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Integrated Support for Decentralization Project

'Working for Regional Development'



Implemented by UNDP in partnership with the Government of Albania

Overview of Regional Disparities in Albania

10 March 2010 (preliminary)

Purpose:

To serve as a basis for presentation to and discussion at the technical meeting of the expert working groups on 11th March: to do this it tries to indicate and evaluate the importance of disparities at different territorial levels according to different indicators

To challenge and guide the further work on the detailed analysis of regional disparities; to do this it tries to formulate relatively short and concise statements on the main findings, possible explanation of cause-end relationships, policy implications etc.

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Important Disclaimer

Integrated Support for Decentralization Project is an EU-UNDP-funded project. The direct beneficiary of the project is the Ministry of Economy, Trade and Energy (METE), Albania. The project is being implemented by United Nations Development Programme (UNDP) Country Office in Albania with Technical Assistance from ECORYS, OPM and CO-Plan consortium. Views and comments in this material do not necessarily reflect the views of the above mentioned institutions.

1. The purpose, scope and approach of this paper

The purpose of this paper is twofold:

- To serve as a basis for presentation to and discussion at the technical meeting of the expert working groups on 11th March: to do this it tries to indicate and evaluate the importance of disparities at different territorial levels according to different indicators
- To challenge and guide the further work on the detailed analysis of regional disparities; to do this it tries to formulate relatively short and concise statements on the main findings, possible explanation of cause-end relationships, policy implications etc.

The paper is based on all data provided by 5th March as well as the (initial) analyses carried out by the local team. It should be noted that not all the data desired were available at the moment and not all of the data were analyzed.

The approach adopted is to try to reveal the “big picture” without going into details. However, due to the twofold purpose some compromise is sought:

- It is more detailed than the (expected) final presentation, that should be shorter – this was done intentionally to avoid misunderstandings and gaps and to facilitate the production of the presentation itself
- It is not enough detailed to reflect all relevant statements and conclusions that could be drawn from the data and analyses available

2. Introduction: Regional disparities as a basis for RD policy or Why are we dealing so seriously with these issues?

- RD policy deals with regional disparities (regional disparities are typical focus of RD policy – especially of a conventional type)
 - If they are perceived to be a problem
- Addressing regional disparities and especially designating some areas/regions as disadvantaged in order to be supported in some way is always a politically sensitive issue
 - Arbitrary / discretionary decisions OR
 - Evidence based decisions
- If RD policy is to be evidence based, regional disparities have to be measured and assessed
 - Not only at the policy design stage
 - But also at policy monitoring and evaluation stage
- The way of measuring, analysing and assessing regional disparities has policy implications
 - Territorial level
 - Type of indicators (simple-complex, selection of relevant to the issues indicators, etc.)
 - Data availability and reliability

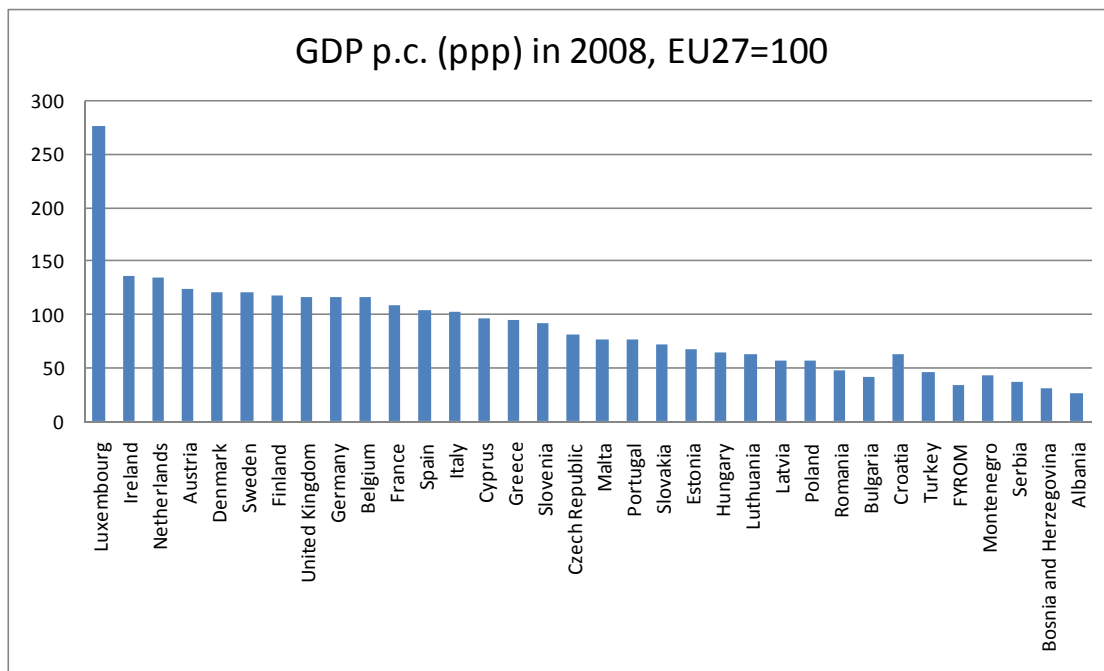
- Measuring and assessing regional disparities and designation of disadvantaged areas are not a goal in itself, but are means to reach the goal, which is designing and implementing a sound RD policy
 - Too long discussions on disparities and disadvantaged areas, incl. on methodology, indicators, data, etc. could prevent real action to address disparities

3. International comparison – some key issues

Before dealing with regional disparities in Albania it is important to put the country in a broader context in order to highlight the development and disparities realities.

Albania is a **small country** – in area and population it could be compared to many of the NUTS II regions in EU

Albania is **lagging behind** in terms of (economic) development **not only from EU countries but also from most candidate and potential candidate countries:**

