

Gent Sejko: Judging the progress achieved regarding reforms and economic policies

Opening address by Mr Gent Sejko, Governor of the Bank of Albania, at the the presentation of the EBRD's Transition Report 2016-2017, Tirana, 27 January 2017.

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Dear EBRD representatives,

Dear participants,

It is a special pleasure for us to host this event again and offer our cooperation for the presentation of the Transition Report 2016–2017, compiled by the European Bank for Reconstruction and Development.

While only one year has passed since the last presentation, the challenges facing the global economy have been numerous. They are rather complex, creating the perception that we are before a new era.

The existing problems, combined with the political, economic, and social developments in recent years, have contributed to the insofar convergence process. Nonetheless, the Transition Report evidences and documents, professionally and reliably, the economic, legal and institutional progress made in terms of transition and convergence, providing the appropriate space and priority for the future reforms.

This is notably an independent assessment and a contemporary standard that helps us objectively judge on the progress achieved regarding reforms and economic policies implemented by the authorities in the relevant country. Figuratively, it sets the pace with which the society may assess the responsibility and accountability of the authorities to the public and the market.

In this context, the report assesses as positive the reforms and economic policies undertaken by the Albanian authorities. Moreover, the conclusions of the report on economic developments and monetary and financial situation are similar to the analyses and conclusions of the Bank of Albania at the end of 2016. In concrete terms, the Albanian economy has accelerated the growth pace driven mainly by the accommodative monetary policy of the Bank of Albania and its effective pass-through to the economy. These factors, coupled with the further recovery of domestic demand will play a significant role in the further growth of economic activity during 2017.

The Report points to the important fact that the banking system is liquid, well capitalised and capable to withstand shocks that may come from the external sector. It identifies non-performing loans as the main risk not only to the system's soundness but also to the monetary policy pass-through in credit growth for the private sector. The report assesses positively the coordinated plan of actions by the Bank of Albania in cooperation with the Government of Albania and international institutions, to address comprehensively and definitively the issues of non-performing loans.

The action plan of the Bank of Albania is a broad and complex process, which consists in legal and institutional regulations and decisions. I am happy to see that the EBRD has reached the conclusion that this legal, regulatory and institutional process will contribute to reducing the non-performing loans, in the long term. It is also encouraging to note that the report makes a similar positive assessment for a group of reforms undertaken by the Albanian government and other authorities in the area of market liberalisation, privatisations, energy sector and infrastructure.

Looking ahead, the report assesses objectively the global macroeconomic environment as overall favourable. The nature and origin of capital flows toward the transition economies is immune from the adverse effects from the Brexit or increase in interest rates in the US economy. For the Central and Southeastern Europe, during 2017, the economy is expected to grow faster, driven by domestic factors and a slight and stable improvement of the economic situation in foreign trading partners. The main risks relate to the performance of commodity prices, and in particular to geopolitical and global economic developments.

The deepening social inequality is an issue of particular concern that has been present across the board in transition countries. The report evidences that inequality in the economy, in terms of opportunities and financial inclusion, has been expanding, contributing negatively to economic welfare in transition countries. Finding solutions is a difficult challenge, with financial education and financial inclusion considered as tools for addressing this issue successfully.

I would like to take advantage of this opportunity to emphasise that the Bank of Albania and the banking system are paying particular attention to these two topics. Our financial education programmes, informative publications on banking products and services, coupled with regulation, licencing, introduction and support for new payment and financial services technology and instruments, are aimed at enhancing financial inclusion and generating opportunities for financial access for all groups of the society.

The Bank of Albania deems that more may be done with regard to designing and promoting financial products that satisfy better the needs of such groups. In addition, we think that there is more space for faster growth of credit to the private sector, particularly for certain sectors, in which inequality is more notable. More concretely, agriculture is a good example to illustrate this point. While it contributes a significant share to the gross national product, it only gets a small share of credit and other financial products.

Beyond these policies and strategies for developing financial products, the real fight against poverty and inequality in the long term should be based on accomplishing structural economic, legal and institutional reforms, designed in the framework of the European integration process. The priorities of our economies should focus on maintaining macroeconomic and financial stability, continuing structural reforms in infrastructure and the labour market. Creating favourable conditions for doing business and for honest investors, by fighting informality, should be accompanied with the creation of human capital and preparation of the workforce in accordance with the actual technological developments and challenges.

Dear participants,

The Transition Report 2016–2017 of the European Bank for Reconstruction and Development is an important document for all of us. Regardless of our status – decision-makers, policy makers, researchers, academia or journalists – the report provides abundant information for furthering our analyses and conclusions. I invite you all to read it, and rationally and responsibly materialise its conclusions in your analyses for the present and the outlook of the economy.

Thank you!