

Table 1. Albania: Performance Criteria and Indicative Targets for 1999–2000 <sup>1/</sup>

	End Dec.	End-June 1999 <sup>2/</sup>			End-Sept. 1999 <sup>3/</sup>			End-Dec. 1999 <sup>2/</sup>		End-March 2000 <sup>3/</sup>	
	levels 1998	Prog.	Adjusted	Actual	Prog.	Adjusted	Actual	Prog.	Rev.	Prog.	Rev.
	Actual	5/99	Prog. 5/99 <sup>1/</sup>		5/99	Prog. 5/99 <sup>1/</sup>		5/99	Prog.	5/99	Prog.
(In billions of leks)											
1. Net banking system credit to the government <sup>4/ 5/</sup>	179.3	10	5	3	19	16	12	28	26	33	32
2. Net domestic assets of the BoA <sup>4/ 6/</sup>	62.5	9	4	-5	13	10	-3	18	7	21	12
3. Tax revenues <sup>7/</sup>	...	29	29	29	50	50	47	73	67	90	84
4. Revenues collected by Customs Department <sup>7/</sup>	...	...	...	17	...	...	26	...	37	...	47
(In millions of U.S. dollars)											
5. Net international reserves of the BoA <sup>8/</sup>	194.7	-33	-8	71	-29	-18	89	-31	73	-38	56
6. Contracting or guaranteeing of non-concessional external debt with maturities 1-15 years <sup>4/ 9/</sup>		20	20	0	30	30	0	40	30	50	50
Of which: 1-5 years <sup>4/ 9/</sup>		5	5	0	5	5	0	10	0	10	10
7. Public and publicly-guaranteed external debt with maturities of up to 1 year <sup>4/ 10/</sup>	...	0	0	0	0	0	0	0	0	0	0

(Footnotes appear on the next page).

Table 1 (continued). Albania: Performance Criteria and Indicative Targets for 1999-2000 <sup>1/</sup>

1/ Unless otherwise noted, all targets are expressed as cumulative changes from end-December 1998 levels. There is also a continuous performance criterion on the non-accumulation of new external arrears exclusive of arrears that are subject to rescheduling consistent with the July 1998 Paris Club terms of reference. Adjusted program refers to program targets adjusted for shortfalls/excesses in official foreign financing and other program adjustments.

2/ Indicative targets.

3/ Performance criteria.

4/ These figures represent a ceiling.

5/ These include extrabudgetary accounts as defined in the technical memorandum of understanding. The limits on the net bank credit to the government are adjusted downwards (upwards) by any amount by which total foreign financing (excluding project and commodity loans) to the budget exceeds (falls short of) the amounts assumed in the program (the lek equivalent of US\$87 million during January 1, 1999 to June 30, 1999; US\$144 million during January 1, 1999 to September 30, 1999; US\$124 million during January 1, 1999 to December 31, 1999; and US\$152 million during January 1, 1999 to March 31, 2000, to be valued at the program monitoring exchange rate of 140.58 leks per U.S. dollar) and/or any amount by which the Kosovo-related budget cost is lower than (exceeds) the amounts assumed in the program (the lek equivalent of US\$65 million during January 1, 1999 to June 30, 1999; US\$112 million during January 1, 1999 to September 30, 1999; US\$83 million during January 1, 1999 to December 31, 1999; and US\$98 million during January 1, 1999 to March 31, 2000, to be valued at the program monitoring exchange rate), with the proviso that the upward adjustment to the ceiling should not exceed the lek equivalent of US\$50 million, converted at the program monitoring exchange rate. The limits are adjusted downward for any excess in privatization proceeds over the programmed levels of 1.3 billion leks during January 1, 1999 to June 30, 1999 2.2 billion leks during January 1, 1999 to September 30, 1999; 0.4 billion leks during January 1, 1999 to December 31, 1999; and 0.6 billion leks from January 1, 1999 to March 31, 2000. The limits are also adjusted by any changes in the net holdings of government debt of INSIG, other nonfinancial corporations, or state enterprises.