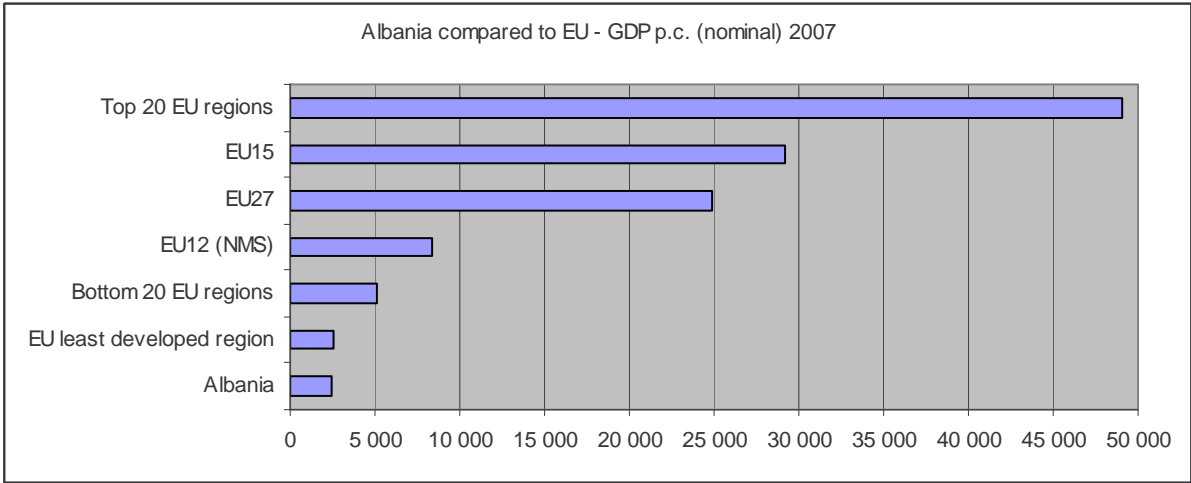


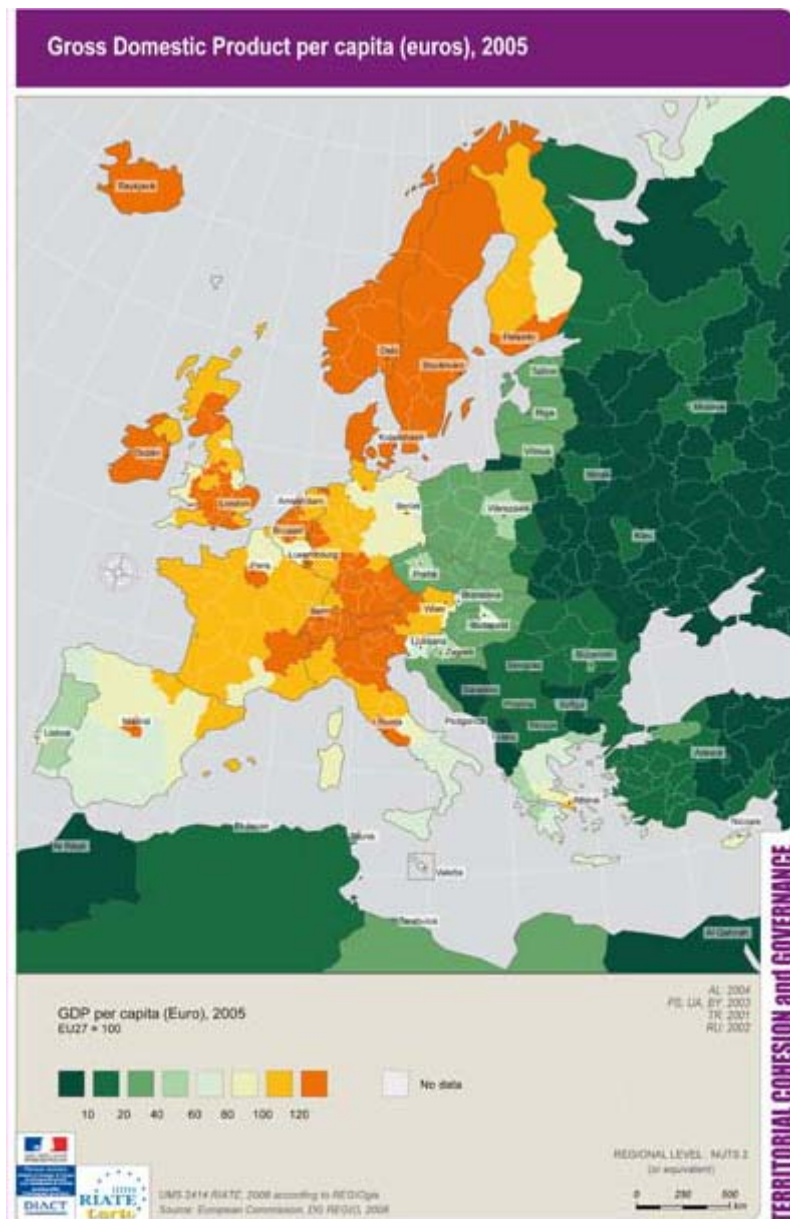
Source: EUROSTAT, Statistics in focus 95/2009

Albania is the least developed country in the region, at 26% GDP per capita of the EU27 average in purchasing power parity standard. This corresponds to 79% of GDP p.c. in Macedonia and only to 41% of GDP p.c. in Croatia.

Looking at the different categories of regions and countries in EU and candidate countries its position in terms of nominal GDP p.c. (no data in ppps available) is:

- Close to the least developed NUTS II region in EU – the North West n Bulgaria (96% of its GDP p.c.)
- At the level of 50% of the GDP p.c. of the 20 least developed regions in EU
- At the level of 30% of the GDP p.c. of the new member states, joined EU in 2004-2007
- At the level of 10% of EU 27, 9% of EU 15 and 5% of the top 20 EU NUTS II regions
- 88% of the GDP p.c. in Macedonia and 26% of the GDP p.c. of Croatia

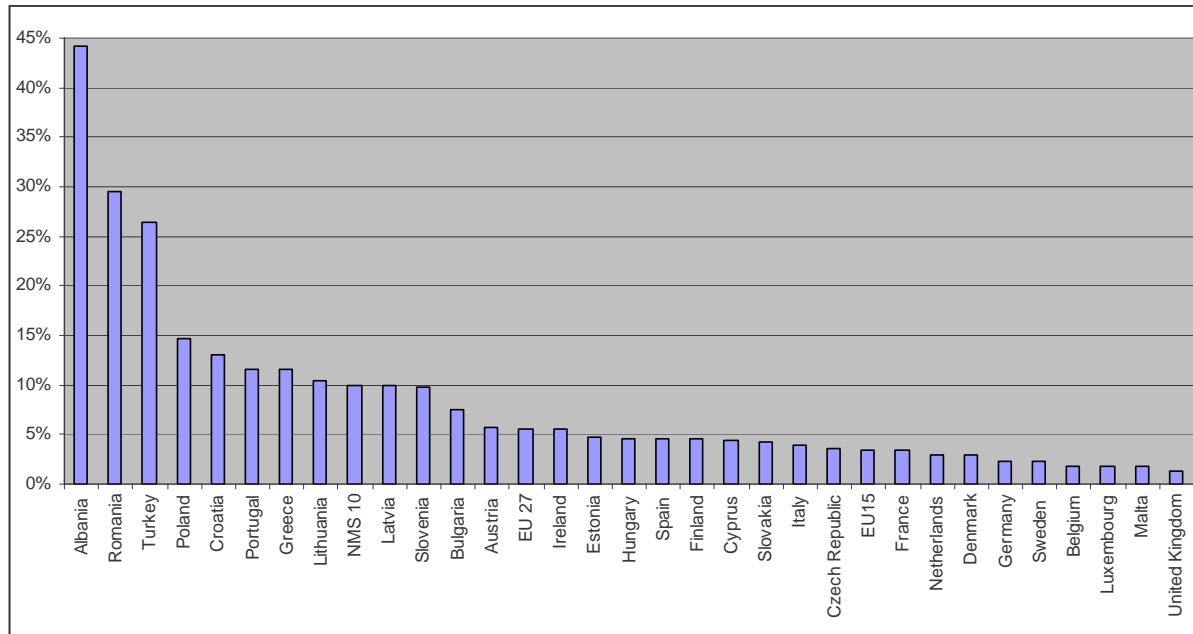




Source: Mapping Territorial Cohesion. Informal Meeting of Ministers for Spatial Planning and Cohesion Policy. Marseille, November 26, 2008.

In **economic structure** (as reflected in the employment by sectors) Albania differs significantly from European countries. The employment in agriculture is 8 times higher than in EU 27 and almost 13 times higher than in EU 15. It 4,4 times higher even compared to the NMS 10 (the 10 countries acceded in 2004). For individual countries the situation is similar: 3,4 higher than Croatia, 3,8 higher than Greece. Even to the country with highest employment in agriculture – Romania, the ratio is 1,5.

Employment in agriculture, 2007



Source:

Albania - INSTAT, private agricultural employment

EU - EUROSTAT, employed in Agriculture, hunting, forestry and fishing

4. Emerging (preliminary) picture of regional disparities

What are the most acute disparities (qark level only)

Initial questions:

- What are the main regional disparities in terms of economic and social development, quality of life and opportunity, social exclusion and poverty?
- How are these disparities inter-related, concentrated or dispersed among territories and target groups?

