

NewsLetter



Years

THE OFFICIAL NEWSLETTER OF THE AMERICAN CHAMBER OF COMMERCE IN ALBANIA

OPINION EKONOMIK

Financial instruments and the measurement of expected credit losses

Kledi Kodra,
Managing Partner, Grant Thornton

Under IFRS 9 'Financial Instruments', expected credit losses ("ECLs") must be recognised for debt-type financial assets not measured at fair value through profit or loss (FVTPL) based on information about past events, current conditions and forecasts of future economic conditions. In other words, even possible future outcomes that may or may not come

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ALBANIANS "FORGET" THE FEAR OF CORONAVIRUS, THE MAIN CONCERN NOW IS THE ECONOMY - [Montecal](#)

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The Second Financial Aid Package: *Measures and beneficiaries*

WHY AREN'T BUSINESSES APPLYING FOR EMERGENCY WAGES?

About 109,664 people who stopped working due to COVID-19 have benefited from state-provided emergency wages of 40,000 leks from the Second Financial Aid Package. The package aimed to provide assistance to 176,000 people, of which about 100,000 worked at small businesses, while the rest were large business employees whose contributions to the social insurance system ended by April 10, 2020. Unlike the First Financial Aid Package, which provided 26,000 leks for three months for employees of small businesses, the second package also affects large businesses that have been forced to close their activity as a result of the government's lockdown measures to limit the pandemic.

Based on Ministry of Finance data, 3.8 billion leks have been paid so far, out of the 7 billion leks allocated for the fund. The government's plan for the second aid package as a measure to help businesses support employees cut from payrolls does not appear to have met its promoted targets. The number of those who benefited is only 62 percent of employees who were to receive these payments according to the plan.

That figure has worried the government, which recently decided to impose a fine of 50,000 leks for businesses that do not apply to get the funds so they can then distribute payments to the employees. The Prime minister Rama has been vocal in warning business that have not applied, reminding them of the fine if they do not apply by June 5. But it seems that for businesses the issue is not as simple as submitting an application for a large part of their workforce that was removed from the social insurance system as of April 10. Businesses report that the main problem is related to the deadlines set in the decision on when employees were laid off or furloughed – which is cut off at April 10. That caused the system to reject the applications through a standard response: "You can not submit the application because you are not eligible under the Decision of the Council of Ministers (DCM)."

Under these circumstances, businesses consider it unfair that the government has decided to fine them when an



application is not submitted. They note that a quick solution would be to remove the cutoff date from the system to avoid the problems.

On this issue, General Tax Director Delina Ibrahimaj has stated that about 4,000 employees were removed from the social insurance contribution rolls after April 10 and thus were automatically excluded from the Second Financial Aid Package. Sources at the tax administration have noted that some changes are being made to the DCM governing the second package, and these changes would help address these issues.

"Not all people who are eligible to be beneficiaries of the second package have managed to receive the second package aid within the time limits. We proposed some procedural changes, which would help to overcome some of the operational difficulties," Finance Minister Anila Denaj has said.

General Tax Director Delinda Ibrahimaj said that as soon as amendments to the second package are approved, a list of all taxing entities and beneficiaries will be published. The application deadline will be June 5 with the same procedures as before.

"We have very carefully followed the entire process of complaints received from both individuals and taxing entities that have not been able to apply or benefit from the second package."

BENEFITS ACCORDING TO THE MEASURES

MEASURE 1

"Employees of entities with annual income over 14 million leks, which were closed according to the Order/s of the Ministry of Health and Social Welfare (MoHSW), who were employed as of the date of entry into force of the Order/s of MoHSW. For Measure 1, according to the data of the Ministry of Finance, 26,000 employees will benefit (of which 6,000 laid off) in 1,286 businesses with a turnover of over 14 million leks.

MEASURE 2

"Employees of the subjects that were allowed to continue operating and who stopped working after the date of entry into force of the Order/s of MoHSW until April 10, 2020, receive financial assistance of 40,000 leks. The date of submission of the E-sig 027 form must be no later than April 10, 2020." In the package approved for Measure 2, the Ministry of Finance envisages that the aid will be distributed to 40,000 laid-off employees in 6,300 businesses. So far, 65 percent of the total number of employees expected to receive benefits has been approved.

MEASURE 3

"Employees of small businesses with annual income up to 14 million leks, allowed to continue operations based on the Order/s of MoHSW, who have been at work on the date of entry into force of the Order/s of MoHSW. According to the data of the ministry, 100,000 employees of 46,520 businesses with a turnover under 14 million leks will benefit from this measure.

