

COVID-19 PANDEMIC DEVELOPMENT

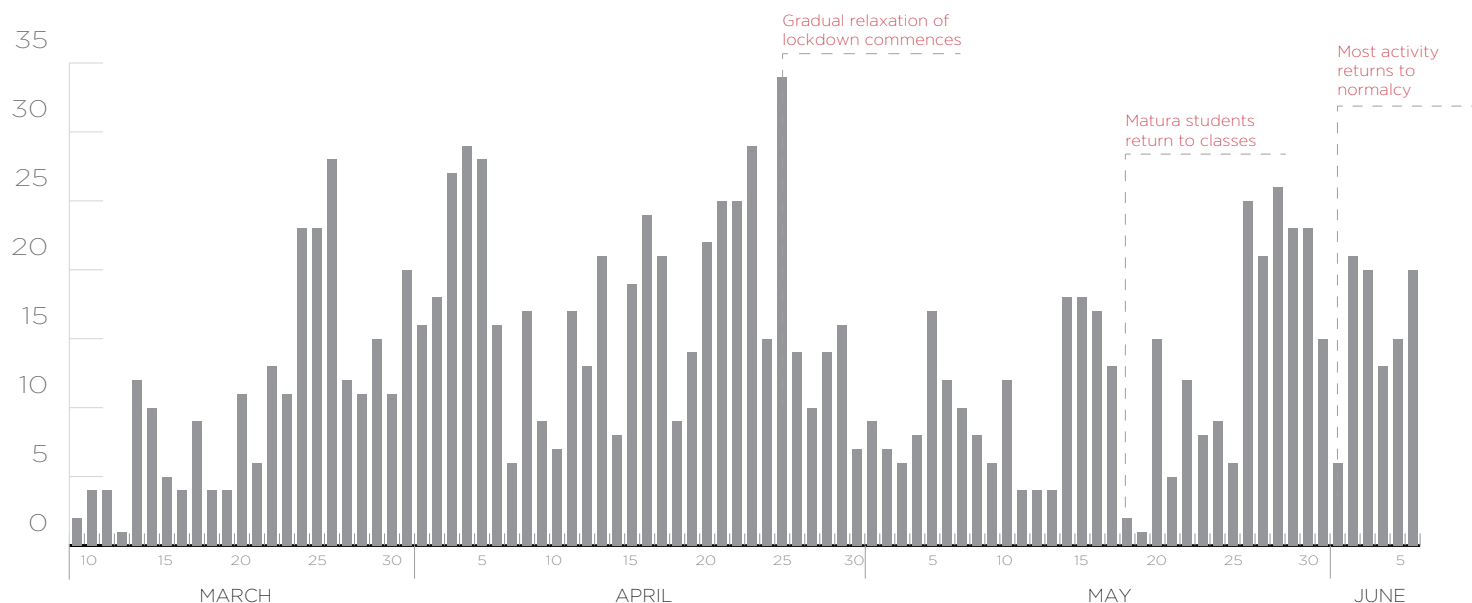
ALBANIA - OVERVIEW

Outbreak Timeline

March - June 2020

On March 9, 2020 Albania marked its first cases of COVID-19. As a first response, the Government cancelled all sporting, cultural and other large public events; all restaurants, bars and nightclubs were closed, as were all gyms, recreational areas, children's activity centers and land borders. On 23 March 2020, the Government declared a **natural disaster state of emergency due to COVID-19 outbreak**. Despite the lockdown, more than 50% of all economic activity continued at reduced capacity. As cases gradually dropped, on April 27, Albania progressed into a gradual relaxation of measures. By June 1st, most economic activity returned to normalcy, with the exception of public transport and large public and cultural events.

DAILY COVID-19 CASES



1,232

total number of
COVID cases



34

total number of
COVID fatalities



925

total number of
recovered cases



273

total number of
active cases

Support to the Vulnerable and the Private Sector



Monetary Measures: On 25 March 2020, the Supervisory Council of the Bank of Albania decided to ease monetary policy to mitigate the impact of the COVID-19 pandemic by reducing interest rates: the **policy rate was reduced from 1.0% to 0.5%** and the **overnight lending rate from 1.9% to 0.9%**. The measures are aimed at reducing the cost of new borrowing. In addition, the Bank of Albania in collaboration with Banks enabled borrowers to postpone their debt service payments for 6 months, by amending bank provisioning rules. The measure is expected to provide temporary liquidity to enterprises and individual in the overall amount of USD 150 million.



