SOCIO-ECONOMIC ANALYSES BY REGIONS AND COUNTIES IN ALBANIA

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ABSTRACT

In this paper conducts a regional socio-economic analysis in Albania. The objective of this analysis is to evaluate the regional development and to identify the differences between regions and counties in Albania. The policies discussion in order to contribute to regional policy development for Albania is crucial in the context of the EU integration process. This study is based on a descriptive analysis examining socio economic indicators, factors and their trends by regions. A mixed-method approach, using both qualitative and quantitative methods, is used, based on data by regions and counties.

The results of the study show that the regional differences in Albania are present and non-uniform. While the country has several large structural development gaps in relation to the European Union, internal disparities are pronounced. The socio-economic assessment for the regions and counties shows that the Center region has the highest average contribution to the country's economy, about 50 percent of the total GDP, while the contribution of the South and North regions is about 28 and 23 percent of total GDP, respectively. Tirana county is the most important county in the demographic, social and economic context and is the driver of the country's economy. In addition, there are acute differences between county of Tirana and other counties, above all with the counties of Diber and Kukes. Furthermore, the district of Tirana has the largest contribution to the country's economy, about 44 percent of GDP and with increasing trend. Therefore, a regional

development policy has not been effectively implemented, and the integration into the European Union will require to adopt the regional cohesion policies within the internal framework of regional development.

KEY WORDS: Socio Economic Analysis, Performance by Regions and Counties, Socio Economic Indicators.
JEL Code: J11, J21, O11

INTRODUCTION

Many studies emphasize the need for conducting studies on the assessment of the rational development of the regional and national economy (Nurilina et al. 2023; Chehabeddine and Tvaronavičienė, 2020; Martin, R., & Sunley, P. 1996).

In Albania, economic developments reflect the transformation and restructuring processes of the economy, accompanied by "positive and negative shocks" in certain years, towards an economy based on market mechanisms and free initiative. The trend of economic growth over the years clearly demonstrates the presence of large potential spaces for supporting a high and persistent growth rate, both in time and in terms of the use of production resources. Economic growth is mainly generated by domestic demand, both consumption and investment. Meanwhile, net foreign demand (export-import) has a moderate positive effect. According to the forecasts of macroeconomic and fiscal indicators, from the point of view of aggregate supply, it' is expected that all the main sectors will continue to grow more or less with the same trend of their historical average (IMF, 2024; ECB. Europa EU 2024).

The studies highlight the need for deep structural reforms and investments in human resources to support long-term economic development and increase labor productivity (EC, 2022: Uku et al.2024; Doré, N. I., & Teixeira, A. A. 2023).

At national level, during the period 1997-2023, among the most obvious structural changes can be highlighted the gradual reduction of the agriculture sector from about 36 to 19 per cent of GDP, accompanied by the growth of the construction sector from around 7 to 10 percent, as and increasing services from about 40 to 48 percent of total GDP. Industry's contribution to total GDP has remained more or less at the same levels, around 10 percent of GDP (MoF, 2024: INSTAT, 2024; Erumban, A. A., & de Vries, G. J. 2024).

Evaluations and economic developments confirm that the Albanian economy during the last decade has been characterized by a stable average economic growth, around 2.5-3 percent. Meanwhile, in 2020 the economy has been contracted by 3.3 percent due to the earthquake of November 2019 and from the coronavirus pandemic in 2020, and the recovery during 2021 was stronger than initially expected, with real growth of GDP about 8.9 percent (Ilollari et al., 2021) The positive growth has continued through 2022, around 4.9 percent, despite the latest external shock resulting from the war in Ukraine, which was reflected in a decrease in the global supply of some basic commodities causing a strong increase in inflation, tightening of financial conditions as well as increased uncertainty. Again, so far the main economic and financial foundations, as well as the overall macroeconomic stability of the country, have resisted these shocks relatively well (MoF, 2024; Topić-Pavković, B. 2024).

At regional level, there are differences between counties regarding to the socio-economic development and their contribution to the country's economy. In this context, analysis of the e regional disparities is considered very important and the weakest economic performance and social problems need to be addressed comprehensively. The development support to regions should be applied in a differentiated manner, through separate programs and through varied types of incentives. A special funding should be taken to support underdeveloped counties with low capacities.

OBJECTIVES AND METHODOLOGY

In this study is presented a regional analysis in Albania. The main goal is to analyze and assess the current socio-economic situation of the counties, identifying the factors and challenge for the future. The objective is to analysis the characteristics of regional socio-economic development, and the differences between counties. The study aims to recommend and support the policymaking to develop a comprehensive regional development policy. Regional development is a crosscutting issue, and in this study are examined long-term changes in a wide set of development indicators across Albania regions. As a result, several regional typologies are presented as well as broad recommendations for regional development policy formulation.

