

Albania: Selected Issues and Statistical Appendix

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ALBANIA

Selected Issues and Statistical Appendix

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Approved by the European I Department

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I. MEDIUM-TERM DEBT SUSTAINABILITY¹

A. Introduction

1. Despite significant progress on the fiscal front, Albania's public debt has been rising in recent years. The overall and domestically financed deficits have declined, in large part as a result of significant improvements in the tax and customs administration. However, Albania's public debt has been rising, thus raising concerns about debt sustainability, especially in view of the temporary nature of privatization receipts and concessional financing.

2. This chapter examines Albania's projected debt dynamics for the period 2001–10 under alternative assumptions. Section B describes the current public debt situation and notes that Albania's public debt remains below that of similar developing countries, although its domestic debt is relatively high. Section C presents the base scenario and provides a simulation of debt dynamics under favorable macroeconomic conditions. Section D discusses alternative scenarios and tests the sensitivity of debt dynamics to less favorable macroeconomic assumptions. These simulations suggest that the gradual fiscal consolidation envisaged over the period (2001–10) will reverse the upward trend in the public-debt-to-GDP ratio, and that Albania's public debt dynamics are unlikely to be a cause for concern over the medium term in light of strong growth prospects. Section E contains concluding remarks.

B. The Current Debt Situation

3. Albania's current public debt is below the average for similar developing countries, although its domestic component is relatively high. Albania's overall public debt has risen from 62 percent of GDP in 1998 to about 69 percent of GDP in 2000, reflecting mainly a rise in domestic debt as a result of bank recapitalization in 1999 and 2000 (about 25 billion leks, or 5 percent of GDP). However, its public debt remains moderate compared with about 88 percent of GDP for 12 non-HIPC PRGF-eligible countries, for which domestic debt data were available in *GFS* and *IFS*.² Albania's domestic debt is relatively high, at 41.5 percent of GDP in 2000, compared with the average of about 28 percent of GDP for the same non-HIPC PRGF-eligible countries. Albania's external public and publicly guaranteed debt, at

¹ This chapter was prepared by Hongsung Moon.

² All comparisons in this paper used 1999 figures of other countries, based on data in *Global Development Finance*, *International Financial Statistics*, and *Government Finance Statistics*. The 12 non-HIPC PRGF-eligible countries are Eritrea, Georgia, India, Lesotho, Maldives, Moldova, Mongolia, Nepal, Pakistan, Sri Lanka, St. Vincent and the Grenadines, and Vanuatu.

27.6 percent of GDP in 2000, is mostly very concessional with a weighted average interest rate of about 1 percent per annum and an average maturity of about 30 years.

4. In net present value (NPV) terms, Albania's public debt was 57 percent of GDP in 2000. The NPV of Albania's public debt remains lower than the average of 68 percent of GDP for the 12 previously mentioned non-HIPC PRGF-eligible countries. Moreover, the NPV of its external debt is about 16 percent of GDP, compared with 40 percent of an average for the same non-HIPC PRGF-eligible countries and 38 percent for all developing countries.

5. Debt-service indicators of Albania also remain relatively low. Albania's external debt ratio to exports of goods and services, at 146 percent in 2000, was lower than the average of 165 percent of the selected group of non-HIPC PRGF-eligible countries.³ In NPV terms, Albania's external debt ratio to exports is 83 percent, compared with the average of 115 percent of the selected non-HIPC PRGF-eligible countries.⁴ Moreover, Albania's external-debt service-to-exports ratio in 2000 was only 3.3 percent, compared with the average of 20 percent for all developing countries.⁵

C. Base Scenario

6. Under favorable macroeconomic conditions with gradual fiscal consolidation envisaged over the medium term, the public-debt-to-GDP ratio will continue to decline rapidly. Public debt is projected to decrease to 50 percent of GDP by 2010, and its NPV to 40½ percent (Table 1). The continued emphasis on reducing the more costly domestic borrowing will lower domestic debt to 27 percent of GDP by 2010, while external debt will decline to 23 percent. Interest payments will remain stable at around 3 percent of GDP, reflecting concessional foreign borrowing.

7. Base scenario assumes macroeconomic stability and further progress in structural reforms. The following specific assumptions are made for this scenario: real GDP grows at 6 percent per annum over the medium term, which is higher than the average real interest rates of Albania's debt; inflation remains under control at 3 percent; nominal domestic interest rates average about 9 percent; the dollar exchange rate remains unchanged at 145 lek per U.S. dollar (a modest appreciation of real exchange rate); foreign financing is restricted largely to concessional loans until 2004 and becomes less concessional thereafter, with the interest cost rising from around 1.1 percent of current average rate of foreign borrowing to 4 percent by 2010; foreign grants decline to zero by 2010; and privatization receipts are phased out by 2004. In addition, this scenario assumes that the fiscal reforms continue to

³ This group excludes St. Vincent and the Grenadines, owing to incomplete data.

⁴ This group excludes St. Vincent and the Grenadines, owing to incomplete data.

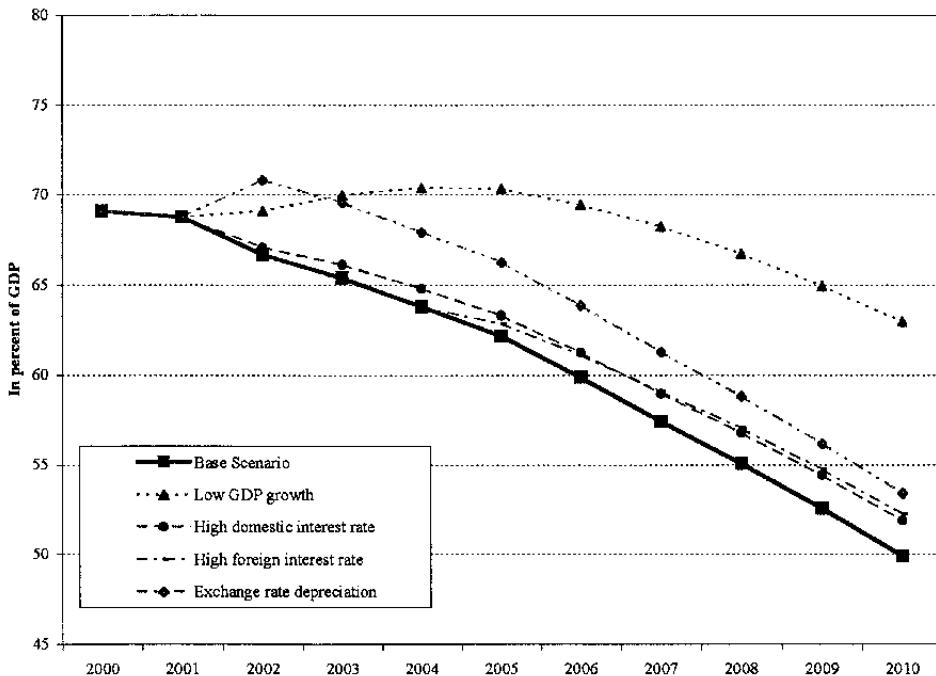
⁵ See "The Challenge of Maintaining Long-Term External Debt Sustainability," SM/01/94, March 2001.

alleviate pressures on the budget through broadening the tax base, improving tax and customs administration, strengthening expenditure management, and restructuring the social security system.

D. Alternative Scenarios

8. Alternative scenarios, under less favorable conditions, also indicate that public debt dynamics may not be unduly worrisome (Figure 1). Four alternative scenarios are examined to test the sensitivity of debt dynamics to different assumptions. Scenario 1: domestic interest rates rise to 11 percent from 2002 onward. Scenario 2: foreign interest rates rise to 6.7 percent from 2005 onward—the weighted average of commercial interest reference rates (CIRRs) based on the foreign currency composition of Albania’s external debt. These two scenarios assume that half of the additional interest payments from higher interest rates are paid by additional financing. Scenario 3: the lek depreciates by 15 percent against the U.S. dollar in 2002, assuming that the exchange rate depreciation only affects the external debt in the lek term and not the current account, inflation, or growth. Scenario 4: nominal GDP growth falls to 6 percent (3 percent of real GDP growth) from 2002 onward—below the projected nominal domestic interest rate of 9 percent.

Figure 1: Debt Dynamics, 2000-2010



9. Under Scenarios 1 (higher domestic interest rates) and 2 (higher foreign interest rates), the debt-to-GDP ratio still falls, albeit at a slower speed than in the base scenario (Tables 2 and 3). Higher borrowing costs affect debt dynamics negatively, but the impact on the debt situation is not serious. The debt-to-GDP ratios under both scenarios fall to around 52 percent by 2010, about 3 percentage points higher than in the base scenario. However, in NPV terms, the debt-to-GDP ratio under Scenario 2 declines only to 47 percent, reflecting less concessional foreign borrowing, while the debt ratio under Scenario 1 falls to 42 percent, close to that in the base scenario. Relaxing assumptions on interest rates also constrains government noninterest expenditures. The interest-payments-to-GDP ratios under these two scenarios reach about 4.8 percent during the period.

10. Under Scenario 3, the debt-to-GDP ratio rises temporarily when the lek depreciates vis-à-vis the U.S. dollar; however, it declines rapidly thereafter (Table 4). A one-time exchange rate shock worsens the debt situation immediately; an exchange rate depreciation of 15 percent in 2002 causes a deterioration in the debt-to-GDP ratio from 69 percent in 2000 to 71 percent in 2002. However, the negative shock does not affect the medium-term debt dynamics significantly, and the debt-to-GDP ratio begins to decline sharply, falling to 53 percent by 2010. Additional foreign interest payments as a result of the exchange rate depreciation do not cause a serious budget rigidity by virtue of the high concessional terms of foreign borrowing.

11. The results of Scenario 4 stress the importance of strong growth and fiscal adjustment in ensuring debt sustainability over the medium term (Table 5). Under a lower GDP growth scenario, the debt-to-GDP ratio rises to 70.5 percent of GDP until 2004 and then begins to decline slowly, to only 63 percent of GDP by 2010. Higher interest payments, which exceed 4 percent of GDP, restrict the government's discretionary budgetary policy.

E. Concluding Remarks

12. This chapter argues that Albania's public debt dynamics will not be unduly worrisome if fiscal consolidation and strong GDP growth continue in the medium term. Albania's current public debt remains below that of similar developing countries and can be expected to turn around under reasonable macroeconomic assumptions.

13. However, the results highlight the importance of maintaining macroeconomic stability especially through fiscal consolidation and further progress in structural reforms, as envisaged. As the alternative scenarios show, the relaxation of critical assumptions would result in more worrisome debt dynamics. Furthermore, a combination of much lower growth, higher interest rates, and a large exchange rate depreciation would jeopardize debt sustainability.

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Table 1. Base Scenario: Debt Sustainability, 2000-2010

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
(In percent of GDP)											
Overall balance	-9.1	-9.5	-8.6	-8.0	-7.3	-8.1	-5.1	-4.0	-3.2	-2.6	-1.9
Overall balance (Excl. privatization receipts and grants)	-5.1	-6.0	-4.8	-5.2	-4.8	-4.2	-3.5	-3.1	-2.7	-2.3	-1.9
Primary balance	-3.5	-5.0	-4.9	-4.4	-3.8	-2.6	-1.6	-0.6	0.2	0.8	1.4
Primary balance (Excl. privatization receipts and grants)	0.6	-1.5	-1.1	-1.7	-1.3	-0.7	0.0	0.3	0.7	1.1	1.4
Financing	9.1	9.5	8.6	8.0	7.3	6.1	5.1	4.0	3.2	2.6	1.9
Non-debt financing	4.1	3.5	3.8	2.8	2.5	1.9	1.6	0.9	0.5	0.3	0.0
Privatization	1.7	2.2	2.0	1.0	0.6	0.1	0.1	0.0	0.0	0.0	0.0
Grant	2.4	1.3	1.8	1.8	1.9	1.8	1.5	0.9	0.5	0.3	0.0
Debt financing	5.1	6.0	4.8	5.2	4.8	4.2	3.5	3.1	2.7	2.3	1.9
Domestic borrowing	3.2	3.3	2.1	2.4	2.1	1.9	1.5	1.3	1.1	0.9	0.7
Foreign borrowing	1.9	2.7	2.7	2.8	2.7	2.3	2.0	1.8	1.6	1.4	1.2
Interest payments	5.7	4.5	3.7	3.6	3.5	3.5	3.5	3.4	3.4	3.4	3.3
Domestic (Incl. bank restructuring)	5.5	4.2	3.4	3.3	3.2	3.1	2.9	2.8	2.6	2.5	2.4
Foreign	0.1	0.3	0.3	0.3	0.3	0.4	0.5	0.7	0.8	0.9	0.9
Public debt	69.1	68.8	66.7	65.4	63.8	62.2	59.9	57.4	55.1	52.6	49.9
Domestic	41.5	40.9	39.1	37.8	36.3	34.9	33.2	31.5	29.9	28.3	26.5
External	27.6	27.8	27.5	27.6	27.5	27.3	26.6	25.9	25.1	24.3	23.4
NPV of Public debt	57.1	56.6	54.4	52.9	51.1	49.5	47.6	45.8	44.1	42.4	40.6
NPV of external debt	15.6	15.7	15.3	15.1	14.8	14.6	14.4	14.2	14.2	14.2	14.1
(In percent)											
Assumptions											
Real growth	7.8	7.3	7.0	7.0	7.0	6.5	6.5	6.5	6.0	6.0	6.0
GDP deflator	-1.2	2.7	3.3	3.3	3.3	3.3	3.3	3.2	3.2	3.2	3.2
Nominal exchange rate (lek/US dollar)	144	145	145	145	145	145	145	145	145	145	145
Domestic interest rate	9.2	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Foreign interest rate	1.1	1.1	1.1	1.1	1.1	1.6	2.1	2.6	3.1	3.6	4.0
Memorandum											
Nominal GDP (In millions of leks)	539,210	594,346	657,030	726,219	802,569	882,683	970,668	1,067,239	1,167,728	1,277,491	1,397,373

Table 2. Scenario 1: Higher Domestic Interest Rates, 2000-2010

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
(in percent of GDP)											
Overall balance	-9.1	-9.5	-9.0	-8.4	-7.7	-6.3	-5.4	-4.3	-3.5	-2.9	-2.2
Overall balance (Excl. privatization receipts and grants)	-5.1	-6.0	-5.2	-5.6	-5.1	-4.5	-3.8	-3.4	-3.0	-2.6	-2.2
Primary balance	-3.5	-5.0	-4.5	-4.0	-3.4	-2.1	-1.2	-0.2	0.6	1.2	1.8
Primary balance (Excl. privatization receipts and grants)	0.6	-1.5	-0.7	-1.3	-0.9	-0.2	0.4	0.7	1.1	1.5	1.8
Financing	9.1	9.5	9.0	8.4	7.7	6.3	5.4	4.3	3.5	2.9	2.2
Non-debt financing	4.1	3.5	3.8	2.8	2.5	1.9	1.6	0.9	0.5	0.3	0.0
Privatization	1.7	2.2	2.0	1.0	0.6	0.1	0.1	0.0	0.0	0.0	0.0
Grants	2.4	1.3	1.8	1.8	1.9	1.8	1.5	0.9	0.5	0.3	0.0
Debt financing	5.1	6.0	5.2	5.6	5.1	4.5	3.8	3.4	3.0	2.6	2.2
Domestic borrowing	3.2	3.3	2.3	2.6	2.3	2.0	1.7	1.5	1.3	1.0	0.8
Foreign borrowing	1.9	2.7	2.9	3.0	2.8	2.5	2.2	2.0	1.8	1.5	1.3
Interest payments	5.7	4.5	4.5	4.4	4.2	4.2	4.2	4.1	4.1	4.0	3.9
Domestic (Incl. bank restructuring)	5.5	4.2	4.2	4.1	3.9	3.8	3.6	3.5	3.3	3.1	3.0
Foreign	0.1	0.3	0.3	0.3	0.3	0.4	0.6	0.7	0.8	0.9	1.0
Public debt	69.1	68.8	67.1	66.1	64.8	63.3	61.3	59.0	56.8	54.4	51.9
Domestic	41.5	40.9	39.3	38.2	36.8	35.4	33.9	32.3	30.7	29.1	27.5
External	27.6	27.8	27.7	28.0	28.0	27.9	27.4	26.7	26.0	25.3	24.4
NPV of Public debt	57.1	56.6	54.7	53.4	51.8	50.3	48.5	46.8	45.4	43.8	42.1
NPV of external debt	15.6	15.7	15.4	15.3	15.0	14.9	14.7	14.6	14.6	14.7	14.7
(in percent)											
Assumptions											
Real growth	7.8	7.3	7.0	7.0	7.0	6.5	6.5	6.5	6.0	6.0	6.0
GDP deflator	-1.2	2.7	3.3	3.3	3.3	3.3	3.3	3.2	3.2	3.2	3.2
Nominal exchange rate (lek/US dollars)	144	145	145	145	145	145	145	145	145	145	145
Domestic high interest rate	9.2	9.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Foreign interest rate	1.1	1.1	1.1	1.1	1.1	1.6	2.1	2.6	3.1	3.6	4.0
Memorandum											
Nominal GDP (In millions of leks)	539,210	594,346	657,030	726,219	802,569	882,683	970,668	1,067,239	1,167,728	1,277,491	1,397,373

