

## Macroeconomic elements on the developments of the Albanian economy during 2020 and onwards

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### Abstract

The Albanian economy has experienced two consecutive strong negative shocks, initially from the earthquake of November 2019, and further from the Covid-19 pandemic. Their combined impact is expected to generate a deep contraction of the economy in the years 2020-2021 and more. The recession of the economy is estimated to be driven by declining private consumption, investment and exports. On the other hand, the reduction of imports as well as stimulating macroeconomic policies is estimated to soften somewhat the contraction of the economy. With the overcome of the health emergency, economic activity is expected to recover and accelerate growth rates in the coming years. But uncertainty about the form and speed of the economy's recovery remains high, and the impact of the shock on the long-term performance of the economy remains difficult to assess.

**Keywords:** Macroeconomic elements, Albanian economy, 2020.

### Introduction

Measures taken by the government and the Bank of Albania have helped alleviate the immediate effects of the crisis and on maintaining financial stability, which is an important precondition for helping the economy recover. The financial system appears stable and the banking sector continues to be characterized by capital adequacy, remains liquid and profitable. The non-performing loan ratio has continued its downward trend, aided by the policy of postponement of amortization payments, undertaken to reduce the impact of the pandemic.

Overall income for the period of 2020, were realized in terms of 95,3% of the total annual plan.<sup>1</sup> Reflecting the stimulus fiscal packages in response to the closure of economic activities during the period March-May 2020, but also the impact of the economic downturn on budget revenues, the deficit and public debt were increased in 2020. The current account deficit has also expanded to reflect the effects of the COVID-19 pandemic on exports, mainly exports of travel services and on operating income and inflows remittances.

As for, the general public expenditure for the period of 2020, were realized in terms of 97.6% of the annual plan.

The current account deficit<sup>2</sup> recorded EUR 611.9 million in the first half of 2020, being extended by 8.0% in annual terms during this period. It is estimated at 9.9% of GDP, from the level of 8.4% recorded in the first half of 2019. The widening of the

<sup>1</sup> Published by Ministry of Finance and Economy, "the summery of 12 months performance of public revenues and expenditures". February 2021. Tirane. Albania.

<sup>2</sup> Published by Ministry of Finance and Economy, The annual report on budget execution 2020, Published in February 2020.

deficit was due to the decrease in the surplus of the services sub-account (by -25.2%), as a result of the strong decline in the export of "travel services". On the other hand, the goods account deficit narrowed by 11.3%, due to the decline in imports due to weaker aggregate demand. The narrowing of the goods account deficit has caused an overall improvement in the trade deficit (by 3.2%) compared to a year ago. Meanwhile, balances have deteriorated in revenue sub-accounts; whereas, the expansion of the primary income deficit was caused by the decline in income from work and the reduction of the secondary income surplus was caused by the decline in remittance inflows<sup>3</sup> (by 18.6% in annual terms).

Net capital inflows amounted to EUR 48.9 million in the first half of 2020<sup>4</sup>, from EUR 30.2 million in the first half of last year. Net liabilities in the financial account expanded by 29.3% in annual terms. This expansion was influenced by the issuance of Eurobonds, which increased liabilities in the form of portfolio investments. On the other hand, Net Foreign Direct Investment<sup>5</sup> fell by 17.0%. As a result of these developments, the current account deficit financing structure has shifted towards debt-generating flows for the period in question.

Albania's gross external debt has expanded to 68.1% of nominal GDP at the end of the first half of 2020<sup>6</sup>, from 60.4% at the end of 2019. The debt records EUR 8,908 million, registering an annual increase of 6.8%. The increase in liabilities as a result of the Eurobond issue has been the main factor behind this increase. According to the sectoral division, a debt distribution is evidenced as follows: (i) the general government owns about 50.0% of it; (ii) deposit-taking corporations about 15.8% of it; (iii) other sectors about 15.3% of it; (iv) foreign direct investment (FDI) about 18.3% of it; and (v) the monetary authority about 0.01% of the debt. The distribution of debt by instruments shows that "other investments" in the form of "loans" and "deposit currencies" represent the main debt instrument, which is followed by FDI inter-company loans. Meanwhile, the issuance of Eurobonds has caused an increase in the weight of "portfolio investments". According to maturity, long-term debt accounts for about 82.0% of the total. It has expanded in annual terms by about 9.2%.

