

**SWOT ANALYSIS FOR THE
SUSTAINABLE ECONOMIC
DEVELOPMENT OF
THE CITY OF LUSHNJE**

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▪ The Municipality of Lushnja

With its 50.000 inhabitants, Lushnja is located about 80 km from Tirana, the capital of Albania. With the capital and the other surrounding cities Lushnja is connected through highways and the railroad. Lushnja is actually a strategic point of communication between the north and the south of Albania. It is considered as one of the areas with biggest potential of developing agriculture industry. In addition, Lushnja is one of the most important tourism districts. The two main attractions are Monastery of Ardenica, and the Beach of Divjaka.

▪ Society

Lushnja municipality has had and still has a live dynamics according to the population. According to the data given, the average yearly growth rate of population in the past 14 years results 6.6% per year. At the end 2007, the population in the municipality is 54,745 inhabitants which is 1.79% of the population of the entire country. These changes have reached the peak during the period 1991 -1992 when the growth rate of the population resulted in 10.5% and 16.3%.

Some factors that influenced the demographic developments of the population in Lushnja municipality are:

1. *The geographical position of the town.* The city has become more attractive due to its favorable position. Located 87 km from Tirana, 42 km from and 77 km from Rinas airport. The city is connected through highways and the railroad with these important centres, which offers communication facilities to its citizens.
2. *The favourable conditions for establishing agribusiness activities in the Lushnja region* have influenced the movements of some population from some rural areas to Lushnja.

The age structure of the municipality is dominated by the young population. This is influencing the average age of the population which is 30.4 years. This is a very good potential for the development of the municipality.

Lushnja municipality is dominated by the medium size family with an average of 3.6 members. It is expected that the growth of the population in Lushnja will be normal. This will reflect the contrary movements of the population from rural areas to Lushnja and the movements from Lushnja to other bigger and more important centres like Tirana and Durrës.

- **Living standard**

The most important sources of income for Lushnja inhabitants are considered to be: employment in the private sector particularly in agribusiness, employment in the public sector, and remittances, mainly from Greece and Italy. Actually, the importance of the public sector in employment is shrinking, and SMEs are becoming the main source for the creation of new jobs.

Despite the positive trend of the latest years, unemployment remains a big concern. For the end 2007, unemployment rate was 29%. The average monthly salary is 40 000 lek (326€). In the meantime, less than 1/3 of the employees are working in the public sector. The average monthly salary in this sector is 29 503 lek (236€).

Although it was impossible to gather precise data, we can confirm that remittances from emigrants result to be an important source of income. For many families it would have been impossible to afford their everyday needs without remittances support from their relatives. Furthermore, some people result to be employed in more than one job position in order to earn a sufficient income.

Except this category, there is another stratum of population that for different reasons lives in very bad conditions and in extreme poverty. In order to alleviate the difficult situation of these families, the Municipality has followed certain socioeconomic policies using every opportunity of employment for the members of these families. This is achieved through a close collaboration with the different kinds of businesses, creating favourable conditions for their growth and development. These policies are leading to the decline in the number of families that get social assistance.

- **Local economy**

As already mentioned above, Lushnja municipality suffers a high unemployment level of around 30%. It is clear that the solution for this issue can derive from expanding and strengthening the private sector. Positive developments in latest years can be attributed to the creation of favourable conditions for the small and medium enterprises and the creation of the new jobs. The main factors that have affected these positive conditions are mainly related to infrastructure investments and increased support from banking institutions. The outlook is optimistic, especially for large enterprises (with more than 250 employees). Most of them have progressively increased investments and the number of employees. The commercial banks are being more and more present in Lushnja, increasing their support to the local economy. Currently, all the most important banks in Albania have expanded their network in Lushnja, providing over €30 millions of financing to the local enterprises. This figure accounts for 4% of the total financing provided by commercial banks in Albania.

- **Education**

Education is given high priority, as an imperative prerequisite for development. The reforms undertaken in this field have largely affected the quality of education, as well as the learning process.

However, the reforming practices of the last years should have been accompanied with a faster improvement of the infrastructure in education. In most of the cases the classes are overcrowded and the region needs construction of new schools.

The weaknesses in the education infrastructure and the low wages in the education system may lower the incentives of the teachers to properly fulfill their responsibilities, affecting negatively the quality and effectiveness of educational institutions.

