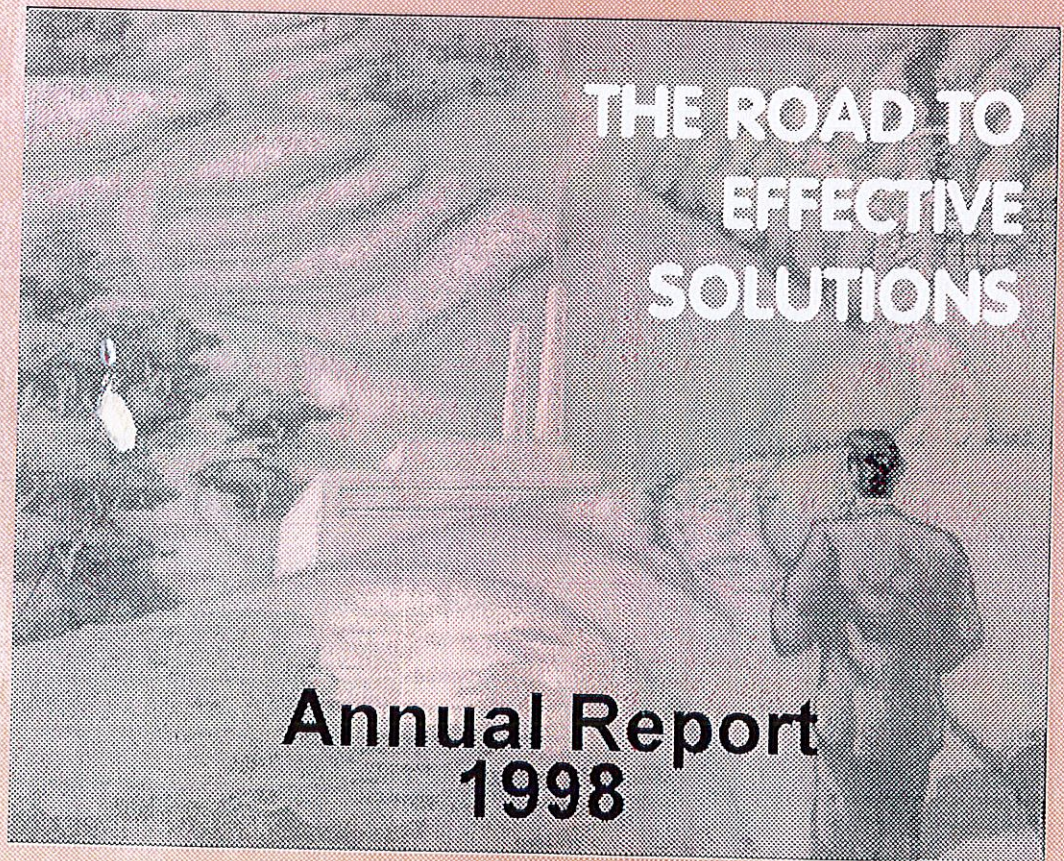


Albanian Center
for
Economic Research

ACER



**THE ROAD TO
EFFECTIVE
SOLUTIONS**

**Annual Report
1998**

**ALBANIAN CENTER FOR ECONOMIC RESEARCH
1998 ANNUAL REPORT**

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1998 ANNUAL REPORT**

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Table of Contents

EXECUTIVE DIRECTOR OVERVIEW 1998.....	7
ACER IN RETROSPECTIVE: FIVE YEARS IN THE LIFE OF AN ORGANIZATION	9
Part One	
PROJECT REVIEWS.....	15
1997 - 1998 PROJECTS.....	17
PUBLIC EVENTS.....	23
PUBLICATIONS.....	29
Part Two	
ADMINISTRATION AND MANAGEMENT	35
Part Three	
FINANCIAL REVIEW.....	43

FIVE YEARS OF ACER ACTIVITY

Executive Director's Overview

There is no longer any doubt that the democratic changes, which have occurred in Central and Eastern Europe, including Albania, have released considerable human, material and financial energy. In anticipation of that, a group of academics, lecturers at Tirana University and economic researchers decided in the second half of 1992, to establish the Albanian Center for Economic Research (ACER).

Now, after more than five years of the existence of this organization, it is my pleasure and duty, as the current director and one of the co-founders of the ACER, to provide the reader of our brochure, a summary of the experiences we have had.

Like other non-governmental organizations, our initial concern was how we should best position ourselves in a society that is opening up and rapidly becoming free. This was true in the beginning and is continuing today. It was necessary for us to find our place and position, apart from the governmental institutions and political parties. In this regard we have endeavored to present independent, professional ideas, express our opinions openly and deliver programs that generate public benefits. We believe that ACER has been successful in achieving this goal.

The big challenge for ACER, as well as other like minded organizations, has been and still remains, the need to become better known and accepted by the policy and decision makers in the field of economics. My staff and I believe that this has been one of our main achievements. We have accomplished our goals in this area, by engaging in a systematic, step by step, improvement of the level of our professional activities; by maintaining a professionally appropriate relationship with interested governmental institutions and; by designing and implementing an aggressive strategy for our own institutional improvement. It should be noted, that the Center has only been able to strengthen and enhance its reputation, through the dedicated work of its staff as well as the continuous individual efforts of each of the its researchers.

We have been able to strengthen the independence of ACER through two significant actions. First we have pursued a diversification of our financial sources so as to not become totally dependent on any one source. Secondly

we have steadfastly refrained from partisan political activity, a temptation that is faced quite often by Albanian NGO activities.

ACER's achievements to date have been possible not only because of its own hard work, but also because of a policy of open and cooperative relations with the media, both foreign and domestic. In addition ACER has provided a modest contribution to the development of the individual capacities of young journalists in Albania, as well as too the development of some journalism genres, such as investigative reporting.

Finally, since ACER is still in its early stages of development, I can assure our clients and readers that it will continue to provide its input into the ongoing debate about the status, problems and development of the Albanian economy. It will continue to be a force in expressing opinions on the development of the economy and the creation of a "market of ideas" in Albania. **We are only beginning!**



Dr. Zef Preçi,
ACER Executive Director

Five Years in ACER Retrospective

This section is a brief Overview of the institutional development of the Center over the past five years and the factors which have had impact on its capacity and objectives.

Pioneer NGO

The Albanian Center for Economic Research was the first non-profit organization to emerge in Albania after the political changes in 1991. It was founded by a group of local economists, academics and bankers and was registered in the Tirana District Law Court of Tirana in June 1993.

The Center has tried to maintain a broad spectrum of research orientations in order to strengthen the overall

"Throughout Albania's difficult transition process and the recent events that have shaken the region, the Albanian Center for Economic research has emerged as a champion for economic reform and entrepreneurship. Through its research and advocacy campaigns, ACER has provided policy makers and the business community with outstanding policy guidance and analysis, promoting market-oriented solutions to help Albanians chart a course to stability, prosperity, and freedom. The Center for International Private Enterprise is pleased to support ACER in its invaluable work and its dedication to Albania's growth and transformation."
 John D. Sullivan
 Executive Director
 Center for International Private Enterprise

institutional capacity of the Center.

The diversification of interests was the first step in the process of an identity search which later turned out to provide longer-term benefits. By 1996 ACER had assumed a prominent position among the Albanian NGO community. Today, ACER's work is focused mainly on economic growth; institutional and regulatory framework reform, and Albania's complex informal economy. ACER's activity includes:

- data collection and analysis
- education and training
- national policy development
- legal and regulatory reform
- public outreach
- research and research management;
- conference and seminar planning

Being one of the first NGOs in the country ACER has had a strong impact on the development of the NGO community.

Some of the founding members of ACER as well as researchers have established their own organizations that have a good reputation in Albania. Sharing its own experience and expertise with other NGOs in their own projects has been the main contribution of ACER to the development of the NGO sector in Albania.

