

October 6, 2022  
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INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 20/40-2

10:30 a.m., April 10, 2020

**2. Albania; Republic of Kosovo; Republic of North Macedonia—Requests for Purchase Under the Rapid Financing Instrument**

Documents: EBS/20/35; EBS/20/36, and Cor. 1, and Cor. 2; EBS/20/37, and Cor. 1

Staff: Martijn, Di Bella, and Barkbu, EUR; Zakharova, Haksar, and Sommer, SPR

Length: 65 minutes

## Executive Board Attendance

T. Zhang, Acting Chair

### Executive Directors

M. Raghani (AF)

R. Kaya (EC)

S. Bhalla (IN)

D. Fanizza (IT)

J. Mojarrad (MD)

H. Beblawi (MI)

M. Poso (NO)

M. Mouminah (SA)

### Alternate Executive Directors

I. Mannathoko (AE)

R. Morales (AG), Temporary

C. White (AP)

P. Fachada (BR)

P. Sun (CC)

J. Rojas (CE), Temporary

A. McKiernan (CO)

P. Rozan (FF)

K. Merk (GR)

K. Chikada (JA)

R. Doornbosch (NE)

L. Palei (RU)

K. Tan (ST)

P. Trabinski (SZ)

D. Ronicle (UK)

P. Pollard (US), Temporary

S. Bhatia, Acting Secretary

K. Hviding, Summing Up Officer

A. Lalor, Board Operations Officer

L. Nagy-Baker, Verbatim Reporting Officer

### Also Present

Communications Department: W. Amr, G. Vilkas. European Central Bank: R. Rueffer. European Department: B. Barkbu, J. Decressin, G. Di Bella, S. Eble, A. Khachatryan, P. Kopyrski, O. Luca, A. Mangov, J. Martijn, J. Poulain, M. Pradhan, Y. Sun, A. Tudyka, Z. Zhang. Fiscal Affairs Department: E. Chang. Finance Department: L. Chidawaya, S. Matai. Legal Department: J. Ams, C. DeLong, D. McDonnell. Monetary and Capital

Markets Department: J. Moyo. Strategy, Policy, and Review Department: F. Arizala Escamilla, S. Hakobyan, V. Haksar, W. McGrew, M. Omoev, M. Sommer, D. Zakharova. World Bank Group: S. Madzarevic-Sujster, A. Senkal, C. Ungerer. Executive Director: A. Andrianarivelo (AF), A. Buisse (FF), A. Mahasandana (ST). Alternate Executive Director: M. El Qorchi (MD), S. Geadah (MI), C. Just (EC), W. Nakunyada (AE), V. Rashkovan (NE), F. Sylla (AF). Senior Advisors to Executive Directors: S. Ahmed (MD), A. Ekelund (NO), R. Goyal (IN), M. Ismail (AE), S. Keshava (SA), Z. Mohammed (BR), S. Senich (US), N. Thiruvankadam (IN). Advisors to Executive Directors: F. Al-Kohlany (MI), P. Al-Riffai (MI), D. Andreicut (UK), S. Belhaj (MD), M. Bernatavicius (NO), A. Biriukv (RU), E. Boukpepsi (AF), J. Corvalan (AG), G. Khurelbaatar (AP), H. Koh (GR), A. Korinthios (IT), K. Kuretani (JA), R. Makhammadiev (SZ), M. Merhi (MI), P. Mooney (CO), A. Muradov (SZ), L. Nankunda (AF), T. Persico (IT), F. Rawah (SA), D. Shestakov (RU), M. Shimada (JA), I. Skrivere (NO), S. Yoe (ST), J. Yoo (AP), A. Zaborovskiy (EC), Z. Zedginidze (NE).

**2. ALBANIA; REPUBLIC OF KOSOVO; REPUBLIC OF NORTH MACEDONIA—REQUESTS FOR PURCHASE UNDER THE RAPID FINANCING INSTRUMENT**

Mr. Kaya and Mr. Mehmedi submitted the following statement:

REPUBLIC OF KOSOVO

On behalf of our Kosovar authorities, we would like to express our deep gratitude to the Executive Board, management and staff for the timely response to their request for a disbursement under the Rapid Financing Instrument (RFI) in the amount of SDR 41.30 million or 50 percent of quota to help overcome the exogenous shock caused by COVID-19 and its immense impact on the people of Kosovo, the health system, and the economy. A disbursement under the RFI will be an essential component of the authorities' policy response to mitigate the economic and health effects from the COVID-19 outbreak, including by closing the financing gap this year. The authorities trust that the fast disbursement by the IMF will also catalyze additional donor support, including from the World Bank, the European Union, and other bilateral donors.

Kosovo has made significant progress in recent years, including under recent Fund arrangements, in preserving fiscal discipline and maintaining low debt levels, further strengthening the health and resilience of the financial sector and moving forward with the structural reform agenda. The implementation of the fiscal rule and of sound banking sector policies have been at the core of macroeconomic stability and sustained growth over the past few years. Growth reached 4 percent in 2019 (and was expected to grow at a similar pace in 2020), the overall fiscal rule deficit was reduced to 0.3 percent of GDP (well below the 2-percent of GDP fiscal rule deficit ceiling) while the usable bank balance reached 5 percent of GDP at end-2019. The banking sector also remained well-capitalized, profitable, and liquid, owing to robust macroeconomic fundamentals and very strong prudential policies, while private sector credit growth was growing at a healthy double-digit.

The COVID-19 Pandemic and its impact on the economy

Kosovo reported its first case of COVID-19 infection on March 13. As of April 6, the number of cases has surged to 170. The authorities responded in a swift, concerted, and commensurate manner to contain the spread of the virus. The early response to the pandemic was based on a national contingency health plan and the creation of the "Coronavirus Management Committee" which emphasized containment, preparedness, and enhancement of testing capacities. In addition to strengthening health policy responses, the authorities took a range of stringent containment measures. As many other countries in Europe, Kosovo is in effect in a lockdown.

As a result, the short-term economic outlook is deteriorating quickly with tourism receipts, remittances, FDI, domestic demand, export of goods and services and investment expected to fall. Several sectors of the economy, particularly the traditional drivers of growth, including trade, hospitality industry, construction, agriculture, and manufacturing are also severely affected by the pandemic.

The impact of the pandemic on output will be significant and crucially depend on how long the epidemic lasts. The authorities' preliminary estimates, which are underpinned by the assumption that "social distancing" restrictions start easing in Q3, expect the economy to contract from -2 to -4 percent of GDP this year, 6-8 percentage points below the pre-pandemic baseline, largely due to a near-cessation of travel and diaspora tourism in Q2, sharp demand and supply shocks on account of containment measures and falling remittances. However, the authorities assume a V-shaped recovery in Q4 of this year and in 2021.

The large GDP contraction this year will negatively impact the health of public finances as fiscal revenues in 2020 are expected to decrease by approximately 8 percent, compared to staff's forecast of 12 percent, given the drop in VAT and custom duties. The fiscal deficit will also increase due to the fall in tax revenues and the looser fiscal stance to accommodate increased spending on COVID-19-related spending. The fiscal rule deficit is expected to jump to close to 5 percent of GDP in 2020 (on the account that capital expenditures are not reduced significantly), triggering the use of the escape clause under the fiscal rule to accommodate a deficit above the 2 percent of GDP ceiling. The near-term fiscal financing needs (3 percent of GDP) are expected to be closed by the drawdown of government bank balances, official financing from the EU and the World Bank, IMF financing, higher domestic issuance of government bonds, and reprioritization of spending. Public debt is also expected to jump to over 22 percent of GDP this year. The current account will also deteriorate while external financing inflows will be cut by almost 50 percent, resulting in a steep financing gap. While the potential use of deposit buffers by liquidity constrained households and businesses, and loan reprogramming could potentially affect banks' liquidity and constrain domestic credit, the banking sector is well capitalized and liquid and able to withstand the impact of COVID-19 outbreak.

#### The authorities' policy response

The government responded quickly to contain the propagation of COVID-19 and fiscal measures have been timely, temporary, and targeted and aimed at saving lives and protecting households while assisting viable firms to prevent layoffs. To address the challenges created by the pandemic, the authorities initially allocated additional funding to the Ministry of Health;

deferred corporate income and personal income taxes, and VAT; advanced payments for social assistance schemes by additional three months amount to support poor households and vulnerable groups; and removed VAT on imports of wheat and flour;

In addition, with the pandemic severely affecting firms and households, the government of Kosovo passed on March 30 an emergency package of temporary and targeted fiscal measures to assist the hard-hit individuals and firms while allocating additional health spending. Some of the key measures include: (i) transfers to SMEs and other sectors most affected by the lockdown, including wage subsidies, coverage of pension contributions for subsidized wage workers for the next two months, and coverage of rent for businesses of up to 50 percent for two months (ii) payment of EUR 130 for the next 3 months to those that have lost their job during the crisis; (iii) interest rate subsidy and support to exporters; (iv) additional sum of thirty (€30) Euros per month to all beneficiaries of social assistance and pension schemes who receive a monthly payment lower than one-hundred (€100) Euros, for April, May and June; (v) bonus payments (for two months) for the healthcare workers and police (vi) and targeted liquidity support to firms. The total cost of the emergency package is estimated at around 2.5 percent of GDP. The government remains committed to ensuring transparency, good governance, and accountability in terms of the implementation arrangements for the package of measures through which funds will be distributed to the employees and to the companies. All measures will be embedded in the budget process.

While no exchange rate measures are possible as Kosovo is unilaterally euroized, the Central Bank of Kosovo (CBK) together with the Kosovo Banking Association decided to suspend the payment of loan installments for businesses and individuals starting from March 16 until April 30, and the suspension could be extended depending on how the crisis evolves. Suspension decisions will be made by banks on a case-by-case basis and will be targeted to sectors and individuals most affected by the crisis. The CBK will apply regulatory forbearance on loan provisions and capital requirements on reprogrammed loans. The CBK has also functionalized the Business Continuity Committee within the CBK and the Inter-Institutional Committee, which includes representatives from the CBK, Ministry of Finance, and Kosovo Banking Association.

The authorities underscore that the banking system is able to absorb the announced measures as the NPL ratio is very low and liquidity and capital buffers are comfortably above the regulatory requirements. Since the measures were announced, the liquidity ratio for the banking sector has remained unchanged at around 35 percent while deposits have slightly increased. The CBK remains committed to ensuring the well-functioning of

the financial system in Kosovo, including through enforcing adequate provisioning and capital requirements.

### Conclusion

The authorities are confident that the policies outlined in their Letter of Intent will enable an effective use of the requested disbursement under the RCF in these extraordinary circumstances. They are hopeful that Fund financing will catalyze strong support by the donor community.

The Kosovo authorities remain committed to preserving macroeconomic stability while ensuring fiscal and debt sustainability through the implementation of prudent fiscal policies and of sound banking sector policies. The authorities will closely engage with the Fund to explore solutions to Kosovo's balance of payments difficulties. Once the pandemic recedes, the authorities concur with the need to rebuild fiscal buffers through growth-friendly fiscal consolidation to enhance preparedness for future shocks. They also acknowledge that bank-specific plans may be needed to gradually restore capital and liquidity ratios after the crisis has passed.

Once the crisis has subsided and the situation normalizes, the authorities stand ready to engage with the IMF staff to discuss a multiyear upper-credit trench arrangement to foster the recovery, address underlying structural issues, and put growth on a higher trajectory over the medium term.

Mr. Doornbosch and Ms. Harutyunyan submitted the following statement:

### REPUBLIC OF NORTH MACEDONIA

On behalf of the authorities of North Macedonia, we would like to express our sincere gratitude and appreciation to management and staff for their timely and proactive response to the request for purchase under the Rapid Financing Instrument (RFI) to help overcome the exogenous shock caused by the COVID-19 outbreak. The authorities broadly agree with the staff's appraisal and policy advice.

The economy of North Macedonia was growing at a strong pace supported by crucial institutional and governance reforms when it was hit by the global COVID-19 pandemic. In the past decade, the country has maintained a track record of low inflation, moderate fiscal deficit, and a stable financial sector. Amidst political uncertainty in 2017, GDP growth decelerated to 1.1%, but very soon the country was able to rebound its growth to 2.7% in 2018, before accelerating to 3.6% in 2019. The unemployment rate continued to decline to a still high but historically low level of 16.6% at the end of 2019. Against this background, North Macedonia recently received

positive decision by the European Council on opening accession talks for EU membership and joined NATO as its 30th member.

### The Coronavirus (COVID-19) Pandemic

The COVID-19 pandemic outbreak has put North Macedonia in a very difficult situation. As of April 8, the country has 617 confirmed COVID-19 cases. The authorities declared an emergency situation on March 18 and implemented many tailored measures to effectively prevent the spread of the virus. These include restrictions on in- and outbound travels, social distancing, special red containment zones for specific areas of the country, public campaigns for better personal hygiene, curfew hours during working days and weekends, and the closure of schools and universities. During all this time, the caretaker government has pledged to ensure full transparency by holding daily briefings to share all available data on developments with the public. Early parliamentary elections were scheduled on April 12, 2020, but having in mind the current situation, all political parties with great sense of responsibility agreed to postpone these elections to a date that will be further defined. The current government has a caretaker role and all major political parties are part of it. This request for purchase under the RFI was endorsed by all major parties and their governmental representatives as a right way to move forward.

### Economic Impact of COVID-19 and Policy Response

The global COVID-19 pandemic is expected to have a large negative effect on the Macedonian economy, and to significantly weaken the country's fiscal and external position in 2020. Given the geographical location, the limited domestic market and the high level of trade openness, the country will be severely affected by the global trade and supply chain disruptions, exacerbated by the spillovers from the global recession and tightened financial conditions. Against the background of the COVID-19-related restrictions on domestic mobility and activity, substantially lower external demand, remittances and net FDIs, economic activity is expected to contract sharply in 2020, before rebounding in 2021. The fiscal deficit is expected to widen to 6.5 percent, and public debt to increase substantially in 2020, while remaining sustainable over the medium-term. Against this background, and limited domestic financing sources, securing additional external financing is urgent to mitigate the social and economic impact of the shock, while preserving international reserves and protecting the de-facto exchange rate peg.

On policy response, in addition to the immediate health measures to contain the spread of COVID-19, the authorities have put in place fiscal, monetary and financial policies to respond to the economic downturn from the pandemic. On the fiscal side, the authorities have implemented important temporary and targeted measures to protect the liquidity of companies and provide social care for the unemployed and the vulnerable households.

Notably, the government, in consultation with key economic and social stakeholders, has adopted measures that cut unnecessary expenditures and provide further finances to the health sector, promote job security and limit as low as possible the number of job layoffs, and assist the private sector with tax relief and highly favorable loans by the Development Bank of North Macedonia.

The National Bank of the Republic of North Macedonia (National Bank) has also responded quickly to the COVID-19 within its mandate. The National Bank lowered the rate of Central Bank bills, eased the reserve requirement base for the amount of credits extended to sectors heavily affected by the crisis, and amended banking regulation. The regulatory changes allow banks to extend targeted and temporary relief to clients in need, while preserving prudence in the overall stance. Under the current challenging situation, the National Bank will continue to prudently execute its mandate, ensuring the stability of the exchange rate and keeping inflation stable, while supporting measures that will provide relief from the COVID-19 outbreak.

#### Request for purchase under the RFI Disbursement

In view of the large fiscal gap and urgent balance of payment needs, the authorities of North Macedonia request financing from the IMF under the RFI for an amount equivalent to SDR 140.3 million, corresponding to a purchase of 100 percent of quota. Given the budget financing constraints, the authorities intend to use the support for budgetary financing based on the modalities of the memorandum of understanding (MOU) between the government and the National Bank.

The authorities of North Macedonia remain highly committed to preserving macroeconomic and financial stability and securing higher economic growth over the long term. This will allow to sustain social stability and to create fiscal space for investment in human capital and infrastructure. The authorities are fully confident that the policies outlined in the Letter of Intent will enable an effective use of the requested purchase under the RFI in these very challenging circumstances. They are hopeful that the support will have a catalytic effect on helping to secure additional financing. To ensure debt sustainability, the authorities are committed to resuming fiscal consolidation once the health crisis is contained. Meanwhile, they stand ready to take any additional measures that may be needed, in consultation with the Fund, and maintain a close dialogue with staff to address both the immediate and medium-term policy challenges.

Mr. Fanizza and Mr. Persico submitted the following statement:

## ALBANIA

On behalf of our Albanian authorities, we would like to thank very much both staff and management for their prompt response to the request for a purchase under the RFI to support their response to the recent earthquake and the ongoing COVID 19 pandemic.

### Recent Developments and Outlook

The devastating earthquake in late 2019 and the ongoing COVID-19 pandemic have had an unprecedented impact on Albania and radically changed the country's economic outlook that was favorable until recently. At the end of 2019, my Albanian authorities were projecting growth at 3.5 percent in 2020.

The strongest earthquake in the last 40 years claimed 51 lives in November 2019 and caused damage for an amount that we estimate close to 7 percentage points of GDP. Twelve thousand families were left without a house, while many services were disrupted in large part of the country. The COVID-19 first contagion was recorded in early March. Cases have now risen to 380 (as of April 7). The authorities had prepared for the contagion. Early measures were soon escalated to limit the spread of the virus. Albania has also joined the international efforts to support Italy, its main commercial partner. It is too early to fully assess the impact of the pandemic on the economy, but it will significantly weigh on both demand and supply. Moreover, the pandemic is likely to place on hold the potential stimulus effect coming from reconstruction efforts. No doubt, GDP will contract in 2020.

The authorities agree with staff that growth could promptly recover in 2021, as the pandemic fades away and the reconstruction efforts fuel economic activity. Ongoing structural reforms will play a key role in supporting the recovery. Moreover, the just-started EU accession process may benefit the prospects for economic reforms and performance.

Both the fiscal and the external positions will deteriorate in 2020. We are confident that this deterioration is only temporary. Once the COVID-19 crisis is over, the authorities intend to resume their fiscal consolidation efforts to bring the public debt-to-GDP ratio to 60 percent by 2025. At the same time, improved economic conditions in Italy and in the other regional partners should help improve the external current account, attract capital inflows, and rebuild the external reserves.

The RFI disbursement will be key to finance the needed measures to fight the virus and limit its economic and social costs. Moreover, the

authorities believe the RFI can play a catalytical role to secure additional financial resources to close a fiscal financing gap that could materialize in the event the planned Eurobond emission has to be delayed because of the ongoing turmoil in financial markets.

The fiscal and external positions remain fully sustainable, as shown by the staff DSA. It is worth noting that staff achieve this conclusion even when they implausibly assume that the primary balance would remain unchanged over the years at the 2020 level that reflect large exceptional outlays (as in the constant scenario).

