

Gent Sejko: Launching of the EBRD Transition Report 2024-25

Opening remarks by Mr Gent Sejko, Governor of the Bank of Albania, at the presentation of the Transition Report 2024-25 by the European Bank for Reconstruction and Development (EBRD), Tirana, 28 May 2025.

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Dear guests, colleagues and friends,

It is a special pleasure for me to be with you hosting the presentation of the Transition Report 2024-25 by the European Bank for Reconstruction and Development (EBRD).

The Transition Report 2024-25 provides an in-depth analysis of a highly dynamic issue of nowadays: the reformulation of industrial policies in a global context shaped by new challenges and opportunities. The EBRD, while placing it at the heart of this year's Report, highlights the increasing complexity and strategic rebound of industrial policies as a tool to address structural changes in both advanced and developing economies in the 21st century.

Nowadays, these policies in addition to being considered as a merely tool supporting the existing industries, should also be seen as a lever for establishing diversified and innovative economies. For more than two decades, in Albania and the region, we have prioritized structural reforms that build strong institutions, improve the business climate, and create an open and competitive economy. Over the past five years, these reforms have contributed to an average economic growth of 3.5–4%, a reduction in unemployment to 11.3% in 2024, and a 7% growth in private consumption. These reforms have been-and remain-essential, but today, they are no longer sufficient, as we face a completely different global reality.

- Geopolitical tensions have caused a 30% increase in the cost of global supply chains since 2020.
- According to WTO, trade fragmentation has reduced the global trade flow by 5.4% in 2023.
- Reindustrialization policies in advanced economies (e.g., the Inflation Reduction Act in the USA and the EU Green Deal) which now channel over 80% of global investments in clean technologies.

Many economies-including our economy-are currently facing a demographic decline, changes in the labour market, and sectoral imbalances. In this context, the debate on industrial policies has shifted from discussion to clear, data-driven strategies.

What does this mean in practice?

First, we need to understand that today's industrial policies are not about protecting old industries, in contrary they promote sectors of the future-those that can grow, scale up, and create sustainable value. For many EBRD countries, including Albania, the path to growth through traditional industrial exports has become more difficult. In its place, a new opportunity is emerging: the export of digitalized and internationally tradable services.

These "global innovation services"- such as information technology, design, logistics, and data analysis-are at the heart of productivity growth and added value. But to develop them, strong foundations are needed, such as: investments in education, a skilled workforce, modern digital infrastructure, and high institutional capacities. Some Central and Eastern European economies have already become leading exporters in the field of computer services. Albania also has the potential to follow this path.

Second, the policies we undertake must be aligned with the European integration process. As a small and open economy, with 70% of trade oriented towards the EU, Albania has much to gain by moving towards the European Union convergence. Moreover, membership in SEPA brings us closer to European markets and reduces international transaction costs by 30%.

Third, we should ensure inclusion and sustainability. Industrial policies, in addition to focusing on sectors where we have potential to win in global markets, should also focus on those that are vital for employment and social cohesion within Albania. Specific-tailored local policies should underpin industrial policies, such as special economic zones-and be carefully designed, by emphasizing local and regional specific characteristics.

Fourth, state aid should be directed on firms with high potential. Data show that new and dynamic firms are the main drivers of employment and innovation. Policies aimed at stimulating them-such as loan guarantees, subsidized interest loans, or government-backed venture capital funds-can make a big difference.

Dear guests,

In this debate on industrial policy and development directions, the role of the central bank, although not direct, is special and irreplaceable.

The central bank does not compile industrial policies, but it contributes to them as a guarantor of macroeconomic and financial stability-a fundamental condition for any sustainable development. Today, we can say that the Albanian economy continues to grow (GDP grew by 4% in 2024, inflation remained at 2%, private credit increased by 16.7%, and the non-performing loans ratio has dropped to a historic low of 4%). These facts reflect a sound, stable financial system able to support the real sector.

Price stability, functional financial systems, a banking sector, and a modern payment system that serves the real economy-are important prerequisites for long-term investment and sustainable development of the country. Beyond this, the Bank of Albania is also providing a significant contribution to improving financial inclusion through innovations in payment systems and membership in SEPA, the institutionalization of the basic account, effective supervision, financial education, and the promotion of financial innovation. These interventions open new markets and opportunities, so the Bank of Albania will continue to contribute to all these areas with dedication and professionalism.

Concluding, I invite you to be ambitious yet prudent; to design industrial policies that are smart, inclusive, and aligned with our long-term aspirations. Above all, let us invest not

only in sectors of economy, but also in people as the basic unit of the workforce, as well as in institutions and infrastructure that will define the Albania of tomorrow, in our path towards European integration, as a space of opportunities for continuous transformation.

Thank You!