

Special Projects Initiative Albania
Annual Report
2009



SPI Albania follows the “Better Regulation” practices recommended by the EU financial sector committees:

Committee of European Banking Supervisors (CEBS)
 Committee of European Securities Regulators (CESR)
 Committee of the European Insurance and Occupational Pension Supervisors (CEIOPS)

Better Regulation Approach	
Steps	Purpose
Scoping of problem	
1. Problem identification	To understand if a market/regulatory failure creates the case for regulatory intervention.
2. Policy objectives	To identify the effects of the market /regulatory failure to the regulatory objectives.
3. “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 Document	To learn market participant opinions on various policy options
Conclusion	
11. Final Recommendations	Final report to decision-makers, based on CBA and market feedback

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Foreword

“We are pleased to present the SPI Albania 2009 Annual Report to the Albanian financial community.

It is the second Annual Report since the Convergence Program started managing SPI Albania, in response to a request from Bank of Albania and the Association of Albanian Banks of January 2008 to organize a new mode of cooperation among public and private stakeholders.

The results achieved since we started the activities in May 2008 are a testimony to the dedication and hard work of the more than 145 Albanian experts that have shared their knowledge to prepare ten well articulated proposals for financial sector modernization. These proposals led or are likely to lead to enactments of about seven laws or regulations.

The 43 institutions that have mobilized these experts gave an important contribution to anchoring Albania in the European Integration Process.

It is in this strategic perspective that the Convergence Program is handing over operational and financial responsibility of SPI Albania to its core stakeholders. “

The Convergence Program December 2007-November 2009 Handover Report can be downloaded from:
http://www.convergence-see.eu/IMG/pdf/Convergence_Program_SPI_Albania_Handover_Report.pdf



Luigi Passamonti
Head of Convergence Program
World Bank
www.convergence-see.eu

About SPI Albania (1)

The **Special Projects Initiative** (SPI) is a public-private partnership that started operating in May 2008 to provide focus and coordination to accelerate the modernization of the Albanian financial sector, with a specific emphasis on banking issues.

- The program is placed under the coordination of a eight-person high-level committee - **the SPI Committee** - composed of:

- **SPI Committee Members:**

- **Mr. Libero Catalano, Chairman, Association of Albanian Banks Albania**
- **Mr. Elvis Cibuku, Advisor to the Governor, Bank of Albania**
- **Mr. Xhentil Demiraj, General Director of Debt Department, Ministry of Finances**
- **Ms. Flora Musta, Head of Licensing Department, Financial Supervisory Authority**
- **Ms. Anila Jani, Market Surveillance Director, Ministry of Economy, Trade and Energy**
- **Mr. Luigi Passamonti, Head of Convergence Program, The World Bank**
- **Permanent Observers:**
- **Mr. Pierfrancesco Gaggi, Italian Banking Association**
- **Ms. Luljeta Minxhozi, Dean of Economics Faculty, European University of Tirana**

SPI Albania is based on the recognition that public and private financial sector stakeholders have a common interest in a regulatory environment that supports economic development and growth, financial stability and consumer protection and therefore that they need to cooperate on an ongoing and consistent basis.

SPI Albania was established with support of Convergence Program, a joint initiative set up in 2005 by the World Bank and the Italian Ministry of Economy and Finance to promote financial sector modernization in South-East European countries through micro-regulatory reforms designed in partnership by authorities and market participants.

The **Convergence team** is composed of **Luigi Passamonti**, Founder and Head of Convergence Program, World Bank, Washington Office, **Greta Minxhozi**, SPI Albania General Director, and **Rumyana Uzunova**, Office Manager, World Bank, Rome Office.



“ One of the most innovative aspects of the SPI Albania was to mobilize the already existing in-country expertise, thus creating premises for stronger ownership and long term sustainability of the financial modernization program “.

Greta Minxhozi
SPI Albania General Director

About SPI Albania (2)

SPI Albania works through the following **structure**:

- **SPI Committee**: which ensures ex-ante agreement on public-private priorities, endorses the conclusions of analytical projects and pushes for prompt enactment of the proposals;
- **Project Working Groups (PWGs)**: that propose solutions based on collective expertise and facilitate public-private technical consensus;
- **SPI Secretariat**: - the “engine” of the structure.

