

**BANK OF ALBANIA**

# **ECONOMIC BULLETIN**

**Quarterly edition**

**September 2004**

*Articles written in this publication do not necessarily represent the official opinion of the Bank of Albania. Please, refer to the underlying articles as personal opinions of the authors.*

*All rights reserved.*

*Reproduction for educational and non-commercial purposes is permitted provided that the source is acknowledged.*

*Published by: Bank of Albania, Sheshi "Skënderbej", Nr. 1, Tirana, Albania.*

*Phone: 355-4-222230; 235568; 235569;*

*Fax : 355-4-223558*

*[www.bankofalbania.org](http://www.bankofalbania.org)*

*For comments or further information regarding this publication, please contact:*

*Publication Section, Public Relations Department.*

*E-mail: [public@bankofalbania.org](mailto:public@bankofalbania.org)*

*Printed in the Printing House of Bank of Albania.*

*Printed in 480 copies.*

# QUARTERLY ECONOMIC BULLETIN

SEPTEMBER 2004

## CONTENTS

QUARTERLY REVIEW OF ALBANIAN ECONOMY (JULY – SEPTEMBER 2004)	5
<i>I. GOVERNOR'S SPEECH</i>	5
<i>II. ECONOMIC DEVELOPMENTS</i>	6
<i>III. INFLATION PERFORMANCE AND MONETARY POLICY</i>	15
<i>IV. MONETARY DEVELOPMENTS AND FINANCIAL MARKETS</i>	22
THE ESTIMATION OF THE FINANCIAL SITUATION OF THE ALBANIAN BANKING SYSTEM FOR THE SECOND QUARTER OF 2004	30
ALBANIA - CENTRAL BANK STATEMENT	35
<i>By Dr. SHKËLOIM CANI, GOVERNOR. PUBLISHED IN GLOBAL BANKING AND FINANCIAL POLICY REVIEW 2004/2005</i>	
BANK OF ALBANIA TRANSPARENCY	36
<i>By SOFIKA NOTE, RESEARCH DEPARTMENT</i>	
PUBLIC RELATIONS ROLE TO THE AUDIENCE OF THE BANK OF ALBANIA	47
<i>By PROF. ESMERALDA URUÇI, BLEDAR STRINIQI, MBA</i>	
NEWS, JULY – SEPTEMBER 2004	55
LEGAL EVENTS, JULY – SEPTEMBER 2004	59
LIST OF ALL SUBJECTS LICENSED BY THE BANK OF ALBANIA	60
BANKS AND BRANCHES OF FOREIGN BANKS	60
NON-BANK INSTITUTIONS	63
FINANCIAL INSTITUTIONS NOT LICENSED BY THE BANK OF ALBANIA FOR THE CONDUCT OF THEIR ACTIVITIES ACCORDING TO THE SUPERVISORY COUNCIL DECISION NO. 26, DATED 29.03.2000 "ON EXEMPTION OF SOME INSTITUTIONS FROM APPLYING THE PROVISIONS OF LAW NO. 8365, DATED 02.07.1998 "ON BANKS IN THE REPUBLIC OF ALBANIA"	65
FOREIGN EXCHANGE BUREAUS	66
UNIONS OF SAVINGS AND CREDIT ASSOCIATIONS	72
REPRESENTATIVE OFFICES OF FOREIGN BANKS	73



# QUARTERLY REVIEW OF ALBANIAN ECONOMY (JULY – SEPTEMBER 2004)

## I. GOVERNOR'S SPEECH

After a first quarter somewhat "sluggish", the Albanian economy has experienced a recovered pulse of economic growth in the following months of 2004. The economic growth is performed in respect of maintaining and consolidating the country's macroeconomic stability. The nine-month period of the year was characterized by an inflation rate meeting the Bank of Albania target, creating the appropriate premises towards further adaptability of the monetary policy followed by the Bank of Albania. This policy is backed also by developments in the monetary indicators where it is worthy mentioning, inter alia, channeling of currency in the system, liquidity stability, interest rates, etc. Furthermore, even the fiscal indicators reflected generally a satisfactory performance within the programmed framework. Incomes, expenditures and budget deficit have been performed according to the schedule planned at the beginning of the year, whereas the balance of payments was stable and unemployment slightly declined.

Based on the data we dispose of, an economic invigoration was noticed mostly in the second quarter in the sectors such as industry, services, and particularly in the construction sector, after a slow performance of this sector in the first quarter. The volume of sales increased by 19.6 percent during the second quarter compared to the first quarter of the year and by 4.4 percent compared to the same period of the previous year.

In the meantime, even the agriculture sector experienced optimistic developments, reinforcing the confidence that the initial forecasts on the annual growth of this sector are possible to be realized. Likewise, transversal indicators suggest a growth in the economic activity. The electric energy consumption by non-familiar consumers increased by 15 percent during the first semester of the year compared to the same period of the

previous year, whereas lending to the economy marked a rapid growth during 2004.

According to the economy sectors performed up to now we may say that in the following months of 2004 the economic growth of 6 percent shall be, as projected, an attainable goal.

During the first half of 2004, the volume of current transactions in Albania was higher than a year ago. The current account balance sheet recorded a value of USD 208 million or about –5.4 percent of GDP, remaining almost on the same levels as the previous year. The capital and financial account recorded net capital inflows estimated at USD 266.5 million, thus closing the first semester of the year by a capital inflow significantly higher than a year ago. The foreign currency inflows through current and capital transactions increased the net foreign reserve instruments by USD 132 million.

The third quarter was characterized by low inflationary pressures. The inflation rate has dropped gradually, within the two-to-four percent targeted range, at the end of the third quarter. The average annual inflation has declined as well, reaching 3.1 percent as of September. The increase of domestic agricultural products impacted significantly the consumer price performance during this period. This makes the rising demand during the summer period be supplied with domestic products, offering generally lower prices than those of imports. As a consequence, unlike the previous years, the contribution of "Food and non-alcoholic beverages" group in total inflation was negative during the third quarter. The impact of oil price rise in the international markets has been relatively weak towards the inflation rate because of the insignificant weight this article has in the consumer price basket and Lek appreciation. The general macroeconomic conditions: monetary situation, economy demand and fiscal situation have been kept under control, contributing

positively to the maintenance of price stability. Liquidity situation has been stable, interest rates, though being dropped, have continued to influence the increase of Lek deposits and channeling of currency in the banking system. On the other hand, the moderate increase of money supply has satisfied at best the rising demand for money, a seasonal specificity featuring this period.

Like the preceding part of the year, Bank of Albania monetary policy showed an easing trend during the third quarter. A moderate inflation rate and optimistic forecasts on it have suggested a further reduction of the base interest rate. In response to these developments, the Bank of Albania has cut the base interest rate by 0.25 percentage point as on July 28. The cut was made in compliance with the well-known policy of Bank of Albania to maintain the economy at lowest level of interest rates, being consistent with the target of price stability for a mid-term period. After this reduction, the base interest rate has reached 5.5 percent, the lowest one ever applied in the Albanian economy.

Though nominal interest rates were reduced, the low inflation rate and stability of inflationary expectations of the economy on it, made the real interest rate be rather higher, maintaining the savings deposit interest in the banking system. As a consequence, liquidity structure continued to move towards long-term monetary assets: deposits and Treasury bills. The deposits channeling in the system raises the economy potential for domestic investments, for lending to the economy and for financing of the budget deficit. The attractiveness of interest rates in Lek in comparison with those in foreign currency, alongside a rising supply of the foreign currency during the summer period, has exerted pressures on Lek appreciation. The third quarter marked a strengthening of the appreciation pressures against the Lek exchange rate, mainly due to big inflows of the foreign currency during that period. Under these conditions, the Bank of Albania has intermediated in the foreign market through purchasing the foreign currency, withdrawing its excess of supply and injecting Lek liquidity.

The Bank of Albania intermediation in the foreign market brought about the injection of liquidity in huge quantities in the economy and along with

the foreign currency inflows have impacted a higher increase of money supply. This increase of supply has satisfied the demand of the economy for monetary assets. The demand of the government for monetary assets has continued to be covered almost totally by the domestic financing through Treasury bills and government bonds.

In the meantime, the financing of the production sector of the economy was characterized by a rapid growth during 2004. Lending to the economy against GDP has recorded a growth on a continuous basis, reflecting a higher commitment of savings to the financing of the economic activity. At the end of August 2004, the credit balance amounted to Lek 60.9 billion (7.3 percent of GDP). Also, an increase of the number of banks engaged in the lending market is particularly frequent. In the meantime, following the latest developments accomplished in the banking system, adequate conditions were established for a significant invigoration of the crediting to the economy by the banking system.

The developments accomplished up to now in the country's economy brought about rather positive expectations for 2004 and behind. The main targets on the development of the country for 2004 seem to be met in accordance with the provisions of the mid-term programme of the country's economic development. Under these conditions, estimating particularly the actual and expected developments on inflation, the Bank of Albania deems appropriate to ease on a continuous basis the monetary policy, that is to ensure a great support for fostering the economic activity.

## **II. ECONOMIC DEVELOPMENTS**

### **II.1 WORLD ECONOMY DURING JULY-SEPTEMBER 2004**

After a period of satisfactory economic growth in the second half of 2003 and in the first months of 2004, the world economy started to show signs of slowness and uncertainty. The oil price rise in the international markets is a factor which brought about a slow-down of the economic development. On the other side, the indicators, often contradictory, of the American economy, particularly those of employment, showed that

the domestic demand has been fluctuated, while the European economy continues to rely mainly on the foreign demand as a source of economic growth. The United States of America and Asia continue to provide their main support in the development of world economy, while positive performance was experienced even by the Latin America countries and the new Member States which joined recently the European Union.

Inflationary pressures have recorded a growth in all economies replacing the deflation fear which was present in mid-2003. The increase of inflation was attributed to the oil price rise, but in many countries there was a growth of the base inflation too. This increase shows that inflation sources have a wider basis, including the demand factors.

data, is believed to be 0.5 percent from 0.6 percent it was during the first quarter. The foreign demand continues to be the basis of economic growth, while the domestic demand plays rather a modest role. Net exports have continued to record positive values, although imports increased significantly compared to the previous periods, due to the oil price rise. The oil price had a negative impact even on the real income, reducing the private consumption. For the coming period, notwithstanding the developments in the oil market, the economy performance in the euro area is expected to be positive. Improvements in the labor market will lead to the increase of available revenues, which shall be reflected in the increase of the private consumption, thus rising the domestic demand.

**Table 1. Some essential indicators of the world economies (in percentage).**

	GDP (second quarter)	Unemployment	CPI	Budget deficit (as a percentage of GDP)
Britain	3.6	4.7 (July)	+1.3 (August)	-2.9
France	2.8	9.9 (August)	+2.4 (August)	-3.8
Germany	2.0	10.7 (September)	+1.8 (September)	-3.7
Italy	1.2	8.5 (April)	+2.1 (September)	-3.1
Japan	4.2	4.8 (August)	-0.2 (August)	-7.1
USA	3.3*	5.4 (August)	+2.7 (August)	-4.7
Euro area	2.0	9.0 (August)	+2.2 (September)	-2.8
China	9.2	-	+5.3 (August)	-

Source: "The Economist", September 2004.

The economic activity in the United States was somewhat slow in the recent months. The oil price rise and the real economic situation, characterized by a lower employment rate than expected, have had an important impact on the decline of individuals' consumption. Also, the considerable deficit of the current account in the United States constitutes a constant concern for the investors and policy-makers. During this quarter, FOMC<sup>1</sup> raised twice the base interest rate, bringing it from 1.25 percent to 1.75 percent. These decisions were influenced by the increase of inflationary pressures and the necessity to support the US dollar when it is exchanged against the other currencies. Also, the base interest rate in the United States has been on its lowest level over the last 40 years, a level which, evidently, could not resist the recorded rates of the economic growth.

The economic activity performance in the euro area has been more stabilized. The annual growth in the second quarter, according to the recent

### II.1.1 EXCHANGE RATE PERFORMANCE

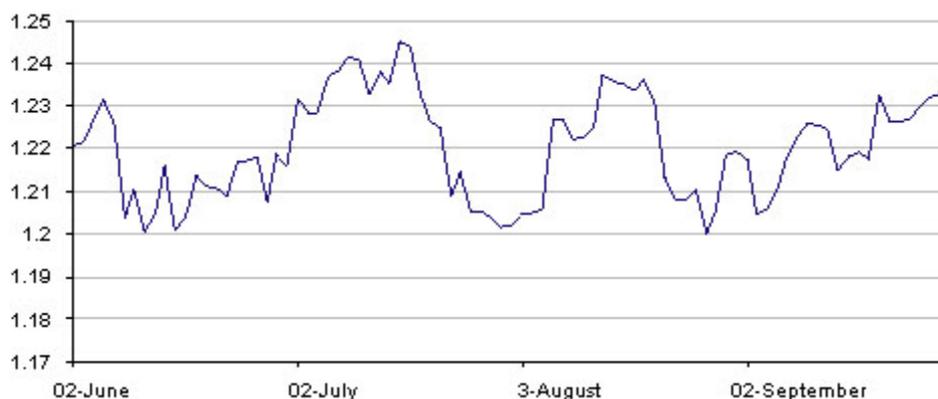
During this quarter the exchange rate between US dollar and euro fluctuated in a narrow band. High oil price, short-term interest rates performance and expectations on the American economy and that of the euro area, have been some of the essential factors that have impacted on the exchange rate trend. At the beginning of August, the data originating from the American economy on the sharpening of the budget deficit and current account deficit, as well as non-positive signals from the American labor market, have impacted on the euro appreciation. While the announcement on the increase of capital investments in the United States for July, along with a growth in the American bonds yield, have supported the appreciation of US dollar during the second half of August. In September, euro is appreciated gradually against US dollar. The data on the moderate growth of inflation contributed to the decline of the American T-bills yield, thus raising the pressures against US dollar.

<sup>1</sup> Federal Open Markets Committee.

Meanwhile, the data on the other indicators of the economy have been in the same line with the expectations, without having any impact on the exchange rate performance. Even the decision made on September 21 by FOMC to increase the base interest rate by 0.25 percent did not support the appreciation of the American currency.

American economy as well as the boom of Chinese economy. Price rise was also triggered by the events of some exporting oil countries. Security issue of Persian Gulf, the ongoing sabotages of oil wells in Iraq, the difficult situation of Yukos oil company in Russia and strikes in Nigeria, have had a special impact in increasing insecurity. The production does not entirely

Chart 1. Exchange rate performance during July-September 2004 (USD/EUR)



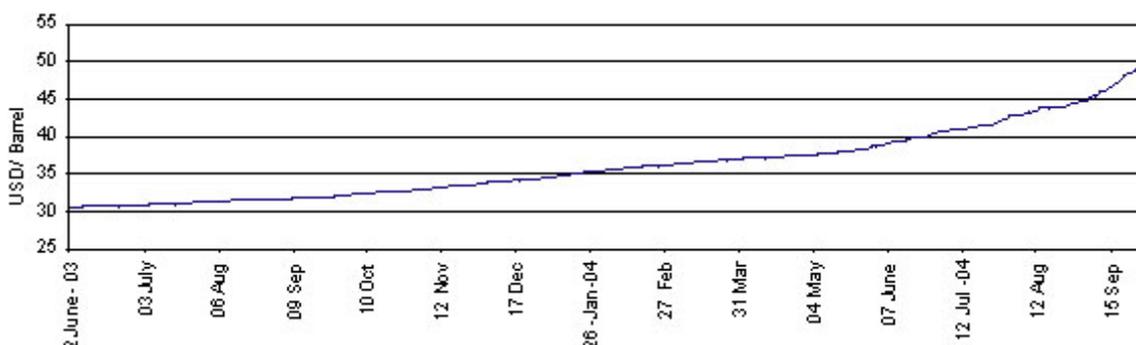
Source: Bloomberg

### II.1.2 OIL PRICE

Oil market prices increased considerably. Oil price per barrel since the beginning of year rose by 44.4 percent. Both oil demand and supply factors have impacted the price rise. Oil demand resulted to be the highest one over the last years and this was attributed to the developments of the global economy, particularly the recovery of

satisfy the supply although OPEC has reduced the reserve amount and plans to raise the supply by 400,000 barrels per day this year and by 700,000 barrel per day, in 2005. This phenomenon will have an impact on keeping high the price over the coming period. Oil price for 2005, based on IMF studies<sup>2</sup>, will be 8 USD higher than the price of 2003. Such a price rise would reduce the world GDP by 0.5 percent.

Chart 2. Oil price during June'03 - September'04 (USD per barrel)



Source: Bloomberg

<sup>2</sup> IMF, World Economy Outlook, September 2004.

## II.2 COUNTRY'S ECONOMIC DEVELOPMENTS

The Albanian economy has marked an economic growth over the first half of 2004. The operating data of the second quarter and those of the third quarter show that performance of various sectors of the economy, such as industry and services, have considerably been improved compared to the previous year, after a slow first quarter. Similarly, construction sector has marked a rather positive progress over the second quarter, also after a slow first quarter. Thus, sales volume over the second quarter increased by 19,6 percent compared to the first quarter and by 4.4 percent compared to the same period of the previous year.

Based on the performance of the economy sectors estimated so far, we can state that for the rest of 2004, the expectation for an economic growth of 6 percent is attainable. The intense development of the construction sector, the satisfactory performance of the processing and extracting industry branches, and the optimistic expectations on the performance of agriculture sector compared to the previous year, confirm the forecasts regarding the target achievement. Agricultural sector data show that the initial expectation on the annual growth of this sector is attainable. Indirect indicators speak also for a growth of the economic activity. Over the first half of 2004 the electric energy consumption by non-familiar consumers increased by 15 percent compared to the same period of the previous year, while credit to the economy had quickly grown over the year 2004. The portal services volume of exports increased at 81 percent over the

second quarter of the year compared to the same period of 2003. The increase of capital budget expenditures by the use of revenues from the privatization of the Savings Bank will help the economic activity over the last quarter of the year.

### II.2.1. DOMESTIC PRODUCTION PERFORMANCE PURSUANT TO THE ECONOMY BRANCHES

#### *AGRICULTURE*

Production in the agriculture sector is expected to grow by 4 percent<sup>3</sup> in 2004. Agro-industry sector is expected to have a more pronounced growth by 10 percent, while the other two sectors, agriculture and fishing, are expected to grow by 3 and 4 percent, respectively.

The ultimate estimations conducted by the Ministry of Food and Agriculture confirm the forecasts made at the beginning of the year on the growth of the general agricultural production.

The survey on the production of the agro-industry sector conducted by the Ministry of Food and Agriculture suggests that the agro-industrial production increased by 9 percent over the first half of 2004 compared to the same period of the previous year. There was also noticed a growth of meat products, conserved products and alcoholic beverages while corn processing has decreased. The development of agro-industry sector is expected to be positive for the rest of the year, since this production is of seasonal nature, with more pronounced concentration over the second half of the year.

**Table 2. Main economic indicators for 2004 (in percentage)**

	2002	2003	2004
Growth of real GDP	4.7	6.0	6.0
- Industry	1.8	2.7	3.1
- Agriculture	2.1	3.0	3.0
- Construction	8.7	11.3	10.6
- Transport	9.7	10.8	10.1
- Services	5.1	6.4	6.4

Source: Ministry of Finance.

<sup>3</sup> Here, agriculture sector includes the agro-industry too.

**Table 3. Agro-industrial production during 2004.**

	Q2 '04/Q1 '04 (in %)	Q2 '04/Q2 '03 (in %)	S1 '04/S1 '03 (in %)
Agro-industrial production	8.4	0.2	9.0
Meat and its sub-products	10.6	16.6	16.4
Conserved products	36.1	20.0	-5.7
Milk and dairy products	40.6	7.0	6.8
Wheat flour and bread	-1.0	-6.1	1.0
Alcoholic beverages	38.4	45.0	34.8
Water and fresh beverages	-10.9	-14.4	12.1

Source: Ministry of Food and Agriculture.

Agricultural production performance seems to be positive although there is a lack of the final data on this sector. This estimation is supported by the price performance of the agricultural products in the domestic market whose price level has recorded a decline over the last semester.

The domestic market supply increased due to the growth of domestic production, since the agricultural products imports have not recorded any particular growth compared to the previous year. The good atmospheric conditions at the beginning of the year and the extension of the areas with green houses have contributed to the domestic production.

Agricultural products imports (in Lek), over the half of 2004, resulted almost the same as those of the first half of 2003. Within this category, meat and vegetal oil imports have decreased, while cereals and vegetables imports increased in comparison with the first half of the previous year.

The Ministry of Food and Agriculture keeps on being engaged in a range of projects, which aim to improve the agriculture infrastructure. The second project of irrigation and draining rehabilitation is accomplished at 96 percent over the first six months of the year. Other projects, such as agricultural services project, fishing development program and mountainous regions development program continue to be implemented.

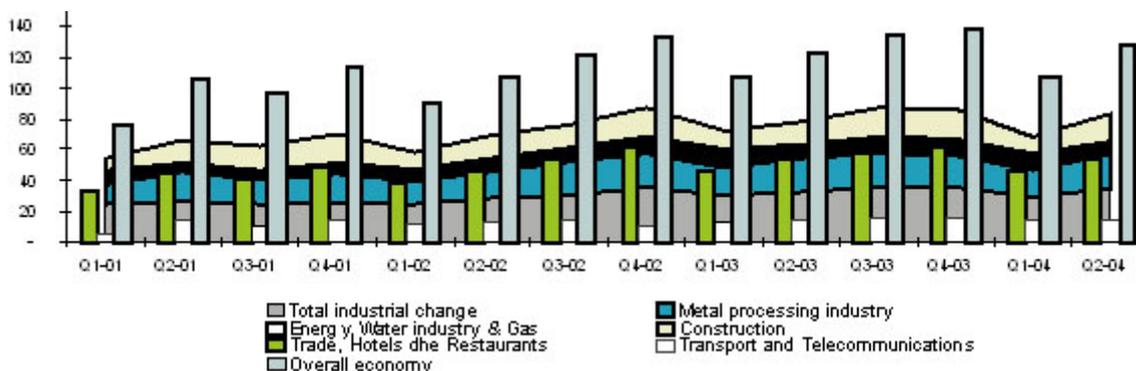
#### *INDUSTRY, CONSTRUCTION, TRANSPORT*

Sales performance of industry, construction and transport<sup>4</sup> sectors speak for a satisfactory growth over the second quarter of 2004. A growth was also noted for both quarters compared respectively with the first and second quarters of the last year. The increase of the domestic production of electric energy by 9 percent as well as the increase of the use of electric energy by non-familiar consumers by 15 percent have supported the industrial activity.

The processing industry, a sub-branch carrying the highest weight in the industry sector, has performed in the second quarter 28 percent of sales more than in the first quarter of the current year. The construction sector has also marked a considerable increase of sales compared to both periods; respectively an increase by 52 percent compared to the first quarter of 2004 and by 17 percent compared to the second quarter of 2003. This performance shows the positive real progress of this sector, as the Construction Cost Index shows a slight increase. The analysis of Construction Cost Index shows an increase of 3.1 percent of direct expenditures for construction materials and an increase of 3.7 percent of salaries in the second quarter compared to the same period of the previous year. Also, the projected profit in this sector has restarted to demonstrate positive trends, increasing by 3.2 percent, while the cost of construction-site has declined by 5.6 percent.

<sup>4</sup> Industry, construction and transport sectors, in 2002 represented 14.5, 9.5 and 9.0 percent of GDP, respectively. Source: Institute of Statistics, Gross Domestic Product 1996-2002, September 2004.

Chart 3. Performance of sales of some selected industry sectors (in billions of Leks)



Source: Institute of Statistics.

Unlike the industry and construction sectors, sales in the transport sector have recorded a decline of 1.1 percent in the second quarter of this year, compared to the same period of the previous year. The partial performance of investments in this sector, from both budget and foreign sources, has contributed to this decline. These investments have been performed at 82 percent and 50 percent, respectively, during the second quarter. Meanwhile, the loading and unloading activity shows a positive performance. The exporting work volume in ports increased by 81 percent in the second quarter and 21 percent during July-August, in comparison with the same periods of the pervious year.

compared to the first quarter of this year. Such a progress of services sector is satisfactory and seems to assist in achieving the target of the economic growth for 2004.

#### II.2.2. FISCAL SECTOR

Fiscal policy has been prudential during the first 9-month period of 2004, regarding the control of expenditures and budget deficit. The amount of Lek 132.5 billion has been deposited in the state budget, or 92 percent of the revenues projected for this period, while the expenditures performed from the Government were Lek 151.3 billion, or

**Table 4. Changes in the loading and unloading work volume (in percentage).**

	II Quarter -2004/2003	July – August 2004/2003
Total	+9	+5
Railways	+24	-38
Ports	+7	-7
- Imports	+2	+8
- Exports	+81	+21

Source: Ministry of Transports.

#### SERVICES

“Trade, hotels, restaurants” group represent 19 percent of GDP, while “Other services” group contributes by 22.5 percent in the General Domestic Product. Both these groups have recorded an increase of sales during the second quarter of 2004, compared to both estimated periods. “Trade, hotels, restaurants” group did not suggest any significant change from the same period of the previous year, while a growth of the activity by about 21 percent was recorded,

about 91 percent of the plan. Both revenues and expenditures, in absolute value, show an evident increase compared to the same period of the previous year. Fiscal indicators increased gradually during the quarterly periods, showing the highest values in the third quarter. The revenues, compared to the same period of the previous year, increased by 9.1 percent, while expenditures by 9.6 percent. Budget revenues maintained almost the same level as that of the previous year in percentage of GDP (21.3 percent from 21.7 percent), meanwhile the expenditures

have declined from 25.2 percent to 24.3 percent, making the budget deficit be 3.0 percent of GDP by the end of September. The control of both the budget expenditures and deficit, within the projected targets, led to lower inflationary pressures from the fiscal sector.

expenditures are covered by the wages and social insurances are, while interest payments, particularly the domestic ones, have declined during the first 9-month period of the year. Interest payments decline from 24 percent into 12 percent of the total expenditures, from January to August,

**Table 5. Fiscal indicators of 2004 (in billions of Leks).**

In billions of LEK	Q1-04	Q2-04	Q3-04	9M - 2004	GDP (%)	Plan (%)	2003 (%)
A. Total revenues	41.4	44.6	46.5	132.5	21.3	91.9	109.8
1. Tax revenues	37.7	40.3	42.3	120.3	19.3	96.6	112.8
2. Non-tax revenues	3.4	4.0	4.2	12.1	2.0	68.6	90.6
B. Total expenditures	43.4	51.0	56.9	151.3	24.3	90.5	108.1
1. Current expenditures	38.9	44.8	46.7	130.3	20.9	98.9	108.8
2. Capital expenditures	4.5	6.2	10.3	21.0	3.4	63.1	104.2
C. Budget deficit	-2.0	-6.4	-10.4	-18.9	3.0	81.7	97.9

Source: Ministry of Finance.

