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17 Jul 2002

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B1, 1.5(B), 1.5(D)

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ACTION EB-00

INFO	LOG-00	INLB-01	AID-00	CEA-01	CIAE-00	CTME-00	INL-01
	OASY-00	DODE-00	SRPP-00	EUR-01	EXIM-01	E-00	FRB-00
	H-01	TEDE-00	INR-00	ITC-01	LAB-01	ADS-00	NSAE-00
	NSCE-00	OMB-01	OPIC-01	CIO-00	SP-00	SSO-00	SS-00
	STR-00	USIE-00	SA-01	SNIS-00	NISC-00	DRL-09	G-00

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P 180856Z OCT 96
FM AMEMBASSY TIRANA
TO SECSTATE WASHDC PRIORITY 0631
INFO DEPT OF TREASURY WASHDC
USDOC WASHDC
AMEMBASSY ATHENS
AMEMBASSY BELGRADE
USEU BRUSSELS
AMEMBASSY BUCHAREST
AMCONSUL MILAN
AMEMBASSY ROME
AMEMBASSY SKOPJE
AMEMBASSY SOFIA
AMCONSUL THESSALONIKI
AMEMBASSY ZAGREB

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STATE FOR EB/IFD

STATE ALSO FOR EUR/SCE -- LUNDBERG AND NEHER

STATE PLEASE PASS AIDEN

USDOC FOR 4232/IEP/EUR/EED/CCHUBB

MILAN FR AGATT HIGGINS

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E.O. 12958: DECL: 10/09/2006

TAGS: EFIN, AL

SUBJECT: GOA MAKES FIRST PUBLI STATEMENTS ON INFORMAL
"BANKING" SECTOR

REFS: A) TIRANA 2270 B) TIRANA 1844 C) TIRANA 1868
D) TIRANA 2105 E) TIRANA 2060 F) TIRANA 1742

1. (U) [REDACTED] BY DCM -- ROBERT F.
CEKUTA; REASON: 1.5 (B) AND (D).

SUMMARY

2. (C) ON TWO SUCCESSIVE NIGHTS SENIOR GOA FINANCE
OFFICIALS WENT ON ALBANIAN TELEVISION TO DISCUSS THE
COUNTRY'S "INFORMAL BANKING" SECTOR. THESE
APPEARANCES, BY FINANCE MINISTER RIDVAN BODE FOLLOWED
BY CENTRAL BANK GOVERNOR KRISTAQ LUNIKU, MARK THE FIRST
TIME GOVERNMENT OFFICIALS HAVE GONE PUBLIC ON THE
ISSUE. BODE AND TO A LESSER EXTENT LUNIKU

[REDACTED]

[REDACTED]

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CONCENTRATED ON THE EXTREMELY HIGH INTEREST RATES THE
PYRAMID SCHEMES NOW COMPRISING MUCH OF THE SECTOR PAY
THEIR "DEPOSITORS" AND HOW TO BRING THE OPERATIONS
UNDER THE COUNTRY'S BANKING LAWS. THE HEADS OF SOME OF
THE BIGGEST SCHEMES ALSO WENT PUBLIC, INTIMATING
CHANGES TO THE INTEREST (BOTH UP AND DOWN) THEY PAY
THEIR DEPOSITORS. THE RESULT WAS PUBLIC CONCERN, BUT
NO PANIC. END SUMMARY.

UNUSUALLY FRANK STATEMENTS

3. (C) ON OCTOBER 7, FINANCE MINISTER RIDVAN BODE WENT
ON NATIONAL TELEVISION TO SAY THAT THE EXCESSIVELY HIGH
INTEREST RATES (IN SOME CASES, 25 PERCENT AND MORE PER
MONTH) PAID BY THE PYRAMID SCHEMES IN ALBANIA'S
INFORMAL BANKING SECTOR SHOULD BE CURBED. BODE WENT SO
FAR AS TO SAY THE HIGH RATES RAISE DOUBTS ABOUT THE
ORGANIZATIONS' ABILITIES TO REPAY THEIR CREDITORS. THE
NEXT DAY, CENTRAL BANK GOVERNOR KRISTAQ LUNIKU SAID THE
CENTRAL BANK WAS WORKING TO "ACCELERATE" THE PROCESS OF
LICENSING THE BIGGEST OF THE SCHEME OPERATORS AS

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PRIVATE BANKS.

