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From Growth to Sustainability: Rethinking Albania's Economy for Inclusive and Sustainable Development

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ABSTRACT

This paper investigates whether Albania's economy, and especially the tourism and agriculture sectors, can support an inclusive and circular economic model that improves citizens' well-being and promotes long-term sustainability. It aims to encourage and contribute to a meaningful economic development debate for Albania and other countries that face similar challenge. Focusing on the decade from 2013 to 2023, the study examines Albania's structural transformation in the context of rapid tourism expansion, a construction boom, and persistent underperformance in agriculture, which still employs nearly 40% of the workforce. It compares Albania's model with the EU and other tourism-intensive economies such as Croatia and Greece to evaluate if just tourism is sufficient and the role of agriculture sector in economic development. Using a mixed-methods approach, the paper analyzes macroeconomic indicators (GDP, wages, pensions, household consumption, sectoral value added, demographics), cost-of-living and price data. The analysis draws from international databases, government sources, and sectoral studies, framed within sustainable economy and inclusive development theory. Findings show that while Albania's GDP has increased, wages, pensions, household consumption, and agricultural productivity have lagged behind. Households face rising costs, particularly in food and non-alcoholic beverages, partly due to tourism-driven inflation and internal market inefficiencies, yet receive limited direct benefits from economic growth and currency appreciation. Agriculture remains disconnected from the tourism value chain, missing opportunities for local income generation, while local currency appreciation hurts producers. The paper argues that without circular linkages and a closed and efficient connection of local producers and consumers, Albanian households and producers risk absorbing the costs of growth without sharing in its benefits. A shift toward circular and integrated policy approaches is essential to ensure that future development improves household welfare, strengthens rural economies, and advances sustainability goals.

Keywords: *Tourism, Agriculture, Construction, Real estate, Sustainable growth, Inclusive growth, Economic structure, Economic growth.*

1. INTRODUCTION

Over the past decade, Albania has experienced a period of stable economic growth, driven primarily by a surge in international tourism, a sustained construction boom, and the continued importance of agriculture. However, this growth has occurred within an economic model that remains narrowly concentrated and structurally unbalanced. Tourism, agriculture, and construction together account for more than half of the country's gross value added (GVA), making Albania an outlier not only within the European Union but across the broader European continent. While political institutions operate, electoral processes are maintained, and advancement toward EU integration continues, there is an absence of critical discussion on the quality and sustainability of economic growth. In response to this policy and academic gap, the present paper aims to foreground the question of growth quality as a central concern in debates on governance and economic development.

Unlike advanced and EU regional economies that have transitioned toward high-value-added sectors and diversified industrial bases, Albania exhibits a development profile more closely resembling that of lower-income countries in Africa and South Asia, where dual dependence on tourism and agriculture is common. While GDP growth rates have been strong and tourism has positioned Albania as a rising Mediterranean destination, the broader socioeconomic benefits of this growth have not been equitably distributed. Salaries, pensions, and agricultural productivity have lagged behind in real terms. At the same time, food prices have risen faster than household incomes, particularly affecting pensioners and low-income families. The appreciation of the national currency has further squeezed agricultural producers with little to no benefits passed to end consumers, while rising real estate prices have made housing increasingly unaffordable despite higher construction activity and a decreasing population. Youth emigration, an aging population, and underinvestment in education further compound Albania's developmental vulnerabilities.

This paper examines whether Albania's current economic structure, anchored in tourism, construction and agriculture, can transition to a more inclusive, circular, and sustainable model of development that supports a healthy, wealthy, and growing local populaton. Through comparative analysis with EU peers such as Greece, Croatia, and Spain, and using a wide range of macroeconomic, sectoral, and demographic indicators, the study seeks to warn on the limits of Albania's current path and outline what a more resilient, diversified, and equitable economy might look like.

The purpose of any economic model must be to support a prosperous and growing population, while efficiently using and replenishing resources. An economy that expands GDP while decreasing its residential population, weakening consumers and local procurers, draining its youth and skilled work force through emigration, or trapping the elderly and rural populations in subsistence poverty cannot be considered truly successful. Economic models, particularly those built on enclave tourism, depenency on construction and questionable sources of funds, and subsistence agriculture, are structurally incapable of sustaining a stable or growing residential population, and in some cases, may not even require one. Such countries face a crucial choice: either allow its current model to define a limited demographic future, or reimagine growth around people, productivity, and participation.

2. LITERATURE REVIEW

2.1. Economic Development and Institutions

The debate on sustainable and inclusive economic development has long emphasized the need for countries to move toward structurally resilient, socially inclusive, and institutionally strong frameworks. In *Why Nations Fail*, Acemoglu and Robinson (2012) argue that prosperity is not determined by geography or culture but by the quality of institutions, particularly inclusive economic and political institutions that create incentives for innovation, investment, and social mobility. Acemoglu and Robinson define extractive institutions as "political and economic systems designed to concentrate power and wealth in the hands of a narrow elite at the expense of broader society." These institutions, may permit short-term growth as elites enrich themselves, but ultimately lead to long-term stagnation by suppressing innovation and creative destruction. The authors identify a self-reinforcing cycle: "Extractive economic institutions generate extractive political institutions, which in turn support extractive economic institutions", creating vicious circles of inequality. The authors demonstrate how contemporary states can fail to create “the incentives needed for people to save, invest, and innovate". While Acemoglu and Robinson's institutional framework provides a compelling explanation for persistent underdevelopment, critics note its limitations in addressing transitional pathways. Nevertheless, the core argument, that extractive institutions structurally disincentivize broad-based development, remains vital for analyzing both historical cases and modern economies.

In the Albanian context, the concerns raised by Acemoglu and Robinson intersect sharply with challenges posed by a narrow economic dependence on three sectors: tourism, agriculture, and construction. This becomes worrisome as the same few market players are licensed and control major tourism initatives, construction projects, and the supply chain/distribution of food to consumers (local and foreign). These concerns are echoed in Ferguson’s (2011) TED Talk and further elaborated in his book *Civilization: The West and the Rest*, which outlines six institutional drivers of Western prosperity: competition, science, property rights, medicine, the consumer society, and the work ethic. Albania’s ongoing structural difficulties suggest a weak institutional foundation in several of these areas, most notably in the enforcement of property rights, the promotion of fair competition, and the development of a knowledge-based economy. The country’s chronic educated labor migration, corruption and reliance of illicit funds, and underinvestment in education/human capital underscores the lack of a work ethic and economic model rooted in knowledge, competition, productivity and opportunity.

2.2. Tourism: Growth Engine or Development Trap

The extant literature widely acknowledges tourism's significant contribution to economic development, particularly for developing nations. As argued by Sharpley (2020), tourism serves as a vital driver of foreign exchange earnings, employment generation, and infrastructure development, often accounting for over 10% of global GDP (World Travel & Tourism Council, 2023). The sector's multiplier effect stimulates ancillary industries including hospitality, transportation, and retail, creating broad-based economic benefits (Song & Lin, 2020). Furthermore, tourism promotes cultural exchange and preserves heritage sites while generating revenue (UNESCO, 2022), making it particularly valuable for countries with limited industrial capacity. However, the literature notes that these benefits are contingent upon effective governance and strategic investment in human capital (Arida et al., 2019).

Despite its economic potential, scholarly research highlights significant risks associated with over-reliance on tourism. As cautioned by Hall (2019), tourism-dependent economies face heightened vulnerability to external shocks, evidenced by the COVID-19 pandemic which caused global tourism revenues to plummet by 74% in 2020 (UNWTO, 2021). The literature identifies three primary concerns: first, the "Dutch disease" phenomenon where tourism crowds out other export sectors (Copeland, 2021); second, environmental degradation from over-tourism, as observed in Bali's water crisis (Graci & Dodds, 2020); and third, socio-cultural disruptions including community displacement and cultural commodification (Doxey, 1975). Seasonality creates employment instability, while revenue leakage limits local retention (Meyer, 2021). Recent studies emphasize the need for diversification strategies and sustainable tourism models to mitigate these risks (Gössling et al., 2021), suggesting that while tourism can catalyze growth, unmanaged expansion may undermine long-term economic resilience.

Several scholars warn against enclave tourism as a neo-extractive development model that reinforces economic dualism (Mowforth & Munt, 2023). This system concentrates high-value tourism infrastructure (luxury resorts, private beaches) in segregated zones, while local populations remain confined to low-productivity agricultural work or informal service roles (e.g., street vending, domestic labor) (Harrison, 2022). These enclaves tend to import most of their food and supplies rather than sourcing locally, to meet the quality standards and preferences of tourists (Wilkinson, 2007). The result is increased dependency on food imports, weakening local food systems and farmer livelihoods (Bianchi, 2003). Such structure creates a spatial inequality trap: high-skilled/high-wage jobs (e.g., resort management) are staffed by expatriates, while locals engage in unstable, low-wage "contact" roles (e.g., cleaners, drivers) with limited upward mobility (Freitag, 2022). Even agricultural sectors become distorted, as farmers transition from food crops to supplying niche tourist markets (e.g., tropical fruits), leaving communities vulnerable to import dependency (Torres & Momsen, 2023).