### Policy Response to the two Shocks

The authorities responded to the two shocks quickly:

After the earthquake the government estimated the cost of the reconstruction at 1.2 percent of GDP and established a new Reconstruction Ministry to manage it. The authorities also called a donors' conference collecting pledges for Euro 1.15 billion. Preliminary estimates suggest that grants for about 1 percentage point of GDP could be received in 2020.

Prior to recording the first COVID-19 contagion, the government approved higher spending in the health sector, increasing hospitals' budget and adopted WHO-recommended protocols in late February. Since recording the first contagion, a series of mitigation measures have been adopted. These include: (a) closing schools, universities, and restaurants; (b) banning all large events; (c) halting public transport; (d) imposing curfew; and (e) closing its borders. The government has urged everyone to work from home. Furthermore, SMEs and individuals affected by these measures will be able to hold off on rent payments.

A far-reaching and ambitious package of fiscal measures has been proposed and largely implemented amounting to 1.4 percent of GDP. The package entails higher spending on the health sector and exceptional financial support. The package includes: (a) a basic minimum income scheme to outbreak-related unemployed workers of small business; (b) increased social assistance and pension increases; (c) rescheduling of SMEs profit-tax in 2020; (d) a temporary credit sovereign guarantee to allow companies to pay wages to impacted workers.

On the monetary side, the Bank of Albania (BoA) has lowered by 0.5 percentage points its policy rate, to an all-time low of 0.5 percent. It has also, adopted a fixed-price full-allotment approach to liquidity injection operations, without relaxing for the moment its collateral rules. In addition, the authorities intend to continue to use the exchange rate to absorb shocks. However, the

BoA intends to use limited exchange rate intervention to contrast possible disorderly domestic FX market conditions.

The banking system has remained liquid and well capitalized. Nevertheless, the BoA has amended the current regulations that govern the credit risk management of financial institutions to support the supply of credit. Moreover, the Government and the BoA allowed the postponement of payment of loan installments for entities and individuals facing difficulties during the outbreak,

#### Fund Support

Albania's near-term macroeconomic outlook has become challenging, with heightened uncertainty and substantial downside risks. The need to increase public spending to contain the outbreak and support the economy is urgent. Nevertheless, my authorities are keenly aware of the need to contain fiscal imbalances. Once the current shocks have been overcome, the authorities will continue their standing policy of containing fiscal deficits to ensure sustainability over the medium term. The Albanian authorities' primary objective is to safeguard macroeconomic and financial stability and mitigate the impact on Albanian businesses and households, to allow for a swift recovery.

The government faces large financial needs in 2020. While they are considering issuing Eurobond (amounting to Euro 500 million), the timing of the issue will depend on the market evolution. Finally, support from the Fund will be key to catalyze further funding by European Union, EBRD, and World Bank. The authorities welcome the proposed post-program monitoring as a useful opportunity for continued engagement with the Fund.

Mr. Fachada, Ms. Mohammed and Mr. Nithder Pierre submitted the following statement:

#### ALBANIA

We thank staff for the report and Mr. Fanizza and Mr. Persico for their statement. The Albanian authorities are grappling with mounting challenges stemming from the November 2019 earthquake and the global COVID-19 pandemic. Disruption of economic activity, together with declining tourism, FDI and remittances have all contributed to urgent external financing needs. Accordingly, we support the authorities' request for assistance under the Rapid Financing Instrument (RFI). We are pleased that Albania will benefit from the higher access limit approved by the Executive Board on April 6th.

The Albanese authorities are commended for their comprehensive relief and reconstruction program in response to the earthquake, as well as

their targeted and timely response to the pandemic. We join staff in supporting the authorities' stance to relax the fiscal and monetary policy to cushion the shocks and buttress the economy. We note that although public debt is relatively elevated, it will remain sustainable, according to staff. We trust that once the fight against the pandemic is over, Albania will ensure steadfast fiscal consolidation to safeguard debt sustainability.

We take note that although Albania requested access to the RFI equivalent to the maximum under current policies (100 percent of quota), this sum only covers a portion of the country's financing needs for 2020. We, therefore, hope that early support from the Fund would not only help mitigate the impact of the COVID-19 pandemic, but also catalyze additional support from other International Financial Institutions (IFIs). Moreover, we positively note staff's assessment that Albania's capacity to repay the Fund is adequate and the authorities' policies and payment track-record under past IMF programs is strong.

#### NORTH MACEDONIA

We thank Mr. Doornbosch and Ms. Harutyunyan for their informative statement. We also thank staff for the report. North Macedonia is facing a significant deterioration of its economic outlook due to the rapid spread of COVID-19. The necessary and severe containment measures adopted by the authorities have taken a toll on economic activity, with GDP growth expected to contract by 4 percent in 2020, compared to an expansion of 3.6 percent in 2019. Higher spending on health and social benefits and lower tax revenues have already weakened the country's fiscal position. In parallel, remittances and FDI inflows are expected to decline significantly. Against this background, we support the authorities request for access under the RFI equivalent to 100 percent of quota. As in the case of Albania, we are pleased that North Macedonia will benefit from the recently approved higher access limits to IMF emergency financing.

We recognize that prior to the pandemic, economic performance of North Macedonia was strong, with moderate GDP growth, subdued inflation, relatively low public debt, comfortable international reserves and sound financial indicators. This favorable performance, together with crucial governance and institutional reforms, has paved the way to the start of negotiations for European Union (UE) accession.

Strengthening the capacity of the health care system to address the pandemics should remain the priority, but we agree with staff that limiting to the extent possible its macroeconomic, financial and social impacts will be fundamental to support the recovery. Delaying some capital expenditure and temporary cuts to public sector wage bill are welcome measures to provide space to support affected households and firms and protect employment. We

also take positive note of the initiatives by the central bank to support credit and loans rescheduling. That said, we echo staff's call for the authorities to closely monitor financial developments as needed.

Staff assesses North Macedonia's public debt to be sustainable under the current baseline. However, financing needs are relatively high and could be a source of concern in the event of further shocks. We therefore encourage the authorities to resume fiscal consolidation as soon as the pandemics abate.

Mr. Morales, Mr. Corvalan Mendoza and Mr. Vogel submitted the following statement:

We thank staff for its rapid response to urgent requests and its clear reports and Mr. Fanizza and Mr. Persico for their statement on Albania, Mr. Kaya and Mr. Mehmedi for their statement on Kosovo, and Mr. Doornbosch and Ms. Harutyunyan for their statement on North Macedonia.

#### Albania

Albania has responded swiftly to the economic challenges arising from the COVID-19 pandemic, which has hit key areas sustaining economic activity such as tourism, FDI, and remittances. The country was already in a delicate situation following a severe earthquake in November 2019 and would likely experience a contraction in real GDP in 2020. We support the authorities' request for financial assistance under the RFI to address temporary balance of payments needs, to be used for indirect budget support.

Economic policies comprise a relief and reconstruction program with emphasis on housing and education facilities, and containment measures to respond to the COVID-19 pandemic. The latter includes higher health spending, additional unemployment benefits and social assistance, and a guarantee scheme for companies maintaining workers in their payroll. Measures are well targeted and will be complemented by measures to be considered at the time of the June budget revision. However, the authorities should stand ready if advanced measures are necessary.

Prior to the consecutive shocks hitting the economy, the outlook for 2020 was cautiously positive. The fiscal deficit was declining, inflation was low, and international reserves were at a high level. Albania had embarked on structural reforms to raise medium-term growth and continue discussions with the EU for membership conditional on meeting preconditions related to governance. We believe that a return to Albania's structural agenda would contribute to a strong recovery of Albania's economy once the COVID-19 crisis recedes.

## Kosovo

Considering Kosovo's recent economic performance, the strong impact of the COVID-19 pandemic, and the staff's assessment of the country's adequacy to repay the obligations to the Fund, we support the authorities' request for purchase under the RFI. Meanwhile, Mr. Kaya and Mr. Mehmedi underscore the importance of the RFI to catalyze additional donor support, including from the World Bank, the European Union, and other bilateral donors.

As underscored in the staff report, before the irruption of COVID-19, Kosovo was on track to exhibit a continuation of positive growth rates at 3.6 percent for 2020, albeit a little bit lower than the rate observed last year. Meanwhile, inflation was low, public debt was considered at low risk of distress, and the financial system was healthy.

Of course, as is happening worldwide, COVID-19 is impacting strongly, changing previous economic and social projections. In Kosovo's case, there would be a critical correction of estimations, with a growth forecast of -5 percent, and a deterioration of two percentage points regarding the overall fiscal balance to 4.8 percent. We are encouraged by the country's rapid response to contain the propagation of COVID-19, as noted in the report, and its policies in the fiscal area to mitigate economic and social effects. We agree with staff on the appropriateness of the measures in the financial area, sharing their message of caution that measures should be viewed as temporary, and that after the crisis there should be bank-specific plans to gradually restore capital and liquidity ratios. The Buff statement is reassuring in this regard.

## North Macedonia

We support the authorities' request for purchase under the RFI arrangement. The COVID-19 pandemic is already severely straining financial conditions worldwide and the situation is still fluid. Today, more than ever, the IMF and other development partners need to support the country's financial and technical needs.

The authorities' strong commitment to macroeconomic stability in past years and an excellent track record in servicing their obligations are enough guarantees that the RFI will be used wisely during the pandemic crisis. We encourage the Fund and other development partners to continue the pace of support to promote sustainable and inclusive growth going forward for the country's development plan.

Debt is sustainable according to the DSA, the ARA metric is broadly in line with fundamentals, the banking system is well capitalized and liquid,

and other macro variables were in a good position before the COVID-19 pandemic. The only potential concern for the magnitude of the shock is the capacity to protect the de facto exchange rate peg. Staff's comments are welcome on the latter.

With these comments, we wish Albania, Kosovo, and North Macedonia every success in their future endeavors.

Mr. Kaya, Mr. Just and Mr. Zaborovskiy submitted the following statement:

#### ALBANIA

We thank staff for the concise report and Messrs. Fanizza and Persico for their helpful Buff statement. Being hit by two consecutive shocks (the earthquake at the end of last year, and the COVID-19 outbreak now), Albania faces urgent balance of payments (BoP) needs. We support the request for purchase under the Rapid Financing Instrument (RFI) for Albania.

The Fund's emergency financing is critical to address the BoP gap and maintain macroeconomic stability. As the size of the remaining financing gap stands at EUR 345 million, mobilizing additional external financing would increase available policy space. In this regard, we encourage staff to continue monitoring the situation and assist the authorities in their efforts to confront the crisis. The catalytic role of the Fund's financing is paramount in this regard. As RFIs are not programs in a traditional sense, we wonder whether donors consider them as sufficient to provide support and what can be done to ensure that RFIs play this important role. Staff's comments are welcome.

Strengthening public financial management and ensuring efficiency of budget spending would support the eventual recovery. We note that the disbursement under the RFI will be used for budget support and welcome the authorities' commitment to undertake a safeguard assessment, in collaboration with IMF staff going forward. We note that staff forecast a GDP rebound of 8 percent in 2021 and 6.7 percent in 2022, driven by reconstruction and economic recovery. While there is a potential for a V-shaped recovery, this will hinge also on a rebound in tourism this summer. We encourage the authorities to work on contingency planning should the upside turn out softer than envisaged.

We wish the authorities every success in their policy efforts.

#### REPUBLIC OF NORTH MACEDONIA

We thank staff for the informative report and Mr. Doornbosch and Ms. Harutyunyan for their helpful Buff statement.

We support North Macedonia's request for a purchase under the RFI in view of the urgent external financing need. We commend the authorities for their initial steps to prevent the economic dislocation of the most vulnerable. The authorities' resolve in effectively addressing institutional and governance shortcomings over the past years may have increased the overall resilience of the economy and gives us great confidence that the authorities will do their utmost to ensure macroeconomic stability and debt sustainability. However, we strongly caution against a too liberal relaxation of loan classifications and provisioning standards. While the Fund's RFI may suffice in case of a rapid containment of the pandemic, uncertainties are huge, and outcomes could be much worse. We are concerned about the fairly large financing needs of North Macedonia in the near term. Staff's comments on how the prospects of a successful placement of the forthcoming Eurobond could be improved would be welcome. We would be equally interested, whether there is coordinated and concerted action with the EU as well as the World Bank on helping North Macedonia cope with the COVID-19 shock.

We wish the people of North Macedonia all the best in overcoming the Coronavirus pandemic.

Mr. Mozhin and Mr. Shestakov submitted the following statement:

#### Albania

We thank staff for the informative report. The Albanian economy was on track for recovery towards its potential economic growth in 2020, when twin exogenous shocks of the 6.4-magnitude earthquake in November 2019 and the outbreak of COVID-19 hit. The urgent need for the resources on reconstruction and health measures create a fiscal financing gap, while decrease in tourism and lower remittances cause the current account to deteriorate. We commend the authorities' reconstruction program and fiscal package to support the vulnerable population and guarantee schemes for companies.

While the rollover risks of the domestic public debt have somewhat reduced during the past decade due to the increased share of long-term paper, the rise in the public debt in 2020 will be sizeable, before its return to a downward path, and the exchange rate risk loom large given the increasing share of foreign currency debt. We note that the 30 percent real depreciation shock in a DSA bound test is projected to increase the debt-to-GDP ratio above 90 percent. Given that the Albanian lek has already depreciated in the beginning of 2020, do the authorities have a course of action to safeguard against an adverse exchange rate risk? We would like an update on whether the authorities have taken steps to address the gaps in VAT administration identified in the last PPM, and whether that might yield some fiscal space.

We support the authorities' request for financial assistance under the RFI and wish them all the success in facing challenges ahead.

#### Republic of Kosovo

With respect to the Rapid Financing Instrument for Kosovo, we would like to be recorded as abstaining.

#### Republic of North Macedonia

We thank staff for the informative report. The robust economic growth in the Republic of North Macedonia was undercut by the COVID-19 outbreak, which is causing both private consumption and investment to contract. The authorities' plans to issue Eurobonds in the summer are now uncertain, and the projected fall in remittances and FDI create urgent balance of payments needs. We welcome the recent economic policy measures, including the cut in the policy rate and well-targeted fiscal subsidies.

Despite the non-implementation of the planned fiscal policy consolidation, public debt-to-GDP ratio is projected to remain below the high-risk thresholds even in stress tests. A boost in confidence and additional EU financing might be provided due to the opening of EU accession negotiations. In the medium term, structural reforms might be renewed to boost labor productivity and catalyze faster convergence with other EU members. The minimum wage is diverged from labor productivity, which puts an upward pressure on the nominal wages. Combined with the exchange rate peg, rigid nominal wages could make a recovery more protracted. Staff comments on the possibilities of the labor market realignment are welcome.

We support the authorities' request for financial assistance under the RFI and wish them all the success in facing challenges ahead.

Mr. Sun and Ms. Cai submitted the following statement:

We thank staff for the timely report and Mr. Fanizza and Mr. Persico for their statement on Albania, and Mr. Doornbosch and Ms. Harutyunyan for their statement on North Macedonia. We broadly share staff's appraisal and support the requests of the authorities of Albania and North Macedonia for purchases under the Rapid Financing Instrument.

#### Albania

Struck by two consecutive shocks, the earthquake and the COVID-19 pandemic, Albania's economic activity has been severely disrupted. We commend the authorities for the swift and targeted policy responses and encourage them to advance the reforms after the shocks are overcome.

Targeted and time-bound measures to provide the urgently needed healthcare and assistance, as well as to maintain employment, are warranted. We associate ourselves with staff that these efforts should not compromise fiscal governance and transparency. Premature fiscal consolidation should not be taken when growth momentum is still weak. In the medium term, we encourage the authorities to push forward fiscal reforms to enhance fiscal and debt sustainability, including the preparation of the Medium-Term Revenue Strategy, with technical assistance from the Fund where necessary.

Monetary policy relaxation by the Bank of Albania seems necessary. We agree with staff that continued exchange rate flexibility can help absorb shocks and restore external balance. Given that external debt is highly sensitive to exchange rate shocks, close monitoring of exchange rate changes and careful deliberation may be warranted when implementing new FX policies. While the banking system is liquid and well capitalized, continued efforts are encouraged to further strengthen the AML/CFT regime.

#### Republic of North Macedonia

The COVID-19 pandemic outbreak has put a heavy toll on North Macedonia. We commend the authorities for putting in place strong measures, including immediate health measures as well as fiscal, monetary, and financial policies, to respond to the pandemic in a timely manner. We agree that fiscal support should be temporary and well targeted, and transfers to the poor households should be made to mitigate the social impact to the extent possible. Meanwhile, we are somewhat concerned about the low level of gross official reserves which are less than short-term debt and encourage the authorities to actively explore alternatives to boost reserves as the demand for reserves could be high in combating the virus.

Banks' liquidity and capital buffers have been strengthened, providing an important defense line against potential losses. Like staff, we encourage the authorities to make full use of flexibility in the regulatory framework, while striking a delicate balance between preserving financial stability, maintaining the soundness of the financial institutions, and supporting economic activities.

With these remarks, we wish the authorities every success in their policy endeavors.

Mr. Ronicle and Ms. Andreicut submitted the following statement:

We thank staff for the three proposals and Mr. Kaya, Mr. Fanizza and Mr. Doornbosch for their helpful buff statements. We support the requests for emergency financing under the Rapid Financing Instrument (RFI) by Kosovo, Albania and North Macedonia.

The requests are appropriate given balance of payments challenges linked to the COVID-19 pandemic, the difficult global environment and, in the case of Albania, also the November 2019 earthquake. We welcome the decisive actions taken by the three authorities in response to COVID-19, as well as their commitment to using the RFI to catalyze funding from other partners. We also note the steps taken by Albania and North Macedonia to begin accession talks with the EU, which may facilitate further structural reform, supporting growth and recovery.

We offer the following comments on each request below.

#### Kosovo

Prior to the COVID-19 outbreak, growth in Kosovo was robust, public debt was considered at low risk of distress and the banking sector was well capitalized and liquid. The outbreak dramatically changed the 2020 outlook, with containment measures expected to curtail growth to -5% in 2020 and weaken public finances. The current account deterioration along with the sharp fall in external financing inflows create an urgent balance of payments need. The RFI will address this need, support containment and mitigation efforts and preserve fiscal buffers.

We note that the arrangement will cover less than 20% of the identified balance of payments gap. That occurs in a country with limited market access and a Euro-ised economy. Could staff elaborate on the rationale for the requested level of access and any contingency planning should a larger financing need arise?

The RFI will be provided against a fluid political situation, following the recent no-confidence vote against the government. We understand from staff that the Assembly and caretaker government continue to operate and are taking strong measures against the outbreak. We encourage the authorities to carefully manage political risk at such a difficult time. We also agree with staff's emphasis on the need to limit fiscal risks posed by the potential relaxation of the public wage rule.

Going forward, we take note of the authorities' intention to discuss a multiyear upper-credit tranche arrangement with the Fund.