Table 3. Scenario 2: Higher Foreign Interest Rates, 2000-2010

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
(In percent of GDP)											
Overall balance	-9.1	-9.5	-8.6	-8.0	-7.3	-6.8	-5.7	-4.5	-3.7	-3.0	-2.2
Overall balance (Excl. privatization receipts and grants)	-5.1	-6.0	-4.8	-5.2	-4.8	-4.9	-4.1	-3.6	-3.2	-2.7	-2.2
Primary balance	-3.5	-5.0	-4.9	-4.4	-3.8	-2.0	-1.0	0.0	0.7	1.2	1.8
Primary balance (Excl. privatization receipts and grants)	0.6	-1.5	-1.1	-1.7	-1.3	-0.1	0.6	0.9	1.2	1.5	1.8
Financing	9.1	9.5	8.6	8.0	7.3	6.8	5.7	4.5	3.7	3.0	2.2
Non-debt financing	4.1	3.5	3.8	2.8	2.5	1.9	1.6	0.9	0.5	0.3	0.0
Privatization	1.7	2.2	2.0	1.0	0.6	0.1	0.1	0.0	0.0	0.0	0.0
Grants	2.4	1.3	1.8	1.8	1.9	1.8	1.5	0.9	0.5	0.3	0.0
Debt financing	5.1	6.0	4.8	5.2	4.8	4.9	4.1	3.6	3.2	2.7	2.2
Domestic borrowing	3.2	3.3	2.1	2.4	2.1	2.2	1.8	1.6	1.3	1.1	0.9
Foreign borrowing	1.9	2.7	2.7	2.8	2.7	2.7	2.3	2.1	1.8	1.6	1.4
Interest payments	5.7	4.5	3.7	3.6	3.5	4.8	4.7	4.6	4.4	4.2	4.0
Domestic (Incl. bank restructuring)	5.5	4.2	3.4	3.3	3.2	3.1	3.0	2.8	2.7	2.6	2.5
Foreign	0.1	0.3	0.3	0.3	0.3	1.7	1.7	1.7	1.7	1.6	1.6
Public debt	69.1	68.8	66.7	65.4	63.8	62.9	61.1	59.1	57.0	54.7	52.2
Domestic debt	41.5	40.9	39.1	37.8	36.3	35.3	33.9	32.4	30.9	29.4	27.7
External debt	27.6	27.8	27.5	27.6	27.5	27.6	27.3	26.7	26.1	25.4	24.5
NPV of Public debt	57.1	56.6	54.4	52.9	51.1	51.7	51.5	50.7	49.8	48.6	47.0
NPV of external debt	15.6	15.7	15.3	15.1	14.8	16.5	17.6	18.4	18.9	19.2	19.3
(In percent)											
Assumptions											
Real growth	7.8	7.3	7.0	7.0	7.0	6.5	6.5	6.5	6.0	6.0	6.0
GDP deflator	-1.2	2.7	3.3	3.3	3.3	3.3	3.3	3.2	3.2	3.2	3.2
Nominal exchange rate(lak/US dollars)	144	145	145	145	145	145	145	145	145	145	145
Domestic interest rate	9.2	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Foreign interest rate	1.1	1.1	1.1	1.1	1.1	6.65	6.65	6.65	6.65	6.65	6.65
Memorandum											
Nominal GDP	539,210	594,346	657,030	726,219	802,569	882,683	970,668	1,067,239	1,167,728	1,277,491	1,397,373

Table 4. Scenario 3: A Lower Real GDP Growth, 2000-2010

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
(In percent of GDP)											
Overall balance	-9.1	-9.5	-8.6	-8.0	-7.3	-6.1	-5.1	-4.0	-3.2	-2.6	-1.9
Overall balance (Excl. privatization receipts and grants)	-5.1	-6.0	-4.8	-5.2	-4.8	-4.2	-3.5	-3.1	-2.7	-2.3	-1.9
(In percent)											
Primary balance	-3.5	-5.0	-4.7	-4.1	-3.5	-2.1	-1.0	0.1	1.0	1.6	2.3
Primary balance (Excl. privatization receipts and grants)	0.6	-1.5	-0.9	-1.4	-0.9	-0.2	0.6	1.0	1.5	1.9	2.3
Financing	9.1	9.5	8.6	8.0	7.3	6.1	5.1	4.0	3.2	2.6	1.9
Non-debt financing	4.1	3.5	3.8	2.8	2.5	1.9	1.6	0.9	0.5	0.3	0.0
Privatization	1.7	2.2	2.0	1.0	0.6	0.1	0.1	0.0	0.0	0.0	0.0
Grant	2.4	1.3	1.8	1.8	1.9	1.8	1.5	0.9	0.5	0.3	0.0
Debt financing	5.1	6.0	4.8	5.2	4.8	4.2	3.5	3.1	2.7	2.3	1.9
Domestic borrowing	3.2	3.3	2.1	2.4	2.1	1.9	1.5	1.3	1.1	0.9	0.7
Foreign borrowing	1.9	2.7	2.7	2.8	2.7	2.3	2.0	1.8	1.6	1.4	1.2
Interest payments	5.7	4.5	3.9	3.9	3.8	4.0	4.1	4.1	4.2	4.2	4.2
Domestic (Incl. bank restructuring)	5.5	4.2	3.6	3.5	3.5	3.5	3.4	3.3	3.2	3.1	3.0
Foreign	0.1	0.3	0.3	0.3	0.3	0.5	0.6	0.8	0.9	1.0	1.1
Public debt	69.1	68.8	69.1	70.0	70.4	70.3	69.5	68.2	66.7	65.0	63.0
Domestic debt	41.5	40.9	40.6	40.5	40.2	39.7	38.8	37.8	36.7	35.4	34.0
External debt	27.6	27.8	28.5	29.5	30.2	30.6	30.6	30.4	30.1	29.6	29.0
NPV of Public debt	57.1	56.6	56.5	56.8	56.8	56.6	56.0	55.4	54.8	54.0	53.0
NPV of external debt	15.6	15.7	15.9	16.3	16.6	16.9	17.2	17.6	18.1	18.6	19.0
Assumptions											
Real growth	7.8	7.3	3	3	3	3	3	3	3	3	3
GDP deflator	-1.2	3	3	3	3	3	3	3	3	3	3
Nominal exchange rate (lek/US dollars)	144	145	145	145	145	145	145	145	145	145	145
Domestic interest rate	9.2	9	9	9	9	9	9	9	9	9	9
Foreign interest rate	1.1	1.1	1.1	1.1	1.1	1.6	2.1	2.6	3.1	3.6	4.0
Memorandum											
Nominal GDP	539,210	594,346	632,468	672,937	715,884	761,470	809,853	861,162	915,580	973,293	1,034,498

Table 5. Scenario 4: An Exchange Rate Depreciation, 2000-2010

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
(In percent of GDP)											
Overall balance	-9.1	-9.5	-8.6	-8.0	-7.3	-6.1	-5.1	-4.0	-3.2	-2.6	-1.9
Overall balance (Excl. privatization receipts and grants)	-5.1	-6.0	-4.8	-5.2	-4.8	-4.2	-3.5	-3.1	-2.7	-2.3	-1.9
Primary balance	-3.5	-5.0	-4.9	-4.4	-3.8	-2.6	-1.5	-0.5	0.3	0.9	1.5
Primary balance (Excl. privatization receipts and grants)	0.6	-1.5	-1.0	-1.6	-1.2	-0.7	0.1	0.4	0.8	1.2	1.5
Financing	9.1	9.5	8.6	8.0	7.3	6.1	5.1	4.0	3.2	2.6	1.9
Non-debt financing	4.1	3.5	3.8	2.8	2.5	1.9	1.8	0.9	0.5	0.3	0.0
Privatization	1.7	2.2	2.0	1.0	0.6	0.1	0.1	0.0	0.0	0.0	0.0
Grants	2.4	1.3	1.8	1.8	1.9	1.8	1.5	0.9	0.5	0.3	0.0
Debt financing	5.1	6.0	4.8	5.2	4.8	4.2	3.5	3.1	2.7	2.3	1.9
Domestic Borrowing	3.2	3.3	2.1	2.4	2.1	1.9	1.5	1.3	1.1	0.9	0.7
Foreign borrowing, net	1.9	2.7	2.7	2.8	2.7	2.3	2.0	1.8	1.6	1.4	1.2
Interest payments	5.7	4.5	3.7	3.6	3.5	3.5	3.6	3.5	3.5	3.5	3.4
Domestic (Incl. bank restructuring)	5.5	4.2	3.4	3.3	3.2	3.1	2.9	2.8	2.6	2.5	2.4
Foreign	0.1	0.3	0.3	0.3	0.3	0.5	0.6	0.8	0.9	1.0	1.0
Public debt	69.1	68.8	70.8	69.5	67.9	66.3	63.9	61.3	58.8	56.2	53.4
Domestic debt	41.5	40.9	39.1	37.8	36.3	34.9	33.2	31.5	29.9	28.3	26.5
External debt	27.6	27.8	31.7	31.7	31.6	31.3	30.6	29.8	28.9	27.9	26.9
NPV of Public debt	57.1	56.6	56.7	55.2	53.3	51.7	49.8	47.9	46.3	44.6	42.7
NPV of external debt	15.6	15.7	17.6	17.4	17.0	16.8	16.5	16.4	16.3	16.3	16.2
(In percent)											
Assumption											
Real growth	7.8	7.3	7	7	7	6.5	6.5	6.5	6	6	6
GDP deflator	-1.2	3	3	3	3	3	3	3	3	3	3
Nominal exchange rate(lek/US dollars)	144	145	167	167	167	167	167	167	167	167	167
Domestic interest rate	9.2	9	9	9	9	9	9	9	9	9	9
Foreign interest rate	1.1	1.1	1.1	1.1	1.1	1.6	2.1	2.6	3.1	3.6	4.0
Memorandum											
Nominal GDP	539,210	594,346	657,030	726,219	802,569	882,683	970,668	1,067,239	1,167,728	1,277,491	1,397,373

II. FINANCIAL SUSTAINABILITY AND REFORM OPTIONS FOR THE ALBANIAN PENSION FUND¹

A. Introduction

1. Pensions are an important element of social protection in Albania—with over 15 percent of Albania's citizens currently receiving pensions. Private provision for retirement in the form of savings is limited and the effectiveness and scope of traditional safety nets in which the elderly are taken care of by their children are decreasing as a result of social changes as well as large-scale internal and external migration. By 2050, one quarter of the Albanian population is projected to benefit from pension payments. The Albanian pension fund currently requires budgetary transfers of about 1 percent of GDP. Thus, the financial performance of the pension fund is of vital importance for the government's ability to increase expenditures on priority areas such as health, education, and infrastructure.
2. Based on an existing actuarial model that includes specific assumptions about key demographic and macroeconomic parameters this chapter analyzes the financial sustainability of the existing pay-as-you-go (PAYG) system in its current form and under various changes in key parameters.² The first section summarizes key features of the Albanian pension scheme. The second section analyzes the financial sustainability of the pension schemes under different policy scenarios. The third section concludes and summarizes the key recommendations.

B. Key Features of the Albanian Pension Scheme

3. The pension scheme is administered by the Social Insurance Institute (SSI), which was established in June 1992. The SSI collects contributions and administers pension payments under two separate schemes with significantly different contribution rates and benefits—the urban and the rural scheme. Any deficit of the pension fund (e.g. urban and rural scheme) is covered from the state budget.

4. Contribution rates in the urban scheme are high,³ but quite low for the rural scheme. At the same time, the contribution ceiling is quite modest for the urban scheme, and in the rural scheme a very low hypothetical income is used as a basis for assessing contributions. Specifically, in the urban scheme, 32.5 percent of the gross wage for the employer and

¹ This chapter was prepared by Volker Treichel.

² See Volker Treichel, "Financial Sustainability and Reform Options of the Albanian Pension Fund", WP/01/47, April 2001.

³ Considering other transition economies, only the contribution rates in Bulgaria (39 percent) and the Kyrgyz Republic (36 percent) are higher than the Albanian one.

10 percent of the gross wage for the employee. The ceiling for mandatory payments of contributions is defined in multiples of the minimum wage; currently the ratio is 1:3 and the ceiling Lek 23,319 (about \$150) per month. In the rural scheme, rates are 9 percent for mountainous regions and 15 percent for other regions, applied to a hypothetical annual income fixed in September 1993 at a level of Lek 10,800, currently about \$75.

5. Participation in the pension fund is mandatory, but in 2000 only about 37 percent of the work force contributed to the pension fund—with about 40 percent of the contributors coming from the state sector. Evasion is pervasive in particular in the private and the rural sectors and can be explained by the high contribution rates as well as by an inefficient revenue administration by the SSI. Evasion is reflected either in a failure to register or in noncompliance among registered individuals. In spite of these problems, Albania's overall coverage rate is broadly in line with that of other countries at similar income levels.

6. The dependency ratio—the ratio of contributors to beneficiaries—is very low in Albania. Demographic developments, a drop in reported employment, as well as the abandonment of a de facto full coverage for the rural scheme by the state budget in 1994⁴ led to a steady deterioration of the dependency ratio from 4.5 in 1990 to 1.6 in 1993 and further to 0.8 in 1999. For the year 2000, preliminary data show an improvement of the dependency ratio to 0.9, following determined efforts by the government to increase the number of contributors, particularly in the rural sector. Pensions are paid after a minimum contribution period of 35 years, with the retirement age for women being 55 and for men, 60 years.

7. The pension formula for the urban scheme adds to the base pension—currently Lek 5,142 (about \$35) per month—a supplement that is calculated as 1 percentage point of the pension calculation base per year of insurance. The pension calculation base is the average of the indexed salaries earned by a contributor since 1994.⁵ Since many new pensioners have never contributed under the post-communist system, they are not entitled to a supplement. As a result, the average urban pension is close to the minimum urban pension. The maximum pension may not exceed 75 percent of the pension base and cannot be higher than twice the minimum pension.

8. These arrangements result in two types of distortions. First, for contributors in the lower to middle segment of the taxable wage range the replacement ratio is significantly more favorable than for those close to the contribution ceiling, since the maximum pension is considerably lower than the ceiling up to which social security contributions have to be paid.

⁴ In 1994, the Law obliged farmers for the first time to contribute to the pension system, albeit at a rate that heavily subsidized the pensions they were going to receive. Previously, the budget covered all contributions for farmers.

⁵ The indexation of past salaries for the purpose of calculating the pension is based primarily on the inflation rate.

Second, the contribution formula is rather regressive since wage earners below the contribution ceiling (i.e., those with lower and middle incomes) pay a proportionately higher part of their wages as contributions than those with salaries above the ceiling.

9. Rural pensions are paid at a basic rate of Lek 1,328 (currently about \$9) and in addition to this, a supplement that equals 1 percent of the monthly minimum wage for every year of contribution to the SSI since 1994. If the SSI contribution period falls short of the required 35 years, a farmer is entitled to the basic rural pension prorated by the number of years he has contributed. If the farmer has contributed for fewer than 20 years, the retiree is entitled only to social assistance benefits (*ndihma ekonomike*).

10. The deficit of the rural scheme is significant, but the financial performance of the pension fund is dominated by the urban scheme, which accounts for 90 percent of expenditures and almost all revenues. The deficit of the urban scheme amounted to about 0.7–0.8 percent of GDP in recent years—after peaking at 3 percent of GDP in 1993, and declining thereafter during 1994–96, when the basic framework for collecting revenue was put in place. The continuous decline in the number of contributors from the state sector as a result of privatization and civil service retrenchment creates a tendency for the deficit of the urban scheme to rise, as the integration of the private sector into the social security system may not proceed at a pace required to compensate for this decline in revenue.

11. The declared objective of the Albanian pension fund is to provide benefits to retirees that safeguard at least the minimum subsistence level. While in the urban scheme this goal seems to have been reached,⁶ the current level of pensions in the rural sector falls short of the minimum existence level. Also, in spite of the sharp increase of prices since the beginning of transition, average urban pensions have increased in real terms by some 30 percent since 1991, while average rural pensions have declined by about 60 percent in real terms over the same period.

C. Financial Sustainability under Various Scenarios

12. An actuarial model is used to determine the financial viability of the Albanian PAYG system and to study the need for parametric reforms. The model covers the period 2000–2048 and analyzes the effects of parametric changes on the financial position under different assumptions about the coverage rate.⁷ Financial sustainability is defined as a gradual reduction in the need for budgetary transfers with the aim of phasing these transfers out completely.

⁶ According to the World Bank (Albania: Growing out of Poverty, August 1996), the poverty line is some \$30 per month.

⁷ The coverage rate is a combination of registration and participation rates in both the private and the state sector.

13. In the absence of any parametric changes and without a change in participation rates,⁸ the overall deficit of the pension fund grows to over 2 percent of GDP in 2048—more than twice the current level. Specifically, the deficit of the rural scheme doubles to 0.4 percent of GDP in 2048, while the deficit of the urban scheme increases by about half a percentage point to about 1.6 percent of GDP. The share of pensioners in the urban population of retirement age decreases to about 60 percent, since the number of contributors from the private sector does not grow while the weight of the state sector becomes smaller. This outcome is neither financially sustainable nor socially desirable. Thus, the subsequent variations of the model consider reform options. This is done separately for the urban and rural scheme, as both schemes differ substantially both as regards contributions and benefits.

14. The coverage rate of the urban scheme would have to grow to more than 85 percent by the year 2048 from its current level of about 40 percent to make the urban scheme financially sustainable (see Table 1). Without parametric changes that would increase the incentive to contribute to the system, administrative reforms of the revenue collection system would have to bring about this higher coverage rate. It seems highly unlikely that administrative reforms alone could accomplish the large improvement that is needed. Instead, the result suggests that systemic changes in the setup of the pension fund need to be adopted to secure financial sustainability of the urban pension scheme, including parametric reforms as discussed in greater detail below.

15. There are four major parametric changes that could be made to the **urban pension scheme**: (i) an increase of the contribution ceiling beyond which no more social security contributions are due, (ii) an increase in maximum benefits, (iii) a reduction of contribution rates, and (iv) an increase in retirement age. Each of these parametric changes has a different direct impact on the balance of the pension fund as well as on the incentives for participation by the private sector. The policy scenarios discussed below aim to identify a combination of parametric changes that would make the pension fund sustainable.

