



ALBANIA

TECHNICAL ASSISTANCE REPORT—THE MONETARY AND FINANCIAL STATISTICS AND FINANCIAL ACCOUNTS MISSION

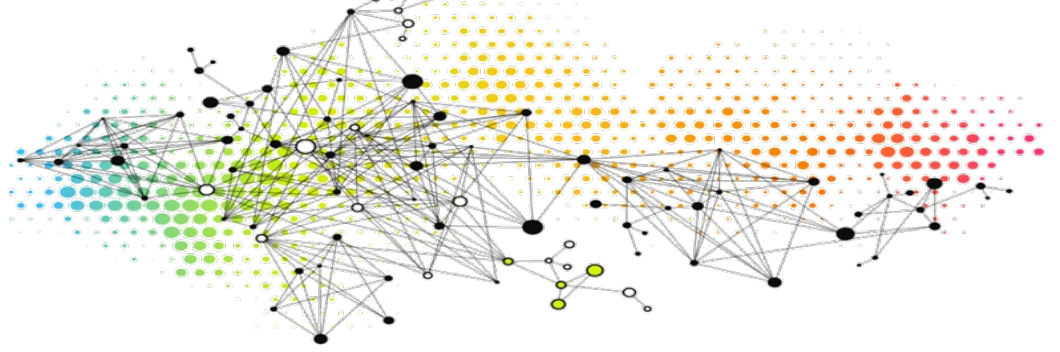
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TECHNICAL ASSISTANCE REPORT ON THE MONETARY AND FINANCIAL STATISTICS AND FINANCIAL ACCOUNTS MISSION (APRIL 15–26, 2019)

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Glossary

<i>2008 SNA</i>	<i>System of National Accounts, 2008</i>
AFSA	Albanian Financial Supervisory Authority
BOA	Bank of Albania
FSI	Financial soundness indicator
GDT	General Directorate of Taxation
GFS	Government Finance Statistics
GG	General government
GOA	Government of Albania
INSTAT	Institute of Statistics
MFS	Monetary and financial statistics
MOFE	Ministry of Finance and Economy
NFC	Nonfinancial corporation
NPISH	Non-profit institution serving households
NRC	National Registration Center
ODC	Other deposit-taking corporation
OFC	Other financial corporation
ROW	Rest of the world
SLA	Savings and loan association
TA	Technical assistance

SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

- 1. In response to a request from the Bank of Albania (BOA) and with the support of the IMF's European Department, a monetary and financial statistics (MFS) and financial accounts technical assistance (TA) mission visited Albania during April 15–26, 2019.**¹ The main objectives of the mission were to work with the staff of the BOA on (i) compiling and disseminating flow-based MFS for the central bank, other depository corporations (ODCs), and other financial corporations (OFCs); (ii) compiling and disseminating quarterly financial accounts by institutional sectors; and (iii) developing a from-whom/to-whom matrix for financial instruments. The mission also worked with the Institute of Statistics (INSTAT) to explore its current compilation of, and future plans for, sectoral current and capital accounts.
- 2. The mission reviewed the quality of Albania's flow-based MFS, sectoral financial accounts and balance sheets, and provided technical guidance to improve their quality.** The BOA regularly compiles and disseminates MFS for the three sub-sectors of the financial sector—central bank, ODCs, and OFCs—and had expressed strong interest in establishing flow-based monetary statistics, as well as detailed from-whom/to-whom financial accounts. These datasets provide additional insights into understanding the linkages across all sectors of the economy, detect imbalances, and offer important insights for addressing them. A mission on MFS and financial soundness indicators was conducted in Albania in July of 2017 during which annual financial accounts compiled by the BOA were briefly reviewed and found to be adequate.
- 3. The interest in developing these datasets stem from the BOA's Monetary Policy Committee.** The Monetary Policy Committee has requested flow-based monetary statistics as an additional vehicle to understand money and credit developments in the Albanian economy. Similarly, financial accounts by sector and financial balance sheets are considered increasingly important for analysis of financial stability and other macroeconomic developments. The IMF's balance sheet approach forms part of these datasets and allows better analysis of intersectoral linkages and vulnerabilities.
- 4. The mission found that the quality of the data and staff is high and recommended that the BOA begin constructing and publishing monthly flow-based MFS by March 2020 (beginning with data of January 2017) and annual financial accounts for all sectors by the end of 2019 (for the years 2017 and 2018).** The full sector financial accounts should be disseminated together with the (already disseminated) sectoral financial balance sheets, which will enhance the usefulness of both datasets.

¹ The mission wishes to thank the staff of the BOA's Statistics Department, for their cooperation. The quality of staff, both in terms of knowledge and interest in the subject matter, is very high and their enthusiasm for their work made the mission a great pleasure.

