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Integrated Support for Decentralization Project
"Working for Regional Development"

Implemented by UNDP in partnership with the Government of Albania



Regional Disparities in Albania

November, 2010

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List of Acronyms and Abbreviations

CSRD – Crosscutting Strategy for Regional Development
DHS – Demographic and Health Survey
EU – European Union
EUROSTAT - Statistical Office of the European Communities
FYROM – Former Yugoslav Republic of Macedonia
GDP – Gross Domestic Product
HBS – Household Budget Survey
IMF – International Monetary Fund
INSTAT – Albanian Institute of Statistics
LGU – Local Government Unit
LSMS – Living Standard Measurement Survey
MoF – Ministry of Finance
NMS – New Member States
NRC – National Registration Centre
P.C. – Per Capita
PPS – Purchasing Power Standard
RD – Regional Development
WB PSIA – World Bank Poverty and Social Impact Analysis

Foreword

We are honored to present the first comprehensive review of regional development disparities in Albania. Although there have been already a good number of analyses in the context of regional and local development of the country, previous works were either elaborated for specific intervention purposes or concentrated on some sectors.

The primary reason for our study is to stimulate an evidence-based policy discussion and contribute to regional policy development for Albania in the context of the EU integration process. It comes as no surprise that at the end of this process Albania will have to adopt, incorporate and practice EU cohesion policy principles. The European understanding of socio-economic cohesion has evolved over the years and increased resources have been devoted to this objective. While there is clearly a focus on the less developed areas, all regions are expected to develop environmentally sustainable and resource-efficient economy based on knowledge and innovation, fostering high-employment (Europe 2020). Albanian regional development policy faced with many basic challenges such as outdated economic structures in most regions, poor quality of roads, and scarce environmental infrastructure, will have to buy into the ambitions of a modern, globally competitive Europe.

Thus Albania can only afford a smart regional development approach, combining identified advantages and limited resources. This cannot be done otherwise but by studying the facts, understanding patterns and causalities of development failure or success, and by proposing adequate action which will accumulate consensus of multiple stakeholders.

The primary purpose of this publication is then to inform the interested readers about regional development issues in Albania. Our findings and observations will hopefully be used to develop a comprehensive RD policy framework.

Acknowledgments go to a large number of persons and institutions. These include a pool of EU and Albanian experts involved in the elaboration of the study and participants of several thematic workshops: representatives of the central government ministries and agencies, sub-national governments, NGOs and donor organizations.
All omissions and errors stay with the authors.

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Provision of Technical Assistance for the Project: "Integrated Support to Decentralization"

Introduction

Introduction

Regional development is a cross-cutting issue. It permeates all sectors and aspects of development in a given set of territories. The current approach to regional development in Europe is place-based, in which multidimensional analyses are carried out and strategies and policies developed in relation to territorially defined socio-economic and environmental factors. In our study we have largely followed this approach, looking at long-term changes in a wide set of development indicators across Albania. As a result several regional typologies are presented as well as broad recommendations for regional development policy formulation.

Albania has three levels of governance: national, county (qarks) and local (municipalities and communes). Directly elected bodies exist at central and local levels. Qark councils consist of delegated representatives from local units. Albania's territory is organized into 12 counties and 373 local government units. There are neither administrative nor self-governing regions in Albania corresponding to NUTS 2[1] level classification. Qarks are the equivalent of NUTS 3 level. Currently in Albania there is no clear definition of a development region. In general it is perceived that qarks can be considered an appropriate level at which regional development is analyzed, promoted and monitored. Although we have followed this concept, both due to data available and no better practical alternative, there are clearly other possibilities which could surface in the medium-term perspective:

- NUTS 2 delineation for Albania could lead to a situation when development issues will become also relevant at the macro level – practically the number of NUTS 2 regions in Albania could vary between 2 and 3 unless the country is allowed to stay one region;
- Territorial and administrative reforms could lead to a much smaller number of LGUs both at the basic municipality/commune level and the qark level, especially that from a general RD perspective some of the qarks represent very small units, both in terms of population and size of the regional economy.

In addition to the analysis of the regional socio-economic situation, we devote a separate chapter to local finances, which explains how regional and local disparities are currently addressed by existing instruments made available to the sub-national actors.

As Albania is in its early stages of integration into the European Union, there is clearly a need to develop a domestic socio-economic cohesion (regional development) policy. This can only be done through detailed studies of the current situation, the prevailing development trends and patterns, and consequently a wide discussion on how to best stimulate regional development actions. Our study aimsat providing reliable evidence for such a discussion. Currently regional development in Albania is not regulated by a legal framework while some operations are planned and implemented under the newly established Regional Development Fund. The Law on the organization and functioning of local government stipulates that LGUs are responsible for their development strategies. Funds for financing municipalities are raised from local taxes (own incomes) and transfers from the central budget. Albania is in the process of continued decentralization.

[1] *Nomenclature of Territorial Units for Statistics; NUTS 2 regions are specifically referred to by the EU cohesion policy*

Regional development aspects in this study are grouped according to their distinct sectoral dimensions and are presented in the following sections:

- **Chapter 1:** Introduction.
- **Chapter 2:** Summary. Main overall findings, including the typology of regions, are provided as well as broad policy implications.
- **Chapter 3:** Methodology. The analytical approach is presented and explained.
- **Chapter 4:** Spatial development. We look at the demographic aspects of development in relation to the territory. Population change, density, age structure, urbanization, and settlement patterns are analyzed.
- **Chapter 5:** Growth, competitiveness, economic cohesion. GDP estimates are provided as well as labor force, entrepreneurship and other economic indicators.
- **Chapter 6:** Social cohesion. Inequalities in welfare are looked at, specifically poverty and social aid aspects. Also access to basic public services (education and health) is analyzed.
- **Chapter 7:** Sustainable development, access to infrastructure and services. Aspects of environmental situation are discussed as well as availability of network infrastructures (water, transport, and telecommunications).
- **Chapter 8:** Local finances. Analysis is carried out at two levels (regional –qarks, local – municipalities and communes) in order to understand the financial development potential and instruments in relation to decentralization processes.
- **Chapter 9:** RD index and typology of regions. A composite, comparable index is applied to measure RD disparities among regions.
- **Chapter 10:** Disparities at international, regional and local level. Development gaps and differences are looked at from the three perspectives, allowing better understanding of main challenges at these distinct comparative levels.

In addition, for an easy reference, a table of contents and lists of tables, figures and maps are provided in the first pages of the publication.

Summary

Summary

2.1 Main Findings

Regional disparities in Albania are currently not extreme and non-uniform. While the country has several large structural development gaps in relation to the European Union and other candidate and potential candidate countries, internal disparities are considered moderate. Of course there are acute differences between Tirana and the least developed qarks of Diber and Kukes. However, due to the intensive migratory adjustments over the last two decades as well as government's and donors' interventions, the amplitudes between development indicators are not extreme.

In terms of external development disparities we observe:

- High divergence in economic development in comparison to other European countries (very low GDP per capita)
- Several large development gaps (between Albania and EU member states as well between Albania and other candidate and potential candidate countries) in various indicators, not only GDP but also employment share in agriculture, access to services and nfrastructure, etc.
- Outdated economic and spatial structures (extremely high employment in agriculture, low urbanization)
- High unemployment level combined with large external and internal migration flows leading to transfers of social and economic problems in space

In terms of internal development disparities the following features are evident:

- Clear regional differentiation if the extremes are looked at: the most developed – qarks of Tirana and then Durres and the least developed (disadvantaged) – Diber, Kukes. There is as well a "grey area" in between – good on some indicators, bad on others, experiencing different trends Migration seems to be a critical issue, especially in relation to high pressure on infrastructure and services in attractive areas and depopulation of some areas leading to inefficiency of infrastructure and services (schools, health centers, roads, water supply, etc.)

- Extreme differentiation on local municipality and commune levels (as measured by local own revenues, and in the past by poverty indicators)

In order to exemplify the realities of regional development patterns and challenges we present a snap shot of our findings in this summary section while more analytical insights are offered in chapters that follow.

Different regional development aspects in Albania present the following 'big picture':

Demography

Positive aspects

- Very advantageous age structure, young population in comparison to other EU and aspiring countries
- High mobility, both internal and external, allowing rapid adjustments to correct outdated economic and spatial structures
- Constant urbanization (although very low base level – only 49% urban population) with agglomeration benefits for Tirana/Durres and a cascading pattern in other qarks, gradually leading to less employment in agriculture which is still extremely high

Negative aspects

- Significant emigration of qualified labor force, possibly more intensive as EU integration progresses
- Persistent population losses in most regions due to migration to central and coastal locations
- Extreme depopulation trends in the most peripheral areas (esp. Diber, Kukes – 20 to 30% loss over the last 9 years) causing dependence on 'supported' development
- Remaining high fragmentation of settlements, especially in mountainous regions

Economy

Positive aspects

- Strong and stable economic growth over the last decade although unevenly distributed (Tirana alone contributes 36% of country's GDP)
- Steady improvements of employment indicators, even in the weakest qarks due to internal migrations
- Reduction of extreme differences in entrepreneurial indicators among the most and least developed qarks (spill-over effect)

Negative aspects

- Overall high level of unemployment despite steady improvement
- Heavy reliance on agriculture in general with extremes in some regions (over 60% of workforce in agriculture in Berat, Fier, Kukes)
- Significant concentration of economic activity in Tirana-Durres, although with diminishing share in the last decade

Social cohesion, education and health

Positive aspects

- Steadily improving standard of living and decreased incidence of poverty (halved over the last 9 years)
- Improvements in enrolment ratios in primary and secondary education, as well as higher education
- No extreme differences in availability of basic educational and health facilities, although quality and physical access worse in less developed regions

Negative aspects

- Uneven distribution of social gains – poverty indicators worsening in mountainous areas in comparison to Tirana, coastal and central locations
- Extremely high dependence on social assistance in least developed regions, and a geographic concentration in the north
- Deficiencies in educational and health infrastructure in areas of high immigration (esp. Tirana, Durres)
- Growing inefficiencies of basic public services in depopulating areas

Accessibility, network infrastructures, environment

Positive aspects

- (Re)construction of important transport corridors has allowed to dramatically improve access (e.g. for town of Kukes)
- Technological developments allowing most parts of country to quickly improve access to telecommunications
- Modern international airport for Tirana/ Durres area, however with limited benefit to periphery
- Vital and dynamic ecosystems, largely unaffected by industrial pollution in general, especially in non-central and mountainous regions with traditional agriculture

Negative aspects

- Transport and accessibility negatively affected by difficult terrain patterns, leaving large parts of country extremely peripheral (esp. in Diber, Korce, Gjirokaster qarks)
- Still large proportion of population (almost 25%) without access to water supply systems
- Undeveloped and/or underdeveloped environmental protection infrastructure for waste water and solid waste practically in all regions, with acute problems in largest cities which experience high immigration (Tirana, Durres, Vlora)
- Very high financial costs associated with development of appropriate network infrastructure, including environmental protection measures

Financing regional and local development

Positive aspects

- LGUs benefiting from own incomes derived from local taxes and tariffs, with gradually increased self-sustainability
- Effective equalization of local incomes via unconditional transfers from central budget
- Increasing overall volumes of investment expenditures at sub-national level

Negative aspects

- Extreme variation of level of LGUs own incomes (e.g. in Kukes 11% and in Shkoder, Gjirokaster and Lezhe about 25% of their total incomes), however well compensated by national unconditional transfers
- Budgets and investments at sub-national level strongly dependent on state transfers, including competitive grants
- Competitive grants for local investments in infrastructure (RDF) with unstable budgets and unclear distribution mechanism favoring better-off LGUs, although with generally balanced regional distribution with respect to development disparities
- Qark finances dependent on municipal and commune preferences, hampering qark functions

By evaluating different aspects of development according to our proposed methodology (see Chapter 9) a uniform RD index allowed us to see that there is evidently a significant divide in terms of overall progress of various parts of Albania. Tirana is clearly set at the forefront of development with some 1/4 of population affected. Additionally the qarks of Durres, Vlore and possibly Gjirokaster (1/5 of population) are positioned somewhere around the country's average levels. All others stand significantly below. This clustering of qarks at or below the country average development levels is clearly depicted in the figure below (the sizes of the bubbles correspond to the population number, some bubbles overlap and are thus not visible).

In other words economic agglomeration allowed Tirana to benefit from the transition and to modernize quickly, while the rest of the country is somewhat left behind. It is a pattern observed in many states in Europe and the important question is what policy responses could best mitigate the situation. With respect to this phenomenon and other identified disparities among regions, policy recommendations are provided in the second part of the summary.

Figure 1. Typology of Qarks



Berat Dibër Durrës Elbasan Fier Gjirokastër Korçë Kukës Lezhë Shkodër Tiranë Vlorë

Source: own calculations

Based on our study, the classification from RD perspective largely conforms to the general spatial typology:

Table 1Typology of qarks

QARK (% of Albania's population)	Spatial typology (spatial, demographic, infrastructures and environmental aspects)	RD typology (socio-economic development and competitive aspects)
TIRANA (25%)	**Metropolitan center** Outstanding population growth and very high urbanization, extreme pressures on the environment, good provision of some infrastructures and services but still low access to services, low altitude, very good accessibility though with traffic congestion, large informal settlements and unprecedented urbanization of agricultural land.	**Most developed** RD index (151) is much higher than for any other qark. In all regional development aspects, especially due to high concentration of economic activity (number of enterprises, FDI, etc.) Tirana is an exception and clearly differentiates itself from all other qarks. Tirana has about two times higher productivity levels than the least developed qarks (Diber, Kukes). It attracts vast numbers of new settlers (population increase of about 30% in the last decade).
Tirana is able to benefit from its capital city functions but development occurs at high cost to population and environment due to absent or insufficient infrastructures, limited urban planning and development control.		
DURRES *(10%)*	**Central core location (privileged)** Very good accessibility, high urbanization, medium to high environmental pollution, location on both plain and mountainous areas, fragmentation of LGUs is varying due to terrain and altitude, medium access to services, informal settlements and urbanization of agriculture land.	**Medium developed (upper rank)** RD index (106) above national average, mainly due to well developed economic activities (inc. sea port and airport). Economic performance is well below Tirana, still very high attractiveness for new settlers. There are however more structural problems than in the metropolitan area (unemployment, poverty pockets).
The level of development of Durres qark reflects its core location. Similarly to Tirana, some important infrastructure (especially environmental) is inadequate and this will limit the future potential.		
VLORE *(7%)*	**Central core location** Relatively good accessibility, high urbanization, medium to high environmental pollution, location on both plain and mountainous areas, fragmentation of LGUs is varying due to terrain and altitude, medium access to services, informal settlements and urbanization of agriculture land.	**Medium developed (upper rank)** RD index (94) close to national average. Region benefits from exploitation of the tourism potential of the Ionian coastline. City of Vlora and the coast experience substantial population inflows. Urbanization level is comparable to Tirana qark. Development level reflects core location.
Vlora benefits both from coastal core location and high urbanization/agglomeration. Development level reflects core location potential.		

QARK (% of Albania's population)	Spatial typology (spatial, demographic, infrastructures and environmental aspects)	RD typology (socio-economic development and competitive aspects)
GJIROKASTER *(3%)*	**Inland/intermediate location** Relatively low (though improving) accessibility, moderate urbanization patterns (from growing to steady and depopulation in some areas), location of settlements at high altitudes and high slopes, relatively high fragmentation of settlements and LGUs, low access to services, low environmental pollution (though with reverse variation in some urban centers).	**Medium developed (upper rank)** RD index (101) close to national average. Region benefits from exploitation of agricultural potential and trade links to Greece. Due to relatively poor access to the metropolitan and other markets, and low internal accessibility this qark experiences significant losses in population number.
Gjirokaster ranks well especially in economic development respect. There is a relative ability to overcome inland location. With improved access to metropolitan markets this performance could still improve.		
SHKODER *(8%)*	**Inland/intermediate location** Relatively low (though improving) accessibility (good for urban centers), moderate urbanization patterns, location of settlements at high altitudes and high slopes, relatively high fragmentation of settlements, low access to services, low environmental pollution (reverse in some urban centers).	**Medium developed (middle rank)** RD index (92) close to the national average. Moderate economic base, but relatively large structural problems. There is a moderate reduction in population number.
Development level reflects intermediate location.		
KORCE *(8%)*	**Inland/intermediate location** Relatively low (though improving) accessibility, moderate urbanization patterns, location of settlements at high altitudes and high slopes, relatively high fragmentation of settlements, low access to services, low environmental pollution (reverse in some urban centers).	**Medium developed (middle rank)** RD index (83) markedly below the national average. Moderate economic base, but relatively large structural problems. Weak overall economic performance. There is a moderate reduction in population number.
Relative ability to overcome inland location.		
ELBASAN *(11%)*	**Central core location** Good accessibility, however low urbanization, medium to high environmental pollution, location on both plain and mountainous areas, fragmentation of LGUs is varying due to terrain and altitude, medium access to services.	**Medium developed (lower rank)** RD index (77) close to 75% of national average. Moderate economic base, but relatively large structural problems, including industrial decline. Weak overall economic performance. There is a moderate reduction in population number.
Relative difficulty in exploiting central location.		

QARK (% of Albania's population)	Spatial typology (spatial, demographic, infrastructures and environmental aspects)	RD typology (socio-economic development and competitive aspects)
FIER *(12%)*	**Central core location** Good accessibility, however low urbanization, medium to high environmental pollution, location on both plain and mountainous areas, fragmentation of LGUs is varying due to terrain and altitude, medium access to services.	**Medium developed (lower rank)** RD index (75) at 75% of national average. Moderate economic base, but relatively large structural problems, including industrial decline. Weak overall economic performance. There is a moderate reduction in population number.
Relative difficulty in exploiting central location.		
LEZHE *(5%)*	**Inland/intermediate location** Relatively low (though improving) accessibility (good for urban centers), moderate urbanization patterns, location of settlements at high altitudes and high slopes, relatively high fragmentation of settlements, low access to services, low environmental pollution (reverse in some urban centers).	**Medium developed (lower rank)** RD index (75) at 75% of national average. Moderate economic base, but relatively large structural problems. Weak overall economic performance. Stable population number.
Relative difficulty in exploiting intermediate location.		
KUKES *(2%)*	**Peripheral location** Very low accessibility (internal and to the centre), low (though improving) access to services, intense depopulation, extremely low urbanization, large forests, mountainous, high fragmentation of settlements at high altitudes and varying slopes, young population and high age dependency, low pollution but with pressure to exploit natural resources.	**Least developed** RD index (73) below 75% of the national average. Extremely weak regional economy (very low value added). Many structural problems, including predominant agriculture and very high levels of poverty. Extreme levels of depopulation.
Development dependent on external supports.		
BERAT *(5%)*	**Inland/intermediate location** Relatively low (though improving) accessibility (good for urban centers), moderate urbanization patterns (from growing to steady and depopulation in some areas), location of settlements at high altitudes and high slopes, relatively high fragmentation of settlements and LGUs, low access to services, low environmental pollution (though with reverse variation in some of the urban centers).	**Least developed*** RD index (72) below 75% of the national average. Weak regional economy (low value added). Large structural problems. Significant depopulation. ***Note: this position could be debatable as Berat shares many characteristics with other medium developed qarks. Significant population decline confirms however weak development position.**
Relative difficulty in exploiting inland location.		

QARK (% of Albania's population)	Spatial typology (spatial, demographic, infrastructures and environmental aspects)	RD typology (socio-economic development and competitive aspects)
DIBER *(4%)*	**Peripheral location** Very low accessibility (internal and to the centre), low (though improving) access to services, intense depopulation, extremely low urbanization, large forests, mountainous, high fragmentation of settlements at high altitudes and varying slopes, young population and high age dependency, low pollution but with pressure to exploit natural resources.	**Least developed** RD index (61) below 75% of national average. Extremely weak regional economy (very low value added). Many structural problems, including predominant agriculture and very high levels of poverty. Extreme levels of depopulation.
Development dependent on external supports.		

Source: own calculations

From our analysis some general observations can be drawn regarding various regional development interdependencies and most evident correlations. Regions with large populations, high population density and urbanization, which commonly experience positive demographic trends, enjoy better economic performance (relatively high GDP, higher employment level outside of agriculture, proliferation of enterprises and FDIs, business loans). This is usually conditioned by favorable location (esp. central, coastal) and relatively good access to transport and communication infrastructure.

Moreover, densely populated LGUs benefit from high levels of own incomes which in turn are used to improve public infrastructure. In general a higher standard of living is associated with concentration of population. These regions experience however more significant environmental problems (high levels of waste generation, lack of proper waste treatment, etc.). Over the last decades this type of transition (high and speedy agglomeration in central locations) has changed the regional map of Albania, allowing a fast 'catching up' in many respects but at high social and environmental costs.

2.2 Policy implications

So far the country has not effectively implemented a regional development policy. The Cross-cutting Strategy for Regional Development, SCRD (2007) primarily dealt with the needed institutional set-up and regional strategic planning and management processes, while financial mechanisms were developed independently through the fiscal policy (competitive grants, since 2010 under the Regional Development Fund). The interrelations of regional development and decentralization have not been closely analyzed and assessed, and indeed there is no consensus at what level regional development policy should be applied. As there has been very little progress in the implementation of the Cross-cutting Strategy for Regional Development (CSRD) and its prospects are questionable, while the RDF is in its initial development stages, this publication comes as a possible invitation to open a RD policy discussion among the government and with the key stakeholders. Another crucial fact is that the integration into the European Union, which is a strategic choice for Albania, will require to adopt the EU regional (cohesion) policy principles and practices in to the domestic RD policy framework.

From the evidence gathered in our study and taking into account the current context of Albania's integration into the EU, there are already some policy considerations to be taken into account:

- The regional disparities are significant and extreme cases of the weakest economic performance and severe social problems need to be addressed comprehensively, thus development assistance to regions should be applied in a differentiated manner (either through separate programs and/or through varied types and levels of incentives). Special approach should be taken to break the self-reinforcing vicious circle of underdevelopment and low capacities;

- RD policy should prioritize development of infrastructures which increase competitiveness of regions while other issues ought to be addressed by other interventions (rural development policy, social inclusion instruments, etc.);

- Concentration on basic infrastructures alone is not sufficient to break the vicious circle of underdevelopment in areas lagging behind. Specific steps should be taken to optimize public infrastructure and 'soft' interventions in order to revitalize local and regional economies. Investments closely related to economic growth promotion should be prioritized;

- Regional development goals need to be established in conjunction with the national strategic objectives and a management framework for programming and monitoring regional development should be put in place, allowing periodic evaluation;

- Financial instruments (such as the RDF) should ensure the achievement of RD policy objectives and be applied consistently and transparently, on a competitive basis among regional/local actors;

- Initially funding has to come from national budget and external donors, while in the medium term EU pre-accession funds will significantly increase in importance.

Chapter 3

Methodology

Methodology

Methodology

The scope of the analysis is determined by the typical themes (dimensions) of regional development: economy, society, and environment. More specifically it covers the population and settlement structure, land use; economic development, its structure and competitiveness; social inclusion (especially poverty); technical and social infrastructure and access to respective services, as well as the environmental situation. A specific dimension is related to local finances: it allows not only to get more insight in the economic situation on local level but also to assess the financial capacity of regional and local authorities to carry out development actions. The structure of the report and the set of indicators used are also influenced by the understanding of regional competitiveness and its driving forces.

To obtain a more comprehensive understanding of the regional disparities the analysis was carried out mainly on two territorial levels:

- Regional (qarks): this was the main level of analysis as most of the statistical data are available on this level only. The general pattern of development and the disparities are analyzed in order to assess the differentiation of the larger areas of the country, in many cases covering more than one qark
- Local (municipalities and communes): Although data on this level are limited, they allow better understanding of the differentiation and disparities within qarks.
  Strata level data were used, too, especially in cases when disaggregated recent statistics were not available (e.g. poverty).

To ensure the reliability and overall acceptance of the analysis, most of the data were drawn from official sources (published and unpublished): INSTAT, Ministry of Interior, Ministry of Finance, Central Bank, and others. For cross-country comparisons mainly the statistical database of EUROSTAT was used, ensuring a high degree of consistency and comparability.

Some of the indicators used, especially on local level were generated by a team of experts, including the application of the Geographical Information System (GIS), e.g. average altitude, distance/travel time to airport and regional centers, etc.

To ensure a consistent approach and comparability in presenting and interpreting regional disparities and regional differentiation on different aspects and substantive indicators several common statistical indicators were used as measures of the regional variation:

- Presenting all regional values as a percentage of the country average and looking at the number of territorial units above and below some common thresholds (in the typical case – above 125% of the average and below 75% of the average)

- Range, i.e. maximum and minimum values of the respective indicators, as well as the ration between the maximum and minimum values (max/min ratio)

- Coefficient of variation (CoV) - showing the "common" deviation from the average values, unlike the 'extreme' deviation indicated by the maximum and minimum values:

$$CoV = \frac{\sigma}{a}.100$$

The coefficient of variation is calculated by the formula:

$$\sigma = \sqrt{\frac{\sum (a_j - \bar{a})^2}{n}}$$

CoV – Coefficient of variation
σ - Standard deviation
aj - Value of case j
a - Average values
n - Number of cases

In order to identify and compare the relationships between different indicators and respective development dimensions a correlation analysis was used. The correlation coefficients indicate the degree of similarity of the distribution between two sets of data. While high correlations do not mean compulsory and a direct cause-effect relationship, the correlation analysis is a useful tool to identify such relationships.

The analysis focuses not only on the current situation, but also on the changes and trends. Therefore in all cases when data were available longer time-series were used (in the typical case 2001-2008). To allow changes for different indicators to be shown easily, the overall change for the period was calculated.

To ensure evidence based conclusions and to facilitate the analysis and the interpretation a strong emphasis was put on the use of an appropriate combination of tables, diagrams and maps.

More explanation on the substantive (content) indicators used, are provided in the respective chapters discussing the respective indicators.

For the purpose of this study a special indicator was developed, a composite RD index, based on the Global Competitiveness Index methodology modified and applied to data available (details are provided in Chapter 9).

As a result of the analytical work different "partial" typologies of the regions were developed and presented in conclusions to the individual chapters analyzing various development dimensions. When they are considered simultaneously and in relation to the RD index, an overall typology emerges, and is provided in the summary chapter.

Chapter 4

Demography and Spatial Development

Demography and Spatial Development

4.1 Introduction

Albania is recognized for its small but growing population and intensive urbanization during the last 20 years of transition. Free movement and settlement after 1990 significantly changed the geography of development. Massive displacements from remote and peripheral mountainous areas towards the western coast and central Albania resulted in increased population density and concentration of economic activities in the recipient areas, urbanization, and significant relocation of the workforce, economic resources and investments.

This context of spatial development in Albania is very important when one examines regional disparities. The social and economic status of different regions (qarks) is closely related to population distribution and other geographical regional features, such as altitude and topography of terrain, land use, etc. For this purpose, to better assess regional disparities and the chances for increased cohesion, in this chapter, we look at the demographic features and specific linkages to natural resources, barriers and land use. Thus, the explored indicators will be: population density and change per qark and LGU; urban/rural ratio at qark level; age structure and age dependency; distribution of LGUs and their respective population per altitude and the relation of location and administrative fragmentation to altitude and slope of terrain; land use for agriculture and forests.

4.2 Analysis

Population Density and Dynamics

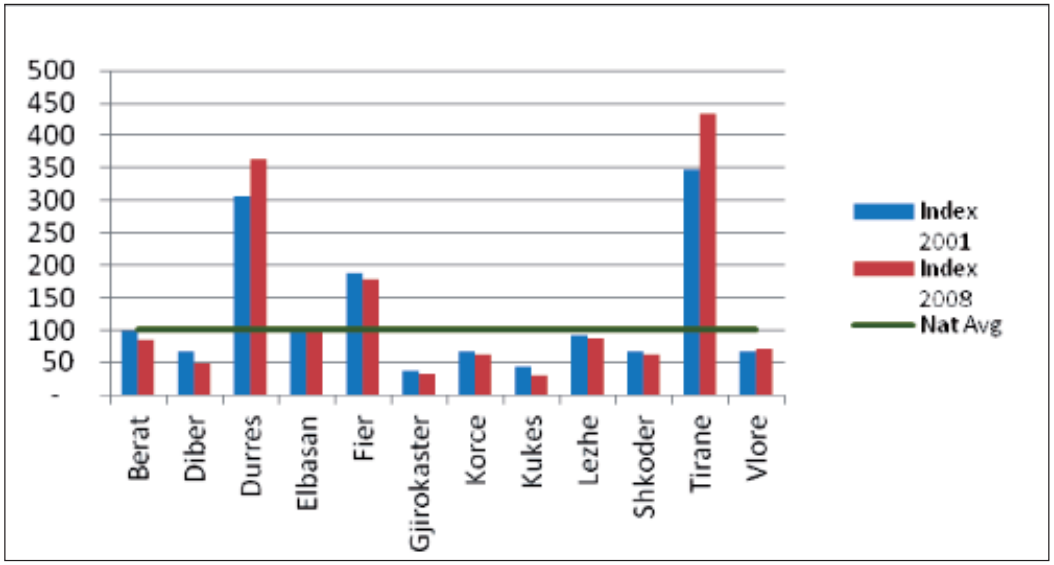
The data on population are INSTAT estimates based on the census of 2001. The population of Albania is highly concentrated: Tirana, Durres, Fier and Elbasan constitute 57% of the total, of which 25% is located in the qark of Tirana alone. The national population density is 111 inhabitants per km2 and is relatively high in comparison to other countries in SE Europe. Tirana and Durres have the highest population density – 434% and 383% of the national average respectively, followed by Fier (178%). All other qarks are below the average, with the lowest density in Kukes (30%), Gjirokaster (32%), Diber (49%), Shkoder (62%), and Korce (63%). These figures show high and quickly increasing differentiation in population density; the max/min ratio is currently more than 14.

Table 2. Population Density 2001-2008 at Qark Level

Population Density	2001	2002	2003	2004	2005	2006	2007	2008
Berat	107.10	105.50	104.15	101.17	97.85	96.19	96.20	95.04
Diber	72.82	70.30	68.09	64.33	59.27	55.92	55.55	54.54
Durres	332.13	345.00	360.41	366.84	379.99	397.64	407.72	402.16
Elbasan	113.79	113.20	112.95	110.60	108.09	107.82	108.93	107.20
Fier	202.73	203.80	204.03	201.45	198.57	198.39	200.15	197.45
Gjirokaster	39.10	38.80	38.36	37.25	36.33	35.95	35.81	35.50
Korce	72.19	71.90	72.07	71.03	69.73	69.55	70.17	69.25
Kukes	47.09	45.70	44.82	42.98	38.04	32.96	31.91	33.37
Lezhe	98.93	99.30	100.05	98.69	97.40	97.76	98.82	97.57
Shkoder	72.84	72.00	71.78	70.28	69.33	69.45	70.19	68.98
Tirane	376.84	371.60	385.42	410.33	446.36	472.81	486.63	480.05
Vlore	72.18	72.60	74.22	74.76	75.65	67.26	56.48	77.77
Albania	**108.27**	**107.80**	**108.74**	**108.78**	**109.30**	**109.60**	**109.97**	**110.68**

Source: INSTAT

Figure 2. Population Density as Percentage (%) of the National Average



Source: INSTAT, own calculations

Population dynamics is positive with a 2.23% total growth in 2001-2008. However the population (and density) dynamics is uneven:

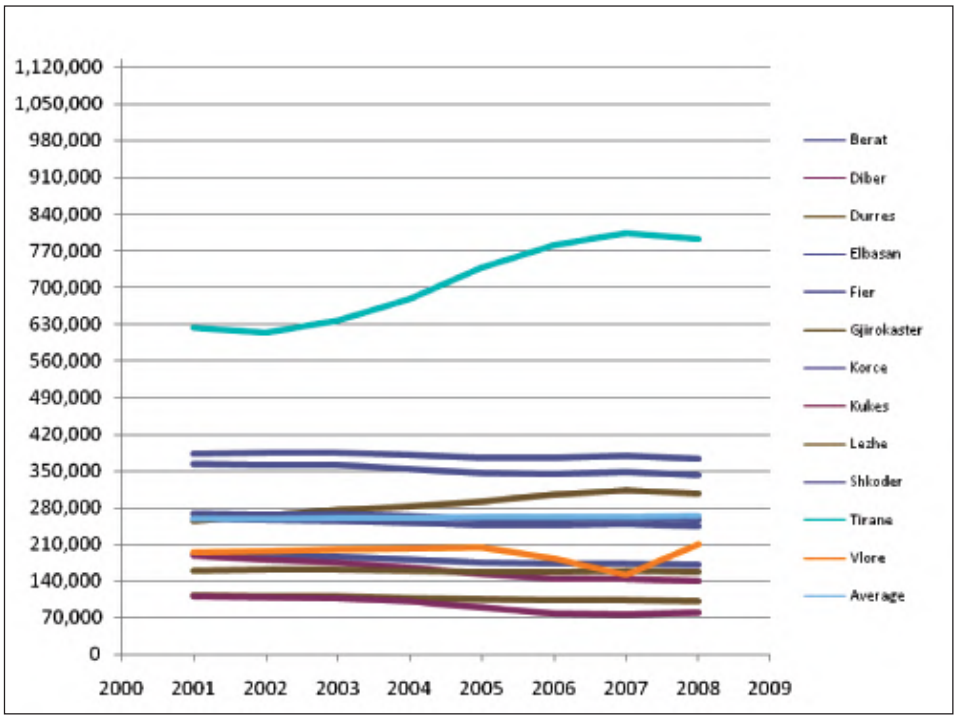
- Increasing mainly in Tirana (+27%) and to a lesser degree in Durres (+21%) and Vlore (+8%);
- Declining in all other qarks; most significantly in Kukes (-29%), Diber (-25%), and Berat (-11%).

Table 3. Population per Qark 2001-2008

Population	2001	2002	2003	2004	2005	2006	2007	2008
Berat	192,557	189,637	187,258	181,901	175,937	172,953	172,975	170,887
Diber	188,301	181,741	176,077	166,367	153,277	144,598	143,649	141,043
Durres	254,409	264,285	276,073	280,996	291,070	304,592	312,317	308,054
Elbasan	364,003	362,125	361,343	353,825	345,793	344,912	348,465	342,926
Fier	383,154	385,097	385,617	380,737	375,297	374,948	378,288	373,181
Gjirokaster	112,774	111,954	110,629	107,416	104,790	103690	103,287	102,372
Korce	267,892	266,950	267,442	263,585	258,784	258,100	260,408	257,005
Kukes	111,782	108,500	106,407	102,037	90,298	78,239	75,765	79,225
Lezhe	160,259	160,889	162,089	159,882	157,780	158,377	160,094	158,062
Shkoder	259,453	256,325	255,665	250,351	246,949	247,394	249,331	245,700
Tirane	622,538	613,804	636,710	677,870	737,387	781,087	803,909	793,037
Vlore	195,331	196,544	200,846	202,296	204,703	181,996	152,847	210,457
Average	259,371	258,154	260,513	260,605	261,839	262,574	263,445	265,162
Total	**3,112,453**	**3,097,851**	**3,126,156**	**3,127,263**	**3,142,065**	**3,150,886**	**3,161,335**	**3,181,949**

Source: INSTAT

Figure 3. Population per Qark 2001-2008



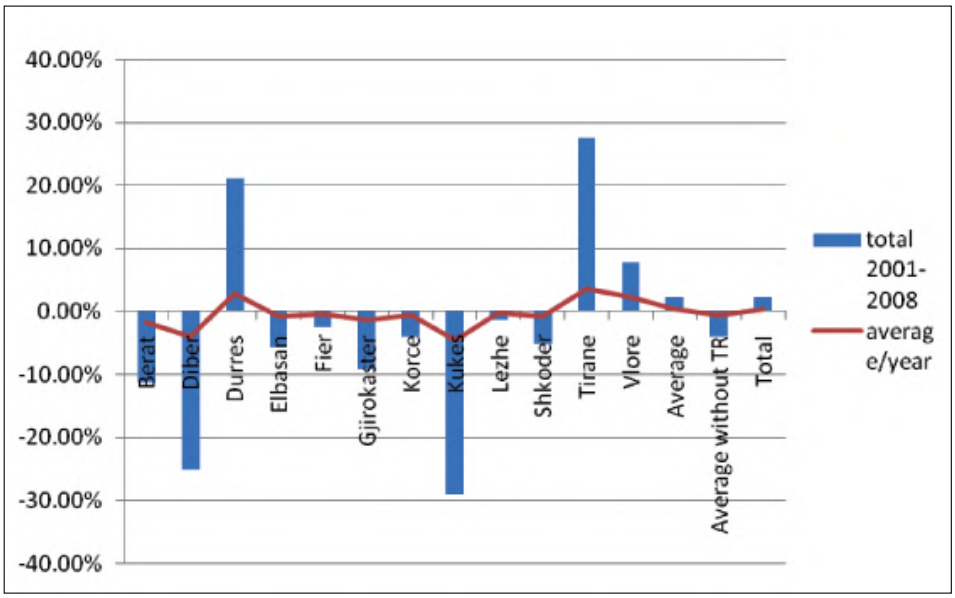
Source: INSTAT

Table 4. Population Change 2001-2008

Population	2002	2003	2004	2005	2006	2007	2008	2001-2008	Average
Berat	-1.52%	-1.25%	-2.86%	-3.28%	-1.70%	0.01%	-1.21%	-11.25%	-1.69%
Diber	-3.48%	-3.12%	-5.51%	-7.87%	-5.66%	-0.66%	-1.81%	-25.10%	-4.02%
Durres	3.88%	4.46%	1.78%	3.59%	4.65%	2.54%	-1.36%	21.09%	2.79%
Elbasan	-0.52%	-0.22%	-2.08%	-2.27%	-0.25%	1.03%	-1.59%	-5.79%	-0.84%
Fier	0.51%	0.14%	-1.27%	-1.43%	-0.09%	0.89%	-1.35%	-2.60%	-0.37%
Gjirokaster	-0.73%	-1.18%	-2.90%	-2.44%	-1.05%	-0.39%	-0.89%	-9.22%	-1.37%
Korce	-0.35%	0.18%	-1.44%	-1.82%	-0.26%	0.89%	-1.31%	-4.06%	-0.59%
Kukes	-2.94%	-1.93%	-4.11%	-11.50%	-13.35%	-3.16%	4.57%	-29.13%	-4.63%
Lezhe	0.39%	0.75%	-1.36%	-1.31%	0.38%	1.08%	-1.27%	-1.37%	-0.19%
Shkoder	-1.21%	-0.26%	-2.08%	-1.36%	0.18%	0.78%	-1.46%	-5.30%	-0.77%
Tirane	-1.40%	3.73%	6.46%	8.78%	5.93%	2.92%	-1.35%	27.39%	3.58%
Vlore	0.62%	2.19%	0.72%	1.19%	-11.09%	-16.02%	37.69%	7.74%	2.19%
Average	-0.47%	0.91%	0.04%	0.47%	0.28%	0.33%	0.65%	2.23%	0.32%

Source: INSTAT

Figure 4. Population Change 2001-2008 at Qark Level



Source: INSTAT, own calculations

The above data clearly confirm an immense population movement from the mountainous areas (south, north, and east) towards the western coast and central locations. This has led to a rapid concentration in a limited number of qarks, especially Tirana and Durres. Negative impacts are observed both in the recipient areas (congestion, pressure on infrastructure, environmental problems, etc.) and the depopulating ones (loss of labor force, reduced efficiency of infrastructure and services, weaker motivation for business investments, etc.). On the other hand there are also benefits. As noted in the Urban Sector Review (2007), the spatial structure that was established under the central planning system prior to 1990, has been naturally corrected by the demographic movement as an adjustment to the market economy: "The swell of migration, seemingly chaotic and spontaneous, has reflected Albanians natural and practical responses to the new geography of opportunities". Rapid urbanization and population growth in Tirana and Durres, very positive for the economic agglomeration, is a common market phenomenon. Preventing it would be costly and most probably ineffective.

Another important trend is also present: several major and secondary cities in Albania (urban centers of qarks and centers of the former districts[2]) receive population from surrounding rural areas. This shows that urbanization occurs within all regions and given the high rural population share will be a lasting process. Infrastructure development for the secondary urban centers could encourage economic development across the country and lessen migratory pressures on Tirana-Durres.

It is generally believed that the greatest wave of population movement (internal migration) took place already during 1990-2000 while between 2001 and 2008 it was less pronounced. However, this is a hypothesis that will be verified by the national census planned for 2011. Some correction to the overall picture has already been noted: most people that had migrated internally registered themselves in the Civic Registry in the receiving qarks in 2006-2007 as part of legalization process of informal settlements.

[2]*Prior to the administrative reorganization in 2000, the country was divided into 36 districts.*

In general population density and growth are related to the combination of altitude and location, as well as urbanization level. The underlying cause for rapid changes in this respect is however strongly related to economic opportunities. People tend to migrate towards most promising locations in terms of work, education and other services.

Urban versus Rural Population

Albania is still a very rural country, although the urban population share increased from 43% in 2001 to 49% in 2008. There is a significant differentiation between qarks, varying from 73% to 18% and with a max/min ratio of 4:

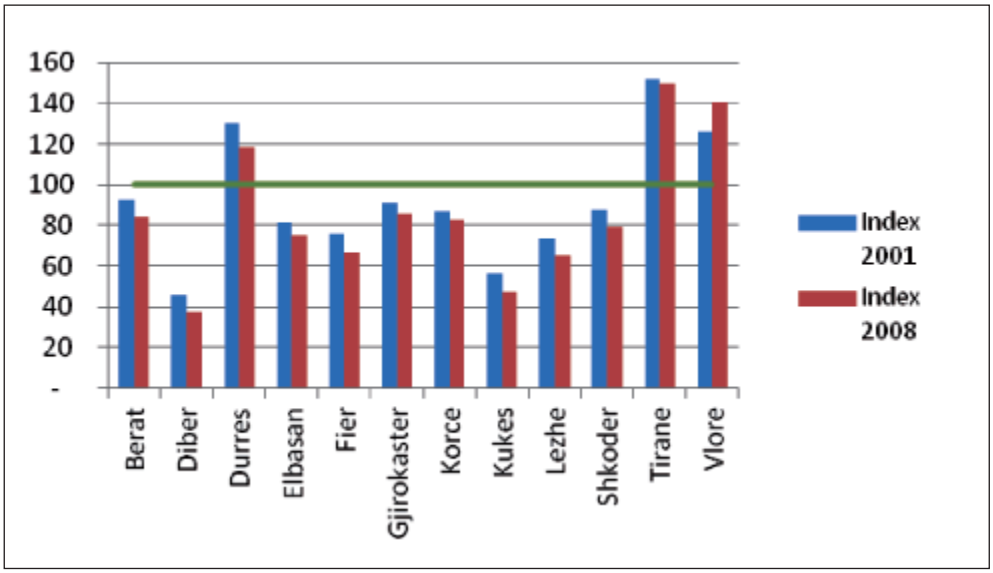
- High urbanization only in Tirana (73%), Vlore (69%) and Durres (57%). While for Tirana and Durres this can be justified as these are the two major receiving qarks of the population in the last two decades, in case of Vlore the reasons may be: high urbanization patterns in the city of Vlore (the qark centre), a large number of municipalities (urban LGUs) in the qark and finally a relatively large number of people that have emigrated from the rural areas mainly to Greece and Italy.
- The lowest urbanization is noted in Diber (18%), Kukes (23%), Lezhe (32%), Fier (32%), and Elbasan (36%).

Table 5. Urban Population per Qark (%)

Urban Population	2001	2002	2003	2004	2005	2006	2007	2008
Berat	40%	40%	40%	41%	41%	41%	41%	41%
Diber	20%	20%	19%	19%	19%	18%	18%	18%
Durres	56%	56%	56%	57%	57%	58%	58%	57%
Elbasan	35%	35%	35%	36%	36%	37%	37%	36%
Fier	33%	32%	32%	32%	32%	33%	33%	32%
Gjirokaster	39%	40%	41%	41%	42%	42%	42%	42%
Korce	37%	38%	38%	39%	40%	41%	41%	40%
Kukes	24%	24%	24%	24%	23%	25%	27%	23%
Lezhe	32%	32%	32%	31%	32%	32%	32%	32%
Shkoder	38%	40%	38%	38%	39%	39%	39%	39%
Tirane	65%	68%	69%	68%	70%	73%	73%	73%
Vlore	54%	54%	54%	57%	59%	66%	65%	69%
Average	**43%**	**44%**	**44%**	**45%**	**47%**	**49%**	**48%**	**49%**

Source: INSTAT

Figure 5. Urban Population per Qark as % to National Average



Source: INSTAT, own calcuations

Data show relatively low dynamics – urban population in most qarks stays at the level from 2001-2003. The biggest positive changes are observed in Vlore (high external migration of rural population) and Tirana (the main receiving centre).

Age Structure

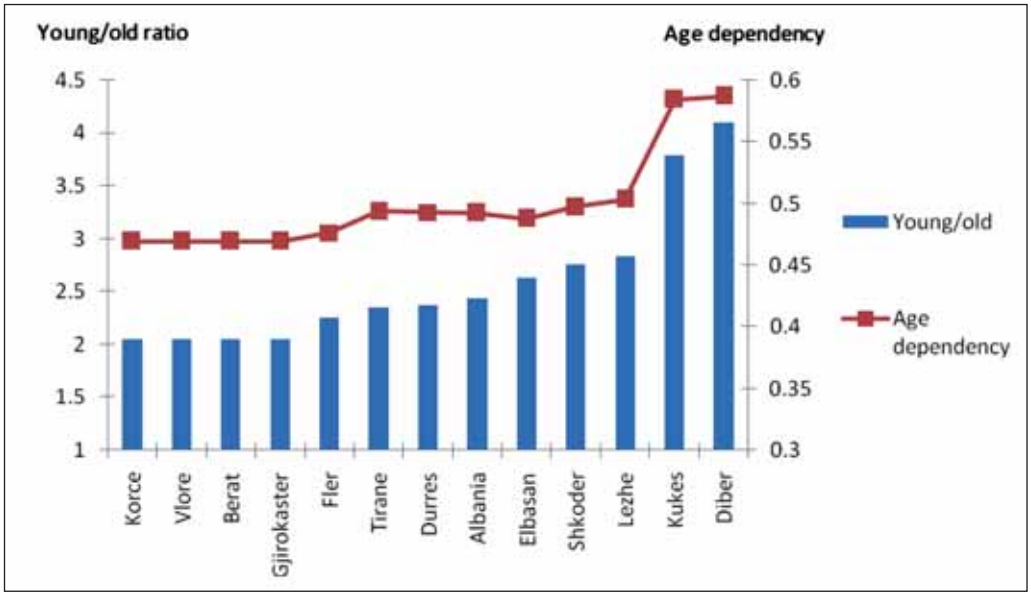
The population dynamics is to a great degree explained by the age structure of the population. A specific feature of Albania is the relatively young population: the median age is 30 years (CIA World Factbook, 2009). On average, based on INSTAT data from 2008, the population in the group age of 0-14 years is 23%, 15-64 years – 67% and above 65 years – 10%. The young population group is 2.4 higher than the elderly. The age dependency ratio is relatively high – 0.49 (i.e. there is 1 person of nonworking age per 2 persons of working age).

Table 6. Age Groups

Age groups	0-14	15-64	65-…	Index 0-14	Index 15-64	Index 65 -…
Berat	21%	68%	10%	92%	102%	109%
Diber	30%	63%	7%	127%	94%	76%
Durres	23%	67%	10%	99%	100%	102%
Elbasan	24%	67%	9%	102%	100%	94%
Fier	22%	68%	10%	96%	101%	103%
Gjirokaster	21%	68%	10%	92%	102%	109%
Korce	21%	68%	10%	92%	102%	109%
Kukes	29%	63%	8%	125%	94%	80%
Lezhe	25%	67%	9%	106%	99%	91%
Shkoder	24%	67%	9%	104%	100%	92%
Tirane	23%	67%	10%	99%	100%	103%
Vlore	21%	68%	10%	92%	102%	109%
Albania	**23%**	**67%**	**10%**	**100%**	**100%**	**100%**

Source: INSTAT

Figure 6. Age Ratio by Qarks: 0-14/65+ (young/old), 0-14 + 65+/15-64 (age dependency)



Source: INSTAT, own calcuations

The regional variation of age structure is limited – very low in relation to the working age population (the coefficient of variation CoV=0.03), slightly higher – but still very low - for the younger and older groups (0.11). The working age population varies among qarks between 63 and 68%, the population in the group 0-14 between 21 and 30% and the population in the group 65+ between 7 and 10% of the total. Nevertheless some specific patterns could be found in some regions; specifically the least developed ones in economic terms, least urbanised and/or mountainous – Diber, Kukes, Lezhe, Shkoder. They have a higher share of young population aged 0-14 years (25-30%), a lower share of working age population (63-67%) as well as a lower share of older population (7-9%), leading to a high young/old ratio (4.1 in Diber, 3.8 in Kukes, 2.8 in Lezhe and Shkoder) and a higher age dependency ratio especially in Diber (0.59) and Kukes (0.58). These 'young' regions (especially Diber and Kukes) have however strong outwards migration which in the long run will impact population structure negatively.

The general implications of the current age structure for development are following: The young population is an asset and potentially an advantage as in the near future Albania will not face some typical European problems connected to rapidly ageing society like labour force decline and high pressure on the pension system. On the other hand it is a challenge requiring more education and work opportunities – otherwise high pressure on labour market and/or increased immigration is to be expected.

Distribution of Population by Size of Municipalities / Communes and by Altitude

The observed low urbanization level is complemented by a fragmented settlement structure and low size of local government units (LGUs). One-third of LGUs have population between 5,000 and 10,000, another one-third – between 2,000 and 5,000, and nearly 20% are with population of 500-2,000. There are only 10 LGUs with population above 30,000, including only two above 100,000 (Tirana around 700,000). Despite the concentration of the population in the bigger municipalities (an increasing trend), the largest LGUs (over 100,000 inhabitants) constitute only 19% of the total population, while 44% of Albanians live in LGUs with population below 10,000 inhabitants.

The smallest LGUs (<5000, total number 196) are found mainly in Gjirokaster (29% of all LGUs in the qark), Diber (29%), Kukes (25%), Elbasan (26%), Shkoder (21%), and Korce (21%). Thus, in terms of fragmentation, Kukes, Gjirokaster and Diber seem to be most disadvantaged. This is better shown when the share of population that lives in the LGUs with less than 5,000 inhabitants is taken into account. Keeping in mind that at country level, 16.5% of the total population lives in LGUs with less or equal to 5,000 residents, we note:

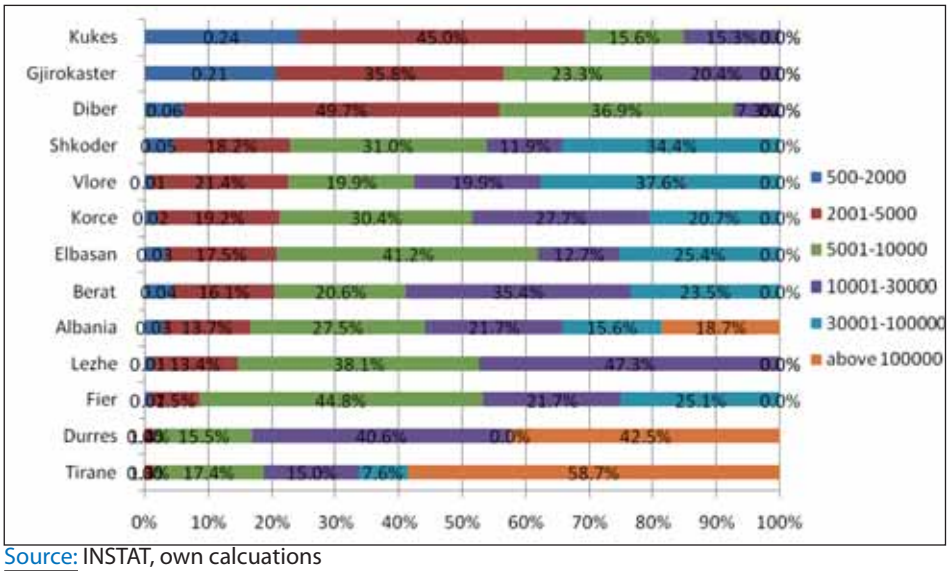
- Very high fragmentation in Kukes (69%, 4 times higher than the national average), Diber (56%), Gjirokaster (56%); altogether they constitute 37% of population in LGUs <5000 inhabitants and 54% of population in LGUs <2000 inhabitants;
- Very low fragmentation in Tirana (1%), Durres (1%) and Fier (8%);
- Moderate, 20-23% - in all other qarks.

Table 7. Population Groups by LGU per Qark (%)

Population	Population 2008	500-2000	2001-5000	5001-10000	10001-30000	30001-100000	above 100000	Average LGU pop.	Total below 5000
Berat	170,991	4.3%	16.1%	20.6%	35.4%	23.5%	0.0%	6,840	20.4%
Diber	145,153	6.1%	49.7%	36.9%	7.3%	0.0%	0.0%	4,032	55.8%
Durres	305,704	0.0%	1.4%	15.5%	40.6%	0.0%	42.5%	19,107	1.4%
Elbasan	342,940	3.2%	17.5%	41.2%	12.7%	25.4%	0.0%	6,859	20.7%
Fier	372,440	1.0%	7.5%	44.8%	21.7%	25.1%	0.0%	8,868	8.5%
Gjirokaster	102,227	20.5%	35.8%	23.3%	20.4%	0.0%	0.0%	3,195	56.4%
Korce	256,566	2.0%	19.2%	30.4%	27.7%	20.7%	0.0%	6,934	21.2%
Kukes	79,172	24.2%	45.0%	15.6%	15.3%	0.0%	0.0%	2,932	69.2%
Lezhe	157,369	1.2%	13.4%	38.1%	47.3%	0.0%	0.0%	7,494	14.5%
Shkoder	241,609	4.5%	18.2%	31.0%	11.9%	34.4%	0.0%	7,321	22.8%
Tirane	786,158	0.0%	1.3%	17.4%	15.0%	7.6%	58.7%	27,109	1.3%
Vlore	210,558	1.1%	21.4%	19.9%	19.9%	37.6%	0.0%	8,098	22.5%
Albania	3,170,887	2.9%	13.7%	27.5%	21.7%	15.6%	18.7%	8,478	16.5%

Source: INSTAT

Figure 7. Distribution of Population per Qark per Population Group (%)



Source: INSTAT, own calcuations

While all other groups had growing population in 2006-2008 (average country change is +1,4%), the group of LGUs with 2,000-5,000 inhabitants has not changed and the group <2,000 reveals a decline of -6%. More interesting is the fact that the highest growth is in the group 10,000-30,000 (6%), much greater than in the group >100,000 inhabitants (2,8%). This shows a more general trend towards country-wide urbanization, with important implications for all development issues.

The fragmentation as described above is of course a direct outcome of the law on "The Administrative Borders" of Albania (2000) impacted by the political debates. However, there are important physical factors impacting the spatial structure of settlements and type of development in a region. We have looked at the number of LGUs by altitude and the LGU population by altitude among qarks:

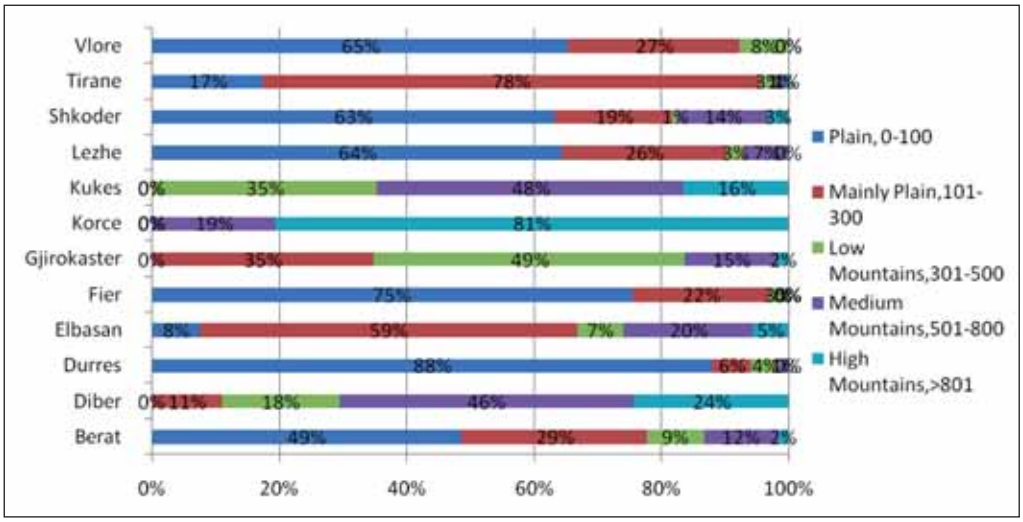
- The highest number of LGUs located on more than 500m above sea level is found in Korce (37, or 100% of them, of which 89% located above 800m); Diber (26 or 74%); Kukes (20 or 74%); Elbasan has 21 LGUs above 500m, but only 42%) and is impacted by a more equal distribution of LGUs among the altitude groups. The national average for this altitude group is 40%.
- The best-located qarks are Durres and Fier with 75% and 62% of the LGUs below 100m above sea level and then Tirana with 83% and Vlore with 85% below 300m. Vlore, Tirane, Durres, Lezhe and Fier have more than 90% of their population in settlements located below 300m.
- The rest of the qarks have a more equal distribution among altitude groups.
- The most difficult settlement locations are in Korce (100% of population above 500m), Diber (71%) and Kukes (65%). The national average for this altitude group is 19%.

Table 8. Distribution of LGUs and Population per Altitude

Distribution of LGUs	Plain, 0-100	Mainly Plain, 101-300	Low Mountains, 301-500	Medium Mountains, 501-800	High Mountains, >801	Total
Berat	5	6	3	8	3	**25**
Diber	0	3	6	16	10	**35**
Durres	12	2	1	1	0	**16**
Elbasan	4	19	6	15	6	**50**
Fler	26	11	4	1	0	**42**
Gjirokaster	0	4	16	10	2	**32**
Korce	0	0	0	4	33	**37**
Kukes	0	0	7	14	6	**27**
Lezhe	10	6	1	4	0	**21**
Shkoder	10	6	1	14	2	**33**
Tirane	9	15	3	1	1	**29**
Vlore	9	13	4	0	0	**26**
Albania	**85**	**85**	**52**	**88**	**63**	**373**
Population	**1,189,098**	**1,159,641**	**212,145**	**318,942**	**291,058**	**3,170,885**
Population %	*38%*	*37%*	*7%*	*10%*	*9%*	*100%*

Source: INSTAT

Figure 8. Distribution of LGUs Population per Altitude



Source: INSTAT, own calcuations

A factor that would explain the higher LGU fragmentation of Kukes, Diber and Gjirokaster compared to Korce is that though at high altitude above sea level, the terrain in Korce is plain for more than 70% of the area (maps on average altitudes). In the three other qarks the terrain has high variation of the shape among altitudes` groups. Thus, both maps measuring the slope of the terrain (in % and grades) show that Gjirokaster, Kukes and Diber have a significant parts of their area on slopes above 60% or more than 20 grades, while the variation of slopes in Korce is softer and it exceeds 40% only on mountains peaks.

Land use

Being a mountainous country Albania is characterized by low share of agricultural land (24%), high share of forests (49%) as well as high share of "other land" (27%). At qark level, data show the following picture:

- Low share agricultural/high share forests: Diber (16/56), Gjirokaster (16/64), Kukes (10/64), Shkoder (14/57), Lezhe (22/63)
- High share agricultural/low share forests: Fier (64/13), Durres (53/27), Tirana (35/37)
- Balanced (mixed): Berat (29/47), Elbasan (22/54), Korce (25/50), Vlore (23/29)

The main cause is the terrain pattern, i.e. absolute level and variation of altitude. It is worth noting that there is a relatively high flooding risk for agricultural lands in Shkoder and Lezhe.

Table 9. Land Use per Qark (%)

Year	2003			2005			2008		
Land use	**Agric.**	**Other**	**Forests / Pastures**	**Agric.**	**Other**	**Forests /**	**Agric.**	**Other**	**Forests /**
Berat	29%	24%	47%	29%	24%	47%	29%	24%	47%
Diber	16%	24%	59%	16%	28%	55%	16%	28%	56%
Durres	54%	23%	23%	53%	19%	27%	53%	19%	27%
Elbasan	22%	29%	49%	22%	25%	53%	22%	24%	53%
Fler	64%	24%	12%	65%	23%	13%	64%	23%	13%
Gjirokaster	16%	17%	67%	16%	20%	64%	16%	20%	64%
Korce	25%	26%	50%	25%	25%	50%	25%	26%	50%
Kukes	11%	27%	63%	11%	25%	65%	11%	25%	65%
Lezhe	23%	16%	61%	22%	15%	64%	22%	15%	63%
Shkoder	14%	29%	57%	14%	28%	57%	14%	28%	57%
Tirane	34%	30%	36%	35%	28%	37%	35%	28%	37%
Vlore	23%	30%	47%	23%	28%	48%	23%	48%	29%
Albania	**24%**	**25%**	**50%**	**24%**	**25%**	**51%**	**24%**	**27%**	**49%**

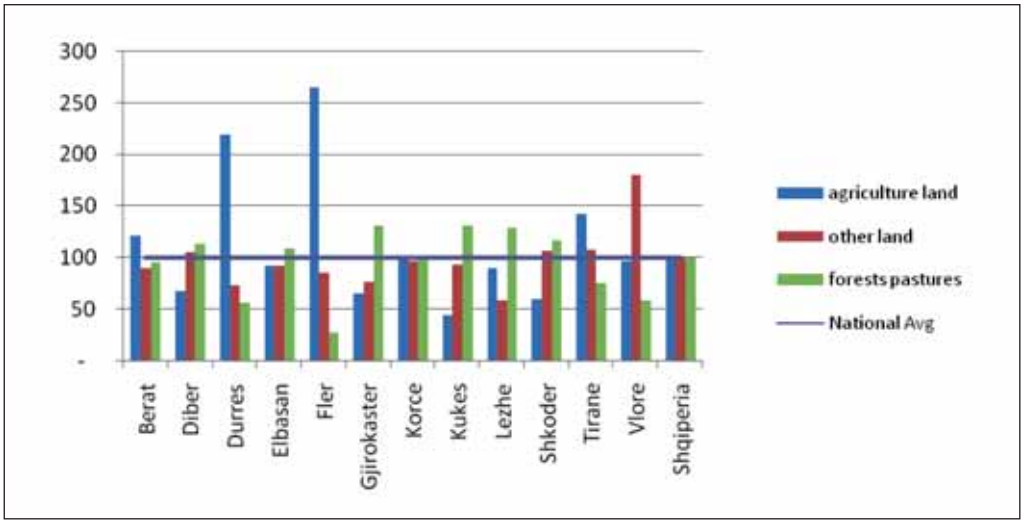
Source: INSTAT

Table 10. Agricultural Land (ha per capita) per Qark 2008

Land use	Agriculture	Other land	Forests / Pastures
Berat	0.31	0.25	0.49
Diber	0.29	0.50	0.99
Durres	0.13	0.05	0.07
Elbasan	0.21	0.23	0.51
Fier	0.33	0.12	0.07
Gjirokaster	0.44	0.57	1.81
Korce	0.35	0.37	0.72
Kukes	0.32	0.74	1.93
Lezhe	0.22	0.16	0.65
Shkoder	0.21	0.41	0.83
Tirane	0.07	0.06	0.08
Vlore	0.30	0.62	0.37
Albania	**0.22**	**0.24**	**0.44**

Source: INSTAT

Figure 9. Land Use per Qark as % to National Average per each Group



Source: INSTAT

Due to the different structure of population the endowment with agricultural land (ha p.c.) reveals a different picture (i.e. mountainous qarks with a low share of agriculture land have a high p.c. endowment). The national average is 0.22 ha/per capita in 2008 (no significant changes reported during 2001-2008):

- Very high (relative to average) – Gjirokaster (0,44 ha/p.c. or 201% of average), Korce (0,35), Fier (0,33), Kukes (0,32), Berat (0,31), Vlore (0,30), Diber (0,29)
- Very low – Tirana (0,07), Durres (0,13). This is due to intensive urbanization in these qarks (in terms of population and capital investments on previously agricultural land)
- Forest land per capita reveals even higher variation (max/min ratio of 29). The national average is 0,44 ha/p.c.:
- Very low (0,07-0,08 or 15-17% of average) in Tirana, Durres, Fier (due to urbanization and low land)
- Very high in Kukes (1,93 or 435% of average), Gjirokaster (1,81), Diber (0,99), Shkoder (0,83), Korce (0,72), Lezhe (0,65) – due to low urbanization, high altitudes and high variation between altitudes.

4.3 Conclusions

Based on the analysis of demographic and spatial developments the following characteristics prevail:

- Albania has one of the youngest populations in Europe. Socio-economic problems associated with ageing of the society are not of immediate concern while there will be strong pressure for educational and work opportunities or strong internal and external migratory flows will continue. While age distribution is not highly differentiated among regions, the northern areas, especially Diber and Kukes, experience severe depopulation.

- There is a long term pattern of migration from less opportune mountainous northern, southern and eastern parts of the country towards the western coast, especially to the central locations in Tirana and Durres. Currently these two qarks represent 35% of the total population (25 and 10% respectively) while in 2001 only 28% (20 and 8%). 'Cascading' intra-regional migration to the qark centers and secondary cities (10,000-30,000 inhabitants) has been strong, proving that country-wide urbanization is under way. This will have important consequences for regional and local development. Increased pressure on environment and infrastructure will take place in recipient locations (mitigated by economic agglomeration gains), while it will be hard to sustain depopulating areas.

- The changing spatial demographic structure is strongly linked to economic factors and physical inequalities. More than 60% of the country's territory is situated over 800m above the sea level. Many settlements are located above 500m and on slopes of more than 10%. These geographical characteristics impact the accessibility of different areas and result in high fragmentation of settlements, posing important socio-economic and administrative challenges.

If demographic and geographic indicators are taken together, the following grouping of qarks is considered appropriate:

- **Tirana and Durres** – best situation with highest population density and growth, highest level of urbanization, largest cities and lowest share of population in small LGUs;

- **Diber and Kukes** – worst situation with highest population decline, lowest density, very low urbanization, small size of the largest city, highest share of population in small LGUs, high LGU fragmentation;

- **Berat and Gjirokaste**r – difficult situation with strong population decline, moderate population density and level of urbanization, moderate (Berat) to high fragmentation of settlements (Gjirokaster);

- **Remaining qarks** – moderate situation with some specific features of individual qarks on some indicators, but generally – medium density (except Fier), low population decline (except Vlore which is growing), medium urbanization level (except Vlore - high), largest cities are in most cases between 40,000 and 90,000 inhabitants, share of population in smaller LGUs is moderate.

Chapter 5

Growth, Competitiveness, and Economic Cohesion

Growth, Competitiveness, and Economic Cohesion

5.1. Introduction

Structural reforms undertaken in Albania during the transition period created a favorable climate for private business development, attracted foreign investments, and secured speedy and relatively stable[3] economic growth. It has been largely based on the reallocation of economic resources, reflected by structural changes of the Gross Domestic Product (GDP). An increasing share of services (from 21% in 1992 to 59% in 2001, and 58% in 2008) and a decreasing share of agriculture (from 54% in 1992 to 24% in 2001, and 19% in 2008) have been observed. Construction has also experienced an increasing contribution to the national output while industry has shown a decline.

Economic growth in regions is analyzed by estimating GDP per capita by qark (no direct data available). Employment and other labor force indicators, representing important linkages between growth and development, growth and economic well-being, are considered from different perspectives. Another factor influencing regional development, growth and distribution, is entrepreneurship. Number of active and newly created enterprises by qark, expressed in relative terms, is considered important in our study. Strongly related with the level of economic activity and also with growth, are credits to business and foreign direct investments analyzed in this chapter[4] . Main sources of data are INSTAT, Bank of Albania, National Business Registration Centre (NCR), Ministry of Agriculture, and other institutions.

5.2. Analysis

Gross Domestic Product

Albania has shown a very good performance in terms of GDP and GDP per capita during the last decade, although starting from a low base. The average growth rate of real GDP during the period 2001-2008 was around 6 percent[5] , while GDP per capita (GDP p.c.) during the same period increased almost twice - from 1,477Euro/p.c. to 2,785Euro/p.c. Even in 2009 Albania, despite the global crisis, marked a positive growth rate (around 3% of GDP in real terms, as estimated by the IMF[6]). Regarding the structure of GDP in 2008, services accounted for the largest share (57.6%), followed by agriculture, hunting and forestry (18.5%), construction (13.9%), and industry (10.0%). Compared to 2001, agriculture has been losing share (from 23.6%) while services have shown only a slight decline (from 58.6%). Increases of share have been noted in construction (from 10.4%) and industry (from 7.3%).

As INSTAT does not provide data on GDP on regional basis yet, indirect data were used to estimate GDP per qark (consumption shares combined with credits to businesses and employment in non-agricultural private sector[7]) .

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[3]The country's economy suffered in 1997 the consequences of the 'pyramid schemes' crisis. The country's economy suffered in 1997 the consequences of the 'pyramid schemes' crisis.

[4]Efforts were also made for analyzing indicators related with the knowledge (innovation)-based growth, but the necessary data were not available.

[5] INSTAT and own calculations.

[6] IMF: "Albania – 2010 Article IV Consultations, Preliminary Conclusions of the Mission", March 10, 2010

*[7]The formulae applied for approximating the GDP per qark, is: (0.67 * qark consumpt. share * 2007 country GDP in million ALL)+(0.33 * average of credit and non-agric.empl. qark share * 2007 country GDP). The consumption shares are calculated by INSTAT, based on the Family Budget Survey, 2007, the only survey done in the period 2001-2008. So the resulting figures on GDP per qark refers only to the year 2007.*

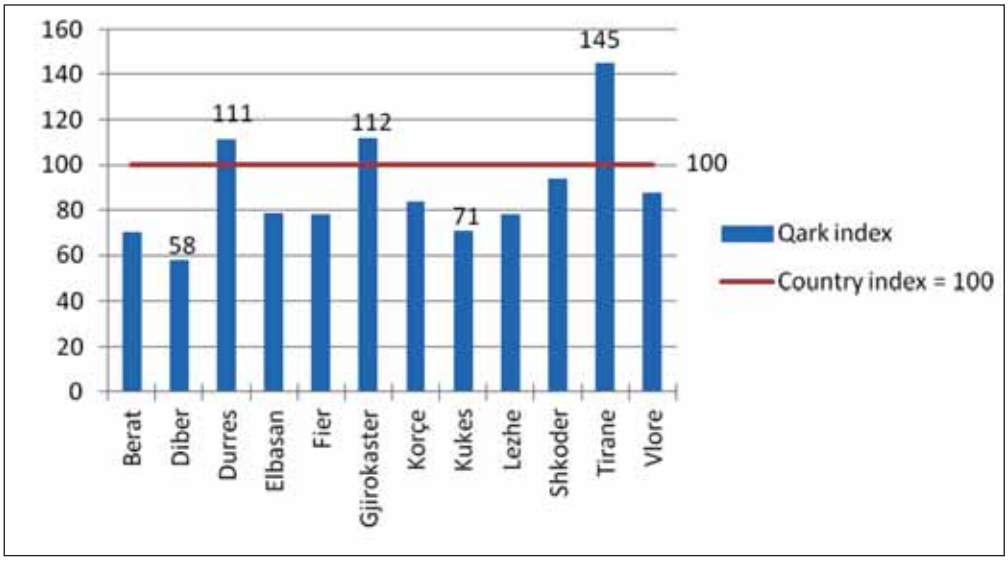
Table 11. GDP p.c. per Qark - Estimates, 2007

GDP Estimates	Estimated GDP per qark, in million ALL1	Qark share in GDP, in %	GDP p.c. per qark, in ALL	GDP p.c. per qark, in Euro2	GDP p.c., country index=100	GDP p.c. in PPS, EU27=100
Berat	36,638	3.8	214,397	1,735	70	16
Diber	24,980	2.6	177,111	1,433	58	13
Durres	104,505	10.8	339,243	2,745	111	26
Elbasan	82,529	8.5	240,661	1,947	79	18
Fier	89,259	9.2	239,186	1,935	78	18
Gjirokaster	34,895	3.6	340,868	2,758	112	26
Korçe	65,555	6.7	255,071	2,064	84	19
Kukes	17,164	1.8	216,643	1,753	71	16
Lezhe	37,755	3.9	238,862	1,933	78	18
Shkoder	70,487	7.3	286,882	2,321	94	22
Tirane	351,073	36.1	442,695	3,582	145	33
Vlore	56,377	5.8	267,881	2,167	88	20
Albania	971,222	100	305,229	2,469	100	23

Source: INSTAT, administrative data, and own calculations. 1ALL = Albanian Lekë (Albanian currency) 2Exchange rate in 2007 = 123.6 ALL/Euro (Bank of Albania)

Data show that economic activity as reflected by GDP estimates is highly concentrated: Tirana generates about 36% of GDP (with 25% of population), and only 3 qarks, Tirana, Durres, and Elbasan generate more than 57% of the country's GDP. Differentiation of GDP among qarks is very high (the maximum/minimum ratio is 20.5). However, the differentiation of qarks on GDP p.c. is much lower. The maximum/minimum ratio is 2.5. There are three qarks below 75% of the country average (indexed at 100), and only one qark is above 125%. The best performing qarks are Tirana (145%), Gjirokaster (112%), and Durres (111%). The worst performing qarks are Diber (58%), Berat (70%), and Kukes (71%). As our estimates of GDP are largely based on consumption data while GDP is a production concept, they could favor regions benefiting from substantial additional consumption sources such as remittances from abroad, e.g. Gjirokaster, Kukes, Diber.