6/ In parallel with the adjustments described in footnote 5, the limits on NDA are reduced (increased) by the lek equivalent of any excess (shortfall) in foreign financing and/or any amount by which the Kosovo-related budget cost is lower than (or exceeds) the program assumptions, with the proviso that the upward adjustment to the ceiling should not exceed the lek equivalent of US\$50 million, converted at the program monitoring exchange rate. The targets will be adjusted to reflect the impact of any change in the required reserve ratio.

7/ All indicative targets, representing a floor. Tax revenues are defined as revenues collected by the central tax department and the customs department.

8/ These figures represent a floor, to be increased (decreased) by the amount of any balance of payments support in excess of (or lower than) the program assumptions (US\$108 million during January 1, 1999 to June 30, 1999; US\$177 million during January 1, 1999 to September 30, 1999; US\$145 million during January 1, 1999 to December 31, 1999; and US\$186 million during January 1, 1999 to March 31, 2000) and/or any amount by which the Kosovo-related budget cost is lower than (exceeds) the program assumptions, with the proviso that the downward adjustment shall not exceed US\$50 million. The figures exclude holdings of nonconvertible currencies, claims on nonresident financial institutions denominated in convertible currencies; foreign currency reserves of commercial banks held at the Bank of Albania and credit and debit balances as of December 31, 1998, arising from bilateral payments agreements in clearing dollars and in rubles, and any foreign liabilities arising from debt rescheduling operations.

9/ This limit applies to debts contracted or guaranteed by the government, state-owned enterprises, or the Bank of Albania, and excludes changes in indebtedness resulting from refinancing credits and rescheduling operations (including the deferral of interest on commercial debt), credits extended by the IMF and credits on concessional terms, i.e., those with a grant element of 35 percent or more calculated using the OECD Commercial Interest Reference Rates (CIRRs) for January 16–February 15, 1999.

10/ This limit applies to short-term debt contracted or guaranteed by the government, state-owned enterprises, or the Bank of Albania. Excluded from the limits are changes in indebtedness resulting from rescheduling operations (including the deferral of interest on commercial debt), and normal import-related credits. Debts falling within the limit shall be valued in U.S. dollars at the exchange rate prevailing at the time the contract becomes effective. The end–December 1998 stock of short-term debt includes already outstanding debts with maturities of 1–5 years. The figures exclude external debt in arrears for which a rescheduling is expected, or which is in dispute.

Table 2. Albania: Prior Actions, Structural Performance Criteria and Structural Benchmarks  
Under the Second Annual PRGF Arrangement

Measures and Deadlines		Status as of mid-December 1999
<b>A.</b>	<b>Prior Actions for Completion of the Mid-Year Review</b>	
1.	Parliament to pass 2000 budget consistent with PRGF program.	Completed
2.	The working groups in the General Customs Directorate and the customs offices to review and correct the reference valuation file based on market prices.	
3.	The internal audit units in the General Customs Directorate, with assistance from CAM-Albania, to produce at least four, weekly reports documenting cases in which customs valuation was not applied in accordance with the customs code, and the Director General of Customs to take corrective actions and produce at least one report to the Minister of Finance and Prime Minister of corrective actions taken in such cases.	
4.	The General Customs Directorate, with assistance from CAM-Albania, to review the results of the work of the Anti-Smuggling Unit and identify and adopt a set of measures for its improvement.	
5.	Introduce merit-based bonus payments and enhancement payments in line with workload and conditions in the General Customs Directorate.	
6.	Complete the process of SME privatization by sale, lease, or liquidation of all but 50 of the remaining SMEs.	
7.	Lower maximum tariff rate to 18 percent and lower tariff rate for diesel to 10 percent on January 1, 2000.	
<b>B.</b>	<b>Prior Actions for Second-Year Program</b>	
1.	Enact the amendments to the customs code submitted to parliament in early March 1999 and implement the revised customs code by (1) activating the post-clearance control unit in the Customs Directorate (CD); (2) restructuring and increasing the resources available to the internal audit unit in the CD; and (3) finalizing a plan for collecting customs debts, and beginning its implementation.	Full observance
2.	Employ 40 anti-smuggling officers hired from outside the CD.	Full observance
3.	Adjust reference prices for the valuation of imports in line with market prices (an exception can be made for the price of diesel), increasing in particular those prices which are currently underestimated.	Full observance
4.	Select a buyer for the National Commercial Bank, and prepare government decisions on (1) recapitalization of the bank; (2) transfer of the bank's loan portfolio to the Loan Collection Agency; and (3) transfer of NCB's shareholdings in other banks to the Ministry of Finance.	Full observance

