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Sound policies are driven by sound statistical support, especially in the case of transition economies where changes are ongoing and frequent. The same applies for Albania, being a transition country, where maintaining an accurate and reliable database has become a key issue in conducting economic policies. This paper tries to give an overview of the statistical information available in Albania pointing out main problems with their collection and compilation. Furthermore, it describes the use of the statistics in formulating economic policies in the country, with a focus on monetary policy. A brief history of monetary policy and plans for the future are also described in order to give a full picture of the context in which monetary policy is conducted in Albania.

1. INTRODUCTION

Albania, like many other transition countries, started the huge detachment from the centralized economy at the beginning of ‘90s. The start of the difficult transition did not save anything comprising statistics contributing to a fast and deep degeneration in the process of data collection, data processing and data dissemination. Even though the central statistical unit in Albania never put its existence into doubt, in the early ‘90s, that unit was not anymore capable of providing any valuable piece of statistical information to decision-making bodies.

For many reasons, during 1990 – 1993, the statistical output was very poor, due to the incapability of authorities to monitor, measure and publish the main macroeconomic statistics categories, the low degree of the coverage of the private sector of the economy, numerous delays in preparation and publication, etc.

The initial serious efforts to install and use an up-to-date output system of macroeconomic statistics in Albania initiated in 1992. For the first time, due to the assistance provided by IMF Statistics Department, such statistical outputs as the balance of payments, money and banking statistics, consumer price index, etc., were conceived and presented. Since that time onwards, although during the transition period Albania experienced various twists, the overall statistics compilation process in general, has progressed continuously.

On September 1996 the money and banking statistics produced by the Bank of Albania were considered complete, reliable and appropriate to be included in the Albanian page at the IFS. The progress picked up 1998 when the Albanian authorities approved the country’s membership to the International Monetary Fund’s (IMF) General Data Dissemination System (GDDS). On May 22, 2000, Albania joined eight other developing countries as the first set of countries included when the GDDS site was officially launched. It should be mentioned that Albania was selected by IMF as a pilot country to prepare a set of information on the national statistical practices (metadata). Its metadata were used as a model not only for Europe, but also for many other countries.

At present, the aforementioned statistics are produced by three different institutions: Bank of Albania, INSTAT and Ministry of Finance.

Bank of Albania (the central bank) is responsible for producing and publishing monetary and banking statistics on monthly basis and balance of payments statistics on quarterly basis. In some cases BoA has financed several statistical projects, especially surveys which aim to capture the performance of separate economic sectors.

*The presentation "The Role of Statistics in the Conduct of The Monetary Policy in Albania, held by Mr. Shkëlqim Cani, Governor of the Bank of Albania and Mr.Gramoz Kolasi, Head of Governor’s Office, in Berlin August 19,2003
INSTAT (statistical institute, government body), being the national statistical agency, is responsible not only for producing and disseminating statistics on national accounts and demography, but also has the legal right\(^1\) to formulate and implement policies on compilation and management of statistics in Albania.

Ministry of Finance is responsible for production and dissemination of government finance statistics on quarterly basis.

2. MACROECONOMIC STATISTICS IN ALBANIA

In a transition country, there is need for timely and accurate statistics in order to be able to take appropriate policies in reaction to rapid changes in economic environment. Therefore, the demand for statistical information has increased both in terms of the type of information and in terms of quality. Over the past years, the collection of statistics by the authorities in Albania has improved as new information which was not available in the past is nowadays possible being obtained. Now, data on monetary aggregates, banking system, balance of payments, and major data from the real sector are available. On the other hand, accuracy of the data has increased, thus adding to the reliability of this information. The processing of the statistical data is based on internationally standard methodologies, allowing also for comparison among countries. In addition, especially in the case of monetary data and CPI, the set of data is suitable for application of various statistical analyses and econometric methods which assist the monetary policy decision making.

However, the decision making process in Albania still cannot fully rely on the statistical information available. Despite the major improvements with regards to the collection and processing of this information, macroeconomic statistics still face some crucial problems.

The data coverage is not complete. With an exception of monetary statistics and consumer price indices (which are produced on a monthly basis), all other groups of statistics have a relatively longer periodicity (mostly three months). The timeliness of data availability is also of a big concern. In most cases, data are disseminated with a lag of three to four months after the end of reporting period. In short, the weaknesses can be summarized in the following key areas:

- Lack of accurate national accounts data;
- Insufficient account of the private or informal sector activities;
- Need for improving various surveys and estimation procedures;
- Inadequate legal and institutional framework for statistic;
- Low degree of statistical information exchange;
- Short time series that date back to the beginning of ’90, with recurrent interruptions because of methodological changes.

It is important to stress out that weakness of the system of data collection, processing, compilation and publication are already identified. The responsible institutions are also committed to eliminate these weaknesses as soon as possible. We believe that the challenges facing the Albanian institutions in the coming two to three years will be to ensure that significant efforts are made in improving the governance of statistics sector. In that respect, we would like to list the work priorities as follows:

1. **Build a clear and unambiguous policy-making body.** Although, according to the existing law, the highest authority is the Council of Statistics, it should be noted that *de facto* it plays only an advisory role. It remains unclear who is responsible for the decision making process with regard to statistics in Albania. Although this problem has been identified a long ago, unfortunately, no solution has yet been found to this legal vacuum. The draft law which is foreseen to be approved by the end of this year will settle this issue.

2. **Increase data coverage to include all private sector.** Private sector accounts for almost 75% of GDP in the country however, few data are collected from this sector. A major reason for this is the high level of informal

\(^{1}\) These rights are expressed controversially and thus this topic is subject to strong disputes.
economy in the country, which consequently does not provide any data on its activity to the authorities. Efforts of the authorities are recently concentrated in introducing appropriate measures to reduce the informal economy in the country.

It is very important that increasing data coverage be associated with increasing information reliability as well as strengthening the opinion that the information gathered by the state agencies will not be used for purposes other than those related to developing statistics. There are various reasons that encourage the registered private enterprises and agencies to ignore providing or to distort information given to the state agencies. The reasons, for example, are lack of knowledge with respect to the extent to which the information provided by the private sector is used by the state agencies, distrust in these agencies, degree of information confidentiality, competition in the market, etc.

3. **Make use of surveys to extract valuable pieces of information.** In Albania, basic data sources, particularly for capturing private sector and informal market activities and for estimating illegal transactions, are seriously inadequate. Therefore, for reliable macroeconomic statistics, estimates should be made based on data collected from well-designed surveys using appropriate samples, which are representative of the population. Bank of Albania has started making use of surveys specially in the capturing balance of payments statistics, but statistical surveys to this end face sampling and representation problems and certain estimation procedures need to be revisited. Recently, the bank is engaged also in constructing confidence indices, thus conducting surveys on businesses, consumers and banking sector, and the results have been satisfactory.

4. **Produce and publish national accounts statistics as soon as possible.** INSTAT has made some attempts to estimate the national accounts and it has promised that all the data for the period 1995-2000 will be published. However, the greatest challenge will be the concern over the quality of the figures that will be published. To a significant extent, the data quality will be assessed based on how the consumers of this information will react as well as how the international institutions will view the data quality. Recently, there are some undergoing projects, which I believe will be a great help for bringing the national accounts statistics closer to international standards.

5. **Improve the dissemination process of the statistical information from the producer to the user.** Although the authorities are committed to increase the quality and transparency of statistical data, overall attempts are needed from all of them with regard to outlining a publication calendar and reducing the time between the processing of final data and their release. Perhaps, from this point of view the greatest challenge relates to the usage of Internet and the design of functional websites so that anyone interested in statistics can access the desirable statistical information. Although the Bank of Albania and INSTAT have already launched their web pages, it should be noted that the public does not have facilities to access them. Additionally, websites are utilized to a level that is not fully satisfactory, especially because statistics presented in these sites are not selected on a professional basis. Anyhow, the increasing number of users should be considered as a good incentive for increasing further the quality and dissemination of national statistics.

6. **Current information technology application.** The level of knowledge on Internet applications in Albania is low. In addition, many problems in the respective infrastructure do not allow us to take advantage of the rapid advancements in technology that the information world is experiencing today. Obviously, we are bearing in mind that the enlargement of the Internet usage with regard to data collection process means more exposure to abuse and as a consequence the need for more prudent measures in providing confidentiality.

7. **Training programmes for statistics analysts and producers.** The process of formulating policies is supported by various statistical analyses which are based on reliable data. Furthermore, at a certain extend, the reliability of the data depends on their producer. Currently, there is still room for improving the skills of the existing data managers in order to process information appropriately. In addition,
few are trained to analyze the data statistically, to develop models using econometric methods, to apply these models on gives cases, etc. Thus, one of the priorities of the institutions that compile statistics is the training of their human resources. (It should be noted that this training is costly and sometimes it becomes a burden for these institutions.) Also, students who have graduated abroad, might be a good opportunity to fill the gaps in the human resources. (assuming that the authorities develop strategies to attract this part of potential employees).

3. THE MONETARY POLICY IN ALBANIA

On the course of economic transformation usual for transition countries, monetary policy in Albania has undergone several changes. Overall, we distinguish three periods when major turning points were taken with regard to the policy. The first step relates to the central bank’s attempts to achieve macroeconomic stability, the second relates to the collapse of economy due to pyramid schemes when the monetary policy became almost powerless, and the third relates to efforts in recovering and maintaining the stability of the economy. In all stages, the monetary policy has followed a general path having as its final objective the stability of prices, and using intermediate targets to achieve this. The operational framework applied to control the targets has changed over time.

3.1. MONETARY POLICY DURING 1992 - 1996

Like in many other countries in Eastern Europe, the monetary policy in Albania started to be implemented in the early stage of ‘90s. The breakdown of centralized economy was followed by a sharp deterioration of macroeconomic stability. The outcome of that was a contraction of the entire economy, which was reflected by the destruction of production capacities, by the exploit of accumulated inflation as well as by the large number of the people losing their job. On the other hand, the hemorrhage of foreign currency was so big, bringing to a very low level of official foreign exchange reserves. At mid 1992 the foreign official reserves were practically nothing, maybe few weeks of imports.

This critical environment coincides with the time when the Parliament passed the Law on the Bank of Albania on April 1992. In that Law, beyond other issues, was explicitly stated that the main function of Bank of Albania was to conduct the monetary policy of the country, to provide and to maintain the price stability.

For the first time, the monetary policy was prepared and implemented in the mid 1992, when as a part of a emergency 6-months program (supported by IMF through a Stand – By Agreement), the Bank of Albania presented some measures which aimed to put under control the money supply. Apart from price stability other final targets were established to
provide economic growth and to balance the external position of the country.

The monetary policy of Bank of Albania, during this period can be summarized by the following scheme:

Since that time until recently the Bank of Albania adopted a kind of monetary policy, which is very closed to the monetary targeting regime. This means that intermediate target will be the money, monetary aggregate M3. Taking into consideration the macroeconomic environment at that time was decided to achieve the control through implementation of direct monetary instruments, like credit ceiling and administrative interest rates for deposits. This monetary regime took place in the circumstances when a free float foreign exchange rate regime was adopted (still continues). Since that time the restrictions on the current account movements were abolished whereas the capital part remained limited regarding outward capital transactions.

These measures, followed by a very tight fiscal policy (the first year of newly elected government), were considered to be main contributor in halting the further deterioration of the general equilibrium. At the end of 1992, the inflation was reduced significantly, the GDP real growth, even though a negative figure, was four times smaller than the previous year, and finally the level of foreign exchange reserves was increased remarkably to a level of three months of imports.

The process of macroeconomic consolidation continued very fast during consequent years (1993 – 1995). During this period the efficacy of monetary policy was high as obviously the market was affected in a direct way through imposing restriction in the credit allocation and deciding the floor of interest rates for deposits in relatively high figures. This stance of monetary policy (easy to establish) was one of the contributors in bringing inflation down year after year up to a single digit at the end of 1995 (chart 2).

3.2. MONETARY POLICY DURING 1996 – 1997

The period 1996 – 1997 was characterised by the pyramid schemes. The high and attractive interest rates offered by these schemes, substituted perfectly the interest rates set by BoA, converting the monetary policy of the Bank of Albania simply into a notion. The high interest rates were the drive which absorbed the savings of the public. These rates varied from 12-30 percent a month. Some of the companies offered even to double principal in two months. The investors much “infected” with the idea of getting rich without doing any work, that they started selling their assets, such as houses, and deposit the gains at the
schemes. The due amounts were not withdrew, even worse, they were re-invested together with interest income amounts.

The limited ability of the companies to administer properly the deposits collected, obliged these companies to re-deposit the money in the banking system, in the form of current account, increasing enormously the level of excess reserves in system, which is used heavily for financing budget expenditures through buying TB. At the same time, two electoral campaigns were carried out in 1996, so the needs of Government for liquidity were very high. Consequently, at the end of 1996, the inflation rate was 3 times higher than the previous year while the process of general failure of pyramid schemes had started (December 1996 the first one) in an irreversible way.

The eventual collapse of pyramid schemes was catastrophic both economically and socially. The loss of their savings drove the depositors to violent protests causing the destruction of many public and private tangibles. The economy came to an halt while in midst of a total social chaos. Speaking of economic deterioration, the GDP decreased by 7.3% while the inflation rate increased to 42.1% in December. The unemployment rate rose while the domestic currency depreciated by almost 50%.

In such conditions the Bank of Albania had to increase once again the interest rates for deposits bringing it at 32 per cent. This time its task became harder as the credibility of the public in the banking system had been shaken. Yet, the measure resulted once again effective in establishing control over inflation. By the end of 1998 the annual inflation rate dropped to 8.7%. The efforts of both monetary and fiscal policy were made more effective in the course of the consecutive years.

3.3. MONETARY POLICY DURING 1998 – 2003

Last years have recorded a very low inflation rate, especially for an economy as Albania (this happens in conditions of a high economic growth). Even some shock phenomenon, i.e. Kosovo crisis in 1999, oil shock in 2000, were present during this time again, for aforementioned reasons the inflation rate remained low. Starting from 1999 till July 2003, generally Bank of Albania has cut the interest rates, however, in real terms they have remained still high. It should be mentioned that the market reaction was still weak against such relaxation signals of monetary policy. This is reflected on the high difference between the minimum interest rates offered for time deposits and the treasury bills yield.

Under such conditions the Bank of Albania moves one step ahead, changing its monetary policy strategy:

It removed all the direct instruments for controlling money supply, aiming to explore a new way: that of ensuring monetary control through market. Starting from third quarter of
2000, the Bank of Albania is using the repo rates as the main instrument for achieving its monetary goals.

4. STATISTICS AND THE DECISION MAKING PROCESS

Despite the achievement scored in the last 10 – 12 years, it should be mentioned that decision-taking process has not been an easy task. Considering a significant degree of the absence of the statistical information, particularly national accounts data, BoA’s decision-taking process basically has relied on the usage of the monetary statistics.

This truth does not stand only for the Bank of Albania decision-making but for the entire decision-making process. However, undoubtedly, the money and banking statistics have significantly been the basic nourishment for the monetary policy.

UTILIZATION OF MONETARY & BANKING STATISTICS

During the recent decade, the monetary policy has undergone some changes. Since its starting point until the present days, the selected regime, where money is still intermediate objective, has remained unchanged. However, due to recurrent agreements with IMF, the Bank of Albania constantly has to achieve its ultimate targets through the meeting of some quantitative restrictions on some monetary indicators (for more details, see Annex 1).
This policy framework that is simple to a certain degree, enabled the money and banking statistics to be a sufficient statistical feedback for an effective decision-making. The publication of such statistical documents as monetary survey and monetary authority accounts, along with other data on financial market and inflation were deemed sufficient in considering any possible change of interest rate.