Figure 10. Index of Estimated GDP per capita per Qark, 2007



Source: INSTAT, administrative data, and own calculations

Employment by Sector

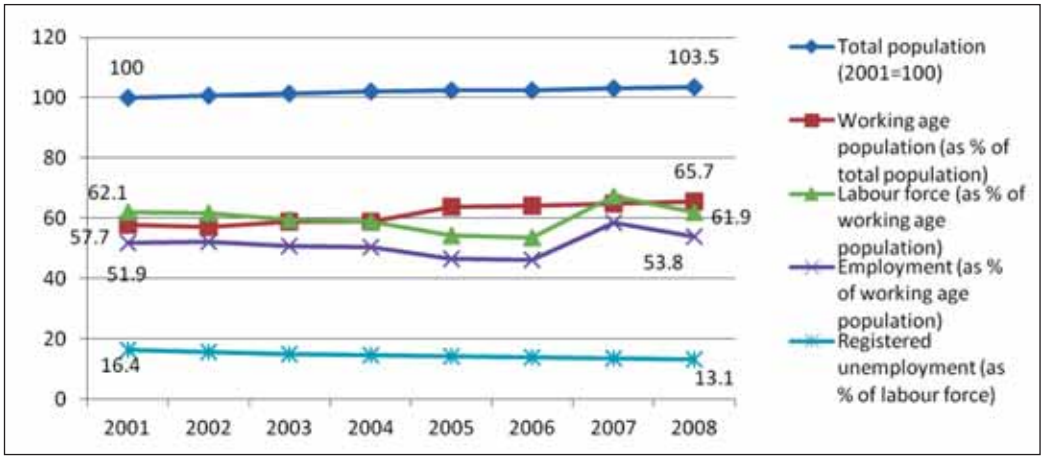
Employment in Albania has shown uneven growth during the period after the collapse of the communist system. In 2006 the total employment in the country was almost the same as in 1995. Only since 2007 there has been a high increase in both employment and the labor force. In 2007 the total employment was 29.5% higher than in 2006, and for the whole period 2001-2008 the growth rate was 22% in total, or on average 2% per annum.

Table 12. Employment and Related Indicators in Albania, 2001-2008

Employment indicators	2001	2002	2003	2004	2005	2006	2007	2008	Growth (2001=100)
Working age population	1,773	1,767	1,826	1,850	2,003	2,018	2,052	2,088	117.8
-as % of total population	57.7	57.1	58.7	59.0	63.6	64.0	64.7	65.6	7.9 p.p.
Labor force	1,101	1,092	1,089	1,088	1,085	1,084	1,383	1,292	117.3
-as % of total population	62.1	61.8	59.6	58.8	54.2	53.7	67.4	61.9	-0.2 p.p.
Employment	920	920	926	931	932	935	1,198	1,123	122.1
-as % of working age population	51.9	52.1	50.7	50.3	46.5	46.3	58.4	53.8	1.9 p.p.
Registered unemployment	181	172	163	157	153	150	185	169.0	93.4
-as % of labor force	16.4	15.8	15.0	14.4	14.1	13.8	13.4	13.1	-3.3 p.p.

Source: INSTAT, own calculations

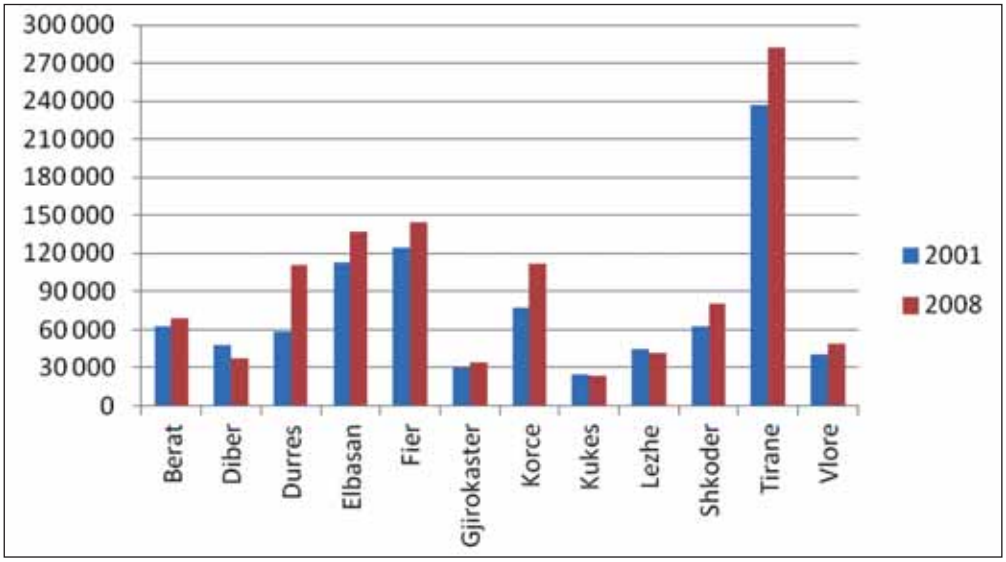
Figure 11. Employment and Related Indicators in Albania, 2001-2008



Source: INSTAT, own calculations

The share of the working age population increased to nearly 66% in 2008. The participation rate of labor force in 2008 was lower, though only slightly, compared with 2001 (61.9%, against 62.1%). The employment rate, on the contrary, was higher (53.8% against 51.9% in 2001), because of unemployment decline.

Figure 12. Employment by Qark, (number of people), 2001 and 2008



Source: INSTAT, own calculations

The regional distribution of employment has changed over the years, mainly because of the dynamic internal migration. The flows of migration were more intensive in the decade 1991-2000; however the regional distribution of employment continued to change even after 2001. During the period 2001-2008, Korçe, Durres, Elbasan, Fier and particularly Tirana experienced a high increase of number of people employed, while employment of Diber, Kukes, and Lezhe shrunk considerably.

The differentiation of employment figures among qarks has been considerably high during all the period (CoV=0.78). However this indicator is much higher than the one describing total population distribution (CoV=0.29 in 2001, reaching 0.39 in 2008). This leads to the conclusion that employment distribution was influenced by some specific factors, such as economic activity variables, unemployment, inactivity rate, level of informality, etc. Still, the correlation between population and employment by qark remains very high.

Table 13. Employment by Qark and Sector Index

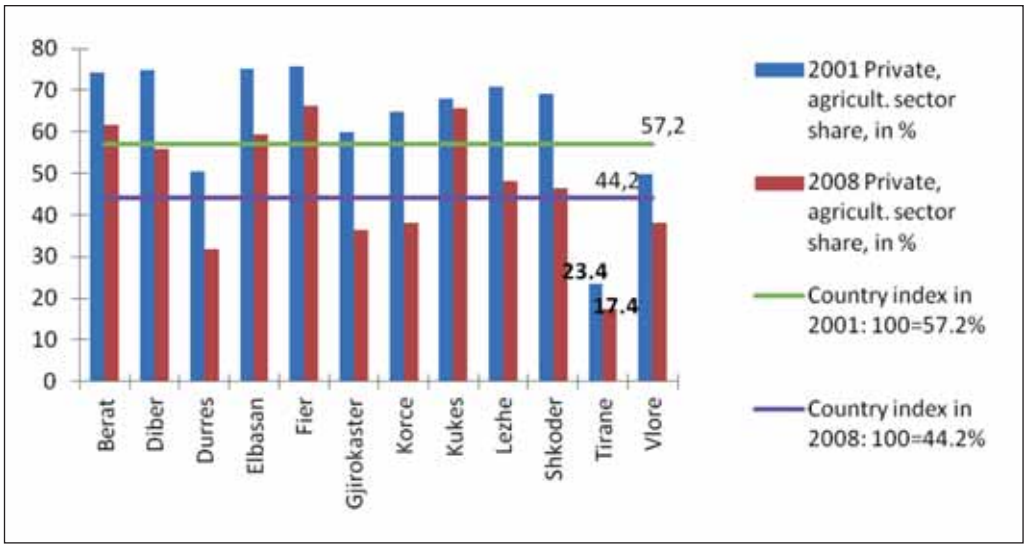
Employment	2001					2008				
	Total	Public sector	Private non-agricul-ture	Privat agricul-ture	Private agricul-ture index	Total	Public sector	Private non-agricul-ture	Private agricul-ture	Private agricul-ture index
Berat	100	19.6	6.2	74.2	130	100	15.2	23.1	61.7	140
Diber	100	18.8	6.4	74.8	131	100	18.2	26.1	55.8	126
Durres	100	22.1	27.4	50.5	88	100	18.3	49.8	31.9	72
Elbasan	100	14.0	10.9	75.1	131	100	12.6	28.1	59.3	134
Fier	100	16.7	7.5	75.8	133	100	14.1	19.6	66.3	150
Gjirokaster	100	27.8	12.3	59.9	105	100	22.4	41.1	36.5	83
Korçe	100	29.9	5.3	64.7	113	100	20.3	41.7	38.0	86
Kukes	100	17.6	14.6	67.9	119	100	12.2	22.2	65.8	149
Lezhe	100	21.2	7.8	71.0	124	100	14.6	37.2	48.2	109
Shkoder	100	21.7	9.3	69.1	121	100	15.7	38.0	46.4	105
Tirane	100	22.6	54.0	23.4	41	100	25.8	56.9	17.4	39
Vlore	100	31.8	18.4	49.8	87	100	20.1	41.8	38.1	86
Albania	100	20.5	22.3	57.2	100	100	18.1	37.8	44.2	100

Source: INSTAT: Indicators by Qarks 2001-2002; 2007-2008, own calculations

The table above indicates sectoral distribution of employment by qarks, taking into consideration only three major sectors: public sector, private non-agriculture sector, and private agriculture sector. For the country as a whole, in both end-points of the period 2001-2008, private agriculture sector predominates although with a decreasing importance, accounting for 57.2 and 44.2% respectively in 2001 and 2008.

At qark level, a very high variation is evident. The biggest difference in 2001 is made by Tirana, with only 23% of the employment belonging to the agriculture sector and 54% in the private non-agriculture sector. Agriculture share of employment in 2001 was particularly high (more than 70%) in Fier, Elbasan, Diber, Berat, Lezhe, and Shkoder. Consecutive years have somehow mitigated the situation. Except for Tirana (17% agriculture employment, at 39% of the country average), and Durres (32%; 72% of the average), also Vlore, Korçe and Gjirokaster had in 2008 higher share of employment in the private non-agriculture sector. In other qarks, particularly in Fier (66%), Kukes (66%), Berat (62%), Elbasan (59%), and Diber (56%), employment in agriculture sector continues to dominate.

Figure 13. Share of Agriculture Sector in Employment by Qark, 2001-2008



Source: INSTAT, own calculations

Despite a significant decline of employment in agriculture during 2001-2008 in all qarks although at different speeds, the share continues to be very high compared with the EU, even in qarks like Tirana and Durres. Such a situation may have been influenced by the inherited economic structure and the lack of other job opportunities in face of growing population. Since it seems not possible to sustain high employment in agriculture in view of modernization in the mid-term, the expected consequences (as experienced in previous years) will be: increased pressure on the labor market, high unemployment, and migration to the more urbanized and non-agricultural areas (creating unemployment problems in the recipient locations). This calls for a speedy diversification of rural economies.

Labor Force

The country's economically active population (labor force) has shown an overall growth (by 17%) in the period 2001-2008, but with high oscillations particularly in the last two years. As a result, a high regional variation and redistribution of labor force is observed (higher than of the total population): the role of migration of active population as a market adjustment factor is evident.

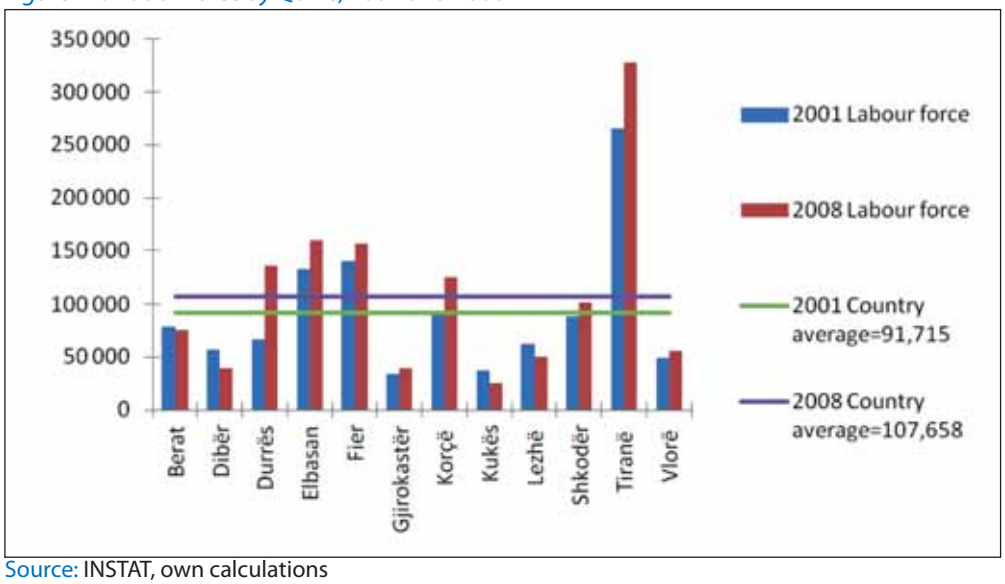
Table 14. Economically Active Population by Qarks, 2001-2008

Ecnomically Active Population	2001	2008	2008 participation rate*, in %	2008 part. rate: country index=100
Berat	78,508	75,436	62.9	102
Dibër	56,638	39,461	44.3	72
Durrës	66,690	135,589	65.9	107
Elbasan	132,488	159,404	67.8	110
Fier	139,675	156,202	62.9	102
Gjirokastër	33,666	39,976	62.9	102
Korçë	90,416	124,535	70.0	113
Kukës	36,798	25,172	50.8	82
Lezhë	62,494	50,463	48.8	79
Shkodër	88,853	101,503	63.7	103
Tiranë	265,537	327,978	60.9	98
Vlorë	49,318	56,178	58.2	94
Albania	1,101,081	1,291,897	61.9	100

*Measured as a share of labor force in the working age population

Source: INSTAT, own calculations

Figure 14. L abor Force by Qarks, 2001 and 2008

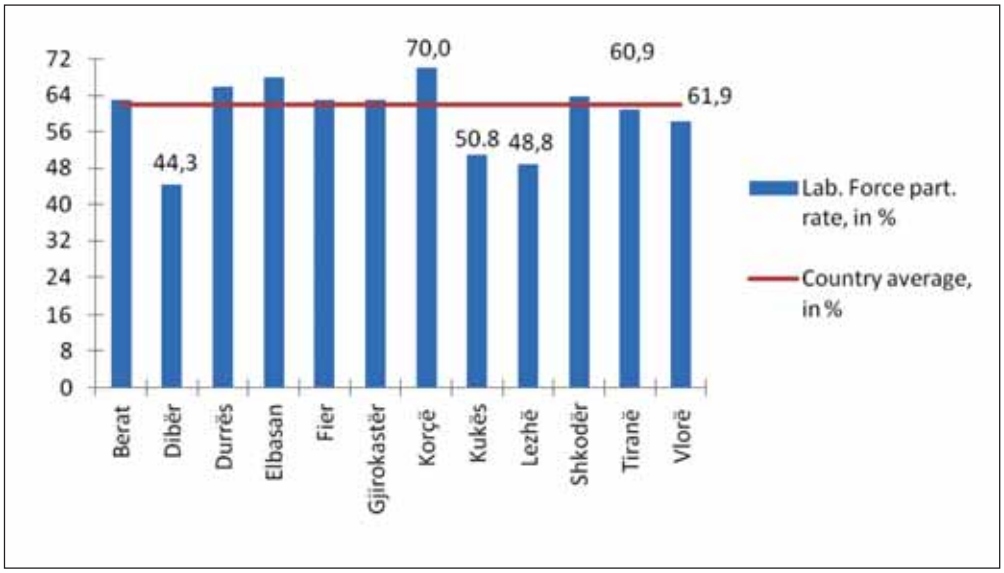


Source: INSTAT, own calculations

The highest growth was experienced by Durres (103%), Korce (38%), Tirane (24%), Elbasan (20%), and Gjirokaster (19%). The qarks experiencing the highest decline are Kukes (-32%), Diber (-30%), and Lezhe (-19%). As a result, the share of these small qarks in total labor force in 2008 declined considerably compared with 2001: Kukes, from 3.3 to 1.9%; Diber from 5.1% to 3.1%; Lezhe, from 5.7 to 3.9%, and also Berat (from 7.1 to 6.6%). On the other hand, Tirana accounted for more than a quarter of the country's labor force in 2008 (25.4% against 24.1% in 2001), followed by Elbasan (12.3%), Fier (12.1%), Durres (10.5%, against 6.1% in 2001), and Korce (9.6%, from 8.2% in 2001).

The variation of the participation rate is not too high, ranging from 72% to 113% of the country average (indexed at 100). Now above the country average participation rates (61.9%) are Korce (70%), followed by Elbasan (67.8%), Durres (65.9%), and also Shkoder, Berat, Fier, and Gjirokaster. The indicator is quite low for Diber (44%), Lezhe (49%), and Kukes (51%), implying a high inactivity rate of population in these qarks. It's interesting that Tirana is also below the country level, with a participation rate of 61%. It may be explained by the ongoing migration. In the presence of informality, a considerable number of working age people who have migrated in Tirana might be neither registered as employed nor as unemployed.

Figure 15. Labor Force Participation Rate in Albania, 2008



Source: INSTAT and own calculations

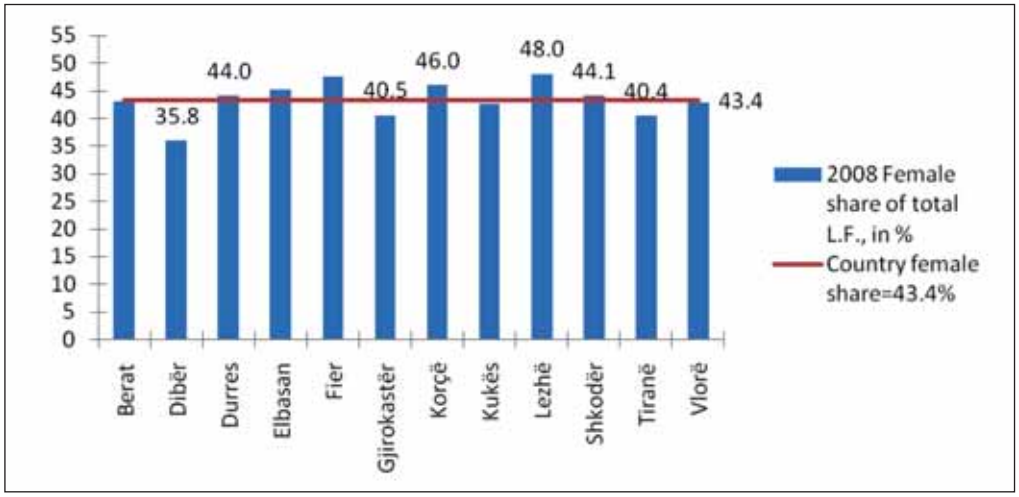
The female labor force indicators are considerably lower than the male ones. At country level, the female share of labor force was 43.4% in 2008, ranging mostly from 40% (Tirane and Gjirokaster) to 48% (Lezhe), with the exception of Diber (35.8%). It is interesting that both, the more developed (like Tirana) and the less developed qarks, (like Diber and Kukes) are facing lower female share in the labor force.

Table 15. Female Participation in the Labor Force, 2008

Female Participation	Total labor force (L.F.) 2008	Male, 2008	Female, 2008	2008 Female share of total L.F. in %	2008 partici-pation rate* in %	2008, female partici-pation rate* in %	2008, male partici-pation rate* in %
Berat	83,823	47,738	36,085	43.0	62.9	54.4	73.7
Dibër	50,775	32,574	18,202	35.8	44.3	32.1	54.9
Durres	129,514	72,482	57,031	44.0	65.9	57.9	74.8
Elbasan	164,230	89,946	74,285	45.2	67.8	58.8	77.6
Fier	147,969	77,826	70,143	47.4	62.9	56.5	70.8
Gjirokastër	57,208	34,019	23,189	40.5	62.9	51.1	75.7
Korçë	124,250	67,132	57,118	46.0	70.0	66.2	73.9
Kukës	30,412	17,464	12,947	42.6	50.8	38.6	66.3
Lezhë	68,116	35,404	32,711	48.0	48.8	35.5	65.3
Shkodër	106,572	59,592	46,979	44.1	63.7	56.4	72.1
Tiranë	332,465	198,248	134,217	40.4	60.9	50.3	72.1
Vlorë	87,132	49,931	37,201	42.7	58.2	46.5	72.7
Albania	1,382,464	782,356	600,108	43.4	61.9	52.8	72.1

Source: INSTAT, own calculations. Labor force participation rate is calculated as a ratio of labor force to working age population.

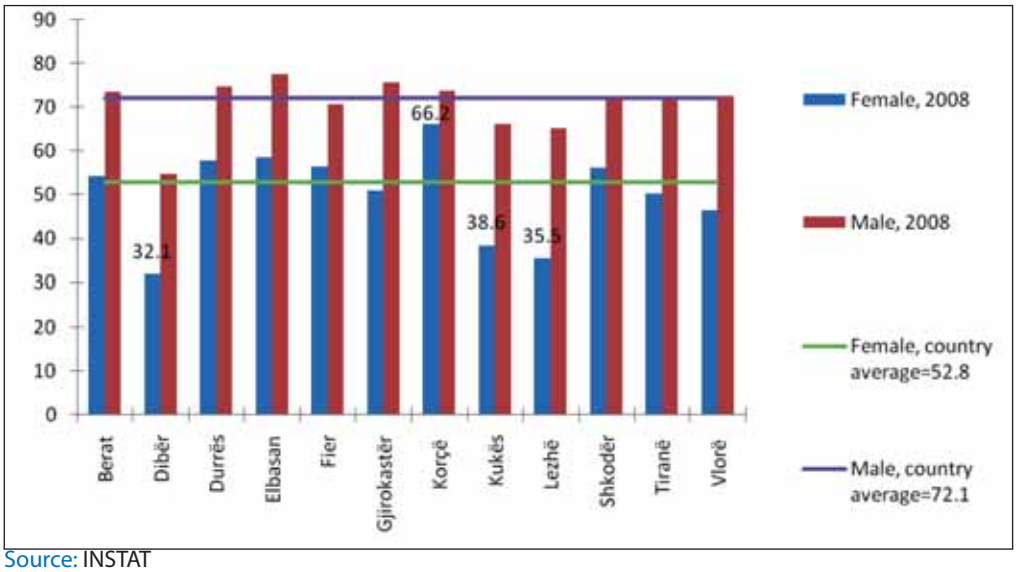
Figure 16. Female Share of Labor Force, 2008



Source: INSTAT and own calculations

Regarding the female labor force participation rate[8], the gender gap seems to be much wider as shown in the following figure. For the country as a whole, this indicator is less than 53%, compared with the male one of 72%. The regional variation is also significant, being higher than in the case of the total participation rate.

Figure 17. Labor Force Participation by Gender in %, 2008



Source: INSTAT

[8] *Female labor force participation rate is equal to the share of female labor force in the female working age population.*

According to this indicator the most disadvantaged qarks are Diber (32%, or 61% of the country average), followed by Lezhe (35%), and Kukes (39%). Bellow the country level are also Tirane, Vlore, and Gjirokaster. Korçe (66% or 125% of the average) makes a notable difference among the qarks above the average country level. Differences in male participation rate are much smaller.

The considerably high variation of female labor force participation rate can partly be explained by differences in the level of business activity. In such qarks as Diber, Kukes, Lezhe, the business activity is much lower, as shown by the small number of enterprises, including foreign ones, the low rate of loans to businesses, etc. Other explanations could be the higher level of informality, which also helps in explaining the low level of participation rate in more developed qarks like Tirane, Vlore, etc. Examples of such informal female activities are house service, babysitting, etc. Effective development policies should be gender oriented. Also, efforts to formalize economic activity could include gender incentives.

Unemployment

Registered and long term unemployment rates for Albania are considerably high (although declining): 13.1 and 8.6% respectively in 2008, compared with 7.0 and 3.0 for the EU-27[9] . The regional variation is high, too. Registered unemployment declined from 16.4% in 2001 to 13.1% in 2008[10] , while the regional variation remains high – between 6.1 (47% of the average) and 20.5 (157% of the average), with a max/min ratio of 3.4.

The regional pattern of registered unemployment is quite different from the regional pattern of other economic indicators: in more developed qarks the level of unemployment is very high, while the lowest levels are associated with the less developed qarks. The highest rates are in Shkoder (20.5%, or 157% of the country average), Durres (18.2%, or 139% of the average), followed by Lezhe (17.0%, or 130%). The lowest rates of registered unemployment are in Diber (6.1%, or 47% of the average), Kukes (7%, or 54% of the average), Fier (7%, or 54% of the average).

Table 16. Registered Unemployment Rate by Qark in %, 2001-2008

Unemployment	2001	2002	2003	2004	2005	2006	2007	2008
Berat	21.0	19.7	16.1	15.6	14.2	13.6	13.8	8.2
Dibër	16.3	16.4	16.7	16.7	16.5	17.1	8.0	6.1
Durrës	13.4	13.8	13.3	12.4	12	11.4	10.2	18.2
Elbasan	14.9	13.9	13.8	12.9	12.8	12.7	12.3	14.2
Fier	10.8	10.6	10.2	10.8	10.6	10.7	6.6	7.1
Gjirokastër	12.5	13.7	12.7	11.8	11.9	12.2	20.8	14.4
Korçë	14.2	13.3	11.9	11.4	11.2	12.3	7.3	10.2
Kukës	31.9	33.6	34.3	32.2	33.2	31.6	10.8	7.0
Lezhë	29.2	27.1	26	22.8	23.2	23	14.9	17.0
Shkodër	29.8	28.8	28.3	27.4	27	25.8	9.7	20.5
Tiranë	10.6	10.1	9	8.9	8.4	7.9	20.2	13.8
Vlorë	18.9	17.0	16.8	17	15.8	14.6	16.2	12.1
Albania	**16.4**	**15.8**	**15.0**	**14.4**	**14.1**	**13.8**	**13.5**	**13.1**

Source: INSTAT

[9] *Eurostat.*

[10] *The non-registered unemployment must be high, taking into consideration the high figures of non-active working-age population for the country.*

The reason for this pattern could be found in the dynamics of unemployment – it is declining more in qarks with high unemployment level in 2001 (that could be seen as most lagging behind on other indicators) and declining less or even growing in other, more developed and urbanized qarks. Such a dynamics is attributed to emigration and internal migration. The data can also be misleading due to 'hidden' unemployment in agriculture.

Most significant decline of unemployment is marked in Kukes (from 31.9% to 7%), Berat (from 21 to 8.2%), Lezhe (from 29.2 to 17%), Shkoder (from 10.6 to 13.8%), and Vlore (from 18.9 to 12.1%). Increase of unemployment was experienced by Tirana (from 10.6 to 13.8%), Durres (from 13.4 to 18.2%), and Gjirokaster (from 12.5 to 14.4%).

A decreasing tendency, even a stronger than in the overall unemployment, is shown by the long term unemployment: from 15% in 2001 down to 8.6% in 2008. It is noticeable that long term unemployment is very high, only slightly differing from the registered one. The table below also contains qark indexesfor total and long term unemployment, for 2001 and 2008. The variation of qarks with regard to long term unemployment is higher than for total unemployment (max/min ratio is 3.7 as compared with 3.4). The regional pattern of long term unemployment is similar to the general unemployment one. The same phenomenon is present: the long term unemployment rate is higher in more developed qarks.

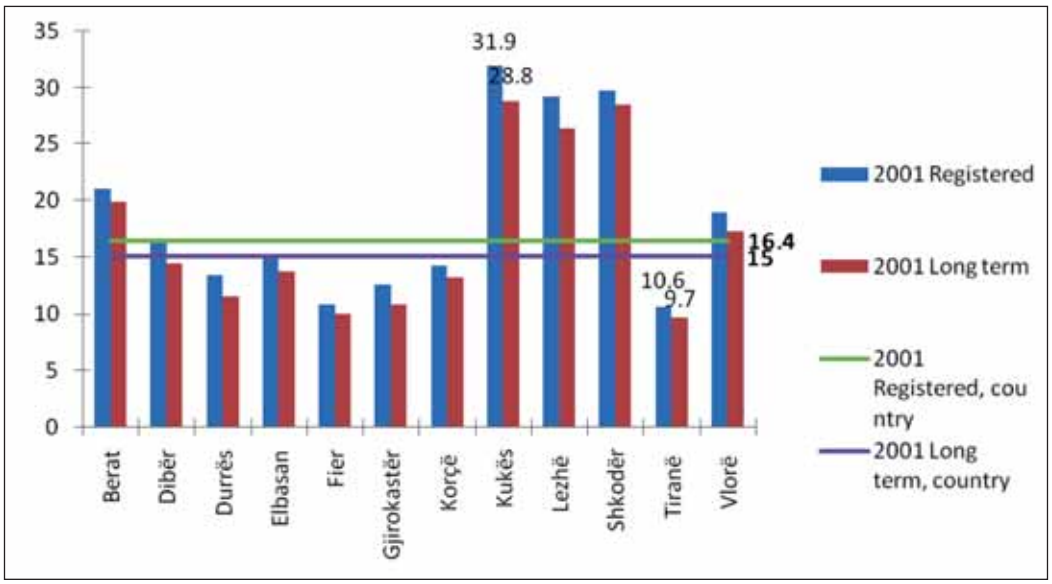
Table 17. Registered Unemployment and Long-term Unemployment Rate (in %), 2001 and 2008

Long-term Unemployment	2001				2008			
	Unemployment	Index	Long term	Index	Unemployment	Index	Long term	Index
Berat	21.0	128	19.9	132	8.2	63	5.9	69
Dibër	16.3	99	14.4	96	6.1	47	4.3	50
Durrës	13.4	82	11.4	76	18.2	139	14.4	168
Elbasan	14.9	91	13.7	91	14.2	109	10.3	121
Fier	10.8	66	10.0	66	7.1	54	3.8	44
Gjirokastër	12.5	76	10.8	72	14.4	110	9.3	109
Korçë	14.2	87	13.2	88	10.2	78	6.4	74
Kukës	31.9	195	28.8	191	7.0	54	4.0	46
Lezhë	29.2	178	26.4	175	17.0	130	4.8	57
Shkodër	29.8	182	28.4	189	20.5	157	14.2	166
Tiranë	10.6	65	9.7	64	13.8	106	8.5	100
Vlorë	18.9	115	17.2	114	12.1	93	9.1	106
Albania	**16.4**	**100**	**15.0**	**100**	**13.1**	**100**	**8.6**	**100**

Source: INSTAT, own calculations.

Regarding the long-term unemployment, the 'first' place is taken by Durres (indexed at 168, with 14.4%), followed by Shkoder (14.2%, or 166% of the average). On the other hand, Fier (3.8%, or 44% of the average), Kukes (4%, or 45% of the average), and Diber (4.3%, or 50% of the average), have the lowest long-term unemployment level.

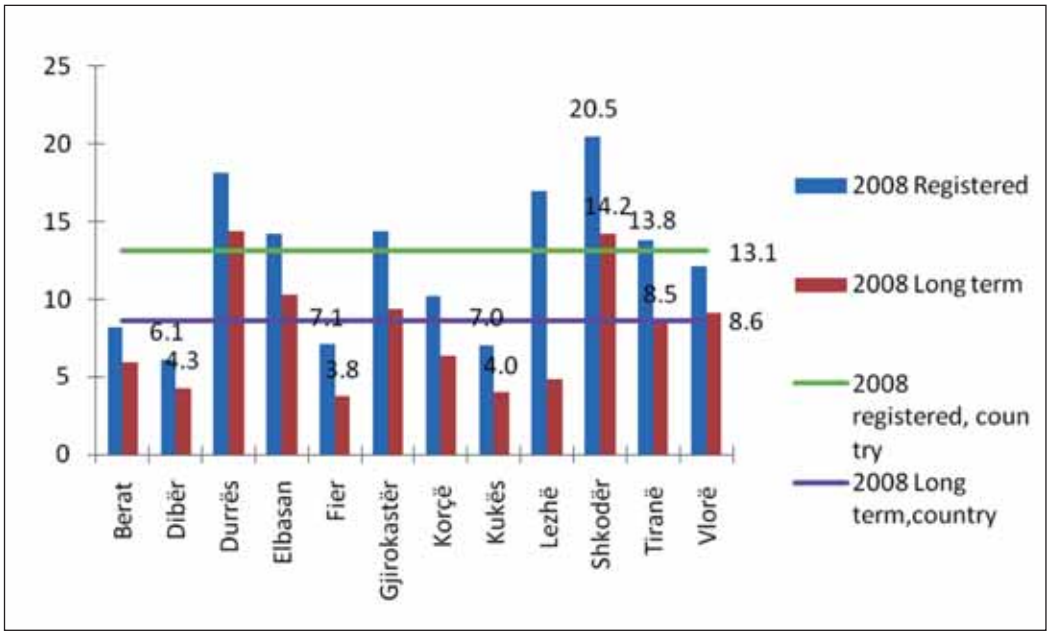
Figure 18. Registered and Long-term Unemployment by Qarks (in %), 2001



Source: INSTAT, own calculations.

The lack of correlation between other relevant indicators, particularly economic ones and the change in the pattern of unemployment (decline in the less developed qarks and increase in the developed ones) makes the explanation difficult unless the movement of the unemployed people from more disadvantaged areas to the more advanced and urbanized ones, can be considered as a cause of unemployment problems in the recipient areas. However, large public infrastructure investments in some regions (like Kukes, etc.) could also have played a role in temporarily improved results.

Figure 19. Registered and Long-term Unemployment by Qarks (in %), 2008



Source: INSTAT, own calculations.

Enterprises

The number of non - agricultural active enterprises showed an increasing tendency in the period 2001-2008.

Table 18. Non-agricultural Active Enterprises by Qarks per 10,000 Inhabitants, 2001-2008

Non-agricultural Enterprises	2001	2002	2003	2004	2005	2006	2007	2008
Berat	192	162	130	135	168	174	205	254
Diber	80	84	39	43	63	81	97	129
Durres	285	263	228	232	267	311	340	400
Elbasan	119	102	97	108	131	147	171	205
Fier	101	104	139	158	185	207	220	250
Gjirokaster	273	227	193	188	263	275	241	291
Korçe	154	143	175	188	223	245	264	307
Kukes	121	110	36	34	43	86	101	120
Lezhe	149	136	60	64	95	109	138	176
Shkoder	90	88	62	63	99	144	173	255
Tirane	392	353	317	310	351	386	425	512
Vlore	180	182	186	217	261	339	447	402
Albania	**199**	**182**	**166**	**176**	**214**	**247**	**277**	**329**

Source: INSTAT, Indicators by Qarks

Table 19. Non-agricultural Newly Created Enterprises by Qarks per 10,000 Inhabitants, 2001-2008

Non-agricultural Newly Created Enterprises	2001	2002	2003	2004	2005	2006	2007	2008
Berat	8.0	8.6	17.6	11.7	12.4	33.5	43.0	49.9
Diber	3.3	1.3	3.9	7.1	7.3	18.8	26.5	30.8
Durres	22.8	28.3	41.7	34.0	43.9	66.3	48.7	69.0
Elbasan	7.9	8.9	16.0	13.2	12.6	21.2	36.4	40.0
Fier	12.1	13.0	27.3	22.2	17.5	27.7	29.2	38.7
Gjirokaster	6.9	8.2	34.5	26.2	26.3	24.2	21.4	48.8
Korçe	15.4	12.2	30.5	24.6	22.1	32.6	35.1	45.4
Kukes	1.8	2.7	2.4	3.2	1.9	37.8	20.3	25.9
Lezhe	3.1	3.4	9.6	10.1	14.0	25.2	38.1	47.8
Shkoder	5.1	6.4	23.2	12.3	15.6	49.6	28.3	79.2
Tirane	29.0	34.4	39.7	57.9	56.5	63.8	60.9	88.5
Vlore	12.8	15.5	33.3	35.3	38.0	49.6	67.6	81.3
Albania	**13.8**	**15.6**	**26.7**	**27.7**	**29.0**	**43.0**	**42.9**	**61.4**

Source: INSTAT, Indicators by Qarks

The number of active enterprises relative to population in Albania in 2008 is 65% higher than in 2001. A stable positive tendency is also seen in the number of newly created companies: in 2008 it is 4.5 times higher than in 2001.

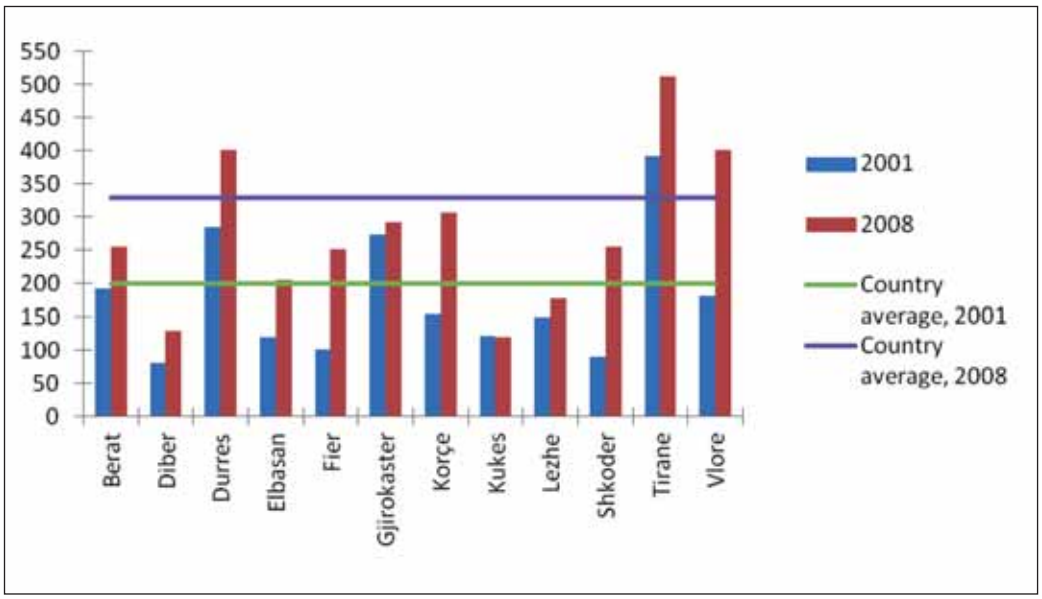
An increase is evident in almost all the qarks. However the growth rates are particularly high in many of low-ranking qarks in 2001, such as Shkoder, Fier, Vlore, Korce (2 times and more) as well as Diber and Elbasan (plus 60-70%). The dynamics is lower for Tirana and Durres (30-40%), and very low in Lezhe. The only qark with a negative growth (only one active enterprise less), is Kukes. Despite the changes, however, still as many as 50% of active enterprises are located in Tirana and Durres.

Table 20. Active and New Enterprises per 10,000 Inhabitants by Qark, 2001-2008

Active and New Enterprises	2001				2008			
	Active	Index	New	Index	Active	Index	New	Index
Berat	192	97	8.0	58	254	77	49.9	81
Diber	80	40	3.3	24	129	39	30.8	50
Durres	285	143	22.8	165	400	122	69.0	112
Elbasan	119	60	7.9	57	205	62	40.0	65
Fier	101	51	12.1	88	250	76	38.7	63
Gjirokaster	273	137	6.9	50	291	89	48.8	80
Korçe	154	78	15.4	111	307	93	45.4	74
Kukes	121	61	1.8	13	120	36	25.9	42
Lezhe	149	75	3.1	23	176	53	47.8	78
Shkoder	90	45	5.1	37	255	78	79.2	129
Tirane	392	197	29.0	210	512	155	88.5	144
Vlore	180	91	12.8	93	402	122	81.3	132
Albania	**199**	**100**	**13.8**	**100**	**329**	**100**	**61.4**	**100**

Source: INSTAT, own calculations.

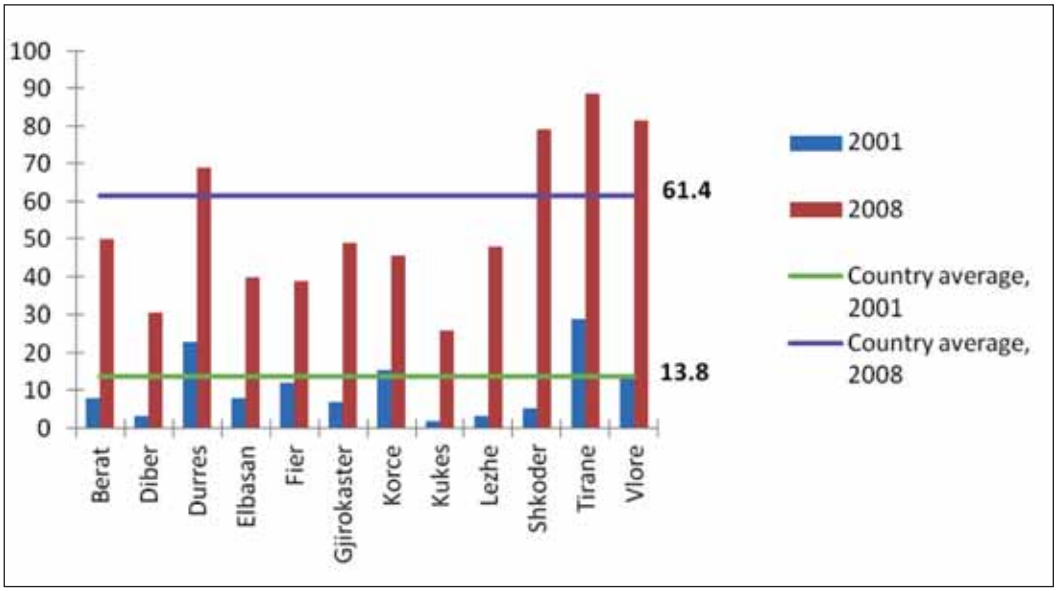
Figure 20. Active Enterprises by Qark per 10,000 Inhabitants, 2001 and 2008



Source: INSTAT, own calculations.

In 2008, Kukes (36% of the average) and Tirana (155% of the average), represent the extremes of the range. Close to Kukes are Diber (39% of the average), Lezhe (53% of the average), and Elbasan (63% of the average). Closer to Tirana are Vlore and Durres (both indexed at 122% of the average).

Figure 21. Newly Created Enterprises per 10,000 Inhabitants, 2001 and 2008



Source: INSTAT, own calculations.

The differentiation in newly established enterprises is similar with that of the active enterprises. However higher dynamics is evident, leading to a changing and more convergent pattern. In 2008 the max/min ratio was 3.4 (88.5 in Tirana, compared to 25.9 in Kukes) – decreasing from more than 16 in 2001 (29 in Tirana, 1.8 in Kukes).

The overall growth of newly established enterprises in 2001-2008 is 4.5 times. Especially impressive was the growth in Shkoder, Lezhe, and Kukes (around 15 times), Diber (9 times), and Gjirokaster (7 times). Regarding the northern regions, an explanation could be temporary positive influence of public infrastructure investments.

Foreign Direct Investments

The table below shows the number of Foreign Active Enterprises (FE) in 2001 and 2008. FE are considered those which are 100 percent foreign direct investment (FDI), as well as those in which foreign investment represents a part of the total investment.

The number of FE increased by 99% during the period 2001-2008 at country level, with the highest rates marked by Lezhe (233%) and Gjirokaster (200%). However, Tirana, with an increase of 100%, continues to count for the biggest share of FE in the country, 70% in 2008, which is nearly the same as in 2001 (69.5%).

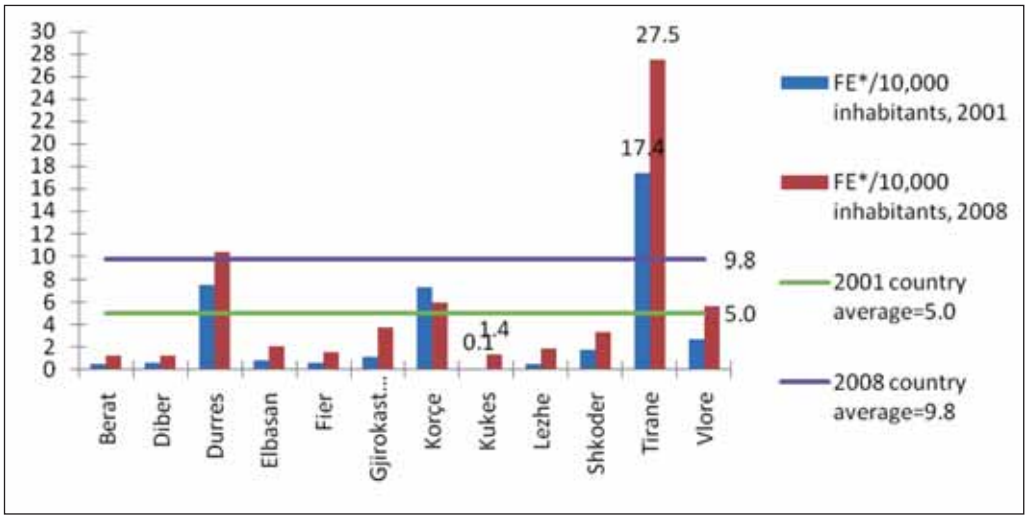
In relation to the number of inhabitants (calculated per 10,000 inhabitants) the increase of FE at country level is slightly lower (94%), but for the smaller regions, as illustrated in the figure below, it is particularly high: Kukes, Lezhe, Gjirokaster, starting from an extremely low level. Only Korce (-18%) has experienced a decline. The increase in Tirana is 58%.

Table 21. Active Foreing Enterprises per Qark, 2001 and 2008

	2001					2008				
Active Foreign Enterprises	**FDI 100%**	**FDI, mixed**	**Total**	**FE*/ 10000 inh.**	**Country index, 100=5.0**	**FDI 100%**	**FDI, mixed**	**Total**	**FE*/ 10,000 inh.**	**Country index, 100=9.8**
Berat	4	6	10	0.5	10	11	11	22	1.3	13
Diber	10	1	11	0.6	12	13	5	18	1.3	13
Durres	162	30	192	7.5	150	245	75	320	10.4	106
Elbasan	15	17	32	0.9	18	36	35	71	2.1	21
Fier	16	8	24	0.6	12	28	31	59	1.6	16
Gjirokaster	7	6	13	1.2	23	21	18	39	3.8	39
Korçe	75	7	82	7.3	146	109	45	154	6.0	61
Kukes	2	2	4	0.1	3	8	3	11	1.4	14
Lezhe	9	0	9	0.6	11	23	7	30	1.9	19
Shkoder	38	8	46	1.8	35	56	26	82	3.3	34
Tirane	962	124	1086	17.4	348	1738	441	2179	27.5	282
Vlore	42	11	53	2.7	54	81	38	119	5.7	58
Albania	**1342**	**220**	**1562**	**5.0**	**100**	**2369**	**735**	**3104**	**9.8**	**100**

Source: Albania National Centre for Business Registration *Active Foreign Enterprises, totally or partly with FDI

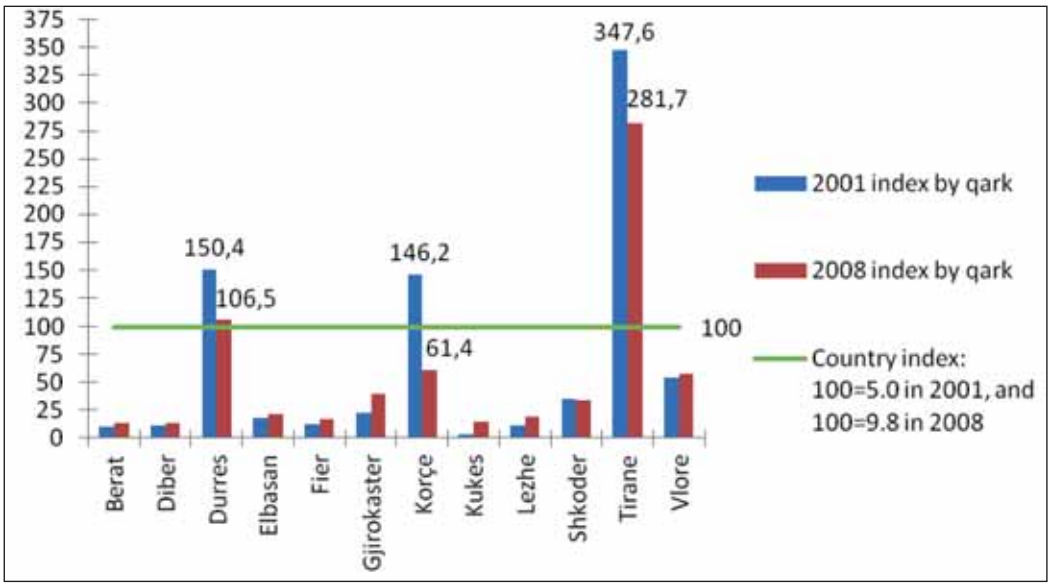
Figure 22 . Active FEs by Qark per 10,000 Inhabitants, 2001 and 2008



Source: Albania National Centre for Business Registration

Despite such big differences in the rates of growth, the distribution of FEs by qark remains highly concentrated, although at a lower level. In 2001, the maximum/minimum ratio of FEs/10,000 inhabitants was 117, decreasing to 21 in 2008. In 2008, as indicated from the table above and the figure below, above the average (9.8 FEs/10,000 inhabitants), are Tirana (27.5, or 282%), and Durres (10.4, or 106%). Together they concentrate 80% of all active foreign enterprises. Only two qarks are below but relatively close to the average of country's FE per 10,000 inhabitants: Korce (6.0, or 61% of the country average), and Vlore (5.7, or 58% of the average). All other qarks are between 13% (Berat, and Diber; follwed by Kukes, 14%) and 39% (Gjirokaster), of the country average.

Figure 23. Active FEs by Qark, 2001 and 2008



Source: Albania National Centre for Business Registration

This distribution partially reflects the differentiation of qarks in terms of economic potentials. Furthermore, a number of companies which have their headquarters in Tirana have extended their activity also in other qarks; so the high concentration in Tirana might in reality be somewhat lower.

Credits to Business

Credits to business in 2008, expressed in thousand ALL per inhabitant, are extremely differentiated among qarks, as denoted in the following table and the associated figure. The differentiation is even higher than for the foreign enterprises, with a max/min ratio of 129.

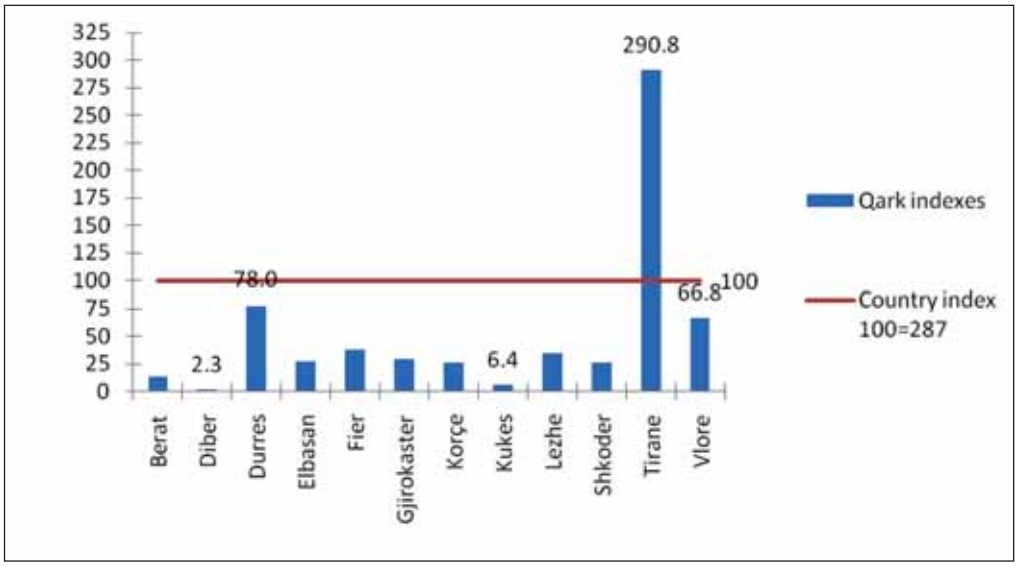
Credit to business is highly concentrated in Tirana: the capital city accounts for 72% of the total credits and have a per capita value (expressed in thousand ALL) nearly 3 times higher than the country average. Only Durres (78%) and Vlore (67%) are relatively close to the country average, accounting both for 12% of total credits. Most of other qarks are ranging between 27% and 39% of the country average. Extreme cases are Diber (2% of the country average) and Kukes (6%), followed by Berat (14%). One of the explanations of such extreme differentiation could be the large crediting activities of Tirana's branches of commercial banks even for businesses from other qarks.

Table 22. Amount of Credits to Business by Qark per 1,000 Inhabitants, 2008

Business Credits	Credit to business, in million ALL	Population	Credit to business/ population, in '000 ALL/person	Country index 100=288
Berat	6,964	170,887	41	14
Diber	913	141,043	6	2
Durres	68,983	308,054	224	78
Elbasan	27,441	342,926	80	28
Fier	41,454	373,181	111	39
Gjirokaster	8,789	102,372	86	30
Korçe	19,861	257,005	77	27
Kukes	1,462	79,225	18	6
Lezhe	16,048	158,062	102	35
Shkoder	18,992	245,700	77	27
Tirane	661,796	793,037	835	291
Vlore	40,316	210,457	192	67
Albania	**913,020**	**3,181,949**	**287**	**100**

Source: Administrative data, own calculations

Figure 24. Indexed Business Credits per 1,000 Inhabitants, 2008 (in 1000 ALL)



Source: Administrative data, own calculations

5.3. Conclusions

Albania has made a considerable progress in economic growth and development during the years of transition, particularly in the last decade, supported by structural reforms and fostered by entrepreneurship and foreign direct investments. Emigration and also internal migration of population, a consequence of low standard of living, have also impacted growth and development.

Looking at the economic aspects of development in Albania one can identify the following main characteristics:

- Strong and stable economic growth over the last decade as measured by GDP has been unevenly distributed with high concentration in Tirana and Durres. Tirana alone generates about 36% of total GDP while it represents only 10% of country's economically active population. Further widening of disparities in terms of GDP per capita has been corrected by market mechanisms: immense internal migration, especially from less developed regions, to Tirana and Durres. This in turn has lead to worsening of employment related indicators in the recipient qarks. As a result differentiation of GDP p.c. is moderate as compared with many EU countries.

- Labor force indicators have been slowly improving; especially unemployment and long-term unemployment has declined by some 3 percentage points between 2001 and 2008. In terms of regional distribution the registered unemployment figures have significantly shrunk (currently 2-3 times lower than before) in the least economically developed qarks (Diber, Kukes, Berat, also Lezhe and Shkoder), while doubled in Tirana. In general more advanced qarks (with regard to other economic indicators) have high rates of unemployment and long-term unemployment. It is mostly explained by intensive emigration and internal migration flows.

- The structure of the national economy shows heavy reliance on agriculture. Only Tirana has more than half (57%) of its working population employed in non-agriculture sector (Durres 50%). In some qarks private agriculture provides employment to more than 60% of the workforce: Berat, Fier, Kukes.

- Regarding the number of active and newly created enterprises relative to the number of population and indicators such as foreign enterprises and credits to business, there are very strong differences among qarks, although a mitigating dynamics is evident during the period 2001-2008. This may confirm the spillover effect from best performing central area to other parts of the country.

- Disparities among qarks in terms of economic development are present and significant, as shown by the GDP p.c., employment, entrepreneurship, foreign investments, business credit activity, etc. Some of them are unidirectional while some others, especially employment and female participation rates, do not conform to the general distribution of economic performance.

Economic ranking of qarks takes the following form:

- **Tirana** – the national economic growth centre – highest GDP per capita, strong economic structure with highest employment share in non-agriculture sector, the same for the number of active and newly created enterprises and also foreign enterprises, and credits to business.
- **Durres and Vlora** – secondary growth poles – high economic indicators, weaker than for Tirana but significantly above other qarks (Gjirokaster not included here as probably favored by the methodology used in estimating the GDP, and weaker on other indicators). Durres seems to be more advantaged due to its proximity to Tirana with which it constitutes the economic 'engine' of the country (together they generate almost half of total GDP).
- **Diber, Kukes** – worst economic performance – almost uniformly weak on all indicators (with reservations made about registered unemployment situation).
- **Remaining qarks** – mixed economic performance – Lezhe, Shkoder and Berat are considered to be at the bottom of the group.

The position of disadvantaged qarks has slightly improved in the last decade, based on some positive dynamics related with non-agriculture employment, unemployment (including long-term), number of active and particularly newly created enterprises, foreign enterprises, etc. The regional development policy should support such tendencies.

From the economic perspective, with the aim of mitigating regional disparities, more emphasis should be put on promotion and support of effective and efficient use of regional resources; fostering of diversification in rural areas; support of enterprises. Higher development in some advanced areas can produce positive spillover effects also for the disadvantaged ones. The more business friendly conditions in all regions of the country, the higher positive spillover effects.

Chapter 6

Social Cohesion

Social Cohesion

6.1. Introduction

The geographical distribution and persistence of regional/local social disparities are important from regional development perspective. Both income and non-income disparities need to be studied in order to identify all aspects hindering growth and social cohesion.

Income poverty refers to consumption expenditure data. It conveys an immediate message, quantifying incidence of poverty in a single number easily communicated and understood. Social disparity is however a very complex phenomenon which can only be addressed when its multiple causes and multidimensional nature are understood at the individual, family and community levels.

The main income and non-income indicators used in this analysis are:

- Income dimension: income poverty level, families under social assistance
- Non-Income dimension: access to health services (availability of hospital beds, access to medical points, infant mortality rate), access to education (enrolment, availability of teachers).

The main source of data is the National Institute of Statistics (INSTAT) through their national surveys at the household level such as LSMS 2002-2008 and/or DHS as well as various publications.

6.2. Analysis

Poverty

Poverty measurement used in this study is based on the Living Standard Measurement Survey (LSMS) 2002-2008. The poverty estimates produced from LSMS are based on an absolute poverty line and are representative at the national level. The poverty estimates generated from LSMS can however only be disaggregated at the level of the four strata. These strata correspond to three broad macro-regions denominated Coast, Centre and Mountain, and Tirana. Based on LSMS measurement, an individual is considered poor if their level of per capita expenditure falls below minimum level necessary to meet the basic food and non-food needs[11].

Table 23. Poverty Headcount Ratio (%) and per capita Consumption, 2002

Poverty Headcount	Headcount LSMS (%)	Headcount Census (%)	Consumption LSMS (Lek/Month)	Consumption Census (Lek/Month)
Stratum 1 Coastal Area	20.6	26.64	8,419.25	8,148.48
Stratum 2 Central Area	25.57	29.49	7,496.12	7,177.76
Stratum 3 Mountain Area	44.54	40.85	6,168.34	6,181.78
Stratum 4 Tirana	17.82	18.01	9,042.59	8,981.39
Albania	**25.39**	**28.6**	**7,800.82**	**7,569.67**

Source: Poverty and Inequality Mapping in Albania, 2004

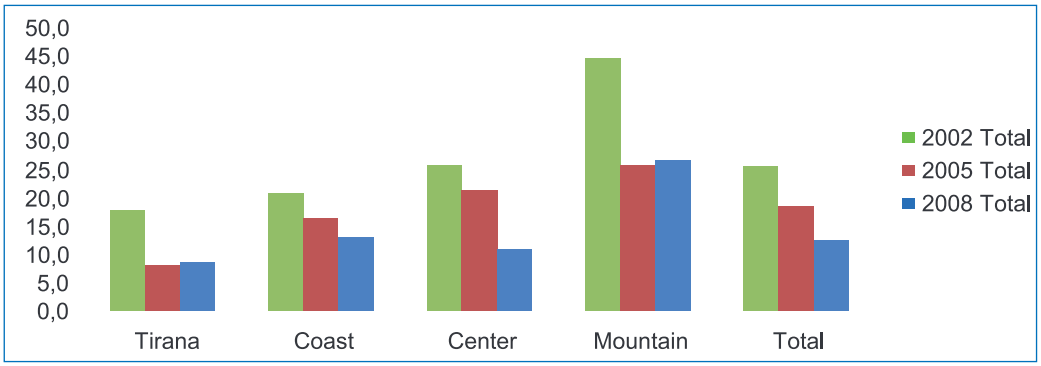
[11] *INSTAT, A profile of Poverty and Living Standards in Albania, 2004, p. 6*

Analyzing the trend of poverty data from the LSMS is based on the analysis of poverty as measured from headcount consumption. Headcount poverty is widely used measure of income poverty. It expresses the percentage of population below the poverty line. The trends of this measurements shows:

- High level of poverty (25% in 2002) although quickly decreasing (12.4% in 2008)
- Poverty seems to be related more to location (altitude and periphery), than to the urban and rural division. In 2008 poverty level in mountain areas (26.7%) was more than two times higher than in coastal (13%) and central area (10%), and 3 times higher than in Tirana.

- The general poverty level in rural areas (14,6%) is 1.4 times higher than in urban settings (10,1%). Urban/rural division is more acute in mountain areas where poverty in rural areas is twice as high, mostly due to adverse conditions for agriculture.

Figure 25. Poverty Headcount Ratio for Four Main Strata

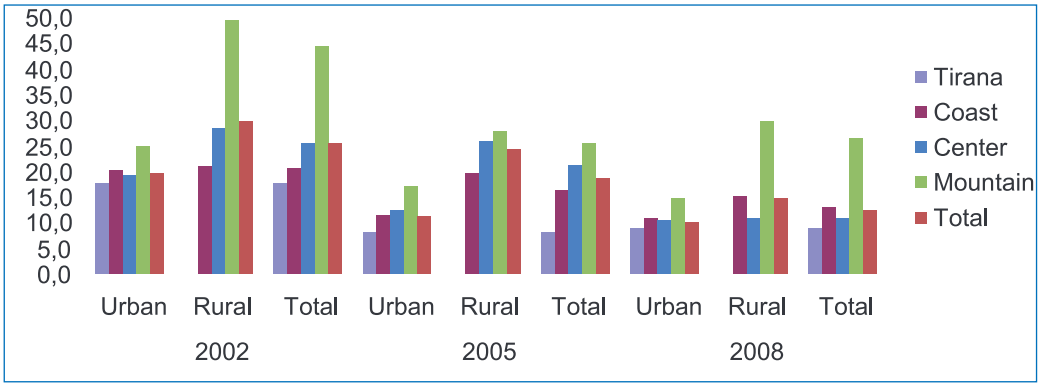


Source: Living Standard Measurement Survey (LSMS), INSTAT

Different dynamics of poverty level leads to controversial patterns in terms of regional differentiation:

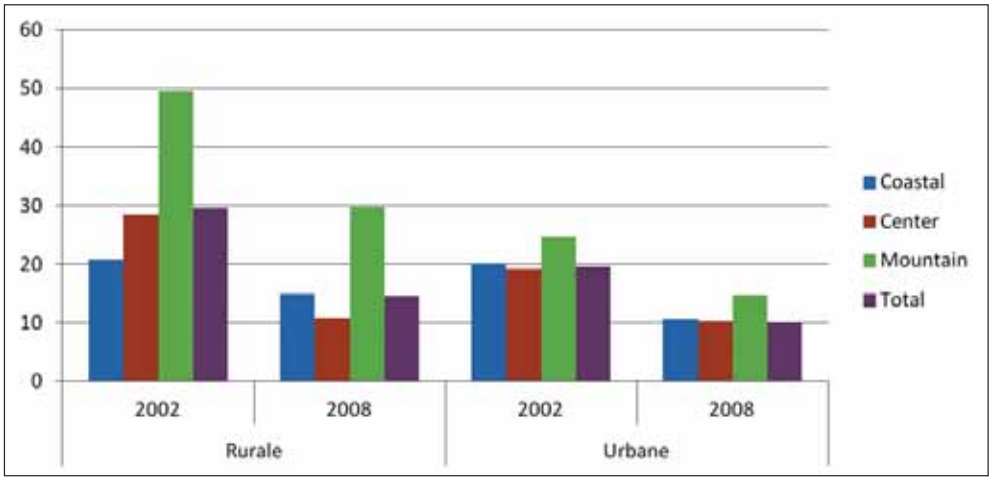
- There is a convergence between Tirana, Coast and Center while there is a divergence between Mountain and the rest (the ratio between Mountain and Tirana changed from 2.5 in 2002 to 3.1 in 2008)
- In urban areas in general there was a significant decrease in 2002-2005 (from 25 to 17%), while in rural areas in general the main decrease was in 2005-2008 (from 25 to 15%). In mountain areas however, after the initial decrease in 2002-2005 (from 44.5 to 25.6%) slight increase in poverty level is observed in 2005-2008 (from 25.6 to 26.6%), mainly due to increase of poverty level in rural settings (from 27.7 to 29.8%).

Figure 26. Poverty Headcount Ratio for Four Main Strata and Urban/Rural 2002, 2005, 2008



Source: Living Standard Measurement Survey (LSMS), INSTAT

Figure 27. Poverty Headcount Ratio for Four Main Strata and Urban/Rural 2002-2008



Source: Living Standard Measurement Survey (LSMS), INSTAT

The analysis of poverty measurement for 2002 (more recent data unavailable), gives us a picture on the qarks. For example the qark of Vlore records the highest level of per capita consumption and also the highest degree of inequality (Gini[12] coefficient). Poverty is more acute in the rural mountainous areas of the district of Vlora such as Hore-Vranisht, Brataj and others.

Table 24. Degree of Consumption Inequality by Qark

Consumption Inequality	Head Count	Consumption	Gini coefficient
Diber	42.77	6125	28.3
Kukes	39.98	6282	27.5
Lezhe	36.68	6898	30.7
Shkoder	32.77	7025	28.6
Elbasan	31.84	6852	26.6
Fier	29.71	7365	28.8
Korce	26.95	7405	27,0
Berat	26.42	7233	25.6
Durres	24.77	8412	31.2
Tirane	23.44	8201	29.5
Gjirokaster	19.38	8393	27.4
Vlore	**18.26**	**9817**	**33.5**

Source: Living Standard Measurement Survey (LSMS), INSTAT

Qark level data confirm a significant regional variation in another dimension not visible from strata analysis (a north south divide) – the poverty values vary between 72 and 168% of the average (max/min ratio was 2,3). The highest poverty level is in Diber (168% of average), Kukes (157%), Lezhe (144%), Shkoder (129%), Elbasan (125%), while the lowest poverty level is in Vlore (72%), Gijrokaster (76%), and more generally the central and south qarks, including Tirana (92%) and Durres (98%).

[12] *The Gini-coefficient is a measure of inequality or concentration. It's values could vary between 0 ("perfect equality") and 100 ("perfect inequality")*

The analysis of poverty in communes and municipialities clearly shows that migration, tourism and access to markets are the main factors shaping the distribution of poverty. Insufficient infrastructure and the lack of proper organisation of farmers are the main causes for the communes representing mountain areas to have little incomes and a low living standard despite the quality of their products. For example it takes more than the travel time from Tirana to Vlora for the communes of Hysoverdhe or Karbunare to reach the town of Vlora[13].

Local level data show that while there is higher concentration of "poor" municipalities and communes in the worst performing qarks, the distribution is quite dispersed, i.e. "poor" LGUs could be found in all qarks. In general, the main causes are: overall economic development and structure, job opportunities and related level of income by occupation type, significantly influenced by location and geographical conditions and to a lesser degree by urbanization level.

Social assistance

Social Assistance Scheme started to function in 1993. It is a programme that provides cash benefits for poor families with insufficient income. It may be partial or full depending on the level of the family incomes. Economic aid is given to all families in urban and rural areas without or with insufficient income. The amount of partial assistance is calculated as a difference between the full amount of social assistance and the real/estimated family incomes. The central government provides each local government unit with a budget that is managed by the LGU for a series of services which also include social assistance benefits for poor families.

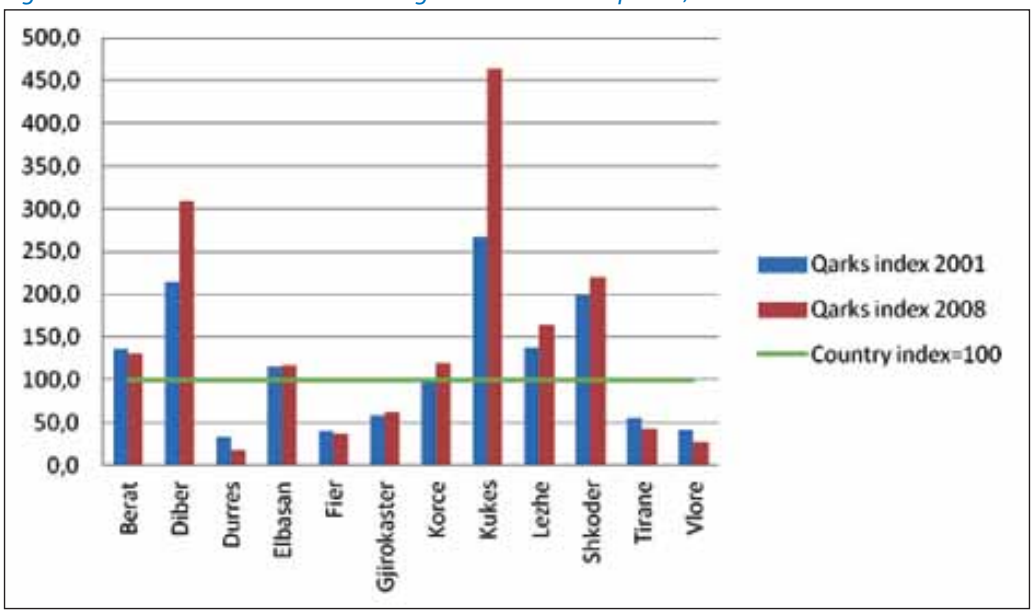
Table 25. Number of Families Receiving Social Assistance per 10,000 Inhabitants

Families with S.A.	2001	2002	2003	2004	2005	2006	2007	2008
Berat	628	567	572	557	531	511	441	386
Diber	989	979	996	1042	1097	1089	866	914
Durres	151	127	112	101	91	77	54	51
Elbasan	528	484	465	454	436	395	345	346
Fier	180	167	161	155	150	127	110	107
Gjirokaster	265	228	224	229	230	205	136	185
Korce	475	412	477	419	413	408	348	352
Kukes	1232	1158	1088	1175	1340	1547	1406	1373
Lezhe	630	589	556	538	541	509	474	487
Shkoder	917	877	836	804	759	718	655	649
Tirane	253	240	229	213	188	167	130	126
Vlore	187	162	153	150	139	131	110	80
Total	**461**	**425**	**413**	**396**	**378**	**353**	**301**	**296**

Source: INSTAT

[13] *UNDP; Vlora Regional Strategy for the Achievement of the Millennium Development Goals, 2005.*

Figure 28 . Number of Families Receiving Social Assistance per 10,000 Inhabitants



Source: INSTAT

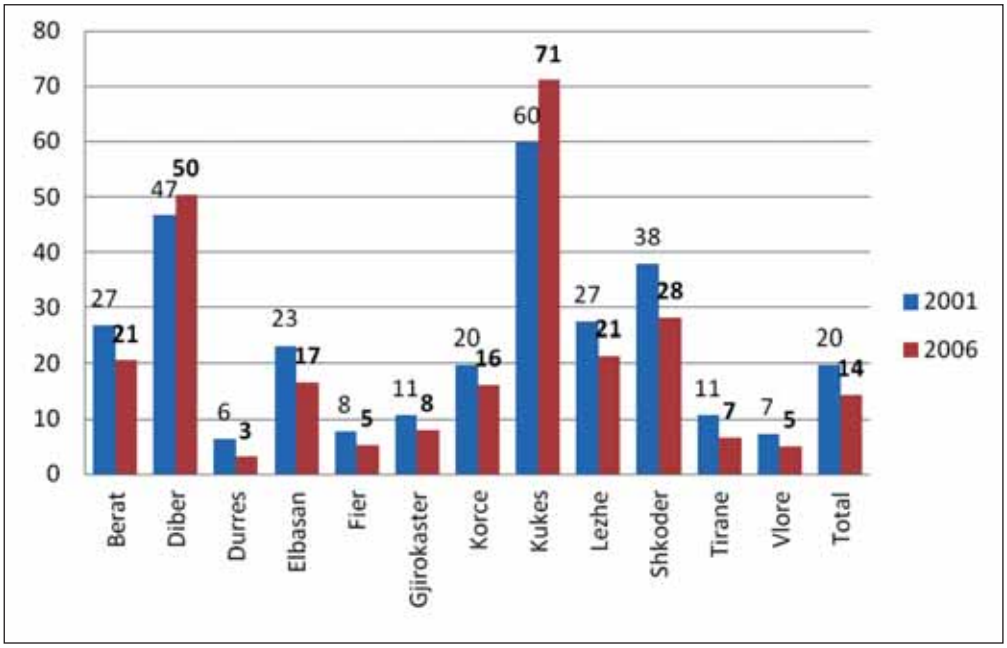
Referring to the above data the following observations can be made:

- Number of families getting social assistance decreased significantly – by 34% in 2001-2008 with an obvious trend to converge among the regions:
  - Highest decline (i.e. improvement) – in Durres (-59%), Vlore (-54%), Berat (-45%), Fier (-42%)
  - Lowest decline – in Kukes (-21%), Lezhe (-23%), Korce (-29%), Diber (-30%)
- The relative indicator – number of families getting social assistance per 10000 population – reveals extremely high differentiation – between 17% of the average in Durres and 464% in Kukes (max/min ratio – 27)
  - Very high – Kukes (1373/10000 or 464% of average), Diber (914/10000 or 309%), Shkoder (220%), Lezhe (164%), Berat (131%)
  - Low – Durres (51/10000 or 17% of average), Vlore (27%), Fier (36%), Tirana (43%), Gjirokaster (62%)
- The dynamics of the number of families with social assistance per 10000 shows that insome qarks there was no significant decrease or in some cases there was even increase of the families getting social assistance. Given the average change of -36% for 2001- 2008 some extreme groups are observed:
  - With low decrease (or increase) – Kukes (+11%), Diber (-8%), Lezhe (-22%), Korce (-25%)
  - With high decrease – Durres (-66%), Vlore (-57%), Tirana (-50%)

As a result there is increased divergence (e.g. max/min ratio growing from 8 to 27).