Policy Scenario I—Increasing the Contribution Ceiling

16. An increase in the contribution ceiling from three to five times the minimum wage would result in a financially sustainable situation of the pension fund—provided that a modest increase in the coverage rate could be achieved. Underlying this result is the assumption that the share of contributors earning in excess of the ceiling will grow from currently 4 to over 15 percent which is rather conservative. However, this scenario implies a deterioration of the ratio of average pensions to average contribution base from about 50 to 30 percent, as the gap between the maximum benefit paid and the average wage is increasing. Since this represents a disincentive to the private sector to participate in the pension fund, an increase in the contribution ceiling alone is unlikely to improve the distortive impact on

⁸ It is assumed that the share of the state sector will decrease rapidly on account of privatization and the streamlining of the public sector.

employment in the formal sector of high contribution rates and the regressive nature of the present benefit formula.

Policy Scenario II—Increasing the Contribution Ceiling and Maximum Benefits

17. Under this scenario, maximum benefits are increased to keep the ratio of average pensions to average contribution base constant at about 1:2. The actuarial model shows that the deficit falls quite sharply initially, but then widens again, as the impact of higher benefits from pensions near the new ceiling increases over time. Furthermore, the coverage rate would have to increase to almost 95 percent by the year 2048 to attain financial sustainability. This increase in the coverage rate seems highly unlikely, suggesting the conclusion that an increase in maximum benefits may not be an option that could be financed.

Policy Scenario III—Increasing the Contribution Ceiling and Reducing Contribution Rates

18. Under this scenario, starting in 2001 contribution rates are cut to 35 percent in the state and private sectors and to 24 percent for the self-employed⁹, while the contribution ceiling is raised from three to five times the minimum wage. The resulting deficit path shows that imbalances can be reduced to zero by the year 2030, if the coverage rate increases gradually and reaches 77 percent by the year 2048. This is still an ambitious level, in particular considering that the benefits formula remains rather unattractive for higher income earners.

Policy Scenario IV—Increasing the Contribution Ceiling, Reducing Contribution Rates, and Increasing the Retirement Age¹⁰

19. Combining these three reforms allows a decline in the coverage rate by about 10 percentage points compared to the previous scenario in which the retirement age remained unchanged. An improvement of that magnitude appears achievable, in particular considering that through 2030 an improvement in the coverage rate by only about 10 percentage points is required. Since in this scenario the benefits formula is not adjusted—implying the negative repercussion discussed above—another iteration of this scenario looks at the impact of raising in parallel the maximum benefits so as to maintain a constant ratio of average pensions to average contribution base. This results *ceteris paribus* in a deficit in excess of 3 percent of GDP by the year 2048 which would make the system again financially unsustainable.

⁹ Contribution rates in the state and private sector are reduced further to 30 percent by the year 2040.

¹⁰ This scenario assumes that the retirement age is increased by 5 years in one step.

Table 1. Financial Sustainability of the Albanian Pension Fund, 2000–2048

	2000	2010	2030	2048
Baseline Scenario	Increasing the Coverage Rate to Achieve Financial Sustainability			
Required coverage rate (in percent)	43	50	65	86
Balance (in percent of GDP)	-0.88	-0.1	-0.27	-0.16
Policy Scenario I	Increasing the Contribution Ceiling			
Required coverage rate (in percent)	43	44	45	52
Balance (in percent of GDP)	-0.88	0.1	0.1	0.1
Policy Scenario II	Increasing both Contribution Ceiling and Maximum Benefits			
Required coverage rate (in percent)	43	50	67	94
Av. Pension/Av. Contribution base (in percent)	51.4	51.4	51.4	51.4
Balance (in percent of GDP)	-0.88	-0.3	-0.4	-0.16
Policy Scenario III	Increasing the Contribution Ceiling and Reducing the Contribution Rates			
Required coverage rate (in percent)	43	50	58	77
Contribution rates (in percent)				
State sector	42.5	35.0	35.0	30.0
Private sector	42.5	35.0	35.0	30.0
Self employed	34.5	24.0	24.0	24.0
Balance (in percent of GDP)	-0.88	-0.48	-0.01	-0.01
Policy Scenario IV	Increasing the Contribution Ceiling, Reducing Contribution Rates, and Increasing the Retirement Age			
Required coverage rate (in percent)	43	50	54	68
Balance (in percent of GDP)	-0.88	-0.13	-0.3	-0.22

20. Reforms of the **rural scheme** require a direction that is different from those of the urban scheme. First, contribution rates and benefits are currently only a fraction of those of the urban scheme. Second, wage ceilings are not binding in the case of the rural scheme, as the wage level in rural areas is much below that in the urban scheme. At the same time, the lack of financial sustainability of the rural scheme is even more obvious than that of the urban scheme, since per capita benefits paid under the rural scheme exceed by a factor of 9 to 10 the contributions paid by a farmer.

21. Over the next decade, the Albanian pension fund intends to gradually equalize the contribution rates and benefits of the urban self-employed with those of the rural scheme. Under this not yet initiated reform, the current direct transfer of the budget to the rural scheme resulting from the difference between the actual contributions paid by farmers and the hypothetical level of contributions that farmers would pay if they were treated as urban self-employed would be gradually phased out and eliminated by 2010. The actuarial model shows that with a successful merger of the rural with the urban self-employed scheme, the rural scheme would become sustainable and require a transfer to the budget of on average only 0.1–0.2 percent of GDP. This result even holds if there is no significant increase in the participation rate, since the number of beneficiaries would decline correspondingly. In the latter case the budget would, however, be burdened by additional payments of *ndihma ekonomike* (economic aid), since farmers who are not entitled to rural pensions are eligible for social assistance.

22. The success of a possible merger of the rural with the urban self-employed scheme seems to be highly uncertain, however, since it would require an almost ninefold increase in the per capita contribution of the rural population to the pension fund over the next decade which may be difficult to achieve. Nonetheless, it cannot be ruled a priori that such an increase in per capita contributions can be accomplished since at present contributions amount to only \$6 to \$8 per year and the financial capacities of the rural population may be more substantial. In light of the uncertainty of the feasibility of such reforms, the Albanian pension fund should also consider the possibility of replacing the rural scheme with a mandatory defined-contributions pillar.

D. Conclusions and Key Recommendations for Administrative Reforms

23. Based on the analysis above, it appears that:

- Without parametric reform, the urban pension scheme is highly unlikely to attain financial sustainability, as administrative reforms alone would have to bring about a doubling in the coverage rate.
- The urban scheme requires significant reforms to obtain a deeper penetration of the private sector and enhance its financial sustainability. The most promising reform appears to emerge from a change in three basic parameters of the system—a reduction in the contribution rates, an increase in the contribution ceiling, and an

increase in the retirement age. The combination of these changes would tend to increase the coverage rate, and thereby enhance the financial sustainability of the system. Given the uncertainties involved, the reform program should be subject to periodic corrective reviews and adjustments.

- It is highly unlikely that an increase in maximum benefits can be achieved without jeopardizing the financial sustainability of the urban scheme.
- In order to provide greater incentives for private sector participation, private pension funds could be created to target primarily the higher income segments of the population and to offer supplementary old-age pensions; the possibility of participating in such pension funds could be made conditional on simultaneous participation in the state pension fund.
- The rural pension scheme which also plays a social assistance role is not sustainable and should either be integrated with the urban self-employed scheme or—if this is not feasible—be replaced by a partially funded system and/or a targeted social assistance scheme.
- Extensive administrative reforms are required to increase the participation of the private sector and to ensure financial sustainability. In the long run, it should be considered to integrate the SSI—revenue collection administration with the General Tax Directorate, as there are a number of similarities between the collection of taxes and social security contributions which have led many countries (including Hungary, Slovenia, and Latvia) to combine the administration of the collection functions within the main revenue collection agency. As a first step, the control functions of both revenue administrations could be integrated. In addition, the cooperation between the social security collection forces and the bailiff offices should be strengthened so as to enhance the ability of the administration to combat private sector evasion.

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Table 1. Albania: Basic Indicators, 1992-2000

	1992	1993	1994	1995	1996	1997	1998	1999	2000 Est.
(Percent change)									
Real GDP	-7.2	9.6	9.4	8.9	9.1	-7.0	8.0	7.3	7.8
Retail prices (period average)	226.0	85.0	22.6	7.8	12.7	32.1	20.9	0.4	0.0
Retail prices (during period)	236.6	30.9	15.8	6.0	17.4	42.1	8.7	-1.0	4.2
(In percent of GDP)									
Saving-investment balance									
Foreign saving 1/	57.1	28.7	14.3	9.7	9.1	12.1	6.1	7.2	7.0
Domestic saving	-51.9	-15.5	3.6	8.3	6.4	3.9	9.9	9.6	12.0
Public 2/	-21.9	-14.1	-10.6	-6.7	-9.0	-8.6	-5.2	-5.8	-2.6
Private	-30.0	-1.5	14.2	15.0	15.4	12.5	15.1	15.4	14.6
Investment	5.2	13.2	17.9	18.0	15.5	16.0	16.0	16.8	19.0
Public	4.0	9.5	8.6	8.2	4.5	4.0	5.2	7.4	6.5
Private	1.2	3.7	9.3	9.8	11.0	12.0	10.8	9.4	12.5
Fiscal sector									
Revenues	23.5	25.7	24.5	24.1	18.3	16.9	20.3	21.3	22.4
Expenditures 3/	44.0	34.9	31.2	30.8	30.3	29.4	30.7	32.7	31.4
Domestically financed deficit	20.0	9.1	7.0	6.6	10.6	10.5	6.4	5.2	3.2
Overall deficit	20.3	14.4	12.4	10.3	11.7	12.6	10.4	11.4	9.1
Monetary indicators									
Broad money growth (in percent)	...	75.0	40.6	51.8	43.8	28.5	20.7	22.3	12.0
Growth in private sector credit (in percent)	...	...	61.4	15.9	30.5	19.0	14.7	22.6	29.4
Velocity of circulation	...	3.68	2.83	2.22	1.97	1.72	1.92	1.7	1.6
External sector									
Current account balance	-104	-45	-118	-58	-168	-199	-98	-126	-157
(in percent of GDP)	-14.7	-3.7	-5.9	-2.4	-6.2	-8.7	-3.2	-3.4	-4.2
Official transfers	330	320	161	118	77	77	89	139	104
(in percent of GDP)	46.5	26.1	8.1	4.9	2.9	3.4	2.9	3.8	2.8
Current account balance 4/	-434	-365	-279	-176	-245	-276	-187	-265	-261
(in percent of GDP)	-61.1	-29.7	-14.1	-7.3	-9.1	-12.1	-6.1	-7.2	-7.0
Trade balance									
(in percent of GDP)	-454	-490	-460	-474	-692	-519	-621	-663	-814
Gross international reserves									
(in months of imports of goods and nonfactor services)	72	147	204	240	275	306	384	485	608
1.4	2.3	3.2	3.5	3.1	3.8	4.2	3.8	4.4	
Memorandum items:									
Nominal GDP (in billions of leka)	53.2	125.3	187.9	224.7	281.0	341.7	460.6	506.2	539.2
Nominal GDP (in billions of U.S. dollars)	0.7	1.2	2.0	2.4	2.7	2.3	3.0	3.7	3.8
Population and Social Indicators									
Population (in millions)	3.2	3.2	3.2	3.2	3.3	3.3	3.3	3.4	3.4
Urban population (percent of total population)	37	41	42.0	43	44	46	46	46	...
Life expectancy at birth	72	73	71	71	...	72	...	74	...
Infant mortality (per 1,000 live births)	33	35	28	30	26	23	21	18	...

Sources: Albanian authorities; and Fund staff estimates and projections.

1/ Current account excluding net factor services and official transfers.

2/ Revenue (excluding grants) minus current expenditure.

3/ Commitment basis, excluding foreign financed investment.

4/ Excluding official transfers.

Table 2. Albania: GDP by Sector of Origin, 1992-2000 1/

	1992	1993	1994	1995	1996	1997	1998	1999	2000 Est.
(In millions of leks at current prices)									
Gross domestic product	50,698	125,335	184,393	229,793	280,998	341,716	460,631	506,205	536,203
Industry	8,547	17,361	23,110	26,943	34,309	42,351	55,047	60,026	61,931
Agriculture	27,490	68,487	100,749	125,435	144,825	191,269	250,705	266,270	273,519
Construction	3,867	11,344	17,720	23,620	31,360	38,423	58,037	68,387	79,301
Transportation	1,519	3,875	6,211	8,115	9,006	9,362	14,024	16,531	18,681
Other services	9,275	24,268	36,603	45,680	61,498	60,311	82,817	94,991	102,770
(In millions of leks at constant 1990 prices)									
Gross domestic product	11,235	12,309	13,331	15,106	16,478	15,325	16,548	17,748	19,125
Industry	1,894	1,705	1,671	1,771	2,012	1,899	1,978	2,105	2,209
Agriculture	6,092	6,726	7,284	8,246	8,493	8,578	9,007	9,336	9,756
Construction	857	1,114	1,281	1,553	1,839	1,723	2,085	2,398	2,828
Transportation	337	381	449	533	528	420	504	580	666
Other services	2,055	2,383	2,646	3,003	3,606	2,705	2,975	3,331	3,666
(Percent change over previous period)									
Gross domestic product	-7.2	9.6	8.3	13.3	9.1	-7.0	8.0	7.3	7.8
Industry	-51.2	-10.0	-2.0	6.0	13.6	-5.6	4.1	6.4	5.0
Agriculture	18.5	10.4	8.3	13.2	3.0	1.0	5.0	3.7	4.5
Construction	7.0	30.0	15.0	21.2	18.4	-6.3	21.0	15.0	18.0
Transportation	-15.0	13.0	18.0	18.7	-0.9	-20.5	20.0	15.0	15.0
Other services	9.0	16.0	11.0	13.5	20.1	-25.0	10.0	12.0	10.0
(Share of GDP at constant 1990 prices)									
Gross domestic product	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100	100
Industry	16.9	13.9	12.5	11.7	12.2	12.4	12.0	11.9	11.5
Agriculture	54.2	54.6	54.6	54.6	51.5	56.0	54.4	52.6	51.0
Construction	7.6	9.1	9.6	10.3	11.2	11.2	12.6	13.5	14.8
Transportation	3.0	3.1	3.4	3.5	3.2	2.7	3.0	3.2	3.5
Other services	18.3	19.4	19.8	19.9	21.9	17.7	18.0	18.8	19.2

Sources: Ministry of Finance; and Fund staff estimates.

1/ Given the very limited production-side data, these estimates are based mostly on demand-side developments, and should be treated with caution. There are significant discrepancies between data in this table and some production-side data, e.g., for agriculture.

Table 3. Albania: Registered Private Enterprises (still active in 2000)
by Activity and Date of First Registration, 1992-2000

		Legal Status				Total
		Physical Persons	Private Albanian Company	Joint Venture	Foreign Company	
1992	Activity					Total
	Agriculture	44	17	2	...	63
	Industry	457	108	18	7	590
	Construction	22	79	7	8	116
	Service	1,271	50	10	11	1,342
	Transport	510	28	12	11	561
	Trade	3,200	443	235	81	3,959
	Total	5,504	725	284	118	6,631
1993	Activity					Total
	Agriculture	262	47	7	...	316
	Industry	905	404	66	50	1,425
	Construction	34	321	32	15	402
	Service	2,416	149	31	31	2,627
	Transport	1,840	59	32	19	1,950
	Trade	6,437	1,056	473	242	8,208
	Total	11,894	2,036	641	357	14,928
1994	Activity					Total
	Agriculture	504	112	15	2	633
	Industry	1,534	783	165	97	2,579
	Construction	77	687	57	35	859
	Service	4,816	333	57	58	5,264
	Transport	4,254	169	54	45	4,522
	Trade	12,966	2,154	740	454	16,314
	Total	24,151	4,238	1,088	691	30,168
1995	Activity					Total
	Agriculture	544	199	23	6	772
	Industry	1,775	1,125	234	124	3,258
	Construction	96	970	74	55	1,195
	Service	5,749	466	82	94	6,391
	Transport	5,332	252	62	51	5,697
	Trade	15,507	3,274	957	619	20,357
	Total	29,003	6,286	1,432	949	37,670
1996	Activity					Total
	Agriculture	577	238	26	10	851
	Industry	2,073	1,491	306	171	4,041
	Construction	125	1,217	90	62	1,494
	Service	6,940	683	114	134	7,871
	Transport	6,171	315	75	55	6,616
	Trade	17,508	4,191	1,114	761	25,378
	Total	33,494	8,135	1,725	1,193	44,547
1997	Activity					Total
	Agriculture	586	256	28	11	881
	Industry	2,241	1,626	355	196	4,418
	Construction	130	1,298	98	71	1,597
	Service	7,452	784	117	152	8,505
	Transport	6,402	335	76	59	6,872
	Trade	18,605	4,531	1,179	803	25,118
	Total	35,416	8,830	1,853	1,292	47,391
1998	Activity					Total
	Agriculture	605	272	35	13	925
	Industry	2,472	1,798	407	246	4,923
	Construction	134	1,465	116	83	1,798
	Service	8,242	886	132	159	9,419
	Transport	7,180	381	81	60	7,702
	Trade	20,650	5,017	1,283	855	27,805
	Total	39,283	9,819	2,054	1,416	52,572
1999	Activity					Total
	Agriculture	630	288	36	13	967
	Industry	2,668	1,875	426	254	5,223
	Construction	148	1,533	120	90	1,891
	Service	8,827	958	136	166	10,087
	Transport	8,253	415	88	61	8,817
	Trade	22,082	5,325	1,314	883	29,604
	Total	42,608	10,394	2,120	1,467	56,589
2000	Activity					Total
	Agriculture	618	299	38	14	969
	Industry	2,999	2,003	431	266	5,699
	Construction	160	1,627	118	93	1,998
	Service	9,816	1,155	143	173	11,287
	Transport	9,441	500	93	63	10,097
	Trade	25,112	5,752	1,341	900	33,105
	Total	48,146	11,336	2,164	1,509	63,155

Source: Institute of Statistics.

