

For a dynamic and integrated economy

Speech by Prime Minister, Edi Rama, at the Conference
“Strengthening Linkages in South East Europe: Policy Anchors
and Business Perspectives”

Honoured Ladies and Gentlemen,

It is with great pleasure to address this audience with a few remarks related to the state of the economy, challenges and our new approach with regard to a situation that has but little room for optimism.

Albania is going through a systemic crisis which is the result of several years of neglecting and failure to address the needs of the economy in terms of its structural substance, with them becoming much more acute as a consequence of the international financial crisis and the effects that followed on our economy. Although affected to a small extent in the first years of this crises, even as a result of its low degree of integration and exposure to the global financial markets, Albania was faced further with a fast deterioration of the conjunctural and structural conditions that stemmed from a failure of the authorities to act and their persistent refusal to view and share the economic reality with the public at large; the fall in exports and imports, a decrease of the domestic demand and employment, the increasing of non-performing loans and a sluggishness of the banking system to crediting the economy, and, obviously, last but not least, the dramatic decline in economic growth.

We have made a commitment to start an immediate auditing of our money administration system and expenditures in all areas and shall stick to that commitment all the way. This auditing process will be conducted by one of the four biggest international auditing companies and what we hope to get out of it is to finally obtain a realistic outlook of our economy and of the state's relationship to public and private money, because actually are faced with a situation, where our economy has been divided into two parts, with an economy of the budget which the state is interested in, on one hand, and a private sector economy, on the other, towards which the state is heavily responsible due to an outstanding accumulated debt which I will elaborate further below.

The immediate and inherent need of the economic model today is to make a clear shift from transition economic model into a model of the economy of the future. Since 22 years now, our economy has relied on revenues from remittances, on privatizations as a current account, on the internal and external debt that has currently reached an historical peak, which, yet, exceeds official figures and, together with the formally declared one I just mentioned amount to around USD 400 million, including the non-refunded VAT. Moreover, this is an economy based on high import rates, while it lacks *per se* the required level of productivity and following employment that would have made it a more sustainable model.

What we would need these days more than ever is to change the structure and resources of economic growth and the contribution of different sectors in the domestic product, by making sure that both financial and human resources are allocated to these areas on

realistic terms. We can no longer continue to live with impasse created by the significant liabilities towards private sector. Such debt has led to an economic stand-off and this whole chain of liabilities has practically crippled the influence of banks in economy.

We are preparing to pay this debt, as soon as possible. We cannot act as if it is not there and neither can we weigh such burden on the private sector and companies that is currently suffocating them. We cannot ask the banks to be more active unless we do not repay this debt, and we shall do so at any cost.

Certainly, most important to us is the change of approach on the truths of economy and a shift in stand towards the economic protagonists. We do not see the State as the main protagonist while considering others as second-hand players. We are here to bring a radical change into these relationships and to put the state at the service of economy rather than the other way around. These years have been marked by many adversities and I believe they suffice for us to draw all the lessons we need to move forward, without pretending to be unmistakable, but having a clear intention to be infallible in relation the mistakes committed in the past so that we avoid repeating them.

Nobody will ask from us to be infallible, in the same way as no one in this world can be required to be so. What is required of a Government, instead, is to keep from falling in the trap of past mistakes and we are very much committed to that. Rather than as a direct impact on our economy, we should view the crisis as a source of lessons it presented us with in terms of the efficiency and level of performance of our economic, financial and social policies.

We have obtained a clear vote to change the governance of the country. I believe that this is a clear verdict aimed at enacting a new profile for the Albanian economy, which will be driven towards a more dynamic and integrating model and will have a structure that brings us ever closer to the European economy, as a democratic economy, first, and, then, as an economy that generates success through freedom of competition and, consequently, brings well-being.

For this reason, it is our intention to tackle immediately a series of central issues that will allow us to begin very soon with a process of economic recovery, without pretending that it will be immediate, but, on the other hand, avoiding to keep the same old way of a fabricated growth.

We want to rely not only on the traditional or fundamental policies of furthering privatizations, of opening the markets or economic liberalization in general that are absolutely crucial to the process of democratization of the economy, but above all, we believe that in terms of the context itself, geography, content and size of population, a shift in the relationship between the State and economy, the relationship of Government with business, and that between the governing process and markets in general, constitute a basis over which we can build a lot in the times to follow.

It is for that reason that we would like to build a new model of sustainable economic growth and be oriented toward:

1. A new relationship with the business, having as a priority the small business, in particular.

2. Employment policies

3. Incentivizing and support policies for investments and funding of the economy.

It is very important to restore the confidence in our country's economy, in the structural reforms and their efficiency as soon as possible, so that through the recovery of the relationship with the domestic business we can turn Albania into an attractive economy for foreign investments and partnerships with the international business and major investors. But, first, we need to find and build examples here, amongst us.

With this in mind, we are developing a series of measures that we will, sooner rather than later, share with the business, with banks, with international financial institutions, that is with all the protagonists of the economy, repositioning the state and the Government itself, as one of the many protagonists rather than the sole protagonist deciding everything about anyone.

