the rest of the interviewees shared a similar opinion by stating that this method helps students to be self-managed and active learners in class. As interviewee C stated, CLT activities "*help students to be more competent in speaking especially in Kurdistan is to help students to be more fluent*". Similarly, as Guariento and Morley (2001) stated that the majority of students and teachers demonstrated that CLT motivates students and helps them to achieve better performance in oral skills.

Communicative Competence

Another essential point for the participants is communicative competence as 75% agreed that *communicative competence is important to learn a language*. Most of the interviewees agreed that CLT enhances students' communicative competence and provides learners with the opportunity to use the language in meaningful situations. According to interviewee D, CLT is one of the effective ways of language teaching "*which aims to enhance students' communicative competence*".

Fluency over Accuracy

Some of the participants mentioned fluency as an advantage of CLT. Interviewees E and D stated that one of the main advantages of CLT is the emphasis on fluency over accuracy. As interviewee D asserted, the benefit of CLT "*is how to speak English language properly and fluently because*

learning the language means how to communicate". Similarly, 72.5% of the students agreed that fluency is the basis of CLT activities.

Error Correction

Error correction and group works were considered as the least important aspects of CLT by the participants, who also reported that making errors is natural.

Do students think that authentic materials should be used by teachers in English classes?

Richards (2006) argues that authentic materials allow the personalisation of the materials in order to keep students engaged in the class. The data from the interviews supported this idea as interviewee E stated that the use of authentic materials enhances learners' motivation and makes students more interested in class. This was reinforced by the data obtained from the questionnaires which showed that the majority of students supported the idea that communicative activities developed their communicative skills. In line with this, the majority of the students agreed that the activities: *group discussion, speaking in pairs, storytelling in front of the class* and *describing a picture to a partner*, are considered to be communicative activities. Furthermore, Interviewee F stated that authentic materials are suitable for use by Kurdish students in order to learn real life language because the only place where Kurdish students practice the target language is inside the classroom.

What are the challenges that Kurdish students face when they are taught through the CLT method?

Most of the participants expressed that implementing CLT in the classroom requires several prerequisites to support the teaching process such as facilities, active students and qualified teachers. The responses stated that *teacher's lack of knowledge, level of students, class size, lack of authentic materials* and *grammar based exams* could hinder the implementation of CLT. These challenges are discussed below in the order of their importance according to the students.

Grammar-based Examinations

Grammar-based examinations were considered to be the most significant obstacle that impedes the successful implementation of CLT practices in English teaching in Kurdistan. Almost all of the interviewees and most of the respondents of the questionnaire 77.5% thought that grammar-based exams were a major challenge for students and had a negative impact on the use of CLT. According to interviewee E "*one of the difficulties would*

be examination because the examination in Kurdistan are based on the grammar rather than assessing students". The interviewees' answers demonstrated that the curriculum and the final assessments were mismatched in the Kurdish setting. Therefore, English classes led by grammar-based examinations allowed little, if any, room for communication.

It is important to see that the participants showed a genuine interest in creating positive changes in the English teaching system in Kurdistan. In order to overcome this challenge, interviewee C asserted that communicative classes should be evaluated by assessing communicative skills in exams.

English Proficiency Level of Students

The participants also stated that students' different level of English language competence is a very important barrier to implementing CLT. As interviewee B stated, "*students have very different levels of education, some are really good and others are not*". Although the level of Kurdish students seems to be better at English than many countries where English is not a first language, three interviewees expressed their concerns regarding the ability of students to speak in the target language stating that some Kurdish students have poor communicative abilities. Therefore, some students maybe resistant to contributing and participating in communicative class activities. As the questionnaire results revealed, 60% of the participants identified the students' passive style of learning as a serious challenge in class.

Furthermore, most of the students 70% agreed that *teacher's lack of knowledge about the target language culture*, is a major obstacle. According to Bax (2003), it is important to take context into consideration. As argued by most of the interview participants, the context and culture of Kurdistan is different from Western countries. Classes in Kurdistan are mostly teacher-centred, and are crowded with students. In fact, Kurdish students are expected to stay silent and listen to the teacher and only answer teacher's questions. Interviewee E stated that "*students are accustomed to being silent in the class and obeying the teacher, so if suddenly they applied this approach, the students might keep silent*".

Large Class Size

Having large classes is one of the key problems in the Kurdish educational system in general. Accordingly, almost all of the interview data revealed that overcrowded classes are a serious concern in the use of CLT and that this problem should be tackled. Furthermore, interviewee E, in expressing views about class size in CLT, highlighted an interesting point indicating that, in large classes, "*in Kurdistan, the number of students is great so the students will not have enough time to contribute or to participate and share their ideas*". Regarding this obstacle, all of the

participants suggested the same solution which is to break up the class into smaller groups in order to apply CLT methods effectively.

Teacher's Lack Knowledge

Regarding problems that teachers face, some of the participants identified lack of trained teachers as a barrier because the teachers who lack skills are not able to implement CLT in a successful way. Therefore, it might be important that teachers should be fully aware of all the CLT principles in order to successfully provide communicative teaching. In line with this, Interviewee F asserted that “*before implementing such methods in any country, the teachers should be trained on how they can deliver their lessons and how the students must be treated*”.

Lack of Authentic Materials and the Time Factor

Lack of authentic materials and the time factor were reported as the least important barrier that prevents the proper utilisation of CLT in Kurdistan. As the lesson might not last more than 45 minutes, which might pose some difficulties for the teachers when delivering a communicative class.

Conclusion

This research aimed to explore the perceptions of English learners of the use of CLT in the Kurdish context within a university in Kurdistan. There are three research questions which need to be answered to address the aim of this research study. It is worth mentioning that the aims were successfully achieved, as the researcher gathered enough data to answer all of the three research questions. The findings of this research revealed that the majority of the students have favourable and positive attitude towards CLT approach and indicated that most of the students are in favour of the use of authentic materials in class. Furthermore, the results of this study revealed that there were a range of constraints that impede the implementation of CLT in Kurdistan and challenges that face teachers and students in English classes. However, these challenges can be overcome by reducing class size, training teachers, providing authentic materials and changing the system of examination.

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A TRANSDISCIPLINARY JOURNEY: COURSE CREATION AT A SOUTH AFRICAN UNIVERSITY

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Abstract

The paper reviews the process involved in developing a transdisciplinary Master's degree in Global Change. It first considers the meaning of the various disciplinarity before reviewing the team selection and development process. It provides an overview of the research behind and development of the curriculum, and discusses dealing with academic administration. It finally provides an overview of the teaching experience. Lessons learned cover teams, their selection and development; structures and the work required to address administrative challenges; course design and the issue of transdisciplinarity; and teaching, including the use of various alternative teaching and learning methods are presented. This is followed by a postscript - an overview of a course module and students' responses.

Keywords: Transdisciplinary, curriculum, climate change, global change

Introduction

This is the story of a journey, an on-going journey, to develop and teach a transdisciplinary Masters' degree. It tells of the creation of the team, the development of the curriculum, our experiences teaching and some responses from students. The lessons learned can be used by academics and businesspeople alike as all try to find polydisciplinary solutions to the numerous sustainability and social problems facing us.

A number of challenges confront us in our quest for sustainability given global change, the growing energy 'situation' internationally, implications of 'green economic development' pathways for the country and the wider region, various basic service delivery concerns and calls for a pro-poor, environmental agenda. These compel us to reflect critically on how we are equipping the next generation to manage such environmental changes in sustainable ways.

This future generation of resilient thinkers will not only require a set of skills to navigate these complex changes (Beddoe et al., 2009) but will also require a new repertoire of 'critical thinking' on the environment, or what others have called 'transformative thinking', that is deliberative in purpose and includes transdisciplinary reflections and inputs. Future actors on this stage will have to develop a 360-degree view informed by the PESTLE perspective (Political, Economic, Social, Technological, Legal and Environmental dimensions).

Academics at the University of the Witwatersrand have spent the past four years developing and teaching a curriculum for a polydisciplinary MSc in Global Change. This paper reflects on their journey and the learning achieved in trying to create and develop a transdisciplinary approach to dealing with a changing environment. The concepts of multi-disciplinary, interdisciplinary, transdisciplinary and intradisciplinary are briefly considered before the development journey is described and the learning shared.

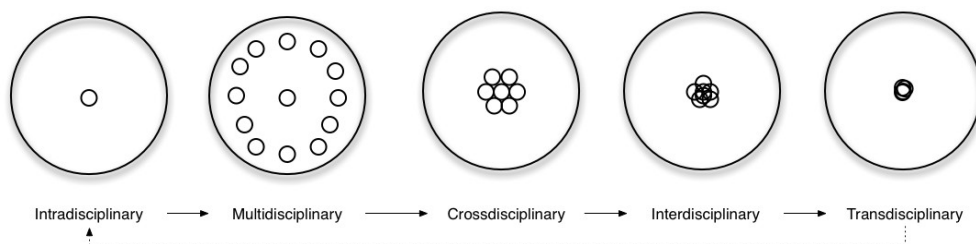
I.

The original assignment was to create a curriculum for a Masters' degree in Climate Change. As noted by Brundiers and Wiek, (2011) "Climate change exemplifies the characteristics of a sustainability problem: its social, economic, and environmental causes and effects are interrelated (across societal sectors); it is a global phenomenon with specific regional and local causes and impacts (across spatial scales); its consequences will affect future generations (inter-generational); its impact is harmful to a large number of people; and the need for solutions is urgent (risk of irreversibility)". (p109). In significant engagement with key stakeholders in business, government and civil society, to understand what they expect of today's graduates in global/climate change it became apparent that, regardless of sector, employers were looking for graduates who have specialised in a discipline such as sociology, biology, geology etc., but who are able to work closely with team members and stakeholders of different backgrounds; are able to work comfortably across disciplines and have a basic understanding of the concerns raised by these discipline areas. This firstly meant the focus moved from 'climate change' to the wider 'global

change’ and secondly gave rise to the need to establish a multidisciplinary team to research and develop the curriculum.

The first debate was around the concept of disciplinarity itself. What did all the terms mean and what did we want to be? As Dyer (2003) observes, “The terms multidisciplinary, interdisciplinary and transdisciplinary are often used interchangeably. This causes confusion” (p 186). Choi & Pak (2006), Marinova & McGrath (2004), Nicolescu (1998), and the seminal work by Stember (1991) capture the essence of the disciplinarity issue, and this is probably best explained by a graphic found on a blog site belonging to a Norwegian musician and academic, Alexander Refsum Jensenius:

Figure 1. DISCIPLINARITY Source: Jensenius, A.R. (2012)



In terms of these collective views:

- Intradisciplinary is a single view of the problem;
- Multidisciplinary is multiple views of the problem;
- Crossdisciplinary is the view of the problem from a different discipline;
- Interdisciplinary is a synthesis of different disciplines to provide a new perspective or discipline;
- Transdisciplinary is a holistic view, without the blinkers of any particular discipline.

Certainly, on the back of those definitions, it would be pretentious to think that we were ‘transdisciplinary’, and we agree with Augsburg (2014) that “To this day, transdisciplinarity remains a rather elusive concept that continues to evolve” (p.236). However, the course is a good mix of Multi- and Inter- disciplinarity and hence the term ‘Polydisciplinary’ is used to indicate that a number of disciplines are involved in this process and operate at various levels.

The Team

The initial selection of the team was carried out more with intuition than any real planning, other than needing to find academics within the university across faculties and disciplines. Departments or Faculties represented at the inaugural meeting were: Animal Plant and Environmental

Sciences (the course ‘founders’), Sociology, Sustainable Mining, Civil & Mining Engineering, Health, Education, Law, and Commerce. Dyer (2003) refers to the concept of a gatekeeper determining who should be invited to participate. In our case, it was more of a “floodgate” keeper, who was so enthusiastic about the project that she would have welcomed anyone who showed an interest. This was in fact an advantage. Pharo, Davison, McGregor, Warr, & Brown (2014), Bossio, Loch, Schier, & Mazzolini, (2014), Sorensen & Wittmer, (1996) and Stember (1991) all discuss the need to select from a wide range of disciplines and to include people with passion.

Initial team meetings involved much discussion and even more “turf” protection while vested interests and personalities vied with content as the various members sought to establish themselves and their departments in the group, in many cases with an often not so hidden agenda of “what’s in it for me?” As Bossio, et al. (2014) observed in their work on interdisciplinary research groups, they “usually begin collaborating in a flush of excitement about a project, but with limited understanding of the complexities involved in negotiating traditional disciplinary frameworks” (p.200).

It was soon recognised that there was a need for expertise beyond the existing team, leading to utilisation of external support. Through a series of externally facilitated workshops and other interventions, the group built a platform for the eventual development of collective and shared understanding of what may be required to put together a successful and sustainable post-graduate curriculum offering. This understanding included a closer look into internal change processes, both individually and collectively as a group, developing reference points for the meaning of effective change and transformation, as well as experiential insight into the skills and tools required. The challenges posed by a multi-layered and multi-cultural national and global society with diverging needs and values, with highly complex and “wicked” problems, required the project team members to first have their own experiential understanding of the nature and force of motivators and internal drivers of human behaviour before setting out a curriculum for change and true transformation for students. This process, involving substantial group work was intensely personal, introspective and extremely cathartic. For some it created deep personal bonds with other team members, ensuring on-going cooperation and willing support for each other. However, there were team members who found the experience difficult and slowly withdrew from the process. Stember (1991) describes it so well noting that: “The right combination of commitment to the common interest, disciplinary competence, broad interests, and personal attributes may be difficult to determine, but no one of these is sufficient Without a sufficient inclination for adventure, a competent disciplinarian may retreat from the group project” (p.6).

This interpersonal team development was not a single event but part of an on-going process, building disparate personalities, strengths, weaknesses and skills into a synchronized and dedicated team, essential for the final preparation of the programme. Failure here would have resulted in an intradisciplinary course within the department of Animal Plant and Environmental Sciences.

Lessons from Other Institutions

Once the team had been established, the next task was to determine the curriculum. Our Master's degrees are expected to have a two year curriculum, including the completion of the research report, an obligatory adjunct to all Master' by Coursework degrees. In order to learn from other universities and to understand best practice, two of the team visited a number of international universities. One member visited the United States, Canada and Europe while the other saw some seventeen British and Irish universities at the beginning of 2013. The team attempted to visit most universities offering transdisciplinary Masters' degrees in climate change, sustainability or similar areas. There was no intention to consider curricula – those were often accessible from the internet – but the intention was to learn from these universities how they had managed this polydisciplinary approach. In summary, the experience was that there was little real transdisciplinary or even limited interdisciplinary teaching happening. More often than not the courses resided in a single department, often Geography, and coordinators tried, where possible, to involve other departments. Where there was an interdisciplinary course it was usually because all the lecturers were housed in a single department; as a result there was no need to involve staff from other departments or faculties in the universities. Matters may have changed by now, some thirty months later, but that was the situation at the time. That insight also helped understanding of the problems likely to be encountered.

There is no need to name universities visited. Many of the universities have proven highly successful and the relevant courses offered by all universities visited lie on a continuum from intradisciplinary to transdisciplinary. The purpose of the research was not to judge, but to learn.

In the interviews during this visit the issues raised by the course coordinators largely centred on the key themes of workload, money and interest. Most coordinators found it difficult to bring academics from other departments into the course due to workload commitments in their departments and the lack of no recognition for lecturing in another department. One university tried employing other academics as sessional lecturers, but that created resentment, administrative problems and an inability to be too demanding. The second issue, probably allied to the first, was that departments felt that if their staff were lecturing they should receive

a share of the course fee. Most course coordinators were not averse to this but it seemed that university bureaucracy, coupled with turf protection, was problematic. The last of the most common problems was that of interest. A number of academics, who might have been available, expressed little interest in becoming involved. In most cases, it seems, they saw minimum incentive and were too focused on their own research and teaching. There were obviously some exceptions, especially one US State University where, it seems, the commitment to transdisciplinarity has infused the entire university, but in general, amongst the universities surveyed, transdisciplinarity was honoured more in the breach than in the observance. This experience resonates with the findings of, Dyer (2003) who noted that “Competition for organizational human and fiscal resources, differences in practice and educational pedagogy, discipline-specific turf issues, differences in faculty workloads, and departmental perceptions of power and control are cited as reasons why the team concept remains rhetoric instead of reality in most educational institutions” (p.187). Pharo & Bridle (2012) would agree, as participants in their research “viewed the traditional discipline-based structure as a major obstacle to collaboration, mostly because of competition between disciplines for student income. Other barriers included the strong rewards of disciplinary specialization, the difficulty of sustaining teaching teams, and other university structures, such as inflexible timetables” (p.67).

The value in this exercise was the learning gained from discussions and shared experiences with course heads as far as dealings with the administration and students were concerned and that provided invaluable feedback into our process.

The Course

The curriculum development team now comprised a group of like-minded and interested academics at the University. The task was to participate in an internal, reflective and reflexive curriculum process informed by a review of existing activities, including a deep discussion as to what knowledge ‘is’ being created and ‘could’ be created for effective global environmental change, and the types of skills to be transferred in such course offerings for improved transformative education for global change. The initial developmental workshops now proved their worth as the team had not only bonded but had created a common language and a desire for the successful outcome of the course, irrespective of any personal benefit. Early in the process, the team had realised that if it was to be effective it would have to resolve and address many of the issues that would be faced by their students. It recognised the need for this experiential process for the team members first, so that, as they teach the program, they go beyond teaching about external content to also modelling an inter- or trans-disciplinary

process that has integrity with the intended outcomes of the program. As McClelland & Kleinke (2012) note, “Interdisciplinary teams generally speak the same language, understand the same written codes, and work with similar objectives” (p.1).

The focus of the course was, to quote from the course brochure, “to develop creative and flexible thinkers, decision makers who can effectively navigate complex, rapidly changing, non-linear social situations and systems”. The structure of the course was laid down by university administration – a minimum number of contact hours, specific assessment criteria, the requirement for a research component and a series of specific and measurable outcomes. This provided the backdrop to the discussions. The team leader had worked hard to win over one of the deputy vice chancellors (one of the lessons learned from our overseas colleagues) and he helped facilitate much of the cooperation between the group and the various faculties and departments.

A key component of the course design was that content and process would have similar weight. The course design team, had learned to work together and adopt new thought and behaviour patterns and all graduates will need to take the same paradigm into the workplace, if the numerous global and environmental challenges facing society and the planet are to be in any way addressed.

The resultant course, which remains a work in progress, now comprises a foundation module made up of five to six block release weeks (usually four to five days in duration) starting with an introductory block focusing on climate and global change science and the issues around the topic and introducing the students to analytical tools and theories as well as to softer skills such as journaling, reflection and introspection. The second block focuses deeply on self-analysis and students are introduced to integral theory, understanding values and beliefs, spirited leadership and a number of theories around personal development and interaction. This is a lighter version of what the team had undergone at the beginning of the process, and serves to build strong relationships in the class, without pressurising students beyond their comfort zones. The remaining blocks in this foundation module focus on specific issues such as the economics or business of climate change, resilient cities, food security, adaption and development and similar topics. The actual topics, while broadly similar from year to year will depend on availability lecturing staff for specific content. The lecturer in charge of each block will usually provide some theoretical input at the commencement of the course to create the structure, but will include field trips, guest lecturers, case studies, knowledge cafes, and so forth and a fair degree of internalisation. These modules are where there is substantial

interdisciplinarity, as the lecturer and speakers from various disciplines consider a specific issue from a variety of viewpoints.

Students are also expected to complete four elective courses and these courses are available from masters' courses in almost any faculty in the university. In some instances, this involved the need for prior learning. This is an obstacle to interdisciplinarity, and underlines why so many interdisciplinary degrees are housed in a single unit. It means that, with some exceptions, students select their electives in areas where they have the credentials to participate and register.

Where real transdisciplinarity occurs is with the research component, which comprises fifty percent of the total mark and is therefore an extremely important element of the degree. Students select their topics and supervisor from anywhere in the university and are encouraged to take a transdisciplinary approach to their specific problems. While at present for supervisors this activity only forms part of the "academic citizenship" aspect of their workload model, work is being done to obtain recognition from the university that such activities are part of a normal workload.

The degree is now in its second year, having commenced in January 2014, and is going through its own changes and iterations as it develops. Has the original objective been achieved and is this truly transdisciplinary? Not fully, but there are certainly elements in the foundation module where this may be approaching this state, and certainly some research is heading that way. We started by saying that this is the story of a journey and it remains that.

Conclusion

What were the key learning points from this process?

Firstly, ignore the label; build the perspectives. While unsure as to exactly what sort of polydisciplinarity has been achieved, this definition of type is not important, so long as for each Global Change challenge that faces us we have as many perspectives as possible. The only value in being more than multidiscipline is for marketing purposes – everyone wants to be transdisciplinary.

Secondly, create resilient multi-disciplinary teams to address inter or transdisciplinary issues. To achieve this in academia we have to deal with egos and turf issues at an individual level and build teams with a personal openness and willingness to cooperate. As Bossio et al (2014, p.200) note, there is no literature setting out some kind of framework or route-map for understanding the complexities of the various disciplines and their own 'cultures'. Much of the literature recommends finding people with passion, purpose, perseverance and, to that, one might add paragon. As noted above, people start with enthusiasm and that slowly or quickly dies.

Adjunct to this is the need to have a course driver or leader with resilience and passion. Brundiers and Wiek (2011) and Pharo et al., (2014), amongst others, emphasise the need for a good facilitator. The team is fortunate to have a team leader who fully understands the system and who is known and respected by the administration. Without the ability to network and cajole and work the system, the degree would not be running today. The importance of this role cannot be emphasised enough.

In a business environment creating any kind of serious inter or transdisciplinary group will be much more complicated and it is difficult to see this working without committed encouragement from the top, and the employment of people with substantially different skills or backgrounds (and cultures?) to those already employed within the organisation.

Thirdly, one must have the correct structures in place. This means that in academia the stifling bureaucratic recalcitrance at an administrative level must be overcome. Workload issues and the flow of funds must be resolved.

In the corporate arena, perhaps the creation of a high-level specialised group within the organisation is the only way to manage the need for a transdisciplinary approach to the numerous issues facing organisations. It is interesting to see the major audit firms now employing people from a multitude of backgrounds in the sustainability area, including biologists, statisticians, economists, philosophy graduates and the like. One only has to see the level of research coming from the big audit firms to realise that they understand the need for transdisciplinary approaches to business issues, sometimes better than academia.

Fourthly, with regard to course design, produce something that is practical, can be implemented and gets through the administration hoops. The structure comprising a core module controlled and run by the team, complemented by a number of independent electives, proved appropriate. Each university has its own structures as was learned much from the research amongst other universities.

The course content was developed after consultation with industry, students and international research. Due to the university's geo-political position, there are a number of country specific environmental issues such as energy and water, and substantial socio-economic challenges, all allied to, causing, or resulting from climate change and its knock-on effects. That helped shape the content. The simple rule should be: know your environment; know your audience; match their needs.

The fifth learning was in teaching. There was a strong determination not to make lectures into "Death by PowerPoint". The result was the lessons became a learning experience for the students and, in many cases, the lecturer as well. A number of guest lecturers, some from within the

university, but most from outside were used. Each was given a brief as to the broad theme of the day and thereafter had free reign. As with every guest lecture, a large amount of learning also followed the talk as students raised questions and entered into discussion. Something learned from our overseas research was a comment that students do not want to hear the academic, they want to hear the guest. There was time for group discussion, for short exercises (design a resilient city in the next hour), tours into the urban environment. The response from students has been overwhelmingly positive. There were errors. Some bad guest speakers, pitching course content too high or too low, impractical ideas, and so forth, so one adapts.

Where to in the future? We have no idea where this journey will take us. We are not even sure who will be on the journey with us. What we do know is that the ride, right now, is stimulating and fulfilling and we hope to be part of it for a little longer.

Personal Postscript

I teach at a business school and recently offered an elective entitled “The Business of the Environment” for the MBA students, but it was structured so that half the students were from the MSc in Global Change, as this comprised one block in the core module as well. The content was based on Porritt’s Five Capitals Model, with four days allocated to Financial, Manufactured, Environmental and Human/Social Capital and the fifth day set aside for a case study. Essentially each day comprised five sessions – an introduction, up to three guest lectures, all from industry, and then a closing session to discuss and reflect on the days learning, along with any clarification required. For the final case study the group was split in two syndicates, an equal mix of MBA’s and MSc’s, and given the task of using the five capitals to evaluate the case for or against shale gas extraction or fracking, a nice transdisciplinary assignment.

The student’s responses reveal their experience, and I want to share some of this with you. These are all direct quotations.

- The first time I was informed that we would be doing a course at business school I was highly intimidated because I heard we would be placed with the MBA students. My experience from previous courses with business and industry executives has been that they have an “unnecessary sense of superiority”. However I was pleasantly surprised in this course to meet decent people not only are they just as curious about business and the environment as we are but they actually have similar outlooks on the value of the environment.
- Today I got exposed to concepts I have learned before but in this case presented with a different point of view.

- I personally enjoyed this session as it gave me an opportunity to apply some of the theories I had learned about with the five capitals model. It was very interesting to get a real life case study which we could critically analyse.
- I found this lecturer very insightful especially the perspective on putting financial value on the natural capital. Most “bunny huggers” would burn him at the stake for doing this but he is trying to translate the importance of using our natural capital sustainably in a language that the non-environmentalist would understand
- As for the actual work it was definitely not easy arguing for fracking especially in the natural, human and social capital. It was a good experience to put myself in the shoes of the proponent and to view things differently.
- Truly one of the best group work experiences which is a raving review considering I am always partnered up with the worst of the worst. The group dynamics were good we all focused on the end goal and contributed towards getting there in the least amount of time. We listened to one another and as a result I got exposed to different perspectives which was quite interesting.
- This is one course that will shape the way I think and do things from now onwards.
- As an emerging young leader this course has represented a mindset shift for me; a transformation process of understanding the architecture of my broad responsibility to the place(s) I call home. Home is not just something to be preserved because of the environmental benefits it offers but its encompassing all things that add to and enrich my existence and that of my business operations.
- My learning is enshrined in how all the different topics came together and brought new understanding on building sustainable business.
- We were taught some basic finance - where I finally learn what equity really is (I suppose it’s quite embarrassing that at the age of 26 I didn’t know what equity is, but at least now I can tick that off the list.) I enjoyed how the finance was boxed up into ‘where money goes’ and ‘where money comes from’ it simplified things quite nicely.
- It was great sitting with a class of business-minded people and gauging their responses to environmental topics. I had so much fun and found it to be immensely interesting and meaningful.
- I was able to get a pragmatic experience of how sustainability is integrated in business, not only in South Africa, but globally as well.
- The course was wrapped up by very interesting topics such as carbon trading and human rights in planning for sustainable projects, these are vital topics especially in the South African setting.

- This course has given me an opportunity to engage with these complexities and come to appreciate the inherent tension between short-term value extraction to address immediate needs and long-term imperatives.

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THE EFFECTS OF HOME LEARNING ENVIRONMENT IN PRESCHOOLER PSYCHOMOTOR DEVELOPMENT

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Abstract

Background: Several studies have accumulated evidence for the impact of home environment in the preschooler psychomotor development. We wanted to evaluate how the percentages and the relationships of these variables in our country are.

Aim of the study: To evaluate how the preschooler's psychomotor development can be influenced by home learning.

Material and methods: This study was conducted in a sample of preschool children in Vlora, Albania. After measuring their psychometric parameters with Age and Stage Questionnaires-3, we evaluated two crucial elements of home learning environment: the quality of child's room and the book-reading with the parents. In the end of the study we evaluated the associations within these variables.

Results: Only 31% of children in this study have a separate well-designed room and 66% of them have shared book-reading with their parents. The odds rate of relationship between room design quality and the level of child psychomotor development is $OR=5.2$ ($P<0.05$). The odds rate of relationship between book-reading and the level of child psychomotor development is $OR=3$ ($P<0.05$).

Conclusions: The level of child psychomotor development is higher when he is raised in a rich stimulating home learning environment. It was children with well-designed rooms (lots of colours and play toys, suitable for their development stage) who have significantly better parameters comparing with

other two groups. We found also that children who are stimulated through book-reading are more likely to take high psychomotor scores too.

Keywords: Psychomotor development, home learning environment, book-reading, Age and Stage Questionnaires-3, preschool children

Introduction

Several studies have accumulated evidence for the impact of home environment in the preschooler's psychomotor development. Black (1990) reached the conclusion that the formation of new synapses is related with learning. Recent studies have suggested that the family environment of learning (home learning), may be particularly important in understanding the cognitive development of the child. (Baker-Henningham, 2010) (Duursma, 2012)

Environmental stimulation may be the most relevant parameter in the study of psychomotor development of children. (Sanhueza A, 2006). Stimulating domestic environment can promote the child's communication and learning skills. In particular, is stressed that the room design and child furniture with materials, toys, books, must be made in accordance not with chronological age, but with the current stage of development of the child. (Sarsour, 2011) (Mackrides P S, 2011).

Numerous studies have collected data on the connection between learning environment at home when the kids are in preschool (for example: interactions in reading books) and their psychomotor development, and capacity to learn at school age. While 'learning' and 'socio-emotional stimulation' are significantly connected with reading skills, reading comprehension is a significant predictor 'for linguistic stimulation in parent-child interactions' (S.Lehrl 2012).

However little is known about what exactly do parents at home (besides reading the books) to encourage communication and learning in their children (the number of books at home to raise children, reading daily; the pleasure of parents in reading children; dialoguing on book reading or TV programs, singing songs with the children, rhymes). (Duursma, 2012)(Dickinson, D., 2001)

The data underline the importance of home learning environment and insist on scientific researches that use multiple methods to detect mechanisms that can promote the functioning of the environment.

Aim of the study

In this article we aim to evaluate how the preschooler's level of psychomotor development and the psychometric delays can be influenced by

home learning. We tent to prove the assumption that the enriched stimulating environment improves the psychomotor parameters.

Material and Methods

This is a cross-sectional study and was conducted in a sample of preschool children in Vlora, Albania during a 6-months period. The study sample included all 133 preschool children, enrolled in two kindergartens, public and private. Children enrolled in these institutions are from all socio-economic classes, according to their father's occupation. The children with established diagnoses in mental disorders were excluded.

We have measured the psychomotor parameters to all of them using ASQ-3 (*Age&Stage Questionnaires-3*; Squires&Bricker 2009). The sample of children was divided by level of psychomotor development, according to taken ASQ-3 scores. Low level of psychomotor development is when child takes between 151 to 200 scores in ASQ-3, middle level is 201-250 ASQ-3 scores and high level is 251-300 ASQ-3 scores.

We have also evaluated the children delays in each of 5 domains of ASQ-3 and their overall scores.

After dividing the preschoolers in three psychomotor levels, we evaluated two crucial elements of children home learning environment in each level: the quality of child's room and the book-reading with the children parents. We assessed at their home if every child had a separate home space for himself, and if this space was poorly or highly-quality equipped (full of various objects, play materials, colours and music) based on instructions (about gross motor and fine motor toys) at the end of ASQ-3 for every preschooler development stage. About book-reading we asked the parents only if it happened or not, and didn't ask about specific elements, as book comments, time spending with the child, type or number of children books they have at home.

In the end of the study we evaluated the associations within these variables.

Results and Discussion

Quality of child room design

Results of our study showed that only 31% of children under the study had separated rooms, designed in base of cognitive stimulation framework for their development stage (table 2).

The average of psychomotor development of children without a separate room was 232 scores (ASQ-3), 24% of them had a low level of psychomotor development (151-200 scores ASQ-3), 29% of them had high level (251-300 scores ASQ-3). 25% of this group had typical development (0 psychometric delays) and 39% of them had ≥ 2 delays. Children with

separate, but poor designed rooms had an average of 233 scores (ASQ-3), 26% of them had a low level of psychomotor development, 30% of them had high level. 26% of this group had typical development and 35% of them had ≥ 2 delays. Children with separate, rich stimulating room environment had an average of 245 scores (ASQ-3), only 10% of them had a low level of psychomotor development and 63% of them had high level. 41% of this group had typical development (0 psychometric delays) and only 28% of them had ≥ 2 delays (tables 1,2).

The most sensitive domains to the quality of room environment were Problem solving and Personal-social, where the percentage of delays, in children who live in well-designed rooms, was lower (respectively 22% and 25%) compared to percentage of delays, in children who live in inappropriate-designed rooms (39% and 48%) or who have no separated room at all (32% and 49%) (table 2).

Children without separate rooms and the ones with separate, simple rooms performed approximately the same psychomotor parameters, while the third group of children (with well-designed rooms) took significantly higher ASQ-3 scores in all domains (respectively from 25-26% to 41% of children with typical development; from 39-35% to 28% of children with more than 1 psychomotor delay) (table 2). The same tendency is noted in the average developmental scores and in the distribution in base of development levels as well (tab.1). 85% of low psychomotor level children are from two first groups and 15% of third one.

Comparing the distribution of children between low (141-200 ASQ score) and middle (201-250 ASQ scores) psychomotor level (table 1) we note that the Odds ratio is low and not statistically significant (OR=1.4, $p=0.6$). While the odds of having high psychomotor level in children with appropriate designed room are significant (OR=5.2, $p=0.006$).

Tab. 1 – The level of psychomotor development based on room design.					
ASQ-3 scores	children without or with simple-designed room	children appropriate room	with designed	total	Odds ratios
141-200	22	4		26	OR=1.4 95%CI=0.4-4.9, P=0.5937 OR=5.2 95%CI=1.6-17.4, P=0.0062
201-250	43	11		54	
251-300	27	26		53	
total	92	41		133	

Tab. 2 – Percentages of development delays according to children’s room design.

Room design for preschool children	Number of children	communication	global motor	fine motor	problem solving	personal-social	0 delays	1 delay	≥2 delays	average scores of psychomotor development
children without separated room	69=51%	20 %	15 %	24 %	32 %	49 %	25 %	33 %	39 %	232
children with simple-designed room	23=17%	9 %	4 %	30 %	39 %	48 %	26 %	39 %	35 %	233
children with appropriate designed room	41=31%	22 %	28 %	25 %	22 %	25 %	41 %	28 %	28 %	245
χ^2 P-value <0.16										

Lots of studies have suggested that learning environment, which should be in a separate area, could be important in understanding the cognitive development of children (Shonkoff 2000) (Osorio E, 2010). In their study Avan BI et al (2014) have stated that sensory stimulation in rural homes may be a significant factor influencing the child development. As in our study, Kamla-Raj (2009) has found a significant association too between home environment and psychomotor developmental indices of children.

Book-reading

Interactions child-parent could have an extraordinary positive or negative effect on child development, according to EffectivePhilanthropy.com. Spending time with children (teaching them through reading or playing with several types of hand-toys) could have a positive impact on their development. On the other side, parents who ignore or neglect the positive interaction with their children, could worsen their psychomotor development. (Johnson W, 2007)(Meijer, 2010). Static balance and locomotion (gross motor skills) and grasping and visual-motor integration (fine motor skills) are associated with particular aspects of home stimulation, such as parent-child interaction, verbal reinforcement of the child's positive actions and providing the child with clear boundaries. (Osorio E, 2010)

In our study, we too found that percentages of psychometric parameters are significantly related with interaction child-parent through book-reading (χ^2 p-value<0.035) (tab.3,4). Frequenting kindergartens, all these children are involved in group-activities (reading books, telling

fairytale and discussing about), so the difference in psychomotor development between two groups is made by the time and quality of home individual stimulation.

We asked parents if they spend time with their children reading books and resulted that 34% of parents under the study didn't take in consideration reading books with their children. Significant differences were found among lots of psychometric parameters between two groups. The group of children who spend time reading books with parents had better parameters: the average of development was 242 scores comparing with 225 scores in the other group, respectively 33% to 22% in typical development, 30% to 47% of children with more than 1 psychometric delay.

We haven't found significant differences in Communication, the Global motor was worse in children whose parents read book to them (20% delays to 7% in the other group), and in all other domains the book-reading children have better parameters (tab.4) (respectively 20%,22%,37% to 33%,44%,56%). The percentage of children with low development level was 33% in not book-reading group and 12% in book-reading one. The percentage with high level was respectively 27% and 45%. Children, who are stimulated through book-reading are more likely to have high development level, comparing with children who haven't got this kind of stimulation (OR=3, p=0.0026).

Tab. 3 – The level of psychomotor development based on book-reading.				
ASQ-3 scores	children whom don't get book-reading done with parents	children whom get book-reading done with parents	total	Odds ratios
141-200	15	10	25	OR=3.0 95%CI=1.2-8.2 P=0.024
201-250	18	37	55	
251-300	12	39	51	OR=3.08 95%CI=1.7-13.6 P=0.0026
total	45	86	131	

Tab. 4 – Percentages of development delays according to book-reading with children.

Book-reading activity	Number of children	communication	global motor	fine motor	problem solving	personal-social	0 delays	1 delay	≥2 delays	average scores of psychomotor development
children whom don't get book-reading done with parents	45 = 34%	18 %	7 %	33 %	44 %	56 %	22 %	29 %	47 %	225
children whom get book-reading done with parents	86 = 66%	19 %	20 %	20 %	22 %	37 %	33 %	36 %	30 %	242
χ^2 P-value <0.035										

Conclusions

Home learning environment is important for psychomotor development. In this study we found that children who haven't got separate rooms and the ones whose rooms are simple-designed have approximately same psychomotor parameters. It was children with well-designed rooms (lots of colours and play toys, suitable for their development stage) who have significantly better parameters comparing with other two groups. We found also that children who are stimulated through book-reading are more likely to take high psychomotor scores too.

So, a more stimulating home learning environment (through room-designing and book-reading) leads to a higher level of psychomotor development and to a lower number of delays.

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THE MEDIATING EFFECT OF SATISFACTION ON STUDENT LOYALTY TO HIGHER EDUCATION INSTITUTION

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Abstract

Main purposes of this study were to examine links between student perceived value, student trust, university image, and student satisfaction to student loyalty and to describing an influence relationship of mediator variables in student loyalty model. The model was tested through the use of Partial Least Squares (PLS) structural equations methodology. Empirical data were drawn from 100 private university students in the upper north of Thailand. Questionnaire method and multi - stage sampling techniques were used in collecting data with an error 1% sample size. Data analysis with descriptive statistics and structural equations model analysis were used to test hypothesis model. Results from this study indicated that the student satisfaction (SATIS) and three antecedent variables: university image (IMAGE), student trust (TRUST), and student perceived value (PERC) have positive influence to student loyalty (STULOY) with statistical significant level 0.05. This model was perfectly fit with an empirical data and was predicted by student satisfaction and antecedent variables up to 82.5%. Moreover, the results also show that student perceived value was the construct that most influence to university image and student trust, and strongly indirect influence to student satisfaction. The influence of perceived value is also relevant to student loyalty via student satisfaction. The most important issue is an impact of student satisfaction variable that has highest directly influence and transmits relative influence linkage between antecedent variables and dependent variable. In conclusion, student satisfaction was a mediating variable and it implied that the student satisfaction was the major driver of student loyalty.

Keywords: Student Loyalty, Student Satisfaction, University Image, Student Trust, and Student Perceived Value

Introduction

As a result of rapid expansion of educational system in Thailand, higher learning industry, especially after the passing of The Private Higher Education Institution Act of 2003 and its Second Revision of 2007 (“Thai Higher Education: Policy & Issue”, [Online]) growing very fast. The growth in the number of both public and private higher education institutions is reflected by an increase in the numbers of institutions established from year 1996 to 2014. It was reported that, in 2014, there were 80 public universities, and private universities and colleges increased to 72 consisting of 52 private higher education institutions and 20 community colleges. (The Office of the Higher Education Commission, 2015).

Acknowledging the competitive situation within the industry, the competition situation among higher education institutions in the north of Thailand is becoming highly obvious when recruiting students at the higher educational level and the survival rate are predominantly based on customer loyalty and satisfaction (Athiyaman, 2000). Especially for, the private higher education institutions that have to maintain student interest and introduction potential students to the institutions, which would help improvement the survival rate of the institutes.

Student attraction and student retention can help administrators of higher education institutions to better make decisions concerning the allocation of scarce resources (Johnson & Gustafson, 2000). Thus, the insight concerning student retention and student satisfaction should be the greatest important issues for determining the most appropriate strategic management in order to ensure long-term successful performance of both public and private institutions.

According to literature review, it is indicated that student satisfaction was an antecedent variable to student loyalty, and both are positively correlated. This meant that when students were satisfied with a university, they would display positive attitudes and behavior toward the institution. This was evident and expressed by words of mouth and buzz words about the good name and reputation of the university which were positive indicators that students would further their education at the university. Thus, building up student satisfaction and loyalty is the most important to be key objectives especially to private institutions (Helgesen & Nettet, 2007; Henning - Thureau & et al., 2001).

It was found that student loyalty is a key objective desired by many higher education institutions for several reasons (Henning - Thureau & et al., 2001) including: 1) Tuition fees are the main source of income for most

privately owned universities. Retaining students means developing a solid and predictable financial basis for future university activities. 2) Service marketing theory on customer participation (Rodie & Kleine, 2000) indicates that a student with loyalty to his or her education institution may (as the external factor in the service production process) positively influence the quality of teaching through active participation and committed behavior. 3) After graduation, a loyalty student may continue to support his or her academic institution (a) financially; (b) through word-of-mouth promotion to other prospective, current, or former students; and (c) through some form of cooperation.

As mentioned above, it is showed that a high competition in private higher education would strongly affect the stability of private higher education institutions, which induced and triggered to the researcher's interest in doing this research. In this regard, this research aimed to find correlation and affection between five latent variables, namely, student loyalty, student satisfaction, university image, student trust, and student perceived value. Using the Partial Least Squares (PLS) structural equations modeling to find the relationships and influences of antecedent variables to student loyalty, and also examines the effect of student satisfaction as a moderating variable that mediates the relationships linking institution perceived value, institution image, and institution trust with student loyalty.

Literature Review

This article outlines the findings of a research study undertaken on the antecedent variables that affected student loyalty. As building up more satisfaction and loyalty to institutions was an important strategy, Thomas (2011), Mohamad (2009), Marzo - Navarro & et al. (2005b) and Schertzer & Schertzer (2004) found that student satisfaction and student loyalty were the most important key objectives of private university. And also found that, student satisfaction was antecedent and mediating variable to student loyalty.

Previous research frameworks with respect to these constructs of latent variables are discussed below.

Student Loyalty

According to the literature review (Athiyaman, 1997; Helgesen & Nettet, 2007; Mohamad, 2009; Thomas, 2011), Student loyalty refers to the loyalty of a student after his or her time at educational institution. Student loyalty has both short term and long term impact on educational institution. Student loyalty is the combination between student willingness to provide positive words of mouth about the institution and recommendation concerning educational institution to family, friends, employers, and organizations whenever opportunities are. However, student loyalty also

contains an attitudinal component and behavioral component (Henning - Thureau & et al., 2001; Marzo - Navarro & et al., 2005a). The loyalty students are influencing teaching quality positively through active participation and committed behavior (Rodie & Kleine, 2000). By maintaining long term loyalty and satisfaction of students, they are directly increasing the stability of the academic institutes. If the aforementioned latent variables are improved, the likely results will include an increase in motivation of student loyalty towards educational institution.

This paper bases measurements of student loyalty on the attitudinal component of the concept such as attitude about cognitive, affective, and conative attitude. Moreover, in terms of behaviors, there were manifest variables about commitment as repurchase, patronize, recommendation of the university to others, returning to repeat in higher education and returning to join activity with educational institution.

Student Satisfaction

Satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, herein regarding the fulfillment of some needs, goals or desire. An importance of satisfying student to retain them for profit-making institutions, satisfying the admitted students is also important for retention. It might be argued that dissatisfied students may cut back on the number of courses or drop out of college completely. Hence, student satisfaction or dissatisfaction leads to intention to stay or to quit which in turn leads to student retention or attrition (Kara & De Shields, 2004). This means that student satisfaction has an important antecedence and is a major driver of student loyalty (Thomas, 2011).

In higher educational institutions, satisfaction is positive and significant. There is a general assumption in this study that satisfaction may increase loyalty predictor of student loyalty (Athiyaman, 1997; Henning - Thureau & et al., 2001; Schertzer & Schertzer, 2004; Marzo – Navarro & et al., 2005b; Helgesen & Nettet, 2007; Brown & Mazzarol, 2009, Mohamad, 2009). Moreover, there is positively correlation and significantly strong affect between student satisfaction and student loyalty. It was also found that where student have choices the link between satisfaction and loyalty is linear, as satisfaction is raised loyalty is also raised (Douglas & et al., 2006). However, student satisfaction has the highest degree of association with student loyalty both directly and totally, representing total effect about three times higher than the effect of image of university (Helgesen & Nettet, 2007). The following hypothesis has been formulated:

H₁: Student Satisfaction (SATIS) has a significant direct positive effect on Student Loyalty (STULOY)

Nevertheless, student satisfaction is seen as a potential antecedent of student loyalty and as mediator of constructs which can be a linkage between independent and dependent variables in the model. Moreover, the finding of the study support the literature that student perceived of value, image of university, and student trust to university are the antecedent variables to student satisfaction and the consequences of student loyalty (Ryu & et al., 2008; Mohamed, 2009).

University Image

Image is an overall impression that a person has about an object. It bases on incomplete information, and it differs from various institutions (Kotler & Fox, 1995). Image has an impact on customer perceptions of communications and operations of firms in many aspects (Gronroos, 2001). Organizations would be considered as having a good image if customers perceived they could receive benefits or interests from organizations. The favorable corporate image of a firm may be helpful in competitive market, since it might differentiate a firm from its competitors (Mohamad, 2009). Image always appears as one of the variables with the greatest direct influence in satisfaction and also has a considerable influence in loyalty (Alves & Raposo, 2007). According to literature reviews (Helgesen & Nettet, 2007; Mohamad, 2009; Brown & Mazzarol, 2006), it was found that a university image is directly and positively influence on student loyalty. And also found the effect of student satisfaction significantly mediates the relationship between university image and student loyalty.

Nevertheless, image is the one which has the most influence in the formation process of satisfaction, but there are other antecedents to effect university image and the consequences of student satisfaction. The following hypothesis has been formulated:

H₂: University Image (IMAGE) has significant positive direct effect on Student Satisfaction (SATIS)

Student Trust

Trust was defined as the willingness to rely on an exchange partner in whom one has confidence (Moorman & et al., 1993). In business, trust is viewed one of the most relevant antecedents of stable and collaborative relationships (Akbar & Parvez, 2009). Trust is essential for building and maintaining long-term relationships (Singh & Sirdeshmukh, 2000). Thus, if someone is loyal to his or her institution, he or she trusts the institution. In educational field, students' trust develops through personal experiences with the educational institution. The students' trust may be understood as their confidence in its integrity and reliability, and it is based on the personal experiences of students with faculty members (Henning - Thureau et al.,

2001; Aritonang, 2014). As mentioned above, trust is also understood as a direct antecedent of loyalty and as a prerequisite variable of loyalty.

According to the literature review (Moorman & et al., 1993; Aritonang, 2014; Chu & et al., 2012; Michell & et al., 1998; Henning - Thureau & et al., 2001; Rojas - Mendez & et al., 2009; Chu & et al., 2012) found that trust has an important role in explaining loyalty and also as fundamental element in developing loyalty. Numerous studies in an education sector have also empirically validated the link between student trust and student loyalty. Although trust has no significant impact on loyalty but trust has direct positively related to satisfaction. Thus, trust is a predictor of student loyalty and also as a mediating effect between satisfaction and loyalty. Therefore, the following hypothesis has been formulated:

H₃: Student Trust (TRUST) has a significant positive direct effect on Student Satisfaction (SATIS)

Student Perceived Value

Perceived value is defined as consumer's overall assessment of the utility of a product [or service] based on perceptions of what is received and what is given (Zeithaml, 2000). In higher educational institution, student's overall appraisal of the net worth of the service is based on the student's assessment of what is received (benefits provided by the service) and what is given (costs or sacrifices in acquiring and utilizing the service). Meanwhile, student's overall perception of service value positively impacts upon student's overall service satisfaction.

According to the literature review (Andersen & Lindstead, 1998; Hellier & et al. 2003; Yang & Peterson, 2004; Wen & et al., 2005; Akbar & Parvez, 2009), it is indicated that perceived value has been identified as driver of satisfaction. For the relationship of perceived value and satisfaction, it was found that student perceived value directly and significantly affected student satisfaction but not significantly directly affected student loyalty. Moreover, they found that student perceived value has in-direct effect on student loyalty through student satisfaction. However, student perceived value also has associated impact with university image and student trust. Aforementioned, it has examined the mediated causal links between student perceived value and student loyalty, which has mediated by student satisfaction besides examining the direct relationship between student trust and university image. Therefore, following hypotheses have been formulated:

H₄: Student Perceived Value (PERC) has significant positive direct effect on University Image (IMAGE)

H₅: Student Perceived Value (PERC) has significant positive direct effect on Student Trust (TRUST)

Conceptual Frame Work

According to reviewing the literatures, there are three independent latent variables which effects student satisfaction: student perceived value, student trust, and university image. Also, student satisfaction is an antecedent or mediator of a construct which is assumed to be the driver of student loyalty, as will be subsequently discussed. The conceptual frame work and relations between latent variables of this research are presented in Figure 1.

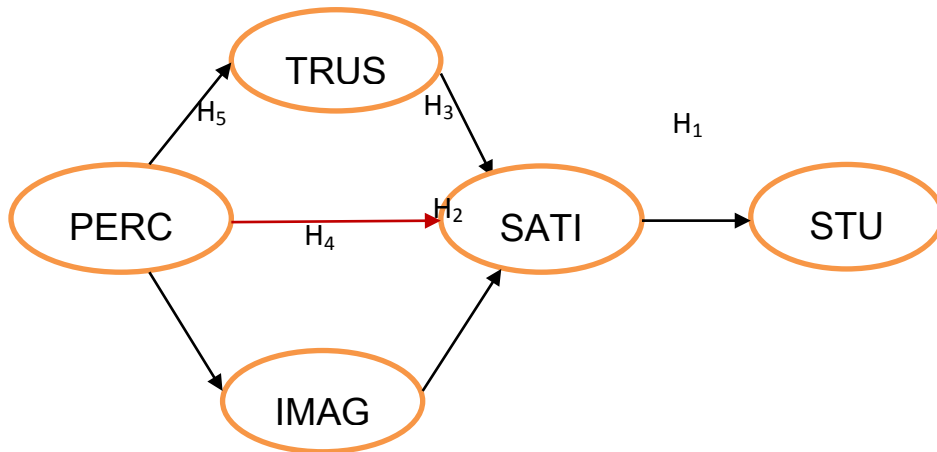


Figure 1 Latent Variable Relations Frame Work

Research Methodology

Population and Samples

The subjects of this research were undergraduate students in private higher education institutions in the northern region of Thailand. Northern region is divided into two geographical areas, namely the upper north region and the lower north region. Students in the research sample were recruited from full-time students in all of the main campuses of six private universities in three provinces of the upper north region, which covered Chiang Mai, Chiang Rai, and Lampang Provinces. The private universities are consisted of Payap University, North-Chiang Mai University, Far-Eastern University, Chiang Rai University, and Lampang Inter-Tech College.

The multi-stage random sampling technique was used in collecting data with an error of 1% sample size. The total sample consists of 100 students; 68 females and 32 males, with effective response rate of 100%.

Measure of Concepts

This research was a quantitative research and adopted the concept of constructs in the model from Thomas (2011), Mohamed (2009), and

Helgesen & Nettet (2007). The model had been adjusted as latent and manifest variables in accordance with environment and culture of population aimed to be studied. An operational definition in questionnaire was tested and modified in case of some operational definitions that suitable for operation in the field.

Due to complex nature of the model, the Partial Least Squares (PLS) structure equation modeling approach was used to test the model. This procedure allowed us to test the proposed structure of the model totally. Each construct was covered by a set of multiple items in the questionnaire. Questions were about their service experiences which derived into two parts; the first one was a socio-economic status questionnaire, and the other one was a questionnaire requesting information about constructs of five latent variables which including of student loyalty, student satisfaction, university image, student trust, and student perceived value.

Measurement for independent and dependent variables used was a seven-point Likert type response format, with “strongly disagree” to “strongly agree” (1= strongly disagree, 2= disagree, 3= somewhat disagree, 4= neither agree nor disagree, 5= somewhat agree, 6= agree, 7= strongly agree). In measurement model, 18 indicators were used to measure study of latent constructs; eight for the two external constructs; student satisfaction (4 indicators) and student loyalty (4 indicators), and 10 for the three internal constructs; student trust (3 indicators), university image (3 indicators) and student perceived value (4 indicators).

Data Analysis

The data analysis was divided into two parts: 1) validating the measurement model and validating the structural model (Figure 1) linking these constructs and, 2) testing the hypotheses. The Partial Least Squares (PLS) structural equations modeling is used for testing theory associated with latent variable models since the complexity of the theoretical model and the presence of both reflective and formative indicators (Brown & Mazzarol, 2006). However, this method was used because of its robustness against distributional constraints of more traditional analysis methods (e.g. AMOS or LISREL) and suitability for a smaller sample size than more common SEM techniques. Smart PLS 3.0, a leading PLS-SEM package, was used in this study.

Analytical Results

Initially, results from description of respondents were summarized that 68.0% of them were females and 32.0% were males. Their average age ranges were between 21 to 22 (48.0%) and their average GPA ranges were between 2.01 to 2.50 (37.0%). Most of their families' occupations (40.0%)

were commercial/private business or self-employment, while 57.0% were approximately 30,000 THB earning per month per family.

Validating Measurement Model and Validating Structural Model

The Partial Least Squares (PLS) algorithm is used to test the structural equation models. This approach consists of an iterative process that maximizes the predictive and explanatory powers of the models, which are assessed in terms of the R^2 values of the dependent variables (between 0.756 to 0.850). These values are very high for all models given their complexity (see Table 2).

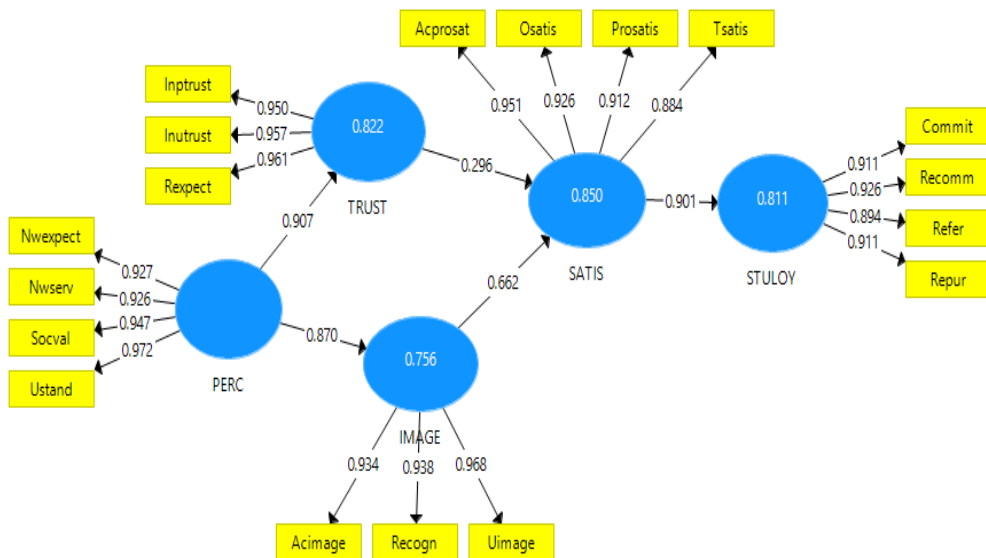


Figure 2 Estimated Structural Model for Student Loyalty

Result of the estimated PLS structural model in Figure 2 indicated the final model with path loading coefficients significant at level 0.05. The model demonstrated the linkages among perceived value, institution image, institution trust, student satisfaction, and student loyalty. This model moderately explained 81.1% respectively of variance in the student loyalty (STULOY) through the effect of direct antecedent variable (student satisfaction) and the indirect effect of the second variables, namely, the institution image (IMAGE), institution trust (TRUST), and student perceived value (PERC). Inner model path coefficient sizes and significance in Figure 2 indicated that the strongest direct effect from student satisfaction (SATIS) to student loyalty (STULOY) which was at level 0.901. In the second antecedent variables, it was found that the strong direct effect from student perceived value (PERC) to institution trust (TRUST) was at level 0.907 and institution image (IMAGE) was at level 0.870.

Table 1 Summary of Results for Reflective Outer Model

Latent Variable	Indicators	Mean	Loading	Indicator Reliability (loadings ²)	Composite Reliability	AVE
STULOY	Recomm	5.597	0.926	0.857	0.951	0.829
	Commit	5.322	0.911	0.830		
	Refer	5.637	0.894	0.799		
	Repur	5.337	0.911	0.830		
SATIS	Prosatis	5.813	0.912	0.832	0.956	0.844
	Acprosat	5.420	0.951	0.904		
	Osatis	5.562	0.926	0.857		
	Tsatis	5.293	0.884	0.781		
IMAGE	Recogn	5.360	0.938	0.880	0.963	0.896
	Uimage	5.522	0.968	0.937		
	Acimage	5.737	0.934	0.872		
TRUST	Inptrust	5.522	0.950	0.903	0.970	0.914
	Inustrust	5.447	0.957	0.916		
	Rexpect	5.432	0.961	0.924		
PREC	Nwserv	5.543	0.926	0.857	0.970	0.890
	Nwexpect	5.076	0.927	0.859		
	Ustand	5.430	0.972	0.945		
	Socval	5.480	0.947	0.897		

In outer model, the measure's quality using the Indicator Reliability (see Table 1) of each measured variable was examined to ensure the measurement variable (MVs) load meaningfully to their related constructs. Overall, the MVs loading are all relatively large and positive. An individual indicator reliability was exceeded 0.707 to ensure that at least half of the variance in the observed variable is shared with the construct. Moreover, in Table 2, Cronbach's alpha value of all latent variables are shown to be larger than 0.6 (between 0.931 to 0.958), so high levels of internal consistency reliability have been demonstrated among all four reflective latent variables.

An Average Variance Extracted (AVE) is used to check the validity of the measurement model which is widely used. To ensured discriminant validity of the constructs, the AVEs of the latent variables should be greater than the square of the correlations among the latent variables. For each construct, the AVEs squared root exceeds its shared variance with other constructs, confirming that the constructs are independent from each other. Average communalities of the measures by construct are close to 0.70, implying good consistency (see Table 2), which ensures that the model show good discriminant validity.

Therefore, to check the validity of the model from Table 1, the result indicated that discriminant validity is well established. For example, the latent variable SATIS's AVE is found to be 0.844, hence, its square root becomes 0.919 (in Table 2). This number is larger than the correlation values in the column of SATIS (0.907, 0.843 and 0.854) and also larger than those

in the row of SATIS (0.850). Similar observation is also made for the latent variables IMAGE, TRUST and PERC respectively.

Table 2 Assessment of the Validity of the Latent Variables

Latent Variables	Latent Variable Correlations					Cronbach's α	R ²
	STULOY	SATIS	IMAGE	TRUST	PERC		
STULOY	0.910					0.931	0.811
SATIS	0.901	0.919				0.938	0.850
IMAGE	0.864	0.907	0.947			0.942	0.756
TRUST	0.751	0.843	0.826	0.956		0.953	0.822
PERC	0.791	0.854	0.870	0.907	0.943	0.958	0.000

Testing the Hypotheses

The estimated model is presented in Figure 2 where the significant path is highlighted and the ability of the model to explain variation in the endogenous variable is indicated for each construct. The model explain 81.1% of the variation in student loyalty (STULOY). Consistently with previous research, the explanatory power is larger for the model (Thomas, 2011; Helgesen & Nasset, 2007). The estimated coefficients are statistically significant against a Student-T distribution at a significance level of 0.05 when t-test greater than 1.96. Table 3 shows relationships between constructs which are all statistically significant level at 0.05.

Table 3 T-Statistics for Path Estimates

Hypothesis	Path coef.	t-test	Result
H ₁ : SATIS -> STULOY	0.901	37.968 **	Accept
H ₂ : IMAGE ->SATIS	0.662	7.926 **	Accept
H ₃ : PERC->IMAGE	0.870	23.349 **	Accept
H ₄ : TRUST->SATIS	0.296	2.753 **	Accept
H ₅ : PERC ->TRUST	0.907	26.069 **	Accept

Note: ** significant at 5% level (t > 1.96)

The five main concepts of the research model (student loyalty, student satisfaction, university image, student trust, and student perceived value) are likely by five path estimates that are all hypothesized to be positive (Hypothesis 1 - Hypothesis 5). The findings support all hypotheses are significant at the 0.05 level. This suggests that student satisfaction (SATIS) has a significant direct positive effect on student loyalty (STULOY) (Hypothesis 1); university image (IMAGE) has a significant positive direct effect on student satisfaction (SATIS) (Hypothesis 2); student trust (TRUST) has a significant positive direct effect on student satisfaction (SATIS) (Hypothesis 3); student perceived value (PERC) has a significant positive direct effect on university image (IMAGE)" (Hypothesis 4); "student

perceived value (PERC) has a significant positive direct effect on student trust (TRUST)” (Hypothesis 5).

The direct effect from student satisfaction (SATIS) to student loyalty (STULOY) is 0.901 ($p < 0.05$), cf. Figure 2. Taking into consideration the indirect effects via institution trust (TRUST) and institution image (IMAGE), the total effect from student satisfaction to student loyalty is 0.811. This suggests that student satisfaction has the highest degree of association with student loyalty both directly and totally, and also is including the indirect effects. In Table 3 shows that the positive hypotheses are supported and the proposed relationships are significant. Thus, if hypothesis 1 is supported, we can explain that student satisfaction is positive driven of student loyalty (H1). However, student satisfaction is driven by two factors: institution image (H2) and institution trust (H3). Moreover, student perceived value is driven to institution image (H4) and institution trust (H5). The results from this study (including measures of overall quality and overall outcomes) also provides support to the hypothesized relationships.

In the developed structural model of student loyalty, it provides better understanding about the influence of each factor towards student loyalty. Findings of the study are summarized that, the positive correlation between student satisfaction and student loyalty is strong. Student perceived value is a causal variable that put effect on the student satisfaction, and there are influenced by intervening variables via institution image and institution trust. The student satisfaction, as a mediating variable, is the only one antecedent variable that put effect on the dependent variable in this model, student loyalty model. It is implied that the student satisfaction was the major driver of the student loyalty.

Conclusion

Results from this study indicated that the student satisfaction (SATIS) and 3 antecedent variables - university image (IMAGE), student trust (TRUST), and student perceived value (PERC) have positive influence to student loyalty (STULOY) with statistically significant level at 0.05. The model is perfectly fit with the empirical data and is predicted by student satisfaction and antecedent variables up to 81.1%. The findings of this study support the literature that perceived value is the antecedent to student satisfaction and the consequences of student satisfaction is student loyalty (Mohamed, 2009, Thomas, 2011, Helgesen & Nettet, 2007; Henning - Thurau & et al., 2001, Yang & Peterson, 2004).

Moreover, the results indicated that every latent variable affected the loyalty toward private higher education institutions, and also show that, student perceived value is the construct that most influence to university image and student trust and strongly indirect influence to student

satisfaction. The influence of student perceived value is also relevant to student loyalty via student satisfaction. The most important is the impact of the student satisfaction variable that has highest directly influences and significantly mediates the relationship between perceived value and student loyalty. Finding in this study is concluded that student satisfaction is the mediating variable in this model and it implies that student satisfaction is a major driver of student loyalty. Therefore, student loyalty has become an important strategic theme for higher educational institutions planning.

The research suggests some specific areas for the improvement of higher education institutions to create satisfaction among students. To attack to this, institutions should recognize student retention activities by initiating institutional satisfaction to students. They can be variety activities depended on background, institutional nature, location, and also institutional philosophy.

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HISTORY OF MASTER'S AND DOCTORAL DEGREE TRAINING FROM 1965-2013 IN BRAZIL: A MAP OF THE PUBLIC EDUCATION SERVICE IN THE POSTGRADUATE SYSTEM

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Abstract

This article presents a historical map of the political structure and the financing model of the postgraduate system *stricto sensu* in Brazil. It offers a historical analysis based on the study of the National Plan for Postgraduate Education 2011-2020, whose primary objective is to foster the development of the public service of higher education in Brazil. This article presents a history of the numbers of doctorates and master's degrees granted in Brazil from 1960 to 2013. It emphasizes the central role of the Coordination for the Improvement of Higher Education Personnel (CAPES) in structuring public policy for the postgraduate system. Finally, it assesses the number of scholarships provided by past governments and establishes a comparative perspective on the investment in Brazilian postgraduate education.

Keywords: Postgraduate system, Education, Coordination for the Improvement of Higher Education Personnel (CAPES), Public policy, Development

Introduction

Public policy to encourage knowledge production is paramount for the promotion of socio-economic development in contemporary societies. A society's scientific and technological capital determines whether that society can be described as developed. The maintenance and competitiveness of interdependent sectors, such as health and infrastructure, mining and

transport logistics as well as sanitation and agricultural production, demand continued investment in intellectual and fiscal resources.

Globalization and the network society (Castells, 1999) circumscribe a series of frictions between states and multilateral agencies in the development of policies that promote education and scientific production. Knowledge is a classic form of domination among nations, and the high speed of knowledge production and its network dissemination marks a new relationship between the state and the produced knowledge. In this dynamic, a number of aspects are essential to the management of the public good, such as economic power for negotiation, democratic governance, political autonomy and accountability.

Therefore, the state should create conditions to ensure the maintenance of knowledge and to promote access to and the free circulation of this knowledge. Against this background and considering the changes in the nature and functions of educational institutions, this study aims to analyse the Brazilian postgraduate system through a historical mapping of its development from the mid-1960s to 2013. All of the indicators of the period suggest that Brazil could overcome its modest position in the ranking of the scientific production of nations if its trajectory is maintained.

During the analysed period, the postgraduate system exhibited growth according to a rising curve with respect to the number of programmes, master's and doctoral courses, professors, graduate students and scholarships. Using 1976 as the reference year, when the evaluation process of the postgraduate system was introduced, the following growth rates are observed at Table 1:

Table 1. Number of active courses

Level	1976	2004	2009	2013	Growth (%)		
					2013/1976	2013/2004	2013/2009
Master's	518	1,793	2,436	3,160	510%	76%	30%
Professional master's	0	119	243	581	0%	388%	139%
Doctorate	181	1,058	1,422	1,923	962%	82%	35%

Source: CAPES.

It is important to compare 1976, 2004 and 2009 with 2013. The growth rate is as follows: from 1976 to 2013, there was a 510% increase in the number of master's courses and a 962% increase in the number of doctoral courses (in 1976, there were no professional master's degree courses in Brazil). From 2004 to 2013, the number of master's degrees increased by 76%, and the doctorates increased by 82%; the growth rate of professional master's courses was 388%. Using the last three years as a reference, the postgraduate growth rates exhibited the following development: the number of master's courses increased 30%, the number of

doctoral courses increased 35%, and the number professional master's courses increased 139% (Comparative study adapted from: CAPES, 2010, p. 45). Table 2 compares the participation of public and private institutions for this educational level:

Table2. Number of courses (master's, professional master's and doctoral), growth (%) and distribution (%) in public and private institutions, 2004-2009

Master's courses	2004	2009	Growth (%)	2004	2009
Public	1,501	2,001	33%	84%	82%
Private	292	435	49%	16%	18%
Professional master's courses	2004	2009	Growth (%)	2004	2009
Public	67	135	101%	56%	56%
Private	52	108	108%	44%	44%
Doctoral courses	2004	2009	Growth (%)	2004	2009
Public	958	1250	30%	91%	88%
Private	100	172	72%	9%	12%
Total courses	2004	2009	Growth (%)	2004	2009
Public	2,526	3,386	34%	85%	83%
Private	444	715	61%	15%	17%
Total	2,970	4,101	38%	100%	100%

Source: CAPES.

The increased participation of the private sector is clear. In 2004, it supplied 14% of postgraduate courses, whereas by 2009, this percentage had increased to 17%. It is important to emphasize that the private sector underwent the greatest growth: a 61% increase compared to 34% for the public sector. The growth primarily occurred in the number of master's and doctoral courses. During the study period, the percentage of professional master's degrees remained unchanged. This comparison reveals the regular growth of the system and the maintenance of public-sector dominance in providing this service (CAPES, 2013).

The current status of the Brazilian postgraduate system can be described as follows: by the end of 2013, there were 3,803 programmes, which accounted for 5,664 courses. Among these, 3,160 (56%) corresponded to master's courses, 1,923 (34%) to doctoral courses and 581 (10%) to professional master's courses (CAPES, 2014). In 2012, there were 71,507 professors affiliated with postgraduate programmes. Among these, 56,977 (80%) were permanent professors, 1,150 (2%) were visiting professors and 13,380 (18%) were associate professors. In the same year, there were 203,717 students enrolled in courses as follows: 109,515 (54%) master's students, 14,724 (7%)¹ professional master's students and 79,478 doctoral students (39%) (GEOCAPES, 2015).

Institutionalization of the Postgraduate Education and the National Plans for the Postgraduate System (PNPGs)

The postgraduate system in Brazil was formally established by Report 977 of the Federal Council of Education in 1965. The establishment occurred during the period of military dictatorship that began in 1964 and in the Cold War context. The system's development did not proceed without the resistance, ambiguities and accommodations of the authoritarian conservative project of the military and was affected by the debates regarding the US MEC-USAID (Agency for International Development) programme (Motta, 2014). However, based on the Brazilian Universities Statute, attempts began in the 1930s to establish a postgraduate system in Brazil. However, the document emphasized that contrary to intentions the first courses started through the establishment of international partnerships with the purpose of trade information exchange and student exchange. The inaugurated programmes (nearly all in state universities) based their curricula, programmes and forms of assessment on the American or the European model (Santos, 2003). Additionally, from the beginning, these programmes were created using treasury resources based on the free-of-charge system of public services for higher education. Several private institutions, particularly Catholic universities, formed small centres, where the students paid fees for their education.

Report 977 determined the establishment of a postgraduate system based on the US model. Thus, postgraduate education was configured according to the American curriculum with two independent levels: the master's level, which required a dissertation, and the doctoral level, which required a thesis. This importation of models and theoretical frameworks aimed "to (re)produce here the science and the international technology, to be taught according to the standards in the same category and without autonomist pretension" (Cunha, 2007).

From the beginning, the Coordination for the Improvement of Higher Education Personnel (CAPES) has been the primary funding agency for research in Brazil and supported the system's establishment. Subsequently, CAPES has sought to expand and consolidate postgraduate programmes (master's degrees and doctorates) throughout the country. CAPES differs from other Brazilian research and development agencies because it also acts as a regulator of the courses and postgraduate programmes, heavily intervening and restricting the autonomy of the universities.

During the mid-1960s, CAPES started planning the evaluation of programmes and postgraduate studies courses. In 1976, during the dictatorial period, the funding agency established criteria and parameters that classified the courses and programmes using grades from A (best) to E (worst). Several changes that have gradually occurred in the CAPES evaluation method

include the following: in 1980, the practice of peer visits to the courses was initiated; in 1982, the disclosure of individual results for the institution began; in 1984, evaluation reconsideration requests were authorized; in 1985, CAPES began the dissemination of evaluation concepts for all courses; in 1988, CAPES initiated the use of data processing in the evaluation process; since 1992, qualitative and quantitative indicators have been included in the ratings. Additionally, the procedure was divided into two levels (Leite, 2005). The CAPES system has undergone major changes since 1998. Currently, programmes are classified on a rating basis, with a maximum grade of seven for those with two levels (master's and doctoral) and a maximum grade of five for those that only offer the first level. The evaluation is mandatory and determines the allocation of funds, grants and project financing. The regulatory policy and strategies determined by CAPES for the postgraduate system produce educational, political and economic effects. In addition, CAPES nurtures the "spirit of competitiveness and individual or institutional competition" (Dias Sobrinho, 2002), which determine funding policies for individual investment and the general subsidy to the system.

The national policy for the postgraduate system is established and practiced based on the National Plans for Postgraduate Studies (PNPGs). The Ministry of Education (MEC) constitutes PNPG decision-making council. In this regard, CAPES manages policy implementation and shares policy administration with the institutions, programmes and the scientific community to meet the targets established in the plan. Whether public (i.e., belonging to the republic or a federal state) or private, the institutions follow the same rules. That is, the system is completely unified (Lira, 2011).

