



Lessons Learnt from Indicator-Based Assessment

Experience of Albania



World Bank Treasury



ECONOMIC POLICY AND
DEBT DEPARTMENT

Sound Economics for Growth and Poverty Reduction



Presentation Outline

- Background
- DEMPA Diagnostic: process and results
- Lessons learnt



Background: General

- IDA only until FY-06
- Blend since FY 07
- IBRD only as of next FY (09)
- 3.1 million people, \$2,900 GDP/cap
- Fast growing (avge 5-6%)
- 18.5 % headcount poverty rate
- Transition country since 1991
- Potential EU candidate country
- Financing for development: a major challenge

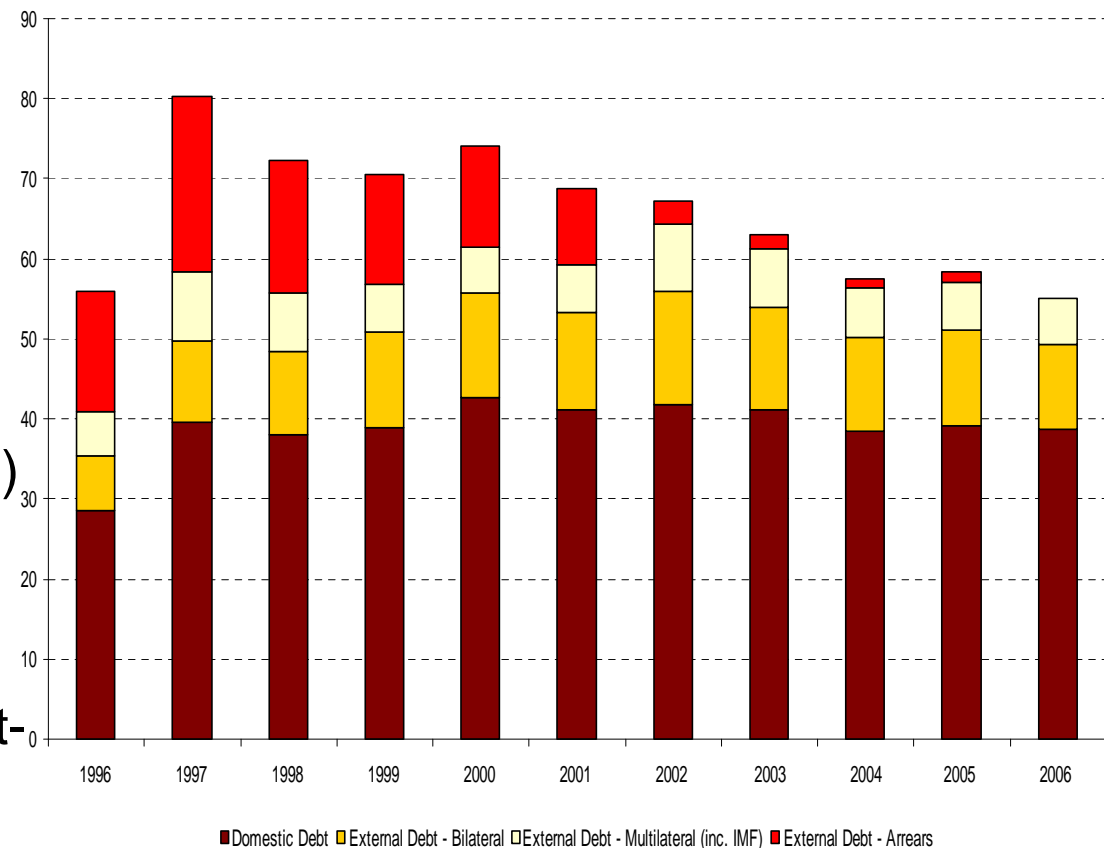




Background: Debt

- 55% of Debt to GDP ratio
- Largely concessional (around 70%)
- but increasing share of non-concessional borrowing (ceiling under IMF PRGF-EFF)
- Mostly fixed rate debt
- 70% of debt is domestic: short-maturity, and concentrated holder base
- Limited instruments
- Credit rating B1 (Moody's)