The Project Working Groups mobilized the best expertise available in Albania, be it from financial authorities, the banking community or from other organizations. As of December 2009, there have been 47 projects working group meetings, gathering nearly 150 professionals for a total.

The SPI Secretariat supports the analyses formulated by the working groups with qualitative and quantitative evidence and adds an international perspective to the documents submitted for SPI Committee endorsement.

Under SPI Committee oversight, and with initial support from the Convergence Program, the SPI Secretariat strives to help public and private stakeholders achieve commonly-agreed solutions with evidence-based analytical approaches. Through reliance on Regulatory Impact Assessment (RIA) techniques and associated public consultations, the SPI Secretariat aims at building a *Better Regulation* culture in Albania.

SPI Secretariat Management::

Greta Minxhozi, SPI Albania General Manager

Anuela Ristani, Director of Operations

Evis Gjebrea, Consultant – Economics Expert

Holta Kotherja, Consultant – Legal Expert



“SPI Albania has introduced the real value of intra-institutional communication within the Albanian Financial Community. The evidence-based consensus-building discussions during the Project Working Group meetings best demonstrate the impact of that value.”

Anuela Ristani
Director of Operations
SPI Secretariat

SPI Albania 2009 Modernization Program

	European Central Bank CRITERIA				
	Asymmetric information	Completeness of the market	Increased opportunities to engage in financial transactions	Reduced transaction costs	Increased competition
Italian Banking Association CRITERIA					
Strengthening judicial system on banking issues				Revising regulatory act on Execution of Procedures on Bank accounts	
The recognition of and protection from various risks	Extension of the credit bureau services – 1 Database for businesses; 2. Scoring cards for individuals	Enhancing banks' liquidity risk management	Revising foreign currency open positions Loan- loss provisioning under IFRS		
Introduction of new products		Revising Public Procurement Law			
The functioning of the interbank market		Preparing a feasibility study for the central depository			
The increase of funds circulation through the system		Establishment of a national settlement scheme for payments in foreign currency			
The building of full technological capacities				Unique and rationalized reporting system	

Public Authorities Proposals; AAB Proposals; Other Proposals

Completed Project

1. Reducing Cash Transactions

<http://www.spi-albania.eu/en/2008-program/reducing-cash-transactions/>

Background

Albanian authorities have taken several legal and administrative initiatives to reduce the use of cash. Despite these initiatives undertaken it seems that the intended effects are not completely materialized and the volume of cash transactions continues to be high. The high level of cash transaction raises concerns to the banks. These concerns are related to the costs associated with processing the cash and with the inefficiency produced by the high level of the unused liquidities.

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.

Current Status

The project was concluded with the approval from the PWG of the proposed regulatory and self-regulatory measures. SPI Committee approved the PWG Recommendations as presented during the SPI Committee meeting, June 2009. The Recommendations were transmitted to AAB for the self-regulatory part and to the Ministry of Finance for the Regulatory proposals.

Contributions

- PWG members: participation in PWG meetings and discussions; answers to the Banks' and Shops' Cost-Benefit Questionnaire on Various Means of Payment, comments and feedback to the Consultation Paper.
- SPI Secretariat: Project ToRs; Note on Research Companies' Proposals for a National Scale study on Cash Volume Costs in Albania; Note on international experience; Banks' and Shops' Cost-Benefit Questionnaire on Various Means of Payment; collected individual contributions and draft Summary findings of the survey on shops and banks on cost and benefits of reducing cash transactions, including the quantitative impact analysis; Consultation Paper and Consultation Feedback documents based on PWG meetings; drafted banks' Protocol on Common Policy to Reduce Cash Transactions; Document on the PWG Recommendations.

The Project was concluded after 5 project working group meetings.

