

# ALBANIA FINANCIAL SECTOR MODERNIZATION



## ESTABLISHMENT OF SPI ALBANIA

SUPPORTED BY

THE WORLD BANK'S CONVERGENCE PROGRAM

AND

THE EU INTERREG/CARDS 2004/2006 "AQUIFALC" PROGRAM

*"Where public policy issues were involved, we established a tradition of extensive consultation right across the relevant sections of the market. We recognized early on that where intervention was judged to be necessary—in the interest of market transparency or of prudential or behavioral conduct—it needed to be informed by those who properly understood the subtleties of the market if we were to reduce the risk of unforeseen consequences which could either frustrate the purpose of the intervention or unnecessarily obstruct market innovation. In some instances this approach involved encouraging the market itself to address the particular issue in question as a preferable alternative to official action."*

**Sir Edward George, former Governor, Bank of England**

*"It is crucial to be aware that market-led progress does require co-operation among economic (public and private) agents. The driver of co-operation should be, as much as possible, moved by the private sector, i.e. by an enlighten perception of the private interest. But we cannot be blind to the fact that the necessary co-operation among private market participants does not materialize unless public authorities play an important role in promoting it."*

**Tommaso Padoa-Schioppa, former Executive Board Member,  
European Central Bank**

ROME, JANUARY 2008

### **The Convergence Program**

Administered by the World Bank and supported by a grant from Italy's Ministry of Economy and Finance, the Convergence Program has been set up in July 2005 to promote the build-up of analytical capabilities in financial economics, banking, finance, and legal and regulatory matters within the civil society of its seven countries of operations in South-East Europe.

The program focuses on:

- undertaking, as an “honest broker”, analytical tasks of micro-institutional issues as a basis for identifying solutions tailored to country circumstances;
- taking EU integration as a strategic perspective;
- building awareness of market participants, involving them in the search of market-building solutions, and fostering their dialogue with authorities;
- using the experience of regional former policy makers and local experts whenever possible;
- mobilizing technical and financial resources in partnership with other institutions.

In December 2007, Italy and the World Bank have extended the operations of the Convergence Program to February 2010.

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## **PREAMBLE**

### **POLICY PRINCIPLES**

The necessity for government intervention to control access to and conduct of financial intermediation, through licensing, regulatory, and supervisory functions, often obscures the fact that financial sector modernization depends essentially on private sector initiative. Regulations do not drive financial sector modernization: market participants do. They do so by expanding intermediation volumes, also with new products and to new clients. Of course, product and client-segment development is shaped by regulations. It is thus important that authorities assess the impact that regulations have on financial intermediation, and that market participants help the authorities to assess this impact, particularly when it is inadvertently harmful. Market participants should also make proposals for lower-cost regulatory alternatives.

Dialogue and collaboration between public authorities and market participants are therefore key undertakings to marry private sector incentives and public policy measures. Market participants, on the one hand, have to recognize the public policy dimension of their profit-making activities, by understanding how the authorities look at the short- and long-term risks of these activities. The authorities, on the other hand, have to understand how regulations can be designed in ways which do not unnecessarily harm, and possibly enhance, the value-creation capacity of the market. Both parties must learn to speak the same language, and become partners in financial sector modernization.

Whereas public authorities and market participants in advanced countries have understood this interdependence, and the attendant need for mutual dialogue and collaboration, this is not yet the case in most developing countries. Here, a change in culture and approach is called for: market participants must forego the temptation to seek quick remedies through individual “lobbying”, and should instead think strategically about how their country can build itself up to expand the use of external finance in support of economic activities. The authorities, on their side, must realize that regulating finance without engaging financial market participants is bound to produce bad regulation, and to harm the economy: it is impossible for them to be up to speed with new market developments and fully grasp the consequences of regulation for the industry. Therefore, a well structure public-private dialogue on policy is not only warranted, it is nowadays a necessity. It represents the new policy frontier for developing countries.

### **ALBANIA**

For several years now, the Albanian economy has been growing strongly and steadily. The economy and the institutional context have achieved dramatic progress, especially looking at where they stood in the early 1990s, when the country courageously embarked on the transition to political and economic democracy.

Yet Albania has still a long way to go in its process of “catching up” with the reality of the advanced world. Its economy has to diversify much more broadly; its industries need to invest conspicuously to strengthen their capacity to innovate and grow; and more Albanians need to be given greater chances to be productive, participate more actively in the growth process, and share more equitably in the distribution of the fruit of economic growth.

This cannot be achieved without the country developing a strong, vibrant and modern financial system: a system where information is of better quality and more easily accessible; where a wide range of markets for products and services is available to users; where agents have growing opportunities to access resources and engage in transactions at competitive prices; and where law is the rule and the rule of law is enforced.

While in this area, too, Albania has attained considerable improvements, much more remains for it to accomplish, as noted in the recent financial sector assessment from the IMF and the World Bank.<sup>1</sup> Still rudimentary levels of basic financial infrastructure; weak collateral regime and accounting standards; lack of sufficient and reliable financial data, and virtually no formal financial reporting; lack of effective property registers, and lack of understanding of financial products and services by potential users are among the serious challenges the country needs to confront.

Albania can tackle these challenges through a program to modernize its financial system. But it needs to be assisted, both to build up the capacity to design a coherent modernization program and to implement it effectively. The note below describes the main components of a project to help Albania set up and implement a financial sector modernization program. With support from the Convergence Program<sup>2</sup>—administered by the World Bank and financed by the Ministry of the Economy and Finance of Italy—and from EU funds administered by Regione Puglia, and with the full backing of the Bank of Albania and the Association of Albanian Banks, the project will establish a Special Projects Initiative unit in Albania (*SPI Albania*), which will catalyze cooperation among financial authorities, the local banking community, and civil society in promoting and implementing a strong framework of regulatory reforms designed to improve financial intermediation, with particular emphasis on the needs of small/medium size enterprises and households. As part of its partnership, the Convergence Program and SPI Albania will promote similar initiatives in neighboring countries of the Adriatic under a regional initiative (SPI Adriatic). SPI Adriatic will consist of a regional network of SPI national units that will undertake financial sector projects in close coordination. The Regione Puglia has made it a priority to mobilize EU regional cooperation program resources to launch SPI Adriatic and fund its regional operations over a multi-year time horizon.

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<sup>1</sup> See IMF (2005), *Albania—Financial System Stability Assessment* (Washington DC, International Monetary Fund), July 22. This assessment is based on the work of the joint IMF/World Bank Financial Sector Assessment Program.

<sup>2</sup> More details on the Convergence Program can be found in Section III.