The level of foreign reserves in September 2020 stands at 4.128 million Euros, marking an increase of about 20% from a year ago<sup>7</sup>. Foreign exchange reserve adequacy ratios result significantly above critical levels. The ratio of reserve stock to short-term external debt is estimated at 184%, significantly above the critical level of 100%. The foreign exchange reserve for the same period is estimated to be sufficient to cover about 8.7 months of imports of goods and services.

<sup>3</sup> Published by The Central Bank of the Republic of Albania. "AN Overview of Remittances in 2020". December 2019.

<sup>4</sup> Published by Ministry of Finance and Economy. The normative act no.15. "the midterm report on budget implementation" Date 15.04.2020. Tirane, Albania.

<sup>5</sup> Published by Ministry of Finance and Economy. The normative annual act no.28. "The midterm report on budget implementation" Date 02.07.2020. Tirane, Albania.

<sup>6</sup> Published by Department of Statistic and Finance part of "The Central Bank of the Republic of Albania". "An overview on gross external debt". Date 10.06.2020.

<sup>7</sup> Published by Ministry of Finance and Economy. "the annual fiscal indicators according to the consolidated budget". February 2020.

Average annual inflation was 1.6% for the first nine months of 2020<sup>8</sup>, marking a slight increase from the same period of a year of the first. The increase in inflation was concentrated in the second quarter and was mostly influenced by the effect of the measures taken within the pandemic, on food prices. With their relaxation, the downward pressures on the demand side became more evident. Inflation was reduced to 1.4% in the third quarter, after was raised to 1.9% in the second quarter from 1.6% in the first quarter.

During the first nine months of 2020,<sup>9</sup> food prices, especially unprocessed, fluctuated sharply. Their growth in the second quarter reflected imbalances in supply and demand for food products and also the difficulty in marketing them due to the pandemic and measures taken to prevent it. With the easing of measures in May, the inflation of unprocessed food products returned to seasonal fluctuations and came to a slowdown in the following months. On the other hand, the prices of processed foods have increased their contribution throughout the year, reflecting the increase in the prices of raw food in international markets. The prices of the other main groups of the inflation basket fluctuated in different directions, balancing each other. Energy commodity prices declined for the first nine months of the year, mainly due to the price of oil in international markets. Meanwhile, services inflation on the high mainly due to rental prices.

In terms of the most stable components of inflation<sup>10</sup>, core inflation was increased during the first three quarters of 2020, marking 1.4% from 0.7% a year earlier. Same as with total inflation, this increase has reflected a higher contribution from prices of processed food and services.

Domestic inflationary pressures<sup>11</sup> are expected to remain low in the short run due to weak of aggregate demand and from external disinflationary pressures. Further, the gradual recovery of the economy is expected to help of bringing the economy closer to its long-term potential. Following a rapid deterioration during the first half of 2020, the negative output gap is projected to launch a continuous and gradual improvement driven by stimulating monetary and fiscal policies, reducing uncertainty, and resuming the post-earthquake reconstruction process. Higher utilization of production capacity is expected to push for higher wages and production costs. The combination of the effect of these factors is expected to help increase domestic inflationary pressures in the medium term. In parallel, a more stable exchange rate performance is expected to facilitate the transmission of foreign inflationary pressures. Inflation is projected to be increased gradually, converging towards the 3% target by 2022<sup>12</sup>. To support the economy and increase inflation towards the target, monetary policy will maintain the stimulating direction in the

<sup>8</sup> Published by Institute of Statistic, INSTAT. "The consumer price index 2020". January 2021.

<sup>9</sup> Published by Institute of Statistic, INSTAT. "the consumer price index 2020". January 2021.