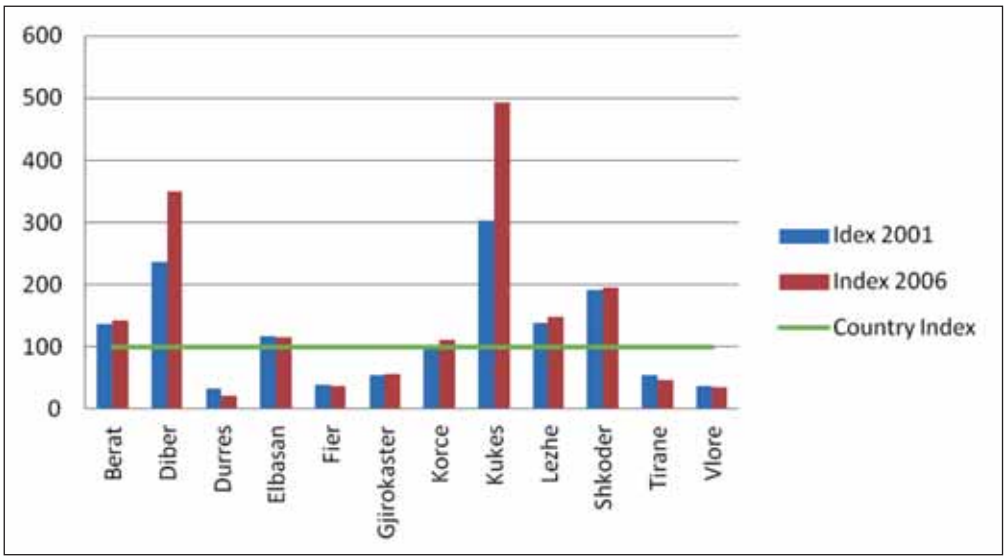
When looking at the relation between the total number of families and those under social assistance we see that the general pattern of poverty distribution among qarks is again confirmed (data for more recent years unavailable):

Figure 29 . Percentage of Families per Qark Receiving Social Assistance for the Selected Years



Source: INSTAT and Own Calculations

Figure 30. Percentage of Families Receiving Social Assistance, Index



Source: INSTAT and Own Calculations

The urban and rural patterns show that social aid in urban areas is mostly full coverage type, while the aid in rural areas is mostly partial. Within the qarks we see that those considered less developed distribute more social assistance to rural recipients - such as Diber, Shkoder, Kukes and Elbasan while those better developed provide more social assistance in urban areas (Tirana, Durres and Vlore).

Table 26. Number of Families Receiving by of Type Social Assistance, 2001 and 2008

Families with S.A.	2001				2008			
	Partial Assistance		Full Assistance		Partial Assistance		Full Assistance	
	City	Commune	City	Commune	City	Commune	City	Commune
Berat	675	5,678	5,602	133	312	3,356	2,855	79
Diber	618	15,418	2,375	203	739	10,481	1,349	328
Durres	176	1,107	2,508	41	74	306	1,177	18
Elbasan	1648	11,927	5,476	175	639	7,494	3,583	163
Fier	155	1,472	5,090	196	44	1,210	2,521	232
Gjirokaster	137	1,362	1398	91	114	867	866	45
Korce	374	7,676	4,337	339	176	6,000	2,601	275
Kukes	397	10,539	2,676	160	1,341	7,909	1,562	69
Lezhe	1,677	4,161	3,775	490	1,399	3,401	2,543	348
Shkoder	1190	14,105	8,354	140	827	9,665	5,463	0
Tirane	1,600	4,317	9,263	542	1,394	2,553	5,495	567
Viore	305	458	2676	221	23	255	1,274	142
Total	**8,952**	**78,220**	**53,530**	**2731**	**7,082**	**53,497**	**30,016**	**2,266**

Source: INSTAT, own calculations

The pattern between urban and rural areas in the type of coverage (partial or full) is related to the fact that rural beneficiaries rely partially on family agriculture.

Education

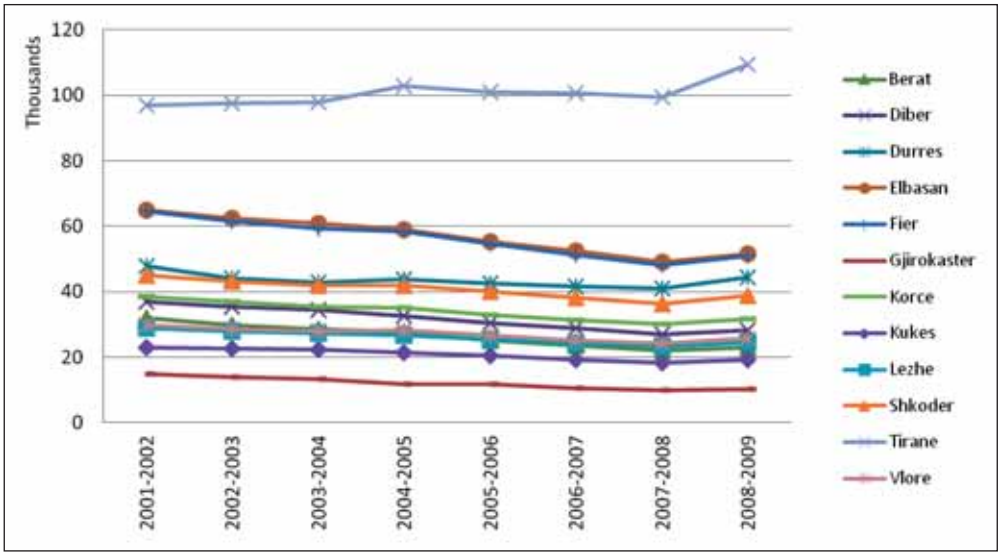
A general trend of improving the educational level as well as of convergence is observed, but still the regional differentiation is significant in secondary education (> 9 years).

- In relative terms enrolment in primary and secondary education slightly increased since 2001-2002 (93% in 2008). The absolute number of students however decreased on average by 12% in all qarks except Tirana (+13%) and in many regions there is a risk of closing schools in the future – which in turn would be a strong reason for leaving such communities.

  - The highest decrease of students numbers is observed in Gjirokaster (-31%), Berat (-28%), Diber (-23%), Fier (-21%), Elbasan (-21%), Korce (-18%), Kukes (-16%)

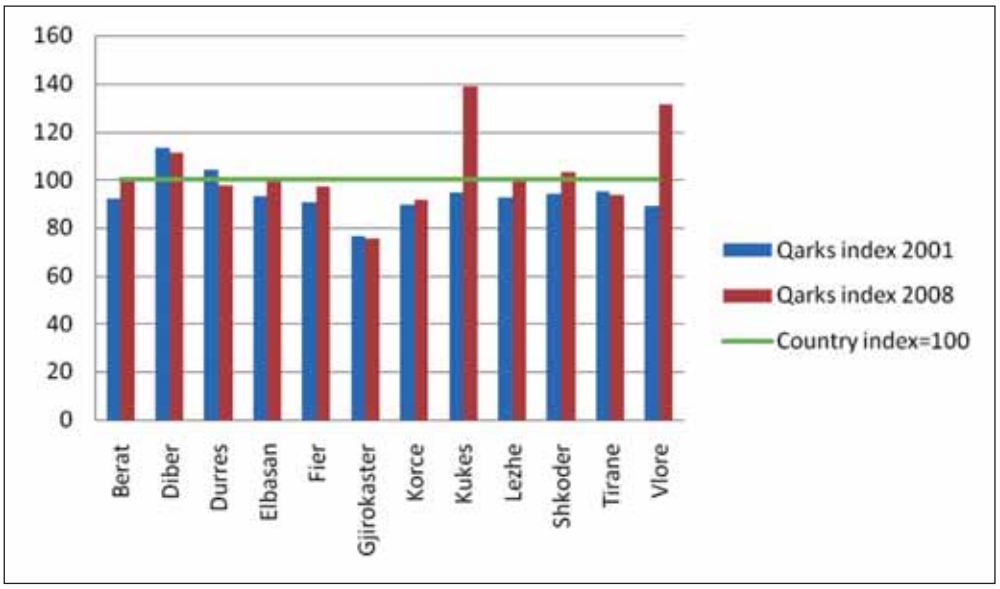
- The regional differentiation of enrolment at primary and secondary education is relatively low. The main exception is Gjirokaster (70% enrolment in 2008/2009, almost no change), where the low enrolment is explained mostly by the type of agriculture (stock breeding).

Figure 31. Trend of Pupil Enrolment in Primary Level of Education



Source: INSTAT

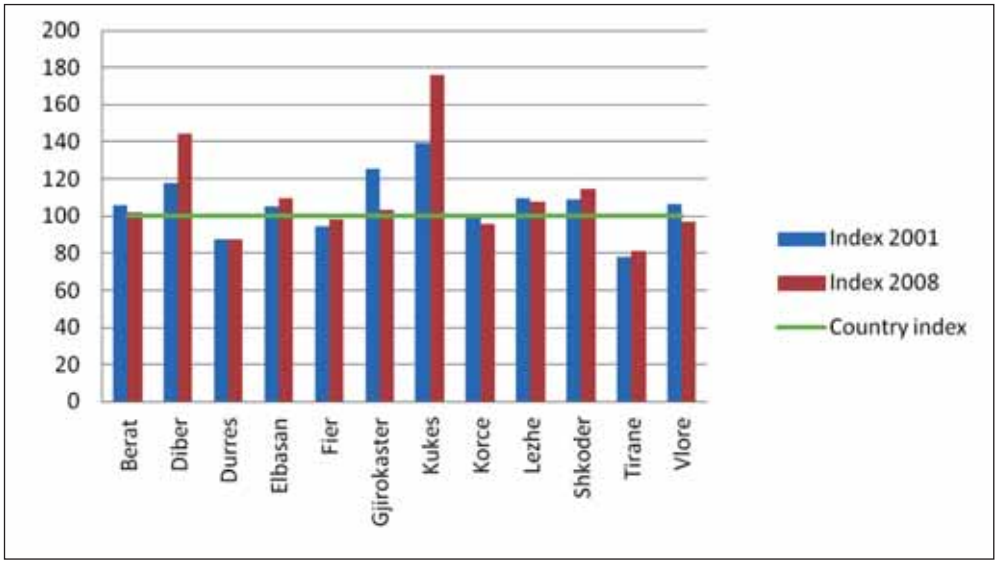
Figure 32. General Enrolment Rate for Primary School, 2001 and 2008



Source: INSTAT,own calculations

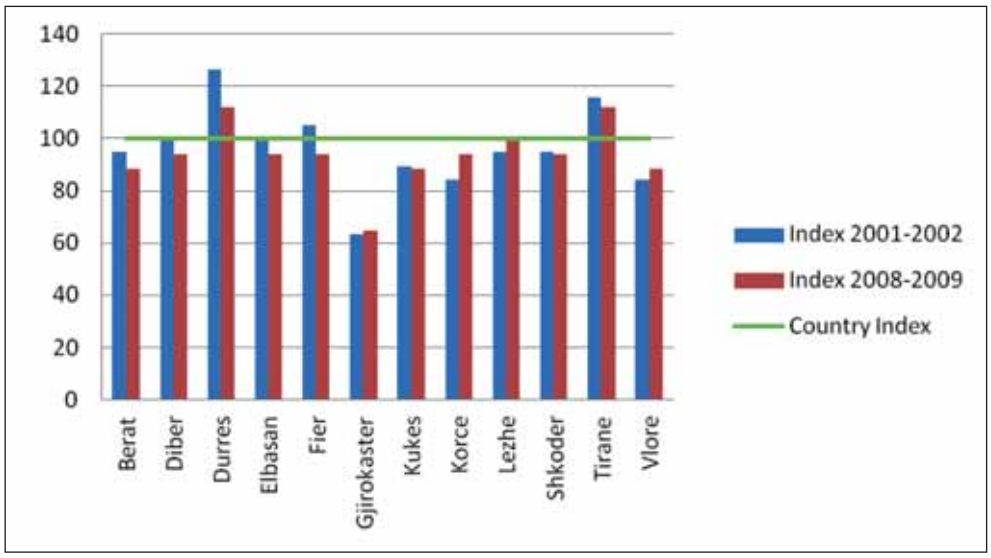
The availability of teachers reflects a slow response of education provision to the population dynamics. The rates for north, depopulating areas such as Kukes and Diber show a high number of teachers per student population, while Tirana and Durres show the opposite. Strong migration to Tirana and Durres brings the teacher/student ratios significantly below the country average.

Figure 33. Number of Teachers per 100,000 Inhabitants per Qarks



Source: INSTAT,own calculations

Figure 34. Number of Pupils per Teacher per Qark, Index



Source: INSTAT,own calculations

The number of students per class is an indicator of teaching and learning quality. More differences are noted in the rural/urban comparison. In the qark of Durres for example there are disparities in school class sizes between urban and rural areas, as well as between the district of Durres and that of Kruja. The situation is critical in the city of Durres where the number of students varies from 27 to 45 students per class, being as such above of the accepted limits[14].

[14] *Millennium Development Goal, Durres Qark*

Enrolment in secondary schools (>8/9 years) reveals much higher dynamics as well as different regional pattern.

- The number of students enrolled increased by more than 70% between 2000/2001and 2007/2008 (from 105,000 to 177,000)

- The increase in number of students is significant (>25%) in most qarks except in Gjirokaster (-8%) and Korce (+9%)

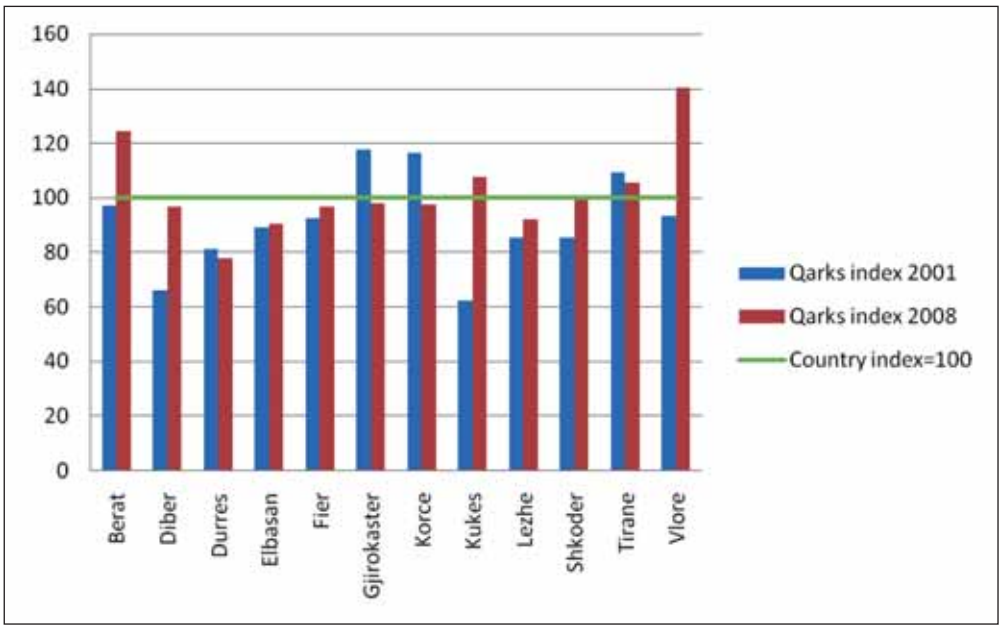
- The enrolment rate reached 63% (from 41% in 2001) and all qarks revealed increase of at least minimum 20% (Gjirokaster, Korce) with highest values in Vlore (+117%) and Berat (+85%); However still the level seems to be relatively low in international comparisons

Regional differentiation of enrolment in secondary schools is relatively low (values in most cases vary between 90 and 120% of the average), but there are some extremes.

- Lowest enrolment – in Durres (48% or 77% of the average), Elbasan (56%), Lezhe (57%)
- Highest enrolment – in Kukes (88%), Vlore (87%), Berat (78%).

There are multiple factors that determine secondary school enrolment in urban and rural areas. In urban areas, the variables include education level of the household head and spouse, the age of the child. In rural areas, the main determinants of enrolment are the presence of a secondary school in the community, education level of parents, per capita household consumption, and ownership of cattle[15].

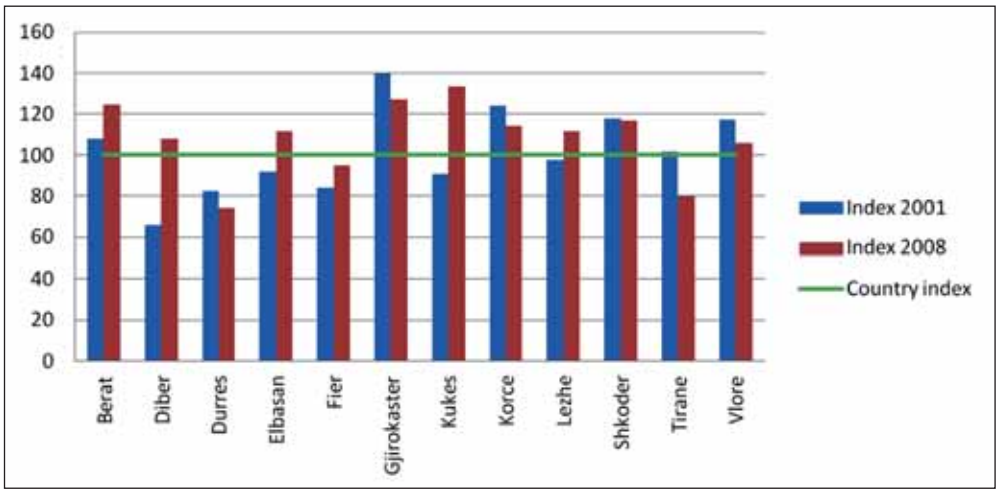
Figure 35. General Enrolment Rate Index for Secondary Schools, 2001-2008



Source: INSTAT,own calculations

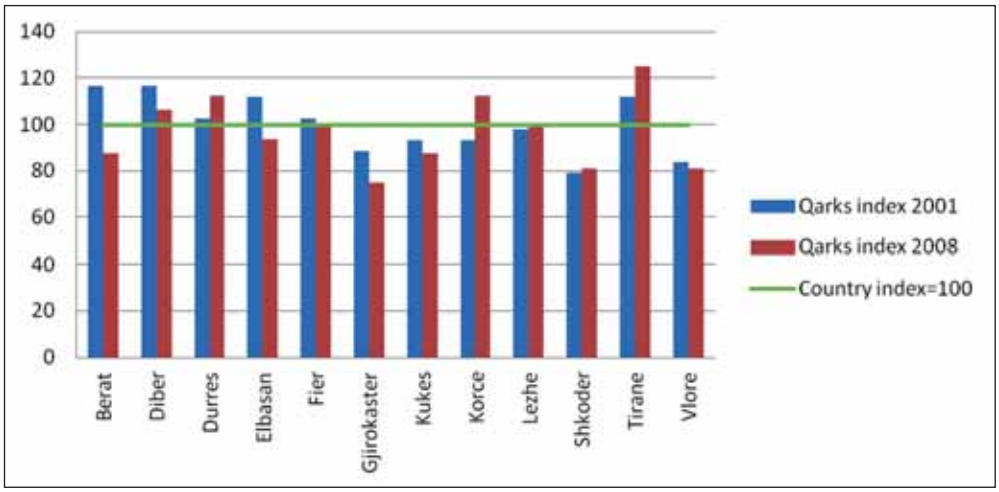
[15]*Gjirokastra regional Development Strategy, 2005, p.55*

Figure 36. Number of Teachers in Secondary Schools per 10,000 Inhabitants



Source: INSTAT,own calculations

Figure 37. Student to Teacher Ratio in Qarks



Source: INSTAT,own calculations

Health

There is a significant decreasing trend of infant mortality since 2001, both at country level and in most of the regions. Nevertheless, there are some issues with data presented as mortality cases are likely to be under-reported. Under-reporting is likely to occur particularly in rural areas where there are cases of death occurring at home and thus escaping the national information system. This is also the reason that the last Demographic Health Survey carried out during 2008-2009 yield a national infant mortality rate of 18 per 1,000 live births for the year 2008, while the administrative data show a significantly lower figure[16] :

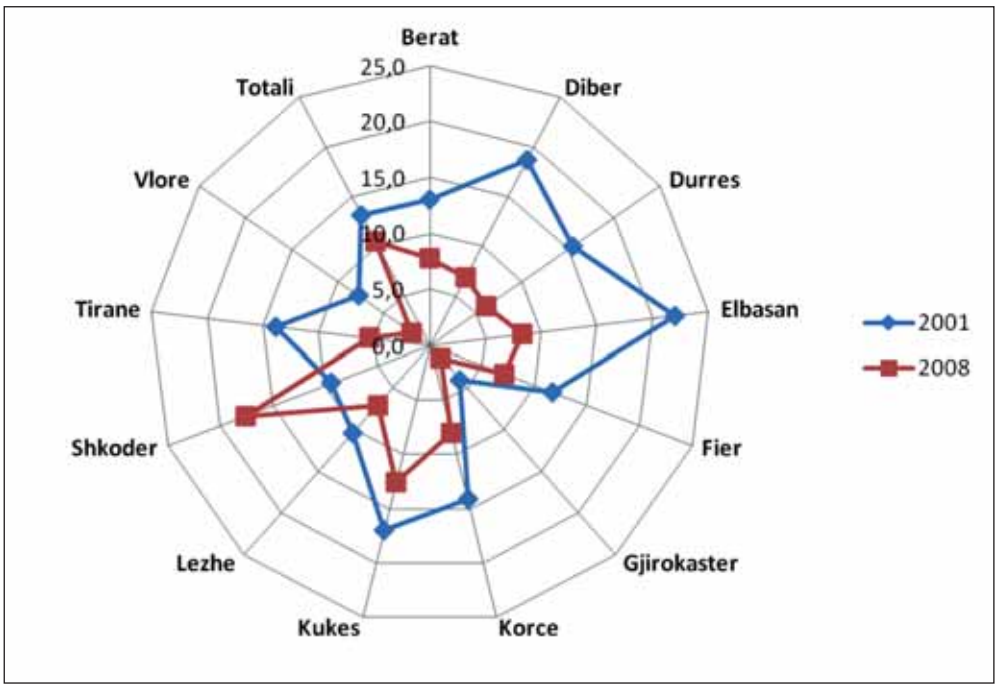
[16] *"The Ministry of Health estimated infant mortality at 12 deaths per 1,000 births in 2007. INSTAT registration estimated infant mortality at 6 deaths per 1,000 births at about the same time. The 2008-09 ADHS results show a somewhat higher level of infant mortality (18 deaths per 1,000 births) than the two administrative sources; however the ADHS estimate has broad confidence intervals around it" (Ministry of Health, 2009).*

Table 27. Infant Mortality (per 1,000 live births) by Qark, 2000-2008

Infant mortality	2000	2001	2002	2003	2004	2005	2007	2008
Berat	9.4	13.0	14.9	8.9	8.8	7.1	8.7	7.8
Diber	16.0	18.7	16.4	12.8	8.1	8.5	9.1	6.9
Durres	9.8	15.5	10.8	11.7	6.6	8.7	13.6	6.1
Elbasan	18.1	22.0	21.1	12.1	11.9	11.2	12.4	8.3
Fier	9.0	11.7	4.8	8.6	8.5	7.8	12.5	7.0
Gjirokaster	4.1	4.1	3.4	2.8	3.2	4.6	1.5	1.5
Korce	10.1	14.0	7.3	11.4	5.6	6.1	8.4	8.0
Kukes	17.0	17.0	16.3	14.9	7.8	9.2	7.8	12.5
Lezhe	9.3	10.4	13.1	8.5	6.9	5.0	5.0	7.1
Shkoder	14.9	9.4	18.9	10.0	11.7	28.9	10.3	17.6
Tirane	10.4	13.8	9.8	5.2	7.3	5.0	2.8	5.4
Vlore	9.2	7.7	7.2	3.5	3.3	3.0	3.3	2.0
Total	**11.4**	**13.1**	**12.0**	**9.2**	**7.5**	**7.6**	**12.0**	**10.5**

Source: Demographic Health Survey, (ADHS), INSTAT`

Figure 38. Infant Mortality for 1,000 Live Births

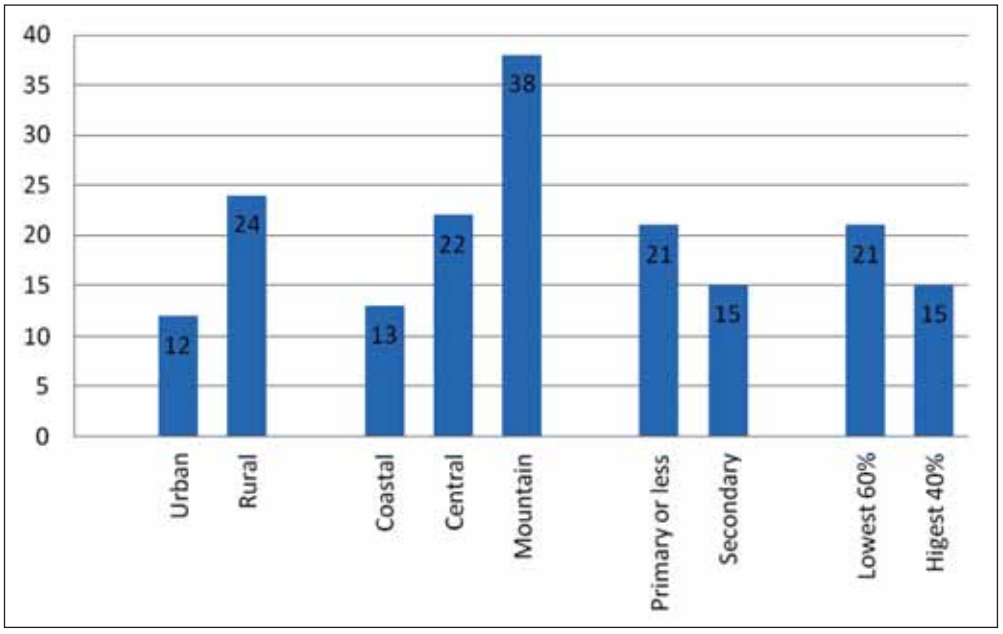


Source: Demographic Health Survey, (ADHS), INSTAT

Referring to the 2008-2009 ADHS, it is evident that, mortality rates in infancy and early childhood are higher in rural areas than in urban areas. Infant mortality in rural areas (24 deaths per 1,000 births) is twice as high as in urban areas. The principal causes include respiratory diseases in first place and then diarrheal and other infectious diseases. They often are related to poor living conditions and poor access to services. During the period 1999-2008, infants and children under five years in the Mountain stratum had the highest mortality rates. The above evidence is based on various regional development analyses. For example the Diber Regional Development Analysis cites that *"a considerable number of deaths in infants occurs when the newborns are from 1-6 days old, and they are mainly as result of insufficient medical care for the mother during the pregnancy stage, failure to take care of the newborns in the very first days, as well as releases from the maternity to home of babies born under weight etc. All above mentioned causes indicate first and foremost the very adverse impact of limited access of the rural population to health care services*[17]*."*

In addition, the differences in the mortality rates related to mother's level of education indicate that children of mothers with primary education or less are more likely to die before their first or fifth birthday than children of mothers with secondary education or higher. To summarize it differently the infant mortality rates are closely related to poverty indicators and problems facing health care services in general. The national ADHS 2008-2009 data clearly shows the same picture related with the background characteristic of infant mortality.

Figure 39. Infant Mortality for the Last 10 Years by Background Characteristics, ADHS 2008-2009



Source: Demographic Health Survey, (ADHS), INSTAT

[17] *Promoting Local Development Through the MDG, Dibra Region, Supported by the UNDP*

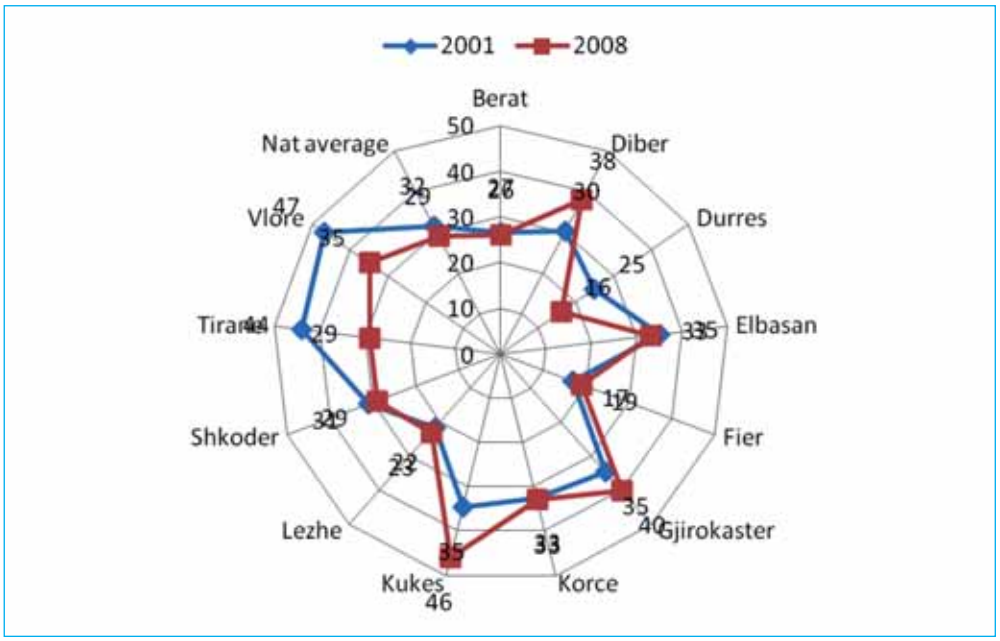
The number of hospital beds in relation to population stands at a low level when compared in the European context (around twice lower than for EU27, EU15, EU10), without significant change in 2001-2008. The health care reform was not able to follow the significant redistribution of population among qarks. Changes in the hospital beds/10000 inh. seem to be related more to the dynamics of (regional) population than to changes in health care facilities

- Highest decrease in Tirana (-36%) and Durres (-32%)
- Highest increase in Kukes (+65%), Diber (+48%), Gjirokaster (+48%),

The resulting differentiation in 2008 is significant (max/min ratio 2,9):

- Lowest – Durres (55% of average), Fier (66%), Lezhe (79%), Berat (90%)
- Highest – Kukes (159%), Gjirokaster (138%), Diber (131%), Vlore (121%)

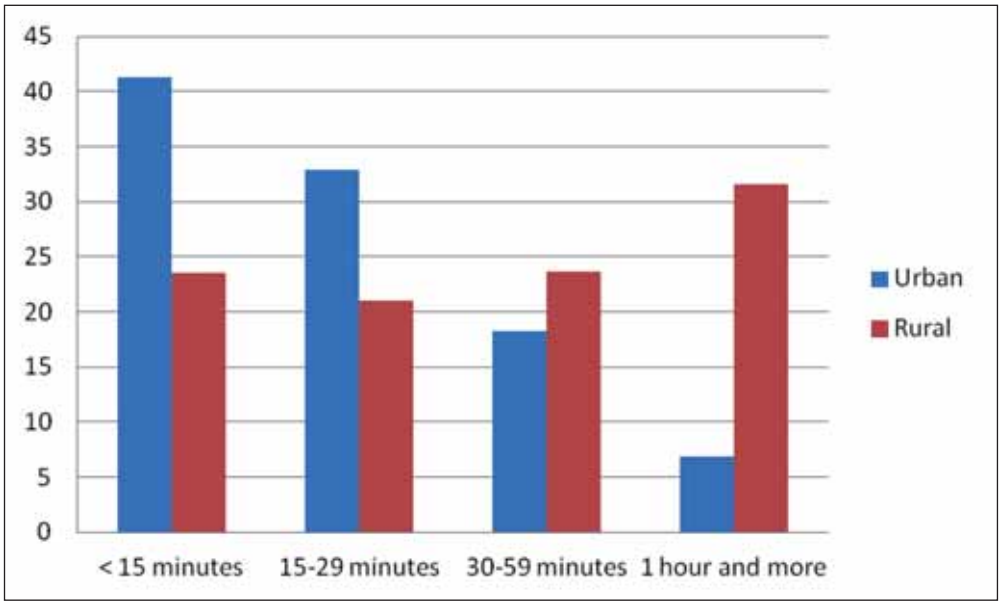
Figure 40. Number of Hospital Beds per 10,000 Inhabitants



Source: Demographic Health Survey, (ADHS), INSTAT

However, the high numbers of hospital beds observed in predominantly rural qarks, do not mean better access to health services, or better quality of services. People in rural areas require more time to travel to a health facility and are more likely to use a vehicle to access the health facility than people in urban areas. More than half of people in urban areas are within a walking distance from a health care facility, compared with only three in ten in rural areas. About 40% women and men in urban areas can access the health facility in less than 15 minutes compared with about only 25% women and men (21 and 26 % respectively) from rural areas.

Figure 41 Percentage of Persons, Aged 15-49 Who Visited a Health Facility, by the Time of Access



Source: Demographic Health Survey, (ADHS), INSTAT

6.3. Conclusions

Recent years of transition had a significant impact on the social cohesion of the country and among its regions:

- In general the standard of living has been steadily improving and incidence of poverty decreasing by about a half over the last 7-8 years. These social gains are, however, not evenly distributed. While there is a convergence between Tirana, coastal and center locations there is a divergence between mountainous areas and the rest (the poverty headcount ratio between Mountain and Tirana strata increased from 2.5 in 2002 to 3.1 in 2008). Still there is over 26% of population in the mountainous locations affected by poverty, and even more in the mountainous rural parts. Also, a significant regional variation is observed between the poorer north (Diber, Kukes, Lezhe, Shkoder) and the south. Another complication to the picture is a highly differentiated distribution of social inequalities within the qarks, depending on local economic development influenced by geographic conditions, so even in best performing regions one can find very 'poor' municipalities and communes.

- Social assistance coverage reflects the existing pattern of poverty distribution and a trend of extreme divergence. While 71% of families in Kukes qualify for social assistance, only 3% do in Durres. Again the situation is worst in the north (Kukes, Diber, Lezhe and Shkoder) and additionally in Berat.

- There is a general improvement across regions in terms of enrolment ratios in primary and secondary education but absolute numbers of students are decreasing (except Tirana) with a risk of closing schools in depopulated locations. Student/teacher ratios are most favourable in the least developed qarks due to a slow response of the education system to migration towards Tirana and Durres.

- A similar pattern is observed in terms of availability of health facilities– the least developed qarks have a relatively good number of hospital beds per number of inhabitants while Tirana, Durres and Vlora (qarks receiving migrants) experience shortages. Nevertheless access to health infrastructure is most difficult in rural mountainous areas and quality of coverage reflects poverty distribution (highest infant mortality is noted in mountains and rural settings). In other words, even if basic educational and health care infrastructure is insufficient in qarks receiving migrants, it is still of superior quality and accessibility compared to many, especially less developed qarks.

  In terms of social cohesion, there is clearly a division along natural barriers (coast-center-mountains) and among qarks:

- **Tirana** – best situation with a low number of people under poverty line and a relatively small percentage of families relying on social assistance, high enrolment in secondary education, easy access to best healthcare facilities and very low infant mortality rates, although there is insufficient number of teachers and possibly schools as well as hospital facilities due to very high population increase;

- **Kukes, Diber, Lezhe, Shkoder**, and additionally Berat – worst situation with high incidence of poverty and wide reliance on social assistance (21% of families in Berat and Lezhe up to 71% in Kukes), although relatively good availability of basic education and health facilities due to decreased total population;

- **Remaining qarks** – mixed situation in terms of social cohesion with varied and not unidirectional changes, high intra-qark disparities along geographic (low land and mountains) and economic (urban and rural) divisions.

Chapter 7

Sustainable Development Access to Infrastructure and Services

Sustainable Development, Access to Infrastructure and Services

7.1. Introduction

Social, economic and spatial disparities, either at regional or local level, have services and infrastructures as a crosscutting component. Access to services and infrastructures can be used to show level of development, wealth and also sustainable use of resources in the provision of services to the citizens. Access to services is also correlated with the efforts made by local governments in supplying them, as well as with the support of the central government. Thus on one hand we can understand the real financial power and autonomy of the local governments and on the other we can make assumptions on the priority development areas and the subsidies` and equalization policies of the national government.

Not all of the services are discussed in this chapter. This is due to their "crosscutting" characteristics. Thus, some of the services (health and education) are discussed as a social dimension. This chapter deals with: environmental pollution (caused by economy and infrastructures – waste disposal, air pollution, and water pollution, access to water supply and sewage system), the mobility patterns and network (public and private), access to communication services (internet, telecommunication). Quality and access are the two aspects that tend to be evaluated for each of the topics discussed below.

Data on environmental aspects refer to the environmental status reports prepared annually or biannually by the Ministry of the Environment. An attempt to distribute and interpret these data geographically and administratively has been made by the experts analyzing disparities in this chapter. The rest of the indicators such as road density, travel time and distance and communication are taken from the "Indicators at Prefecture Level" prepared by INSTAT and have also been subject to further administrative and geographical interpretation by experts.

7.2. Analysis

Environmental Aspects

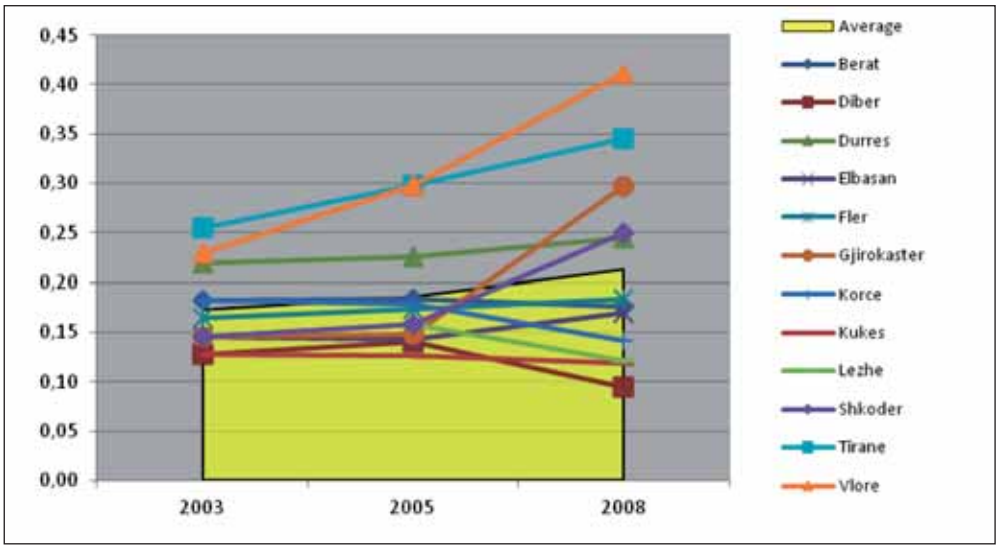
Data on solid waste refer to the "Environmental Status 2008" report prepared by the Ministry of Environment. The following table and graph show the waste generated in qarks in tons per capita. The urban waste at country level increased from 0.17 ton/capita in 2003 to 0.21 ton/capita in 2008 (by 30%). The waste generation increase is especially high in Gjirokaster (over 100%), Vlore (79%), Shkoder (71%) as well as Tirana (35%). For other distant and mountainous regions there is a significant decrease: Diber (-26%), Korce (-22%). Lezhe (-17%) Kukes (-7%) and Berat (-3.5%). The correlation analysis shows that this pattern is strongly linked to urban population share ($r = 0.88$). Other consumption, poverty, access and economic indicators show that the better the economic conditions, the higher the urban waste generation (correlation above 0.75). Six qarks (Diber – 39%, Kukes, Lezhe, Korce, Elbasan, Berat – 73%) are ranked at less than 75% of the national average in 2008. All of these qarks have an urban population of below 50% and in five of them below 36%. A significant differentiation is made clear: 5 qarks above the national average, with 2 outstanding qarks: Tirana – 144% and Vlore – 172%.

Table 28 . Urban Waste per Capita, 2005-2008

Urban Waste	Ton per Inhabitant per Year		
	2003	2005	2008
Berat	0.18	0.18	0.18
Diber	0.13	0.14	0.09
Durres	0.22	0.23	0.25
Elbasan	0.15	0.14	0.17
Fler	0.16	0.17	0.18
Gjirokaster	0.15	0.15	0.30
Korce	0.18	0.18	0.14
Kukes	0.13	0.13	0.12
Lezhe	0.15	0.16	0.12
Shkoder	0.15	0.16	0.25
Tirane	0.26	0.30	0.34
Vlore	0.23	0.30	0.41
Average	**0.17**	**0.19**	**0.21**

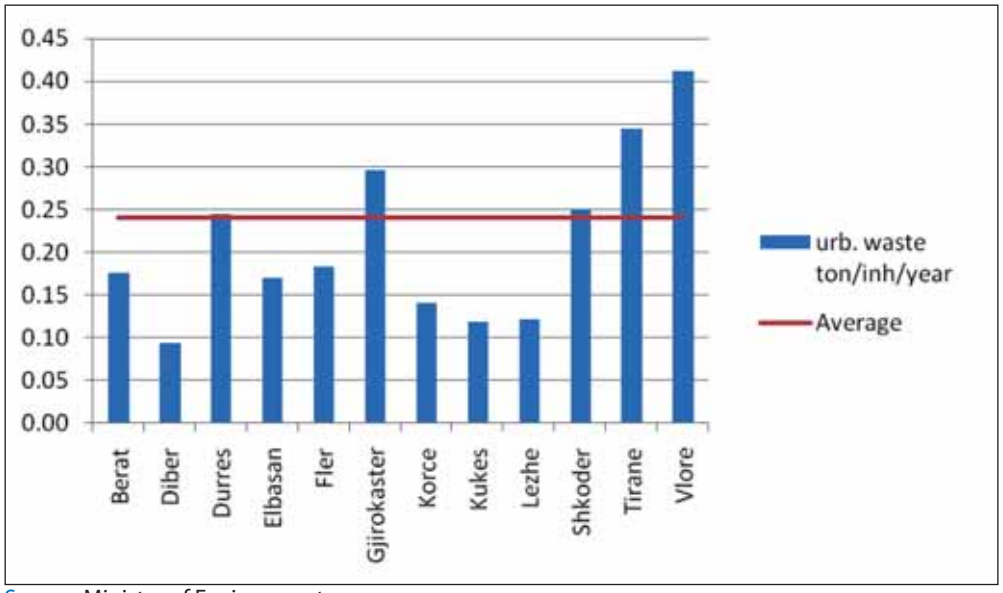
Source: Ministry of Environment

Figure 42. Amounts of Urban Waste in Ton per capita by Qark



Source: Ministry of Environment

Figure 43. Urban Waste per capita, 2008



Source: Ministry of Environment

The main cause for higher urban waste generation is increased urbanisation and non-agricultural economic activities. While regions will be seeking to increase value added in their economies by promoting non-agricultural sectors development, it will also lead to a greater waste generation and thus negative impact on the environment that need to be addressed by public policies.

Pollution of waters mirrors the type of human activities and natural phenomena in a specific area. The Ministry of Environment reports annually on the state of environment in Albania, and pollution of both surface and underground water is one of the main environmental aspects monitored regularly. There are six official river basins in Albania, but for monitoring purposes, a more detailed classification is done, consisting of ten basins. Tirane, Durres, Shkoder, Kukes, Gjirokaster, Fier, Berat, and Korce correspond almost entirely in terms of area with one river basin only, while the rest of the qarks are located on more than one river basin.

Underground water in each basin is monitored for mineralization, hardness of water, Ph, plant nutrients (NO3 and NH4 and NO2) and inorganic pollutants such as heavy and toxic metals. Regarding (heavy) metals, all indicators are below the norm in all basins. Relatively high values, above the norm (Albanian and EU), are observed for plant nutrients and hardness of the water.

Pollution for these indicators is found in:

- Mati basin that corresponds with the area of Lezhe and Diber qarks – the Mati river is overexploited in the Lezhe part with construction material excavation; in the Lezhe area agriculture activities due to good land are going on as well as a lot of informal settlements in the agriculture area;
- Erzen basin, which corresponds fully with the Tirana and Durres qarks area – the type of pollutants is closely linked with: intensive construction works, construction material extraction from the river, numerous informal settlements – lack of sewage system, lack of wastewater treatment plants, lack of landfills (so far dumpsites discharging leachate into soil), industrial activities discharging industrial waste water into soil – could be considered as scoring the lowest;
- Shkumbin basin – polluted by agriculture, wastewater discharge into the river, informal settlements and inherited industrial pollution in Elbasan;
- Seman basin in the areas of Korca and Fier (Lushnje) – polluted by agriculture, wastewater discharge into the river, informal settlements and construction material extraction in the river;

In terms of surface water pollution, the most important is the monitoring of the rivers in 35 stations. Monitoring is done for more indicators than for the groundwater due to direct discharge of pollutants into rivers.

In general the following observations are made:

- Water for rivers Drin and Mat penetrating the qarks of Diber, Kukes, Shkoder and Lezhe, score the best – good quality of water, though in certain areas there is discharge of wastewater and construction material extraction;
- Medium to good quality is found in the rivers crossing Berat, Korce, Elbasan,Gjirokaster, Vlore mountainous area,
- Worst scoring in terms of quality and high pollution are rivers in Tirana, Durres, and Coastal area in Vlore, and Fier – all with direct urban and industrial wastewater discharge, no wastewater treatment plants, intensive construction activities, high urbanization and high waste generation, large informal settlements.

The level and type of pollution as described above shows that the main contributors to surface and underground water pollution in Albania are: the extraction of the inert materials for construction from the river shores; discharge of wastewater directly into rivers and lakes from almost all settlements along the rivers (so far only two treatment plants are built in Albania, and these are only for local use); leaching from the dumpsites into rivers and underground water; over construction of "septic tanks" (without following standards for septic tanks) in settlements located in cities' outskirts.

Table 29. Indicators for the Quality of the Underground Water (watershed/river basin pollution)

Indicators 2008 River Basins / Watershed	Mp (mg/l)	Hardness (°g)	pH	NO3 (mg/l)	NH4 (mg/l)	Na+ K (mg/l)	Cl- (mg/l)	NO2 (mg/l)
Drini	290.12-479.37	8.68-15.68	7.4-7.69					0-0.04
Mati	479.86-2451.1	2.1-222.4	6.99-8.4			691.38-698.51	457.95-1077.42	0-0.05
Lac	245.11-1021	7.56-12.32		1.2-15.6	-	297.16-309.81	410.02-418.9	0.05-0.1
Erzen & Ishmi	661.64-949.59	18-30			0.05			0.05-0.1
F. Kruja acquifer	595.07-763.46				-			0.3
Shkumbini	312.52-661.72	10.64-21.28	7.08-7.47		-			0.3
Lushnja acquifer	208.42-893.66	13.44-26.32	7.69-7.9	3.6-4.4			319.5-346.1	
Seman: Korça acquifer	404.87-562.71	12.68-21.56	7.15-7.92	2-20	0.05			0.1
Vjosa	315.88-746.94	9.38-23.28	7.22-7.58	0.8-4	-			0.05
Ionian area	382.75-602.52	7.05-14.84	7.05-7.75	1.2-2.8	-			0.1-0.8
STASH Standard				25-50	Not allowed	Na: 20-100	25-200	0 – 0.05
Albanian Standard	1 gr/l	10 - 20						
EU Standard			6.5-8.5	25-50	0.1			0 – 0.1
Maximum allowed norm		25	5-9		0.05			

Source: "State of Environment Report 2008", Ministry of Environment

Urbanization and concentration of population in certain cities, together with the improved economic conditions at individual level, have serious implications for air quality in the main urban centers of Albania. Thus, pollution sources for air in Albania are: construction activities in the cities, increased number of cars and traffic congestion and to a lesser degree some economic activities (cement production and a steel plant in Elbasan). The Ministry of Environment reports annually on the status of environment in Albania and air monitoring is done only in 5 cities or 9 monitoring stations. The cities are Elbasan, Tirane, Durres, Fier and Shkoder, as the most urbanised and biggest cities in the country.

The monitored indicators for 2008 are NO2 and SO2 (nitrogen and sulphur compounds having as source the fossil fuel and biomass burning, etc.), O3 and Pb (lead mainly from traffic) whose values stand below both, Albanian and EU standards. On the other hand, two other indicators are measured, namely SPM (suspended particulate material from biomass burning, dust, etc.) and PM10 (particular material 10 micrometers), which both show variation of concentration. Thus, SPM is almost twice higher than the Albanian standard and almost three times higher in Shkodra, Durres and Fier monitoring stations as well as in the central area of Tirana. It is exactly in the same monitoring stations that PM10 also exceeds by twice or more the limit. As far as CO (carbon monoxide from incomplete combustion – burning dumpsites, biomass burning, plant metabolism, etc.) is regarded, values stand below the Albanian standard but significantly higher than the EU standard. It is however difficult to provide a good overview of CO emissions in the air, given that there are very few monitoring stations. On the other hand, there are no data on CO2 (carbon dioxide emitted by fossil fuel burning – most cars use diesel in Albania, industrial processes – few cases but highly polluting in Albania, etc.). In any case, the types of emissions and pollutants in the air that exceed standards have construction activities (buildings and infrastructure) and transportation as a source.

In general, a categorization of the qarks in terms of environmental status (if all indicators are considered) would appear as follows:

- **Tirana outstanding, scoring the worst** – due to high urbanization, construction works, large informal settlements, traffic congestion, no wastewater treatment plant, dumpsites, economic activities discharging into soil and rivers, high level of human activities in almost all of the area of the qark;

- **Vlore, Durres and Fier** – scoring low, with high urbanization rate but not as high as Tirana, almost all activities found in Tirana also appear here but at a lower intensity and often concentrated in the urban areas only. In case of Vlore, problems are encountered in the coastal part of the qark;
- **Korce, Elbasan, Gjirokaster and Shkoder** – scoring medium, medium urbanization levels or steady population, sizeable portion of the qark in mountainous areas and high altitudes, rich in surface water, concentration of human polluting activities only in very specific limited areas of the qark;
- **Diber, Kukes, Lezhe and Berat** – scoring the best, low values of pollution, low urbanization and in several cases depopulation of specific settlements, rich in surface waters and low discharge (better dilution of pollutants in water), agriculture land either small or not in function, extensive forests coverage;

Water supply

Data on access to water system are relevant to poverty, overall development, social exclusion and quality of infrastructures. However, the data is not sufficient enough as to present a full picture given that it is derived from only 2 surveys of INSTAT, which provide information at Qark level: Repoba 2001 and HBS 2007.

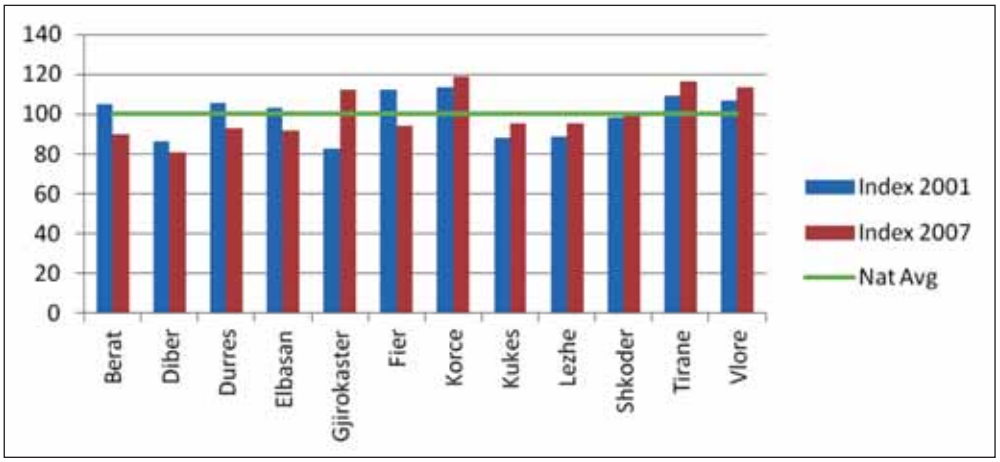
Water access is still a problem issue: nearly ¼ of population does not have access to water supply system. The regional differentiation is relatively low – between 62% and 90% (or between 81% and 119% of the average) and the max/min ratio is 1,5. Korce (92%), Tirana (90%), Vlore (87%), Gjirokaster (86%) score the best[18] , while Diber (62%), Berat (69%), Durres (71%), Elbasan (71%) score the lowest. Also, a very low general improvement has been noted: 3% increase for 2001-2007 (2,5 percentage points – from 74,5 to 77%), with significant differentiation between qarks. The improving qarks are Gjirokaster (+40%), Kukes (+12%), Lezhe (+11%), Tirana (+10%), while the worsening are Fier (-13%), Berat (-11%), Durres (-10%), Elbasan (-9%), Diber (-3%).

Table 30. Access to Water System

Access to Water System	2001	2007
Berat	78.2%	69.3%
Diber	64.3%	62.1%
Durres	78.9%	71.4%
Elbasan	77.1%	70.5%
Gjirokaster	61.8%	86.4%
Fier	83.6%	72.6%
Korce	84.7%	91.6%
Kukes	65.6%	73.3%
Lezhe	66.0%	73.5%
Shkoder	73.1%	76.4%
Tirane	81.5%	89.9%
Vlore	79.7%	87.4%

Source: INSTAT

Figure 44. Access to Water System



Source: INSTAT

[18]*The same findings are drawn by the World Bank study on "Poverty and Social Impact Assessment" of the water sector in 2004.*

The quality of the water supply and access to the system is linked to water reform initiated in Albania after the year 2000, once water supply was decentralized and allocated to local government units as an exclusive service. The real transfer of water systems has in fact started around 2007 and it is not yet completed. The LGUs are not able to cover capital investments and most of the funds go for operation and maintenance of old and inefficient systems. It is also difficult for private operators to enter a subsidised market (WB PSIA 2004).

Another reason for low access to water supply is urbanization and dynamic demographic changes. The infrastructures and services supply has not followed the demographic dynamics. Moreover, informal settlements established at the cities` outskirts normally have no access to services. On the other hand, both informal settlements and several families living in areas with detached houses misuse water sources (improper consumer attitude), thus leading to: "false low network coverage" that is not covered by tariffs; unsatisfactory water quality due to inadequate sanitary conditions of water sources as a result of sewage infiltrations (septic tanks) and high number of individual wells; presence of water borne diseases such as diarrhea, etc. Finally, the lack of proper databases on water networks negatively impacts both, the investment and maintenance programs of the water companies on one hand and the government policies supporting modernization of the water sector on the other.

Categorization of the qarks with respect to water network shows the following:

- The best supplied qarks are Korce, Tirane, Vlore and Gjirokaster – mainly due to differentiated progress of the reform, and specific donor support for water systems;
- The medium coverage qarks are Fier (worsening), Kukes (improving), Lezhe (improving) and Shkoder (investments have increased during the last 2-3 years);
- The worst scoring qarks are: Diber, Berat, Durres and Elbasan – unsuccessful management, while the situation is also worsening.

Transport

Transport and thus movement of products and people play an important role in increasingly specialized economies, and are an important factor hindering or fostering regional development. In order to give a good picture of regional transport and mobility the following aspects have been analyzed: the road network, travel time from different settlements to the major qark urban centers, distance from different settlements to the main national road axes, travel distance to the main airport[19], and transportation measured in cars per 1000 of population.

The data on road network are based on INSTAT publications " Indicators at Prefecture Level 2002-2008 ". These data are organized in two main groups[20], namely: roads administered nationally and rural roads – or "sub-national roads".

Albania has a relatively high road density (454 km/1000 km2 in 2008), but this has also negative implications as numerous roads need to be maintained. Further, this indicator can be misleading if quality is not considered. As a matter of fact, the travel time maps and the reality check suggest high inefficiency of the road network and uneven quality across the country. Inefficiency is strongly linked to the mountainous terrain. Sub-national roads have much lower quality than national ones, while also constituting the majority of the total road network length.

[19] *Rinas as the only airport in Albania is taken into consideration for this analysis. The port of Durres and that of Vlore are excluded not only due to limited access to major commuting hubs abroad, but also given the adjacent location of Durres port and Rinas airport.*
[20] *Referring to the INSTAT classification, but modified for the purpose of this study*

At country level, nationally administered roads constitute 28% of the total roads (no changes between 2003 and 2008). However, at the qark level, this indicator shows some minor changes over time, with the most significant one in Kukes, decreasing from 48% to 30%. The latter has occurred due to the increase of sub-national roads, while nationally administered ones are reported unchanged. The qarks that contribute to the increase of the country average for nationally administered roads density are Elbasan, Fier, Gjirokaster and Shkoder, where national investments for primary road network focused during the last 5 years. Accessibility has also improved for Lezhe and Kukes since 2009, with the construction of the new Durres-Morine highway[21].

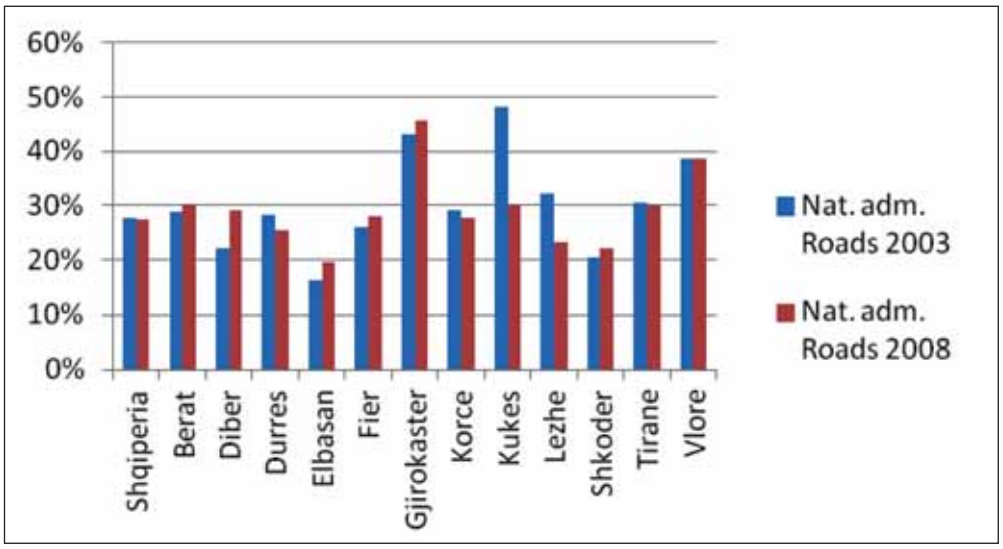
Table 31. Total, National and Sub-national Roads, 2003 and 2008

Roads	Nat. adm. Roads 2003	Nat. adm. Roads 2008	Total Roads km/ 1000 km2 2003	Total Roads km/ 1000 km2 2008	Nat. adm. km/ 1000 km2 2003	Nat. adm. km/ 1000 km2 2008	Index 2003 %	Index 2008 %	Sub-nat. km/ 1000 km2 2003	Sub-nat. km/ 1000 km2 2008	Index 2003 %	Index 2008 %
Berat	29%	30%	276	282	80	85	67	68	344	238	63	60
Diber	22%	29%	442	336	98	98	83	78	628	628	111	72
Durres	28%	26%	877	843	249	215	210	172	456	456	202	191
Elbasan	16%	20%	545	569	89	112	75	90	328	328	147	139
Fier	26%	28%	443	455	115	127	97	101	125	125	106	100
Gjirokaster	43%	46%	219	230	94	105	79	84	243	276	40	38
Korce	29%	28%	343	383	100	106	84	85	128	274	78	84
Kukes	48%	30%	248	393	120	120	101	96	301	471	41	83
Lezhe	32%	23%	444	614	143	143	120	114	491	505	97	143
Shkoder	20%	22%	617	648	126	143	106	114	373	373	158	154
Tirane	30%	30%	537	533	163	160	138	128	262	262	120	114
Vlore	39%	39%	426	426	164	164	138	131	311	329	84	80
Albania	28%	28%	429	454	119	125	100	100	197	197	100	100

Source: INSTAT

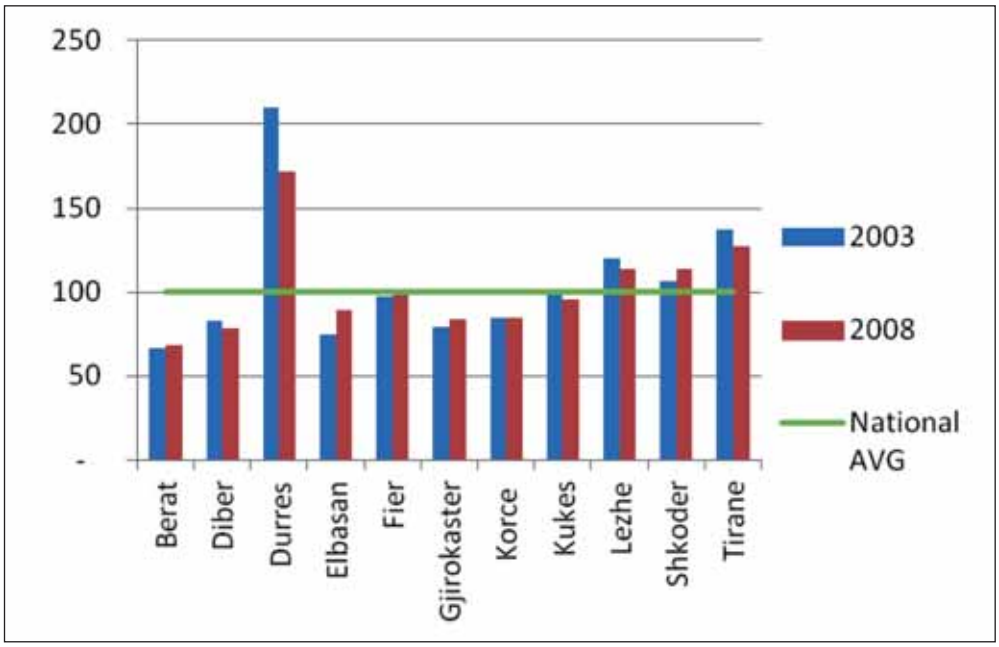
[21] *The study refers to data for the period 2001-2008, in order to be coherent with all sets of data.*

Figure 45. Nationally Administered Roads as Percentage of Total



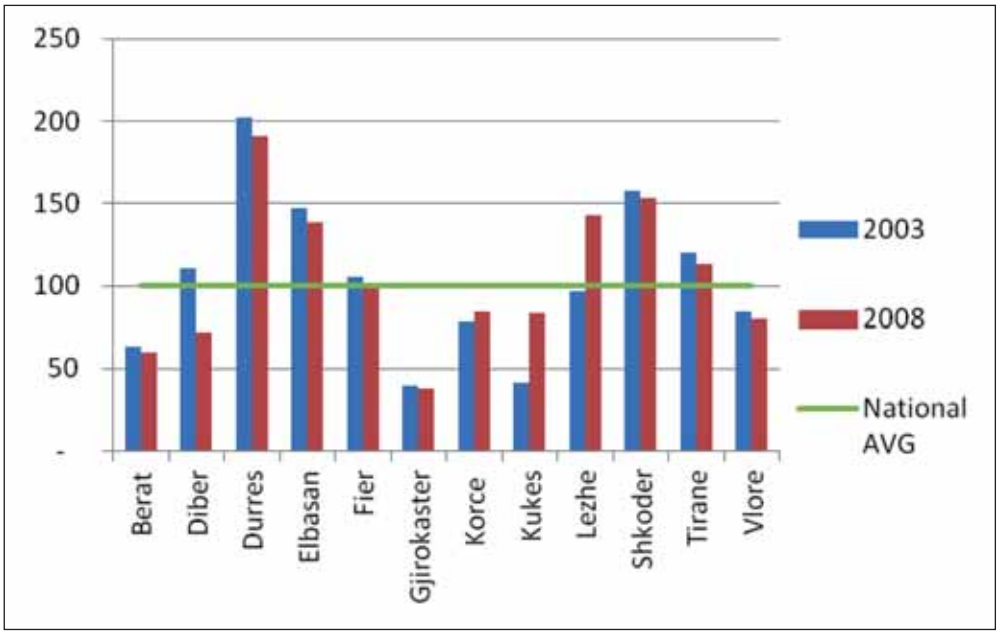
Source: INSTAT

Figure 46. Nationally Administered Roads, km/1000km2, as Percentage to the National Average



Source: INSTAT

Figure 47. Sub-nationally Administered Roads, km/1000km2 as Percentage of the National Average



Source: INSTAT

In terms of inequalities between the qarks for "total roads"[22] , there is a significant differentiation, (max/min ratio 3,7). Best, significantly above the average are Durres (186%), Shkoder (143%), Lezhe (135%), Elbasan (125%) as well as Tirana (117%). This is understandable given the high amount of investments done on national roads that go across these qarks. Further, as Durres, Shkoder, Lezhe and Tirana are located in the coastal area – the accessibility is better due to the plain terrain. Elbasan makes an exception to this rule. However, a common argument for all these qarks is the increase of population. The fact is also supported by correlation analysis
(r = +0.76) for nationally administered roads.

Again for the "total roads" measured as km/1000km2, worst, significantly below the average are Gjirokaster (51%), Berat (62%), Diber (74%) as well as Korce (84%), Kukes (87%). These are all very mountainous qarks, with difficult terrain, and with the exception of Berat, all have a bigger area than the national average. There is a slight increase of the "total roads" density at country level by 6% on average, significantly high in Kukes (+59%), Lezhe (+39%), Korce (+12%); however the "total roads" density is decreasing in some qarks, notably in Diber (-24%). The latter is impacted by the decrease of sub-national roads. If we compare between the nationally administered roads and the sub-national ones, the differentiation is higher for sub-nationally administered roads (the so-called rural roads) than for national (for the former the max/min ratio is 2,5 and for the latter – 5,0).

In order to analyse transport accessibility within Albania, travel distances and time, and access to the international hubs within Albania determine to what extent a qark is peripheral. In terms of travel time within the qark, a distinction is made between settlements that can reach the qark centre (the majorurban centre within the qark where most of the services are provided) within 1 hour or more. The respective map shows that travel time is highly correlated with the terrain. Regardless of the qark, all the settlements situated in plain terrain can reach the qark centre within one-hour travel time. Kukes and Diber score the worst.

[22] *Total Roads means Nationally Administered Roads plus Sub-national Roads.*

While travel distance to qark centre provides an idea on the sub-national roads and emphasizes geographical location as a crucial factor in determining periphery effects, travel distance and time to national roads may somehow reverse the picture. For the purpose of this study, we have classified national roads into 5 layers, namely: national corridors (also international ones, close to EU standards, 1st priority for government); national roads (important national axes to ensure internal connection between major urban centers, nationally administered, moderate quality); peripheral national roads (nationally administered, provide access to some regionally important urban centers, the only access for certain parts of the country, poor quality); regional roads (regardless of type of administration, these roads serve at a certain regional level only – to connect a series of villages and small urban centers, very poor quality); proposed national roads (these could become very important corridors in the future, still in plans or just procured). Travel distance of main settlements to national roads is measured only for the 3 first categories.

All qark centers, with the exception of Peshkopi in Diber, as well as the main cities along the coast have direct access to the national corridors. The qark of Diber as well as the mountainous areas (that constitute most of the area) in Korce, Gjirokaster and Berat qarks have access to second and mainly to third category of national roads. However, while in Diber the distance of the different settlements (apart from those situated along the road) to the national roads is mainly above 25 km, in the three other southern qarks, the distance varies between 11 and 25 km.

The qarks of Tirana and Durres contain the major hubs of international freight and passenger traffic (though there is a good chance for Vlora too), respectively the airport and the sea port. Given the location proximity of both these infrastructure hubs, only a map of travel distances of the different settlements to the airport is built. Travel time of less than 1 hour to the airpot is observed for more than 90% of the settlements in the qark of Tirana and Durres. In terms of travel distances this falls within 12-40 km range. A travel time between 1 and 2 hours is observed for the qark of Fier, the coastal areas of Shkoder and Lezhe, the south-western part of Diber, the northern part of qark of Berat and most of the qark of Elbasan. In terms of travel distances this falls between 41 and 100km. The qarks that score the lowest in terms of both, time and distance to the airport, are Kukes, Gjirokaster and Korce. In these qarks, travel time exceeds 2 hours and can be extended to 7 hours, while travel distance falls between 150 km and 310 km.

The whole coastal area (to the north and south of Durres) has untapped potential for tourism and agriculture/agribusiness, but this region's trade and traffic focuses heavily on the hub of Durres and Tirana, with little movement through a north-south or east-west axis that would integrate the coast more strongly to the rest of the country (WB "Urban Sector Review", 2007). While it is expected that the new road towards Kukes and Kosovo will improve access for the northeast area of the country, in general the inland areas (mainly mountainous) are still lagging behind. The travel distance analysis above shows though that the cities of Berat and Korce are a positive exception due to location and access to national roads, the same cannot be said for the rest of the area of each of these qarks.

Cars (for personal use) are an important fraction of the road vehicles and are considered a representative indicator for road vehicles as they show welfare levels as well as access to independent mobility.

Table 32. Cars per 1000 Inhabitants, 2001-2008 Average

Cars	2001	2002	2003	2004	2005	2006	2007	2008
Berat	24	28	32	34	36	46	48	50
Diber	10	11	13	17	20	28	25	30
Durres	74	91	85	93	77	83	85	88
Elbasan	21	25	28	25	35	40	40	42
Fier	28	28	39	41	49	55	58	60
Gjirokaster	51	86	59	46	59	66	68	70
Korce	26	29	37	37	42	48	49	51
Kukes	11	13	15	16	21	28	29	31
Lezhe	45	50	53	51	46	53	54	59
Shkoder	39	45	50	46	51	59	62	76
Tirane	72	81	101	144	106	116	122	129
Vlore	68	48	70	96	76	102	128	92
Albania	**43**	**48**	**56**	**57**	**62**	**71**	**75**	**78**

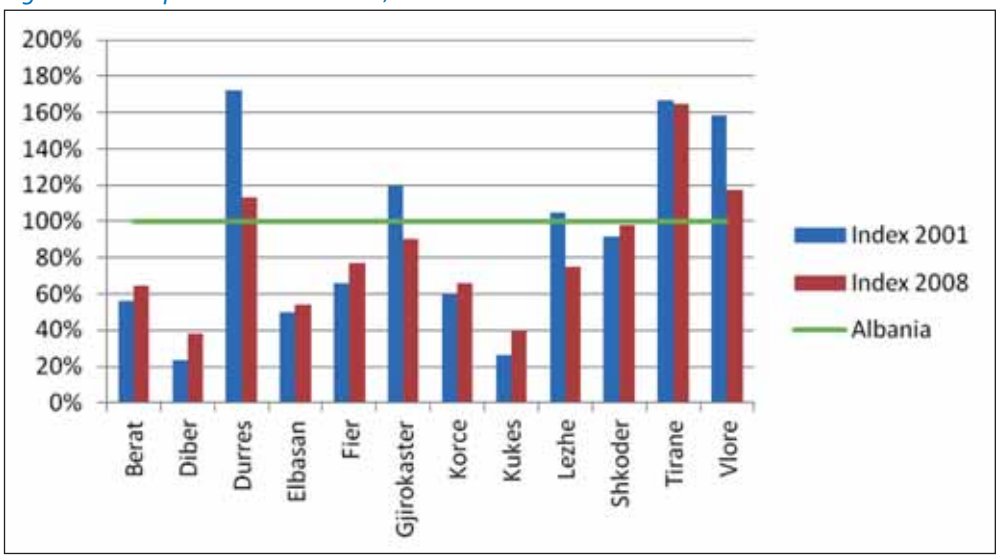
Source: INSTAT

Table 33. Cars per 1000 Inhabitants, Index

Cars	Cars per 1000 inh. 2001	Cars per 1000 inh. 2008	Index 2001	Index 2008
Berat	24	50	56%	65%
Diber	10	30	24%	38%
Durres	74	88	172%	113%
Elbasan	21	42	50%	54%
Fier	28	60	66%	77%
Gjirokaster	51	70	120%	90%
Korce	26	51	60%	66%
Kukes	11	31	26%	40%
Lezhe	45	59	105%	75%
Shkoder	39	76	92%	98%
Tirane	72	129	167%	165%
Vlore	68	92	159%	118%
Albania	**43**	**78**	**100%**	**100%**

Source: INSTAT

Figure 48. Cars per 1000 Inhabitants, Index



Source: INSTAT

There is a significant variation between car ownership indicators at qark level. Max/min ratio is 4.3. Only 3 qarks are above the average (only Tirana is above the 125% of the national average), while 6 are significantly below.

- Best scoring are: Tirana (164%), Vlore (117%), Durres (113%) – the most urbanised qarks and where most of the non-agricultural economic activity is concentrated. This is also supported by correlation analysis. Correlation coefficients stand above +0.80 for all links between cars` use and non-agriculture enterprises (new and existing), FDI, urban population and population change and finally LGU own revenues;
- Worst scoring are: Diber (38%), Kukes (40%), Elbasan (54%), Berat (64%), Korce (65%), i.e. peripheral mountainous areas where cars would be more needed.

However, over 2001-2008 we note a significant overall increase (+82%) and with some convergence. Thus, the highest increase is in qarks with the lowest values in 2001, e.g. Diber (+193%) and Kukes (+173%), Berat (+109%), and it could be due to increasing migration (more income and need to travel) and declining importance of agriculture – people seek other opportunities within the qark and further in Tirana and the coast. Fier has also a high increase (+111%) given that the use of cars per 1000 inhabitants is above 75% of the national average. This might be again linked to the strong urbanisation patterns in this qark where most of the land is agricultural.

