



SPI ALBANIA PROGRESS

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This document has been prepared in the framework of the Aquifalc project
"L'aquila ed il falcone volano insieme - Aquifalc" financed by the NPP
programme INTERREG / CARDS ITALIA - ALBANIA 2004 - 2006.

International Conference on SPI Albania
Bari, November 7, 2008



Regione Puglia
Assessorato al Mediterraneo
Ufficio Cooperazione con
i Paesi del Mediterraneo



PROGETTO "L'aquila e il falcone volano insieme - AQUIFALC"
a valere sul N.P.P. Italia-Albania INTERREG/CARDS 2004-2006 Asse IV, Misura 4.3, Azione 3

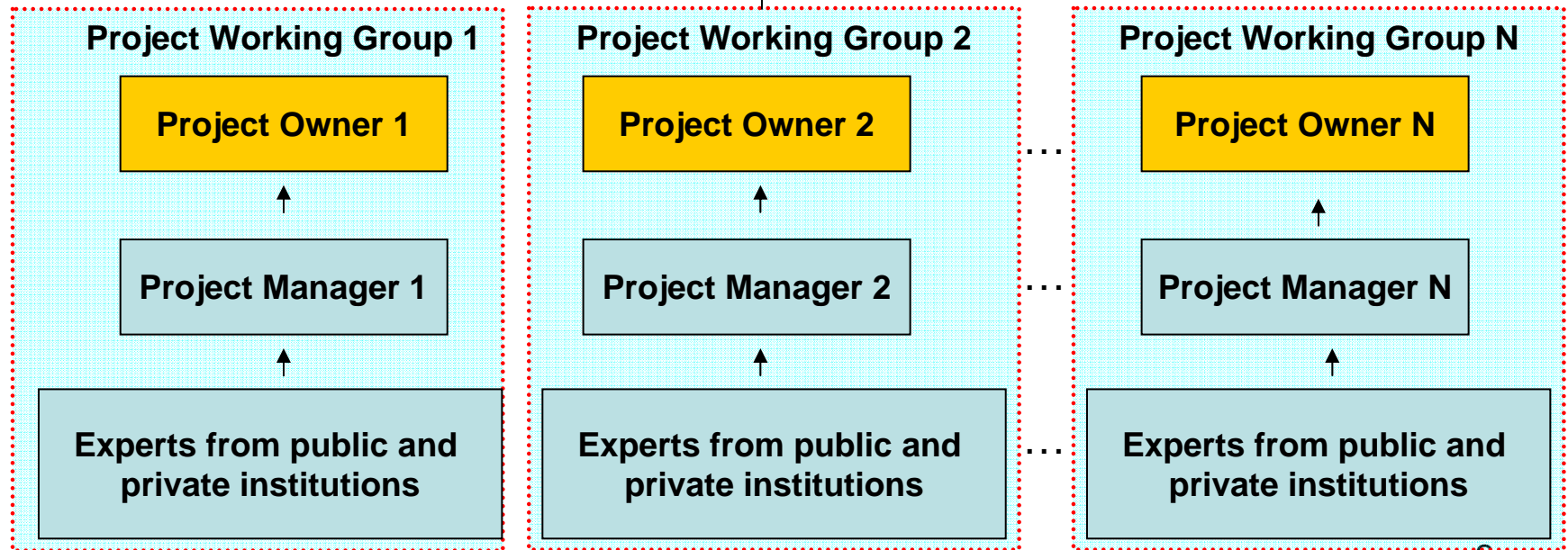
A. SPI Albania Platform

AGREEMENT ON WORK PLAN,
SOLUTION ENDORSEMENT AND ENACTMENT

SPI Committee

SPI Secretariat

TECHNICAL CONSENSUS-BUILDING



SOLUTION FINDING (Based on RIA-based public-private consultations)

B. SPI Albania Committee

- **Members**

- Bank of Albania
- Albanian Association of Banks
- Convergence Program

- **Permanent observers**

- Ministry of Finance
- Financial Supervision Authority
- Ministry of Economy, Trade and Energy (consumer protection department)

- **Main responsibilities**

- Selecting the analytical projects to be undertaken;
- Monitoring and shaping work-in-progress;
- Endorsing SPI projects recommendations;
- Monitoring progress of enactment of regulatory proposals;
- Intervening for speedy enactment and/or implementation.

