

METHODOLOGICAL NOTES ON THE COMPILATION OF THE GROSS EXTERNAL DEBT OF ALBANIA

The Bank of Albania is in charge of the compilation of the Gross External Debt. Data for the compilation of the external debt table are processed by the Balance of Payments and Surveys Division within the Statistics Department of the BoA, in general conformity with the international standards prescribed by the *“Balance of Payments Manual, fifth edition”* (IMF, 1993) and the *“International Investment Position – A Guide to Data Sources”* (IMF, 2002). That ensures international compatibility of the data on one hand, and on the other hand - consistency between the external debt statistics and the balance of payments, international investment position and national accounts. The data on the gross external debt are an important source of information for given items in the balance of payments and in the international investment position.

I. ACCOUNTING PRINCIPLES AND CONVENTIONS

When compiling the debt statistics, the BoA follows the international definition of gross external debt: *“Gross external debt, at any given time, is the outstanding amount of those actual current, and not contingent, liabilities that require payment(s) of principal and/or interest by the debtor at some point(s) in the future and that are owed to non-residents by residents of an economy.”*

The main criterion for a liability to be included in the gross external debt of the country is that it is issued by a resident and is owed to a non-resident, regardless of whether it is issued on domestic or international, money or capital markets. In the debt tables, the BoA records the amount of tranches actually disbursed, not contingent.

The stock of the liabilities is recorded at nominal, not market value and the data are compiled in millions of Albanian Lek (ALL). The stock of external assets and liabilities nominated in other currencies are converted to ALL at the official exchange rate published by the BoA at the end of the reference period. The impact of foreign exchange rate fluctuations of original currencies against the ALL is calculated evaluating the stock.

The distinction between short- and long-term debt is based on the original maturity, not the residual one, of the liability. The long-term debt includes all liabilities with original maturity of more than one year as well as liabilities related to direct investment, and the short-term - those with original maturity of one year or less. All arrears of principals and interests are recorded as short-term debt.

The stock of external debt is compiled only partially on accrued basis: accrued interests on banking system deposits of nonresidents are available, but those on loans are not.

II. GROSS EXTERNAL DEBT COMPONENTS

The main type of desegregation in the gross external debt table is by institutional sectors. The structure of the table of the Albanian Gross External Debt by institutional sectors is in compliance with the requirements of the "External Debt Statistics: Guide for Compilers and Users"(IMF, 2003).

The institutional sectors of the gross external debt tables are General Government, Monetary Authorities, Banks and Other Sectors. In accordance with the international statistical standards, debt liabilities related to direct investment (intercompany lending) are presented separately. Within the sectors the external debt liabilities are classified by maturity (short-term and long-term) and then by type of debt instruments.

A. GENERAL GOVERNMENT

The *General Government* includes the central and the local government. Debt liabilities of this sector have long-term maturity and are classified by instrument as *Loans*. This item includes stock of new credit lines of government debt issued after 1990, and the rescheduled debt borrowed before 1990.

The figure of some long-term debt borrowed before 1990 is still subject to political negotiation between the parties. In the table of the Gross External Debt of Albania, this debt is recorded with an approximate value, but is subject to further revisions; it will show its real value when subsequently settled in international negotiations.

Data source of general government debt liabilities is the Ministry of Finance.

B. MONETARY AUTHORITIES

In accordance with the international methodology on external debt statistics included herein are the external liabilities of the BoA. Following the BPM5's recommendations, the stock of liabilities deriving from the use of Fund Credit and Loans is also included in this sector, recorded under Loans.

Data are provided by the Monetary Operation Department and the Foreign Relations, European Integration and Communication Department in BoA.

C. BANKS

Short-term liabilities of the commercial banks include short-term loans, non-residents' deposits with domestic banks as well as other payables to non-residents. In sub-item *Deposits* are included deposits in foreign currencies of non-residents with domestic banks.

Long-term liabilities include loans, and bonds and notes issued by the banks and held by non-residents.

Data on debt liabilities of this sector are obtained by banks reporting forms to BoA.

D. OTHER SECTORS

Other sectors' debt includes liabilities of private and state-owned non-financial enterprises (incl. Government guaranteed debt), other non-banks financial institutions, as well as external liabilities of households.

Short-term liabilities of the *Other sectors* consist of short-term loans, trade credits, as well as other payables to non-residents. Long-term liabilities are long-term loans by non-residents.

The *Trade Credit* liabilities data are provided by the Balance of Payments statistics and are estimated based on a survey and extrapolated by trends in import values. The current estimation is based on a calculation that 20 percent of the value of selected import categories is funded by trade credit for a period of one year. This benchmark will be updated within 2007 consequent to the new survey on foreign trade that will be conducted during the year. There are no trade credit assets.

Data sources on liabilities in the form of *Loans* for all sectors are: the banking system; non-banks financial institutions; the Ministry of Finance regarding the official debt; the Foreign Relations, European Integration and Communication department in the BoA regarding the debt of the Monetary Authority (including to the Fund); and other international organizations and institutions for loans to enterprises, such as the European Bank for Reconstruction and Development and the American Albanian Enterprise Fund.

E. DIRECT INVESTMENT: INTERCOMPANY LENDING

In accordance with the international methodology on external debt statistics a distinction is made between liabilities owed to direct investors (Intecompany Lending) and such owed to other creditors. Liabilities related to direct investment relationship are separately identified and in the table of External Debt of Albania they include the liabilities of foreign banks to their parent banks abroad. For the other sectors, data on direct investment is not yet split into equity capital, reinvested earnings and other capital. Therefore liabilities in the form of intercompany lending for this sector are not available.