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Regional Disparities and Uneven Development in Albania

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Abstract: A simultaneous development of different cities and regions of a country brings not only a sustainable economic development but also social cohesion among the population of these regions. However, Albania has long been characterized by a disproportionate concentration of population and economic activity in its capital, Tirana, leaving other regions underdeveloped and depopulated. This paper analyzes disparities across Albanian counties by examining demographic indicators, economic variables, and the effectiveness of decentralization policies. Using statistical data from the past seven years, we reveal that inequalities in development not only persist but have intensified. This trend underscores the urgent need for more inclusive, regionally-targeted development strategies.

Keywords: Inequality, Development, Rural, Urban, Population.

Introduction

The world trend of urbanization in recent years has given great importance to the support of central governments to sub-urban and rural economies through investments in infrastructure, promotion of entrepreneurship, tourism, agronomy, development of human capital, etc. The lack of attention in this direction creates a vicious cycle where underdeveloped regions will experience a decline in population and eventually further economic decline or narrowing of the potential for development. Migration, both internal and international, has fundamentally reshaped Albania's demographic and economic landscape. Since the early 1990s, Albania has experienced massive population shifts,



driven first by economic collapse and then by uneven growth patterns. These trends have deepened regional disparities and have led to the depopulation of many rural areas and small cities. However, even in the post-transition years, the level of emigration in Albania remains high. In an analysis of inbound migration flows to Italy—one of the main destination countries for Albanian emigrants—Veshi and Da Molin (2020) highlight that recent data point to a new wave of emigration, with annual figures exceeding 20,000 individuals. According to Gëdeshi and King (2018), the main drivers of this continued emigration include the pursuit of a better standard of living, employment opportunities, access to education (both personal and for children), and more optimistic future prospects. On the other hand, demographic changes and economic developments, especially in the tourism and construction sectors, have given signals that we may be on the verge of a wave of immigration, which would be a novelty in our country. Examples of the attraction of immigrants, mainly from Asian countries have also been given by the sectors of fashion, furniture and call centers.

Recent demographic changes—such as an aging population, declining fertility rates, and rising emigration—are posing critical challenges to the country's economic sustainability. According to Bloom et.al (1999) and Bloom et.al (2003), the impact of population change on economic growth can be positive, negative, or neutral, depending on country-specific dynamics. In Albania's case, unbalanced internal migration has produced uneven development outcomes, where only a few urban centers, notably Tirana, have prospered, while other regions face economic stagnation.

Dyson (2010) also argues that a country's economic development is influenced not only by demographic indicators such as declining mortality, fertility, and age structure, but also by the spatial geographic distribution of the population. Urbanization, or the increase in the number of urban areas, is another element that follows the decline in mortality, and in subsequent periods, amplifies it, given that the number of deaths in urban areas will fall below the number of births in those areas. All these factors together inevitably lead to what is known as the "demographic transition," where both birth and death rates decline, the median age of the population increases, and the urban/rural population ratio deteriorates. This again creates the need for a redistribution of the population in order to make optimal use of land and other natural resources.

Despite multiple national efforts, regional disparities in economic development remain a persistent issue in many countries. For instance, Saudi Arabia has faced a sustained imbalance in the distribution of population, employment, and socio-economic activities, which have remained concentrated in a few regions over the past four decades. Alhowaish and Alshihri (2016) argue that unless interregional disparities and the polarization of socio-economic opportunities are addressed, sustainable national development cannot be achieved. Their research identifies the need to understand the economic structures and unique competitive advantages of each region as a means to foster balanced regional growth. Moreover, Xiang et al. (2019) argue that delayed population mobility contributes to imbalances in development, as seen in China's Yangtze River Economic Belt. Likewise, Zhao and Chen (2023) emphasize that poor population distribution hampers labor utilization and regional economic integration in developing countries.

Administrative decentralization has been explored as a possible remedy for population and development imbalances. Local governments with greater autonomy can foster regional growth by tailoring policies to local needs, thereby reducing dependency on central government transfers. In Albania, the 2015 Territorial Administrative Reform aimed to improve public service delivery and enhance local governance. However, critics argue that it has had limited impact on reversing regional imbalances. As Telo (2015) highlights, projections from INSTAT indicate that by 2031, only Tirana's



population is expected to grow, accounting for 35% of the national total—an alarming signal of regional decline elsewhere. According to Muharremi et.al. (2021), the implementation of the Territorial Administrative Reform (TAR) has led to improvements in the quality of public services and a reduction in operational and administrative costs. However, they emphasize that inequalities still persist in how these services reach the local population, as well as in the capacity of local administrations to respond effectively to crises such as the November 2019 earthquake and the COVID-19 pandemic.

Currently, Albania faces a high level of inequality among its counties and regions, both in terms of population distribution and economic development. According to Doka (2021), several key factors contribute to these disparities and continue to shape regional and local development patterns. These include the varying natural conditions across different areas of the country, significant infrastructure deficiencies—especially in mountainous regions—economic hardships, the inherited legacy of past inequalities, and the intensification of migration after 1990. The free movement of people during the post-communist period particularly worsened regional disparities, as less populated and underdeveloped areas experienced the highest levels of out-migration.