Project Working Group

Management

Oliver Whittle, Project Owner (PO), CEO, Raiffeisen Bank

Robert Wright, Project Manager (PM), Board Member for Retail Banking, Raiffeisen Bank

Elivar Golemi, Deputy Project Manager (CoPM), Head Sector Payments Department, Bank of Albania

Members

Jonida Vaso, Union Bank

Griselda Cela, Credins Bank

Liliana Nanaj, American Bank of Albania

Elird Qendro, Mirela Pekmezi, Italian Bank of Development

Technical Anchor

Oscar Occhipinti, Lawyer for the ATM Transactions in the Italian Association of Banks

Peer Reviewer

Sarah Rotman, Associate Microfinance Analyst: Technology Program Consultative Group to Assist the Poor (CGAP), World Bank

Completed Project

2. Improving Consumer Financial Education

<http://www.spi-albania.eu/en/2008-program/improving-consumer-financial-education/>

Background

Financial education is a very important decision tool for consumers living in an increasingly sophisticated and globalized financial market, enabling them to budget and manage their income, save, borrow and invest efficiently, understand and protect themselves against specific risks and as well as avoid becoming victims of fraud. Financial education promotes also competition among financial intermediaries and ensures the smooth functioning of financial markets and the economy. Consumer education is a policy instrument for authorities to contribute to a sustainable growth in financial intermediation activities and a marketing tool for financial institutions to build robust client relationships.

Objective

To prepare a Strategic Plan on national consumer financial education on financial consumer education and a medium-term, structured and nation-wide financial education program to be endorsed by all stakeholders

Current Status

PWG has approved the final PWG recommendations. SPI Committee approved the PWG Recommendations as presented during the SPI Committee meeting, June 2009. The SPI Committee has transmitted the final project output to the Ministry of Economy Trade and Energy for further action. Bank of Albania has posted the final output under the Consumer Financial and Economic Education page of the official Bank of Albania website.

Contributions

- PWG members: participation in PWG meetings and discussions; feedback on note on the Albanian Experience, cost-benefit qualitative analysis, medium term CFE program (implementation plan)
- SPI Secretariat: draft Project ToRs; Note on the Albanian experience; Note on the International Experience; Cost Benefit qualitative analysis; National strategic plan on consumer financial education; CFE implementation plan; Note on Alternative funding sources.

The Project was concluded after 3 project working group meetings.

Project Working Group

Management

Anila Jani, Project Owner, Market Surveillance Department Director, Ministry of Economy, Trade and Energy

Ina Kraja, Co-Project Manager, Director of Foreign Relations, European Integration and Communications Department, Bank of Albania

Mamica Dhamo, Co-Project Manager, Head of Consumer Protection Section, Ministry of Economy, Trade and Energy

Brunilda Kostare, Deputy Project Manager, Albanian Association of Banks, General Counsel

Rinald Guri, Drejtor i Statistikes dhe Kerkimit , Deputy Project Manager, Albanian Supervisory Authority, Head of Section

Members

Islam Cani (Albanian Consumers' Association)

Gentiana Hasko, Banka Popullore

Sonila Metohu, Ministry of Finance

Pajtim Melani (Competition Authority Office)

Monika Kocaqi (Women's Association)

Completed Project

3. Banks' Liquidity Risk Management

<http://www.spi-albania.eu/en/2009-program/enhancing-banks-liquidity-risk-management/>

Background

Bank of Albania is seeking to enhance banks' liquidity risk management by reviewing the regulatory framework according to international guidelines and best practice. The present regulatory framework provides only principles for the liquidity management, and banks have the liberty to manage the liquidity level based on principles set by the BoA, with no quantitative prudential ratios (thresholds). BoA is considering the introduction of quantitative minimum prudential ratios, in order to prevent the occurrence of systemic liquidity difficulties.

Objective

To enhance banks' liquidity risk management by reviewing the current regulatory framework according to international guidelines and best practices, including introduction of qualitative prudential ratios, in order to prevent the occurrence of systemic liquidity difficulties.

Current Status

PWG approved the final PWG recommendations. The Project owner transmitted the PWG final decisions to the SPI Committee for information. The New Bank of Albania Regulation on Liquidity Risk Management was approved in November 2009.

Contributions

PWG members: participation in PWG meetings and discussions; answers to the Questionnaires on Banks' experiences, suggestions and Cost and Benefits.

SPI Secretariat: ToR; Scoping of Problem Document; Note on International Experience; Questionnaire and Analysis on Banks' Experiences in Liquidity Risk Management; New Regulation Draft Proposal and Comments; Questionnaire and Analysis on Banks' Suggestions on the Draft Regulation on Liquidity Risk Management; Cost and Benefit Questionnaire and Analysis on the Impact on the Banking System of the New Liquidity Risk Management Framework; Analysis of Final Draft Regulation and PWG Comments; Summary of Main Outcomes of SPI Albania Consultations; Document on the PWG Recommendations.