Based on a comparison of variation and range (min/max, incl. expressed in % of average, number of qarks significantly above and significantly below the average).

These are the highest disparities. The question is which of them are more acute?

If summarised at the highest level, the most pronounced disparities are related mainly to:

- Demography (2001-2008)
 - Population change – most expressive and clearly distinguishing the qarks in 2 very different groups: 3 growing significantly (Tirana, Durres, Vlore) and 9 losing population significantly, but especially Diber (-25%) and Kukes (-29%)
 - Population density
 - Share of population in small LGUs (< 5000) – more expressive tha urban population
- Economy – not GDP p.c. but especially
 - Credits to businesses
 - Foreign investment
 - LGUs own income
 - Non-agriculture enterprises and newly established non-agriculture enterprises
 - Unemployment and structure of employment (agriculture-non-agriculture) – these are most differentiated as the above, but seem to be acute problems as well as cause for other problems
- Social
 - Mainly families getting social assistance (representing the current poverty situation)
 - (other social indicators does not show too high variation)
- Location and natural conditions (altitude), expressed in:
 - Land use structure
 - Distance/travel time to capital and to regional centre

Disparities in environmental situation and access to services are generally not so acute. More acute from them are

- Urban waste generation (but in fact this is more related to urbanisation level)
- Cars ownership (more related to welfare)
- Roads density – even statistically on lower is important in relation to the peripherality issue

Questions for discussion:

- **Do you agree with this ranking of disparities? Are these the most acute disparities?**
- **If not – why? What are the most acute disparities? Can they be proved by hard data?**

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”, as not

reflected in the current set of indicators and data already processed – but it is almost obvious when looking at the data per qark and correlating maps.

The correlation of different development aspects/values of indicators leads to the following **(very preliminary) picture of regional differentiation/typology**:

- Most developed qarks: Tirana, Durres, to some degree Vlore. They could be described as coastal, urbanized, attracting population, non-agriculture, Being most developed they however face also serious problems, e.g. increasing unemployment, gaps in infrastructure and services (that are not adapted to growing population), jobs of poverty (e.g. informal settlements) and general lagging behind of leading regions of comparable countries
- Least developed/ disadvantaged: Kukes, Diber but in many aspects also Lezhe, Shkoder, Gjirokaster. They could be described in general as mainly peripheral, mainly mountainous, less urbanized, with high share of population in small communities, very agricultural and not attractive for non-agricultural activities, with high level of poverty and big population groups relying on social assistance, losing significant part of their population (not attractive to live and work in)
- Qarks in between – with more moderate values of indicators, respectively moderate development gaps (relative to the country)

It is probably the population dynamics (a proxy for the migration, too) that presents best the differentiation between the qarks.

At which level disparities are more acute (and relevant)?

Initial questions:

- At what territorial level do disparities appear most acute?
- At what territorial level do disparities appear most amenable to policy-driven development interventions?

In general data on local level are limited to allow detailed conclusions on the question. However it is known from theory and experience that **the lower the territorial level of analysis is, the higher the differentiation and the more acute the disparities are.**

This could be confirmed especially by the data on **local own revenues of LGUs** (municipalities and communes) in Albania:

- On qark level the differentiation of this indicator is high: The coefficient of variation is 0,57, the max/min ratio is 6,8, the range is between 27% and 183% of the average.
- However **the differentiation is much higher on local level** (i.e. the disparities are more acute on local level):
 - Coefficient of variation is 1,36 (2,5 times higher than on qark level)
 - Max/min ratio is extreme (the values vary between 0 and 26650 ALL)
 - The top 10% of LGUs (37) have an average of 9445 ALL (192% of the average) and account for 75% of all total revenues.
 - The bottom 10% of the LGUs (37) 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.

Some other indicators confirm the conclusion that disparities are more acute on local than on regional level:

- Local level data on poverty from 2002 show that while there is higher concentration of “poor” municipalities and communes in the worst performing on this indicator qarks, the distribution is quite disperse, i.e. “poor” LGUs could be found in all qarks)

Questions for discussion:

Which disparities are more acute and relevant, and requiring to be addressed?

1. Regionalized and local (e.g. relatively compact areas with different levels of development and gaps)
2. Urban-rural
3. Coast/Plain – Mountain (and distances)

The answer is closely related to the issue of the level for identification of disadvantaged areas. If a) – possibly qark level data could be enough, if b) and or c) – definitely local level approach and data will be required.

Would you agree that the most disadvantaged areas are:

- Smaller
- With low density and urbanization level
- With low local budgets own income
- Mainly peripheral (to the capital and to the qark centre)
- Mainly mountainous

5. Main findings for the different development aspects (dimensions)

Growth, competitiveness, economic cohesion

GDP per capita (2008)

- The GDP p.c. level is low (10% of EU27 nominal, 23% in PPS).
- The economic activity as reflected by GDP is highly concentrated
 - Tirana generates 45% of the GDP
 - 4 qarks (Tirana, Fier, Vlore, Durres) generate 74% of GDP
- The differentiation of qarks on GDP p.c. is not high. The max/min ratio is 1,7, there is no single region below 75% of the average and only 1 is above 125% of the average
 - Best performing: Gjirokaster (132%), Tirana (112%), Durres (111%), Shkoder (109%)
 - Worst performing: Diber (77%), Berat (82%), Vlore (84%)
 - Main cause???

Employment by sectors

(in the absence of other data is also a proxy for the economic structure)