5. The mission also recommended that the BOA begins compiling quarterly sectoral financial accounts and balance sheets by mid-2021 starting with data from the first quarter of 2017. This recommendation assumes that the BOA will have developed, by the end of 2020, a software to automate much of the compilation of these datasets. At present, the compilation of annual data is done manually. The mission and the authorities hope that the software currently being developed for external sector statistics can be modified for use in the compilation of the quarterly sectoral financial accounts and balance sheets as it would considerably speed up the compilation process.

6. The BOA currently produces and disseminates annual financial balance sheets annually, with much from-whom/to-whom detail, for all the sectors. The data are available from 2013–17. The BOA also produces, but does not disseminate, financial accounts for the financial sector and its sub-sectors, the rest of the world (ROW), and, for the other sectors, counterpart data from the financial sector is used. The mission made recommendations on how to produce quarterly estimates for both transactions and positions for all sectors.

7. The mission highlighted the areas where further improvements are needed for the sectoral financial accounts. The data for the financial sector are of high quality, reported either on a monthly or quarterly basis. For the ROW, the data are mostly of good quality but there are some areas where improvements are required. For the other sectors, the annual data for general government (GG) are adequate but quarterly data need to be developed. For nonfinancial corporations (NFCs), households, and non-profit institutions serving households (NPISHs), many of the data cells are obtained from counterpart information (in the financial sector or the ROW) and are of good quality. However, some data, notably shareholders' funds outstanding, equity issues, and other accounts receivable/payable, require some further work. The mission made recommendations on how these data could be improved.

8. The mission, together with staff from the BOA, discussed with the Ministry of Finance and Economy (MOFE) the availability of balance sheet data for the central government. The MOFE advised that the tax authority, the General Directorate of Taxation (GDT), should be able to provide more detailed data with greater periodicity than the currently available annual data. The mission recommended that the BOA explore with the GDT as soon as possible how to obtain quarterly data.

9. The mission also discussed with the Institute of Statistics (INSTAT) and found out that they have no plans to compile the sector current and capital accounts beyond those accounts they currently compile. INSTAT currently prepares annual production and generation of income accounts by institutional sector, with a lag of about 16 months. Beyond that, however, INSTAT has no definite plans to develop the remaining current accounts or the capital accounts. During the mission INSTAT noted that this could depend on data and resource availability and it can make no commitment at this point. Without additional resources, the compilation of these quarterly sector accounts is unlikely for several years.

10. To support progress in the above work areas, the mission recommended a detailed one-year action plan with the following priority recommendations. Further details on the priority recommendations and the related actions/milestones can be found in the action plan under *Detailed Technical Assessment and Recommendations*.

Table 1. Albania: Priority Recommendations

Target Date	Priority Recommendation	Responsible Institutions
March 2020	<i>The BOA develops monthly flow-based MFS, beginning with data from January 2017.</i>	BOA
December 2019	<i>The BOA develops estimates of annual sectoral financial accounts, on a from-whom/to-whom basis (to the maximum extent possible), beginning with data from 2017.</i>	BOA
June 2021	<i>The BOA develops estimates of quarterly sectoral financial accounts and financial balance sheets, on a from-whom/to-whom basis (to the extent possible), beginning with data from the first quarter of 2017.</i>	BOA

DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

A. Data Sources

11. The mission reviewed the data sources available to the BOA for the construction of flow-based MFS and sector financial accounts on a from-whom/to-whom basis. For the financial sector, the data are high quality and those for the ROW are good. For GG, the overall quality is good, but some areas are not sufficiently detailed or timely (annual data being available only about nine months after the end of the reference year). Data for the other sectors, apart from counterpart data from the other sectors, need further development as discussed in detail below.

Central Bank and ODCs

12. Source data for the central bank and ODCs are very detailed and timely. The data are reported monthly, with a two-week lag, with instrument, currency (euros, US dollars, Swiss francs, Japanese yen, sterling, etc.) and counterpart sector breakdowns. ODCs dominate the financial sector, accounting for about 90 percent of the sector's total assets. Savings and loan associations (SLAs) are also included in the monetary sector but represent a very small proportion of total assets (less than half of one percent). These latter institutions report quarterly, which means that the third month of any given quarter will have a slight increase in the aggregates that is attributable to the inclusion of SLAs' balance sheet data. Given the very small

asset total, no attempt is made to smooth the change in the SLAs' balance sheets across the three quarters.

13. The BOA maintains a database of the central bank's and the ODCs' holdings of Albanian issued securities (mostly those issued by the Government of Albania (GOA)), on a security-by-security basis. The database has many variables, including amount of issue, the issue and maturity dates, the sector of issue, the sector of holder, the coupon rate, the currency of issue, among others. As a result, the BOA can provide very accurate and timely data on securities holdings and transactions. The database includes a variable for market prices, which are applied to ODCs' holdings of GOA securities "held for maturity" in the sub-sector's financial balance sheets that are reported at acquisition prices. Those GOA securities that the ODCs report "for investment" are reported at market value. The BOA removes price changes in these securities to derive transactions.