<sup>10</sup> Published by Ministry of Finance and Economy. "The report on the Economy and the Budget". February 2021.

<sup>11</sup> Published by The Parliament of Republic of Albania. "The annual report of the Central Bank of Albania". December 2020.

<sup>12</sup> Page nr 97, Published by The Parliament of Republic of Albania. "the annual report of the Central Bank of Albania". "The mid-term strategic on development of the Central Bank of Albania, 2020-2023". December 2020.

medium term.

The stimulating monetary policy and the measures taken by the Bank of Albania in response to the pandemic crisis have contributed to maintaining favorable monetary conditions and credit flows to the economy. The financial market operates smoothly, liquidity has been optimal and risk premiums have remained low. *Government securities yields* fluctuated close to the average of the second half of 2019. Credit interest rates have fallen compared to a year ago, mainly for businesses, reflecting the reduction of the base rate and the effect of sovereign guarantee lending schemes provided by the government. The foreign exchange market suffered a period of uncertainty at the end of March, characterized by a sharp decline in trading volumes, increased trading and volatility *spreads* and a rapid depreciation of the lek. Market conditions converged towards normal parameters in April and from this moment the euro / lek exchange rate has fluctuated closely around the value of 124.0 lek / euro. This level represents a depreciation of the lek of 1.7% compared to the previous year.<sup>13</sup>

Lending activity has been stable, widely supported by the measures taken by the Bank of Albania and the government to stimulate lending to the economy. Adjusted for the exchange rate and off-balance sheet loans of banks, loans to the private sector until August 2020, marked an annual growth rate of 6.8% on average, close to the 2019 average. The measures taken have particularly helped to increase the ALL portfolio and business loans. The high growth rates of lek credit (average 10.3%) have helped to better balance the credit structure, with lek credit accounting for 49.4% of the total, or 0.7 pp more than in December 2019.<sup>14</sup> Expansion of business loans was more pronounced in the investment segment, where an average annual growth of 9.2% was recorded until August. Lending to households also increased, but at a faster pace than that to businesses, mainly in the mortgage segment. Maintaining eased monetary conditions, together with other measures taken by the Bank of Albania and the government to assist lending<sup>15</sup>, combined with other supervisory and fiscal facilities are expected to have a positive impact on credit performance for the private sector.

The Albanian economy experienced two strong shocks within a short time span that includes the fourth quarter of 2019 and the first half of 2020. In November 2019, the country was hit by a very strong earthquake that brought casualties to people and the economy, while in March 2020 the Covid-19 pandemic spread in Albania, the measures taken to fight it, significantly impacted the economic activity. The year 2019 marked a growth of 2.2 percent, compared with growth of 4.1 percent a year earlier, due to unstable or temporary factors over the year, but also as a result of the earthquake shock, where the real GDP shrank by 0.1 percent in annual terms in the fourth quarter, after an increase of 4.2 percent in the third quarter<sup>16</sup>.

According to the latest estimate of INSTAT, the economy, in the second quarter of 2020, has experienced a decline of - 10.23 percent compared to the second quarter of

<sup>13</sup> Published by Central Bank of Albania. "The monetary policy report" 2020.

<sup>14</sup> No.38. Scientific journal "the Banker", Published by Albanian Association of Banks. "The Albanian Bank system". January 2021.

<sup>15</sup> Published by Central Bank of Albania, "The annual report of monetary policy" January 2021.

<sup>16</sup> Published by Institute of Statistic, INSTAT. "The Annual GDP of Albania" December 2020.

2019, followed by a decline of 2.27 percent in the first quarter. For the entire first 6 months it marked a decrease of 6.57 percent<sup>17</sup>. Albania is particularly exposed to the economic contraction from the pandemic because it is strongly supported by the tourism sector and because of its intense relations with some EU economies severely affected by the pandemic.