Public transportation is organized through buses, minivans, taxis and railway. Public road transportation is managed by local authorities. It is considered as one of the most and early-decentralized services in Albania, though local authorities claim for price liberalization while also experiencing several difficulties arising due to the high defragmentation of the service. The tariff margins are set by law at the national level. Local authorities design the public transportation plans, license private companies and/or individuals and monitor the quality of service. Public transportation is organized in three levels: local (city or commune if relevant); inter-local (among local government units within the qark); and inter-city (among the major urban centers in Albania). Most of the transportation problems are experienced is the second category – "within the qark". While qark is responsible for defining the mobility plan, the first tier LGUs (municipalities and communes) have the administration competency for licensing. Thus the transportation lines cannot cross beyond the territory of the licensing authority. This results in a very fragmented service, with high costs for the provider, and low quality.

The railway system (managed nationally) could constitute a very god alternative of public transportation for those qarks and settlements that physically (due to location) have access to it. Further, it could be used for freight transportation, especially given that several lines have been built before 1990, with the purpose of connecting economic sites. The railway line extends to Shkoder in the north and further to Montenegro (freight transport), thus having a potential for connection to the European network and establishing in Shkoder an important international transportation hub, for both passengers and freight.

However, the railway system in Albania has several week points, and given the rapid growth of road transportation opportunities and system, has remained deeply in the shadow. A World Bank feasibility study has considered as non-feasible the reconstruction of the railway line for public transportation purposes, in the market economy context of Albania, is much more efficient to concentrate on the road network.

Disadvantages of the railway could be ranked as the follows:

- A relatively small network (447 km of primary line and 230 km of secondary line[23]) given the geography of the country. It extends over the western coast (Shkoder - Vlore) and along the west-east corridor (corridor 8). As mentioned above there are some lines that penetrate towards the inland areas but for freight transport only, further the line is single.
- The numbers of passengers using the railway line are very low, due to a high preference for road transportation (faster, the speed of the railway transportation is 30-40 km/hr on average), and the very low quality of the facilities used by the railway.
- It is only national and not regional – thus it connects only major urban centers and does not provide service for settlements within the qarks.
- It is extremely dilapidated and would require enormous costs of reconstruction and modernization.

In general, in terms of mobility patterns and accessibility, the qarks could be divided into three groups:

- Best accessibility, good mobility – internal and (inter)national, high congestion, high pressure on the environment, several investments, chance for railway development and use – Tirana and Durres
- Medium accessibility, good mobility – all other "coastal" qarks, investments ongoing, pressure on the environment increasing significantly, (Shkoder, Lezhe, Fier, Vlore as well as Elbasan)
- Low accessibility, poor mobility – the more peripheral, mainly mountainous qarks, few investments and maintenance (Berat, Diber, Kukes, Korce, Gjirokaster). Accessibility to major hubs for Kukes should improve significantly with the new Durres-Morine highway, however, this does not bring any improvement for the internal mobility (within the qark)

[23] *Ministry of Public Works, Transport and Telecommunication*

Telecommunication

Communication has improved during the period 2001-2008, though in different patterns if we compare the qarks. Three indicators have been considered: fixed telephones (no. of families that have a fixed line connection), mobiles (families where at least one person has a mobile) and internet (people who have e-mail address and those that have used internet for more than 2 years).

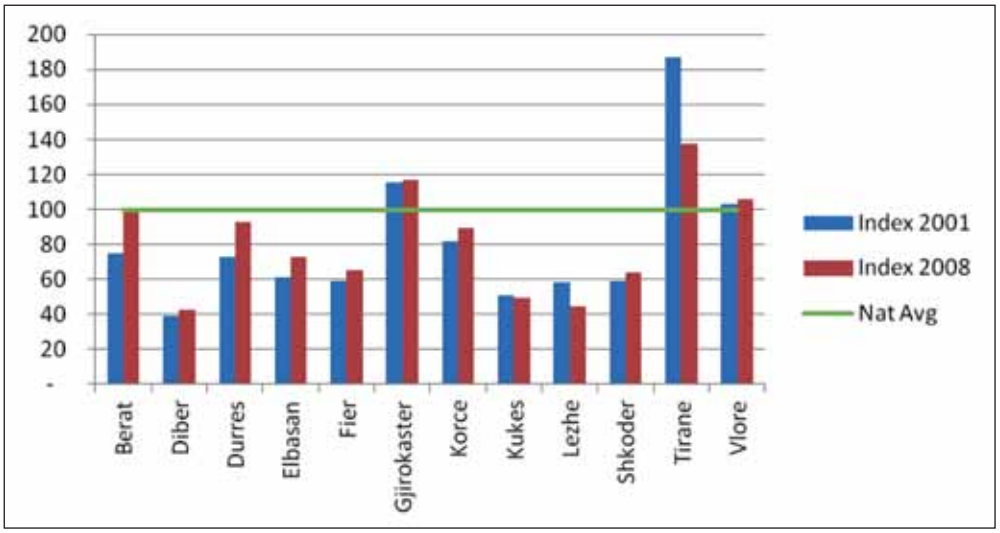
Regarding fixed line telephones, there is a significant differentiation between qarks - max/min ratio is 3.2. The best, significantly above the average are Tirana (149%) and Gjirokaster (127%), while the worst, and significantly below the average are Diber (46%), Lezhe (48%), Kukes (53%), Shkoder (70%) and Fier (71%). Some convergence trends are also identified, but seem to be weak. The total increase for the period 2003-2008 is 12%. Most qarks report significant increase, while a substantial decrease is observed in Tirana (-17%). The telephone connections are positively highly correlated with other indicators – LGU own revenues, non-agricultural enterprises and population change. The decrease in Tirana might be dedicated to the high mobile use and good network coverage as well as the high internet use. It might also be impacted by other small companies apart from Telecom, located mainly in Tirana, which provide fix/cable telephone connection. Further, another explanation might be the increase and densification of informal settlements around Tirana. Informal settlements are established on previously agricultural land and are inhabited by newcomers that have migrated from remote mountainous areas to the centre. Social exclusion is typical for these settlements and one of the features is lack of access to (basic) infrastructures.

Table 34. Families with Telephone per 1000 Inhbitants as Percentage of National Average

Families with Telephone	2001	2002	2003	2004	2005	2006	2007	2008	Index 2001 %	Index 2008 %
Berat	47	57	61	67	74	81	82	83	75	100
Diber	25	30	31	32	34	36	35	35	39	42
Durres	46	45	56	75	80	76	76	77	73	93
Elbasan	39	55	47	51	55	58	58	60	61	73
Fier	38	43	44	47	49	54	54	54	59	65
Gjirokaster	73	53	91	142	149	98	98	97	116	117
Korce	52	58	59	62	66	73	74	74	82	90
Kukes	32	34	33	34	39	42	44	41	51	49
Lezhe	37	38	38	39	39	39	37	37	58	45
Shkoder	38	38	40	41	47	54	53	53	59	64
Tirane	119	129	137	117	112	113	112	114	187	137
Vlore	65	70	71	46	52	102	123	88	103	106
Albania	**63**	**69**	**73**	**73**	**77**	**82**	**83**	**83**	**100**	**100**

Source: INSTAT

Figure 49. Telephone Connections – Families per 1000 Inhabitants as Percentage to the National Average



Source: INSTAT

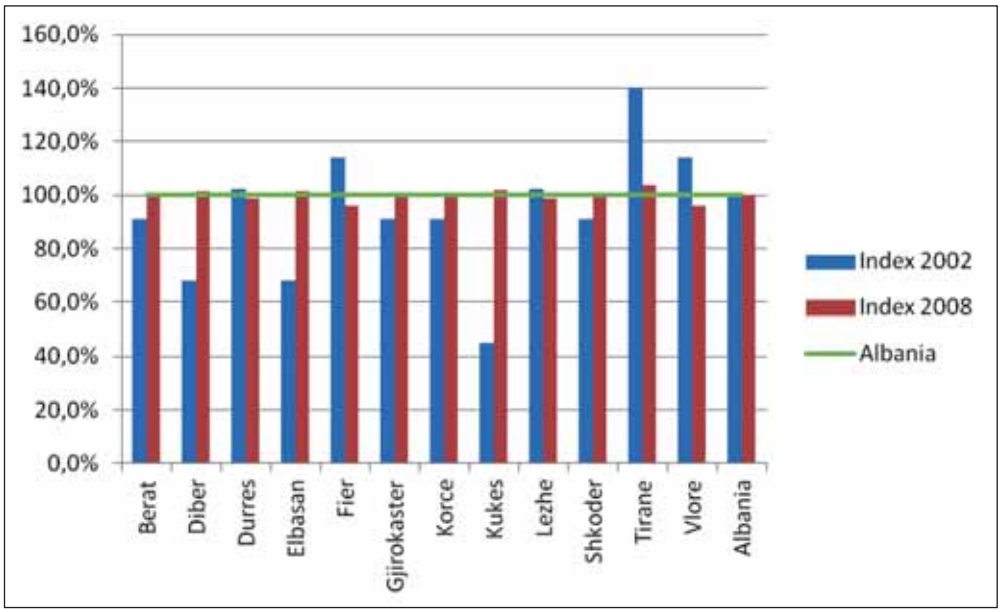
Growing use of mobile phones changes the patterns in telecommunication. In 2008, 89% of families have at least one member with a mobile phone (more than double compared to 40% in 2002). While in 2002 the regional differentiation was significant (Tirana had a percentage indicator three times higher than mountainous regions), in 2008 there is no significant regional differentiation (values vary between 86% and 92%).

Table 35. Mobiles – Families Where at Least One Person Has a Mobile Phone (%)

Families with mobile phone	2002	2005	2008	Index 2002	Index 2008
Berat	36.1%	75.7%	89.8%	91.2%	100.9%
Diber	27.0%	75.3%	90.2%	68.1%	101.3%
Durres	40.6%	79.9%	87.7%	102.5%	98.5%
Elbasan	27.0%	75.3%	90.2%	68.1%	101.3%
Fier	45.1%	84.1%	85.6%	113.9%	96.2%
Gjirokaster	36.1%	75.7%	89.8%	91.2%	100.9%
Korce	36.1%	75.7%	89.8%	91.2%	100.9%
Kukes	17.8%	74.8%	90.6%	44.9%	101.8%
Lezhe	40.6%	79.9%	87.7%	102.5%	98.5%
Shkoder	36.1%	75.7%	89.8%	91.2%	100.9%
Tirane	55.5%	91.6%	92.4%	140.2%	103.8%
Vlore	45.1%	84.1%	85.6%	113.9%	96.2%
Albania	**39.6%**	**80.2%**	**89.0%**	**100.0%**	**100.0%**

Source: INSTAT

Figure 50. Mobiles – Families Where at Least One Person Has a Mobile Phone, Index



Source: INSTAT

A similar phenomenon can also be seen in internet use. The number of those having an e-mail address has increased in overall and differences between the qarks have decreased in 2005-2008 (Tirana remains the highest and above the 125% of the average). The place of using internet (home, work, school) is almost constant over this period, while the total period of internet use shows not only less differentiation between qarks, but also that internet is becoming more and more the means of communication. Thus, the number of those using internet for 1-6 months has decreased from 15.5% to 7% and the number of those using internet for more than 2 years has increased from 37% to 47%.

Table 36. Internet Users – People with E-mail Address

Internet Users	Have email address (%) 2005	Have email address (%) 2008	Index 2005	Index 2008
Berat	40.4	50.7	88%	84%
Diber	41.0	52.3	89%	87%
Durres	32.3	53.2	70%	89%
Elbasan	41.0	52.3	89%	87%
Fier	21.4	55.7	47%	93%
Gjirokaster	40.4	50.7	88%	84%
Korce	40.4	50.7	88%	84%
Kukes	44.8	54.0	98%	90%
Lezhe	32.3	53.2	70%	89%
Shkoder	40.4	50.7	88%	84%
Tirane	60.8	68.0	133%	113%
Vlore	21.4	55.7	47%	93%
Albania	**45.9**	**60.1**	**100%**	**100%**

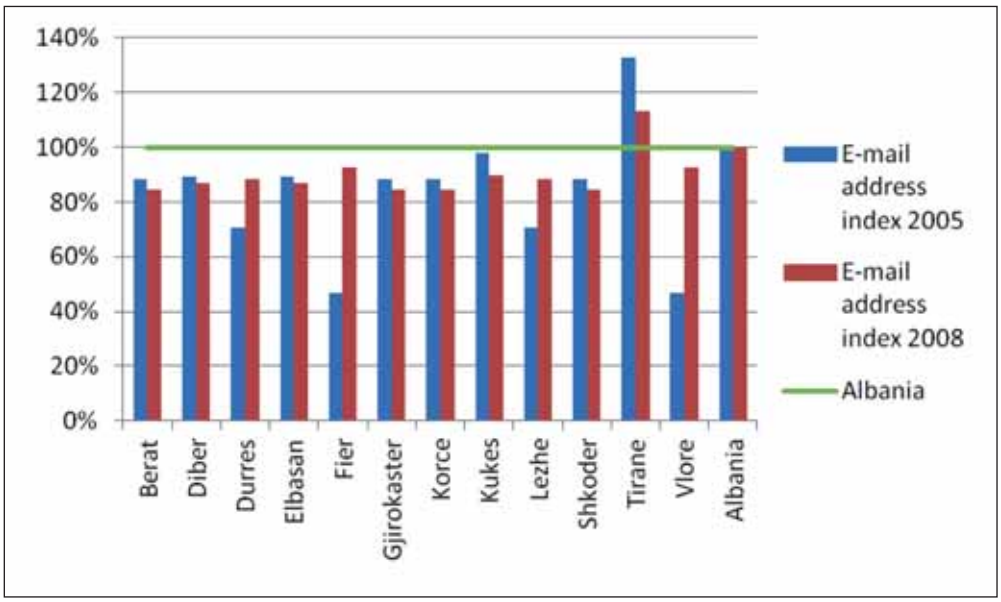
Source: INSTAT

Table 37. Internet Users – Time of Internet Use

Time of Internet Use	1-6 months 2005 %	6-12 months 2005 %	1-2 years 2005 %	more than 2 years 2005 %	1-6 months 2008 %	6-12 months 2008 %	1-2 years 2008 %	more than 2 years 2008 %
Berat	24.4	36.7	27.7	11.2	10.1	26.1	33.7	30.0
Diber	22.2	34.9	28.2	14.6	10.3	25.8	33.8	30.1
Durres	23.4	33.8	23.9	18.9	9.1	25.6	34.7	30.6
Elbasan	22.2	34.9	28.2	14.6	10.3	25.8	33.8	30.1
Fier	22.2	30.0	18.8	29.0	7.9	24.9	36.0	31.3
Gjirokaster	24.4	36.7	27.7	11.2	10.1	26.1	33.7	30.0
Korce	24.4	36.7	27.7	11.2	10.1	26.1	33.7	30.0
Kukes	8.5	23.1	31.4	37.0	11.5	23.8	34.4	30.3
Lezhe	23.4	33.8	23.9	18.9	9.1	25.6	34.7	30.6
Shkoder	24.4	36.7	27.7	11.2	10.1	26.1	33.7	30.0
Tirane	7.5	16.2	20.0	56.3	5.1	13.6	15.5	65.9
Vlore	22.2	30.0	18.8	29.0	7.9	24.9	36.0	31.3
Albania	**15.5**	**25.3**	**22.4**	**36.7**	**7.3**	**19.8**	**25.6**	**47.3**

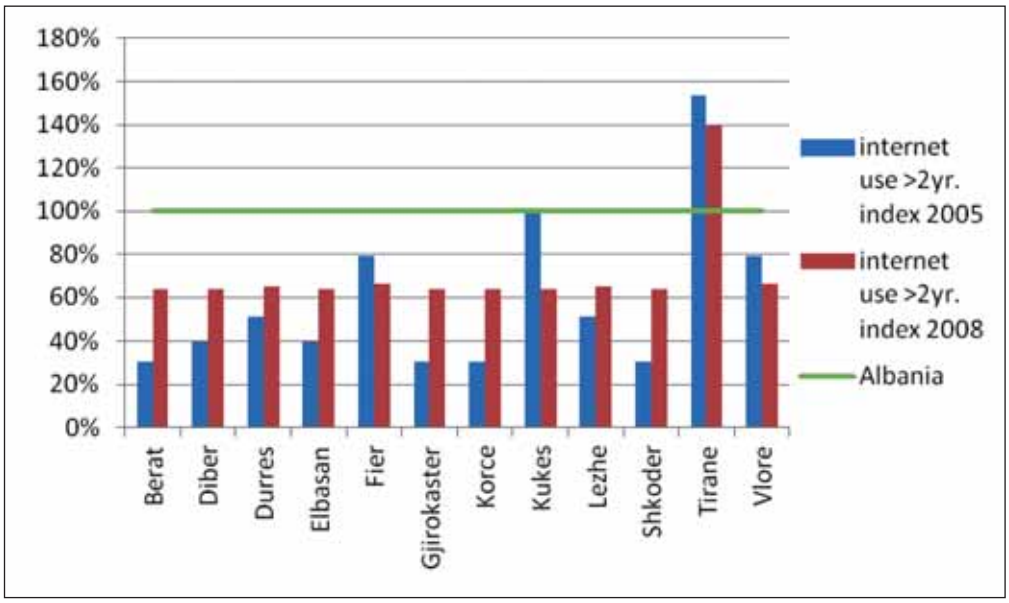
Source: INSTAT

Figure 51. Internet Users – E-mail Address, Index



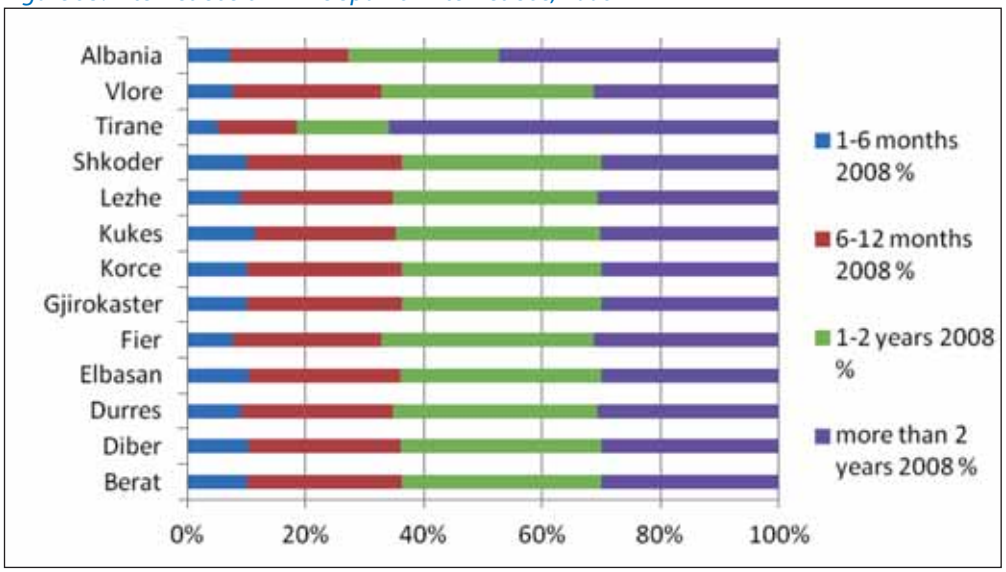
Source: INSTAT

Figure 52. Use of Internet – Time Span, Index



Source: INSTAT

Figure 53. Internet Users – Time Span of Internet Use, 2008



Source: INSTAT

However, in general:

- Costs for mobile phone are significantly higher than costs for fixed line telecommunication and internet;
- Many areas (mountains) have poor mobile network coverage, i.e. the reliability and quality of connections is low;
- Regarding internet connection, still only 47% of internet users use internet in Albania for periods of more than 2 years, and 11 out of 12 qarks are ranked below the 75% of the average.

In terms of communication services, the following categories of qarks are observed:

- Tirana is outstanding with highest values on all indicators;
- Central and Southern qarks have a medium quality and access;
- Diber, Kukes, Lezhe, and Shkoder score the lowest.

8.1 Conclusions

Albanian regions are highly differentiated in terms of development of network infrastructures, accessibility and pressures on natural environment. These aspects are greatly related to concentration of population, settlements types, prevailing economic activities, which in turn are conditioned by geographic factors.

The following issues deserve particular attention:

- Highest levels of pollution are closely related to urbanisation and industry patterns. High increases in urban waste per capita have been noted in Gjirokaster, Vlore, Shkoder 'catching up' or exceeding historically high levels of waste produced in Tirana and Durres while the least developed qarks have seen a reduction. Surface waters (rivers) show high pollution primarily in Tirana, Durres and coastal areas of Vlore and Fier - the main reason being the lack of water treatment plants. The cleanest rivers, with isolated polluted sections, are in Diber, Kukes, Lezhe and Shkoder. Air pollution (especially in terms of suspended particulate materials) is especially problematic in Shkodra, Durres, Fier and central Tirana. In principle, a clear link is assumed to exist between pollution and/or pressure on the environment on the one hand, and economic development on the other.

- Almost 25% of Albanians have no access to water supply systems, with little differentiation among qarks and slow improvements over time. This problem is aggravated by strong migrations and informal settlements in proximity to larger cities as well as slow progress of decentralized water management. Locally the situation can be substantially varied.

- Transport and accessibility remain of a crucial importance in Albania, given the rather difficult terrain patterns. While some (re)construction of important national corridors and to a lesser degree of the sub-national roads has been carried out, the needs greatly exceed financial allocations. Improvement of the road network at both national and sub-national level, would, among others, decrease congestion in the most urbanised areas, help secondary cities grow, and decrease negative pressure on the environment. From economic point of view it is also critical to limit the periphery effect in locations with poor transport access to Tirana/Durres hub (sea port of Durres and Rinas international airport) and to other major cities, by providing modern road connections. With investments, regular travel time, especially to remote but still important locations (such as qark centers in Diber, Korce, and Gjirokaster) could be drastically reduced, providing economic and environmental gains. Railway cannot be presently seen as an important transport mode, due to limited coverage and a very poor technical condition.

- Regarding telecommunication, several improvements have occurred recently in terms of accessibility (for both internet and mobiles), leading to a more equitable distribution of use among different regions. There is still however lower network coverage and poorer quality of connections in the mountainous rural areas.

In general, in terms of network infrastructures and environmental sustainability the following groups of qarks can be identified:

- **Tirana and Durres** – best accessibility, worst sustainability – very good or good internal and (inter) national transport connections of different types, highly mobile population (high car ownership indicators) average or better than average access to water system, very good telecommunication coverage, high congestion, very high pressure on the environment and need for large related investments;

- **Berat, Diber, Kukes, Korce, Gjirokaster** – worst accessibility, best sustainability - more peripheral, mainly mountainous qarks, limited investments in transport infrastructure (with exception of Kukes with the new Durres-Morine highway, however, this does not bring much improvement for internal mobility), worst access to main internal and external markets, relatively few car owners, varied shares of population without access to water systems, weak telecommunication coverage and use, little and in some cases decreasing pressure on the environment;

- **Shkoder, Lezhe, Fier, Vlore, and Elbasan** - medium accessibility, medium sustainability – mainly coastal with easier access to major markets, car ownership lower but close to national average (except Elbasan with much lower figure), varied access to water systems, about average development in terms of telecommunication use, varied pressure on the environment.

Access to network services and infrastructures, their quality and status of the environment are good indicators of the level of development and further needs for investments. The more remote and mountainous qarks have a cleaner environment compared to those located in the plain areas (more developed, better equipped with network services and also more congested). On the other hand, in the "cleaner" qarks it is hard to substantiate large capital investments in infrastructure as population dynamics is negative, which in turn can lead to their further 'detachment' from the mainstream development.

There are still significant gaps in policy and legal framework with regard to physical planning, settlement regulation, urban sprawl and development control. These tools are necessary in response to the high regional population and settlement dynamics. Further development in many areas will be hampered if adequate regulation is not put in place. This does not only apply to the main growth poles like Tirana and Durres but to all larger towns as urbanization has become a country wide phenomenon.

Local Finances

Local Finances

8.1 Introduction

A specific dimension of regional and local development is related to local finances. It allows not only to get a better insight in the economic situation on local level and the existing differentiation, but also to assess the (financial) capacity of sub-national authorities to carry out development actions as well as the impact of fiscal policy on the differentiation among LGUs.

The analysis was carried out on two territorial levels:

- Regional (qarks): The analysis on this level allows to get insights on the general pattern of development and the disparities and to see the differentiation of the larger parts of the country.
- Local (municipalities and communes): This allows getting better understanding of the differentiation and disparities within qarks.

Fiscal decentralization in Albania has progressed in parallel with economic and political reform processes, and organization of financial and monetary institutions. Decentralization reform has brought about a significant increase of responsibilities of local governments as well as financial autonomy but an uneven development of autonomy on revenues.

The financing sources of LGUs are:

- State Budget (unconditional transfer, conditional transfer, competitive grants);
- Incomes from local taxes and tariffs (own incomes)
- Local Borrowing and inflows from foreign financing and donors

One of the indicators analyzed in this chapter is LGUs own income per capita, which defines the level of LGUs financial (in)dependence. Own income is analyzed in detail at qark and local level, also in relation to factors such as urbanization or altitude. Equally important, transfers from central government are looked at as a factor potentially moderating regional disparities.

To ensure reliability of analysis, data were drawn from official sources (published or unpublished), mainly the Ministry of Finance and INSTAT.

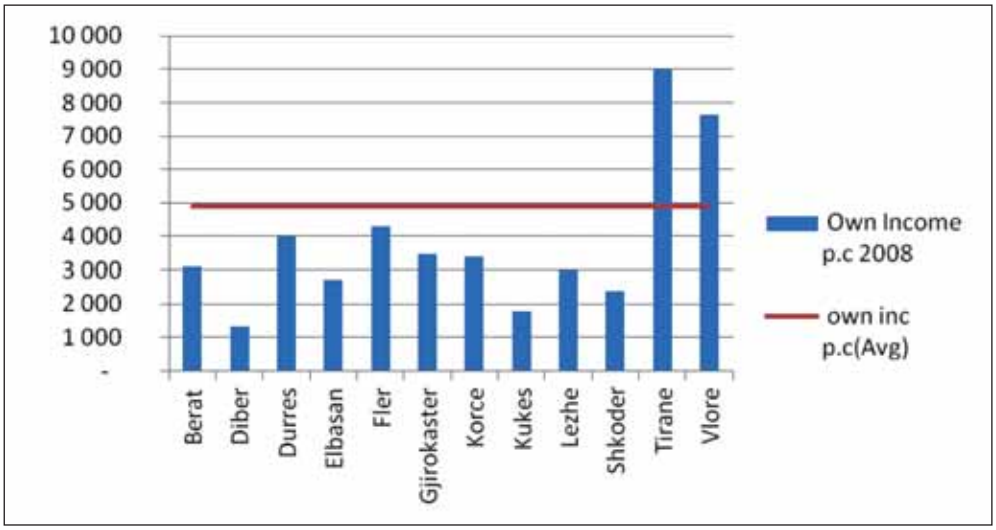
8.2 Analysis

At qark level there is a significant differentiation in terms of aggregated own revenues per capita of municipalities and communes. The coefficient of variation is significant (0.57), the max/min ratio is also high – 6.8; the range is between 27% and 183% of the national average:

- Significantly above the average are only Tirana (183%) and Vlore (156%). Having 32% of the total population these qarks account for 56% of local governments own revenues in 2008. Tirana is of course by its size, level of urbanization, and capital city functions a natural leader, while Vlore is the second city with the highest tax on land (7% of the total own income) and with the highest tax on infrastructure impact from new construction (18% of the total own incomes in 2008).
- Significantly below the average are 8 qarks. Having 47% of the total population they account for only 26% of local own revenues. They are clearly divided into 2 groups
  - Diber (27% of the country average), Kukes (36%), Shkoder (49%),
  - Elbasan (55%), Lezhe (61%), Berat (63%), Korce (69%) and Gjirokaster (71%)

Change in own incomes in 2006-2008 was positive, on average by 23.2%, without significant regional differences, except lower growth in Tirana (18%), while in all other qarks between 22 and 27%. At that time the collection of the small business tax was transferred to the local level – and thus improvement in figures. The fact that the highest growth from 2006 to 2008 has been recorded in qarks with the lowest population such as Kukes, Gjirokaster, Diber, Berat can be attributed to the increase of the volume of tax and non tax incomes. For the change in local own incomes in 2006-2008 at qark level there are no significant differences in the dynamics. The variation is low (CoV=0.10) while at the local level the difference is somewhat higher (0.38).

Figure 54. Own Incomes per capita by Qark and the National Average, 2008

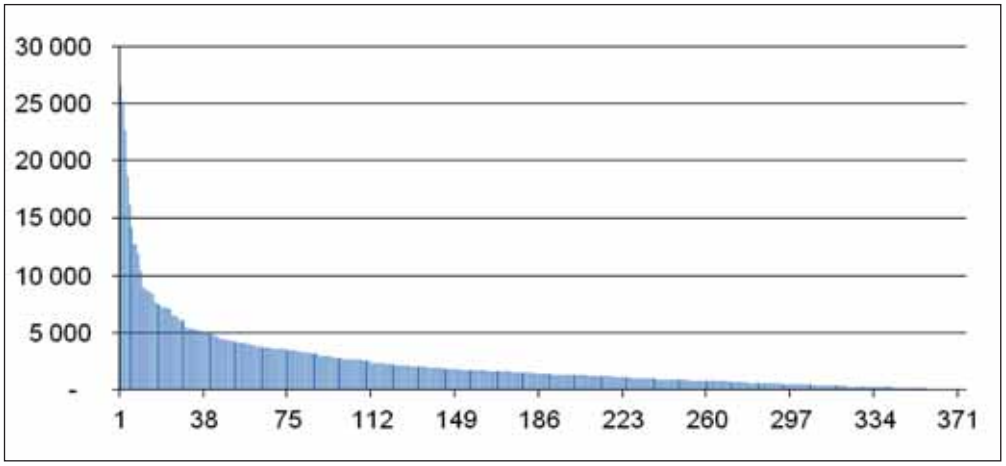


Source: Ministry of Finance, INSTAT, own calculations

However the differentiation is much higher at the local level (i.e. the own income disparities are more acute among municipalities and communes):

- Coefficient of variation is 1,36 (2,5 times higher than at qark level)
- Max/min ratio is extreme (the values vary between 0 and 26650 ALL)
- Only 39 LGUs (out of 373) have values above the average
- The top 10% of LGUs (37) have an average of 9445 ALL (192% of the country average) and account for 75% of all total revenues. Most of them have population over 10000, but there is also a lot of smaller municipalities and communes (17). These LGUs are mainly in the qarks of Tirana (6), Vlore (7), Fier (4), Elbasan (4), Korce (4), but there are some in Gjirokaster (3), Lezhe (2), Diber (2), Durres (1), Shkoder (2), Kukes (1), Berat (1) – i.e. in all qarks, and they represent mainly urban centres
- The bottom 10% of the LGUs have an average local own income of 142 ALL (2,9% of the average and 66 times less than in the top 10%) and account for less than 0,1% of the total own revenues collected. Most of them have population below 3000 and are located mainly in the qarks of Diber (20) and Kukes (12), but there are also some in Tirana (1), Shkoder (2), Gjirokaster (1), Durres (1).
- This high differentiation is clearly visible on the diagram

Figure 55. Distribution of Municipalities and Communes by Own Income per capita, 2008



Source: Ministry of Finance, Own Calculations

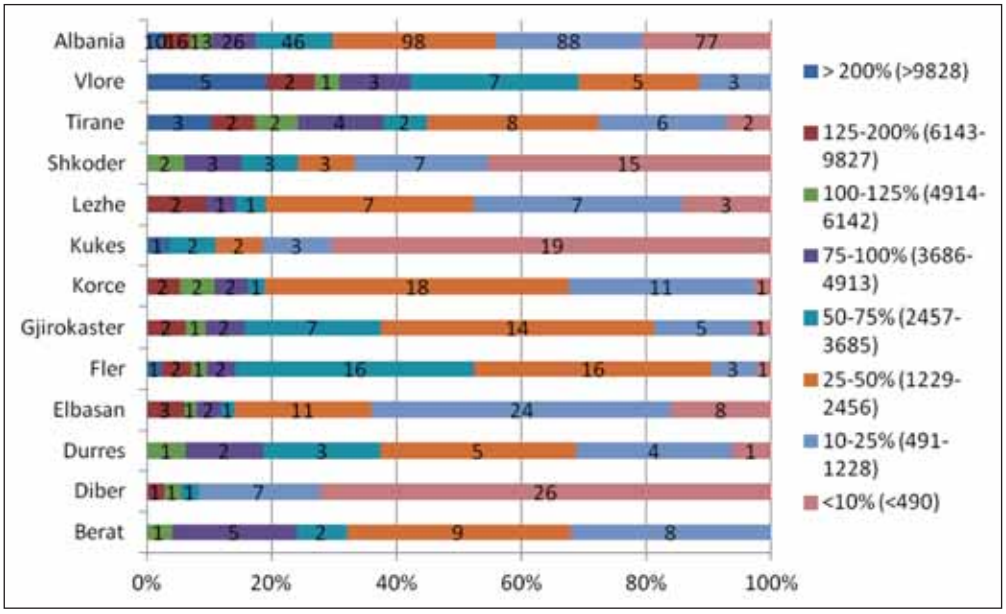
The following table and figure provide some more insights on the distribution of LGUs by own income groups and by qark :

Table 38. Distribution of LGUs by Own Income (Number of LGUs)

Own Income	Average Own Income 2008	Distribution of LGUs by own income - % of the country average (number of LGUs)								Total
		> 200% (>9828)	125-200% (6143-9827)	100-125% (4914-6142)	75-100% (3686-4913)	50-75% (2457-3685)	25-50% (1229-2456)	10-25% (491-1228)	<10% (<490)	
Berat	3091			1	5	2	9	8		25
Diber	1329		1	1		1		7	26	36
Durres	3997			1	2	3	5	4	1	16
Elbasan	2720		3	1	2	1	11	24	8	50
Fler	4307	1	2	1	2	16	16	3	1	42
Gjirokaster	3487		2	1	2	7	14	5	1	32
Korce	3412		2	2	2	1	18	11	1	37
Kukes	1787	1				2	2	3	19	27
Lezhe	2991		2		1	1	7	7	3	21
Shkoder	2392			2	3	3	3	7	15	33
Tirane	8993	3	2	2	4	2	8	6	2	29
Vlore	7648	5	2	1	3	7	5	3		26
Albania	**4914**	**10**	**16**	**13**	**26**	**46**	**98**	**88**	**77**	**374**
Own income p.c. (group average)		12387	7937	5668	4252	3052	1753	870	277	
As % of country average		252%	162%	12%	87%	62%	36%	18%	6%	
Population		568 029	376 672	308 674	314 365	315 862	604 232	434 165	248 885	3 170 885
Population, % of total		17,9%	11,9%	9,7%	9,9%	10,0%	19,1%	13,7%	7,8%	100,0%

Source: Ministry of Finance, INSTAT, Own Calculations

Figure 56. Distribution of LGUs by Own Income per capita (as % of National Average),



Source: Ministry of Finance, INSTAT, Own Calculations

The table below shows some facts about the distribution of own income per capita according to five categories of altitudes: Plain (0-100m above sea level), Mainly Plain (101-300), Low Mountains (301-500), Medium Mountains (501-800) and High Mountains (above 801).

Table 39. Distribution of LGUs by Altitude and Own Income per capita

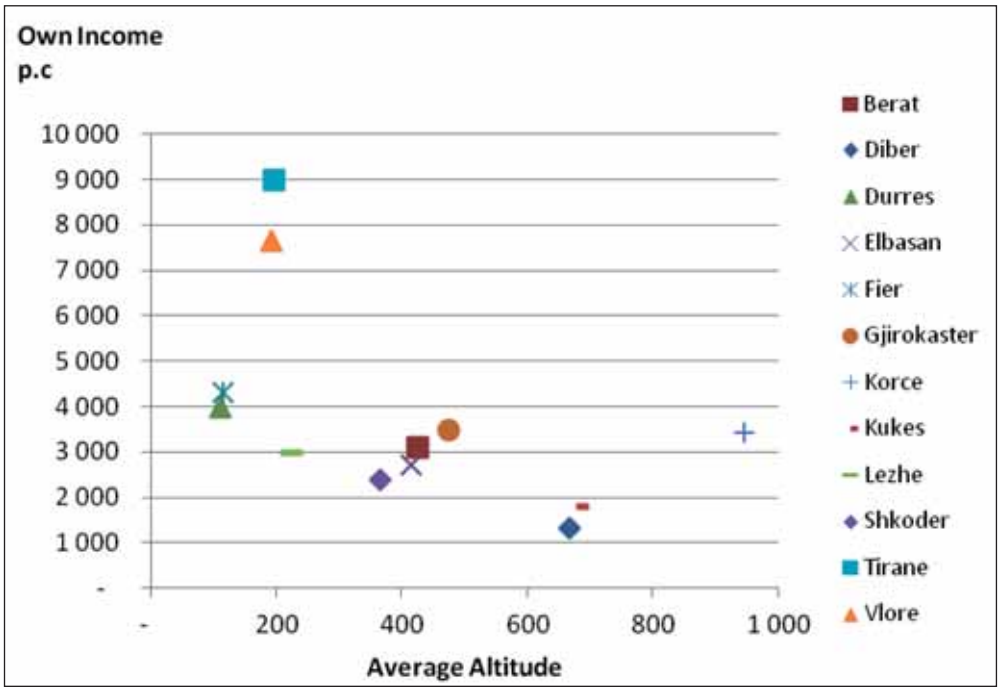
Distribution of LGUs	Plain, 0-100	Mainly Plain,101-300	Low Mountains,301-500	Medium Mountains,501-800	High Mountains,>801	Average Own Income p.c 2008
Berat	4,052	2,263	3,137	1,386	1,164	3,091
Diber	-	3,700	584	1,303	866	1,329
Durres	4,265	1,479	3,298	236	-	3,997
Elbasan	1,681	3,876	1,300	802	713	2,720
Fier	4,869	2,733	1,580	310	-	4,307
Gjirokaster	-	5,847	2,303	2,017	1,654	3,487
Korce	-	-	-	4,353	3,185	3,412
Kukes	-	-	2,205	526	4,590	1,787
Lezhe	3,870	1,775	249	446	-	2,991
Shkoder	3,153	1,062	249	1,047	1,593	2,392
Tirane	6,726	9,924	2,326	245	297	8,993
Vlore	9,478	4,723	2,291	-	-	7,648
Albania	**5,047**	**6,808**	**1,989**	**1,515**	**1,460**	**4914**

Source: Ministry of Finance, INSTAT, Own Calculations

Even though one of the assumption would have been that the own incomes vary depending on the altitude of the area, the correlation figures show the contrary. Among LGUs in Albania the correlation between altitude and own income per capita is only (-0.28). There is a tendency that the higher the altitude the lower the own income per capita, except the Qark of Kukes where this figure is positive (0.29), but among LGUs this relation is very weak. Even among LGUs of each Qarks these correlations are low.

At qark level own incomes per capita are more strongly correlated to the average altitude of the Qark (-0.52), however, there are still several exceptions such as Tirana, Vlora, Durres, Fier or Korca.

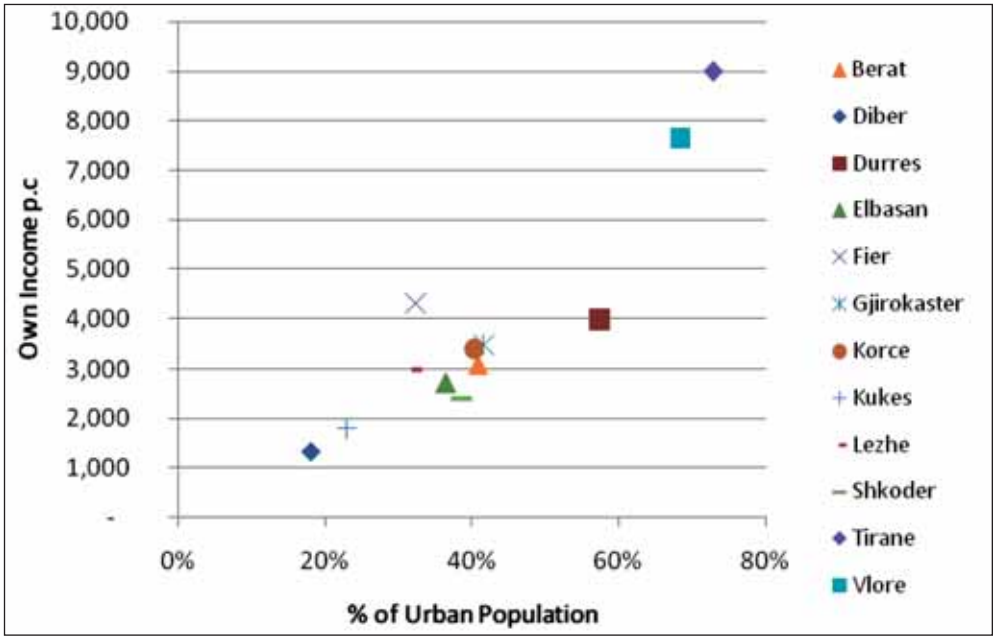
Figure 57. Distribution of Altitudes and Own Income per capita on Qark Level



Source: Ministry of Finance, INSTAT, Own Calculations

There is a very strong correlation of (0.91) between own incomes and the level of urbanization, explained by the fact that most local taxes are generated in cities. The only exception is the qark of Fier which having most of the population living in rural areas has still high own income per capita.

Figure 58. Own Income per capita versus Level of Urbanization



Source: Ministry of Finance, INSTAT, Own Calculations

In relation to very high endogenous local and noticeable regional disparities one needs to answer the question, how these are conditioned and influenced by government interventions and what are the end effects of such interventions. These answers are important when formulating a regional development policy.

There are several fiscal policy measures which allow to carry out a number of important public services by the LGUs directly or on behalf of the central government, and which contribute to increased convergence of LGUs total incomes.

They fall into the following categories:

- Unconditional transfer (based on population and an equalization formula) to support LGUs own incomes and provide necessary services
- Conditional transfer to cover costs of functions delegated from the central government and so called shared functions
- Competitive grants (distributed among LGUs on competitive basis to support regional and local public investments; note: starting in 2010 under the name of Regional Development Fund)

The unconditional transfer is made to LGUs from the state budget as a grant, with no destination, interest or return. In 2006-2008 the weights of criteria for allocation of unconditional transfer were: number of population (70%), surface area of communes to compensate for infrastructural difficulties (15%) and urban service needs as an adjustment for urban concentration (15%).

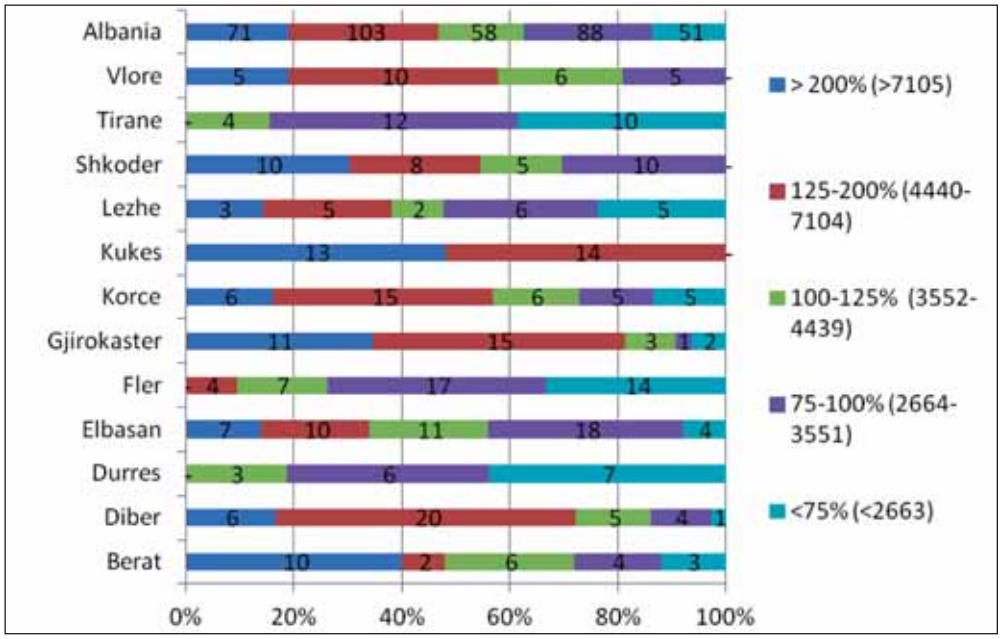
Table 40. Own Income and Unconditional Transfer per capita, Groups

				Unconditional Transfers groups					
Own income groups	**Unconditional Transfer volume 2008**	**Population 2008**	**Average uncond. transfer p.c. 2008**	**> 200% (>7105)**	**125-200% (4440-7104)**	**100-125% (3552-4439)**	**75-100% (2664-3551)**	**<75% (<2663)**	**Total number**
>200% (>9828)	1,303,944,772	568,029	2,296	40%	10%	10%	10%	30%	10
125-200% (6142-9828)	1,480,377,892	376,672	3,930	19%	13%	38%	31%	0%	16
100-125% (4914-6142)	1,070,574,266	308,674	3,468	15%	31%	15%	23%	15%	13
75-100% (3685-4914)	1,149,335,875	314,365	3,656	15%	19%	27%	23%	15%	26
50-75% (2457-3685)	1,213,706,207	315,862	3,843	13%	20%	11%	28%	28%	46
25-50% (1228-2457)	2,111,856,260	604,232	3,495	13%	20%	15%	31%	20%	98
10-25% (490-1227)	1,657,358,770	434,165	3,817	22%	28%	11%	26%	13%	88
<10% (<490)	1,276,995,721	248,885	5,131	26%	48%	16%	9%	1%	77
Total, %				19%	28%	16%	24%	14%	
Total number	**1,264,149,764**	**3,170,885**	**3,552**	**71**	**103**	**58**	**88**	**54**	**374**

Source: Ministry of Finance, INSTAT, own calculations

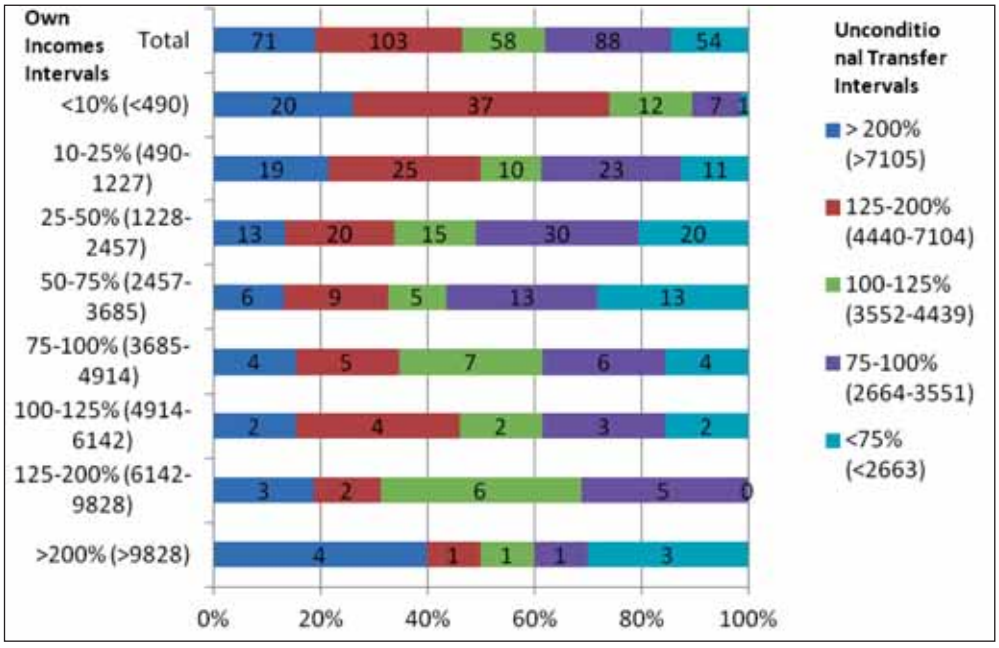
There is a clear effect of equalization of the average unconditional transfer in almost all categories of own income p.c. groups (although not absolutely consistent). The most notable amounts are for the category with the lowest own income (<10%) where 90% of the LGUs benefit from unconditional transfer p.c. above the average compared to the category with the highest own income p.c .where only 60% of LGUs benefit unconditional transfer p.c. above the average. Approximately 63% of LGUs in the other categories of own incomes per capita have unconditional transfer p.c. above the average except the two categories of (25-50%) and (50-75%), where respectively only 49% and 43% of LGUs have an unconditional transfer p.c. above the average.The regional dimension is presented in the diagram below, which generally confirms that in most qarks, mainly in the less developed ones, the unconditional transfer p.c. is above the average while in other more developed qarks such as Tirana and Durres the unconditional transfer p.c. is below the average.

Figure 59 Distribution of LGUs by Unconditional Transfer per capita, 2008



Source: Ministry of Finance, INSTAT, own calculations

Figure 60. Distribution of LGUs by Own Income and Unconditional Transfer, 2008



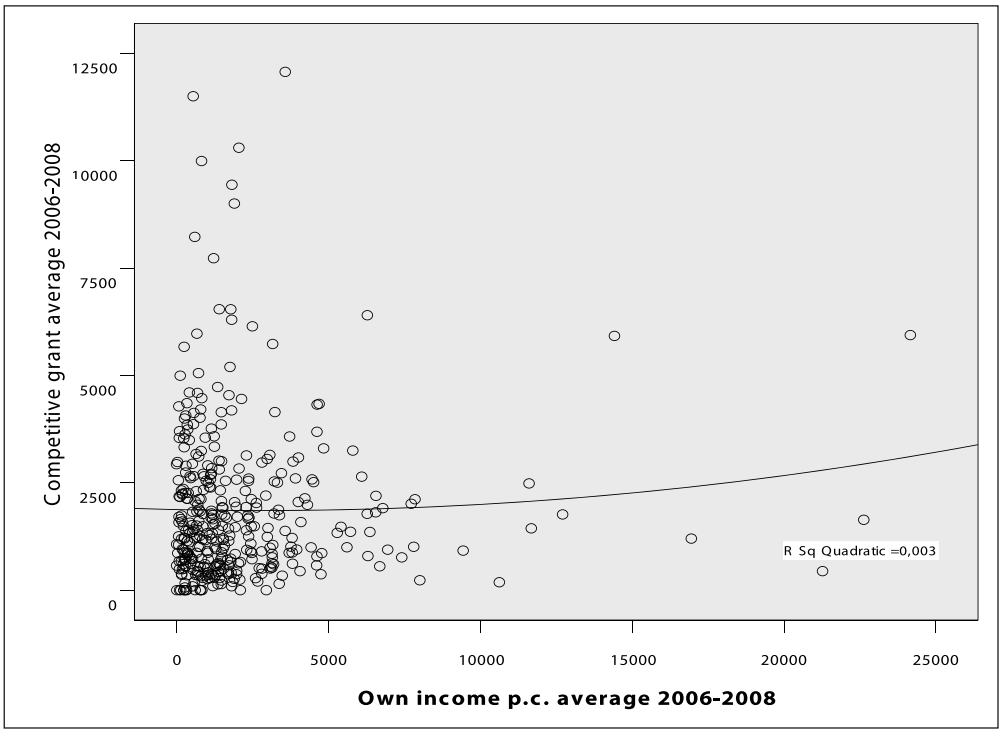
Source: Ministry of Finance, INSTAT, Own Calculations

The conditional transfers' effects are not analyzed here in detail as they pertain to covering costs of services delegated to LGUs or shared by them with the central government and are not subject to local autonomy. As shown further in the summary discussion on all local incomes, conditional transfers are neutral in terms of mitigating disparities among LGUs.

Most interesting of all, from regional and local development perspective, are competitive grants offered to LGUs since 2006 to support infrastructure investments in areas such as road infrastructure, education, health, cultural objects, water and sanitation, construction of agro-food markets and abattoirs, irrigation and drainage and forestation.

The direct correlation analysis (of individual values) reveals that in fact there is no correlation between the local development level and the policy intervention (measured respectively by the local own revenues p.c. and the competitive grant p.c. – averages for 2006-2008). The correlation coefficient is close to zero (-0,09). The results are illustrated also on the following diagram. The fit line indicates that there is even a slight trend for LGUs with higher own income p.c. to receive higher competitive grant p.c. In other words competitive grants do not mitigate disparities among municipalities and communes, so while they can be considered a general pro-development instrument they are not directed towards less developed LGUs.

Figure 61. Correlation of Competitive Grants and Own Incomes per capita, Average 2006-2008



A further analysis by grouping the LGUs (by own income p.c. and by competitive grant p.c. in 2008) confirms to a great degree the above conclusion, although providing some more nuances:

Table 41. Own Income per capita and Competitive Grant per capita groups

Own income p.c. groups 2008	Average comp. grant p.c. 2008	Competitive grant p.c. groups (2008)								
		> 200% (>2340)	125-200% (1462-2339)	100-125% (1170-1461)	75-100% (877-1169)	50-75% (585-876)	25-50% (292-584)	10-25% (117-291)	<10% (<116)	Total number
>200% (>9828)	239,6	20%	30%	10%	10%	0%	0%	10%	20%	10
125-200% (6142-9828)	619,9	6%	19%	6%	13%	6%	13%	38%	0%	16
100-125% (4914-6142)	569,4	54%	0%	0%	8%	0%	8%	15%	15%	13
75-100% (3685-4914)	1055,0	12%	19%	8%	15%	12%	8%	4%	23%	26
50-75% (2457-3685)	1391,1	17%	20%	7%	20%	9%	4%	4%	20%	46
25-50% (1228-2457)	1709,7	32%	10%	4%	7%	13%	10%	4%	19%	98
10-25% (490-1227)	2389,5	35%	16%	5%	5%	13%	8%	1%	18%	88
<10% (<490)	1849,4	25%	8%	5%	13%	8%	8%	1%	32%	77
Total, %	**1213,1**	**27%**	**13%**	**5%**	**10%**	**10%**	**8%**	**5%**	**21%**	**374**
Total number		**102**	**50**	**19**	**38**	**38**	**30**	**18**	**79**	**374**

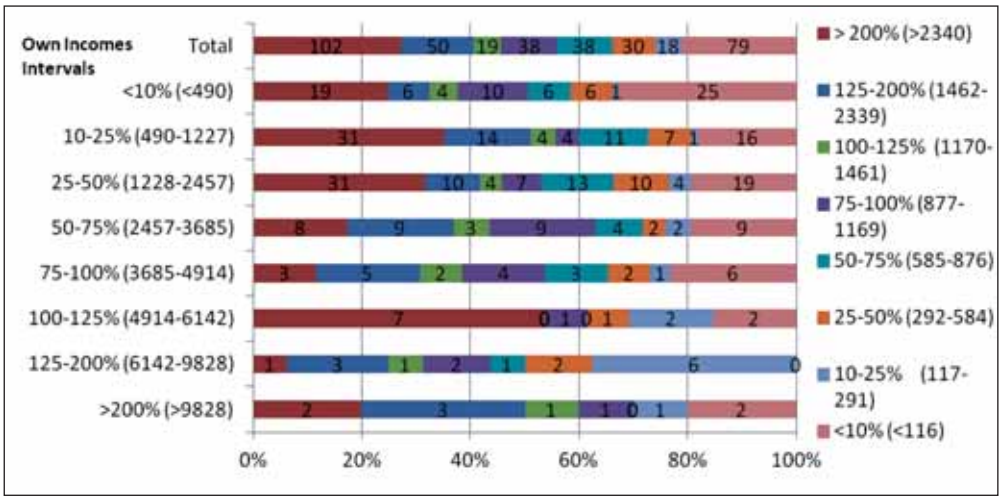
Source: Ministry of Finance, INSTAT, Own Calculations

There is a clear trend of increase in average grant received with decrease of own income p.c. (although not absolutely consistent). However, if the distribution by groups is considered, there is no evidence of giving priority to the needs of more disadvantaged LGUs:

- For example 60% of LGUs with highest own income (>200% of the average) receive competitive grant p.c. above the average, compared to 38% of the LGUs with the lowest own income (below 10%), 56% of LGUs with 10-25% of average own income, 46% of the LGUs with 25-50% own income, 43% of LGUs with 50-75% own income. Similar is the comparison with the group with own income 100-125%, although it's not true for the higher income group – 125-200%.

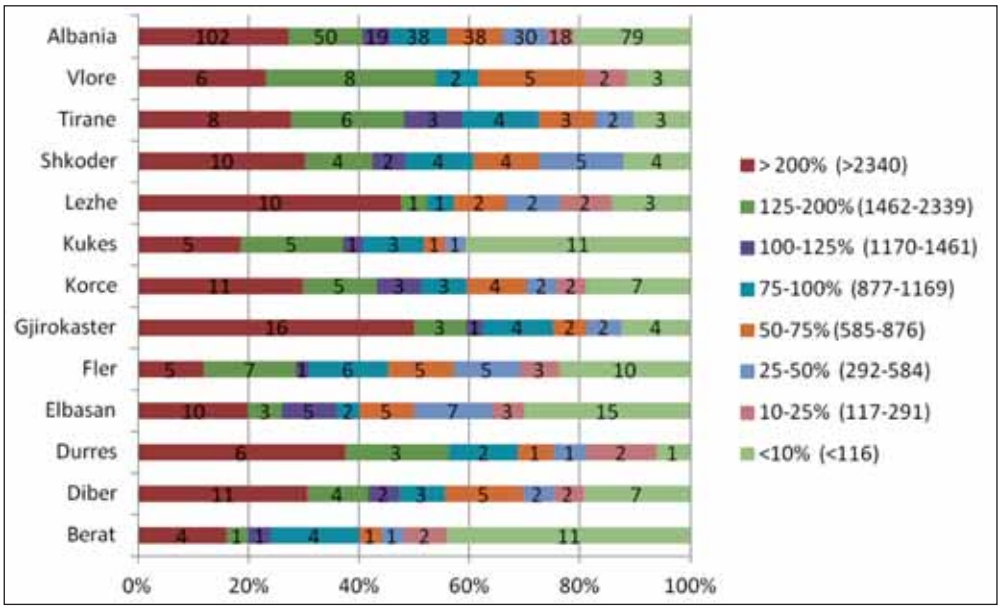
The regional dimension is presented in the figure below, that generally confirms that there is no clear correlation between the development level and acuteness of disparities and the competitive grant distribution.

Figure 62. Distribution of LGUs by Own Incomes and Competitive Grants per capita



Source: Ministry of Finance, INSTAT, Own Calculations

Figure 63. Distribution of LGUs by Competitive Grants

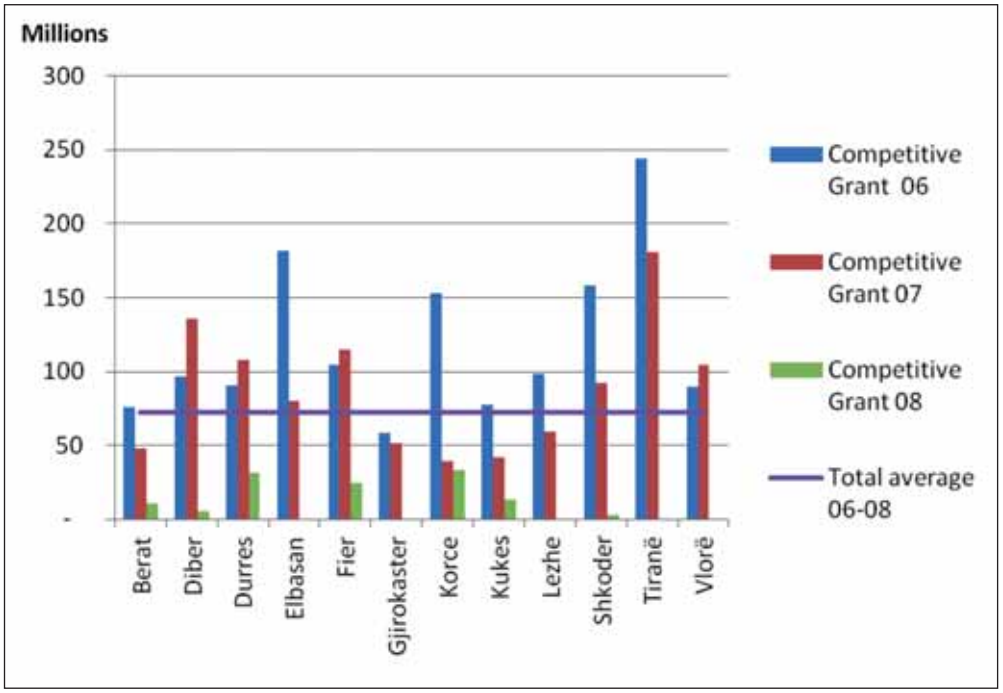


Source: Ministry of Finance, INSTAT, own Calculations

The competitive grant is composed of state budget funds, allocated to ministries or institutions, for capital expenditures related to the own functions of LGUs. In 2006-2008 the criteria for the allocation of competitive grant were considered very broad. They related to the level of social and economic development, correspondence with regional and local priorities, impact on poverty reduction or increase of the access to basic services, number of inhabitants benefiting directly or indirectly from the project and quality of the projects submitted. In 2010 a reform to competitive grants started under the Regional Development Fund regulations, but the effects of changes cannot be evaluated yet. Another issue is the fluctuation of total competitive grants total value. In 2006 it was almost 3 billion ALL, in 2007 more than double that but in 2008 down to 3.9 billion ALL.

Qarks themselves initially received substantial support from competitive grants but eventually became practically absent as beneficiaries. The major reason for that are limited investment competences given to qarks under current decentralization policy. In 2006 the competitive grant given to the councils of qarks constituted 34% of the total, in 2007 15% and in 2008 only 3%. To some qarks like Tirana, Vlora, Elbasan and Lezhe no grant was allocated. In terms of per capita figures in 2008 the qarks significantly above the average were Kukes (446%), Korce (342%), Durres (268%), and Fier (172%).

Figure 64. Volume of Competitive Grant for Qarks (not Qark Territories)



Source: Ministry of Finance, INSTAT, own calculations

A summary analysis of LGUs' income components reveals interesting patterns. If we look at the variation among LGUs for each type of income it is evident that the most extreme and differentiated values are those of the competitive grant (CoV=1.57) and own incomes (CoV=1.36). We conclude that competitive grants deepen endogenous disparities among LGUs and this confirms our earlier findings. Conditional transfers are more or less neutral with respect to local disparities, while there is a strong equalizing effect of unconditional transfers (CoV=0.58). The unconditional transfer is not however a development instrument as its primary role is to cover current administrative and public services costs.

Table 42. Coefficient of Variation for Different Types of LGUs Incomes

Type of Income/ Transfer	Own Incomes p.c.	Unconditional Transfer p.c.	Conditional Transfer p.c.	Competitive Grant p.c.
Coefficient of Variation (CoV)	1.36	0.58	1.29	1.57

Source: Ministry of Finance, INSTAT, own calculations

The combined effects of different components of LGUs incomes are illustrated below:

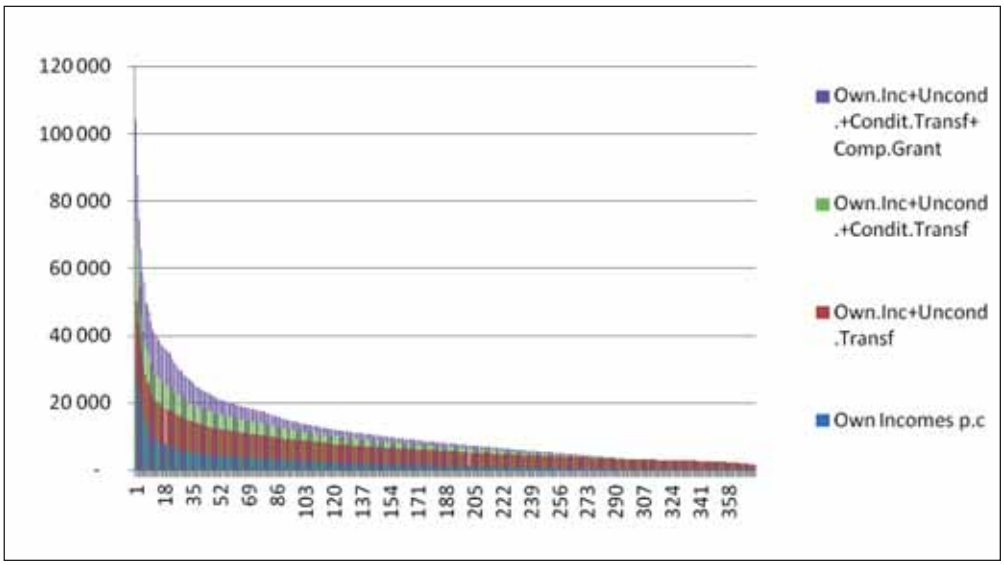
Table 43. Coefficient of Variation for Different Types of LGUs Incomes (Cumulative)

Type of Income/ Transfer	Own Incomes p.c.	Own. Inc + Uncon. Transf	Conditional Transfer p.c.	Competitive Grant p.c.
Coefficient of Variation (CoV)	1.36	0.59	0.59	0.62

Source: Ministry of Finance, INSTAT, own calculations

A graphic representation of these relationships is given below:

Figure 65. Summary Graph-Total Local Incomes per capita

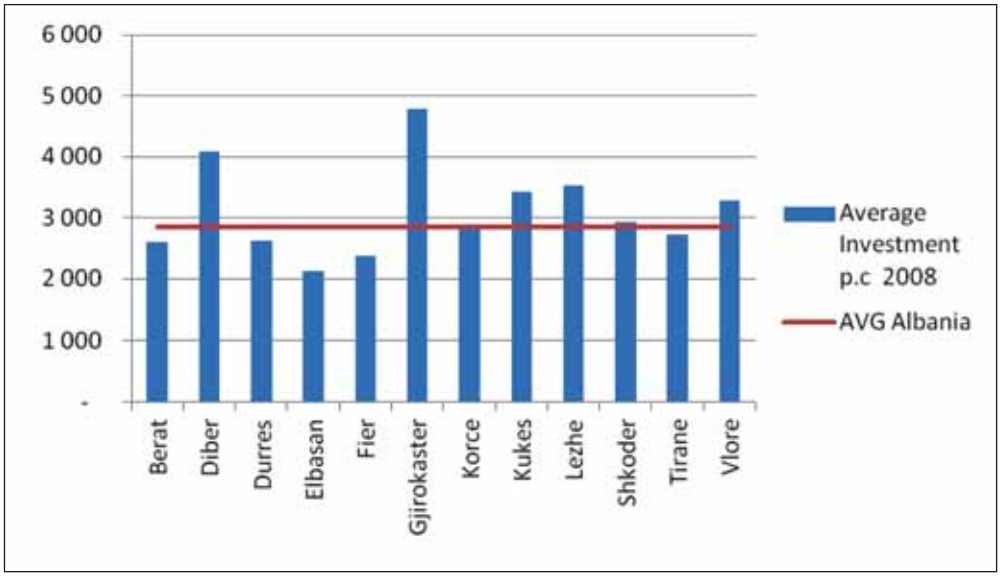


Source: Ministry of Finance, INSTAT, own calculations

Given the observations on different potential sources of income, we want to know how these are used for investment purposes, as regional and local development is much dependent on public investment efforts.

At qark level there is no significant differentiation in terms of aggregated municipal and commune investments per capita. The coefficient of variation is low (0, 23), the max/min ratio is also relatively low – 2.25, the range is between 75% and 168% of the average. Significantly above the average are only Girokaster (168%) and Diber (143%). None is significantly below the average. The qark which has the lowest rate to the national average is Elbasan (75%). All the others are close to the average. In terms of total volumes there was a significant increase (by 69%) from 2006 to 2007 while in 2008 they stagnated.

Figure 66. Volume of LGUs Investments - per capita Values by Qark, 2008



Source: Ministry of Finance, INSTAT, own calculations

However the differentiation of investments p.c. is much higher at local level:

- Coefficient of variation is 0.86 (3.7 times higher than at qark level)
- Max/min ratio is 42.73 (the values vary between 646 and 27618 ALL)
- The top 10% of LGUs (37) have an average investment p.c. of 9209 ALL (323% of the average) but account only for 12% of all total investments. Most of them have population under 4000.
- The bottom 10% of the LGUs have an average investment p.c. of 884 ALL (31 % of the average and 10.42 times less than in the top 10%) and account for only 2 % of the total investments. Most of them have population below 6000 and are located mainly in the qarks of Elbasan (8) Korce (5), and Fier (5).

The table provides some more insights on the distribution of LGUs by investment groups and by qark:

Table 44. Distribution of LGUs by Investments Value per capita (Number of LGUs)

LGUs Investments	Investment p.c 2008	> 200% (>5698)	125-200% (3561-5697)	100-125% (2849-3560)	75-100% (2137-2848)	50-75% (1424-2136)	<50% (<1423)	Total
Berat	2,595	2	5	4	4	5	5	25
Diber	4,084	8	4	7	4	7	5	35
Durres	2,626	1	5	2	2	4	2	16
Elbasan	2,125	3	5	4	2	13	23	50
Fier	2,373	2	9	3	8	8	12	42
Gjirokaster	4,788	14	7	5	1	4	1	32
Korce	2,840	6	4	6	6	5	10	37
Kukes	3,427	6	4	4	2	2	9	27
Lezhe	3,539	3	7	2	2	3	4	21
Shkoder	2,932	4	7	4	7	5	6	33
Tirane	2,722	4	4	2	10	4	5	29
Vlore	3,289	6	5	3	7	2	3	26
Albania	**2849**	**59**	**66**	**46**	**55**	**62**	**85**	**373**
Inv p.c. (group avg)		7,659	4,445	3,228	2,452	1,777	1.089	
as % of country average		269%	156%	113%	86%	62%	38%	
Population		245,185	411,905	302,620	1,111,051	608,299	487,331	
Population, % of total		7.7%	13.0%	9.6%	35.1%	19.2%	15.4%	

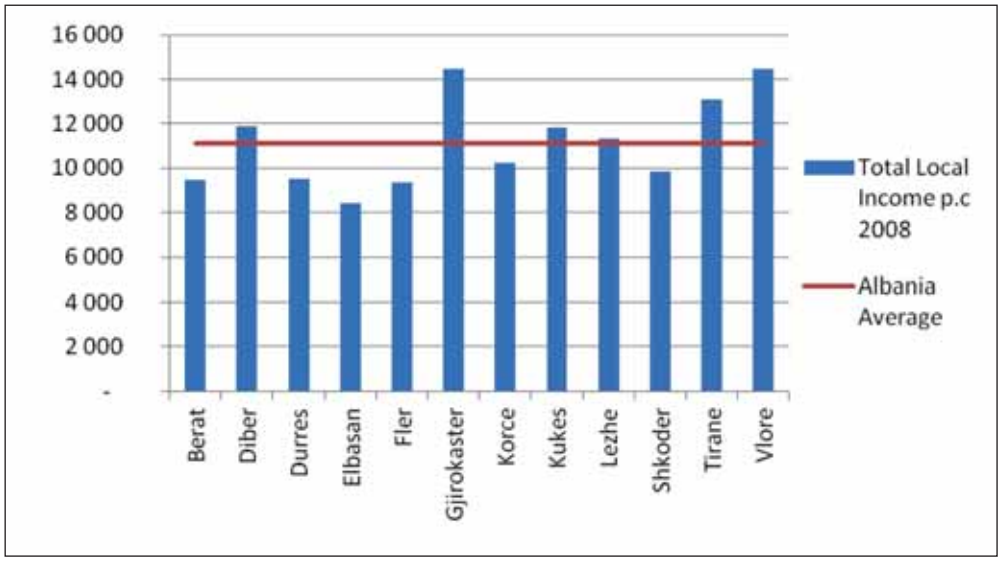
Source: Ministry of Finance, INSTAT, Own Calculations

LGUs are distributed roughly in an equal manner in each category of investments per capita. However, each qark has its own characteristics. For example Gjirokaster has many of its LGUs with investments p.c. >200% of the average, but in contrast there are other qarks such as Elbasan or Kukes with many LGUs with investments per capita at 25-50% of the average.

Investments per capita and total local incomes have a relatively high positive correlation (0.77). The higher the total local income the higher is the investment per capita. There are however some exceptions.

Some more findings emerge from analysing total local incomes of LGUs. At qark level the differences are not extreme. The CoV is 0.17 and the total income p.c. differs from 76% of the average to 130%. The qarks with the highest values are Gjirokaster (130%) Vlore (130%) and Tirana (118%) and with the lowest is Elbasan (76%).

Figure 67. Total Income per capita 2008



Source: Ministry of Finance, INSTAT, Own Calculations

At the local level, clearly differentiation is more profound:

- Coefficient of variation of the total income p.c is 0.62 - 3.65 times higher than at qark level (CoV=0.17 and 2.2 times lower than for own incomes only)
- Max/min ratio of the total income p.c. is high 19 (values between 3375 and 63,177ALL)
- 37% of the LGUs are within the interval 75-125% of the average and they account for 41% of the population
- The top 10% of LGUs (37) have an average of 26,379 ALL (238% of the average) but account only for 9% of all total local revenues. The population of these LGUs is 3.6% of the total population.
- The bottom 10% of the LGUs have an average local total income of 4769 ALL (43% of the average and 5.53 times less than in the top 10%) and account for 4% of the total local revenues. The population of these LGUs is 8.3% of the total population.

