

International Monetary Fund

[Albania](#) and the IMF

Albania: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

Press Release:

[Press Release: IMF Executive Board Completes Fourth Review of Albania's EFF and Approves €36 Million Disbursement](#)
May 14, 2015

April 28, 2015

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Albania: Letter of Intent

April 28, 2015

Ms. Christine Lagarde
Managing Director
International Monetary Fund
Washington, DC 20431

Dear Ms. Lagarde:

1. The Extended Arrangement approved on February 28, 2014, by the Executive Board of the International Monetary Fund (IMF) remains the main anchor of our economic policies. The attached Memorandum of Economic and Financial policies (MEFP) reviews progress in implementing the program and outlines the policies that the government and the Bank of Albania will pursue over the next twelve months.
2. Performance under the program has been strong. All end-December 2014 and continuous performance criteria and all but one indicative targets were met, with comfortable margins. All but one structural benchmarks were implemented, though two more were delayed. We are currently awaiting data to assess all four end-April performance criteria (a waiver of applicability is being requested for them, and we expect them to be met). The indicative target on the accumulation of new arrears was missed by a small margin. These arrears will be settled by end-April and the government has implemented remedial measures. Inflation was slightly below the inner band prescribed under the inflation consultation clause. The Bank of Albania (BoA) and Fund staff agreed that given the policy of cautious monetary easing and forward guidance, there is no need for other policy action regarding inflation. BoA expects inflation to converge to the medium-term target and is expanding the use of forward guidance to align expectations to its monetary policy objective. The time needed for consensus building in the selection of a new central bank governor, together with procurement delays, postponed the hiring an external expert to assist BoA's Audit Committee; this is now expected to happen in May 2015.
3. Our policy priorities over the next twelve months will focus on pursuing fiscal consolidation, safeguarding financial sector stability, reviving credit growth, and implementing growth-enhancing reforms. In this context, we are committed to pursuing, among other things, an ambitious electricity sector reform, as well as reforms in the areas of public financial management, tax administration, and expenditure policy.
4. Implementation of our program will be monitored by the Fund through reviews, quantitative performance criteria, indicative targets, and structural benchmarks, as described in the attached

MEFP and Technical Memorandum of Understanding (TMU). While we are confident that the policies described in the MEFP are adequate to achieve program objectives, we stand ready to take additional measures that may be required for this purpose. In accordance with the Fund's policies, we will consult with the Fund on the adoption of such measures in advance of revisions to the policies contained in this letter and the MEFP.

5. The government of Albania will provide the IMF with such information as it may request to monitor progress in economic and financial policy implementation.

6. In view of the strong program performance to date and the strength of policy commitments in the period ahead, we request that the Executive Board of the IMF complete the fourth review under the Extended Arrangement. We request a waiver of applicability for the performance criteria on general government overall cash deficit and expenditure and on BoA's net international reserves and increase in credit to the general government, given the unavailability of end-April data for assessing these quantitative targets. We request the modification of performance criteria, as described in Table 1 of the MEFP. Finally, we request the purchase of SDR 28.88 million, following completion of the fourth review by the IMF's Executive Board.

7. We wish to make this letter available to the public, along with the attached MEFP and TMU, as well as the IMF staff report on the fourth review under the EFF. We therefore authorize their publication and posting on the IMF website, subject to Executive Board approval. These documents will also be posted on the official websites of the Albanian government.

Sincerely,

/s/
Shkelqim Cani
Minister of Finance

/s/
Gent Sejko
Governor, Bank of Albania

/s/
Arben Ahmetaj
Minister of Economic
Development

Attachments: Memorandum of Economic and Financial Policies
Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

1. This Memorandum lays out the Government of Albania's policy priorities for the period ahead, supported by the IMF's EFF. Our policies seek to generate higher medium-term growth that results in higher living standards and better employment opportunities for Albanians. Achieving these goals will require sustained efforts to reduce debt-related vulnerabilities, place public finances on a sustainable footing, and unlock structural constraints to medium-term growth.

Recent Economic Developments

2. **Output recovered in 2014, after a sharp slowdown in growth in 2012–13.** Real GDP is estimated to have grown by around 2 percent in 2014, supported by increased private demand and the expansion of the service sector. Improved financing conditions, higher confidence, and continued arrears clearance boosted household consumption and private investment.

3. **External imbalances widened in 2014.** The current account deficit reached 13 percent of GDP, a 2.3 percent deterioration compared to 2013. The increase in the current account deficit reflects subdued oil exports and rapid growth in imports of intermediate goods and electricity (in the first half of 2014). After several years of continuous decline, remittances stabilized in 2014. The current account deficit was largely financed by non-debt creating flows such as FDI. Gross international reserves cover around 4.4 months of imports of goods and services.

4. **The negative output gap alongside declining foreign prices resulted in low headline inflation.** Annual inflation averaged 1.6 percent in 2014. Core inflation bottomed out in Q4 of 2014 and started rising in early 2015, reflecting a pickup in underlying inflation dynamics. However, inflation remains below the medium-term target of 3 percent of the Bank of Albania (BoA), which has lowered its policy rate to a record low of 2 percent.

Outlook

5. **The moderate recovery is expected to strengthen during 2015.** However, inflation will remain below BoA's target in the short term. Real GDP growth is projected to accelerate gradually to about 4 percent in 2016, despite the damage done by recent floods and the headwinds facing the domestic oil extraction sector, a key growth driver in recent years. The growth acceleration is expected to be driven by rising domestic demand benefiting from low energy prices and interest rates, improved confidence, and a gradual recovery in bank lending. Public sector demand is expected to grow minimally in 2015. Despite a gradual buildup of price pressures, inflation is likely to remain below the BoA's inflation target for some time.

6. **The external account deficit is likely to remain elevated in 2015.** Imports are projected to grow on the back of large infrastructure projects (TAP and the Statkraft/Devoll hydropower plant), while exports are expected to be impacted negatively by falling commodity prices. The current account deficit is estimated to stay around 13 percent of GDP, more than half of which would be financed by FDI. Over the medium term, the current account deficit is expected to narrow somewhat

because of improvements in export capacity, expenditure switching away from imports, and the lower import needs of the big FDI projects.

