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November 19, 2020

**Statement by Mr. Bhalla and Mr. Natarajan on Albania
(Preliminary)
Executive Board Meeting
November 23, 2020**

1. We thank the staff for their crisp report on Albania's first post-program monitoring and Mr. Fanizza and Mr. Persico for the useful buff. Albania is severely affected because of two successive shocks - severe earthquake in November 2019 and the COVID-19 pandemic. Financial assistance under Rapid Financial Instrument (RFI) in April 2020 has provided timely relief to mitigate the adverse socio-economic consequences. As the authorities are working on gradually rebuilding the economy, close monitoring of the economic vulnerabilities and institutional weaknesses is required for ensuring a sustained recovery.
2. The twin shocks are expected to result in contraction of economy between 6 to 7.5 percent in 2020. Though the recovery is expected to strengthen in 2021, the increasing new infections in other European countries can dampen the prospects due to weaker remittances, tourism, external demand and FDI.
3. Fiscal stress has increased, and the deficit is expected to increase from 2 percent in 2019 to 6.8 percent in 2020. This is attributed in almost equal measure to fall in revenue by 2.1 percent and rise in expenditure by 2.7 percent. Targeted tax relief measures and an efficient tax administration can play important role in strengthening the public finances. We welcome the authorities' commitment to fiscal prudence and transparency, and the efforts to prepare a medium-term revenue strategy. Public debt is expected to increase from 67.8 percent in 2019 to 81.9 percent in 2020. *Can the staff comment on the extent of short-term debt servicing requirements and vulnerabilities arising due to this?*
4. The banking system is currently stable and liquid. We encourage the authorities to closely monitor the level of non-performing loans and capital adequacy in the weak banks. Inflation which increased due to the spike in food prices in April '20 has moderated to about 1.5 percent in September. Current account deficit is expected to

increase from 8 percent in 2019 to about 11 percent in 2020. We encourage the authorities to strengthen the AML/CFT framework to mitigate from the shocks due to these risks.

5. Finally, we wish the authorities the best in their efforts.