The table provides some more insights on the distribution of LGUs by total income p.c. groups and by qark:

Table 45. Distribution of LGUs by Total Income per capita - (Number of LGUs)

Disribution of LGUs by Total Income p.c.	Total Local Income p.c 2008	Distribution of LGUs by Total Local Income p.c - % of the country average (number of LGUs)							Total
		> 200% (>22192)	125-200% (13780-22191)	100-125% (11096-13779)	75-100% (8322-11095)	50-75% (5548-8321)	25-50% (2774-5547)	<25% (2774)	
Berat	9,493	2	5	6	4	4	4	0	25
Diber	11,887	4	8	4	6	11	3	0	36
Durres	9,550	0	0	4	9	2	1	0	16
Elbasan	8,433	1	6	3	12	11	17	0	50
Fler	9,335	0	3	5	13	18	3	0	42
Gjirokaster	14,475	9	10	7	5	1	0	0	32
Korce	10,230	2	11	5	6	7	6	0	37
Kukes	11,850	1	8	5	5	3	5	0	27
Lezhe	11,343	0	6	4	4	5	2	0	21
Shkoder	9,877	2	8	3	9	10	1	0	33
Tirane	13,092	3	5	3	5	12	1	0	29
Vlore	14,445	5	5	3	10	3	0	0	26
Albania	**11,096**	**29**	**75**	**52**	**88**	**87**	**43**	**0**	**374**
Own income p.c. (group average)		27,860	14,950	12,409	9,514	6,976	4,848	-	
as % of country average		251%	135%	112%	86%	63%	44%	0%	
Population		88,378	903,472	452,756	860,022	571,125	295,131	-	3,170,885
Population, % of total		3%	28%	14%	27%	18%	9%	0%	

Source: Ministry of Finance, INSTAT, own calculations

When considering the development potential of LGUs it is important to consider their own incomes against their total budgets. On the one hand this shows the level of independence from central budget, and on the other, the degree of financial freedom to undertake development initiatives according to local preferences.

In general LGUs in Albania heavily depend on state budget transfers comprising more than a half of their total incomes (56%). At qark level, the strongest regions are Tirana (own incomes at 69% of total budget), Vlore (53%), Fier (46%) and Durres (42%). The weakest qarks are Diber (11%), Kukes (15%), Shkoder (24%), Gjirokaster (24%) and Lezhe (26%).

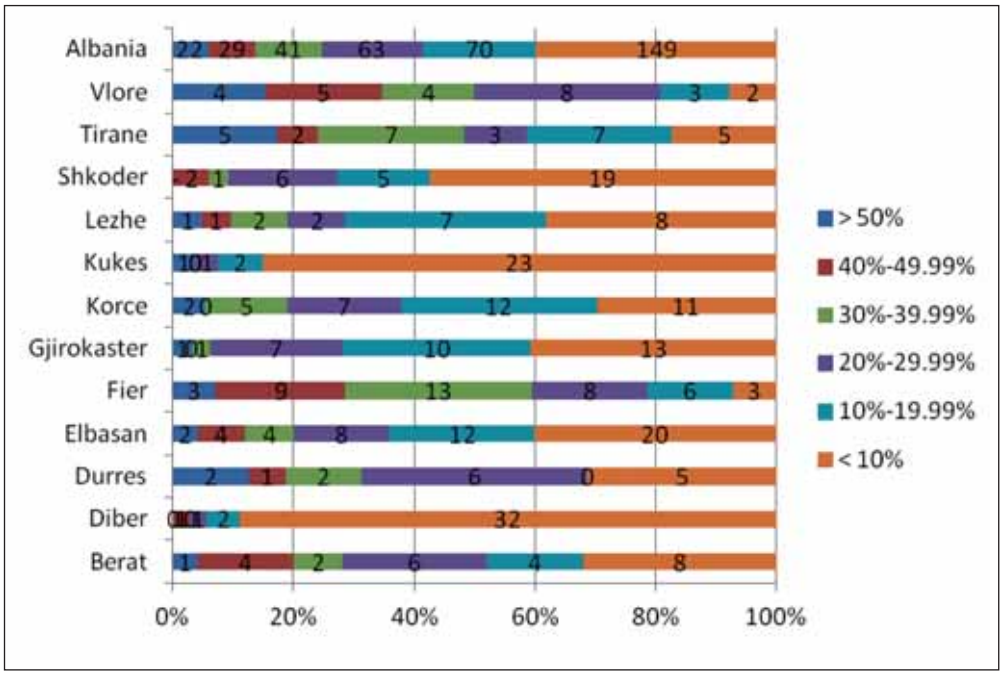
At local level differentiation is much higher (CoV=0.86) and shares of own income vary from 0% to 84.85% of total income.

Table 46 Distribution of LGUs by Percentage of Own Income to the Total Income per capita 2008

Qark	% of own income to the Total Income p.c 2008	Distribution of LGUs by % of own income p.c to the total local income p.c (nr of LGUs)						Total
		> 50%	40%-49.99%	30%-39.99%	20%-29.99%	10%-19.99%	< 10%	
Berat	33%	1	4	2	6	4	8	25
Diber	11%	0	1	0	1	2	32	36
Durres	42%	2	1	2	6	0	5	16
Elbasan	32%	2	4	4	8	12	20	50
Fier	46%	3	9	13	8	6	3	42
Gjirokaster	24%	1	0	1	7	10	13	32
Korce	33%	2	0	5	7	12	11	37
Kukes	15%	1	0	0	1	2	23	27
Lezhe	26%	1	1	2	2	7	8	21
Shkoder	24%	-	2	1	6	5	19	33
Tirane	69%	5	2	7	3	7	5	29
Vlore	53%	4	5	4	8	3	2	26
Albania	**44%**	**22**	**29**	**41**	**63**	**70**	**149**	**374**
Population	3,170,885	1,147,929	339,083	338,212	454,277	397,455	493,928	100%
Population (%)	100%	36.20%	10.69%	10.67%	14.33%	12.53%	15.58%	100%

Source: Ministry of Finance, INSTAT, Own Calculations

Figure 68. Distribution of LGUs by Percentage of Own Income to the Total Income per capita, 2008



Source: Ministry of Finance, INSTAT, Own Calculations

8.3 Conclusions

By looking closely at local finances we were able to draw the following conclusions with respect to regional development challenges:

- There are clearly significant variations in incomes generated by LGUs from local taxes and tariffs. While own incomes per capita are well above average for Tirana and Vlora regions, majority of qarks fall below average, Diber and Kukes scoring the worst (27 and 36% respectively). The differentiation among individual municipalities and communes is extreme with the lowest scores noted mainly in LGUs belonging to Diber and Kukes qarks, which is in rural communities with population below 3000. While there is low correlation between altitude and LGUs own incomes, there is a strong link with the level of urbanization due to the structure of local revenues.

- In response to the very high disparities, some transfers from the national budget mitigate the situation, while others are more or less neutral. In principle, unconditional transfers work towards equalization of LGUs incomes per capita, providing less developed LGUs with above average payments. Conditional transfers from the state budget are more or less neutral to the level of local incomes.

- The most important from the regional development perspective, are competitive grants (since 2010 under Regional Development Fund) which directly support LGUs infrastructural investments and have the potential to strengthen regional and local development initiatives. Based on their distribution in 2006-2008 it is evident, that competitive grants do not respond to disparities in LGUs own incomes. For example 60% of LGUs with the highest own income (>200% of the average) receive competitive grants per capita above average, compared to only 38% of LGUs with lowest own income (below 10% of the average). So while competitive grants can be considered a general instrument for increased local investments, they are not concentrated on the areas or localities lagging behind and they increase overall income disparities per capita among LGUs. In other words their distribution per capita to some extend favors less developed qarks, but at the local level it deepens the disparities among LGUs. The end result of competitive grants seems to be the strengthening of cities which can be perceived as regional growth poles. Qarks, in contrast to municipalities and communes, practically ceased to benefit from competitive grants since 2008.

- At qark level there is no significant differentiation of municipal and commune investments per capita, while again at individual LGUs level, the disparities are much higher. There is a relatively high correlation between the level of total local incomes and the investments per capita. In general, greater financial security allows local governments to spend a higher proportion of funds on development. The investment activities of LGUs remain strongly dependent on the state transfers, including the competitive grants (correlation of 0.89).

- In general, LGUs heavily rely on state budget transfers which constitute more than half of their total incomes. The weakest LGUs in this respect are ones belonging to Diber (own incomes at 11% of total budgets), Kukes (15%), Shkoder (24%), Gjirokaster (24%) and Lezhe (26%). The strongest are the LGUs in the qarks of Tirana (69%) and Vlore (53%).

When we consider the local finances, the following categories of qarks emerge:

- **Tirana and Vlora** – best situation with highest per capita own incomes and total incomes well above the average, and investments around the average, least dependent on transfers from the central budget;

- **Diber and Kukes** – worst situation with very low own incomes and extreme dependency on transfers from the central budget; in terms of total incomes and investments per capita the situation is not dramatic exactly due to the support received from central government and donors

- **Remaining qarks** – moderate situation in terms of local income generation, investments and financial independence, among this group the weaker performers are Shkoder, Gjirokaster and Lezhe.

One can argue that the fiscal instruments should be used both for equity purposes and development (efficiency purposes). The first objective is to ensure that sub-national actors are able to provide basic public services to their constituencies, and that differences arising from local development level as well as the structure of LGUs incomes are offset from the central budget. This function is quite consistently fulfilled by the unconditional transfers and their equalization formula.

From the regional development perspective, the financial instruments should promote and support sub-national investments in accordance with regional/local priorities. This function is currently performed by the competitive grants (RDF), and as stated earlier, with an asymmetry to the local development level, i.e. more developed LGUs gain more.

The regional and local structural elements tend to promote or inhibit growth and development, oftentimes leading to a vicious circle of underdevelopment aggravated by a viscous circle of low capacity where the weakest units (qarks and basic level GLUs) are unable to reverse the negative tendencies. Only specific, comprehensive support can break such situations. In terms of financial instruments this can mean allowing the least developed units to benefit from specific allocations (quotas), special preferences in distribution of funds, lower requirements to co-finance and/or specific support to increase capacities (strategic and program/project development).

Chapter 9

RD Index and Typology of Regions

RD Index and Typology of Regions

9.1 Introduction

In order to understand the overall level of development of the various regions in Albania, a uniform approach has to be followed.

In the assessment of regional development level several indicators are commonly used, depending on purpose of a given analysis, data availability and other considerations. In practice many choices are made as to the type of indicators used and classifications made. Regions can be grouped according to a single indicator, for example GDP per capita PPS (as used by the EU for defining convergence objective regions). Another approach is to use a small group of indicators such as GDP and unemployment. There are also more complex indexes, combining large sets of indicators, for example in Croatia the regions are classified according to performance in: demography, health and culture, education, basic infrastructure and public sector, business infrastructure, investment and entrepreneurial dynamics, development of entrepreneurship, economic results. While measurements based on single or simple indicators can be easier to understand and thus politically more acceptable, in depth analytical tools provide better understanding of various factors and interrelations among them.

For the purpose of our study on regional disparities in Albania we have constructed a composite index, methodologically similar to the Global Competitiveness Index (GCI)[24] which classifies countries in several development categories and assesses them based on a set of qualitative and quantitative indicators referred to as pillars of competitiveness grouped into: basic requirements for factor-driven economies, efficiency enhancers for efficiency-driven economies, innovation and sophistication factors for innovation driven economies (weighted for different stages of countries' development). In our approach we included only quantitative indicators, introduced GDP as the main component of the composite index, and applied several weighted indicators appropriate to the general classification of Albania. The proposed RD index reflects the level of overall socio-economic development measured by:

a/ the basic EU coherence indicator: GDP per capita (or approximate indicator until GDP calculation per qark will become available), with 50% weight, and

b/ additional indicators, weighted according to the GCI sub-index for efficiency driven stage of development as Albania is considered an efficiency-driven economy, thus basic indicators with 20% weight, efficiency enhancers at 25%, and innovation factors at 5% respectively.

The three sets of indicators (basic, efficiency and innovation) have been established by a team of international and national experts engaged by the UNDP-ISD project. Each indicator is indexed to the national average value and incorporated in the overall RD index according to weight assigned. Within a single indicator values are assigned to each qark as percentage of the national average. The index is expressed in values from 0 to 100 points.

Indicators have been chosen on the basis of their perceived importance and data availability, with the view that INSTAT or other respective public administration bodies should be made responsible to provide reliable data sets. While we have to make reservations about some of the input data, we consider the indicator provides important overall picture on the level of development of individual qarks as well as on some more specific aspects of regional development. If the RD Index is considered for policy purposes, it will require further data collection and improvements; especially reliable regional GDP figures should be ensured.

[24] *http://www.weforum.org/documents/GCR10/index.html*

9.2 Analysis

Based on the composite RD Index we make the following observations:

- GDP differentiation among qarks is not extreme, although this will be ultimately verified by direct regional GDP data (expected to become available in 2011).
- Widest discrepancies among qarks are observed in such efficiency and innovation factors as business loans activity, Foreign Direct Investment concentration, and number of trademarks registered. Of the basic indicators the most differentiated one is the estimated travel time to the international airport (and the biggest business concentration in Tirana). These show that periphery problems are acute and agglomeration economies will tend to work in favor of the most developed areas with greater economic potential and dynamics, and against the weakest regions. Such tendencies are not common only to Albania, but more generally across Europe.
- While in general the qarks are more equitably endowed with basic infrastructure elements (the distribution of public and private services is relatively undifferentiated), they experience much higher discrepancies in efficiency related factors, which determine their overall competitiveness and require wider and well integrated public policy interventions.

This may also be a signal that concentration on basic infrastructures alone is not sufficient in order to break the vicious cycle of underdevelopment in areas lagging behind. In case of Albania, a closer look should be taken how to optimize public infrastructure and 'soft' interventions to revitalize local and regional economies. Investments closely related to economic growth promotion should be prioritized.

Several typologies of Albanian regions, according to specific development aspects, have been presented throughout our study. By applying the composite RD Index we provide an overall picture of the development level of each qark and group the qarks into distinctive categories. It should be remembered that most measurements are based on per capita calculations or other comparative values, and thus do not necessarily reflect popular perceptions of economic and social conditions in different regions.

The following classification is proposed:

- Least developed qarks – under 75 points on the RD Index (Albania=100)
- Medium developed qarks – 75-125 points on the RD Index
- Most developed qarks – over 125 points on the RD Index

The resulting grouping of qarks or typology of regions in provided in the table below:

Table 47. Overall typology of regions

Item	Least developed	Medium developed	Most developed
Qarks (ranked from lower to higher RD Index)	Diber Berat Kukes	Lezhe Fier Elbasan Korce Shkoder Vlore Gjirokaster Durres	Tirana
Population total (and as percentage of country's population)	391 thousands (12%)	1,998 thousands (63%)	793 thousands (25%)
% of country's GDP within the category	8%	56%	36%
Relative productivity index (%GDP to %population ratio, Albania=1.0)	0.67	0.89	1.44
Other important characteristics	Very low value added in the regional economy Significant depopulation over the last decade (around 25-30% for Diber and Kukes, around 12% for Berat)	Differentiated economic performance, in general below the national average Stable population over the last decade in the whole group, differentiated but within +/-10%	Highest relative productivity (about two times higher than in the least developed regions) High population inflow in the last decade (about 30%)

Source: Own Calculations

Table 48. Regional Development Index for Albania

REGIONAL DEVELOPMENT INDEX FOR ALBANIA

ITEM	GDP PER CAPITA, 2007 (ALL)*	GDP PER CAPITA	Density of nationally administered roads (km/10000km^2), 2008	Fixed phone user families per 1000 inhabitants, 2008**	Est. travel time (hrs) to the nearest int'l airport, 2008	Infant mortality rate per 1000 births, 2008	Number of hospital beds/10000 inhabitants, 2008	Primary education general enrolment (%), 2008	Population with access to water system (%), 2007	BASIC INDICATORS	Secondary education general enrolment (%), 2008	Number of active enterprises per 10000 inhabitansts, 2008	Number of new enterprises per 10000 inhabitants, 2008	Unemployment rate (%), 2008	Female partcipation in labor force (%), 2008	Business credits '000ALL per 1000 inhabitants, 2008	FDI - number of companies per 10000 inhabitants, 2008	Internet users long-term (%), 2008	EFFICIENCY ENHANCERS	Number of trade marks registered per 100000 inhabitants, 2008***	R&D spending per 10000 inhabitants****	INNOVATON FACTORS	RD INDEX
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
Berat	214,397		85	83	3.0	7.8	26	93.4	96.3		77.5	254	49.9	8.2	54.4	40	1.3	30.0		0.6	0		
Diber	177,111		98	35	4.5	6.9	38	103.1	62.1		60.2	129	30.8	6.1	32.1	6	1.3	30.1		0.0	0		
Durres	339,243		215	77	0.8	6.1	16	90.8	71.4		48.4	400	69.0	18.2	57.9	224	10.4	30.6		4.9	0		
Elbasan	240,661		112	60	2.0	8.3	33	92.7	70.5		56.3	205	40.0	14.2	58.8	80	2.1	30.1		0.0	0		
Fier	239,186		127	54	2.0	7.0	19	90.2	72.6		60.3	250	38.7	7.1	56.5	111	1.6	31.3		1.6	0		
Gjirokaster	340,868		105	97	6.0	1.5	40	70.2	86.4		60.1	291	48.8	14.4	51.1	86	3.8	30.0		4.9	0		
Korce	255,071		106	74	5.0	8.0	33	85.2	91.6		60.8	307	45.4	10.2	66.2	77	6.0	30.0		0.8	0		
Kukes	216,643		120	41	3.0	7.8	46	136.3	73.3		88.3	120	25.9	7.0	38.6	18	1.4	30.3		0.0	0		
Lezhe	238,862		143	37	1.0	7.1	23	93.3	73.5		57.4	176	47.8	17.0	35.5	102	1.9	30.6		0.0	0		
Shkoder	286,882		143	53	2.0	5.0	29	95.7	76.4		62.1	255	79.2	20.5	56.4	77	3.3	30.0		3.3	0		
Tirane	442,695		160	114	0.5	17.4	29	87.0	89.9		65.6	512	88.5	13.8	50.3	835	27.5	65.9		11.0	1		
Vlore	267,881		164	88	3.0	9.7	35	122.0	87.4		87.3	402	81.3	12.1	46.5	192	5.7	31.3		0.0	0		
Albania (av.)	305,229		125	77	2.7	7.7	29	92.9	77.0		62.8	329	61.4	13.1	52.8	287	9.8	47.3		3.9	0.25		
Berat	70	35	68	108	111	101	90	101	125	19	123	77	81	63	103	14	13	63	18	15	0	0	72
Diber	58	29	78	45	167	90	131	111	81	19	96	39	50	47	61	2	13	64	13	0	0	0	61
Durres	111	56	172	100	30	79	55	98	93	21	77	122	112	139	110	78	106	65	25	126	0	4	106
Elbasan	79	40	90	78	74	108	114	100	92	19	90	62	65	108	111	28	21	64	18	0	0	0	77
Fier	78	39	102	70	74	91	66	97	94	18	96	76	63	54	107	39	16	66	17	41	0	1	75
Gjirokaster	112	56	84	126	222	19	138	76	112	21	96	88	79	110	97	30	39	63	20	126	0	4	101
Korce	84	42	85	96	185	104	114	92	119	21	97	93	74	78	125	27	61	63	19	21	0	1	83
Kukes	71	36	96	53	111	101	159	147	95	22	141	36	42	53	73	6	14	64	15	0	0	0	73
Lezhe	78	39	114	48	37	92	79	100	95	17	91	53	78	130	67	36	19	65	19	0	0	0	75
Shkoder	94	47	114	69	74	65	100	103	99	19	99	78	129	156	107	27	34	63	23	85	0	3	92
Tirane	145	73	128	148	19	226	100	94	117	24	104	156	144	105	95	291	281	139	38	282	400	16	151
Vlore	88	44	131	114	111	126	121	131	114	25	139	122	132	92	88	67	58	66	25	0	0	0	94
	0								0														
Albania (av.)	100	50	100	100	100	100	100	100	100	20	100	100	100	100	100	100	100	100	25	100	100	5	100
		50%								20%									25%			5%	100%
Weights	50%	50%	5%	3%	2%	2%	2%	4%	2%	20%	5%	3%	2%	5%	2%	3%	2%	3%	25%	3%	2%	5%	100%

* consumption based estimate (consumption adjusted by business credits intensity and non-agriculture employment), to be subsitituted by GDP when direct data become available

** to be substituted with mobile phone users indicator when data become available

*** best available measure of innovation as patent applications very scarce

**** to be included when data become available, for now assumed in Tirana only

9.3 Conclusions

By applying a consistent methodology to measure regional disparities and having constructed a composite RD Index we were able to provide an overall typology of regions in Albania. Those with RD Index below 75: Diber, Kukes and Berat are considered to be the least developed. Tirana with RD Index above 125 (actually 151) is considered as outstanding, most developed. All other qarks with RD Index between 75 and 125 are classified as medium developed, composing not a uniform group, but with many characteristics shared.

There is clearly an overall high development level in Tirana, incomparable to any other qark. Even Durres, which due to proximity, sea port functions, etc., can be considered an integral part of Tirana-Durres economic organism, is much weaker in terms of many regional development aspects. The extremes on the other end of spectrum are definitely Diber and Kukes, as confirmed by intense loss of population, which is a costly adjustment mechanism.

The inclusion of Berat in the least developed category can be questioned as in general it is not perceived as one of the weaker performers. Some other qarks, such as Lezhe or Fier show the marginal values between the least and medium developed categories, so they could be classified differently. All in all, we think that the methodology has to be applied consistently, thus the resulting grouping. The RD Index should be however updated once regional GDP figures and the results of a new population census are made available (both expected in 2011). Another improvement in the index could be to use average indicator values for the last three years instead of last year available.

The RD Index can be applied to define areas of the country which require special attention from the regional development perspective. Of course the key issue here is to build a wide consensus about the method applied to designate the less advantaged areas.

Chapter 10

Disparities at International and National Level, Policy Implications

Disparities at International and National Level, Policy Implications

10.1 Introduction

It is important, especially in the context of EU integration, to put the Albanian regional disparities and development issues in a broader perspective. For this purpose we make some important comparisons with EU and EU-aspiring countries and draw conclusions which have bearing on the country's regional development realities and thus should be addressed by a relevant policy.

Statistical data are derived mainly from Eurostat and the National Statistical Office (INSTAT). The analysis is complemented by our own variation and correlation measurements at the inter-regional level. The main issues considered from the international perspective are: economic growth, demographic situation, social disparities, and access to selected infrastructures. Three levels of observations are provided: international, regional and local. These allow us to identify some important policy implications.

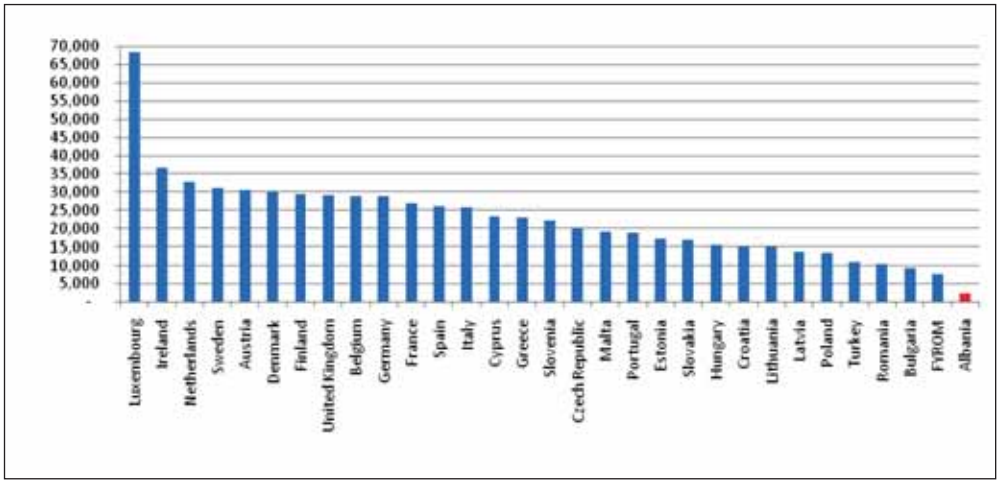
10.2 Analysis

International Disparities

Albania is one of the smaller countries in Europe, both in terms of population and surface area. It is comparable to many of NUTS II regions in the EU, which are the primary subjects of the EU socio-economic cohesion policy. In many terms development disparities within Albania could be considered local rather than regional and thus not critical from the outside perspective. Externally there are several important factors which differentiate Albania from the EU member states, candidate and other countries.

In terms of economic performance, despite steady and significant growth over the last decade, Albania is still lagging behind not only in relation to the EU countries but also to most candidate and potential candidate countries, as evidenced by comparative data on GDP per capita (PPS).

Figure 69. GDP per capita, 2007 (PPS)

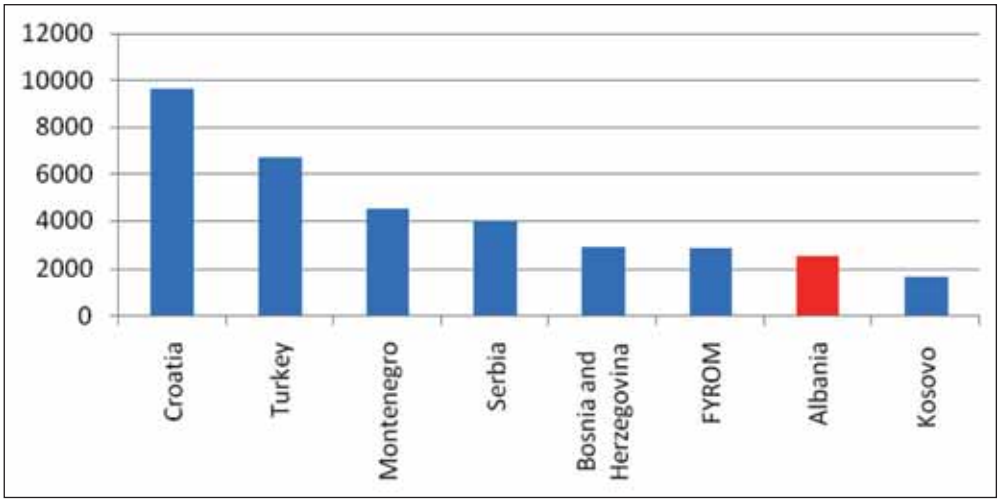


Source: INSTAT, EUROSTAT

In terms of GDP Albania is the least developed country in the region, except Kosovo. Looking at the different categories of regions and countries in EU and candidate countries its position in terms of GDP p.c. is:

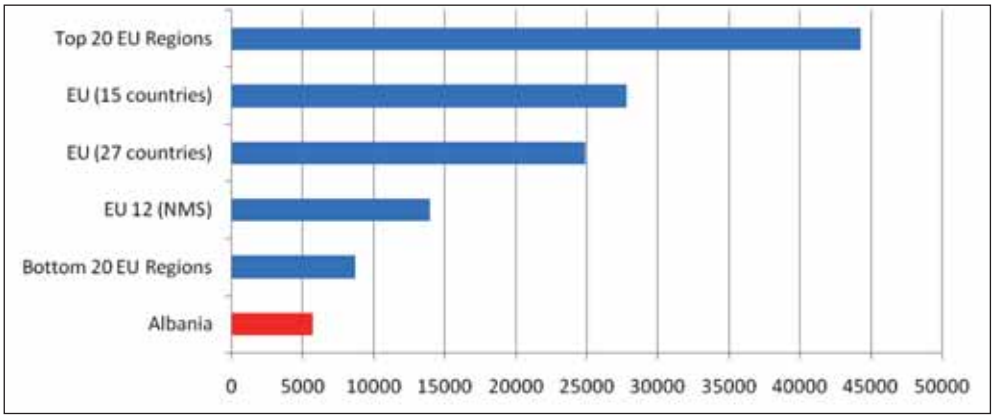
- At the level of 30% of the GDP p.c. of the 20 least developed regions in EU
- At the level of 20% of the GDP p.c. of the new member states, joined EU in 2004-2007
- At the level of 10% of EU 27 (23% in PPS), 9% of EU 15 and 6% of the top 20 EU NUTS II regions
- 88% of the GDP p.c. (EUR) in Macedonia and 26% of the GDP p.c. (EUR) of Croatia

Figure 70 . GDP per capita, 2007 (EUR), Candidate and Potential Candidate Countries



Source: INSTAT, EUROSTAT

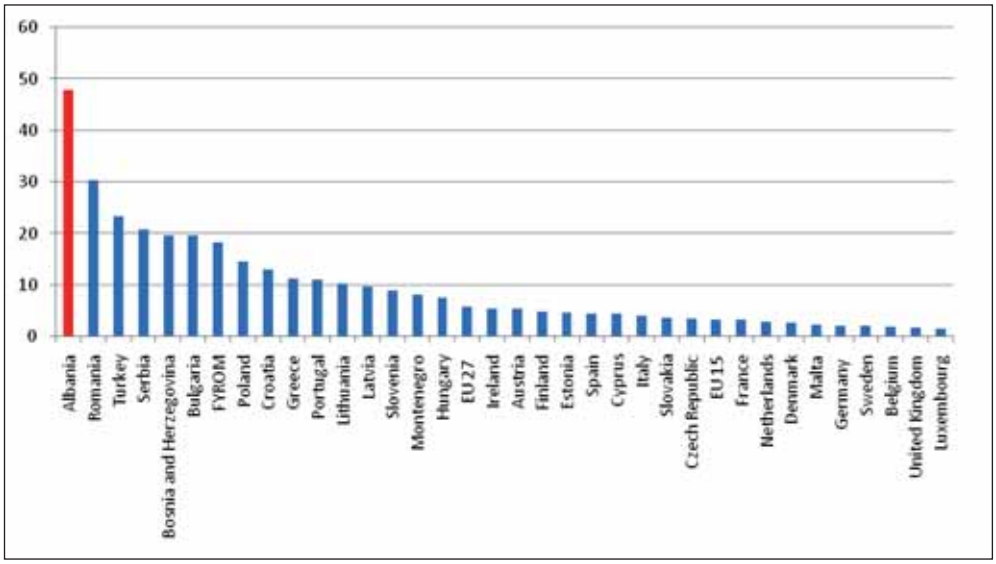
Figure 71. GDP per capita, 2007 (EUR), Candidate and Potential Candidate Countries



Source: INSTAT, EUROSTAT

Considering the economic structure (employment by sector) of the country we clearly see that Albania differs significantly from most European countries. The employment in agriculture is 8 times higher than in EU 27 and 14 times higher than in EU 15. It is 6.7 times higher even compared to the EU 10 (the 10 countries that acceded in 2004). For individual countries the situation is similar: employment in agriculture in Albania is 3.7 higher than Croatia, and 4.2 higher than Greece. Even when compared to the second country with the highest employment in agriculture, Romania, the figure for Albania is 1.6 times higher.

Figure 72. Employment in Agriculture (%), 2007

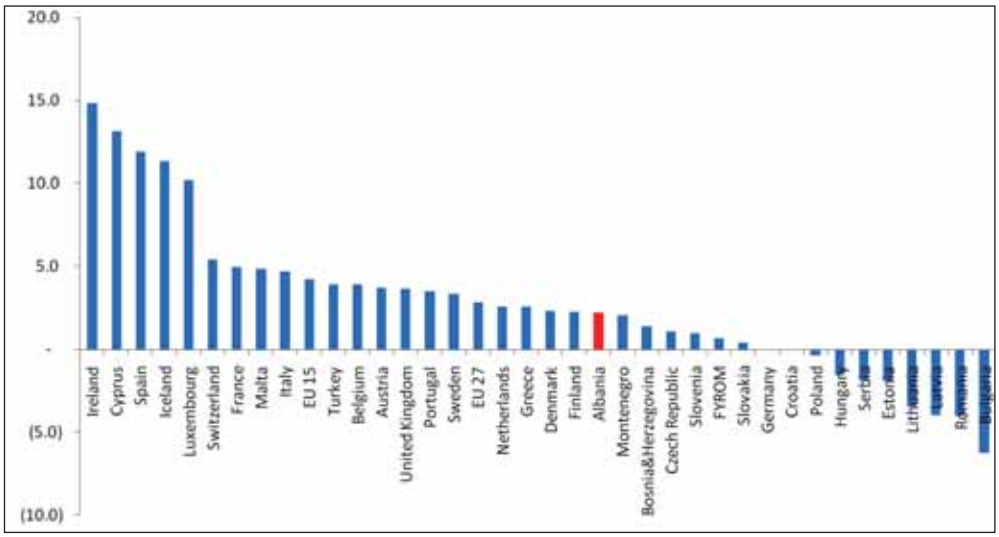


Source: INSTAT, Indicators by Qarks 2001-2002; 2007-2008, private agricultural and own calculations, EUROSTAT (Percentage of total,based on number of inhabitants, employed in Agriculture, hunting, forestry and fishing).

In other words we see Albania positioned at two corresponding extremes: the highest reliance on traditional, small scale farming coupled with the lowest per capita Gross Domestic Product. It becomes clear that further development will require dramatic structural changes in the national economy.

There are some specific features of the Albanian demographics too. While the population dynamics are somewhat close to the general trends in Europe, this country has one of the most beneficial population structures and dynamics. Population growth is positive, only moderately different from the EU 27 average. The population growth in Albania during the period from 2001 to 2008 is 2.2% which represents roughly 78% of the EU 27 growth rate and 53% of the EU 15 rate. In relation to other countries of the region the differences are not unison. The growth rate for Albania is 3 times higher than the one for Macedonia, but similar to the Greek one. Other countries of the regions such as Croatia, Serbia, Romania and Bulgaria show negative rates.

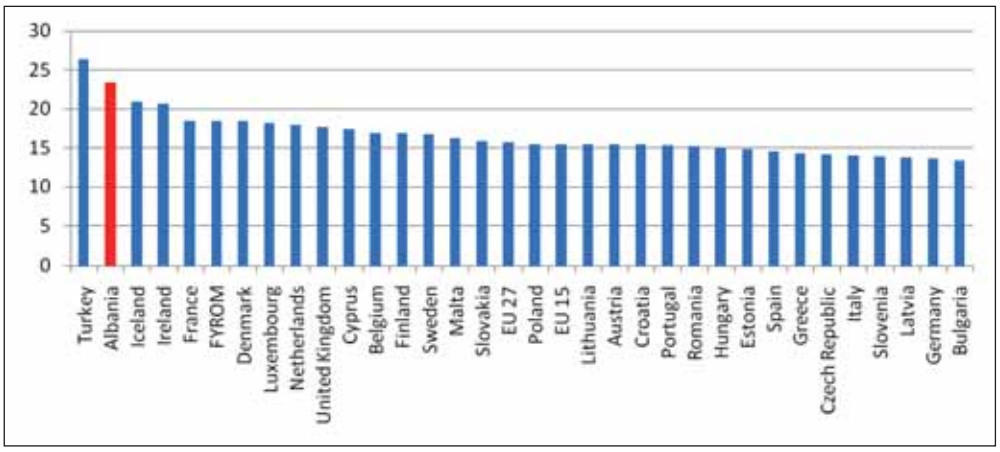
Figure 73. Population Change 2001-2008, %



Source: *INSTAT, EUROSTAT own calculations*

Albania is the second country in Europe, after Turkey, with the youngest population. 23.4% of its citizens are between 0-14 years of age. This share is roughly 1.5 times higher than in EU 27 and EU 15, 1.6 times higher than in Greece, 1.3 times higher than in the FYROM, and 1.8 times higher than Bulgaria, which has the lowest share of this age group in Europe.

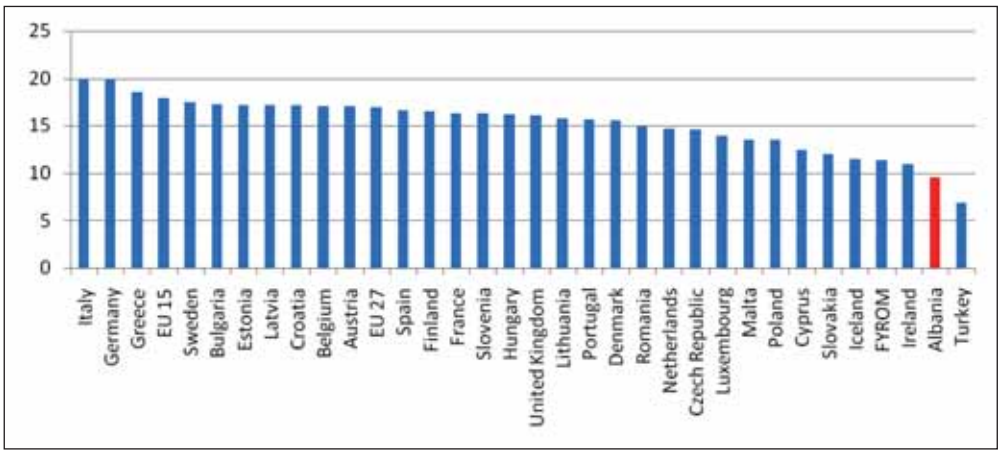
Figure 74. Population Age Group 0-14 year (%), 2008



Source: *INSTAT, EUROSTAT*

At the same time Albania has the smallest share of the age group over 65 years in Europe, again after Turkey. Its share of 9.6% is equal to 56% of the EU 27 and 54% of the EU 15. Compared to the country with the oldest population in Europe, Albania's share is 48% of Italy's share (20%). Other countries in the Balkans, such as Croatia or Romania, have shares of this age group, respectively 1.8 and 1.6 times higher than Albania.

Figure 75. Population Age Group over 65 year, %, 2008



Source: *INSTAT, EUROSTAT*

In terms of social cohesion Albania does not differ significantly from neighboring countries. With the Human Development Index at 0.719 (close to the Europe and Central Asia) and poverty measured by the intensity of deprivation at 38.1 (percentage of weighted indicators in which an average poor household is deprived) the country in general terms is somewhat behind Croatia and Serbia, but ahead of FYROM[25].

[25] *The HDI represents a broader definition of well-being and provides a composite measure of three basic dimensions of human development: health, education and income. UNDP data: http://hdrstats.undp.org/en/countries/profiles/ALB.html*

Table 49. Human development and poverty in Albania and neighboring countries, 2008

Country	HDI	Poverty (intensity of deprivation)
Albania	0.719	38.1
Croatia	0.767	41.6
Serbia	0.735	40.0
FYROM	0.701	40.9

Source: *UNDP*

Relevant evidence shows that in the European context high poverty is directly related to low levels of employment[26]. Countries like Denmark, Netherlands and Sweden with the top levels of employment tend to have low poverty levels, while some Mediterranean countries, namely Greece, Italy, and Spain suffer from higher poverty incidence. With the Albanian levels of employment slowly improving over the last decade social cohesion is expected to gradually increase. According to the Europe 2020 Strategy 75% of the population aged 20-64 should be employed. For the EU 27 this indicator stands at 70.5% (lowest in Hungary – 61.9%)[27] and for Albania 53.8% (in 2008). This is a dramatic gap that has to be closed in order for the country to approximate to the levels of social cohesion achieved and aspired by the EU.

In terms of physical infrastructure, as evidenced in the earlier chapters of this study, Albania suffers from acute deficits in the environmental protection installations (waste water treatment and solid waste management facilities) as well as outdated transportation systems (except for a relatively modern international airport and some improved primary roads sections). These will be the primary investment areas taken into consideration from the EU perspective.

Internal Disparities

When summarized, based on a comparison of variation and range (min/max, including expressed in % of average, number of qarks significantly above and significantly below the average), there are several highest disparities in Albania noted at the regional (qark) level:

- Population change – most expressive and clearly distinguishing the qarks in two very different groups: 3 growing significantly (Tirana, Durres, Vlore) and 9 losing population significantly, but especially Diber (-25%) and Kukes (-29%), followed by Berat (-11%)
- Population density and share of population in small LGUs (< 5000) – more expressive than urban population variation
- Multiple economic factors (with the exception of GDP p.c.): credits to businesses, FDI, non-agriculture enterprises and newly established non-agriculture enterprises; unemployment and structure of employment (agriculture-non-agriculture), LGUs own incomes – these are most differentiated and seem to be acute problems as well as closely linked to other problems
- Reliance on social assistance - representing the current dispersion of poverty
- Distance / travel time to capital and to regional centers

Disparities in physical infrastructure, environmental situation and access to services are generally not so acute. Among them the most prominent are:

- Urban waste generation (related to urbanisation level)
- Car ownership (related to welfare)
- Roads density (related to the periphery issues)

[26] *European Union Statistics on Income and Living Conditions, more: http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_and_social_policy_indicators/omc_social_inclusion_and_social_protection/social_inclusion_strand*
[27] *http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=t2020_10*

The indicators used to analyze regional disparities are interrelated and correlated – the number of significant correlations is quite high, even unexpectedly high. Generally speaking good economic indicators correspond to good social indicators, better access to services, positive demographic development, high level of urbanization, low level of agricultural dependence. To some degree the impact of geography (location, altitude) remains 'hidden' but it is evident when looking at the data per qark and correlating maps. It is probably the population dynamics (a proxy for the migration, too) that presents best the differentiation between the qarks.

In general data on local level are limited to allow detailed conclusions. However it is known from theory and experience that the lower the territorial level of analysis, the higher the differentiation and the more acute the disparities. This is specifically supported by the data on local own revenues of LGUs (municipalities and communes) in Albania. Some other indicators confirm the conclusion that disparities are higher on local than on regional level, for example local level data on poverty show that while there is a higher concentration of 'poor' municipalities and communes in the poorest qarks, the distribution is quite disperse, i.e. 'poor' LGUs can be found in all qarks. With the relation to the above it is quite natural to find localities lagging behind in terms of development across the country. They tend to confirm to the following characteristics: smaller LGUs with low population density and urbanization level, low LGU own incomes, mainly peripheral (to the capital and to the qark centre), mainly mountainous.

Policy Implications

Based on our analysis the following entry points to policy discussion can be made:

- There is an inherited problematic economic and settlement structure combined with the different 'natural' ability of regions and areas to adapt to changes after 1990
- The massive migration flows lead to spatial 'movement' of problems from one place to another (e.g. unemployment, access to infrastructure and services)
- Natural conditions (especially altitude) as well as location create different bases for economic development (and indirectly explain the differentiation in poverty etc.)
- On some indicators there is an observed trend to converge – e.g. density of active non-agricultural enterprises, newly established non-agricultural enterprises, car ownership, mobile phones use,
- On other indicators there is an observed trend to diverge– e.g. population density, urban waste generation, families receiving social assistance (per population) education enrolment
- In some cases the convergence/divergence trend is not unidirectional (e.g. poverty – conversion between Tirana, Coastal and Central strata) and divergence between Mountain strata and the rest of the country and in some cases the regional pattern is changing – e.g. unemployment
- There is a lack of effective and efficient development policy addressing the disparities issues (both a specific RD policy and/or more 'regionalized' and coordinated sectoral policies, as well as fiscal mechanisms, e.g. subsidies to LGUs); moreover, the existing policy instruments seem to concentrate on social or distributive mechanisms rather than on creation of conditions to strengthen the competitiveness, leading to improved economic development that allows job creation

  On the basis of experience of many other countries what is expected is an increase in regional disparities if a significant national growth will happen (unless targeted, efficient and effective interventions are carried out). It is difficult to believe that even massive interventions could eliminate the regional disparities, but targeted action can keep them at socially and politically acceptable levels. General policy recommendations have already been provided in the summary chapter of this study.

Chapter 11

Conclusions

Conclusions

Albania faces a number of critical disparities at international, regional and local levels deserving coordinated policy interventions. Some of the gaps in relation to the external context, such as transport and environmental infrastructure, will be directly addressed by the EU pre-accession financial instruments, gaining in relevance in the near future. The internal development disparities will need to be treated by national and sub-national efforts combined with assistance from the international donor community.

When looking at the domestic situation we recognize that:

- Presently there are no extreme disparities at qark level. Albania has a relatively developed centre composed of Tirana and Durres and close to that also Vlore, while the rest of the country is less developed with Diber and Kukes scoring lowest. From the European perspective though all qarks are substantially lagging behind EU regions, and even in respect to many neighbouring countries;
- Disparities at municipality/commune level are more considerable, especially in relation to basic infrastructure and poverty. These disparities at municipality/commune level can be found in most qarks;
- The principal causes of the largest regional disparities (Tirana/Durres versus the rest) relate to the economic structure of regional units, of which the dependency on agriculture and levels of urbanisation are the dominant factors. Important underlying conditions stem primarily from geographic elements: altitude and accessibility, land productivity, population density, and others. These factors also influence the attractiveness and quality of life as in several regions and locally in many municipalities/communes the basic infrastructure is considerably lagging behind.

Given the fact that socio-economic development of the various regions in Albania is contributing to the overall performance of the country it seems fair to develop a regional development policy that will tackle the disparities at both regional/qark level and municipal/commune level. With respect to the latter further discussion will be needed whether this should be part of regional development policy or rural development policy as the majority of the lagging municipalities/communes are very rural.

One of the important conditions for an effective and efficient regional development policy is the availability and quality of statistics not only to formulate and design the policy, but also to monitor and evaluate its progress and success or failure. For example, given the scale of internal and external migrations and their impact on multiple regional indicators as well as on the demand and supply of services, labour force etc., they should be monitored regularly, especially at the sub-national level.

Main overall findings, conclusions and policy recommendations are provided in the Summary chapter on the first pages of this publication.

Annexes

Annex 1

Table 50. Participants' List of the Regional Development Policy Discussion Technical Group

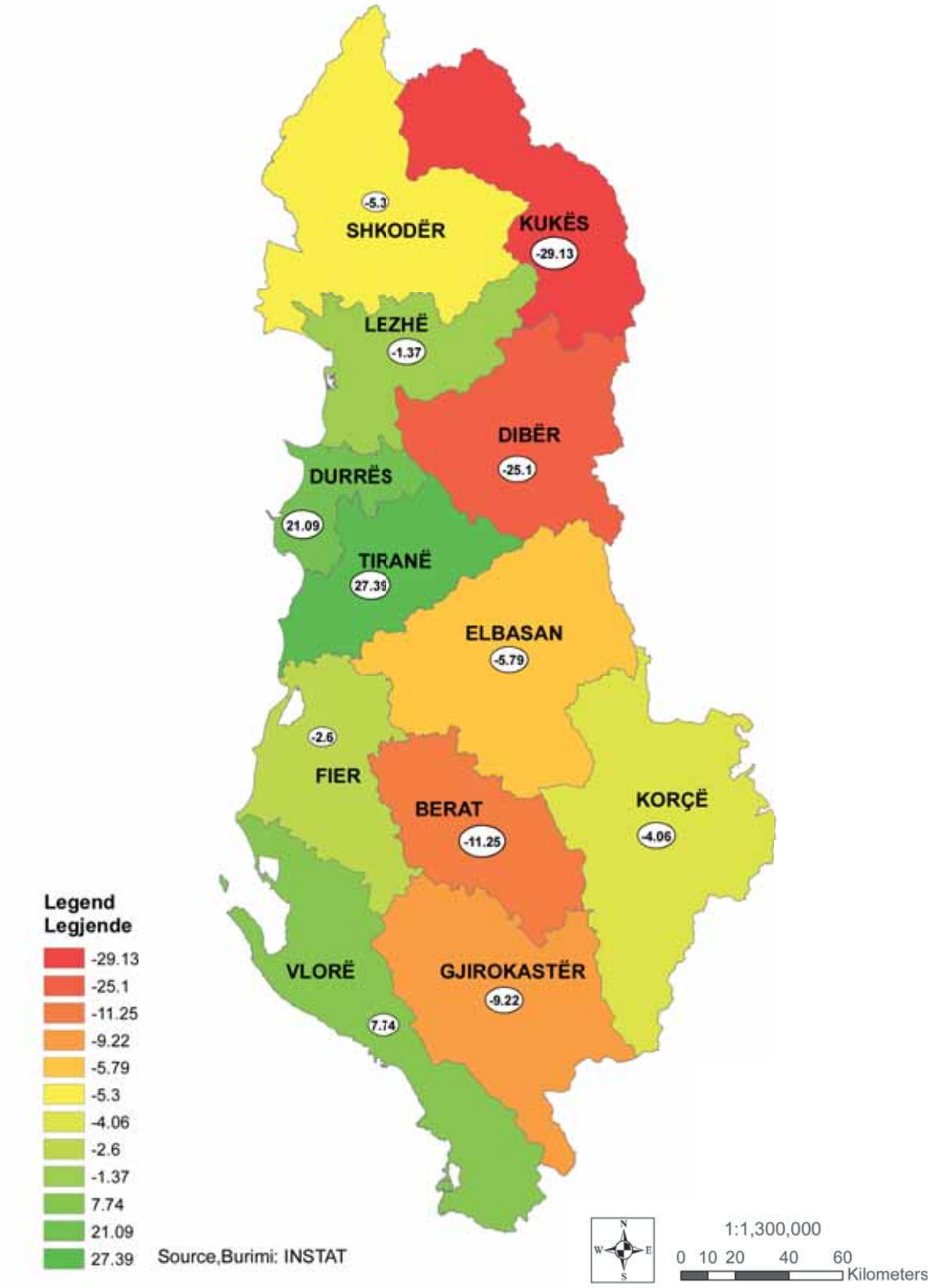
Name	Organization
Dritan SHUTINA	Co-PLAN
Artan HOXHA	Institute of Contemporary Studies)
Vladimir MALKAJ	UNDP
Enea HOTI	Albanian Development Fund
Evelina AZIZAJ	Albanian Development Fund
Zyher BECI	Association of Municipalities
Thoma RUSHA	Ministry of Economy Trade and Energy
Silva AKCANI	Ministry of Economy Trade and Energy
Agron SULA	Ministry of Economy Trade and Energy
Fran BRAHIMI	Ministry of Finance
Jollanda MEMAJ	Ministry of Finance
Oriana ARAPI	Council of MInisters
Shpresa MEZINI	Ministry of Environment
Drita DALIPAJ	Ministry of Environment
Kostandin DANO	Ministry of Environment
Arjana SINOJMERI	Ministry of Environment
Milazim SADRIAJ	Ministry of Interior
Juneta DUMI	Ministry of Interior
Roland BARDHI	Mountain Areas Development Agency
Blerina KOKONA	ALBINVEST
Eralda LAMEBORSHI	ALBINVEST
Arben BAKLLAMAJA	World Bank
Elda BAGAVIKI	Swiss Development Cooperation

Annex 2

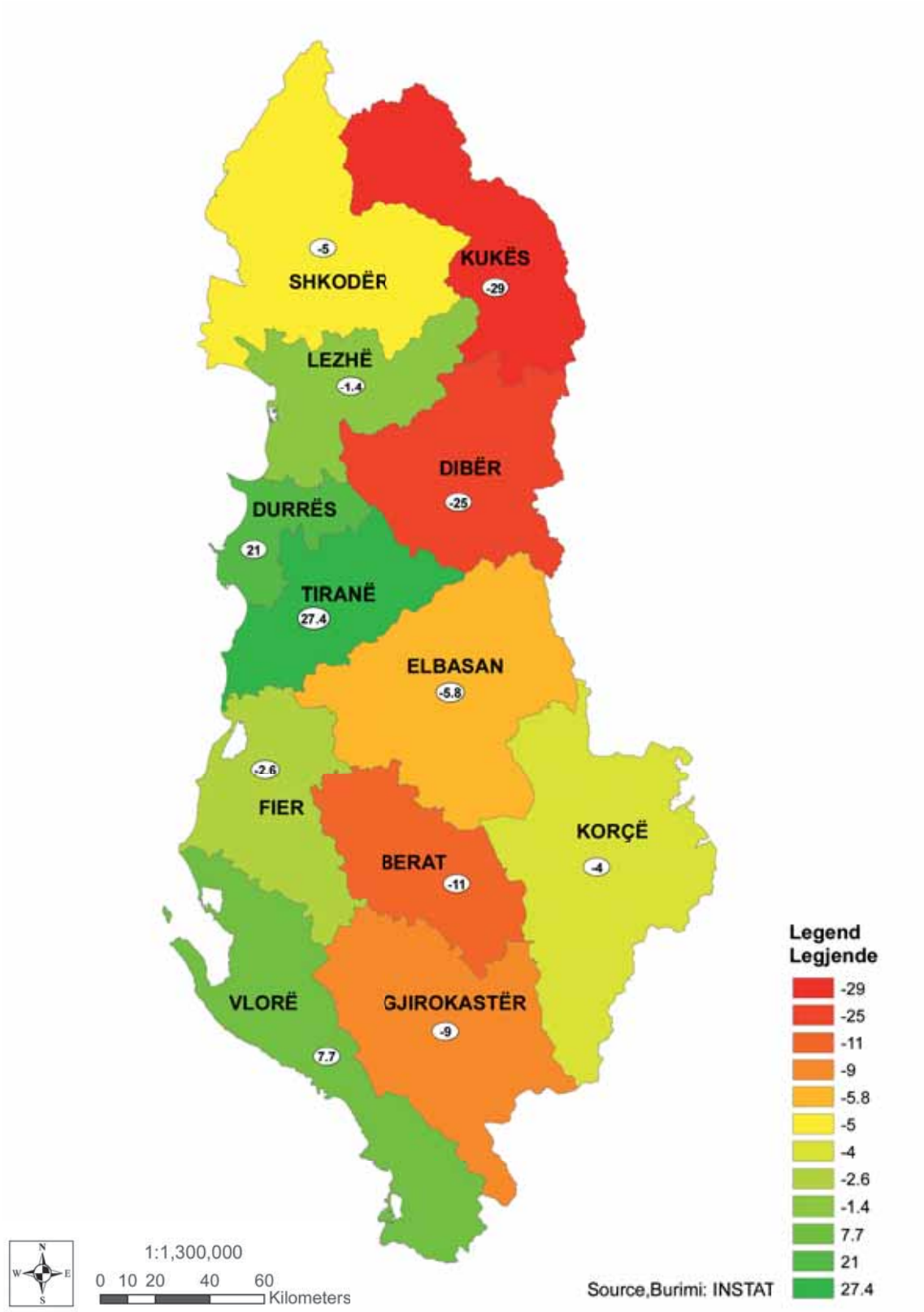
MAPS (on the following pages)

Map 1

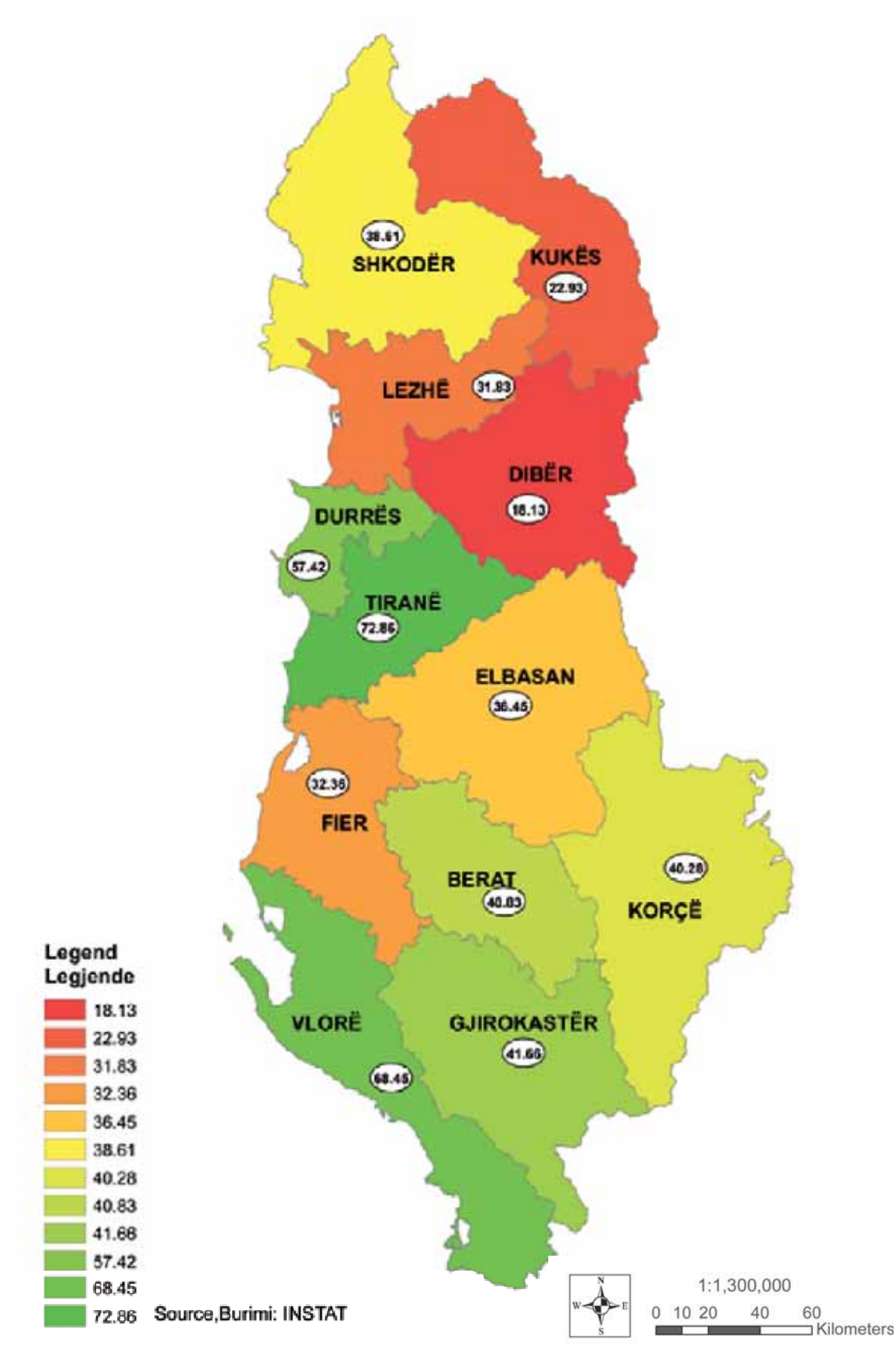
Population change 2001-2008, %
Ndryshimi i popullsise 2001-2008,%



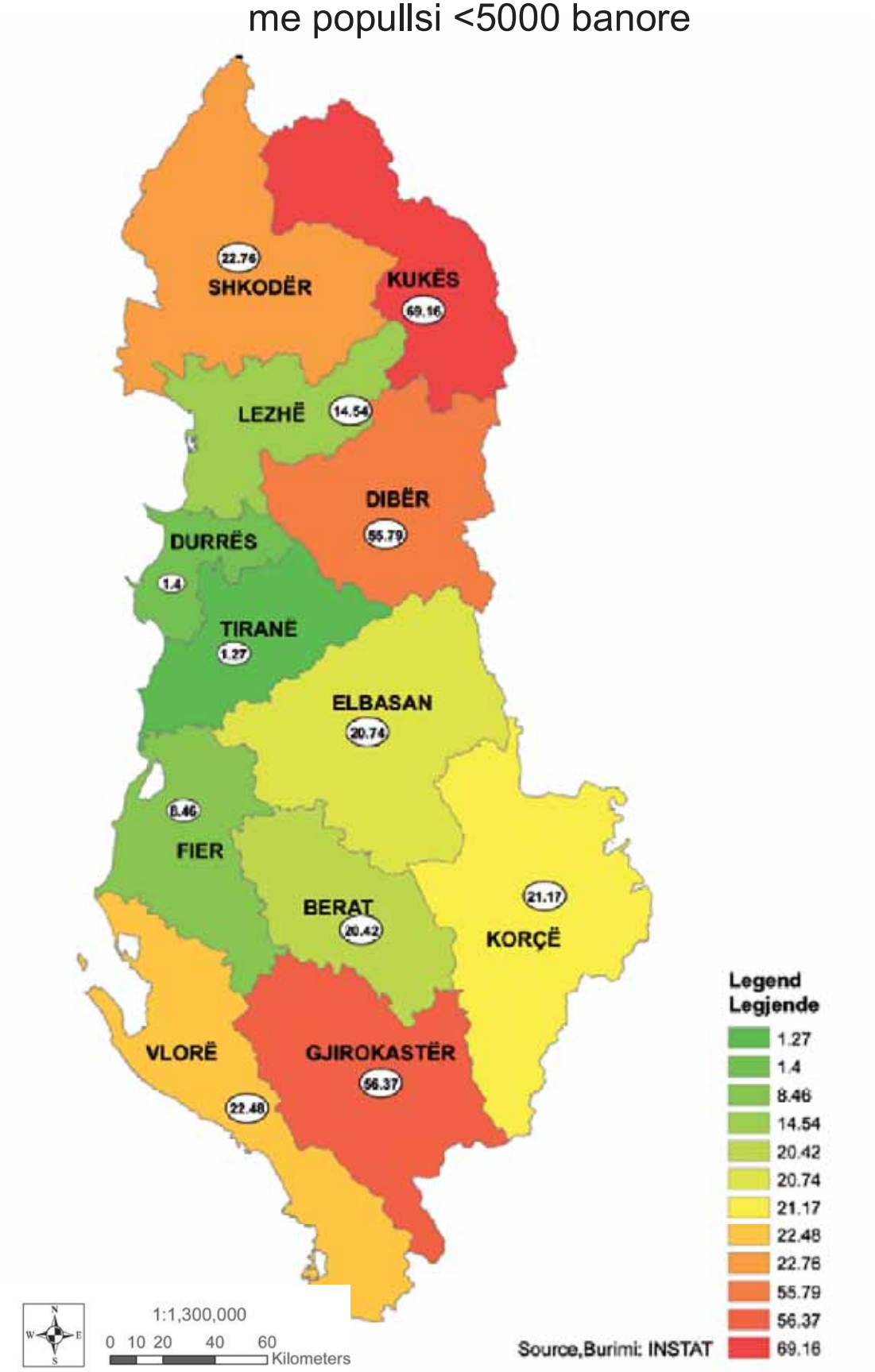
Population density 2008, pers/km2.
Change, % for the period 2001-2008
Dendesia e popullsise 2008, pers/km2.
Ndryshimi, % per periudhen 2001-2008



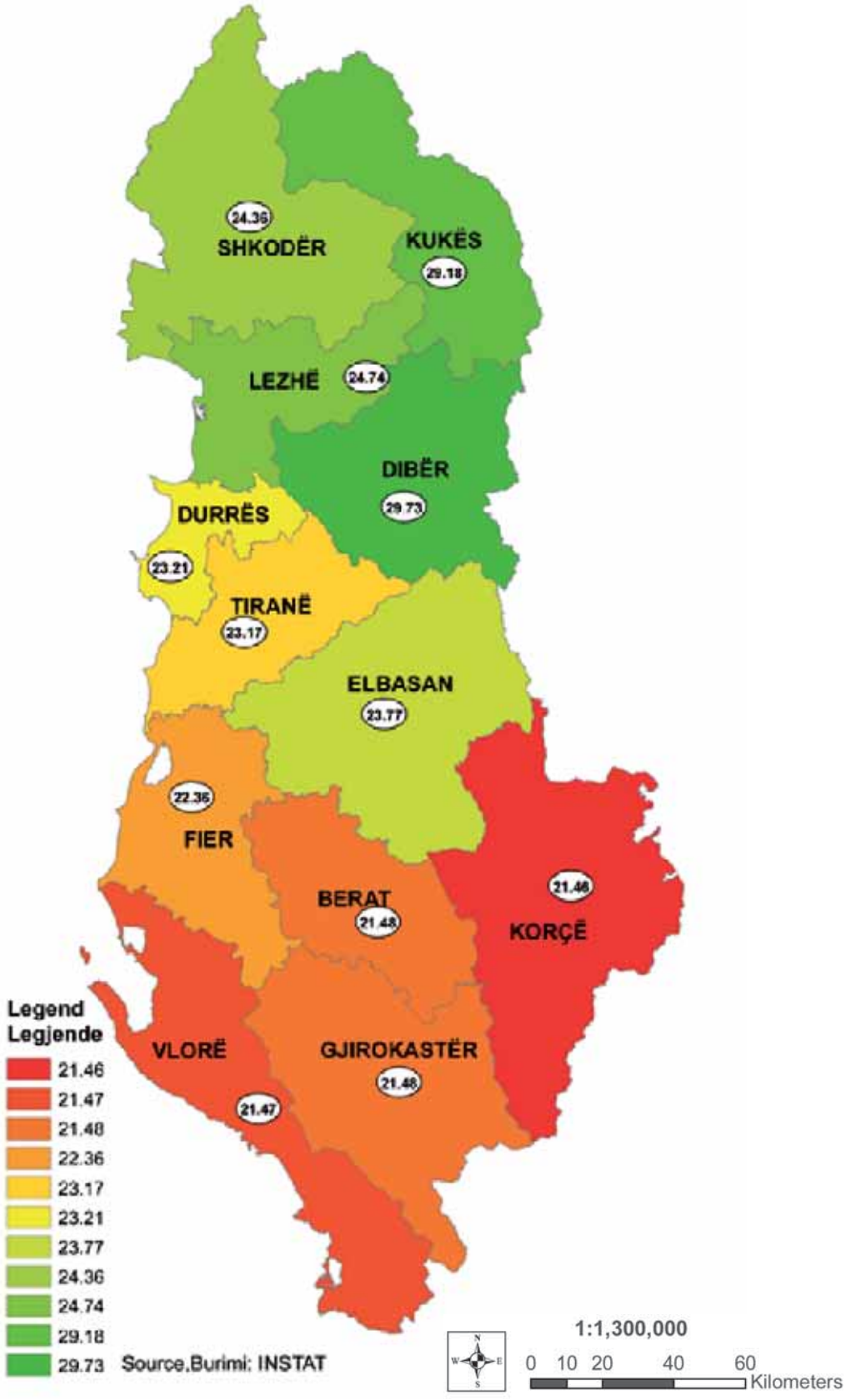
Urban population 2008 %
Popullsia urbane 2008 %



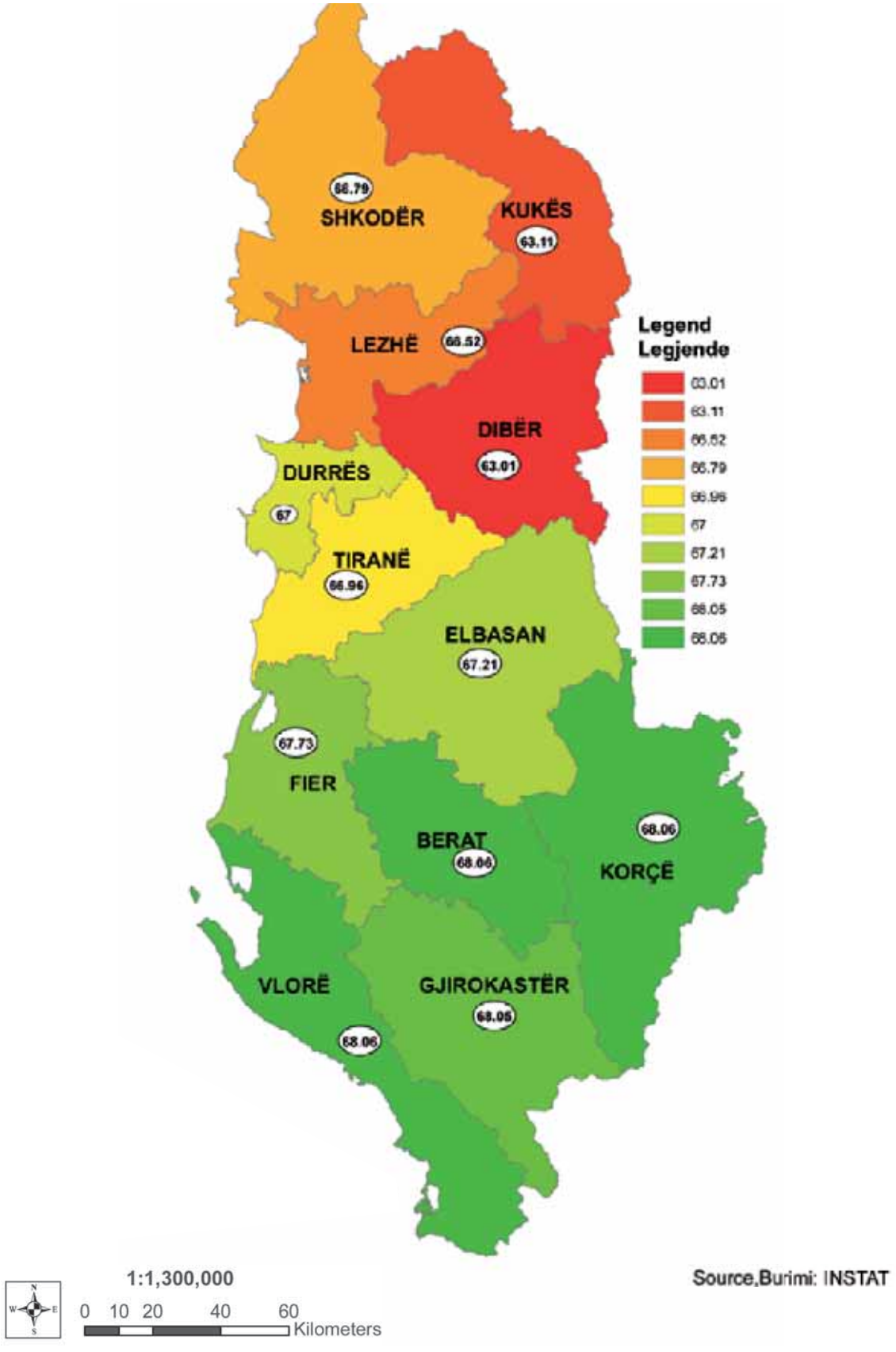
Population (% to Qark Total) in LGUs below 5000 inh.
Popullsia (% ndaj totalit te qarkut) ne njesite vendore me popullsi <5000 banore



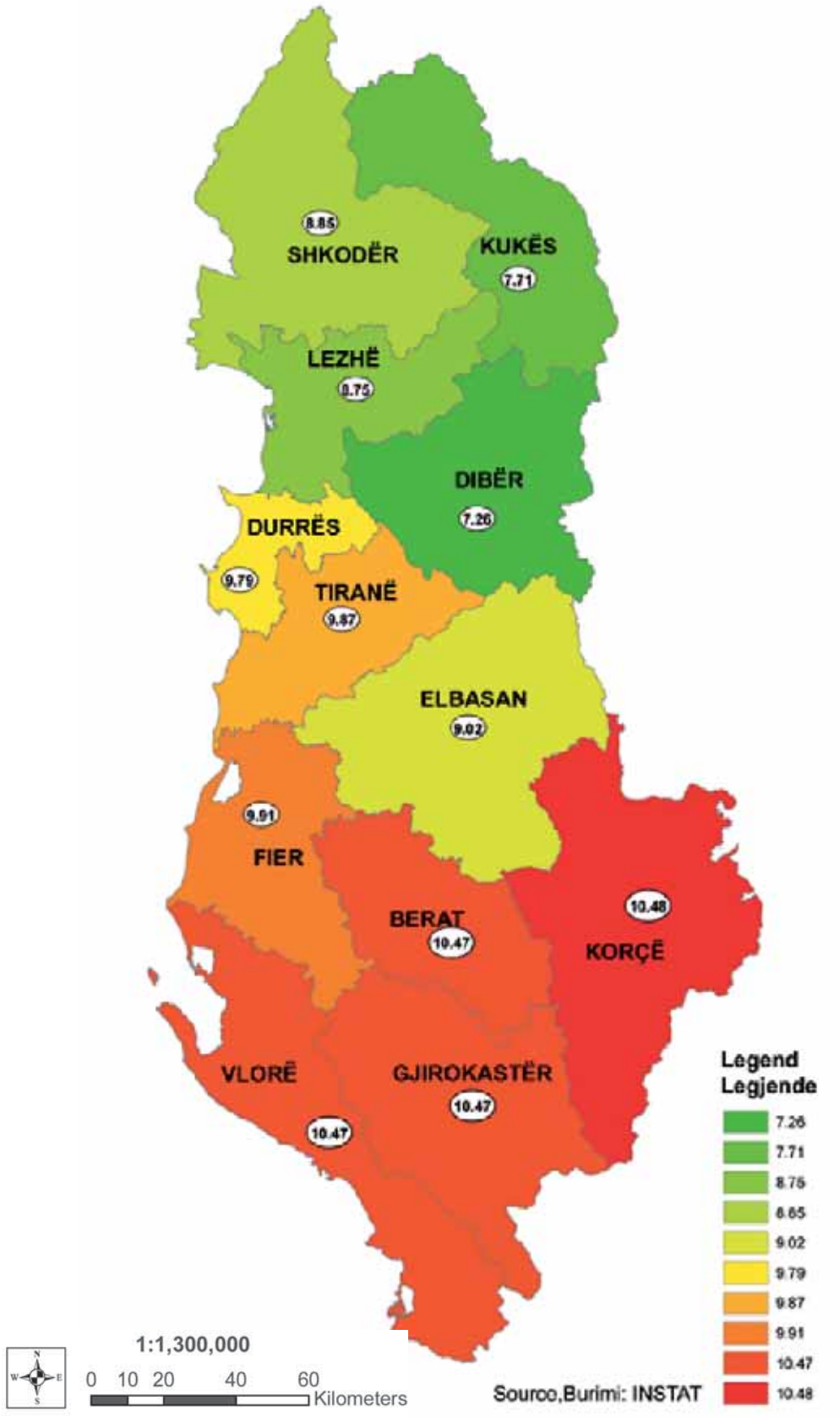
Population Age Group (0-14) %
Popullsia sipas grupmoshave (0-14) %