Table 4. Albania: Production of Selected Industrial Products in the State Sector, 1992-2000

Product	Unit	1992	1993	1994	1995	1996	1997	1998	1999	2000
Energy										
Crude oil	000 tons	585	568	535	521	488	360	365	323	314
Natural gas	mil m3	102	82	52	28	23	18	17	14	11
Gasoline	000 tons	43	46	39	43	37	15	21	20	24
Diesel	000 tons	116	148	111	106	95	57	91	65	72
Petroleum	000 tons	41	29	29	26	11	2	1	2	
Copper coks	000 tons	72	94	74	69	63	34	58	48	46
Electric energy	000 kwh	3,357	3,482	3,904	4,414	5,926	5,184	5,068	5,396	4,737
Firewood	mil mst	427	330	35	2	0	...	...	0	...
Mining										
Chromium ore	000 tons	322	281	223	243	236	157	150	79	57
Rich chromium ore	000 tons	56	82	107	129	114	84	82	65	46
Chromium concentrate	000 tons	49	33	11	31	30	22	20	7	3
Carbonic ferrochrome	000 tons	22	35	34	43	32	31	30	28	9
Copper	000 tons	240	239	178	258	188	25	55	34	0
Copper concentrate	000 tons	8	14	9	17	11	0	2	1	0
Blister copper	000 tons	2	2	2	3	1	0	2	0	0
Lignite	000 tons	216	133	120	81	69	39	49	33	21
Coal concentrate	000 tons	37	51	0	0	0	6	6	0	0
Manufacturing										
Mineral processing										
Rolled wrought steel	000 tons	0	9	17	19	21	21	20	20	0
Copper wires and cables	000 tons	0	1	0	0	0	0	0	0	0
Chemical										
Phosphate fertilizer	000 tons	22	9	11	14	0	27	12	9	0
Ammonium nitrate	000 tons	9	5	6	0	0	0	0	0	0
Sulfuric acid	000 tons	11	6	4	0	0	0	0	0	0
Building material										
Cement	000 tons	197	198	240	238	203	100	84	106	180
Bricks	mil pieces	90	69	40	38	30	22	20	26	2
Tiles	mil pieces	3	3	1	0	0	0	0	0	0
Paper	000 tons	1	1	0	0	0	0	0	0	0
Durable consumer goods										
Ceramic kitchen	mil leks	16	9	8	0	0	0	0	0	0
Electric lamps	mil pieces	0	0	0	0	0	0	0	0	0
Furniture	mil leks	21	390	152	26	...	12	11	3	2
Carpet	mil m2	...	25	0	0	0	0	0	0	0
Wall carpet	mil m2	...	10	0	0	0	0	0	0	0
Textile										
Total clothes	mil mil	6	9	...	1	...	2	2	1	0
Total tissues	mil mil	2	1	2	0	...	1	2	0	0
Knitwear	mil pieces	3	4	3	0	...	0	0	1	0
Shoes	mil pair	...	5	2	1	3	2	2	1	1
Non durable consumer goods										
Cigarettes	000 tons	1	1	1	1	5	0	0	1	1
Soap	000 tons	2	4	3	2	2	2	...	1	0
Foodstuffs										
Bread	000 tons	263	138	32	20	147	87	...	67	0
Sugar	000 tons	1	0	0	1	0	0	0	0	0
Fish	000 tons	1	0	0	0	...	...	...	...	0
Vegetable oil	000 tons	3	6	6	3	4	1	...	3	0
Cheese	000 tons	1	1	0	0	4	6	...	7	0
Maceroni	000 tons	10	6	4	1	2	2	...	0	0
Beer	000 hl	18	5	72	89	88	20	...	91	0
Wine	000 hl	12	9	5	11	12	17	...	10	0

Source: Institute of Statistics.

Table 5. Albania: Quaterly Changes of Construction Cost Index, 1993-2000

(In percent)

Share in the index	1993	1994	1995	1996	1997	1998				1999				2000				
	Q4	Q4	Q4	Q4	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Total index	100.0	4.8	3.4	-1.5	2.5	10.8	8.6	3.4	7.8	1.1	1.1	1.1	0.2	4.6	4.4	0.2	2.2	2.3
Direct expenses	73.7	4.5	3.1	-0.9	1.1	14.6	8.1	1.0	7.0	0.1	0.6	1.3	0.0	6.9	4.2	0.3	3.1	3.4
Materials	65.8	2.2	3.3	-1.5	0.3	11.2	7.9	1.3	0.3	0.2	0.2	2.1	0.0	-0.5	4.5	0.1	2.7	3.3
Construction	62.8	2.0	3.0	-1.5	0.2	11.0	8.4	1.3	0.3	0.2	0.2	2.1	0.0	-0.6	4.7	0.1	2.8	3.4
Electricity	1.0	9.3	1.2	-1.1	1.7	7.4	0.4	1.1	0.3	0.4	-0.9	-0.1	0.1	5.8	3.4	-0.3	5.4	-0.2
Hydro-sanitary	2.0	4.8	12.5	-0.4	1.5	18.8	-5.9	2.2	0.4	0.0	2.6	0.1	0.3	-0.5	1.1	0.1	1.4	2.6
Basic Salary	4.0	37.7	6.1	4.4	5.9	31.9	8.4	-0.3	40.8	-0.3	1.6	0.2	-0.1	34.0	3.5	1.3	5.2	3.7
Transport expenses	2.2	14.3	-1.4	-7.1	0.5	36.2	5.3	0.6	0.4	1.1	1.7	0.0	0.0	-4.0	2.0	2.1	-1.5	5.9
Machinery expenses	1.8	1.1	-10.5	-4.2	1.4	8.9	15.1	0.5	-0.2	0.3	0.1	0.1	0.0	-1.0	-0.2	0.2	0.0	1.7
Complementary expenses	8.1	4.5	4.6	-0.4	0.9	9.5	4.9	10.2	7.0	6.5	1.8	1.2	0.0	10.8	11.9	-0.1	-7.4	7.4
Anticipated profit	12.3	4.5	7.1	2.9	12.6	-6.7	12.4	13.0	6.4	3.7	2.2	-0.1	1.5	17.1	8.6	-0.7	8.5	-6.0
Set up of yard	4.7	4.5	-8.5	-36.5	3.5	-60.3	33.0	36.0	7.6	6.3	7.9	2.4	0.4	-24.7	2.3	0.1	0.3	0.9
VAT	1.2	23.7	2.6	2.3	4.8	107.6	8.7	-0.2	32.4	-0.2	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Institute of Statistics.

Table 6. Albania: Consumer Price Subsidies, 1992-2000 1/

(In millions of leks)

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Childwear	3	0	0	0	0	0	0	0	0
Cereals	296	0	0	0	0	0	0	0	0
Meat	38	0	0	0	0	0	0	0	0
Flour	0	0	0	0	0	0	0	0	0
Fertilizer	44	0	0	0	0	0	0	0	0
Other	1,381	2,608	1,942	1,933	1,922	2,080	1,712	2,071	1,515
Firewood	...	800	338	0	0	0	0	0	0
Coal	...	28	8	0	0	0	0	0	0
Kerosene	...	225	53	0	0	0	0	0	0
Heating	...	56	51	0	0	0	0	0	0
Passenger Transport	...	342	357	420	300	167	187	220	210
Railway transportation of goods	...	154	150	75	42	413	310	370	360
Drinking water for rural areas	...	70	147	142	30	45	129	55	135
Water for irrigation	...	400	171	287	120	150	170	180	0
Medicine	...	310	329	400	750	0	0	0	0
School books	...	152	239	285	280	200	250	263	280
Funeral expenses	...	71	99	94	100	135	101	103	160
Student treatment enterprise	...	...	...	...	...	300	345	370	370
Homeless	...	...	...	230	300	670	220	510	0
Total price subsidies	1,762	2,608	1,942	1,933	1,922	2,080	1,712	2,071	1,515

Sources: Ministry of Finance; and Fund staff estimates.

1/ The total figures may not match the budget numbers as some subsidies were included under operations and maintenance.

Table 7. Albania: Agricultural Production, 1992-2000 1/

(In millions of leks)

	1992	1993	1994	1995	1996	1997	1998	1999	2000
(At constant 2000 prices)									
Total gross agricultural production	147,292	162,911	172,820	193,761	196,225	175,077	181,322	185,630	194,032
Crop production	73,795	83,406	80,397	90,861	94,424	80,701	84,445	84,497	88,321
Grains	7,560	13,920	12,600	12,150	8,136	11,652	11,853	8,160	10,230
Maize	4,836	5,456	5,983	6,696	6,634	6,039	5,862	6,386	6,405
Rice	0	0	0	0	0	0	0	0	0
Potatoes	3,160	4,040	3,560	5,360	5,280	5,068	5,800	6,476	6,400
Vegetables	41,245	42,340	43,070	50,005	57,305	41,778	44,136	44,559	46,355
Tobacco	4,680	5,070	1,482	2,223	2,457	3,081	2,886	2,847	2,457
Sunflower seeds	210	140	70	112	105	154	182	189	203
Cotton	0	0	0	0	0	0	0	0	0
Sugarbeets	276	162	360	402	444	305	334	239	252
Distic barley	420	280	630	511	224	259	224	203	161
Soybean	300	150	20	24	45	30	15	180	90
Dried beans	3,475	3,197	2,502	3,475	3,475	2,780	3,155	3,614	3,456
Fodder	155	558	620	403	394	375	388	409	487
Forages	7,478	8,093	9,500	9,500	9,925	9,180	9,610	11,235	11,825
Fruits and olives	8,747	10,009	10,899	12,629	12,728	13,701	14,448	14,515	15,967
Apples, pears, peaches, figs	2,652	3,284	3,510	4,040	4,532	4,259	4,095	4,235	5,117
Citrus	813	838	819	239	189	189	139	158	170
Grapes	3,969	4,242	4,620	5,828	6,206	7,088	7,172	7,392	8,327
Olives	1,313	1,645	1,950	2,522	1,801	2,165	3,042	2,730	2,353
Livestock	64,750	69,496	81,524	90,271	89,073	80,875	82,429	86,618	89,744
Meat	37,146	39,442	45,920	47,724	43,210	42,640	43,378	45,510	45,920
Wool	284	314	323	392	314	284	294	294	333
Milk	25,092	27,495	32,931	39,700	42,792	34,834	35,301	37,187	38,868
Eggs	2,158	2,210	2,280	2,280	2,512	2,696	3,176	3,312	4,238
Honey	70	35	70	175	245	221	280	315	385
(At constant 1994 prices)									
Total gross agricultural production	71,610	79,032	84,222	95,480	97,736	86,053	88,488	91,319	95,378
Crop production	37,882	42,374	41,490	47,017	49,023	41,851	43,946	44,824	46,679
Grains	3,166	5,840	5,288	5,100	3,387	4,855	4,939	3,400	4,263
Maize	2,654	2,989	3,281	3,672	3,638	3,311	3,215	3,502	3,512
Rice	48	29	0	0	0	0	0	0	0
Potatoes	2,355	3,030	2,670	4,020	3,960	3,801	4,350	4,857	4,800
Vegetables	19,761	20,300	20,650	23,975	27,475	20,030	21,161	21,364	22,225
Tobacco	1,998	2,080	608	912	960	1,264	1,184	1,168	1,008
Sunflower seeds	119	60	35	56	63	77	91	95	102
Cotton	91	14	14	3	0	0	0	0	0
Sugarbeets	140	80	180	201	222	153	167	120	126
Distic barley	196	140	315	256	112	130	112	102	81
Soybean	140	70	9	11	21	14	7	84	42
Dried beans	1,750	1,610	1,260	1,750	1,820	1,400	1,589	1,820	1,740
Fodder	80	306	340	221	219	206	212	224	267
Forages	5,384	5,827	6,840	6,840	7,146	6,610	6,919	8,089	8,514
Fruits and olives	4,080	4,744	5,230	6,069	5,875	6,302	5,897	5,879	6,288
Apples, pears, peaches, figs	1,360	1,680	1,800	2,080	2,320	2,184	2,100	2,172	2,624
Citrus	387	399	390	114	90	90	110	125	135
Grapes	1,323	1,400	1,540	1,925	2,065	2,363	2,049	2,112	2,262
Olives	1,010	1,265	1,500	1,950	1,400	1,665	1,638	1,470	1,267
Livestock	29,648	31,914	37,503	42,395	42,838	37,900	38,645	40,816	42,411
Meat	12,684	13,468	15,680	16,296	14,700	14,560	14,812	15,540	15,680
Wool	249	272	281	340	272	247	255	255	289
Milk	15,300	16,765	20,075	24,208	26,100	21,240	21,525	22,675	23,700
Eggs	1,349	1,381	1,425	1,425	1,570	1,685	1,985	2,070	2,649
Honey	66	28	42	126	196	168	68	77	94

Sources: Ministry of Agriculture; and Fund staff estimates.

1/ These estimates are based on Ministry of Agriculture data with some items that should properly be classified as inputs (e.g., manure, new trees) excluded from the output figures.

Table 8. Albania: Area Under Cultivation, Production, and Yields of Selected Agricultural Crops, 1992-2000

	1992	1993	1994	1995	1996	1997	1998	1999	2000
(In thousands of hectares)									
Grains	104	155	170	141	125	136	141	109	112
Maize	63	73	75	69	66	61	57	55	53
Rice	0	0	0	0	0	0	0	0	0
Potatoes	9	10	11	12	12	12	11	11	11
Vegetables	29	32	30	36	36	30	31	31	33
Tobacco	13	13	6	6	7	8	7	7	6
Sunflower seeds	9	2	1	1	1	2	2	2	2
Cotton	1	0	0	0	0	0	0	0	0
Sugarbeets	4	2	2	2	2	2	2	1	1
Distic barley	4	3	4	3	2	3	2	2	1
Soybean	3	1	0	0	0	0	0	1	0
Dried beans	21	20	20	22	24	22	21	23	23
Fodder	5	15	12	11	11	10	10	10	11
Forages	160	162	186	189	147	134	146	158	165
(In thousands of quintals)									
Grains	2,533	4,672	4,230	4,080	2,710	3,884	3,951	2,720	3,410
Maize	1,561	1,758	1,930	2,160	2,140	1,948	1,891	2,060	2,066
Rice	10	6	0	0	0	0	0	0	0
Potatoes	785	1,010	890	1,340	1,315	1,260	1,450	1,619	1,600
Vegetables	5,646	5,800	5,900	6,850	7,850	5,500	6,046	6,104	6,350
Tobacco	125	130	38	57	63	58	74	73	63
Sunflower seeds	34	17	10	16	15	22	26	27	29
Cotton	13	2	2	0	0	0	0	0	0
Sugarbeets	465	268	600	670	740	509	557	399	420
Distic barley	56	40	90	73	32	37	32	29	23
Soybean	20	10	1	2	3	2	1	12	6
Dried beans	250	230	180	250	250	200	227	260	249
Fodder	47	180	200	130	127	121	125	132	157
Forages	29,910	32,370	38,000	38,000	39,700	36,700	38,440	45,000	47,730
(Quintals per hectare)									
Grains	24	30	25	29	22	28	28	25	31
Maize	25	23	25	30	30	29	33	37	36
Rice	40	42	0	0	0	0	0	0	0
Potatoes	83	98	81	111	106	110	127	141	140
Vegetables	192	179	182	182	197	189	197	195	193
Tobacco	10	10	6	9	9	10	11	11	11
Sunflower seeds	4	8	8	13	13	15	16	17	15
Cotton	10	10	0	0	0	0	0	0	0
Sugarbeets	129	121	288	329	349	304	305	303	309
Distic barley	14	13	24	22	33	15	19	18	15
Soybean	5	8	8	12	17	13	14	19	13
Dried beans	12	22	8	10	11	8	11	11	9
Fodder	9	12	17	12	12	12	13	13	13
Forages	187	200	204	263	235	239	264	285	287

Sources: Ministry of Agriculture; and Fund staff estimates.

Table 9. Albania: Production and Yields of Selected Fruits, 1992-2000

	1992	1993	1994	1995	1996	1997	1998	1999	2000
(In thousands of trees)									
Apples, pears, peaches, figs	2,867	2,867	4,065	4,061	4,012	4,107	5,147	5,160	5,553
Citrus	305	305	374	407	361	296	335	332	391
Grapes									
Pergola	2,233	2,233	2,867	3,126	3,370	3,665	4,261	4,366	4,638
Vineyard (in hectares)	6,193	6,193	4,545	4,342	4,345	4,121	5,029	5,377	5,824
Olives	2,313	2,313	2,646	2,799	3,084	3,209	3,468	3,564	3,611
(In thousands of tons)									
Apples, pears, peaches, figs	34	42	45	52	58	55	53	54	66
Citrus	13	13	13	4	3	3	2	3	3
Grapes	38	40	44	55	59	67	68	70	79
Pergola	27	28	28	38	40	45	40	41	46
Vineyard	11	12	17	18	19	22	28	29	33
Olives	20	25	30	39	28	33	47	42	36
(Yield in kilogram per root)									
Apples, pears, peaches, figs	12	15	11	13	14	13	13	14	16
Citrus	42	44	35	9	8	10	8	9	9
Grapes									
Pergola	12	13	10	12	12	12	11	11	12
Vineyard	2	2	36	40	49	55	66	66	71
Olives	9	11	11	14	9	10	15	13	11

Sources: Ministry of Agriculture; and Fund staff estimates.

