



Universität Potsdam



Nevila Xhindi

Albania towards a sustainable regional development

The cases of the Tirana, Shkodra and Kukës region

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...to Artan, Nea and Dora

Love them

Summary

The integrated research of economic, natural and social systems leads to sustainable development. When the term “region” is used in the context of sustainable development, it usually refers to case studies with a local or single ecosystem level of analyses. The connection between sustainable development and sustainable regional development is a fairly obvious one: the latter is nothing but a spatial subset of the first. With regards to sustainable development, especially its spatial dimension, regional development has received little attention.

The traditional regional policy dilemma that was typical of all central and southeast European countries and hence Albania, in the 1990s was striking the right balance between spatial equity and national growth. As Albania is accelerating its preparations towards candidate country status in the European Union (EU), numerous areas of public policy and – practices are undergoing intensive development. Regional development policy is a very new area of public policy in Albania. Pressure for regionalisation has thus come from two directions: externally there has been the EU imperative to establish the institutions necessary to administer the *acquis* at national level and to effectively participate in EU regional development programmes at a regional level; internal pressure has been arising from a growing awareness of disparities in regional development emerging as the transition process unfolds

This research focuses on the process of *regional and local sustainable development* in Albania based on empirical research of the regional development of its three most representative regions: Tirana, Shkodra and Kukes.

The discourse revolves around the question: what is more important for Albania in the medium term – *national growth or balanced regional development (i. e. educing regional disparities)?*

As regards methodology, a review of literature was used as well as an analytical review and comparative approach for the three case studies of regional development in Albania. In the latter case, qualitative interviews and quantitative data collection and analysis were employed. The theoretical framework in this thesis aims at locating the concept of sustainable development at every possible level in-between purely conceptual and applied. Theoretical evidence

is provided by the international situation, studies and reports on European regional development and books and reports from national and international institutions focusing on Albania.

A combination of qualitative (30 interviews) and quantitative data has been essential to our empirical research. In the process of this research, a big inventory of data on various regional development indicators has been used, the majority of which was existing data from official sources like INSTAT or the Offices of Statistics in Kukes, Tirana and Shkoder at region level.

Concerning the selection of interviewees, we assume to have covered the most relevant people for this topic of research, seeing as they all mentioned each other as important contributors in the field of regional development in Albania. The information they provided has been very valuable for the outcome of this research.

The thesis is organised in five chapters. Each chapter begins with an introduction outlining the issues raised in that chapter and ends with a short conclusion – a pre-requisite for the next chapter. The necessity for such attention to structure arises from the need to build up an adequate and a multi-faceted research of regional development.

The first chapter provides an overview over the research framework. *The second chapter* outlines the theories and scientific framework underlying the sustainable-development-to-regional-development process and its links to geography. *The third chapter* presents the overall picture of the regional development efforts in Albania analysing the disparities and regional development in the light of EU requirements and NUTS division. The argument here points to the existence of strong pressure to converge to EU norms based models of development. *Chapter 4* continues this discourse by highlighting the regional development of three regions: Tirana (driver for change), Shkodra (the North in development) and Kukes (the “shrinking” region). Based on the content of the analytical approach, we compare the development and disparity level of the three regions (case studies), using one and the same structure throughout: demography, social and economic development and environment. Specific indicators have been selected with the intention of assessing the current situation and identifying the most critical problems as well as the anticipated indicators for the development of those regions. *Chapter 3* and *4* are the core chapters of the research featuring an analysis with a wide country approach to specific regions and gives us the key elements and the input for conclusions and recommendations; the latter are presented in *Chapter 5*.

This research makes a first step in bridging the gap between a conceptual consideration and theoretical analysis of sustainable development in Albania, on the one hand and the operational analyses and implementation of those systems and policies with regards to the various demands of actual regions, on the other hand. While there are mixed views on the progress of and expectations towards sustainable development in Albania to date, some questions remain: to develop and implement regional policies and programmes or to follow along the progress of a national strategy and its harmonisation with state policies at regional level? This research does not assume that a “good” process will always lead to “good” results but given that national efforts are relatively recent and, therefore, on-the-ground change perhaps too early to detect, assessment of the process provides a necessary alternative for effectiveness.

This research comes to the conclusions that Albania’s regional development is dealing with a combination of increasing urbanisation and rural depopulation. It also faces something of an East-West divide with regards to prosperity and potential. The regional differences stem from structural deficiencies in the key factors of development and competitiveness: inadequate endowment with physical and human capital (i.e. infrastructure and skilled human resources), a lack of innovative capacity, effective business support and a low level of environmental capital. Regions need assistance in overcoming these structural deficiencies and in developing their comparative advantages in order for them to be able to fight poverty and achieve higher levels of human development. So, if, in turn, growth in Albania is to be increased and sustained, a regional development policy needs to be established, addressing the above challenges by targeted support and the creation of a supportive investment climate. This gap is being addressed in the next few years, reflecting the regional development policies of EU member states, which, initially, will allow the country to tap into the EU Instrument for Pre-Accession Assistance (IPA) Component III money and, in the long term, will decide on the effectiveness and efficiency of the use of EU Structural Funds.

Despite its limitations, we hope this research leads to a better understanding of the concept of sustainable development and its regional application; it provides knowledge and analyses of the regional development and regional disparities in a country in transition and thereby provides the opportunity to achieve human well-being in Albania in a way that has not been discussed in this country before.

Zusammenfassung

Unter dem Gesichtspunkt von Nachhaltigkeit haben bisher regionale und lokale Entwicklungen in Albanien wenig Aufmerksamkeit erhalten. Das traditionelle Dilemma der Regionalpolitik, das für alle mittel- und südosteuropäische Länder in den 1990er Jahren typisch war, lag im Einhalten einer Balance zwischen einer räumlich ausgeglichenen Teilhabe am ökonomischen Wachstum und dem ökonomischen Wachstum des Landes insgesamt. Da Albanien seine Vorbereitungen zum Erhalt des Kandidatenstatus als EU-Mitgliedsstaat beschleunigt, durchlaufen zahlreiche Bereiche der staatlichen Politik und Praktiken intensive Transformations- und Anpassungsprozesse. Die regionale Entwicklungspolitik ist ein ganz neuer Bereich der staatlichen Politik in Albanien, die von Seiten der Forschung Beratung und Unterstützung benötigt.

Die Dissertation konzentriert sich auf den Prozess der nachhaltigen Regionalentwicklung in Albanien, indem sie die Regionalentwicklung in den drei ausgewählten, repräsentativen Regionen von Tirana, Shkodra und Kukes analysiert und miteinander vergleicht.

In methodischer Hinsicht stützt sich die Arbeit auf die Auswertung und Analyse von erstens, Literatur, die thematisch einschlägig und auf die Untersuchungsregionen bezogen ist, zweitens, amtlichen und anderen Statistiken und drittens von qualitativen Interviews, die mit Wissenschaftlern, Politikern, Vertretern der Verwaltung und anderen Experten für regionale Entwicklung in Albanien geführt wurden.

Die Dissertation ist in fünf Kapitel gegliedert. Das erste Kapitel gibt einen Überblick über Problem und Fragestellung, die Ziele der Arbeit und die angewandten Methoden. Das zweite Kapitel stellt die theoretischen Grundlagen und den wissenschaftlichen Rahmen für Nachhaltigkeit im Kontext der regionalen Entwicklung und die Berücksichtigung der nachhaltigen Entwicklung in geographischen Arbeiten dar. Das dritte Kapitel befasst sich mit den Bemühungen um eine regionale Entwicklung in Albanien im Allgemeinen, indem die regionalen Disparitäten und die regionale Entwicklung Albaniens im Lichte der Anforderungen der EU und der Gliederung des Staatsterritoriums nach NUTS-Regionen analysiert werden. Das vierte Kapitel setzt den Diskurs über die Charakterisierung, die Analyse und den Vergleich der regionalen

Entwicklung anhand der drei ausgewählten Regionen fort: von Tirana als Motor der Entwicklung und des Wandels („driver for change“), von Shkodra, im Norden des Landes, als Region im Stadium des Entwicklungsprozesses und von Kukës als Beispiel für eine schrumpfende Region. Das fünfte Kapitel präsentiert die Schlussfolgerungen, die aus den Untersuchungen gezogen werden und die Empfehlungen, die daraus abgeleitet werden.

Die Arbeit kommt zum Schluss, dass die Regionalentwicklung Albanien eine Kombination aus Urbanisation und Entvölkerung des ländlichen Raumes berücksichtigen muss. Sie behandelt auch die Ost-West-Teilung Albanien nach Prosperität und Entwicklungspotential. Die regionalen Disparitäten sind bedingt durch strukturelle Mängel bei den Schlüsselfaktoren der Entwicklung und des Wettbewerbs, durch unzulängliche Ausstattung mit Sach- und Humankapital (d. h. mit Infrastruktur und qualifizierten Arbeitskräften), durch einen Mangel an innovativen Kapazitäten und an einer effektiven Unterstützung der wirtschaftlichen Unternehmen sowie durch ein niedriges Niveau der Mittel, die für die Umwelt eingesetzt werden. Die Regionen brauchen Hilfe, damit diese strukturellen Defizite überwunden und ihre komparativen Vorteile entwickelt werden können. Nur so sind sie in der Lage, Armut zu bekämpfen und höhere Niveaus der menschlichen und gesellschaftlichen Entwicklung zu erreichen. Dafür ist es aber erforderlich, dass, sofern ökonomisches Wachstum erhöht und gehalten werden soll, eine regionale Entwicklungspolitik eingerichtet werden muss, die sich der oben genannten Herausforderungen mit einer zielgerichteten Unterstützung der Regionen und der Schaffung eines günstigen Investitionsklimas annimmt. Diese Aufgabe muss in den nächsten Jahren angepackt werden, indem die regionalen Entwicklungspolitiken der EU-Mitgliedstaaten studiert und daraus Erkenntnisse für Albanien gezogen werden. Dadurch wird es anfangs Albanien ermöglicht, EU-Mittel zur Vorbereitung des EU-Beitritts in Anspruch zu nehmen. Auf lange Sicht wird dadurch über die Wirksamkeit der Maßnahmen und den sinnvollen Einsatz des EU-Strukturfonds entschieden.

Trotz der Begrenztheit ihrer Aussagen vermittelt die Arbeit Kenntnisse und Analysen von der Regionalentwicklung und den regionalen Disparitäten eines Transitionslandes sowie von den Möglichkeiten, in Albanien einen Wohlstand der Bevölkerung auf eine Weise zu erreichen, über die bisher in diesem Land kaum diskutiert wurde.

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Acronyms

ALL	Albanian Lek
EBRD	European Bank for Reconstruction and Development
EU	European Union
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CEE	Central and Eastern Europe
CSRD	Cross-Cutting Strategy for Regional Development
DSDC	Department for Strategy and Donor Coordination
EC	European Commission
EIB	European Investment Bank
GDP	Gross Domestic Product
GOA	Government of Albania
HDI	Human Development Index
HDPC	Human Development Promotion Center
ICLEI	International Council for Local Environment Initiative
IFAD	International Fund for Agricultural Development
INSTAT	Institute of Statistics in Albania
IPA	Instrument for Pre-Accession
LGU	Local Government Units
LSMS	Living Standards and Measurements Survey
MDG	Millennium Development Goals
METE	Ministry of Economy, Trade and Energy
NSDI	National Strategy for Development and Integration
NUTS	Nomenclature of Territorial Units Statistic
OECD	Organization for Economic Cooperation and Development
OFID	OPEC Fund for International Development
OPEC	Organization of Petroleum Exporting Countries
RC	Regional Council

RD index	Regional Development Index
SAA	Stabilization and Association Agreement
SAP	Stabilization and Association Process
SA	Social Assistance
SD	Sustainable Development
SF	Structural Funds
UNDP	United Nation Development Program
UNEP	United Nation Environment Program
WCED	World Commission on Environment and Development

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1. Introduction

1.1 Motivation and relevance of the research

Global problems and the globalisation process of the early 21st century present new challenges to sustainable regional development and to the optimum use of the Earth's resources and eco-services. To successfully participate in the formulation of balanced regional policies, geographic research should become more intricately involved with the practice of regional management. Much research has been conducted and much written on what should be done to achieve sustainable development but little information is available as to exactly how it should be done.

Albania has maintained a steady economic growth and an ambitious agenda of reforms of its institutions and aspects of governance working towards further democratisation, more effectiveness and compliance with European Union (EU) accession criteria. The rapid growth has significantly reduced poverty, although further efforts will be needed to achieve some of the Millennium Development Goals (MDG). One of the major developmental challenges Albania has identified relates to a lack of tradition and proper policies with regards to regional development and the current extreme regional disparities. This situation is exacerbated by the transitional economic decline and the internal demographic changes which have left a considerable share of the territory empty and neglected, while development is concentrated in the larger urban areas.

Regional development has gained Government attention mostly after 2006 with scattered attempts and experiments in earlier years. The National Plan for the Implementation of the Stabilisation and Association Agreement (SAA)¹ refers to the commitment of the Government of Albania to ensure “*a balanced development of the country regions, as per implementation of policies and projects, aiming at a diminution of poverty and softening the differences in regional development.*”

Also, in the framework of formulation of the National Strategy for Development and Integration (NSDI), the Government approved a Crosscutting Strategy for

¹ The Stabilization and Association Agreement was signed on 12 June 2006 in Luxembourg.

Regional Development (CSRSD) and its related Action Plan in November 2007. The CSRSD's vision calls for *“A balanced and sustainable socio-economic growth among the regions of Albania, in general, and of mountainous and peripheral areas, in particular, in order to support a fast development of the whole country and accelerate the integration processes into the EU and NATO.”*

Another firmer deadline relates to the development of the national statistical system with regards to sub-national data able to develop different options of NUTS II sub-division of the country, being the eligible basis for the calculation of the allocation of structural funds. The National Plan for the SAA Implementation underlines *“Article 71 of the SAA provides that within five years from the date of entry into force of this Agreement, Albania should submit to the Commission of the European Communities its GDP per capita figures harmonized at NUTS II level.”*

The need to address these concerns is not of interest to regional management efficiency alone. Beyond central management, regional development occurs naturally in the regions and is being implemented by the different levels of local government. In this context, a reconfiguration in size and scope of regions and regional authorities is of key relevance to regional development in terms of the way of management and locations. A major (not necessarily negative) influence resides in the progress and course of the decentralisation reforms, especially with regards to administrative and territorial reform and the scope of regional government, which is another daunting task for the Government to achieve. In addition, regional development is horizontal by nature, since it intersects with many other sectors. Thus, an effective implementation for a sustainable regional development policy would require very close cooperation and synchrony of actions taken in the framework of social-economic and environmental potentials and indicators which have a say in local development.

Therefore, this research focuses on the process of regional sustainable development in Albania analysing the regional development of three representative regions – Tirana, Shkodra and Kukes – in case studies. To what extent regional strategies result in concrete progress towards sustainable development in Albania is a question in itself, albeit a critical one. We do not assume that a “good” process will lead to “good” results but given that national efforts are relatively recent and, therefore, on-the-ground-change perhaps too early to detect, an assessment of process provides a necessary alternative for concerns about effectiveness. In order to enhance the learning experience related to strategic and coordinated action on a national and regional level, this

research includes an analysis of national efforts towards integrated regional development.

To conduct the research, an analytical framework was developed by the researcher and the advisor. The framework is based on a sustainable development triangle (economic, social and environmental) and is consistent with the continuous improvement approach towards managing national sustainable development through the implementation of regional strategies. A detailed account of the analytic questions used in the research is presented below.

This research is not a step-by-step manual for the Albanian national context. Rather, the research is a synthesis of some of the key challenges, approaches, tools and innovations at various stages, using the analytical regional developmental process and indicators of three regions. The purpose of this thesis is to make a first step towards bridging the gap between a conceptual consideration and theoretical analysis of sustainable development on one hand and the operational analyses and implementation of the systems and policies with regards to the various demands of actual regions on the other hand.

1.2 Problem identification

Albania does experience significant problems of regional disparity. There is currently no regional policy function in central government. This gap will be addressed in the next few years reflecting the policies of EU member states. A regional development crosscutting strategy has been developed at the end of 2008 but its implementation remains problematic (UNDP, EUROPEAN UNION and GOVERNMENT OF ALBANIA, March 2010). The Ministry of Economy, Trade and Energy (METE) has been put in charge of realising this strategy. An efficient management framework for regional development needs to be set in place by the promulgation of the Law on Regional Development and an associated secondary legislation as well as the development of the necessary institutional structures to manage its regional policy. The aim is to facilitate the establishment of a single regional development planning and management system in the country.

Existing patterns of failed development are the consequence of multiple and often overlapping factors. An inability to deal with some natural geographical handicaps, such as remoteness, hilly and mountainous terrain and poor natural resources has had a devastating impact on local livelihoods, small businesses and

development prospects, in general, for example. Many areas have witnessed a shrinking labour pool as most workers with better qualifications opt for leaving for Tirana or abroad, reinforcing a negative cycle of declining entrepreneurship and skill scarcity. Likewise, the transition from decades of centralised planning towards a globally competitive market economy has had quite a negative impact in terms of economic activity, employment and incomes in most of the less prosperous parts of the country. Some local economies, previously driven by large state conglomerates, have yet to face the inevitability of adaptation, giving rise to large-scale underemployment, low productivity, low incomes and a culture of dependency.

As a broad conclusion, Albanian regional development has to deal with a combination of significant urbanisation and rural depopulation. It also faces something of an East-West divide with regards to prosperity and potential. The challenge is to promote Albania's sustainable development through regional development plans.

1.3 Building the hypothesis

“Political actions and the potential to change development paths of a country to sustainability is predominantly a regional or even local privilege” (BACHTLER, 2001).

If this is true, it remains imperative to measure whether sub-national entities, particularly regions, are developing sustainably.

While there are mixed views on the progress of and expectations towards sustainable development in Albania to date, some pressing tasks remain: to develop and implement regional policies and programmes or to follow along the progress of a national strategy and its harmonisation with state policies at region level?

The traditional regional policy dilemma that was typical of all Central Eastern European countries in the 1990s was striking the right balance between spatial equity and national growth (BACHTLER, 2001). Simply put, the discourse revolves around what is more important for Albania in the medium term: national growth or balanced regional development (i. e. reducing regional disparities)? When examining this dilemma, the analysis should not be limited to national data, but include regional data also. This could help to answer our question and fuel discourse. There is almost always some sort of trade-off between national

convergence (efficiency) and regional convergence (equity) – and this is not only suggested by theory but actually supported by empirical data in practice.

The hypothesis of this research is: *If growth in Albania is to be increased and sustained, then regional disparities need to be addressed and a regional development policy needs to be established.* This means the sustainable development framework for Albania sets up a vision of sustainable development for each region and identifies the region's contribution to sustainable development at national level.

1.4 Objectives and research questions

1.4.1 The objectives of the research

Based on the way the research is conceptualised and structured, we divided the objectives into three thematic groups:

First: Related to sustainable development:

- To analyse the broad conceptual framework for sustainable development by introducing the international concept of sustainable development, the respective European standard and national policies with regards to regional development.
- To examine the role of geography with regards to regional development as the spatial side of sustainable development.

Second: Related to regional development in Albania; the three case studies

- To examine the concepts, tools and experiences related to sustainable development in Albania.
- To analyse the relationship between the EU regional development policy and the respective Albanian alignment policy
- To explain the Albanian regional disparities by analysing three representative regions – Tirana, Shkodra and Kukes – in case studies.
- To present and discuss findings on regional disparities in the three regions of Tirana, Kukes and Shkodra.

Third: Related to results of the research analyses and recommendations

- To draw important conclusions and put forward recommendations sparking a regional policy development which will help sustainable development in Albania.

1.4.2 The research questions

In relation to the objectives, we grouped the research questions as shown below:

First: Related to sustainable development:

- What is the theoretical framework for the concept of sustainable development?
- What kind of development are researchers currently talking about?
- What exactly should be developed in a sustainable way? Is it Earth, mankind, society, the country, a region, a sector?
- What is the European policy framework for regional development?
- Why is regional development considered the spatial side of sustainable development?
- Why are geographers interested in regional sustainable development?
- What type of national policies should Albania follow with regards to regional development?

Second: Related to regional development in Albania; the three case studies

- What are the concepts, tools and experiences related to sustainable development in Albania and how do they relate to regional development?
- Does Albania need a regional approach to development in addition to the existing national decentralisation approach?
- How specific are the EU requirements and recommendations, respectively, for regional development in Albania?
- Are the EU requirements flexible enough to allow an interpretation and implementation according to national context?
- What is NUTS and how does it relate to the administrative territorial division in Albania?

- What are the main regional disparities in terms of economic, social and environmental development in the regions of Kukes, Tirana and Shkodra?
- How are these disparities interrelated, concentrated or dispersed among territories and target groups?

Third: Related to results of the research analyses and recommendations

- What are the challenges for regional development in Albania?
- Which recommendations can be given based on the results of this research?

1.5 Methodological approach

With regards to methodology this research relies on a *review of the literature* available on sustainable development and regional development, national and EU policies promoting sustainable development and as well as an *analytical review* of and *comparative approach* in the three case studies about regional development in Albania ensuring adequate *quality* through interviews and *quantitative relevance* through data collection.

1.5.1 Review of literature

Nowadays, sustainable development is a key notion in many books, scientific journals, conferences and reports of governmental institutions dealing with development worldwide, Albania being no exception. The theoretical framework in this thesis aims at locating the concept of sustainable development every possible level in-between purely conceptual and applied. Theoretical evidence is provided by the international situation, studies² and reports on European regional development as well as books and reports from national and international institutions focusing Albania

We considered the best definitions of sustainable development those put forward by the Brundtland Commission (1987) and the other reports and documents by the World Commission on Environment and Development (1987), the International Council for Local Environment Initiative (1999); John PEZZEY's World Bank report (1992) about sustainable development and its applied concept, Peter

² Besides many books used, we used the online libraries as JSTOR and Questia.

ROGERS' book *An introduction to sustainable development* (2008), Antony PAYNE's *The regional politics of development* (2004) and NIJKAMP's and van der BERGH's definition of "regional economy" (2008).

The challenge of the concept is perhaps not so much in the word "sustain-able" as in "development"; and trying to set up a corresponding theoretical framework we consulted David W. Pearce's and Jeremy J. Warford's book *World Without End* (1993).

Any discussion about regional development cannot be separated from the long debated issue what development is in general and how it can be achieved. A few of the countless theories on and concepts of development put forward in the past hundred years have significantly shaped the thinking about regional development. When the term "region" is used in the context of sustainable development, it usually refers to case studies with a local or single ecosystem level of analysis, as Balisacan mentions it in his research on regional development dynamics (2008).

Geographers are interested in the patterns of spatial distribution of levels of development throughout the world. Development is a relative term, however.- The extent to which a country is developed can only be determined by comparing it to another. Geographers are not only concerned with differences between individual countries but also with spatial differences concerning levels of development within those countries (COMBES, MAYER and THISSE, 2008). Growth is felt just as unevenly across different nations as it is actually unevenly spread across different regions.

For the analysis of the concept of sustainable development in Europe we considered a number of EU documents (i.e. the EU strategy for sustainable development) and reviewed its framework as well as reflected upon other countries' experiences in the decentralisation process and their regional policies, mentioning here the proposition of a COUNCIL REGULATION which would lay down general provisions for the European Regional Development Fund, the European Social Fund and the Cohesion Fund. Brussels, COM (2004) 492 final; *Regional Policy Goes East: Essays on Trends and Lessons Learned for Regional Development Policy in Central and Eastern Europe* (HUDAK, HUITFELDT, MEEGAN, 1999); Regulation (EC) no.1059/2003 of the European Parliament and of the Council, dated 26 May 2003, on the establishment of "A Common Classification of Territorial Units for Statistics (NUTS)."

A number of international authors, reports from international institutions which are established in Albania and fundamental government documents related to regional development in Albania were consulted, mainly the National Strategy for Development and Integration (NSDI) approved by the Albanian Government in March 2007; a draft of the Cross-Cutting Strategy for Regional Development (CSR) (2007), the National Plan for the Stabilisation Association Agreement (SAA) (2006); the Progress report on the Implementation of National Statistics via INSTAT Statistical Yearbook (2002–2009), i.e. reports from Regional Councils of Tirana, Kukes and Shkodra (2007–2009); yearly reports and national strategies from line Ministries from Department of Strategies and Donor Coordination (DSDC) (2008–2010), especially data and reports from the Ministry of Finance and the Ministry of Economy, Trade and Energy (METE) and the World Bank and United Nation country reports (1997–2010).

1.5.2 Data collection

A combination of qualitative (30 interviews) and quantitative data has been essential to our empirical research. Upon dealing with regional disparities in Albania, it is important to emphasize that in the process of this research, a big inventory of data on various indicators was used, the majority of which was existing data from official sources, like INSTAT and especially the Offices of Statistics in Kukes, Tirana and Shkodra at region/ qark level. Some data was more relevant and of better quality than other. Therefore, further work was needed with regards to data comparison and analyses. Other than that, a composite of data from the Regional Development Index (RD index) was used.. It was realized by a team of United Nation Development Programme (UNDP) experts in the framework of an EU project for regional development in Albania (2008–2010).

The data sources used to carry out this research encompasses most of the recently published material and expert reports available on regional development in Albania, including the following: *National Statistics* via INSTAT Statistical Yearbook and thematic Statistical Yearbooks, e.g. the 2001 *Population Census* and the *Living Standards and Measurements Survey* (LSMS) from 2002 and 2005, data on donor funded project and their reports, data and reports by EU and regional specialists, cross-sectoral economic reports on Albania, Government publications, reports and National Strategies from line ministries, especially data and reports from the Ministry of Finance, the World Bank and the *United Nation country reports*. In synthesising the available information, the identification

of certain discrepancies in data and reports was inevitable; hence, great care had to be taken when trying to understand the reason for the existence these differences.

We have avoided using data which could not be verified as well as drawing conclusions which cannot be sufficiently supported by reliable sources. Nevertheless, we did not have a standard (national) list of indicators, which would be in line with EU requirements, ensuring room for national as well as regional comparisons. We hence hope that in the research presented, we do more than highlighting recent socio-economic development, i.e. making “healthy” datasets with an Albanian context available that are worthy of further analysis and debate.

1.5.3 Structuring and conducting the interviews

In order to make sure that the interviewees provided information on the relevant issues and to conduct a structured interview, we developed an interview guide, which was sent to the interviewees via email before the actual interviews (see appendix).

Concerning the selection of interviewees, we assume to have covered the most relevant people for this topic of research, seeing as they all mentioned each others’ names as important contributors in the field of regional development in Albania. The information they have provided has been very valuable for the results of this research.

The 30 interviews were carried out over the course of a year, between September 2009 and 2010; most were conducted in the interviewees’ native language (Albanian), only two were conducted in English. The interviews were conducted face to face in the offices of the interviewees in Tirana, Kukes and Shkodra. Some of the interviewees had prepared very well for the interview. These interviewees showed a great deal of enthusiasm and interest for the research; they lasted from 45 min up to approximately one hour. During the interviews, we kept note of everything said or discussed. The interviewees were also kindly asked to bring along any relevant information, reports, data, presentations, suggestions of topics or questions to be discussed in an interactive manner during the interview. During the interviews, the respondents started to talk about the issues raised in the interview guide and so it was only natural to ask follow up questions on these issues, since the interviewees often brought new information and opinions to the table during conversation.

The interviews conducted for this research are not large in number, since only a small number of people are actually working in this area. In general, the interviewees gave long and very informative answers, clearly demonstrating their deep knowledge in the field.

All interviewees were specialists and either directors from relevant ministries and central government institutions (6), local/regional government representatives (8), from non-governmental agencies, representatives of donors (9), from scientific institutions/universities (5) or decision-making representatives of the Albanian Parliament (2)

1.5.4 Outline of the thesis

The thesis is organised in five chapters. Each chapter begins with an introduction outlining the issues raised in that chapter and ends with a short conclusion, a pre-requisite for the next chapter. The necessity for such attention to detail arises from the need to build up an adequate and a multi-faceted research of regional development.

Chapter 1 provides an overview over the research framework, its hypothesis, the objectives, research questions and the methodological approach.

Chapter 2 outlines the theory and scientific framework underlying the sustainable-development-to-regional-development process and its link to geography. In this chapter we bring to the discourse all the literature available. This chapter consolidates our knowledge of sustainable development and clarifies how this knowledge can be applied in defining regional sustainable development from global to a lower/regional scale.

Chapter 3 starts with an overview over Albania as a country. The chapter presents the overall picture of the decentralisation- and regional development efforts in Albania. It provides a more in-depth analysis of key areas suitable for regional development – from policy to legal instruments. It gives a broader view of the development of different regions in Albania, analyses the key dimensions of development with the respective context indicators, which highlight the regional disparities. Within this chapter we offer an overview over the national policies in the light of EU requirements and NUTS division. The argument here points to the existence of strong pressure to converge to a model of development based on EU norms.

Chapter 4 continues this discourse by highlighting the regional development of the three regions: Tirana (driver for change), Shkodra (the North in Development) and Kukes (the “shrinking” region). These regions are highly representative of the regional development and regional disparities, given the theoretical and empirical foundations described in the previous chapters. Based on the content of the analytical approach, we compare the development- and disparity level of the three regions (case studies), using one and the same structure throughout: demography, social and economic development and environment. Specific indicators have been selected with the intention of assessing the current situation and identifying the most critical problems as well as the anticipated indicators for the development of those regions.

Chapter 3 and *4* are the core chapters of the research, featuring analyses with a wide country approach to specific regions and gives us the key elements and the input for conclusions and recommendations; the latter are presented in *chapter 5*.

1.6 Limitations

A review of regional development reports and data and other documents and the meetings with field experts have proved that there are significant gaps in the web of information required for regional development planning and policy design. The problems are related not so much to a lack of data, but rather to their consistency (e.g. significant differences between data from different sources, especially on local and national level) and how up-to-date they are (given the strong dynamics of development processes, most data and forecasts are outdated).

Regional Statistics needs to be strengthened; more importantly, however, there is a need for a view on regional development that is policy relevant, which incorporates information on the individual situation of regions and regional disparities, development actions (and spending) with regional impact carried out by different actors (not only regional, i. e. by regional councils, but also by national and local entities and by donors), overview and assessment of legislation and administrative decisions relevant to regional development (including prospective and under discussion) and, ideally, international experience (development data, legislations, practice in applying regional policy).

Last but not least, well-informed policy does not only mean statistical data. This concept implies a broader consultation with relevant stakeholders, involvement of people with experience on the ground as well as a maximum use of the national intellectual capacity (e.g. academic institutions, think tanks).

Despite its limitation, we hope this research leads to a better understanding of the concept of sustainable development and its regional application; it provides knowledge and analysis of the regional development and regional disparities in a country in transitions and thereby provides the opportunity to achieve human well-being in Albania in a way that has not been discussed before. Let us keep in mind what Albert Einstein once said: “*the world we have created today as a result of our thinking thus far has problems that cannot be solved by thinking the way we thought when we created them*”(NATRAAS and ALTOMARE, 1999).

2. The research settings

Introduction

In 1987, the World Commission on Environment and Development (WCED) introduced the term “sustainable development.” The WCED realised that environmental problems could not be separated from other problems, such as poverty and social disintegration. It regarded sustainable development as an option to minimize the risk of creating new problems or exacerbating existing ones, in other words “*the development which meets the needs of the present, without compromising the ability of future generations to meet their own needs*” (WCED, 1987).

Since then, sustainable development has evolved into one umbrella concept, encompassing all issues pertaining to the interrelationship between environment and human development. This, however, raises a number of questions. What exactly is sustainable development? What kind of development are people talking about? What exactly needs to be developed in a sustainable way? Is it Earth, mankind, society, the country, a region, a sector? For how long must a development be sustainable? How can today’s decision makers take the needs of future generation into account?

In adopting Agenda 21 (UNITED NATION ENVIRONMENT PROGRAM. UNEP, 1992), most of the world’s governments have acknowledged that “*the ecosystems on which we depend to sustain life on earth*” are in danger and that national policies should be directed towards sustainable development. What is needed now is a policy change aimed at a development that meets the needs of the others (WORLD COMMISSION ON ENVIRONMENT and DEVELOPMENT. WCED, 1987). This means creating the necessary conditions to meet the needs and wants of all people involved, here and elsewhere, in the present and in the future.

Decision-making confronted with such problems faces great uncertainties, not least with regards to the natural resources assumed to be available. The predictions concerning resource depletion and food shortages made over the last twenty to thirty years have proved to be wrong (ANONYMOUS, 1997). There

are fundamental uncertainties about the capacity of ecosystems to assimilate to environmental impacts (TJALLINGII, 1996). Moreover, it is impossible to say what people will need and want in the future. In an attempt to meet all the needs and wants of present and future generations, sustainable development will always involve environmental and socio-economic risks, which must be taken into account (SNEDDON, HOWARTH and NORGAARD, 2006). According to Friend and Hickling (1987) this will require “clearer objectives, more information and more coordination,” although obviously it may also lead to ad hoc decisions (FRIEND and HICKLING, 1987).

If policy is not to be reduced to “trial-and-error” decision-making, however, the concept of sustainable development will require not only new policies but also information gathering procedures that are tailored to these policies (PEZZEY, 1992). The WCED(1987) initiated another change by shaping new policies aimed at economic, social, cultural and environmental goals. It’s time to realize the mere scope of these goals, in view millions of people whose socio-economic prospects are poor and who are endangered by environmental hazards, while the human, financial and biophysical resources of our Earth are neither unlimited nor equally distributed (BROWN, 1998). Therefore, sustainable development takes a value-oriented approach. In this chapter, we will be taking a closer look at this approach in order to address the questions raised above.

Sustainable development is one aspect of the uneven spatial distribution of economic, social and environmental activity. This chapter also reviews existing literature on geography and development and argues that rigorous theoretical and empirical analysis is needed to increase the understanding of the role of geography in development and to design a better development policy. Empirical evidence comes from both, the international context and studies of European development geography.

2.1 Core issues in studies of sustainable development

2.1.1 Basic concepts

The concept of “sustainable development” was popularised as a normative goal by the World Commission on Environment and Development in their 1987 report “Our Common Future” presented to the General Assembly of the United Nations (WORLD COMMISSION ON ENVIRONMENT AND DEVELOPMENT).

WCED, 1987). There, sustainable development was defined as a development that “*meets the needs of the present without compromising the ability of future generations to meet their own needs*”. This definition³ underlines the commitment to balancing two concerns, one having to do with present or intra-generational needs and the other having to do with future or inter-generational needs (UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE, 2009).

While less than precise, the Brundtland⁴ definition follows the aforementioned intuitions in that, since the term sustainable means “can be continued” or “lasting”, sustainable development is development that can be carried forward into the indefinite future. Since “sustainability” in itself has no intrinsic value (some states of development may be sustainable but hardly worth sustaining), the challenge of the concept is perhaps not so much in the word “sustainable” as in “development” (PEARCE and WARFORD, 1993). Thus, in order for us to understand sustainable development with any precision, it is important to first define what is meant by development, which, in turn, leads us directly to the need for a definition of human well-being.

A definition of development and human well-being is necessary but not necessarily sufficient for defining sustainable development. We struggled to agree on the latter – just as does in the world at large. While we are willing to accept the Brundtland definition as a starting point, opinions are divided as to its interpretation. One part wants to emphasize the inter-generational dimension, while the other argues for equal emphasis on both intra- and inter-generational issues.

2.1.2 What is understood by development?

Development as a term, most people would agree, has a positive connotation, meaning that development is associated with a better future. However, whether or not a given change is regarded as good depends on value judgments on which agreement is often difficult to reach. This is so not least because we consider changes to be good or bad over time; they are hence subject to different interpretations according to differing perspectives.

Traditionally, economists have measured development in terms of increasing *per capita* income, or gross domestic product (GDP). But if the distribution of

³ There are numerous alternative definitions of sustainable development.

⁴ The commission is commonly referred to as the Brundtland Commission after the chairperson, then Prime Minister of Norway, Gro Harlem Brundtland.

income is skewed and the poor part of the population is getting poorer, even while average income increases, many people – including economists – would be hesitant to call this development (HICKS, 1965).

The UN Development Programme defines development as processes that increase people's opportunity of choice (UNITED NATIONS DEVELOPMENT PROGRAM. UNDP, 1994). Ecologists, for their part, would tend to regard processes that threaten environmental robustness as negative, even if they benefit people (ANONYMOUS, 1997).

Others would highlight the state of education and health in a given society as important factors for meeting basic needs. Education creates knowledge, skills and abilities, allowing greater individual choice and freedom and, as such, is an important part of development (DALE and FRAUMENI, 1992).

Finally, institutional arrangements and governance play an important role for individual freedom and choice and are, according to some, essential parameters by which the level of development should be judged (DE MACEDO, 2006). What all these ideas have in common is a focus on making humans better off, in one way or another. Therefore, for the purposes of this research, development will be understood as an increase in well-being across the members of a society between two points in time. While helpful, this definition leads to the follow-up question of what, in fact, constitutes well-being.

2.1.3 What is understood by well-being?

“Well-being” is often used as a synonym for “welfare,” though the terms can have different formal meanings, particularly for economists (HAMILTON and RUTA, 2006). To arrive at a definition for well-being it is therefore necessary to first discuss welfare. This, in turn, requires a prior discussion of “utility.”

Utility is the benefit an individual derives from consuming goods and services. It is generally thought of as benefits enjoyed in a given instant (ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT. OECD, 2001). Economists have another term to describe the benefits of consumption over time. They call this “welfare,” which is formally defined as the discounted present value of future utility. If consumption is measured for all members of a society, then this discounted present value is termed “social welfare” (DASGUPTA and MALER, 2000). According to Dasgupta (2000, p.14), welfare can be understood as the value an individual attaches to his or her personal circumstances in a

particular social state. A social state describes the allocation of scarce resources (who gets what, when, where and why) and anything else deemed to be relevant for personal or social choice (SAMUELSON, 1961, pp. 50–57). In a significant work on the topic, he notes:

“...in the space of all present and future consumption the only valid approximation to a measure of welfare comes from computing wealth-like magnitudes.” (SAMUELSON, 1961)

From these insights we can draw the following important conclusion: the way in which access to resources – another way of saying consumption opportunities – is distributed across individuals and their expectations of how they will benefit from that access are at the heart of welfare. This means, as Samuelson has observed, that welfare is very closely related to what we think of as wealth, since wealth represents the totality of resources which we are able to draw upon in order to support ourselves over time. Thus it is clear that welfare is a forward looking concept: what counts is not how well-off we are at one point in time but our prospects for being well-off in the future. In other words, welfare is an inter-temporal concept (SAMUELSON, 1961).

As for well-being, there is no single definition and there remains considerable debate regarding its determinants. What makes us feel content is still as much a matter of opinion as it is of science: the common use of “well-being” is as a synonym for what would more formally be called “welfare,” as has already been mentioned. Some use it formally, however, although in a broader sense. While a formal distinction between “welfare” and “well-being” may be of importance in academic debate, it is not to the conclusions of this research. The concept of “well-being” has a lot of potential for measuring sustainable development when broadened beyond its traditional scope in economics.

Summarising the above discussion, “development” has been defined as an increase in well-being across members of a society; well-being has also been seen to be a function of consumption, broadly speaking. The next step is to see how these ideas fit in with the notion of “sustainable development.”

2.1.4 What is understood by sustainable development?

It seems reasonable to interpret sustainable development as development that can continue “infinitely” or at least for a very long time – say, for several generations. Given the discussion in the previous sections, this statement can

be put more fundamentally: sustainable development is increasing well-being over a very long time. Or yet more fundamentally: sustainable development is increasing consumption, following its broadest economic interpretation, over a very long time.

It is clear that the time-dimension is crucial for sustainable development; it is a dynamic concept. It is a development path that can or cannot be kept over a very long time. At any point along the path it will be difficult, if not impossible, to attest a given development sustainability. This is because an infinite number of alternative development paths originate from any given point. Some of these paths will be sustainable and others will not. However, simply being sustainable does not make a development path desirable.

Given these basic points, any measuring sustainable development must always acknowledge both, the options of the current generation and the prospects of those generations yet to come. This is support, among others, by the sustainable development definition put forth by the Brundtland Commission.

By distinguishing sustainable development from traditional ways of thinking about development, the future-oriented view is a call for policy that will ensure that the elements of future well-being are passed on in good condition by today's generation. Temporarily erasing all of the issues associated with current well-being from our heads clears the way for sustainable development policies focusing on ensuring future well-being. By including essentially all policy issues – social, economic, environmental, short- and long-term – into an integrated view, all social value falls under the sustainable development umbrella.

On the practical side it is also to be noted that there are massive and long-standing efforts on the part of governments, communities and individuals to promote short-term development. Indeed, large parts of the official statistics today are focused on measuring the success of these efforts. However, the same is not true for efforts trying to ensure that development is sustainable in the long term. These efforts are much less the focus of policy – even less in the official statistics. The final point made in favour of the future-oriented view is that there is a conceptually robust and well-documented body of thought, which has been developed over the turn of many years and which can serve as a potential guide for measuring procedures of long-term sustainable development. The measuring procedures for current well-being, in contrast, remain more of a controversial domain, where no uniform viewpoint exists. Devising a conceptually sound set

of indicators for the future-oriented view is thus a much easier task than doing so for the integrated view.

The fundamental criticism with regards to the future-orientated view is that it disregards much of what the Brundtland Commission had in mind, when discussing sustainable development. The Brundtland definition clearly states that sustainable development is, in part, “about meeting the needs of the present.” How then, can the future-orientated view, which explicitly excludes these needs from consideration, be legitimate? A related criticism is that the future-orientated view is at odds with the way in which sustainable development is interpreted by most governments. Like Brundtland, most countries that have developed national sustainable development strategies insist that the concept must cover both, short-term and long-term well-being; a view that excludes the former is seen by some to be of little relevance.

A final criticism levelled against the future-orientated view is that it ignores an important equity concern according to which sustainable development has managed to move up on many national policy agendas. This is of concern for the world’s poorest. The disparity between the rich and the poor in many countries today is clearly a problem most citizens would not wish to carry into the future. Societies have preferences regarding equity, both, among their own members and between themselves and other societies. The distribution of resources across individuals will therefore have an effect on current well-being and thus be a relevant issue when determining whether or not a given development path is worth sustaining. If it is not deemed sustainable, the key is that the new development path taken in an attempt to eliminate poverty *is* in fact sustainable.

Neither of these perspectives is entirely independent from one another. There are links between current and future well-being. If pollution is high today and well-being lower as a result, this is relevant to the prospects for future well-being in more than one way. But our understanding of how current well-being is linked to future well-being is highly imperfect – with a few exceptions: if our understanding of poverty were better, for example, proposing a conceptually robust set of indicators for the integrated view was easier.

What is sustainable development?

Brundtland (1987)

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

National Strategies for Sustainable Development (2000)

“Sustainable development is economic and social development that meets the needs of the current generation, without undermining the ability of future generations to meet their own needs.”

World Wildlife Fund (IUCN, 1991)

“Sustainable development means improving the quality of life while living within the carrying capacity of supporting systems.”

International Council for Local Environment Initiative (ICLEI, April 1999)

“Sustainable development is reducing current levels of consumption of energy and resources and production of waste in order not to damage the natural systems which future generations will rely on to provide them with resources, absorb their waste and provide safe and healthy living conditions.”

Pearce et al. (1997)

“Sustainable development means that conditions necessary for equal access to the resource base be met for each generation.”

World Bank (Pezzey, 1992)

“Sustainable development will be non-declining per capita utility because of its self-evident appeal as a criterion for intergenerational equity.”

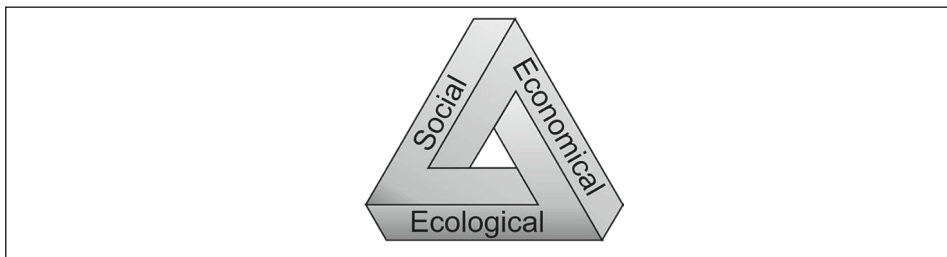
“Sustainable development” as a concept promises many things to many people. Aspects of government policy, business strategy and even lifestyle decisions have been made based on it. Yet, there is still ambiguity surrounding the subject and the meaning of the constituting words themselves. It is difficult to provide an accurate, fair sample, simply because there are so many definitions and each new presentation on the subject seems to offer a new or refined definition. However, the intention behind presenting a list is to push for setting the scene for our research goals.

The figure on the left side provides various descriptions, explanations or definitions available on the subject matter.

2.1.5 Sustainable development triangle and a balanced point of view

The issue of sustainable development confronts us with a plurality of perspectives and logics, a real plurality of spatial and temporal scales, and a plurality of social legitimacies which are, in the end, difficult to reconcile (COSTANZA, 1991).

Fig. 2-1 Never-ending triangle of sustainable development from Valimaki 2002



Source: MALDON, B. and LYON DAHL, A., 2007

In 1993, Mohan Munasinghe discussed three approaches to sustainable development (ROGERS, 2008). Sustainable development requires a balanced and integrated analysis from three main perspectives: social, economic, and environmental (fig. 2-1). Each viewpoint (represented by a vertex) corresponds to a domain (and system) that has its own distinct driving forces and objectives.

The economic view is geared towards improving human welfare, primarily through increasing the consumption of goods and services. The environmental domain focuses on the protection of the integrity and resilience of ecological

systems. The social domain emphasizes the enrichment of human relationships and achievement of individual and group aspirations. The interactions among domains (represented by the sides) are also important to ensure balanced assessment of trade-offs and synergies that might exist among the three dimensions. Issues like poverty may be placed in the center of the triangle to re-emphasize that they are linked to all three dimensions.