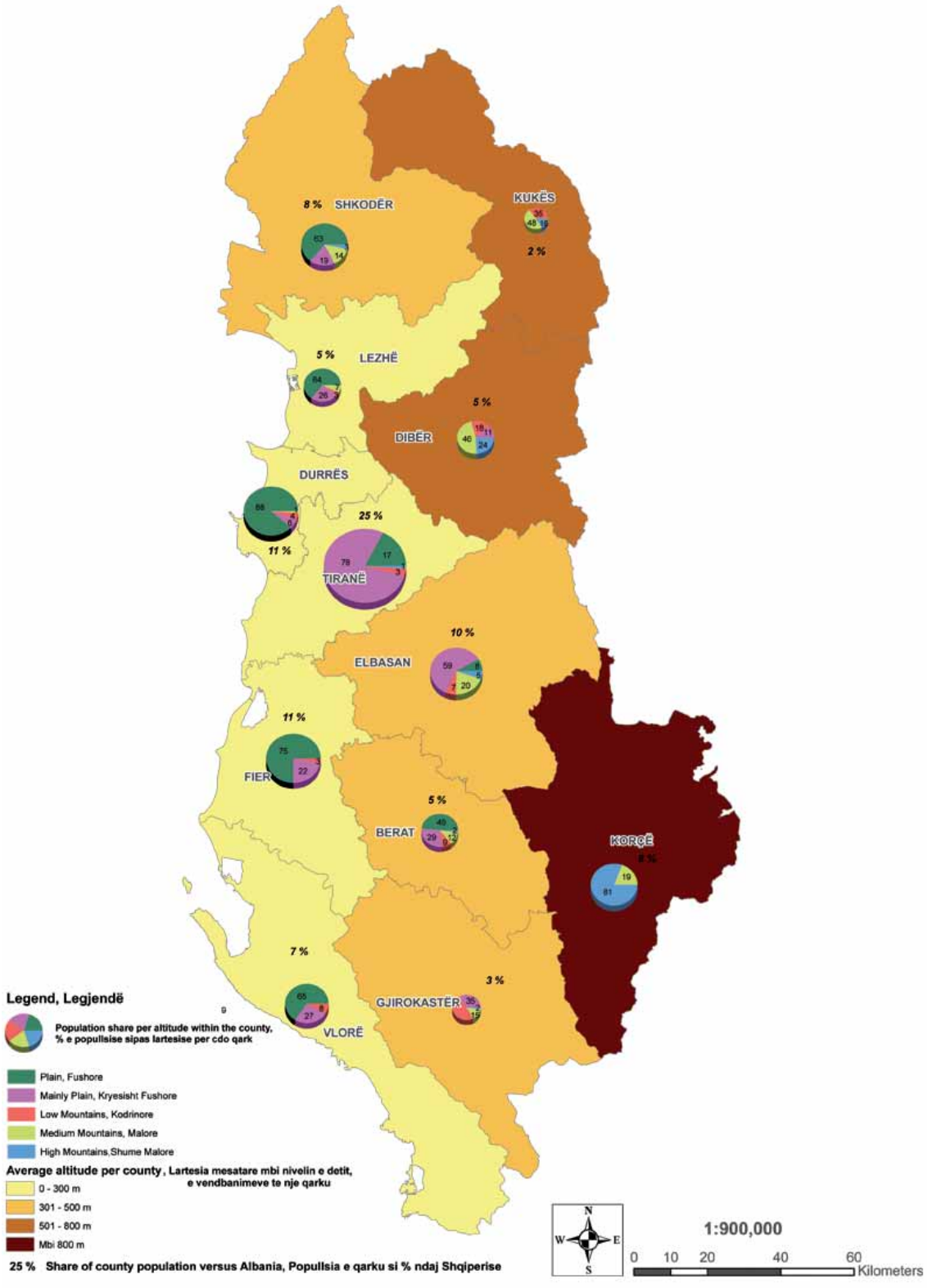
Population Age Group (15-64) %
Popullsia sipas grupmoshave (15-64) %



Population Age Group (65 - ….) %
Popullsia sipas grupmoshave (65 -....) %

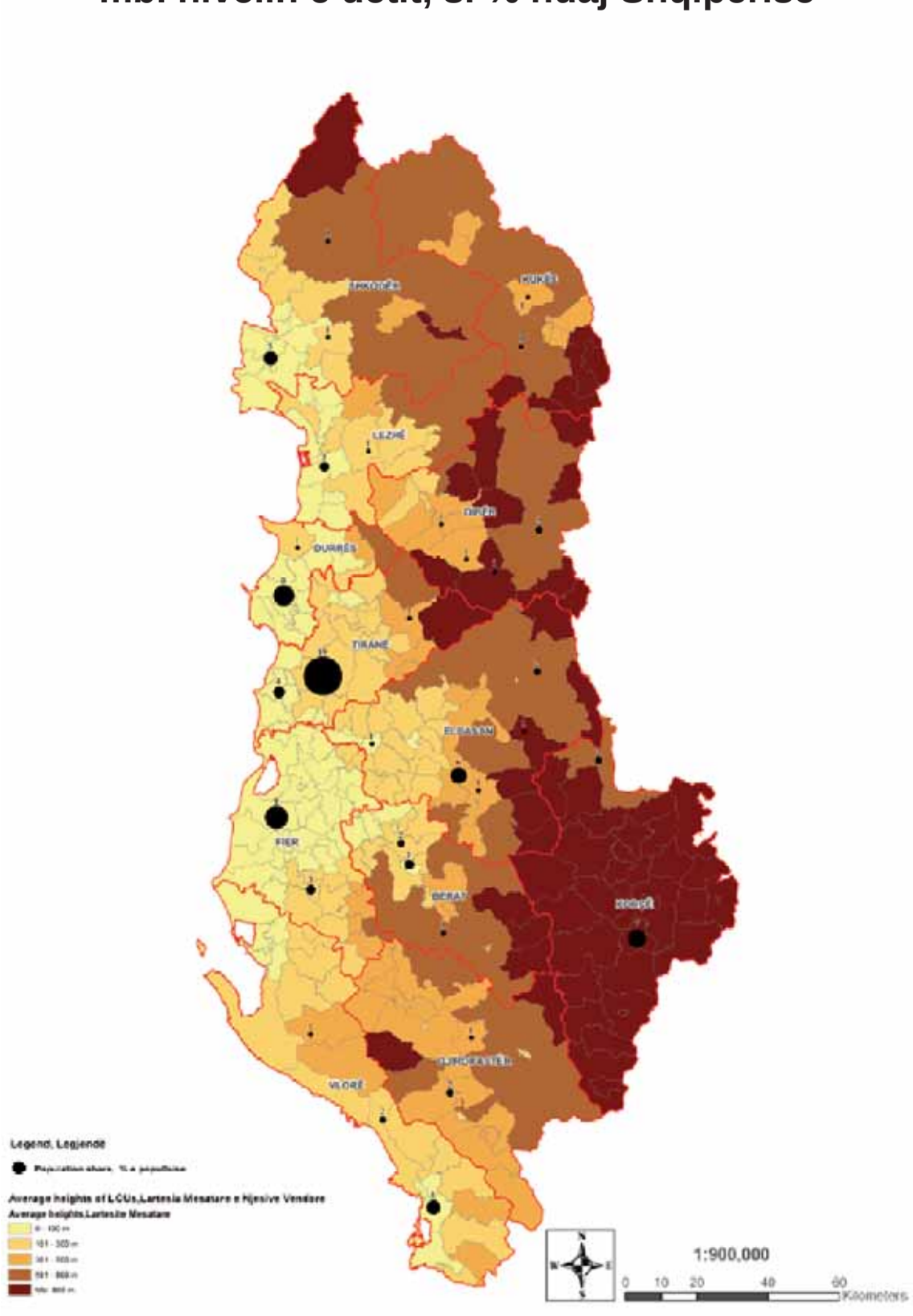


Distribution of LGUs population by altitude per qark
Shperndarja e popullsise se njesive vendore per cdo qark sipas lartesise mesatare mbi nivelin e detit

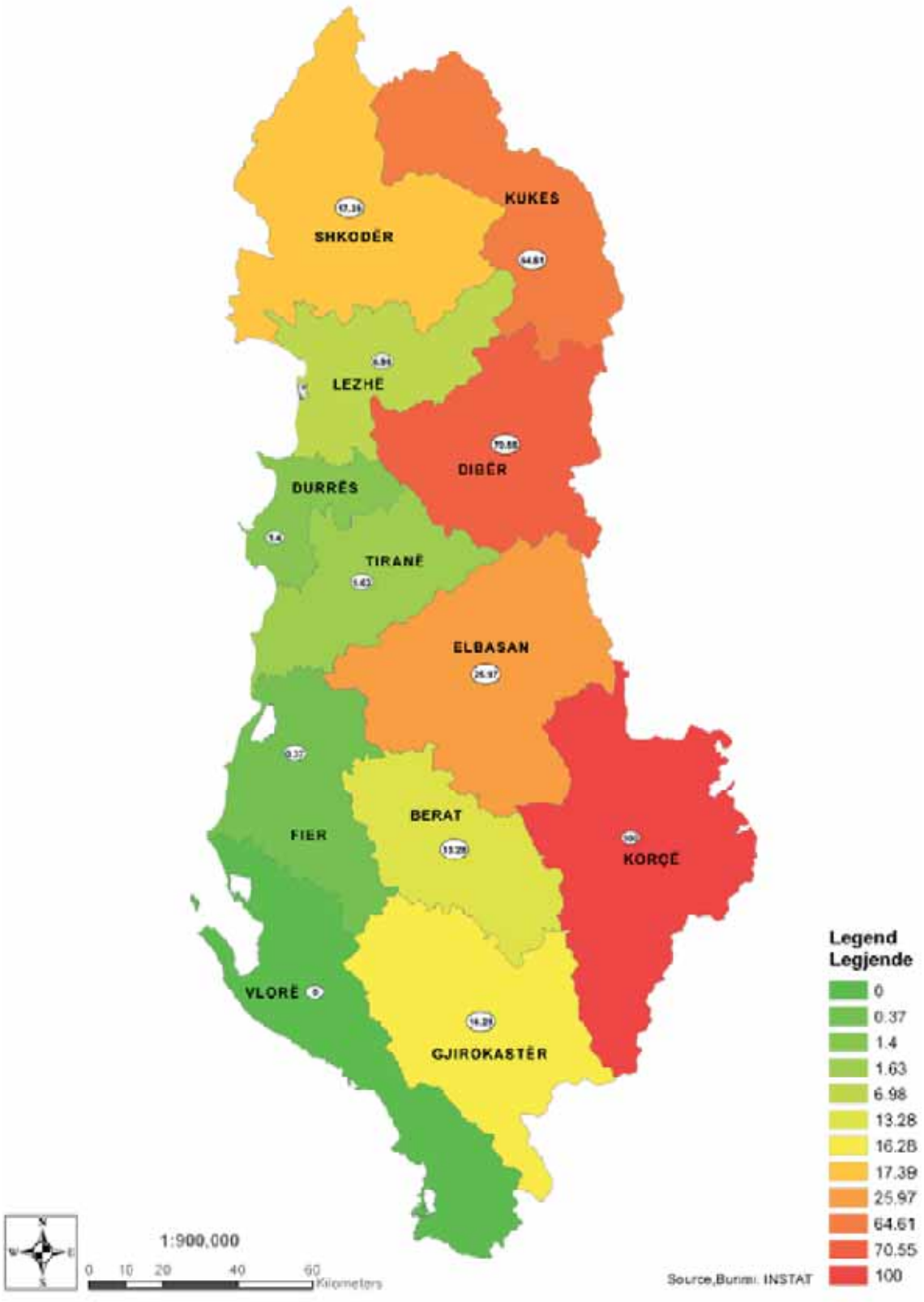


Map 9

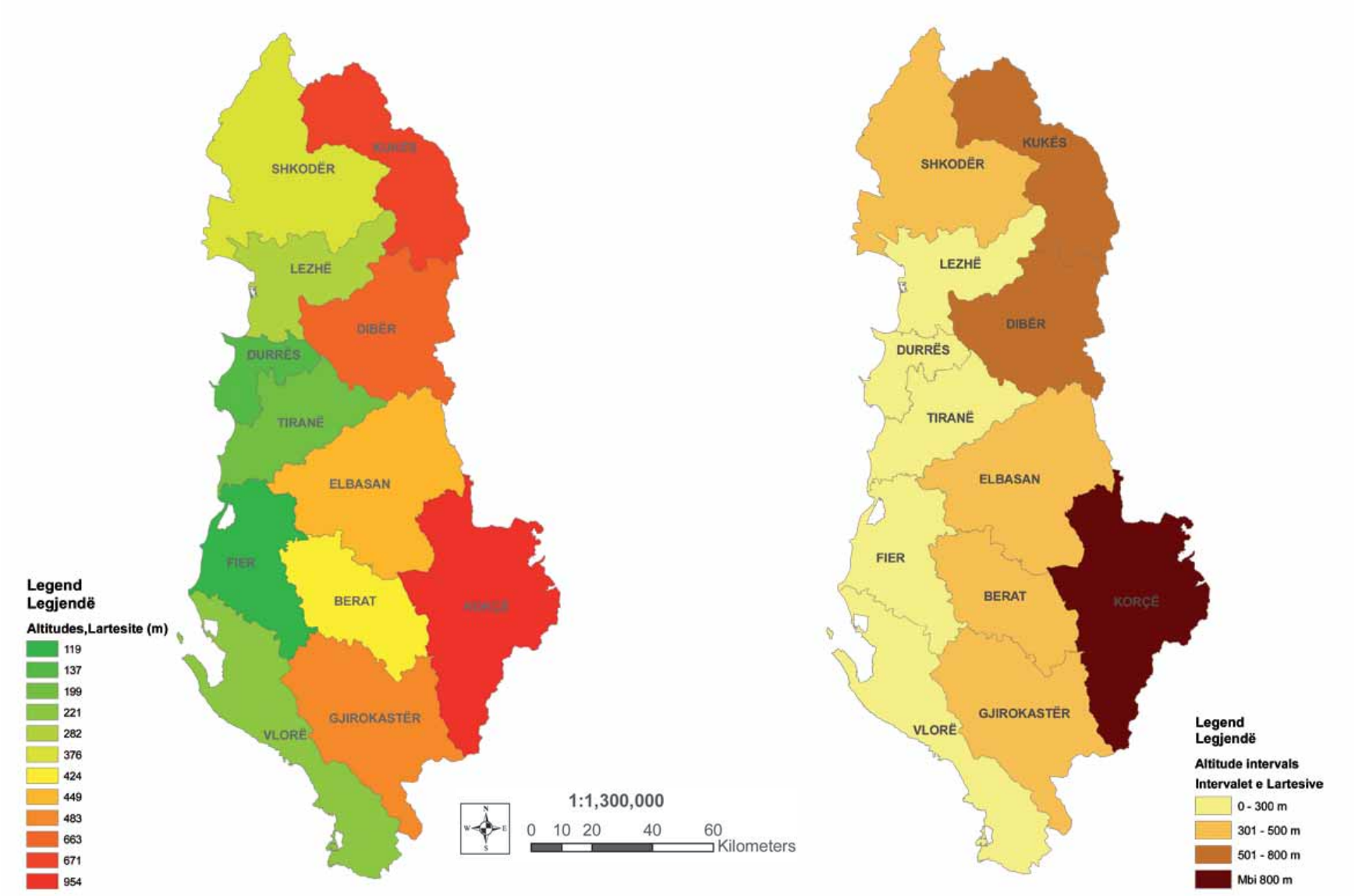
Distribution of LGUs population per qark as a % to Albania, by altitude
Shperndarja e popullsise per qark, sipas lartesive mbi nivelin e detit, si % ndaj Shqiperise



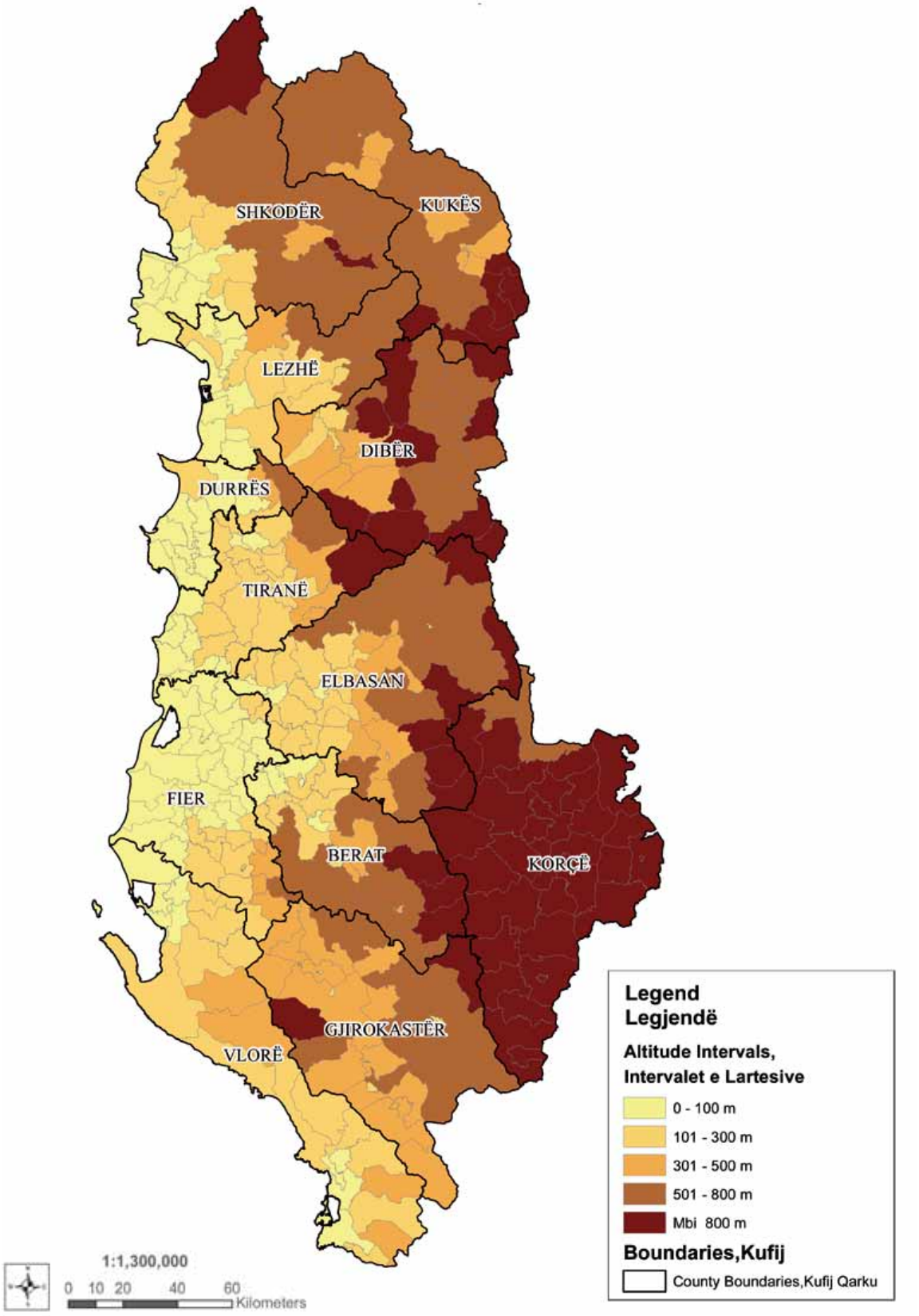
Population of LGUs by altitude-above 500 m (%)
Popullsia e njesive vendore sipas lartesise-mbi 500m (%)



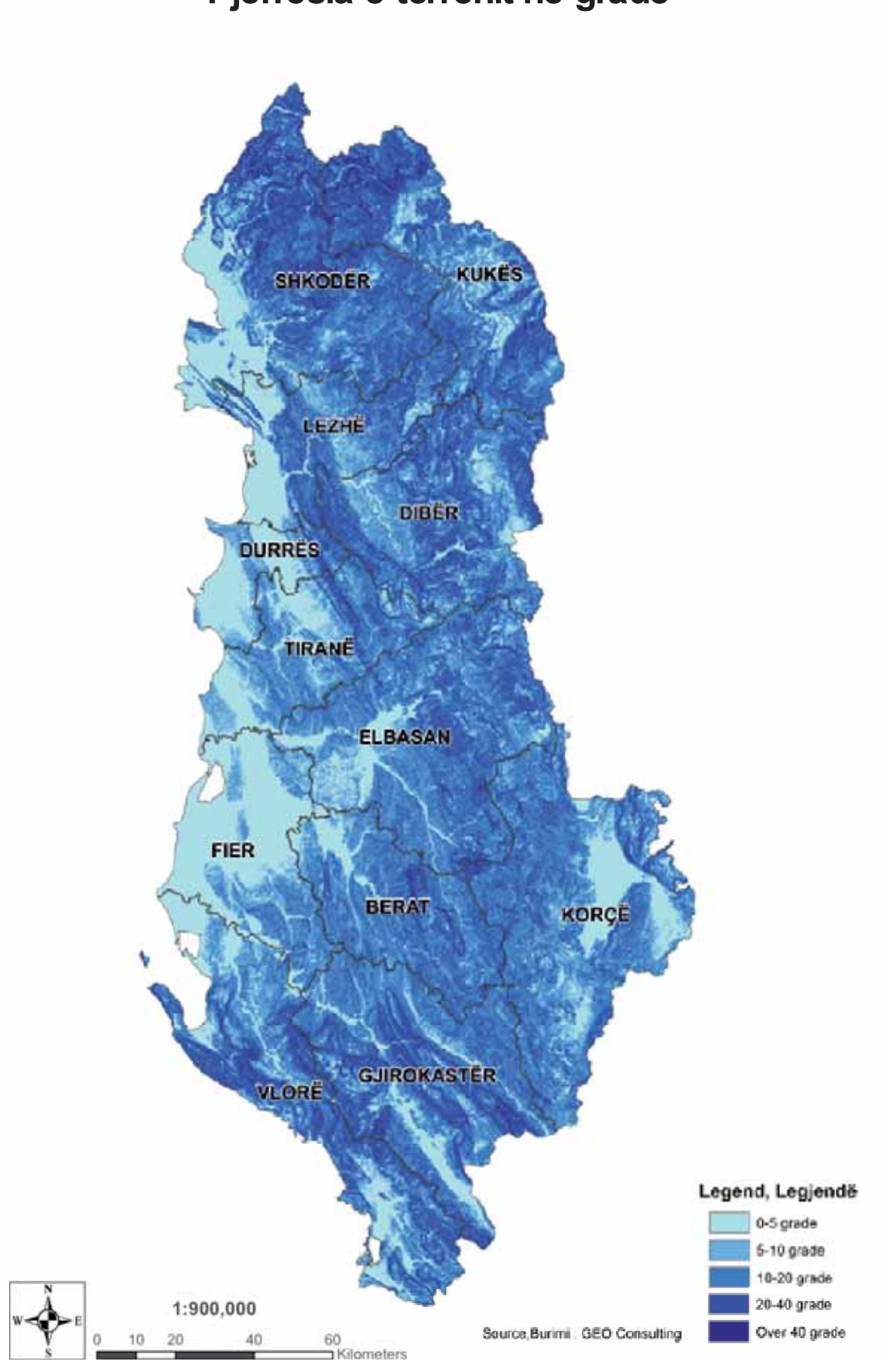
Average altitudes above the sea level per qark
Lartesite mesatare sipas Qarqeve



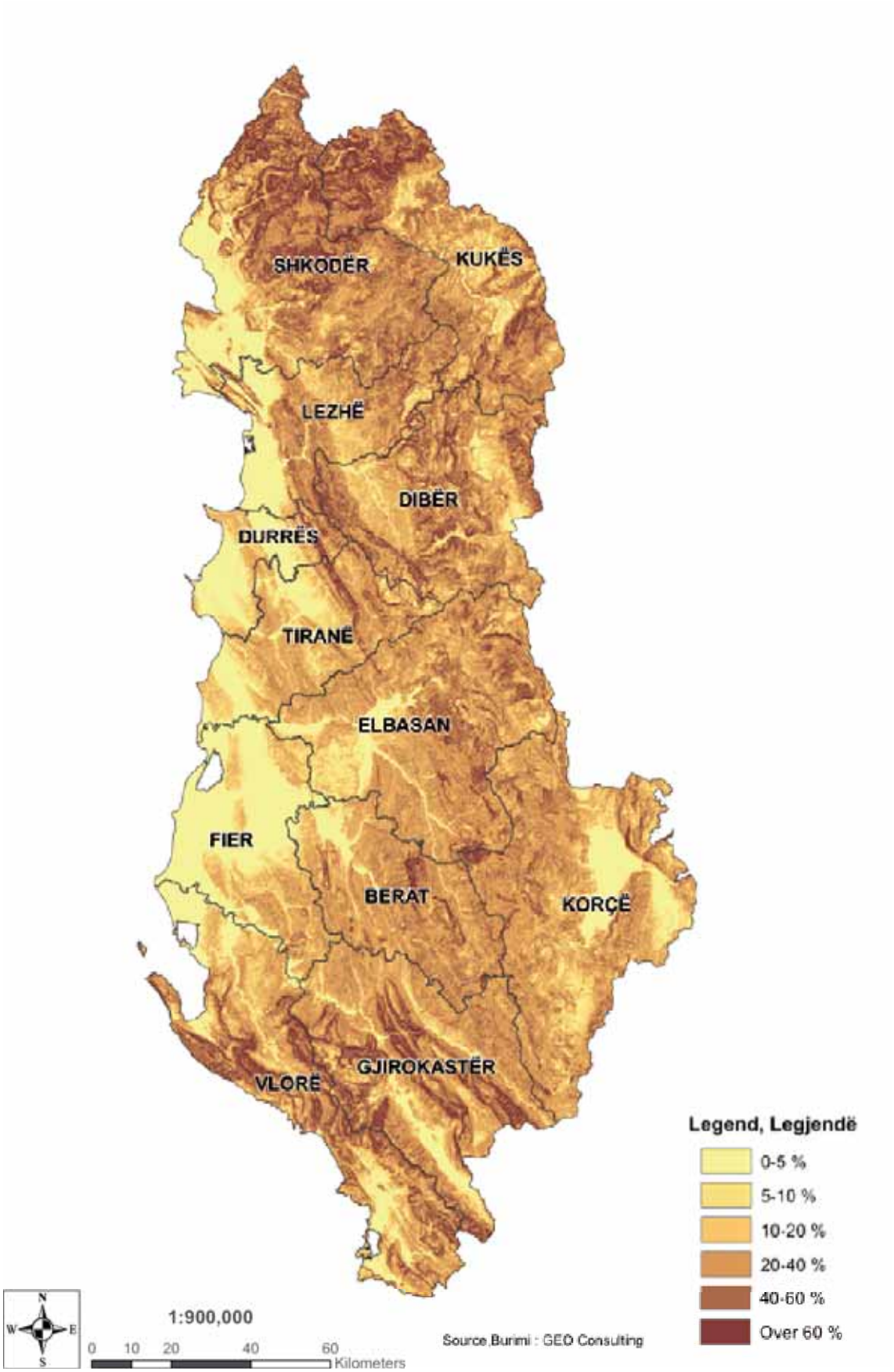
Average altitudes per municipality and commune
Lartesite mesatare mbi nivelin e detit sipas komunave dhe bashkive



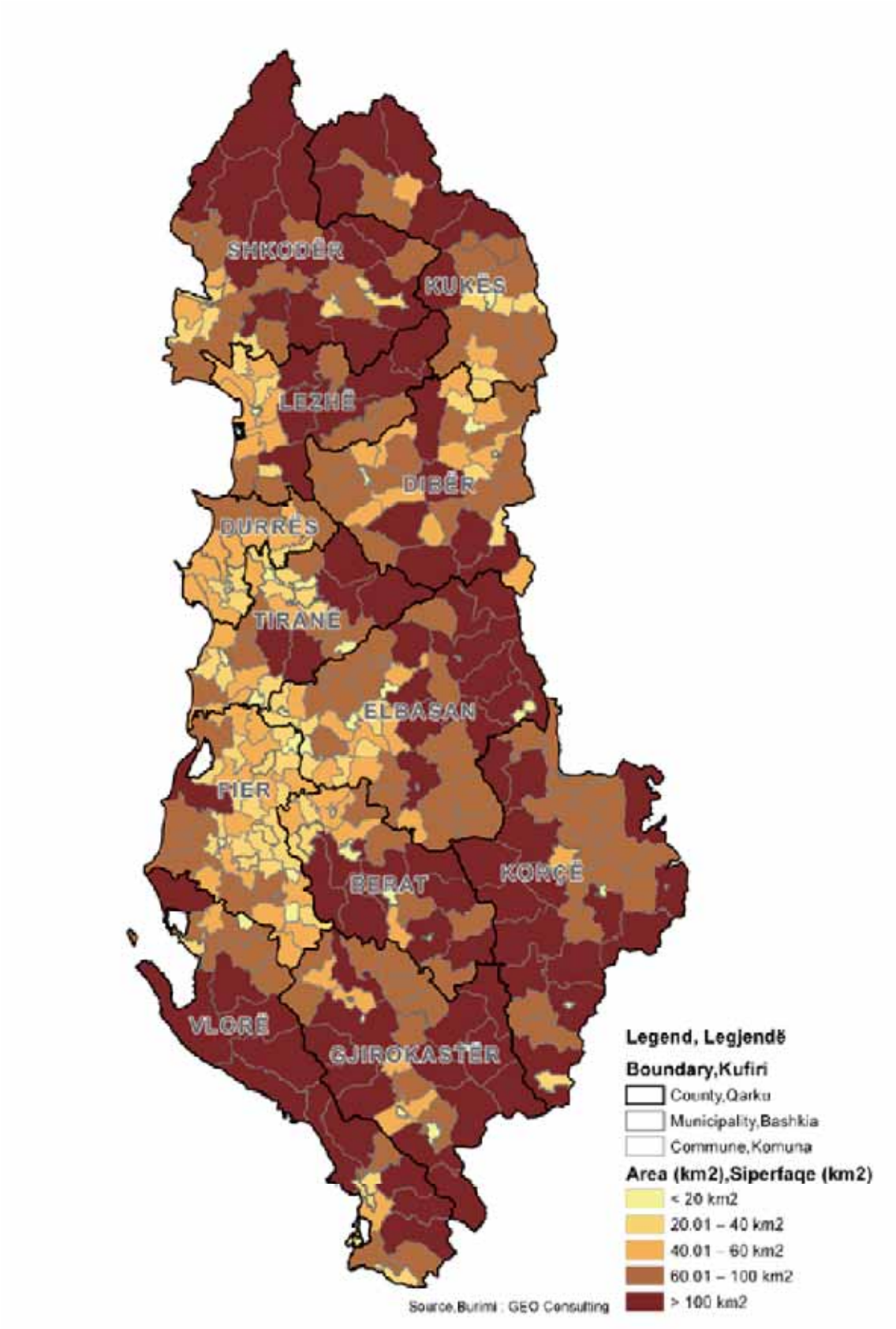
Slope of the terrain in grades
Pjerresia e terrenit ne grade



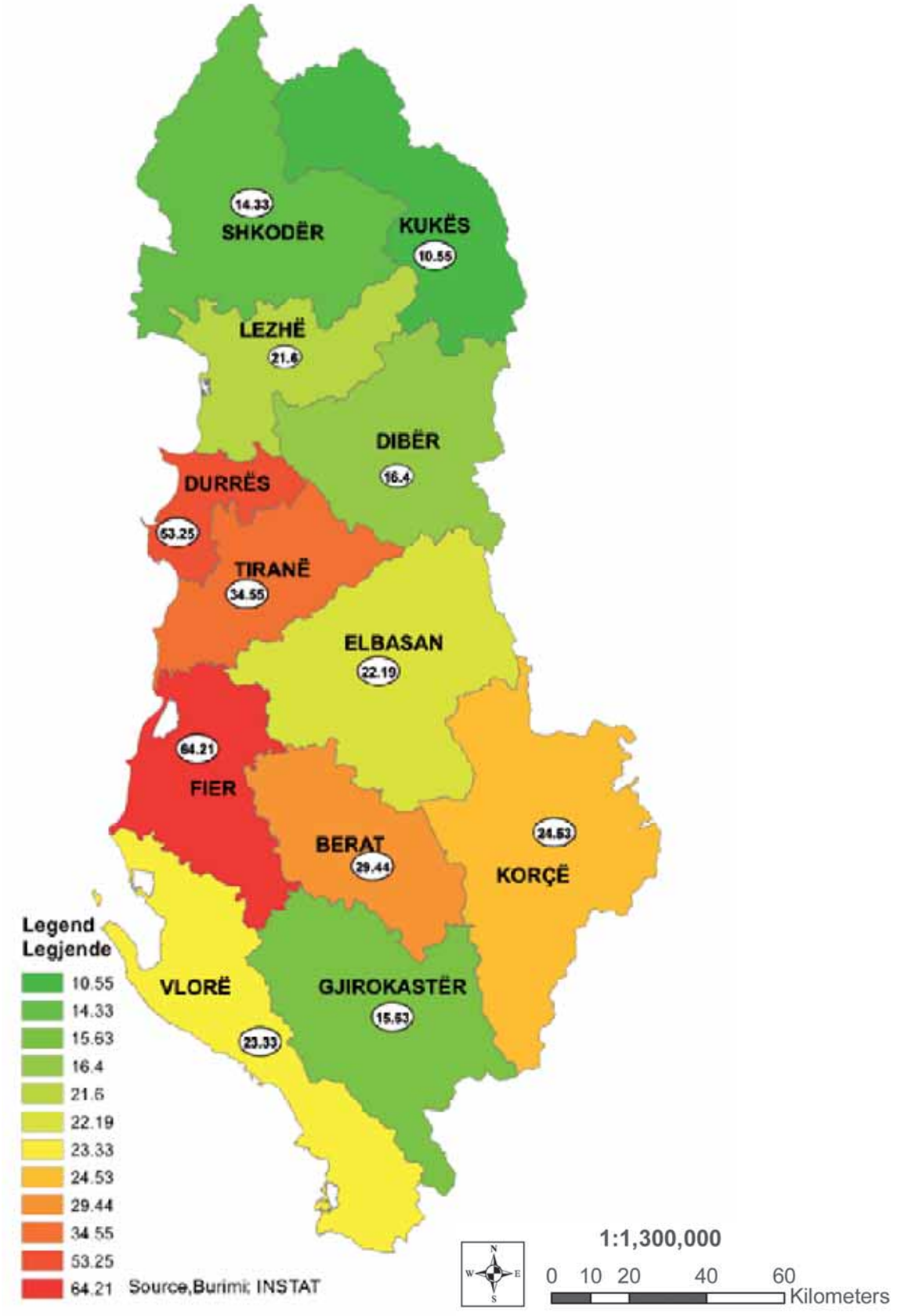
Slope of the terrain in %
Pjerresia e terrenit ne %



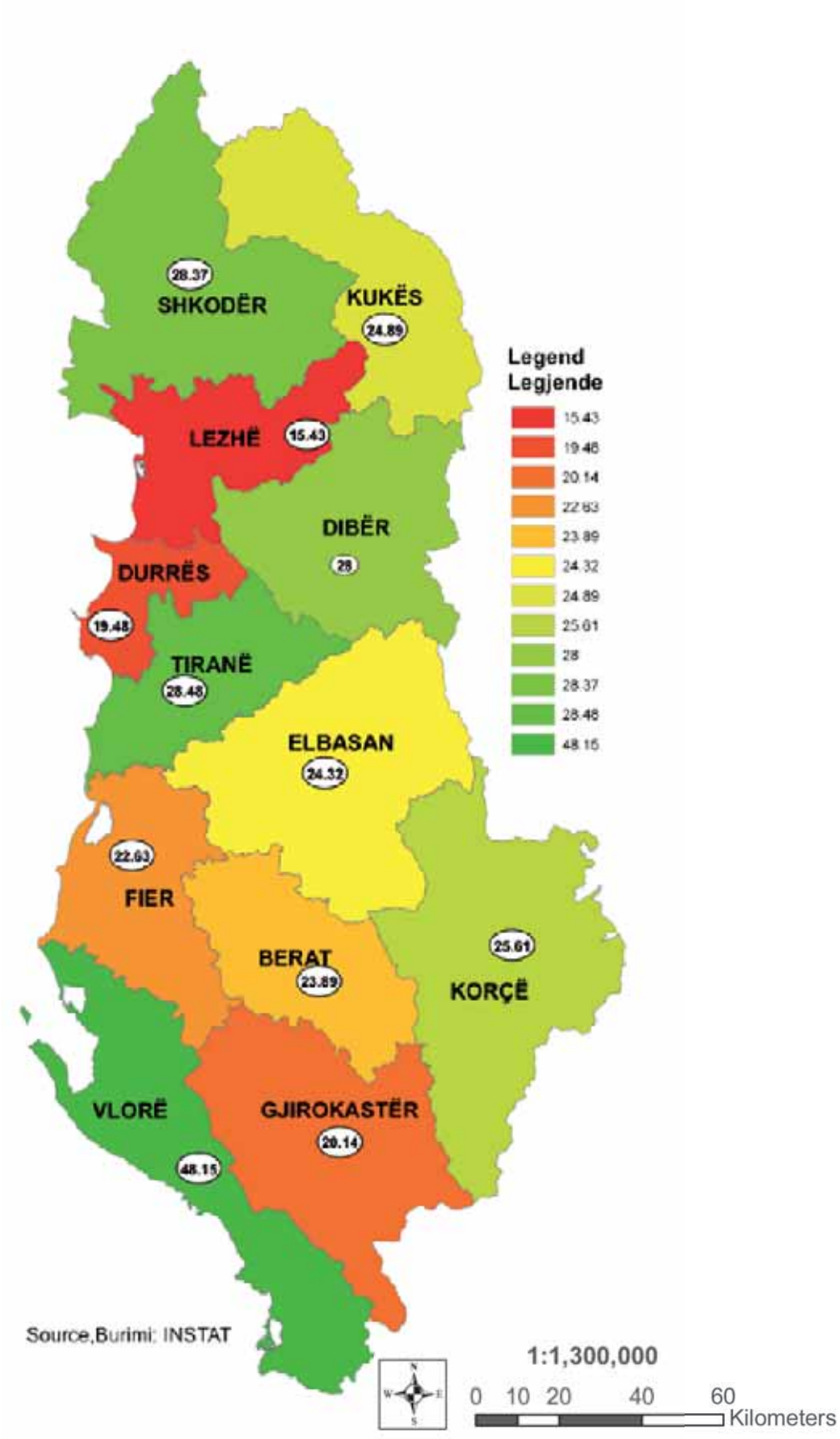
LGU Area per Qark (km2)
Siperfaqja e njesive vendore per cdo Qark (km2)



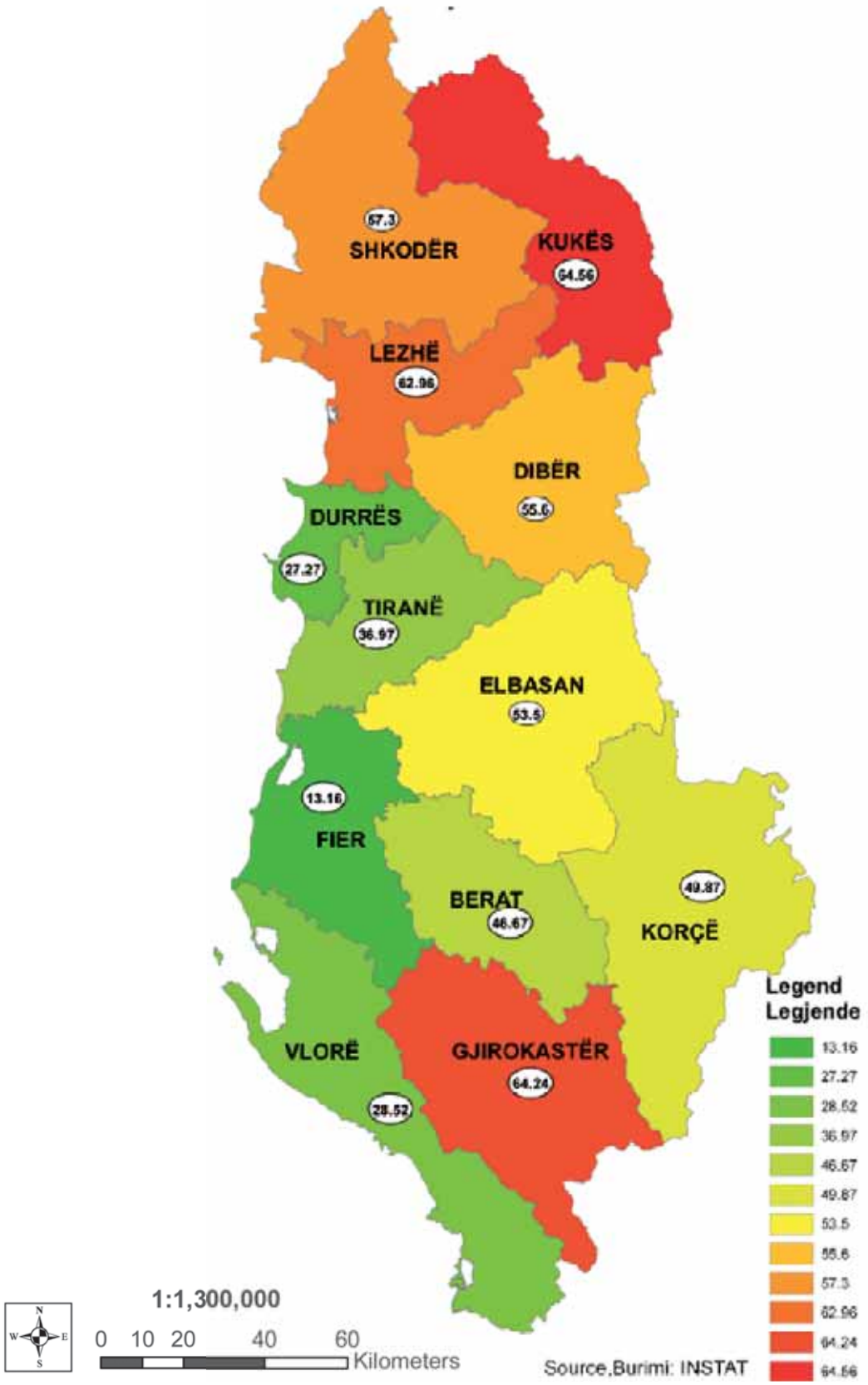
Agriculture land % to total qark 2008
Toke bujqesore % ndaj totalit te qarkut 2008



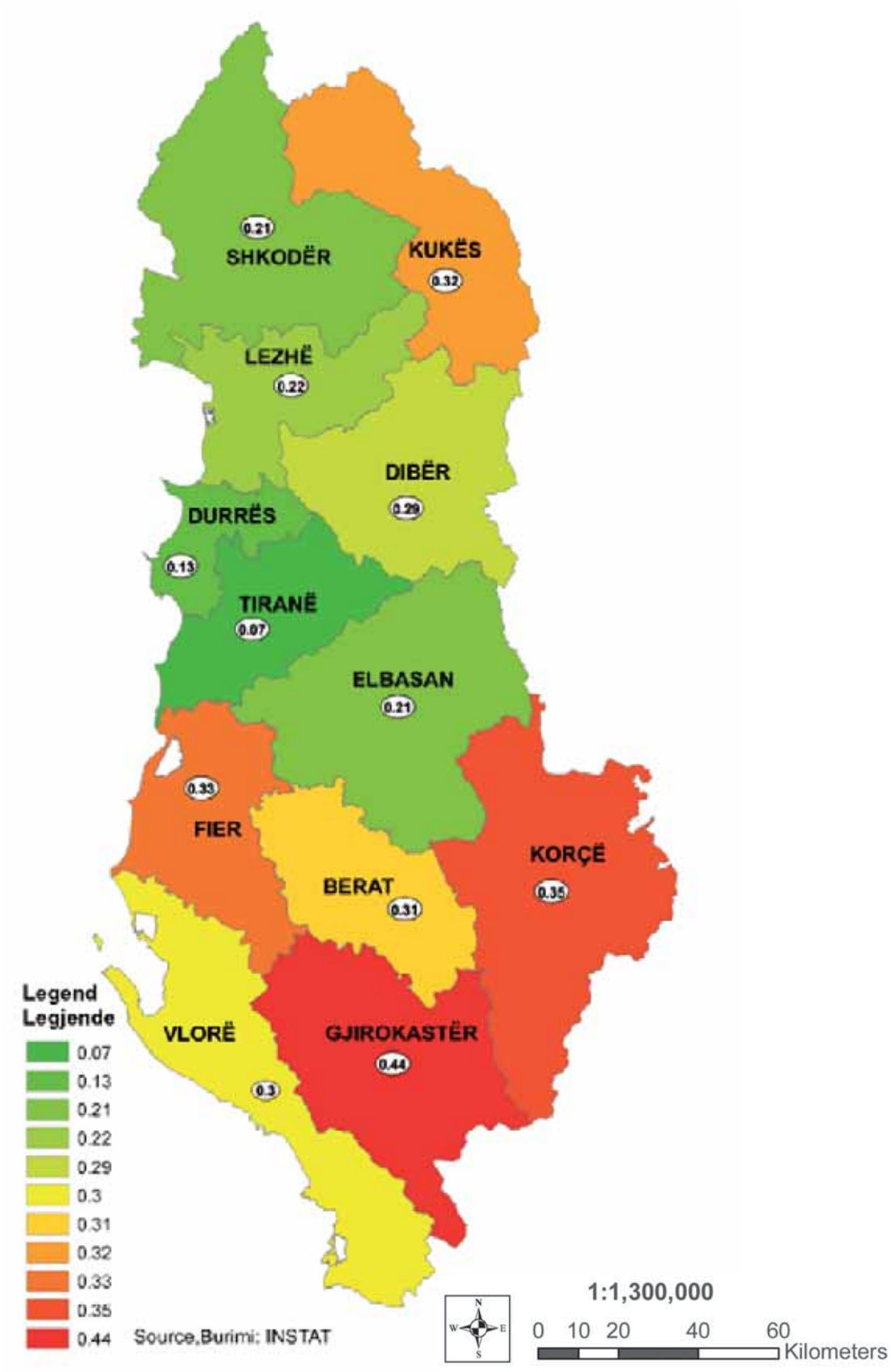
Other land % to total qark 2008
Toke tjeter % ndaj totalit te qarkut 2008



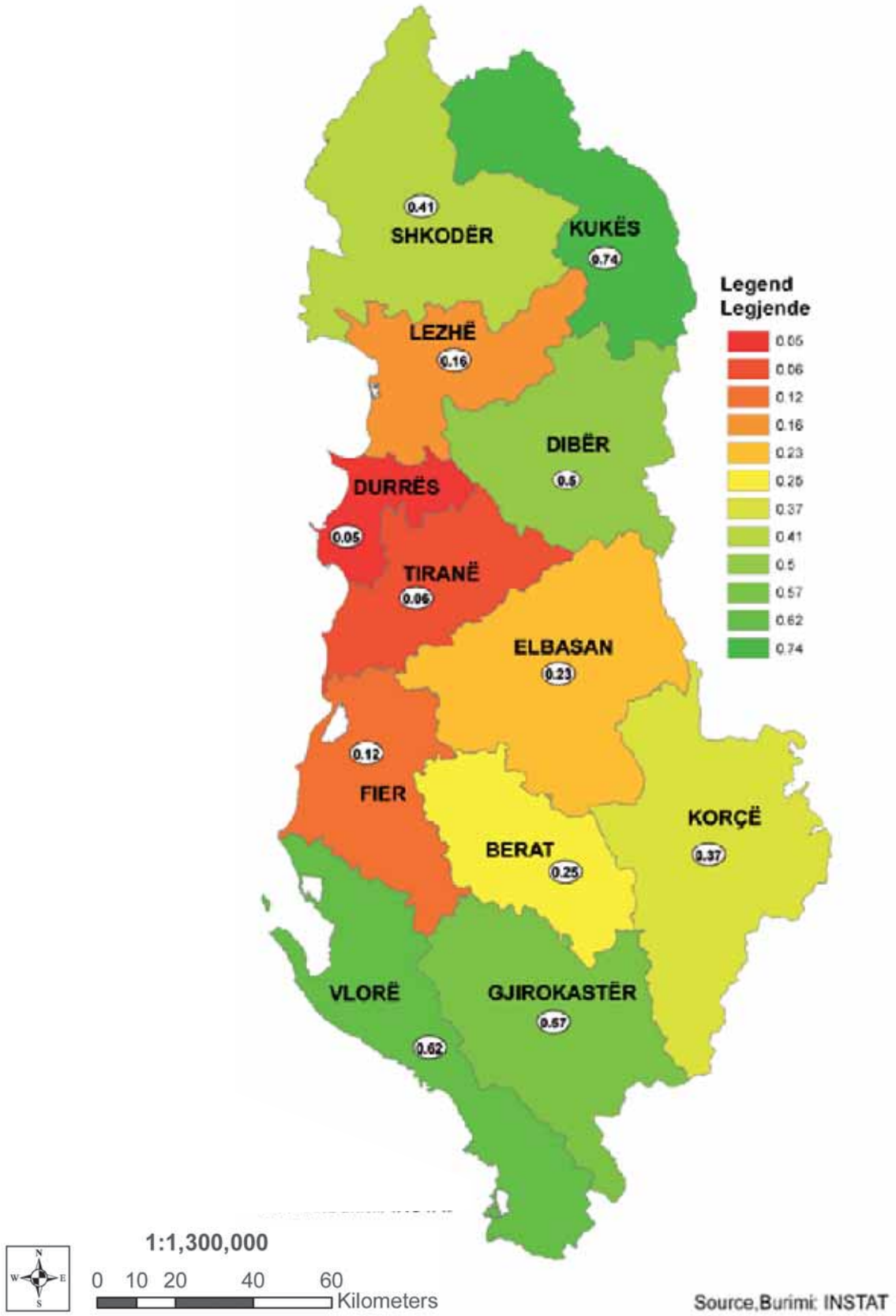
Forest % to total qark 2008
Pyje % ndaj totalit te qarkut 2008



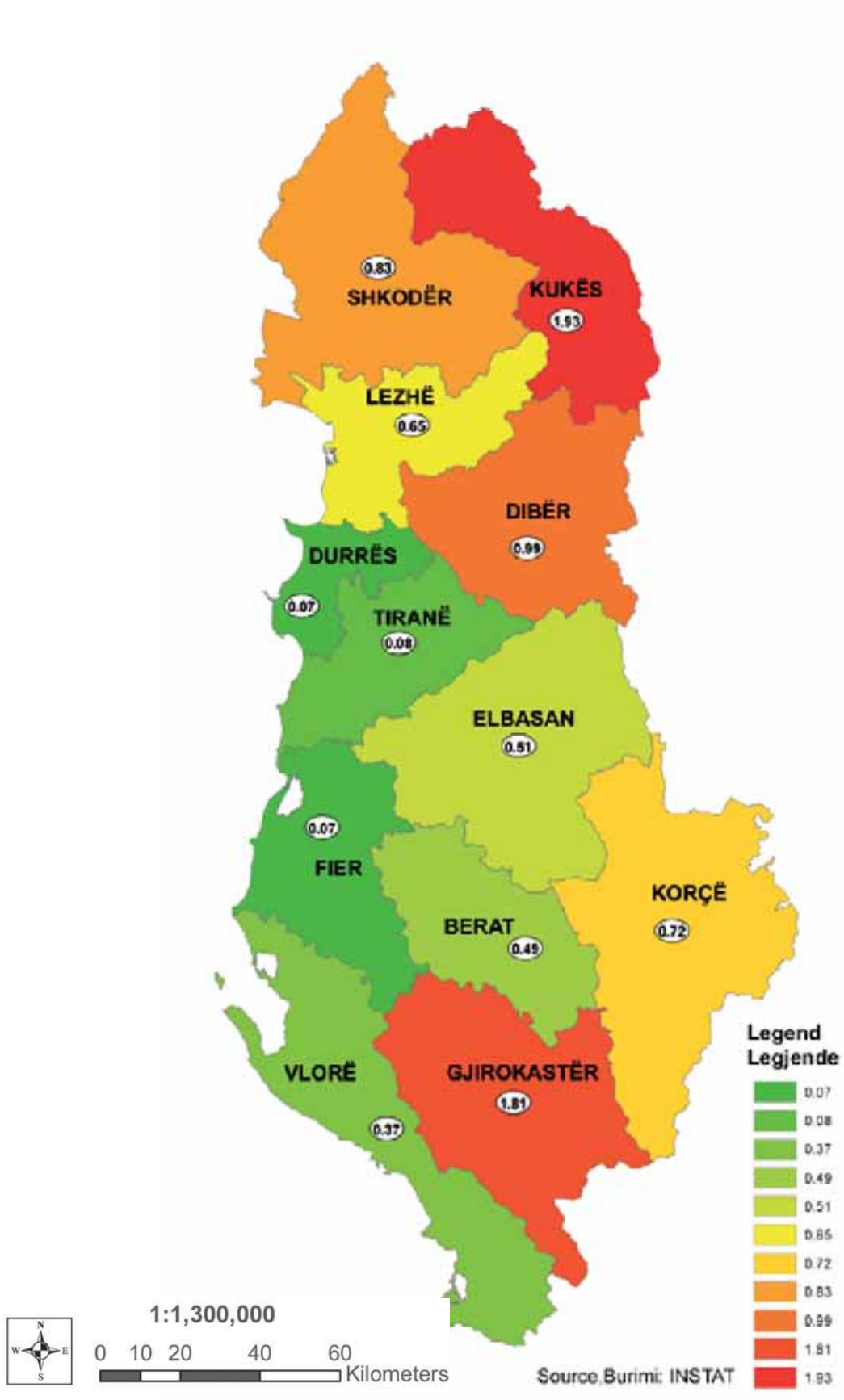
Agriculture land ha/capita 2008
Toke bujqesore ha per fryme 2008



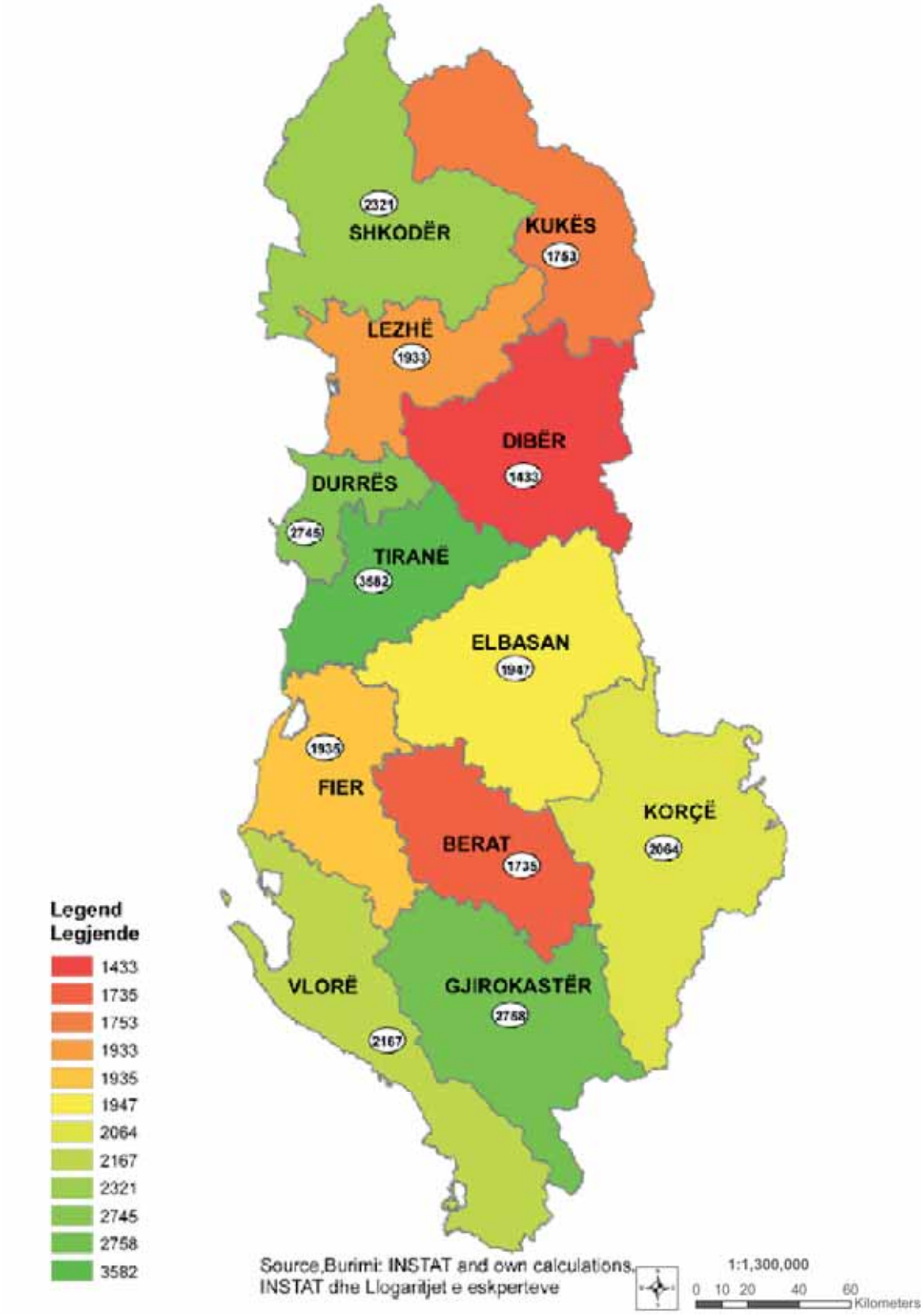
Other land ha/capita 2008
Toke tjeter ha per fryme 2008



Forests ha/capita 2008
Pyje ha per fryme 2008

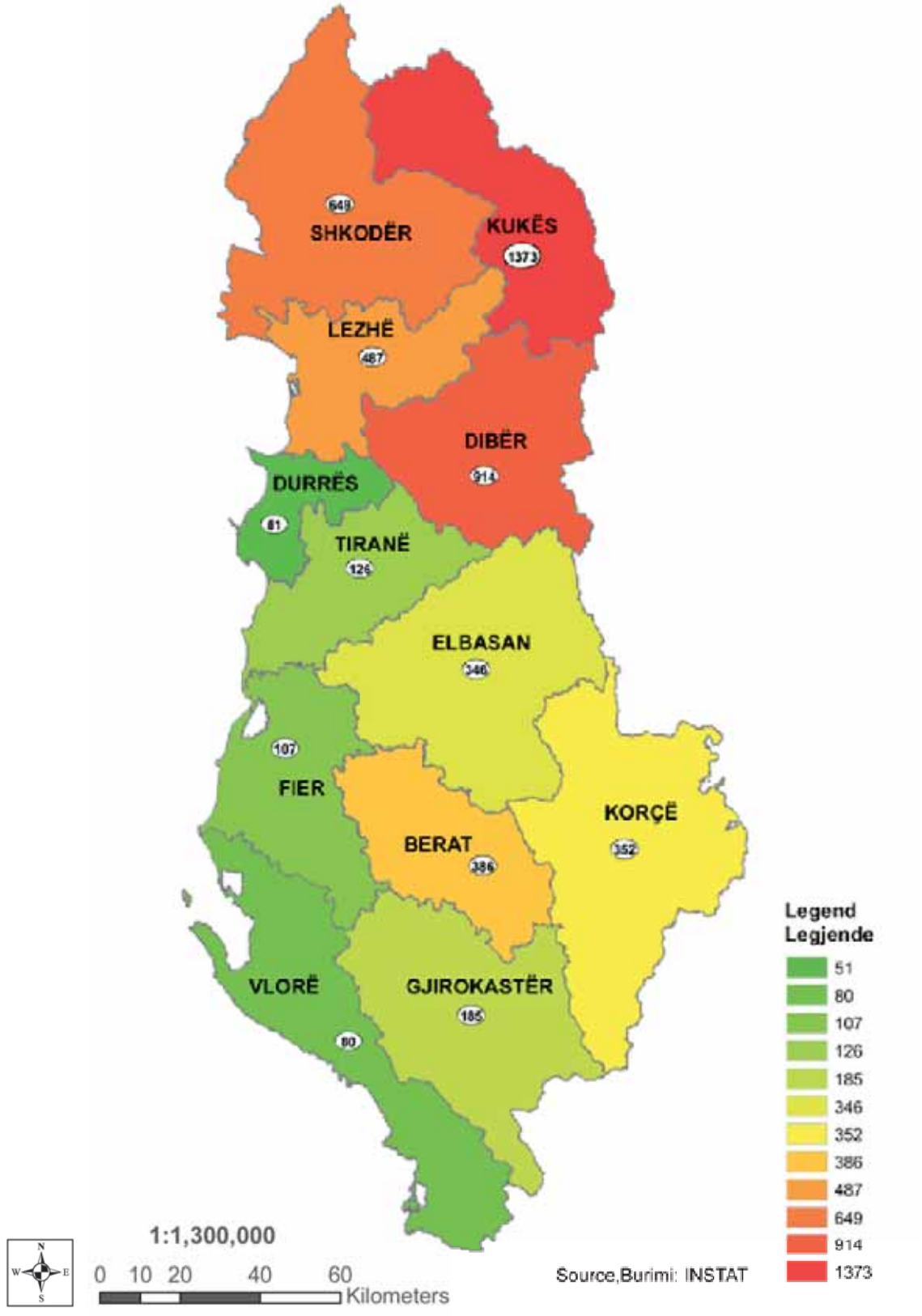


Regional GDP per capita, EUR 2007
PBB rajonal per person ne nivel qarku

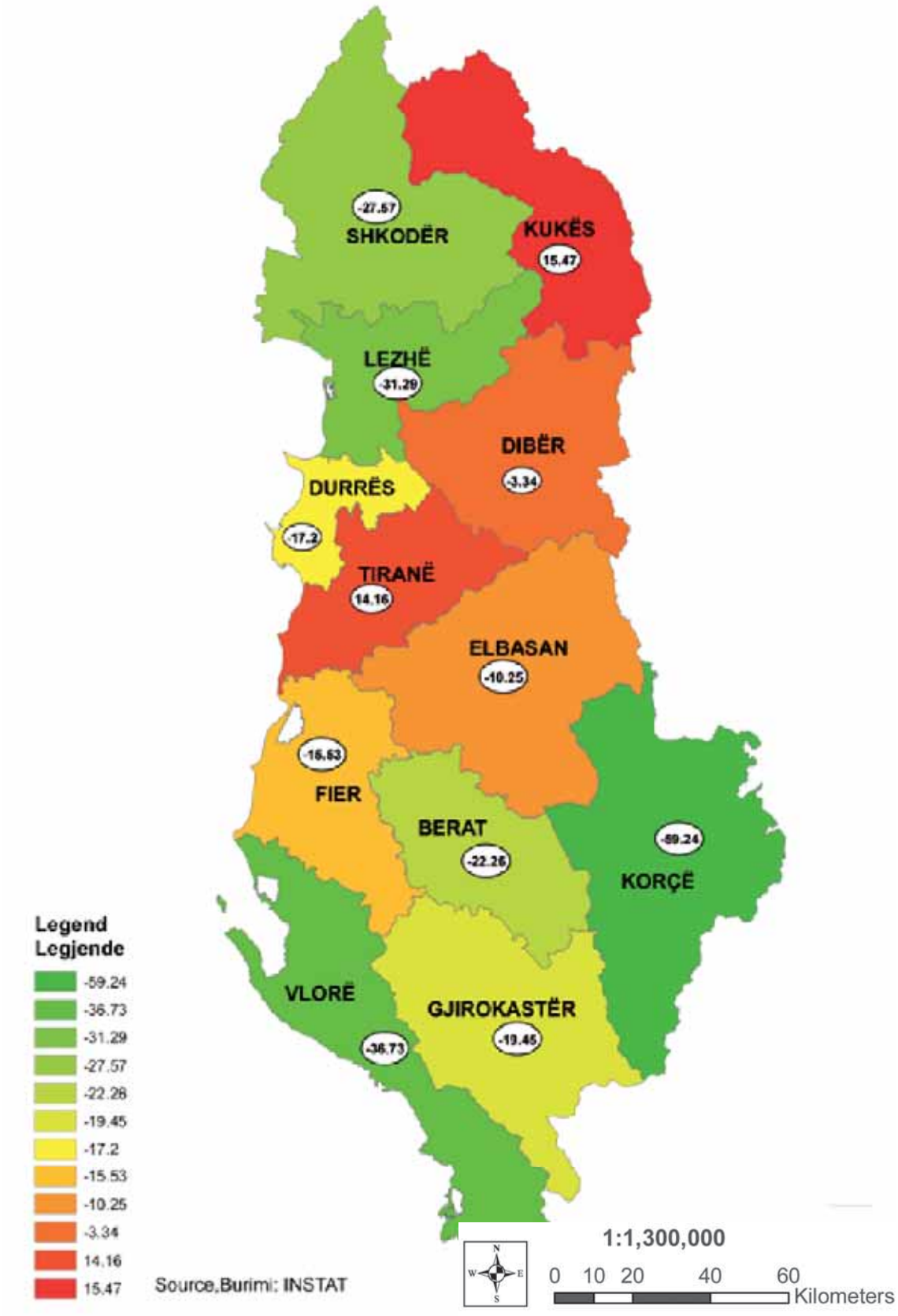


Families getting social assistance per 10,000 persons 2008

Nr. i familjeve ne 10000 banore, qe marrin ndihme ekonomike

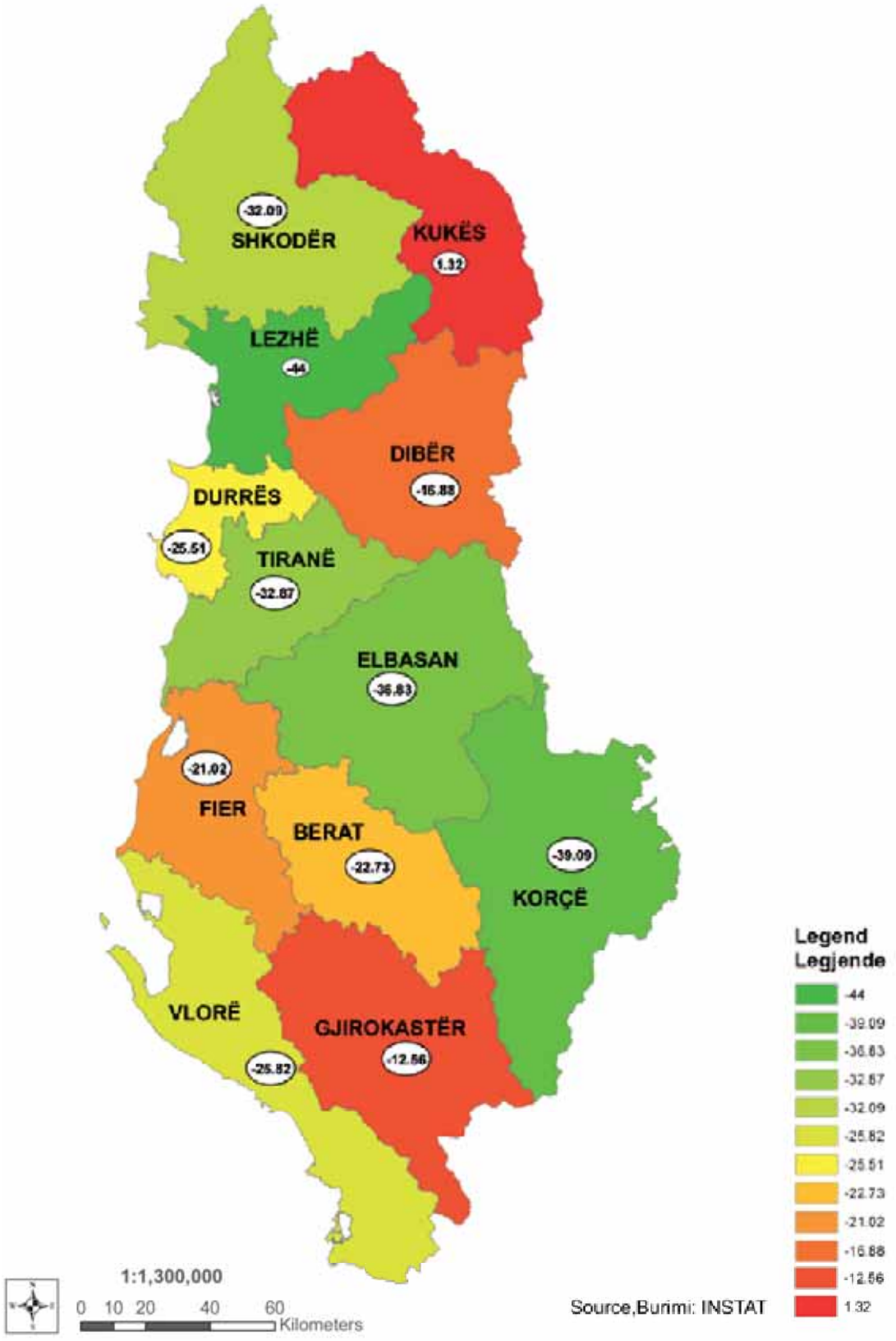


Employment public 2008 Change % for the period 2001-2008
Punesimi publik 2008-Ndryshimi % per periudhen 2001-2008



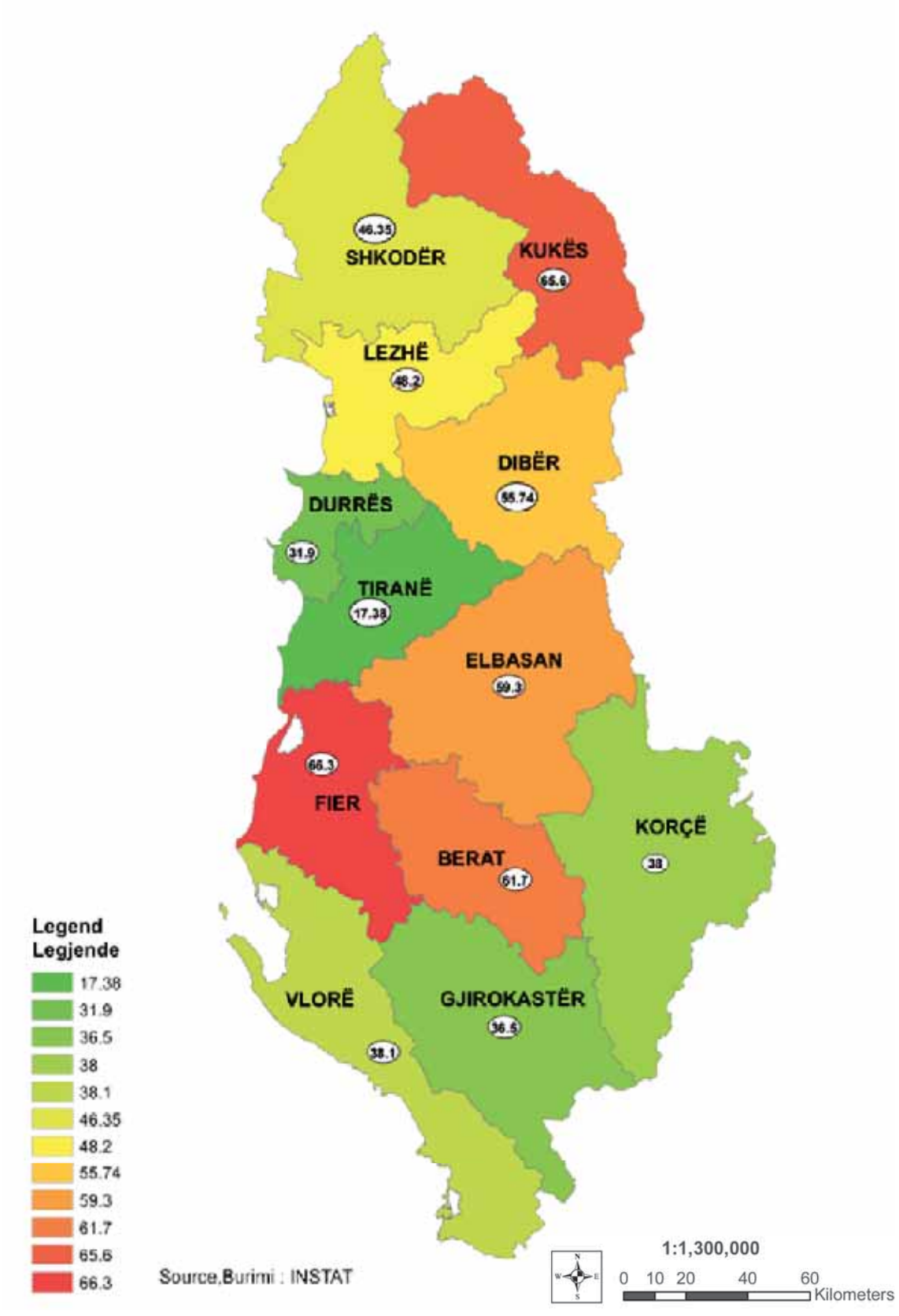
Employment agriculture 2008 Change % for the period 2001-2008