Both economic and tax base growth have impacted the increase of revenues. While current expenditures continue to be performed according to the plan, capital expenditures are performed only at 62.2 percent. Budget deficit is financed at 68 percent by domestic sources.

#### **BUDGET REVENUES**

Total State budget revenues amounted to Lek 132.5 billion for the period January-September. These revenues, though lower than those projected at the beginning of the year, were 10 percent higher than the revenues of the same period of the previous year. Tax and customs revenues have provided on the average 91 percent of the total revenues during the first 9-month of the year. The revenues from value added tax (VAT), which provides about the half of revenues, cover the highest weight of this category. VAT has provided, as at August, 102 percent of the planned revenues of this category. Revenues from income tax on and excise have marked an increase particularly over the third quarter.

#### **BUDGET EXPENDITURES**

Total expenditures amounted to Lek 131.5 billion during the period January-September 2004. Current expenditures continue to cover the highest weight of the total expenditures. However, a positive performance in the last months was reflected by the increase of capital expenditures, which gradually increased by 20 percent in August, from 9 percent of the total expenditures in January. More than half of current

is argued by the reduction of T-Bills interest rates, contributing to disburden the domestic government debt. While, capital expenditures are performed at 63 percent, and that is a fact which requires a greater attention from the Government in this direction.

#### **BUDGET DEFICIT**

Budget deficit amounted to Lek 18.9 billion as at the end of September. The major part of the budget (from 50 to 90 percent) is financed by the domestic sources, particularly during the second and third quarters of 2004. Budget deficit is estimated to be about 82 percent of the planned deficit, by the end of September.

#### **II.2.3. FOREIGN SECTOR**

Albania has performed in the first half of 2004 a higher volume of current transactions than in the respective period of 2003. Current account balance of this semester was USD 208 million, or about -5.4 percent of GDP. This ratio is fairly equal to the one of the previous year of -5.3 percent of GDP. The nominal growth of current deficit by 36 percent is not reflected in the growth ratio of this indicator against GDP, due to the GDP growth and dollar depreciation against the domestic currency. Similarly to the previous years, the highest weight of the current transactions is covered by the trade transactions in goods and current transfers. Capital and financial account has recorded a net inflow of USD 266.5 million, closing the first half of the

year with a capital inflow, considerably higher than the one of the same period of the previous year. Capital inflows are considerably conditioned by the revenues from the Savings Bank privatization, which led to the increase of residents' liabilities in the form of foreign direct investments in the country. Foreign currency inflow through both the current and capital transactions contributed to the increase of gross foreign reserve instruments by USD 132 million.

ones, part of which is used as raw material for the active manufacturing industry, as well as imports of the base metals. In general, the relatively higher growth of imports of goods that are used as raw material for further processing in the country or for the machineries used in production, compared to the imports of consumer goods is a positive signal on the progress of the country's economy.

**Table 6. Balance of payments for the first semesters (in millions of USD).**

	Inflows	Outflows	Balance-6-S1-04	Balance-S1-03
A. Current account	1,261.0	-1,469.3	-208.3	-152.9
A.1.Merchandise trade	289.8	-978.5	-688.7	-625.6
A.2.Services trade	434.8	-440.7	-5.9	-11.2
A.3.Revenues	82.0	-13.6	68.4	81.2
A.4.Current transfers	454.5	-36.6	417.9	402.7
B. Capital and financial account			266.5	179.0
B.1. Capital account			59.70	67.5
B.2.Financial account			206.8.0	111.5
D. Increase of reserve assets			132.3	61.2

Source: Bank of Albania.

### *MERCHANDISE TRADE*

When analyzing the merchandise trade and in general all the figures of the balance of payments, we have to take into consideration the exchange rate performance, specifically the rate of Lek against US dollar. US Dollar depreciation, particularly during December'02 – June'04, led to the growth of transactions volume measured in current dollar to result higher than the real growth. If Lek appreciation impact is not taken into consideration against American dollar during the above-mentioned period<sup>5</sup>, exports growth would result 9 percent from 30 percent estimated in current dollar, while imports growth from 15 percent turned down into 3.5 percent.

Foodstuffs keep on having the highest weight of total imports (17 percent), machineries and equipment (17 percent), textiles and textile articles (11 percent), etc. Imports of vegetal products grew at a modest degree compared to the first semester of the previous year, the textile

Exports, alongside the nominal and real growth, have recorded positive developments towards the diversification of the exported goods basket. Thus, the first semester has marked a growth of exports of minerals and base metals products, apart from the growth of exports for the group of goods "textiles and textile articles" and "headwear, footwear, umbrellas, etc." Foreign trade has reflected as well an improvement of the economy performance in the second quarter. Second quarter exports resulted 12 percent higher than those of the first quarter, while imports were about 16 percent higher.

For import prices, which play an important role in fixing the final price of consumer goods (Consumer Price Index) and in the production materials (Produce Price Index), the changes have been almost insignificant for the major part of group of goods, as at the end of the first quarter of 2004. The general prices of import goods for the first quarter of 2004 have declined by 6 percent compared to the first quarter of 2003, and by 17 percent compared to the last quarter of 2003.

<sup>5</sup> This estimation is based on calculating exports by fixed exchange rate-December 2002.

**Table 7. Changes of import good prices<sup>6</sup> (in percentage).**

	Weight of import value, total (in %)	Q1 '04/Q4 '03 (in %)	Q1 '04/Q1 '03 (in %)
Vegetable products	7.8	0.5	6.0
Prepared foodstuffs	7.8	-13.25	-11.0
Textiles and articles	11.1	-4.50	-5.0
Machinery and equipment	16.9	0.6	4.0
Mineral products	9.6	0.4	-14.0
Total	100	-17.0	-6.0

Source: Institute of Statistics.

Considering the performance of import prices for the second half of 2003, we may say that the group of goods of higher weight in total imports is expected to know a significant decline of these prices. This means that import prices, excluding potential impacts due to oil price rise, are not expected to exert inflationary pressures on the consumer prices.

#### *SERVICES, INCOME, CURRENT TRANSFERS*

Services trade has recorded a growth in both directions, imports and exports, during the first half of 2004. Services account for this period seems slightly negative (– USD 6 million). Both services income and expenditures almost grew at the same degree compared to the same period of the previous year (about 40 percent). This growth is significant even if we ignore the exchange rate impact. Travel income, USD 300 million, represent 60 percent of inflows, while travel expenses, USD 265 million, represent 50 percent of total outflows in the services account. The number of visitors entering Albania from abroad, as well as the numbers of residents, spending the holidays abroad, result considerably higher than a year ago. Income in the communication category increased, reflecting the income growth from the services performed by the local radio-televisions, as well as from Altelecom.

Income category has not manifested any development different from the first half of 2003. Income balance was about USD 70 million. The major part of incomes (USD 44 million of USD 88 million) has come from employees' compensation, while the rest belongs to both portfolio investments and reserve income.

Current transfers balance continues to be positive. Net current transfers inflow has covered about 60 percent of the trade deficit of USD 690 million. Private inflow transfers resulted about 8

percent higher than those of the first half of 2003. It might be argued that the highest financing source of current expenditures, considering the exchange rate, is ensuring lower foreign revenues for Albania. From some times now an emphasis was put on the necessity of providing alternative sources for the financing of expenses, to smooth the dependence on the unsafe and instable foreign exchange source.

#### *CAPITAL AND FINANCIAL ACCOUNT AND RESERVE ASSETS*

Net inflows in the capital and financial account were USD 267 million during the first half of the year. About 60 million of them were net inflows as capital, while USD 207 million, net inflows in the financial account. The financial account recorded during this period a considerable increase of residents liabilities as direct investments, due to the revenues from the Savings Bank privatization in April of the current year. The public and private borrowings marked also an increase of residents' liabilities by USD 42 and 35 million, respectively. Albania has repaid about USD 23 million from its foreign debt. In terms of assets it is worthy mentioning: growth of residents' deposits stock abroad by USD 38 million, growth of other assets by USD 32 million, as well as growth by USD 10 million of our assets abroad in the form of shareholder capital.

Reserve assets increased by USD 132 million, during the first half of 2004. The total growth was almost in foreign currency, while holdings in gold, SDR as well as the reserve position in the IMF have remained unchanged.

#### **II.2.4. LABOR MARKET**

The labor market manifested stability signs during the second quarter of 2004. The decline of the labor force by 11 thousand persons during the

<sup>6</sup> Source: Institute of Statistics: Value Index unit for imports and exports.

first quarter was followed by an increase of 1 thousand persons in the second quarter. The logistic difficulties for the registration of the private entities in this period justify to some extent the developments of the first quarter. 1.081 million persons are enrolled in the labor force as at the end of the second quarter, 921 thousands of them were employed. About 20 percent of these persons are employed in the public sector, 23 percent in the non-agricultural private sector and 58 percent in the private agricultural sector. Unemployment rate has dropped from 14.9 percent by the end of the first quarter to 14.8 percent in the second quarter, due to the simultaneous increase of the number of labor forces and that of unemployed persons.

Employment level in the public sector has declined, while free labor forces seem to move towards the private non-agricultural sector. Although official data on labor market are published late, indications coming from regional

labor office (particularly referring to Tirana district) show that employment is expected to grow for the rest of the year. At the same time, this year coincides with a campaign organized by the Ministry of Labor and Social Affairs regarding the registration of illegal work and the strengthening of control from tax authorities. It is expected these steps have their impact on labor market data.

### III. INFLATION PERFORMANCE AND MONETARY POLICY

Inflationary pressures have been of low impact during the third quarter. Inflation rate has marked a gradual decline, attaining the lower limit of the 2 – 4 percent targeted range of the Bank of Albania, at the end of the third quarter. The average annual inflation have also declined, reaching 3.1 percent in September.

**Table 8. Labor market indicators (in thousands of persons).**

	2002				2003				2004	
	Q.I	Q.II	Q.III	Q.IV	Q.I	Q.II	Q.III	Q.IV	Q.I	Q.II
Labor force (thousands)	1096	1093	1094	1094	1096	1093	1092	1091	1080	1081
A. Employed persons (thousands)	918	917	919	921	926	927	928	927	919	921
i) public sector	189	188	187	187	185	185	184	182	179	179
ii) private sector, non-agricultural	6	203	206	208	207	208	210	211	206	208
iii) private agricultural sector	526	526	526	526	534	534	534	534	534	534
B. Unemployed persons (in thousands)										
i) total unemployed persons	178	176	175	173	170	166	164	164	161	160
ii) Receive an unemployment pay	13	13	12	11	11	11	11	11	11.5	12
C. Unemployment rate (in %)	16.2	16.1	16.0	15.8	15.5	15.2	15.0	15.0	14.9	14.8

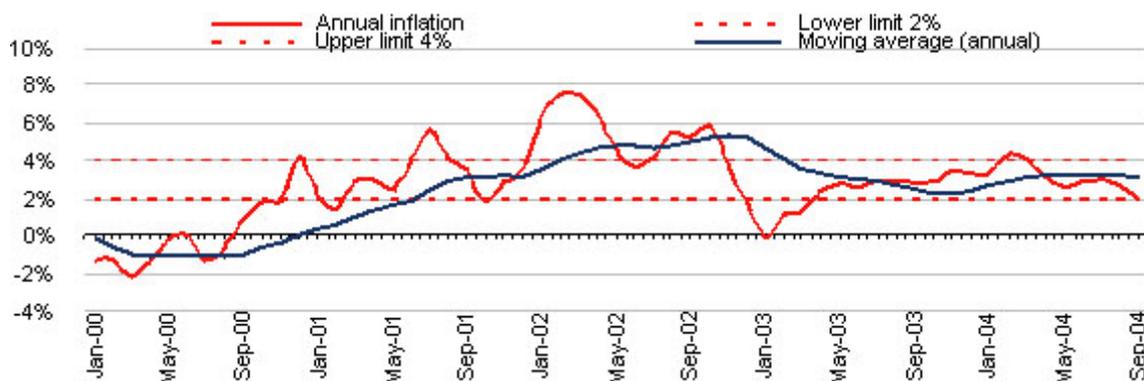
Source: Institute of Statistics, Conjunction - June, 2003.

**Table 9. Annual inflation rate (in percentage).**

	2000	2001	2002	2003	2004
January	-1.3	2.2	6.5	0.0	3.3
February	-1.3	1.5	7.6	1.1	4.4
March	-2.1	2.9	7.5	1.3	4.0
April	-1.4	3.0	6.5	2.3	3.2
May	-0.1	2.5	4.6	2.8	2.6
June	0.1	4.0	3.7	2.6	2.9
July	-1.3	5.6	4.2	3.0	3.1
August	-0.7	4.1	5.5	3.0	2.7
September	0.9	3.5	5.3	2.8	2.0
October	1.8	1.8	5.8	2.9	
November	1.9	2.8	3.7	3.4	
December	4.2	3.5	1.7	3.3	
Average	0.05	3.13	5.22	2.37	3.13

Source: Institute of Statistics.

Chart 4. Annual inflation rate (in percentage)



Source: Institute of Statistics.

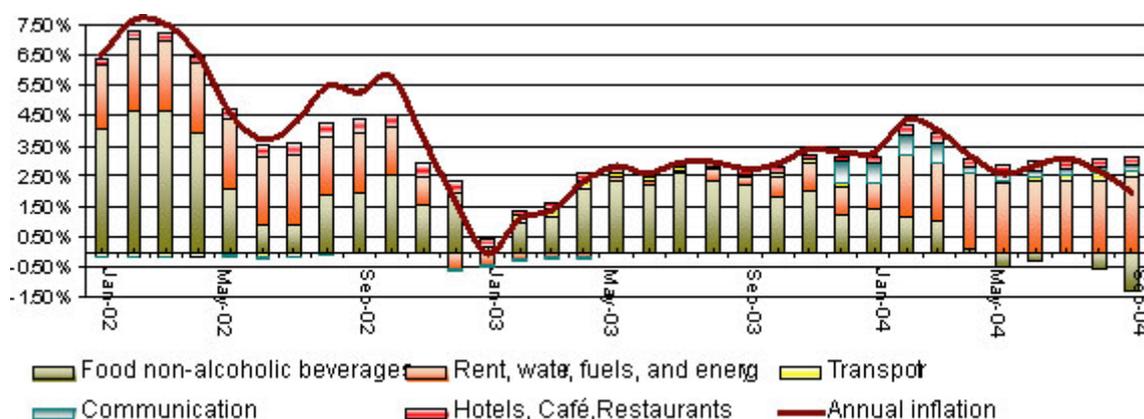
Consumer prices performance was considerably conditioned by the domestic agricultural production growth over this period. This growth made the rising demand of the summer period be supplied by the domestic production, which in general offers lower prices than imports. Thus, unlike the previous years, (see Chart 5), the “Foodstuff and non-alcoholic beverages” group has contributed on the total inflation with a negative impact during the last quarter. Furthermore, the general macroeconomic conditions: monetary situation, economy demand and the fiscal situation have been kept under control, prioritizing the maintenance of price stability.

### III.1 PERFORMANCE OF CONSTITUENT GROUPS OF CONSUMER PRICE BASKET

Annual inflation of the largest weight group - “Foodstuff and alcoholic drinks”, has market negative values over the third quarter. “Clothes and footwear” group is highlighted by the same characteristic. Both groups “Rent, water, fuels and energy” and “Transport” have recorded positive annual rates of inflation in July, August and September.

In September, the annual inflation for “Foodstuff and non-alcoholic drinks” recorded -2.9 per cent,

Chart 5. Contribution of main groups to inflation (in percentage point).



Source: Institute of Statistics; Bank of Albania.

contributing by -1.25 percentage points to total annual inflation rate. Over the third quarter of this year the seasonal effect of the reduction of agricultural product prices was felt stronger. The domestic agricultural product during May-September 2004 met the market demand largely. Also, production prices of food processing industry<sup>7</sup> have recorded an annual cut by 28.7 per cent. The monthly inflation performance of "Foodstuff and non-alcoholic drinks" and its components are presented in the following table.

group remain in high level along the coming months (see Table 11).

Oil price rise in the world markets risked to be translated into an inflation rise of "Transport" group over this quarter, having negative implications even on total inflation rate. But, the inflation of this group recorded only a slight raise in this period. August monthly inflation resulted to 1,4 per cent, due to price rise of transport services and services to personal vehicles. Meanwhile,

**Table 10. Monthly and annual inflation rate of "Foodstuff and alcoholic drinks".**

	"Foodstuff and non-alcoholic drinks"		"Fruits"		"Vegetables"	
	Monthly	Annual	Monthly	Annual	Monthly	Annual
July '04	-0.4	-0.1	3.7	10.9	-5.9	-15.4
July '03	-1.0	6.2	-2.2	19.2	-3.9	30.1
August '04	-1.2	-1.4	-5.5	7.8	-5.4	-21.3
August '03	0.0	6.2	-2.7	17.4	1.7	26.1
September	0.0	-2.9	-4.4	3.2	3.5	-25.6
September '03	1.6	5.3	-0.1	22.5	9.4	21.4

Source: Institute of Statistics, Bank of Albania.

Inflation of "rent, water, fuels and energy" has been relatively stable over the third quarter of the year. However, this group constitutes the main contribution to total inflation, contributing by about 2.5 percentage points to the final inflation rate of September. (See Chart 5). The abrupt rise of "Fuels and energy" annual inflation from 6.9 per cent in January to 35 per cent in February of this year made the inflation rate of the whole

the effect of oil price rise is deemed to have been balanced by the lek appreciation against the usd in the domestic market<sup>8</sup>.

The rise of tariffs managed by fixed telephony<sup>9</sup> has made the annual inflation of "Communication" group rest to 17 per cent over most of the year. Meanwhile, the contribution of other groups to total inflation rate has been modest.

**Table 11. "Rent, water, fuels, energy" monthly and annual rate.**

	"Rent, water, fuels, energy"		"Rent"		"Fuels and energy"	
	Monthly	Annual	Monthly	Annual	Monthly	Annual
January '04	0.0	3.7	0.0	2.6	0.3	6.9
February '04	4.9	8.5	-0.5	2.1	26.4	35.0
March '04	0.0	8.3	0.0	2.1	-0.1	35.0
April '04	2.4	11.0	3.5	5.6	0.1	35.1
May '04	0.0	9.7	0.0	5.6	0.0	27.2
June '04	0.0	9.7	0.0	5.6	-0.1	27.0
July '04	0.1	9.9	0.0	5.6	-0.1	26.9
August '04	0.8	9.7	1.1	5.5	0.0	26.7
September '04	0.0	10.4	0.0	6.4	-0.1	26.7

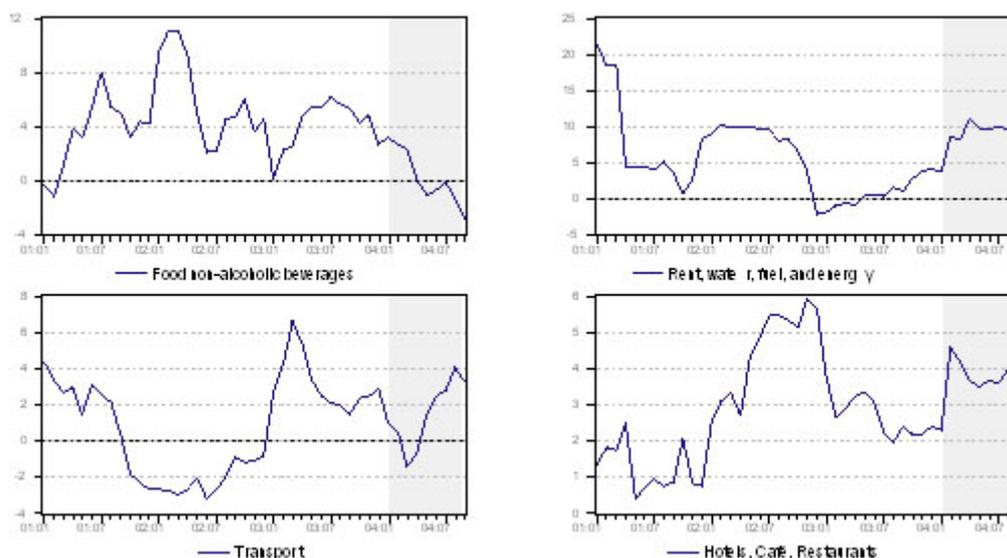
Source: Institute of Statistics, Bank of Albania.

<sup>7</sup> Data are received from the CPI of the second quarter 2004, INSTAT.

<sup>8</sup> The US dollar is depreciated by 3.5 per cent on average against the lek during the third quarter, compared to the second quarter of this year.

<sup>9</sup> The initial rise of tariffs managed by fixed telephony, in December 2003, was rectified to become lower in April.

Chart 6. Annual inflation of the four main groups of the CPI basket (in per cent).



Source: Institute of Statistics, Bank of Albania.

### III.2 MACROECONOMIC ENVIRONMENT AND CONSUMER PRICES

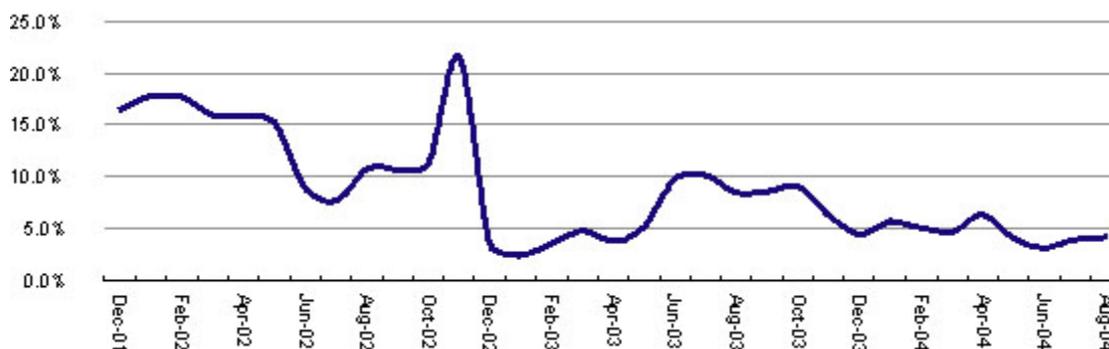
Excluding February, the annual inflation rate has been within the 2 – 4 per cent target of the Bank of Albania during 2004. This positive performance is undoubtedly conditioned even by macroeconomic equilibrium preserved during 2004.

The prudent monetary and fiscal policies have established suitable conditions for maintaining inflation under control. During 2004 in general, and during the third quarter the programmed levels of expenditures and of budget deficit, made by the government, are observed.

Until September 2004, the total expenditures were realized at 91 per cent, while the budget deficit at 82 per cent. The government demand for deficit financing has been relatively uniform during the year. It has not created any deformations in liquidity situation and therefore, it has not exerted inflationary pressures.

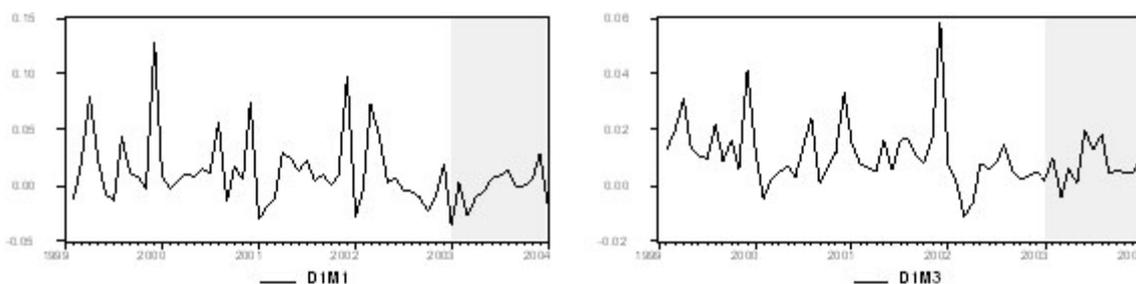
The Bank of Albania has been prudential in implementing its monetary policy. The liquidity situation has been stable. The interest rates, though downward, have continued to favour the rise of lek deposits and the return of money into the banking system. On the other hand, the moderate growth of money supply has well fulfilled the growth of demand for money, a seasonal characteristic of this period.

Chart 7. Annual growth of budgetary expenditures (in percentage).



Source: Ministry of Finance, Bank of Albania.

Chart 8. Annual changes of M1 and M3 monetary aggregates (in percentage).



Source: Bank of Albania.

The domestic demand for foodstuff during the first six-month of the year is easily met by the Albanian economy<sup>10</sup>. The growth of domestic production has led to substitution of imported agricultural goods with domestic goods, which have even lower prices. The low demand for imports of such nature has maintained low demand for foreign currency, which has caused further appreciation of the lek<sup>11</sup>. This factor, being combined with stable inflation rates in main partner countries of imported goods, has impacted on the dropping of imported inflation rate during 2004.

