

Fatos Ibrahimi: Development of small and medium-sized enterprises in Albania

Speech by Mr Fatos Ibrahimi, Deputy Governor of the Bank of Albania, at the meeting of launching the "Program on the Development of the Small and Medium-sized Enterprises", Tirana, 20 January 2009.

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Your Excellency Mr. Ambassador,
Honourable Mr. Ministers,
Honourable participants,

It is a special pleasure for me to attend this event and I avail myself of the opportunity to greet on behalf of the Bank of Albania this joint recent initiative, between the Ministry of Economy and the Italian Collaboration. The financial support of small and medium-sized enterprises has a particular importance for the development of this project and for the release of managing abilities of the economic units. The financing of small enterprises, for the small developing economies, is a worthy opportunity to increase both the employment and the economic activity based on the initiative, ideas and producing capabilities of small groups or of distinguished individuals, who owns the courage and knowledge to generate material goods and to increase the welfare of the society. The small and medium-sized enterprises in Albania, over the transition period, have been growing with quick steps, hence showing up as a distinguished characteristic of the whole Albanian transition, having survived to the domestic economic difficulties as the fall of pyramid schemes or other problems related to the reforms and the process of completing the institutional and legal framework. The contribution of small enterprises to the growth of service, construction, trade and agriculture sectors, where micro-enterprises compose the largest part of this group, has been obviously significant for the short-term and stable revival of the Albanian economy.

These enterprises have provided a substantial input to the decrease of unemployment and to the rise of productivity in the aforementioned economic activities, with a considerable impact for the quick growth of the Albanian economy. The domestic economy is noticeably improved over the last decade and the progress made over an expanded period of these last years reflects a positive and relatively stable macroeconomic environment. The growth rhythms of real GDP, are assessed as plausible, and in general higher compared to the other countries of the region. The consumer price level as well, has resulted in compliance with the target of the central bank for the price stability. "The calmness" of the external factors that struck the supply reaction and the domestic macroeconomic stability, provided the inflation rate be normalised within the targeted limits. The developments occurring in the exchange rate already are perceived as stable compared to its high fluctuations characterising the '90s. In the view of domestic currency against the main foreign currencies basket, LEK has appeared with appreciation tendencies on continual basis during an extensive period, thus acting as a softer against the imported inflation.

Estimations carried out at the Bank of Albania reveal that the relative high growth of real GDP during the period 2003-2007 is endowed to the rise of work productivity as well as to the increase of investments in the economy.

Simultaneously, banking system is expanded with detectable and confident steps. The situation appears also pleasurable regarding banking credit to the private sector. Business credit has played the main contribution to the enlargement of banking credit portfolio, by 66%. The augmentation of this portfolio is considered to have impacted positively the growth of economic activity for the main sectors. In September 2008, credit portfolio was dominated from the lending to trade sector (around 25%), to construction (around 15%) and to industry (over than 15%). The credit to small and medium-sized enterprises as at November 2008

resulted at 60% higher than the year end 2006, based on the calculations of the Bank of Albania, hence being a ratio over the half of the bank total credit granted to the business. Thus, crediting activity of banking system has supported the growth in the main sectors of economy and has assisted to the further deepening of the financial intermediation. This support is identified in the larger geographic expansion of them as well as in the services gamma and the improvement of products supplied by the financial system.

The today initiative is a significant event, to sustain the growth of financing for this vital part of the economy and it will help to soften the negative impacts of the world economy slowdown. I encourage the banking system and the other players of the market to undertake similar initiatives in order to not impede the financing of small projects, which owns the possibility to be transformed into profitable enterprises. At the same time to maintain a stable and long-term progress of the country, in line with its European aspirations, the banking system should go on the way toward the perfection of service versus the clients, the intensification of communication and public education.

Bank of Albania believes that the sources of the stable growth for the mid-term and long-term period consist not only on the encouragement of the work productivity increase or of the investments in industry and construction, but also in other strategic sectors. For the Albanian economy as a developing economy, domestic investments and foreign direct investments in strategic sectors as tourism and infrastructure shall be a real foundation to the economic growth. The positive chain effects are expected to be reflected on the preservation of the steady growth rhythms. Hence, the overall macroeconomic stability will be seen as a precondition in promoting the further intensification of the domestic and foreign investments. At the closure, the continuation of reforms and of the indispensable structural improvements will bring about positive and long-term outcomes for the establishment of a more secure climate for the domestic and foreign business investments.

Thanking you once again for the invitation, I wish you good proceedings of this important event for the development of the business in Albania.