This is the path followed by the Brazilian state in pursuing higher education policy development in public and private institutions. Based on its legal and financial instruments, CAPES offers centralized administration by providing channels to other government entities (within its legal powers). CAPES also expresses the government's will in a unified manner for all of the federation's entities.

The following figure shows a breakdown of national postgraduate policy based on the PNPGs. MEC constitutes the decision-making body. It decentralizes the execution of its public-education policies at the level of postgraduate studies through CAPES. In turn, this entity operates in conjunction with the master's and doctoral programmes. Thus, the scientific community initiates the actions required to implement the goals stated in a PNPG (Lira, 2011, p. 6).

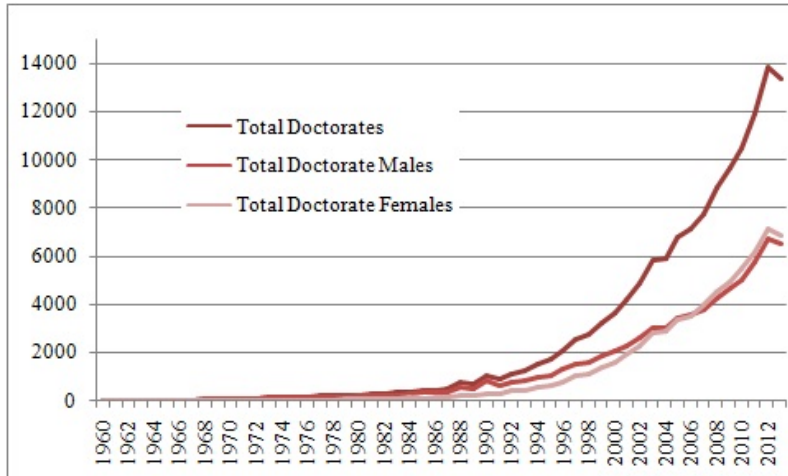
The first PNPG (1975-1979) had the mission of starting the implementation of the state planning principle in postgraduate activities. The aim was to train specialists (i.e., professors, researchers and technical and

administrative staff) for the public sector, universities and industry. The second plan (1982-1985) maintained the previously established principle of using evaluation as a reference. However, it nurtured autonomy as its core value, which was an outcome of the political climate (the so-called New Republic). The third plan (1986-1989) determined the subordination of research activities to the economic development of the country through the linkage of such activities to the national science and technology system. The fourth plan was not enacted. However, the guidelines were adopted by CAPES and emphasized the need for system expansion, the diversification of the postgraduate model, change in the assessment procedure and providing stimulus for internationalization.

The fifth plan, PNPG 2005-2010, was characterized by the introduction of the political induction principle. CAPES defined strategies in the activities developed by postgraduate programmes, acting jointly with state foundations that support science and national funds for the training of teachers at all levels of education. The plan was responsible for the improvement of the qualitative evaluation system on the postgraduate level. It was based on the nucleation concept, Qualis review (i.e., the unified ranking system for scientific journals), the introduction of the Academic Excellence Programme (PROEX), the expansion of international cooperation and ascertaining the social impact of a course.

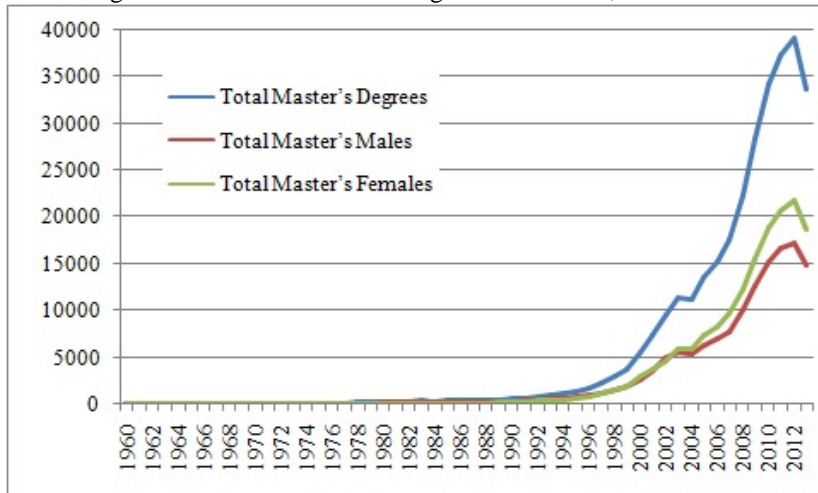
The current plan, PNPG 2011-2020, was presented by CAPES in 2010 and aims to define new guidelines, strategies and goals to provide continuity with past actions and to move forward on national policy proposals for postgraduate education and research in Brazil. In tandem with the plan's implementation, the National Education Plan (PNE) (2011-2020) is being developed, which establishes the coordination of proposals and activities. This plan is the first to include proposals for the postgraduate system. The PNPG should be integrated into the PNE when the PNPG is ready for implementation (because the current PNPG has missed its completion deadline, there is a paradoxical situation in which a plan's preparation and its implementation are occurring simultaneously).

In the 1960s, Brazil's National Postgraduate System was founded with 38 courses, of which 11 were doctoral and 27 master's degrees. During the first two decades, growth was insignificant. However, beginning in the 1990s, the system significantly expanded, and in 2013, CAPES evaluated 3,803 postgraduate programmes. The growth is depicted in Figures 1 and 2, which show the number of master's and doctoral degrees granted in the country from 1960 to 2013



SOURCE: CNPq

Figure 1. Number of doctorates granted in Brazil, 1960-2013.



SOURCE: CNPq

Figure 2. Number of master's degrees granted in Brazil, 1960-2013.

A comment is required on the sharp increase in the participation of women in this level of education. From 1960 to 1990, female representation was not significant among researchers. However, since the 2000s, the representation of women has become the largest share in the total number of master's degrees and doctorates granted in Brazil.

Administrative and Financial Structure

The financial resources for the provision of public education on the postgraduate level in Brazil come from different agencies. In addition to

CAPES, there are the National Council for Scientific and Technological Development (CNPq), the Financier of Studies and Projects (FINEP), the Ministry of Science and Technology, the Ministry of Education and Culture and the Sector Funds, which include 1) the São Paulo Research Foundation (FAPESP), 2) the Carlos Chagas Filho Foundation for Research Support of the State of Rio de Janeiro (FAPERJ), 3) the Minas Gerais Research Foundation (FAPEMIG), 4) the State of Bahia Research Foundation (FAPESB), 5) the Rio Grande do Sul Research Foundation (FAPERGS) and 6) the Araucaria Foundation (Paraná). These six foundations represent the largest investors among all of the sector funds in postgraduate studies in recent years (Schwartzman, 2010).

In 2013, CAPES evaluated 3,803 postgraduate programmes, which were distributed in the following categories: 1,107 academic master's degrees, 383 professional master's degrees, 47 doctorates, 1,740 master's and doctorates. The largest number of programmes were in the field of engineering (11%) followed by interdisciplinary area courses (7%), agricultural sciences and medicine (6%), and biological sciences (5%) (CAPES, 2013).

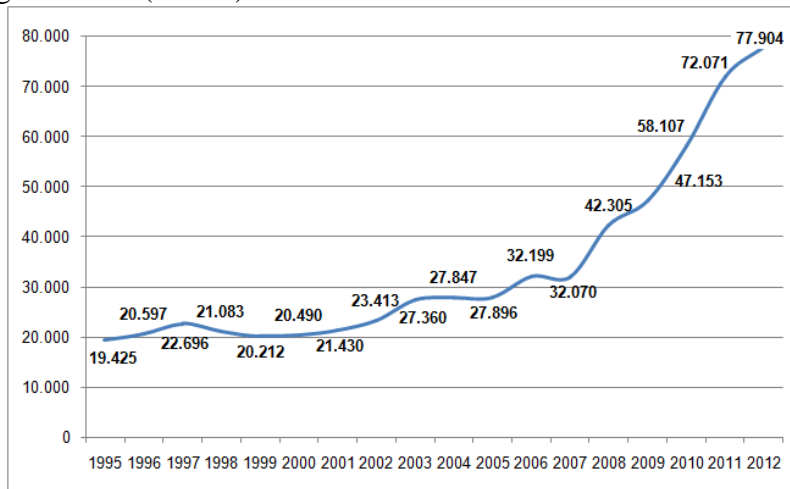
The courses offered in public institutions are free of charge, unlike private programmes, which collect fees except when a student qualifies for a government scholarship programme offered by an external, private or higher education institution. The funding offered to the students through scholarships assumes the following forms: Case 1) free education offered by the higher education institution with exemption of tuition fee, Case 2) maintenance scholarship and Case 3) tuition-fee waiver and maintenance scholarship.

It is noteworthy that the benefit is always double (i.e., Case 3) for students enrolled in public institution programmes. This privilege is not found in any other level of education.²In addition to the scholarships, CAPES is also responsible for the support of postgraduate programmes through resource transfers to the universities. This type of funding assumes the form of aid for travel expenses, academic fees and research support.

Thus, CAPES seeks to finance requests from the academic community and the programmes. Its performance is characterized by activities directed at human resources training in areas considered strategic by the government for the country's development, for example, the pro-equipment programme, which was created to stimulate infrastructure improvements for research and postgraduate courses (CAPES, 2013).

The following graph shows the number of postgraduate scholarships CAPES has funded in Brazil. The grants were awarded to different modalities, including students in master's courses as well as doctoral and

postdoctoral scholars and faculty of the National Programme for Senior Visiting Teachers (PVNS).



SOURCE: GEOCAPES, 2014

Figure 3. Postgraduate CAPES scholarship distribution in Brazil, 1995-2012.

CAPES's annual budget was formerly intended exclusively for the postgraduate level. However, in 2007, the agency's duties were restructured. Another task was added: the stimulation and promotion of the initial and continued training of teachers to improve basic-level education. Thus, since 2008, it has been possible to observe significant budget increases in the postgraduate level with the purpose of improving the quality of basic education. The substantial budget increase that resulted from this goal is a primary cause of the increased provision of scholarships.

Regarding financial resources distribution, the evaluation outcome is the fundamental criterion. For over 30 years, CAPES has applied a method based on the assessment of the universities provided by a consultant to rank the master's degree and doctoral courses. This method has been viewed by faculty with substantial concern because its focus has been on the quantitative analysis of scientific production. The quality of courses and the relevance of research have not been primary factors. This fact contributed to the emergence of vigorous competition among programmes to increase their CAPES evaluation ratings and the financial resources that correspond to any such increase.

In the postgraduate programmes of highly rated universities, professors can receive benefits, such as scholarships based on productivity; funded leave to attend post-doctoral training; funding for participation in courses and national as well as international conferences; and funds for investment in consulting, facilities, laboratories and materials. The disadvantage is a lack of motivation in teaching activity at the graduate level

because such activity has increasingly brought no reward. That is, professors who wish to devote themselves to initial education find fewer available resources and typically will only participate in the activity through coercion or personal inclination (Schwartzman, 2010, p. 304).

Comparison of the Latest Brazilian Government Administrations

It is believed that the amount of resources has sufficed to maintain the postgraduate programmes in a satisfactory manner, that is, with the minimum quality required by the public evaluation policies. Unlike what was believed long ago, today, we can state that the postgraduate system in Brazil has a strong government and strong private investment, which have enabled the growth and consolidation of the postgraduate programmes across the country.

For comparative purposes, we adopt as a temporal framework the presidential terms of Fernando Henrique Cardoso (FHC) (1995-2002) and Luiz Inácio Lula da Silva (2003-2010). During the first president's government, the national public budget maintained an average growth of approximately 2% per year. During the second president's term, the government obtained an average investment growth of 12% per year. The total volume invested by FHC's government was R \$ 3.163 billion and by Lula's government R \$ 5.689 billion (with a substantial increase to 80% of the funds available to stimulate the postgraduate system).

The same pattern appears when we consider how many scholarships were provided during each mandate. Here, too, the percentage growth is pronounced. FHC's government experienced a 2% average growth in the number of scholarships per year. In comparison, under Lula's government, this figure increased by 12% per year. The total number of scholarships awarded during the eight years of FHC's government was approximately 169,000; under Lula's administration, this figure was approximately 295,000 - a difference of 75%.

Regarding the current government, i.e., Dilma Rousseff's mandate (2011-2014), the consensus is that the budget and the number of scholarships for postgraduate students will maintain sharp growth because during its first two years, the Rousseff administration awarded more than half (52%, or approximately 150,000 scholarships) the total number of scholarships awarded over the preceding eight years.

Indeveloping this study, it was impossible to obtain accurate information on the volume of investment allocated by the private sector to education. It is known that the primary form of funding provided to this educational level is the payment of faculty salaries by the private institutions. One may add to this amount income from university fees and the funding for research sponsored by private business organizations.

However, it is difficult to estimate a value. It is also difficult to calculate the government's direct investment total based on the division of the amount allocated to public and private institutions. Generally, the state accountability process and the official reports do not provide figures on the funding allocated to research. It is acknowledged that in 2013, CAPES allocated R \$ 4.773 million for the development of the public and private postgraduate system. In comparison, CNPq had expenses of R \$ 2.065 million (CNPQ, 2014).

Most of this amount was allocated to government programmes with little chance of reaching the private sector. In 2002, CAPES established the Support Programme for the Postgraduate System of Private Institutions (PROSUP), which funds maintenance grants, school fees and thesis aid for courses rated at least grade 3. However, because of a lack of transparency (i.e., data available on web pages) it is impossible to find information on the number of scholarships or the expenditure made by this particular programme. It can be stated that such funding is directed more toward students than private institutions.

The primary reason for the shortcoming faced by the private sector is the lack of time that can be exclusively dedicated by high-level professors. However, it is unlikely that qualified technical and scientific personnel can be hired with resources from the school fees charged by the private postgraduate programmes because such programmes have fewer students and their fees must be competitive. In this context, private institutions should address the problem of retaining professors in full-time positions because PROSUP or other financing mechanisms, such as CNPq scholarships, cannot contribute to solving the problem. Such funding only serves as a mechanism of collaboration in the composition of the teaching salary (Schwartzman, 2010, p. 304).

The training of qualified researchers is paramount in the production of scientific knowledge and serves as an excellent national development indicator. In 2008, there were 132,000 doctors in Brazil, approximately 0.07% of the population. This number is substantially lower than the figure achieved in the developed countries that were considered. Despite significant advances in recent Brazilian history, one would have to multiply this number by five for Brazil to reach the ideal level. Brazil has passed the test with respect to its capacity to provide the public service of education. Now, it must face the complex challenge of increasing the number of doctors without sacrificing overall quality in education. After all, it is not only financing that counts in the pursuit of national development. That is, it does not suffice simply to increase resources. What is required is efficiency in resource management and a strong commitment to meet the PNPG (2011-2020) goals without sacrificing the progress that has been achieved.

It certainly appears that the Brazilian postgraduate system has an improving infrastructure and human resources training model. Such areas have achieved important results with respect to the nation's international position and enabled Brazil to establish an increasing degree of scientific autonomy in a short period. This fact is exemplified by the scientometric indicators of the nation's academic production. In the last ten years, Brazil has tripled its production of indexed articles in scientific journal databases. The country's attainment in 2009 of the 13th position in the scientific production ranking (2.7% of total world production) represents a clear result of the investments made during the first decade of this century.

Notes

1. The interdisciplinary area approach groups the courses outside the major thematic axes. These programmes are generally designed to gather professors from various scientific fields. The approach is suitable for small universities or university centres that are unable to develop a course with their limited number of faculty. The interdisciplinary area of CAPES is divided into four thematic areas: Social Sciences and Humanities (30%); Engineering, Technology and Management (24%); Health and Biology (24%); and Development and Public Policy (22%). (CAPES, 2013).

2. Even the University for All Programme (PROUNI), which assists needy students on the graduate level, grants this privilege because the maintenance of academic funding is conducted through loans from Student Financing (FIES).

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A QUALITATIVE SYNTHESIS OF THE NATURE OF PUBLIC ADMINISTRATION AND MANAGEMENT IN DEMOCRATIC SOUTH AFRICA SINCE 1994 AND BEYOND

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Abstract

This manuscript attempted to describe the wax and the eventual wane of the government's efforts to increase the level of public participation in the public administration and management structures, systems, processes and the procedures. The ultimate intent being to enhance and consolidate the role of active public participation in good governance and effective/efficient service delivery throughout the country. These and other similar, issues, problems, and challenges are ones that have inspired and motivated the author to undertake this research discourse. Subsequently, it has been the intention of this article to provide a qualitative synthesis and analysis of the nature of public administration and management in Mzansi (South Africa) since 1994, and beyond. To achieve this, the study started by identifying five themes/principles of a duly functional public administration/management, namely : (1) considering the public as citizen; (2) treating public as customer; (3) looking at the public as partner; (4) noting the public as voter; and (5) accepting the public as tax payer, and used them as the basis for this analytic synthesis. From these guiding themes/principles, this paper adopted qualitative data collection methods such as (participant observation, in-depth interviewing, qualitative document study, and qualitative case study) and qualitative data analysis and interpretation techniques such as (content analysis and qualitative case study analysis) were used to collect the required pertinent data and to analyse and interpret it accordingly. Qualitative nonprobability judgmental sample technique was preferred and used to determine the sample of the study. Subsequent to the key research problem and its accompanied sub-problems underlying the study, along with the research questions and related research objectives identified, several findings were arrived at and recommendations were suggested on the basis of the findings thus far arrived at.

Keywords: Service delivery, sustainability, Customer orientation, Partnership and Governance

Introduction

The past twenty years or so had been an interesting and, at some instances, a tumultuous period for public administration and management systems throughout the democratic South Africa. In the area of public service for example, it has become clear that all new public servants are hired on an “at-will” basis, thereby effectively “phasing out” the merit system in the appointment of civil servants in the country. The current system of public administration and management in South Africa is faced with rapid change in almost every area of public service, thus prompting a myriad of issues and challenges that are impacting very negatively on the day-to-day running of the government. At national level, for instance, the shenanigans/mischiefs/troubles that have displayed themselves in the national legislature (Parliament) recently are the major source of administrative and managerial concern. The view of this article is that in a democratic country, Parliament should remain to be a “SACRED HOUSE” in which laws and policies affecting the public are initiated, formulated, and legislated in the best interest of the entire society. This Honourable House cannot and should not be used as an “ARENA” where political parties wage their political battles and wars, as well as settling their political scores.

The recent announcement by the very Honourable President Jacob Zuma regarding the present status of both the ruling party (African National Congress—ANC) and the government, stating that these two important institutions in the history of this country are in a state of a crisis, should be a matter of serious concern to each and every peace-loving South African who dearly loves this country. The untenable state of labour movement in general and the Tripartite Alliance in particular, cannot be ignored, and tangible steps and radical action need to be taken to remedy the situation and bringing about lasting and peaceful solutions to the socio-economic and political challenges facing our beloved country. The genuine warning expressed by our beloved “Lady “(the Honourable Winnie Madgeezela-Mandela) in her recent interview on Interface programme on the South African Broadcasting Corporation (SABC) channel regarding these matters, should not be taken for granted

Local government in South Africa, though how important it is, is another sphere of government that is also not immune to these issues, problems and challenges, that emanate from the kind of public administration and management practices and systems that are currently predominant in South Africa. These issues, problems and challenges manifest themselves in a variety of ways, including but not limited to:

apparent lack of local government personnel who have the required and necessary skills, knowledge and attitudes to drive activities of these important local government institutions; the kind of structures and systems of local governance as they are currently stand; their failure to adapt quickly to the rapidly ever changing political, administrative and managerial circumstances; their lack of innovativeness; their total disregard of the principles of Bathopele and; more particularly more disturbing, their adherence to a high level of corruption and fraudulent practices and activities. All these and other similar problems do impact negatively on the very foundations of efficient and effective service delivery, which in turn leads to a number of service delivery protests that take on a variety of forms such as serious damage to municipal buildings, infrastructure, and other properties, extensive and unnecessary loss of peoples' lives, complete distrust and lack of hope in government, with complete and total disobedience and complete disregard of the rule of law (anarchy and lawlessness)

These issues, problems and challenges are the ones that have inspired and motivated this researcher to undertake this research discourse in an attempt to provide a qualitative synthesis and analysis of the nature of public administration and management in Mzansi Africa (South Africa)

Theoretical and legislative overview

Theoretical framework

At theoretical level, the study identifies five pillars of a functional democratic public administration and management system (namely: public as customer; public as partner; public as citizen; public as taxpayer; and public as voter) and uses them as a basis for this qualitative synthesis and analysis. This manuscript represent the first attempt at a general empirical perspective and understanding of this particular phase of public administration and management within the context of the history of modern democratic South Africa. The article will commence by giving a brief description of each pertinent element of the new public administration and management system as envisaged in this study:

Identification of pertinent elements of public administration and management.

As a point of departure, it becomes necessary to indicate to the reader that from time to time, both academics and practitioners in the field of public administration and management continue to debate on what role the "public" should play in public administration and management The fundamental basis for this debate is justified on the premise that when and if the members of the public interact with the administrative side of government. They should be

viewed and treated as citizens, customers, partners, voters and, of course, as taxpayers.

After placing these roles (particularly those of as customers, partners, and citizens) in the context of the history of public administration and management (Thomas 2012) drew from recent research to recommend guidelines of how public administrators and managers can work effectively and efficiently with the public in these and other similar roles and capacities. This shift in focus is very important for the present public administration and management, simply because currently, unlike in the past, public administrators and managers are faced with a “public” far more complex than that which their predecessors encountered. In the same token, (Eichenthal 2013) presents the notion of considering the role of “public” as voter and as taxpayer. In respect of the former, it is often assumed that the demand for greater citizen participation is an indirect statement that elected officials are not fully representative of the opinions of their constituents—which, if true, is no doubt partially the result of the relatively small number of voters who participate, especially, at local government elections.

Same can be said about considering the role of “public” as taxpayer. In this particular case, the need for greater involvement by the public in the delivery of services is sometimes, and more often a reflection of the general unwillingness of the public to fully support these services through taxes (Eichenthal 2013). The following brief description of these critical roles of the public in public administration and management, is an attempt to contextualise them within the contents of this manuscript to enable the reader to have a clearer understanding of what this study is all about:

(A) Public as citizen: This contemporary concept is fundamental to the modern public administration and management practice and unlike its traditional version, proposes for “maximum and feasible involvement” of the public in all activities and decisions of government including, but not limited to public policy formulation; public policy-implementation, public policy monitoring and evaluation and public financial administration and management. This suggests that the public as citizen must play a significant and an active role in not only defining, but also deciding the direction of their government

Indeed, by involving the public and/or citizens in the political and administrative decision making processes, promises a number of benefits to both government departments/institutions and the public as well. In respect of government departments/institutions, the benefits may include: (a) better ground-level knowledge that otherwise would be unavailable to decision makers (Beierle, 2002); (b) greater likelihood of the public accepting any decision it helped make, which can facilitate policy implementation; (c) improved governmental performance (Neshkova & Hai 2011); and (d)

increased citizen/public trust in their government. In respect of citizens, the advantages can entail: (1) better matching of public policies and programmes to citizens' preferences; (2) improved citizens' capacity and empowerment for other joint efforts; and (3) better quality of life for all. Yet, in spite of all these, many political executives, public administrators and managers, traditionally and historically, have sought to avoid public participation and involvement (Bryson et al. 2013)

To correct this position, the following guidelines for modern political executives, public administrators and managers are advised as follows:

(i) Do not invite public involvement (unless required) when neither/nor public acceptance is needed to reach or implement a decision (Bryson et al. 2013);

(ii) In advance of decision making with public involvement, identify and define necessary decision constraints such as decision standards (e.g. scientific, technical, operational); budget constraints; time constraints; and/or limiting of the choice to two or a few options (Bryson et al. 2013);

(iii) In decision making with public involvement, minimise the decision constraints, such as technical standards, time constraints, and/or limiting of the choice to two or a few options (Bryson et al. 2013);

(iv) Recognise that the public involvement requires sharing decision making authority (Bryson et al. 2013);

(v) Plan to share decision-making authority to the extent and through the means appropriate, given the issue's constraints, the nature of the public and the like (Thomas 2012);

(iv) In any decision making with public involvement, undertake careful and thorough advanced identification of possible and relevant external actors and groups and recruit those representatives aggressively (Poister et al. 2009);

(vii) In decision making with public involvement, employ a variety of techniques and offer multiple opportunities to hear from the public (Denters & Klok 2010);

(viii) Do not initiate a process of public involvement unless the relevant authorities are committed to utilise the results (Bryson et al. 2013);

(ix) Initiate public involvement in decision making as early as possible (Baker et al. 2005); and

(x) Anticipate issues rather than allowing them to develop elsewhere (Ostrom 1990)

(B)Public as customer: In general, governments usually encounter a special challenge in providing good customer service. More often than not, making a request of government raises questions that do not arise when contacting a private establishment. The main challenge in this regard emanates from the fact that many members of the public find themselves

under the jurisdiction of multiple government departments, agencies, and other institutions, particularly at local government level. This often makes the solutions to their problem and answers to their questions horribly unclear to say the least, and sometimes confusing to say the worse .Even when the government is known, additional questions may arise over which government institution, agency, and/or department is responsible, or even which phone number is appropriate to call to access government services and/or goods .These and many other similar situations, call for the need for visible, accessible, as well as navigable systems for accessing and contacting governments. In attempting to achieve this, several guidelines that political executives, public administrators and managers should consider are suggested and recommended:

(i) Consider developing centralised contact points such as call centers and easily navigable websites for receiving and responding to questions, requests, and complaints from the public (Xin 2013);

(ii) Ensure the adoption of mobile device technologies for receiving and responding to questions, requests, and complaints from members of the public (Vander Veen 2010);

(iii) Endeavour to provide high-quality customer service when interacting with members of the public (Carbone 2008);

(iv) Consider the adoption of a customer relations management system when (1) centralised citizen contacting system is in place, (2) adequate resources are available, and (3) leadership is committed to effectively implementing customer/citizen relations management (CRM) system (Dayen 2010) The most important issue here is that having data centralised, appears to facilitate interdepartmental corporation and promote the development of a more holistic view of customers (King 2007);

(v) After adopting customer/citizen/ relations management systems (CRMs), governments should then plan for staff training on analysing CRMs data and for regular meetings to discuss the data (Behn 2006)

(C)Public as partner (the issue of coproduction): This view requires that contemporary public administrators/managers and political executives should commence by reviewing their outlook on the roles that they and the public should play in public affairs and services. Within this context, public administrators/managers/political executives must desist from considering themselves as service providers and experts. Instead they should start viewing themselves better as the lead partners in development and service delivery processes, where effectiveness is driven by the belief that the public must also contribute (coproduction). In enhancing this culture, contemporary public administrators/managers and political executives must always keep on asking themselves the question what assistance they need from the public

they serve. In consolidating this spirit of coproduction, several guidelines are hereby suggested and recommended:

(i) Define in advance any assistance desired from the public in order for public services and programmes to be effective (Bovaird 2007);

(ii) Where assistance is desired from the public, simplify the task to the extent possible (Thaler et al.2008);

(iii) Where assistance is desired from the public, consider how to enhance the public's ability to provide that assistance (Jakobsen 2013);

(iv)Where assistance is required from the public, consider how social norms and social networks can be activated to motivate that assistance (Bond et al.2012);

(v) Where assistance is desired from the public, use material incentives only in combination with other incentives to motivate the assistance (Laurian 2004);

(vi) Where assistance is desired from the public, retain the option for applying sanctions if and when reasonable cooperation does not occur based on other incentives (Thomas 2013)

(D) Public as voter: This, without any doubt, is one of the most important roles that the public can and must play in the process of public administration /management. Nowadays, there is this perceived realisation that the majority, if not all elected officials are not fully representative of the views of their constituents. If this perception is true, then there is no doubt that it can be partially attributed to the relatively small number of voters who participate, especially at local government level (Eichenthal, 2013)

(E) Public as taxpayer: From the above-stated point of public as a voter, similar sentiments can be express to the effect that the lower turn-out of the public at national, provincial, and local government elections, can be construed as an expression of, or an indication that the general unwillingness of members of the public to fully support government services through their taxes (Eichenthal 2013)

From these guiding principles of contemporary public administration and management it becomes clear that political executives, public administrators, public managers, and other public officials will be required to find ways and means that they can employ to engage the public as citizen, customer, partner, voter and that would increase their participation in the voting process as well as their willingness to adequately fund government services and programmes that they demand through their taxes. This gives rise to the focus on the status of public administration/management in South Africa, and the question of how these contemporary guiding principles of public administration/management can be successfully incorporated in the public administration/management systems in Mzansi (South Africa).

Legislative and policy framework

Public administration and management in South Africa is founded and well-entrenched in the supreme law of the land (i.e. the Constitution of the Republic of South Africa Act, Act 108 of 1996), and supported by a variety of other relevant legislative measures. It is this very Constitution that provide for South Africa (as a unitary state) to be organised in terms of three spheres of government (namely, Central/National, Provincial and Local), each having its own government institutions (i.e. legislative institutions, political executive institutions, administrative executive institutions, and judicial institutions at both the national and provincial spheres).The Constitution also provides for the Bill of Rights, which is a cornerstone of democracy in South Africa, in that it enshrines the rights of all people in the country and affirms the democratic values of human dignity and freedom as well as demanding the state to respect, protect, promote, and fulfill the rights outlined in the Bill of Rights (Cloete 2012), This Constitution also provides for the cordial relationships between the public and all spheres of government

Other relevant and supporting legislative and policy measures include, but are not limited to:

- Division of Revenue Act, Act 10 of 2014 which provides for the equitable division of revenue raised nationally among the national, provincial and local spheres of government and the responsibilities of all three spheres pursuant to such division ,as well as matters incidental thereto;
 - The Public Audit Act, Act 25 of 2004 that prescribes the status and functions of the Auditor-General by safeguarding his/her position through, amongst others, establishing hi/her as the supreme audit institution of the republic, as well as providing him/her with full independence and making him/her subject only to the Constitution and the law and accountable to the National Assembly
 - Public Finance Management Act, Act 1 of 1999 and Municipal Finance Management Act, Act 56 of 2003. Together, these pieces of legislation use departmental accountability as a yardstick for good financial administration and management;
- Notably, from the above, it becomes clear that each government should have a general policy which must set out in broad terms how public administrators/managers and other public officials must and should utilise the financial resources of the public.
- Public Service Act, Act 103 of 1994, which amongst other things, requires that in each department entrusted to a minister, he/she must appoint public officials to staff that department. The Act also provides for how the staffing function in departments/institutions must be effected. According to (Cheminais et al.1998),this Act stipulates that “ a head of department shall

be responsible for the efficient management and administration of his/her department, including the effective utilisation and training of staff, the maintenance of discipline, the promotion of sound labour relations and the proper use and care of State property

- Labour Relations Act, Act 66 of 1995 which provides that public personnel managers have to take note of the rights of workers to equality, human dignity, freedom and security of the person, privacy, freedom of religion, belief, and opinion, freedom of expression, assembly, demonstration, picket and petition, freedom of association, political rights, freedom of trade, occupation, and profession, fair labour relations, education, language, and culture, access to information, and just administrative and managerial action
- Occupational Health and Safety Act, Act 85 of 1993 provides for regulations relating to hazardous chemical substances in the workplace
- Compensation for Injuries and Diseases Act, Act 130 of 1993
- Prevention and Combating of Corruption Activities Act, Act 12 of 2004

Statement of the problem

Based on the above introductory background and the subsequent theoretical and legislative overview, the key central research problem is stated thus:

Even though South Africa has commendable set of legislation and policies aimed at consolidating and enhancing the roles of the public in public administration and management, the needed cordial relationship between public administrators/managers and the public remains extremely illusive and dysfunctional.

Contributing to this central problem may be the following sub-problems:

- Administrative/managerial capacity: This refers to (a) administrative/managerial structures, systems, processes, and procedures, and (b) administrative/managerial decision making and problem-solving skills; administrative/managerial plans, policies, and strategies, tactics, and administrative/managerial training and development programmes and projects;
- The nature and attitudes of the public: This looks at the South African public's position with regard to their civic responsibility and the quality of empowerment programmes that are made available to them to become active participants in public administration and management.

Research questions

This qualitative study centres around the following key research questions:

- Are the administrative/management structures, systems, processes, and procedures, in the South African public administration/management well-designed and strategically positioned to deal effectively and efficiently with the South African publics?
- What is the nature and level of administrative/managerial decision making skills, problem-solving skills, policy making skills, planning skills, and communication skills prevailing in South African public administration and management particularly when considering the publics served?
- What is the attitude of the South African publics towards their civic responsibility and towards the training, development, and empowerment programmes available to them aimed at making them active participants in public administration and management processes and activities?

Research objectives

Following from the above key research problem and its sub-problems, as well as the accompanying research questions the following research objectives became eminent and which are to explore:

- The sustainability and efficiency of the public administration's/management's structures, systems, processes, and procedures in dealing with the South African public
- The effectiveness and viability of the public administration's/management's decision making skills ,problem-solving skills, planning skills and communication skills available for addressing South African publics ,and
- The attitude of South Africa publics towards their civic responsibility and to the training, development, and empowerment programmes available to them, aimed at transforming them into being active participants in public administration and management processes.

Research design and methodology

Within the context of this manuscript, the explanation of the term “research design” is the same as the one provided by (Babbie and Mouton 2011) which states that:

A research design involves a set of decisions regarding what topic is to be studied among what population with what research methods for what purpose...Research design is the process of focusing your perspective for the purposes of a particular research/study

On the other hand, the term “research methodology” will refer to the study and the use of research methods. This study adopted a qualitative

research design and methodology as directed by and justified by the nature of its key research problem and its sub-problems, the research questions and research objectives underlying the study. It is the belief of this author that this paradigm/approach is the most appropriate in answering research questions raised in this manuscript.

Population

Within the boundaries of qualitative research, descriptive and exploratory approaches were adopted by focusing on public administration and management in South Africa. This exploratory synthesis concludes with a gap analysis that aimed to determine the required skills in delineating an ideal profile for public administration and management in Mzansi. The population selected for this study comprises of all public administrators/managers serving the entire South African public. Particular note has also been taken of the fact that the term “population” is used to refer to the universe of units from which a sample is selected (Bryman 2012)

Sampling technique

The sample represents that segment of the population that is selected for the study. For the purpose of this study a non-probability judgmental sampling was preferred and used as it allows the researchers to choose the subjects of analysis on the basis of their knowledge of the research problem to be addressed. The sample for this study was compiled based on the nine provinces that constitute the demography of South Africa. It was constructed in such a way that in each province, at least one hundred public administrators/managers and at least one hundred members of the public were identified and selected for the purpose of study.

Figure 1: Graphic presentation of the sample:

Province	Public Administrators	Members of the Public	Total
Gauteng	100	100	200
North West	100	100	200
Limpopo	100	100	200
Mpumalanga	100	100	200
Kwa-Zulu Natal	100	100	200
Western Cape	100	100	200
Eastern Cape	100	100	200
Northern Cape	100	100	200
Free State	100	100	200
TOTAL	900	900	1800

Source: Own source

Research methods and techniques employed

Data collection and gathering

Qualitative data collection and gathering methods were employed with due care in ensuring that the validity, reliability, credibility, objectivity

and dependability of data were not compromised. This basic process entailed the following:

Participant observation: this is a research procedure that is typical of the qualitative paradigm as it necessitates direct contact with the subjects of observation .In this procedure, the researcher was involved in the one-continuum ranging from total involvement on the one hand and total observation on the other. This allowed the researcher to decide beforehand on the role he intended to take in the inquiry since the decision affects the total process of the inquiry. The researcher spent lengthy period of time actively observing participants in their natural setting in their workplaces (Neuman 2000)

In-depth interviewing: This is the most predominant mode of data collection in qualitative research. All interviews that were conducted in this study were interactional events .In this method, interviewers are deeply and unavoidably implicated in creating meanings that ostensibly reside within the participants. Consequently, the researcher engaged in this mode of data collection knowing that interviewing the participants involves description of their experiences, as well as involving reflection on the description. In this study, after a lengthy uninterrupted period of preliminary interviews, the researcher prepared a detailed open-ended interview schedule, and on the basis of it, conducted in-depth interviews with the respondents (Krueger and Casey 2000)

Qualitative document study: In this manuscript, the researcher used a variety of non-personal documents such as minutes of meetings, agendas, internal office memos, newspapers, magazines, and government's legislative and policy documentation, with the knowledge that if these documents are studied and analysed for the purpose of scientific research, the method of document study as a data collection method becomes operative. Government publication, journal articles on public administration and management were used to amass the relevant and required data for the study (Ritchie and Lewis 2003)

Qualitative case study: The researcher is of the view that a descriptive or factual statement makes a claim about what really is the case. Subsequently, there are various kinds of descriptive statements that allowed the researcher to distinguish between types of descriptive statements according to the following dimensions: the number of cases covered by the description; the number of variables included in a description; and the level of measurement in this study. Cases lodge with the different national, provincial and local government departments and institutions, and that have special contribution to make to this study, were secured and studied for the purpose of this assessment (Leedy& Ormrod 2001)

Data analysis and interpretation techniques

In analysing and interpreting data, the following qualitative data analysis and interpretation techniques were used:

Qualitative content analysis

In this manuscript, content analysis is viewed as a process of identifying patterns and themes of experiences research participants brings to the study—what patterns characterise their participation in the study, and what patterns of change are reported by and observed in the participants (Patton 2002). As a qualitative technique of data analysis, content analysis played an important role in this study as it involves detailed and systematic examination of the content of a particular body of material for the purpose of identifying patterns, themes and even biases. The contents of the relevant documentations obtained and secured during data collection phase, were subjected to a rigorous analysis through this technique. The same is true with the information gathered through observation and responses from interviewees.

Qualitative case study analysis

Case study analysis is an intensive investigation of a single unit or an examination of multiple “variables” (Babbie & Mouton 2011). This qualitative data analysis technique has been adopted in this study as it takes multiple perspectives into account and attempts to understand the influences of multilevel social systems of the subjects’ perspectives and behaviours—the defining characteristic of this technique is its emphasis on an individual. In this articles, relevant cases from government departments and institutions visited, were assimilated and their relevance to the study cautiously scrutinised to strengthen and consolidate their contribution to the study.

Findings

Based on the research objectives underlying the study, appropriate qualitative data collection methods and data analysis techniques employed, as well as the using qualitative interview schedule, the following findings were arrived at:

- **Objective 1:** Exploring the sustainability and efficiency of public administration’s/management’s structures, systems, processes, and procedures in dealing with the South African public
- **Finding 1:** In all provinces studied, the study discovered that both structures, systems, processes, and procedures were not adequately designed and user-friendly, and thus making it difficult for public administrators/managers to deal efficiently with the public in a sustainable manner

- **Objective 2:** Exploring the effectiveness and viability of the public administration's/management's decision making skills problem-solving skills, planning skills and communication skills available for addressing the problems facing the South African public
- **Finding 2:** Similarly, the study revealed that appropriate skills required in respect of decision making, policy making, problem-solving, planning , and communicating with the public were dismally inadequate, and in some instances, completely non-existent/lacking. This rendered the interactions between public administrator/managers and the public ineffective and less viable
- **Objective 3:** Exploring the attitudes South African publics towards their civic responsibility and towards the training and development, as well as empowerment programmes available to them aimed at transforming them into active participants in public administration/management processes
- **Finding 3:** In the regard, the study found that, in the main, (with few exceptions, particularly in provinces such as Gauteng and the Western Cape), the majority of the people do not take their civic responsibilities very seriously. More disturbing, is the finding that in most provinces, the people remain passive rather than active in participating in public administrative issues that directly affects them in their daily lives. The study also discovered that certain provinces there was little or no effort taken to provide effective training, development, and empowerment programmes to the ordinary people aimed at transforming them into active participants, particularly in public administration and management processes.

Recommendations

Based on these findings, this manuscript recommends that the following issues must be addressed in order to venture into an effective and efficient public administration/management terrain for that is so desperately needed in modern democratic South Africa:

The entire public administration/management must undertake a complete and serious soul-searching process, with the view to transform and commitment itself and start engaging itself to a paradigm shift, according which must start working together with the public towards the realisation of the objectives of good governance and effective and efficient service delivery. This could only happen, as this article suggests, when public administrators/managers begin to treat the South African public as:

- **Citizens (as described above);**
- **Customers (as described above);**
- **Partners (as described above); and more importantly, as**
- **Voters (as described above); and**
- **Taxpayers (as described above).**

Conclusion

The past two decades had been an interesting, and at times, tumultuous period for public administration and management structures and systems through South Africa. This manuscript attempts to describe the wax and the eventual wane of the government's efforts to increase the level of public participation in public administration and management structures, systems, processes and procedures. The ultimate intent being to enhance and consolidate the role of active public participation in good governance and effective/ efficient service delivery throughout the country. These and other similar issues, problems, and challenges are ones that have inspired and motivated the author to undertake this research discourse. It is on this basis that this manuscript intends to attempt to provide a qualitative synthesis and analysis of the nature of public administration and management in Mzansi (South Africa). The study identifies five themes/principles of a duly functional public administration/ management model, namely: (1) considering the public as citizen; (2) treating public as customer; (3) looking at the public as partner (the issue of coproduction); (4) noticing public as voter; and (5) accepting public as tax payer, and used them as the basis of this analytic synthesis. From these guiding principles, the manuscript utilises qualitative data collection methods such as (participant observation, in-depth interviewing, qualitative document study, and qualitative case study) and qualitative data analysis and interpretation techniques to collect the required pertinent data with the view of analysing and interpreting it accordingly and appropriately and arrives at the anticipated findings. Subsequent to the key research problem and its accompanied sub-problems underlying the study, the research questions pertinent to the study, and the research objectives identified in the study, several findings are arrived at, and the recommendations are suggested on the basis of the findings so far arrived at.

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THE DENIAL OF ALTERITY AND ITS REFLECTION IN IDEOLOGIES OF GENOCIDE: WHAT CAN WE LEARN FROM RWANDA AND YUGOSLAVIA

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Abstract

The journey undertaken towards the realization of human rights in the last century is closely related to a great number of treaties and conventions that protect human rights, but also to the *ad hoc* International Tribunals of Rwanda and Yugoslavia. With the aim to promote and guarantee those rights, the genocidal politics of those countries must be analysed in the context of the mass atrocities and the political construction of ideologies. Furthermore, the necessity of the societies to engage with extreme democratization is not only an achievement of this century, but a work in progress that must be daily fomented. Only in a strong democracy and in a rule of law victims can be recognized and alterity respected in order to emancipate citizens and promote standards of coexistence and respect, and this is why taking into account social and legal exclusion is crucial to understand social and political changes in transitional societies and create possibilities of emancipation and recognition of citizens integrally.

Keywords: Ideologies, Mass Atrocities, Alterity, Denial Of The Otherness

Introduction

Twenty years ago Ratko Mladić and Radovan Karadžić were indicted in the International Criminal Tribunal for the former Yugoslavia, and the

decisions of this tribunal led the world to new forms of comprehension with regards to genocide and the establishment of an international justice. At the time, both Serbia and Croatia tried to obstruct the persecution of justice in a global level and the fight against impunity that were being held⁶² – and these are some of the reasons why international standards of justice are being drawn since then. Also, we recently remembered the 20th anniversary of the Rwandan atrocities in which more than 800.000 citizens had been killed in less than 100 days⁶³. After that and as a measure to avoid new episodes of the same nature, the International Criminal Tribunal for Rwanda was created and indicted 93 individuals considered responsible for the violations occurred in 1994.

The path taken by those tribunals showed us new forms of understanding genocide and its causes, established new standards to understand responsibility and means of perpetration as well. Considering the political issues of these societies and the precedents set by those courts, both in light of academic and political values, the aim of this work is to analyse the role played by ideologies in the genocide construction and how it relates to the political statements regarding exclusion and the dehumanization of some citizens. Moreover, how the forms of identifying victims of human rights violations nowadays, considering the international courts and the new approach provided by the international community, are engaged with the necessity of democratization to provide human rights to every human being.

Therefore, taking into account such those new forms of interpretation of genocide (in a political, not biological way), these perspectives together will contribute to a significant scholarly debate, as considering the narrow borderline between the political construction of a genocide and the crime against humanity scenario that was created - which is the intent of international community to avoid it to happen again. Considerations will be made, then, in two separate ways: about the essence of humanity and the denial of the otherness, and how these concepts are influential in the construction of ideologies as a place to start; complementary, as a consequence of that, how ideologies of repression may create a genocidal scenario and how these happenings occurred in Rwanda and Yugoslavia.

As human rights and international law play a prominent role in the fight against impunity and the protection of the victims of the above mentioned crimes, besides the construction of genocidal politics and its role in mass atrocities, the importance of those Tribunals and decisions in order to provide peace and justice in post-conflict societies are an important

⁶² **ABOUT THE ICTY.** World Wide Web: <http://www.icty.org/sid/3>. Access in 10.jun.2015

⁶³ **HOW THE Genocide Happen.** BBC News. World Wide Web: <http://news.bbc.co.uk/GO>. Access in: 08.aug.2014.

analysis. Social and legal exclusion, thus, are crucial studies to make possible to understand social and political changes in transitional societies, both in the light of politics and global value changes, taking into account that such these themes are not only current, but also of relevance. With these considerations done, the following paragraphs will try to provide forms of identifying victims of human rights violations that arise from ideologies of repression and denial of alterity; also, the necessity of strong democracies to avoid new politics of genocide.

Recognizing Others And The Construction Of Ideologies

The way a society works is constituted by images, languages and signs adopted by its social groups and this is an important place to start to understand how politics of oppression arises⁶⁴. But is also important to analyse when and how these ideas begin and how the fundamentals of this oppression relates to discourses and its conversion in common sense⁶⁵, something that comes from an interior perspective and is converted in an exterior discourse – and institutionalizes hegemony and the maintenance of some sort of social status quo that intend homogeneous societies and the exclusion of those considered ‘different’.

About this intention of bringing spaces homogenous inside the society, what can be perceived is that it is extremely related to the use of violence and with the denial of the alterity and humanity of some groups. This denial, likewise, has the aim of extinguishing those groups and is of great concern, because denies also plurality, diversity and the possibility of some people to be recognized as a member of a community⁶⁶. Thus, the importance of this acknowledgement is because the hegemony of a State and the denial of alterity had been used as means of maintenance of terror states and of destruction of citizens in military dictatorships in Latin America and in conflicts in the Ex-Yugoslavia, for instance.

Alterity And Denial Of Others

The denial of alterity, for the intentions of this work, is comprehended as a synonym of *denial of the otherness*, as we consider the act of not recognizing an human being as an human alike. Alterity, to this purpose, refers to the possibility of someone to effectively be the other, of

⁶⁴ HALL, Stuart. **The problem of ideology: Marxism without guarantees**. Journal of Communication Inquiry. June, 1986, p.31.

⁶⁵ LACLAU, Ernesto; MOUFFE, Chantal. **Hegemonía y estrategia socialista: Hacia una radicalición de la democracia**. 2ed. Buenos Aires: Fondo de Cultura Económica de Argentina, 2004, p.171.

⁶⁶ LAFER, Celso. **A Reconstrução dos Direitos Humanos: A Contribuição de Hannah Arendt**. São Paulo: Companhia das Letras, 2003, p.34.

being placed or constituted as the other⁶⁷. Although a concept more restricted than diversity or plurality, without alterity there is no possibility of recognizing someone: without alterity, there is no longer a man, there is no longer a woman; there is only inferiority and no singularities⁶⁸.

Another important point regarding the above mentioned denials, is that it is not only related to hate speeches and in explicit attacks⁶⁹. It is present when there is dehumanization of individuals and when ignoring them is a part of an ideology of repression⁷⁰. The lack of recognition, therefore, results in demonization or invisibility in social and political life⁷¹.

Considering the recognition of human beings and the possibility of knowing and respecting others, it is necessary to contemplate singularities and the authenticity of the citizens and how it implies in alterity and in a peaceful community with no invisible people. About this, Tzvetan Todorov states that with the passage of time people become more authentic: life is a process of personal discoveries as liberties and individualities are connected. Also, as more liberties one has, more unicity and authenticity will be available to her⁷².

In this sense, it is possible to sustain that the whole humanity has an universal factor, singular characteristics to each individuals, a particular identity to each human being. There is in the necessities and aspirations of anybody some sense of singularity which is bigger than any formal equity. Furthermore, the author do not refers only to the persons, but also to the passage of time each minute, to the constant changes that comes not only from the interior of each, but from the interpersonal relations that arise from life in community (hereby understood as a place where people live in absolute connection, together with shared ideas and principles with some feeling of belonging⁷³). There is so, such a permeability between oneself and *the other* that make humanity and relations a complex patchwork; in other terms, as stated in the Universal Declaration of Human Rights, a mosaic:

⁶⁷ ABBAGNANO, Nicola. **Dicionário de Filosofia**. Martins Fontes: São Paulo, 1998.

⁶⁸ VISKER, Rudi. *The Inhuman Condition: Looking for Difference After Levinas and Heidegger*. Kluwer Academic Publishers, Netherlands, 2010, p. 180.

⁶⁹ Idem. *Ibidem*.

⁷⁰ SCARRY, Elaine. *The Difficulty of Imagining Other Persons*. In HESSE, Carla; POST, Robert. **Human rights in Political Transitions: Gettysburg to Bosnia**. NewYork: Zone Books, 1999, p. 282.

⁷¹ Idem. **Op.cit.**, p.288.

⁷² TODOROV, Tzvetan. **Imperfect garden: the legacy of humanism**. Translated by Carol Cosman. New Jersey: Princeton University Press, 2002, p. 144.

⁷³ BAUMAN, Zygmunt. 2001. **Identidade**. Rio de Janeiro: J. Zahar, 2005, p.17.

“And there were never in the world two opinions alike, any more than two hairs or two grains. Their most universal quality is diversity⁷⁴”.

This concomitant equality and difference that characterize human beings is well defined by Hannah Arendt, as we can see:

Human plurality, the basic condition of both action and speech, has the twofold character of equality and distinction. [...] In man, otherness, which he shares with everything that is, and distinctness, which he shares with everything alive, become uniqueness, and human plurality is the paradoxical plurality of unique beings. Speech and action reveal this unique distinctness.[...] With word and deed we insert ourselves into the human world [...]. This insertion is not forced upon us by necessity, like labour, and it is not prompted by utility, like work...; its impulse springs from the beginning which came into the world when we were born and to which we respond by beginning something new on our own initiative⁷⁵.

Thus, besides the difference intrinsic to each human being, there are, in the same way, permanent changes that come with the passage of time and make each member of a society singular and part of the whole. It implies, also, in an unpredictability of acts that restrain any possibility of universal senses that could be applied equally to everyone⁷⁶. These constant changes that frame human relations and the recognition of each in itself and in others, therefore, are what permit diversity and the necessity of its protection.

Limiting and categorizing these singularities of humans would, then, reduce the possibilities of alterity and, consequently, render impossible to live in liberty and in the originalities of ethnicity, religion, sexuality etc. In addition, these impossibilities would restrict the human plurality to some previously defined concepts – which would be an atrocious and totalizing violence⁷⁷. This perspective would also affront the notions that any human being have rights that are born from the recognition in another human being and the necessity of coexistence to permit life in society. The realization of an individual bound to the realization of the others, as stated by Francesco D’Agostino, happens in the sense that “men have rights because they are one with another, because the existence of one requires the existence of the other,

⁷⁴ TODOROV, Tzvetan. **Imperfect garden: the legacy of humanism**. Translated by Carol Cosman. New Jersey: Princeton University Press, 2002, p. 144.

⁷⁵ ARENDT, Hannah. **A Condição Humana**. São Paulo: Forense Universitária, 2003, p.189.

⁷⁶ ARENDT, Hannah. **A Condição Humana**. São Paulo: Forense Universitária, 2003, p.189.

⁷⁷ SCARRY, Ibidem, p.288.

because in one identity, the singular is attached to the plural; the affirmation of one happens with the recognition of the other⁷⁸”.

Ideologies And Repression Discourses

With regards to ideologies and how official discourses foment the exclusion of some citizens from life in society, it is important to emphasize that it is such an obligation of States and its representatives to avoid repression based in race, religion and gender/sexuality. On establishing rules and promoting political relations that promote recognition and plurality, something becomes clear: protecting citizens and promoting human rights is an unalienable responsibility of each State and this cannot coexist with ideologies of exclusion.

To the goal of this article, therefore, we must be heedful that politics that deny humanity of some people and make them deprived of dignity and recognition are based in the construction of some ideals by State representatives. The exclusion of people, in addition, helps the constitution of some kind of hegemony once it is necessary to maintain some hierarchy of the dominant classes and the dehumanization of some *others*.

Thus, to this analysis, it is necessary to consider Antonio Gramsci works, to whom the supremacy of a group is noticeable in two ways, as domain and as in the promotion of intellectual and moral directions⁷⁹. A social group when exercising its domain with the intent to destroy or submit (even with armed force) its ‘enemies’ – or people that do not fit in some ideals of standards of acceptance or recognition – intend to direct the way of living of the other groups and guarantee its positions in society. Notions of hegemony and domination, by now, will be taken from the perspective of Ernesto Laclau and Chantal Mouffe, once they have considered plurality as a precondition of the human existence; well, no hegemonic logic could comprehend the totality⁸⁰ of a society and this understanding is important as

⁷⁸ D’AGOSTINO, Francesco. Pluralità delle culture e universalità dei diritti. Torino: G. Giappichelli Editore, 1996, p. 50. *Apud* BARRETO, Maira de Paula. **Os Direitos Humanos e a Liberdade Cultural**. Artigo. Revista Antropos – Volume 1, Ano 1, Novembro de 2007, ISSN 1982-1050. Translation: “Gli uomini hanno diritti perché sono gli uni con gli altri, perché l’esistenza dell’uno richiede l’esistenza dell’altro, perché nella loro identità il singolare si unisce al plurale, l’affermazione dell’io al riconoscimento del tu”.

¹⁹ GRAMSCI, Antônio. **Risorgimento, notas sobre a Itália**. Tradução de Luiz Sérgio Henriques. Rio de Janeiro: Civilização Brasileira, 2002, p.62-63.

⁸⁰ LACLAU, Ernesto; MOUFFE, Chantal. **Hegemonía y estrategia socialista: Hacia una radicalición de la democracia**. 2ed. Buenos Aires: Fondo de Cultura Económica de Argentina, 2004, p.186.

recognizing oneself in others – and this is the most important thing to value all forms of life and the real effectiveness of human rights.

In this same path, it is important to find concepts of ideology as to “give an account, within a materialist theory, of how social ideas arise. We need to understand what their role (as a citizen⁸¹) is in a particular social formation, so as to inform the struggle to change society⁸²”. An example of how the creation of ideologies may result in a situation of oppression can be seen in this analysis:

The construction of white identity and the ideology of racial hierarchy were intimately tied to the evolution and expansion of the system of chattel slavery. The further entrenchment of plantation slavery was in part an answer to a social crisis produced by the eroding capacity of the landed class to control the white labor population. The dominant paradigm of social relations, however, was that while not all Africans were slaves, virtually all slaves were not white. It was their racial Otherness that came to justify the subordinated status of blacks⁸³.

Hence, irrespective of difficulties in acknowledging how ideologies appear, they are essential to the maintenance of the *status quo* of a group and it is equally important to consider the impossibility of totality and homogeneity of a society. Furthermore, it is worthy to take into account that politics and hegemony exist beyond an alliance of classes, but in between the necessity of moral leadership and intellectual commands⁸⁴. One has also to consider that the most important factor in the analysis of hegemony is the composition of a plurality of factors, as discourse, articulation and antagonism⁸⁵⁸⁶.

These conditions that constitute hegemony show the impossibility of some logic of equalizing kinds of people and lead us to strong theories that recognize the unstable character of social relations and differences. Ergo, there is no space in the world to universalities and eternal dogmas. This way,

⁸¹ Inserted by the author

⁸² HALL, Stuart. **Da diáspora: Identidades e mediações culturais**.Org. Liv Sovik; Adelaine La Guardia Resende et al. (trad.) Belo Horizonte: Editora UFMG, 2008, p.267.

⁸³ HARRIS, Cheryl. **Whiteness as a Property. Critical Race Theory and Legal Doctrine**. Harvard Law Review, 1995, p.278.

⁸⁴ LACLAU, Ernesto; MOUFFE, Chantal. **Hegemonía y estrategia socialista: Hacia una radicalición de la democracia**. 2ed. Buenos Aires: Fondo de Cultura Económica de Argentina, 2004, p. 100.

⁸⁵ It is also important to highlight the issue of the antagonism of identities and discourses; how they have some incompleteness as well, once they are all responsible for the ephemeral nature of all political discourses.

⁸⁶ LACLAU, Ernesto; MOUFFE, Chantal. **Hegemonía y estrategia socialista: Hacia una radicalición de la democracia**. 2ed. Buenos Aires: Fondo de Cultura Económica de Argentina, 2004, p.100.

analysing those aspects show us that societies do not try only to exercise control over citizens and who is supposed to be accepted⁸⁷; ideologies work in the sense of avoid conflicts and take away from communities everything that is different from the hegemonic pattern⁸⁸. Thus, life depends from recognizing the diversity inherent to individuals and to interpersonal relations – and sociopolitical life must be inclusive not only regarding to culture, but foremost about identities.

Considering that some group deserves to hold power and be in a position of dominance, moreover, is related to some feeling of superiority that causes more exclusion and, sometimes, atrocities and crimes. The text ‘Common Ideologies Foment and Justify Genocide’ can illustrate:

Closely associated with an idealized image of the land and the folks that work the land is the notion that the greatness of a people is tied to the proper use of the land. Never mind the fact that the people currently in control of the land may use similar methods of cultivation, the point is that the ideology of the aggressors is that their race or people could do it better. Genocidal regimes in places as disparate as Cambodia, Germany, Guatemala, Rwanda and East Timor have used model farmers or model villages to accomplish territorial expansion⁸⁹.

This politics of subjugating some people in order to promote superiority can be seen in a large field of classifications: in race, as legal exclusion in United States of America and in Rwandan Genocide; in religious matters as in the ex-Yugoslavia; in gender based atrocities as in Uganda etc. Aleinkoff, about this, remembers that in democracies some decisions may be taken ignoring some minorities and its wishes in some ways that in reality foments the exclusion. As quoted by the author, an exemple of this is that racial exclusion in United States of America comes from an ideology of supremacy, not from discourses of constitutional rights⁹⁰.

Those mentioned ideologies and constructed discourses that foment prejudice and inferiority of some groups works in order to maintain hegemonies with diverse forms of control. It provides means to reinforce superiority of the dominant groups, which use military forces, politics, media and propagandas and domination over public opinions, as well as education,

⁸⁷ FOUCAULT, Michel. *Op.cit.* 2000, p. 306.

⁸⁸ ESPOSITO, Roberto. *op.cit.* trad. M. Freitas da Costa. Lisboa: Edições 70, 2010, p.75.

⁸⁹ **COMMON IDEOLOGIES Foment and Justify Genocide.** 2015 USDA Evidence Analysis Library. From the Internet: http://clg.portalxm.com/library/keytext.cfm?format_tables=0&k_eytext_id=183

⁹⁰ ALEINKOFF, Thomas Alexander. **Re-reading Justice Harlan's Dissent in Plessy v. Ferguson: Freedom, Antiracism, and Citizenship**, 1992 U. ILL. L. REV. 961 (1992). p.25.

university indoctrination and political organizations⁹¹. As Schmitt notes, even people's will can be framed by ideologies, even when it should emanate from their liberties and free will⁹². These are some reasons why control and equalization policies are so hideous to diversity and to life in society, and is also a reason why genocidal states must and will be analysed in the next section.

Ideology Of Genocide

Politics of superiority, as was observed, is a constructed issue and an "ideological proposition imposed through subordination⁹³". And in this sense, is important to perceive that denying the possibility of the true relation between two individuals is the most atrocious crime that humanity may know. Lukacs, about this human nature of relations, states:

Its basis is that a relation between people takes on the character of a thing and thus acquires a 'phantom objectivity,' an autonomy that seems so strictly rational and all-embracing as to conceal every trace of its fundamental nature: the relation between people⁹⁴.

The denial of alterity and the rejection of human plurality refrain interpersonal relations and happen as an instrument to a great kind of atrocities that the Universal Declaration of Human Rights has tried to avoid. This is why the Declaration was created, to promote equality and human rights and this is why recently so many Tribunals has been created as to stop impunity to state representatives that promote politics of hate and denial. Making violence something normal and ordinary happens combined with official acts that strengthen hegemonies. This officials, as Mark Drumbl studies show, bring violence to a commonplace of comfort and instigate it as a civil duty⁹⁵; they are conflict entrepreneurs and its consequence are crimes of extraordinary proportions, as can be seen in the nazi regime that caused victims not only in concentration camps, but in every part of world⁹⁶.

The construction of ideas of supremacy and its reproduction in an institutional level mask the ideological content of these definitions (in any sense: color, religious or gender based supremacy) and promote the conformism with the power exercised to maintain it, 'converting abstract

⁹¹ SCHMITT, Carl. A situação intelectual do sistema parlamentar atual. In: _____. **A crise da Democracia Parlamentar**. Tradução de Inês Lobhauer. São Paulo: Scritta, 1996, p. 29.

⁹² Idem.

⁹³ LUKACS, György. **History and Class Consciousness**. Translation by R. Livingstone, 1971.p. 83.

⁹⁴ Idem.

⁹⁵ DRUMBL, Mark A. **Atrocity, Punishment, and International Law**. New York: Cambridge University Press, 2007, p.02.

⁹⁶ Idem, p.03.

concepts into an entity'⁹⁷. These constructions are also corroborated with Hannah Arendt acknowledgements that standing truths have a despotic character. Totalizing perspectives difficult debates and promotes homogenizations and this can be clarified in this excerpt:

It is important to comprehend, moreover, the identification of a myth and how it is created and how it is being applied. Also, if its functions and effects in national, popular, ethic and esthetic levels are something that must now be reinvented or turned against⁹⁸. As in the construction of superiority discourses, myths and ideologies may promote acts of violence and, systematically and/or in large scale, offend the whole human population⁹⁹. When with the intention of destroying national, ethnic, racial or religious groups, the crime configured is the genocide, even if with a physical or cultural facet¹⁰⁰. About racial superiority, we can state:

In the present century, black people are believed to be totally different from whites in race and origin, yet totally equal to them with regard to human rights. In the sixteenth century, when blacks were thought to come from the same roots and to be of the same family as whites, it was held... that with regards to rights blacks were by nature and Divine Will greatly inferior to us. In both centuries, blacks have been bought and sold and made to work in chains under the whip. Such is ethics; and such is the extent to which moral beliefs have anything to do with actions¹⁰¹.

Thus, considering how recent were the denial of equality based on color standards, as well as nowadays we have so many other kinds of discrimination and impediments to the achievement of social justice, perpetrators of offences of this kind are enemies of the whole human population¹⁰². Moreover, when such practices relate to crimes with the intent of destroying some national group, ethnic, religious or gender based communities, crimes against humanity receive a new and specific definition: genocide; a crime that may occur in a physical, biological or cultural way, but people that provoke this crime do not victimizes only targeted groups. Large scale suffering is extended to familiars, group members and the whole

⁹⁷ GOULD, Stephen Jay. **The mismeasure of man**. New York: W.W. Norton & Co. 1981,p. 25.

⁹⁸ LABARTHE, Philippe Lacoue. NANCY, Jean-Luc. **O mito nazista. O espírito do nacional-socialismo e seu destino**. Tradução Márcio Seligmann-Silva. São Paulo: Editora Iluminuras, 2002, p.14.

⁹⁹ Estatuto de Roma do Tribunal Penal Internacional, adotado em 25 de Setembro de 2002.

¹⁰⁰ SCHABAS, William A. **Na Introduction to the International Criminal Court**. Fourth Edition. New York: Cambridge University Press, 2011, p. 102.

¹⁰¹ LEOPARDI, Giacomo. In: THOMAS, Kendall. **Racial Justice: moral or political?** Orgs. SARAT, Austin; GARTH, Bryant G. Cornell University Press, 2002, p.78.

¹⁰² LUBAN, David. **A Theory of Crimes Against Humanity**. Georgetown Law Faculty Publications and Other Works. Paper 146, 2004, p.90.

world, as we consider the anguish that comes from the fundamentals of practices that are ‘above human comprehension’¹⁰³.”

Acknowledging the extremely grave conducts that represent genocide and these exclusions/denials of alterity and identity, we can also recognize some fundamentals of the genocidal conducts. As stated by Ben Kiernan, we can recognize four ideologies that are strongly related to the foment of genocide: racial and ethnoreligious hatred; cults of antiquity; cults of agriculture and territorial expansion. These political constructions serve to both foment and justify genocidal atrocities¹⁰⁴.

Stigmatization of victims are part of the crime of genocide¹⁰⁵, but is still unclear to the international community how to objectively create a concept of this ‘crime of crimes’ – notwithstanding the great amount of treaties regarding this crime (as the Convention on the Prevention and Punishment of the Crime of Genocide (CPPCG), adopted by the United Nations General Assembly on 9 December 1948, and the statutes and jurisprudences of the International Criminal Tribunal for the Former Yugoslavia (ICTY) and the International Criminal Tribunal for Rwanda (ICTR)¹⁰⁶.

Targeting civilians as a way to promote some *cleansing* or *persecution*, for instance, is the intention of some totalitarian governments to deny access to public spaces and the right to belong to the political community¹⁰⁷. The implementation of these policies, furthermore, hinder the right to have rights, equality and liberty – all of them essentials to a life with dignity. We shall reinforce that the creation of these practices come from a past where identities suffer racialization, stigmatization or religious labeling for instance, what leads to feelings of inferiority and necessary subordination¹⁰⁸.

It is also important to say that these denials are imposed by violence. As recognized by Hannah Arendt, violence was used in each and every

¹⁰³ ARENDT, Hannah. **Eichmann em Jerusalém: um relato sobre a banalidade do mal**. Trad. José Rubens Siqueira. 5ª Reimpressão. São Paulo: Companhia das Letras, 1999, p.232.

¹⁰⁴ KIERNAN, Ben. **Blood and Soil: A World History of Genocide and Extermination from Sparta to Darfur**. New Haven, CT: Yale University Press, 2007.

¹⁰⁵ Tribunal Penal Internacional para a ex-Iugoslávia, **Prosecutor vs. Krstic**, julgamento de 02.ago.2001, parágrafo 557: “scientifically objective criteria” were considered “inconsistent with the object and purpose of the convention”.

¹⁰⁶ AMBOS, Kai. **International Criminal Law: quo vadis?**. Vol. 19. Toulouse: Nouvelles Etudes Penales, 2004, p. 219.

¹⁰⁷ LAFER, Celso. **A reconstrução dos direitos humanos: a contribuição de Hannah Arendt**. Estud. av. vol.11 n.º.30 São Paulo May/Aug. 1997. World Wide Web: <http://dx.doi.org/10.1590/S0103-40141997000200005>. Accessed in 20.jun.2014.

¹⁰⁸ HARRIS, Cheryl. **Whiteness as a Property. Critical Race Theory and Legal Doctrine**. Harvard Law Review, 1995, p.278.

society at some point, but an instrument¹⁰⁹ related to the degradation of politics and of social and interpersonal relations¹¹⁰. Taken to extremes, violent regimes become a model of “one against all”, a mark of totalitarian ideologies and governments¹¹¹.

This regimes that create ideologies to justify violent conducts had also victimized citizens with an ordinary violence. As observed by this author, violence in all aspects reduce men to conditions of extreme degradation and transform lives in something superfluous or disposable¹¹². And these conditions of inhumanity are the main cause of exterminations and of the reduction of men lives to something without value, to the lack of dignity and possibility of being recognized by their fellow brothers and sisters.

Considering also that these crimes affect humanity as a whole, it is important to now remember the unity of the ‘human gender’, as stated by Celso Lafer, that have fundamentals in the traditions of the bible, Talmud and the Jewish books – not forgetting the plurality of cultures and nations mentioned in the previous topic¹¹³. The importance of this recognition have more evidence, also, when promote the possibility of people to be citizens, being recognized by the others and being protected by the states¹¹⁴ - which will see demonstrated, only with strong democracies.

Ideologies In Rwandan And Yugoslavian Genocides

Justice is an open concept and hard to be reduced to words, mostly if compared in the relation between eastern and western cultures. Because of this, the first step to the comprehension of the local Courts in Rwanda and the democratic fight process against genocide is the notion of multiculturalism and the acceptance of the otherness as basis of Law and justice. In Rwanda, questions of violence and intolerance are so old as the ethnicities that live in that community: the Hutus, the Tutsis and the almost

¹⁰⁹ ARENDT, Hannah. **Eichmann em Jerusalém: um relato sobre a banalidade do mal**. Trad. José Rubens Siqueira. 5ª Reimpressão. São Paulo: Companhia das Letras, 1999, p.41.

¹¹⁰ ARENDT, Hannah. **A Condição Humana**. São Paulo: Forense Universitária, 2003, p.242.

¹¹¹ ARENDT, Hannah. **op. cit.**, 2003, p. 121.

¹¹² DUARTE, André. Modernidade, biopolítica e violência: a crítica arendtiana ao presente. In: DUARTE, André; LOPREATO, Christina; BREPOHL de, Marion (orgs.). **A Banalização da Violência: atualidade no pensamento de Hannah Arendt**. Rio de Janeiro: Relume-Dumará, 2004, p. 33-54.

¹¹³ LAFER, Celso. **A reconstrução dos direitos humanos: a contribuição de Hannah Arendt**. Estud. av. vol.11 n.º.30 São Paulo May/Aug. 1997. World Wide Web:

<http://dx.doi.org/10.1590/S0103-40141997000200005>. Accessed in 20.jun.2014.

¹¹⁴ SUNSTEIN, Cass. **Designing Democracy: What Constitutions Do**. New York: Oxford University Press, 2001, p. 222.

forgotten Batwas (pygmies). Although they share space and language, follow similar principles and traditions, differences always existed between the two first groups and became more intense with the Belgian colonization that classified them with cards of ethnic identification. This division took into account only contexts of birth and physical characteristics as height and nose forms to classify the habitants by them ethnicity.

Well, is evident how barbarous and arbitrary is this form of classification, completely unscientific: “a Tutsi is a Tutsi because was born from a Tutsi father, as well as an Hutu was born from an Hutu father”¹¹⁵, what shows us that the Belgian classification had no reasonable grounds to be defended. Considering that Tutsis were recognized as an ethnically superior group (as dominants in hegemony and ideologies), they had along the years better jobs and opportunities, which fomented the resentment of their fellow Hutus. This group, in 1959, provoked diverse manifestations in reaction to their proclaimed inferiority, also by violent acts – when a great number of Tutsis were killed and obliged to exile in neighbor countries¹¹⁶.

In 1962, therefore, Rwanda became independent from their colonizer country, Belgium, when Hutus took the power and left Tutsis as responsible by all of the uncomfortable situations in the country (exercising power as dominants in hegemony and spreading discourses of inferiority of their Tutsi ‘opponents’). Already in the 90’s, at the same time that the Hutu government had some kind of popularity crisis, some Tutsis that were still refuged organized a patriotic army to come back to the country and took back the power and dominance, in continuous negotiations and treaties that spread tension in the State. Then, right after an attack to the plane where the president of the country was flying the massacres became, in April 1994¹¹⁷. Back there, atrocities of different natures happened as a way of retribution and more than 800.000 were killed in only 100 days¹¹⁸.

With this historic considerations, it is important to state that the fight undertaken in Rwandan territory after the atrocities period was against the ideas that “foster ethnic hatred, whether revealed through speech, writing or

¹¹⁵ MELVERN, Linda. **Conspiracy to Murder: the Rwandan Genocide**. London: Verso, 2004, p.4.

¹¹⁶ **HOW THE Genocide Happen**. Notícia publicada em BBC News. World Wide Web: <http://news.bbc.co.uk/GO>. Accessed in: 08.ago.2014.

¹¹⁷ MAGNARELLA, Paul J. **The Background and Causes of Genocide in Rwanda**. Journal of International Criminal Justice, Oxford, v. 3, 2005, p.815.

¹¹⁸ **HOW THE Genocide Happen**. Notícia publicada em BBC News. World Wide Web: <http://news.bbc.co.uk/G>. Accessed in: 08.ago.2014.

actions¹¹⁹”; the ideologies that fomented genocide was than recognized as the root cause of the massacres. That said, it becomes pretty clear why the post conflict politics had one special concern besides the actuation of the ICTR, the Supreme Court and the *gacaca*¹²⁰ courts: the national law that prohibits the distinction between ethnicities in Rwanda. Since then, there were no Hutus, Tutsis or Batwas, only Rwandan citizens. As considered by Mark Geraghty, “Though it appears as a utopian promise that installs a dystopian assumption about its citizens (i.e. that they are racist), the campaign against genocide ideology does suggest a new form of nation-building based on the attempt to effect a radical break with the past and imagine a “new” future¹²¹”. With this intentions of ignoring race, it rests undoubted that this indistinction had the aim of promote equality and avoid new constructions of superiority speeches or hate practices in the country, transcending the past and looking forward to the future with healing and no demonization or dehumanization of the others.