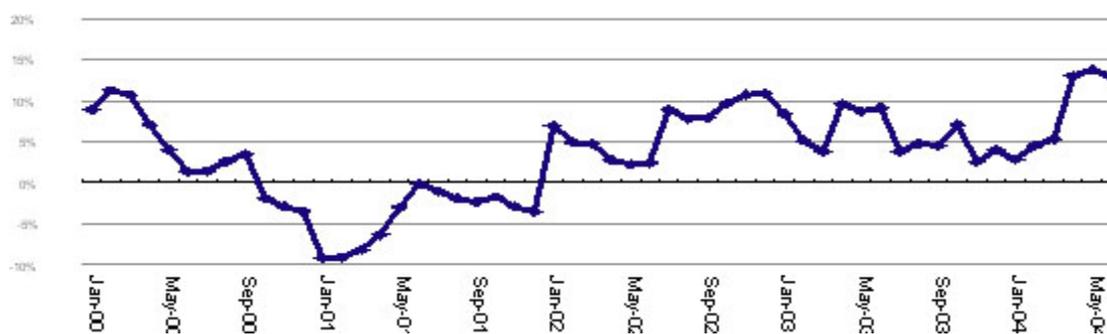
Under these conditions, the growth of demand<sup>12</sup> and the retail market conditions<sup>13</sup> did not impact on the conveying of inflationary pressures to consumer prices. However, the possible impact of real estate price rise on the decline of domestic demand for consumer goods remains to be estimated in the future. This price rise may impact on shifting the consumption structure of a part of society towards real estate. On the other hand, the production price index rise<sup>14</sup> over the second quarter of 2004 has not conveyed rising impulses to consumer prices.

Table 12. Annual inflation rate of the main partner countries (in percentage).

	January '04	February	March	April	May	June	July	August
Greece	3.1	2.6	2.9	3.1	3.1	3.0	3.1	2.8
Italy	2.2	2.4	2.3	2.3	2.3	2.4	2.2	2.4

Source: Eurostat News Release.

Chart 9. Annual Change of Production Price Index.



Source: Institute of Statistics.

<sup>10</sup> Imports of agricultural goods during this period have been almost the same in nominal terms with those of the same period of the previous year.

<sup>11</sup> In September 2004, the lek in annual terms is appreciated against the dollar and the euro by 15.1 per cent and 7.6 per cent respectively.

<sup>12</sup> The demand, viewed as the level of sales realized by all sectors of economy, has undergone a growth of 19.6 per cent in the second quarter of 2004 compared to the previous quarter. Source: Sales Index, INSTAT.

<sup>13</sup> Retail sales volume index in the second quarter of this year was 26.8 per cent compared to the first quarter and 28.2 per cent compared to the same period of the previous year. Source: Volume index, INSTAT.

<sup>14</sup> Data from INSTAT.

### III.3 MONETARY POLICY OF THE BANK OF ALBANIA

The Bank of Albania monetary policy has had a clear easing tendency during the third quarter of the year. The controlled level of inflation and the optimistic forecasts for meeting the Bank of Albania target have dictated the need of reviewing the monetary policy stance. The Bank of Albania has decreased the base interest rate, in three step, by 0.75 percentage points during the first half of the year. However, the analysis of monetary conditions and of factors impacting on inflation suggested that there was space for further decrease of base interest rate.

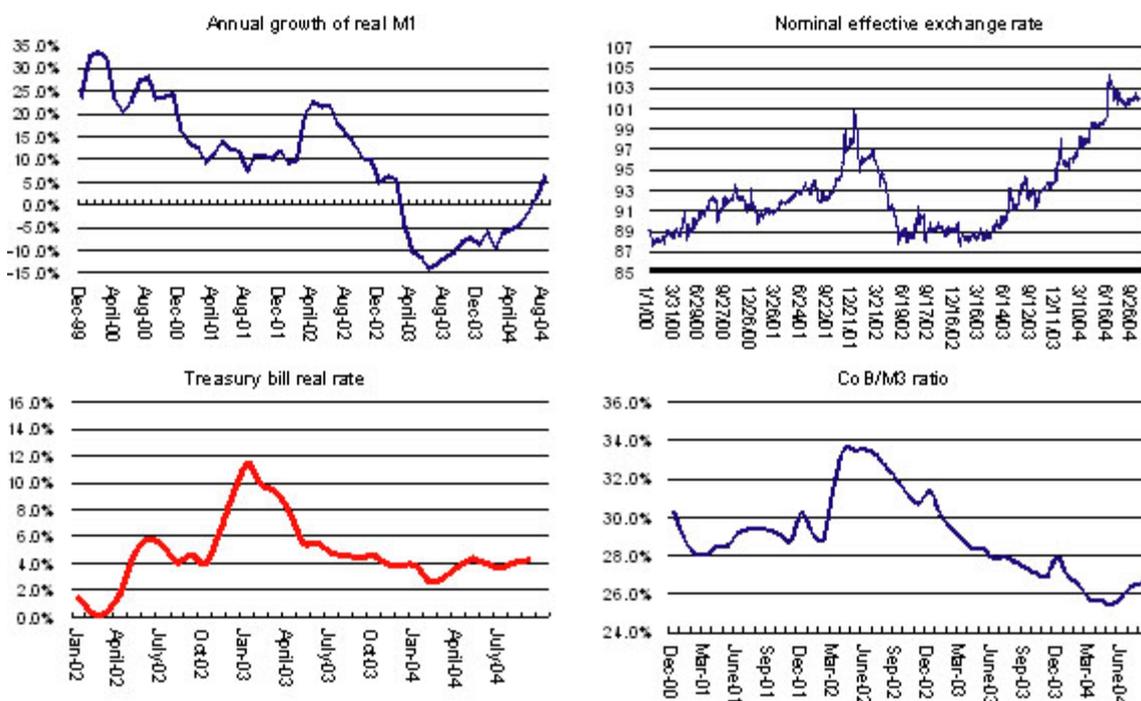
So, the annual growth rate of real M1 aggregate (the monetary aggregate which is proved to have the largest impact on inflation) continues to remain below some-year historical average. Also, the low inflation rate and the stabilization of inflationary pressures of economy<sup>15</sup> for this level, have made the real interest rate level be relatively

high, even after the reductions of nominal interest rates. This has increased the interest in depositing the savings into the banking system, thus bringing about a shifting of liquidity structure towards long-term monetary assets, deposits and treasury-bills (Chart 10).

The attraction of the lek interest rates in comparison with those in foreign currency, in the presence of an increased supply of foreign currency during summer, has exerted pressures on the lek appreciation.

In response to these developments, the Bank of Albania decreased the base interest rate by 0.25 percentage points on July 28. This decrease was made in compliance with the declared policy of the Bank of Albania to preserve an interest rate level as low as possible in economy, which must be consistent with the price stability target in a mid-term period. After this reduction, the base interest rate dropped to 5.5 per cent, its lowest level ever applied in Albania.

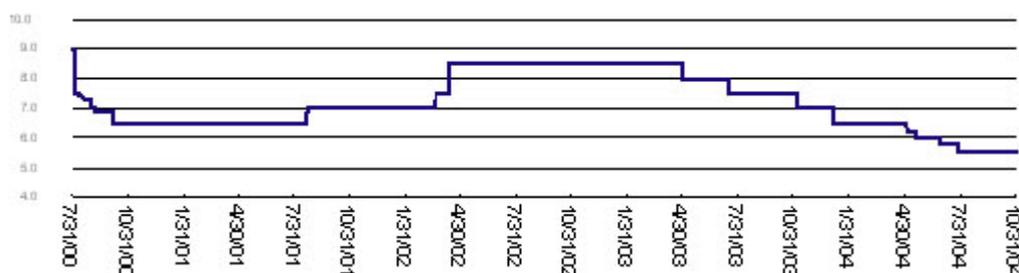
Chart 10. Performance of monetary conditions in economy.



Source: Bank of Albania

<sup>15</sup> The Bank of Albania surveys with consumers, businesses and the banking system generally indicate low inflationary expectations in economy.

Grafik 11. Base interest rate in Albania.



Source: Bank of Albania.

The banking system reaction to the decline of base interest rate has been satisfactory. The interest rates of the lek deposits and treasury bills are decreased, reflecting even the previous reduction of the base interest rate<sup>16</sup>.

The third quarter marked a strengthening of the appreciating pressures on the lek exchange rate. These pressures are increased especially due to large foreign currency inflows during this period. So, the deposits in foreign currency are increased

**Table 13. Banking system reaction to last smoothing of monetary policy.**

	3-month	6-month	12-month
Deposits	-0.13	-0.49	-0.47
Treasury bills	-0.73	-0.61	-0.76

Source: Bank of Albania.

However, the banking system reaction has been slow and the Bank of Albania has supported the base interest rate reduction even with its operations in the interbank market. During July-August, the Bank of Albania applied repo auctions at limited amount to increase the pressure of interest rate reduction on commercial banks.

by Lek 10.5 billion or approximately usd 100 million during July-August. The increased foreign currency supply is faced with a weak demand, in consequence of import reduction and preference for the Lek due to interest rate spread. Under these conditions, the Bank of Albania has intervened in foreign exchange market in terms of purchasing foreign currency, withdrawing its excess supply and injecting lek liquidities. The Bank of Albania intervention into the foreign exchange market has been in compliance with the easing monetary policy. On the other hand, the base interest rate reduction during 2004 has mitigated the intensity of the operation of this factor, which has favoured the lek appreciation. The Bank of Albania has observed even its quantitative targets during the third quarter.

Meanwhile, the data indicate that the interest rates of the loans in lek have not followed this smoothing of monetary policy of the Bank of Albania. This phenomenon is related more with the fragmentation of the lending market and the shifting of their structure towards longer-term loans. Meantime, over the passing of time even the interest rates in the lek lending market are expected to fall.

**Table 14. Quantitative objectives of the Bank of Albania.**

	December '03	March '04	June '04	July '04	August '04
Net foreign reserves of the Bank of Albania (in millions of US dollars).					
Objective	715.8	751.8	765.8	818.4	871.1
Actual	832.7	827.6	961.5	986.4	1041.9
Difference	116.8	75.8	195.7	168.0	170.9
Net domestic assets of the Bank of Albania (in billions of Leks).					
Objective	96.0	83.0	85.0	80.0	75.0
Actual	72.0	66.4	54.7	56.4	59.5
Difference	-24.0	-16.6	-30.3	-23.6	-15.5
Net domestic credit to Government (in billions of Leks).					
Objective	280.9	274.1	270.1	273.1	276.1
Actual	268.1	273.9	263.6	267.5	268.3
Difference	0.0	-0.2	-6.5	-5.6	-7.8

Source: Bank of Albania.

<sup>16</sup> The previous decrease, being the third in 2004, was made in June.

## IV. MONETARY DEVELOPMENTS AND FINANCIAL MARKETS

### IV.4 MONETARY SUPPLY AND MONETARY AGGREGATES

The annual growth rate of money supply has marked a significant growth over the period of June-August, reaching to 10 per cent, from 8.1 per cent its average level was in the first half of the year. The money supply rise in this period is impacted by the growth of its part in lek, whereas the annual growth of foreign currency deposits has continued to be high but at stable levels.

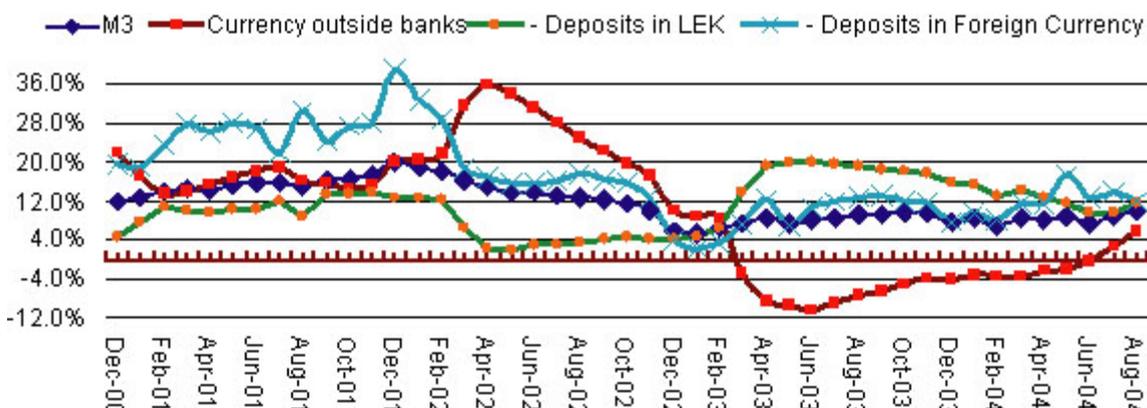
The large foreign currency inflows and the growth of lek appreciating tendencies are associated with the intervention of the Bank of Albania into the foreign exchange market. This has brought about the injection, in considerable amounts, of liquidity in economy, impacting on the growth of M2 aggregate and on meeting the demand for monetary assets in lek.

The performance of the ratios of money supply components has reflected mainly the seasonal impacts of the period, which have been reflected on the growth of the weight of currency outside banks and of foreign currency deposits to broad money.

Foreign currency inflows from tourism and emigrants' remittances are estimated to have marked a rise in comparison to the previous year. This is also indicated by higher annual growth rates of foreign currency deposits during three summer months of the current year than those of the previous year. In June-August 2004, the average growth rate of foreign currency deposits has fluctuated to 12.7 per cent while in the same period of the previous year this indicator was 11.9 per cent. Annual appreciation of the lek against the euro and the usd has impacted negatively on the level of deposits in foreign currency in August, by Lek 13.7 billion. In absence of this effect, their annual growth rate would result to 25.3 per cent.

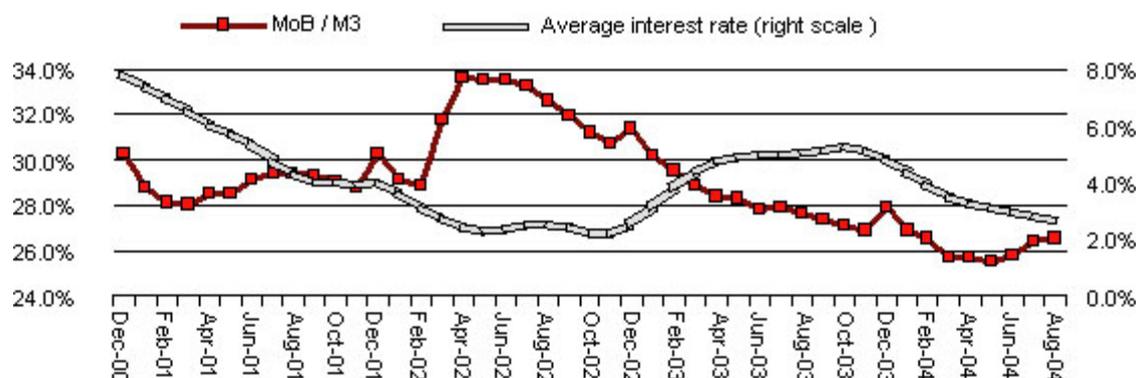
Deposits in lek during June-August have manifested a growth. Their annual growth rate in August reached to 11.5 per cent, from 9.5 per cent in June. Growth of deposits in lek has reflected the attraction of highest interest rates in lek compared to those in foreign currency, making a part of foreign currency inflows from abroad be invested in financial assets in Lek (deposits and treasury bills). Also, another factor that is assessed to have impacted on the growth of deposits in lek and deposits in general, is even the improvement and increase of banking services to customers, which has increased their tendency to use banks. The impact of this factor is noticed on performance of demand deposits of households and private sector, which have reflected a rising trend in the recent months.

Chart 12. Performance of annual rates of monetary aggregates.



Source: Bank of Albania.

Chart 13. Ratio of currency outside banks to M3.



Source: Bank of Albania.

The annual growth rate of currency outside banks underwent a significant growth in July and August, due to liquidity injection into the market from the Bank of Albania foreign currency intervention. This situation has coincided with the seasonal growth of demand for cash, in consequence of high consumer expenditures during summer, making possible that the high level of currency outside banks be stable. In August, the annual growth rate of currency outside banks returned to positive levels, being increased to 5.5 per cent, from -0.6 per cent it was in June. The ratio of currency outside banks to M3 reached to 26.6 per cent, marking a growth of 0.8 percentage points against the level of June.

## IV.2 ECONOMY DEMAND FOR MONETARY ASSETS

### IV.2.1 FOREIGN CURRENCY POSITION OF THE BANKING SYSTEM

The foreign currency position of the banking system is improved over the 2004. The banking system resulted with a growth of USD 209.3 million<sup>17</sup> of net foreign assets during July-August.

The growth of net foreign assets in August has rendered a contribution of 64 per cent to M3 growth, which is the highest contribution for 2004.

**Table 15. Performance of monetary indicators in August (in billions of Leks).**

	August 2004	Two-month change		Annual change	
		Absolute	Percentage	Absolute	Percentage
Currency outside banks	128.9	10.6	9.1	6.8	5.5
Total deposits	356.2	16.3	4.8	37.2	11.7
- in lek	241.2	5.8	2.5	24.9	11.5
- in foreign currency	115.0	10.5	10.2	12.3	11.9
Demand deposits	70.8	5.8	9.1	11.5	19.3
- in lek	25.1	2.7	11.6	5.6	28.6
- in foreign currency	45.7	3.1	7.6	5.9	14.8
Time deposits	285.4	10.5	3.8	25.7	9.9
- in lek	216.1	3.0	1.4	19.3	9.8
- in foreign currency	69.3	7.5	11.9	6.4	10.2
M1	154.0	13.4	9.5	12.4	8.7
M2	370.1	16.4	4.7	31.7	9.4
M3	485.1	26.9	5.9	43.9	10.0
Base money	170.3	13.3	8.6	13.8	8.8

Source: Bank of Albania.

The largest contribution to this growth is given by commercial banks, by a growth of 127.4 million dollars of net foreign assets. The net foreign assets growth of commercial banks is mainly due to rise of foreign deposits during this period, in consequence of rise of emigrants' remittances. Also, this period is impacted by the conversion into euro of a part of capital of the Savings Bank. The Bank of Albania has also increased the level of net foreign reserve. For July – August, this growth is 81.8 million dollars. The presence of the Bank of Albania in the foreign exchange market in terms of foreign currency purchasing has impacted on the foreign reserve growth. The Bank of Albania has had the commercial banks as the main partner during foreign currency intervention.

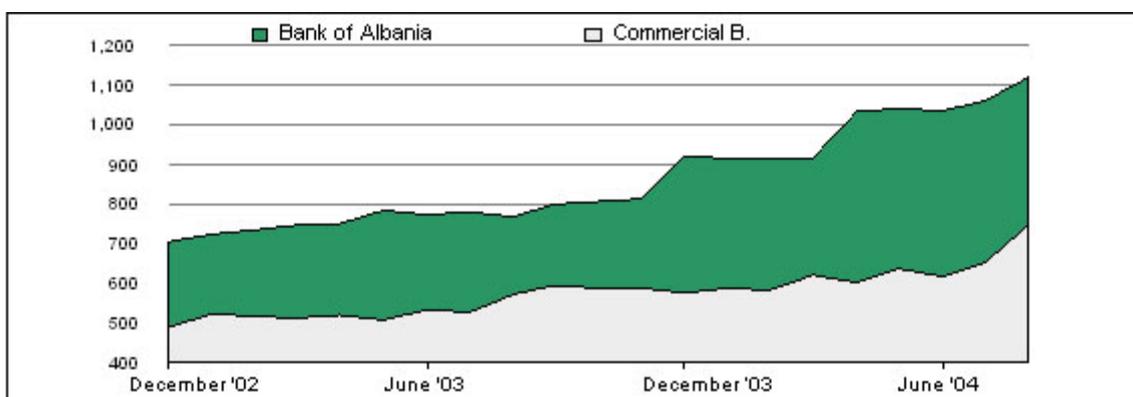
budget deficit reached to Lek 11.6 billion in August, being increased by 4.5 billion compared to second quarter of 2004. This government demand continued to be covered almost totally from domestic financing, which, during July-August was Lek 3.6 billion. The banking system has financed the government through purchases of treasury bills and government bonds. The commercial banks have reduced the treasury bill portfolio to Lek 1.6 billion. Also, the institutions have had a reduction of treasury bill portfolio, whereas the Bank of Albania and households have slightly increased their portfolio. The level of government bonds issued in July-August is Lek 1.6 billion.

#### IV.2.2 GOVERNMENT DEMAND FOR MONEY

July – August were associated by growth of government demand for monetary assets. The

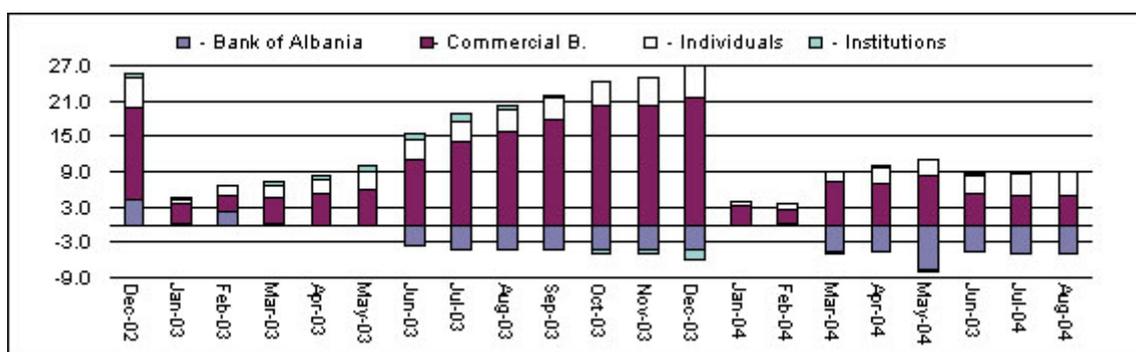
The Bank of Albania, in implementing its monetary policy, has also used direct financing by Lek 0.5 billion during July-August to cover a part of the budget deficit. Also, a part of income from the Savings Bank's privatization, about Lek 0.6 billion, has passed for the government's account.

Chart 14. Banking system foreign currency assets (in millions of USD).



Source: Bank of Albania.

Chart 15. Budget deficit financing (in billions of Leks).



Source: Bank of Albania.

#### IV.2.3 CREDIT TO ECONOMY

Intermediation in the financing process of productive sector of economy is one of the main functions of the banking system. Though the banking system lending to economy remains still far from the level of developed economies, we should stress that credit to economy has marked a rapid growth during three last years. The credit to economy in ratio to GDP has marked a constant growth, reflecting a larger commitment of savings to finance the economic activity. At end of August 2004, the credit balance reached to Lek 60.9 billion (7.3 per cent of GDP). Also, a rise in the number of banks committed to lending market is noticed.

The banking system, in January-August 2004, indicated high paces of credit to economy. The part occupied by credit to economy to demand for money has been increasing, at a time when credit to government has had a falling trend. At end of August 2004, the credit to economy constituted about 13 per cent of demand for money. The interest of banks for investing their assets in the lending market has been increasing constantly. This fact is supported even by the constant growth of credit to deposit ratio, which in August 2004 was increased by 1.4 percentage points compared to end of 2003.

Credit balance was increased by Lek 4.1 billion during July-August 2004. This growth resulted to 51 per cent higher than its growth during the same previous year period. The credit balance has increased by Lek 10.2 billion during 2004 or about 20 per cent more than in the same period of 2003.

The structure of credit balance by terms went on having changes in the direction of growth of mid-term and long-term credit during July-August 2004.

The banking system is being oriented more and more to mid-term and long-term investment of funds, contributing more to economic development of the country.

At end of August, mid-term and long-term credit balance constituted 65 per cent of the credit balance, from 54 per cent at end of 2003. The credit balance structure by currencies continues to be dominated by foreign currency credit. Meanwhile, a rise is noticed in the preference to receive credit in European currency.

The credit in euro constituted 55 per cent of total credit at end of August 2004, from 50 per cent it was at end of 2003.

**Table 16. Performance of some main indicators<sup>18</sup>.**

	2002	2003	Q-1'04	Q-2'04	July'04	August '04
Money supply (in billions of leks)	416.7	448.4	456.0	458.2	469.9	485.1
Domestic credit (in % to M3)	70.8	71.5	71.6	69.5	69.1	66.9
- Credit to government (in % to M3)	61.5	60.2	59.9	57.1	56.3	54.3
- Credit to economy (in % to M3)	9.3	11.3	11.7	12.4	12.8	12.6
Credit to economy (% to total assets)	11.5	13.7	13.7	14.6	15.1	15.0
Credit to economy (in % to GDP)	5.7	6.8	7.0	7.4	7.2	7.3
Total deposits (in % to GDP)	42.2	43.4	44.1	44.1	41.3	42.6
Credit/deposit ratio (in %)	13.5	15.7	15.8	16.7	17.4	17.1

Source: Bank of Albania.

**Table 17. Performance of credit balance indicators, in percentage.**

	2002	2003	Q-1 '04	Q-2' 04	July '04	August '04
Credit balance (in billion lek)	38.7	50.7	53.4	56.8	60.0	60.9
Short-term credit	53.8	46.0	41.6	35.4	35.6	35.0
Mid-term credit	30.1	33.3	35.4	37.8	37.4	38.0
Long-term credit	16.1	20.7	23.0	26.8	27.0	27.0
Lek	21.3	19.6	17	17	16	16
Foreign currency	73.7	80.4	83	83	84	84

Source: Bank of Albania.

<sup>18</sup> This ratio is established to GDP in annual level for 2004.

The new credit extended during July-August 2004 is Lek 12.2 billion. The short-term credit constituted 62 per cent of the new credit extended over these two months. From the viewpoint of the structure of the extended credit by currencies, the new credit extended in lek occupies 45.2 per cent of its total.

Meanwhile, Lek 68.6 billion credit or 26 per cent more than in the same previous year period was extended over the period of January – August 2004.

On the other hand, the agriculture sector started to be more supported financially by bank loans. However, the nature of business activities operating with banks is generally more commercial than productive.

