THE NATIONAL BANK OF ALBANIA AND THE AGREEMENT WITH ITALY ON THE SVEA LOAN DURING THE YEARS OF THE ALBANIAN REPUBLIC, 1925–1928

Florinka Gjevori
University of Elbasan"Aleksandër Xhuvani", Albania, Florinka.gjevori@uniel.edu.al

Abstract: The economic situation of Albania in the years 1925–1928 presented a number of distinctive features that played an important role in the country's economic development. During this period, one of the problems requiring an immediate solution was the absence of a national bank, an institution that the country had lacked and whose absence had greatly complicated its economic survival since the proclamation of Independence. For this reason, the establishment of the National Bank of Albania in March 1925 is considered a key moment in the economic developments that took place during the 1920s and 1930s. It also played an important role in the issuance and minting of national coins and banknotes.
After the Albanian state succeeded in equipping itself with a banking system, in order to create a stable economic situation it secured financial assistance from the Italian state amounting to approximately 50 million gold francs. This assistance was known as SVEA, or *Società per lo Sviluppo Economico dell'Albania* (Society for the Economic Development of Albania), whose primary objective was the economic recovery of the country through investments mainly directed toward the construction of public works, such as roads, bridges, and ports, as well as toward the development of agriculture. The convention between the Albanian government and the Society for Economic Development (SVEA) was signed in May 1925. The investments carried out by this institution somewhat improved Albania's economic situation in sectors such as industry, trade, communications, and infrastructure. Nevertheless, the difficult situation in the agricultural sector— the principal branch of the economy—continued to remain a matter of concern.
The agreement for the establishment of the National Bank and the loan granted by SVEA were two arrangements that Ahmet Zogu, President of the Albanian Republic, managed to sign with Italy in order to continue the path of reforms that had been initiated and to transform the country's economic situation. However, how effective were such reforms? How did the economic landscape of Albania change during the years of the Albanian Republic (1925–1928)? Drawing primarily on archival sources and a substantial body of literature, and employing the method of comparative historical analysis, this study seeks to reach as objective conclusions as possible regarding the issues raised by such questions and to contribute, albeit modestly, to the enrichment of studies on several economic aspects of the period in question.
Keywords: national bank, national currency, SVEA loan, agriculture, public works, etc.

1.INTRODUCTION

During the period of Albania's independence and the consolidation of the Albanian state, a particularly significant place is occupied by the years of the regime of Ahmet Zogu (1925–1939), which is divided into two stages: the Republican and the Monarchical. The period of the Albanian Republic, encompassing the years 1925–1928, comprises a range of challenges in the economic, social, political, and cultural spheres. In order to secure a state that was both economically and politically stable, Zogu and his government made continuous efforts to obtain financial support, alongside measures aimed at establishing constitutional institutions and legitimizing state authority. Albania entered this new phase of statehood with a low level of economic and social development, weak and unstructured finances, and an insufficient budget to meet state obligations, including salaries for administrative officials and military personnel. Zogu, as President of the Republic, was convinced that without external financial and political support, Albania could not become an economically stable state (Musaj, *The Albanian Republic 1925–1928*, 2018).
Under these difficult conditions, Zogu turned to the League of Nations, of which Albania had been a member since 1920, seeking financial assistance. He hoped that major powers within the League, such as Great Britain and Italy—both of which had supported his return to power—would provide aid. However, the request of the Albanian government was rejected by the League of Nations on the grounds that Albania, with its underdeveloped economy, had limited capacity to repay financial debts. Consequently, the League declined to grant any form of credit (Fischer, 1996).
The years of the Albanian Republic (1925–1928) were among the most dynamic in terms of drafting reform legislation in the economic and social domains. The close relations that President Ahmet Zogu established with Italy and Great Britain ensured relatively favorable internal conditions and a degree of external stability. Nevertheless, investments in the military sector did not go without criticism, particularly from neighboring countries, as well as from Zogu's political opponents, who held divergent views (Culaj, 2021). At the same time, while foreign

companies were granted access to exploit the country's natural resources, the primary financial support for the implementation of an ambitious public works program was secured from Italy. Although Zogu did not initially hold a favorable opinion of Italy, in practice it demonstrated greater readiness than other interested countries to invest capital in Albania. This increased Zogu's confidence in Italy more than in other neighboring states, such as Greece, Montenegro, Yugoslavia, or even Great Britain. This orientation in foreign policy effectively transformed Albania, for much of this period, into a de facto Italian protectorate (Pastor, 2017).