Other Financial Corporations

14. Other financial corporations (OFCs), comprising insurance companies, pension funds, investment funds, leasing companies, and specialized intermediaries, report quarterly, while the brokers and exchange rate offices report annually. For the most part, the detail of these reports is sufficient to construct flow-based MFS. For brokers and pension managers, the information is not as detailed but, given that their assets (and liabilities) are very small, this shortcoming is not a major consideration at this stage.

15. The mission discussed with the BOA how to calculate OFCs' foreign currency transactions. At present, their foreign currency assets and liabilities are not broken down by currency. For their deposits at, and loans with, ODCs, this is not an issue as the BOA can use the counterpart information which does have a foreign currency breakdown. For OFCs' loan assets, a foreign currency breakdown is available. For *other accounts receivable* and *other accounts payable*, there is no currency breakdown for those accounts denominated in a foreign currency. The mission recommended using only the euro because these items are most likely with counterparties in neighboring countries where the euro would be the most likely currency used. Some OFCs report foreign currency shareholders' funds. It is not common for shareholders' funds to be denominated in a foreign currency, but it is possible, especially for enterprises which are 100 percent foreign owned. For these instances, the mission recommended using the euro, given that the foreign investor is almost always a European resident.

16. The allocation of nonlife insurance technical reserves to counterpart sector have improved as a result of the introduction of a new report form by Albanian Financial Supervisory Authority (AFSA)². Until the introduction of this new form, nonlife insurance companies reported their technical reserves only in the aggregate, with no sectoral allocation. In the absence of any detail, the BOA allocated all this amount to nonfinancial corporations

² The technical reserves of life insurance companies are all allocated to the household sector.

(NFCs). However, from the new report form, a breakdown of technical reserves by sector is now available. The mission recommended that the BOA revise the estimates for the earlier years, using the ratios from the new report form.

Rest of the World

17. The mission reviewed the ROW data sources with BOA staff. For most of the components of the financial account of the balance of payments and the IIP, the data are comprehensive and timely. There are, however, a few areas where there are gaps, including the measurement of cash holdings in euros outside the banking system and bank accounts of nonresident Albanians within Albanian banks.

18. There is currently no estimate for the holdings of cash denominated in euros outside the financial sector. Measuring the amount of foreign currency in cash held outside the banking system is difficult. The euro co-circulates in Albania to a very significant extent (so much so that the BOA is exploring how to “de-euroize” the economy). However, while it is evident that cash in euros is readily used in the country, there are no reliable estimates on the value held by NFCs and households. The mission explored with the BOA how to estimate these holdings. A household survey is not likely to produce useful results as the response rate, and accuracy of the data, are likely to be low. The mission suggested that the BOA look into the approach taken in other countries where there is co-circulation of foreign and domestic currencies to explore the methodology that may have been adopted to obtain estimates of the value of the foreign currency held outside the banking system. Once such a study has been conducted, the mission recommended that BOA calculates the ratio of the value of cash in lek outside the banking system in Albania to the value of deposits denominated in lek in the banking system. This ratio should then be applied to the value of euros on deposit at banks. This would derive an estimate of value of euros held in cash outside the banking system. The mission noted that given the different uses of Albanian lek and euros in Albania, some adjustments to the calculated ratio based on lek in circulation and deposits would be necessary. If the results are comparable, the BOA could continue to use the latter ratio. The mission noted that, in the event that any estimates of holdings of euro cash by households and NFCs are developed, these (counterpart) estimates be included as liabilities in the ROW datasets (assets in the balance of payments financial account and the international investment position (IIP)).

19. One area of difference in the ROW data and those in the ODC data is the treatment of bank accounts of nonresident Albanians with resident Albanian banks. These accounts should be recorded as being held by nonresidents but, according to the regulations under which the ODC data are classified and reported to the BOA, they have to be treated as residents (as households). To address this problem for the ROW datasets, the compilers at the BOA have asked the ODCs to report these balances in addition to those reported for the MFS reports. The differences are large. The compilers of the MFS data are concerned about changing the data that are governed by regulation. The mission pointed out that the inclusion of nonresident deposits with ODCs in the monetary aggregates undermines one of the purposes of those aggregates,

which is to focus on domestic balances. The mission strongly recommended that the MFS data be adjusted, in line with the data included in the ROW. These accounts held by nonresident Albanians, and the holdings of euros in the form of cash outside the financial sector, demonstrate one of the important roles of the sector financial accounts and financial balance sheets – its integration function, ensuring that data are classified and compiled consistently. In order to make this adjustment for the MFS, the mission suggested investigating more on these accounts with ODCs, and to request more detailed information on their purpose, use, amount and other features for each account held by nonresident individuals.

