



Research Article

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Environmentally sustainable economic growth in Albania

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Abstract

While Albania has experienced significant economic growth, it has also faced environmental degradation and social inequality. The article reviews important policies and strategies that Albania has implemented to achieve key transitions around energy, food and digital connectivity, underpinned by expanded access to social protection and decent jobs, and education and skills for the future, which are essential for rewiring the economy to combat another crisis and to reduce inequalities within Albania. Achieving these objectives requires not only strengthened institutions and policy frameworks but also improving key sectors like energy, agriculture, tourism, waste management, and urban development. These issues offer both opportunities and challenges for green growth.

The 21st century has brought about various environmental and social challenges, leading to the emergence of the concept of the “green economy.” A green economy aims to reduce environmental risks and ecological scarcity while promoting social justice and improving human well-being. This article explores Albania’s potential to achieve sustainable development through the adoption of an environment friendly economy.

The scope of this work is to offer suggestions to accelerate Albania’s move towards a sustainable economy, including the enhancement of governance frameworks to tackle issues such as climate change and biodiversity loss. Moreover, to encourage the growth of ecotourism and the development of a circular bioeconomy, to address the skills gap faced particularly in the areas of innovation and digitalization, to support the value chains SMEs, promoting decent jobs and inclusive employment opportunities.

Keywords: Environmental protection, green economy, sustainable development, circular economy, financial resources.

1. Introduction

The economic turmoil caused by the 2019 earthquake and the COVID-19 pandemic have significantly impacted Albania. Once the current health crisis subsides, Albania will need to refocus on its long-term economic objectives, which include establishing

a resilient and sustainable development model to improve living standards and retain skilled individuals in the country. As Albania progresses towards European Union membership, it has been implementing reforms aimed at sustainable development. In September 2015, along with the United Nations member states, Albania committed to the “2030 Agenda for Sustainable Development.” In line with EU accession goals, Albania also signed the Sofia Declaration in 2020, pledging to pursue a green transition and adopt a circular economy strategy in accordance with EU standards.

In 2023, Albania’s growth reached 3.3%, driven by increased private consumption, exports, and investments, despite rising energy and food costs. Tourism saw another year of remarkable growth, and this might lead to a poverty decrease as employment and wages improve. The trend of these data depends on global recovery, ongoing structural reforms, and fiscal consolidation.

In the latter half of 2023, employment increased by 1.2% year-on-year, mostly within the services sector, but it decreased in agriculture and manufacturing. The increase in salaries and employment enhanced labor force participation, which attained a maximum of 76.1%. The average wages in the private sector rose by 14.5% throughout that period. Unemployment decreased to 10.5% in Q3 2023, indicating a continued annual decline.

The annual inflation rate fell to 3.9% in December 2023, driven by reduced food and energy import costs, the strengthening of the native currency, and the relaxation of monetary policy. Although the interest rates were increased, the banking industry continues to exhibit stability.

In 2023, the government enhanced its budgetary condition through increased income collection and decreased expenditure.

2. Aim and method used within the study

This article examines policies designed to promote an inclusive, efficient, and sustainable economy, improve climate resilience and adaptation methods, and support the transition to a clean, green economy in accordance with European Union objectives. The report underscores Albania’s principal obstacles and prospects in attaining sustainable, eco-friendly economic growth. The emphasis is on pivotal domains including the mitigation of climate change via robust governance frameworks, the advancement of ecotourism, the enhancement of transboundary collaboration for water resource management, the improvement of transportation and waste management to diminish environmental repercussions, and the support of small and medium-sized enterprises to create additional employment opportunities.

Albania	2023
Population, million	2.8
GDP, current \$ billion	18.9
GDP per capita, current \$	6,743
Upper middle-income poverty rate (\$6.85)	34.2
Life Expectancy at birth, years	76.5

Source: World Bank ¹

The manuscript aims to present a strategy for expediting the transition to a sustainable and green economy, in alignment with EU directives. A qualitative analytical technique is employed, utilizing an interpretive strategy to assess both domestic and international secondary data. The provided graphic depicts the conceptual framework of the study.