On the aggregate demand side, the increase during 2019 was generated by final consumption as well as by domestic demand<sup>18</sup>. In the first half of 2020, it is estimated that all components of aggregate demand have declined, thus reflecting a strong contraction in economic growth. The consequences of austerity measures to curb the spread of the pandemic have led to a slowdown in exports of goods and services, household consumption and investment in the economy, mainly private ones. In the latter, a significant negative contribution compared to the same period a year ago, there was the end of the positive contribution coming from the construction phase of the TAP project which is now almost completed. However, this project will soon be operational and is expected to have a significant positive effect on our economy, mainly through the provision of an alternative and cheap source of energy.

Only during the second quarter of 2020, final consumption decreased by 6.9 percent, while total investment suffered a strong contraction of about 13.16 percent and consequently aggregate domestic demand shrank by about 7.68 percent<sup>19</sup>. Taking into account the performance of 2019 and expectations for 2020, which is expected to reflect both the effects of the earthquake that hit Albania, and the consequences of the global pandemic, economic growth for the whole of 2020 is revised downwards from previous forecasts, in value of -6.1 percent.

Total final consumption<sup>20</sup>, which is the largest share in the economy, increased by about 3.3 percent in real annual terms during 2019, and the final consumption of the population increased by the same value. Meanwhile, for the first half of 2020, total final consumption and that of the population marked a decrease in the rate compared to the same period of the previous year, marking a decrease of -3.07 and -3.45 percent, respectively.

Gross Fixed Capital Formation (total investment) was down by about 3.8 percent in real terms annual during 2019, while for the first 6 months of 2020 this rate was -13.16 percent<sup>21</sup>. This decline is mainly due to the contraction of construction investments, including the TAP project, and the impact that austerity measures have had against the spread of the pandemic in the economy.

According to optics of aggregate supply, positive contribution in the first 6 months of 2020 were made by these branches of economy: Agriculture, forestry and fishing increased 3.0% and contributed 0.60 percentage points and the real estate activities to increase

<sup>17</sup> Published by Institute of Statistic, INSTAT. "The Annual GDP of Albania" December 2020.

<sup>18</sup> Fernando Blanco, Levent Karadayi, Nona Karalashvi, Laureta Qorlazja. "COvid impact on Albania's private sector: Taking stock, looking ahead". January 04. 2021.

<sup>19</sup> Published by Ministry of Finance and Economy. "the Summary on the 12 month performance on revenue and expenditure" February 11, 2021.

<sup>20</sup> Published by Institute of Statistic, INSTAT. "the consumption price index", January 2021.

<sup>21</sup> Published by Ministry of Finance and Economy. "Medium-term budget program 2020-2022". January 2020.

4.2% and contribution 0.25 percentage points<sup>22</sup>. Other branches of the economy had a decline and a negative contribution, according to the ranking: Wholesale and retail trade decreased by -16.1% and a contribution of -2.34 percentage points; Financial and insurance activities decreased by -14.6% and contribution of -0.44 percentage points; Scientific, professional and technical activities with a decrease of -14.1% and a contribution of -0.82 percentage points; Construction with decrease -13.8% and contribution -1.13 percentage points; Industry with -8.6% decline in real terms and contribution of -1.16 percentage points<sup>23</sup> etc.

The sustainability of public finances is another important pillar for the perspective of the economy, perhaps the most important for the typology of the Albanian economy, as well as in the context of a high sensitivity regarding this foundation, especially since the recent global financial crisis.

In recent years, public finances have entered a safe and optimal trajectory of fiscal consolidation, which appear in the most key parameters of sustainability. First, this materialized in reducing the overall budget deficit from 5% of GDP in 2013 to below 2% at the end of last year (2019). In the last year 2020, based on the above developments, the total budget deficit was expected to mark 6.8%, 6.5% in 2021 and further is expected to improve towards the level of 2% at the end of the medium term<sup>24</sup>.

Meanwhile, the basic objective for the medium term will be the goal of a downward trajectory of public debt, targeting as an annual operational objective the return of the budget to a balanced primary balance or with a surplus, possibly from 2022, but necessarily from the budget year 2023 onwards<sup>25</sup>. Since July 2020, this objective has already been sanctioned in the Organic Budget Law through the inclusion of a new fiscal rule.

