



# III. SPI Albania Methodology

## EU Better Regulation



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# 1. EU Better Regulation Framework General Information - a

- EU Better Regulation Approach, developed by the European Commission, aiming at:
  - simplifying and improving existing regulation;
  - better design new regulation; and
  - reinforcing the respect and the effectiveness of the rules,in line with the EU proportionality principle



# 1. EU Better Regulation Framework General Information - b

- EC comprises a very wide range of issues but...
- For Financial Services it has adapted the EU-Better Regulation approach to reflect the more specialized nature of financial services policies and the specific development circumstances.
- “Better laws” - having a full picture of their economic, social and environmental impacts
- Impacts assessed through the structured Impact Assessment tool.



# 1. EU Better Regulation Framework General Information -c

**Impact assessment** – IA - a set of logical steps which structure the preparation of policy proposals. IA enhances the policy making process through:

- providing a coherent framework to conduct evidence-based policy making, that spans the regulatory policy making process from beginning to end;
- the use of market and regulatory failure analysis ensures accurate identification of problems and the threats they pose to regulatory objectives, which are reflected in effective and efficient policy solutions amongst a wider range of possible policies;
- saving time in the long run by reducing the risk of regulatory failure;
- formal and informal consultation with stakeholders and by enhancing the transparency of the policy making process and keeping all affected parties informed that results in enhanced credibility and accountability of the policy making process.

***Impact assessment is an aid to political decision-making, not a substitute for it.***



## 2. SPI Albania Methodology

### EU Better Regulation in 11 steps -a

The EU Better Regulation Approach	
Steps	Purpose
<b>Scoping of problem</b>	
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”).
<b>Analysis of impact</b>	
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
9. Data Questionnaire	To collect market structure data to perform a quantitative cost and benefit analysis
<b>Consultations</b>	
10. Policy Document	To learn market participant opinions on various policy options
<b>Conclusion</b>	
11. Final Recommendations	Final report to decision-makers, based on Cost Benefit Analysis and market feedback



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## 2. SPI Albania Methodology -b

Scoping of the Problem

+ Qualitative & quantitative CB Analysis

= Impact Assessment Analysis Document - IAAD

+ Consultations with Stakeholders

= Final PWG Policy Recommendations



## 2. SPI Albania Methodology - c

- Scoping of the Problem Document (steps 1–4)
  1. Problem identification
    - What is the problem? Is it due to Market or Regulatory Failures?
  2. Definition of policy objectives
    - General objectives (objectives of the authorities)
    - Specific objectives (objectives of the project)
    - Operational objectives (deliverables, actions of the project)
  3. Development of “do nothing option”
  4. Alternative policy options





## 2. SPI Albania Methodology – EU Better Regulation -d

- IAAD Document (steps 1 – 9)
    5. Costs to users
    6. Benefits to users
    7. Costs to regulated firms and regulator
    8. Benefits to regulated firms and regulator
    9. Data Questionnaire
- 5-9 Analysis on the incremental costs & benefits of the identified policy options



## 2. SPI Albania Methodology - e

- Consultations with stakeholders (step 10)
  - 10.1. Consultation questionnaire
  - 10.2. Consultations feed-back
- Final document – PWG Recommendation (step 11)



## 2. SPI Albania Methodology – f Market Failures

- MF are reflected by market inefficiencies and welfare losses, due to:
  - Information asymmetry – one part of a transaction lack important information. Information is costly to obtain or too complex.
  - Externalities – Production of a good affects parties other than the original producers and consumers. These effects are not reflected in the price.
  - Market power – Companies can persistently raise prices above the “competitive level”



### 3. Application of the Methodology in Practice Regulatory / Supervisory Failures - a

- regulation has unforeseen and unintended effects arising from interaction with a specific characteristic of the market affected,
- or when a supervisory practice is no longer adapted to the realities of a rapidly evolving market



### 3. Application of the Methodology in Practice

#### What is the problem & MRF (Bailiff) -b

International institutions assessed that the secured transactions legal framework in Albania is **appropriate & sound** but its effectiveness is hampered by the **slow enforcement system** and flaws in the administrative system.

Banks – the largest users of the enforcement system in Albania - complain on the effectiveness of the enforcement system and institutions.