Moreover, there were local level practices that helped to reunite the population, as the above mentioned *gacaca* courts, that with a frame and spirit of democracy led us to the conclusion that the use of traditions was really *avant garde* and inclusive to bring recognition to victims. With concepts of forgiveness, truth and reconciliation, this alternative form of justice pulled away the complementarity intended by the International Criminal Tribunal of Rwanda and brought the victims comfort and reparation.

¹¹⁹ GERAGHTY, Mark. The Rwandan state’s campaign against genocide ideology. World Wide Web: <http://www.mmg.mpg.de/research/all-projects/the-rwandan-states-campaign-against-genocide-ideology/>. Accessed in 08.jul.2015.

¹²⁰ Local and traditional courts presided by civilians that deliberate about penalties to be applied to criminals. Once the complementarity of the international tribunal would judge just the main perpetrators and the ideological chiefs of the genocide and the supreme court of the country could not adequately give response to all of the crimes, some judgements were left to these traditional courts (which meaning is, in rwandan, justice on the grass). Communities would elect local judges responsible to conduct trials of commitment of a diverse number of crimes, except genocide. This, because this great crime is one of the most serious and atrocious of humankind and intended/prepared by chiefs of state – that needed to be judged by specialized courts and receive more severe penalties. In: HILKER, L. M. Everyday ethnicities: Identity and reconciliation among Rwandan youth. *Journal of Genocide Research*, 2009, p. 81-100; MGBAKO, C. In Solidarity camps: Reconciliation and political indoctrination in post-genocide Rwanda. *Harvard Human Rights Journal*, 18, 2005, p. 201-224. In: BILALI, Rezarta. **Between Fiction and Reality in Post-Genocide Rwanda: Reflections on a Social-Psychological Media Intervention for Social Change**. *Journal of Social and Political Psychology*, 2014, Vol. 1. p.5.

¹²¹ GERAGHTY, Mark. The Rwandan state’s campaign against genocide ideology. World Wide Web: <http://www.mmg.mpg.de/research/all-projects/the-rwandan-states-campaign-against-genocide-ideology/>. Accessed in 08.jul.2015.

These practices and the efforts of the national leaders to emphasize harmony and coexistence of the ethnicities (as long as distinctions started with colonialism), there is the intention to discuss the past and to recognize the others – more than that, the *otherness*¹²². Nothing that happened in Rwanda can be forgotten¹²³, since history can only be constructed democratically with that notions and with equality politics; individual and collective memory will share the space with social and inter-group conflicts, as well as values and identities, promoting a society with the free proposal of diversity in politics, respect and dignity¹²⁴.

The genocide that happened in Rwanda caused one of the greatest periods of atrocities in the last century and was followed by a state of social peace, which is of concern to students in all the world. However, questions of justice and reconciliation must be analysed by people who lived that history and horror. Also, denying the possibility to that people to tell their own history would deny also the restorative intentions of that groups involved in the genocide¹²⁵ – to know how the ideologies were constructed and to avoid, in the ‘new-Rwanda’, that it ever happen again. This is why it is so important to contextualize the post conflict situations that are permeated by ideologies, culpability and forgiveness in the same proportion: between Germans and Polish, Turkish and Armenians in the Caucasus, between Tutsis and Hutus in East Africa; and between Serbs, Muslims and Croats in the former Yugoslavia¹²⁶.

The dismemberment of Yugoslavia in 1991 was a result of historical disputes by the antique ethnicities that coexisted in the Socialist Republic of Yugoslavia. Right after a period of diverse crisis and internal conflicts that followed the independency of Croatia and Slovenia, several battles on that territory spread in the world a fear that a new war would happen, considering the use of ethnic cleansing and genocide as means of destruction.

The republic represented six states (Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Serbia and Slovenia) and two regions (Kosovo and Vojvodina) that were part of the Republic of Serbia. Besides the plurality of ethnicities in such a big country, there was also plurality regarding the religions in that place, since Orthodox Christians, Catholics and Muslims shared that community. However, even though living in peace for a while, 90’s brought the collapse of communism and new facets of nationalism in

¹²² Idem. Ibidem. p.5.

¹²³ BENJAMIN, Walter. **Magia e técnica, arte e política: ensaios sobre literatura e história da cultura**. 7. ed., 1994, p. 223.

¹²⁴ POLLAK, Michael. **Memória e identidade social: estudos históricos**. v. 5, n. 10, 1992, p. 204.

¹²⁵ VOLHARDT, Johanna Ray; BILEWICZ, Clark. *Op.cit.* 2013. p. 1-15.

¹²⁶ Idem. Ibidem.

Europe, alongside the political and economic crisis that the Balkans was living¹²⁷. As a result, independence of the republics was being defended by several political parties, that reconstructed ideological speeches to destroy the feelings of unity and “erode a common Yugoslav identity and fuel fear and mistrust among different ethnic groups¹²⁸”.

It could be perceived, therefore, in another mention of the ideologies that recurrently foment genocide, that in Yugoslavia there was a combination of two of them: racial and religious hatred, combined with the aim of territorial expansion, as we can read:

In some cases, territory must be claimed for a state since people of the aggressor state's race or ethnicity are already living there. For instance, the problem for ethnic Serbians was not that they were without a country following the breakup of Yugoslavia. The problem was that a large population of Serbians lived outside Serbia in neighboring Bosnia-Herzegovina and Croatia and they were forced to live among Muslims and Croats. A greater Serbian motherland needed to be created. As Bosnian Serb leader Radovan Karadzic put it in 1992, “The time has come for the Serbian people to organize itself as a totality, without regard to the administrative [existing] borders.” The purity and protection of the Serbian people demanded that Muslims be “cleansed” from Bosnia and a re-imagined Serbian history justified this¹²⁹.

Accordingly, in the same space that the identities of that people were constructed, there was the formation of some speeches that once became prejudice and hate¹³⁰. As the author (Wilmer) states, there were narratives that formed identities, the feeling of belonging to that place and, as a result, nationhood; but there were also narratives to destroy it. He also states: “it was a conflict about identity because political leaders made a conscious choice to rally support by appealing to grievances which had long been a subject of political discourse, and within were constructed in terms of identity within both political and historical narratives¹³¹”.

Promoting speeches and fantasies of inferiority or superiority of some groups (one of them more advanced, noble and deserver of power), as well

¹²⁷ **ABOUT THE ICTY: the conflicts.** World Wide Web: <http://www.icty.org/sid/322>. Accessed in 08.jul.2015.

¹²⁸ **ABOUT THE ICTY: the conflicts.** World Wide Web: <http://www.icty.org/sid/322>. Accessed in 08.jul.2015.

¹²⁹ KIERMAN, Ben. **Blood and Soil: A World History of Genocide and Extermination from Sparta to Darfur.** New Haven, CT: Yale University Press, 2007, world wide web.

¹³⁰ WILMER, Franke. **The social construction of man, the state, and war: identity, conflict, and violence in former Yugoslavia.** Routledge 2002, p.30.

¹³¹ WILMER, Franke. **The social construction of man, the state, and war: identity, conflict, and violence in former Yugoslavia.** Routledge 2002, p.29.

as fantasies of threat¹³², led the conflicts in Yugoslavia to the so-called ethnic cleansing, with the aim to purify the land of the living of Bosnian Muslims. About the practice, it can be stated:

Ethnic cleansing—the use of force or intimidation to remove people of a certain ethnic or religious group from an area—was the central fact of the wars of Yugoslavia's destruction. The practice has a method: terror. It has a smell: the fetid misery of refugees. It has an appearance: the ruins of ravaged homes. Its purpose is to ensure—through killing, destruction, threat, and humiliation—that no return is possible¹³³.

Furthermore, the urge of removing from that territory, fomented by the refuse to share the space and by the impossibility of recognize oneself in the *other*, encompassed a large number of practices, as murder, torture, arrests, detentions, executions and sexual assault. The historical and ideological context of those conflicts permitted those practices to happen with the intent of destruction, characterizing genocide and some extreme need of intervention from the international community in the former Yugoslavia. The revival of ideologies of hate, also, since conflicts had already occurred in the past, made possible new manipulation of truths and new traumatic memories that had a need to be judged and revisited.

Considering that there was several territories in conflict (consequently many different constitutional systems) and a huge possibility of the trials of the perpetrators be influenced by revenge¹³⁴, the trials took place in an ad hoc tribunal located in The Hague, Netherlands. The resolution of the conflict as a puzzle spread on the territories of the Balkans would contemplate only a part of the whole needed. Nevertheless, the problems in that territories were pieces of the whole, they would be better solved abroad, but could only be extirpated by policies and affirmative actions in all of the new countries and territories. Once that since beginning of last century there was the need of the international community to deal with massive violations of human rights, the new paradigms created by the ICTY were important not only to the people of the former Yugoslavia, but to all citizens in the world.

This possibility of an international interference in countries sovereignty when human rights are offended, therefore, alongside the principle of complementarity in the international criminal law, brings up the necessity of avoiding ideologies of repression and to respect citizens in their

¹³² KIERMAN, Ben. **Blood and Soil: A World History of Genocide and Extermination from Sparta to Darfur**. New Haven, CT: Yale University Press, 2007, world wide web.

¹³³ COHEN, Roger. **Crimes of War: ethnic cleansing**. World Wide Web: <http://www.crimesofwar.org/a-z-guide/ethnic-cleansing/>. Accessed in 08.jul.2015.

¹³⁴ DRUMBL, Mark A., **Atrocity, Punishment and International Law**. Cambridge University Press, 2007, p.37.

unicity and identity as a *jus cogens* norm; this, an imperative of to all countries to obey not only as a rule, but as something peremptory and constringent related to its essential meaning¹³⁵. Thus crimes as genocide, war crimes and crimes against humanity may be prevented and their happen sent to trials in each and every country or community, irrespectively of their local rules or acceptance to treaties (even immunities may be waived since it was already recognized in the jurisprudence of the Karadzic¹³⁶ trial and reinforced in the Blaskic¹³⁷ case.

What could be perceived in the above stated situations, both in Rwanda and in the former-Yugoslavia, is that ideologies that promote the *denial of the otherness* also promote genocide, mass atrocities, blood and fear. There is, hence, a need to find a path to construct societies that respect regional perceptions and identities in parallel with the universality of human rights and its protections in regional and supranational levels; to constitute “techniques to converge certain conducts and determined actions with the coincidence of beliefs and moral reasons¹³⁸”. Trials will, therefore, not judge, but promote memory and reinforce the feeling that in democratic states, the atrocities will mean both a rejected past and a promise of a shining future”¹³⁹.

Final Considerations

As well observed by Slavoj Zizek, “the only way to comprehend the true newness of the new is by analysing the world by the lens of what was eternal in the old¹⁴⁰”, and it is in this sense that it is reiterated the importance of denying hegemonic ideologies that intend homogeneity and, with this avoiding of diversity, cause politics of totalitarianism. Hence, the interpretations that shall be made must be focused in the respect of the human rights and in the responsibility of the countries and their representatives to promote equality and trials of everyone that institute politics of denial of alterity. In this sense, it is important to remember that it was recognized by the United

¹³⁵ SALMON, Jean. *Discrionaire de Droit International Public*. Bruylant: Bruxelles, 2001, p. 1198. Apud: NASSER, Salem Hikmat. **Jus Cogens: ainda este desconhecido**. *Revista Direito GV*, vol. 1, p. 167-178, jun-dez.2005, p.163.

¹³⁶ Tribunal Penal Internacional para a Ex-Iugoslávia. **Prosecutor vs. Karadzic**. Ch III, 17.dez.2008 Parágrafo 25.

¹³⁷ Tribunal Penal Internacional para a Ex-Iugoslávia . **Prosecutor vs. Tihomir Blaskić**, Judgment, IT-95-14-108bis: Blaskic (Interlocutory), 29.out.1997. Parágrafo 41.

¹³⁸ NINO Carlos Santiago. **Ética y Derechos Humanos: un ensayo de fundamentación**. Buenos Aires: Editora Astrea deAlfredo y Ricardo De Palma, 1989b, p. 103.

¹³⁹ KOSKENNIEMI, Martii. **Between Impunity And Show Trials**. Max Planck Yearbook of United Nations Law, Volume 6, 2002, p. 1-35.

¹⁴⁰ ZIZEK, Slavoj. **Primeiro como Tragédia Depois como Farsa**. São Paulo: Boitempo, 2011, p.19.

Nations Report from 1994 that the ethnic cleansing happened in Yugoslavia, as well as rape and sexual assault, had been product of a state policy and of a “consistent failure to prevent the commission of such crimes and to prosecute and punish of their perpetrators¹⁴¹”.

Irrespective of the construction of identities and their expression in some context, as well as the morals and the comprehensions of each citizen that may vary, it is responsibility of the States to give materiality to human rights and dignity. The constitution of these, in this sense, will encompass questions as rights to liberty, equality, democracy and sovereignty, which will have by consequence right to be a member of a global republic¹⁴². These Tribunals, also, are important to history as give value to the intentions provided by the human rights treaties that were strengthened in the last century¹⁴³.

Considering the damages caused by extremist ideologies, Marcelo Neves remembers that we are attached to the globalization of the constitutional law¹⁴⁴ - but not as proposing one universal constitution, as protecting several constitution that establish boundaries to citizens hailed in their human rights¹⁴⁵. Thus, putting aside the idea of a large scale constitution, there is a universal need to countries have limitations to their acts, when offensive to human rights and its presumed diversity/alterity. States and its constitutions must be a normative text that aims to promote basic rights and symbolic politics¹⁴⁶, not means to the execution of atrocities – and this interpretation comes from the new forms of transterritorial relations that brought up a necessity to constitutionalism to go further the state boundaries¹⁴⁷ - respecting historical constructions and cultural conceptions of every community.

The strengthen of constitutional states and policies to implement basic rights must be, hence, attached to the valorization of local identities and rights of minorities – with the intent to globally avoid oppression and tyranny of the dominant groups, that shall not threaten the materiality of rights of any group. The engaging of States in break the limits of inclusion

¹⁴¹ UNITED NATIONS Security Council. **Comission of Experts Report**. 1994. World Wide Web: http://www.icty.org/x/file/About/OTP/un_commission_of_experts_report1994_en.pdf. Access in 08.jul.2015.

¹⁴² KERSTING, Wolfgang. Em defesa em um universalismo sóbrio. In: **Universalismo e Direitos Humanos**. Porto Alegre: EDIPUCRS, 2003, . p.95.

¹⁴³ Idem. Ibidem. p. 771-797.

¹⁴⁴ TUSHNET, Mark. **Taking the constitution away from the courts**. Princeton: Princeton University Press, 1999; WALDRON, Jeremy. **The core of the case against judicial review**, in Yale Law Journal, 115, 2006, p. 1346-1406.

¹⁴⁵ CANOTILHO, J. J. Gomes. **Branços e Interconstitucionalidade: itinerários dos discursos sobre a historicidade constitucional**. 2ª ed. Coimbra : Almedina, 2008, p. 190.

¹⁴⁶ CANOTILHO, J. J. Gomes. *op.cit.* 2008, p. 190.

¹⁴⁷ NEVES, Marcelo. **Transconstitucionalismo**. São Paulo: Martins Fontes, 2009, p. 120.

will give power to excluded groups and victims of repression ideologies, having, consequently, the creation of public spaces to articulate and question their own identities (free to do this, not subjected to hegemonic powers)¹⁴⁸.

With no promotion of identities and its connections between citizens that share a community empower them to fight hegemonies that deny to some individuals some rights. In the same way, the historic toleration of abuses and the contemporary culture of reproducing violence (by action or omission) may left some citizens to death, caused by their ethnicities, religion, political statements and many others, in societies that have violations as ordinary. Also, victims of hate speech and state omissions lost their feeling of belonging and start to feel as enemies¹⁴⁹ of their own soil – and this is the starting point of the above mentioned conflicts in Rwanda and Yugoslavia.

Constitutions must be implemented and interpreted, thus, without any mention to exclusion and possibility of denying any person because of their characteristics. Considering patterns of hegemony, ideologies and dehumanization of some citizens, there is a huge risk to the future of politics, democracies and solidarity¹⁵⁰; but the new forms of interpretation and the history told by those Tribunals and to those victims gives us some fresh air to continue this journey.

Human plurality and diversity, therefore, lead us to the path that the protection of human rights will occur by giving effectiveness to the ideals of constitutionalism and democracy – and the democracy that is intended is not “liberal in its traditional conceptions, but in some new perspectives of democracy, radical and plural, because only in democracies it will be a possibility of non-totalitarianism¹⁵¹. With the achievement of these intentions, it can be reached again the unity of the human rights in its first meaning and the recognition of the human behind the human rights¹⁵²: the leading force of development and social inclusion. Only with this alterity will promote the identification of *one* in *an-other* and every human and identity will be the center and the focus of social relations based in memory and hope, shared in communities and with the community fellows.

¹⁴⁸ ZIZEK, Slavoj. **Bem-vindo ao deserto do real: cinco ensaios sobre o 11 de Setembro e datas relacionadas**. Tradução de Paulo Cezar Castanehira. São Paulo: Boitempo, 2003, p.14.

¹⁴⁹ SCHMITT, Carl. **The Concept of the Political**. Tradução George Schwab. University of Chicago Press, Chicago, 1996, p. 26.

¹⁵⁰ LIMA, Abili Lázaro de Castro. *op.cit.* 2006.

¹⁵¹ KOZICKI, Katya. A política na perspectiva da filosofia da diferença. In: OLIVEIRA, Manfredo. *et. al.*(orgs.). **Filosofia política contemporânea**. Petrópolis: Vozes, 2003, p.141-160

¹⁵² DOUZINAS, Costas. **Quem são os ‘humanos’ dos direitos? In: Revoluções**. World Wide Web: <http://revolucoes.org.br/v1/>. Accessed in 10.dez.2014.

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- ABBAGNANO, Nicola. Dicionário de Filosofia. Martins Fontes: São Paulo, 1998.
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BSC AS A TOOL TO ACHIEVE SOCIAL AND ECONOMIC GOALS OF A UNIVERSITY - PROBLEM OF PUBLIC TRUST ORGANISATION

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Abstract

Trust is a hard measured category, that is why using modern management tools, like *Balanced Scorecard*, may allow identifying and modifying factors affecting the loss of public trust as well as contributes to the improvement of institutions' and their employees image. College should be considered as an interesting institution of public trust. College should constantly monitor and increase the quality of services provided as well as professionalism, ethical and moral attitude of its employees together with complying social responsibility and principles of market economy. The aim of this article is to present the possibility of using the BSC in shaping the image of public trust organisations and their academic staff, by monitoring execution of economic and social aims. A basic research method to achieve this aim is literature studies.

Keywords: Balanced Scorecard, public trust, entities public trust, university

Introduction

Public trust is an indispensable factor helping to execute social and economic functions by chosen social groups (ex. advocates, teachers etc.) or certain institutions (ex. courts, schools etc.). At the same time, trust is an inseparable element of an image. Finally, an organisation's image is crucial for its seamless functioning, and consequently – success.

An interesting example of a public trust organisation would be the university and its academic staff. The university should continuously monitor and improve the quality of its services but also professionalism, ethics and morale of its staff. This is particularly hard, as the traditional teachers' attributes (accuracy, reliability, pedagogic and didactic skills) have less meaning, if they are not followed by a partnership in creating new

knowledge, developing new courses, research workshops and paradigms, constantly seeking for the scientific truth. It seems that in realisation of these tasks and achieving competitive position on the market of education services, the Balanced Scorecard could be a great help. The aim of this article is to present the possibility of using the BSC in shaping the image of public trust organisations and their academic staff, by monitoring execution of economic and social aims. A basic research method to achieve this aim is literature studies.

University image – scope and definition

Generally, “trust” means the belief that a given person or organisation will not deceive or do anything bad, that the given information is true and that the person or organisation has knowledge, skills and abilities and can use them appropriately. Trust and image are difficult to measure, therefore, seeking new management tools and their implementation in organisations, in order to identify and solve problems in public trust areas, and shape a positive image is an important task for the managers.

Subject bibliography presents many definitions of the image. Some of the interesting definitions are interpretations by Arpan, Raney and Zivnusk, who describe the image as [Arpan, Raney, Zivnusk, 2003, pp. 97-113]:

- associations related with the organisation’s name,
- psychological profile constructed for the organisation by the individual,
- attitudes towards the organisation

Stating a hypothesis about an impact of trust on the image, it seems necessary to recall the definition of Treadwell and Harrison, stating that the image of the organisation by a given person is: “a combination of perception of the organisation, including the beliefs and attitudes, as well as behavioural impressions which are significant organisationally” [Waszkiewicz, 2011, p. 23]. From the point of view of the person’s analysis in the article, it is vital to refer the image aspect to the university. A. Waszkiewicz states that: “the image of the university is an aspect of a holistic perception of organisational functions in terms of its role: the teacher, the creator of the science and culture, the moral authority, the employer, the financially supported entity, investor and power transmitter; along with its meaning, as well as the beliefs and attitudes which come from it” [Waszkiewicz, 2011, p.72]. The researcher, in her definition, specifies the social roles of the university, which, at the same time determines the scope of its image. They are roles of: the teacher, the creator of the science and culture, the moral authority, the employer, the entity financially supported, investor and power transmitter [more in: Waszkiewicz, 2011, p.44-72]. These social roles indirectly indicate the specific university stakeholders, understood as individuals and

organisations which have an impact on them, or those who the university's activities, in some way, affect.

The stakeholders of the university are broadly varied. Having identified the individuals or organisations that the university interacts with, we can specify: students, graduates, academic staff (scientific-didactic, administration), the organisations cooperating with universities in research and development, employers, services and products suppliers, non-governmental organisations, unions, media, government (central and local), other universities (national and international), local community and others.

Table 1 presents the essence, aims (social as well as economical) and factors shaping the image of the university.

Table.1. The scope of shaping the image of the university – the essence, goals and determinants.

Image scope	The purpose of the image scope	Realisation of the aims (social and economical)	Image determinants
University as a teacher	Realisation of the teaching process through passing on the knowledge.	<ul style="list-style-type: none"> • Creating specialists (in a process: recruiting, examination, issuing a diploma. • Creating a relation: master – pupil. • Acquiring research and reconstruction competencies. 	<ul style="list-style-type: none"> • Programs and techniques of teaching. • Didactic helps. • Academic staff and students' partnership. • Academic staff.
University as a creator of science and culture	Enriching science through creating, researching and diffusing knowledge.	<ul style="list-style-type: none"> • Shaping intellectual and moral condition of the academic environment. • Shaping research skills. • Organising and developing academic life. • Cumulating cultural heritage. 	<ul style="list-style-type: none"> • Degree and academic titles • Research programs. • Scientific publications • International cooperation. • Cultural events.
University as a moral authority	Raising the younger generation in an unblemished moral authority spirit with respect to the truth, courts' impartiality and intellectual independence.	<ul style="list-style-type: none"> • Building the authority : moral, individual (competencies), spiritual (wisdom and integrity) • Shaping desirable attitudes, located in the area of the cultural heritage value. • Students' development stimulatón. 	<ul style="list-style-type: none"> • Courts' impartiality • Popularisation of the social idea. • Life and more honesty. • Respecting the truth.
University as a employer	Hiring, firing and staff management.	<ul style="list-style-type: none"> • Shaping desirable perception of the workplace. • Hiring fitted educators and scientists. 	<ul style="list-style-type: none"> • Human resources management style. • Work (environment) conditions. • Employees'

			<ul style="list-style-type: none"> • salary • Employees' interpersonal relations
University as a financially supported entity	Financing the academic activity from government grants (as a government's budget entity) as well as non-governmental funds: sponsors and the income from the chargeable; educational services, consultations and workshops (as a market entity).	<ul style="list-style-type: none"> • Searching non-governmental sources of income. • Efficient activity (profitability, efficiency, productivity and the quality of the services. • Survival on the competitive market. • Preparing the university to function# in the capitalistic academic's environment. 	<ul style="list-style-type: none"> • Planning the financial needs. • Honesty • Expenditures' rationalisation • Expenses control. • Income optimisation. • Ability to thank the donors.
University as an investor	Academic activity in an investor role in the area of project management.	<ul style="list-style-type: none"> • Development of the economic partnerships in the local and international aspect. • Propagation of the entrepreneurship idea. • Effective allocation of the resources. • Investing in the material assets (academic rooms base) and the non-material assets (new software) • Rising importance of the investing activity in academic funding. 	<ul style="list-style-type: none"> • Relacje z dostawcami. • Terminowość regulowania zobowiązań. • Administration style in the investments' scope • Investments efficiency
University as a power transmitter	University takes responsibility for its environment and its prospective development but, at the same time, it does not resign from its autonomic didactic and cognitive aims.	<ul style="list-style-type: none"> • Raising the students to prepare them to professional work and taking on responsible work position. • Shaping the intellectual cadre for the development of the country. • Preparing to live in the democratic society • Providing the appropriate level of the university's autonomy. 	<ul style="list-style-type: none"> • Transfer of the ideology dominating in the country. • Sense of the independency of the University's entities. • Political activity of the organisation's members.

Source: personal study based on: [Waszkiewicz, 2011, pp.44-72]

The image scope proposed by A.Waszkiewicz is the area of the image analysed in the aspect of functions fulfilled by the academic organisation. Plurality of the dimensions and fulfilled functions indicates that the university's image is not a homogenic category and "...it is created in minds of everyone, who are related to a given university, directly or indirectly. The created image is subjective, although it is created by objective conditioning" [Waszkiewicz, 2011, p. 43]. Roles played by the universities: a teacher, a creator of science and culture, a moral authority, an employer, a financially supported entity, as well as an investor and a power transmitter are the assessing fields of its function by the environment and finally influence on the image of the whole organisation.

The role of an academic teacher in building public trust and shaping the image.

In building public trust of the university, it seems particularly important to perceive the academic ethos, which E.Chmielecka describes as a "set of values, which organise the university's life in all its dimensions, values accepted as an axiological justification of attitudes and activities in academic environment" [Chmielecka, 2008, p.23]. For the purpose of this study, it is crucial to indicate the role of the academic teacher.

According to article 111, paragraph 1 of the act of Law of Higher Education, academic staff and educators are bound to [Ustawa..., 2005]: "educate and raise students (...), carry out research and development work". It is also required from the academic teacher to apply high standards of moral and ethic values. These requirements are included in the doctors' oath, which in a formal way closes the doctors' cord. Traditionally, the oath contains a pledge to seek the truth and non-misappropriate the rules of the ethics of science. Therefore, it should be asked: Is an academic teacher a public trust profession? Theoretically: no, as this group has not got its own professional self-governing organisation. However, taking into account the aspects of this profession, as well as particular tasks which the university fulfils, it will not be an overstatement to say that formally an academic teacher is a public trust profession.

The concept of a public trust profession occurs only in a polish environment and it is not recognised in other European countries. In Poland, it was introduced in an article 17 of Constitution of Republic of Poland from 2nd April 1997, which bounds execution of a public trust profession with an existence of a professional self-governing body, "representing people executing public trust professions and holding responsibility for pursuing these professions within public interest and for its protection" [Konstytucja, 2007, art. 17]. The group of public trust professions includes professions which fulfil specific tasks from the perspective of public duties and care for

realisation of public interest. As the legislator did not introduce the definition of a public trust profession, it is possible to find different interpretations of this concept which differ from the statutory. H. Izdebski states, that self-governing organisations can exist for some public trust professions of the legislator will, however, some might not have it [Izdebski, 2012/2013]. On the other hand, A. Bochenska states, that these kinds of professions distinguish from others by quasi- missionary and executing professions in order to fulfil public interest, which includes educating students. The same author also indicates the attributes which the Supreme Administrative Court assigned to the image of the public trust person. They are as follows: integrity, honesty, conscientiousness, therefore, high moral and ethical standards mentioned previously, which the academic teacher ought to present [Bocheńska, 2014].

The BSC as a tool in executing an organisation's strategy

Balanced Scorecard (BSC) was developed in the early 90's of the 20th century in the United States by Kaplan and Norton. The main purpose of BSC is executing the corporation's development strategy [Nowak, 2009].

The BSC is an attempt to link the advantages of the method of strategically analysing of largo sense and advantages of financial analysis of a corporation. The scope of applying the BSC covers four perspectives [Kaplan, Norton, 2002].

- financial,
- client (broadly: market including other stakeholders)
- internal processes
- development (or learning and growing)

These four perspectives of the BSC should be treated as a model, which should be adapted to the specifics of the organisation's body, but not as fixed boundaries. The BSC is applied by organisations of various industries, which are set for profits, but also universities, schools, public administration organisations, hospitals or in executing employees' individual aims. In this aspect, the only difference is the composition of the perspectives. In economic entities (business model) the order of the perspectives starts with a financial perspective as profits are the source of success in business. Other organisational entities, for example hospitals, adapted the BSC to their own needs by highlighting a client's perspective as the most important and where the financial perspective represents a tool which controls the effectiveness of the actions. Public administration organisations are obligated to adapt the BSC to executing a set of tasks and have a fixed amount of funds assigned for these tasks.

Implementation of the BSC, executing the social and economic aims of university – scope of the problem

The present image of universities' map in Poland is a result of the political and economical changes, which in the early 90's of 20th century led to developing a legal possibility to set private universities under the act from 12th September 1990 on higher education [Ustawa..., 1990]. The above act, next to foregoing existing public schools legitimised non-governmental universities. In addition, the master degree system was differentiated due to introducing a two-sided education system [Szkoły wyższe..., 2013]. Moreover, under the act on higher vocational schools from 26th June 1997, it is possible to create the above schools. On the other hand, a new law on Higher Education passed in 27th July 2005 which helps to adapt our education system to the European standards [Ustawa..., 2005].

Legislation changes were accompanied by soaring demand for education, what resulted in a great increase in solarisation indicators (increase from around 10% to 50%). Factors influencing this constant growth of the amount of students to 2005 were as follows:

- demographic population structure (an increase in the population of the number of younger groups in the standard age of students)
- a high popularity of higher education among people in 19-24 years [Szkolnictwo..., 2013],
- filling the educational gap by professionals
- changing currently possessed qualifications.

Unfortunately, a fall in dynamic growth has been noticeable in the past few years.

The precise information about the structure of the employment in higher education was included in broadly talked-about "Strategy of higher education development: 2010-2020. Environmental project" [Strategia..., 2009] as well as the report of the Ministry of Science and Higher Education titled: Higher Education in Poland 2013 [Strategia Szkoły..., 2009].

Functioning in high market competitive conditions and tough demographic/social situation forces universities in Poland to seek newer and more comprehensive management tools, which provide continuous economic activity as well as create a positive image in the local environment, but also in the market of educational services. Based on a conducted analysis, it can be assumed that the university is a public trust organisation, and its academic staff represents a public trust profession, from the social perspective, but not from legislation's point of view. For this reason, universities recognise public trust as a significant indicator of satisfaction, reputation, quality and popularity among local community. Universities research and improve the quality of their services, and at the same time focus on trust and the image in relations with their stakeholders. A tool, which can positively impact all

activities in this scope, is the BSC. Table 2 presents a stakeholders' perspective at the university (students, workers, establisher, tax payer, and business environment) as well as a financial perspective, particularly important in executing social and economical aims.

Table.2. Perspectives: stakeholders and financial for SGGW in Warsaw.

	Strategical aims	Indicators	Scopes of the image
Stakeholders perspective	Care for the high standards of accepted students	An indicator of the results of A-levels of those who were accepted on the first year of the first level of studies	University as a teacher
		An indicator of average students' grades who were accepted on the first year of the second level of studies	
	Build graduates' loyalty by the satisfaction from the studies	An indicator of graduates satisfaction	University as a teacher University as a moral authority
		An indicator of graduates' loyalty	
	Increase the number and prestige of conducted researches	An indicator of international research activity	University as a creator of science and culture
		An indicator of the value of international researches	
		An indicator of national research activity	
		An indicator of the value of national researches	
	Increase popularisation and applicability of the researches' results.	An indicator of efficient searching for new commissions	University as an investor
	Improve position of graduates on jobs' market.	An indicator of graduates' employment	University as a power transmitter
	Build pro-students university's image, set for practical education	An image indicator in education aspect	University as an employer
	Confirm the high quality by accreditations and parametric rating	An indicator of parametric rating of an university quality	University as a teacher
		An indicator of institutional PKA grades	
An indicator of PKA programs' grades			
Achieve the status of a National Leading Science Centre	An indicator of the eligibility	University as an investor	
	An indicator of obtained national and international partners		

	Building the image of an enterprising university which offers added economic value	An indicator of a positive image among apprentices	University as an entity financially supported
Financial perspective	Protect long-distance economical needs of the University	An indicator of the value of the excess	University as an investor
		An indicator of the excess to the incomings	
	Changing the structure of incomings of the university, decreasing the dependence from funds from Ministry of Internal Affairs	An indicator of incomings value	University as an entity financially supported
		An indicator of the incomings beyond 'basic' grants from the Ministry of Internal Affairs	
Improve the cost efficiency of the university	An indicator of expenses and income	University as a financially supported entity	

Source: Personal study based on: [Strategia Szkoły..., 2009]

Utilising presented indicators for the assessment of the current situation from the stakeholders and financial perspectives, as well as comparing them with expected values, will allow the university to assess the trust of students, employers, business environment and tax payers for the university. Additionally, it would also allow them to undertake strategic activities which aim to improve unsatisfying or unfavourable situations in the area of public trust and at the same time in image perception. The Balanced Scorecard can be built in a process of cascading for individual departments, institutions, academic chairs and also for individual employees.

Propositions

Concluding the views of this article, it is worth focusing on significant socio-economical challenges, which universities face nowadays. The identification of those, as well as the way they work, will have a great impact on the universities' image, as public trust organisations.

1. Functioning in times of "civilisations on the crossroads" brings new threats for academic organisations: exchanging earnestness for dishonesty (plagiarism, auto-plagiarism, purchasing dissertations), wisdom and researcher curiosity for artifice and minimalism, creativity for repetition
2. Government's academic organisations hire over 80% of Polish academic staff, non-governmental nearly 20%. This reverses the relation occurring in American education, recognised as the most efficient and organised [Waszkiewicz, 2011];
3. A university is an integral part of the society and its fundamental task is to add to its development and resolving social problems. Therefore, it is

necessary to establish cooperation with governments and other types of organisations, as well as the industry and businesses in order to link the theory with practice.

4. A university's independence from interference of the external entities is a guarantee for unrestrained research and ideology development, but on the other hand, it causes problems with the accessibility to the external sources of financing.

Conclusion

The trust is an inseparable part of the organisation's image. Furthermore, its public image is crucial for its seamless functioning, and consequently for its success.

An interesting example of a public trust organisation would be the university and its academic staff. The university should continuously monitor and improve the quality of its services but also professionalism, ethics and morale of its staff. This is particularly hard, as the traditional teachers' attributes (accuracy, reliability, pedagogic and didactic skills) have less meaning, if they are not followed by a partnership in creating new knowledge, developing new courses, research workshops and paradigms, constantly seeking for the scientific truth. It seems that in realisation of these tasks and achieving competitive position on the market of education services, the Balanced Scorecard could be a great help. The aim of this article is to present the possibility of using the BSC in shaping the image of public trust organisations and their academic staff, by monitoring execution of social and economic aims.

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QUALITATIVE EXPLORATION INTO THE EFFECTIVENESS AND EFFICIENCY OF PUBLIC SERVICE (BUREAUCRACY) IN DEMOCRATIC SOUTH AFRICA: AN ATTEMPT TO FORGE FOR A VIABLE, SUSTAINABLE, LEGITIMATE, AND WORKABLE STRONG PUBLIC BUREAUCRATIC ALTERNATIVE MODEL FOR MZANSI AFRICA (SOUTH AFRICA)

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Abstract

This article represented an attempt to explore the tension between politics and administration, not only as a bone of contention between the two, but also the negative impact this has in good governance and on the effectiveness, efficiency, sustainability, viability, legitimacy and workability of the public service in the country. In undertaking this exploratory discourse, the author commenced by identifying two pertinent themes that are central to a well performing public bureaucracy, namely (1) politicization /depoliticisation and (2) Professionalisation / unprofessionalisation of the public service (bureaucracy), and used them as the basis for this exploratory study. The writer preferred a qualitative paradigm to the study, and thus employed qualitative data collection and gathering methods (i.e. participant observation, in-depth interviewing, qualitative document study, and qualitative case study), and qualitative data analysis and interpretation techniques (i.e. qualitative content analysis and qualitative case study analysis) to arrive at the anticipated findings, as directed by the key research problem and its sub-problems, the research questions, and the research objectives underpinning the study. Based on these findings, several recommendations were made, that the study believes, will make a meaningful contribution in enhancing and consolidating effectiveness and the efficiency of public service (bureaucracy) in Mzansi Africa (South Africa).

Keywords: Public bureaucracy, Depoliticisation, Professionalisation, Democracy and Transformation

Introduction

The emergence of a free constitutional and democratically-based political dispensation in South Africa in 1994, though commendable and inspiring as it were, has brought forth along with it, a number of serious and stubborn political and administrative challenges that are still embedded in our current public administration and management (public bureaucracy). Some of these challenges are so fundamental that they render the effectiveness, efficiency, viability and sustainability of the public bureaucracy dysfunctional to say the least and thus driving the public service towards a point of paralysis and complete collapse to say the worst. It is the standpoint of this manuscript to look at ways and means that can be implemented in order to mitigate and minimise the negative impacts that these and other similar challenges may have on South African public administration and management. In an attempt to do so, the study identifies and defines two key fundamental themes that are deemed to be necessary to the establishment of a credible strong public bureaucracy in any transitional democratic country like South Africa, namely: (1) Depoliticisation and (2) Professionalisation, and uses them as the basis for this exploratory study.

This work has been inspired and motivated by the fact that, even though this part of the area of public administration and management has far-reaching implications on the manner in which public bureaucracy can be successfully strengthened and consolidated to improve both governance and service delivery, little or no meaningful research has been undertaken in this area. Qualitative research paradigm will be used in enabling the researcher to utilise both qualitative data collection and gathering methods (such as participant observation, in-depth interviewing, document study and case study) and qualitative data analysis and interpretation techniques (such as qualitative content analysis and case study analysis) to collect and interpret data. With regard to the sample of the study, a non-probability purposive or judgmental sample will be preferred and used.

Background

Theoretical and historical background

Theoretical overview

The cornerstone of effective, efficient, viable, sustainable, and workable public service is the existence of legitimate, capable, credible, and strong democratic public bureaucracy that is also based on professional standards and integrity. Within this context, the South African public bureaucracy must undergo a civil service transformation aiming at reforming

its highly “politicised” and “inefficient” bureaucracy into a modern democratic and professional administration. Therefore, this study attempts to uncover the short-, medium-, and long-term outcomes of this administrative transformation in Mzansi Africa (South Africa). Anderson, Reid, and Reyterman (2003) argue that:

The massive political, economic, and social transformation requires the establishment of new types of public service, one with professional skills needed to carry out new policies and protect citizens’ rights.

The current South African government, like many other democratic governments around the globe, is confronted with a challenge of finding new ways and means of providing goods and services in the face of daunting and insurmountable expectations from the already depressed citizens. It is for this particular reason that the country must start to undertake a comprehensive effort to reform and transform its public administration and management, and seriously address the issues of corruption and fraud as part of adopting sound strong, effective, efficient, reliable, credible, sustainable, viable, legitimate, and professional public service (bureaucracy).

Emphasising the relevance of efficiency as a key pillar in professional public service, Nzwei and Kuye (2007) state that:

Efficiency as one of the key pillars of public administration and management represents a critical link between tasks and resources (e.g. finance, time, human) especially in the highly limited resource environment of the public sector. As such, measures to maintain efficiency in the delivery of public services must continually be sought

It is true that a credible and strong public bureaucracy has as its key purpose the systematic evaluation, monitoring, and measuring of work processes and procedures towards greater effectiveness and efficiency in all government institutions and organisations.

In South Africa, public expectations regarding the role of the state in providing public goods and services are on the rise and will remain so for a long time to come. Subsequently, the government must start working with relevant stakeholders (i.e. other developing countries in Africa and elsewhere around the globe) to assist it in enhancing and consolidating the quality and credibility of its public administration and management. By implication, this suggests that the government must truly and genuinely commit itself to abide by its resolve to not only “reform”, but also transform its public administration and management structures, systems, rules, and procedures (not just merely cosmetic changes, but complete overhaul is what is needed)

Such a move according to Reid (2012) will be demonstrated by:

- Credibly signalling a comprehensive anti-corruption reform efforts (which include civil service reforms) that will reduce corruption and lead to foreign investment

- Passage of civil service reform legislation that provide for such a credible signal, and indeed provide for a more credible signal than that of actual application of cosmetic and symbolic rhetoric

- The state that has a unique opportunity to send such credible signals

This theoretical background is intended to substantiate the proposition that:

- The existence of a civil service transformation agenda in South Africa that should be systematically associated with the lower level public sector corruption;

- That the country should introduce a range of effective disciplinary measures seeking to constrain irresponsible behaviour in the public sector and increase public accountability and transparency/openness

- The public administration and management reform and transformation laws that should introduce meritocratic principle of recruitment and the prospect of long-term careers based on individual competence and performance that in turn may be expected to discredit the short-term benefits of corrupt practices.

In entrenching this culture of a functional and credible public administration and management Neshkova and Kostadinova (2012) submit the view that:

Administrative reform facilitates transparent governance and found empirical evidence to support this expectation

Most importantly, the other key objectives of reforming and transforming the civil service, namely, Professionalisation and Depoliticisation of the public bureaucracy are central to this manuscript, as they promise to create more competent, credible and predictable strong public bureaucracies that are usually associated with conducive entrepreneurial environment that is so needed for both business and good governance. If clearly adopted, such an environment could lead to a sharp and steady increase in the number of Foreign Direct Investments (FDIs) in the country concern. South Africa as a developing country can greatly and enormously benefit from this amazing experience.

Historical perspectives

The sustainability and viability of bureaucratic and administrative transformation in modern democracies can be clearly explained from historical context of the reformation of the public service. It is the intent of this manuscript to explore this historical context in terms of two dimensions, namely: (1) The pre-communist perspective of public service reform; and (2) The post-communist perspective of public service reform:

Pre-communist perspectives

The nature and the position of public service in the Soviet Union (Eastern Block) during both the pre-communist and communist era were

completely totalitarian. It is within this context that this manuscript believes that the legacies from this totalitarian past have contributed enormously in making the process of transformation of public bureaucracy more difficult and complex. As a starting point, to embrace the idea that during this era, issues of institutional reforms were constrained by politics and as Haynes and Husan (2002) observed:

The task of judicial reform as more important than the politicisation of bureaucracies full of servants who were “excessively servile to the Communist Party”

Again, Schamis (2002) presented the view that:

In some of these communist countries, it took more than a decade for legal changes in civil servants’ status to get approved. State institutions inherited from the previous regime were deeply politicised and weak. Ironically, although marketisation called for less government involvement, efficient and competent bureaucracies were required to secure property rights and enforce contracts. Yet institutional reform occurred only when self-interested political elites found it congruent with their priorities.

Post-communist perspectives

The impact of the Cold War was felt throughout the entire Eastern Block (Soviet Union), to the extent that it led to a high level of disagreement amongst the practitioners and scholars of post-communist politics on the issue of accomplishments of administrative reforms in the ‘new’ Eastern European democracies. Within this context, Neshkova and Kostadinova (2012) alluded to the fact that:

The transformation of the public sector after 1989 has aimed to consolidate the democratic process and enhance economic development. Sceptics, however, argue that administrative reforms face serious challenges in the context of economic liberalisation, insufficient capacity for modernisation, and cultural legacies of the past.

In this instance, these authors judge the effectiveness of civil service transformation by assessing the impact of civil service reform on government transparency and foreign direct investment. The outcome of their empirical study subsequently confirmed that once civil transformation is adopted, public administration and management (and thus the bureaucracies) will become more effective at reducing corruption and attracting direct foreign investment. Consequently, despite the delays and difficulties of implementation, the genuine adoption of the transformation of the civil service (public bureaucracy) is important in and of itself, and democratic countries can truly expect results sooner than sceptics predict.

Furthermore, it is extremely important to realise that at any given time, the core of effective democratic governance is the presence of viable

and sustainable public administration and management (strong public bureaucracy) that is capable of adhering to professional standards and administrative/managerial integrity. This assertion has been clearly expressed and demonstrated by the likes of Evans and Rauch (1999); Rauch and Evans (2000); and Recanatini, Prati and Tabellini (2005), when they advanced that:

Since the collapse of communism in 1989, all of the countries in Central and Eastern Europe (Slovenia, Slovakia, Poland, Romania, Macedonia, Lithuania, Latvia, Hungary, Estonia, Czech Republic, Croatia, and Bulgaria) have undergone civil service reforms aiming to transform their highly politicised and inefficient bureaucracies into modern professional administrations

This position was potentially intended to make civil service (public bureaucracy) more efficient, effective, transparent, and more responsive to the needs and aspirations of the public. Notwithstanding this, it became apparent that in the context of political and economic transformation, reforming the state public bureaucracies was postponed in many of these communist countries. In this instance, for example, Meyer-Sahling (2006) raised the point that:

Moreover, implementing institutional reform became difficult because of insufficient resources. Legislation for the establishment of a professional and depoliticised bureaucracy was introduced, but legacies from the past instilled a reluctance to transform. Furthermore, front-runners such as Hungary and Poland rolled back the requirements for impartiality from their laws, thus effectively letting politicisation back in.

Meyer-Sahling (2009) further indicated and posed the fundamental question that:

This prompted some analysts to claim that civil service laws had practically failed in depoliticising the Central and Eastern Europe civil service systems. The move towards greater professionalisation has also been hampered in cases such as the abolition of civil service authorities in Poland and Slovakia and the late and weakly implemented reform in Czech Republic. Given this contradictory record of achievement and frustration, has the recent administrative transformation in Eastern Europe had any tangible results?

Notably, the post-communist administrative and/or bureaucratic experience in the Central and Eastern European countries coincided with a world reform movement in the Western Hemisphere which was driven by the philosophies and principles of the New Public Management (NPM). Notwithstanding, it appeared that the NPM approach for a long time remained foreign to transformation efforts in these post-communist countries, which unfortunately chosen to reform their administrations along

the lines of the classical theorists, amongst them being Frederick Taylor (Scientific Management), Henri Fayol (Principles of Organisation), Max Weber (Bureaucracy), and Ralph Davis (Rational Planning) (See Robbins & De Senzo 1995)

At first look, the Central and Eastern Europe became noticeably sceptical of the New Public Management approach, and several scholars provided various explanations for this position. For example, Goetz (2001) maintained that:

The movement toward more managerial freedom and business-like practices simply was not feasible in the context of post-communism.

Moreover, Nunberg (1999) pointed to:

Strong national and organisational cultural preferences for the classical traditions as well as the fact that the European Union (EU) also endorsed the classical type of professional nonpartisan bureaucracy for countries aspiring for membership of the EU. Finally, Bossaert and Demmke (2003) highlighted that:

Another group of authors sees the orientation towards the

Weberian model as rooted in the lack of relevant information about the latest developments in advanced democracies.

South African position

The negative impacts of the past colonial and apartheid rule in South Africa on public administration and management are well-known and fully documented and thus cannot be repeated here. However, note must be taken of the fact that the new democratic South Africa inherited a skewed racially-based system of public service (bureaucracy) that was deliberately meant to serve the interests of the minority at the expense of those of the majority, resulting with untold level of inequities and injustices in South Africa, that still remain a dominant feature of the country's public administration and management arena even today.

Public administration and management since 1994 democratic dispensation

With the dawn of democracy in South Africa in 1994, several efforts were made toward transforming the country's society in general and the public service in particular. In respect of the latter, the government committed itself by introducing several legislative measures intended to democratise and to transform the country's bureaucracy. The intent was to create a public service system which was not only all-inclusive, but was also viable, sustainable, legitimate, workable, representative and entirely responsive to the needs and aspirations of all South Africans. Notably, several democratic public departments/ institutions were created by the

government to give effect and expression to and the democratic decisions of the respective legislative structures. Within this context, a specific framework was adopted within which the country must be governed and administered

Definition of concepts

The concept of public administration and management in the context of this manuscript is understood as having two primary connotations which are:

- First, that the concepts administration and management are synonymous terms denoting all activities and processes related to the running of public organisations and the rendering of public goods and services; and
- Second, is that management is a component of administration relating only to those activities performed on a managerial level, and, with regard to personnel function in particular, relating to personnel utilisation.

However, the latter approach suggests that public personnel management is to be considered as referring to the utilisation of personnel only and this is a view that is totally opposed by both Nigro and Nigro (1980) and Robbins (1982) who maintains that:

The terms are synonymous.

Other relevant definitions are those offered by most prominent South African writers on the subject and they include, but are not limited to:

- Denhardt (1995) who regards public administration as:
Management of public programmes

For the purposes of this article, and based on this definition, the terms management and administration, and thus public personnel administration and public personnel management are considered as synonymous terms

- Cloete (1991) presents the view that:

The staffing function is also known as the personnel function, personnel administration and personnel work

- Andrews (1988) articulates the fact that:

The personnel function is an all-embracing term which refers to a complex network of generic enabling functions, functional activities, analytical methods and auxiliary aids. These components are in continual interaction for the purpose of recruiting, training, utilising, remunerating reasonably and fairly and retaining an effective, motivated and trained personnel corps for the public sector

- Klingner and Nalbandian (1993) observed that public personnel management can be described as:

The policies and techniques used to manage those who work in the public Sector... and they state further that public personnel management

consists of the functions needed to manage human resources in public agencies.

Legislative Framework

In giving effect to the democratisation and ultimate transformation of the public service in South Africa, a number of legislative measures were introduced and adopted which include, amongst others:

• **Interim Constitution of the Republic of South Africa Act (Act 200 of 1993):** This Act came into effect in April 1994 and amongst other things authorised the constitutional transformation of the Republic of South Africa, and thereby giving all citizens the same rights and freedoms.

• **The Constitution of the Republic of South Africa Act (Act 108 of 1996):** The Interim Constitution of 1993 was repealed and was replaced with the final and supreme Constitution of the Republic of South Africa. According to Cloete(1996), the **Bill of Rights** as it is incorporated in the Constitution, remains the cornerstone of the South African democracy as it enshrines the rights of all people in our country and affirms democratic values of human dignity, equality and freedoms, emphasising that the state must respect, protect, promote, and fulfil the rights in the **Bill of Rights**.

• **Public Service Act (Act 103 of 1994):** In essence, this Act is probably the most eminent piece of legislation regulating the employment of public employees. The Act provides for the organisation and administration of the public service of the Republic, the regulation of conditions of employment, terms of office, discipline, retirement and discharge of members of the public service and matters connected therewith. According to Cheminais, Bayat, Van der Walt and Fox (1998) the Act consists eight chapters and three schedules which covers the broad aspects of public service employment such as: administration; organisation and staff; appointment, promotion, and transfer; termination of service; inefficiency and misconduct; obligations, rights, and privileges of officers and employees; and miscellaneous...remuneration, the limitations of the actions of public employees, the liability of the State, regulations, and the Public Service Staff Code.

• **Labour Relations Act (Act 66 of 1995)** as amended: This Act applies equally to both the public and private sectors in South Africa. It is fundamentally aimed at allowing for closer cooperation and communication between the employer and employees. It is intended to try to resolve work-related conflict peacefully through negotiation, mediation and/or conciliation, and arbitration. In respect of the Public Sector in particular, the Act makes provisions for: the establishment of a public sector bargaining council; the jurisdiction of the Labour Court; and the creation of dispute

resolution procedures and strike procedures. However, Benjamin (1993) decries the idea that:

Criticism levelled at the Act stems from the fact that there are many different categories of disputes which are referred to different forums that could lead to technical objections about how a dispute was classified. Furthermore, many features of the Act favour the employer over the employee and this could result in labour unrest. Lastly, the definition of what constitutes an essential service is extremely wide, going beyond the International Labour Organisation (ILO) definition, that is, a service the interruption of which would threaten the health and safety of the community

Essentially, according to (Kemp 1992; Cherrington 1995; Van Fleet 1991) the context of labour relations can be viewed as:

The working relationship between employer and employees, including the rights of each party with regard to how decisions are made and how problems are settled, as well as dealing with employees when they are organised in a labour union.

Finally, it must be stressed that in addition to these legislative measures of ensuring the creation of an environment in which public administration and management must operate in the country, there are also a number of policies adopted and public institutions established specifically for this purpose. They include, amongst others: The Bill of Rights; Ethical Guidelines for Public Administration and Management; Employment and Occupational Equity; Basic Conditions of Employment; Affirmative Action; Management of Diversity in the Public Service; Public Service Training and Education; Skills Development; Health and Safety; and Public Service Commission. From all these, it becomes clearly evident that South Africa as a developing democracy, has one of the finest public service environments that is best and second to none

Problem Statement

Subsequent to the above-stated background overview, the key research problem underlying this study is stated thus:

In spite of the availability of the best, finest, conducive legislative and institutional environment for the effective and efficient functioning and performance of the public service in South Africa, the viability, sustainability, legitimacy and workability of the public service (bureaucracy) in the country still pose a serious threat to public administration in South Africa

Contributing to this key problem might be the following sub-problems:

1. The politicisation and/or depoliticisation of the public service (bureaucracy); and

2. The professionalisation and/ or unprofessionalisation of the public service (public bureaucracy)

Research Questions

This qualitative exploration into the effectiveness and efficiency of public service (bureaucracy) in South Africa centres on the following research questions:

1. What is the position regarding the politicisation and/or the depoliticisation of public service (bureaucracy) in South Africa?
2. What is the position regarding the professionalisation and/or the unprofessionalisation of public service (bureaucracy) in South Africa?

Research Objectives

Emanating from and link to the above-stated key research problem and its sub-problems, together with the research questions posed, are the following research objectives:

1. The nature and level of the politicisation and/or the depoliticisation of public service (bureaucracy) in South Africa; and
2. The nature and level of the professionalisation and/or the unprofessionalisation of public service (bureaucracy) in South Africa

Research Design and Methodology

The meaning of “research design” in the context of this article is the same as the one provided by (Babbie and Mouton 2001) which states that:

A research design involves a set of decisions regarding what topic is to be studied among what population with what research methods for what purpose...research design is the process of focusing your perspective for the purposes of a particular research/study

Coincidentally, the term “research methodology” refers to the study and the use of research methods. Consequently, this study adopted a qualitative research design and methodology as directed by and in justified by the nature its key research problem and its sub-problems, the research questions and research objectives underlying the study. The selection of this paradigm/approach stems from the belief that it is the most appropriate in answering research questions raised in this manuscript.

Population

Working along the confine and perimeters of qualitative research, both descriptive and exploratory approaches were adopted by focusing largely on the public service (bureaucracy) in South Africa. This exploratory synthesis concludes with a gap analysis that aimed to determine the required skills in delineating an ideal profile public service (bureaucracy) in South

Africa. The population selected for this study, comprises of all public servants (administrative and political) in South Africa's public sector. In this regard, particular care has been taken of the fact that the term "population" refers to the universe of units from which the sample is selected (Bryman 2012).

Sampling technique

As stated earlier, the sample represents that segment of the population. Based on the aim and purpose of this exploratory study, a non-probability, purposive, and judgmental sampling was preferred and used as it allows the researcher to choose the subjects of analysis on the basis of their knowledge of the research problem to be addressed. This sample was therefore compiled based on the nine provinces that constitute and reflect the demography of South Africa. It was designed in such a way that at least two hundred and fifty public administrators, two hundred and fifty civil service officers, and two hundred and fifty members of the civil society from each province be identified, observed and interviewed for the purpose of the study.

Figure 1: Graphic presentation of the sample:

Province	Public Administrators and Managers	Public Service Officers/ Officials	Members of the Civil Society	Total
Gauteng	250	250	250	750
North West	250	250	250	750
Limpopo	250	250	250	750
Mpumalanga	250	250	250	750
Kwa-Zulu Natal	250	250	250	750
Western Cape	250	250	250	750
Eastern Cape	250	250	250	750
Northern Cape	250	250	250	750
Free State	250	250	250	750
TOTAL	2250	2250	2250	6750

Source: Own Source

Research Methods And Techniques Employed

Data collection and gathering methods used

Qualitative data collection and gathering methods were employed having taken due care in ensuring that the validity, reliability, credibility, objectivity, and dependability of data were not compromised in any way or manner. This basic process entailed the following:

Participant observation: This is a qualitative research procedure of data collection that necessitates direct contact with the subjects of observation (Neuman 2000). In this procedure the author got involved in the one-continuum ranging from total involvement on the one hand and total

observation on the other. This allowed the writer to decide beforehand on the role he intended to take in the inquiry since this decision affects the total process of the inquiry. The author spent lengthy period of time actively observing participants in their natural setting in their workplaces

In-depth interviewing: This is the most predominant mode of data collection in qualitative research, and all interviews conducted in this article were interactional. Using this method, the interviewer was deeply and yet unavoidably implicated in creating meanings that ostensibly reside within the participants (Krueger and Casey 2000). Coincidentally, the author engaged in this mode knowing that interviewing the participants involves description of their experiences as well as involving reflection on the description. After a lengthy uninterrupted period of preliminary interviews, the author prepared a detailed open-ended interview schedule, and on its basis, conducted in-depth interviews with the respondents

Qualitative document Study: In this article, the author used a variety of non-personal documents such as minutes of meetings, agendas, internal office memos, newspapers, magazines, and Government's legislative and policy documentation with the knowledge that if these documents are studied and analysed for the purpose of scientific research, the method of document study as a data collection method becomes operative (Ritchie and Lewis 2003). Government publication, journal articles on public service bureaucracy) and politics were used to amass the required and relevant data for the study

Qualitative case study: The writer is of the view that a descriptive or factual statement makes a claim about what really is a case. Incidentally, there are various kinds of descriptive statements that allow the researcher to distinguish between types of descriptive statements according to the following dimensions: the number of cases covered by the description; the number of variables included in a description; and the level of measurement in the study (Leedy and Ormrod 2001). Cases lodged with the different provincial government departments and institutions, and that have particular contribution to make in this study, were secured and studied for the purpose of this exploratory research

Data analysis and interpretation techniques

The following qualitative data analysis and interpretation techniques were employed in this manuscript:

Qualitative content analysis: In this study, content analysis is viewed as a process of identifying patterns and themes of experiences research participants bring to the study...what patterns characterise their participation, and what patterns of change are reported by and observed in the participants (Patton 2002). As a qualitative technique of data analysis and

interpretation, content analysis played an important role in this study as it involves detailed and systematic examination of the content of a particular body of material for the purpose of identifying patterns, themes, and even biases. The contents of the relevant documentations obtained and secured during data collection phase were subjected to a rigorous analysis through this technique. The same is true with the data gathered through observation and responses from interviewees

Qualitative case study analysis: Case study analysis is an intensive investigation of a single unit or an examination of multiple “variables” (Babbie and Mouton 2001). This qualitative data analysis and interpretation technique was adopted in this study as it takes multiple perspective into account and attempts to understand the influences of multiple social systems of the subjects’ perspectives and behaviours—the defining characteristic of this technique is its emphasis on an individual . In this manuscript, relevant cases from provincial government departments and institutions visited, were assimilated and their relevance to the study cautiously scrutinised to strengthen and consolidate their contribution to the study

Findings

Focusing on the research questions and research objectives underpinning this study, and employing the appropriate qualitative data collect collection and gathering methods and data analysis and interpretation techniques, as well as using the interview schedule containing relevant open-ended questions, the following findings were arrived at;

•**Research question 1:** What is the position regarding the politicisation and/or the depoliticisation of public service (bureaucracy) in South Africa?

•**Objective 1:** Explore the nature and level of the politicisation and/or the depoliticisation of the public service (bureaucracy) in South Africa.

•**Finding 1:** The study revealed that like in the post-communist politics of the East European democracies (particularly in countries such as Slovenia, Lithuania, Latvia, Hungary, Estonia, Poland, Romania, Macedonia, Slovakia, Bulgaria, Croatia, and Czech Republic), the public service (bureaucracy) in South Africa is potentially politicised. In South Africa, this state of affairs is not an anomaly, but it is a fact that is even entrenched in the supreme law of the land (the Constitution). It is the very Constitution that provide for the unfettered **executive powers/authority** to the legislators and other politicians alike

In a highly politicised public service (bureaucracy), the study observed that there is this possibility that even the adoption of administrative reforms and the passage of civil service legislation will not be sufficient to prevent the politicisation of the state/ government. The study also found out

that bureaucratic politicisation and patronage will always remain the order of the day because of a trust deficit in government-bureaucracy relations. This naturally leads to a situation where public servants will start developing an inertia of running the administrative processes and procedures in an old fashion way and adopt a conscious reluctance to change their behaviour for the good

•**Research question 2:** What is the position regarding the unprofessionalisation and/or professionalisation of public service (bureaucracy) in South Africa?

•**Research objective 2:** Explore the nature and level of the unprofessionalisation and/or professionalisation of public service (bureaucracy) in South Africa

•**Finding 2:**The study discovered that hiring, promoting, training, developing, and empowering people in the public service(bureaucracy) based on the principle of merit is a core and basic requirement in professionalising, transforming and creating a strong public service(bureaucracy).This principle is critical, and the study has reveal that once compromised , can lead to a negative impact on the efficiency, effectiveness, sustainability, viability, legitimacy and even the stability and workability of the public service (bureaucracy).This, as the study observed, can result in the total collapse of good governance and public service (bureaucracy) that is in a state of paralysis.

Recommendations

The history of communist and post-communist administration and politics era, in which administrative structures, systems, processes, and procedures are highly politicised, can turn to be extremely challenging to the effectiveness, efficiency, viability, sustainability, legitimacy, and the smooth functioning and operationalisation public service (bureaucracy) in any given democratic country. Therefore, based on the findings of this study, recommends, amongst other things that a democratic country like South Africa must forge for:

- A difficult, yet a brilliant task of connecting what is politically acceptable and administratively sustainable—politics and administration—as a fundamental prerequisite for effective and sustainable governance and viable and legitimate public service (bureaucracy). The bottom-line is that failure to bridge the gap between political acceptability and administrative sustainability will always result in decreasing legitimacy for governing departments/institutions and increasing challenges for public service (bureaucracy)

- In the area of the professionalisation of the public service (bureaucracy) in South Africa, the manuscript recommends that a concerted

effort must be taken to give utmost expression to the merit system without any compromise. In this regard, the government must initiate and launch administrative modernisation programmes and processes that will assist in identifying practices professional government administrators/managers must bring to the citizens. The chief administrator's role of working in and bridging the gap between the arenas of politics and administration must be reinforced. More importantly, professional public service (bureaucracy) should be more involved with community partners, including elected officials to facilitate communities and enable democracy. Bureaucratic professionals must help build communities and support democratic and community values. This means that professional public administrators/managers must help build communities by facilitating partnerships among sectors, groups and individual, and must work with informal groups of people as well as established groups, organisations, and other governing departments/institutions. Public Service (bureaucracy) professionals through their values, training and experience must remain supportive of democratic values and work effectively and tirelessly toward inclusion, accountability, and transparency. They must help in the fight against all forms of corrupt and fraudulent activities and practices both in the public and private sectors.

Conclusion

The past twenty of democratic dispensation in South Africa had been a challenging, and at times tumultuous period in the relations between politics and public service (bureaucracy) in the country. The period in question was, and still is, characterised by: (1) this perceived failure from the part of public administrators/managers to more effectively work the intersection between political and administrative arenas; (2) the lack of promotion of collaborative work and synchronising political and administration work, particularly with problems that have no jurisdictional boundaries; and (3) the total lack of active citizen participation governance relations. The latter (active citizen participation), can no longer be considered as merely optional but must be honestly taken as an imperative. This article attempts to explore this tension between politics and administration, not only as a bone of contention between the two, but also the negative impact that it has in good governance and on the effectiveness, efficiency, sustainability, viability, legitimacy, and workability of the public service in the country. To achieve this exploratory journey, the author commences by identifying two critical themes, namely: (1) politicisation/depolicitisation and (2) professionalisation/unprofessionalisation of the public service (bureaucracy), and uses them as the basis for this exploratory study. The author prefers a

qualitative paradigm to the study, and thus uses qualitative data collection and gathering methods (i.e. participant observation, in-depth interviewing, qualitative document study, and qualitative case study), and qualitative data analysis and interpretation techniques (i.e. qualitative content analysis and qualitative case study analysis) to arrive at the anticipated findings. Subsequent to the key research problem and its sub-problems, research questions raised and research objectives central to this study, **several** findings are arrived at and recommendations are made on the basis of these findings.

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QUESTIONS ON *MAGUN* AND THE EMERGING TRENDS IN HUMANITIES AND SOCIAL SCIENCES (ETHSS)

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Abstract

African critical discourse is replete with existing studies on the concept of culture. Exploring several themes, most critics have focused on the significance of culture to the sustainable development and human capacity building in the Third World Nations. The theme of *magun*, however, has not received adequate critical attention even as a breathtaking phenomenon. Africa is a society in which extra-marital sex taboo is jealously secured and preserved. But, due to the growing western civilization and its influence on African cultures, many Africans have, in one way or the other, violated this precept thus compelling some men (husbands) to seek justice through various spiritual means to protect their wives. The most common one is casting the spell of *magun* on their wives. *Magun* is a mystical-sexual enchantment or embargo placed on a woman (usually by her husband) to check her infidelity(?) or as a deterrent to many (men) who otherwise could have been reckless(?) in their sexual life. If a woman is laced with *magun*, whoever (?) has sex with her will suffer certain terrible consequences such as death. Nonetheless, there are many questions on *magun* begging for answers: **i.** Does *magun* mean one should not *climb* a woman laced with *magun* during sexual contact because the word *magun* is simply translated as “do not climb”? **ii.** Does it mean that one should not have sex with her at all irrespective of the style or method one wants to employ? **iii.** In these present days where lesbianism is the order of the day can a woman suffer *magun* by having sex with another that carries the *magun* spell? In other words, is *magun* gender-specific? **iv.** What role does technology (like the use of condom during sexual contact) play in the *magun* phenomenon? This paper attempts to provide answers to these and other related questions investigating and exploration *magun* in African and Christian religions as well as provide some Western medical explanations to it to demonstrate the significance of primitivism even in the face of western development.

Keywords: Magun curse, Africa

Introduction

For over two centuries, Western scholars have discussed African philosophy and culture, often in disparaging, condescending terms, and always from an alien European perspective. Many Africans now share this perspective, having been trained in the western, empirical tradition. In view of the costs and failings of western style culture, there is need for Africans to mold their own modern culture by blending useful western practices with valuable indigenous African elements. Specifically, this paper is intended to demonstrate the potential for the development of African philosophy and even African traditional medicine by critically looking at the concept of magun from the viewpoints of mysticism, medical sciences, African philosophy and Christian religion. The objective is to further justify its existence and appreciate the significance of the African philosophy to global peace and justice.

Generically, the word magun is a Yoruba word that is fast enjoying global semantic attention particularly as it denotes mysterious phenomena by which it has generated several questions. Researchers have attempted to define magun as a mystical-sexual enchantment or embargo placed on a woman (usually by her husband) to check her infidelity(?) or as a deterrent to many (men) who otherwise could have been reckless(?) in their sexual life. While it appears easier to answer the question of definition or *what* magun is, the workings of this phenomenon have continued to spawn puzzles and inquisitiveness thus, it generate more questions and questionings. Fundamental of these is: *How* does magun mean? *What*, essentially, refers to the nature or identity of magun, but *how* asks *in what way* or *by what method* does it occur or work. This, essentially, is for the explanation that what magun means appears more abstract than how as the question of how is pregnant with several other questions such as: **i.** Does magun mean you can have sex with a woman who carries the magun spell but do not *climb* her during sexual contact because the word magun is simply translated as “do not climb”? **ii.** Does it mean that one should not have sex with her at all irrespective of the style or method one wants to apply because when any human being or animal gets to the age of puberty, such is said to be ripe for *gungun* – sex? **iii.** In these present days where lesbianism is the order of the day can a woman suffer magun by having sex with a woman that carries the magun spell? In other words, is magun male-specific? **iv.** What role does technology (like the use of condom during sexual contact) play in the magun phenomenon? Several attempts are made in this paper to answer these questions and several others.

Discussing magun in an intellectual corridor through the medium of English language will continue to pose some translation challenges of the word, magun, particularly considering the fact that the naming, as a Yoruba word, has different semantic interpretations in English. This is informed, in part, by the fact English language does not have sufficient vocabulary to qualify many Yoruba words, and magun is not an exception. Ola Rotimi laments this in his *Kurunmi* (1971):

The play opens on Kurunmi's 'agbo'le', the closest English term for which is 'compound'. Even this term falls miserably short in portraying the sacred pictorial essence of what an 'agbole' really is. In this particular 'agbole', for instance, the gods of the tribe are present varying images of earth, granite and wood. Here also exist, or are believed to exist, the spirit of departed ancestors: ethereal, invisible – eternal guardians of the bodies of the living, bodies that have warmth, and blood, and sweat. Agbo'le", (p. 11)

Apparently, Ola Rotimi has some semantic challenges explaining what an 'agbo'le' means. Thus, he is seen mentioning and explaining those paraphernalia of an 'agbole' to capture it. Of course, every good reader will feel his pain in those words that an 'agbo'le' can better be understood by 'al'agbo'le': owner of an 'agbo'le', or 'ar'agbo'le', member(s), either by birth, marriage, adoption or war-spoils, of an 'agbo'le'. The pain Ola Rotimi passes through trying to explain what an 'agbo'le' means is the same I pass through trying to explain magun. Even if I say *what* magun means, I may not have succeeded in doing justice to its pedagogy. So many questions would still be left unanswered. The most important of these questions is how does magun mean? To argue the justice of this topic providing answers to this question and others that emanate from it, therefore, there is need to first know the existing types of magun and how they work.

The Typology of Magun

According to the Yoruba typology of magun, there are two hundred and one (201) types of magun with each acting differently. However, the lacing of all types is similar because every magun is the "effective exploitation of supernatural forces through the teasing of magical substances, diverse rites and spells..."(Fabarebo, 2011). Although we have diverse forms of lacing magun, the 201 types can be laced the same way. And sometimes, the lacing depends on the nature or type of magun as well as the circumstances and the initiator's object. However, the most common lacings

are crossing any object such as a broomstick, tread (usually black), a line drawn on the ground, touching the buttock of the woman or holding her wrist with a magun ring or a hand with magun incision. When a woman is laced, she becomes “possessed mystically by the magun power and her personality vanishes; she becomes untouchable.... Any attempt to copulate with her results in diverse consequences depending on the type of magun fastened on her,” (Fabarebo, 2011). For the purpose of this study, we shall examine selected types of magun which we classify under four categories:

Magun of Instant Death

i. Magun olokiti

If a woman is laced with this type of magun, whoever sleeps with her somersaults three times and dies if help does not get to him simultaneously.

ii. Magun omi orun

The victim of this type keeps drinking water till he dies. Some believe it is because he has incurred the wrath of Sango (the Yoruba mythical god of thunder) and has to drink water to quench his burning thirst.

iii. Magun anatatanku

This type of magun causes the man that sleeps with the carrier to die by twisting and straining violently.

iv. Magun agbejeba

A man who sleeps with a woman laced with this type of magun urinates blood (eje) continually till he dies.

v. Magun ajefunjedo

This type of magun destroys the intestine and liver of the man who sleeps with the carrier. And if nobody has sex with her, it affects the woman only by destroying her liver and intestine.

vi. Magun alakuko

A man who sleeps with a woman that carries this type of magun crows three times and dies.

Humiliating Magun

i. Magun alalepo: if a man sleeps with a woman laced with this type of magun, he gets stuck in her. They both may be there till they find help or die if help does not come on time.

ii. Magun elebibi: This type of magun causes the man to vomit blood till he dies.

iii. Magun alemaro: this type causes persistent turgidity after the man has had the sex.

iv. Magun tesomi: this type retracts the penis *only* whenever the man makes an attempt to have sex with a woman that carries it.

Seemingly Harmless

i. Magun ejoo: this type of magun keeps the man flaccid.

