



## SPI Albania PMT Workshop

### Improving SPI Albania Work Efficiency

#### Minutes

5 November, 2008—AAB premises  
15:00 – 17:30

#### Attendees:

Mr. Robert Wright, PM for Reducing Cash Transactions (RB)  
Ms. Veronika Prifti, PM for Improving Auction Procedures (BKT)  
Mr. Armand Muharremi, DPM, IFRS Implementation (BP)  
Ms. Elivar Golemi, DPM, Reducing Cash Transactions (BoA)  
Ms. Rozeta Shkempi, Alternate DPM, Improving Auction Procedures (BoA)  
Mr. Elvin Meka, Secretary General, AAB  
Ms. Ramona Bratu, SPI Regional Operations Director  
Ms. Elona Bollano, SPI Albania Director of Analysis and Policy  
Ms. Anuela Ristani, SPI Albania Director of Operations

#### SPI Albania Secretariat

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### **III. SPI Albania Projects' Progress (Presentations)**

- a. The Impact of IFRS Implementation on the Banking Regulations
- b. Improving Auction Procedures for Immovable Collateral Under Foreclosure
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#### **I. Welcome address**

SPI Regional Operations Director welcomed the SPI Albania PMT members and introduced the objective of the workshop- to analyze the SPI Albania progress to date in order to assess the impact of SPI work and find ways of improving it. By sharing the SPI projects' management experiences, SPI Albania can take note on the areas where improvement or change is needed for a better functionality of the SPI Project Working Group mechanisms for better and more significant outputs.

#### **II. Short summary of achievements**

From July 2008 when the first PWG meeting was held to date, SPI Albania counts now 10 PWG meetings, one seminar and 4 different PWGs that account for nearly 60 members, out of which about 42 from banks. The PWG feature a large spectrum of stakeholders all representing their organizations' interests in contributing to solving issues for all parties

SPI Albania has finalized 3 PWG recommendations documents on very important issues for banks and for BoA; has run 3 banking surveys; one Regulatory Impact Assessment; several consultations with state authorities (MoJ, MoF, NAC) and has been introducing its initiatives to international organizations operating in Albania with an interest in the Financial Sector like IFC, WB, IMF, EC Delegation, EBRD, etc.

All of the SPI Activities are featured and reflected in detail on the SPI Albania website [www.spi-albania.eu](http://www.spi-albania.eu) that was published in early August 2008.

### **III. SPI Albania Projects' Progress (Presentations)**

#### **a. The Impact of IFRS Implementation on the Banking Regulations**

Deputy Project Manager, Mr. Muharremi, introduced the PWG's progress to the final achievement of the project objectives, in 4 PWG meetings, which results were summarized in the final PWG recommendations document. This document was approved by the SPI Committee in their November 4<sup>th</sup> meeting and forwarded to the Governor for BoA consideration during the revision process of the Regulatory Unit.

While the actual work of the PWG was concluded with the finalization of their recommendations on the regulations that are going to be impacted after IFRS implementation, the PWG members will still be available for consultations with BoA during the actual drafting process.

The importance of this project did not lie only on the actual suggested regulation revisions from the banks' representatives and professional auditors, but also on the fact that BoA had the opportunity to better understand the real challenges faced by the banks due to the mandatory double reporting (according to IFRS and to local accounting standards).

DPM appreciated that BoA was very willing to maintain a stable dialogue to ease the difficulties introduced by mandatory reporting under IFRS for tax purposes versus the actual reporting to the Supervision Department of BoA and to speed up the procedures for reflecting IFRS standards in their regulations.

#### **b. Improving Auction Procedures for Immovable Collateral under Foreclosure**

The PWG has concluded the first two objectives of the project on Auction Procedures by finalizing the two PWG recommendation documents on Improving Bailiff Services and on Changes and Amendments to the Civil Procedure Code. Both of these documents were approved by the SPI Committee that decided to send to the MoJ the recommendations on the public bailiff service, offering further cooperation in the case the Ministry intends to revise the law, to send the findings of the regulatory impact assessment on CPC amendments to the Legal Parliamentary Commission, and to send to the Market Surveillance Department (MoE) the PWG recommendations on CPC amendments for acknowledgement.