In the beginning of '00, a kind of ineffectiveness of above-mentioned policy instruments was evidenced. Therefore, after eliminating the credit restrictions in 1999, a year later in autumn of 2000 the monetary control used to be ensured based merely on market instruments. To this end, the weekly repo auction was introduced, the market rate of which gained the attribution of the basic percentage in economy. Since that time, the Bank of Albania, started to announce the desired figure of the future inflation, fixing an interval of 2 – 4 per cent.

Unfortunately, the change in operational framework is not associated with considerable enrichment of statistical information. Changes mainly consist on the fact that the statistical set available continues to increase the number of observations, manifesting a slight improvement on their quality.

**UTILIZATION OF REAL SECTOR STATISTICS**

Even currently, the statistical scarcity continues in the field of real economy indicators. Currently we have a new basket of CPI, updated and enriched with additional articles, but, nevertheless, that does not mean a lot, as far as it remains the main qualitative development of these 3 last years. On the other hand, we have not yet a fully reliable statistical set of national accounts. The country’s economic growth still constitutes an estimation of relatively low degree of confidence, while the GDP composition according sectors or measured by expenditure or income, does not yet exist. Furthermore, the frequency of updating the GDP growth is low, at about 6 months.

The figures of labor market are another side of statistical ineffectiveness in Albania. Even though it is claimed that the unemployment rate is measured in conformity with the international standards, yet there exists a general idea that it conveys deviations from reality and its utility is low. The large migrating movements from rural to urban areas or abroad make the measurement of employment indicators more difficult, damaging in this way the overall decision-making process.

**UTILIZATION OF FISCAL SECTOR STATISTICS**

As aforementioned, it is the responsibility of MoF to compile and to disseminate the fiscal statistics. Currently, in Albania, though there exists an independent local government for about one decade, yet its financial independence from the central government is very low. For this reason the balance is consolidated and part of the central fiscal balance published by Ministry of Finance. It should be stressed out that despite the long time passed the periodicity of data is still once a quarter, while the release period takes three other months after the end of reference period.

However, considering the fact that BoA and banking system in general are having Government accounts, it is much easier for monetary policy to identify with a degree of accuracy the liquidity needs of Government (naturally in very short-terms). This becomes especially important under conditions when the Bank of Albania is obliged to partially cover the budgetary deficit with direct credit, as law stipulates.

**STATISTICS AT BANK OF ALBANIA**

Undoubtedly, two more mature statistical categories are those that have to do with financial statistics and those regarding the balance of payments. Both categories are produced since 1992 and in fact they constitute the basic information for policy decision-making process at the Bank of Albania.

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2 During 90’s the administrative interest rates on deposits in home currency, placed in state owned banks, played a key role in economy, some times 3-month deposits rate and some times 12-months maturity deposits rates.

3 The previous basket consisted in 241 articles, and it composed based on households consumption survey of 1993.

4 The estimation of GDP growth is based on some indicators like cement and electricity consumptions, prices of foreign partner countries, etc.

5 Conform Bank of Albania Law, the Bank of Albania is enforced to finance the fiscal deficit to a certain amount, which is equal to the 5 percent of the average fiscal revenues realized in the last three years.
The balance of payments statistics are produced in quarterly basis, with a time span of 3 months after the end of reference period. However, some important parts of it like foreign trade figures, services, remittances etc., are prepared on monthly basis making it easy for us to have a better filling of the developments in current account.

Currently, the Bank of Albania produces in parallel the complete financial statistics in compliance with the old and new statistical manual compiled by the IMF. In fact, the statistical input for the Bank of Albania decision-making consists in the statistical input produced pursuant to the previous IMF manual that was called money and banking statistics. More concretely, this statistical input includes:

- Monetary authority accounts;
- Bank of Albania NFA
- Deposit money banks consolidated balance;
- Monetary survey;
- Performance criteria;
- Interest rates and volume of transactions in financial market (repo rates, interbank rates, treasury bills yields, lending and deposits rate);
- Foreign exchange records; etc.

These data are produced on monthly bases and recently the statistics department is taking steps to improve the method for calculating and presenting these data according to the new instructions from IMF. Financial and banking statistics are published monthly and their release is notified in advance. In addition, daily and weekly information is obtained with regards to interbank market, money market, forex market, and other operational information.

Other sources of information that Bank of Albania is using recently in order to feed its monetary policy are the surveys. Surveys with regard to balance of payments face the problems of sampling and representation, and they are currently under review. However, since over a year ago, BoA is involved also in building confidence indices and the surveys conducted appear reliable. More concretely, surveys are conducted quarterly on businesses, consumers and banks. The results of these surveys are not published yet, as we are still trying to be fully convinced of the accuracy of results, and also try to have a longer series of indices in order to be able to compare. It should be noted that the surveys are similar with confidence surveys conducted by other countries, therefore, in the future, figures could be compared across countries.

The combination of all this information, i.e. financial statistics with the CPI data and with data from the liquidity situation in the banking system, etc. forms the basic statistical input from the monetary and financial point of view, on which the decision for next stance regarding interest rates is drawn.

In more detail, the Monetary Policy Department every month compiles and submits to the Supervisory Council the monetary policy report, a document where proposals for future possible policy actions are included. This report explains primarily the main developments on inflation and money, expectations and various forecasting methods on: monetary aggregates, exchange rate, and inflation.

This document is subject to the Supervisory Council judgement, which, at the end comes up with a conclusion whether it should be changed; to what direction and to what extent.

**FORECASTING AT BANK OF ALBANIA**

On the whole, the Bank of Albania forecasting of monetary indicators is identified with the approach of IMF that is known as the monetary programming. According to this approach, the change: in net foreign assets, in fiscal deficit, and in credit to the economy, under the assumption of other assets remains unchanged and is equal with the money supply growth.

On the other hand, recently, we have started to

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6 Surveys on businesses and consumers are conducted in cooperation with INSTAT, which has the appropriate means and information to do the field work.

7 The statistical information is available monthly on 25th of the following month.

8 The information issued from the Balance of Payments statistics.

9 The information issued from the Government accounts statistics.

10 Credit to economy, according to the data of year-end 2002 is still in very low figures, at about 8 per cent of GDP or around 10 per cent of the banking system total assets. This implies an item not very difficult to be predicted.
use statistical information for econometric analysis. With the assistance of foreign experts, we are also applying econometric methods to build models which might apply to our economic structure and trying to find and test linkages among macroeconomic indicators (it must be mentioned that few series are long enough for such analyses.)

Since our main objective is price stability, Bank of Albania has been more concerned monitoring and controlling the process of inflation. Therefore, we have developed two very simple equations, aiming at inflation forecasting. In short, they consist in:

- An empirical approach on historical inflation trend, where the highest importance is put to the recent years and where the historical periods with considerable spikes on inflation are excluded, like 1997;
- A more analytical approach, which considers those factors assessed to impact more significantly on inflation, measured as a monthly change of consumer price index $P$.

Where $m$ refers to the monthly stock of monetary aggregate M1, seasonally adjusted, with three lagged periods and $e$ the Nominal Effective Exchange Rate, seasonally adjusted with one lagged period.

The need to set up inflation forecasting models became concrete at the beginning of 2000s, when it was verified that under conditions of meeting the quantitative targets of performance criteria, the money supply stock, many times recorded substantial deviations from programmed values while inflation11 itself did not manifest such deviations.

However, the above-mentioned forecasting models are considered to have many limitations, especially from the point of view of the employment of the econometrical techniques. Therefore, it is being worked out in parallel to set up a more reliable model, on quarterly basis, which has in its focus the division of the CPI into tradable and non-tradable goods. Similar analysis are also being made with regard to measuring the imported inflation and core inflation.

Finally, based on the research made by the IMF Technical Assistance Mission in cooperation with experts of Research and Monetary Policy Department, it is being worked for a long time for the identification of the future monetary policy status, trying to answer the question whether repo rate at certain moments and degree has a full impact on inflation.

5. THE FUTURE: INFLATION TARGETING OR... ?

In order to answer the above question, at the present, Bank of Albania has recently taken a decision that above all implies adopting a monetary policy regime, namely Inflation Targeting Regime (IT). Bank of Albania has already understood that IT is a successful strategy if, on one hand finds a sound macroeconomic and institutional environment and on the other faces an audience (economic agents, individuals, general public) that understands and welcomes it.

In this regard, the Albanian reality, despite the impressive macroeconomic consolidation, is evaluated to be still in early steps of long road towards a free market.

5.1. MACROECONOMIC ASPECT

INFLATION

In general, according to various literatures, it’s recommended that a period of 2-3 years of low inflation12 should proceed to application of inflation targeting regime. Low rate is considered an inflation rate within 1-3 per cent. In general, during the last years, the trend was towards low rates and for almost two years, inflation has varied close to the upper level of the objective. In different years, shock factors have been

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11 The final monetary policy target consists in holding the headline annual inflation at the end of the year within the interval of 2 – 4 per cent.
12 Yet, countries like Czech Republic, Poland and other have adopted this regime in circumstances when inflation rate varied from 6 to 10 per cent.
present when there was high inflation as well as when there was low inflation. On average, annual inflation rate from January 1998 to July 2003 has been 5.75 per cent, while during the last three years, July 2000 – July 2003 it has been 3.44 per cent. If we look at each of the last five years, annual inflation rates have been 21.6 per cent, 0.4 per cent, 0.0 per cent 4.2 per cent and 2.1 per cent for 1998, 1999, 2000, 2001 and 2002 respectively.

Based on inflation developments so far, even though the current year implies that inflation is higher compared to that of the two previous years, it is believed that there is the appropriate environment for IT application.

**EXCHANGE RATE**

Exchange rate regime is one of the other strong points for adopting IT. In the case of Albania, it is a fortune that Bank of Albania has the exclusive rights to take decisions that choose and administer the type of exchange rate policy in Albania. Also, since 1992, Bank of Albania has chosen a free floating exchange rate regime whose main feature is that currency price is determined by supply–demand relationship. The existence of this regime is one of the criteria for adopting inflation targeting, thus this indicator provides a strong point in its support. This becomes more plausible considering the stability of domestic currency, Lek, compared to US dollar and European currency, EURO. For the fourth year in a raw, Lek has been stable putting Bank of Albania more or less in the position of a “simple spectator” of the developments in foreign exchange market.

**FISCAL CONSOLIDATION**

The last five years have marked important developments with regard to fiscal consolidation. The budget deficit has fallen from 11.3 percent of GDP in 1998 to 6.2 percent of GDP in 2002\(^\text{13}\). It is a fact that during the years 2000 and 2001, budget deficit enjoyed the “fortune” of earning considerable revenues in foreign currency (financial assistance and privatization revenues). These revenues have smoothed out fiscal pressure on monetary policy and thus, banking system has not faced liquidity problems, while Bank of Albania has met the limits of financing budget deficit as defined by the law. However, it cannot be talked about fiscal stability and consolidation yet. To say this, we consider the structure of budget revenues (a considerable part of it comes from custom office), fiscal evasion and to a certain extent arbitrary practices in collecting taxes and deciding on reference prices.

**FINANCIAL STABILITY**

If we look at financial system crises, it seems that Albania has not gone through major ones. This holds true for that part of the economy, which is considered “formal”. In Albania, despite the establishment of five new insurance institutions,

\[\text{Over the medium term, the budget deficit to GDP ratio is projected at 5.2 by 2005.}\]

13 Over the medium term, the budget deficit to GDP ratio is projected at 5.2 by 2005.
De facto financial system can be identified with the banking one. On the other hand, we should not forget that 1997 crisis, though it was not caused by banking system, still it was a typical financial phenomena, whose outcome on main macroeconomic indicators, production, inflation, unemployment, balance of payment, etc. was unmeasurable.

In this context, the question arises: What is the Albanian immunity system from financial crisis?

Despite the continuous attempts to strengthen banking supervision, yet our banking system is underdeveloped and offers a low level of intermediation. It shows large concentration and it operates in conditions where the risk is high (the whole spectrum from political to operational one), regulations are incomplete and there are problems with implementing the rules, etc. One example of a combination of all this dates back one year ago when the financial stability of the banking system in Albania was threatened by the deposit withdrawals that took place during the period March-April 2002.

Apart from the banking market, other markets and financial institutions are almost inactive. They are newly born and the level of exposure is high.

Informal economy is still present and, despite the bitter experience, there are hints that borrowing activity in this market still continues, though at a low extend. According to the latest survey on businesses conducted by the Bank of Albania, the demand for credit in informal market has fallen.

As it might be noticed, defensive mechanism of Albania towards financial crises suffers from many problems and although they are known for quite a while, it is not possible to eliminate them. The weak immunity system causes Albanian economy to have a relatively high degree of exposure and consequently an important condition for IT regime is not present.

5.2. INSTITUTIONAL ASPECT

While in the macroeconomic aspect there are factors, which favor the choice of IT regime as a monetary policy regime, it is believed that in the institutional aspect has more disadvantageous points, which weaken this choice.

CENTRAL BANK INDEPENDENCE

The law offers an independent position for central bank, but in reality central bank independence does not mean the legal independence and is under threat. It seems that other authorities have no intention to fully respect central bank independence. On the other hand, there is not sufficient guarantee that independence as granted by the existing law (all of it or specific aspects of it) will not be subject to later changes.

CENTRAL BANK TRANSPARENCY

Also, it is assessed that central bank is not yet fully applies the required transparency, especially on explaining decision-making process, with regard to monetary policy.

CENTRAL BANK CREDIBILITY

It cannot be said that Bank of Albania enjoys full credibility in the public. On the other hand, adopting IT regime weakens central bank credibility if the bank is shifting away from the objective.

CENTRAL BANK ACCOUNTABILITY

It is estimated that real accountability should increase. Bank of Albania has taken on to respect all the reporting requirements, but the quality of this report is subject to further improvements that are expected to increase Bank of Albania’s accountability.

Discord Relationships with Fiscal Authority

The coordination between fiscal and monetary authority is not at levels required by IT regime. In practice, this lack of coordination hinders Bank of Albania to implement efficiently the instruments to complete monetary policy.

Overall, institutional aspect is considered a weak point in adopting targeting inflation.

5.2. THE LEVEL OF UNDERSTANDING FROM THE PUBLIC

Albanians experienced inflation in the beginning of the ’90s. As years
passed by, everybody understood that more or less, price increases erode their income and savings, however few understand that the difficult mission of keeping stable prices belongs to an institution named Bank of Albania. In fact, Albanians learned one thing; "short-term sacrifices can reap long-term rewards". Both main political forces called out this statement when each of them came to power. Despite this, they could not understand the mechanism, which can take one from the devastated present situation to a richer and safer future. An evidence of this is the unending period of transition and the many failures during this period (mostly for subjective reasons). A limited number of people are able to explain why serious reforms are needed while some remain disappointed and the majority accepts them indifferently.

In this context, it is hard to believe that Bank of Albania will find “suitable” partners on the other side that can rightly understand and perceive its decisions. When the public understands and welcomes central bank policy, then the public and its expectations for inflation (guided by the objective for inflation) turn into a factor that determines future inflation rates.

In fact, public awareness, its familiarity with policies, banking, etc. improvements in institutional framework are today’s tasks and they do not need to wait for the completion of other preliminary conditions. Some of the issues which need to be looked upon as following:

1. **Increasing Bank of Albania’s transparency.**
   For this reason, central bank has increased the number of publications specially the explanatory ones, presentations with media, contacts with public, meetings and seminars and has also approved a strategy and regulation on transparency which is in line with the Code of Good Practices in Monetary Policy approved by IMF. Following this regulation, the decisions of the governing body of Bank of Albania are not only published but also explained giving the context in which they are taken. Monetary policy reports are frequently published, and their release is made known to the public in advance. Statistical data produced by BoA are fully explained in appendices. Currently, the methodology for compiling monetary and financial statistics (IMF’s) is being published in Albanian. BoA has started the practice of organizing an annual conference with a different topic related to BoA or economic and monetary policies and statistics (the Conferences of 2000 was dedicated to statistics only), which aim at bringing academics and experts together and in contact with the audience BoA is trying to get attention of. Representatives of the governing body of BoA have been engaged in meetings with students from Economic Departments, trying to point out the importance of role of the central bank in the economy and share the experiences in formulating policies.

