

THE STRATEGY FOR RESOLVING THE ISSUE OF THE INHERITED FOREIGN DEBT OF ALBANIA

Introduction

Receiving credit lines from abroad makes it possible for a country to invest and consume more than the Current Domestic Production allows. This has an impact in the finance and capital generation not only mobilizing the internal savings, but also using the savings of countries with excess in capital. Borrowing from abroad brings into fast growth. Anyway, if a country receives credit from abroad, the management of the debt must be one of the main policies. An improper and excessive external debt creates obligations for the debt management that also creates difficulties for establishing the economical policies in the future and for the economical growth.

This is one of the reasons why the management of the debt has been one of the priorities of the Economic Program of the Government beginning from 1997. The objective of the Debt Management Policy is to achieve the benefits of the foreign credit lines without creating difficulties in the macroeconomic stability of the trade payment balance. This goal will be achieved by means of a program that is being implemented in the Ministry of Finance and will be further extended in two other institutions that are connected to the External Debt, the Bank of Albania and the Ministry of Economic Collaboration and Trade. This is the goal that the Albanian Government is attempting to achieve and it is included in the agreement ESAF between the Albanian Government and the IMF, as well.

In this content, the resolution of the issue of the External Inherited Debt of Albania to foreign creditors up to 1992 will be one of the objectives of the job. This will not only accomplish with the obligations of the Albanian Government according to the Agreement ESAF, but also will strengthen the overall collaboration with the European and other countries.

Background

Despite the fact that, based on the former Constitution, Albania could not get credit lines from abroad, it entered in a goods exchanging relationship with the European and other countries, mainly socialist ones.

obligations deriving from some credits given to the Albanian Government (or being guaranteed by this

In the new Economic Program of the Government arising from the elections of 1997, the solution of these problems was set as an objective. The first step was the recreation of the Comm

Albanian Government represented from the Ministry of Finance, would have been created. The House of Parliament approved the Moratorium with the law No.____, dated _____. The Moratorium affects only the unpaid duties of the former foreign trade enterprises general date to 31/12/1998. According to the Moratorium all the Civil Court matters in judgement

Arrangement ESAF II with the IMF gave to Economical Program of our Government.

In this point of view this procedure are finally realized, considering also the objectives that we have made for this purpose at the Arrangement ESAF II. So the contacts with the Secretary-ship of the Paris Club are achieved from this February and finally the Paris Club at his reunion of July 22 1998, when participate 16 creditor countries, considering the request of the Albanian Government, the macroeconomic situation, the economic reforms program supported at the Arrangement ESAF. Approve Reference Terms for the reduction and the reorganization of the Albanian foreign debts with the countries members of the Paris Club.

3) Consolidation of the differences of the foreign debts with the official representatives of the foreign creditors. One of the most important steps that goes before the solution of the Initial Foreign Debts Problems is also the consolidation of this debt with the proper authorities. This is achieved by:

I the creation of the expert group from the Finance Ministry and the Albanian Bank and also experts from other financial institutions, only in the cases that this institutions possess proper documents or have execute other Arrangements.

II the exact definition of the object of the consolidation of the Foreign Debt that derive:

- As a result of the application of the Arrangements in the occasion of the commercial exchange between Albania and other countries.
- from the unguaranteed and unconfirmed import-export transactions, made by our enterprises of the foreign business with the foreign companies.
- In the occasion of the achieved arrangements made between Albanian Banks as representatives of our country. And other Foreign Banks
- From the import-export transactions guaranteed from the international organisms or from the institutions of the Albanian Government.

This debt will include only the obligations ascertained or requested that refer to all the operations made until December 31, 1992

III For the consolidation of the deposited debt according to the cases mentioned before as basic documents we will receive the documents specified from the proper institutions that really connect with the Foreign Debts, that are the Finance Ministry, and the Albanian Bank. These will be approving by the Committee.

4) The references term for the solution of the Foreign Debt. The most difficult but also the most important moment is the conclusion of the bilateral arrangements for the reschedule of the Foreign Debt with every creditor. The security of the facilities of the Debt and the terms of the payment are depended from the macroeconomic conditions in which is our country. That's why our country with a limited quantity of incoming requests a special treatment for the preparation and application of the Reference Terms, for the solution of the Foreign Debt. The solution of the problem of the Foreign Debt is focused according two viewpoints:

I concerning the solution of the Foreign Debt to the members of the Paris Club. Considering the fact of the need of the facilities to the solution of the Foreign Debt, for the countries that have the level of the incoming very low, where is include also our country, are applied some options from the Paris

The detailed arrangements for the reschedule or the funding of the Foreign Debt will be followed by other bilateral arrangements which will be concluded from the government or from the proper institutions of every creditor country, with the Albanian Government that is represented from the Negotiating Committee of the Foreign Debt., according to the following principles:

1)-The governments of every creditor country (member of Paris Club) or their proper institutions:

- We have to fund the debts, putting Albanian Republic disposal some new funds in basis of the existence schedules of payments. This may be achieved during the period of the organization. This fund will be paid by the Albanian Government in basis of the conditions defined by the ToR (Reference Terms)
- or we have to reschedule the correspondent payments

2) All the other issues related to the reschedule or the funding of the Foreign Debts will be clarified in the bilateral relationships between the governments of the creditor countries, other proper institutions, with the Albanian government. This must be ended until June 30 1999

3) Is determined from the Paris Club, that other representatives of the creditor countries as Russia and Italy and Albanian Government agree to recommend to their Governments or their respective institutions that bilateral negotiation start as soon as possible and based on the principles mentioned above.

In any case, all the achieved agreements after the bilateral negotiations, before their signing will be presented for approval at the Council of Ministers and then ratification at the Parliament.