## TABLE OF CONTENT

Preamble.....	3
Policy Principles.....	3
Albania .....	3
 SPI Albania.....	 6
A. A Project of Regional Cooperation .....	6
B. Financing the SPI Albania Launch .....	6
C. Financing SPI Albania Operations after 2008 .....	7
D. SPI Adriatic Perspectives .....	8
 The SPI Albania Project.....	 9
Executive Summary .....	9
I. SPI Albania .....	9
A. The Institutional Set-Up .....	10
B. Selecting and approving SPI projects .....	12
C. SPI Risks and Risk Management.....	14
D. How Will Albania Benefit from the SPI?.....	14
E. The Practical Steps to Establish SPI Albania and to Launch SPI Adriatic.....	15
F. Possible Logistic Arrangements.....	17
II. Professional References: Romania and Other Country Experiences.....	17
III. The Convergence Program.....	18
 Annex I: Bank of Albania and Association of Albanian Banks Commitment.....	 20
Annex II: Convergence Albania Financial Sector Modernization - Proposed Operating Guidelines.....	21
Annex III: Proposed Job Advertisement for SPI Secretariat Staff.....	25
Annex IV: Financial Sector Specialist (Analytics and Policy) - Terms of Reference .....	26
Annex V: Financial Sector Specialist (Bank Products and Services) - Terms of Reference ...	28
Annex VI: SPI Romania 2008 Proposed Projects .....	30

## **SPI ALBANIA**

### **A. A Project of Regional Cooperation**

The *Centro Italo-Albanese per la Ricerca Economica e Sociale*—recently established by the Regione Puglia of Italy to incubate regional development cooperation projects to be expanded with support from the European *IPA 2007-2013* (or equivalent) assistance program—has included SPI Albania among the initiatives deserving support (action 3.9). Bank of Albania and the Association of the Albanian Banks are strongly committed to SPI Albania activities (Annex I).

Based on the successful example set by SPI Romania,<sup>3</sup> SPI Albania will be the central unit responsible for managing modernization of the Albanian financial infrastructure. It will coordinate modernization activities undertaken by other institutions and programs (e.g., EBRD, EU, FIAS, IFC, national donors and World Bank).

In the near future, SPI units will also be established in Albania's neighboring countries, which share the same financial sector modernization objectives. In this regard, SPI Albania will play a supporting role. National SPIs will join in a regional network (SPI Adriatic) aimed to identify and undertake financial sector projects of regional interest, and to facilitate the exchange of sector knowledge and experience among the units.

The Centro Italo-Albanese will place the launch of SPI Adriatic at the core of its request for European Union funding under IPA (or equivalent) programs for the 2007-2013 budget period. .

The Convergence Program and the Centro Italo-Albanese are key promoters of a new regional collaboration between Albania and its neighboring countries, with the strategic partnership of the Regione Puglia.

### **B. Financing the SPI Albania Launch**

In the launching phase (2008), the cost of launching SPI Albania and developing the SPI Adriatic regional network (Euro360 thousand) will be largely borne by the Convergence Program.

The Centro Italo-Albanese under the Aquifalc project will mobilize also important resources, both in Bari and in Tirana, in support of SPI Albania.<sup>4</sup>

The proposed financial arrangement and the cost budget structure to support SPI Albania and SPI Adriatic are reported in Table 1 and 2 respectively.

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<sup>3</sup> See [www.spi-romania.eu](http://www.spi-romania.eu)

<sup>4</sup> More details about the SPI Albania institutional set-up are reported in Section I.A.

Table 1: 2008 Funding Summary

FUNDING (Euro)	2008
Convergence	319,405
EU	40,071
<u>Total</u>	<u>359.476</u>

Table 2: SPI Albania and SPI Adriatic Development 2008 Budget

PROJECTION 2008				
(Euro)	SPI Albania Launch (Dec07-Apr08)	SPI Albania Operations (May-Dec 08)	SPI Adriatic (May-Dec 08)	
COMPONENT				FUNDING
Convergence Mgmt	46.430	116.070	55.400	Convergence
SPI Secretariat	0	36.000	0	50-50% EU-Convergence
Experts	7.140	30.000	7.000	50-50% EU-Convergence
Travel	21.430	30.000	10.000	Convergence
<u>Total</u>	<u>75.000</u>	<u>212.070</u>	<u>72.400</u>	

### C. Financing SPI Albania Operations after 2008

The Centro Italo-Albanese, the Convergence Program, and SPI Albania local stakeholders will prepare a proposal for EU IPA (or equivalent) funding for the continuation of SPI Albania activities in 2009 and later years. The Convergence Program will provide residual financing support through the first half of 2009. The Regione Puglia has made it a priority to mobilize EU regional cooperation program resources under its direct or shared administration. It is therefore expected that long-term EU funding will be secured several months before the end of the 2008 launch period.

Table 3: SPI Albania 2008-2009 Funding Summary

(Euro)	SPI Albania		
Source	2008	2009	Total 2008-2009
Convergence	250,500	77,350	327,850
EU	36,571	237,350	273,921
<u>Total</u>	<u>287,071</u>	<u>314,700</u>	<u>601,771</u>

However, to place SPI Albania operations on a viable basis since its launch, the Convergence Program commits to make available an additional EUR 40 thousand (+50%) to fund 100% of SPI Albania management activities and 50% of the SPI Secretariat costs (including foreign experts) for the 6-month period ending in June 2009, contingent on an unexpected but possible delay in securing long-term funding. In this unlikely event, the Centro Italo-Albanese and the other SPI Albania stakeholders will be responsible to provide, either in cash or in kind, resources worth only up to EUR 80 thousand during the first half of 2009.

### D. SPI Adriatic Perspectives

The SPI Albania proposal for IPA (or equivalent) funding will be part of a broader proposal to launch SPI Adriatic, which the Centro Italo-Albanese and Convergence Program will prepare in January 2008.

The indicative budget shown below suggests important economies of scale in running a multi-country operation, centered on the initial SPI Albania activities.

Table 4: SPI Albania and SPI Adriatic

<b>Indicative Budget</b> (Euro) <u>Component</u>	1-Country Operations p.a. 2009-2013	3-Country Operations p.a. 2009-2013
Convergence Management	154,700	304,571
SPI Secretariat	80,000	230,000
Experts	50,000	100,000
Travel	30,000	50,000
<u>Total</u>	<u>314,700</u>	<u>684,571</u>
<b>Program Cost</b>	5-year 1,573,500	5-year 3,422,857



## **THE SPI ALBANIA PROJECT**

### **EXECUTIVE SUMMARY**

For several years Albania has marked a record of strong and steady economic growth. Yet the country needs to diversify much more broadly its productive structure, make its industries more innovative and competitive, and grant its citizens more and better opportunities to share in the growth process. This Albania cannot achieve without developing a strong, vibrant and modern financial system.

Albania needs to undertake a program to modernize its financial system. With support from the Convergence Program—administered by the World Bank and financed by the Ministry of the Economy and Finance of Italy—the project will establish an SPI unit in Albania, which will catalyze cooperation among financial authorities, the local banking community, and civil society in promoting and implementing a strong framework of regulatory reforms. Building on economies of scale and scope, SPI Albania will also promote similar initiatives in the neighboring countries of Kosovo, Macedonia and Montenegro.

The SPI unit will be responsible for (i) identifying needs for micro-regulatory reforms; (ii) supporting an informed dialogue between regulators and regulatees on the technical aspects of the identified reforms; (iii) facilitating consensus building among stakeholders before official action is initiated; (iv) monitoring implementation of the action taken; and (v) fostering local analytical and implementation culture.