MEASURE 4

"Employees of entities operating in the hospitality sector, which were listed on the payroll of entities at the time of the MoHSW Order/s, receive financial assistance of 40,000 leks. If the entity carries out several types of activities, only employees of the hospitality structures benefit. The government estimates that the number of beneficiaries will be 10,000 employees in 1,214 businesses operating in the sector.

DCM ON FINES FOR BUSINESSES THAT DON'T SUBMIT THE APPLICATION

This administrative measure is sanctioned in some changes and additions to the NORMATIVE ACT NO. 3, DATED 15.3.2020, OF THE COUNCIL OF MINISTERS, "ON TAKING SPECIAL ADMINISTRATIVE MEASURES DURING THE INFECTION PERIOD CAUSED BY COVID-19", AMENDED.

"Failure to submit an application by the company on behalf of its employees or former employees who are eligible to receive financial assistance during the period of the natural disaster emergency announced as a result of COVID-19, is punishable by a fine of 50,000 leks.

Entities that have given their employees or former employees full salaries will not be penalized for not applying for financial assistance. Fined entities may exercise the right to appeal to the tax administration, submitting electronically, through the e-filing portal, the causes and / or reasons for non-application, no later than 30 days from the date of communication of the fine, according to the Code of Administrative Procedures."



It was 2005 when two visionary businessmen, Antony Ouzas and Piro Karanxha, decided to create an elite dairy brand -- Gjiofarma. The strong dairy tradition of Albania's southern regions, built generation after generation, combined with the most advanced production technology, quickly conquered the domestic market and has now transcended borders to become a Made-in-Albania ambassador to the American market.

Providing a look back at the origins of the company, its consolidated presence in the domestic market and trade expansion, Gjiofarma's chief executive, Nikolla Gjoni, talks about the challenges facing the business, coping with the COVID-19 affects and company's vision for the future.

COVID-19 WAS A BLOW FOR BUSINESSES IN GENERAL. HOW WAS IT AT GJIOFARMA?

Of course, this was one of those situations that one can predict in the most conservative business plans, but no one actually expects it to happen. Unfortunately, it did happen, but, fortunately for us, this was a negative scenario for which there was a plan and many of the negative consequences were alleviated early on. First, the most valuable assets that guarantee us a competitive advantage were not affected: That's our human resources, we made sure to keep our people safe and will continue to do so even at increased costs.

Our raw materials are from organic pastures of the southern regions, and we continued with dedication, professionalism and sacrifice to support every farmer and rancher during these difficult times. We increased our credit exposure with banks with the sole aim of not leaving these people who work with us unprotected.

There are also planned investments in further improving quality and quantity of production. With small deviations from the plan, conditioned by the limitations placed by COVID-19, we have followed the investment schedule with a focus on product quality.

WAS THIS A SURVIVAL PERIOD FOR YOU, OR COULD YOU MAINTAIN NORMAL BUSINESS OPERATIONS AND OUTPUT?

In macroeconomic terms, this is a survival period for Gjiofarma too. In the short term, the business grew in volume but deteriorated in performance indicators such as cash flow; ROI; ROE, etc. The COVID-19 effects for the industries of this group will be significant in the medium and long term. The main negative factor will continue to be the impact of the pandemic crisis on the real economy, expressed by declining purchasing power, employment, production, domestic investment -- lack of liquidity, etc. Only if the state urgently takes the necessary measures proposed in detail by AmCham will there be a follow-up recovery which would make the pandemic blow

Gjiofarma

A BRAND BUILT ON A TRADITION THAT OVERCOMES BORDERS

★★★★★
NË USA PRODUKTE
GJENI GJIOFARM

Djathë Dhie

Djathë i Bardhë Dhie

Produkti Gjiofarma

Çelës e Lëndë

GJIOFARMA

gjiofarma.al

not fatal. Therefore, in any communication with the state entities, the priority should be to provide businesses with liquidity support under favorable terms and conditions for the recovery of the economy.

TAKING A LOOK BACK, HOW HAS YOUR BUSINESS PROGRESSED OVER THE YEARS? HOW DID GJIOFARMA BECOME THE RESPECTED BRAND IT IS TODAY?