#### IV.3 FINANCIAL MARKET DEVELOPMENT

The base interest rate decreased to 5.50 per cent during the third quarter of 2004. The money

**Table 18. New credit performance in years (in billions of Leks).**

	2002	2003	Q-1 '04	Q-2'04	July- August '04
New credit (in billions of Leks)	62.6	92.6	27.9	28.5	12.2
Short-term credit	44.7	63.1	18.7	18.1	7.6
Mid-term credit	13.0	22.2	5.7	6.8	2.6
Long-term credit	4.8	7.4	3.5	3.6	2.0
Lek	20.8	30.8	8.80	8.9	3.8
Foreign currency	41.8	61.8	19.10	19.6	8.4

Source: Bank of Albania.

Trade, processing industry, real estates and construction continue to be the branches most credited by the banking system. We highlight that during the period of January-August 2004 there is noticed a falling trend of banking financing for commercial activities, being oriented to such branches as processing industry, agriculture, hotels and restaurants, etc.

market interest rates generally pursued the same trend, resulting at end of the third quarter in their lower historical values.

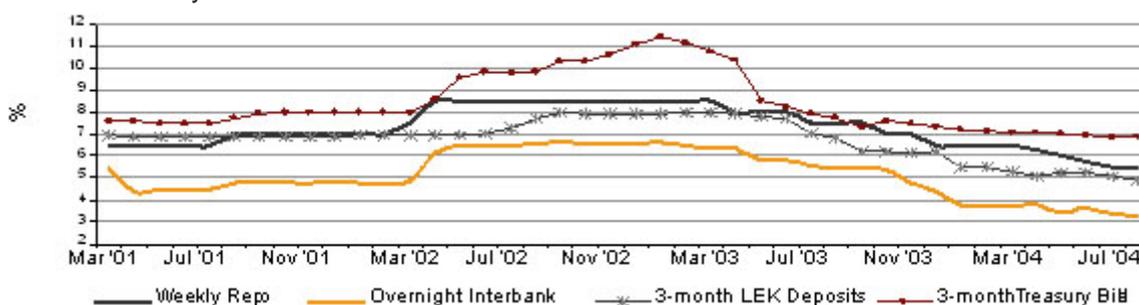
The interest rate decrease was supported even by an excess liquidity in stable levels during the whole period.

**Table 19. Credit balance by economy branches (in percentage).**

	2002	2003	Q-1 '04	Q-2'04	July '04	August '04
1 Agriculture, hunting and silviculture	0.8	1	1.0	1.2	1.4	1.4
2 Fishing	0.2	0	0.1	0.1	0.1	0.1
3 Extracting industry	0.2	1	0.2	0.2	0.2	0.2
4 Processing industry	17.0	17	16.9	18.4	17.5	18.6
5 Production, distribution of electric power, gas and water.	3.3	3	3.0	3.3	3.1	3.3
6 Construction	8.6	10	9.7	10.7	9.3	10.0
7 Trade, repairing of vehicles and home appliances	40.4	34	31.4	23.5	22.5	22.9
8 Hotels and restaurants	6.0	6	7.1	8.3	7.7	8.1
9 Transport and telecommunication	2.4	1	2.0	1.5	1.4	1.3
10 Financial activities	-	0	0.1	0.7	0.8	0.7
11 Real estates	9.1	13	13.7	14.8	15.5	16.0
12 Health and social activity	0.5	0	0.5	0.5	0.6	0.5
13 Collective, social and personal services	4.2	8	4.2	4.5	4.4	4.5
14 Other	7.3	4	10.1	12.2	15.4	12.3
Total	100	100	100.0	100.0	100.0	100.0

Source: Bank of Albania.

Chart 16. Money market interest rates



Source: Bank of Albania.

#### IV.3.1 PERFORMANCE OF MARKET LIQUIDITY

The growth of deposits in lek and the use of direct credit to finance the government have raised the level of commercial banks' liquidity over the third quarter. The average liquidity level during this period reached to Lek 6.4 billion, from 4.9 billion it was in the second quarter and 5.2 billion it was in the first quarter of this year.

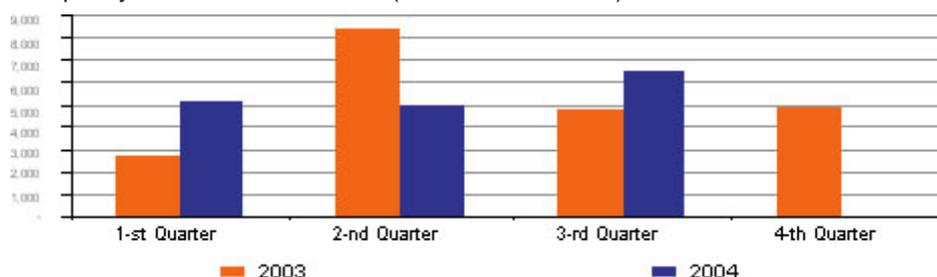
The Bank of Albania has continued to withdraw liquidity from the banking system through weekly repo auctions of one-week and one-month maturity. The average volume of commercial banks' funds invested in repo was increased to Lek 4.6 billion in the third quarter from 3.5 billion in the previous quarter.

The volume of overnight transactions in the

interbank market has rested almost at the same levels with those of the previous quarter. The average level of overnight transactions reached to Lek 0.38 billion, from Lek 0.36 billion in the second quarter and Lek 0.3 billion in the first quarter. The average level of weekly transactions in the interbank market over the third quarter reached to Lek 0.36 billion from 0.46 billion in the second quarter and 0.18 billion in the first quarter.

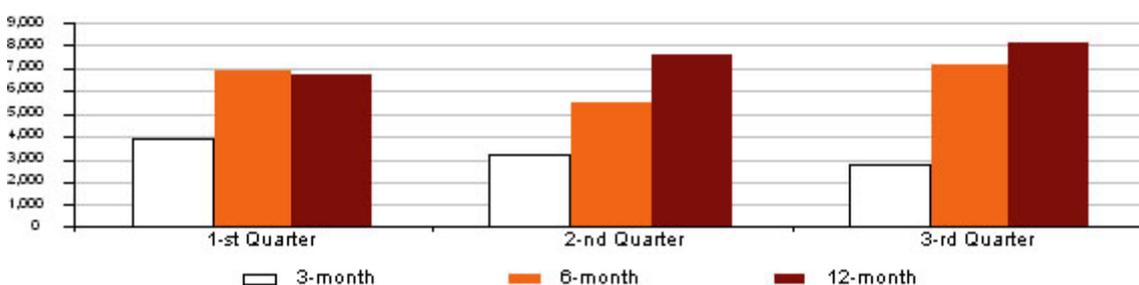
In the primary market, there was a rising investment in treasury bills by banks and households during the third quarter. The average value invested in this instrument for each auction, during this period, reached to Lek 11 billion, from Lek 9 billion it was in the second quarter. However, in this period, the government demand for financing is covered even by direct credit, impacting on adding excess liquidity of banks.

Chart 17. Liquidity of commercial banks (in millions of Leks)<sup>19</sup>.



Source: Bank of Albania.

Chart 18. Investment in treasury bills during 2004 (in millions of Leks).



Source: Bank of Albania.

<sup>19</sup> It includes the volume of repo, overnight deposits and excess reserves minus overnight credit.

#### IV.3.2 INTEREST RATE PERFORMANCE

Interest rates went on being decreased during 2004, reaching the lowest values at end of the third quarter. The easing policy followed over this period by the Bank of Albania is transmitted in the lek deposit market, primary market and interbank market, while the lending market has not reacted appropriately to monetary policy signals. The interest rate rise for savings in foreign currency has narrowed the spread between the domestic currency and foreign currency.

of these interest rates in interbank market. The primary market also marked the lowest yield values in these ten last years. The average weighted three-, six-, 12-month treasury bill yields at end of the third quarter reached to 6.30 per cent, 7.56 per cent and 8.43 per cent respectively, leading to the narrowing of the spread between interest rates of investment in treasury bills and deposits.

Lek time deposit interest rates during July-September have been decreased for all the terms.

**Table 20. Average weighted interest change over 2004 (in percentage points).**

	Quarter I	Quarter II	Quarter III	Total for the nine-month period
Overnight interbank market	-0.61	-0.43	-0.20	-1.24
Weekly interbank market	-0.40	-0.30	-0.70	-1.40
Deposits in lek (3, 6 & 12-months)	-0.31	-0.37	-0.31*	-0.68
Treasury bills (3, 6 & 12 months)	-0.22	-0.15	-0.56	-0.93
Credit in lek	0.32	2.61	1.66**	2.93

\*data of interests of deposits in lek for September are according to operative data.

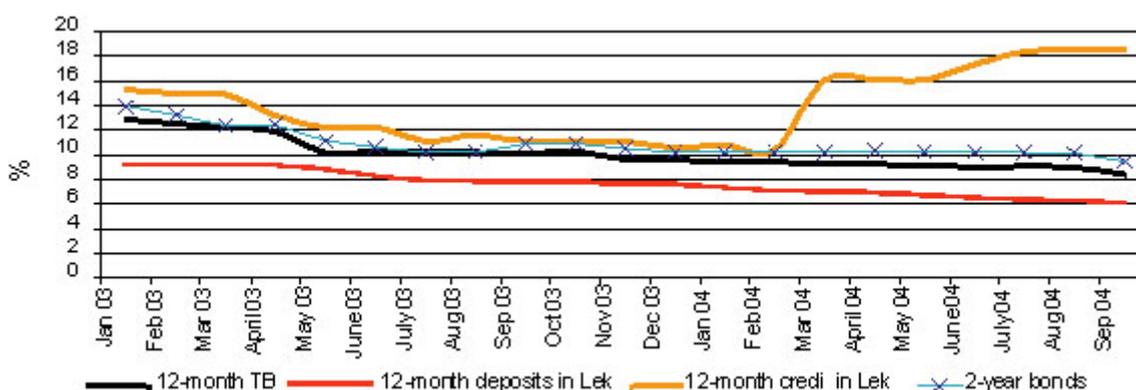
\*\*latest data of the third quarter for interests of loans in lek are as of August 2004.

Source: Bank of Albania.

The interest rate of overnight transactions in interbank market decreased to 3.07 per cent at end of the third quarter, from 5.4 per cent it was in the same period of the previous year. The level of 2.76 per cent recorded in September marked the lowest historical level

However, this reduction has not presented any problems for the real interest rates of deposits, which have remained positive due to low inflation. Since May 2003, the real interest rate of 12-month deposits in lek has fluctuated about an average level of 3.8 per cent.

Chart 19. Long-term market interest rates.



Source: Bank of Albania.

**Table 21. Average weighted interests of time deposits in lek (in percentage).**

	September-03	December-03	March-04	June-04	September-04*
3-month	6.17	5.49	5.21	4.89	4.73
6-month	7.50	7.07	6.57	6.10	5.85
12-month	7.83	7.62	7.03	6.52	6.27

\* Data of September are operative weighted with the new inflow of deposits of August.

Source: Bank of Albania.

The low levels of market interest rates have impacted on cost reduction of domestic government debt, cost reduction of interbank borrowing, on narrowing the spread between interest rates of deposits in lek and in foreign currency and on establishment of spaces for cost reduction of credit to economy. However, the average interest rate of loans in lek is raised from 14.3 per cent in June to 15.9 per cent in August (the average interest rate for all terms). The fluctuations of these rates from month to month relate to reluctance of banks to decrease them immediately, as well as to the weight certain banks occupy in lending over certain periods.

As concerns to deposits and loans in foreign currency, usd and euro interest rate rise was marked during the third quarter, almost for all the terms. This was impacted by the Libor interest rise in international markets, after the monetary policy tightening by Fed, as well as by the competition between banks. In August, the average weighted interest of time deposits in usd reached to 1.06 per cent, from 0.74 per cent in June and those in euro reached to 1.68 per cent from 1.56 per cent.

In response to interest rate rise of deposits in foreign currency, the commercial banks have also increased interest rates of loans in foreign currency, particularly those in euro, which in August reached to 9.13 per cent from 8.62 per cent in June. Meanwhile, interests of loans in usd, after the rise in June and July, were followed by a reduction by 0.24 percentage in August, to 7.81 per cent.

#### IV.3.3 EXCHANGE RATE

The balance of the demand and supply factors continued to favour the appreciation of the lek

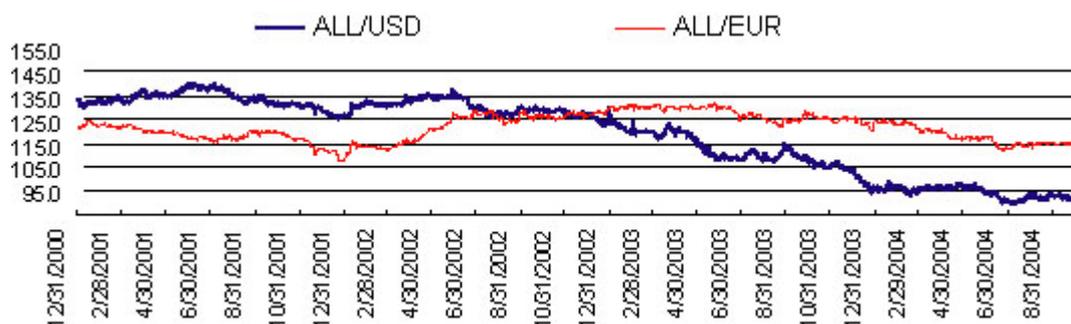
even during the third quarter. Furthermore, the appreciating tendencies of the lek are reinforced more during this quarter, due to seasonal factors. The large inflows of foreign currency due to tourism in the summer season and the rise of the number of emigrants coming during this period have increased the foreign currency supply in the market. This growth of foreign currency inflow is reflected even in the growth of deposits in foreign currency during the third quarter, almost twice higher than their growth in the second quarter.

The increased supply of foreign currency in this period has been faced by a low demand for it. Such a demand has resulted partially due to growth of domestic agricultural product and reduction of import of these products, and partially due to interest rate spread, which continues to favour the demand for monetary assets in lek against those in foreign currency.

Due to these pressures, at end of the third quarter, the usd was exchanged with 101.2 lek, while the euro with 124.8 lek, compared to respectively 101.5 lek and 123.1 lek at end of the second quarter. Even the development in the international foreign exchange market, where the dollar is depreciated against the euro has impacted on the constant appreciation of the lek against the American dollar. So, the exchange rate of the lek/usd in the domestic foreign exchange market marked the lowest levels in eight last years – in July 8, 2004 the exchange rate reached to 100.11 lek/usd.

The exchange rate of the lek against the euro has fluctuated to more stable levels, on average 125 lek/euro. Frequent interventions of the Bank of Albania into foreign exchange market have also impacted on its performance<sup>20</sup>.

Chart 20. Exchange rate in domestic foreign exchange market.



Source: Bank of Albania.

<sup>20</sup> Mainly in the purchasing direction.

# THE ESTIMATION OF THE FINANCIAL SITUATION OF THE ALBANIAN BANKING SYSTEM FOR THE SECOND QUARTER OF 2004

In the second quarter of the year, the banking activity grew by Lek 580 million, from Lek 17.4 billion it was in the first quarter. The main impact on the decline of the growing rhythm of the banking system assets was provided from the two banks of the system, through the reduction of their assets by Lek 2.2 billion and 1.2 billion, respectively.

cent, though the growth resulted 13.9 per cent in the same period of the previous year<sup>2</sup>.

*The privatisation of the Savings Bank implies also a rising pressure to be exerted on banks towards extending their activity, to maintain the weights in the market and develop the competitiveness criteria.*

**Table 1. Total assets and its weight against GDP.**

Indicators in billions of Lek:	Dec '99	Dec '00	Dec '01	Dec '02	Dec '03	Mar '04	Jun '04
Total assets (end of period-stock)	249.5	270.8	318.5	339.3	373.6	391	391.6
As a % of GDP (annual)	49.2	50.2	53.5	51.6	50.2	46.7 <sup>1</sup>	46.8

The decision on transferring the capital of the Savings Bank from the Bank of Albania was performed on April 14<sup>th</sup>, 2004, and the second quarter does not identify any state-owned bank. This fact imposed the change of the criterion on banks' regrouping, which thereafter will be classified on the basis of assets size. In concrete terms, the first group (G1) includes the banks whose weight is under 2 per cent of the total assets of the system, second group (G2) the banks of weight higher than 2 per cent and lower than 7 per cent of the system assets and the third group (G3) the banks that surpass the level of 7 per cent against the system assets.

The asset structure of the banking system, pursuant to main items, identifies:

*"Inter-bank and treasury operations"* mark the falling trend against the total assets of the system and, during the period of June'03 - June'04, represent the lowest growing rate (4.3 per cent).

*The downward weight of this group shows an increase of diversification of the banking system portfolio.*

*"Relationships with the Central Bank"* item shows slight fluctuation of its weight versus the system assets (between 8.3 per cent – 9.1 per cent).

According to this criterion, the G1 group having the primary impact on the increase of system assets by Lek 887 million was identified in the second quarter, while the other two groups marked a decrease by Lek 31.2 million and Lek 276.1 million, respectively.

The asset structure of the Albanian banking system continues to identify a considerable weight of T-bills investments.

*Nevertheless, the tendency is falling and the period of June'03-June'04 marks the lowest growing rate, of 3.2 per cent.*

Notwithstanding the slight growth of the banking system assets in the second quarter, the yearly performance of this indicator was estimated to be satisfactory. Thus, the June'03-June'04 period shows a growth of banking activity by 9.3 per

Meanwhile, the privatization of the Savings Bank might bring about a significant change of the system asset structure. Presently, the weight of

<sup>1</sup> At the beginning of 2004, assets weight decline against GDP is explained by the high value of the latter (Lek 837.4 billion) forecasted for 2004, pursuant to the new accounting method.

<sup>2</sup> June'02-June'03.

T-bill investments of the system is 49.7 per cent and the Savings Bank holds 72.7 per cent of this item. Its privatization is expected to be followed by bank expansion in lending activity that might result in the displacement of funds from T-bill investments to lending investments.

“Relationships with other banks” item constitutes 15.4 per cent of the banking system assets, from 22 per cent this item was in the same period of 2000. The falling trend is not related with the reduction of the inter-bank activity, but with the choice of new investment opportunities from banks.

The new credit extended in the first quarter of the year amounts to Lek **56.4 billion** or **34 per cent higher than the same period of the previous year**. *The growing rate is estimated satisfactory and shows the positive trends of the banking system towards lending expansion.*

Lending characterisation by “short-term maturity” has resulted with an increase of credit balance by only Lek 5.8 billion or 11.4 per cent in comparison to year-end 2003.

However, short – term credit presents downward trends during the last years, as disclosed in the following table:

**Table 2. Short – term credit weight against total outstanding credit.**

Banking system Indicator in %	June '02	June '03	December '03	June '04
Short-term credit	52.2	45.5	40.3	28.8

In the first half of the year, the lending raised its weight against the assets of the system by 14.5 per cent, compared to 12.5 per cent it was in the previous year. Its growing rate by 26.6 percentage points is estimated satisfactory.

“Investments in other securities”, though they have reduced the growing rate compared to the previous period, they have raised their weight against the system assets.

Banking system shows a shifting of the short-term credit balance into medium-term and long-term credit. This is an expected development under the conditions when both banks and clients perceive the conditions of the economy as better and their capacities to better analyse the risk to which they are exposed in a lending relationship. The credit structure by currencies marks a decline of credit balance in Lek, even during the first half of the year.

The domination of the credit in foreign currency

**Table 3. Credit balance structure by currencies.**

Banking system Indicator in %	June'02	December'02	June'03	December'03	June'04
Credit in Lek	17.4	20.98	19.9	17.9	16.8
Credit in foreign currency	82.6	79.02	80.1	82.1	83.2

A more detailed analysis of this portfolio highlights the comparability of the size of investments in Albanian Government bonds (35 per cent of total securities) with those of foreign governments (33% of total securities). The banking system owns also bonds issued from foreign banks, foreign financial institutions, foreign corporations and international organizations. The diversification of this portfolio suggests the development of the banking system towards foreign markets and implies the presentation of the Albanian banking with efficient investment alternatives.

Finally, “Fixed Assets” identify comparable levels over the years. Their weight against the system assets fluctuates between 1.5 per cent and 1.9 per cent.

is explained with the significant differences between the interest rates of the credit in Lek and that in foreign currency, notwithstanding the reduction of this difference during the last months. Banks and clients perceive a low level of risk, under the conditions when this way of lending is mostly preferred by borrowers and the respective rates of supervision are preserved.

The Bank of Albania policies against the reduction of the base interest rate, aim at narrowing also the gap between the interest rates in Lek and those in foreign currency.

The indicator “bad loans/gross credit balance” is accounted at a lower level than in the first quarter of the year (4.3 per cent against 4,7 per cent). Also, in the second quarter, the banking system

records “expenses for provisions” in the amount of Lek 132 million, from Lek 500 million this indicator was in the first quarter. The indicator “provisions for credit losses/gross credit balance” is accounted 3.3 per cent, from 3.7 per cent it was in the first quarter. The falling trend of the aforementioned ratios shows satisfactory quality of system investments in lending activity.

In the second quarter, the banking system resulted to have a profit of Lek 1 billion and 346 million, being just little higher compared to the first quarter, but lower than in the same period of the previous year. It resulted out of the analysis that in this quarter the banking system has made a better performance of the main activity than in the first quarter. Also, expenses for provisions have been some times lower, appearing as an important explanation of the most positive dynamics of net result compared to the previous quarter.

Again, the main elements that have contributed to the net result of the banking system and to its dynamics compared to the previous periods consist in the result of the main activity and other activities.

system which might be exposed in the form of profit falling or broadening of banks’ activity on the whole (being reflected in the higher level of the expenses of activity).

From the analysis made pursuant to the group of banks, G3 group shows a rather better result of Lek 2,542 million, followed by G1 group of Lek 45 million, while G2 group shows a negative net result of Lek 66 million.

In this quarter, (ROA) on annual basis resulted 1,32 per cent. This indicator is estimated as a good one and within the acceptable limits. In comparison with the previous periods we notice a stability of ROA, which is explained also through its low fluctuation and upward trend, respectively by 6 and 8 base points against the first quarter of 2004 and year-end of 2003.

Another important indicator of profitability, ROE appears stable and with a slight rising trend compared to the previous periods. Even for this indicator the impact arises from the high increase of net result compared to the average shareholder capital, while the latter is accounted about 0.7 per cent higher than in the previous period.

**Table 4. Performance of the main elements of net result.**

(Indicators in millions of Lek, inflow for the respective quarter)	June '03	March '04	June '04
Net result from interests	3,011.17	2,750.45	2,834.74
Net result from other activities	487.99	866.45	699.41
Activity expenses	1,430.24	1,535.76	1,720.86
Provisions expenses	53.44	500.39	131.81
Net result (after taxation)	1,601.54	1,204.49	1,346.12

In comparison with the same period of the previous year, as stated above, net result appears lower due to a lower net result of interests and higher expenses of activity. Perhaps, it is the case to emphasize that this survey might represent in itself positive phenomena, such as the increase of competitiveness in the banking

To have a clear picture on the banking system profitability from the main activity and on the dynamics of equilibrium in the collection of sources to which interest is paid and the investment in assets from which interest is earned, tables 5 and 6 are presented below.

**Table 5. Profitability indicators of the main activity.**

Indicators in percentage	June '03	March '04	June '04
Income from interest/ average assets providing income (1)	8.50	7.18	7.05
Interest expenses/ average assets providing income (2)	5.11	4.18	4.04
Net interest marge (NIM)[(1) – (2)]	3.39	3.00	3.01
Net interest result	3,011.17	2,750.45	2,834.74

**Table 6. Profitability indicators.**

Indicators in millions of Lek	June '03	March '04	June '04
Average assets providing income (1)	334,152.23	366,186.06	370,916.36
Average assets generating expenses (2)	308,301.96	342,790.54	345,885.15
Average assets (3)	349,138.01	383,379.48	387,548.90
(1)/(3)	0.96	0.96	0.96
(2)/(3)	0.88	0.89	0.89

By the end of the second quarter of the year the level of the **shareholder capital** of the system amounted to Lek 23.3 billion or about Lek 640 million more than it was at the end of the previous quarter. There are 9 banks (mainly of G1) in the system, showing a decline of the share capital levels, meanwhile the Savings Bank has the highest contribution in the capital of the system. The latter provides the main impact on the group (G3) as well, which is characterised by an increase of the shareholder capital (about Lek 875 million) compared to the first quarter, alongside the two other groups (G1, G2) which are distinguished for the falling levels of shareholder capital (about Lek 235 million).

A survey on the shareholder capital structure of the system explains also the contribution of the components to the increase of its modest levels. We qualify as modest the increase of the shareholder capital of the system since this increase is recorded on the same levels as in the previous quarter (about Lek 670 million). In the system indicator<sup>3</sup> the *paid capital* continues to maintain the main weight (67 per cent), with a contribution of Lek 335 million only, while the *fiscal period profit* of Lek 1.3 billion maintains the main impact and the *revaluation differences* increase maintains the negative impact by Lek 800 million on the capital levels.

**Table 7. Share capital structure.**

Indicator	December	2003	March	2004	June	2004
	in millions of Lek	in %	in millions of Lek	In %	in millions of Lek	in %
Shareholder capital	21 984.9	100.0	22 652.0	100.0	23 291.7	100.0
Paid capital <sup>4</sup>	18 512.3	69.3	19 580.6	71.9	19 915.6	67.9
Reserves	4 517.5	20.5	4 712.5	20.8	4 818.2	20.7
Re-valuation differences	-3 285.8		-3 303.6		- 4 102.9	
Undistributed profit (loss)	-180.9		458.1	2.0	110.2	0.5
Profit (loss) of the coming year	2 422.0	10.2	1 204.6	5.3	2 550.6	10.9

<sup>3</sup> Shareholder capital.

<sup>4</sup> Percentage weights of paid capital are accounted on the basis of revaluation differences.

<sup>5</sup> The main impact on the fall of the capital regulatory levels is provided by the increase of the revaluation debit differences as a subtrahend element of the base capital.

<sup>6</sup> According to the size of assets.

