

Albania's Crippled Economy Crawls Ahead

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Macro-economic indicators are good in Albania, despite the impact of the Kosovo crisis. But rampant crime and corruption, combined with a questionable political will, continue to deter critical foreign investment.

A cold dry snap heralded the start of winter in Albania, a fact easily illustrated in the evenings when people have to endure frequent power cuts. The Drini river hydroelectric power stations cannot provide sufficient electricity for the 3.5 million strong population.

Widespread non-payment of bills by householders and businesses has reduced the state electricity company, KESH, to virtual bankruptcy. KESH currently imports 5-6 million kW of electricity from Greece every day.

Although only in office for less than a month, the government of Prime Minister Ilir Meta, is already facing criticism for failing to deliver on key promises. Meta had pledged to continue the work of his predecessor in fighting crime and developing the economy, building respect for the rule of law and fighting rampant corruption - all crucial to paving the way for successful reforms.

Unlike many former Communist East European countries Albania has doggedly stuck to a long-term transition to a market economy, struggling to overcome the legacy of Stalinist leader Enver Hoxha, which left the country politically isolated and economically destitute.

Albania ranks as one of the poorest countries in Europe with low levels of productivity and capital investment combined with shortages of skilled labour. The country's biggest asset, however, is a wealth of natural resources.

Total net foreign loans have reached 529.8 million dollars, with 324 million dollars from multilateral organisations. GDP per capita was about 700 U.S. dollars in 1997 (the last figures available). Foreign direct investment in Albania has plummeted in recent years. In 1997 it was estimated that more than one million people were living below the poverty line.

Fierce political battles, burgeoning organised crime and an almost total lack of inward investment have shackled Albania's development. Meta has promised a new anti-corruption programme, "more realistic and applicable, with concrete tasks and goals," to operate in conjunction with international institutions, but this has so far failed to deliver results.

Due to international assistance, the civil war in Kosovo (where 90 per cent of the population are ethnic Albanian), did not impact on Albania's macro-economic indicators. The IMF (International Monetary Fund) said recently that it expected Albanian inflation to fall to around zero at the end of 1999, far below the original seven per cent target. IMF mission chief, Robert Corker, dismissed concerns however that this pointed to a deflationary situation.

The consumer price index has fallen to 1.9 percent compared to a year ago, the lowest level since the end of 1993. The IMF said economic developments and policies remained favourable but warned that more needed to be done to collect customs duties. If the Albanian government meets the objectives arising from the review, it will be eligible to draw the next 13 million U.S. dollar instalment of a 60 million U.S. dollar Enhanced Structural Adjustment Facility (ESAF) loan in January, of which 29 million dollars has already been disbursed.

Zero inflation would be the lowest rate since the impoverished nation toppled communism in 1991 and compares with 8.7 per cent last year and 42.7 per cent in 1997.

Albanian Finance Minister, Anastas Angjeli, said gross domestic product would increase by eight percent this year and next, when Albania would aim to keep annual inflation at three percent.

Faster privatisation of banking and other strategic sectors and the implementation of measures to improve efficiency in the civil service, including higher salaries, were needed to attract foreign investment according to the IMF.

"The budget (for 2000) has three main objectives: to reduce high priced domestic borrowing further, improve tax collection and allocate more public spending to investment," Corker said.

Governor of the central Bank of Albania, Shkelqim Cani, said the government should cut 10,000 jobs. Privatisation will be important in implementing the government's promise of creating 230,000 jobs between 1997 and 2001. With the slowdown of economic activity and foreign investment after recent crises, unemployment officially remains at about 20 per cent.

Albania's infrastructure has improved with many road sections built or reconstructed through international funding. The 'Corridor 8' and 'Corridor 10' projects will significantly improve Albania's ancient road network and establish the Balkan country as an important transitory segment for international projects. The development of the tourism industry, a great prospect for the Mediterranean country, has been hampered by the out-of-date infrastructure.

The Albanian economy remains predominantly agricultural, with the sector accounting for over 55 per cent of GDP (1997), compared with 35.5 per cent in 1989. And this figure ignores the many people who survive by subsistence agriculture on small plots of land. Still it does not ensure sufficient production for the country.

In some ways, however, Albania may be one of the luckiest states in Europe. Until recently, the country's poverty made any possibility of integration into a wider Europe extremely remote.

NATO's intervention in Kosovo has changed all that. Western governments have demonstrated considerable sympathy for the country and it is likely it will be given a head start over other states in the region that are being groomed for EU (European Union) and NATO entry.

Tirana wants to become member of the World Trade Organisation (WTO) and in October it secured the support of the United States for its bid. But the European Commission (EC) has told Albania that it is too early to begin negotiations on a major political agreement.

Substantial economic and political reforms need to be introduced before the EC will recommend opening talks on a stability and association agreement - the closest relationship a country can have with the EU short of becoming a candidate for membership. The EC priorities include economic stability, privatisation, improving public order and confiscating the thousands of small arms circulating around the country following the widespread lawlessness in 1997.

Albania truly has an opportunity denied to many states. But it remains uncertain whether it can seize the opportunity for the benefit of its citizens. Albania's primary problem centres on her political culture - in terms of the government, the state and relations between the different political groups.

Squabbling continues non-stop on every minor political issue. Both the opposition and the pro-government parties stage rallies against one another in Tirana's main Skanderbeg Square. But neither has ever held a rally to protest against issues the lack of electricity or water supply, against problems that fundamentally affect the Albanian peoples' quality of life.

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