



## SPI Albania Monthly Activity Report February 2009

### I. SPI Activity Highlights

The most important February achievements are:

- **The building- up of the 2009 SPI Albania Activity Program.** The consultation process for building up SPI Albania 2009 activity program was based on a [questionnaire](#) centered on addressing policy objectives set out by the Governor of Bank of Albania in the two 2008 Banking Forum meetings. SPI Secretariat approached 20 local public and public institutions, out of which 15 answered, and 5 international donors and gathered 40 project proposals, out of which 10 were selected for the 2009 Program.
- **New project on [Enhancing Banks' Liquidity Risk Management](#).** According to Bank of Albania's project proposal and based on the documentation provided by the Supervision Department, SPI Secretariat drafted the project [Terms of Reference](#) and asked for SPI Committee's approval. The project on banks' liquidity aims at reviewing the current regulatory framework according to international guidelines and best practice, including introduction of quantitative prudential ratios, in order to prevent the occurrence of systemic liquidity difficulties.
- **SPI Albania Secretariat has a new member.** Ms. Endrita Xhaferaj, the new SPI Albania Director, Financial Modernization Program and Analytics, joined SPI Secretariat after more than 7 years of experience in several Bank of Albania Departments. Ms. Xhaferaj will be responsible for the analytical activities of SPI Albania Projects, replacing Ms. Elona Bollano.

### II. Project Activities

#### 1. Reducing Cash Transactions

The project has progressed in February:

- SPI Secretariat collected and aggregated the responses of the cost-benefit questionnaires sent to the banks and prepared the [report on the summary findings](#). Unfortunately, this project didn't enjoy a strong cooperation from the banking community and only 6 banks answered the questionnaire. The respondent banks account though for 60% of the market share as per their assets and, hence, the aggregated results may be considered as representative for the entire banking market in Albania. The quantitative impact assessment performed based on data provided by banks showed that current losses of banks from clients' cash withdrawals, amounts to 451.4 million Lek for year 2007 and the potential benefits from cash reduction in the first year of application are assessed to be around 3,459 million Lek. In addition the present value of additional benefits to the whole banking system from cash reduction in the 5 upcoming years amount to approximately 13.5 billion Lek.
- Based on the answers of 43 shops to the questionnaire on cash transactions gathered and aggregated by European University of Tirana's students, SPI Secretariat drafted [the report with the main findings of the survey](#), which provides a good source of qualitative data on

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the merchants and their position with regards to the usage of electronic or other non-cash payments as well as some very good insights on consumer behavior in Albania.

## **2. Consumer Financial Education**

During February the main activities for the project consisted on:

- SPI Secretariat collected information on different Project Working Group Member Institutions' experience and past activities in Consumer Financial Education. This information was then aggregated and analyzed in a [Note on Albanian Experience](#) that will serve, together with the Note on International Experience, as the basis for the Project Working Group proposed actions thereof.
- SPI Secretariat drafted a [cost-benefit qualitative analysis](#) in order to highlight the effects that improved financial education will have on firms, authorities and consumers.
- Following Project Working Group members' suggestion to enlarge the PWG with members representing other institutions, SPI Secretariat contacted Ministry of Education, Insurers' Association, Competition Authority and other civil society actors involved in consumer protection and consumer education and invited them on behalf of the Project Owner to participate in the project.

## **III. Other SPI Activities**

- 'Panorama', one of the largest dailies in Albania, published an [article](#) on SPI Albania as part of the World Bank assistance in the modernization of the financial sector in the country.
- The Convergence Program's SPI Platform ranks in the Top Three in the World Bank Group issued [review](#) of 31 reform platforms worldwide. This is part of the World Bank Group's Support to Structured Public-Private Reform Platforms.

## **IV. Highlights of Expected March Activities**

- **Approval of SPI Albania 2009 Activity Program** – SPI Committee meeting to be held on March 12 with the main objective to approve the SPI Albania 2009 Activity Program. Other important aspects to be discussed: to approach donor community in order to sponsor the technical assistance for handling under SPI Albania the other 2009 project proposals that exceed the current SPI Secretariat analytical capabilities, and how to make SPI Albania the coordination center for financial modernization initiatives.
- **Cash Transactions**: Main findings of the surveys on costs and benefits of cash and non-cash payments to be validated by PWG and used to formulate proposals for regulatory and self-regulatory actions.
- **Consumer Financial Education**- Findings of the Cost-Benefit Qualitative Analysis, Note on Albanian Experience to be validated by the PWG and used in formulating a national strategy for Financial Consumer Education as well as a medium-term action plan involving different participating institutions in improving the Consumer Financial Literacy.
- **Capital Adequacy**- Third PWG meeting. During their third meeting, the PWG will discuss on the changes brought by the new regulation on capital adequacy as intended by Bank of Albania and will analyze how to assess the impact on banks of the envisaged changes in the regulations.
- **Bank's Liquidity**- The newly formed PWG will validate the Terms of References, The note on International Experience, Scoping of the Problem Document and understand Bank of Albania's intention to enhance bank's liquidity risk management.