Project Working Group

Management

Indrit Banka, Bank of Albania, Project Owner
Miranda Ramaj, Bank of Albania, Project Manager
Enkelejda Bargjo, Tirana Bank, Co-Project Manager

Members

Donata Totokoci / Persefoni Papa, ProCredit Bank
 Artiola Agalliu, Alpha Bank-Albania
 Altin Sholla, Bis Banca
 Christian Canacaris / Rigels Kristo, RBAL
 Altin Koci, ICB
 Jola Dima, Intesa Sanpaolo Bank
 Eralda Gurga / Gresa Panajoti, Emporiki
 Miranda Kacani, BKT
 Elvira Jaze / Admir Ramadani, First Investment Bank
 Erjon Tace, Banka Popullore
 Erjona Poro, Credins
 Niko Kotonika, NBG

The Project was concluded after 3 project working group meetings.

Ongoing Project

4. Revising the Debt Contracting Regulatory Framework

<http://www.spi-albania.eu/en/2009-program/debt-procurement/>

Background

Public procurement is the process of using public funds by certain public body, for the purpose of acquiring external resources, generally from commercial bidders. In order to regulate this process, as the part of public sector reform and in relation to future EU membership, Albania has adopted a modern public procurement Law no. 9665 dated 18.12.2006 in line with the Directive 2004/18/EC of the European Parliament and the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public services contracts.

Objectives

To improve Government debt contracting process by reviewing the relevant regulatory framework in order to cover the acquisition of advisory, technical and other supportive services. .

Outputs to date

Terms of Reference; Scoping of the problem document; Note on international experience; Note on Advisory Technical Services; Proposal to Amend the current regulatory framework; TAIEX Application; TAIEX Expert Mission Agenda; Cost and benefit qualitative analysis.

Current Status

After the meeting with the TAIEX technical expert, the PWG members finalized the PWG

3 project working group meetings held.

Project Working Group

Management

Sheferedin Shehu, Former Deputy Minister of Finances, Project Owner
Xhentil Demiraj, General Debt Director, Ministry of Finances, Project Manager
Anilda Sefgjini, Public Procurement Agency; CoProject Manager
Elona Koci, Raiffeisen Bank, CoProject Manager

Members

Milbana Treska, Ministry of Finances
Adrian Ceco, Intesa San Paolo Bank
Jula Gjuzi, Fatos Lazimi Kalo- Legal Consulting
Artiola Agalliu, Alpha Bank
Ajola Xoxa, Ervin Braho, Tonucci- Legal Consulting

Technical Anchor

TAIEX Expert Mission

Ongoing Project

5. Reviewing the Capital Adequacy Regulation

<http://www.spi-albania.eu/en/2008-program/reviewing-the-capital-adequacy-regulation/>

Background

Bank of Albania is seeking to improve and to expand the coverage of the regulation on capital adequacy in order to capture a wider range of risks faced by the banks. The methodology used in the current frameworks calculates the (minimum) regulatory capital to cover only for credit risk. Other risk typologies, such as operational risk, have not been addressed yet. Therefore Bank of Albania proposes to improve risk management by improving the methodology for calculating risk weighted assets, by improving the existing methodology on credit risk and by including the operational risk.

Objective

Within the policy goal of improving the capital adequacy to the credit risk and to the operational risk according to Basel II, First pillar, the project objective is to prepare the necessary regulatory amendments and to define an implementation timeframe

Outputs to date

Terms of Reference; Scoping of the problem document; Note on international experience; Intesa San Paolo Credit Risk Methodology; Raiffeisen Bank Credit Risk methodology; Cost and benefit questionnaire, Cost and Benefit Analysis – Impact Assessment.

Current status

The PWG has approved the Impact assessment of the new capital adequacy framework for the banking system. Based on its results, Bank of Albania is preparing their proposal on the changes in the Capital Adequacy Regulation to be reviewed and discussed in the next PWG meeting.

2 project working group meetings held.