Program Implementation

7. All end-December 2014 and continuous performance criteria and all but one indicative targets were met, with comfortable margins (Table 1). The ceilings on the government's cash deficit and expenditure ceiling were met due to the under-execution in current and capital spending which offset overruns in net lending to the electricity sector. The lower inner band under the Inflation Consultation Clause was missed because of disinflationary pressures from foreign trade partners and the persistent negative output gap. The zero ceiling on the accumulation of central government domestic arrears was not met. Results from the quarterly survey of ten key ministries and the GDT show an accumulation of 0.3 billion lek of new arrears at end-2014 (0.02 percent of GDP). The bulk of new arrears were accumulated by the GDT and the Ministry of Transport (on road construction projects). All accumulated arrears will be repaid by end-April 2015. In addition, as a remedial measure, MoF has issued an instruction to line ministries informing them that reallocations within their budgets, in order to accommodate individual projects exceeding their allocations, would be possible only with permission from MoF and the Ministry of the Economy (MoE). This instruction has also been published.

8. All but one structural benchmarks were implemented, though two more were delayed (Table 2a):

- In the area of public financial management, the regular report on arrears paid was published on time, while the survey on the new accumulation of arrears was expanded to five additional key ministries and also published online for the first time. The survey's expansion and publication caused some delay past the March 15 deadline; going forward, we expect to publish it on time. The external auditors for non-tax claims and for VAT refunds are expected to complete their work before their end-April deadlines. Rather than wait for the final report of the external auditor on arrears payments for non-tax claims, MoF published its action plan to tackle the weaknesses identified in the auditor's interim reports.
- In the area of tax administration, the Risk Management Unit has been established and has commenced operations. The new software for the IT system at GDT has been installed and testing has started. With help from Fund TA, the GDT has prepared its new corporate strategy and MoF has formally endorsed it.
- In the area of financial sector governance, the time needed for consensus building in the selection of a new central bank governor, as well as procurement delays, postponed the hiring of an external expert to assist BoA's Audit Committee (now expected by end-May 2015). Finally, the authorities prepared their first quarterly survey of the consolidated arrears of state-owned enterprises in the electricity sector to the private sector.

Economic Policies for 2015

A. Fiscal Consolidation

9. We commit to continuing with fiscal consolidation, as planned, in order to reduce debt-related vulnerabilities that hamper growth and cause macroeconomic instability. We commit to achieving the 2015 program deficit target, as well as the programmed ceiling on expenditure. Over the medium term, we are committed to lowering the public debt-to-GDP ratio below 65 percent by the end of the program in 2017 and below 60 percent by 2018.

10. The government has reassessed the 2015 fiscal program in light of current developments and the updated outlook. Lower revenues from the oil sector of 6 billion lek (0.4 percent of GDP) in 2015 are being offset by a downward revision of a conservatively budgeted interest bill for 2015 and beyond. Moreover, the government is saving the excess proceeds from telecom license fees of 1.8 billion lek (0.1 percent of GDP) to guard against any underperformance in other revenues given the downside risks to inflation.

11. Budget support to the electricity sector continues to pose a heavy burden on public finances, which is projected to decline over the medium term. Budget support comes in several forms, including public guarantees, policy net lending, and compensation of the poor. The total stock of public guarantees to the sector increased to 3.3 percent of GDP at end-2014. The financial gap in the electricity sector reflects mostly low collection levels and large network losses. However, we are aggressively implementing an ambitious set of reforms in the sector (see below for details) that will resolve the structural imbalances and remove the need for government support by 2020. We therefore aim to limit public guarantees and policy net lending to the electricity sector to 15.8 billion lek in 2015, 12.8 billion lek in 2016, 9.8 billion lek in 2017, 8.8 billion lek in 2018, 1.3 billion lek in 2019, and zero in 2020. In addition, we have introduced targeted transfers to compensate the most vulnerable social groups for electricity tariff adjustments, amounting to 1.6 billion lek in 2015, which is kept constant as a share of GDP over 2016-20. To better track the impact of public support to the electricity sector on the government's fiscal position, we will monitor the overall fiscal balance including electricity sector support. We will also show explicitly as a memorandum item in our budget execution reports the amount of government guarantees and policy net lending to electricity companies. We will also publish on MoF's website details on all guarantees and policy net lending on a monthly basis. If government support to the electricity sector exceeds the annual programmed amount, we commit to taking offsetting measures to meet the program's fiscal targets.

12. We are addressing other emerging and potential risks to the baseline fiscal framework:

- **Property compensation claims:** The European Court of Human Rights (ECHR) in Strasbourg has begun to process another group of cases brought against the Albanian government by expropriated property owners. These are expected to be decided in 2015 and total compensation on these claims could reach 3 billion lek, on top of the 1.1 billion awarded in 2014. In view of the precedents established by these cases, additional claims for compensation may be filed. An interagency working group headed by the Deputy Prime

Minister is compiling a registry of all potential cases that might end up before the ECHR, and is also working on a comprehensive and fair solution.

- **Capital expenditure:** The amount of outstanding unbudgeted investment projects continues to exceed the government's ability to absorb them in its Medium-Term Budget Framework (MTBF). Our plans to prioritize all outstanding infrastructure projects and cancel or reschedule low-priority projects have been delayed because of legal difficulties and the threat of lawsuits. However, we are committed to tackling this issue forcefully in 2015. As a first step, we will re-assess all these projects. Next, a ranking will be approved by the Council of Ministers and posted on the websites of MoF and MoE by end-June 2015. The MoF will also publish a list of all projects that will be part of its MTBF to signal its intention not to implement projects excluded from the list. We also plan to add a clause to all new contracts stating that acceleration of project work without the MoF's approval will constitute a violation of the contract and render null and void any obligations to pay for such work.
- **Public Private Partnerships (PPPs):** PPPs can be an effective way to harness private sector know-how and management expertise. However, they could also pose substantial risks to public finances. We will ensure that our legal and regulatory framework applies to PPPs, that PPPs follow international best practice, and that their related fiscal costs and contingent liabilities are transparently accounted for in the fiscal accounts and debt statistics. Technical assistance from the Fund and other international partners will continue to help assess our current legal and regulatory framework and suggest recommendations for improvement.
- **Disability benefits:** Spending on disability benefits has risen sharply in recent years, in part because of weak controls and fraud. We are working with the World Bank on a medium-term project to reform them. Reform will begin in the second half of 2015, but will take time to complete and yield savings. Therefore, by end-June 2015 the Council of Ministers will issue and publish a decree that reduces the disability benefits in certain cases where they have been deemed too generous. The estimated savings for the 2015 fiscal year from these reforms are 0.4 billion lek.