2.2 The evolution of sustainable development under EU policy

Sustainable development was first introduced as an explicit objective of the European Community in the *Single European Act* (1987). However the requirement for the integration of environmental considerations into all community policies was only added from the 1992 Treaty on the European Union (*Maastricht Treaty*) onwards and reinforced in the 1997 *Treaty of Amsterdam* (COMMISSION OF THE EUROPEAN COMMUNITIES, 2001). In June 1998, the Cardiff European Council asked several other councils to submit reports on which steps they were taking towards an integration of environmental concerns into their policies. This included a demand to produce indicators to further monitor progress. Eighteen months later, in December 1999, the European Council session in Helsinki invited the European Commission to prepare a proposal for a long-term strategy, dovetailing policies for economically, socially and ecologically sustainable development to be presented to the European Council in June 2001 (COUNCIL OF THE EUROPEAN UNION, 2001). In response, the European Commission produced a Communication including a proposal for an EU strategy for sustainable development (SD), which then was considered by the European Council at their summit in Gothenburg in June 2001. The outcome clearly shows that the Union's SD strategy is based on the principle of examining the economic, social and environmental effects of all policies in a coordinated way and considering them in the decision-making process. The Council agreed on a strategy for SD which complements the EU's political commitment to economic and social renewal and added an environmental dimension to the Lisbon Strategy, establishing a new approach to policy making. It also noted that the European Commission will evaluate the implementation of the SD strategy in its annual synthesis report on the basis of a number of headline indicators, which had to be agreed upon among the members of the Council in time for the Barcelona Spring European Council in 2002. As a first

step, the European Council identified four priority areas, each with associated objectives and measures, as a general guideline for future policy development (including the sphere of indicators). Those four priority areas are:

1. Climate change
2. Transport
3. Public health
4. Natural resources

2.3 Spatial aspects of sustainable development – regional development

In the context of sustainable development, the spatial dimension has received especially little attention. The importance of the spatial element arises from its reciprocal relationship: (1) local processes have global impacts and (2) global trends give rise to local effects. Thus, for example, the loss of the ecosystems in a region may have a large impact on global climate conditions and geochemical cycles. Over-grazing and deforestation may lead to large-scale erosion, downstream sedimentation and flooding. Furthermore, environmental processes do not have the same uniform and smooth impact on all regions, but may instead have different yet important consequences at a regional scale (DE GRAAF, MUSTERS and VAN KEURS, 1999).

Regional sustainable development is a concept which has likewise received little attention. This is somewhat strange given the vast amount of literature produced on (general and global) sustainable development. When the term “region” is used in the context of sustainable development, it usually refers to case studies with a local or single ecosystem level of analyses. The links between sustainable development and sustainable regional development are fairly obvious: in fact, the latter is nothing but a spatial subset of the first (BALISACAN, 2008).

Two regional characteristics are responsible for the difference between sustainable development and regional sustainable development (RSD) in particular: (1) cross-boundary flows of environmental and economic goods and services and (2) the external determinants of regional development. A realisation of regional sustainable development can therefore be regarded as based upon the sustainable provision of natural resources in a given region and the sustainable import and export – from the view point of regional sustainable

development in other regions – of resources, goods, services and waste (DE GRAAF, MUSTERS and VAN KEURS, 1999).

An integrated research of economic, natural and social systems at a global level is complicated because of the wide variety of existing economies, ecosystems and political interests (PAYNE, 2004). Conducting this research at a regional level (Albania and the three respective regions) thus has a number of advantages. First, it allows us to analyse less complex systems, since it considers a smaller number of all possible types of ecosystems and socio-economic systems at a regional rather than the global level. Thus, fewer interactions have to be considered in one analysis. In addition, the use of indicators and models at a meta level is much easier, whereas the aggregation of information into global-scale indicators may lead to a significant loss of information. A second advantage is the more ready access to (or collection of) regional as compared to global data and also avoiding some of the problems of data incomparability and aggregation that occurs at a global scale of analyses. Third, a region may be chosen in such a manner that it is ruled by a single uniform policy. Related to this, a region may furthermore show strong uniformity with regards to governing political and public interests. Finally, a regional scale allows an easier identification of the sources of environmental and socio-economic problems (MALDON and LYON DAHL, 2007).

In order to discuss the sustainable development of a region, it has to be made clear which problems apply to the area and how solutions can be found. Unsustainable development in a region, for example, is linked to the fact that the flux of the regional population and economy are not sufficiently checked by the region's carrying capacity; overshooting may occur. In many cases this may be accepted as long as, at a higher level of special aggregation, an overall sustainability is ensured. A second reason for the unstable development of a region may be cross-boundary pollution and global phenomena (e.g. climate change), i. e. a negative external impact of regional development separated from regional control. The regional cross-boundary flows supporting the economy and the cross-boundary pollution may cause the regional carrying capacity to be exceeded for a while and consequently permanently harming the environment. This has negative consequences for the carrying capacity itself and thus the long-run-performance of the regional economy. Consequently, regional sustainable development has two fulfil two goals: (1) it should ensure an acceptance level of welfare for the regional population, which can be sustained in the future and

(2) it should not be in conflict with sustainable development at a supra-regional level (NIJKAMP and VAN DER BERGH, 2008).

2.4 Theoretical basis for regional development

Any discussion on regional development cannot be separated from the long debated issue what development is in general and how it can be achieved. A few of the countless theories and concepts of development put forward in the past hundred years have significantly shaped the thinking about regional development. The following sections discuss these theoretical trajectories in terms of their basic concepts or perspectives and how the same have been translated into policies and strategies for regional development.

Neoclassical economics became one of the important bases of regional development policies as it had been applied to the analysis of regional imbalances and the manner in which such problems can be resolved. While the classical economists have concerned themselves with the exploration of the formation, distribution and utilisation of the national surplus, the neoclassicists focused chiefly on the problem of resource (RICHARDSON, 1973).

An important condition for attaining the so-called “interregional equilibrium” is the integration of national territory (HIRSCHMAN, 1957). This can be achieved through improvements in national transport and communications networks as well as a more wide-spread promotion of mobility and an integration of production factors and commodities into the national and international markets.

In other words, the theoretical position of neoclassical economics rests upon the assumption that market forces insure an “equilibrium” in the spatial distribution of economic activity as well as everything else. Therefore, to reduce regional gaps, the neoclassical economic theory suggests a broad strategy involving the acceleration of growth in the leading regions and encouraging the migration of unemployed and low-productivity labour from the lagging regions to these “booming” regions (PERROUX, 1964).

2.5 The types of regional policy: national intervention or enabling regions to develop themselves

In general, there are two approaches to national and regional policy: the national policy carried out directly through state interventions (the classical approach) or enabling policy that provides opportunities to regions which will allow them to develop themselves (the contemporary or modern approach). The latter is associated with definitions of regional development as development initiated, owned, carried out and, at least to some degree, funded by regional actors and led by regional authorities. It seems that in Albania this enabling approach is dominating the discussion at large, which corresponds with trends in regional policy evolution across Europe (BACHTLER and YUILL, 2001).

The contemporary approach is characterised by decentralised intervention based on integrated regional development plans and strategies and designed and delivered by partnerships of regional and local actors. However, this approach requires the transfer of significant resources (assets, financial resources as subsidies or share of taxes), allowing access to credit and the development of local and regional authorities' capacities to act as development actors, not just provider of services, in particular. It seems as if such an understanding of the role of local and regional authorities does not yet exist and hence needs to be created. The approach thus requires significant changes in legislation and, not least, sufficient time for it to be effectively implemented.

It should be noted that, although the enabling policy is gaining importance, it is usually complemented by a strong central government policy and interventions and there generally is "a lack of clarity about the best way forward." As Charles stated: "*The shift in the regional development paradigm (from the classical to the contemporary approach) is by no means universal, nor is it complete; in many countries and regions, the shift in policy is partial and may turn out to be transient*" (CHARLES, 1994). In this context it would be rash to proclaim the merits of the new policy paradigm as an inherently superior way of organising regional development. In the EU member states, for example, the degree of decentralisation in the delivery of regional policy remains limited, apart from countries with a federal structure, where the central level remains strong regional development and has come to involve a much wider range of 'actors.' There has been an explosion of "bottom-up" local initiatives and the role of central government is decidedly moving towards policy design and coordination and away from policy implementation (BACHTLER, 2001).

Closely related to the above issues is the establishment of a common understanding of the meaning of regional development. Does it mean a specific level of development? A specific territorial level of development, no matter who is doing what and whose interests are reflected in its strategies and actions or is it perceived more as a specific type of development? Development initiated, owned, carried out and, at least to some degree, funded by regional actors, led by regional authorities? On the other hand, regional disparities in Albania are huge and ever-increasing (marked by significant migration flows especially) (WORLD BANK, 2010). It should be discussed whether the enabling approach (i.e. people helping themselves for a better future) should be complemented by direct government intervention (i.e. the classical regional policy approach), after all, the state is the main development actor with regards to resources, especially in the form of regionalised sector policies, i.e. coordinating sector policies and interventions and directing them in a way that addresses regional problems (TAEX MISSION and WOODS, 19–22 May 2008).

Reaching a consensus on the definition of regional development is crucial for defining the scope and ownership of regional strategies and deciding on their interconnectedness. Although the regional development strategies themselves are focused on regional actions (including local) as well as on donor support, we agreed that national actions should be seen as an inevitable part of regional development.

2.6 Geography and the sustainable regional development

Geographers are interested in the patterns of spatial distribution of levels of development throughout the world and in their reasons. Development is a relative term, however. The extent to which a country is developed can only be determined by comparing it to another.

2.6.1 Spatial differences

Geographers do not only look at the differences *between* countries, but at spatial differences in the levels of development *within* countries (COMBES, MAYER and THISSE, 2008). Just as the impact of growth is felt unevenly across nations, it is spread unevenly across regions. Some states, provinces and cities prosper rapidly, whereas others lag behind. These spatial patterns reflect

the fundamentals of regional geography.⁵ This also helps to explain the new relevance of geography for development and the geographers' methodological approach to development issues as systems thinking and global perspectives (BAILLY and GIBSON, 2004).

2.6.2 Systems thinking

The interwoven nature of environmental problems demands systems thinking, which synthesizes and evaluates connections. Thinking in systems fosters problem solving, conflict resolution, consensus building, interpersonal experience and critical and creative thinking. All this is needed to provoke an awareness of the global implications of economic decisions.

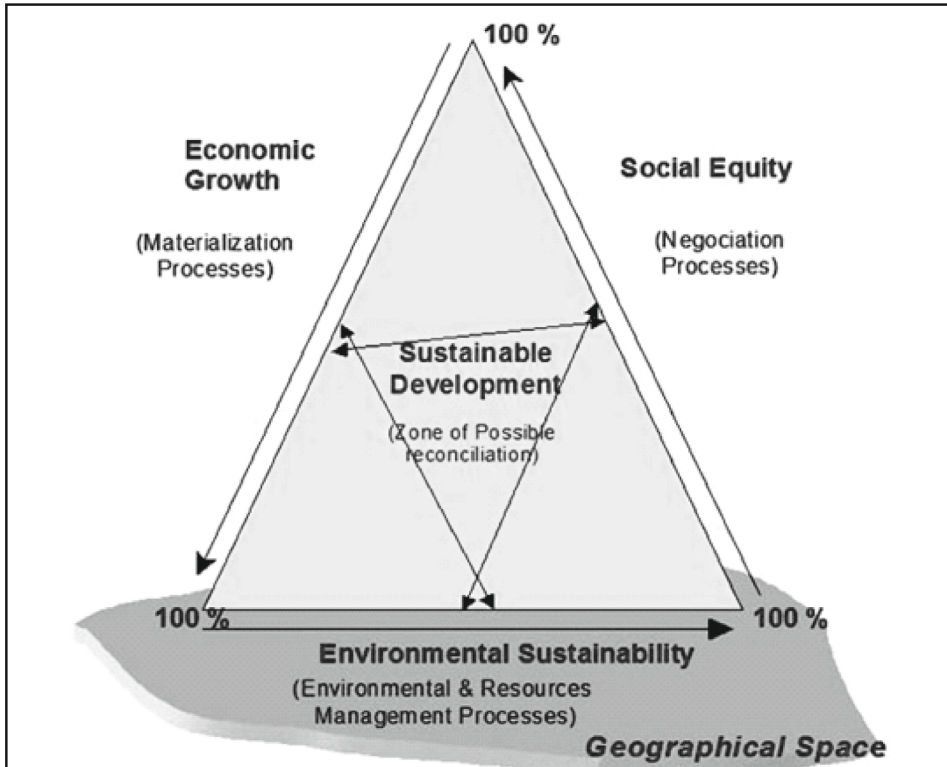
2.6.3 Global perspectives

Achieving sustainability is also dependent on an understanding of different cultures and multi-perspective approaches to problem solving. Globalisation will have us face diverse cultures and demand intercultural communication. Consequently we must have knowledge and an understanding of the Earth. Many environmental challenges, such as climate change, migration and loss of biodiversity are local by nature but responses must be global. That means we always have to deal with different variables, e.g. different cultures in different locations.

Geographers seek to understand how developments in one place will or will not influence those in other places: the flow of peoples, for example, goods and ideas that reinforce differentiation or enhance similarities. In other words, geographers research both the “vertical” integration of characteristics that define place and the “horizontal” connections between places (MANDAL, 1990).

⁵ Regional geography is a branch of geography that studies the world's regions. A region itself is defined as a part of the Earth's surface with one or many similar characteristics that set it apart from other areas. Regional geography studies the specific, unique characteristics of places in relation to their culture, economy, topography, climate, politics and environmental factors, such as different species of flora and fauna (SMITH, 1994) (classic definition) (SMITH, 1994). A region is essentially a part of the land surface of the Earth. In geographical literature, regions are often defined in one of three ways: as uniform, functional or administrative areas, respectively (DUNFORD, 2008). (see chapter 3.2)

Fig. 2-2 Triangle showing factors of “geographic space”, a Nijkamp triangle modified by Dourjeanni in 1993



Source: MALDON, B. and LYON DAHL, A., 2007

Summing this up, geography and its way of looking at the world may be used as a means of illustrating those strategies which are necessary for implementing the principles of sustainability: reflecting the systemic nature of the world, integrating economic pressures as well as environmental and social impacts and focusing on location, which provides a cross-cutting perspective on processes and phenomena (KRUGMAN, 1998). The research of these relationships has enabled geographers to pay attention to the complexities of places and processes and supported efforts to only apply appropriate regional strategies for development (see fig. 2-2).

The interconnectedness of advanced economies and developing countries, the interdependencies between human and environmental systems as well as the connections between space concerns and the development triangle show the extent to which geography supports this holistic approach.

2.7 Concluding remarks

This chapter has introduced key concepts related to the research of sustainable regional development and the geographer's perspective on development and regional studies.

As noted in the main text, there are many different perspectives on sustainability, reflecting the interaction of ecological, social and economic systems within the universal environment. Each individual system has established ways of operating.

The scope of this chapter is broadened and extended to ensure a comprehensive view. Trans-disciplinary analysis has to cover economics, social science and environment as well as many other disciplines, since sustainable development itself involves every aspect of human activity, including complex interactions among socioeconomic, ecological and physical systems. Spatial analysis must range from the global to the very local, sphere while the time horizon may extend span decades or centuries.

The theoretical regional policy approach we have presented in this chapter by making predominant use of geography's way of looking at the world development, corresponds with the research's view on implementing regional sustainable development strategy in Albania.

The growing importance of geographic research for the improvement of regional management policies and practices challenges geographers to draw attention to these perspectives and have them discussed.

3. The processes for sustainable regional development in Albania

Introduction

Sustainable development can be discussed on many different levels: on a global, national and regional scale (UNITED NATION ENVIRONMENT PROGRAM. UNEP, 1992). Although equally striving for sustainable development on all of these levels is possible, there are major differences with regards to elaborating on these various levels. On the global level, the main issue lies with ways in which lower scale sustainable development can contribute to the sustainability of the Earth. On a regional level, sustainable development does not only mean taking into account aspects of local sustainable development but also preventing sustainability on the global level.

For many countries and institutions, the definition of sustainable development indicators has been a key opportunity to move environmental issues higher up in the policy agenda, along with economic and social issues. Sustainable development indicators have also been used to the ends of promoting said concept in a much clearer way than can be achieved by national sustainable development strategies alone.

As Albania is accelerating its preparations towards EU candidate country status, numerous areas of public policy and -practices are undergoing extensive development. Pressure for regionalisation has thus come from two directions: externally, there has been the EU imperative to establish the institutions necessary to administer the *acquis* at national level and to effectively participate in EU regional development programmes at the regional level; internal pressure arises from the growing awareness of disparities in regional development emerging as the transition process unfolds.

One of the most important policy domains in this respect is regional development Progress in this domain which, initially, will allow the country

to tap into Instrument for Pre-Accession Assistance (IPA)⁶ Component III⁷ money (EUROPEAN UNION. EU, 2006) and, in the long term, will decide the effectiveness and efficiency of the use of the EU Structural Funds.

Regional development and Albania's preparations for incorporating future IPA funding are increasingly becoming strategic priorities for structuring the country's development policy throughout its territory. It should be noted that there is a part in this chapter dealing with the search for a European outline for comprehensive sustainable development and attempts to answer the question how to fashion an Albanian strategy and its instruments in a way that makes them compatible with Europe's.

3.1 Overview of the country

Albania is situated in South Eastern Europe, in the west of the Balkan Peninsula. It covers an area of 28.748 km², with a maximum north-south extension of about 340 km and a maximum east-west extension of about 154 km (INSTAT, 2004).

It borders on Montenegro in the northwest, on the Republic of Kosovo in the northeast, on the Former Yugoslav Republic of Macedonia in the east, on Greece in the southeast and south and the Adriatic and Ionian Sea to the west and southwest. Albania's immediate western neighbour, Italy, lies some 80 km across the Adriatic.

The country itself is situated between two climatic zones: the Mediterranean zone and the Continental zone of Central Europe. The average annual temperature is around 13–14 degrees Celsius. The average annual rainfall is about 1.485 mm (AKADEMIA E SHKENCAVE E SHQIPERISE, 1991) with an even distribution.

⁶ In order to improve the efficiency of the Community's External Aid, a new framework for programming and assistance delivery has been envisaged. At present, the general instruments in practice are directly supporting European External Aid policies. The IPA instrument seeks to provide targeted assistance to countries which are candidates or potential candidates for EU-membership rationalising Pre-Accession Assistance by replacing the various previously existent instruments assistance with Phare/ISPA/SAPARD/CARDS/Turkey Instruments. IPA prepares inter alia, candidate countries for the implementation of Structural and Cohesion Funds and Rural Development upon accession by specifically supporting institution building and introducing procedures as close to the Structural Funds as possible.

⁷ The five IPA components are detailed in Art. 3 (a) of the IPA framework regulation: (I) Transition Assistance and Institution Building, (II) Cross-Border Cooperation, (III) Regional Development, (IV) Human Resources Development, (V) Rural Development. The first two components apply to all countries. Candidate countries additionally benefit from components III, IV and V.

Map 3-1 *Albania in Europe*

Source: <http://www.albanija.lt/upl/Image/albania-map.jpg>

Albania is a small country in area and population. It could be compared to many of the NUTS⁸ II regions in EU. Albania has a population of approximately 3.12 million (INSTAT, 2004). The urban population accounts for 45 % of the total, while the remaining 55 % live in rural areas (DEPARTMENT FOR STRATEGY AND DONOR COORDINATION. DSDC, 2007). Between 1991 and 2000, approximately 25 % of the population moved abroad (approx. 900,000), 600,000 emigrating to Greece and 200,000 to Italy (DOKA and BERXHOLI, 1997). This

⁸ The Nomenclature of Territorial Statistical Units (NUTS) established by the Statistical Office of the European Communities (EUROSTAT) in co-operation with the national institutions for statistics. The NUTS system provides a statistical and administrative subdivision of the country (EUROPEAN COMMUNITIES, 2003).

migration began in the time following the death of Enver Hoxha⁹ in 1985 (VULLNETARI, 2007).

In 1992, the Democratic Party took control of the country by winning the democratic elections. A series of economic and democratic reform programmes followed. In this period of economic liberalism, a proliferation of pyramid schemes, unregulated by government, emerged, ultimately leading to the loss of big parts of the private savings of Albanian citizens. A period of nationwide instability ensued between the end of 1996 and the beginning of 1997. General elections in June 1997 brought a new socialist-led government to power. Since then, there has been a series of changes of government as weak coalitions struggled to maintain a majority which would allow effective leadership and further reform. Currently, the Democrats in coalition with the Socialist Movement Party for Integration are governing the country. Although Albania has made progress towards democratic reform and maintaining the rule of law over the last decade, much remains to be addressed (EUROPEAN COMMISSION IN ALBANIA, 2009).

Along with the other Western Balkan countries, Albania took part in the Stabilisation and Association Process (SAP) and is since benefiting from national and regional financial support under the Community Assistance for Reconstruction, Development and Stabilisation (CARDS) programme and a far-reaching contractual relationships with the EU, including trade preferences, through the Stabilisation and Association Agreement (SAA) (DEPARTMENT FOR STRATEGY AND DONOR COORDINATION. DSDC, 2008). Regional dialogue and cooperation were also important elements of this process. Between 2001 and 2006, the CARDS programme¹⁰ provided Albania with approximately 278 million euro in financial and technical support (EUROPEAN COMMISSION IN ALBANIA, 2009).

Since 1998, Albania has experienced an important transformation that has lifted it into the ranks of upper-middle-income countries and has allowed a sharp reduction in poverty (WORLD BANK, 2010). Growth averaged more than 6% per year between 1998 and 2010 – the highest in Europe. The absolute poverty

⁹ Enver Hoxha was Albania's most prominent post-World War II leader, who ruled Albania for forty years. During this time, he introduced a unique command system which was to dramatically reshape Albanian economic and social policy.

¹⁰ The CARDS programme has been replaced by the new Instrument for Pre-Accession Assistance (IPA), as of 2007.

headcount rate¹¹ fell from 25.4% in 2002 to 18.5% in 2005 to 12.4% in 2008. This means that by 2008 roughly 200,000 out of about 575,000 poor people in 2005 had been lifted beyond the poverty line – this number was expected to be even higher by 2010, since the economy was steadily growing. The share of extremely poor people defined as those with difficulty meeting basic nutritional needs, decreased from about 5% in 2002 to 3.5% in 2005 to 1.2% in 2008. This decline is sharper than in most other transition- or middle-income countries.

Table 3-1: Rates of poverty reduction in rural and urban areas, 2002–2005 and 2005–2008

Poverty by Rural/Urban				Change in poverty	
	2002	2005	2008	% change 2002-2005	% change 2005-2008
Total population in poverty	813,196	575,659	373,137	-29	-35
Urban	257,690	151,811	150,052	-41	-1
Rural	555,506	423,848	223,085	-24	-47

Source: WORLD BANK, 2010

Becoming an upper-middle-income country signals an important shift with regards to the nature of challenges Albania faces going forward. Much of the recent growth can be attributed to a marked shift from agriculture to the service sector and manufacturing. This intersectoral redistribution of labour from low to higher-productivity activities is welcomed but it can only be a temporary means to boost overall productivity. In Albania, this process will eventually come to an end and growth will increasingly have to come from policies that support increases in intrasectoral productivity (WORLD BANK, 2010).

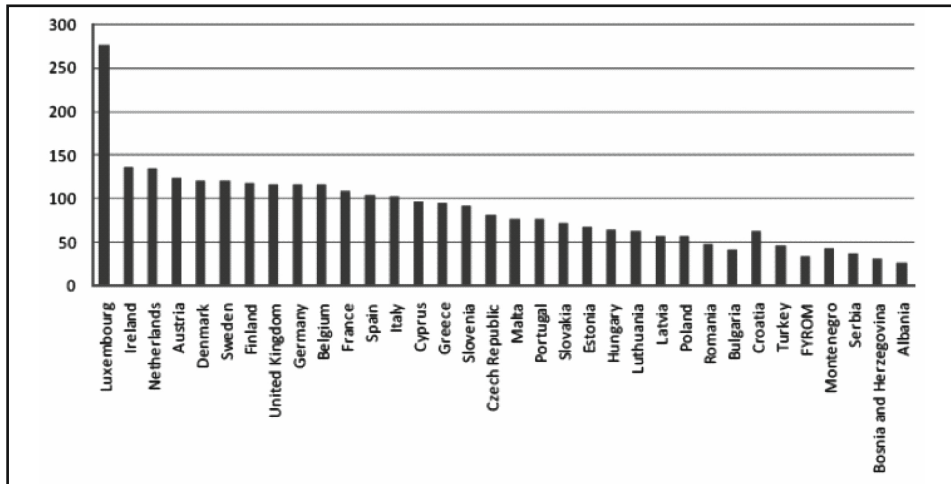
The stable environment created by a strong policy framework supported that major economical transformation in which resources were moved from agriculture and old-style industry to construction and service sectors. Albania became increasingly involved with the economies of its neighbour countries, resulting in a solid growth of exports but creating a growing trade gap, financed by remittances, privatisation receipts and some concessional foreign financing and Foreign Direct Investments (DEPARTMENT FOR STRATEGY AND DONOR COORDINATION. DSDC, 2008). Although the growth momentum was slowed somewhat by the global economic crisis, its effects were partly offset by an

¹¹ Fraction of the population whose real monthly consumption per capita is below 4,891 leke in 2002 prices.

acceleration of public spending in 2008 and 2009 (MINISTRY OF FINANCE, MOF, 2009).

Albania is lagging behind in terms of economic development, not only as compared to other EU countries but also most other candidate and potential candidate countries.

Chart 3-1: EU27 and GDP per capita in 2008

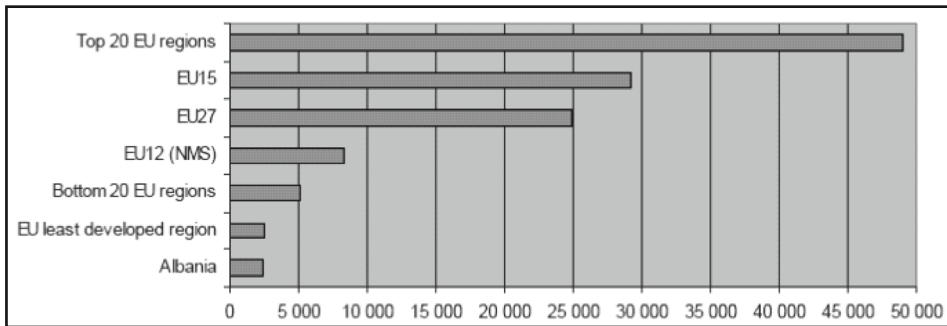


Source: STATISTICAL OFFICE OF THE EUROPEAN COMMUNITIES, EUROSTAT, 2009

Looking at the different categories of regions and countries in the EU and candidate countries, in terms of nominal GDP per capita Albania places:

- Close to the least developed NUTS II region in the EU – the North West of Bulgaria (96 % of its GDP per capita)
- At around 50 % of the GDP per capita of the 20 least developed regions in the EU
- At around 30 % of the GDP per capita of the new member states, which joined the EU between 2004 and 2007
- At around 10 % of the EU27, 9 % of the EU15 and 5 % of the top 20 EU NUTS II regions
- At around 88 % of the GDP per capita of Macedonia and 26 % of the GDP per capita of Croatia

Chart 3-2: *Albania's GDP per capita as compared to the EU in 2007*



Source: STATISTICAL OFFICE OF THE EUROPEAN COMMUNITIES. EUROSTAT, 2009

Meeting the EU standards in terms of the rule of law and the quality of public institutions will, in turn, stimulate investment and growth. The benefits of an EU accession lie as much in the improvements in institutions and the quality of government as in the direct benefits of market integration and financial resources available from the EU. As progress is made, the economic benefits of these reforms will be felt even before gaining EU membership status. Thus, as the government continues to make progress in these areas, businesses will start to enjoy the benefits of institutional reforms in the form of increased investment and economic opportunities. It should be made clear, however, that moving towards EU membership requires real progress (as opposed to only reforming the legal framework). In fact, it is the actual implementation of reforms that will be assessed before granting EU membership. Slow progress, then, will also slow the EU accession process (EUROPEAN COMMISSION IN ALBANIA, 2009, p. 12).

3.2 Defining regions

Essentially, a region is a part of the land surface of the Earth. In geographical literature, regions are often defined in three ways: as uniform, functional and administrative areas, respectively (DUNFORD, 2008). Most useful for economic development purposes are functional areas which combine places characterised by strong degrees of interdependence and strong complementarities. Examples include market areas that combine the market centres, where the function is performed, and the places in which the people who use those market centres

reside. A classical case is Christaller's (1933) theoretical account of the size, number and spacing of market centres and market areas in Southern Germany. Another example is a travel-to-work area, which combines places of employment and the places where the people who work in those places of employment live. As this definition implies, functional areas are essentially city regions.

The degree of emphasis placed on functional definitions of "region" varies. In part, this variation reflects the shifting relative importance attached to the research of regions: as self-contained entities in geography – in the regional tradition and more recent 'territorial' approaches to regional development studies (WRIGLEY, 1965) – and as places that can only be understood in terms of their relationships to other places – in the location tradition and in recent relational approaches to economic geography (PIKE, 2007).

Although functional definitions are the most useful from a scientific point of view, definitions for administrative purposes are the most commonly used. Once a regional division is put in place, it can acquire a historical justification, especially, if its development is associated with the creation of relatively strong regional identities and with the development of social movements that press for the preservation of the resulting regional entities. The opposite is also possible: the creation of new political and administrative arrangements and new regional divisions designed specifically to break with the past. A view of European development at large would reveal many striking instances of these two types of change, since the processes of political integration saw the creation of a European nation state system out of a patchwork of political entities and since the state system was itself successively modified through the interaction of further projects of integration, attempts to preserve the territorial integrity of existing states and attempts to preserve historical identities. Administrative regions can coincide with uniform regions, functional regions or neither. There are reasons related to the criteria that an administrative system should satisfy the need for functional sense. Yet, a framework in which administrative and functional regionalisation coincide is difficult to achieve in practice (DUNFORD, 2008; PARR, 2007), although a non-achievement in turn has important consequences for the rationality of administrative systems. In addition, it leads to functionally over- and under-bounded administrative areas with significant repercussions for the meaningfulness of widely used statistical indicators.

3.3 Albania's regional context

In Albania, there has been significant debate and confusion with regards to what exactly is meant by the term "region." Different criteria have been used for the subdivision of national territory into regions. They are usually split between normative and analytic criteria:

- **Normative regions** are the expression of a political will; their limits are fixed according to the tasks allocated to the territorial communities, according to the sizes of population necessary to carry out these tasks efficiently and economically and according to historical, cultural and other factors. In Albania, the two levels of normative region are "qark" (county) and commune/municipality.
- **Functional regions** are set up for a specific purpose; several countries have established functional regions for managing EU Structural Funds. The United Kingdom, for instance, does not have normative regions that fit the EU's Nomenclature of Territorial Units for Statistics (NUTS) II criteria. The EU has created functional regions grouping counties as normative regions solely for the purpose of programming Structural Funds. Even though "districts" are no longer officially Albania's normative regions, for data collection, on a statistical level, they are still regarded as functional or analytical regions.

There were three guiding principals for the adoption and practice of regional development policy and planning in Albania (KERN, 2001):

- The country's historical and socio-economic condition vis-à-vis development policies or directions taken prior to its adoption.
- The country's general physical, cultural and political features
- The Government's ongoing search for better administrative mechanisms.

A number of regions in the country lag behind the more developed ones in terms of growth, employment and provision of basic services to their growing population. These depressed regions, especially the rural areas, have proved to be trouble spots in the past. The rapid migration of population to a few urban areas of more the developed regions has resulted in serious employment-, housing-, health- and other congestion problems. This premature migration has turned urbanisation into more of an aspect of poverty than an actual symbol of growth.

3.4 General administrative and territorial background to regional development in practice

The territorial division of Albania is governed by law no. 8652/00 (on the “Organisation and Functioning of Local Governments”) and law 8653/00 (“On Administrative Territorial Division”). This legislation divides the country on two levels: into regions (qarks (counties))¹² as well as communes and municipalities. A “region” represents a territorial administrative unit with an average population of 260,605 (2004). Counties are subdivided into districts (but the latter ceased to be a normative subdivision of the country following the enactment of the two laws mentioned above). From an administrative viewpoint, the country is presently divided into 12 regions/qarks/counties (normative regions), based upon the abovementioned Albanian laws from July 2000 (compare map 3-2), 309 communes and 65 municipalities. The qarks/counties are divided into 36 districts, which represent geographical units formed by grouping communes and/or municipalities with common historical, geographical and cultural features. Communes and municipalities can be further divided into cities and villages, which represent the lowest administrative unit in urban and rural areas, respectively. Cities with more than 15,000 inhabitants are subdivided into municipal units. Communes and municipalities exist on the same administrative level. Commune boundaries cover rural areas, while municipalities correspond to urban areas.

The twelve regions were established with a threefold purpose:

- To optimize the provision of public services;
- To provide a platform for achieving a common interest shared by all or a group of communes and municipalities within the boundaries of the region. Inter-municipal cooperation is one of the means that works towards this end;
- To ensure the alignment of local, regional and national priorities and the harmonisation of local and regional policy with national objectives.

¹² We will consider regions, i.e. counties/qarks here; the same is true for regional development in Albania. The municipality of Tirana is also informally classified as a district.

Table 3-2: *The administrative division of the country in 2004*

Regions	District	Cities	Municipalities	Communes	Villages
Berat	3	5	5	20	245
Dibër	3	7	4	31	279
Durrës	2	6	6	10	106
Elbasan	4	7	7	43	397
Fier	3	6	6	36	278
Gjirokastrër	3	6	6	26	271
Korçë	4	6	6	31	345
Kukës	3	3	3	24	185
Lezhë	3	9	5	16	169
Shkodër	3	6	5	29	272
Tiranë	2	6	5	24	233
Vlora	3	7	7	19	195
Total	36+1	74	65	309	2,975

Source: INSTAT, 2004

The organisation, functions, duties and sources of revenue of the regional councils are defined in the law on the “Organisation and Functioning of Local Governments” (law no. 8652). Concerning organisation, it specifies that regional councils are composed of representatives of the communal and municipal councils. Within this body, a board is established whose members and executive posts of chair and deputy chair are elected in a majority vote by the councillors. The regional council approves the regional statute, in which the responsibilities and internal organisation are defined. The administrative structure of the regional councils may differ according to region, although the following units are usually present: public service, urban, finance, legal and land administration departments, cadastral and protocol offices, a programme and development office (in charge of strategy development) and a personnel department.

The Regional Council occupies an important position for decentralisation and regional development. However, proper capacity- and institution-building (including improved horizontal and vertical intergovernmental cooperation and donor coordination) is necessary so risks of having the resources without a mechanism to initiate delivery can be kept to a minimum. This could impede the

implementation of regional development strategies and could limit the ability of regional councils to perform their role as coordinators of the implementation of regional policies through facilitating cooperation among local governments and the central levels.

Ambiguity prevails with regards to the status of regions in Albania. As mentioned above, the regional council is not directly elected by the citizens of a respective region. The indirect election of the members of a regional council is stipulated in the Constitution (art. 110). International experience shows that an indirect form of representation at regional level means that the community members will lack democratic influence on the way local services are managed (MARINOV, 2004). This often results in a lack of accountability on behalf of the regional councils. The regional councils are perceived more as local government associations than in their intended role as an intermediary level of the government, allowing it to effectively promote regional development and facilitate cooperation among local governments. A closer look at the system of local government in Albania shows that the requirements on the regional level are also paralleled by a need for better coordination and planning.

Albania's local governments are characterised by significant disparities in size and capacity. This results in an inability of the local government (communes and small municipalities) to take responsibility for public services which require large or/and increasing scales of production and services. The challenge of fragmentation does not only involve economic efficiency but also the administrative and technical capacities of local governments for the provision of services in an efficient and effective way. As international experience shows, the fragmentation of local government systems is related to the extent of financial decentralisation (COMMISSION OF THE EUROPEAN COMMUNITIES, 2001). It is apparent that larger municipalities are able to carry out a wider scope of functions than smaller municipalities and communes.

In many cases the autonomy of the smallest local governments is also mostly symbolic, seeing as, in practice, they are unable to provide any of the important public services. Thus, the fragmentation of the local government system in Albania may act as a serious constraint for further decentralisation in the country as well as as an proper argument against decentralisation.

The above challenges have prompted a discussion among the Government and the Albanian think tanks about a revision of the administrative and territorial division of the country (TAEX MISSION and WOODS, 19–22 May 2008). The

main objective is perceived to be the following: a) overcoming the fragmentation, deepening regional disparities and differences in size and economic capacities; and b) adapting to the EU requirements of minimum population sizes for its regional development funding. Some of the possible strategies for consideration and further pursuit are: the amalgamation of local government units, the establishment of voluntary associations, the provision of incentives and technical support for inter-municipal cooperation and the establishment of planning-structural regions equivalent to those of the European NUTS (II-III).

Map 3-2: *The administrative division of Albania in 2007*



Source: MINISTRY OF ECONOMY, TRADE AND ENERGY. METE, 2007a

3.5 Regional development policy and reform¹³

At the moment, it seems regional development in Albania is associated mainly, if not exclusively, with decentralisation and the scope of action of regional (county) councils. Although this link is evident and, in most cases, inevitable, it should not lead to the assumption that regional development is the same as decentralisation or transferring competencies to a regional level (or its authorities). Decentralisation is only a means to an end and not an end in itself (WORLD BANK, 2004).

Drawing a line between decentralisation and regional development policy does not mean that they do not go hand in hand. The policy makers in Albania think that “*regional development policy can be designed and implemented in close coordination, not only with decentralisation reform and eventually administrative-territorial reform, but also with other major national policies and reforms*” (from the interviews with two Parliament representatives).

Development is more than the delivery of services and regional development policy should not only be associated with fiscal equalisation policies, uniform service provision regulations or the transfer of additional competencies and resources to individual regions (BACHTLER and YUILL, 2001). The distinguishing feature of regional policies is that they are pro-active socio-economic development policies with a specific regional focus. Interviewing the regional representatives, they suggested that regional development does not simply involve a reactive transfer of resources between regions, it rather has clear long-term regional economic development aims and explicit spatial objectives as well as involving active policy interventions at regional level to achieve these aims and objectives.

During the interview, the Albanian Government and the civil society representatives mentioned that, for many years, a lot of effort has been invested in the decentralisation reform, especially after preparations for and the adoption of the Decentralisation Strategy in 2007. Significant progress has been made in this direction, even though in many cases the results are perceived as unsatisfactory.¹⁴ Albania has committed itself to speeding up and deepening its

¹³ This part of the chapter has been elaborated based on the interviews we conducted with different actors regarding regional policy and reform in Albania.

¹⁴ This statement was made by one of the representatives interviewed from civil society, Mr. Rroji from FLAG NGO.

decentralisation effort focussing more on immediate actions on the local level and on strengthening the financial capacity and autonomy of local authorities (municipalities and communes), especially, as well as on increasing the mandate of elected officials from three to four or five years.

At first sight, we could mistakenly assume that the regional level of governance and, more broadly speaking, regional development and regional policy in general, have been neglected, disregarding the significant existing regional disparities and the perceived need for regional actions. In reality, such conclusions are misleading, because regional councils have in fact been established and are operational in the field. They are the leaders of regional development strategies, reflecting a new approach to development.

Judging by the interviews we conducted and the essence of the whole of the research material we have gathered that the approach to decentralisation and regional development policy in Albania is simply logical and in no way unique. In all post-socialist societies in Central and Eastern Europe (CEE), the first priority of decentralisation has been to re-establish and strengthen local self-government as well as to complete the most urgent macro-level reforms. The issue of regional policy, regional levels of government and, in many cases, the introduction of regional self-government did not appear on the political agenda until much later. Another common feature of CEE countries should be noted: in most cases, the formulation of a “national” policy for regional development has been led, if not initiated, by the prospect of EU accession and the related access to EU funds (EUROPEAN UNION. EU, 2006).

In most cases, the design of regional policy and especially the restructuring processes at regional level and the regionalisation (introduction of regional self-government or at least significant change in the administrative territorial structure) became a stumbling block to the reforms themselves (ILLNER, 1997). In the interviews with regional and Government representatives there seemed to be a common tenor regarding the fact that, in most cases, preparing strategies for decentralisation on a regional level and designing regional policies requires a significant amount of time; attempts to reach political consensus and implementing the process have not always exactly been straightforward and positive results could not always be immediately achieved. Therefore, the Government’s approach to not deal with the regional level of government and regional development policy immediately seems to be both, rational and practical, indeed this approach has been supported by the roadmap for decentralisation in

all World Bank reports after 2004. There are too many uncertainties, too many different experiences on the ground, too different and sometimes radical the proposals, sometimes even just not enough clarity, consolidated visions and consensus to attempt introducing significant and immediate changes; if any such steps were taken they might just not be sufficiently well-thought out or well-prepared, with all the negative implications that this might ensue.

However, this does not mean that the issue of conceptualisation of regional policy should be postponed to a “better” time. The discussion and preparation, as many of the interviewees pointed out, should start immediately so an agreement on specific political options can be reached that, when fully developed, could be implemented through legislative changes, establishing new structures and supplying them with the required resources, developing new systems and inter-institutional relationships, etc.

Regional development and regional policy design are often perceived as “experiments,” as processes of “learning by doing,” based on the feedback principle (MARAIS, 2001; MC GARNEY, 1999). A large number of initiatives have supported Albania’s experimental phase. Therefore, the conceptualisation of regional policy should be based upon the already existing and diverse experience the country has gained over the last few years, especially with regards to the development of regional development strategies and the transfer of new competencies to regional councils. It seems that it is the right time to consolidate this experience (on the basis of this assessment) and to mainstream it into national policy.

Regional development policy is a very new area of public policy in Albania. Formally, regional development is mainly counted among the duties of the Ministry of Economy, Trade and Energy (METE). The Directorate for Public Investment Programming is responsible for balanced regional development by harmonising sectoral and regional policies. The Directorate must also coordinate the preparation and implementation of economic strategies and programmes with the local government units. In reality, however, because of the absence of a national policy for regional development and a relatively low leverage as well as responsibility being placed on one line ministry the role of the Directorate in regional development is quite limited.

Consequently, there is no strategy or action plan for addressing the socio-economic disparities and regional inequities, which would allow for a more effective targeting of resources.¹⁵

Most of the twelve Albanian regions have already worked through one or more of the cycles stipulated in the Millennium Development Goals (MDGs)¹⁶ for the preparation and implementation of regional development strategies (HUMAN DEVELOPMENT PROMOTION CENTRE. HDPC, 2005). The quality and content of the strategies differ and are not compatible, since different methodologies were used for their creation. While some regions may find it useful to return to a step or a process that may have been skipped, for example consolidating multiple sectoral strategies into one overarching framework, linking regional priorities with NSDI, establishing forecast indicators, considering costs and potential partners, resource mobilisation strategies, etc., others may find it more necessary to focus on improving their data collection and monitoring system, operationalising the strategies, preparing action plans and identifying priorities and thus further pursuing implementation.

If growth in Albania is to be increased and sustained, investment in physical and human capital equally needs to be increased, innovation needs to be stepped up and information communication technology to be more widely used in order to boost productivity and employment. This, however, ought to happen not just in regions which are relatively more developed (e.g. Tirana) but throughout the country. Therefore far-ranging regional disparities should not be ignored. These differences stem from structural deficiencies in key factors of development and competitiveness; inadequate endowment with physical and human capital (i.e. infrastructure and skilled human resources), a lack of innovative capacity, of effective business support and low levels of environmental capital. Regions

¹⁵ It should be noted that, in most of the new EU member states, an inter-ministerial coordination body (i.e. council for regional development), was established at the national level to develop the regional policy and supervise its implementation and one of the ministries was authorised by the Government to coordinate the implementation of regional policy (DJILDJOV, 2002).

¹⁶ In order to unify the approach to regional development planning, a manual on the preparation of regional development strategies has been developed by the METE in cooperation with the UNDP since 2004. The manual outlines the methodology and promotes a unified approach to regional development planning. However, the manual gives little attention to the alignment of regional development strategies with the NSDI and other sectoral strategies and the links between regional planning and priorities/strategies of municipalities and communes are insufficiently addressed. The manual is also too complex and lengthy to be practically applied by civil servants on a daily basis. It should be noted that the manual only provides recommendations rather than necessarily being used for the development of RDSs in the respective regions.

need assistance in overcoming these structural deficiencies and in developing their comparative advantages in order for them to be able to fight poverty and achieve higher levels of human development. This, in turn, requires a regional development policy being established in Albania addressing the above challenges through targeted support and the creation of a supportive investment climate.

The Central Government should vigorously pursue a national cohesion policy to tackle disparities, whilst the donor community should respect national priorities and align its aid programmes with them. The financial support for underdeveloped regions will come from domestic and external sources, including Official Development Assistance, Foreign Direct Investments and, in the future, EU Pre-Accession/Structural Funds (DEPARTMENT FOR STRATEGY AND DONOR COORDINATION. DSDC, 2005).

Therefore, the need to establish a regional development policy in Albania is manifested by a number of reasons, as confirmed by a growing understanding among various stakeholders, including the business community, donors and central and local government institutions (represented by our interviewees).

Firstly, there is a need to upgrade the economic infrastructure in order to create an attractive and suitable environment for future investments. With regard to this, a number of difficulties has to be overcome: the obvious lack of resources and the legacy of the inherited administrative structures and practices by which investment planning is typically carried out by the ministries, with little concern for local and regional impact. Secondly, the issue of deepening regional disparities in Albania needs to be better addressed, which can be done through regional policy. Thirdly, compliance with the EU membership regulations requires a regional policy and respective institutions.

3.6 Legal framework for regional development

Experience from other countries suggests that, in order to be successful, a law on regional development should be complemented by a fulfilment of all preconditions necessary for its implementation (MARINOV, 2004). It seems that the main problem is not enacting the law but implementing it consistently and therefore designing it properly, with a view to implementation, especially in the case of the post-socialist countries. Without a relatively stable and comprehensive concept (framework) for regional policy design there is a significant risk and that this approach will lead to contradictory and politically

unacceptable solutions in the legislative process, having a single law on regional development or addressing issues of regional development in different laws.

It is difficult to find the appropriate legislative, institutional and technical solution while fundamental questions on the rationale, nature and scope of regional policy, as well as relevant instruments are still undecided yet. Experiences of other countries show that even language/terminology can be an obstacle to regional policy design,¹⁷ pointing to the fact that a “common language” and understanding needs to be established.