2. **Improving relationships with other state institutions.** For this reason, Bank of Albania has adopted an intensive approach towards all international organizations (integration in EU, Stability Pact, and discussions of documents such as development strategies for SMEs). The most notable is the participation in debt committee.

3. **Increasing accountability.** Bank of Albania has increased its contacts and reports with and to the Parliament trying to be more explicit with regard to the decision-making process.

4. **Increasing credibility.** Apart from achieving the objectives and making these known, Bank of Albania is trying to reach the public and establish a two-way communication with it. The bank is organizing campaigns (on lending): it is approaching businesses to understand the latter’s expectations, etc.

5. **Achieving education.** The importance of training programmes given prior importance when discussing the steps to improve on statistics. Thus, the process of education has involved not only other authorities and the public. Bank of Albania has also offered financial support for this project. The most recent example of training at BoA is the 6-month school of Professional Education in Applied Statistics and Econometrics offered to its employees through the University of Tirana and with the joint financial support from USAID.

6. **Increasing central bank independence.**

7. **Getting involved in other issues which are not Bank of Albania’s direct concerns, but which affect the existence of required conditions to adopt IT. An example of this is the representation**
in the team responsible for the project of improvement of statistics and full implementation of GDDS criteria. Annual contracts are signed with INSTAT, the national statistical agency, to facilitate the distribution of statistical data to users and to improve the quality of these data. Seminars and trainings are organized in cooperation with regard to real sector data (responsibility of INSTAT).

In order to comply with or improve each of the above-mentioned preconditions, a period of 2 – 3 years or more is needed. This time interval is based above all on Bank of Albania’s uncertainty about the commitment of other authorities to adopt this regime and about public reaction; on the need to build a macroeconomic model (including a trial period); on the increase of financial market efficiency with regard to absorbing informal assets, on further strengthening banking supervision, on the ability to collect new reliable statistical information and to increase the existing time series accurately; on improving money market so that an efficient instrument to control money becomes available, etc..

6. CONCLUSIONS

Having a full set of statistical information which is timely and accurate is gaining great importance, as economic policies are developing to respond to more complicated economic structures that are shaping the transition countries today. Unfortunately, in the case of Albania, there is still room for the provision of appropriate statistics. Focusing on the monetary policy, this one can rely only on monetary and banking statistics, produced by the bank. Improvements have been made with regard to compilation and presentation of the statistics bringing them close to international standards (IMF’s) and thus ensuring a degree of comparison with other countries.

Encouraging steps are taken regarding the forecasting techniques which involve testing models by using econometric methods. Research work has been expanded in this area. All these have helped the governing bodies to formulate an adequate monetary policy over the last years. So far, the monetary policy followed by the Bank of Albania has been able to serve the bank’s main objective, i.e. price stability. The inflation rate over the past years has been at around 3 per cent.

However, we have seen that the development of monetary policy; its transition from using direct instruments to indirect instruments, the contemplation to change towards an inflation target regime, put pressure on the demand for statistics and such, on the necessity to improve them further. The importance of this increases more given our long term ambition to join EU, and thus to bring our statistics at that level. Even though there will be plenty of difficulties encountered, we are determined to achieve and fulfill these expectations.
ANEX I. PERFORMANCE CRITERIA

For as long as Albanian authorities are willing and accept to sign contracts with IMF, they are obliged to meet some quantitative restrictions whose purpose is to control domestic assets of banking system and central bank assets. In this context, these restrictions are vested with the quality of monetary quantitative objectives similar to the intermediary objective for broad money. As aforementioned, Albania signed the first agreement with IMF in the second half of 1992 and since then it started to apply quantitative restrictions for the first time. The aim of these restrictions was to establish the limits for indicators such as: net foreign assets of Bank of Albania (floor), net domestic assets of banking system (ceiling) divided in net claims on government and claims on economy. The so-called criteria to achieve success is still used today, though somehow differently from the way used in the first years of transition.

Table 1. Meeting the quantitative targets during 2002

<table>
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<tr>
<th></th>
<th>Dec-02</th>
<th>Mar-02</th>
<th>Jun-02</th>
<th>Sep-02</th>
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<tr>
<td><strong>NFA (in millions of USD)</strong></td>
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<td></td>
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<td>Target</td>
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<td>536.6</td>
<td>530.6</td>
<td>546.6</td>
<td>558.6</td>
<td>560.6</td>
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<tr>
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<tr>
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<td><strong>Net Credit to Government (in billions of Lek)</strong></td>
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<tr>
<td>Target</td>
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<td>-0.6</td>
<td>-4.6</td>
</tr>
</tbody>
</table>


5. Statistical Implications of Inflation Targeting, Getting the right numbers and getting the numbers right – IMF, editors Carol S. Carson, Charles Enoch, Claudia Dziobek.
Dear Ladies and Gentlemen,

I am really glad to greet the honorable guests of this conference, friends and colleagues of mine, those who have continuously assisted in our previous conferences and those participating for the first time this year.

It is a great pleasure for me, that in the name of the organizers of the conference “Albanian economy: Performance and policy challenges”, to express gratitude and respect to the dear friends of Albania and Albanians, who are present here today and who have contributed and have marked the performance of our economy.

I do hope that such meetings also serve as public deeds, delivering a message of gratitude for those contributions, which in a certain way have helped the Bank of Albania in organizing scientific-thinking events regarding subject matters that focus on the Albanian economy.

Dear colleagues and collaborators,

In these 13 years, Albania has been “on track” of progress. The economy is finally development-oriented. As actors of our times, we all are inclined towards the best, towards the future.

Living in a society that is trying to build up a safer future; having institutions that tend to establish outstanding models; establishing a democratic popular mentality oriented towards a positive attitude of a variety of ideas, is a success for the country and for the economy.

The Albanian society, state and mentality have in overall evolved simultaneously. Maybe this is related to our early tradition; maybe imposed by the challenges of our survival through the years; maybe this is related to our greatest desire to see our country and ourselves among the most developed.

One thing is for sure: that progress relies on an economy that is developing. Nevertheless, this speech does not focus on how much and in what way the Albanian economy has grown, what its directions have been and how often it has got stuck. What I would like to underline, is that the Albanian economy has recorded significant and tangible growth, evident to everyone. This growth has is becoming a strong support to our future projects and challenges. This growth strengthens the belief that all of us are trying to give ourselves and our country the best offered by the current development, and that we really do deserve more.

In order to win ever more, one should really try hard; should use efficiently what he has earned and at the end should also have the generosity to leave something to the other generations. Thus, one may ensure the development track. We have already laid the foundations of an overall economic development. Whether this development is rapid or slow, secure or fragile, peaceful or full of wonders is another issue. What matters is the fact that we have planned for our economy an ambitious future.

Attaining this requires many efforts; requires a clear economic vision; requires courageous decision-making; requires a wide vision while treating problems and real strategies for economic development. And this is what I would most expect from this conference.

My dear friends,

We are gathered here today to speak about an argument that is not unknown to every one of us. What we are going to say, the way we are going to approach the future of our problems, and the real chances for further progress, all of these, I am sure will be useful.

Together with our co-organizers of the Economics Faculty, University of Tirana, have tried our best to achieve this.
Therefore, I would like for this Conference to further serve the mutual economic co-operation and development.

Upon concluding my speech, with the hope to have transmitted all my gratitude to your presence here, I would like to extend my very best wishes to this conference, success to the honorable speakers, and an enjoyable stay in the beautiful city of Saranda to all of us.

Thank you!
Honorable Ladies and Gentlemen,

Before I give the floor to Mr. Kemal Dervis allow me to say a few words about this great friend of Albania and Albanians.

Kemal Dervis has become internationally renowned especially during the last year, for the precious assistance to the Turkish Government while it was facing the severest economic crisis of its modern history.

As one of the most credible policymakers of markets in transition, Mr. Dervis has held since 1998, the honorable position of a high official in the World Bank.

Of course, we, as Albanians, are very grateful to Mr. Dervis for the remarkable personal and institutional contribution, because, as we all know, World Bank has been one of the biggest donators and supporters of Albania during the 12 years of transition.

For the Turkish people and not only for it, Kemal Dervis is the inspirer of messages that call for European and global integration; he is the modern politician that has replaced the traditional ones, and, for the Turks, he is a breath of fresh air.

Being in possession of remarkable knowledge of the economic and political situation of the region, and in particular of the Albanian case, Kemal Dervis enjoys the indubitable sympathy of Albanians as one the main leaders of his country who has continuously and vigorously supported Albania, despite political fluctuations and changes.

It would take me a long time to speak of Kemal Dervis and his attributes but I am convinced that everybody is witness of his brilliant career in the World Bank, of his personal contribution in securing a vital package of 16 billion USD from the IMF that will help the revitalization of the Turkish economy, and will impact the economy of the whole region we live in.
“CAPITAL ACCOUNT LIBERALIZATION - WHAT SHOULD ALBANIA DO?”*

1. WHAT IS CAPITAL ACCOUNT LIBERALIZATION: THE PROS, CONS AND A BRIEF HISTORY.

Capital account liberalization means complete removal of controls and restrictions on movements of capital from and to a country. The word ‘restriction’ is used not only for outright legal prohibition, i.e. in cases when the law completely prohibits a certain transaction, but also when quantitative restrictions are imposed, and even in the cases when, for a given

2. How liberalized is Albania’s capital account: theoretical approach and empirical evidence.

3. Why do we advocate capital account liberalization?


5. Suggested steps of liberalization in Albania.

ABSTRACT

Capital account liberalization is one of the processes Albania will have to undertake in the near future. Restrictions on movements of capital are no novelty. They have been prevalent in many countries around the world especially during times of turbulence such as wars or economic depressions. The last two decades have been characterized by a continuous easing of controls on capital movement, and many countries have completely opened up their capital accounts.

However there is a number of countries, Albania included, that are not yet liberalized. While Albania imposes no restrictions or controls on capital inflows, it maintains controls on most capital outflows. The reasons behind the need for capital account opening are linked to the benefits stemming from this process such as higher economic growth, increased diversification opportunities, financial development, fulfillment of the requirements set by the Albanian authorities in collaboration with the WTO and the European Union, reduction of the informal economy, stable and low inflation etc..

Capital account liberalization requires the fulfillment of certain conditions such as: a sound macroeconomic framework; strong institutional and regulatory regime especially in the financial sector and appropriateness of the exchange rate regime. Therefore we stress the importance of preserving and improving current macroeconomic indicators such as GDP growth and inflation, the importance of the continuation of structural reforms, the importance of carefully monitoring the levels of total and especially foreign debt, and the immediate necessity to develop a foreign exchange-generating strategy that will enable Albania to maintain a sound balance of payments position.

As far as the liberalization steps are concerned, in line with theory and recorded evidence so far, we suggest that a careful approach be taken as Albania opens its capital account. The sequencing of the liberalization steps is very important. Sequencing stands for an ordering and a combination of structural and macroeconomic reforms with steps towards the opening of the capital account.

1. WHAT IS CAPITAL ACCOUNT LIBERALIZATION: THE PROS, CONS AND A BRIEF HISTORY.

*The presentation, held by Mr. Shkëlqim Cani, BoA Governor and Ms. Diana Shtylla, BoA specialist, IVth Bank of Albania Conference, Saranda September 11, 2003
transaction, approval from an authority such as the central bank is required. At this point it is necessary to underline the distinction between the obligation to receive an approval (authorization, permission) and the declaration required at the point of entry or exit of the capital. Some countries apply the system of the declaration of the quantities of capital that leave the country for mere statistical reasons or tax-related concerns. These declarations do not constitute restrictions or controls on the movement of capital because they do not impede or decelerate this movement. Because controls and restrictions on the movement of capital are both of quantitative and qualitative nature it is difficult to determine whether a country has a liberalized capital account or not.

Quinn and Inclán (1997) measured capital account openness in a number of countries by coding measures limiting international capital mobility according to their degree of restrictiveness.

Graph 1: Degree of openness

It is clear that in the second half of the last century the degree of capital account liberalization has been increasing especially in the last decade.

BRIEF OVERVIEW OF CONTROLS ON THE MOVEMENT OF CAPITAL

Capital has been moving from one country to another long before sophisticated financial and capital markets were in place. However, the movement of capital has, to various extents been subject to controls, the size and scope of which differed from one economic and political era to another. It is wrong to assume that controls on the movement of capital have been gradually lifted over the decades. There have been periods when capital has moved from one country to another with a greater freedom than it does today. Such was the gold standard period during which capital was transferred and invested in huge quantities, while interested rates of different countries were closer than they had ever been before. The fixed exchange rate regime, the gold standard, was regarded by many countries as a reliable and stable one. Short-term capital helped finance many new economic activities in many countries. The gold period was followed by the war period which included the two world wars and the interwar period—the Great Depression (1914-1945). This period was characterized by an increasing nationalistic feeling and anti-cooperational policies. Trust in the gold standard eroded after

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*1 Degree of openness measured in accordance with Quinn and Inclán index. Values close to 4 indicates maximum degree of liberalization.
the breakup of WWI and monetary policy focused on the solution of domestic problems and mostly on the financing of war-related deficits. Capital controls were imposed in countries all around the world as means that could protect them from currency depreciation and help keep the gold in their possession. The world economy shifted from a developed stage of globalization to almost full autarchy within a few decades. Capital movement was almost inexistent, international investment was viewed with suspicion and international prices and interest rates stopped moving in tandem. Global capital and international investment was even considered as the main cause of the depression in the 30s.

The third period - the Bretton Woods period (1945-1971) - was an attempt to reconstruct the world economy. Trade transactions flourished and economic growth was more prominent than ever. Despite the remarkable growth fears related to the movement of capital had not been appeased. IMF initially sanctioned controls on the movement of capital as a means to prevent currency crises. These controls granted the governments some independency to pursue active monetary policies. The philosophy advocating capital controls, was not abandoned until the end of the 60s when it became visible that global capital could not be contained. Capital markets were regenerated during the controls era, while fixed exchange rate regime was the common feature of many developed economies.

In the fourth and final period-the post Bretton Woods or the flexible exchange rate period- the trend was different. Although some countries were hesitant to replace the fixed exchange rate with the flexible one, between 1970-1990 capital movement has been quite remarkable. The governments of developed countries did not regard capital controls as necessary, as fixed exchange rates were not their priority any more. Since a flexible exchange rate could accommodate developments in the capital market, controls could be lifted without causing problems. The removal of controls encouraged the movement of capital in and out of many countries. In the peripheral countries economic reforms reduced transaction costs and direct investment risks. As a result, capital flew into these countries at least until the end of the 90s, when foreign investors became aware of the problems that could arise from the fixed exchange rate regimes that were still widespread among developing countries.

ARGUMENTS FOR THE CAPITAL ACCOUNT LIBERALIZATION

The classical theory suggests that international movement of capital allows countries with limited savings to attract financing for investment projects in the country, enables investors to diversify their portfolios, spreads investment risk and promotes intertemporal trade-the trading of goods today for goods in the future.

If capital is free to move from one country to another, then individuals, firms and countries can consume as much as they want to by borrowing from abroad when their income is not sufficient. Borrowing from abroad, helps smooth business cycles and allows domestic firms and individuals to keep consuming and investing even when domestic production and income are at low levels.

Capital account opening has been found to raise credibility in the monetary authorities. According to William McGruben and Darryl McLeod who compared inflation performance of countries that liberalized their capital account during the 90s with that of countries that did not do this, the continuous lifting of controls can bring down the yearly rate of inflation by up to 3 per cent. A similar conclusion has been reached by Eichengreen, Rose and Wyplosz (1996b). They studied the record of macroeconomic variables in countries that underwent crises, while some of the countries selected had liberalized their capital account and others had not. The authors found that inflation, money growth and trade imbalances are higher in crises occurring in the presence of controls. In another study done by Alesina, Grilli and Millesi-Ferreti (1994), it is made clear that countries imposing controls tend to have higher inflation and greater seigniorage revenue but lower real interest rates.

