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November 19, 2020

**Statement by Ms. Levonian, Mr. O'Brolchain, and Mr. Mooney on Albania
(Preliminary)
Executive Board Meeting
November 23, 2020**

We thank staff for their comprehensive report and Mr. Fanizza and Mr. Persico for their helpful Buff statement. Albania has been severely impacted by the effects of a major earthquake and the COVID-19 pandemic shock. Macroeconomic and financial stability have so far been maintained as a result of the authorities' prompt response to the shocks. Appropriately, the authorities' actions have been focused on enhancing the health system, containing the spread of the virus, supporting the most vulnerable population, and rehabilitating damaged infrastructure. We agree with the thrust of staff's assessment and offer the following points for emphasis.

The authorities' ongoing efforts to amend the Budget Law to respond to evolving emergency needs, as outlined in the Buff statement, are reassuring. In this regard, we agree with staff that measures should be targeted to protect the most vulnerable. In the short term, we welcome the authorities' commitment to fiscal discipline and spending reallocation. In that regard, we urge the authorities to complete the preparation of the proposed Medium-Term Revenue Strategy (MTRS) and to push forward with its implementation. An increase in revenue will support the financing of investments and reduce public debt. We concur with staff that the proposed tax amnesty law would negatively impact on tax compliance and revenue generation.

We positively note that the banking system has remained liquid and stable since the onset of the crisis. However, risks persist and, despite a very large decline since 2014, an increase in non-performing loans appears likely. Closer monitoring as well as implementing regulatory and supervisory measures such as risk assessments of banks portfolios, and strengthening the capital and liquidity framework, are required. We welcome the BoA's commitment to strengthening its macroprudential rules before the end of 2020.

Governance and transparency are crucial, and in this regard, we welcome the authorities' pledge to conduct and publish an audit of earthquake and pandemic-

related spending in 2021. We positively note the institution of a new law for the register of beneficial ownership and the establishment of an associated public register. We urge the authorities to strengthen the AML/CFT framework in line with the recommendations in the recent FATF report. Furthermore, we support the strengthening of public sector investment management, especially the monitoring of private public partnerships, and encourage staff to provide such technical support where appropriate.