Nonpartisan Organization

Professional performance and nonpartisanship have, in combination, contributed to the solid reputation of ACER both domestically and internationally. These have been the key assets of ACER as a think tank

"The Albanian Center for Economic Research has become the leading economic research institute in Albania. Its exposition of universal economic theory has been widely recognized. Economic Analysis of Albania has been difficult. ACER has made great achievements in analyses of Albanian economic data. Its independence and its broad-based support encourage reliance on its studies."

Prof. Leonardo LIGGIO
Atlas Economic Research Foundation

allowing it to make a continuing and consistent impact on the reform process in the country. Nonpartisanship is also the main factor for the credibility of the research and policy recommendations produced by ACER. The persistent maintenance of this position has contributed to the image of ACER as a competent and trustworthy source of information and expertise as well as one of the major proponents of the democratic transition and economic reform process in the country.

Diversification of funding sources, both US and Western European, has been a major factor for the stable growth and sustainable development of ACER. In the first years of transition the majority of

the funding came from US private and governmental institutions. Since 1996 ACER has expanded geographical scope of its partner and sponsoring institutions. Along with the support of US organizations, it now receives a substantial amount of funding from European Union programs.

The value of nonpartisanship is evident not only against the background of the volatile political environment of recent years but also in view of the impact which a non-governmental policy institute aims to achieve. Despite having to operate under the constraints of available funding, ACER's independent and diverse research and advocacy agenda allowed it to grow into a full-service Albanian think-tank.

Brief History

After decades of working in a closed command economy, ACER understands the importance of developing strong relationships with western academic circles and international donors. The first foreign grant was received from *International Center for Economic Growth* (ICEG-San Francisco), in December 1992, for the Albanian Edition of "Issues of Market Economy". Thirteen executive summaries have been translated and published into Albanian and focus mainly on economic issues of less developed countries as well as countries in transition. More than 1,000 copies have been distributed to policy and decision-makers, the business community, main and local universities, media, etc.

Through its numerous contacts, the Center has focused on strengthening its financial management and improving the professional capabilities of its staff. Over the past five years, ACER has become known for its accurate data collection, analysis, surveys and expertise. As a result, it has been accepted as a member in the think tank public policy institution network of ICEG and CIPE. In order to collect information on economic developments, ACER has developed the capacity to perform regional and nationwide surveys in Albania. In 1994 supported by the International Center for Economic Growth, the Center conducted a survey on Managerial Capacities of Albanian New Entrepreneurs providing important information on the main problems and challenges faced by the new strata of entrepreneurs of Albania.

In 1995-1996, ACER worked with a consultant from the American University to successfully perform the first com-

"The International Center for Economic Growth (ICEG) is very proud to have been an initial supporter of the Albanian Center for Economic Research (ACER). ACER provides a superb example of what a policy research institute should be. It has provided the economic analysis necessary to understand the economic problems Albania faces. It had educated the public, building understanding in civil society and government alike, of the options available to Albania. And it has proposed realistic solutions to the problems of the country. And this has all been done under the most difficult of conditions."

Nancy Sherwood Truitt
Director of Strategic Training and
Communication, ICEG

prehensive survey of small businesses in Albania. The analysis of this survey focused on financial topics of small businesses and included the impact of the informal financial sector (money lending); production and marketing sectors; staff professional abilities; the establishing of a supportive environment for small businesses as well as prior topics in the future, was presented in a roundtable discussion as well as in the Center's Quarterly magazine entitled, "Economics and Transition." In 1996, ACER was selected as the Albanian counterpart of the Balkan Network which was a USAID funded project designed to develop a communication network between three public policy institutes in Albania, Bulgaria and Romania for the exchange of information and experiences. Another goal of this project was the strengthening of ACER's progress toward becoming a real public policy institute. The second component of this project was related to the study of hidden barriers to economic growth in the respective countries, during their efforts to become market economies. Barriers were considered to be the informal economy, ranging from corruption to illegal privatization, the economic embargo, trade and custom barriers, non-efficient tax system, and several barriers related to the implementation of the existing legal framework. The cooperation between the three founding countries was expanded to include 17 public policy institutes in 11 Central and Eastern countries. As part of this network called 3ENET, the public policy institutes focused on their institutional development by improving management policies, databases, procedures, and research capabilities.

Furthermore, Dr. Zef Preçi the ACER Director, was the co-initiator for the establishment of the cooperation for the setting up of the first TV net in Central and Eastern Europe becoming a member of the ALFA TV International Board of Trustees since its foundation (June 1994).

On March 1998, ACER became a member of the Transition Policy Network, which is a group of like-minded institutions who have worked together over a period of years and who have agree to work together in the future in the transitional economies of Eastern Europe to design and implement public policies that will accelerate the movement to market-oriented and democratic societies. As a member, ACER will have the right to compete together with other members for contracts and grants in the region, formally and informally, in designated sectors and from designated clients.

The ACER magazine was developed in 1994 to encourage expansion of debate and the exchange of alternative opinions on critical issues during the transition period. To date, 16 issues have been published featuring analytical reports, survey findings, conference working papers and proceedings. The Center has also started the publication of a biweekly newsletter promoting the ideas of economic liberalism based on the principles of individual freedom and responsibility, free market and limited government as well as a number of brochures on different aspects of a free market economy.

Domestic Contacts

In order to accomplish its mission, ACER has established extensive contacts in the country. The means of establishing and maintaining contacts are numerous: personal discussions, interviews, invitation to public events, co-operation in research and other activities, attending conferences organized by well-known institutions such as Albanian Universities, DemNet Program (ORT), SMEDA and CEELI Projects, etc; all contribute to the development and strengthening of ACER's ties with the business community and other domestic institutions. Being a local partner in Fiscal De-

"I have been observing the Albanian Center for Economic Research for three years, and have been impressed by the steady progress it has made during this time. Not only has the Center increased the breadth and scope of its activities, but also it has expanded its impact on Albania's economic life, becoming the country's preeminent institution conducting independent economic research and public policy advocacy. All of the Center's staff, from the dynamic Executive Director, Dr. Zef Preçi, through the economists and researchers, are hard-working, dedicated professionals committed to strengthening Albania's economy and facilitating its path to a market economy. It is a privilege to work with such an impressive group of people."

Margot E. Machol
President, Chesapeake Associates,
Washington, D.C.

centralization Initiative and Albanian Business Associations Management Training Program helped ACER in establishing good relationships with local governments, chambers of commerce and business associations. The Center has also established special relationships with journalists and several press institutions, trying to offer

them a better understanding of the transition period and some of its main problems.

As an organization that encourages an open dialogue between scholars and policy makers, ACER cooperates both with academic community and parliamentarians in policy research, drafting of legislation, dissemination and advocacy activities, building partnerships, etc. In this process, the Center has worked with several institutions among which we can mention the Institute of Social Insurance, Institut of Labor, etc

ACER has been a member of the NGO Forum since 1993 and it continues its cooperation with this organization on a regular basis. ACER exchanges information and cooperates with a number of local non-governmental organizations, which operate in similar field of interest.

Through these relationships, and especially through its contacts with mass-media, ACER has tried to demonstrate step-by-step the independent nature of its activities while encouraging the expansion of debate and exchange of alternative opinions on different issues of transition period.

ACER is generally led by the values of classic liberal thinking and tries to demonstrate its knowledge on this topic not only with staff but during all contacts resulting from its research and publishing activities.

ACER has established good relationships with representatives of foreign organizations which work in Albania as well as with several regional projects. Through these contacts, this Center aims to solve the constant financial problems and to improve the professional capabilities of its staff. The regular contacts with the local office of USAID and European Union Delegation of the European Commission in Albania have played an important role in the fulfillment of the Center's mission.