C. SPI Albania Project Working Groups

- Project Management Team

- Project Owner – strategic management & oversight
 - Appointed by SPI Project sponsor
 - e.g. Bank of Albania, Association of Albanian Banks or others
 - Signs off final SPI Committee recommendations
- Project Manager/Deputy PM – chairs PWG meetings

- Project Working Group

- Composition: 6-10 representatives of public and private stakeholders, with specific expertise profiles.
- Responsibilities:
 - Attending the meetings;
 - Actively participating in the meetings;
 - Providing contributions (their institutions' experience, parts of documents);
 - Validation of RIA questionnaire;
 - Providing data/filling in questionnaires;
 - Validation of RIA findings;
 - Approval of position/policy documents;
 - Supporting enactment activities.

D. SPI Secretariat Practices

EU *Better Regulation*

| Policy Design Steps | Purpose |
|--|--|
| Scoping of problem | |
| 1. Problem identification | To understand if a market/regulatory failure creates the case for regulatory intervention. |
| 2. Definition of policy objectives | To identify the effects of the market /regulatory failure to the regulatory objectives. |
| 3. Development of “do nothing option” | To identify and state the status quo. |
| 4. Alternative policy options | To identify and state alternative policies (among them the “market solution”). |
| Analysis of impact | |
| 5. Costs to users | To identify and state the costs borne by consumers |
| 6. Benefits to users | To identify and state the benefits yielded by consumers |
| 7. Costs to regulated firms and regulator | To identify and state the costs borne by regulator and regulated firms |
| 8. Benefits to regulated firms and regulator | To identify and state the benefits yielded by regulator and regulated firms |
| Consultations | |
| 9. Data Questionnaire | To collect market structure data to feed into cost and benefit analysis |
| 10. Policy Options Questionnaire | To learn market participant opinions on various policy options |
| Conclusion | |
| 11. Final Recommendations | Final report based on Cost Benefit Analysis and market feedback |

E. SPI Albania Progress

1. SPI Albania Project Pipeline
2. SPI Secretariat recruitment process
3. SPI Secretariat Team
4. SPI Committee first meeting – outputs
5. SPI Projects Progress up now
6. SPI Committee second meeting – outputs
7. Other SPI Albania accomplishments:
 - SPI Albania website
 - SPI Albania PMT workshop
 - SPI Secretariat training sessions (at the beginning, in July, in September)
8. General assessment of SPI Albania development
9. Prospects for 2009 activities

E1. SPI Albania Project Pipeline (I)

- Period: January- March
- Methodology: consultations with main SPI Albania stakeholders
 - questionnaire sent through AAB;
 - interviews with banks' and BoA's representatives;
 - workshop for prioritizing modernization issues;
 - bank survey run by AAB on the priority in solving the listed issues.

E1. SPI Albania Project Pipeline (II)

| Italian Banking Association | FINANCIAL SECTOR MODERNIZATION CRITERIA | European Central Bank | | | | |
|-----------------------------|--|--|---|---|--|--|
| | | Asymmetric information | Completeness of the market | Increased opportunities to engage in financial transactions | Reduced transaction costs | Increased competition |
| | Business development | 1. Corporate /consumer lending | 3. Stock exchange 4. Leasing transactions 5. Securitization 6. AAB Strengthening 27. Consumer credit | 7. Agricultural lending 8. Lending to tourism 9. Lending to municipalities 10. Mortgage loans 11. Structural lending 12. Lending environment 13. Lending to PPPs 29. FX open positions | 14. Strengthening bank staff 20. Auction procedures for buildings 2. Scoring card system for individuals | |
| | Industry competitiveness | IFRS 15. Credit risk in consumer lending 16. Better credit risk management 17. KYC policies | 30. Revising capital adequacy ratio 28. Corporate governance and requirements for their administrators | 18. Expansion of banks activities | 19. Reducing cash transactions 21. AML reporting 22. Write-off of bad debts 23. Account stopping 31. Reviewing guidelines on banks' liquidation 32. BoA reporting 33. Harmonizing accounting policies | |
| | Industry reputation | 34. Improving access to basic banking products | 24. Financial ombudsman | | | 25. "Effective" interest rate (EIR) 26. Consumer financial education 35. Enhancing financial consumer's protection |
| Total | 6 BOLD BLUE: BOA Proposals; | 8 BOLD RED: AAB Proposals; | 9 Black: Other Proposals | 10 | 3 8 | |

