

## Ardian Fullani: Promoting investment in Albania

Speech by Mr Ardian Fullani, Governor of the Bank of Albania, at the 3d International Conference on “FDIs in Albania”, organised by the Albanian Investment and Development Agency (AIDA) and the Islamic Development Bank (IDB), Tirana, 11 June 2012.

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Your Excellency Mr. Sali Berisha,

Dear Mr. Khalid Al Aboodi,

Dear Minister of Finance,

Dear ladies and gentlemen!

It is a special pleasure for me to address this joint conference with the Islamic Development Bank, dedicated to the promotion of investment in Albania. Allow me first to extend my thanks to **Dr. Ahmed Mohamed Ali Al Madani**, President of the Islamic Development Bank, for his utmost contribution to lobbying and supporting Albania’s interests in the Arab and broader world.

The Bank of Albania assesses that Albania’s macroeconomic stability has been and remains a fundamental condition steering economic agents’ investment, consumption or savings-related decision-making, not only for the present but also for the future. It is this very fundamental equilibrium in the economy that paves the way for Albania’s long-term economic and financial development.

Let me recall to you that, in present days, macro-financial situation represents the “passport” the entire economic and financial credibility of a country is built on. In an integrated market that is ever-increasingly being affected by the globalization process, macroeconomic stability exerts the same impact on foreign investors as well. It is for this reason that our monetary policy, our role as the supervisory authority for the banking sector in Albania, and our contribution to the communication between the public authorities at home, have been based on and have reflected this fundamental principle.

The Bank of Albania has succeeded in guaranteeing a favourable macroeconomic environment in the recent years. I would like to remind you that the stability of the Albanian economy has been achieved under the constant pressure of the global crisis, which has severely hit our main trading partners.

Thanks to the efforts of the Bank of Albania, successful monetary and fiscal policy mix, stimulating policies in the tax area and ongoing improvement of the business environment, the Albanian economy has recorded satisfactory growth rates ranging 3–4% in real annual terms. This growth has been achieved amidst an environment characterized by stable prices and a balanced exchange rate. Albania’s financial stability has, in no single moment, been put into question, and the banking system, which enjoys buoyant liquidity situation, continues to increase financial intermediation in the economy.

Allow me now to elaborate on these issues. The primary objective of the Bank of Albania is to maintain consumer price stability, which in quantitative terms is expressed as the annual increase in prices in the 2–4% range and targeting the midpoint of 3%. The Bank of Albania has successfully achieved this objective.

Different surveys show that economic agents report stable expectations for a low inflation. This consistent profile of our monetary policy has proved particularly useful in the last few years. We have had greater flexibility to implement a prudent easing monetary policy that promotes investment and consumption at home. Over a several-month period, the Bank of Albania has made a number of decisions for cutting the key interest rate in the economy, the one-week interest rate on repurchase agreements, to its record low of 4.25%. It is a pleasure

to note that the degree of pass-through to the economy is satisfactory and in accordance with the time lags in the monetary transmission mechanism. During this easing cycle, the annual increase in the inflation rate has remained under control and lek's exchange rate has been stable.

As a result, foreign direct investment and other portfolio flows have been stable, financing the major part of economic agents' current demand for foreign currency. Macroeconomic stability is not an exclusive task of the central bank's activity, but it reflects broadly the sharing of the same principle and harmonization of actions with fiscal policy.

Financial system's stability, and the banking sector's stability in particular, is the second main pillar of our activity. I can state that, in the recent years, we have devoted most of our capacities to meeting this objective.

The challenges have been numerous considering that banking activity reflects not only the stability of the institution itself, but also the overall economic conditions. However, in close cooperation with the banking industry, we have succeeded in taking some measures that have enhanced the banking system's resilience.

As a result, despite the slower credit growth rate and lower credit quality, the banking sector continues to generate profit and remains well capitalized and liquid. In March, capital adequacy ratio stood at 15.9%, while liquid assets accounted for almost one-third of total sector's assets. The banking sector has expanded its activity driven mainly by the performance of public deposits, which continue to grow at buoyant rates.

We are, however, aware of the risks exposed during this period characterized by numerous unstable developments in global and regional economy. Therefore, our supervision has placed great emphasis on identifying the various risks to banking activity, improving the banking sector's ability to manage these risks and strengthening the legal and operational framework to address them in case of their materialization.

In the wake of the global economic crisis, many countries are redesigning their economic development agendas and models. Throughout many years, the Bank of Albania has initiated, encouraged and supported this discussion by engaging in an open communication with the public authorities, business community and academic circles.

Our opinion is that economic development policies should contribute to setting a better balance between the development priorities of the sectors of the economy, by supporting agriculture and production. One of our immediate objectives is enhancing the economic capacities that improve the competitiveness of our products and benefit more from foreign demand. To this purpose, the development and further perfection of financial infrastructure, as well as the qualitative improvement of technology, are, among others, a priority. We must ensure a well-educated labour force, able to adapt to the international labour market, in addition to the local one. Therefore, the education-related policies on the younger generation must, above all, ensure the quality of education and incorporate programmes that assign greater importance to its practical orientation.

The Bank of Albania is now very seriously committed to its public financial literacy programme. In this context, we have designed and implemented a series of projects and cooperation initiatives, covering different age groups and geographical areas across the country.

It is clear that these objectives cannot be accomplished by the simple wave of a magic wand. They are even hard to be accomplished in due time and with the capacities of a single economy. Albania is indeed a small economy but thanks to continuous reforms, it has turned into an attractive country to foreign investors. Our vision has been and remains open to any regional initiatives. We are able to become part of joint regional projects, thus providing evidence for the great absorptive capacity for big investments and serious investors.

Therefore, the formulation of policies for attracting foreign investment, coupled with the constant improvement of the business climate and relevant legal framework, should be continuous part of the country's economic development strategy.

Dear guests,

Despite being a small country, Albania represents a vibrant economy with vital people who are able to undertake wide-ranging business initiatives.

Moreover, our country shares a considerable part of its official borders with Albanian-inhabited areas, hence providing a different quantitative and geographical dimension to various potential business initiatives. I believe that Albania is one of the countries currently being listed among the distinguished European countries, enjoying stable macroeconomic and financial stability, and economic growth.

We have ample natural resources, fantastic diversity of climate, cultures, social, ethnographic and geographical features, qualified labour force, admirable flexibility of private entrepreneurship and an improved legal framework. For these reasons, I avail myself of this opportunity to invite you to increase your interest in Albania and make it part of your investment or partnership projects. I am strongly confident that this will not only contribute to Albania's and the Albanian people prosperity in the future, but it will also represent a safe investment alternative.

Thank you for your attention and I wish you all great success!