#### *Fiscal Politics*

In full compliance with the fiscal rules in the organic budget law, fiscal policy will continue to be oriented towards fiscal consolidation in the medium and long term. This inherent order to maintain a level of public investment in about 5 percent of GDP -s in the years 2021-2023<sup>26</sup> in order to stimulate the formation of gross fixed capital formation in the economy, it essential to sustain relatively high growth levels in the medium and long term.

The most direct measure of this foundation, is the position of public finances, but also regarding the primary balance, a very important parameter of the long-term sustainability of public finances, recently (July 2020) a new fiscal rule was added to the Organic Budget Law, in line with the recommendations of the European Commission

<sup>22</sup> Published by Ministry of finance and Economy. "Medium-term budget program 2020-2022". January 2020.

<sup>23</sup> Published by Ministry of Finance and Economy. "Medium-term budget program 2020-2022" January 2020.

<sup>24</sup> Published by Ministry of Finance and Economy And UN Women. "The 2020 budget for the citizen" February 2021.

<sup>25</sup> Published by Ministry of Finance and Economy. "the Statistic overall on the public debt" March,31, 2020.

<sup>26</sup> Published by Ministry of Finance and Economy. "the performance of fiscal indicators 2020" January 2021.

and the main principles of EU *acquis*, which makes it legally binding, starting from budget year 2023 onwards, that the actual primary balance cannot be negative, ie it must be at least balanced or positive (primary surplus)<sup>27</sup>. This target of the primary budget balance parameter will already be the main operational objective of fiscal policy to materialize the goal of a continuously declining public debt trajectory, in aiming at continued fiscal consolidation in order to ensure the sustainability of public finances as a key foundation of macroeconomic stability and the well-being of the country's economy.

We estimate that there are the necessary premises for a recovery of economic growth, starting from next year, in the band of 5 percent and for the following medium-term period. More specifically, a real economic growth of 5.5% is projected in 2021 and an increase of 4.8% and 4.5% respectively for the next two years (2022 - 2023).<sup>28</sup>

The privatization process remains a priority, especially in the strategic sectors, aiming to attract foreign and domestic capital that would have a positive impact on economic development. In strategic and non-strategic privatizations there are no restrictions for participants. The privatization of strategic joint stock packages<sup>29</sup> (companies operating in sectors of special importance for the economy). In the framework of achieving the objectives related to the privatization of state assets, the Minister responsible for the economy annually reviews the plan for the privatization of state assets.

- "Action plan for the privatization of state-owned enterprises in strategic sectors for the period 2015-2020", as document no. 7476, dated 30.09.2015.
- "Action plan for the privatization of assets for the period 2016-2020", as document no. 3459, dated 29.04.2016, amended for the period 2018 - 2020, by Order of the Minister of Finance and Economy no. 88, dated 21.03.2018.
- "Action plan for privatization / liquidation of state-owned enterprises in non-strategic sectors 2017-2020", as document no. 2564, dated 29.03.2017<sup>30</sup>.

In the framework of achieving the objectives related to the privatization of state assets, during the period January-October 2019, a total of 13 state assets were privatized, realizing 95,886,874 Lek and 93,055,676 Privatization Bonds (in Lek), in a total of 188,942,550 Lek<sup>31</sup>. The sale of state assets is done through a public auction procedure where former landowners have the right of pre-emption. Some of these properties have been purchased by landowners, exercising their right of pre-emption. Until 2007, the registration of legal entities was done in the Tirana Judicial District Court, while the registration of natural persons was done in the District Courts. For

<sup>27</sup> Published by Parliament of Republic of Albania. Law no. 137/ 2020. "The budget of 2021". December 2020.

<sup>28</sup> Denaj, Anila. Published by Ministry of Finance and Economy. "Mrs. Anila Demaj, Minister of Finance and Economy, in the Economy Commission, draft budget of 2021 will revive the Albanian Economy". December 2020.

