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Sustainable regional development in Albania

Abstract

During the last three decades, Albania has maintained steady economic growth which has significantly improved the poverty rate and living standards. However, demographic change has influenced differences in regional development, pressuring the government to draw up new socio-economic policies to prevent greater inequality between the regions. Internal migration from urban zones to the country's centre has significantly affected its development, transforming the Durrës and Tirana area into an economic powerhouse while, at the same time, other regions face socio-economic challenges. Our continuing study from which this article presents some very early analysis aims to explore sustainable regional development in Albania using a comparative analysis of the regions of 'Durana' and Kukës. It concludes that Albania's regional development has positively affected the urbanisation process but, in a negative way, rural depopulation. Both have influenced the structural deficiencies of 'shrinking' regions such as Kukës. Further research should define policies which establish a path towards sustainable development in Albania in the future.

Keywords: internal migration, demography, socio-economic development, regional development

Introduction

Since 1990, Albania has implemented many economic and structural reforms despite domestic and regional instability. While making this positive progress, there have been some concerns related to how socio-economic policies have contributed to sustainable development or to reducing long-term poverty and the inequality created between regions (INSTAT 2014, 2022b). According to the data reported in INSTAT's 2021 *Statistical Book*, income per capita in Albania has increased steadily. However, the country remains one of the poorest in Europe, with high inequality between rural and urban zones and different regions.

Thus, the role of Albanian regional governments in articulating and implementing new regional initiatives has been particularly critical ever since the 2000s. The new role of local governments was defined by the Law on Local Government, the Strategy of Decentralisation and Local Autonomy, the National Strategy of Social and Economic Development (NSSED) and other sectoral strategies. In this respect, local government responsibilities have gone far beyond service provision, aiming to formulate and implement short and long-term local economic development programmes. Furthermore, the approval of a fundamental legal package on fiscal decentralisation at the end of 2002 led to the transfer of a series of taxes to the regions, shifting the balance between the state and the local provision of services. These

included the small business tax, the annual vehicle registration tax and the property transaction tax. This new legal framework offered the prospect of substantial fiscal autonomy for the regions by creating the necessary room for increasing local budgets and financing policies, thus leading to the development of municipalities, communes and regions (UNDP 2005).

Another essential step in this respect was the regional development cross-cutting strategy, created at the end of 2008, even though its implementation remained problematic (UNDP 2010). The Ministry of Economy, Trade and Energy was responsible for realising this strategy whose main aim was to facilitate the establishment of a single regional development planning and management system in the country.

These national strategies were accomplished against the backdrop of a major wave of internal migration in Albania, affecting the development process of the existing regions. Albania's central and coastal zones have experienced a major increase in the population due to internal migration: INSTAT data show that the immigrant population in these centre and coastal zones was 44 times higher for the period between 1989-2001 compared to the north-east region and, in the same period, 13 times higher than in the south-east.

Internal migration and the urbanisation process that Albania experienced in the post-communist years were driven by some direct factors including economic, political, social and cultural ones (Balla and Avdia 2022). The initial consequences of these demographic movements affected the Albanian labour market, with a shrinking labour pool in some regions, with most workers with better qualifications leaving the north-east region, including the prefecture of Kukës. The result was a negative impact on economic activity, employment and incomes in Kukës. The same story was the case in most of the less prosperous parts of the country where massive emigration also made the socio-economic condition of these prefectures much worse. So, Albanian regional development in the post-communist period has brought a combination of significant urbanisation for the central and coastal prefectures and rural depopulation for the north-east.

The primary purpose of our study is to analyse sustainable regional development in Albania using a comparative analysis of the regional development of two representative regions: 'Durana' (the name for the combined region of Durrës and Tirana) and Kukës.

This article is organised as follows. The second section presents a theoretical basis for sustainable development and regional development, while the third presents the methodology and issues which arise from attempts to measure sustainable development. The fourth section presents a comparative analysis of the processes of sustainable regional development in Durana and Kukës between 1990 and 2021. The last section draws some of the main conclusions.