- ii. **Magun akiriboto:** This type of magun affects only the woman. It seals her private virginal.
- iii. **Magun adoje aisan:** This type is also female-specific. It renders the woman that carries it infertile.
- iv. **Magun teso:** This type of magun arrests turgidity. The man, no matter how turgid his penis was before, becomes libido-humbled at sighting the woman carrying the *teso* spell.

Magun of death by installment

- i. **Ma je ma mu:** this magun forbids eating and drinking specific things after a man has sex with a woman laced with it. as long as the man does not eat or drink those forbidden food and drinks such as okra, beans, water, local gin (ogogoro), he will not be affected.
- ii. **Ma fo omi:** This magun forbids jumping over a wet area or crossing water by a man who has sex with the woman carrier of this type.
- iii. **Magun sisanra:** this type of magun makes the body of a man that sleeps with a woman laced with it to swell up in a formless manner. Sometimes, it is only the prick that swells inside the vagina.

With this typology, we have attempted to explain how magun works. But, as earlier explained, the question of how magun works has generated some other good questions. These questions shall be attempted now citing instances of some reported cases of the magun phenomenon.

Questions on Magun and Reported Cases

- i. *Does magun mean do not **climb** a woman who carries the magun spell during sexual contact or does it mean that one should not insert the male sexual organ during sex?*

Answering this question, Fabarebo, (2011, p.39), in the article: "...The Tenacity of Magun...", writes:

Sometimes in 1990 the news was widespread in respect of two undergraduates of University of Jos. The girl resided at Angwan Rogo, behind the university's main campus. Unknown to her, her father had fastened Magun... on her.... However, the boy decided to use his tongue and [his] head increased tremendously and consequently exploded.

This suggests that a man does not have to climb (or recline on) a woman that carries the spell before he can be caught. Climb in this context, therefore, means any sexual actions.

- ii. *Does it mean that one should not have sex with her at all irrespective of the style or method one wants to apply?*

The answer provided to question i. is apt for this question also. What matters here is the sexual contact not the style during sex. The boy in the above experience did not insert his penis. He only sucked the girl's vagina with his tongue and his "head increased tremendously and consequently exploded."

iii. In these present days where lesbianism is the order of the day can a woman suffer magun by having sex with another that carries the magun spell? In other words, is magun gender-specific?

Some types of magun are not gender specific. Others are. For instance, the defunct Daily Sketch of Friday August 14, 1992 reports:

During the 1990/91 Youth service year, a male corps member who served in Oluyole Local Government Area of Oyo State, was reported to have been a victim of the Deadly "Magun" phenomenon. After a brief sexual escapade with a married woman, the poor chap was reported to have jumped up three times before he collapsed. He was rushed to the hospital but he never made it. (p.20)

For this type of magun, it does not matter who climbs. The taboo there is the act of *climbing*, that is, the act of coming on top a woman who carries the magun spell. And if the fellow lesbian does not want to *climb* but wants to tongue or finger, I think she will have the same experience as reported in the answer to questions i. and ii. above.

iv. What role does technology (like the use of condom during sexual contact) play in the magun phenomenon?

This question, fundamentally, may be type-specific. That is, it may depend on the type of magun fastened on a woman. Magun sisanra (which enlarges the male organ inside the female's own) or akiriboto (which causes spasm in a woman's organ during sex), for instance, could defile the use of condom. Magun olokiti whose consequence is to make the victim somersault may also defile this type of technology particularly if the man climbs or lies on the woman. But, magun alalepo may not have effect on the man. The logic is that, this type of magun holds the penis. Now, if the man uses condom, he may still succeed in pulling out his penis but without the condom.

v. Is there any empirical evidence to justify the existence of magun in this present age of information technology?

The answer to this question is confidently and conveniently YES. The most recent report is a live coverage of the phenomenon in Kenya by Alen, Basic, which he captions as: "White (Vogue Duo) Magun", with a

rider: “Beware of **Magun**, adulterers!”). He **publishes it on a Youtube site in March 27, 2013.**

In the video, Basic captures a Kenyan man glued to another man’s wife. According to the narrator in the recorded video, the husband of the woman had been suspecting that his wife was unfaithful to him. As a way of confirming this, he charmed the wife with magun-alalepo – the type of magun that glues both the man and the woman together. The man and his lover are seen glued to each other. After several pleas for the husband to apply the antidote, he asks for a ransom of twenty thousand America dollars. It is after an agreement is reached that he applies the antidote that they both dis-engaged.

Other Reported Cases

Sunday Tribune, in May 24, 1992 writes:

Two lovers died early Friday morning in a house along Olateju Street, Mushin, Lagos....

There was a suggestion that they might have died of ‘magun’.

In 1983, as witnessed and recounted by Fabarebo in his village:

...a boy deliberately decided to dazzle people with his esoteric prowess, he laced his immediate younger sister with magun who oblivious of this fact, copulated with her butcher boy-friend. Instantly after the act, the man’s organ started withdrawing into his body.

They both cried out. The boy later offered ... the antidote.

This type of magun is called magun sisanra. This suggests that, irrespective of the style one employs during sex, one can still be affected.

Lagos Weekend of Friday June 18, 1993: No. 289,053 reports:

A divisional Police Officer in Plateau State lost his life in Bassa near Jos, the state capital, while having amorous relations with another man’s wife. It was gathered that news had filtered to the husband...that his wife of ten years had affairs with the Police Officer.... With much pressure from the relations of the husband, he allegedly yielded to the temptation to contact a herbalist in the area who placed charm on his wife as trap.”

Magun and Western Medical Science

Some medical practitioners have attempted to explain these mysteries medically. This is not because they believe in its existence. Rather it is in their attempts to disprove them suggesting that they are natural occurrences that require careful medical attentions. However, the explanations they give accurately tally with the magun mysteries. That is what inspires my thesis that: *mystery often employs natural occurrences for efficacy.*

Magun Sisanra and Western Medical Science

According to Dottoressa Moor, in her memoir: *An Impossible Woman* (1975), “These cases are not as rare as you think.” She mentions “a much worse case” involving a Swiss girl and a black man that occurred in Lucerne, Switzerland, during the war and resulted in “dreadful injuries” when the man panicked: “they had got stuck inside each other. It needed two or three doctors to help to undo them.”

Magun Akiriboto and Western Medical Science

(a). In the same memoir, *An Impossible Woman* (1975), Moor recounts how she was once urgently called to the Hotel Eden-Paradiso in Anacapri, Italy. “And there I found a young German girl, in the bathtub in a pool of blood, who begged me to do what I could” to save her “as she was bleeding to death” from “a tear in the vagina”. The girl had been having sex with a man and her vagina had clamped tightly around his swollen penis. In freeing his penis, the man had inflicted “a heavily bleeding tear. A very deep wound.” He had then fled. After Dottoressa Moor had staunched the bleeding, she and a colleague she had summoned stitched the girl up. “She healed very well.”

(b). Penis Captivus

This describes a rare occurrence in heterosexual intercourse when the muscles in the vagina clamp down on the penis much more firmly than usual, making it impossible for the penis to withdraw from the vagina. In an article published in the *British Medical Journal* (1979), Dr F. Kräupl Taylor reviewed the literature on penis *captivus* and concluded that while almost all the cases mentioned in medical publications and in textbooks are based on hearsay and rumour, “two papers published by nineteenth-century German gynaecologists — Scanzoni (1870) and Hildebrandt (1872) — who had personally dealt with cases of the condition leave no doubt about the reality of this unusual symptom, which, however, is so rare that it is often regarded nowadays as no more than a prurient myth.”

(c). Vaginismus

Sometimes anglicized *vaginism*, *vaginismus* is the condition that affects a woman's ability to engage in any form of vaginal penetration, including sexual intercourse. This is the result of a reflex of the pubococcygeus muscle (the “PC muscle”). The reflex causes the muscles in the vagina to tense suddenly, which makes any kind of vaginal penetration—including sexual intercourse—painful or impossible. A woman suffering from vaginismus does not consciously control the spasm. The vaginismic reflex can be compared to the response of the eye shutting when an object comes towards it. This type of magun defiles any style or use of condom since vaginal penetration is impossible.

African and Christian Religions Explanation of Magun

African and Christian religions subscribe to the use of magun spell as a means of checking the sexual excesses of human beings. The two religions have a common view of magun as the effective “exploitation of supernatural forces” through the teasing of natural and supernatural substances, diverse rites and spells to forbid a woman from sexual copulation, (Dopamu, 1977:58). According to these religions, when a woman is laced with magun she automatically becomes unusual – removed from her status of a human being to the superhuman, and placed under the care of spirits, gods or God. In other words, through the lacing, the gods, spirits or God assumes the position of her husband and jealously guards her. This is better captured in Elechi Amadi’s, *The Concubine* (1966: 195-6):

Listen... Ihuoma belongs to the sea. When she was in the spirit world she was a wife of the Sea-king, the ruling spirit of the sea. Against the advice of her husband, she sought the company of human beings and was incarnated. The Sea-king was very angry, but because he loved her best of all his wives he did not destroy her immediately she was born. He decided to humour her and let her live out her normal earthly span and come back to him. However, because of his great love for her he is terribly jealous and tries to destroy any man who makes love to her, (195).

The Christian religion does not only provide better explanation to this notion of jealousy of deities, which it gives as the basis for lacing a woman magun, but subscribes to it and suggests the method the Christian husband can apply to lace his wife with magun. According to the book of Exodus (34:14) God, espousing Israel to be His bride, declares His name is Jealous,

and He is a jealous God. The first commandment is for us to love Him with all our heart, soul, and might as a wife to his husband, (Deu 6:4,5). Any infatuation with other things causes His jealousy to burn, for He will not share our affections with another (Deu 32:16; Psa 78:58). Proverbs 6:34 says “For jealousy arouses a husband's fury, and he will show no mercy when he takes revenge.” Proverbs 27:4 adds: “Anger is cruel and fury overwhelming, but who can stand before jealousy?” A thief may find mercy from men, but not the adulterer (vv 30-33). God himself provides for jealous husbands in Number 5:11-31

¹¹ Then the LORD said to Moses... ‘If a man’s wife goes astray and is unfaithful to him ¹³ so that another man has sexual relations with her ...¹⁴ and if feelings of jealousy come over her husband and he suspects his wife and she is impure—or if he is jealous and suspects her even though she is not impure—¹⁵ then he is to take his wife to the priest...¹⁶ “The priest shall bring her and have her stand before the LORD.¹⁷ Then he shall take some holy water in a clay jar and put some dust from the tabernacle floor into the water. ¹⁸ After the priest has had the woman stand before the LORD, he shall loosen her hair and place in her hands the reminder-offering, the grain offering for jealousy, while he himself holds the bitter water that brings a curse. ¹⁹ Then the priest shall put the woman under oath and say to her, “If no other man has had sexual relations with you and you have not gone astray and become impure while married to your husband, may this bitter water that brings a curse not harm you. ²⁰ But if you have gone astray while married to your husband and you have made yourself impure by having sexual relations with a man other than your husband”—²¹ here the priest is to put the woman under this curse—“may the LORD cause you to become a curse among your people when he makes your womb miscarry and your abdomen swell. ²² May this water that brings a curse enter your body so that your abdomen swells or your womb miscarries...²⁴ He shall make the woman drink the bitter

water that brings a curse, and this water that brings a curse and causes bitter suffering will enter her....²⁷ If she has made herself impure and been unfaithful to her husband: When she is made to drink the water that brings a curse and causes bitter suffering, it will enter her, her womb shall swell and her thigh shall fall away (her womb shall miscarry), and she will become a curse.

Here, three types of magun are subscribed to in the Christian religion. These are magun sisanra, magun teso mi and magun jefunjedo: "her abdomen will swell and her womb will miscarry".

In Genesis 12:10-20, Abram is forced to move to Egypt in order to evade a famine. Because his wife, Sarai, is very beautiful, Abram asks her to say that she is only his sister lest the Egyptians kill him so that they can take her. On arriving before the Pharaoh, the Egyptians recognise Sarai's beauty, and the Egyptian princes shower Abram with gifts of livestock and servants to gain her hand in marriage. Sarai thus becomes part of "Pharaoh's house" (believed to mean his harem), but God sends a plague to punish Pharaoh - on account of his adultery. Pharaoh realizes the truth of the matter, restores Sarai to Abram and orders them to leave Egypt with all the possessions Abram had acquired in Egypt.

In a related development in Genesis 20:1-16, Abraham moves his tent to Gerar. He says of Sarah, "She is my sister," to King Abimelech. And King Abimelech commands Sarah to him. But God appears in a dream to Abimelech, "You are a dead man for taking Sarah as your wife because Sarah is Abraham's wife." Abimelech is panicked and says, "Lord, I didn't know that Sarah is Abraham's wife because Abraham told me she is his sister. Sarah even told me that Abraham is his brother." God replies, "I know that you did not purposely do it so I didn't let you touch her. Now stop sinning against Me, and return Sarah to Abraham." The story then states that Abimelech, his wife, and household, had previously been punished for Abimelech's mistake concerning Sarah, by being made infertile; suggesting that Sarah had remained Abimelech's wife for quite some time before God visited him and corrected his error.

Now, it is apparent in these stories that if Pharaoh and Abimelech had had sex with Sarai or Sarah, they would have died mysteriously – the magun way. By implication, these two stories expose what happens in the spiritual world when a man falls a victim of magun: he receives the punishment from the gods, spirits or God because, as earlier stated, a woman laced with magun automatically becomes the wife of the gods, spirits or God. And as such, she becomes "possessed mystically by the

magun power and her personality vanishes; she becomes untouchable.... Any attempt to copulate with her results in diverse consequences depending on the type of magun fastened on her,” (Fabarebo, 2011). The only difference between the Christian and African religions magun is that, while the former does not require any antidotes before the real husband has sex with the woman, the latter does.

Conclusion and Recommendations

Scholars or even non-scholars have defined magun as a mystical-sexual enchantment or embargo placed mostly on a woman (usually by her husband) to check her infidelity(?) or as a deterrent to many (men) who otherwise could have been reckless(?) in their sexual life. In most cases, a woman who carries such a deadly or derogatory spell does not have knowledge of it until a man *climbs* her or has a sexual intercourse (?) with her and dies in consequence, which usually is very instantaneous.

This conclusion appears an inclination to prejudice hence I put question mark in bracket in front of some words and expressions to question some of the reasons men have for lacing their wives with magun. For instance, that: **i.** *...magun is identified as a mystical-sexual enchantment or embargo placed on a woman (usually by her husband) to check her infidelity(?),* is questionable. Some women who are laced with magun may not necessarily be sexually corrupt. They may find true love elsewhere. There are some that are laced by their male friends or admirers to kill the husband out of jealousy. **ii.** *...as a deterrent(?) to many (men) who otherwise could have been reckless(?) in their sexual life.* By the researches carried out, some men have antidotes to all types of magun. So, lacing a woman with magun does not prevent them from having sex with her. They can detect and then “push” it “up” where it will have no effect if they decide not to lift it off her. And this may continue as long as the man wishes. Sometimes also, it is not a reckless sexual life that makes a man want to have sex with a married woman. There are some men who do not love their wife; they manifest this in various forms to the detriment of the woman. If such a woman finds true love that comes with peace of mind, good health, caring, attention and affection elsewhere, they both may get married. In this case, could it not be adjudged a crime for the first husband to have laced the woman in question with magun? **iii.** *In most cases, a woman who carries such a deadly or derogatory spell does not have knowledge of it until a man climbs her or has sexual intercourse (?) with her....* Here, I am only trying to further intensify one of the questions asked earlier: Can one still be affected by magun if one does not have sex the conventional way or use the male organ during sex but uses other body organs such as the finger, the tongue or even toe? From the type and reported cases included in this paper,

except one has antidotes to magun, he will be affected if he has sex with a woman carrying the spell irrespective of the style adopted.

Following the lead of a number of countries with government policies of incorporating indigenous medicine with orthodox Western medicine, I want to suggest here that traditional African practices should be taken seriously, both medically and scientifically. I also want to charge African scholars with the responsibility of investigating these and other elements of traditional African culture in order to dispel their mystery and secrecy through modern research and useful publications. Finally, I want to recommend here that the method of curbing sexual immorality needs to be viewed with objectivity as it may not be completely beneficial. The reason is that the man who places magun on his wife may equally be involved in extra marital affairs. It follows, therefore, that:

...if his wife is prevented by the use of magun and the husband continues to have affairs with other women it is as good as legitimising adultery. On a very sensitive note, the fact that this mechanism is procured by men further confirms African culture of male superiority, which is an issue of concern to feminists. The question is how do women prevent their husbands from involving in extra-marital affairs? Looking into this is a matter of expediency because one expects marital faithfulness on the part of spouses in a society that does not believe a sex is superior to the other, (Familusi, 2012: 4).

It is on this note I want to recommend that:

- i. Government should legalize magun and its antidotes, and also make both available particularly for married men and women.
- ii. Any polygamist who laces any of his wives with magun should be legally tried for murder or manslaughter depending on the type of magun.
- iii. Any married man who dates another woman (married or not) yet laces his own wife with magun should be legally tried for murder or manslaughter depending on the type of magun.
- iv. Any man who does not satisfy the needs (sexual and other matrimonial needs) of his wife, yet laces his wife with magun, should be tried for murder or manslaughter depending on the type of magun.
- v. The *babalawo* (medicine man/woman) that prepares the magun substance without carrying out proper investigations on why his or her client(s) needs it, should also be tried for murder or manslaughter depending on the type of magun.

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THE RELATIONSHIP BETWEEN ISLAM AND DEMOCRACY IN KOSOVO: THE ROLES AND CONTRIBUTIONS OF THE RELIGIOUS LEADERS IN THE DEMOCRATIZATION PROCESS

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Abstract

While some scholars see compatibility between Islam with the concept of democracy, many of them disagree by manifesting great concern for the problem of how to assure that democracy could be developed in a way compatible with liberty. Best illustration is a number of Muslim societies possessing the outward forms of democracy but yet operating as authoritarian regimes. Democracy cannot exist without a functioning civil society that lies outside from the political sphere. Historically religion (Islam) for majority of Kosovo Albanians was an important factor in self-identification, but it never superseded ethnicity. Although history of religion in Kosovo is much different if compared to other Muslim societies in the world, religion remains an influential force both in people's daily lives and in politics. Due to the global changes that are happening to Islam and the inclusion of Kosovo youngsters in the ISIS front, the role of the Islamic Community and its leadership in this particular situation is of a high importance. However, religious leaders are rarely involved in policies by entering the public sphere as possible resources in civil society. Consequently, religious authorities are not able to supervise activities and networks of radical religious groups that are a potential threat for security. Given that strengthening civil society in Kosovo after the war of 1998-1999 was considered essential by international community and later by national authorities, religious leaders in the capacity of civil societies have the potential to strengthen or obstruct with the efforts to build peace and contribute to the democratization process, depending on the way in which they are engaged. This article tries to answer if it is possible to soften authoritarian tendencies of some of the important religious leaders and actors in Kosovo through a possibility of their convergence among civil society. Article examines to what extent Kosovo religious leaders have been involved

in their efforts to foster democracy and support state-building process. The article focuses if there are ways in which to engage Kosovo religious leaders and actors more thoroughly in their work for stability and development within the complex relationship between Islam and the concept of democracy.

Keywords: Islam, Democracy, Religious Leaders, Islamic Community, National Identity

Introduction

In today's world the relationship between Islam and democracy is very complex. In many societies around the world it can easily be recorded that the process of modernization and Islamic extremism are contradictory and mutually exclusive. The question arises if Islam is incompatible with the concept of democracy? In many academic debates and scholarly articles the main issue raised for discussion is if Islam is compatible with democracy or any form of government that empowers the citizens and limits the power of authoritarian leaders. There are groups of scholars ranging from the extremes of those who deny any possible connection between Islam and democracy to those who believe that a 'wedding' between Islam and democratic ideals is possible. The relationship between Islam and democracy is specific where Muslims are majority and where political system is not defined as Islamic.

Seen from a historical perspective Islam is the closest to the West, sharing much of the Judeo-Christian and Greco-Roman heritage that helped to form the western modern civilization, while seen from a political perspective Islam seems to offer the worst prospects for liberal democracy. Historically, according to Muslim doctrine the Islamic state was a polity ruled by God where the holy law was God's law and the army was God's army which makes it inevitable that the enemy was God's enemy (Lewis, 1993). In Islamic defined states and in those states where political power has been hijacked by Islamic extremists, Islamic laws are interpreted by a ruling body of clerics. There is no room for interpretation from legislative institutions as part of the secular political system that derives from the will of people respectively from free and democratic elections. This situation produces a direct confrontation with the very basic principles of the concept of democracy developed and derived from Plato and Aristotle in ancient Greece through Thomas Jefferson and James Madison in eighteenth century. In a democracy, every citizen has certain basic individual rights like the right to elect and get elected. However, the approach that emphasizes civil liberties, human rights and freedoms, instead of over-reliance on elections and the formal institutions of the state is very important (Diamond, 1988).

It is obvious that basic rights and civil liberties deriving from the concept of democracy are contradictory with the principles of the societies where law is interpreted by ruling body of clerics. As a result, transition from religious authoritarianism to a modernized and secularized form of Islamic democracy is almost impossible. Based on these discussions and contradicts many scholars share and reinforce the argument that the relationship between Islam and democracy is very complex. On the other hand, other scholars disagree with the similar findings and seek to prove that Islam enshrines democratic values. Some of them argue that in cases where political power is not hijacked by extremists every culture can establish a model of independent religious democracy (Esposito, 1999). Consequently, one group of scholars supports the idea that Islam is an open religion while the other group of contemporary scholars considers this blasphemous. For them many principles within Islamic laws are in direct contradiction with the basic principles of western liberal democracy because Islamic laws are immutable.

While similar academic debates do not exit the universities, the argumentation over the compatibility of Islam with democracy affects policymakers, political leadership and religious leaders in societies like Kosovo where Muslims are majority and where political system is not defined as Islamic. The question arises if Kosovo can establish liberal democracy while retaining its Islamic beliefs. In this particular debate the role and contributions of religious leaders in the capacity of civil societies is very important depending on the way in which they are engaged.

Islam in Kosovo

In today's Kosovo religious expression began to emerge between 6500-3500 BC. History of religion in Kosovo is marked mainly through three phases: The first phase pagan deities; the second a blending in of Roman Gods and Goddesses; and the third was the arrival of monotheism. The first Christians of Kosovo were not Catholic, Orthodox, Protestant, or any other denomination; they were simply Christian – following the word, falling in the footsteps, of Jesus and his Apostles. During those early days today's Kosovo sat within Dardania, a wider province ruled by Romans, whose pagan pantheon of gods mixed with local pagan worship – of suns, of animal and human figures and fertility goddesses (Interfaith Kosovo, 2015).

In the Albanian inhabited territories throughout history there have been ongoing colonization, invasions, emigration and migration. Albanians have experienced three great empires for a long time: Roman (59 BC- 395 AD), the Byzantine (395-850) and Ottoman (1455-1912). Between the drain and the arrival of these empires territories inhabited by Albanians were occupied by Slavic neighbors (mainly Serbs and Bulgarians). Before the arrival of the Ottoman Empire today's Kosovo was ruled by Serbian kings

and princes who only for a short time had their residences in Kosovo (Schmitt, 2008). Before the arrival of the Ottomans the population of the territory of today's Kosovo had a life of amphibian, between Catholicism and Orthodoxy, because Kosovo and territories of Albanians in general marked the far boundaries of Roman and Byzantine Empires. Because geographically Albanian-inhabited territories were located at the edges of the borders of the two empires of the time the life of local population was characterized by the absence of the wise clergy in order to meet their spiritual needs. It is possible that due to these circumstances religion has had less impact in the construction and development of Albanian national identity during the ottoman rule and when ottomans left Balkans.

There are authors who have launched the idea that the first contacts between Islam and the ethnic Albanian lands have been made through Andalusia (Spain), where Muslims ruled for eight centuries, through Sicily, where the Arabs entered in the second half of X century, through the wars of the Crusades in the XII-XIV centuries. However conversion of Albanians into Islam is marked with the period when Ottoman Empire came in Balkans. Islam among Kosovo ethnic Albanians cannot be treated separately from the Albanians in the Balkans. In 1385 Albanian Mansion from Durres Karl Topia was bounced from his property from a northern Albanian tribe Balsha and on this occasion he invited Ottomans for help to fight against the Balsha tribe. As a result, through similar situations the sovereignty of the Sultan was recognized for the first time (Skendi, 1967). It should be noted that the first century of Ottoman occupation (1455-1550) was not characterized by mass conversion into Islam. In the beginning Ottomans did not use violence to force people to convert to Islam. Apostasy occurred only after the death of Skanderbeg because he lifted up the cross in the wars against Crescent. It is not known precisely, but it is assumed that the majority of the population in Kosovo became Muslim sometime after 1800. To write a social history of the conversion of Albanians into Islam Ottoman tax registers need to be referred because there were listed the names of the heads of householders obliged to pay taxes. In these registers people had religious names (Ali, Abdullah, Hasan, etc.) but by this it cannot be confirmed which languages they spoke which also means that not all the converts were necessarily Albanian. In some cases their names were marked by father's Christian name which sometimes allows us to assume their linguistic affiliation (Schmitt, 2008). After the withdrawal of the Austro Hungarian troops around the year of 1689 it was noted that forced conversion of the population in Islam took place in today's northern Albania and Kosovo. The situation with Orthodox Albanians in Southern Albania was different since Mehmet II had proclaimed himself protector of Orthodox Christians in the Balkans seeking their loyalty. As such, the Albanian Orthodox population was settled under

the jurisdiction of the Patriarchate of Constantinople and thereby followed lessons in Greek schools. Pressures against the Albanian Orthodox Christians intensified after the Turkish-Russian war in 1877 (Arnold, 1952).

Islam that was brought from the Ottoman Empire had lost the dynamism and vitality of the Islamic empires which gave more to global civilization through science, education and culture. As a result, the process of conversion into Islam did not gain momentum but it was spread gradually among Albanians in general. This is mainly due to a series of factors such as poor economy, inadequate level of education of the population, the role of the Bektashi as a liberal variant of Islam, geographical position, and the tendency to gain privileges since the political economical basis of the Ottoman Empire was not nationality but religion. However when the massive conversion of Albanians began, instances of the Krypto Christianity phenomena surfaced - so local Albanian population accepted Islam but continued to practice Christianity secretly. This could also had happen due to the historical legacy of Albanians who in the Middle Ages as we mentioned above due to their geographical position (located in the extreme borders of the two empires-Roman and Byzantine) changed often between Catholics and Orthodox. It is also interconnected with their political proverb 'where the sword there is the religion' (G.V. Hahn, 2015).

Kosovo Albanians throughout this process of conversion had a stronger connection with Islam. Due to their geographical position its northern border had always been pressured from their Slavic neighbors, especially from Serbs. Through Islam they apparently demanded a protectorate from the Empire. Bosnians practiced even more fanatical Islam because they were surrounded on all sides by Christians against whom they had to fight in order to defend the Empire. Either way, unlike their neighbors, due to historical circumstances religion apparently had less impact in the construction of their national identity. Albanians living between Christianity and Islam following both religions, going to the mosque on Fridays and to the church on Sundays had problems in finding out who is their true prophet (T.W. Montagu, 2013).

In his recent book "Paxottomana' Albanian well known publicist Mustafa Nano from Tirana describes in absolutely impressive way what various authors and writers wrote (mainly European) while they visited Albania during the Ottoman rule. Nano simultaneously gives his assessment of the quotations he makes to these foreign authors. Nano quoted English poet Lord Byron who wrote to his mother and said that Albanians are both Catholic and Muslims but religion has very little significance in the way and their style of life. Nano describes a situation of Scottish historian Charles Macfarlane who during the year 1848 accompanied by a Muslim Albanian got surprised when the latter swallowed a glass of brandy. In

Macfarlane's question whether he is a Muslim or Catholic the Albanian guy simple answer was: 'depends, sometimes I am Muslim and sometimes Christian'. Nano also illustrates impressions of the French historian Louis Gabriel who traveling throughout Kosovo accompanied by a local Albanian describes him as poorly clad Muslim Albanian, with plastic shoes, with a large band around him where he had his food and his gun, but time to time he took of a bottle of brandy for a few sip of flame. While American journalist Rose Lane in her conversations with local Catholic Albanians in the city of Peja shows how they believe in the existence of 'witches' more than to the Christ. Edith Durham British traveler, artist and writer in her memories about her trips around today's border between Kosovo and Albania describes how her local Albanian companion mocked with Turkish soldiers when he saw them praying along the street. Nano concludes with a note from Eqrem Cabej Vlora a prominent intellectual of the period before and after the declaration of independence of Albania who wrote that Albanians only four times a year are religious, Muslims twice a year for the Bajram's and Christians when they celebrate Christmas and Easter (Nano, 2014). Turkish author and traveler Evliya Celebi in a note to the year of 1660 describes the majority of Muslim Albanians as disbelievers who don't practice Islam regularly because they don't pray five times a day and there are cases where Muslim family asks spiritual fulfillment from a Catholic priest and vice versa (Kreiser, 1988). These days as I am writing this paper interesting case was reported in local media, in Gjakova a city in western Kosovo several Albanian civilians killed during the war 1998/1999 whose bodies were found recently were buried in a common religious ceremony where Imam was present together with the Catholic priest.

After Ottoman Empire left Balkans and in between and aftermath of the two World Wars the majority ethnic Albanians lived in today's territory of Republic of Albania and others in the territory of Kosovo, Montenegro and Macedonia which became territories of the first and second Yugoslavia. During the first Yugoslavia (Kingdom of the Serbs, Croats and Slovenes later Kingdom of Yugoslavia) Kosovo ethnic Albanians were allowed to pursue religious education. This was done in purpose from the authorities in order to activate their religious sentiment and try to undermine their national identity (Blumi, 2005). Thousands of Albanians were forced to declare themselves as Turks and deported in Turkey. In the socialist Yugoslavia after the World War II although in a secularized and socialist state authorities consistently attempted to force the development of Islamic identity among Albanians but that never superseded national identity (Djokic, 2003). Not just because of the history but also as a result of the strategically logical calculations of the Albanian national leadership, after Ottoman Empire left Balkans Albanians in general and Albanians of Kosovo in particular never

defined their national identity through religion, but through language and had a relatively relaxed approach towards the Islam as religion. Islam had almost zero influence and role in either the eight-year campaign of non-violent resistance to the Serb occupation regime (1990-1998) or to the armed resistance of Albanians during the war of 1998-99. Although Slobodan Milosevic tried desperately to give an Islamic fundamentalist character to the conflict of 1998-1999, Islamic political fundamentalisms as a notion had very little resonance in Kosovo.

Religious harmony and its influence on national identity

In order to address politics of identity open-public discussions from religious leaders in capacities of civil society are needed without bypassing historical facts that describe how Islamic tradition and experience was developed for centuries among Albanians in Balkans. It is understandable that this unique Islamic experience and tradition makes impression in the formation of a new Muslim as much as on the other side does a lecture given from a person coming from Salafi group in Kosovo. Therefore in the context of considering religious tradition and experience in Kosovo the question remains: If Albanians belonging to three religions Catholic, Islam and Orthodox have lived in peace without any major incident marked in history, then could this harmony be endangered if one of the parties is radicalized? Among other factors T.W. Arnold while speaking of Islam among Albanians emphasizes religious tolerance as a result of illumination by Islamic teachings. On the other side another argument raised from the Albanian scholar Stavro Skendi stands when he concludes that interfaith tolerance among Albanians during the history was a necessity for their national survival.

In a way Albanian nation was born wounded because no one can say that the fact that Albanians belong to three different confessions have served better to the purpose of liberation from Ottoman Empire compared with the case of their neighbors (Serbs, Greeks, etc) where the religion was an essential element of their national identity. Another advantage for Serbs and Greeks is the fact that they had more space to build and develop their cultural and national identity until the Russian – Turkish war of 1877. Since the 1385 orthodox population in Balkans was in a way under sultan's protection based on the agreement that Patriarch in Constantinople had with Mehmet II in 1385. Orthodox population of course was persecuted time after time but they had some rights (if not privileges) which allowed them to communicate to the local administration in their local language and organize schools in their local languages as far as they accepted Sultan as their final authority. On the other side because majority of Albanians converted in Islam, schools in

Albanian language were not allowed until late 1880's, while orthodox Albanians would attend schools in Greek language (Skendi, 1967).

In such circumstances efforts for the Albanian national awakening were evident although it was difficult to start building a strong national and unified identity. The League of Prizren founded in 1877 and The Congress of Manastir in 1908 were the key historical events that determined Albanian national unification. League of Prizren changed its initial position to preserve Ottoman Empire's territorial integrity into demands for autonomy of Albanians and open war against the Ottoman Empire which later with the support in particular of Austro-Hungary resulted with Albania's independence in 1912. The Congress of Manastir was held in the city of Manastir (today's Macedonia) in 1908 with the goal of standardizing the Albanian alphabet. Prior to the Congress, the Albanian language was represented by a combination of six alphabets with the Arabic one being predominant, plus a number of sub-variants. The Congress decided that Albanian alphabet should be based on the Latin alphabet (Schwandner and Fischer, 2002).

Religion could have been divisive factor among the Albanians but they have managed to portray it in the second plan while remaining connected through the common element of language in their efforts to build a strong national identity. In January 2015 the leaders of the four religions in Albania: The Head of the Muslim Community, the Head of the Orthodox Church, the Leader of the Bektashi and the Head of Catholic church marched side by side in Paris in support of the Charlie Hebdo victims. This is not a guarantee thought that religious harmony can last forever. As the great Albanian writer Ismail Kadare would say 'religious harmony as it is so magnificent among Albanians it is also fragile and it needs only a little bit of radicalization for the centuries long harmony to collapse'.

Islam in Kosovo after the war of 1998-1999

As underlined Islam had little impact in the political and national formation of Kosovo Albanians from the time of the Ottoman Empire until 1999 but the question arises how it is possible that just 15 years after the war of 1998-1999 we have such serious tendencies for the radicalization of Islam in Kosovo. One fact stands for sure that Islam itself is changing globally while on the other hand the social, economic and political context in Kosovo is much different compared to the pre-war circumstances. After the NATO intervention in 1999 and the withdrawal of the Milosevic's regime an international administration was installed in Kosovo on the basis of UN Resolution 1244. In the postwar Kosovo its borders were open for the first time in history both for East and the West. During the first months and years

after the war Kosovo's society was characterized by a political chaos due to lack of a national government and highly bureaucratized UN international administration. Over the years different organizations from East found suitable ground and established their offices and network while continuing their activities even after the declaration of independence. In Kosovo they declared themselves as charitable organizations. Most of these organizations come from Saudi Arabia, Qatar and Turkey (USCIRF, 2012).

Islamic Relief World Wide (IRW), Holy Land Foundation for Relief and Development (HLF), International Islamic Relief Organization (IIRO), Saudi Joint Relief for Kosovo and Chechnya (SJRC), Humanitarian Relief Foundation (IHH), "Al-Waqf Al-Islami" and Peace TV channel are just some of the organizations in Kosovo presented as humanitarian organizations, but many countries recognize them as organizations that fund terrorism. Unfortunately, during all these years under the UN international administration as well as during the process of state building Kosovo's society was accompanied by corruption and weak economy. Consequently, thousands of young people remained unemployed. A number of them without any hope for a decent life and with a poor level of education were systematically 'treated' for years by many of the organizations mentioned above. All these NGOs under the umbrella of the 'humanitarian activities' promoted a radical interpretation of Islam by creating a climate for religious fanaticism which directly and consistently has led to the mobilization, recruitment and departure of Kosovo youth in wars of Syria and Iraq. The entire almost fifteen year long process of brain washing took place in front of international administration but also in front of Kosovo state institutions, the latter being occupied with their corruption affairs did not react in preventing activities of these organizations. Reaction of Kosovo institutions began only after more than 100 youngsters have joined to various branches of Al-Qaeda and ISIS in the wars of Syria and Iraq.

Some of the factors causing Islamic radicalism in Kosovo are considered to be weak economy and poor education system. Ideological and religious interpretations take root in the society that lacks modern-quality and functional education system. However, high unemployment and poor education system are not the only factors that are believed to affect the manipulation of young people in order to send them to the battlefields in Syria and Iraq. Imams of mosques which have been closely coordinated with the above organizations have had direct impact in the decision of many Kosovo youngsters to join to the terrorist groups in Syria and Iraq. For years a certain number of these imams were almost unobserved as the security institutions in Kosovo reacted only recently by arresting eleven of them. Islamic community and its leadership is also to be hold responsible as they have had information which imam was doing what in their mosque. Among

arrested there are imams with charges of supporting movements and actions that have recruited Kosovo youth in order to join to the terrorist groups in Syria and Iraq. Even after the arrest of more than 40 suspects for their interconnection with terrorist activities and the prohibition and the arrest of representatives of the above organizations reaction of the leadership of the Islamic community has been diminished. However, there were reactions from different imams throughout Kosovo who have blamed the head of the Islamic community and its leadership for unresponsiveness in certain situations when in mosques throughout Kosovo wahabism was preached. Teachings of Abdul – Whabi and later books of Nastrudin Albani (Albanian origin author) were translated and distributed free in Kosovo by local imams who are under direct supervision of the Islamic Community of Kosovo, respectively its head Naim Ternava. In fact various international reports such as that of 2012 of the United States Commission on Interior Religious Freedoms (USCIRF), said that range of Islamic states like Saudi Arabia and others continue to sponsor various agencies that distribute extremist and fundamentalist literature in Kosovo.

Wahabis who later called themselves Salafi meaning a ultra conservative school in terms of implementation of Islam as it was applied in the first three generations of Islam, continued to taught in mosques around Kosovo only for what is ‘forbidden’ in Islam (referring to Hadiths) and that salvation was to return to fundamentalism which is known as the doctrine of Salafism (Deluso, 2007). In 2009, local media reported that nine Salafi extremists beat a local Imam in the city of Drenas who is known as an outspoken critic of Salafism and religious radicalism. Salafi have organized other attacks against officials of the Islamic Community in Kosovo and against citizens who practice Islam outside of their orbit (not to say traditional Islam in Kosovo as the term is widely used but is very vague). Local media reported over the years that Mufti Ternava promoted to higher positions many of those who taught wahabism (including imams) and dismissed those who openly alarmed about spread of Wahabism. Local media reported how Mufti Ternava in the meantime changed the statute of the Islamic Community in order to enable himself to be infinitely Mufti of Kosovo as the old statute allowed that only for two mandates. The media also reported that trade unions in the Islamic Community accused Mufti for lack of transparency and misuse of huge amounts of money. The Islamic Community doesn’t foresee any financial audit from outside and the Law on Religious Freedom does not allow the state institutions to do such audit because the Law guarantees the independence of the religious institutions.

In June 2015 ISIS has published several video threats addressed to the public in Kosovo while last year a young Kosovo Albanian made suicide attack in Iraq killing more than 50 people. Kosovo youngsters who are now

members of terrorist organizations in Syria and Iraq mainly follow the Salafi doctrine.

The role of religious leaders in capacities of civil society

Despite that absolute majority of the Kosovo citizens have strong pro-western orientation pretending to build a liberal democratic society and despite the fact that recently Kosovo's parliament has passed the law on the prevention of Kosovo citizens to join to any war outside of Kosovo, latest developments could pose problems for Kosovo's Euro-Atlantic perspective. Involvement of young Kosovo Albanians in the wars of Syria and Iraq has been recently used as argument from Serbia and countries that do not support Kosovo's Independence to present Kosovo to the world as a country with terrorist activities. Many times in the Security Council a key topic for Kosovo became the issue of inclusion of Kosovars in Syria.

Based on recent reports of the international agencies and Western Governments a direct violent threat is not foreseen yet from radical groups, although governments in Western Balkans are feeling the pressure from fundamentalists. This threat can take the form of direct violence and terrorist attacks, or of the tendency of promoting inter-ethnic conflicts and tensions in the future. Recently the U.K. Government has put back Kosovo on the list of countries that could potentially be the target of terrorist attacks (The Telegraph, 2015). A concert that was traditionally organized every year on 4th of July in honor of U.S. Independence Day has been canceled because of the security reasons. It is most urgent at this stage to save what can be saved in the sense not only to the reputation of Kosovo, but also in the broader sense of saving human lives, prevention of departure of young people in the wars of Syria and Iraq. Even after imams were arrested religious leaders in Kosovo have not been seen in public with strong statements that condemn their activities. Despite of these developments in one of his recent appearances in Klan TV Head of the Islamic Community Myfti Naim Ternava stated that 'There is no radical Islam and non-radical one. Islam is one. God has made Kosovo a part of Europe, Islamic Community observes imams continuously in their lectures, but so far did not find something concerning'. These statements, in fact, take us back to the beginning of this article in order to seek for analyzes of the compatibility between Islam and democracy, this time addressing only circumstances in Kosovo. If there is only one Islam, as Mufti says, and it is immutable then it is Mufti and his colleagues from the Islamic Community who should intensify public appearances in media and local mosques in order to clarify to Kosovo youth the concept of Islam he is referring to. Because it is obvious that radical Islam is present in Kosovo. Mufti could also open a debate regarding the century's long Albanian tradition of practicing Islam in ways unique to the

world of Islam, practices which include a number of local forms and spiritual traditions.

Similar discussions could be of a tremendous contribution to open the minds of all those youngsters who are being victims of the Salafi groups. These analyses to some degree could also add to the academic debate whether Islam can coexist as religion with a society that claims to be liberal-democratic. Could it be that Albanians are softening Islam in order to build a liberal democratic society? Or maybe the concept of democracy is softened in order to retain Islam! Mufti's engagement is better than any kind of incomprehensible silence in front of these developments. Mufti's and Islamic Community leadership engagement in such debates is a contribution for Kosovo's public interest. Religious leaders in Kosovo should discuss openly if they identify obstacles for democracy in Islam's lack of an intellectual basis for constitutionalism, human rights, democracy, and lack of legislative deliberation. If not, they should be able to defend political thought of other scholars who think that democracy could be supported through the concepts of shurah (consultation), ijma (consensus), and ijihad (independent interpretive judgment).

On the other hand, Mufti publicly never accepted the fact that Wahabism sermons that he allowed in Kosovo mosques do not recognize the Hanafi School of Jurisprudence which is applied by the Islamic Community led by Mufti. Lack of essential discussion from religious leaders regarding the role of Islamic identity and its place in Kosovo's society produces polarized positions. One party considers the historical perspective and says that Islam is uniform and immutable and cannot be modified because Islamic theology was born and formed at a very specific and unrepeatable time for Muslims. Seen from the conceptual point of view they argue that Islam laws are immutable because of their divine sources of God directives that are absolute. While on the other side others try to build an argument that Islam is not so dogmatic and that democracy has many and varied meanings therefore it is possible for every culture to establish an independent democratic model of government in conjunction with Islamic beliefs. Religious leaders in Kosovo could potentially simplify the topic for new generations by discussing the differences between the Islam as a religion, as faith in God and ritual practices on one side, and lectures on Islam respectively theological thought of religion on the other side. Since most of the religious discourses and lectures are theological products that usually emerge from their respective schools of jurisprudence, they may qualify as fundamental and absolute because in one way or another they often exclude interpretations from other religions. Religious leaders could further give contributions by distinguishing between the concept of Islam as religion and the way Islam is lectured by discussing concepts of radical Islam vs the

recently invented vague notion‘ *the Kosovo traditional Islam*’. Consequently, further clarifications are needed in order to find out the differences between two or more ways on how Islam is lectured in Kosovo, meaning if the differences between these lectures consist in quality or in quantity.

By increasing their public role in capacities of civil societies with Kosovo institutions as their partners, religious leaders could bring more clarity to younger generations in order for them to understand that religion is not a driver of violence, contrary it could serve to peace, stability and development sometimes even integrating further with secular peace building efforts. This might sound way to idealistic but there is no other alternative for Kosovo circumstances.

Conclusion

Besides efforts to comment possibilities of coexistence between Islam and democracy and analyze the consequences of understanding the differences between Islam as religion and the way different Imams fanatically lecture about Islam, the role and contributions of the religious leaders should primarily be seen in the function of preventing radical indoctrination of young generations in Kosovo. This kind of contribution is needed in order to avoid ruining the efforts of many generations to live in peace among Albanians, but also in view of respect for the Constitution of Kosovo which defines Kosovo as a secular state based on citizenship values through which equality is guaranteed for all and not only to a certain ethnic or religious group. When religious actors enjoy institutional independence from the state, like they do in Kosovo, they are likely to play a democratizing role in case they are truly interested. If not, results may vary depending if they chose the role of the pro-democratic activism of religious actors like Grand Ayatollah Sistani or the anti-democratic activism of religious actors like the Methodist Church in Fiji.

Unfortunately, with a corrupt government that Kosovo has in recent years, Kosovo institutions remain fragile in combating terrorism. However preventing young kosovars to join to the terrorist organizations is not just the government's duty, but it is the response of the whole society because everyone should react to why people are attracted to this ideology and the government should understand this reason and be able to draw up a comprehensive strategy. In this context the role of religious leaders is extremely important. In a word, religious leaders should not just condemn terrorism but they should be active in encouraging members of their communities to build bridges of understanding among religious people and to engage in interreligious relations and address religious tensions before they become violent. They should intensively cooperate with political leaders

in order to work for socio-economic justice as a prerequisite for peace building and resist all attempts by any individual or group to misuse religion for personal, political or ideological benefit. Religious leaders should actively advocate good governance, peace building, democracy, development and poverty alleviation.

Mustafa Nano emphasizes in his book that 'Albanians can potentially allow any experiment between themselves but no hatred that introduces problems between religions'. The only way is religious tolerance as it has existed for centuries and religious leaders should actively discourage any form of radicalization in order to establish religious tolerance in the level of an ethical public norm and civic value. Kosovo youth should be clarified by religious leaders whether Kosovo is in the right direction and in the right ship. If this is not done intensively by religious leaders starting with Mufti, most likely in the years to come Takfiri's will be a serious competition to 'non - Takfiri's' in terms of numbers.

On 23 February 1998 Al-Qaida released a fatwa which is the first known official order of the World Islamic Front. The fatwa calls upon each Muslim of the existing Ummah to, "in accordance with the words of Almighty God, 'fight the pagans all together as they fight you all together,' and 'fight them until there will prevail justice and faith in God.'" It was never reported from any source that even one single Kosovo Albanian joined to this cause. Ten days later on March 5th, 1998 Serbian Special Forces organized a full-scale military mission involving tanks and helicopters and attacked in his home Adem Jashari who was one of the founders of the Kosovo Liberation Army (KLA). More than 50 members of Jashari family were killed that day. Compared to fatwa of February 28, 1998 that made no impression to Kosovo Muslim Albanians the deaths of Jashari and his family resulted with thousands of youngsters (both of Muslim and Christian confessions) seeking to join to KLA in order to fight for their national cause-liberation from Serbia. After the NATO intervention in 1999 and withdrawal of Milosevic's regime Kosovo with the Muslim majority population became one of the most pro-western countries with a widespread Americanism all over the territories where Albanians lived. Seventeen years ago nobody would imagine that for some young Kosovo Albanians in 2015 (still in small numbers thought) the Islamic Caliphate will represent more important cause compared to their national one.

Geographically located between East and West, with a population of converted Muslim majority but with a close connection with Western civilization , Albanians during the centuries passed from polytheism to Christianity in the Roman and Byzantine empires, then from Christianity to the Islamic Shari'ah of the Ottoman Empire , to the Albanian secular state announced in 1912 and then to the atheist state of the dictatorship of Enver

Hoxha , while the rest of Kosovo Albanians lived in the Tito's secular state of Yugoslavia and under the Milosevic's regime. Finally, today Albanians are free between Christ and Muhammad but also free to choose what kind of society they want to develop. As underlined in this study there is no simple answer to the one million dollar question "can liberal democracy work in a society inspired by Islamic beliefs and Islamic experience and tradition?".Thinking of the current situation in Kosovo best answer that comes to my mind is to quote Bernard Lewis who in one of his articles addressing the compatibility between Islam and the concept of democracy wrote: 'It is of course for Muslims, primarily and perhaps exclusively, to interpret and reinterpret the pristine original message of their faith, and to decide how much to retain, and in what form, of the rich accumulated heritage of fourteen centuries of Islamic history and culture. Not all Muslims give the same answers to the question posed above, but much will depend on the answer that prevails' (Lewis, 1993).

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PROCEDURAL FEATURES OF THE ALBANIAN CASE LAW ON RECOGNITION AND ENFORCEMENT OF FOREIGN ARBITRAL AWARDS

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Abstract

The internationalization of goods and services in the last decades have underscored the importance of international commercial arbitration and its enforcement mechanism of the foreign awards. The recognition and enforcement of foreign arbitral awards under the jurisdiction of a state, is mostly provided through the effect of the New York Convention (1958), which is sanctioned today in 146 countries worldwide. Albania has become part of this large group of states which have voluntarily chosen to share the unquestionable values established by the New York Convention in the field of international commercial arbitration. But despite the formal aspect, Albanian jurisprudence clearly shows an unconsolidated experience of the Albanian judiciary in the field of recognition of foreign arbitral awards. This is not only because of the short time coexistence of the Albanian legal order with the Convention, but also because of a limited knowledge of traders on the instruments established by the Convention and because of the judicial system indifference demonstrated toward the Convention traditional interpretation. This article aims to bring in the spotlight the features manifested by the Albanian jurisprudence, regarding the procedural aspects of the recognition of foreign arbitral awards. These aspects have been found by the research of several judicial decisions of the Court of Appeals, upon the requests for recognition of foreign arbitral awards.

Keywords: Arbitration, law enforcement

Introduction

From an overview of Albanian internal legal framework, we arrive at the conclusion that the implementation situation of New York Convention for the Republic of Albania is, at least formally, in compliance with the

standards that meet its other member countries¹⁵³. Accordingly, Albanian Parliament has approved the accession of the Republic of Albania in this Convention, with the law no.8688 date 09.11.2000 "On the accession of the Republic of Albania in the Convention "On the recognition and enforcement of foreign arbitral awards"¹⁵⁴. A direct consequence of accession is the formal commitment of the Republic of Albania, in the international arena, to respect all the mechanism established by the Convention and specifically:

(a) *Recognition and enforcement of foreign arbitral awards (purpose of the Convention)*¹⁵⁵.

(b) *Recognition of the international arbitration agreement, signed between the parties*¹⁵⁶.

(c) *Failure to settle the national court jurisdiction*¹⁵⁷.

(d) *Failure to apply differing procedures in the effective implementation of the awards*¹⁵⁸.

Despite the above law which has made the Convention part of the Albanian internal legal order, a group of provisions of the Code of Civil Procedure provide directly the recognition and enforcement in the Republic of Albania of the foreign arbitration awards, by unifying this procedure with that of recognition of the foreign judicial decisions¹⁵⁹. This legal framework formally guarantees the enforceability of the awards which are object of the New York Convention. Such a perception, on the effectiveness of formal legal instruments in Albania for the implementation of the New York Convention, results at the responses of the UNCITRAL's "questionnaire" to monitor the Convention¹⁶⁰, to which Albania is responded as well¹⁶¹.

¹⁵³ Based on the registration made by the United Nations' section of the treaties in the multilateral list of treaties, the instrument of accession of Albania in the Convention (the law) is registered as delivered on 27 June 2001, while the date of entry into force of the New York Convention for Albania, under the same registration, is 25 September 2001.

¹⁵⁴ Law No.8688 "On the accession of the Republic of Albania in the Convention "On the recognition and enforcement of foreign arbitral awards", date of act:09.11.2000, date of approval:20.11.2000, Official Journal no.38, page:1836

¹⁵⁵ New York Convention (1958), article 1(1).

¹⁵⁶ New York Convention (1958), article 2(1).

¹⁵⁷ New York Convention (1958), article 2(3).

¹⁵⁸ New York Convention (1958), article 3.

¹⁵⁹ Article 393-399 of the Code of Civil Procedures of the Republic of Albania.

¹⁶⁰ The monitoring of the implementation of the Convention was realized through an international questionnaire consisting of 26 questions in total. The questionnaire is published by UNCITRAL, on 31 August 2010: website - http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/NYConvention_implementation.html

In this article we will not stop to assess these legal instruments and how effective they are at their foundations, but will highlight the real situation of recognition of foreign arbitral awards in Albania, seen from the viewpoint of the Albanian judicial practice. For this purpose, below are discussed some summarized procedural aspects, found from the research of some decisions of the Civil Panel of the Court of Appeals in Tirana, in connection with request for recognition and enforcement of foreign arbitral awards. Specifically, in this paper are submitted the results of the research and investigation of these case studies:

-Recognition and enforcement in Albania of the International Court of Arbitration's Award (ICC'A¹⁶²) No.13962/FM date 20.10.2006: AEDP *versus* the Republic of Albania¹⁶³.

-Recognition in Albania of the International Court of Arbitration's Award, regarding the issue no.12016/ACS/FM date 02.04.2008: "BE-HA-SE" *versus* General Department of Roads (GDR), the Ministry of Public Affairs, Transportation and Telecommunications (MPATT), Albania¹⁶⁴.

- Recognition in Albania of the Foreign Arbitral Award LCIA no. 5720 date 04.06.2006: "McKinsey & Comany Inc.Croatia *versus* the Union of Chambers of Commerce and Industry of Albania and Albanian Agency for Promoting of Foreign Investments"¹⁶⁵.

-Recognition in Albania of the International Court of Arbitration's Award, no.14420/FM date 25.07.2007: "La Petrolifera Italo-Rumena" Spa. And "La Petrolifera Italo-Albanese" plc. *versus* the Republic of Albania"¹⁶⁶.

-Recognition in Albania of the International Court of Arbitration's Award, date 19.10.2009, issue no.14869/A VH/JEM/GZ: "Company

¹⁶¹ Albanian's answer is given on 16.01.2008: website - <http://www.uncitral.org/pdf/english/texts/arbitration/NY-convention/NYCCompilation31August2010.xls>

¹⁶² International Court of Arbitration at the International Chamber of Commerce, Paris, France.

¹⁶³ Civil Issue no.22 of the Fundamental Register, date 22.02.2007, to the decision of the Court of Appeal in Tirana no.54, date 29.05.2007.

¹⁶⁴ Civil Issue no.90006-00372-30-2009, registered to the Court of Appeal in Tirana, date 19.02.2009, that belongs the decision file no.23 of the Fundamental Register, date 25.02.2009 and no.34 of the decision, date 31.03.2009.

¹⁶⁵ Civil Issue registered to the Court of Appeal in Tirana no.93/1 of the Fundamental Register, date 30.11.2006; Decision from the Court of Appeal no.17, date 27.02.2007.

¹⁶⁶ Request registered at the Court of Appeal in Tirana with no.1779 protocol, date 28.09.2007; decision from the Court of Appeal no.104 fundamental register, no.106 of the decision, date 08.11.2007.

"ROHDE NIELSEN" A/S *versus* Ministry of Transportation and Telecommunications in the Republic of Albania"¹⁶⁷.

-Recognition in Albania of the International Court of Arbitration's Award, date 22.12.2005, regarding issue no.12112/ACS: "I.C.M.A" s.r.l in liquidation and "AGRI.BEN" s.a.s, *versus* Ministry of Agriculture and Food¹⁶⁸.

In all these cases, one of the parties to dispute is Albania, represented by the government or other public institutions. Given the low number of cases of this nature in Albanian jurisprudence¹⁶⁹, I judge the at the typical procedural aspects of these issues, listed below, actually, all belong to the judicial practice in the field of recognition of international arbitral awards.

Procedural instruments of the case law on recognition and enforcement of foreign arbitral awards

The procedural tool for seeking recognition and enforcement of foreign arbitral award in the Republic of Albania, is **the demand for recognition or recognition lawsuit** (declaratory lawsuit), provided by the articles of the Code of Civil Procedure (CCP)¹⁷⁰. Forced execution of a foreign arbitral award in the Republic of Albania is done in **two phases**. The first phase involves applying for recognition, and at the end of the proceedings, the Court of Appeals dispose for the recognition of the foreign arbitral award in the Republic of Albania. The second phase is related with another judicial proceeding which, also, is conducted by the Court of Appeals, in order that this court can issue the Order of Execution¹⁷¹. It is exactly this order (Order of Execution) which allows intervention of the executive bodies in the Republic of Albania to execute the specific obligation as stipulated in the foreign arbitral award, already recognised in the Republic of Albania¹⁷².

¹⁶⁷ Request registered at the Court of Appeal in Tirana with no.1497 protocol, date 11.10.2010; decision from the Court of Appeal no.108 fundamental register, date 18.10.2010, no.122 of the decision, date 14.12.2010.

¹⁶⁸ Case reviewed by the Court of Appeal in Tirana which has given the decision no.82, date 07.09.2007.

¹⁶⁹ International comperative legal guide regarding "2008 International arbitration", pub. Global Legal Group Ltd. London, with contribution of "Kalo & Associates, Attorneys at Law", page.86, paragraph 14.1.

¹⁷⁰ CCP, article 32, paragraph "c".

¹⁷¹ Legal Base: Code of Civil Procedure (CCP), article 510 and article 511.

¹⁷² See the case: Recognition of the Foreign Arbitral Award LCIA no.5720 date 04.06.2006, case "McKinsey & Comany Inc.Croatia *versus* the Union Chambers of Commerce and Industry of Albania and Albanian Agency of Promotion of Foreign Investment". *First phase: Recognition of the award* The Court of Appeal in Tirana, based on the provision of article

The Court of Appeal, during the judicial process for recognition of foreign arbitral awards, has examined and analyzed the jurisdiction of the arbitral forum to resolve the conflict. During this analysis, the Court of Appeal affirms the main principle which derives from the *contract theory* of legitimizing the authority of arbitrators, that *the arbitration clause is the only premise for establishing the jurisdiction of the international arbitration*. Thus, in the case “Recognition and enforcement in the Republic of Albania of the Award (ICC): AEDP *versus* Republic of Albania” the Court of Appeal finds that: “...According to the agreement signed between the two parties, they had agreed and had approved an Arbitration Clause too¹⁷³. Specifically in section 2/C, paragraph 8, of the agreement, the parties had agreed that the disputes arising between them regarding this agreement, will be presented for the solution to the International Chamber of Commerce (ICC) Paris. This provision is not disputed by the parties in the process, therefore there is no objection filed by the parties regarding the jurisdiction of the arbitral forum”. **Similary**, in the case of “Recognition of the ICC’s award for the issue no.12016/ACS/FM, date 02.04.2008: “BE-HA-SE” company *versus* General Department of Roads and the Ministry of Public Affairs, Transportation and Telecommunications of Albania”¹⁷⁴, the Court of Appeal

393 of the Albanian Code of Civil Procedure (CCP), has issued the decision no.17 date 28.02.2007 for accepting the request of the applicant (*McKinsey & Comany Inc.Croatia*) and has *recognized and given legal force* to the Foreign Arbitral Award LCIA no.5720. Second phase: The execution of the award McKinsey & Comany Inc.Croatia is addressed for the second time to the Court of Appeal with the request for issuing of the order of execution. The Court of Appeal found that the decision of the Court of Appeal No.17, date 28.02.2007, which has recognized the Arbitration Award LCIA no.5720, in terms of article 510 of the CCP, is an executive title, so the applicant has the standing to seek for the execution order, based on article 511 of the CCP. Therefore the Court, by its decision no.43, date 10.05.2007, has issued an order to dispose the execution of the decision no.17, date 28.02.2007 of the Court of Appeal in Tirana.

¹⁷³ Arbitration Clause – the clause in a bilateral contract which is considered “Written agreement” of arbitration under article 2/2 of the New York Convention.

¹⁷⁴ Parties, General Department of Roads, subordinate structure of the MPATT, and the foreign company "BE-HA-SE", had entered into a contract dated August 11, 1998, with the subject "Rehabilitation and reconstruction of section II of the Corridor East-West route from Rogozhina to Elbasan". Due to the raised conflict between the parties regarding the contract, the plaintiff "BE-HA-SE" in accordance with the arbitration clause dated February 19, 2002 lodged *Request for Arbitration*, at the Secretariat of the International Court of Arbitration of the International Chamber of Commerce (ICC).

examines the arbitration agreement stating that the contract between the parties included an Arbitration Clause¹⁷⁵. Likewise, in other cases, the authority that grants recognition (Court of Appeals) confirms the legitimacy of the forum that provided the arbitration award, based on the arbitration agreement between the parties, as part of the main contract between them¹⁷⁶.

The Court of Appeal does not consider the cases on the merits, but only checks whether foreign arbitral award (international), presented for recognition, does not contain one or several circumstances that conflict with article 394 of the Code of Civil Procedure. This is an observation that belongs to all cases heard by the court, which means that this practice rigorously follow the requirements of article 397 of the CCP. Thus, on the case "Recognition of the Award (ICC) No.13962/FM date 20.10.2006: "AEDP vs. Republic of Albania", the Court of Appeal, in accordance with the requirements of article 397 of the CCP, did not review the dispute between the parties on the merits. The Civil Division of this court just checked if the award presented contained or not elements that are considered "legal barriers to recognition", as provided in the article 394 of the CCP. The court, following rigorously the requirements of this section, stated as follows¹⁷⁷:

a) *According to the provisions in force in the Republic of Albania, the dispute is within the competence of the International Foreign Arbitration. It is evident that there can be no objection to the jurisdiction of the arbitral*

¹⁷⁵ In paragraph 67 of the Conditions of the Contract, Part I-General Conditions and part II-the Special Conditions of Implementation, was predicted that in case of disputes between employers (GDR, MPATT) and entrepreneurs ("BE-HA-SE"), regarding this contract, the dispute shall be referred to arbitration under the Rules of Conciliation and Arbitration of the International Chamber of Commerce in Paris (ICC). Location of the arbitration shall be the Republic of Albania and the arbitration shall be held by the arbitrators appointed under the Rules of Arbitration of the ICC, in English. According to paragraph 5.1/(b) of the Conditions of the Contract, Part II, the parties had agreed that the applicable law was the law in force in the Republic of Albania".

¹⁷⁶ See the Court of Appeal Decision no.106, date 08.11.2007 and Decision no.122, date 14.12.2010, respectively for cases: "Recognition in Albania of the Award, no.14420/FM, date 25.07.2007, "La Petrolifera Italo-Rumena" Spa. and "La Petrolifera Italo-Albanese" plc. versus the Republic of Albania" and "Recognition in Albania of the Award, date 19.10.2009, for the case with no.14869/A VH/JEM/GZ "Company "NIELSEN ROHDE" A/S versus Ministry of Transportation and Communications of the Republic of Albania".

¹⁷⁷ See the arguable part of the Court of Appeal Decision no.54, date 29.05.2007.

forum because the parties had adopted in their agreement (Framework Agreement) the so-called “Arbitration Clause”.

b) *The request for judgment in arbitration and respective reports are addressed to both parties in the trial and the parties were present during the trial.* In this way, the Court of Appeals has determined that the parties, particularly the defendant (Republic of Albania), were given the opportunity to protect and freely present their cases and the objections to the referral lawsuit in front of the arbitral tribunal.

c) *Between the parties concerned, for the same object and for the same reason, there appears not to have been given a different decision from an Albanian court.* So, we are not in the presence of elements of “res judicata”.

d) *There is no appearance that a lawsuit is being reviewed by an Albanian court before the final award has been rendered by the International Foreign Arbitration.*

e) *The International Foreign Arbitration Award, provided by the International Court of Arbitration at the International Chamber of Commerce (ICC) Paris, France, is a final one and, according to the relevant Regulation¹⁷⁸, appeal is not allowed (article 28 of the Arbitration Regulation).*

Also, in the case “Recognition of the Foreign Arbitral Award LCIA no.5720 date 04.06.2006”, the Court states that: *”the Civil Division of the Court of Appeal, in accordance with the requirements of article 399, in relation to article 397 of the Code of Civil Procedure, does not consider the case on the merits, but only checks whether the presented award (for recognition) does not contain provisions that conflict with article 394 of the CCP”.*

The Court of Appeals has taken measures to provide transparency and fairness for the litigants in processes related to the recognition of foreign arbitral awards. Thus, in all the cases, the calling of the case-losing party (the losing party, which is charged with the obligation of an arbitral award) is officially done¹⁷⁹. Similarly, in all the above cases¹⁸⁰, the Court of Appeal

¹⁷⁸ ICC’A (International Chamber of Commerce, International Court of Arbitration) Regulation of Arbitration valid from January 1, 1998; website - www.iccarbitration.org.

¹⁷⁹ See the decision no.6, date 01.06.2011 of the High Court, paragraph.3, 4, 5: In such circumstances, the plaintiffs, the winner of the case: “I.C.M.A.” s.r.l in liquidation and “AGRI.BEN” s.a.s, as the applicant, are addressed to the Court of Appeal in Tirana with a request for recognition and enforcement of the award, dated 22.12.2005, of the International Court of Arbitration (I.C.C.). The Court of Appeal in Tirana, in the hearing, *ex officio* has called in the trial, as a third party, the case-losing party: Ministry of Agriculture and Food. In this litigation, after having reviewed the case, the Court of Appeal in Tirana

has called at the trial, making relevant announcements, the State Advocacy as representative of the sued party (Republic of Albania) in the process hold in front of the foreign arbitral forum. The Court of Appeal decided the call for participation in this trial of the institution of the State Advocacy, pursuant to the law, as the State Advocacy represent and protects the interest of the Albanian state property in front of national, international and foreign courts regarding judicial matters, in which a state administration body or the Republic of Albania is a party¹⁸¹.

Moments of “bypassing” of the Convention requirements in Albanian judicial practice.

In the adjudication of cases, based on the requests for recognition of foreign arbitral awards, the Court of Appeal generally is being attentive to the formal aspects of the application, or more precisely to the regularity of documentation that must accompany the request of recognition of a foreign award¹⁸².

rendered the decision no.82, date 7.9.2007, which has ruled the rejection of the requesting party”.

¹⁸⁰ See the case “Recognition and enforcement in the Republic of Albania of the Award (ICC) No.13962/FM date 20.10.2006: AEDP *versus* the Republic of Albania”.

¹⁸¹ Law No.10018, date 13.11.2008 “On the state advocacy”, article 5, section 1, paragraph “b”.

¹⁸² (i) Case “Recognition of Award (ICC) No.13962/FM, date 20.10.2006: “AEDP vs. The Republic of Albania”. The Court of Appeal states: *“In addition to the formal application, the applicant has submitted the attached: (a) The award of the International Court of Arbitration, the subject of request for recognition, translated and certified, and (b) the Special Attorney for representation of the applicant by a lawyer. As above are met the requirements of Article 396, paragraph (a) and (c) of the Albanian CCP, as the foreign arbitral award is translated and legalized by a notary”*. (ii) Case “Recognition of the award for “BE-HA-SE” vs. DPRR”, the Court of Appeal accepts the accompanying documents of the request stating: *“The applicant (GDR) has attached these documents to the demand for Recognition addressed to the Court of Appeal: a) a copy of the Contract signed between the two parties on August 11, 1998 which includes the Arbitration Clause, verified in the appropriate way; b) The translated letter in Albanian of the above contract; c) Copy of the Final Arbitration Award no.12016/ACS/FM, date April 2, 2008, verified in the appropriate way; d) The text in Albanian language (official translation) of the Final Arbitration Award; e) The letter dated April 7, 2008 from the Secretariat of the International Court of Arbitration for communication the final award and official translation into Albanian language; f) Authorization of GDR for its representation at the Court of Appeal regarding this case, from the Institutional lawyer (substituting the attorney)”*.

By analysing these cases, it is concluded that the Court of Appeal has been generally careful only to respect the formal requirements provided by the Albanian Code of Civil Procedure, bypassing the requirements of the New York Convention. It is visible, for example, the acceptance by the court of the requests for recognition unaccompanied by *the arbitration agreement*, as this document (the arbitration agreement) is not integrated into the requirement of the Albanian Code. Thus, in the case “*Recognition of the Arbitration Award – AEDP versus the Republic of Albania*”, the applicant fails to present to the Court, as a written document, the arbitration agreement between the parties which is formed as an Arbitration Clause¹⁸³. Consequently, the Court of Appeal has not administrated this as an evidence and, moreover, makes no mention of the Arbitration Clause in its decision, when argues the competence of the International Court of Arbitration (ICC) to render the arbitration award. Failure to present the arbitration agreement as an attachment to the request for recognition, failure to be administrated as a written document at the hearing and the lack of reference from the Court of Appeal of the Arbitration Agreement, happens because the Court of Appeal remains faithful, in procedure and in reasoning its decision, only to the provisions of article 396 of the Albanian Code and bypasses the New York Convention.

Therefore, the Court of Appeal has not evaluated the requirements of the provision of the New York Convention, regarding the documentation that the applicant should submit for the recognition of an arbitral award, in front of the competent authority of the country where the recognition is sought. There are not specifically taken into consideration the requirements of article 4 of the Convention which provides that the request for recognition must be attached to the *arbitration award* and *arbitration agreement*¹⁸⁴ between the parties. Only by the submission of these two documents, the request for recognition has the legitimacy *prima facie* to invest the competent court which grants the recognition. In fact, article 4 of the Convention is endorsed to facilitate the process of recognition and enforcement of an arbitral award, anticipating certain minimum requirements that must be met by the party requesting such recognition¹⁸⁵.

¹⁸³ Section 2/C, paragraph 8, of the Framework Agreement, signed between "AEDP" and the Albanian Government, dated June 23, 1997.

¹⁸⁴ Article 4, section 1, paragraph “b” of the New York Convention.

¹⁸⁵ Albert Jan van den Berg – “New York Convention 1958: Summary”; “Enforcement of the Arbitration Agreement and International Arbitral Award”, ed. Emmanuel Gaillard & Domenico Di Pietro, (pub. London: Cameron May) 2008, pg.12-13.

Despite the authority that the New York Convention has in Albanian internal legal order, the Court of Appeal, in many cases, ignore the existence of this convention, focusing only on the provisions of the Albanian Code of Civil Procedure. There are cases of the judicial practice, when the competent authority for the recognition of foreign arbitral award (the Court of Appeal), does not mention at all the New York Convention in its decision rendered to grant the recognition. For example, in the case “*Recognition of the Arbitral Award: AEDP versus the Republic of Albania*”, according to the filed documentation, there is no mention of support or referral in the provision of the New York Convention 1958 “On the recognition and enforcement of foreign arbitral awards”. The formal request of the plaintiffs (foundation “AEDP”), applying for recognition of the foreign arbitral award, has as the only legal basis, only the provisions of articles 393-397 of the CCP. In the entire contents of the submitted request, there is no reference to any of the provisions of the Convention. Likewise, the award of the Court of Appeal in Tirana no.54 date 29.05.2007, in no case mentions the obligation to implement the provisions of the New York Convention. In addition, the Civil Division of the Court of Appeal, when evaluates the elements of the foreign arbitral award and its fulfillment of the criteria of articles 394 and 396 of the Albanian Code of Civil Procedure, does not refer, at any point, the provisions of the New York Convention.

In none of the cases reviewed by the judicial practice, the Court of Appeal has not taken in consideration and has not given any evaluation regarding the nature of the arbitral award, if it is considered a foreign or internal (local) award. Apparently, the court has presumed that the arbitral award, subject of request for recognition, has the status of the “foreign” (non-internal) arbitral award. It is understandable that such presumption was refutable, but in no case the party against whom the application for recognition was presented, has not filed such a claim to challenge the Court of Appeals jurisdiction. In fact, any claim of this nature would be considered groundless, in reference to article 1 of the New York Convention¹⁸⁶, as the status of the “foreign” award for Albania is determined, primarily, by the country of the arbitration procedure (which, in any of the cases examined, has not been the Republic of Albania).

The active legitimacy of the applicant for the recognition of a foreign arbitral award has not been subject to review by the Court of Appeal. A very

¹⁸⁶ The New York Convention, article 1(1): “This Convention shall apply to the recognition and enforcement of arbitral awards made in the territory of a State other than the State where the recognition and enforcement of such awards are sought, and arising out of differences between persons, whether physical or legal. It shall also apply to arbitral awards not considered as domestic awards in the State where their recognition and enforcement are sought”.

interesting case, on this point, appears in the issue of the award recognition on the case: “BE-HA-SE” *versus* GDR and MPATT, Albania” where the demand for recognition is submitted by the sued party (GDR), against which is directed the demand for arbitration and that is largely considered “loser” of the foreign arbitral award¹⁸⁷. As results, from the analysis of the above case, the Court of Appeal has accepted the request for recognition and has reviewed it, resting on the fact that the request is submitted by an entity that was a party to the arbitration proceedings and claims a legitimate interest in the recognition of this award in the Republic of Albania. For the Court of Appeal does not matter if the applicant is *the plaintiff* or *the defendant* in the arbitral proceedings, as it does not matter if the applicant is “the winner” or “the loser” of foreign arbitral award, as long as the applicant has a legitimate interest on the recognition of the arbitral award.