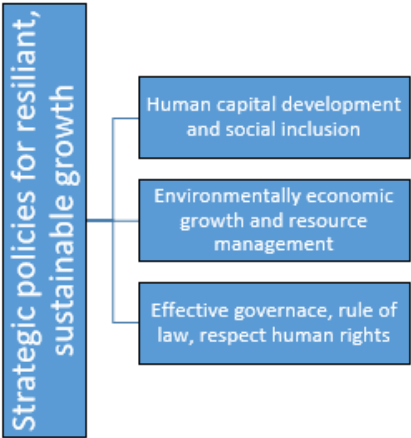


Figure 1. Conceptual framework of the study
Source: Author ²

3. Literature review

This manuscript analyses the main ideas, theories, approaches, gaps, and debates surrounding Albania’s transition to a resilient, sustainable, and environmentally friendly economy. It offers a thorough and organized synopsis of what is currently

¹ <https://www.worldbank.org/en/country/albania/overview>
² <https://www.undp.org/albania/sustainable-resilient-and-green-economic-growth-and-resource-management>

known about the subject. Addressing the growing problems of ecological degradation, climate change, and social economic inequality has made the idea of an ecologically sustainable economy crucial. Numerous scholars have contributed to the theoretical underpinnings and implementations of this idea, offering a variety of perspectives on how economies may evolve to advance the well-being of both people and the environment.

David W. Pearce originally popularized the term “green economy” in the late 1980s with his book *Blueprint for a Green Economy*. This study demonstrated how economic policies and environmental sustainability are related, emphasizing how environmental externalities are frequently ignored by conventional economic models. Pearce promoted the transition to a more sustainable economic (1989). system by arguing that environmental costs should be considered when making business decisions. The concept considered long-term remedy for economic crises was expanded upon by Edward Barbier (2009). Barbier emphasized that the goals of green economies should be to reduce carbon emissions, alleviate poverty, protect ecosystems, and promote economic progress. To achieve sustainable development, his work emphasizes the necessity of including social and environmental factors into policy choices.

The discourse on sustainability has benefited from the contributions of ecological economics. One influential individual in this field is Herman E. Daly (1996), who promoted a steady-state economy in which the planet’s limited resources restrict economic progress. In his work, Daly challenges the idea of unrestricted development and emphasizes the necessity of an economy that upholds natural boundaries while fostering long-term human welfare. In a similar vein, Robert Costanza has played a significant role in estimating the worth of ecosystem services, which are a crucial component of sustainable economic models. The economic worth of natural systems was determined by Costanza (1997), who emphasized that these services are essential to a thriving economy and ought to be considered when making financial plans.

Lovins (1999) has been a prominent proponent of the effective use of natural resources and the shift to sustainable energy systems. The concepts of waste reduction, renewable energy, and resource efficiency must be included into a new industrial model Lovins. He gives examples of how companies may use sustainable practices that improve revenue while also lessening their impact on the environment.

Hawken (2017) offers a thorough road map for how industry and business may help address global environmental issues, especially regarding cutting carbon emissions and implementing a circular economy. His writings highlight how innovation in waste management, energy consumption, and business practices may lead to sustainability. Stern (2006) offered a critical examination of the macroeconomic hazards connected to climate change inaction. Stern’s analysis made clear that the costs of doing nothing are much higher than the costs of making the shift to a low-carbon economy. His research has had a big impact on global climate policy, showing that carbon reduction and climate resilience must be key components of sustainable economic models.

Stiglitz (2012) has written extensively on the necessity of promoting structural

changes that address environmental degradation and encourage equitable growth, further elaborating on this issue. Stiglitz highlights that by generating green jobs, especially in the fields of renewable energy, and strengthening the economy's base, a green economy may contribute to the reduction of inequality.

Furthermore, Jackson (2009) provides a critical viewpoint on the sustainability of economic development. Jackson promotes economic policies that put ecological balance and well-being ahead of constant expansion, challenging the traditional emphasis on GDP as a gauge of success.

The significance of governance in attaining a sustainable economy is also emphasized in the literature. To manage natural resources and provide fair economic possibilities, both Herman Daly and Edward Barbier have underlined the importance of robust institutions and efficient policies. This entails encouraging ecotourism, enhancing trash management, and guaranteeing cross-border collaboration in the management of water resources.

