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Analysis of SPI Albania Operations May 2008 - November 2009

1. Summary

Behind the success of 5 completed and 4 active projects lies the catalyzing effect of SPI Albania Operational Activities. Orchestrating the best expertise available in Albania, be it from financial authorities, the banking community or from other organizations, SPI Albania operations have coordinated and led 47 projects working group meetings, gathering nearly 150 professionals from more than 45 different institutions. The entire process has been driven by an innovative project management, complementing analytical activities from recruitment of experts to enactment of recommendations, integrating the SPI Albania brand in the international donors' community. With much dedication to awareness building and open dialogue with all involved stakeholders, SPI Albania Operational Activities have introduced a new culture of participation and consensus building among public and private financial actors.

2. Strengthening and Broadening Analytical Activities - An innovative contribution by operations

a. Project Working Group Recruitment and Communications

Participatory problem-solving is a relatively new term to the Albanian regulatory authorities, as an input into decision-making. SPI Albania was especially designed to promote this approach. The crafting of the multi-representative project working groups – the engine of all SPI Albania project, was done with transparency and persistence for public, private and international participants.

To date SPI Secretariat in collaboration with the Albanian Association of Banks has helped generate interest and participation in various working groups, from a number of important players in the Albanian financial market (including Bank of Albania, Financial Supervisory Authority, Ministry of Finance, line ministries and a number of commercial banks). In statistical terms this means that more than 200 project working group invitations were prepared and delivered through SPI Albania Committee Official letters or AAB invitations.

It is important to emphasize the substance of work that was put in preparing these invitations through carefully selecting the representatives of these institutions to make sure that the function they covered within the institutions accurately corresponded to the level of the technical expertise required by the respective projects. The targeted recruitment process of PWG experts enables to achieve an almost complete in-house technical expertise for the purpose of finding solutions that are tailor-made for Albania's specific needs with very little or no resources needed

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for foreign experts. Not only is this an important contribution to building Albanian ownership of the projects and increase effectiveness in finding realistic solutions (since the latter are validated from the very experts that are going to apply them in their daily work), but it provides for a considerable cost-efficiency (potentially valued in terms of hundreds of thousands of Euros saved on foreign consultants services).

Again, in statistical terms, estimating that for 200 or more invitations sent out for PWG recruitment SPI Secretariat had to follow up at both technical and managerial level, within each of the institutions involved, the volume of work faced by only ONE of the SPI Albania staff is enormous and shows again the level of efficiency of this structure.

With a few exceptions, due to the internal staff turnover of the institutions invited – that resulted in either replacement or non participation of their representative, we can proudly claim that for most of our projects, all of the stakeholders have been present/ consulted or at least informed on the respective project outputs, for an average of 18 written communications per project working group, leaving out individual communications on specific analytical outputs.

b. Consensus Building

While participatory analysis has proved ever more successful in the design of improvements in the regulatory framework, consensus building among stakeholders representing contrasting interests is also a very important and challenging task undertaken by the SPI Secretariat.

SPI operational role does not stop at the mere recruitment or communication; it involves important negotiation aspects in order for the project final output to be legitimate and applicable by public decision-makers. Be it through bargains, bilateral consultations or middle way grounds, some of the negotiations facilitated by the SPI Secretariat account for reaching a consensus between Bank of Albania and the banks for the new regulation on liquidity risk management; between the banks and the National Accounting Council for the interpretation of the law requiring IFRS application; between Ministry of Economy and Non-governmental agencies for the improvement of consumer financial education; between the Legal Parliamentary Commission, the banks and Ministry of Justice for the changes in the Civil Procedures Code; between Ministry of Justice and the banks for the New law on Private Bailiff, etc. (See Appendix I)

2. Institutional Outreach

Another important operational pillar for SPI Albania has been maximizing resources through information gathering, contacts and wherever possible through facilitating coordination among donors' activities related to the financial sector in Albania. In this context SPI Albania established contacts with all the relevant donor's representatives immediately after its establishment and further on continued the dialogue with regards to specific projects. SPI Albania's partners include but are not limited to: Donor's Coordination Unit (Council of Ministers), European Commission Delegation, EURALIUS, European Bank for Reconstruction

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and Development; Financial Services Volunteer Corps, USAID Albania, International Finance Corporation, International Monetary Fund, World Bank (Doing Business Reform Team, Centre for Financial Reporting, CGAP,...). The abovementioned institutions have been either directly part of the projects through appointing representatives to the SPI Albania Project Working Groups, or have given their technical assistance through document reviews and draft consultations.