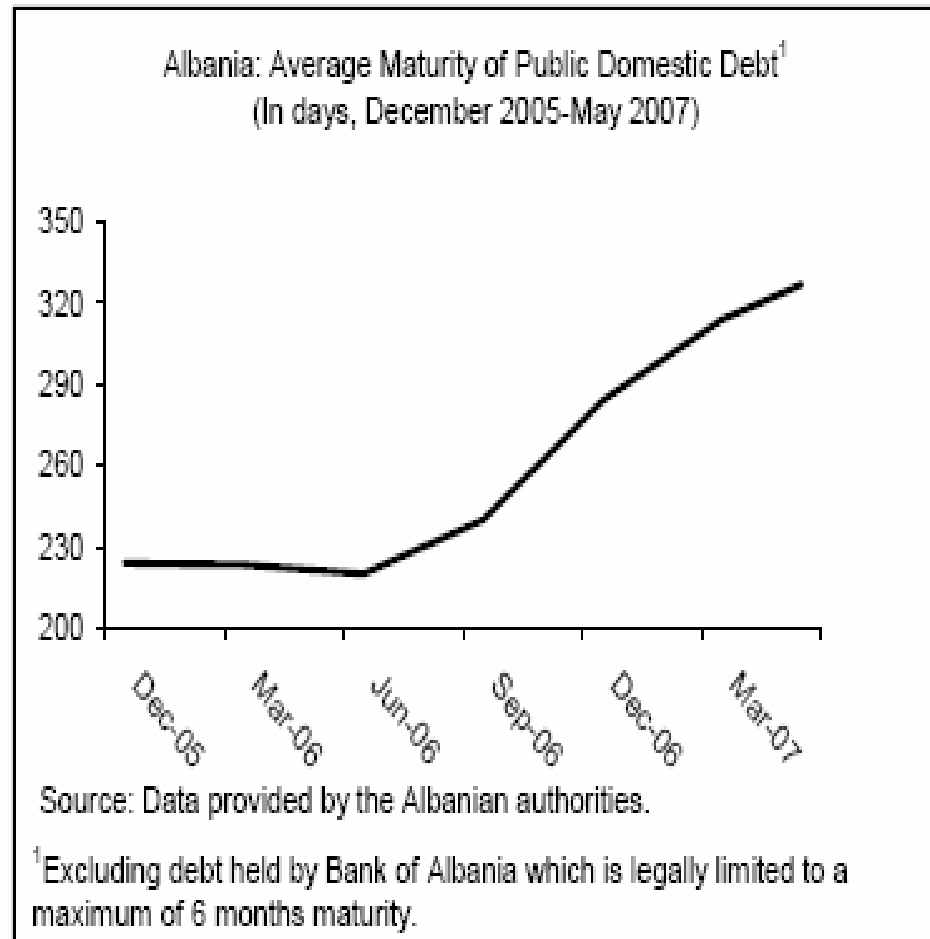
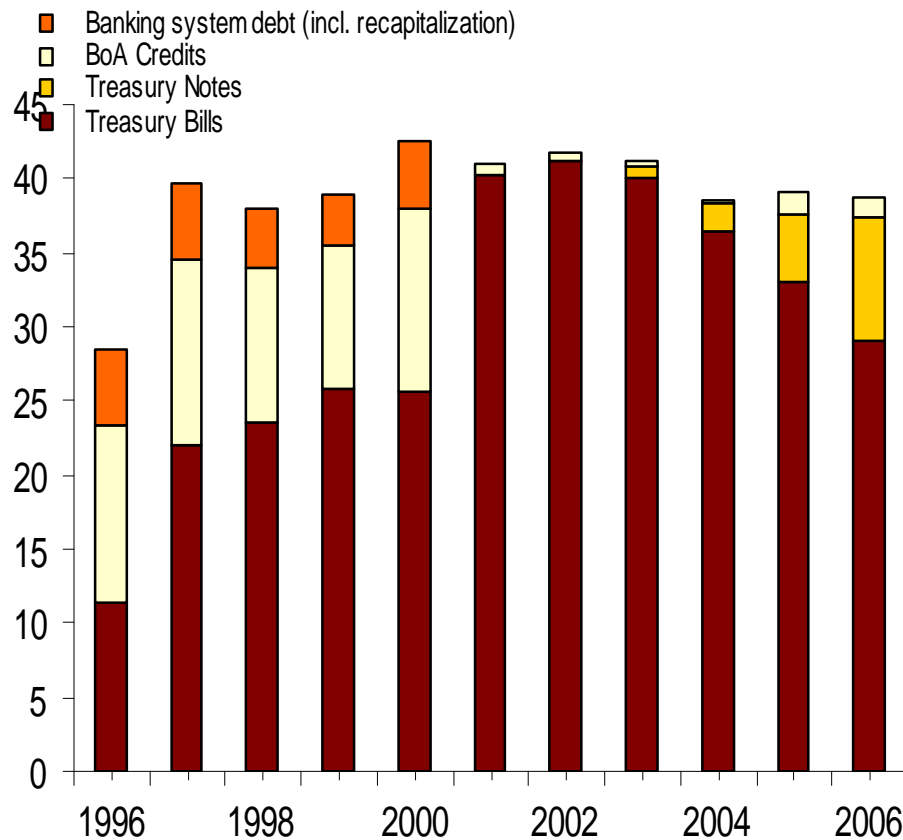
Evolution of Public and Publicly Guaranteed Debt Stock (% of GDP)