E1. SPI Albania Project Pipeline (III)

| Italian Banking Association | FINANCIAL SECTOR MODERNIZATION CRITERIA | European Central Bank | | | | |
|-----------------------------|---|------------------------|----------------------------|---|---|-----------------------|
| | | Asymmetric information | Completeness of the market | Increased opportunities to engage in financial transactions | Reduced transaction costs | Increased competition |
| | Business development | | | 1. Improving leasing transactions | 1. Developing scoring cards for individuals 2. Improving auction procedures under collateral foreclosure | |
| | Industry competitiveness | 1.IFRS | 1. Capital adequacy | | 1.Reducing cash transactions | |
| | Industry reputation | | | | | |
| | Total | 1 | 1 | 1 | 3 | |

Blue: BoA prioritized projects; **Red:** AAB prioritized projects

E2. SPI Secretariat recruitment process

- Job ad in 2 main newspapers, posted on BoA and AAB websites - February
- 21 CVs received
- Interviews: February – March
 - Individual interviews
 - Team interviews
- Interviewing institutions: Convergence Program, HR Consulting Company, BoA, AAB
- Early April – Training session with selected candidates
- May 15 – SPI Secretariat started working

E3. SPI Secretariat Team

- **SPI Director for Analytics and Policy**

- **Ms. Elona Bollano** comes from Bank of Albania, where she has worked for the Monetary Policy Department. She brings her economics expertise in macro issues of the Albanian economy. As Director of Analytics and Policy, Ms. Bollano is the permanent support of the Project Working Groups. Her main responsibilities consist of the preparation of analytical studies with the focus on financial sector modernization issues. She brings to the decision makers' attention the results of the performed studies and analysis in order to raise awareness on the most critical challenges faced by the banking community.

- **SPI Director for Operations**

- **Ms. Anuela Ristani** brings to SPI Albania her management expertise through various businesses. Her experience includes Raiffeisen Bank, Porsche AG, and Albanian Mobile Communications. As the Director of Operations, Ms. Ristani is mainly responsible to establish and maintain the relationships with the banking community, SPI Albania partners, local and foreign experts. Ms. Ristani serves as the coordinator for all Project Working Group Activities of SPI Albania.

E4. SPI Committee first meeting – outputs (I)

- June 10, First SPI Committee Meeting
- Outputs:
 - SPI Committee Operating Guidelines (covering SPI Committee's, SPI Albania stakeholders, PWG's and SPI Secretariat's role and responsibilities in selecting the projects, running them and enacting the findings)
 - SPI Albania 2008 Activity Program
 - Draft ToRs for the first 4 projects:
 - Improving Auction Procedures for Immovable Collateral under Foreclosure
 - Impact of IFRS Implementation on Banking regulations
 - Reducing Cash Transactions
 - Improving Capital Adequacy Regulation

E4. SPI Committee first meeting – outputs (II)

