Gani Asllani, D.Sc.
Bedri Statovci, D.Sc.
University "Haxhi Zeka", Peja, Kosovo

ECONOMIC AND DEVELOPMENT GROWTH – WESTERN BALKAN CASE

Economic development and growth were and they are still a topic for discussion among economists, creators and bearers of economic policies, experts and media. In this study paper are touched some of the basic matters of economic development and growth, their measurement, factors influencing in development and economic growth and their reflection in the life standard of different countries of the world. Furthermore a special emphasis have western Balkan countries which after 2000 have written down insufficient trends of economic growth, investment growth, consumption and in creation of new jobs. Certainly, in economic development and growth have impact many other factors such as: historical, geographical, demographic, social, cultural and many other factors, therefore national economies (dependently from their size) are very complex and heterogenic communities and by creators of the economic policies needs their adjustments and structuring in that way that the bearers of decision-makers to adopt adequate policies at the macro and micro- economic level.

Key words: economic development, economic growth, development rate, economic structure

1. The meaning of the economic development and economic growth

Development is a multi-dimensional process involving changes in social structures, popular attitudes, and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of poverty.

Economic development is usually understood as a process which provides a general improvement of economic, political and social well-being to a country's citizens. It is defined as the process of increase volume of production along with the improvement in technology, rise in the level of living, institutional changes, etc.[1]

Economic development is a complex economic process by which one state is gradually is released from economic underdevelopment and poverty, achieving a high level of development. Economic development consists of two components: a) economic growth and b) changes in economic structure.

A). Economic Growth**-** is defined as the rise in the money value of goods and services produced by all the sectors of the economy per head during a particular period of time. Economic growth is a complex, long-run phenomenon, subjected to constraints like: excessive rise of population, limited resources, inadequate infrastructure, inefficient utilization of resources, excessive governmental intervention, institutional and cultural models that make the increase difficult, etc. Economic growth is obtained by an efficient use of the available resources and by increasing the capacity of production of a country.

It facilitates the redistribution of incomes between population and society. Economic growth supposes the modification of the potential output, due to the modification of the offer of factors (labor and capital) or of the increase of the productivity of factors (output per input unit).

When the rate of economic growth is big, the production of goods and services rises and, consequently, unemployment rate decreases, the number of job opportunities rises, as well as the population's standard of life. Economic growth is a quantitative measure that shows the increase in the number of commercial transactions in an economy.

Economic growth can be expressed in terms of gross domestic product (GDP) and gross national

[1] Todaro, Michael P., Smith, Stephen C. (2012). *Economic development*. Washington: George Washington University.

product (GNP) that helps in measuring the size of the economy. It is an outcome of the increase in the quality and quantity of resources and advancement of technology.

Economic growth means growth of national output over time. This increase in production can be expressed in general for the whole country or per capita. As the number of residents continuously increased, per capita output growth represents the exact extent of a country's economic progress. Economic growth is narrower sense compared to economic development because it includes only the shifts in national production volume.

B). change in the structure of economy is best expressed through participation of any change in production activity in general. To them are attached changes in the allocation of production factors, structure in other exports and imports. Besides economic growth and structural change as fundamental components of economic development at the time of re increasingly important wins them the aspect of social and ecological aspect. Economic growth makes sense only if it provides a better life for the population.

Table 1

Economic Development versus Economic Growth, comparison chart[1]

	Economic Development	Economic Growth
Implications	Economic development implies an upward movement of the entire social system in terms of income, savings and investment along with progressive changes in socioeconomic structure of country (institutional and technological changes).	Economic growth refers to an increase over time in a country`s real output of goods and services (GNP) or real output per capita income.
Factors	Development relates to growth of human capital indexes, a decrease in inequality figures, and structural changes that improve the general population's quality of life.	Growth relates to a gradual increase in one of the components of Gross Domestic Product: consumption, government spending, investment, net exports.
Measurement	Qualitative. HDI (Human Development Index), gender- related index (GDI), Human poverty index (HPI), infant mortality, literacy rate etc.	Quantitative. Increases in real GDP
Effect	Brings qualitative and quantitative changes in the economy	Brings quantitative changes in the economy
Relevance	Economic development is more relevant to measure progress and quality of life in developing nations.	Economic growth is a more relevant metric for progress in developed countries. But it's widely used in all countries because growth is a necessary condition for development.
Scope	Concerned with structural changes in the economy	Growth is concerned with increase in the economy's output