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4. (C) THE STATEMENTS FOLLOW MEETINGS BETWEEN GOA

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[REDACTED]
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FINANCE OFFICIALS AND THE IMF IN WASHINGTON WHERE,
ACCORDING TO PRESS REPORTS, THE ALBANIANS CAME UNDER
HEAVY PRESSURE TO REIN IN THE SECTOR'S OPERATIONS AND
EVEN TO INITIATE AN INVESTIGATION OF IT. BOTH THE FUND
AND THE WORLD BANK HAVE SAID THEY FEAR IMMINENT
COLLAPSE OF THE SCHEMES WITH SERIOUS CONSEQUENCES FOR
THE ALBANIAN ECONOMY (REFS B-F).

THE OPERATORS GO PUBLIC

5. (C) THE HEADS OF THE LARGEST OF THE SCHEMES MADE
THEIR OWN PUBLIC STATEMENTS ABOUT THEIR OPERATIONS'
OUTLOOKS. FIRST VEHBI ALIMUCAJ, HEAD OF VEFA HOLDING
COMPANY AND THE LARGEST SCHEME, HELD A PRESS CONFERENCE
DURING A FOOD AND AGRICULTURE EXPOSITION OCTOBER 3. IN
IT ALIMUCAJ SAID VEFA SEEKS TO BE LICENSED AS A PRIVATE
BANK AND, IF VEFA SUCCEEDED, IT WOULD BE OBLIGED TO
LOWER INTEREST RATES. SHORTLY THEREAFTER, FERDINAND
KAMBERI, HEAD OF THE KAMBERI COMPANY, CALLED ON HIS TWO
BIGGEST COMPETITORS, VEFA AND GJALLICA, TO AGREE THAT
THEY ALL WOULD HALVE THEIR INTEREST RATES EACH MONTH
FOR THE NEXT SEVERAL MONTHS. WHILE NO ONE TOOK HIM UP
ON HIS OFFER, KAMBERI'S STATEMENT STIRRED SUDJA, THE
SO-CALLED "GYPSY WOMAN" WHO OPERATES ONE OF THE "BIG

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-----717AF9 180904Z /38

P 180856Z OCT 96
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 TO SECSTATE WASHDC PRIORITY 0632
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E.O. 12958: DECL: 10/09/2006

TAGS: EFIN, AL

SUBJECT: GOA MAKES FIRST PUBLIC STATEMENTS ON INFORMAL
"BANKING" SECTOR

FOUR" SCHEMES, TO BLAST "THE AMERICANS," MEANING THE
IMF AND ITS REPORT, AND, ON OCTOBER 9, TO RAISE HER

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MONTHLY RATES FROM 10 TO 16 PERCENT. THE SAME DAY, KAMBERI RAISED HIS MONTHLY RATE FROM 8 TO 10 PERCENT, DESPITE HIS EARLIER CALL FOR LOWER RATES.