Carefully selecting regulatory reform projects under the SPI will be crucial to the success and credibility of the initiative. Project selection by SPI Albania, therefore, will have to be guided by clear, consistent and objective criteria. In addition, SPI Albania will have to work at building strong confidence among its participants by creating incentives for them to deliver on their commitments. It will also need to set up a framework to keep track of its policy recommendations, and to follow up on the action required to implement them.

### **I. SPI ALBANIA**

In the much needed effort to modernize its financial sector, Albania stands to benefit very considerably from developing a culture of dialogue and consensus building within its financial policy making environment, through an SPI unit. Albanian public-private stakeholders have expressed strong interest to create an institutional form to expedite financial sector modernization. The Convergence Program is ready to support the creation of an SPI Albania.

Collaboration between Albania and the Convergence Program on important areas of the Albanian financial system is already well under way, including preliminary discussions of an SPI initiative (see Box 1). This provides an excellent basis from which to start a deeper program of financial sector modernization in the country, in particular taking the opportunity of the framework of the EU Interregional Collaboration Program, as discussed below.

### **Box 1. Albania and the Convergence Program: An ongoing collaboration**

The World Bank-Puglia Region conference on remittances, held in Bari on March 3-4, 2006, marked the beginning of Convergence Program activities in Albania. Consistent with its mandate to find practical solutions to financial intermediation opportunities, the Convergence Program made available to participants a compilation of concrete regulatory and technical interventions, which would improve the service level of remittance providers and recipients. During the conference, the Convergence Program built the case for public-private cooperation and presented an Action Plan proposal. Following the conference, the Convergence Program teamed up with the Italian Banking Association (ABI) to analyze the potential market for remittances flows to Albania from Italy.

In a well attended seminar in Tirana on July 27, 2006, ABI presented an analysis of banking habits and needs of Albanian clients of Italian banks. The Convergence program offered an analysis of the best opportunities, on a region-by-region basis, of Italian banks for the Albania banking community. ABI hosted a similar seminar in Milan on November 3, 2006, where a delegation of Albanian banks met with more than ten Italian banks interested in building up their bank remittance products in connection with Albania.

Separately, as first introduction of the public-private partnership for financial sector modernization concept, the Convergence Program helped organize a seminar in Tirana on April 3, 2006, where Prof. Francesco Cesarini illustrated the main features of the ABI activities, based on his report (see Section III above). At the same time, attended by the Albanian public and private financial sector community, the Convergence Program tabled a proposal to establish an SPI-like structure in Albania.

As an example Convergence Program prepared for Albanian Association of Banks (AAB) an analysis of the potential impact on bank intermediation of the proposed changes in collateral enforcement procedures—an activity where the AAB had produced a technical paper for official consideration.

## **A. The Institutional Set-Up**

The SPI is responsible for (i) identifying needs for micro-regulatory reforms; (ii) supporting an informed dialogue between regulators and regulatees on the technical aspects of the identified reforms; (iii) facilitating consensus building among stakeholders before official action is initiated; (iv) monitoring implementation of the action taken; and (v) fostering local analytical and implementation culture.

The SPI consists of four pillars:

1. **SPI Steering Committee**, whose role is to initiate, oversee, and act upon micro-regulatory reform projects holding the greatest potential for their contribution to financial sector modernization. It is also responsible for the public outreach of the SPI activities. The SPI Steering Committee is a partnership among the Central Bank, the Ministry of Finance, the National Banking Association and the Convergence Program. The Consumer Protection Agency can be part of it. Committee members seek to reach agreement on public-private priorities and push for prompt enactment of proposals;

2. **SPI Secretariat**. This is the “engine” of the structure. It is a small and highly efficient unit, consisting of a team of two full-time professionals and hosted in an appropriately housed office. It is set up to help market participants and authorities work harmoniously together to make sound and credible proposals to the authorities. Based on the Better Regulation template defined by EU Regulators (see Box 2), the SPI Secretariat coordinates the work of the Ad-Hoc Working Groups (see below), pushes for solutions, promotes technical public-private consensus, prepare political public-private consensus, and supports enactment efforts. In case of disputed issues, the SPI Secretariat may look for international benchmarking, ask for independent opinions, and perform RIA to facilitate best choice;<sup>5</sup>
3. **Ad-Hoc Working Groups**. These are the “brain” of the SPI, they mobilize the best expertise available in the country, be it from the regulatory authorities, the financial community, or from other organizations. Once projects are selected, the Working Groups identify workable solutions (both from the public and private sector perspective) based on their collective expertise. They prepare background documents that the authorities use as inputs in their own official decision-making process, thus making optimal use of the country’s professional resources;
4. **Convergence Program**, whose role as “honest broker” between the parties, and as facilitator, is to assist the SPI in preparing public-private consultation strategies, and running the consultations to help market participants form their views and the authorities to respond to feedbacks. The Convergence Program helps in the crucial process of selecting the Secretariat staff among candidates with the necessary requisites and skills. The Convergence Program can further help strengthen the reform process by providing independent technical opinions, bringing in foreign experts, and organizing workshops.

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<sup>5</sup> On the role of the SPI Secretariat in the Romanian experience, see Bazan, A. (2007), *Skill Dynamic Assessment of the SPI Romania Secretariat of the Convergence Program*, May 18, available at [www.spi-romania.eu/independent-evaluation](http://www.spi-romania.eu/independent-evaluation)

## Box 2. Better Regulation Template

Recommended by the

Committee of European Banking Supervisors- Committee of European Securities Regulators

Committee of the European Insurance and Occupational Pension Supervisors

Steps of the RIA Process		Purpose of each RIA Step
<b>Scoping of the problem</b>		
1	Problem identification	To understand a market/regulatory failure analysis in order to establish whether or not there is an economic case at all for regulatory intervention
2	Definition of policy objectives	To identify the effects of policies. This will be useful to check whether the regulatory policy brings the market closer in line with organizational regulatory objectives
3	Development of "do nothing option"	To identify and state the status quo
4	Development of alternative policy options	To identify and state alternative policies and among them the "market solution" which consists in not intervening at all in the market and to rely on market forces alone to solve the problem
<b>Analysis of impact</b>		
5	Costs to users	To identify and state the costs borne by consumers under all options considered
6	Benefits to users	To identify and state the benefits yielded by consumers under all options considered
7	Costs to regulated firms and regulator	To identify and state the costs borne by regulator and regulated firms under all options considered
8	Benefits to regulated firms and regulator	To identify and state the benefits yielded by regulator and regulated firms under all options considered
<b>Consultations</b>		
9	Data questionnaire	To collect market structure data to feed into cost and benefit analysis
10	Policy document	To learn market participant opinions on various policy options (backed by CBA)
<b>Conclusion</b>		
11	Final Recommendations	Final report to decision-makers, based on CBA and market feedback

The SPI, therefore, acts as a communication channel between the market and the authorities. It collects the local financial community's views on regulatory reforms, analyzes them, and brings them to the attention of the authorities. More specifically, the issues are identified through interactions with the Working Groups, and preliminary RIA is used to prioritize the items for selection. The issues are assessed in the SPI Steering Committee, whose consensus based work leads members to agree on priorities and next steps. The issues selected are then assigned to the Working Groups, which subject them to detailed analysis using local (and foreign) experts. Position papers with recommendations are prepared, and discussions take place between the industry and the authorities, with a view to agreeing on feasible regulatory changes. RIA is finally used to identify various policy options to achieve the intended policy goal, supported by an assessment of costs and benefits of each option.

