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“ Migration and Economic Development”

The Impact of Emigration on the Albanian Economy:

Emigration has a primary impact on the country's economy as a result of emigrants' remittances. Flows of remittances constitute an important source of financial growth and economic development of the country, by ensuring continued access to foreign currency in the country as well as by consolidating the basis for savings and investment.

Based on the Albanian migration experience, the sizeable remittances of the Albanian emigrants have considerable positive effects on capital formation, employment and economic growth in Albania.

The official data on the **contribution of emigrants remittances, for a period of 10 years is estimated about 15% of Gross Domestic Product**. Also the contribution of these remittances in the trade balance, for a period of 10 years, is estimated to be around 58.8%. Proceeds from the emigrants with a vital importance for most of the Albanians, have become a typical phenomenon, the most mentioned in the Albanian economy. Recent years, this money is not only considered as revenue for non productive purposes, meeting the basic needs related to actual improvement of living conditions, but were also sources of funding for productive purposes, in the form of short-and long-term investments.

During 2007, migrant remittances to their families estimated **951.7 million Euros**, with a slight annual increase of 1.5 percent. This growth rate is estimated as the lowest in the past ten years (average growth rate has been 11.7 percent) and is explained by the fact of the removal of exchange flows towards investments. These last, in the form of real estate or placing deposits in the banking system.

Inflow of Remittances (mln Euro)

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
250	410	350	570	620	690	710	780	800	940	951,7

Source: Bank of Albania

On the other hand, emigrants' remittances help the country economy in financing the external deficit, raising the living standards in particular of benefiting families, and poverty reduction.

Migrant remittances also play an important role in the **country's macroeconomic stability** by financing imports, affecting the value of local currency and the rapid **development of construction and service sectors**.

Their importance can be measured also when compared with FDI. In 2007, the inflow of **foreign direct investment** in the Albanian economy reached 460 million Euro, while the value of remittances was 951.7 million Euro. The remittances have been also higher than **exports** that in 2007 reached 785 million Euro.

Remittances from Albanian emigrants fell 13 percent in the first nine months of 2008 compared to 2007.

Recent years, this money is not only considered as revenue for non productive purposes, meeting the basic needs related to actual improvement of living conditions, but were also **sources of funding for productive purposes**, in the form of short-and long-term investments, creating new jobs.

Creating a positive impact in labor market:

As a result of employment of emigrants in the developed economies of host countries like : as Greece, Italy, America, Britain, etc., except their repatriation of financial capital they also can bring “**know how**” regarding their business management, ethics at work, knowledge on production and information technology and their supply with a broader business culture, which constitutes the most important components from the viewpoint of an investor.

We have many positive examples of returned migrants in Albania, that have invested in many sectors of the economy especially in hotels, restaurants, tourism or other manufacturing sectors, precisely in those sectors who they have worked for a period of time during their migration.

Private sector a driving force to economic growth:

The private sector in Albania is the main driver of the economic growth, at about 80% of GDP and employment . The Albanian economy is now completely open, with an entirely liberalized trade and an entirely privately owned banking sector.

Albania is implementing successfully CEFTA Agreement, and Interim agreement with European Union. In cooperation with many donors and international financial organizations are implemented many projects in the areas of transport and infrastructure, which could bring new energy for industrial development, human research and development, new export potentials, appropriate conditions for the development of entrepreneurship culture, creating business clusters, and development of business innovation.

Improving business climate is the main focus of government policy for the development of the business and for stimulating the domestic and foreign investments .

According to the annual report of the World Bank and the International Financial Corporate (“*Doing Business 2009*”), Albania is ranked at the second place between the countries that during the 2007 – 08 period, that have undertaken successful reforms for the facilitation of the business in the country. Under this report **Albania is ranked the second among the top ten economies in the world for the accomplishment of the deep reforms in the economy and business field during the last year.** In the general ranking, the ease of doing business climbed 49 countries, jumping from 135th to the 86th place. A very important and sensitive indicator for investors is *macroeconomic stability*. Albania is a country where the GDP raises very fast in the region, with 6% in real terms, while the inflation level remains 2-4% and the budget deficit constantly reduced.

Several reforms on reduction of administrative barriers in business have shown their successful results during 2008, more concretely:

- **Business registration within one day**, at National Registering Center- NRC, which function as one stop shop with a minimal cost of 100 ALL (0.81EUR), which has brought the reduction of time to 1 day from 28 days. The steps needed for starting a business is reduced from 10 in 5 steps.

Reforms on simplification of procedures of licensing. During 2007-2008, regulatory reforms in the field of licenses were focused on sectorial improvements, which brought a drastic elimination of the huge number of licenses and permissions, concretely: Out of 170 existing licenses, 104 have been abolished. In the period from July 2008 regulatory reforms passed in its final phase, which aim: **The establishment of National Licensing Centre (NLC)**, the new one stop shop model within May 2009

The government transparency is another key element and e-government is in place. In Albania all the rules, legal acts, are published in website. This year 2008, is in place e-procurement and e-payment of taxes. From 1 January 2009 the e-procurement will be the only way of public procurement.