Table 10. Albania: Production and Yields of Selected Livestock, 1992-2000

	1992	1993	1994	1995	1996	1997	1998	1999	2000
(In thousands of units)									
Stock	5,284	6,469	7,310	7,726	7,414	7,703	7,865	8,121	7,726
Cattle	566	655	820	840	806	771	705	720	728
Pigs	90	93	98	100	98	97	83	81	103
Sheep	1,232	1,415	1,630	1,736	1,453	1,372	1,395	1,435	1,448
Goats	858	948	1,100	1,150	895	840	764	795	80
Poultry	2,538	3,359	3,662	3,900	4,108	4,566	4,862	5,023	5,291
Beehives	36	20	27	40	54	57	56	67	76
(In thousands of units)									
Production									
Meat, total (tons, live yield)	91	96	112	116	105	104	106	111	112
Cattle	43	44	51	56	59	59	58	61	63
Pigs	16	18	20	20	9	10	10	10	10
Sheep and goats	30	30	37	37	33	31	33	35	35
Poultry	3	3	4	4	4	4	5	5	4
Wool (tons)	3	3	3	4	3	3	3	4	3
Milk, total (liters)	612	671	803	968	1,044	850	861	908	948
Cow milk	486	537	644	791	895	708	722	761	807
Sheep milk	55	59	73	82	70	68	72	74	70
Goat milk	70	75	83	96	79	74	67	73	71
Eggs (million)	270	276	285	285	314	337	397	414	530
Honey (tons)	0	0	0	450	705	633	805	906	1,076
(Yield per unit)									
Average live weight (kg.)									
Slaughtered cattle	127	117	209	...	...	...	...	...	...
Slaughtered pigs	99	92	78	...	...	...	...	...	...
Number of calves born per 100 cows	79	79	82	...	...	...	...	...	...
Number of calves born per sow	9	9	8	...	...	...	...	...	...
Milk (liter per head)									
Cow	...	...	1,647	1,720	1,870	1,750	1,710	1,763	1,801
Sheep	47	48	49	47	47	50	51	51	49
Goat	86	88	92	83	85	89	88	89	89
Wool from sheep (kg.)	2	2	2	2	2	1	1	1	2
Eggs per chicken	113	113	116	109	108	102	103	103	129

Sources: Ministry of Agriculture; and Fund staff estimates.

Table 11. Albania: Consumer Price Index, 1992-2000

(December 1993 = 100)

	Average		End-of-Period	
	Index	Percent change from previous period	Index	Percent change from previous period
1992	49.1	226.0	76.4	236.6
Q1	28.4	46.1	31.7	39.7
Q2	37.0	30.5	39.4	24.2
Q3	56.2	51.6	65.4	66.1
Q4	74.9	33.3	76.4	16.8
1993	90.9	85.0	100.0	30.9
Q1	84.2	12.4	85.8	12.4
Q2	85.5	1.6	85.4	-0.5
Q3	94.2	10.2	97.2	13.9
Q4	99.6	5.7	100.0	2.8
1994	111.4	22.6	115.8	15.8
Q1	103.4	3.8	104.4	4.4
Q2	115.7	12.0	117.7	12.7
Q3	112.2	-3.0	111.6	-5.2
Q4	114.1	1.6	115.8	3.8
1995	120.0	7.8	122.8	6.0
Q1	119.8	5.0	120.9	4.4
Q2	121.8	1.7	120.2	-0.7
Q3	117.2	-3.8	118.4	-1.5
Q4	121.3	3.5	122.8	3.7
1996	143.7	12.7	144.2	17.4
Q1	127.4	5.0	129.4	5.4
Q2	131.9	3.5	131.7	1.7
Q3	138.3	4.8	141.6	7.5
Q4	143.7	4.0	144.2	1.8
1997	180.2	33.2	204.8	42.1
Q1	158.9	10.6	176.0	22.1
Q2	177.6	11.8	184.5	4.9
Q3	184.0	3.6	186.4	1.0
Q4	200.3	8.8	204.8	9.9
1998	217.4	20.6	222.6	8.7
Q1	215.3	7.5	218.2	6.6
Q2	220.2	2.3	217.5	-0.3
Q3	214.7	-2.5	217.1	-0.2
Q4	219.4	2.2	222.6	2.5
1999				
Q1	223.5	1.8	222.6	0.0
Q2	220.0	-1.6	216.2	-2.9
Q3	213.0	-3.2	213.0	-1.5
Q4	216.5	1.6	220.3	3.4
2000				
Q1	219.9	1.6	217.9	-1.1
Q2	218.9	-0.5	216.3	-0.7
Q3	212.3	-3.0	215.0	-0.6
Q4	222.2	4.7	229.6	6.8

Sources: Institute of Statistics; and Fund staff estimates.

Table 12. Albania: Population, Labor Force, and Employment, 1990-2000

(In thousands, annual averages)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Total population	3,293	3,260	3,190	3,167	3,202	3,249	3,283	3,324	3,354	3,373	3,401
Of which:											
Male	1,709	1,682	1,617	1,606	1,623	1,647	1,624	1,629	1,650	1,662	1,677
Female	1,584	1,578	1,573	1,562	1,579	1,602	1,659	1,625	1,704	1,711	1,724
Of which:											
Nonworking age population 1/	1,389	1,389	1,396	1,406	1,418	1,431	1,433	1,463	1,467	1,462	1,462
Working age population 1/	1,904	1,871	1,794	1,762	1,784	1,818	1,850	1,861	1,888	1,911	1,940
Male	1,000	1,003	962	955	956	974	981	928	945	957	971
Female	904	868	832	806	828	843	869	933	943	954	969
Inactive and dependent population 2/	319	187	179	141	143	145	148	...	568	...	...
Labor force	1,585	1,684	1,614	1,621	1,642	1,672	1,702	1,301	1,320	1,305	1,282
Of which:											
Male	812	889	853	869	869	885	891	794	803	791	779
Female	773	795	762	752	772	787	811	507	517	514	503
Of which:											
Emigrant workers 3/	0	110	200	232	295	295	428	...	...	...	...
Domestic labor force	1,585	1,574	1,414	1,389	1,347	1,377	1,274	1,301	1,320	1,305	1,282
Domestic employment	1,434	1,434	1,020	987	1,083	1,145	1,116	1,107	1,085	1,065	1,067
Of which:											
State sector 4/	905	917	640	408	327	295	239	226	213	201	190
Agriculture sector 5/	529	487	318	486	515	584	761	761	761	761	761
Private sector	0	30	62	92	241	265	116	120	111	103	116
Total unemployment	151	140	394	402	264	233	158	194	235	240	215
Of which:											
Receiving benefits	33	55	295	252	68	51	40	31	25	22	22
Unemployment rate (in percent) 6/	9.5	8.9	27.9	29.0	19.6	16.9	12.4	14.9	17.7	18.0	16.8
Of which:											
Receiving benefits (in percent)	2.1	3.5	20.8	18.1	5.1	3.7	3.2	2.4	1.9	9.1	10.2

Sources: Institute of Statistics; and Fund staff estimates.

1/ Working age includes men 15-59 and women 15-54 years old.

2/ Includes disabled, full-time students of over 15 years old, and military.

3/ According to the Institute of Statistics, women comprise about 5 percent of total emigrants.

4/ Includes budgetary and public enterprises' employees and state farms.

5/ All agriculture sector employment is private after 1992.

6/ Percent of domestic labor force.

Table 13. Albania: Employment and Wages in Budgetary Institutions, 1992-2000

(End of period)

Employment In thousands	Monthly wage		Price	% change	Nom. Index	% change	Real wage index	
	In leks	Percent change					Index	Dec. 95=100
1992	207.1	2,879	76.4	236.6	32.9	...	52.9	...
1993	185.4	4,738	100.0	30.9	54.2	64.5	66.5	25.7
1994	167.8	6,962	115.8	15.8	79.6	46.9	84.4	26.9
1995	156.0	8,745	122.8	6.0	100.0	25.6	100.0	18.5
1996	151.0	10,491	144.2	17.4	120.0	20.0	102.2	2.2
1997	150.0	10,491	204.8	42.1	120.0	0.0	71.9	-29.6
1998	135.0	13,234	222.59	8.7	151.3	26.2	83.5	16.1
1999	128.4	13,195	220.3	-1.0	150.9	-0.3	84.1	0.7
2000	122.1	15,078	229.56	4.2	172.4	14.3	92.2	9.7

Sources: Albanian authorities; and Fund staff estimates.

Table 14. Albania: Fiscal Accounts, 1993-2000

(In millions of leks)

	1993	1994	1995	1996	1997	1998	1999	2000
I. Total revenue	31,170	43,849	53,715	51,341	57,594	93,515	107,809	120,588
Counterpart sales revenue	4,476	4,194	2,468	266	256	137	155	0
Tax revenue	22,736	35,965	39,679	42,884	46,298	72,572	83,530	104,098
Turnover tax / VAT	4,991	4,959	5,587	9,076	15,655	28,771	29,794	38,107
Income tax	4,582	4,140	3,979	4,787	3,592	6,400	10,331	14,346
Personal income tax 1/	0	571	633	637	814	1,167	3,110	4,590
Small business tax	590	824	870	755	385	910	1,188	1,641
Profit tax	3,992	2,745	2,477	3,395	2,393	4,323	6,033	8,115
Social security contributions	3,208	6,384	9,245	12,688	13,143	15,828	18,157	20,053
Property tax	0	332	485	376	293	304	181	190
Customs duties	3,642	6,260	6,231	7,708	8,960	12,615	11,450	13,548
Excise tax	4,348	9,495	10,404	4,947	2,168	4,910	6,961	9,153
Other taxes	1,965	4,396	3,748	3,302	2,487	3,744	6,656	8,702
Nontax revenue	3,957	3,690	11,568	8,191	11,040	20,806	24,124	16,490
Profit transfer from Bank of Albania	1,250	400	5,926	3,859	8,067	16,400	17,591	10,225
Income from budgetary institutions	1,105	2,054	3,965	2,735	1,834	3,326	5,352	4,841
Other	1,602	1,236	1,677	1,597	1,139	1,080	1,181	1,424
II. Current expenditure	38,582	52,125	58,026	72,493	86,870	117,604	131,545	134,361
Personnel	10,120	15,442	18,438	22,980	25,544	28,336	31,184	33,240
Wages	8,586	12,045	14,692	17,918	20,377	22,048	24,208	25,820
Social security contributions	1,534	3,397	3,746	5,062	5,167	6,288	6,976	7,420
Interest	2,941	4,405	4,984	8,571	18,779	36,086	34,938	29,572
Operations and maintenance	7,589	10,585	12,231	12,482	13,565	18,537	19,499	19,294
Subsidies	2,443	2,225	1,304	1,110	1,551	2,308	2,706	5,247
Social security	7,302	10,821	13,999	20,342	20,133	24,329	34,437	37,402
Unemployment insurance	4,756	2,367	2,504	2,163	2,204	1,621	1,450	1,919
Social assistance	1,390	4,156	3,698	3,795	4,274	6,168	6,360	6,661
Ex-political prisoners (restitution)	395	713	500	500	320	0	...	...
Subsidies for homeless	0	0	0	300	500	220	510	...
Bread/Energy Compensation	494	862	230	...	...	...	...	...
Enterprise restructuring	1,152	549	139	250	...	...	...	...
Interest cost of bank restructuring	...	...	0	0	0	0	461	1,025
III. Capital expenditure	11,853	16,134	19,108	12,752	13,751	23,789	34,127	35,062
Investment	11,853	16,134	19,108	12,752	13,751	23,789	34,127	35,062
Of which: Foreign financed	6,722	9,661	7,893	3,792	7,231	13,199	17,158	16,327
IV. Total expenditure (II+III)	50,435	68,259	77,134	85,245	100,621	141,393	165,672	169,423
V. Fiscal balance, cash	-19,265	-24,410	-23,419	-33,904	-43,027	-47,878	-57,863	-48,835
VI. Financing requirement	19,265	24,410	23,419	33,904	43,027	47,878	57,863	48,835
VII. Domestic financing	12,543	14,270	14,877	30,834	36,884	29,666	27,389	26,155
Privatization revenues	916	2,200	309	546	910	133	906	8,975
Other	11,627	12,070	14,568	30,288	35,974	29,533	26,483	17,180
VIII External financing	6,722	10,140	8,542	3,070	6,143	18,212	30,474	22,680
Foreign loans and grants	6,722	10,277	8,585	3,792	7,231	19,623	31,474	23,679
Development (gross)	6,722	9,661	7,893	3,792	7,231	13,199	17,158	16,327
Budget Support and others	0	616	692	0	0	6,424	14,316	7,352
minus: amortization	0	137	43	722	1,088	1,411	1,000	999
IX. Arrears	160	-1,121	-298	0	...	...	...	...
X. Overall fiscal balance, commitment basis	19,425	23,290	23,121	33,904	43,027	47,878	57,863	48,835

Sources: Ministry of Finance; and Fund staff estimates.

1/ Small amounts collected in 1992 and 1993 are included under the small business tax.

Table 15. Albania: Central Government Expenditure Shares, 1993-2000

	1993	1994	1995	1996	1997	1998	1999	2000
(In percent of total expenditure)								
Current expenditure	77.8	89.6	75.2	85.0	86.3	83.2	77.4	79.3
Personnel	19.4	23.8	23.9	27.0	25.4	20.0	18.7	20.7
Wages	16.2	16.1	19.0	21.0	20.3	15.6	14.4	16.2
Social security contributions	3.2	7.7	4.9	5.9	5.1	4.4	4.3	4.5
Interest	7.1	9.2	6.5	10.1	18.7	25.5	21.1	17.5
Operational and maintenance	14.9	18.9	15.9	14.6	13.5	13.1	14.4	13.7
Subsidies	5.1	3.5	1.7	1.3	1.5	1.6	1.2	3.2
Social security	14.4	17.5	18.1	23.9	20.0	17.2	16.5	18.5
Unemployment insurance	8.3	3.6	3.2	2.5	2.2	1.1	0.9	1.3
Social assistance	4.3	6.1	4.8	4.5	4.2	4.4	4.0	3.8
Ex-political prisoners (restitution)	0.4	1.2	0.6	0.6	0.3	0.0	0.0	0.0
Subsidies for homeless	0.0	0.0	0.0	0.4	0.5	0.2	0.3	0.0
Interest cost of bank restructuring	...	...	0.0	0.0	0.0	0.0	0.3	0.6
Capital expenditure	22.2	23.6	24.8	15.0	13.7	16.8	22.6	20.7
Of which: Foreign financed	11.0	14.2	10.2	4.4	7.2	9.3	15.3	9.6
(In percent of GDP)								
Current expenditure	31.5	29.6	25.8	25.8	25.4	25.5	25.3	24.9
Personnel	7.9	7.9	8.2	8.2	7.5	6.2	6.1	6.5
Wages	6.6	5.3	6.5	6.4	6.0	4.8	4.7	5.1
Social security contributions	1.3	2.6	1.7	1.8	1.5	1.4	1.4	1.4
Interest	2.9	3.0	2.2	3.1	5.5	7.8	6.9	5.5
Operational and maintenance	6.0	6.2	5.4	4.4	4.0	4.0	4.7	4.3
Subsidies	2.0	1.2	0.6	0.4	0.5	0.5	0.4	1.0
Social security	5.8	5.8	6.2	7.2	5.9	5.3	5.4	5.8
Unemployment insurance	3.3	1.2	1.1	0.8	0.6	0.4	0.3	0.4
Social assistance	1.7	2.0	1.6	1.4	1.3	1.3	1.3	1.2
Ex-political prisoners (restitution)	0.0	0.0	0.2	0.2	0.1	0.0	0.0	0.0
Subsidies for homeless	0.0	0.0	0.0	0.4	0.5	0.2	0.1	0.0
Interest cost of bank resturcturing	...	...	0.0	0.0	0.0	0.0	0.1	0.2
Capital expenditure	9.5	8.6	8.5	4.5	4.0	5.2	7.4	6.5
Of which: Foreign financed	5.4	5.1	3.5	1.3	2.1	2.9	5.0	3.0
Total expenditure (II + III)	40.2	36.3	34.3	30.3	29.4	30.7	32.7	31.4
Memorandum item:								
Expenditure on defense affairs and services	3.2	2.5	2.1	1.7	1.3	1.1	1.2	1.0

Sources: Ministry of Finance; and Fund staff estimates.

Table 16. Albania: Tax Revenue Shares, 1993-2000

	1993	1994	1995	1996	1997	1998	1999	2000
(In percent of total tax revenue)								
Tax Revenue	<u>100.0</u>	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Turnover tax / VAT	21.3	13.8	14.1	21.2	33.8	39.6	35.5	36.8
Income tax	19.8	11.5	10.0	11.2	7.8	8.8	12.0	14.0
Personal income tax 1/	0.3	1.6	1.6	1.5	1.8	1.6	3.6	4.7
Small business tax	2.5	2.3	2.2	1.8	0.8	1.3	1.2	1.6
Enterprise profits tax	17.0	7.6	6.2	7.9	5.2	6.0	7.2	7.8
Social security contributions	16.4	17.8	23.3	29.6	28.4	21.8	21.7	19.2
Property tax	0.0	0.9	1.2	0.9	0.6	0.4	0.0	0.0
Customs duties	15.5	17.4	15.7	18.0	19.4	17.4	13.9	13.0
Excise tax	18.5	26.4	26.2	11.5	4.7	6.8	8.4	8.8
Other taxes	8.4	12.2	9.4	7.7	5.4	5.2	8.4	8.3
(In percent of GDP)								
Tax Revenue	18.7	19.4	17.7	15.3	13.5	15.8	16.6	19.3
Turnover tax / VAT	4.0	2.7	2.5	3.2	4.6	6.2	5.9	7.1
Income tax	3.7	2.2	1.8	1.7	1.1	1.4	2.0	2.7
Personal income tax 1/	0.1	0.3	0.3	0.2	0.2	0.3	0.6	0.9
Small business tax	0.5	0.4	0.4	0.3	0.1	0.2	0.2	0.3
Enterprise profits tax	3.2	1.5	1.1	1.2	0.7	0.9	1.2	1.5
Social security contributions	3.1	3.5	4.1	4.5	3.8	3.4	3.6	3.7
Property tax	0.0	0.2	0.2	0.1	0.1	0.1	0.0	0.0
Customs duties	2.9	3.4	2.8	2.7	2.6	2.7	2.3	2.5
Excise tax	3.5	5.1	4.6	1.8	0.6	1.1	1.4	1.7
Other taxes	1.6	2.4	1.7	1.2	0.7	0.8	1.4	1.6

Sources: Ministry of Finance; and Fund staff estimates.