The impact of this project has been particularly considerable due to important legislative developments happening in Albania during this project. The PWG recommendations on the Private Bailiff Draft Law Proposal and on the CPC changes were highly considered by the MoJ during drafting and by the Legal Parliamentary Commission during the hearing session.

The PWG will continue working on completing the third stage of the project that relates to Appraising Standards and will be available for future contributions to the MoJ in their eventual revision for the Public Bailiff Services.

### c. Reducing Cash Transactions

The PWG's objective is to generate actions and measures to be undertaken by the Banks in order to reduce the volume of cash transactions in Albania. Inspired by a very informative presentation delivered by the Italian Association of Banks on a national scale survey that identifies the costs and benefits of cash versus non-cash payments, on the occasions of the first PWG gathering, the PWG has suggested AAB to sponsor a similar study for Albania.

After the preparation of a Request for Proposals sent to several research companies and after gathering 3 different proposals, the PWG has approved a summary note that provides information on the objectives of the suggested research study as well as the benefits brought by such a study for the Banks operating in Albania. It is important to note that the findings of such a research study would not only result in a better assessment of the costs and causes of cash usage in Albania, but it would provide for a valuable consumer behavior and market database to be used by the banks in their marketing strategies and better product development.

AAB Executive Committee will consider this proposal for sponsorship in their next meeting. PM committed himself to sustain the proposal in AAB Executive Committee meeting, introducing also the alternative of using a different financing scheme (proportionate to market share for the biggest banks) than the AAB statutory one (equal contributions for all member banks).

The PWG will soon approve the Cost –Benefit questionnaire that assesses the cost of cash management for the banks under the current volume of cash transactions. Based on the findings of the banking survey using this questionnaire, and of the research study, the PWG will analyze the possible options for reducing the level of cash transactions in Albania and will formulate its recommendations.

## **IV. SPI Albania Project Management (Presentation)**

The SPI Secretariat presented to the PMT the organizational and Project Management structures that lead all the SPI project initiatives from the conception of the project proposal until the enactment procedures for each project outcome. The partnership is lead by a high level public private Committee with representatives from BoA (First Deputy Governor), AAB (Chairman) and the Head of Convergence Program (World Bank) as well as 3 Permanent Observers (MoF, AMF and Market Surveillance Department-MoE). SPI Secretariat orchestrates different working groups for each SPI Project.

SPI Albania is paying a particular attention to the banks' fair participation in the SPI projects. Following the EU Better Regulations' approach, SPI Secretariat drafts a list of banks to be participating in the projects, seeking for all banks' participation and for a

balanced representation of all banks' segments (small, medium and big) in each project. SPI Secretariat consults with AAB to obtain its opinion with regards to the configuration of the groups and then sends the proposed list of banks participating in each project to the entire AAB community. This way, banks' top management is informed on the different projects running and chooses to participate in one project versus another or participate in more projects than assigned. After feedback from the banks, the groups are adjusted, always respecting the formula of fair representation for a maximized legitimacy, and invitation letters, outlining PWG member's desired area of expertise, are sent out to the respective CEO's for appointing their representatives.

## **V. SPI Albania Methodology – EU Better Regulation**

SPI Secretariat presented the methodology followed for every SPI Albania project. After the Terms of Reference are endorsed by the SPI Committee and reviewed / approved by the PMT, the PWG first target is identifying the problem and its causes (a market or a regulatory failure) in order to understand if it creates the case for a regulatory intervention or for self-regulatory actions. PWG defines the policy objectives to be achieved with this project and considers if 'do nothing option' could be a solution and its costs.. PWG identifies then the possible regulatory/self-regulatory policy options that could be envisaged for solving the problem.

Once the Scoping of the Problem is concluded as described above, the PWG is focused on the Analysis of the impact that is: to identify and state the costs borne and benefits yielded by consumers, and by the regulator and regulated firms and to collect market structure data to perform a quantitative cost and benefit analysis. While SPI Albania has performed three different bank questionnaires, the first complete regulatory impact assessment was conducted for the Civil Procedure Code changes, where the impact of the suggested changes was measured in number of days and costs reduced for the foreclosure procedures.

With the conclusion of the analytical work, the policy document is drafted and consultations are run with various stakeholders. The actual work of the PWG is concluded with the SPI Committee approval of the final PWG recommendation. However the PWG members, representing the professional experts for each respective project, will stand ready to participate in further consultations with the regulators or other authorities during the enactment process.