### B. Selecting and approving SPI projects

Carefully selecting regulatory reform projects under the SPI is crucial to the success and credibility of the initiative. Project selection by the SPI Committee, therefore, will have to be guided by clear, consistent and objective criteria. First, SPI projects will have to have important public and private benefits, so as to motivate authorities and market participants to join forces in their preparation. Benefits in general refer to financial innovation and organizational improvements, which reduce asymmetric information, increase market completeness, broaden access to financial services, strengthen industry competition, and reduce operating and transaction costs. Second, SPI projects should contribute to national and international efforts to build the single EU financial market. Finally, SPI projects should

contribute to any of the following areas: new product development; cost efficiency; and better industry-consumer relationships. Table 7 reports the taxonomic of criteria for financial sector modernization projects adopted by the European Central Bank and the Italian Banking Association.

Table 5. Public – Private Financial Sector Modernization Matrix

Italian Banking Association CRITERIA	European Central Bank CRITERIA				
	Asymmetric information	Completeness of the market	Increased opportunities to engage in financial transactions	Reduced transaction costs	Increased competition
Business development					
Industry competitiveness					
Industry reputation					

SPI projects should be proposed primarily by the stakeholders, and only residually by the SPI Secretariat.

Finally, the SPI Secretariat should perform a preliminary assessment of all the proposed projects, and come up with a list of priority projects for SPI Committee consideration approval. The SPI Secretariat should justify the exclusion of project proposals from the list for SPI Committee consideration.

The SPI Committee will approve projects based on their suitability for public-private partnership, their relative importance, and having in mind the need for a balanced distribution of projects across the action lines.

Maximum transparency will be necessary to raise stakeholders' awareness of the SPI projects, and to appeal to their common responsibility for, and dedication to, the successful implementation of projects, including through contribution of specialists to working groups and provision of data and information. To this purpose, the SPI Secretariat will keep stakeholders constantly updated of the work program, and will post an updated status of work progress on the SPI website (with a description of individual stakeholders' responsibilities, commitments, and compliance record).

Based on the Romania experience, it is reasonable to assume that the first year modernization program will consist of about 10 projects. The number could increase to about 15 projects in the second year, once stakeholder collaboration and analytical skills will have developed.

Overtime, with the establishment of regional SPI satellites in neighboring countries, it is realistic to expect that no less than 75 per cent of each individual country program will be represented by projects undertaken also in other countries. This highlights the important synergies that SPI Albania can play in fostering regional coordination.

### **C. SPI Risks and Risk Management<sup>6</sup>**

The SPI may contribute substantially to raising the quality of professional dialogue among local stakeholders through the public-private partnership it helps to create. This is not devoid of risks, however, and the SPI unit has to learn how to handle them. Two risks in particular should be noted. First, the partnership among local stakeholders can be fragile. The involvement of the Convergence Program may definitely help in supporting the partnership, in that it provides neutrality and objective views and it is therefore perceived by all as an “honest broker”. Yet, since its early stages of operation, the SPI unit has to aim at rapidly building strong confidence among its participants. This can be done by quick delivery of more successful projects, thus showing concrete results in terms of actual changes in regulation. More generally, the SPI unit has to set a strong public relations function with outreach activities to targeted audiences. Full transparency of undertakings and results creates incentives for SPI partners to deliver on their commitments.

The second risk regards the follow up on the completion of position papers and the mechanisms to implement the regulatory changes. In general any regulatory change requires two aspects, first, a high-quality analytical preparatory work and, second, strong advocacy. This last aspect is very important when, as usually is the case, regulatory changes may be resisted by some interest groups. The SPI unit has to look seriously at building capacity to handle both aspects skillfully enough. It should think about a framework to keep track of its recommendations, once they are sent to the relevant authorities, and to organize SPI Steering Committee follow-up action. The Romania enactment monitoring activities are a good benchmark.<sup>7</sup>

### **D. How Will Albania Benefit from the SPI?**

Once SPI Albania is fully operating, and a number of important financial micro-regulatory reforms will have been brought to fruition, the Albanian financial sectors will start growing faster, as structural change will spring from the energy of domestic market participants and build on their incentives.

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<sup>6</sup> This section draws on Škreb, M. (2007), *Report of the External Evaluation of the SPI Romania—Convergence Project*, March 7, available at [www.spi-romania.eu/independent-evaluation](http://www.spi-romania.eu/independent-evaluation).

<sup>7</sup> <http://www.spi-romania.eu/program-2007/enactment-monitoring/>

As market participants will align more closely their objectives with the goals of the national authorities, the Albanian financial systems will also become more stable. Moreover, the systems will grow more harmoniously, since SPI will help the regulatory authorities to coordinate their action with the business and consumer associations.

Financial market participants will be able to accelerate their business expansion plans, to the extent that they will have better knowledge of the authorities' long-term plans. They will have greater comfort that their regulatory risk concerns will be taken into constructive account by the authorities going forward. They will also be able to operate within a more efficient financial infrastructure, as better technical solutions will evolve from the public-private consultative effort.

Finally, customers will gain access to new products and services, and their important concerns—such as with lack of transparency, unfair or abusive treatment, and underserved communities—will find an institutional space where they can be addressed appropriately. A better investment climate will develop as a result, overall.

All these incentives, if properly harnessed, will have a powerful effect on the pace and depth of financial sector development in Albania, thereby accelerating the country's economic growth and per-capita income convergence with the European Union. As importantly, these incentives will contribute to strengthening the local financial institutions by helping them build their own technical, analytical, and policy-making capacity. This will facilitate the convergence of Albania with the European Union at an even deeper level.

#### **E. The Practical Steps to Establish SPI Albania and to Launch SPI Adriatic**

The following is a proposed plan to establish SPI Albania and to launch an initial SPI work program. The plan identifies a sequence of steps, to be taken in the course of a nine-to-twelve month period (possibly starting in January 2008), and the parties responsible for initiating such steps and following up on their implementation. Promotion of sister SPI units in neighboring countries should start as soon as SPI Albania is ready for launch.

##### **Month 1-2**

- The Bank of Albania, as founding stakeholder, appoints one of its senior staff to form an "SPI Launch Team" with the Convergence Program.
- The SPI Launch Team expands to include a banker appointed by the Association of Albanian Banks and, later, representatives from the Ministry of Finance, possibly the Ministry of Economy, and the National Consumer Protection Authority.
- SPI Launch Team visits SPI Romania.
- The Bank of Albania and Association of Albanian Banks hold a press conference, introducing SPI Albania, with SPI Romania staff.

