



# ALBANIA

November 14, 2022

## STAFF REPORT FOR THE 2022 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

European Department

### CONTENTS

FUND RELATIONS	<a href="#">2</a>
RELATIONS WITH OTHER INTERNATIONAL FINANCIAL ORGANIZATIONS	<a href="#">7</a>
STATISTICAL ISSUES	<a href="#">8</a>

## FUND RELATIONS

(As of September 30, 2022)

**Membership Status:** Joined October 15, 1991; Article VIII.

<b>General Resources Account:</b>	<b><u>SDR Million</u></b>	<b><u>Percent Quota</u></b>
Quota	139.30	100.00
IMF's Holdings of Currency	417.22	299.51
Reserve Tranche Position	26.00	18.67

<b>SDR Department:</b>	<b><u>SDR Million</u></b>	<b><u>Percent Allocation</u></b>
Net cumulative allocation	179.96	100.00
Holdings	205.27	114.06

<b>Outstanding Purchases and Loans:</b>	<b><u>SDR Million</u></b>	<b><u>Percent Quota</u></b>
Extended Arrangement	164.62	118.18
Rapid Financing Instrument	139.30	100.00

<b>Latest Financial Commitments:</b>				
<u>Type</u>	<u>Approval Date</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
<i>Outright Loans</i>				
RFI	Apr. 10, 2020	Apr. 15, 2020	139.3	139.3
<i>Arrangements</i>				
EFF	Feb. 28, 2014	Feb. 24, 2017	295.42	295.42
ECF <sup>1</sup>	Feb. 1, 2006	Jan. 31, 2009	8.52	8.52
EFF	Feb. 1, 2006	Jan. 31, 2009	8.52	8.52

### Projected Payments to Fund:

(SDR Million; based on existing use of resources and present holdings of SDRs)

	Forthcoming					
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Principal	8.72	84.06	114.96	69.88	21.52	4.77
Charges/Interest	2.49	8.67	4.95	1.73	0.48	0.05
Total	11.21	92.73	119.91	71.61	22.00	4.82

**Safeguards Assessments.** An update safeguards assessment completed in 2022 found that the central bank had strengthened its governance and internal controls, resulting in a relatively robust

<sup>1</sup> Formerly PRGF.

safeguards framework. Particularly, the establishment of an Audit Committee improved the oversight of internal audit and controls. The BoA's financial statements continue to be prepared and audited under international standards and the results are published. Progress has been made in addressing the remaining safeguards recommendations, including drafting amendments to the BoA Law to align it with leading practices.

**Exchange Rate Arrangement:** On July 1, 1992, the Albanian authorities adopted a floating exchange rate system. The *de jure* exchange rate system is classified as free floating, while the *de facto* exchange rate arrangement is floating, with the monetary authorities occasionally intervening in the foreign exchange market to accumulate reserves based on a pre-announced schedule and to avoid excessive disruptions in the functioning of the market. On February 21, 2015, Albania accepted the obligations under Article VIII, Sections 2(a), 3, and 4, but continues to maintain an exchange restriction in the form of outstanding debit balances on inoperative bilateral payment agreements with two IMF member countries. Those debit balances were in place before Albania became a Fund member in 1991 and relate to debt in nonconvertible and formerly nonconvertible currencies. Despite repeated efforts by the Albanian authorities, no agreement has been reached with the counterparties. The Albanian authorities notified the Fund of further exchange rate restrictions introduced in accordance with Decision No. 144 (52/51). The exchange rate stood at lek 120.07 per U.S. dollar on October 20, 2022.

**Article IV Consultation:** The 2021 Article IV consultation was concluded on December 6, 2021 (IMF Country Report No. 2021/259).

**FSAP Participation, ROSCs:** The most recent FSAP was carried out in November 2013 (with a Board date of February 28, 2014). A data module ROSC was published on the Fund's website in June 2000. A fiscal ROSC was completed in June 2003. Albania participates in the enhanced General Data Dissemination System (e-GDDS), and a complete set of e-GDDS data with accompanying metadata for the external, financial, fiscal, and real sectors, as well as for the socio-demographic indicators, is posted on Albania's National Summary Data Page, which can be found on the Fund's Dissemination Standards Bulletin Board (<http://dsbb.imf.org>). A data module ROSC reassessment using the Data Quality Assessment Framework was conducted in March 2006.