There is no definite answer to this dilemma and, if anything, any such answer would strongly depend both, on the issues which need to be addressed and on the general approach to legislation in the country. Moreover, an answer would depend on the answer to other fundamental questions. It is more important to address all relevant issues and to develop the legislation in a comprehensive way (i. e. the law should be complemented by most of the relevant secondary legislation, guidelines, etc.). Otherwise, there is a risk that there will only ever be vague (and differing) ideas on details and on their implementation,¹⁸ although agreement on general principles and legal statements would be less difficult to achieve. The current legal texts on the role and competence of regional councils are a good illustration of this risk (TUSHA, 2007).¹⁹

¹⁷ “Concepts, terminology, language and style prove to be an important factor of embarrassment. This is true for the dialogue within the country as well as for the dialogue with European institutions. Frequently, words and the use of certain expression are the main reason for mutual misunderstanding. This requires two changes: a common language between the professionals and institutions dealing with the problems in Bulgaria on one side and better knowledge of the language of European institutions (especially the European Commission) on the other. Key terms for which acceptance of a common interpretation is required are “region,” “regional,” “regional development,” “regional policy,” “decentralisation,” ...we should always be clear on what we are talking about (MARINOV, 2004).

¹⁸ The current legal texts on the role and competence of regional councils is a good illustration of this risk, as became apparent during most of the meetings and discussions I had with official Government representatives, such as Mr. Thoma Tusha, during the interviews.

¹⁹ One of the most important interviews with Mr. Thoma Tusha, director of the regional development unit at METE.

A special law addressing regional policy²⁰ should be initiated, stipulating the goals and objectives of regional policy, the institutional structure of policy implementation and monitoring and regional policy instruments. The law would define both vertical and horizontal regional policy measures. The vertical measures would cover state assistance for underdeveloped regions with specific development programmes. The horizontal measures would cover the implementation of the regional policy through other national socio-economic development instruments, such as the National Strategy for Development and Integration 2007–2013 (NSDI).²¹

The law on regional development should also aim at defining a uniform, standardised planning and programming approach, resource concentrated resources to fulfil the objective of regional development as stipulated in NSDI, partnerships, publicity and transparency at all levels, while carrying out the planning of programming, financing, monitoring and assessment; complementing financial resources from national public sources with other sources; vertical coordination and horizontal cooperation including inter-municipal cooperation, outlining the framework for planning and programming of regional development, including types of planning and programming documents such as NSDI, Regional Development Strategies, municipal and commune multi-year development plans, responsible bodies for implementation, monitoring and evaluation, the financial resources for actions supporting Regional Development Strategies, etc. (MINISTRY OF ECONOMY, TRADE AND ENERGY. METE, 2008).

However, as indicated in the European Commission report of 2009: *“Albania is now at a crossroads in terms of continuing to implement the present laws and regulations on decentralisation. Effective regional development policy needs a unified legal structure which provides clear guidance to policy makers and makes possible necessary actions at national and regional level”* (EUROPEAN COMMISSION. EC, 2009).

²⁰ The draft law sets out the statutory framework for establishing the National Programme for Development of the Counties (NPDC). It also emphasizes the various principles underlying regional development in Albania. These include partnership and co-operation, solidarity, equal opportunities, programming, co-financing, monitoring and evaluation, sustainability, transparency and local autonomy. The draft regional development law also includes a proposal for a National Agency for Regional Development (NARD) to promote and co-ordinate regional policy. This will involve advice on the development of national guidelines, oversight of regional development funds, support for developing capacity in the counties and local government co-operation within counties.

²¹ National Strategy for Development and Integration 2007–2013 is the strategic document for the Government of Albania, approved in March 2007 by the Council of Ministers.

3.7 The socio-economic disparities and regional development in Albania

Albania does experience significant problems with regards to regional disparity. Addressing regional disparities (e.g. typical focus on regional development policy) and especially designating some areas/regions as disadvantaged in order for them to be supported in some way is always a politically sensitive issue, namely arbitrary or evidence based decision-making. If regional development policy is to be evidence based (as it should be), regional disparities have to be measured and assessed not only at the policy stage design but also at the policy monitoring and evaluation stage. The method used for measuring, analysing and assessing regional disparities has policy implications with regards to:

- The territorial level
- The type of the indicators (simple/complex, selection relevant to the issues indicators, etc.)
- Data availability and reliability.

3.7.1 Regional disparities

The considerable differences in the social and economic framework of Albania call for a state regional development policy that is able to ensure a more balanced development of all regions, municipalities and communes. A common understanding on the level on which regional disparities are measured is needed. Both, common sense and research suggest that disparities on a lower level are usually more pronounced (e.g. disparities between individual municipalities or communes are inevitably bigger than disparities between NUTS II or NUTS III regions). This is evident for Albania simply when taking a quick look at the regional statistics. The practical approach in this section is designed to measure disparities on all territorial levels, as far as regional statistics allow this .

Before dealing with regional disparities in Albania it is important to emphasise that for this research a big inventory of data on various indicators was used, the majority of which was existing data from official sources, like INSTAT and especially the Offices of Statistics at region/qark level. Some data was more relevant and of better quality than other. Also, some additional work was needed with regards to data processing, comparison and analyses. We also used a composite of Regional Development Indexes (RD index), put together by a

team of UNDP experts²² (UNDP, EUROPEAN UNION and GOVERNMENT OF ALBANIA, March 2010).

The human development index (HDI) illustrates the significant disparities between different parts of the country (the capital Tirana: coastal, South Eastern – mountains: North Eastern, Central Region), as well as between different types of municipalities and communes. The average HDI in the region of Tirana is 0.830, while in the mountain area it is only 0.632. Differences between rural and urban areas, centre and periphery are also significant. 29.6 % of the Albanian rural population lives below the poverty line, for example, as compared to 20.1 % of the urban population (WORLD BANK, 2004). While disparities between the regions are noticeable, even greater differences in income, output, productivity and employment are observed among municipalities and communes.

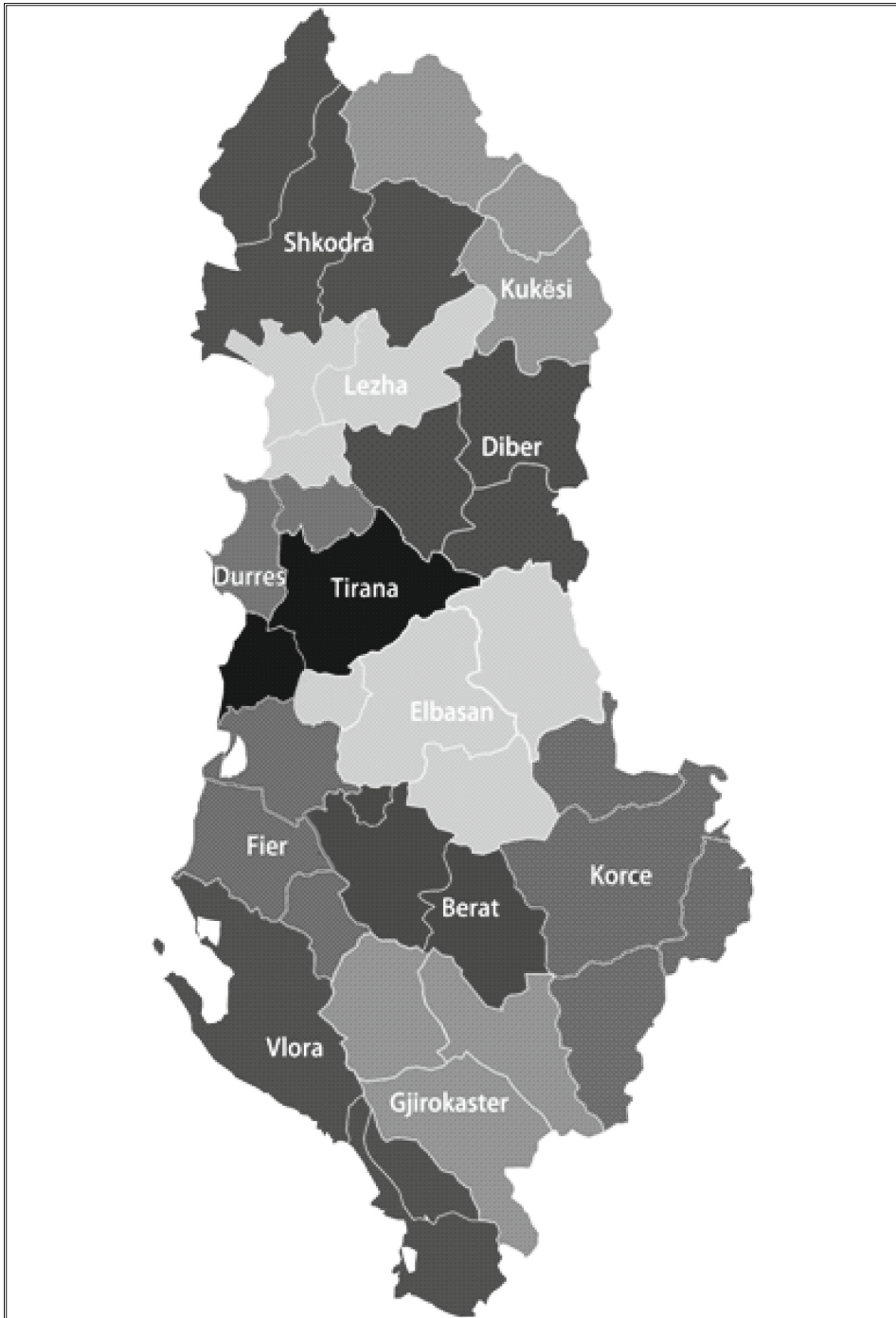
Table 3-3: HDI Regional disparities in the districts, 2002

County/Region	Population	Index of Life Expectancy	Index of Education	Index of GDP per capita (PPP)	Human Development Index	Rank according to HDI
High HDI						
Tiranë	597,676	0.825	0.928	0.713	0.822	1
Fier	382,483	0.825	0.914	0.626	0.788	2
Medium HDI						
Durrës	245,112	0.813	0.942	0.600	0.785	3
Vlora	192,739	0.835	0.915	0.543	0.764	4
Gjirokastrër	93,934	0.816	0.924	0.544	0.761	5
Elbasan	381,213	0.795	0.910	0.575	0.760	6
Berat	193,020	0.825	0.895	0.558	0.759	7
Korçë	265,125	0.802	0.918	0.551	0.757	8
Low HDI						
Lezhë	159,169	0.806	0.921	0.530	0.752	9
Shkodër	256,022	0.815	0.922	0.486	0.741	10
Dibër	189,854	0.798	0.907	0.497	0.734	11
Kukës	111,393	0.788	0.908	0.459	0.719	12

Source: MINISTRY OF ECONOMY, TRADE AND ENERGY. METE, 2007a

²² The project “Integrated Support for Decentralisation” is co-funded by the European Union and UNDP of Albania and implemented by UNDP in partnership with the Government of Albania and with technical assistance from ECORYS, OPM and the Co Plan-Consortium. The direct beneficiary of the project is the Ministry of Economy, Trade and Energy (METE), Albania. Project time frame: 2008–2010.

Map 3-3: *HDI Regional disparities in the districts, 2002*



Source: MINISTRY OF ECONOMY, TRADE AND ENERGY. METE, 2007a

Disparities at a glance

Regional disparity is present in an extreme form in Albania: Poverty is 66 % higher in rural areas than in Tirana and 50 % higher in rural areas than in other major urban centres (DEPARTMENT FOR STRATEGY AND DONOR COORDINATION. DSDC, 2008).

Tirana has a GDP index of 0.772 compared to a mere 0.252 for mountain areas and a Human Development Index (HDI) of 0.830 as opposed to the mountain areas' HDI of 0.632. The disparities are extreme: the unemployment rate in Kukës is more than 3 times higher than that of Tirana, for example; the county's poverty index for Kukës is more than twice that of Vlorë, people in Vlorë being 2.5 times more likely to have access to running water than those living in Dibër. Residents of Tirana are 2.5 times more likely to have access to check-up facilities than those in Kukës. Also, the drop-out rate from compulsory education is 10 times higher in Kukës than in Vlorë (MINISTRY OF ECONOMY, TRADE AND ENERGY. METE, 2007a).

Such massive internal disparities result in internal migration: between 2005 and 2006 alone, the population of Tirana increased by 137,000 people, that of Durrës by 45,000 people, while Dibër's population decreased by 43,000 (a 23 % reduction of the county's overall population) and that of Kukës by 30,000 (a staggering 27 % of the county's population).

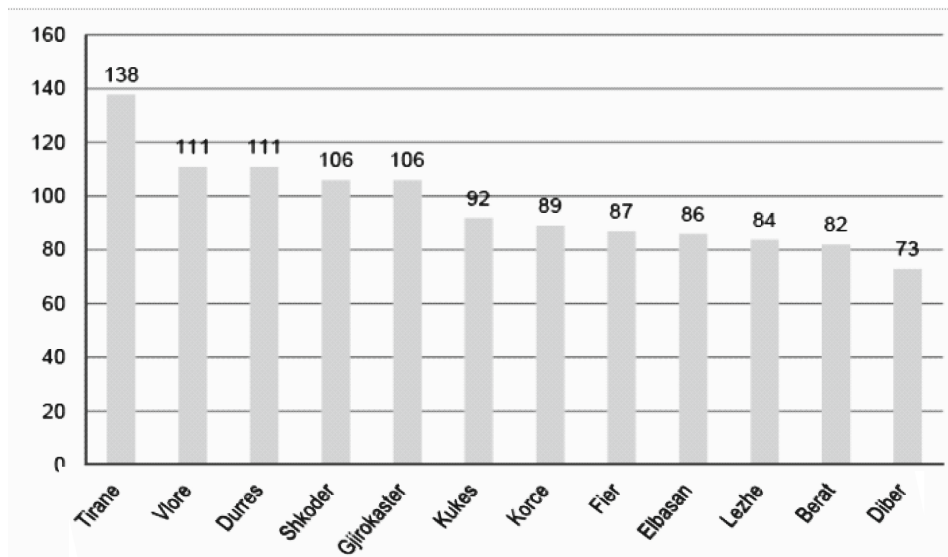
The level of regional development of the districts is monitored by the regional development index (RDI), which is calculated based on the following indicators: (i) poverty level above the national average in percent; (ii) level of the district's unemployment relative to the national average in percent; (iii) local government revenues above the national average in percent; (iv) access to water supply above the national average in percent; (v) number of health examinations above the national average in percent; (vi) level of compulsory education relative to the national average in percent (for regional development index figures see appendix 1).

The correlation between different aspects and values of the indicators leads to the following picture of regional disparities (creating a regional typology).

The analysis shows a clear pattern of differentiation/disparities at qark level. Some disparities have increased, others decreased over the last decade.

- Most developed qarks/regions: Tirana, Durres and, to some degree, Vlore. They can be described as: coastal, urbanised, non-agricultural, attracting population. Problems: unemployment, gaps in infrastructure and social services, jobs and pockets of poverty, social exclusion, environmental pollution.
- Least developed qarks: Kukes, Diber, to a lesser degree Lezhe, Shkodra, Gjirokaster. They can be described as: peripheral, mountainous, rural, smaller communes, agricultural, big gaps in infrastructure and social services, high poverty rates, depopulation.
- Intermediate qarks: Fier, Elbasan, Korce, Berat. They can be described as: coastal and/or mountainous, rural and partly urbanised, booming in certain parts and depopulated in others, poverty, gaps in infrastructure and social services, social exclusion and environmental pollution in certain parts.

Chart 3-3: *Regional development index for Albania, March 2010*



Source: UNDP, EUROPEAN UNION and GOVERNMENT OF ALBANIA, March 2010

The most pronounced disparities at regional level exist in the sphere of:

Economy:

- Credit given to businesses
- Foreign direct investments
- Local government units (LGU) own income
- Non-agricultural enterprises and newly established non-agricultural enterprises
- Unemployment
- Structure of employment

Social development:

- Families receiving social assistance/the poverty situation

Demography:

- Population change
- Population density
- Involvement of the population in the smaller LGUs

Location and natural conditions:

- Land-use structure
- Distance/travel time to capital and the regional centre
- Altitude.

3.7.2 Social, economic and environmental development and disparities, 2001–2008

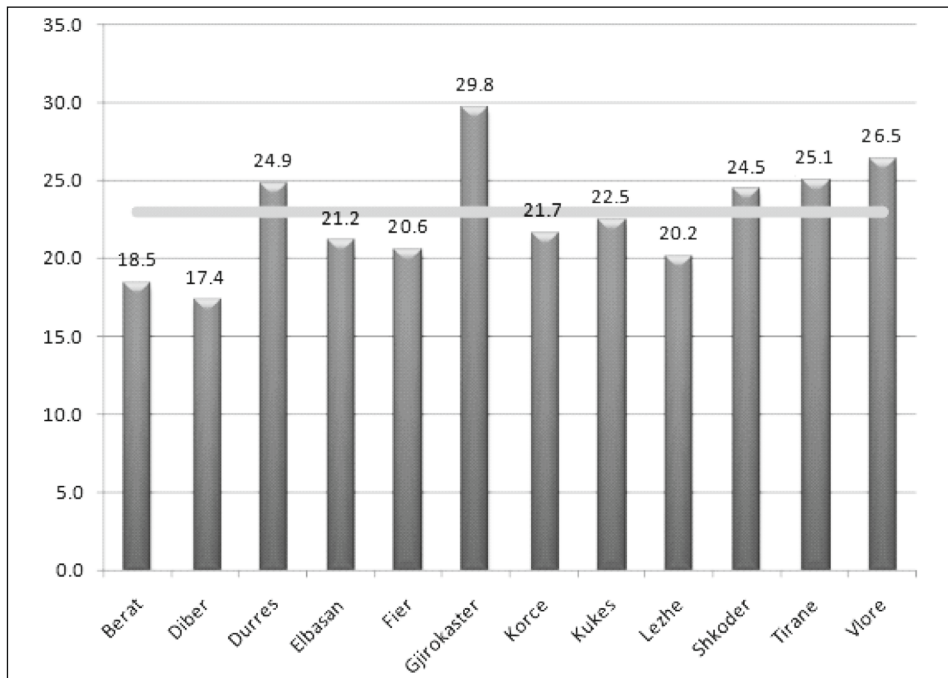
3.7.2.1 Economic development and disparities

The disparity in economic activity is reflected by the GDP concentration with Tirana generating 45 % of the country's GDP and Tirana, Fier, Vlore and Durres (four regions together) generating 74 % of the GDP.

Currently, there are noticeable differences in the GDP per capita among the qarks. In 2007 Albania produced an equivalent of 23 % of the EU27 average GDP per capita (PPPS), although some regions (Durres, Gjirokaster, Shkodra, Tirana

and Vlore) faired above country average and others below, Berat, Diber and Lezhe filling the bottom positions Looking at the same aspect from within the country, the distribution of per capita GDP lies in-between 76 for Berat and 130 for Gjirokaster (a 54 point difference). This represents a low-to-moderate level of disparity when compared to most regions in Europe, where the capital city is part of the analysis. The following graphic represents the disparities:

Chart 3-4: Consumption-based regional GDP per capita (EU27 = 100), 2008



Source: INSTAT, 2009a

Employment by sector shows a high regional variation. We can notice a decline of agricultural employment in all regions, although with differing speed. The main cause is a lack of other job opportunities in the face of demographic changes and, with reasonable certainty, the inherited economic structure. Only two regions can be specified as non-agricultural: Tirana (17% agricultural employment) and Durres (32%), although even in these regions, agricultural employment is comparatively high with regards to other European countries. Significantly above the average are Fier (66%), Berat (62%), Elbasan (59%) and Diber (56%). It seems impossible to sustain such high numbers of employment with modernisation in view in the medium term. As has been seen in previous

years, the consequences to be expected are: pressure on the labour market, high unemployment and a further migration of work force to more urban and non-agricultural areas, creating problems there. The registered unemployment in 2008 was 13.9%, a decline by 20% since 2001. The inter-regional variation is high with the regional pattern especially differing substantially from other economic indicators: very high unemployment rates are encountered in Shkodra, Durrës and Lezhe, while the lowest unemployment rates are found in Diber, Kukes and Berat. Reasons for this pattern can be found in the dynamics of unemployment: in 2001 it was declining in regions with high unemployment levels and declining less or even growing in other, more developed and urbanised regions. This is probably also linked to the problem of displacement, the movement of unemployed people from the more disadvantaged areas to the more advanced and urbanised areas, thus, as mentioned above, creating unemployment problems there. These issues are also linked to the overall growth of economically active population, increasing by 17% between 2001 and 2008, but with high annual variation and very high regional variation of growth leading to significant redistribution, the migration of active population evidently being the cause.

Chart 3-5: Registered and long-term unemployment by regions, 2001–2008

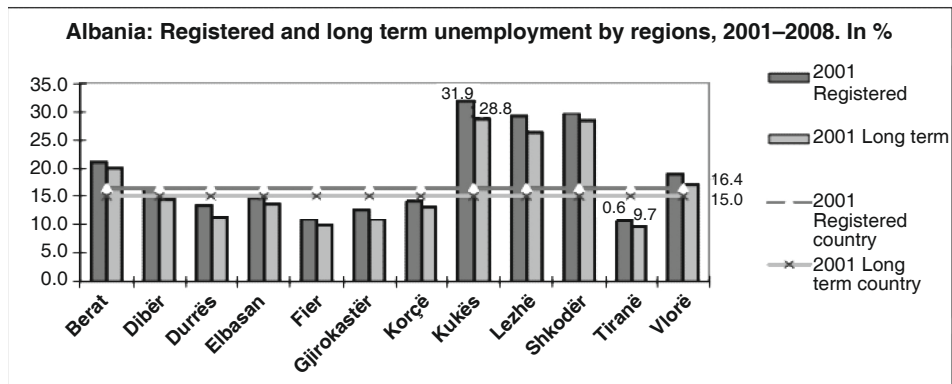
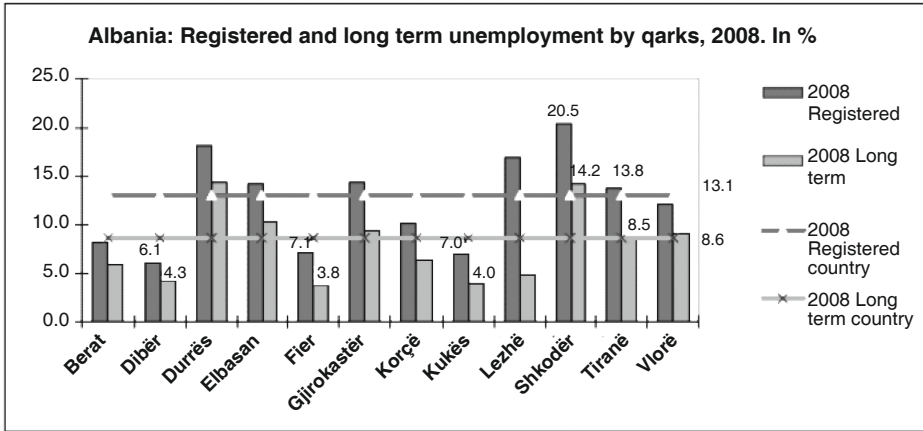


Chart 3-5: Registered and long-term unemployment by regions, 2001–2008
(continued)



Source: UNDP, EUROPEAN UNION and GOVERNMENT OF ALBANIA, March 2010

The rise in newly established enterprises (2001–2008) was especially high in many of the low-ranking regions from 2001, e.g. Shkodra, Fier, Vlore and Korce as well as Diber and Elbasan. The dynamics are lower for Tirana and Durres and very low in Kukes and Lezhe. Despite the changes, 50% of active, non-cultural enterprises are located in Tirana and Durres.

The overall position of the regions with regards to the economic indicators used could be divided in several groups:

- Tirana – outstanding with regards to most indicators
- Durres and Vlore – relatively high position
- Diber, Kukes and Lezhe – low position
- Shkodra, Elbasan, Korce, Fier, Berat and Gjirokaster – intermediate position.

3.7.2.2 Environmental status and disparities 2001–2008

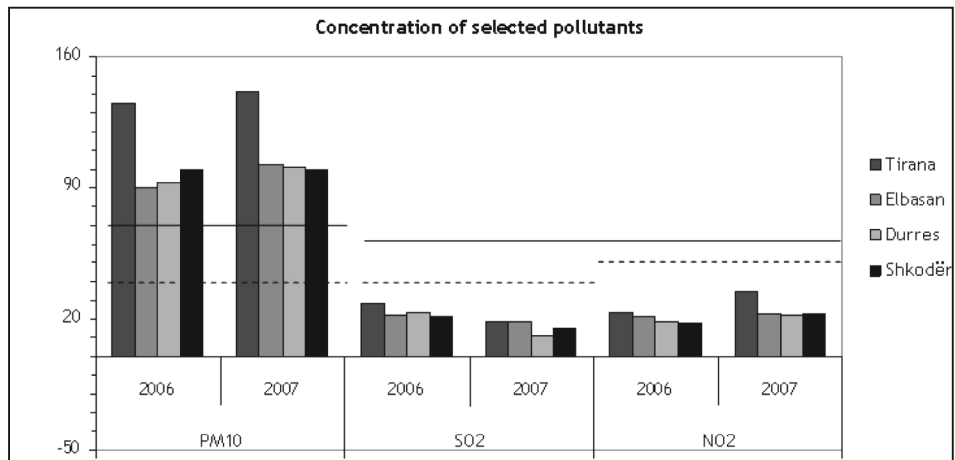
Urban waste: As regards the urban waste situation, there is significant differentiation; the main cause for urban waste is welfare/urbanisation. Regions with higher welfare and urban population generate more waste per capita. The six main regions generate 78% of the urban waste. Differentiation is ever-increasing; it is especially high in Gjirokaster (>100%), Vlore (79%), Shkodra (71%) and Tirana (35%).

Road density: Albania has a relatively high road density; a total 454 km/km² in 2008. This also has negative implications, of course. Roads need to be maintained and regions' budget capacity cannot cover this; it may also lead to inefficiency of the existing road network, most commonly in the mountainous terrain.

Cars/1000 inhabitants: Given the economic development and the overall welfare, the number of cars per inhabitant has significantly increased, e.g. Tirana (+164%), including in those regions with low economic indicators, e.g. Diber (+133%) and Kukës (+106%).

Pollution: A number of critical factors influence the quality of air in urban areas. The most important are the emissions from vehicles at traffic nodes (such as bus stops and airports) – particularly in Tirana – which produce high levels of air pollutants and a high concentration of dust particles. The graph below compares the annual average concentration of selected pollutants between 2006 and 2007 for four cities to the Albanian Standard norms and those of the EU (DEPARTMENT FOR STRATEGY AND DONOR COORDINATION. DSDC, 2009a). The three indicators are: PM₁₀ (respirable suspended particles, RSP) – dust resulting from the combustion of oils and construction activity; SO₂ (sulphur dioxide) – a pollutant mainly resulting from the combustion of oils in vehicles and industrial activity and NO₂ (nitrogen dioxide) – a pollutant produced during the combustion of oils in vehicles.

Chart 3-6: Concentration of selected pollutants, 2006–2007



Source: MINISTRY OF ENVIRONMENT, FOREST AND WATER MANAGEMENT, 2007

The Tirana region remains the most problematic in terms of the PM_{10} -levels; here PM_{10} -levels are twice as high as the norm. The PM_{10} -levels in Tirana city exceed the permitted values on various levels. In the region of Elbasan, an industrial area, and specifically the Elbasan city area, the PM_{10} -level is 2 % and 30 % above the norm, respectively. The same PM_{10} -levels have been measured in the regions of Durrës and Shkodër, between 2006 and 2007, with values exceeding the permitted norm by 20–25 %.

Percentage of population with access to water: In this field the general improvement rates were very low (a mere 3%-increase between 2001 and 2008) with significant differences between the individual regions. While Gjirokaster, Kukes, Lezhe and Tirana were improving by 10–40 %, the water situation in Fier, Berat, Durres, Elbasan and Diber worsened (-3–13 %).

The Government of Albania already passed all of its responsibilities with regards to water supply companies on to local government as part of the Cross-Cutting Decentralisation Strategy (UNITED NATIONS DEVELOPMENT PROGRAMME, Millenium Development Goals , 2008). Other dimensions of the reform, such as the price reform, improvements on management level of water supply companies, etc. are yet to be fully developed. The two-year government plan for the implementation of the water sector reform, which followed the transfer of the management of the water sector to local government, was supposed to address the remaining aspects of the reform of the water sector. A subsidy scheme designed to help poor families pay the increased prices layed out in the reform will complement the process. Drinking water safety, the pollution of sea and lake water by untreated sewage and shortages in the supply of drinking water remain unsolved issues, however.

3.7.2.3 Social development and disparities, 2001–2008

Poverty: Poverty levels in Albania are still high (12.4 % in 2008), although they have more than halved over the turn of six years (25 % in 2002). Poverty in Albania seems to be related more to location (altitude and degree of peripherality) than to urban or rural character. The different dynamics of poverty have lead to a contradictory trend with regards to its regional differentiation. Urban areas in general have shown a significant decrease between 2002 and 2005 (25% to 17%), while rural areas generally showed less of a decrease for the same amount of time (25 % to 15 %, 2005–2008) (INSTAT 2009a). In mountainous areas however, after the initial decrease in poverty between 2002 and 2005 (44.5 % to 25.6%),

a slight increase was observed for the following three years (25.6% to 26.6%, 2005–2008), largely mirroring the increase in poverty levels of rural areas (27.7% to 29.8%). Regional level data shows that, while there is a higher concentration of “poor” municipalities and communes in the worst performing regions, the distribution is quite disperse, i.e. “*poor local government units can be found in all regions.*” The poverty level is highest in Diber, Kukes, Lezhe, Shkodra and Elbasan (between 125% and 168% of the average) and lowest in Vlore, Gjirokaster and, more generally speaking, the central and southern regions, including Tirana (92%) and Durres (98%). Poverty levels are usually related to overall economic development and structure, job opportunities and the related levels of income by type of occupation as well as social policies. In Albania, however, they are obviously also significantly influenced by location and geographical condition and, to a lesser degree, by degree of urbanisation.

*Families receiving social assistance:*²³ The number of families receiving social assistance decreased significantly, by roughly 34% between 2001 and 2008. The highest decline (meaning improvement) was measured in Durres (-59%), Vlore (-54%), Berat (-45%) and the lowest in Kukes (-21%), Lezhe (-23%) and Diber (-30%).

The dynamic of families receiving social assistance (SA) per 10,000 shows that, in some regions, there was no significant decrease, while in some numbers were even increasing, by roughly 36% in-between 2001 and 2008.

The main causes for this development are the decentralisation of social services (transfer from national to local government) (EUROPEAN COMMISSION. EC, 2008a), improvements in the targeting of cash benefits to expand the use of work conditions placed on the receipt of cash benefits; institutionalisation of the relationship with NGOs as providers of social services, the gradual transformation of residential services to mobile and community based services, guaranteeing a minimum quality of social services according to standards.

Education: A general trend of improvement as well as a general convergence can be observed on the educational level. Still, regarding secondary education (more than nine years of school), regional disparities are clearly visible.

²³ The Social Assistance Distribution Scheme is a major instrument that offers minimum guarantees in support of poor families. The number of poor households is identified through poverty maps, which, for each municipality/commune, indicate the percentage of population and number of households living with less than US\$ 2 a day per person. Social assistance (Albanian: Ndihma Ekonomike, NE) is allocated based on poverty maps and LSMS 2002/2005 indicators provided by INSTAT.

In relative terms, numbers of enrolment for primary education (8-9 years) are satisfactory (93% in 2008) and have slightly increased compared to those from 2001/2002. The absolute number of pupils, however, is decreasing by an average of 12% in all regions except Tirana (+13%): this can be interpreted as a threat of school closures for many regions in the future – an extremely potent reason for leaving such communities. The highest decrease in numbers of pupils are prevalent in Gjirokaster (-31%), Berat (-28%), Diber (-23%), Fier (-21%), Elbasan (-21%), Korçe (-18%), Kukës (-16%). The regional differentiation of enrolment at primary education level is relatively low. The main exception is Gjirokaster (70% enrolment as compared to national average in 2008/2009, almost no change), where low enrolment rates are explained by the prevalent type of agriculture (animal breeding).

Enrolment at secondary schools (more than 8/9 years) shows much more fluctuation as well as different regional patterns. The number of enrolled students increased by more than 70% between 2000/2001 and 2007/2008 (from 105,000 to 177,000). The enrolment rate reached 63% (as compared to 41% in 2001) and all regions showed increases in enrolment numbers of at least 20% (Gjirokaster, Korçe) Vlorë and Berat showing the highest increase (+117% and +85% respectively); still these level seems relatively low. Regional differentiation hardly worth noticing (numbers usually vary between 90 and 120% of the average), however there are some extreme cases like in Durrës (48% or 77% of the average respectively).

Albania's tertiary education system is largely based on traditional academic programmes and there are significant attempts to increase institutional diversity. There is only one public comprehensive university in Albania: the University of Tirana and two other specialised public universities: the Tirana Polytechnic and the Agricultural University of Tirana, all of which are located in the capital and dominating the system as a whole in terms of enrolments and resources. The six regional public universities started as small institutions with low enrolment numbers, traditional academic programmes and weak responses to the demands of the regional economies. Yet, the system has begun to evolve considerably and some of the regional universities have started to develop specialised academic profiles. Other universities are trying to develop stronger ties with the regional economies and the labour markets. In addition, Albania now has 35 private higher education institutions: 32 are based in Tirana and 3 in other regions.

Health: A recent review of the sector (DEPARTMENT FOR STRATEGY AND DONOR COORDINATION. DSDC, 2008) identified numerous issues that call for intervention, such as regional imbalances in the distribution of inputs, low utilisation of primary care facilities, low skills of primary care physicians and nurses and low admission and occupancy rates with some hospitals. There are major inequalities in health outcomes across the country, particularly in the area of maternal and child health that call for improved quality of prenatal and obstetrical care. The index of hospital beds per 10,000 inhabitants is at a low level if considered in the European context, without any significant changes between 2001 and 2008. This indicator does not follow the significant redistribution of population; any changes seem to have mainly matched the dynamics of (regional) population rather than changes in health care facilities. The highest decrease in hospital beds was found in Tirana (-36%) and Durres (-32%), the highest increase in Kukës (+65%), Diber (48%), Gjirokastër (48%). Causes for this development are the inherited highly insufficient structure combined with a significant redistribution of population during that period and (probably) a non-flexible health care policy.

General conclusions on social cohesion

Data on social cohesion is incomplete, some sets are missing or most likely wrong, some indicators outdated, etc. It might be risky (and disregarding the mortality rate) to say that Tirana, Durres, Vlore are the most well-off of Albania's regions and Kukës, Diber the most disadvantaged – Lezhe and Shkodra to a lesser degree.

3.7.2.4 Population development and disparities, 2001–2008

During this period the population has changed, clearly dividing the regions in two different groups. The first one: the population of Tirana, Durres and Vlore were growing significantly, while the second group (the remaining nine regions) was significantly losing population.

Population density and dynamics: Tirana possesses the highest population density (434% of the average), with Durres (383%) and Fier (178%) following up; these three regions combined account for 47% of the overall population. All other regions are below national average figures being especially low in Kukës (30% of the average), Gjirokastër (32%), Diber (49%), Shkodra (62%) and Korçë (63%). Yet, this still makes for an overall positive dynamics of 1.8% of total growth of the population between 2003 and 2008. However, the population (and density)

dynamics are increasing unevenly: mainly in Tirana (+25 % for 2003–2008) and to a lesser degree in Durres (+12 %) and Vlore (+5 %), with all other regions declining – most significantly Kukes (-25 %) and Diber (-20 %). The main cause is the rapid re-distribution (migration) of the population concentrating on a limited number of regions in the central coastal area (especially Tirana and Durres), which in turn has negative implications for both, the receptive areas (e.g. congestion, strains on infrastructure, need to develop infrastructure, etc.) and the emmitive areas (e.g. depopulation, loss of labour force, etc.). Obviously, population density and growth are influenced by a combination of altitude and location as well as urbanisation levels, although the underlying cause is most likely a combination of economic development and the structure of regions, job opportunities, education opportunities, etc.

3.7.3 Instruments to address regional disparity

Albania does experience significant problems of regional disparity. It has been identified the need for an integrated, coherent regional policy based on its growing concern over the widening gaps in socio-economic performance between different parts of the country. There is an imperative to ensure that all areas of the country are capable of competing in the EU single market. Significant consultation with national, regional, municipality and commune level stakeholders are undertaken and a Regional Development Crosscutting Strategy (RDCS) was drafted and finalized by November 2007 (MINISTRY OF ECONOMY, TRADE AND ENERGY. METE, 2007a). The Ministry of Economy, Trade and Energy has designated and currently leads the strategy.

The latter is considered as a key integrated document in guiding the coordination and orientation of sectorial policies for economic growth and sustainable development by mobilising economic and human potential and mitigating economic and social development disparities among regions. The implementation of this strategy includes: (i) the design and implementation of development strategies and programmes for districts (qarks) in line with the country's development priorities and (ii) the implementation of national regional policies harmonised with EU regional policies supporting the achievement of Millennium Development Goals on regional development. Two programmes based on this strategy will enable all regions to contribute to sustainable development and competitiveness: The *National Programme for the Development of Counties* and the *Disadvantaged Areas Development Programme*. The Government's calculation of support for the regions is primarily based on

population size but includes an additional geographic coefficient which ensures special support, if the county is hilly or mountainous.

Instruments to address regional disparity

The *National Programme for the Development of Counties* will introduce new elements into regional policy:

- A single policy framework for the socio-economic development of counties, taking into account their specific development needs;
- A new partnership between national, county municipal and commune stakeholders, the *County Partnership Council*;
- A single socio-economic development programming document for the county, the *County Development Strategy*, and a single local agency to coordinate its implementation, the *County Development Agency*;
- The concept of *County Development Agreement*, an agreed multi-annual strategic, operational and financial plan setting out central government support for development priorities in each of the counties

The *Disadvantaged Areas Development Programme* will aim at eliminating disparities between disadvantaged areas and the Albanian average by enabling national, regional and local actors to collaborate to maximise the development potential of those areas. Its key features will be:

- A standardised basis for defining regional disadvantage through use of an agreed model of the level of socio-economic development;
- The designation of disadvantaged areas for a period of 5 years;
- A Government Plan for the Development of the Disadvantaged Areas and the allocation of a special budget line in order to operate special support schemes for both disadvantaged qarks and disadvantaged communes and municipalities

Source: MINISTRY OF ECONOMY, TRADE AND ENERGY. METE, 2007b

Between 2008 and 2010, the initial steps were undertaken to implement the strategy and its action plan. Debates and efforts in this area were focused on the establishment of institutional structures (see appendix 2 on the establishment of regional development funds and appendix 3 on donor support for regional development in Albania) while the preparations for a basic legal framework for the implementation are still lagging behind.

3.8 Aligning regional policy to EU-access and regional development policy

The Albanian society and Government are working towards EU integration. Many of the proposals in the area of decentralisation and regional development are hence justified by a need to comply with EU requirements. Especially strong emphasis is put on the need to re-organise Albania's administrative-territorial structure and to strengthening it on a regions which is a pre-condition for receiving support from the EU. This is not a uniquely Albanian phenomenon and the experience of other countries in CEE could provide valuable lessons, reporting about real mistakes.

The organisation of the state, the distribution of power between the different levels of government and the specific competencies of these different levels are internal affairs, meaning the EU does not intervene. If there are any requirements for decentralisation, they are related to the broad principles of good governance and subsidiarity, specific decisions related to their implementation, on the other hand, are the full responsibility of the national authorities. The European Union has no specific requirements as far as decentralisation is concerned and does not have a model for decentralisation, a common theoretical frame, or an optimal degree of decentralisation to which a country has to subject (DJILDJOV, 2002).

Outside of the programmes co-financed by the EU, there are no specific EU laws, regulations or requirements on how a country should conduct its regional development policy and planning (KERN, 2001). There is nothing called "EU regional development policy" as such, nothing that would stipulate specific rules and regulations with which Albanian regional development policy would have to be aligned. Usually this term is associated with the EU's regional policy (recently more commonly referred to as the "broader cohesion policy") and its instruments (especially the Structural Funds and Cohesion Fund) for supporting development in less developed regions and countries. It is true that the EU

cohesion policy, implemented by the Structural Funds (SF) and the Cohesion Funds has a strong impact on national policy. This is due to the requirements of the treaty (art. 159) which demand the coordination of national economic policies with the EU policy to ensure economic and social cohesion. Moreover, a significant share of public investment is ensured by SF contribution (25–70 %) in the eligible areas of the less developed member states, which effectively makes this support a driver for the national policy in the respective areas (MARINOV, 2004). However, all this is only relevant for member states or states about to be granted membership to the EU, which had to also prepare before receiving this support (i. e. several years before accession).

The EU cohesion (regional) policy is dynamic, especially in relation to specific details of the operation of its instruments; changes are always strongly dependant on enlargement efforts. The design of this policy has been thoroughly discussed prior to the EU's biggest enlargement in 2004 – although no one outcome could be fixed as a result. The proposed changes have already been put down in the third cohesion report as well as the set of draft regulations for structural funds and the strategic guidelines for the cohesion policy for 2007–2013, which still needs to be put into practice (COMMISSION OF THE EUROPEAN COMMUNITIES, 2005). Although the proposed changes are not radical (as the reform of 1988 was, for example), they are significant changes. Almost certainly, new changes will be introduced over the next programming periods but for right now it is quite uncertain what exactly these changes will be. Generally speaking, there is a trend towards decreasing the role of the regions as the basis for structuring the EU support and increasing the emphasis on disparities between countries taking the sector approach to intervention as evidence – by the approach of the Cohesion Fund, for example, the joint operational programme for all regions in new member states, etc.

In addition, the term “Euroregions” complicates matters in Albania. It seems that in most cases this term is inappropriately associated with NUTS II regions. Euroregions is a different concept however, mainly used for cross-border cooperation and is based on a legal agreement between the regions of the two or more respective countries. These Euroregions are usually based on legal instruments developed by the Council of Europe, especially the outline convention on cross-border cooperation and its protocols (COUNCIL OF EUROPE, 1980).

There are no specific or direct EU requirements for Albania's regional policy (EUROPEAN COMMISSION. EU, 2009). The existence of such an understanding and the ensuing arguments are due to mixed signals sent in these requirements and their even more unclear interpretation. Experience in other countries shows that the “EU requirements” argument could even be used to justify decisions for which it is difficult to find arguments otherwise. Alignment with EU regional policy should be interpreted in a more flexible manner: not as a specific (technical or legal) set of rules and requirements which must be followed but mainly as a set of concepts, principles, approaches and practices.

The experience of other EU member states has shown that the application of principles and methodology at the basis of the EU Structural Funds support to regional development planning and measures which are financed purely through national funds²⁴ can be quite useful. For Albania, this means applying the principles and methodology in general (and not with all related details not relevant out-side the EU support context). The key principles, that have been at the heart of the Structural Funds since 1988 and that have “survived” all reforms include: programming, coordination, concentration, partnership, co-financing, additionality. For regional and local actors, the most important of them (but also the most difficult to apply) probably is the partnership principle. It should be emphasised that partnership is perceived not only as a formal principle (requiring the involvement of the European Commission, national authorities on different territorial levels and social partners in different programming and monitoring bodies) but also as a value and way of working (“culture”) requiring relevant stakeholders to be involved in real joint decision-making and joint operations. Programming means that interventions are carried out not in isolation (i.e. single projects) but in the framework of a well designed, comprehensive and coordinated programme that operationalises strategies. Another good practice inspired by the Structural Funds is the emphasis on monitoring and evaluation.

The alignment of Albanian regional development policy with EU regional (cohesion) policy could mean the adoption and use of some of the underlying concepts that are also mirrored in the pre-accession support e.g. *Balanced Regional Development*: Cohesion policy is about addressing significant and

²⁴ As an extreme example Ireland could be mentioned which since 2000 coordinated all its national investments with the EU co-financed investments in the National Development Plan (although EU supported investments only make for 10 % of the total financial resources committed within the NDP).

unacceptable regional disparities and helping less developed regions to catch up with the developed ones. It is based on the understanding that the benefits of integration are not evenly spread and that some of the regions are disadvantaged because of their location, economic structure, natural conditions or other reasons.

The experience with Structural Funds indicates that their successful use and impact towards the development of strong national policies with respective responsibilities, instruments and delivery mechanisms are key. In fact, Structural Funds are not meant for funding new actions or policies but providing additional financial resources for existing national policies. Therefore, the alignment to EU policies and establishment of conditions to take in EU support in an effective and efficient manner could and should be interpreted as the development of potent national (domestic) policies and institutions able to implement them (including but not limited to regional development policy). Generally, this is relevant for Pre-Accession Support, too, although it could support development of alike policies where they do not exist or are not very potent. The EC delegation in Tirana (EUROPEAN COMMISSION. EU, 2009) reconfirmed that the key pre-condition for regions' (i.e. regional councils') access to EU support is their capacity to handle funds: to plan and use the funds properly – to be held accountable for them.

In addition to the above, a key lesson from other countries' experience is that *“EU support should be earned”*²⁵ – the government (and other actors, e.g. local authorities or regional councils) need to invest significant effort and, in many cases, their own money to prepare for and finally receive the EU funds; this is not purely related to co-finance (matching funds) but also to the development of absorption capacity in general (BAILEY and DE PROPRIS, 2006).

Albania will have to introduce the NUTS classification – and the time frame for this seems to be rather clear. Although this task is becoming urgent and could be completed over the next two to three years,²⁶ at least preparations have started. The NUTS classification is an important tool for harmonising statistics on a European level and to allow for a comparability of the collected data. Although the classification is used to define the eligibility of regions for support

²⁵ The approach of “earning EU money” is popular especially in Ireland, which is known for its success in receiving massive EU support.

²⁶ According to the Ministry of European Integration, there is a SAA commitment to introduce the NUTS in 2013.