#### Albania

Prior to the November 2019 earthquake and the COVID-19 outbreak, Albania's outlook for 2020 was cautiously positive, including projections for an ongoing reduction in public debt and a well-capitalized banking system. The twin shocks now mean activity is expected to contract by 5% in 2020. Staff anticipate a significant deterioration in the fiscal deficit and the current

account, creating an urgent balance of payments need. The RFI will support reconstruction efforts after the earthquake as well as containment and mitigation efforts related to COVID-19.

In light of Albania's inclusion on FATF's grey list, we agree with staff that the authorities should avoid any relaxation of AML-CFT procedures.

We also support staff's proposal to resume post-program monitoring.

#### North Macedonia

Before the COVID-19 outbreak, North Macedonia recorded solid growth, with its deficit and debt ratios stable and a largely resilient banking sector. The pandemic has altered the outlook with staff projecting a contraction of 4% of GDP in 2020. Staff expect a fiscal deterioration along with a fall in reserve coverage, resulting in an urgent balance of payments need. The RFI would finance health and macroeconomic stabilization measures.

We commend the measures taken by the caretaker government in response to the COVID-19 outbreak.

We agree with staff that the authorities should ensure measures taken are temporary and targeted; to bolster the health care system; sustain key economic relationships; and support the eventual recovery.

Mr. Beblawi, Mr. Al-Kohlany, Ms. Al-Riffai and Ms. Merhi submitted the following statement:

On Albania: We support Albania's request for financial assistance, under the Rapid Financing Instrument (RFI), to address their urgent balance of payments needs, as a result of the 2019 earthquake and the COVID-19 pandemic. We note that prior to the November earthquake, which resulted in fatalities as well as losses and damages amounting to close to 7 percent of GDP, Albania's economic outlook for 2020 was cautiously positive. We commend the authorities who, demonstrating their strong commitment to macroeconomic stability as an anchor for sustainable growth, kept inflation under control, supported a reduction in the fiscal deficit to support a downward trajectory for public debt, and maintained substantial reserves. However, the pandemic, combined with effect of the strong earthquake, is creating additional spending pressures and a sharp economic contraction, requiring urgent fiscal and external financing needs to cushion the impact of these twin shocks.

We positively note the authorities' comprehensive relief and reconstruction program, incorporated in the 2020 budget, in response to the

earthquake and welcome their recently announced fiscal package of temporary and targeted measures to help ensure medical care and support to businesses to address the COVID-19 crisis. The fiscal deficit is expected to increase in 2020 as a result of lower revenue receipts due to the economic downturn and the higher spending on, reconstruction, and the measures to contain and mitigate the impact of COVID-19. We welcome the authorities' intention to abide by best practices for fiscal governance and transparency to optimize the efficacy of these interventions. We also see merit in managing expectations through a comprehensive communication strategy that allows the authorities to phase out these measures when the crisis is over.

As with other countries, the unknown depth and duration of the pandemic significantly raise the uncertainty of the outlook to date. Therefore, we are reassured that if the current crisis is prolonged, the authorities will adopt additional measures, including in the context of the June budget, and tap into financing possibilities to address the associated financing needs. In the coming years, once the impact of the shocks is addressed, it will be crucial to adopt fiscal consolidation and contain fiscal risks to create a fiscal buffer to address future shocks.

The Bank of Albania has rightly relaxed its policy stance further in response to the COVID-19 crisis. We welcome the authorities' intention to only intervene in the foreign exchange market and adjust interest rates to offset disorderly domestic foreign exchange market activity to preserve macroeconomic and financial stability. We sympathize with the authorities' intention to help borrowers overcome the current crisis by postponing debt service payments by three months and concur with staff that bank capital may be allowed to temporarily fall below prudential limits to do so. However, it is important to maintain loan classification and provisioning rules so as to appraise potential losses as accurately as possible. We also support the authorities' intention to stand ready to support financial sector liquidity should the need arise.

On Kosovo: In light of the urgent balance of payments and fiscal needs arising from the impact of COVID-19 pandemic, we support the Kosovan authorities request for Fund assistance under the RFI in the amount equivalent to 50 percent of quota or SDR 41.30 million. As noted in the Buff, this request will help to meet urgent balance of payments needs and containment and mitigation efforts, as well as to preserve fiscal buffers. We hope this RFI purchase will help to catalyze donor support. We also note that Kosovo's capacity to repay the Fund, while now subject to risks, is adequate.

We support the authorities' timely and swift response to contain the impact of COVID-19, noting that appropriate measures to expand health spending, shield the most vulnerable, and support the private sector are critical. The large growth contraction this year will negatively impact public

finances as revenues are expected to decrease significantly. In this regard, the use of the escape clause under the fiscal rule to accommodate a deficit above 2 percent of GDP is appropriate. The banking sector is sound and, in a position, to absorb the impact of the decision to suspend loan repayments, given that NPLs remain low and that liquidity and capital buffers remain above regulatory requirements. We welcome the authorities' plan to rebuild fiscal buffers and preserve debt sustainability over the medium term, once the crisis abates, and note the Buff's reference to their readiness to engage with the Fund on a successor reform program.

On North Macedonia: We support the request for purchase under RFI in the amount equivalent to 100 percent of quota or SDR 140.30 million, given the urgent balance of payments need. The economy has been developing well prior to the outbreak of the COVID-19 pandemic, with a broad-based GDP growth of 3.6 percent in 2019. However, the pandemic is likely to take a major toll on the economy, causing it to contract by 4 percent of GDP. The containment measures will also result in widening the budget deficit, due to the revenue shortfall, together with a higher spending on health, unemployment and social benefits. Current account deficit has worsened, the authorities financing needs have increased, and reserves will decline absent additional external financing.

We support the authorities' immediate focus on addressing the health emergency to preserving macroeconomic stability. In this context, Fund support under the RFI is timely and will help meet part of the urgent balance of payments needs and finance the health and macroeconomic stabilization measures.

With these remarks, we wish the authorities success in their efforts to address the impacts of the COVID-19 pandemic.

Mr. Psalidopoulos and Ms. Korinthios submitted the following statement:

#### NORTH MACEDONIA

We thank staff for the informative report and Mr. Doornbosch and Ms. Harutyunyan for their helpful Buff statement. Given the urgent fiscal and balance of payment needs, we support the authorities' request for purchase under the Rapid Financing Instrument. We broadly agree with staff's assessment and strongly encourage the authorities and the staff to continue to closely cooperate in order to address the challenges posed by the Pandemic. We wish to highlight the following points:

Before the COVID-19 Pandemic, the economic performance was good, with solid growth and stable public debt. Given this performance and the efforts to tackle long-standing challenges, in March the EU agreed to start

accession negotiations with North Macedonia. The ongoing pandemic is expected to have a significant negative effect on the economy, with real GDP expected to decline by 4% in 2020, while the fiscal position is expected to deteriorate as well. We strongly believe that containing the spread of COVID-19 is fundamental, thus we congratulate the authorities for the swift response to the Pandemic and the social-distancing restrictions. We also recognize the efforts to provide additional resources to the health sector, cutting unnecessary expenditures.

We welcome the steps taken to mitigate the social and economic impact of the virus and to support the recovery, particularly through targeted and temporary fiscal measures. In this context of high uncertainty, preserving macroeconomic and financial stability and securing higher economic growth over the long term is paramount. Therefore, we welcome the authorities' commitment to resume fiscal consolidation efforts and implement the structural reforms agenda once the health crisis is contained. We welcome the steps already taken by the National Bank of the Republic of North Macedonia and we encourage it to continue working to ensure the stability of the exchange rate and keep inflation stable. The authorities should stand ready to take further measures, if needed, in consultation with the Fund.

Ms. Pollard, Mr. Grohovsky, Ms. Senich and Mr. Shenai submitted the following statement:

We thank staff for their timely work as well as Mr. Fanizza and Mr. Persico; Mr. Kaya and Mr. Mehmedi; and Mr. Doornbosch and Ms. Harutyunyan for their detailed BuFFs.

Albania, Kosovo, and North Macedonia entered the current crisis in relatively good shape but are now experiencing significant stress to external and fiscal balances due to the health and economic effects of the COVID-19 pandemic and, in Albania's case, the aftereffects of the November 2019 earthquake. These economies are good candidates for emergency financing given their prior strong performance and lack of need for protracted adjustment. While we view the use of RFIs for budget support as appropriate given the crisis, it will be critical that the funds are used transparently and appropriately, with adequate safeguards. We thus support RFI requests for each country and wish the country authorities well as they deal with this crisis and continue to mobilize resources to meet their financing needs.

Albania: The authorities should do whatever it takes to combat the spread of the virus, speed post-earthquake reconstruction efforts, and ensure that these crises do not leave lasting scars on the real economy. In this context, the proposed measures to counteract the COVID-19 outbreak are welcome, and we agree with staff that to maximize the impact of each dollar spent, the authorities should ensure that emergency measures are in line with

international best practices for fiscal governance and transparency. We welcome the planned safeguards assessment of the BOA. In addition, given that the funds will be used as budget support for health spending it is important to ensure that the funds are used transparently and appropriately. We expect to see this addressed in the post-program monitoring. Finally, we recognize there will remain an additional external financing gap notwithstanding purchases under the RFI and that the authorities plan to fill this gap with a mix of multilateral and supranational financing, as well Eurobond issuances. We wish the authorities well as they seek the resources they need to combat these twin shocks and urge the international community to support Albania during this time.

**Kosovo:** Kosovo's economy has been hit hard by the crisis and related containment measures adopted throughout Europe. Tourism, remittances, and FDI are expected to fall sharply, while domestic support is limited given the authorities' own steps to try to contain the spread within the country. On the back of these developments, we support the authorities' request for an RFI. We also welcome their fiscal measures to help support the economy and the central bank's decision to temporarily suspend loan repayments by borrowers affected by the COVID-19 spread, although protecting bank buffers will be necessary. However, given the substantial financing gap that has opened and the extent to which the authorities are relying on a drawdown of reserves, we wonder whether additional RFI access, a subsequent Fund arrangement, or other donor support may be needed. Staff comments would be welcome.

**North Macedonia:** Prior to the COVID-19 outbreak, growth was solid and broad-based, the fiscal deficit was manageable and on a course to keep public debt at a stable level. The external position was broadly in line with fundamentals, with adequate reserve coverage. The banking system was well capitalized and liquid, and non-performing loans were low. Over the past years, crucial governance and institutional reform have demonstrated the authorities' commitment to tackling long-standing challenges to macroeconomic sustainability and inclusive growth.

The COVID-19 pandemic has caused the economic outlook to deteriorate substantially. We believe the authorities' policies to mitigate the economic and social impact of the crisis have been appropriate. Fiscal policy is focused on protecting the vulnerable and supporting employment and is targeted and temporary. The National Bank of the Republic of North Macedonia has also acted decisively to preserve its de facto exchange rate peg, while financial sector policies have stepped up monitoring as they encourage banks to restructure debt of affected borrowers. We note that even with IMF, EU, and World Bank financing, a financing gap of around 213 million euros remains. Are authorities considering tapping the market, or are there other sources of external financing under discussion?

Board procedures: We are open to holding clustered Board meetings, particularly for members with strong ties and similar exposures to global shocks. We recognize continued clustering may be necessary given the significant demands on Fund resources during the COVID-19 epidemic. That said, we believe clustering on country items should be a temporary measure and not become a permanent Board practice.

Mr. Tan, Mr. Anwar, Mr. Srisongkram and Ms. Yoe submitted the following statement:

We thank staff for the timely reports and also appreciate the useful Buff statements from Mr. Fanizza, Mr. Kaya, and Mr. Doornbosch for Albania, Kosovo, and North Macedonia respectively. We commend the authorities for their timely and targeted response to contain the spread of the pandemic and to mitigate the economic impact.

We agree with staff's assessments and support all three requests for financing under the Rapid Financing Instrument (RFI). This would go towards addressing the urgent balance of payment needs, sustaining containment and mitigation efforts and preserving fiscal space for all three economies. We take positive note that for all three countries, their public debts are assessed to be sustainable and their capacities to repay the Fund are adequate. We hope that the RFI financing will catalyze support by other IFIs and close the financing gaps for all three countries. Below we highlight some of the country-specific issues for emphasis.

#### Albania

We commend the authorities for taking decisive actions to contain the outbreak and to keep the economy going amidst two consecutive shocks. We also underscore the need to remain prudent as they pursue an accommodative policy mix. On the fiscal front, we note that while public debt is sustainable, it is likely to remain high and is subject to significant risks, especially as additional measures may be warranted if the situation worsens. In this regard, we welcome the authorities' commitment to debt sustainability and encourage the authorities to continue its fiscal consolidation efforts, including further progress on the Medium-Term Revenue Strategy, once the pandemic subsides. We are also encouraged by the authorities' efforts to explore different options to narrow the significant financing gap, as well as contingency planning to prepare for potential shocks.

With regard to the financial sector, we stress that the BOA's measure to relax the lending rules should be temporary as such measures can be easily entrenched and difficult to remove further down the road. In this regard, we encourage the authorities to work together with staff on a clear strategy to phase out the said measure going forward. We also agree with staff that

maintaining loan classification and provisioning rules will be key to gauging the financial sectors' health and formulating the appropriate policy response, especially as the situation remains fluid.

#### Kosovo

We commend the authorities' swift response to mitigate the impact of COVID-19 outbreak and their commitment to maintain fiscal and debt sustainability. While we welcome the authorities' emergency package and see the need to temporarily loosen the fiscal stance, we agree with staff on limiting other fiscal risks, including those emerging from the implementation of the PAR laws, and containing the fiscal risks of the proposed emergency measures given the uncertain outlook. We also underscore the importance of remaining well-targeted and cost-effective in using the requested financing, and the prompt completion of the contingency plan should conditions deteriorate further. Limiting financing risks is a key priority too given the lack of external market access by the country.

While we appreciate the Central Bank's decision to suspend loan repayments by those heavily affected by the crisis, we concur with staff that the CBK needs to be prudent in applying regulatory forbearance on loan provisions and capital requirements on reprogrammed loans. We also encourage the authorities to enhance the supervision of banks with more concentrated portfolios and riskier clients. This should include the small banks with more aggressive risk-taking behavior that are most vulnerable to further downside risks.

#### North Macedonia

We welcome the authorities' policy priorities to limit the macro financial and social impact of the crisis in the near-term, while balancing the need to ensure fiscal sustainability and preserve financial stability. We recognize the need for temporary cuts to capital expenditure in order to provide well-targeted social spending to cushion the impact of the crisis on the poor and vulnerable households. However, we agree with staff that it should remain a priority to bolster the capacity of the healthcare system. To support the flow of credit to the economy, we also encourage the authorities to consider, as the primary option, allowing banks to tap their regulatory buffers where necessary.

That said, we note that downside risks associated with the economic and financial impact are exceptionally large, especially if the COVID-19 pandemic proves to be longer or more severe than expected in the baseline scenario. The government's financing needs could rise significantly in the event of further shocks. In this regard, we encourage the authorities to continue engaging the Fund, to consolidate its public financing over the

medium term and to implement the necessary structural reforms after the pandemic recedes. We also underscore the importance for the authorities to continue securing other financing options, including market financing, as a contingency plan and to ensure efficient use of the RFI resources on COVID-19 related spending.

With these comments, we wish to express our support to the authorities and the people of Albania, Kosovo, and North Macedonia in this difficult time.

Mr. Poso, Ms. Ekelund, Mr. Bernatavicius and Ms. Skrivere submitted the following statement:

We thank staff for the timely response to the urgent requests and Mr. Fanizza and Mr. Persico for their statement on Albania, Mr. Kaya and Mr. Mehmedi for their statement on Kosovo, and Mr. Doornbosch and Ms. Harutyunyan for their statement on North Macedonia.

#### Albania

We support the Albanian authorities' request for a purchase under the RFI, as the country has faced two major consecutive shocks—the severe earthquake in late-2019 and the COVID pandemic. We encourage the authorities to further strengthen their institutions and address the outstanding governance concerns. While the potential EU accession could serve as additional motivation and guide the challenging reform process, ultimately these reforms are needed for the benefit of the Albanian people. We welcome the authorities' commitment to undergo a safeguards assessment, as noted in the Letter of Intent. We note that the RFI disbursement would address only part of the financing needs for 2020, and we welcome the authorities' proactive efforts to cover the remaining financing gap. We note the findings of the debt sustainability analysis, which shows that the shocks are projected to setback the ongoing debt reduction process by about two years. While the immediate priority is to address the ongoing challenges, we stress the importance of returning to a debt reduction strategy once the crisis subsides. We also note with concern that gross financing needs remain elevated and breach the 15 percent threshold over staff's forecast horizon

#### Kosovo

We support the Kosovan authorities' request for a purchase under the RFI. This is warranted given the strong impact of the COVID-19 shock on the economy and the urgent balance of payment that has followed. Before the COVID-19 outbreak, growth in Kosovo was expected to be a little over 3.5 percent which is now suppressed to -5 percent in 2020. We commend the government's rapid response to contain the propagation of COVID-19, as

noted in the report, including fiscal policies aimed to mitigate the economic and social effects. We note that risks are tilted to the downside and welcome the Buff statement indicating that the authorities stand ready to engage with the Fund in the future to discuss an upper-credit trench arrangement to foster the recovery and address underlying structural issues. We also welcome the authorities' commitment to undergo an update of the safeguard assessment before Board approval of any subsequent arrangement, as confirmed by the Letter of Intent.

#### North Macedonia

We support the North Macedonian authorities' request for a purchase under the RFI. The economic growth was solid over the past years, as the authorities have demonstrated their commitment to tackling long-standing challenges. We strongly agree with the staff's assessment, that EU accession negotiations, which started in March, could provide an additional reform impetus in the coming years. We note with some concern, that while the public debt under current baseline is deemed to be sustainable, financing needs in 2020–21 exceed the high-risk thresholds. In this context, it is encouraging, that according to staff, the authorities have an excellent track record in servicing their obligations and proven ability to access international markets in normal times. Over the medium term, a strong commitment to fiscal consolidation would be crucial to place debt firmly on a downward path.

With these comments, we wish Albania, Kosovo, and North Macedonia every success in their future endeavors.

Mr. Bhalla, Mr. Goyal, Mr. Natarajan and Ms. Dhillon submitted the following statement:

We thank staff for its rapid response to urgent requests and its clear reports and Mr. Fanizza and Mr. Persico for their statement on Albania, Mr. Kaya and Mr. Mehmedi for their statement on Kosovo, and Mr. Doornbosch and Ms. Harutyunyan for their statement on North Macedonia

#### Albania

Albania has been hit by two major shocks in quick succession - severe earthquake on November 26, 2019 and the COVID-19 pandemic. This has caused severe disruption in economic activity in addition to loss of life and property. In this context, the authorities have requested financial assistance under Rapid Financing Instrument (RFI)

The severe impact of the twin shocks would hurt the economy which is expected to sharply contract by 5 percent in 2020 compared to a growth of 2 percent in 2019. The contraction is precipitated by sharp decline in tourism,

remittances and foreign direct investment. Tightening of global financial conditions constrains access to international capital markets.

