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Da li je neformalna ekonomija prepreka za ekonomski razvoj Albanije?

Shkelqim Fortuzi^{1*}, Arjeta Hallunovi², Elfrida Taraku³, Ejona Duci⁴

¹ Faculty of Business, "Aleksander Moisiu" University, Durres, Albania¹

² Faculty of Business, "Aleksander Moisiu" University, Durres, Albania

³ Faculty of Business, "Aleksander Moisiu" University, Durres, Albania

⁴ Faculty of Business, "Aleksander Moisiu" University, Durres, Albania

Apstrakt: Siva ekonomija predstavlja veliki problem, iako je u praksi to prirodna i spontana reakcija na nemogućnost formalne ekonomije da zadovolji potrebe nekih članova društva. Mora se priznati da u zemljama u razvoju i onih u tranziciji neformalna ekonomija daje značajan doprinos ekonomskom rastu, iako se povezuje sa brojnim problemima, koji zaslužuju da budu tretirani sa oprezom od strane političara i nosilaca ekonomske politike. Tačno je da je definisanje neformalne ekonomije veoma teško. Ne zbog teškoća saznavanja o načinima merenja i procene veličine i obima ovog sektora, već i zbog toga što su različiti autori videli problem iz više uglova i dali različite definicije, približne, ali sigurno drugačije. U ovom radu seukazuje na mere preduzete tokom studijskog perioda 2002-2014. i njihov uticaj koji su imali na smanjene sive ekonomije uz korišćenje modela potrošnje električne energije.

Ključne reči: Albanija, BDP, električne energije model, neformalna ekonomija.

Is the Informal Economy an Obstacle for the Economic Development in Albania?

Abstract: The problem of the informal economy is a major problem although in practice it is a natural and spontaneous reaction to the impossibility of the formal economy to meet the needs for some members of society. It must be recognized that in developing countries and countries in transition the informal economy provides a significant contribution to economic growth, although it is associated with a number of problems, which deserve to be treated with caution by the policymakers and the implementers of economic policy. It is true that to give a definition for the informal economy is something hard. This is not because of the difficulties of knowledge about ways of measurement and evaluation of the size and scope of this sector, but also because different authors have seen the problem from several angles and different definitions are approximate, but certainly different. To highlight the measures taken and the impact they have had during the study period 2002-2014 in the reduction of the informal economy the electricity consumption model is used.

Key words: Albania, GDP, Electricity Consumption Model, Informal Economy.

1. Introduction

The improvement of fiscal management is considered of special importance by the government, to overcome the challenges for the country's sustainable development and also European integration, as well as providing the financial resources needed for the implementation of the projects (Yoo and Hyun, 1998). The main objective of the reform of fiscal administration will be to increase budget revenues by expanding the taxable base and reducing the informal economy (Loayza, 1997). The negotiation process with the European Union and the achievement of obtaining candidate status is a clear reflection of the progress achieved so far by Albania in its transition, sometimes difficult. To advance these negotiations, required to fulfill certain strict standards for a

¹ shkelqimfortuzi@yahoo.com

European country before entry into the European Union, both politically and economically (Lippert and Walker, 1997). The recent problems in revenue collection, as evidenced by the ratio of income are consistently low against GDP with a repeated deficit, different from the initial budget forecasts. This has raised the concerns, if it is reasonable to expect that the implementation of the ambitious goals for the development of Albania (including the macroeconomic stability) can be realistically achieved within the time limits set by SKZHES (National Strategy of Economic Development of Strategic). Improving government performance to achieve social goals means the transition from an economy that avoided taxes (without infrastructure and misdirected safety nets), in a formal economy of tax payers (with efficient safety nets, although relatively small). However, many of these reforms are unlikely to be successful without reducing the corruption and the bureaucratic inefficiency (Petersen, 1982). By analyzing a large number of economies in transition in Central and Eastern Europe (excluding Albania), it is found that businesses react to a high degree of "politicization" of the activities of the private sector, with a retreat of the trend of the formal sector, implying that macroeconomic stabilization without accompanying reforms to strengthen the market institutions with not enough support for maintaining high rates of economic growth (Schneider, 1994).

First, a high informal sector leads to an increase in activities economically unproductive (particularly, in hiding, protection or detection of economic activities confidential, legal and illegal) and then in a significant loss of scarce resources (Schneider, 1998).

Secondly, it tends to cause a misallocation of production factors, mainly because informal enterprises - who are not able to use (fully) market supporting institutions, such as police, courts, or insufficient banks - use the technology of the production of intensive capital, which would make their goods and services uncompetitive eventually (Schneider and Enste, 2000).

Finally, an informal economy results with very substantial income from taxes, uncollected (Thomas, 1999), which, in particularly in countries like Albania - reduces economic prosperity because the investments (social) in infrastructure, which are required urgently, cannot be made, thus inhibiting private sector activities. In Albania, it has been done a small research work to examine the size and composition of the informal economy (and therefore the full extent of tax evasion). A notable exception is Schneider (2002), which adopted an approach that combined the physical input (electricity), demand for money, and the methods based on the model to estimate the informal economy in Albania.

