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Draft Document for PWG discussion*

SPI Albania Project on Revising the Debt Contracting Regulatory Framework

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Cost Benefit Qualitative Analysis

In the framework of SPI Albania Public Procurement Project, a proposal has been made to amend the current regulatory framework in order to regulate the environment for procuring advisory, technical and other supporting services. Therefore, SPI Secretariat is conducting a cost-benefit analysis that highlights the effects of improving procuring environment for said services.

According to the analysis, the Ministry of Finance, Public Procurement Agency, banks and investors representing the regulated authorities will not incur any human resources or infrastructural costs. The only costs incurred for the Ministry of Finance and/or Public Procurement Agency will be transaction costs during the procurement process of advisory, technical and other supporting services.

In considering the benefits for the authorities the analysis shows that the access to foreign borrowing will improve, investments increase and this way the Government can meet its financing needs on time. Another benefit for the Ministry of Finance is that its capacities are built as the contracting skills and power are improved. Also, the budgeting process management is improved due to allocation of the funds for procuring such services at the beginning when the draft budget is prepared.

Another benefit for the authorities is that the transparency on the usage of public funds will increase, building confidence among all interested parties. On a macro level, as a result of investment increase the economic development is stimulated.

For the banks and investors a regulated environment means business development. It also helps stimulate the provision of more advanced financial services by local banks and professional service firms with positive spillover effects on activities with other bank clients.

For the consulting firms, regulating the procurement environment for said services, means higher competition making them improve their service product offering, leading to business development.

For consumers as taxpayers for debt repayment regulating the procurement environment of the services associated to debt borrowing means transparency and better use of their taxes.

Authorities according to the analysis might have to incur higher costs due to more resources allocated for the procurement of various services for meeting Government borrowing needs.

In total the benefits brought by regulating the procurement environment through amending relevant law for advisory, technical and other supporting services associated to debt borrowing contracting process would exceed the additional costs for authorities.

If in this model we consider all of the above main categories of the economy actors, then overall Albanian economy will have higher net benefits from the improvement of procurement environment for services related to debt borrowing.