13. Tax administration reforms are advancing to the next stage. A key priority for 2015 is the reform of the tax refund scheme. Once the risk module for VAT refunds is operational, risk-based auditing is expected to begin by June 2015. The restructuring of GDT's administration will lead to the creation of a dedicated Refund Unit to coordinate refund efforts nationwide, with regional inspectors undertaking related operational functions.

14. Closer cooperation and information sharing between the GDT and GDC will enhance revenue administration reform efforts. The Minister of Finance recently signed an order allowing the investigation departments of both institutions to jointly monitor the oil sector. Nevertheless, the merger of the two departments is a medium-term objective, and any related decisions will be taken in consultation with IMF staff.

- 15. We commit to introducing a valuation-based property tax by end-2017.** The reform will be undertaken in consultation with Fund TA. As a first step, we plan to introduce a fiscal cadastre to assess tax for each property by end-2016.
- 16. We are reinforcing PFM to prevent the accumulation of new arrears.** We plan to extend AGFIS to 15 budget institutions (accounting for 60 percent of the budget) and one local government by the end of 2015. However, progress is contingent upon the upgrade of the AGFIS server, which has been delayed and is now expected to be completed by the end of September 2015. Changes in the procurement, financial management and control, and budget laws to incorporate multi-year commitment limits by end-2015 will further strengthen the MTBF.
- 17. Arrears clearance will continue to advance in tandem with progress in the auditing and verification of paid arrears.** Following the findings of the auditors' reports and after consultation with IMF staff, the clearance process may be accelerated beyond the annual budget allocation of 20 billion lek for 2015. However, as has been the case until now, if at any stage there are indications that the process is not proceeding in accordance with our Arrears Prevention and Clearance Strategy (APCS), arrears clearance will stop pending consultation with IMF staff. The High State Audit will continue to participate in regular meetings of the arrears clearance committee. Total arrears payments under the APCS will be limited to 72 billion lek. Any arrears above this amount will be paid using our own resources.
- 18. An ambitious pension reform approved by Parliament in July 2014 became effective in 2015.** The stronger incentive to participate in the system has led to a surge in the number of people re-joining the scheme. A draft law that will increase the retirement age and contribution rates for the supplementary pension scheme for high government officials has been approved by the Council of Ministers and submitted to Parliament, where approval is expected by end-June 2015.
- 19. In consultation with IMF TA, we will take steps to shore up the credibility of our MTBF, as a prerequisite for re-introducing a fiscal rule.** We will continue to align our budget projections and macro framework with those of the BoA and international financial institutions. By early September 2015, MoF and MoE will submit to the Strategic Planning Committee at the Office of the Prime Minister the principles for distinguishing between core allocations and new policy initiatives in public investment in the MTBF, in order to focus attention on the costing of new policies and to also prevent them from squeezing core allocations for resources. Starting with the 2017 budget, the MTBF will begin to make that distinction at the sectoral and programme level. In addition, the MTBF will contain an analysis of outturns vis-à-vis past vintages of the MTBF at the sectoral and programme level. It will also contain the total approved cost, the sunk cost so far, and remaining cost beyond the three-year window of the MTBF for all projects.
- 20. Our process for evaluating, selecting, executing, and monitoring public investment projects is adequate but can be improved further.** All projects under consideration (above a certain threshold) are already subject to a feasibility study. MoF and MoE coordinate and share data with each other. The Strategic Planning Committee at the Office of the Prime Minister, of which MoF and MoE are both members, discusses the pipeline of future projects on a regular basis. To further

strengthen coordination among the responsible line ministries in evaluating, selecting, executing, and monitoring investment projects, MoF together with MoE and the Office of the Prime Minister will conduct a detailed review of public investment management, with a focus on current institutional arrangements, internal organization, and resource needs by end-June 2015. By end-2015, MoF and MoE will compile and publish a short manual that spells out the public investment process, in order to provide a handy reference to the laws and regulations guiding the process. Finally, we will fast-track the implementation of the project management module under the Albanian Government Financial Information System (AGFIS) so that it is operational by end-2016.

21. Parliament recently approved a new Debt Management Law. It is in line with the international best practice and was drafted in close consultations with our international partners. In 2015, we are planning to issue a EUR 250 million international commercial loan supported by a Public Finance Policy Based Guarantee (PBG) of EUR 200 million from the World Bank, and a Eurobond of EUR 300 million. These operations will secure financing for the budget and help to refinance debt, particularly the outstanding Eurobond of EUR 300 million maturing in November 2015. They should also open space for bank lending to private sector.

B. Monetary and Exchange Rate Policy

22. The BoA remains committed to preserving price stability under its inflation-targeting framework. As defined in our recently updated Monetary Policy Document, the BoA aims to achieve an average CPI inflation of 3 percent over the medium term. The monetary policy decision-making process will be guided by the deviation of forecasted inflation from this objective, while striving to avoid excessive volatility in the real and financial sector. While the target applies to headline inflation, we will also monitor core inflation as a measure of underlying inflationary pressures. Inflation performance will continue to be monitored under the program through an Inflation Consultation Clause.

23. The exchange rate remains fully flexible and determined entirely by market forces. The BoA relies on indirect instruments (such as open market operations) to steer interest rates. Exchange rate flexibility complements our price stability objective and supports our operational framework for monetary policy. The BoA will also aim to maintain adequate reserve coverage over the medium term. For the duration of the program, we will not introduce or intensify restrictions on the making of payments and transfers for current international transactions, nor introduce or modify any multiple currency practices or conclude any bilateral payments agreements that would violate our obligations under Article VIII of the IMF's Articles of Agreement. Also, we will not introduce or intensify import restrictions for balance of payments reasons.