General Government

20. Financial transactions and positions data for general government data are compiled by the MOFE for Government Finance Statistics (GFS). The data are compiled annually, with a lag of about nine months, and are compiled on a modified cash basis. The data include both central and local government but exclude extra-budgetary entities³ and public nonfinancial corporations.

21. The BoA compiles the GG financial account with and without including extra-budgetary data. The production account and generation of income accounts, the ROW, and GFS do not include the extra budgetary in the GG sector. Consequently, for reconciliation purposes, the BoA does not include the extra-budgetary institutions in GG data. The mission recommended that the BOA include in the GG sector those extra-budgetary institutions that meet the criteria for inclusion in the GG sector, revise the data back to 2013, and prepare a reconciliation table to show what the differences are with the other datasets and set out the reasons for the different treatment.

22. For the most part, GG data are of good quality. The MOFE maintains a database of the GOA's loan borrowings, so that transactions data are available. For foreign currency loans, transactions are converted to Albanian lek, using the exchange rate of the day of the transaction. Data on securities on issue are cross-checked with the BOA's data on these instruments (see below) to ensure consistency. However, the GFS data show very large balances for *other accounts receivable/payable* – accounting for about a third of total liabilities and a much larger proportion of financial assets. The mission recommended that the BOA explore with the GDT what these items include, what the counterparties are, and whether it is necessary to allocate to other instruments.

23. The BOA, as the Government of Albania's banker and fiscal agent, maintains a database of the GOA's debt securities, by sector of holder. The database can track changes in ownership of the GOA's debt securities. From this information, the BOA can ascertain on a monthly basis which sectors are transacting and holding government securities.

³ The BOA sends a list to the ODTs of extra-budgetary entities that are to be classified as general government every year.

Other Sectors

24. Counterpart data from the other sectors can provide information for several instruments for NFCs, households, and NPISHs. The MFS have information on deposits and loans by counterparty, and the ROW conducts a survey of direct investment that also provides counterpart data by sector. However, for other instruments, and especially shareholders' funds, equity issues, *other accounts receivable* and *other accounts payable* and intra-sectoral loans, the only available information has been from INSTAT, that, in turn, obtains data from the National Registration Center (NRC).

25. All enterprises in Albania are required to register with the NRC annually. The registration includes, inter alia, income and expenditure statements and balance sheets. Notes often accompany the financial statements. Information on the enterprise's activities, the principal shareholders, and the members of the board of directors is also provided to the NRC. There are approximately 120,000 enterprises in Albania, many of which are very small. Up to fiscal year 2017, most of the information was not in any machine aggregatable format. The files were Word documents or PDF files but not in Excel files or some equivalent that would allow the data to be aggregated.

26. As the NRC data cannot, for the most part, be aggregated, INSTAT downloads about 20,000 files and has been entering the data in its systems manually. Not only is this a very time-consuming and inefficient way of processing data, it is also subject to data entry errors. In an attempt to address this problem, the NRC, with the assistance of the World Bank, conducted a pilot exercise in 2016 and 2017 for the financial information to be filed in a format that would allow aggregation. The pilot proved successful and the new system came into effect in 2019, for fiscal year 2018 (that is, enterprises will report in the first half of 2019 their financial statements for 2018). The filing requirements vary by enterprise size, with minimal information for the smallest, up to data consistent with the International Financial Reporting Standards for the largest. The smallest enterprises are not required to provide balance sheet data, but they represent a very small proportion of the total. For each size level, the information would be reported in a standardized format, something absent at present. Such a systemized filing process will improve the data quality considerably, especially for shareholders' funds, which all but the smallest enterprises will report. It would also mean that NFC data do not need to be entered manually by INSTAT which should free up resources for use in other areas. In order to obtain an indication of the changes in values between the new (aggregatable) data and the values from the manual data submissions, INSTAT will continue with the current approach for two years (2018 and 2019) to provide an overlap to determine to what extent the earlier years' data need adjusting.

27. For the years prior to 2018, the BOA has used the INSTAT data in the compilation of the sector financial accounts and balance sheets where there are no alternative sources. The BOA used INSTAT's data for cash holdings, intra-sectoral loans, shareholders' funds, and *other accounts receivable* and *other accounts payable*.