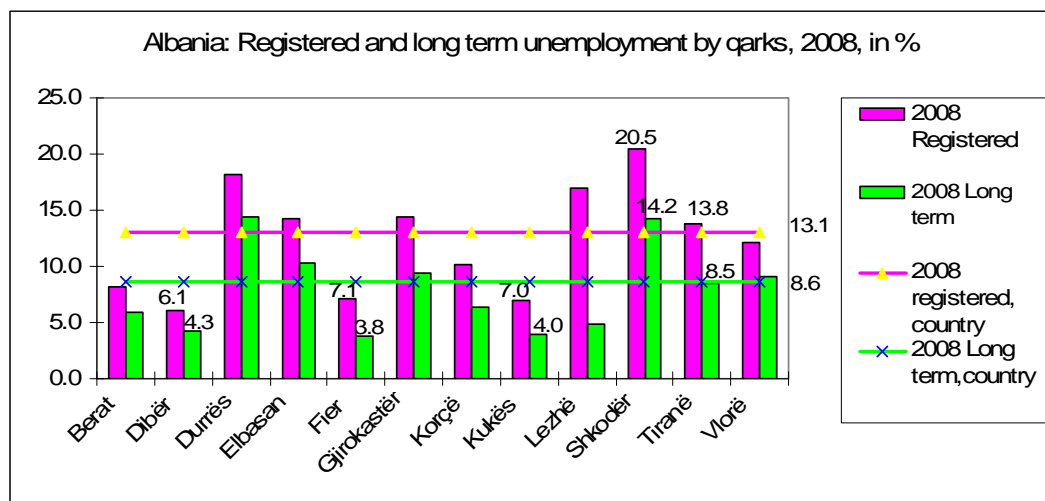
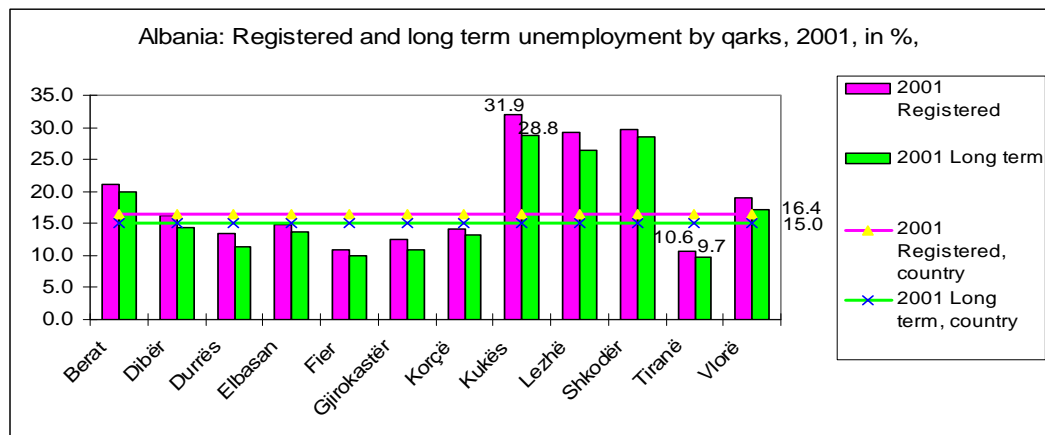
- Very high employment in agriculture (44%), although declining sharply in the last years (by 13% points – from 57% in 2001)
- Very high regional variation
 - Only 2 qarks could be specified as non-agricultural – Tirana (17% agricultural employment, 39% of the average) and Durres (32%, 72% of the average) – but even in these qarks agricultural employment is very high in European context and 10% of employed in agriculture are in Tirana
 - Significantly above the average are Fier (66%), Kukes (66%), Berat (62%), Elbasan (59%), and Diber (56%)
- Decline of agricultural employment in all qarks, although with different speed
- Main cause: inherited economic structure, lack of other job opportunities in face of demographic changes
- Implications: It seems not possible to sustain such high employment in view of modernisation in mid-term. As already seen in the previous years the expected consequences will be pressure on the labour market, high unemployment, and migration to more urban and non-agricultural areas (creating problems there, incl. unemployment).

Economically active population and participation rate (economic activity rate):

- Overall growth of economically active population (by 17% in 2001-2008) but with high oscillations (by year) and very high regional variation of growth leading to significant redistribution (higher than for the total population): migration of the active population is evident
 - Highest growth – Durres (103%), Korçe (38%), Tirana (24%), Elbasan (20%), Gjirokaster (19%)
 - Highest decline – Kukës (-32%), Diber (-30%), Lezhë (-19%)
- The variation of participation rate in 2008 is not too high (72-113% of the average), but the extreme cases need attention:
 - Very high in Korçe (70% or 113% of the average)
 - Very low in Diber (44% or 72% of average), Kukës (51%, 82% of the average), Lezhë (49%, 79% of average)
- Females are 43% of the labour force in 2008, with limited regional variation (between 40 and 48%, except in Diber – 35%). However their participation rate is significantly lower than of males (53% compared to 72%) and with significant regional variation (higher than for the total participation rate)
 - Very high in Korçe (66% or 125% of the average)
 - Very low in Diber (32% or 61% of the average), Lezhë (36% or 67% of the average), Kukës (39% or 73% of the average)
- Causes and implications???

Unemployment

- High unemployment and long-term unemployment (although declining) with high and changing regional variation
- Registered unemployment in 2008 is 13,9% declining by 20% (3,3% points) since 2001. The regional variation is high – between 6,1 (47% of the average) and 20,5 (157% of the average) or a max/min ratio of 3,4. The regional pattern differs in many aspects from other economic indicators:
 - Very high unemployment - in Shkodër (20,5%), Durres (18,2%), Lezhë (17,0%)
 - Lowest unemployment – in Diber (6,1%), Kukës (7%), Fier (7%), Berat (8,2%)
- The reason for this pattern could be found in the dynamics of unemployment – it is declining more in qarks with high unemployment levels in 2001 (that could be seen as most lagging behind on other indicators) and declining less or even growing in other, more developed and urbanised qarks
 - Most significant decline in Kukës (from 31,9% to 7%), Diber (from 16,3 to 6,1%), Berat (from 21 to 8,2%), Lezhë (from 29,2 to 17%), Shkodër (from 29,8 to 20,5%), Vlorë (from 18,9 to 12,1)
 - Increase in unemployment in Tirana (from 10,6 to 13,8%), Durres (from 13,4 to 18,2%) and Gjirokaster (from 12,5 to 14,4)
- Cause and Implications: Is this probably linked to problem displacement and not problem solving. No evidence of other reasons for the changing pattern of unemployment than just the movement of unemployed people from the more disadvantaged areas to more advanced and urbanised areas, thus creating unemployment problems there.



Active and newly established enterprises (non-agriculture)

- High dynamics of enterprises (entrepreneurship) leading to a convergence trend, but with still significant differentiation.
- The number of active enterprises shows high differentiation, but with a trend to convergence since 2001. The max/min ratio is 4,3 being 4,9 in 2001:
 - High density in Tirana (155% of the average) as well as Durres and Vlore (122%)
 - Lowest density in Kukes (36% of the average), Diber (39%), Lezhe (53%) and Elbasan (62%)
- The growth (2001-2008) was especially high in many of the low-ranking qarks in 2001, e.g. Shkoder, Fier, Vlore, and Korce (2 times and more) as well as Diber and Elbasan (60-70%). The dynamics is lower for Tirana and Durres although starting from a higher base (change by 30-40%) and very low in Kukes and Lezhe. Despite the changes, however, 50% of active non-cultural enterprises are located in Tirana and Durres.

- The differentiation in newly established enterprises is similar but more dynamic 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).
 - Highest density in 2008 – Tirana (144% of the average), Vlore (132%) and Shkoder (129%), slightly lower in Durres (112%)
 - Lowest density in 2008 – Kukes (42% of average), Diber (50%), Fier (63%), Elbasan (65%)
- The overall growth in 2001-2008 is by 4,5 times, and all regions were growing, but especially impressive was the growth in Shkoder, Lezhe and Kukes (around 15 times), Diber (9 times), Gjirokaster (7 times)

Foreign enterprises per 10000 pers.

- Extreme differentiation – by an average of 11/10000, the max/min ratio is 25, CoV – 1,27 (one of the highest from all indicators used)
 - Above the average are only Tirana (278%) and Durres (113%). Altogether they concentrate 80% of all foreign enterprises
 - Only 2 qarks are below but relatively close to the average – Vlore and Korce (62-63% of the average)
 - All others are on a level between 11 and 36% of the average
- Main cause - ???

Credit to business, 000 ALL/person

- Extreme differentiation – higher than for foreign enterprises – CoV is 1,46, max/min ratio – 165
 - Credit to business is concentrated mainly in Tirana - p.c. value is nearly 3 times higher than the average and Tirana accounts for more than 70% of all credits.
 - Only Durres (77%) and Vlore (55%) are closer to the average, having 11% of all credits
 - Most of the qarks are on the level of 22-33% of the average (i.e. 64-96 000 ALL/person)
 - Extreme cases – Diber (2% of the average) and Kukes (6%) as well as Berat (14%)
- Main cause - ???

Overall position of the qarks on economic indicators– on the basis of the set of indicators used qarks could be divided in several groups

- Tirana – outstanding on most indicators
- Relatively high position – Durres, Vlore
- Low position – Diber, Kukes, may be Lezhe
- All the rest – in the middle

Sustainable development, access to infrastructure and services

Environment

Urban waste, ton/inh.