- Under SPI Launch Team oversight, a Convergence expert builds a pipeline of some 15-20 financial sector modernization projects.
- Convergence organizes a Better Regulation Capacity Building Workshop, to strengthen the policy analysis and consultation skills of the Albanian public-private financial sector community.<sup>8</sup>

### **Month 3**

- The SPI Launch Team orchestrates the selection of two local professionals to form the SPI Secretariat, and arranges for its domiciliation in an appropriate local institution (see below)
- The SPI Launch Team gathers the SPI Committee, with senior representation from key local stakeholders. The SPI Committee is the main governing body of the SPI Albania Program.
- *Convergence SPI promotion visits to Kosovo, Macedonia, Montenegro and Serbia with SPI Committee backing.*

### **Month 4**

- The SPI Committee approves unanimously the SPI Albania Program (about 10 projects) and the hiring of the SPI Secretariat staff.
- *Continued SPI discussions in Kosovo, Macedonia, Montenegro and Serbia.*

### **Month 5**

- *SPI Launch teams assembled in neighboring countries.*

### **Month 7**

- The SPI Secretariat submits first batch of final project reports for SPI Committee approval.
- *The Bank of Albania and the Association of Albanian Banks host SPI regional event with participating Central Banks and Association of Banks.*

### **Month 9**

- *SPI launched in neighboring countries with SPI Albania Committee participation.*

### **Month 12**

- First batch of SPI Albania proposals are enacted.

Assuming Month 1 is January 2008, the SPI Albania Committee would launch the modernization program in April, and would meet to consider the first proposal in July 2008. The first regulatory outcomes could be expected by December 2008.

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<sup>8</sup> The seminar will be based on a format discussed by the Committee of European Securities Regulators in Paris ([http://www.spi-romania.eu/admin/filemanager/files/cesr\\_econet\\_ia\\_seminar\\_convergence\\_program\\_live\\_presentation.pdf](http://www.spi-romania.eu/admin/filemanager/files/cesr_econet_ia_seminar_convergence_program_live_presentation.pdf))



## **F. Possible Logistic Arrangements**

The SPI Secretariat should be housed in a neutral site. This would seem to be appropriate for an entity which, although it must be fully engaged with all the SPI partners, it must also preserve an arms-length and equidistant relationship with them all. A public-private institution, as a Banking Institute, could be an ideal choice. An alternative could be a not-for-profit organization with a mandate for economic and financial research.

## **II. PROFESSIONAL REFERENCES: ROMANIA AND OTHER COUNTRY EXPERIENCES**

The Convergence Program is active at the country level in Bulgaria, Croatia, and Romania. It has also initiated activities with a regional cooperative focus in collaboration with other organizations, including the European Bank for Reconstruction and Development and the Slovenian Center of Excellence in Finance. The emerging evidence of the important results of these initiatives, are attracting increasing interest to the Convergence Program from the local public-private financial communities of South-East Europe.

The leading, and so far most successful, Convergence Program experience has taken place in Romania, where in the spring of 2006 the National Bank of Romania, the Romanian Banking Association, and the Ministry of Public Finance launched a financial sector modernization program with support from the Convergence Program.<sup>9</sup> The National Authority for Consumer Protection joined the partnership in October 2006. The program is placed under the oversight of a five-person, high-level committee (the SPI Committee), orchestrated by a two-person secretariat (the SPI Secretariat), involving 13 public-private working groups, and supported by the Convergence Program (Washington and the Rome office).

The approach adopted—which in the beginning was entirely new to Romania—has been characterized by a strong practical focus on four aspects:

- ex-ante agreement among public and private stakeholders on issues needing reform
- quantification of the economic impact of the proposed changes for each stakeholder
- extensive analytical and consensus-building discussions within public-private working groups supported by expert advice, if necessary, and
- ongoing focus on enactment.

Since its operational launch in September 2006, the program has dealt with thirteen projects. Under its aegis, several important issues have been successfully addressed, such as credit information sharing, anti-money laundering law, electronic settlement of debit payment instruments, and creation of bank ombudsman. In parallel, as part of the EU better regulation approach, the Convergence Program is delivering a structured RIA capacity building assistance program to help the Romanian regulatory community to develop evidence-based regulatory design capabilities in support of continuing financial sector modernization.

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<sup>9</sup> Information on the Romanian initiative is available at [www.spi-romania.eu](http://www.spi-romania.eu), from which this section has drawn.

In May 2007, as a sign of the success of the initiative, the Romanian stakeholders decided to take operational and financial responsibility for it as from January 2008, after the incubation by the Convergence Program. To mark the transition to local ownership, the term “SPI Romania” was coined in June 2007, with its distinctive logo that springs from the “Convergence” logo. The International Finance Corporation, of the World Bank Group, has posted on its website a Smart Lesson note on the SPI Romania experience.

In July 2007, the SPI Secretariat launched the identification phase for the projects to be undertaken in 2008. The strategic criteria adopted to guide project selection were the recognized need to: improve the financial infrastructure; expand banking products and services; reduce the cost of banking operations; and improve customer service—all in the context of the European Union Single Financial Market strategy. Based on these criteria, the SPI Secretariat distributed last September a questionnaire to public and private stakeholders, and in October released a first batch of 30 projects for a public consultation process. The selection has been completed at the time of writing this note.

SPI Romania evokes the identity of a new public-private institution that is solely dedicated to promoting financial sector modernization with strong legitimacy that comes from its unrelenting pursuit of the best common good—for the authorities in terms of financial stability, for market participants in terms of sustainable profit-making activities, and for the consumers in terms of access to financial products and services and fair treatment by financial institutions. As recently stated by the First Deputy Governor of the National Bank of Romania in Sarajevo, the SPI platform could also be an effective instrument to develop regional collaboration.

### **III. THE CONVERGENCE PROGRAM**

The international financial institutions have an important role to play in helping their developing member countries establish a constructive public-private dialogue on financial sector policy. The Convergence Program, sponsored by the World Bank and Italy for South-East Europe, has been designed to catalyze financial sector modernization in developing countries. The main mission of the program is to overcome two main problems: a) the knowledge gap of local authorities on micro aspects of modern, sophisticated financial markets, and b) the coordination failure of market participants to provide this knowledge to the authorities. Convergence offers to set up a convenient institutional framework where market participants and the authorities work together with the goal of achieving financial sector modernization in ways that benefit all (“win-win” situations). The ultimate aim of the Convergence Program is to enable sustainable modernization of the domestic financial sector with local ownership and leadership, and through cooperation.

The Convergence Program intervenes where local banking associations are still in a developmental stage, and not yet in a position to represent effectively the banks’ points of view with the authorities. This is a situation where, typically, the banking association is financially and technically weak, its results in terms of value-added to its member banks are poor, and it therefore remains under-funded.

The Convergence Program may help fundamentally the local banking association to break this vicious circle over the medium term. In the process to build and conduct a strong public-private dialogue—which the Convergence Program makes possible, and which is precisely intended to engage the local financial community—the banking association has an opportunity to develop its own institutional and technical capacity, and to increase the value-added contribution to its member banks, thereby proving itself deserving of higher financial support.

In the advanced countries, the extensive involvement of the banking associations in policy analysis and dialogue is rooted in a large participatory effort, strongly encouraged by regulatory authorities, by the banking community aimed to screen the impact of existing regulations on various facets of the banking activity. To use again Italy's example, the industry has organized itself in ten permanent Technical Commissions, which in turn preside over the work of some 150 specific working groups.

This represents a major reality “intelligence” taskforce, which supplements and expands the issue identification efforts that the Central Bank and the various Ministries are capable to undertake. It is fairly obvious that the authorities cannot possibly match the fact-gathering resources and direct market knowledge of the industry.