Project Working Group

Management

Indrit Banka, Project Owner (PO), Director Supervision Department, Bank of Albania
Miranda Ramaj, Project Manager (PM), Deputy Director Supervision Department, Bank of Albania
Adela Xhemali, Deputy Project Manager (DPM), VP, CFO Intesa San Paolo Bank

Members

Admir Ramadani, First Investment Bank
 Brunilda Jacovi, National Bank of Greece
 Alma Dhama, Intesa San Paolo Bank
 Entela Gjyzari, Banka Popullore
 Altin Koci – International Commerical Bank Plator
 Ulqinaku – Union Bank
 Majlinda Gjata – Raiffeisen Bank
 Elsa Peca, Persefoni Pepa – Pro Credit Bank Merita
 Musliu – Emporiki Bank
 Dimitrios Kakaunis, Artiola Agalliu – Alpha Bank Sokol
 Pellumbi – National Commercial Bank Rajmond Povaci,
 Aleko Polo – Tirana Bank

Ongoing Project

6. Execution of Bank Accounts

<http://www.spi-albania.eu/en/2009-program/execution-of-bank-accounts/>

Background

Bank of Albania current regulation on the implementation of execution on bank accounts is lacking provisions regarding public institution accounts or consolidated accounts. Notwithstanding financial intermediary role, banks are faced with the difficulty to execute bailiff orders. There is a need for a new regulation to be issued by the Bank of Albania.

By determining proper procedures regarding execution on public institution accounts, Banks operate in a safer institutional environment which protects them from abusive or unclear actions of bailiff offices, tax offices etc. Reduced uncertainty might be reflected in lower costs, improved bank-client relationships and in more transparency with account operations.

Objective

To review and improve the regulatory framework on execution on bank accounts related to executive titles concerning budgetary institutions consolidated accounts, and other executive titles issued by public institutions. In particular, to review the BoA's Guideline "On the modalities of execution of obligations on amounts in bank accounts".

Outputs to Date

Terms of References, Scoping of the problem document; Note on International Experience; Questionnaire on Regulatory Suggestions.

Current Status

Based on the outcome of the Regulatory Suggestions, SPI Secretariat will draft the proposed regulatory changes for approval by the PWG.

1 project working group meeting held

Project Working Group

Management

Seyhan Pencapligil, General Director, National Commercial Bank, Project Owner

Veronika Prifti, Head of Legal Department, National Commercial Bank, Project Manager

Elvis Zaimi, Head of Section, Legal Department, Bank of Albania, Co- Project Manger

Isida Koka, Budget Department, Ministry of Finance, Co- Project Manger

Members

Redi Lamaj, First Investment Bank

Kujtim Mare, Raiffeisen Bank

Arben Gjoleka, Ombudsman

Andin Jakova, International Commercial Bank,

Gelas Yzo, Bailiff Office

Linda Gavazi, Tax Office

Technical assistance:

Italian Association of Banks

Other Initiatives

- **EU TAIEX Expert Mission on Revising Debt Contracting Regulatory Framework:** The aim of the EU TAIEX expert mission assistance was to provide the best information and knowledge to the better definition of public procurement of financial advisory services.
- **Evaluation of SPI Secretariat Activities:** Aggregating 26 individual submissions, the SPI Albania Secretariat released a Report that highlights the high appreciation by the financial community of its analytical and honest broker capabilities which have contributed to the successful completion of five SPI Albania projects.
- **CIPE Funding Opportunities:** AAB Chairman and SPI Committee member Mr. Libero Catalano, together with SPI Secretariat, met with CIPE Regional Program Officer Ms. Natalia Otel Belan to discuss funding opportunities.
- **Regional Conference on "Public Policies and Political Decision-Making" Zagreb, Croatia:** Ms. Evis Gjebrea, SPI Secretariat, made a presentation on Theoretical Concepts of Policy Analysis and illustrated them through the SPI Albania Case Study as practical application of the policy analysis methodology.
- **Bank-Enterprise Adriatic Observatory:** SPI Secretariat issued a project briefing for the Albanian partners. SPI Secretariat hosted a technical discussions among AAB, Bank of Albania, Convergence Program and Regione Puglia experts on the preparation of a project proposal to receive EU funding for the continuation of the SPI Albania activities.
- **IFC draws lessons from the Auction Procedures SPI Project:** The accomplishments of the Auction Procedures Project Working Group are captured in an IFC SmartLesson.
- **SPI Secretariat Management Changes:** SPI Regional Operations Director Mrs Ramona Bratu concluded her mandate after a full year of immense support to SPI Albania's activities. The SPI Committee Members sent a thank you letter acknowledging Mrs. Bratu's contributions.
- **Regione Puglia:** SPI Committee Members Libero Catalano and Luigi Passamonti met in Bari with officials from Regione Puglia's Mediterranean Department to discuss a joint project to establish an "Osservatorio Banche-Imprese" with proposed EU funding support. The project, which aims to provide continuity to SPI Albania's analytical activities beyond 2010, will include establishment of similar activities in neighboring countries (SPI Adriatic).
- **Italian Banking Association:** The Head of Convergence Program gave a presentation on an International Perspective of Household Financial Services at the final roundtable of the Annual Conference on Household Financing organized by the Association of Italian Banks.
- **European Banking Federation:** The EBF June 2009 Newsletter covers the SPI Platform, as one of the "key developments in the life of its Associate Members".