2.3. Agriculture: The Need for Productivity Increase

The literature widely recognizes agriculture's pivotal role in economic development, particularly in low-income countries (World Bank, 2022). As Timmer (2009) argues, agricultural productivity growth serves as a primary engine for poverty reduction and industrialization, creating surplus labor and capital for economic transformation. Empirical studies demonstrate that a 1% increase in agricultural GDP raises incomes among the poorest by several times more than equivalent growth in other sectors (Christiaensen et al., 2021). The sector's forward and backward linkages stimulate agro-processing industries, transportation networks, and financial services (Diao et al., 2022). However, scholars caution that these benefits require supportive infrastructure, R&D, and market access (FAO, 2023).

Many studies observe that as countries develop economically, the share of agriculture in GDP declines (Johnston & Mellor, 1961; Timmer, 1988). This phenomenon, often called the "structural transformation," reflects the shift of resources and economic activity from agriculture to industry and services. According to Kuznets (1955), this transition is a natural consequence of economic growth. However, a declining share of agriculture in GDP does not imply a decline in agricultural output or productivity. Instead, it often reflects faster growth in other sectors rather than stagnation or shrinkage in agriculture itself (Timmer, 2009). For example, in countries like India and China, agricultural output continues to grow in absolute terms despite agriculture's declining GDP share (World Bank, 2017).

Several scholars highlight that agricultural productivity, output per hectare or per worker, can increase even as agriculture's GDP share decreases. Productivity improvements arise from mechanization, improved seed varieties, fertilizers, irrigation, and better farming techniques (Evenson & Gollin, 2003). Timmer (1988) emphasizes that productivity growth in agriculture is essential for feeding growing populations and freeing up labor for urban sectors. Moreover, De Janvry and Sadoulet (2001) argue that rising productivity enables agriculture to meet rising food demand with less labor input, facilitating labor movement to non-agricultural sectors.Contrary to what the shrinking GDP share might suggest, total agricultural output often continues to grow or remains stable due to productivity gains and intensification (FAO, 2015). The reduction in agriculture's relative GDP share is therefore more about the rapid expansion of industrial and service sectors rather than absolute declines in agricultural production (Hazell, 2009).

A central feature of economic development is the transition of labor out of agriculture into higher productivity sectors (Lewis, 1954; Harris & Todaro, 1970). As agricultural productivity rises, fewer workers are needed to produce the same or greater output, releasing surplus labor to urban industrial and service jobs (World Bank, 2019). This labor movement drives increases in overall economic productivity and wages, contributing to poverty reduction and urbanization (Fields, 2004). However, the pace and nature of this transition vary by country depending on factors such as education, infrastructure, and policy environments (Diao et al., 2019).

2.4. Construction: Escaping its Dependance

The construction boom has driven short-term GDP growth, but much of this expansion is tied to infrastructure development, residential and tourism development, internal and external demand, money laundering and corruption. Acemoglu and Robinson's work suggests that extractive institutions, where a small elite controls the state and extracts resources, often favor sectors like construction, as they can be used to benefit the elite through large-scale projects and infrastructure development. These projects, while sometimes appearing to promote development, often serve to further concentrate wealth and power in the hands of the elite while neglecting broader economic growth and inclusive development.

The Albanian construction sector, at 13.83% of GVA, is an anomaly in Europe, especially considering the increasingly high rate of unoccupied dwellings. The shift from a construction-driven economy to one dominated by real estate is a well-documented phenomenon in economic development literature. Scholars such as Renaud (1989) and Wheaton & Nechayev (2008) argue that in early stages of urbanization, GDP growth is heavily reliant on construction activity as infrastructure and housing stock expand rapidly. However, as economies mature, the focus transitions from new building to the utilization, valuation, and transactional dynamics of existing property assets, marking the rise of the real estate sector. Case studies on East Asian economies (Chen & Zhu, 2008) highlight how policy interventions, such as land reforms and deregulation of property markets, accelerate this shift. Conversely, some critiques (Harvey, 2010) warn that excessive reliance on real estate can lead to speculative bubbles, necessitating balanced regulatory frameworks. Thus, while construction remains vital in developing nations, advanced economies exhibit a clear pivot toward real estate as a key GDP contributor, driven by financialization and asset appreciation.

3. METHODOLOGY

This study adopts a mixed-methods research design, integrating quantitative and qualitative approaches to provide a comprehensive and multidimensional understanding of Albania's economic structure and development trajectory. The mixed-methods framework allows for triangulation of data, enhances the reliability of findings, and enables the exploration of not only statistical trends but also the social and institutional dynamics underpinning those trends. In line with Creswell's (2011) explanatory sequential design, the research begins with a quantitative analysis, followed by qualitative interpretation to contextualize and deepen understanding of the observed statistical patterns.

The quantitative component draws on time-series and cross-sectional data spanning the period from 2013 to 2023. Key macroeconomic and structural indicators analyzed include gross domestic product (GDP) and sectoral contributions, real wage and pension trends, household consumption dynamics, food price inflation, currency exchange rates, employment structures, educational outcomes, and demographic transitions. Data sources include internationally recognized and nationally authoritative databases such as INSTAT (Albania's national statistical institute), Eurostat, the World Bank, the IMF, the OECD (PISA data), the Bank of Albania, and UN agencies including UNDP, UNECE, and UN Tourism. This empirical foundation enables both descriptive and inferential assessments of Albania's economic development path and its alignment with broader European and global trends.

Sector-specific analyses further enrich the quantitative component. The tourism sector is evaluated through metrics such as arrivals, seasonality, GDP contribution, and export share. Agriculture is assessed through productivity indicators, labor intensity, value-added per worker, irrigation coverage, and integration into EU markets. The construction and real estate sectors are studied through gross value added (GVA), housing vacancy rates, price trends, and capital flows. Comparative benchmarking is employed to position Albania vis-à-vis EU member states (particularly Mediterranean economies), other tourism-reliant Balkan states, and structurally similar developing countries in Africa and South Asia. This comparative lens is critical to assess whether Albania's current dual reliance on tourism and agriculture is a European anomaly or a signal of structural divergence.

To address inclusiveness and social sustainability, the research disaggregates data by income groups (e.g., wage earners, pensioners, rural households), age cohorts (youth, working-age population, elderly), and labor force participation (including NEET rates and informal employment). Demographic data from the 2011 and 2023 Albanian censuses are utilized to assess trends in population aging, youth emigration, fertility rates, and spatial population distribution. These demographic findings are cross-referenced with education, employment, and social expenditure data to evaluate whether economic growth has translated into equitable welfare gains across society.

Underpinning this methodological structure is a philosophical integration of positivist and interpretivist traditions, moderated by a pragmatist orientation. The quantitative phase is grounded in a positivist paradigm that seeks objective, measurable patterns in economic data. The subsequent qualitative interpretation draws from interpretivism, emphasizing contextual and institutional understanding of social behavior, policy choices, and governance structures. Throughout, the research is framed within the theoretical literature on sustainable development, inclusive growth, and structural transformation, enabling both empirical and normative evaluation of Albania's economic trajectory. By combining statistical rigor with institutional and contextual depth, this methodology provides a robust foundation to assess whether Albania's development model can support a sustainable, inclusive, and resilient future.

4. ANALYSIS AND DISCUSSIONS

Albania's Sectoral Concentration: A Reliance on Tourism, Agriculture, and Construction

Albania's economy remains heavily dependent on tourism (including indirect impact), agriculture, and construction, which together account for more than half of its economy. Specifically, Albania's three largest economic sectors are Wholesale/retail trade, transport, accommodation, and food services (21.28%), Agriculture (18.6%) and Construction (13.83%). Combined, these sectors make up 53.71% of Albania's economy, reflecting a low-productivity, service- and primary-sector-driven model that lacks diversification into higher-value industries like manufacturing or technology. These three sectors in the European Union account for only 26.15% or close to half of what they account for in Albania.

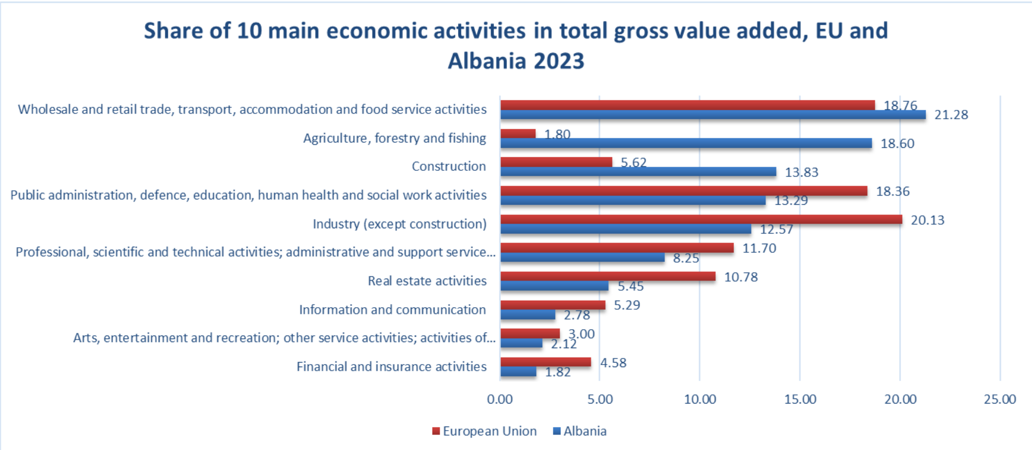


Figure 1. Share of 10 main activities in total gross value added, EU and Albania 2023. (Instat, Eurostat)

The data reveals Albania's economy remains distinct from its European counterparts, with agriculture (18.6%) and construction (13.83%) accounting for a significantly larger share of gross value added (GVA) than in any EU country. While agriculture represents just

3.8% of Greece's economy and 4.0% of Croatia's. Similarly, construction plays an outsized role in Albania compared to the EU average (5.62%) or even Croatia (6.9%). This heavy dependence on primary and labor-intensive sectors highlights Albania's struggle to transition toward a more advanced, diversified economy.