#### **AML/CFT Assessment:**

Two enhanced follow-up reports have been conducted after the Mutual Evaluation Report by the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (Moneyval) was adopted in July 2018, which assessed Albania's AML/CFT framework against the 2012 Financial Action Task Force (FATF) standards. As of October 2022, Albania has not fully implemented its action plan and remains on FATF's grey list. FATF has strongly urged the authorities to swiftly demonstrate significant progress in completing its action plan by February 2023. FATF also expressed concerns over the proposed fiscal amnesty law, which does not comply with FATF's best practices and principles for managing the AML/CFT implications of such programs.

**Technical Assistance:** The Fund, other multilateral organizations, and donors have provided extensive technical assistance for institutional development in Albania. The Fund has sent multiple technical assistance missions to Albania every year since 1991. The extent and focus of Fund TA since FY 2016 are briefly summarized below in Table 1.

**Resident Representative:** Ms. Eble from the regional office for the Western Balkans took her post on September 1, 2019 and oversees Albania's local office.

Table 1. Albania: Technical Assistance Since FY2016

Department	Purpose	Date (V=Virtual)
FAD	Tax Administration	Multiple (nearly monthly) visits in 2018, February 2022, March 2022, June 2022 (TADAT), September 2022, November 2022
	Revenue Administration	May 2021 (V), November 2021 (V), February 2022, March 2022, November 2022
	Public Financial Management	March-April 2016, July 2016, September 2016, October 2016, March 2017, September 2017, October-November 2017, December 2018, April 2019, May 2019, June 2019, November 2019, May 2020 (V), June 2020 (V), December 2020 (V), May 2021 (V), September 2021 (V), October 2021 (V), November 2021 (V), February 2022, May 2022, October 2022
	Tax Policy	June 2015, September 2016, September 2017; October 2017, June 2018, September 2018, January 2021 (V), October 2021 (V), May 2022
	Fiscal Transparency Evaluation	June 2015
	Public Investment Management	February 2022, May 2022, June 2022
LEG	Tax Law	March 2015, May 2015, June 2018, November-December 2018
	NPL Resolution	April 2015
	AML/CFT Measures Related to VA and VASPs	March 2021 (V), June 2021 (V)
	Public Investment Management (joint with FAD)	June 2022
MCM	IFRS 9 Implementation and capital structure review	February 2017 January 2018, November 2018
	Regulatory Framework for Investment Funds	June 2022

**Table 1. Albania: Technical Assistance Since FY2016 (concluded)**

<b>Department</b>	<b>Purpose</b>	<b>Date (V=Virtual)</b>
MCM	NPL Resolution	November 2015
	Central Bank Accounting and Official Foreign Exchange Transactions	October 2018
	Banking Supervision and Regulation	July 2015, May 2018
	Long-Term Resident Advisor on Monetary Policy	September 2015-August 2018
	Financial management and accounting policy framework	September 2018
	Monetary Policy Design and Implementation	January 2016, September 2016, December 2016, February 2017, September 2017, September 2018
	Long-Term Resident Advisor on Banking Supervision and Financial Stability	September 2017-July 2020
	Foreign Exchange Market Development	December 2019
	Strengthening cash management and improving coordination between the MoFE and BoA in cash, debt and liquidity management (joint with FAD)	June 2020
	Annual Borrowing Plan	October 2022
	Crypto Asset Regulatory Framework	May 2021 (V)
	Risks Management Framework for Investment Funds	June 2022
STA	External Sector Statistics	January 2016, April-May 2017
	Government Finance Statistics	May 2015, May-June 2016, November 2016, May 2017, June 2017, September 2017, April 2018, May 2018, November 2018, April 2019, May 2019, June 2019, July 2020 (V), June 2021 (V), Sept-Oct 2021 (V), March 2022, May 2022
	National Accounts Statistics	May 2015, April 2017, September 2017, March 2018, November 2019
	Enhanced General Data Dissemination System	April 2017
	Monetary and Financial Statistics	July 2017, April 2019

## RELATIONS WITH OTHER INTERNATIONAL FINANCIAL ORGANIZATIONS

As of October 30, 2022, Albania collaborates with the World Bank Group, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), and the Council of Europe Development Bank. Further information can be obtained from the following hyperlinks.