<sup>29</sup> Law no. 8306, dated 14.03.1998 "On the privatization strategy of sectors of special importance", as amended.

<sup>30</sup> Published by Ministry of Finance and Economy. "The mid-term program on budget 2021-2023". February 2021.

<sup>31</sup> Published by Ministry of Finance and Economy. "The mid-term program on budget 2021-2023". February 2021.

this reason, since registration was a purely judicial procedure, the establishment of a business in Albania encountered a large number of judicial and administrative barriers, which increased costs and created difficulties in conducting commercial activity. Moreover, at that time, there was no commercial register freely accessible to the public and information could not be obtained in real time by interested persons. In order to simplify procedures and reduce costs, with law no. 9723, dated 03/05/2007 "On business registration", as amended, the National Registration Center (NRC) was established, whose main function was to handle business registration procedures, as well as maintaining and administering the Commercial Register<sup>32</sup>. With the establishment of the NRC, business registration from a court process was transformed into an administrative process with self-declaration, into a one-stop shop<sup>33</sup>. Thanks to this, it was possible to register the subjects in the commercial register and realize their simultaneous registration with the central and local tax administration, the social and health insurance scheme, the labor inspectorate and the Public Procurement Agency. Registration reform was followed by business licensing and licensing reform. The licensing / permitting process until 2009 was very long, bureaucratic, costly and non-transparent. There were a large number of licenses/permits and institutions involved in this process. The application was made in scientific form and the procedures, deadlines and application formats were non-standardized. Also, there was no national register for licenses and permits.

The establishment of the National Licensing Center, brought a further improvement of the business climate in the country, reduction of administrative barriers, as well as increased transparency in licensing/permitting procedures. Another innovation was the transformation of the licensing/permitting process from a written process to a fully electronic process, through the establishment and operation of the National Register of Licenses, Authorizations and Permits<sup>34</sup>.

The National Business Center<sup>35</sup> where among the functions of this center is the treatment of registration and licensing / business licensing procedures. The Commercial Register is a unique database, divided into separate electronic files for each entity that has the obligation to register, according to the provisions of this law, and is kept in electronic form. All data, applications and accompanying documents, submitted in written or electronic form, according to the law are registered by the BCC<sup>36</sup> in electronic form in the subject file in the register. All data, applications and accompanying documents: a) submitted by applicants in electronic format, according to this law, are stored and archived by the BCC only in electronic format; b) submitted in written form, according to this law, are converted and stored by the BCC in electronic form. The BCC has no obligation to keep and archive the applications and accompanying documents submitted in written form.

The register also contains data, pertaining to the establishment, activity and

<sup>32</sup> Law no. 9723, dated 03/05/2007 "On business registration", as amended.

<sup>33</sup> Published by Agency for the Delivery of integrated services Albania, ADISA. "ADISA, helping businesses by opening counseling counters in one stop shop" October 2020.

<sup>34</sup> Published by Agency for the Delivery of Integrated Services Albania, ADISA. "Information packages, new Business". [www.Adisa.gov.al](http://www.Adisa.gov.al)

<sup>35</sup> Law no. 131/2015 "On the National Business Center (NBC), December 2015.

<sup>36</sup> BCC (Commercial Center of Businesses) found by Law no. 9723/ 2007.

deregistration of entities, any changes in the status and organization of the entity, data pertaining to it in relation to representation, as well as other data, provided by law.

The subjects that are obliged to register are:<sup>37</sup>

- Commercial entities;
- Simple companies, according to the provisions of the civil code;
- Natural persons, within the meaning of the civil code, who do not have the quality of a trader, who exercise economic activity or an independent profession;
- Representative offices of Albanian and foreign companies;
- Savings and loan associations;
- Mutual cooperation societies;
- Any other entity, which by law is obliged to register with the NBC.

