

Albania Education Investment and Well-Being

Education spending commentary | Key concept: Well-being

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Coverage

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- Merit goods, positive externalities and human capital
- Development, growth and capability approach framing
- Long-run evaluation of education underinvestment

Commentary 3

Title of the article: ‘Albanian Government Investment in Education Falls Short of Expectations’

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Key concept being used: Well-being

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Albanian Government Investment in Education Falls Short of Expectations

From: **Alice Taylor** 02-10-2021 at 17:00

The Albanian government spent EUR 445.2 million on education in 2020, equivalent to 3.4% of the country's GDP, according to data published by [INSTAT](#).

While this is a marginal increase of 0.01% on 2019, it still means Albania [is among](#) the countries that spend the least on education globally. This comes despite continued pleas to increase spending and investment in the area.

When INSTAT looked at the amount spent on education in terms of total budgetary expenditure, this had decreased when compared with the previous year. At 10.2%, it's at its lowest level since 2015, according to historical data.

Meanwhile, Albania had 589,604 students enrolled in all levels of formal education in 2020-2021. This was a decrease of 3.7% when compared with the previous year, possibly due to emigration.

The number of children aged between 6-14 attending school also decreased with just 93% doing so. This was a decline of 0.9 percentage points on the year before.

In the 2019-2020 school year, over 98,000 students graduated, a decrease of 5.5% on the previous year.

The student ratio per teacher is 16.6 in primary and 13.9 in private schools. In high schools, INSTAT reported there were 8.9 students for every teacher.

For many years, local and international institutions have called on the Albanian government to increase investments in education. In 2018, the Albanian Coalition for Education [said](#) they had been promising for six years, to increase investment to 5% of the GDP. Yet, data from Europe and the region consistently shows that Albania ranks among the last for this matter.

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They wrote:

“The lack of public investment in education and the Government’s insufficient expenditure on quality and inclusive public education, continue to leave out of schools many children and adolescents in Albania! A high number of educational institutions do not provide the necessary services for children. According to the World Health Organization, almost 50% of schools in Albania do not have drinking water and about 70 % of the schools lack adequate hygiene conditions”

This issue was also highlighted following the COVID-19 pandemic when it became apparent some schools, particularly in rural areas, didn’t have basic facilities for students.

UNICEF also called on the Albanian government to increase spending to 5% as it would bring significant long-term economic benefits.

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The article above exhibits the case in which the Albanian government only spends 3.4% of their current GDP on education - an insufficient amount according to prominent entities such as the Albanian Coalition for Education and UNICEF - even though they have vowed to increase education spending to 5% of the GDP for 'six years' already. In evaluating this situation, this commentary will focus on its effects on economic **well-being** as a nation's education spending will significantly affect its economic development, especially in the long term. Nonetheless, before delving deeper, we must differentiate economic development and economic growth as these two topics will be foregrounded throughout this commentary. According to Investopedia.com, economic growth refers to 'an increase in the production of economic goods and services, compared from one period of time to another.'¹. In contrast, economic development, according to Amartya Sen's '*capability approach*' 'is the process of expanding human freedoms'² - to make people achieve human development by making full use of their individual potentials. In this case, we will focus on how the minimal spending in education will affect economic development efforts in Albania to see the effect on the **well-being** of Albanians.

¹ Team, The Investopedia. "Economic Growth Definition." *Investopedia*, Investopedia, 13 Nov. 2021. <https://www.investopedia.com/terms/e/economicgrowth.asp>.

² "Home." *Asian Century Institute*. [https://www.asiancenturyinstitute.com/development/333-amartya-sen-on-developments-freedom#:~:text=Development%20is%20the%20process%20of,they%20have%20reason%20to%20live".&text=Sen%20argues%20that%20there%20are,social%20opportunities%2C%20transparency%20and%20security](https://www.asiancenturyinstitute.com/development/333-amartya-sen-on-developments-freedom#:~:text=Development%20is%20the%20process%20of,they%20have%20reason%20to%20live).