Gjiofarma was founded in 2005, when two visionary businessmen, Antony Ouzas and Piro Karanxha, decided to create an elite dairy brand. The strong dairy tradition of Albania's southern regions has been built generation after generation with the famous Gjiofarma cheese -- which is made only with milk from cows who are fed in completely clean pastures that have unique varieties of more than 3,500 plants and aromatic herbs and drink crystal clear waters as well as live in mountain stalls -- providing organic milk. That was the most important cornerstone for the business, which is as difficult as it is beautiful. The factory and every investment in fixed assets was done according to the best European standards. The factory was built in a completely clean area, although far from the markets where the sales take place. This was a difficult but necessary decision to guarantee products of a European standard.

YOU HAVE SAID THAT YOU HAVE "CONQUERED" THE AMERICAN MARKET WITH YOUR PRODUCTS. HOW DOES THE EXPORT OF MADE-IN-ALBANIA PRODUCTS WORK IN AMERICA? IS IT DIFFICULT OR EASY TO GET INTO THE AMERICAN MARKET?

It would be a done job if we use the term "we have conquered the American market". And it would be a legend for the ages. The great truth is that we have conquered the hearts of Albanian-speaking consumers, and not only in the United States. We have become ambassadors bringing the best Albanian products and traditions to the world. In absolute terms, I would proudly say that Gjiofarma continues to have double-digit growth in exports to the United States, Macao and Kosovo. Here, I would not leave without mentioning the fact that Gjiofarma conveys a high sense of corporate social responsibility, we have been at all times close to those who most need help in difficult and abnormal situations. Gjiofarma has contributed to the creation of Tirana's orbital forest and provided food support for the capital's social centers. Gjiofarma's elderly care home, as well as has provided financial and food assistance to those affected by the recent earthquake and successfully implemented humanitarian projects with international organizations such as Save



ABOUT NIKOLLA GJONI?

Nikolla Gjoni is a manager with a financial background who has been a senior executive at commercial banks since January 2005, including at the American Bank of Albania, Intesa Sanpaolo Bank, Raiffeisen Bank, NoA. He moved to private business in June 2017 as CEO and shareholder of Gjiofarma. Always looking to improve his know-how has led him to have many training experiences and certifications, winning over the daily challenges with an alert and optimistic view inclined to start and win new battles. He says: "My family continues to be the cornerstone of every success in my life and in the business to which I am devoting mental and physical energy every day, leading by personal example.

I often like to repeat that: "Leadership is not about being the best, leadership is about making everyone else perform better."

the Children and Rotary International to help children and families in need, among others.

IF YOU COULD CHANGE SOMETHING IN THE BUSINESS CLIMATE THAT WOULD HELP THE SECTOR IN WHICH YOU OPERATE, WHAT WOULD YOU LOOK FOR?

In one sentence: Think global but eat/consume Albanian. I think one of the great lessons of COVID-19 was the blow that globalization took. We must first support our products because that is how we support employment, create an optimistic climate for investment, and guarantee sustainable economic growth and prosperity.

HOW DO YOU SEE THE FUTURE OF YOUR BUSINESS IN ALBANIA? IN THE REGION?

Full of manageable challenges but also blows below the belt. If we were to face only the normal challenges of doing business, we would be happy, but oftentimes there are irresponsible factors that with or without intent abuse the power they have and create a climate of pessimism in business. However, we will continue to increase our presence in other markets, and our goal is to be in Canada and in a European country with an excellent cheese tradition within this year.



Kledi Kodra,

**MANAGING PARTNER,
GRANT THORNTON**

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to pass should be factored ...

...into an entity's ECLs on a probability-weighted basis. The negative economic outlook and cash flow difficulties experienced by customers as a result of COVID-19 must be factored into an entity's forecasts of future conditions, which may result in an increase in its provision for ECLs to reflect (a) a greater probability of default across many borrowers, even those that currently do not exhibit significant increases in credit risk but may in the future; and (b) a higher magnitude of loss given default, due to possible decreases in the value of collateral and other assets. ECL applies to trade receivables, loans, debt securities, contract assets and assets arising from costs to obtain or fulfil a sales contract, as well as the losses recognised in measuring loan commitments and financial guarantee contracts. Regardless of whether the simplified approach or the 3-stage model set out in IFRS 9 is being applied to assess ECL, the impact on the ECL calculation as a result of COVID-19 needs to be very carefully assessed.

To the extent that information about the impact of COVID-19 that becomes available after the

reporting date provides more evidence about conditions at the reporting date, entities will need to revisit their estimates of ECL at the reporting date. For example, if a customer files for bankruptcy subsequent to the period end:

- an entity should consider whether the new information reflects credit conditions that already existed at the reporting date and, if so, review the loss percentage in its provision matrix for all other receivables
- an entity should consider

whether the bankruptcy is simply confirming conditions that already existed for the customer at the reporting date.