It is important that the industry looks at regulation from the user's angle. The industry is interested in assessing how existing regulations affect the production and distribution of specific banking activities or products, such as trading, depository functions, debt origination, off-premise promotion of financial products, placement of investment fund, etc. The business perspective complements the regulatory-based approach typically followed by the authorities.

Pursuing financial reforms with a plurality of (regulatory, economic, and business) objectives requires the building up a systematic assessment capacity of the potential costs and benefits of each specific reform on financial activity, and on economic activity more generally. The Convergence Program helps in this area by supporting the adoption of Regulatory Impact Analysis (RIA) as a management tool for stakeholders to direct their efforts to study those regulatory aspects which, if changed, would yield the highest benefits to the banking system.

RIA techniques allow local banking associations to assess such value added. By playing the role of “arranger” of these changes, they “earn” a fee based on the value created for their member banks. In Italy, in 2004 the notional revenue of ABI was three times its costs.

## ANNEX I: BANK OF ALBANIA AND ASSOCIATION OF ALBANIAN BANKS COMMITMENT



**REPUBLIC OF ALBANIA  
BANK OF ALBANIA  
GOVERNOR**



**ALBANIAN ASSOCIATION OF BANKS  
CHAIRMAN**

No. 154 ref

Tirana, January 9<sup>th</sup>, 2008

Mr. Biagio Bossone  
Convergence Program  
c/o World Bank Rome Office

Dear Mr. Bossone,

We refer to our discussions about the need to accelerate financial sector modernization in Albania through the establishment of a dedicated structure that would promote stronger collaboration between authorities and market participants to find workable solutions, based on comprehensive analyses and international experience.

We believe that the SPI Albania public-private structure that you have described could stimulate financial sector modernization. We will work with the Convergence Program to establish it and make it operational with the greatest diligence.

Consistent with Bank of Albania's long-standing commitment to promoting regional collaboration, we believe that SPI Albania should be designed with an objective to support the creation of similar units in our neighboring countries. Bank of Albania will do its best to facilitate contacts with relevant authorities in neighboring countries to have a coordinated development of structures that promote convergence of banking standards and practices towards those of the more advanced EU countries. The Albanian Association of Banks will work with its sister associations in a coordinated fashion.

We strongly support the Convergence Program's desire to seek EU institutional and funding support as presently available under a project managed by Regione Puglia.

We consider this proposed approach, which places significant importance on collaboration among country and regional stakeholders, to be the most appropriate one to support Albania's modernization needs at this stage of its development.

Sincerely,

Ardian Fullani

Governor  
Bank of Albania

Edvin Libohova

Chairman  
Albanian Association of Banks

## **ANNEX II : CONVERGENCE ALBANIA FINANCIAL SECTOR MODERNIZATION**

### **SPECIAL PROJECTS INITIATIVE PUBLIC-PRIVATE STEERING COMMITTEE**

#### **PROPOSED OPERATING GUIDELINES**

##### **Context**

Enhancing the financial sector contribution to growth in Albania requires a large-scale assessment and fine-tuning of micro-regulations that affect the efficiency of financial sector intermediation. These actions have to take place in close cooperation between financial authorities and banking industry.

As a contribution to accelerating this process, Albania's main financial sector stakeholders have agreed to establish a high-level public-private Steering Committee (the "SPI Committee") that will initiate, oversee and act upon analytical projects that hold the greatest potential for their contribution to financial sector deepening in the context of the "Convergence Albania Financial Sector Modernization Program" (the "Modernization Program").

Convergence, a public-private financial sector development program administered by the World Bank, will provide analytical support to the activities of the SPI Committee through the Special Projects Initiative (hereinafter, the "SPI"). The SPI is jointly managed by a Director of Banking Products and Services and a Director of Analytics and Policy, who are made available by Convergence to act jointly as SPI Committee Secretariat.

#### **ARTICLE 1: SPI COMMITTEE PURPOSE**

##### **Section 1. Mission Statement and Authority**

The SPI Committee has been set up as a partnership among Bank of Albania (BOA), Ministry of Finance (MOF), Albanian Banking Association (AAB), with the support of the Convergence Program (Convergence). The SPI Committee represents a high level commitment to public-private dialogue on financial sector development.

Supported by the SPI Secretariat, the SPI Committee is responsible for selecting the analytical projects to be undertaken as part of the Modernization Program.

##### **Section 2. Guiding Principles**

The SPI Committee will be vocal and visible in creating and communicating a shared vision among key stakeholders regarding the financial sector modernization program. With the support of SPI analytical work, technical expertise of working groups, the SPI Committee will identify and seek solutions to issues related to the Modernization Program and make recommendations for follow-up actions to relevant stakeholders (authorities, market participants).

## **ARTICLE 2. SPI COMMITTEE MEMBERSHIP**

### **Section 1. Members**

The SPI Committee is composed of four members (hereinafter, the “SPI Committee Members”):

1. Minister of Finance
2. Governor of Bank of Albania
3. President of the Albanian Banking Association
4. Convergence Program.

The SPI Committee Members operate in their personal capacity to promote, on a best effort basis, win-win public-private solutions to financial sector modernization issues. Their actions and decisions in the SPI Committee cannot be deemed having being taken pursuant to the general powers and authority that are vested with each of them by her or his institution.

The SPI Directors will be invited to participate in the SPI Committee meetings as observers. The SPI Director for Analytics and Policy will act as SPI Committee Secretary. The Secretary will be in charge of drafting the SPI Committee meetings agenda and disseminate minutes of SPI Committee meetings to the Members for approval following each meeting.

### **Section 2. Term**

The SPI Committee shall be established at the beginning of the SPI that is, as of January 1<sup>st</sup>, 2007.

## **ARTICLE 3: SPI COMMITTEE ACTIVITIES**

### *General Remarks:*

SPI Committee Members shall attend regularly all the meetings to underline a high-level commitment to public-private dialogue. They must be able to actively participate in Committee meetings and projects.

### *The specific role of SPI Steering Committee is to:*

1. Review the pipeline of micro-regulatory issues that require resolution and approve the proposals for individual analytical projects prepared by SPI Directors consistently with the priorities for financial sector modernization.
  - a. The modernization priorities should be informed by the following two criteria: (a) the relative importance of the issues to increase growth and efficiency of Albania’s financial sector intermediation and (b) their relevance to both authorities and market participants. The selection process will be largely facilitated by the use of Regulatory Impact Assessment (RIA) tools operated by SPI staff.
  - b. The selected projects will be described with an extensive Letter with needed details on guidelines, constraints, methods and structure of intended final report.
  - c. SPI Committee Members will indicate the availability of their respective institutions to mobilize experts for each issue identified by the SPI Committee, with a view to facilitating the task of the SPI Directors to complete the work program for each proposal.



2. Monitor, on a quarterly basis, progress of projects agreed and undertaken according to the report submitted by SPI Directors and discuss options to bring them to practical conclusions in line with SPI Program objectives.
3. Upon SPI Directors request, provide support to them with respective authorities in the course of specific project implementation.
4. Authorize SPI Directors to circulate certain work reports and recommendations to respective counterparts.
5. Approve the annual report of SPI Committee goals and accomplishments for distribution to main stakeholders.