24. Monetary policy is likely to remain accommodative for the foreseeable future. The BoA will continue to assess its monetary policy stance in the context of the inflation outlook and the strength of the transmission mechanism. Inflationary pressures remain weak, given below-potential growth, low inflation abroad, and a slight downward drift in inflation expectations. Under these circumstances, monetary policy is likely to remain accommodative, and to be augmented by the BoA's forward guidance to the financial markets. The monetary policy transmission mechanism

remains hampered by the high risk aversion among agents in the real and financial sectors. Furthermore, external financial conditions for the banking sector remain challenging. However, the improved financial performance of the banking system and the expected gradual rise in credit demand will strengthen the transmission of monetary impulses to the broader economy. In the period between the issuance of the new Eurobond and the repayment of the old one, the extra liquidity will be invested as part of BoA's international reserves. MoF will continue to coordinate with BoA on public debt and cash management.

C. Safeguarding Financial Sector Stability

25. The BoA is further reinforcing supervision. The overall supervisory process and on-site examinations, in particular, have emphasized imposing an enhanced quality of governance and risk administration, with a focus on the fastest-growing segments of the banking system. The BoA will continue to monitor banks' resilience to risks, in order to maintain adequate capital and liquidity positions, thus ensuring the stability of the banking system.

26. At the end of 2014 BoA decided to extend measures adopted earlier to counteract the slowdown in credit growth. These include changes to capital requirements designed to encourage moderate credit growth and discourage outflows to non-resident entities. The BoA will continue to carefully monitor banks' balance sheets in order to ensure that they will be able to comply with standard capital requirements once the changes described above expire in 2015.

27. More stringent capital adequacy requirements (standardized approach Basel II) came fully into force in January 2015. Many of the new requirements were implemented in previous years, including additional capital requirements for systemically important institutions and higher risk weights on foreign currency lending. Regarding Basel III, the BoA's new regulation on regulatory capital takes into consideration CRD IV, while we are assessing the impact of Basel III liquidity indicators on individual banks. CRD IV implies that Albanian subsidiaries of EU banks must increase to 100 percent the risk weight on assets denominated in Albanian currency, including Albanian government securities.

28. We are undertaking additional measures to facilitate problem loan restructuring. In cooperation with the World Bank, we are working on a project to facilitate it through developing recovery and resolution plans for large problem borrowers. Recent reforms to speed up collateral execution and increase loan write-offs are showing some results. Changes to the Civil Procedures Code intended to minimize execution suspension gaps came into effect in September 2013. This has contributed to an increase in collateral recoveries by 5 percentage points between September 2013 and December 2014. However, the volume of loans remaining in execution is very large, at 20 percent of the total stock. In addition, following amendments to the Tax Law in April 2014 to remove legal and technical impediments to loan write-offs, the stock of written-off loans increased by 28 percent in the second half of 2014. Finally, a new regulation requiring mandatory write-off of loans that have spent three years in the "loss" category came into force at the beginning of 2015. It will contribute to a projected reduction of NPLs by 3 percentage points by year-end.

29. We are committed to further regulatory and legal reforms to reduce NPLs to acceptable levels. The Albanian authorities are reviewing the commercial bankruptcy law in order to facilitate the restructuring of private balance sheets, and have requested IMF TA. We will form a high-level working group to develop a comprehensive strategy to address the NPL issue, including measures that address operational difficulties in resolution and collateral execution. The strategy will be approved by the Council of Ministers and BoA by end-September 2015.

30. AFSA will finalize changes to the regulatory framework for investment funds by end-June 2015. Of the remaining two vacancies on AFSA's Board, one was filled in March and the other one is expected to be filled by end-May 2015. This should allow us to move quickly to put in place the new regulations on liquidity requirements and asset valuation. In the meantime, we will not license any new investment funds.

31. The BoA is taking measures to implement the recommendations of the 2014 safeguards assessment. A new Inspector General was appointed in early April and the internal audit function will resume normal operations. Specifically, it will finalize the audits in progress and develop a risk-based internal audit plan for 2015. We will submit to the IMF the audits for the end-September and end-December 2014 program monetary data by end-July 2015, and an external assessment of vault security and related internal controls will be completed by end-September 2015. Internal and external assessments of the internal audit function are planned for 2015. In addition, by end-May 2015, we will appoint an external technical expert to assist the Audit Committee. Finally, the BoA will prepare its 2015 financial statements in accordance with IFRS by end-March 2016.

D. Structural Reforms

32. We are encouraged by the early results from our efforts to reduce losses and improve collections in the electricity sector. We launched a campaign in October 2014 to disconnect service for the nonpayment of bills and to enforce criminal penalties for electricity theft. As a result distribution losses—unbilled power as a share of total power entering the distribution system—fell from 45 percent in 2013 to 38 percent in 2014 and under 34 percent in the first quarter of 2015. Furthermore, the collection rate—bills collected as a share of total electricity bills—has improved from 72 percent in 2014 to over 86 percent in February 2015. We are committed to reducing distribution losses to 14 percent by 2019. We will ensure that budgetary, non-budgetary, and local government institutions make timely and full payments on their electricity bills. We are also moving forward with a performance management contract for the distribution company, and expect the due diligence documents to be ready by mid-2015.

33. The new power sector law is expected to be approved by Parliament by end-May 2015. The new law restructures the relationship among the three public power companies responsible for generation, transmission, and distribution (KESH, OST, and OSHEE), and moves toward further market liberalization, in line with the EU's 2009 Electricity Directive. The law sets in place a schedule for moving all medium-voltage customers out of the regulated tariff structure by end-2017, beginning with 35KV customers by end-2015. On completion, the share of deregulated consumption would increase from 13 to 40 percent. Following the tariff adjustments that went into effect at the

beginning of 2015, we plan to undertake a review of our current tariff methodology in cooperation with the World Bank, in order to make tariff adjustments more frequent and automatic.

E. Statistics

34. INSTAT will continue with its efforts to improve the quality of macroeconomic statistics. INSTAT's data sourcing is hampered by poor cooperation from other government departments. Notably, GDT data needed for compiling the national accounts are not made available to INSTAT, due to legal uncertainties about data sharing. Under MoF's guidance, the GDT and INSTAT have signed a memorandum of understanding to facilitate the exchange of company-level data needed for the appropriate sectoral and regional classification of national accounts data.

Program Monitoring

35. We anticipate that the fifth program review will take place on or after July 15, 2015, and require observance of the conditionality for end-April 2015. Thereafter, reviews will occur every four months starting on or after November 15, 2015, and require observance of the conditionality for the most recent test date. The final review will take place on or after February 15, 2017 and require observance of the conditionality for end-November 2016.