Fiscal Policy. Albania is considered one of the countries with the lowest tax burden in the region. From 1-st January 2008, the corporate income tax is 10%, from 23% in 2005. Another achievement is about the decrease of social and health insurance contributions, with 21.7% of the gross wage and seeking to be decreased more in 2009, with 15%. The approval of the new law on Tax procedures, simplification of the VAT reimbursement, etc. are measures contributing to the improvement of the investment climate.

Co-development programs of the government:

In addition to encouraging foreign investors to invest in Albania, the aim is also to encourage the **Albanian Diaspora** for *doing business/investing* in Albania.

The Albanian Diaspora is large and successfully implanted both in Europe and the US. The government senses this as possible source of new investment in Albania. There are some examples of successful exercises aimed at attracting investment from this group. So our approach with this target group as potential investor is focused in **offering them information**. Albanian government and in particular METE from the viewpoint of promotional policies for investments, consider Diaspora part of strategy for attracting investment, in particular those green fields: Through specialized institutions such as the **Albanian Agency of Business and Investment - Albinvest**, we intend primarily to increase the level of information on existing legal framework and on business opportunities and risks related to the Albanian business environment. The improvement and expansion of this information works in two dimensions: primarily it serves emigrants themselves in particular those which are in pending or hesitation position, that for their accumulated capital decide in which sector should invest, on the other hand they are serving as a **connecting bridge** for foreign investors, in countries where they work, encourage their decision-making to invest in Albania.

-At this aim, increasing the **communication and cooperation with the Albanian Diaspora** is crucial. The Albinvest in cooperation with the Ministry of Foreign Affairs (embassies abroad) **have to consider more promotional activities for this target group, spreading more information on the business opportunities and business environment in Albania. Updated information** on the improved business environment in Albania is the most important information influencing the decision of an investor. We have to consider that most of Albanians abroad do not have update information to the recent development in Albania.

-The government is also in collaboration with donors is committed and working for the creation of new programs related to returning migrants for integration in the country's economy and by looking the possibility of creating facilities for the promotion of investment. Beside the Albinvest, an important role are playing private organizations, like chambers of commerce, different business association and some NGOs, which are contributing for their integration. Also many other donors such as USAID, SIDA, GTZ, SNV, CARDS programme. WB, EBRD, etc with their programs are attracting the interest of returning migrants to involve in business. **Employment** is one of the factors that has a major influence in the economic development. In the context of the implementation of employment strategy, it is envisaged the drafting of a plan for re-integration of qualified Albanians returning migrants. This will lead to a better use of skills toward the creation of the new enterprises in Albania. In the other side government and the banking system, has increased the credit portfolio for private sector, which for 2008, is 36% of GDP. Activation of the new financial schemes, like credit guarantee schemes and stimulating medium and long term loans are encouraging efforts. Also the function of the microcredit schemes, is another financial support which helps to answer to the returned migrants.

During 2007 year, Albanian government has contributed on the creation of Competitiveness fund and Export credit guarantee scheme. Also encouraging is the implementation of leasing services, as a new financial instrument that facilitates in particular small businesses in the transfer of technologies.

Implementation of the different projects in public-private partnership is another source to use the efficiency of the financial resources. As I mentioned before, returning migrants can play a useful role in fostering the transfer of skills, together with other forms of 'brain circulation'. At this aim the Albanian Government supported by the United Nations Development Programme in Albania, has established **The Brain Gain Programme**, an initiative for **engaging the Albanian Diaspora in the development of the country**. The programme supports universities to fill leading management and academic positions with qualified individuals from abroad, selected on a competitive and transparent basis.

Expertise is also being sought for the Albanian public administration. The Brain Gain is supporting the Government in the creation of policies that allow for the return of talented professionals as well as for keeping the expertise of Albanians already in the country. This includes a critical analysis of the current laws and practices in the public administration that promote or prevent the attraction of those that have graduated abroad with public administration degrees. A database for collecting information that tracks the skills and qualifications of the Diaspora will be used to identify Albanian scholars, policy makers, graduate students and professionals for the Brain Gain Programme. Those interested register, provide information about education, work experience and ways in which they wish to contribute to development. This information will be used to match the demand of Albania's institutions, public administration and private sector with expertise from the Diaspora.

In my conclusion, I would like to end with **a proposal**:

Stressing that the returning migrants can play useful role in fostering the new skills and new ideas, there is a great of interest from Ministry of Economy Trade and Energy of Albania, to cooperate with the Economic office of the OSCE, in order to implement in Albania a program in **supporting creative industries**. Because creative industries are among the most dynamic sectors in world trade, that uses knowledge and intellectual capital as primary inputs. This specific sector is part of the policy measures under development of the SME strategic programme. But till now we couldn't find a potential donor to cooperate for this issue. So far this sector, is not evidenced for its contribution in economic growth, there is a need to evaluate the real market of creative industries in Albania and to implement specific projects in support of this sector.