

The contents of this document are preliminary and subject to change.

GRAY/20/3430

November 19, 2020

**Statement by Mr. Bevilaqua, Ms. Mohammed, and Mr. Velloso on Albania
(Preliminary)
Executive Board Meeting
November 23, 2020**

We thank staff for the helpful report and Mr. Fanizza and Mr. Persico for their insightful statement. The Albanian authorities are facing daunting challenges from last year's earthquake and the global COVID-19 pandemic that have severely disrupted economic activity. We broadly concur with the thrust of staff's appraisal and would like to highlight the following points.

We commend the authorities' swift response to the pandemic. As a second wave of infections moves across Europe, we encourage the authorities to remain steadfast in their efforts to protect lives and livelihoods, while underscoring that emergency support measures should remain temporary, well targeted and transparent. Considering the significant downside risks to the outlook, like staff, we see merit in preserving liquidity buffers by containing non-priority spending and in developing a concrete contingency plan to preserve macroeconomic and financial stability, while protecting the most vulnerable and an adequate healthcare provision.

As the pandemic eases, earthquake-related reconstruction needs are addressed, and a recovery takes hold, we encourage the authorities to implement a gradual but determined medium-term fiscal consolidation strategy. We welcome the authorities' commitment to adopting a strategy to bolster the tax system and improve revenue mobilization over time. Strengthening public investment management and mitigating fiscal risks—including by PPPs and SOEs—are of utmost importance to ensure that future fiscal consolidation efforts would not be derailed. *Could staff comment on the next steps envisaged by the authorities to better integrate fiscal risks mitigation and monitoring into the budget process?*

While the banking system is liquid and stable, pockets of vulnerabilities exist. The near-term priority to monitor and guide prudent bank loan restructuring where necessary seems

appropriate. However, as the pandemic enters a new phase, NPLs could rise. We therefore encourage the authorities to continue strengthening bank supervision to detect early signs of distress in the system.

We take note of staff's assessment that public debt remains sustainable and gross financing needs are manageable. However, as public debt is projected to exceed 80 percent of GDP in 2020-21 and gross financing needs are expected to be substantial, the authorities should actively try to mitigate rollover risks, including by increasing their efforts to secure, on more favorable terms, debt refinancing as well as additional financing from Albania's development partners.

Given Albania's strategic AML/CFT deficiencies, we encourage the authorities to intensify their efforts to address the shortcomings identified by FATF and MONEYVAL and to avoid tax amnesty schemes. *Could staff elaborate on the timetable and concrete actions that the authorities envisage in this area?*

Finally, we take positive note that the RFI disbursement in April provided timely relief to Albania and helped mobilize assistance from other IFIs.

With these remarks we wish the Albanian authorities success.