Theoretical perspective: sustainable development and regional development

The concept of 'sustainable development' was first explained as a normative goal by the World Commission on Environment and Development in its 1987 report *Our Common Future*, presented to the General Assembly of the United Nations (World

Commission on Environment and Development 1987). According to the definition given by the Commission, sustainable development means:

Meet[ing] the needs of the present without compromising the ability of future generations to meet their own needs. (World Commission on Environment and Development 1987: I para. 27)

Sustainable development covers a complex range of ideas and meanings, generally consisting of three lines: economic growth; environmental protection; and social progress (United Nations 1954). However, despite all the attention devoted to explaining the concept, the perception of its core message has remained ambiguous and this therefore has proven a starting point for the attention of a welter of further studies.

Meanwhile, referring to the broad sweep of the theoretical literature that we drew up for the study, the term 'regional development' is mainly used in the context of sustainable development to analyse case studies at a local or single ecosystem level of analysis. In contrast, sustainable development mainly refers to a spatial dimension. The importance of the spatial element arises from two main reasons: (1) local processes have global impacts; and (2) global trends give rise to local effects. Furthermore, environmental processes do not have the same uniform and smooth impact on all regions but may have different, yet significant, consequences on a regional scale (De Graaf et al. 1999).

Neoclassical economics became one of the essential bases for regional development policies as it was applied mainly to the analysis of regional imbalances and how such problems might be solved. While classical economists were concerned with exploring the formation, distribution and utilisation of national surplus, the neoclassicists focused chiefly on the resource problem (Richardson 1973). An essential condition for attaining so-called 'interregional equilibrium' is the integration of national territory (Hirschman 1958). This can be achieved through improvements in national transport and communications networks, more widespread promotion of mobility and integration of the factors of production and commodities into national and international markets. In other words, the theoretical position of neoclassical economics rests upon the assumption that market forces ensure an 'equilibrium' in the spatial distribution of economic activity and everything else. Therefore, in order to reduce the regional gaps, neoclassical economic theory suggests a broad strategy involving the acceleration of growth in the leading regions and encouraging the migration of the unemployed and low-productivity labour from lagging regions to 'booming' ones (Perroux 1988).

To understand all the measures taken by national and regional governments and to realise the aim of this article, we have consulted a broad range of literature including articles by international authors, reports from international institutions established in Albania and central government documents related to regional development in the country. These include the National Strategy for Development and Integration (NSDI) approved by the Albanian Government in March 2007 (Republic of Albania Council of Ministers 2008); the Cross-Cutting Strategy for Regional

Development (Ministry of Economy, Trade and Energy 2007); the Stabilisation and Association Agreement with the EU (2009) and the associated National Plan; etc.

The measurement of sustainable development

Traditionally, economists have measured development in terms of increasing per capita income or gross domestic product (GDP). However, if the income distribution is skewed and poor parts of the population are getting poorer, even while average income is increasing, many people – including economists – would be hesitant to call this development (Hicks 1965). The United Nations Research Institute for Social Development defined development as processes that increase people's opportunity of choice (UNRISD 1972). Other researchers have highlighted education and health in a given society as essential factors for meeting basic needs. Education creates knowledge, skills and abilities, allowing more individual choice and freedom and, as such, is an essential part of development (Jorgenson and Fraumeni 1992). Finally, institutional arrangements and governance play an important role in individual freedom and choice and are, according to some, essential parameters by which the level of development should be judged (De Macedo 2006). All these ideas have a focus on making humans better off, in one way or another, constituting well-being.