Johnston and others (1998) find that the intensity of capital controls is negatively correlated with

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2 “Liberalizing Capital Movements”, Economic Issues 17, IMF.
economic development and positively correlated with the level of tariff barriers, the black market premium and the volatility of the exchange rate.

ARGUMENTS AGAINST CAPITAL ACCOUNT LIBERALIZATION

A number of economists around the world bring forth several arguments against full liberalization or the manner in which it was conducted in certain countries. Some of these arguments follow:

In the first place it is hard to measure the net benefits that a country would reap from CAL, because, under normal conditions it is impossible to predict the losses that the country might incur in the face of a capital crisis. In a proper analysis a country must estimate the probability of a crisis as well as the potential losses that the crisis could bring about.

One opponent of the CAL, Sebastian Edwards, has found that capital movements do not always help total factor productivity growth. He separated countries into distinct groups according to their level of development, and found that financially sophisticated countries have much more to gain than financially underdeveloped countries. In other words, Edwards concluded that, a country can benefit from CAL only after having reached a certain level of economic development. In the same line of thought, it has been argued that developing countries suffer much more than developed countries in periods of crises.

In the private sector, CAL raises the question of access to credit especially for individuals and medium-sized companies. Small borrowers benefit less from foreign capital, and are more severely hit by swift capital flights because of their limited ability to transfer their assets abroad and limited access to financial services.

A number of economists while not being fully against liberalization, suggest that this process should be carried out cautiously and gradually. They argue that going back from a liberalized state to a controlled one, in case of crises, might be very costly and detrimental to the economy.

2. THE DEGREE OF LIBERALIZATION OF ALBANIA’S CAPITAL ACCOUNT AND REASONS BEHIND THE MODEST INFLOWS.

Albania is regarded as a country with low barriers to foreign capital and direct investment. An index of Economic Freedom constructed by Wall Street Journal ranks Albania higher than countries such as Japan, Canada, France, Slovenia, Bulgaria, Malta, Cyprus and all the ex-USSR countries. The reason behind this is because according to Albania’s Regulation on Foreign Exchange Activities, there is no approval process, and no sectors are closed to foreign investment. In the same way, repatriation of initially-invested foreign capital as well as the earnings stemming from these investments, face no obstacles in leaving the country.

According to this evaluation ‘Foreign and domestic firms are treated equally under the law in Albania and are guaranteed safety from expropriation or nationalization.’ There is only one (accidental) case in which foreign investors are not treated in the same way as residents of Albania. Foreign investors who invest in Albanian Treasury Bills must pay a 15 per cent tax on their profits as opposed to a 10 per cent tax imposed on Albanian residents.

The movement of capital to and from Albania is regulated by the Regulation on Foreign Exchange Activities (FEA) amended in 30.7.2003. As mentioned above foreign capital entering the country is not subject to any restrictions or controls. Despite the lack of controls, inflows of capital in Albania are very modest and we feel the need to analyze some factors that might have limited the incoming capital to Albania.

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Most of the capital comes to Albania in the form of FDI and capital transfers (credit) to the government. There are no portfolio investments from abroad whereas in the past three years domestic banks have purchased, in very limited amounts, foreign debt securities. Although we are aware of the benefits stemming from the diversification of incoming capital, we would like to investigate some of the reasons that have held back foreign direct investment (FDI) in the past few years. Inward direct investment is particularly beneficial for the host country. In a widely-held view, foreign direct investors are believed to increase domestic capital formation, to augment host country stocks of technology and managerial know-how, and to improve access to export markets. Foreign direct investments are considered as a comparatively stable source of external financing. On the other hand FDI is typically regarded as less responsive to adverse macroeconomic developments. It is associated with fixed investment which can only be liquidated at a substantial loss. (Lehmann 2002). Albania seems to have been less of an attraction for foreign

Graph 2: Imports, exports, capital + financial flows and remittances (% of GDP)

Graph 3: Distribution of FDI among southeastern European countries for 2001 (total 100 %).
investors than other southeastern European countries, even compared to the ones of similar size such as FYR Macedonia or Croatia. Reasons behind investors’ reluctance to invest in Albania can be related to:

1. Technological factors which may result in differences in production between the investing and the host country. Although Albania lags behind other developing countries, it is making progress in terms of attracting new technology. In the last two years imports of machinery and equipment, mostly related to investment in telecommunications made up 16-18 per cent of total imports.

2. Institutional factors that determine the perceived risk of confiscatory taxation, the presence of informal economy, unclear property rights and uneven application of laws and contracts. All these phenomena are observed and are still present in the Albanian business environment. Despite recent improvements, cases of arbitrary decisions, evasion and preferential treatment of specific subjects have been observed. Unclear property rights, which often result in dual ownership of an asset, corruption, delays, gaps and irregularities in the enforcement of law make it difficult for foreign investors to purchase or construct buildings, to acquire technology and to normally engage in a business activity in Albania. In addition to the overall improvement of investment conditions in the future, we believe that, the liberalization of the buying and selling of land may also aid foreign investors to conduct their business in Albania.

3. Financial system flaws and credit market constraints which have confined the development of the private sector. Albania is one of the SEE countries with the lowest level

Graph 4: Bank intermediation in SEE in 2001 (in percent of GDP)

![Graph 4: Bank intermediation in SEE in 2001 (in percent of GDP)](image)

4 Reference to Falcetti, Sanfey and Taçi 2002.
of domestic credit to private sector4. SME-s, for a number of reasons, are still having difficulties in attracting financing from domestic banks. Under these conditions it is obvious that well-developed financial system is required as an intermediary between foreign capital and SME-s in the country.

4. Lack of information and insufficient marketing which have also impeded foreign capital from entering the country.

5. Increasing concerns about repayment which are related to the current account balance situation. It is said that current account deficits are regarded as warning indicators of a crisis and higher account deficits tend to be associated with higher required risk premia. (Lipschitz, Lane and Mourmouras, 2002). As the current account deficit of Albania (as percent of GDP) has been growing continuously during the last 4 years, until it stopped at 8.3 % of GDP in 2002, concerns about the ability of the country to repay its external debt must have grown accordingly.

After scrutinizing the reasons behind shallow FDI-s in the last decade in Albania, we must mention the undeniable fact that FDI-s, like the majority of statistics in Albania, are subject to some erroneous registrations, estimations, misspecifications etc.. The Albanian balance of payments has been constantly registering positive large errors and omissions and this is a sign of underestimated inflows. Based on these observations and other information, we might conclude that incoming capital and especially FDI-s might be higher than those registered and presented in the balance of payments.

Outflows of capital, on the other hand, are still subject to restrictions. No approval is required for outgoing cash transfers from the territory of the Republic of Albania, when the amount transferred for investment purposes in Albania from a foreign bank has not been used; and for outgoing transfers from the territory of the Republic of Albania, for an amount up to the total of paid-in capital and earnings resulted from such capital investment, if this is supported by the appropriate documentation (Law no. 7764 dated 02.11.1993, “On Foreign Investments”). Commercial credits given abroad also need no approval, as long as their maturity is shorter than one year. Immigrants who are not residents of Albania can also transfer foreign exchange obtained through their occupation abroad, or the selling or investments of their wealth. In order to be able to transfer capital abroad, physical and judicial persons as well as individuals, residents of Albania, need to receive the approval of licensed subjects (commercial banks). The ceiling on the amount that could be transferred abroad by a single individual was raised from 20,000 usd to 3.5 million leks (currently 28,000 usd) or the equivalent in foreign exchange. Although the FEA Regulation does not allow residents to carry out direct investment abroad, investment in foreign securities, lending to non-residents etc., we believe that Albanian residents have transferred and continue to transfer capital out of the country both through legal and illegal channels. In sum we conclude that the capital account of Albania is completely liberalized on the side of inflows and more liberalized than suggested by legislation on the side of outflows.

### 3. WHY DO WE ADVOCATE CAL?

We are of the opinion that Albania should not ask whether to liberalize or not, but rather, when and how to conduct the liberalization process. For various reasons that will be presented in the paper, it seems that liberalization is unavoidable, and what we must take care of is the ordering of the steps and the preparation of a smooth liberalization process that will yield the desired benefits and diminish the drawbacks. Below are presented some points that support the liberalization thesis in Albania.

- **(a)** Fictitious controls; large informal economy; evidence that controls on outflows are being circumvented; theoretical support that controls on outflows are less efficient than controls on inflows of capital;
- **(b)** Empirical evidence that capital account liberalization promotes economic growth in developed and especially developing countries;
- **(c)** Long term prospect to become more integrated with the international financial system;
- **(d)** Short –to- medium term commitment to
meet the requirements of EU, WTO and other international organizations; 
a) There is good reason to believe that the size of the informal sector in SEE, as a percentage of the formal sector, is large compared both to advanced industrial economies and to transition economies in central eastern Europe and the Baltic states. Informal activities thrive in weak states where enforcement of the rule of law is patchy and barriers to entry are large. (Falcetti, Sanfey, Taci, 2003). Although Albania is not ranked among the countries with the highest share of informal sector/GNP (only 33.4 vs. 45.1 in Moldova and FYR-Macedonia) there is evidence that the share of informal sector is underestimated due to the method of estimation being used. Muent, Pissarides and Sanfey (2001) report evidence from a survey of legal enterprises in Albania that competition from the informal sector is the biggest obstacle they face in doing business, outweighing even access to finance or taxes. It is clear that in an economy where illegal and unregistered activities play an important role, unrecorded flows of capital both in and out of the country are present. Illegal activities are generally financed from sources outside of the banking system, such as revenue from other illegal activities carried out in the country or abroad. Most of the transactions in this fraction of the economy are conducted in cash, which is easy to transfer either through customs or through other channels. To illustrate this fact, we can refer to the low percentage of imports and exports that are paid for via banks. The figures for 2002 were 40 and 44 per cent whereas for the first six months of 2003 they were 34 for imports and 32 per cent for exports. 

If we consider legal ways of transferring the money abroad, we conclude that a standard 5-member family can transfer abroad through commercial banks around 130-140 thousand usd a year. If one manages to trick the interbank information system, which should not be very difficult in the current conditions, then one can transfer more than the allotted amount under the same name or using different identifications. There are sufficient reasons for us, as central bankers, to believe that Albanian residents can and do get around restrictions on capital movement. They tend to do this when political and economic conditions in the country deteriorate, when they suspect that their savings in foreign currency are not safe in the domestic banks (as was the case in March-April 2002), or for reasons related to illegal activities. Referring to theory, in addition to the points made above, we must mention quite a number of studies which have found that controls in general and controls on outflows in particular are far from being effective in restricting the movement of capital between countries. It has been found that controls have to large extent failed to inhibit portfolio capital flows, especially when a devaluation was anticipated. Evidence from a number of countries and a number of studies shows that only the most comprehensive and repressive controls on outflows have had at best limited effects.5

In conclusion, keeping in mind the size of the informal sector in Albania, the significance of cash in the economy, the continuous tendency of residents to circumvent controls, and the evidence that controls on outflows, even in the best cases, have resulted less efficient than controls on inflows, we might say that controls on the movement of capital in Albania are to a large extent ineffective and at the same time impossible to maintain.

b) Albanian economy has a strong need for foreign financing as it develops. Foreign capital is needed both for the privatization of existing entities, as well as for greenfield projects which are crucial to the overall economic development of the country. Theory suggests that a country that has liberalized outflows is more attractive to foreign investors, as the fear of being stuck with their capital in the country at a moment of crises is much smaller than otherwise. The scheme is simple. Less or no controls on outflows encourage inflows and more inflows help the country to efficiently allocate resources, to provide opportunities for risk diversification, to develop its financial system and to attract better technology and know-how from the investors. Many studies and surveys have concluded that developing countries that have liberalized their capital accounts have experienced economic growth at higher rates than under closed capital account. Quinn’s empirical estimates (1997) suggest that

5 “Capital Account Liberalization- Theoretical and Practical Aspects”, Occasional Paper 172, IMF.
the change in capital account liberalization has a strongly significant effect on the growth in real GDP per capita in his cross section of 58 countries over the period 1960-1989. Bekaert, Harvey and Lundblad (2001) find that financial liberalization leads to a 1 percent increase in annual per capita GDP growth over a five year period and that this effect is statistically significant. Along with these studies, there is a number of other studies which have found no correlation between liberalization and growth or which have found that this correlation is inexisten for developing countries (Arteta, Eichengreen and Wyplosz, 2001, and Klein and Olivei, 2000). Because we are faced with a choice here, we prefer to regard capital account liberalization as beneficial to the economy.

c) As we proceed towards a more open capital account, we will also enhance the chances that the Albanian capital and financial market become more integrated with the international market. The more markets are integrated, the better aligned the interest rates are and the easier it is to make educated choices about investments at home or abroad. Albania’s integration with international financial markets will be a gradual process and maybe it will some time, before we actually witness the outcomes.

d) Albania is committed to liberalize its capital account and it has agreed to do so within a certain timelimit. In the Report of the Working Party on the Accession of Albania to the World Trade Organization, removal of capital controls is one of the horizontal commitments. The report states that: ‘the Bank of Albania reserves the right to maintain capital controls which will apply on national treatment basis. The regime currently in place will be removed no latter than 2010’. At the same time Albania is preparing to sign the Stability and Association Agreement, which is a first step towards integration in the EU. This agreement will impose on Albania certain conditions regarding the sequencing of CAL and it will set, similarly to the commitments signed with WTO, a time limit after which the capital account of Albania will be fully liberalized. This limit will depend on the time when the SAA will be signed. However, based on the SAA already signed with Macedonia and Croatia, we believe that this limit will not fall beyond year 2010. As shown above, Albania does not have only the good will, but also the official commitment to open its capital account within a relatively short period of time.

### 4. CONDITIONS FOR CAL AND THE SITUATION IN ALBANIA

In this section of the paper will be presented several generally-acknowledged conditions that countries should meet before they decide to open their capital accounts. Transition economies that open themselves up to free capital flows are vulnerable. Global capital markets are huge relative to the size of these economies, so small portfolio shifts can exert an overwhelming influence on capital flows and domestic financial conditions. Policies should be set so as consciously to reduce vulnerabilities (Lipschitz, Lane, Mourmouras, 2002). As each condition is presented, the current situation of Albania is described along with some proposals for the immediate future.

a) Sound macroeconomic framework and continued restructuring of the economy;

b) Strong institutional and regulatory regime in the financial sector;

c) Ability to use fiscal policy to offset the effects of large capital inflows or outflows;

d) Access to information; policy transparency and data dissemination;

e) Appropriateness of the exchange rate regime;

a) Not all countries have opened their capital account while they were at the peak of their economic performance. However, according to the conventional view, macroeconomic stability is a key precondition for the liberalization of the capital account. Economic instability may deepen the weaknesses of the financial sector and the liberalization of capital account under these conditions may make matters worse. Sound macroeconomic policies are essential to the neutralization of this mutual relationship. In Albania’s case we must once again stress the

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6 Albania is a member of WTO since October 2000.
importance of preserving macroeconomic stability; current rates of GDP growth; inflation at low levels; maintaining external debt at sustainable levels; and, as we speak of capital account liberalization, the importance of designing foreign-exchange generating strategies.