- A new strategy on economic growth through restructuring and proper reforms is indispensable.
- The growth of the gross domestic product is a priority.
- The development of specific and supporting policies that would boost exports is an imperative.
- A newly-coined relationship between the State and the business – perhaps, I am repeatedly considering the issue, but it is the starting point for the entire business - that would that more public goods and facilities are generated, is a necessity.
- A State that is not merely a blind imposing regulator, but a partner that is concerned with and committed to fighting

corruption and guaranteeing the freedom under which actors can operate according to their merits, is a necessity.

- Specific fiscal policies that support the long-term development through an improved business climate, a realistic simplification of the system that is not only simple to a few and rather complicated to many, and encouragement of domestic and foreign investments are imperative.
- Specific employment policies are absolutely needed. We have taken a major commitment that many might laugh at, but that we have taken as seriously as ever, and that is that we will succeed in creating 300 thousand new jobs. That is not a commitment that simply involves a significant number, but it is based on the reality of an economy that as much as it is constrained, presents many opportunities, under the conditions where many people are unable to work not because of any lack markets, but because of missing basic conditions, such as the ownership title over the property.
- Supporting with priority every enterprise that creates new jobs and generates long-term benefits for the economy, is indispensable.
- An overall revision our education system that would lead us to have a qualified labour force that matches the market demands, in cooperation with the business is equally a necessity.
- It is absolutely important to have in place policies of vocational re-qualification and market adjustment that many Albanian companies are already pursuing, turning into models that the Government should draw upon and do its best so that they are spread and applied, for the sake of their own benefit.

- A re-evaluation of the use or misuse of our natural resources is crucial, in order for us to reach maximum exploitation of their potential.
- A new way of using public money and providing services is an imperative.
- Concrete measures that would create easier and supporting conditions for an increased crediting of the economy from the banks – again, in this respect, there is no revelations to be made or wheels to invent, we just have to listen to the banking sector itself, beginning with the Bank of Albania – is again indispensable to develop financial markets and enhance their effects in financing the economy.
- An overhaul of the Albanian economy from an economic model that does not operate in isolation and for itself, into one that is increasingly integrated with the regional economy or economies.

Allow me to seize this opportunity, with many and respected guests from the region, to say we are living a new era the region following the Agreement between Kosovo and Serbia that marked the end of a history of bloody conflicts and has definitely closed the door to the ghost of such conflicts, while opening a wide horizon of opportunities, that, most of all, are opportunities of economic and social development. The time has come for us all in the region to simply be Brussels' "annoying guys" or troublemakers" that need to behave and do their homework, and, further, report accordingly to the director about behaviour with their neighbours. Instead, we have to become ambitious states that can address Brussels with common ideas of a common economic development, with joint projects in infrastructure, energy, environment protection, education, culture, so that we do not loos

momentum and prevent such moment of peace, the first of its kind in the history of the region, free of any ghost of conflict, from turning into a moment of vacuum that could give rise to new nationalistic or extremist phantoms that may well take advantage of the agreement itself, telling people that they are jobless because they made peace with the enemy.

Without further ado, I would like to tell you that next month will mark the establishment of the National Economic Council, which will be a long-missed forum that will regularly bring together at the same table and side by side, the Prime Minister, the Minister of Finance, the Minister for Economic Development and the Governor, the representatives of the banking sector, of the business, international financial institutions, representatives of foreign investors and a number of world-level economic consultants who will discuss the progress and the possible corrections of the path of our new development strategy. On the other hand and equally important is the actions to guarantee an end of the era where businesses were held hostage by directors of taxes or customs or whatever structures, paving the way to a time where a businessman put on the same pedestal as the sportsman, the musician, as each and every hero of our time, in the best meaning of the word. I know now some will take this expression, “the hero of our times” and make it a Facebook status, but that is irrelevant; what’s important is to leave them with something to do.

I want to declare our will to give the tax and customs of country the face of the next generation Albania, in both appearance, behaviour and, obviously, performance. We are also elaborating a plan which I can mention as an idea and which we will present

to the business when it takes its final form. We want to release the large business entities, accounting for at least 1 000 of the largest taxpayers, from tax audits. We no longer want audit large business. We want, instead, that it is self-audited through the audit of 4 big companies and, then, such control may take place in full respect of those who do business in Albania and in a relationship in which, together but from different positions, we should act as one, keeping in mind that our goal is to develop the economy. There cannot be a developed economy without the business; on the contrary, the more the business has room to breathe and move, the more will the economy grow. Likewise, we will put an end to the era where the economy is perceived in two: the economy that is one with the state budget and which the Minister of Finance guards at any cost, at the expense of the business, and that other economy, which is the economy of the enemy, of him who makes money by exploiting the people. To us, this new era should start with putting the Albanian businessman on a pedestal and fostering a new relationship with the business, which I believe will also lay the foundations of success in the fight against corruption.

Corruption is nothing but an alternative service and it wins anytime the legal service is missing or sluggish, or it acts in disguise in the name of the state to nourish interests of those who have nothing to do with the state. We will dismantle corruption as an alternative service by setting off together on this common journey that will save the economy from the grip of the crisis and will change the position of the State as a jealous enemy of the success of the entrepreneurship, making it a proud protagonist for every succeeding entrepreneur and in every successful enterprise.

Thank You!