Table 1. Albania: Quantitative Performance Criteria and Indicative Targets for 2014–16
(In billions of leks, unless otherwise indicated)

	2014												2015			2016		
	Mar			Jun			Sep			Dec			Apr	Aug		Dec	Apr	
	Prog.	Prog. Adj.	Act.	Prog.	Prog. Adj.	Act.	Prog.	Prog. Adj.	Act.	Prog.	Prog. Adj.	Act.	Prog.	Prog.	Rev. Prog.	Prog.	Rev. Prog.	Prog.
I. Quantitative Performance Criteria																		
1. Floor on net international reserves of the BoA (EUR million)	1289		1463	1330		1495	1330		1525	1330	1119	1539	1507	1507	1509	1507	1510	1535
2. Ceiling on general government overall cash deficit (cumulative) 2/ 3/	16.0	16.0	0.8	20.3	20.3	4.9	31.6	31.6	7.6	58.8	58.8	41.1	16.9	32.7	22.2	52.1	52.1	-8.4
3. Ceiling on general government expenditure (cumulative) 3/	...		...	194.9		180.1	300.9		274.3	423.5		407.8	141.6	292.9	280.0	463.6	457.5	132.2
4. Ceiling on the increase of Bank of Albania credit to the general government (cumulative) 4/	0.0		-0.1	0.0		0.0	0.0		0.0	0.0		0.0	0.0	0.0		0.0		0.0
II. Continuous Performance Criteria																		
5. Accumulation of new external payment arrears by the general government (EUR million)	0.0		0.0	0.0		0.04	0.0		0.0	0.0	...	0.0	0.0	0.0		0.0		0.0
III. Inflation Consultation																		
6. 12-month percent change in consumer prices																		
Upper outer band	5.0			5.0			5.0			5.0			5.0	5.0		5.0		5.0
Upper inner band	4.0			4.0			4.0			4.0			4.0	4.0		4.0		4.0
Actual/center point	3.0		1.9	3.0		1.6	3.0		1.7	3.0		1.3	3.0	3.0		3.0		3.0
Lower inner band	2.0			2.0			2.0			2.0			2.0	2.0		2.0		2.0
Lower outer band	1.0			1.0			1.0			1.0			1.0	1.0		1.0		1.0
IV. Indicative Targets																		
7. Ceiling on subsidies to the energy sector	...		...	...		...	...		...	...		...	4.4	8.7		13.1		4.4
8. Average distribution losses by energy distribution company (OSHEE) (percent, cumulative from beginning of year)	...		...	...		...	...		...	...		...	37.8	37.0	34.5	34.0		28.6
9. Ceiling on contracting of nonenergy guarantees	...		...	...		...	...		...	...		...	0.0	0.0		0.0		0.0
10. Ceiling on accumulation of central government domestic arrears (as reported by MoF's quarterly survey on arrears accumulation)	0.0		0.4	0.0		1.1	0.0		0.4	0.0		0.3	0.0	0.0		0.0		0.0
11. Floor on clearance of central government domestic arrears 5/	0.0		1.0	1.0		19.1	1.0		25.9	14.2		33.8	5.0	10.0		15.0		5.0

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

1/ All adjustors are described in the Technical Memorandum of Understanding (TMU).

2/ Data revisions have led to adjustments for the outturn of the cash deficit for March, June, and September 2014, and for government expenditure for June and September 2014.

3/ Excluding arrears payment. The assessment of performance in 2014 will also exclude new energy and nonenergy guarantees (which were not part of the original PC but are now included in the fiscal framework).

4/ Indicative target through December 2014.

5/ General government for March 2014.

**Table 2a. Albania: Structural Benchmarks for the April 2015 Test Date
under the EFF Arrangement**

Structural Benchmarks	Test Date	Status	Remarks
<i>I. Public Financial Management</i>			
1. Publish a report on arrears paid (on a quarterly basis) on the MoF website (starting in June 2014).	Continuous	Met.	
2. MoF to report quarterly survey results on new arrears accumulation among five key ministries (Transportation, Health, Education, Defense, and Justice) and GDT.	Continuous	Met.	
3. MoF to expand the reporting of quarterly survey on arrears accumulation to five additional ministries (Interior, Agriculture, Finance, Economy, and Social Welfare) (starting with the period from October–December 2014) and publish it on the MoF's website.	Continuous	Met with a delay.	
4. The MoF to prepare and publish an action plan with measures to address weaknesses identified in the auditor's report on non-tax claims payments.	Feb. 15, 2015	Met with a delay.	
5. External auditor to complete the audit of 75 percent of outstanding non-tax claims paid through January 2015.	End-Apr. 2015	Met.	
6. External auditor to complete verification of arrears payments on tax refunds.	End-Apr. 2015	Met.	
<i>II. Tax Administration</i>			
7. Establish and commence operations of a permanent Risk Management Unit (RMU) in GDT (see TMU).	End-March 2015	Met.	
8. Install the new IT software at the central server site (NAIS) and commence testing.	End-Feb. 2015	Met.	
9. The GDT to develop a corporate strategy for medium to long-term capacity building.	End-Mar. 2015	Met.	
<i>III. Financial Sector</i>			
10. Hire an external expert to assist the Audit Committee of the Bank of Albania.	End-Feb. 2015	Not met.	In progress, expected to be met by end-May.
<i>IV. Energy Sector</i>			
11. Prepare a quarterly survey of the gross consolidated arrears of the electricity sector (KESH, OST, OSHEE) to the private sector (starting with the period January–March 2015).	Continuous	Met.	