Source: http://keydifferences.com

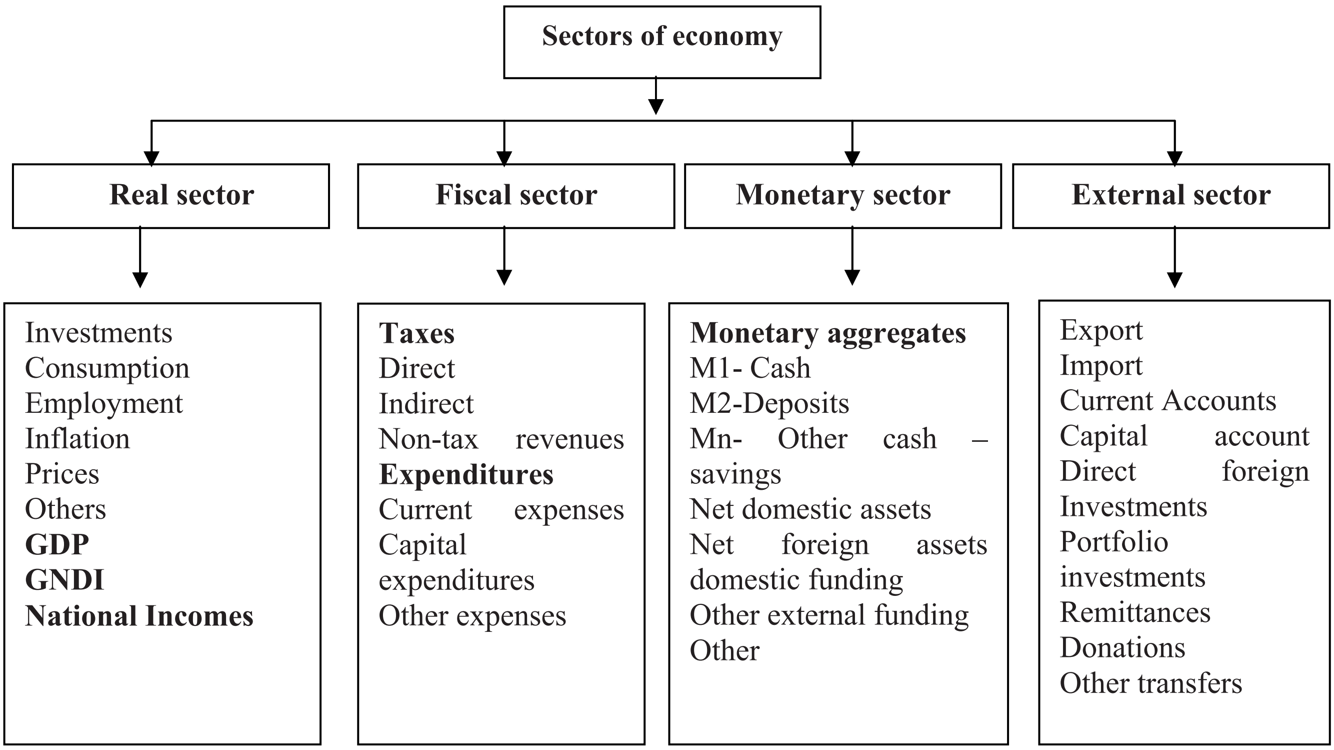
2. The structure of the national economy

According to IMF of national accounts with the view o calculation of macroeconomic indicators are divided the economic sectors (real, fiscal, monetary and external) to achieve homogeneity of the calculation that will have common and complementary elements between. Among the economic sectors, real sector takes the primary place and of course that is related and complemented with other economic sectors. The following table presents basic separation of macroeconomic sectors (interior and exterior) which through them we can come out with evaluation of the economic growth and the upcoming macroeconomic projections.