One of the leading indicators used to measure quality of life is the Human Development Index (HDI). The HDI is a measure of human development; that is, of a country's statistics in three dimensions: longevity and health; education; and GNI per capita. This index was developed within the UN Development Program and published in 1990 in the Human Development Report of the United Nations. The main reason for introducing a new measurement index was to take attention away from income towards a broader measure of human development:

Past efforts to devise such an index have not come up with a fully satisfactory measure... They have focussed either on income or on social indicators, without bringing them together in a composite index. Since human beings are both the means and the end of development, a composite index must capture both these aspects. This Report... suggest[s] an index that captures the three essential components of human life – longevity, knowledge and basic income for a decent living standard. Longevity and knowledge refer to the formation of human capabilities, and income is a proxy measure for the choices people have in putting their capabilities to use. (UNDP 1990: 14)

In the 2010 Human Development Report, UNDP began using a new method to measure HDI by combining these three dimensions: a long and healthy life (life expectancy at birth); knowledge and education (expected years of schooling and average years of schooling); and a good standard of living (Gross National Income (GNI) per capita). According to the old method, the HDI is based on the arithmetic mean of these three indexes. In contrast, according to the new method, it is the geometric mean of the three that gives us the value of HDI.¹

1 Arithmetic mean – simple average; geometric mean – (here) the cube root of the three individual components of the Index multiplied together. The geometric mean delivers a smoother average when looking at a year-on-year comparison of data that are themselves volatile.

Since its introduction, HDI has been an important alternative tool to measure development. However, HDI has also been criticised by different economists, above all on the basis of its choice of variables since it includes those that measure human development like equity, political and human rights, income distribution, etc. HDI is not the only index to calculate and evaluate human development, but it is considered better than others by many researchers. In this study, we have taken the HDI values calculated and published from the UNDP in Albania and some of its prefectures, focusing our analysis on Durana and Kukës.

Sustainable regional development in Albania 1990-2021: comparative analysis of Durana and Kukës regions

Albania's population has decreased since 1990 although not all its areas have followed this trend; the main factors being emigration and the decline in births (INSTAT 2021). On 1 January 2022, the total population of Albania was 2 829 741 inhabitants. Tiranë accounts for about 32.9% of the total population, continuing to be the country's most populated region, followed by Durrës with 10.4% (INSTAT 2022a). The average population density of Albania in 2021 was 98 inhabitants per km², remaining almost at the same level as it had been during the five previous years. In 2021, the prefecture of Tiranë had the highest population density, with 554 inhabitants per km², followed by Durrës, with 381. At the other end of the scale, the prefectures with the lowest population density were Gjirokastër and Kukës, respectively, with 20 and 31 inhabitants per km². The population of the Durana area, according to INSTAT projections, is estimated to increase by 211 560 inhabitants by 2031 (INSTAT 2022b).

The prefectures with the highest youth dependency ratio are Kukës and Dibër, with respectively 33.5 and 31.9 people younger than 15 per 100 persons aged between 15 and 64. In comparison, the prefectures with the lowest youth dependency ratio are Vlorë (20.1) and Gjirokastër (20.2). On the other hand, the prefectures with the highest old age dependency ratio are those of Kukës and Lezhë, with respectively 26.2 and 26.1 people older than 65 years per 100 persons aged between 15 and 64. The prefectures with the lowest old age dependency ratio are those of Tiranë (21.8) and Korce (22.1).

National data from INSTAT show that some regions lag behind the more developed ones in terms of growth, employment and the provision of essential services to their growing populations. Depressed regions, especially in rural areas, have proven to be trouble spots. The rapid migration of the population to a few urban areas in the more developed regions has resulted in severe employment, housing, health and other problems caused by congestion. This premature and massive migration has turned urbanisation into more of an aspect of poverty than a symbol of growth. Regional inequality represents the uneven distribution of income and other variables between the regions, highlighting differences in living standards and job opportunities (OECD 2001). Despite Albania's economic and social advances in the last three decades, within the country there is clear regional differentiation and extreme differentiation at local level by municipality and commune (Doka 2005).