Research Aim and Research Questions

This study aims to examine the degree and evolution of development inequality across Albanian counties. Specifically, it addresses:

- How does population distribution correlate with economic activity across counties?
- What role has the Territorial Administrative Reform played in promoting balanced development?
- To what extent do government grants compensate for structural disadvantages in rural areas?

Using data from INSTAT (2015–2023), we analyze variables such as population, enterprise activity, income per capita, poverty rates, and public investment to identify patterns of regional inequality.

Research Results

Population Distribution and Density

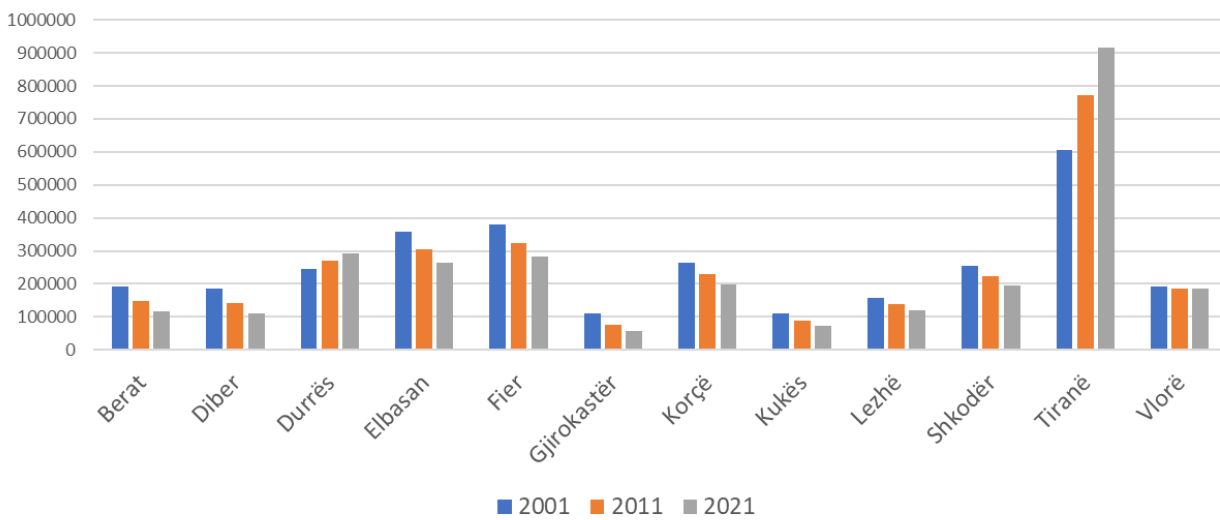
Internal migration over the last two decades has caused a demographic collapse in most counties, with Tirana and Durrës being the only ones to experience population growth, as seen in [Figure 1]. As of 2021, Tirana hosts 33% of the population, while counties like Kukës and Gjirokastrë have decreased to 3% and 2%, respectively.

Counties with a dominant rural population are particularly affected. For instance, Dibër and Kukës are over 70% rural, compared to Tirana, where only 12% of residents live in rural areas. This discrepancy aligns with deeper structural inequalities.



Figure 1

Albania's Population for each county in 2001, 2011 and 2021



Source: INSTAT, author's calculations

Economic Activity and Poverty

Moving over to the economic activity, data shows that Albanian counties remain deeply uneven, reflecting both historical disparities and the ongoing effects of internal migration, structural limitations, and policy imbalances. A detailed analysis of each county, based on the data given in [Table 1], reveals a complex landscape where population size, economic output, enterprise activity, and poverty are not always aligned.

Tirana stands in stark contrast to the rest of the country. Home to approximately 33% of Albania's population, the capital contributes 43% of national GDP and is the base for 46% of all active enterprises. This concentration of economic resources and human capital makes Tirana the engine of the country's development. The region benefits from infrastructure, investment, and a highly urbanized labor market. Despite these advantages, the poverty rate remains at 13.9%, highlighting the uneven distribution of wealth even within the capital, particularly in its peri-urban and informal settlements.

Durrës and Fier are the next most economically active counties. Durrës accounts for 10% of both the population and national GDP, as well as 10% of active enterprises. Its strategic location as a port city has supported growth in trade, tourism, and services. However, its poverty rate of 16.5% indicates lingering disparities, particularly in rural hinterlands and informal urban zones. Fier, while similar in population share (10%), contributes slightly more to GDP (10.8%) and hosts 8% of active enterprises. Its economy is more diversified, with strengths in agriculture, oil, and manufacturing. Still, poverty affects 17.1% of its population, suggesting that gains in productivity are not being evenly translated into improved living standards.

Elbasan, the third-largest county by population (9%), accounts for only 6.8% of GDP and 6% of enterprises. The relatively high poverty rate of 11.3% reflects limited industrial activity and a reliance on agriculture and low-wage services. Elbasan's infrastructure has improved, but outmigration and aging are pressing concerns. Korçë, with 7% of the population, contributes 5.4% to GDP and houses 5% of enterprises. It has a rich cultural and educational tradition, with moderate tourism and



agribusiness potential. Poverty is relatively moderate (12.4%), but the county's economic growth is constrained by limited investment and a shrinking youth population.