Foreign relations

Through different channels of communication, ACER has established a wide range of strong relationships with western academic circles, American, British, German, Turkish, Greek, Italian, French, Austrian, Dutch, Czech, Croatian, Slovenian public policy institutes, and other foreign organizations. Its most important foreign relationships include: 3ENET, the Network of Cor-

"Since my first association with the Albanian Center for Economic Research more than five years ago, I have been very impressed by the extremely high quality of its research on, and analysis of, the most important economic issues facing Albania in its challenging transition to a free market economy. Under the dynamic leadership and guidance of Executive Director Dr. Zef Freçi, the Center has become the leading Albanian think-tank, highly respected by the Albanian and international community for its independence and apolitical dialogue. The Center's impressive work is based on accurately identifying and analyzing the economic constraints facing Albania's leaders and citizens alike and, equally importantly, proposing realistic approaches and options to ease them. The Center's publications, conferences and workshops are effective venues for discussion and debate in Albania and in the region today.

Dianne Blane

Former USAID Mission Director,
(1992-1998)

respondent institutes of ICEG, Forum on Economic Freedom listserv - (a CIPE electronic mailing list), cooperation with Hayek-Listserve net and Line

Network (Netherlands). In most of cases, these relationships are accomplished through the gratis electronic post of UNDP office and SOROS Foundation in Tirana.

Some of the ACER studies have been quoted by international organizations and as well as by outstanding journals and news agencies, such as the Financial Times, BBC, VOA and Reuters. ACER experts are invited for conferences organized by internationally recognized organizations.

During the implementation of its strategy, the Center is working to expand its cooperation with a number of other institutions which function in the Balkans and in Central Europe, i.e. National Forum Foundation, CIPE regional office in Budapest, "F. Nauman Shtiftung" Foundation (Germany), Financial Services Volunteer Corps, ELIAMEP (Greece).

During the last five-year period, ACER has been invited to take part in CIPE annual meetings and regional conferences, and ICEG and CIPE training courses. The most important events have been the participation of its director in the annual meeting of Mont Pelerin Society and in the International Workshop of the Atlas Economic Research Foundation (September 1996).

Parliamentary Consultancy

Parliamentary consultancy is one of the new features of ACER's activities. It includes the collection of different research materials; monitoring the impact of newly adopted laws; the preparation of position papers and their discussion among specialists. Based on the research activity to date, the main issues of parliamentary consultancy include banking system, capital market and social insurance system.

In the framework of this issue, it is important to mention the Round Table on "Deposit Protection in Albania", held on February 28, 1997 and organized by ACER. The object of this Round Table was the presentation and the discussion of the draft-law "On deposit Protection" prepared by ACER. As a result of this activity, and a subsequent cooperation with the Bank of Albania, the proper draft law "On deposit Protection" was prepared by ACER.

During the crisis of 1997 the Center and other NGOs were commissioned to organize important open debates with MPs, academics, experts and media representatives to discuss the crisis, the reasons it occurred, its consequences and options to move past it (June 24, 1997).

* * *

The rich experience of the Albanian Center for Economic Research through the years since 1993 has formed its institutional personality today – a truly interdisciplinary public policy institute with a sound reputation for its reliable research data and independent professional analysis of the major aspects of Albania's transition to democracy and market economy.

PART ONE
PROJECT REVIEWS

1. 1997 - 1998 PROJECTS

Fiscal Decentralization Initiative in Albania

The project was sponsored by a consortium of international donors including Council of Europe, Organization for Economic Cooperation and Development, Economic Development Institute/World Bank, United States Agency for International Development (USAID), Interior Ministry of Denmark, German Project GTZ, Italian Ministry of Foreign Affairs and the Canadian Agency for International Development. FDI is a program designed to provide direct support in the form of small grants to residents of Eastern European Countries that are pursuing effective decentralization policies and developing capacity in local financial management and related subject areas.

Part of this Initiative was the National Forum on Fiscal Decentralization in Albania, held in Tirana on July 2-3, 1998, at Congressional Palace. The Albanian Center for Economic Research was selected as a local expert to organize this forum. The Forum was attended by more than 100 representatives of local government, central government, academic community, non-governmental organiza-

tions, parliament, independent experts and donors.

The main aim of this Forum was establishing a favorable environment to support decentralizing steps, identifying some of the current and potential problems affecting the decentralization process and discussing world experiences.

The Forum speakers discussed and analyzed the current situation and problems of the fiscal system. They emphasized the need for a broader and constructive dialogue among local and central government (because it seems that actually they are talking at one another and not with one another); strengthening the local government institutions through the clear definition of their tasks; establishing an active partnership at local level among local government, business community, intellectual academic circles and media.

The decentralization of local government competencies in economic and financial area requires the design of a long term program which should take into consideration the increasing capabilities of local government to plan and manage the local government budget incomes and expenses.

Accessibility and Transparency of the Public Procurement Process in Hungary, Albania and the Slovak Republic

This project was supported by the Freedom House under auspices of the Democracy Network Project and by the Consulting & Research for Industrial Economics, Budapest.

This was a research and advocacy project of the Foundation for Market Economy (Budapest), The Albanian Center for Economic Research (Tirana) and the Center for Economic Development (Bratislava) coordinated by Foundation for Market Economy (Budapest).

Surveys executed in the three countries proved that both the business community and the procurers are interested in making steps toward strengthening the transparency of and accessibility to public procurement procedures reducing the corruption in those procedures.

Recommendations evaluated in the report are addressed and the participants hope to successfully contribute to the perfection (amendments) of the public procurement processes in the countries investigated.

Wide Area Network in the Southern Tier of Eastern Europe

The project is a partnership initiative of four NGOs – Albanian Center for Economic Research, Centre for Political Research and Information in Greece, the Suedost Institut in Germany and the ARC Fund in Bulgaria. Its major objective is to establish a virtual network of non-profit organizations, educational institutions, research centers and business associations in the countries of South Eastern Europe. The network, based on the Internet, will support exchanges of information; best practices and expertise, and will facilitate partnering efforts between like-minded organizations in the region. Extensive training activities are designed to educate a critical mass of NGO leaders and professionals about the benefits and wide applications of electronic networking.

Activities implemented so far in the project frame include training of NGO professionals in the uses and applications of the Internet; development of a WWW resource and networking facility for NGOs; development of an NGO database of more than 300 Bulgarian NGOs; development of corporate webpages for 20 NGOs in Bulgaria and

Albania; and networking effort with other international organizations active in the region (e.g. UNDP).

The respective results include:

- 241 NGO professionals were trained into the use and applications of new Information and Communication Technologies (ICT), i.e. the Internet
- Two educational brochures were published on the use of Internet for NGOs.
- An WWW based facility was established to assist the networking and information exchanges between NGOs in South Eastern Europe;

As an organization that encourages an open dialogue between scholars and policy makers, ACER cooperates both with academic community and parliamentarians in policy research, drafting of legislation, dissemination and advocacy activities, building partnerships, etc. In this process, the Center has worked with several institutions among which we can mention the Institute of Social Insurance, Institut of Labor, etc

ACER has been a member of the NGO Forum since 1993 and it continues its cooperation with this organization on a regular basis. ACER exchanges information and cooperates with a number of local non-governmental organizations, which operate in similar field of interest.

Through these relationships, and especially through its contacts with mass-media, ACER has tried to demonstrate step-by-step the independent nature of its activities while encouraging the expansion of debate and exchange of alternative opinions on different issues of transition period.

ACER is generally led by the values of classical liberal thinking and tries to demonstrate its knowledge on this topic not only with staff but during all contacts resulting from its research and publishing activities.