The decision of the court of appeal in all the cases, when evaluating the barriers for recognition, uses the term “basis principles of the Albanian legislation”, expressing the fact that the court has evaluated whether present foreign arbitration award does not conflict with these principles. In this case, the Court of Appeal, refers to the legal definition used in paragraph (dh) of article 394 of the CCP. Whereas, the New York Convention, for the same purpose, provides as definition “*public order*”¹⁸⁸, a definition which is different in different countries. Generally the application of this definition means refusing enforcement of foreign arbitral awards, which are manifestly contrary to law or fraud, that are violators of human rights or fundamental freedoms, or scandalous in their content. Despite the term used at this point, we can conclude that the Albanian judicial practice runs parallel with the spirit of the New York Convention, in terms of the barrier of recognition and enforcement of foreign arbitral award.

The problem found in the Albanian judicial practice is the leaving from the New York Convention approach on the grounds of refusal the recognition, regarding the *arbitrability of the conflict*, subject of the arbitral award. In all the cases studied in this paper, it is identified the “indifference” of the Court of Appeal to evaluate the arbitrability of the conflict, when evaluating the competence of the foreign arbitral forum to settle the dispute,

¹⁸⁷ See the International Court of Arbitration Award, date April 2, 2008, No.12016/ACS/FM (“BE-HA-SE” *versus* the Republic of Albania), which was announced and forwarded to the complainant on April 8, 2008 by the Secretariat of the International Court of Arbitration.

¹⁸⁸ The New York Convention, article 5/2: “Recognition and enforcement of an arbitral award may also be refused if the competent authority in the country where recognition and enforcement is sought finds that: The subject matter of the dispute is not capable of settlement by arbitration under the law of that country, or the recognition or enforcement of the award would be contrary to the public policy of that country” (“*arbitrability*” and the “*public order*” clause).

in order to verify the barrier criteria (ground of refusal), provided by article 394, paragraph “a” of the CCP¹⁸⁹. The Albanian Code of Civil Procedure, which regulates the recognition of the foreign awards, does not prevent the Court of Appeal to evaluate all the circumstances which affect the competence of the foreign arbitral forum to examine this case and to render an award on it. These circumstances are *the existence of a valid arbitration agreement* and the *arbitrability of the conflict*, but, as it results from the practice, the Court of Appeal considers only the first circumstance when evaluating the competence or the incompetence of the forum.

At this point, it should be noted that the doctrine of international arbitration promotes the possibility of raising the claim on *arbitrability of conflict* in front of the competent court invested to review the request for recognition, as provided by the provision of the New York Convention. According to this doctrine, the question of *arbitrability of conflict* can be raised, as a legal ground, in four different moments: (a) in front of a national court, invested to evaluate the validity of an arbitration agreement; (b) in front of the arbitrators themselves, when they consider and decide on the extent of their competence; (c) in front of a national court, usually the competent court of the country where the arbitration is conducted, trying to set aside the arbitral award; and finally (d) in front of a national court, invested for the recognition of a foreign arbitral award, trying to refuse the recognition¹⁹⁰.

As above, we conclude that, regardless the internal law (Albanian Code of Civil Procedure) allows and the international doctrine stimulates the control of the *arbitrability* from a national court, in front of which the recognition of a foreign arbitral award is requested, the Albanian court practice departs from this approach. That’s precisely because the Court of Appeals do not consider one of the main legal grounds for refusal of the award recognition, provided by the New York Convention, which is the non-arbitrability of the conflict, subject of the award. Therefore, the Albanian court does not take into consideration the recognition criteria (in other words the “recognition barriers”) of a foreign arbitral award provided by the New York Convention, while this is a constitutional obligation, as stated in the

¹⁸⁹ Code of Civil Procedure, article 394, paragraph (a): “... according to the provision in force in the Republic of Albania, the dispute matter stated in the award may not be competence of the court (arbitration forum) of the State that rendered the award”.

¹⁹⁰ Tibor Varady, [John J.Barcelo](#) - “International Commercial Arbitration – A “Transnational Perspective” (American Casebook Series), fourth edition, 2009, p.234.

decision of the Albanian High Court No.6, dated 01.06.2011¹⁹¹. The Supreme Court has stated, in the above decision, that the requirements of the internal law which are presented as obstacles to the recognition of foreign arbitral awards should not preclude the court's evaluation of the criteria of the New York Convention, contrariwise should be considered as complementary grounds to them¹⁹².

Conclusion and recommendations

The Albanian court practice has already consolidated the procedural legal instruments for the recognition of the foreign arbitral awards. Through the awards¹⁹³ given by the Court of Appeal, in its capacity as the competent authority of the country where the recognition and enforcement is sought, a foreign arbitration award is recognised and it is given legal force in the Republic of Albania, as required in each case. In this way, it can be concluded that in the Albanian judicial practice, in general, the New York Convention is implemented and at the same time is materialized in practice the international involvement of Albania to implement this Convention. In practice, the enforcement of the foreign arbitral award, is carried out through two decisions issued by the Court of Appeal: the first one grants the formal recognition and the second issues the warrant of execution.

From the detailed analysis of the procedural elements of the judicial processes of recognition, it is concluded that the Court of Appeal pays no proper attention to the Convention's requirements, but generally evaluates only the meet of the requirements of the Albanian internal law (Code of Civil Procedure). Bypassing of the New York Convention by the national court, it is firstly noted to the evaluation of legal criteria related with the documents

¹⁹¹ See the decision no.6, date 01.06.2011 of the Albanian High Court, paragraph 17: "In the judicial investigation of cases in which is required the enforcement of the awards of the foreign arbitrations, in accordance with article 122 of the Constitution, necessarily must be taken into the account the verification of the existence or not of any substantial legal ground, provided by article 5 of the New York Convention, if the parties belong to States that are parties to this Convention".

¹⁹² *Idem.*, paragraph 20: "In the second phase, if the request to enforce the award of a foreign court or a foreign arbitration meets the conditions for formal-procedural regularity of its filing, the Court of Appeals sets the hearing in which the subject of the trial is only the existence or not of some of the obstacles and legal grounds provided by article 394 of the Code of Civil Procedure, article 5 of the New York Convention or the any special provision for this purpose, provided for by law or other international agreement".

¹⁹³ The decisions rendered by the Court of Appeal in Tirana with no.54, date 29.05.2007; no.34, date 31.03.2009; no.17, date 27.02.2007; no.106, date 08.11.2007; no.122, date 14.12.2010.

that formally must be attached to the recognition request. It is exactly in this procedural point, that the national court bypasses the requirement of the Convention, neglecting (tolerating) in some cases the non-presentation of the arbitration agreement as an important document that, according to article 4 of the Convention, must be attached to the request for recognition.

Similarly, when evaluating the obstacles for the recognition of the foreign arbitral award in Albania, the national court is focussed mainly on the requirements of internal law, while initially should be considered the criteria of the New York Convention. In particular, the court is silent regarding the arbitrability of the conflict, subject of the foreign arbitral award, as one of the main requirements of the Convention (article 2.5) to accord the recognition of this award.

The need arises to sensitize the domestic national courts to support arbitration process, because without this support, the arbitration and particularly the international arbitration will remain ineffective. Regarding to this, an important role is played by the Court of Appeal as the competent authority to authorize recognition, in different words, the authority which makes effective the award of a foreign arbitration in Albania. This Court, until the adoption of the new legal framework, has the task to overcome the legal handicap, created as a result of discrepancies between the provisions of the New York Convention and the ones of the CCP. The panels of this court, in cases of recognition of foreign arbitral awards, must apply in a complementary manner for as long as they do not contravene with each other, the provisions of the Convention and the Code. Such application of the provisions is necessary to evaluate the application procedures for recognition and its accompanying documentation, as well as to verify the grounds for refusal or legal barriers to the recognition of award, which are subject to the Convention. Moreover, it should not forget the fact that the provisions of the Convention have priority and, in case of conflict, they prevail over the provisions of the Code of Civil Procedure. Therefore, any decision of the Court of Appeal, which states the recognition of a foreign arbitral award, must necessarily mention the provisions of the Convention. The lack of such a reference may constitute a sufficient legal ground to recourse against the decision of the Court of Appeal.

The Court of Appeal, in processing the application for recognition of a foreign arbitral award should require the deposit of the arbitration agreement, as documentation that accompanies the application. Also, this court must decide on the assessment of possible defects of this agreement, which can be assessed by the court *ex officio*, or at the request of the party against whom recognition of the award is sought. It is also the duty of the Court of Appeal to state that the award, submitted for recognition, meets or not the criteria of a *foreign* arbitral award, criteria which are stipulated by the

New York Convention and domestic legislation. Such an expression is necessary in order that the Court of Appeal can prove its jurisdiction on the subject matter.

The Albanian courts in proceedings for recognition of foreign arbitral awards should pay more attention to the New York Convention and its interpretation. In this context, they should follow the rules of interpretation contained in the “*travaux préparatoires*”, which presupposes the interpretation of the Convention, based on the explanations of various documents (reports, reviews, etc.), which are produced before and during its drafting. While, for some legal concepts, that constitute legal obstacles to the recognition, i.e., "public order" or "public policy", it is important that the doctrine of law and jurisprudence make an interpretation of the extent of the meaning of these terms (e.g. it would be useful a unifying interpretation of the Supreme Court).

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4G TECHNOLOGY IN BRAZIL AND THE PUBLIC POLICY FOR UNIVERSAL ACCESS AND COMPETITION IN THE TELECOMMUNICATIONS SECTOR

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Abstract

The new demands for the regulation of competitive public services, which have changed several parameters of traditional administrative law in a framework of redefining the role of the state, require the analysis of instruments used in public policies for development. In this context, the telecommunications sector seeks to fulfill two main objectives: universal access and competition. Subsequently, public tenders of licenses to operate 4G technology in Brazil have used a number of expedients, such as the requirement to waive existing licenses or the cross-subsidization incorporated in the joint tendering of frequency bands for rural areas. Through an analysis using a descriptive, inductive and interdisciplinary method, in which we compare the current situation in this sector with earlier national and international experience, we conclude that universal access can be achieved by means of the employed instruments, however, under different circumstances with respect to competition.

Keywords: Development, Telecommunications, 4G technology, Public policies, Public Law

Introduction

In June 2012, an auction was conducted by the Brazilian National Telecommunications Agency (Agência Nacional de Telecomunicações - ANATEL) to publically tender the licenses to use radio frequencies in the 450 MHz and 2.5 GHz sub-bands (the latter are known as 4G technology). Such licenses to exploit a public good represent a significant benefit for the telecommunications sector because they will facilitate a substantive increase in the exchange of data between service users. Therefore, questions have been raised regarding the contribution of this license-granting process to development, which is understood as changes in the economic and social structure (NUSDEO, 2001) and characterized as a process of institutionalizing economic democracy (SALOMÃO FILHO, 2002). Given the recent increase in demand for communications services by consumers, broadband presents an important opportunity to increase related infrastructure. The same phenomenon occurred in the USA, according to Degnan, McLaren and Tennant. By increasing the demand, the transmission area increases, causing gaps between locations. To fill these gaps, providers of cellular services should construct additional sites to accommodate the increased demand without sacrificing the service quality, which requires an efficient regulation that encourages such behavior (1999).

According to Salomão Filho, there are three principles of economic order that enable society to choose between options: the redistributive principle, the principle of dilution of the economic power centers and the cooperation principle. The primary goal of the Brazilian government is to promote development through the adoption of these principles. Thus, its intervention by guidance in the economic field becomes relevant.

In this context, ANATEL's tender of radio frequency bands represents a case of regulation with developmental scope in search of the forced diffusion of economic knowledge. This diffusion occurs by the implementation of the redistributive principle (observed in determining the expansion of service to rural areas by the companies that won the auction) and the principle of dilution of the economic power centers (realized in encouraging competition by dividing the spectrum into sub-bands and lots and by the requirement of waiving the 3G spectrum in the same locality by the winning companies). These circumstances characterize the telecommunications sector, where Law No. 9.472/1997 (the General Telecommunications Law – Lei Geral de Telecomunicações - LGT) adopts the principles of competition and universal access as the policy foundation for the sector.

However, certain questions should be raised, such as the technical basis used for the adoption of this system, because there may be more viable alternatives. For example, could the determination to expand service to rural

areas by the same companies that won the auction, that is, dividing the spectrum into sub-bands and lots and waiving existing licenses (in certain cases, inserted in the public policy for the sector), result in the sector's development, or would this practice discourage investment by forcing investors to make expenditures on activities that are not always profitable? Furthermore, could the desired results be achieved by such instruments, or would a greater liberalization be more practical? These issues, in a broader view, are profoundly linked to a vision of how the state should act in the economy to foster development.

To obtain at least a few answers to these questions and because the research objectives concern examining the reasons for the government's arguments and the consequences of the demands placed on companies, the most appropriate method is descriptive. This method does not necessarily establish the factors that contribute to a phenomenon's occurrence, something that is difficult to determine in the case of social sciences (GIL, 2007). Based on this descriptive perspective, the inductive method also appears relevant. The hypotheses will emerge from the analyses of the current legal scenario in Brazil, of the incentives (from a developmental perspective) and of other cases that used the same instruments. This approach will facilitate a conclusion that can be "reality tested" because it is grounded in concrete cases. Therefore, the use of an interdisciplinary approach is also necessary (DEMO, 2000, p. 65), including mainly concepts from other areas of the exact and economic sciences.

Because the methodological and technical possibilities do not exist, accurate projections are impossible. We intend simply to establish a number of assertions about the public policy to encourage competition and universal access that was employed in granting the new licenses.

Current Broadband Scenario in the Brazilian Telecommunications Sector

Until the implementation of the "Telebrás System" (Brazilian Telecommunications - Telecomunicações Brasileiras - Telebrás), the Brazilian telecommunications sector consisted of several local and regional companies, whose operations lacked coordination. This lack of coordination jeopardized the development of a national network, which was essential for communication. The system's effective implementation between the late 1960s and the early 1970s followed a centralized format with the state monopoly of the union, which was approved by Article 21, XI, of the Federal Constitution of 1988. Such a format was crucial to the development of a national infrastructure, both to coordinate actions throughout the national territory (previously characterized by the disorganization of local actors) and to increase investment (FARACO, 2010).

However, a new context emerged for redefining the role of the state in relation to its duties. Here, the late twentieth-century idea of subsidiary operation was revived for application in the early twenty-first century. The idea was based on economic neutrality and the reduction of state activities (GABARDO, 2009). This new context substantially influenced the rules governing economic sectors related to infrastructure and therefore the telecommunications sector. The transition from the state monopoly to a system of private competition began with Constitutional Amendment No. 08/1995, which amended Article 21, XI, of the Federal Constitution and allowed private companies to participate in the implementation of telecommunications services. The main objectives of this constitutional reform were in tune with the new context. It was sought to strengthen the intervention under the state's guidance in the economy rather than the state's direct operation.

The traditional notion of public service itself has been affected. Because they are linked to the relations between state and society existing in the historical moment in which they develop, legal institutions reflect such a relationship (GROTTI, 2006). Thus, the need to introduce competition in a particular previously monopolistic sector, such as telecommunications, meant that public services could be provided on a private basis. This approach opposes the classical idea of public service in which such a provision would only occur in a public regime (GROTTI, 2006). Actually, this division of regimes, public and private, is at the center of the two principles that guide the regulation of the telecommunications sector: competition and universal access. This sector has two peculiarities that require the public law applied to it to modify itself to maintain its effectiveness: a greater influence of technological advancement and a legal subsystem within the system itself. These peculiarities transform the useless and antiquated legal tools applied in this economic area (MARQUES NETO, 2006). Grotti advises that changes to the state model resulted in a new principle that would be friendlier to the regulation model of competitive public services: the principle of vertical disintegration of the distinct phases or segments of a business (*unbundling*), where the segments provided by competing operators in competition would be distinguished in it. Common to all, the infrastructure, and another singled out, the service itself.

The new system was based on two premises. As previously mentioned, the first one would be the cessation of direct guidance by the state, which counter-intuitively substantially increased its regulatory role. The second would be the legal balance between the two main principles: universal access and competition. Universal access would seek to reach potential users, whereas competition would seek the effective user. Such a balance would be achieved using regulatory asymmetry between providers in

the public system, who would be obliged to furnish universal access, and providers in the private system, who would not be obliged to do so (other than by the possibility of interconnecting networks) (MARQUES NETO, 2006). Therefore, basically, universal access would be provided for the segment in which there would be no infrastructure or access, thus would connecting it to the public service provided in the public regime, and competition would be applied to the segment in which it was possible, with public service provided in a private regime.

After the establishment of this general framework by LGT (before concessions were made), the Union initially enacted a General Concession Plan (Plano Geral de Outorgas - PGO) through Decree 2.534/98 to establish competition in the various regions of the country by creating a duopoly system in each one. Universal access included two situations: individual telecommunications services that should be provided at reasonable fees to any person or organization and other forms of individual access to telecommunications services without the economic condition of paying commercially reasonable rates for individual services. Thus, Decree 4.733/03 established that public policies related to telecommunications services should ensure individual access for all citizens to at least one telecommunication service and the Internet at reasonable rates.

After these preliminary considerations, we can establish the basic normative framework that regulates the exploitation of this public good and according to which the ANATEL auction of radio frequency licenses was conducted. This step is relevant because it will demonstrate whether the legal stimuli in the sector can actually develop the infrastructure. With only several differences regarding nomenclature remaining, the main normative reference is the LGT. Without making considerations of constitutional order will not be considered because there are no doubts regarding the possibility of transferring the service implementation to private agents or the possibility of direct implementation by the Union. The LGT determined that the exploitation of the radio frequency service would occur according to a private regime based on a previous approval from ANATEL (artigo 131, §1º, LGT). Within the relevant adopted public policies, the public good must still be contained in the National Broadband Plan (Decreto nº 7.175/10) and the General Plan of Universal Access Goals for the Fixed Switched Telephone Service (Decreto nº 7.512/2011). This plan has been decisive for the inclusion of the granting of licenses to use of radio frequencies in the 450 MHz band, which are essential bands for meeting the established goals there.

The invitation to tender was prepared with the purpose of implementing the provisions contained in the Decreto nº 7.512/2011 and approved by Resolution Nº 516/2008 in compliance with Resolution Nº 544/10.

Public Policy Requirements for the Sector at the Invitation to Tender

Already prior to the issue of the invitation to tender, ANATEL was assigned (Decreto n° 7.512/2011) the expansion of access to telecommunications by granting licenses to use the radio frequency sub-bands from 451 MHz to 458 MHz and from 461 MHz to 468 MHz and to require from the grantees counterparts in the form of services to rural and remote regions. Two principals were to be observed: (i) the gradual expansion of the service penetration in rural areas and remote regions through selection criteria based on the lowest price of service plans for the final consumer and (ii) the principle of providing free broadband Internet access in all public schools in rural areas.

Based on the Decree, ANATEL issued the Resolution N° 544/2010 to modify the allotment and regulate the use of radio frequencies in the currently used bands, as well as those that would be tendered, where the joint tendering for use of the 450 MHz band along with the 2.5 GHz band arouse. This joint tender actually reverberates an old expedient in the telecommunications sector known as cross-subsidy, which is the transfer of funds from a one particular segment to another so that the beneficiary segment can pay lower values rates (CÂMARA, 2009).

Because the radio frequency spectrum is a public good of limited resources managed by ANATEL, it fell to ANATEL, within its reasonable discretionary judgment, to decide in a motivated way to jointly tender licenses for the use of the 450 MHz and 2.5 GHz bands. ANATEL's technical department demonstrated that the proposed tendering model would ensure the viability of operations in both bands. Thus, within the presented normative framework, there is no legal impediment to the proposal of a joint tender of the 2.5 GHz and 450 MHz bands. Furthermore, in the case of a joint tendering, the imposition of obligations on the part of the winning bidder is possible. Such a system has been adopted by ANATEL for some time and can be seamlessly implemented with the assumption by the winner of commitments in favor of the community, for example, the implementation of support to provide services in rural areas. Commitments are made based on LGT articles 135 and 136, paragraph 3, among other articles. In this regard, Decree 7.512/2011 determines, regarding the 450 MHz band, that the tender requires counterparts from the winners in the attendance form of rural areas and remote regions.

Another requirement is found in article 11 of Resolution No. 544/2010, which establishes guidelines for the licenses to use radio frequencies acquired in new tendering processes: certain "spectrum" limits should be respected. That is, it was clearly established that to use 4G technology, providers should renounce the use of existing licenses in the same locations, in this case, to use 3G technology. Thus, by limiting the

auction participants, ANATEL promoted competition by encouraging the diverse entry of new providers in the 2.5 GHz band in specific market niches. This restriction is intended to prevent the domination of this scarce public good (the radio frequency spectrum) by one or a few companies and to stimulate competitiveness in the sector.

Finally, Invitation to Tender No. 004/2012/PVCP/SPV was published. In addition to establishing the obligation to waive the use of existing licenses, limits were re-defined in the Invitation to Tender in items. Accordingly, the division of the tendered object into radio frequency sub-bands, which were grouped into lots for auction and of the invitation to tender could be verified. Both measures are aimed at enhancing competition.

Previous National Experience in the Search for Universal Access to 3G Technology and Several Points Regarding Competition And Some International Experiences

Mobile networks for broadband access using 3G technology were implemented beginning in 2007 with two operators on the 850 MHz band. Similar to the tender of 4G technology, which aimed to expand the provision of services based on this technology, Invitation to Tender No. 002/2007/SPV sought to guarantee PMS coverage in all Brazilian municipalities by 2010 and the diffusion of 3G technologies throughout the country by requiring various obligations to be assumed by the concessionaires who purchased the sub-bands such as including a requirement in the invitation to tender related to the injunction to provide service to areas of high interest and to less attractive areas, as described for the 4G technology auction. The result was progress in the expansion of 3G technology for PMS use throughout the country, although the service has not yet reached several less populated regions (PENA; ABDALLA JÚNIOR; PEREIRA FILHO, 2012). However, at the time the initial fixed network system for FSTS and CMS (the mobile service that preceded PMS) was implemented, the adopted mechanisms had perhaps failed to apportion competition. It seems that there was no consolidation of other companies to compete with the companies purchasing the entire previously installed public network. However, there was a substantial increase in competition regarding the mobile telephony market in which these concessionaires disputed the market with groups formed from the duopoly established for CMS, which resulted in a rapid service expansion (FARACO, 2010).

The description of some international experiences in the sector, which used the same public policy mechanisms adopted in Brazil, has a substantial value to be used, if not as a parameter, as data intended for developing assertions about its effectiveness. In an article on the diffusion of mobile telecommunications in Central and Eastern Europe, Gruber states that

for many decades, the telecommunications market was based on a natural monopoly (as in Brazil). This natural monopoly became untenable with the development of mobile technology, particularly with the change from an analog to a digital system. This change substantially increased the efficient use of the frequency spectrum, which expanded the market and enabled the participation of a larger number of competing companies. As a result, the spread of the service accelerated (GRUBER, 2000).

Regarding cross-subsidies in telecommunications, Kaserman, Mayo and Flynn state emphatically that such subsidies are useless for development. Based on an analysis of empirical results, they demonstrate that such policy has no causal relationship with the goal of universal access and observe that subsidies and subscription fees are determined by economic variables such as those described in the theories of competitive market regulation (1990). Conversely, Majumdar and Chang conclude that in the U.S. the funds generated by cross-subsidies were invested by companies in technology diffusion and digital technology development. The subsidies played a positive role in providing the capital that these companies required to expand consumer access (2013). Interestingly, if cross-subsidies are used in a free market only for certain companies while others are prohibited from using them, coercive regulatory intervention is required to prevent the market from destabilizing and damaging competition (FAULHABER, 1975).

The requirements of the Invitation to Tender and the Development issue

The development issue is highly interesting to legal scholars but causes uncertainty because it is important and requires definition. Here, efforts will be made to use the views of a limited number of development researchers, which may contribute to disentangling the central issues: (i) Can universal access and competition with respect to 4G mobile technology and wireless networks generate development? (ii) Could the public policy requirements for the sector regarding the invitation to tender generate universal access and competition, or would other methods be more efficient?

However, it is first relevant to note that communication services are highly important in economic development. Using economies of scale and exhibiting network effects, such services generate benefits that encourage innovation in other sectors in a spillover effect. In this context, broadband has become the most robust platform for facilitating economic development, stimulating innovation in other sectors (DAVIDSON; SANTORELLI, 2010). Regarding the first question, it is important to examine the relationship between the constitution and development. The Federal Constitution and development connote the emancipation of humanity, whereby the Federal Constitution is related to the restriction of arbitrary political power and development addresses the satisfaction of material and spiritual needs

(VIEIRA, 2012). This statement does not address the criticism of certain scholars who have discussed the need to reduce expectations regarding the influence of the law as a component of development, given the complexity of the legal system (BARRAL, 2006).

Development has acquired legal force in Brazil by being elevated to the status of a fundamental goal of the republic, according to Article 3, Section II of the Federal Constitution. This section should be read in conjunction with the other sections of Article 3 because the idea of development should involve not only a guarantee but also development's promotion by the Brazilian state. Accordingly and based on an analysis of the beginning of Article 170, we could state that national development is to be achieved through Brazil's economic order, which is founded on the appreciation of human labor and free enterprise. These factors should support the Brazilian state (artigo 1º, IV) with the ultimate goal of ensuring a dignified existence for all. This goal is primarily associated with the social rights described in Article 6 of the Federal Constitution. The same would occur relative to the purpose of the economic order stipulated in the beginning of Article 170 of the Federal Constitution and with respect to public services, where the state has the duty to act as a regulator (artigo 174 da Constituição Federal) or to provide public services (artigo 175 da Constituição Federal). We could say that such services are related to activities connected with sustainable national development because the effectiveness of such development is closely linked to the social rights guaranteed in Article 6, particularly the infrastructure required for development's realization (SHIRATO, 2005).

In a subjective sense, the idea of development should consider the agents responsible for development or development's beneficiaries because development is linked to fundamental human rights (RISTER, 2007). Well, under this regard, what would be the purpose of the obligation to provide universal access to the telecommunications services if not development because it would create greater access? And the prediction that larger actors will work in the sector through competition?

From this subjective perspective, there is also the developmental theory of Sen. Generally, according to this author, development should be observed as a process of expanding the real freedoms of the people, which would allow for their free status as agents, and this requires the removal of the major sources of their deprivation. The ideal instrument for achieving each freedom is public policy (2000). Not much effort is required to verify that the joint tendering of the 450 MHz and 2.5 GHz bands, which seeks to increase service penetration in rural and remote areas (and thus remove the obstacle of the lacking commercial interest of these areas), aims to expand the economic facility and social opportunity of the individuals who live

there. Increasing competition by dividing the tendering object into radio frequency sub-bands would remove barriers to the entry of new companies into the market and contribute to economic facilities, although from an entrepreneurial perspective. In the U.S., competition has been promoted as the proper means to organize the telecommunications sector, while reflecting the new technological realities and opportunities (TEECE, 1999).

From an economic perspective, these public policy instruments in the search for universal access and competition aim to correct the so-called “market failures”, each in one aspect. In essence, these failures would be ubiquitous externalities, public goods, imperfect competition and inadequate information (MITCHELL; SIMMONS, 2003), which would create inequities in the distribution of wealth, creating inequality. A plausible response to this phenomenon would be public policy. A well-designed state action in this regard would directly benefit the end users of the service (telecommunications consumers) because it would create genuine competition and not additional different prices based on market distortions and produced by random “patchwork” (MARASHLIAN; HANKINS; MCREYNOLDS, 2011). However, several criticisms can be made. For example, neoliberal theorists argue that prices coordinate human activity, and incidentally, the market coordinates better than politics. The markets would be decentralized processes that guide human activity (MITCHELL; SIMMONS, 2003). Because they are inefficient, policy instruments, such as those used in the telecommunications sector, would simply distort the normal course of activity.

From the economic perspective, generally, Furtado begins by observing that development is commonly defined as the increase in the quantity of goods and services during a particular period for a particular community and that quantitative elements are linked to the price system. For Furtado, development must be linked to the increased flow of social income, whose growth is only possible with the increase in productive capacity. In the case of an industrial society, such as present-day society, the accumulation of surplus is in the hands of the businesspeople who reincorporate it into the production process through new techniques, which generates internal market expansion without the need to search for new markets (FURTADO, 2009). Thus, would it not be appropriate to ask whether the expansion of the 4G service to new users through new techniques could not generate increased domestic market and entrepreneurial gains, which would increase productivity and therefore development?

In another perspective, Salomão Filho states that we cannot use a purely economic idea of development because such an idea is only based on efficient outcomes and does not indicate the direction in which the process must occur. This role should be assigned to the law, whose function is

essentially linked to the fundamental values of social organization. Based on this idea, Salomão Filho elects three guiding principles of the development effort, which would enable society to choose between the options listed in the principles of economic order inscribed under Article 170 of the Federal Constitution. The first principle would be the redistributive principle (artigo 170, VII, Constituição Federal), which would expand the consumption by society, resulting in the inclusion in the economical choice process and the elimination of allocative efficiencies in economic knowledge concentration because the database on individual preferences would be enlarged. The second principle would be the principle of the dilution of economic power centers (artigo 170, incisos IV e V, da Constituição Federal). According to this principle, competition should be a fundamental guaranteed value because competition increases freedom of choice and consumer information. Additionally, there should be greater involvement of social groups in the process of drafting regulations. Finally, there is the principle of cooperation (artigo 170, incisos IV e V, da Constituição Federal). This principle's goal would be the reduction of strictly individualistic choices at the expense of social choices, whereby the lack of cooperation should be viewed as an informational problem that is not linked to human nature. (SALOMÃO FILHO, 2002).

Starting from this concept, we clearly envision the developmental scope of the licensing of radio frequency spectra for 4G technology in the pursuit of the forced diffusion of economic knowledge through the implementation of (i) the redistributive principle, which can be achieved by assigning the expansion of 4G service in rural areas to the companies that win the auction, and (ii) the principle of the dilution of economic power centers, which can be realized by increasing competition. Both principles can be observed in the division of the spectrum into sub-bands and lots and in the mandatory waiver of the 3G spectrum by winning companies in the same geographical region. Therefore, after addressing several answers regarding to the question of whether universal access and competition of 4G mobile technology used to providing access through wireless networks would be able to generate development, we concluded, not definitively, that yes, they would be able either by seeking to enforce the constitutional principles and social rights or by allowing the individuals to develop their skills by themselves, either by generating expansion of the internal market, or by seeking the forced diffusion of economic knowledge. In this context, the effectiveness of public services, which are mandatory for development, is necessarily linked to the regulatory activity of the state, which organizes economic activity by intervening through the granting of public services to private persons and regulating their use or by exercising police power by enacting rules and supervising (SALOMÃO FILHO, 2008).

Thus, we attempt to answer the second question (stated earlier): Could public policy requirements for the sector (with respect to the invitation to tender) based on government regulation in the pursuit of development generate universal access and competition?

For universal access, the expansion of the GSM network is required. As demonstrated by a survey conducted by Pena, Abdalla Junior and Pereira Filho (2012), through the 3G technology invitation to tender, which accomplished the same goal of universal access established in the 4G technology invitation to tender (joint tendering involving rural areas), there has been progress in the expansion of 3G technology for PMS across the country. Nevertheless, the service has not yet reached several less populated regions. Evidence of service expansion with compulsory universal access in the diffusion of mobile telecommunications can also be found in Central and Eastern Europe.

No evidence of effectiveness was found regarding the promotion of competition through mandatory waiving of existing licenses and the division of the radio frequencies into a larger number of sub-bands. Most likely, these mechanisms did not achieve their goals because the winning companies were Claro, Vivo, Tim and Oi, which dominate the market. However, as previously described, after the regulation of the sector, there was an increase in mobile telephony competition because the concessionaires disputed the market with groups formed from the duopoly established for CMS, which quickly expanded the service. Thus, we have found strong evidence that the public policy requirements for the sector (expressed in the invitation to tender) in the pursuit of development can generate universal access to the service. Regarding competition, we could not establish a stronger proposition because the only evidence of effectiveness occurred at the time of tendering, not during the development of the market.

Conclusion

The current normative framework for broadband is inserted in a legal system for the telecommunications sector created to stimulate competition and universal access in the face of new demands for the regulation of competitive public services. These demands changed several parameters of traditional public services in a context of redefining the role of the state in the 1990s and require that instruments are adopted through public policies that aim at such stimuli.

Both pillars of the legal system are connected to a broader vision of how the state should act in the economy to foster development. It was concluded that universal access and competition with respect to the 4G mobile technology used to provide access through wireless networks would be able to generate development. as they would realize constitutional

principles and social rights would be recognized, which would enable individuals to develop their capabilities, expand the domestic market and promote the forced diffusion of economic knowledge. Based on these requirements and several decrees and resolutions supported by LGT and the Federal Constitution, ANATEL issued the Invitation to Tender No. 004/2012/PVCP/SPV with three public policy instruments. Two instruments aimed to increase competition: the obligation to waive existing licenses by the winning companies in the same territory and the division of the tendered radio frequencies into sub-bands. The sub-bands were grouped into lots for auction. One aim was universal access through cross-subsidization, which was incorporated into the joint tendering of the 450 MHz and 2.5 GHz bands. The first was designated for rural areas.

Regarding the latter, expanding the use of CMS by expanding its GSM network would provide universal access. This goal could be achieved because of experience with the previous technology (3G) on the national level, international experience with the forced realization of the principle and the use of cross-subsidization. This achievement demonstrates the effectiveness of this public policy instrument. The same cannot be stated regarding the increase in competition. The tender winners were Claro, Vivo, Tim and Oi. These companies largely dominate the market. These companies are rapidly expanding service. However, there is no consistent evidence that their competition benefits the consumer while properly developing the market, perhaps because the process remains at an early stage.

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ENVIRONMENT PROTECTION UNDER THE ALBANIAN DOMESTIC LEGISLATION

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Abstract

Environment protection is of higher importance in developing countries like Albania. This paper shows how the new Albanian governmental and social bodies have faced this emerging challenge in favor both of the wellbeing and higher standards of environment of proper citizens. The rapid urban development which characterized the Albanian transition from the '90s till nowadays has increasingly marked environmental standards. In addition, educational campaigns in favor of environmental protection have almost been absent although non-governmental agencies in the field are numerous. The awareness of the Albanian citizens at the beginning of the democratic processes towards issues of environment and sustainable development has been at the lowest ever; only with the improvement of economic standards and better quality of life, this sensibility towards the environment modified the fundamental social interests in favor of sustainable development without renouncing anyway from economic targets. The efforts of the government and the civil society in favor of the creation of a environmental mentality within the Albanian society is one of the clearest effects of the integration process towards the European Union which pays due attention to the environmental issues. The Albanian legislation, in the wake of the European one, tries to set up a complex of rules for the protection of environment under all its aspects. There is still much to do but the master route remains the European one.

Keywords: Environment, human rights, EU integration, pollution, environmental damage

Introduction

Starting from the 90-s and onwards the new Albanian democratic society, alongside many tasks to solve, was also faced with complex environmental problems. The new state, political forces, professors, environmentalists and the most emancipated part of the society committed themselves thus emphasizing their involvement in the environment (Pamuku

& Proko, 2009). For several years, Albania has been involved in rapid urban developments, which is not associated with a small cost in the environmental plan. Increased consumption, transportation, urban or inert waste, discharge of sewage into seas and rivers, indiscriminate cutting of forests, erosion of river beds, burning tires, erosion of mountains, uncontrolled constructions, etc., are just some of the occurred environmental impacts. It is undeniable that over the last ten years, the environment and its protection are subjected to a process of a long and thorough evaluation. As it was intended, this process is becoming a reality with the adoption of contemporary attitudes towards the environment and its protection, this is also deemed as an important step in efforts to integrate into Europe.

I.

Albania and the environment

Until today some phenomena have occurred for the first time in the Albanian reality, which are (Ministry of Environment, 2004): formulation of strategies, action plans and programs for the environment and its components; adoption of a new Albanian environmental legislation; establishment and functioning of state structures for the protection and management of the environment; the involvement of civil society in environmental issues, mainly through the creation and operation of environmental NGOs; defining the roles and responsibilities of stakeholders in the environmental field such as the state and its special bodies, civil society and interested public, NGOs, business investors, etc; establishment and functioning of close co-operation with international environmental factors such as international and intergovernmental organizations, regional and global, with different states, in particular neighboring countries and regional ones, etc.; integration on initiatives, global and regional strategies and plans, becoming signatory and a party to international environmental conventions, protocols and agreements; formulation and implementation of many important environmental projects in the Albanian environment supported by strong foreign donors.

Twenty years after the historic Rio Summit, Albania has experienced significant economic growth and poverty reduction. Access to education, health-care and water has also seen improvements and there has been a large increase in the participation of civil society in policy-making, to improve communication on the Internet. Despite positive developments, significant gaps and implementation challenges still remain. Many environmental challenges remain unresolved and have become more acute. Greenhouse gas emissions continue to rise, especially in urban areas, moreover, climate changes add more to the environmental problems in Albania. Contamination of water resources and marine environment is serious, especially in the

vicinity of cities and industrial areas, due to sewage. Such pollution poses more serious problems. Soil erosion and soil contamination pose serious concerns. Waste management situation in Albania is at a very low level becoming thus a major source of pollution (United Nations, 2012). Over the past decades, sustainable development has been fueled by a number of adopted documents and policies. The development of sustainable use of natural resources aims to prevent environmental pollution also from degradation and to promote environmental protection in Albania. Since the Rio Conference, progress towards achieving sustainability is assessed in different ways.

Environmental non-profit organizations have played an important role in environmental protection these recent years. In Albania there are about 100 environmental organizations, most of which are active. Most environmental NGOs are situated in Tirana, but there are many environmental NGOs in the districts, although their activity is lower. Major environmental NGOs in Albania are Eper Center, The Institute for Environmental Policy, *Ekolevizjaj* (Eco-movement), Eden Center, etc.

To track the progress of the new environmental legislation drafting, the period of drafting and approval can be divided into two parts. The first part corresponds to the years 1990- 2000 and the second part: from 2001 until today. By 2002, environmental protection was based on the 1993 law entitled "Environmental Protection", as amended in 1998. During this period, laws that significantly helped environmental management, were drafted and adopted in other areas. Therefore, in the Criminal Code of 1995, a separate chapter on the environmental crimes is included (Criminal Code, 1995). With the adoption and the effective implementation of the Constitution of the Republic of Albania, some principles and requirements for environmental protection such as, the principle of sustainable development and public right of access to environmental information, became constitutional norms.

In the meantime reality had shown acute problems related to the management, use, and more efficient protection of the environment and existing environmental law. Activities that have an impact on the environment have increased, becoming present in various branches and sectors, extending across the country, affecting and seriously jeopardizing important environmental components. At the national level, and more specifically the protection of the environment, was set as a constant demand of the priorities for the integration in the European Union, within which domestic environmental legislation should harmonize with the standards and requirements of the EU. In such conditions, the fulfillment of the environmental legislation and its approximation with EU directives are considered as a single task and have been identified as a top priority in state

obligations on the environment and as an important step in Albania's EU integration.

Environmental legislation in Albania

The creation of a new legislation was a need of time that could not be tolerated or avoided, it is developed in the New National Plan of Action of the Environment in 2001 and has taken the first place in the queue of tasks that the Ministry of Environment has been committed to resolve. Pursuant to this task, a legal package for the environment is designed, where more urgent laws will be involved to fill the significant legislative gap that existed in the protection of the environment.

Currently, Albania has established its completed and very applicable environmental law. Gradually, the environmental law has been consolidated as a separate branch of the Albanian law. Moreover, not only that there is an Albanian law of the environment, but it also has its sub-divisions, where each of these laws and regulations belong to the main components or environmental issues. Therefore, now it can be considered an almost complete legislation committed to the conservation of biodiversity and its components. It includes the Law on Forests and Forest Protection, the Law on Fisheries and Aquatic Life, the Law on Seeds and Seedlings, the Law on Wildlife and hunting, Horticulture Protection Law, Law on Protected Areas, Law on Protection of Trans-Border Lakes, Forests and Pastures Law, Law on Protection of Nature Medical, Ether and Oil. In addition, another group is made with laws that protect the environment from pollution and damages as the Law of Air Protection from Pollution, the Law on Environmental Treatment of Solid Waste, the Law on Public Dispose of Waste, the Law on Environmental Treatment of Wastewater, the Law on the regulatory Framework of Water Supply and Waste Destruction and Treatment of Water, and the Law on Chemical Compounds, etc. Another special group will consist of laws regulating the processes of environmental impact assessment and environmental permit issuing the environmental impact.

The legal system is based on a hierarchy: the Constitution, primary legislation (qualified laws) and supporting normative acts, such as laws, government decisions, decrees, ministerial orders, regulations, guidelines and standards. The Constitution, adopted in 1998, calls on the Albanian authorities to maintain a healthy life in an ecologically suitable environment for present and future generations (Albanian Constitution, 1998). The Republic of Albania has adopted a number of laws in the field of environmental protection, showing its commitment to environmental protection. The Ratification of international agreements is done by law under Part Seven, Chapter I and II of the Constitution "International Agreements" (Hitaj, 2013). Articles 116, 121 and 122 of the Constitution, sanction that:

international agreements ratified by Albania are classified as laws and become part of the national legislative system after its publication in the Official Journal. International agreements are directly applicable, except if they are not self-applicable and the application requires a new law to be approved (Committee, 2002). Once ratified, international treaties have precedence over national laws (Hitaj, 2013; Sinagra & Bargiacchi, 2009).

Albanian legislation in the field of Environment represents a general legal framework within which relationships in the environmental field can be developed normally. This legislation forms the basis necessary for the activities of use, management and environmental protection to be lawful (Schrijver & Weiss, 2004). It legally responds to current developments and the medium-term prospects and provides sustainable solutions to problems arising from the practice in the field of environmental protection (Andrzejewski, 2009). It may be noted that this legislation is at the same level of development and changes with those of the respective neighboring countries of the region, thereby creating fundamental premises to undertake joint regional activities in the field of environment in order to facilitate services in this field, and to guarantee the same protection of environmental ecosystems, that are managed by two or more countries (Gillespie, 2001). Principles and requirements for the environmental protection and in particular the adoption of European norms on environmental emissions, this legislation is becoming unified with the EU directives (Jack, 2009). This leads to the increase of opportunities for foreign investment.

Environmental protection and responsibility for environmental damage

The environmental protection objectives under the Albanian legislation and the Albanian environmental law, influenced by the EU integration process (Hinteregger, 2008), are:

- a) prevention, control and reduction of water, soil, air pollution and any other kind of pollution;
- b) conservation, protection and enhancement of nature and biodiversity;
- c) preservation, protection and improvement of environmental sustainability with public participation;
- d) prudent and rational use of nature and its resources;
- e) preservation and restoration of cultural and aesthetic values of the landscape;
- f) protection and improvement of environmental conditions;
- g) protecting and improving the quality of human life and health (Law No. 10, 2011).

Environmental protection from pollution damage constitutes a national priority and it is mandatory for every resident of the Republic of Albania, for all state bodies, as well as natural and legal persons, whether

they are domestic or foreign, who exercise their activities in the territory of the Republic of Albania. Components of the environment are protected from pollution, separately and in combination, by taking in consideration the interactions between them. In case of a threat to the environment, its pollution and damage, the public has the right to: ask the respective public authorities to take appropriate measures within the terms and in accordance with the authority granted by the law; to sue in court, in accordance with the terms of the Code of Civil Procedure, against the public authority or the natural person or legal entity, which has caused damage to the environment or are likely to damage it.

International cooperation

Since the political changes of 1991, Albania has strengthened its international ties in environmental issues both globally and regionally. This effort is a result of the interest of Albania for integration into Europe and the international community, in order to obtain financial and technical assistance to resolve the serious problems of its environment, and take advantage of the mechanisms for international cooperation in environmental instruments (Kiss & Shelton, 2007). Over the last decade, Albania has become party in some global and regional environmental conventions, which now form an important part of its legal system. It has strengthened its ties with the United Nations system, international institutions such as the Organization for Security and Cooperation in Europe (OSCE), The North Atlantic Treaty Organization (NATO), and the governments of neighboring and other countries. Albania has been a member of the United Nations since 14 December 1955. It took part in major environmental events in Stockholm and Rio Conference. On 8 September 2000, Albania joined the World Trade Organization (Voigt, 2011) and attended the Ministerial Conference in Doha, Qatar (November 2001). In its international environmental cooperation Albania adheres to the following principles (Louka, 2006; Sands, 2003; Flournoy & Driesen, 2011): openness to cooperation with international institutions; friendly relations with other nations; the supremacy of international rules; and freedom of economic activities with a consideration to environmental problems.

Cooperation with the EU.

Cooperation with the EU on environmental issues is done through EU accession policies and activities, including the harmonization of legislation, and also through projects benefiting from EU support. Areas of cooperation include water quality, air pollution, pollution monitoring, promotion of energy and safety efficiency at industrial plants, classification and safe

handling of chemicals, urban planning, waste management, and protection of forest, flora and fauna.

Bilateral cooperation

Albania has signed bilateral memorandums on cooperation with the Former Yugoslav Republic of Macedonia and Montenegro to provide the development of cooperation in various fields, including the environment. Albania has also developed cooperation with Canada, Germany, Italy, Japan, Switzerland and the United Kingdom.

Liability for environmental damage

The purpose of liability for environmental damage (Kiss & Shelton, 2007), based on the "polluter pays" principle, is:

- a) prevention and compensation of the entire damage caused to the environment;
- b) the rehabilitation of the environment;
- c) introduction of measures and practices to minimize the risk of environmental damage.

The responsibility for environmental damage is determined on the basis of:

- a) environmental damage caused by any of the dangerous activities, as defined by the Council of Ministers, provided in letter "a" of paragraph 3 of this Article, and the potential threat of such harm;
- b) the damage caused to protected species and natural habitats from any professional activity other than those provided for in letter "a" of paragraph 3 of this Article, as well as any potential threat of this damage, as a result of performing these activities, because of the negligence of the operator.

The operator who caused damage is liable if:

- a) does not take the necessary precautions;
- b) does not take the necessary dissuasive measures;
- c) fails to inform the National Environmental Agency about the risk of damage on the environment, which could be triggered, despite of the taken measures or whether the damage may have occurred or not.

If damage has not occurred to the environment, but there is a direct threat for such damage, the operator shall take immediately and without delay all the necessary measures to prevent causing damage to the environment. If the operator fails to fulfill this obligation, the National Environment Agency takes the necessary precautionary measures and the operator is responsible to cover the corresponding costs.

Enforcement of environmental legislation is the responsibility of inspectors from 12 Regional Environmental Agencies. Every month, inspectors conduct several inspections. They can impose fines, withdraw

licenses, suspend or close operations and to apply the Criminal Code with regard to the following environmental crimes: air pollution, toxic waste transportation, water pollution, prohibited fishing , illegal cutting of forests, cutting decorative and fruit trees, destruction of forests and forest environment by fire, negligent destruction of the forest and the forest environment with fire, breach of plants and animals' quarantine (United Nations, 2003).

Compensation for damage to the environment

Physical and legal entities and environmental organizations in the territory, which are directly affected or suffering the consequences of the damage caused to the environment, have the right to refer to the National Environment Agency so it can require from the operator to:

- a) restore the environment to its previous condition;
- b) compensate the damage caused to the environment, in accordance with what is provided in this law, if the return of the environment to its previous state is impossible.

If the National Environment Agency considers the environmental rehabilitation and the return of the environment to its previous state, to be impossible, it obliges the operator to pay for the compensation of damage caused to the environment.

Conclusion

Environment protection is a crucial issue for all the democratic societies all around the world, especially for those new one which aim to join higher standards of economic development at the benefit of proper citizens and their rights (Senyonjo, 2009 Leib, 2011). In this context, the efforts made by both the Albanian legislator and the administrative power assume a particular importance considering the balance process between the right to economically develop and the right of the next (and present) generation to a healthy and sufficient environment. Therefore, a new national strategy of environmental protection is needed given the celerity of the economic reforms undertaken by the central government. Along with the legislative and administrative actions toward the improvement of the environment a new environmental culture dedicated to the young generations is also necessary and imperative. Both education and legislation constitute important pillars for Albanian society in order to strongly build its route towards the European Union and the way to democratic and developed society.

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The Constitution of the Republic of Albania, Article 121:« Ratification and denunciation of international agreements by the Republic of Albania is done by law».

The Constitution of the Republic of Albania. (1998). Chapter V: Social Objectives, Article 59 (e) (f): « The state, within its constitutional powers and the means at its disposal, aims to supplement private initiative and responsibility with: a healthy and ecologically adequate environment for the present and future generations; f) rational exploitation of forests, waters, pastures and other natural resources on the basis of the principle of sustainable development;»

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AN IMPROVED CROSS VENTILATION MODEL IN WINDY REGIONS

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Abstract

This study suggests a new simulated model to improve cross ventilation performance inside a single room space in the different wind velocity regions. The architectural design decisions of indoor openings and walls can achieve the stagnation and the Venturi conditions that can govern the indoor air velocities inside an indoor room space to be decreased in high wind velocity regions and to be increased in low wind velocity regions. Stagnation condition occurrence when an indoor wall faces an inlet opening can decrease indoor air velocities inside a single room space with a high indoor covered ventilation area because the spreading air mass movements have the curve shapes of the contour lines that indicate ratios of the outdoor wind velocity. Venturi condition occurrence when an inlet opening faces an outlet opening can increase indoor air velocities through the openings inside single room space with the high air flow rates because the penetrating air mass movements have the spire shapes of the contour lines that indicate ratios of the outdoor wind velocity. Hurghada City, Egypt, is selected as an example of windy regions while a single room space is selected as an example of indoor spaces for field and simulation experiments.

Keywords: Cross ventilation; Thermal comfort; Computational fluid dynamics

Introduction

Ventilation of indoor spaces is the best way to achieve thermal comfort in the different windy regions. The study focuses on how to apply cross ventilation by a driven wind.

Two approaches can achieve thermal comfort inside an indoor space. The first approach uses direct cooling depended on the spread of indoor air mass movements to cover a higher ventilation area with an acceptable air velocity. The second approach uses indirect cooling depended on the penetration of indoor air mass movements to increase air velocity through the openings with the increase of air flow rates. The first approach can be applied when the outdoor wind temperature is or less than 26°C; where the air flow patterns are not required to be well distributed, Givoni [1]. The second approach extends thermal comfort up to 32°C, Borger et al [2], Givoni [3], Olgyay [4] and ASHRAE [5]; where the air flow patterns are required to be well distributed. Thermal comfort can be achieved up to 35°C if the air flow patterns cover the highest ventilation area, Karava et al [6]. The mathematical and the positional relationships between inlet openings and outlet openings can improve indoor air flow patterns, Givoni' [1] , [3] and Abdin [7]. Anderson [8] dealt with the relationships between the openings and the walls. Allard [9] focused on the effect of the perpendicular angle of wind direction through inlet openings on indoor air velocities. Mass [10] presented the effect of out wind velocity on indoor air flow patterns.

The only way to increase indoor air velocities despite a weak wind is by the Venturi effect that can be achieved through the narrow widths of openings. The only way to decrease indoor air velocities despite a strong wind is by the stagnation effect that can be achieved by the walls facing inlet openings.

Description of field and simulation experiments

Description of field experiments

An indoor single room space located in Hurghada City, Egypt, is chosen as the model case study. Table (1) presents daily outdoor wind conditions in the hot times of Hurghada City.

The model dimensions are shown in Figure (1). The model has one inlet opening and two outlet openings. One of the outlet openings faces the inlet opening. The model consists of three external walls oriented to 330° to the north having an inlet opening with different widths oriented to 330° to the North and two outlet openings with fixed widths oriented 30° to the South As shown in Figure (1). Table 2 presents the description of indoor room space models.

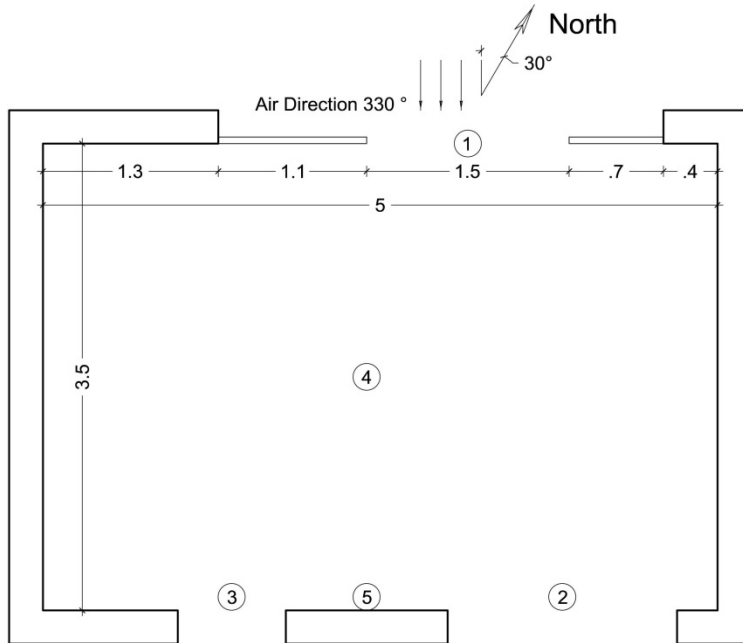


Figure (1): Experimental indoor room space model with the governing points

Table 1: Outdoor wind conditions at Hurgada City in September 2013,[11] and [12]

Wind conditions in September	Actual solar time											
	0 am	2 am	4 am	6 am	8 am	10 am	12 noon	2 pm	4 pm	6 pm	8 pm	10 pm
Solar air temperature °C	30.6	29.2	28.4	27.6	31.6	36.44	38.24	39.44	39.44	35.89	32	31
Wind Velocity	direction°	320	330	300	330	350	340	350	350	340	330	310
	Velocity m/s	5	8	6	6	8	10	11	9	9	6	6.5	5
Humidity %	44	56	54	49	49	49	46	41	38	42	44	44

Table 2: Description of the experimental Indoor room space model

Model dimensions			characteristics of the model's openings						Notes
Width is perpendicular to wind direction (m)	Length is along parallel wind direction (m)	Total model area (m ²)	Ratio of inlet opening width to the total width	Ratio of inlet opening area due to the total area	Ratio of inlet opening width to outlet opening widths	Position of inlet opening due to width	Position of outlet opening due to inlet opening		
5	3.5	17.5	1:3	25 %	2:3 primary 1:3 secondary	At the center of width	Outlet opening facing inlet opening	The model contains two outlet openings	

The first three governing points are chosen at the openings to measure the Venturi effect while the other two points are chosen in the middle of the room space and at the facing wall to measure the stagnation effect as shown in Figure (1).

Four continuous lines express the percentages of outdoor wind velocities 80%, 60%, 40% and 20% respectively obtained by measuring an indoor points on a horizontal plane grid 1 m by 1 m at a level 1.1 m along three lines and across five lines.

Portable ambient weather device WM4 is used to measure outdoor wind conditions. Air velocity is measured by means of an anemometer with a range of (0 m/s-30 m/s) and an accuracy of (± 0.1). Air temperature and air humidity are measured by using USB data logger with a range of (0 C°-120° C) and an accuracy of (± 0.1) for temperature and with a range of (0 %-100%) and an accuracy of ($\pm 1\%$) for humidity while a portable indoor device Testo 410 is used to measure indoor conditions.

Three architectural case studies present the effect of the architectural design decisions related to the mathematical and the positional relationships between inlet and outlet openings in the first field experiment, the width ratios of inlet to outlet openings are 2:3 in the architectural case study no.1 and 1:3 in the architectural case studies no.2 and no.3 as shown in Figure (2). While four velocity case studies present the effect of outdoor wind velocities range from 4 m/s to 7 m/s on indoor room space air velocities. All case studies are of 30°C air temperature and of 50% relative humidity in the second field experiment.

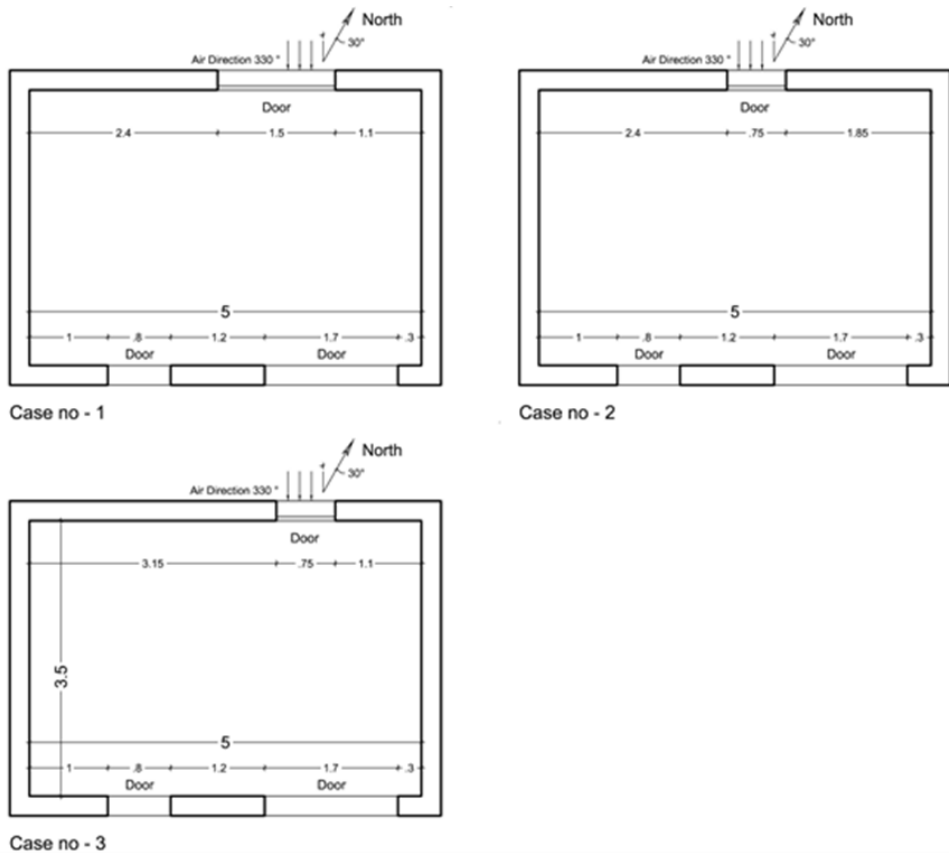


Figure (2): Different case studies due to ratios of inlet to outlet opening widths inside the experimental indoor room space model

SIMULATION EXPERIMENTS

A computational fluid dynamics software package program (ANSYS) is used to simulate the model.

The model external walls construction is of 200 mm thick light-colored heavy concrete blocks coated with 16 mm plaster ($U=2.73 \text{ W/m}^2 \text{ }^\circ\text{C}$) while the roof construction is of 100 mm flat reinforced concrete slab with 50 mm rigid insulation ($U=0.51 \text{ W/m}^2 \text{ }^\circ\text{C}$). All thermal loads are calculated on 23rd September and added to the software package program as heat fluxes. The model geometry is assumed to be a three dimensional domain. The mesh properties are three tetrahedral type layers with 229295 elements and 39029 nodes. The working fluid is air. K-Epsilon turbulence model is selected. The simulation assumes a steady state condition. The software package program uses continuity, momentum and energy equations to obtain air mass behavior inside the indoor room space and at the outlet openings with a root mean square residual error target of 10^{-4} . Inlet air conditions are assumed continuous with a uniform velocity and a uniform temperature. The

values of inlet outdoor wind velocity range from 4m/s to 7m/s, indoor air temperature (30°C) and indoor relative humidity (50%) are fed to the software package program. The outlet openings are set at an atmospheric pressure. Domain walls are assumed smooth with a uniform heat flux per unit area of value depends on the orientation and the month. The walls, the roof and the floor heat fluxes are 2.53, 5.81, 6.28, 5.34, 10.18 and 2.11 W/m² respectively.

In numerical outputs, the convergence was achieved as a root mean square residual error target of 10^{-4} . Velocity contours at any section inside the domain could be obtained from CFX post. Moreover, the CFX post probe may be used to know the values of air properties at any point inside the domain.

Seven governing points inside the indoor room space model are measured as in simulation experiments as shown in Figure (3).

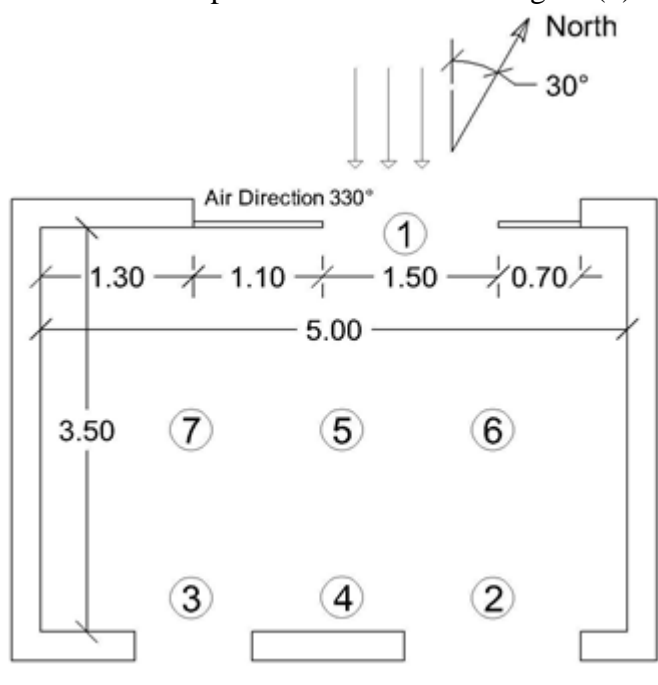


Figure (3) Simulated indoor room space model with the governing points

Two architectural case studies present the effect of the architectural design decisions as shown in Figure (2) while three velocity case studies present the effect of the outdoor wind velocity on indoor air velocities inside the indoor room space model.

The evaluation scales of field and simulation experiments are based on thermal comfort in indoor conditions. Table (3) presents the index of thermal comfort of the integrated indoor conditions. The upper limit of indoor air temperature 37°C requires an indoor air velocity 3 m/s and an

indoor relative humidity 20% meanwhile the lower limit of indoor air temperature 26°C requires an indoor air velocity 0.5 m/s and an indoor relative humidity up to 80%.

Table (3) Index of thermal comfort of the integrated indoor conditions

<i>Air velocity m/s</i>	0.2		0.5		1		1.5		2		3	
<i>Relative humidity %</i>	80	50	80	50	80	50	80	50	80	50	80	50
<i>Air temperature C^o</i>	27	29	29	31	30	32	32	34	33	36	34	37

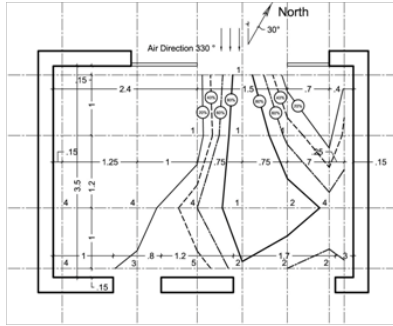
Field and simulation results

Field results

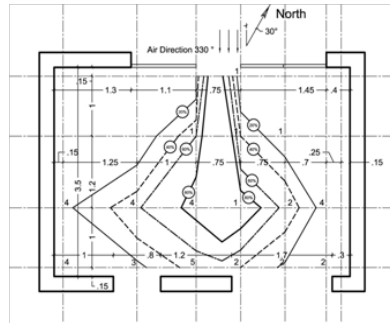
Figures (4) and (5) present contour lines, each of which represents a different percentage of outdoor wind velocity. Each Figure consists of four contour lines indicate 20%, 40%, 60% and 80% of outdoor wind velocity. Tables (4) and (5) present the indoor air velocity values at the governing points.

Effect of the ratio of inlet to outlet opening widths on cross ventilation

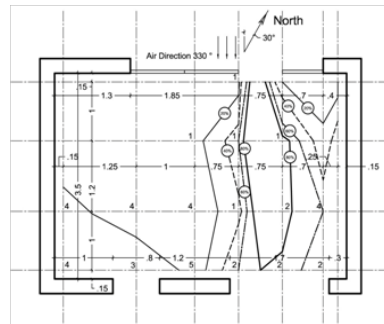
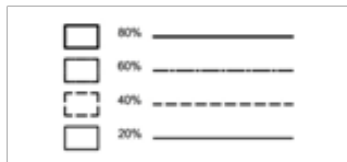
Three models are experimented as shown in Figure (4) and Table (4). The first model shows the ratio of inlet to outlet opening widths 2:3. The other two models show the ratio of inlet to outlet opening widths 1:3. The inlet opening faces the wall in case study no-2 while the inlet opening faces the outlet opening in case study no-3. The architectural case study-1 achieves an average indoor air velocity 1.2 m/s (20% of outdoor wind velocity) or over covering a ventilation area 65% of the total room space area; the architectural case study-2 achieves the same value of indoor air velocity in a covered ventilation area 70% while the architectural case study-3 achieves a covered ventilation area 55% for the same value of indoor air velocity. Case study-1 then case study-3 are the favorable conditions in low outdoor wind velocity regions resulted from the Venturi effect at points (1) and (2), meanwhile case study-2 is the favorable condition in high outdoor wind velocity regions resulted from the stagnation effect at points (4) and (5). The spire shapes of the contour lines shown in case studies 1 and 3 can be applied only when the outdoor wind temperature is or less than 28°C, meanwhile the curve shapes of the contour lines shown in case study-2 can be applied in all conditions when the outdoor wind temperature is over 28°C. Case study-2 is the suitable for windy regions.



Architectural case study no-1



Architectural case study no-2



Architectural case study no-3

Figure (4): Effect of the ratio of inlet to outlet opening widths on indoor air velocity inside the room space model (for outdoor wind temperature 28°C, velocity 5 m/s and relative humidity 50%)

Table 4: Effect of the ratio of inlet to outlet opening widths on indoor air velocity inside the room space model (outdoor wind temperature 28°C, velocity 5m/s and relative humidity 50%)

Case studies	The ratio between inlet opening & outlet opening Widths	The governing points for the inside air mass movement					Ventilation area for 20 % of wind velocity due to the total area
		Point (1) air velocity at inlet opening	Point (2) air velocity at primary outlet opening	Point (3) air velocity at secondary outlet opening	Point (4) air velocity at spread area	Point (5) air velocity at Stagnation wall	
	Measurement units	% of wind velocity	% of wind velocity	% of wind velocity	% of wind velocity	% of wind velocity	m ²
Architectural case no.1	2:3	116	91	30	50	26-50	70%
Architectural case no.2	1:3 Inlet opening facing wall	150-165	40	10	60	50	65%
Architectural case no.3	1:3 Inlet opening facing Outlet opening	160-185	85	45	5-6	16	35%

Effect of outdoor wind velocity on cross ventilation

The effect of the outdoor wind velocity (4m/s - 7m/s) is presented in Figure (5) and Table (5). The lowest outdoor wind velocity case study -1 achieves the lowest values of the penetration points (1), (2) and (3), however, case study-1 increases the spread point (4) up to 70 % of outdoor wind velocity and the stagnation point (5) up to over 40 % and the covered ventilation area up to 61% of the total room space area. Therefore, the airflow rate in case study-1 has the lowest value to achieve only 1.45m³/s. As a result, case study-1 is the suitable for high outdoor wind velocity regions resulted from stagnation effect. Meanwhile the highest outdoor wind velocity case study-4 achieves the highest values of the penetration points (1), (2) and (3), as a result, the airflow rate increases to nearly twice the previous case study value. The spread points (4) and (5) record the lowest values to equal only 20 %, as a result, the covered ventilation area of 20 % of outdoor wind velocity decreases to 54 %. Case study-4 is the suitable for low outdoor wind velocity regions resulted from the Venturi effect indoor velocity in case studies 2 and 3 that record average values for both air velocities and covered ventilation areas if compared to the previous two case studies. Case studies-2 and 3 are the suitable for both kinds of windy regions.

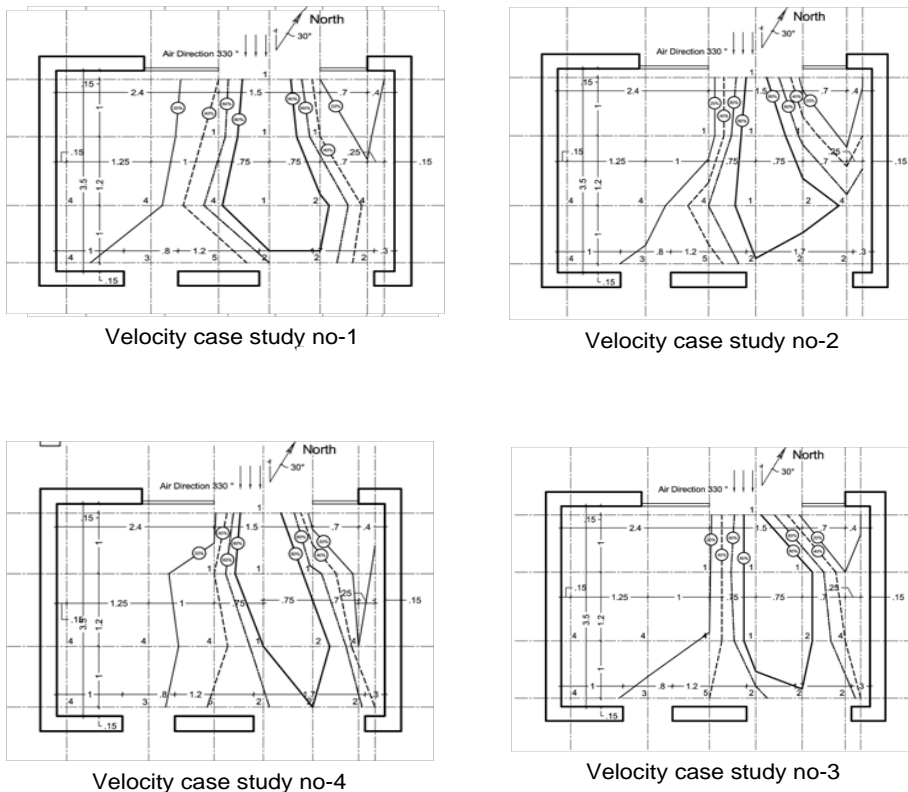


Figure (5): Effect of outdoor wind velocity on indoor air velocity inside the room space model (outdoor wind temperature 28°C and relative humidity 50%)

Table 5: Effect of outdoor wind velocity on indoor air velocity inside the room space model (outdoor wind temperature 28°C and relative humidity 50%)

Case studies	Wind velocity	The governing points for inside air mass movements					Flow rate due to equations 1 and 2	Ventilation area for 20 % of wind velocity due to total area	Estimated values of decreasing air temperature, [7]
		Point (1) Air velocity at Inlet opening	Point (2) Air velocity at Primary outlet opening	Point (3) Air velocity at Secondary outlet opening	Point (4) Air velocity at the Spreading area	Point (5) Air velocity at Stagnation wall			
Measurement units	m/s	% of wind velocity	% of wind velocity	% of wind velocity	% of wind velocity	% of wind velocity	m ³ /s	m ²	°C
Velocity case study no.1	4	92.5	50	36	77	46	0.4	61%	6
Velocity case study no.2	5	102.5	62.5	30	61	42	0.5	56%	7
Velocity case study no.3	6	105	67.5	27	28	30	0.6	54.65%	7.5
Velocity case study no.4	7	107.6	70	14	21.6	11.5	0.7	54.33%	8.25

Simulation results

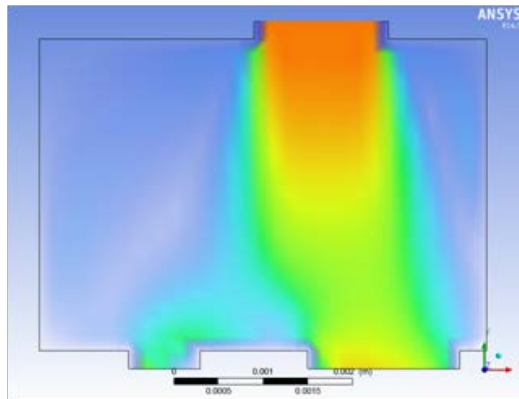
Figures (6) and (7) present vectors of indoor air velocity. Tables (6) and (7) present indoor air velocity at the governing; the first three penetration points are at the openings while the other four spread points are at the facing wall and in the middle of the room space as shown in Figure (3).