Fiscal deficit which is expected to widen from 2 percent in 2019 to 5.4 percent in 2020 due to decline in tax revenue by 2.2 percent and increase in expenditure by 1.3 percent. The spending on comprehensive relief and reconstruction program in the aftermath of earthquake is expected to be 1.2 percent of GDP. In addition, in response to COVID-19, stringent containment measures have been introduced. The fiscal package to provide medical care and support to business amounts to 1.2 percent of GDP.

Current account deficit is expected to deteriorate from 7.6 percent in 2019 to 11.2 percent in 2020 mainly due to decline in tourism and lower remittances. Bank of Albania has relaxed the policy rate by 50 basis points to 0.5 percent. The banking sector is well capitalized and liquid. Lending conditions have been relaxed for people and businesses affected by earthquake. Borrowers affected by COVID-19 have been allowed to postpone debt service payments by 3 months.

The staff proposal for adequate support the request is understandable given that the funding requirement is assessed in the context of adverse impact of twin shocks. The staff should make continuous assessment of resources keeping in mind such proposals in pipeline. Could the staff provide an assessment of other sources of financial support availed by the authorities or potentially under consideration?

#### Kosovo

Kosovo's growth prospects have worsened considerably following the outbreak of COVID-19 in Europe. The economy is hit not only by sharp downward movement in external remittances and investment receipts, but domestic activity has also suffered due to containment measures. As per Staff estimates, growth may slip to -5.0 percent during 2020. Kosovan authorities have requested the support of SDR 41.3 million, i.e., 50 percent of the quota under RFI facility.

Tourism receipts are expected to fall by 20 percent, causing heavy losses to the hospitality industry. Goods exports are likely to decline by 17 percent, remittances from the Kosovan diaspora in European economies is projected to fall sharply. These together are likely to cause a sharp deterioration in current and capital accounts to -7.8 percent of GDP. On the other hand, the fall in financing flows is expected to widen the external financing gap to about 4.1 percent of GDP.

The government responded swiftly to contain the spread of the pandemic and decreed the closure of all non-essential activities and social

distancing with the obvious hit to domestic economic activity. At the same time, fiscal relief to mitigate the effect on businesses and households and increased health spending is likely to be about 2.5–3.5 percent of GDP.

We note that Staff has estimated that the public debt of Kosovo would remain sustainable in the medium-term. We welcome the steps taken by the authorities to protect its population and the economy from the impact of COVID-19.

#### North Macedonia

North Macedonia's economic outlook has deteriorated substantially due the COVID-19 pandemic, with real GDP projected to reduce by 4 percent amidst a fall in both domestic and external demand. With a large fiscal gap and urgent balance of payment needs, the authorities of North Macedonia have requested financing from the IMF under the RFI for an amount equivalent to SDR 140.3 million, corresponding to a purchase of 100 percent of quota. We note that staff had assessed the public debt as sustainable, even as risks are elevated, and there is adequate capacity to repay the Fund.

We welcome the policy steps proposed by the authorities to mitigate the economic and social impact of the COVID crisis and support the recovery, while maintaining macroeconomic, financial, and external stability. In doing so, we would urge the authorities to stay committed to protecting employment and support for poor households. We align ourselves with the staff advise on prioritizing the financial sector bearing in mind the associated risks of a protracted period of global financial volatility.

We are encouraged by the authority's commitment to take strong policy actions and to stand ready to take any additional measures that may be needed, in consultation with the Fund.

With these comments, we wish Albania, Kosovo, and North Macedonia every success in their future endeavors.

Mr. Doornbosch and Mr. Zedginidze submitted the following statement:

#### ALBANIA

We thank staff for the informative report and Mr. Fanizza and Mr. Persico for the helpful Buff statement. The COVID-19 pandemic significantly disrupted economic activity in Albania, creating additional financing needs. We welcome the authorities' timely actions to counter the recent economic challenges.

We support Albania's request under the Rapid Financing Instrument given the urgent balance of payment needs. Albania's small open economy, depending on FDI, tourism and remittances, is severely affected by the COVID-19 pandemic, adding to the severe economic damage that was caused by the earthquake last year. So, tackling these challenges requires increasing healthcare, social and capital spending. In fact, according to the report, the current account deficit is increasing to 11 percent of GDP in 2020, creating external financing needs that exceed the requested RFI purchase. Moreover, we note that the exchange rate has already depreciated by 7 percent and the authorities continue to allow exchange rate flexibility to absorb the shock.

After the economy recovers, fiscal consolidation and structural reforms will be key to lower public debt vulnerability. According to the DSA, public debt is sustainable but assumes a steep decline of debt from 75.6 percent of GDP in 2020 to 59.1 percent of GDP in 2025. Moreover, gross financing requirements are significant, ranging between 18 to 24 percent of GDP each year. Therefore, we welcome the authorities' plan to resume fiscal consolidation and step up structural reforms in the medium term, as highlighted in the Buff statement.

Mr. Doornbosch, Mr. Psalidopoulos, Mr. Jost and Mr. Persico submitted the following statement:

#### KOSOVO

We thank staff for the concise paper and Mr. Kaya and Mr. Mehmedi for their informative Buff statement. Kosovo requested a purchase under the RFI equivalent to 50 percent of quota amidst the COVID-19 pandemic. The outbreak will indeed significantly impact growth negatively affecting tourism, export and financial inflows. Declining growth will consequently weigh on public finances and exacerbate current account imbalances. We strongly support the authorities' request under these challenging circumstances and provide the following remarks for emphasis:

We commend the authorities for their timely and targeted response. Expedited and resolute containment measures were rightly complemented with fiscal measures to support affected businesses and households and to allow higher spending in the health sector. We find these measures aligned with actions of other regional partners and consistent with preliminary Fund's advice.

We take note of staff's caution regarding the proposed forbearance on loan and weakened capital requirements for banks. While we see merits in staff's warnings, we recognize that such measures, if they are limited in time and carefully monitored, could support credit supply in the current adverse

circumstances. We are therefore glad to see that staff and authorities concur on the need of stringent supervision.

We welcome that staff's assessment finds that debt remains sustainable. At the same, we would like to highlight that the DSA explicitly notes that contingent liabilities linked to PPPs and SOEs are not included in the assessment. As in the past, and while we appreciate staff's effort to quantify the implicit liabilities, we believe that staff should work towards including them in the DSA, also during this crisis. Taking these fiscal risks into consideration when devising policy responses is vital.

While we fully acknowledge the important challenges that lie ahead, we encourage authorities to ensure that medium-term policies remain in line with the goal of debt sustainability. In this context, we want to recall the message of the Fiscal Monitor that accountability and transparency should remain a priority. Therefore, we welcome the authorities' commitment for sustainable and sound fiscal policies, as reflected by the Buff statement.

Mr. Merk and Ms. Koh submitted the following statement:

We thank staff for the concise reports and the thorough analysis under enormous time pressure and exceptional uncertainty. We also thank Mr. Doornbosch and Ms. Harutyunyan, Mr. Kaya and Mr. Mehmedi, Mr. Fanizza and Mr. Persico for their helpful Buff statements for the respective countries.

All three countries were witnessing a favorable growth outlook for 2020. At the back of the current pandemic that continues to spread globally and in view of the outlook that looks particularly grim for Europe, all three countries will face significant downward revisions of growth projections and substantial financing needs. Revenues from exports and tourism are expected to drop significantly while spending on health care, pandemic containment, and on economic stabilization will likely increase further. Substantially weaker foreign direct investment and remittances will likely add to the dire situation. For those countries with external market access, tighter financing conditions will most probably narrow the scope for external market financing.

Against this background, Germany supports the requests from Albania, Kosovo and North Macedonia, respectively, for a purchase under the Rapid Financing Instrument (for Albania and North Macedonia equivalent to 100 percent of quota; for Kosovo equivalent to 50 percent of quota) to counter the urgent and expected temporary balance of payments needs arising from the direct and indirect impact of the pandemic.

We offer the following comments on the specific country requests for further emphasis:

## Albania

The Albanian economy was hit by two severe exogenous shocks within a short period of time, which puts a heavy strain on the Albanian people and businesses as well as on Albania's external and fiscal position. As an immediate crisis response, authorities have implemented targeted and time-bound measures that are geared towards supporting the health system, maintaining employment, and assisting people most in need.

We welcome the authorities' intention to remain closely engaged with the IMF to support prudent policies and ambitious reforms going forward and support the resumption of a post-program monitoring. The latter serves as a welcome additional safeguard for Fund resources, given the heightened vulnerabilities of public finances and considerable downside risks to the outlook.

We take note that staff's updated assessment of public debt indicates that it will remain sustainable. We note, however, that debt levels and gross financing needs will remain high for an extended period even in the current baseline scenario. Against this background, and given that the DSA does not give a very clear statement on this, would it be fair to describe risks to debt sustainability as high in the case of Albania?

Against this background, we also encourage the authorities to timely resume the preparation of the Medium-Term-Revenue-Strategy tapping on Fund's technical assistance support. Looking ahead, we concur with staff that in the coming years, once the shocks have been overcome, it will be crucial to ensure steadfast efforts to contain fiscal risks and to create a larger fiscal buffer before a possible future shock hits.

In view of the remaining financing gap, we encourage the authorities to make full use of the catalyzing effect of IMF support. So far, the Fund seems to be the sole contributor towards closing the financing gap. Could staff elaborate on their expectations for a catalytic effect of the RFI, as the report only notes that "the European Union, the EBRD and the World Bank are actively exploring options"?

We understand that various – also less conventional – options must be considered to address the emerging financing need. We would, however, caution against resorting to financing from the Bank of Albania. This might eventually trigger a vicious circle of exchange rate depreciation and concerns about debt sustainability of the public and private sector and risk losing hard-won credibility. In this context, could staff elaborate on what transaction would typically be deemed "indirect financing from the BOA" in the case of Albania?

## Kosovo

At the back of a political stalemate, the authorities have reacted promptly after the first cases of COVID-19 have been detected last month. Social distancing measures, closure of non-essential businesses and travel bans were taken to contain the wider spread of the virus. In addition, fiscal and credit-related measures were adopted to shield households and businesses against the economic and financial pressures resulting from the shutdown.

We take positive note that the authorities remain fully committed to ensuring fiscal and debt sustainability. Especially given the country-specific characteristics of Kosovo (unilaterally euroized economy, absence of a lender of last resort), we fully concur with staff in urging the authorities to limit fiscal risks, both related to the emergency measures as well as broader/pre-existing fiscal risks discussed in the report. We particularly encourage the authorities to be mindful of the risk of contingent liabilities shocks stemming from the financial sector or from SOEs as highlighted in staff's DSA. In this context, we join staff and caution against any weakening of provisioning or capital standards. After the current crisis, it will be crucial for Kosovo to rebuild fiscal buffers and to ensure preparedness against future shocks.

In the context of maintaining good governance of Fund resources, we would appreciate additional staff comments on any discussion of country-specific safeguards for the case of Kosovo.

## North Macedonia

The Macedonian economy had been developing robustly prior to the outbreak of the COVID-19 pandemic, with an estimated GDP growth of more than 3 % in 2019. The authorities retained the budget deficit at 2 % and overall government debt ranged at moderate levels of 40.2 % of GDP in 2019. Currency reserves were in a solid range covering 114 % of the IMF's ARA-Metric.

We note that a widening of the deficit in 2020 seems to be inevitable owing to a substantial fall in revenue and necessary increases in health expenditure. Once the first impact of the pandemic has been cushioned, we encourage the authorities to explore ways of improving efficiency of budget expenditure.

We encourage the authorities to reach out to development partners and other IFIs in order to fill the remaining gap and make full use of the catalyzing role of IMF support. In particular, further sources of financing should be explored at an early stage if the envisaged placement of Eurobonds to the amount of EUR 500 proves more difficult than expected. In case of a shortfall

of external financing, a temporary fall of reserves to below 100 % seems justified given the severity of the current crisis and the intended purpose of reserves.

We welcome the authorities' commitment to undergo safeguards assessments and provide staff with access to audit documents and contact to the external auditor.

Good financial governance of Fund resources should guide us also during extraordinary times like these, where pressures to act swiftly are high. We encourage the ALB, MKD and KSV authorities and staff to work towards ensuring that disbursed funds are used in a well-targeted, cost-effective and transparent manner.

Mr. Inderbinen, Mr. Chikada, Mr. Trabinski, Mr. Danenov, Mr. Kuretani, Mr. Makhammadiev, Ms. Mori, Mr. Muradov and Mr. Shimada submitted the following statement:

In light of the urgent balance of payments needs, we support the requests from the Albanian, Kosovar and North Macedonian authorities for disbursements under the Rapid Financing Instrument. We take note of the severe impacts of the COVID-19 pandemic and related shocks on these economies and commend the authorities' swift containment and mitigation measures. We particularly take comfort in the authorities' attention to social protection and the will to restore reform paths once current crisis subsides. While temporary loosening of fiscal policy is justified to alleviate economic scarring, it should go hand-in-hand with enhanced governance of public finances and their transparency. Once the pandemic abates, we encourage the authorities to resume fiscal consolidation with a view to put public debt on downward trajectory and preserve debt sustainability. Could staff elaborate briefly on whether the authorities of the three countries have requested any technical assistance from the FAD to address medium-term fiscal objectives? We also want to emphasize that Fund financing for these countries will require to be complemented by much-needed external support.

#### Albania

Albania is facing severe dual shocks resulting from the COVID-19 pandemic and the 2019 earthquake. Policy responses to both shocks are, in our perception, broadly appropriate. The authorities' post-earthquake decisions rightly prioritized budget spending on relief and reconstruction objectives, allowing for a moderate increase in the fiscal deficit. In response to the virus outbreak, the authorities announced a fiscal package which contains temporary, targeted and well-sequenced measures designed to deal with the health sector and to support businesses in order to protect employment and wages, as well as to provide social protection.

We note the authorities' agreement that emergency measures should be in line with best practices for fiscal governance and transparency. It is key that once the pandemic is over, the authorities focus on containing fiscal risks and reducing the fiscal deficit. We see merit in developing a Medium-Term Revenue Strategy supported by the Fund. Moreover, the flexible exchange rate should be allowed to act as a shock absorber, while the Bank of Albania should also stand ready to act in case of excessive volatility and disorderly movements in the exchange rate.

#### Kosovo

Kosovo's growth outlook is severely impacted by the COVID-19 outbreak. We welcome the authorities' measures to halt the spread of the disease and support businesses and households. Fiscal measures to mitigate the crisis appear appropriate. That being said, as soon as the circumstances improve, the fiscal deficit rule should be reinstated to rebuild fiscal buffers and maintain a low public debt profile. Given the lack of external market access, the authorities are advised to explore extending the maturity of domestic debt and diversifying the sources of financing to contain risks.

On the financial sector, we take note of the CBK's decision to suspend temporarily loan repayments by borrowers affected by COVID-19. While the measure is broadly appropriate, we side with staff that the weakening of provisioning and capital adequacy requirements by banks should be strenuously avoided. Additionally, intensive supervision of banks with more concentrated portfolios and riskier clients would be warranted. We also agree that rebuilding bank buffers is essential, given the absence of a lender of last resort.

#### North Macedonia

We note harsh impact of COVID-19 on the North Macedonian economy, with GDP contracting by 4 percent due to a fall in external and domestic demand. While containment measures result in the shortfall of budget revenues, health and social expenditures are set to increase, thus further worsening the fiscal position. Under these circumstances, the authorities' policy response is commendable, with fiscal policy being targeted and temporary and focused on protecting unemployment and poor households.

Addressing the negative impacts of COVID-19 and preserving macro financial stability should remain a priority. We agree with the staff that government's financing needs have been elevated in the near term. However, over the medium-term, building fiscal buffers and implementing the structural reform agenda will be key to ensure debt sustainability. We concur with the staff that the NBRNM needs to balance the need to support the economy

through providing liquidity with the objective of protecting the exchange rate peg. We also take note that NBRNM has lengthened the limit for classifying loans as NPLs from 90 to 150 days. We agree with the staff that this could hamper the proper assessment of credit risk and urge the authorities to avoid further relaxation of loan classification or provisioning standards. Could staff provide more details on the reasons behind the authorities' decision with regard to lengthening the limit for classifying loans as NPLs?

Mr. White, Mr. Khurelbaatar, Ms. Park and Mr. Yoo submitted the following statement:

We thank staff for their well written and timely staff reports and Mr. Fanizza and Mr. Persico, Mr. Kaya and Mr. Mehmedi, Mr. Doornbosch and Ms. Harutyunyan for their useful Buff statements which outline the shocks experienced by these countries and the steps the authorities are undertaking to address the rapidly changing and increasingly challenging macroeconomic environment.

We support the requests from Albania, Kosovo and North Macedonia for financial support from the IMF through purchases under the Rapid Financing Instrument to support these countries in mitigating the impact of the COVID-19 pandemic, and in Albania's case, the 2019 earthquake. We note that in all three cases, the capacity to repay the Fund is adequate and public debt is assessed to be sustainable, though we note heightened risks in the case of Albania.

We note that this emergency financing along with other donor financing will not cover all of these countries' financial needs and hope that Fund support can assist to catalyze additional donor support to fill the financing gap.

We note that the authorities may need to consider contingency financing plans if donor support does not materialize or if the downturn is more protracted than forecast, including the potential need for a Fund supported program at a later date. We encourage staff to work with the authorities to consider the policy responses and financing options available if these downside risks materialize. In the case of Kosovo, we note that the request is for 50 percent of quota, so an additional RFI request may also be an option.

Given that this request will see Albania's obligations to the Fund increase above the relevant threshold, we support the resumption of post-program monitoring.

Mr. Buisse, Mr. Rozan and Mr. Bouvet submitted the following statement:

We thank staff for their responsiveness and Mr. Fanizza and Mr. Persico for their statement on Albania, Mr. Kaya and Mr Mehmedi for their statement on Kosovo and Mr. Doornbosch and Ms. Harutyunyan for their statement on North Macedonia. We broadly share the thrust of the staff appraisal and wish to make the following remarks for emphasis.

#### Albania

Albania has been faced with two large scale exogenous shocks in a very short period of time. As a result, the economic outlook has been severely affected, leading to growing challenges for internal and external financing. The authorities have shown responsiveness in coping with the consequences of these shocks, and we welcome their efforts of reconstruction after the 2019 earthquake as well as their actions to strengthen medical care and support households and businesses in the context of the COVID-19 outbreak. These actions have put a strain on the budget and the current account in 2020 so that Fund support has become necessary.