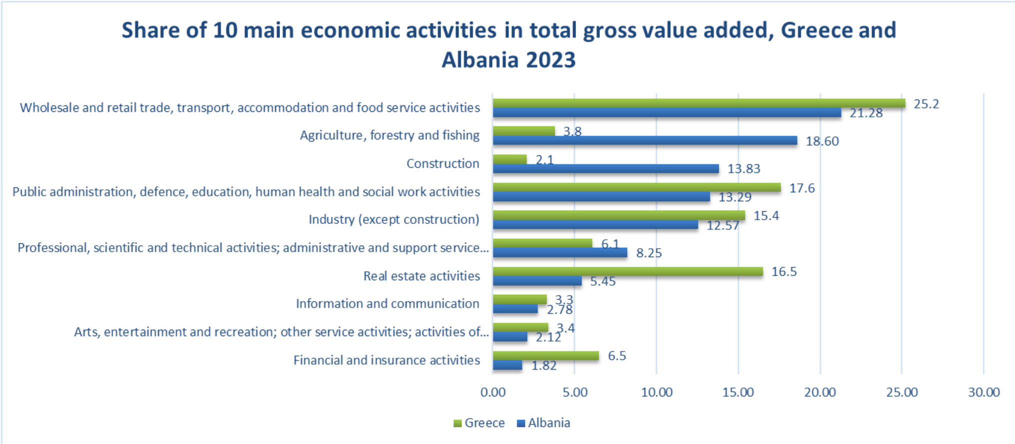


Figure 2. Share of 10 main activities in total gross value added, Greece and Albania 2023.

(Instat, Eurostat)

In contrast, Greece, often stereotyped as a tourism and olive oil (agriculture) economy, has a more diversified structure. Together, Wholesale/retail, transport, accommodation, and food services, Agriculture, and Construction sectors represent only 31.1% of Greece's economy, far below Albania's 53.71%. Greece has stronger industrial (+2.8%), real estate (+11%), public administration (+4.3%), and financial/insurance (+4.7%) sectors, demonstrating a more balanced economic base.

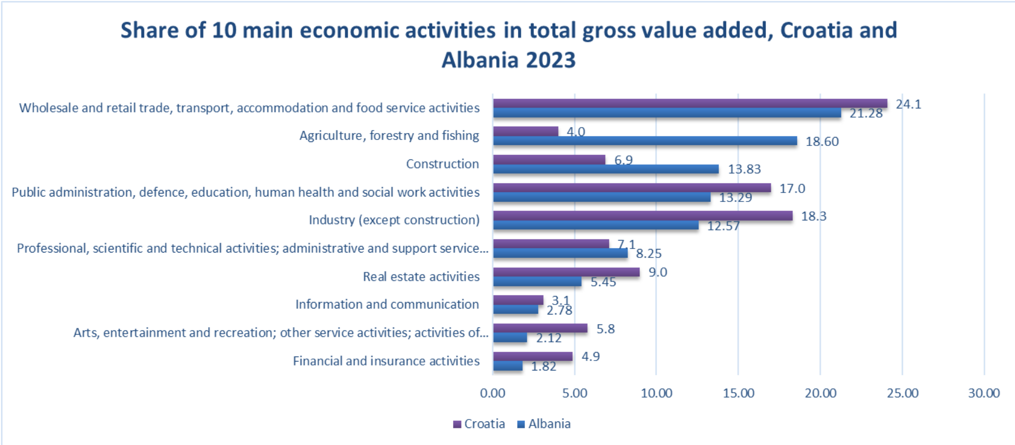


Figure 3. Share of 10 main activities in total gross value added, Croatia and Albania 2023.

(Instat, Eurostat)

Similarly, Croatia, another regional economy often associated with tourism, shows greater diversification than Albania. Agriculture (4.0%), Construction (6.9%), and Wholesale/retail, transport, accommodation, and food services (24.1%) sectors make up 35% of Croatia's GVA, significantly less that in Albania. Croatia has stronger industrial (+5.7%), real estate (+3.5%), public administration (+3.7%), and financial/insurance (+3.1%) sectors, demonstrating a more balanced economic base.

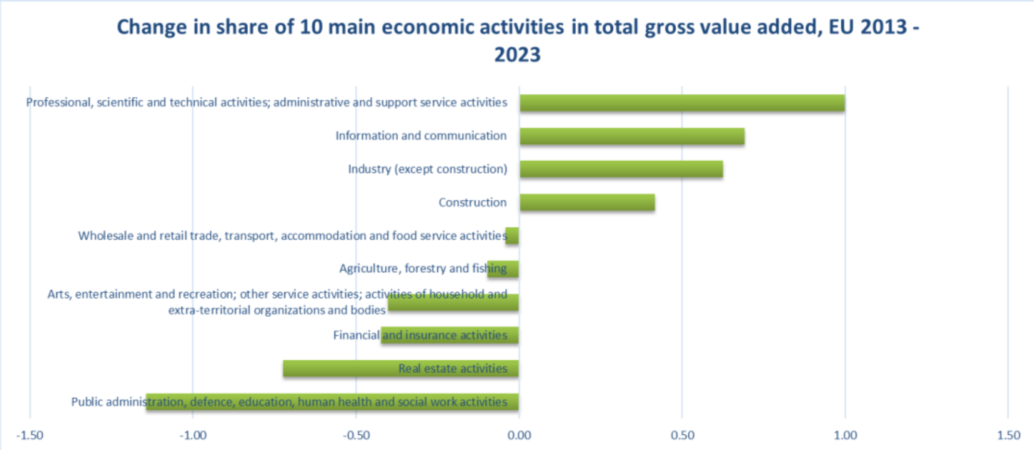


Figure 4. Change in share of 10 main activities in total gross value added, EU 2013 - 2023.

Source: Eurostat

The growth of Albania's tourism sector is evident in visitor statistics. In 2023, Albania welcomed over 10.1 million visitors, a dramatic increase from just 1.7 million in 2010. Tourism (including the indirect effect) sector as share of GDP in Albania has moved close to the levels in Greece and Croatia, but not yet there. The share of wholesale/retail trade, transport, accommodation and food services has increased to 21.28% of GVA in Albania closer to its tourism-dependent neighbors, Greece (25.2%) and Croatia (24.1%). Notably, Albania's wholesale/retail sector is larger than the EU average, reflecting both growing tourism and the country's reliance on trade and services.

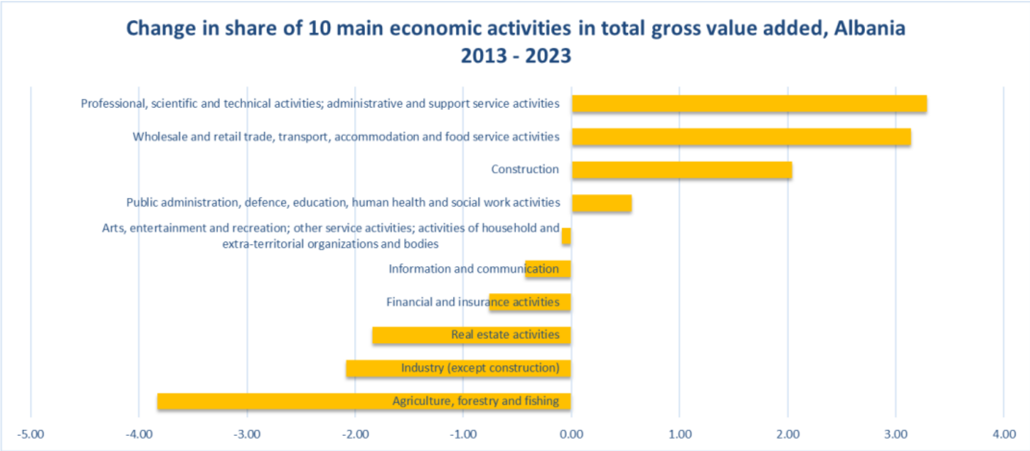


Figure 5. Change in share of 10 main activities in total gross value added, Albania 2013 - 2023.
(Eurostat)

In the EU between 2013 and 2023, agriculture's share of gross value added (GVA) remained relatively stable, with only a marginal decline of 0.1 percentage points. This stability indicates that the agricultural sector grew in line with the overall economy, maintaining its proportional weight. In stark contrast, Albania's agricultural sector shrunk by 3.0 percentage points as a share of GVA during the same period. This decline signifies that agriculture grew slower than the overall economy, despite the sector's untapped potential. This is very concerning as this sector continues to employ about one third of working Albanians.