**Capital adequacy ratio** for the banking system is falling, by about 3 percentage points. Thus, from 30.1 per cent this indicator was in the previous quarter, it resulted 27 per cent in the period we are analysing. The main impact on the fall of the capital adequacy ratio is provided by the considerable growth of the assets classified according to the risk, by about Lek 6.6 billion or about 10 per cent, while regulatory capital levels have declined by about Lek 0.2 billion or 1 per cent.<sup>5</sup>

The analysis of the capital adequacy ratio according to the group of banks identifies the highest level of indicator in banks of G1 and the lowest level in banks of G2.

This is explained by the fact that though the G1 banks qualified as "small"<sup>6</sup> banks show a growth of risk assets compared to the previous quarter (about Lek 1.5 billion or 17 per cent), they continue to conduct less risked activities compared to the two other bank groups of the system. Meanwhile, banks of G2 invest the major part of their assets in lending – the most risked activity for a bank, but maintain also modest levels of the regulatory capital.

Capital indicators, though representing the banks of the system over the minimum rate of adequacy, identify some banks having the levels of base

capital close to those of the minimum allowed rate (12 per cent) and some others having the levels under the required minimum levels. The latter would impose the necessity of additional capital for the banks of the system to better monitor the risks they (banks) are exposed to.

The level of liquid assets<sup>7</sup> against total assets for the banks of the system shows a satisfactory level even in the second quarter of the year, just like in the previous quarter. This indicator marks the level over 37 per cent and shows a considerable liquid assets level in banks' assets, while its rather high level for some banks of the system shows their sloth in the lending market.

In the same way, the indicator of the *short-term assets against short-term liabilities* for the system continues to identify a satisfactory level of 104 per cent in this quarter, though being followed by a decline of about 9.2 percentage points compared to the previous quarter. The main impact on the decline of this indicator was provided by the fall of short-term assets at about 7 per cent (or about Lek 11 billion), meanwhile the short-term liabilities grew about 1 per cent (or Lek 1.3 billion).

To sum up, the Albanian banking system even during the second quarter of the year is estimated to have a rather good financial situation.

---

<sup>7</sup> The "Liquid assets" item includes: monetary assets, relationship with Bank of Albania-other accounts, T-bills, relationships with banks, credit institutions and other financial institutions, and securities (net).

# ALBANIA - CENTRAL BANK STATEMENT

BY DR. SHKËLQIM CANI, GOVERNOR. PUBLISHED IN GLOBAL BANKING AND FINANCIAL POLICY REVIEW 2004/2005

The Albanian economy experienced a recovered pulse of economic growth over the year 2003. Positive developments are marked in respect of consolidating the country's macroeconomic stability, economic growth and a sound development of the financial system. A recovery in economic activity and 6% growth of Gross Domestic Product in real terms was proved by all sectors of the economy, but was particularly evident in the construction, transport and services sectors, which are the most dynamic sectors of Albanian economy.

The year 2003 was characterized by a low inflation rate, within 2%-4% of the targeted range. The inflation rate as of December was 3.3%, meeting the Bank of Albania (BoA) target. Despite the various factors this low rate emerged from a diligent management of the domestic demand as an outcome of appropriate fiscal and monetary policies.

BoA's monetary policy has been a moderate one throughout 2003. Such a trend will continue during 2004 and was recently reflected by the reduction of the core interest rate in the economy. Since April 2003 the REPO rate has been lowered by 2.5%. The 6% REPO rate, decided on May 12, 2004, is the lowest ever in the Albanian economy. The policy aims to reduce borrowing costs in the economy and maintain price and financial stability.

At the end of 2003 the foreign reserves of BoA reached US\$1.03 billion covering 4.7 months of imports. BoA continues to maintain its view of a free exchange rate regime. This was reflected in the fewer episodes of BoA's intervention in the foreign exchange market during the first half of 2003, when the purchase of foreign currency was almost four times that of the second half of the year.

Nonetheless, this did not hold back the domestic currency from appreciating against the euro and the US dollar, with a stronger appreciating trend in place in the second half of the year. The appreciation of the domestic currency was one of the factors behind BoA's 2.0% interest rate cut during year 2003.

Monetary indicators have generally been performed in compliance with the forecasts set out in the Bank's monetary programme. The annual growth rate of lek deposits was 19.1% by the end of the year, which is significantly higher than the annual rates of the previous years.

The credit balance rose by ALL 11.9 billion or 30.9%. The new credit increased by 50% meanwhile 76% is in foreign currency. The loans/GDP ratio is still low, at about 7%.

The banking system experienced important developments during 2003 and in the beginning of 2004. The entry of two new banks of Albanian capital was soon followed by the successful privatization of the Savings Bank from the Raiffeisen Zentralbank (RZB) Austria. Now, all in all there are 16 banks in the Albanian Banking system.

The BoA has progressed in reforming the banking system towards international standards, with the aim of the developing and refining the country's banking infrastructure. AIPS, inaugurated in early March 2004, can be considered as the backbone of the whole banking system infrastructure.

The BoA wishes to bring its central bank closer to that of the European Central Bank. Therefore, changes and amendments of the Bank's regulations are aimed towards achieving this goal.

# BANK OF ALBANIA TRANSPARENCY

BY SOFIKA NOTE, RESEARCH DEPARTMENT

## 1. INTRODUCTION

Over the last decade, a tendency of the central banks to be more and more accessible to the public regarding the work and decision-making process is noticeably frequent. Transparency is becoming an important issue of the central banking whose importance on the monetary policy is a subject broadly treated in the academic literature of the central banks. It takes on further importance especially in terms of implementation of the inflation targeting. Transparency is broadly considered important for the monetary policy in two main directions: the increase of accountability and efficiency of the monetary policy. However, attention should be given at all times to transparency so as to avoid it become a goal in itself. Transparency is and should remain a means in achieving the final target of the monetary policy.

Over the last years, Bank of Albania has estimated the importance of transparency on the monetary policy, and paid attention to the work towards improving its level. This paper presents an estimation of the transparency level of the Bank of Albania today, compared to the other central banks and the transparency level of the Bank itself before 1997. This is performed through a transparency index, similar to the independence indexes. This index shows a considerable increase of transparency for the Bank of Albania compared to the period prior to 1997, and a relatively high level, 8.5 from a total of 15, compared to the other central banks, taking account the economic development and the financial system standards in Albania.

The paper is structured in the following way: the second section deals with the importance of transparency for the central bank, while the third section deals with definition of transparency. The fourth section suggests the transparency index

calculation for the Bank of Albania. The fifth section deals with the public understanding in Albania, as an important dimension of transparency, and the role of mediators in transmitting the information. At last, the conclusions are given in the sixth section.

## 2. TRANSPARENCY IMPORTANCE

The opinion that transparency is important to central banks for two reasons: the increase of its accountability regarding the independence and the efficiency of the monetary policy, is broadly supported by the economists.

### 2.1 TRANSPARENCY AND ACCOUNTABILITY

Transparency is a factor that contributes in increasing the accountability under the conditions when the independence level of monetary policy-making is high. Taking into account the politicians' tendency in using monetary policy for their own short-term interests, it becomes more and more evident over the last decades that central banks need a considerable independence degree to effectively perform their duty. Furthermore, this independence should be followed by accountability towards the society, or at least towards its elected representatives. To ensure the accountability of a central bank, special agreements are established. Nevertheless, whatever these agreements for a democratic accountability of the central bank are, their impact is restricted without transparency since the information about the central bank's behavior is important to argue on its work (Eijffinger, Hoeberichts, 2000). Transparency helps the public to understand what does a central bank do and why not, giving him the opportunity to estimate the bank's performance. Thus, a

central bank should report on a periodical basis about the past performance and the future plans of the monetary policy. Given its own role in increasing the accountability, transparency should not be a choice of the central bank. The law must establish certain procedures on the explanation of the monetary policy operations by the central bank.

## 2.2 MONETARY POLICY TRANSPARENCY, CREDIBILITY AND EFFICIENCY

Transparency needs do not derive only from the accountability demand towards an independent bank. Through improving the credibility, transparency raises the efficiency of the monetary policy (Issing, 2001).

Transparency ensures the wide support of the public in achieving its main goal, making him an ally of the central bank. Hence, it affects the public behavior on payments and prices, facilitating the achievement of the final target of the monetary policy.

The importance of both transparency and credibility is justified by the theory of rational expectations. Taking into account the rational expectations, a fully reliable bank might follow a disinflation policy without originating undesirable costs on employment (Taylor, 1983; Ball, 1991). Transparency reduces the information asymmetry on the economy situation and the perspective of the monetary policy decisions between the central bank and the private sector, thus assisting in the rising of expectations. The major part of the central banks supervise the short-term interest rates, however, as it is shown by the theory and empiric facts, the long-term interest rates are most important for an economy. Long-term interest rates reflect, inter alia, the expectations on the future short-term interest rate as well as the uncertainty prime. The market participants shall improve their expectations on the future interest rates if the monetary authority is more explicit on the factors and conditions that might impact the monetary policy. Also, being well-informed about the monetary policy might reduce the uncertainty prime on the interest rates. Consequently, after publication of the information, market movements precede the actions taken on a continuous basis by the

central bank and are consistent with them (Freedman, 2002). In this way, transparency shall assist in approaching the long-term interest rates towards the rate targeted by the monetary policy-makers.

## 3. TRANSPARENCY DEFINITION

Transparency is a wide concept not easily to be defined. Many authors give different definitions on transparency, however there might be two definitions in the literature of central banking policy: Geraats (2000) defines transparency of a central bank as the degree of providing information on the monetary policy process. For the monetary policy performance, the public should possess the same information like the one the central bank makes use of. According to this definition, the more a central bank provides information, the more it becomes transparent. This transparency definition may be considered as rather wide, and anyone making in-depth study on the transparency issue may realize that providing information and being open to the public might not be enough to have the desirable results for the bank.

Winkler (2000) goes further in defining transparency. He defines it as “the degree of understanding the monetary policy process and its decisions by the public”. Only providing information is not transparency, states Winkler. When the public gets into the information provided by the central bank, transparency is achieved. Winkler distinguishes three aspects of transparency, *authenticity*, *clarification of information*, and the *equal understanding of information* from both the public and the central bank.

*Authenticity* of information implies that information provided from the central bank to the public should be equal with the information that circulates within the central bank itself, without any intentional changes or shortages. This transparency aspect, suggested by Winkler, is to some extent similar to the definition presented by Geraats.

*Clear* information implies that information should be simplified, structured and transmitted to the public in such way that it does not lead to misinterpretation. When information is addressed

to various audiences, clarification of information becomes particularly important.

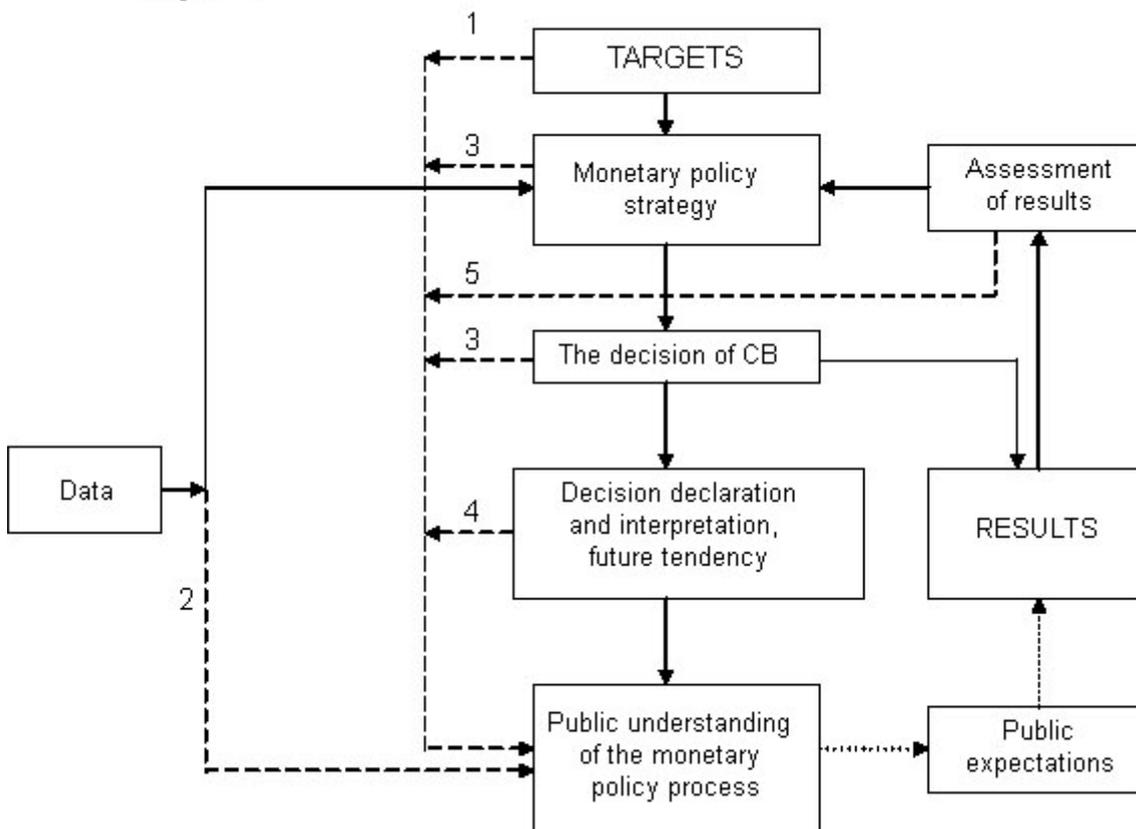
*Equal understanding of information* implies that information provided by the central bank, to become effective, should be understood and construed by the public in equal way as understood and construed by the central bank itself. This requires a certain degree of the public education that derives from its own interest or from the bank's activity to encourage this education.

Diagram 1 shows the way of the information going out from the central bank to the public in every step of the process of compilation and implementation of the monetary policy, as well as its impacts on the public expectations, and consequently on the final results of the monetary policy.

Interrupted line arrows represent the information the public gets from the central bank, which, in

order to be transparent, must have three aspects: authenticity, clarification and equal understanding. Dotted line arrows show the public expectations and their impact on the achievement of monetary policy. In order that the public expectations are as rational as possible, the public must get information through all the links of the monetary policy process. Thus, the targets of the central bank, the strategy of the monetary policy to achieve these targets and how and why the decisions on the bank's activities are taken, must become known by the wide public. The public should have the possibility to acquire even the core information on which the central bank takes its decision. The mediators, mainly the media, carry out the transmission of a great deal of information range from the central bank to the public. Therefore, they have sometimes a higher impact on the public expectations. The final result is the resultant of the central bank's actions and the public expectations.

Diagram 1



## 4. TRANSPARENCY INDEX CALCULATION

Central bank transparency is a quantitative concept. It is not so simple to measure it from the quantitative viewpoint. Various economists have tried to quantify transparency through indexes whose calculation is based on some questions and their respective answers by points. Among the authors of these indexes we would mention: Eijffinger, De Haan, Amtenbrink (1999), Gros & Bini-Smaghi (2001), Eijffinger & Geraats (2003), De Haan & Amtenbrink (2003). The index designed by Eijffinger dhe Geraats (2003) is selected to measure the transparency of the Bank of Albania, since it is more complete and global in dealing with transparency in more aspects, while other authors concentrate on specific aspects or group of aspects.

### 4.1 METHODOLOGY OF INDEX CALCULATION

In calculating transparency index, Eijffinger dhe Geraats (2003) see transparency as “*extent of information provided by the central bank that relates to the process of compilation and implementation of the monetary policy*”. The authors identify some types of transparency where each one belongs to a certain link of the monetary policy performance. Consequently, they determine first the different stages of decision-making process of the monetary policy and later the type of transparency pertaining to each stage. From this point of view, the authors define 5 types of transparency: political (target) transparency, data and models transparency, procedural (decision-making) transparency, actions transparency and operational transparency. The difference among the various types of transparency may be seen as an important advantage of the index, leading to further analyses on the role of transparency in the decision-making process of monetary policy.

**1. Political (target) transparency** relates to the clear expression of the monetary policy targets. It includes the explicit definition of the monetary policy *final target*, the priority definition

in case there are some targets generating conflicts with each other, as well as the *quantitative definition* of the final target. The political transparency is encouraged by *institutional agreements*, such are independence of the central bank, its agreements (contracts) and mechanism of leaving out the operations of the central bank, as they minimize the influence or exaggerated political pressures in achieving the target/targets of the monetary policy.

**2. Economic data and models transparency** relates to the economic information used in designing and implementing the monetary policy. It includes the transparency on the *economic data* used by the central bank, the *models* that are used to establish the economic forecasts or assess the impact of its decisions, as well as the *internal forecasts* the central bank relies on.

**3. Procedural (decision-making) transparency** relates to the way the monetary policy decisions are made. This type of transparency is performed through the publications of *monetary policy strategy*<sup>1</sup>, *protocol and nominative votes* of the decision-making authority.

**4. Actions transparency** implies the *speed of declaration* of the monetary policy decisions. In addition to this, it includes the decision *interpretation* and the *monetary policy trend or potential actions to be taken in the future*.

**5. Operational transparency** relates to the implementation of action policies by the central bank. It includes the estimation on the achievement of *operational targets* of the monetary policy, the information provided on the (unpredictable) macroeconomic volatilities that impact the *transmission mechanism* of the monetary policy, as well as the assessment of the monetary policy results from the viewpoint of *its macroeconomic targets*.

The five types of transparency cited above may also be disclosed in Diagram 1, Section 2. To each dotted arrow that represents the information transmission from the central bank to the public,

<sup>1</sup> By “monetary policy strategy” is meant its general framework: final intermediate and operating targets of the monetary policy and the way of achieving them, as well as the monetary policy instruments.

to each link of the monetary policy process, there is a number corresponding with one of the transparency types, described above.

For each of the five aspects of transparency defined above, three questions are raised on the type, quantity and quality of the information intended to be published. 0 point or 1 point are marked, depending on the response. In some cases, there is an intermediate assessment of 0.5 points. In constructing this index, in the case of our central bank, the opinion of some specialists of the Bank of Albania was taken into consideration. The index calculation includes the year 2004 and the period before 1997.<sup>2</sup> Table 1 presents a summary of transparency indexes for the Bank of Albania, including transparency indexes for the other central banks, calculated by Eijffinger and Geraats.

As indicated in this table, the value of transparency index for the Bank of Albania is comparable to the index of the other central banks. If we analyze transparency according to the subdivisions made by the authors, we notice that the Bank of Albania is estimated as good

regarding the information level about the monetary policy targets (political transparency), the decisions and potential actions in the future (actions transparency) and the estimation of the final and operational targets (operational transparency). Meanwhile, information magnitude related to the data, models and forecasts (data transparency) and to the way the monetary policy decisions are made (decision-making transparency) shows lower levels compared to the other central banks.

The definition from the quantitative viewpoint makes possible the comparison among various central banks. To compare transparency of the Bank of Albania with central banks of the countries close to the economic development of Albania would be of great interest, but no transparency indexes of these banks are available at present. However, considering the Bank of Albania's goal towards a close approximation with the models of the central banks of the developed countries, especially with the European Central Bank, the ongoing comparison of transparency of the Bank of Albania with these banks seems to be more important.

**Table 1**

Transparency of the Central Bank <sup>3</sup>	BoA 1996	BoA 2004	ECB	Canada	Australia	Japan	New Zealand	Sweden	Switzerland	UK	USA
Political Transparency	1	3	3	3	3	1.5	3	3	2.5	3	1
Formal target	0.5	1	1	1	1	0.5	1	1	0.5	1	0.5
Quantitative target	0	1	1	1	1	0	1	1	1	1	0
Institutional agreements	0.5	1	1	1	1	1	1	1	1	1	0.5
Data Transparency	0	0.5	2.5	2.5	2	1.5	3	2	1.5	3	2.5
Economic data	0	0.5	1	1	0.5	1	1	1	1	1	1
Models	0	0	1	1	1	0	1	0	0	1	1
Central Bank forecasts	0	0	0.5	0.5	0.5	0.5	1	1	0.5	1	0.5
Procedural (decision-making) Transparency	0	1	1	1	1	2	3	3	1	3	2
Monetary policy strategy	0	1	1	1	1	0	1	1	1	1	0
Protocol publication	0	0	0	0	0	1	1	1	0	1	1
Votes publication	0	0	0	0	0	1	1	1	0	1	1
Actions Transparency	0	2	2	2	1.5	1.5	3	3	2	1.5	3
Instant declaration of decisions	0	1	1	1	1	1	1	1	1	1	1
Clarification of the applied policy	0	0.5	1	1	0.5	0.5	1	1	1	0.5	1
Policy trends	0	0.5	0	0	0	0	1	1	0	0	1
Operational Transparency	1	2	2	2	1.5	1.5	2	3	0.5	2.5	1.5
Operational targets	0.5	1	1	1	1	0.5	1	1	0.5	1	1
Transmission volatilities	0	0.5	0.5	0.5	0.5	0.5	0.5	1	0	1	0
Assessment of final results	0.5	0.5	0.5	0.5	0	0.5	0.5	1	0	0.5	0.5
<b>Total</b>	<b>2</b>	<b>8.5</b>	<b>10.5</b>	<b>10.5</b>	<b>9</b>	<b>8</b>	<b>14</b>	<b>14</b>	<b>7.5</b>	<b>13</b>	<b>10</b>

<sup>2</sup> Index calculation for the Bank of Albania is presented in the Annex hereto attached.

<sup>3</sup> The index for the other central banks, the Bank of Albania excluded, is calculated by Eijffinger and Geraats, in 2002.

## 4.2 INDEX PROBLEMS (RESTRICTIONS IN METHODOLOGY)

While calculating the index of the Bank of Albania transparency, not only general methodological restrictions (valid for all central banks), but also specific problems are highlighted in Albania. So, the Eijffinger and Geraats index, like other similar indexes, assesses the transparency only in terms of quantity of information given and less in terms of its quality/clarity. It does not take into account the understanding of this information on behalf of the public or agents, which is an important aspect of transparency (Winkler, 2000). So, a high value of this index implies a large provision of information, but this does not mean that transparency has assisted at maximum in increasing monetary policy effectiveness or central bank's accountability.

Another drawback of this index is even the inclusion of some aspects of transparency that are currently debatable among central bankers and economists who deal with the publication of nominative votes or minutes of meetings of the decision-makers of monetary policy.<sup>4</sup>

In assessing the Bank of Albania transparency, one of the reasons of the low index value in comparison to some other central banks is even the lack of information which, according to index criteria, should be published. We may provide here the example of some time series, which are not published because they do not exist. Also, in order to publish a certain information, a central bank should have a considerable level of confidence in its dependence or accuracy. So, for example, a central bank should achieve a good accuracy of its forecasts prior to their publication, otherwise its credibility might be jeopardized.

Another problem in measuring the transparency by means of this index emerges since it takes into account even the publication of information that currently may not be necessary for the Albanian public. Not all information that is disclosed by a central bank has the same importance to the public of other countries. This is so because of the level of financial system development in Albania and public involvement in it. The assessment of transparency based only on the quantity of information provided by the Bank of Albania would be incomplete. Therefore, it is necessary to supplement this assessment even by evaluating the public understanding.

## 5. PUBLIC UNDERSTANDING AND THE ROLE OF MEDIATORS IN PROVIDING INFORMATION

The degree of public understanding of monetary policy and central bank's role in the country's economy is an issue of much importance for the achievement of the main monetary policy objective, that is price stability. To analyze the degree of public understanding, it may be grouped in two basic categories: businesses and consumers. It is understandable that these two groups have various levels of interest with regards to what happens in terms of inflation, exchange rate and interest rates. Businesses such as producers/traders, importers, borrowers and investors are interested in the three indicators, thus constituting the more interested group in the country's economy in general and the Bank of Albania activity in particular. On the other hand, the consumers may be interested mainly in inflation, which measures their purchasing power.

Çeliku and Nasto (2004), by analyzing a survey established for this purpose, reach the conclusion that the public knowledge on inflation indicators, being listed as the information with more interest on behalf of Albanian consumers, has increased.

However, we could not state that the Albanian public is well informed on the Bank of Albania and its work. This is also shown by the results of a survey on October 2003, when approximately half of the surveyed persons did not quite distinguish between the responsibilities of the Bank of Albania, INSTAT and the Ministry of Finance in terms of inflation. These results do not come from the lack of information, but are due to absence of public interest to absorb this information. The lack of public interest is due to non-involvement in issues that have to do with exchange rate, interest rate. The Albanian consumer is not much related with the banking system. Deposits with commercial banks are more a way of saving than a way of profiting, so mortgage credits, though upward, still remain the choice of a small part of population because of insufficient income. On the other hand, the effect of understanding on behalf of the public is transmitted in monetary policy through expectations, which are not currently reflected as much as appropriate. Maybe, for the moment, they are not so important for the transmission

<sup>4</sup> Blinder, etc (2001) has presented a more detailed discussion on this issue.

mechanism rather than for the increase the Bank of Albania credibility.

The Bank of Albania has organized lectures and awareness campaigns intending to increase public knowledge on the Bank, the tasks it has and the role it plays in economy. This is something good as long as it is not turned into an end in itself. Besides this, such incentives are fruitful if a public group is chosen, to whom this information may be worth in a near future, otherwise the effect of information looses.

Another important factor impacting on understanding on behalf of the public is even the way of transmitting the information provided by the Bank of Albania. Even if the central bank provides real and clear information, this information may not be transmitted accurately to the public. This is so due to the fact that not always the communication of the central bank with the public is straightforward, but it is realized through mediators, particularly through the media, which, inter alia, is even the leader of public opinion. This increases the risks of distorting the information, thus weakening the positive effects of transparency. As a consequence, it is important to assess how mediators report on the central bank's decisions, because probably they may not reflect accurately the central bank 's decisions and the reasoning behind them.