Other Initiatives II

- **Ernst & Young Donor Dynamics Magazine** carried a story on SPI Albania activities in a feature called "A Chance for Market Reform".
- **FIRST Funding Enquiries:** The SPI Secretariat sends second inquiry for FIRST funding.
- **World Bank Group Public- Private Dialogue International Workshop, Vienna:** SPI Regional Operations Director, Mrs. Ramona Bratu, discussed a case study on the SPI Albania financial sector modernization initiative.
- **Financial Sector Modernization in Armenia:** Upon invitation from USAID, the SPI Regional Operations Director, Mrs. Ramona Bratu, road-showed the SPI Platform to the Armenian Financial Community.
- **Release of SPI Secretariat Note on Alternative Funding Sources:** The note highlights the identified possibilities for SPI Albania's external funding as well as the proposed action plan. The note was delivered to the SPI Committee for information.
- **SPI Albania participates in Regional Donors' Coordination:** Organized jointly by the European Commission and Albanian Council of Ministers, the Conference on Donor Co-ordination in the Western Balkans and Turkey took place for the first time in Tirana. SPI Albania participated and shared its experience under the Financial Cooperation Discussion. Copies of SPI Albania Committee Presentation and SPI Albania Secretariat Presentations were made available for all the participants.
- **Convergence Program released a conceptual framework** for SPI Albania's financial modernization program, building on the European Central Bank financial integration taxonomy. This work was made possible by a grant from Regione Puglia's Aquifalc Program.
- **SPI Albania in the Press:** '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.
- **World Bank Group's Support to Structured Public-Private Reform Platforms:** The World Bank Group has issued a review of 31 reform platforms worldwide. The Convergence Program's SPI Platform ranks in the Top Three.
- **Conference on SPI Albania- One year since its Inception:** Organized by the Albanian Association of Banks and with the participation of Bank of Albania, the objective of the conference was to present SPI Albania achievements and impact in the Albanian Financial Sector as well as to inform the financial community on the current status and prospects for year 2009. The seminar was held at Tirana International Hotel. The event was chaired by the President of the Association of Albanian Banks.
- **Convergence Program Expansion Plans:** The Head of the Convergence Program releases a Questions and Answers Note outlining plans to expand the activities beyond South-East Europe.
- **Conference on SPI Albania:** Organized by SPI Albania and European University of Tirana, the objective of the conference is the presentation of the SPI Albania modernization platform and the SPI Albania methodology. The seminar was held at European University of Tirana.

A Perspective on SPI Albania Operations

- Although there have been several changes 2009 in terms of SPI Albania Secretariat composition (New General Manager, New Director of Analytics and Policy, and 2 new part time experts with respectively economic and legal backgrounds), the dynamics of SPI Albania has remained not only intact but has evolved acquiring new and improved skills.
- SPI Albania 2009 operations have coordinated and led 34 projects working group meetings, gathering nearly 90 professionals from more than 45 different institutions with an average of 120 written PWG communications on specific analytical outputs.
- European University joined the array of public-private institutions participating in the SPI Albania Committee, enabling academic input and operational assistance through faculty and students.
- As a result of a close collaboration with the Donor's Coordination Unit at the Council of Ministers, SPI Albania was officially invited to share its experience during the EU Western Balkans and Turkey Donor Coordination Conference that took place in Tirana in early April 2009.
- SPI Secretariat further strengthened its relations with international organizations operating in Albania, through obtaining technical support (FSVC, TAIEX, EURALIUS, etc.) or researching future financing options (FIRST, IPA, CIPE, etc.).