ACER has established good relationships with representatives of foreign organizations which work in Albania as well as with several regional projects. Through these contacts, this Center aims to solve the constant financial problems and to improve the professional capabilities of its staff. The regular contacts with the local office of USAID and European Union Delegation of the European Commission in Albania have played an important role in the fulfillment of the Center's mission.

In the frame of this project ACER conducted a questionnaire-based survey of more than 50 NGOs in Albania with the purpose of collecting relevant information showing the areas of interest of these organizations, their activities, past

and current projects and their expectations/plans for future cooperation.

Among the surveyed group of organizations ACER selected seven NGOs whose web pages were constructed by the project technical officers and are now hosted on ARC Fund's server in Sofia.

This activity of the project is a particularly valuable public service since full Internet access is not yet available for non-profit entities in Albania.

Informal Economy in Albania: Study of Hidden Employment and Tax Evasion.

The project is sponsored by the *International Center for Private Enterprise* (CIPE). ACER has undertaken a research and advocacy project focusing on two areas of informal economic activity: informal employment and fiscal evasion. The project aims to:

- assess the size and scope of the informal market and of some of the forms of tax evasion, specifically to estimate the extent of participation in unregistered unemployment and the resulting losses of employment and social security tax revenues of the size of incomes derive from unregistered employment in relation to all income
- evaluate the impact of informal activities on the legal private sector in

Albania and to find out the views of entrepreneurs about ways of curtailing these activities;

- develop a comprehensive report on the informal economy in Albania with policy recommendations designed to limit the expansion of this sector while providing incentives to employers to hire legally.

The research team has studied the informal sector in the macro level based on statistical data (provided by INSTAT) on labor market, construction and transport and the respective results will be controlled and completed with the survey on a micro level that will be conducted on the second half of 1998.

Albanians, Corruption and Challenges

Funded by the *European Delegation*, ACER was commissioned to perform research documenting the different forms of corruption during the transition period in Albania; identifying the social and legal causes; and present concrete recommendations to address the socio-economic phenomenon.

Some of the activities realized in the frame of this project include:

- Establishing working groups near Local Universities (Shkodra, Vlora, Elbasani, Korça, and Gjirokastra district);

- Collecting, studying and analyzing materials on the study field;
- Organizing open debates "*Discussion on Corruption*" in Elbasani, Vlora, Korça, Shkodra and Gjirokastra districts;
- Organizing the National Symposium "Corruption - Challenge to be Faced" in Tirana;
- Continuous publication of articles addressing the corruption phenomenon in mass media as well as in the ACER magazine "*Economic and Transition*".

The activities realized have shown that that the sensibilization and awareness of the public opinion on corruption and the damages caused to our fragile economy are the main directions which can gradually change not only the attitude of different groups and strata of society towards this phenomenon but also can increase the transparency towards the activity of governmental officials and, above all, start decreasing the transaction cost which is heavily burdened by corruption.

Balkan Network (Banking and Financial Reform in Albania)

The project is funded by USAID through a grant given through Chesapeake Associates, Washington, D.C. This project will enable ACER to advocate for important public policy

changes in Albania in the areas of pension reform, financial reform and informal sector (illegal employment, fiscal evasion, and corruption). These are areas in which ACER has laid important groundwork during the last year, and in which there is a significant chance of success. Research will be conducted by ACER economists; this will be followed by the preparation of policy papers reviewed by Western and regional groups and circulated to policy-makers in the country.

Pension Reform. ACER's goal is to strengthen the existing law through regulation; develop a private pension law through legislation and conduct an extensive public education/information program through the media, and in public seminars and private advocacy meetings.

Financial Market. ACER's goal in this area includes extensive public education; advocacy on the need to ensure the independence of the Central Bank and working to urge passage of the Core Principles for Effective Banking Supervision approved by the Basle Committee. In the frame of this project, the Center has begun a series of seminars on banking issues with the participation of experts from the central bank and second tier banks as well as from the Ministry of Finance.

Corruption. ACER's goal will be to collect information on the negative impact on economic growth that corruption plays, including the increased cost of transactions. A series of papers will address the economic aspects of corruption. These papers will also advocate for policy reform, improving procurement procedures, transparency, training, public education, and strengthening competition to reduce corruption in the following areas: procurement of public funds, tariff and tax collection, banking supervision, public employment and civil service reform, and border crossings and customs. In addition to advocacy, recommendations for realizing improvement in these areas will be presented.

Anti-Corruption Initiative

Funded by SOROS Foundation (Albanian Open Society) and the United States Agency for International Development and World Bank, this project aims to collect information on the nature and extent of corruptive practices among public officials. This information has been used to develop policies to combat corruption, and reduce its negative economic impact. In collaboration with the World Bank, ACER conducted a set of interviews to diagnose the nature and extent of corrupt practices among government officials.

These interviews provided information on:

- The relative importance of different types of corruption.
- Methods used by corrupt officials or private citizens to solicit favors.
- The underlying reasons for the existence of different types of corruption.
- Public awareness of corruption and its impact on political participation and use of public institutions.
- The feasibility of different types of policies to combat corruption.

Based on the data collected, ACER and World Bank experts prepared a preliminary report on the corruption perception of entrepreneurs and public officials.

This report has been presented in two conferences organized by the Albanian government and World Bank. The survey served as the basis for recommendations on several issues including the support of judicial system on the overall control; full control of tax and custom duties (improvement of tax administration and custom duties control); budgeting transparency for schools, hospitals, and other public services; further improvements on public procurements; and the control and professionalism of civil service employees.

2. PUBLIC EVENTS

Seminar: "Current Crises, Reasons and Alternatives to Overpass it" (June 24, 1997)

In cooperation with the Center for Economic and Social Studies and funded by ORT Program, ACER organized an open debate with candidates for MPs, economic experts, academic community and media participating. The goal of this seminar was to face different political visions about possible means to surpass the current crisis and the reasons why it occurred.

The participants evaluated the establishment of the dialogue between politicians, public policy institutions and media organizations as important. The strengthening of public policy institutions and the increased role of media will play an important role in increasing public awareness.

Seminar: "On Further Improvement of the Legal Framework of Social Security (August 16, 1997)

Within the framework of the "Balkan Network" Project, ACER organized the seminar "On Further

Improvement of the Legal Framework of Social Security". Participants representing the Ministry of Finance, Trade Unions, the business community and non-governmental organizations, took part in this seminar. Mr. A. Malaj, Minister of Finance and Mr. M. Rodmann, Program Officer of USAID in Tirana, addressed the seminar with the opening remarks.

The participants discussed the main characteristics of the social insurance system in Albania and argued about the establishment of private pensions fund as a future necessity that will regulate the legal and institutional framework in the Albanian market economy. Debating some of the most appropriate alternatives of private pension fund, the invited experts offered some recommendations on the necessary regulations that should be taken into consideration before implementing the existing law. These include:

- Correcting the participants' benefits in the private insurance schemes altered due to inflation;
- Establishing the tasks of the management and supervisory bodies

- of private pension funds;
- Establishing a regulatory agenda that defines the basis of establishment and function of these institutions;
- Maintaining the state as one of the shareholders of the private pension institute in order to increase its credibility.

ACER will cooperate with Albanian governmental institutions to design the respective set of rules as well as to prepare different publications on the world experience in the area of social insurance.

Forum: "Active Viewpoints in Establishing Social Policies" (December 11, 1997)

In cooperation with the Institute for Social Insurance and the Institute of Labor, ACER organized an open debate on social policies (employment, minimum wage, social insurance, poverty). Representatives of the Ministry of Labor, Institute of Social Insurance, Institute of Labor, business community, academics, and the Assembly of People, took part in this event. The main issues addressed in this debate included: defining the minimum standard of living in differ-

ent social strata; methods to define the minimum wage; defining the social groups of employed and unemployed people; ways to assist the unemployed people through social assistance or creating new jobs; features and problems of the current system of social insurance as an obligatory system; reasons for avoiding payment of the contributions of social insurance from most of the private sector; developing the ways and methods to reduce the informal sector.