While tourism growth is welcome, Albania cannot rely on it alone. As it can be seen even highly tourism dependent countries like Croatia and Greece have diversified economies. Albania's economy is highly concentrated on tourism, agriculture and construction sectors, being positioned as an outlier when compared to EU averages.

Tourism Boom: Economic engine and growth potential

Tourism, including the direct and indirect effect, is the largest sector in Albania at 21-25% of GDP (WTTC, 2023). Albania has emerged as one of the world's top tourism success stories, ranking 4th globally in 2023 for the highest percentage increase in international tourist arrivals, with an extraordinary 56% growth compared to pre-pandemic 2019 levels. The sector has shown remarkable expansion, welcoming 7.5 million visitors in 2022 followed by an even more impressive 10.1 million in 2023, demonstrating Albania's growing appeal as a Mediterranean destination. This tourism boom has become a key driver of Albania's economic expansion. Tourism now plays a pivotal role in Albania's external trade, accounting for 46% of total exports and dominating the services sector with 65% of service exports. These figures underscore how tourism has transformed into Albania's most dynamic economic sector, generating foreign exchange earnings and supporting employment nationwide (UN Tourism, 2024).

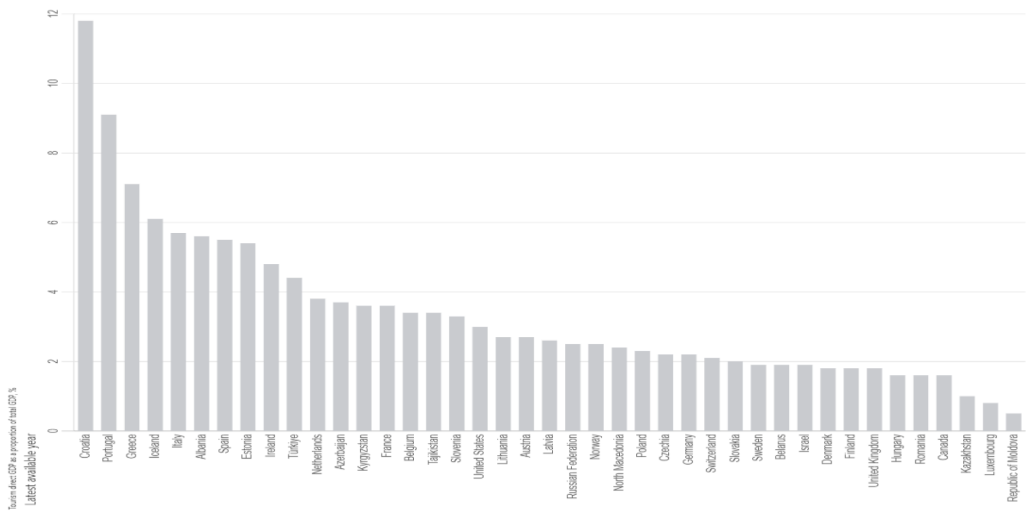


Figure 6. Tourism direct GDP as a proportion of total GDP, %.
(UNECE)

Albania's tourism direct GDP as a proportion of total GDP has more than doubled in the last decade from 2.4% in 2012 to 5.6% in 2023 (UNECE, 2024). This makes Albania today as the sixth country in Europe for tourism (direct) as share of GDP, in comparable levels with Italy and Spain but behind countries like Croatia, Portugal and Greece. Other United Nation sources claim that the direct contribution of travel and tourism to Albania's GDP has been in the range of 8.5-8.7% (UNDP, 2022). While the growth over the last years is impressive, Albania must now focus on enhancing the quality and value of its tourism offerings. The challenge lies in converting high arrival numbers into greater economic benefits by extending tourist stays, increasing spending, and developing higher-end services. This evolution will be crucial for ensuring tourism delivers maximum sustainable benefits to Albania's economy in the long term. The sector's outstanding performance demonstrates Albania's tourism potential but also highlights the need to balance this success with broader economic diversification to build a more resilient and sophisticated economy.

In addition, to sustain this momentum and reduce seasonal dependency, Albania should look to Spain's successful diversification initiatives, where culture, nature, and active tourism now drive demand. Spain has strategically expanded beyond traditional sun-and-beach tourism, with 28% of travelers now visiting for cultural experiences (IMF, 2025). This shift has created a more resilient, year-round tourism economy. Albania, with its rich history, UNESCO sites, pristine nature, and adventure tourism potential, could follow a similar path. Currently, most visitors come for coastal tourism, leading to seasonal fluctuations that limit the sector's full economic potential.

Agriculture at a Crossroads: Structural Weakness and Untapped Potential

Albania's agriculture, forestry, and fishing sector has long been a cornerstone of its economy, yet it remains underdeveloped compared to regional peers. In 1996, the sector accounted for a significant share of GDP, reflecting Albania's reliance on primitive farming methods and a lack of industrialization. By 2023, while its relative contribution to GDP has declined, consistent with broader economic transitions, Albania still lags behind neighboring countries like Bulgaria, Serbia, and Romania. This stagnation highlights persistent structural challenges, including fragmented land ownership, limited mechanization, and insufficient investment in modernization.

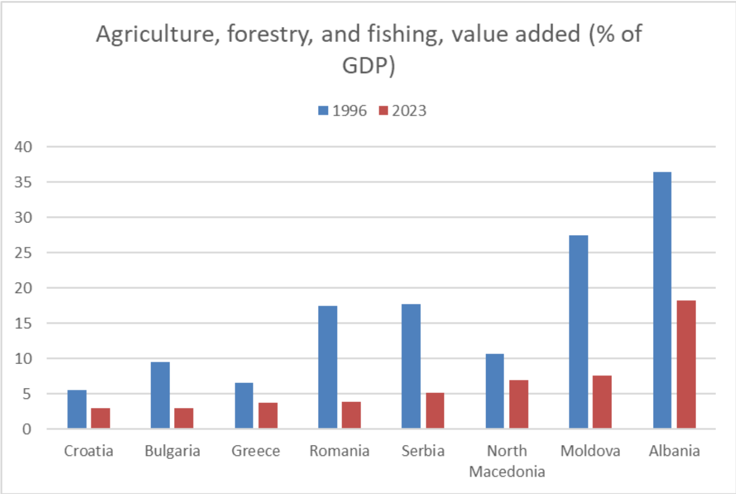


Figure 7. Agriculture, forestry, and fishing, value added (% of GDP).
(World Bank)

The sector demonstrated resilience during the COVID-19 crisis, playing a vital role in sustaining food security when global supply chains were disrupted. Unlike more industrialized EU economies, Albania's reliance on local, seasonal production and informal markets helped shield vulnerable populations, particularly low-income families and pensioners. This underscores the sector's social importance, even as its economic contribution stagnates or decreases.

However, over the past decade, the sector's growth has been notably weaker than in the Eurozone and the European Union, as shown in the annual growth data, especially due to negative performance in the post-covid period. This underperformance is particularly striking given the country's untapped potential compared to the European Union and Euro area and the fact that during this period the world faced significant food price increases and Albanie experienced a touristic boom.

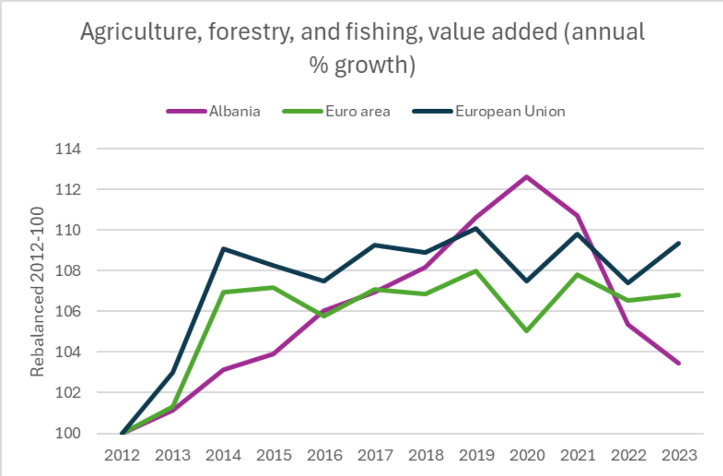


Figure 8. Agriculture, forestry, and fishing, value added (annual % growth). (World Bank)

The natural evolution of advanced economies shows that agriculture's declining share of GDP typically reflects economic success, not failure. When productivity gains, through mechanization, precision farming, and agro-technology, allow fewer workers to produce more output, two positive dynamics emerge:

1. Workforce Transition: Freed agricultural labor moves to higher-value sectors (industry, services), raising overall productivity. In the EU, only 4.2% of employment remains in agriculture despite its stable GDP share, proof that efficiency gains enabled this shift without output decline.
2. Economic Multiplier Effect: Productive agriculture fuels growth elsewhere as demand for farm equipment boosts manufacturing, food processing creates value-added exports and surplus capital funds other investments.