SPI Albania Handover to Local Stakeholders

Keeping the SPI Albania activities going in 2010 will require organizational and coordination skills among SPI Albania stakeholders. It is critical that a local institution replaces the Convergence Program as the SPI Albania “champion”. While discussions among local stakeholders will be necessary to identify the institution that will play this role, the SPI Albania financial modernization agenda will not advance unless the Association of Albanian Banks plays a prominent role to advocate for it – as do its peers in advanced jurisdictions. It is important to recognize that this “champion” role involves **civic leadership and responsibility** above all, with very modest financial requirements.

While discussions of sharing resources for a common project are never easy, a reasonable approach could be to share the immaterial total cost of technical and coordination resources between public and private stakeholders. Funding and location decisions are separate. As during the Convergence Program assistance the central person was paid by the World Bank and located in AAB premises, in the future another pragmatic arrangement could emerge.

In any case, proving the ability to keep SPI Albania running is a strong selling point to future donors (e.g., the EU or CIPE) about the depth of management and technical resources that are available in Albania to manage projects that will contribute to Albania’s accession to the European Union.

SPI Albania Partners

Public Institutions and International Organizations

- Bank of Albania
- Ministry of Finance
- Ministry of Economy, Trade and Energy
- Financial Supervisory Authority
- Ministry of Justice
- EURALIUS
- National Accounting Council
- Albanian Mobile Communications
- Vodafone Albania
- International Finance Corporation
- European Bank for Reconstruction and Development
- Council of Ministers (Donors' Coordination Unit)
- General Tax Directory
- Tirana Stock Exchange
- Tirana Bailiff Office
- Shares Registration Center
- Ombudsman
- European University of Tirana
- Technical Assistance in European Legislation
- Financial Services Volunteer Corps
- Italian Banking Association

Private Institutions

- Albanian Association of Banks
- Alpha Bank
- Banka Popullore
- Credins Bank
- Credit Bank of Albania
- Emporiki Bank
- First Investment Bank
- International Commercial Bank
- Intesa San Paolo Bank
- Italian Bank for Development
- National Bank of Greece
- National Commercial Bank
- Pro Credit Bank
- Raiffeisen Bank
- Tirana Bank
- United Bank of Albania
- Union Bank
- KPMG
- Price Waterhouse Coopers
- Deloitte
- Ernst & Young
- Kalo & Associates
- Tonucci & Partners

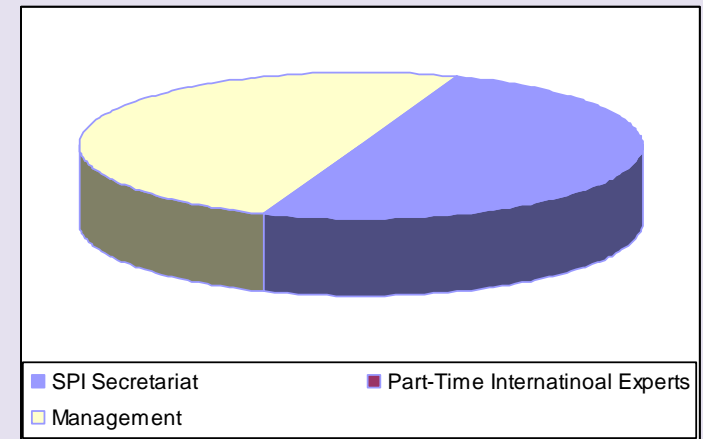
Financial Arrangements

SPI Albania recorded in 2009 annual operating costs of about Euro 80 thousand, covered from the Convergence Program (World Bank) and Regione Puglia. The budget covered the costs of its technical staff, of local and international experts supporting the working groups and of its management arrangements.