We concur with staff that emergency measures aimed at tackling the crisis must remain adequately targeted and time bound. Even though debt is expected to decrease from 2021 onwards, the high level of uncertainty warrants to preserve fiscal room for maneuver until the financing pressures have abated. In this respect, we welcome the authorities' commitment to contain non-emergency spending and to defer policy measures carrying unassessed fiscal risks. Over the medium term, once the crisis has abated, a new medium-term fiscal plan will have to be implemented to ensure a return to a downward debt trajectory and to generate buffers for future shocks.

In the light of the balance of payment needs, mobilizing additional financing is of the essence. The purchase of 100 percent of quota under the RFI will bring welcome relief, but it should be complemented by new financing to preserve an adequate buffer of official reserves. We encourage the authorities to prioritize concessional donor financing over bank or Central Bank loans, and to consider issuing a Eurobond only when the bond market conditions improve. We note that a financing gap of EUR 345 remains in 2020 and we would appreciate elaboration from staff on the concrete prospects to cover it.

We encourage the Central Bank to monitor closely the evolution of the exchange rate. FX interventions should be conducted with a view to balancing the risks of a depreciating exchange rate for currency-denominated liabilities with the necessity to preserve an adequate level of official reserves. Besides, the Central Bank should avoid loosening regulations on loan classification and provisioning rules, while bank capital could be allowed to temporarily fall

below prudential limits, complemented by a strategy to rebuild banks' capital buffers.

### Kosovo

Kosovo is severely hit by the COVID-19 outbreak and we commend the authorities for their resolution to cushion its impact on the population and the economy. With the measures taken by the authorities, fiscal and financial policies will play their role in supporting domestic demand, preventing bankruptcies and preserving financial stability. However, as external pressures are rising sharply, the Fund's support is fully warranted to bridge the financing gap, catalyze medium term external financing and preserve official reserves buffer.

As uncertainty remains high, we encourage the authorities to carefully monitor the fiscal stance. The authorities have taken sensible measures to support households and businesses, but at the price of increased public spending. In the back of shrinking fiscal revenues, it will lead to a significantly wider fiscal deficit in 2020. In this context, additional and lasting public spending unrelated to the crisis should be avoided. Thus, tax relief measures should remain temporary and not lead to creating lasting tax exemptions. In addition, we concur with staff that it is critical to keep the wage bill in check. Preserving fiscal space is critical to cope with a potentially protracted crisis and keep the dynamics of debt under control.

Preserving financial stability in Kosovo is of the essence. We take note of the decision of the Central Bank of Kosovo and commercial banks to suspend the payment of loan installments on a case by case basis. In our view, such suspensions of payments should remain tailored to individual situations and not granted across the board in order to preserve banks' balance sheets. Moreover, we share staff's view that regulatory forbearance on loan provisions and capital adequacy requirements should be used with caution and that devising a plan to gradually restore the capital of banks in the aftermath of the crisis would be more suited. Besides, we welcome the upcoming update of the safeguards assessment of the central bank.

Going forward, we encourage the authorities to work on buttressing fiscal and external buffers. To this end, engaging a gradual fiscal consolidation while mobilizing donor support would be instrumental. This would allow for a quicker replenishment of official reserves, which is all the more needed as they will be significantly mobilized in 2020. In this respect, we would appreciate staff's views on the trade-off between an increased access under the RFI – to, for instance, 100% of quota – and a stronger drawdown on official reserves. In the longer run, structural reforms aimed at strengthening the competitiveness of the economy, improving governance and

attracting FDIs would be warranted, potentially with the support of a UCT IMF program.

#### North Macedonia

Whereas North Macedonia enjoyed a rather positive outlook back in January 2020, the COVID-19 crisis has exacted a heavy toll on the economy. Faced with a growing number of cases, the authorities have reacted swiftly to contain the spread of the epidemic and protect businesses and jobs. In our view, the country should continue to mobilize its economic buffers to respond to the crisis.

We support the authorities' decisions on the fiscal front. We see merit in the measures aimed at preserving liquidity in the private sector and guard against job destruction and we positively note that they will be complemented by wage subsidy and cash transfer to the poor. We also encourage the authorities to ensure that the health system remains adequately funded to cope with the crisis.

Against the backdrop of low inflation, we welcome the loosening of the monetary stance. The National Bank of the Republic of North Macedonia (NBRNM) should continue to provide an adequate level of liquidity to the economy, while standing ready to intervene to protect the peg. Besides, we concur with staff that a portion of the regulatory capital accumulated by banks could be used, in coordination with the Central Bank, to deal with potential loan impairment while ensuring continued financing of the economy.

In the face of growing financing pressures, we support the request for a purchase under the Rapid Financing Instrument. We welcome the prospect of additional financing from the World Bank and the European Union and we encourage the authorities to continue their efforts to mobilize further donors' financing, all the more as market uncertainty could jeopardize the issuance of a Eurobond in the short term. Finally, to preserve resilience against potential future shocks and put debt on a downward path over the medium term, we share staff's views that the authorities should implement a fiscal consolidation after the crisis has subsided.

Mr. Moreno, Mr. Rojas Ramirez and Ms. Mulas submitted the following statement:

We thank staff for its prompt response to the request and its informative reports and Mr. Fanizza and Mr. Persico for their statement on Albania, and Mr. Doornbosch and Ms. Harutyunyan for their statement on North Macedonia.

## ALBANIA

We support the authorities' request for Fund financial assistance under the Rapid Financial Instrument (RFI). Albania has been impacted by two major exogenous shocks in a short period of time. The rebound from the strongest earthquake in the last 40 years was just kicking-off when the COVID-19 pandemic hit Albania's economy. We share staff's view that the RFI is critical to address the urgent and temporary balance of payment need due to these shocks. Moreover, the RFI could also have an important role to catalyze support from other IFIs.

Spending should be fully accommodated to address the COVID-19 crisis. We commend the authorities for their timely and targeted response to the shocks. On the COVID-19 shock, we reiterate the importance of ensuring the necessary resources for the health sector and for supporting the most affected. We welcome that the authorities have emphasized that in case of a more prolonged crisis, additional support measures would be adopted, including in the context of the June budget revision. We encourage them to continue assessing the economic impact and to be ready to implement further measures, if needed. Could staff advise if further fiscal measures could be necessary to address the COVID-19 crisis? If so, which other measures would staff recommend to the authorities?

Fostering structural reforms could speed the recovery process. We share authorities' view, as stated in their statement, that the just-started EU accession process may benefit the prospects for economic reforms and performance. In this regard, we consider relevant to strengthen the economic governance and the fiscal institutions to foster a swift recovery and a higher growth path.

## NORTH MACEDONIA

We support the authorities' request for Fund financial assistance under the Rapid Financial Instrument (RFI). COVID-19 pandemic is severely impacting North Macedonia. The pandemic has created an urgent balance of payments need compromising the external position with an expected reserve coverage to decrease to 87 percent of the ARA metric by end-2020. Based on staff projections, the Fund financial assistance through the RFI would help keep reserve coverage at 93 percent of the ARA metric by end-2020.

We concur with staff on the importance of limiting the macro-financial and social impact of the crisis, while maintaining a sound policy framework to support recovery. We agree with staff's recommendations to the NBRNM to explore the use of flexibility in the regulatory framework and keep on monitoring banks' liquidity and stand ready to act as needed to address worsening indicators. We note that financing needs in 2020–21 may put the

economy in a high-risk threshold in the event of further shocks. We welcome that authorities are committed to public finances consolidation over the medium term.

Ms. Levonian, Ms. McKiernan and Mr. Mooney submitted the following statement:

We thank staff for their well-focused reports. The economies of Albania, Kosovo and North Macedonia will be severely impacted by the COVID-19 crisis. Remittances, FDI and tourism will be particularly negatively affected. Staff has estimated debt as sustainable in all cases. In light of the foregoing, we approve the financing requests from Albania, Kosovo, and North Macedonia.

#### Albania

We thank Mr. Fanizza and Mr. Persico for their helpful Buff statement.

We commend the authorities for their quick and appropriate responses to the dual economic shocks of the earthquake and the ongoing pandemic. We welcome their efforts to use fiscal policy to cushion the worst effects of the economic downturn and are supportive of the proposed RFI as a means of providing financial support to address short-term balance of payments needs. We welcome Albania's continued engagement with the Fund, while also recognizing that additional support from other IFIs and development partners will be required.

Fiscal prudence must continue to be a priority, in order to ensure debt sustainability over the medium term. External financing can help minimize the short-term damage to the Albanian economy and lay the groundwork for a swift recovery once the economic climate has improved. However, we note that staff are projecting an increase in public debt to more than 75 percent of GDP in 2020. We agree with staff that the authorities should remain diligent in their efforts to return debt to a downward track, once conditions allow, in order to ensure sustainability over the medium term.

The main risks to the program are related to the length and severity of the downturn, primarily linked to the ongoing pandemic. We also note risks associated with Albania's vulnerability to spillovers from economic conditions in the region. We encourage the authorities to prepare strategies to mitigate the damage in the event these risks materialize, while recognizing that these risks are largely outside their control.

## Kosovo

We thank Mr. Kaya and Mr. Mehmedi for their comprehensive Buff statement.

We positively note the fiscal measures introduced by the authorities to date on mitigating the effects of the crisis – in particular, the transfers to affected SMEs, the advancement of social assistance payments to families in need, and the extra allocations to the health ministry to procure medical gear. Like staff, we urge the authorities to contain other fiscal risks, particularly those arising from the Public Administration Reform (PAR) laws approved in 2019.

We welcome the Central Bank's decision to suspend loan repayments by individuals and businesses affected by COVID-19 to the end of April 2020, with the option to extend further. However, we agree with staff in cautioning against the weakening of provisioning and capital standards, and positively note that the CBK remains committed to enforcing adequate standards in this regard, as outlined in the Buff statement.

We positively note the Central Bank's authorization for the Fund to hold discussions with its external auditors and access its most recent external audit reports. This underpins the authorities' commitment to undergo an update of the safeguards assessment, before Board approval of any subsequent arrangement to which the safeguards policy applies.

## North Macedonia

We thank Mr. Doornbosch and Ms. Harutyunyan for their informative Buff statement.

We welcome the authorities' quick response to cushion the impacts of the pandemic.

The government's fiscal stimulus package will help address firms' liquidity problems and protect jobs, while targeting affected sectors such as transport, hotels, and restaurants. A wage subsidy equal to the minimum wage rolled out to affected companies will help vulnerable workers maintain their jobs. We welcome the provision of loans with favorable terms being provided by the Development Bank of North Macedonia, as outlined in the Buff. We agree with staff that preserving financial stability while bolstering the capacity of the health care system to address the COVID-19 pandemic should remain a priority.

Measures to ensure that the remaining fiscal and external financing gap is filled should be addressed. Even with the EU and World Bank support

of 95 million euro, the projected remaining gap is approximately 118 million euro. The issuance of a potential Eurobond may help in this regard and, as authorities argue, the RFI may have a catalytic effect in helping secure additional official, as well as market, financing to close the fiscal gap.

Ensuring that debt remains sustainable should also remain a priority. While public debt is projected to stabilize at about 55 per cent of GDP in the medium term and remain below the high-risk threshold, financing needs in 2020-2021 exceed the high-risk thresholds under stress tests. Like staff, we acknowledge that the authorities are committed to consolidate public finances over the medium term but note that downside risks are exceptionally large. Should the economic impacts of COVID-19 be further prolonged, and if the shock proves much larger than the shocks assumed in the DSA, it could further jeopardize North Macedonia's debt sustainability.

Mr. Mouminah, Mr. Alkhareif, Mr. Keshava, Mr. Rawah and Ms. Alzamel submitted the following statement:

We thank staff for their rapid assessments of emergency financing needs in the wake of the COVID-19 pandemic. We also appreciate the informative Buff statements of Mr. Fanizza and Mr. Persico on Albania, Mr. Kaya and Mr. Mehmedi on Kosovo, and Mr. Doornbosch and Ms. Harutyunyan on North Macedonia. We are in broad agreements with staff's recommendations in all three reports and would like to highlight the following points.

#### Albania

We support the authorities' request for financial assistance under the RFI to address the urgent balance of payments need arising from shocks related to the 2019 earthquake and the COVID-19 pandemic. In this vein, we welcome the authorities' swift response to cushion the impact of the twin shocks, including through relaxing the monetary stance and increasing the budget deficit in 2020 while containing the non-emergency expenditures to accommodate the immediate spending needs. Here, we join staff in supporting the authorities' targeted and time-bound measures aimed at ensuring adequate healthcare and supporting the economy. Also, we welcome the measures taken by the Bank of Albania to support borrowers in overcoming the current challenging conditions and agree with staff that relaxing AML/CFT procedures should be avoided. In addition, we positively note the establishment of a new reconstruction ministry, as noted in the Buff, and the introduction of a comprehensive relief and reconstruction program in response to the earthquake.

Once the impact of the pandemic fades away, we encourage the authorities to step up their efforts to support economic recovery and preserve

fiscal sustainability. In this context, we welcome the authorities' commitment to commence fiscal consolidation, once the situation normalizes, which would support building fiscal buffers and putting debt into a downward trajectory. This would be critical for strengthening resilience against future shocks.

#### Kosovo

We support the authorities' request for financial assistance under the RFI. Before the COVID-19 outbreak, we note that growth was strong, public debt was below 20 percent of GDP, and the banking sector was well capitalized and liquid. However, the short-term outlook has deteriorated rapidly with heightened uncertainty. In this context, assistance under the RFI is timely to meet the objectives of addressing urgent balance of payments needs, supporting containment and mitigation efforts, and preserving fiscal balances.

We commend the authorities for their timely and targeted response to the COVID-19 pandemic and commitment to ensure fiscal and debt sustainability. The focus in the near term is rightly on mitigating the effects of the crisis on households and businesses and on creating room for increased health spending. Here, we encourage the authorities to remain vigilant about the fiscal risk arising from the large wage bill (footnote 2). Once the crisis abates, we welcome the agreement between staff and the authorities on the importance of rebuilding fiscal buffers through fiscal consolidation and gradually restoring banks' capital and liquidity ratios. Indeed, rebuilding these buffers is crucial in the unilaterally euroized economy. We also take note of a possible UCT-level Fund arrangement in future.

#### North Macedonia

We support the authorities' request for a purchase under the RFI to address the urgent balance of payments need. Indeed, the pandemic has deteriorated the economic outlook. Here, we support the authorities' immediate priorities to mitigate the economic and social impact, including through targeted fiscal measures to provide cash-flow relief to affected households and firms, protect employment in the private sector, and provide credit and loans rescheduling.

We take positive note of the authorities' commitment to macroeconomic stability. Over the past decade, the economy performed strongly with solid and broad-based growth. Beyond the immediate crisis, we echo staff's call to encourage banks to closely monitor liquidity and financial developments. On the fiscal front, although the debt is assessed to be sustainable, risks have increased substantially due to the current financing needs. Therefore, we encourage the authorities to continue fiscal consolidation efforts over the medium term to place debt firmly on a downward path.

With these remarks, we wish the authorities of Albania, Kosovo, and North Macedonia all the success in their future policy endeavors.

Mr. Raghani, Mr. Alle, Mr. Bah, Mrs. Boukpepsi, Ms. Nankunda and Mr. Ondo Bile submitted the following statement:

We thank staff for the concise reports and Mr. Fanizza and Mr. Persico for their statement on Albania, Mr. Kaya and Mr. Mehmedi for their statement on Kosovo, and Mr. Doornbosch and Ms. Harutyunyan for their statement on North Macedonia.

#### Albania

We welcome the Albanian authorities' swift and targeted response to the two major shocks incurred by the country. Albania's economy has been hit hard consecutively, by an earthquake at end-2019 and the COVID-19 pandemic. The subsequent and necessary fiscal expansion on the one hand and the pressure on international reserves on the other, have contributed to increasing financing needs. We therefore support the authorities' request for financial assistance under the Rapid Financing Instrument (RFI).

The policy mix put in place to dampen the impact of the twin shocks is appropriate. On the fiscal front, we encourage the authorities to steadfastly secure pledged funding from donors to ensure a quick implementation of the comprehensive relief and reconstruction program following the earthquake. Paired with the fiscal package envisaged in response to the COVID-19 pandemic, these efforts should help mitigate the adverse impact on the economy and pave the way for a quick recovery as the pandemic abates. We take positive note of the fact that the measures envisaged including those aimed to support businesses are well-targeted and temporary. We welcome the authorities' determination to reduce the fiscal deficit as soon as the shocks have been overcome, and their plan to prepare a Medium-Term Revenue Strategy aimed at ensuring fiscal and debt sustainability. As regard monetary and financial policies, we support the Bank of Albania's steps to support borrowers affected by COVID-19, including relaxing its policy stance further, easing lending conditions, as well as allowing the postponement of their debt service payments for a three-month period.

#### Republic of Kosovo

After enjoying sustained growth and macroeconomic and financial stability over the past years, the economy of Kosovo is facing a dire situation due to the COVID-19 outbreak, with a severe contraction of GDP into recession in 2020, sharp decline in tourism, remittances and FDI, and significant deterioration of fiscal and external positions. We support the

authorities' request for a purchase under the Rapid Financing Instrument (RFI) for 50 percent of Kosovo's quota, to meet the urgent balance of payments and fiscal needs. We agree that robust contingency plans will be needed, should the significant downside risks materialize and the situation worsen. Staff's update on the expected contingency plans and the status of financing from the World Bank and EU would be appreciated.

We commend the authorities for their immediate macroeconomic policy response and social measures undertaken to increase the country preparedness and mitigate the impact of the pandemic. The loosening of the fiscal rule is warranted in view of the significant decrease in revenues and the need to scale up health and social spending. The Central Bank of Kosovo and the Kosovo Banking Association' measures to alleviate pressures on businesses and households are also welcomed as they will help prevent shortages in liquidity. It is also essential to maintain the level of loan provisioning and capital requirements in the banking system while enhancing supervision, especially on banks with higher loan concentration and risks.

We welcome the authorities' commitment to preserving macroeconomic and financial stability over the medium-term. Pursuing fiscal consolidation and monetary normalization once the effects of the pandemic shock dissipate will be key to rebuild buffers, ensure fiscal and debt sustainability and enhance the country's resilience to shocks.

#### Republic of North Macedonia

The coronavirus pandemic has severely impacted the economy of North Macedonia, reversing the continued growth of recent years. The resulting fall in domestic and external demand will lead real GDP to contract significantly in 2020 against a GDP expansion in 2019. We note that the fiscal deficit as a percentage of GDP is projected to widen owing to the rise of health, unemployment and social benefits expenditures and significant revenue shrinking. The reserves coverage is also expected to decrease significantly following the sharp drop in remittances and FDI inflows. To address this situation, the authorities need substantial external financing, alongside the policies they are implementing, to sustain their containment efforts and strengthen fiscal and external buffers against exogenous shocks. To this end, we support their request for an urgent purchase under the Rapid Financing Instrument (RFI) equivalent to 100 percent of the country's quota.