[1] Difference between economic growth and economic development. *Keydifferences.com*. <http://keydifferences.com/difference-between-economic-growth-and-economic-development>.

3. The rate of economic growth

To present the level of development of the national economy are used different economic indicators. The main and most often those are: gross product per capita (GDP-Gross Domestic Product) and Gross National Income (GNI- Gross National Income). Of course, these indicators are suitable for international comparisons. With the aim of gaining a clearer overview at the global level of economic development for 2015, according to accounts of national income per capita from 185 countries that have been assessed by the IMF and WB states have been split in the three groups (developed, moderately developed and underdeveloped): the first column are ranked 30 countries with the highest incomes per capita taking into account, remittances, gross protection, national income, on the second column are ranked countries with average income per capita and finally the third column are ranked countries with lowest income per capita[1].



Graphic 1. Sectors of economy

The highest growth rate of the national income gross per capita in 2015 have, Qatar, Luxembourg, Singapore, Brunei, Kuwait, Norway, then the United Arab Emirates, San Marino, Switzerland, Hong Kong, USA, while the countries with the lowest income per capita have Nigeria, Liberia, Burundi, the Democratic Republic of the Congo, Republic of Central Africa. The size of GNI per capita can be expressed in US dollar given in the official exchange or by ability purchase of national currencies compared to the US dollar. In order to gain full overview on the level of development of any country it should be taken into account the other economic indicators such as: the structure of sources production, social impact of the activities set out in its formation, the economic structure of population (report of farming and non-farming population); the volume and structure of the exchange of goods with foreign countries, other challenges employment rate. The Republic of Kosovo is ranked among 105 countries for income per capita which is lower than other Western Balkan countries[2].

[1] World Economic Outlook Database, April 2016, International Monetary Fund. Database updated on 12 April 2016. Accessed on 14 April 2016.

[2] World Economic Outlook Database, April 2016, International Monetary Fund. Database updated on 12 April 2016. Accessed on 14 April 2016.

3.1. Gross domestic product (GDP) and gross national income (GNI)

Economic activity results summarized in a state are expressed macroeconomic aggregate. They consist goods and services produced within certain period of time. Except material production macroeconomic aggregates include other goods and services as are: education, health, banks, insurances etc. To us, but also in other countries people use three aggregate which expressed the results of economic activities which are:

a). **Gross domestic production**- is a most comprehensive aggregate and it is consisted of: material expenses and amortization) and created (national income).

GDP = ME+ AM + NI

It is adequate for calculation of values of realized production for multiple reasons, which come through in many stages of calculation.

Table 2

International Monetary Fund (estimates for 2015, of 185 countries)

Nr.	Country with highest incomes)	Nr.	Countries with average incomes	Nr.	Countries with lowest incomes)
1	Qatar	1	Dominican Republic	1	Vanuatu
2	Luxemburg	2	Maldives	2	Nepal
3	Singapore	3	Libya	3	Senegal
4	Brunei	4	Algeria	4	Mali
5	Kuwait	5	China	5	Benin
6	Norway	6	Macedonia	6	Zimbabwe
7	United Arab Emirates	7	Columbia	7	Uganda
8	San Marino	8	Serbia	8	South Sudan
9	Switzerland	9	South Africa	9	Solomon Islands
10	Hon Kong	10	Grenada	10	Afghanistan
11	USA	11	Peru	11	Ruanda
12	Island	12	Mongolia	12	Ethiopia
13	Saudi Arabia	13	Jordan	13	Kiribati
14	Bahrain	14	Egypt	14	Haiti
15	Netherlands	15	Saint Lucia	15	Burkina Faso
16	Sweden	16	Tunisia	16	Gambia
17	Australia	17	Namibia	17	Sierra Leone
18	Austria	18	Albania	18	Cameron
19	Germany	19	Ecuador	19	Guinea
20	Taiwan	20	Indonesia	20	Togo
21	Ireland	21	Saint Vicente	21	Madagascar
22	Denmark	22	Dominica	22	Eritrea
23	Canada	23	Sri Lanka	23	Guinea
24	Oman	24	Bosnia and Herzegovina.	24	Mozambique
25	Belgium	25	Georgia	25	Malawi
26	France	26	Kosovo	*26*	Nigeria
27	Great Britain	27	Fiji	*27*	Liberia
28	Finland	28	Jamaica	28	Burundi
29	Japan	29	Paraguay	29	Congo
30	South Korea	30	Armenia	30	Rep. of Central Africa