- Significant differentiation, 5 qarks are above the average, incl. 2 – significantly (Tirana – 144% and Vlore – 172%)
- In these 5 qarks (incl. also Durres, Shkoder and Gjirokaster) is generated 69% of the urban waste, and if Fier is included – 6 qarks generate 78% of the urban waste
- Differentiation is increasing – the average increase of waste generation in 2003-2008 is by 30%, especially high in Gjirokaster (>100%), Vlore (79%), Shkoder (71%) as well as Tirana (35%).
- Main cause – welfare/urbanisation (qarks with higher welfare and urban population generate more waste p.c.)

Road density

- Relatively high road density (total road density – 454 km/km²) for 2008, but this has also negative implications – roads need to be maintained, while it may also lead to inefficiency of the road network, in most of the cases impacted by the mountainous terrain.
- Significant differentiation, max/min ratio 3,7 in 2008
 - Best, significantly above the average – 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 qark. Further, as Durres, Shkoder, Lezhe and Tirana are located in the coastal area – the accessibility is better due to low terrain. Durres is also the smallest qark in terms of its area. Elbasan makes an exception to this rule.
 - Worst, significantly below the average – Gjirokaster (51%), Berat (62%), Diber (74%) as well as Korce (84%), Kukes (87%) - all very mountainous qarks, with difficult terrain, and with the exception of Berat, all have a bigger area than the national average.
- Slight increase – by 6% on average, notably in Kukes (+59%), Lezhe (+39%), Korce (+12%)
- 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, for the latter – 5,0)
- Main cause – altitude, but may be also the settlements structure

Cars/1000 inh.

- Significant variation, max/min ratio is 4,3, only 3 qarks are above the average, 6 are significantly below
 - Best – Tirana (164%), Vlore (117%), Durres (113%)
 - Worst – Diber (38%), Kukes (40%), Elbasan (54%), Berat (64%), Korce (65%), i.e. peripheral mountain areas where cars would be more needed
- Significant overall increase (+40%) with some convergence – highest increase in qarks with lowest values in 2003, e.g. Diber (+133%) and Kukes (+106%), Berat (+58%)
- Main causer – economic development and overall welfare (?)

Fixed phones, families per 1000 inh. and mobile phones

- Significant differentiation, max/min ratio is 3,2
 - Best, significantly above the average – Tirana (149%) and Gjirokaster (127%)
 - Worst, significantly below the average – Diber (46%), Lezhe (48%), Kukes (53%), Shkoder (70%), Fier (71%)

- Convergence trend, but slow – the total increase 2003-2008 is 12%, most of qarks report significant increase, especially the least endowed, decrease in Tirana (-17%)
- Main cause – urbanisation, location (altitude, distance) -?
- Mobile phones access is changing the pattern – in 2008 89% of families have at least one member with a mobile phone (more than double increase compared to 40% in 2002). While in 2002 the regional differentiation was significant (Tirana has 3 times higher % than mountain regions) in 2008 in fact there is no regional differentiation (values vary between 86% and 92%). However, many areas (mountains) have a low network coverage, i.e. the reliability and quality of connections is low

Access to water system, % of population

- Serious issue – nearly ¼ of population does not have access to water system
- Relatively low differentiation – between 62% and 90% (or between 81 and 119% of the average), max/min ratio is 1,5
 - Best – Korce (92%), Tirana (90%), Vlore (87%), Gjirokaster (86%)
 - Worst – Diber (62%), Berat (69%), Durres (71%), Elbasan (71%)
- Very low general improvement – 3% increase for 2001-2007 (2,5% points – from 74,5 to 77%), with significant differentiation between qarks
 - Improving – Gjirokaster (+40%), Kukes (+12%), Lezhe (+11%), Tirana (+10%), etc.
 - Worsening – Fier (-13%), Berat (-11%), Durres (-10%), Elbasan (-9%), Diber (-3%)
- Main cause – not clear, especially the dynamics, maybe due to migration?

Social development

Poverty, % (2002-2008)

- High level of poverty (25% in 2002) although quickly decreasing - twice (12,4% in 2008)
- The poverty seems to be related more to location (altitude and peripherality), than to the urban rural division
 - In 2008 poverty level in mountain areas (26,7%) was more than twice higher than in coastal (13%) and central area (10%), and 3 times higher than in Tirana
 - The poverty level in rural areas (14,6%) is only 1,4 higher than in urban (10,1%).
 - Urban/rural division is more important namely in mountain areas where poverty in rural areas is twice higher than in urban
- The different dynamics of poverty level leads to controversial trend in terms of regional differentiation:
 - Convergence between Tirana, Coast and Center
 - Divergence between Mountain and the rest (e.g. the ratio between Mountain and Tirana increased 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%), due mainly to increase of poverty level in rural areas (from 27,7 to 29,8%).

Main causes – poverty level is usually related to overall economic development and structure, and job opportunities and related level of income by occupation type (as well as social policy), but in Albania obviously these are significantly influenced by location and geographical conditions and to less degree by urbanisation level.

Poverty - Qark level data (2002) and local level data (2002)

- Qark level data confirm the significant regional variation in another dimension not visible from strata data (a north-south divide) – the values varied between 72 and 168% of the average (max/min ratio was 2,3)
 - Highest poverty level – in Diber (168% of average), Kukes (157%), Lezhe (144%), Shkoder (129%), Elbasan (125%)
 - Lowest poverty level – Vlore (72%), Gjirokaster (76%), and more generally the central and south qarks, incl. Tirana (92%) and Durres (98%)
- Local level data show that while there is higher concentration of “poor” municipalities and communes in the worst performing qarks, the distribution is quite disperse, i.e. “poor” LGUs could be found in all qarks)

Families getting social assistance (2001-2008)

- Families getting social assistance decreased significantly – by 34% in 2001-2008 with an obvious trend to convergence between the regions:
 - Highest decline (i.e. improvement) – in Durres (-59%), Vlore (-54%), Berat (-45%), Fier (-42%)
 - Lowest decline – in Kukes (-21%), Lezhe (-23%), Korçe (-29%), Diber (-30%)
- The relative indicator – families getting social assistance per 10000 population – reveals a very 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 dynamic of the families with SA per 10000 shows that in some qarks there was no significant decrease or in some cases there was even increase. By an average change of -36% for 2001-2008:
 - With low decrease (or increase) – Kukes (+11%), Diber (-8%), Lezhe (-22%), Korçe (-25%)
 - With high decrease – Durres (-66%), Vlore (-57%), Tirana (-50%)
 - As a result there is a trend to divergence (e.g. max/min ratio is growing from 8 to 27).