2009 SPI Albania Budget

<u>Expenses:</u>	January- December 2008 (EUR thousand)	<u>Resources</u>
SPI Secretariat	50	Convergence Program
Part –time International experts	-	Regione Puglia and Convergence Program
Management	50	
Total	100	

SPI Albania 2009 Budget



2009 SPI Activity - Details

<http://www.spi-albania.eu/en/2008-program/reducing-cash-transactions/>

Project	Analytical Output	Practical Impact
<p>Reducing Cash Transactions</p>	<ul style="list-style-type: none"> • Recommendations on reducing cash transactions -SPI Albania Draft Protocol on Common Policy to Reduce Cash Transactions - Draft regulatory action plan PWG proposals - Cash Reduction Tax Impact • Consultation Paper/ Consultation Feedback • Summary of findings on the survey on banks • Summary of findings on the survey for shops on cost and benefits of using cash transactions • Cost-Benefit Questionnaire for Shops • Banks' Cost-Benefit Questionnaire on Various means of Payment • Note on Research proposal for a National Scale study on Cash Volume Costs in Albania 	<p><u>Enactment Correspondence</u></p> <ul style="list-style-type: none"> ➤ <u>SPI Committee Letter to Ministry of Finances</u> ➤ <u>AAB Committee Request for Self-regulatory measures</u> <p><u>Economic Impact</u></p> <p>The impact assessment analysis performed based on the collected data showed that the current losses of banks from clients' cash withdrawals amounted to Lek 451.4 million for year 2007. The potential benefits from cash reduction in the first year of application are assessed to be around Lek 3,459 million, while the present value of additional benefits to the whole banking system from cash reduction in the 5 upcoming years is estimated to be around Lek 13.5 billion.</p> <p>The general opinion resulting from the survey on shops is that shops' costs would decrease if cash transactions were reduced, while the benefits derived would increase. There is a general agreement on the usefulness of POS payments as an alternative to cash ones, although only a small part of shops use POS payments and payments by card make for a small part of the daily transactions, despite the decrease in the commission fees.</p> <p>The limited use of POS by shops comes mainly from lack of or limited knowledge of both shops and consumers on POS functions and features and also from lack of contact with banks on this issue.</p>

2009 SPI Activity - Details

<http://www.spi-albania.eu/en/2008-program/improving-consumer-financial-education/>

Project	Analytical Output	Practical Impact
<p>Improving Consumer Financial Education</p>	<ul style="list-style-type: none"> • National Strategic Proposal to improve Consumer Financial Education • Proposed medium-term action plan for the improvement of Financial Education. • Alternative funding sources for Consumer protection organizations • Qualitative Impact Assessment • Consumer Financial Education International Experience 	<p><u>Enactment Actions</u></p> <ul style="list-style-type: none"> ➤ SPI Committee has transmitted the final project output to the Ministry of Economy Trade and Energy for further action. ➤ Bank of Albania has posted the final output under the Consumer Financial and Economic Education page of the official Bank of Albania website. <p><u>Recommendation Highlights</u></p> <ul style="list-style-type: none"> ➤ Raise Awareness on the need to launch consumer financial education on a nation wide scale. ➤ Include National Strategic Plan for Consumer Financial Education in the Strategy for Public Administration and any other relevant sector strategy ➤ Ensure Public financial resources that would support the National strategic Plan for Consumer Financial Education and coordination.

2009 SPI Activity - Details

<http://www.spi-albania.eu/en/2009-program/enhancing-banks-liquidity-risk-management/>

Project	Analytical Output	Practical Impact
<p>Banks' Liquidity Risk Management</p>	<ul style="list-style-type: none"> • Summary of Main Outcomes of SPI Albania Consultations • Analysis of Final Draft Regulation and PWG Comments; • Cost and Benefit Questionnaire and Analysis on the Impact on the Banking System of the New Liquidity Risk Management Framework • Questionnaire and Analysis on Banks' Suggestions on the Draft Regulation on Liquidity Risk Management • New Regulation Draft Proposal and Comments • Questionnaire and Analysis on Banks' Experiences in Liquidity Risk Management 	<p><u>Enactment Actions</u> ➤ Regulation Enacted (November 2009)</p> <p><u>Recommendation Highlights</u> ➤ The main amendments to the draft proposal, as an outcome of the consultations, were regarding the following items:</p> <ol style="list-style-type: none"> a. The Organizational structure for liquidity risk management; b. The establishment and maintenance of an adequate maturity structure; c. Liquidity rates and limits; d. Definition of liquid assets and; e. Definition of short term liabilities. <p>➤ The Project Management Team considered that the SPI Albania analytical and consultative process, informed by the European Union Better Regulation methodology, has allowed the preparation of a high-quality regulatory proposal during a compressed time period.</p>

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