- **SWOT analysis**

The SWOT analysis is used to provide a clear assessment of the situation. It identifies the fields and activities that have higher potential for further development and improvement for Lushnja. This technique is considered as a simple, yet effective, mean to assess the current situation by analyzing four key points:

- S** What are the strengths and advantages of municipality of Lushnja?
- W** What are the weaknesses and disadvantages?
- O** What are the opportunities that Lushnja can exploit?
- T** What are the threats and obstacles that can negatively affect the development of the city?

STRENGTHS

- 1. Favorable geographical position; Lushnja is considered as a key spot between the north and the south of Albania**

Lushnja is 80 km away from Tirana, the capital of Albania, and only 40 km away from Durres, where the largest harbor of Albania is located. Lushnja is connected with these cities through roads of a satisfactory quality, as well as the railway. Currently Lushnja is an interconnection point between the south and the north of Albania. Therefore, being near these to large centers and having a good infrastructure represent a favorable geographic position for the city.

2. The capacities and experience in developing the agriculture industry

Lushnja has traditionally been an agriculture area in Albania. It has been considered as one of the most important centre of agricultural production until the beginning of the '90s. After the fall of the communist regime, the agricultural cooperatives merged in small household economies that still remain underdeveloped and a low level of exploitation. Currently, around 60 percent of the population of the municipality of Lushnja lives in rural areas, that makes agriculture a sector with a very high priority in this area. Because of the strategic geographical position, the capacities and the experience in the agriculture, Lushnja has a high potential to become an important agro-business centre in Albania. The role of the private sector in developing the agriculture sector is considered as crucial for the broad economic development in this region.

3. A satisfactory level of education among the unemployed, and a low cost of labour

According to the official figures, Lushnja is characterized by a very high unemployment rate, around 30 percent as of end of 2007. One feature of the population of this area is the good educational background among the unemployed people. Adding up the low labour cost in this region, it can be argued that Lushnja has the potential to support the development of its strategic sectors with inexpensive and quality labour.

4. The high presence of banks willing to financially support the sectors with potentials for development

The banking system has considerably increased its presence in Lushnja. In 2005 only 5 banks had opened their branches in this city, whereas by the end of 2007, their number increased to 11. Banks have also been aggressive in extending credit to the local enterprises. As up to the end of 2007, the local private sector has managed to take € 30 millions of loans from banks. Another positive development that is evident the last years is the increasing willingness of banks to finance agriculture businesses. Apparently banks have changed their conservative behaviour in extending credit to the agriculture sector. The first signs of this change in behaviour are already present, and banks are expecting the local entrepreneurs to come up with healthy investment projects.

5. An environment rich in natural resources and no pollution

The region where Lushnja is located is rich in natural resources and has a relatively unpolluted environment. This is considered as an advantage that opens up the premises for a sustainable development of tourism in this region. Besides, the wood and water resources make up an important advantage in supplying the businesses, as well as the households, with these materials.

WEAKNESSES

1. A weak infrastructure and a low level of public services

Even though there has been considerable improvement in the **road infrastructure**, there is need for further investments. Some of the roads are still in inadequate conditions. During the last year, the local government has undertaken some projects for the development and modernization of the transportation network, however, there is more to be done in order to provide an adequate road infrastructure. In particular, the weak infrastructure in rural areas of Lushnja municipality has been an obstacle to the normal development of agricultural business in this region.

As all the Albanian territory, Lushnja suffers from the **weak energetic infrastructure**. The year 2007 was characterized by long disruptions of electric power, damaging the healthy on-going of enterprises. During 2008 the outlook is expected to improve, and, due to a better hydro situation, the electric power supply is going to be higher. Despite this improved outlook for 2008, the energetic sector needs numerous heavy investments that can solve the problems only in the medium term.

2. Problems with the ownership titles

The developments in the beginning of the '90s were accompanied with weaknesses and deficiencies in the land administration. The weak legal framework, illegal land occupation, informal construction, and the incompetence of the public institutions that administered the land reform, have brought a number of serious problems that are still present also in Lushnja. These problems have been hampering the sale process of land, thus negatively affecting the foreign investments. Besides, the difficulties in managing ownership titles have led to a continuously low credit-taking capacity of individuals and enterprises, due to the difficulties in fulfilling the conditions for proper collateral. Solving these problems will make it possible to achieve a more effective utilization of land, further enhancing the local entrepreneurship.