Albania has a low export/imports ratio, while remittances from immigrants working abroad are almost twice the amount of exports. We could say that the real export of Albania is not that of goods but that of labor. Capital inflows are much lower than both exports and remittances. Since some of the sources of foreign exchange in Albania (remittances, foreign aid and revenues from illegal activities) are expected to pour less foreign exchange in the medium-term, we have to think of other long-term sources through which Albania can finance its current account. Good tourism, export-promoting or import-substitution strategies can help reduce the current account deficit, while strategies designed to attract foreign direct investment can help increase financial inflows.

b) Opening the capital account exposes the domestic financial system to foreign competition. Hence, most developing countries have attempted to implement financial sector reforms before fully liberalizing capital account. These reforms typically include freeing interest rates on loans and deposits, developing indirect monetary instruments etc.. Viewed from this perspective, the financial sector in Albania has done good progress in terms of preparing for liberalization. Interest rates on loans and deposits were liberalized in 2000 whereas credit ceilings had been abolished already. Bank of Albania is now relying on indirect instruments to conduct its monetary policy. From above we might conclude that the financial system in Albania is not unfit for CAL. Despite this fact, the financial system in Albania is still narrow and relatively underdeveloped. The banking system comprises the biggest fraction of the financial system. Banking supervision has done quite a progress towards international standards, whereas supervision of other financial institutions such as those of insurance requires essential reform.

Apart from the need to improve and strengthen prudential supervision, we must emphasize the necessity to improve the enforcement of law, especially regarding money laundering. The issue of money laundering is of crucial importance in the case of Albania for reasons related to the large informal sector and especially to the illegal and/or criminal activities that take place in this fraction of the economy. The fight against money laundering in Albania is a result of the combined efforts of the Ministry of Finance, Ministry of Public Order, Bank of Albania, General Prosecution Office and the National Informative Service. These institutions have signed a memorandum of understanding in 2002, with the purpose of designing a general action plan and of creating a representative group that would engage in the ‘Interinstitutional Cooperation in the Fight against Money Laundering’. The law ‘For the prevention of money laundering’ has been approved in 2000 and recently (2003) amended by the Albanian Parliament. Bank of Albania has also contributed to the anti-laundering campaign with a regulation dating 1997. Supervision inspectors from the Bank of Albania pay special attention to the forms filled for cash transactions, for quantities above 2 million lek or the foreign exchange equivalent. The authority in charge—the agency at the MoF—receives a special report filled by commercial banks and inspected by BOA inspectors, for each transaction above 70 million leks or its equivalent. The fight against money laundering is becoming more important with every report published by international organizations in which organized crime, smuggling, illegal activities etc., are cited among the major problems of Albania.

c) Openness to global capital markets reduces the possible range of action for monetary policy. The fiscal stance becomes, therefore, the preeminent tool of stabilization policy. But there are practical limitations to the ability of fiscal policy either to offset the expansionary impact of a large capital inflow or to provide support for economic activity in the event that these flows are reversed (Lipschitz, Lane and Mourmouras 2002). It follows that a country must be able to adapt its fiscal policy to the changes in the quantities and the direction of capital flows. It is suggested that a country uses contractionary fiscal policy if faced with large capital inflows and that it does the opposite when capital flies out of the country. If a country decides to use its fiscal policy as a flexible tool to stabilize capital flows, it must enjoy a strong fiscal position.
Albania’s fiscal position is a relatively stable one despite the high fiscal deficit. However, we should be aware of the fact that the use of fiscal policy is limited by multi-year governmental obligations and programs and is subject to parliamentary debate and approval. The message here is that Albania should be very careful about how it manages its fiscal policy if it decides to open up its capital account.

d) Access to information, policy transparency and data dissemination are important when liberalizing. When information on a country is restricted, the large throng of relatively uninformed investors follows the few who are deemed to have special access to information. This makes for runs and panics. Easy access to information allows investors to assess risk independently and is likely to militate against herd behavior. Therefore policy transparency and data dissemination should be seen as essential elements of economic management. Two of the biggest weaknesses in Albania are insufficient and erroneous information and poor dissemination and there is a lot to be done to improve the information system, to enlarge the body of users of this information, to raise the quality and usability of information and so on. The responsibility falls on all the institutions that produce, collect, use and publish information such as INSTAT, all ministries, Bank of Albania etc.. Policy transparency is at a somewhat higher level but, in this direction also, there is room for improvement.

e) The impossible trinity theory says that a country can not have an open capital account while it pursues an independent monetary policy and maintains a fixed exchange rate. Although both types of exchange rate regimes have their drawbacks in the face of capital flows, there is evidence that the floating exchange rate regime is less vulnerable than the pegged regime. Domestic borrowers in a country with a long-lived pegged regime may feel safe and may decide to assume more risk than necessary while borrowing. Albania’s regime of floating exchange rate, and its commitment to this type of regime smooth the progress of CAL.

5) SUGGESTED STEPS OF LIBERALIZATION IN ALBANIA

No matter how much or how little they support CAL, most economists tend to agree on one thing: the importance of the sequencing of CAL. Sequencing stands for an ordering and a combination of structural and macroeconomic reforms with steps towards the opening of the capital account. On one side, as already explained above, a country must undertake reforms that will improve the overall situation and will facilitate the process of liberalization.
Controls on capital movement can not replace sound macroeconomic, financial and structural policies. Therefore, before we begin to lift controls, we must identify the flaws of other policies, that these controls are intended to correct. The pacing, the timing and the sequencing of liberalization must take account of the political and regional situation. The commitment of authorities to engage in the liberalization process and their interest in reforms should be considered. It may be the case that, political considerations hold back the enforcement of an optimal reform program in the financial sector. For such reasons it is imperative that the authorities be cooperative, cautious and transparent as reforms are designed and implemented.

The improvement and strengthening of banking supervision is very important as liberalization is discussed. Complete restructuring of banks may require a long time. However it is recommended to follow through with liberalization after the necessary prudential measures are in place. Accounting practices are very important in this respect. Some of the practices that require special attention are related to the assessment of assets, the classification, provisioning and the amortization of loans etc..

Drawing from other countries’ experience, economic theory and ‘the recipe’ for capital account liberalization outlined in the Stability and Association Agreement signed by Croatia (assuming that the one that will be signed by Albania will be similar in content) we have come up with a general framework for liberalization and some suggestions regarding other processes that might facilitate CAL.

We have to clarify that, from here on, every time we mention a control or the liberalization of a certain item of the capital account, we refer to an outward movement of capital or a control on outflows, since, as explained before, Albania imposes no controls on capital inflows.

- We first propose that the 15 per cent tax on the yield of Treasury Bills to which non-residents are subjected, be lowered to the level of 10 per cent. If this change is made, there will be no discrimination versus non-residents and non-discriminatory practices are very important when liberalization is concerned.

- As a rule, a country begins to liberalize outflows by lifting controls on direct investments abroad. We suggest that Albania remove controls on outward direct investments gradually. Given the present condition of business and economy in Albania, we believe that the risk of capital flight, if outward investments are liberalized, is low. As the Albanian economy becomes more competitive, domestic investors will be more willing and encouraged to explore investment opportunities in the country rather than export capital abroad. At this point it is appropriate to emphasize the importance of improving the overall investment climate in Albania. The controls on outward investments can be abolished by raising the ceiling of the amount that can be transferred abroad (for investment) and by finally eliminating the ceiling altogether. This process may take a few years but not more than 3 or 4. One way to monitor outward direct investment can be through the Ministry of Finance. The MoF can initially issue authorization for outward investments after the resident entity presents proof that it is has paid its fiscal obligations and has generated profit for a certain period of time. This would provide for ‘clean’ and controlled capital. After a certain period of time, requirement for authorization from the MoF can be lifted and residents may be allowed to invest freely, while still reporting the capital they export, for statistical purposes.

There are certain processes that could facilitate direct investments from Albanian residents abroad. One regards the visa procedures. It is a well-known fact that visas to and out of Albania are a hindrance to investors. There have been cases when non-residents have encountered difficulties in acquiring an Albanian visa, not to speak of the long and painful application process that Albanian residents have to go through in order to obtain visa for almost every foreign country they visit. We believe that, if the movement of people in and out of the country is made easier, foreign and resident investors will be able to better assess investment opportunities in the country or abroad. We encourage foreign and domestic authorities to give this matter special attention in the immediate future.

- In the first stages of the liberalization process, we may start considering the possibility of allowing the issuance of commercial credits
of a maturity longer than one year to non-residents along with financial loans of the same maturity. The maturities of these types of credits are normally considered as a protection against crises. The liberalization of both outward direct investment and long-term commercial and financial loans should be accompanied by:

• review of the financial legal framework;
• improvement of statistics and standard accounting procedures;
• strengthening of general agreements on liquidity and accompanying monetary operations as well as those regarding the exchange rate.

In the last stage of liberalization, we propose the liberalization of portfolio investments as well as that of financial credits and loans with maturities shorter than one year. The lifting of controls on these capital transactions is recommended after the following requirements are met:

• Strengthening of the legislation; of supervision and risk administration;
• Financial sector and corporate reforms;
• Development of capital markets including pension funds.

All the above recommendations are based on the ordering of the liberalization steps that have generally been agreed upon. We must say that, when capital account liberalization is discussed, as is the case with macroeconomic, fiscal and monetary policies that countries choose, there is no single recipe that would yield the desired results at any time and in any place.

For this reason, the need for a thorough analysis of the economy arises. This analysis would identify the specific conditions of the country, the relationship among various sectors of the economy, the sensitivity of each sector to external developments etc..

This analysis should be conducted not only at the beginning of liberalization, but at each liberalization phase since, domestic and external conditions are subject to constant and, often unpredictable, change.


Three months before the end of 2003, it could be concluded that the economy has been performing conform the objectives set in the development program of the country. Just like the previous years, the Albanian economy is likely to mark another satisfactory increase of the general production. According to the latest indicators, the real increase of the GDP is expected to be in the limit of 6 percent, as it was estimated in the economic development program of the country for 2003. The data available, albeit the fact they are again insufficient, make us believe that this important target is attainable, and therefore, considering their variety, we would depict:

- Agricultural production, according to the assessments for July, is estimated to have maintained, almost unchanged, the growth rate compared to what was planned. Evidences show that agro-industrial production – in particular – has had a positive performance, recording a 13 percent increase in the first half of 2003 as compared to the same period in the previous year.

- Signals coming from the sales’ volume index suggest an upward trend of the economic activity of other areas of the economy in general. The most evident economic boom in real and nominal terms was presented by the industry, service and transport-telecommunication sectors.

- Various indicators of the domestic demand, such as the fuel consumption one, the motorcars’ import and home electric appliances have had a notable increase as compared to the previous year. The highest increase was in the import of machineries and equipments, which in the second trimester of 2003 increased by 15 percent compared to the same period in the previous year. The total of foreign trade transactions during the first half of 2003 has increased considerably as compared to the same period in the previous year, despite the exchange rate impact. What is worth mentioning is the high growth of the Albanian exports during the second trimester of 2003, though their weigh remains still low in the overall volume of the foreign trade. The electric power situation during 2003 has marked a notable amelioration, lessening thus at the uttermost an artificial barrier against production and commercial activities in the country. On the other side, this has led to the reduction of the inevitable import of the electric power, though we believe that efforts in minimising the damages in the network should increase.

- As in the previous years even during the first half of 2003, it is registered a high level of foreign exchange inflows in the form of remittances, a phenomenon that has been an important source of growth before.

Inflation, the other target of the development program for the country, seems to be on track. More specifically, annual inflation at the end of September 2003 was within the targeted interval 2 - 4 percent, as declared by the Bank of Albania. Factors influencing inflation performance during this year are the same traditional ones, perhaps with the only difference that the bigger number of tourists and the exports’ increase has somehow influenced more pressures on the foodstuff prices. Meanwhile, other indicators as the monetary ones, the exchange rate, the budget deficit, etc, have affected the amortization of the pressures.
emerged as a result of the foreign demand increase. However, even during this period our economy, being an economy under transformation, continued to produce shocks on the supply side, where the most evident remains the increase of the administered price of the electric power as well as the increase of the excises and taxes in June. Relying on the forecasting models of the Bank of Albania and also on the steps to be undertaken by the Bank of Albania towards the public awareness on minimising speculations of year-end prices, there is a strong belief that this target could be achieved.

The two core economic policies, the monetary policy and the fiscal one, are assessed as being adequate and within the planned framework, bringing thus a greater contribution to strengthening the macroeconomic stability in the country.

The reduction of the Repo’s interest rate by 0.5 percent in July is not followed by any changes. Meanwhile the Bank of Albania, is carefully watching the interest rate fluctuations in the financial market and according to the developments in foreign exchange markets and to the expected developments in the monetary indicators, inflation, production, etc, it believes that there is room for a further reduction of the core interest rate by 0.5 percent from the present level of 7.5 percent to 7 percent.

According to the year-end developments of 2002 and to the first nine months of 2003, monetary developments are characterized by a rapid return of the money into the system. Specialists believe that spring 2002 haemorrhage effect is surpassed, and the recent developments in extending the banking system and in improving the services offered constitute premises for a better situation of the liquidity in the system.

Even during this year as during the recent years, the economy has continued to draw in financing in the form of the banking credit. During January – August 2003 a loan of 55 billion Lek has been extended, which means 1.4 times more than the same period in the previous year.

On the other side, developments in the foreign sector of the economy speak about a further growth of the foreign trade activity, where the most positive developments belong to the growth of exports and remittances. Though the tourism activity might seem upgraded, we are to wait for the third trimester of 2003 data, in order to have a clearer view of the whole 2003. The exchange rate, reflecting developments in the interest rate in the American and European economy, developments in international markets as well as the country’s developments, has presented a kind of appreciation versus the two main currencies. Under these circumstances the Bank of Albania has time after time intervened in the market to lessen the pressures of the foreign currency supply. Consequently, the foreign currency reserve of the Bank of Albania at the end of September reached the level USD 965 million, in absolute value, a figure this that corresponds to the Bank of Albania target in covering 4.5 months of imports.

Though it remains somehow less than three months from the end of the year, we believe that there is still room for greater attention, so that this year not only keeps the planned rate but also provides premises for a favourable performance in the short-term and mid-term future. The Bank of Albania considers that a greater attention should be paid to the upward trade deficit, which according to the six-month figures has reached the level of USD 615 million. The Bank of Albania believes that the proceeding with the reforms scheduled for 2003 comprises a significant issue in attaining a sustainable growth in the follow-up periods. The Bank of Albania hopes to achieve a successful trade of the Savings Bank and also to find the new investor of the National Commercial Bank. The commitments taken in this direction are considered to be of the same importance: a more efficient management of power resources and distribution system (Grid), successful finalisation of the steps taken in the privatisation of Alb telecom, INSIG, etc.

At the end, the Bank of Albania hopes in the implementation of an accurate fiscal policy for the rest of the year, a policy that inevitably should reduce the negative effects caused by the non-realisation of revenues at the intended level. Despite other facts, the Bank of Albania is of the opinion that an accurate policy would help to avoid pressures on the liquidity at the end of the year, a phenomenon historically present adding thus unduly pressures on the monetary policy in the last month of the year.
The Bank of Albania Governor, Mr. Shkëlqim Cani takes part in the Bank for International Settlement Annual Meeting

The Bank of Albania Governor, Mr. Shkëlqim Cani takes part in the annual meeting of the Bank for International Settlement (BIS), which took place on 28-30 June 2003 in Basle, Switzerland. Along with the Governors of the banks that are members to BIS, other central banks’ governors and directors of international financial institutions participated in the meeting. The main topics of the 73rd annual BIS meeting had to do with the recent developments of the financial markets, central banks’ interest rates, monetary developments and deflation in Euro zone countries, as well as the presentation of the Annual Report.

Mr. Nout Wellink, President of BIS, stated in front of 100 central banks’ governors and international institutions that attended the conference that we are recently facing a low inflation rate, reduction of world demand and business community investments, something that is considered as unusual for a post-war situation. Albania has had 500 shares of BIS since the establishment moment in 1925, in 1969 the shares number was doubled at a nominal value of 2 million and 500 thousand golden franc and at a real value of 25 % of the amount or about 62 thousand golden franc (the value invested at the initial moment) But on May 26, 1976, the Bank of Albanian State requested to leave BIS, while in September of the next year BIS accepted the leaving of the Bank of Albanian State, returning to it the amount of 3.1 million Switzerland franc or 1.285 million dollars. The Governor, Mr. Cani had a number of meetings with governors and other personalities of international financial world.