We welcome the emergency measures implemented by the authorities to contain the spread of the COVID-19 and mitigate in the near-term, the adverse effects of the pandemic on the population and the economy. The declaration of the state emergency and the closing of borders, as well as the enforcement of social distancing are warranted. We also see merit in legislated fiscal measures to protect jobs, households and firms affected by the economic

downturn. Going forward, it is important to maintain a sound policy framework to support the economic recovery when the pandemic is contained.

We commend the authorities for the steps taken to introduce flexibility in the regulatory framework while preserving financial stability. The flexibility designed to ease the constraints on the financial sector includes measures encouraging banks to restructure the loans of borrowers affected by the pandemic, and temporarily lengthening the limits for classifying loans. To facilitate a prudent restructuring of loans, we agree that banks should be allowed to draw down their capital conservation buffer, although this requires careful capital and liquidity planning. On the monetary front, the cut of the central bank's policy rate and the reduction of reserve requirements in a context of low inflation will help support the economic recovery. We also encourage the central bank to stand ready to intervene if needed to protect the peg of the currency.

With these comments, we wish the authorities and people of Albania, Republic of Kosovo, and Republic of North Macedonia respectively every success in their endeavors.

Ms. Mannathoko, Mr. Nakunyada and Mr. Ismail submitted the following statement:

#### Albania

We thank staff for the report and Messrs. Fanizza and Persico for their helpful Buff statement. Immediately following a major earthquake in November 2019 that resulted in loss of lives and substantial physical damage, Albania now has to contend with the COVID-19 pandemic that is taking lives and has exacerbated economic disruptions. A sharp contraction of the economy with significant declines in tourism, FDI, and remittances is expected, while the authorities face financing constraints on the back of tightening global financial conditions.

With this in mind, we support Albania's request for a 100 percent of quota purchase under the Rapid Financing Instrument to address urgent balance of payments needs. Albania's strong policy and payment track record under past Fund programs and the country's adequate capacity to repay the Fund motivate our support. The authorities have also committed to undergo a safeguards assessment. We hope this RFI purchase will help to catalyze additional support from other International Financial Institutions (IFIs) needed to fill the financing gap.

Policy Response to Shocks: The temporary relaxation of the monetary stance, the commitment to maintain exchange rate flexibility, and the expansion of the budget deficit in 2020 to support recovery are all appropriate, given the nature and magnitude of the crisis. We also welcome the authorities'

comprehensive relief and reconstruction program in the wake of the earthquake. We recognize the necessary COVID-19 containment measures and the fiscal stimulus package needed to address the negative impacts of the two shocks. Regarding the COVID-19 response, short term measures taken in the health sector, alongside additional unemployment benefits, social assistance, the guarantee scheme for companies to help cover wages, pension increases in April, and support for small firms, will help to stem the spread of the virus while limiting the impact of negative spillovers from containment measures. We encourage the authorities to ensure that the implementation of these stimulus measures is consistent with best practice for fiscal governance and transparency, to ensure their effectiveness. On the exchange rate, there may be need for temporary interventions to prevent disorderly market conditions. It will also be important to maintain strong reserves coverage, given risks of currency substitution into euros, and the substantial unhedged borrowing in foreign currency.

**Debt Sustainability:** We note that although public debt remains broadly sustainable, it is expected to exceed 75 percent of GDP in 2020 due to heightened fiscal demands, before receding to 59 percent of GDP by 2025. Furthermore, there remains the possibility that the authorities may need new financing to undertake additional support measures in the event of a U- or L-shaped global recession and a longer than anticipated crisis. At the same time, there are sizable rollover needs, including maturing Eurobonds in 2020 and 2022, therefore ongoing efforts by the authorities to alleviate these risks remain essential. Given these debt vulnerabilities, reducing the fiscal deficit once the crisis ends remains critical. Steadfast fiscal consolidation will be needed, including the timely completion and implementation of the Medium-Term Revenue Strategy.

With these remarks, we wish the authorities success in their efforts to address the impact of the 2019 earthquake and COVID-19 pandemic, while restoring growth and macroeconomic stability

#### Kosovo

We thank staff for the report and Messrs. Kaya and Mehmedi for their helpful Buff statement. After solid growth and significant progress in recent years, in preserving fiscal discipline, maintaining low debt levels, and strengthening the resilience of the financial sector, the COVID-19 shock is expected to lead to a 5 percent economic contraction in 2020. This comes on the back of declining tourism receipts, remittances, exports, and FDI following the containment measures imposed by national authorities, trading partners, and remittance source countries. We empathize with the people of Kosovo at this difficult time, and against this backdrop we support the request for emergency support under the Rapid Financing Instrument to address the urgent balance of payment needs triggered by the pandemic. The IMF

financing will also help catalyze additional donor support from the World Bank, the European Union, and other bilateral donors and support efforts to preserve fiscal buffers. Moreover, we note that Kosovo has adequate capacity to repay the Fund, a good track record of timely payment of external obligations, and the authorities have committed to an update of their safeguards assessment.

**Policy Response to the COVID-19 Shock:** We commend the Kosovar authorities' swift and targeted policy responses to contain the spread of the pandemic and mitigate its effects on businesses and households while creating space for increasing health spending. In this context, while the need for fiscal measures to address the health crisis and economic fallout is critical, we also encourage the authorities to limit the fiscal risks stemming from emergency measures and from the implementation of recent public administration reform laws and potential inflation of the wage bill. In the financial sector, the Central Bank of Kosovo and the banking association's decision to suspend loan repayments by borrowers affected by the COVID-19 crisis through end-April seems appropriate given the low non-performing loan (NPL) ratios. Given the regulatory forbearance and reprogrammed loans, we note staff's cautioning against weakening provisioning and capital standards and wonder if staff have been able as yet to get a sense of the likely magnitude of NPL escalation under baseline and adverse scenarios?

**Debt Sustainability:** We are encouraged that public debt remains sustainable despite the envisaged increase in the fiscal deficit due to the COVID-19 pandemic. However, reinstating the fiscal rule after the crisis will be critical to preserve debt sustainability over the medium term. At the same time, given the lack of external market access, we see merit in diversifying the sources of new financing to address the pandemic, directing more of the available IFI loans to capital projects, and extending maturities of domestic debt.

**Post COVID-19 Crisis:** We welcome the authorities' intention to pursue growth-friendly fiscal consolidation after the current crisis, and to rebuild fiscal buffers and strengthen resilience to future shocks. In the financial sector, the timely implementation bank-specific plans to restore capital and liquidity ratios will be critical. We underscore the importance of rebuilding buffers in the absence of a lender of last resort due to euroization of the economy. Finally, we note the authorities' readiness to discuss a multiyear Fund arrangement to support post-crisis recovery and address structural issues as highlighted in the Buff statement. In this context, updating the safeguards assessment will be important to enable approval of any subsequent arrangements by the Board. Finally, a well framed exit strategy will be important to enable effective rollback of containment measures.

With these remarks, we wish the Kosovar authorities success in their endeavors to address the impacts of the COVID-19 pandemic and to restore growth and jobs in the wake of the pandemic.

#### North Macedonia

We thank staff for the report and Mr. Doornbosch and Ms. Harutyunyan for their helpful Buff statement. After a growth recovery, Macedonia is now dealing with the economic fallout and devastating health, social, and economic effects of the COVID-19 pandemic. We support the request for emergency support under the Rapid Financing Instrument to address the urgent needs triggered by the pandemic. Fund support will be instrumental in meeting urgent balance of payments needs and strengthening the health system to help contain the spread of the virus. The authorities' strong track record in servicing external obligations and the adequate capacity to repay the Fund motivate our support.

**Addressing COVID-19:** We commend the authorities for moving swiftly to put in place tailored containment measures including the closure of borders, and imposition of social-distancing restrictions. Alongside higher health spending, measures to provide cash-flow relief to affected firms and protect jobs, and support to households in the informal economy will help to shield vulnerable segments of the economy. Temporary spending cuts and delays in capital expenditure have provided some fiscal space to support adoption of targeted fiscal policy measures to shield vulnerable households and protect jobs, while providing social protection for the jobless. At the same time, we positively note the easing of monetary policy by the central bank and initiatives to restructure bank loans. Nevertheless, we urge the authorities to closely monitor financial developments and balance the key objectives of increased forbearance and preserving financial stability. Given the magnitude of the shock, there will be significant pressure on the exchange rate peg, and we wonder if staff could comment on their discussions with authorities on how best to manage these pressures.

**Debt and fiscal policy:** While public debt is relatively low and sustainable, risks have increased. Financing needs exceed the high-risk threshold in the baseline scenario and elevated debt vulnerabilities under stress scenarios remain a concern. Therefore, we would urge the authorities to intensify fiscal consolidation efforts in the post-crisis recovery era, to help bring public debt back onto a sustainable footing. At present, we also note that even after securing emergency financing from the IMF, a sizeable financing gap remains. Is there scope for restructuring? We also welcome views on financing options that the authorities can pursue to close this gap, given limited domestic financing sources, tight global financial conditions and considering debt service pressures.

Beyond the COVID crisis: Given that the fiscal stimulus package has been financed by deferrals of capital expenditure, we emphasize the need to ramp up public investment spending to accelerate growth, in the recovery phase. This should be supported by measures to address key labor market, institutional and governance weaknesses, sustaining reforms to bolster economic resilience, and implementing outstanding financial reforms in line with the 2018 FSAP recommendations. While noting the significant downside risks to the outlook, in the adverse scenario should the COVID crisis persist, we urge staff and the authorities to consider contingency plans. A carefully thought out exit strategy would be important to avoid a disorderly rollback of containment measures.

With these remarks, we wish the authorities success in their endeavors to address the impacts of the COVID-19 pandemic and to restore growth and jobs in the wake of the pandemic.

Mr. Mojarrad, Mr. Ahmed, Mr. Belhaj and Mr. Nadali submitted the following statement:

We thank staff for their dedication and hard work and Mr. Fanizza, Mr. Kaya, and Mr. De Lannoy for their helpful buff statements. We are happy to consider, in a clustered Board meeting, the requests for emergency support under the RFI by Albania; the Republic of Kosovo; and the Republic of North Macedonia.

The three countries are being severely affected by the ongoing COVID-19 pandemic. We commend the authorities for their timely and targeted policy response to contain the propagation of the coronavirus, focusing on the health sector, the social safety net, and affected businesses. Given the urgent balance of payments needs, we support the three requests for purchase under the RFI and the respective proposed decisions.

We note that both Albania and the Republic of North Macedonia will benefit from the increased access limit of 100 percent of quota, while the Republic of Kosovo will receive only 50 percent of quota. The proposed RFI purchase of 0.7 percent of GDP together with EU and World Bank resources of 0.4 percent of GDP only covers 27 percent of the external financing gap (4.1 percent of GDP) in 2020. In the absence of support by other IFIs, closing the remaining 73 percent gap requires significant reserve drawdown of 3 percent of GDP. Given that Kosovo does not have external market access, reserves are below multi-dimensional adequacy metrics, and capacity to repay to the Fund is adequate, we would appreciate staff clarification on why access has been limited to 50 percent.

## Albania

We sympathize with the Albanian people and authorities over the loss of lives in the earthquake and sufferings due to the on-going COVID-19 pandemic.

Albania has been hit by two consecutive major shocks. On November 26, 2019 the country was struck by a severe earthquake causing losses and damages estimated at 6.7 percent of GDP. While reconstruction and rehabilitation has just started, the ongoing COVID-19 pandemic is severely disrupting economic activity, with the expectation of sharp declines in tourism, FDI, remittances, and temporarily restrained financing amid a tightening of global financial conditions. Real GDP is projected to contract sharply by 5 percent this year.

The earthquake and COVID-19 pandemic, and the planned fiscal expansion to help cushion these shocks, have created urgent fiscal and external financing needs. We note that the total fiscal financing gap is estimated at more than 5 percent of GDP and the current account deficit is projected to deteriorate to around 11 percent of the GDP putting pressures on international reserves.

Given the large financing requirements, we support the authorities' request for outright purchase of 100 percent quota (SDR 139.30 million) under the RFI to address the urgent balance of payments need, noting that the assistance would be used for indirect budget support. We warmly welcome the donor pledges amounting to EUR 1.15 billion at the February conference to support relief and reconstruction and urge their timely disbursement. We take note of the staff assessment that debt remains sustainable in the medium term though still high and subject to significant risks, and the capacity to repay is adequate. We are comforted by the authorities' determination to reduce the fiscal deficit as soon as the shocks have been overcome, in order to maintain debt sustainability. Given the purchase under RFI, we agree with the staff proposal to resume post-program monitoring.

## Republic of Kosovo

After several years of sustained growth, including under recent Fund arrangements, Kosovo is experiencing a large economic contraction in 2020. The outbreak of COVID-19 and the associated blanket containment measures have severely hit both supply and demand. The fiscal deficit is soaring to well above the 2 percent of GDP fiscal rule ceiling; the current account deficit is widening; and the plummeting external financing inflows have resulted in a sizable financing gap. Risks to the outlook are strongly tilted to the downside.

We welcome the timely, temporary, and targeted fiscal and financial measures taken to create room for increased health spending and to mitigate the impact of the crisis on businesses and households. Care should be taken, however, to limit the fiscal and financing risks, including by ensuring business continuity of PFM systems, and making more use of the available IFI loans for capital investment projects. Temporary suspension of loan repayments by borrowers affected by the pandemic should also not result in weakening of provisioning or capital standards. Once the crisis has subsided, we agree that fiscal and bank buffers will need to be rebuilt through fiscal consolidation and bank-specific plans. Could staff elaborate on the specific challenges Kosovo faces as a unilaterally euroized economy and the absence of a lender of last resort?

#### Republic of North Macedonia

The impact of the virus on the economy will be severe, with growth in 2020 expected to contract by 4 percent. The fiscal impact of the support provided by the authorities, combined with the grim global economic outlook, will reduce central government revenues and increase spending. We welcome the actions taken by the authorities to limit fiscal pressures and reduce the urgent needs of the BoP. But despite these measures, a larger budget deficit and greater financing needs would not be avoided.

On monetary policy, reducing the policy interest rates appear appropriate in a context of moderate inflation. However, we agree with staff on their warning against relaxing loan classification standards. While the purchase under the RFI will help provide the government with much needed liquidity, preserve international reserves, and thus protecting the de-facto exchange rate peg, we are concerned about the stability of the currency peg, given the likely growing pressure on foreign exchange reserves and the increased uncertainty about the access to financial markets this year to close the remaining financing gap (after RFI and other donor disbursements).

Finally, we commend the authorities' strong commitment to the temporary nature of fiscal policy support, and to maintaining a sound policy framework over the medium term.

The Acting Chair (Mr. Zhang) made the following statement:

The subject of this session is on Albania, Republic of Kosovo, Republic of North Macedonia, request for purchase under the Rapid Financing Instrument. All Directors issued grays. Bank staff and ECB representatives are also attending this session.

Today, we are discussing the first clustered report under the expedited procedures, proposing the Fund's emergency assistance to three countries:

Albania, the Republic of Kosovo, and the Republic of North Macedonia, in helping them to combat the COVID-19 pandemic.

On the substance, as noted in your grays, the pandemic is having a substantial human and economic impact on these economies, expected to create large and urgent fiscal pressures and balance of payments needs. Also in your grays, I saw that you all welcomed the authorities' swift responses to the pandemic with measures to contain the spread of the virus, provide relief to the most impacted businesses and households, and create room for increased health spending, and welcome the authorities' commitment to ensuring fiscal and financial stability once the crisis is over.

Of course, at the same time, you also raised concerns about the remaining financing gaps and call for international communities to support the authorities in their efforts to deal with the crisis. All of these remarks I very much agree with, and I think it is very critical to lead our operations ahead.

Mr. Kaya made the following statement:

Chair, I also want to take the floor for Kosovo at the end of the meeting, but to say a few words for Albania and North Macedonia. I am on the list, but I can say just a few words for Albania and North Macedonia if you allow me.

First, I would like to reiterate our support of Albania's and North Macedonia's request for the Rapid Financing Instrument (RFI). This emergency financing will create much-needed policy space to address the COVID-related shocks, preserve macroeconomic stability, and minimize a drag on the long-term growth potential. We commend the authorities of the countries for their decisive actions and staff for the fast response in supporting immediate policy priorities as the medium-term constraints became clear and caused staff and the authorities to work together to collaborate on economic policies for the eventual recovery.

Mr. Doornbosch made the following statement:

I will speak at the end after I have listened to colleagues on behalf of the authorities of North Macedonia.

I do have a policy question for staff looking at all three programs. As you could have seen, North Macedonia has chosen for 100 percent access, whereas, for example, Kosovo has chosen for 50 percent access. I was wondering what the procedure is, if, for example, in one week or in two weeks' time, 50 percent is not enough and Kosovo, for example, would like to raise access to 100 percent. Would that require the whole procedure again, or is there some fast-track way of getting there from 50 to 100 percent?

The staff representative for the European Department (Mr. Martijn), in response to questions and comments from Executive Directors, made the following statement: <sup>1</sup>

About Albania, I want to make a few introductory remarks. In the staff report we mentioned an exchange rate depreciation between end-2019 and end-March 2020 by 7 percent. Since then, this change has been partly reversed, and as of yesterday, the depreciation since the end of last year amounted to about 4 percent. This also relates to a question by one of the Executive Directors about the authorities' course of action to safeguard against exchange rate risk. The Bank of Albania (BOA) stands ready to intervene to address disorderly market conditions, and the level of its reserves offer room for this, although up to a limit. That said, and as we present in the Debt Sustainability Analysis (DSA), a significant part of public debt is in foreign currency, which does expose the debt ratio to significant exchange rate risk. We would expect that part of the crisis-related depreciation pressures would be temporary, and to that extent, these would not worsen the longer-term debt trajectory.

Furthermore, in the longer run, the authorities aim to ensure ongoing fiscal consolidation and the development of domestic financial markets for government financing. This should moderate the public sector's exposure to exchange rate risk.

There were also questions about the authorities' ongoing efforts to attract further financing in order to cover the fiscal and balance of payments (BOP) financing gaps and about the RFI as an adequate signal to catalyze support from other international financial institutions (IFIs). In the staff report, we mention the list of financing options. Since then, the government has successfully issued €100 million in two-year notes in the domestic market. This will help close the financing gap. At the same time, ongoing updates on the European economy suggests that our assumptions on the decline in the inflows of remittances may have been somewhat optimistic, and on balance, if we made an updated projection at this time, we would not show a smaller balance of payments financing gap than we showed in the staff report.

Moving to the support by other IFIs, the World Bank has offered ongoing financial support to Albania through several projects. In addition, the World Bank has pledged €106 million in loan support in the context of post-earthquake donor assistance, although this arrangement still needs to be negotiated. The World Bank is currently looking into further possibilities for financing through its new facility for health spending related to COVID-19.

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<sup>1</sup> Prior to the Board meeting, SEC circulated the staff's additional responses by email. For information, these are included in an annex to these minutes.