## **VI. SPI Albania Progress Analysis**

After congratulating SPI Secretariat on their quality work done so far for each project, the PMT made the following observations with regards to positive or negative feedback in the running of the SPI projects to date:

### **1. PWG membership consistency;**

It happened quite often that the participants in the PWG meetings were different from one meeting to another. Not only that this prevents from building up a functional working

dynamics between the PMT and the PWG members, but it seriously hinders the deliverables of the PWG, since an occasional member that is unaware of the context provided in the previous meetings will not be able to deliver the same quality contributions as a consistent member. This situation has occurred especially in the Cash Transactions Project and IFRS.

## **2. PWG members' attendance and individual contributions;**

While attendance has not been a major issue for IFRS project due to the large number of participants, it has obviously been the case in the Foreclosure Procedures PWG meetings. However, the situation with PWG members' contributions in between the meetings has been reverse. The IFRS PWG members have been giving remarkable contributions through their comments during the PWG meetings, while in Foreclosure Procedures, members who rarely attended the PWG meetings or were never present in any of them, have send excellent comments and suggestions with regards to both the CPC and Bailiff Services.

## **3. Preliminary information on the PWG membership responsibilities;**

The attendees concluded that this kind of presentation of the SPI Albania framework, PWG composition and responsibilities should be delivered at the beginning of each project. Participants considered that, although the project ToRs make reference and are built up according to the EU Better Regulation approach, such a presentation of the SPI Albania methodology should be also made to the PWGs in their first meeting.

## **4. Informing AAB Executive Committee and AAB General Assembly;**

Participants suggested that SPI Secretariat informs the AAB Executive Committee, in their monthly meetings, on the progress of the projects and on the difficulties encountered in the PWGs work. Banks' top management should be informed on the performance of their representatives within the PWGs and thus should be able to take measures for improvements. Banks' representatives should be more aware on the fact that they are present in a PWG because their bank is interested in solving that problem. SPI Secretariat is doing all supportive efforts but they cannot replace the expertise inputs to be provided by PWG members.

## **5. Communicating the PWG final recommendations**

PMT members commented that it is important for each project final PWG recommendations to be communicated to an audience larger than the SPI Committee and to the PWG itself. Considering that impact assessment is a novelty in the Albanian project management for the financial sector, it is important that all stakeholders are informed of the findings of the developed analysis, the outcomes and the methodology itself. Not only this would be beneficial information, but it could improve the quality and consistency of the membership in the next PWGs by raising awareness on the SPI Albania projects and on their actual impact.

## **VII. Summary of Discussions and drawn conclusions**

- While the importance of the contributions to be delivered by the PWG members is indispensable SPI Secretariat will seek ways through AAB and the actual appointed PMT for each project to assure increased consistency of membership and improved attendance.
- SPI Secretariat will collaborate closely with the PMT to seek their occasional intervention in direct and indirect communication with the PWG members in challenging situations when substantial PWG member's contribution is vital for the project.
- SPI Secretariat will seek to organize some brief preliminary training for the PWG members assigned for each project in their first PWG meeting, in order to provide them with more information on their responsibilities as PWG members, on the methodology, emphasizing also the importance of their consistent participation in all PWG activities, as well as their accountability to their banks' management.
- Together with AAB and in collaboration with BoA, SPI Secretariat will organize a seminar for presenting the final PWG recommendations to all involved stakeholders.

## **VIII. Thank you note and end of workshop**

SPI Regional Operations Director took the opportunity to thank all Project Manager and Deputy Project Managers present in the workshop and informed them on the next steps to be taken by SPI Albania:

- Focus on Reducing Cash Transactions Project after AAB decision on the National Survey and the finalization of the Cost-Benefit Questionnaire;
- Start of the Reviewing the Capital Adequacy Regulation Project;
- Start of Consumer Financial Education Project;
- Conclusion of the third and last stage of Improving Auction Procedure for Immovable Collateral under Foreclosure Project.

SPI Secretariat promises to turn this workshop into a tradition of constant communication with the PMT members for the improvement of SPI Albania efficiency and for a smoother collaboration within the banking community.