<https://www.worldbank.org/en/country/albania>

<https://www.ebrd.com/albania.html>

<http://www.eib.org/en/projects/regions/enlargement/the-western-balkans/albania/index.htm>

<https://coebank.org/en/about/member-countries/albania/>

# STATISTICAL ISSUES

(As of October 30, 2022)

## I. Assessment of Data Adequacy for Surveillance

**General:** Data provision has some shortcomings but is broadly adequate for surveillance. The main obstacles are in real sector statistics and weak inter-institutional cooperation between government agencies. Significant data gaps on real estate and construction activities prevent a complete assessment of potential macro-financial linkages.

**National accounts:** National accounts compilation has been improving in the last few years and is now generally compliant with the System of National Accounts 2008 and the European System of Accounts 2010. However, there is still room for further improving methodologies and compilation techniques, especially regarding GDP estimates by the expenditure approach. Better source data would significantly enhance national accounts estimates. Although formal agreements for sharing data among government agencies have been signed, in some cases the cooperation needs to be more effective. Very ambitious objectives combined with severe resource constraints at INSTAT complicate improvements in basic indicators.

Currently, quarterly GDP estimates are released with a lag of 90 days and the first annual estimates are published around 15 months after year-end. Data are subject to large revisions and there are significant discrepancies between the GDP compilation by the expenditure and by the production approach. In 2019, INSTAT published the non-financial institutional sector accounts for 2019.

**Labor statistics:** The Labor Force Survey (LFS) is of insufficient quality. The treatment of agricultural employment needs to improve, as currently all individuals that own agricultural land are considered self-employed by the survey. Various shortcomings in the LFS lead to lack of reliable income and wage indicators. Poverty data are available with a substantial lag, compared to other CESEE countries.

**Price statistics:** Compilation generally follows international standards. Since December 2015, INSTAT updates annually the CPI weights using the results of a new national Household Budget Survey. The PPI, import price index, and construction cost indexes are published on a quarterly basis, due to resource constraints. The PPI includes separate indexes for production sold to the domestic market and exports. The PPI and import price index cover industrial activities only.

**Government finance statistics:** Fiscal source data are adequate to allow a broad presentation of the quarterly fiscal operations in line with the Government Finance Statistics Manual (GFSM2014) and cover the entire general government. Consistency across fiscal surveillance, GFS Yearbook, and other macroeconomic reporting has been improving and INSTAT has been producing reports from the same compilation system since October 2021. The last mission under the second phase of the SECO-supported GFS capacity building project helped develop and integrate procedures to estimate quarterly extrabudgetary flows from annual data into the AIGCS. Procedures and methods to estimate total accounts payable using double-accounting methods have also been implemented, and procedures for compiling onlending data have been developed and integrated into the debt compilation file and the AIGCS.

**Monetary and financial statistics:** The monetary data compilation framework conforms to the methodology recommended in the *Monetary and Financial Statistics Manual and Compilation Guide (MFSMCG)*. Data on the central bank, other depository corporations (ODCs), and other financial corporations (OFCs) are

comprehensive and provided to STA on a monthly basis (quarterly for OFCs) using the standardized reporting forms. The discrepancy between ROW data and those in the ODC data remains on account of the continued inclusion of nonresident deposits with ODCs in the monetary aggregates.

The Bank of Albania reports data on some key series of the Financial Access Survey (FAS), including mobile and internet banking, mobile money, gender-disaggregated data, and the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs).

**Financial sector surveillance:** Albania reports thirteen core and six additional financial soundness indicators (FSIs) for deposit-takers on a monthly basis to STA for publication on the IMF's FSI website. The country also reports six additional FSIs for other financial corporations (OFCs) and two FSIs for real estate markets. The coverage of FSIs for nonfinancial corporate sector may be improved. Significant data gaps on real estate and construction need to be addressed. In particular, a regular and detailed set of indicators of the financial system's exposures to the sector and property prices need to become available.