2. "The vicious circle" of informality

An informal sector means that the economic activities "confidential" and "illegal", the revenues of which must be reported to the tax authorities, were hid from them - for the following reasons: First, a "confidential" economy includes activities that, except the violation of tax law, are mostly legitimate, as small businesses unlicensed. Thus, these types of activities are seen as a problem of tax evasion which represents a vital challenge for economic decision making. Second, the informal sector is defined to include also those activities that, by their nature, are "illegal". As a result, these activities are considered also crime organized activities (economic) - which mainly include arms, drugs and women trafficking. In addition, the "informal sector" shall be defined as the sum of all trading activities undeclared, de facto, that contribute to the national income (Johnson, Kaufmann and Shleifer, 1997). For the policymakers, the most difficult aspect of the tendency of increasing the relative size of the informal market is the juxtaposition of private benefits and public costs (Feige, 1979). As summarized in the figure 1, each market participant in the informal economy benefits directly and personally in several ways: (i) the individuals tend to receive higher net wages from taxes and are able to buy goods and services with lower prices; (ii) the firms can produce more competition without the expensive interactions which often are loss of time with government officials; and (iii) the corrupt officials and politicians take additional private income (bribes) in exchange for filling (wish) to those who participate and benefit from the informal economy (Frey and Hannelore, 1983). In contrast, the corresponding costs are all "public" by nature. They mainly include income tax reduced and, consequently, lower costs for public goods, such as hospitals, schools, universities, roads or the constant supply of energy and water. So, the economies that have a large informal sector tend to lag in a vicious cycle (Frey and Hannelore, 1984). With an inefficient public sector, the taxpayer discipline will remain low, leaving the economy mired in a fiscal trap.

Methodology and Results

To see the size and spread of the informal sector in Albania and its trends during the period 2002-2014 was used electricity consumption model. To apply this method are used data on economic growth and electricity consumption for the period under study. The purpose of this paper is to see the measures taken to reduce the informality and how effective they have resulted for the period under study. It is therefore set up the following hypothesis:

The hypothesis: The measures taken by the Albanian government during the period 2002-2014 have been effective and have contributed to reduce the informal economy.

Table 1. The performance of the informal economy.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GDP growth (%)		5.8	5.7	5.7	5.4	5.9	7.5	3.3	3.5	2	0.5	1.7	2.5
Power Supply (GWh)	5,430	5,900	5,945	5,933	6,121	5,750	6,300	6,592	6,924	7,342	7,616	7,957	7,793
Growth in electricity consumption (%)		8.66	0.76	-0.2	3.17	-6.06	9.57	4.63	5.03	6.03	3.73	4.48	-2.06
The informal economy as a % of GDP		2.86	-4.94	-5.9	-2.23	-11.96	1.87	1.33	1.53	4.03	3.23	2.78	-0.44
Informal Economy	30	32.86	27.92	22.02	19.76	7.82	9.69	3.2	2.86	5.56	7.26	6.01	2.34

Source: INSTAT, ERE and authors calculations.

2.1. The conclusions of the analysis

According to the model studied for the period 2002-2014 the results show that the level of the informal economy in the country has been in a gradual decline from year to year. In 2002 it was 30% and 2014 reached 2.34%. As it can be seen, the growth of the GDP and the increase of the level of power supply in the period under study were in an ever-increasing level, where such data are positive for the economy. This data clearly show the reduction of the informal sector in Albania, bringing further development to the country. Is it proven the hypotheses? The measures taken by our country for the reduction of this phenomenon have been different. This is noted in the results achieved and has been associated with the growth of GDP, which it has been gradual, and there have not been with large fluctuations. By seeing the results of the electricity consumption model (which clearly shows the level of the informality) and also taking into account its data, it is concluded that in our country the level of the informal economy has been decreasing. The decline of this phenomenon is the result of the actions taken by the country and the effectiveness that they have been in reducing the level of the informal economy. So, it is concluded that the hypothesis was confirmed.

3. Conclusions and recommendations

The countries with low taxes tend to have a low level of informal economy. But it should be noted that tax cuts only stabilize the informal economy and often do not reduce it, so that there is room for adjustments to the tax system by making it more simple in its content, logical for citizens and applicable in terms of the Albanian economy. The establishment of bridges between contributions and benefits from the fiscal system, it is seen as the main way that encourages citizens and businesses to be oriented towards the formal sector of the economy.

The complicated state rules for licensing, for the labor market and bureaucratic barriers increase the informal economy. Therefore, we think that there are many cases when it is necessary to facilitate the bureaucratic procedures and excessive documentation for licensing etc. There are a few studies in this field, but remains to be seen their implementation in the respective fiscal packages.

The informal economy is lower in countries where the state institutions are stronger and more efficient. The strengthening of these institutions continuously and the increase of public confidence towards them remain the safe streets for the formalization of the economy and the constant reduction of its informal sector.

We can also suggest that the modest achievements in the implementation of the strategy of poverty reduction and economic development, expressed in the inability to convert the recognized macroeconomic achievements in regional and sectoral developing, have due among the others, the weight still considerable of the informal sector of the economy and the lack of instruments, enabling its formalization without the injured, namely by revealing it in favor of sustainable development of our country.

The countries with more corruption have higher informal economy. The fight against corruption, it is understood as the strengthening and consolidation of the state institutions, as an increase of civic conscience and individual accountability, and the strengthening and modernization of public administration.

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