6. (C) SENSING THE DISTRUST RUNNING THROUGH THE COUNTRY FOLLOWING BODE'S REMARKS, VEFA'S ALIMUCAJ AGAIN WENT ON NATIONAL TELEVISION OCTOBER 9 TO GIVE A LENGTHY RECITAL OF THE COMPANY'S INVESTMENTS THROUGHOUT ALBANIA. HE CITED A BREWERY, A FEW SUPERMARKETS, A WOOD-PRODUCTS PLANT, AND SOME TOURIST FACILITIES WORTH, HE SAID, ABOUT USD 6 MILLION. HE ALSO NOTED VEFA'S IMPORT-EXPORT ACTIVITIES WORTH "TENS OF MILLIONS OF DOLLARS." ALL THESE ACTIVITIES, HE SAID, "ARE A GUARANTEE FOR US TO PAY BACK OUR CREDITORS." MEANWHILE, VARIOUS ESTIMATES OF VEFA'S PYRAMID DEPOSITS RANGE FROM USD 100 MILLION TO USD 600 MILLION (REF E).

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PUBLIC REACTION

7. (C) ACCORDING TO NEWS ACCOUNTS, AS MANY AS 800,000 ALBANIANS, ALMOST HALF THE COUNTRY'S ADULT POPULATION, HAVE DEPOSITED MONEY IN THESE SCHEMES. ON THE MORNING OF OCTOBER 12, AN EMBASSY FSN SPOKE WITH PEOPLE STANDING IN LINE TO DEPOSIT MONEY WITH VEFA. OF THOSE WILLING TO TALK, MOST EXPRESSED SOME UNEASINESS AS A RESULT OF BODE'S STATEMENT BUT FELT REASSURED BY THE SCHEME OPERATORS' SUBSEQUENT STATEMENTS AND THE FACT INTEREST CONTINUED TO BE PAID. SAID ONE MAN: "I WAS SCARED TO DEATH WHEN I WAS TOLD ABOUT WHAT MR. BODE SAID ON TV...I THOUGHT MY END HAD COME AT THAT MOMENT. NEXT MORNING, I CAME HERE AND SAW THE OTHER PEOPLE WERE AS ALWAYS GETTING THEIR INTEREST RATES. WHAT THEY TOLD ME WAS NOT BAD, SO I FELT COMFORTABLE." HE SAID HE WAS IN LINE SINCE "IT'S MY FAMILY PAY DAY." A WOMAN SAID SHE WAS AFRAID AFTER BODE'S TALK BUT ADDED, "AFTER I GOT THE REGULAR INTEREST RATE I FELT MORE OPTIMISTIC. EVERYONE SAYS NOT TO WORRY, EVEN MY NEIGHBORS, WHO HAVE PUT HERE MORE THAN 2 MILLION LEK (USD 19,000). BUT I DON'T KNOW. GOD KNOWS."

8. (C) ONE MAN DISCUSSED THE CLOSE ASSOCIATION MANY ALBANIANS BELIEVE EXISTS BETWEEN VEFA AND THE GOVERNMENT: "WHAT THEY SAY ON TV DOES NOT SURPRISE ME."

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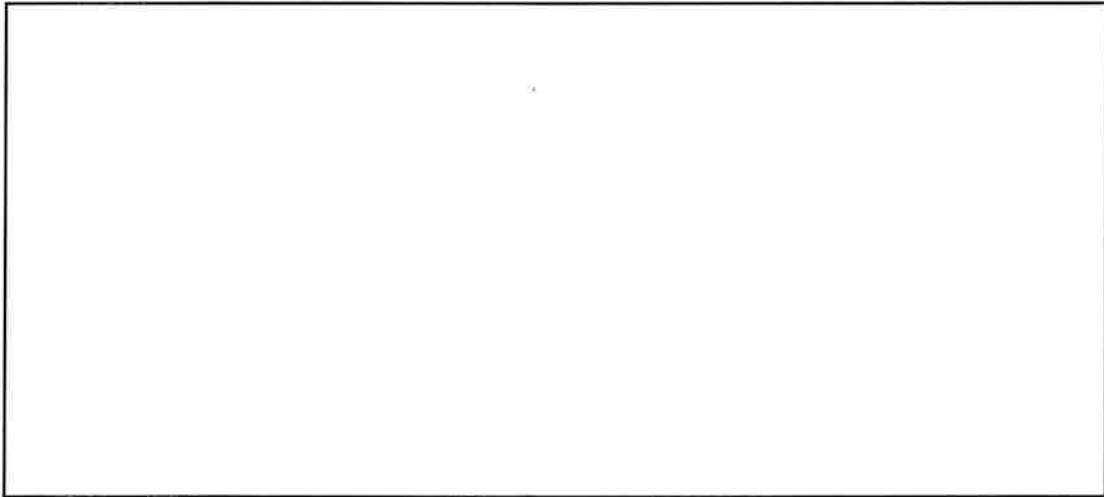
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IT HAS NOTHING TO DO WITH VEFA. VEFA IS ALBANIA. IF
VEFA GOES BANKRUPT THERE WILL BE NO GOVERNMENT, NO
ALBANIA. I HAVE HERE A LOT OF MONEY, MINE AND ALSO OF