3. The lack of expertise in managing the further expansion of enterprises

Most of the entrepreneurs who invested in the beginning of the '90s lacked experience, culture, and expertise in business managing and about the market economy functioning in general. With the further expansion of their businesses, and the environment getting more and more competitive and complex, the weaknesses in management are being more evident. It is about time that the owners of the businesses think about the division of ownership and management. Facing the challenges coming from the market requires managers with expertise in doing business, as well as in managing human resources and understanding the developments in the world economy. This is an important aspect for the health of the business climate, considering the fact that we all are in a process of markets opening up and globalization.

OPPORTUNITIES

1. The development of agricultural industry

Because of its geographic position, the region of Lushnja has the potential to become one of the most important centres of agricultural business in Albania. Lushnja has around 4 500 hectare of land, 3 900 of which can be used for agriculture. This region was one of the most important centres of agricultural production until the beginning of the '90s, but, with the developments during the transition period, this powerful resource for the Albanian economy was totally neglected. Currently, a large part of the farming land has not been used for years, destroying this important potential for the development of this region. Furthermore, these areas have high levels of unemployment and poverty. Therefore, the efficient exploitation of this high potential is imperative for the economic development of the region. The increase of the efficiency in the agricultural production would have positive effects not only in employment, but would also enhance the new entrepreneurship in the agricultural industry, such as regional centres for the distribution and processing of agricultural products. The public institutions should take the main role in this process, having the infrastructural improvement as a first priority, in order to set up the proper conditions for the development of the agricultural industry in the Lushnja region.

2. The development of the tourism industry

Another potential that can be exploited in the Lushnja region is tourism. This would have significant positive effects in the economy of this region, affecting employment and serving as an important market for the agricultural production industry. There are several spots with tourism potential in the Lushnja region. The most important two are the Monastery of Ardenica and the Beach of Divjaka. Both of them are used at minimal levels, especially the latter, because the road infrastructure and the public services are not yet optimal. Currently the development of the infrastructure in these areas is part of a broader plan of investments in the region. Their completion is expected to bust private investments, in particular in the tourism industry. The development of the tourism industry in the Beach of Divjaka will also have positive effects for the rural economies, due to the increased demand for agricultural products. The Beach of Divjaka is considered as more attractive than the one of Durrës, both in terms of infrastructure and natural beauty. With the completion of the national road of Durrës – Kukës – Morinë, an important part of the tourist flows from Kosovo will be channelled in this region.

3. The coming back of Albanian immigrants with financial capital, experience, new ideas and know-how

The massive immigration in the beginning of the '90s was a common phenomenon in the city of Lushnja and the areas around it. Recently, after several years of working abroad, some of the immigrants are coming back to settle down in Lushnja. Considering the fact that they are coming back with new ideas and skilled experience in different fields, this makes up a new potential of development for the region. Furthermore, their savings can

be used as financial capital to be invested in different sectors. This has become easier during the last years, since the respective authorities have undertaken several measures to facilitate the procedures and minimize the bureaucracy in establishing new businesses.

4. The urbanization plan is expected to have a positive effect in the perseverance and improvement of the natural resources.

The natural resources of the region of Lushnja have not been managed appropriately, being subject to inconsiderate urban developments, deforestation, misuse of water resources, industrial pollution, etc. The establishment of proper urbanization plans, as well as the enforcement of the law by the respective authorities, is expected to impose discipline to individuals and businesses in the usage of the natural resources, minimizing the negative effects and correcting for the damage done so far.

THREATS

1. Informal construction

Informality in the construction sector has been a phenomenon present in Albania since the beginning of the '90s. Currently, the deficiencies and weaknesses in the legal framework, as well as the inefficiency of the respective regulatory authorities, have brought to the degradation of several areas in the city of Lushnja and of some of the tourist places. This phenomenon is becoming even more threatening in the current conditions, when some important projects in road infrastructure are being implemented. These improvement in infrastructure are expected to bring up numerous investments, therefore, the local authorities should show a high accountability and ensure that the best standards in exploiting tourist areas are being imposed. The degradation of some tourist areas, especially in Durrës, is a vivid example of how much damage can be caused by not following the standard requirements.

2. Corruption

An important factor that may pose threats to the expected developments in the local economy of the municipality of Lushnja is the phenomenon of corruption. Corruptive affairs in the process of construction licensing in tourist areas, corruption of fiscal administration and other governmental institution, are still a disturbing issue.

3. The migration of local intellectuals

During the last years, there has been some migration of human capital with university education from Lushnja region to larger urban areas (for example Tirana or Durrës). The acceleration of this trend may become a disadvantage for the developments of the region. It is important to establish initiatives that open up opportunities for work and development to the new and highly-educated generation.

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