Albania stands at a critical juncture where its agricultural sector, still accounting for 18.6% of GDP and employing over a third of the workforce, must undergo a productivity reform. Rather than allowing the sector to shrink due to stagnation or recession, Albania should harness its untapped potential to drive a healthy economic transition, where agriculture's declining GDP share reflects rising efficiency and broader economic growth, not weakness. However, transitioning from agriculture to higher-value sectors requires a combination of education, infrastructure, and targeted support. As many rural communities rely heavily on farming for survival and their own consumption the low productivity and limited income can trap families into poverty.

Between 2012 and 2023, Albania's value added per worker in agriculture, forestry, and fishing increased by $1,064, rising from $4,129 to $5,193, a 26% increase over the decade. In comparison, the European Union grew from $19,609 to $28,107 (43% increase, or +$8,498), and the Euro Area from $32,083 to $40,192 (25% increase, or +$8,109). Albania's productivity fell from 21.1% of the EU average in 2012 to 18.5% in 2023, while it remained stable at 12.9% of the Euro Area—indicating that it slightly lost ground relative to the broader EU.

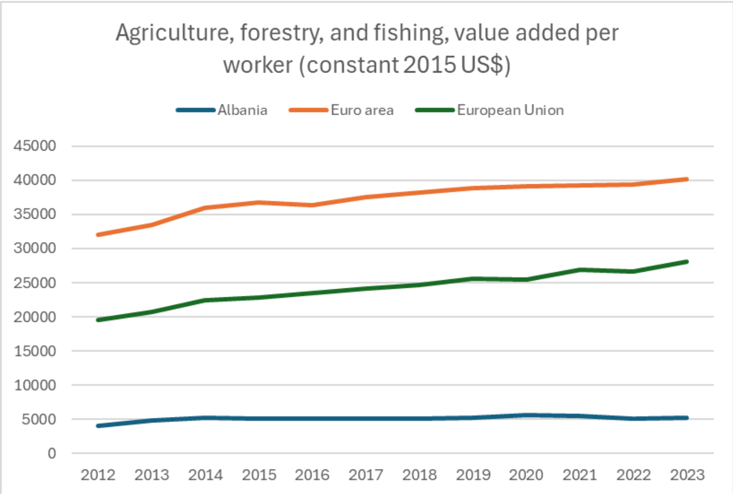


Figure 9. Agriculture, forestry, and fishing, value added per worker (constant 2015 US$) 2012-2023.
(World Bank)

Although Albania did experience productivity growth, it also underperformed relative to its potential and EU average. As a smaller economy with much lower initial productivity levels, it had significant room to catch up, yet its improvement lagged behind the EU's in both relative and absolute terms. This suggests persistent structural challenges in Albania's agricultural sector, such as outdated infrastructure, land fragmentation, low mechanization, or limited access to technology. For Albania to converge with EU standards, more targeted investment and reforms in rural productivity, irrigation systems, and value-chain development are urgently needed.

Albania possesses significant untapped potential in agriculture, with natural advantages that remain underutilized due to structural inefficiencies. The country has over 700,000 hectares of arable land, yet only 30% is irrigated, leaving yields well below regional benchmarks (FAO, 2022). With 300 days of sunshine annually and abundant water resources (Ministry of Agriculture and Rural Development, 2022) Albania could become a major producer of high-value Mediterranean crops like olives, citrus, and medicinal herbs, yet its agricultural productivity per worker is significantly lower than in the European Union. However, with targeted investments in irrigation, technology, and market access, Albania could double its agricultural output within a decade (World Bank, 2022), transforming the sector from a subsistence activity into a driver of export-led growth.

Dual Dependence: Why Tourism and Agriculture Alone Cannot Ensure Sustainable Prosperity

Albania stands out in Europe for its unusual combination of high agricultural employment (38%) and significant tourism GDP contribution (21%), a profile more typical of developing African or Southeast Asian economies than European peers. Most European and OECD economies have shifted away from agriculture toward services/industries.

Table 1. Tourism (Direct and Indirect) and Agriculture Mediteranean Countries.

Country	Agriculture (Value added as % GDP)	Tourism (% GDP)
Albania	16.20%	21.00%
Turkey	6.20%	11.30%
Montenegro	5.50%	27.00%
Greece	3.80%	28.30%

Country	Agriculture (Value added as % GDP)	Tourism (% GDP)
Croatia	3.40%	25.20%
Spain	2.40%	14.30%
Portugal	2.10%	16.70%
Italy	1.90%	13.20%
France	1.70%	9.40%
Slovenia	1.50%	10.10%

(World Bank, WTTC, Eurostat)

Albania's dual dependence reflects delayed industrialization and a tourism boom without diversification. Albania is already very high on tourism sector values as share of GDP and getting close to countries like Greece, Croatia, and Montenegro, that rely less on agriculture. Preliminary data for 2024 estimate tourism contribution to GDP at more than 25% that would place Albania in similar levels to the above-mentioned countries. Unlike diversified and more advanced economies, this reliance on low-productivity sectors risks trapping the country in middle-income status and not sustaining population growth and local household prosperity, particularly if growth is driven by unsustainable tourism models (e.g., enclave resorts with limited local linkages) and followed by subsistence agriculture (low mechanization, smallholder dominance). This pattern is not unique to Albania. The table below highlights comparable economies where both tourism and agriculture exceed 10% of GDP, almost non-existent in developed nations, but found in some low- and middle-income countries (LMICs).

Table 2. Tourism (Direct and Indirect) and Agriculture Selected Countries.

Country	Agriculture (Value added as % GDP)	Tourism (% GDP)
Nepal	27.00%	9.50%
Rwanda	25.80%	12.80%

Country	Agriculture (Value added as % GDP)	Tourism (% GDP)
Tanzania	24.50%	17.30%
Cambodia	22.70%	18.90%
Kenya	22.40%	15.20%
Vanuatu	21.30%	20.10%
Albania	18.00%	21.00%
Tonga	17.50%	15.20%
Guatemala	11.20%	13.50%
Fiji	8.4%%	35.4%

(World Bank, WTTC)

The country must pursue a triple strategy: continuing to develop tourism, increasing productivity in agriculture, and diversifying into manufacturing, technology, and professional services. This means investing in education to create a skilled workforce, improving infrastructure beyond tourist areas, and creating incentives for higher-value industries. By learning from Spain, Croatia, and Greece, Albania can build a more balanced economy that combines tourism revenues with stable, productive sectors, ultimately providing better livelihoods for its citizens and a stronger foundation for EU integration.

Construction and Real Estate: Growth with Risks and Socioeconomic Imbalances

In 2023, the construction sector accounted for 13.83% of Albania's total gross value added (GVA), making it the third largest sector in the national economy, behind only *Wholesale/Retail, Transport and Accommodation* (21.28%) and *Agriculture* (18.6%). This figure starkly contrasts with the EU average, where construction represents only 5.62% of GVA. Similarly, in neighboring Greece and Croatia, construction contributes a much smaller share, 2.1% and 6.9% respectively.

What distinguishes these countries from Albania is the greater economic weight of the real estate activities sector, which in 2023 accounted for 16.5% in Greece, 9.0% in Croatia, and 10.78% in the EU average, compared to just 5.45% in Albania. This divergence suggests that while other countries have transitioned toward a more service-based, asset-utilization model via real estate management and leasing, Albania remains heavily reliant on the physical activity of construction itself. This indicates an early-stage development model, wherein the built environment is expanding, but its economic utility (e.g., through rental markets, real estate investment trusts, or structured asset management) remains underdeveloped. In urban economics and development literature, the transition from a construction-led to a real estate-driven growth model is seen as part of the maturation of the urban economy. As cities develop, the focus shifts from creating new physical stock (infrastructure, housing, commercial space) to managing, trading, and extracting value from existing assets.

Data from the 2011 and 2023 national censuses (INSTAT) indicate a significant increase in non-occupied conventional dwellings across Albania’s major urban and coastal regions. In Tirana, the capital, the share of unoccupied homes rose from 17.45% in 2011 to 26.6% in 2023. Even more pronounced trends are visible in Durres and Vlore, two coastal regions that not only serve as vital tourism hubs but also host Albania’s largest seaports. In these regions, non-occupancy rates climbed from 19.7% to 43.6% in Durres and from 32.4% to 52.2% in Vlore over the same period. These figures now surpass those of major Greek urban centers, where, for example, one in three homes in Central Macedonia (Thessaloniki) and nearly one in four in Attica (Athens) are vacant (Ekamiterini, 2015).

Table 3: Residential population and non-occupied conventional dwellings per Census

Regional Unit	2011		2023	
	Population	Non-occupied %	Population	Non-occupied %
Tirana	749,365	17.45	758.513	26.6
Durres	262,785	19.7	226,863	43.6
Vlore	175,640	32.4	146,681	52.2

(Instat)

While the share on non-occupied conventional dwellings increased in Albania, so did real estate prices. According to the Bank of Albania, apartment prices rose by approximately 44% in 2024 alone. This builds on a broader trend of annual increases averaging 24.5% since 2020. Multiple factors are contributing to this surge: the expansion of tourism and demand for short-term rentals such as Airbnb, the speculative purchase of dwellings, and a growing share of acquisitions by foreign buyers, estimated at 20% of transactions in 2024.