EURALIUS has identified insufficient professional expertise, scarce infrastructure and working conditions, lack of professional and financial incentives in the Bailiff offices.

The problems in the Bailiff Service combined with the deficiencies in the legal framework produce an inefficient enforcement system.

The low efficiency in the current enforcement system is result of a **regulatory and administrative / management failure**. The current regulation is not appropriately prescribed for the market. This regulatory failure generates additional uncertainty and costs to all the users of the enforcement [system](#)<sup>3</sup>



### **3. Application of the Methodology in Practice Objectives (CPC) - c**

#### ***General Objectives:***

To improve the economy competitiveness;  
To increase the opportunities to engage in transactions.

#### ***Specific objectives:***

To improve the efficiency of the enforcement system;  
To stimulate the development of lending activity;  
To decrease in the cost of bank products and services.

#### ***Operational objectives:***

To steady increase the execution rate of court orders;  
To secure the timely execution of the court orders;  
To ensure rapid recovery of bad debts.



### 3. Application of the Methodology in Practice “Do nothing” Option (IFRS) -d

The non-revision of all banking regulations with the international accounting principles would make banks to maintain two evidences of their activity: one based on national accounting standards, in order to comply with banking regulatory provisions, and one based on international standards, in order to comply with the general legal requirements. This situation would involve additional costs for banks and confusion among the market participants.

#### **Impact of the “Do Nothing” option to the various stakeholders**

##### **Regulated firms / Banks:**

Additional costs on human capital generated by double reporting (BoA & IFRS).

##### **Consumers:**

Non informed consumers might be confused.

##### **Authorities:**

There are no additional costs.



### 3. Application of the Methodology in Practice Alternative Options (Reducing Cash) - e

The volumes of cash transactions within the banking system might be further reduced by:

#### **Option 1:** Self regulatory measures

Establish a common policy among banks that will aim:

- a) the reduction of cash transaction by creating disincentives for cash use; combined with
- b) the increase of non-cash transactions by creating incentives for the costumers to use alternatives to cash.

#### **Option 2:** Regulatory measures

**Option 3:** The combination between the regulatory and self regulatory measures





### 3. Application of the Methodology in Practice - f Qualitative Cost & Benefit Analysis (Cash Reduction)

Kosto / Përfitime	Ndikimi	Komente
<b>Kosto</b>	<b>Më të ulta</b>	
Më shumë rreziqe	-	Rreziku u vjedhjeve, humbjeve, parave fallco apo dëmtimeve do të ullej me uljen e volumit të transaksioneve cash.
Çmime më të larta	+	Nëse firmat dhe bankat transferojnë pjesërisht apo plotësisht kostot që do kenë si pasojë e krijimit të mënyrave të reja të pagesës mund të ketë një rritje të çmimeve në periudhën afatshkurtër.
Cilësia e shërbimit	-	Cilësia e shërbimeve, e shprehur në kohë dhe në komoditet, do të rritet.
<b>Përfitime</b>	<b>Më të larta</b>	
Zgjedhje më e mirë	+	Zhvillimi i produkteve të reja do të plotësonte më mirë nevojat e klientëve me mundësitë e tyre financiare.
Mundësi për financim	+	Bankat dhe firmat e tjera mund të zhvillojnë produkte që u përshtaten më mirë një game më të gjerë konsumatorësh. Volumi i veprimeve që kryhen nëpërmjet llogarisë korrente në bankë mund të përmirësoje mundësitë e financimit për konsumatorët.
Të ardhura nga interesi	+	Përdorimi më i mirë i likuiditeteve dhe vlerat më të larta të tepricës së llogarisë bankare, mund të gjenerojë më shumë interesa apo edhe rrit mundësinë për të depozituar.
Të tjera	+	Ulja e transaksioneve cash do ndikojë në kursimin e kohës për kryerjen e pagesave rutinë nga konsumatorët.
<b>Ndikimi total</b>	<b>Kosto më të ulta dhe më shumë përfitime</b>	<b>Ulja e rrezikut të humbjeve dhe përdorimi më i mirë i kohës, si dhe rritja e zgjedhjeve dhe e mundësive për produktet financiare do të kenë ndikim pozitiv krahasimisht disa herë më të lartë se rritja në kosto që mund të kenë konsumatorët.</b>