(member states only) as well as for the application of state aid rules (again, for member states only), its main purpose is a contribution to the statistics (relevant to non-member states also). Applying the NUTS classification means dividing the national territory on several regional (area) levels according to criteria concerning the size of the regions, using the existing administrative-territorial division (as opposed to re-organising the domestic division in order for them to fit the NUTS framework). Until recently, there have not been any explicit criteria for the size of the regions on different levels; however, these criteria were introduced with a regulation adopted in 2003 (EUROPEAN COMMUNITIES, 2003). Given these criteria, Albania could have been divided into two, three or four NUTS II regions, although the option to define the whole country as one NUTS II region should not be excluded.²⁷ There is therefore no EU regional policy or regulations which must be transposed into national legislation. Regional policy is viewed as an internal matter under the subsidiarity principle.

²⁷ This has been done for smaller countries like Latvia, Slovenia, Estonia and Ireland until 2000, etc.

The NUTS classification

A European regional policy was first put into place in the early 1970s. At that point in time a geographical division of the Community's territory was required for the analysis of regional problems, the design and implementation of this new policy (including decision making about the eligibility for regional aid) and the compilation of harmonised regional statistics as a foundation for analysis and policy decisions. The result was the establishment of the Nomenclature des Unités Territoriales pour la Statistique (NUTS). The NUTS is intended to provide a single uniform division of the EU territory into a hierarchical set of statistical regions. The current NUTS system is a three-level hierarchical classification of regions:

NUTS LEVEL I (3,000,000–7,000,000)

NUTS LEVEL II (800,000–3,000,000)

NUTS LEVEL III (150,000–800,000)

In 2003, the Gentlemen's agreements between the member states and Eurostat to establish NUTS classifications ended with the approval of a NUTS regulation. The regulation calls for the use of objective criteria for the definition of regions, the stability of the nomenclature (laying down clear rules for the management of change with views to preventing changes in the classification during negotiations over the allocation of regional assistance) and comparability in the sizes of the populations of areas at each level of the hierarchy

The reasons for the choice of national administrative arrangements as the foundation for the NUTS classification are absolutely clear: on the one hand, data for these entities is produced at member state level, on the other hand, sub-national administrations play an important role in the design and implementation of EU-funded regional development pro-grammes

Source: EUROPEAN COMMUNITIES, 2003

3.9 Assessing the NUTS classification for Albania

The question now is what the best situation for Albania would be in relation to the delineation of especially the NUTS II regions in Albania. The following aspects should be taken into account when considering the number of NUTS II regions in Albania.²⁸

3.9.1 GDP per capita

Albania currently has a GDP of 27% of the EU27 average (2007, in purchasing power parities). It will take a good few more years before the Albanian GDP will have reached the threshold of 75% of the EU average. When this threshold is met, less support (in the current policy context) from the EU Structural Funds will be available. As may naturally be expected, the GDP in the Tirana/Durres region will develop much faster than that of Albania as a whole. As long as this fast(er) development does not lead to Albania surpassing the 75% threshold, there is no real problem. However, if should the 75% threshold not be surpassed by the fast development of the Tirana/Durres region, then maybe dividing Albania in more than one NUTS II region is not a bad idea at all, after all it would maximise the EU support for Albania.

It has to be clear that separating the most competitive region (Tirana/Durres) into NUTS II regions can have detrimental effects on the whole national economy. This region, after reaching said 75% mark (relatively quickly), would lose its competitive position amongst the capital Balkan regions that attract high direct investment because it would be cut off from the (maximum) Convergence Assistance under the Structural Funds.

3.9.2 NUTS II thresholds

Albania has a current population of ca. 3.2 million (in terms of resident population ca. 4.1 million) (INSTAT, 2009b). The actual population number is surpassing the maximum number set down in the indicative EU NUTS II guidelines. Lithuania is one case in the EU where a country of similar size, population and surface to Albania is considered one NUTS II region. However, the new population census (2011) will make it clear that the actual number of

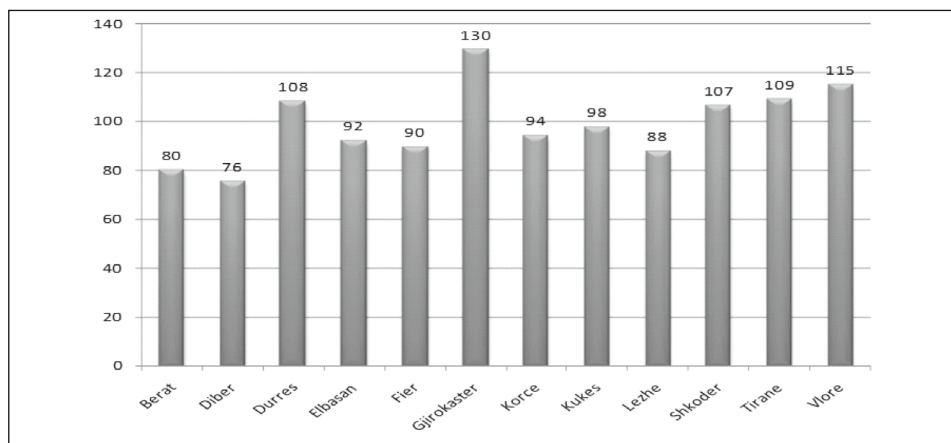
²⁸ It should be noted that INSTAT has a good understanding of the issue, although it seems that this understanding is not communicated broadly enough to policy makers.

inhabitants of Albania is higher than the current population number suggests creating even more pressure to have several NUTS II regions.

Thus, the first two aspects are the crucial elements that will have to be taken into account when considering NUTS II classifications for Albania. Further analysis will be needed to provide a good basis for discussions, both in Albania and with EC institutions.

While it is clear that the country needs to align its statistical services with the EU standards, it is not obvious which choices are optimal with regards to NUTS II delineation. The main considerations for the NUTS-classification in Albania are linked to Albania's future welfare level (GDP) and especially that of its capital regions (Tirana/Durres). In order to make any discussions on this subject evidence-based, the regional GDP levels are estimated by a proxy: consumption and employment. Currently the GDP differs very little between the Albanian regions; Tirana/Durres only performs 9% above country average. The remaining regions do not exceed some 30% of the EU reference level, most are even significantly below. Any combination of two NUTS II regions for Albania (Tirana vs. rest of Albania, Tirana and Durres vs. rest of Albania, Durres and the North vs. Tirana and the South, West Coastal Albania vs. East Albania, as well as a three-region split (UNDP, EUROPEAN UNION and GOVERNMENT OF ALBANIA, March 2010) would yield the same results.

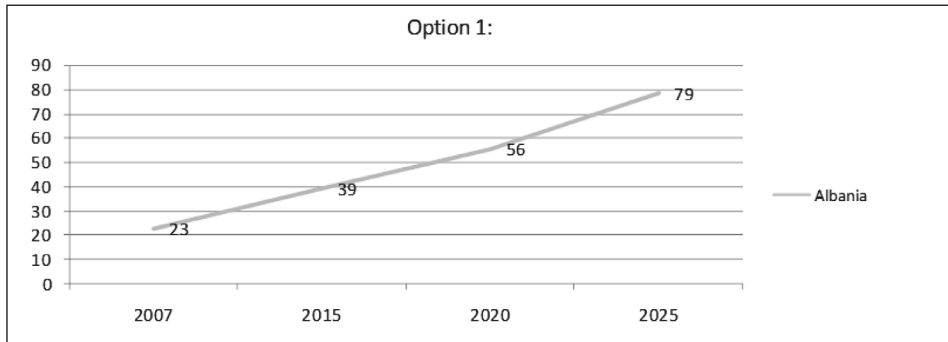
Chart 3-7 Consumption-based regional GDP per capita (Albania = 100), 2007



Source: INSTAT, 2009a

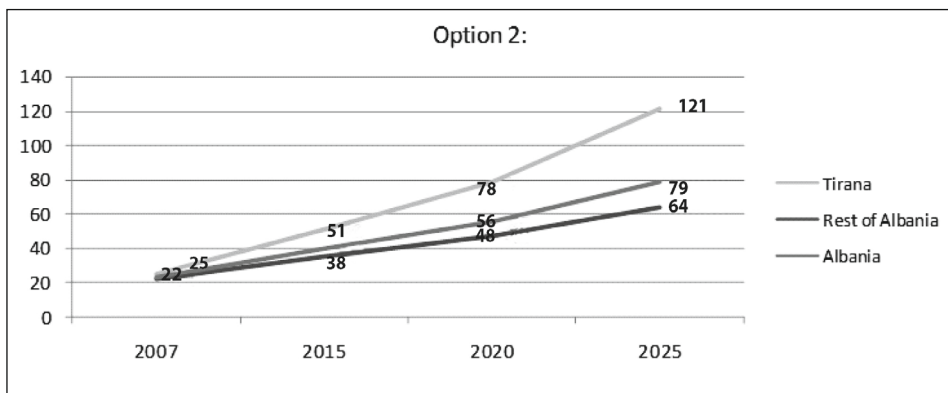
By applying general assumptions to the changes of Albania’s GDP in relation to that the EU (which follow to a long-term pattern) observed in most new member states, it is evident, that even in the optimistic scenario of a fast growing Albanian economy, none of the potential NUTS II regions will reach the critical 75 % GDP level before 2020 (UNDP, EUROPEAN UNION and GOVERNMENT OF ALBANIA, March 2010). Consequently, the whole territory – regardless of its delineation into several NUTS II regions or further existence as one region – will be eligible for maximum financial assistance under the current Structural Funds regime, at least for another 10 years. Even if Tirana was chosen to be one NUTS II region, it would not have reached the 75 % threshold before 2018/2019.

Chart 3-8: Projection of Albania’s GDP per capita in PPPS (EU27= 100), 2007



Source: UNDP, EUROPEAN UNION and GOVERNMENT OF ALBANIA, March 2010

Chart 3-9: Projection of GDP per capita Tirana vs. rest of Albania in PPPS (EU27= 100), 2007



Source: UNDP, EUROPEAN UNION and GOVERNMENT OF ALBANIA, March 2010

To summarise: there is no need for Albania to rush into any decisions splitting the country into several NUTS II regions, as it will still take many years before Albania, or any of its potential NUTS II regions, will reach the 75 % threshold of the EU average. Under the current EU-policy regime and as long as Albania's GDP is well below the 75 % mark (in 2007 the country's GDP based on purchasing power parities was 23 % of the EU27 average level), Albania would not benefit more (in terms of receiving additional EU funds for socio-economic development) if divided into several NUTS II regions. On the contrary, by splitting up the country, it is more likely that certain parts of the country (notably the Tirana/Durres region) would reach the 75 % threshold sooner and would, once Albania is a member of the European Union, no longer be eligible for the highest level of EU funding and state aid regime.

Unless there are other important factors not related to its regional development and EU perspective that call for a different choice, Albania should stay one NUTS II region for now. With respect to any future consideration of the same question, it is necessary to quickly progress to measuring regional indicators, including the GDP, which will need to be produced at NUTS III level. Precise data will support any future decision on the subject.

3.10 Concluding remarks

The need to establish a regional development policy in Albania manifests itself in a number of reasons as confirmed by a growing understanding among various stakeholders, including the business community, donors and central and local government institutions.

Firstly, the economic infrastructure needs to be upgraded in order to create an attractive and suitable environment for future regional investments. A number of difficulties need to be overcome with regards to this: the obvious lack of resources and the legacy of the inherited administrative structures and practices according to which ministries typically go about investment planning – with little concern for its local and regional impact. Secondly, the issue of deepening regional disparities in Albania needs to be addressed more effectively which can be done through a regional policy, a Regional Development Strategy being in place as the only policy document and an action plan attached too but not implemented yet; thirdly, a compliance with the rules of EU membership which require the regional policy and its institutions to be established as soon as possible.

4. Comparative cases and regional development in Albania

Introduction

The theoretical debates and controversies concerning development issues have significantly shaped the strategies and approaches to regional development in Albania. The challenge has always been how to confront the phenomenon of uneven development between rural and urban places as well as regions or geographic areas. This has been the concern not only for national policymakers but also the international development organisations operating in Albania, particularly the World Bank and the UNDP. In Albania, the impact of economic change has been varied, ranging from successful transformation and rapid growth in the innovative and adaptive regions to stagnation in the so-called ‘undeveloped regions’ where mechanisms for change do not exist or have not been working effectively (EUROPEAN COMMISSION. EU, 2009). How an individual region has performed along this continuum has depended, among other factors, on the region’s economic structure and the quality of its fixed and human capital, its level of socio-economic development at the outset of transition, the region’s degree of peripherality in economic and geographical terms and the region’s organisational capacity.

The following discourse highlights three regions: Tirana – a driver for change, Shkodra – the North in development and Kukës – the “shrinking” region. These regions are very representative of regional development and regional disparities in Albania; the discourse will rely on the theoretical and empirical framework established in the previous chapters.

Regarding methodology, this chapter is divided into two parts roughly following two different approaches.

The first part takes a look at the analytical approach and offers a profile of regional development for each of the three regions mentioned above covering a wide range of topics from *demography, socio-economic development and infrastructure to environmental problems*. This part provides a broader view on the situation of the individual regions, key dimensions of development with respective context

indicators that highlight the regional disparities, a broader view on regional development interventions expressed in socio-economic terms, a more specific review of the financial situation of local and regional authorities, revenues and expenditures by categories and their dynamics over time, a review of legal changes and government decisions as well as the proposed or discussed changes for the near future.

The second part takes a closer look at the comparative approach. Based on what has been established with regards to the analytical approach, we compare the development/disparity level of the three regions in keeping with the same structure as above for the three case studies: *demography, socio-economic development and infrastructure to environmental problems*. Specific indicators have been selected with the intention of assessing the current situation and identifying the most critical problems as well as any indicators anticipated for the development of those regions.

4.1 Analytical review of the regional development in Tirana, Shkodra and Kukes

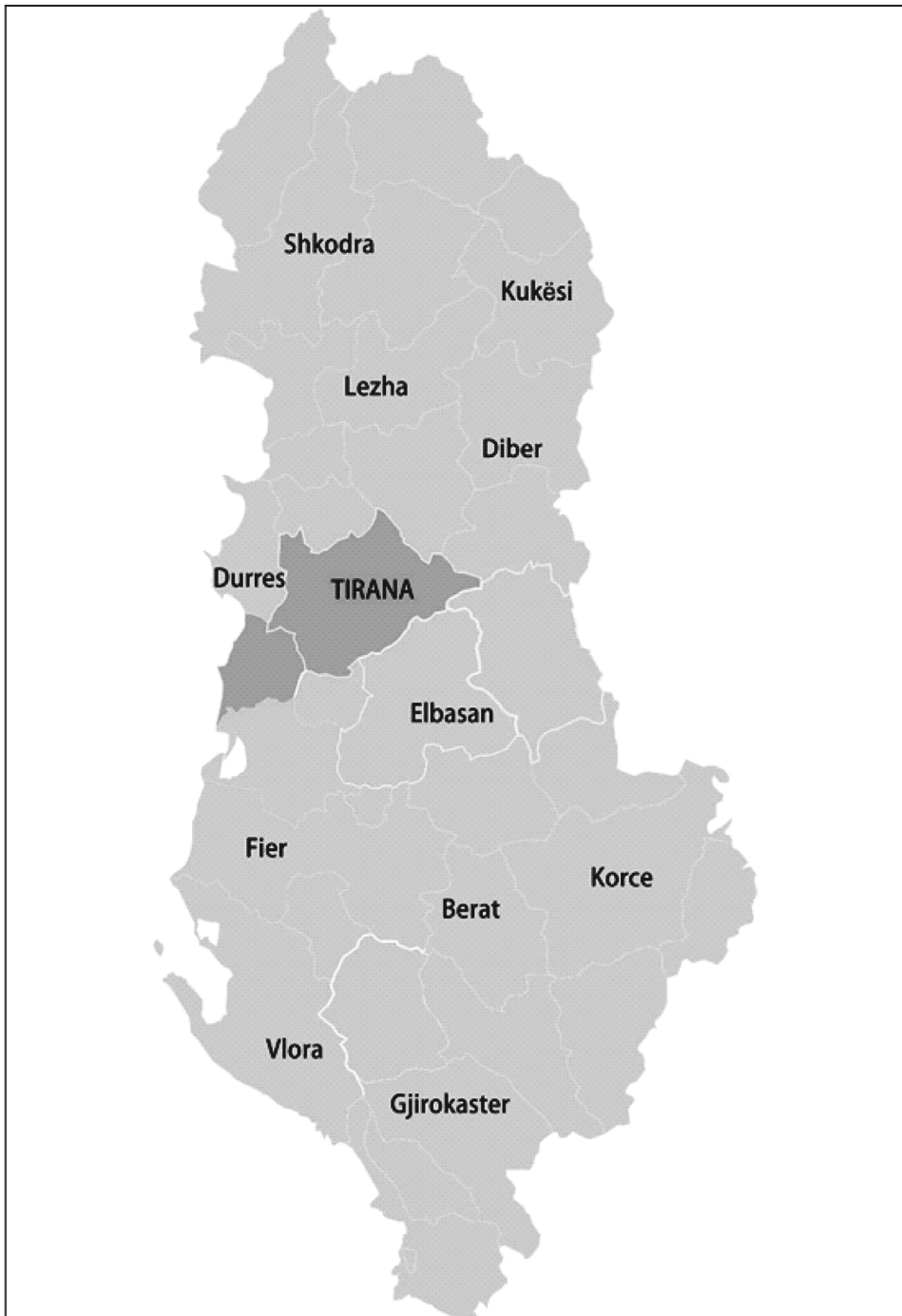
4.1.1 Tirana – A driver for change

4.1.1.1 An overview of the region

The region of Tirana, i.e. the region including the capital city of Albania, has seen enormous changes over the last years.²⁹ Tirana, like many other European cities, has been home to a growing number of families from all over the country. Tirana has become the driving force for the country's economic, cultural and social development. Improvements in infrastructure, reclaiming green spaces in central areas and around residential blocks and upgrades in the school infrastructure have had a good impact on its citizens, making Tirana a re-invigorated city, although the Albanian would-be-metropolis is still in need of further improvements with regards to infrastructure, administration, trade, civic education and environmental protection.

²⁹ In its last 20 years as a democracy – since 1990.

Map 4-1: The region of Tirana and its place in Albania



Source: CECO, 2010

The region of Tirana, constituted as a local government unit on 31 November 2000, includes two districts: Tirana and Kavaja, each consisting of five municipalities and 24 communes with a total area of 1,652 km² (TIRANA REGIONAL OFFICE OF STATISTICS, 2007).

Table 4-1: Administrative and territorial division of the region in 2007

District	Municipality	Towns	Communes	Villages
Tirana	3	3	16	167
Kavaja	2	2	8	66
Region	5	5	24	233

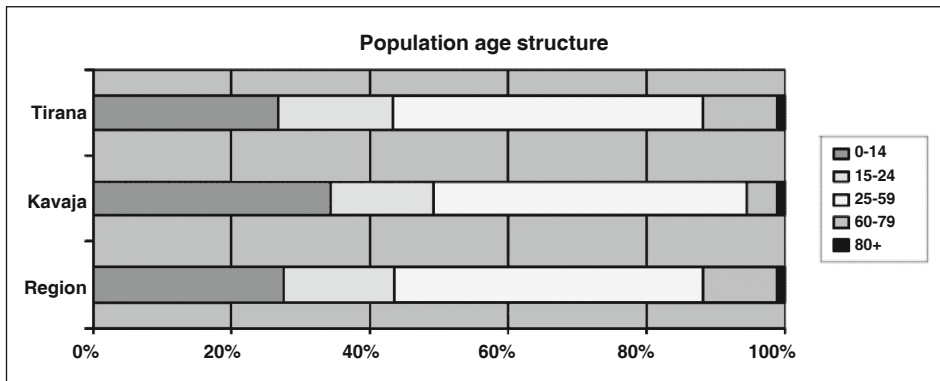
Source: TIRANA REGIONAL OFFICE OF STATISTICS, 2007

4.1.1.2 Population development

The number of residents, as presented by the Population and Housing Census (REPOBA, 2001), totals 597,899 and is remarkably lower than the civil registry records suggest. According to data from the civil registry, the population of the Tirana region in 2007 was 793,037 (INSTAT, 2005). About half the population residing within Tirana city boundaries only moved to the region after the collapse of the socialist regime. If the parishes surrounding Tirana are taken into consideration, then some two thirds of Tirana's population have to be regarded as immigrants (NUISSL, 2001). Census population figures reflect the emigration level as well as the population having migrated recently from other districts that, at the time of the census, had yet to register.

The population density of the region of Tirana in 2007 was relatively high with 480 inhabitants per km², which is several times higher than the country average (110 inhabitants/ km²). Of course Tirana city has the highest density of population with 605.3 inhabitants/km²; Kavaja for example only has an average of 272.3 inhabitants per km². While Tirana is a typical dense European city, this density still exerts pressure on its service infrastructure and institutions, the labour market as well as the environment and results in social stress for the city's residents

Chart 4-1: Population-age structure in 2004



Source: UNITED NATION DEVELOPMENT PROGRAM, 2005a

The average age in the region is 32.9 years – higher than the country average of 31.4 years (INSTAT, 2005; TIRANA REGIONAL OFFICE OF STATISTICS, 2007). Census data analyses suggest that these demographic changes are a direct consequence of internal and external migration. The Tirana region has seen the largest expansion of the whole country, fuelled by internal migration. Districts like Kukes, Shkodra, Tropoja, Dibra, Mirdita or Skrapar have lost member of their population (INSTAT, 2005) as a result of internal migration towards central areas such as Tirana, Durres and Kruje as is evident in the rises in population in those regions. Even according to the population census of 2001, which indicated that population movement was limited, Tirana still faced a continuous influx of people, especially from the economically active age groups. This influx puts the labour market in Tirana under continuous pressure regardless of factually existing job openings; this is more true for Tirana than any other district in the country (mainly compared to Shkodra and Kukes).

The visible side of population movement towards Tirana is the new suburban neighbourhoods that are neither formal nor informal, neither urban nor rural. Some of the recent arrivals reside in makeshift dwellings like abandoned factory buildings or sub-standard housing units erected in socialist times, although the majority built their own homes. These range from rough-and-ready huts constructed overnight to villa-like single occupancy houses (HELLER, DOKA, BËRXHOLI and FELGENTREFF, 2009). Most newcomers in the informal settlements such as Kamez, Bathore, Breglumas and at the peripheries of Tirana city are from the north and northeast of Albania – areas with distinctive poverty, harsh life conditions, lack of social mobility and dilapidated infrastructure.

Meanwhile, the capital of Tirana is struggling to absorb even the 'rich' newcomers from other cities and towns that have chosen the capital for more business opportunities, better paid jobs, greater access to better education and health services as well as greater access to social life and amenities.

Despite all problems associated with the urban environment in Tirana – including rivalries between different clans and tension between recently arrived and longer established Albanian immigrants –, few even consider the option to return to their area of origin (HELLER, 2003).

There are two main areas within the expanding urban area around the airport:

- The Tirana – Durres axis, which hosts the majority of industrial and commercial activities and
- The suburban areas surrounding Tirana and Durres, where tens of thousands of migrants³⁰ have moved in since the beginning of the post-communist era.

The rapid and perplexing influx of people in Tirana has many side effects for the region. The creation of squatter settlements did not follow the classic model of urban planning, instead the neighbourhoods passed through the stages of OBSP (occupation, building, servicing and planning) (SCHRUMPF, 2004), increasing the pressure on the environment, city infrastructure, public services and governance which are unable to deal with the multidimensional demands of the increased population. Due to financial shortages and legislative ambiguity, local authorities have not been able to address these illegal developments; the growth rate of the population is just too overwhelming. The pressure of illegal developments, lack of legislation, lack of coordination amongst institutions and bureaucratic barriers has created problems for implementing the task of providing public services.

³⁰ In the context of the post-communist weakening of state power, the closure and abandonment of the large state industrial parks or agricultural complexes on the fringes of the two urban centres after 1991 provided a chance for many families from impoverished areas of northern Albania to move south. Moreover, the districts of Tirana and Durres have large expanses of fertile arable land – a decisive factor in the relocation of many rural families in the area. The hope of finding better (GERMAN TECHNICAL COOPERATION AGENCY. GTZ, 2002) education, health service, employment and social opportunities, encouraged many families to settle in Tirana's and Durres' suburban areas through illegally occupation of industrial and agriculture compounds. Those who came from the remote mountainous North found a more benign climate, which was yet another incentive to settle in these areas. Many families sold their village houses with the intention of building a new life further south. Sons often migrated with the intention of bringing remittances to complete the construction of the new house.

In Tirana, developments are constantly outpacing planning efforts just as plans quickly become outdated because of the dramatic changes taking place all the time (DOKA, 2005).

4.1.1.3 Social development in the region of Tirana

Poverty

According to the Living Standards and Measurements Survey (LSMS 2005 by INSTAT and WORLD BANK), 23.44 % of the region's population lives in poverty, their consumption levels being below the threshold of 4.891 leke/capita/month (INSTAT and WORLD BANK, 2006). Furthermore, although disparities in the poverty levels among the regions are visible, they become even more evident when comparing different administrative divisions within the region (INSTAT, 2002). Still, the poverty index in the region shows that urban areas have lower poverty levels than rural and suburban areas. In the urban areas of the Tirana district too per capita consumption is higher than in its rural areas. The groups most susceptible to poverty in the region are extended families with many children, disabled people, members of society suffering from chronic diseases as well as those with low education levels. In analogy to other parts of the country, families in which the head of the family is unemployed are poorer as well. In addition, the gap between the under-educated poor and the educated poor is more evident in Tirana than in the rest of the country (INSTAT, RD Index, 2008).

Household incomes in the region of Tirana

Work-related incomes account for 41 % of the total household incomes in Albania. Private transfers in urban areas amount to a total of 6 % and more than 11 % in rural areas; they mainly come from remittances and humanitarian aid. Public transfers (including social assistance, pensions, unemployment benefits and others) constitute 11 % of incomes in urban areas and 10 % in rural areas. Another portion comes from property related transfers, business ownership or other kinds of wealth; they total 36 % and 10 % for urban and rural areas respectively (INSTAT and WORLD BANK, 2006).

Social assistance

The Social Assistance Distribution Scheme is an important instrument for managing social problems during transition by offering minimum support to families in need. According to the law and its sub-legal acts, families without sufficient incomes have the right to receive social assistance benefits; assistance

is vital for poor families. The Central Government provides each local government unit with a budget that is managed by the local government for a series of services that include the payment of social assistance benefits to poor families. Tirana provides social assistance to only 10 % of families and has one of the lowest numbers of families receiving social assistance. The statistics show that in Tirana the number of families with social assistance per 10,000 have decreased by 50 % (INSTAT, 2009a).

Education

The pre-university education system includes elementary schools, primary schools (9 years) and secondary schools (high schools and vocational schools). It operates under the joint competences and responsibilities of the local and central government.³¹ 23.9 % of Albanian students is enrolled in the district of Tirana.

The public pre-school education system in the district of Tirana includes 129 nursery schools and 203 kindergartens. The majority do not provide their children with school meals. Despite the growing importance of pre-school education and the efforts made, only a small portion of children aged 1 to 6 currently goes to preschool. This is due to the insufficient number of nurseries and kindergartens as well as the poor facilities and inadequate pedagogical and entertainment equipment of the existing nurseries and kindergartens. The system aims to attract more than 60 % of potential children in the district over the next 2 to 3 years (DEPARTMENT FOR STRATEGY AND DONOR COORDINATION. DSDC, 2008).

There are 307 elementary schools and 197 primary schools (nine years of school) in the district, while the secondary education system includes 43 schools: 30 of them are high schools and the remaining 13 are vocational schools. There are 27,165 students currently enrolled in secondary education, only 5,911 or 28 % of them belonging in vocational schools. The majority of students is enrolled in the high schools of Tirana and Kavaja and only 19 % of them are enrolled in the rural ones (INSTAT, 2009b).

³¹ The Ministry of Education and Science has the overall authority over the preparation and approval of teaching plans and curricula, student grading system, instruction and auxiliary texts and the qualification of pedagogical personnel (INSTAT, 2009a). Currently, the ministry exercises its competences through the Regional Education Departments, with district-based education departments functioning and reporting to the regional ones. Meanwhile, the maintenance of pre-university education institutions remains the responsibility of the municipalities and communes.

As regards tertiary education, the figures show an important stratification of educational attainment by region with the capital, Tirana, providing the largest share of educated population and highest number of young people enrolled in tertiary education.

Health

The hospital sector has inherited a poor infrastructure. The specialised ambulatory and hospital services face a number of obstacles in delivering quality services. Between 2001 and 2008, the number of hospital beds per 10,000 inhabitants decreased by 36 %, the number of health centres and health posts in the region declined significantly by roughly 40 %, while the average use of these facilities has declined even more rapidly, by about 60 % (MINISTRY OF HEALTH, 2007).

According to the data, child mortality in the region is almost par with the national level and has varied between 15 to 20 infant deaths per 1,000 live births throughout the years. However, there has been a notable decline from 23 deaths per 1,000 live births in 1999 to less than 15 deaths per 1,000 live births over the last 10 years (DEPARTMENT FOR STRATEGY AND DONOR COORDINATION. DSDC, 2009a). For some years the rate even dropped below 12 deaths per 1,000 live births. Like in many other regions, over 70 % of the total number of deaths are infant deaths (0 to 1 years), 15 to 20 % of them being related to delivery, while only 5 to 10 % of deaths are children under the age of five. It must be emphasised that there are cases of unreported child deaths, mainly infant deaths in mountainous or suburban areas of Tirana (new settlements). Nonetheless, despite the decline of mortality among infants and children under five years of age, a lot remains to be done before the European standard of 4 to 5 deaths per 1,000 live births becomes a reality for Albania (GJONCA, AASSVE and MENCARINI, 2008).

Other factors exacerbating the current situation include the community's low confidence in primary health care doctors, poor health care infrastructure as well as the long distances between the facilities and people's place of residency, especially in the rural areas.

4.1.1.4 Growth, competitiveness and economic cohesion

GDP per capita (2008)

Most of the country's economic activity is concentrated in Tirana as reflects the GDP. Tirana generates 45 % of Albania's GDP.

Employment/unemployment by sector

Tirana is Albania's biggest industrial, commercial and administrative centre. The main industrial area of Tirana is situated in the western part of the region (commune of Kashar and municipality of Vora), whereas for the city of Kavaja it lies south of the town Rrogozhina. Taking into consideration the overall numbers of active enterprises operating in agriculture, industry, construction, transport, trade and services in Albania, in Tirana there are 512 active non-agricultural enterprises per 10,000 inhabitants, compared to the Albanian average of 329/10,000 inhabitants (INSTAT, 2008a). The region is home to 38.7% of non-agricultural enterprises in the country. Tirana is the most important region of the country in economic terms with 282,426 (25.2%) out of Albania's population of 1,121,574 people being in work. The processing industry is the most developed industrial sector as regards contribution to the national GDP. The processing industry includes the production of flour, biscuits, ham, milk products, alcoholic beverages, as well as oil refineries and breweries, followed by the processing industry, construction materials and clothing. Other sectors such as trade and services also play a crucial role in the creation of jobs. The construction sector clearly reflects the development dynamics of the city of Tirana as the most important economic, social, administrative, commercial centre – for tourism also. This sector provides employment to people without basic skills, to those who have recently moved to Tirana; it also offers a number of opportunities for day labourers.

Agriculture on the other hand, offers self-employment opportunities to most of the rural population (26% of the region's active population) (TIRANA REGIONAL OFFICE OF STATISTICS, 2007) and partially supplies the local and national markets as well as catering companies in the region. Due to the difficult hilly and mountainous terrain, livestock, mainly cattle, sheep and poultry and to a lesser extent pigs and goats, represents the largest share of agricultural production. The region's villages are characterised by serious underemployment, especially in the case of young people that work in small parcels of land that are only sufficient for feeding the family and not for selling on the market. Nevertheless the young people in these rural areas often use other means of survival or support such as emigration or odd jobs.

The city of Tirana has the largest overall population of the region as well as the largest urban population making a specific analysis of its employment sectors an important matter.

The unemployment rate in the region is 13.8 % according to the statistics from 2008 (INSTAT, 2009a). Comparing unemployment rates in urban and rural areas respectively to the figures of the total active labour force reveals considerable disparities: urban areas are reaching twice the unemployment rate of rural areas. On the other hand, there are only small differences between the unemployed rates of men and women in rural areas, since the basis for rural employment is family farming (agriculture or livestock), which usually involves the whole family. Urban areas have different employment structures and therefore do not offer equal opportunities for men and women, which explains the large gap in unemployment numbers.

The number of unemployed people in the region of Tirana exceeds the number of registered unemployed people. Many people are distrustful and do not consider social benefits worth the effort and therefore do not register. Incurring expenses and a lack of counselling, especially for newly settled people from rural areas, inhibit registration of unemployment even further.

A large share of unemployed people considers itself an active member of the labour market and actually are in search of a job, however, since they do not do so through employment services, they are not included in job centre records (INSTAT and WORLD BANK, 2006).

Fiscal capacity

The analysis below was developed against the background of the decentralisation reform and local governance efforts

The region's sources of revenue³² are composed of three main sources:

- Unconditional transfers/grants,
- Own sources revenues,
- Conditional transfers.

Most of the tax revenues (about 83 %) is generated in the municipality Tirana, while the other local government units (four municipalities and 24 communes) generate less than 17 % of the total revenue from local taxes. All local government units of Tirana (region), other than the municipality of Tirana itself, taken together contribute about 3 to 4 % of their actual revenue from local taxes to the Regional Council budget, while the municipality of Tirana itself

³² These sources of revenue apply to each region.

contributes less than 0.5% of its total revenue from local taxes. It has therefore been agreed that the municipality of Tirana will instead pay a fixed sum of 20,000,000 leke (around 1,500,000 euro) per annum to the Regional Council (TIRANA REGIONAL OFFICE OF STATISTICS, 2007).

The formula for the distribution of unconditional transfers³³ was first introduced in 2002 and has been changed and adjusted a number of times since then. This affected the amount of unconditional transfers the regions received over the years. The amount of unconditional transfers to the Tirana region has dropped over the last years, which has negatively affected the budget revenues of Tirana's regional council. This decline of unconditional transfers to all of the Albanian regions is due to changes in the total amount of unconditional transfer money allocated to local government needs in the state budget and adjustments in the formula for the distribution of unconditional transfer among different regions.

The region's own revenue is composed of revenues generated from the region's own sources of revenue, such as:

- The contributions paid by the region's local government units to the Regional Council;
- Revenue generated by the Regional Council in form of fees extracted from services and activities;
- Revenue generated from sales and renting of public properties;
- Other sources of revenue.

The regions' own revenue is 45.2% of the total regional share of Albania.

The region's conditional transfers are funds allocated in the state budget specifically to cover the region's delegated functions. Starting from 2005, regions have assumed an additional delegated function: allocating and distributing the state budget conditional transfers to invest into education and the health care sector. Regarding the conditional transfer for Tirana's RC, this is a modest pool

³³ The region's unconditional transfer is unconditional funding provided by the state budget to finance the region's own functions. The amount of unconditional transfer for the region depends on the total amount of unconditional transfer pool allocated in the yearly state budget for local governments, and a distribution formula, which takes into consideration several factors: the proportion of sharing the total unconditional transfer pool between municipalities and communes and some specific indicators for the regions, such as: population of the region, its size, geographic location and a fixed and equal amount for all regions.

of funds and it has increased slowly but steadily over the years (MINISTRY OF FINANCE, 2008).

Most cities and some of the communes in the region have made remarkable progress with regards to improving their financial management. They are implementing modern techniques of fiscal analysis which puts special emphasis on fiscal performance and increasing the net operating surplus. The best indicator of progress in this field is the increase of locally generated revenues and the share of spending for public services as well as investments made by cities with their own/discretionary revenues. Thus all cities have significantly improved cleansing, lighting, roads and sidewalks, parks and other public services.

A steady increase of Tirana's RC revenue generated from its own sources is a very positive trend in the fiscal decentralisation reform and surge for increased autonomy of the local governments.

4.1.1.5 Environmental assets of the region

Water access

In the region of Tirana 89.9% of the population have access to safe drinking water, a positive figure compared to the 77% access rate of Albania at large. The rapidly growing region faces real challenges with regards to the improvement of people's quality of life in the rapidly growing urban areas as well as the more remote expanding communities. A key effort here is the provision of safe drinking water for the population by designing a better management of water sources and a development of the plumbing system. The statistics for access to potable water show that in the more populated areas, such as the city of Tirana, a high percentage of buildings can have drinking water facilities. The situation is slightly better in Tirana city than in the town of Kavaja. At the same time the percentage of buildings between the periphery of Tirana and Kavaja that have access to wells or tank water only is on the increase (GJINALI and NIKLAS, 2010). The suburbs of Tirana are characterised by buildings with outdoor access to water, whereas Kavaja's periphery contains a large number of dwellings with no access to potable water at all. Households in the mountainous villages, regardless of their proximity to water sources, have limited access to drinking water and mostly outside their houses.

The quality of the water makes it unsafe for drinking. The drinking water supply system faces contamination problems as a result of damages to the water supply

network. This contamination results from a lack of protective instruments that would prevent urban discharges of the area into the reservoirs.

Forests

The situation for the forest areas of the region of Tirana is generally good as forests are still young and not subject to logging. The region of Tirana has a total area of 165,271 ha of which 52,874 ha or about 32 % are wooded areas. Still, the forest areas of the region only account for 5 % of Albania's overall wooded areas (INSTAT, 2009a), a geographical inadequacy that might prove fatal in the light of tourism potential. Restoring green areas has been a step in the right direction. In 2003, many areas were rehabilitated and returned to the citizens of Tirana. Especially the removal of all of the illegal buildings in Rinia Park and its extremely rapid rehabilitation has contributed to restoring Tirana to its previous state with the heart of the city as one of Tirana's most extensive green areas (approximately 30,000 m²). In addition, decorative saplings have been planted in the park in front of the Parliament. Similar saplings have also been planted along other streets, resulting in a total of 96,000 m² of rehabilitated land.

Flower gardens and green areas of the city of Tirana have been lost since 1993. In spite of the efforts to expand green areas, Tirana still only has 4.5 m² of green area per capita, placing it almost at the very bottom in a comparison of European countries; there simply is no long-term strategy to address the problem.

Access to roads for the population in the region of Tirana

The region of Tirana has a relatively high road density of 533 km/km². The Albanian average is 454 km/km² with a total of 710.1 km of rural roads, 513.1 km of which run through the district of Tirana and 237 km through the district of Kavaja. Out of this total, 276.7 km are regional rural roads and 473.4 km communal rural roads. Rural mountain roads in the region are subject to erosion, collapse, landslides, breaches, wear and tear and other weather-related damage. Typical phenomena are the collapse of public works (especially bridges), massive landslides onto roads, the damage of road layers and blockage of side ditches; for people in the rural lowland damages to roads are the most problematic. With the help of Regional Council and Government budget funds, public work has been carried out on many roads in the region. Since interventions only involve the upkeep of roads and not investments in the construction of new roads or the maintenance of all roads in the respective districts, a high priority will be given to the maintaining of the road which connects the highway to Spille (west of

Kavaja) in the future. It stabilises the tourism in the area and ensures the free movement of the community living in the surrounding communes.

Air quality

The main sources of pollution in urban areas, and the most dangerous at that, are the outcome of the incineration of solid waste and the combustion of car fuels.

According to the Institute of Public Health in Tirana the amount of highly toxic chemicals (dioxins and furans estimated indirectly by empiric factors) emitted into the environment by waste incineration on the grounds of the Sharra landfill³⁴ is comparable to the total amount of emissions of the same pollutants from the rest of Albania. The potential negative health effects partly come from the free access to the uncovered landfill.

In addition, the steady increase in the number of vehicles in Tirana has led to a rapid growth in traffic; if taken together with the lack of undeveloped urban areas and modern infrastructure, the poor quality of the services in charge of collecting and disposing of urban and development refuse, increasing air pollution does not come as a surprise. The situation is caused by the large number of vehicles on the roads, a lack of restrictions of their movement within the city boundaries (e.g. specific times or streets), the inflow of traffic, a failure to restrict or ban very old vehicles and the insufficiently overhauled transport vehicles. Particularly concerning is the situation of air quality during tourist seasons, when the number of vehicles in Tirana rises by more than 10%.

Waste

Waste management practices, as far as collection and disposal are concerned, have historically been a major concern for the Regional Council of Tirana. It tries to diminish the causes that have led to the deterioration of public health. The average increase of waste generation between 2003 and 2008 was 35%.

Currently, there are no waste incinerators in the rest of the country, therefore solid waste without any classification is transported to the dump sites. Currently, very little is done to push the recycling of paper, glass, metals or plastics. The

³⁴ Sharra is the main landfill in Tirana for the accumulated waste matter in the city. It is located southwest of Tirana city, 7 km from the city centre and covers an area of 5 ha. This site is lacking the necessary equipment for the preliminary processing of the dumped garbage. At present, data provided by the Directorate of City Cleansing, about 800t of waste are disposed of at Sharra every day.

creation of a market for recycled material is in its early stages. Waste in the market places is a pressing problem, especially the management and clean-up of urban waste: both, the markets that are under private administration and those without any administration are dumping their waste into public containers which are not intended for this kind of waste. Waste accumulation-, disposal- and transportation service in the region of Tirana has failed to cover all inhabited areas and therefore needs to be expanded so the whole region can be reached. In general, this service is not being offered to communes and villages.

Several large hospital centres and clinics operating in Tirana dispose of dangerous hospital waste that, if not treated with due care, can pollute the environment and disseminate infections. The management of dangerous hospital waste requires a high level of responsibility with regards to collecting the waste and making full use of incinerators' capacities.

Sharra is the main location for the disposal of Tirana city's garbage and the only place to be used for this purpose. Oftentimes, however, that is not managed properly and other kinds of wastes are dumped there, e. g. hospital-, industrial- and construction refuse. The manner in which garbage is handled – its continuous burning as well as the contamination of both, surface and underground water – poses a serious threat to both, the health of the inhabitants that live in the vicinity and the environment in general (ALCANI, DORRI, HOXHA, 2008).

Urban planning

Although the capital features the greatest concentration of people in the country, it does not use its territory very rationally, which does not only have a big impact on the population living in the city but also on pollution and on the general treatment of the environment (DOKA, 2005). Overpopulation and a worn-out infrastructure, unable to sustain stable management or environmental development, have led to a deterioration of urban environment.

Between 2001 and 2008 Tirana was undergoing a reconstruction and rehabilitation process the affected many streets, the water supply system, drainage systems, power supply and telephone networks, including repairs and upgrades of roads and sidewalks, as well as the reconstruction and rehabilitation of certain green areas. Urban environment problems are quite serious and there is a lot of pressure on the municipality of Tirana as well as the municipalities of Vore and Kamez, to address these problems, particularly in suburban areas where there is significant damage and wear and tear of water supply networks and drainage systems. Environmental assessments have never been taken into

account for any of the new developments and have resulted in the decrease of undeveloped urban areas and in a violation of the standards of urban planning.

The urban development of Tirana as a region is a significant challenge because it is threatened by plans which aim to rigorously control development instead of facilitating it (KARAGUNI, 2005). Urban planning responsibilities were supposed to be transferred to the municipalities and communes after January 2002; it was determined however that the provisions of the Organic Law conflicted with the 1998 Urban Planning Law. While the legal conflicts surrounding the dilemma have apparently been resolved, municipalities and communes still lack full autonomy with regards to spatial planning in their territory.

4.1.2 Shkodra – *The North in development*

4.1.2.1 An overview of the region

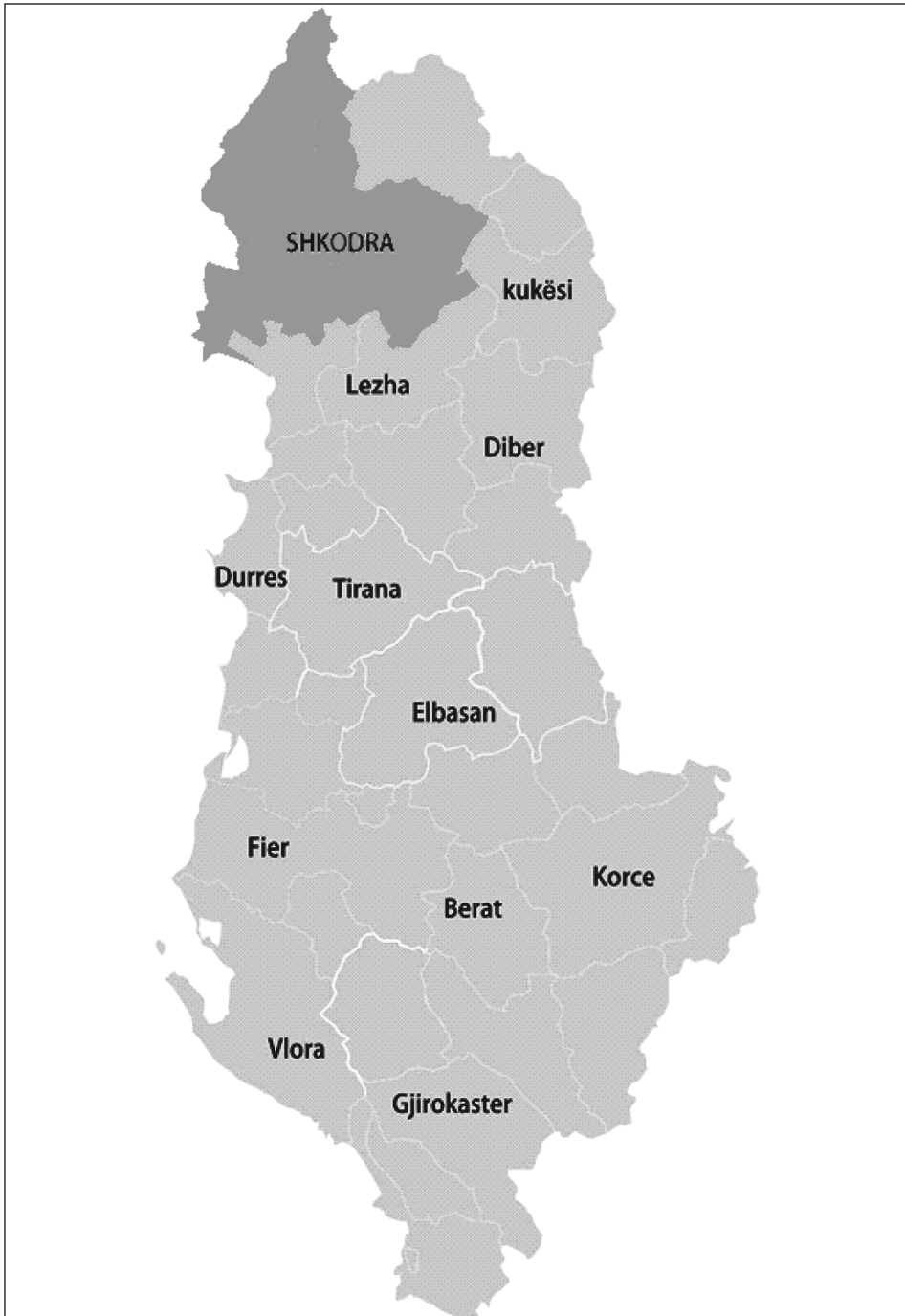
The region of Shkodra is bordered by Montenegro in the north and northwest and the Adriatic Sea in the west, the region of Kukes in the east and the region of Lezha in the south. The region of Shkodra occupies an area of 2,049 km² and has a population of 245,700 inhabitants.