Background: Debt (continued)

Size and Composition of Albania's Domestic Public Debt (% of GDP)





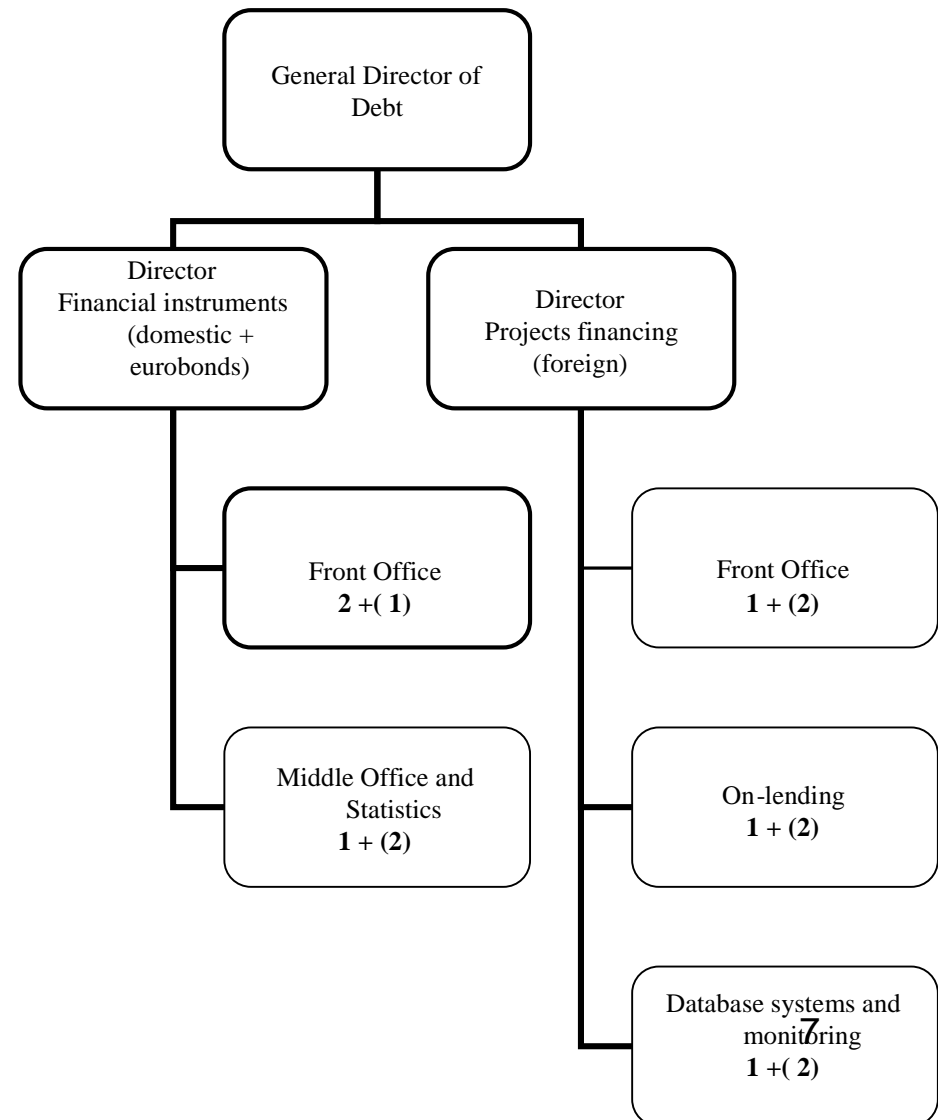
Highlights of debt management strategy

- Requirements of a stable macroeconomic framework under the IMF PRGF-EFF:
 - Deficit financing rules/limits on net domestic borrowing
 - Limits on non-concessional borrowing
- Reduction of domestic debt/GDP ratio and net domestic borrowing/GDP
- Increase the share of external debt
- Lengthening of domestic debt maturity profile
- Use of new debt instruments and enlargement of investors' base



Debt Management Institutional Set up

- Debt Management Office at MoF
- No Director General
- Staff: 6 people with potential recruitment of additional 9
- Fragmentation of databases
- Capacity to manage operational risk is very low
- Limited training





DEMPA: Process and Timeline

- Albania designated as a pilot in February 2007
- Mission in April 2007: DeMPA + quick review of organisational structure
- Draft report assessment shared and discussed with the authorities
- Feedback/comments from the MoF in June 2007
- Revised Final Draft in July 2007



Summary of DeMPA results

Albania scores well in

- i. Governance: legal and institutional framework for debt management, and debt management strategy.
- ii. Loan administration and payments
- iii. Domestic borrowing (transparency and communication with the market)

Minimum requirements were met:

- (i) co-ordination with macroeconomic policies,
- (ii) loan guarantees and on-lending,
- (iii) management of cash balances,
- (iv) debt reporting, and
- (v) auditing.



Summary of DeMPA results

Deficiencies were found in the areas of:

1. Cost and risk assessment of external borrowing

- Assessment of cost/benefit of borrowing terms
- Availability and quality of documented procedures

2. Organizational structure

- Separation of duties and presence of risk monitoring function

3. Staff capacity