Education

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

- In relative terms **enrolment at primary education** (8-9 years) is satisfactory (93% in 2008) and slightly increasing since 2001-2002. The absolute number of pupils is however decreasing in average by 12% in all qarks except Tirana (+13%): this could mean that in many regions there is a risk of a need of closing schools in the future – which would be an extremely strong reason for leaving such communities.
 - Highest decrease of pupils number - in Gjirokaster (-31%), Berat (-28%), Diber (-23%), Fier (-21%), Elbasan (-21%), Korce (-18%), Kukes (-16%)
- The regional differentiation of enrolment at primary education is relatively low. The main exception is Gjirokaster (70% enrolment in 2008/2009, almost no change), where the low enrolment is explained by the type of agriculture (animal breeding)
- Main causes – urban/rural differences, and in rural areas – type of animal breeding; access to schools is mentioned but with no evidence
- **Enrolment at 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 2000/2001 and 2007/2008 (from 105 thsd. to 177 thsd.)
 - 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%); But still the level seems to be relatively low
- Regional differentiation is relatively low (values in most cases vary between 90 and 120% of the average), but there are some extremes
 - Lowest enrolment at secondary schools – in Durres (48% or 77% of the average), Elbasan (56%), Lezhe (57%)
 - Highest enrolment at secondary schools – Kukes (88%), Vlore (87%), Berat (78%)

Health

Infant mortality rate

(Could not be analysed at this stage – confusing data)

Hospital beds per 10.000 population

- Low level in European context (around twice lower than for EU27, EU15, EU10), without significant change in 2001-2008
- Does not follow the significant redistribution of population. Changes in the indicator seem to be due mainly to the dynamics of (regional) population than to changes in health care facilities
 - Highest decrease in Tirana (-36%) and Durres (-32%)

- Highest increase in Kukës (+65%), Diber (48%), Gjirokastër (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 – Kukës (159%), Gjirokastër (138%), Diber (131%), Vlore (121%)
- Cause – inherited structure combined with significant redistribution of population and (probably) a not-flexible health care policy.
- This is more a matter for health care reform (?)

General conclusions on social cohesion

Data on social cohesion are incomplete, some are missing or probably wrong, some indicators are outdated, etc. In addition the position on different dimensions is not unidirectional.

Taking some risk (and not taking into account the mortality rate) one could say that

- in the best position are Tirana, Durres, Vlore
- most disadvantaged are Kukës, Diber, to a lesser degree Lezhe, Shkoder

Spatial development

Key features: small size of population but growing, high density with changing pattern – increased concentration, very rural – low urban population

Population density and dynamics:

- High density (for the SE part of Europe)
- Very high and quickly increasing differentiation in population density; the max/min ratio is more than 14
 - Highest density – Tirana (434% of the average), Durres (383%), Fier (178%); altogether these 3 qarks concentrate 47% of the population
 - All other qarks are below the average, but especially low is the density in Kukës (30% of the average), Gjirokastër (32%), Diber (49%), Shkoder (62%), Korce (63%)
- Positive dynamics in general – 1,8% total growth of population in 2003-2008. However the population (and density) dynamics is uneven:
 - Increasing mainly in Tirana (+25% for 2003-2008), and to a less degree in Durres (+12%) and Vlore (+5%),
 - while all other qarks are declining – most significantly Kukës (-25%) and Diber (-20%)
- Implications: main issue is the quick re-distribution of the population (migration) with high concentration in limited number of qarks in the central coastal area (especially Tirana and Durres) with negative implications both for receptive areas (congestion, pressure on infrastructure, need to develop infrastructure, etc.) and emmitive areas (depopulation, loss of labor force – may be younger and of higher quality, reducing the efficiency of creation and maintenance of infrastructure and services, etc.)

- Main caused – obviously population density and growth related to the combination of altitude and location, as well as urbanisation level, however the underlying cause is most probably economic development and structures of qarks, job opportunities, education opportunities ???

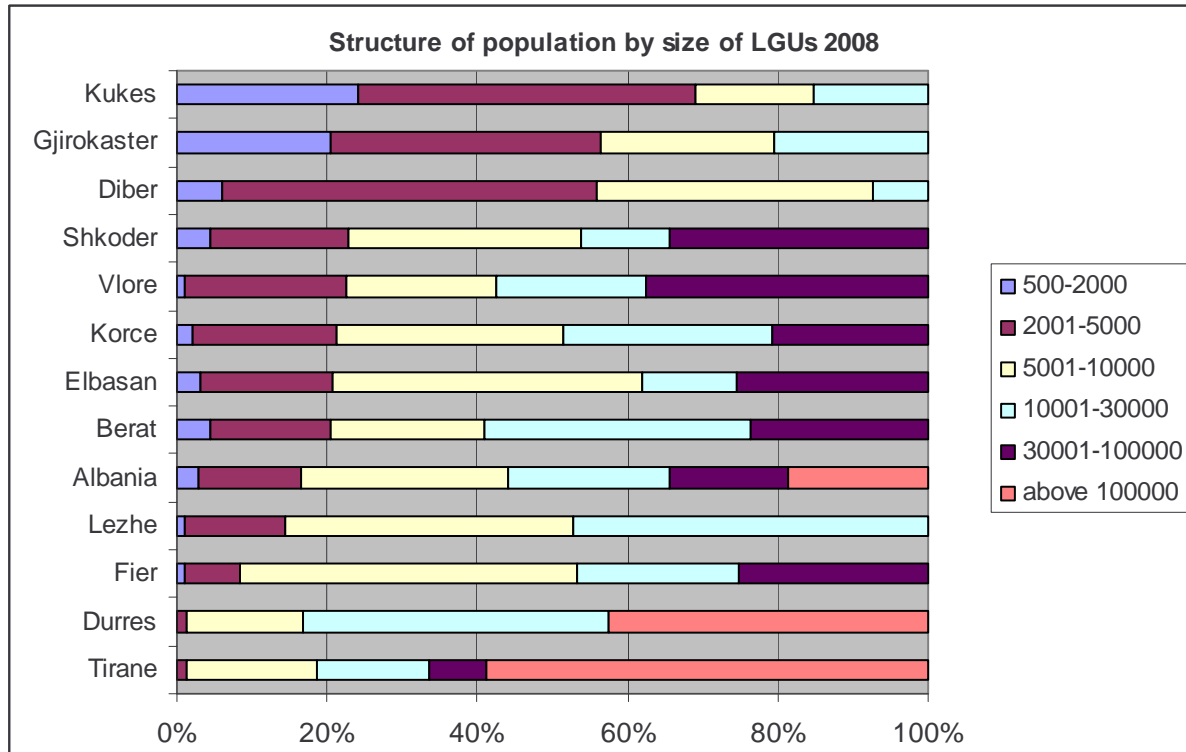
Urban population

- Very rural country – urban population is 49%
- Significant differentiation, varying between 73% and 18% - max/min ratio of 4
 - High urbanisation only in Tirana (73%), Vlore (69%) and Durres (57%)
 - Lowest – Diber (18%), Kukës (23%), Lezhe (32%), Fier (32%), Elbasan (36%)
- Low dynamics – urban population in most of qarks keeps the level of 2001-2003
 - More significant change is observed only in Vlore (+) and Tirana (+)

Distribution of population by size of municipalities/communes

The low urbanization level is complemented by fragmented settlement structure and low size of local government units.