The territory includes three lakes. Lake Shkodra is also the largest lake in the Balkans with a surface area of 369 km², 149 km² of which lie in Albania, the rest in Montenegro. The lake has an average depth 10 m and an average water temperature of 16.5 °C which helps to moderate the climate of the city of Shkodra. The lake is very rich in fish, with an annual harvest of 50 kg/ha. 14.5 km of the municipality's borders run along the lakeshore, 10 km of which are rocky and 4.5 km flat land, but mostly fields.

The two other lakes in the region of Shkodra are artificial: Vau-Dejes, 20 km east of Shkodra, occupies an area of 27 km², while Koman, the second of the two, 40 km east of Shkodra, covers an area of 17 km². Both these lakes are located on the river Drin and were created to supply the two largest hydroelectric power stations in Albania: Vau-Dejes has an installed power capacity of 250 MW, while that of Koman has an installed power capacity 600 MW.

There are even more water resources north of Shkodra, in the highlands. Its valleys are an average 800 m above sea level and hence hold potential electricity reserves. Although quite rich in natural resources and socioeconomic development opportunities, Shkodra has remained marginalised from the general economic development of Albania in the post communist era.

Map 4-2 *The region of Shkodra*



Source: CECO, 2010

According to the administrative division of 2004 the population of the region is spread out over 3 districts which include 5 municipalities, 6 towns, 29 communes and 269 villages.

Table 4-2: *Administrative and territorial division of the region in 2004*

District	No. of municipalities	No. of communes	No. of villages	No. of towns
Shkodra	2	16	138	2
Malesia e Madhe	1	5	56	2
Puka	2	8	75	2
Region	5	29	269	6

Source: SHKODRA REGIONAL OFFICE OF STATISTICS, 2008

It should be pointed out that the geographical position of the region and that of the city of Shkodra are undoubtedly the most important premise for the development of tourism in the region. In addition, the human, cultural, historical values and traditions of the city of Shkodra add dimensions to such a development.

4.1.2.2 Population development

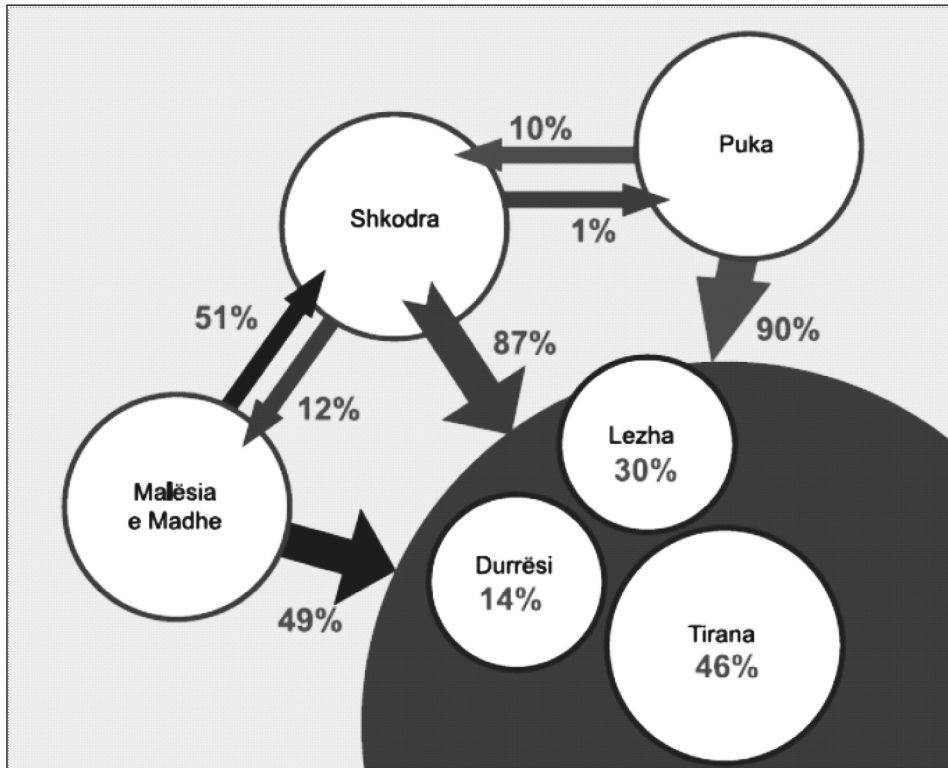
The region of Shkodra ranks fifth in population numbers and second in surface. There is a noticeable difference between the population figures in the local administrative sources and the Population Census of 2001. According to the administrative data, the population of the region currently counts approximately 337,000 inhabitants while, according to calculations based on the Census, Albania's population is only approximately 245,700 inhabitants (INSTAT, 2009b). This deviation is the result of a multitude of difficulties, the frequent unregistered movement of the population and the absence of mechanisms to attain accurate data in particular however.

The average density of population in the region of Shkodra is 69 people per km², which is considerably below country average (Albania: 110.7 people per km²). The district of Shkodra has the highest density of the region: 94 inhabitants per square kilometer. Approximately two thirds of the population lives in the district of Shkodra.

In the region of Shkodra, as in most regions, migration is a typical phenomenon. Approximately 46 %, 30 % and 14 % respectively of the migrated population of the Shkodra region has settled in Tirana, Lezha and Durrës (see Fig. 4-1). 90 % of

the migrated people originally comes from the district of Puka, 87% from the district of Shkodra and 49% from the district of Malësia e Madhe. There have been relatively few moves to the region of Shkodra from other regions. Part of the population moved within the region, mostly towards the city of Shkodra. It is more evident for the district of Malësia e Madhe however, which accounts for approximately 51% of the total newcomers to Shkodra; only roughly 10% of the newcomers has migrated to Shkodra from the district of Puka (XHINDI, 2008).

Fig. 4-1: Inner migration pattern of the population of Shkodra in 2004



Source: UNITED NATION DEVELOPMENT PROGRAM, 2005b

Approximately 36% of households in the rural area of the Shkodra region has at least one of their family members either permanently or seasonally living outside the region. Seasonal emigration prevails in almost all communes. Emigrants that belong to this category usually spend 3–5 months per year in neighbouring countries working. They go abroad illegally and the earnings they bring back are often insufficient, on average roughly 5,000 euro per year. The low skills of seasonal emigrants and the extremely high costs of illegal

emigration are the main reasons behind the low residual earnings. Economic hardship is believed to be the main reason behind emigration in the rural areas, while in the city there are no job opportunities.

4.1.2.3 Social development in the region of Shkodra

Social assistance

The number of families receiving social assistance in 2008 was 15,955 that is 649 out of 10,000 people (INSTAT, 2009b). The figure is very high, 120% higher than the Albanian average to be exact. Approximately 33% of the region's urban population could be considered to live on approximately 7 euro a month. In the rural area of Shkodra (region) approximately 30% of households are entitled to social assistance payments, an average amount of approximately 30 euro per month (INSTAT, 2009b). A person in the rural areas of Shkodra lives on approximately 4 euro a month. In the district of Puka that concerns approximately 40% of the rural population. The communes of Shllak, Pult and Shosh in the district of Shkodra and the commune of Kelmend in the district of Malësia e Madhe account for the largest share of population benefiting from social assistance. In these communes over 80% of households receive social assistance payments (BLISS & GAESING CONSULTING and KITTELBERGER CONSULTING, 2007).

Education

Data on the distribution of primary and subsidiary schools across the region of Shkodra indicates that the opportunities for access to basic education are, in general, satisfactory. Children under the age of 5, pupils and students account for approximately 25.8% of the population of the region of Shkodra., there are 188 primary schools and 269 subsidiary schools in the region, approximately 42,000 pupils currently attending schools, most of them in the rural areas (SHKODRA REGIONAL OFFICE OF STATISTICS, 2008). There are also 37 secondary schools attended by roughly 8,800 pupils. Most of the pupils receive general secondary education and almost all the schools are public. Only the city of Shkodra has 10 non-public primary schools teaching 1,895 pupils as well as 4 secondary non-public schools teaching 974 pupils (SHKODRA REGIONAL DIRECTORY OF EDUCATION, 2007).

The net enrolment rate indicates the ratio between pupils in the lower cycle (classes 1–4) and upper cycle (classes 5–8) of primary education, respectively,

and the overall number of children in the respective age groups. In the academic year 2007/2008 this ratio was 95.7% for the lower cycle and 62.1% for the upper cycle. The enrolment rate for secondary education is particularly low for the rural areas, where the number of secondary schools is limited and the terrain is mountainous. The number of pupils that complete secondary education is even lower than enrolment numbers, since some of the pupils drop out.

A very important factor in the education sector of the region is the presence and the role of the University of Shkodra “Luigj Gurakuqi.” Between 2006 and 2007 there were 86,178 students enrolled in tertiary education in Albania, 10,608 (i. e. 12.3%) of them were studying in Shkodra (most of whom were at the city’s “Luigj Gurakuqi University”). 6,677 (63%) of Shkodra University students were female and 6,672 were studying full time (60% of which were female). On average, 56% of students in higher education in Albania are female, 74% of students study full time (57% of which are female). Shkodra University has 6 faculties, 15 branches, 14 departments and more than 140 lecturers.

Health

The region of Shkodra has about 160 health centres of different size and function spread across the region. The regional hospital, the main health centre of the region, is located in the capital Shkodra . In the districts of Shkodra and Malesia e Madhe, each commune has a health centre, in the district of Puka, however, only 4 out of 8 communes have such facilities. Approximately 80% of the health centres in Puka and Malesia e Madhe have been rehabilitated. The rehabilitation of the health centres in Puka has been made possible with funds from the state budget and donor funds, while rehabilitation in the district of Malesia e Madhe was facilitated mainly through donor funds. Around one third of the existing health centres in the district of Malesia e Madhe is in poor physical condition, however, and in dire need of investments.

The outpatient clinics coverage rate of the villages is very low in the three districts of the region of Shkodra. Out of a total of 269 villages 176 villages do not have an outpatient clinic, which makes for a coverage rate of 35.7% in the villages. This also means that 50.1% of the village population in the rural has no immediate access to outpatient clinics. Of these 176 villages, 56 villages have over 500 inhabitants. The lack of outpatient clinics in the villages with considerable number of inhabitants is typical, particularly for the district of Malesia e Madhe (HUMAN DEVELOPMENT PROMOTION CENTRE. HDPC, 2005). Here, 71.8% of the rural population lives in villages with no outpatient

clinics. Also, one third of the villages of the district of Shkodra has no outpatient clinic. Nurses and midwives in these areas provide their services either in their own homes or in rented facilities

4.1.2.4 Growth, competitiveness and economic cohesion

Employment/unemployment by sectors

The largest employer in the region is still the State. 19% of people work in public administration, 16% in public education and 11% in publicly run health and social services. The whole of the production sector in the region employs about 16% of the workforce (INSTAT, 2008b), as a comparison.

For the first six months of 2008, 353 vacant job positions were reported by 25 employers in the region of Shkodra; 151 of these were filled. 312 of the vacancies were reported in the district of Shkodra by 19 employers; 110 of these were filled. Of the workers who took the positions 3% were had previously received unemployment benefit and 12% social assistance. The public sector employs a lot more people per enterprise than the private sector does (INSTAT, 2009a).

Data for 2005 and 2006 shows that the percentage of long-term unemployed women remained at 58%, although actual numbers had fallen by nearly 4%. In 2005, 47% of the long-term unemployed people were aged between 16 and 24 years; one year later the rate had dropped to 43%. 16% of them were short-term unemployed. One year later that figure had risen to 23%. Although there less job seekers aged between 16 and 24 with a history of long-term unemployment then, short-term un-employment overall increased. Both, in 2005 and 2006 the percentage of unemployed people who had received tertiary education remained the same (2.5%), the same was the case for those unemployed people who had previously only received secondary or primary education (53% and 44% respectively) (FOUNDATION FOR LOCAL AUTONOMY AND GOVERNANCE. FLAG, 2008).

According to the representatives of the local government and the civil society of the region, the actual number of unemployed people is higher than that of registered job seekers, especially in the city of Shkodra. Again, this is due to the fact that, generally, people do not have too much faith in the work of the employment services. Furthermore, a lot of these unemployed people are originally from the rural areas and are not even registered as inhabitants of the city of Shkodra.

Consequently, Shkodra is the region with the highest unemployment numbers in the country, followed by the region of Tirana.

Fiscal capacity

Private and state budget investments are the main sources of financing in Albania. Still, the financial means allocated in the state budget according to unified rules for all regions in the country are insufficient to accelerate the slow progress of development in the region. It is apparent that the municipalities are heavily dependent on the Central Government for their budgets.

From the state budget, the region of Shkodra has received investments of 1,368,556,000 leke, about 11.1. million euro, for the first six months of 2008 (INSTAT, 2008b). Of this sum, about 75 % went to the communes and municipalities comprising the old district of Shkodra, 11.5 % to those surrounding Puke and the rest (12 %) to Malesia e Madhe. However, 42 % of the total went directly to the central institutions on the local level, i. e. administration, education, universities and hospitals.

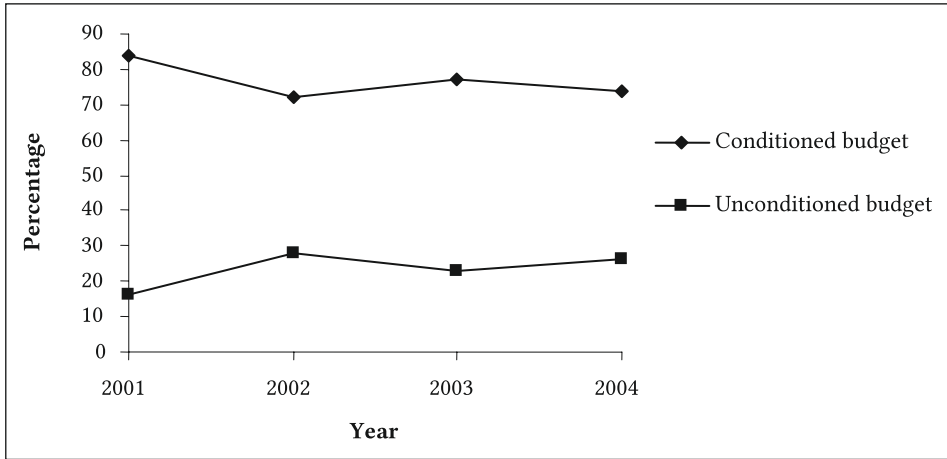
The budget of the municipality of Shkodra contains a conditioned part and an unconditioned part. The relative percentages of the conditioned and unconditioned budget are shown in the figure below. Despite the reforms introduced in the wake of the decentralisation of government process, the centralisation efforts of the state are apparent: in 2004, the conditioned budget comprised 74 % of the total budget for that year, although in 2001 it had been even higher (84 %).

The policy-making capacities of the municipality, especially with regards to capital investment and common functions, are still much centralised: almost all of the capital is provided by the Central Government through the line ministries.

Furthermore, there are no clear and transparent mechanisms and criteria on how the Government assigns the conditioned budget. This is reflected in the low level of investments realised by the municipality, even though the need for capital investments and capacity to absorb them is very high.

Another important source of financing in the region is donors; in this regard, the region has had positive experiences (see appendix 3).

Chart 4-2: Conditioned and unconditioned budget for the municipality of Shkodra, 2001–2004



Source: MUNICIPALITY OF SHKODRA; DEPARTMENT OF FINANCE, 2005

4.1.2.5 Environmental assets of the region

Water access

The drinking water network in the region of Shkodra was badly damaged, contributing to the overall lack of water, low water pressure and intermittent water supply. The only attempt to remedy the situation was manual chlorination, which did not prove very efficient for disinfecting water. 33.3% of the rural networks do not have any possibility for disinfecting their water (SHKODRA REGIONAL OFFICE OF STATISTICS, 2008). This problematic situation might have an impact on the health of the population.

In the drinking water supply sector of the city of Shkodra the situation has been significantly improved as a result of investments provided by the Austrian Government since 1998. However, the water supply system still shows major deficits, mainly with regards to the condition of the distribution network, the high level of water losses and lack of domestic water metering. In addition, several informal areas of the city are not yet connected to the public network.

The drinking water supply network falls under the competency of the Sewage and Water Supply Enterprise.

Forests

Forests cover 57.3% of the region's surface. In Shkodra's forests there are 54 different kinds of trees, not counting the rare types. 300 ha of the land are covered with chestnut trees. In the coastal areas of the region (around Velipoja) there are 328 ha of natural and cultivated forests (SHKODRA REGIONAL OFFICE OF STATISTICS, 2008). The whole if the forest area offers a rich flora and fauna as well as a wealth of domestic and migratory birds which, together, make up Velipoja's hunting resort which is well-known around the Balkans.

The way we see it, exploitation of forests should stop for a period of at least 25 years and logging should be limited as much as possible. Logging should always be monitored by the Regional Directory of Forest Service and reforestation should be considered a priority.

Access to roads for the population in the region

There are 648 kilometres of road in the region of Shkodra, 143 kilometres of which are national roads, the remaining 505 kilometres are rural roads (INSTAT, 2004). The condition of the roads must be improved seeing as the development of the economy in the region is dependent on of both, the development of telecommunication and of functional roads for transportation. The rural roads network of the region is important for the development of the region also in so far as it ensures free movement between the villages and the centres of the communes and their connection to the national roads in turn. From a technical point of view, the condition of most of the rural roads is poor to very poor. Hardly any of the rural roads are asphalted and only approximately 42% of them are accessible the whole year. This is especially true for the districts of Puka and Shkodra. In the district of Puka, the seasonal roads account for approximately 71% of the total length of rural roads in the district. Most of the roads have not been maintained. The poor condition of the roads drastically limits the communication between villages as well as that between villages and the urban areas. It also makes the access of the population to services more difficult and severely hampers farmers' access to the markets. Access to the markets is more critical for the communes in the districts of Puka and Shkodra. Technically, the entire rural network is in need of investments.

Air quality

Air pollution (even if considering only SO₂ and soot levels), continues to increase due to the large number of old cars in circulation in the region. The

encouragement of new cars and increased tax on old ones then should help to reduce air pollution. Health education is crucial as well.

Waste

The municipality of Shkodra, which is also the biggest municipality in the region, has for several years faced problems in dealing with the dumping of urban solid waste. The current location for the disposal of urban waste does not respect established minimum standards and causes significant pollution to the surrounding environment. The dump site is located in the vicinity of the river Kir which is part of the biggest watershed in Albania's northwest.

Pollution caused by the dump site has resulted in serious ecological problems which have been putting to the inhabitants of the northern and southern part of the city at risk for several years. Heavy rain and the resulting increase in the river water levels constantly pose the risk of pollution of the Shkodra Lake and the river Buna.

Solving the waste disposal issue has been one of the top priorities of the Shkodra municipality. The construction of a new landfill required several steps and due to limited financial resources the municipality was unable to solve this critical and emergent issue on its own. Furthermore, to make use of the economy of scale for such strategic investments proper landfill investments needed to target an adequately large population. It was also impossible to find a suitable locality for the landfill site within the administrative territory of the municipality.

The project for constructing a new landfill for the city is part of the Strategic Plan for Economic Development (2005–2015) of the vity of Shkodra (code project G4:O6:PG1:p1: Construction of a landfill for urban solid waste disposal) (FLAG NGO and MUNICIPALITY OF SHKODRA, 2006). It has also been a priority of the Regional Development Plan for Shkodra and Lezha (two neighbouring regions).

Apart from the construction of a landfill site, the cooperation will also deal with the management of waste fractions.

4.1.3 Kukes – *The “shrinking” region*

4.1.3.1 An overview of the region

The Kukes region is situated in northeastern Albania and comprises the districts of Has, Kukes and Tropoje. Kukes is a cross-border region bordering Kosovo, Montenegro and Macedonia (XHINDI and SULSTAROVA, 2006). Kukes is considered a remote region in terms of its distance to other urban centres, ports or the national airport as well as difficulties resulting from this remoteness. The terrain is rugged: it consists of high, steep mountains with small plains and river valleys. Unfortunately, the region’s remoteness is complemented by a lack of adequate internal infrastructure.

Under the Communist regime, the once vibrant and bustling³⁵ region of Kukes became increasingly isolated: first from the international community from which it used to derive its livelihood and then from other regions in Albania, a result of the lack of investment in the infrastructure of the country, which paved the way for today’s disparities between the Northeast and other regions. The fall of Communism in Albania did not end the isolation of the Kukes region. To the east, The Federal Republic of Yugoslavia continued to enforce restrictive trade and the infrastructure did not improve either. After the 1999 intervention of the NATO in Kosovo, the opportunities for Kukes’ future seemed limitless: transport and communication hub, tourist destination, manufacturer, exporter, knowledge service provider, etc.

A lot of times, border areas are truthfully identified as disadvantaged because of their relative remoteness and isolation from the economic and political heartland of the country as well as a poor-access infrastructure and consequently have a low population density, distorted market structures, overexploit natural resources which results in a low competitiveness profile. The region of Kukes is a living example of all the characteristics mentioned above, the poorest region in Albania and increasingly lagging behind the national average of a range of macroeconomic and human development indicators.

³⁵ Kukes’ history emphasises the pivotal role the region has played and could continue to play. In Roman times the region was an integral part of the famous Apia road stretching from the river Danube in the north to the plateaus of ancient Dardania in the east. During the Ottoman Empire the Kukes region continued to play a central role as a hub for communication and transport routes to the market centres of Prizren, Gjakova and Peja and other centres further to the east, as people and goods moved to the coast. The pivotal role of the region of Kukes remained largely unchanged until the Communist regime took power in Albania.

Kukes – the “shrinking” region

A vital element of the latest regional development in Europe is the process of shrinking. The problem of regressive regional development usually called ‘shrinking’ is found not only in urban agglomerations but also in rural peripheral regions. The phenomenon is not limited to certain countries or specific types of countries. Shrinking regions will be found in industrial nations of central and western Europe as well as in transition countries of Eastern and Southeast Europe.

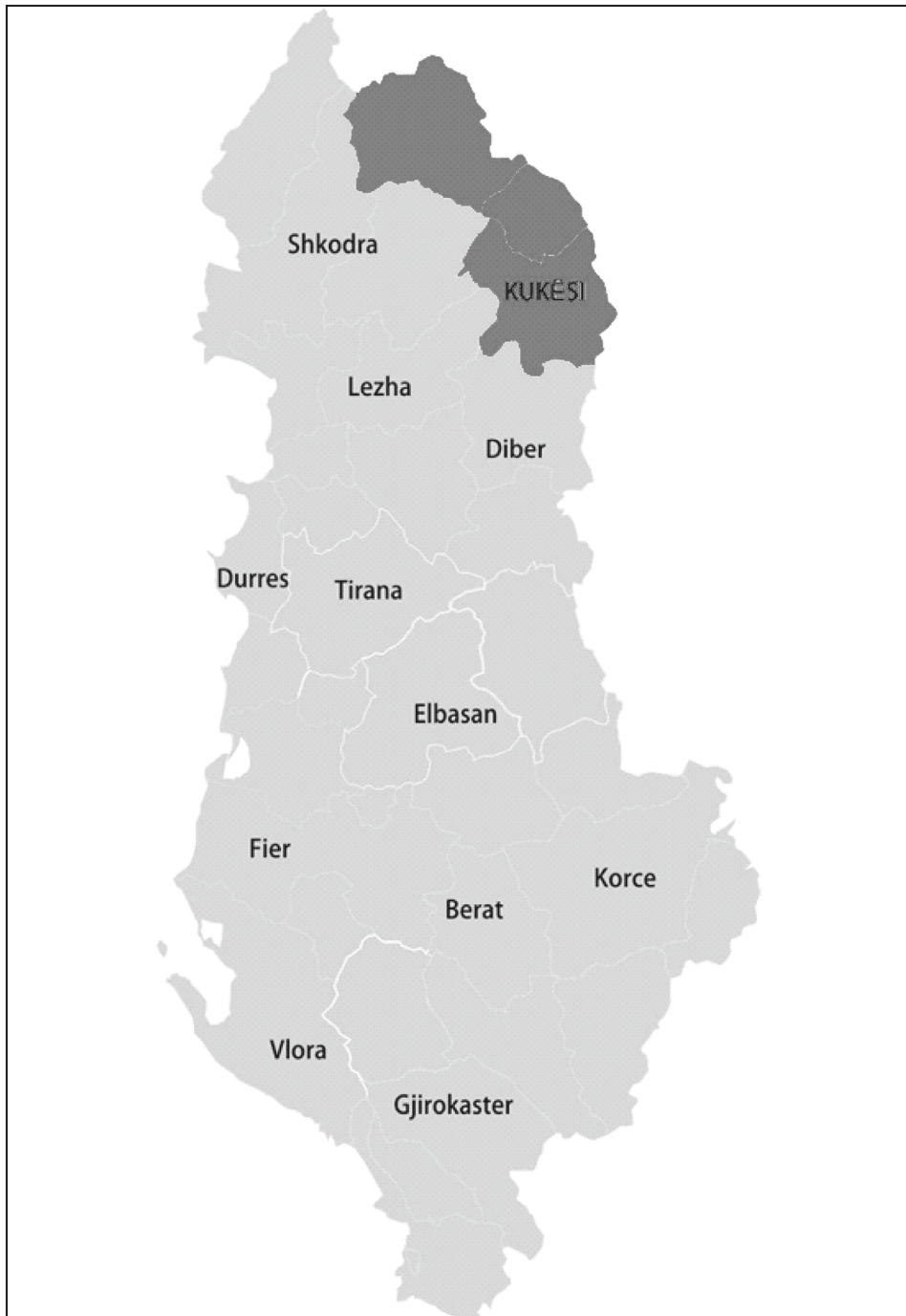
When referring to the regional level in the sense of the above mentioned ‘shrinking regions’, the meaning of ‘shrinkage’ may be reduced to two signifying major processes:

- First, the demographic component of shrinking which is usually emphasized in relevant studies of the subject. A lasting loss of inhabitants is to be realized easily and quickly all over the cultural landscape and thus is recognized as a shrinking process.
- This is accompanied by a second, in fact a causal regional economic component, namely a less or rather decreasing economical dynamics. In most cases already stagnating processes are registered as an economic shrinking or decrease. As a matter of fact, in the past few years such a decrease of real economic efficiency could only be stated in the national economies of Eastern Europe as a consequence of the post-socialistic processes.

However, this development showed great regional decrease of population, selective migration, ageing, and a loss of ‘human capital’, as seen from a demographic point of view. The economic situation is manifested in absolute or relative stagnation of value added, loss of industrial or non-agricultural employment, decrease of internal demand, corresponding loss of tax income, and lack of investment dynamics. These last mentioned factors are clearly explaining that demographic and economic shrinking processes, respectively their consequences, very often cannot be separated or even are of close causal connection.

Göler, D. (2005). European Shrinking Regions: Applied regional geography in peripheral areas (with case studies from Albania and Germany). Albanian Centre of Geographical Studies. Tirana.

Map 4-3: *The region of Kukes, 2010*



Source: CECO, 2010

The region's geographic border position and its environmental, cultural and tourism assets represent a more immediate potential for a local development, that could benefit the regions on both sides of the border and for this the region's stakeholders should start preparing.

4.1.3.2 Population development

The total number of the population living in the region is 79,225 (INSTAT, 2009b). The population is relatively young; according to the last census of 2001, it has an aging coefficient of 7.5%. The majority of the population resides in rural areas, representing about 76% of the total population. The region is composed of 3 municipalities (Kukes, Has, Bajram Curri) and 24 communes (INSTAT, 2004). Between 2001 and 2008, the regions' population decreased by 27%, justifying the region's categorisation as a shrinking region. Many Albanians originating from the Kukes region work and live in the main urban centres of the country. They return to the region for holidays and to visit their friends and relatives.

The Kukes region has always been less densely populated than Albania's other regions, the recent decline in population however, has dramatically reduced the already low density (33.4 inhabitants/km² (INSTAT, 2005)). Urbanisation is a phenomenon largely influenced by the search for employment and thus reflects the overall lack of employment opportunities in the Kukes region.

Emigration has been a serious economic problem for the Kukes region. However, emigrants returning to visit their families invest into their region and hence support the local economy. The Kukes region diaspora counts about 30,000 people most of whom reside in the United Kingdom (UNITED NATION DEVELOPMENT PROGRAMME. UNDP, 2010). They bring foreign currency into the region providing finances for relatives that want to start up a new business or they themselves invest in new businesses.

4.1.3.3 Social development in the region of Kukes

Poverty

Studies show that the Kukes region is one of the poorest in Albania and, as a consequence, the natural resources of this district have been exploited to the maximum. Still, poverty rates are very high. The National Human Development Report (NHDR) commissioned by UNDP in 2002 shows that the Kukes, Has and Tropoja districts are the most affected by extreme poverty in Albania.

The 2004 Kukes regional development strategy explained that 39.98% of the Kukes region population lived below the absolute poverty line, 14 points more than the average for Albania as a whole, Has is worst affected with 47.52%. In 2007, the rate of registered unemployment in the Kukes region was 31.3%, with youth unemployment as high as 38.2% (UNITED NATION DEVELOPMENT PROGRAMME. UNDP, 2004). Improvements in the infrastructure, measures to protect the environment, especially the forests, as well as the sustainable development of tourism will enhance opportunities for the generation of income.

Social assistance

Even if poverty is considered from the perspective of social aid benefits, the same conclusion is reached: the citizens of the Kukes live in a region where poverty levels are higher than in the rest of Albania. In 2008, there were 10,881 families that is 1,373 out of 10,000 families that received social assistance (INSTAT, 2009a). Compared to 2001, the current numbers have decreased by 21% although they remain very high in general. Although the above does not point to the basic issues contributing to poverty in Kukes, it is still useful as a broad indicator of how many people rely on assistance to improve their livelihood. The population in the regions of Kukes and Shkodra experience a high level of dependency on social aid, again illustrating the overall economic context of Albania's north and north east. It is therefore possible to conclude that the North and Northeast share (and have shared) similar root factors for poverty.

Education

There are approximately 30,385 students in the Kukes region. Over the course of the year 2008 the attendance of children in the kindergarten and primary level is 136.3%, although, over the same period, there is decrease in attendance of secondary school students by 88.3%. The vast majority of these students are from the rural areas. Indeed, the largely rural base of the student population is one of the main factors for the sharp decrease in secondary school attendance. As students get older and are faced with more pressure to generate income it becomes more and more difficult for their families to rationalise the expense and loss of income from their daughters and sons who go to the urban centres (where the majority of secondary schools are located) in order to attend school.

The lack of investment in education facilities, personnel and curriculums has had a detrimental effect upon the education level of the region's citizens. As

with other sectors, the status of the education sector is one of glaring contrasts: there are 243 schools but neither enough teachers to staff them, nor an updated curriculum, not to speak of the condition many of the buildings are in. The teachers of the region are more qualified than the national average, yet drop-out rates are also higher than in the rest of the country. Considering the fact that 54% of the region's population is under 25, it is obvious that education is essential for the development of the citizens of Kukes and as such is ascribed high priority (XHINDI and SULSTAROVA, 2006).

Health

In the whole of the region of Kukes there are only 4 hospitals, which are able to serve a maximum of 397 patients at once (46 hospital beds/10,000 inhabitants) (INSTAT, IPH and ICF MACRO, 2010). There is also a lack of clinics and specialised health services, equipment and medical specialists. The doctor-patient ratio in the region is well below the European standard of 1.3 doctors per 1,000 inhabitants. In the district of Kukes there are 0.9 doctors per 1,000 inhabitants, while in the villages the rate is even lower: 0.45 doctors/1,000 inhabitants (that is one doctor for more than two thousand inhabitants). In addition, 70% of the population lacks overall access to health services. In Has, only 5 out of 36 villages (technically 30% of the population) have access to a health centre (EUROPEAN COMMISSION. EC, 2008b). In Tropoje, the main concern relates to the provision of modern medical equipment and the renovation of the health care infrastructure. Moreover, health centres exist only in half of the communes, which means the majority of the population has to travel 10 kilometres and more on poor roads in order to get basic health care.

4.1.3.4 Growth, competitiveness and economic cohesion

Social aid benefits are closely associated with the gross domestic product (GDP). The region's GDP per capita is 2,346 euro and which is only 0.9% of the overall GDP of the country (INSTAT, 2004).

The region is rich in resources, including minerals, water, forests, medical plants, agriculture and livestock. In 2008, the trade sector accounted for 42% of the local economy with SMEs (small and medium enterprises) providing only a small portion of services (32%) and construction (11%). Although the majority of the population lives in the rural areas, agriculture is not the strongest economic sector of the region, mainly because the mountains and pastures make up 50% of the land and only 10.5% are suited for farming. Yet, only half of this land is

exploited for agricultural purposes since the sector has been neglected after the transition of regimes. Nevertheless, livestock is very important in the region, which is reflected in the fact that by far the greatest crop production in the region is forage plants and sheep and goats the main livestock, reared along with cattle and pigs. Crops include grain, potatoes (those from Shishtavec are especially famous) and other vegetables. Fruit crops are also important for the region, in particular plums, apples, cherries and pears. The ones with the most revenues and potential for export however are chestnuts – there are roughly 240,000 trees in Albania, mainly in the Tropoja district – and hazelnuts.

Fishing is another undeveloped economic potential of this region with an overall water surface of about 8,200 ha; it is home to more than 10 different species of fish. The estimated annual reserves are about 150–200 t.

Since the 1960s, there have been several important developments regarding the use of natural resources in the region, forming the basis of the region's economy. They include the extraction and processing of minerals, the wood processing industry, energy generation, developments in the construction industry, agriculture and so on. These developments have greatly influenced the social and economic life of the area and have had major impacts on the environment.

The construction of the Fierza and Koman hydropower stations and the massive deforestation to create more agricultural land (especially in the Has district) changed the environment drastically. Ancient habitats and ecosystems have been destroyed just as new ones have been created.

The mining industry, which extracts and processes minerals all over the region, has increased the employment opportunities and income but it is also associated with major damage to the land and the regions' biodiversity, i.e. creating a number of environmental "hot spots." A former copper melting factory in Rexhepaj used to regularly release dangerous gases into the atmosphere during processing, which had negative impacts not only on the environment but also on people's health.³⁶

As noted in the previous section, the population of the Kukes region is dependent on agriculture as their primary generator of income. The importance

³⁶ In the areas around the copper and chromium mines and the Rexhepaj copper factory, some 35 plant species have disappeared. Over the years great forest surfaces have been lost because of the wood processing industry, illegal cutting of trees, and forest fires.

of agriculture cannot be overlooked when considering future strategies for a sustainable development of the region.

Employment/unemployment

Since big parts of the region's population participate in some form of agricultural activity, it would seem that the employment level in the region (according to this definition) is quite high. 23,383 of Kukes' people are in work, 65.6 % of them are employed in the agricultural sector, 12.2 % work in the public sector and 22.2 % are employed in the private non-agricultural sector (INSTAT, 2009a). It's difficult to assert the significance of the data on employment in the Kukes region as it considers all people involved in any kind of agricultural activity employed, even though many of these people only use farming to sustain themselves .

The average unemployment rate in the region is 7 % (around 55 % lower the Albanian average) and has decreased drastically between 2001 and 2008, by 78 % to be exact. The active labour force of the region represents about 12.2 % of the labour force of the whole country. It is symptomatic then that the age group most represented among the unemployed in the region of Kukes is the 25-to-45-year-olds who usually constitute the most active age group.

4.1.3.5 Environmental assets of the region

Water access

73.3 % of the overall population of the region has access to water (Albanian average: 77 %) (INSTAT, 2009a). It has increased by 11 % between 2001 and 2008. Still, the region of Kukes has yet to provide a permanent, safe water supply to the urban centres and villages. The cities of Kukes, Bajram Curri and Kruma, only have running water for nine hours per day, sometimes even less due to power cuts and illegal tapping into the water supply. The quality of the water is good because of the use of modern techniques.

There are significant disparities regarding people's access to sanitary facilities and domestic water supply in rural and urban areas. Only 7 % of rural households are connected to the sewerage system and only 23 % of them have water supply within their homes, whereas in the urban areas it is 72 % and 74 %, respectively. A number of communes indicated that they cannot offer any such services to its citizens.

Forests

The Kukes region is rich in forest: 70% of the area is covered by woods and pastures. The environment of the region is currently seriously threatened and damaged by pollution, neglect and vandalism. Its effects, if not checked, could become irreversible thereby destroying the very assets that attract tourists to the region.

Access to roads for the population in the region

Despite several investments in the infrastructure of the region, the situation is still problematic. The road situation continues to be bad. The condition of the roads, the long distances and extreme weather conditions in the mountains make the transport of goods and people very challenging. There have been definite improvements like the construction of the highway from Kosovo to Durres and the gradual upgrading of national roads in the region. The highway connects the Kukes region with major urban centres in Albania, including the capital Tirana (distance of 150 km), the port of Durres and Shkodra, the largest city in the north as well as the city of Prizren in Kosovo, which in turn has links to Prishtina. Other cities in Kosovo, Gjakova and Peja, are connected to Kukes by local border roads. Once the highway was opened in June 2009, officials reported a sharp increase in the number of cars and buses travelling to and through the region (MINISTRY OF TOURISM, CULTURE, YOUTH AND SPORT. MOTCYS, 2010).

With the new highway, the region's airport rose to new importance and became an important alternative to Tirana's Rinas airport. After all, once the road to Tirana is completed, it should only take one hour and thirty minutes to travel the distance. Kukes airport would also be an alternative to Prishtina airport which is sometimes closed due to adverse weather conditions, whereas Kukes airport is located near densely populated cities like Prizren, Gjakova and of course Kukes. The other beneficiaries of the airport are the 30,000 Kukes emigrants living abroad, who return to the region to visit their friends and family or to do business. The government has not yet conducted an economic feasibility research but private operators have declared interest in running or operating the airport, having carried out their own studies.

Kukes could potentially be attractive for low fares airlines as Kukes is strategically located between two capital cities – Tirana and Prishtina, both of which are easy to reach – as well as established holiday destinations such as Durres. Low-

cost carriers are interested in airports with low landing and services fees. Once they become established in an area and make it a hub, they provide a major boost to the economy and the tourism sector develops very quickly. The region of Kukes is situated relatively close to major European tourist destinations and could be transformed dramatically, substantially contributing to its economy by providing new access to the international market.

Air quality

For the longest time the mining industry in the region was the primary source of air pollution.³⁷ Currently however, much of the air pollution comes from the burning of garbage, the use of wood furnaces for heating and from vehicle emissions. The growing number of vehicles and their concentration in the urban centres is another source of air pollution. Around 90% of the vehicles runs on diesel.

There are no studies of the current level of air pollution in the region, although studies must be undertaken in the near future. They ensure that the problem is monitored and can be kept in check.

Air quality in the Kukes region is not monitored either and the estimates that exist for the area are questionable. Institutions in the region like the Institute of Hydrometeorology (IHM), the Public Health Institution (PHI) and the State Sanitary Inspectorate (SSI) should monitor air quality and inform the public about the situation.

Waste

Socioeconomic changes throughout Albania after the 1990s also triggered greater consumption in the region of Kukes. The result was an increasing amount of waste produced and the problematic composition of that waste. The escalating quantity of urban waste is not only a result of population growth but also migration from the rural areas to the urban centres and the increasing number of new constructions and buildings. With the development of tourism, the quantity of generated waste will increase and affect more and more regions. If the local government units are not ready to manage this waste, the territory

³⁷ In the Kukes region the main source of air pollution was the Rexhepaj copper factory. The factory released concentrated sulphur dioxide into the atmosphere, above the permissible limits set by the government and outside European standards. This has damaged about 500 ha of forest on Gjallica Mountain and 80 ha of forest on Koretniku Mountain. Today, the only sources of gas released into the atmosphere emanate from building and construction operations, usually for short periods.

will become massively polluted, eventually discouraging tourists from visiting the region.

Despite improvements in the management of urban waste, it still remains a very significant problem. Up until 1994, waste management was the responsibility of the State. After 1994, waste collection and management was privatised. This service is still not operating very efficiently. In the municipality of Kukes, the methods used have changed many times. In 1997 landfills were built in the Kukes and Kruma municipalities to store waste (household, business, etc.) This was funded by the German government, namely credits from the KfW (Kreditanstalt für Wiederaufbau) (DEPARTMENT FOR STRATEGY AND DONOR COORDINATION. DSDC, 2009b). The estimated life span of the landfills was ten to fifteen years. In 1999, a collection location was selected and the system for inert waste (such as building and demolition material, etc.) established, funded by the NGO Oxfam. This system still is in operation today.

In reality however the landfills lasted less than 10 years because of the sudden major increase in population in the districts of Kukes and Kruma in 1999, after increasing numbers of refugees came from Kosovo. Over 500,000 people crossed the border, an additional 100,000 stayed in camps or in the homes of inhabitants for more than 90 days. The quantity of waste increased more than tenfold, naturally filling up landfills ahead of the time estimated in the project outlines.

Currently, in the municipalities of Kukes, Kruma and Bajram Curri waste is disposed of in areas that are not officially approved for such purposes. Bajram Curri approved a project to build a landfill but the construction has not started yet. The municipality of Kukes has an action plan for waste management but lacks the funds to implement it. The current system of collection, transporting and storage of waste does not meet the required standards. The responsibility for the collection of urban waste lies with local governments; selecting the right private-sector firms to provide this service is extremely important.

4.2 Dynamics of regional development and disparities of the regions: Tirana, Shkodra and Kukes

The indicators used for the analysis of the regional disparities³⁸ in the three case studies are inter- and correlated – the number of significant correlations is quite high, even unexpectedly high. All the statistics are taken from reports on different topics published by INSTAT between 2004 and 2010. These topics include but are not limited to: “Indicators by Prefecture,” “Population Projection 2001–2021,” structural surveys of economic enterprises and health or population surveys, etc.

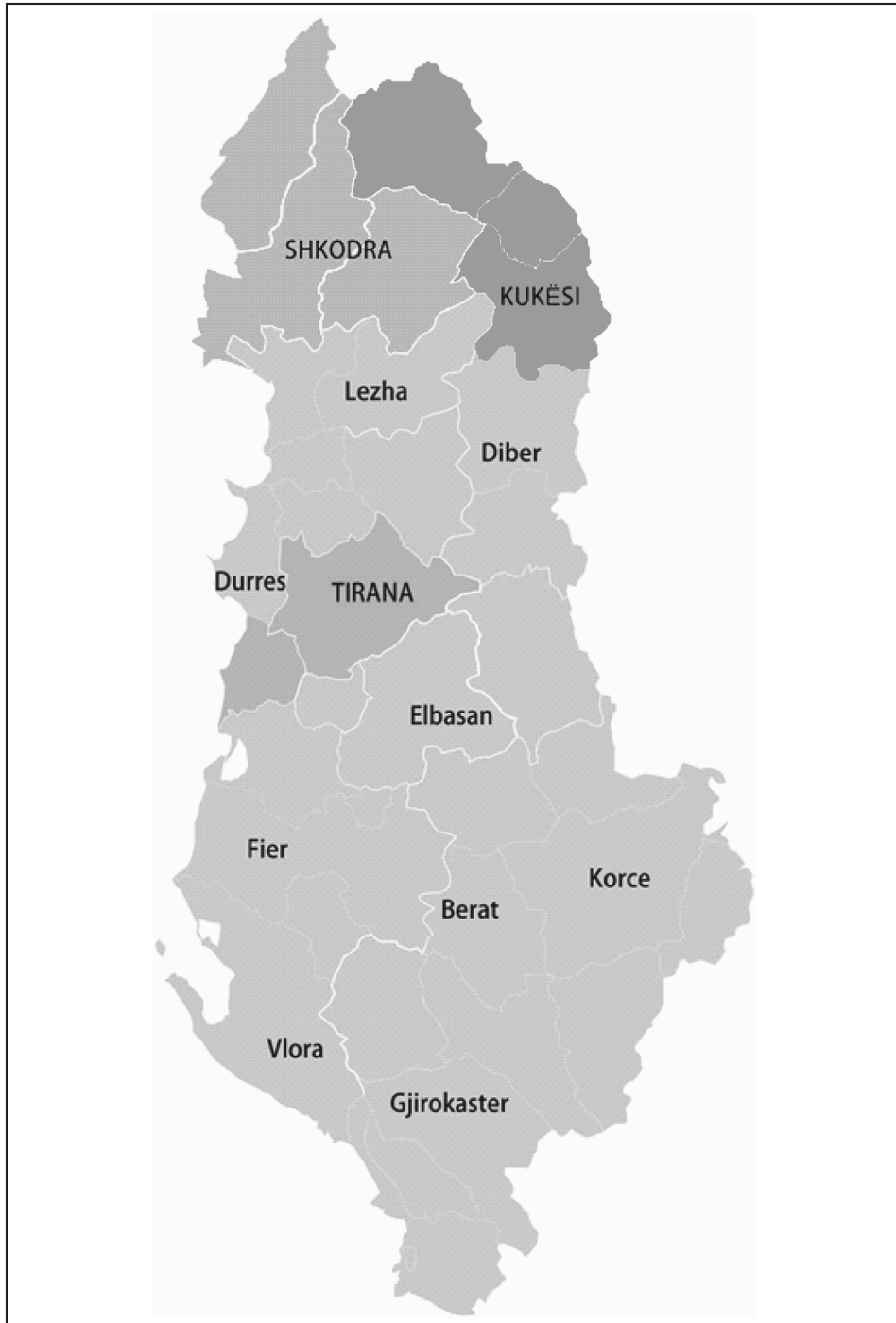
Generally speaking, good economic indicators correspond with good social indicators, better access to services, a positive demographic development, high levels of urbanisation and low levels of agricultural dependence. To some degree the impact of geography (location, altitude) remains “hidden,” seeing as it is not reflected in the current set of indicators for development nor in the already processed data. It is almost obvious when looking at the data and the correlating graphs one region at a time.