Even if estimates do not require revision, full disclosure of circumstances taken into consideration is recommended.

NEW EMPLOYEE BENEFITS AND TERMINATION BENEFITS

In response to the COVID-19 pandemic, some entities are providing additional benefits to their employees such as:

- paying them during a tem-

porary shutdown of their operations, or while they are sick or in mandatory quarantine; and/or

- providing other compensation to assist employees with working remotely.

If an entity decides to provide new benefits to its employees (ie those that were not previously offered), it must determine how to account for the benefits. The financial support or benefits offered to employees will likely meet the definition of a liability; therefore, an entity will need to consider when to recognise the liability/expense and how it should be measured.

The entity must first determine whether the benefits provided are a result of past service or if they will be provided as services are rendered because that will impact when the liability is recognised. The specific guidance in IAS 19 'Employee Benefits' must be considered when making this determination. Generally, a liability is incurred once a past transaction has occurred and the entity has lost the discretion to avoid the obligation.

Furthermore, as a result of difficult economic conditions, some entities have or will downsize their workforce. If the entity offers or is re-



Financial instruments and the measurement of expected credit losses





quired to pay termination benefits to the affected employee(s), management must consider how and when to account for the liability/expense in accordance with IFRS.

REVENUE

The revenue of an entity may decline as a result of the spread of the virus and the economic impact. If the entity's contract with the customer includes variable components (eg discounts), the entity must consider whether its previous estimates in this regard continue to be appropriate. IFRS 15 'Revenue from Contracts with Customers' provides extensive guidance around variable consideration and the related constraint. It may be necessary for an entity to begin constraining its variable revenue even if this was not considered necessary prior to the COVID-19 pandemic.

AS A RESULT OF COVID-19, AN ENTITY MIGHT:

- run a promotion in order to help maintain cash flows during temporary closure (*eg some service-based businesses, like gyms, are offering customers a discount if they prepay for future services*)
- offer refunds or credits to its customers for goods or services that cannot be used during this period of crisis (eg hotels or event venues, travel agencies, gyms), and/or
- increase the sales of gift cards that can be used at a later date when the crisis is over.

An entity should review its revenue accounting policies and estimates to make sure they are still applicable given the current circumstances.

Where goods and services have been or are being rendered to customers who are either based in regions impacted by COVID-19 or significantly impacted by it, companies will need to assess whether collection is probable while evaluating new

contracts. In the absence of such probability, companies may not be able to recognise revenue until or unless payment is received and becomes non-refundable, because such contracts are unlikely to meet the criteria to apply the normal IFRS 15 approach

Certain revenue contracts may also become less profitable, or even loss-making. For example, an entity might face penalties as a result of delays or incur increased costs that cannot be recovered due to replacing employees or finding alternative suppliers. Management needs to consider whether any contracts are in an 'onerous' position and whether a liability needs to be recognised

INVENTORY

Some entities may be experiencing supply chain disruptions. Real estate companies with inventories of under construction properties could be impacted by a fall in property prices. Seasonal inventories and perishable products might be exposed to the risk of loss due to damage, contamination, physical deterioration, obsolescence, changes in price levels or other causes. Companies would need to assess whether, on their reporting date, an adjustment is required to the carrying value of their inventory to bring them to their net realisable value in accordance with the principles of IAS 2 'Inventories'. Estimating net realisable value in such volatile market conditions may also be a challenge, on account of the uncertainties presented by the pandemic. If an entity's production level is abnormally low (eg due to a temporary shutdown of production), it may need to review its inventory costing to ensure that unallocated fixed overheads are recognised in profit or loss in the period in which they are incurred (*ie "excess capacity" should be expensed rather than being added to the cost of inventory*).

WELCOME
new members



Gruppo Koni was founded in the early 2000s in Milan, Italy. Gruppo Koni Company stands out for its quality service and its commitment from architectural design to the realization in every detail of various residential, commercial and industrial works. During its twenty years of experience, the company has had the opportunity and ability to collaborate with important partners of the European landscape, best showing the values that most characterize it: correctness, quality, speed, attention to detail and know how. These virtues, so important and fundamental for the company, were brought to Albania in 2015.