- 1/3 of LGUs have population between 5000 and 10000, another 1/3 – between 2000 and 5000, and nearly 20% are with population 500-2000. There are only 10 LGU with population above 30000, incl. only 2 – above 100000
- Despite the concentration of the population in the bigger municipalities (that is increasing recently), the largest LGU > 100000 have only 19% of the population, while 44% of the population lives in LGUs with below 10000 inh.
- Smallest LGUs (<5000, total number 196) are found mainly in Gjirokaster (28, 88% of all LGUs), Diber (28, 78% of all), Kukës (24, 89% of all), Elbasan (50% of all), Shkoder (20, 61%), Korçë (20, 54%). More important seems the share of population in such LGU from the total qark's population (average 16,5%):
 - Very high in Kukës (69%, 4 times higher than the average), Diber (56%), Gjirokaster (56%); altogether they concentrate 37% of population in LGUs <5000 inh. (and 54% of population in LGUs <2000)
 - Very low in Tirana (1%), Durres (1%) and Fier (8%)
 - 20-23% in all other qarks
- While all other groups had growing population in 2006-2008 (average country change is +1,4%), the growth in the group 2000-5000 was zero and the group <2000 reveals a decline of -6% (Interesting – highest growth is in the group 10-30 thsd. (+ 3,6%, followed by > 100 thsd. +2,8%)



Land use types:

Being a mountainous country Albania as a whole is featured by low share of agricultural land (24%), high share of forest land (49%) as well as high share of “other land” (27%)

- 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)
- Balanced (mixed): Tirana (35:37), Berat (29:47), Elbasan (22:54), Korce (25:50), Vlore (23:29)
- Main cause: altitude

Due to the different structure of population the endowment with agricultural land (ha p.c.) reveals a different picture (i.e. mountainous qarks have also high endowment). By an average of 0,22 ha/p.c.:

- Very high (relative to average) – Gjirokaster (0,44 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)

Forest land p.c. reveals even higher variation (max/min ratio of 29). By an average of 0,44 ha/p.c. it is:

- Very low (0,07-0,08 or 15-17% of average) in Tirana, Durres, Fier

- Very high in Kukës (1,93 or 435% of average), Gjirokastër (1,81), Diber (0,99), Shkodër (0,83), Korçë (0,72), Lezhë (0,65)

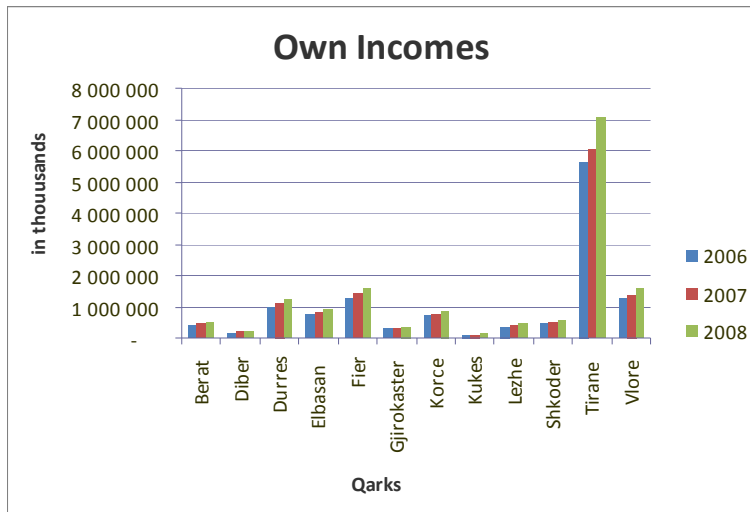
Disparities on local level: local finances

On qark level there is significant differentiation in terms of aggregated LGU (local government units, i.e. municipalities and communes) own revenues per capita. 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 average.

- Significantly above the average are only Tirana (183%) and Vlorë (156%). Having 31,5% of the population these qarks account for 56% of local governments own revenues in 2008
- Significantly below the average are 8 qarks, that having 47% of the total population account for only 26% of local own revenue. They are clearly divided into 2 groups:
 - Diber (27%), Kukës (36%), Shkodër (49%), - the north qarks
 - Elbasan (55%), Lezhë (61%), Berat (63%), Korçë (69%) and Gjirokastër (71%) – all of them mountainous with the exception of Lezhë which is both.

Change for 2006-2008 is in average 23,2% without significant regional differences, except the lower growth in Tirana (18%), while all other qarks have grown between 22 and 27%. Some trend to convergence but very limited

Volume of local own revenues 2006-2008

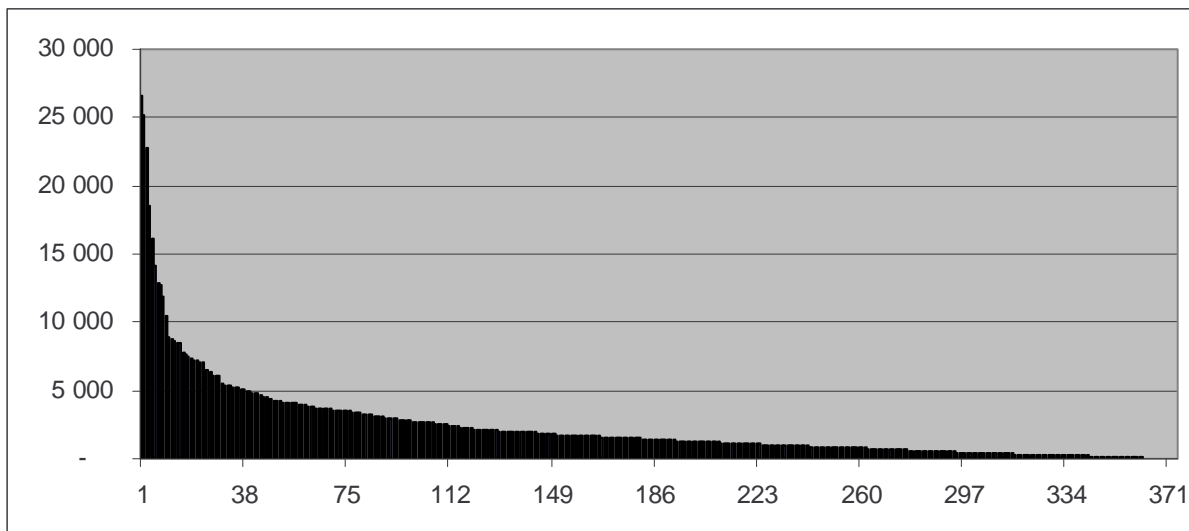


However, **the differentiation is much higher on local level** (i.e. the disparities are more acute on local level):

- Coefficient of variation is 1,36 (2,5 times higher than on qark level)

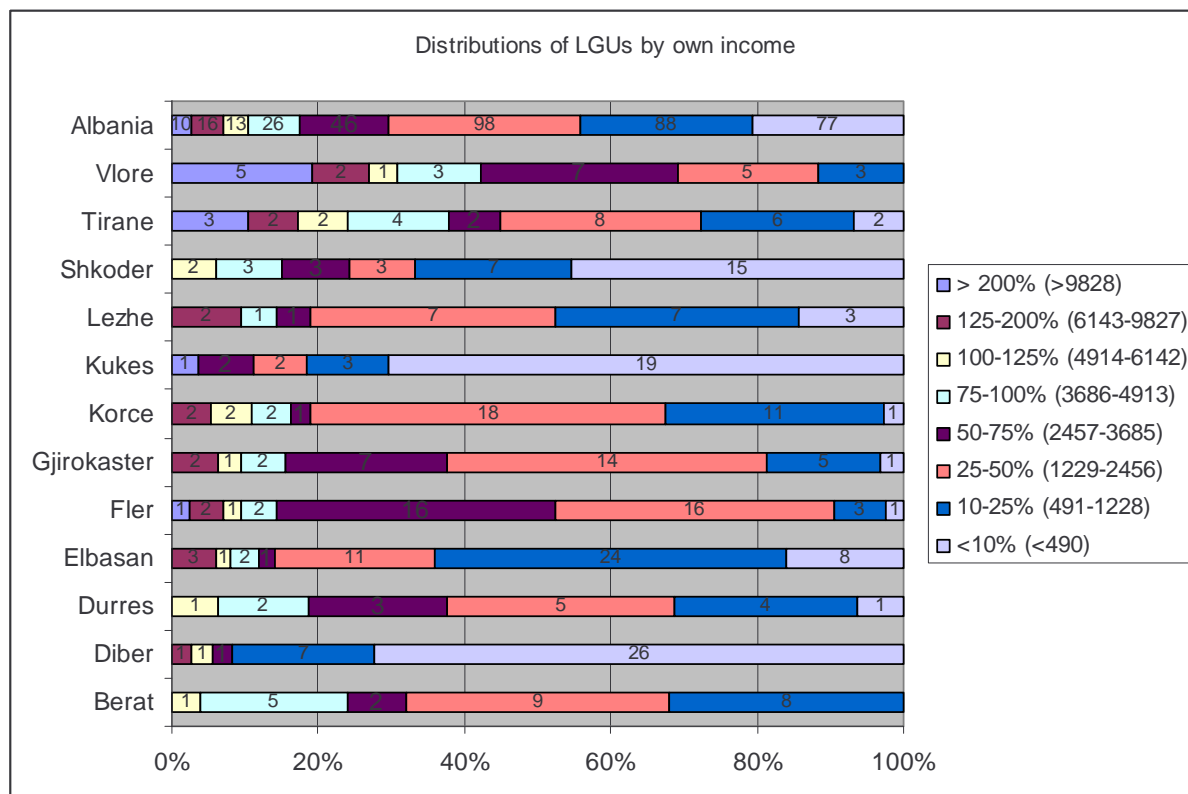
- Max/min ratio is extreme (the values vary between 0 and 26650 ALL)
- Only 39 LGUs (out of 374) have values above the average
- The top 10% of LGUs (37) have an average of 9445 ALL (192% of the average) and account for 75% of all total revenues. Most of them have population > 10000, but there is also 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
- 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 some in Tirana (1), Shkoder (2), Gjirokaster (1), Durres (1).
- The differentiation is clearly visible on the diagram