Some of the recommendations generated from this debate were:

- Defining a precise and contemporary method to estimate the minimum level of living;
- Creating the conditions to establish a stable strata of entrepreneurs;
- Finding a mechanism to link the sectors and to increase interest in the insurance;
- Realizing radio-TV talk shows to sensitize the public and increase awareness about the importance of social insurance today and pensions in the future;
- Improving the Law for Social Insurance.

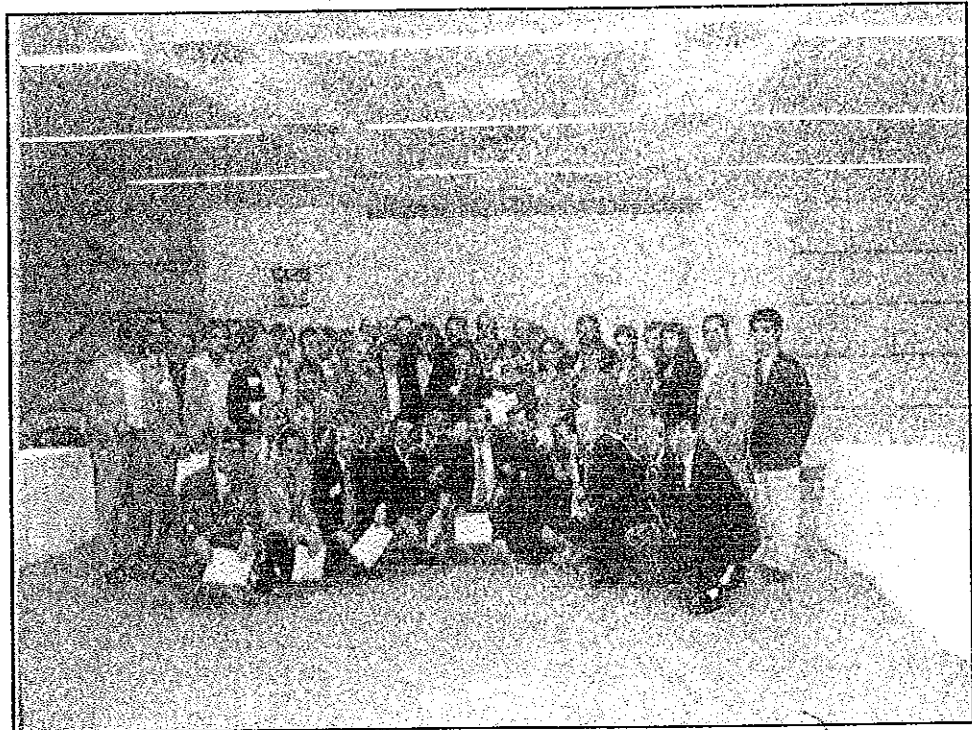
Albanian Business Association Management Training Program (May 10 - 15, 1998)

The event was co-organized by ACER and Center for International Private Enterprise at the Tirana International Hotel. Representatives of five business associations and twenty-nine chambers of commerce from all parts of the country took part in the training course.

Experienced American experts and consultants presented the lectures

with knowledge on the business ethics, Public Policy Advocacy, and finance and budgeting, of the business associations.

The program gave the participants a unique opportunity to acquire new knowledge and skills as well as to develop valuable contacts and share experience with colleagues within the sector. All the trainees received a certificate for their successful completion of the Business Association training.



Albanian Business Association Management Training Program was co-organized by ACER and the Center for International Private Enterprise. The US Ambassador in Albania Ms. M. Lino in the middle of the participants.

Seminar: "The Role of Private Financial Institutions in a Market Economy" (June 24, 1998)

The seminar was organized within the scope of the "Balkan Network" project. It was attended by 25 representatives from the Bank of Albania, second tier Banks, Ministry of Finance, Economic Faculty of Tirana and Local Universities and Institute of Social Insurance.

The seminar sought to give participants the opportunity to learn about and debate different banking issues such as the way a private financial institution operates in a market economy; the strategy banks must pursue in order to be successful; the strategy banks should use to attract customers.

In order to establish an agenda for future seminars, the participants have been divided into breakout groups. Among the most important issues that must be discussed were the main principles of management, risk and portfolio management, Forex operations, credit analysis and non-performing loans management, and banking marketing.

Local Workshops: "Discussing on Corruption" (September 5, 7, 28, October 2, 9, 1998)

In cooperation with Albanian Local Universities, ACER has organized and

led five local workshops in Shkodra (October 2), Gjirokastra (October 9), Korça (September 7), Vlora (September 28) and Elbasani (September 5) in the frame of "*Albanians, Corruption and Challenges*" project supported by European Delegation. Representative from local and central government, academic and business community, donor community and media attended these open debates.

The Workshops were organized in two sessions: I. "*Corruption - the Transitional Challenge*", and II. "*Establishing an Environment to Combat Corruption - an emergent requirement of society*". The structure helped to enhance the constructive debate among participants in the workshop as well as in the exchange of several opinions regarding different corruption issues. Several issues such as causes of corruption, dimensions and forms of corruption both in the national and local level; the role of civil society in combating corruption, its implications, the cooperation and coordination of local institutions in the fight against corruption; the role of mass-media in sensitizing public opinion and establishing an appropriate environment to combat this phenomenon were addressed in these activities.

National Symposium: "Corruption - A Challenge to be Faced" (October 24, 1998)

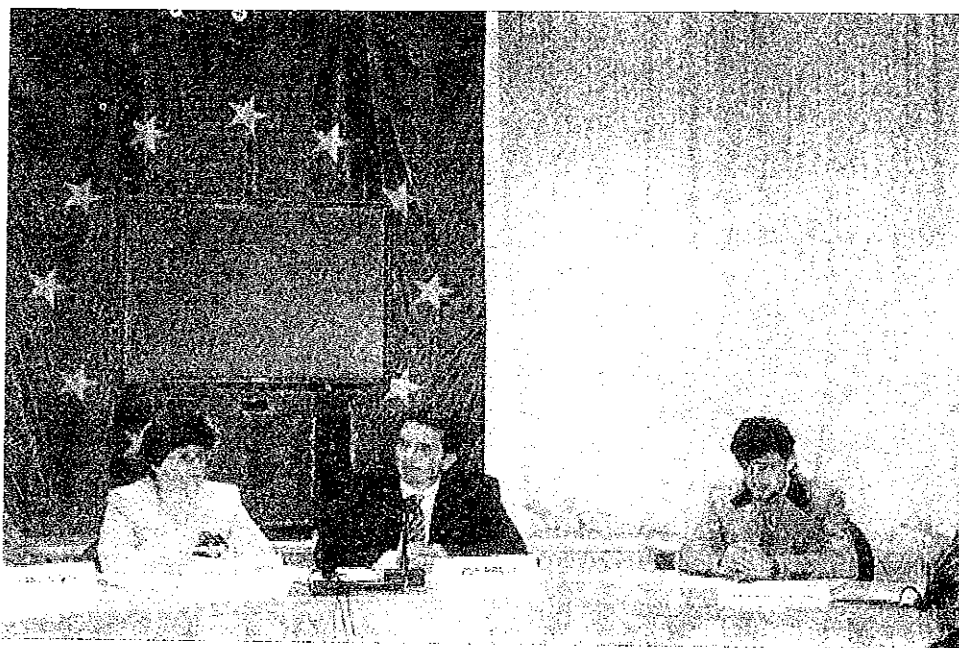
The symposium was held in Tirana on October 10, 1998, in the frame of the A

corruption Initiative undertaken by Albanian Center for Economic Research and supported by European Delegation, World Bank, SOROS Foundation, and USAID. The main aim of this symposium was *to develop an open debate on the ideas and viewpoints for an effective fight against corruption; to encourage the cooperation among interested circles and to inform the public about the development and implementation of the anti-corruption institutional schemes published on the Conference held in June 1998.* Through this symposium, ACER sought to bring together politicians, academics, journalists, experts and analysts to share ideas, opinions and experience as well

as to find ways to increase transparency and combat corruption.