28. To derive universe estimates for cash holdings and shareholders' funds, the BOA uses the ratio between the INSTAT deposits figure and the counterpart DTC deposit liability data to NFCs. The latter is high quality and is used to replace the deposit data from the INSTAT datasets. Working on the assumption that the ratio of NFCs' cash holdings to NFCs' deposits at DTCs is the same for the universe as it is for INSTAT data, the BOA takes that ratio and applies it to cash holdings reported in the INSTAT data. (Furthermore, it assumes there is a 50/50 split between Albanian lek and euro cash holdings.) The BOA also applies the same ratio for the shareholders' funds, working on the same assumption. The mission agreed with this estimation technique.

29. For the value of NFC's intra-sectoral loans and *other accounts receivable and other accounts payable*, the BOA does not adjust the value provided in the INSTAT data.

For intra-sectoral loans, the values are very small and are not significant. The BOA, however, adjusts the intra-sectoral loan liability value to equal the asset value. For *other accounts receivable/payable*, the reason the BOA does not adjust the data is that the values for these two instruments are already very large—in the order of a third of total financial assets and liabilities—and it is not clear that they do not already have instruments included in them that might be included in other instruments. The mission saw no reason to change this approach until the new NRC data are available.

30. When the new NRC datasets become available for 2018 and 2019 and the data are aggregated, the estimates for the prior years should be revised for cash holdings, shareholders' funds, and *other accounts receivable/payable*. The adjustments should be based on the average of the ratios between the two datasets for each of these series for those two years and carried back to 2013.

31. For new equity issues by NFCs, the mission was advised that the NRC requires all enterprises registered with it to report the value of shares on issue. This information is reported in Excel files. This information has to be updated immediately as soon as any new shares are issued, rather than waiting till the end of the year when the financial statements are reported. Consequently, the mission recommended that value of the value of equity on issue be obtained by the BOA from the NRC on a frequent basis (even monthly, if required) so that the BOA can derive the value of equity transactions during the period by taking the first differences.

32. For households and NPISHs, the BOA has no direct data sources. Accordingly, these two sectors have been combined into one (not an unusual treatment, especially as NPISHs are very small) and the data are either drawn from counterparties or are residual.

33. *Recommended Actions:*

- MFS data be adjusted, in line with the data included in the ROW, to treat nonresident Albanians' deposits and/or loans at ODCs as nonresident (September 2020).

- BOA revises the estimates for insurance technical reserves for the years prior to 2018, using the ratios from the new AESA report form (June 2019).
- BOA explores with the GDT what the central government's other accounts receivable and other accounts payable include, what the counterparties are, and whether it is necessary to allocate to other instruments (September 2019).
- GG sector financial account and financial balance sheet be revised back to 2013 to incorporate those extra-budgetary entities that meet the criteria for inclusion in GG (December 2019).
- BOA look into the approach taken in other countries where there is co-circulation of foreign and domestic currencies to explore the methodology that may have been adopted to obtain estimates of the value of the foreign currency held outside the banking system. Once such a study has been conducted, the mission recommended that the BOA compare the results with those from applying the ratio of the value of cash in lek outside the banking system in Albania with the value of deposits in lek in the banking system in Albania to the value of euros on deposit at banks to derive an estimate of the value of euros held in cash outside the banking system. Given the different uses of Albanian lek and euros in Albania, some adjustments to the calculated ratio based on lek in circulation and deposits would be necessary (December 2020).
- Value of the value of equity on issue be obtained by the BOA from the NRC on a frequent basis (even monthly, if required) so that the BOA can derive the value of new issues of equity during the period by taking the first difference between the latest period and the previous period (December 2019).
- Only euro should be used for OFCs' other accounts receivable/payable denominated in a foreign currency (December 2019).
- Only euro should be used for any shareholders' funds denominated in a foreign currency (December 2019).

B. Flow-Based Monetary and Financial Statistics

34. The mission found out that the input data for the MFS positions data are sufficiently detailed to provide all the information on valuation and volume changes for deriving flow-based MFS from positions data. As noted, the input data for MFS provide deposits and loans by sector of counterparty and by currency. The BOA staff understand that to remove exchange rate changes, the data, reported in Albanian lek, have to be converted back to the original currency, using the exchange rate at the time of the opening and closing balances, taking the first difference and then re-converting that difference back to Albanian lek, using the average exchange rate for the period. The difference between the derived transaction and the first difference between the closing and opening balances is a valuation (exchange rate) adjustment for inclusion in the *Other Changes in Assets Account*.

35. For price changes, the securities database, maintained by the BOA, includes all the data required to adjust for price changes. However, as noted, there is not an active securities market in Albania so adjusting for price changes is very limited.

36. For volume changes, the mission noted that the principal (usually only) adjustment that needs to be made is for write offs. The ODCs provide a sector breakdown of write offs during the period (usually, each month). The mission advised the BOA that, to derive transactions from positions data where the closing balance has had the write offs deducted during the period, it is necessary first to add back the write off to the closing balance before estimating the transactions from the first differences between the closing and opening balances. Then, once the transactions are calculated, the write offs are recorded as volume changes in the *Other Changes in Assets Account*, which brings the closing balances back to what was reported on the ODCs balance sheets.