1/ Small amounts collected in 1992 and 1993 are included under the small business tax.

Table 17. Albania: Exchange Rate, 1992-2000
(In leks per U.S. dollar)

	1992		1993		1994		1995		1996		1997		1998		1999		2000	
	Period Average	End of Period	Period Average	End of Period	Period Average	End of Period	Period Average	End of Period	Period Average	End of Period	Period Average	End of Period	Period Average	End of Period	Period Average	End of Period	Period Average	End of Period
Jan.	58.87	59.90	108.60	111.00	102.47	100.69	95.15	94.26	95.50	97.19	111.19	128.08	152.64	152.89	139.93	139.60	136.62	139.67
Feb.	74.50	78.57	112.25	112.00	103.03	101.50	93.76	92.69	98.64	97.82	129.60	144.13	157.11	158.51	140.48	141.10	139.52	139.97
Mar.	82.24	83.10	112.13	111.70	102.47	100.52	93.28	93.40	99.72	100.52	145.10	148.50	160.23	160.17	142.33	147.70	140.81	141.05
Apr.	83.73	84.59	109.86	107.80	101.95	100.64	93.23	92.65	103.59	104.64	147.90	148.33	159.89	158.23	144.72	144.15	142.44	144.82
May	83.49	83.00	107.01	106.00	100.04	98.85	92.56	92.67	112.33	109.35	160.71	175.10	157.01	154.21	141.42	139.95	147.37	144.11
Jun.	80.67	76.98	107.03	107.60	96.76	93.26	92.18	91.72	110.57	111.71	180.46	178.74	154.05	152.75	137.40	136.88	140.75	139.62
Jul.	112.60	77.02	106.05	104.30	91.37	90.43	90.60	90.32	111.06	111.21	172.20	145.17	150.46	148.16	135.55	135.09	140.60	141.48
Aug.	100.81	77.38	102.38	101.90	86.92	86.60	91.57	92.75	108.76	108.03	159.53	155.69	149.36	149.92	132.87	135.70	143.58	147.01
Sep.	94.74	81.99	100.94	100.40	84.64	84.72	94.43	93.32	108.49	107.79	148.99	147.40	148.62	146.16	135.36	134.10	148.38	146.95
Oct.	96.17	90.28	99.44	99.80	87.25	88.72	92.21	91.35	106.49	104.91	147.44	143.71	142.67	141.09	132.53	133.93	149.00	149.95
Nov.	97.19	96.53	100.23	101.00	92.20	94.63	92.42	92.16	99.65	100.41	143.24	144.58	141.90	141.21	134.39	135.48	149.35	149.36
Dec.	98.88	98.70	100.72	98.68	95.22	95.39	94.43	94.24	102.30	103.07	149.01	149.14	140.80	140.58	135.31	135.20	146.08	142.64
Year	88.66	98.70	105.55	98.68	95.36	95.39	92.99	94.24	104.76	103.07	149.61	149.14	151.23	140.58	137.69	135.20	143.71	142.64

Sources: Bank of Albania; and Fund staff calculations.

Table 18. Albania: Deposit Interest Rate Structure, 1996-2000 1/
(Percent per annum)

From:	1-Apr-96	24-Apr-96	24-Jun-96	21-Aug-96	21-Feb-97	2-Feb-97	5-Mar-97	26-May-97	1-Jul-97	18-Sep-97	13-Nov-97	24-Nov-97	3-Dec-97	
To:	23-Apr-96	24-Jun-96	21-Aug-96	1-Feb-97	4-Mar-97	25-May-97	30-Jun-97	17-Sep-97	12-Nov-97	23-Nov-97	3-Dec-97	25-May-98		
Minimum deposit rates: 2/														
12-month time deposits	15.0	16.0	17.0	19.0	22.0	28.5	28.5	28.5	28.5	28.5	28.5	28.5	27.0	
6-month time deposits	14.0	15.0	16.0	18.5	21.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	26.0	
3-month time deposits	12.5	15.0	16.0	18.5	20.5	27.0	34.0	37.0	35.0	32.0	30.0	30.0	26.0	
From:	25-May-98	19-Jun-98	24-Aug-98	22-Oct-98	12-Nov-98	17-Feb-99	27-May-99	15-Jun-99	7-Jul-99	14-Sep-99	3-Nov-99	10-Jan-00	19-Jan-00	
To:	19-Jun-98	24-Aug-98	22-Oct-98	12-Nov-98	17-Feb-99	27-May-99	15-Jun-99	7-Jul-99	14-Sep-99	3-Nov-99	10-Jan-00	29-Mar-00		
Minimum deposit rates: 2/														
12-month time deposits	24.0	21.0	20.0	18.0	16.5	15.0	14.0	13.0	11.0	10.0	9.0	8.5		
6-month time deposits	24.0	22.0	20.0	18.0	16.5	15.5	14.5	13.5	11.5	10.5	9.3	8.3		
3-month time deposits	24.0	22.0	20.0	18.0	16.5	15.5	14.5	13.5	11.5	10.5	9.3	8.0		
From:	1-Jan-00	1-Feb-00	29-Mar-00	1-Mar-00	1-Apr-00	17-May-00	1-May-00	7-Jun-00	1-Jul-00	1-Aug-00	1-Sep-00	1-Oct-00	1-Nov-00	1-Dec-00
To:	31-Jan-00	28-Feb-00	17-May-00	31-Mar-00	30-Apr-00	7-Jun-00	31-May-00	30-Jun-00	31-Jul-00	31-Aug-00	30-Sep-00	31-Oct-00	30-Nov-00	31-Dec-00
Minimum deposit rates: 2/														
12-month time deposits			8.0			8.0		7.8	7.8
6-month time deposits			7.5		
3-month time deposits			7.0			7.0		6.5	6.5	6.5	6.5
Actual average deposit rates														
12-month time deposits	8.9	8.6		8.6	8.6		8.6	8.3	7.8	7.8	8.2	8.1	7.8	7.7
6-month time deposits	9.5	8.9		8.8	8.9		8.8	8.2	8.2	8.2	8.2	7.9	7.8	7.5
3-month time deposits	9.0	8.2		8.1	8.1		8.1	7.8	7.4	7.4	7.3	7.2	6.9	6.9

Source: Bank of Albania

1/ For deposits in leks; interest rates on foreign currency deposits are set in line with rates in major European countries.

2/ From April 1, 1996, the BOA set the minimum deposit rates, until these were phased out during 2000.

Table 19. Albania: Monetary Survey, 1993-2000

(In billions of lek)

	1993	1994	1995	1996	1997	1998				1999				2000			
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Stocks, end-period																	
Broad money	50.4	70.8	107.4	154.6	198.5	203.1	212.4	225.4	239.5	250.5	264.4	279.9	292.9	295.4	299.8	311.7	328.1
Currency	18.0	27.6	41.9	47.8	72.7	68.5	65.2	67.3	68.3	65.0	72.0	74.5	81.3	83.4	85.6	92.0	99.2
Deposits	32.4	43.1	65.5	106.7	125.8	134.6	147.1	158.1	171.2	185.5	192.4	200.3	211.5	212.0	214.3	219.8	228.9
Lek deposits	22.1	29.8	45.5	72.8	89.5	99.0	111.4	119.4	130.9	140.6	144.3	146.9	158.3	155.2	157.2	156.7	165.3
Forex deposits	10.2	13.3	20.1	33.9	36.3	35.6	35.8	38.7	40.3	44.9	48.1	53.5	53.2	56.7	57.1	63.0	63.6
Net foreign assets	-28.9	-21.5	35.5	54.4	68.3	70.7	73.3	81.9	83.0	88.0	94.0	101.1	100.0	98.7	102.4	121.8	130.4
Bank of Albania	-36.9	-36.6	13.1	20.2	31.4	34.9	36.5	37.3	35.9	38.7	42.6	46.7	46.9	47.0	52.5	63.6	71.8
Commercial banks	8.1	15.1	22.3	34.2	36.9	35.8	36.9	44.6	47.1	49.3	51.4	54.4	53.1	51.7	49.9	58.2	58.6
Net domestic assets	79.2	92.3	72.0	100.1	130.3	132.5	139.0	143.5	156.5	162.5	170.4	173.8	192.8	196.7	197.5	190.0	197.7
Claims on central government (net)	73.3	87.6	74.0	111.8	147.0	146.7	154.6	166.0	175.5	179.1	182.5	187.2	203.2	205.3	210.3	210.8	218.6
Claims on state enterprises and farms	2.4	2.5	3.1	3.4	2.9	2.9	2.8	2.8	2.8	2.2	1.9	2.0	1.7	1.6	1.6	1.6	1.1
Claims on the private sector	4.5	7.2	8.3	10.9	13.0	13.5	14.1	14.6	14.9	16.4	16.3	16.6	18.2	19.8	21.1	23.5	23.6
Other items (net)	-1.0	-5.0	-13.5	-25.9	-32.5	-30.7	-32.4	-39.9	-36.7	-35.2	-30.3	-32.0	-30.3	-30.0	-35.6	-46.0	-45.5
Memorandum items:																	
Contribution to cumulative growth of broad money during the year																	
Broad money	75.0	40.6	51.4	43.8	28.5	2.3	7.0	13.5	20.6	4.6	10.4	16.9	22.3	0.9	2.4	6.4	12.0
NFA 1/	15.1	14.6	1.9	17.7	9.0	1.2	2.5	6.8	7.4	2.1	4.6	7.5	7.1	-0.4	0.8	7.4	10.4
NDA 1/	59.9	25.9	3.2	26.2	19.5	1.1	4.4	6.7	13.2	2.5	5.8	7.2	15.2	1.3	1.6	-1.0	1.7
Claims on central government (net)	...	28.3	7.1	35.1	22.6	-0.1	3.8	9.6	14.4	1.5	2.9	4.9	11.6	0.7	2.4	2.6	5.3
Claims on state enterprises and farms	...	0.1	0.0	0.3	-0.3	0.0	0.0	0.0	0.0	-0.3	-0.4	-0.3	-0.5	0.0	0.0	-0.2	1
Claims on the private sector	...	5.4	0.5	2.4	1.3	0.3	0.6	0.8	1.0	0.6	0.6	0.7	1.4	0.5	1.0	1.8	1.8
Other items (net) 1/	...	-7.9	-4.4	-11.6	-4.1	0.9	0.1	-3.7	-2.1	0.6	2.7	2.0	2.7	0.1	-1.8	-5.4	-5.2
12-month percent change																	
Broad money	75.0	40.6	51.4	40.0	28.5	29.4	22.1	21.6	20.6	23.3	24.5	24.2	22.3	17.9	13.4	11.4	12.0
Of which:																	
NFA 1/	15.1	14.6	37.2	17.7	9.0	17.0	9.7	27.9	21.6	24.5	28.2	23.5	20.4	12.2	8.9	20.5	30.4
Claims on government	...	28.3	26.0	35.1	22.6	27.1	14.5	6.0	19.4	22.1	18.1	12.8	15.8	14.6	15.2	12.6	7.6
Claims on state enterprises and farms	...	1.7	18.2	14.7	-15.6	3.1	-9.0	15.5	-1.7	-24.6	-31.8	-29.3	-39.9	-27.3	-15.8	-20.0	-35.3
Claims on the private sector	...	61.4	20.1	27.1	19.0	17.4	12.6	16.4	14.7	21.5	15.6	14.0	22.5	20.7	29.4	41.6	29.7

Sources: Bank of Albania; and Fund staff estimates.

1/ Reflects the one-off adjustment to the monetary authorities' accounts following the commercial bank debt deal of September 1995; NFA was raised and NDA decreased by equivalent amounts.

Table 20. Albania: Balance Sheet of the Bank of Albania, 1993-2000

(In billions of lek)

	1993	1994	1995	1996	1997	1998				1999				2000			
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Stocks, end period																	
Reserve money	30.4	42.1	53.9	61.4	90.9	85.4	84.2	86.5	89.9	87.7	94.3	98.7	109.3	108.8	111.2	124.2	128.8
Currency	18.3	28.4	42.7	50.3	74.1	70.4	67.2	69.4	69.6	67.1	74.6	76.6	82.9	86.4	88.5	95.3	101.4
Currency outside banks	18.0	27.6	41.9	47.8	72.7	68.5	65.2	67.3	68.3	65.0	72.0	74.5	81.3	83.4	85.6	92.0	99.2
Commercial bank cash in vaults	0.3	0.8	0.8	2.5	1.4	1.8	2.0	1.9	1.1	2.1	2.6	2.1	1.6	3.0	2.9	3.3	2.2
Deposit money banks deposits	12.1	13.6	11.2	11.1	16.8	15.0	17.0	17.1	20.3	20.6	19.7	22.0	26.4	22.4	22.7	28.9	27.4
Required reserves	3.5	4.2	5.7	9.2	12.0	13.4	14.4	15.4	17.0	18.6	4.5	6.1	5.8	6.1	6.2	6.6	6.7
Excess reserves	9.6	9.4	5.5	1.9	4.8	1.6	2.5	1.7	3.3	2.0	15.2	15.9	20.6	16.3	16.5	22.3	20.7
Net foreign assets	-36.9	-36.6	13.1	20.2	31.3	34.9	36.5	37.3	35.9	38.8	42.6	46.7	47.0	47.0	52.5	63.6	71.8
Foreign assets	17.6	22.6	46.8	57.0	85.2	92.4	92.6	94.1	91.0	96.3	65.1	71.4	71.1	73.1	73.3	84.7	92.3
Foreign liabilities	54.5	59.3	33.6	36.8	53.9	57.4	56.1	56.8	55.1	57.5	22.5	24.7	24.1	26.1	20.8	21.1	20.5
Net domestic assets	67.3	78.7	40.8	41.2	59.6	50.5	47.7	49.1	54.0	48.9	51.7	52.0	62.3	61.8	58.7	60.6	57.0
Net credit to government	22.4	34.7	39.3	44.9	70.4	65.2	63.1	67.7	67.5	61.9	58.8	63.0	65.9	67.9	67.0	73.7	72.4
Claims on deposit money banks 1/	3.0	3.4	3.3	3.4	7.4	5.9	6.7	6.1	4.6	3.2	6.0	2.6	5.9	4.2	6.6	4.4	1.4
Other items (net)	41.9	40.5	-1.9	-7.1	-18.3	-20.6	-22.0	-24.7	-18.1	-16.1	-13.1	-13.6	-9.5	-10.3	-14.9	-17.5	-16.8
Memorandum items:																	
Contribution to cumulative growth of reserve money during the year																	
Reserve money	109.9	38.5	28.1	14.0	48.1	-6.1	-7.4	-4.9	-1.2	-2.4	4.9	9.8	21.6	-0.5	1.7	13.6	17.8
NPA 2/	1.6	1.0	40.1	13.1	18.1	4.0	5.7	6.6	5.1	3.2	7.4	12.0	12.3	0.0	5.1	15.2	22.7
NDA 2/	108.2	37.5	-12.0	0.8	30.0	-10.0	-13.1	-11.5	-6.3	-5.6	-2.5	-2.2	9.3	-0.5	-3.3	-1.6	-4.9
Net credit to government	...	40.7	10.9	10.5	45.8	-5.7	-8.0	-3.0	-3.2	-6.2	-9.6	-5.0	-1.7	1.8	1.0	7.1	5.9
Claims on deposit money banks 1/	...	1.4	-0.3	0.1	6.7	-1.6	-0.8	-1.4	-3.1	-1.6	1.6	-2.2	1.4	-1.6	0.6	-1.4	-4.1
Other items (net) 2/	...	-4.6	-22.6	-9.7	-22.5	-2.5	-4.1	-7.0	0.2	2.2	5.6	5.0	9.6	-0.7	-4.9	-7.3	-6.7
Reserve money growth (12-month change)	109.9	38.5	28.1	14.0	48.1	21.2	-5.9	-2.0	-1.1	2.7	12.0	14.2	21.6	24.1	17.9	25.8	17.8
Ratio: Broad money to reserve money	1.7	1.7	2.0	2.5	2.2	2.4	2.5	2.6	2.7	2.9	2.8	2.8	2.7	2.7	2.7	2.5	2.5

Sources: Bank of Albania; and Fund staff estimates.

1/ In January 1996, a 1.7 billion lek bond was issued to the BOA to cover its loan to the NCB; the BOA no longer has a claim on the NCB.

2/ Reflects the one-off adjustment to the monetary authorities' accounts following the commercial bank debt deal of September 1995; NPA was raised and NDA decreased by equivalent amounts.