In general, data on a local level does not allow for detailed conclusions, the existence of disparities between individual regions and their causes being no exception, although theory and experience suggest that the lower the territorial level of analysis is, the higher the differentiation and the more acute the disparities.

The proposed approach is to introduce a number of innovative features for tackling the problems of regional development for the three regions discussed in the case studies.

³⁸ See appendix 6 for the full set of indicators in the three regions.

Map 4-4: *The three regions: Tirana–Shkodra–Kukes*

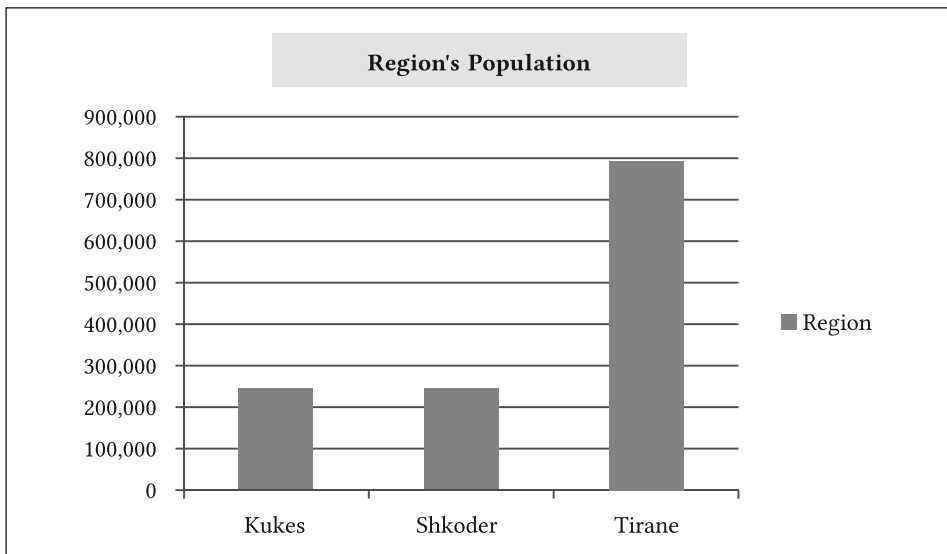


Source: CECO, 2010

4.2.1. Comparative population trends of the regions

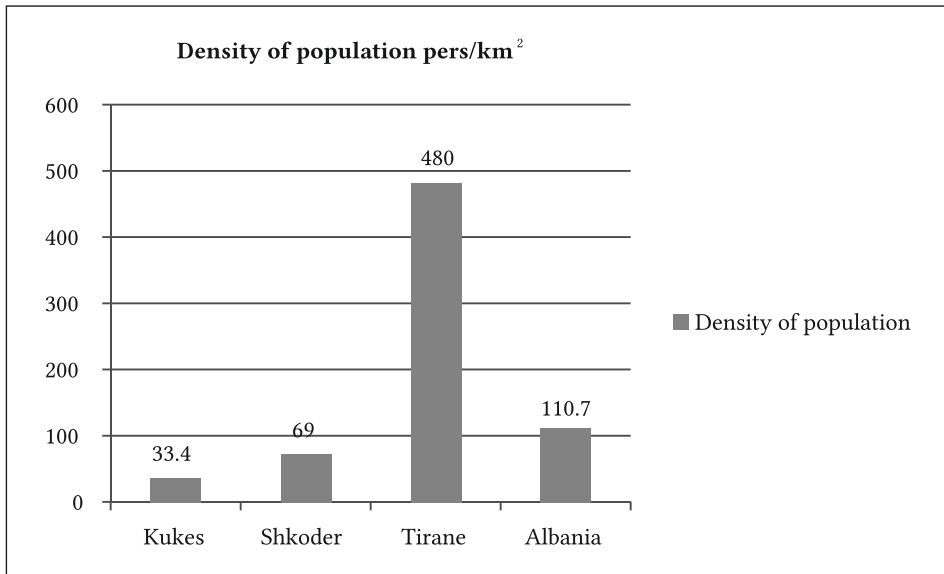
The population growth between 2001 and 2008 should be seen as a positive dynamic. However that dynamics is uneven: It mainly relies on increases in Tirana (+25 % for 2003–2008), while in the two other regions population numbers are shrinking – more significantly so in Kukes (-25 %) than in Shkodra (-4 %). The same trend can be observed for population density. Between 2001 and 2008 the population density of Kukes decreased by 25 % and that of Shkodra by 4 % while Tirana registered a major increase of 25 % in population density. Currently Tirana is four times as densely populated as Albania is on average (INSTAT, 2009b). The main issue here is the quick re-distribution of the population (migration): namely its high concentration in a limited number of regions in the central coastal area (especially Tirana and Durrës), which has negative implications for both, receptive areas (congestion, pressure on the infrastructure, pressure to develop the infrastructure, etc.) and emmitive areas (depopulation, loss of labour force – may be younger and of higher quality, reducing the perceived need for the creation and maintenance of infrastructure and services, etc.) Obviously, population density and growth are also related to location (including altitude), especially in the case of Shkodra and Kukes, and urbanisation level, although the underlying cause for the developments mentioned above are most likely triggered by economic development in the regions as well as their structure, job opportunities, education opportunities, etc.

Chart 4-3: Population of Tirana, Shkodra and Kukes in 2008



Source: INSTAT, 2009b

Chart 4-4: Population density of Tirana, Shkodra and Kukes in 2008



Source: INSTAT, 2009b

On the eve of the 21st century Albania entered into the second transitional phase, that of political and economic consolidation. The percentage of households living below the poverty line halved between 2002 and 2008 (12%, 2008) compared to 2002 (INSTAT, 2009b). The country experienced a convergence of living standards in its regions, although much of this development has to be attributed to an increasing flow of migrant remittances to poor areas (WORLD BANK, 2007a).

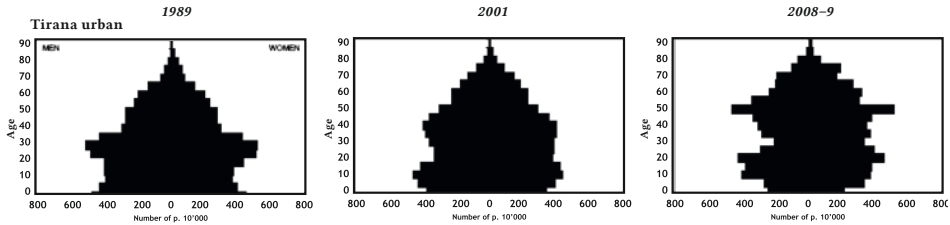
The population pyramid is an essential tool in the defining process of social and economic policies. Knowing the age- and sex-structure of the regional populations is important for estimating and predicting its needs in terms of social services (schooling and day-care infrastructure, health institutions, etc.). Population pyramids also illustrate the share of dependent people that the working population has to support, i.e. the demographic potential for socio-economic development. The larger the relative importance of working age groups in a population, the more income can theoretically be generated per inhabitant. When children and pensioners only constitute a small part of the total population, income can be invested in production and used to improve the quality of social services (education, health, pensions) rather than simply adjusting them in terms of quantity.

Besides its importance for planning, the pyramid also traces the history of all birth generations constituting a given population. Multiple historical events have led to demographic changes that transformed the regional age- and sex-structure presented there. With regards to the general shape of the pyramids prior to 2001, the three regions represent different schematic stages in the demographic transition. The age structure of a pre-transitional population, in which people have many children and die earlier, is indeed becoming less frequent as the modernisation process carries on. Increasing living standards and health conditions help increase the average age of death, their longer lives broadening the pyramid. Compared to the earlier decline in mortality, the decline fertility tends to lag over time, as family planning has a social inertia. During this demographic transitional phase, the combination of high fertility and low (infant) mortality leads to population growth and widens the base of the age pyramid. The age structure pyramid then has a pyramidal shape. Once fertility approaches replacement level for a certain period (i.e. each couple has an average of 2.1 children), the base of the pyramid (the post-transitional population) gets narrower and the overall form becomes more regular in successive decades (GJONCA; AASSVE and MENCARINI, 2008).

The population of the region of Kukes and the city of Tirana each stand for one of the two Albanian extremes with regards to age structure in this universal and secular process – at least if we consider the year 1989. Shkodra's populations represent the last stage. The population structure of Kukes (region) maintained a clear triangular shape up until 2001 (fig. 4-4), indicating consistently high birth rates throughout the 20th century. Even though the number of children born after World War II declined considerably, decreasing infant mortality sustained the effect of relatively high fertility, increasing the number of survivors at older ages. The population is very young throughout; in 2001 more than a third of Kukes' citizens was less than 15 years old (as compared one fifth in Tirana). An earlier decline in fertility rates in urban Tirana, and to a lesser extent the Shkodra region, explains the more regular shape of the pyramid up until 2001. If we ignore the hollows, which will be discussed later on, the recent birth cohorts are hardly more numerous than the older ones. However, the combination of sharply falling fertility rates in recent years and consistently high international emigration levels considerably transformed the age-sex structure between 2008 and 2009. The first hollow at the top of the population pyramids is hardly visible (fig. 4-2). Yet there is an imbalance with regards to sex: there are more women than men in the older age groups. While differential mortality according to sex

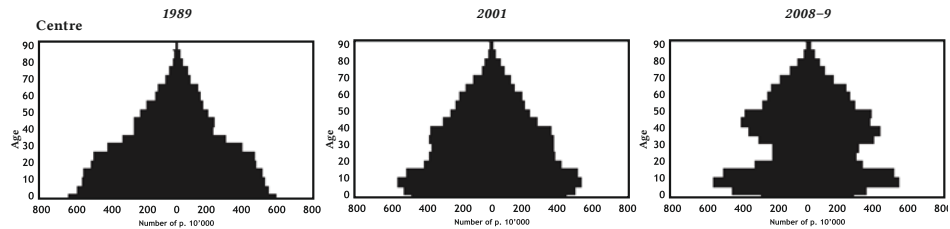
is clearly a determinant factor (on average men die earlier than women), the male cohort born between 1920 and 1925 also suffered excess mortality during the Second World War. The second hollow, among the generation born during World War II aged 55 to 59 in 2001, is the result of the typical birth deficit due to disruption or postponement of childbearing among the preceding generations (aged 70 to 90 in 2001) and can be explained by the civil disorder at that time. Indeed, the subsequent widening of the pyramid at lower ages illustrates the recuperation of the delayed births. Falkingham and Gjonca (2001) highlighted that in no other European country did the post-war baby boom start with such high fertility levels (i. e. 6.1 children per woman in 1950).

Fig. 4-2: *Region of Tirana: Age- and sex-structure of the population, 1989–2001–2009*



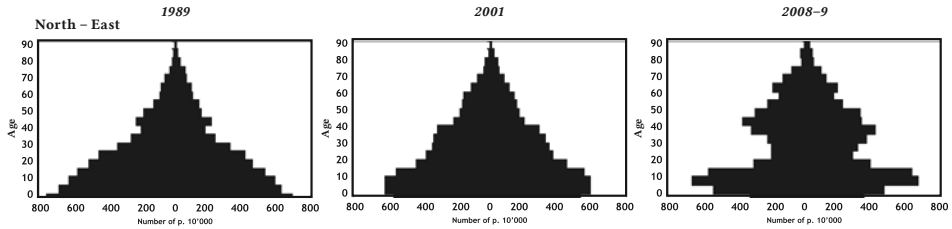
Source: INSTAT, IPH and ICF MACRO, 2010

Fig. 4-3: *Region of Shkodra: Age- and sex-structure of the population, 1989–2001–2009*



Source: INSTAT, IPH and ICF MACRO, 2010

Fig. 4-4: *Region of Kukes: Age and sex structure of the population, 1989–2001–2009*



Source: INSTAT, IPH and ICF MACRO, 2010

Another major hollow is due to the absence of young emigrant adults in all regions. Since the outflow concerned primarily men, they became less represented among people aged 15 to 39 years (on average 91 men per 100 women in 2001, compared to a ratio of 106 men per 100 women at birth). The imbalance between the sexes is more marked in Tirana (91) compared to Shkodra (97) and the Kukes region (99; see fig. 4-2/4-3). This can be explained by higher internal immigration of women, accentuating the females' overrepresentation due to the emigration of men abroad. Despite the high levels of emigration during the 1990s, the old age dependency ratio stayed relatively constant until 2001, because fertility was so high in the past that numerous child cohorts continuously entered the labour market. Indeed, the Kukes region experienced a fast catching-up of its delayed fertility transition as the average number of children declined to 1.9 in 2006–2009. The inhabitants of this region have also increasingly participated in international emigration, which has become as important as internal departures since 2001. These demographic trends have strongly affected the age and sex structure of the regional populations in Albania as have they in other Western Balkan countries (MRDJEN and PENEV, 2003).

With the ongoing international outflow, the hollows in the young adult cohorts deepened considerably between 2001 and 2008/2009. Meanwhile, the pyramids become wider on the top as the larger birth cohorts that benefited from the declining adult mortality during the communist reign reach retirement age. Old-age dependency increased constantly between 1989 and 2008/2009: from one to two individuals per ten Albanians of working age (GJONCA; AASSVE and MENCARINI, 2008).

The dependency on children declined strongly in all regions because of the recent drop of fertility rates below replacement level. The departure of young adults further contracted recent birth cohorts, seeing as a certain number of

children were born outside of Albania or joined their parents abroad. Whereas in 1989, children still constituted half the population in the regions of Tirana and Shkodra, they constituted a mere third in 2008/2009. Young-age dependency has always been lower in Tirana because of its historically lower fertility level. Another effect of international emigration is the ageing of the work force. In 1989, young adults were twice as numerous as those aged 40 to 64. After 20 years of emigration these two working-age groups are about equal size; for the coastal areas the latter even outnumbers the former.

Mortality is lowest in Tirana (15 per 1,000 inhabitants) followed by Shkodra (less than 20 per 1,000 inhabitants). The threshold of 30 deaths before the second birthday is only exceeded in the rural areas of the Kukes region. Child health has further increased over the past decade, particularly in rural areas (31 as compared to a former 24 deaths per 1,000 births) (INSTAT, 2009b).

Albania has shifted from one critical situation characterised by pressure from an enormous young population to the next after 2001: population ageing (MINISTRY OF HEALTH, 2007). Old-age dependency has increased significantly; however an even larger number of individuals will progressively reach retirement age in the next 10 to 20 years. The elderly have, so far, been kept from poverty because they have benefited from remittances. However, the current low fertility cannot ensure the reproduction of the already depleted cohorts of working population, questioning the sustainability of the ageing process. The situation is most critical in the urban areas, especially in Tirana, although the internal inflow of young adults from Kukes and Shkodra have partly attenuated the trend. Immigrants do not only fill the gaps left by the departure among the urban work force but also have more children than non-migrants. They have consequently inflated urban fertility rates and, therefore, contributed indirectly to the fast urbanisation taking place in Tirana.

During the transition years, internal population mobility dramatically increased. Migration peaked in periods of political turmoil and economic crisis, such as the first democratic elections in 1991/1992 and the 1997 financial crisis (the

fall of pyramids scheme³⁹) (WORLD BANK, 2007b). Interestingly, the geography of migration flows after the communist reign resembles the patterns prior to 1990: young people left the predominantly rural highlands in the inner part of the country and joined the working population in the cities as well as their immediate rural territories, mainly around the capital and on the west coast. The rural mountain area of the Kukes region was particularly affected by internal movements, many people headed directly to the Tirana-Durres area, while the region of Shkodra did not only experience high internal but also international emigration (XHINDI, 2008). While the international emigration from Tirana was similar to that from other regions, the capital stands out as the main internal migration magnet. Arrivals from other regions in the country account for more than half of Tirana's population aged between 15 and 34 in 2001 that that were predicted to live there if regional borders had been closed. Contrary to other regions, the internal inflow not only replaced outgoing migrants but also led to a heavy increase in population in Tirana. Recent estimates indicate an ongoing trend of internal inflow combined with international outflow until 2008, representing a respective 19% and 9% of the hypothetically closed population since 2001 (INSTAT, IPH and ICF MACRO, 2010). Moreover, the immigrants' offspring make up 70% of all children born to individuals originally from the capital. Thus, internal migration does not only seem to redistribute labour force but also demographic reproduction within the country which means it contributed directly and indirectly to the fast urbanisation of transitional Albania.

³⁹ During 1996-97, Albania was convulsed by the dramatic rise and collapse of several huge financial pyramid schemes. [...] The pyramid scheme phenomenon in Albania is important because its scale relative to the size of the economy was unprecedented, and because the political and social consequences of the collapse of the pyramid schemes were profound. At their peak, the nominal value of the pyramid schemes' liabilities amounted to almost half of the country's GDP. Many Albanians – about two-thirds of the population – invested in them. When the schemes collapsed, there was uncontained rioting, the government fell, and the country descended into anarchy and a near civil war in which some 2,000 people were killed. Albania's experience has significant implications for other countries in which conditions are similar to those that led to the schemes' rise in Albania, and others can learn from the way the Albanian authorities handled – and mishandled – the crisis. (The Rise and Fall of Albania's Pyramid Schemes. Christopher Jarvis; Finance and Development: A quarterly magazine of the IMF. March 2000, vol. 37, no. 1).

4.2.2 Social development in the regions

Poverty

Reasons for poverty in Albania are multidimensional. State-owned enterprises failed in the face of privatisation; competitive market institutions and social safety nets have not yet been sufficiently developed. Thus, underemployed people or those who lose their jobs have to develop coping mechanisms – with an apparent preference for migration so far. There are visible disparities among the selected regions in terms of poverty levels and people's living conditions.

Regional level data confirms the significant regional variation:

- The highest poverty level are found in Kukes (157 % of the average) and Shkodra (129 %),
- The lowest poverty level are found in Tirana (92 %) (INSTAT, 2009a).

Poverty is no longer a taboo subject and Albanian society is coming to terms with the fact that poverty is not only due to a misallocation of financial resources but also about missing access to public services that are provided to certain groups of the population. For those individuals and families that live close to the poverty line even the smallest improvements have a direct impact on their situation. No matter how hard individuals may try, they cannot escape the poverty trap if their efforts are not backed by central and local initiatives and by certain government sectoral policies. One out of four Albanians (nearly 780,000 people) live in poverty (on less than 4,891 leke a month per capita) and 5 % of the population (150,000 people) live in extreme poverty (on less than 3,471 leke a month per capita) (HUMAN DEVELOPMENT PROMOTION CENTRE. HDPC, 2005) and cannot even provide for their basic food needs. Furthermore, a large number of individuals lives just above the poverty line. Poverty is particularly wide spread in the rural and mountain areas: 68 % of Albania's poor live in rural areas as compared to 32 % in urban areas. The majority of poor people are young: 55 % are under the age of 25. Young families with many children are particularly vulnerable to poverty. Extreme poverty is related to low education levels and the lack of skills of the head of the household.

The mountain communes in the Tirana region as well as Shkodra and Kukes are the poorest, the scarce land cultivated mainly for family consumption. Moreover, the obsolete infrastructure considerably limits their access to markets, as well as limiting the chance to find work outside the village. The Kukes mountain communes are typical in this regard. Communes with the largest number of

poor people are characterised by rough landscapes as well as a low utilisation of the agricultural and livestock potential of the areas. Despite the fact that some of these communes produce products in demand, such as forest fruits, chest nuts and tea leaves, through insufficient care and lack of production management and processing capacities only insufficient households incomes are generated.

Communes in the regions of Shkodra and Tirana that mainly consist of plain areas, on the other hand, present a different picture. Good roads and hence access to the city as well as the development of productive agricultural activities has led to improved living standards. Tirana's communes with relative proximity to the national roads have attracted an active population: Upon their arrival from other parts of the country they have established new business activities within the respective communes. Some of the communes along the Tirana-Durres highway as well as those along national roads have acquired an urban feel due to non-agricultural economic activities that have provided employment opportunities for the local population (DOKA, 2005).

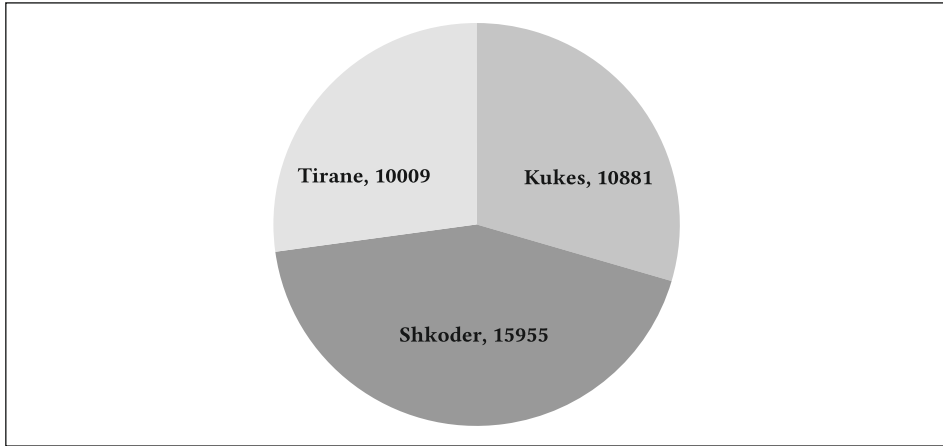
Equal and inclusive regional growth is crucial for the promotion of the regional economic and social development. The efficient social policies that have been launched, combined with the promotion of economic development of the regions, have helped a considerable number of people to overcome poverty. Yet, poverty remains a concern of politics in Albania.

Social assistance

Between 2006 and 2007, the programmes of social assistance, payments and services for disabled people as well as support payments for the social services of decentralised communities which had been set up and developed up to that point, were considered to have a complementary impact on the reduction of poverty categories and the number of households and people in need. Social assistance (SA) is allocated based on poverty maps and LSMS 2002/2005 indicators. The number of poor households for each municipality/commune is identified based on poverty maps also, which indicate the percentage of population and number of households whose members live on less than US\$ 2 a day (INSTAT and WORLD BANK, 2006).

An estimated 93,000 families currently benefit from social assistance, which equals 437,000 people. The most recent data report shows that the region of Shkodra has the highest absolute number of families receiving social assistance among the twelve regions of Albania (16% of the regional share or 15,955 families), i. e. including our case regions, as the graph shows (INSTAT, 2009a).

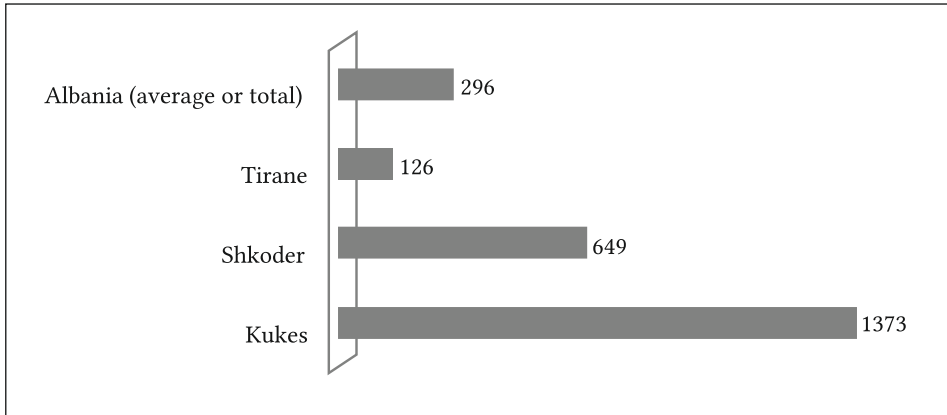
Chart 4-5: Number of families receiving social assistance in the regions of Kukes, Shkodra and Tirana in 2008



Source: INSTAT, 2009a

From 2006–2007 onwards social assistance benefit rates for poor households have been raised continuously. On the other hand, measures aimed at poverty reduction have been taken, especially with regards to improving the social assistance distribution system and enhancing transparency. The extent of need coverage has increased; enforcement has been enhanced in order to eliminate abusive cases from the system and ensure that the real families in need are included, especially those living in remote areas such as Kukes. Currently, the region of Kukes has the highest relative number of families receiving social assistance (per 10,000 people in 2008/ 1,373 out of 10,000 people). This figure from 2001–2008 has increased by 11% and is now four times higher than the current Albanian average (296/10,000 people), i.e. reflecting a need for social assistance for the poor families in Kukes. Although the current regional share of Shkodra families receiving social assistance is the highest, this figure has decreased by 29% between 2001 and 2008. The number of families getting social assistance per 10,000 inhabitants in Tirana between 2001 and 2008 decreased by 50% a reflection of the outstanding development of the region.

Chart 4-6: Number of families receiving social assistance per 10,000 people in the regions of Kukes, Shkodra and Tirana in 2008



Source: INSTAT, 2009a

Complementary to the measures referred to above, the social assistance system will undergo changes that will commission it with community work in order to transform it from a passive to an active system. Such action will lead to immediate results in the improvement of living conditions of the community, roads, sanitary issues, water works in the villages and a reduction of the number of people and families that have declined to participate in such schemes.

Education

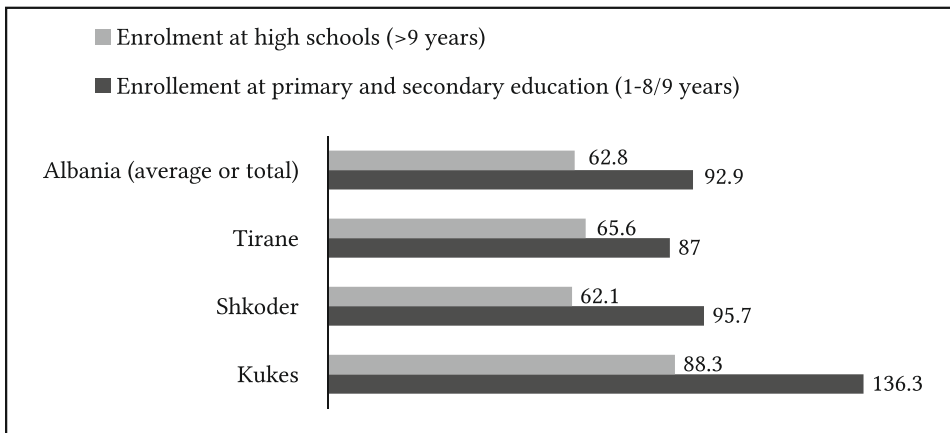
In this section we consider the indicators of educational enrolment of the population of the Kukes, Tirana and Shkodra region. Educational enrolment and the achievements of the adult population reflect the amount of knowledge and skills available to the economy and society which is why they are used as an indicator for the available stock of human capital by economists (AZOULAY, 2002).

The National Strategy for Development and Integration (NSDI) calls for several areas of improvement in the education sector, including attendance of students in primary education (with special attention to the poor groups and remote areas of the country) as well as attendance at secondary education level (focusing mainly on vocational schools); the quality of teaching; the expansion of the vocational education system and especially with regards to making it more market demand driven; the effectiveness of the administrative branch of

the educational system as well as its financial efficiency (DEPARTMENT FOR STRATEGY AND DONOR COORDINATION. DSDC, 2007).

The pre-university education system includes preschools, primary schools (nine years of school) and secondary schools (high schools and vocational schools). It operates under the joint competences and responsibilities of the respective local and the central government.⁴⁰ The total enrolment of students for the Tirana region at the regional Albania share is 23.9%. The distribution of primary and secondary schools and access to basic education in the region of Tirana are quite good. With regards to elementary and primary education these indicators are promising, especially the even distribution of primary schools. As regards secondary schools, the situation is more problematic: in some cases students have to cross far greater distances on their way to school than are defined as normal by the Ministry of Education and Science. The situation is especially bad in some rural and suburban areas where the lack of infrastructure becomes worse particularly during the winter months.

Chart 4-7: Percentage of enrolment of students in primary/secondary education in the regions of Kukes, Shkodra and Tirana in 2008



Source: INSTAT, 2009a

⁴⁰ The Ministry of Education and Science has the overall authority over the preparation and approval of teaching plans and curricula, students' grading system, instruction and auxiliary texts and the qualification of pedagogical personnel.. Currently, the Ministry of Education and Science exercises its competences through the Regional Education Departments, whereas district based Education Departments function and report to the regional ones. Meanwhile, the maintenance of pre-university education institutions remains the responsibility of the municipalities and communes.

In Kukes the enrolment rate at primary schools are high (136.3%) yet falls drastically at high school (88.3%). The largely rural base of the student population is one of the main factors in the sharp decrease in secondary school attendance. As students get older and are faced with more pressure to generate income, it becomes more and more difficult for families to rationalise the expense and loss of income for their daughters and sons to travel to the urban centres (where the majority of secondary schools are located) to attend school. Moreover, in rural areas children are requested to help their parents with farming.

The same can be observed in the region of Shkodra (excluding the municipality of Shkodra where school enrolment is high not only in primary education but also in secondary school). For the communes in the mountains, collective schools are the only solution to the low enrolment rates problem (students from three to four neighbouring communes often attend one “central” school).

Between 2001 and 2008 education indicators improved as a result of several implemented reforms intended to strengthen policy-making as well as focusing on managing and decision-making capacities, improving the quality of the teaching process, building capacities and developing human resources, as well as strengthening and expanding vocational education. During this period, the new secondary education structure reform was adapted (compulsory 9-year education). In 2006, projects for the equipment of all schools in the pre-university system with computer laboratories as well as capacity building and the training for teaching and maintenance personnel started the implementation at a large regional scale, including schools in the remote areas of Kukes and Shkodra (DEPARTMENT FOR STRATEGY AND DONOR COORDINATION. DSDC, 2009a). The policies pursued so far were also aimed at increasing the percentage of students participating in vocational education, especially in Shkodra and Tirana.

As regards tertiary education, Tirana takes priority. The biggest university in the country, Tirana University hosts around 60% of the students coming from all regions. The increase in student numbers is joined by an increase in the number of lecturers and the integration of scientific research institutes into universities, resulting in enhanced academic, laboratory and scientific capacities. In 2007 the University of Tirana opened its branch in Kukes, which will serve as a development hub for this area. The presence of the University of Shkodra “Luigj Gurakuqi” plays a very important role in the education sector of the region of Shkodra.

At a lower scale there are significant regional variations in the enrolment indicators. The capital Tirana clearly concentrates the most educated population, while the levels of overall enrolment and school attendance are lowest in the mountain areas of Kukes and Shkodra. Differences regarding the educational opportunities in the regions (notably the availability of secondary schools in the community) partly explain these variations. However, part of the explanation lies in the fact that in rural areas young people have to leave the educational system early to work for small family businesses or the farms run by their parents.

Major progress was made in 2005 with the transfer of the investment responsibility for education and health to the local governments. In the 2005 budget law, investments for schools are appropriated under those cities' budgets that are the centre of the respective region and the budget of the regional councils for all other local governments within the region. Thus, Tirana city has a budget appropriation for school investments and the regional council allocates the appropriation to individual projects/local governments within the region. The same policy is in place for primary health service investments. Now, foreign technical assistance is working hand in hand with both the Central Government and local governments on establishing standards and criteria for the determination of the investment pool and its distribution to individual projects and local governments in Kukes and Shkodra (MINISTRY OF EDUCATION AND SCIENCE, 2009).

In order to fully implement functions and responsibilities defined by the Organic Law (MINISTRY OF FINANCE. MOF, 2009; STATISTICAL OFFICE OF THE EUROPEAN COMMUNITIES. EUROSTAT, 2009) additional legislation is necessary, namely defining the meaning of shared services which outline the roles and responsibilities of central and local governments with regards to education. One final issue concerning the role of the local governments for the provision of public services is the appropriate role of regional governments: At present, the region of Tirana, Shkodra and Kukes have technical staff but their role in providing local public services is minimal and it has no authority that is directly responsible for revenue generation.

Health

Several factors impact the population's health status; the health system is one of them, however not the most important one. All actors, including institutions and every single citizen, are responsible for health maintenance and improvement.

In this respect, the local government bodies play a major role in coordinating the efforts of all these actors and should provide the main support to health institutions, both public and private.

A detailed disaggregated analysis of the main causes of infant death under the age of one and children under the age of five according to gender, residence and deadly illness shows that in Tirana boys die more often than girls (INSTAT, 2004). According to the data, while all deaths occur due to natural causes with no factual evidence of accidental death, the majority of deaths occur in the urban area especially in the new suburban Tirana. In the last few years, the majority of the cases of infant mortality in these areas have occurred during delivery. They are caused by several factors that include limited economic opportunities for the majority of households in these areas, leading to lack of access to and concern about health care, low health awareness and education of young mothers and a lack of disease prevention and follow-up by competent medical personnel. The majority of infant deaths occur in maternity hospitals (64 %) and health centres (22 %), however, and only 13 % in people's homes. Infant mortality caused by unidentified diagnoses is still an outstanding problem for the region of Tirana. The hospital sector has inherited a poor infrastructure. The specialised ambulatory and hospital services face a number of obstacles in delivering quality services. Between 2001 and 2008, the number of hospital beds per 10,000 inhabitants decreased by 36 %, the number of health centres and health posts in the region declined significantly by roughly 40 %, while the average use of these facilities has declined even more rapidly, by about 60 % (MINISTRY OF HEALTH, 2007).

In the whole of the region of Kukes there are only four hospitals, which are able to serve a maximum of 397 patients (46 hospital beds/10,000 inhabitants). There is also a lack of clinics and specialised health services, equipment and medical specialists. Currently approximately one third of the existing health centres in the region of Shkodra is in poor physical condition and in need of investments. The number of hospital beds per 10,000 inhabitants in the region of Shkodra increased by only 4 % for the period between 2001 and 2008. Nonetheless, midwives often are unable to take responsibility for follow-up examinations with pregnant women, which is a problem identified in most of the regional health centres of Kukes and Shkodra. Women limit their check-ups to an ultrasound or a medical prescription and do not get checked by midwives or visit the health centres. There are even cases – in the very remote communes

in the mountains of Kukes and Shkodra – where pregnant women deliver the baby at home, i. e. in very poor conditions and with no medical care.

There need to be combined regional efforts to improve the scope and coverage of primary health care in order to be able to better address the needs of rural communities as well as to provide access to occupational and environmental health services in rural areas and to improve the content quality and delivery of such services. We are aware that in rural areas there are three main objectives to be reached: the protection and promotion of the health of the general population, the protection and promotion of health and working ability of rural workers and the protection of the environment. To achieve these objectives integrated regional, national and international rural health policies and actions are needed, including adequate workplace inspection, that corresponds with national and international laws.

Under the National Strategy policy for primary health care and public health protection (MINISTRY OF HEALTH, 2007) and in keeping with European Union standards the local government bodies may exercise their (own or delegated) regulating and administrative authority in terms of services, funding and investment. The local government bodies, as the public authority closest to recipients, may independently launch initiatives in the interest of the community, if this is not the exclusive responsibility of some other public state authority at a local level (article 7, point 1, law no. 8652, dated 31 July 2000, “For the Local Government Organisation and Functioning”) (MINISTRY OF INTERIOR. MOI, 2000). Likewise, the local government bodies have their share of responsibility, which relates to the exercise of their own and common functions. Financial, material and human resources as well as property will be available to these bodies in proportion to their responsibilities and functions. The resources should not lose sight of their destination and should be used in conformity with the standards established by the Ministry of Health.

Between 1999 and 2003 a function delegated to the local government bodies concerning the allocation of funds to operative services was designed for the maintenance and functioning of primary health care institutions and public health protection. However, during this period many problems relating to the amount of funds and bureaucratic delays regarding the opening up of funds emerged. The said problems have created difficulties for the health institutions, thus hampering the implementation of the reform focused on the prioritisation of primary and public health services.

Under the said conditions the role of the local government bodies, their concrete responsibilities and powers, which range from the shared responsibility for providing primary health services and protecting public health to the establishment of the Regional Health Authorities and so on, should be clearly defined.

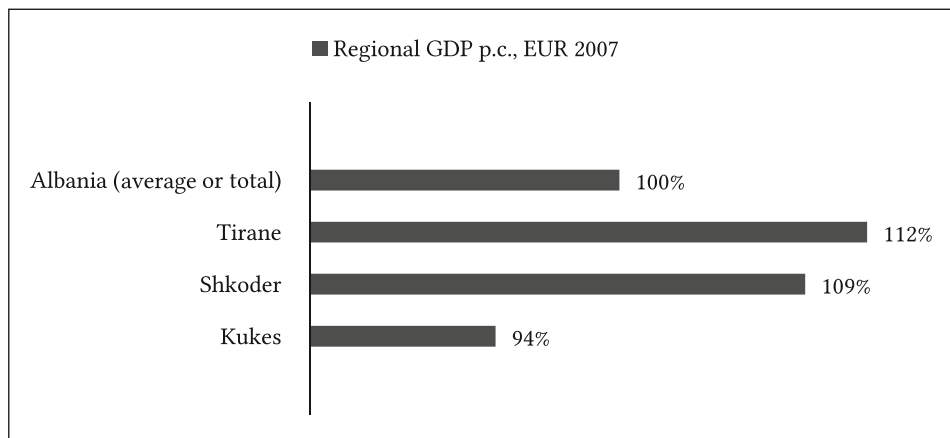
Other factors exacerbating the current situation include the community's low confidence in primary health care doctors, poor health infrastructure and their long distance especially in the rural areas.

4.2.3 Growth, competitiveness and economic cohesion in the case study regions

GDP per capita (2007)

GDP is a standard form of measurement expressing the total market values of goods and services produced by workers and capital within a specific area over a specific duration (usually one year). It is also a strong indicator for the overall economic 'health' of an area. The low GDP in the Kukes region reflects the low levels of business activity, investment and a low level of employment there. The economic activity as illustrated by the GDP shows a high concentration in Tirana: Tirana generates 45 % of Albania's GDP. The Shkodra region performed better between 2001 and 2008 (109 %).

Chart 4-8: GDP of Kukes, Shkoder and Tirana relative to the Albanian average in 2007

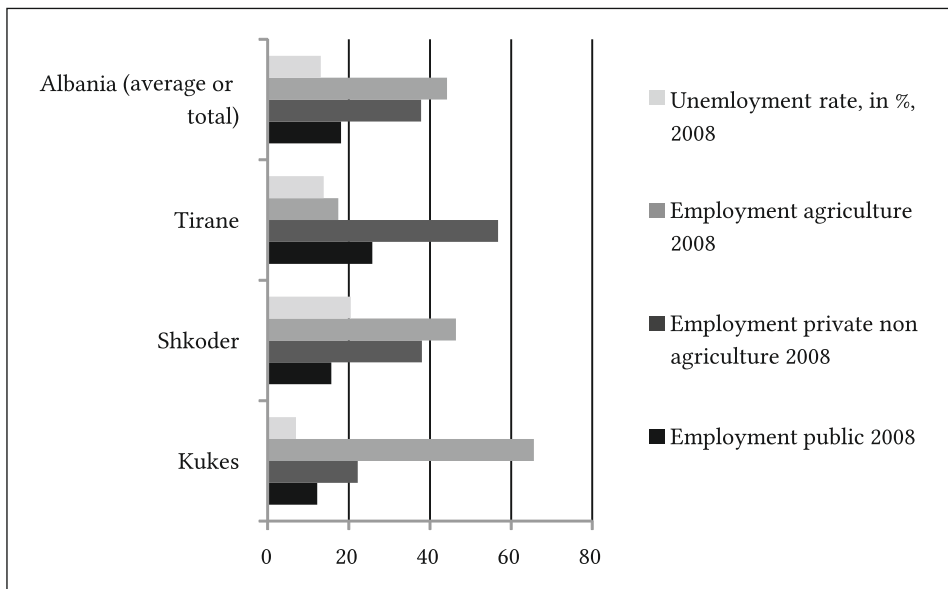


Source: INSTAT, 2009a

Employment/unemployment by sectors

Analysing the data on the regional shares of Albania's job market reveals that the region of Tirana employed 25% of workers, Shkodra 7.3% and Kukës only 2.1%. The disparity is high if we considering that in Kukës 66% are employed in agriculture, 46% in Shkodra and only 17% in Tirana. Given the fact that all central institutions of the country are based in Tirana, the regional share for people employed in public institutions in Tirana is 29%; in Kukës and Shkodra it is merely 7% (INSTAT, 2009a).

Chart 4-9: Employment/unemployment rates by sector in 2008



Source: INSTAT, 2009a

The growing number of people in work is an indicator of a good business environment and job creation – which exists mainly in the city of Tirana. This growth is accompanied by an increasingly formal labour market. Nonetheless, increased employment opportunities cannot meet the needs of a continually expanding labour force with high levels of migration from all Albanian regions. The direct impact of this is increasing job insecurity. While in the short term this may be profitable for businesses seeing as they have the option of hiring cheap labour and not offering social protection to keep their expenditures low, in the long run this leads to ineffective businesses given the highly mobile labour force

that cannot meet the demand for skilled labour (HOBDARI, 1998). Typical in this regard are Tirana's construction economy and service industry.

The Kukës region, on the other hand, is hardly attractive for the labour force, which for a large part operates informally. Young people from this region still look at emigration as the only possibility for employment. Despite its relatively low level of employment compared with the national average, Shkodra region created more new jobs (1,326) in non-agriculture enterprises in 2006 than did any other region in the country, except for Tirana (5,351). The pattern of the labour market in Shkodra has changed considerably. Kukës and Shkodra as part of the north of Albania share similar trends regarding the basics of economic and employment structure and in general perform below the general trends in the rest of Albania.

The highest number of unemployed is recorded for the urban area of the region of Shkodra, where 17,790 jobseekers represent approximately 44.5% of the overall labour force. As regards the number of long term unemployed people in 2008, the region of Shkodra ranked second in the country, right below the region of Durrës. However, the unemployment situation in the region of Shkodra is a lot more severe than in Tirana because: (i) while the urban population of the region of Tirana is approximately four times higher than of Shkodra, while the number of unemployed people is at least the same; (ii) employment rates in the region of Shkodra are approximately 4.5 times lower than in Tirana or any other region in the country. This analysis is clear proof that the concern of high unemployment rates in the region of Shkodra cannot be addressed in the context of the general measures programmed every year at state level. On the one hand, the number of unemployed people is very high if compared to the number of vacancies generated every year. On the other hand, the number of unemployed jobseekers increases constantly due to the young people who are migrating from the rural areas, where economic development is too slow.

Determining the unemployment rate in Tirana is complex too, keeping in mind variables such as formal and informal labour markets, the use of employment/unemployment services, a highly mobile work force and the continuous expansion of this labour force. At regional level, these urban employment features are accompanied by rural underemployment. The analysis becomes difficult due to a lack of available data and a proper labour force survey. In the overall hierarchy of unemployed people according to their education level, the main place (approximately 45%) is occupied by those jobseekers that have only completed compulsory education (INSTAT, unpublished). This group also constitutes the

least qualified contingent. The number of jobseekers that have completed secondary education is comparatively high as well. They account for 12% of the total number of jobseekers. It is out of this group that the highest percentage of people is recruited for employment each month. Unemployed jobseekers with a university degree are very rare. The abovementioned data indicates that the labour forces' level of adoption to the requirements of the labour market is generally low. This is influenced by the fact that the specific structure of the vocational training courses in each district leaves few opportunities for the graduates to adapt to the demands of the labour market.

In the Kukes region most of the unemployed people are in the age-group of the 20-24-year-olds and or the 34+ year-olds. The first group includes young people that have completed their basic or secondary education after 1990, most of whom are not trained in a profession of any kind. The second group includes the workers who became redundant as a result of the transition process and whose skills do not meet the new business requirements. Both groups try to adapt to the demands of the labour market, mainly by participating in public and private vocational training courses and are actually more in need of counselling and information from the employment offices. In the region as a whole there has been a sustained trend of a decreasing economically active population (-31%) as a result of the migration movements to other regions in Albania as well as to foreign countries.

Nevertheless, this data can be questioned if the existence of extensive informal economy practices as well as a "underemployment" is considered. Currently the self-employment in farming suggests an incorrectly high employment rate; realistically, this type of employment does not improve the income of households. About 48% of people employed in agriculture are poor and about 28% of the inhabitants of the rural areas fall in the lowest income levels (INSTAT and WORLD BANK, 2006).

In every region the vast majority of unemployed people are long-term unemployed people. This feature of the labour market has been a constant over the last ten years.

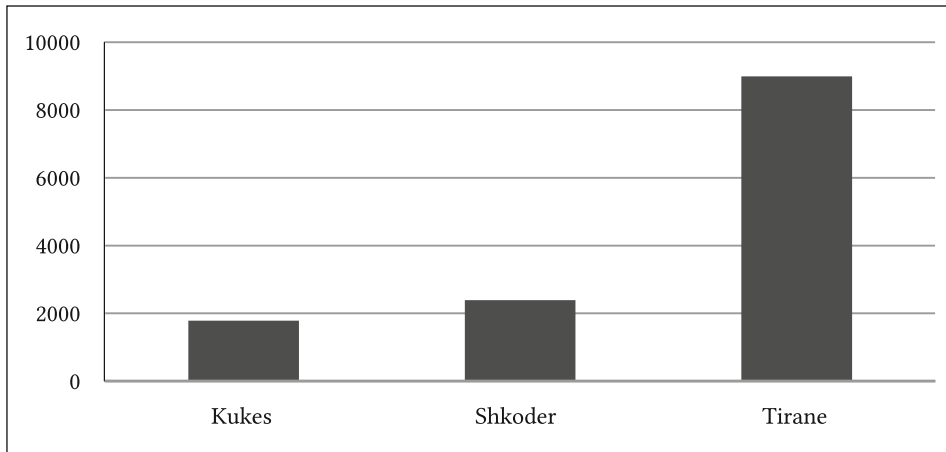
Fiscal capacity

Local governments also have the full authority over imposing fees for public and administrative services on the citizens they provide them for. In addition to local taxes and fees, local governments receive transfers from the central government. The current set of transfers used in Albania includes both, a set of "conditional" and "unconditional" transfers. The decision-making power

regarding the total pool of conditional transfers and its distribution among the different municipalities and communes is in the hands of the line ministry responsible for the delegated service. Local governments are not at all involved in their budgeting process and do not have absolute discretion with regards to their application. The unconditional transfer system on the other hand is a primarily formula-based distribution system and local governments may spend the transfers according to their own priorities. The total transfer pool is determined in the annual budgeting process of the government; the pool of unconditional transfers is allocated to the various local governments according to a specific formula which is based on several different factors including the population size of the jurisdiction, its surface area, the differences in fiscal capacity, comparative economic advantages of different regions and the length of rural roads in a region. The most potent indicator of a growing autonomy and fiscal decentralisation of Albania is the increasing control of local governments over approximately one third of their revenues. In 2001, about two-thirds of the local revenues for Shkodra, Tirana and Kukes came from the unconditional transfers introduced that year. With additional taxes transferred to the municipalities and communes the share of tax revenues of respective local governments by 2003 approximately equalled the share of the unconditional transfers. Non-tax and non-fee revenues were dominant during the first two years of the period, after 2000 however these recurrent local revenue sources became considerably more important. The impact of the fiscal package was particularly evident in 2003 when taxes constituted three-quarters of all locally mobilised revenues.