**Table 2b. Albania: Proposed Structural Benchmarks for 2015–16
under the EFF Arrangement**

Structural Benchmarks	Test Date	Status	Remarks
<i>I. Public Financial Management</i>			
1. Publish a quarterly report on arrears paid on MoF's website.	Continuous		
2. Publish a triannual report on new arrears accumulation in ten key ministries and the GDT on MoF's website.	Continuous		
3. Publish, on MoF's and MoE's websites, a report on the prioritization of all outstanding infrastructure projects, including a ranking approved by the CoM using transparent criteria.	End-June 2015		
4. Roll out the AGFIS to 15 budget institutions (see TMU).	End-Dec. 2015		
5. Change the Procurement Law, the Financial Management and Control Law, and the Budget Law to incorporate multi-year commitment limits.	End-Dec. 2015		
<i>II. Tax Administration</i>			
6. Commence auditing tax refunds on a risk basis.	End-June 2015		
7. Create a fiscal cadastre to assess tax for each property.	End-Dec. 2016		
<i>III. Financial Sector and Central Banking</i>			
8. BoA to submit to the IMF the audits for the end-September and end-December 2014 program data.	End-July 2015		
9. Albanian Financial Supervisory Authority (AFSA) to amend the regulatory framework for investment funds on asset valuation and liquidity requirements.	End-June 2015		
<i>IV. Electricity Sector</i>			
10. Prepare a quarterly survey of the gross consolidated arrears of the electricity sector (KESH, OST, OSHEE) to the private sector.	Continuous		
11. Remove 35KV medium-voltage consumers from the regulated tariff system.	End-Dec. 2015		

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) defines the indicators used to monitor the program, and reflects the understandings between the Albanian authorities and the IMF. The TMU also defines the associated reporting requirements.
2. The exchange rates for the purposes of the program are set at lek 140.25 = €1, lek 103.17 = \$1, and lek 158.05 = SDR 1. The gold price is set at 920.18 oz = €1. These are the rates shown on the Bank of Albania's website as of November 30, 2013.¹
3. For the purpose of the program, the central government includes extra-budgetary funds. The general government includes the central government, local governments, the Social Security Institute (SSI), and the Health Insurance Institute (HII).
4. The fiscal year starts on January 1 and ends on December 31.

Quantitative Performance Criteria

A. Floor on Net International Reserves of the BoA

Definition

5. Net international reserves (NIR) are defined as reserve assets minus reserve liabilities of the Bank of Albania. **Reserve assets** are readily available claims of the Bank of Albania on nonresidents denominated in foreign convertible currencies, and held for the purpose of meeting balance of payments financing needs, intervening in exchange markets, and other purposes. They include Bank of Albania holdings of monetary gold, SDRs, Albania's reserve position in the IMF, foreign currency cash, securities, and deposits abroad. Excluded from reserve assets are any assets that are pledged, collateralized, or otherwise encumbered; claims on residents; precious metals other than monetary gold; assets in nonconvertible currencies; illiquid assets; and claims on foreign exchange arising from derivatives in foreign currencies vis-à-vis domestic currency (such as futures, forwards, swaps, and options).
6. **Reserve liabilities** are defined as foreign exchange liabilities to residents and nonresidents of the Bank of Albania, irrespective of their maturity. They include: foreign currency reserves of commercial banks held at the Bank of Albania; foreign currency deposits of the government held at the Bank of Albania; all credit outstanding from the IMF that is a liability of the Bank of Albania; commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, and options); and all arrears on principal or interest payments to commercial banks, suppliers, or official export credit agencies. Reserve assets and reserve liabilities will both be expressed in euros, at the program exchange rate.

¹http://www.bankofalbania.org/web/Time_series_22_2.php?evn=agregate_detaje&evb=agregate&cregtab_id=644&periudha_id=1

Reporting

7. Data will be provided by the BoA to the Fund with a lag of no more than five days past the test date.

B. Cumulative Ceiling on General Government Overall Modified Cash Deficit Excluding Arrears Payments

Definitions

8. The **overall modified cash deficit of the general government** will be measured from the financing side (below the line) at current exchange rates, based on the template below:

MODIFIED CASH BALANCE
Financing
Domestic
Privatization receipts (gross)
Domestic net borrowing (using residency criterion)
Central government net direct debt
Central government guarantees (drawings minus repayments)
Local government net direct debt
Other
Change in balance of government accounts at BoA
Change in balance of TSA bank account
Change in balance of S&HII's bank accounts
Trust accounts
On-Loan principal
Change in balance of government accounts outside BoA
Government accounts outside TSA (in commercial banks)
Transitory accounts – guarantees on custom duties
Cash in transit
Accounting items
Variance accrual-cash
Float
Liability to SSI (receipts minus payments)
Others
Foreign
Drawings
Long-term loans (all direct debt drawings included in Albania's official debt statistics, including loans for the energy sector, even if on-lent)
Budget support loans (drawings)
Guarantees (drawings)
Change of statistical account
Repayments (of direct and guaranteed debt)
Memo: arrears clearance

9. In determining the overall modified cash balance, the following considerations will apply:²

- Domestic borrowing is reported on a net basis and using the residency criterion. It covers bank loans, securities issued, overdraft accounts, and other debt instruments, less government deposits.
- Principal repayments include only principal paid by the government and not that by the actual borrower. In case a borrower repays the Ministry of Finance at a later point in time, principal is recorded under “on-loan principal.”
- Foreign borrowing is reported on a gross basis and using the residency criterion. It covers disbursements by international financial institutions, bank loans, securities issued, overdraft accounts, and other debt instruments.
- “Change of statistical account” covers funds disbursed but not yet withdrawn and held by nonresidents in financial institutions for project-related spending.
- “Repayments” refers to all payments to nonresidents related to disbursements by international financial institutions, bank loans, securities, overdraft accounts, and other debt instruments.

10. The overall modified cash deficit will also include all new issuances of general government guarantees (excluding rollover) for the energy and non-energy sectors, as well as net policy lending.

11. Excluded from the calculation of the overall modified cash deficit of the general government are the arrears payments to be made in the context of the Arrears Prevention and Clearance Strategy (APCS). The amount of arrears paid will be identified using the verified arrears list and matching the list with the Treasury payment records. A summary of the total amount of arrears paid under the clearance strategy, as defined above, will be provided on a monthly basis.

Reporting

12. Data, including new guarantees and the amount of arrears payments under the APCS, will be provided to the Fund, using current exchange rates, with a lag of no more than 30 days after the test date for April and August test dates. For December test dates, data should be provided no more than 60 days after the test date.

Adjustors

13. The **ceiling on the overall modified cash deficit** of the general government will be adjusted upward (downward)—that is, the deficit target will be increased (reduced)—by:

- 50 percent of the privatization receipts, up to total privatization receipts of lek 15 billion in a given year. The programmed amount of privatization receipts in 2015 is zero.