The European Union (EU) has pledged €100 million in grant support for the earthquake, and the EU is now looking into further support in the context of COVID-19. We have been engaging closely with the World Bank and EU staff to exchange information on Albania's financing needs and to help ensure they understand the Rapid Financing Instrument.

Finally, I want to mention two additional factual corrections to the staff report.

First, on the first page under Key Issues, in the second paragraph at the end in the final sentence of the second paragraph, there is the word "indirect" and the first two letters should be deleted. It should be "direct" budget support.

Second, in paragraph 16 of the report, in the second sentence, the first part of the sentence is to be deleted. That means that the words, "the BOA will lend the support to the Ministry of Finance, and" should be deleted.

The staff representative from the European Department (Mr. Di Bella), in response to questions and comments from Executive Directors, made the following statement: <sup>2</sup>

Let me briefly update you about the latest economic developments in Kosovo. The domestic lockdown has been in effect since the third week of March, and further restrictions have already taken a heavy toll on economic activity. These reflected in large decreases in fiscal revenues. Indeed, data through April 8 show decreases in budget revenues from 60 percent with respect to the same period last year with the contraction affecting taxes, which are down 50 percent, especially the collection of personal and corporate income taxes, which have been deferred. These decreases are in line with the projections for April and May that staff and the authorities agreed in the context of the RFI and that form the basis for the fiscal financing program. So far, the sharp contraction in activity has not yet spilled over to banks. Data through April 7 showed both aggregate and bank-on-bank deposits relatively stable.

The liquidity position of the banking sector is strong at about 35 percent of short-term liabilities. Both the central bank and commercial banks have strengthened their positions of cash in anticipation of the deposit drawdowns in the coming days.

Let me now address questions in the grays. There were questions about governance, reserve adequacy, monetary and financial policies, and capacity

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<sup>2</sup> Prior to the Board meeting, SEC circulated the staff's additional responses by email. For information, these are included in an annex to these minutes.

development that we have addressed in writing. There were a few remaining questions about extra financing by the donor community and possible additional financing by the IMF in case the financing gap widens. In this regard, the authorities requested access of 50 percent of the quota and are planning initially to close the remaining financing gap by drawing on government deposits and reserves. However, should the financing need turn out to be higher than currently expected, the authorities would come for a second request under the RFI or for an UCT program, for which they have already expressed an interest, as mentioned in the buff.

Regarding the possibility of additional financing, IMF staff is in close contact with the EU, the World Bank, and other IFIs, including the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD), which are actively exploring financing options with the Kosovo authorities.

The staff representative from the European Department (Ms. Barkbu), in response to questions and comments from Executive Directors, made the following statement: <sup>3</sup>

On North Macedonia, I want to answer two questions. The first on the exchange rate peg. The current exchange rate regime has served the country well for the past decade, representing an anchor for macroeconomic policy. Given a large share of public and private borrowing in foreign currency, any exchange rate movement would have important balance sheet effects. When we do the external balance assessment, we currently find that the real effective exchange rate is aligned with medium-term fundamentals and desirable policies. Also, staff estimate that the RFI purchase, together with additional external financing, would allow reserve coverage to remain above 100 percent of the ARA metric in the baseline. Should the COVID crisis worsen and pressure on the exchange rate intensify, the authorities remain committed to taking any required measures necessary to protect the banking system with the Fund's institutional framework.

Moving to the questions on financing, the authorities are making strong efforts to close the financing gap, which was estimated at €230 million in the staff report. After the staff report was issued to the Executive Board, the World Bank has announced that it stands ready to provide €130 million to North Macedonia. This will be partly through a new fast-track project to respond to urgent healthcare priorities and protect vulnerable households. Also, some already funded projects will be reallocated to support small and medium-sized enterprises (SMEs). The EU, which has already approved 3 million in budget support, is also considering additional financial assistance for North Macedonia, as well as for the other countries. As a result, the World

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Bank and EU financing will likely be more than what we assumed in the report.

With respect to market financing, the authorities have started the preparations for a Eurobond issuance in the summer. The prospect for successful issuance depends on how the pandemic evolves, and linked to this, the global market conditions. We believe the RFI and timely supports from other official creditors can help facilitate market financing, and staff stands ready to continue to engage with the authorities as needed.

The staff representative from the Strategy, Policy, and Review Department (Ms. Zakharova), in response to questions and comments from Executive Directors, made the following statement:

Responding to the question on the procedure for a potential second RFI should the financing need be larger than expected due to COVID shock, the authorities can request a second RFI, and in terms of the procedure, we would expect that the staff report and Letter of Intent (LOI) could be more streamlined absent significant changes in needed policy response.

Mr. Rozan made the following statement:

I just wanted to comment on one point raised in one of the interventions this morning. I think a key point going forward will be coordination with international donors, the EU, the World Bank, and other donors, to ensure that there is sufficient financing were downside risks to materialize. Thank you for furnishing the three cases together. I think it is a good process. We have a very long day, so we appreciate this method of work and hope that we will be able to replicate for other groupings of countries; and, of course, we need to have coherence when we group, when we bunch this financing together, so we cannot do very different countries; but I think if we can make use of this in the future it would be useful.

Mr. Trabinski made the following statement:

As Mr. Rozan, we welcome this innovative cluster approach to discuss requests for rapid financing assistance. I think it helps to highlight crosscutting issues that the countries concerned are facing, and it also works very well from the administrative perspective, so we are very happy. We also thank staff for a good report and very informative intervention earlier today.

Global disruption by the COVID-19 pandemic is taking a significant and unprecedented toll on each of these three countries where tourism and remittances, to name a few, are vital elements of the economic activity. We welcome the authorities' targeted and time-bound measures to alleviate the

unfolding crisis, and we think that immediate policy priorities appear broadly adequate and timely.

Allow me to elaborate on just two specific issues, not to take too much time today. So first, before the current crisis, the authorities put on track broadly sound economic policies, and we want to emphasize this because it is a significant achievement. We want to emphasize, as well, that these policies, especially ongoing structural reforms need to continue over the medium-term once the pandemic subsides and, if possible, accelerate to create the conditions for renewed fiscal consolidation, containment of fiscal risks, and broad-based growth.

In light of the important reform needs beyond the immediate priorities, the authorities might consider successor UCT arrangements at a later stage. This would allow resuming reform efforts, especially in the context of Albania with which the Fund had important policy discussions under the recent proposed program monitoring.

Second, in the case of Albania and North Macedonia, debt sustainability risks are still to the downside if the shock proves not worse than expected. Under the baseline scenario, gross financing needs of those countries reached the 15 percent high-risk threshold in the near term. To preserve debt sustainability, the authorities should primarily resume control over the fiscal deficits and residual fiscal buffers as soon as the pandemic is over.

Mr. Merk made the following statement:

We support the request from Albania, Kosovo, and North Macedonia, respectively, for a purchase under the Rapid Financing Instrument to counter the urgent balance of payments needs arising from the direct and indirect impact of the COVID-19 pandemic. We thank staff for highlighting the EU financing, and we encourage the authorities of all three countries and staff to work towards ensuring that disbursed funds are used in a well-targeted, cost-effective, and transparent manner.

Ms. Mannathoko made the following statement:

In general, we are supportive of targeted health and social protection measures and business support spending in response to the crisis, while ensuring budget vulnerabilities and financial sector risks are closely monitored. We would just like to maybe provide a few remarks for emphasis.

In the case of Albania, while we welcome the measures taken to contain the crisis and its disruptive impact, taken alongside reconstruction efforts in the wake of the earthquake, but we just wanted to encourage the

authorities to ensure that the implementation of emergency stimulus and reconstruction measures is really kept in line with best practices for governance and transparency. In this regard, we wanted to support the resumption of post-program monitoring by staff.

In the case of Kosovo, while, again, we strongly support the fiscal measures to address the crisis, we just want to encourage the authorities to limit the fiscal risks in that case stemming from these emergency measures, as well as from implementation of the recent public administration reforms.

After the crisis, reinstating the fiscal rule will be critical to preserve debt sustainability over the medium term and rebuilding fiscal as well as bank buffers in the financial sector and addressing risks related to the absence of a lender of last resort, but also from contingent liabilities associated with this.

For North Macedonia, we appreciated the swift action and measures to secure financing. We just want to thank staff for their response just now in their opening comments on recent progress made in bridging the financing gap. Here, like Mr. Trabinski, we just note that the significant new financing means debt vulnerabilities will become a concern after the crisis, and so we wanted to encourage the authorities to intensify fiscal consolidation efforts and structural reforms once the crisis abates.

With these remarks, we just want to wish the authorities in all three countries success with their efforts to address the impact of the pandemic and the earthquake, and we hope that growth and macroeconomic stability will be restored soon.

Mr. Mojarrad made the following statement:

My comment is related to Kosovo. I would like to emphasize that we have supported the authorities' request for this purchase filling the financing gap at this time, and also I would like to thank staff for their answers, in particular, regarding the level of access and welcome the indication that should Kosovo's financing needs turn out to be higher than currently expected, the authorities could come for a second request under the RFI or an upper tranche program, and, if so, we support such a request.

I take this opportunity to commend the authorities for their timely, temporary, and targeted fiscal and financial measures taken to create room for increased health spending and to support households and private sector, and preserve financial sector stability. I wish the authorities all the success.

Mr. Alkhareif made the following statement:

Thank you, Chair. I would like to start by thanking you for the constructive way of clustering countries together. This is a difficult period and we have to be agile and responsive to the countries' request. However, when the crisis is over, business will go back to normal.

I join others in thanking Mr. Fanizza, Mr. Kaya, and Mr. Doornbosch for an insightful buff statement and staff for their dedication and work. We have issued our gray in which we expressed our support for the three countries' RFIs given the urgent balance of payments needs, so I will not repeat what we said in our gray, but, rather, I would like to comment on the remarks raised by the mission chief and SPR.

On North Macedonia, we support the view raised by the mission chief that the exchange rate peg continues to serve the economy well. Indeed, significant depreciation of the exchange rate will affect the balance sheet given the high exporter. In this context, we welcome the authorities' commitment to the peg, which is important to maintain financial stability.

On Albania, we welcome the remarks by the mission chief that reserves have been used to stabilize the economy. We think reserves are a key component of the financial safety net, and we encourage the authorities to maintain adequate reserve levels going forward.

Finally, Mr. Chair, I would like to speak about Kosovo. We very much support the IMF work on Kosovo; however, we note, as mentioned by Mr. Doornbosch, that the access level for Kosovo has been 50 percent of quota, and we take note of the SPR answer and remarks that there could be a lapse of time (LOT) procedure to provide to Kosovo if they requested additional financing from the Fund. In our view, using LOT for programs is not the right way of doing things. We would have appreciated more augmentation up front for Kosovo. We think this will give a stronger signal for the country on the IMF support. Particularly as we note that the country will use a lot of their reserves to bridge some of the balance of payments needs, we would have appreciated stronger Fund support to Kosovo on this request. With these remarks, we wish all of the authorities continued success in this difficult period.

The Acting Chair (Mr. Zhang) made the following statement:

Thank you, Mr. Alkhareif. I noted your comments on how to support, particularly, all of these countries, including Kosovo, to make sure they have adequate access to resources. I am sure staff will work on it.

Mr. Raghani made the following statement:

Thank you, Mr. Chair, and thank you for the efficiency of this meeting and how we are conducting our discussion. I would like to thank staff for the reports and the answers to Directors' questions, including this morning. We also thank the Executive Directors, Mr. Doornbosch, Mr. Fanizza, and Mr. Kaya, representing Albania, the Republic of Kosovo, and the Republic of North Macedonia, for their informative buff statement and remarks. We have issued a gray and would like to make the following brief comments.

On general comments, first, we welcome the authorities' appropriate policy action, including the fiscal health and socioeconomic measures to swiftly respond to the COVID-19 outbreak.

Second, we very much support the request of the Rapid Financing Instrument for the three countries to help with the balance of payments needs created by the COVID-19 pandemic.

Third, we also expect that the emergency financing will catalyze additional donor support, while calling up on development partners to support the countries' efforts to address the impact of the pandemic.

With these remarks, we wish Albania, Kosovo, and North Macedonia every success in their future endeavors.

The staff representative from the European Department (Ms. Barkbu) made the following statement:

I wanted to say that staff will remain also engaged with the World Bank and the European Union with respect to financing.

The staff representative from the Strategy, Policy, and Review Department (Ms. Zakharova), in response to questions and comments from Executive Directors, made the following statement:

I wanted to clarify that we do not mean the potential second RFI request from Kosovo will come on a Lapse-of-Time (LOT) basis. What I said was that the staff report would be somewhat shorter or streamlined, and LOI can be more streamlined, if the policy response has not changed much, but not a LOT, just to clarify.

Mr. Kaya made the following concluding statement:

Thank you for the opening remarks by you and staff, and thank you for the broad support from the Executive Directors. On behalf of Kosovo authorities, I would like to sincerely thank my colleagues for broadly approving the disbursement under the RFI for Kosovo, which will help overcome the exogenous shock caused by COVID-19 and cushion the severe impact on its population and the economy.

As noted by several Directors, the RFI will not only bridge the financing gap and preserve the further deterioration in reserve buffers, but it will importantly catalyze the much-needed donor support, including from the World Bank, the EU, and other bilateral donors. As recognized by Executive Directors, the authorities' response to the COVID-19 pandemic has been timely, proportionate, and targeted. Expedited and resolute containment measures were rightly complemented by fiscal and social measures aimed at supporting affected businesses and households and allowing higher spending in the housing sector.

The authorities remain committed to sustainable and sound fiscal policies and preserving the credibility of the fiscal rule. To this end, they share Directors' assertions of the need to contain fiscal risks and start rebuilding fiscal buffers through growth-friendly fiscal consolidation once the pandemic recedes.

As underscored by Directors, the central bank of Kosovo's decision to suspend the payment of loan installments for businesses and individuals until April 30 was warranted. Suspension decisions which are being made by banks are targeted to sectors and individuals most affected by the crisis, are time-bound, and are being carefully monitored. While the liquidity and capital buffers are comfortably above regulatory requirements, the CBK remains committed to ensuring effective and forceful adequate provisioning and capital requirements, and stands ready to devise a plan to gradually restore the capital of banks in the aftermath of the crisis should that be necessary, reaffirming that once the pandemic and the crisis recedes, the authorities stand ready to engage with the Fund to discuss an upper credit tranche arrangement, which will mitigate the impact of the crisis, cost of the recovery, and address the underlying structural bottleneck in the economy. Staff is receiving daily reports from the authorities on revenues, breakdown of expenditures, and on financial soundness indicators to better monitor developments.

In concluding, on behalf of my Kosovo authorities, I wish to thank staff and the mission chief, Mr. Di Bella, for their excellent and diligent work under these exceptional circumstances and close cooperation with the authorities. The close engagement and the candid and frank approach shown by the whole team deserves praise and gratitude.

Mr. Doornbosch made the following concluding statement:

I do want to be a little bit repetitive because I also want to thank very much on behalf of the authorities of North Macedonia all Directors for their support to this request for financial assistance under the RFI, and I also would like to thank management and staff for their very proactive and timely response. I think on the content, I just want to pick up on three points that I emphasized.

First, that the fiscal response, as mentioned in some of the grays, is temporary and very targeted, and the Macedonian authorities intend to resume fiscal consolidation immediately once the health crisis abates. The crisis also means that the structural reform agenda becomes even more urgent and pronounced to preserve debt sustainability and speed up income convergence after this.

Second, on the financial policies, I just want to reaffirm that the revision of the credit risk regulation and the relaxation of the loan classifications are designed as temporary measures.

Finally, also from the side of the authorities, I would like to express the gratitude for the good coordination between the Fund and the EU and the World Bank that are also very important in providing relief against the COVID-19 outbreak. Above all else, I would like to thank Ms. Barkbu and the entire team for their excellent work and hard efforts under an enormous time pressure and exceptional working-from-home constraints. There were very early WebEx meetings. There were hardly any weekends, I guess, in the last three or four weeks, so the authorities are very grateful and appreciative of your work.

Mr. Fanizza made the following concluding statement:

First of all, my Albanian authorities would like to thank again staff and management for their prompt response to their urgent requests. I would also like to thank my colleagues for their broad support and for their thoughtful comments. I would like to raise a few points that have been raised mainly by the Directors in their statements.

I will start with fiscal issues and then move to monetary and financial. The authorities, I believe, have demonstrated a clear commitment to ensure fiscal stability and debt sustainability. Let me remind you that Albania has a recent good track record in economic reform. In fact, Albania has been a success story, particularly in its involvement with the Fund.

The authorities have made it clear that their commitment has not changed. The current emergency situation is not changing the authorities' fiscal stance and their medium-term objectives, and I would like also to reassure the Directors that the authorities have committed to implement, to prepare a medium-term revenue strategy mobilization plan with Fund support.

Also, I should say that despite the fact that the authorities sped up approval of emergency expenditure, they are committed to maintain an adequate level of transparency and accountability, resulting in continued strict spending, strict expenditure management and control.

Also, let me stress that the Albanian authorities plan to continue their structural reform agenda, to implement their structural COVID reform agenda, and actually they believe that the process that has just started of negotiation for accession to the EU will provide the broad framework for ensuring that these reforms are consistent and possibly speed it up.

Now let me move to monetary issues and financial issues. Let me clarify our exchange rate policy. Bank of Albania intends to make full use of the exchange rate as a shock absorber. Of course, they will intervene in case of excessive tensions in the market, but they will do it very carefully, and they are committed to maintaining a sound level of foreign exchange reserves. This is also because they believe that actually the exchange rate flexibility will provide some scope for monetary policy action that may be much needed under the circumstances.

In fact, I should say also the central bank is considering treasury bill purchases in the secondary market to allow, when needed, to intervene in the treasury bill market, meaning this not as a direct financing to the government, but there as a measure to help to address illiquidity issues and facilitate the monetary policy transmission mechanism. At times, it could also have an impact on treasury bond issuance.

Also, let me stress that the central bank, like many other central banks, have allowed a temporary relaxation of provisioning rules that would provide a respite to businesses in difficulty, and they are not considered permanent. This is an attempt to make sure that prudential regulations do not impart a procyclical effect on economic activity. We do not need that under these circumstances.

I should also say that the authorities are confident that the program with the Fund will help them to mobilize additional support, will have a catalytic role, and for that reason also they welcome the post-program monitoring that will maintain and possibly deepen Fund engagement and oversight.

Finally, let me thank again, particularly, the team for the excellent work done under the circumstances, but more in general, for the contributions they have provided over the years to the Albanian authorities. My authorities are extremely appreciative. They appreciate a lot what has been the role of the Fund and the role of the team in helping implement economic reforms.

The following Summing Up was issued:

Executive Directors welcomed the opportunity to consider Fund emergency assistance to Albania, the Republic of Kosovo, and the Republic of North Macedonia in combating the COVID 19 pandemic. They noted that the pandemic is expected to have substantial human and economic impacts on these economies, creating large and urgent fiscal pressures and balance of payments needs.