The symposium was attended by 45 people including representatives from parliament, central and local government, universities, business community, politicians and well-known analysts as well as NGO representatives. Representatives from the donor community such as the World Bank, European Community, UNDP, SOROS Foundation, ORT attended as well.

Participants brought some concrete examples of where and how corruption emerges and also gave their sug-



Deputy minister of Finance, Mrs. A. Berberi was guest-speaker at the National Symposium on Corruption. On her left Dr. Zef PRECI, ACER Executive Director.

gestions and recommendations to combat or prevent its emergences.

Among the main findings and recommendations of this symposium the following are noteworthy:

1. Albanian society is conscious on the corruption as an economic phenomenon, its dimensions, and some of the most effective tools to fight it.
2. Anti-corruption institutional schemes designed by Albanian government are a good start for an effective fight. The biggest problem is transmitting these schemes to local government, non-governmental organizations and business community agencies.
3. The establishment of a transparent dialogue among political forces, including the majority and opposition, and the increase of effectiveness of government judicial and auditing activities were seen as ways to establish an environment that discourages and fights corruption.
4. The informal economy was addressed as an indicator of the replacement and functioning of the state. On the other side, it appears that this sector is feeding corruption and is damaging both the state and the consumer by doing so.
5. The press continues to play an important role in public education about the anti-corruption initiative. Unfortunately, the government apparatus is not open enough and/or sufficiently transparent in the provision of the necessary proof. This fact damages these institutions and increases the lack of confidence the public has in them.
6. It is time the non-governmental organizations should extend their efforts to combat corruption.
7. The fight against corruption is just begun and it is essential that continues to strive to establish an environment that does not favor corrupt practice but actively discourages

3. PUBLICATIONS

1994

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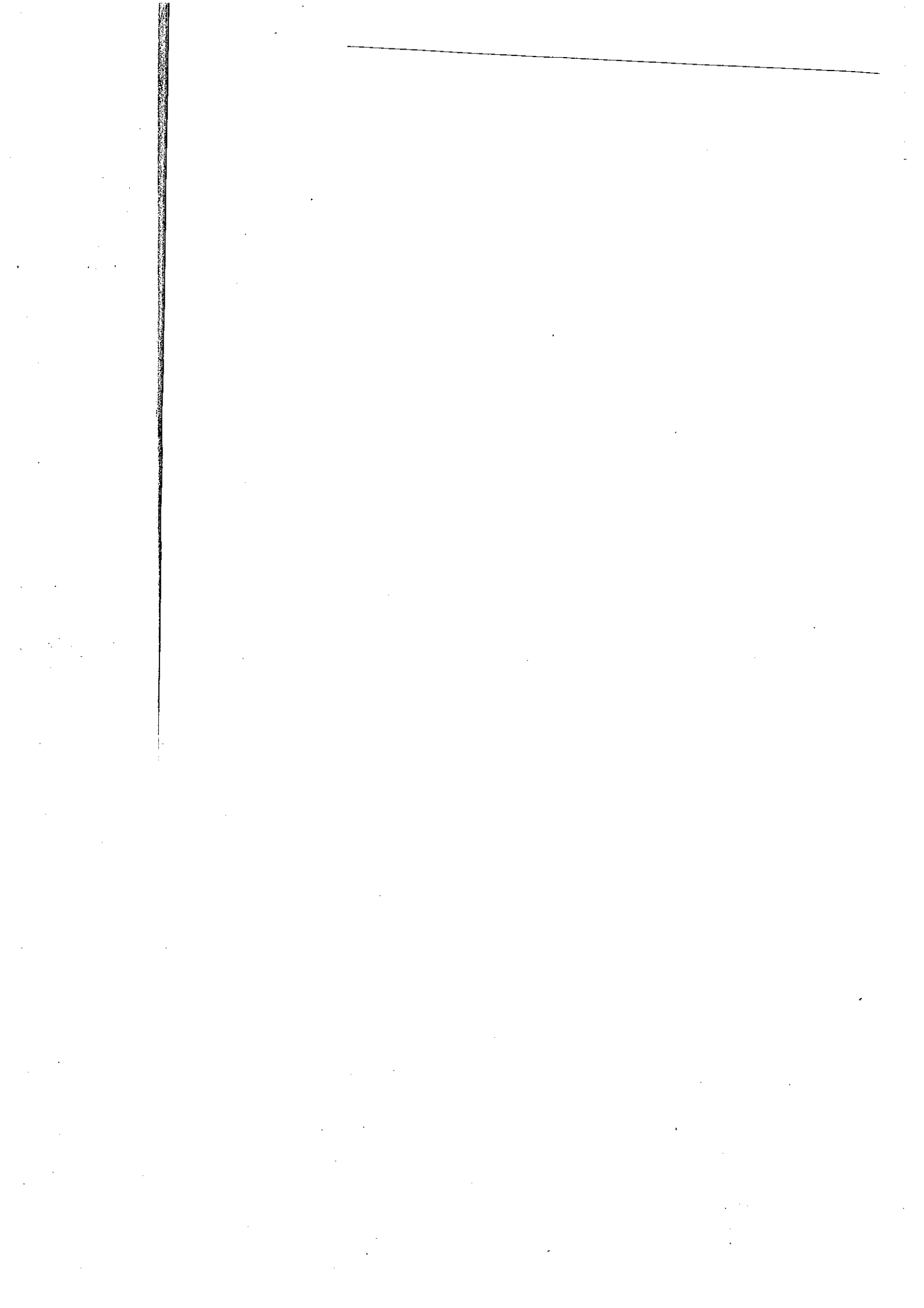
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PART TWO
ADMINISTRATION AND MANAGEMENT



ADMINISTRATION AND MANAGEMENT

ACER's leadership consists of a seven member Board of Trustees and Supervisory Board. Nominated by the Board of Trustees, the Executive Director is supported by a staff of 6 full-time and 10 part-time employees. Depending on the number of projects during the year, ACER employs up to 3 additional consultants to facilitate the implementation of international donor programs.

Ability to recruit consultants. Since ACER covers a relatively large range of disciplines and research fields, the level of consultants' involvement depends on the project conducted.

Compliance with contractual obligations. ACER projects are completely supported by International Donors. The Center has a proven record of meeting contract requirements for these international donors.

Financial management, support /administrative staff and facilities. The Center's staff is supported by an office manager and secretary. The finan-

cial operations have been fulfilled in compliance with the contractual requirements. Consequently donors such as USAID, CIPE, ICEG, and the European Union have supported ACER in more than one project. Financial Statements of the Board of Supervisors have been presented to the Board of Trustees on an annual basis. A local authorized auditor has recently audited the financial operations of 1997-1998.