Effect of the outdoor wind velocity on indoor cross ventilation in case study 1

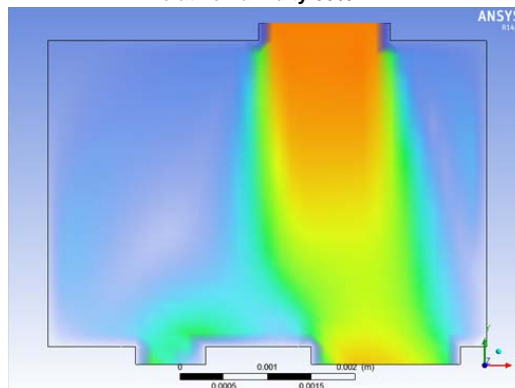
Three wind velocity case studies 4 m/s, 6 m/s and 8 m/s with relative humidity 50 % are simulated as shown in Figure (6). Case study 1-1 can achieve the highest indoor covered ventilation area 50% of the total room space area that its indoor air velocity equals 2 m/s instead of 40% in case study 1-2 and 25% in case study 1-3.

Table (6) details both the stagnation and the Venturi effects at the governing points. The stagnation point (4) records 45% of outdoor wind velocity in the three case studies while the Venturi points record 90% of outdoor wind velocity in the three case studies; which means that the Venturi

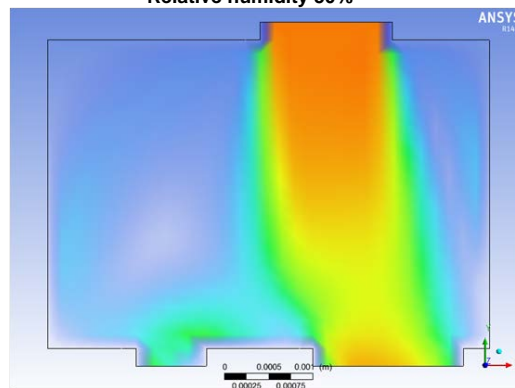
effect achieved when the inlet opening faces the outlet opening is the suitable for low outdoor wind velocity less than 4 m/s.



**Case-1-1 Wind velocity 4 m/s
Relative humidity 50%**



**Case-1-2 Wind velocity 6 m/s
Relative humidity 50%**



**Case-1-3 Wind velocity 8 m/s
Relative humidity 50%**

Figure (6): Effect of outdoor wind velocity on indoor air velocity inside the room space model (simulation experiments of the architectural case study no-1)

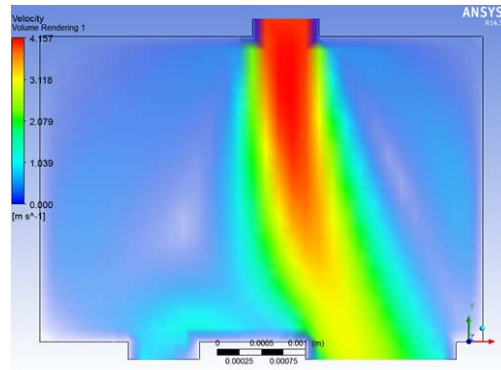
Table 6: Effect of outdoor wind velocity on indoor air velocity inside the room space model (simulation experiments of the architectural case study no-1)

Case	Case studies	Initial conditions	Governing points						
			1	2	3	4	5	6	7
Case 1	Case 1-1 V = 4 m/s RH=50 %	V m/s	4	4.06	3.80	1.55	4	1.55	0.350
		RH %	45	43	42.6	44	44	41	32
	Case 1-2 V=6m/s RH=50 %	V m/s	6	5.11	5.68	2.75	6.0	1.78	0.43
		RH %	50	.48	47	49.9	49.99	45	34
	Case1-3 V=8 m/s RH=50 %	V m/s	8	6.16	6.82	4.56	8.14	2.70	1.15
		RH %	50	50	49	50	50	46	30

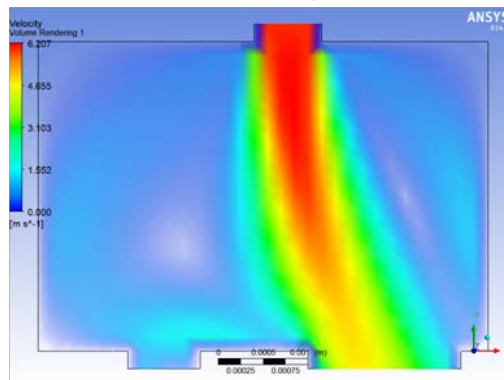
2.2.2. EFFECT OF OUTDOOR WIND VELOCITY ON INDOOR CROSS VENTILATION IN CASE STUDY 2

Three outdoor wind velocity case studies 4 m/s, 6 m/s and 8 m/s with relative humidity 50 % are simulated as shown in Figure (7). Case study 2-1 can achieve the highest indoor covered ventilation area 35% of the total room space area that its indoor air velocity equals 2 m/s instead of 30% in case study 1-2 and 25% in case study 1-3.

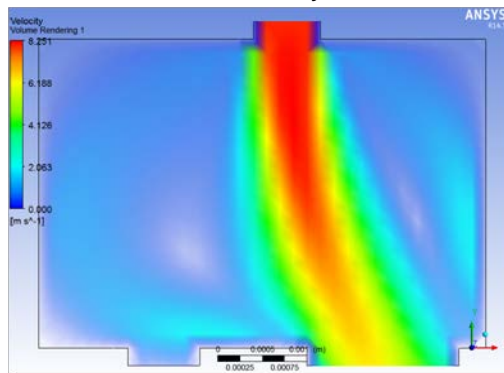
Table (7) details both the stagnation and the Venturi effects at the governing points. The stagnation point (4) records 30% of outdoor wind velocity in the three case studies while the Venturi points record 70% according to wind velocity in the three case studies 1-1, 1-2 and 1-3. Table (7) explains how case study 2 with its different outdoor wind velocities achieves a high performance of cross ventilation in spite of both the high outdoor wind velocity and the narrow width of the inlet opening that increases uncomfortably the indoor air velocity. Because the facing wall due to the inlet opening can achieve the stagnation condition by decreasing the outdoor wind velocity by 70%; case study 2 is the suitable for high outdoor wind velocity more than 4 m/s.



**Case 2-1 Wind velocity 4 m/s
Relative humidity 50%**



**Case 2-2 Wind velocity 6 m/s
Relative humidity 50%**



**Case 2-3 Wind velocity 8 m/s
Relative humidity 50%**

Figure (7): Effect of outdoor wind velocity on indoor air velocity inside the room space model (simulation experiments of architectural case study no-2)

Table 7: Effect of outdoor wind velocity on indoor air velocity inside the room space model (simulation experiments of the architectural case study no-2)

Case	Case studies	Initial conditions	Governing points						
			1	2	3	4	5	6	7
Case2	Case 2-1 V = 4 m/s RH=50 %	V m/s	4.0	1.40	2.98	1.25	4.23	0.60	1.40
		RH %	0.50	0.37	0.445	0.478	0.4999	0.27	0.36
	Case 2-2 V=6m/s RH=50 %	V m/s	6.0	2.21	4.50	2.05	6.02	0.80	1.20
		RH %	0.50	0.37	0.45	0.478	0.4999	0.27	0.32
	Case2-3 V=8 m/s RH=50 %	V m/s	8.0	2.84	6.0	2.26	8.4	0.88	0.97
		RH %	0.50	0.31	0.45	0.478	0.499	0.27	0.34

VALIDATION RESULTS

Table (8) presents the differences between field and simulation measurement values in percentages of outdoor wind velocities. Case study 1 as shown in Figures (1) and (2) is validated. The governing points at the openings and the facing walls across the five horizontal grid lines due to windward side are validated. The average differences between field and simulation measurements are ($\pm 20\%$) because of the instability of the actual outdoor wind velocity.

Table 8: Validation between field and simulation results

Case study number	Type of measurement & The difference between them Values % of wind velocity	Inlet opening							Left outlet opening				Right outlet opening			Stagnation point		
		Center			Corner													
		horizontal	1 m	2 m	3 m	0 m	1 m	2 m	3 m	0 m	1 m	2 m	3 m	1 m	2 m	3 m	2 m	3 m
Case no.1 velocity 4 m/s	Field	128	128	128	64	69	37	90	77	19.2	37	90	77	4	13	36	77	11
	Ansys	100	101	99.5	78.25	54	78	77	70	54.1	78	70	70	16	24	47	74	45
	Difference	28	27	28	14	15	40	12	7	35	40	20	7	12	11	11	3	34
Case no.2 velocity 6 m/s	Field	103	113	95	76	19	56.6	95	56.6	103.7	113	95	75	15	10	30	60	30
	Ansys	100	102.7	101	85	100	100	160	73	100	100	95	73	31	25	13.5	66	72.3
	Difference	3.7	11	6	10	81	46	5	16	3.7	13	6	2	16	15	17	6	42
Case no.3 velocity 6m/s	Field	96	112	112	60	12.5	104	96	75	96	112	96	75	6.4	14	27	21	40
	Ansys	100	102.5	103	85	100	100	95	100	100	100	100	101	31	23	90	12	90
	Difference	4	10	9	25	88	4	1	25	4	12	4	26	15	9	63	9	40

Discussions and recommendations

- The stagnation condition inside the indoor single room space model occurs when the inlet opening faces the walls meanwhile the Venturi condition inside the indoor single room space model occurs when the inlet opening faces the outlet opening.

- The shapes of the indoor continuous contour lines that are ratios of the outdoor wind velocity indicate the stagnation or the Venturi conditions where the curve shapes of the contour lines result from increasing the spread points at the facing walls meanwhile the spire shapes of the contour lines result from increasing the penetration points at the openings. The curve shapes of the contour lines indicate the stagnation condition meanwhile the spire shapes of the contour lines indicate the Venturi condition.

- In windy regions, the favorite stagnation and Venturi effect case studies are to achieve the appropriate air velocities with a maximum indoor covered ventilation area of air mass movements inside the indoor room single space model. as possible.

- The stagnation effect can decrease the outdoor wind velocity from 55% to 70% meanwhile the Venturi effect can increase outdoor wind velocity from 70% to 150% in tested model.

- Many factors can be obtained from the results related to the architectural design decisions to improve the tested single room space model by suggesting the modified model that can achieve thermal comfort for the different outdoor wind velocities to be the suitable to a windy region.

SUGGESTED MODELS DUE TO OUTDOOR WIND VELOCITY

Two suggested types of models are designed in accordance with the stagnation and the Venturi effects .The suggested models are based on both the high outdoor wind velocities as the first priority and the moderate outdoor wind velocities due to Beaufort scale [13] as the second priority. The indoor dimensions of the first model are more than the tested previous model in the length of the room space to decrease air velocities. The stagnation effect can be achieved in the suggested models architecturally. The dimensions of the two models are the same as shown in Figure (8) with the only difference is that the first model has one inlet opening and two outlet openings meanwhile the second model has two inlet openings and one outlet opening. The first model indicates the stagnation effect while the second model indicates the Venturi effect.

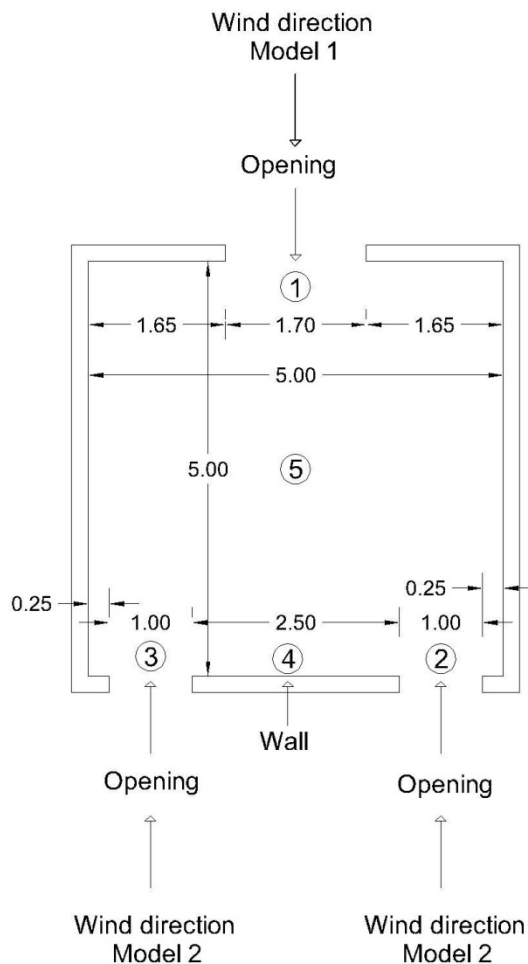


Figure (8); Description of the two suggested models with the indoor governing points

Simulation experiment results of the suggested models

The three outdoor wind velocities 4m/s, 6m/s and 8m/s are tested for the two suggested models. Case studies 1 and 4 are simulated for the outdoor wind velocity 4m/s. Case studies 2 and 5 are simulated for the outdoor wind velocity 6m/s .Case studies 3 and 6 are simulated for the outdoor wind velocity 8m/s.

Results of model one

Case studies 1, 2 and 3 of Figure (9) show the simulation experiments based on the different outdoor wind velocities 4 m/s, 6 m/s and 8 m/s. Maximizing the stagnation effect and minimizing the Venturi effect are required. The curve shapes of air velocity contour lines are formed; the shapes indicate the increase of both the stagnation effect and covered

ventilation areas. Case study 1 can achieve the average indoor air velocity 2.2 m/s; this value can achieve thermal comfort. Case study 2 can achieve the average indoor air velocity 3.35 m/s in spite of the higher outdoor wind velocity 6m/s; this case study can decrease the indoor air velocity to 2m/s in the human activity area to achieve the acceptable value due to thermal comfort. Case study 3 can achieve the average indoor air velocity 4.35 m/s in spite of the highest outdoor wind velocity 8m/s; this case can decrease the indoor air velocity to 3.48 m/s in the human activity area to achieve the acceptable value due to thermal comfort.

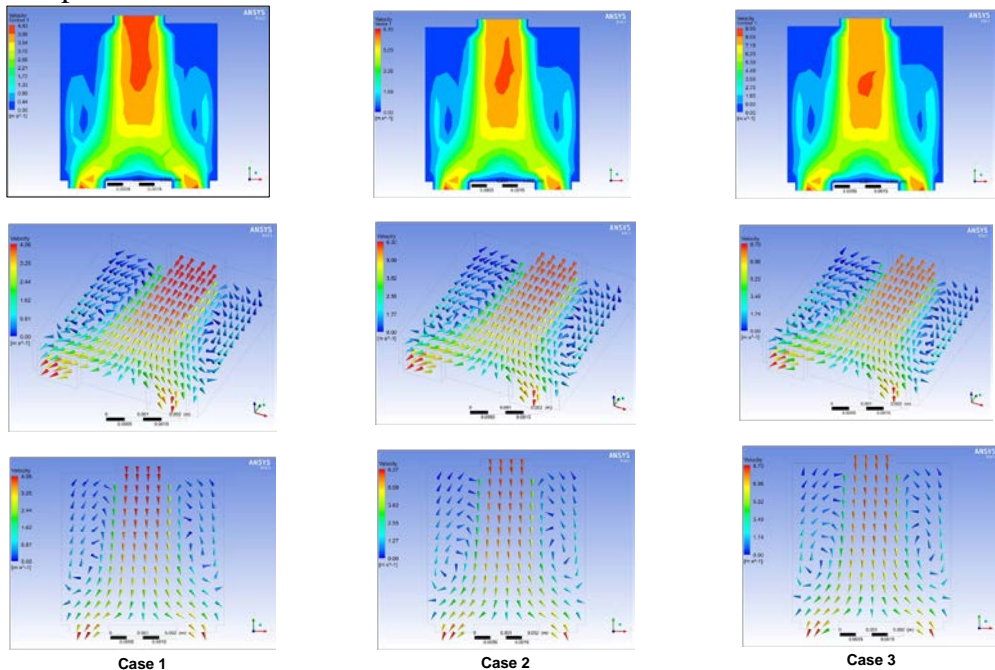


Figure (9) Simulation experiments for the suggested model one

Results of model two

Case studies 4, 5 and 6 of Figure (10) show the simulation experiments based on the different outdoor wind velocities 4 m/s, 6 m/s and 8 m/s. Maximizing the Venturi effect and minimizing the stagnation effect are required. The spire shapes of air velocity contour lines are formed; the shapes indicate the increase of both the Venturi effect and air flow rates. Case study 4 can achieve the average indoor air velocity 3.25 m/s; this value is higher than that in case 1 that has the same outdoor wind velocity. In spite of the higher average indoor air velocity for both case studies 5 and 6 that ranges between 5m/s to 7m/s , the distance between the two inlet openings creates the favorite indoor zone due to the comfortable air velocity . Indoor

air velocity in the human activity area ranges between 3m/s to 4m/s; these values are acceptable due to thermal comfort.

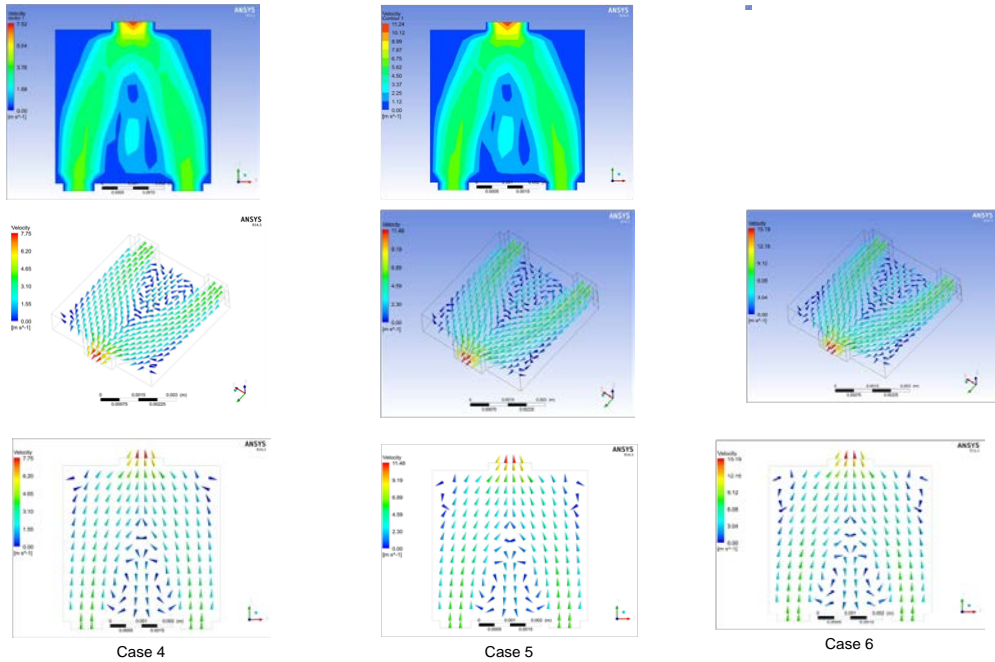


Figure (10) Simulation experiments for the suggested model two

Comparative studies

Comparative study between the two models:

Table (9) presents the ratios of the governing points due to the values of the outdoor wind velocities 4m/s , 6 m/s and 8m/s .

In the first suggested model, the model can achieve comfortable indoor air velocities in spite of the high outdoor wind velocities. The model can decrease outdoor wind velocities to 40% in indoor covered ventilation areas 60% of the room space total areas. Indoor air velocities at the openings equal outdoor wind velocities. The condition is acceptable for high outdoor wind velocities.

In the second suggested model, the model can achieve acceptable indoor air velocities in spite of the highest outdoor wind velocities. The model can increase indoor air velocities at the openings around twice outdoor wind velocities. But this model can decrease indoor air velocities to around 65% of outdoor wind velocities in the middle of the room space. Commonly, the condition is the favorite for low outdoor wind velocities.

Table (9) Comparative study between the two suggested simulated models

Number of the model	Wind velocity	Governing points (ratios of the wind velocity)				
		1	2	3	4	5
First model	4m/s	110%	99.5%	99.5%	90%	33.25%
	6m/s	92%	88%	88%	96%	31%
	8m/s	100%	88%	88%	96%	33-62%
	Average	100%	90%	90%	94%	40%
Evaluation of the first model		Suitable for high wind velocities				
Second model	4m/s	175%	95%	95%	60-75%	25%
	6m/s	175%	95%	95%	75%	25-30%
	8m/s	175%	112.5%	112.5%	50%	27.5-37%
	Average	175%	100%	100%	60%	30%
Evaluation of the second model		Suitable for low wind velocities			Suitable for high wind velocities	

Comparative study between field and suggested simulated models

In the stagnation effect condition, the curve shapes of the contour lines indicate the ratio of outdoor wind velocities formed in both the field and the suggested simulated models as shown in Figure (11). Velocity case study 1 and the architectural case study 2 of the field models have similar shapes of the contour lines of the suggested simulated model one as shown in Figure (11).

Meanwhile in the Venturi effect condition, the spire shapes of the contour lines indicate the ratio of outdoor wind velocities formed in both the field and the suggested simulated models as shown in Figure (12). Velocity case study 4 of the field models has similar shapes of the contour lines of the suggested simulated model two as shown in Figure (12).

Conclusion

The stagnation effect can be applied when the outdoor wind velocity equals or is more than 4 m/s meanwhile the Venturi effect can be applied when the outdoor wind velocity equals or is less than 4 m/s.

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DEVELOPMENT AND VALIDATION OF THE TAIWAN CHILDREN'S ENVIRONMENTAL ACTION INDEX

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Abstract

In this study, we use Smith-Sebasto & Fortner's (1994) *Environmental Action Internal Control Index (EAICI)* as a framework to develop, and validate a useful instrument for assessing environmental attitudes and behavior among elementary and middle school children within the Taiwanese context. We dub the new instrument the *Taiwan Children's Environmental Action Index (TCEAI)*. Our findings suggest that the *TCEAI* displays substantial internal consistency (Cronbach's $\alpha=.92$), moderately positive correlations with self-report measures of environmentally responsible behavior ($R = .35$ to $.46$, $p < .01$), and few threats to validity by age or gender. The results suggest that the *TCEAI* may be used to elicit important dimensions of environmental attitudes and to predict environmentally responsible behavior for elementary and middle school children in Taiwan. Practical implications are discussed.

Keywords: Environmental Education, Environmental Action, Internal Locus of Control, Environmentally Responsible Behavior

Introduction

One of the principal objectives of environmental education (EE) is to encourage and support environmentally responsible behavior (ERB) (Sia, Hungerford & Tomera, 1985). In keeping with this broad-based goal, our research group has focused its efforts on creating, validating and assessing instructional materials for use at the elementary and middle school levels that address significant environmental issues in the Taiwanese context. Given the strong relationship between ERB and locus of control (LoC) (Hwang, Kim & Jeng, 2000), we have worked concurrently on the development of a suitable assessment instrument that addresses environmental locus of control for use among Taiwanese children in grades five to nine.

Our assessment efforts are modeled after the work of Smith-Sebasto & Fortner (1994) whose *Environmental Action Internal Control Index (EAICI)* was developed and validated for use with university students in the United States. As with other such instruments, the range of items and construct validity of the *EAICI* are culturally-embedded, and its appropriateness for use in the Taiwanese context is open to question. Accordingly we focused on adapting the instrument for use in our own context and for students in the compulsory elementary through middle school age range.

I.

Subjects of the current study were students attending elementary school, grades five [n=65] and seven [n=80], and middle school, grade nine [n=71] in Taichung (including Taichung City, Taichung County and Chang-Hua County), central Taiwan, ROC, and third year students [n=165] enrolled in a general ecology course at Providence University in Taichung. A summary of the development and validation process is given in Figure 1.

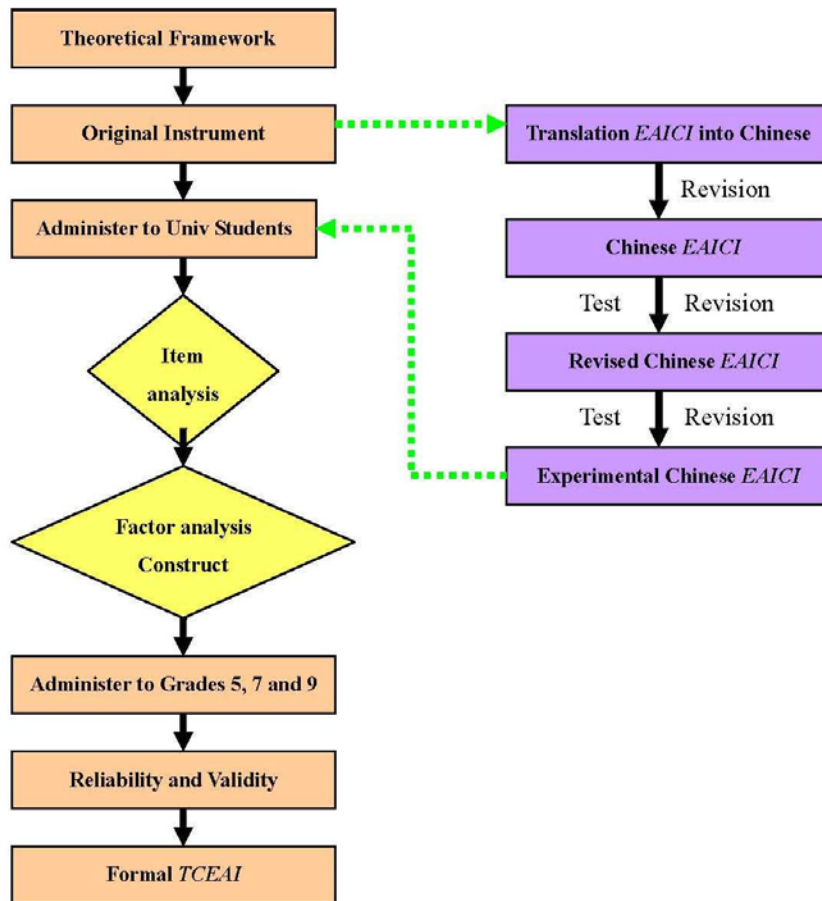


Figure 1. Development of the TCEAI

Smith-Sebasto & Fortner's (1994) instrument (the *Environmental Action Internal Control Index*) was translated directly into Mandarin Chinese (*Chinese EAICI*). Initially, several minor modifications in wording were made to accommodate differences found in Chinese language and Taiwanese culture. The modified instrument was field tested for comprehension and readability among a small group of university students (*Revised Chinese EAICI*). Subsequently, the revised instrument was further modified for use among a wider range of subjects including elementary and middle school children (*Experimental Chinese EAICI*). The modifications involved extensive discussions and field tests involving elementary and middle school teachers, graduate students, instructors, and an external visiting scholar in environmental education. An attempt was made to insure that the modified instrument conformed to the reading level of children in grades five to seven, and that all items addressed relevant and significant environmental issues in

the Taiwanese context. The *Experimental Chinese EAICI* was then administered to third year students (n=165) enrolled in a general ecology course for non-majors at Providence University.

Responses to the experimental instrument were factor analyzed (SPSS 12.0) generating a principal component solution with Varimax rotation and Kaiser normalization. Only those factors possessing an eigenvalue of two or greater were retained, and those having factor loadings $>.50$ were interpreted. The remaining twenty items were randomized and nine items comprising a translated version of Smith-Sebasto and Fortner's *ERBI* were added in order to assay self-reported frequencies of environmentally responsible behavior. This instrument (*TCEAI*) and its addendum were administered to a convenience sample of students in grades five, seven and nine.

In this section we report the results of studies that explore the following characteristics of the *TCEAI*: (1) construct validity by factor analysis; (2) internal consistency by Cronbach's alpha; (3) predictive validity by correlation with *ERBI* scores, and (4) threats to validity by age and gender.

Construct Validity

Results of the factor analysis are given in Table 1. Following the deletion of items with low factor loadings (ie. $<.50$), 20 items were retained in the formal instrument. The items loaded on four factors which were named *Conservation* (6 items), *Enforcement* (6 items), *Persuasion* (4 items), and *Recycling* (4 items). Normalized means and standard deviations for the four factors are given in Table 2.

Table 1. Rotated Factor Matrix (*TCEAI*)

Items	Factors			
	I	II	III	IV
I : Conservation				
1. Buy conservation products, such as reprocessed paper	.635	.190	0.081	0.332
5. Persuade someone to conserve water by not running the water while brushing their teeth and fit up low-flow stools.	.611	.228	0.074	0.180
9. Persuade parents to set their household appliances to energy-saver levels, such as refrigerators, washing machines and air conditioners.	.573	.233	0.248	0.115
13. Open windows for ventilation rather than using a fan or air conditioner.	.569	.145	0.045	0.069
17. Persuade parents to choose environmental label products, such as low-flow commode.	.553	0.287	0.162	0.103
19. Persuade someone to set consumer electrics to energy-saver levels, such as refrigerators, washing machines and air conditioners.	.551	0.208	0.461	0.067
II : Enforcement				

2. Report someone who violates our natural resources, such as illegal fishing, hunting.	0.261	.778	0.155	0.127
6. Report someone who has air polluting behaviors to the newspaper, such as burning trash.	0.214	.720	0.254	0.188
10. Persuade someone to report someone who violates our natural resources, such as illegal fishing, tree cutting.	0.278	.641	0.367	0.159
18. Report someone who has noise polluting behaviors to the local environmental organization, such as the noise of funeral affairs and Karaoke	0.054	.613	0.298	0.174
14. Report someone who tampers with the anti-pollution devices on a car to the proper authorities.	0.133	.588	0.264	0.294
20. Report someone who steals sandstone to the police.				
III: Persuasion				
3. Persuade someone to sign a petition regarding an environmental issue.	0.096	0.254	.717	0.046
11. Persuade someone to care about politicians implementing their environmental polices.	0.028	0.199	.643	0.283
15. Get involved in activities of stop building nuclear power stations, such marching and signing.	0.124	0.194	.563	-0.005
7. Persuade someone to reuse envelops.	0.372	0.177	.548	0.196
IV: Recycling				
4. Recycle my bicycle's old tires.	0.086	0.111	0.149	.749
8. Recycle the kitchen waste.	0.176	0.206	0.099	.668
12. Persuade someone to recycle old tires.	0.117	0.029	0.432	.615
16. Reduce the amount of my household trash by reusing and recycling items to the fullest extent possible.	0.489	0.297	-	.524
			0.054	

Items comprising the *Conservation* subscale appear to cluster around issues of reducing the amount of waste products, water, and energy used in daily living. These include buying products made of reprocessed paper; persuading individuals to be careful in the use of running water, and setting appliances and consumer electronic devices to energy-saving levels. The *Enforcement* subscale is comprised of items that describe reporting violations of statutes designed to protect the environment. In the *Persuasion* subscale are questions that ask about encouraging political engagement or activist causes, and the *Recycling* subscale queries subjects on reusing tires, kitchen wastes and household trash.

Table 2. Scores on *TCEAI* (Means, Standard Deviations, and Ranges)

item	n	mean	Standard deviation	Idea score range
I : Conservation	206	82.51	15.13	20~100
II : Enforcement	206	78.38	15.87	20~100
III: Persuasion	206	67.35	15.03	20~100
IV: Recycling	206	79.32	15.70	20~100
Total <i>TCEAI</i>	206	307.56	53.24	80~400

Internal Consistency

A summary of Cronbach's alpha coefficients for the total instrument and for each of the subscales and is given in Table 3. The estimates are: .92 (total); .81 (Conservation); .79 (Enforcement); .65 (Persuasion), and .75 (Recycling).

Table 3. Estimates of Cronbach's Alpha

Item	Reliability
I : Conservation	0.813
II : Enforcement	0.793
III: Persuasion	0.653
IV: Recycling	0.758
Total	0.921

Predictive Validity

In order to estimate the extent to which factor scores on the *TCEAI* predict environmentally responsible behavior, a series of correlations with scores on the *ERBI* were performed (Table 4). Of 36 Pearson product moment correlations, 27 (or 75%) were significant ($p < .05$). Multiple correlations r ranged from .35 to .46 ($p < .01$) and the first root of the overall canonical correlation (R_{can}) was .50 ($p < .01$).

Table 4. Relationships Between TCEAI Factors and Self-Reports of ERB (n=196)

	Behaviors	Factors			
		I	II	III	IV
1.	Buy products packaged in containers that either can be reused or recycled.	.24	.19	.16	.19
2.	Donate money or paid membership dues to a conservation organization.	.07	.03	.12	.03
3.	Write to the newspapers expressing your opinions on environmental issues.	.08	.05	.19	.01
4.	Try to learn what you can do to help solve environmental problems.	.33	.25*	.21	.32*
5.	Join in community cleanup efforts.	.33*	.26*		*
6.	Conserve energy, such as turn off the water and light immediately.	.40*	.29	.17*	.32*
7.	Enroll in camp for the purpose of environmental issues.	.25*		.15	*
8.	Read publications that focus on environmental issues.	*	.26*	.18*	.34*
9.	Multiple R	.19*	*	*	*
	Rcan Root 1	*	.17*	.30*	.14
	Root 2	.19*	.14*	*	.10
		*	.38*	.17*	.17*
		.46*	*	.35*	.42*
		*	*	*	*
		.50*			
		*			
		.37*			
		*			

* $p < .05$ ** $p < .01$
 $r \geq .14$ ($p < .05$)

Threats to Validity

Our intention to develop a widely applicable, valid and reliable instrument for assessing environmental locus of control among Taiwanese adolescents and young adults could be undermined by several factors, including differences among individuals by age or sex. To test these possibilities, a series of separate, one-way univariate ANOVAs were performed. The results revealed no differences ($p > .05$) among any of the four factor scores as a product of age or gender.

Conclusion

Based on previous work by Smith-Sebasto & Fortner (1994), this study focused on the development and validation of a useful instrument (ie., the *TCEAI*) for assessing environmental locus of control attitudes among elementary and middle school children in Taiwan. The instrument we have constructed is intended to be a helpful device for documenting and understanding internal control convictions in the Taiwanese context. Our primary goal in this effort has been to construct a readily useable tool for elementary and middle school teachers who are implementing environmental education programs and wish to assess the extent to which the programs affect important learning outcomes.

In comparison to the original instrument developed by Smith-Sebasto & Fortner (1994), the *TCEAI* was found to possess acceptably high levels of internal consistency (Cronbach's alpha, .92), and correlations with environmentally responsible behavior were also strong and significant (R range= .35 to .46). No differences were found among students by gender or age. These findings suggest that the new instrument has substantially favorable psychometric characteristics and may be a valuable tool for use in elementary and middle school classrooms in Taiwan.

Our work in environmental education has both a practical and a theoretical thrust. At the practical level, we have been heavily influenced by Boerschig & DeYoung (1993) who suggested that environmentally responsible behavior may be substantially promoted by enhancing students' internal control convictions. Accordingly, we are using the *TCEAI* as a vehicle to drive efforts in curriculum and instruction.

Currently we are developing teaching modules that address each of the four factors identified in the rotated factor matrix. The module on Conservation, for example, introduces students to the importance of buying products that use recycled paper; using household appliances that have energy-saving devices, and opening windows rather than using air conditioning. The module on Persuasion teaches topics on political intervention such as signing petitions, contacting political leaders, and demonstrating against polluting industries. Our intention is to implement the

TCEAI in pre- and posttesting conditions as a way of documenting and assessing the effectiveness of the curricular materials.

On a more theoretical level, we are also interested in clarifying and understanding the underlying factors that influence environmentally responsible behaviors among diverse groups of learners in Taiwan. In previous work we found that middle school students in Taiwan often demonstrate minimal commitment to environmentally responsible behavior and that this situation is strongly linked to a feeling of helplessness in the face of powerful external forces. We think that these feelings are widespread in Taiwan's culture and need to be documented and studied in greater depth.

The instrument needs further testing and refinement among geographically isolated populations and among relatively urban and rural, wealthy and poor, and linguistically distinct subgroups. Furthermore, in validating the instrument we did not consider Taiwan's half million aboriginal people, who are intimately connected with the environment. Instead, we took only a small sample of Taiwan's majority group (Han Chinese) as our subjects. In future work, we plan to develop revised versions of the instrument to accommodate aboriginal and tribal students in order to broaden its scope and applicability.

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THE CHANGING ROLE OF WORK ENVIRONMENT IN BALANCING WORKERS' PERSONAL AND WORK LIFE

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Abstract

The aim of the article is to consider the changing role of work environment in balancing workers' personal and work life. This issue has been presented in the context of the idea of sustainable development and corporate social responsibility.

Keywords: Work–life balance, relationships in the workplace, work environment

Introduction

Personal life and work life are two mutually intertwined areas of one's functioning. The condition which ensures their optimal (positive and harmonious) relations is their mutual *balance*, being the part of the life balance and representing a certain amount of time and energy the individual puts into each of those areas, as well as their feeling of fulfilment resulting from serving many social roles, work ones included. This balance consists of an active balance of diverse activity levels, both those realised in work environment and in personal life (family, social, educational, leisure, religious etc.). However, today's dynamic socioeconomic reality does not favour maintaining synergy between both areas, which often results in *conflict* and perceiving both areas as opposing ones. *Work environment*, consisting of many diverse organisations which employ workers, plays a significant role in counteracting that disharmony. Those organisations may facilitate balancing both areas by creating coherent personal policies aimed at shaping the balance and by eliminating the causes of conflicts between work and personal life.

Work environment as the main area of realizing the sustainable development concept

When discussing the subject, the Author would like to begin the first part of the article by advancing the thesis that *work environment* – related to

the science, economic and social areas – is a significant area of realizing the concept of sustainable development.

Sustainable development is defined in two ways. Firstly, it is a process the aim of which is fulfilling this generation’s developmental aspirations, in the way it allows the following generations to realize the same aspirations. Secondly, it is a process of changes, in which the resource exploitation, investment patterns, the directions in technical development and institutional changes remain harmonious and keep current and future possibilities of fulfilling people’s needs and aspirations. (Our Common Future, 1987). Sustainable development is most commonly seen as the life quality improving strategy, which concerns *society*, *economics* and *environment*. This idea’s most important message concentrates on the need of maintaining balance both in the three areas and in the relations between one another. It is stressed that its aim is to provide high quality of life to today’s and future generations; the idea of „life quality” being interpreted as developing and fulfilling consumptive needs to the same extent as one’s social, psychological and spiritual needs.

Thus, *quality of life* is not only the main postulate of the sustainable development’s concept, but also the reason for which one works. *Work* is perceived as the most valuable form of one’s participation in collective life, through which one realises both one’s individual needs and social goals of today’s and future generations. The goal of work is to fulfil the needs of community and help it survive, which makes it an activity that is substantial for the existence of both the individual and the whole social groups.

The common goal of a person’s work and sustainable development has been illustrated below.

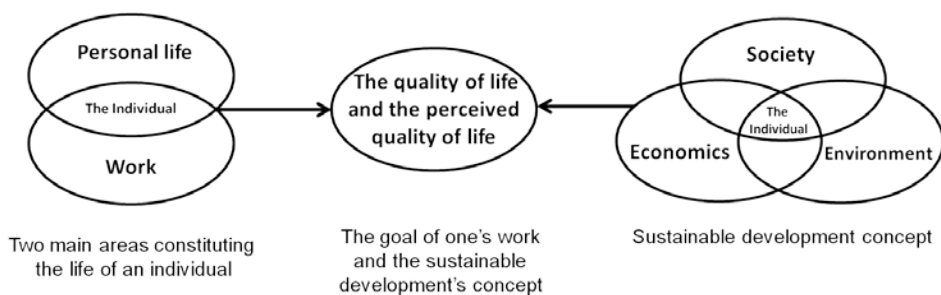


Figure 1. The quality of life as the goal of both one’s work and the concept of sustainable development.

Source: R. Tomaszewska-Lipiec, Relations Work–life balance – the way to sustainable development of an individual. Introduction, [in:] Relations Work–life balance – the way to sustainable development of an individual, ed. R. Tomaszewska-Lipiec, UKW, Bydgoszcz 2014, s. 15.

The concept of sustainable development initially focused mainly on the influence of business over natural resources and landscape. Recently it has become the chief principle of the business world, as *work environment*, consisting of many material and social factors, in which there occurs the production of goods and providing socially needed and useful services, is the area in which the concept has been realised the most.

Applying such a broad concept to the microeconomics' level was possible due to prior application of *sustainable business concept* to the economic life practice. *Sustainable enterprise* is an economic entity, that is able to recognise the proper combination of managing all the basic aspects of its activity: environmental, economic and social ones; this combination enabling the business to survive and pay off in the course of time. Environmental perspective means that a business considers environmental aspects as the part of their business strategy and actively includes them in all the basic areas of their functioning. Social perspective means achieving business goals in accordance with ethical standards and in the way which allows to create qualities for the people involved. Finally, economic perspective means that the speed of increasing assets and income is balanced with the business' operational and financial policies (Przychodzen, 2013).

With reference to the aspects of sustainable business described above and describing the *social perspective*, one must remember about the *corporate social responsibility concept*. Generally speaking, European Commission defines the concept as "the responsibility of enterprises for their impacts on society (COM (2011) 681 final). Its main goal is seeking synergy between the three functional business areas: social, environmental and economic, according to the „3P” principle, which stands for „*People - Planet - Profit*”. Corporate social responsibility is the managing strategy, according to which enterprises voluntarily take into account social issues, environmental aspects and relationships between groups of diverse stakeholders, particularly employees. Being socially responsible means investing in human resources, environmental protection, relationships with the company environment and informing about those actions, which contributes to creating conditions for sustainable socioeconomic development. In other words, it means the business' responsibility for the impact its decisions and actions have on the worker, society and environment. It is worth mentioning that the socio-political postulates to increase the corporate responsibility have become more and more promoted in the recent years, and the CSR concept, despite there exist no formal obligations to apply it, has gained the rank of a cultural norm in the business world. For instance, United Nations Organization expresses those postulates

through the *Global Compact*¹⁹⁴ movement, and the *ISO 26000 standard*, published by the International Standardization Organization has been a kind of attempt to create an international standard in the field. According to the standard, there exist seven core subjects of the corporate social responsibility: organizational governance, human rights, labour practices, environment, fair operation practices, consumer issues and community involvement and development.

Furthermore, the corporate social responsibility can be considered in the following organizational aspects:

1. External, shown by the attitude towards investors, customers, environmental protection, local community, etc.;
2. Internal, concerning the way the company applies responsibility principles within its internal structure, especially towards their employees.

When considering the second aspect, it must be emphasised that one of the fundamental principles the concept is based on is the concern about workers' interests, exceeding the minimal level determined by law, and satisfying the employees' expectations. One of the business solutions, contributing to the internal organizational aspect of corporate social responsibility, are good sustainable development practices aimed at workers, as they are the most important resource of any modern organization. An example of such practices are activities aimed at balancing workers' private and work life, human resource development programs, e.g. *Work-Life Balance* programs.

Balancing personal and work life as a postulated element of modern work environment

To justify the title of the second part of this article, the first issue one has to explain is:

why is balancing personal and work life of contemporary workers significant, and why is work environment believed to play the leading role in the process?

Although, theoretically speaking, it seems that the amount of free time the workers have should be increasing, due to factors such as introducing paid leave, increasing the number of the days off work a week, formal limiting the length of the working day as well as the technical

¹⁹⁴ Global Compact, the initiative of then UN-Secretary General Kofi Annan, announced in 2000, is world's largest initiative which encourages corporate responsibility and sustainable development. At present, GC has over 9000 participating companies from all over the world as well as international work environments and non-government organisations. In Poland, the UN-Secretary General's initiative is coordinated by the United Nations Development Programme's Bureau.

development, practically, in economic life one can observe growing disharmony in relations between work and personal life. One of the main reasons for disturbances is the accelerating pace of work life, due to which organizations fall into the „acceleration trap” and begin to display one of the three models of destructive behaviour towards their employees:

- being overloaded with work – the staff does not have enough time to do their jobs, there is a lack of resources needed for doing the job;
- multiloading – asking employees to do too many kinds of activities – the company is unfocused;
- perpetual loading – the habit of constant changes in the organisation (Bruch, Menges, 2010).

As the result of this behaviour, the workers of various economic sectors and branches¹⁹⁵, often experience *conflict* between *work* and *personal life*, which means being overloaded with job responsibilities and as a result, devoting more time and energy to work than to being with one’s family, social duties, hobbies and interests, or even taking care of one’s health.

It should be mentioned that D. Clutterbuck distinguished “six life streams”, which are important, to various extents, for most people:

1. work (the way you earn for your living);
2. career (What you do to progress at work and how you plan to climb the career ladder);
3. domestic / family (the way you build and maintain key relationships outside work);
4. health (What you do to you keep good physical and mental well-being);
5. self-fulfilment (what you do outside work and working career to maintain your intellect);

¹⁹⁵ According to the employment status at the European Union level in the years 2004-2012, the group which claimed to work the largest number of hours a week were employers. Then, there were the self-employed, workers who help their family members and lastly hired/wage-earning workers. Furthermore, when considering particular occupational groups at the EU level in the years 2004-2012, the workers who claimed to have worked the most hours a week were the government authorities’ representatives, executives and directors (46,9–45,4 hours) and farmers, gardeners, foresters and fishermen (46,5–44,3), whilst the fewest – office workers (38,5–38,2) and workers performing simple tasks (39,8–38,9) by: R. Tomaszewska-Lipiec, „Transformations of working time as a factor of labour dehumanization, [in:] Management and Managers Facing Challenges of the 21st Century. Theoretical Background and Practical Applications eds. F. Bylok, I. Ubreziova, L. Cichoblozinski, Godollo 2014 (Hungary), Szent Istvan Egyetemi Kiado Nonprofit Kft.

6. spiritual / community (what you do in the community beyond yourself, work and career) (Clutterbuck, 2005).

When people feel self-fulfilled in all the six streams, they manage to play their social roles better; they are also able to be true to themselves and the values they hold. It is worth mentioning that although two out of six streams belong to the world of work, whilst four of them concern private life, it is the private life which people have less and less time for. When talking about workers' health it must be noted that research results suggest that stress and psychosocial threats may be responsible for 50–60% sick leaves. In Europe, stress is the second most common health problem related to work, right after musculoskeletal disorders. Over the recent 10 years, almost 28% of European workers complained about psychosocial threats having influenced their psychosocial well-being. It is also a common occurrence that workers come to work but are unable to perform their tasks, the so-called presenteeism (European Agency for Safety & Health at Work, 2013). It must be mentioned that many people who work long hours, more often than other workers, tend to develop unhealthy habits: drinking alcohol, smoking cigarettes, unhealthy eating, no physical activity; all of them contributing to serious health problems (Sparks and others., 1979; Stewart and others., 2003).

When workers show symptoms of conflict between their personal and work life, it generates negative consequences not only of an individual character, but also an organizational one. For the employers, the consequences of the said conflict are closely related to the organization's functioning, e.g.: lower work effectiveness, no motivation for working, lower work quality, lower productivity. Furthermore, workers' stress causes absences and increased employment fluctuation, and as far as the employees who work with the customers are concerned, it often leads to worsening the relationships with them. When the imbalance becomes too significant, it may even result in trained and experienced workers quitting the job, and as a result – in additional expenses for the company (Bogdanowicz, 2010).

Those threats are reflected in the study results, conducted by Randstad¹⁹⁶, for example, according to which the *work-life balance* is the 6th key value that workers in 23 countries taking part in the research seek (after high income, employment security, friendly work atmosphere, interesting job and economic stability). At the same time, respondents think that employers struggle to ensure that the key values of workers are fulfilled. The last, 10th position of work-life balance shows that there exists a significant

¹⁹⁶ World's largest study of employers' brand, realised by ICMA Group – independent research organization. In 2015 23 countries, representing 75% of world's economics, participated in the study.

discrepancy between the values that are important for workers and how they evaluate their workers as far as fulfilling workers' values is concerned (Randstad Award, 2015).

It is worth emphasizing that work-life balancing solutions offered by work environment have become more and more expected, sought and highly appreciated by workers and candidates searching for a job, regardless of their age and gender.

Work-Life Balance Programs in work environment

Out of consideration for workers' physical and mental well-being, within the third perspective of sustainable enterprise – the social one – it is often postulated that the *Work-Life Balance* programmes should be applied in the economic life, and therefore in the broadly-defined work environment.

This term means systems of complex activities aimed at realization of certain goals, consistent with the organizational strategy and workers' expectations, as the result of which it becomes more friendly for employees and their families. Reasonable time management improves the punctuality of task realization and lowers the absence rate. Giving the employees the feeling of comfort and making it possible for them to balance private and work life relieves them of many everyday worries and enables them to focus on their work, increasing their creativity and inventiveness in realising their tasks (Lendzion, Stankiewicz-Mroz, 2009), which means more income for their organization.

Work-Life Balance programs are usually configurations of various initiatives, like:

- employment and working hours forms, e.g. flexible working forms, remote work, job rotation,
- improving the work environment quality, e.g. by taking care of the atmosphere and working conditions,
- child and dependent care,
- education, e.g. time management, individual coaching, stress coping techniques,
- preventing discrimination, e.g. career support programs for women, career mentoring programs,
- salary systems,
- non-material assistance, e.g. individual assistance program, health care programs, leisure programs (Mesjasz, 2012).

These configurations, meeting various needs of employees, are an important instrument of improving their work quality, which is a part of the overall quality of life, as they are an active assistance form offered by employers through providing work-life balancing tools and services.

This balance leads to redefining one's approach to both areas, positively changes the way social roles are played, and also – which is the most important and valuable for the employers – the way of performing job-related tasks, as well as organizational identification. Thus, those programs may provide significant benefits both to employees and employers, and facilitate sustainable socio-economic development.

The „way” from work-life balance-facilitating culture to the organizational profit has been illustrated below.

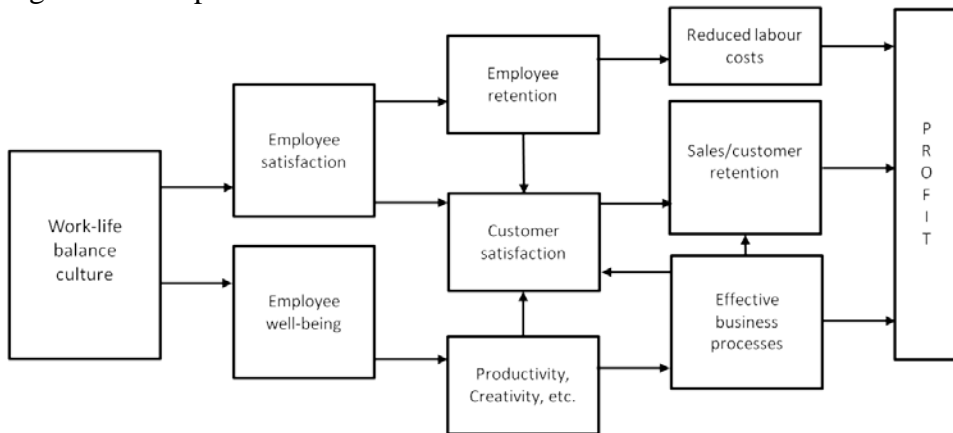


Figure 2. The work-life culture profit chain.

Source: D. Clutterbuck, *Równowaga między życiem zawodowym a osobistym*, Krakow 2005, s. 36.

It must be emphasized that introducing Work-Life Balance programs and their chances of being successful depend very much on if employers and executives believe they may be relevant and beneficial, and if the employees accept them. As it has been already said, the programs should provide benefits for both employers and their staff. One must also take it into consideration that the work-life balance point is not the same for everyone, which shows the need of individualisation of the programs, to a reasonable extent, of course.

It also seems that applying this kind of good practices, being a part of the corporate social responsibility concept and sustainable development idea, needs assistance from the state, e.g. owing to the country-specific regulations of things like flexible working or working time.

It is worth mentioning that the meaning and popularity of Work-Life Balance programs are not equal in all the European Union countries, this being the result of different social policies and labour market regulations. They are most commonly applied in the United Kingdom and in South Europe. They are least commonly introduced in Nordic countries, in Austria and Germany.

Generally speaking, the application of Work-Life Balance programs is more often to be observed in:

- large companies,
- organizations which employ larger percentage of highly qualified workers,
- organizations which employ high percentage of women,
- organizations which show high-level human resource management,
- open and flexible organizations,
- with regard to the executive staff (Borkowska, 2010).

Conclusions

Surely, applying Work-Life Balance programs in work environment creates many dilemmas and is challenging, especially for the resource management departments. Some of the observed dilemmas are, for example: long-term and delayed character of the program's positive effects, thus not focusing on the increase of short-term work effects; furthermore the financial benefits resulting from the program application are sometimes difficult to quantify, as their results depend on many factors, including the quality and level of human resource management within the organization.

However, the financial analysis of the leading companies listed in „Fortune”, like Abbott, Allstate, IBM, Deloitte, Johnson & Johnson, Texas Instruments, Pricewaterhouse Coopers, which applied those programs show that introducing workers' work-life balance solutions is justifiable as far as the economics is concerned.

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TOWARDS FACING GLOBAL FAMINE: MODELING FOOD DISTRIBUTION ACCORDING TO IRAQI CASE

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Abstract

The total population facing malnutrition and hunger is about one billion at the global level. As the global population increases from 7.3 billion in 2015 to 9.2 billion in 2050, the total new population that needs to be fed until 2050 is 2 billion. This was in addition to the one billion people facing starvation. Additional food products should be combined together to feed an additional population of three billions in thirty five years to come. Due to the constraint of agricultural land and food production deficit to meet the food security standard of a population of more than nine billion, global famine is expected to prevail unless hard work is done at both the national and the international scales in two dimensions under the help of the United Nations (FAO, WFP, and UNICAFE). The first dimension is increasing total food output to meet the need of all the people for a healthy and active food requirements. In the second dimension which is due to the wide discrepancies of income distribution between countries and within countries, it is necessary to adopt subsidized food distribution system at the national scale for countries where their population largely or partially cannot afford to obtain the required food at all time. The core of this paper is the second dimension with reference to Iraqi food distribution system adopted during thirteen years of comprehensive sanction, and it was proven to be successful in saving Iraqi people from famine. It was mentioned that the public food distribution which was recently adopted in India covers 800 million persons. This paper proposed guidelines for building infrastructure like silos and large warehouses for strategic reserve to secure the flow of food. This has to be facilitated by preparing transport network to carry food from ports or local farmers to silos and warehouses, and to deliver food through network of private retailers so that beneficiaries can obtain food from their residential

areas. National aid is required for counties facing malnutrition and starvation.

Keywords: Facing Global Famine, Iraqi and Indian Food Ration Systems

Introduction

Population Growth and the Need for Food

Population size is expected to increase at global level from 7.302 billion in 2015 to 8.012 billion in 2025, and to 9.150 in 2050[1]. However, an additional population of two billion needs to be fed. Despite the reduction in population growth and in putting that into consideration, there are one billion people suffering from malnutrition and hunger. Therefore, the additional population which needs to be fed in thirty five years to come will not be less than three billions. Hence, this represents one-third of the global population.

Based on the constraints of limited agricultural land and insufficiency of food production on one side and the population increase in more than two billions on the other side, this century will be dominated by phenomena of large scale humanitarian crises. "The idea that food availability tends to fall short of long-term food requirements is an old one; and is often associated with the doctrine of Thomas Malthus (1766-1834) that agricultural output tends to grow arithmetically, i.e. in a linear fashion, while population grows geometrically, i.e. in an exponential growth curve. This result in a tendency that the gap between food supply and food demand, needs to widen over historical time, with famine acting as the mechanism to close the gap"[2].

Food security can be defined "as the accesses by all people at all times to enough food for an active and healthy life. It is essential elements are the availability of food and the ability to acquire it. On the other hand, food insecurity is the lack of access to enough food".[3] "Food security exists when all people, at all times, have physical and economic access to sufficient, safe, and nutritious food that meets their dietary needs and food preference for an active and healthy life" (World Food Summit, 1996). Consequently, the lack of access to enough food is caused by either shortage of food or the inability of household to pay for food at the market prices.

If there is food insecurity at the global level, large number of countries will be acute in the near future and global famine will be eminent if hard work is not done at both the international and national levels in two policy dimensions simultaneously. However, the first involves increasing the total food output, while the second involves adopting food distribution system to maintain food security for low income households. Therefore, the latter is the core of this paper. FAO, WFP, and UNICAF can play significant

role under the umbrella of United Nation in co-operation with all members of U.N. countries to expand their activities in this direction.

Moreover, free market economy alone cannot remedy the global malnutrition and hunger without the public sector assistance. Also, public sector alone cannot achieve same objective without the main role of the free market economy. Traditionally, there has been significant emphasis in food policy practices in increasing agricultural production and productivity. However, this was aimed at meeting the demand of the growing population for food at both the local and international levels, which is a correct policy. In contrary, no sufficient attention is paid for food distribution systems which shorten the gap between total demand and total need. Also, it paves access to all people who cannot afford to acquire enough food.

Currently, the total global production of grain meets the total global demand, but does not meet the total need of 7.3 billion persons .Total demand does not reflect total need. Total demand refers to the aggregate purchasing power available for food, while total need is the quantity of an active and healthy food needed per person multiplied by the total global population. The difference between the total need and the total demand, reflect food shortage. Therefore, filling this shortage eliminates hunger. Still, one billion persons suffer from malnutrition and starvation. This represents 14% of the total global population because they cannot afford to obtain enough food for an active and healthy life under prevailing market prices.

Food insecurity prevails not only in net importing food of low income developing and under-developed countries, but it prevails in some of the net exporting countries as well. An outstanding example is India which is currently one of the main exporting countries of food; hence, at the same time, the largest portion of its population has no access to an active and healthy food. India is the second largest exporter of rice after Thailand, and the tenth largest exporter of wheat among the wheat exporting countries.

In contrary, India according to UNICEF, WHO, and the World Bank harmonized dataset, ranks 8 among 150 countries in malnutrition prevalence after Afghanistan, Timor-Leste, Burundi, Eritrea, Papua New Guinea, Madagascar, and Guatemala. According to the Global Food Security Index ranks 105 for 2012, United States, Denmark, Norway, and France ranked highest in food security. Brazil, China, and India fell in the middle peak ranking at 31, 38, and 66 respectively. However, India has made significant achievement in improving constantly the reduction of hunger which ranks among countries to rank 55 in 2014. Currently, they are adopting public food distribution system which will be mentioned in the latter part of this study.

Furthermore, an immediate revision of current food distribution policies is required at national scales for countries which basically suffer

from malnutrition and hunger. High income countries whether they produce surplus of food to meet the need of their people and for export (e.g. U.S.A, OEECD, Australia CANADA, United Kingdom etc.), or they can afford to import full requirement of the need of their people but have no natural recourses to produce grain, currently have no problem of food insecurity. However, this position will not continue in the future if their food production grows lower than the growth of their population in the coming 35 years, or if their financial recourses are not sufficient to keep pace with the increase of the population over time to import the full requirement of their people.

Even rich net importing food countries like Gulf States who have no natural resources to produce food, have to prepare themselves for any unexpected and sudden international shortage due to natural disaster like climate change or large scale impact of insects on food production or unexpected situation which prevent the flow of the shipment of imported food like war or embargo as it did happen in Iraq during thirteen years of comprehensive U.N. sanction between 1990-2003.

I.

Iraqi Food Ration System Saved Iraqi People from Famine During 1990-2003 Sanction.

This part of the study is summarized from the article which was recently published by the author [4]:

Before sanction, an average of \$2.5 billion Iraq used to import food through ministry of trade; and they sold in subsidies prices to meet local needs. The calories provided per person per day were 3200, which is almost equal to that of European countries.

Security council adopted resolution 661(6th August, 1990) which prevented Iraq from importing any commodity including food where 85% of its need of food is imported, exporting any commodity basically crude oil and oil product which generate 95% of income revenue, and froze all Iraqi assets abroad and prevented any transport mean to carry commodities from and to Iraq. Local production of wheat and rice meets 15% of the local needs of these two commodities. In addition, sanction was imposed at the end of the harvest season of wheat and rice.

Food stock of the ministry of trade meets the local market need for four months only. In addition, all quantities of imported food and other commodities were banned from entering Iraq, and was sent back to their origins despite the fact that the cost of these commodities were paid and some were confiscated by port authorities

Under the above constraints, I as a minister of trade, developed and adopted food ration system which covered all Iraqis. However, this also covered foreigners where sanction was threatening the life of all residents in

Iraq. Residents were allocated to the nearest retailer to their houses from among 45000 private retailers; and they were treated equally in term of quantity, quality, and prices. Consequently, the price of food basket was fixed at 12 cent US/person /month, and it continued during thirteen years of sanctions to avoid the impact of sanction on deteriorating the purchasing power of household.

U.N. adopted Iraqi Food Ration System (IFRS) in oil-for- food program during 1997-2003. Thus, the food basket provides 2450 calories per person per day compared with 1300-1800 calories between 1990 -1996. Furthermore, \$ 1.7 billion of food was equally delivered yearly through oil-for-food program between 1997-2003. The population of Iraq increased by 40% from 18.5 million at the beginning of sanction to 26.5 million in 2003 when the sanction was lifted.

U.N. considered IFRS as the largest and most efficient food distribution system in the world as stated in Washington post (Feb.3, 2003)[5]. Security Council called its resolution 1472 (28th, March, 2003), nine days after starting the war against Iraq, to keep the system running. Thus, IFRS was successful in preventing famine during thirteen years of sanction and is still running in Iraq.

Indian Public Food Distribution System 2013

India has the second largest population of 1.2 billion in the world after china. It is the third largest producer of wheat (93.3 million metric tons in 2013), the second largest producer of rice (99 million MT), and the largest producer of pulses (18.5 million MT). At the same time, India was considered to be the second largest exporter of rice after Thailand and the tenth largest exporter of wheat. Despite that, India is considered the largest country in the world having the problem of malnutrition and hunger.

Two years ago, Indian government adopted public distribution system according to the National Food Security Act, 2013. It is the largest food distribution system in the world now, covering two-third of the population of 800 million. This system provides five k.g. of grain (wheat or rice or pulses) per person per month at a subsidized price (150 calories) utilizing 22.7% (48 million MT) of the total local production (210.8 million MT).The price was fixed in Act (2013) to be 3.1 cent U.S./k.g for wheat, 4.7 cent U.S./k.g for rice, and 1.6 cent U.S/ k.g for pulses. Furthermore, the Act contained providing pregnant women, lactating mothers, and some categories of children with daily free meals of around 600 calories [5].

Despite the variations between Iraqi system and Indian system which is 30 times larger than the former size of the population, and lower in term of calories per person per day (150) compared with 2450 of Iraqi during sanction, Indian policy of adoption of public food distribution system

covering 800 million reflects the importance of treating food insecurity at national scale. Thus, Iraq has been using this system since 25 years ago.

Instability and Its Impact on Food Production

The instability in the middle-east and some other parts of the world crippled the agricultural production and enlarged food insecurity in these countries. For example, before civil war erupted few years ago in Syria, Syria was the only country in the middle-east that had self-sufficiency in food and was one of the main exporters of grain and agricultural products. Its production of wheat for some years reached twice the needs of the population. The total production of wheat ranged between 4-5 million MT. After the civil war, Syria imported around 2.3 million MT of wheat in 2014. Due to the instability in the region, food production declined not only in Syria, but in Iraq, Yemen, and other countries as well. External and internal refugees in these countries are the largest in the region. Sudan and Yemen filled in the 5 and 8 rank of the worst countries affected by hunger according 2014 Global Hunger Index. Therefore, instability will continue to work as negative factor in increasing food shortage and food insecurity which require both temporary and long term schemes of food distribution systems for countries that are unstable.

Policy Orientation of Food Distribution Systems for 2015

Building strategic grain reserve is the first essential step to maintain the flow of food. Silos, warehouses, mill flour, mill rice, and private retailer network are the main components of food distribution systems in addition to transport network. The following steps in the global program can be adopted:

- 1- Population projection of each country for each coming years until 2050.
- 2- Forecast of population need for food according to international nutrition calories.
- 3- Estimate of storage capacity for food of constant strategic reserve for the period of 9-12 months. Large silos and warehouses is usually a public investment.
- 4- Estimate of milling capacity required for wheat, rice, and maize. This activity is mainly a private sector investment.
- 5- Private retailer grows organically as population grows in urban and rural areas at local and national, and international scales.
- 6- Transport network is mainly private sector and expands organically as food distribution expands.

Conclusion

Infrastructures mentioned above can be developed in stages during the coming 35 years. Rich countries like Gulf States due to their financial capacity, needs to speed-up the implementation of silos and build up strategic grain reserve as a one year requirement to maintain food security. Hence, this is because they totally rely on the importation of food and any sudden cut or long delay of shipments will keep these countries dependable only on the strategic reserve as they have no potential to grow grain locally. In the meantime, low income countries need international aid to fulfill the implementation of the infrastructure program in several stages, as well as to build the required reserve for each country.

Subsequently, the program guideline mentioned above is the responsibility of both the private and the public sectors. Public sector should adopt subsidized policy for the provision of food through food distribution system with international aid for low income countries interim of financing or food product.

The storage capacity developed by the ministry of trade maintained a one year strategic reserve of grain when war against Iraq began in March, 2003. In addition, the flow of food continued during the war and until mid-2004. Thus, this was when strategic reserve was consumed, and disruption of flow of food began since then.

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AN ASSESSMENT OF POTENTIAL CLIMATE CHANGE IMPACTS ON FLOOD RISK IN CENTRAL VIETNAM

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Abstract

Flood is a natural feature of the environment and is also one of the most frequent hazardous natural disasters. The impacts of flood are highly devastating and usually cause economic depression and direct damages to the livelihood, properties, and lives of the people. In recent years, the extended flat territory along the long coastline with the tropical cyclone frequency is a result of flood problems in the central region of Vietnam. In an attempt to deal with this adversity, this paper aims to manifest the feasibility of assessing flood simulations that corresponds to the impacts of climate change. The system was developed using the outputs of the Hadley Centre Coupled Model, version 3 (HadCM3) for A2 and B2 scenarios and a coupling of hydrological – hydrodynamic models. The results indicated that the weather will become hotter in the future with the increase of temperature between 0.4°C to 2.2°C and 0.19°C to 0.6°C under A2 and B2 scenarios, respectively. On the other hand, the annual rainfall will also increase between 3.3% to 14.5% and 3.6% to 6.8% under A2 and B2 scenarios, respectively. The results also demonstrated that potentially serious increases in runoff and water level under future climate change scenarios. The unanticipated consequences might play a large role in the destruction of crops, transportation, water supply, and communities located in the Huong River Basin. Additionally, the outcomes of this study can be applied for the entire Huong River Basin in order to mitigate the flood problems in the future.

Keywords: Flood risk, Climate change, HEC – HMS, HEC – RAS, General Circulation Model

Introduction

The increase of cumulative carbon dioxide (CO₂) emissions in the atmosphere is the main factor, which results in global warming. According to

the Fifth Assessment Report (AR5) by the Intergovernmental Panel on Climate Change (IPCC), at the end of the century, the global temperatures are likely to increase by 0.3°C to 4.8°C under the Representative Concentration Pathway (RCP) 2.6 to 8.5 scenarios (IPCC, 2013). The impacts of climate change can affect the spatial and temporal distribution of river basins, such as the intensity and frequency of extreme hydrological events (Babel et al., 2011). Over the last decade, the General Circulation Models (GCMs) have been considered as the most common source, which were employed to evaluate the hydrological impact studies. However, the abilities of the models remain limited for instance, the coarse resolution and uncertainty to capture many important regional parameters such as the geographic, atmospheric and clouds. To overcome these problems, various statistical and dynamical downscaling models have been subsequently emerged in recent years that can transfer the coarse spatial outputs to the finer resolution of regional level. At present, there is a great interest in dynamical downscaling methods for the reason that they have higher resolution and additional regional information than the other methods, which enables it to be finer in regional level. These approaches, however, require substantial computational resources, and due to the complexity, the dynamical downscaling methods are highly preferable for the commercial purpose studies. Therefore, statistical downscaling methods are the most common approach to improve the resolution of rainfall for hydrologic application and largely used in anticipated hydrological impact studies under climate change scenarios (Khan et al., 2006).

In this paper, the potential impacts of climate changes in the central region of Vietnam are investigated using the Statistical Downscaling Model (SDSM) based on various emission scenarios. Furthermore, the paper also aimed to evaluate the hydrological processes in the study area by using a coupling hydrological (HEC – HMS) and hydrodynamic models (HEC – RAS).

Study area description

The study concentrated on the Huong River Basin, the largest river in Thua Thien Hue Province, Vietnam. The Huong River Basin has its main length of 104 km and a total area of 2,830 km², in which almost 80% of the entire area is mainly mountainous area. The river basin area comprises of three main reservoirs, i.e. Huong Dien, Binh Dien and Ta Trach, which are situated along the tributaries of the Bo, Huu Trach and Ta Trach Rivers, respectively (Fig.1). The Huong River Basin is considered to have the highest rainfall in Vietnam, with the mean annual rainfall of approximately 2,500 mm in the coastal areas and 3,500 mm in the hilly regions of the river basin. In terms of temperature, the annual average temperature ranges from

21°C to 26°C with the highest recorded temperature of 41.3°C. The average humidity is approximately 85% with the lowest values range between 50% to 60% and the highest value is equal to 90%. This area usually impacted by some extreme climatic events every year such as typhoons and tropical cyclones, which are the roots of severe flood and inundation at the downstream of the river basin.

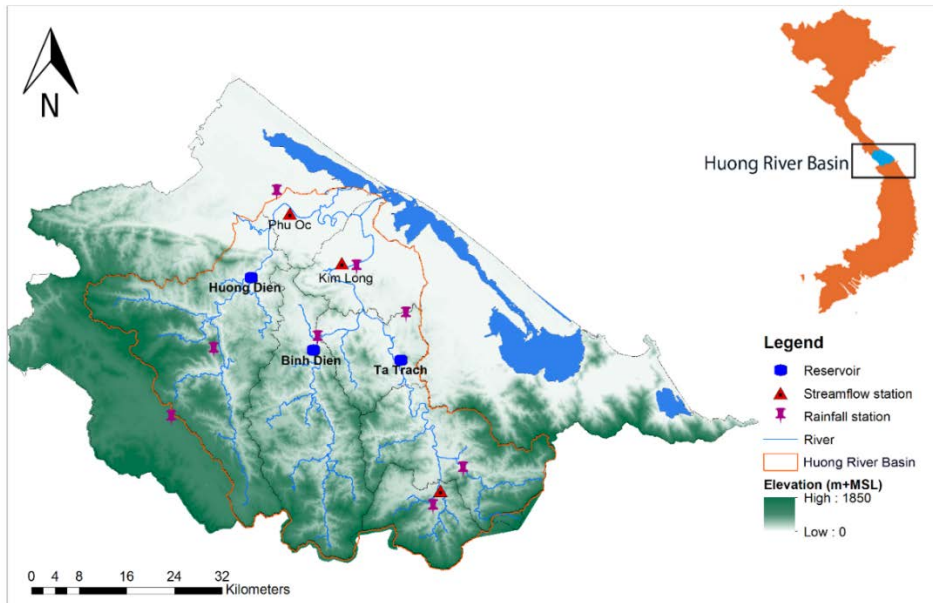


Fig. 1 The Huong River Basin, Vietnam (Thua Thien Hue Hydro-Meteorology and Forecasting Center, Vietnam, 2014)

Materials and methods

Data collection

The meteorological data were obtained from Thua Thien Hue Hydro-Meteorology and Forecasting Center (TTH – HMFC). The daily weather data consist of rainfall, wind speed, maximum and minimum temperatures, and relative humidity during 1976 to 2012. The Digital Elevation Model (DEM) with 10 m*10 m resolution generated from 1:25,000 topographic contour data was used for flood modeling. In addition, land use and soil maps with the scale of 1:50,000 generated in September, 2014 were also obtained from the Department of Resources and Environment of Thua Thien Hue Province, and they were employed to analyze the Curve Number (CN) values in the river basin.

The daily observed predictors were derived from the National Centers for Environmental Prediction (NCEP) reanalysis during the period of 1961 to 2001. The Hadley Centre Coupled Model, version3 (HadCM3) daily outputs for the period 1961 to 2099 were obtained from the Met Office Hadley Centre, England. HadCM3 was selected since the model is

extensively used in the Southeast Asia for many climate change impact studies including the central region of Vietnam (Khoi et al., 2015; Mai, 2009; Shrestha et al., 2014); and it also has the ability to simulate for a period of thousand years, as well as showing a little drift in its surface climate (McCarthy et al., 2012). Regarding Vietnam, the population and industrial growth is expected to contribute to a very high concentration greenhouse gases (GHGs) in the later decades of the 21st century (Shrestha et al., 2014). Therefore, the intermediate scenario of the high scenario (A2) and medium scenario (B2) were selected for this study area.