The most important taxes are the small business tax (SBT) and the infrastructure impact tax. The two taxes on small businesses yielded revenues accounting for nearly one third of the total revenues from own sources. The tax on new infrastructure contributed another fifth of the total revenue. Another perspective on revenue mobilisation potentials is looking at the amounts of various local revenues on a per capita basis. The capital city Tirana obviously stands out in terms of substantially greater per capita revenues for all taxes. On the other hand, Tirana's building activity provides it with substantial revenues from the Infrastructure Impact Tax. Those revenues on a per capita basis are nearly ten times higher than the ones collected in the other municipalities.

Chart 4-10: *Local Government Unit revenues per capita in 2008*



Source: INSTAT, 2009a

In the graph above some important changes and positive trends in the Tirana regional council revenue generation are apparent. A steady increase of the Tirana Regional Council (RC) revenue generated from its own sources is a very positive trend in the wake of the local government fiscal decentralisation reform and towards increased autonomy. The amount of unconditional transfers to the Tirana region has dropped in the last years, which has negatively affected the Tirana RC budget revenue. This decline of unconditional transfers for all Albanian regions is due to changes in the total pool of unconditional transfer allocated by the state budget for local government needs and some adjustments in the formula for distribution of unconditional transfers among different regions for 2004 and 2005 (MINISTRY OF FINANCE, 2008). Regarding the conditional transfers for the Tirana RC this is a modest pool of funds, which the RC uses to cover its delegated functions and which have increased slowly but steadily over the years. There are still some difficulties with regards to Regional Council funding which have to do with the unstable nature and general decline of unconditional transfers. A non-stabilised and everchanging distribution formula has negatively affected the funding of Tirana's Regional Council. The next important step in the analysis of the revenue capacities of the region of Tirana is the analysis of the structure of the revenue generated from its own sources of revenue. The Tirana region has a lot of potential for raising additional revenue, especially with some of the particular local taxes, such as the tax on buildings, the tax on the impact of new construction and the tax on agricultural land. The tax on buildings has so far mostly been applied to businesses and

not yet been expanded to multi-family buildings or apartments; the tax on the impact of new construction has significantly increased, as it is directly related to new constructions, which is a fast growing market in the Tirana region; lastly, the tax on agricultural land is a good source for generating additional revenue, as this tax has not yet been introduced to all communes in the region and the current set tax rate is modest.

Shkodra's regional council has mixed chances in generating revenue from its fee and tariff system. This revenue is mainly generated from the services the Shkodra Regional Council executes as delegated functions on behalf of some local governments in the region, this source of revenue however is not stable and is dependent on the future development of regional governments (i. e. the region's future role and responsibilities, the speed of the decentralisation process and the institutional relations established between the Regional Council, municipalities and communes in the region). It is not easy, for example, to predict what will happen with regards to the revenue generated from the construction permits issued by Shkodra's regional council, as it is hard to predict whether the number and growth rate of construction permits in the region will grow or drop over the next five or ten years and whether the Regional Council will continue to enjoy the right of issuing construction permits as a delegated function on behalf of some of the communes. This would depend on commune competencies and capacities for issuing construction permits. Another future potential source for generating additional revenue for the region from own sources is revenue generated from renting or the privatisation of the region's public property. The process of transferring public property to local and regional governments is already underway. According to tax collection data for the Shkodra region from 2004–2005, the local government units of the region did not apply the tax on buildings, the tax on agricultural land, the impact tax on new constructions, neither did they apply the tax on the transfer of property rights (FOUNDATION FOR LOCAL AUTONOMY AND GOVERNANCE. FLAG, 2008). The region of Shkodra has lots of future opportunities to significantly increase its revenue generated from local government contributions that are paid to the Regional Council. This could be achieved through a more effective use of the existing local tax system at all local government units in the region and by more thorough exploration of all of the components and elements of the local tax system, i. e. types of taxes, tax bases, categories of tax payers, tax collection and administration system.

Unconditional transfer to the Regional Council of Kukes has increased in the last years and the total pool of unconditional transfers allocated to the local governments is expected to grow about 10 to 11% annually which is expected to have a positive impact on the amount of unconditional transfer appropriated to local and regional governments in Kukes. Of course, this kind of support is dependent on such issues as improving local governance, accountability and utilising their own funding to cost-share in the implementation of new initiatives for the region.

From the analysis of the fiscal capacities and functional responsibilities of the Regional Council of Kukes it is obvious that its real financial resources are insufficient for achieving an appropriate level of governance. Therefore, besides the regional council's internal resources, opportunities for external resources need to be identified. The Kukes region can explore cross-border partnerships to raise funds. These partnerships are mutual arrangements and initiatives between border-local governments and the business community for the work on projects of public interest with joint participation and resources. In this regard the Kukes region needs to investigate and explore all the opportunities for fundraising from the EU or other international organisations.

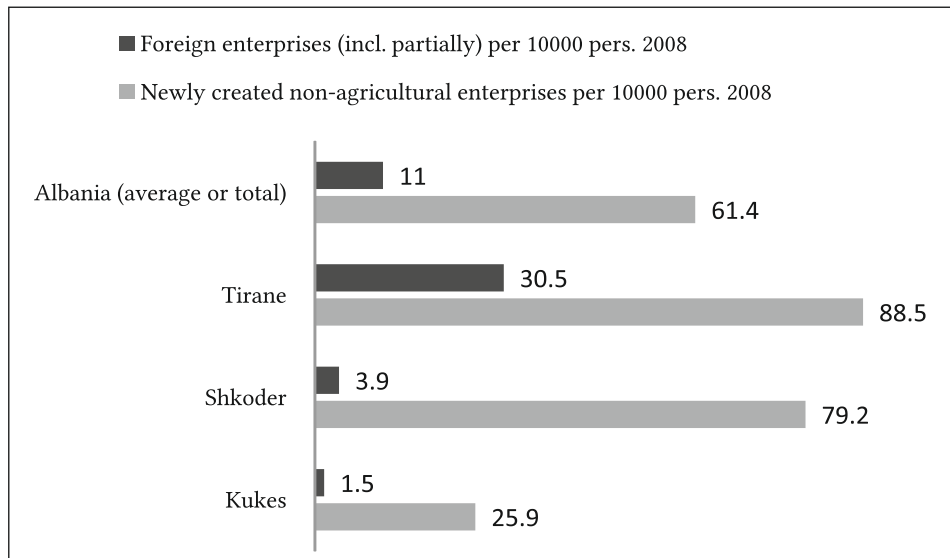
Investments

One perspective on regional economic development concerns the generation of private investment, which is normally led by foreign direct investment (FDI). An increase in foreign direct investment ensures social and economic development in the future. Furthermore foreign direct investment is a key factor towards progress of the region and the generation of FDIs could be seen as one of the central tasks of regional planning. Experience has shown that foreign direct investment has a major impact on the economic growth of a region (UNITED NATION DEVELOPMENT PROGRAMME. UNDP, 2008a). These benefits include: an increase in competitive potential between domestic production enterprises (increases in FDI pressure directly enables stronger competition between domestic producers), the introduction of advanced technology; management skills experience ; additional knowledge in various fields of production resulting from contacts with foreign customers; possibilities for the optimal utilisation of regional human resources, which represents a major source for development of the region as well as helping to increase their professional skills and the competitive advantages of a region are particularly important in the field of direct investment (Tirana 30.5 FDI/10,000 people in 2008).

The regions of Kukes, Shkodra and Tirana have significant opportunities to attract foreign direct investment, among them: geographic position (ports in Shengjin for Shkodra as well as Kukes and Shkodra being cross-border regions); natural resources; an educated labour force as well as competitive salaries (especially in Kukes). All of these are attractive elements for foreign investors. Below, we will try to point out some of the achievements and obstacles as well as the perspective of foreign investment in our case study regions.

In the following graph we can see that the regions of Kukes and Shkodra are far below the Albanian average and very far behind the investments made in Tirana.

Chart 4-11: FDI and newly created non-agricultural enterprises per 10,000 people in 2008



Source: INSTAT, 2009a

Commonly, in Tirana financial incentives are used, in particular in the form of taxation mechanisms (NAKUCI and ZIZO, 2006). However, experience has shown that such incentives play a limited role when compared to other factors including legal framework, political and macro-economic stability, growth in purchasing power, level of training of the labour force, etc. These factors are non-financial incentives – an alternative to tax-based incentives – and play an

important and unlimited role. Non-financial incentives for FDI can be divided into two groups: i) favourable incentives and ii) disincentives.

The group of favourable incentives includes the region's geographic position (mentioned above) including the airports at Rinas (Tirana) and Kukes, which are still under construction and which are an advantage because they facilitate communication and attract foreign investors and tourists; natural resources, especially in Kukes and Shkodra, including minerals, forests, plenty of water resources, mountainous and seaside tourist places (Velipoja beach in Shkodra), which are generally under-utilised. Meanwhile, those resources in urban areas that are currently utilised do need improvements with regards to the quality of their management. The low price of labour is another favourable incentive for foreign investors.

Some of the disincentives to foreign direct investment in the present circumstances of the case study regions might include the undeveloped material infrastructure (transport, energy, water). The transport system currently extends all over the country – in itself a positive factor – but the condition of the roads is poor (especially the rural and mountain roads in Kukes and Shkodra). This poor condition of the infrastructure constitutes an important restraint on commerce, foreign direct investment, tourism, economic growth and the provision of social services for people of those areas with insufficient incomes. The absence of a regional master plan on transport or precise strategies related to these economy sectors leads to ineffectiveness (the construction of roads which are too narrow and below the European standards). The current crisis in the electrical energy sector is jeopardising macro-economic indicators in Albania as well as economic growth and the reduction of poverty of the regions. Despite the high level of energy imports interruptions to ease the drain on the supply network are frequent because financial and network restraints have resulted in a limited import of electricity. The negative impact of this phenomenon is obvious. Production and service enterprises in particular are forced to buy expensive generators to use during interruptions. While the power supply in Tirana has been more stable recently, the power cuts in Shkodra and Kukes are still high. The consequences are limited production and service and cost increases. Another disincentive to foreign direct investment is the land property issues, the privatisation of the medium- and large-size national enterprises in those industrial sectors with intensive capital and the privatisation of strategic sectors like energy, water and transport, which has been slow. The destabilisation of public peace and political stability is definitely one of the most important concerns for FDI in

those regions. Despite the current achievements in Tirana (at least FDIs here are higher than on average in Albania), even this area is far from the standards of developed countries.

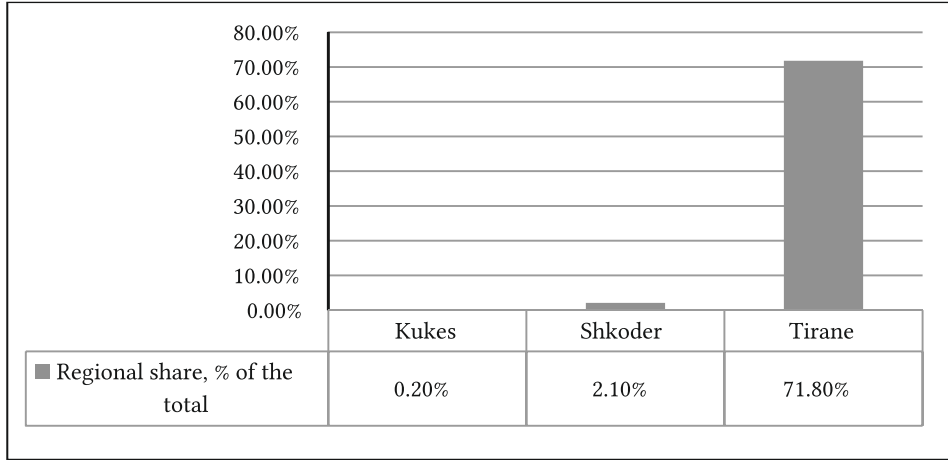
The importance of FDI in these regions is very high because they represent a great potential for the development of such branches of economy as the food industry, agriculture, wood production, mineral extraction and processing, construction materials, tourism; we will see the emergence of new jobs and increases in the welfare of the population as well as economic growth.

There is now competition between the individual regions to attract investments as well as the location market being global in scope. It is no longer a task undertaken by cities but more matter-of-factly by the regions themselves, which find it easier to succeed than individual cities. Only well organised regions reach the competitiveness level needed to succeed and the price of failure is high.

The growth of newly established non-agricultural enterprises in the regions will depend on the same four factors that all economic development relies on: capital, skills, land and institutions. All of these areas are problematic. Kukes is still representing low values and that mostly because the venture capital is not available in the form which new businesses. Much of the labour force in the Kukes region has to move from agriculture to other activity. The workers may prove to be underskilled but it is worth a try. Long and complicated procedures basically bar the public sector from investment; the same is true for the presence of corruption, which unfortunately is a habitual practice (STABILITY PACT ANTICORRUPTION INITIATIVE. SPAI, 2004).

There are general problems with regards to access to capital and the financial system, especially for SMEs. Referring to INSTAT data on SMEs and credits given to businesses extreme differences are apparent. The credit-to-businesses model is mainly applied in Tirana. There the per capita value is nearly three times higher than the average and Tirana accounts for more than 70% of all credits.

Chart 4-12: Credit to businesses: regional share in % of total credits given in 2008



Source: INSTAT, 2009a

According to INSTAT, only 0.2% of all the credits handed out nationally is going to the Kukes region; Shkodra only gets a small share too (2.1%). Actual INSTAT (2008) survey data for that year shows that SMEs in Shkodra and Kukes rely heavily on internal funds as well as remittances from abroad to fund new investments.

Tourism

Tourism is one of the many external forces influencing the direction and options of local development.

The regions each have high potential for developing tourism. Tirana is the capital of Albania. It is beautifully set between the ranges of Dajti Mountain on the one side and the coastal plains on the other. Furthermore, Tirana is a relatively “new” city. Rapidly growing, Tirana is a busy commercial and administrative centre with several comfortable hotels, restaurants, discos, pubs as well as modern facilities for conventions and conferences.

Fig. 4-5: Tirana in colour



Source: Photo by Erjon Ndrecka, Prill 2012

Tirana has several museums, artistic and scientific institutions, the most important being the National Historical Museum, the Archaeological Museum, the Museum of Natural Sciences, the National Theatre of Opera and Ballet, the Drama and Variety Show, the Gallery of Fine Arts, the International Centre of Culture, the Palace of Congresses and the Exhibition Hall. The city's attractions include the monument of the national hero G.K. Skanderbeg in the busy Skanderbeg square, the Mosque of Et'hem Bey (1798–1823) and the 35 m high Clock Tower (1830).

The Dajti mountain national park (25 km outside the city) offers numerous opportunities for excursions and recreation all year round. The areas around Tirana offer a unique landscape of olive tree covered hills.

Kukes as a region has an attractive countryside: mountainous and hilly and with beautiful nature. The Valbona Valley and Fierza Lake are national protected areas. Tourist sites (characteristic houses, museum sites, natural landscapes, rare species, etc.), agro tourism, sites of historical and cultural interest such as prehistoric dwelling places, cult objects as well as a potential for sports activities (ski, fishing and alpinism) provide an interesting starting point for boosting the area's potential as a tourists attraction. According to statistical data from the Albanian Ministry of Tourism, the number of foreign visitors entering the country at the border crossing point with Kosovo (Morine/Kukes) is the third highest for visitors passing through for leisure. This figure in part confirms the existing potential for tourism development as one of the most

attracting economic sectors for the Kukes region. The Durres-Kukes highway has shortened the distance to Albania's capital and will facilitate economic exchanges and therefore somewhat boost local development. This will require some time and also adequate local capacities in place.

Shkodra's geographical position and the ancient civil life of the region of Shkodra offer a combination of natural and human elements, that, together, creating a unique ecosystem – a promising precondition for the development of a sustainable tourism. The result of these favourable conditions is the currently existence of some tourist destinations with specific types of tourism in the region. An additional value of the region is the city of Shkodra, the capital of the region, and a very important multifunctional regional link. Besides its favourable geographical position the entire natural and human environment of the city offers a lot of potentials for the development of tourism in the city. Shkodra, for centuries, has been the largest city of in the Albanian territories, the largest craft centre, commercial, cultural and patriotic centre (XHINDI, and NURJA, 2010).

Starting with the relative analysis which showcases the comparative advantages of this area over others, it now becomes rather obvious that Shkodra has the whole "touristic package." The most potential lies in alpine tourism with the unique Albanian Alps and, just a few kilometres further down, in the Shkodra lowlands which are suited perfectly for cultural tourism, focusing on the city's cultural heritage. When continued further south the "journey" ends in Velipoja beach only 30 km outside the city centre or rather in the water gathering area of Shkodra, which is currently defined as the most interesting hydro knot in Europe (FOUNDATION FOR LOCAL AUTONOMY AND GOVERNANCE. FLAG, 2008).

The combination of Shkodra's geographical location and its cultural and historical heritage attracted many international development agencies that wished to support small projects and more: especially in the Shkodra region the focus was on the promotion and support of touristic development. Their presence and the pressure of the tourism market recently have equally mobilised private operators who have increased their investments in areas like Thethi, Kelmendi, Razma, Velipoja, Shiroka, Zogej, etc. As a result of these interventions, figures have risen significantly to 7,500 tourists per year in Theth, for example (MARCHINGTON, May 2010), and 2,000–2,200 vehicles per day passing the custom point of Muriqan towards the abovementioned areas.

Lastly, a high-quality environmental management will be needed for the case regions. Even the mountains are strewn with rubbish tips and unfinished illegal buildings now. The negligence of local people and the failure of commune services can easily kill the tourism industry because most foreign visitors will not tolerate such things. The whole of the community needs to understand that everyone has a vital role in this game. Major investments in historic buildings and streets should be undertaken and proper planning and development control should be installed.

4.2.4 Environmental assets of the regions

Water

Generally, in underdeveloped and developing countries, water supply and sewage systems are fairly localised operational entities under the direct control of the local government. This is particularly true in the more sparsely populated areas. Our research area includes a mix of urban systems, urban/peri-urban systems and rural systems.

As regards the population's access to the water supply system in the three regions, there is relatively little differentiation. A clear improvement was visible for Kukes and Tirana between 2001 and 2008 (+12% and +10%, respectively). Shkodra showed a moderate improvement by 4% (INSTAT, 2009a).

It can be generally stated that there is no lack of water resources within the research areas, although there are locations which require access to and the supply of additional quantities of water to the public in the designated area. In Shkodra and Kukes, the more mountainous municipalities and communes, there are sufficiently developed water supply sources, largely operating as gravity systems; furthermore, the nature of any future necessary investments would be more in the field of rehabilitation and upgrade than expansion for growth and development. For the foreseeable future an additional use of a greater portion of the local water sources in the Kukes region by different sectors of the economy is expected. Large quantities are used by the Fierza and Koman hydropower plants for power production; there are also several local hydropower stations in the region. Considerable amounts of water are used for agriculture, the industry and for the supply of the population's drinking water. By the end of 2010 a new water distribution system was provided for the municipality of Bajram Curri, ensuring a 24-hour supply. The distribution technology in Kukes and Shkodra is not good. The main water distribution network in the Shkodra municipality is

being upgraded with the help of donor funding. This has significantly improved the situation (WORLD BANK, 2010).

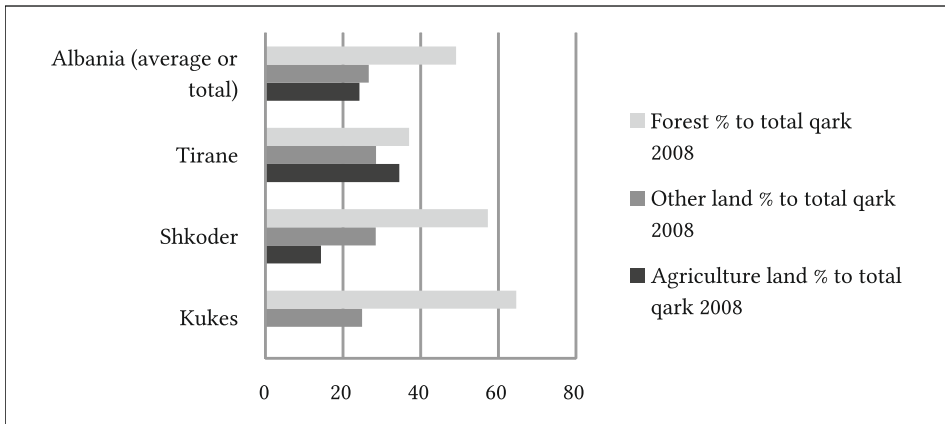
Tirana is rich in water sources with main sources situated on its eastern part. There are 12 sources altogether for supplying water to the region of Tirana with an average flow rate between 30l/sec and 1,500l/sec and with a total discharge of about 3,300l/sec (INSTAT, 2009a). About 40% of the water produced by the springs is lost due to: i) the total wear and tear of the pipeline network, which contributes to the loss of water during its distribution process; ii) unauthorised access to the distribution network; iii) water misuse on the part of the population, etc. This handling of the water resources has damaged the water supply to the city of Tirana, causing water cuts for long periods in various areas of the city. The capital investments needed for the water supply system in Tirana consist of a combination of upgrade and expansion projects that acknowledge the high concentration of population in Tirana and the resulting high demand for drinking water and running water at large.

The financial situation of the water supply is considered critical, due to the insufficient amount of revenue generated from the population as well as private and public institutions. Only 40–45% of the contractors pays for their water even though prices are low. Most of the consumers pay a fixed tariff as there are no household water meters. Damage and defects of the network, a result of the illegal connections, have also greatly affected the water supply system – the cost of repairs and the unpaid supply of water especially (INSTAT, 2009a). In the case of water and waste-water services, the Ministry of Economy retains “ownership” over the water companies which provide water to the communes and municipalities. The transfer of the responsibility for the water and waste-water sectors raises a number of issues that need to be resolved before these services can completely be shifted to the local governments.

Forests

Forests can contribute substantially to a reduction of poverty in rural areas. The current state of the forests however is hampering any opportunities for the generation of income. By regenerating the forest and improving some practices of local inhabitants in Kukes, Shkodra and Tirana are not only given the opportunity to earn a living and improve their standard of life but also to substantially improve the environment and the forest landscape of their region, which, again, forms the basis for the development of ecotourism.

Chart 4-13: *Percentage of land covered by agriculture, forest and others, 2008*



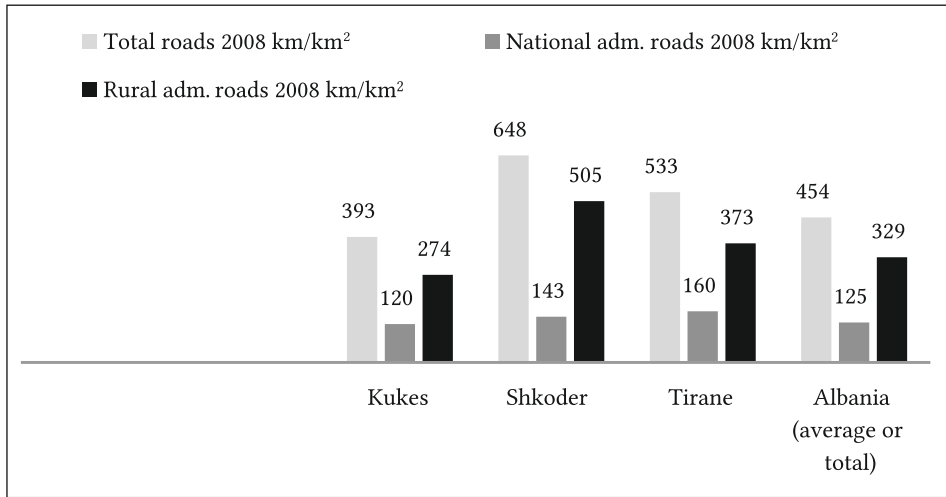
Source: INSTAT, 2009a

The main way to rapidly improve the situation of the forestry sector and transform it into an important income resource is a fundamental and accelerated management reform. The reform should be based on small watersheds, transferring the management or ownership rights from the central government to local government structures or to the communities themselves, while also clearly defining the territory of each village within the watershed. Strategic directions for a sustainable management of these values are: (i) the provision of long-term rights for the use and transfer of ownership of these assets to the communities in the respective areas so that villagers are interested in their sustainable management. For most of the communes in the region of Kukës and for some of the communes in Shkodra more than 40% of the forest should be transferred as established in the National Strategy for Development and Integration. This would need to be accompanied by a formulation of integrated management plans for the assets of the villages, i.e. should consider the agricultural land, forests, pastures, water issues and inhabitants' overall needs. An environmental education programme would support the inhabitants in using forests and wetlands in a sustainable way.

Roads

The road density in 2008 was relatively high (total road density: 454km/km²) which also had negative implications however: roads need to be maintained, while the road network might be inefficient; in most of the cases roads are impacted by the mountainous terrain.

Chart 4-14: Access to roads in 2008

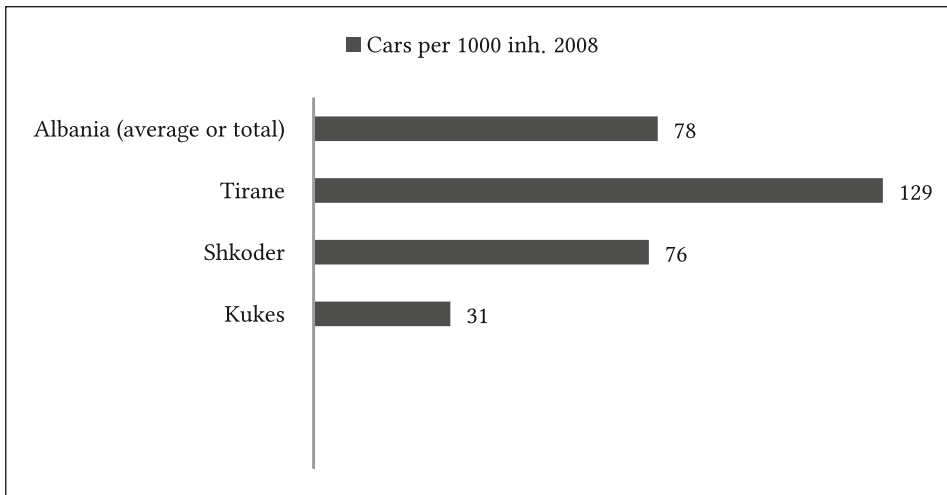


Source: INSTAT, 2009a

Significantly above the country average with regards to road access are Shkodra (143%) and Tirana (117%). This is understandable given the high amount of investments in cross-regional national roads. Furthermore, given Shkodra's and Tirana's geographical location by the coast, their accessibility is also facilitated by the overall low terrain. Significantly below the average performs Kukes (87%) – a very mountainous region with difficult terrain and high altitude, although a notable increase with regards to road access was documented for Kukes in the years 2001–2008 (+59%).

While there have been definite improvements (e.g. the construction of the highway from Kosovo to Durres and the gradual upgrading of national roads in the region of Kukes), its relative isolation has been a major obstacle to the development of the region of Kukes so far. Nevertheless, data suggests that once the highway was opened in June 2009 there was a sharp increase in the number of cars and buses travelling to and through the region (MINISTRY OF TOURISM CULTURE YOUTH AND SPORT. MOTCYS, 2010). The highway connects the Kukes region with major urban centres in Albania, including the capital Tirana (over a distance of 150 km), the port of Durres and Shkodra, the largest city in the North, as well as the city of Prizren in the Republic of Kosovo, which in turn has links to Prishtina. Other cities in Kosovo, Gjakova and Peja, are connected to the Kukes region by local border roads.

Chart 4-15: Number of cars per 1,000 inhabitants in 2008



Source: INSTAT, 2009a

Air quality

The transportation sector bears the main responsibility for the urban environmental situation in towns and cities: an increasing discharge of pollutants into the air causes high levels of air and noise pollution, especially in the overpopulated urban areas of the municipalities of Tirana and Shkodra.

There were 129 cars per 1,000 inhabitants in 2008 in the Tirana region and that number has increased by 27% between 2001 and 2008 (INSTAT, 2009a). In Kukes, there are 31 cars per 1,000 inhabitants although the number increased by 106% over the same period of time. This indicates growth which at the same time is accompanied by increased environmental problems.

These figures however do not take into account vehicles registered in other regions or the great number of cars belonging to inhabitants of the Kukes region with Tirana license plates. Therefore, the number of vehicles in circulation in the region is much larger than the total presented by the numbers. There is a need to monitor air quality and to identify air quality indicators so remedial actions can be taken when needed. The growth of the transport and service sector has led to a considerable increase in energy consumption in liquid combustible fuels, such as petrol, kerosene, gas oil, solar oil, etc. The tendency in the transport sector seems to point towards a further rise in the overall number of vehicles that mainly use hydrocarbons. This number grows by about 3–5%

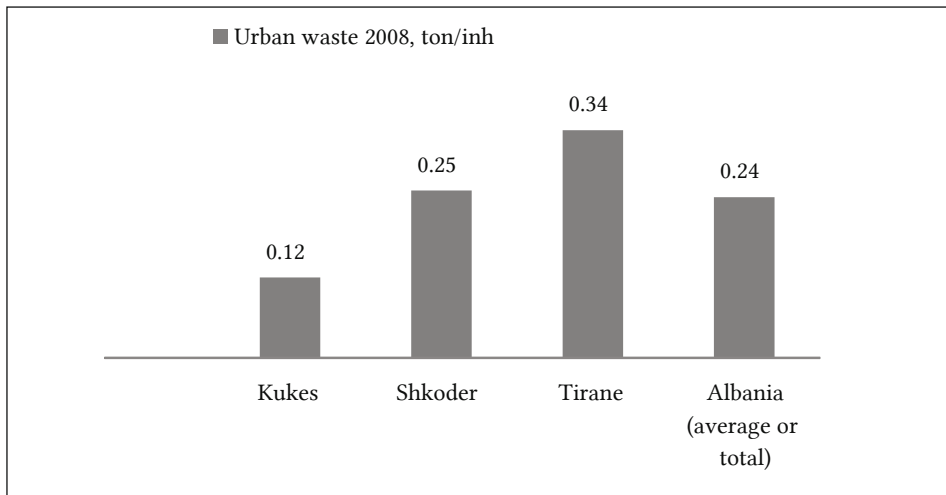
each year, while the number of vehicles using ecologically pure fuels (ethanol, combustible gas, etc.) is very small. Although tendencies should go towards the introduction of the newest imported vehicles, old imported vehicles dominate the scene and lead to an increase in the amount of discharges, particularly in dense urban areas with extremely heavy traffic. The new law on customs duties on the import of vehicles will have a positive effect.

Waste

Rapid population growth, urbanisation and a construction boom put significant new stress on the waste management system.

According to INSTAT 2009a data, the average increase of waste generation between 2003 and 2008 was 30% and even higher in Shkodra (71%) and Tirana (35%), while for the Kukes region it decreased by 7%. Tirana definitely has the highest urban waste rate with 0.3 tons/inhabitant.

Chart 4-16: Urban waste ton/inhabitant in 2008



Source: INSTAT, 2009a

The biggest problem in the region, and the most wide spread one, is waste management. In Albania, the responsibility for waste service provision has been delegated to the lower levels of local government (municipalities and communes), unfortunately this has not always proved efficient. Furthermore, this allocation of responsibility is associated with the establishment of quality level standards for the provision of services; in addition, local government

units lack the financial resources to sustain and improve public services, waste management being one of them. Currently, appropriate policies regarding the treatment solid waste are missing. Even though in some parts of the legislation or in different strategic documents references to waste treatment are made, those are still only fragments of a comprehensive strategy. The reports of the Central Government, for example, often set goals and describe tasks for waste management, yet the reports that follow do never say whether these goals have been met and tasks fulfilled. The lack of standards in the field of waste management creates difficulties for the construction of treatment plants. The endorsement of these standards remains a priority issue also for investments in the urban and rural infrastructure, related as they are to significant costs. Unfortunately, so far there is no accurate quantitative data on how much waste Albania generates. There are discrepancies between the different sources, despite the fact that in the plans drafted in 2008 by the Ministry of Environment, Forest and Water Management the establishment of a waste database is often set as a task. Accurate information about the quantity and the type of material that is being disposed of is the prerequisite for further studies that will make an effective management of the municipal solid waste possible.

The above graph shows that the standard of living increases with economic growth. The community is becoming more and more concerned about the tons of waste produced, environmental aspects and effects it might have on their health. In order to address these concerns, the regions should implement a system that encourages citizens to separate their waste before it is locally collected.

4.3 Conclusions

The regions show a high differentiation and a lot of disparities with regards to a lot of indicators: low development levels, high unemployment and poverty rates, limited access to a number of public services, etc.

The trends contradict themselves: With some of the indicators convergence can be observed, e. g. with the density of active non-agricultural enterprises, newly established non-agricultural enterprises, car ownership, mobile phone use; with other indicators it is divergence, e. g. with regards to population density, urban waste generation, families receiving social assistance (based on population) or education enrolment. In some cases the convergence/divergence trend is not

unidirectional, with regards to poverty for example there is a convergence between Tirana and Shkodra and divergence between the mountainous communes of Shkodra and Kukes and the other communes. In some cases the regional pattern is changing, e. g. the pattern of unemployment.

There is clear regional differentiation:

- Most developed region: Tirana
- Least developed (i. e. disadvantaged) region: Kukes
- Shkodra – A “grey area” in-between: some indicators looking good, others bad, different trends at once etc., difficult to classify.

The fundamental causes of the current situation have to be sought mainly in the inherited economic and settlement structure, together with the individual “natural” ability of regions and areas to adapt to changes after 1990; the massive migration flows leading to the spatial “shift” of problems from one place to another (unemployment, access to infrastructure and services, etc.); natural predisposition (especially altitude) as well as the different conditions created by location which fashion economic development (they indirectly explain the differentiation in poverty, etc.); a lack of effective and efficient development policy addressing the disparities, meaning both, a specific regional development policy as well as more “regionalised” and coordinated sectoral policies, and also fiscal mechanisms, e. g. subsidies to LGUs.

What can be expected however, given the wealth of experience of many other countries, is an increase in regional disparities whenever significant national growth happens – that is, unless properly targeted by efficient and effective interventions. It is hard to believe that even massive interventions could resolve the issues surrounding the regional disparities (as projected in the Regional Development Cross-Cutting Strategy), although they might soften them and keep them to a more acceptable level. In the regions themselves a regional policy must be crafted that is indicative of a more operational character, integrating social, economic, physical and institutional reforms as well as investments and the priorities for developing the region more clearly and coherently. These plans should be used as a basis for the allocation of resource. In this regard, investment planning should seek to identify the hidden and open links between agriculture and the industry so as to pinpoint areas for infrastructure development where public investments can be critical and those that are ready for private investment.

5. Key conclusions and recommendations

Introduction

The preceding chapters highlighted the major issues of sustainable regional development in Albania from both, a theoretical and practical point of view – something which require yet more examination in the rest of this research.

This chapter then briefly outlines a broad range of critical points identified during the research, including those that emanate from the gaps identified in the previous chapters, as well as suggestions for research that will directly or indirectly affect regional development in Albania. Considering the analyses in the last chapters, we think that the inequalities in terms of economic, social and environmental opportunities in the regions have escalated to a point where Albania cannot help but consider a well structured regional development policy and planning.

Before dealing with regional disparities and the challenges they pose to Albania, it is important to emphasise once more that for this research a big inventory of data covering various indicators was used; special emphasis was put on existing data from official sources like INSTAT and the Offices of Statistics at national/regional level in particular. Some data was more relevant and of better quality than other. Furthermore, additional work was needed for the comparison and analyses of the data. Lastly, a composite of Regional Development Index (RD index) data was used; the index is published by a team of UNDP experts.

5.1 Research issues in regional development in Albania: challenges and conclusions

5.1.1 Regional development in Albania: the key findings and options presented by the groups interviewed

The interviewing process produced some fundamental findings and future options for the solution of problems relating to regional development in

Albania. Over the course of a year we met with key partners from the ministries, regional authorities, local and international NGOs, think tanks and the donor community.

This has been an extremely productive process because it has brought the issues with regional development to the surface, especially the relationship between regional and central government. This is a challenge that was readily identified by all the interviewed people, although it is one hard to solve, many of them pointed out. This situation is reflected on by other actors too, donors for example, especially those who want to invest in regional development but do not find the proper implementing actors (Daniel Zust, SWISS Cooperation).

During the interviews two discussion points were reflected upon: firstly, the lack of a common methodology for regional development strategies and secondly, a common understanding on how the Ministry of Interior (i.e. the Government) and regional councils should be working together in order to ensure an effective implementation of a given Regional Strategy.

It should be noted that all interviewees stated that issues of regional disparities are politically sensitive, i.e. generate a great deal of tension, and can take a significant amount of time to be resolved. Albania's regions need assistance in overcoming their structural deficiencies and for developing their comparative advantages in order to be able to fight poverty and achieve higher levels of human development. This in turn requires *the establishment of a regional development policy in Albania* which addresses the development challenges through targeted support and the creation of a supportive investment climate.

In the eyes of most of the interviewees (mainly local and civil society representatives) we have to be realistic whenever and wherever we deal with sustainable development or regional sustainable development. The concept has to be adapted to the real world; it has to make sense to all the interested groups regional or central, civil society or donor community and specifically to finance ministers, economists, geographers, social workers, entrepreneurs, environmentalists, anthropologists, investors, traders and other people involved with development.

By scanning the system of objectives and indicators of this research for regional development in discussions with interviewees it is clear that currently in Albania there is no specific and consolidated view on regional development or decentralisation, especially at the regional level. This became apparent in the interviews with the local and regional representatives in particular. They

stressed the need for transferring more power, competences and resources to the regions and municipalities. These recommendations in turn neither got approval from the Government officials, politicians or representatives interviewed, nor from the development agencies and scientific institutions (mainly professors). The last group was not specific enough and did not back up its arguments with a comprehensive analysis; they were more theory-orientated. The group of Government officials, politicians and development agencies as well as civil societies repeatedly stated that, at regional level, there is no consensus whatsoever with regards to regional development issues among the different actors, mainly because of confusion as to the status of regional councils in the aftermath of law no. 8652/00 “On the Organisation and Functioning of the of Local Government.” In the current RD Strategy draft there is no specific mention of regional councils or their capacity needs and training gaps, moreover the Association of Regional Councils was not involved in the working group that has prepared the Strategy.

On the other hand, the interviewed academics, just as the Government representatives before them, stated that regional and local development could be fostered in a more decentralised system with relatively small changes to the state organisation (legislation, structures, etc.) as well as revamped attitudes and behaviour of relevant actors (in terms of local coordination and local partnership).

While the regional and local administration have limited capacities, a convincing and well-coordinated approach to tackling development problems is still missing at this moment in time. Some of the main challenges identified during the interviews with regional representatives are:

- A lack of strong political ownership and leadership at the highest level, ensuring wide participation, transparency and clear accountability;
- Capacity development and training programmes aimed at local governments are rarely aligned with the objectives of public administration and civil service reform;
- There are many different methodologies for local/regional development planning which ultimately create confusion among beneficiaries. In addition, the lack of donor coordination in providing trainings in these methodologies results in their duplication and a waste of efforts and resources.

- The geographic distribution of capacity development activities is uneven and so far mainly concentrated around 10 to 12 big cities, totally neglecting the majority of communes and municipalities.

For the group of interviewed civil society and development agency representatives the main reason for not having a consolidated approach for regional sustainable development and tackling the regional disparities in Albania is the currently running implementation of development programmes that are not based on local needs assessment or the developmental context. Many programmes are mainly directed at local or regional authorities disregarding civil society and private actors, who are the key stakeholders in local affairs. Their involvement needs to be addressed so that they are able to play a more proactive role in local policy and decision making, implementation and monitoring.

Development projects are usually supply-driven, inadequately coordinated and often ad-hoc. The scattered and piece-meal approaches of the various actors prevail, which means that the actual investment in development is less than the sum of its parts and that, consequently, there is a risk that the international community will fail in its obligation to help bring about sustainable development in Albania. (Daniel Zust, SWISS Cooperation in Albania).

The civil society group also stated that some challenges within the regional councils have to be addressed as well. The process by which the executive body of the regional councils is selected (i. e. council members and not citizens) makes them unaccountable for the competencies that they are performing. Council members often lack interest in the selection process however and depend on local government members for their choice.

Regional councils need internal monitoring because they are not part of thorough democratic debates seeing as their members are affiliated with a certain political party. In reality, party alignment will often dictate the results of the votes and debates in the council. Regional authorities become dependent on local government units the very moment they are elected at a regional level. Another of these changes will be to increase the mandate period of regional councils from three to four or five years, since the current terms in power are not very effective. The civil society must also contribute to this process. Regional councils can act as coordinators but will also as authorities in the implementation of their regional and national development policies. (Sotiraq Hroni, Director, Institute for Democracy and Mediation).

We also talked with a group of university professors from Tirana and Shkodra. For them regional development should be linked to the ongoing process of

decentralisation and be undertaken through both, progress in local government structures and public administrative reforms.

There are concentrated efforts to align regional policy and national policy. Albania's Government needs a monitoring system inducing accelerated development. Part of this reform will focus on strengthening the various roles of human resource departments enabling them to perform new competencies and guide new development policies. (Edlira Tukaj, Lecturer at the University of Shkodra).

Albania's Government needs to create opportunities for the regional councils to get involved in the policy making processes, making them a part of different national committees and incorporating their feedback not only on regional development but also development policies at a national level. (Arben Bakllamaja, European University of Tirana).

For the Government representative (Valbona Kuko, Director of the Department of Strategy and Donor Coordination), Albania's Government will continue its current path, i. e. directing the financial funds in two directions: firstly, ensuring a development of the regions that is consistent with the socioeconomic development of the country and secondly, distributing national taxes to local and regional levels. The Government of Albania will continue the transfer competencies and their budgeted shares to the local governments.

In their interviews, the two parliamentarians stated that, concerning legislation, it will be necessary to continue with reform and address the gaps in the local government structures. As far as they (Vokshi and Trashani) were concerned, the field of regional development in Albania is facing the dual challenge of carrying out immediate and quick actions within the existing legal and political system, while simultaneously anticipating and preparing changes to this system.

Currently, this is a challenge faced by multiple actors: central, regional and national authorities, the civil society and donor community all of whom require joint and coordinated action. Reaching a consensus on the definition of regional development is difficult, the critical parameters being the scope and ownership of regional strategies and decisions on their interconnectedness. Although the regional development strategies themselves focus on regional actions (including local ones) as well as donor support, the interviewees strongly agree that regional development is an inevitable part of national actions with regards to sustainable development in Albania.

5.1.2 Outcomes of the research analysis

On the basis of the previous analysis of Albania's situation the following key conclusions and recommendations for the future have been identified:

- Conceptualising and implementing a long-term regional development policy complementary to a decentralisation reform;
- Establishing links between regional development strategies and the National Strategy for Development and Integration; (the need for a regional approach in addition to the national approach to development);
- Aligning the regional policy for EU accession and the EU regional development policy;
- Ensuring the implementation of social, economic and environmental indicators linked to the regional development strategies of each region;
- Regional disparities appear most amenable to policy-driven development interventions;
- Monitoring of regional development strategies as an accountability tool;
- Limited capacities of the actors involved hinder further development.

The growing importance of geographic research for the improvement of regional management policies and practices challenges geographers to focus their attention on these conclusions and consider them in a similar way to the one exemplified below:

Conclusion 1. Conceptualising and implementing a long-term regional development policy complimentary to a decentralization reform

The territorial division of Albania is governed by law no. 8652/00 ("On the Organisation and Functioning of Local Governments") and law no. 8653/00 (on the "Administrative-Territorial Division"). This legislation divided the country on two levels: into regions/counties (officially "regions") and communes/municipalities. A "region" represents a territorial-administrative unit with an average population of 260,605 (2004). From an administrative viewpoint – based on the above mentioned Albanian laws – the country is presently divided into 12 regions. There has been significant debate and confusion in Albania as to what exactly is meant by the term "region." Different criteria have been applied for the subdivision of the national territory into regions. They are a normative

(the expression of a political will) as well as an analytic criterion (set up for a specific purpose).

The regions are lead by regional councils and their role in the process of decentralisation and regional development is very important. At the moment it seems that regional development in Albania is associated mainly – if not exclusively – with decentralisation efforts and the scope of action of regional (county) councils. Although this link is evident and in most cases inevitable, it should not lead to the conclusion that regional development is synonymous with decentralisation or the transfer of competencies to a regional level (regional authorities). However, proper capacity and institution building (including improved horizontal and vertical inter-governmental cooperation and donor coordination) is necessary to avoid the risk of having the resources without the necessary mechanisms to initiate their delivery. This could impede the implementation of regional development strategies and could limit the ability of regional councils to perform their role as coordinator of the implementation of regional policies through facilitating cooperation between local and central government.