A mixed, quantitative and qualitative method was used, based on secondary data from different sources and studies (INSTAT, MoF, IMF). The elements of the methodology include: a) examination of various socio-economic

analyses related to the performance of different indicators by regions; b) descriptive analysis of the divergences between counties in Albania; and c) policy recommendations to reduce inequalities between regions and ensure social cohesion and balanced development. Indicators for the demography, employment, sectoral economic contributions by counties are analyzed, and a comparative analysis by counties is carried out.

The territory of the Republic of Albania is divided into 3 statistical regions and 12 counties or districts (counties/prefectures). Albania has three levels of governance: national, county (counties/prefectures) and local municipalities. Directly elected bodies exist at central and local levels. County councils consist of delegated representatives from local units. Albania's territory is organized into 12 counties and 61 local government units. The database used considers the indicators disaggregated for NUTS 3 level. According to this classification, and using the denomination of counties which is used in Albania, the twelve counties are: Dibër, Durrës, Kukës, Lezhë, Shkodër, Elbasan, Tiranë, Berat, Fier, Gjirokastër, Korçë, and Vlorë. Also, it is considered analysis of regions equivalent to NUTS 2.

RESULTS

The analysis of demographic indicators by region shows that: a) the largest population is concentrated in the Center region, about 43% of the total population, and with an increasing trend from one year to the next: b) Tirana county has the largest population in the country, about 34% of the total, and with an increasing trend: c) North region has the lowest population (28% of the total). The Kukes and Dibra counties present the lowest density in the North Region: e) in the South region, the Gjirokaster county shows the lowest population and density in the region: f) all counties, except Tirana county, present a decreasing trend in population (Tables 1 and 2).

Table 1. Population in Albania by Regional Level (%)

Regional LevelS	2016	2017	2018	2019	2020	2021	2022	2023
Country Albania	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
North	**28.8**	**28.7**	**28.5**	**28.4**	**28.2**	**28.1**	**28.1**	**27.9**
Dibër	15.4	15.0	14.7	14.5	14.3	14.1	14.0	13.8
Durrës	34.1	34.9	35.5	35.9	36.4	36.9	37.2	37.6
Kukës	9.7	9.5	9.4	9.4	9.3	9.3	9.3	9.3
Lezhë	15.6	15.5	15.4	15.3	15.2	15.0	15.0	14.8
Shkodër	25.2	25.1	25.0	24.9	24.8	24.7	24.6	24.5
Center	**39.6**	**40.2**	**40.7**	**41.1**	**41.5**	**41.9**	**42.2**	**42.7**
Elbasan	25.1	24.4	23.7	23.2	22.8	22.3	22.0	21.5
Tiranë	74.9	75.6	76.3	76.8	77.2	77.7	78.0	78.5
South	**31.6**	**31.2**	**30.8**	**30.5**	**30.3**	**30.0**	**29.7**	**29.4**
Berat	14.7	14.5	14.3	14.2	14.1	13.9	13.8	13.7
Fier	33.4	33.5	33.6	33.5	33.5	33.5	33.5	33.4
Gjirokastër	7.4	7.2	7.0	6.9	6.8	6.7	6.7	6.6
Korçë	23.8	23.7	23.7	23.7	23.7	23.7	23.7	23.7
Vlorë	20.7	21.1	21.4	21.7	21.9	22.1	22.3	22.6

Source: INSTAT (2024). Own elaboration.

Table 2. Population density: 2009-2023

Regional level		Surface	Population density, 2009	Population density, 2020	Population density, 2023
		km ^{2}	**inhabitants/ km ^{2}**	**inhabitants/ km ^{2}**	**inhabitants/ km ^{2}**
Level 1	**Albania**	**28,748**	**111**	**99**	**96**
Level 2	North	37.90%	86	74	71
	Center	16.90%	236	242	242
	South	45.20%	86	67	63

Level 3 North	Dibër	9.00%	54	45	41
	Durrës	2.70%	405	375	373
	Kukës	8.30%	33	32	30
	Lezhë	5.60%	98	76	71
	Shkodër	12.40%	69	56	53
Center	Elbasan	11.10%	107	85	79
	Tiranë	5.70%	484	553	565
South	Berat	6.30%	95	67	62
	Fier	6.60%	198	153	143
	Gjirokastër	10.00%	36	21	19
	Korcë	12.90%	69	55	52
	Vlorë	9.40%	78	70	68

Source: INSTAT (2024). Own elaboration.

Except for the Center Region, the majority of the working-age population is employed in the agricultural sector. While in the Center Region, the majority of the population is employed in the services sector, and the Tirana county has a very high level of employment in the services sector compared to the national average and as well as other regions of the country (Table 3).