**External sector statistics (ESS):** Balance of payments and international investment position (IIP) data are compiled by the BoA with a time lag of less than 90 days and are methodologically sound. Compilation is based on the *Balance of Payments and International Investment Position Manual, sixth edition (BPM6)* and the *European System of National and Regional Accounts (ESA 2010)* methodological framework. The implementation of IMF's technical assistance recommendations on ESS have improved the measurement of compensation of employees and remittances, facilitated compilation of the quarterly IIP statistics, supplementary IIP data (currency composition of debt assets and liabilities), and the Reserves Data Template. Albania also participates in the IMF's Coordinated Portfolio Investment Survey (CPIS) and Coordinated Direct Investment Survey (CDIS).

Challenges remain in improving the measurement of remittances, compensation of employees, and some financial account transactions outside the Albanian banking system.

## II. Data Standards and Quality

Albania participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page, <http://instat.gov.al:8080/NSDPAlbania/>, since June 2017.

Data ROSC published in October 2006:  
<https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Albania-Report-on-the-Observance-of-Standards-and-Codes-Data-Module-Response-by-the-20059>.

<b>Table 1. Albania: Table of Common Indicators Required for Surveillance</b> (As of October 24, 2022)					
	Date of Latest Observation	Date Received	Frequency of Data <sup>7</sup>	Frequency of Reporting <sup>7</sup>	Frequency of Publication <sup>7</sup>
Exchange Rates	10/24/2022	10/24/2022	D	D	D
International Reserve Assets and Liabilities of the Monetary Authorities <sup>1</sup>	09/30/2022	10/24/2022	M	M	M
Reserve/Base Money	09/30/2022	10/24/2022	M	M	M
Broad Money	09/30/2022	10/24/2022	M	M	M
Central Bank Balance Sheet	09/30/2022	10/24/2022	M	M	M
Consolidated Balance Sheet of the Banking System	09/30/2022	10/24/2022	M	M	M
Interest Rates <sup>2</sup>	10/14/2022	10/17/2022	M	M	M
Consumer Price Index	09/2022	10/11/2022	M	M	M
Revenue, Expenditure, Balance, and Composition of Financing <sup>3</sup> – General Government <sup>4</sup>	2021	09/28/2022	A	A	A
Revenue, Expenditure, Balance, and Composition of Financing <sup>3</sup> – Central Government	2021	09/28/2022	A	A	A

**Table 1. Albania: Table of Common Indicators Required for Surveillance  
(concluded)**  
(As of October 24, 2022)

	Date of Latest Observation	Date Received	Frequency of Data <sup>7</sup>	Frequency of Reporting <sup>7</sup>	Frequency of Publication <sup>7</sup>
Stocks of Central Government and Central Government-Guaranteed Debt <sup>5</sup>	2021	09/28/2022	A	A	A
External Current Account Balance	2022 Q2	09/14/2022	Q	Q	Q
Exports and Imports of Goods and Services	2022 Q2	09/14/2022	Q	Q	Q
GDP/GNP	2022 Q2	10/20/2022	Q	Q	Q
Gross External Debt	2022 Q3	11/01/2022	Q	Q	Q
International Investment position <sup>6</sup>	2022 Q2	10/20/2022	Q	Q	Q

<sup>1</sup> Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should include short-term liabilities linked to a foreign currency but settled by other means, as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

<sup>2</sup> Both market-based and officially determined, including discount rates, money market rates, and rates on treasury bills, notes, and bonds.

<sup>3</sup> Foreign, domestic bank, and domestic nonbank financing.

<sup>4</sup> The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments. It also includes the explicit guarantees granted by the central government.

<sup>5</sup> Includes currency and maturity composition.

<sup>6</sup> Includes external gross financial asset and liability positions vis-à-vis nonresidents.

<sup>7</sup> Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annual (A), Irregular (I), Not Available (NA).