Table 21. Albania: Net Foreign Asset Position of the Bank of Albania, 1993-2000

(In millions of U.S. dollars, end of period)

	1993	1994	1995	1996	1997	1998				1999				2000			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Net foreign assets	-299.7	-286.5	119.4	153.9	179.2	187.9	207.7	223.8	224.9	231.8	282.9	315.2	314.7	302.0	344.0	404.6	475.7
Foreign assets	152.0	209.6	469.2	510.9	538.8	545.5	574.0	610.2	615.0	619.7	445.4	497.4	492.1	486.7	491.1	546.6	617.7
Gold ^{1/}	2.9	3.1	3.2	5.8	5.5	5.4	5.4	5.6	5.8	5.8	5.8	5.9	5.8	5.8	5.6	5.4	5.4
Cash in vaults	0.0	0.0	0.0	2.0	1.8	2.3	2.3	0.1	0.1	4.0	3.8	2.1	1.5	0.6	0.3	0.3	0.1
Deposits																	
Demand deposits	7.0	6.5	3.9	9.6	33.4	31.8	33.0	32.0	37.0	31.1	70.4	65.4	71.7	54.7	43.8	66.6	75.6
Time deposits	140.4	197.9	236.9	267.7	272.5	280.9	251.0	288.3	286.0	277.1	262.3	301.5	234.6	227.1	253.6	274.8	324.7
Equity participation	1.7	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.7	35.1	39.9	97.0	106.3	103.1	114.4	131.5
Reserve position in the Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.5	4.5	4.6	4.6	4.5	4.5	4.4	4.4
SDR holdings	0.0	0.3	0.1	0.8	0.6	0.1	57.3	59.2	61.1	61.5	63.5	78.0	76.9	87.7	80.2	80.7	76.0
U.S. Treasury bill collateral	...	...	225.0	225.0	225.0	225.0	225.0	225.0	225.0	225.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign liabilities	451.7	496.1	349.7	357.0	359.6	357.6	366.3	386.4	390.1	387.9	162.5	182.2	177.4	184.7	147.1	142.0	142.0
Demand deposits liabilities	5.5	9.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign banks credit	5.5	23.5	19.9	35.3	40.7	39.8	41.4	59.6	61.7	55.9	56.4	61.9	58.7	55.7	55.8	51.3	54.1
Non-residents deposits	27.6	30.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overdue obligations	378.2	414.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	39.0	38.2	38.2	38.2	38.2	0.0	0.0	0.0
30-year bonds for foreign exchange claims	...	...	225.0	225.0	225.0	225.0	225.0	225.0	225.0	225.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External public debt after the debt deal	...	...	15.8	17.8	14.1	15.6	15.6	15.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additional letters of credit arrears	...	...	24.8	24.8	24.8	23.3	23.4	23.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities to the IMF	30.5	52.7	64.2	54.1	55.0	53.9	60.9	62.8	64.4	68.8	67.9	82.1	80.5	90.8	91.3	90.7	87.9

Source: Bank of Albania.

^{1/} Valued at SDR 35 per ounce.

Table 22. Albania: Structure of Bank Deposits by Currency and Depositor, 1993-2000
(In millions of leks)

	1993	1994	1995	1996	1997	1998				1999				2000			
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total deposits	32,365	43,148	65,543	106,733	125,821	134,600	147,135	158,074	171,202	185,541	192,413	200,291	211,537	211,983	214,276	219,777	228,865
Domestic currency deposits	22,115	29,844	45,464	72,831	89,495	99,039	111,382	119,369	130,940	140,648	144,264	146,804	158,326	155,249	157,199	156,732	165,261
Of which:																	
State enterprises	7,981	7,962	10,909	9,103	9,853	7,345	9,590	9,061	8,227	7,191	7,264	6,951	8,131	7,427	8,066	6,411	8,023
Private sector	1,647	2,801	5,591	34,215	8,500	6,560	5,896	5,714	7,358	8,579	9,723	9,968	15,793	12,250	12,798	13,849	15,881
Households	12,487	19,081	28,964	29,454	71,102	83,167	95,896	104,594	115,355	124,878	127,277	129,884	134,402	135,572	136,335	136,472	141,357
Foreign currency deposits	10,248	13,304	20,080	33,906	36,326	35,561	35,753	38,704	40,262	44,893	48,149	53,487	53,211	56,734	57,077	63,045	63,604
Of which:																	
State enterprises	7,231	6,915	8,260	6,900	9,041	9,120	9,768	9,919	10,851	10,696	11,470	10,563	10,049	10,905	10,710	11,273	(105,384)
Private sector 1/	1,129	2,328	4,382	16,854	10,497	8,954	8,956	9,860	9,905	13,542	15,032	14,139	11,447	13,704	12,297	14,224	128,232
Households	1,888	4,061	7,438	10,152	16,789	17,487	17,029	18,925	19,507	20,655	21,647	28,785	31,715	32,125	34,070	37,548	40,756
Memorandum item:																	
Domestic/total deposits (percent)	68.3	69.2	69.4	68.2	71.1	73.6	75.7	75.5	76.5	75.8	75.0	73.3	74.8	73.2	73.4	71.3	72.2

Sources: Bank of Albania; and Fund staff estimates.

1/ Incomplete reporting through March 1993.

Table 23. Albania: Distribution of Deposits in State-Owned Commercial Banks, 1993-2000

	December 1993		December 1994		December 1995		December 1996		December 1997		December 1998		December 1999		December 2000	
	Millions of leks	Percent of total	Millions of leks	Percent of total	Millions of leks	Percent of total	Millions of leks	Percent of total	Millions of leks	Percent of total	Millions of leks	Percent of total	Millions of leks	Percent of total	Millions of leks	Percent of total
Total 1/	32,365	100	43,148	100	65,543	100	106,738	100	125,820	100	171,406	100	211,535	100	228,865	100
Of which:																
National Commercial Bank (NCB) 2/	16,728	51.7	16,860	39.1	24,562	37.5	61,932	58.0	27,420	21.8	20,920	12.2	22,426	10.6	...	...
State enterprises/farms	14,152	92.0	12,505	86.0	16,132	85.6	...	...	...	...	...	...	...	...	...	...
Joint ventures	415	99.4	386	53.9	453	2.4	...	...	...	...	...	...	...	...	...	...
Private sector	1,354	57.4	2,375	52.4	5,948	31.5	...	...	...	...	...	...	...	...	...	...
Households	807	5.7	1,594	6.9	2,029	10.8	...	...	...	...	...	...	...	...	...	...
Savings Bank (SB)	12,696	39.2	20,401	47.3	32,002	48.8	34,699	32.5	65,704	52.2	136,406	79.6	160,974	76.1	162,550	71.0
State enterprises/farms	463	3.0	495	3.4	864	4.6	...	...	...	...	...	...	...	...	...	...
Joint ventures	0	0.0	0	0.0	0	0.0	...	...	...	...	...	...	...	...	...	...
Private sector	341	14.5	1,082	23.9	2,219	24.1	...	...	...	...	...	...	...	...	...	...
Households	11,892	83.7	18,824	81.8	28,919	79.4	...	...	...	...	...	...	...	...	...	...
Rural Commercial Bank (RCB)	2,556	7.9	4,108	9.5	5,941	9.1	6,644	6.2	3,711	2.9	...	...	...	...	...	...
State enterprises/farms	791	5.1	634	4.4	901	4.8	...	...	...	...	...	...	...	...	...	...
Joint ventures	8	1.9	35	4.9	7	0.9	...	...	...	...	...	...	...	...	...	...
Private sector	275	11.7	345	7.6	416	4.5	...	...	...	...	...	...	...	...	...	...
Households	1,482	10.4	3,094	13.4	4,619	12.7	...	...	...	...	...	...	...	...	...	...

Source: Bank of Albania.

1/ Including private banks.

2/ Reflecting its privatization, the deposit stock of the National Commercial Bank was included until September 2000.

Table 24. Albania: Credit provided by State-Owned Banks, 1993-2000 1/

	1993	1994	1995	1996	1997	1998	1999	2000
(In millions of leks, end of period)								
Total credit	6,851	9,228	11,315	13,094	12,907	12,607	9,751	7,377
Of which:								
Public enterprises	2,587	2,433	3,136	3,752	2,832	2,830	1,686	876
Private	4,264	6,796	8,179	9,342	10,075	9,776	8,079	6,499
National Commercial Bank 3/	2,863	3,280	3,564	3,889	2,080	1,525	1,526	...
Of which:								
Public enterprises	1,646	1,327	1,522	1,178	831	431	418	...
Private	1,210	1,953	2,042	2,711	1,259	1,094	1,107	...
Savings Bank	1,044	1,669	2,850	4,511	9,454	9,705	8,225	7,377
Of which:								
Public enterprises	337	690	1,197	2,159	2,001	2,400	1,268	876
Private	656	979	1,654	2,352	7,453	7,305	6,972	6,499
Rural Commercial Bank	2,995	4,067	4,475	4,693	1,373	1,377	...	...
Of which:								
Public enterprises	604	523	524	414	0	0	...	...
Private	2,322	3,544	3,951	4,279	1,373	1,377	...	...
Memorandum items								
Total credit								
12-month percent change	74.9	34.7	22.6	9.8	-1.4	-2.3	-22.7	-24.3
Ratio to GDP	5.5	4.9	5.0	4.7	3.8	2.7	1.9	1.4

Sources: Bank of Albania; and Fund staff estimates.

1/ Excludes pre-June 1992 loans to state enterprises, farms and agricultural cooperatives for which the government assumed responsibility.

2/ Before liquidation, March 1998.

3/ Reflecting its privatization, the credit stock of the National Commercial Bank was included until September 2000.

Table 25. Albania: Nonperforming Credits of State-Owned Banks, 1993-2000

	1993	1994	1995	1996	1997	1998	1999	2000
(In millions of leks, end of period)								
Total	926	2,452	3,442	4,516	9,049	10,064	8,181	7,650
<i>Of which:</i>								
State	186	255	315	418	1,625	1,638	917	901
Private	740	2,197	3,127	4,098	7,424	8,426	7,264	6,749
National Commercial Bank 1/								
Total	364	939	1,256	1,517	1,048	1,229	1,179	1,214
<i>Of which:</i>								
State	135	228	284	334	545	293	286	299
Private	230	711	973	1,183	503	936	893	915
Savings Bank								
Total	243	360	465	566	7,271	7,860	7,002	6,436
<i>Of which:</i>								
State	0	0	1	57	1,080	1,345	631	601
Private	243	360	464	509	6,190	6,515	6,371	5,835
Rural Commercial Bank 2/								
Total	319	1,133	1,598	2,231	1,377	1,377	...	...
<i>Of which:</i>								
State	52	27	31	27	0	0	...	...
Private	267	1,107	1,567	2,204	1,377	1,377	...	...
Memorandum items:								
Ratio of nonperforming credits to:								
Commercial bank deposits	2.9	5.7	5.3	4.2	7.2	5.9	3.9	3.3
Total claims on state enterprises and the private sector	13.4	25.3	30.2	31.6	57.1	56.9	41.1	31.1

Sources: Bank of Albania; and Fund staff estimates.

1/ The National Commercial Bank (currently, the BKT) was privatized in 2000.

2/ Before liquidation, March 1998.

Table 26. Albania: Balance of Payments, 1994-2000

	1994	1995	1996	1997	1998	1999	2000
(In millions of U.S. dollars)							
Current account	-278	-176	-244	-276	-187	-265	-261
Trade balance	-460	-474	-692	-519	-621	-846	-814
Exports	141	205	229	167	205	275	256
Imports	601	679	921	685	826	1121	1,070
Services (net) 1/	-83	-2	23	-8	-5	71	115
Of which: Interest due	38	6	6	6	7	7	8
Private transfers	264	300	425	250	440	327	439
Capital account	181	201	167	83	99	219	305
Official transfers	161	118	77	77	89	139	108
Direct investment	65	89	97	42	45	51	141
Other capital including short-term flows	-98	-87	-120	-81	-88	-44	-14
Official medium- & long-term loans (net) 2/	54	81	113	46	53	72	70
New borrowing	60	82	119	53	62	80	79
Multilateral loans 2/	15	32	42	16	31	54	60
World Bank	13	20	29	15	24	28	40
EBRD	0	4	7	0	1	0	2
Other	0	8	6	1	6	25	18
Bilateral loans	45	50	77	37	31	26	19
Other loans	0	0	0	0	0	0	0
Amortization 2/	-6	0	-5	-8	-9	-8	-9
Errors and omissions 3/	85	41	107	206	105	28	40
Net balance = I+II+III	-12	67	31	13	17	-19	84
Financing requirement = - IV	12	-67	-31	-13	-17	19	-84
Available financing	12	-67	-30	-13	-17	19	-84
Change in net reserves (increase = -)	-35	-26	-43	-27	-71	-83	-111
Change in gross reserves, (increase = -)	-57	-36	-35	-31	-78	-101	-123
Use of Fund Resources (net)	22	10	-8	4	7	17	12
Fund (Credit Tranche)	0	0	0	12	0	0	0
Fund (ESAF)	22	11	0	0	8	21	19
Repayments to Fund	0	-1	-8	-8	-1	-3	-7
BOP support	20	21	13	14	54	96	27
Bilateral	0	3	11	9	17	46	5
Multilateral	20	18	2	5	37	50	22
Changes in arrears (increase = +) 4/ 5/	-83	-454	1	0	-145	0	0
Overdue debt forgiveness 6/	0	393	0	0	0	0	0
Debt service relief (rescheduling) 7/	109	0	0	0	145	5	0
Financing gap	0	0	-1	0	0	0	0
Memorandum items:							
Gross usable reserves	204	240	275	306	384	485	608
(months of imports of goods and non-factor services)	2.9	2.7	4.0	3.8	3.7	3.8	4.4
Trade balance (percent of GDP) 8/	-23.2	-19.6	-25.7	-22.7	-20.4	-18.0	-21.7
Current account (percent of GDP)	-14.0	-7.3	-9.1	-12.1	-6.1	-7.2	-7.0
Debt service (percent of exports of goods and non-factor services)	19.7	2.5	5.7	6.1	6.2	3.0	3.3
External debt (percent of GDP) 9/	51	28	27	33	29	27	28
Merchandise exports (percent growth)	26.5	44.9	11.8	-27.1	22.9	34.2	-7.0
Merchandise imports (percent growth)	-0.2	13.0	35.6	-25.6	20.6	13.5	14.1

Sources: Ministry of Finance, Bank of Albania, donors, and Fund staff estimates.

1/ New methodology introduced in 2000 for the calculation of tourism services. 1999 tourism services revised (staff estimate based on new methodology) to allow for inter-year comparisons in the 2001 Article IV consultation.

2/ Excluding IMF.

3/ The large errors and omissions in 1997 reflects incomplete data for the first half of the year as a result of the crisis.

4/ The figure for 1994 includes the elimination of arrears on medium-term debt to Paris Club creditors and the settlement of bilateral clearing account arrears (to CDR) with Germany.

5/ The figure for 1998 corresponds to the clearance of arrears to Russia and Italy as a result of an assumed new Paris Club rescheduling. The stock of arrears is subject to reconciliation with Russia and Italy.

6/ Debt forgiveness in 1995 corresponds to commercial bank debt restructuring under the Brady deal.

7/ The figure for 1994 corresponds to the rescheduling of Paris Club debt in December 1993.

8/ Excludes imports (official transfers) related to the Kosovo crisis.

9/ Includes arrears. Estimates revised to reconcile the data recently provided by the authorities.

Table 27. Albania: Commodity Composition of Exports
SITC Classification, 1994-2000

SITC Category	Description	1994	1995	1996	1997	1998	1999	2000
(In percent of total exports)								
0-1	Food, beverages, tobacco and live animals	14.3	7.5	8.9	12.6	9.7	6.7	6.6
2	Crude materials, except fuel	24.3	24.7	16.9	18.7	16.5	7.3	8.7
3	Mineral fuels, lubricants and related materials	7.0	2.9	4.1	3.7	1.2	2.8	1.9
4	Animal and vegetable oils and fats	0.5	0.7	2.2	0.0	0.2	0.1	0.0
5	Chemical products	3.0	1.2	1.4	1.4	0.8	0.7	0.7
6	Manufactured goods	14.0	14.1	13.8	10.1	12.3	12.0	12.1
7	Machinery and transport equipment	3.4	1.4	1.7	4.1	2.8	6.3	2.0
8	Miscellaneous manufactured articles	39.2	45.6	51.1	49.5	56.4	64.1	68.0
9	Miscellaneous transactions and commodities not classified according to kind	2.2	1.9	0.0	0.0	0.0	0.0	0.0
(In millions of US dollars)								
Total (SITC 0-9)		141	205	229	167	205	274	259

Sources: Ministry of Foreign Trade; Customs Department; Bank of Albania; Institute of Statistics; and staff estimates.

Table 28. Albania: Commodity Composition of Imports
SITC Classification, 1994-2000

SITC Category	Description	1994	1995	1996	1997	1998	1999 1/	2000
(In percent of total imports)								
0-1	Food, beverages, tobacco and live animals	25.5	22.3	32.0	22.3	23.8	24.8	19.8
2	Crude materials inedible, except fuels	2.4	0.9	1.2	5.0	4.9	4.1	1.4
3	Mineral fuels, lubricants and related materials	10.9	9.7	2.6	1.8	3.8	4.7	9.0
4	Animal and vegetable oils and fats	0.0	2.4	2.6	3.6	3.3	1.9	1.9
5	Chemical products	6.5	6.8	5.9	8.0	9.8	7.6	7.0
6	Manufactured goods	18.9	21.2	18.4	21.3	22.3	23.5	23.8
7	Machinery and transport equipment 3/	31.8	20.3	22.5	18.5	16.5	19.0	21.6
8	Miscellaneous manufactured articles	0.0	16.1	14.4	13.1	15.3	14.4	15.5
9	Miscellaneous transactions and commodities not classified according to kind	0.0	0.2	0.4	6.6	0.4	0.0	0.0
(In millions of US dollars)								
Total (SITC 0-9)		601	679	921	685	826	938	1083

Sources: Ministry of Foreign Trade; Customs Department; Bank of Albania; Institute of Statistics; and staff estimates.