4. Debt database

- Accuracy and completeness of recording of CG domestic, external & guaranteed & other transactions
- Secure environment with control of authorities.



Focus of potential future DM support

Follow up by the Country team on DeMPA results with the authorities → Collaboration between PREM and WB Treasury (BDM)

1. Provide guidance on structure and functions of the newly created General Debt Management Department: internal organization/and staff requirements...
2. Reform Plan for capacity building and implementation of key priority reform measures
 - mapping of the business/transaction processes/flows to reduce the operational risks and to prepare for procurement of a new integrated debt management system,
 - prepare user requirements for such system,
 - draft a domestic debt development plan (yield curve building, etc),
 - Development/update of debt management strategies, and
 - human resource development program for the new General Directorate (training plans, allowances, top-ups, internship programs, etc)



DeMPA vs. other diagnostics

- Provides a good performance measurement framework
- Quick turnaround
- Complements IMF diagnostics
- Coverage vs.. depth tradeoff
- Allows the authorities to identify key weaknesses and establish priorities for reforms
- Provides a blueprint for design of future operation



Lessons learnt from DeMPA mission

- Ensure complementary with other diagnostics (IMF...) → coordination, use of documentation, feedback..
- Critical importance of obtaining **documentation** to substantiate the information gathered during interviews
- Frontloading meetings to provide sufficient time for analysis and to identify gaps,
- Ensuring access to a key member of the principle GDM entity throughout the mission,
- logistical support from the World Bank Country Office
- Some **imprecision or difficulty in measuring** certain indicators



Thank you!

Contact information:

amoubayed@worldbank.org