## **ARTICLE 4: SPI COMMITTEE MEETINGS**

### **Section 1. Frequency, venue and chairmanship**

The SPI Committee will formally meet at least quarterly at a venue chosen on a rotation basis between the three local stakeholders. The SPI Committee Member hosting the meeting will also act as a chairperson of the respective meeting.

### **Section 2. Notice of meeting, agenda and quorum**

Notice of the meeting will be provided well in advance, with an agenda and respective meeting materials e-mailed/mailed to the SPI Committee Members at least seven days prior to the meeting.

The SPI Committee meeting agenda shall be prepared by the SPI Committee Secretariat, in consultation with SPI Committee Members under Convergence oversight. A draft will be distributed to all SPI Committee Members prior to the meeting. Any SPI Committee Member can request inclusion of items in the agenda by contacting in written form the SPI Committee Secretariat before the meeting.

A quorum shall be required to conduct the business of the SPI Committee. A quorum is defined as a simple majority of the members, i.e. ensuring the presence of three SPI Committee Members.

### **Section 3. Meeting Records**

Minutes of the SPI Committee meetings will be kept and maintained by the SPI Committee Secretary. Approved minutes will be distributed to the SPI Committee Members no later than a week after their approval. Meeting decisions will be made publicly available in ways to be determined.

### **Section 4. Decision Making and Method of Vote**

SPI Committee decisions shall be taken by consensus among the SPI Committee Members present in the meeting.

### **Section 5. Compensation**

No SPI Committee Member will receive salary or other honorarium for their services under these bylaws.

**ARTICLE 5: OPERATING GUIDELINES AMENDMENTS**

These guidelines shall govern the SPI Committee in all cases to which they are applicable. The SPI Committee may adopt special rules of order if required. These rules can be amended at any regular meeting of the SPI Committee by consensus, provided that the amendment has been submitted in writing at a previous meeting.

Tirana, [X] January 2008



## ANNEX III: PROPOSED JOB ADVERTISEMENT FOR SPI SECRETARIAT STAFF

<h2 style="margin: 0;">Albania Financial Sector Modernization</h2> <div style="display: flex; justify-content: space-around; align-items: center;">   </div>	
<i>Job Location:</i> Tirana	<i>Target Starting Date:</i> April 1, 2008

**Bank of Albania** and **Association of Albanian Banks**, with support from the World Bank's **Convergence Program** and the **EU Interreg "Aquifalc" Program**, are launching **SPI ALBANIA**, a public-private partnership to accelerate financial sector modernization. Under the auspices of a high-level public-private **SPI Committee**, a **SPI Secretariat** will prepare proposals for micro-regulatory reforms, designed by working groups where authorities and market participants collaborate closely in the perspective of EU Accession. **SPI ALBANIA** will be organized like a similar initiative in Romania ([www.spi-romania.eu](http://www.spi-romania.eu)).

On behalf of SPI Albania, the Convergence Program wishes to hire the two members of the **SPI Secretariat** – a **Director for Analytics and Policy** and a **Director of Bank Products and Services**. Both will report to the Convergence SPI Albania Head.

### I. Description of Core Responsibilities:

While the two Directors are expected to work as a team with a blurred division of roles, each of them will have a main professional focus as follows:

- The **Director for Analytics and Policy** will prepare the proposals for SPI Committee consideration, building on work done by public-private working groups, in close cooperation with staff from relevant Albanian authorities and using international benchmarks and consultants wherever possible.
- The **Director of Bank Products and Services** will identify the regulatory improvements that may be necessary to allow Albanian banks and clients to interface in line with the most advanced EU practices; will support the public-private working group discussions to reach practical results quickly; and will assist Albanian authorities in the prompt enactment of proposals endorsed by the SPI Committee.

### II. Professional Requirements:

- MBA or Masters in Finance/Economics/Law strongly preferred.
- Broad exposure to financial sector policy and business issues (min. 7-10 years).
- Good analytical and quantitative skills.
- Strong motivation to work hard under tight deadlines to meet ambitious objectives.
- Proven business development and project management skills.
- Exceptionally developed interpersonal skills, preferably in a public-private context.
- Excellent written and verbal communication skills, also in English.
- **Director for Analytics and Policy:** public sector experience strongly preferred.
- **Director of Bank Products and Services:** banking or consulting experience strongly preferred.

III. **Application:** Interested candidates are invited to submit their CVs with a cover letter no later than January 31, 2008 at [convergence@worldbank.org](mailto:convergence@worldbank.org), indicating the position they are applying for. Please note that only short-listed candidates will be contacted.

## ANNEX IV: CONVERGENCE ALBANIA FINANCIAL SECTOR MODERNIZATION PROGRAM

### SPECIAL PROJECTS INITIATIVE (SPI)

#### FINANCIAL SECTOR SPECIALIST (ANALYTICS AND POLICY)

#### TERMS OF REFERENCE

##### The position

The Financial Sector Specialist will be responsible for the activities of the Special Projects Initiative (SPI) that the Convergence Program has decided to undertake in support of the financial sector modernization program that Albanian financial sector stakeholders are promoting under the oversight of a **Public-Private Steering Committee (the SPI Committee)**, which represents a high-level commitment to public-private dialogue on financial sector development.

In the SPI context, the Financial Sector Specialist will fulfill the functions of "SPI Director of Analytics and Policy"(DAP). He/she will cooperate closely with the "SPI Director of Bank Products and Services" (DBPS) that is also part of the Special Projects Initiative.

His/her role consists of the following responsibilities:

- With assistance from the Convergence Rome Operations Unit (COU), to design, launch and execute the country bottom-up financial sector regulatory assessment that will be a pipeline of quantified micro-regulatory issues that need fine-tuning;
- To prepare the ToR for each specific analytical assignment after reaching the agreement with the SPI Committee, including involvement of domestic and international experts;
- In this context, to execute feasibility studies in cooperation with public-private working groups for micro-regulatory changes that would benefit the development of bank product and services and their accessibility to existing and potential clients with a view to increasing the efficiency of the Albanian banking sector and the availability of products to its clients.
- To manage the day-to-day project work, interfacing with local counterparts and ensuring that assignments are run on time and output is of adequate quality.
- To act as SPI Committee Secretary.
- To help Convergence Management create a regional expert network.

##### Reporting

The DAP will organize and deliver his/her work in close consultation with Convergence Management and will work collegially with the DBPS. The Financial Sector Specialist will report to the Convergence Deputy Head.

## Requirements

This position requires managerial and organizational skills to be effective in an unstructured and evolving work environment. It also requires an ability to interface with tact and decisiveness with senior authorities, the local banking community and international organizations.

It is unlikely that a work experience of less than 5-7 years would have exposed the candidate to the variety of situations that are necessary to gain maturity and judgment soundness. The candidate should also have demonstrated aptitude to work with public authorities, business counterparts and academics.