Directors welcomed the authorities' swift responses to the COVID 19 pandemic, with measures to contain the further transmission of the virus, provide relief to the most heavily impacted businesses and households, and create room for increased health spending. They welcomed the authorities' commitment to take additional measures as needed to address the health emergency and preserve economic and financial stability in the near term. They encouraged the authorities to prepare contingency plans given the highly uncertain outlook.

Directors noted the projected rise of public debt in Albania, Kosovo, and North Macedonia in 2020, reflecting the economic contraction and higher fiscal deficits. They welcomed the authorities' commitment to ensuring fiscal and debt sustainability as well as financial stability and to rebuilding fiscal buffers once the crisis has been overcome.

Directors noted that Albania is also dealing with the impact from the strong earthquake in November 2019, which has necessitated large reconstruction spending. They welcomed the recent further relaxation of the monetary stance and the temporary fiscal expansion to cushion the impact of the pandemic.

Directors agreed that a temporary widening of the budget deficit is appropriate for Kosovo. They broadly supported the Central Bank's decision to suspend loan repayments through end April for sectors and individuals most affected by the crisis, but cautioned against weakening the framework for provisioning and capital adequacy.

Directors welcomed the temporary and targeted fiscal measures taken by North Macedonia to limit the economic and social impact of the crisis by preserving jobs, providing social assistance for the jobless and vulnerable

households, and protecting the liquidity of companies. In this context, they welcomed the relaxation of monetary policy.

Finally, Directors noted that Albania, Kosovo, and North Macedonia have sizable remaining financing gaps and expected that the Rapid Financing Instrument would catalyze additional financing for these countries. Accordingly, Directors called on the international community to support the authorities' efforts to combat the pandemic, limit the economic fallouts, and ensure a smooth recovery.

The Executive Board took the following decisions:

**Albania—Request for Purchase Under the Rapid Financing Instrument**

1. Albania has requested a purchase in an amount equivalent to SDR 139.30 million (100 percent of quota) under the Rapid Financing Instrument.
2. The Fund notes the intentions of Albania as set forth in the letter from the Minister of Finance and Economy and the Governor of the Bank of Albania, dated April 6, 2020, and approves the purchase in accordance with the request.
3. The Fund waives the limitation in Article V, Section 3(b)(iii). (EBS/20/36, 04/06/20)

Decision No. 16700-(20/40), adopted  
April 10, 2020

**Albania—Proposal for Post-Program Monitoring**

Albania is expected to engage in post-program monitoring with the Fund, in accordance with Decision No. 13454-(05/26), as amended. (EBS/20/36, 04/06/20)

Decision No. 16701-(20/40), adopted  
April 10, 2020

The Executive Board took the following decision, with one abstention by Mr. Mozhin (RU):

**Republic of Kosovo—Request for Purchase Under the Rapid Financing Instrument**

1. The Republic of Kosovo has requested a purchase in an amount

equivalent to SDR 41.3 million (50 percent of quota) under the Rapid Financing Instrument.

2. The Fund notes the intentions of the Republic of Kosovo as set forth in the letter from the Minister of Finance and Transfers, the Governor of the Central Bank of Kosovo, the Speaker of the Assembly of Kosovo, and the President of the Republic of Kosovo dated April 3, 2020, and approves the purchase in accordance with the request. (EBS/20/35, 04/06/20)

Decision No. 16702-(20/40), adopted  
April 10, 2020

The Executive Board took the following decision:

**Republic of North Macedonia—Request for Purchase under the Rapid Financing Instrument**

1. The Republic of North Macedonia has requested a purchase in an amount equivalent to SDR 140.30 million (100 percent of quota) under the Rapid Financing Instrument.

2. The Fund notes the intentions of the Republic of North Macedonia as set forth in the letter from the Minister of Finance, the Deputy Minister of Finance and the Governor of the National Bank of the Republic of North Macedonia, dated April 6, 2020, and approves the purchase in accordance with the request. (EBS/20/37, 04/06/20)

Decision No. 16703-(20/40), adopted  
April 10, 2020

APPROVAL: October 14, 2022

CEDA OGADA  
Secretary

## Annex

The staff circulated the following written answers, in response to technical and factual questions from Executive Directors, prior to the Executive Board meeting:

### **Albania–Request for Purchase under the Rapid Financing Instrument**

#### **Monetary and exchange rate policies**

**1. *Given that the Albanian Lek has already depreciated in the beginning of 2020, do the authorities have a course of action to safeguard against an adverse exchange rate risk?***

- Staff will respond to this question during the Board meeting.

**2. *Could staff elaborate on what transaction would typically be deemed “indirect financing from the BOA” in the case of Albania?***

- The legislation covering the Bank of Albania stipulates the provisions under which the BOA can financially support government of Albania directly or indirectly. Under the normal conditions, the BOA is prohibited from direct lending to the government in the form of loans or outright purchases of government securities in the primary market. In the context of its monetary policy, the BOA controls the liquidity of the banking system. In that context, it can seek to ensure adequate liquidity with the objective of supporting banks’ purchases of government bonds. Under exceptional circumstances, the BOA may provide loans to Government in Lek only. The stock of these loans to the government may reach up to 8 percent of ordinary government revenues over the last three years.

#### **Fiscal policies and measures**

**3. *Could staff advice if further fiscal measures could be necessary to address the COVID-19 crisis? If so, which other measures would staff recommend to the authorities?***

- A need for additional measures could arise if the ongoing crisis is more severe or more prolonged than foreseen thus far. The authorities have noted the uncertainty around the outlook and their readiness to provide additional support, if needed. These additional support measures could be adopted in the context of June budget revision.
- In line with the measures adopted thus far, priorities should include ensuring adequate provision of health care, support to vulnerable households, and supporting the economy and, in particular, employment. Staff has engaged with the authorities on these priorities and stands ready to offer further advice and engagement.

**4. *We would like an update on steps to address the gaps in VAT administration identified in the last PPM, and whether that might yield some fiscal space. And could staff elaborate briefly on whether the authorities have requested any technical assistance from the FAD to address medium-term fiscal objectives?***

- Prior to earthquake and COVID-19 outbreak, the authorities requested Fund TA for the development of a medium-term revenue strategy (MTRS) covering both tax policy and administration. As background, revenue collection has stagnated in recent years, in part due to the increasing complexity of the tax system, including the VAT. In 2018 and 2019 the authorities expanded the exemptions in the VAT, and introduced preferential treatment of additional sectors, with reduced VAT rates.
- TA on the preparation of an MTRS was initiated by FAD in November 2019, and the authorities have created a working group, that will develop an action plan. However, this process has now been delayed by the earthquake followed by the COVID-19 outbreak. The MTRS is expected to provide a comprehensive strategy for increased and more efficient revenue mobilization.
- In this context, it is important to acknowledge that the authorities have advanced in clearing VAT arrears, repaying a significantly higher volume in 2019 than projected, and effectively clearing all those to small and medium-sized companies and exporters. The authorities have put in place a repayment plan for the clearance of all remaining VAT arrears (to a few large corporations) by mid-2021. In the near term, these welcome actions are increasing the (cash-based) fiscal deficit.
- Beyond this TA for an MTRS, FAD has also provided TA for public financial management, including to help contain fiscal risks related to state-owned enterprises and PPPs.

#### **Debt sustainability**

**5. *Debt levels and gross financing needs will remain high for an extended period even in the current baseline scenario. Against this background, and given that the DSA does not give a very clear statement on this, would it be fair to describe risks to debt sustainability as high in the case of Albania?***

- As presented in the staff report, we assess that Albania's debt continues to be sustainable. Nonetheless, as analyzed in the DSA, there are risks to sustainability. Prior to earthquake and COVID-19 outbreak, public debt was expected to fall below 60 percent of GDP by 2023 under the baseline scenario, with annual financing requirement declining to a level close to 15 percent threshold.
- The twin shocks are resulting in additional financing pressures. Considering the updated baseline projection, risks to debt sustainability could be considered high in Albania.

The DSA finds that Albania’s public debt level is high and subject to significant risks. Gross financing needs also remain high, reflecting sizable rollover needs.

- It is therefore important for the authorities to continue steadfast fiscal consolidation and efforts to contain fiscal risks once the shocks have been overcome.

## Financing sources and support

6. *We note that a financing gap of EUR 345 remains in 2020. Could staff provide an assessment of other sources of financial support? Could staff elaborate on their expectations for a catalytic effect of the RFI? And as RFIs are not programs in a traditional sense, would donors consider them as sufficient to provide support and what can be done to ensure that RFIs play this important role?*

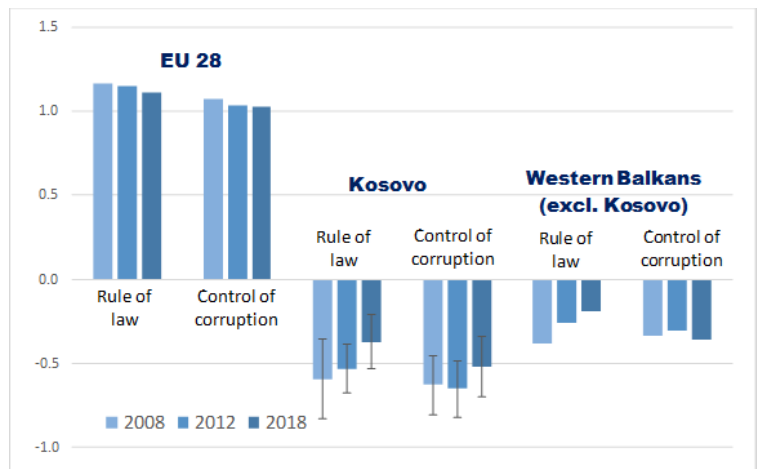
- Staff will respond to this question during the Board meeting.

## Republic of Kosovo – Request for Purchase under the Rapid Financing Instrument

### Governance

1. *In the context of maintaining good governance of Fund resources, we would appreciate additional staff comments on any discussion of country-specific safeguards for the case of Kosovo.*

- Since the last Article IV Consultation (December 2018), Kosovo has continued to work on strengthening governance by making good progress with tax administration reform, improving reporting and analysis in the budget documents, and advancing with the implementation of e-procurement. In the context of the current crisis, the authorities are providing staff with daily data (with only one day lag) on budget execution by expenditure line, and have shared a detailed breakdown of measures to mitigate the impact of COVID-19 and their costing. Staff advised, and the authorities concurred, to be transparent in the use of budgetary resources for COVID-19 related measures, in particular by disclosing beneficiaries of government transfers or large procurement contracts. In turn, the Central Bank has committed to undergo an update of the safeguards assessment before Board approval of any subsequent arrangement to which the safeguards policy applies.



- From a regional perspective, Kosovo governance scores (according to the World Bank’s “Worldwide Governance Indicators”) are not far from the Western Balkan’s average (Chart). According to these indicators, Kosovo has shown consistent improvement in “rule of law” since 2008, and has improved in “control of corruption” in 2018 *vis-à-vis* 2012 (Chart).

## External Sector

2. *In this respect, we would appreciate staff’s views on the trade-off between an increased access under the RFI – to, for instance, 100% of quota – and a stronger drawdown on official reserves?*

3. *Given that Kosovo does not have external market access, reserves are below multi-dimensional adequacy metrics, and capacity to repay to the Fund is adequate, we would appreciate staff clarification on why access has been limited to 50 percent.*

4. *We note that the arrangement will cover less than 20% of the identified balance of payments gap. That occurs in a country with limited market access and a Euro-ised economy. Could staff elaborate on the rationale for the requested level of access and any contingency planning should a larger financing need arise?*

- 
- Using the standard definition of the gross international reserves (GIR) and IMF-developed multidimensional reserve adequacy metric (RA) for an economy with a fixed exchange rate, staff estimated the GIR to be broadly adequate. In particular, the projected RA metric for end-2020 is slightly below the range considered appropriate, at 98 percent (see the table below).

Reserve Adequacy Metrics									
	2017	2018	2019	2020	2021	2022	2023	2024	2025
GIR (millions of euros)	1168	1164	1142	938	1103	1180	1242	1291	1355
Percent of RA metric	143	133	118	98	106	105	103	100	99

Source: Fund staff calculations.

- Moreover, the GIRs are expected to rebound in 2021 and stay around 100 percent of the RA metric over the medium term. Thus, the 50 percent RFI access requested by the authorities together with a drawdown of reserves retains them at broadly adequate levels and should be sufficient to close the financing gap under the current program assumptions. However, should the financing need turn out to be higher than currently expected, the authorities could come for a second request under the RFI or a UCT program, as well as seeking additional support from other donors.

## Monetary and Exchange Rate Policies

### 5. *Could staff elaborate on the specific challenges Kosovo faces as a unilaterally euroized economy and the absence of a lender of last resort?*

- The main challenge is the absence of independent monetary and exchange rate policies. This limits the authorities' policy toolkit to fiscal policy and in the case of the Central Bank to macro-prudential policies. It also precludes the use of temporary monetary financing of fiscal deficits by means of monetary expansions. Accordingly, short-term macroeconomic management is significantly more difficult, as countries with currencies of their own use policy rates and liquidity facilities as key instruments to dampen economic cycles. Moreover, the absence of a lender of last resort creates the need for banks to have large liquidity buffers, which in the case of Kosovo amount to 35 percent of short-term liabilities, and for the government to reserve part of its fiscal buffers in the form of an "Emergency Liquidity Assistance (ELA)" facility to assist banks in case of systemic event.

## Financial Sector Policies

### 6. *Given the regulatory forbearance and reprogrammed loans, we note staff's cautioning against weakening provisioning and capital standards and wonder if staff have been able as yet to get a sense of the likely magnitude of NPL escalation under baseline and adverse scenarios?*

- The banking sector in Kosovo entered the COVID-19 crisis on a strong footing, as the ratio of nonperforming loans to total gross loans was at around 2 percent. In an adverse scenario, staff expect that the NPL ratio could climb close to the historical peak of 9 percent (observed in 2014), although such forecasts are subject to a large degree of uncertainty. IMF staff is in close contact with the CBK and monitors bank-by-bank deposit and loan data on a daily basis. IMF and CBK staff are working together to assess the extent of loan reprogramming and rescheduling, in order to have an up-to-date assessment of capital and provisioning needs (on a bank-by-bank basis) once the crisis has passed. This should allow the CBK to design bank-specific plans to gradually bring capital and liquidity ratios back to regulatory levels where needed.

## Fiscal Policy

### 7. *Could staff elaborate briefly on whether the authorities of the three countries have requested any technical assistance from the FAD to address medium-term fiscal objectives?*

- Kosovo has an active capacity development (CD) agenda with FAD. In the area of PFM, FAD has provided CD in areas such as budget preparation and costing, and strengthening POE oversight. In order to enhance the capacity of tax administration, FAD

helped to prepare and implement a medium-term revenue mobilization plan focusing on modernizing IT systems, strengthening compliance risk management, improving the quality of tax audits, and reducing tax arrears. FAD is now exploring new CD (which will be conducted remotely) on business continuity during the pandemic in the area of tax administration and public finance management. Over the medium term, FAD plans to undertake a general review of the tax system and continue assisting in PFM and tax administration.

### **Financing sources**

**8.** *However, given the substantial financing gap that has opened and the extent to which the authorities are relying on a drawdown of reserves, we wonder whether additional RFI access, a subsequent Fund arrangement, or other donor support may be needed. Staff comments would be welcome.*

**9.** *Staff's update on the expected contingency plans and the status of financing from the World Bank and EU would be appreciated.*

- Staff will respond to these questions during the Board meeting.

### **Republic of North Macedonia—Request for Purchase under the Rapid Financing Instrument**

#### **Outlook/Risks**

**1.** *The minimum wage is diverged from labor productivity, which puts an upward pressure on the nominal wages. Combined with the exchange rate peg, rigid nominal wages could make a recovery more protracted. Staff comments on the possibilities of the labor market realignment are welcome.*

- The minimum wage has increased faster than productivity in recent years, although part of the increase was catching up after years of stagnation. At the same time rising export market shares in key markets suggest that North Macedonia remains competitive. In the last Article IV staff report (January 2020), staff recommended that going forward, minimum wage developments should be aligned with productivity to preserve competitiveness.
- While the last minimum wage increase enacted in December puts upward pressure on the average wage, the projected recession in 2020, together with still elevated youth and long-term unemployment, is expected to put downward pressures on wages.

## **Fiscal Policy**

**2. *Once the pandemic abates, we encourage the authorities to resume fiscal consolidation with a view to put public debt on downward trajectory and preserve debt sustainability. Could staff elaborate briefly on whether the authorities have requested any technical assistance from the FAD to address medium-term fiscal objectives?***

- In recent years, the authorities of North Macedonia have received technical assistance from FAD and other departments to address shortcomings in public finance governance and transparency, including in the areas of budget preparation and execution, medium-term fiscal planning, debt management, revenue administration, public investment management, contingent liabilities, and fiscal transparency. Some projects are ongoing. A full list of the capacity building missions carried out since 2015 is available in the latest Article IV Staff Report (January 2020). This extensive program of capacity building will help the authorities address the medium-term fiscal challenges.

## **Monetary and Exchange Rate Policies**

**3. *The only potential concern for the magnitude of the shock is the capacity to protect the de facto exchange rate peg. Staff's comments are welcome on the latter.***

**4. *Given the magnitude of the shock, there will be significant pressure on the exchange rate peg, and we wonder if staff could comment on their discussions with authorities on how best to manage these pressures.***

- Staff will respond to these questions during the Board meeting.

## **Financial Sector Policies**

**5. *Could staff provide more details on the reasons behind the authorities' decision with regard to lengthening the limit for classifying loans as NPLs?***

- The central bank has extended from 90 to 150 days the threshold for classifying loans as NPLs, in order to provide greater flexibility during a period in which banks cannot effectively collect payments and are restructuring loans. The extension is temporary, to September 2020, hence by end-2020, banks will report loans that are 90 days past due as NPLs. As noted in the staff report, staff's view is that this could hamper the proper assessment of credit risk temporarily.

## Financing sources

6. *Staff's comments on how the prospects of a successful placement of the forthcoming Eurobond could be improved would be welcome. We would be equally interested, whether there is coordinated and concerted action with the EU as well as the World Bank on helping North Macedonia cope with the COVID-19 shock.*
7. *We note that even with IMF, EU, and World Bank financing, a financing gap of around 213 million euros remains. Are authorities considering tapping the market, or are there other sources of external financing under discussion?*
8. *At present, we also note that even after securing emergency financing from the IMF, a sizeable financing gap remains. Is there scope for restructuring? We also welcome views on financing options that the authorities can pursue to close this gap, given limited domestic financing sources, tight global financial conditions and considering debt service pressures.*

- Staff will respond to these questions during the Board meeting.