Table 3. Employed by sector and regional level (%)

	Agriculture	**Industry**	**Services**
Contry Albania	**34**	**22**	**44**
North	60.0	15.0	25.0
	14.0	39.0	47.0
	70.0	5.0	26.0
	25.0	27.0	48.0
	44.0	21.0	35.0

Center	62.0	13.0	25.0
	5.0	27.0	69.0
South	58.0	16.0	25.0
	55.0	15.0	30.0
	51.0	19.0	31.0
	57.0	12.0	32.0
	23.0	28.0	48.0
Albania/County		**2020**	**2021**
Country Albania		**11.7**	**11.5**
North	Dibër	9.1	11.9
	Durrës	13.1	16.1
	Kukës	6.0	4.0
	Lezhë	22.2	22.6
	Shkodër	14.5	12.1
Center	Elbasan	6.4	6.9
	Tiranë	13.7	11.8
South	Berat	8.0	6.5
	Fier	8.4	8.7
	Gjirokastër	5.7	4.7
	Korçë	9.6	9.7
	Vlorë	16.6	19.5

Table 4. Unemployment by counties (%). Source: INSTAT (2024). Own elaboration.

The Northern Region has the highest unemployment rate, and the Regions with main economic activity in the service sector, of a seasonal nature closely linked to the summer season (Durres, Lezhe, Vlora), have the highest unemployment rate compared to the national unemployment rate (Table 4). The economic assessment for the statistical regions shows that the Center region has the highest average contribution to the country's economy, about 50 percent of the total GDP, while the contribution of the South and North regions is about 28 and 23 percent of total GDP, respectively. The evaluation according to districts shows that the district of Tirana has the

largest contribution to the country's economy, with about 44 percent of the total GDP, and with increasing trend from one year to the next, while the district of Kukës has the lowest contribution, about 1.6 percent of the total GDP. It is important to note that the contribution to the country's economy of all districts, except for the districts of Tirana, Durrës, and Vlorë, is on a decreasing trend (Table 5).

Table 5. Gross Domestic Product in current prices (%)

Regional Level	2016	2017	2018	2019	2020	2021
Country Albania	**100**	**100**	**100**	**100**	**100**	**100**
North	**23.8**	**23.4**	**23.0**	**23.0**	**22.5**	**22.4**
Dibër	3.3	3.2	3.2	3.0	2.9	2.9
Durrës	9.8	10.1	9.9	10.1	9.9	10.1
Kukës	1.7	1.7	1.7	1.6	1.6	1.6
Lezhë	3.5	3.3	3.1	3.1	3.0	3.0
Shkodër	5.4	5.2	5.1	5.1	5.0	4.9
Center	**47.1**	**48.8**	**49.3**	**49.4**	**49.8**	**50.4**
Elbasan	7.1	6.8	6.7	6.6	6.8	6.7
Tiranë	40.0	42.0	42.6	42.8	43.0	43.7
South	**29.1**	**27.8**	**27.6**	**27.6**	**27.7**	**27.2**
Berat	3.9	3.8	3.6	3.4	3.5	3.4
Fier	11.1	10.7	10.9	11.1	10.9	10.9
Gjirokastër	2.3	2.2	2.2	2.2	2.2	2.1
Korçë	5.9	5.5	5.4	5.4	5.4	5.4
Vlorë	5.9	5.6	5.6	5.5	5.7	5.7

Source: INSTAT (2024). Own elaboration.

In relation to the country's average level of GDP per capita in PPS (Purchasing Power Standard), the highest level of GDP per capita in PPS has the Center region, with about 22 percent above the national average, while the GDP per

capita in PPS for the region of South and North is below the national average, 9 percent and 19 percent respectively. According to the districts, the Tirana county has the highest level of GDP per capita in PPS, about 35 percent above the national average, followed by Fier and Gjirokaster counties, with about 7 percent and 3 percent respectively above the national average. While that GDP per capita in PPS for other districts is below the national average, where the lowest level of GDP per capita in PPS has the Kukës and Dibër counties, with about 34 percent and 31 percent respectively below the national average. Furthermore, the lowest GDP per capita in PPS is followed by Lezhe (29%), Elbasan (29%) and Korce (26%) counties (Table 6).