37. Thus, to calculate transactions from positions, the adjustments are as follows:

$$TR = CB - OB - VC - OCVA$$

Where

CB = closing balance

OB = opening balance

VC = Volume changes

OCVA=Other changes in value of assets

TR = Transactions

38. Recommended Action:

- The mission recommended that the BOA compile flow-based monthly MFS, beginning from January 2017 (March 2020).

C. Sectoral Financial Accounts and Financial Balance Sheets

39. At present, the BOA compiles the partial sectoral financial accounts and financial balance sheets on an annual basis. The latter is usually released in November of the following year, but the former are not (yet) published. The financial accounts are for the financial sector and its subsectors, the rest of the world, and for those parts of general government for which transactions data are available. Sector financial balance sheets are prepared for all sectors. The quality of these data is uneven, as noted, varying from very good (for the financial sector) to “in need of improvement” for some series in the NFC and household/NPISH sectors, where the information is not available from counterparties. Nonetheless, the overall quality of the partial sectoral financial accounts and financial balance sheets is good enough for input into policy making, provided the data shortcomings are well understood.

40. One of the problems for both NFCs and general government is the large amounts that are placed in *other accounts receivable* and *other accounts payable*. Large balances in “other” is often a sign of poor classification—the providers of data do not know how to classify the instrument and so put it in “other”. The mission recommended that the BOA concentrate first on understanding what the GDT has placed in “other” and then turn its attention to improving the NFC datasets, possibly from the new NRC datasets when/if they become available (see above).

41. The mission explored with the BOA how to construct quarterly estimates. For the financial sector and sub-sectors, and the rest of the world, the data are available monthly or quarterly. Many of these instruments are reported by counterpart sector so they can be used to compile the counterpart cell in the counterpart sector. For example, the ODCs provide loan assets and deposits liabilities by counterpart sector. As a result, the counterpart loan liability or deposit asset is available. Similarly, for the ROW, the data are compiled quarterly, and are available by instrument and sector detail. However, the sector detail in the balance of payments and the IIP, as published, is only for the four sectors in the sixth edition of the *Balance of Payments and International Investment Position Manual* – that is, central bank, ODCs, general government, and “other”. To compile the sector accounts, “other sectors” requires a further breakdown. This breakdown is available in the BOA in the worksheets of the balance of payments and IIP but it requires some time to extract it. For general government, data on the principal borrowing instrument – debt securities– are available from the securities database of GOA issues, maintained by the BOA. These data are available at least monthly. Data on the GOA loan liabilities, positions and transactions, are available from the MOFE on a monthly basis. Taken together, all the foregoing account for about 80 percent of all financial assets and liabilities, and, as they are available either monthly or quarterly, and of good quality or better, there is a good basis for developing quarterly sectoral financial accounts and financial balance sheets.

42. To obtain data for the remaining 20 percent, the area that will be most fruitful is general government. The indications from the MOFE are that the data are available on a quarterly basis from the GDT. The mission, together with BOA staff, met the MOFE compilers of GFS to discuss this issue. The mission was advised that the detail and quarterly data are available at the GDT. The mission was further advised that the MOFE, INSTAT, and the BOA are conducting a three-year project with GDT to improve data on general government. The mission recommended that the BOA include in this project how GDT can provide BOA quarterly with data for the financial account and financial balance sheets. The mission also stressed that it is important that balance sheet data for local governments and those extrabudgetary entities that meet the criteria for inclusion in the GG sector be included in these quarterly reports. The mission pointed out that estimates are acceptable if actual data are unavailable. The mission further recommended that these discussions include ways to improve *other accounts receivable* and *other accounts payable* of central government.

43. For NFCs’ shareholders’ funds outstanding at the end of each quarter, the mission recommended that the BOA apply the percentage change in nominal GDP to estimate the

quarterly values. That is, the BOA takes the change in this item between the opening and closing balances from the INSTAT annual data from end-2016 to 2017⁴ (and, for subsequent years, the NRC data), and weight the changes for the quarters by the percentage change in the nominal value of GDP for each quarter. Thus, assume there had been a 4.25 percent change in nominal GDP over the year, with 0.5 percent in the first quarter, followed by a 1 percent change in the second, a 1.25 percent change in the third quarter, and 1.5 percent change in the fourth quarter. Also, assume the change in shareholders' funds between the opening and closing balances is 425,000 Albanian lek. Applying the quarterly changes in nominal GDP, the first quarter's shareholders' funds would increase by 50,000 ($425,000 \times (0.5/4.25)$), the second quarter would increase by 100,000 ($425,000 \times (1/4.25)$) and so on. For the current period, when the new annual, soon-to-be-available NRC data are not yet available, the mission recommended using the same approach – move the value of shareholders' funds on the percent change of nominal GDP during the quarter. When the new annual data become available from the NRC datasets, these quarterly estimates for shareholders' funds should be revised, but retaining the same percentage changes in quarterly nominal GDP.