Statistical Downscaling Model (SDSM)

The SDSM model is a multiple regression-based method, which was introduced by Wilby et al. (2002). The model was developed to convert the resolution from large scale predictor variables into local climate variables. For specifying the appropriate predictor variables which were applied for model calibration, the NCEP reanalysis predictors were selected. The predictors were analyzed using correlation analysis and partial correlation analysis to represent the potential utilization of predictor and predictand (rainfall, temperature) relationships. Regarding calibration, rainfall was modeled as a conditional process because the amounts of rainfall depend on wet-day occurrence while the temperature was modeled as an unconditional process. Alternatively, the transformation of the “Fourth roots” was applied to account for the skewed nature of the rainfall distribution.

The World Meteorological Organization (WMO) and the IPCC in the AR1 and AR2 defined the climatological baseline period for 30-year such as the period of 1961 to 1990. Because of the lack of observation data, the period of 1976 to 1990 was used as a baseline period in this study. The model was calibrated and validated separately for daily rainfall, maximum and minimum temperatures, i.e. the period of 1976 to 1990 for calibration and 1991 to 2001 period for validation.

Hydrologic Model HEC – HMS

The Hydrologic Engineering Center – Hydrologic Modeling System (HEC – HMS) model was developed by the US Army Corps of Engineer – Hydrologic Engineering Center. The model was designed to simulate the rainfall – runoff processes and it was widely applied in many hydrological studies (Matthew, 2013). To represent the behavior of the river basin, HEC – HMS contains four main components, i.e. models to compute runoff volume, direct runoff, baseflow and channel flow (Feldman, 2008).

There are several loss methods that are provided in the HEC – HMS model. The loss methods are used to calculate actual infiltration from sub-basins. Among the remaining loss methods, the Soil Conservation Service

Curve Number (SCS – CN) method was selected for the event-based simulation due to its simplicity manner. This method also relies on only one parameter, i.e. Curve Number (CN) and accounts for most runoff producing watershed characteristics. In addition, the method provides better results in comparison to the other methods.

The Snyder Unit Hydrograph is well known as a common method used to define how excess rainfall is transformed into runoff in sub-basins, and it was used in this study. The Snyder Unit Hydrograph method has been used worldwide nowadays such as Bender et al., 1961; Safarina et al., 2011; and Singh et al., 2014, especially, the most interesting approach to this method has recently been proposed by Dinh, 2014 and Hoa, 2013 in the same river basin.

A total of six different baseflow methods are available in HEC – HMS model for calculating the actual subsurface flow from sub-basins. The recession baseflow method was considered in this study due to its ability to automatically reset after each flood event; and this method does not conserve mass for each sub-basin. Alternatively, recession baseflow is broadly practiced in many hydrological studies and it can be applied for both event and continuous simulations.

In order to represent a segment of a river, the Muskingum routing method was considered. Employing a simple conservation mass approach to route flow along the river, the Muskingum method is examined as one of the most popular methods at present. Practically, this method worked well for the Huong River Basin based on the outcomes of previous studies, i.e. Dinh, 2014; Hoa, 2013; and Mai, 2009.

Moreover, there were three stations selected to represent the hydrological processes applied to model evaluation, i.e. Phu Oc station, Binh Dien and Ta Trach reservoirs. At Phu Oc station, the observed daily water level data for the period of 2009 to 2010 was used for calibration, and 2011 to 2012 period was used for validation. The observed daily inflow to Binh Dien reservoir during the period of 2010 to 2011 was used for calibration and the year 2012 was used for validation. For Ta Trach Reservoir which was just operated in May 2014, the available observed inflow data for the period of September to October 2014 was used for calibration, while the period of November to December 2014 was used for validation.

Hydrodynamic model HEC – RAS

The Hydrologic Engineering Center – River Analysis System (HEC – RAS) is a hydrodynamic model developed by the US Army Corps of Engineers – Hydrologic Engineering Center. It was designed for flood prone determination and hydraulic analysis of river channel. The model includes four river analysis components. These components include the steady flow

water surface profile computations, unsteady flow simulations, sediment transport computations and water quality analysis (Gary, 2010).

The unsteady flow analysis was considered in HEC – RAS model simulation. The discharges at the outlets of Huong Dien, Binh Dien and Ta Trach reservoirs were utilized as the upstream boundary conditions, and tidal water level at Thuan An outlet was employed as the downstream boundary condition.

Two streamflow stations located at the downstream of the river basin, i.e. Kim Long and Phu Oc stations, were chosen to evaluate the performance of the model. The period of 2009 to 2010 was used for calibration and 2011 to 2012 period was used for validation.

Model evaluation criteria

For the assessment of model performances, there are four statistical measures for judging the goodness of fit of model simulations, i.e. determination coefficient (R^2), Nash – Sutcliffe coefficient of efficiency (E_{NS}), Root Mean Square Error ($RMSE$), and Percent Error in Peak (PEP).

$$R^2 = \left[\frac{\sum_{i=1}^n (X_i - \bar{X})(Y_i - \bar{Y})}{\sqrt{\sum_{i=1}^n (X_i - \bar{X})^2 \sum_{i=1}^n (Y_i - \bar{Y})^2}} \right]^2 \quad (1)$$

$$E_{NS} = 1 - \frac{\sum_{i=1}^n (X_i - Y_i)^2}{\sum_{i=1}^n (X_i - \bar{X})^2} \quad (2)$$

$$RMSE = \left[\frac{1}{n} \sum_{i=1}^n (\bar{X}_i - X_i)^2 \right]^{\frac{1}{2}} \quad (3)$$

$$PEP(\%) = 100 \left| \frac{S_{peak} - O_{peak}}{O_{peak}} \right| \quad (4)$$

Where: X_i is observed values; \bar{X} is mean of observed values; Y_i is simulated values; \bar{Y} is mean of simulated values; n is total number of value; S_{peak} is simulated peak; O_{peak} is observed peak

Results and discussions

SDSM calibration and validation

In the development of the SDSM model, the selection of appropriate predictor variables is an essential part on climate downscaling. It is done using a correlation analysis to identify a sensible combination of predictors - predictand variables. Higher correlation value (r) implies a higher degree of

association (Wilby et al., 2007). Generally, the large scale predictor variables and daily rainfall show a very low correlation compared with the temperature. For mean temperature at 2 m predictor variable (*temp*), the correlation value showed a respectable achievement for maximum and minimum temperatures with the predictors ($r > 0.70$), in addition, results demonstrated a very low correlation value for daily rainfall ($r < 0.10$). Wilby et al. (2007) has also mentioned that daily rainfall is the most problematic daily variable to downscale since the measure of local sites are relatively poor resolved by regional scale predictors.

For calibration and validation, the results of mean monthly rainfall and temperature can be summarized in Table 1. It can be seen that the results show a good relationship between the observed and simulated data during the calibration and validation periods. Nevertheless, the SDSM model is limited only on capturing the daily rainfall at individual site due to many regional driving factors such as non-normality of the distribution of daily rainfall and mixed distribution of wet and dry days.

Table 1 Summary of calibration and validation results for mean monthly rainfall and temperature at Hue station

Predictand	Calibration		Validation	
	R ²	RMSE	R ²	RMSE
Maximum temperature	0.99	0.05	0.99	0.70
Minimum temperature	0.99	0.06	0.88	1.06
Rainfall	0.98	1.91	0.88	3.72

Downscaling of rainfall and temperature for future emission scenarios

In terms of projected rainfall, the results indicate an increase trend for future mean annual rainfall in the Huong River Basin under A2 and B2 scenarios (Fig. 2). During the rainy season, the mean monthly rainfall tends to decrease by approximately 2.4% to 8.5% in October and increase by 3% to 16.8% in November to December. In summer, the rainfall will increase at a high rate of 60% in February for A2 scenario. The overall results demonstrated that the mean annual rainfall will increase between 3.3% to 14.5% under A2 scenario and 3.6% to 6.8% under B2 scenario during the decades of 2020s to 2080s in comparison to the baseline period.

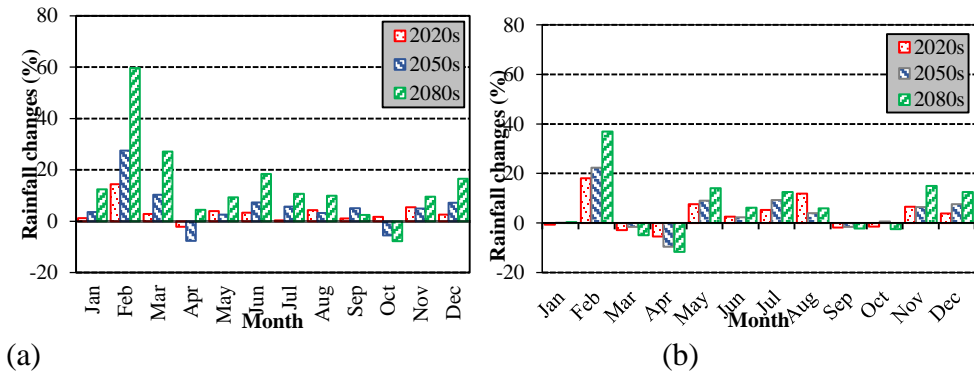


Fig. 2 Mean monthly rainfall changes for the decades of 2020s, 2050s and 2080s in comparison to the baseline period under (a) A2 scenario and (b) B2 scenario

In view of temperature, the results suggested that the weather will be hotter in the future, in particular along the coastline areas (Fig. 3). During the rainy season, the temperature will increase by 5.3°C and 1.68°C under A2 and B2 scenarios, respectively. In summer, the simulations reveal that the temperature will increase between 0.5°C to 2.2°C in May and slightly decrease between 0.2°C to 0.4°C in July based on A2 and B2 scenarios, respectively. It was observed that the mean annual temperature will increase between 0.4°C to 2.2°C and 0.19°C to 0.6°C during the decades of 2020s to 2080s under A2 and B2 scenarios, respectively.

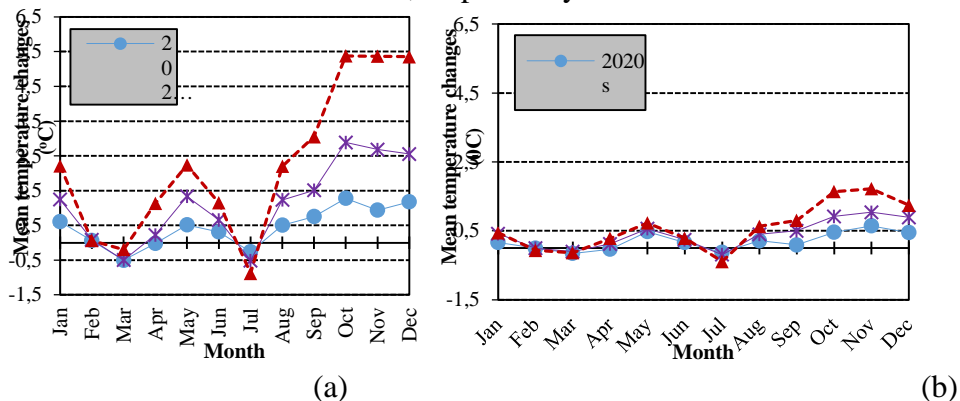
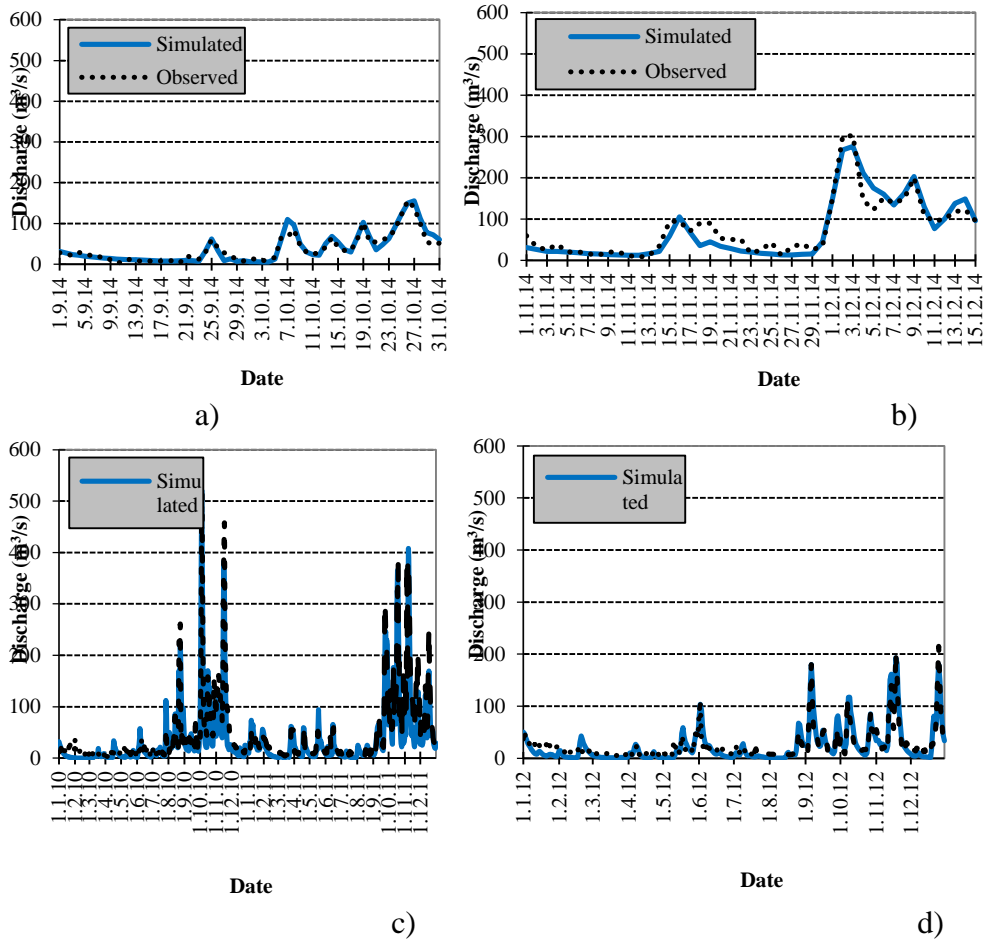


Fig. 3 Mean monthly temperature changes for the decade of 2020s, 2050s and 2080s in relation to the baseline period under (a) A2 scenario and (b) B2 scenario

Hydrologic HEC –HMS model evaluation

The calibration and validation processes were performed in order to prove the reliability and stability of the model. As shown in Fig. 4, the comparisons between the simulated and observed discharges show a good agreement in terms of trends and magnitudes, except a certain period of November 18-19, 2011 which illustrate a clear difference due to the effect of tropical northeast monsoon that caused anomalous rainfall distribution as

reported by (VTC14, 2014). In Table 2, the *PEP* values vary from 1% to 8.5%, 1% to 10% and 14% to 20% during the calibration and validation periods for Ta Trach, Binh Dien and Phu Oc stations, respectively. Furthermore, based on the E_{NS} and R^2 statistical values, it can be seen that the HEC – HMS model performed well during the calibration and validation processes.



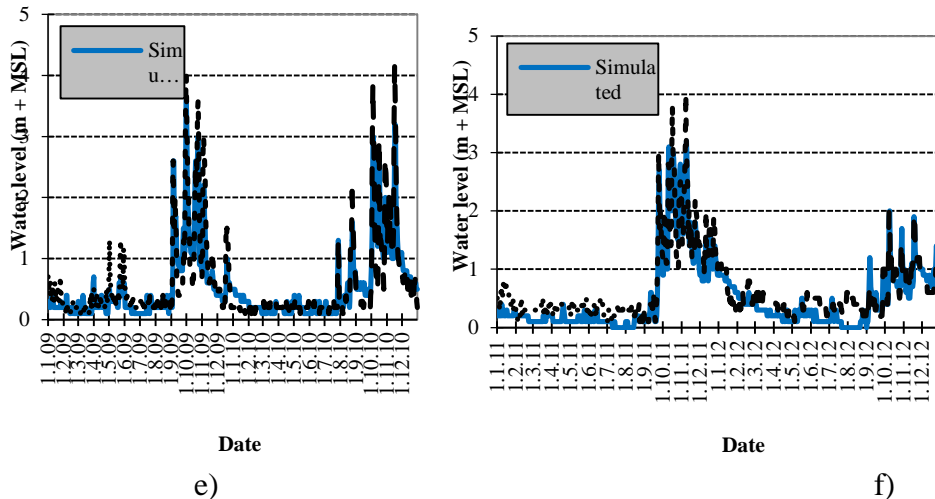


Fig. 4 The HEC – HMS model calibration results (a, c, e) and validation results (b, d, f) at Ta Trach, Binh Dien, and Phu Oc stations, respectively

Table 2 Statistical indices of HEC – HMS model performance

Station	Calibration		Validation	
	R ²	E _{NS}	R ²	E _{NS}
Phu Oc	0.85	0.84	0.85	0.78
Binh Dien	0.85	0.83	0.84	0.77
Ta Trach	0.94	0.91	0.91	0.89

HEC – RAS model for flood mapping

The HEC – RAS and HEC – HMS models were coupled externally in this study. In details, HEC – HMS model calculated discharges at the outlet of each sub-basin, which were used as the upstream boundary conditions for HEC – RAS model. A total 79 cross sections were imported into HEC – RAS model, together with the 10 m * 10 m DEM for HEC – RAS river network. The calibration of HEC – RAS model was performed manually by adjusting the Manning’s n values for each reach along the main river and using both graphically and statistically to evaluate the model performance.

For calibration and validation processes, the results indicated that HEC – RAS model performed well in simulating water levels at Phu Oc and Kim Long stations (Fig. 5). Based on statistical indices as summarized in Table 3, it can be concluded that HEC – RAS model is suitable to simulate flood regimes in the Huong River Basin (note: a rather low correlation for validation at Phu Oc station might be explained by the effect of unprecedented levels of overflow from the Bo River which influenced its flow pattern).

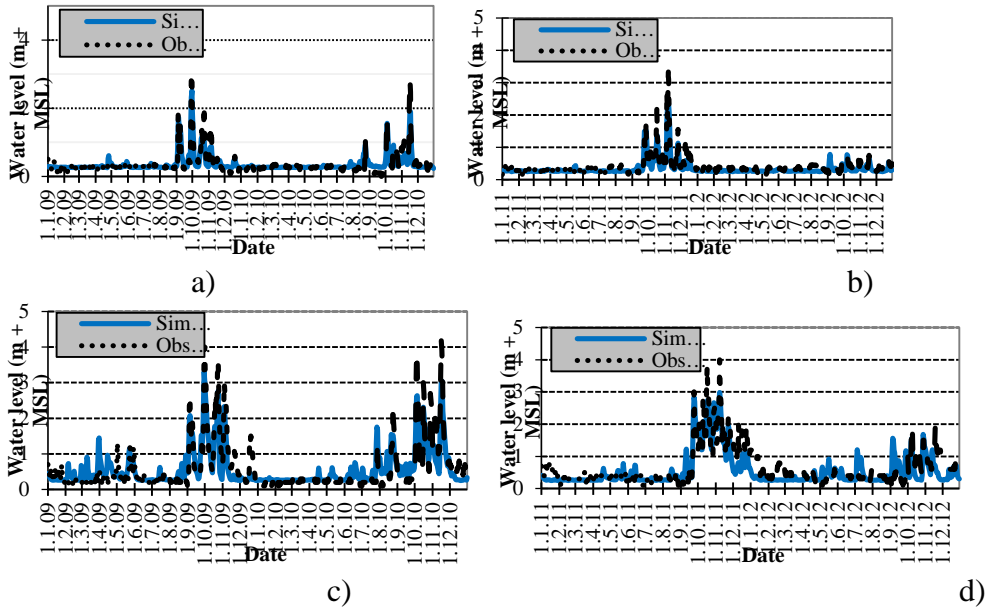


Fig. 5 The HEC – RAS model calibration results (a, c) and validation results (b, d) at Kim Long and Phu Oc stations, respectively

Table 3 Statistical indices of HEC – RAS model performance

Station	Calibration		Validation	
	R ²	E _{NS}	R ²	E _{NS}
Phu Oc	0.74	0.73	0.67	0.64
Kim Long	0.78	0.77	0.79	0.74

Flood simulation under the impacts of climate change

The A2 scenario was considered as the worst case projected high CO₂ emissions, and was used as input to flood simulations. As illustrated in Table 4, the results show trends in increasing water level and discharge at Phu Oc and Kim Long stations under the impacts of climate change. This can logically lead to increase in flood occurrences in the Huong River Basin in the future. In addition to this, the flood inundation mapping in the decades of 2020s to 2080s were delineated in order to identify the flood prone areas of the Huong River Basin as presented in Fig. 6.

Table 4 Maximum water levels and discharges under A2 scenario

Period	Phu Oc		Kim Long	
	H_{max} (m+MSL)	Q_{max} (m^3/s)	H_{max} (m+MSL)	Q_{max} (m^3/s)
2020s	1.39	224.53	0.83	434.52
2050s	1.58	267.67	0.87	462.99
2080s	2.01	380.88	1.15	604.03

Where: H_{max} is the maximum water level (m+MSL); Q_{max} is the maximum discharge at selected cross section (m^3/s)

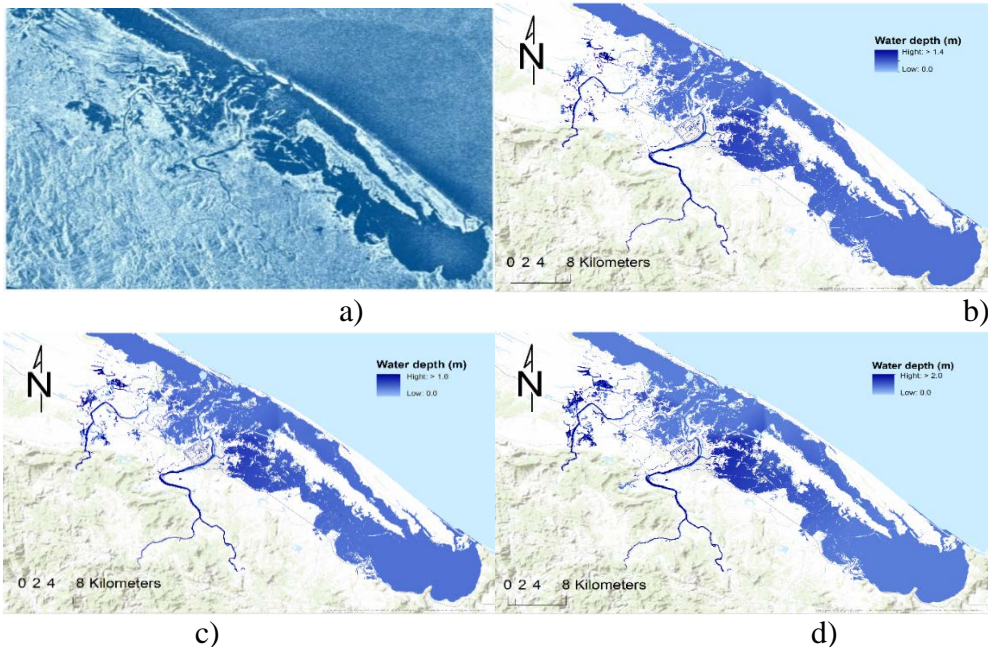


Fig. 6 Flood inundation extent of the Huong River Basin based on (a) satellite imagery taken on 11th June 1999 (b) HEC – RAS delineated flood inundation extent for the decade of 2020s (c) HEC – RAS delineated flood inundation extent for the decade of 2050s (d) HEC – RAS delineated flood inundation extent for the decade of 2080s under A2 emission scenario

Conclusion

An assessment of flood simulation under the impacts of climate change was carried out in the Huong River Basin. The results demonstrated that the application of coupling of HEC-HMS hydrological – HEC-RAS hydrodynamic models and the HadCM3 model under A2 and B2 emission scenarios for estimating the potential impacts of climate change provided a realistic finding for the Huong River Basin. From the main finding of this study, it was observed that the weather will be hotter in the future, which ranges between 0.4°C to 2.2°C and 0.19°C to 0.6°C for A2 and B2 scenarios, respectively. On the other hand, the overall results implied that the annual rainfall will increase from 3.3% to 14.5% and 3.6% to 6.8% under A2 and

B2 scenarios, respectively, in the decades to come. The increase of temperature and rainfall will significantly influence discharges and water levels in the future. As a result, the flood risk will be more intensive in terms of its frequencies and magnitudes of damage and could be more extreme in the future. The unforeseen flood events might cause negative impacts, including loss of human life, damage to property, destruction of crops, loss of livestock, etc. whereas floods might positively play an important role in maintaining key ecosystem functions and biodiversity in natural systems of the Huong River Basin. Finally, the outcomes of this study can be used as a guideline for adaptation measures under climate change impacts in the other parts of Vietnam.

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BIODIVERSITY, LOCAL RESOURCE, NATIONAL HERITAGE, REGIONAL CONCERN, AND GLOBAL IMPACT: THE CASE OF MAU FOREST, KENYA

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Abstract

The Mau Forest situated in western Kenya is the largest remaining near continuous block of indigenous forest in East Africa. It is a biodiversity haven with a wide range of fauna and flora some of which are endangered. The Mau is important as a water tower feeding rivers and lakes thus supporting livelihoods of millions of people in Kenya and the region. Over the last 20 years an estimated 2000 Km² of forest was destroyed in the Mau resulting in environmental, social and economic loss. As a major water tower, the impact of this loss is evident lowered water levels in the rivers that emanate from this forest and increased temperatures. In addition are economic losses in agriculture, tourism and energy sectors that affect the livelihoods of people not just in areas adjacent to the Mau but also in neighbouring counties. The unobstructed destruction of the Mau forest continues to deprive the country of a national heritage and is of regional and global concern. Attempts to rehabilitate the Mau have had limited success and they require multidisciplinary local and international support.

Keywords: Biodiversity, genetic diversity, forest, ecosystem, natural resources

Introduction

Biodiversity is Africa's richest asset with knowledge of medicinal, agricultural and other properties of the biological resources developed over centuries harbored by the local people. To these people, biodiversity is a means of livelihoods, a basic resource that fulfills their nutritional and health care needs and thus its destruction through loss of genes, species, habitats and ecosystems impoverishes them. It is predicted that if present trends

continue, 25% of the world's species will be lost in the next 20 to 50 years (Winpenny, 1990).

Other than exploitation of the fauna and flora by logging, charcoal banning and poaching, biodiversity is threatened by attempts to pirate and control it through bio prospecting and bio piracy; searching and appropriating of life- micro-organisms, plants, animals and the traditional cultural knowledge that go with it without legal rights. This is the violation international conventions on biological diversity (UNCTAD, 1996).

Biodiversity is under siege, threatened by the compounded effects of carbon-dioxide emissions, unregulated industrial logging, desertification, natural resource extraction (through activities such as hydroelectric power generation and mining), genetic contamination (through the use of Genetically Modified Organisms), commercial exploitation of endangered species and the disappearance of traditional cultures (O'Riordan and Stoll-Kleemann, 2002; Cunningham et al., 2005).

The exploitation of local natural resources, such as found in a forest like Mau, has happened since time immemorial. Despite being local, such resources are a national heritage with an impact far beyond the country's borders. The Mau Forest in Western Kenya, one of the Kenya's water towers, has been systematically destroyed in the last 15 years with the resultant upsetting of a delicate ecological equilibrium as bio diverse fauna and flora is destroyed. Attempts to rehabilitate the forest through eviction of illegal settlers, reforestation and resettlement programs have had limited success.

The immediate reaction is to view the Mau Forest crisis as a local and at most a national situation. However, the impact of destruction is of regional and global concern and it requires collective, national, regional and international effort to fully address the Mau Forest crisis.

This paper investigates the situation of the Mau as a multidisciplinary challenge that requires concerted international effort.

I.

According to the United Nations Environment Program (UNEP), biodiversity is the totality of genes, species, and ecosystems. Thus biodiversity is a concept that captures both variety in respect to organisms and ecosystems and refers to all life forms, including plants, animals, and micro-organisms, whether naturally occurring or modified, wild, cultivated or domesticated in a particular geographic area (O'Riordan and Stoll-Kleemann, 2002).

The Mau is a biodiversity sanctuary in the largest indigenous forest in East Africa that lies across the Equator between 00 1' 0" N and 00 55' 0" S and between the latitudes of 350 15' 0" and 360 15' 0" E. The Mau forest

complex is the largest water catchment area in Kenya where many rivers originate such as the Nzoia, Yala, Nyando, Sondu, Mara, Ewaso Nyiro (south), Naishi, Makalia, Nderit, Njoro, Molo and Kerio. These rivers feed important lakes such as Lake Victoria, L. Turkana, L. Natron, L. Nakuru and L. Baringo; the first three of which are cross-boundary between Kenya-Uganda-Tanzania; Kenya-Ethiopia and Kenya- Tanzania respectfully. Because Lake Victoria, (Africa's largest lake, world's largest tropical lake and world's second largest freshwater lake) is mainly fed by the Mau, we can extrapolate that the Mau Forest Complex affects the livelihoods of the over 130 million people in countries of East and Central Africa (fig 1)

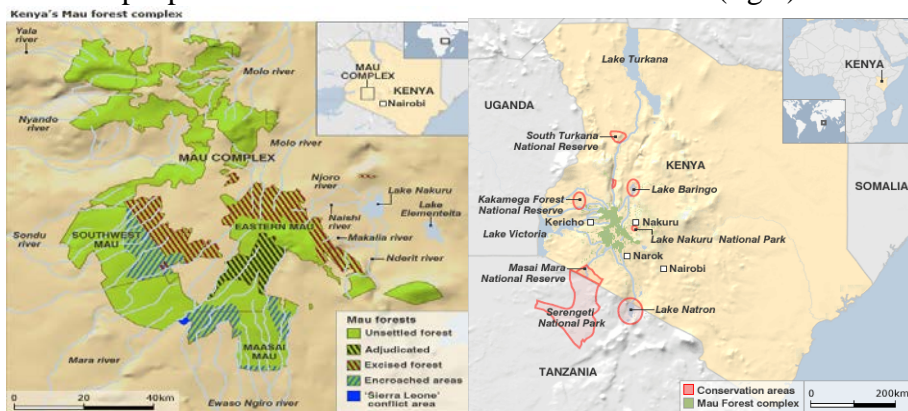


Fig 1 Geographic position of Mau forest complex (GOK, 2009),

The Mau is the largest remaining near continuous blocks of mountain of indigenous forest in East Africa. It is classified as a montane forest with mountain ecosystems that form life zones characterized by dense forests at moderate elevations which transit to grasslands or tundra as the altitude increases (Prance, 1984). It has moist forest vegetation types in the windward and the leeward sides of Lake Victoria respectively occurring at 2100 - 3300 m above sea level, with rainfall above 1500 mm, and dry forest vegetation occurring at 1800 - 2900 m above sea level where the annual rainfall is 700 -1350 mm (Beentje, 1994).

This forest is a classic example of biodiversity with flora and fauna with wide genetic, species and ecosystem diversity (fig 2). This unique genetic diversity includes rare and endangered animals such as the Bongo antelope, the Colobus monkey and the forest elephant making it a haven for scientists as well as tourists visiting eight conservation areas namely South Turkana, Kerio Valley and Kamnarok National Reserves; Lakes Baringo, Magadi, Nakuru, Natron National Parks. These lakes are famous for over 500 bird species including the flamingoes; Maasai Mara and Serengeti National parks famous for wildebeest migration and the Kakamega National

Reserve the only remnant Guinco Congolian forest ecosystem famous for its unique birds and butterflies.



Fig 2 The Bio diverse Intact Mau Forest (GOK 2009)

The economic importance of the Mau forest is evidenced by the fact that in 2007, the Maasai Mara Reserve and Nakuru Park generated revenue of over USD 10 million from Park entry fees alone (UNEP, 2008).

The rivers originating from the Mau produce hydro electric power with an estimated potential hydropower generation of approx. 535 megawatts, representing 57% of the total electricity generation capacity in Kenya in 2009 (GOK, 2009). Such an increase in hydroelectric power generation can reduce use of non renewable fossil fuel with accompanying benefit in environmental conservation . A further benefit of the forest is its role in climate regulation as a reservoir and sink of carbon dioxide, the main greenhouse gas (GHG) contributing to global warming and climate change (Hesslerová and Pokorný 2010).

Furthermore, the Mau complex is of importance to Kenya's key agricultural economic sector in supplying water for cash crops such as tea and rice; subsistence crops and livestock. Tea production and tourism are among the country's largest foreign currency earners (CIA, 2014). Considering its genetic, ecological and economic value, inarguably the Mau forest is not only a local resource and a national heritage but an important natural resource with regional and global impact.

Traditionally, the forest was inhabited by the Ogiek, one of the very few remaining forest dwelling communities in Kenya who consider biodiversity of the forest as sacred and practice a hunter-gatherer lifestyle that conserves and sustains biodiversity (Nabutola, 2010). The delicate bio diverse equilibrium maintained for decades was however upset when other

groups migrated into the forest leading to destruction of the forest with the area shrinking with time from the original gazetted area of 452,007 hectares to the an area estimated area of 273,300 hectares (Kimaiyo, 2004). Although the actual area covered by the forest may be contentious, it is estimated that over the last decades, approximately 25% of Mau forest has been lost to excisions and encroachment (UNEP 2008; GOK 2009).

The destruction of the Mau is a classic example of varying local, national, regional and international interests. Locally, the population of the Ogiek people decreased drastically. Those remaining have either been assimilated by other ethnic groups or adopted agricultural lifestyles incompatible with conserving the forest (Kimaiyo 2004).

According to satellite image assessment, it is estimated there was a decrease of 180,000 ha of forest land from 520 000 ha in 1986 to 340 000 ha in 2009 and by 2010 over 2000 Km² had been destroyed. (Hesslerová and Pokorný 2010). Between 1998 and 2004, the Government of Kenya announced intentions to excise 10% of the gazetted forests. The initial excision of 1,812 ha was earmarked to resettle the Ogiek. At the end of the exercise however, 2,588 ha was mostly allocated to businessmen, politicians, professionals and bureaucrats with political and economic power (Ndungu Report, 2004). Further excisions continued and by 2001, 61,586.5 ha of forest had been excised and 41,122 ha encroached in by about 4,647 households with settlements, the forest destroyed and plots used for subsistence farming (Fig 3). In total, the forest excision and widespread human encroachments led to a total loss of about 25% of the more than 107,000 ha the Mau between 1989 and 2009 (GOK, 2009).

Maasai Mau: forest destruction



Fig 3 From forest to agricultural land (Nabutola, 2010, NEMA 2013)

In classic forest transition of a developing nation at the periphery of a globalized system, forest degradation started and continued unabated with loss of flora and fauna. Indiscriminate felling of trees for timber and charcoal led to destruction of the diverse forest plant life. In addition, the wildlife including elephant and buffalo, that were abundant in the Mau were reduced to a fraction of the original due to human-wildlife conflict and loss of habitat (UNEP et al 2008c). The cleared forest land was then used for settlement, agricultural and livestock farming purposes. Of particular importance was the excision/encroachment of land that is currently under tea production that makes the Mau Catchment area the largest tea growing area in Kenya undertaken both by large scale local and foreign firms as well as local small holder farmers (NEMA 2013).

The direct impact of this destruction is decreased water volumes and lowered levels in rivers and lakes that depend on the Mau water tower (Fig 4). Between 1996 and 2001, many streams in the Mau Forests Complex had their flows changed significantly or altogether dried up (NEMA 2011). For instance, the four perennial rivers feeding the Lake Nakuru are now (specify the ‘now’) seasonal leading to lowering of the Lake’s area by 100 metres in 10 years (NEMA 2013). This has had adverse effects on the ecosystem resulting in reduced flamingo populations among other wildlife (UNEP et al 2008). In addition, are the low levels of the Mara River that feeds the famous Maasai Mara and the Serengeti ecosystems. A change in the water levels have resulted in a disturbed ecosystem, increased temperatures and disrupted rainfall patterns leading to decreased wildlife populations and thus lowered tourism revenues for the Kenya and Tanzania (GoK, 2009; Hesslerová and Pokorný 2010). Other than national revenue from tourism, considering that the tourism industry supports many local households, the changes in the Mau also have a local impact due to loss of livelihoods of persons directly and indirectly dependent on the tourism industry (citation needed).

Another example is the Sondu River on which the Sondu-Miriu hydropower plant is constructed. With destruction of Mau Forest, the river had such low water levels that the inauguration of this hydro power plant in 2008 was postponed (Daily Nation, 2008). With reduced water volumes in the river, this plant operates below its maximum capacity. The economic impact of decreased hydro power generation and reduced input into the national grid is that the country is forced to utilize more import-dependent nonrenewable fossil fuel energy. This does not only have a national impact on foreign currency reserves but also a global impact on depletion of a nonrenewable resource with accompanying pollution effects.

The excision, encroachment and subsequent Mau forest destruction has had environmental changes with severe consequences (Fig 4). The biodiversity of plants previously at equilibrium (this equilibrium state is a theory yet to be proved) has been disrupted and the Mau can now be classified as a biodiversity hotspot, a region with a high level of endemic species under threat from humans (Myers 1988; Mwangi et al 2014). Other than physical destruction of forest, the changes in weather patterns, failed rainy seasons and long spells of drought further contribute to a loss of biodiversity. This loss is associated with many changes such as decreased wood production of existing trees (Piotto, 2008); increased diseases and pests (Levine et al 2004; Philpott et al 2009) and decreased carbon uptake as well as reduced soil organic matter and nutrient re mineralization (Quijas et al 2010; Cardinale *et al* 2011). Other than reduction of biodiversity in respect to fauna and flora varieties and species, there is also a change in dominance of species in which can be associated with stress factors like fires and over that further interfere with the delicate equilibrium of the Mau ecosystem (Kinyanjui, 2009): statement unclear- please clarify.

Implications of a destroyed Mau is also potentially a food and civil security issue. With decreased and unpredictable rainfall, lower water volumes in rivers and lakes, farmers face decreased crop and livestock yields that threaten their very survival. According to the NEMA report (2013) this has led to people's squabbling over dwindling resources and caused civil conflict. In addition, the people who encroached into the forest resist eviction and appeal for protection from leaders keen on getting their political support.



Fig 4 Sections of the heavily deforested Mau (NEMA 2013)

In respect to human health, biodiversity provides critical support for drug discovery due to available medicinal resources derived directly or indirectly from biological sources. It is a fact that half of pharmaceutical compounds in the market are derived from plants, animals, and micro-organisms and 80% of the world population depend on either modern or traditional medicines from nature for their health care (Mendelsohn and

Balick, 1995). Most of these medicines are from uncultivated biodiversity sources in the wild (Correa, 2002).

A loss of biodiversity such as found in the Mau has an impact on human health: the wildlife not only provides drugs but also influences dietary health, nutrition security, social and psychological health. Diverse biological resources are also known to have an important role in reducing disaster risk, through psychological wellbeing associated with flora and fauna species diversity (Fuller et al, 2007). It is noted that with an increase in the loss of biodiversity, there are anticipated health risks of the resultant climate change. These are changes in the epidemiology of disease vectors, public health concerns due to scarcity of fresh water and impacts on agricultural biodiversity and adequate food resources. There is a relationship between biodiversity and infectious diseases in respect to various pathogens and their hosts for in a “hot spot”, the species that are threatened most are those that buffer against infectious disease transmission, while those that survive are those that increase disease transmission (Ramanujan, 2010).

Recognizing that the destruction of the Mau has catastrophic social, economic and environmental effects the government of Kenya has had attempts to rehabilitate the Mau. Rehabilitation of the Mau is two pronged: eviction of those settled within the forest and reforestation. Attempts to this effect have had limited successes due to several challenges one being differentiating and resettling the original Ogiek and other settlers and those that have illegally encroached. In 2005, about 10,000 people were evicted from the forest. In 2009, a taskforce on this matter (clarify the matter) produced a report that was endorsed by Cabinet that clearly stated that the government of Kenya was committed to restoring and maintaining the Mau to achieve environmental, social and economic stability for sustainable development.

Attempts to evict them have met a backlash on political leadership. The main challenge however is the politically and economically powerful people who were allocated the land. To date, there has been limited reforestation for evictions have not been successful.

The Mau forest provides a classic case of environmental apartheid where resources are exploited by a small minority (local and international large scale farmers) to the exclusion of the majority (the Ogiek and other small scale subsistence farmers) who require such resources for their very wellbeing and survival. It is also an example of bio prospecting and bio piracy where biological resources and indigenous knowledge have been used without due benefit and credit to the local owners. In this regard, there is a risk that the resources in the Mau and knowledge that the Ogiek and other indigenous people have regarding use of the fauna and flora may be exploited and commercialized without their due recognition and benefit.

Conclusion

As the source of primary material and active ingredients for many commercial products- foods, pharmaceuticals, cosmetics, biotechnology, veterinary science, seeds and agro-chemicals- biodiversity is recognized as a highly strategic resource with commercial potential comparable to that of petroleum or uranium (Global Exchange, 2007). Approximately 90% of the world's remaining biodiversity is concentrated in tropical and sub-tropical regions within developing countries such as the Mau Forest (Winpenny, 1990).

The Mau forest is an example of how exploitation of a local natural resource can have a large undesirable effect on the national heritage of a people escalating into a net negative impact to the regional and global community. The impact of biodiversity depletion in the Mau is most dramatically felt by indigenous and rural communities whose livelihoods and local economies depend on it. Other than loss of genetic diversity, these communities also lose indigenous cultures which are part of national and global heritage. With the drying up of rivers and lakes that depend on the Mau, the impact of low water levels is manifest beyond Kenya into Tanzania's Serengeti as well as Lake Victoria's fishermen in Uganda and Tanzania. Considering Lake Victoria is the source of the Nile the impact of Mau's destruction is evident as far as Egypt. The issue of Mau forest is now not just about loss of a local resource or a national heritage but of loss of livelihoods and economies of millions of Africans who directly and indirectly depend on the ecosystem. Thus, when the rains stop falling and rivers which stem from the Mau forest dry up affecting the livelihoods of over 10 million people, then it ceases to be an issue of loss of genetic diversity, disruption of the ecological balance or climate change becoming an economic and political issue of global concern.

Saving the Mau requires a multidisciplinary approach. To start with, experts in conservation, biodiversity, climate change, botany and zoology need to determine the health of the Mau forest in respect to disturbance using available techniques (Mutiso *et al* 2015). A comprehensive plan of removal of people should then be implemented with the input of sociologists, psychologists, anthropologists, political scientists as well as public policy professionals. It is only then that effective reforestation and rehabilitation of the Mau can commence with special programs by experts in forestry, wildlife ecology and natural resource management. Action on the Mau is urgently required not just as at local, national or regional levels, but concerted international effort. This effort will culminate in local sustainable land use, restoration of a national heritage, efficient regional natural resource management and a global impact on climate change by carbon sinking and reduction of greenhouse emission gases.

The University of Kabianga naturally endowed by being strategically located on the South West edge of the Mau is committed and endowed with multidisciplinary capacity to undertake scholarly and extension pursuits in saving the Mau. To this end, this University is seeking collaborators.

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EUROPE AND SERBIAN FEUDALISM - END OF THE 14th CENTURY AND EARLY 15th CENTURY - RELEVANT ASPECTS

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Abstract

Serbian feudalism goes through a strong expansion process in the 14th century. This direction was shaped by Štefan Uros the First, who was already part of a family considered so important in Europe that he could marry Helen of Anjou, which shows the prestige of the power, origin and holiness of the Nemanide dynasty in Europe. On the other hand, Western feudalism was exhausted by the new bourgeoisie, and this area was a good place of enthusiasm for Westerners in search for their roots and warlike mentality. The *Vidovdan* in Sigismund's time animated all the medieval chivalry, and this enthusiasm was manifested by founding *the Order of the Dragon*. Sigismund of Luxembourg was the most important monarch in Europe in the 14th – 15th centuries. What is paradoxical is the presence of Stephan Lazarevic, son of Lazarus, Serbian tsar, martyr of European fame, as first knight in the *Order of the Dragon*. Lazarevic was a great patron of the Orthodox culture and civilization in Serbia. Lazarevic also owned a large palace with an Orthodox church, right in Buda. The Nemanide dynasty was the most important dynasty in forming an Orthodox monarchical idea in the Balkan area. Therefore, this study aims to highlight briefly the European history concerning the idea of unity of powers in a medieval society, the evolution of this idea in a troubled Europe, and especially in a Hungary insufficient Westerner or Byzantine, seeker of an ethnic and social ideal, which would become so specific to the Serbian people.

Keywords: Serbian feudalism, Sigismund of Luxembourg, Stephan Lazarevic, orthodoxy, holy dynasty

Introduction

Serbian feudalism went through a considerable expansion process in the 14th century. This direction was initiated by Stephan Uros The First (king of Serbia between 1243 and 1276), who was already part of a family considered so important in Europe that he could marry Helen of Anjou

(Bojovic, 1995, p.88; Popovic, 2010b, pp.46-47), which shows the prestige of power, origin and holiness of the Nemanide dynasty in Europe. Serbia enjoyed aristocracy and church development, both able to build imposing fortresses (Janicijevic, 2001), and this influence extended to Hungary. The marriage of the great noble Ladislau Khan with the heiress of the Serbian king who was related to Helen of Anjou gave him the opportunity to fight against Charles Robert of Anjou. The latter brought to Hungary a type of mercantile, secularized feudalism, which found its essence, just like American Protestantism in the 17th century, diluted as well because of the temptation of financial trade and of bourgeois condition, in anti-Serbian and anti-Orthodox persecutions. These combinations took Hungary to a lower position, and Angevin defeats against the Serbians and Serbia declared empire imposed to the Angevins recognition of Maramuresh nobility, related to Serbian aristocracy and dynasty (Staretu, 2014). Western feudalism was exhausted by the new bourgeoisie, and this area was a good place of enthusiasm for the West looking for its roots and bellicose mentality. The *Vidovdan* under Sigismund animated the medieval knights environment, and this enthusiasm was manifested by founding *the Order of the Dragon* (1408). Sigismund's religious policy on the removal of the heretical conception concerning papacy and Orthodox synodal, with liturgical and dogmatic reforms, which basically converted the Occident to Orthodoxy, show us the authority of the Orthodox chivalrous model. It was met by Sigismund in Eastern Europe, and used as a strategy to legitimate again European nobility in poverty in front of great urban bourgeoisie, which afforded to ask compensation in Basel, from Sigismund, for damages caused by its noble followers at the Synod (Weiss, 2013). In this context, it is normal to have Stephan Lazarevic in front of *the Order of the Dragon*, for he was Lazarus's son, holy martyr. He was the descendant of all the holy Serbian kings who, from the idea of hesychast and Orthodox-Davidic and Christ roots of saint monarchs inspired as well vague attempts of royal sanctity in Western Europe (Le Goff, 2009). We can think that medieval aristocracy tried to save its situation by return to Byzantium. In the same way, the first crusade revolution in the history of the Occident was triggered by the Byzantium call, which led to crusade. Then, it led to the first sacralisation of the nobility, following the model of the hero warrior in sacred fight for the cross. However, it is based on the intact rediscovery in Byzantium of the idea of military faith defender, illustrated by the cult of military saints, taken over at that time from Byzantium, through contagion, when the knights went across the empire. There is a change of conception and foundation. The Germanic tribal warrior code is replaced by the orthodox idea of Davidic origin related to the Maccabees and martyrs (*saint soldiers*), which was in Byzantium. Not accidentally, *saint soldiers* were painted behind the pews in the church,

belonging to the nobles, and it shows the connection in Byzantium between the ideas of sanctity and nobility, which until then was unknown in the Occident. The term “blue blood” related to nobility, based on the blue-sky holiness has its roots in the crusade experience. Otherwise, without the Byzantine experience, the Occident would not have developed the aristocratic consciousness, where the theological element of holiness and purity of the family through Orthodoxy could be found, but it would have continued at the tribal level, where it was until then, level that would have been suffocated by the increasingly richer bourgeoisie and by Hebrew merchant categories.

Europe and feudal Serbia - 14th to 15th centuries:

Sigismund of Luxembourg was the most important monarch in Europe in the 14th and 15th centuries. Great political and military ruler, Sigismund of Luxembourg stands out as an ideologue of Christian Europe (Muresan, 2010, p.94). His rise, at the level of great European policy was possible through accession to the throne of Hungary, by marrying Maria, the daughter of Louis of Anjou, king of Hungary (Michaud, 2000, p.743). Once king of Hungary, Sigismund followed, until 1389, a policy related to direct succession of the Angevins. However, after 1389 there is a change of principle. The first big political event, which induced to Sigismund’s policy originality, was killing Croatian nobility in the administration in 1397. The next coherent action was to deprive great Hungarian nobles in Slovakia area. Great Hungarians castles were alienated or offered to Sigismund’s protected people like Stibor of Stiboricz (Mályusz, 1984, p.29). In essence, Sigismund weakened the nobility to centralize the Hungarian state, which was completely subjected to influences of families like Csaky or Aba (Sugar et al, 1994). These families ruled over territories bigger than the principalities of Wallachia and Moldavia. There was an expedition to Moldavia ending in the Hindau defeat. As far as Wallachia is concerned, special policy was not necessary. Mircea became Sigismund’s ally, although there were conflicts because of Chilia. All these revealed a first attempt to centralize the Hungarian kingdom, which was divided between aristocratic groups more or less autonomous, an attempt of centralization with considerable effects on the nobility control and on the *Knighthood Investiture*.

Relationship with Poland could be defined only after 1410 (Dvořáková, 2003), when alliances with the Teutons and Russia were clarified. In this period it was obvious that the anti-Ottoman front seemed secondary. The Nicopole crusade and the foundation of the Order of the Dragon in 1408 (Chihaia, 2010) did not seem to be important elements in his royal policy. It can, however, be noticed that this Order of the Dragon, by considering its members, included the greatest part of the Hungarian nobility,

which made his centralization effort obvious. Actually, it was visible on previous occasions too. Reading the order status, we can see the emphasis on fidelity to the king and faith (Boulton 2000, p.349). Stephan Lazarevic was Lazarus's son. The latter was the Serbian martyr tsar, famous in Europe as first knight. Stephan Lazarevic's presence was paradoxical. Lazarevic was a great patron of Orthodox culture and civilization in Serbia. Lazarevic was as well the owner of a big palace with Orthodox church in Buda (Popovic, 2010 a). What was Stephan Lazarevic's role in medieval Hungary? After Sigismund's relocation, in 1411, in Germany, Hungarian business had to be somehow administrated. Perhaps Lazarevic was commissioned as a kind of regent for Hungary. This is visible from sources related to Stephan Lazarevic's life, like Constantin of Kosteneec, who spoke about the fact that Hungarian nobles were eager to be invested knights by Lazarevic (Bojovic, 1995), so Lazarevic could invest Hungarians knight. Also, in Constantin's work it is mentioned the fact that at his death he was mourned especially by his Hungarian nobles (Kostenecki, 2011, p.32). It is interesting that among Hungarian nobles who had become knights at Lazarevic's court, there were John Hunyadi and Szilagy (Pal, 2003). Szilagy had then functions in Bacskai and Srem areas (Pannon, 2013). Was there any connection between the very important role of the representatives of the families of the two future knights of Lazarevic in the subsequent history of Hungary, where we would return, and Lazarevic's role in Sigismund's Hungary?

The fact is that John Hunyadi would follow a plan of the battles related to the sacred topography of Serbia, as it was through by Stephan Lazarevic, having as central points Belgrade (Teke, 1980); he was beginning his career in the same area, and Kossovopolije (Cartledge, 2011, p.58). Not coincidentally, John Hunyadi has an equestrian statue in Pecs, in southern Hungary, therefore in the area where he operated.

Matthias Corvinus would erect in Buda a statue of Sigismund (Kovács, 1990, p.9). This shows the overwhelming importance of Sigismund in the political imaginary of Matthias Corvinus.

An important dimension of Sigismund's European policy referred to relations with Catholicism. Sigismund's first conflicts with Catholicism occurred in the context of the war with Poland, when he required to Russians subjected to Lithuania to rebel against the Polish, arguing as well with the superiority of the Greek rite (orthodoxy). In addition, Sigismund subsequently would ask to the Emperor John Palaeologus not to take part in the synod of Ferrara-Florence for the union with the pope.

Most noble families from Maramuresh were stopped from poverty through Sigismund's policy, and the Dragffiesti (Filipascu, 2006, p. 79) started their social ascension at those times, when they had the opportunity to build the stavropighia / monastery directly related to the patriarchy, from Peri. Thus,

Sigismund's fame among Russian nobles in Poland, to be holy orthodox emperor, had historical foundation. The purpose of this orthodox line in the Occidental theology would lead to reform.

On the other hand, Europe in the 14th century was a world in dissolution. Old chivalric values, formed in the shadows of the great migrations disappeared, to make room for other values that anticipated renaissance. Orthodox Europe in this period was torn apart by Ottoman attacks on the one hand and by the growing prestige of Catholicism on the other. We face a world, which did not believe anymore in its own identity, a world that was seduced by an increasingly secular Occident (Chihaiia, 2010). This orthodox world, oscillating between identity continuity manifested through hesychasm, and the temptation of Catholicism manifested through Varlaamism faced strong Catholic feudalism at its historical peak. We meet the pattern of a new European model (Chihaiia, 2010) based on civilization and trade, thus an enticing model for Byzantium which had become formalist, whose capital, Constantinople was depopulated and whose elite was decomposed (Runciman, 2012, p.231). In this context, orthodoxy evolved as well from the national point of view. Strong states in the Balkans, claiming to be empires, but who gave birth to kinship in Europe, at noble or ducal level, managed to get national and aristocratic identity on religious bases. The most spectacular phenomenon in this period of provincial historical rethinking of orthodoxy was the idea of saint kings canonization. This complex idea, materialized in Serbia, with little legitimacy to surrounding monarchies, Byzantium, Hungary and Venice, always subjected to them genealogically and politically, and tempted even by Bosnia to make bogomile compromises, Bosnia that had state tradition that sometimes seemed more solid, would have overwhelming impact on the European idea and on ideologies related to ruling a state.

These very important and consistent elements would lead to a new understanding of the power pyramid in Europe. Meanwhile, in Europe there were five models related to manifesting power, five ideological structures, based on different pillars, still insufficiently crystallized.

The first of them was the Byzantine imperial monarchy, *Basileus*. This Basileus, which Eginhardt, Charlemagne's chronicler, called the top of medieval power hierarchy, in reality was not a monarch. He was the successor of the Roman republican emperor. He was not elected genealogically and he did not have initially sacred dimension. The *king* was the next. Initially he was a roman provincial clerk, without sacral function, appointed by the Byzantine emperor (see Clovis case, Braudel, 1995). Then there is *the orthodox episcopate*, a strong force at provincial level in Europe, force that would give birth through its members, to some important European dynasties: the Carolingians, the Hapsburgs, the Bourbons. We integrate here

as well monasticism. The fourth, which came quite late, is represented by *the bishop of Rome*. The bishop of Rome initially did not have any political authority. He was part of the Byzantine orthodox episcopate. However, as a result of ideological developments due to great European nobles in the seat of the bishop, they tried to relate to the old roman imperial idea, thus, founding *The Donation of Constantine* (Guran, 2006, pp. 55-69), the most important forgery that led to the power pyramid in Europe in the next period. The fifth was the *aristocrats' community*, knights, nobles (Pop, 2011, p.18).

The idea of Serbian holy monarchy unifies all the five dimensions providing on ideological alternative to Europe, which was divided, and the junction points between these five fundamental dimensions of the society did not have to be seen. By canonization of the monarch (Bojovic, 1995) by electing his brother bishop, usually, and canonizing him as well, and through full unification of the monarchy institution with the monastic and Episcopal one, Serbia used the junction points. It used them in an exemplary manner, which shows a lot of aspects of a strongly ideological society, in order to achieve a viable, orthodox state. These elements would be discovered by Europeans much later, through the relationship between Stephan Lazarevic, Sigismund of Luxembourg and the great European nobility.

We also notice that medieval Europe had more authority ideological models. The development of the Serbian Nemanide tsarate was very important to define geopolitical realities in the north of the Danube. The most important phenomenon for understanding the organic evolution of aristocracy and royalty in the Carpathian-Danube area was the Nemanide dynasty formation, as an orthodox alternative to a catholic monopoly made of Hungarian royalty, which dominated the area. When Zavid's son converted to orthodoxy (Ivkovic, 2013, p.24), the monarchic history of this area changed. He took the name Stephen and began a campaign to release old Byzantine-Illyrian church, which was under Hungarian-Croatian domination since the 9th century. Nemanja's policy would lead to the relation of this Serbian dynasty with important families in the area, like Morosini, Subic, Kotromanic, Buondelmonte, Angelos, Courtenai, Basarab, Asan, Anjou (Popovic, 2010a), Dandolo.

We can see acceptance of the new statehood and orthodox monarchy in the Adriatic and Balkan area, with an important role to the Dalmato-Venetian part. The development of this state would record the first great kinship through Stephen Vladislav despot of Srem marriage to the daughter of the Hungarian king, Stephen the Second, and through his Cuman wife, Kuthen's daughter, the latter daughter of a princess in the Vladmir dynasty in Kiev. We can spot a move of this Balkan area to the Adriatic, through kinship with families like Drago de Mare, Morosini or Buondelmonte, families without great noble tradition but descending from regional dukes

appointed by Byzantines in the area in the 9th century (which was the best confirmed at Venetian Morosini or Dandolo) . It was Romanic environment where the Serbian dynasty kept its individuality.

The Nemanide dynasty was the most important in getting an orthodox monarchical idea in the Balkan area. That is why this study aims to highlight briefly the European history of his idea of unity of powers in a medieval society, this idea's length in a troubled Europe and in Hungary, insufficiently occidental or Byzantine, looking for ethnic and social ideal, which would become so Serbian. This study aims, in its future issues, to highlight ideological, political, genealogical and economic means that led to the expansion of these elements, everything set in a sequence of events.

Serbia in the 15th century began to be directly threatened by the Ottoman Empire. This was the century of its fall. It was a general phenomenon of fall of the Byzantine world under Ottoman rule, and Islamic, in general (Bojovic, 1995, p. 361). The first contender to the throne of Serbia was Simeon Sinisa, Dusan's brother, who tried to chase Stephen Uros Nejak, but he failed. Vukashin Mrnjavcevic would eventually hold control of the Serbian State, as regent of Nejak, and would form a principality, which included most of the Dusan's southern empire. With his brother, Ugljesa, he would represent the most credible alternative in the area. Lazarus's ascension, married to Milita, Vratko Nemanjic's daughter, known in Serbian epic poetry as Jug Bogdan, father of the ten Jugovic, would lead to the Lazarevic's family hegemony. Marrying his daughters to the strongest medieval seniors in the area, Lazarus got to have very important role there. The marriages were: Ana to Radu the First, Mara to Vuk Brankovic, Dragana to Alexander Shishman, Helen to Djuradj Balsic and Theodora to Nicolas Garay, member in the Order of the Dragon later and relative of Lazarevic, master of the order through him.

Tvrtko the First's attempt, having Nemanide blood as well, to proclaim himself king of the Serbians' and Bosnia, would be suppressed by Lazarus. However, after defeating Vukasin and Ugljesa in 1371, the path for the Ottomans' ingress in the Balkans was open. The Ottomans would go to Hum and Nis, where they would be defeated by Vukasin and Lazarus too. Lazarus defeated Murad the First at Plocnik, and the ruler of Tvrtko, Vlatko Vukovic defeated him as well at Bileca, in 1388. It was obvious that revenge from the Turks had to come. Being allied with Tvrtko, who sent Vlatko Vukovic too to command his army, and with Vuk Brankovic, Lazarus would fight in 1389 in the Kossovopolije battle, which would have a very important role in forming the image about crusade in the Balkans. Lazarus's death would lead to new evolutions in the Balkans. Olivera would be sent to her father's killer, to be closed in the harem, and Stephen Lazarevic would be

constantly forced by the Turks to impose vassality and territorial concessions.

Crowned emperor in Skopje on 16 April 1346 (Bojovic, 1995) on Easter, following a tradition that came from Justinian, Alexie Comnenul, and which was followed, apparently by Neagoe Basarab (Muresan, 2010, p.82) and Stephen the Great, Stephen Dusan accomplished the Byzantine inspiration of the Serbian monarchic idea, turning the kingdom into tsarate. Crowned in front of Bulgarian and Serbian patriarchs and of the protos and Athonite Chinotite, Dusan chose an alternative to a Byzantine empire dominated by minor dynasties coming from Asia Minor, from different generals of border, often hesitating about defending the orthodox faith. Died in December 1355, at the age of 48, Dusan was succeeded by his son, Nejak, who could hardly centralize the medieval state, monopolized by medieval seniors, relatives of the Nemanide too. The classic process of centralization and decentralization can be considered from Charlemagne to his descendants. They would resist to the Ottoman approach during a century, until the ultimate fall of the despotate. The best attempt in his respect was that of Lazarus, who fought in the important battle of Kossovopolije, when both sovereigns died, Serbian and Islamic too.

His heir, Stephen Lazarevic became sovereign defeating sultan Bayazid at Ankara (Mantran, 2010). Reuniting a part of Serbian countries, under his authority, he could strengthen the structure of his domination in front of the Ottoman attack. He managed even to integrate, within the despotate, other Serbian countries, too, for example Zetta and the city of Belgrade (Radonitch, 1919, pp. 32-33). The economic and social growth of Serbia in the first half of the 15th century was considerable (Spremic, 1994, pp. 565-595). The exploitation of gold, silver and lead mines, to mention only the most important products, reached a level that hadn't been reached before (Cirkovic, 1979, pp.1-30). Thus, Serbia became one of the main producers of gold and silver, *fosse de oro et argento*.

Old crusaders families began to decline, being replaced by new families, which, even getting to strong positions, acted as immoral (see the case of king Edward's immorality). Thus, these families, Subic, Buondelmonte, Garay, Cilli, were influenced by the mystics of the holy dynasty and by the choice of the heavenly kingdom, *the Vidovdan*. Canonization of these kings had as effect special emotion of their Occidental relatives and keeping positivist, orthodox spirit among them. They were ordinary nobles in the Occident and now they had access to holiness and kingship. Through Serbians, they rose above their level in Europe, of non-sacred nobles and even kings and thus they were attracted to the symbol that turned them from ordinary nobles into relatives of saint kings, Nemanides. A

Serbian current was created, which could be seen in medieval Serbian epics, of European circulation.

This current attracted Mathias too, King of Hungary with access to royalty and holiness. That is why he encouraged relatives with access to this Serbian dimension, that is all Serbian despots refugees in Hungary. This attraction, real for medieval, mystic men, of the saint king, of the saint Nemanide family, led as well to Russians attraction to Serbian model and genealogies. Even if some families kept their Catholicism, attraction still existed. Thus, they went beyond their status. That is why, people like Subici or Pipo Spano or Garay, help the Serbians, because they could hear a call of sacred duty for the holy family, the holy nation. The kinship of most of the members of the Order of Dragon with Lazarevic is further proof. This is true for Bulgarian or Wallachia kinship, too. See the genealogy in the narthex from Arges (Chihaiia, 2010), where Basarabs' ancestors were mentioned: Simeon, Sava, Lazarus and Milita, correct genealogically, so all the genealogy was subordinate to kinship with Serbian nation. This mentality must be valid too for kinship in the Catholic area, which shows us that this kinship is actually extension of the saint genealogy idea. This can be seen as well in the case of the last Byzantine emperor, entitled Dragasses – Palaeologus, by mother, descended from the Nemanides. These families were baffled at the idea of the Nemanide holy dynasty as all the Serbian tsars were canonized.

The Order of the Dragon developed as a structure where relatives of Serbian tsars, Serbian canonized tsars, under Lazarevic's rule, the most direct descendant of the tradition of royal sanctity mixed with a tradition of martyrdom started by the tsar Lazarus. They gathered under Sigismund of Luxembourg to counter the Ottoman action in the Balkans to bring Europe to Byzantine orthodoxy again. I think, although nobody can argue that the status of the order in Latin includes the words *ortodoxa fidae*, meaning *orthodox faith* (this term is used for the catholic faith too). The fact that the term "catholica" is missing and only this Greek term is here, term known to Lazarevic, shows that perhaps Lazarevic wrote the status keeping in mind a Byzantine, orthodox idea. The fact that all the members in the Order were his relatives, with pro-orthodox positions in their control areas (including the emperor Sigismund who does not hide his admiration for orthodoxy) shows us that the order was a pro-schismatic club (in catholic terms), which could have been accused by suspicious people of crypto-schismatism. It is an order formed because the attraction of the idea of holy monarchy that becomes shield of the European noble idea. The genesis of ballads on Kossovopoljje, the main battle for the members of the order, is not accidental, as well as Milos Obilic's or others' association with issues related to the order.

Conclusion

Hungary faced the unique situation in Europe to have Bela the Fourth declared heir of the Byzantine throne and baptized Alexios, which led to the Byzantine aulic atmosphere and foundation of some royal cults after the Byzantine model, similar to Ladislau's one. Participation in crusades of kings like Andrew the second consolidated the Byzantine issues and gave Hungary great European prestige. Kings like Stephan the Second, who separated the Latin communion in Hungary with the pope and tried to convert the country to orthodoxy, gave birth to an atmosphere, which induced many people's hope that eventually Hungary would enter the orthodox camp, which would happen with Serbia during Simeon Nemanja.

In the context of old crusader families fall, being replaced by newer families: Subic, Buondelmonte, Garay, Cilli, they were influenced by the mystics of the Serbian holy dynasty and by the choice of the Heavenly Kingdom of *Vidovdan*. These kings canonization had as effect emotions of their occidental relatives and keeping positivist, orthodox spirit. They were ordinary nobles in the Occident and now they had access to holiness and royalty. Through the Serbians they rose above their level in Europe, of unholy nobles and even kings and thus they were attracted by the symbol which changed them from ordinary nobles into relatives of king saints, orthodox Nemanides. This was an important contribution to the evolution of the events in Europe until the first part of the 16th century. When this current would be diluted and they would shift to Protestantism.

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ASPECTS OF THE DEVELOPMENT OF THE PREFECTURE OF ELBASAN (ALBANIAN PREFECTURE) IN THE ALBANIAN MONARCHY (1928-1939)

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Abstract

We Albanian Monarchy years (1928-1939) Elbasan in accordance with the policies of the Central Government made important steps in the evolution and development in the prefecture. What is notable not only evidenced in Elbasan but also in its sub-prefectures and municipalities during 1928-1939 were efforts, dogged persistence and determination of elbasanasve to separate the east and to embrace the western way of progress, it not only as a concept but the complexity of it (policy reforms). Among the aspects of life to progress on the Albanian Monarchy period Elbasan Prefecture mention: progress in the field of education, which consisted in the opening of schools, teacher preparation staff, drafting of texts and the fight against illiteracy; the humanity expressed in the support and contribution in cash that the population of this area given to national education; development of infrastructure (roads, bridges); The first steps of progress in the industry (factories before the domestic capital); in the cultural field (creation of the Cultural Society "Kristoforidhi", opening the Library Qemal Baholli etc.); social emancipation (branch of the Society "Albanian woman" in Elbasan, reform on the woman's face detection) and in an active political life.

Keywords: Occidentalization, emancipation, progress, politics, humanism

“In the heart of Albania, in a place in the mountains, where Shkumbini drops from a ravine, there is a precious stone of old times, the city of Elbasan..It is situated in a place where the Romak city of “Skampa” is found, surrounded by olive groves and high old cypress tree. On the ruins and high Venetian castles lie the tall minaret But there is one competitor which has over passed those minaret in high and that is the Olive oil factory.

Soon enough even the electricity will be installed as in other cities. The Elbasani's street are cobbled and they are washed by the rain, the shops are like stables.

Women wear yashmak and the walk around the city like mystical black and white shadows. But those who know them and who go on their houses understand that they are good housewives. With the introduction of new customs this housewife spirit might vanish a bit...¹⁹⁷,
*Elbasani's development in the eyes of foreigners*¹⁹⁸

Elbasan¹⁹⁹ was one of the Albanian prefectures that up until the early years 30s of the XX century was well known not only for its favorable geographical position, laying in the middle of Albania, but also for its traditions in the fields of education, culture, religious tolerance and coexistence²⁰⁰ and quite active in the field of politics as well. How would this prefecture evolve during the Albanian monarchy? With modesty and the desire to contribute even a bit in our local history we have decided that the objective of our article in this prestigious conference would be the development of the prefecture of Elbasan between the timeframe of 1928-1939. While drafting this article²⁰¹ we tried to use material concerning both local and national history.

During the time of the Albanian monarchy, Elbasan in accordance to the policies of the central government undertook important steps toward its evolution and its development in the level of a prefecture. What was evident during the years 1928-1939 not only in Elbasan but in its sub-prefectures and its municipalities as well, were the efforts, the persistence and the dogged determination of the locals to draw away from oriental traditions and to embrace the path of occidental progression. This is clearly expressed in newspaper articles where with exhilaration it is quoted that "During these 10 years that have passed since the declaration of monarchy, Elbasan and its

¹⁹⁷ "Besa Newspaper", Tirana, Saturday 14th of May 1932

¹⁹⁸ Article of a foreigner, Oakley Hill for the development of Elbasani's city, Albania that changes – Passing the dark time of Balkan Kingdom from D.R Oakley Hill.

¹⁹⁹ Elbasani's prefecture included Peqini's sub-prefecture (a first class sub-prefecture) and Gramshi sub prefecture (a second class sub prefecture). The prefecture was comprised of the communes of: Center, Shpati 1, Shpati 2, Dumre, Krraba, Zaranika, Cermenika 1, Cermenika 2. Peqini's sub prefecture was comprised of the communes of : Center, Darsi, Vrap, Mlika. Gramshi sub prefecture was comprised of the communes of: Center, Kukri, Dragot, Kushova.

²⁰⁰ In Elbasan there existed 4 different religious faiths: Orthodox, Muslim, Bektashi, and Catholic.

prefecture have made enough progress in the cultural, social and industrial fields but its greatest progress that should also be highlighted is the enforcement of the law of unveiling.²⁰² Today we may boast that no Albanian woman in the prefecture of Elbasan has not been unveiled.”²⁰³

The development of the Counties

During the 10 years of the monarchic regime active participation was spotted in the municipalities of Elbasani's prefecture as well as by its sub prefectures. Important evidences regarding the development of these municipalities are revealed by the press of the time, which reflected step by step their development and progression.

In the municipality of **Cermenike II** two new schools were constructed, they've built 7 km of road, 6 wooden bridges, 4 water taps and a water line 1 ½ km long, 9200 vine seedlings were planted, 1150 apple trees, 630 pear trees, 320 quinces, 465 chestnuts etc.

In the municipality of **Shpati II** many governmental buildings were constructed, as well as schools, the road of Shtepanj-Belesh which was 6 km long, 22 wooden bridges. There were planted also 3000 olive trees. In Llixha they built the park hotel of Grigor Nosi and the Stringa's Hotel.

In the municipality of **Peqin** they constructed lots of kilometers of roads inside the city. The city hall had even bought a parlor as its personal building where they could conduct municipal activities. They began working in order to pave roads that linked the center of their municipality with those of Garunia e Madhe and Pekishti; they planted many trees and built governmental offices as well as school buildings.²⁰⁴ They also undertook some steps in the inclusion of women in the social life. For this purpose in Peqin they formed the Club of the “Albanian Woman”.

In Gramshi region they built the new building of the Gendarmerie, they reconstructed already existing school buildings like the Central School, the School of Grabova, and the School of Mollas as well as asking the government to build a school in the village of Shenepremte to fulfill the needs of the locals. Progress was also made in the road network where the

²⁰² During the years of Albanian Monarchy (1928-1939), within the politics undertaken by Zogu for the Occidentalism of the country, a special attention was given to the process of women emancipation, which was very important for the time, place and the Albanian society. One of the most important moments within this process was the undertaking and the approval of a draft law in March 1937 in Parliament about “The Prohibition of covering the face by women in Albania”.

²⁰³ “Drita” Newspaper, Tirana, on September 1st, 1938

²⁰⁴ As it was the case with a school building in Peqin (Near the old mosque) with the contribution of Peqini's people - Rudina Mita, Roland Gjini, an overview of documents: Elbasani 1925 – 1940, Tirana 2015, page 423

roads of Gostime-Berat 7 km long were built and 7 more kilometers of road linking other municipalities.²⁰⁵

The municipality of Belsh state and school buildings, opened i municipal olive groves, they built the road of the lake in Belsh as well as many municipal roads. The Elbasan-Belsh roadway was almost concluded during 1934. The importance of constructing new roads was a huge factor which leads towards economic development, tourism, and the facilitation in the connections within their municipality and the prefecture of Elbasan with other prefectures in the Country.