Table 6. Gross Domestic Product per Capita, in PPS, AL=100 (%)

Regional Level	**2016**	**2017**	**2018**	**2019**	**2020**	**2020**
Country Albania	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Veri / North	***82.5***	***81.7***	***80.8***	***81.2***	***79.7***	***79.5***
Dibër	75.1	74.0	76.1	73.4	72.1	72.6
Durrës	100.0	101.2	98.1	99.7	96.7	97.0
Kukës	61.9	62.5	63.5	60.7	62.5	59.8
Lezhë	77.1	73.2	70.8	72.5	70.9	69.8
Shkodër	74.7	71.8	71.8	72.0	71.1	70.7
Qendër / Center	***119.0***	***121.5***	***121.2***	***120.1***	***120.0***	***120.4***
Elbasan	71.2	69.6	69.8	69.2	72.4	72.1
Tiranë	135.1	138.2	137.2	135.5	134.1	134.2
Jug / South	***92.1***	***89.1***	***89.7***	***90.5***	***91.5***	***90.8***
Berat	83.2	84.1	81.2	79.0	82.5	80.4
Fier	105.1	102.4	105.4	108.8	107.6	1
Gjirokastër	100.5	99.2	100.2	103.6	106.2	103.4
Korçë	78.2	74.0	73.6	74.2	75.1	73.2
Vlorë	90.4	85.1	85.2	83.2	85.5	85.8

Source: INSTAT (2024). Own elaboration.

In relation to the EU average, GDP per capita in PPS (Purchasing Power Standard) of Albania is 30 percent of the EU average, showing an increasing trend. According to the statistical regions, GDP per capita in PPS for the Center region is 36 percent of the EU average, while for the North and South regions, it is around 24 percent and 27 percent, respectively. At the same time, PPB per capita in the PPS according to regions shows an increasing trend from one year to another. At the district level, for the same period, Tirana county has the highest level of GDP per capita in PPS, about 42 percent of the EU average, followed by the counties of Fier (32%) and Durrës (30%), while the lowest level has the counties of Kukës (20%), Dibër (20%), Lezhë (21%) and Elbasan (21%) (Table 7).

Table 7. Gross Domestic Product per Capita, in PPS, EU27=100 (%)

Regional Level	2016	2017	2018	2019	2020	2021
Country Albania	**29.8**	**29.9**	**30.2**	**30.4**	**30.7**	**31.7**
Veri / North	***24.6***	***24.5***	***24.4***	***24.6***	***24.5***	***25.2***
Dibër	22.3	22.1	23.0	22.3	22.1	23.0
Durrës	29.8	30.3	29.6	30.3	29.7	30.8
Kukës	18.4	18.7	19.2	18.4	19.2	19.0
Lezhë	23.0	21.9	21.4	22.0	21.7	22.2
Shkodër	22.2	21.5	21.7	21.9	21.8	22.5
Qendër / Center	***35.4***	***36.3***	***36.6***	***36.5***	***36.8***	***38.2***
Elbasan	21.2	20.8	21.1	21.0	22.2	22.9
Tiranë	40.2	41.3	41.5	41.1	41.1	42.6
Jug / South	***27.4***	***26.7***	***27.1***	***27.5***	***28.1***	***28.8***
Berat	24.8	25.1	24.5	24.0	25.3	25.5
Fier	31.3	30.6	31.8	33.0	33.0	34.3
Gjirokastër	29.9	29.7	30.3	31.5	32.6	32.8
Korçë	23.3	22.1	22.2	22.5	23.0	23.2
Vlorë	26.9	25.5	25.7	25.3	26.2	27.2

Source: INSTAT (2024). Own elaboration.

CONCLUSIONS, POLICY IMPLICATION AND RECOMMENDATION

The analysis shows that the Tirana county is the most important county in the demographic, social and economic context and is the driver of the country's economy. While the north and south regions show large differences in economic and social terms, presenting low social economic indicators compared to the central region and at the national level. Based on our analysis, it is noted that the Tirana region has clearly been placed at the forefront of development. In other words, the economic agglomeration allowed Tirana to benefit from the transition and modernize quickly, while the rest of the country has almost been left behind (Uku et al., 2021).

As well, based on the results presented in the data analysed, it could say the country has not effectively implemented a regional development policy. Another crucial fact is that the integration into the European Union will require to adopt the EU regional cohesion policy principles and practices in to the domestic regional development policy framework. From the evidence gathered in this 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:

Regional differences are significant and weak economic performance and severe demographic and social problems need to be addressed comprehensively. The development assistance to regions should be applied in a differentiated manner, through separate programs and/or through varied types and levels of incentives.

Regional policies should prioritize development of infrastructures which increase competitiveness of regions, while other issues should be addressed by other interventions (Ilollari et al., 2022) Specific policies should be taken to optimize public infrastructure and interventions in order to revitalize local and regional economies. Investments closely related to economic growth promotion should be prioritized.

Regional development should be established in relation to national strategic objectives and a management framework for programming and monitoring regional development should be established.

Financial instruments should ensure the achievement of regional development policy objectives and be implemented in a consistent and transparent manner, on a competitive basis between regional/local actors. Social financing should come from the national budget and external donors, while EU funds will significantly increase in importance.

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