44. NFC equity issues can be calculated by taking the first difference from the aggregation of the data in the NRC cell that shows equity on issue. As this cell has to be updated as soon as new shares are issued, the information is very timely. The BOA should ask the NRC to provide the aggregated value for this cell on a quarterly basis. By taking the value at the beginning of the period from that at the end of the period, a good estimate of NFC equity issues during the period can be derived. (If the NRC is unable to separate NFC data from financial corporations' equity issues, the BOA will need to adjust these data to exclude any equity issues by financial corporations during the period. These latter are available from the financial sector's data sources.)

45. If the NRC has kept this information for all periods back to 2013, the issues of NFC equity issues can be calculated. However, if the NRC has not maintained this information historically, the mission recommended that the BOA use the INSTAT file, with adjustments for levels (see footnote above). Shares on issue (and any share premia) are components of shareholders' funds and can be identified separately. The changes in these items in the annual INSTAT balance sheet data provides the annual movement from end-2016 to end-2017. Therefore, annual estimates of new equity issues by NFCs can be derived by first differencing these data. For quarterly movement in NFC equity issues, however, where there are no INSTAT or NRC data for these earlier years, the mission recommended that NFCs' new equity issues can be

⁴ Data for the value of shareholders' funds outstanding at the end of 2017 will be available from both the INSTAT datasets and the new NRC datasets (the balance sheet date reported for fiscal years 2018 will include the opening balance for that year, which is the same as the closing balance for 2017). The values for end-2017 shareholders' funds from these two datasets should be compared, and, should there be a difference, the data from the NRC dataset for 2017 should replace the BOA's current estimate. For the years prior to 2017, the data should be adjusted by the ratio between the NRC data and the INSTAT data for 2017. This will minimize the impact of the break-in-series.

derived by using the percent change in nominal GDP in the same manner as for shareholders' funds (above).

46. To complete the construction of sector accounts, it is important that the real economy sectoral accounts that INSTAT does not currently produce be developed as soon as possible, i.e., the primary income account, the secondary distribution of income account, the use of income account, and the capital account. Having the full sequence of accounts—from the production account to the capital account—will mean that the net lending/borrowing balance in the latter account can then be compared with the net lending/borrowing balance of the sector financial accounts. The juxtaposition of these two balances—in principle, identical—will serve as a test to the overall consistency and comprehensiveness of the datasets. With the implementation of the new NRC reporting system, it may mean that many of the resources previously use by INSTAT to manually enter the NFC data could be freed up for use on the development of the sector current and capital accounts that are not presently available.

47. One final matter needs to be stressed, the need for a comprehensive IT system to handle the processing. At present, constructing the annual sectoral financial balance sheets and the partial sectoral financial accounts is largely done manually, which is very time consuming. A new IT system needs to be developed as soon as possible. Without it, there are insufficient staff resources to compile these data with the periodicity and timeliness required.

48. New software is being developed to process data in the compilation of the balance of payments and the IIP. It is expected that the software will be available in about a year. It is probable that this software can be applied to the sector financial accounts and financial balance sheets of the domestic sectors, and, if so, that it would take to the end of 2020 to complete. Accordingly, the mission recommended that the development of software for the sector financial accounts and financial balance sheets be undertaken as soon as possible, using the software for the balance of payments and IIP, wherever possible.

49. Recommended Actions:

- The mission recommended that the BOA discusses with the GDT as soon as possible how quarterly data can be provided for the construction of the financial account and financial balance sheet (December 2019).
- The mission recommended that balance sheet data for local governments and those extra-budgetary entities that meet the criteria for inclusion in the GG sector be included in these quarterly reports (June 2020).
- The mission recommended that the BOA applies the percentage change in nominal annual GDP to the year-end value of NFCs' shareholders' funds for the most recent year when the (new) NRC data are unavailable (December 2019).
- The mission recommended that the BOA uses the percent change in nominal quarterly GDP to estimate NFC shareholders' funds outstanding at the end of each quarter, and for the

current year, revises when the (new) NRC data becomes available, while maintaining the same quarterly pattern of the percentage movement in nominal quarterly GDP during the year (June 2021).