Any interested person may, according to this law, perform free of charge, at any service counter, searches in the electronic database for any registered data, except for the residential address of individuals. The application for registration is done electronically through the electronic counter (online application) or at the BCC service counters, located at the BCC headquarters, as well as at local government units or chambers of commerce, as well as at notary offices (only on-line application). The online application can be made by any individual / citizen or entity (equipped with NUIS / NIPT) (without having to appear at the physical counters of the BCC), who must first register on the unique government portal e-Albania<sup>38</sup>. Registration in this portal is done by filling in the required data respectively depending on whether the application will be performed by an individual or an entity. In accordance with Law "On traders and commercial companies", the initial capital for limited liability companies is 100 ALL, with the exception of joint stock companies, whose initial capital varies from 3,500,000 ALL to joint stock companies with private offer in 10 000 000 ALL to joint stock companies with public offer<sup>39</sup>.

Adoption of Law no. 110/2012, enabled the cross-border merger between a foreign and an Albanian company.<sup>40</sup> Furthermore, in accordance with the provisions of the aforementioned law, the National Business Center has developed new functions in the electronic register, which enable the application for cross-border merger between a foreign company and an Albanian company. However, currently the application can be made only for the cross-border union that results in the creation of a new Albanian society.

The entity also records deposits in the commercial register, annual financial statements, business performance report and audit report, maintained in accordance with legal requirements, in cases where these documents must be stored for up to 7 months from the closing date of each financial year. Their submission is done electronically through the E-Albania portal.

With financial assistance from the World Bank, BACs was part of the project "soft

<sup>37</sup> Law no. 9723/2007 "For National Center of Registration", Provision no.22; Date 3.05.2007.

<sup>38</sup> E-Albania (This portal is realized and administered by the National Information Registration Agency).

<sup>39</sup> Law no. 9901, dated 14.04.2008, "On traders and commercial companies", provision no. 70, and no. 107.

<sup>40</sup> Law no. 110/2012 "On the cross-border merger of commercial enterprises". Provision no.8.

Improving s existing are-it the MBCs and the creation of new modules for public access to financial information<sup>41</sup> (which has already been completed and is being implemented) which among others:

- Enables a new financial statements deposit module through an on-line system, where financial information will be accessible to third parties;
- Enables the implementation of the new format (system) for depositing financial;

statements in the BCC through the government portal e-albania, using an electronic communication format (XML).

Currently, 18,807 applications have been made using the new electronic system. Within 2020, the National Business Center will sign the agreement for the participation of the Albanian commercial register in the regional portal of business registers of Southeast Europe. European Bank for Reconstruction and Development (EBRD) is supporting the Serbian Business Registration Agency (SRBA) and its counterparts in South East Europe to establish a regional IT platform that will allow the connection of institutions responsible for business registration in the region and providing value-added data and services to the business community, to facilitate potential cross-border business registrations and the transfer of company headquarters through a regional online portal.

Meanwhile, as a rule, any economic activity is carried out freely in Albania. However, some activities that may affect public health, national security, etc., are required to undergo the licensing process. However, in order to further improve the business environment, the Government of Albania has established a working group, in which the NBC is a contributing institution, for regulatory reform in the field of licensing. As part of this reform, the working group has proposed eliminating 22 licenses and further improving the licensing process, by reclassifying licenses or reducing the decision-making deadline for the other 49 licenses. Currently 10 licenses have been eliminated.

### Conclusions

As a conclusion, we can summarize that the fragile economy of Albania is in the way towards progress. We should admit that the current situation due to earthquake of November 2019, and pandemic COVID-19 in 2020, have directly impacted an economic recession. These recession can last for a long time if the government does not intervene wisely and carefully. The government at this point must find the right ways to intervene in the economy but given the need to maintain good balance with the business community in the country. Appropriate economic policies at this point can determine economic development in the future of our country.

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<sup>41</sup> Law no. 9723, dated 03.05.2007 "On business registration" was amended in February 2015 by Law no. 8/2015 "On some amendments and additions to the law No. 9723, dated 3.5.2007" On business registration ", as amended" in order to approximate this law with Directive 2009/101 / EC, providing for electronic filing of financial statements annual and audit reports by entities.

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