Regarding Zogu's distancing from Yugoslavia—which had indeed supported him during his exile by offering refuge and toward which he felt a certain obligation—the explanation lies in his distrust of Yugoslav intentions. This became even more evident following the signing of the final act of the agreement on Albania's borders in July 1926 at the Conference of Ambassadors in Paris, as well as its registration with the Secretariat of the League of Nations. These developments demonstrated that, even after the settlement of border issues, Zogu remained wary of Yugoslav aims and therefore refused to acknowledge any right of influence over his government. As is often the case with leaders of small states, Zogu, as President of a country like Albania, felt more secure establishing relations with larger and geographically more distant powers, such as Italy, rather than with neighboring Yugoslavia (Albanological Institute, 2022).

Similarly, the British project proposed by the British minister in Tirana, Eyres, concerning an oil concession as well as the establishment of the National Bank of Albania and the provision of a loan sought by Zogu, was not approved by the Albanian government. Among other provisions, the project envisaged the creation of the Albanian State Bank with a capital of 500,000 pounds sterling, of which 51% would be reserved for British capital and 49% for Albanian capital. The bank's headquarters would be located in Albania, while the British group granted the concession would provide the Albanian government with a loan of two million pounds sterling, along with an advance payment of 100,000 pounds at the moment of signing the agreement (*History of the Central Bank in Albania*, 2003).

Securing a foreign loan was viewed by Ahmet Zogu as the most viable means of overcoming the unfavorable financial situation and supporting the country's economic development, particularly given that budget revenues were insufficient to cover public expenditures. Initially, he addressed his request for financial aid and armaments to Belgrade, but this was clearly refused, as a strengthened Albanian state conflicted with its political interests. Subsequently, Zogu turned to Italy, with which he had maintained contacts since his time in Yugoslavia, and which he regarded as possessing greater economic potential. Italy, for its part, was also interested in strengthening its economic presence in Albania (Academy of Albanological Studies, Institute of History, 2020).

Zogu was compelled to turn to Italy for several reasons. First, Albania did not share land borders with Italy and therefore lacked the border disputes that characterized its relations with Balkan neighbors. Second, Italy represented the most logical economic option. It had become the country's second-largest trading partner and had a demand for Albanian goods. In contrast, Greece and Yugoslavia—both interested in Albania—produced largely similar agricultural products and were therefore unable to make substantial investments in Albania or to establish the level of economic cooperation that Albania urgently required (Musaj, 2018).

In March 1925, an agreement was signed between Albania and Italy, enabling the establishment of the National Bank of Albania, headquartered in Rome and financed with Italian state capital. At the same time, as a financial institution, the Bank of Albania was granted the authority to issue currency and manage the loans extended to the country. With the support of supplies and technical expertise from Italy, the Society for the Economic Development of Albania (SVEA—*Società per lo Sviluppo Economico dell'Albania*) was also established, supporting an ambitious program for the construction of public and healthcare infrastructure. Agreements with Italy were further expanded into other areas, including political cooperation and military defense, notably through the Pact of Friendship between the two states, initially concluded in November 1926—guaranteeing Albania's borders—and later renewed in 1927 with a 20-year military alliance (Pastor, José Manuel Azcona, 2017).

Although these trade and mutual defense treaties aimed to secure territorial integrity, they undoubtedly facilitated Italian economic and military penetration. This heavy dependence on Italian assistance gradually compromised Albania's sovereignty and ultimately contributed to its decline (Jacques, 2025).

2.MATERIALS AND METHODS

The sources employed in this study have been subjected to a desk research approach, focusing on the collection and analysis of existing materials published by various domestic and foreign historians. This approach enables a qualitative assessment of their perspectives on the economic challenges of the Albanian Republic, with particular emphasis on its foreign policy and relations with Italy. Specifically, in examining this policy in relation to several of the economic issues characterizing this historical period, the objective is to draw well-founded conclusions regarding the consequences of the actions undertaken by the central figure of this era, President Ahmet Zogu, and the government he led. The methodology applied in this study follows a classical framework, adhering to the chronological sequence of events. A descriptive method has been employed to present and detail events in a comprehensive and systematic manner, while preserving their chronological order. In addition, the study utilizes document analysis and a comparative approach. The analysis of the present text is based on historical works that examine this significant period of national history. Data interpretation has been conducted through thematic analysis of the sources, whereby issues such as monetary independence and the role of foreign capital have been used as analytical categories to construct the study's line of argumentation. The findings have been synthesized in order to highlight the evolution of the concepts of the "national bank" and "monetary independence" within the historical context of Albania since 1925.