Source: World Economic Outlook Database

b). **Production represents** the value of the final production (RP = AM + NI). Is less than GDP for the difference in costs of materials, in the multiple calculations and is suitable for measuring of the production created.

c**). National income** – is a new re-created value in the economy without transfer from previous year). It is of great importance because represents maximum value which one country can spend and does not decrease of the previously created wealth. National incomes may be more adequate expressions of the created production, but the problem is that it represents only a calculation size and does not exists a group of goods, which together consist the size of national income. The National incomes are not spent in total but only a part of it (accumulation) used for expanded reproduction (TK = Production- amortization).

d**) GNI –** Also according to the United Nations statistics used another indicator of gross national income GNI, which represents the value of final goods and services produced inside and outside the country, which created revenue. In reality it is GDP increased by the incomes of residents that have made abroad[1].

Table 3

GNP vs. GDP

GNP	**GDP**
Gross National Product	Gross Domestic Product
= income earned by domestic residents	= income created within national borders.
GNP = GDP +NFI (Net Factor Income [NFI] is income earned on overseas work or investments minus income generated domestically but paid to foreigners.	

3.2. Methods of measuring GDP

For the calculation of macroeconomic indicators and their comparison for different time periods and future forecast are used three methods:

Production method – according to this method production is calculated by summing the total value of all final products and services produced in the country.
GDP = Σ VA

Method of expenses – According to this method the value of overall products is calculated by summing of all expenses of different operators for buying final goods and services.

GDP = (C+I+ G) + (X-M);
GDP **=** (Consumption+ Investment+ Government Consumption) + (Exports- Imports)

The method of incomes – According to this method the value of overall product is calculated by summing of all incomes of the production factors use for production of final and intermediate products[2].
GDP = compensation of employees + proprietor's income + rental income + corporate profits + net interest

4. Key economic indicators in Western Balkan countries (2008-2015)

Western Balkan countries despite many economic reforms, previous changeover system and global trends of economic development as well as different cyclical movements in which different countries have been passed through, the impact of the economies of these countries have been poorly grown[3].

---

1 *The System of Macroeconomic Accounts Statistics Department* (2007). IMF. Washington, D.C.
2 Bureau of Economic Analysis. <http://www.bea.gov/national/nipaweb/SelectTable.asp?Selected=Y>
3 Kovtun, D., Cirkel, A.M., Murgasova, Z., Suchanan, Smith D. Tambunlertchai (2014). Boosting Job Growth in the Western Balkans. *IMF Working Paper January.*

During 2001-08, the countries in the region experienced fast economic growth, gradual macroeconomic stabilization, major inflows of foreign direct investment (FDI) and implemented many important economic and institutional reforms[1].

These positive trends were interrupted by the global economic crisis which severely hit the Western Balkans in late 2008[2]. Thereafter, the Western Balkan countries have registered negative or much lower real GDP growth rates in comparison to the pre-crisis period. Following are some key macroeconomic indicators through whom is provided an overview of development and economic growth of these countries[3].

According to data of the World Bank, IMF, Statistics of national economies and other credible reports we can see that economic growth is modest and insufficient as compared to EU countries and other developed countries.