Development is more than the delivery of services and ‘regional development policy’ should not solely be associated with fiscal equalisation policies, regulations concerning uniform service provision or the transfer of more competencies and resources to individual regions. A distinguishing feature of regional policies is that they are pro-active socioeconomic development policies with a specific regional focus. Regional development does not simply involve a reactive transfer of resources between regions, rather, it has clear long-term regional economic development goals and explicit spatial objectives as well as involving active policy interventions at regional level which are meant to achieve these aims and objectives. In Albania the preparation of strategies for decentralisation at a regional level and the design of regional policies required a significant amount of time; reaching political consensus and implementing the process did not always yield straightforward, immediate or even positive results. Therefore the Government’s approach to not deal with the regional level of government and the regional development policy immediately seems both rational and practical, indeed this approach has been supported by the road-map for decentralisation in the World Bank report (2004). There are too many uncertainties, too many different on the ground experiences, too different and sometimes radical the proposals and, in general, just not enough clarity or consolidated visions/consensus to attempt the immediate introduction

of significant changes (or if such steps are taken, they might not be thought through well enough and cause negative implications). However this does not mean that the issue of conceptualising regional policy should be postponed to “better” future. The discussion and preparation should start immediately just so an agreement on specific political options which, when fully developed, could be implemented through legislative changes, establishing new structures and supplying the new structures with the required resources, developing new systems and inter-institutional relationships, etc.

Regional development policy is a very new area of public policy in Albania. Since there is no national policy for regional development and relatively low leverage as well as all responsibility being placed on one line ministry (the Ministry of Economy, Trade and Energy), there is no strategy or final action plan that could address the socio-economic disparities and regional inequities, allowing for a more effective targeting of resources. The Central Government should vigorously pursue a national cohesion policy to tackle the disparities, whilst the donor community should respect national priorities and align its aid with them. The need to establish a regional development policy in Albania is manifested by a number of reasons, as confirmed by a growing understanding among the various stakeholders, including the business community, the donors and the central and local government institutions.

Conclusion 2. Aligning regional policy for EU accession and the EU regional development policy

Strong emphasis is put on Albania’s need for a re-organisation of its administrative-territorial structure and its need to strengthen the regional level as a precondition for support from the EU. There are no specific or direct EU requirements for a regional policy in Albanian. Hence there is no EU-dictated regional policy or regulations which must be incorporated into Albania’s national legislation. Regional policy is viewed as an internal matter under the subsidiarity principle. An alignment of Albania’s regional development policy with the regional (cohesion) policy of the EU could lead to the adoption of some of the underlying concepts that are also reflected in the pre-accession support e.g. *Balanced regional development*: addressing significant and unacceptable regional disparities and helping less developed regions to catch up with the more developed ones.

Albania will have to introduce the NUTS classification – and the time frame seems to be rather clear. Although this task is becoming urgent and could be

completed over the course of the next two to three years,⁴¹ preparations have at least started. Until recently there were no explicit criteria for the size of the regions on different levels; however such criteria have been introduced together with a new regulation adopted in 2003. Given these criteria, Albania could have been divided into two, three or four NUTS II regions, although the option to define the whole country as one NUTS II region should not be excluded. It should be noted that INSTAT has a good understanding of the issue as evident by its recent publications on the subject, although it seems that this understanding is not communicated broadly enough to policy makers.

While it is clear that the country needs to align its statistical services with the EU standards, it is not obvious which choices are optimal with regards to NUTS II delineation. The main considerations for the NUTS-classification in Albania are linked to Albania's future welfare level (GDP) and especially that of its capital regions (Tirana/Durres). In order to make any discussions on this subject evidence-based, the regional GDP levels are estimated by a proxy: consumption and employment. Currently the GDP differs very little between the Albanian regions; Tirana/Durres only performs 9% above country average. The remaining regions do not exceed some 30% of the EU reference level, most are even significantly below. Any combination of two NUTS II regions for Albania (Tirana vs. rest of Albania, Tirana and Durres vs. rest of Albania, Durres and the North vs. Tirana and the South, West Coastal Albania vs. East Albania, as well as a three-region split (UNDP, EUROPEAN UNION and GOVERNMENT OF ALBANIA, March 2010)) would yield the same results.

Conclusion 3. Regional disparities are a starting point for a RD policy

The considerable differences in the social and economic framework of Albania combine to a need for a regional development policy by the State that can ensure a more balanced development of all regions, municipalities and communes. A common understanding on the level where regional disparities are measured is required. Both, common sense and research suggests that disparities are usually bigger when measured on a lower level (e.g. disparities between municipalities or communes are inevitably bigger than disparities between regions). Even a brief glance at the regional statistics reveals how much this is the case in Albania. The level of regional development of the districts is monitored by the regional development index (RDI), which is calculated based on the following

⁴¹ According to the Ministry of EU integration there is a SAA commitment to introduce the NUTS in 2013.

indicators: (i) poverty level above the national average in percent; (ii) level of districts' unemployment relative to the national average in percent; (iii) local government revenues above the national average in percent; (iv) access to water supply above the national average in percent; (v) number of health examinations above the national average in percent; (vi) level of compulsory education relative to the national average in percent.

The correlation of different aspects and values of indicators leads to the following picture of regional disparities, creating a regional typology of Albania:

- **Most developed regions:** Tirana, Durres, to some degree Vlore and Fier. They could be described as coastal, urbanised, attracting population and non-agricultural. Being the most developed however they also face serious problems, e.g. increasing unemployment, gaps in the infrastructure and provision of services (do not grow with population), evident poverty (e.g. informal settlements) and just generally their lagging behind comparable countries
- **Least developed/ disadvantaged:** Kukes and Diber are least developed but in many aspects also ... They could generally be described as mostly peripheral and mountainous, little urbanised, much of the population living in small communities, characterised by agriculture; they are not very attractive for non-agricultural use or to live and work in (high levels of poverty; large parts of the population relying on social assistance, significant migration of the population)
- **Regions in between** – Shkodra, Lezhe, Gjirokaster, Berat, Korce, Elbasan with more moderate indicators values, comparably moderate gaps in development areas (as compared to the country).

The preceding conclusions highlighted three regions: Tirana – *a driver for change*, Shkodra – *the North in development* and Kukes – *the “shrinking” region*. All in all, these regions are very representative of regional development and regional disparities. The argument is based on the empirical data analysed in *chapter 4*.

The regions show a high differentiation and a lot of disparities with regards to a lot of indicators: low development levels, high unemployment and poverty rates as well as limited access to a number of public services. Disparities between the regions as mentioned above are even more acute on other levels:

1. Regional vs. local level (e.g. relatively compact areas with different levels of development and gaps) i.e. municipalities and communes
2. Urban vs. rural level
3. Coastal areas/plains vs. mountain (and remote).

This is closely related to the issue of the identification level of disadvantaged areas and, if we accept the results of the previous analyses, the most disadvantaged area, Kukes, is:

- Relatively small,
- Has a low density and urbanisation level,
- Has low local budgets and own income,
- Mostly peripheral (relative to the capital and the region's centre),
- Characterised by mountains.

Migration seems to be a very important issue, especially with regards to the additional pressure it puts on the infrastructure and service sector in the attractive areas (mainly Tirana and surroundings) and the depopulation of other areas (Kukes) leading to inefficient development and maintenance of the infrastructure and service sector (schools, health care, roads, water supply, etc.); that in turn will lead to a diminished attractiveness of the region to the population and businesses and will cause further depopulation. The high level of unemployment combined with the high migration flow just move the unemployment problem spacewise. It seems that one of the main directives should be tackling a diversification of the rural economies. In the course of our analyses it became apparent that the out-dated economic structure (extremely high employment in agriculture) seems to go together with low levels of urbanisation. Clear regional differentiation if the extremes are looked at competitive grant. So far the competitive grant does not address disparities, although the reformed competitive grant (RDF) could produce a different outcome (subject to further examination). The Tirana, Kukes and Shkodra region showed that most investments come from the state budget which makes state agencies responsible for their implementation, whereas the regions themselves have very limited resources to promote development.

5.2 Research recommendations for regional development in Albania

We based our research on a thorough analysis of economic, social and environmental factors to depict Albania in its current state. Our case studies on the regions of Tirana, Shkodra and Kukes have helped identify existing problems, finding ways to address these problems and developing them into the following constructive recommendations:

- Albania does experience significant problems of regional disparity. Addressing those regional disparities (as a typical focus of regional development policy) and especially designating specific disadvantaged areas/regions in order for them to get the support they need is always a politically sensitive issue; different actors might see it as an arbitrary or an evidence-based decision respectively. If the regional development policy is to be evidence based (as it should be), regional disparities have to be measured and assessed not only at policy design stage but also policy monitoring and evaluation stage.
- According to our research, individualism and competition between local authorities could be overcome if and when the needs of cooperation are understood in the face of cost-benefit considerations and dialogue as well as consensus building amongst the local authorities themselves. Although this cooperation culture can be facilitated by the Central Government, it could neither be imposed nor guaranteed by it (not even through legislation). In this regard the Government should establish and promote incentives for the local government units to pool their resources and deliver joint services, be it through voluntary merging, temporary associations and agreements or outsourcing on a contractual basis; at the same time this emphasises that existing regional councils could play a significant role as a platform for such cooperation.
- The Central Government should vigorously pursue a national cohesion policy to tackle the existing disparities, whilst the donor community should respect national priorities and align its aid with them. The financial support for underdeveloped regions will come from domestic and external sources, including official development assistance, foreign direct investments and in the future EU Pre-Accession/Structural Funds.

- The Albanian Government and other relevant development actors need to understand the alignment of its own regional development policy and the regional policy of the EU as a flexible concept, thinking of Albania's position in the (pre-)accession process not as one which requires the introduction of a specific (technical or legal) set of rules or requirements but rather as a set of concepts, principles, approaches and practices to be introduced and followed, including the concepts of 'balanced development' and 'regional competitiveness,' the principles of 'partnership' and 'programming' (including coordination), the practice of monitoring and evaluation, as well as that of "earning EU money."
- Establishing larger and stronger regions, a new administrative-territorial division, reducing the number and of regions, based on the NUTS, although a discussion of the number, size, borders and centres of these regions could easily distract from the more important issues like the purpose and role, competencies, financial resources, method of operation of these new territories, etc. and, if not designed and communicated well, the introduction of new regions (whatever their function will be – statistical or administrative) could be a source of confusion.
- The economic infrastructure requires an update in order to be perceived as an attractive and suitable environment for future investments. A number of difficulties need to be overcome with regard to this: for one the obvious lack of resources and the legacy of inherited administrative structures and practices by which investments are usually planned by ministries with little concern for the local and regional impact. Secondly, the issue of worsening regional disparities in Albania needs to be addressed better – which can be done with the help of regional policy; and thirdly, a compliance with the EU membership requirements, which requires a regional policy and the associated institutions.
- A special law addressing regional policy stipulating its goals and objectives, the institutional structure of the policy implementation and the monitoring guidelines as well as the instruments of regional policy should be initiated. The law would define both the vertical and horizontal measures of regional policy. The vertical measures would cover state assistance to underdeveloped regions allocated through specific development programmes. The horizontal measures would

cover the implementation of regional policy through other national socio-economic development instruments, such as the National Strategy for Development and Integration (NSDI) 2007–2013. Effective regional development policy needs a unified legal structure, which provides clear guidance to policy makers and facilitates necessary actions at national and regional level.

As a final recommendation we suggest that Albania (in the near future and supported by the donor community) addresses the apparent need for a design and the implementation of a well-built regional development policy. However, the legislation in this field should follow and be informed by a serious preparation. A holistic concept universally agreed upon has to precede any changes in legislation. To achieve this, a well structured preparation process and a way to reach a political consensus have to be introduced. The preparation of an effective regional development policy requires sufficient time. This policy would be coupled with a broad public debate, analysing things like its scope, nature, logic, funds, actors and structure. Furthermore, an evaluation of other eastern European countries' experience can provide appropriate inputs for the policy. This can be a step-by-step process, no rushing of final decisions is necessary, although clear stages and outcomes at each stage have to be established. Based on this research analyses and the eastern European countries' experience this process should take between two and five years.

Appendix

Appendix 1: Regional Development Index for Albania in 2008

ITEM	GDP PER CAPITA 2007 (ALL)*	GDP PER CAPITA	Density of nationally administered roads (km/10,000 km ²) 2008	Fixed phone user families per 1,000 inhabitants 2008**	Travel time to the nearest int'l airport (h) 2008	Infant mortality rate per 1,000 births 2008	Number of hospital beds/10,000 inhabitants 2008	Primary education general enrolment (%) 2008	Population with access to water system (%) 2007	BASIC INDICATORS	Secondary education general enrolment (%) 2008
	1	2	3	4	5	6	7	8	9	10	11
Berat	247,625		85	83	1	7.8	26	93.4	96.3		77.5
Diber	232,066		98	35	1	6.9	38	103.1	62.1		60.2
Durres	332,678		215	77	1	6.1	16	90.8	71.4		48.4
Elbasan	282,642		112	60	1	8.3	33	92.7	70.5		56.3
Fier	275,652		127	54	1	7.0	19	90.2	72.6		60.3
Gjirokaster	397,901		105	97	1	1.5	40	70.2	86.4		60.1
Korce	289,715		106	75	1	8.0	33	85.2	91.6		60.8
Kukes	300,601		120	41	1	7.8	46	136.3	73.3		88.3
Lezhe	270,241		143	37	1	7.1	23	93.3	73.5		57.4
Shkoder	327,817		143	53	1	5.0	29	95.7	76.4		62.1
Tirane	335,875		160	114	1	17.4	29	87.0	89.9		65.6
Vlore	353,654		164	88	1	9.7	35	122.0	87.4		87.3
Albania (av.)	307,219		125	77	1	7.7	29	92.9	77.0		62.8
Berat	81	41	68	108	100	101	90	101	125	19	123
Diber	76	38	78	45	100	90	131	111	81	18	96
Durres	108	54	172	100	100	79	55	98	93	22	77
Elbasan	92	46	90	78	100	108	114	100	92	19	90
Fier	90	45	102	70	100	91	66	97	94	18	96
Gjirokaster	130	65	84	126	100	19	138	76	112	18	96
Korce	94	47	85	97	100	104	114	92	119	20	97
Kukes	98	49	96	53	100	101	159	147	95	21	141
Lezhe	88	44	114	48	100	92	79	100	95	18	91
Shkoder	107	54	114	69	100	65	100	103	99	19	99
Tirane	109	55	128	148	100	226	100	94	117	25	104
Vlore	115	58	131	114	100	126	121	131	114	24	139
Albania (av.)	100	50	100	100	100	100	100	100	100	20	100
Weights	50%	50%	5%	3%	2%	2%	2%	4%	2%	20%	5%

*consumption based estimate, should be changed to GDP when data become available
**should be changed for mobile phone users indicator when data become available

Number of active enterprises per 10,000 inhabitants 2006–2008 (av)	Number of new enterprises per 10,000 inhabitants 2006–2008 (av)	Unemployment rate (%) 2006–2008 (av)	Female participation in labor force (%) 2008	Business credits 000ALL per 1,000inhabitants, 2008	FDI – number of companies per 10,000inhabitants, 2008	Internet users per	EFFICIENCY ENHANCERS	Number of patents originating 2008	R&D spending/or projects	INNOVATION FACTORS	RD INDEX
12	13	14	15	16	17	18	19	20	21	22	23
211	42.2	11.9	54.4	40	1.3	1		0	1		
102	25.4	10.4	32.1	5	1.2	1		0	1		
350	61.3	13.3	57.9	222	12.4	1		0	1		
174	32.5	13.1	58.8	79	2.1	1		0	1		
226	31.9	8.1	56.5	88	1.8	1		0	1		
269	31.5	15.8	51.1	80	3.8	1		0	1		
272	37.7	9.9	66.2	64	6.9	1		0	1		
102	28.0	16.5	38.6	18	1.5	1		0	1		
141	37.0	18.3	35.5	96	2.6	1		0	1		
191	52.4	18.6	56.4	77	3.9	1		2	1		
441	71.1	14.0	50.3	829	30.5	1		2	1		
396	66.2	14.3	46.5	159	6.8	1		0	1		
284	49.1	13.5	52.8	288	11.0	1		0.3	1		
74	86	88	103	14	12	100	20	0	100	2	82
36	52	77	61	2	11	100	15	0	100	2	73
123	125	99	110	77	113	100	25	0	100	2	103
61	66	97	111	27	19	100	19	0	100	2	86
80	65	60	107	31	16	100	18	0	100	2	83
95	64	117	97	28	35	100	21	0	100	2	106
96	77	73	125	22	63	100	20	0	100	2	89
36	57	122	73	6	14	100	20	0	100	2	92
50	75	136	67	33	24	100	20	0	100	2	84
67	107	138	107	27	35	100	23	600	100	20	116
155	145	104	95	288	277	100	37	600	100	20	137
139	135	106	88	55	62	100	27	0	100	2	111
100	100	100	100	100	100	100	25	100	100	5	100
3%	2%	5%	2%	3%	2%	3%	25%	3%	2%	5%	100%
							25%			5%	100%

Source: INSTAT, 2009a

Appendix 2: The establishment of the Fund for Re-gional Development

Source: Department for Strategy and Donor Coordination 2008

The establishment of the Fund for Regional Development is approved by law no. 10190, dated 26 November 2009 “On the State’s budget 2010.” This Fund consists of competitive grants for local infrastructure, education (basic, pre-university and university education), health, culture, water supply and sanitation system, the construction of agro-food markets, irrigation and drainage as well as forestation. The fund is a mechanism to finance projects within the territory of the local government units and applied by the local governments themselves. In this aspect the Fund is the main instrument of the national regional development policy aiming at a balanced development of Albania’s regions.

All decisions with regards to Fund use are made by the Committee on Regional Development, established in accordance with the law cited above and chaired by the Prime Minister, with the following members: the Ministers of Finance; the Minister of Economy, Trade and Energy; the Minister of Public Works, Transport and Telecommunication; the Minister of Interior; the Minister of Education and Science; the Minister of Health; the Minister of Agriculture, Food and Consumer Protection; the Minister of Tourism, Culture, Youth and Sports; the Minister of Environment, Forests and Water Administration; the Chair of the Rectors’ Conference; the Chair of the Association of Communes; the Chair of the Association of Counties and the Chair of the Association of Municipalities.

The Decision of the Council of Ministers (DCM) no. 135, dated 3 February 2010 “On the definition of the criteria for the distribution of the Regional Development Fund,” describes the criteria for the distribution of the Fund among the qarks (regions), they are as follows: Government priorities for different sectors and areas, poverty level, regions’ population and previous investments in the last 4 years. According to these criteria, the Ministry of Finance prepares the formula for the Fund’s distribution among the line ministries.

The DCM describes the roles and responsibilities of institutions involved. Each line ministry has a technical secretariat responsible for the technical evaluation of the proposals. The general secretariat for the administration of materials to be presented to the Committee for decision making is the Department of

Strategy and Donor Coordination (DSDC). The DSDC, based on the analysis on the compliance of the projects with the national strategic priorities and with the Government programme priorities, proposes important issues for the decision making process to the Committee. The Ministry of Finance provides a general overview over all investments, as well as other relevant data to the General Secretariat. The DCM also states that the Minister of Finance is responsible for issuing the guidelines on the administration of the Regional Development Fund.

The Ministry of Interior also presents the local government priorities according to the development strategies of the municipalities, communes and qarks to the General Secretariat. INSTAT is responsible for the provision of the necessary data for the analysis to be carried out by DSDC.

The Decision of the Council of Ministers also sets out the criteria for decisions made by the Committee, which are the following:

- The level of impact on poverty reduction and increase of access to basic services.
- The number of direct and/or indirect beneficiaries of the project.
- Road and local infrastructure: inter-communal projects with impact in more than one local unit have priority
- The quality of technical projects, proposed by the local government units.
- The level of collection of local taxes and tariffs.
- The level of co-financing through local government units or donor funds.

The Guideline of the Minister of Finance no.11, dated 1 April 2010, defines the procedures for the application process for local government units and provides a schedule of applications deadlines. The Guideline includes two annexes. It also explains the process for the administration and evaluation of the applications. The Guideline furthermore provides a calendar with the deadlines for the institutions involved (in annex 1 to the Guideline).

The Guideline provides application forms to be completed by the local government units presented in annex 2 and defines the role of the qark councils. The qark councils present qark investments priorities to the General Secretariat/DSDC (and technical secretariat at the Ministry of Finance) according to the form presented in a second annex. Furthermore, it summons the line ministries

and the Albanian Development Fund (the implementation agency for the local infrastructure) to prepare a methodology for the technical evaluation of the applications.

The Guideline also includes a detailed explanation of the criteria for the decision making process of the Committee for Regional Development, providing information on how to weight the points awarded for each criterion in the overall evaluation. The Guidelines also defines the role of the Ministry of Finance with respect to treasury and funds allocation according to the decision of the Committee. The line ministries and Albanian Development Fund have to prepare monitoring reports on the progress of the implementation of projects.

Appendix 3: Donor support for regional development

Source: Department for Strategy and Donor Coordination 2008

Ongoing and planned initiatives

Through the “Integrated Support for Decentralisation Project” funded by the IPA 2008, the UN is providing support to projects aimed at harmonising national efforts and building capacities and institutions for regional development in compliance with the national Cross-cutting Strategy for Regional Development and the EU regional development and cohesion policies. The project was started in October 2008 and will continue until the end of 2012, providing a total of 7.2 million US\$.

The UN is also implementing the project “Kukes Region Tourism and Environment Promotion,” which aims to further promote sustainable economic growth and the attractiveness of the Albania’s Kukes region, for the region to better use its socio-economic and natural potential in pursuing regional development and facilitating cross-border cooperation. This is a two year project mainly funded by the EC (1,430,000 US\$) and will continue until May 2011.

Through the Cross-Border Cooperation Programme the UNDP is supporting the establishment of CBC-like structures and the development of local capacities as well as the implementation of ten grants directed at capacity building for local stakeholders and several infrastructure interventions with CBC potential. The European Commission is providing 719,424 US\$, while the UNDP is providing 143,885 US\$.

The *UNESCO* is supporting the restoration of the historical centre of Gjirokastra. The project aims at assisting the Albanian authorities and the city of Gjirokastra in their efforts to safeguard the historic centre of Gjirokastra through the preparation and improvement of management plans, the restoration of historic monuments, etc. The total amount invested in the project is 1.4 million US\$; it will continue until December 2010.

The *Mountain Area Development Agency* is implementing two large programmes supporting development in the mountain areas of Albania: "Sustainable Development in Rural Mountain Areas – MADP" and "Mountain to Markets." The goal of MADP is to increase the household incomes in Albania's mountain areas, particularly among the poorer, rural population. The project involves: 1) regional programme development; 2) private sector development; 3) The implementation and testing of investments approaches; 4) mountain areas finance fund transformation and expansion; and 5) supporting the Mountain Areas Development Agency. The project has received funding in soft loans from IFAD and OFID totalling 8.5 million US\$. It started in February 2007 and will continue until March 2012.

The goal of the Mountain to Markets Programme is to increase the incomes of the poorest households in the programme area by improving the opportunities for employment and participation of rural small activities. The project has received funding from IFAD in soft loans totalling 6.4 million US\$. The project has started in May 2009 and will continue until June 2014.

The *Swedish International Development Cooperation Agency* (SIDA) is involved in a three-year programme (2005–2009) focusing on strengthening the Albanian Association of Communes (AAC) as an institution. The project aims to: (i) provide physical facilities and running costs for the AAC for 3 years, (ii) assist them in developing their strategic and communication plans, (iii) establish democratic and participatory processes within the AAC, (iv) conduct training needs assessment for the majors, (v) deliver training and capacity building for the members and (vi) strengthen the representation and advocacy of the AAC in the national policymaking arenas. This programme, although ending in February 2009, seems to have the possibility of being extended for an extra phase after its completion.

The *European Commission* considers providing substantial support so Albania can improve their national and sub-national statistics; the main focus is on two programmes targeting INSTAT. The first, ongoing programme "Support to the

regional offices of INSTAT for data collection and adoption of the EU Acquis” is financed with the help of 7.6 million EUR. It is aimed at the improvement of the regional statistical offices’ capacities, to enable systematic data collection as well as entry and analysis thereof for a core set of indicators. This programme will be extended for an extra phase in 2009, further supporting Albania’s move towards compatibility the regional fragmentation in the country with those of the EU Member States. INSTAT has recently published a list of statistical indicators by region. Still, more regional disaggregation is required which is why further capacity building is needed to address this issue.

The other programme – Support for the Alignment of the Albanian Statistics with EU Standards – aims to produce better GDP figures and improve the factual and temporal coverage of national accounts aggregates, as required according to the EUROSTAT standards. This will be realised by ensuring the absolute coverage of all economic units operating in the country by (i) improving the quality of the different variables of enterprises, (ii) ensuring the registration of all small units, (iii) avoiding duplicated enterprises in the register, (iv) improving the business register by removing sleeping enterprises, (v) establishing a farm register and (vi) making use of the farm register for the the conduction of agricultural surveys. The total amount of funds for the programme is 2.6 million EUR (IPA 2007). SIDA will continue to support INSTAT with a grant of 25 million SEK or 2.6 million EUR for domestic needs and EU requirements that concern business and price statistics, survey methodology as well as an integrated statistics information system and census.

The ***German Technical Cooperation Agency (GTZ)***, besides its involvement in the water infrastructure sector, is also active in supporting regional development in the regions of Shkodra and Lezha with regards to: (i) planning processes – preliminary development plans and moderation of planning processes among stakeholders, (ii) concrete measures – pilot projects boosting tourism in Thethi and helping groups of producers in the rural area and industrial zone, handicrafts market and Shkodra lake in the urban area, (iii) networking through the establishment of one local action group (LAG) for regional/rural development and training measures on regional development. The GTZ is closely following developments in the regional development area and stands ready to provide cooperation support on various levels. The total amount of investments in the project is 6 million EUR; it will continue until December 2011.

The Italian Government is financing the project “ART GOLD Western Balkans (Albania – phase 2)” with a 1 million euro grant, which is implemented by the UNDP. The project is designed to support local development through territorial marketing of the Albanian regions and the creation of links between Albania’s regional bodies and their Italian and European counterparts in order to implement micro-projects. The project has started in January 2008 and will continue until March 2011.

The Swiss Government is supporting regional development by financing different projects:

- “Decentralisation and Local Development Programme (DLDP)” for the Shkodra region – 2 million euro grant. The DLDP mainly aims at significantly improving the well-being of the citizens living in the Shkodra qark by strengthening the authority, capacity and effectiveness of the 8 partner LGU’s involved in the project, as well as by enhancing citizens’ participation, both of women and men, in the decision making process. It was started in January 2006 and finished in February 2010.
- “Decentralisation and Local Development Programme (DLDP)” in the Shkodra and Lezha region aims to strength the capacities of the municipalities and communes in Shkodra and Lezha contributing to improved regional development in northern Albania and the decentralisation reform at national level. It was started in March 2010 and will finish in February 2013, financed by a grant worth 2.1 million EUR.
- “Regional Development Programme” – 0.5 million euro grant. The programme aims at an increased, equal access to public services for all citizens and utilisation of quality public services and economic opportunities in the qarks of Lezha and Shkodra through strengthening qark institutions. It was started in January 2010 and will finish in January 2014.
- “Reinforcing local and regional government structures in Albania Project” – total financing of 0.3 million euro grant, implemented by the Council of Europe. The project aims to strengthen local and regional government structures in terms of intermunicipal cooperation, human resource development and a territorial planning legislation. It was started in January 2010 and will finish in December 2011.

The ***Council of Europe Development Bank (CEB)*** is financing “Community Works Programme 3rd Phase” with a 10.1 million euro loan; the programme is implemented by the Albanian Development Fund (ADF). It combines infrastructure rehabilitation and capacity building with an extensive involvement at community level. CEB loans will allow the ADF to foster development in some of the most disadvantaged areas of Albania. It was started in June 2007 and will finish in January 2011.

The ***programme “Improving Secondary and Local Roads”*** is an initiative of the Albanian Government to improve the living conditions in rural areas by improving secondary and local roads. The programme is being implemented by the Albanian Development Fund. The programme includes about 1.500 km of secondary and local roads, and 400 million US\$ worth of financial means for the entire programme. Projects have started the implementation in December 2007 and currently include the most important axes in the 12 regional districts of the country. Presently, the amount of money being implemented is about 100 million US\$ by: the World Bank (20 million), OFID (15 million US\$), the Government of Albania (5 million US\$), the CEB (56 million US\$ or 40 million EUR) and IPA 2008 (11 million US\$ or 8 million EUR). Various donors have expressed interest in supporting this initiative; negotiations to this end were in process with EBRD, EIB and the IPA in 2010 and 2011:

- The three donors will participate in a parallel project funded with 133 million EUR. They are going to finance about 600 km of roads.
- A grant of 4 million from the WBIF will cover technical assistance and supervision (after the contracts financed by the World Bank have been fulfilled) and the preparation of detailed studies and environmental impact assessments.
- In February 2010 the EBRD approved a loan of 50 million EUR.
- Negotiations for an EIB loan over 50 million EUR running.
- IPA '10 provide 18.5 million EUR. IPA '10 and '11 will set aside at least 33 million EUR for the programme.
- The OPEC Fund for International Development approved a 10 million US\$ loan in March 2010 that will cover civil works for about 50 km of roads.

- The Islamic Development Bank has approved a loan over 40 million US\$ that will finance 170 km of roads.
- The Albanian Government is negotiating with the Japanese Government about a loan contract to help finance the project which can be finished by the end of 2010.

The **Islamic Development Bank** is financing the project “Rural Water Supply in Orikum” with a 8.6 million euro loan. It was started in November 2009 and will continue until December 2012.

The **Austrian Development Agency** supports the municipality of Shkodra (the beneficiary institution) through the project “Regional Development Programme in Shkodra,” which involves support with technical assistance, support of the regional administration and upgrades of the infrastructure on a local level. This project, co-financed by the Swiss Cooperation and DANIDA, was started in October 2008 and is planned to continue until January 2011 with a total commitment of 3.5 million euro.

Germany, by providing KfW credits, supports the Albanian Development Fund in two projects: “Social Investment Fund II” and “Social Investment Fund III,” which involves investments in the social infrastructure (water, education, health) in predominantly rural areas. The above projects have started in October 2002 and October 2003 respectively and will continue until the end of 2010. The respective commitments amount to 2.26 million euro and to 2.3 million euro.

The **European Commission**, through the IPA 2009, supports the Albanian Development Fund in the project “Support for Road Infrastructure – Improvement of Conditions of Secondary and Rural Roads”. The project was started in January 2010 and is planned to continue until the end of 2012 with a total commitment of 9 million euro.

Appendix 4: List of experts interviewed during the preparation of the thesis

1. Central Government representatives

Nr.	Name of the interviewee	Position	Institution	Place	Date
1	Thoma Tusha	Head of the department for regional development	Ministry of Economy, Trade and Energy	Tirana	March 2010
2	Alma Marku	Donor Country Coordinator	Government of Albania, Council of Ministers	Tirana	March 2010
3	Maldi Dema	Head of Department	INSTAT	Tirana	March 2010
4	Kit Nikolson	Consultant/Development Expert	Government of Albania	Tirana	March 2010
5	Edlira Late	Head of the Minister's Cabinet	Ministry of Education and Science	Tirana	September 2010
6	Valbona Kuko	Director of Department for strategies and donor coordination (DSDC)	Government of Albania, Council of Ministers	Tirana	April 2010

2. Local/regional representatives

Nr.	Name of the interviewee	Position	Institution	Place	Date
1	Zemaida Kastrati	Head of Department of Foreign affairs	Municipality of Shkodra	Shkoder	May 2010
2	Rozafat Sopi	Head of the Department for coordination and Development	Municipality of Kukes	Kukes	September 2010
3	Ridvan Sokoli	Head of the Department for coordination and Development	Municipality of Shkodra	Shkoder	May 2010
4	Merita Kazazi	Head of the Department for coordination and Development	Shkodra regional Council	Shkoder	May 2010
5	Gjovalin Kolombi	Head of the Regional Council	Shkodra Regional Council	Shkoder	May 2010
6	Viola Haxhiademi	Head of the Department for coordination and Development	Municipality of Tirana	Tirana	October 2010
7	Ylber Vata	Former chairmen of the Regional Council Kukes	Kukes regional Council	Kukes	September 2010
8	Faslli Germizi	Member of the Regional Council	Kukes regional Council	Kukes	September 2010

3. *Civil society and other development agencies*

Nr.	Name of the interviewee	Position	Institution	Place	Date
1	Nevila Como	Expert	Secretariat of Donor coordination	Tirana	April 2010
2	Daniel Zust	Program director	Swiss Cooperation and Development in Albania	Tirana	April 2010
3	Shkelzen Marku	Director	Mountain Albania Development Agency	Tirana	June 2010
4	Artan Rroji	Director	Foundation for Local Autonomy and Governance	Tirana	May 2010
5	Orjana Arapi	Former project manager	Co-Plan	Tirana	April 2010
6	Rifat Demalija	Program manager	Youth program	Kukes	September 2010
7	Sotirag Hroni	Director	Institute for Democracy and Mediation	Tirana	October 2010
8	Henri Cili	Analyst	MAPO newspaper	Tirana	October 2010
9	Valbona Karakaci	Program Manager	Local Government Development Program	Shkoder	September 2010

4. *Politicians*

Nr.	Name of the interviewee	Position	Institution	Place	Date
1	Albana Vokshi	Member of Parliament Member of the commission in Economy	Albanian Parliament	Tirana	September 2009
2	Arenca Troshani	Member of Parliament elected from Shkodra region	Albanian Parliament	Tirana	March 2010

5. *Scientific institutions (universities)*

Nr.	Name of the interviewee	Position	Institution	Place	Date
1	Adrian Civici	Rector/Expert of Economy	European University of Tirana	Tirana	September 2010
2	Tonin Gjura	Professor of Sociology	Shkodra University	Shkoder	September 2010
3	Edlira Tukaj	Professor of economy and management	Shkodra University	Shkoder	September 2010
4	Dhimiter Doka	Professor of Geography	University of Tirana	Tirana	May 2010
5	Mahir Hoti	Former Rector of the University of Shkodra	University of Shkodra	Shkoder	September 2010

Appendix 5: Qualitative questions for the interviewed experts

Discussion points (1)

- What does RD mean in the context of Albania?
- What are the benefits and advantages of regions?
- Who should fund and implement the RD strategies?

Discussion points (2)

- If the Regional Councils were to implement the strategies what would they need?
- What should be the next steps and who should undertake them?

Elaborated questions to drive the discussion:

What does RD mean in the context of Albania:

- a) Co-ordinated actions of local authorities towards shared objectives?
- b) Concerted actions of common interest for all/several municipalities in the region?
- c) Actions within the competences of the Regional Councils?
- d) Actions of line ministries which affect the region and are coordinated and adapted to regional needs?

What are the benefits and advantages of regions?

What exactly are the benefits for:

- Local authorities
- The Central Government
- Civil society and citizens
- Businesses

Who should fund and implement the RD strategies?

- Local authorities?
- Regional councils?
- The Central Government/the line ministries?

If the regional councils were to implement the strategies, what would they need?

- Legal competences – ...
- Technical and managerial capacities – ...
- Financial resources – ...

Next steps

What are the 3 most urgent steps towards the implementation of RD strategies and who should undertake them?

Appendix 6: Tirana, Shkodra, Kukës regional development indicators in 2008

Counties (Qark) and Issues	Growth, competitiveness, economic cohesion										
	Regional GDP, in mln EUR, 2007	Regional GDP p.c., EUR, 2007	Employed, 2008	Employment public, in %, 2008	Employment private non-agriculture, in %, 2008	Employment agriculture, in %, 2008	Economically active population (labour force) 2008	Economic activity rate (participation rate), in %, 2008	Female participation, in %, 2008	Unemployment rate, in %, 2008	Long-term unemployment, in %, 2008
Kukës	184,0	2.346,0	23.383,0	12,2	22,2	65,6	25.172,0	50,8	38,6	7,0	4,0
Shkodra	661,0	2.715,0	80.370,0	15,7	38,0	46,4	101.503,0	63,7	56,4	20,5	14,2
Tirane	2.185,0	2.779,0	282.426,0	25,8	56,8	17,4	327.978,0	60,9	50,3	13,8	8,5
Albania (average or total)	7.858,0	2.491,0	1.121.574,0	18,1	37,8	44,2	1.291.897,0	61,9	52,8	13,1	8,6
Relative to the average, in %											
Kukës		94,0		112,0	110,0	86,0		82,0	73,0	54,0	46,0
Shkodra		109,0		87,0	101,0	105,0		103,0	107,0	157,0	166,0
Tirane		112,0		143,0	151,0	39,0		98,0	95,0	106,0	100,0
Albania (average or total)		100,0		100,0	100,0	100,0		100,0	100,0	100,0	100,0
Change, in % for the period	2007	2007	2001-2008	2001-2008	2001-2008	2001-2008	2001-2008	2001-2008	2008	2008	2008
Kukës	n.a.	n.a.	15,5	186,4	1,3	-31,6			-78,0	-87,7	
Shkodra	n.a.	n.a.	27,6	308,6	-32,1	14,2			-31,2	-50,1	
Tirane	n.a.	n.a.	14,2	5,3	-32,9	23,5			30,1	-12,0	
Albania (average or total)			12,0	69,3	-23,5	17,3			-20,4	-43,1	
Regional share, in % of the total											
Kukës	0,9		2,1	7,1	5,2	10,0	1,9				
Shkodra	3,7		7,2	7,3	3,0	8,2	7,9				
Tirane	45,4		25,2	29,5	60,2	10,6	25,4				
Albania (average or total)	100,0		100,0	100,0	100,0	100,0	100,0				

Counties (Qark) and Issues	Growth, competitiveness, economic cohesion						
	Non-agricultural active enterprises per 10,000 pers., 2008	Newly created non-agricultural enterprises per 10,000 pers., 2008	Foreign enterprises (incl. partially) per 10,000 pers., 2008	Credit to business, in 1,000 ALL per 10,000 pers., 2008	Deposits, in 1,000 ALL per pers., 2008	LCU own revenues, in %, 2008	
Kukes	120,0	25,9	1,5	18,0	138,0	1,787,0	
Shkodra	255,0	79,2	3,9	77,0	474,0	2,392,0	
Tirane	512,0	88,5	30,5	829,0	1,361,0	8,993,0	
Albania (average or total)	329,0	61,4	11,0	288,0	789,0	4,914,0	
Relative to the average, in %							
Kukes	36,0	42,0	14,0	6,0	17,0	36,0	
Shkodra	78,0	129,0	36,0	27,0	60,0	49,0	
Tirane	155,0	144,0	278,0	288,0	172,0	183,0	
Albania (average or total)	100,0	100,0	100,0	100,0	100,0	100,0	
Change, in % for the period							
	2008	2008				2008	
Kukes	-1,0	1,346,2				27,4	
Shkodra	184,0	1,457,6				25,4	
Tirane	30,0	205,4				17,9	
Albania (average or total)	66,0	344,9				23,2	
Regional share, in % of the total							
Kukes	0,9	1,0	0,3	0,2	0,4	0,9	
Shkodra	6,0	10,0	2,8	2,1	4,6	3,7	
Tirane	38,7	35,9	69,3	71,8	43,0	45,4	
Albania (average or total)	100,0	100,0	100,0		100,0	100,0	

Countries (Qark) and Issues	Social cohesion							Hospital beds per 10,000 pers., 2008
	Poverty Head count, in %, 2002	Number of families getting social assistance, 2008	Families getting social assistance per 10,000 pers., 2008	Enrolment at primary and secondary education (1-8/9 years), 2008	Enrolment at primary and secondary education (1-8/9 years), education in %, 2008	Enrolment at high schools (>9 years), 2008		
Kukes	40,0	10.881,0	1.373,0	19.273,0	136,3	88,3	46,0	
Shkodra	32,8	15.955,0	649,0	38.768,0	95,7	62,1	29,0	
Tirane	23,4	10.009,0	126,0	109.223,0	87,0	65,6	29,0	
Albania (average or total)	25,4	94.134,0	296,0	457.886,0	92,9	62,8	29,0	
Relative to the average, in %								
Kukes	157,0		464,0		147,0	141,0	159,0	
Shkodra	129,0		22,0		103,0	99,0	100,0	
Tirane	92,0		43,0		94,0	104,0	100,0	
Albania (average or total)	100,0		100,0		100,0	100,0	100,0	
Change, in % for the period								
	2008	2008	2008	2001-2008	2008	2008	2008	
Kukes	-21,0	11,5	-16,3	-16,3	60,8	229,5	64,7	
Shkodra	-32,9	-29,2	-14,1	-14,1	13,4	69,0	4,1	
Tirane	-36,5	-50,2	12,7	12,7	2,4	39,3	-35,8	
Albania (average or total)	-34,4	-35,8	-12,5	-12,5	3,7	52,9	3,3	
Regional share, in % of the total								
Kukes	11,6		4,2					
Shkodra	16,9		8,5					
Tirane	10,6		23,9					
Albania (average or total)	100,0		100,0					

Counties (Qark) and Issues	Spatial development											
	Population, 2008	Population density, pers./km ² , 2008	Population change, in %, 2001-2008	Urban population, in %, 2008	Largest city (LCU), in inh., 2008	Population in LGUs below 5000 inh., 2008	Agriculture in land in % to total park, 2008	Other land in % to total park, 2008	Forests in % to total park, 2008	Agriculture ha/capita, 2008	Other land, ha/capita, 2008	Forests, ha/capita, 2008
Kukes	79,225,0	33,4	-29,1	22,9	12,087,0	69,2	10,5	24,9	64,6	0,32	0,7	1,9
Shkodra	245,700,0	69,0	-5,3	38,6	83,013,0	22,8	14,3	28,4	57,3	0,2	0,4	0,8
Tirane	793,037,0	480,0	27,4	72,9	461,443,0	1,3	34,5	28,5	37,0	0,1	0,1	0,1
Albania (average or total)	3,181,949,0	110,7	2,2	48,7		16,5	24,2	26,6	49,1	0,2	0,2	0,4
Relative to the average, in %												
Kukes		30,0	-1,304,0	47,0		418,0	44,0	93,0	131,0	144,0	309,0	435,0
Shkodra		62,0	-237,0	79,0		138,0	59,0	106,0	117,0	95,0	171,0	187,0
Tirane		434,0	1,227,0	150,0		8,0	142,0	107,0	75,0	33,0	25,0	17,0
Albania (average or total)		100,0	100,0	100,0		100,0	100,0	100,0	100,0	100,0	100,0	100,0
Change, in % for the period	2008	2008		2008			2003-2008	2003-2008	2003-2008	2003-2008	2003-2008	2003-2008
Kukes	-25,5	-25,5		-6			n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shkodra	-3,9	-3,9		1,2			n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tirane	24,6	24,6		5,9			n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Albania (average or total)	1,8	1,8		10,1			n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Regional share, in % of the total												
Kukes	2,5						n.a.	n.a.	n.a.	4,0	8,0	11,0
Shkodra	7,7						n.a.	n.a.	n.a.	7,0	13,0	14,0
Tirane	24,9						n.a.	n.a.	n.a.	8,0	6,0	4,0
Albania (average or total)	100,0						n.a.	n.a.	n.a.	100,0	100,0	100,0

Countries (Qark) and Issues	Sustainable development, access to infrastructure and services									
	Urban waste, ton/inh., 2008	Total roads in km/km ² , 2008	National adm. Roads, in km/km ² , 2008	Rural adm. Roads, in km/km ² , 2008	Cars per 1,000 inh., 2008	Fixed phone users (families) per 1,000 inh., 2008	Families with at least 1 pers. using mobile, in %, 2008	Access to water system, in %, 2007		
Kukës	0,1	393,0	120,0	274,0	31,0	41,0	90,6	73,3		
Shkodra	0,3	648,0	143,0	505,0	76,0	53,0	89,8	76,4		
Tirane	0,3	533,0	160,0	373,0	129,0	114,0	92,4	89,9		
Albania (average or total)	0,2	454,0	125,0	329,0	78,0	77,0	89,0	77,0		
Relative to the average, in %										
Kukës	50,0	87,0	96,0	83,0	40,0	53,0	10,180,0	9,515,0		
Shkodra	104,0	143,0	114,0	154,0	97,0	70,0	10,090,0	9,918,0		
Tirane	144,0	117,0	128,0	114,0	164,0	149,0	10,382,0	11,670,0		
Albania (average or total)	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0		
Change, in % for the period	2003-2008	2003-2008	2003-2008	2003-2008	2003-2008	2003-2008	2003-2008	2001-2007		
Kukës	-6,9	58,8	0	113,8	106	23,6	409	11,7		
Shkodra	71,2	5	13,4	2,9	51,2	34,2	148,8	4,5		
Tirane	35,2	-0,7	-2,2	0	27,1	-16,9	66,5	10,3		
Albania (average or total)	30,1	5,8	5,5	5,8	39,9	12,3	124,7	3,3		
Regional share, in % of the total										
Kukës	1,2	7,2	7,9	6,9	n.a.	1,3	n.a.	n.a.		
Shkodra	8,1	17,7	14,1	19,0	n.a.	5,4	n.a.	n.a.		
Tirane	35,9	6,8	7,3	6,5	n.a.	37,0	n.a.	n.a.		
Albania (average or total)	100,0	100,0	100,0	100,0	n.a.	100,0	n.a.	n.a.		

Source: INSTAT, 2009a

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As Albania is accelerating its preparations towards candidate country status in the European Union (EU), numerous areas of public policy and –practices are undergoing intensive development. Regional development policy is a very new area of public policy in Albania and needs research and development.

This study examines the process of sustainable development in Albania by analysing and comparing the regional development of the regions Tirana, Shkodra and Kukes. With regards to methodology the study relies on a review of literature as well as an analytical review of and a comparative approach to the three case regions, ensuring adequate quality through interviews and quantitative relevance through data collection.

The research is organised in five chapters. The first chapter provides an overview over the research. The second chapter outlines the theories and scientific framework underlying the sustainable–development-to-regional-development process and its links to geography. The third chapter presents the overall picture of the regional development efforts in Albania, analysing disparities and regional development in the light of EU requirements and NUTS division. Chapter 4 continues this discourse by highlighting the regional development of the three regions: Tirana (driver for change), Shkodra (the North in development) and Kukes (the “shrinking” region). Conclusions and recommendations are presented in chapter 5.

This research comes to the conclusions that if growth in Albania is to be increased and sustained, a regional development policy needs to be established.

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