Punesimi ne bujqesi 2008-Ndryshimi % per periudhen 2001-2008

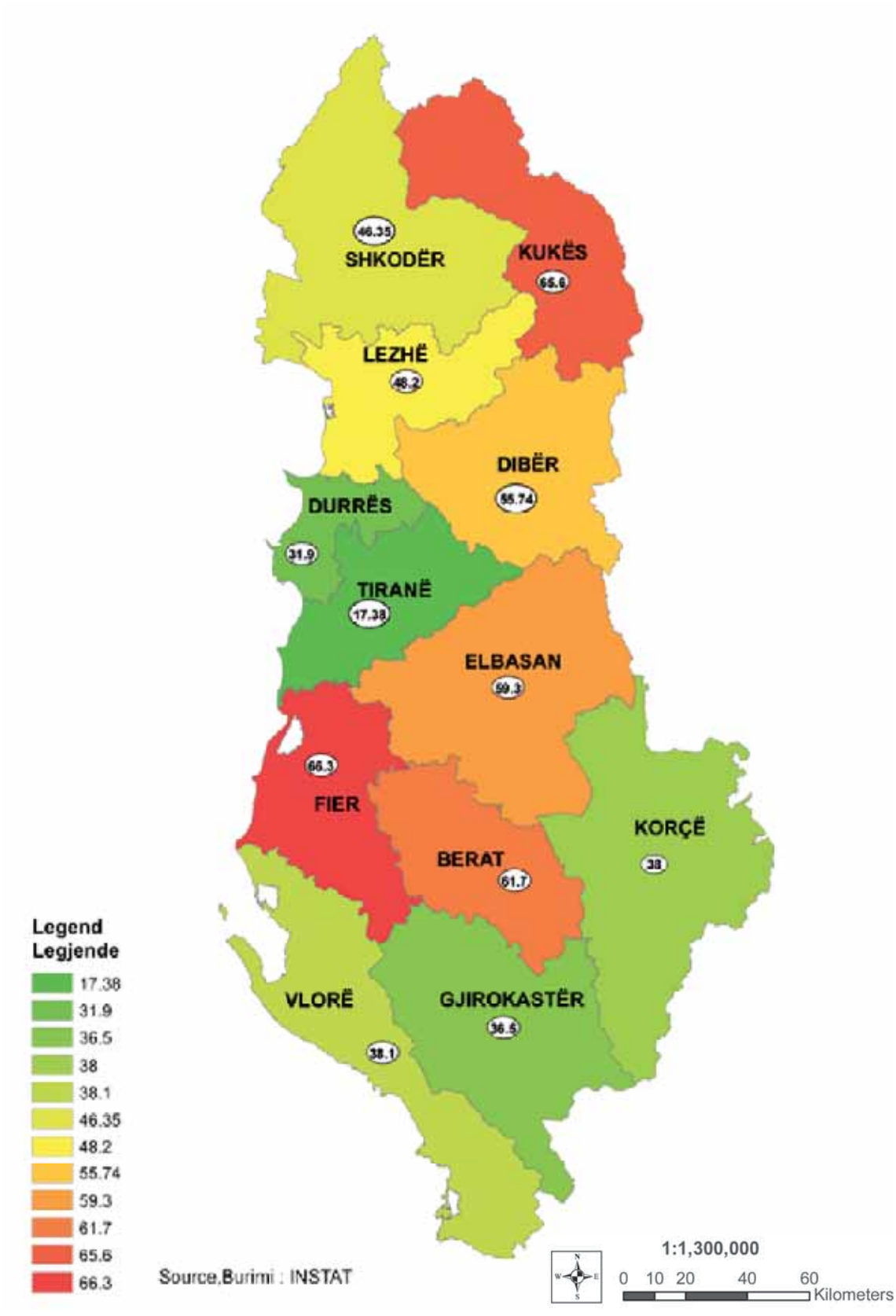


Employment agriculture 2008,Change % for the period 2001-2008

Punesimi ne bujqesi 2008, Ndryshimi % per periudhen 2001-2008

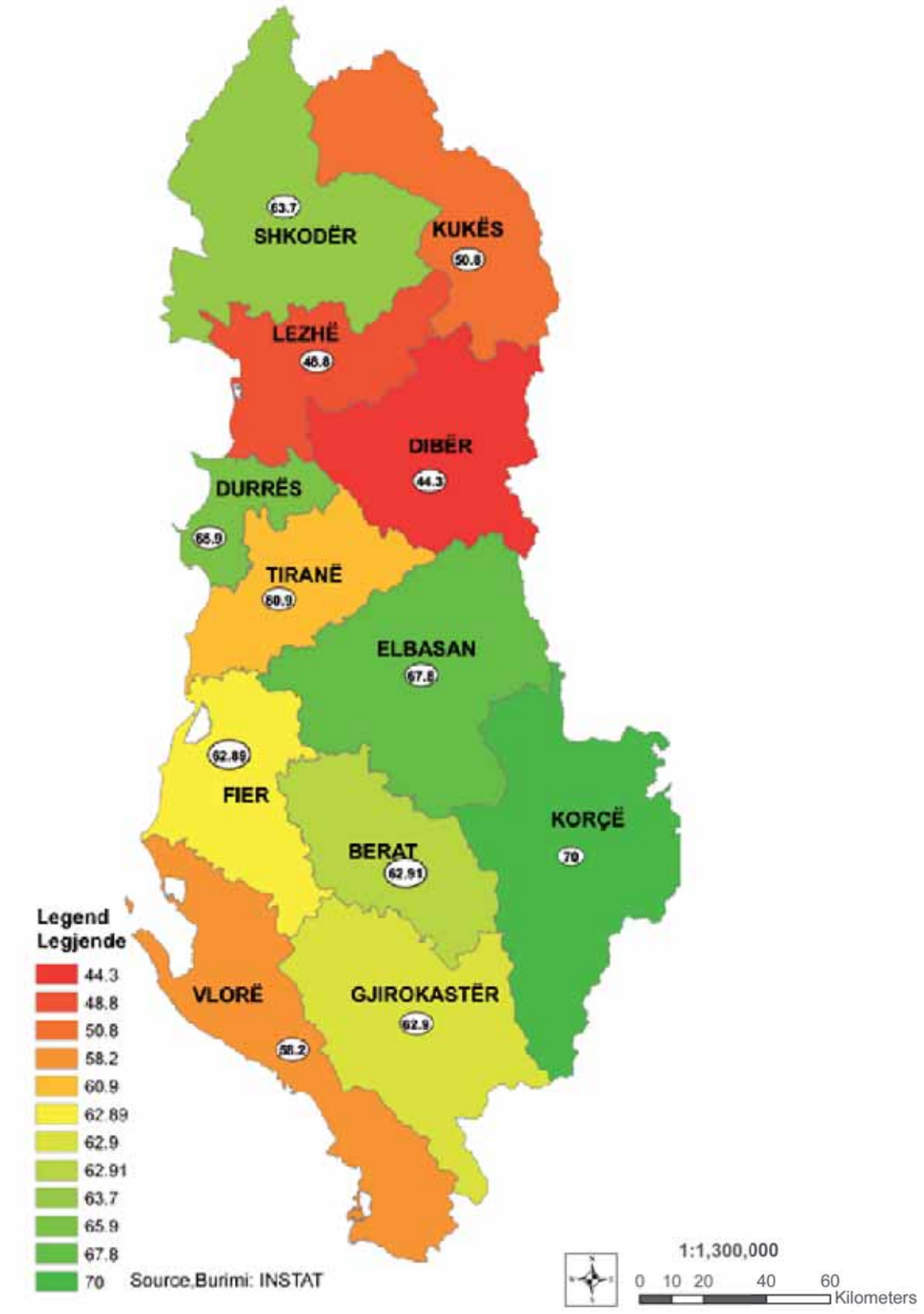


Employment agriculture 2008, Regional share, % of the total
Punesimi ne bujqesi 2008, Pjesa qe ze rajoni, % ndaj totalit

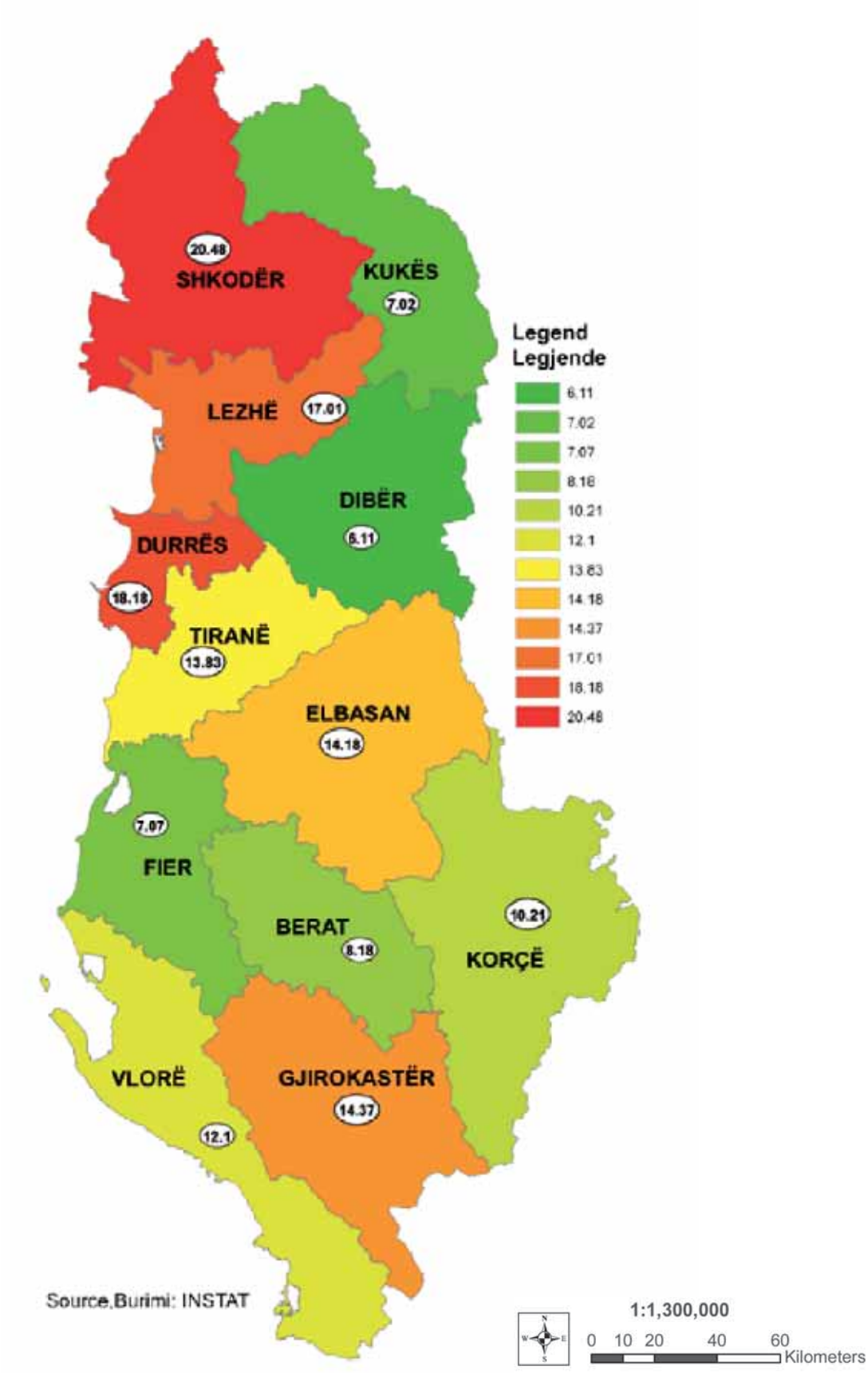


Economic activity rate (participation rate), % 2008

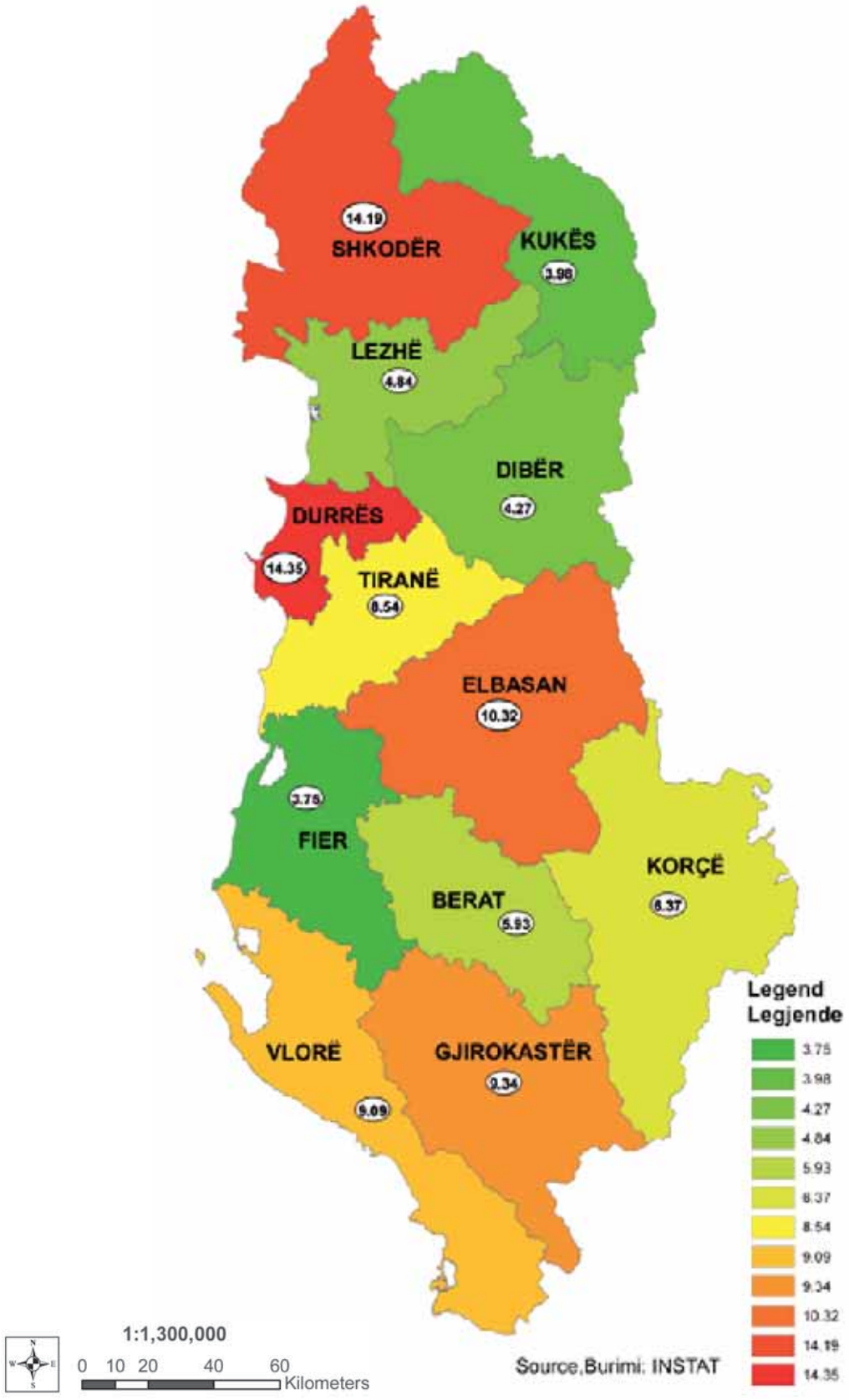
Shkalla e aktivitetit ekonomik (Shkalla e pjesëmarrjes) , % 2008



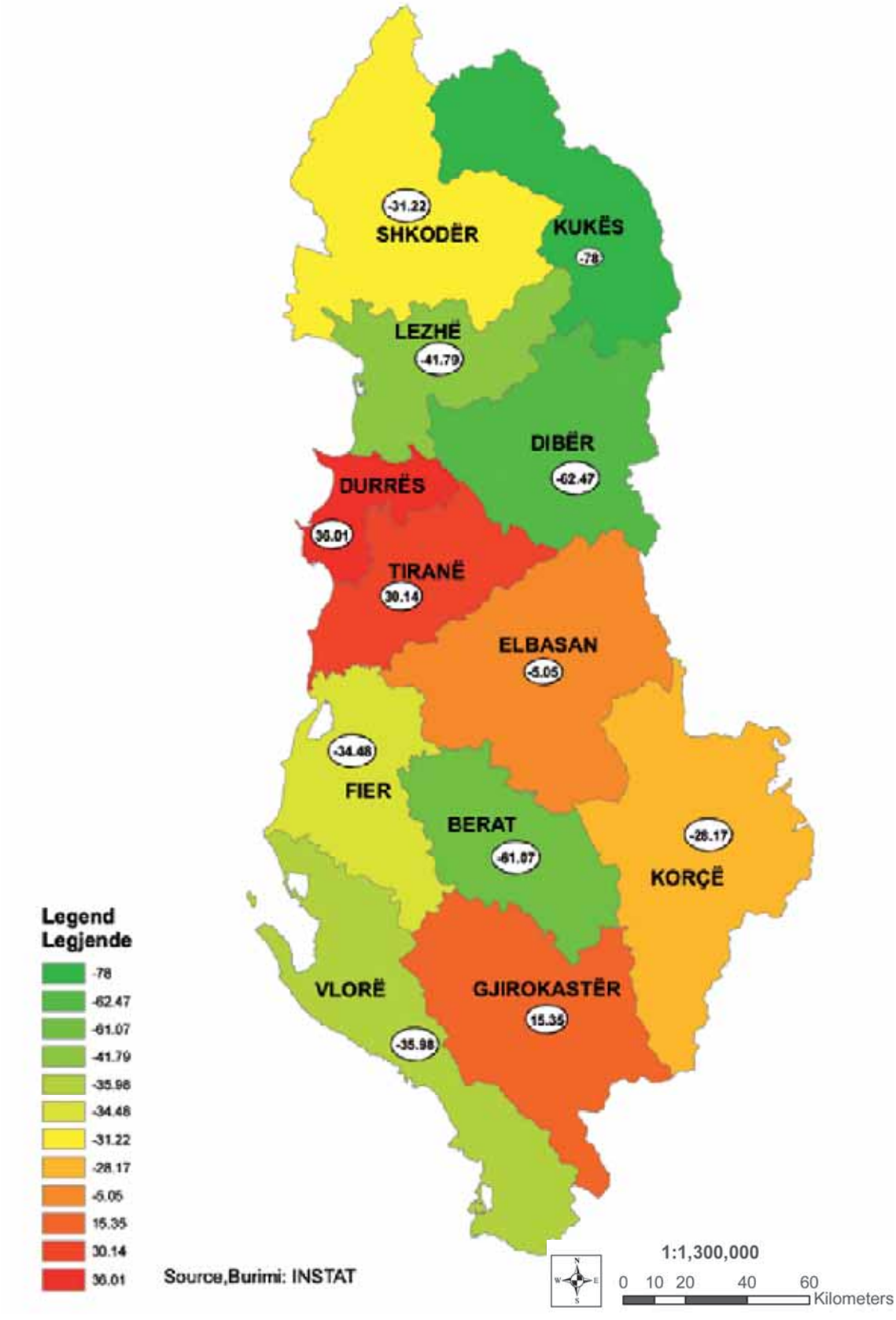
Unemployment rate, in %, 2008
Shkalla e papunesise,ne%, 2008



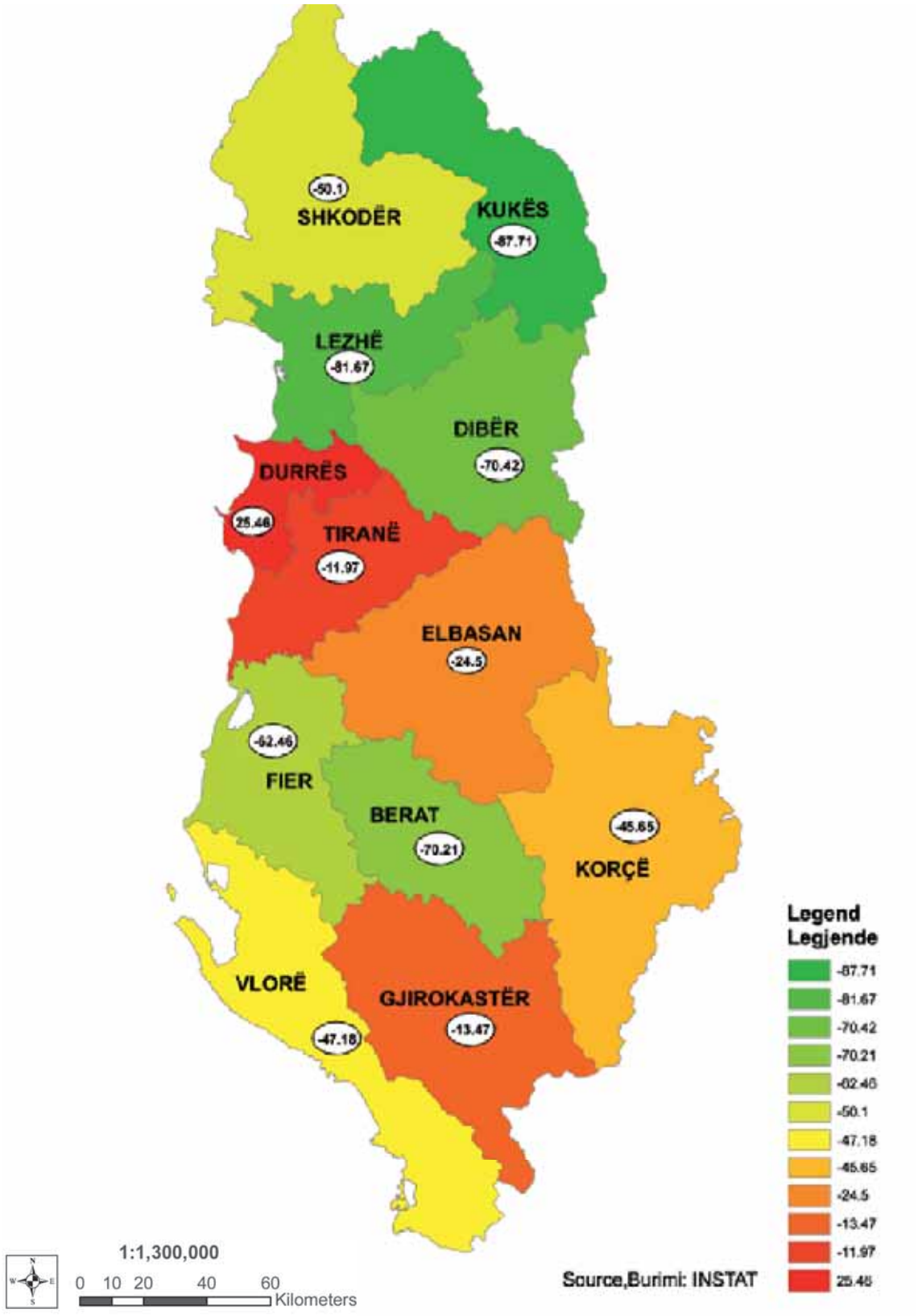
Long-term unemployment, % 2008
Papunesia afatgjate, % 2008



Unemployment rate, in %, 2001-2008, Change, % for the period
Shkalla e papunesise ne %, 2001-2008-Ndryshimi,% per periudhen

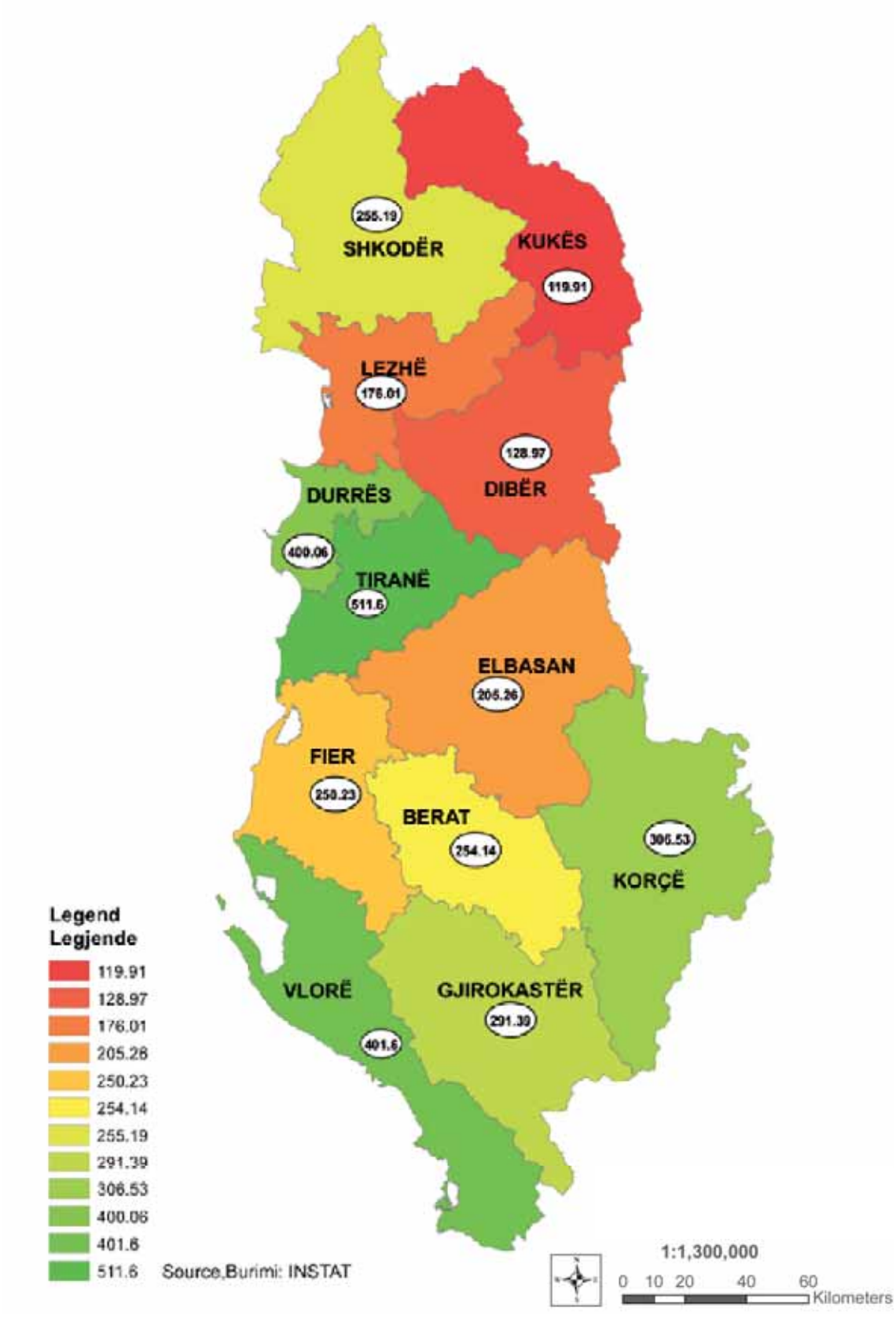


Long-term unemployment, % 2001-2008-Change, % for the period
Papunesia afatgjate, % 2001-2008-Ndryshimi,% per periudhen



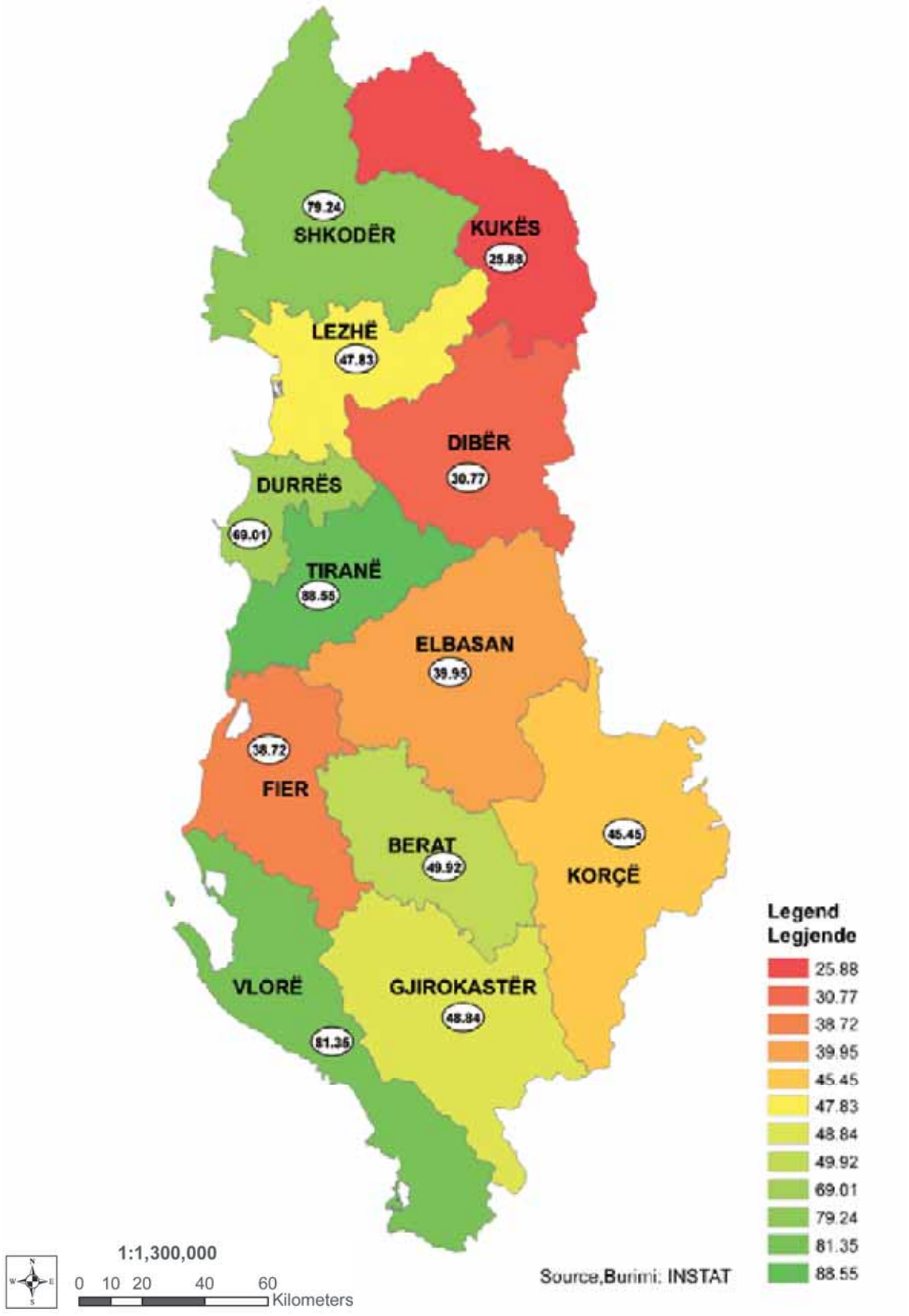
Non-agricultural active enterprises per 10,000 pers. 2008

Ndermarrje aktive jo-bujqesore per 10,000 persona 2008



Newly created non-agricultural enterprises per 10,000 pers. 2008

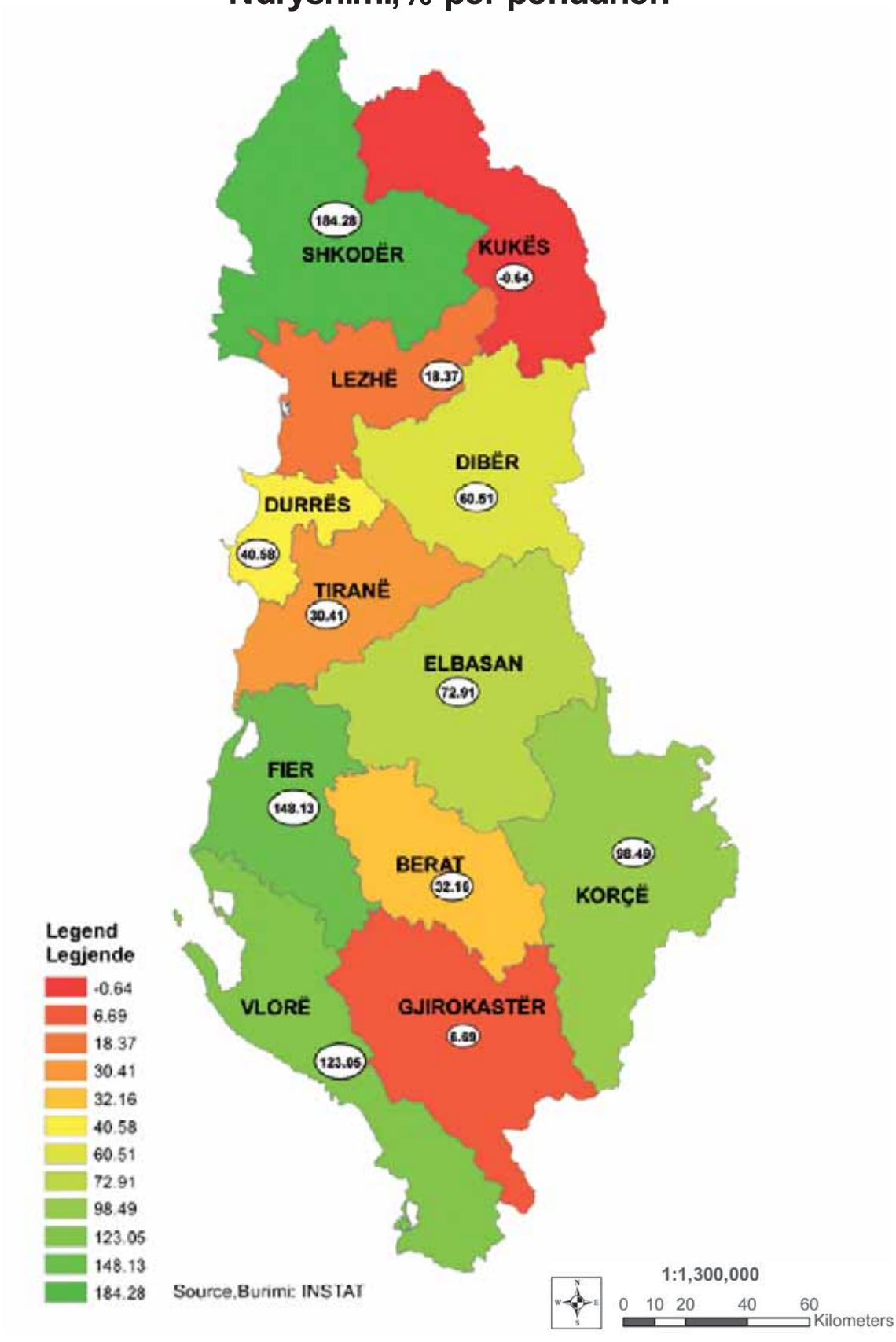
Ndermarrjet e reja jo-bujqesore per 10,000 persona, 2008



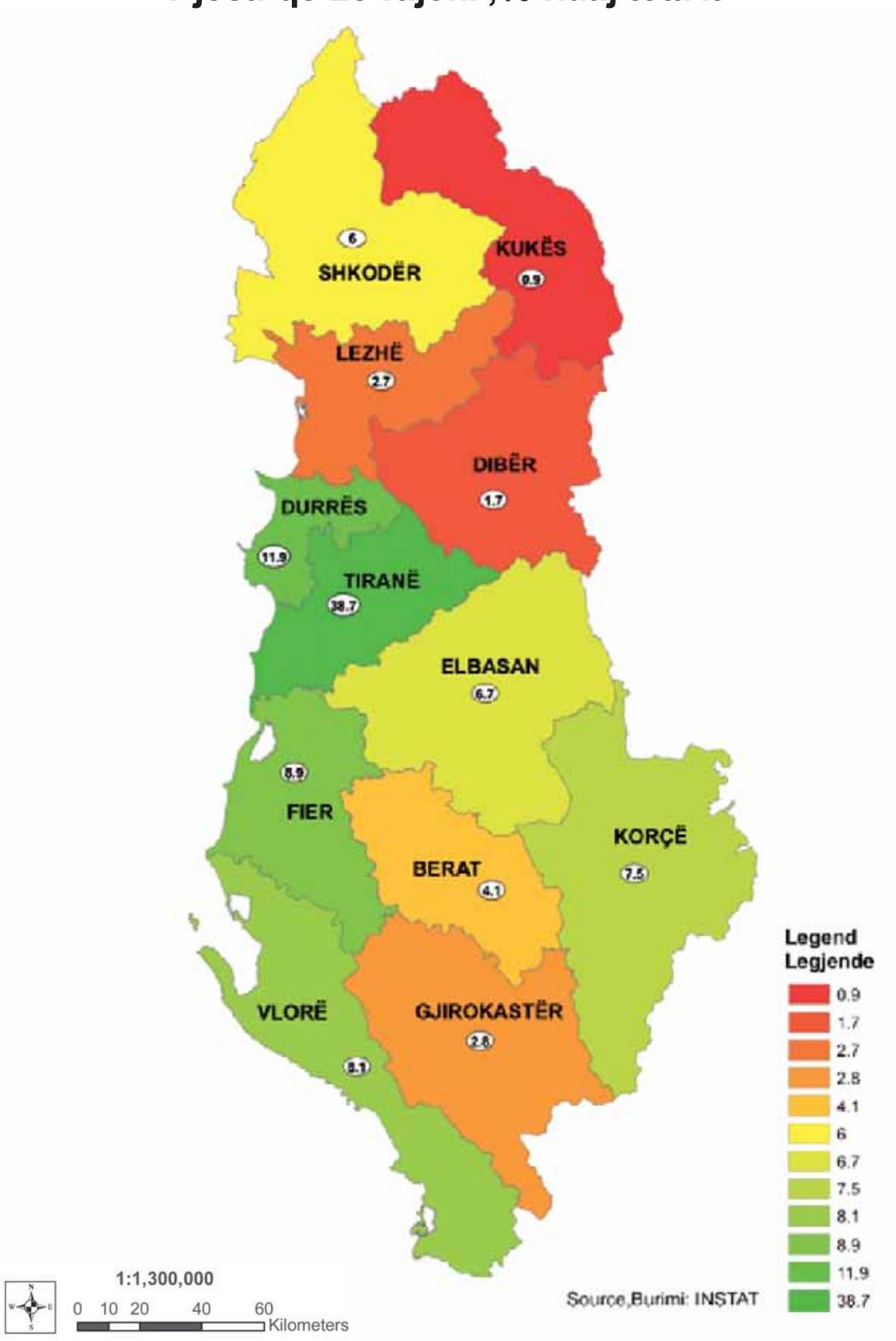
Map 35

Non-agricultural active enterprises per 10,000 pers.2008
Change, % for the period

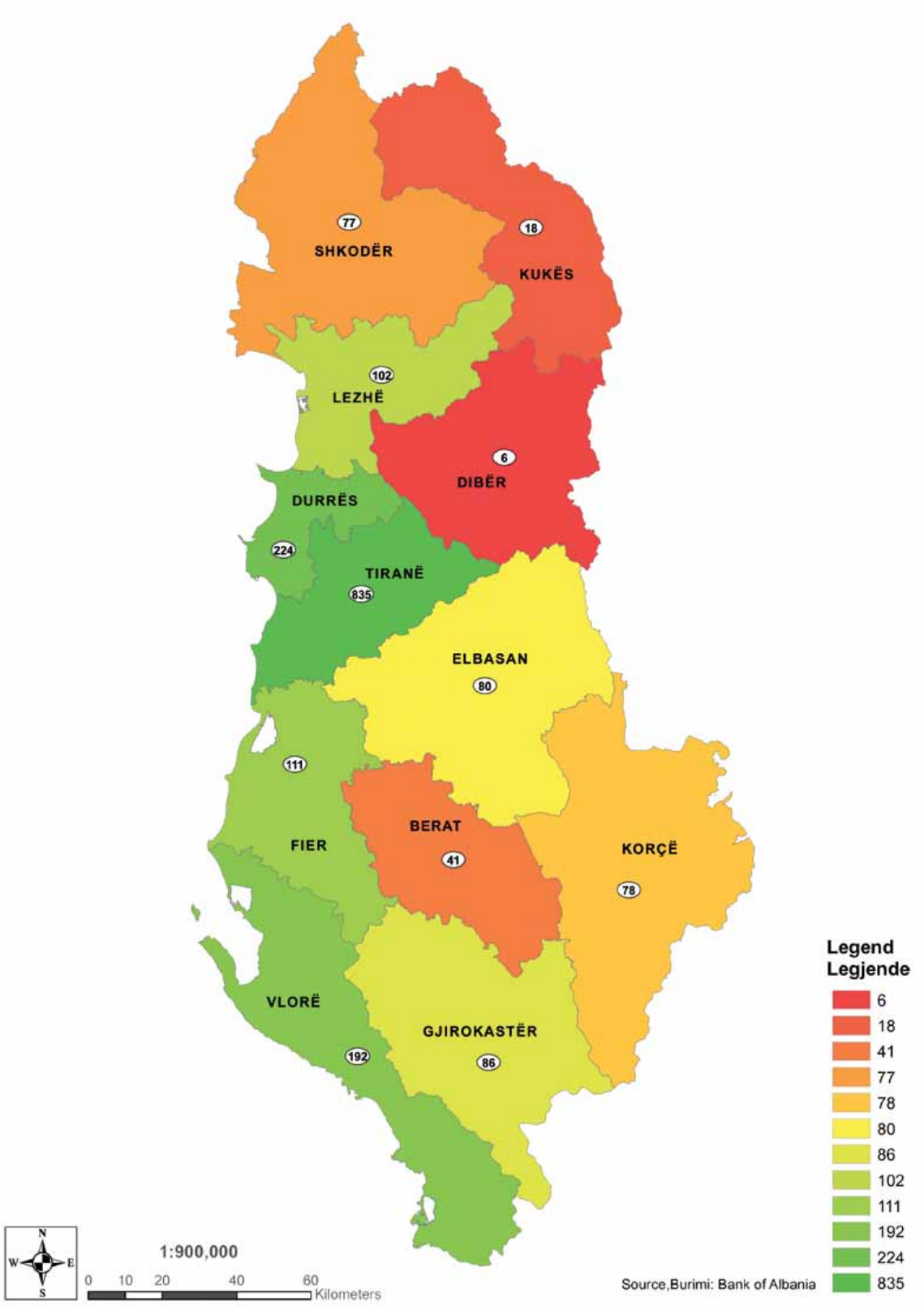
Ndermarje aktive jo-bujqesore per 10,000 pers.2008
Ndryshimi,% per periudhen



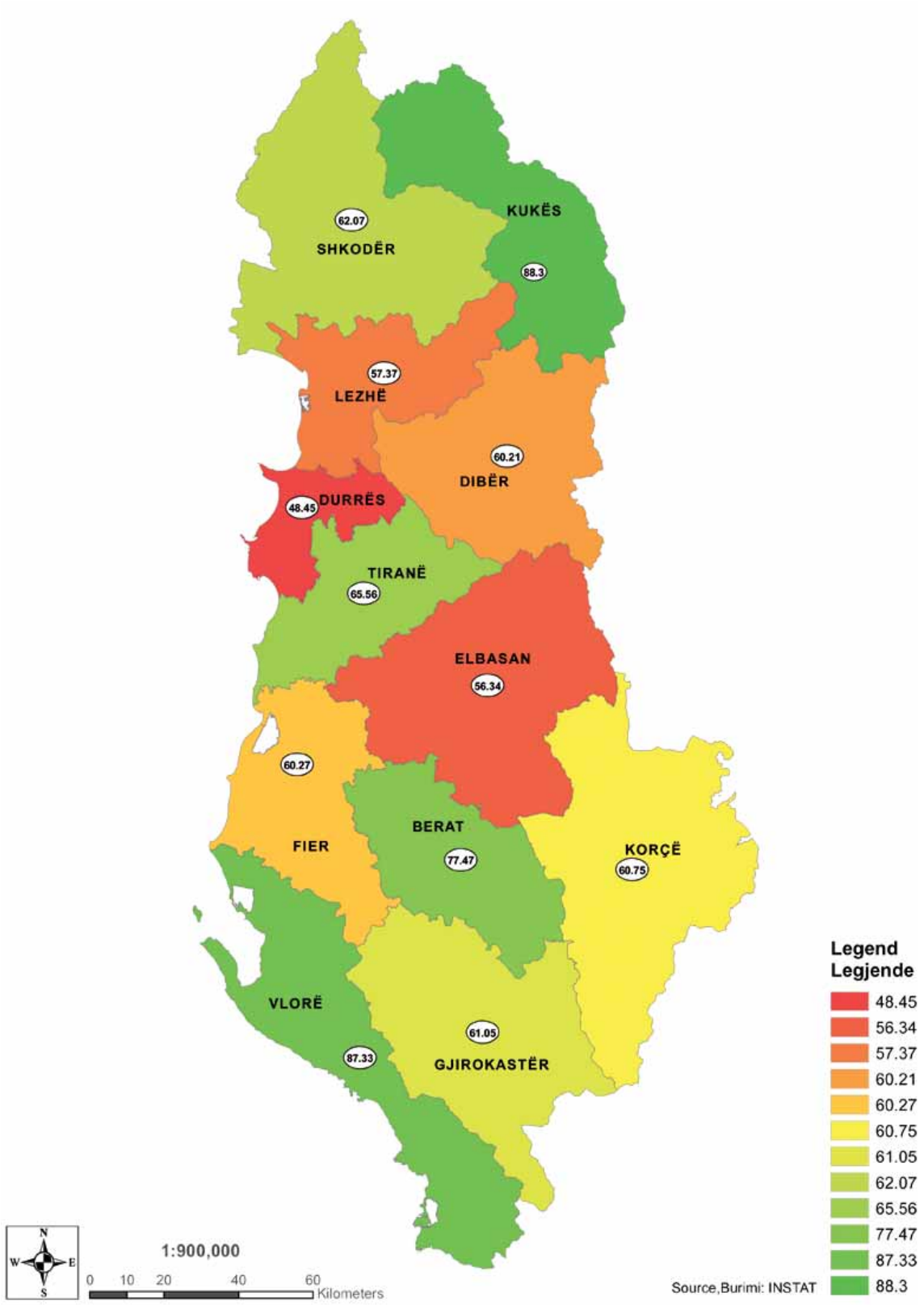
Non-agricultural active enterprises per 10,000 pers.2008
Regional share, % of the total
Ndermarje aktive jo-bujqesore per 10000 pers.2008
Pjesa qe ze rajoni ,% ndaj totalit



Credit to business, 000 ALL/10,000 pers. 2008
Kredia per biznesin, 000 LEK/10,000 pers. 2008

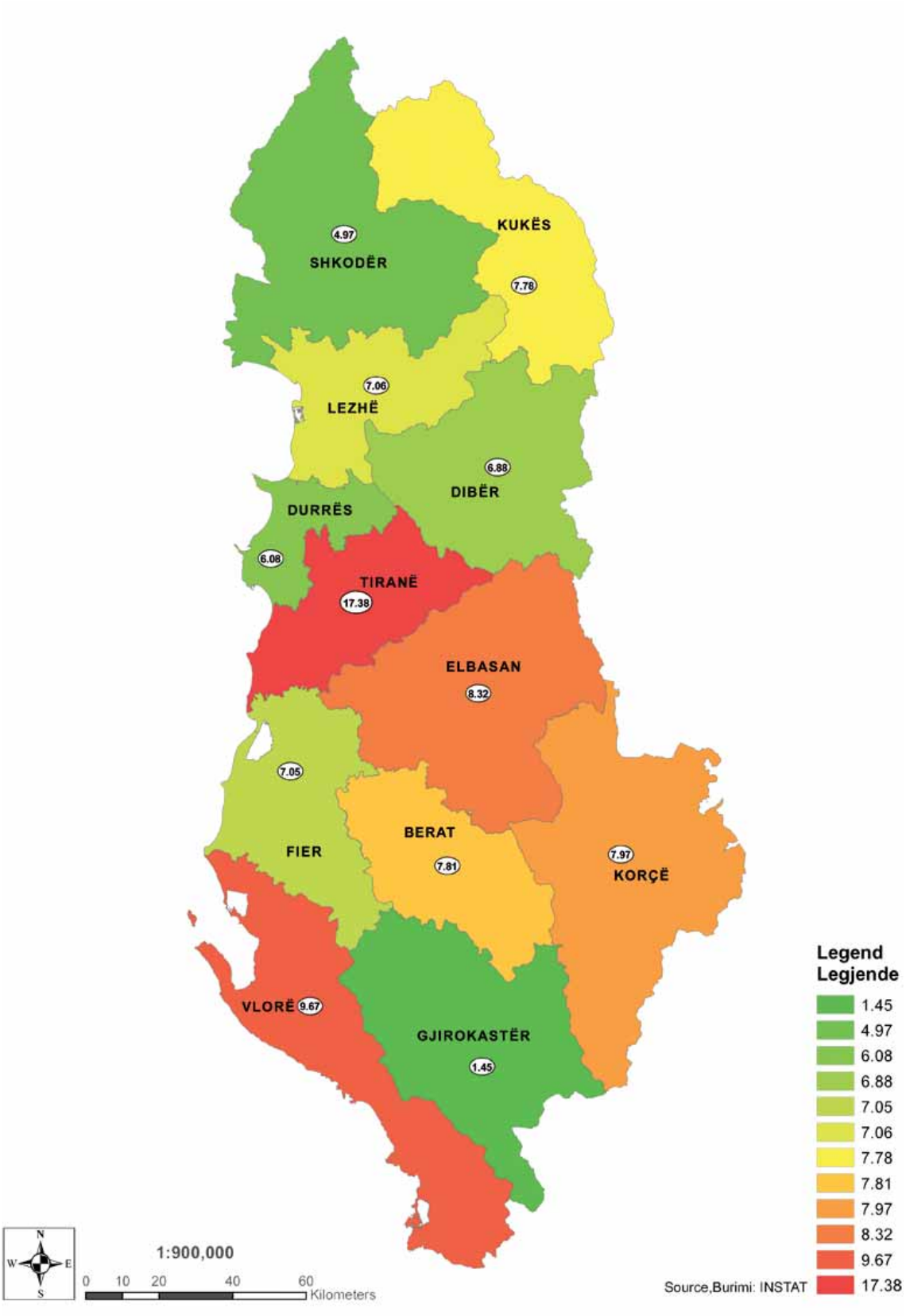


Enrolment at high schools (>9 years)
Regjistrimi në shkollat e mesme (> 9 vjet)

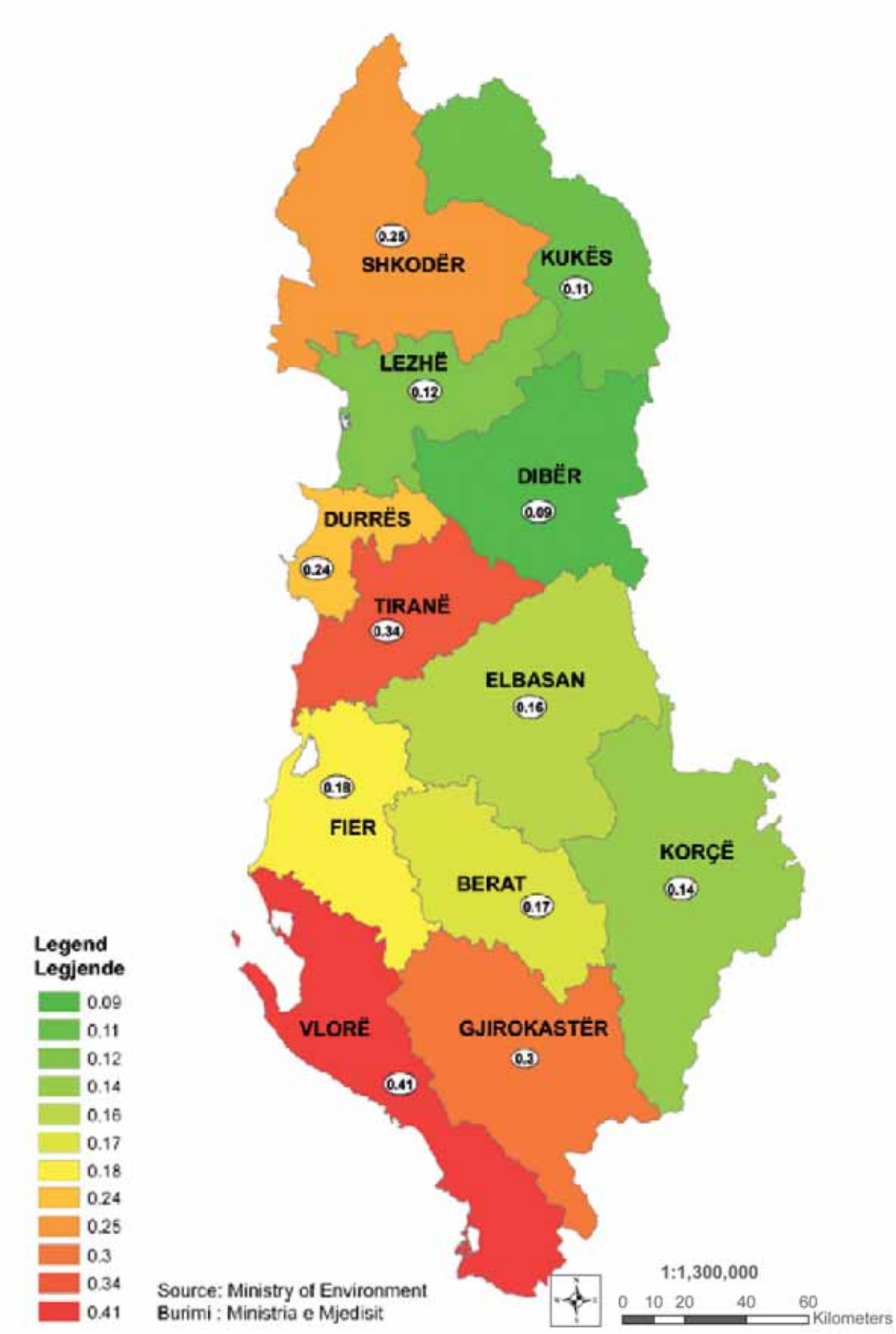


Map 39

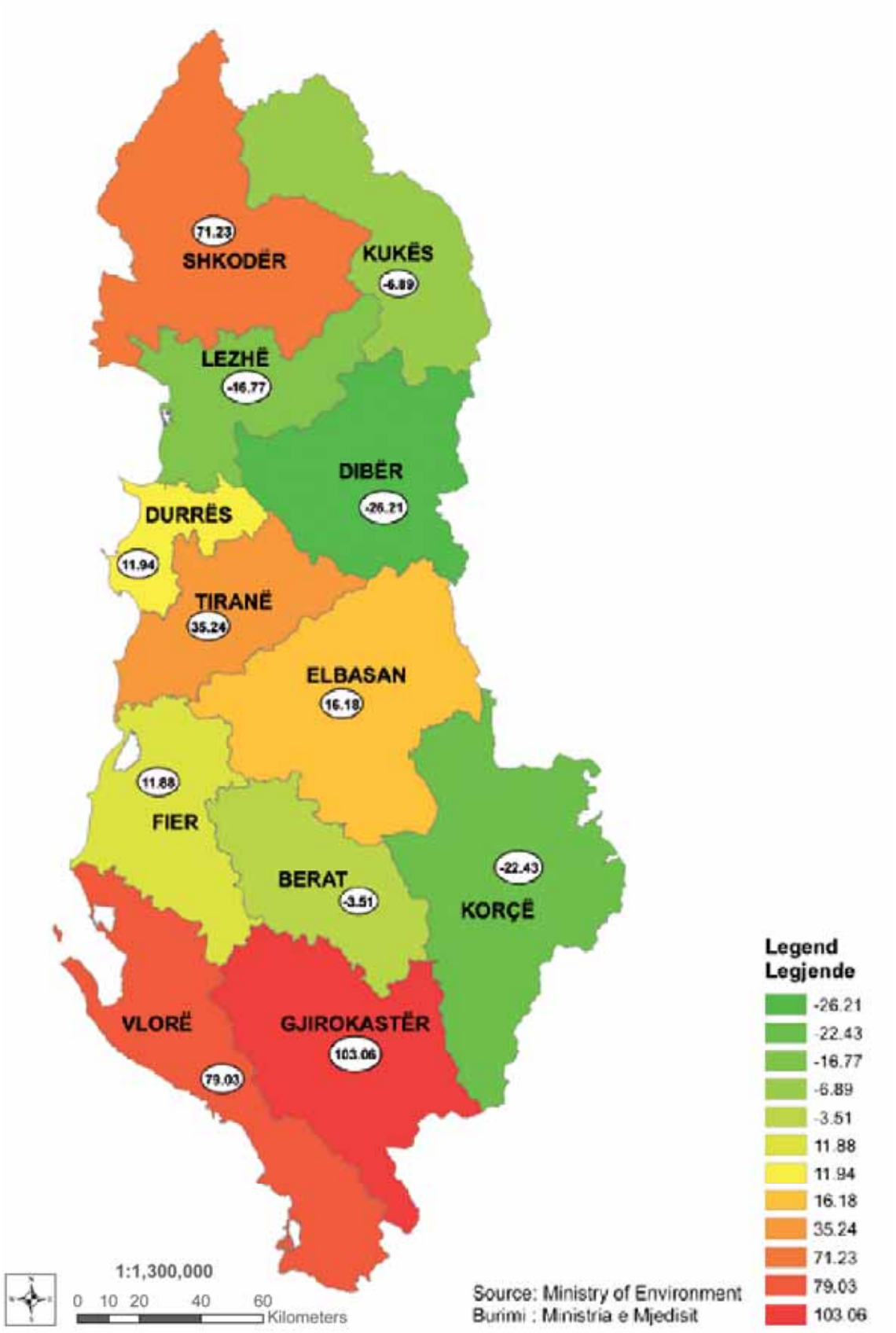
Infant mortality/1,000 live births
Vdekshmeria foshnjore/1000 lindje të gjalla



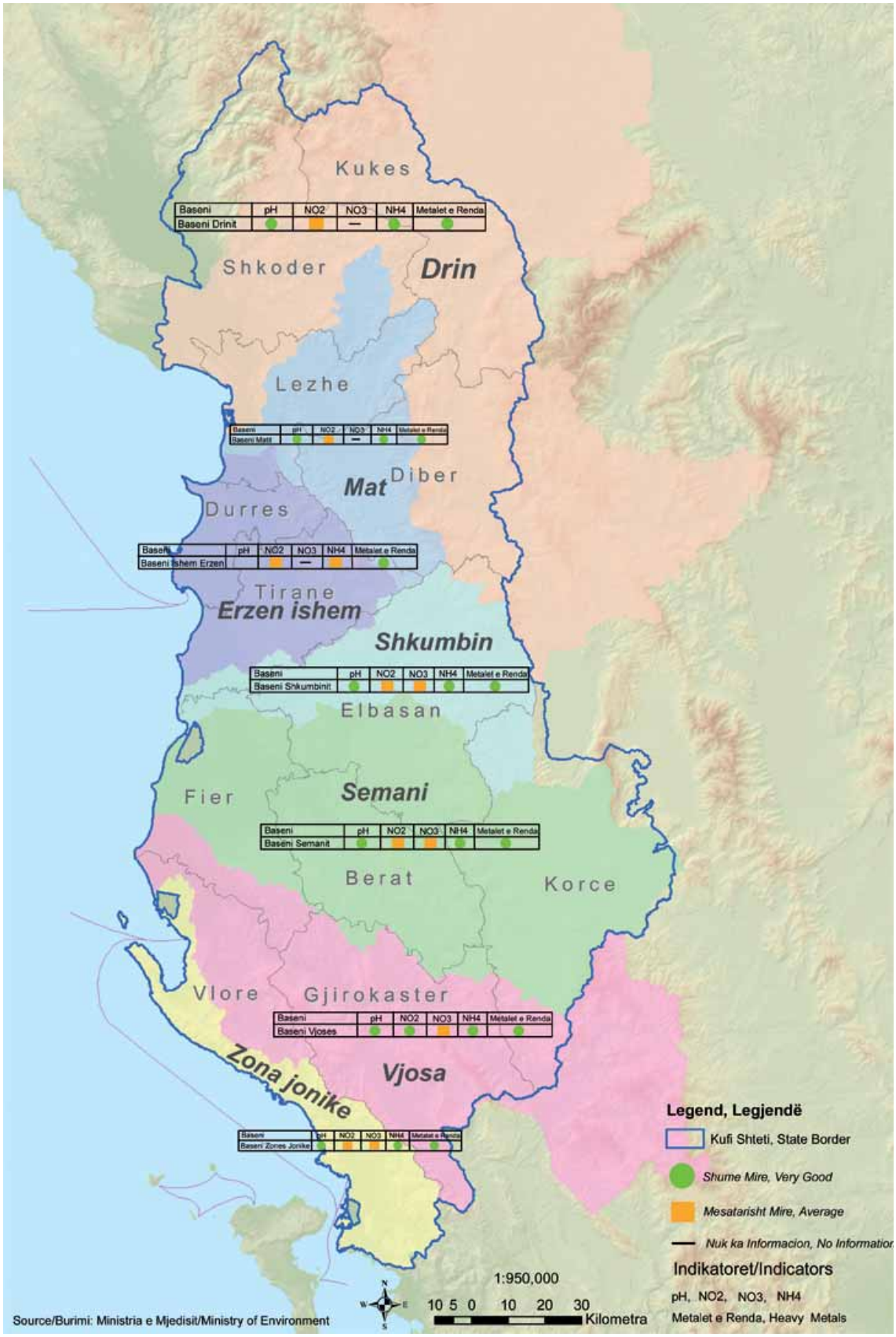
Urban waste 2008, ton/inhabitant
Mbetje urbane 2008, ton/banore



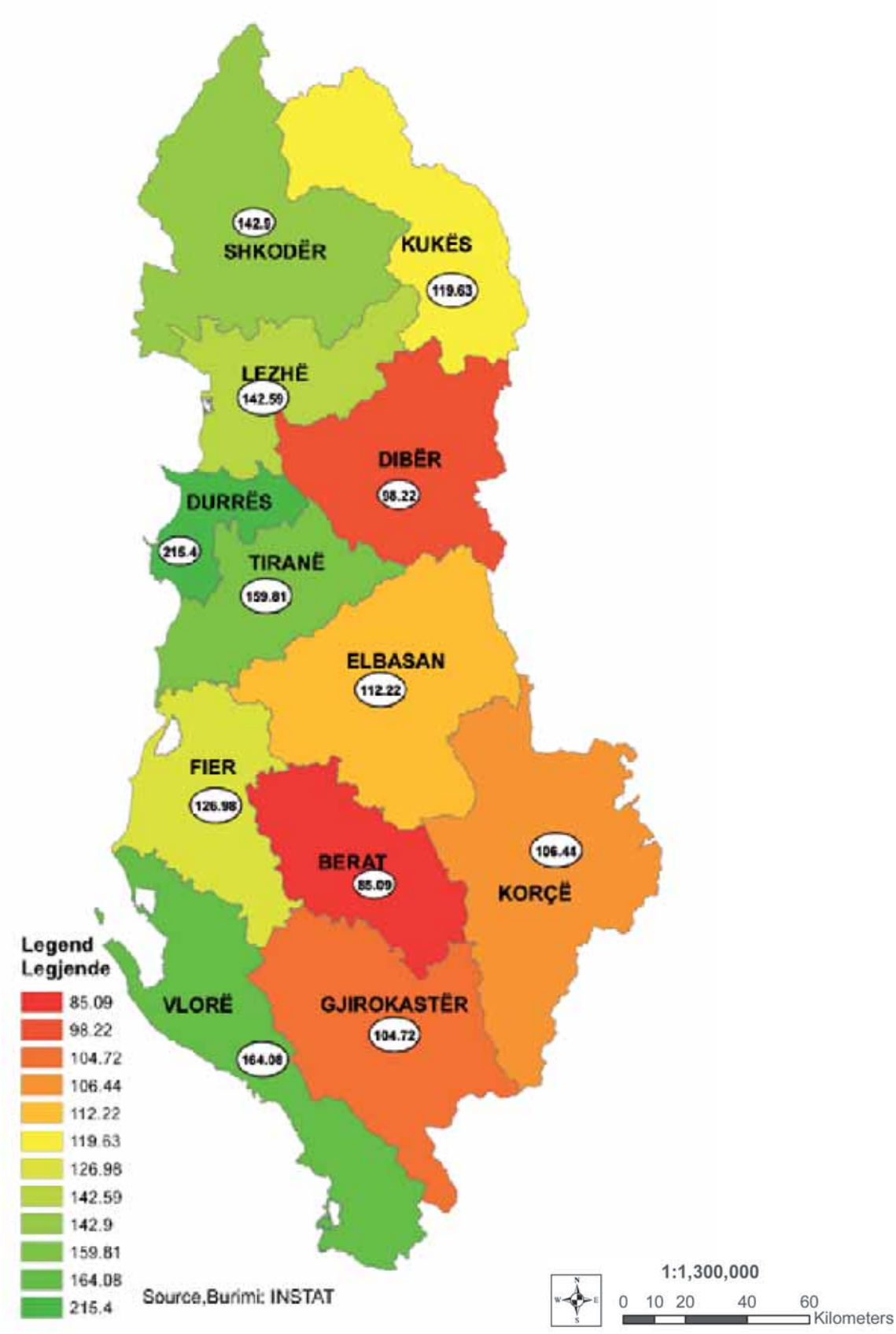
Urban waste 2008, ton/inhabitant
Change, % for the period 2003-2008
Mbetje urbane 2008, ton/banore
Ndryshimi,% për periudhën 2003-2008



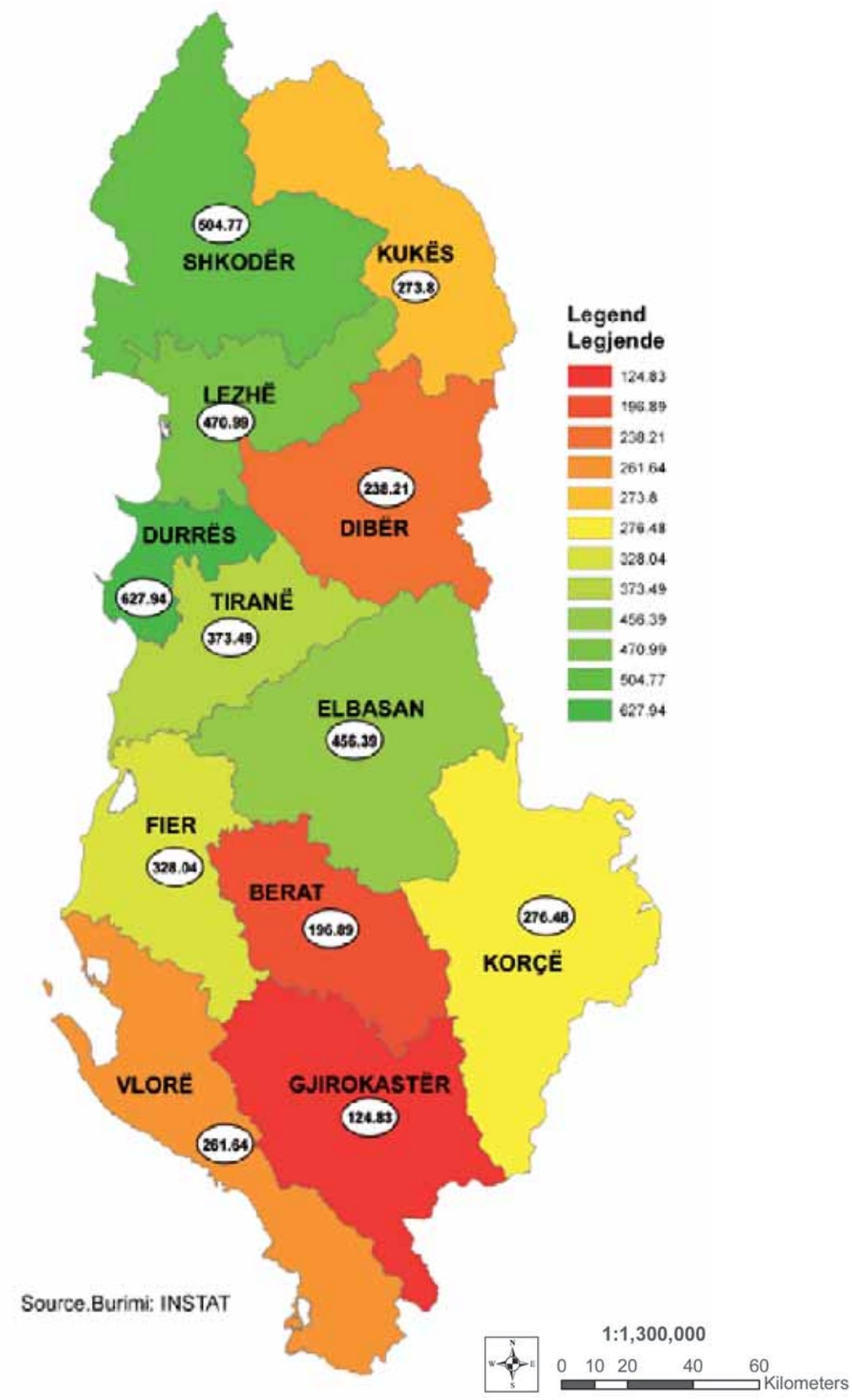
Pollution of River Basins, Ndotja e Baseneve Nenujore



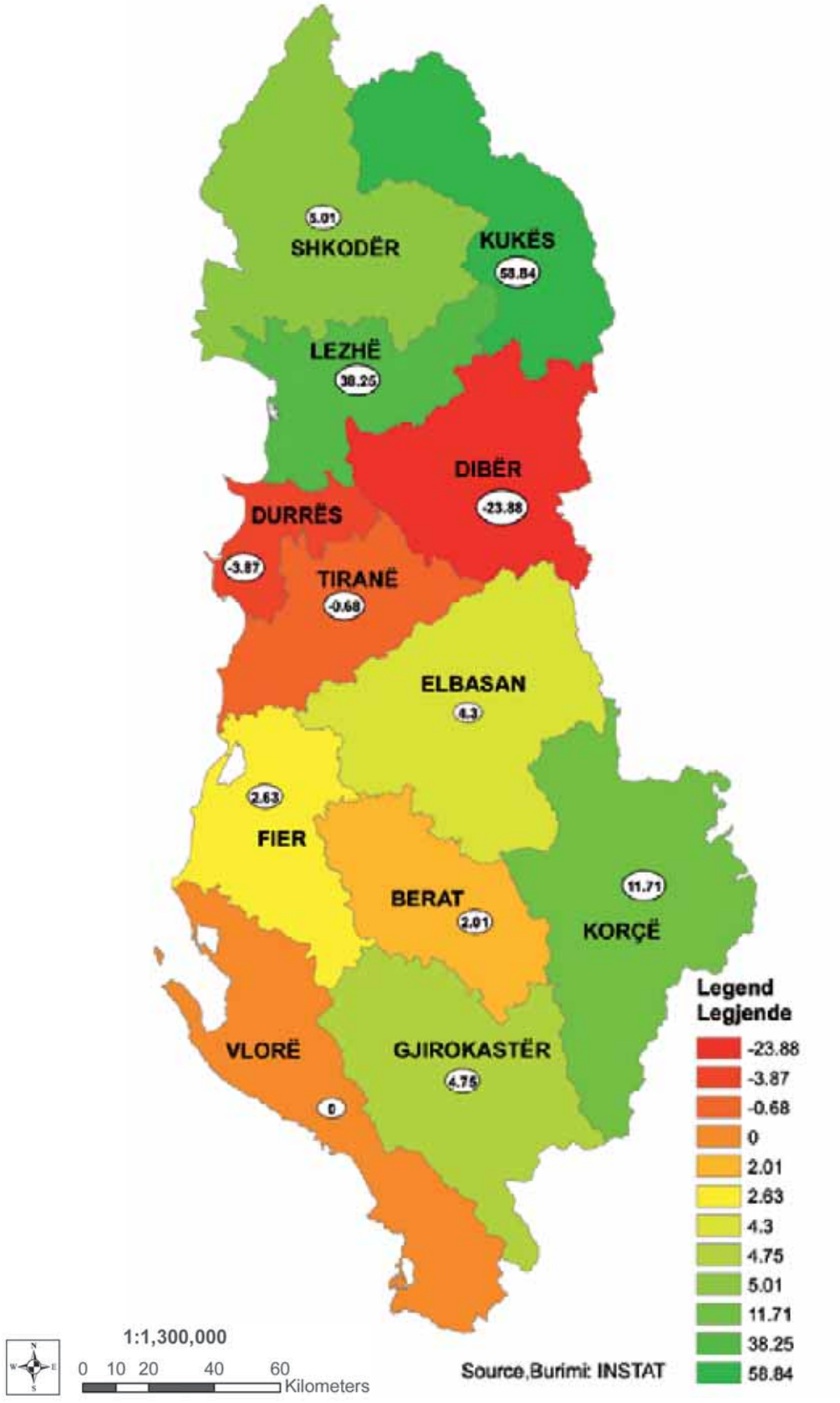
National Administrative Roads 2008 km/1000 km2
Rruge Administrative Kombëtare,2008 km/1000 km2



Rural Administrative Roads 2008 km/1000 km2
Rruge Administrative rurale, 2008 km/1000 km2



Total roads, 2008, km/1000 km2
Change, % for the period 2003-2008
Rruge total 2008 km/1000 km2
Ndryshimi, % per periudhen 2003-2008