In most cases, the reaction of media on the Bank of Albania has been encouraged by the latter one. Economic articles on central bank are noticed mainly when the Bank of Albania releases any declarations or press conferences. In such cases, the newspapers publish the information given by the Bank, sticking to the material handed out by the spokesman or the speech of bank representative. Also, logical mistakes in explaining the Supervisory Council's decisions do not lack in these articles. Furthermore, ordinary press mistakes may also be found, bringing about misleading information to the public. This is one of the reasons why the Bank of Albania is committed to organizing the training of journalists on economy. Also, the professional analyses and comments in central banking, though recently increased, still remain infrequent. Probably, for the current level of public interest, the intermediation quality of media in the central bank's communication with the public may not be a big problem. However, given the increased

promotion of the public to understand the role and work of the Bank of Albania, as well as the financial market development and the increased importance of public expectations in monetary policy transmission mechanism, the media's role is turned into a very delicate issue.

## 6. CONCLUSIONS

Central bank transparency is a topic largely treated over the last decades. Regarded as an element that impacts especially on the rise of accountability and increase of monetary policy effectiveness, much importance is shown to transparency, particularly within the framework of inflation targeting regime. An effort was made in this material to assess the Bank of Albania transparency, including in its concept not only the disclosure of information but also the understanding of this information by the public.

The first aspect of transparency, the quantity of information provided by the Bank of Albania, was measured by the transparency index of Eijffinger and Geraats (2003). The index values for the Bank of Albania calculated for two different periods, before 1997 about 2 points, and at present 8.5 points, indicate obviously the growth of its level in recent years. The transparency index by 8.5 points from 15 is not very low in comparison to other central banks, given that the average index value on other banks is 10.7 points. This index might have been even higher if a part of information had not lacked or had not been qualified as confidential to the Bank of Albania, information that according to index criteria had to be published. To have a higher index value, inter alia, much work is needed in terms of ensuring a more accurate information, whose publication would really provide positive effects.

Public understanding is not a slight, but a qualified evaluation of transparency. Notwithstanding the current level of Albanian public understanding, it remains low because of the level of our country's development in general and the financial system in particular. Public interest in the central bank and its role has been increasing, mainly because of its inclusion in this system. On the other hand, important for public understanding are expectations, which without having where to reflect do not still provide their effect on monetary policy.

## ANNEX: CALCULATION OF TRANSPARENCY INDEX FOR THE BANK OF ALBANIA OVER THE PERIOD BEFORE 1997 AND IN 2004

**1.a** Is there a formal stipulation of monetary policy objective (objectives), with a clear prioritization in case there are many objectives? Regarding this criterion, the Bank of Albania is estimated at **1 point**, since either the formal objective or the priority objectives are clearly stipulated in the Law No. 8269, Article 3, point 1.<sup>5</sup>

The estimation for the period before 1997 is **0.5 points**, since at that time, though a formal defining of monetary policy objectives existed, their priority was not clearly defined.

**1.b** Is the main objective quantified?

The Bank of Albania, since 1999 has expressed quantitative limits of the final monetary policy objective and has published it initially in the annual reports. Recently, the expression of price stability objective in quantitative terms is promoted more and more. The final objective is quantitatively defined in the “Mid-term Development Plan of the Bank of Albania”, as well as in the monetary policy document drafted at the beginning of each year, which provides the overall monetary policy framework on the current year. Considering that the publication effect of the final objective in quantitative terms is the same, though no legal responsibility is there for its quantitative achievement, we think that the estimate of **1 point** should be given for this criterion.

For the period prior to 1997 the estimation is **0 point**, since no publication of primary objective was made in quantitative terms.

**1.c** Are there clear institutional agreements or contracts between the monetary authority and the government regarding the central bank independence?

The Bank of Albania has a high legal independence. (Cani, Baleta, 2002). Also, though it is deemed that the real independence is lower

than the legal one, there has not been any case of its compromise by fiscal policies. As a consequence, it is deemed that the estimation of the Bank of Albania regarding this criterion is complete, that is **1 point**.<sup>6</sup>

In the period prior to 1997, the law on the Bank of Albania did not attribute high independence level to it. Therefore, it is deemed to put **0.5 point for this criterion**.

**2.a** Are important economic data on monetary policy published? 5 variables are taken into account: money supply, inflation, GDP, unemployment rate and the use of capacities, on which the time series should be at a frequency of not more than three months.

As concerns to this criterion, the Bank of Albania may be estimated at only **0.5 points**. This is so because only for three out of 5 above indicators may data be found at least quarterly. So, monthly data are provided on money supply, which are published at the Bank of Albania web site. Also, the monthly data on inflation and the quarterly data on unemployment are disclosed either at the BoA web site or at that of INSTAT. We should also stress that the reason of non-disclosure of other data has to do with the fact that these data are not available.

*Before 1997 the estimation for this criterion is 0 points, since two out of 5 above variables, inflation and monetary supply were published not more frequently than quarterly.*

**2.b** Does the Bank of Albania report the formal macroeconomic model (models) that it uses in analyzing its policies?

The Bank of Albania is estimated by **0 points** for this criterion, since no macroeconomic model is published.

*Also, the estimation before 1997 is 0 point, since even in that period no macroeconomic model was published, furthermore, such model might not have existed.*

**2.c** Does it publish its forecast regularly? Inflation forecasting is regarded as a confidential information and as such, the Bank of Albania

<sup>5</sup> According to the Law no. 8269, Article 3, Point 1, the BoA objective is the maintaining of price stability. Its other objectives are conditioned by the main objective.

<sup>6</sup> Law “On the Bank of Albania”, Article 1, Point 3.

does not publish it. Therefore, the estimation relating to this criterion is **0 point**.

Even in the period before 1997 such information was not published, therefore the estimation regarding this criterion is **0 point**.

**3.a** Does the Bank of Albania publish a clear rule or strategy that describes the monetary policy structure (framework)?

The estimation of the Bank of Albania regarding this criterion is complete, **1 point**, since the monetary policy strategy is made public, starting from final, intermediate and operational objectives and how they can be achieved, up to monetary policy instruments.

Before 1997 the clear and complete strategy of monetary policy was not published. Therefore, the estimation for that period is **0 point**.

**3.b** Does the Bank of Albania publish any detailed report on the discussions of decision-making body (or any detailed report on explanations, in the event of decision-making by one person), within a reasonable time frame? Regarding this criterion the Bank of Albania is estimated at **0 point**, since the minutes of discussions on monetary policy decision-making are not actually published.

The estimation over the period before 1997 is **0 point as well**, since even in that time the minutes of discussions on monetary-policy decision-making was not published.

**3.c** Does the central bank publish how each decision of the decision-making body on the level of instrument or on the main operational objective is achieved? (The question relates to disclosure or non-disclosure of votes, and if yes, are they nominative?).

Even about this criterion, the estimation of the Bank of Albania is **0 point**, since the votes in the process of making a decision on the level of instrument or on main operational objective are not published.

Even in the period before 1997, the votes in the process of making decisions on the level of instrument and on the main operational objective were not published, as a consequence, the

estimation is **0 point**.

**4.a** Are the data of decisions on regulations in instruments or main operational objective published immediately?

The estimation about this criteria is complete, that is **1 point**, since the decisions on changes in monetary policy instruments are published on the day the decision is adopted.

Unlike at present, the decisions on changes of monetary policy instrument were not published on the day the decision was made. Therefore, the estimation on this criterion for the period before 1997 is **0 point**.

**4.b** Does the BoA provide explanation when disclosing monetary policy decisions?

Regarding this criterion, it is considered to estimate the Bank of Albania to **0.5 point**. The disclosure of monetary policy decisions is almost always done with explanations or assessments, but we can not say that the explanation is always complete and detailed and it is not always associated with an evaluation of the future.

Before 1997, the Bank of Albania did not associate the making of a decision (if it disclosed it to the public) with explanations and reasons leading to decision making. Therefore the estimation over this period is **0 point**.

**4.c** Does the central bank publish a clear monetary policy trend or tendency after each meeting or a clear possible trend on the coming operations (at least, once a quarter)?

As concerns to this criterion, the Bank of Albania may be estimated at **0.5 point**. This is so, because, notwithstanding the above improvements in this direction, the providing of monetary policy trend periodically is not compulsory.

The estimation on this criterion for the period before 1977 is **0 point**, since at that time no trend or clear tendency of monetary policy was made public.

**5.a** Does the central bank explain publicly to what extent it has been able to reach its operational objectives?

Currently the operational objectives of monetary policy are net domestic assets and net foreign reserves of the Bank of Albania. Quantitative limits are applied for these objectives and their achievement is estimated to each periodic document of monetary policy, starting from monthly one, six-month declaration to annual report. Therefore, the Bank of Albania is estimated at **1 point** for this criterion.

Even though figures could be given on the achievement of monetary policy operational objectives, a detailed explanation on this issue is lacking. Therefore, the Bank of Albania is estimated at **0.5 point** on this criterion for the period before 1997.

**5.b** Does the BoA provide information regularly on (unexpected) macroeconomic deregulation that impact on monetary policy transmission process?

Information on macroeconomic deregulation, either unexpected or not, is provided at least once a three months in the monetary policy reports. But, since their impact on examining the transmission is not always estimated and the

discussions on mistakes in forecasting their deregulation are lacking, the Bank of Albania estimation is to **0.5 point** for this criterion.

Before 1997, the above type of information was either missing or infrequent. Therefore, the estimation for this criterion is **0 point**.

**5.c** Does the Bank of Albania provide a regular estimation of the results of monetary policy from the viewpoint of macroeconomic objectives?

The estimations of monetary policy results from the viewpoint of macroeconomic objectives of the BoA are published regularly, but the contribution of monetary policy to their accomplishment is not explained in a measuring way from the quantitative viewpoint. Therefore, the estimation for this criterion is **0.5 point**.

*Even for the period before 1997, the Bank of Albania is estimated at **0.5 point**, since the explanations have not been as clear as appropriate, and besides this, even the quantitative estimation of monetary policy contribution to achievement of macroeconomic objectives was lacking.*

## REFERENCES

- Ball, Laurence, "The Genesis of Inflation and the Costs of Disinflation", *Journal of Money, Credit and Banking*, August 1991.
- Blinder, Alan, "Central Bank Credibility: Why Do We Care? How Do We Build It", NBER, wp 7161, June 1999.
- Blinder, Alan; Goodhart, Charles; Hildebrand Philipp; Lipton, David; Wyplosz, Charles, "How do Central Banks Talk", Geneva Report on the World Economy, No. 3. London: Centre for Economic Policy Research, October 2001.
- Cani, Shkëlqim; Baleta, Teuta, "Banka e Shqipërisë: Sa e pavarur është ajo?", Banka e Shqipërisë, 2002.
- Issing, Otmar, "The Euro Area and the Single Monetary Policy", *Osterreichische Nationalbank*, wp44, 2001
- Çeliku, Evelina; Nasto, Rezarta, "Sinjalet e Bankës së Shqipërisë përballë biznesit dhe publikut", Banka e Shqipërisë, 2004.
- Eijffinger, Sylvester C.W., Geraats, Petra M., "How Transparent are Central Banks", July 2003
- Eijffinger, Sylvester C.W., Hoeberichts, Marco M., "Central Bank Accountability and Transparency: Theory and Some Evidence", Economic Research Center of Deutsche Bank, Discussion Paper 6/00, November 2000.
- Freedman, Charles, "The Value of Transparency in Conducting Monetary Policy", Federal Reserve Bank of St. Louis, Panel Discussion: Transparency in the Practice of Monetary Policy, July/August 2002.
- Geraats, Petra M., "Central Bank Transparency", University of Cambridge, March 2000.
- Taylor, John B., "Union Wage Settlements During a Disinflation", *American Economic Review*, 73, December 1983.
- Winkler, Bernhard, "Which Kind of Transparency? On the need for clarity in monetary policy-making", ECB wp26, August 2000.
- Vrojtim për tërheqjen e opinionit mbi arsyet e rritjes së çmimeve në pragfesta nga bizneset dhe të "pranimi" nga konsumatori të kësaj rritjeje, Banka e Shqipërisë, 2003.

# PUBLIC RELATIONS ROLE TO THE AUDIENCE OF THE BANK OF ALBANIA

BY: PROF. ESMERALDA URUÇI,  
BLEDAR STRINIQI, MBA

## INTRODUCTION

The term “public relation” is first encountered in the paper made by Mr. Tomas Jeferson in 1807, at American Congress.

Basically, the term used by him does not imply in itself public relations but international relations. However, since that time concepts on public relations have been progressing, covering a vital area in the daily activity of individuals and of society as well. Edward Bernays held the first lecture on public relations in 1923, at New York University.

*Public relations* should be understood as the outlined and well-established efforts to build and maintain at a rather high degree the relations between the public and the institution, that is the Bank of Albania. In this framework, *public relations*, carrying out one of the main duties of the management, care about a further rise of the Bank of Albania reputation to the large public. They determine in this process how and what does the public state and feel about this institution that is to considerably harmonize the interests of both parties. They determine in this process what should be declared to the public, how and what does the public feel of this institution, that is to considerably harmonize the interests of both parties. In cases when the institution experiences crises shocks, as in the case of the Savings Bank, when the clients withdrew within a brief period of time the amount of LEK 17 billion, public relations are placed in a delicate position. *Public relations*, in few words, should be perceived as “the science” which deals with the reputation of the Bank of Albania, aiming at ensuring the good behaviour, understanding and the support of the large public.

Such a perception on the public relations has had a considerable impact on the increase of the Bank of Albania credibility.

It is not easy to measure the performance of public relations. Common people, including experts of this field wonder: How far can be measured the result in this aspect?

The success of programs, strategies, activities and tactics relates to the measuring of public relations effectiveness, through analyzing the succeeded “products” or “results”.

Daid W. Davenport, writing exactly on effectiveness measuring, states: “*The major issue in communicating is the illusion that communication is succeeded*”. Communication is as important as difficult, mostly if trying to make it effective.

To achieve this mission, the Bank of Albania has continuously made great efforts and it might be said that certain results have been obtained in this respect. Various materials are published in the Bank of Albania website while different articles are published in the newspapers. This fact leads us to the conclusion that our product is understandable by many people, becomes a debating subject for many others and diminishes to some extent the misinterpretation on the economy developments.

To measure the communication degree with the environment and the community and to get their classification assessment, we should take into account:

- What do we carry out
- How do we appear
- What do we state
- How to we express that we state (Dale Carnegie, 1982)

The efficient communication with individuals and the interested institutions depends on the degree of resolving these issues. Indeed, it sounds strange that bankers, whose main weapon was

continuously the secret, speak about communication. In fulfilling this task, Public Relations Department has transmitted to the large public the role of banks in managing the national economy and promoting the confidence in investors and consumers. Why this role is considered so important? It is well-known that the role of the central bank (Bank of Albania) consists in maintaining the price stability, aiming at a stable economic growth. The essential issue is to enhance the audience confidence in the bank operations and decisions. To achieve this target the communication level or communicating capacity with the audience should be grown on a continuous basis.

To improve the work and the quality, Investors Relations Offices (IRO) are established in some countries, whose purpose is to prompt the communication with the public. However, that is not sufficient, because the communication with investors community (domestic or foreign ones) should be an ongoing and consistent communication. They should be convinced of the macroeconomic stability lasted several years now, since macroeconomic environment is a significant precondition of their promising investments.

Communication instruments must be assessed and improved while dealing with public relations. It is notorious that various publications or outgoing electronic messages are welcomed by the business community and constitute an important instrument of communication. Albania has a clear vision, a plan to achieve this vision and a group of people capable to follow up the implementation of this plan. The Bank of Albania must be able to respond in due course to the questions made from audience on Albania's economic performance and on the established environment that prioritizes the business and the country's economic growth.

#### **WHAT DOES BANK ALBANIA TAKE INTO ACCOUNT IN COMMUNICATING WITH THE PUBLIC?**

The Bank of Albania tends to communicating in a reliable way about the country's economic reality and without frustrating slogans. Very few people are interested to listen to explanations in academic terms on various economic phenomena; reversely, all are curious to know about the expectations of the national and world economy. Successful communication with the

public is first attributed to the simple language and second, to the institution credibility among the public.

The Bank of Albania has clear communication targets that aim to clarify to the public (depending on various groups' interests) the impact of the Bank of Albania decisions on the economy perspectives. In particular, businesses, their owners and managers, knowing the short-term and medium-term impact of different decisions, might react in due time to evade their negative impacts, mainly with the purpose of increasing the profit.

How efficient is the Bank of Albania in selecting the communication instruments? Are press releases or educative publications sufficient to inform the public about the role and duties of the Bank of Albania and to transmit to the public its messages on the decision-making?

The work of this institution is founded on those principles leading to deeply know the partners, collaborators and in general the group of people or communities with whom we are linked by immediate work interests in the present and the future. For this purpose, we should study the origin of each given community, its composition and interests, to further enhance the collaboration values for the benefit of both parties.

The differentiated work performed in the public relations field serves to these policies. Thus, the Bank of Albania has implemented various communications means with the public. It has performed a differentiated work with the elite of business, bankers or economists, politicians, students in economics and the large public.

To Public Relations Department is assigned particular and specific tasks to carry out this important activity. This Department while dealing with communication issues is concentrated on the intended audience; assigning a time for the communication, selecting the arguments representing interest for the audience as well as the proper language and style to communicate with.

#### **WHAT IS OUR GOAL AND WHAT SHOULD WE DO?**

We should first deeply understand what public relations and communication are, what tasks the specialists or departments acting in this field

should perform. And finally, what is their impact on the results of Bank of Albania?

Thus, to explain this point we must be aware of the fact that we will succeed in achieving the targets, if we succeed in attracting the public opinion to be with us.

We should perceive Public Relations as constant and outlined efforts to establish and maintain the goodwill and mutual understanding between the institution and its public. Thus, the major issue is to acquire through an active work the understanding, the support and particularly the influence on both the opinion and behaviour of the large public. Establishing the relations with the public is a vast and multidimensional task. This is an attainable goal, first of all through publishing the news and the positive results, through which the bank credibility is enhanced, and damages leading to its defamation, arising from any possible crisis, are limited.

Drafting the work stages is important to public relations and communication. We should first conduct an analysis of the situation, to identify the real problems. Further, we should define the objectives, the targeted consumer, messages, strategy, methods and budget.

At last, we should carefully estimate the work performance, rightly define the achieved results and come to the conclusions for the future. Management is a primary factor in achieving the results in the public relations field. It is already stated and proved that the secret of a successful program of the public relations consists in the prudential design of the work in implementing a strategy determined and selected in compliance with the institution interests.

Public relations must be well-informed, at all times, about the major issues, undertaking research works in the most interested fields.

The definition of the targets established within the framework of the institution program is also very important. First, the organization, company or institution's public should be clearly determined and classified, or simply who are those to buy these products, benefiting from the services or playing a specific role in the institution activity. Briefly, it is necessary to designate the listener or the auditor to whom the public relations

program is intended. The messages transmitted by the institution to the large public, within the designed program, are important too. It is through these messages that the institution succeeds in communicating in a clear, brief and simple way with the public or interested communities. Thus, they should be compiled in such way that the audience keeps easily in mind.

To carry out a successful achievement of the targets, it is certainly indispensable to finalize an overall plan on the institution priorities that must be necessarily implemented.

## PUBLIC RELATIONS AND MEDIA

There can be no results in the field of public relations, if between them and the audience the media, as an intermediate significant link, does not function. The public relations program includes also vast cooperative relationships with both the written media and the electronic one. Through establishing these relationships with correctness, the institution, that is the Bank of Albania, shows what is it, what can it do, what services can it supply to the large public and at last, what are the benefits of this cooperation.

The cooperation with the media ensures in a very quick and effective time the transmission of messages from the institution to a large number of people, who daily receive these messages or information through the press, radio or television. These messages are a product of the cooperation between journalists and experts of these fields. Keeping good relations with the journalists and the media in general will prompt the experts to enhance the cooperation with them and consequently to reflect the institution activity.

The Bank of Albania attaches great importance to the communication instruments with the audience and to the internal communication as well. The most adequate communication means are the bulletins, press releases, articles published in the newspapers and magazines, etc. Anyway, they must not be overestimated and we should always be seeking for new ways of communication. This field includes also the media materials, opinions of experts or leaders, who argue and comment the work, the deficiencies and the results of the institution.

It is important to identify the most efficient

methods to work with in implementing the designed program related to the links of public relations with the media. Since the design stage, we should take into consideration not less than three methods or variants, to which we should account the respective costs. We should also take into consideration the fact that not always the lowest cost is required. The most important for us is to make all possible efforts to achieve the targets and not to save money. The money

requesting its publication at the earliest time, otherwise the information loses the freshness and the value of the events.

Public Relations Department has considerably increased the number of press releases over the period 2002 – 2004. Through following and reflecting accurately the major issues of the Bank of Albania, press releases have been quick, are read and welcomed by the public.

	2004	2003	2002
Press releases	105*	99	50

105\*) Forecasts based on the 7-month performance, January-September 2004, 75 press releases.

saved there where it is not necessary is wasted money.

We would emphasize that public relations constitute one of the most important aspects of the work management. They are considered as a kind of service without a final product, but supporting all the operating activities of a business, company or an institution. Public relations must be managed by people of high professional skills and are a responsibility of the people occupying a certain position within the organization they work with. It is interesting to note that from a survey conducted at the Business School of Harvard University it results that managers of each company, organization or institution spend about 60 per cent of their work time in dealing with public relations. During this lapse of time, they perform such activities including the transmission of the company message through the media, radio or television, the commitment in communicating directly with the public, where they present the activity of their institution.

#### PRESS RELEASES, NEWSPAPERS ARTICLES AND COMMENTS

We already know what are the effects of a press release, its publication and media reaction. If we have published a new announcement, then we should be ready to respond to hundred of telephone calls and e-mails from the public. Press releases still remain nowadays the simplest and cheapest way to communicate with the public.

An announcement in the form of press release is composed of one to two pages and used to attract the public attention. It is sent to the media,

The media cover a strategic position for each organization or institution, since the information is transmitted through them to the large public. They have a special impact on the public opinion. Although the time coverage dedicated by the media to a given issue is restricted, it again transmits messages of high value for both the organization and other interested audiences. We have to bear in mind that the media act in a harsh competitiveness environment. The Bank of Albania, taking into account this fact, is trying, through its experts and Public Relations Department, to establish close and correct relations with the journalists and the media in general, creating adequate working conditions and putting at their disposal all the materials they are interested in.

The Bank of Albania, in this framework, organizes training seminars with the journalists.

#### THE WEBSITE AS AN EFFICIENT COMMUNICATION INSTRUMENT

Today, the values of internet and the information that is widely diffused through it are regarded to be increasingly of great importance compared to the written and visual media.

Netherlands along with Japan, Great Britain and India have the highest level of newspapers legibility in the world, where 75 percent of the families are subscribed in a daily newspaper. Meanwhile, newspapers are listed in the fourth place as a means of the news broadcasting after television, radio and internet. In these countries 9 percent of people prefer the newspapers, 17 percent the internet, 35 percent the radios, while 39 percent the televisions. According to a study conducted by Project for Excellence in

Journalism and Columbia School of Journalism, televisions are deeply decreasing compared to the other means of news broadcasting. (Missouri Department of Higher Education's website, <http://www.dhe.mo.gov>).

People's interest increased due to the acceleration of news broadcasting through internet, its low cost and the diversity of the information provided.

Information through internet represents much more interest now in a world where the media are being more and more concentrated on a limited number of people.

To maintain the credibility as an institution as well as the credibility of the information and of its activity, the Bank of Albania has tried and continues to make efforts towards extending the information degree to the external environment (institutions or individuals). It is oriented towards the research, collection, analysis and diffusion of this information, in order that anyone interested have the possibility to be informed about the bank decisions and activities.

Through the website [www.bankofalbania.org](http://www.bankofalbania.org) firstly introduced in 1999 and changed this year, the Bank of Albania successfully communicates with the interested public and each of the targeted groups finds the required information. The Bank of Albania introduced at the end of February 2004 the new website [www.bankofalbania.org](http://www.bankofalbania.org), which is deemed to further contribute to the communication with the public.

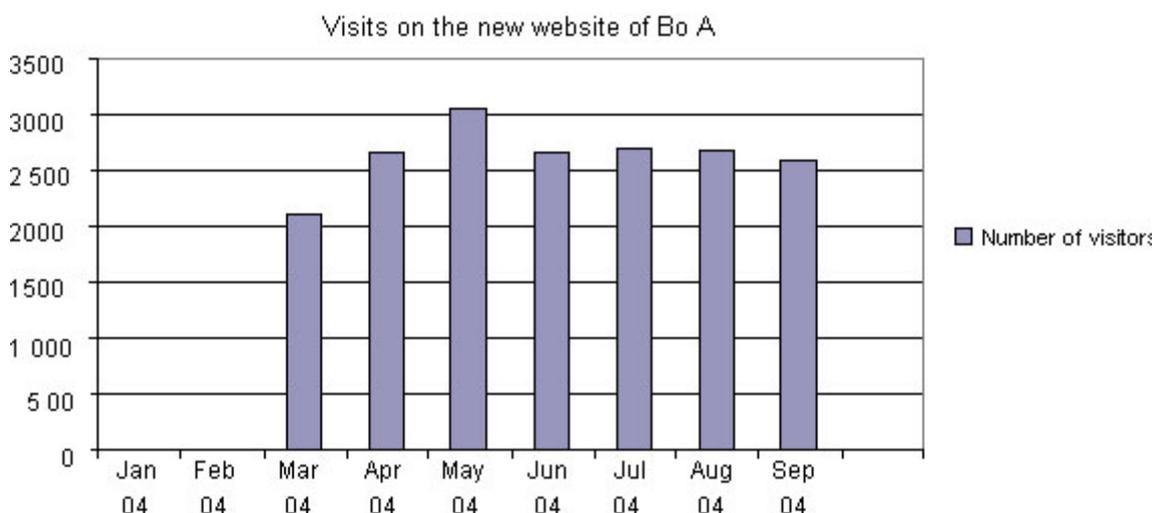
Nevertheless, we should try to make it always more attractive.