Albania has seen a significant debate as well as much confusion over what is considered a ‘region’. Regions are usually split between normative and functional criteria:

- ‘normative’ regions are the expression of a political will; their limits fixed according to the tasks allocated to the territorial communities, the size of the population necessary to carry out these tasks efficiently and economically, and according to historical, cultural and other factors. In Albania, the two levels of the normative region are *qark* (county) and commune/municipality
- ‘functional’ regions are set up for a specific purpose: the EU has created functional regions grouping counties into normative regions solely for the purpose of managing its Structural Funds. Even though ‘districts’ are no longer officially Albania’s normative regions for data collection, they are still regarded as functional or analytical regions on a statistical level.

There have been three guiding principles for the adoption and practice of regional development policy and planning in Albania:

- the country’s historical and socio-economic condition vis-à-vis development policies or directions taken before its adoption
- the country’s general physical, cultural and political features
- the government’s ongoing search for better administrative mechanisms.

Albania’s administrative division has undergone constant changes in the post-communist period regarding geographic extent and structural functions. Significant modifications occurred after the country’s political and economic changes in the 1990s. On 31 July 2014, however, the Albanian Parliament approved a new administrative-territorial organisation that divides Albania into 12 prefectures and 61 municipalities with subdivisions provided by law. The municipalities constitute the first and basic level of local self-government. The new municipalities are composed both of former municipalities and communes, the latter of which remain functional within the 61 municipalities and are considered administrative units by law.

The Human Development Index calculated for 1990-2013 – i.e. prior to the administrative-territorial re-organisation – illustrates the significant positive progress of the country on the three dimensions on which this Index is based (see Table 1). According to the latest Human Development Report (for 2021/22), published in 2022 and reflecting data from 2021, Albania was placed 67th among 191 countries with an HDI value of 0.796.

Table 1 – Trends in the dimensions of the HDI in Albania 1990-2013

Indicators/Dimensions Index	1990	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013
Life expectancy at birth (years)	71.8	74.2	75.9	76.1	76.3	76.4	76.6	76.8	77	77.2	77.4
Life Expectancy Index	0.798	0.834	0.861	0.863	0.866	0.868	0.871	0.874	0.877	0.88	0.883
Mean years of schooling	7.4	8.5	8.8	8.9	8.9	9.0	9.0	9.1	9.3	9.3	9.3
Expected years of schooling	10.5	10.1	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8
Education Index	0.537	0.565	0.595	0.596	0.598	0.6	0.601	0.602	0.609	0.609	0.609
GNI per capita in PPP (\$)	3257	5185	6921	7373	7867	8351	8401	8706	9075	9069	9225
Income Index	0.526	0.596	0.64	0.650	0.659	0.668	0.669	0.675	0.681	0.681	0.683

Source: UNDP (2014).

To evaluate and measure the regional development gaps in Albania, Table 2 presents the regional disparities in the HDI regarding the two representative regions in which this study is interested: Durana (Tiranë-Durrës); and Kukës. The data shown in Table 2 show that Durana has an appreciably higher HDI index than Kukës.