[REDACTED]

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MY TWO SONS WHO WORK IN GERMANY." SOME PEOPLE ACCUSED
THE NEWS MEDIA, PARTICULARLY THE ANTI-GOVERNMENT DAILY
"KOHA JONE," OF TRYING TO SCARE PEOPLE. BUT ONE
ELDERLY MAN HAD HIS OWN ANSWER: HE HAD DIVERSIFIED HIS
INVESTMENTS AMONG VEFA, GJALLICA, AND SUDJA. "IF THE
WORST HAPPENS, SOMETHING WILL BE LEFT FOR ME TO
SURVIVE," HE SAID.



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Exemption Category

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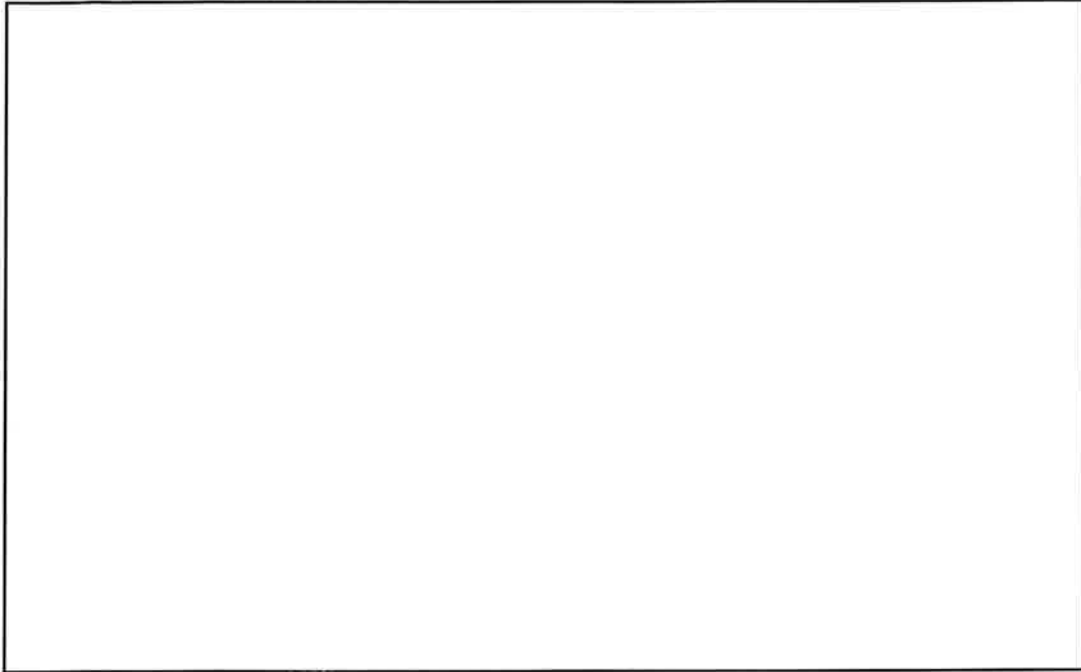
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