However, this rapid growth in activity and real estate prices is also intertwined with deeper governance and financial integrity issues. The 2025 International Narcotics Control Strategy Report by the U.S. Department of State identifies real estate and construction as primary sectors for money laundering in Albania, often involving illicit proceeds from organized crime. These concerns were echoed by Altin Dumani, head of SPAK, who noted in a year-end 2024 address that construction, real estate, and hospitality have become preferred channels for laundering criminal assets.

This confluence of lack of other investment alternatives, countrie's risk profile, speculative investment, external demand from tourism, corruption and financial crime is producing a paradoxical outcome: while the population of Albania is declining, the number of empty dwellings continues to rise, and prices escalate beyond the reach of average citizens. Housing is becoming increasingly unaffordable for Albanian households seeking a single home for primary residence. The primary beneficiaries of this boom appear to be investors, speculative buyers, and those with capital to park, rather than local individuals or families aiming to secure stable housing. This raises important questions about housing equity, urban planning, and long-term socioeconomic sustainability in the country.

Without reforms to transition from construction to sustainable real estate activities, Albania risks overbuilding while simultaneously underutilizing its existing urban assets, leading to a cascade of negative outcomes. These include persistent price inflation, added risks for the financial sector, speculative market behavior, failure to deliver inclusive and functional housing markets, and continued dependence on cash inflows from abroad or illegal sources. Moreover, such unchecked development can produce significant urban externalities, including congestion, infrastructure strain, spatial inequality, and environmental degradation, ultimately making cities less livable and less resilient in the face of economic shocks.

Rising Prices, Weak Linkages: Why Gains Bypass Local Producers,Consumers, and Households

European markets account for 71.5% of Albania’s agricultural and food exports and 62.4% of imports (World Bank, 2024). Yet, Albanian exports to the EU remain largely confined to low-value, minimally processed goods, such as raw vegetables, unprocessed fish, and fresh fruits, despite EU markets offering significantly higher prices than regional Western Balkan destinations. This failure to integrate into higher-value EU supply chains stems from persistent structural barriers, including widespread non-compliance with EU sanitary, phytosanitary, and quality standards, effectively locking Albanian producers out of premium markets.

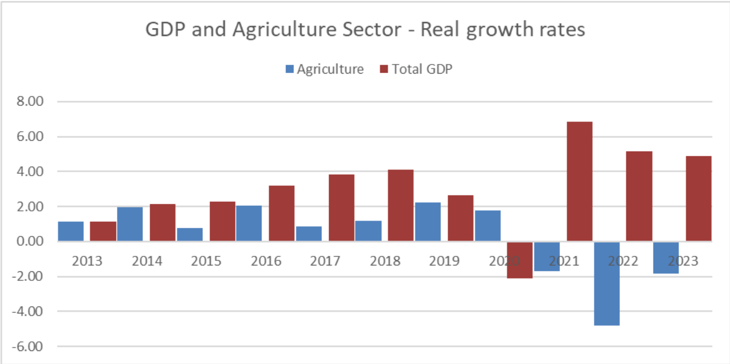


Figure 10. GDP and Agriculture Sector, real growth rates 2014-2024. (Instat)

The agriculture sector in 2024 entered the fourth consecutive year of negative real growth, showing structural issues facing the sector with implications for both consumers and producers. All of this while food and non-alcoholic beverage prices in the EU and Albania have increased significantly over the years. The years of negative agriculture growth in Albani correspond to the post Covid period of significant food price increases that hit Albania, EU and the world, a touristic boom in Albania, and the second wave of material local currency appreciation in Albania.

The sector is now confronting an existential threat driven by asymmetric market forces. When currency appreciation and EU trade barriers restrict export volumes, domestic markets become oversupplied. This oversupply depresses farm-gate prices to unsustainable levels for the already fragile and low efficiency local producer. Concurrently, cheaper imports enter the market, intensifying downward pressure on local prices. Farmers are thus squeezed from both sides, unable to compete with low-cost imports or access higher-value export markets.

The dual pressure to producers creates also the fertile ground for market capture by intermediaries and importers, who leverage price disparities to widen their margins, often at the expense of both producers and consumers. While tourism increases demand for food, it also drives up prices, affecting local households, especially low-income families and pensioners. Meanwhile, tourists themselves face inflated prices set by intermediaries, not local producers. Albanian farmers, unable to access local consumers or tourist-driven demand directly, are excluded from the value generated in their own economy or from end price increases.

In 2024, despite the currency appreciation by close to 30% against the Euro over the decade (Bank of Albania, 2025), food and non-alcoholic beverage price levels in Albania are reported at 100% of the average EU price levels for this category, up from 68% in 2012 (Eurostat, 2025). Albania's GDP per capita, constant prices under purchase power parity, is equal to 35% of EU in 2024 (IMF, 2025), continuing to be second to last among Balkan countries (Kosovo: 30% of EU), while Albania has food prices at the comparable levels to EU average and has overpassed countries like Spain, Czechia, Hungary and the Netherlands (Eurostat, 2025).

Figure 11 shows the Euro to Albanian Lek (ALL) Exchange rate for the period from 2014 to 2024 per the Bank of Albania. The Albanian Lek has strengthened against the Euro over the decade, recording an appreciation of around 30%. This currency appreciation has made imports cheaper, including food and non-alcoholic beverages, thus reducing imported inflationary pressures. Despite that food prices in Albania over the decade have increased by 61%, much higher than EU average of 43% and Western Balkan average of 53.5%, to be surpassed only by Serbia (70%). For Albanian households, among the poorest in Europe, with 40% of consumption allocated to food on average, the erosion of purchasing power is severe. This is exacerbated by the fact that many Albanians hold lifetime savings or receive remittances in euros, whose domestic value declines as the lek strengthens while prices keep rising. In addition, the currency appreciation and food price increases has made Albania also more expensive for international tourist, thus losing a significant portion of its low cost advantage compared to other European mediteranean countries.

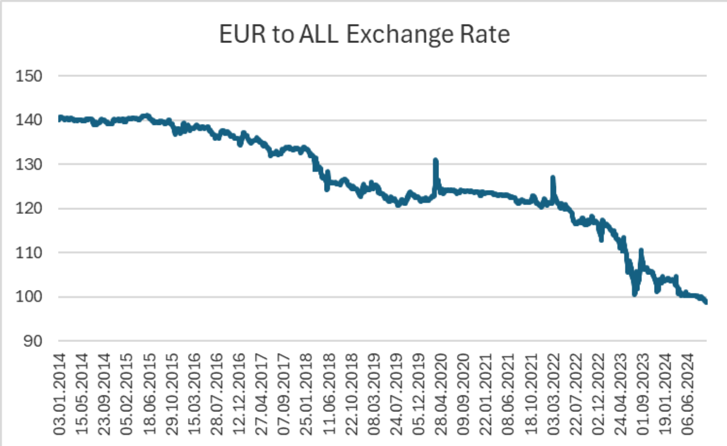
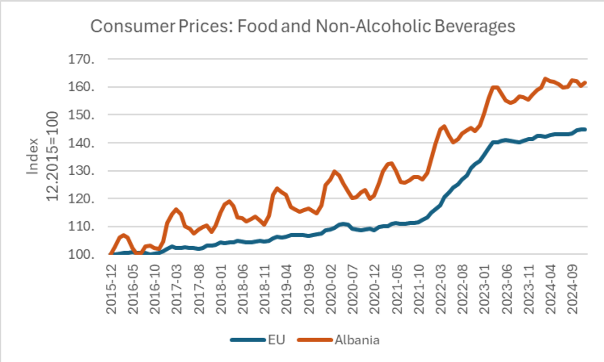


Figure 11. Euro to Albanian Lek (ALL) Exchange rate 2014-2024. (Bank of Albania)

Figures 12-13 show a comparison of food price movements in Albania compared to EU prices (unadjusted and adjusted for FX). When we account for currency appreciation, we can see that food prices in the country not only move out of line with EU prices but the gap with EU prices widens. Once again proving that not only Albania experienced the highest/fastest food price increase in the region when accounting for currency appreciation but that almost no benefits have been transmitted to consumers over the decade. This shows that food prices in Albania increase when they increase in the EU (the spread is maintained) and they are transmitted to consumers, however benefits from currency appreciation are retained in most part by Albania's market players.



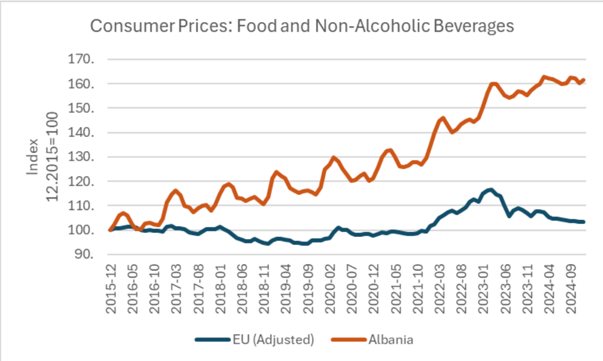


Figure 12-13. Albania and EU comparative Food and Non – Alcoholic Beverages HICP 2015-2024, EU index unadjusted and adjusted for currency appreciation.
(Eurostat, Bank of Albania) authors' calculations

Without direct market access, cooperative bargaining structures, or enforcement against collusion and anti-competitive practices, farmers cannot benefit from the price increase to end consumers in Albania, while facing increased pressure from cheaper imports, and are left with a grim choice: sell at a loss or exit agriculture entirely. The consequences are severe. As profit margins erode and bankruptcy risks rise, thousands of rural families could be pushed into poverty. This crisis is not only economic, it undermines Albania's domestic production capacity, increases dependency on imports, and undermines household wellbeing.