The Center publishes its own books and occasional papers and has the proven ability to successfully perform such in-house activities. Since its establishment, ACER has prepared over 260 analytical documents, which can be found in ACER's library. The information is stored electronically and can be retrieved by request through ACER's website:

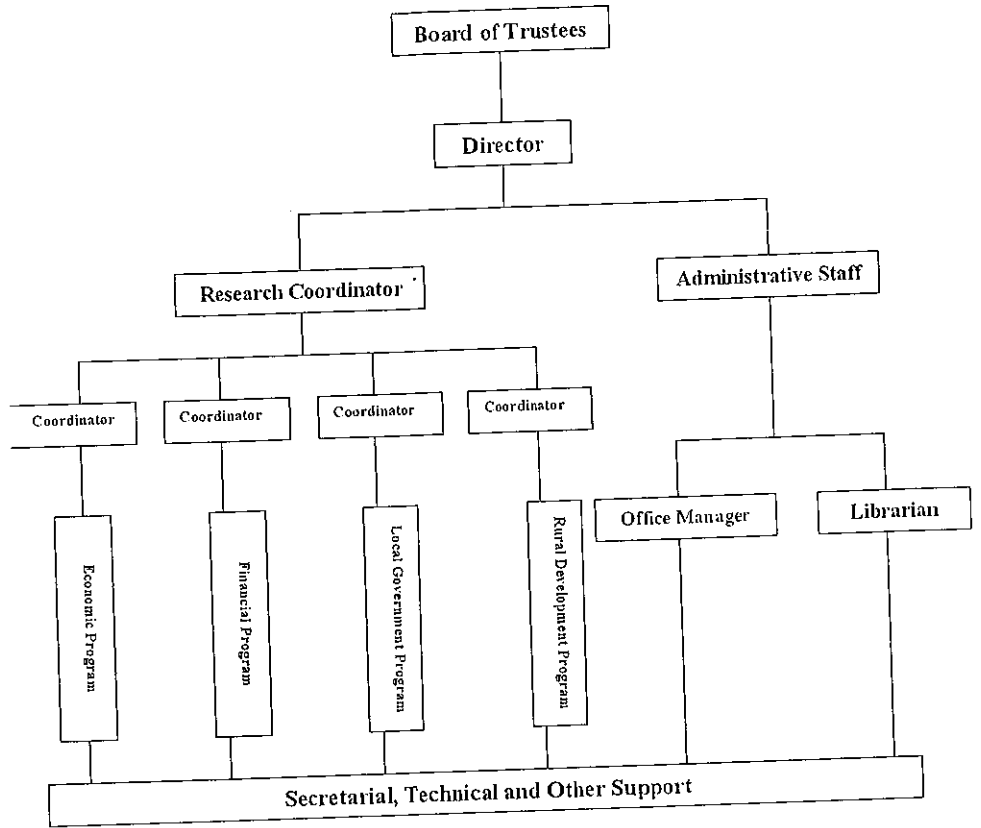
HTTP://WWW.ONLINE.BG/ACER.

ACER other Internet services include:

e-mail: qshke@ngo.org.alb

zefi@qske.Tirana.AL

Organizational Chart



LIST OF STAFF

Zef PREÇI, Ph.D, Director

Research Staff

Auron PASHA, Vice Director, Analyst

Elton JORGJI, Researcher

Ledia MUÇO, Researcher

Ejonta PASHAJ, Research Coordinator and Researcher

Irma TANKU, Researcher

Administrative Staff

Fjoralba VESHO, Office Manager

Kiço ZISO, Librarian (part-time)

Board of Trustees

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Dr. Anilda BOZDO, Member, Senior Economist, Monetary Policy Division, Bank of Albania.

As. Prof. Ardian CIVICI, Member, Dean of Economic Faculty, Tirana Agricultural University.

Shefqet MEKO, Member, Director of Research Center for Rural Development.

As. Prof. Shyqyri LLACI, Member, Head of Business Department, Economic Faculty, Tirana University.

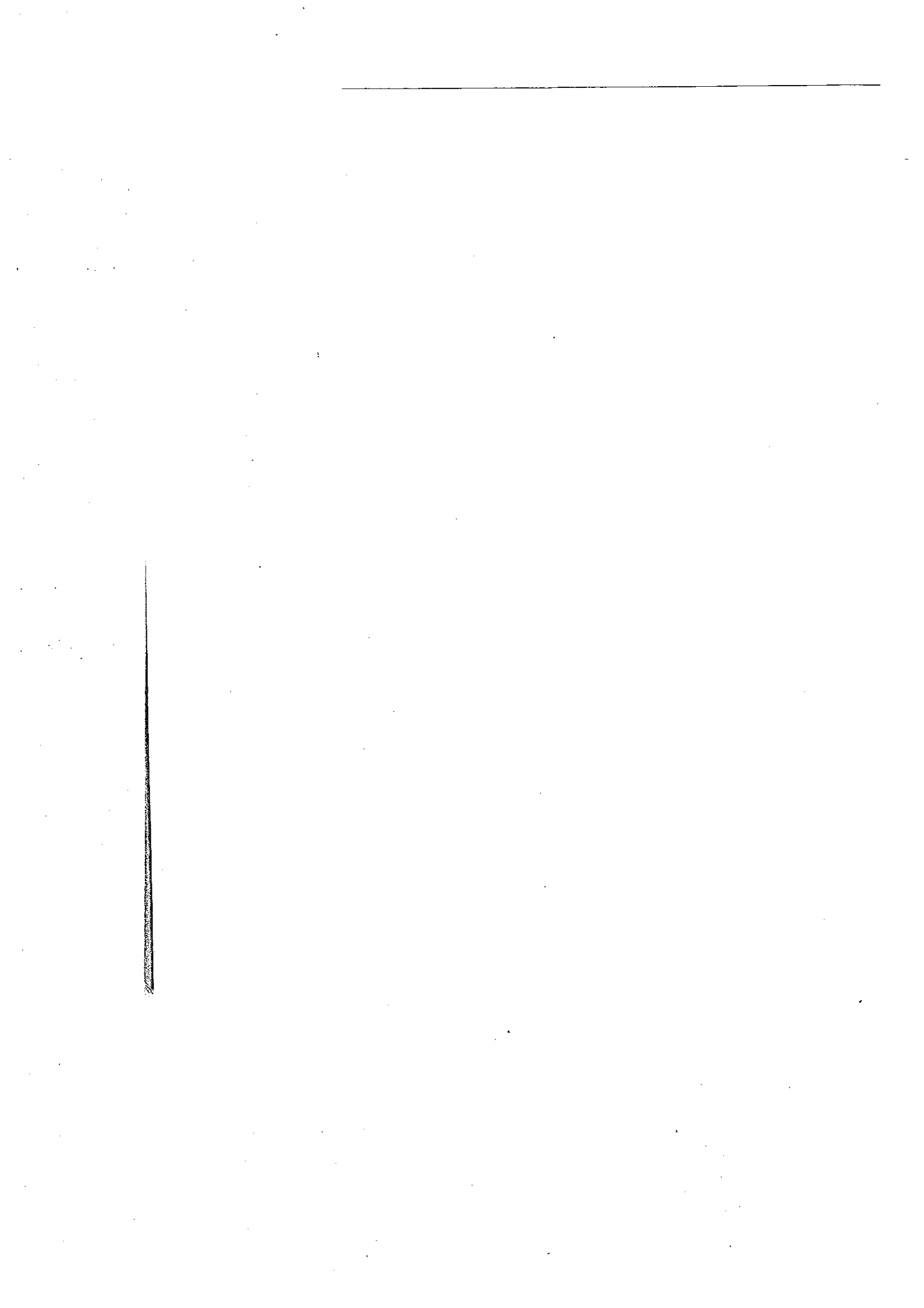


Board of Trustees in a meeting.