4. Opportunities for environmentally economic growth in Albania

Like other nations of Europe, it is necessary to transit to an environmentally sustainable economy, but it also presents a chance for sustained prosperity. Social and environmental concerns must be included into the heart of economic decision-making in a sustainable economic model, as demonstrated by the works of Pearce, Barbier, Daly, Stern, Raworth, and others.

The strategy's execution is planned to use identified major intervention areas that have been deemed most important for the future. The process of creating a sound strategy must enable the discovery of cross-cutting factors that must be considered to foster that sense of accountability and ownership.



Source: Undp.org

4.1 Human capital development

The skills gap remains a challenge in the labor market. Albania will require a workforce skilled in environmental management, sustainable agriculture,

and green technology as it makes the shift to a greener economy. To ensure equitable and sustainable economic growth, it is imperative that this skills mismatch be addressed, especially among women and young people. The idea that education is one of the most effective and tested means of promoting sustainable development is reinforced by the achievement of inclusive, high-quality education for all. By 2030, all children will have had free primary and secondary education thanks to this aim. In addition, it seeks to eradicate income and gender inequalities, provide universal access to high-quality higher education, and give all people equitable access to priced vocational training. Three major concerns plague the Albanian labor market: insufficient job creation, skills-job mismatch, and issues of inclusion, which disproportionately impact women, young people, those with disabilities, and those living in low-income households.

4.2 Resource management

One of the main pillars of ecologically sound economic growth is efficient resource management. Resource management in Albania is the prudent planning and use of natural resources to avoid overuse and deterioration. For long-term growth to be supported, essential resources like water, forests, and agricultural land must be preserved.

- **Management of water resources**
Albania is focusing on the management of water resources. The lakes, rivers, and coastal areas of Albania are vital to local communities and economic endeavors. However, these invaluable resources are threatened by pollution, inadequate infrastructure, and excessive water consumption. The Drini River Basin is seen as a vital area necessitating transboundary cooperation for effective water resource management. Sustainable water management not only ensures the provision of clean water but also fosters tourist, hydropower, and agriculture.
- **Forestry and land management**
Forestry and land management are essential elements of resource management in Albania. Deforestation, illicit logging, and land degradation are significant challenges to Albania's ecosystems and biodiversity. Enacting laws that save forests, foster regeneration, and advocate for sustainable land use is crucial for preserving the nation's ecological equilibrium. Sustainable agricultural strategies, including crop rotation, organic farming, and soil conservation methods, can mitigate the environmental effect of agriculture and guarantee long-term food security.
- **Seismic events, inundations, and slope failures**
Albania, akin to several nations, is progressively susceptible to the repercussions of natural catastrophes, including earthquakes, floods, and landslides, intensified by climate change. The necessity for initiative-taking and comprehensive policies emphasizing catastrophe avoidance, risk mitigation, and resilience enhancement is becoming urgent. Enhancing the resilience of infrastructure, ecosystems, and society, while fostering adaptive skills, is crucial to protect Albania's populace,

secure developmental investments, and guarantee long-term sustainability, especially in high-risk regions.

4.3 Disaster-Related Risks in Albania

Albania encounters several natural dangers, including seismic events, owing to its location in the Mediterranean seismic zone. The catastrophic earthquake in November 2019 highlighted the nation's susceptibility, resulting in extensive infrastructural damage and fatalities. Moreover, Albania is susceptible to recurrent flooding, especially in low-lying regions and near rivers like the Drini and Vjosa. These calamities jeopardize human lives and significantly affect agriculture, infrastructure, and the economy.

As urbanization, environmental degradation, and climate change intensify, the risks linked to these natural disasters are escalating. Albania must implement policies that prioritize prevention, preparedness, and resilience, ensuring that communities and infrastructures are well equipped to endure catastrophes.

4.4 Policies for Prevention and Risk Reduction

One of the most critical areas for Albania is building more resilient infrastructure. This includes retrofitting older buildings, particularly in high-risk earthquake zones, and ensuring that new construction complies with stringent safety standards. Roads, bridges, schools, and hospitals must be built or reinforced to withstand natural disasters. Furthermore, investing in flood defenses, such as improved drainage systems and embankments, can mitigate the impact of heavy rainfall and rising water levels.