- The mission recommended that the BOA applies the percentage change in nominal annual GDP to estimate NFCs' equity issues for the most recent year when (new) NRC data are unavailable (December 2019).
- The mission recommended that the BOA uses the percent change in nominal GDP to estimate NFC equity issues in each quarter and then revise when the (new) NRC data become available, while maintaining the same quarterly pattern of the percentage movement in nominal quarterly GDP during the year (June 2021).
- The mission recommended that the development of software for the sector financial accounts and financial balance sheets be undertaken as soon as possible, using the software for the balance of payments and IIP, wherever possible (December 2020).

ACTION PLAN

The action plan below includes steps to accomplish the outcomes.

Priority	Action/Milestone		Target Completion Date
Outcome: The BOA compiles flow-based MFS on a monthly basis, beginning January 2017			
PR	The BOA compiles monthly flow-based monetary and financial statistics, beginning with data of January 2017. (Benchmark)		March 2020
H	The MFS data be adjusted, in line with the data included in the ROW, to treat nonresident Albanians' deposits and/or loans at ODCs as nonresidents.	The MFS data are adjusted, in line with the data included in the ROW, to treat nonresident Albanians' deposits and/or loans at ODCs as nonresidents.	September 2020
Outcome: Annual and quarterly sectoral from-whom/to whom financial accounts, to the maximum extent possible, are compiled, beginning December 2017			
PR	The BOA compiles annual sectoral financial accounts, on a from whom/to whom basis (as far as possible) beginning with data of 2017. (Benchmark)		December 2019
PR	The BOA develops estimates of quarterly sectoral financial accounts, on a from-whom/to-whom basis (to the maximum		June 2021

Priority	Action/Milestone		Target Completion Date
	extent possible), beginning from the first quarter of 2017 (Any issues hampering the development of a software to automate much of the compilation process by end of 2020 is a risk factor). (Benchmark)		
H	The BOA revise nonlife insurance technical reserves for the years prior to 2018, using the ratios from the new AESA report form.		June 2019
PR	The BOA explores with the GDT how to produce quarterly estimates of general government financial assets and liabilities on a timely basis.		September 2020
	The BOA obtains quarterly balance sheet data for local governments and those extra-budgetary entities that meet the criteria for inclusion in the GG sector be included in the data provided by GDT above.		June 2020
H	The BOA explores with the GDT what the central government's other accounts receivable and other accounts payable include, what the counterparties are, and whether it is possible to allocate to other instruments.		September 2019
H	The GG sector financial account and financial balance sheet be revised back to 2013 to incorporate those extra-budgetary entities that meet the criteria for inclusion in GG.		December 2019
H	The BOA uses only the euro for OFCs' other accounts receivable/payable denominated in a foreign currency.		December 2019
H	The BOA only uses the euro for any shareholders' funds denominated in a foreign currency.		December 2019
H	The value of equity outstanding of NFCs be obtained by the BOA from the NRC on a frequent basis so that the BOA can derive the value of new issues of equity during the period by taking the first difference.		December 2019
H	The BOA applies the percentage change in nominal annual GDP to the year-end value of NFCs' shareholders' funds for the most		December 2019

Priority	Action/Milestone		Target Completion Date
	recent year when the new NRC data are unavailable.		
H	The BOA uses the percent change in nominal quarterly GDP to estimate NFC shareholders' funds outstanding at the end of each quarter, and then revise when the (new) NRC data become available, while maintaining the same quarterly pattern of the percentage movement in nominal quarterly GDP during the year.		December 2019
H	The BOA applies the percentage change in nominal annual GDP to estimate NFCs' equity issues for the most recent year when (new) NRC data are unavailable.		December 2019
H	The BOA uses the percent change in nominal GDP to estimate NFC equity issues in each quarter and then revise when the (new) NRC data become available, while maintaining the same quarterly pattern of the percentage movement in nominal quarterly GDP during the year.		December 2019
H	The development of software for the sector financial accounts and financial balance sheets be undertaken as soon as possible, using the software for the balance of payments and IIP, wherever possible.		December 2020
H	The BOA prepares a reconciliation table to show what the differences with other macroeconomic datasets are and set out the reasons for the different treatment.		December 2019

Appendix I. List of Officials Met During the Mission

Name	Institution
Argita Frasheri	Bank of Albania
Refika Fejzo	Bank of Albania
Majela Collaku	Bank of Albania
Oriola Ruhi	Bank of Albania
Amarda Cano	Bank of Albania
Entela Beci	Bank of Albania
Kasandra Papuci	Bank of Albania
Ilda Drini	Bank of Albania
Iris Mele	Bank of Albania
Rudina Lilaj	Bank of Albania
Neraida Hoxhaj	Bank of Albania
Erjola Karpuzi	Institute of Statistics
Elton Aliko	Institute of Statistics
Mimoza Peco	Ministry of Finance and Economy
Anxhela Kasapi	Ministry of Finance and Economy
Elsa Dhuli	Institute of Statistics
Flutura Rama Sala	Institute of Statistics