

Greeting speech by Anila Denaj, Minister of Finance and Economy, to the Annual Conference of the Bank of Albania 2019

Your Excellency President Meta,

Your Excellency Governor Sejko,

Your Excellency Chair of the Parliamentary Committee on Economy and Finance Ahmetaj,

Dear partners from the London School of Economics and Political Science (LSE),

Dear guests,

It is a particular pleasure for me to address the Annual Conference of the Bank of Albania, which attends to all the concerns raised regarding the roles of institutions and how they can join forces in order to bring prosperity to all. The role of the consolidated institutions in Albania remains an imperative for the successful implementation of government policies. Over the years, the Bank of Albania has shown adequate institutional stability and an appropriate approach towards the commitment for a sustainable and continuous economic growth, and I congratulate you for this.

Albania's economy has been transformed in recent decades, thus clearing the path for a market filled with potentials and opportunities not only in terms of natural resources, but also of human capital. The steady economic growth and consolidation of the macro-fiscal framework in recent years have contributed to reducing unemployment and attracting foreign investors.

Is this enough though? Certainly not. Economic growth requires our attention in terms of figures and structures and certainly in terms of reducing the impact of concentration on particular sectors, such as energy. In the first half of the year, it made almost 1 percentage point less contribution to growth. Nonetheless, we should focus on the structure of the impact on economic growth and, above all, on the economic potential Albania offers in several sectors, such as agriculture and tourism. It is, therefore, understandable that infrastructural developments assume importance. Bolstering the competitiveness of medium-sized firms in Albania is equally important, the formalization of the economy holds also similar importance, and access to finance for all the elements mentioned above are necessary to make this growth sustainable in the medium run.

The economic outlook remains positive, the average level of inflation stands at 2% and the monetary policy stance is accommodative, creating a financial environment characterized by low interest rates. Such conditions may boost lending, albeit at low rates, and I believe that the questions raised today will receive adequate answers.

Moreover, some of the positive indicators in the banking sector, notably those related to capital adequacy, which currently stands at 18.5%, or the decrease of non-performing loans at 11.2% are to be commended and praised. Bank of Albania's data show the annual growth rate moderately increased by 6.8% in the second quarter of the year and we look forward to seeing all such elements be further promoted.

The World Bank has welcomed the adoption of the Bankruptcy Law and Bank of Albania's role in the improvement of the regulatory framework. Together with the commitment of the MoFE, the issue of non-performing loans will be further resolved, in the hope of eliminating this persistent concern conclusively. Access to finance for small and medium-sized enterprises is an imperative requirement. The Albanian government is engaged in many ways to help such access to be productive and efficient through schemes that promote lending by supporting an important element, the collateral, which is very helpful during financial analysis and assessment of risks. However, we see that the effectiveness of many of such initiatives is yet to be analysed and assessed in the framework of further enhancing access to finance.

In line with expectations to provide a sustainable economic growth in the order of 3-4% in the medium-term, the Albanian Government and the Ministry of Finance and Economy are continuing their reforms and commitment to improve the legal and institutional framework in various sectors of the economy.

We are cooperating with the IFC to finalize the Unified Investment Law. Also, in cooperation with the Bank of Albania and the Albanian Financial Supervisory Authority, we aim to improve the financial legal framework for the Payment Systems or for the Collective Investment Undertakings. In July, we approved the amendments to the Law on "Concessions and Public Private Partnership". We have completed the Public Consultation on the Law "On billing and the monitoring system of circulation", aiming for a higher impact on the formalization of the economy.

Implementing fiscal management reforms as part of the broader structural reforms will help foster competitiveness, boost productivity, and promote innovation while ensuring

fair competition among market players.

During our chairmanship of Albania's Central European Free Trade Agreement, in 2019, we sought to promote dialogue for a common regional market, the advancement of e-commerce in the region, and promoting a region whose potential is yet to be fully explored by investors.

These are all initiatives aiming at a steady long-term governance and a stable legal and institutional framework. It is important to highlight that only through coordinated reforms with all stakeholders, we may look forward to a sustainable and long-term economic growth.

Central institutions will constantly support the development of the financial sector, possibly in the future also through legal packages, which offer new opportunities for exploring and developing bank and non-bank institutions in Albania.

Moreover, I am confident that your contribution and the valuable experiences shared here today will generate several duties for us at the Ministry of Finance and Economy, and we are happy to accommodate them.

Thank you, and I wish success to the conference!