SPI ALBANIA PROJECT WORKING GROUPS TENTATIVE COMPOSITION

| No | PROJECT | PMG | | | PWG |
|----|--|-----------------|-----------------|-----------------------------|--|
| | | PO | PM | DPM | |
| 1. | Improving auction procedures under foreclosure for immovable collaterals | BKT (G3) | BKT (G3) | MoJ/Appraisers' Association | International Commercial Bank (G1) Credit Bank of Albania (G1) Alpha Bank (G2) Tirana Bank (G3) BoA IFC MoJ Appraisers' Association |
| 2. | Assessing the impact of IFRS implementation on the regulatory framework | BoA | BoA | BIS (G1) | Emporiki Bank (G1) Popular Bank (G2) RZB (G3) MoF Private auditing companies (local and international) |
| 3. | Reducing cash transactions | RZB (G3) | RZB (G3) | BoA | BIS (G1) Credins Bank (G2) American Bank of Albania (G3) |
| 4. | Improving regulations on capital adequacy | BoA | BoA | UBA (G1) | First Investment Bank (G1) ProCredit Bank (G2) NBG (G2) American Bank of Albania (G3) BoA |

Banks in bold letters – AAB Board members

AAB market segmentation based on 2006 reports: G1 – small size banks; G2 – medium size banks; G3 – large banks.

Total participating banks: 16 out of 16

E5. SPI Projects Progress up now (I)

- **Improving Auction Procedures for Immovable Collateral under Foreclosure**
 - **Project objectives:**
 - To undertake analytical activities that would support the enactment of law amendment proposals on Civil Procedure Code
 - To support the improvement of the Bailiff Office activity
 - To improve the quality of the buildings evaluation
 - **Main Achievements:**
 - PWG gathers all relevant stakeholders: banks, Bank of Albania, Ministry of Justice, IFC
 - Peer Reviewer: EURALIUS
 - Four PWG meetings
 - 2 Consultations with the banking community on the difficulties in dealing with Bailiff Office and on the costs and benefits of the PWG amendment proposals
 - Multiple consultations with MoJ
 - Invitation in the Parliamentary Legal Commission hearings
 - PWG Recommendations on amending Civil Procedure Code (including quantitative impact assessment of the amendment proposals) – finalized
 - PWG Recommendations on improving Bailiff Office activity – finalized
 - **Contributions:**
 - PWG members participated in the discussions in the meetings, provided proposals
 - PMT had an important contribution in the consultations, in formulating proposals and in mapping the project in the current Albanian context
 - SPI Secretariat performed research on local and international experience, run the banking surveys, prepared all documents and supported PMT in all consultations
 - **Current status and future steps**
 - PWG recommendations under enactment process
 - Third objective will be approached in November
 - Estimated finalization: end of year

E5. SPI Projects Progress up now (II)

- **Impact of IFRS implementation on Banking Regulations**
 - **Project objectives:**
 - To interpret the Decision of the Ministry of Finance on the timing of the full application of IFRS standards.
 - To assess the impact of IFRS implementation in banking regulatory framework by preparing a list / identifying the affected laws, bylaws, regulations and guidelines.
 - To assess the main areas of impact and the general sense of the changes to be brought to the regulations.
 - **Main Achievements:**
 - PWG gathering a large spectrum of stakeholders: banks, BoA, auditing companies, MoF, AMF
 - 4 PWG meetings
 - Consultations with National Accounting Council and MoF
 - One banking survey on the banks' readiness to implement IFRS
 - NAC issued a clarification on MoF decision. PWG supported their request with documents and with the results of the banking survey
 - PWG recommendations on amending the banking regulations for IFRS implementation - finalized
 - **Contributions:**
 - PWG members participated in the discussions in the meetings, provided proposals
 - PMT had an important contribution in the consultations and in formulating recommendations
 - SPI Secretariat performed research on local and international experience, run the banking survey, prepared all documents and supported PMT in all consultations
 - **Current status and future steps**
 - PWG recommendations under enactment process
 - Possible another project on IFRS implementation to be undertaken in 2009

E5. SPI Projects Progress up now (III)