Additional requirements are as follows:

- MBA or Masters in Finance/Economics, or other relevant graduate degree
- Knowledge and experience of development work, multi-sectoral policies and Albanian financial sector
- Some familiarity with regulatory impact assessment or quantitative techniques;
- Excellent written and verbal communication skills
- Familiar with demand-driven and participatory approaches.
- Excellent communication and facilitator skills, able to address the institutional complexity and multi-disciplinary environment of the Project.
- Excellent interpersonal and teamwork skills, with the ability to establish and develop relationships and work under tight deadlines to meet objectives
- Fluency in English and Albanian. Knowledge of Italian will be an asset.

## Appointment

The DAP will be selected from a list of experts provided by relevant Albanian institutions and professional service firms. His/Her appointment will be a 12-month appointment extendable according to World Bank guidelines.

## Context

Administered by the World Bank, the "Convergence" Program has been set up to promote the build-up of analytical capabilities in financial economics, banking and finance and legal and regulatory matters within the civil society of its seven countries of operations in South-East Europe.

To achieve this objective, it will use two instruments: 1) to undertake analytical studies of micro-structural issues that, if properly regulated, could impact the growth of financial sector intermediation; 2) to bring the results of these studies and other sponsored by other institutions, supported by a specific "Convergence" opinion, to the attention of authorities for decision-making after open public consultations.

Convergence has found common understanding and willingness among the Albanian financial industry stakeholders to start shaping an evidence-based and proportionate regulatory-making method to pursue the modernization of Albania's financial sector as it strives to converge towards the EU Single Financial Market practices. The Special Projects Initiative is intended to support this evolution.

## ANNEX V: CONVERGENCE ALBANIA FINANCIAL SECTOR MODERNIZATION PROGRAM

### SPECIAL PROJECTS INITIATIVE (SPI)

#### FINANCIAL SECTOR SPECIALIST (BANK PRODUCTS AND SERVICES)

#### TERMS OF REFERENCE

##### The position

The Financial Sector Specialist will be responsible for the activities of the Special Projects Initiative (SPI) that the Convergence Program has decided to undertake in support of the financial sector modernization program that Albanian financial sector stakeholders are promoting under the oversight of a **Public-Private Steering Committee (the SPI Committee)**, which represents a high-level commitment to public-private dialogue on financial sector development.

In the SPI context, the Financial Sector Specialist will fulfill the functions of "SPI Director of Bank Products and Services" (DBPS). He/she will cooperate closely with the "SPI Director of Analytics and Policy" (DAP) that is also part of the Special Projects Initiative.

His/her role consists of the following responsibilities:

- With assistance from the Convergence Rome Operations Unit (COU), to design, launch and execute the country bottom-up financial sector regulatory assessment that will consist of a pipeline of quantified micro-regulatory issues that need fine-tuning;
- In this context, to identify the most critical regulatory issues faced by Albanian banks to broaden their product range and increase their accessibility to existing and potential clients;
- Towards this goal, to organize specific public-private working group meetings and prepare/collect and distribute materials to group members with a view to analyze these issues in depth and prepare a summary report reflecting the views of the working group members for SPI Committee consideration ;
- To build high-level relationships in the Albanian banking community;
- To help Convergence Management create a regional expert network.

##### Reporting

The DBPS will organize and deliver his/her work in close consultation with Convergence Management and will work collegially with the DAP. The DBPS will report to the Convergence Deputy Head.

## Requirements

This position requires managerial and organizational skills to be effective in an unstructured and evolving work environment. It also requires an ability to interface with tact and decisiveness with senior authorities, the local banking community and international organizations.

It is unlikely that a work experience of less than 5 years would have exposed the candidate to the variety of situations that are necessary to gain maturity and judgment soundness. The candidate should also have demonstrated aptitude to work with public authorities, business counterparts and academics.

Additional requirements are as follows:

- MBA or Masters in Finance/Economics, or other relevant graduate degree
- Knowledge and experience of development work, multi-sectoral policies and Albanian financial sector
- Some familiarity with regulatory impact assessment or quantitative techniques;
- Excellent written and verbal communication skills
- Familiar with demand-driven and participatory approaches.
- Excellent communication and facilitator skills, able to address the institutional complexity and multi-disciplinary environment of the Project.
- Excellent interpersonal and teamwork skills, with the ability to establish and develop relationships and work under tight deadlines to meet objectives
- Fluency in English and Albanian. Knowledge of Italian will be an asset.

## Appointment

The candidate will be selected from a short list of experts provided by relevant Albanian institutions and professional service firms. His/Her appointment will be a 12-month term extendable, according to World Bank guidelines.

## Context

Administered by the World Bank, the "Convergence" Program has been set up to promote the build-up of analytical capabilities in financial economics, banking and finance and legal and regulatory matters within the civil society of its seven countries of operations in South-East Europe.

To achieve this objective, it uses two instruments: 1) to undertake analytical studies of micro-structural issues that, if properly regulated, could impact the growth of financial sector intermediation; 2) to bring the results of these studies and other sponsored by other institutions, supported by a specific "Convergence" opinion, to the attention of authorities for decision-making after open public consultations.

Convergence has found common understanding and willingness among the Albanian financial industry stakeholders to start shaping an evidence-based and proportionate regulatory-making method to pursue the modernization of Albania's financial sector as it strives to converge towards the EU Single Financial Market practices. The Special Projects Initiative is intended to support this evolution.

## ANNEX VI: SPI ROMANIA 2008 PROPOSED PROJECTS

### PUBLIC – PRIVATE FINANCIAL SECTOR MODERNIZATION MATRIX

<b>Italian Banking Association CRITERIA</b>	<b>European Central Bank CRITERIA</b>				
	<b>Asymmetric information</b>	<b>Completeness of the market</b>	<b>Increased opportunities to engage in financial transactions</b>	<b>Reduced transaction costs</b>	<b>Increased competition</b>
<b>Business development</b>		1. Increasing bank lending under PPPs 2. Promoting refinancing through securitization 3. Green Banking 4. Organizing T-bill OTC market 5. Modernizing T-bill regulatory framework 6. BSE Listing T-bills	1. Development of Interbank Direct Debit 2. Standardization of the contractual framework for repo and derivative transactions 3. Securing down payments made by individuals for real estate projects 4. Facilitating structural lending 5. Supporting thermal rehabilitation of houses 6. Developing lending to municipalities		
<b>Industry competitiveness</b>	1. Database for risk rating the corporate clients 2. Centralized database for AML purposes		1. Improving access to and availability of the basic banking products 2. Electronic employment register and services	1. The banks' future contributions to RDGF 2. Improving account stopping regulation 3. Reducing the paper-based documents 4. Centralized tax roll 5. Facilitating bad debts recovery	1. Improving the payments framework
<b>Industry reputation</b>	Better information on saving products	1. Expanding Banking Mediator 2. Bank Code of Conduct 3. Ombudsman knowledge transfer	1. Standardizing the minimal information for basic bank products and services 2. Standardizing the advice on selected bank products and services 3. Enhancing Corporate Social Responsibility in the Banking Industry	1. Improving the quality of the education and professional training in the banking field 2. Improving consumer protection framework	1. Enhancing financial consumer's protection 2. Responsible borrowing
	<b>3</b>	<b>9</b>	<b>11</b>	<b>7</b>	<b>3</b>