Table 1

Population share compared to GDP contribution, share of active enterprises and poverty levels for each county

County	Population share in 2021	County's contribution in the national GDP	Share of active enterprises for 2021	Poverty coefficient
Berat	4%	3.5%	3%	12.3
Dibër	4%	2.9%	2%	12.7
Durrës	10%	10.0%	10%	16.5
Elbasan	9%	6.8%	6%	11.3
Fier	10%	10.8%	8%	17.1
Gjirokastër	2%	2.2%	2%	10.6
Korçë	7%	5.4%	5%	12.4
Kukës	3%	1.7%	1%	22.5
Lezhë	4%	3.1%	3%	18.4
Shkodër	7%	5.0%	5%	15.5
Tiranë	33%	43.0%	46%	13.9
Vlorë	7%	5.7%	7%	11.1

Source: INSTAT, author's calculations

Shkodër represents 7% of the population, contributes 5% of GDP, and is home to 5% of enterprises. Despite its cultural importance and proximity to both mountains and the Adriatic coast, the region remains economically vulnerable, with a poverty rate of 15.5%. Structural challenges include high emigration, inadequate infrastructure, and low diversification of economic sectors. In contrast, Vlorë—also with 7% of the population—is making strides through its expanding tourism sector. It accounts for 5.7% of GDP and 7% of active enterprises, reflecting a growing private sector. Poverty is relatively lower here at 11.1%, but rural areas within the county still face service gaps and economic exclusion.

Berat, Lezhë, and Gjirokastër each account for 2–4% of Albania's population, and their economic profiles are similarly modest. Berat (4% of the population) contributes 3.5% to GDP and has 3% of enterprises, with a poverty rate of 12.3%. It has strong tourism potential, but industrial decline and poor transport connections limit broader economic development. Lezhë (4% population) shows 3.1% GDP contribution, 3% of enterprises, and a high poverty rate of 18.4%, suggesting that despite its coastal position and agricultural land, economic gains are limited and not inclusive. Gjirokastër, with only 2% of the population, accounts for 2.2% of GDP and 2% of enterprises, and has a poverty rate of 10.6%—one of the lowest outside Tirana. However, this is offset by high outmigration and limited youth presence, threatening its long-term sustainability.

The northeastern counties of Kukës and Dibër are the most economically disadvantaged. Kukës, with just 3% of the population, contributes only 1.7% to GDP and has 1% of enterprises. Its poverty rate of 22.5% is the highest in the country. The economy relies heavily on remittances and public transfers. Dibër fares slightly better, with 4% of the population, 2.9% GDP share, and 2% of enterprises.



However, its poverty rate of 12.7% remains concerning. Both counties suffer from poor accessibility, depopulation, and a lack of private sector dynamism.

This expanded analysis reveals a clear pattern: the economic geography of Albania is highly centralized, with Tirana dominating enterprise activity and GDP contribution. While some counties benefit from tourism and agriculture, poverty remains widespread, particularly in the northeast. The structural gap between counties continues to widen, reinforcing the need for targeted regional development policies.

Government Grants and Support for Regional Equality

One of the key policy tools for addressing regional inequality in Albania has been the allocation of unconditional grants from the central government to local units. These grants are intended to support public service delivery and stimulate local development, especially in economically weaker or demographically declining regions. However, the distribution of these grants is not directly proportional to each county's population share.

Table 2

Government's Grant share allocated for 2021 for each county

County	Government's Grant share
Berat	6.1%
Dibër	6.7%
Durrës	6.5%
Elbasan	10.7%
Fier	7.2%
Gjirokastër	6.7%
Korçë	10.5%
Kukës	6.6%
Lezhë	5.9%
Shkodër	10.3%
Tiranë	14.7%
Vlorë	8.0%

Source: INSTAT, author's calculations

Moving over to analyze the government's contribution to supporting an even distribution of income, as we can see from [Table 2], the grant is not equal to the share of population for each county. This reflects a deliberate policy choice—the central government allocates a higher share of the grant to less-developed, predominantly rural areas in an effort to compensate for structural disadvantages and incentivize local development. For example, although Kukës represents only 3% of the population, it receives 6.6% of the total grant allocation, while Dibër, with a 4% population share, receives 6.7%. These figures indicate an effort to provide more financial support to counties with high poverty rates, weak infrastructure, and limited fiscal capacity. In contrast, Tirana, home to 33% of the population, receives only 14.7% of the national grant, reflecting its stronger economic position and revenue-generating potential.



Conclusions

The findings confirm the existence of significant territorial disparities in Albania. Demographic trends and economic concentration reinforce one another in a vicious cycle, where underdeveloped counties lose population and, consequently, economic potential. The current pattern of grant distribution shows some level of redistribution, but this remains insufficient to reverse structural gaps.

While decentralization reforms aimed to improve local governance, their impact remains uneven, hindered by capacity constraints and limited fiscal autonomy. Moreover, the capital-centric development model continues to drain resources and people from peripheral regions.

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