² Cash balance data come from Treasury, the Debt Office, and the Bank of Albania.

- the excess (shortfall) of new energy guarantees, excluding rollover, issued during the course of the year up to a maximum of the annual budgeted allocation (lek 10.1 billion in 2015). The adjustor will not apply to the end-year amount of new energy guarantees. Energy guarantees are defined as guarantees issued by the general government for the benefit of the electricity operators KESH, OST, and OSHEE. The programmed amount of new energy guarantees is lek 6.7 billion for August 2015 and lek 4.4 billion for April 2016.

C. Cumulative Ceiling on General Government Expenditure Excluding Arrears Payment

Definitions

14. General government expenditure covers spending on personnel, interest, operations and maintenance, subsidies, social insurance outlays, local government expenditures, other expenditures (social protection transfers), capital expenditure, reserve and contingency funds, and net lending, as reported in the government's monthly fiscal indicators table. For the purpose of this target, arrears payments are excluded from the calculation. The amount of arrears payment is identical to the number used in the calculation of the performance criterion on the modified cash deficit (Section B above).

Reporting

15. Data will be provided to the Fund, using current exchange rates, with a lag of no more than 30 days after the test date for April and August test dates. For December test dates, data should be provided no more than 60 days after the test date.

Adjustors

16. The **ceiling on expenditure** of the general government will be adjusted upward (downward) by:

- 50 percent of the privatization receipts, up to total privatization receipts of lek 15 billion in a given year. The programmed amount of privatization receipts in 2015 is zero.
- the excess (shortfall) of new energy guarantees, excluding rollover, issued during the course of the year up to a maximum of the annual budgeted allocation (lek 10.1 billion in 2015). The adjustor will not apply to the end-year amount of new energy guarantees. Energy guarantees are defined as guarantees issued by the general government for the benefit of the electricity operators KESH, OST, and OSHEE. The programmed amount of new energy guarantees is lek 6.7 billion for August 2015 and lek 4.4 billion for April 2016.

17. The **ceiling on expenditure** of the general government will be adjusted upward by:

- the excess of one-off revenues over programmed amounts, up to a maximum of lek 3 billion. One-off revenues are defined as revenues that accrue only in the current year (e.g., one-time fees from mobile operators). The programmed amount of one-off revenues is zero for 2015 and 2016.

- the excess of project grants over the programmed amount, up to a maximum of lek 15 billion in a given year. The programmed amount of project grants is lek 5.9 billion for August 2015, lek 10 billion for December 2015, and lek 2.55 billion for April 2016.

D. Cumulative Ceiling on the Increase of Bank of Albania Credit to the General Government

Definitions

18. Credit of the central bank to the general government is defined as outstanding claims of the Bank of Albania on the general government, including overdrafts, direct credit, and holdings of government securities excluding repo operations, advance distribution of profits, other technical receivables, and holdings of the Bank of Albania pension fund. For the purpose of this target, government securities will be valued at their original purchase price.

Reporting

19. Data will be provided by the BoA to the Fund on a monthly basis with a lag of no more than fifteen days.

Continuous Performance Criteria

A. Accumulation of New External Payment Arrears by the General Government

Definitions

20. External **debt** is determined according to the residency criterion. The term "debt"³ will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time. These payments will discharge the principal and/or interest liabilities incurred under the contract. Debt can take a number of forms, the primary ones being as follows:

- loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

³ As defined in Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements, Decision No. 6230-(79/140), as amended.

- suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and
- leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property. For the purpose of the program, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

21. Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

22. Under the definition of debt set out above, external payments arrears consist of arrears of external debt obligations (principal and interest) falling due after the due date and grace period, as specified in the contract, has passed. Arrears resulting from nonpayment of debt service for which a clearance framework has been agreed or a rescheduling agreement is being sought are excluded from this definition.

23. The external arrears of the general government will be calculated based on the schedule of external payments obligations reported by the MoF. Data on external arrears will be reconciled with the relevant creditors, and any necessary adjustments will be incorporated in these targets as they occur.

24. This performance criterion does not cover arrears on trade credits and will apply on a continuous basis.

Reporting

25. The MoF will provide the final data on the external arrears of the general government to the Fund, with a lag of not more than two weeks after each month.

Adjustor

26. The performance criterion on the accumulation of new external payment arrears by the general government will exclude any arrears relating to obligations prior to 2014 which existed prior to the program but are now recognized.

Inflation Consultation

27. **The triannual consultation bands apply to the 12-month rate of inflation** in consumer prices as measured by the headline consumer price index (CPI) published by the INSTAT. Should the observed year-on-year rate of CPI inflation (4-month average) fall outside the outer bands, the authorities will complete a consultation with the IMF on their proposed policy response before requesting further purchases under the program. In addition, the BoA will

conduct discussions with IMF staff should the observed year-on-year rate of CPI inflation (4-month average) fall outside the inner bands specified for the end of each quarter.

Indicative Targets

A. Ceiling on Subsidies to the Energy Sector

Definition

28. Subsidies **to the energy sector** are defined as new guarantees issued by the general government for the benefit of the electricity operators KESH, OST, and OSHEE, excluding rollover.

Reporting

29. Data will be provided to the Fund by the Ministry of Finance on a monthly basis with a lag of no more than thirty days.

B. Ceiling on Average Distribution Losses by OSHEE

Definition

30. **Average distribution losses** are defined as the difference between total electricity entering the distribution system and the amount of electricity billed to consumers by OSHEE, the energy distribution company, as a share of the total amount of electricity entering the distribution system. These are measured on a cumulative basis for each calendar year.

Reporting

31. Data will be provided to the Fund by the Ministry of Energy on a monthly basis with a lag of no more than thirty days.

C. Ceiling on Contracting of Nonenergy Guarantees

Definition

32. **Nonenergy guarantees** are defined as new guarantees issued by the general government, excluding those issued for the benefit of the electricity operators KESH, OST, and OSHEE.

Reporting

33. Data will be provided to the Fund by the Ministry of Finance on a monthly basis with a lag of no more than thirty days.