3.RESULTS

The National Bank of Albania

The existence of a national bank in Albania and the issuance of a currency for the Albanian state during the period of the Albanian Republic (1925–1928) were among the most essential issues within the economic spectrum, but not only. Their absence had constituted problems since Albania had secured its independence and stood as a state in its own right, from 1912. Due to the lack of a bank and a national currency, Albania suffered losses, as goods imported from abroad were paid for in gold currency, whereas for exported goods, which were several times fewer, banknotes entered Albania. This caused the monetary wealth in gold that Albania possessed to be continuously depleted. Until the beginning of 1925, Albania had remained without a National Bank, without a national currency, and without an international loan, which the country had long urgently needed. Zogu and his government, in February 1925, after a series of contacts and intensified negotiations with the Italian government regarding the establishment of a bank and the provision of a loan, had definitively decided to orient themselves toward Italy and to accept its proposals in order to influence the creation of the National Bank in the country and to secure the necessary financial assistance. After Italy and Mussolini granted the first loan of 2 million gold francs requested by the Albanian government, it also appointed its financial group, headed by M. Alberti, director of the bank "Credito Italiano," who was well acquainted with the realities of Albania's financial issues, to conduct negotiations with the Albanian side regarding the final agreement (Academy of Albania, 2007).

The signing of the agreement for the National Bank of Albania took place in Rome, on 15 March 1925. According to this agreement, Albanian citizens were allocated 49% of the capital, while the remaining 51% of the shares were assigned in favor of foreign citizens. However, the Italians obtained the concession of the Bank under discriminatory conditions for Albania, through two methods. They secured this capital by fostering corruption within the high Albanian administration, and they also managed to purchase all the shares of the bank and take control of it by eliminating Yugoslav contenders, who attempted to participate in the concessions of the Bank of Albania, with the aim of controlling Italian operations regarding these capitals. This Albanian–Italian rapprochement provoked reactions not only among the Yugoslavs, who attempted through their agents to incite separatist and anti-government movements, but also among the British, who explicitly stated that this was not an Albanian National Bank, but rather characterized it as an Italian bank operating in Albania. The position of the American minister was also similar to that of the British, as he reported that the Italians had effectively taken control of Albanian finances and that they would subsequently take control of customs in exchange for payments that Albania would not be able to repay (History Institute, 2020).

The Bank would have the character of a joint-stock company with a capital of 12.5 million gold francs, which the Albanian state had granted to the Italian financial group for a period of 50 years, but which, with the consent of both parties, could also be extended. Its headquarters would be in Tirana and its director was approved by President Ahmet Zogu, the candidate Patuk Saraçi. The Bank enjoyed the exclusive right to issue banknotes and metallic currency. Shareholders would benefit from 50% of the revenues that the Bank would generate from its activity. The Italian side, in order to secure control over the budget, credit, and the monetary system, made a series of efforts to seize the portion of the foundational shares that had been allocated to Albanians. This was achieved with the support of Myfit Libohova, Minister of Finance, whom Rome corrupted, requesting that from the 49% of shares belonging to the Albanian side, 39% be subscribed on behalf of the Italian group through its loyal intermediaries. Thus, by not clearly indicating the total amount of foundational shares for the Albanian side, as well as the time limits for their subscription, he managed to limit the possibility of broad Albanian participation in subscribing to the bank's shares. The minutes recorded on the day of the establishment of the National Bank of Albania, on 2 September 1925 in Rome, presented the distribution of shares in the following manner: the Italian financial group held 45% of the shares and 40% of the Albanian shares subscribed fictitiously, thereby accumulating 90% of the share capital of the National Bank of Albania, while the remaining portion was purchased by Swiss, Belgian, and Yugoslav banks. This enabled the Italian authorities to bring under control the financial and credit system in Albania, and contrary to the provisions of the agreement, the Bank was established in Rome and not in Tirana, while the governing board of the

Bank consisted mainly of Italians and only one representative belonged to the Albanian side, Tef Curani. The policy pursued by Italy at the head of the Bank was that of maintaining the country in a permanent financial crisis and sustaining a low level of circulation below the normal needs of the country and in flagrant disproportion with the reserves. This policy led to a reduction in money circulation and an increase in interest rates from 30% to 60% and consequently to damage to the development of the Albanian economy (Musaj, *The Albanian Republic 1925–1928*, 2018).

