

Compliments for the Conference

Fatos Nano - Prime Minister

**HONORABLE MR. GOVERNOR OF ALBANIA,
HONORABLE DIRECTORS AND REPRESENTATIVES OF PARTNER BANKS,
HONORABLE PARTICIPANTS,**

I have the pleasure to see off, together with you, a decade of the Central Bank of Albania activity and progress and to orientate the commitments to our banking system modernization and integration with the European and global system towards the new decade.

Not only the Bank of Albania but the whole Albanian banking system is closing its transitory cycle in order to be better involved in the national challenges of market economy consolidation and its sustainable growth through the development of competitive abilities of domestic enterprises in the regional, European and global markets, etc.

During this decade of its activity, undoubtedly, the Bank of Albania has played the primary role in the domestic banking system establishment and consolidation and has assisted the governments in compiling and implementing the reforms, which installed the free market economy even in Albania. I think that currently the Central Bank, as a very important institution of the country and a legal partner of the Government, has the proper experience and capacities for increasing its role and impact on the country's economic developments. The passing of the banking system from the state monopoly to private dominance is the most comprehensive indicator of the Bank of Albania work and tradition that it has already established. Allow me, taking advantage of this financial and banking professionals' environment, as the Prime Minister, to share some assessments with you so as to realize and work together for further improvement of the banking system, of the whole national economy parameters and performance.

Based on the legal status of the Bank of Albania as "Government Advisor" I would like to require a more salient commitment of this institution to carry out the program priorities, especially in the fight against cash economy, fiscal evasion, capital fragmentation of public or private development. All these priorities can not be accomplished without a direct commitment and a closer cooperation between the government and the Bank of Albania. With this I am not requesting from the Bank of Albania to give up its legal and constitutional independence, but I am inviting it to strengthen the cooperation in the benefit of the development of the country and the whole national market formalization. This means that it is not enough to meet (each-other) and cooperate as many times as it happens that the Bank's monetary policies interfere with the Government fiscal policies. Together we should program the development of a formal market economy, with a financial and banking system that shifts money and transactions into banks, that orientates the dormant savings and capitals towards programmed and stable development priorities that increase the confidence of the consumers and enterprises in Leke. The Government, with its new fiscal package that associates the project-budget 2003, and with some other laws and by –laws that promote legal undertaking by simplifying and correcting the administrative, customs, fiscal procedures, etc., has scheduled a radical transformation of the fiscal system in the country for putting the economic disincentives, the fiscal evasion, and the still-high informal character of economy into the definitive recovery way.

In order to make this transforming reform bring about full impact on economy it should indispensably be associated with a profound reform in the financial and banking system as well. We can not maintain high paces of GDP growth by being based further on the household economy that invests the domestic savings. Even still less are these paces maintained when the agriculture and construction, the two main branches contributing in the domestic production, are almost completely out of control or financing banking scheme. As the Prime

Minister, I would require, honorable bankers, your contribution for a new banking system role in the market performance. With this I mean that it is not normal, for instance, in the construction industry, that the banks credit individual purchasers of flats, who in turn appear in front of the project executors (who are wrongly called investors) as small investors, at a time when the banks' position should have been in the investor's position.

I would like to share with you the conviction that the Albanian banking system progress can not be assessed only with the reduction of risk on loans repayment, but with the credit portfolio that this system injects in the national economy. I highlight this fact because in 3 years into the future the banks' role will be crucial for the national economy. Due to successful reforms taking place in economy during these years and consolidation of macro parameters, Albania is leaving the level of the countries, which are granted development soft loans and donations by international institutions, partners or development banks. The approaching of this moment is as much positive and valuable for the performance of reforms as it is obligatory, particularly for the Government and the Bank of Albania. This moment becomes more natural particularly today when the Government is starting officially the process of negotiations for a Stabilization and Association Agreement with the European Union. On the one hand the decrease of soft terms foreign financing, the commitment to reduce further the domestic and foreign debt, and on the other hand the successful facing of stabilization and association challenges, lay down two fundamental alternatives for development possibilities of economy in 10 future years.

Mobilization of all domestic capitals in order to orientate them towards development priority investment programs
Absorption of direct foreign investments.

And, I believe that no one doubts that these alternatives complementary with each-other need a completely different partnership between the Government and the Bank of Albania as the heart of Albanian banking system.

I believe that, it comes out of this very brief analysis that the country needs a sound and extended financial system. Individual or household capitals are powerless and inadequate to grow without the support of a proper financial system. Due to lack of a modern financial system, financial intermediaries, private development funds and finally capital markets, the individual investments are oriented towards sectors that promote consumption but do not produce. The Government welcomes not only suggestions but also a close cooperation with the financial and banking community in the country for making possible the financial and capital market establishment in Albania. As the Prime Minister of the legal partner as well I invite the Bank of Albania to work together and rapidly for creating the instruments and institutions that orientate the money and capitals more directly towards the competing and most productive sectors of the national economy. Nowadays it is becoming more vulnerable in the global and regional integration and opening process. Another element that determines a new role of the Bank of Albania and the financial and banking system in the national economy is also the acceleration of opening and integration processes. We should remain competitive in this performance. Except the transforming reforms to face the European integration challenges, Albania is already committed to implementing a number of free trade agreements with the regional countries. The commencement of implementing such agreements would increase the competitiveness in the regional market and would undoubtedly provide impact on the increase of the volume of trading exchanges as well as on the respective national currencies. I do not want to enter into the debate of administrative or natural euroization of our economy. But I would like to request from you bankers to take all measures so that the Leke withstands this opening and liberalization process of our economy, guaranteeing the promotion of direct investments of domestic and foreign enterprises in the economy of the country.

Finally, I would like to dwell on an issue that needs an entirely new viewpoint and treatment: the budget deficit. The Government has performed public investments and has generated deficit because the country, the economy and the population need to be provided with the basic services and infrastructure. The Bank of Albania is in the legal height of accomplishing its own obligations when it requires the reduction of deficit and the Government is committed

to performing such a thing. The Government will not generate damaging deficit to economy and macro parameters when the banking system is able to credit the national or regional development and sustainable growth projects. Nationally, the public investments versus private investments are still in minority but I re-emphasize that the private enterprise, which is still in the levels of "barter exchanges", makes us re-emphasize the commitment to fill the vacuums of instruments and financial market institutions that absorb and then orientate the domestic household savings towards productive investments. Asserting this I do not neglect at all the state and the Government tasks to further consolidate the social, legal and economic environment or to recover the public, administrative and particularly the judicial system. But, our commitment as legislative and executive would be jeopardized without an immediate banking system performance in facing the challenges of integration, modernization and development ahead of us, I re-emphasize by remaining competitive.

In conclusion, allow me to wish you once more the anniversary of the Bank of Albania and new Albanian banking system and I guarantee, on behalf of the Government, the maximum commitment to reform together the national economy towards modern and European standards.

Thank you!