1/ Excluding Kosovo-related imports

Table 29. Albania: Direction of Trade, Exports (f.o.b.), 1994-2000

	1994	1995	1996	1997	1998	1999	2000
(In percent of total exports)							
Industrial countries	...	84.5	89.5	89.7	94.5	95.6	94.4
Germany	4.8	6.1	6.9	6.9	5.7	6.4	6.6
Italy	52.1	51.5	57.9	49.4	60.1	67.3	70.3
Greece	10.4	9.9	13.0	20.5	19.8	14.5	12.9
France	2.1	2.3	2.0	1.9	1.2	0.8	0.7
Japan	1.4	0.7	0.3	0.1	0.1	0.0	0.1
Austria	2.4	0.9	1.1	1.5	1.6	2.1	0.7
Belgium-Luxemburg	4.3	5.4	1.3	0.5	1.5	0.9	0.6
Netherlands	0.1	2.1	2.9	5.6	0.9	0.0	0.1
Switzerland	0.6	1.0	0.6	0.5	0.3	1.1	0.3
United States of America	11.1	3.4	1.2	1.5	1.7	0.5	0.8
Other	...	1.2	2.3	1.3	1.8	2.0	1.3
Former CMEA countries	...	3.9	5.5	8.6	4.8	2.8	2.1
Bulgaria	0.6	0.1	0.0	0.0	0.1	0.0	0.0
Romania	0.0	0.0	0.1	0.0	0.1	0.0	0.1
Czechoslovakia 1/	0.4	0.3	0.2	0.1	0.2	0.1	0.1
Hungary	0.3	0.1	0.1	0.1	0.0	0.0	0.0
Poland	0.0	0.0	0.1	0.3	0.1	0.0	0.0
Other	...	3.3	5.0	8.1	4.4	2.7	1.9
Developing countries	...	11.6	5.0	1.9	1.2	1.6	3.5
Turkey	0.7	6.2	3.1	1.0	0.6	0.4	0.7
Yugoslavia 1/	6.0	0.0	0.0	0.3	0.3	1.2	2.7
Other	...	4.5	1.9	0.6	0.1	0.1	0.1
Memorandum items:	(In millions of US dollars)						
Total exports							
Balance of payments estimates	141	205	229	167	205	275	256
Reported by partner countries 2/	175	238	306	258	278	271	296

Sources: Albanian Customs Department; Bank of Albania; Institute of Statistics; and staff estimates.

1/ Includes data for the successor states to the Republic of Czechoslovakia and the former Socialist Federal Republic of Yugoslavia, respectively.

2/ From Direction of Trade Statistics, IMF, for reporting countries.

Table 30. Albania: Direction of Trade, Imports (f.o.b.), 1994-2000

	1994	1995	1996	1997	1998	1999	2000
(In percent of total imports)							
Industrial countries							
Germany	... 5.5	81.1 4.6	79.6 4.1	83.4 4.2	85.2 3.8	82.2 5.6	79.8 5.48
Italy	35	37.9	41.7	44.5	44.1	38.0	36.24
Greece	24	26.8	21.2	26.6	29.2	27.7	28.0
France	1.9	1.2	3.1	1.1	0.9	1.6	1.39
Austria	1.5	2.0	1.0	1.5	1.4	1.8	1.18
Belgium-Luxemburg	1	1.6	2.5	1.1	1.1	1.1	0.89
Netherlands	0.5	0.6	0.8	0.5	0.6	1.0	0.75
Switzerland	0.9	0.7	1.7	1.2	1.5	1.3	1.21
United States of America	0.2	0.3	1.3	0.1	0.3	0.5	0.69
Others	... 5.5	2.3	2.6	2.3	3.6	4.0	
Former CMEA countries							
Bulgaria	... 8.2	12.6 8.0	13.3 4.0	9.2 2.7	10.0 2.8	10.8 3.0	11.4 2.4
Romania	0.6	0.5	2.4	0.3	0.4	0.7	0.6
Czechoslovakia 1/	0.5	0.5	0.5	1.1	0.3	0.2	0.5
Hungary	0.5	0.7	0.8	0.1	1.1	1.0	0.9
Poland	0.1	0.1	0.1	0.0	0.0	0.0	0.1
Others	... 2.8	5.5	4.8	5.3	6.0	6.9	
Developing countries							
China	... 1.1	6.5 0.0	7.1 0.2	7.4 0.1	4.8 0.2	7.0 0.2	8.9 0.8
Egypt	... 0.3	0.3	1.0	0.2	0.8	0.4	0.2
Republic of Korea	0.2	0	0	0.0	0.1	0.0	0.1
Morocco	... 0	0	0	0.0	0.0	0.0	0.0
Turkey	4.6	4.1	4.4	4.4	3.4	5.5	5.5
Yugoslavia 1/	4.5	0	0	0.2	0.1	0.1	0.8
Others	... 2.0	1.5	2.3	0.3	0.8	1.4	
Memorandum items:	(In millions of US dollars)						
Total imports							
Balance of payments estimates	601	679	921	685	826	938	1070
Reported by partner countries 2/	669	914	1195	753	792	904	944

Sources: Albanian Customs Department; Bank of Albania; Institute of Statistics; and staff estimates.

1/ Includes data for the successor states to the Republic of Czechoslovakia and the former Socialist Federal Republic of Yugoslavia, respectively.

2/ From Direction of Trade Statistics, IMF, for reporting countries.

Table 31. Albania: External Debt in Convertible and Nonconvertible Currencies, 1994-2000

	1994	1995	1996	1997	1998	1999	2000
(In millions of U.S. dollars; end of period)							
Total	1005	682	734	759	882	975	1033
Multilateral	119	182	208	221	304	419	491
EBRD	0	5	10	9	9	8	7
EIB	0	0	0	0	1	15	27
IDA	65	109	137	148	220	296	345
IDB	0	0	0	0	1	1	2
IFAD	1	2	5	5	8	12	13
IMF 1/	53	66	54	56	62	80	89
OPEC	0	0	1	2	4	6	7
Bilateral	113	145	170	183	218	211	212
Paris Club 2/	104	128	142	144	164	145	140
Pre cut-off	45	47	41	32	27	20	18
Austria	8	9	8	6	4	3	2
Britain	0	0	0	0	0	0	0
France	19	20	17	13	10	8	5
Germany	14	15	13	11	10	8	5
Italy	2	2	2	2	1	1	6
Netherlands	1	1	1	1	1	0	0
Russia	0	0	0	0	0	0	1
Post cut-off	60	81	102	112	137	125	122
Austria	2	4	6	5	5	5	4
Germany	19	31	40	46	58	50	48
Italy	39	46	56	61	74	71	69
Non-Paris Club	9	17	28	39	55	66	72
China	0	0	0	2	2	2	2
Greece	0	0	0	0	11	11	11
Japan	8	11	9	17	21	31	29
Kuwait	1	7	12	13	15	16	15
Norway	0	0	3	3	3	3	11
Sweden	0	0	4	4	4	4	4
Turkey	0	0	0	0	0	0	0

(Continues)

Table 31 (continued). Albania: External Debt in Convertible and Nonconvertible Currencies, 1994-2000

	1994	1995	1996	1997	1998	1999	2000
(In millions of U.S. dollars; end of period)							
Arrears	772	355	356	356	359	345	329
Convertible currency	131	134	135	135	135	134	131
Budgetary	57	60	61	61	61	60	57
China	5	5	5	5	5	5	4
Greece	11	18	19	19	19	19	17
IDB	0	0	0	0	0	0	0
Turkey	14	14	14	14	14	14	14
PTT	18	15	15	15	15	15	15
Railway	7	7	7	7	7	7	7
Other	0	0	0	0	0	0	0
Bilateral clearing account (US\$)	74	74	74	74	74	74	74
Non-convertible currency 3/	169	169	169	169	172	172	161
Commercial 4/	473	52	52	52	52	39	37
Memorandum items:							
Total debt (percent of GDP)	51	28	27	33	29	27	28
Total arrears (percent of GDP)	39	15	13	16	12	9	9

Sources: Ministry of Finance; Bank of Albania; and staff estimates.

1/ PRGF (formerly ESAF) and ordinary resources.

2/ Excludes debt in arrears to Russia and Italy subject to the July 1998 Paris Club rescheduling agreement and reconciliation during bilateral negotiations. Based on the Albanian official sources, the amounts subject to this rescheduling are estimated at about US\$140 million.

3/ Consists of bilateral clearing accounts in rubles. These are converted using official cross-exchange rates.

4/ Includes debt to commercial banks, arrears on spot and money market transactions, financial lines, confirmed and unconfirmed letters.

Albania: Summary of Tax System at End-March 2001

Tax	Nature of Tax	Deductions and Exemptions	Rates										
1. Taxes on Income, Profits and Capital Gains													
1.1 Taxes on Individual Income													
1.1.1 Personal Income Tax (PIT)	<p>A schedular tax on employment income and other specified sources of worldwide income of Albanian residents and Albanian income of nonresidents.</p> <p>Physical persons which pay Small Business Tax (SBT), are not subject of PIT.</p>	<p>The first 10,000 lek of monthly wages are exempt. Also exempt are: state unemployment benefits, pensions and other transfers, and self-employment income of farmers. Direct dividends for participations of more than 25 percent are exempted.</p>	<p>Monthly Wages (lek) rate</p> <table> <tr> <td>10,001–20,000</td> <td>5 percent</td> </tr> <tr> <td>20,001–30,000</td> <td>10 percent</td> </tr> <tr> <td>30,001–50,000</td> <td>15 percent</td> </tr> <tr> <td>50,001–80,000</td> <td>20 percent</td> </tr> <tr> <td>over 80,000</td> <td>25 percent</td> </tr> </table> <p>10 percent flat rate on other income subject to tax (e.g., interest income, dividends, and royalties paid to Albanian residents), 15 percent where such payments are made to non-residents. Revenues from lottery games and casinos 20 percent.</p>	10,001–20,000	5 percent	20,001–30,000	10 percent	30,001–50,000	15 percent	50,001–80,000	20 percent	over 80,000	25 percent
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30,001–50,000	15 percent												
50,001–80,000	20 percent												
over 80,000	25 percent												
1.1.2 Small Business Tax (SBT)	<p>A tax on all small businesses with an annual turnover of less than 8 million leks.</p>	<p>The tax does not apply to agricultural activities.</p>	<p>Income from transfer of right to ownership on immovable property (in percent of total sale price; in million of leks)</p> <table> <tr> <td>0–2</td> <td>0.5 percent</td> </tr> <tr> <td>2–4</td> <td>1 percent</td> </tr> <tr> <td>4–6</td> <td>2 percent</td> </tr> <tr> <td>Over 6</td> <td>3 percent</td> </tr> </table> <p>Fixed fee for all businesses with an annual turnover of under a threshold of 2 million leks, depending on nature of business and category of the district the business is conducted. A tax rate of 4 percent is levied on the annual turnover between 2–8million leks.</p>	0–2	0.5 percent	2–4	1 percent	4–6	2 percent	Over 6	3 percent		
0–2	0.5 percent												
2–4	1 percent												
4–6	2 percent												
Over 6	3 percent												
1.2 Taxes on Corporate Income	<p>A tax on worldwide income of domestic corporations and</p>	<p>Foreign tax credit. No domestic double taxation of dividends.</p>	<p>A flat rate of 25 percent applies to income of all corporations.</p>										

Albania: Summary of Tax System at End-March 2001

Tax	Nature of Tax	Deductions and Exemptions	Rates
	Albanian income of foreign corporations in Albania. Loss carry-forward for 3 years.		
2. Social Security Contributions			
2.1 Employer Contributions	All public and private employers are liable. Social insurance contributions fund pensions, maternity benefits, unemployment insurance, sickness benefits, and employment injury insurance. Health insurance contributions fund subsidies to medicines, and some other medical costs.	Social insurance: 32.5 percent of gross wages of employees, between a floor and a ceiling (set at 6,040 leks and 18,120 leks per month). Health insurance: 1.7 percent of the same base.	
2.2 Employee Contributions	All employees are liable.	Contribution rate on gross wages (between the same floor and ceiling as apply to employers' contributions): Social insurance: 10 percent Health insurance: 1.7 percent	
3. Property Tax	Local tax is levied on buildings located in Albania. The tax is administered by local government.	Property of international organizations; buildings let at controlled rents.	Building tax is levied per square meter (in lek): public buildings: 2 residential bldgs: 3-6 communal services: 20 production bldgs: 50 commercial bldgs: 100 Discount of up to 10 percent of tax due, if paid before the due date.
4. Domestic Taxes on Goods and Services			
4.1 Value Added Tax	A general tax on	(a) Standard exemptions	20 percent.

Albania: Summary of Tax System at End-March 2001

Tax	Nature of Tax	Deductions and Exemptions	Rates																														
	<p>domestic consumption, implemented as a tax on (i) imported goods (tax base includes import duty) and (ii) the supply of goods and services by registered taxpayers (with turnover of 8 million leks per year or more). Registered taxpayers receive a credit for tax charged on their inputs.</p>	<p>consist of financial services; leasing of land and buildings (apart from hotels etc, vehicle parks, and leases for less than 2 months); national currency and postal stamps; supplies for health, educational, religious, non-profit organizations etc.; and supplies to diplomatic and consular missions.</p> <p>(b) Medicines and medical equipment and certain supplies in connection with oil exploration are exempted.</p>	<p>Exports of goods and services, and supplies relating to international transport are zero-rated.</p>																														
4.2 Excise Tax	<p>The tax is levied on domestic production and imports of:</p> <p>(a) tobacco and tobacco products</p> <p>(b) alcoholic drinks</p> <p>(c) soft drinks and mineral water</p> <p>(d) coffee</p> <p>(e) oil by-products</p>	<p>Exemptions: ethyl alcohol used in production of alcoholic drinks for export; liquid gas used for household consumption.</p>	<p>Levied either as a percentage rate or a per unit stamp, depending on the commodity.</p> <table> <tbody> <tr> <td>Tobacco</td> <td>60 percent</td> </tr> <tr> <td>Beer</td> <td>50 percent</td> </tr> <tr> <td>Soft Drinks</td> <td>5 percent</td> </tr> <tr> <td>Mineral Water</td> <td>5 percent</td> </tr> <tr> <td>Coffee</td> <td>20 percent</td> </tr> <tr> <td>Perfumes and deodorants</td> <td>50 percent</td> </tr> <tr> <td>Gasoline up to 89.9 octane</td> <td>77 percent</td> </tr> <tr> <td>Gasoline 90 octane and more</td> <td>90 percent</td> </tr> <tr> <td>Unleaded gasoline</td> <td>90 percent</td> </tr> <tr> <td>Diesel</td> <td>50 percent</td> </tr> <tr> <td>Kerosene</td> <td>80 percent</td> </tr> <tr> <td>Lubricant oils and grease</td> <td>50 percent</td> </tr> <tr> <td>Sailor, Mazut</td> <td>5 percent</td> </tr> <tr> <td>Oil, bitumen, toluol, xylol, solvent</td> <td>20 percent</td> </tr> <tr> <td>Other oil by-products not mentioned above</td> <td>90 percent</td> </tr> </tbody> </table>	Tobacco	60 percent	Beer	50 percent	Soft Drinks	5 percent	Mineral Water	5 percent	Coffee	20 percent	Perfumes and deodorants	50 percent	Gasoline up to 89.9 octane	77 percent	Gasoline 90 octane and more	90 percent	Unleaded gasoline	90 percent	Diesel	50 percent	Kerosene	80 percent	Lubricant oils and grease	50 percent	Sailor, Mazut	5 percent	Oil, bitumen, toluol, xylol, solvent	20 percent	Other oil by-products not mentioned above	90 percent
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Excise Value per banderole:

Cigarettes: lek 11 per pack

Raki

Valued up to lek 400 per liter Lek 40

Valued over lek 400 per liter

Lek 350/liter

Wine

Albania: Summary of Tax System at End-March 2001

Tax	Nature of Tax	Deductions and Exemptions	Rates
		Valued up to lek 300 per liter	Lek 50
		Valued over lek 300 per liter	
			Lek 150/liter
		Alcoholic drinks	
		Valued up to lek 400 per liter	
			Lek 80/liter
		Valued over lek 400 per liter	
			Lek 400/liter
5. Import Duties	Imports are subject to duty according to their classification in the 8-digit Harmonized System.	Major exemptions are for: (a) goods imported under government agreements, and where the duty exemption is explicitly stated in the agreement; (b) certain imports of contractors in oil exploration; (c) humanitarian aid.	The tariff nomenclature contains 4 tariff rates (0, 2, 10, 15).
6. Other Taxes			
6.1 "National and Local Taxes"	A variety of taxes and fees including port charges, consular fees, TV and telephone licenses, driving license fees, hunting license fees, hotel tax (for foreigners), airport arrival and departure tax, business registration tax, stamp duties, etc.	Various, under the different taxes.	Various fixed fees and flat rates
6.2 Solidarity Tax	A tax on legal entities and small businesses; fixed amount per taxpayer	Small business taxpayers engaged in ambulatory activities in market places approved by the concerned organs of local governments.	Monthly rates. State enterprises registered for VAT 100,000 leks Subsidiaries of VAT registered state enterprises 5,000 lek Joint ventures (enterprises with joint state-private capital) 50,000 lek Private companies registered for VAT 5,000 leks Small businesses in cities 2,000 leks Small businesses in villages 5,000 leks