In 1925, decisions regarding the structure, competencies, and ownership of the National Bank were not the product of technical analyses, but of the political and diplomatic balances of the moment. This demonstrates that the creation of economic institutions in new states is a process that reflects political culture and power relations at both national and international levels. In the case of Albania, the National Bank became a laboratory where the ability of the state to balance between the ideal of independence and the reality of dependency, between formal sovereignty and the need for foreign capital and expertise, was tested (Brikene Dioniz; Nertila Haxhija, 2025). The National Bank succeeded in stabilizing the monetary exchange rate, but it never became an instrument of national development policy; it remained an intermediary between Italian capital and the Albanian economy, focusing on maintaining financial balance rather than promoting production or the crediting of strategic sectors.

The SVEA Loan

On 15 March 1925, together with the convention on the establishment of the National Bank of Albania, it was promised that Albania would be granted a substantial financial loan of 50 million gold francs. This loan would be administered by a company specifically created for this purpose, SVEA (*Società per lo Sviluppo Economico dell'Albania*), the Society for the Economic Development of Albania. The said company was established on 23 April 1925, with its headquarters in Rome, and would administer the loan allocated for the construction of public works (construction of roads, bridges, ports, and for the development of agriculture). The loan of 50 million gold francs was to be repaid over a period of 40 years with a heavy annual interest rate of 7.5%. Although these figures were initially set, through indirect means the interest rate in fact reached up to 11.5%. In this way, the Albanian government was obliged to repay a debt of 75 million gold francs. The Albanian government did not receive the full amount of either the first or the second installment, while it was nonetheless required to pay the interest regularly. The situation continued in this manner for years, and by the mid-1930s the interest on the SVEA loan had reached 75 million gold francs. As a guarantee for its repayment, the revenues from customs and state monopolies, amounting to 8.5 million gold francs annually, were pledged to the Italian state. The Albanian government was obliged not to make any changes to customs tariffs during the period in which the contract remained in force (40 years). It had been agreed that the loan would be used for public works such as the construction of ports, bridges, and roads, land reclamation, drainage of marshes, and other projects serving the agricultural development of the country, public buildings, railway construction, hydraulic works, postal and telegraph services, and the exploitation of forests. Referring to the amount of money invested in Albania, it becomes clear that SVEA, and through it the Italian government, allocated the greater part of these funds to sectors that served their strategic objectives in Albania and the Balkans. Although the construction of roads, bridges, and railways was necessary for the country's underdeveloped infrastructure, investments in agricultural development were even more essential. Even though 31.2 million gold francs had been allocated for investment in this sector, only 2.5 million gold francs were actually spent—a negligible amount considering that it constituted the main branch of the country's economy (Academy of Albania, 2007).

At first glance, the allocation of the SVEA loan funds created the impression that the Italians were using this money to carry out a range of beneficial projects in Albania; however, a more detailed analysis reveals that Albania's priorities were rarely taken into account. Roads were not constructed in accordance with Albania's transportation needs, while bridges were built primarily for Italian military purposes in the direction of the Greek and Yugoslav borders. The port of Durrës was expanded to such an extent that it could accommodate vessels larger than commercial ships. Albania's urgent needs, including drainage, sewage systems, and the development of agriculture, were largely neglected (Fischer, 1996). The marginalization of key economic sectors did not contribute to Albania's economic development. Although the Italian government was aware that Albania was not in a position to repay this massive loan, it was primarily interested in the political dimension of the issue. Even though the concessions granted to Italy were opposed in many Albanian circles, as they conferred excessive power upon it, foreign capital remained essential for the country's development.