Fiscal Measures: The government has adopted two support packages for people and businesses affected by the COVID-19 pandemic of a combined size of ALL 45 billionn (2.8% of GDP).

- **Support package 1:** (i) additional funding for the health sector in the amount of ALL 3.5 bn (ii) ALL 6.5 bn for the support of small businesses /self-employed that were forced to close activities (iii) ALL 2 bn reallocated toward humanitarian relief for the most vulnerable, (iv) ALL 11 bn (0.6% of GDP) sovereign guarantee fund for companies to access overdrafts.
- **Support package 2:** (i) ALL 7 bn (0.4% of GDP) fund to pay for a one-off transfer to employees of small businesses affected (ii) a sovereign guarantee of ALL 15 bn (0.9% of GDP) to provide loans for all private companies that were tax-compliant and solvent before the pandemic.
- **Profit tax:** for all businesses with an annual turnover of ALL 0-14 million profit taxes have been eliminated for the fiscal year. Profit tax has been postponed a) for the tourism and apparel and footwear sectors until January 1, 2021; and, b) all other sectors (with the exception of the banking, pharmaceuticals, food retail and telecommunications) until October 1st, 2020.

Support Package 1

ALL 6.4 billion

Council of Ministers Decision No 254 date 27.3.2020 (amended) 'On the procedures for the financial support to the employees of businesses with turnover up to 14 million ALL, economic support and unemployment benefits due to the Covid-19'.

The first support package had the main objective of mitigating income losses for all those affected by COVID-19 crisis, while at the same time aiming that the majority of workers retain their jobs, the unemployed get supported with increased unemployment benefits, and the remainder be supported through the economic assistance programme (Ndhma Ekonomike). The first financial package supported:

- 1** **Businesses with annual turnover up to 14 million ALL, closed down as a result of the imposed restrictions on businesses (closed down) by the Ministry of Health and Social Protection** – this measure targeted some **30,000+** enterprises whose employees are to receive monthly payments equal to the minimum wage (26,000 ALL) over the months of April, May and June 2020. Individuals with annual personal income over 2 million ALL are not eligible to receive such support. It is important to highlight that the measure targeted both the self-employed and unpaid family members who would not otherwise benefit from unemployment benefits.



5.01 billion
for first and second
payments transferred
to beneficiaries



65,078
employees, unpaid
family workers and
self-employed



38,672
closed
enterprises

- 2** **Beneficiaries of economic assistance** – this measure targeted **60,750** families, recipients of Ndhma Ekonomike (cash transfer program), which will receive double the amount of benefit (vertical expansion) in April, May and June 2020. To date payments have been made for the months of April and May.
- 3** **Beneficiaries of unemployment benefits** – this measure targeted **3,100** beneficiaries of unemployment benefits, who will receive double the amount of benefits (vertical expansion) in April, May and June 2020. To date payments have been made for the months of April and May.

Support Package 2

ALL 7.04 billion

Council of Ministers Decision No. 305, date 16.4.2020, 'On the procedures for the financial support to the actual employees and the unemployed due to Covid-19' (amended by Council of Ministers Decision No 13, date 22.4.2020, and on 28.04.2020).

The second package extended support to all workers in companies that were directly affected by business close downs, recently unemployed, workers in the tourism sector, and all workers in companies with an annual turnover of less than 14 million ALL which faced reduction in economic activity due to the COVID-19 crisis.

- 40.000 ALL lump sum payment for all the employees (formally employed at the time) and laid-off employees in enterprises with annual turnover higher than 14 million, closed down by the imposed government restrictions** – this measure targeted current and former employees in this category of businesses, including companies in shopping centers. Private universities/schools were excluded from this measure. Individuals with annual personal income over 2 million ALL are not eligible to receive such support.