Another important aspect of SPI Albania outreach activities have been the organization or participation in workshops and conferences. SPI Albania Secretariat and Convergence Program (on behalf of SPI Albania) have attended more than 22 national or international conferences where they have presented the SPI concept. In addition SPI Albania alone has organized with AAB support 2 large scale events: (i) SPI Albania Launch (April 2008);(ii) SPI Albania Outputs Conference – One year from its inception (January 2009) and 2 smaller scale seminars: (i) SPI Albania Project Management Teams Workshop (November 2008) (ii) European University Seminar on SPI Albania platform and project management(January 2009). 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.

Last, but not least, SPI Albania launched within few weeks from its very start the official SPI Albania website (www.spi-albania.eu), considering it as very important communication and information tool as well as an online source library for national and international stakeholders,. Not only does the website contain regular updates on SPI Albania operational and analytical activities but it covers with much transparency the entire framework and project management process. All project working group meetings agendas minutes and all drafted and approved documents, as well as relevant correspondence. The website serves as an online library of real life study cases demonstrating the step-by-step improvement of Albania’s evolving financial sector in terms of regulatory and self-regulatory challenges.

3. Reporting

From the very start of the SPI Secretariat operations to date, all progress and activities have been regularly reported both internally and publicly through weekly, monthly, quarterly (SPI Committee progress summaries) and annual reports. All of the above are regularly posted on the website as well as delivered to the SPI Albania community. To date SPI Albania has issued 2 full-length annual reports, 5 periodical progress reports, 16 monthly reports and more than 70 internal weekly reports and planning.

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Examples of SPI Albania Secretariat Consensus Building Activities			
Project/ Issues	Authorities Position	Concerned party Position	Compromise Decision
1. New BoA Regulation on Liquidity Risk Management	BoA proposed a new Regulation draft with defined indicators	Proposal to differentiate or generalize the ratios and consider the considerable differences between the banks' sizes and organizational capacities	SPI Albania coordinated 3 rounds of negotiations resulting in 3 different Regulation drafts the latest of which was approved by full consensus
2. Consumer Financial Education	METE: The current inclusion of Consumer Financial Education in the Law for Consumer Protection is sufficient	Proposal to draft a consumer financial education strategy for Albania to be endorsed by the Government	Strategic Plan, as the basis for a request to include Consumer Financial Education as a separate entry in the State Budget
3. IFRS impact on Banking Regulations	Interpretation of Ministry Directive: Application of IFRS reporting should start from 2008 with historical reporting dating to 2006	Interpretation of the Ministry Directive: Full IFRS reporting should start in 2010 with 2008 being the starting year	SPI Albania arranged bilateral meetings with the National Accounting Council and Tax Authorities and completed a set of official correspondence with all the involved institutions for the accurate records of the concerned party. Application for IFRS reporting on banks starts as interpreted by the National Accounting Council, with historical reporting accounting for 2006
4. Civil Procedure Code	References to foreclosure procedures did not include deadlines	Proposal to make the necessary changes for the correct application of foreclosure procedures within pre-defined limits	88% of the proposed amendments to the CPC were accepted in the final draft approved by the Parliament
5. Private Bailiff	New Albanian law on outsourcing bailiff services to private organizations	Banks made revisions to 3 different drafts with reference to the limitation of expenses incurred and scrupulous monitoring of MoJ towards the public interest	All SPI Albania PWG recommendations on the draft law were taken into account on the draft endorsed by the Council of Ministers and approved by the Parliament

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