Controversy rages over Albania's economic growth

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Albania's economic growth rate in 2008 remains a hot topic for the prime minister, his own finance minister, the political opposition, the IMF and the World Bank.

By Jonilda Koci for Southeast European Times in Tirana -- 26/01/09

Prime Minister Sali Berisha faced sharp criticism when he boasted of high economic growth for Albania last year. He maintains that the GDP increased by 9.9% in 2008, but the IMF, the World Bank and members of the government differ on actual growth.

Berisha first raised critics' eyebrows in July. "I am strongly convinced that Albania will have double-digit economic growth in 2008," said Berisha, during meeting of his Democratic Party members.

Weeks ago, the Albanian Institute of Statistics (INSTAT) published its quarterly report, citing estimated 9.9% annual GDP growth for the first three quarters of 2008 and the last quarter of 2007. "This growth is supported by an increased contribution from telecommunications and other services," including tourism and construction of the Albania-Kosovo highway, the report said.

Minister of Finance Ridvan Bode openly disputed Berisha's claim during a Strategic Planning Committee meeting earlier this month, expecting 2008 growth to be "7% to 8%" instead.

The IMF dismissed INSTAT's rosy growth statistics as well, saying that it expects 6% growth in 2008, since the global crisis dragged down Albanian performance in the last quarter.

"The quarterly GDP also reflects the formalisation of the economy, meaning more businesses are transitioning from the informal sector to the formal one … this doesn't mean economic growth per se," said IMF resident representative to Albania Ann Margaret Westin.

World Bank country manager Camille Nuamah disagrees. "It is quite important to understand that there is a difference between the quarterly GDP estimates, which provide a sense of where the economy is going, versus annual GDP estimates, which are … based on the entire production of the economy during the year," said Nuamah in a TV interview. "The two can be quite divergent."

The political opposition and economists in Albania are linking Berisha's "euphoric" economic growth figures to elections this spring.

"It looks like an election-driven error. We do not have yet the official figure for GDP growth in 2007. What's the hurry to confirm the one for 2008?" asked Gjergji Filipi, a European University of Tirana economist, during a TV interview.

"As long as the government colours the Albanian economy realistically, it becomes that much easier later to take proper steps in reducing the risk of global crises," said former Finance Minister Arben Malaj.