344 million
total value of
payments made to date



8,603
beneficiaries paid
to date



748
closed
enterprises

- 40.000 ALL as lump sum for all the employees dismissed during the period until April 10th (starting from the time the restrictions applied) in all enterprises allowed to operate by the government restrictions** – this measure targeted all dismissed workers since the start of the crisis. Provided that not all dismissed workers would be able to meet the requirements for unemployment insurance, this blanket measure was provided to all. Those eligible for unemployment benefits would still benefit from the latter, however, only the following month (i.e. the benefits cannot overlap).



2.23 billion
total value of
payments made to date



55,628
beneficiaries paid
to date



enterprises

Support Package 2

ALL 7.04 billion

Council of Ministers Decision No. 305, date 16.4.2020, 'On the procedures for the financial support to the actual employees and the unemployed due to Covid-19' (amended by Council of Ministers Decision No 13, date 22.4.2020, and on 28.04.2020).

- 3** *40.000 ALL as lump sum for all the employees (formally employed at the time) in enterprises with annual turnover up to 14 million, allowed to operate by the government restrictions, with the exception of certain activities (lawyers, notaries, food industry, pharmaceuticals, etc.)* – this measure workers in companies that faced a significant reduction in economic activity, both as a result of reduced working hours and reduced demand.



2.56 billion
total value of
payments made to date



63,937
beneficiaries paid
to date



29,679
closed
enterprises

- 4** *40.000 ALL as lump sum for all the employees (formally employed at the time) in all accommodation structures active at the start of the emergency* – this measure specifically targeted all types of accommodation structures, a sector that suffered significantly.



184 million
total value of
payments made to date



4,595
beneficiaries paid
to date



911
enterprises

- 5** *The lump sum amount of 40.000 ALL for every employee of the Ballsh Refinery* – a measure targeting 2 companies.



29 million
total value of
payments made to date



720
beneficiaries paid
to date



2
enterprises

COVID-19 OTHER SUPPORT MEASURES

IMPLEMENTATION UPDATE

Loan Guarantee 1

ALL 11.0 billion

To support firms with liquidity the Government of Albania issued the first loan guarantee in the amount of **ALL 11.0 billion** (approx. USD 100 million), to be allocated by banks to companies that have difficulties in paying employee salaries. Interest rate costs are fully covered by the government, and no collateral is required from the companies. The loan will cover employee salaries for a 3-month period, not exceeding a monthly salary of ALL 150,000 per worker. All sectors of the economy are eligible, with the exception of telecommunications, food retail, and pharmaceuticals.

LOAN GUARANTEE NO. 1



11.0 billion
total value of
funds made available



12 banks
have signed agreements
for both guarantees



7.76 billion
total value of
applications made



12 banks
have received
applications



712
applications made
by enterprises



5.88 billion
total value of
applications approved



12 banks
have approved
applications



462
applications
approved

TOP 5 SECTORS BENEFITING FROM GUARANTEE NO. 1

1	MANUFACTURING	124 companies	2,024,773,692	17,213 workers
2	TRADE	116 companies	908,801,312	7,626 workers
3	CONSTRUCTION	39 companies	493,505,825	3,256 workers
4	HEALTH SERVICES	7 companies	403,283,449	2,006 workers
5	SERVICES	31 companies	233,383,141	2,439 workers

Loan Guarantee 2

ALL 15.0 billion

In addition to the first Loan Guarantee, the Government of Albania issued a second Guarantee, in the amount of **ALL 15.0 billion** (approx. USD 136 million), providing loans for working capital and investment for all sectors of the economy. The Government guarantees 60% of the principal and the maximum value of the loan per company cannot exceed ALL 300 million. The grace period is 6 months, and the loan is expected to be paid back over a 5 year period.

LOAN GUARANTEE NO. 2



15.0 billion

total value of
funds made available



9 banks

have signed agreements
for both guarantees



1.89 billion

total value of
applications made



n/a

have received
applications



32

applications made
by enterprises



0.16 billion

total value of
applications approved



n/a

have approved
applications



3

applications
approved