

The Informal Economy in Albania: Concepts, Approaches and Policy Considerations

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Abstract: *Informality or informal economy and development is a clue problem that is broadly discussed as it is caused by various factors such as: rapid economical and political changes, inadequate planning and housing policy, out-of date legislation and public structures, etc. This situation has created important challenges in many cities, especially post-communist ones in Sothern and Eastern Europe. The comparison of Western Countries and economies with the Third World or developing ones has always brought interesting and paradoxical situations. They have the house but not the title of it, De Soto explains.*

This study presents a typology of informal settlements, reviews the traditional policies and presents the emerging trends in legislations and regulations in Albania. The three most discussed approaches to informal economy are briefly analyzed in this study. Based on the theory of developing countries as Albania is, the methodology of the study is based on analytical approach together with the official data of Albania gathered from official sites for statistics as INSTAT and ALUIZNI of Albania. Furthermore, it provides an in-depth economical analysis on the challenges associated with this phenomenon, demonstrating the complexity of the situation and the need for a sensitive solution. The costs of the approaches, as well as the advantages or disadvantages of them, are identified based on the Albanian situation.

The conclusion of this study leads to the third most important approach, which is legalization, being as the most efficient for the Albanian informality situation and the continuing of the country development. Therefore most of the developing countries are working on the same approach by developing the legislation and practicing it.

Keywords: *Informality, Legislation, Albania.*