

# Albania

## Strengthening Albania's Financial Resilience and Inclusion: All Hands On Deck to Maximize Impact



**Relevant Pillars:** Pillars 1,2,3,4



**Cross-Cutting Themes:** Climate Change, Digital, Gender



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As a small, open economy, Albania is highly exposed to external shocks, such as a recession in the European Union (EU) or further tightening of financing conditions in international capital markets. Access to finance for households and small and medium enterprises is well below the needs of the economy.

Targeted reforms are needed to enhance the country's financial resilience and inclusion. Building on its longstanding relationship with Albania's financial sector authorities, the World Bank has been strategically leveraging complementary trust funds financed by the Swiss State Secretariat for Economic Affairs (SECO) and the Austrian Federal Ministry of Finance (BMF) to take the country's financial sector to the next level.

**These trust funds have been instrumental in supporting the government's reforms to address multi-dimensional challenges in the sector, playing a vital role in bolstering the government's efforts. The programs financed by these grants are making significant contributions to Albania's growth while supporting its EU integration agenda.**

### Challenges in the Financial Sector

**(i) Resilience to shocks:** Albania is highly exposed to global and domestic shocks and needs to ensure its financial buffers can continue to absorb them. **(ii) Access to finance:** Limited access to finance and challenges with capital market instruments, insurance, and private pensions is impeding Albania's business growth and productivity. **(iii) Usage of digital financial services:** Trust remains an obstacle for expanding supply and demand for digital financial services, which would increase inclusion and resilience.

### Prior World Bank Support Built a Strong Foundation to Address the Challenges

Albanian authorities, with the support of the World Bank and development partners, have taken a multi-pronged and complementary approach to address these challenges and focus on systemwide reforms. During the last decade, the **Financial Sector Advisory Center (FinSAC)**, funded by the BMF, has been the World Bank's prominent vehicle to support financial stability and resilience in Albania. Reform priorities were coordinated and implemented with the wider World Bank engagement in the country, including through World Bank operations. In parallel, through SECO funding, the World Bank supported Albania in strengthening supervision of capital markets, insurance, and private pensions between 2016–22. These reforms have paved the way for more small businesses to access finance. In boosting



Through the Remittances and Payments Program, the Bank of Albania has enhanced its policies to include the financially excluded, to reduce payments costs, to incentivize formal channels of remittances and to modernize its payment infrastructure, increasing the acceptance of electronic payments and broadening access to financial services nationwide. This program has also been critical in preparing Albania for future integration into the Single Euro Payments Area geographical zone, which will streamline cross-border payments, including remittances.”

—Ledia Bregu, Director of Payment Systems and Accounting, Bank of Albania



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the country’s financial inclusion, the regional [Western Balkans Remittances and Payments Program Phase 1 \(RPP 1.0\)](#), funded by SECO, was instrumental. Delivered during 2015–22, RPP 1.0 helped to establish and upgrade legal and regulatory frameworks for retail payments in line with the EU frameworks.

## Complementary Trust-Funded Programs are Maximizing Impact

Building on strong progress made in the last decade, today, three complementary trust funded-programs are collectively taking the country’s financial sector to the next level.

Recognizing the importance to enhance climate resilience, the **Financial Resilience and Development Project** is strengthening Albania’s resilience to climate risks while developing innovative and green finance for farmers and small businesses to access. The project is collectively financed by the F4D Umbrella Trust Fund and the Risk Finance Umbrella (RFU) Trust Fund, both funded by SECO. The **FinSAC program joined the F4D Umbrella in 2023** with continued strong support and contributions from the BMF. The program builds upon its previous and productive engagements in Albania and further strengthens the country’s financial stability with the priority of aligning with the EU

directives and regulatory framework. Building resilience to climate risks is critical for this program as well. Finally, the **Western Balkans RPP 2.0, now funded by F4D with SECO’s contribution**, is advancing the success of the first phase and enhancing its efforts in financial inclusion in Albania as part of the regional program, with a priority focus on usage of digital financial services by merchants and consumers. This continuation of RPP is creating an enabling environment for delivering and using digital financial services among banks, non-banks, and the broader population. Along policy support, awareness-raising activities have also continued.

The financial sector agenda in Albania is multifaceted, with various components that are interrelated and mutually influential. By delivering strategic support through these complementary trust funded-programs, the World Bank can expedite results and maximize impact. Each program benefits from the strong involvement of collaborative partners within Albanian authorities, leveraging high-level leadership and engagement of ministries, as well as the technical expertise of financial regulators, to advance policy reforms effectively. Lessons learned from these programs are shared through knowledge management platforms managed by the trust funds and learning events delivered by the World Bank.

Finance for Development (F4D) is the World Bank’s donor financing, partnership, and knowledge platform aimed to improve the capacity of low- and middle- income countries to develop deep, inclusive, efficient, and resilient financial systems. Our work is made possible through the generous contributions of development partners Austrian Federal Ministry of Finance (BMF), Bill & Melinda Gates Foundation (BMGF), European Commission (EC), Global Affairs Canada (GAC), and Swiss State Secretariat for Economic Affairs (SECO).

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