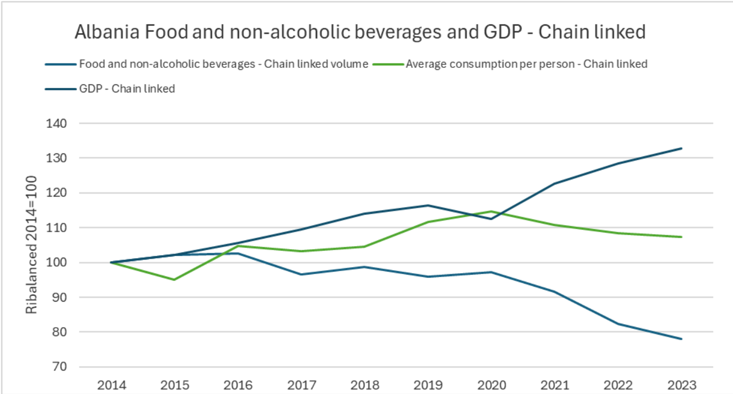


Figure 14. Albania, evolution of chain linked volumes of household expenditure and GDP growth

(Instat, IMF) authors' computations

The analysis of the data show that despite stronger reported economic growth than the EU, the real term expenditure on food and non-alcoholic beverages of the Albanian household is in negative growth territory since before the inflation crisis of late 2021. This is in line with the fact that, differently from the EU, Albania has experienced significant increases in food prices even before the pandemic. In addition, food and non-alcoholic beverages consumption in real terms have moved further and faster than the EU in negative territory after the Covid-19 pandemic. As Albanians real term expenditure for food and non-alcoholic beverages has decreased by 22% since 2014, this means that they have been consuming less food or switching to food of lower quality, while spending more in cash terms for much longer and at much greater degree than the average European.

As FAO (2008) highlights, the vast majority of low-income urban and rural households are net food buyers. When food prices rise, these households are not only forced to alter their dietary patterns, consuming less diverse, lower-quality foods, but may also cut spending in critical non-food areas such as healthcare and education. As it can be seen, despite reported economic growth and increased tourism activities, the Albanian household and producers are under significant stress. This reflects a systemic concern in the market mechanisms that should link production, consumption, and tourism within a sustainable development model. Weak lokal consumers and local agricultural producers would not make for an inclusive and resilient economy.

Growth Without Inclusion: The Disconnect Between GDP and Household Welfare

The data reveals a puzzling trend: despite GDP growth over the past decade, the benefits have not flowed proportionally to the three largest income-dependent groups, salaried employees, agricultural workers, and pensioners.

Table 4. Labor market employment level.

	2014		2021	
Labor Market Survey Data	**Number**	**Percentage**	**Number**	**Percentage**
Employees with salary	431,392	41.6%	597,876	47.9%
Self-employed and Contributing family workers (without pay)	162,809	15.7%	228,796	18.3%
Self-employed in Agricultural Sector	442,799	42.7%	422,077	33.8%
Total Employed	**1,037,000**	**100.0%**	**1,248,749**	**100.0%**

(Instat) authors’ computations

Per the labor market survey of Instat, employees with salary account for close to 48 of total employment in the country. While formal employment increased (from 431,392 in 2014 to 597,876 in 2021), real wage growth lagged GDP. The salary-GDP real growth graph shows wages stagnating or growing marginally, suggesting productivity gains weren’t shared with workers.

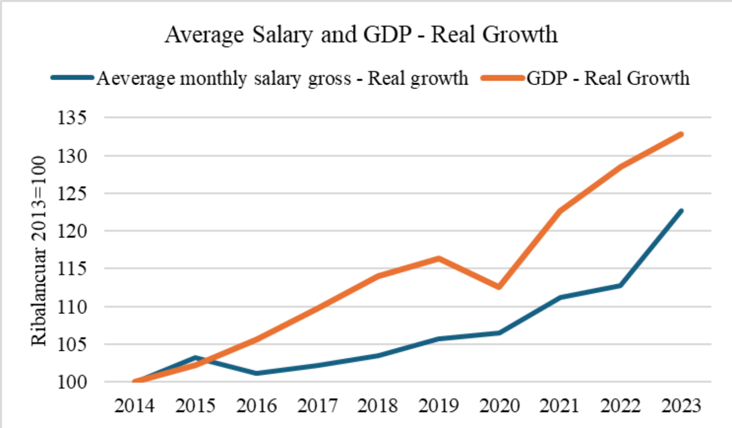


Figure 15. Salaries trend compared to GDP 2014-2023

(Instat, IMF World Economic Outlook) authors' compilation

The agricultural sector shrank from 42.7% to 33.8% of total employment from 2014 to 2021, with 20 thousand workers moving out of the sector during the period, yet its value-added growth underperformed (as seen in earlier graphs and sections of this paper). Despite employing a third of workers, the sector remains subsistence-oriented, with limited mechanization or value-chain investment. GDP growth clearly bypassed this critical demographic, with a real growth of the sector from 2012 to 2023 of close to just 3%.

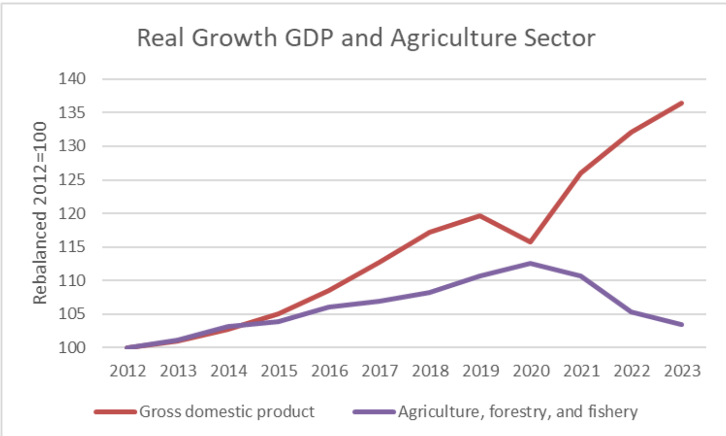


Figure 16. Real Growth GDP and Agriculture Sector, 2012-2023.

(Instat, IMF World Economic Outlook) authors' compilation

Despite Albania's GDP growth over the past decade, the elderly population, nearing 600,000 pensioners in 2023 and up by 142,000 since 2013, has seen minimal improvements in living standards. The "Pensions vs. GDP" graph reveals a stark disconnect: while the economy expanded, real pension growth (adjusted for inflation) stagnated, barely keeping pace with average rising prices. With food prices increasing at a greater rate than average consumer prices the elderly living on pensions and spending more on food and non-alcoholic beverages, are placed at even tougher financial situation, as pension increases have not kept up with price increases of their basket of consumption.

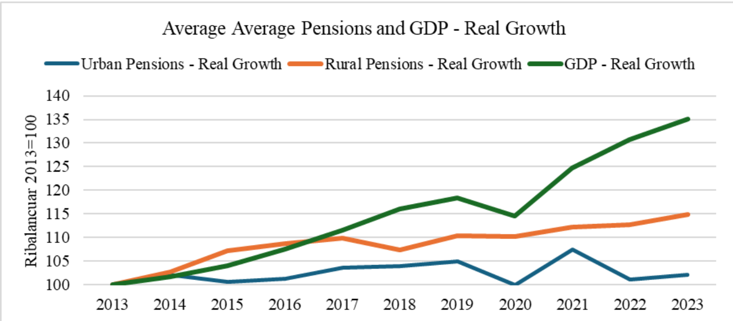


Figure 17. Real Growth of Average Pensions and GDP, 2013-2024.
(Instat, IMF World Economic Outlook) authors' compilation

While GDP rose, the three largest pillars of population welfare, wages, agriculture, and pensions, saw marginal improvements. Pensions, which should act as a safety net, remain inadequate, trapping the elderly in vulnerability in light of food price increases. Meanwhile, the agricultural sector has also underperformed. For sustainable development, Albania must prioritize inclusive policies to ensure economic gains improve the wellbeing of households.

Albania's Demographic Struggle: Aging, Migration, and a Shrinking Workforce

As per the 2023 Census of the Population (Instat, 2024), "The average age of the population is 42.5 years, from 35.3 years in the 2011 Census." Comparing the data from the two Censuses we note that the resident population of Albania has decreased by 398,025 people. Despite the resident population decrease, the number of residents 55 years and older has increased by 234,928 people. This indicates an increase in the number of people entering or about to enter pension age.