The Bank of Albania reduced the core interest rate by 0.5 per cent

The Bank of Albania Supervisory Council, in its meeting dated 09. 07. 2003, after considering inflation forecasting and performance, factors expected to impact on inflation and performance of monetary conditions in economy, decided to reduce the base interest rate (repo rate – the reverse repurchase agreement rate) by 0.5 per cent. After this reduction, the interest rate applied to repurchase agreements and reverse repurchase agreements shall be 7.5 per cent.

The Bank of Albania Supervisory Council, in its decision to reduce the interest rates, took into account the following factors:

- inflation range at year-end is forecasted to be within the target of 2-4 per cent;
- inflation increase during February-June has been mainly impacted by the factors influencing the supply;
- inflationary expectations in economy are stabilized in acceptable levels.
- Reacting to it, a reduction of interest rates by second tier banks is noticed during the recent years;
- monetary conditions in economy are improved:
  - real interest rate, though close to its equilibrium level, remains high, as compared to its historical levels;
  - currency outside banks is being constantly reduced and its ratio to monetary supply is close to lowest levels ever had during these three years;
  - lek has reflected appreciating tendencies during the recent months.
BANCA POPOLARE PUGLIESE ESTABLISHES ITS REPRESENTATION OFFICE


License No. 1, date 02.07.2003, defines the permitted activities for the representation office, which may not perform banking activity, but it has only the right to organize studies for acquainting Albanian market and to advertise the financial activity. The license is not time-limited and nontransferable.

The Representation Office of Banca Popolare Pugliese has the following address:

Sheshi “Skënderbej” - pranë Pallatit të Kulturës - kati i tretë (Tel. (04) 256 782).

THE GOVERNOR MEETS THE INTERNATIONAL MONETARY FUND MISSION

On July 15th, 2003, the Bank of Albania Governor, Mr. Shkëlqim Cani, held a meeting with the International Monetary Fund Mission headed by Mr. Jan Kees Martijn, economist in the European Department of the IMF. He was accompanied by the permanent representative of the IMF in Albania Mr. Jan-Peter Olters.

Main issues of the meeting were inflation, monetary developments, the Savings Bank privatization and developments in the financial market. Mr. Martijn said that the IMF appreciated the monetary policy conducted by the Bank of Albania as well as the recent decision made by the Supervisory Council on the reduction of the core interest rate. “We are glad to notice that the monetary aggregates are under control and the money outside banks is returning at a satisfactory pace back to the system”, stated Mr. Martijn.

Governor Cani stated that the Bank of Albania forecasts an annual inflation rate within the targeted interval of 2-4 percent, albeit the impacts of various factors such as tourists, domestic agricultural agro-industrial production, local government elections, etc. Regarding the Savings Bank privatization, the Governor said that there have been positive developments in the restructuring process; the Ministry of Finance, the Bank of Albania and the Savings Bank itself have already set up the working groups and are working on the marketing and public awareness with regard to the Savings Bank privatization process.

THE GOVERNOR AT THE JOINT PRESS CONFERENCE WITH THE IMF MISSION

The International Monetary Fund Mission, upon concluding the visit during 14-22 July, 2003 held a joint press conference on July 23rd, 2003 with the highest Albanian financial and monetary authorities on the three year Agreement with the Albanian authorities. The Bank of Albania estimates the final document of the IMF mission as a real reflection of the analysis of the Albanian economy performance and the continuation of the Memorandum of Understanding between Albanian Authorities and the International Monetary Fund. Personally, I am focusing my speech at monetary developments synthesized at keeping an inflation rate within the target band of 2-4 percent. The Bank of Albania as always has kept regular contacts and consultations with the IMF, pursuing a “moderate” monetary policy during the first half of 2003. It has twice cut the core interest rate by 0.5 percentage points, each time. The Bank of Albania evidences with pleasure that commercial banks and the market, in general, have understood and sometimes reflected in advance the monetary policy, through constantly reducing credit and deposit rates, in this way. Inflation forecasts seem positive and despite the possible impacts, the Bank of Albania anticipates the achievement of inflation target for 2003.

THE BANK OF ALBANIA GOVERNOR MEETS EXCELLENT SELECTED STUDENTS OF ECONOMICS FACULTY, TIRANA UNIVERSITY

The Bank of Albania Governor, Mr. Shkëlqim CANI, last days received in an office meeting 20 students, selected by the academic staff of Economics Faculty,
Tirana University. The meeting was held in the framework of the Bank of Albania institutional cooperation with Economics Faculties and Universities all over the country and aimed at creating employment possibilities for the most distinguished students, in the recent years.

According to the Bank of Albania Governor, the Bank of Albania invitation is valid for all graduate students of Economics Faculty, who have acquired excellent results, showing no restriction to the participation of open competitions, that the Bank of Albania develops.

Meantime, the central bank institution is offering the best it can to all interested graduates, to get familiar with the work in the Bank of Albania, in order to ensure a well-trained staff for the institution, in the future.

MEETING WITH JOURNALISTS ON THE SAVINGS BANK’S PRIVATIZATION

A meeting of the Bank of Albania work group on the Savings Bank’s privatization and the General Director of the Savings Bank, Mr. Adrian Kamberi, took place at the Savings Bank premises on August 8th, 2003 with media representatives to discuss on the Savings Bank’s privatization and the advantages of a private savings bank. There were about 15 journalists present at the meeting, written and electronic media representatives.

The meeting aimed at clarifying the participants on the indispensability of privatization in the banking system, financial reforms and experiences of the other countries in this direction, advantages of establishing a private savings bank, continuing with the effects of Savings Bank’s privatization and its concrete steps.

The Bank of Albania Governor in the 54-th Session of International Institute of Statistics Invited by the International Institute of Statistics, the Bank of Albania Governor took part in the 54-th Session of International Statistics, developed in Berlin, from August 13 to 20, 2003. Invited in this session were more than 2500 participants from statistics, economy, central banking, mathematics, engineering area etc., arriving from all over the world.

The conference was held in five meeting sessions and these day topics were mostly focused on statistics development and prospects.

Mr. Cani presentation was on the topic “Statistics role under Monetary Policy function” and treated as main matters: monetary policy performance; a presentation of macroeconomic statistics, statistics use in decision-making process and occasional conclusions.

Mr. Cani presentation on main monetary policy development focused on three matters: monetary policy overall functioning scheme; monetary policy main periods and prospect developments; statistical institutional and macroeconomics aspects.

FOURTH INTERNATIONAL CONFERENCE OF THE BANK OF ALBANIA

The two-day proceeding “Albanian Economy: Performance and policy Challenges” Conference September 11-12,2003 organized by the Bank of Albania and the Economics Faculty of the University of Tirana, analyzed the performance of market economy, balance of payments, economics in transition and monetary policy.

The conference brought innovations not only in the way of panel organization with separate and important themes on the development of transitional economies in the region, but also in the true suggestions to the policy makers and decision making authorities, as well as to the business community.

Designed as a scientific conference with the participation of personalities from the academic, institutional and banking business field, the conference presented ideas on the reduction of informal economy in Albania, reduction of the balance of payments deficit, increase of the public sector efficiency in present phase of the economic transition and the increase of the monetary policy in particular and of economic policies in general with the aim of achieving macroeconomic and financial stability. However, according to the referees, this stability should not influence the business and economy development in general.
The institutions, which support the setting up of a real market economy need still to be stabilized. The institutional reform in transitional economies, like the Albanian economy, has been more complex than expected. The little progress of the institutional progress seems to have influenced an unsatisfactory development in various fields of the economy, as discussed in the conference.

According to some referees, the degree of the informal economy in Albania has reached such levels blocking up the economic development and it has also suppressed the role of the government through its fiscal policy. The transformation process of the informal economy towards a formal economy requires the increase of public services and development, particularly a more trustful plan against the fiscal evasion. On the other side, the stability of the current account deficit was treated in the aspect of finding the way to increase the competitiveness of the Albanian products under the framework of replacing import and spurring export.

The conference appreciated the integration process and it had also debates on the level of economic and institutional reforms and on the challenges it has to be faced with, particularly the problems on the ownership eligibility, the development of the private and financial sectors. The discussions on the developing markets were presented as an important commitment to the Albanian economy and other economies in transitional periods, and they also underlined the necessity of consolidating the institutions. Nevertheless, this does not imply that the economic policies - particularly the monetary policy - and the development of financial markets are not as important as this phase of transition.

The macroeconomic stability attainment in Albania provided a suitable climate in the increase of the efficiency and role of the Bank of Albania monetary policy compared to many countries in transition which have encountered many difficulties in attaining macroeconomic stability.

The conference was honored by the participation of Mr. Kemal Dervis, MP in the Turkish Parliament. In his greeting, he pointed out the importance of not only economic but also social features of the economies in transition, in designing and implementation of economic policies, especially by international institutions, as the International Monetary Fund.

Mr. Hossein Samiei, Chief of the Financial Division in the First European Department of IMF, stressed the fact that Bank of Albania has recently started to conduct a more systematic monetary policy based on the changes of interest rates, reflecting the signals sent by the developments of inflation and real economy.

Mr. Franco Passacantando, executive director of the World Bank, Albania included, focused on the ameliorated climate for private activity in Albania. According to him, business and investment climate are the clues to a stable economic growth and poverty reduction. According to Mr. Passacantando, the macroeconomic as well as political stability is essential for a business climate. He also said that state bureaucracies, adding costs to the private activity and holding back the domestic and foreign investments, should be reduced.

High representatives from central banks in the region, like the Central Bank of Turkey, Central Bank of Greece, The National Bank of Croatia and the National Bank of Bosnia-Herzegovina were among the participants who reported and discussed in the Conference.

The Conference reached some important conclusions:

First, the economic philosophy and policy should go toward the co-operation between the government and markets as counterparts, clarifying that markets are the essence of the economy and this limits somehow the role of the government.

Second, the state should have an important role in promoting and maintaining the economic growth. It is time to duly understand the role of the public sector, especially during economic depression.

Third, the business climate in Albania needs additional measures, which would promote exports and foreign direct investments that have become a necessity in maintaining the foreign equilibrium and a stable economic growth.
Fourth, the business authority and community should commit themselves to the observance of the market economy and fair competition rules and to the execution of legal acts. Businessmen should increase the transparency of their activity and should well-understand that partnership with state authorities is “the clue” in solving the many problems the Albanian economy is being faced with.

Fifth, the Bank of Albania should take further the development of capacities in the economic development analyses with the aim of maintaining macroeconomic and financial stability, spurring thus economic development.

Sixth, the financial system, being “the heart” of the market economy, requires a special attention considering the crediting level upgrade, so indispensable in the development of small and medium enterprises.

MEETINGS OF THE BANK OF ALBANIA GOVERNOR, MR. SHKELQIM CANI DURING THE ANNUAL MEETING OF THE IMF AND THE WORLD BANK

On the eve of the Annual Meeting with the World Bank and the IMF to be held on 23-24 September 2003 in Dubai of United Arab Emirates, the Bank of Albania Governor and at the same time the IMF Governor for Albania, Mr. Shkelqim Cani held a meeting yesterday with Ms. Carol Carson, Director of IMF Statistics Department. At the outset, Mr. Cani expressed his thankfulness, on behalf of the institution he governs, to the continual assistance that the Statistics Department has provided to the Bank of Albania. On her part, Ms. Carson expressed optimism about the so-far cooperation with the Bank of Albania and on behalf of the IMF Statistics Department, she expressed her commitment to deepen further the assistance.

In his meeting with Mr. Michael C. Deppler, Director of IMF Department on Europe, Mr. Cani made a detailed statement in relation to the most recent developments in Albanian economy, stressing that the main economy indicators are generally moving along according to the programmed steps.

Concerning inflation expectations, the Governor Cani highlighted the fact that inflation is closer to the upper limit of the 4 per cent range, a fact that makes Albania be very prudential in making a new decision in relation to a possible interest rate reduction.

The representatives of IMF Department in Europe emphasized that they share the same opinion in relation to Albanian economy development and that the IMF mission that is going to visit Tirana on October 2003 will provide a more complete opinion on this issue.

Besides economic developments and future monetary policy stance, the interlocutors laid special emphasis on some issues as the Savings Bank’s privatization, the re-selling of the National Commercial Bank shares owned by Kent Bank, the business climate, the government security market, etc.

In response to this interest, Mr. Cani stressed that Albanian authorities are making many efforts to successfully finalize the process of Savings Bank’s privatization.

Meanwhile, the Governor stated that more care should be shown in finding the new buyer of the NCB shares. The aim is to find a strategic investor with distinguished reputation and experience, since the NCB itself constitutes a financially sound bank and it is the second largest bank of the country.

The Governor held also a meeting with Mr. Charles Enoch, Chief of Technical Assistance at Monetary and Financial Department (MFD).

It was emphasized by Mr. Cani that the so-far assistance has generally been efficient and that the further continuation of the Bank of Albania relations with MFD requires that priority should be shown to the Bank of Albania strategic objective on adopting inflation targeting regime in the future.

It was pointed out, inter alia, that more assistance is needed in the direction of exploring monetary transmission mechanism, modeling techniques and forecasting, etc. Other possible directions of technical assistance mentioned by Mr. Cani were: the scientific content of the future Bank of Albania conference, the maximum compliance of the Bank of Albania accounting with the international standards, the further enrichment of statistics, etc.
The comments made by Mr. Enoch highlighted that Albania has always been a good example of efficiency of assistance provided by MFD (known some time ago as MAE). Therefore it is decided that our country be used as a pilot country, meaning the conducting of a complete expertise in relation to efficiency of technical assistance absorbed during these recent years.

In the meeting with the executive director of the Authority for Banks and Payments of Kosovo, Mr. Branger, it was dwelt on the economic situation and especially on the developments of the financial systems in both countries.

Mr. Cani and Mr. Branger agreed on a more intensive exchange of the ideas, opinions and of the exchange of the technical assistance between the two institutions and the establishment of training and qualifications of our specialists on regular basis.

According to the interlocutors, Bank of Albania and the Authority for Banks and Payments of Kosovo shall notice the possibility of the further development and officialdom of the relations between the two institutions.

In the meeting with Mr. Kosrow K. Zamani, director for the South-Eastern Europe and Central Asia in the International Financial Corporation, part of the World Bank Group and with Mr. William Buiter, the chief economist at the European Bank for Reconstruction and Development (EBRD), discussed generally on the economic developments in Albania and the relations of Bank of Albania with the international financial institutions.

A theme of much concern in the Governor’s meeting with the directors of IFC and EBRD was the privatization process performance of the Savings Bank and, more concretely the plan of the activities that will be undertaken till year-end related to the finalization of this process.

Also, the meeting gave a special attention to finding, as soon as possible, the new investor to the National Commercial Bank shares belonging to Cent Bank. The representatives of IFC and EBRD, as shareholders of National Commercial Bank, said that recently there has been an intensification of attempts in finding a new shareholder of the part owned by the Turkish State Authority of Deposits Insurance.

From this point of view, the three institutions participating in the meeting shared the same opinion that the new owner of National Commercial Bank should enjoy the reputation, and on this ground IFC as well as the other shareholder EBRD should encourage the Turkish State Authority of Deposits Insurance in finding an acceptable alternative for buying the shares of the National Commercial Bank. Considering the fact that National Commercial Bank is the second greatest bank in the country and judging from its sound condition and the interesting geographical extension, the interlocutors shared the same opinion that there do exist adequate facilities for finding a new investor as adoptable as possible.