Table 4

Gross Domestic Product (GDP) in the US dollars

Country	2008	2009	2010	2011	2012	2013
Albania	12,881,355,508	12,044,208,086	11,926,957,255	12,890,886,743	12,344,529,628	12,923,240,278
Bosnia and Herzegovina	18,711,890,354	17,264,893,103	16,847,493,059	18,318,439,121	16,906,005,781	17,851,326,454
Croatia	70,461,454,280	62,636,688,809	59,643,818,182	62,241,414,803	56,497,515,972	57,866,674,298
Kosovo	5,687,488,209	5,653,860,934	5,830,320,265	6,692,502,502	6,499,938,628	7,071,959,241
Macedonia	9,834,034,351	9,313,573,965	9,338,674,078	10,395,222,334	9,579,482,628	10,195,404,131
Monte Negro	4,538,354,345	4,158,152,026	4,114,881,134	4,501,758,898	4,045,813,958	4,416,083,090
Serbia	49,259,526,053	42,616,653,300	39,369,633,038	46,462,547,041	40,791,444,608	45,519,650,911

Source World Bank, 2015

As seen in Table 4, Kosovo has the lowest value after Montenegro on gross domestic product and is among the states with small income. What is important is that Kosovo be assessed in all comparative years has steadily increased in the total gross value of production. Croatia as a new member of the European Union has the highest value of gross output, while Serbia is ranked in second place in the framework of the Western Balkan countries.

Table 5

Domestic product growths

Country	2008	2009	2010	2011	2012	2013	2014	2015
Albania	7.45%	3.35%	3.71%	2.55%	1.62%	1.42%	1.62%	1.42%
Bosnia and Herzegovina	5.42%	-2.91%	0.70%	0.96%	-1.21%	2.48%	-1.21%	2.48%
Croatia	2.05%	-7.38%	-1.70%	-0.28%	-2.19%	-0.94%	-2.19%	0.92%
Kosovo	3.6%	3.30%	4.40%	2.80%	3.40%	3.00%	3.4%	3%
Macedonia	4,95%	-0.92%	2.90%	2.80%	0.40%	3.10%	0.40%	3.10%
Monte Negro	6.92%	-5.66%	2.45%	3.23%	-2.55%	3.34%	-2.55%	3.34%
Serbia	5.37%	-3.12%	0.58%	1.40%	-1.02%	2.60%	-1.02%	2.60%

Source World Bank, 2015

In the years taken into account from the table shows that these countries have had different trends of growth and decline, while Albania and Kosovo have increased consistently positive gross domestic product, while other countries in certain years marked negative values. Although Croatia is the country with the largest gross production in the Western Balkans, one in the last years it has seen its negative value.

[1] https://csis-prod.s3.amazonaws.com/100917_Bugajski_WesternBalkans

[2] The Aspen Southeast Europe Program 2014 through the Stability Pact for South Eastern Europe. *The Aspen Institute, Germany.* <http://www.aspeninstitute.de>.

[3], GDP per capita (current US), June 2015. *World Bank.* <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD/countries>.

Table 6

Gross Domestic Production per capita

Country	2008	2009	2010	2011	2012	2013	2014	2015
Albania	4,370.54	4,114,33	4,094,36	4,437,81	4,256,02	4,460.34	4,781	3,995
Bosnia. Herzegovina	4,864.13	4,480.38	4,380.60	4,771.27	4,409.59	4,661.76	4,646	4,088
Croatia	15,889.35	14,142.15	13,500.85	14,540.27	13,234.62	13,234.62	13,194	11,573
Kosovo	3,254.62	3,209.73	3,283.43	3,763.83	3,596.88	3,877.17	3,883	3,895
Macedonia	4,685.62	4,433.86	4,442.30	4,940.95	4,548.16	4,838.46	5,481	4,787
Monte Negro	7,335.90	6,713.08	6,636.07	7,253.36	6,514.15	7,106.86	6,149	6,489
Serbia	6,701.77	5,821.31	5,399.30	6,422.71	5,662.20	6,353.83	6,123	5,120

Source World Bank, 2015

5. Conclusion

- For generating of new employment opportunities Western Balkan countries should redouble the economic growth in a manner that in a mid and long term periods achieve suitable economic development based on safe and long term sources. Much more this is needed because the Western Balkan countries are a small market and small economy before global market and developed economies and competition which are rising.