Gruppo Koni is certified in quality, health and safety management systems, by TUV AUSTRIA according to European norms:

- Quality Management System EN ISO 9001: 2015
- Integrated Management System AFTER 99: 2012
- OHSAS 18001: 2007 Occupational Health and Safety Management System

and operates mainly in 4 areas for which it is certified:

1. Architectural Design
2. Construction of residential buildings
3. Processing and Supply Thermal Aluminum Systems
4. Design and implementation of heating systems - cooling and air conditioning.

Design. Thanks to important partnerships with studios in Europe, the design team works on contemporary projects, from logistics warehouses with over 100,000 m² of surface, supermarkets of firms and various levels, residential complexes.

Processing and supply of Thermal Aluminum Systems. Gruppo Koni is one of the leading companies in Albania today in the processing of Thermal Aluminum systems for windows, Supreme windows, glass facades and ventilated facades.

By exporting a significant part of this product to Italy, important facilities have been realized in the north of Italy such as: schools, various factories, traditional and innovative supermarkets, modern villas and residential buildings.

Gruppo Koni is one of the 3 Albanian Authorized Companies Authorized as "Certified Processor for Supreme Series" by Alumil Albania, becoming an active part of the world elite market for these products of the highest level of performance and design.

Design and implementation of heating systems - cooling and air conditioning. Gruppo Koni also operates in the market as a partner of the world leader company "SystemAir" in Albania, designing, trading, and implementing heating and cooling systems, air conditioning and air treatment from residential to commercial and industrial levels, with combined plants and chillers of sizes over 1000 Kw, all this in accordance with contemporary standards and rigorous certification of TUV AUSTRIA.



[BoA inhibits gold purchase - The first three months of the year in stagnation, even pandemics do not "seduce" - Scan-tv.com](#)

The Bank of Albania has continued throughout the period of pandemic the strategy of curbing the purchase of gold, after a year in "attack". Throughout the past year, the Bank of Albania has doubled its foreign gold reserves, from 58m euros to about 120m euros, or about 2.5 tons of gold. Data from the first two months of the year spoke of a fairly slight fluctuation, which is most likely due to fluctuations in the price of gold in global markets rather than the effect of bank moves to buy or sell gold bars.



[Eurobond 650 million euros in June, Denaj: The economy will fall 5%, we increase the deficit - A2news.com](#)

The economic downturn this year will approach -5%,

COVID-19

according to the Albanian government, which could require a further increase in the budget deficit and consequently the borrowing. The Minister of Finance, Anila Denaj, reflected on the crisis situation caused by the pandemic, during the report to the Law Commission, where the borrowing of 139.3 million SDR from the IMF was discussed, a draft law which was approved this Tuesday by the Parliamentary Committee on Economy.



[The Economy Commission proposes a new agreement with the IMF due to the earthquake situation and Covid 19 - Monitor.al](#)

The Committee on Economy and Finance asked the government to approve a new agreement with the International Monetary Fund due to the economic situation created by the pandemic. Socialist Party MP Anastas Angjeli, who is also the secretary of the Commission, told Minister

Denaj that a new agreement should be considered with the IMF to better manage public finances, after the earthquake and the coronavirus.

[Albanians "forget" the fear of coronavirus, the main concern now is the economy - Monitor.al](#)

With the expansion of the list of businesses allowed to operate and the removal of the "exit permit", it seems that Albanians are gradually returning to normalcy. Following the surveys conducted during the COVID-19 situation, IDRA has launched another survey on the IDRApoll.com platform regarding the greatest concern that accompanies Albanians in this new "normal life".



[7% of employees receive "the wage war" - Small Business / Nasto: Procedures are disqualifying, economic epidemic - Scan-tv.com](#)

While it was predicted that 100 thousand small business employees would benefit from the payment of 40 thousand ALL made available by the government to mitigate the consequences of COVID-19, so far only 7 percent of them have benefited. In an interview with SCAN, the head of the Small Business Association, Albert Nasto, said that the procedures and criteria set by the government are disqualifying.

[Businesses: Blocking measures should be removed as soon as possible - tvklan.al](#)

Businesses demand the normal return of the entire map of the country and the full capacity operation of all businesses. Gjergj Buxhuku, administrator of Confindustria, says that although some sectors of the economy have been liberalized, restricting schedules is bringing more losses to them than income. He explains that operating, workshop and supply costs are higher than sales.

[Sovereign Guarantee 2, suspension process, not yet signed agreements with banks - A2news.com](#)

When two weeks have passed since the government's decision on the second line of sovereign credit guarantee for businesses was approved, it has not yet been implemented. Sources from the banking system suggest that the government has not yet signed agreements with all banks, preventing the launch of applications by enterprises.