

**LAPSE OF
TIME**

EBD/16/1

January 5, 2016

To: Members of the Executive Board

From: The Secretary

Subject: **Albania—Acceptance of Obligations of Article VIII, Sections 2(a), 3 and 4**

Board Action:

Executive Directors' **consideration** on a lapse of time basis

Deadline to Request a
Board Meeting, after
which Proposed Decision
Deemed Approved:

**Tuesday, January 12, 2016
12:00 (noon)**

Proposed Decision:

Page 2

Questions:

Ms. Tuladhar, EUR (ext. 34092)
Mr. Cabezón, EUR (ext. 36960)
Ms. Ams, LEG (ext. 38053)



ALBANIA

January 4, 2016

ACCEPTANCE OF OBLIGATIONS OF ARTICLE VIII, SECTIONS 2(a), 3, AND 4

Approved By
Sean Hagan
José Viñals
Poul Thomsen

This paper was prepared by Julianne Ams (LEG); Annamaria Kokenye Ivanics (MCM); and Ezequiel Cabezon and Linda Spahia (both EUR).

- 1. In the attached communication, dated October 1, 2015, the authorities of the Republic of Albania notified the Fund that Albania accepts the obligations of Article VIII, Sections 2(a), 3, and 4 of the Articles of Agreement, effective February 21, 2015.**
- 2. A general review of the Albanian exchange system was conducted by a joint LEG/MCM Article VIII mission in July 2010.** In the course of that review, the staff assessed the status of the exchange restriction maintained under Article XIV and identified the existence of two additional exchange restrictions, which were inconsistent with Article VIII, Sections 2(a) and 3.
- 3. Under Article XIV, Albania maintains an exchange restriction in the form of outstanding debit balances on inoperative bilateral payment agreements, which were in place before Albania became a Fund member in 1991.** These balances relate primarily to debt in nonconvertible and formerly nonconvertible currencies. While the authorities have successfully rescheduled many of these debts, there are still four inoperative payments agreements requiring rescheduling or settlement.¹ As the time required for the completion of the rescheduling depends in part on the counterparties to the payments agreements, it is not possible to predict when this restriction can ultimately be eliminated.
- 4. Under Article VIII, Albania maintained two further exchanges restrictions, which were eliminated by the authorities on February 21, 2015:**
 - a. an exchange restriction arising from the requirement for residents and nonresidents to submit a tax certificate that they do not owe any outstanding taxes

¹ These agreements are with Algeria, Cuba, the Democratic People's Republic of Korea, and Vietnam.

prior to transferring foreign exchange for certain current transactions including the payment of moderate amounts for amortization of loans, the payment of certain insurance premiums, and the transfer of profits and dividends from investments in Albania; and

b. an exchange restriction arising from the requirement to provide customs clearance documents in respect of advance import payments prior to making payments for unrelated foreign exchange transactions.

5. Notwithstanding the remaining exchange restriction described in ¶3 above, the authorities have decided to exercise their right to accept the obligations of Article VIII at this time. Accordingly, the following decision, which may be adopted by a majority of votes cast, is proposed for adoption by the Executive Board:

“The Fund notes with satisfaction that, with the effect from February 21, 2015, Albania

has accepted the obligations of Article VIII, Sections 2(a), 3, and 4 of the Articles of

Agreement.”



REPUBLIC OF ALBANIA
BANK OF ALBANIA
THE GOVERNOR

Orig: EUR
cc: OMD
DMDs
LEG
MCM
FIN
SEC
SPR
Mr. Cottarelli

Tirana, October 1, 2015

Mrs. Christine LAGARDE
Managing Director
International Monetary Fund

Dear Madam Lagarde,

It is my pleasure to inform you that the Republic of Albania has decided to accept the obligations of Article VIII, Sections 2, 3 and 4 of the IMF's Articles of Agreement as of February 21, 2015.

Accordingly, Republic of Albania has taken all the necessary action to remove all remaining Exchange restrictions on payments and transfers for current international transactions.

Please accept, Mrs. Managing Director, the assurances of my highest consideration.

Yours sincerely,

Gent SEJKO