Table 2 – HDI components in the districts of Albania, 2019

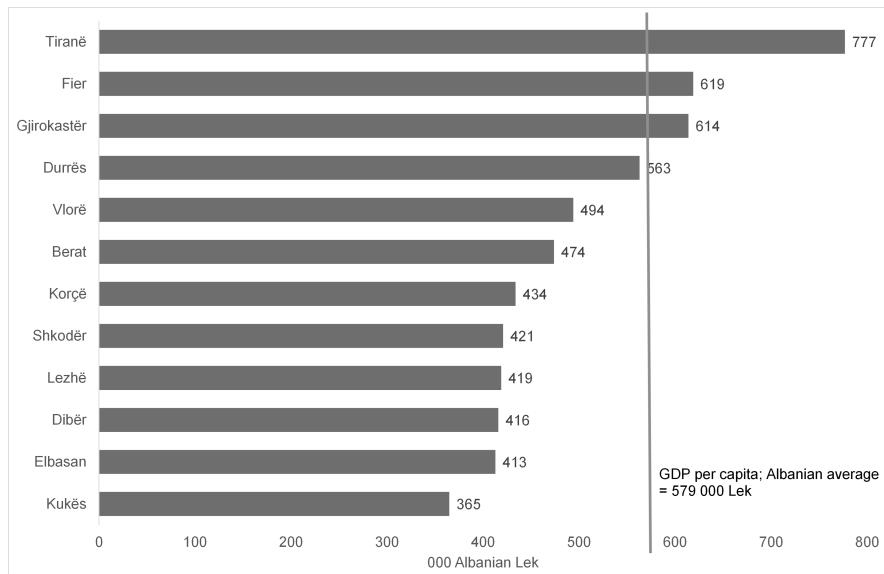
	Sub-national HDI	Health Index	Education Index	Income Index
Berat	0.8	0.9	0.7	0.7
Dibër	0.8	0.9	0.6	0.7
Durrës	0.802	0.902	0.746	0.766
Elbasan	0.784	0.902	0.721	0.741
Fier	0.8	0.9	0.7	0.7
Gjirokastër	0.8	0.9	0.7	0.8
Korçë	0.790	0.902	0.728	0.751
Kukës	0.749	0.902	0.621	0.751
Lezhë	0.8	0.9	0.7	0.7
Shkodër	0.8	0.9	0.7	0.8
Tiranë	0.820	0.902	0.817	0.748
Vlorë	0.802	0.902	0.764	0.749

Source: <https://globaldatalab.org>.

To put this data into context, we also used figures published by INSTAT in connection with GDP per capita, unemployment and poverty, which register differences between rural and urban areas, the centre and the periphery. The prefectures that

contributed most to Albanian GDP in 2021 were Tiranë (43%) and Durrës (10%), while the prefecture with the smallest contribution was Kukës with 2%.

Figure 1 – GDP per capita according to prefecture compared with the national average, 2020



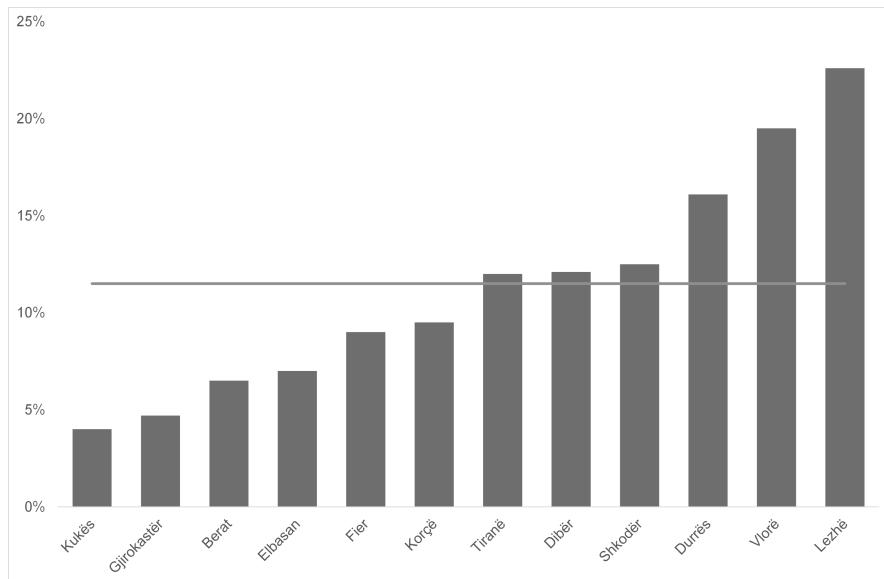
Source: INSTAT, Regional Accounts.

Figures for 2020 remain provisional.

In 2020, the level of GDP per capita in Albania was around 579 000 Albanian lek. The highest GDP per capita at NUTS 3 level (prefecture) was in Tiranë, at some 777 000, while the lowest was in the prefecture of Kukës at around 365 000, a value lower than the national average by some 37% (Figure 1).