- **Ecosystem-Based Approaches**

Natural ecosystems play a crucial role in disaster risk reduction. In Albania, protecting and restoring ecosystems like wetlands, forests, and coastal areas can function as natural buffers against disasters. For example, forests can reduce the risk of landslides, while wetlands can absorb excess floodwater. Implementing policies that promote reforestation, protect biodiversity, and prevent deforestation will not only reduce disaster risks but also improve Albania's environmental health.

- **Early Warning Systems and Data Collection**

A robust early warning system is vital for reducing disaster risks. Albania needs to invest in better monitoring and forecasting technologies to detect signs of natural disasters, such as earthquakes or floods, earlier. Timely dissemination of this information to at-risk communities can significantly reduce casualties and damages. Additionally, better data collection on disaster risks, vulnerabilities, and impacts is necessary to inform future policies and preparedness plans.

4.5 Increasing Adaptive Capacities

Building resilience starts at the community level. Educating the population about disaster risks and how to respond in emergency situations is key to reducing vulnerabilities. Community-based disaster preparedness programs can be

implemented in schools, workplaces, and local communities to ensure that citizens are aware of evacuation procedures, first aid, and how to protect themselves during a disaster.

- **Enhancing Governance and Coordination:** To effectively address disaster risks, Albania needs to strengthen coordination among various government agencies, NGOs, and international partners. A unified national strategy for disaster risk management that clearly defines roles, responsibilities, and resources for disaster response and preparedness is essential. This can also include capacity building for local governments to prepare them for managing risks and respond to disasters effectively.

- **Climate Adaptation and Sustainable Development**

Climate change is a significant driver of increased disaster risks in Albania. Therefore, policies aimed at climate adaptation are essential for reducing long-term vulnerabilities. This includes integrating climate risks into national development plans, such as agriculture and water resource management, and promoting sustainable land use. Investments in renewable energy, such as hydropower and solar energy, can also reduce Albania's carbon footprint while building resilience against climate impacts.

4.6 Protecting Development Investments in At-Risk Areas

Disasters often hit hardest in rural areas, which are poor, with limited infrastructure and resources. Protecting development investments in these regions is critical for ensuring long-term growth and stability. Policies should focus on:

- **Strengthening Social Safety Nets**

Ensuring that disaster-affected communities, particularly those in rural and underserved areas, have access to recovery resources and support services can help reduce the long-term impacts of disasters. This can include financial assistance for rebuilding homes and infrastructure, as well as livelihood support for affected populations.

- **Sustainable Urban Planning**

Urban areas in Albania are particularly vulnerable to earthquakes and floods due to rapid development and inadequate planning. Policies must enforce strict building codes, promote sustainable urban expansion, and protect green spaces that can help mitigate disaster risks. Furthermore, relocating communities from high-risk zones, where possible, can prevent loss of life and property in future disasters.

4. Conclusion

Through a combination of innovative business practices, supportive government policies, and international cooperation, the transition to a green economy is possible and essential for addressing the environmental and social challenges of the 21st century.

While Albania has significant opportunities to pursue environmentally economic growth, there are also challenges. One of the main barriers is the lack of infrastructure and investment in sustainable technologies. For example, waste management systems in many regions are inadequate, leading to pollution and environmental degradation. There is also a need for stronger governance and enforcement of environmental regulations to ensure that businesses and industries comply with sustainability standards.

For Albania, developing and implementing comprehensive policies to prevent and reduce disaster-related risks is not just an option, but a necessity for protecting the well-being of its people and ensuring sustainable development. By focusing on building resilient infrastructure, protecting ecosystems, engaging communities, and enhancing governance, Albania can effectively reduce its long-term vulnerabilities to disasters. These policies and actions will safeguard development investments and contribute to a more secure, sustainable future for the nation, particularly in at-risk areas.

Adopting these strategies will not only make Albania more resilient in the face of natural disasters but also enhance its ability to adapt to the growing challenges posed by climate change.

Environmentally economic growth and resource management are essential for Albania's future development. By adopting sustainable practices in key sectors such as energy, agriculture, and tourism, Albania can protect its natural resources while fostering long-term economic prosperity. Effective resource management, particularly in water, forests, and land, is vital to maintaining the country's ecological balance and ensuring that future generations can thrive. While challenges remain, the opportunities for Albania to become a leader in green growth are significant. By focusing on sustainability and investing in green infrastructure and technologies, Albania can build a more resilient and prosperous future.

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