Analyzing this problem one must start with answering to the question: Is the website a good choice for the institution, how and what should we do to have it as diversified and interesting as possible?

Such an analysis and the resulting conclusions will help to establish clear targets regarding the website and to determine what its visitors are looking for.

Statistics of visits on the website [www.bankofalbania.org](http://www.bankofalbania.org) (The new website is launched at the end of February 2004).

Months	Number of visitors
January-04	0
February-04	4
March-04	2095
April-04	2653
May-04	3060
June-04	2667
July-04	2691
August-04	2672
September-04	2579



For these reasons, the Bank monitors on a continuous basis the visitors of its website, being attentive in identifying them and their respective interests in various information.

The average daily number of visitors on our website (excluding weekend days) was 258. There is an upward trend towards a stable increase, at an average of more than 20 per month, where 70 percent belong to the visitors abroad and to those requesting the information in English. **In May, the number of visits on the Bank of Albania website increased by 3060 compared to 2095 that it was in March**, thus providing a fact regarding the increase of interest in the information that the Bank of Albania presents in its website. The highest flow is in the mid-week, and that is related with the nature of the information introduced in our website.

The attention for the part in English, particularly the informing part and that of statistics, increased recently.

The Bank of Albania, based on the interest in publications, projects in a near future to issue also a "CD-offline" with its publications and other significant parts from the website.

The analysis of visit duration in this site shows that the major part of visitors stop a while (67.90 percent of visitors up to 5 minutes), while two significant indicators show visits ranging between 30 and 60 minutes (7.7 percent) and visits more than 1 hour (5.7 percent).

The website [www.bankofalbania.org](http://www.bankofalbania.org) is updated in a programmed way. It is for the major part organized in two languages, Albanian and English, excluding the cases when, due to information acceleration, is first published in Albanian. There exists also an ongoing control on the accuracy and updating of the materials that are published.

Information introduced in the website is of different types and fields. It includes information of a large scale of use, such as the exchange rate, T-bills market interests or T-Bills calendar, **and an overall information on the organization and structure of the Bank, the monetary policy developments, main activities and decisions of the Bank of Albania, monthly and yearly statistics of the monetary and real sector, a**

**range of publications of the annual reports and statements of the Bank of Albania, articles, discussion materials, analyses and surveys, press releases of the Governor, press releases on the Supervisory Council meetings, etc.**

#### ON-LINE PUBLIC RELATIONS

The Bank of Albania pays particular attention to the on-line communication with the public, differently known as on-line public relations.

In the rubric "Your opinion on..." of the Bank of Albania website, the visitors have the possibility to give opinions on the content of the site and on various needs for further information. The interested individuals may express their opinions also via on-line registration or via e-mail in the address: [public@bankofalbania.org](mailto:public@bankofalbania.org). (20-30 requests arrive everyday and receive systematically a reply). This way of communication provides the rising possibilities of a dialogue between the Bank and the public, helping in the improvement of this site and in the continuous approach with the requirements and necessities of the public.

#### PUBLIC APPROVAL

Arthur W. Page writes: "...live by the approval of the public... as many approvals you might receive, the better you will live." (Arthur W. Page, 2002.)

To serve these relations, the Bank of Albania has organized the distribution of the questionnaire "Bank of Albania, how deeply does the public know it", aiming to find out how far does the large public know this institution and how much does it understand the duties and activities of this institution. This questionnaire was distributed to be filled in by certain groups of population, such as *small-size and medium-size businesses, big-size businesses, high schools, universities (economics faculties), universities (non-economics faculties), pensioners and occasional passers-by*.

About 1000 questionnaires were distributed in Tirana, Lushnja, Gjirokastra, Korça, Elbasan and Shkodra in proportion to their weight vis-à-vis the Albanian population.

The questionnaire contained 16 questions to identify the knowledge degree of the public on

the Bank of Albania institution, its functions as well as public necessity for supplementary information on the banking system and its functioning.

The analysis of the questionnaire results shows that:

- 93.04% have heard to speak about the Bank of Albania;
- the major part, 77.03% of the interviewers have heard on the Bank of Albania through the written or visual media;
- A good part of the interviewers (63.72%) know the inflation concept, since they correctly construe it. The major part also (52.4%) know that the Bank of Albania is the responsible authority for the control of inflation;
- A considerable part, 41.70% of the interviewers, think that Bank of Albania extends loans (its role and functions are not properly known), and the majority does not properly know the organization of the Albanian banking system (51.71%).

The analysis of the questionnaire results shows also that Bank of Albania is largely known by the Albanian public.

The articles on the issues covered by the Bank of Albania have impacted these results. These articles are prepared by the Bank of Albania specialists or others, who are almost everyday present in the Albanian magazines and newspapers.

About 108 articles of the Governor, managers and specialists of the Bank of Albania were published in the written media over the first half of 2004 on different issues of the Albanian economy and on the explanation of the decisions made by the central bank in Albania.

168 articles closely related with the issues covered by the Bank of Albania were published in the written media over this period by scholars of economics, professors of universities or scientific researchers of the domestic or foreign institutions.

### **Word of mouth marketing and its importance**

"It is merely an illusion that marketing elements are selling your products", states George Silverman, Chairman of "Consulting of Marketing" company and author of *Marketing Secrets - through Word of Mouth*.

"The reality is that people are coming to you, not because of your marketing activity, but because they have listened about you from other sources..."

The reasoning that "the word of mouth" is much more efficient than the conventional means of the paid marketing is increasingly gaining ground. It remains efficient even in this stage in which communication means and promotional campaigns are developed.

*Word of mouth*, in Silverman's mind is the communication among people on the products and services, perceived independently of the company itself.

"Word of mouth" is of particular importance independently of the used terminology. In fact, the best a marketing specialist might do is to find people that speak in a frequent and favorable way to the right intended people.

This process is theoretically based on the skills and qualities of the staff working in public relations. Public relations are mostly related to the dialogue, education and credibility.

Historically, marketing trend has always been "the reference to the experts", as the public is becoming more and more doubtful about the traditional institutions. Many of the so supposed "independent" analysts result to be paid by businesses or institutions.

Each individual in the United States spends on the average USD 800 in a year to cover the spots expenditures that businesses perform, independently of his/her will. American businesses expend USD 200 billion every year for their spots in the media. (<http://www.aktuelno.com/MarketingPR>). If this sum would be spent for the word of mouth marketing, many of them would be much more efficient.

Many managers of companies and administrators

of organizations deem that today surveys and analyses of experts are not so important for the name of the company/organization. Word of mouth is perhaps the best way of communication. People tend to mostly believe the words and rumors than multimillion spots and media comments.

The word of mouth marketing is of a low cost and also the most common way of communication with the public.

Under the current circumstances of a “media bombardment”, a person receives on the average about 1000 messages in a day. In this multitude of information people are led to believe the words of those people whom they do trust.

They are frustrated by the advertising slogans and promotional campaigns and need to absorb “disclosed” information.

## BIBLIOGRAPHY

Dale Carnegie; *How to Win Friends and Influence People*, ISBN: 0671723650; Publisher: Simon & Schuster Adult Publishing Group, June 1982.

Bates, D. *To inform and persuade: Public Relations from the Dawn of Civilization*, APR, Fellow PRSA, 2002

Robert W. Buchanan.Jr, Charles Lukaszewski; *Measuring the Impact of Your Web Site*; Publisher: John Wiley and Sons, January 1997.

Cutlip, S., Center, A. *Effective Public Relations* (Prentice Hall), Cutlip, S. (1994). *The unseen power: Public relations. A history*. Hillsdale, NJ: Erlbaum.

Dogjani, L. *Analiza e pyetësorit “Banka e Shqipërisë, sa e njeh publiku atë”? (Questionnaire Analysis “Bank of Albania, how deeply does the public know it?”)*, Bank of Albania, 2004.

Missouri Department of Higher Education’s website, (<http://www.dhe.mo.gov>).

Newsom, D., Van Slyke Turk, D., Krukeberg, D. This is PR: *The Realities of Public Relations* (Wadsworth). The Realities of Public Relations by Doug Newsom, Judy Van Slyke Turk and Dean Krukeberg. Publisher Wadsworth; July 2003. ISBN: 0534562639.

*The rise of word of mouth marketing*, 17 May 2004, Source: The Holmes Report (<http://www.aktuelno.com/MarketingPR/details.asp>)

Uruçi, E. *Marrëdhëniet publike dhe komunikimi (Public Relations and Communication)*, a lecture held at “Aleksandër Xhuvani” University, Elbasan, 2004.

## NEWS

### JULY – SEPTEMBER 2004

#### ***IMF COMPLETES FOURTH REVIEW UNDER PRGF ARRANGEMENT WITH ALBANIA AND APPROVES SDR 4 MILLION (ABOUT US\$6 MILLION) DISBURSEMENT***

The Executive Board of the International Monetary Fund (IMF) completed on July 14, 2004 the fourth review of Albania's economic performance under the Poverty Reduction and Growth Facility (PRGF) Arrangement and approved after the concluding discussions the release of an amount equivalent to SDR 4 million (about US\$6 million) for Albania.

The three-year PRGF arrangement was approved on July 21, 2002 for a total amount of SDR 28 million and the total disbursement reached SDR 20 million, including the last disbursement.

The Executive Board estimated Albania's performance during the second year of the PRGF-supported program as being satisfactory overall, with growth remaining strong, the balance of payments improving, and reserves accumulating in excess of program targets. In this respect, Anne Krueger, First Deputy Managing Director and Acting Chair, said that "... skillful management of liquidity by the Bank of Albania, and ongoing fiscal consolidation and debt reduction, contributed to a recovery in confidence, a strengthening of the currency, and the maintenance of low inflation. Implementation of structural reforms improved since the last review, and include the finalization of the sale of Savings Bank, administrative reforms of fiscal institutions, and actions to remove investment barriers.

The Executive Board emphasized also Albania's necessity to strengthen revenue-enhancing tax policy measures, as well as further structural reforms to improve the management of fiscal institutions, governance, and transparency, and to support central bank independence and foster greater financial intermediation.

The PRGF is the IMF's most concessional facility for low-income countries. PRGF-supported programs are based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners, and articulated in a Poverty Reduction Strategy Paper (PRSP). This is intended to ensure that each PRGF-supported program is consistent with a comprehensive framework for macroeconomic, structural, and social policies to foster growth and reduce poverty. PRGF loans carry an annual interest rate of 0.5 percent, and are repayable over 10 years with a 5½-year grace period on principal payments.

#### ***STATEMENT OF THE GOVERNOR OF THE BANK OF ALBANIA IN THE COMMON PRESS CONFERENCE WITH THE MINISTER OF FINANCE AND THE HEAD OF IMF RESIDENT MISSION IN TIRANA***

In the context of the IMF Mission visit and the IMF Executive Board decision to approve the respective tranche under the PRGF arrangement, the Governor of the Bank of Albania, Dr. Shkëlqim Cani, the Minister of Finance, Mr Arben Malaj, and the Head of IMF Mission, Mr Julio Escolano, addressed a common press conference on July 16, 2004.

The Governor, after extending his thanks to the Executive Board of the IMF on the Fourth Review under the PRGF arrangement for Albania and estimated the close collaboration with the IMF Mission and the Resident Representative in Tirana, Mr. Jan-Peter Olters, briefed the main macroeconomic developments which marked an economic growth of 6.1 percent and an inflation within the targeted range, during the last three years. Lending to economy has recorded positive progress with an annual growth of 30-40 percent and the banking system evidenced soundness and profitability.

Further on, the Governor focused his discussion

on the latest developments that have drawn the attention of the public opinion, such as the maintenance of the Bank of Albania target and exchange rate developments.

He stated that inflation during the first half of 2004 has resulted low and the expectations for the end of the year will not exceed the above target. There were mainly the developments of inflation targeting and those of the exchange rate that led the Bank of Albania to take three decisions for the reduction of respectively by 25 percentage points of the base interest rate.

In addition to this, he classified the main grounds of domestic currency appreciation, seen in a longer-term optic, such is increase of confidence in the domestic currency and in a short-term, where we might mention among the main factors: seasonal factors, with the highest effect in June, presentation of the domestic product sooner and at higher volumes than the other years, growth of the foreign currency supply in the domestic market as a result of tourists and emigrants revenues; but also other factors, such as the policies followed from Fed and the Central European Bank with the interest rates, which have led to a preferential position vis-à-vis the interest rates for Lek deposits, thus increasing the demand for the domestic currency due the exchange of a part of foreign currency against Lek.

The Governor pointed out that there were impacts on the exchange rate also through a prudential fiscal policy, thanks to the additional income from the privatization of the Savings Bank, which has not set pressures for liquidity in the money market. Under these circumstances, considering Lek appreciation as rather not favorable phenomena, he stated, with a potential to reflect reverse movements at a second time, after the decisions for the reduction of the base interest rate, the Bank of Albania succeeded also in the intervention in the foreign exchange market. Thus, during the last week Euro is lightly strengthened at 1.5 per cent against Lek while US dollar strengthening was at 0.75 per cent.

Concluding his speech, the Governor said that regarding the exchange rate impacts on the falling exchange rate of exports it is difficult to fully certify the theory in the case of Albania, as an appreciation of the domestic currency brings

about significant impacts on the exports tightening and on the increase of imports. Pursuant to the data of the balance of payments during the last years but also pursuant to the developments in the first quarter of 2004, it results a growth of both exports and imports. The imports of this period (USD 451 million) increased about 14 per cent, while exports (USD 136 million) increased 26 per cent, notwithstanding the Lek appreciation against both Euro and US dollar. The Albanian exports at a high degree are re-exports and in this case the impacts of the exchange rate affect both exports and imports (payments, rents, etc.)

#### *APPROVAL ON "MINTING COINS FOR NUMISMATIC PURPOSES IN 2005"*

The Supervisory Council of the Bank of Albania approved by the Decision No. 53, dated 17.07.2004, the minting of two coins for numismatic purposes in 2005.

Numismatic coins will be of 10 Lek issue, of no legal tender. Their quantity will be 10,000 units each one, with subject, respectively "Tirana, a 85-year capital, 1920-2005" and "Cultural heritage objects (Folk costumes in Albania)".

The decision specifies also technical data on the coins such as material, purity, weight, form and colour.

#### *THE GOVERNOR OF THE BANK OF ALBANIA, MR. SHKËLQIM CANI, MEETS WITH THE IMF MISSION*

The Governor of the Bank of Albania, Mr. Shkëlqim Cani met today in the morning the International Monetary Fund Mission, which is visiting Albania these days, headed from Mr. Julio Escolano, Head of the Mission and followed by Mr. Jan Peter Olters, Resident Representative of IMF Office in Tirana.

The discussion was mainly concentrated on the main following issues: the monetary developments and inflation, the exchange rate developments, the crediting growth and the changes of the regulatory framework of banking supervision. It was also discussed on the agenda of the next Mission of November 2004.

The Governor stated in his speech that the data of the last months and the forecasted

developments of the Consumer Price Index show that inflation is deemed to be within the two-to-four percent targeted range by the end of 2004.

Regarding Lek appreciation against the main foreign currencies, Mr. Cani pointed out that the macroeconomic stability has increased the public confidence in the domestic currency. In addition to the US dollar depreciation in the international market, the Governor mentioned also the main grounds - principally seasonal ones - of the domestic market, such as growth of the production, mainly agricultural one, foreign income flows from tourism and emigrants' remittances, interest rates differences between the Lek and main foreign currencies, increase of individuals' interest to invest in Lek deposits, Treasury bills, etc...

The IMF mission will continue the meetings with the experts of the Bank of Albania to discuss on the issues of the monetary program, the balance of payments, the inflation and real sector developments, banking supervision, etc... A common press conference of the Governor of the Bank of Albania, the Head of IMF Mission and the Minister of Finance is expected to be held at the end of the Mission visit.

***ON THE DECISION OF THE SUPERVISORY COUNCIL OF THE BANK OF ALBANIA ON CUTTING THE BASE INTEREST RATE BY 0.25 PER CENT***

The Supervisory Council of the Bank of Albania, in its meeting held on July 28, 2004, decided to cut the base interest rate by 0.25 percentage point. In this way, the interest rate that applies to the Repurchase Agreement (Repo) weekly auctions will be 5.5 per cent. This shall constitute another new historical minimum level of the base interest rate in Albania.

The decision on cutting the base interest rate was based on: inflation performance, expectations aiming at keeping it under control and stability of macroeconomic indicators. During the first quarter of the year, the inflation rate recorded low levels due to some inflationary pressures. The decrease of inflation rate was partly attributed to a relatively abundant agricultural production. Agricultural products were introduced in the market faster than a year ago, bringing about early season's effects on the decline of Consumer Price Index. At the same time, the

monetary conditions in the economy: liquidity, the interest rates level and appreciation of Lek against foreign currencies contributed in smoothing inflationary pressures.

Year 2004 reflects an overall favorable situation for the country's economic development. The microeconomic stability and the private sector development still continue to be stable foundations for fostering the economic activity. Likewise, the lessening of energetic problems, a better lending support to the economy from the banking system and the distribution of a part of income from the Savings Bank's privatization towards financing public projects will give further prospects and dimensions to the economic development for the rest of 2004.

According to the Bank of Albania's assessment, macroeconomic situation is generally favorable for maintaining price stability even in the medium run. Expectations show that inflation will become lower in the medium run and remain within the targeted range of the Bank of Albania by the end of 2004.

Monetary and fiscal situation is under control. Government expenditures and budget deficit result to be within the targeted annual projections. Also, it results the monetary conditions are kept under control and have a positive impact on the achievement of the inflation target. Liquidity indicators: annual rates of the monetary aggregates increase and the ratio between currency outside banks and monetary supply appear to be favorable for maintaining the inflation target. On the other hand, low inflation has contributed in keeping the Lek interest rates at positive and acceptable levels, preserving the citizens' confidence to deposit their savings in Lek. The real interest rates in Lek and their difference in foreign currency constitute one of the reasons that brought about the Lek appreciation.

The cut of interest rate is consistent with the Bank of Albania's policy to maintain in the economy the most favorable monetary conditions that would comply with inflation targeting. Reduction of the Lek borrowing cost in economy will foster the crediting in Lek, will decrease the cost of government's debt and smooth the Lek appreciation pressures, without provoking harmful pressures on inflation.

***ON THE APPROVAL OF TRANSFERRING, AT 100 PERCENT, THE SHARES OF THE SAVING BANK'S SHAREHOLDER CAPITAL***

The Bank of Albania approved the request on the transferring of the Savings Bank's shares from Raiffeisen Zentralbank Österreich AG to Raiffeisen International Bank-Holding AG. The request was in compliance with the Law No. 8365, dated 02.07.1998 "On Banking Law in the Republic of Albania" and the regulation "On granting the license to conduct banking business in the Republic of Albania", followed by the respective documentation.

Raiffeisen International Bank-Holding AG is a holding company of the banking network of Raiffeisen Zentralbank Österreich AG (RZB – Group) group in the Central and East Europe, fully owned and managed by the RZB. The capital transfer aims to maintain the overall ownership structure of the RZB Group and no change is intended on the management of the Savings Bank, which continues to be conducted by the RZB.

***THE GOVERNOR OF THE BANK OF ALBANIA, DR. SHKËLQIM CANI, MEETS THE PRESIDENT OF WESTERN UNION INTERNATIONAL***

The Governor of the Bank of Albania, Mr. Shkëlqim Cani met today a delegation of Western Union International headed by its President, Mrs.

Christina Gold, and followed by the Executive Director of the Financial Union for Albania, Mr. Edmond Leka.

The Governor, after presenting a panorama of the main Albanian economic developments, broadly explained in his speech the Program of the Bank of Albania on cash reduction in the economy. In this process, stated Mr. Cani, we have met across the support of Western Union as well, which thanks to a full geographical allocation we have succeeded to cover the transfers mainly of emigrants almost all over Albania.

The representatives of Western Union estimated the support and contribution of Governor Cani to the development of the financial sector and services, as well as the presentation of the new projects of the Financial Union services in Albania. The establishment of ATM (the machines for withdrawing money) and the payment of public services are among the possible future projects that the Western Union will implement in Albania.

An interesting part of the discussion was referred also to the remittances performance and growing competitiveness of money transfers between the banks and the Western Union, as well as regarding the commissions for the clients and the geographical allocation.

Mrs. Gold stated that she is in favour of developing the competitiveness, which at last brings about more profits for the clients.

## LEGAL EVENTS

### JULY - SEPTEMBER 2004

*DECISION OF THE SUPERVISORY COUNCIL NO. 52,  
DATED 14.07.2004*

"On approving the Regulation "On credit risk management".

*DECISION OF THE SUPERVISORY COUNCIL, NO. 53,  
DATED 14.07.2004*

"On printing numismatic coins in 2005".

*DECISION OF THE SUPERVISORY COUNCIL, NO. 56,  
DATED 28.07.2004*

"On approving the "Report of economic and monetary developments over the second quarter of 2003".

*DECISION OF THE SUPERVISORY COUNCIL, NO. 57,  
DATED 28.07.2004*

"On approving the interest rate cut of repurchase agreements and reverse repurchase agreements".

*DECISION OF THE SUPERVISORY COUNCIL, NO. 59,  
DATED 28.07.2004*

"On release from duty of the present Director of Issuing Department and appointment of the New Director of Issuing Department at the Bank of Albania".

*DECISION OF THE SUPERVISORY COUNCIL, NO. 60,  
DATED 18.08.2004*

"On approving the "Monetary Policy Report of July 2004".

*DECISION OF THE SUPERVISORY COUNCIL, NO. 61,  
DATED 18.08.2004*

"On approving the ownership transfer of 100 per cent shares of the shareholders' equity of the Savings Bank, from Raiffeisen Zentralbank Österreich AG to Raiffeisen International Bank-Holding AG".

*DECISION OF THE SUPERVISORY COUNCIL, NO. 62,  
DATED 18.08.2004*

"On approving the Regulation "On the functioning of IDBS system".

*DECISION OF THE SUPERVISORY COUNCIL, NO. 63,  
DATED 18.08.2004*

"On approving the financing of the AECH project for the Bank of Albania needs".

*DECISION OF THE SUPERVISORY COUNCIL, NO. 66,  
DATED 22.09.2004*

"On approving the "Monetary Policy Report of August 2004".

# LIST OF ALL SUBJECTS LICENSED BY THE BANK OF ALBANIA\*

## BANKS AND BRANCHES OF FOREIGN BANKS

### 1. ITALIAN - ALBANIAN BANK (JOINT-STOCK COMPANY)

License No. 1/1996, dated 17.07.1998

Approved by the Supervisory Council Decision of the Bank of Albania No. 89, dated 18.06.1998

Certificate No. 1 "On Deposit Insurance"

Director: Ardian FULLANI

Address: Rruga "Barrikadave", No. 70, Tirana-Albania

Tel: 23 56 97, 23 56 98, 22 62 62

Fax: 23 30 34

### 2. SAVINGS BANK (JOINT-STOCK COMPANY)

License No. 2/1998, dated 11.01.1999

Approved by the Supervisory Council Decision of the Bank of Albania No. 163, dated 11.12.1998

Certificate No. 2 "On Deposit Insurance"

Director: Steven GRUNERUD

Address: Rr. "Dëshmorët e 4 Shkurtit", No. 6, Tirana-Albania

Tel: 22 45 40, 22 26 69, 22 54 16

Fax: 22 35 87, 22 36 95, 22 40 51

### 3. UNITED BANK OF ALBANIA (JOINT-STOCK COMPANY)

Arab Albanian Islamic Bank has changed its name by the decision No. 4315/7, dated 16.09.2003, of the Court of Tirana.

License No. 3/1998, dated 11.01.1999

Approved by the Supervisory Council Decision of the Bank of Albania No. 165, dated 11.12.1998

Certificate No. 3 "On Deposit Insurance"

Director: Abdul Waheed ALAVI

Address: Bulevardi "Dëshmorët e Kombit", No. 8, Tirana-Albania

Tel. central: 22 84 60, 22 3 873, 22 74 08

Fax: 22 84 60, 22 83 87

### 4. DARDANIA BANK (JOINT-STOCK COMPANY)

License No. 5/1998, dated 11.01.1999

Approved by the Supervisory Council Decision of the Bank of Albania No. 164, dated 01.12.1998

Certificate No. 4 "On Deposit Insurance"

Director: Beqir MEZELXHIU

Address: Bulevardi "Zogu I", Tirana-Albania

Tel: 22 87 59, 25 93 50, 25 93 51

Fax: 23 05 66

Telex: 2298 db banc ab

E-mail: db@albaniaonline.net; dardaniabank@hotmail.com

### 5. NATIONAL COMMERCIAL BANK (JOINT-STOCK COMPANY)

License no. 6/1998, dated 11.01.1999

Approved by the Supervisory Council Decision of the Bank of Albania No. 162, dated 11.01.1999

Certificate No. 5 "On Deposit Insurance".

---

\* As at September 30, 2004.