On this ground, it was agreed that in the following visit of the Bank of Albania Governor, Mr. Shkëlqim Cani, it will be enabled a simultaneous contact of the three actual owners of National Commercial Bank and close appreciation of the Turkish potential candidates for the purchase of the shares packet that is actually owned by the Turkish State Authority of Deposits Insurance.

In conclusion of the meeting, the discussions focused on the methodology and procedures followed in calculating the credits given to the developing countries in the well-known publication of EBCD “The Development Report of Transitional Countries”. Mr. Buiter stated that there is a transparent procedure at the end of which the opinion of the respective authorities of each country is required, where the Bank of Albania itself will give the comment or opinion on the financial part on behalf of Albania in the sequential report.
LEGAL EVENTS

SUPERVISORY COUNCIL DECISION NO. 17, DATED 10.01.2003

On some amendments and alterations in the National Employment Service Statute, approved with decision no. 42, date 17.1.1998 by the Council of Ministers “On Approving the National Employment Service Statute”. The statute has undergone some alterations in formulation and some amendments in the “Duties and responsibilities of the regional and national employment offices”.

THE COUNCIL OF MINISTERS DECISION NO. 26, DATED 16.01.2003

On an amendment in the decision no. 602, date 02.11.2001 of the Council of Ministers “On electric power ceiling prices, for family and non-family users”. According to this decision, the electric power prices are subject to change for “family users”, “special users” and “other users”.

THE COUNCIL OF MINISTERS DECISION NO. 49, DATE 23.01.2003

On approving the agreement between the Government of the Republic of Albania and the Ukraine Government, on mutual promotion and protection of investments.

THE COUNCIL OF MINISTERS DECISION NO. 50, DATE 23.01.2003

On approving the agreement between the Government of the Republic of Albania and the Ukraine Government on economic and commercial co-operation.

THE COUNCIL OF MINISTERS DECISION NO. 51, DATED 23.1.2003


THE COUNCIL OF MINISTERS DECISION NO. 53, DATED 23.1 2003

On approving the agreement between the Republic of Albania Government and the Government of the Republic of Italy on cooperation in tourism area.

THE BANK OF ALBANIA REGULATION


ACT NO. 8999, DATED 30.1.2003


MINISTRY OF FINANCE GUIDELINE NO.2, DATED 8.1.2003

On the taxation system in the Republic of Albania. Guideline on tax collection, payment methods and relevant tax collectors.

MINISTRY OF FINANCE GUIDELINE NO.3, DATED 27.1.2003

On simplified income tax. It has to do with “simplified income tax on the taxpayers not registered or forced by law to register on the VAT”. It also relates to registration, declaration, keeping records, issuing the sale documents, taxation control, verification, as well as payment.

MINISTRY OF FINANCE GUIDELINE

On national tax to small business.
It relates to tax management, its level. Establishing the business location, registration requirements and tax payment.

**Act No. 9001, Dated 6.2.2003**

On the ratification of “Regional operation program “CARDS 2002” between the Republic of Albania Government and the European Community Commission”.

**Act No. 9002, Dated 6.2.2003**

On the ratification of the financial Agreement between the Republic of Albania Government and the European Community Commission, on the occasion of “CARDS 2002”.

**Act No. 9011, Dated 20.2.2003**

On the ratification of the loan, finance and project Agreement between the Republic of Albania, Albanian Development Fund and KfW on the “Social investment fund, II project”.

**Act No. 9012, Dated 20.2.2003**


**Act No. 9013, Dated 20.2.2003**

On the ratification of “Supplementary Agreement of Loan and Project between the Republic of Albania, Albanian Electro-Energetic Corporation and KfW on “Electric power supply in the South Albania” project”.

**Act No.9023, Dated 6.3 2003**

On establishing Export Promotion Agency (EPA). It ratifies the creation of this agency, organization, functioning and its activity.

**Bank of Albania Regulation Approved by Decision No. 15, Dated 26.2.2003.**

“On procurement of commodities, services and constructions at the Bank of Albania”. The regulation establishes rules on procurement of commodities, services and constructions at the Bank of Albania.

**Act No.9036 Dated 27.3.2003**


**Act No.9041, Dated 27.3.2003**

On an amendment to act no.8976, dated 12.12.2002 “On the Excises”.

**Act No. 9042, Dated 3.4.2003**

On the ratification of the “Loan, Finance Agreement and “Water supply, Kavaja II, Mansuria” project, between the Republic of Albania and the German Bank for Reconstruction and Development (KfW)”.

**Act No. 9043, Dated 3.4 2003**

On the ratification of the “Loan, Finance Agreement and “Water supply in Central Albania, components Berat and Kuçovë” project between the Republic of Albania and the German Bank for Reconstruction and Development (KfW)”.

**Act No. 9044, Dated 3.4 2003**

On the ratification of the “Loan, Finance Agreement and “Water supply in Central Albania, component Lushnjë” project between the Republic of Albania and the German Bank for Reconstruction and Development (KfW)”.

**Act No. 9050, Dated 17.4.2003**

On the ratification of “Free Trade Agreement between the Republic of Albania and Romania”.

**The Bank of Albania Regulation Decision No.33, Dated 23.4.2003.**

It determines the procedure on selling depreciated items at the Bank of Albania, aiming at income realization in Bank of Albania favor.
ACT NO. 9051, DATED 17.4.2003

On the ratification of “Convention between the Republic of Albania and the Kingdom of Belgium in avoiding double taxation on income and capital taxations and in preventing fiscal evasion”.

ACT NO. 9054, DATED 24.4.2003

On the ratification of the “Convention between the Republic of Albania and the Republic of France in avoiding double taxation on income and capital taxations and in preventing fiscal evasion”.

DECISION OF THE COUNCIL OF MINISTERS NO. 276, DATED 8.5.2003

On approving the development policy paper, for the second stage of credit, in support of the National Strategy on Economic and Social Development (NSESD).

DECISION OF THE COUNCIL OF MINISTERS NO. 410, DATED 19.06.2003

“On the approval of the minimal value for the shares and the approval in principal for the terms of the Agreement with IFC and EBRD, on privatisation of “INSIG AE” (first phase). According to this decision were approved the minimal value for selling the shares and the terms of the agreement presented by IFC and EBRD.

LAW NO. 9077, DATED 09.06.2003

“On the ratification of The Free Trade Agreement between the Republic of Albania and the Republic of Bulgaria”. According to this law there will be a reduction of customs tariff each year with 20% till year 2007 on which they will be completely eliminated.

LAW NO. 9080, DATED 12.06.2003

“For a change in the law no.8981 datedd 2002-12-12 “On approval of the customs tariff size”.

THE COUNCIL OF MINISTERS DECISION NO. 405, DATED 19.06.2003

for a change in The Council of Ministers decision no.54, dated 27.2.1992 “On the Ministry of Public Order and the officers of the Ministry of Justice wage system”.

THE COUNCIL OF MINISTERS DECISION NO. 406, DATED 19.06.2003

“On changes in the Council of Ministers decision “On wages of budget institutions personnel”.

THE COUNCIL OF MINISTERS DECISION NO. 436, DATED 26.06.2003

“On increases in pensions”. According to this decision there will be an increase of 10% of the pensions and the financial effect for the year 2003 will be Lek 1659 milion, and will be issued from the funds projected in the budget of this year”.

THE COUNCIL OF MINISTERS DECISION NO. 437, DATED 26.06.2003


THE COUNCIL OF MINISTERS DECISION NO. 444, DATED 26.06.2003

“On the increase of pensions, given to the relatives of pilots dead on duty”.

THE COUNCIL OF MINISTERS DECISION NO. 456, DATED 03.07.2003

“On the structure and levels of wages of the “High Council of Justice” administration’s personnel”.

LAW NO. 9084, DATED 19.06.2003

“On some amendamends and changes on law no.8610, dated 2000-5-17 “On the prevention of money laundry”. This law makes a decrease of minimal amount for which must be declared the source and creates the National Committee for Co-ordination of the War against Money Laundry”.

THE BANK OF ALBANIA’S SUPERVISORY COUNCIL DECISION NO. 56 DATED 09.07.2003

“On the approval of regulation “On the policy and the manner of administering the monetary reserve”. According to which is intended to be
known the financial risks and the adoption of
them in accepted levels.

**The Bank of Albania’s Supervisory Council**

**No. 61, Dated 09.07.2003**

"On the approval for decreasing the interest rate of repo and reverse repo". There was approved the decrease with 0.5 percent of the fixed repo rate (fixed repo rate leading to 7.5 percent from 8.0 percent that it was previously).

**The Bank of Albania’s Supervisory Council**

**Decision No. 62, Dated 30.07.2003**

"On the approval of the Bank of Albania’s declaration “On the threats to stability of the financial system in Albania”". According to the declaration there do not exists any threats to the banking system in Albania because there has been a decrease in the reserve of problem loans and an increase in the ratio of capital adequacy.

**The Bank of Albania’s Supervisory Council**

**Decision No. 65, Dated 30.07.2003**

"On the approval of the regulation “On the licensing of foreign exchange bureaus”". According to this decision the minimal amount of initial requested capital is Lek 2 500 000.

**The Bank of Albania’s Supervisory Council**

**Decision No. 58, Dated 09.07.2003**

"On the approval of the “Regulation for Accounting and Payments Department”".

**Law No. 9101, Dated 10.07.2003**

"On the ratification of the Free Trade Agreement between the Republic of Albania and Bosnia-Herzegovina". According to this law there will be a reduction of customs’ tariff of 20% each year until 2007 in which these tariffs will be completely eliminated.

**Law No. 9121, Dated 2003-7-28 “On Competition Protection”**.

This law intends to protect the free and effective competition in the market.
Pursuant to Law "On the Bank of Albania" No. 8365, dated 02.07.1998, Article 9, section 4 and 5, and the Regulation "On Granting a license for performing banking activity in the Republic of Albania", approved with the Bank of Albania Supervisory Council decision No. 71, dated 11.09.2002, the Bank of Albania provides the right to establish the Representation Office to Banca Popolare Pugliese in Albania. The office will be entitled to perform the following activities:

1. organize studies on Albanian market
2. advertise the financial activity

The Representation Office of Banca Popolare Pugliese is not allowed to perform banking activity. The license is not time-limited and non-transferable.
LIST OF ALL SUBJECTS LICENSED BY THE BANK OF ALBANIA

BANKS AND BRANCHES OF FOREIGN BANKS

1. ITALIAN - ALBANIAN BANK
Approved with the Supervisory Council Decision No. 89, dated 18.06.1998.
Director: Adrian FULLANI
Address: Rruga “Barrikadave”, No. 70, Tirana - Albania
Tel: 356 97, 356 98, 262 62
Fax: 330 34

2. SAVINGS BANK
Director: Edvin LIBOHOVA
Address: Rr. Dëshmorët e 4 Shkurtit. No.6, Tirana - Albania
Tel: 245 40, 226 69, 254 16
Fax: 235 87, 236 95, 240 51

3. ARAB ALBANIAN ISLAMIC BANK
Director: Abdul Waheed ALAVI
Address: Bulevardi Dëshmorët e Kombit. No. 8, Tirana - Albania
Tel. central: 22 84 60, 223 873, 274 408
Fax: 284 60, 283 87

4. DARDANIA BANK
Director: Beqir MEZELXHIU
Address: Bulevardi “ZOGU I” Tirana - Albania
Tel: 228-759, 259-350, 259-351
Fax: 230-566
Telex: 2298 db banc ab
E-mail: db@albaniaonline.net ; dardaniabank@hotmail.com.

5. NATIONAL COMMERCIAL BANK
Director: Seyhan PENCAPLIGIL
Address: Bulevardi Zhan Dark. Tirana - Albania
Tel: (0)4250 955
Fax: 4250 956
6. **TIRANA BANK**  
Licence No. 07, dated 12.09.1996.  
Director: Dimitris KARAVIAS  
Address: Bulevardi “ZOGU I”, No. 55/1, Tirana - Albania  
Tel: 334 41, 42, 43, 44, 45, 46,47  
Fax: 334 17

7. **BRANCH OF NATIONAL BANK OF GREECE IN TIRANA**  
Licence No. 08, dated 25.11.1996.  
Approved with the Supervisory Council Decision No. 4, dated 14.03.1996, Certificate No. 7 “On Deposit Insurance”.  
Director: Vasilios FILIS  
Address: Bulevardi “ZOGU I”, No. 72, Tirana - Albania  
Fax: 336 13

8. **INTERNATIONAL COMMERCIAL BANK**  
Director: Lee Chong Pa  
Address: Rr. .Ded Gjon Luli., Tirana - Albania  
Tel: 37567, 37568, 37569  
Tel/fax: 37570

9. **BRANCH OF ALPHA BANK IN TIRANA**  
Licence No.10, dated 07.01.1998.  
Approved with the Supervisory Council Decision No. 01/03/96, dated 27.12.1997, Certificate No. 9 “On Deposit Insurance”.  
Director: Andrea Antonios GALATOULAS  
Address: Bulevardi “ZOGU I”, No.47, Tirana - Albania  
Tel.: 335 32, 333 59, 404 76, 404 77  
Tel/fax: 321 02

10. **AMERICAN BANK OF ALBANIA**  
Licence No.11, dated 10.08.1998.  
Director: Lorenz RONCARI  
Address: Rruga .Ismail Qemali. No.27, P.O. Box 8319 . Tirana - Albania  
Tel.: 48753/4/5/6  
Tel/fax: 487 62

11. **FEFAD BANK (JOINT-STOCK COMPANY)**  
Licence No. 12, dated 15.03.1999  
Approved with the Supervisory Council Decision No.22, dated 03.03.1999, Certificate No. 11, “On Deposit Insurance”.  
Director: Emmanuel DECAMPS  
Address: Rruga .Sami Frashëri., Tirana e Re, P.O. Box. 2395, Tirana - Albania  
Tel.: 304 99, 334 96  
Tel/fax: 334 81
12. FIRST INVESTMENT BANK - TIRANA BRANCH (JOINT-STOCK COMPANY)
Director: Pettier Gavrillov KRASTEV
Address: Bulevardi “ZOGU I”, No. 64, Tirana - Albania
Tel.: 564 23, 564 24
Tel/fax: 564 22

13. COMMERCIAL BANK OF GREECE (ALBANIA) (JOINT-STOCK COMPANY)
Director: George CARACOSTAS
Address: Rruga “Kavajës”, Tirana Tower., Tirana - Albania
Tel.: 587 55, 56, 57, 58, 59, 60
Tel/fax: 587 52

14. CREDIT BANK OF ALBANIA (JOINT-STOCK COMPANY)
Licence No. 15, date 28.08.2002.
Director: Kamal Adbel MANEIM.
Address: Rruga “Perlat Rexhepi, Al-Kharafi Group Administration Building, Kati 1&2” Tirana-Albania.
Tel.: 272 168; 272 162.
Tel/Fax: 272 162.
E-mail: creditbkalb@icc-al.org

15. “CREDINS” BANK, TIRANA (JOINT-STOCK COMPANY)
Licence No. 16, date 28.03.2003.
Director: Artan SANTO
Address: “Rruga Ismail Qemali”, No.21, Tirana-Albania.
Tel.: 222916; 234096.
NON BANK SUBJECTS

1. UNIONI FINANCIAR I TIRANËS S.R.L. (WESTERN UNION)
Licence No. 1, dated 08.12.1999 to conduct the following financial activities:
- offering payment services;
- mediating in the conduct of monetary transactions;
- acting as financial agent or advisor.
Director: Niko Leka
Tel.: 250 653.

