



SPI Albania Monthly Activity Report July 2009

I. SPI Albania Activity Highlights

The most important July achievements are:

- **Reducing Cash Transactions** – After approval by the SPI committee of the final PWG recommendation document, SPI Secretariat started working on a supplementary note for the tax impact of the reduction on cash in the Albanian economy as an adequate tool for a direct briefing of Ministry of Finance by the Project Management Team.
- **Liquidity Risk Management** – After the third PWG meeting, where the PWG members discussed the final revised articles of the reviewed draft proposal of the new regulation, SPI Secretariat drafted the final PWG recommendations for PWG approval.
- **Debt Procurement** – The PWG members met for their second PWG meeting to discuss the SPI Secretariat prepared documents highlighting the definition of ‘financial services’ as a key issue for the success of this project

II. Detailed Project Activities

1. Debt Procurement

PWG members met in their second PWG meeting which led to the following results:

- The PWG discussed and approved the Note on Advisory, Technical and Other Supporting Services Associated with Albania's Debt borrowing. In the current context foreign borrowing has gained momentum due to the access the country has gained to international financial markets. It is also part of the government strategy to reduce domestic debt and increase foreign borrowing as outlined in the Public Debt Strategy. The PWG, in addition, suggested extending the concept not only to foreign debt but to debt in general, in order to prevent any similar problems in the future but that won't be necessarily related to foreign versus domestic debt.
- Similarly the PWG discussed the Note on International Experience which describes the experiences of other countries in dealing with advisory, technical and other supporting services in connection with debt borrowing. The aim of analysis of the international experience is to understand if the said services related to debt contracting are part of public procurement procedures and if not how other countries have solved the issue. The countries analyzed are: Bulgaria, Former Yugoslav Republic of Macedonia, Italy¹, Romania, Slovenia, Turkey and Serbia². Upon PWG suggestion, SPI Secretariat will explore the possibility to include also data from Slovakia which was another interesting country to explore in the context of this project
- The PWG members the Drafted Scoping of the Problem Document. The objective of this document is to help the PWG better understand if the cause of the problem is related to a market/regulatory failure and if this is the case for regulatory intervention. The international experience has shown that strictly defined laws are not the best alternative to provide for the regulation of debt contracting, thus leaving much space for the relevant authority to regulate this process through its institutional legislation such as the foreign and domestic borrowing law. Based

¹ The experiences of Bulgaria, Former Yugoslav Republic of Macedonia were prepared through interaction with the Ministries of Finances of the respective countries. The experience of Italy was prepared through interaction the Italian Banking Association.

² The experiences for Romania, Slovenia, Turkey and Serbia were extracted from the Memo prepared by the Albanian Legal Studio Kalo & Associates for SPI Albania.

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on this information the PWG agreed to consider option 2 as the most suitable alternative given the context and analysis conducted so far.

- The PWG members discussed the [first proposal](#) to amend the current regulatory framework serving the purpose of the project, while considering the conflict created between the two laws (Public Procurement and State Borrowing Law) by regulating the environment for procuring advisory, technical and other services associated to debt contracting. PWG members suggested that in the light of information that the SPI Secretariat will gather on international/ European experiences, the former to be amended and re-introduced for approval.
- The PWG members discussed and approved the [Qualitative Analysis document](#) that highlights the effects of improving procuring environment for said services

III. Other SPI Activities

- The accomplishments of the SPI Albania project on Auction Procedures Project are captured in an [IFC SmartLesson](#).
- SPI Regional Operations Director Mrs Ramona Bratu has concluded her mandate after a full year of immense support to SPI Albania's activities. The SPI Committee Members have sent a [thank you letter](#) acknowledging Mrs. Bratu's contributions. The SPI Community wishes her success in all future endeavors. Her successor is Mrs. Greta Minxhozi, Senior Operations Officer, World Bank Tirana Office.

IV. Highlights of Expected August Activities

- **[Cash Transactions](#)**: SPI Secretariat will conclude the amendment on Tax Impact to the PWG Final Recommendation
- **[Execution of Bank Accounts](#)**. SPI Secretariat will recruit the PWG members and start organizing the documents for the first PWG meeting.
- **[Liquidity Risk Management](#)**. SPI Secretariat will gather the final approval for the PWG Recommendations and collect the Project Evaluations from the participating PWG members.