D. Ceiling on Accumulation of Central Government Domestic Arrears

Definition

34. Central **government domestic arrears** consist of domestic expenditure arrears of the central government and domestic tax refund arrears. Domestic expenditure arrears are defined as payments to residents determined by contractual agreements that remain unpaid 30 days after

the due date specified by the contract, or, in the absence of a contractual definition, as determined by law.

35. Domestic **tax refund arrears** are defined as obligations on any valid tax refund claims in accordance with tax legislation that remain unpaid 60 days after the claim is submitted.

36. For the purpose of this target, the accumulation of domestic arrears will be monitored through MoF's triannual survey on arrears accumulation. The recording of invoices and tax refund claims should be cumulative, that is, the recording in each quarter should include all invoices/refund claims that have not been paid from the previous quarters, starting with 2014:Q1. The MoF should verify that the invoices/refunded claims reported in the survey are not already included in the arrears clearance database.

Reporting

37. The MoF should send to the Fund the consolidated data from the survey with a lag of no more than 75 days after each quarter.

E. Floor on the Clearance of Central Government Domestic Arrears

Definitions

38. **Central government domestic arrears** consist of domestic expenditure arrears of the central government and domestic tax refund arrears. Domestic expenditure arrears are defined as payments to residents determined by contractual agreements that remain unpaid 30 days after the due date specified by the contract, or, in the absence of a contractual definition, as determined by law. Domestic tax refund arrears are defined as obligations on any valid tax refund claims in accordance with tax legislation that remain unpaid 60 days after the claim is submitted. For the purpose of this target, domestic arrears consist of arrears submitted before December 31, 2013, that fall into the following categories:

- central government contracts;
- central government utility bills;
- disability benefits from social assistance programs;
- special funds, including payments for ex-persecuted prisoners and expropriations related to public construction works, and other special payments approved by the Council of Ministers;
- court orders, excluding cases in land restitution and compensation;
- local government contracts financed by central government;
- child registration subsidies;
- civil emergency;
- VAT refunds; and
- CIT returns.

39. Data will be collected through payments made under the arrears clearance strategy through the Treasury system.

Reporting

40. Data will be provided by the MoF to the Fund with a lag of no more than four weeks after the test date.

Structural Benchmarks

41. **Publish a report on arrears paid (on a quarterly basis) on the MoF website (starting in June 2014).** The report should be published within 60 days from the end of each quarter.

42. **MoF to publish triannual survey results on new arrears accumulation in ten key ministries and GDT.** The ministries covered are Transportation, Health, Education, Defense, Justice, Interior, Agriculture, Finance, Economy, and Social Welfare. The survey should be published within 75 days from the end of each trimester.

43. **Roll out the AGFIS to 15 budget institutions (60 percent of budget).** The 15 budget institutions are as follows: Council of Ministers, Ministry of Transport and Infrastructure, Road Authority, Ministry of Finance, National Agency of Information Society, Municipality of Tirana, Ministry of Welfare, Ministry of Education, Ministry of Agriculture, Agricultural and Rural Development Agency, Ministry of Health, Ministry of Interior, Ministry of Justice, Ministry of Defense, and Ministry of Energy.

44. **In agreement with BoA and Albanian Financial Supervisory Authority (AFSA), amend the regulatory framework for investment funds on asset valuation and liquidity requirements.** The amended regulations should:

- a) require that the calculation of the unit value represent the proportionate share of the aggregate market value of the underlying assets of the fund; and
- b) introduce liquidity requirements consistent with recent E.U. regulatory developments and the current level of development of the Albanian market.

45. **Prepare a quarterly survey of the gross consolidated arrears of the electricity sector to the private sector.** The survey should be prepared within 15 days from the end of each quarter.

Monitoring and Reporting Requirements

46. To facilitate the monitoring of program performance, the authorities will provide the following information on a monthly basis (except where noted).

The Bank of Albania will supply to the Fund:

- i) the balance sheets of the Bank of Albania;
- ii) the consolidated accounts of, separately, the commercial banks and the Savings and Loan Institutions (SLIs);
- (iii) the monetary survey;
- (iv) banking sector prudential indicators;

- (v) the net foreign assets of the Bank of Albania and their components;
- (vi) comprehensive information on reserve assets that are pledged, collateralized, or otherwise encumbered;
- (vii) the foreign exchange cash flow of the Bank of Albania, including the level of NIR;
- (viii) daily average exchange rates;
- (ix) quarterly balance of payments data and updates of balance of payments estimates;
- (x) inflation forecasts on a monthly basis; and
- (xi) data on government deposits and net domestic financing.

The Ministry of Finance will supply to the Fund:

- (i) the summary monthly fiscal table, including the overall budget deficit, on a modified cash basis;
- (ii) issuance of treasury bills and bonds by the MoF, including gross value and cash received;
- (iii) privatization receipts;
- (iv) information on the contracting and guaranteeing of new debt;
- (v) information on the stock of short-, medium- and long-term debt;
- (vi) information on official grants for projects or budget support purposes;
- (vii) information on the stock of expenditure arrears identified in the Arrears Prevention and Clearance Strategy, and progress in arrears repayment;
- (viii) information on the accumulation of new arrears in central government ministries;
- (ix) information on the implementation of stronger procurement and commitment controls;
- (x) information on energy and non-energy guarantees issued by the general government, including on new issuance, drawings, repayments (called and non-called), interest (called and non-called), late returned principal and interest separately for domestic and external as well as energy and non-energy guarantees; and
- (xi) monthly local government spending (esp. conditional and unconditional grants).

The General Directorate of Customs will supply to the Fund:

- (i) detailed monthly data on customs revenues collected.

The General Directorate of Taxation will supply to the Fund:

- (i) detailed monthly data on tax revenues collected;
- (ii) information on progress in implementing business restructuring and IT reforms; and
- (iii) information on the stock of VAT refunds claimed, refund arrears, and refunds paid out.

The Albanian Statistical Agency (INSTAT) will supply to the Fund:

- (i) the consumer price index (CPI index) at the aggregated level and at the level of each individual item making up the basket;
- (ii) the producer price index;
- (iii) the construction cost index;
- (iv) all short term indicators as they become available, as defined in INSTAT's quarterly publication "Conjoncture"; and

- (v) preliminary estimates for quarterly GDP and preliminary estimates for annual GDP disaggregated by 22 sectors and distinguishing between the observed and unobserved economy.