Distribution of municipalities and commune by the own income p,c, in 2008



The table provides some more insights on the distribution of LGU by own income groups and by qark in 2008.

Qark	Average Own Income 2008	Number 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%



6. Root causes and trends of regional disparities (summary)

On the ground we see issue like high differentiation and disparities on many indicators, low development level, high unemployment and poverty, limited access to some services, etc.

The root causes for the current situation should be sought mainly in:

- The inherited economic and settlement structure combined with the different “natural” ability of regions and areas to adapt to changes after 1990
- The massive migration flows leading 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 creating different conditions for economic development (and indirectly explaining the differentiation in poverty etc.)
- Lacking effective and efficient development policy addressing the disparities issues (incl. both a specific RD policy and more “regionalized” and coordinated sectoral policies, as well as fiscal mechanisms, e.g. subsidies to LGU)

Trends seem to be controversial:

- On some indicators there is convergence – e.g. density of active non-agricultural enterprises, newly established non-agricultural enterprises, car ownership, mobile phones use,
- On other indicators there is divergence – 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
- In some cases the regional pattern is changing – e.g. unemployment

What could be expected however – on the basis of experience of many other countries – 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 solve the regional disparities issue (as expected for e.g. in the CSRD), but they could soften it and keeping it to a more acceptable level

7. Policy relevant conclusions (implications)

Questions:

- At what territorial level do disparities appear most amenable to policy-driven development interventions?
- What aspects of governance act or may act as factors to address or alternatively to exacerbate regional disparities?
- What related policies or policy initiatives play a role in favor or against territorial cohesion? What is this role?
- Do we need a regional approach in addition to the national approach to development? Should this be horizontal and/or addressing particular aspects of disparities?
- Is there an evidence base to support a disadvantaged areas programme (at local and not at park level)?

Some main observations:

- High divergence in economic development with European countries (GDP)
- Out-dated economic structure (extremely high employment in agriculture) combined with low level of urbanization
- High unemployment level combined with high migration flows leading to transferring the unemployment problem in space. It seems that one of the main directions of the DA programme should be related to diversification of rural economies.
- Migration seems to be very important issue, especially in relation to high pressure on infrastructure and services in attractive areas and depopulation of some areas leading to inefficiency of development and maintenance of infrastructure and services (schools, health

care, roads, water supply, etc.) that in turn will lead to diminishing attractiveness to population and business and further depopulation. Although no direct data were collected recently

- If so serious – why it is not seriously monitored
- Can we prevent further migration or we should accept it as a fact and try to adapt? (both in regions of emigration and of immigration)
- Clear regional differentiation if the extremes are looked at:
 - Most developed – Tirana and Durres
 - Least developed (disadvantaged) – Diber, Kukes
 - A “grey area” in between – good on some indicators, bad on others, differences in trend etc., difficult to classify
- Extreme differentiation on local level (as measured by local own revenues, and in the past on poverty - 2002)
- Competitive grant as working up to now does not address disparities, although the reformed competitive grant (RDF) could lead to a different outcome (to be checked)
- To be discussed – the level on which disadvantaged areas have to be designated (qark/local)
- Proposed disadvantaged areas - local
 - On the basis of local own income and suggested additional
 - Informal settlements

Conclusions regarding the regional disparity analysis and disadvantaged areas programme:

- Even presented by only one indicator, disparities appear to be much higher and acute on lower (municipalities and communes) than on higher (qarks) level
- For a well targeted programme the local level could therefore be more appropriate than the regional
 - The obvious candidates for disadvantaged area designation are the last 2 groups with local authorities own income below 25% of the country average. These are nearly half of the LGU (165) with 21,5% of the population
 - The next group (25-50%) could also be considered as potential candidate as the level of own income is significantly below the average, however their inclusion would spin out the targeted approach (the final decision requires some indication on the prospective size/resources of the DAP)
 - In any case the results need to be further verified by using other indicators on local level, incl. indicators on local finances (e.g. average for the last 3 years or similar)
- It seems that in the existing policy documents (e.g. CSRD, criteria for the competitive grant, etc.) there is an overemphasis on poverty and poverty reduction. Although the problem is really serious two main risks exist:
 - Establishing a RD policy that serves more like a “social” or “redistribution” policy providing assistance to the poor; usually RD policy is something else – creating conditions to strengthen the competitiveness, leading to improved economic development that allows job creation etc. and one of the effects is alleviation of poverty
 - Poverty seems not to be probably and regularly measured on a lower level (qark or even below) in order to be used as a major and objectively verifiable indicator of disparities and criteria for directing support

Questions for final discussion:

- Are the disparities a problem requiring policy intervention? (Do Albania needs an active and targeted RD policy to address the disparities)
- Does Albania needs a separate disadvantaged areas programme?
 - Isn't it too complicated and difficult to implement in parallel with other policy instruments?
 - Can't other policy instruments be used – RDF, regional agreements? (e.g. differentiation of support taking account the level of disparities; reserved quotas for disadvantaged areas; criteria giving more weight /priority to disadvantaged areas)
- If a separate programme is desired:
 - What is the suggested financial resource? Is it available? Where will it come from?
 - What is the suggested financial resource? Is it available? Where it will come from? Will it be enough? If yes, what would be the probable types of interventions within the DA programme
- How much of the population is appropriate to be covered by disadvantaged areas?
- On what territorial level should the disadvantaged areas be designated?
 - If local – do you agree with the proposal made (LGUs with lowest own income, possibly modified by some additional criteria and covering around 20% of population)
 - If local – isn't there a risk of fragmentation (dispersion) of support with no significant impact? Could this be addressed by encouraging and requiring partnerships? (But remember that partnership between local authorities is very difficult, requires time and development of specific capacity)
 - If qark – do you agree that the obvious candidates are Kukes and Diber (altogether 7% of the population), but some else could also be discussed, eg. Lezhe (5%), Shkoder (8%), Korce (8%)
 - max 28%

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