5.	Sell, lease or liquidate all remaining former Enterprise Restructuring Agency enterprises and at least 300 of the 469 small- and medium-sized enterprises (SMEs) which remained unsold at end-September 1998.	Full observance
<b>C.</b>	<b>Structural Performance Criteria</b>	
1.	Complete the process of SME privatization by sale, lease, or liquidation of all but 50 of the remaining SMEs (end-September 1999).	Expected to be completed by end-December
2.	Submit to parliament a draft law for the privatization of the Savings Bank (end-September 1999).	Completed in October
<b>D.</b>	<b>Structural Benchmarks</b>	
1.	No new exemptions from VAT or customs duty (throughout).	Full observance
2.	Employ a further 60 anti-smuggling officers hired from outside the CD (end-December 1999).	No new information
3.	Select a buyer for the Savings Bank (end-March 2000).	Now expected by end-2000
4.	Submit a draft Law on Secured Transactions, acceptable to the Fund, to parliament (end-June 1999).	Full observance
5.	Select a buyer for Albania Mobile Communications (end-December 1999).	Tenders being reviewed
6.	Sell or liquidate all small copper and small chromium mines, and enact a law allowing the government to privatize the remaining Albchrom and Albbaker mines (end-September 1999).	Full observance
7.	Install at least 900 electricity meter boxes in the second quarter of 1999, and a further 900 meter boxes in each subsequent quarter of 1999.	Full observance
8.	Complete first registration in 900 cadastral zones by end-June 1999 in 1,050 cadastral zones by end-September 1999, in 1,200 cadastral zones by end-December 1999, and in 1,350 cadastral zones by end-March 2000.	On track
9.	Complete at least 3,000 sales transactions in agricultural land by end-June 1999, at least 3,500 by end-September 1999, at least 4,000 by end-December 1999, and at least 4,500 by end-March 2000.	On track
10.	Reduce budgetary employment to 130,000 or below (end-December 1999).	No new information
11.	Remove all remaining export bans (end-July 1999), with no new import or export bans to be imposed (throughout).	Full observance

12.	Reverse the increase in the import tariff on diesel and abolition of minimum reference prices for diesel (end-October 1999).	Announced for January 1, 2000
13.	Improve the valuation of imports through making the customs reference valuation file fully operational in all major customs clearance houses.	No new information
14.	Form Inter-Agency Statistics Council and approve terms of reference in line with recommendations of the recent multisector statistics mission from the IMF Statistics Department (end-June 1999).	Full observance
<b>E.</b>	<b>New Structural Benchmarks</b>	
1.	Maintain customs valuation reference file in line with market prices.	Throughout
2.	The internal audit units to produce weekly reports on violations of customs valuation rules and the Director General of Customs to take corrective actions and submit monthly reports to the Minister of Finance and Prime Minister on corrective actions taken.	Throughout
3.	Reduce budgetary employment to below 126,000 by end-March 2000, and to below 124,000 by end-October 2000.	End-October 2000
4.	Introduce a new GFS-based revenue classification and economic classification of expenditure.	End-June 2000
5.	With respect to the Savings Bank: (i) institute transparent accounting practices and commercially-based fees for all fiscal agency and payments functions performed by the SB on behalf of the government; (ii) prepare an analysis of the profitability of individual bank branches; (iii) select a privatization advisor; (iv) advertise for tenders; (v) select a buyer.	End-1999 End-March 2000 End-April 2000 End-Sept. 2000 End-2000.
6.	Complete the implementation of the measures relating to the development of the treasury bill market agreed with MAE staff in July 1999.	End-March 2000
7.	Present to parliament the privatization law for the fixed line telecommunications company (by end-February 2000) and select a buyer (by end-September 2000).	End-September 2000
8.	Reorganize INSTAT and ensure that sufficient resources are provided for the development, compilation, and dissemination of statistics in line with international standards.	End-June 2000