Director: Seyhan PENCAPLIGIL  
Address: Bulevardi "Zhan Dark", Tirana-Albania  
Tel: 25 09 55  
Fax: 25 09 56

#### **6. TIRANA BANK (JOINT-STOCK COMPANY)**

License No. 07, dated 12.09.1996  
Approved by the Supervisory Council Decision of the Bank of Albania No. 9, dated 12.09.1996,  
Certificate No. 6 "On Deposit Insurance"  
Director: Dimitris KARAVIAS  
Address: Bulevardi "Zogu I", No. 55/1, Tirana-Albania  
Tel: 23 34 41/42/ 43/44/45/46/47  
Fax: 23 34 17

#### **7. NATIONAL BANK OF GREECE - TIRANA BRANCH**

License No. 08, dated 25.11.1996  
Approved by the Supervisory Council Decision of the Bank of Albania No. 4, dated 14.03.1996  
Certificate No. 7 "On Deposit Insurance"  
Director: Spiro BRUMBULLI  
Address: Rruga e Durrësit, Godina Comfort, Tirana-Albania  
Tel: 23 36 23 / 24  
Fax: 23 36 13

#### **8. INTERNATIONAL COMMERCIAL BANK (JOINT-STOCK COMPANY)**

License No.09, dated 20.02.1997  
Approved by the Supervisory Council Decision of the Bank of Albania No. 9, dated 30.04.1996  
Certificate No. 8 "On Deposit Insurance"  
Director: Ooi Kooi KEAT  
Address: Rr. "Ded Gjon Luli", Tirana-Albania  
Tel: 23 75 67/ 68/ 69  
Tel/fax: 23 75 70

#### **9. ALPHA BANK - TIRANA BRANCH**

License No.10, dated 07.01.1998  
Approved by the Supervisory Council Decision of the Bank of Albania No. 01/03/96, dated 27.12.1997  
Certificate No. 9 "On Deposit Insurance"  
Director: Andrea GALATOULAS  
Address: Bulevardi "Zogu I", No.47, Tirana-Albania  
Tel.: 23 35 32, 23 33 59, 34 04 76/ 77  
Tel/fax: 23 21 02

#### **10. AMERICAN BANK OF ALBANIA (JOINT-STOCK COMPANY)**

License No.11, dated 10.08.1998  
Approved by the Supervisory Council Decision of the Bank of Albania No. 105, dated 10.08.1998  
Certificate No. 10 "On Deposit Insurance".  
Director: Lorenzo RONCARI  
Address: Rruga "Ismail Qemali", No. 27, P.O. Box 8319, Tirana-Albania  
Tel.: 34 87 53/ 54/ 55/ 56  
Tel/fax: 34 87 62

#### **11. PROCREDIT BANK (JOINT-STOCK COMPANY)**

FEFAD BANK has changed its name by the decision No20797/10, dated 15.09.03 of the Court of  
Tirana  
License No. 12, dated 15.03.1999

Approved by the Supervisory Council Decision of the Bank of Albania No. 22, dated 03.03.1999  
Certificate No. 11 "On Deposit Insurance"

Director: Jasper MENKEN  
Address: Rruga "Sami Frashëri", Tirana e Re, P.O. Box. 2395, Tirana-Albania  
Tel.: 23 04 99, 23 34 96  
Tel/fax: 23 34 81

#### **12. FIRST INVESTMENT BANK - TIRANA BRANCH (JOINT-STOCK COMPANY)**

License No. 13, dated 16.04.1999

Approved by the Supervisory Council Decision of the Bank of Albania No. 45, dated 13.04.1999  
Certificate No. 12 "On Deposit Insurance"

Director: Pettier Gavrillov KRASTEVI  
Address: Bulevardi "ZOGU I", No. 64, Tirana-Albania  
Tel.: 35 64 23, 3 564 24  
Tel/fax: 35 64 22

#### **13. EMPORIKI BANK - ALBANIA (JOINT-STOCK COMPANY)**

COMMERCIAL BANK OF GREECE (ALBANIA) (JOINT-STOCK COMPANY has changed its name  
by the decision No. 20830/5, dated 15.12.2000 of Tirana Court

License No. 14, dated 28.10.1999

Approved by the Supervisory Council Decision of the Bank of Albania No.105, dated 19.10.1999  
Certificate No. 13 "On Deposit Insurance"

Director: George CARACOSTAS  
Address: Rruga "Kavajës", Tirana Tower, Tirana-Albania  
Tel.: 25 87 55/ 56/ 57/ 58/ 59/ 60  
Tel/fax: 25 87 52

#### **14. CREDIT BANK (JOINT-STOCK COMPANY)**

License No. 15, dated 28.08.2002

Approved by the Supervisory Council Decision of the Bank of Albania No. 66, dated 28.08.2002  
Certificate No. 14 "On Deposit Insurance"

Director: Kamal Abdel MONEIM  
Address: Rruga "Perlat Rexhepi, Al-Kharafi Group Administration Building, Kati 1&2" Tirana-  
Albania  
Tel.: 27 21 68; 27 2162.  
Tel/Fax: 27 21 62.  
E-mail: creditbkalb@icc-al.org

#### **15. "CREDINS" BANK, TIRANA (JOINT-STOCK COMPANY)**

License No. 16, dated 28.03.2003

Approved by the Supervisory Council Decision of the Bank of Albania No. 22, dated 26.03.2003  
Certificate No.15 "On Deposit Insurance"

Director: Artan SANTO  
Address: Rruga "Ismail Qemali", No. 21, Tirana-Albania  
Tel.: 22 29 16; 23 40 96

#### **16. POPULAR BANK (JOINT-STOCK COMPANY)**

License No. 17, dated 16.02.2004

Approved by the Supervisory Council Decision of the Bank of Albania No. 06, dated 11.02.2004  
Certificate No.16 "On Deposit Insurance"

Director: Edvin LIBOHOVA  
Address: Rruga "Donika Kastrioti", Pall. 11/1, Kati I, Tirana-Albania  
Tel: 27 27 88/ 89

## NON-BANK INSTITUTIONS

### 1. TIRANA FINANCIAL UNION S.R.L. (WESTERN UNION)

License No. 1, dated 08.12.1999, on conducting the following financial activities:

- offering payment services;
- mediating in the conduct of monetary transactions;
- acting as financial agent or advisor.

Director: Niko Leka, Edmond Leka  
Address: Rr. "Reshit Çollaku", Pall. Shallvare, Sh 2, No. 18, Tirana-Albania  
Tel.: 25 06 53

### 2. DINERS CLUB ALBANIA S.R.L.

License No. 2, dated 09.10.2000, on conducting 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. ALBANIAN POST-OFFICE (JOINT STOCK COMPANY)

License No. 3, dated 18.04.2001, on conducting 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  
Tel: 22 25 15

### 4. CREDINS TIRANA (JOINT STOCK COMPANY)

License No. 04, dated 13.06.2001, on conducting the following financial activities as a non-bank financial institution:

- 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. MOUNTAINOUS AREA FINANCING FUND

License No. 5, dated 29. 03.2002, on conducting the following activity:

- granting credit.

Founded by the Decision of the Government of the Republic of Albania

Director: Arben Jorgji  
Address: Rr. "Mustafa Matohiti" No. 12, Tirana-Albania  
Tel: 25 06 33

**6. "AK-INVEST" (JOINT STOCK COMPANY)**

License No.7, dated 31.12.2003, as a non-bank financial institution to conduct the following activities:

- offering payment services;
- mediating in the conduct of monetary transactions (including foreign exchange).
- acting as financial agent or advisor.

Manager: Ilir Adili  
Address: Rruga "Ded Gjon Luli", No. 2/3 Tirana-Albania  
Tel.: 24 01 47

**FINANCIAL INSTITUTIONS NOT LICENSED BY THE BANK OF ALBANIA FOR THE CONDUCT OF THEIR ACTIVITIES ACCORDING TO THE SUPERVISORY COUNCIL DECISION NO. 26, DATED 29.03.2000 "ON EXEMPTION OF SOME INSTITUTIONS FROM APPLYING THE PROVISIONS OF LAW NO. 8365, DATED 02.07.1998 "ON BANKS IN THE REPUBLIC OF ALBANIA"**

(These organizations are not licensed or supervised by the Bank of Albania but they have to report to the Bank of Albania).

**1. RURAL FINANCING FUND**

Founded by the Decision of the Council of Ministers of Republic of Albania No. 207, dated 28.04.1999

Object of activity: Financing the rural area.

Exempted by the Bank of Albania's note No.1843, dated 01.08.2000

Director: Zana Konini

Address: Rr. "Ismail Qemali", P. 32, Tirana-Albania

**2. BESA FOUNDATION**

Founded by Open Society Fund for Albania (SOROS)

Object of activity: Financing small and medium size firms

Exempted by the Bank of Albania's note No. 2895/1, dated 19.01.2001

- Director: Bajram Muça

- Address: Rr. "Asim Vokshi", No. 35, Tirana-Albania

**3. ALBANIAN PARTNER ON MICROCREDIT.**

Shareholder: "Opportunity International" (East Europe).

Object of activity: Granting credit.

Exempted by the Bank of Albania's note No. 828/1, dated 08.04.2002

Director: James Reiff

Address: Rr. "Gjin Bue Shpata", No. 7/1, Tirana-Albania

## FOREIGN EXCHANGE BUREAUS

### 1. "JOARD" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA

License: No. 1, dated 01.10.1999  
Address: Rruga "Ded Gjon Luli", No.2, Tirana-Albania  
Exchange broker: Josif Kote, Pajtim Kodra

### 2. "AMA" FOREIGN EXCHANGE BUREAU S.R.L., DURRËS

License: No. 2, dated 01.10.1999  
Address: Rruga "Tregtare", Lagja 3, Durrës-Albania  
Ex. broker: Mirlinda Ceka, Ilir Hoxha

### 3. "ARIS" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA

License: No. 3, dated 01.10.1999  
Address: Rruga "Luigj Gurakuqi", Tirana-Albania  
Ex. broker: Ardian Goci, Ismet Noka

### 4. "UNIONI FINANCIAR" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA.

License: No. 4, dated 01.10.1999  
Address: Rruga "Reshit Çollaku", Pall. Shallvare, Shk. 2/18, Tirana-Albania  
Ex. broker: Arjan Lezha (Përgjegjës i agjencisë), Albert Sara, Dhimitër Papadhopulli, Genta Angjeli (Agalliu), Piro Teti, Flora Simixhi, Petrika Mano (Përgjegjës i agjencisë), Lindita Shala, Mirela Bakalli, Anila Demiri, Emili Bakalli (Nako), Astrit Sferdelli, Mirela Kaiku, Erisa Emiri

### 5. "AGLI" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA

License: No. 5, dated 01.10.1999  
Address: Agency No.1: Rruga "Islam Alla", No.1, Tirana-Albania  
Agency No.2: Rruga "Kavajës", Tirana-Albania  
Ex. broker: Kujtim Nina (Manager), Agim Cani, Selim Luli

### 6. "ALBAKREDIT" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA

License: No. 06, dated 24.11.1999  
Address: Rruga "Ded Gjon Luli", No. 5, Tirana-Albania  
Ex. broker: Ëngjëll Skënderi, Arben Cani, Vasil Marto, Hajredin Toça, Dallëndyshe Shima, Ermira Skënderi, Valbona Kurti, Teuta Koltraka

### 7. "EXCHANGE" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA

License: No. 08, dated 24.11.1999  
Address: Rruga "Durrësit" No. 170, Tirana-Albania  
Ex. broker: Ivan Pavlovski, Ervis Myftari

### 8. "UNISIX" FOREIGN EXCHANGE BUREAU S.R.L., KORÇA

License: No. 09, dated 26.11.1999  
Address: Bulevardi "Republika", Pall.4, Korça-Albania  
Ex. broker: Pandi Cunoti, Ernest Golka, Nikolin Bicka, Eli Bode

### 9. "EKSPRES J & E" FOREIGN EXCHANGE BUREAU S.R.L., DURRËS

License: No. 10, dated 26.11.1999  
Address: Lagja 11, Rruga "Prokop Meksi", Durrës-Albania  
Ex. broker: Kostandin Ekonomi, Entela Ekonomi

**10. "MI & CO" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA**

License: No. 11, dated 29.02.2000  
Address: Rruga "Ded Gjon Luli", No.2/3, Tirana-Albania  
Ex. broker: Muharrem Kokona, Ilir Adili, Andis Tirana

**11. "ILIRIA 98" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA**

License: No. 12, dated 25.02.2000  
Address: Sheshi "Skenderbej", Teatri i Kukullave, Tirana-Albania  
Ex. broker: Edmond Ymeri, Ali Topalli, Ilir Janku

**12. "SERXHIO" FOREIGN EXCHANGE BUREAU S.R.L., ELBASAN**

License: No. 14, dated 07.04.2000  
Address: Lagja "Luigj Gurakuqi", Rr.11 Nëntori, Pall. 70, No.14, Elbasan-Albania  
Ex. broker: Amarildo Canku

**13. "ALBTUR" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA**

License: No. 15, dated 07.04.2000  
Address: Agency no.1, Bulevardi "Zogu I", Pall. 32, Shk.1, Tirana-Albania  
Ex. broker: Albert Rahmani, Artur Rahmani

**14. "R & M" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA**

License: No. 16, dated 22.05.2000  
Address: Rruga "Punëtorët e Rilindjes", Pall. 182, Tirana-Albania  
Ex. broker: Albert Rahmani, Artur Rahmani

**15. "TEUTA 2000" FOREIGN EXCHANGE BUREAU S.R.L., DURRËS**

License: No. 17, dated 22.05.2000  
Address: Lagja 4, Rruga "Skëndërbej", Ap. 950, Durrës-Albania  
Ex. broker: Adelina Hoxha, Arben Çuni

**16. "T & E" FOREIGN EXCHANGE BUREAU S.R.L., DURRËS**

License: No. 18, dated 11.06.2000  
Address: Lagja 4, Rruga "9 Maji", Durrës-Albania  
Ex. broker: Shpëtim Hysa.

**17. "SHIJAK 2000" FOREIGN EXCHANGE BUREAU S.R.L., SHIJAK**

License: No. 19, dated 24.11.2000  
Address: Lagja "Populllore", Shijak-Albania  
Ex. broker: Nazmi Ademi, Farije Ademi.

**18. "R & T" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA**

License: No. 20, dated 20.12.2000  
Address: Bulevardi "Zogu I", Tirana-Albania  
Ex. broker: Renis Teršana

**19. "MANUSHI" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA**

License: No. 22, dated 18.04.2001  
Address: Bulevardi "Zogu I", VEVE Business Center, Tirana-Albania  
Ex. broker: Roland Manushi

**20. "UNIONI SELVIA" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA**

License: No. 23, dated 21.05.2001  
Address: Rruga "Saraçëve", Pallati 124/1, Tirana-Albania  
Tel: 376 274  
Ex. broker: Leonat Zenelaj, Gani Xhaja

**21. "KALENJA" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA**

License: No. 24, dated 29.06.2001  
Address: Rruga "Kavajës" (next to Turkish Embassy), Tirana-Albania  
Ex. broker: Hair Shametaj, Fatmir Shametaj, Gëzim Dushkaj

**22. "TILBA" FOREIGN EXCHANGE BUREAU S.R.L., ELBASAN**

License: No. 25, dated 30.09.2001  
Address: Lagja "Luigj Gurakuqi", Bulevardi "Qemal Stafa", Njësia nr.12, Elbasan-Albania  
Ex. broker: Kristaq Bako, Vjollca Bako

**23. "ANAGNOSTI" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA**

License: No. 26, dated 31.10.2001  
Address: Agency 1- Bulevardi "Zogu I", Pallati 97, Shk. .3., Ap. 28, Tirana-Albania  
Ex. broker: Jani Anagnosti, Odise Anagnosti, Edlira Anagnosti  
Agency 2- Rruga "Kajo Karafili", No. 11, Tirana-Albania  
Ex. broker: Fredi Cami

**24. "KO-GO" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA**

License: No. 27, dated 12.11.2001  
Address: Rruga "Vaso Pasha", Pall. 16, Shk.2, Ap. 9, Tirana-Albania  
Ex. broker: Mihal Konomi, Perparim Goxhaj

**25. "ALB- FOREX" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA**

License: No. 28, dated 22.11.2001  
Address: Agency 1: Rruga "Abdyl Frashëri", No.3, Tirana-Albania  
Agency 2: Rruga "Mine Peza", Pall. 102, Shk. 1, Tirana-Albania  
Ex. broker: Almir Duli, Agim Xhemo, Fatmir Baholli

**26. "L&N" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA**

Licensee: No. 29, dated 22.11.2001  
Address: Rruga "Muhamet Gjollështa", Tirana-Albania  
Ex. broker: Leonora Mihalcka

**27. "EXCHANGE ALOG" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA**

License: No. 31, dated 22.11.2001  
Address: Rruga "Mine Peza", Tirana-Albania  
Ex. broker: Almida Sterio, Fatmir Tafaj, Eduard Andoni

**28. "EX-CHANGE BEBI&FLORI" FOREIGN EXCHANGE BUREAU S.R.L., FIER**

License: No. 32, dated 26.11.2001  
Address: Lagja "Kongresi i Përmetit", Fier-Albania  
Ex. broker: Kujtim Zeneli, Fatmir Brahimi

**29. "BASHKIMI 2001" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA**

License: No. 35, dated 12.12.2001  
Address: Rr. "Kavajës", Tirana-Albania  
Ex. broker: Bashkim Shametaj, Luan Shametaj, Ilir Mesini

**30. "ARJON 2002" FOREIGN EXCHANGE BUREAU S.R.L., ELBASAN**

License: No. 36, dated 14.12.2001  
Address: Lagja "Kongresi i Elbasanit", Bulevardi "Qemal Stafa", Pall. 9-katësh,  
Elbasan-Albania  
Ex. broker: Arben Kovaçi, Besnik Lulja

**31. "ALAKTH" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA**

License: No. 42, dated 18.01.2002  
Address: Rruga e Dibrës, nr.105/1, Tirana-Albania  
Ex. broker: Kosta Papa, Arben Memko, Lorenc Konomi, Thoma Konomi, Aleko Plaku

**32. "FORMAT" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA**

License: No. 43, dated 21.01.2002  
Address: Rruga e Durrësit, Pall.85, Shk. 1, Ap. 1, Tirana-Albania  
Ex. broker: Diana Lemi, Egon Sinani

**33. "TRI URAT" FOREIGN EXCHANGE BUREAU S.R.L., ELBASAN**

License: No. 44, dated 05.02.2002  
Address: Lagja "29 Nëntori", Elbasan-Albania  
Ex. broker: Fahri Sanco, Ismail Bejta

**34. "BESA 2001" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA**

License No. 46, dated 15.02.2002  
Address: Rruga "Myslym Shyri", Nr. 25, Tirana-Albania  
Ex. broker: Belul Lleshi, Vladimir Avda, Mimoza Avda.

**35. "MARIO" FOREIGN EXCHANGE BUREAU S.R.L., SARANDA**

License: No. 47, dated 14.03.2002  
Address: Lagja 1, Saranda-Albania  
Ex. broker: Vangjel Gramozi, Blerim Dhima

**36. "JAV" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA**

License: No. 48, dated 20.03.2002  
Address: Bulevardi "Zogu I", Godina e Zërit të Popullit, Tirana-Albania  
Ex. broker: Ervin Lera, Ilir Gurashi

**37. "DROGU" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA**

License: No. 49, dated 23.04.2002  
Address: Rruga "Vaso Pasha", Kulla 1, Kati I, Tirana-Albania  
Ex. broker: Shkëlqim Drogu, Kostandin Koteci

**38. "HYSEN-C" FOREIGN EXCHANGE BUREAU S.R.L., LAÇ**

License: No. 50, dated 23.04.2002  
Address: Lagja nr. 3, Laç-Albania  
Ex. broker: Cen Hyseni

**39. "UNIONI FIER" FOREIGN EXCHANGE BUREAU S.R.L., FIER**

License: No. 51, dated 08.05.2002  
Address: Lagja "15 Tetori", Rruga "Kastriot Muça", Fier-Albania  
Ex. broker: Gjergj Dulaj; Lartim Isufaj

**40. "TAXI EKSPRES" FOREIGN EXCHANGE BUREAU S.R.L., ELBASAN**

License: No. 52, dated 20.05.2002  
Address: Rruga "Sami Frasheri", nr. 1, Elbasan  
Ex. Broker: Arben Sharra, Sokol Kaleci

**41. "MERO" FOREIGN EXCHANGE BUREAU S.R.L., DEVOLL**

License: No. 53, dated 22.05.2002  
Address: Office nr.1: Bulevardi "Fuat Babani", Bilisht-Albania  
Office nr.2: Dogana Kapshtice-Albania  
Ex. broker: Gëzim Demcolli, Valter Miza, Genti Mahmutaj, Albert Haxhia, Edmond Miza

**42. "GLEAR" FOREIGN EXCHANGE BUREAU S.R.L., SHIJAK**

License: No. 55, dated 23.07.2002  
Address: Lagja "Kodër", Shijak, Durrës-Albania  
Ex.broker: Argjend Calliku, Afërdita Calliku

**43. "ALBA-POST" JOINT-STOCK COMPANY FOREIGN EXCHANGE BUREAU, TIRANA**

License: No. 56, dated 28.08.2002  
Address: Rruga "Reshit Çollaku", No. 4, Tirana-Albania

**44. "UNIONI BALLSH" FOREIGN EXCHANGE BUREAU S.R.L., BALLSH**

License: No. 57, dated 11.09.2002  
Address: Rruga "8 Nëntori", Ballsh-Albania  
Ex.broker: Luan Zenelaj, Lavdimir Zenelaj

**45. "ESLULI" FOREIGN EXCHANGE BUREAU S.R.L , TIRANA**

License: No. 58, dated 17.10.2002.  
Address: Rruga "Reshit Çollaku", Pallati "Shallvare", Shkalla No. 4/1, Tirana-Albania  
Ex. broker: Selim Luli, Kleomen Gjikhuri

**46. "AMERICAN GLOBAL CAPITAL FUND-WORLDWIDE INVESTMENT" FOREIGN EXCHANGE BUREAU S.R.L., TIRANA**

License: No.59, dated 26.11.2002  
Representative with power of attorney : Dashar Sheshaj, Vilson Ahmeti  
Address: Rruga "Ismail Qemali", Parcela 167/187 "Euroapartment", Tirana-Albania  
Ex.broker: Elda Skënderi, Vasil Llogoro, Arian Kokali

**47. "DENI&KRISTI-2002" FOREIGN EXCHANGE BUREAU S.R.L, TIRANA**

License: No. 61, dated 02.06.2003  
Address: Rruga "Myslym Shyri", Pallati 60, Ap. 3, Tirana-Albania  
Ex-broker: Maksim Çeku

**48. "YLDON" FOREIGN EXCHANGE BUREAU S.R.L, TIRANA**

License: No. 62, dated 03.06.2003  
Address: Rruga "Qemal Stafa", Pall. 382/2/2, Tirana-Albania  
Ex. broker: Ylli Ndroqi (founder and manager)  
Tel: 343 476, 0692095681

**49. "BIBLI" FOREIGN EXCHANGE BUREAU S.R.L, TIRANA**

License: No. 63, dated 16.02.2004  
Address: Sheshi "Wilson", Tirana e Re, Tirana-Albania  
Ex. broker: Sybi Cenolli

**50. "REXHA F&E" FOREIGN EXCHANGE BUREAU S.R.L, DURRES**

License: No. 64, dated 07.04.2004  
Address: Rruga "Mujo Ulqinaku", Lagjia nr. 5, Pall. 619, Durrës-Albania  
Ex. broker: Fatmir Rexha (founder and manager), Ermira Rexha

**51. "ALBA&ARBER" FOREIGN EXCHANGE BUREAU S.R.L, TIRANA**

License: No. 65, dated 06.05.2004  
Address: Rruga "Kavajës", Pall. 3. Kati I, Tirana-Albania  
Ex. broker (and managers): Pëllumb Mehmetaj, Bukurosh Jaho

**52. "I.S.N." FOREIGN EXCHANGE BUREAU S.R.L, TIRANA**

License: No. 66, dated 06.05.2004  
Address: Rruga "Kavajës", Pall. 3. Kati I, Tirana-Albania  
Ex. broker: Evzi Zemzadja, Nexhmi Uka and Salandi Brojaj  
Mobile Tel.: 068 20 35 265 Evzi Zemzadja (manager)  
069 20 32 727 Salandi Brojaj

**53. "ARIABA" FOREIGN EXCHANGE BUREAU S.R.L, TIRANA**

License: No. 67, dated 07.06.2004  
Address: Rruga "Abdyl Frashëri", Kati I, Shk. 5, Tirana-Albania  
Ex. broker: Agim Xhemo (manager), Astrit Hado

**54. "ALBACREDITS" FOREIGN EXCHANGE BUREAU S.R.L, TIRANA**

License: Nr. 68, datë 13.07.2004  
Address: Rruga "Murat Toptani", Pallati 12 katësh, Kati përdhe, Tirana-Albania  
Ex. broker: Engjell Skënderi, Ermira Skënderi

**55. "ALB- KREDIT" FOREIGN EXCHANGE BUREAU S.R.L, TIRANA**

License: Nr.69, datë 19.07.2004  
Address: Rruga "Kongresi i Përmetit", Nr.2, Tirana-Albania  
Ex. broker: Agim Cani, Hajredin Toca, Vasil Marto.

**56. "IDEA - 2" FOREIGN EXCHANGE BUREAU S.R.L, KAVAJA**

License: No. 70, datë 02.09.2004  
Address: Lagjia nr.2, Rruga "10 korriku", Kavaja-Albania  
Ex. broker: Taulant Karkini (administrator)

## **UNIONS OF SAVINGS AND CREDIT ASSOCIATIONS**

### **1. JEHONA SAVINGS AND CREDIT ASSOCIATIONS UNION, TIRANA**

License: No.1, dated 27.06.2002

Head of the executive board: Vojsave Rama

This union consists of 41 saving-crediting associations licensed also as special associations. They are technically assisted by the foundation "Movement for the saving-crediting association's development".

### **2. "ALBANIAN SAVINGS AND CREDIT UNION" SAVINGS AND CREDIT ASSOCIATIONS UNION, TIRANA**

License: No. 2, dated 09.08.2002

Address: Rruga "Ismail Qemali", No. 32, Tirana-Albania

Head of the executive board: Zana Konini

Tel: 25 19 10

This union consists of 91 saving-crediting associations, licensed also as special associations. They are technically assisted by "Mountain Area Financing Fund".

## REPRESENTATIVE OFFICES OF FOREIGN BANKS

### THE REPRESENTATIVE OFFICE OF BANCA POPOLARE PUGLIESE IN ALBANIA

License: No. 01, dated 02. 07.2003

Representative: Giancarlo STASI

Address: Sheshi "Skënderbej", Pallati i Kulturës, Third Floor, Tirana-Albania

Tel: +355 4 256 782