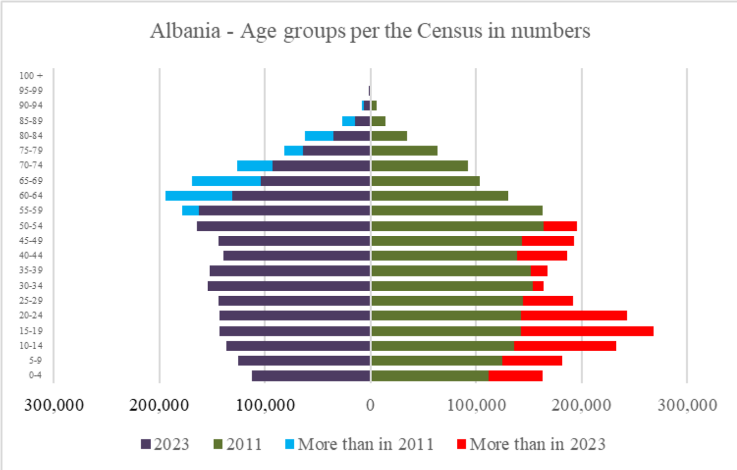


Figure 18. Resident population by age groups in numbers.
(Instat) authors' compilation

The population in the age-group 10-24 years old has decreased by 322,999 people. Migration of the youth and those able to reproduce, combined with the low fertility rates, have contributed to the decrease of the population age 0-9 years old by 107,906 and considering the current age distribution the issue will worsen in the future and population will decrease futher. The aging population, high youth migration and low fertility rates have placed and will place significant pressure on the labor market, economic growth, consumption, fiscal space, and pension and health insurance schemes.

Many of new jobs in tourism now being taken by low skilled immigrants, mostly from Asia. In the future migration might help ease labor shortages and finance Albania's social and health security as the economically active population ages and the birth rate declines. However, the high rate of youth and skilled people migration, despite reported economic growth, is an indicator of weaknesses in the inclusiveness of our economic model and its impact on the prosperity of the local population, that migration alone would not suffice to address.

Education and Human Capital: The Missing Foundations for a Diversified Economy

A highly skilled labor force is essential for economic diversification, fostering higher value-added industries, and attracting quality foreign investments beyond traditional sectors like tourism and agriculture. However, Albania faces structural challenges in education and youth development that hinder its ability to build such a workforce.

Public spending on education has declined from 3.5% of GDP in 2015 to less than 3% in 2024 (UNICEF, 2024), far below the OECD average of 6.3%. This chronic underfunding has contributed to systemic weaknesses in the education system, limiting access to quality learning and stifling skill development.

Table 5. PISA 2022 results for Balkan countries.

Country	**Math Score/Ranking**	**Reading Score/Ranking**	**Science Score/Ranking**	**Avg. Score**
Croatia	463 (36)	475 (26)	483 (31)	474
Serbia	440 (42)	440 (40)	447 (40)	442
Greece	430 (44)	438 (41)	441 (44)	436
Romania	428 (45)	428 (45)	428 (48)	428
Bulgaria	417 (49)	404 (57)	421 (50)	414
Montenegro	406 (55)	405 (56)	403 (61)	405
N. Macedonia	389 (62)	359 (72)	380 (69)	376
Albania	368 (68)	358 (73)	376 (70)	367
Kosovo	355 (75)	342 (77)	357 (78)	351

(OECD)

The PISA 2022 results highlight a crisis in Albania's education system. The country ranks second to last in the Balkans and near the bottom globally (81 surveyed) in math, reading, and science. Even more concerning is that Albania's performance has worsened significantly since 2018, with scores dropping in all three subjects.

Table 6. PISA 2018 and 2022 results for Albania.

Domain	**2018 Score**	**2022 Score**	**Δ Score**	**2018 Global Rank**	**2022 Global Rank**	**Δ Rank**
Mathematics	437	368	–69	48th	68th	-20
Reading	405	358	–47	61st	73rd	-12
Science	417	376	–41	59th	70th	-11

(OECD)

Albania has the highest NEET (Not in Education, Employment, or Training) rate in Europe at 23.3%, meaning nearly one in four young people aged 15-24 are disengaged from both education and the labor market. While the data might be preceived as indicating an improvement from 2015 (29.6%), it remains dramatically higher than the EU average (9.6%) and exceeds regional peers.

Table 7. NEET 15-24, 2018 and 2022, selected countries.

Country	**2015**	**2022**
Albania	29.6	23.3
Romania	18.1	17.5
Italy	21.4	15.9
Serbia	20.1	13.3
Bulgaria	19.3	12.3
Croatia	18.0	11.4
Greece	17.7	10.7

Country	**2015**	**2022**
Spain	15.6	10.5
European Union	12.2	9.6

(Instat, Eurostat)

If we consider the fact that the resident population in this age group has decreased by 44% from 2011 to 2023 (Instat, 2023) the decrease in NEETs by just 6.6% and the overall high rate indicates persistent structural weaknesses rather than any actual improvement in youth participation.

Without addressing these structural weaknesses, Albania will struggle to develop the skilled workforce needed for a modern, competitive economy, while losing educated workforce to migration. Albania's education and NEET challenges reflects not just economic concerns but also deep structural disillusionment by trapping youth in a purgatory between unrealistic aspirations and expectations and economic reality. As such, Albania risks positioning as a peripheral agro-touristic destination and exporter of human capital. Albania should make education (especially pre-university one) a strategic priority to ensure that within 20-30 years the country to have the best education system in the region and that people are equipped with skills needed in modern times. This is very important also with the rise of Artificial Intelligence and the impact on transforming the labor landscape.

CONCLUSIONS AND RECOMMENDATIONS

Albania's economy remains highly concentrated in three sectors: tourism, agriculture, and construction, which together account for over half of gross value added. This concentration highlights structural vulnerability and a dangerous development path. No European economy today relies on such a narrow, low-productivity model. The dual dependence on agriculture and tourism resembles patterns found in developing countries in Africa and South Asia, not among EU member states. This model, if continued, risks trapping Albania in an "agro-touristic" identity, limiting its potential for long-term, inclusive, and sustainable development. Crucially, countries often perceived as tourism-driven, Greece, Croatia, and Spain, have built diversified economic and tourist bases. Their growth comes not from tourism alone, but from combining it with other sectors like industry, financial services, real estate, education, and technology sectors. Albania lacks such diversification, and without it, the country remains exposed to structural stagnation. All this while its agricultural sector and products output suffer to compete with those of other European Mediterranean countries.

Despite Albania's solid GDP growth this past decade and record-breaking tourism performance, the benefits of this economic expansion have failed to reach the country's core population. Key indicators such as household consumption, wages, agricultural productivity, and pension adequacy reveal that growth has largely bypassed farmers, pensioners, and salaried employees. While tourism has become Albania's most dynamic sector, it has generated limited gains for domestic producers and consumers due to weak local linkages, market inefficiencies, and unaddressed structural constraints.

Agricultural productivity remains alarmingly low and has lost ground with EU average, with farmers facing the dual challenge of uncompetitive exports and rising food import pressures. In 2024 the sector recorded its fourth consecutive years of negative real growth despite a touristic boom in Albania and food prices increasing across the world during this period. Currency appreciation, limited access to EU markets, and market capture/collusion by middlemen in Albania, further disadvantage local producers, while food prices continue to soar, severely impacting Albanian households, particularly the elderly and low-income families. The widening gap between nominal GDP growth and real-term household well-being underscores a model of growth that is extractive rather than inclusive.

Meanwhile, a construction boom driven by tourism, speculative demand and capital inflows (illicit and licit) has led to increased housing prices and vacant properties, exacerbating inequality without solving housing needs. Demographic data reveals a fast-aging population and mass youth emigration, indicating that the economic model is not retaining or empowering its most vital demographic segment. Compounding this is an underfunded and underperforming education system, which hinders the country's capacity to diversify and move up the value chain. There is growing pressure from the EU to attract young and skilled migrants from the Western Balkans. However, the current model is incapable not only in retaining existing talent but also in attracting new skilled labor. Instead, it primarily draws lower-skilled workers from Southeast Asia for sectors like tourism and construction.

For Albania to shift from growth to sustainability, it must rewire its economic model. This requires:

- Strategic focus on education and youth skills, starting from pre-school,
- Fighting corruption and dependence on illegal funds as fuel for economic "growth",
- Fighting market capture and collusion by licensed or unlicensed middlemen in key sectors that hurt consumers and producers alike,
- Closer connection of producers and consumers, and penalising owners of unused farm land,
- Inclusive policies that prioritize the wellbeing of the household,
- Deep integration between tourism, local communities, and agriculture,
- Investment in rural infastructure, productivity and food processing systems (light industry),
- Transitioning from construction-led to real estate-based urban development, and
- Development of diverse and inclusive tourism, not only costal/seasonal/gated resorts.

Albania must not only invest in knowledge and education but also integrate and value them within its economic model (a society that values education/knowledge). Otherwise, such human capital will either leave or remain underutilized. The get rich fast with little effort/work culture is another contributor to youth not wanting to obtain skills or work in fields where there is high local demand. A prosperous country must have strong inclusive institutions and ruled by laws that are reasonable, consistently applied, and fairly enforced. Even well-designed laws, if poorly or arbitrary implemented, harm those who play by the rules and place them at a competitive disadvantage compared to those favored by extractive institutions who exploit the system and society as a hole. Only through structural reforms that ensure that reported economic growth translates into widespread prosperity can Albania realize its vision of a sustainable and inclusive future for its people.

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