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October 8, 2019

Mr. Arben Ahmetaj
Chairman
Parliamentary Commission for Economy and Finance
Tirana, Albania

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Dear Mr. Ahmetaj,

*Albania: World Bank Group Comments on the revised
Albanian Investment Corporation Draft Law*

We have learned from various public sources that the Government of Albania has approved a revised draft of the law on the Albanian Investment Corporation (AIC) and submitted it to the parliament, following a period of commenting and consultations. The World Bank and IFC team did also provide comments on April 3rd in response to your request.

While some changes should be commended as regards to independence of the supervisory board and criteria for appointment of supervisory board and advisory board members and making AIC subject to public procurement rules for projects financed by the state budget, we note that the majority of our original comments and concerns still stand. Below are the most important ones for your consideration:

- We remain concerned with the overly broad mandate of the AIC. No meaningful changes have been made in that respect. The AIC still appears to be two, or even three, organizations in one – a development finance institution, and originator and implementer of development projects, and the manager of state property. These are very different roles which require very different skills sets, systems and processes.
- The proposed governance, supervision and regulatory arrangements need further strengthening. While the law sets out some good principles, their application is generally lacking, and some key issues are not addressed. AIC would be a financial institution, but the law makes no mention of financial regulation and supervision arrangements. Given its potential size and the associated risks, this is an important concern.
- As to fiscal and financial implications: The AIC's debt is still likely to carry an implicit government guarantee. In addition, the law makes almost no mention of financial and risk management requirements, and the monitoring and evaluation requirements are weak.