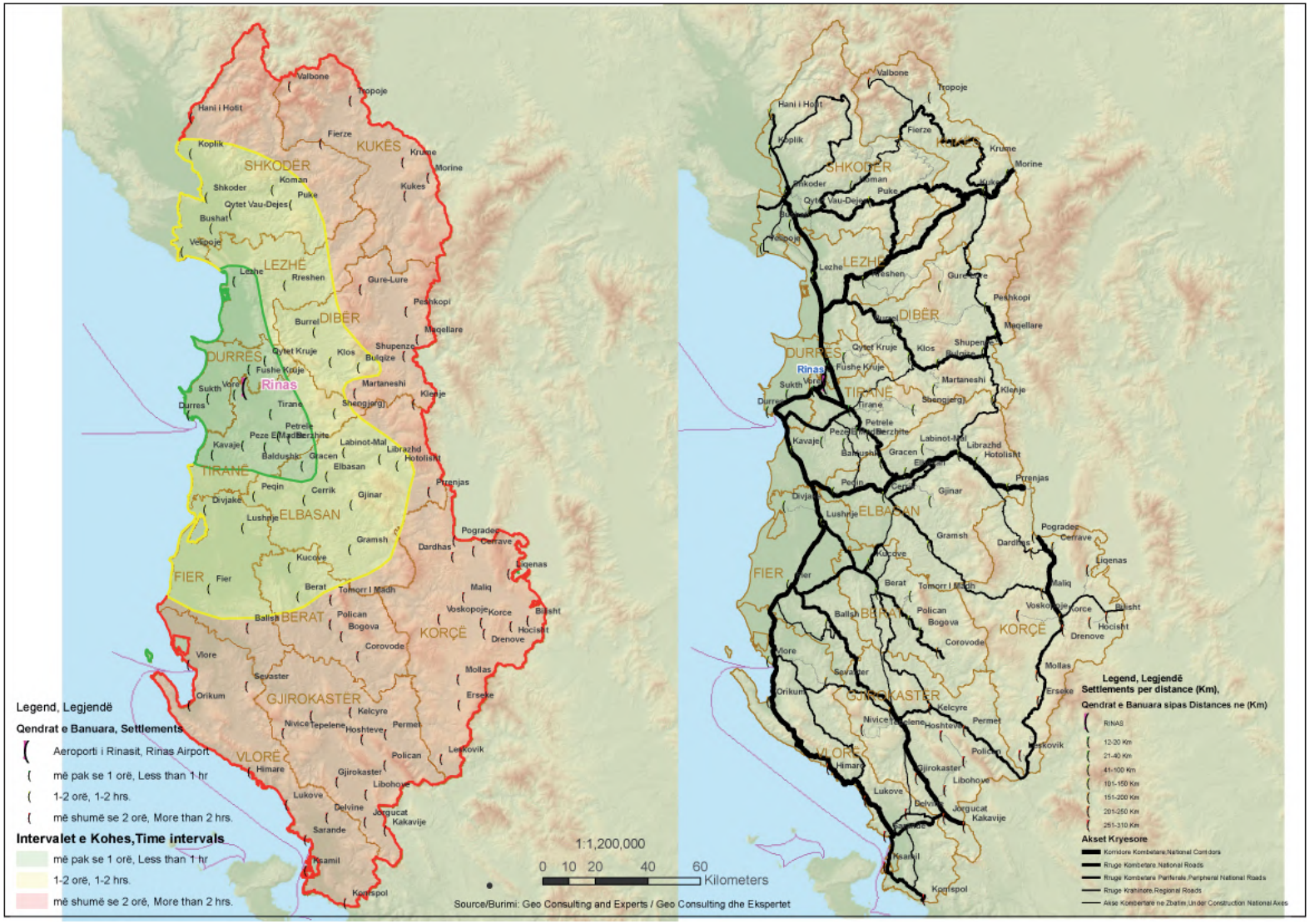
Main Road Axes
Akset Kryesore Rrugore



Access of settlements to the national roads
Aksesi i vendbanimeve ne rruget kombetare

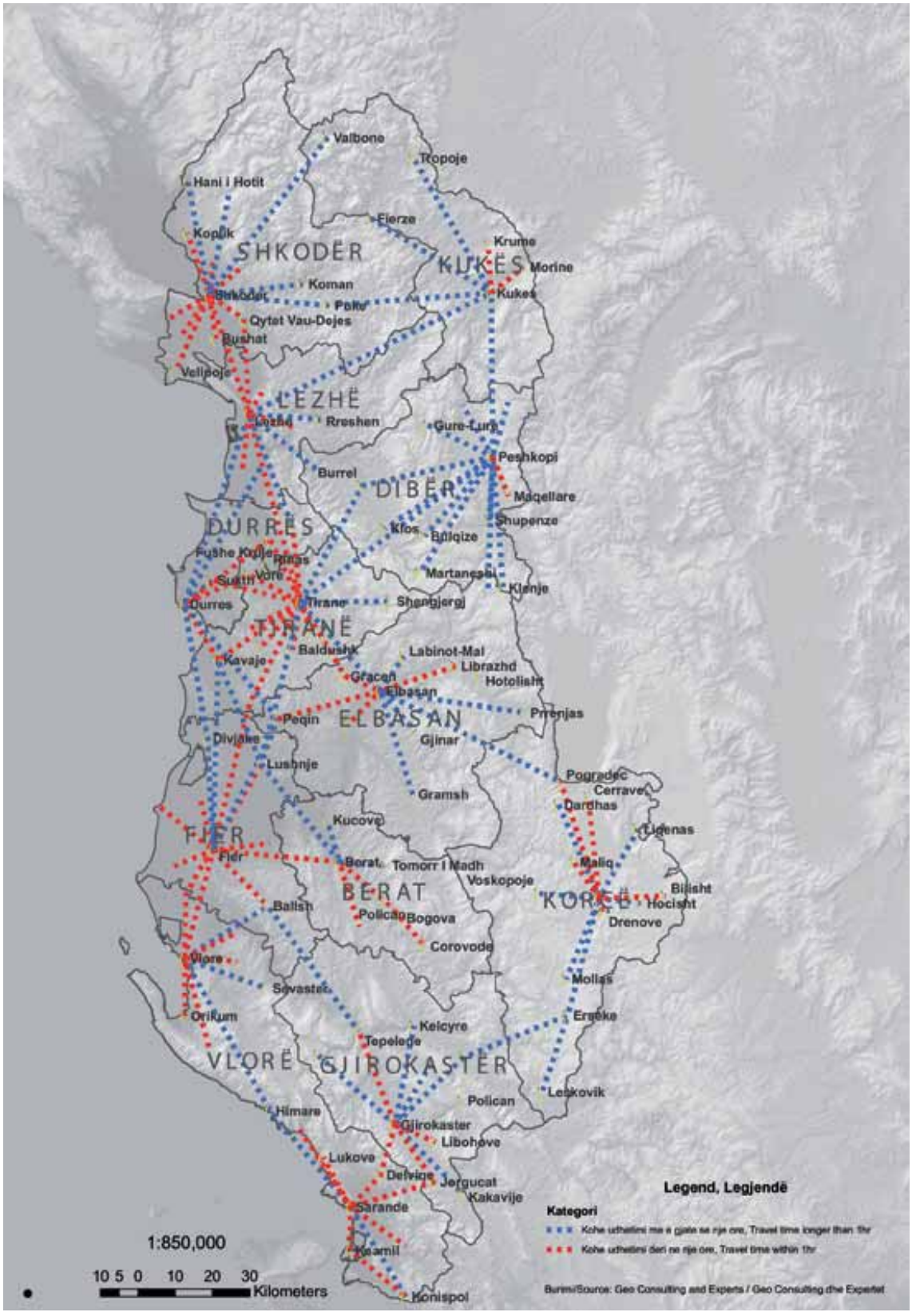


Distance from the Airport, Largesia nga Aeroport

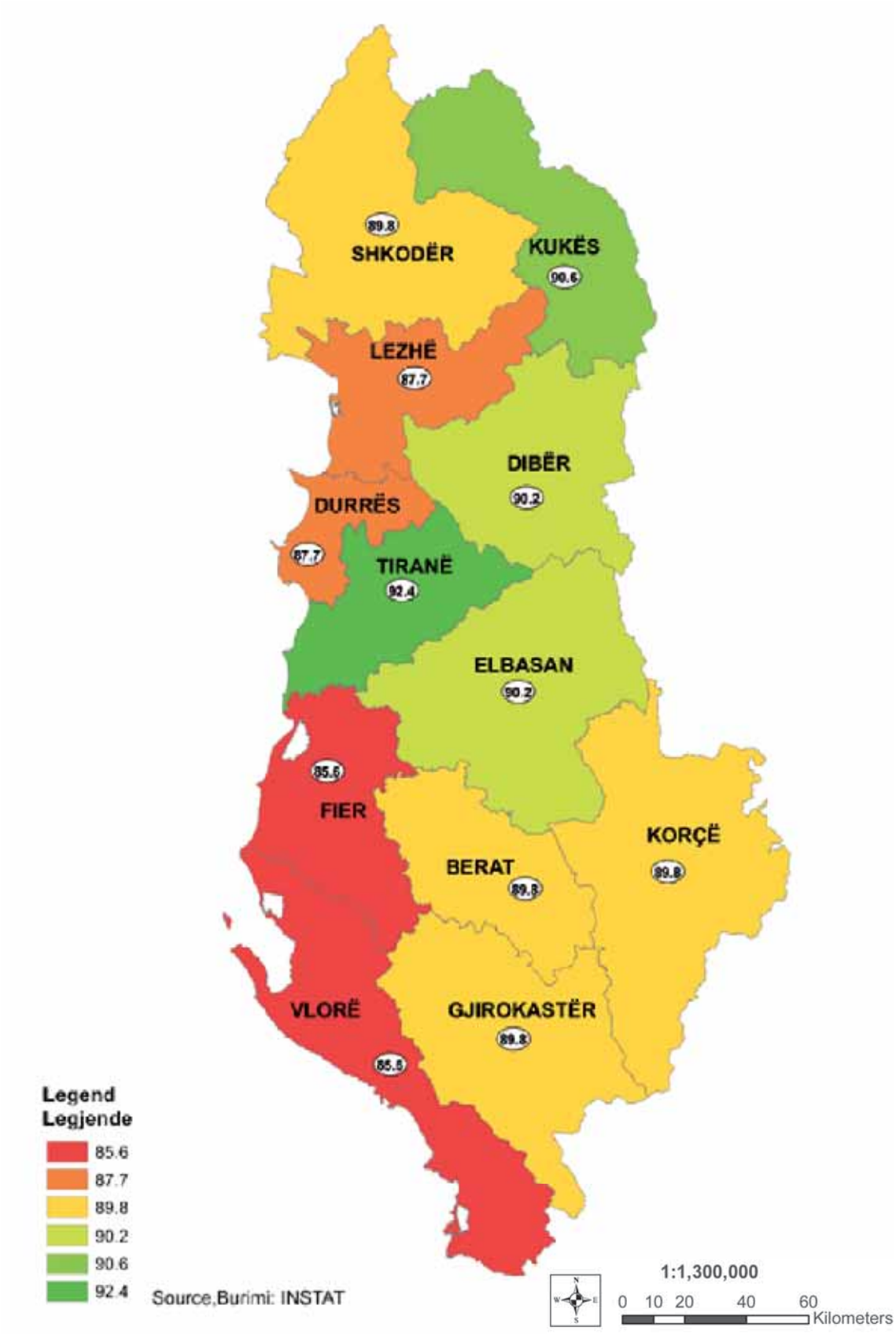


Map 48

Travel time within the qark to the qark centre
Koha e udhetimit brenda qarkut drejt qendres se qarkut



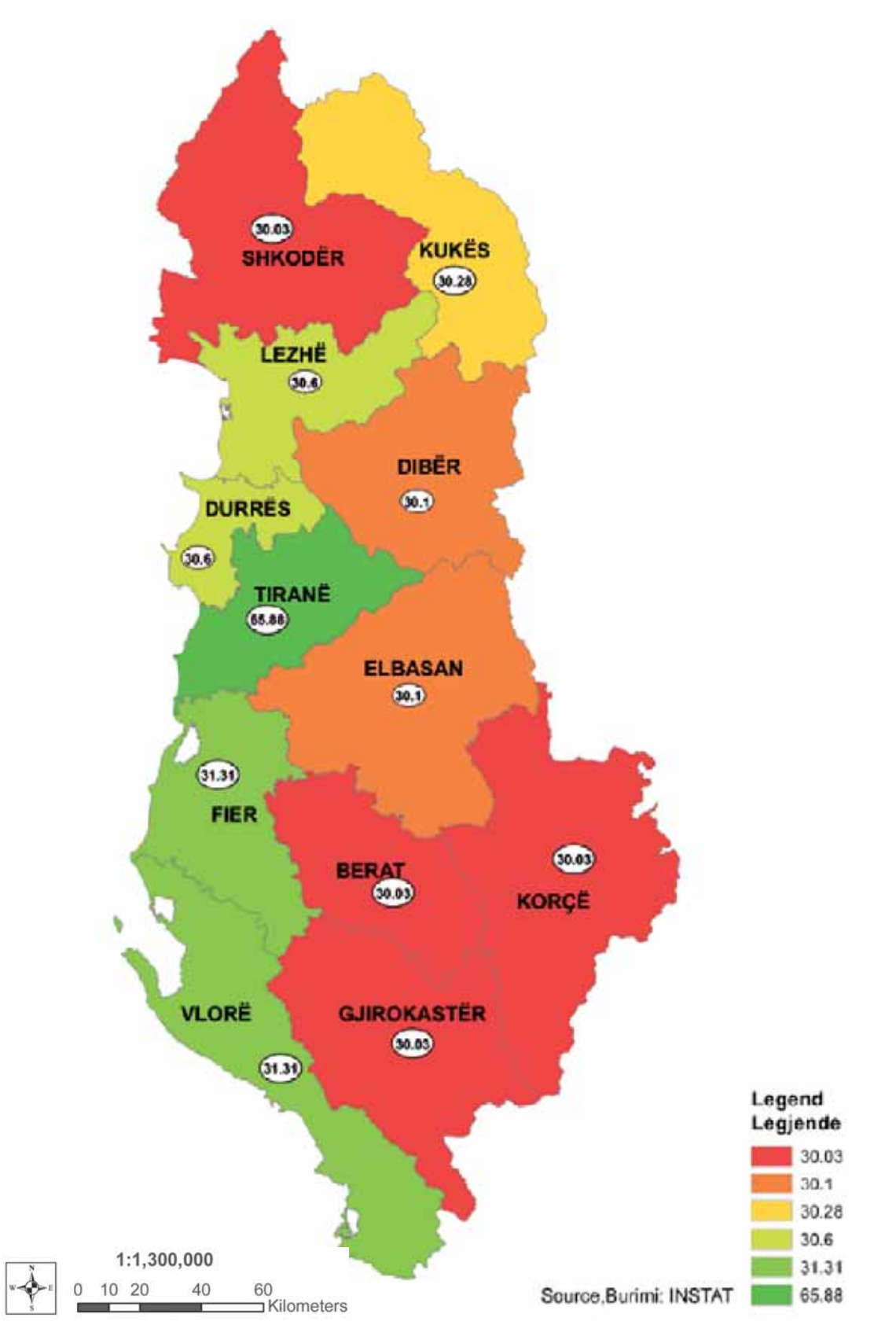
Families with at least 1 person using mobile 2008, %
Familjet me te pakten 1 person qe perdor celular 2008,%



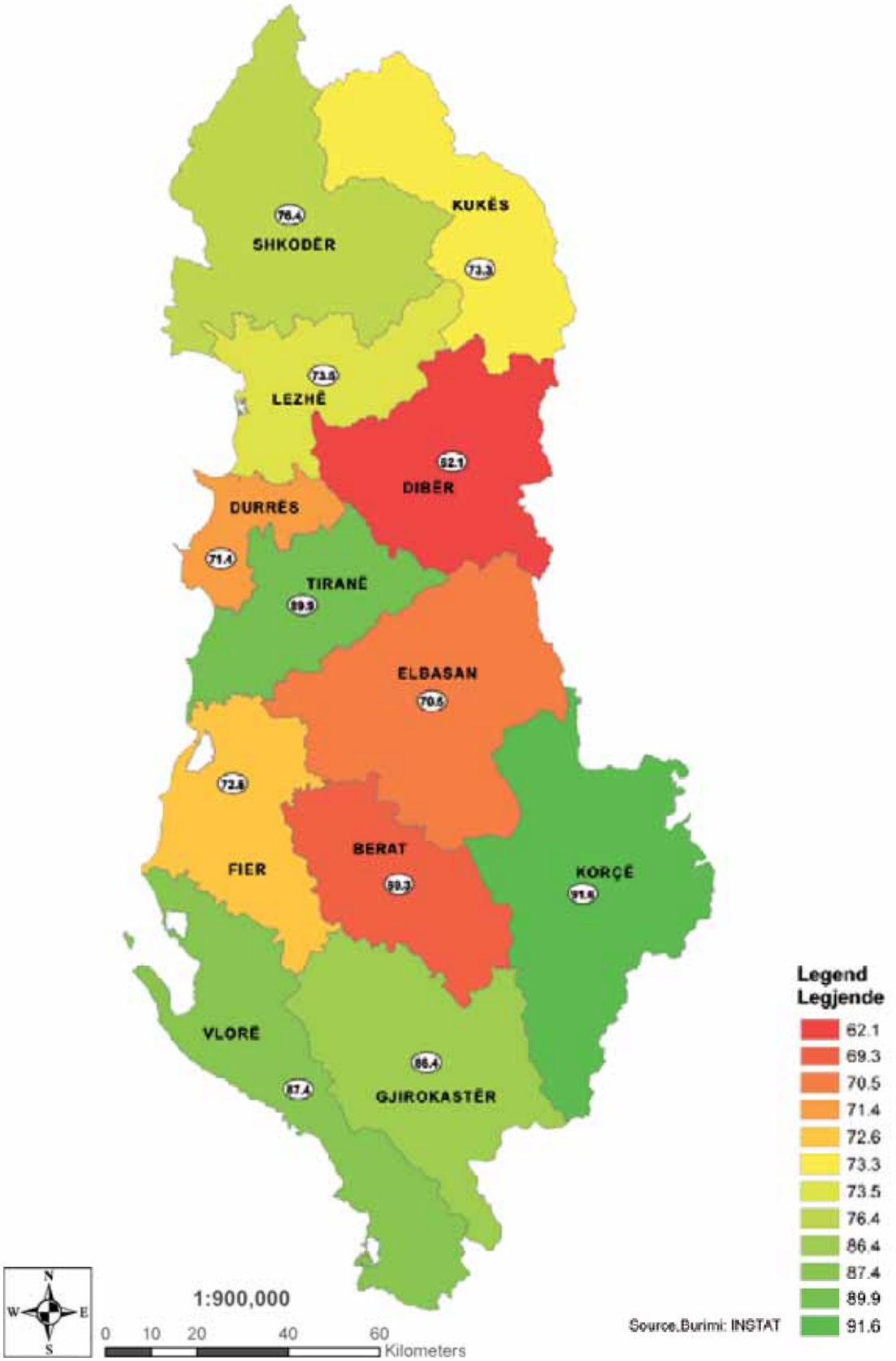
Map 51

Percentage of people that have used internet for more than 2 years

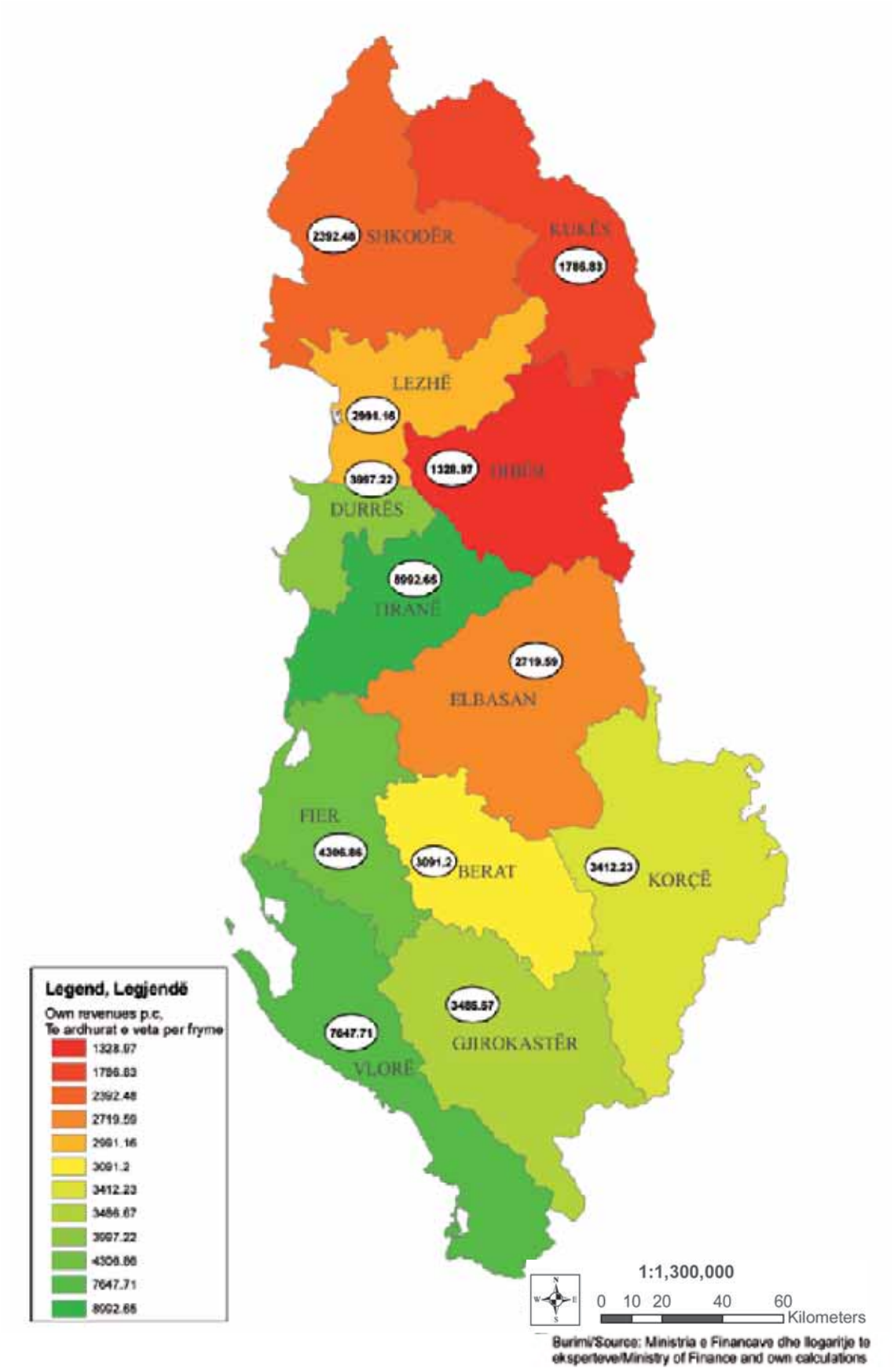
Perqindja e popullsise qe ka perdorur internet per me shume se 2 vjet



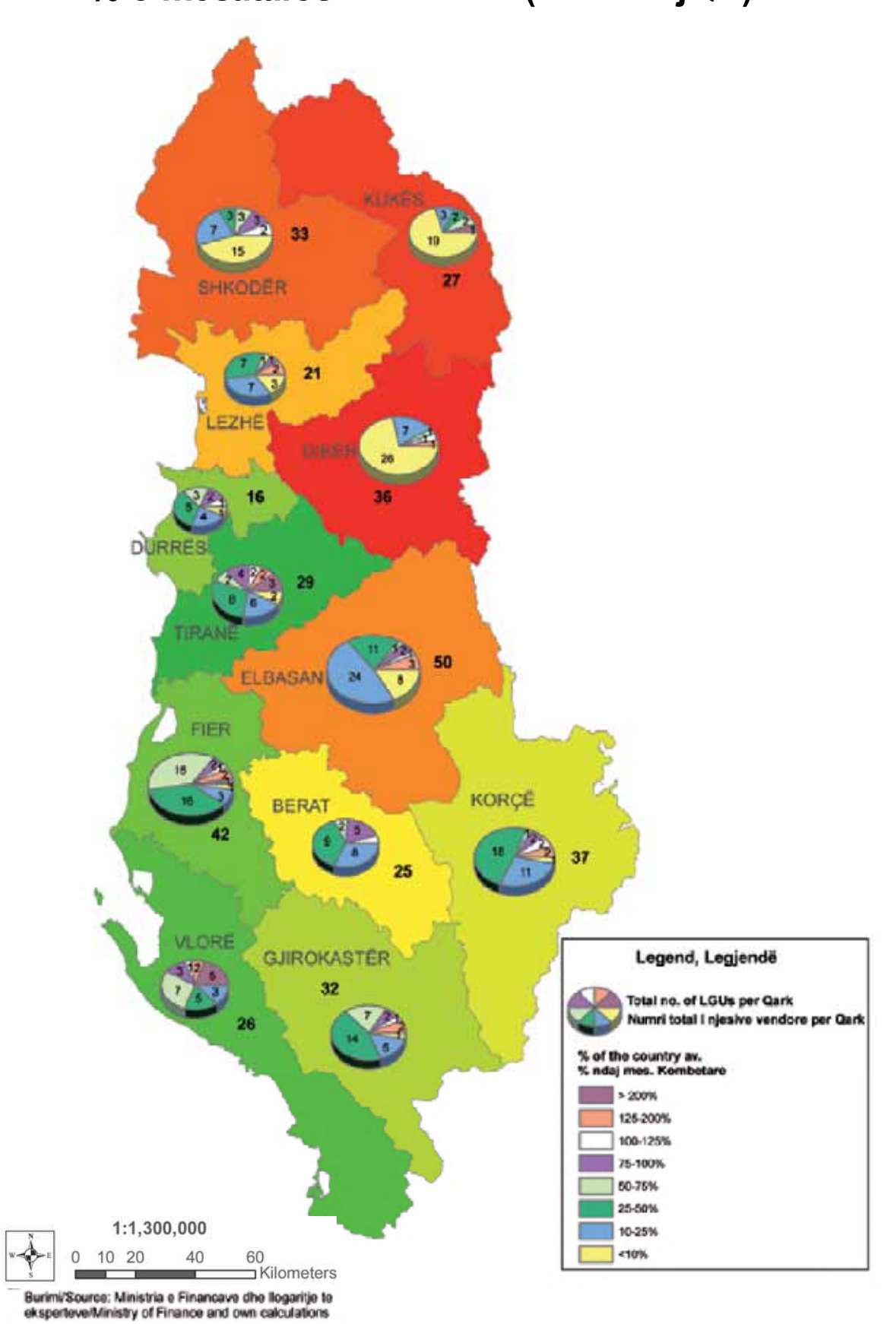
Access to water system 2007, %
Aksesi ne sistemin e ujesjellesit ne 2007,%



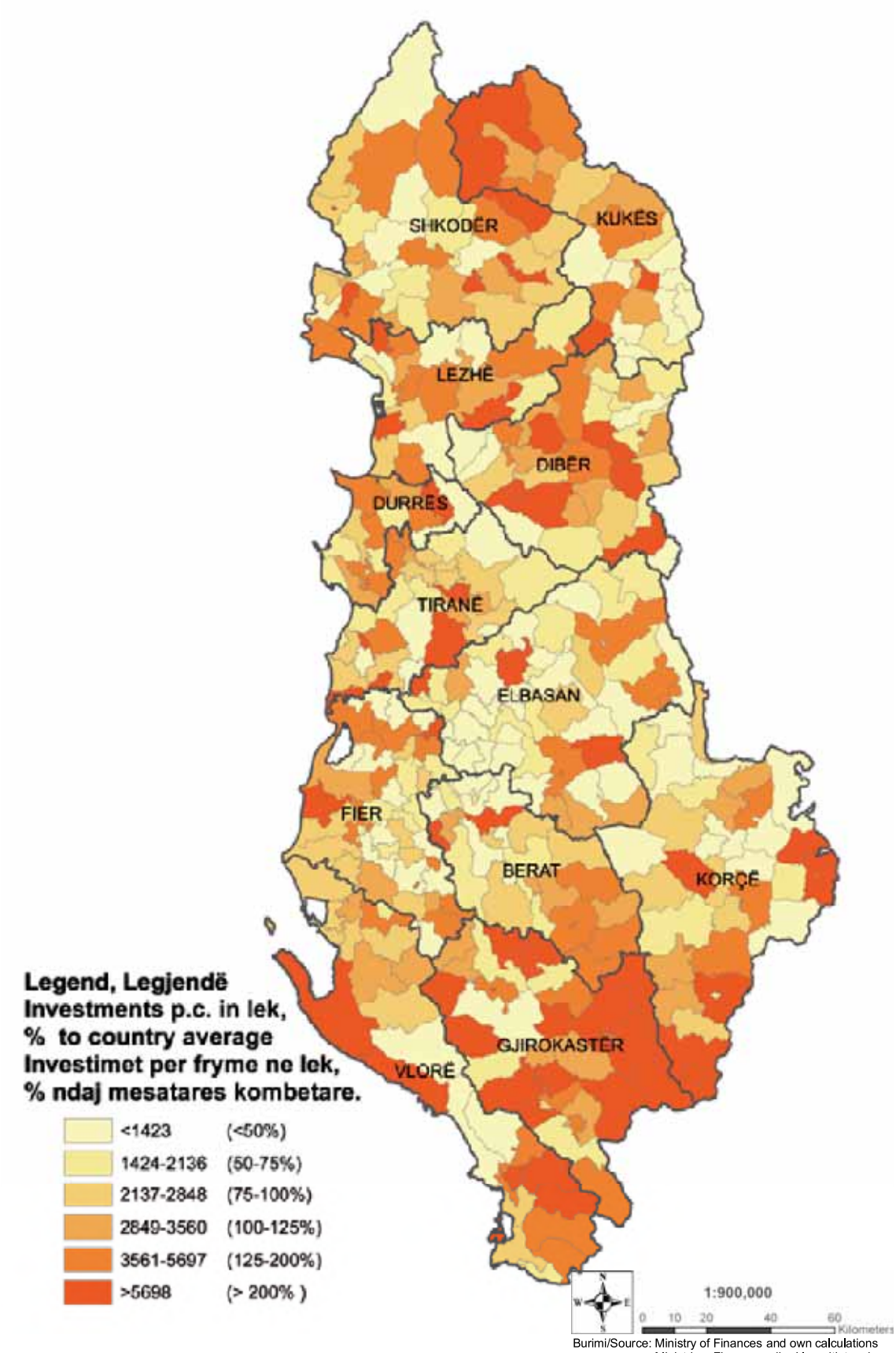
Own Income per capita 2008 (Lek),
Te Ardhurat e veta per person 2008 (Lek)



Distribution of LGUs by own income
% of the country average (number of LGUs),
Shperndarja e Njesive Vendore sipas te ardhurave te veta
% e mesatares kombetare (numer NjQV)

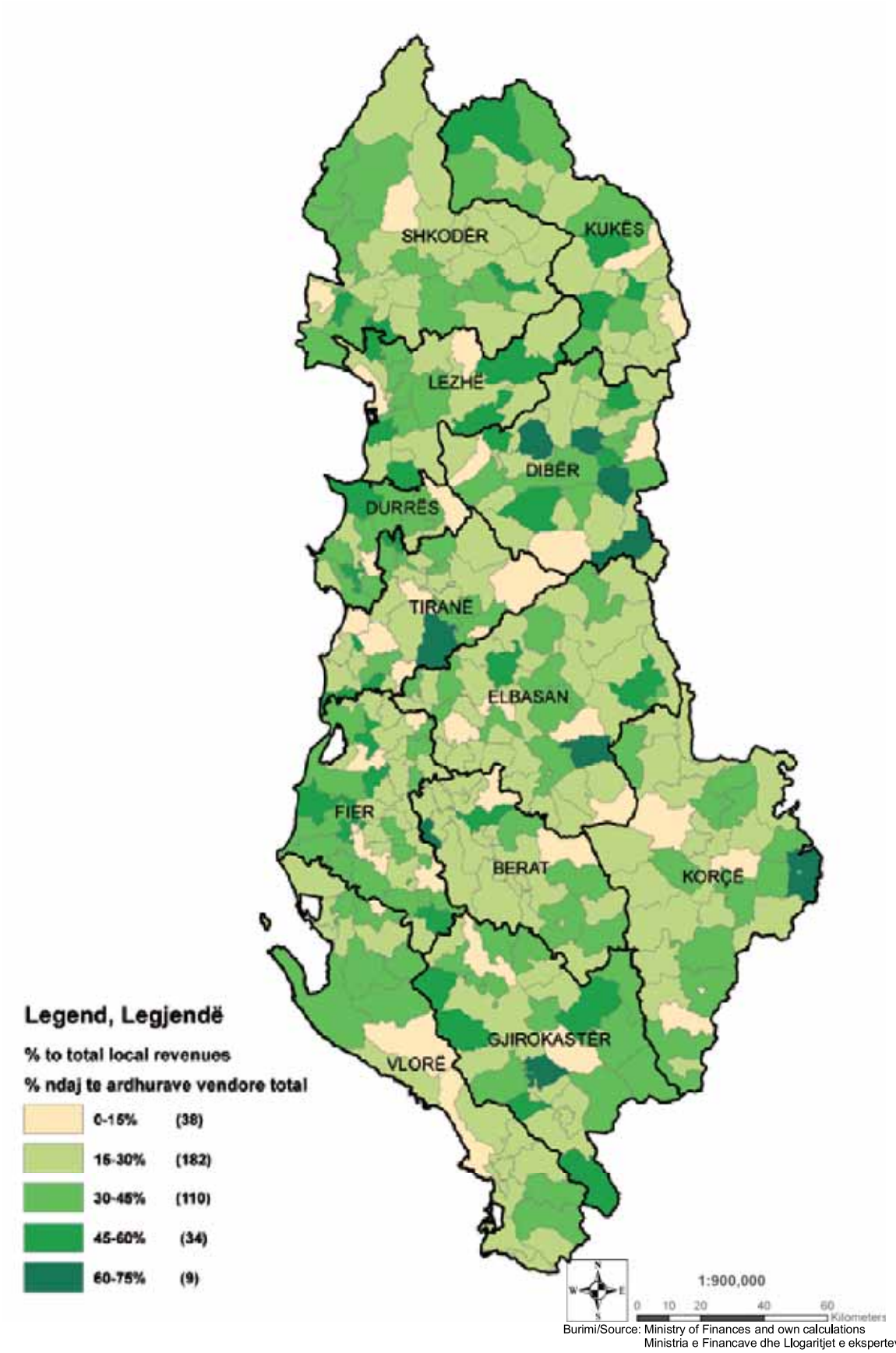


Investments per capita per LGU, 2008, in lek
Investimet per fryme per njesi vendore 2008 ne lek



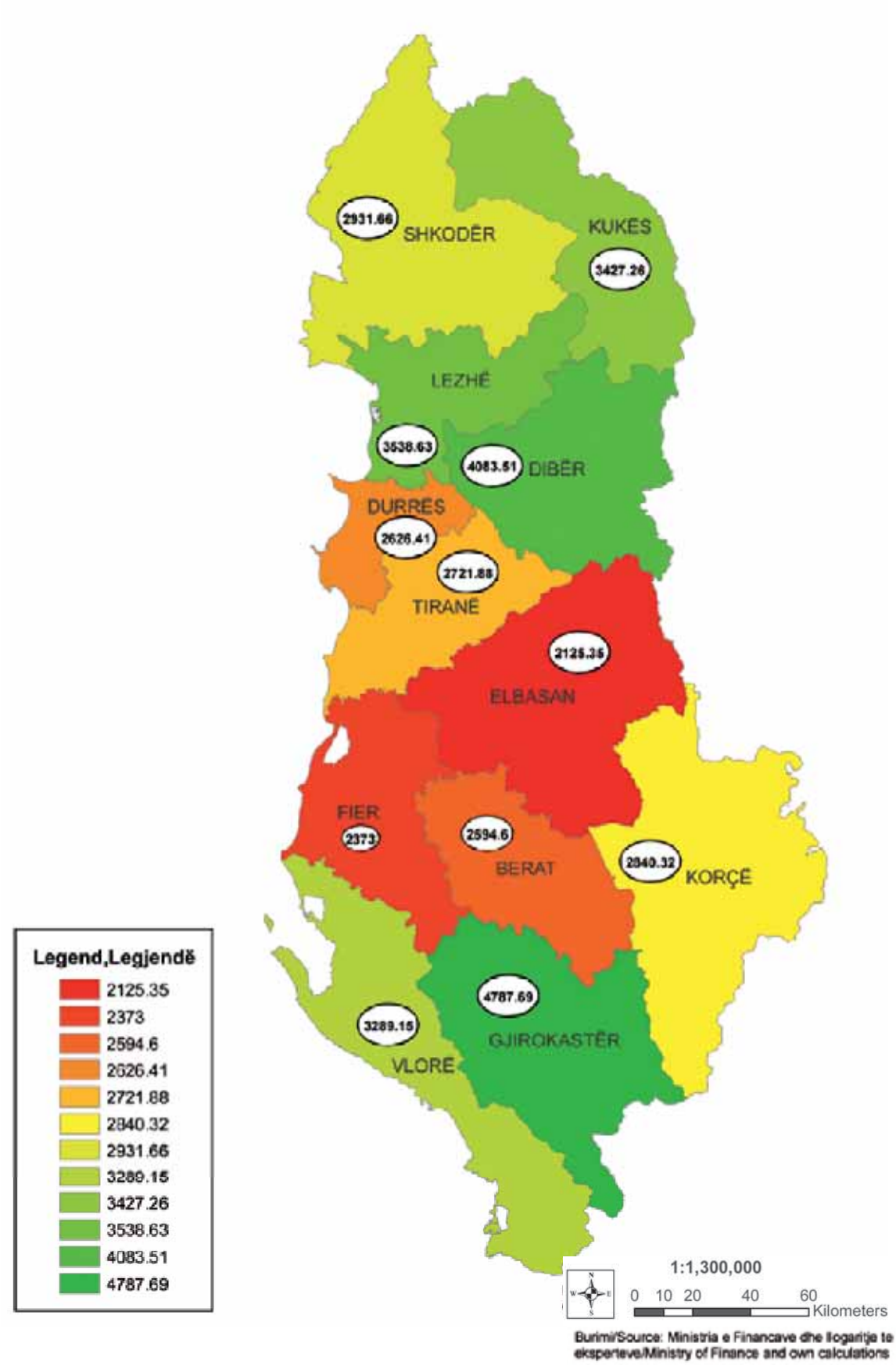
Burimi/Source: Ministry of Finances and own calculations
Ministria e Financave dhe Llogaritjet e eksperteve

Percentage of Investments to Total Local Revenues 2008
Perqindja e Investimeve ndaj te ardhurave vendore total 2008



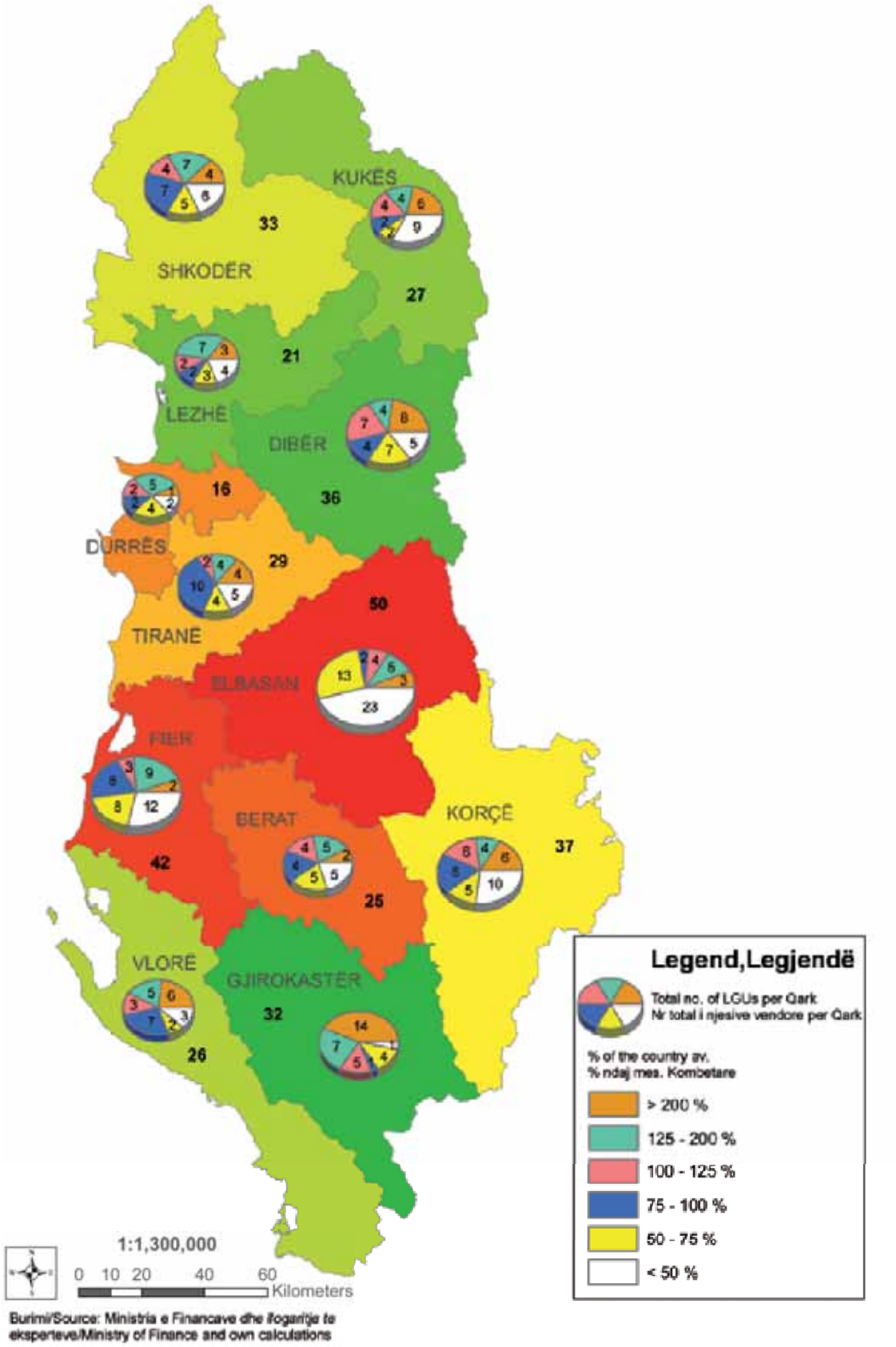
Burimi/Source: Ministry of Finances and own calculations
Ministria e Financave dhe Llogaritjet e eksperteve

Investment per capita at qark level, 2008,(Lek)
Investimet per person ne nivel qarku, 2008,(Lek)



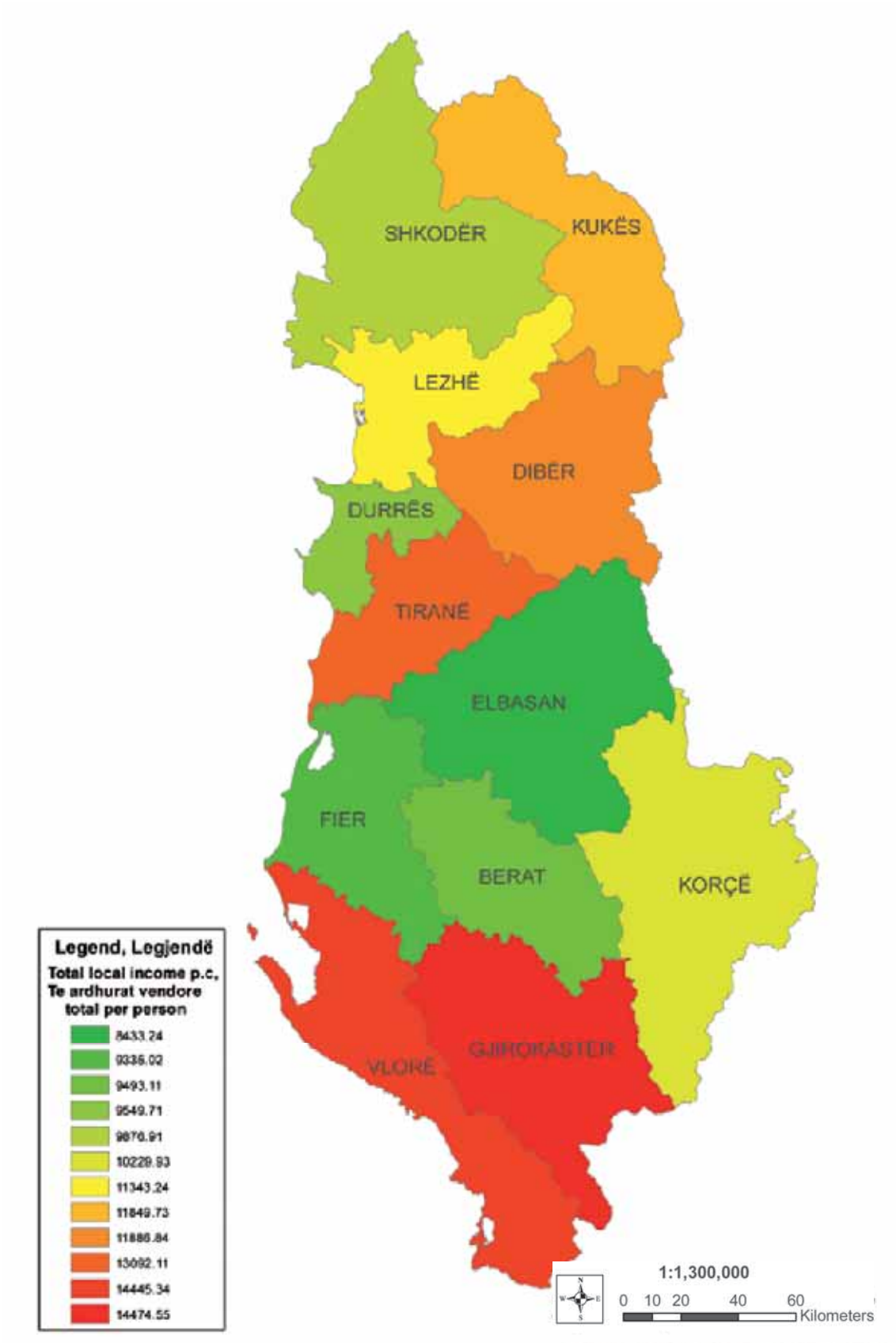
Distribution of LGUs by investment per capita % of the country average (number of LGUs),

Shperndarja e njesive vendore sipas investimit per person - % ndaj mesatares se vendit (nr. i NjQV)



Burimi/Source: Ministria e Financave dhe llogaritje te eksperteve/Ministry of Finance and own calculations

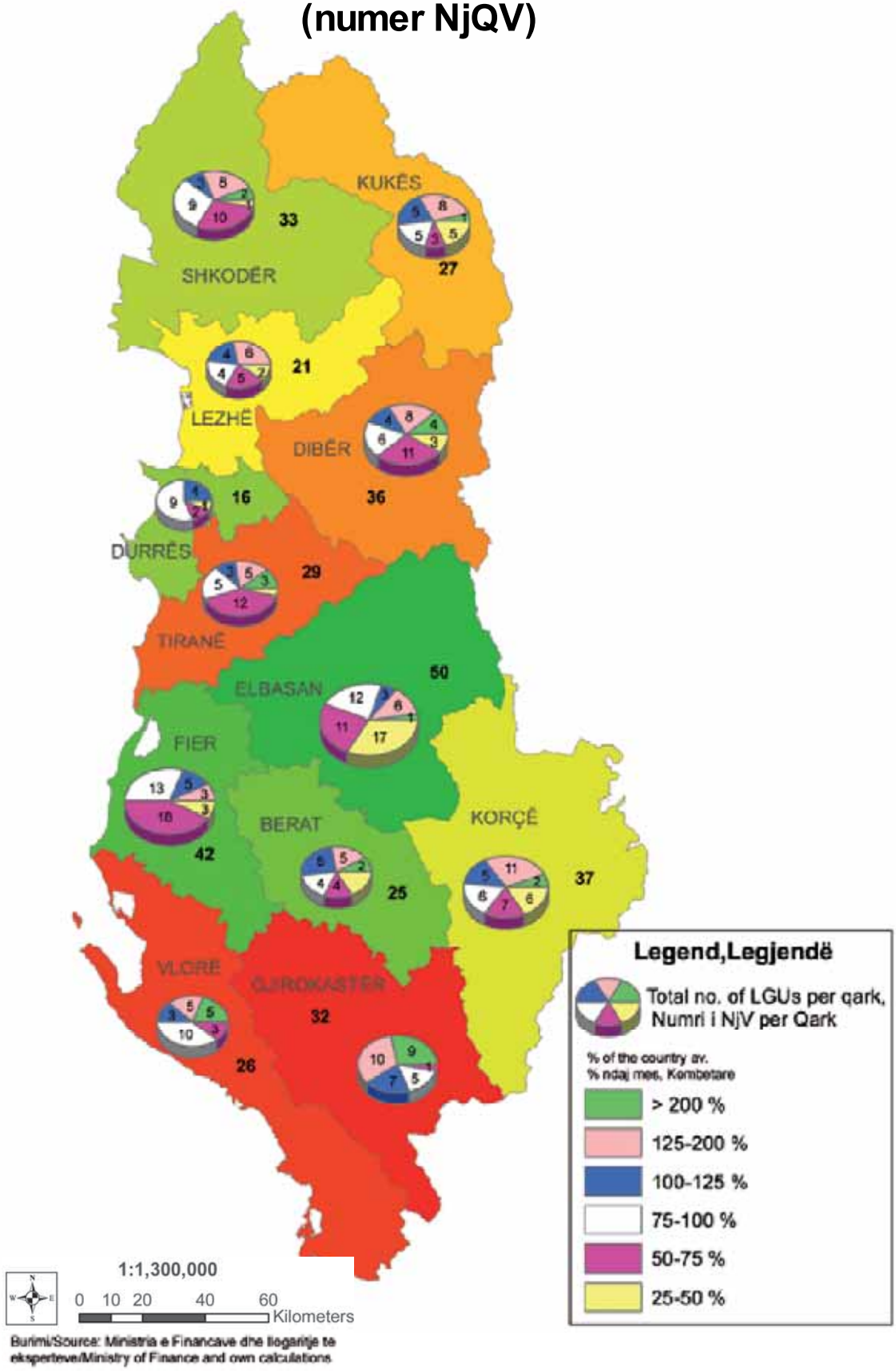
Total Local Income per capita 2008 (Lek)
Te ardhurat totale vendore per person 2008 (Lek)



Burimi/Source: Ministria e Financave dhe llogaritje te ekspertave/Ministry of Finance and own calculations

Distribution of LGUs by Total Local Income per capita as % of the country average (number of LGUs)

Shperndarja e Njesive Vendore sipas te ardhurave vendore total per person % ndaj mesatares kombetare (numer NjQV)

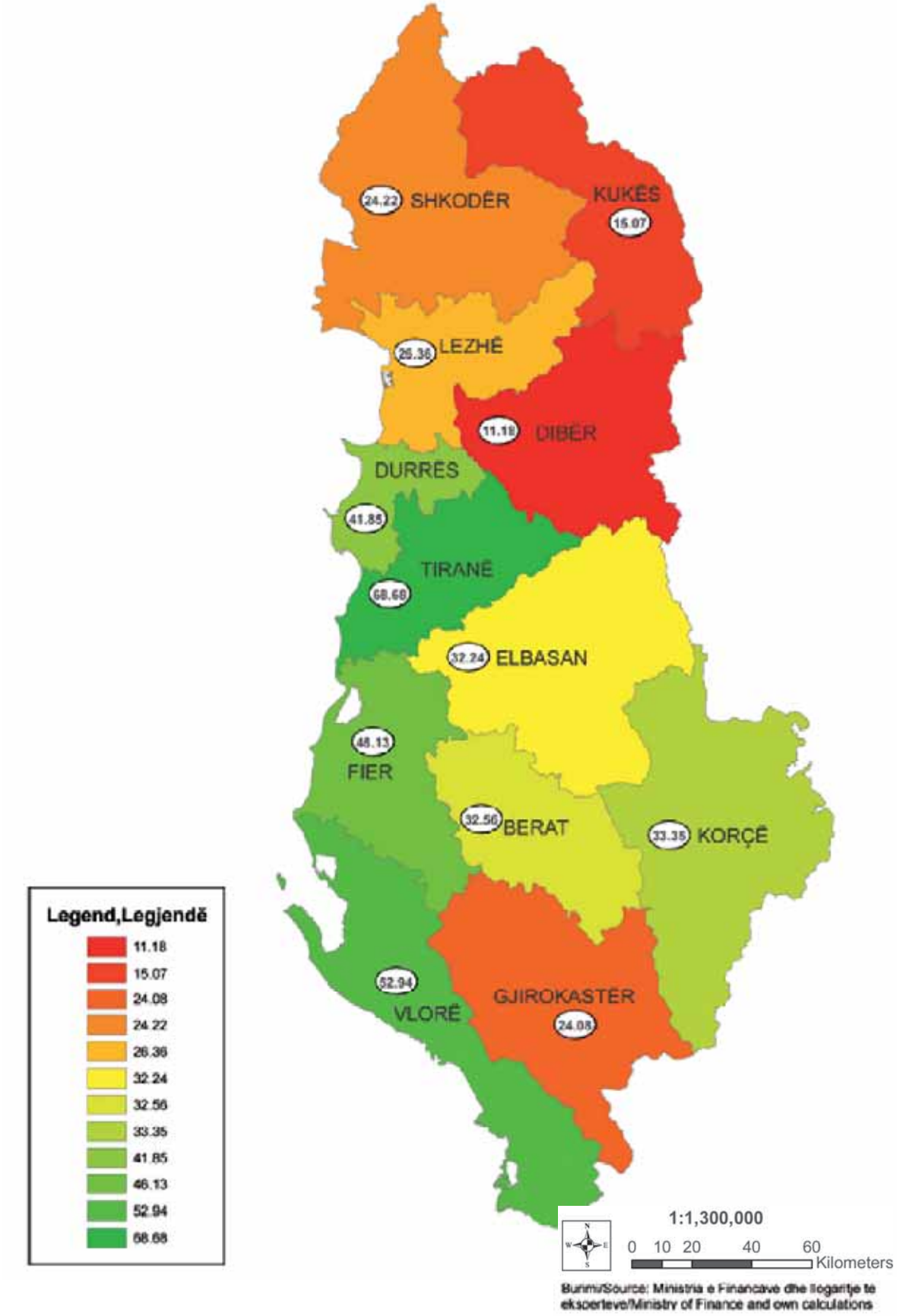


Burimi/Source: Ministria e Financave dhe llogaritje te ekspertewe/Ministry of Finance and own calculations

Map 61

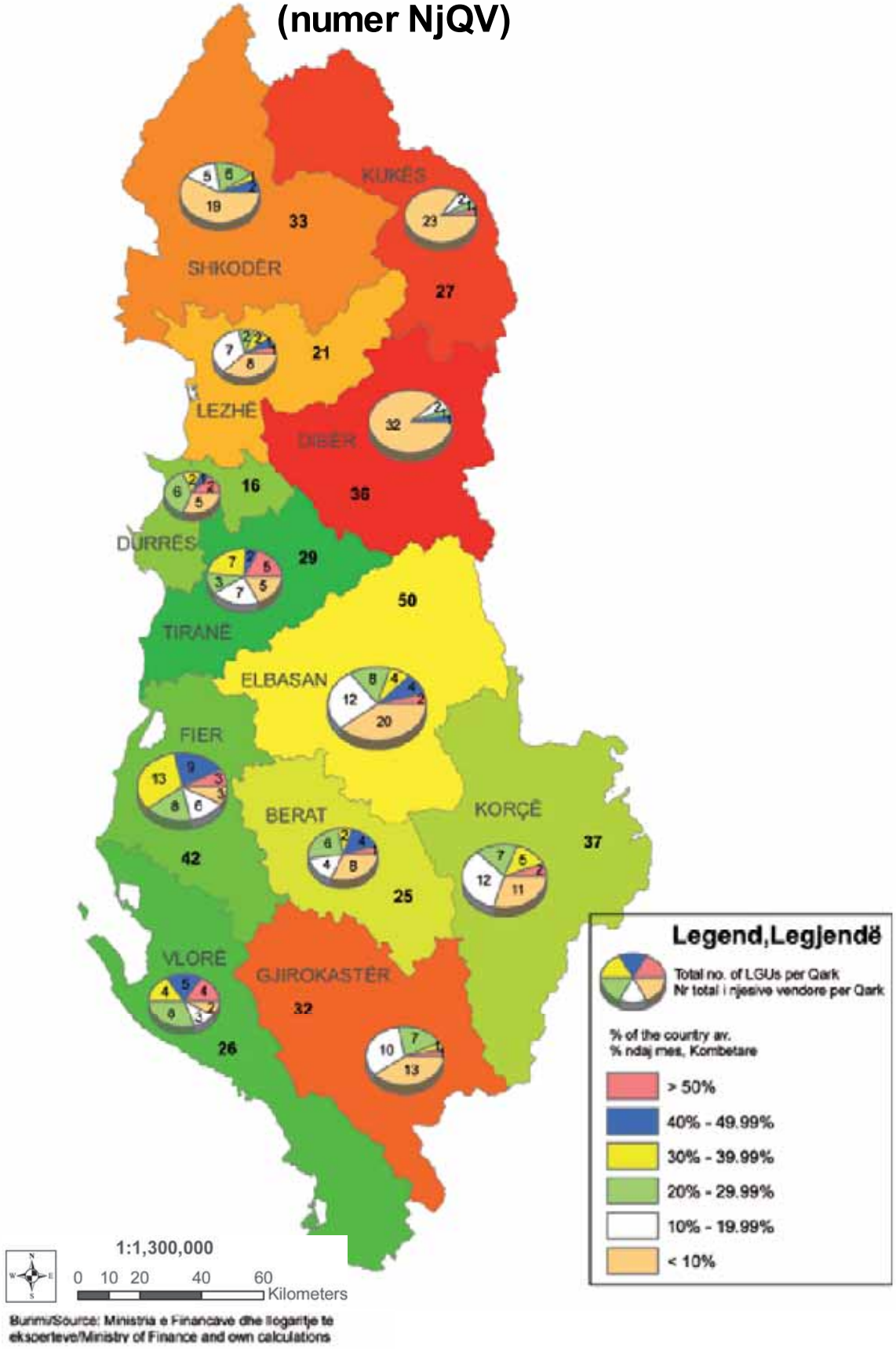
Percentage of own income to the total local income per capita 2008,

Perqindja e te ardhurave te veta ndaj te ardhurave totale vendore per person 2008



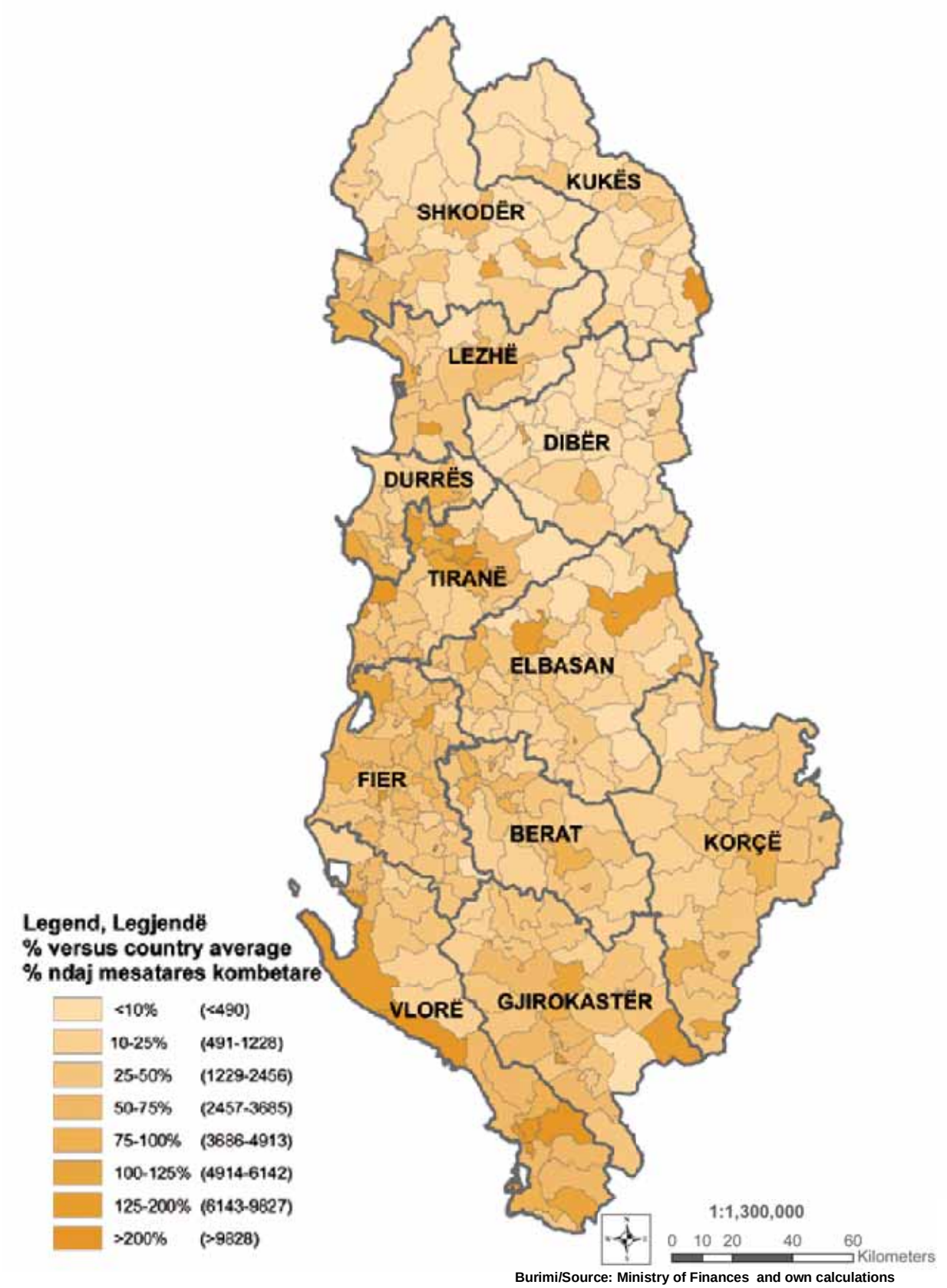
Distribution of LGUs by Total Local Income per capita as % of the country average (number of LGUs),

Shperndarja e Njesive Vendore sipas te ardhurave vendore total per person si % ndaj mesatares kombetare (numer NjQV)



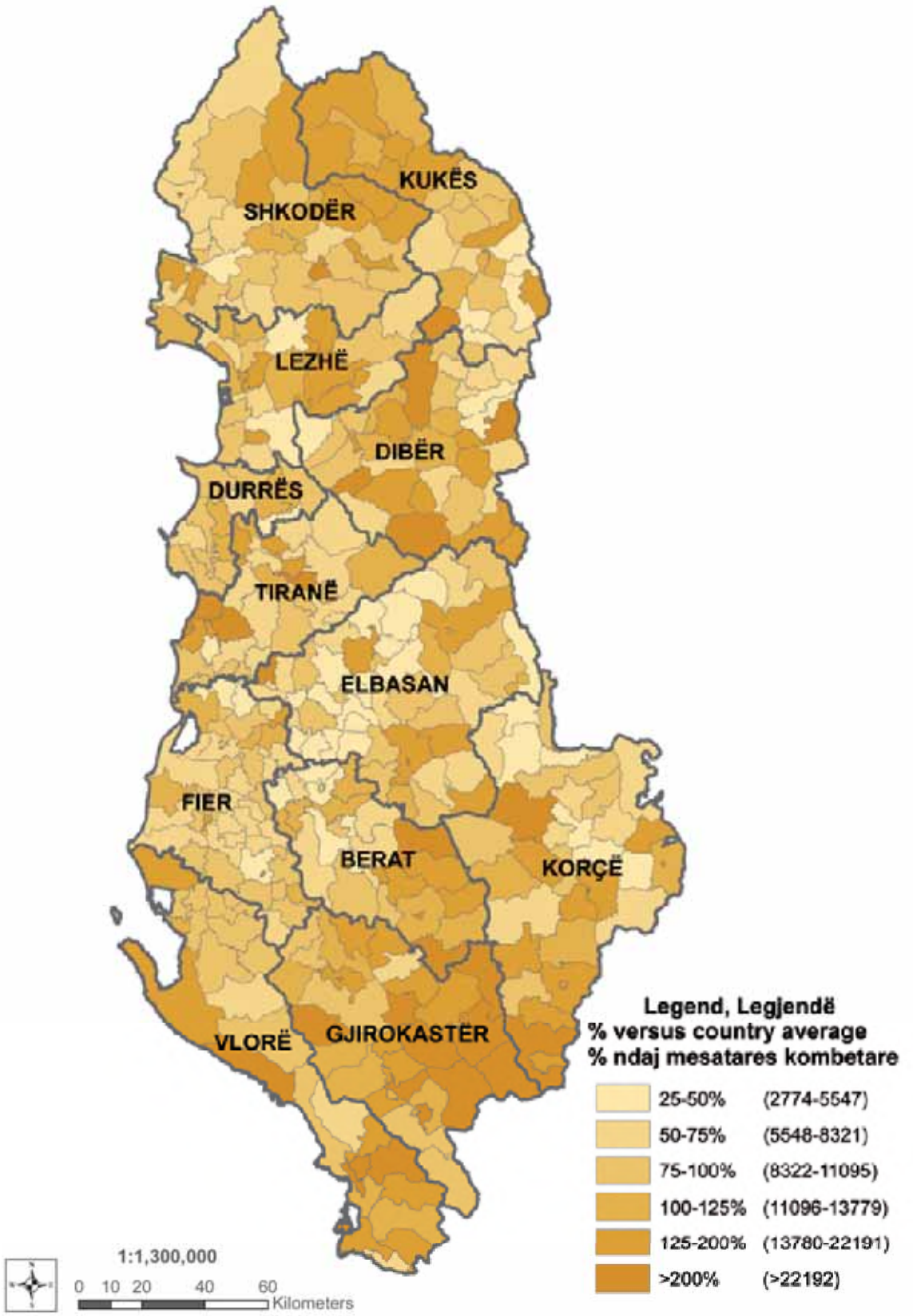
Burimi/Source: Ministria e Financave dhe llogaritje te eksperteve/Ministry of Finance and own calculations

Total own Income per capita, 2008, per LGU
Te ardhurat e veta vendore per fryme total 2008, ne lek



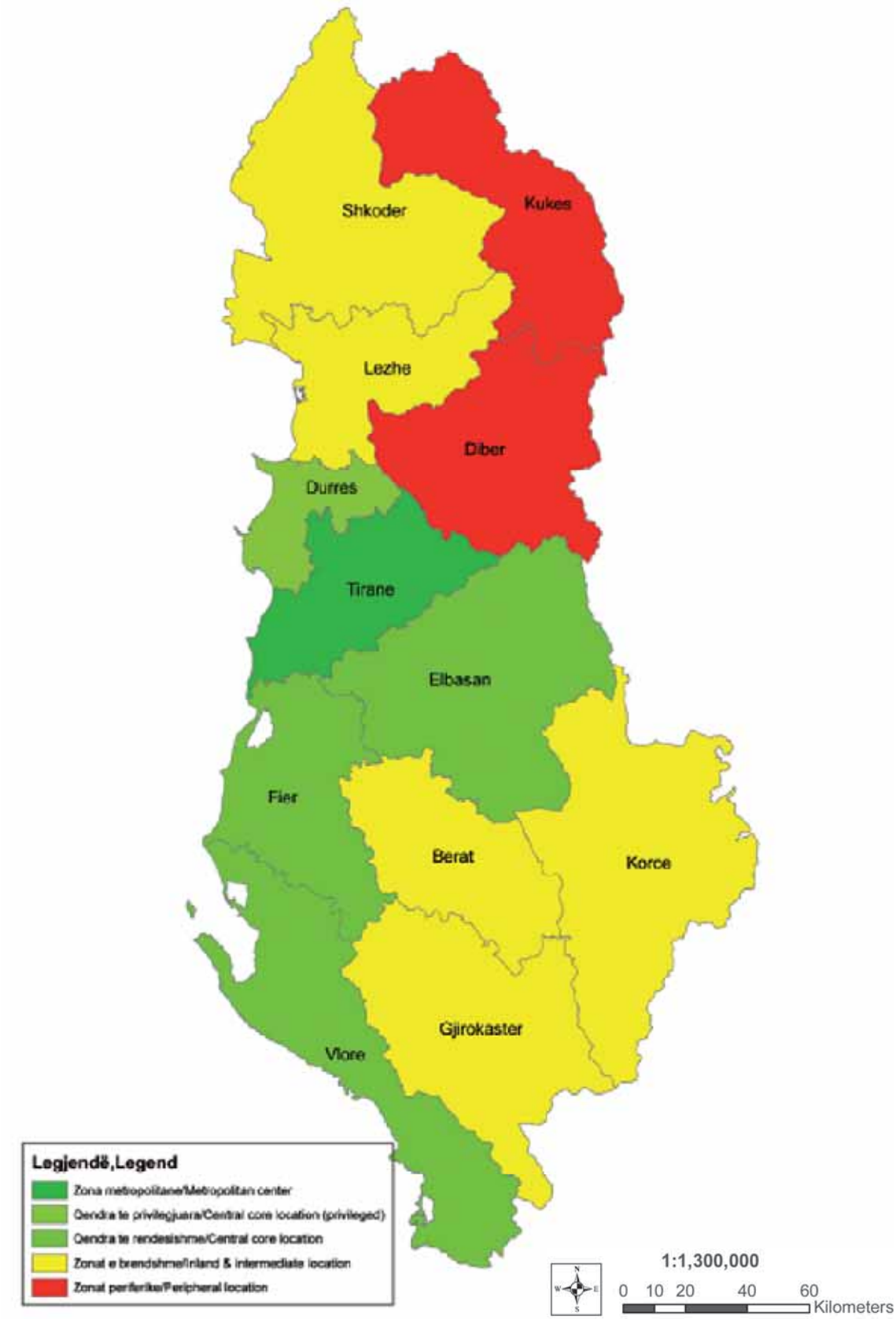
Burimi/Source: Ministry of Finances and own calculations
Ministria e Financave dhe Llogaritjet e eksperteve

Total local incomes per capita, 2008, per LGU in Lek
Te ardhurat totale vendore per fryme ne lek



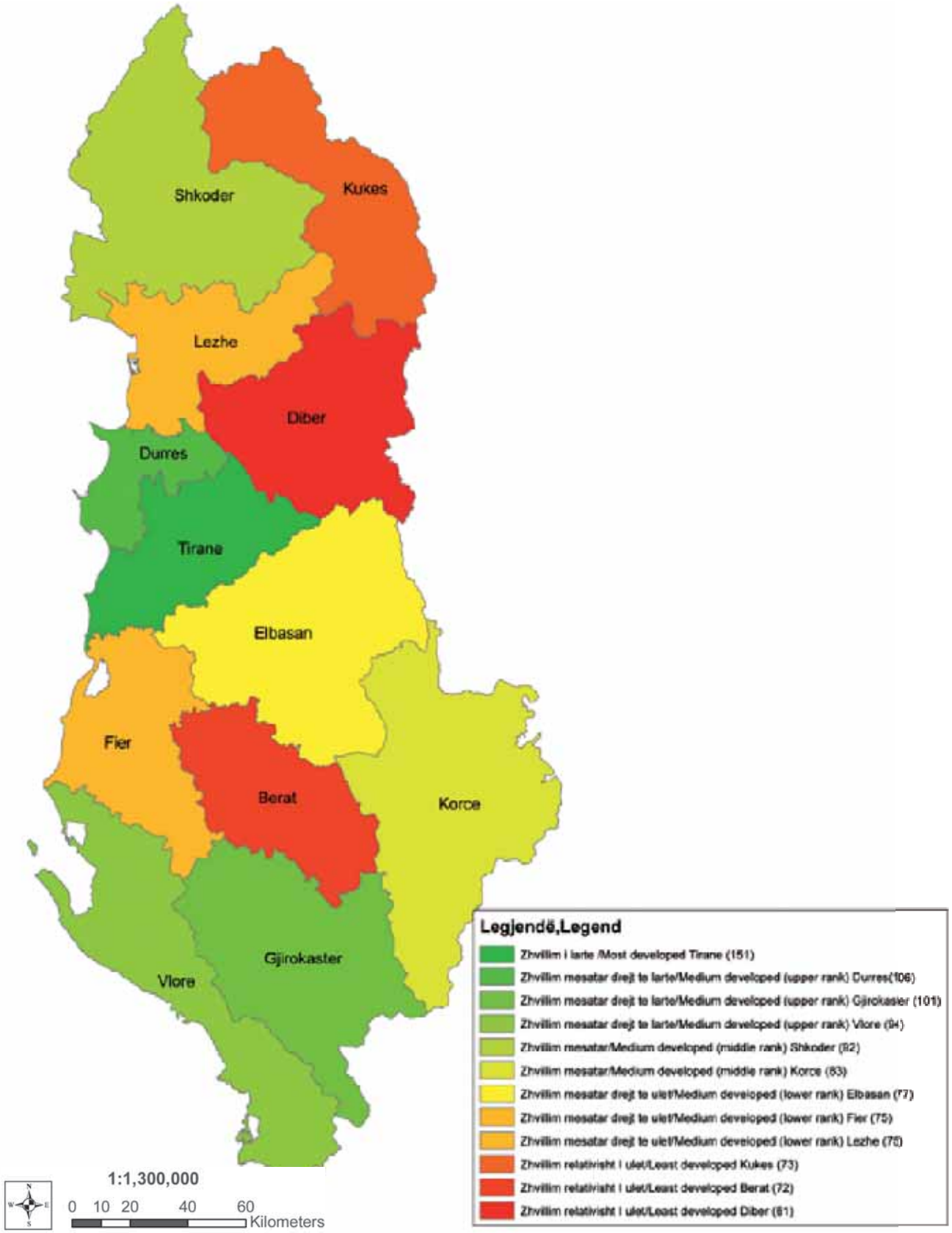
Burimi/Source: Ministry of Finances and own calculations
Ministria e Financave dhe Llogaritjet e eksperteve

Typology of Regions
Tipologjia e Rajoneve



Burimi/Source:Analiza e Eksperteve te UNDP/ISD
UNDP/ISD experts work

Typology of Regions
Tipologjia e Rajoneve



Burimi/Source:Analiza e Eksperteve te UNDP/ISD
UNDP/ISD experts work

The United Nations Development Programme is the UN's global development network, an organization advocating for change and connecting countries to knowledge, experience and resources to help people build a better life. We are on the ground in 166 countries, working with them on their own solutions to global and national development challenges.

UNDP supports Albania's aspirations towards European Union integration and contributes to national efforts to achieve the Millennium Development Goals (MDGs). UNDP responds to national priorities through the Human Development Approach.

The European Union is made up of 27 Member States who have decided to gradually link together their know-how, resources and destinies. Together, during a period of enlargement of 50 years, they have built a zone of stability, democracy and sustainable development whilst maintaining cultural diversity, tolerance and individual freedoms. The European Union is committed to sharing its achievements and its values with countries and peoples beyond its borders.

The European Commission is the EU's executive body.