Sources of Support and Cooperation

Atlas Economic Research Foundation
British Executive Service Overseas (BESO)
Chesapeake Associates/U.S. Agency for International Development
Center for International Private Enterprise (CIPE)
Center for Study of Democracy (CSD), Bulgaria
Center for Political Studies and Comparative Analysis Center (CPSCA),
Romania
EU Phare, European Commission
EC Delegation
Economic Development Institute (EDI)/World Bank
Financial Services Volunteer Corp (FSVC)
"F. Naumann" Foundation (Germany)
International Center for Economic Growth (ICEG)
Institute for Market Economics (IME), Bulgaria
Mont Pelerin Society
ORT/USAID Democracy Network
Peace Corps Service (PCS)
SOROS (Albanian Open Society) Foundation
U.S. Agency for International Development (USAID)
Fiscal Decentralization Initiative in Central and Eastern Europe
Foundation for Market Economy
Freedom House
Local Government Program/Freedom House

PART THREE
Financial Review



**ALBANIAN CENTER FOR ECONOMIC RESEARCH
FINANCIAL STATEMENTS
30 JUNE 1998 AND 1997**

ERKOL Ltd Company

Report of the Auditors to the BOARD OF TRUSTEES, THE ALBANIAN CENTER FOR ECONOMIC RESEARCH

We have audited the financial statements on pages 1 to 6.

Respective Responsibilities of Center and Auditors

As described on page 1 the ACER's director report, he is responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.


Basis of Opinion

We conducted our audit in accordance with International Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the ACER in preparation of the financial statements, and of whether the accounting policies are appropriate to the center's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of financial position of the ACER at 30th June 1998 and 1997 and of the incomes and total recognised expenses of the center for the periods then ended and have been properly prepared in accordance with the Albanian Accounting Standards (Law No. 7661, dated on 19th January 1993).


ERKOL Ltd. Company
Chartered Accountants and Registered Auditors
License No. 033, dated on 24th November 1997.
Tirane, on 15 July, 1998

"S. Pasha" Street, Building No.88/10
Tirana, ALBANIA, Tel/fax: (355-42) 34515

ALBANIAN CENTER FOR ECONOMIC RESEARCH

**INCOME AND EXPENDITURE ACCOUNT
 FOR THE YEAR ENDED 30 JUNE 1998 AND 1997
 (USD)**

Support and Revenue	<u>1998</u>	<u>1997</u>
Grants, Contributions, Donations and Projects	137,303	49,500
Publications	<u>0</u>	<u>0</u>
	137,303	49,500
Expenses		
Projects	104,444	29,681
Publications	2,173	2,684
General and Administrative	<u>26,312</u>	<u>17,135</u>
	132,929	49,505
Other income/(expenses)	<u>0</u>	<u>0</u>
Excess of Support an Revenue over Expenses		
Fund balance at beginning of the year	4,374	0
Fund balance at the end of the year	4,374	

ALBANIAN CENTER FOR ECONOMIC RESEARCH

BALANCE SHEET
30 JUNE 1998 AND 1997
(USD)

	<u>1998</u>	<u>1997</u>
ASSETS		
Current Assets		
Cash at bank and in hand	4,374	0
Prepayments	0	0
Receivables	0	0
Tangible assets (net)	<u>15,500</u>	<u>13,500</u>
Total assets	19,874	13,500
Other income	0	0
LIABILITIES AN FUND BALANCE		
Current liabilities		
Accounts payable	0	0
Deferred revenue	0	0
Long-term liabilities	0	0
Total liabilities	0	0
Fund balances		
Unrestricted	0	0
Restricted	19,874	13,500
Total fund balances	19,874	13,500
Total liabilities and fund balances	19,874	13,500

ALBANIAN CENTER FOR ECONOMIC RESEARCH**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 1998 AND 1997****1 Principal activities**

The Albanian Center for Economic Research (hereafter "ACER" or the "Center") is an independent not for profit, public policy research organization founded in late 1992.

Its main activities are concentrated in the organization and operation of programs including economic, financial, banking and law reform, aiming at speeding up the market oriented development of the Albanian economy and democratization of the Albanian society. The projects are financed by American and West European not for profit organizations, governmental institutions and private companies such as United State Agency for International Development (USAID), Center for International Private Enterprise (CIPE) Commission of the European Communities, Council of Europe, SOROS Open Society Foundation, "F. Neumann" Foundation (Germany), International Center for Economic Growth (ICEG), Fiscal Decentralization Initiative (FDI), and World Bank.

Other activities include publishing of materials and distribution.

2 Principal Accounting Policies

ACER's accounting policies are established in compliance with the Albanian Accounting Standards (Law No. 7761 dated on 19th January 1993), and the Accountancy Act, the National accounting standards, and the United States Circular A-133 Standard concerning "grants and agreements with Institutions of Higher education, Hospitals and other Nonprofit Organizations", as well as with the requirements set under Standard A-1 22 (Cost Principles for Nonprofit Organizations).

3 Revenue recognition

The Center's revenue arises from its activities relating to projects financed by third parties. The activity can be divided into the following types:

restricted funds, representing funding for specific projects; and

unrestricted funds for general expenditures and maintenance.

Project revenue is recognized based upon stipulations and duration of the contract with the organization requesting the project. Project revenue can be recognized upon completion of a stage in the project or upon completion of the project and submission of the final report.

At the end of the each year a review of each project is performed. Amounts received in excess of the estimated work performed are deferred and disclosed in the balance sheet as part of deferred revenue. The estimate of work performed in excess of the amounts received are recorded as project receivables and disclosed as part of prepayments at the balance sheet date.

Revenue earned from the act of publishing and distributing of books is recognized at the point of sale.

4 Taxation

The ACER is a not for profit Organization and is exempt from corporate taxation on its not for profit activities. In addition the Center is exempt from VAT on its not for profit activities.

5 Principal Accounting Policies

Foreign currency

Transactions in other currencies have been translated into Albanian Leks at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Albanian Leks at the exchange rate ruling at that date. All resulting exchange differences are recognized in arriving at the result for the year and are disclosed in other income (expense). Foreign currency accounts are maintained manually using the FIFO method.

Reclassifications

Certain balances and amounts in 1997 have been reclassified in conformity with the disclosures in the 1998 accounts.

5	Cash at bank and in hand	1998 (USD)	1997 (USD)
	Deposits-foreign currency	0	0
	Deposits-Leks	0	0
	Cash at bank-foreign currency	4,107	0
	Cash at bank-Leks	267	0
	Cash in hand-foreign currency	0	0
	Cash in hand-Leks	0	0

Deposits represent amounts held by utility entities and other institutions, which can converted to cash in a relatively short period of time.

6	Receivables	1998 (USD)	1997 (USD)
	Advances to suppliers	0	0
	Investment receivable	0	0
	Project receivable	0	0

7 **Tangible fixed assets**

The Center acquires its fixed assets through purchases with its own funds or by obtaining the fixed assets upon the completion of projects. Assets are valued on the basis of acquisition cost and are shown at cost less accumulated depreciation. Depreciation is charged on straight-line basis and the following rates are applied:

Machinery and equipment	20%
Vehicles	20%
Office furniture and equipment	25%
Software	20%

The activity for tangible fixed assets for 1998 is as follows:

	(USD)
Cost or valuation	
At 1 July 1997	13,500
Additions	7,500
At 30 June 1998	21,000
Depreciation	
Charge for the year	4,000
At 30 June 1998	5,500
Net book value	
At 30 June 1998	15,500

7 **Long-term liabilities**

	1998	1997
	(USD)	(USD)
Deferred capital subsidies	0	0

Deferred capital subsidies consist of the remaining balance of funds received for specific projects.

8 **Reconciliation between local statutory reporting and these financial statements**

	USD
Surplus for the year per local statutory reporting	
Adjustments for recognition of unrealized gains (losses)	
On amounts held in foreign currency as follows:	
Cash	0
Receivables	0
Liabilities	0
Other	0
Surplus per IAS financial statements	

ACER Annual Report is prepared by ACER Editorial team, led by Ms. E. Pashaj, ACER Research Coordinator. Special thanks go to Ms. A. Juhn, Project Manager, Catholic Relief Services who has reviewed the English version.

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