2. DINERS CLUB ALBANIA S.R.L.
Licence No. 2, dated 09.10.2000 to conduct the following financial activity:
- mediating in the conduct of monetary transactions.
Director: Vebi Velia
Address: Rr. Bulevardi “Zogu I”, VEVE Business Center, Tirana - Albania

3. POSTA SHQIPTARE (JOINT STOCK COMPANY)
Licence No. 3, dated 18.04.2001 to conduct the following financial activities:
- offering payment services;
- acting as financial agent or advisor.
Type: state-owned
Director: Aleksandra Çollaku
Address: Rr. “Reshit Çollaku” , No.4 Tirana - Albania

4. CREDINS. (JOINT STOCK COMPANY) TIRANA
Licence No. 04, dated 13.06.2001 to conduct the following financial activities:
- granting credit;
- offering payment services;
- mediating in the conduct of monetary transactions (foreign currency included);
- offering guarantees;
- acting as financial agent or advisor (excluding herein the services set forth in point 3/a and 3/b of Article 26 of the Law on Banks in the Republic of Albania).
Director: Monika Milo
Address: Rr. “Ismail Qemali” No.21, Tirana - Albania
Tel: 222916; 234096.

5. MOUNTAIN AREA FINANCING FOND.
Licence No. 5, dated 29.03.2002 to conduct the following activity:
- granting credit.
Created according to the Decision of the Council of Ministers of the Republic of Albania.
Director: Arben Jorgji
Address: Rr. “Mustafa Matohiti” No.12, Tirana - Albania
Tel: 250633

Licence No.6, dated 18.04.2003 as a non-bank financial institution to conduct the following activity:
- offering payment services;
- mediating in the conduct of monetary transactions (including foreign exchange).
Manager: Ermira Skënderi.
Address: Rruga “Ded Gjon Luli”, No. 5 Tirana-Albania
Tel.: 230 956
Fax: 228 929
THE FINANCIAL SUBJECTS NOT LICENSED BY BANK OF ALBANIA FOR THE
CONDUCTION OF THEIR ACTIVITIES ACCORDING TO THE SUPERVISORY
COUNCIL DECISION NO. 26, DATED 29.03.2000. ON EXEMPTION OF SOME
SUBJECTS FROM THE REQUIREMENTS OF THE PROVISIONS OF LAW NO. 8365,
DATED 02.07.1998. ON BANKS IN THE REPUBLIC OF ALBANIA.

(THese SUBJECTS ARE NOT LICENSED OR SUPERVISED BY BANK OF ALBANIA BUT THEY ARE OBLIGED
TO REPORT TO THE BANK OF ALBANIA ACCORDING TO THE APPROVED REPORTING SYSTEM).

1. RURAL FINANCING FUND.
   - Created according to the Decision of the Council of Ministers of the Republic of Albania No.
   - Object of the activity: Financing the rural area.
   - Address: Rr."Ismail Qemali", P. 32, Tirana
   - Director: Zana Konini
   - Exempted with the document of the Bank of Albania no.1843, dated 01.08.2000

2. BESA FOUNDATION.
   - Created by Open Society Fond for Albania. (SOROS).
   - Object of the activity: Financing small and medium firms.
   - Address: Rr."Asim Vokshi", No. 35, Tirana
   - Director: Bajram Muça
   - Exempted with the document of the Bank of Albania no. 2895/1, dated 19.01.2001.

3. ALBANIAN PARTNER ON MICROCREDIT.
   - Object of the activity: Granting credit.
   - Address: Rr. "Gjin Bue Shpata", No. 7/1, Tirana
   - Director: James Reiff
   - Exempted with the document of the Bank of Albania no. 828/1, dated 08.04.2002.
FOREIGN EXCHANGE BUREAUS

1. JOARD. FOREIGN EXCHANGE OFFICE S.R.L., TIRANA
   Licence: No. 1, dated 01.10.1999
   Address: Rruga Ded Gjon Luli. No.2, Tirana

2. AMA. FOREIGN EXCHANGE OFFICE S.R.L., DURRËS
   Licence: No. 2, dated 01.10.1999
   Address: Rruga “Tregtare”, Lagja 3, Durrës

3. ARIS. FOREIGN EXCHANGE OFFICE S.R.L., TIRANA
   Licence: No. 3, dated 01.10.1999
   Address: Rruga Luigj Gurakuqi., Tirana

4. UNIONI FINANCIAR TIRANË” FOREIGN EXCHANGE OFFICE S.R.L.
   Licence: No. 4, dated 01.10.1999
   Address: Rruga Reshit Çollaku., Pall. Shallvare, Shk. 2/18, Tirana

5. AGU. FOREIGN EXCHANGE OFFICE S.R.L., TIRANA
   Licence: No. 5, dated 01.10.1999
   Address: Agjencia No.1: Rruga Islam Alla. No.1, Tirana
            Agjencia No.2: Rruga “Kavajës”, Tirana

6. ALBAKREDIT. FOREIGN EXCHANGE OFFICE S.R.L., TIRANA
   Licence: No. 06, dated 24.11.1999
   Address: Rruga Ded Gjon Luli. No.5, Tirana

7. GUDEN. FOREIGN EXCHANGE OFFICE S.R.L., TIRANA
   Licence: No. 07, dated 24.11.1999
   Address: Rruga Konferenca e Pezës., Tirana

8. EXCHANGE. FOREIGN EXCHANGE OFFICE S.R.L., TIRANA
   Licence: No. 08, dated 24.11.1999
   Address: Rruga “Durrësit” No. 170 and Rruga Reshit Çollaku., Pall.
            Shallvare Shk. 4, Ap.42, Tirana

9. UNISIX. FOREIGN EXCHANGE OFFICE S.R.L., KORÇA
   Licence: No. 09, dated 26.11.1999
   Address: Bulevardi Republika., Pall.4, Korça

10. EKSPRES J & E. FOREIGN EXCHANGE OFFICE S.R.L., DURRËS
    Licence: No. 10, dated 26.11.1999
    Address: Lagja 11, Rruga Prokop Meksi. Durrës

11. MI & CO. FOREIGN EXCHANGE OFFICE S.R.L., TIRANA
    Licence: No. 11, dated 29.02.2000
    Address: Rruga Ded Gjon Luli., No.2/3, Tirana

12. IURA .98. FOREIGN EXCHANGE OFFICE S.R.L., TIRANA
    Licence: No. 12, dated 25.02.2000
    Address: Sheshi “Skenderbej”, Teatri i Kukullave, Tirana

13. SERXHIO. FOREIGN EXCHANGE OFFICE S.R.L., ELBASAN
    Licence: No. 14, dated 07.04.2000
    Address: Lagja Luigj Gurakuqi., Rr.11 Nëntori, Pall. 70, No.14, Elbasan
14. ALBTUR. FOREIGN EXCHANGE OFFICE S.R.L., TIRANA
Licence: No. 15, dated 07.04.2000
Address: Agency no.1, Bulevardi Zogu I., Pall. 32, Shk.1, Tirana

15. R & M. FOREIGN EXCHANGE OFFICE S.R.L., TIRANA
Licence: No. 16, dated 22.05.2000
Address: Rruga Punëtorët e Rilindjes., Pall. 182, Tirana

Licence: No. 17, dated 22.05.2000.
Address: Lagja 4, Rruga Skëndërbej., Ap. 950, Durrës

17. T & E. FOREIGN EXCHANGE OFFICE S.R.L., DURRËS
Licence: No. 18, dated 11.06.2000
Address: Lagja 4, Rruga .9 Maji., Durrës

Licence: No. 19, dated 24.11.2000
Address: Lagja .Popullore., Shijak

Address: Bulevardi “ZOGU I”, Tirana

20. DV-ALBA. FOREIGN EXCHANGE OFFICE S.R.L., TIRANA
Licence: No. 21, dated 11.01.2001
Address: Sheshi “Skënderbej”, Tirana Internacional Hotel, Tirana

21. MANUSHI. FOREIGN EXCHANGE OFFICE S.R.L., TIRANA
Licence: No. 22, dated 18.04.2001
Address: Bulevardi .Zogu I., VEVE Business Center, Tirana

22. UNIONI SELVIA. FOREIGN EXCHANGE OFFICE S.R.L., TIRANA
Licence: No. 23, dated 21.05.2001
Address: Rruga “Saraçève”, Pallati 124/1, Tirana
Tel. 376 274

23. KALENJA. FOREIGN EXCHANGE OFFICE S.R.L., TIRANA
Licence: No. 24, dated 29.06.2001
Address: Rruga .Kavajës. (near Turkish Embassy), Tirana

24. TILBA. FOREIGN EXCHANGE OFFICE S.R.L., ELBASAN
Licence: No. 25, dated 30.09.2001
Address: Lagja “Luigj Gurakuqi”, Bulevardi “Qemal Stafa”, Njësia no.12, Elbasan

25. ANAGNOSTI” FOREIGN EXCHANGE OFFICE S.R.L., TIRANA
Address: Zyra 1- Bulevardi Zogu I, Pallati 97, shk.3.ap28, Tirana
Zyra 2- Rruga “Kajo Karafili”, No. 11, Tirana

26. KO-GO. FOREIGN EXCHANGE OFFICE S.R.L., TIRANA
Licence: No. 27, dated 12.11.2001
Address: Rruga .Vaso Pasha., Pall.16, Shk.2, Ap. 9, Tirana
27. ALB- FOREX FOREIGN EXCHANGE OFFICE S.R.L., TIRANA
Licence: No. 28, dated 22.11.2001
Address: Agjencia 1: Rruga .Abdyl Frashëri No.3., Tirana
Agjencia 2: Rruga. Mine Peza, Pall. 102, Shk. 1, Tirana

28. L&N. FOREIGN EXCHANGE OFFICE S.R.L., TIRANA
Licence: No. 29, dated 22.11.2001
Address: Rruga .Muhamet Gjollesha., Tirana

29. TERBAICI- GJ. FOREIGN EXCHANGE OFFICE S.R.L., TIRANA
Licence: No. 30, dated 22.11.2001
Address: Rruga .Muhamet Gjollesha., Pall.215, Tirana

30. EXCHANGE ALOG. FOREIGN EXCHANGE OFFICE S.R.L., TIRANA
Licence: No. 31, dated 22.11.2001
Address: Rruga .Mine Peza”, Tirana

31. EXCHANGE BEBI&FLORI. FOREIGN EXCHANGE OFFICE S.R.L., FIER
Licence: No. 32, dated 26.11.2001
Address: Lagja “Kongresi i Përmjet”, Fier

32. GERSILDA. FOREIGN EXCHANGE OFFICE S.R.L., TIRANA
Licence: No. 33, dated 03.12.2001
Address: Lagja nr.2, Rr. .Mihal Grameno., Pall.10, dyqani no.5, Tirana

33. CHANGE-ARIZAJ. FOREIGN EXCHANGE OFFICE S.R.L., TIRANA
Licence: No. 34, dated 03.12.2001
Address: Rr. “Pandi Madhi”, Pall.60/2, Ap.15, Tirana

34. BASHKIMI 2001” FOREIGN EXCHANGE OFFICE S.R.L., TIRANA
Address: Rr. “Kavajës”, Tirana

35. ARJON 2002. FOREIGN EXCHANGE OFFICE S.R.L., ELBASAN
Address: Lagja .Kongresi i Elbasanit., Bulevardi.Qemal Stafa., Pall.9-katësh, Elbasan

36. EURO 2002. FOREIGN EXCHANGE OFFICE S.R.L., DURRËS
Address: Lagja nr.11, Rr. .Ismail Qemali., Durrës

37. EURO TRAVELS INTERNATIONAL FOREIGN EXCHANGE OFFICE S.R.L., TIRANË
Address: Bulevardi .Bajram Curri., pallatet Agimi Nr.1, Tiranë,

38. G&3. FOREIGN EXCHANGE OFFICE S.R.L., KAVAJË,
Licence No. 41, dated 15.01.2002.
Address: Rruga.Kajo Karafili., Kavajë,

39. ALAKTH. FOREIGN EXCHANGE OFFICE S.R.L., TIRANË,
Licence No. 42, dated 18.01.2002.
Address: Rruga e Dibrës,nr.105/1, Tiranë,

40. FORMAT. FOREIGN EXCHANGE OFFICE S.R.L., TIRANË,
Licence No. 43, dated 21.01.2002.
Address: Rruga e Durrësit,Pall.85, shk.1,ap.1, Tiranë,
Address: Lagja 29 nentori., prane filialit te postes Elbasan,

42. CROWN TOWN. FOREIGN EXCHANGE OFFICE S.R.L., TIRANË, Licence No. 45, dated 05.02.2002.
Address: Rruga Mihal Grameno., Pall 10, Tirane

Address: Rruga Myslym Shyri., Nr.25, Tirane

44. MARIO. FOREIGN EXCHANGE OFFICE S.R.L., SARANDË, Licence No. 47, dated 03.2002.
Address: Lagja 1, prane ish komitetit ekzekutiv te rrethit Saranda.

Address: Bulevardi Zogu I Godina e Zerit te Popullit Tirane.

Address: Rruga Vaso Pasha. Kulla 1, Kati I (pas pallatit Agimi) Tirane.

Address: Lagja nr.3, perballe Komisariatit te Policise, Lac.

Address: Lagja 15 Tetori, Rruga Kastriot Muca, Fier.

49. TAXI EKSPRES. FOREIGN EXCHANGE OFFICE S.R.L., ELBASAN, Licence No. 52, dated 20.05.2002.
Address: Rruga Sami Frasheri, 11(prane Shkollas .Edit Durhan..

Address: Zyla nr.1 : Bulevardi Fuat Babani, Bilisht.
Zyla nr.2 : Dogana Kapshtice

Address: Lagja Kodër Shijak Durrës

52. ALBA-POST JOINT-STOCK COMPANY FOREIGN EXCHANGE OFFICE, TIRANË Licence No.56, dated 28.08.2002.
Address: Rruga “Reshit Çollaku”, No. 4, Tirane

Address: Rruga “8 Nentori”, Ballsh

Address: Rruga “Reshit Çollaku”, Pallati iShallvareve, shkalla No. 4/1.
55. “AMERICAN GLOBAL CAPITAL FUND-WORLDWIDE INVESTMENT” FOREIGN EXCHANGE OFFICE S.R.L, TIRANË
Representative with power of attorney: Dashar Sheshaj, Vilson Ahmeti
Address: Rruga “Ismail Qemali”, Parcela 167/187 “Euroapartment”, Tiranë

56. “UNIONI KUÇOVË” FOREIGN EXCHANGE OFFICE S.R.L, KUÇOVË
Licence No. 60, dated 27.03.2003
Address: Lagija “Llukan Prifti” Kuçovë
Tel. 03112515

57. “DENI&KRISTI-2002” FOREIGN EXCHANGE OFFICE S.R.L, TIRANË
Licence No. 61, dated 02.06.2003
Address: Tel.

58. YLDON FOREIGN EXCHANGE OFFICE S.R.L, TIRANË
Licence No. 62, dated 03.06.2003
Address: Ruga “Qemal Stafa”, pall. 382/2/2 Tiranë
Exchange-broker: Ylli Ndroqi (founder and manager)
Tel. 343 476, 0692095681.
SAVING-CREDITING ASSOCIATION UNIONS

1. JEHONA SAVING-CREDITING ASSOCIATION UNION, TIRANË
   Licence: No.1, dated 27.06.2002
   Head of the leading board : Vojsave Rama
   The members of this union are 41 saving-crediting associations licensed also as special ones. They rely on technical assistance by the foundation "The movement for the saving-crediting associations development".

2. ALBANIAN SAVING-CREDITING UNION SAVING-CREDITING ASSOCIATION UNION, TIRANË.
   Licence: No. 2, dated 09.08.2002.
   Address: Rruga “Ismail Qemali”, No. 32.
   Head of the leading board : Zana Konini
   Tel. 25 19 10
   E-mail: ffrural@albaniaonline.net
   The members of this union are 71 saving-crediting associations, licensed also as special associations. They rely on technical assistance by "Mountain Area Financing Fond".

1. INBLEG SAVING-CREDITING ASSOCIATION, TIRANË

   the necessary finances from them