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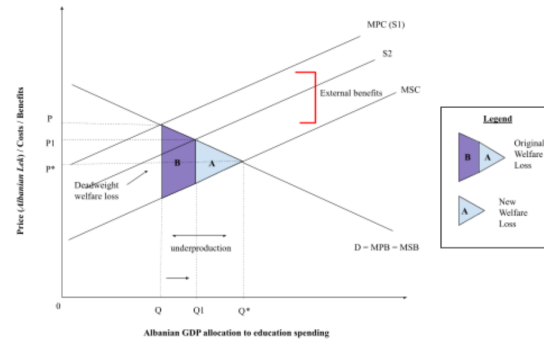


Figure 1: Minimal allocation to education spending by the Albanian government in 2021

Figure 1 above portrays a positive externalities graph regarding the Albanian government’s 2021 education spending. Firstly, this graph depicts a need for the Albanian government to shift the supply of education rightwards from ‘MPC’ to at least ‘S2’ by increasing its education spending. This movement will then create a value for quantity demanded for education, which will move from ‘Q’ to ‘Q1’. As illustrated, the distance between Q* and Q represents underproduction and this movement will have the ability to shorten the distance, thus decreasing underproduction. The elimination of this underproduction will also result in less deadweight welfare loss from A+B to A only, moving closer to achieving economic **well-being** as there will be more education - a merit good - that is provided to the society, which can provide numerous external benefits to society.

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The unwillingness of the Albanian government to spend more on education may have serious repercussions on economic **well-being** in Albania, especially in the long term. The first effect is that the lack of education in Albania can result in Albania not being able to adapt to the current Industry 4.0 concept which focuses on human capital development to boost innovations when advancing the economy. In relation to this, without developing human capital within the nation, it will also make Albania not interesting in attracting foreign direct investment as the human capital infrastructure capabilities to run complex industries are not available. Not attracting foreign direct investments (FDI) is a huge opportunity cost for Albania as Albania will miss the opportunity of more employment opportunities for Albanians and transfer of skills schemes from advanced foreign industries to Albania.

On the other hand, investing more in education can help Albania achieve economic growth and economic development at the same time. With education, Albania can achieve this as more education can reduce income inequality in the nation. In reducing income inequality, education can significantly increase human development as people will have better wages due to having high-paying jobs and lower unemployment levels as a whole. Moreover, when people are already having better wages and they are becoming more independent, it can also help the government when allocating their budget. To exhibit this, as people are independent, the Albanian government does not need to always give 'handouts' (e.g. stimulus), especially in times of crisis, frequently, to provide people with basic goods and services as people are already able to find these themselves as they are already given the rights (via education) to search basic goods and services. Hence, the Albanian government can provide funding to other essential sectors. This is a classic example of how the *bottom-up approach* towards the economy is more effective than the *trickle-down approach*.

Similar to other developing countries, this commentary assumes that Albania currently is increasing spending on consumer products which leads to economic growth but not development essentially. Due to this, specifically, Albania will not suffer human poverty, but rather income poverty. This will also lead to a rising urban informal sector, which can lead to unregulated job positions by the government and the rise of crime rates due to low incomes and the need to

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survive. This can also lead to emigration due to poor working prospects, leading to Albania having a lower working population and hence lower potential output.

In conclusion, the commentary portrays the opportunities Albania can benefit from if it invests more in education. Essentially, it can enhance economic **well-being** through empowering human development in the nation. Lastly, economics aside, it is imperative to remember that education is also a basic human right³, and thus it poses a moral responsibility for Albania to fulfill this right.

³ "Introducing Human Rights Education." *Manual for Human Rights Education with Young People*, <https://www.coe.int/en/web/compass/introducing-human-rights-education#:~:text=Article%2026%20of%20the%20Universal,Human%20rights%20and%20fundamental%20freedoms>.

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- > “Introducing Human Rights Education.” *Manual for Human Rights Education with Young People*, <https://www.coe.int/en/web/compass/introducing-human-rights-education#:~:text=Article%2026%20of%20the%20Universal,human%20rights%20and%20fundamental%20freedom>.
- > Team, The Investopedia. “Economic Growth Definition.” *Investopedia*, Investopedia, 13 Nov. 2021, <https://www.investopedia.com/terms/e/economicgrowth.asp>.

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