- Economic growth must be based on national strategic sectors and can be achieved where there are comparative benefits to neighbouring countries. These advantages consist of: human resources and infrastructure of the businesses, strategy and business leadership, market size and consumer, the quality of the products, innovation and perfection of other products and services.

- Opening the market, development of competition, access to capital and finance, new technology and other economic factors rather than non- economic are necessary for the achievement of an economic growth. It should be based on the free initiative, efficient in the use of resources and the creation of efficient market.

- Development policy makers, businesses and citizens should plan their activities in line with the required long term and ongoing legal and institutional reforms and macro-fiscal stability.

- Orientation should be in the market access to the EU common place. So while Western Balkan countries are very dependent on this economic community[1].

- Increase of public investment, investment in education, specialization and training of new personnel capable to create conditions for economic growth and economic development.

As we can see, achieving economic growth is a continuing major challenge facing society and it influences medium and long term economic growth and development and by this improving standard of living and welfare of society.

References:

1. Bureau of Economic Analysis. <http://www.bea.gov/national/nipaweb/SelectTable.asp?Selected=Y>
2. Difference between economic growth and economic development. *Keydifferences.com.* <http://keydifferences.com/difference-between-economic-growth-and-economic-development>.
3. Gallup (2010) Gallup Balkan Monitor: Insights and Perceptions – Voices from the Balkans, in partnership with the European Fund for the Balkans (2010)
4. GDP per capita (current US), June 2015. *World Bank*. <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD/countries>.
5. http://data.worldbank.org/indicator/ NY.GDP.PCAP.CD/countries;
6. http://js.ugd.edu.mk/index.php/BSSR
7. http://keydifferences.com/difference-between-economic-growth-and-economic-development;
8. http://www.aspeninstitute.de. The Aspen Institute, Germany. The Aspen Southeast Europe Program 2014 through the Stability Pact for South Eastern Europe;
9. https://csis-prod.s3.amazonaws.com/100917_Bugajski_WesternBalkans
10. IMF Working Paper, Boosting Job Growth in the Western Balkans, January 2014;

[1] https://csis-prod.s3.amazonaws.com/100917_Bugajski_WesternBalkans

11. Kovtun, D., Cirkel, A.M., Murgasova, Z., Suchanan, Smith D. Tambunlertchai (2014). Boosting Job Growth in the Western Balkans. *IMF Working Paper January*.
12. Michael P. Todaro, Stephen C. Smith, Economic development, 2012;
13. Ministry of Finance of Albania, http://www.financa.gov.al/
14. Ministry of Finance of Bosnia and Herzegovina, http://www.mft.gov.ba/
15. Ministry of Finance of Croatia, http://www.mfin.hr/
16. Ministry of Finance of Macedonia, http://www.finance.gov.mk/
17. Ministry of Finance of Monte Negro, http://www.mf.gov.me/ministarstvo
18. Ministry of Finance of Serbia, http://www.mfin.gov.rs
19. Ministry of Finance of, Kosovo http://mf.rks-gov.net/
20. The Aspen Southeast Europe Program 2014 through the Stability Pact for South Eastern Europe. *The Aspen Institute, Germany.* <http://www.aspeninstitute.de>.
21. *The System of Macroeconomic Accounts Statistics Department* (2007). IMF. Washington, D.C.
22. The System of Macroeconomic Accounts Statistics – Department IMF, Washington, D.C. 2007;
23. Todaro, Michael P., Smith, Stephen C. (2012). *Economic development*. Washington: George Washington University.
24. WBIF (2013), "Outlook for Macroeconomic Development in the Western Balkans: IFI Coordination Office", Data update May 2013
25. World Economic Outlook Database, April 2016, International Monetary Fund. Database updated on 12 April 2016. Accessed on 14 April 2016.
26. World Economic Outlook Database, April 2016, International Monetary Fund. Database updated on 12 April 2016. Accessed on 14 April 2016;
27. www.worldbank, World Bank, GDP per capita (current US), June 2015,