In the municipality of Cacabeze two schools were built and 1000 olive groves were planted. In the region of municipality Qender municipal roads were built which roads connected the villages with one another and with the roads that led one to Elbasan.

Elbasan and its villages became an example of progress in the of education

What was to be noticed in the field of education²⁰⁶ was the feeling of love that the locals of each and every village and region shaved with the greatest example of all being the construction of school buildings with voluntary material contributions of every family. Almost every village and municipality constructed or found a new school building. In the process another phenomenon was to be noticed the aim to fight illiteracy. The continuous expansion and extension of the primary education level that was regarded as a necessary factor in the battle against illiteracy.²⁰⁷ The village of Shterman gathered 80 gold francs and handed them over to the city hall of Elbasan for the construction of a school in their village. The villages of Godolesh vuntary gathered aid for the construction of a new school building in their village. They gathered a total of 750 gold francs. The village of Belsh gathered 1500 gold francs for the establishment of a modern school building.²⁰⁸ The locals of the municipality of Gramsh²⁰⁹ voluntary helped to build a shormitory in their region. The same practice was also attended by Shtermeni and other villages.

²⁰⁵ "Besa Newspaper", Tirana, Saturday 14th of May 1932

²⁰⁶ In Elbasan the basis of the education was comprised by Elementary Education, but not only because in this city it was opened for the first time The First Pedegogical School which prepared teachers for the need of nations education. This was Elbasani's Normal, described as the first Pedagogical Institution, where studied a lot of students from within and abroad the Albanian territories.

²⁰⁷ "Drita" Newspaper, Tirana, on January 5th, 1938 .

²⁰⁸ "Besa" newspaper, Tirane, Saturday 28th of April 1934.

²⁰⁹ AQSH. i R. Sh., F. 271-Elbasani's Prefecture, D. 66, Page 3, year1928.

There were also regions where there existed no schools, despite the need of the community for education. A letter from the major of Librazhd towards the prefecture of Elbasan is an evidence of the lack of schools in the area. It is quoted that "...in the villages of the region of this County there is neither one single school nor one single person who knows how to write and read which means that the people of this region do not know what education is and they live primitive lives, We beg Mr. prefect to show kindness and undertake the proper steps to help open 7 schools in the biggest of the region of this county so that these areas will also have the opportunity to enjoy the splendid light of education...".²¹⁰ The answer of the prefecture was that the katundaria of Librazhd should appoint two areas where the schools were going to be built...²¹¹ as a result the splendid light of education was to enter the region of katundari as well.²¹²

The citizens of the city of Elbasan occasionally gave voluntary aid and contributed to the national educations, a part of the contribution being the Normal School as well as the central institutions.

In the first half of January 1939, it was announced that with special funds given by the ministry of Education a new and modern building was going to accommodate the Normal School²¹³ of Elbasan. The people of Elbasan embraced with special joy this piece of news. The plan of constructed this new building had started in November 1932 with the establishment of the foundation stone in Kraste, but it just remained in the foundation stage.²¹⁴ As highlighted by the press of Elbasan,²¹⁵ the locals were too jealous on the welfare and progress of this worthy institution because there were hundreds of Albanian students been given shelter, future apostles who shall be confined to the burden of creating the Albanian of tomorrow. Elbasani's people considered and appreciated the Normal school as an institution of high importance not only to the Elbasan city but also to the entire Albanian Nation. Their assessment was proved by the time and by the centurial historical performance of this school symbol.

To be emphasized was the constant preoccupation to develop and modernize the school in accordance with the most advanced developments of the time... We can claim with no fear that Elbasan keeps a record on containing in its bosom a large majority of intellectuals. It is to be noticed that only in Elbasan, or better said, mostly in Elbasan compared to other counties, both men and women start their education in the primary school

²¹⁰ AQSH. i R. Sh., F. 271-Elbasani's Prefecture, D. 192, page 1, year 1929.

²¹¹ AQSH. i R. Sh., F. 271- Elbasani's Prefecture, D. 192, page 1, year 1929.

²¹² AQSH. i R. Sh., F. 271- Elbasani's Prefecture, D. 192, page 4, year 1929.

²¹³ "Drita" newspaper, Tiranë, 19th of January 1939.

²¹⁴ "Besa" newspaper, Tiranë, 23rd of November 1932.

²¹⁵ "Shtypi" newspaper, 21st of January 1939.

and end it in the Normal School in which girls attend mixed type classrooms.²¹⁶

Constructions in Elbasan

The great preoccupation of the state bodies of the municipality of Elbasan towards development was an evident not only in the improvement of the roads but also in the great constructions undertaken in the city. We can mention here the resonations of many roads "...some with shoes...some in causeways in a total of 27 km..."²¹⁷

They also established the first public library, the "Qemal Baholli" library²¹⁸. The Baholli brothers undertook to build with their own funds the library which was to be named after their brother Qemal. They also contributed in equipping the library with the books by donating 2000 gold francs.²¹⁹

The school of "Ali Agja Bej" named after one of the most prominent figures of Elbasan was built with funds donated by the family of the deceased "...the mother of the late Ali Agja Bej, who was there herself and was a precious woman, wrote in her will that all her property was going to be donated for the education of the city right after her death..."²²⁰

institute if "Rock Feller" was built, and the new building of the prefecture was concluded²²¹; a part of the city sewage was also finished and two new parks were built. The most important work was the introduction of potable water by manes man 8000 m long as well the construction of the sports fields brought to the city by the springs of knesta. Action was taken toward the reinforcement of law and order as well as the cleanness of the city. Worthy to be mentions is also the initiative of the locals to establish a military hospital with their own founds. The sum collected amounted to ku, 24000 gold francs.²²²

Economic development

Elbasan progressed in the industrial field as well by building the factory of cigarettes "SAIDE" which was the workplace of 40 women and 20

²¹⁶ "Drita" newspaper, Tiranë, on 1st of September 1938.

²¹⁷ "Besa" newspaper, Tiranë, Saturday 14th of May 1932

²¹⁸ "Besa" newspaper, Tiranë, Tuesday, 8th of August 1933

²¹⁹ "Besa" newspaper, Tiranë, Tuesday, 26th of March 1935

²²⁰ "Drita" newspaper, Tiranë, 18th of June 1937

²²¹ Within Elbasani's area it was built a magnificent Prefecture building, which would incorporate all the governmental offices in Elbasan and would fulfill all the necessary needs of the city for the concentration of all governmental offices.

²²² R. Mita, R. Gjini, mention above , page 332.

men and 4 specialists. This factory had also its own printing press, where once they used to print the “Normalist” newspaper.

A great importance in the economic development of the city played the opening the factory of that’s whose quality was good enough and they used a local wool “...as good and chick as that of Europe ...”²²³ According to the press their industry should be encouraged and should be especially supported by the intellectuals who were the leading class of the country.

For the economy of the prefecture the creation of the Council the Chamber of Economy of Elbasan was important. Based on the order Nr.1602/4 on the 1st of April 1929 of the of the ministry of the National Economy under the article Nr.10 of the before mentioned law, they select and name by common voting as a member of the Council of the Chamber of Economy that is to be established in Elbasan for the first implementation of the law.²²⁴ A small electric powerhouse which illuminated the houses, the street and the market of the city was built. The powerhouse has 3 engines, which functioned with petroleum and had 210 CW²²⁵. Where the powerhouse was built there used to be an oil factory built by a French Society with Albanian capital. Between 1928-1939 they built the Factory of Alcohol by Mr. Grigor Nosi, which functioned as a stock market society.²²⁶

The implementation of the Agronomy Reform of the prefecture of Elbasan²²⁷ consisted not only in the disposition of farmers in fields but also in the establishment of 76 immigrant families in the area of Fushes mbret. This area after 1930 turned into the neighborhood of “Fush Mbret”.²²⁸

In the village of mozge an agricultural form was established and it had an effacing in production, in the village of Shijon a tobacco seed plot was set up with a surface of 1000 m² and was led by the specialist Xhemil Koka, who dealt with the distribution of seedlings to farmers for the tobacco planting. This seed plot used the Bulgarian seed “Pirostrica” which gave very good results in the region of Elbasan.

In the economics fields special came devoted to the culture of olive.²²⁹ Studies proved that the climate and the soil of Elbasan were favorable for the growth and development of the culture of olive. In the 1937

²²³ “Arbënia” newspaper, Tiranë, 28th of september 1930

²²⁴ AQSH. i R. Sh., F. 271-Elbasani’s prefecture, D. 140, page 1, year 1929

²²⁵ “Besa” newspaper, Tiranë, Saturday 14th of May 1932

²²⁶ Ibid

²²⁷ “Besa” newspaper, Tiranë, Friday, 11th of October 1935.

²²⁸ Fusha Mbret before 1930 functioned and was managed by Elbani’s inhabitants as a grazing land, but after the agrarian reform this place was used by the Albanian state to accommodate the Kosovar’s immigrants.

²²⁹ “Drita” newspaper, Tiranë, 6th of February 1938

in Fushe Mbret the first and only seed plot of olive was established.²³⁰ In the same year 1937 olive trees were planted and agricultural office gain 7300 olive triggers.²³¹ In Elbasan the meeting of olive grove owners was held where they discussed the need for the establishment of a company that was to be dealing with the improvement of olives.²³²

The infrastructure

In the world's construction undertaken during the '30`s we can mention the opening of the new automobile roads of Elbasan-Tirana, Elbasan-Gramsh,²³³ Elbasan-Lushnje, Elbasan-Peshkopi, Elbasan-Korce, Elbasan-Llixhe etc. Along the streets, with the same determination between the locals, examples are the New Bridge of Shkumbini which was a necessity for the people of Peqin, Elbasan and the other provinces,²³⁴ the bridge Murrashi, the Bridge of Xhibraka, the bridge of Kushes etc. All these construction were important because they affected significantly the development of the prefecture of Elbasan as well as they met the needs of the locals.²³⁵

Worth mentioning is the initiative of the municipality of Elbasan in 1931 which asked the prefecture of the city to undertake a city regulatory plan and to hire an engineer.

The cultural field

In the cultural field the best known work of the municipality of Elbasan was the organization of the city's music Band.²³⁶ A group of young people from Elbasan formed a Cultural Society, which was baptized with the name "Kristoforidhi" and which intended to help and bolster the city of Elbasan towards progress in educational, cultural, economic and aesthetic view. They also published a cultural magazine the neglected to local folklore.²³⁷ They also armed to erect a bust for the great appreciator of the Albanian language, Kostandin Kristoforidhi. In the social field we can mention the establishment of extracurricular clubs, created for almost every branch, especially in music under the direction of the violinist professor Mr. Baki Kongli, who had also held violin concerts in Elbasan as well as in other Albanian cities. The press of that time also stated that "...on the other hand it

²³⁰ "Drita" newspaper, Tiranë, 20th of September 1938

²³¹ "Drita" newspaper, Tiranë, 6th of February 1938

²³² "Besa" newspaper, Friday, 15th of June 1934.

²³³ "Drita" newspaper, Tiranë, 1st of September 1938.

²³⁴ "Besa" newspaper, Tiranë, 19th of December 1932.

²³⁵ AQSH. i R. Sh., F. 271-Elbasani's Prefecture, D. 195, page 6, year 1931.

²³⁶ "Besa" newspaper, Tiranë, Friday, 11th of August 1933.

²³⁷ "Besa", newspaper, Tiranë, Monday, 13th of August 1934.

is obvious that there's a significance progress in the cultural field because a great majority of the girls in the city, some older than the others, tend to attend on a daily basis the club of the unveiled women of the city who dress according to fashion..."²³⁸

The social aspect

The social reform on unveiling made by King Ahmet Zogu²³⁹ was embraced with enthusiasm by all citizens of Elbasan, especially women. Even in documents one can notice that the Grand Mufti of Elbasan²⁴⁰ was the first in the implementation of the reform for the Albanian women.²⁴¹ The women of Elbasan through the society of "The Albanian woman" sent King Ahmet Zogu a telegram²⁴² expressing their gratitude and manifesting their enthusiasm for the important reform undertaken in the interest of the Albanian woman by drafting and enforcing the law of the unveiling. This new emancipator movement, almost modern considering the time, was rapidly spread throughout the Prefecture of Elbasan, in both the city and its villages. Courses, like the special course of women frequented by 94 women and young ladies, were opened.²⁴³ On February 1, 1937 they held the general meeting of the society of "The Albanian Woman"²⁴⁴ in Elbasan.²⁴⁵

Another feature of the social life in all Prefectures and sub prefectures was pronounced sense of humanity, which expressed the virtues and the nobility of the locals, with examples being their clean feelings, the contributions of the officers, the aid given by the intellectuals toward the poor.²⁴⁶ The Municipality's annual budget envisioned special funds for these purposes and goals expressing a social character.

²³⁸ "Drita" newspaper, Tiranë, on 1st of September 1938

²³⁹ Ahmet Zogu was one of the most known politicians in Albania, his activity started from the declaration of Independence on 28th of November 1912. His political powering would evolve in the years 1920-1924 until 1925 year in which he was proclaimed as the president of Parliamentary Republic.

Having not finished his mandate as a president he was self proclaimed King of Albania in September of the year 1928, a post he would carry until 7th of April 1939 when Albanian would be captured by Fascist Italy. During the period he stayed on power he tried to Occidentalize Albania trying to concentrate all the power in his hands.

²⁴⁰ The wife of head of Muslim leaders in Albania was the first to remove the yashmak in the public buildings..

²⁴¹ "Drita" newspaper, Tiranë, 12th of March 1937.

²⁴² "Drita" newspaper, Tiranë, 21st of March 1937.

²⁴³ "Drita" newspaper, Tiranë, 1st of September 1938

²⁴⁴ Elbasani's branche chose as leaders: Th. Parashqevi Nosi; Sekretare Liria Dodbiba; Arkëtare Persefoni Buda; Consultants Miss. Shkëndi, Muazes Biçaku, Naf Biçaku

²⁴⁵ "Drita" newspaper, Tiranë, 16th of February 1937.

²⁴⁶ "Drita" newspaper, Tiranë, 28th of March 1937.

Politics

In political terms, Elbasan will have an active life both at the local level as well as at a central. In terms of local politics we can mention the elections of 1929 for local counselors and headmen of the villages; on September 25, 1930 new elections were held for members of the Administrative Council of the Prefecture; the reappointment of the elders of the villages in 1933, the elections of the 12 members of the Administrative Council of the Prefecture in 1935. In the years 1928, 1932 and 1936 parliamentary elections were organized where Elbasan had its representatives (MPs) to be represented in the Albanian Parliament. In political terms we can conclude that despite local politics, everything was conditioned by the policies of the Central Government. Instead there was: political pluralism, war between the opposition and the position, freedom of the press or freedom of association and the creation of political parties or organizations. So there was a kind of conditional democracy, different from political life in the years 1920-1924 in the Elbasan Prefecture.

From what was outlined above it is proved that there was an ongoing performance and development in Elbasan, with local specifications, in accordance with the policies that were taken by the central government during the Albanian monarchy. Steps were made toward progress²⁴⁷ but we cannot say that these steps or state regulated and significantly improved the economic situation of the residents of Elbasan. Establishing an infrastructure was developed for purposes of the Italian invasion which had entered Albania in its grip since 1925 and that this invasion will material on April 7, 1939.

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“Shtypi” newspaper , viti 1939

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Mita, Rudina, Gjini, Roland, “A review of documents” : Elbasani in the years 1925-1940”, Tiranë 2015

²⁴⁷ We should keep in mind that until the years 20s of the 20th Century Albania was a very undeveloped country with feudal remaining values.

A COMPARISON OVERVIEW BETWEEN INTERNATIONAL LEGAL INSTRUMENTS AND ALBANIAN LEGISLATION REGARDING THE FIGHT AGAINST CORRUPTION

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Abstract

The promotion and protection of human rights are at the core of legal systems worldwide. Human Rights serve as the basic standard of democracy and rule of law. Recently, human rights generations have been expanding, and it is understandable because of the theory of development and social changes. Right to a corruption-free society is at the core of human rights generations. This is because the enjoyment of numerous freedoms and human rights is strongly linked to a corruption-free society. Very important principles such as Equality principle and non-discrimination principle cannot be exercised in a corrupt society. The process of ensuring right to a corruption-free society and punishing corruption when it occurs is a scope of international legal instruments. Numerous legal instruments and legally binding instruments are helping to combat, prevent, and fight corruption as a transnational phenomenon which makes international cooperation essential. Albania has ratified most international instruments, even though it is a crucial case of corruption in Europe because of the high levels of corruption according to statistical data. Is the corruption in Albania caused by the implementation of legal framework? The right to a corruption-free society is part of our constitutional human rights. It is in the administrative law as well as a free-service principle. Also, it enjoys penal protection since penal law sanctions it as a criminal offence. In this research paper, it will be dealt with together with the international legal instruments compared to the three objects of the study of Albanian law (constitutional, administrative, and penal law). This analyzes their legal framework coming to the conclusion as to why the Albanian legislation is not effective in ensuring right to a corruption-free society.

Keywords: corruption-free society, international legal instruments, human rights, constitutional law, administrative law, penal law

Introduction

As our knowledge of the corruption phenomenon expands, we realize the extent of the harm it causes. International and domestic legal framework against corruption requires prosecution of corruption. However, first and foremost, the main goal is the prevention of corruption acts. Preventing corruption is as much important as harmonizing legislation against corruption, while corruption is recognized as a transnational crime. Institutions in Albania have established a legal and institutional framework to deal with corruption. Also, they have updated this framework many times due to the limited progress in the fight against corruption. Some steps have been taken to combat this phenomenon, starting from the adoption of certain laws and the short and long term strategies against corruption. In the last national strategy of the fight against corruption 2015-2017, the government is committed to uncompromising fight and zero tolerance against corruption. The government intends to undertake an effort to fight corruption which involves a three-pronged approach of preventive, punitive, and awareness. The Anti-Corruption strategy is under the field of the responsibilities of the Minister of the State on Local Government. Thus, the comparison of the international legal framework with the legal framework of the Republic of Albania is mainly related to the case of Albania as a state where the level of corruption is still very high. In the year 2013, Albania was ranked as the most corrupt country in Europe. In parenthesis, Albanian anti-corruption legislation is generally complete and is in accordance with international standards. Therefore, it is clearly evidenced as to why the implementation is not effective. Limited progress against corruption is due to impunity of corruption which is majorly a high-level official corruption. This does not refer to corruption offenses due to lack of public trust in institutions and lack of promotion or compensation for persons who have suffered damage because of corruption acts. For example, Civil Convention against corruption requires convention ratified by the Republic of Albania which is applicable directly.

2. LEGAL INSTRUMENTS AGAINST CORRUPTION

2.1 International Legal Instruments against Corruption

In this first part of the research paper, some of the conventions, treaties, and agreements against corruption will be dealt with. Consequently, these conventions will be grouped into three main groups: international legal instruments of the United Nations, international instruments of the Council of Europe, and international instruments binding on African states. In the tables below, we will group these conventions as well as the main purpose of their adoption and their role in controlling, preventing, and punishing

corruption. Synthetically, these conventions were adopted in order to achieve the prevention, awareness and punishment of corruption.

Conventions are equally important as they cover various aspects of corruption acts. In essence, these conventions are indicators of the complexity of corrupt practices. The first issue to be addressed in this study is the definition of “corruption”. While there is no widely accepted definition yet, an essential issue is in defining it. Regarding the definition of corruption, the object of the study by law and political science in the years 1960-1970 emphasizes corruption as a break of law. Thus, it is illegal as against public interest and it undermines public interests (Mark J.Farrales, 2005).

The second issue is the criminalization of corruption acts in domestic legislation. Corruption acts are criminalized in international and domestic legislation which provisioned some figures of corruption acts. Consequently, Penal Law guarantees punishment of active and passive subject of criminal acts. Albanian Penal Legislation has been amended several times attempting to provide punishing objective of the penal law. Corruption is not an issue of penal law, and it is strongly linked to administrative law. General principle for the professional conduct is set out in International Code of Conduct for Public Officials adopted by the General Assembly of the United States. Conflicts of interests, disclosure of assets, and the acceptance of gifts etc are guiding principles of public administration. The Republic of Albania established the legal framework according to international standards. Meanwhile, the public administration is highly politicized.

Table No 1. International legal instruments adopted by the General Assembly of the United States

Convention/Treaty	Adopted by	Aimed mainly to	Provisions of corruption
The United Nations Convention against Transnational Organized	The General Assembly in its resolution 55/25 of 15 November 2000	Fight against organized crime	Criminalization of the corruption of public officials.
United Nation Declaration against Corruption and Bribery in International Commercial Transactions	The General Assembly in its resolution 51/191 of 16 December 1996	To promote the criminalization of corruption and bribery in international commercial transactions	Criminalization of corruption and bribery in international commercial transactions
International Code	The	As a tool to guide	General principles for the professional

of Conduct for Public Officials	General Assembly in its resolution 51/59 of 12 December 1996,	the efforts against corruption	conduct of public officials, as well as principles concerning the prevention of conflicts of interest, the disclosure of assets, the acceptance of gifts, the handling of confidential information, and involvement in political activity.
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Table No 2. International legal instruments against corruption adopted by The Committee of Ministers of the Council of Europe

Civil Law Convention on Corruption	<p>Represents the first attempt to define common international rules in the field of civil law and corruption.</p> <p>Effective remedies for persons who have suffered damage as a result of corruption.</p> <p>The Convention requires each party to provide an internal law for the right to bring civil action in corruption cases.</p> <p>Damages (material damages, loss of profits, and non-pecuniary loss).</p> <p>Reduced evidentiary requirements necessary in civil proceedings.</p> <p>The validity of contracts is also addressed.</p>
Criminal Law Convention on Corruption (November 1998)	<p>Coordinated criminalization of a large number of corrupt practices.</p> <p>Proportionate and dissuasive sanctions and measures are required, and criminal or non-criminal sanctions, including monetary sanctions.</p> <p>Setting up of specialized anti-corruption bodies, protection of persons collaborating with investigating or prosecuting authorities and gathering of evidence and confiscation of proceeds through international cooperation.</p>
Model Code of Conduct for Public Officials (May 2000)	<p>Set out general principles as: the conflict of interests; incompatible outside activities; how to react when confronted with problems such as offers of undue advantages, especially gifts; susceptibility to the influence of others; misuse of official position; use of official information and public resources for private purposes; and the rules to follow when leaving the public service, especially in relations with former public officials, the integrity of public officials, and the accountability of hierarchical superiors.</p>
Agreement Establishing the Group of States against Corruption (GRECO ²⁴⁸) May 1999	<p>Improving its members' capacity to fight corruption by monitoring their undertakings in this field, including their observance of the Twenty Guiding Principles for the Fight against Corruption and the implementation of it.</p>

²⁴⁸ Albania is a member state of GRECO

Twenty Guiding Principles for the Fight against Corruption (November 1997)	Fight against corruption must be multidisciplinary
Convention on the Fight against Corruption involving Officials of the European Communities or Officials of the Member States of the European Union	Criminalizing all corrupt conduct involving Community officials or member States' officials. It sanctions active and passive corruption of Community officials and national officials, as well as the participation and instigation of such acts.
Convention on the protection of the European Communities' financial interests. Protocol to the Convention on the protection of the European Communities' financial interest. Second Protocol to the Convention on the protection of the European Communities' financial interests	Constitutes the first agreement under the provisions of police and judicial cooperation in criminal matters of the Treaty on European Union. Aims to protect the European Communities' financial interests by calling for the criminal prosecution of fraudulent conduct injuring those interests. Active and passive corruption. Jurisdiction's criteria. Liability of legal persons.

Conventions, treaties, and agreements of the Committee of Ministers of the Council of Europe have high importance regarding the international legal framework. However, they set out international standards of legislation or any other measures. The main purpose of them all is in establishing legal framework and mechanisms against corruption in "European Area". Every single convention requires each party to provide its internal law, harmonizing law, and the rights of persons to ensure the right to a corruption-free society. Every time human right is violated, they have the right to bring the case before the court. The liability derived from corruption acts include civil, administrative, and penal. Civil Right which helps in bringing the case before a court is extremely important because it requires the States to provide legal remedies. Thus, this includes compensation for damages and for persons who have suffered damage as a result of acts of corruption. The Convention requires monitoring bodies as Group of State Against Corruption. The Civil Convention against Corruption is binding and no reservation may be made with respect to any provision of the Convention. The Convention under its 9 article requires whistleblower protection of

employees. A draft-law (2014) regarding whistleblower protection of employees in Republic of Albania is highly sensitive and debatable. Apart from political or public discussion, this law is evaluated to be essential in controlling and preventing corruption in public administration. Another main benefit of the Convention is the requirement of international cooperation, not only in joining or ratifying convention, but in harmonizing legislation. Thus, it is provided under its 13 article contracting parties in civil cases of corruption, including obtaining evidence abroad, jurisdiction, recognition, and enforcement of foreign judgements. Monetary sanctions and confiscation of penal proceeds as provided in Penal Convention against corruption, is one of the main benefits of penal convention. This is because in acts of corruption, the punishment is usually greater than the profits. Preventing corruption as a main objective of legislation against corruption, is possible when the penalty is greater than the corruption gain. Corruption will occur if the corrupt gain is greater than the penalty multiplied by the likelihood of being caught and prosecuted (Klitegard, 1998). Even at that, multidisciplinary approach and the involvement of various actors of public life in fighting corruption is very essential.

Table No 3. African legal instruments against corruption

African Union Convention in Preventing and Combating Corruption	Provisions that should guarantee access to information and the participation of the civil society and the media in the monitoring process. Ban the use of funds acquired through illicit and corrupt practices to finance political parties and the repatriation of the proceeds of corruption.
Economic Community of West African States Protocol on the Fight against Corruption	Strengthening effective mechanisms to prevent, suppress, and eradicate corruption in each of the States parties.
Economic Community of West African States Protocol relating to the Mechanism for Conflict Prevention, Management, Resolution, Peacekeeping, and Security.	Called for the harmonization of the laws of member States in a protocol including extradition, financial disclosure and judicial processes, and for collaboration between public, private, and non-state actors, including a free and responsible Media.

The fight against corruption is a major challenge in African States. Africa is a party to a number of international and regional conventions that set out obligations to fight corruption. In addition, Africa has enacted domestic legislation in order to give effect to the commitments enshrined in these conventions. The main benefits of African conventions include: preventive and punishment objectives, participation of civil society, free and responsible media as a partner of fight against corruption, requirement of

effective mechanisms, and the necessity of harmonization of legislation against corruption.

2. Albanian Legal Instruments Against Corruption

The Republic of Albania has adopted the necessary legal framework which aimed at combating corruption. Not only does it ratify binding international legal instruments, it is directly applicable according to Albania Constitutional Law. As a consequence, it enables the national legislation to use international legal instruments. However, the proclaimed zero tolerance against corruption is reflected in strategies of 2008-2013 and 2015-2017 which gives the fight against corruption a status of a national emergency. Firstly, let us deal with the international legal instruments ratified by the Republic of Albania as in table no 4.

Table No 4. International Conventions ratified by the Republic of Albania

Convention	Some main benefits of convention
The United States Convention Against Corruption (New York 31 st of October 2003) Ratified by the law No.9492 dated 13.03.2006	-Department of Internal Audit and Anti-Corruption in Council of Ministers for assisting other states in preventing corruption acts. -Ministry of Justice of Republic of Albania. -General Prosecution Office of the Republic of Albania Republic of Albania, according to article 44/6 recognises the text of the convention as a legal framework about extradition and cooperation between signatory states.
The Civil Convention Against Corruption Ratified by the law No.8635 dated 07.06.2000	State responsibility in taking legislative measures and any other necessity measure guaranteeing Effective civil remedies for damages caused by corruption acts.
Penal Convention Against Corruption Ratified by the Law 8778 dated 26.04.2001	Criminalization of corruption acts. Some figures of corruption acts offences. International cooperation is required. Legislative and any measure should be taken at national level.
Convention on Laundering, Search, Seizure, and Confiscation of the Proceeds of Crime (Strasbourg, 8 th of November 1990) ratified by law No.8646 dated 20.07.2000	According to Convention, measures to be taken at the national level include: confiscation measures, investigative and provisional measures, special investigative powers and techniques, legal remedies, laundering offences, and international cooperation which is required as well.
Convention of United States against international organized crime and two additional protocols, ratified by the law no 8920 dated 11.07.2002	The convention is mainly to organized crime i.e. international organized crime. In article 8,9 etc, it stipulates criminalization of corruption and measures against corruption (art 9). According to it, corruption is linked to organized crime.
Protocol of Penal Convention Against Corruption ratified by Law No.9245 dated 24.06.2004	Active and passive corruption of domestic and foreign arbitrators

<p>Resolution 97 (24) On the Twenty Guiding Principles for the Fight against Corruption</p>	<p>to take effective measures for the prevention of corruption. Thus, it aims to raise public awareness and promote ethical behaviour for the purpose of ensuring co-ordinated criminalisation of national and international corruption. Also, it helps in ensuring that those in charge of the prevention, investigation, prosecution, and adjudication of corruption offences enjoy the independence and autonomy appropriate for their functions. They are free from improper influence and have effective means for gathering evidence, protecting the persons who help the authorities in combating corruption, and preserving the confidentiality of investigations. It provides appropriate measures for the seizure and deprivation of the proceeds of corruption offences. It provides appropriate measures to prevent legal persons being used to shield corruption offences. It limits immunity from investigation, prosecution, or adjudication of corruption offences to the degree necessary in a democratic society. It aims to promote the specialisation of persons or bodies in charge of fighting corruption and to provide them with appropriate means and training to perform their tasks. It ensures that the fiscal legislation and the authorities in charge of implementation contribute in combating corruption in an effective and co-ordinated manner. This is attained particularly by denying tax deductibility, under the law or in practice for bribes or other expenses linked to corruption offences. Also, it ensures that the organizations functioning and decision-making processes of public administrations take into account the need to combat corruption, in particular by ensuring as much transparency that is consistent with the need to achieve its effectiveness. It ensures that the rules relating to the rights and duties of public officials take into account the requirements of the fight against corruption and provides appropriate and effective disciplinary measures. It promotes further specification of the behaviour expected from public officials by appropriate means, such as codes of conduct. It ensures that appropriate auditing procedures apply to the activities of public administration and the public sector. It endorses the role that the audit procedures can play in preventing and detecting corruption outside public administrations. It ensures that the system of public liability or accountability takes account of the consequences of corrupt behaviour of public officials. It adopt appropriately transparent procedures for public procurement that promotes fair competition and deter corruptors. It encourages the adoption by elected representatives of codes of conduct and it promotes the rules for the financing of political parties and election campaigns which deter corruption. It ensures that the media have freedom to receive and impact information on corruption matters, subject only to limitations or restrictions which are necessary in a democratic society. It ensures that civil law</p>
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	takes into account the need to fight corruption, and in particular, provides for effective remedies for those whose rights and interests have been affected by corruption. It encourages research on corruption in ensuring that every aspect of the fight against corruption, and the possible connections with organised crime and money laundering are taken into account. Thus, it is used for developing the widest extent of possible international co-operation in all areas of the fight against corruption.
Recommendation 2000 (10) of the Committee of Ministers to Member States on codes of conduct for public officials	Emphasizes the essential role of public administration and sets out guiding principles of public administration.

DEBATES

Is legal framework compatible to international legal instruments against corruption?

After dealing with the international instruments against corruption, it is essential to compare international requirement in the fight against corruption with the Albanian legal framework. Consequently, a corruption-free society has made a limited progress. There are some guiding principles that is important to have a corruption-free society. In the table No 5 entitled “Compatibility of Albanian legislation to international legal instruments against corruption,” you will find the guiding principles as stipulated in international law and as guaranteed under Albanian law.

Table No 5. Compatibility of Albanian legislation to international legal instruments against corruption

Indicator	Yes/No	Legal framework ensuring it
Criminalization of corruption	Yes	Penal Law
Public Administration Status of civil servant	Yes	Law No.152/2013 “On civil servant”, adopted on 30.05.2013 and entered into force on the 1 st of October 2013
Prevention of conflict of interests	Yes	Law No.9367 dated 07.04.2005 “ On the prevention of conflicts of interests in the exercise of public interests.”
Code of Ethics	Yes	Law No.9131 dated 08.09.2003 “On code ethics in public administration.”
Gifts acceptance in public administration	Yes	Decision No.714 dated 22.10.2004 “For external activity and gifts acceptance during exercise of powers of officials.”
Internal and external audit in public administration	Yes	Several sectoral law and Law No.8270 dated 23.12.1997 “On Supreme Audit of the Republic of Albania.”

Liability of state for damages caused by corruption acts according to Civil Convention against corruption	Yes	Law No.8510 dated 15.07.1999 “On extra-contractual liability of public institutions.”
Asset Declarations for Public Officials as a tool to prevent corruption	Yes	Law No. 9049 dated 10.04.2003 “On asset declarations, financial charges of elected persons, and several public officials.”
Whistleblowing employee’s protection	No	Fragmented legislation,drafted law
Public participation in the fight against corruption Reward of corruption “whistleblowers”	YES	Law No. 9508 dated 03.04.2006 “On public cooperation in fight against corruption.”

Source: Comparison is done in comparing provisions of international legal instruments with domestic law as cited in the third column

What are the main causes of limited progress done against corruption in the Republic of Albania? Why are the limited progress that have been done against corruption?

Appreciating the applicable legislation of the Republic of Albania, the level of corruption should not and cannot be in this level. However, the causes of high levels of corruption in Albania have been the object of numerous studies. Furthermore, international organizations have ranked Albania to be the most corrupt country in Europe (Transparency International, 2013). European Commission’s Progress Report in recent years ranked corruption to be a major challenge. Regarding the implementation of Anti-Corruption Plan, the implementation of the Anti-Corruption Plan lacked proper monitoring and follow-up on the results (Nations in Transit, 2013). Thus, another high important issue to be addressed is the well-functioning of institutions exercising powers which are part of the anti-corruption strategies. The major challenge includes capacity, professional appointment criteria of their employers, de jure and de facto independence, and the political influence and effective measures to be taken. Consequently, the Anti-Corruption Task-Force is not protected from political interference in practice (Global Integrity Report, 2010). The Department of Internal Control and Anti-Corruption is another very important institution. Thus, there is the need to clarify DIACA’s role and enhance its capacity. In addition, there is a pressing need for effective reporting, policy coordination, and monitoring (European Commission’s Albania Progress Report, 2013).

Regarding the High Inspectorate of Declaration of Assets, there is still a need to improve HIDAA's audit capacity Well-functioning of HIDAA's provide prevention objective in the fight against corruption. The establishing of database on suspected corruption in public administration as agreed by the High Council of Justice and HIDAA in their memorandum of understanding is still pending. At least, the public administration in Albania suffers from weak institutional culture concerning the enforcement of legislation. This is the major cause of limited progress as much as Albanian law is compatible to international law against corruption. Considering the time of the adoption of these laws, some of them have an average of a decade entered into force. Thus, this is an example of the laws adopted which have not produced any consequences regardless of the de jure existence. Albanian legislation has failed to implement laws and the foremost Albanian institution has failed to exercise their powers in the fight against corruption.

CONCLUSION

In conclusion, the fight by Albanian and the international legislation against corruption is guided by the same objectives: prevention, punishment, and awareness.

The Republic of Albania has ratified majority of the international legal instruments. Therefore, according to article 5 of Albanian Constitution, The Republic of Albania applies international law that is binding upon it. Furthermore, article 116/1b of the Constitution stipulates that: "Normative acts that are effective in the entire territory of the Republic of Albania are ratified by international agreements."

The Republic of Albania has established the legal framework for combating corruption through the ratification of conventions, agreements, and the harmonization of national legislation.

National legal framework which should guarantee the right to a corruption-free society is a constitutional, administrative law, and a criminal law.

According to Albanian constitutional law, the right to a corruption-free society is guaranteed under article 18 which stipulated equality before the law and non discrimination principle.

The constitutional text referring to freedom and human rights stipulates "none," "everyone," and "all persons" regarding enjoyment of human rights, even though some rights have been violated due to corruption. The most violated human rights in Albania is the right to a fair trial, the right to private property, the right to health care from the state, the right to a lawful work, and the right to education. Hence, the constitutional provisions are in accordance with the international standards. However, what is the cause of this violation?

According to Albanian Administrative Law, the right to a corruption free society is guaranteed under the principle of legality, equality and proportionality, the principle of justice and fairness, accountability, the principle of non-payment of the service, and the principle of internal and external control. All the principles have been drafted in accordance with the constitutional principles. This makes up the basis and limits those who operate the public administration.

First and foremost, the right to a corruption-free society under administrative law is guaranteed under the principle of legality and non-payment of the service. The principle of non-payment of the service does not require the exclusion of administrative duties as article 104 of the Code of Administrative Procedure sanctions.

Corruption is a phenomenon associated with public administration and principles such as the avoidance of conflicts of interest and the application of ethics. Also, the disclosures of the assets of public official are issues that should be addressed by law enforcement agencies.

Albanian Penal Law punishes corruption offenses and prosecutes some figures of corruption acts. Penal Law is amended several times regarding corruption acts. The code of Penal Procedure was amended by law 99/2014 which is sanctioned and judged by the Court if there is a Serious Crimes corruption offenses committed by high officials, local elected officials, or any functionaries of justice.

Another high important matter that is to be addressed is about human resources in public administration. Integrity in public administration is required. As everyone knows, public administration in the Republic of Albania has been highly politicized. The requirement process of civil service is of crucial importance for the functioning of the civil service, its professional standards, impartiality, and its social credibility.

Detection of corruption offenses is not an easy task as they are carried out in complete secrecy with the consent of both parties (approval does not mean they will).

Also, the functioning of the High Inspectorate of Declaration and Audit of Assets and Conflict of Interests should be addressed. Well functioning of the institution creates the possibility for detection (given that the assets may be indicative of corruption acts). Administrative investigation of HIDAAC is essential in preventing and punishing corruption. In the year 2011, there are 28 cases of administrative investigation. Thus, 5 cases were brought before the Prosecution Office for the criminal offence provided by article 257/a/2 of the Penal Code. In the year 2013, the number of cases brought before the Prosecution Office was only two cases.

Generally, the domestic legislation is in conformity with international norms against corruption. Thus, it is necessary in closing the implementation gap. Regarding the civil servant status, it should be strengthened in ensuring independence and impartiality not only in appointment procedure, but during all the time of exercising his functions. Also, the role of criminal law should not be overestimated, and particular attention should be paid in reviewing the legislation under preventive approach. Since it is a large number of international instruments, the harmonization of domestic legislation regarding various terminology of the law in ensuring legal certainty is hereby recommended.

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ANALYZING DISCOURSES: SOCIETY, NEWSPAPERS AND CHALLENGED PEOPLE'S RIGHTS AND POLICIES OF BANGLADESH

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Abstract

More than 10% people of Bangladesh are challenged people. It is not small amount. But the media of Bangladesh is presented challenged people as helpless, 'other', 'violent', 'animal like', 'mental', 'disability' 'burden for society', 'unnatural' and so on. In our society challenged people are ignored very heartlessly. Though Bangladesh has so many laws, acts, policies, and rights on challenged people, newspapers here misrepresent them as a whole. The overall coverage of news media on challenged people is not positive. This study unfolds the existing discourses and tendencies about people with disabilities (challenged people) presented by media of Bangladesh especially national dailies with the help of thematic content analysis and critical discourse analysis (CDA). The paper found out some important points and themes in representing challenged people in the perspectives of the reality of society and culture of Bangladesh.

Keywords: Mass Media, Challenged People, Rights, Policies, Discourse, Representation

Introduction

The primary concern of mass media is to uphold the social values and set up new agendas that can play role in developing people's perceptions as well as attitudes towards society. The role can both be positive and negative. Mass media has the power to set up national agenda, which is quite able to gain mass attention very easily. It can even bring about a massive change in people's thoughts, culture, behavior and many aspects relating daily life of man (Maxwell, 2002). Mass media is vitally important part of society, for it determines what to present in front of the society. Even it sorts out the reports, distinctly regulates everything relating exposures of media that reaches the people (Wallack L, Dorfman L, Jernigan D, Themba M., 1993). Activities of mass media include all the races, sub-races, tribes, minor groups

of sub-races, or neglected minorities of the world at the same time to researchers and it varies from place to place. In our society challenged people are ignored very heartlessly. Media tries to develop the situation but the awareness has not taken the control over man's daily practice. Even the people related to mass media in our country have not yet adopted a moderate means to respect these neglected groups. These people are not only neglected by the society, but also the belonging researches are somehow silenced. Nobody wants to think over this grave matter seriously. In Bangladesh, research activities are frequently running only to establish a research paper in a remarkable journal but these researches are not bringing about changes to the society. The news relating these groups do not generally get expected coverage, sometimes even remains unnoticed. The developed countries started awareness programs relating challenged people a long time ago, but for Bangladesh the fact never flourished to a reasonable state of consideration. 'It is said that both in communication and mass media, challenged people is an invisible issue; that disability is the 'invisible issue' in all forms of communication media' (Ruffner, 1984:43). For the development of the prevailing state, as a part of research, all the newspapers of Bangladesh are ought to set coverage of rights and policies concerning the groups challenged people. This coverage means the representation of news relating the situation. In this study focus on how the challenged people of Bangladesh are treated by our society, media and the impact and change brought about by these treatments towards them. In modern time mass media does not only reflect society's attitude towards disable individuals, but also emphasizes on developing the contextual dialectics through detailed discussion (Hafferty and Foster 1994).

Whom we call challenged people

Challenged persons are known to all but various people share different thoughts about the definition of challenged persons (disability). Disability is a relative term. In English, challenged people impairment, handicap and disability are used as synonymous words. The meaning of disability is the absence of normal ability to work. Generally, people unable to work normally are called disabled persons.

Society, Challenged Individuals and Mass Media: The Discourses of Capitalism

Mass media and commodification of human body are some facts which should be taken under consideration. In capitalist societies commodification of human body comes from the interest of economic. According to Karl Marx, a material becomes a commodity the while there remains a commercial exchange in between (Marx, 1887). Economic interest

become all in all to mass media. For example, to portray women as product beauty or sex objects as it is shown by Marx is a maneuver of media that relates profit.

Recently in Western societies “disabled body (Lorraine, 2001)” has been defined in a newer tone. Prevailing orthodox and influential medical science model has marked challenged people as physical sickness (Woodhill, 1994:214). From that perspective challenged people need physical and mental treatment, as well as medication and proper rehabilitation. On the other hand, materialistic stand points have emphasized on the social and environmental aspects of challenged people (Drake, 1996:149). From this sphere, “the rise of physical differences” and “existing challenged people” are two factors which are presently practiced as subjects of denial is deliberately created by the society (Woodhill, (1994:214).

According to the materialistic approach, the condition of the challenged people in the Western society is intensely related to the emergence of the capitalist society, cultural elements and close adherence to the ideological change (Barnes (1996: 47). So it is proved that, the approach of discourse concerning the issue of challenged people is highly influenced by the central values of the Western capitalistic society, individualism, free market and consumerism (Barnes, 1996: 47). In the society, language others group and media are made people visible as challenged people (Higgins, 1992). In our society and culture, challenged people are considered as an internal condition, which distinguishes the challenged people individuals from others.

According to the materialist framework, challenged people can be viewed as an economic problem because throughout the 19th and 20th century work has been organized around the twin principles of competition between workers and maximization of profit (Barnes, 1996:43-60). For this very reason, the community of the challenged people persons is considered a burden from all perspectives, especially from the commercial aspects. Secondly, the rise of the institution and more specifically the medical profession became a means of controlling individual bodies and attempting to reintegrate them into the larger social body (Davis, 1995, Oliver, 1996: 18-42). Finally it can be said that the use of the body as advertising [media] tool to perpetuate and validate cultural concerns and values with bodily perfection was and is aided by the technological development of the mass media (Hahn, 1987a).

On the other hand, commodification the human body is a very controversial subject in a capitalistic society. Marx thinks that natural value and commercial exchange are the two reasons why any material is considered as a commodity Marx (1887). Many have given opinions that only for the cause of entertainment and exploitation of medical science; the

human body has turned into a commodity. The portrayals of the women body is an actual example in this case. In the same process, Tom Shakespeare thinks that, the presentation of the physical differences and the trend of mocking the physical appearances of an individual with challenged people had started in the eighteenth century. An individual with such conditions was presented like a caged animal. ...in mass media, 'the objectification of disabled people parallels the objectification of women in pornography. In each case, the gaze focuses on the body...particular aspects of the body are exaggerated...the viewer is manipulated into an emotional response' (Shakespeare, 1994:287). There are a lot of explicit documents proving the harsh nature of presenting physical deformity in mass media (Barnes, C., G. Mercer and T. Shakespeare, 1999). In present times, the presentation of the challenged people in mass media is found to be related to the objectifying logic (Shakespeare, 1994:288). Mass-media is like a mirror in the society. The worldly properties of the people challenged people are structuralized by normal people in the society. For the constant obstacles in the aspect of architecture, communication, education and transportation, they face difficulty in connecting with the rest of the society (Haller, and Sue M. Ralph, 2001: 239-253). Nowadays, the activities of mass media and the reporters are mostly business oriented (Haller, (2000: 58). Mainstream reporters have accepted the fullest extent of capitalism. Gans (1980) gave an appropriate expression about this concerning matter. He said that the news-media is connected to such a value which is actually a blessing to the free market economy (Gans, H. 1980). Dines, G., (1992:14-20) stated the media 'capitalism's pitchmen' because of the conservative nature of the sources they use.

In a lot of countries ('The Americans with disabilities act' can be considered as an example), the laws and policies related to challenge people issues are there to ensure the civic rights of the challenged people. These laws and policies compel the mass media to present challenged people individuals as citizens having all the civic rights. Based on the historical aspect of the community of challenged people, the mass-media gets confined within the framework following the programs of the government (Haller, 2000: 58). Linsky M. ensures that the interoperability of the government, mass media, and the outer class of the society creates new public policies which work as determiners for new agendas (Linsky, 1986). So, the contents of the mass media tell us how the public will perceive the message about challenged people. So through this process, we will get to know the messages and discourses about concerning challenged people in the dailies of Bangladesh.

Objectives of the Study

1. Use of languages in the presentations on challenged people.
2. Making a qualitative analysis on how the disability issue is treated in concerning presentations in the selected dailies.
3. Analyzing the coverage of the mentionable dailies concerning disability, following perspectives of the traditional models of presentation.
4. Making a personal investigation on the issues about the rights and policies for the disabled persons presented in the selected dailies.
5. Verifying the stereotypes about the people with disabilities upheld in the sample copies of the national dailies.

The statement of the problem

Challenged people are a new phenomenon in Bangladesh. The academic field of challenged people studies has expanded rapidly over the last two decades. The subject of the present project was to search the coverage regarding the rights and policies of the disable persons in national dailies of Bangladesh, which is to uphold the total direction of the coverage regarding the rights and policies of the disable persons reflected in the national dailies of Bangladesh. Representing the quantity has also been the objective of the research. Direction of the coverage of the challenged people in the national dailies of Bangladesh is really important too. Analysing the sample content of the national daily, a clear concept is found regarding the reality of the life struggle of the disable groups.

Methodology

Data Collection

To be more specific, it is a research on thematic content analysis method. This research can be called a “Public Image Study” (Priest, 1996: 185). Public image study means the study of content which are depended on qualitative research and often starts with public reflection on some definite class, issue and things presented by mass media (Priest, 1996: 185). For example, how does American film represent technology typically? How does the press present female politicians (against males)? How is the presentation of the minority in entertainment television (Priest, 1996: 185)? These questions and answer can be successfully found through qualitative content analysis. From this perspective this research is a public image study. It is conducted with the help of qualitative content analysis method.

Another method used in this research is called critical discourse analysis. In this research, content analysis based on theme and critical discourse analyses are combined as content analysis methods.

Data Analysis

For the presentation of data quantitative data are categorized, classified and chromatic on the basis of news, reports, column and opinions derived from the newspapers. In this case simple statistical techniques are used. Derived data are very closely observed. Texts from newspapers are read frequently and significances are tried to be realized. Then some themes are selected. After that derived themes are analyzed with critical discourses.

In a qualitative research there is an attempt to analyze the textual data characteristically. Textual presentation can reveal such complex things that it is possible to find any meaning. For that reason qualitative analysis of the texts are completed. Keeping this in mind the whole process of this data analysis has been considered qualitative. In other words meaning and significances of characteristically collected data are perceived.

Sampling of newspapers

In this research three national dailies of Bangladesh have been selected to examine the coverage on discourses of persons with disabilities. The *Daily Prothom Alo*, *Daily Ittefaq* and *Daily Star* published from 1st January, 2010 to 31st December, 2010 have been selected for content analysis. All the news, reports, editorials, letters, opinions related to challenge people published in a year from these three newspapers are taken as final content samples.

Results

Policies and rights of the challenged people have been identified through analyzing the content from the selected d newspapers. In case of existing themes, Bangladesh Challenged people act, 1995, Bangladesh Disability Welfare Laws, Bangladesh Challenged people Act 2008, Bangladesh Challenged people' Rights 2011 and UN Challenged people Treaty, Challenged people welfare policy-2011 have been compared within data of selected national dailies. Thus the themes have been collected from the printed news columns, opinions and all types of coverage about challenged people. The calculations of column-inch as coverage on challenged people, photographs, news, human soliciting news and the amount of editorials have been laid bare. Public and private institutions related challenged people, individuals, and kindred have been selected as the sources of sample news. In this lesson the colour of headlines and the placement of news on challenged people in the page of dailies have been presented.

Analysing three different dailies 175 news items have been collected to help the research. Amongst these items 53 were collected from the *Dainik Prothom Alo*, 88 from the *Dainik Ittefaq* and 34 from The Daily Star. The

challenged people oriented news has been published more on *the Dainik Ittefaq* than that of the *Dainik Prothom Alo* and *The Daily Star*.

Table-1: The following table shows month based number of challenged people oriented news in the year 2010.

Month	The Dainik Prothom Alo	The Dainik Ittefaq	The Daily Star	Total news items of the three dailies of one year
January	05	06	03	14
February	06	08	01	15
March	07	05	06	18
April	08	06	05	19
May	06	08	01	15
June	06	07	03	16
July	05	07	03	15
August	02	08	02	12
September	02	06	02	10
October	04	05	04	13
November	01	07	02	10
December	01	15	00	18
Total	53	88	34	175

According to the table published in 2010, the number of challenged people oriented news is 53 in the *Dainik Prothom Alo* and 88 in the *Dainik Ittefaq* and 34 in *The Daily Star*. It is seen that the *Dainik Ittefaq* has published more news about challenged people and *The Daily Star* has published less news comparatively.

Table-2: The amount of challenged people oriented news coverage on the three selected dailies.

Name of newspapers	Total printed area	Total number of challenged people oriented news	Amount of coverage Column-inch	Percentage
Dainik Prothom Alo	17567888 (square-inch)	53	983.327 (square-inch)	0.00559%
Dainik Ittefaq	16580928 (square-inch)	88	1226.011 (square-inch)	0.00739%
The Daily Star	18160064 (square-inch)	34	802.153 (square-inch)	0.00442%
Total	52308880 (square-inch)	175	3011.491 (square-inch)	0.0174%

In case of the quantity of challenged people oriented news coverage on those three selected dailies it is seen that the printed area in the *Dainik Prothom Alo* was 17567888 (square-inch), the amount of challenged people related coverage was 983.327 reckoning column and inches. Moreover, the printed area in *The Dainik Ittefaq* was 16580928 (square-inch), the amount

of challenged people related coverage was 1226.011 recognizing column and inches. On the contrary, the printed area in The *Daily Star* was 18160064 (square-inch), the amount of challenged people related coverage was 802.153 reckoning column and inches.

Table -3: The number of challenged people oriented photographs on the three selected dailies.

Name of newspapers	Total number of challenged people oriented photographs	Amount of coverage (Column-inch)	Percentage of photo
Dainik Prothom Alo	16	203.67 (square-inch)	0.00116%
Dainik Ittefaq	24	337.828 (square-inch)	0.00204%
The Daily Star	17	687.89 (square-inch)	0.00379%
Total	57	1229.388 (square-inch)	0.00699%

According to the amount of the challenged people related photographs published in those three sampled dailies, 0.00116% is in the Dainik Prothom Alo, 0.00204% is in the Dainik Ittefaq and 0.00379% is in The Daily Star. Comparatively, The Daily Star covers less news on challenged people but the amount of photographs in it is more than that of the other two selected dailies.

Table-4: Published soft newsⁱ, human interest storiesⁱⁱ, and amount of editorialsⁱⁱⁱ, letters^{iv} and sub-editorials^v of the selected dailies.

Name of newspaper	Soft news	Feature/human interest story	Editorials	Letters	Sub-editorials, opinions, view or thinking
DainikProthomAlo	22	26	00	03	02
DainikIttefaq	41	35	03	04	05
The Daily Star	10	20	00	00	04
Total	73	81	03	07	11

Analysing the content of the selected dailies, it is seen that 22 challenged people oriented ordinary news, 26 evocative news, 3 letters of readers and 2 opinions and thinking at sub-editorial section have been published in the Dainik Prothom Alo. The selected included in the research has not published any sub editorial element in the Daily Prothom Alo. In the Dainik Ittefaq 41 ordinary news, 35 features or evocative items, 3 editorials, 4 letters and 5 sub-editorials have been published.

1. The constantly occurred incidents, which have the value of being news following a specific structure shown in the page of newspapers, are

called ordinary news. Personal reporters cover this type of news in the newspapers. (Palaver, speeches, seminars, symposium etc. are held)

2. The news that arouses emotion and convulses the feeling of sympathy in the heart of human being is called humane soliciting or evocative news. This news is written not following the structure of ordinary news or hard news but following the literary arrangement. Basically special reporters compose this type of news. Different characteristics make them news.

3. The opinion or thinking on behalf of or against such important contemporaneous occurrences is laid bare in the editorials. Basically editorial is the place of delivering opinion. It lays bare the proper information or logic to prove the affair on behalf of or against the opinion.

4. In newspapers the opinion of readers are laid bare in the place of the name of letters. There has not been any proper place to lay bare the public opinion in newspapers or mass media. Readers publish their opinion through letters in column about the important public matters.

5. Different persons or communities lay bare their opinion or thinking on important contemporaneous occurrences. With all these they lay bare proper logic or reason on their opinion by presenting different statistics and data or information. Here, different professionals or columnist from society lay bare their opinions.

Contrarily, the sampled English daily in The Daily Star, 10 ordinary news, 20 features and 4 sub-editorials have been published. Here no editorials and letters were found.

Table -5: Column-based coverage of handicapped people.

Dainik Ittefaq

Number of column	1	2	3	4	5	6	7	8	Total news
Number of news	25	33	16	06	08	0	0	0	88

It is seen in the mentioned table that in the Dainik Ittefaq 25 news in 1 column, 33 in 2 columns, 16 of 3 ram, 6 in 4 columns, and 8 in 5 columns have been found out on column-based challenged people related news. No news was found out of 6,7 and 8 column.

Table -5.1: Dainik Prothom Alo

Number of column	1	2	3	4	5	6	7	8	Total news
Number of news	18	11	16	06	01	0	0	01	53

According to the mentioned table, in The Dainik Prothom Alo 18 news in 1 column, 11 news in 2 columns, 16 news in 3 columns, 6 in 4 columns, 1 in 5 columns and 1 in 8 columns have been found out on column-based challenged people related news. No news was found out of 6 and 7 columns.

Table -5.2: The Daily Star

1 News of column	2 News of column	3 News of column	4 News of column	5 News of column	6 News of column	7 News of column	8 News of column	Total news
02	07	06	06	03	02	05	03	34

In The Daily Star, the other selected daily 2 news of 1 column, 7 of 2 columns, 6 of 3 columns, 6 of 4 columns, 3 of 5 columns, 2 of 6 columns, 5 of 7 columns and 3 of 8 columns have been found out.

Table-6: Type of treatment

Name of newspaper	Front page	percent	Last page	percent	Interior page	percent	Total
DainikProthomAlo	00	00%	01	1.887%	52	98.113%	53
DainikIttefaq	06	6.818%	01	1.136%	81	92.0455%	88
The Daily Star	01	2.94%	01	2.94%	32	94.118%	34

According to the way of treatment in selected national dailies, it has been seen in the DainikProthomAlo that the placement of news on front page is 00%, on the final page it is 1.887%, on the inner pages it is 98.113%. In the Dainik Ittefaq, there are 6 features on the front page which becomes in percentage 6.818%, at final page is 1.136% and at the inner pages is 92.0455% approximately. In The Daily Star the placement of challenged people related news on the front page is 2.94%, on the final page is 2.94% and on the inner pages is 94.118% and it is closely observed.

The Color of Headline

According to the color of headlines, it has been seen among the selected dailies that two of the features are in the Dainik Prothom Alo takes the headlines, red color has been used in headline in one of the features in the Dainik Ittefaq. Black color has been used in remaining headlines. No color has been used in the challenged people oriented news except black.

Table-7: Source of news (reporter, personal informer, newsmen)

Sources, according to the type of reporter

Name of newspaper	Special reporter ^{vi}	Staff Reporter ^{vii}	representative\ news provider ^{viii}	Letters and others
DainikProthomAlo	15	12	13	05
DainikIttefaq	14	19	40	05
The Daily Star	06	09	03	06

According to the source of reporters in the selected dailies as in the Dainik Prothom Alo 15 are special reporters, personal reporters are 12, news provider\representatives are 13 and 5 are in letters or other sources. In the DainikIttefaq 14 are special reporters, the number of personal reporters are

19, the number of news provider\ representatives are 40 and 5 are in letters or other sources. In The Daily Star the number of special reporters is 6, personal reporters 9, news provider/representatives 3 and 6 remain in letters or other sources.

Table-8: Type of the sources of attaining news

Name of newspaper	Advocacy institutions^{ix}	Researcher's opinion	Others
DainikProthomAlo	11	05	01
DainikIttefaq	36	34	11
The Daily Star	14	09	01

1. **Special reporter:** Generally senior journalists report on a specific incident for their achievements in skills and qualities and they are called special reporter. They are very important for their service in the newspaper office. These reporters cover the most important public issues. Reports done by them are called special reports. They report on the investigating and exegetical issues.

2. In newspaper office those who are appointed with salary, allowance and other facilities are called personal reporter. But they are presented with different names in different newspapers. Basically they have to work at the publishing room. These reporters usually cover the ordinary news which occurs daily.

3. Besides publishing room, they are appointed at different districts, divisions or police stations or sometimes newspapers appoint their agents and they are called agents or reporters. It varies from newspaper to newspaper. They usually cover regional news ordinarily.

4. **Advocacy institutions** are such kind of institutions which influence the legislators of government using the strategy of advocacy. They work for the development of some social problems and the community who are lagged behind. They try to influence the public opinion or policy.

According to the way of sources of attaining news in the Dainik Prothom Alo, the number of advocacy institutions is 13, the number of specialist opinions is 5 and 1 has been identified as other sources. In the Dainik Ittefaq, advocacy institutions are 36, specialists opinions are 34 and 11 has been identified as other sources. In The Daily Star, advocacy institutions are 14, specialist opinions are 9 and 1 has been identified as other sources. It has been observed according to the type of sources in the three dailies that the numbers of advocacy institutions are more than the others.

Themes, from the selected news about the laws and rights of special child and challenged people, are collected from the modelled national dailies under the consideration of the clause from National policy for handicapped of Bangladesh-1995, the Welfare act for special child and handicapped-2001,

the Laws of rights for special child and handicapped-2011 and the Certification of individual right in UN for special child and handicapped.

Table-9: Obtained themes of policy and rights for special child and handicapped

Obtained themes	Dainik Prothom Alo	Dainik Ittefaq	The Daily Star
Education of handicapped	14	28	11
Medical treatment or health service	09	12	09
Rehabilitation	04	10	06
Participation in mass life and politics and other rights	02	16	03
Facilities for communication and transportation	08	10	03
Participation in cultural activities, entertainment, vacation and games and sports	05	09	07
Acknowledgement of attaining equal laws and justice	02	11	04
Liberation from brutality, inhumanity and harassment	03	07	02
Service and employments	06	09	04
Donation, assistance and facilities	10	21	05
Total	63	133	54

1. The number of themes is more than the news for the multipart selected dailies in a single coverage.

In the mentioned table, themes, the selected features about the laws and rights of special child challenged people, are collected from the modelled national dailies under the consideration of the clause from Bangladesh Challenged people act,1995, Bangladesh Challenged people welfare Laws, Bangladesh Challenged people Act 2008, Bangladesh Challenged people' Rights 2011 and UN Challenged people Treaty, Challenged people welfare policy, 2011 have been presented. According to the table, in the selected dailies, 14 themes in the Dainik Prothom Alo, 28 in the Dainik Ittefaq and 11 in the Daily Star have been found out. Furthermore, 09 themes about medical treatment or health service in the Dainik Prothom Alo, 12 in the Dainik Ittefaq and 09 in The Daily Star have been found.

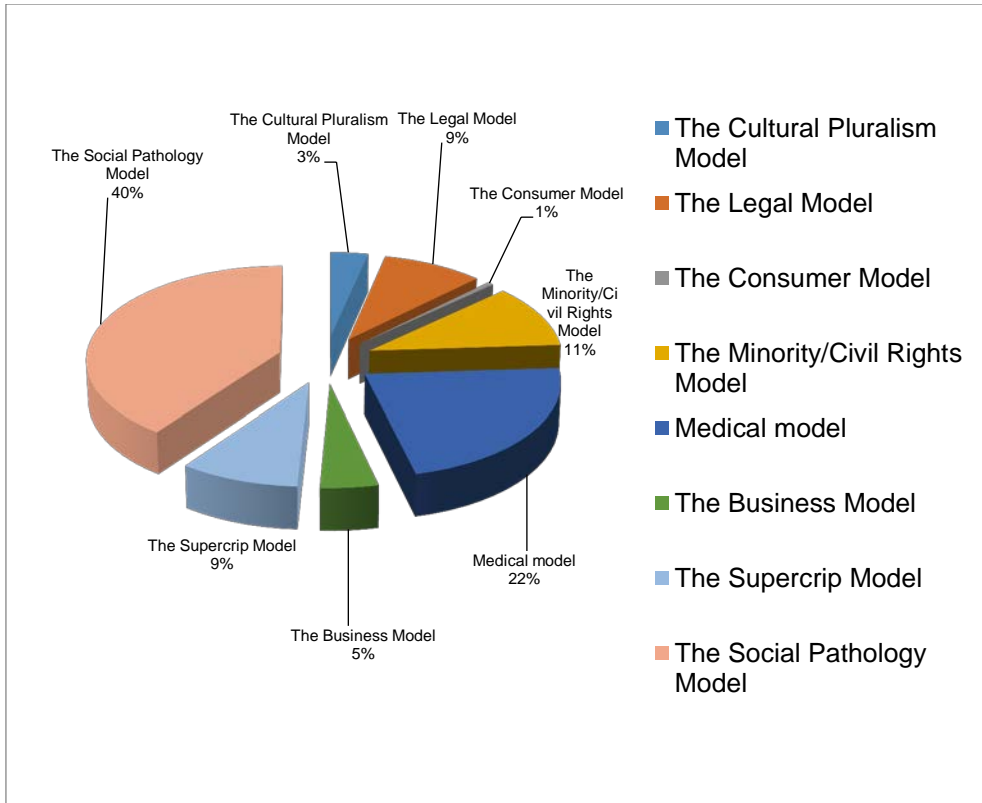
As rehabilitation themes, 4 in the Dainik Prothom Alo, 10 in the Dainik Ittefaq and 06 in The Daily Star have been found. On the other hand,

4 themes of the participation in politics and in mass life have been found in the *Dainik Prothom Alo*, 16 in the *Dainik Ittefaq* and 5 in *The Daily Star*. 8 in the *Dainik Prothom Alo*, 10 in the *Dainik Ittefaq* and 3 in *The Daily Star* have been made as the selected of facilities for communication and transportation. Again in the selected daily, the *Dainik Prothom Alo* 05 themes about the participation in cultural activities, entertainment, vacation and games and sports, 09 in the *Dainik Ittefaq* and 07 in *The Daily Star* have been made.

Analysing the content of the selected national dailies 02 themes in the *Dainik Prothom Alo*, 11 in the *Dainik Ittefaq* and 04 in *The Daily Star* about the acknowledgement of attaining equal laws and justice have been made. As the selected of liberation from brutality, inhumanity and harassment, 03 in the *Dainik Prothom Alo*, 07 in the *Dainik Ittefaq* and 02 in *The Daily Star* have been found. Again as the selected of service and employments, 06 in the *Dainik Prothom Alo*, 15 in the *Dainik Ittefaq* and 04 in *The Daily Star* have been found out. 10 in the *Dainik Prothom Alo*, 21 in the *Dainik Ittefaq* and 05 in *The Daily Star* have been made the selected of donation, assistance and facilities. In this way, it is seen that the selected national dailies have emphasized more on the selected of donation, assistance and facilities.

Representation of challenged people oriented models in the selected dailies

Some challenged people oriented models have been built up in western mass media. These models expresses consideration point of people challenged people which dutifully reflected by the mass media. In our country these models get some reasons. Analysing present researches, the contents of the selected dailies, reflections of those models have been presented.



In the selected national dailies the reflection of medical model’s role played 22.29%, social pathology model 40%, superchip model 9.71%, trade model 04%, minority/civil rights model 10.86%, cultural pluralism model 3.43%, legal model 9.14% and consumer model 0.57% approximately. Comparatively, social pathology model plays the best one.

Discourses identified from selected news

- Politics of otherness: Building up the image of challenged people.
- Presence of news source and drawing attention of people with challenged people to news.
- The while challenged people becomes an issue for humanitarian views.
- Personal investigation of the dailies are absent in case of rights and morals.
- The fulfilment of the previous ideas of the dailies about challenged people.
- Challenged people in budget news.
- When assistance, co-operation, donation and funding makes challenged people newsworthy.

- 10% total survey in statistics.
- The oath of comprise in the international days.
- Challenged people are violent, beastliness, crippled and abnormal in the language of news.
- The excessiveness of soft news.
- In editorials, challenged people are invisible.
- The treatment of medical model in challenged people oriented news.
- Reflection of social pathology model.
- Challenged people, blindness, sightlessness and dumbness in literal discrimination.
- News, all about speakers.
- The demand of regulating laws and UN's convention of the rights of the challenged people.
- The use of photograph of a disable male instead of female person with challenged people.
- The presence of legislator in the challenged people oriented news: As regards of the locutions of requirement and assurances.
- Challenged people due to begging tendency.
- Challenged people are Vulnerable and helpless.
- Challenged people are superscrip.
- Challenged people by life struggle.

Recommendations and Limitations of the Study

1. In mass media the coverage of rules and regulations about the disable persons should be increased.
2. In national and global perspective challenged people welfare, right, certificate, the laws of policy, its rules and sections should be represented in newspapers with sufficient importance.
3. The mass media institutions should take moral decision about the disable person's employment.
4. In order to develop professional skills of the journalists, they must be trained in collecting document about the rights of the disable persons, art of writing and the ways to express them.
5. The laws, policies and acts about the disable person's coverage should be included in the policy of mass media.
6. There is a scope of alternative thinking about the use of the word "handicapped" in mass media. In this case positive, meaningful word may be used.
7. Research should be made about using mass media to make sure of the social empowerment of the disable persons.

Conclusion

Our rapid changing mass media system brought changes in the lifestyles of the people in the country. With these changes the trend of the mass media research is rising, With the consequent advancement some research works have been done regarding the mass media's influence in the society, though there is not seen any research regarding mass media and disable persons, mass media and the rights of the disable persons.

The subject of the present project was to search the coverage regarding the rights and policies of the disable persons in national dailies of Bangladesh, which is to uphold the total direction of the coverage regarding the rights and policies of the disable persons reflected in the national dailies of Bangladesh. Representing the quantity has also been the objective of the research. Direction of the coverage of the challenged people in the national dailies of Bangladesh is really important too. Analysing the sample content of the national daily, a clear concept is found regarding the reality of the life struggle of the disable groups. But considering the rights and social status of the disable person the coverage of the dailies is comparatively few. Comparatively, The Daily Ittefaq covers more than the other two national dailies on the issue.

In mentioned dailies, there is information about the humane soliciting features and the features represented challenged people with much importance. In the present thesis there is another purpose to inquire about the source of the news regarding the coverage of the disable persons. In this case, the personal sources of the dailies, the institutions of government and advocacy institutions of challenged people are identified to be the sources.

The sampled dailies have put forward the issues about the disable person's rights of healthcare, education, job and rehabilitation, accommodation, employment, safety, treatment, rights of participating in political and public sphere, transport facility, cultural activities, entertainment, participation in leisure and sports, social safety, equality and indiscrimination, awareness, rights of having facility and using it, rights of living and improving mental condition, equal law facility, right of getting fair judgment, individual freedom and safety. It includes the extrication from torture or cruelty, inhumanity or humiliating attitude, violence and persecution. The disable persons also have a right to be united with society, their individual rights of movement, the rights of having an opinion and freedom to express it and rights of getting information. They confined themselves just in presenting news about the challenged people. The dailies were not much conscious about the language of representing the disable persons. There should not be used such terms or jargons in the newspaper which make them feel humiliated, neglected or deprived. The sampled

dailies were much unconscious about the linguistic terminology that represented the disable persons.

The activities of the advocacy institution about the disable are reflected in the national dailies. As a result, the advocacy institutions are enlisted in the present thesis, which are working for the development of the disable persons in Bangladesh. The activities of these institutions are featured in the sampled newspapers.

Stereotype researches by western societies about challenged people expresses that in mass media the challenged people are presented with some limited ideas, amongst which helpless, neglected, confused, ugly, sad, social burden, weak, unemployed, inactive, poor, unable to participate in daily life, sexually disable, a subject of curiosity or violence or a subject to laugh at. Some of these stereotypes have been seen in the sampled dailies. In the newspapers of our country, the effective presence of all stereotypes could not be identified. The data in the present research are not similar to these stereotypes, but some similarity is very normal.

Furthermore, the western mass media has developed some theoretical Models about the challenged people. Medical models, social pathology models, supercrip models, minority/civil rights models, cultural pluralism models, business models, legal models, consumer models are some of the instances. In the sampled dailies of present research the effectiveness of these models could not be identified. But in representing challenged people there is a reflection of these models. Medical models and social pathology models are more effective. In the medical model the disable persons are considered as a subject of treatment. It is possible to cure the disable persons by treatment. On the other hand, in the social pathology model it is expected that the disable persons will get governmental and nongovernmental help and assistances. In the mentioned national dailies these two models are emphasized because of governmental or non-governmental financial help and economic reasons.

The disable groups contain a big part of our society. It is clear from the thesis that the disable persons are always the victim of discrimination. These groups are lagged behind in social, political, economic and cultural factors, though they can be a part of national development. These disable people have basic and lawful rights. Men cannot live without rights. So, under the present circumstances of Bangladesh, if the rights of the disable persons shift properly from social liability to mass media or newspaper coverage, the disable persons can be conscious and humanity gets to rise eventually.

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ⁱSoft news is the news related to daily events and is presented on the newspaper maintaining a definite structure. Staff reporters cover such news. News of meeting, conference, speech are some of the examples of ordinary news.

ⁱⁱNews that attracts human emotion is called emotion interest story. This kind of news is presented in different way with a literary touch of language.

ⁱⁱⁱIn editorial discussions and comments on recent events and news are presented with facts, statistic figures and logic.

^{iv}In the letter section comments and views of the readers are presented. Generally there is no enough space to point the views of common people. Readers can publish their opinions through letters in the Letter section.

^vThis section is for mainly the columnists and other professionals.

^{vi}Special Reporter- senior reporters generally acquire competence and ability on some topics and so that they write in those definite topics. Special reporters are very important to a newspaper and they cover the most valued news for the public. They also make investigative and explanatory reports.

^{vii}Staff reporters are employed by the newspaper agency and they generally cover day to day news.

^{viii}People are employed in various divisions, districts, thanas as local correspondents. They generally cover local day to day news.

^{ix}Advocacy Institution is such organizations that use various methods and techniques to influence the policy makers of the Government. They work for any social problem or the development of the backward minority and try to affect the public opinion and policy.