The financial agreements signed in 1925 were followed by two political agreements that Zogu concluded with Italy: the First Pact of Tirana, signed in 1926 with a five-year term, through which Albania clearly entered the Italian protectorate, and the Second Pact, signed only a year later in 1927, with a much longer duration, marking a further step toward Albania's dependence on Italy. The Albanian historian Kristo Frashëri rightly observed that Zogu was moving from one precipice to another; this was understandable, although whether he was fully aware of these actions cannot be stated with certainty. Even after the signing of these acts, Zogu did not feel secure in guaranteeing the continuity of his power; therefore, he decided to perpetuate authority for himself and his successors by proclaiming Albania a monarchy and himself king, under the title "Zog I – King of Albania and the Albanians." To realize this decision as well, he once again needed to secure the support of Rome and Italy. This dependence—initially economic, and subsequently political and military—undoubtedly paved the way for the eventual collapse and end of Ahmet Zogu's regime in Albania. Italy prepared the invasion of Albania on 7 April 1939, and with this invasion came the removal of the royal crown from King Zog I (Frashëri, 2014).

The signing of these Italo-Albanian pacts appears to have occurred at a time when internal unrest, revolts, and opposition from rival groups had significantly increased. Threatened internally and diplomatically isolated both regionally and beyond, Zogu felt compelled to move closer to Italy in order to secure the longevity of his rule. In order to feel more secure in his power against his adversaries, the Albanian president accepted being placed under the Italian protectorate, something he had managed to avoid with considerable skill until that point. This action by Zogu provoked a storm of anger and political crisis in Yugoslavia, strong negative reactions in French diplomatic circles, and, undoubtedly, significant discontent within Albanian political circles, as reflected in the parliamentary debates of 1926–1927 (Duka, 2007).

4.CONCLUSIONS

The economic development of the country constituted one of the principal challenges faced by Zogu during his leadership as President of the Albanian Republic in the years 1925–1928. Such development could be achieved by efficiently utilizing the country's resources and its available labor force. This required capital investment, which the Albanian state was unable to realize under conditions of pronounced inherited economic backwardness, as well as due to the insufficiency of state revenues to meet immediate needs and demands, despite the concrete measures and efforts that Zogu's government sought to undertake and implement upon coming to power. The domestic bourgeoisie was economically too weak to undertake capital investments in key and vital sectors of the economy; therefore, under these circumstances, the only viable path remained the attraction of foreign capital and the granting of concessions.

In order to draw conclusions regarding the results achieved by the Albanian economy during the years of the Republic—specifically by analyzing this outcome from the perspective of two developments of a financial, but not exclusively financial, nature, namely the establishment of the National Bank of Albania and the SVEA loan—it is necessary to assess what such initiatives and organizational structures represented in themselves within the country, as well as to evaluate the consequences of these initiatives in comparison with the preceding period, whether positive or negative. Although the period 1925–1928 is relatively short to produce concrete transformations, these developments must nevertheless be assessed not merely through their characteristic and meaningful elements, but within the broader context of the time in which they occurred, and in close relation to other economic, social, political, and cultural indicators. The activity of the National Bank of Albania and the SVEA loan continued beyond the Republican period; therefore, the results of their operation are also connected to a range of other indicators in the subsequent period, that of the Albanian Monarchy, again under the leadership of Ahmet Zogu.

The Albanian economy during the period under consideration experienced several developments and achievements of importance for the country and decisive for its economic trajectory. Although under Italian tutelage, the Albanian government, influenced by difficult conditions, undertook significant steps, such as the establishment of the National Bank of Albania, which issued its own currency and created conditions for the accumulation and financing of domestic capital. At the same time, it must be emphasized that Italian influence was so strong that it sought—and succeeded during these years—to concentrate this investment in its own hands and, through the dominance of the financial group and the governing structures of the bank, to utilize this economic instrument for broader political and strategic interests vis-à-vis Albania. Nevertheless, it should be underlined that the establishment of this highly important institution dates to this period and was made possible by Zogu's policy.

The investments carried out by Italy contributed to a certain improvement in Albania's economic situation in sectors such as industry, trade, transport, and infrastructure; however, what remained problematic was the difficult situation in the agricultural sector, the principal branch of the economy. Despite Italy's strategic interests in Albania, it must be acknowledged that the country did derive benefits from the projects financed through the SVEA fund. The involvement of Italian capital brought about short-term monetary stability, which made possible the issuance of the Albanian currency and the creation of a centralized credit system. However, this stability came at a high cost: it was paid through the loss of decision-making autonomy and complete dependence on foreign interests. The Albanian government, reliant on Italian support for its internal stability, accepted conditions that significantly limited the country's economic independence.

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