In 2021, some 163 000 people were unemployed in Albania, equivalent to 11.5% of the total labour force. The lowest regional unemployed rates were recorded in the prefecture of Kukës (4.0%) and Gjirokastër (4.7%). In contrast, the highest unemployment rate was recorded in Lezhë, peaking at 22.6%, followed by Vlorë (19.5%) and Durrës (16.1%), presented in Figure 2.

Figure 2 – Unemployment rate by prefecture, 2021

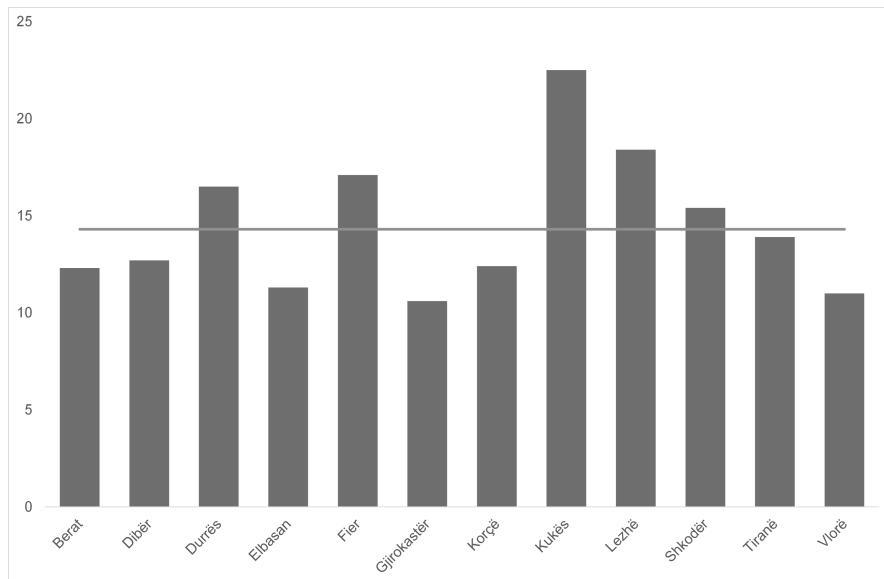


Source: INSTAT, Labour Force Survey

The prefectures of Tiranë, Dibër and Shkodër present unemployment rates similar to the national average while the remaining prefectures are below the country's average (INSTAT 2021).

Meanwhile, some 29.6% of the Albanian rural population lives below the poverty line compared to 20.1% of the urban population. The poverty line in 2021 is estimated at 191 791 dollars, indicating that around 622 705 individuals are registered as living below the poverty line compared to a figure of some 621 504 estimated in 2020. According to INSTAT figures on the standard of living, last published in 2012, and presented here in Figure 3, we see that the district of Kukës has the highest poverty rate at 22.5%.

Figure 3 – Poverty rate by prefecture in Albania, 2012



Source: INSTAT *Survey measuring the standard of living*.

Durana, which is assumed to be the most developed region in Albania, actually has a poverty rate above the country's average of 14.3%.

Conclusions

The challenges that have brought internal migration and urbanisation in Albania cannot be analysed separately from regional development policies, which have a substantial impact on the process of the sustainable development of Durana, Kukës and other regions of Albania. Despite the economic and social development of Albania in the last three decades, regional differentiation, and even extreme differentiation, have been registered at local level within the municipalities and the communes.

Meanwhile, migration has been a critical issue. The additional pressure on the infrastructure and services sector (mainly in the Durana region) and the depopulation of other areas (Kukës) have led to inefficient development and weak maintenance of infrastructure and services (in terms of schools, health care, roads, water supply, etc.). The high level of unemployment and the high flow of migration have both had a strong impact on the level of regional development.

From the early reaches of our study, it has become apparent that the outdated economic structure goes together with the low levels of urbanisation. In the following decade, policymakers will have to coordinate socio-economic policies related to public spending and regional development as a means of reducing poverty and

increasing access to public goods and services for the shrinking regions, thereby increasing the wellbeing of the people living in Albania.

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