- **Reducing cash transactions**
 - **Project objectives:**
 - To prepare a protocol on a common policy in respect of the actions and measures to be undertaken by the banks for reducing the volume of cash transactions.
 - To build consensus among banks in order to sign and implement the protocol.
 - **Main Achievements:**
 - PWG gathering a large spectrum of stakeholders: banks, BoA, mobile phone and utilities companies
 - Technical Anchor: ABI
 - 2 PWG meetings
 - ABI presentation on the war against cash in Italy
 - Request for and analysis of offers on performing a nation-wide research on the reasons for using cash transactions and costs for consumers and for companies
 - Research in the international experience in using cash transactions
 - Preparatory work for assessing the quantitative impact of reducing cash transactions on banks
 - **Contributions:**
 - PWG members participated in the discussions in the meetings, provided proposals
 - PMT had an important contribution in enlarging PWG constituency
 - PM forwarded the sponsorship proposal on the nation-wide research to AAB for approval
 - SPI Secretariat performed research on local and international experience
 - **Current status and future steps**
 - SPI Secretariat is currently preparing the questionnaire for the banking survey and is finalizing the note on international experience
 - Finalization – by end of 2008

E5. SPI Projects Progress up now (IV)

- **Improving regulation on capital adequacy**
 - **Project objectives:**
 - To prepare the necessary regulatory amendments and to define an implementation timeframe.
 - **Main Achievements:**
 - SPI Secretariat has prepared the Terms of Reference.
 - The Project Working Group is completed.
 - SPI Secretariat together with BoA Supervision and PR Department has short listed potential Technical Anchors.
 - SPI Secretariat has sent the invitation letters for the potential Technical Anchors after obtaining Project Owner's approval on the drafts and his signature.
 - **Current status and future steps**
 - The first PWG meeting will take place during November 2008.

E5. SPI Projects Progress up now (V)

- **Summary of achievements**
 - 4 PWGs, gathering about 60 persons, out of which about 42 from banks
 - Large spectrum of stakeholders gathered around the projects
 - 10 PWG meetings
 - 3 PWG recommendations documents on very important issues for banks and for BoA
 - 3 banking surveys
 - 1 seminar and 1 workshop
 - Website launched

E6. SPI Committee second meeting

- Outputs
 - 3 documents with PWG recommendations endorsed and sent for further enactment to the Albanian Parliament, Ministry of Justice and BoA
 - Approval of a change in the SPI Albania activity program for 2008:
 - New project: Improving Financial Consumer Education

E7. Other SPI Albania accomplishments

- SPI Albania website
 - Launched officially in October, permanently updated
 - Full transparency of SPI Albania activities
 - Please visit www.spi-albania.eu
- SPI Albania Project Management Teams workshop on improving efficiency
 - Analysis of the PMT and SPI Secretariat roles, coordination
 - Identification of ways to improve
- SPI Secretariat training sessions
 - Initial April training session
 - July – training session on SPI Romania experience and RIA
 - September – training on RIA techniques

E7. General assessment of SPI Albania development (I)

- Extraordinary mobilization of the Albanian financial community
- SPI Committee – full support
- PWG - balanced composition, continuously improving
- PWG – enthusiastic at the beginning
- International institutions supportive and promptly responding
- PMTs leading role
- SPI Secretariat supported PWG with planning, research, preparation of documents

E7. General assessment of SPI Albania development

(II)

- PWG reluctant in using proposed analytical methods
- PWG loosing from the initial enthusiasm and active approach
- Delays in the activity program... due to too optimistic initial plans, complexity of issues, delays in providing individual contributions
- SPI Secretariat lack of experience ... but very good progress
- Need for local supervision of PWG and SPI Secretariat activity
- Need for a reliant technical expertise provider

E9. Prospects for SPI Albania 2009 activities

- Finalization of 2 of 2008 projects, another 6-8 new projects undertaken
- Ensuring SPI Albania sustainability
 - Hiring of a local SPI Albania General Manager
 - SPI Regional Operations Director transferring management and analytical knowledge (until June 2009) to the local GM
 - Arrangement for a permanent technical partner (ABI)
 - Incorporation of SPI Albania as a legal entity (NGO)
 - Application for international funding (Aquifalc)
- Supporting the establishment of the SPI Adriatic network



Thank you for your attention!



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i Paesi del Mediterraneo



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