



# CONFERENCE ON SPI ALBANIA

## ONE YEAR SINCE ITS INCEPTION

### Minutes

23 January, 2009—Hotel Tirana International, ABRET Room  
9:00 – 13:00

#### Participants:

##### Speakers:

Mr. Edvin Libohova, SPI Albania Committee Member, AAB Chairman  
Mr. Indrit Banka, Bank of Albania, Head of Supervision Department  
Ms. Ramona Bratu, SPI Regional Operations Director  
Mr. Robert Wright, Raiffeisen Bank, Board Member for Retail Banking  
Ms. Veronika Prifti, National Commercial Bank, Legal Affairs Department Manager  
Mr. Ilir Pustina, Bank of Albania, On-Site Supervisor  
Ms. Anuela Ristani, SPI Albania, Director of Operations  
Ms. Elona Bollano, SPI Albania, Director of Analytics and Policy  
Mr. Elvin Meka, AAB, Secretary General

##### Attendees:

Ms. Ina Kraja, Bank of Albania, Head of EU Integration  
Mr. Daniel Berg, European Bank for Reconstruction and Development, Head of Office  
Ms. Elira Sakiqi, International Finance Corporation, Country Officer  
Ms. K. Ann-Margret Westin, International Monetary Fund, Resident Representative  
Mr. Jorgji Bollano, National Accounting Council, Chairman  
Mr. Keler Gjika, Financial Supervisory Authority, Deputy Chairman

#### SPI Albania Secretariat

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Ms. Miranda Ramaj, Bank of Albania, Deputy Supervision Director  
Mr. Nezir Haldeda, Ministry of Finance, General Treasury Director  
Ms. Anila Jani, Ministry of Economy, Trade and Energy, Market Surveillance Director  
Mr. Kimmo Vikman, EURALIUS, Expert on Enforcement of Rulings  
Ms. Jonida Vaso, Union Bank, Network Operations Manager  
Ms. Zinaida Cako, International Commercial Bank, Internal Audit,  
Mr. Skender Emini, National Commercial Bank, Head of Financial Reporting  
Mr. Spyridon Baltas, Tirana Bank, Asst. General Manager, Operations  
Mr. Ardi Trebicka, Tirana Bank, Head of Credit Assessment Unit  
Ms. Enkelejda Toto, Tirana Bank, Head of Compliance Unit  
Ms. Mimoza Agolli, Tirana Bank, Economic Advisor  
Ms. Evis Gjebrea, SPI Albania, Consultant  
Mr. Armand Muharremi, Banka Popullore , Head of Finance and Reporting  
Mr. Andon Daka, Credins Bank, Head of Legal Department  
Ms. Lirola Keri, National Accounting Council, IFRS Responsible  
Ms. Odeta Haxhiu, EURALIUS  
Ms. Alketa Shehu, Pro Credit Bank  
Ms. Nevila Kraja, Pro Credit Bank  
Ms. Teuta Kodra, Pro Credit Bank

# **Agenda**

## **I. Welcome Speeches**

## **II. First Session of the Seminar – SPI Albania Achievements**

- a. SPI Albania Platform, Methodologies and Procedures
- b. IFRS Project
- c. Presentation of Foreclosure Procedures Project
- d. SPI Albania Progress Report on Projects on Cash Transactions

## **III. Second Session – SPI Albania Current Status and Prospects**

- a. SPI Albania Progress Report on Projects on capital adequacy and consumer financial education
- b. SPI Albania Evaluation
- c. SPI Albania Next Steps
  - i. 2009 Activity Program
  - ii. Institutional Framework

## **IV. Closing Remarks**

### **I. Welcome address**

Ms. Ramona Bratu, SPI Regional Operations Director, welcomed the participants and made a brief summary of SPI Achievements, one year from the first presentation of the SPI concept illustrated by SPI Romania example. From May 2008 SPI Albania has mobilized 60 Albania experts from more than 33 different institutions that have given an important contribution to the modernization of the Albania's financial sector. The enactment of two legislative initiatives and the preparatory works for IFRS implementation serve as the best examples for the real impact value that SPI Albania is envisaging.

SPI Regional Operations Director Outlined that SPI Albania success is due to its local stakeholders' commitment, enthusiasm, and openness to new and hard work. Special thanks were addressed to Albanian Association of Banks for organizing this event and for its support to SPI Albania's activities. Ms. Ramona Bratu expressed SPI Albania's gratitude to the AAB Chairman and SPI Committee member, Mr. Edvin Libohova, for his important contribution to the successful implementation of SPI Albania.

Mr. Edvin Libohova welcomed all participants and made a brief assessment of SPI Albania one year after its inception, stressing on the pre-establishment expectations and on implementation achievements. He reviewed SPI Albania projects' importance from AAB perspective as the banking community representation and the fruitful collaboration between the Association and the Secretariat. Mr. Libohova mentioned his and the banking community's appreciation on high achievements on the Civil Procedure Code changes and IFRS Implementation. AAB welcomes all SPI Albania projects envisaged

for year 2009 and is willing to support though its presence in SPI Committee presence as well as through operational assistance in the day to day activities.

Bank of Albania Head of Supervision Department, Mr. Indrit Banka welcomed the participants on behalf of Bank of Albania behalf as the founding institution of SPI Albania. Mr. Banka expressed his appreciation and high esteem for the successful completion of SPI Albania project initiated by BoA on IFRS implementation and on a second one (Reviewing the Capital Adequacy Regulation) who has just started. Mr. Banka appreciates the bank's involvement in the regulatory process and encourages the banking community to be more active and involved all common initiatives for the improvement of the business doing for the banks, such as SPI Albania.

## **II. First Session of the Seminar – SPI Albania Achievements**

### **a. SPI Albania Platform, Methodologies and Procedures**

Ms. Anuela Ristani, SPI Albania Director for Operations, presented to the audience the SPI Albania partnership, 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-METE). The partnership's objective is to support Albania's financial sector modernization by undertaking specific regulatory and self regulatory projects.

SPI Secretariat described 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.

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, seeking for all banks' participation in the SPI projects 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 Project Working Group (PWG) member's desired area of expertise, are sent out to the respective CEO's for appointing their representatives. Once the PWG is assembled, SPI Secretariat calls its first meeting where all stakeholders will be given the possibility to represent their views with regards to the problem at hand.

Ms. Elona Bollano, SPI Albania Director for Analytics and Policy, presented the methodology followed for every SPI Albania project- EU Better Regulation. After the Terms of Reference are endorsed by the SPI Committee and reviewed / approved by the Project Management Team (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 (qualitative assessment) and to collect data in order to perform a quantitative cost and benefit analysis. While SPI Albania has performed three different bank surveys, 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. From an average of 390 days procedure, the new changes and amendments of on the Civil Procedure Code reduce the execution time to 270 days, generating a reduction in bank's annual operating costs by 5-7%.

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.

#### **b. The Impact of IFRS (International Financial Reporting Standards) Implementation on the Banking Regulations**

Mr. Ilir Pustina, Bank of Albania, On-Site Supervisor and PWG member presented the IFRS implementation project. Mr. Pustina gave an overview of the project objectives. The PWG was first to obtain an official interpretation of the Ministry of Finance decision for the implementation of IFRS in their reporting for 2008. The interpretation was obtained from the National Accounting Council, as the authorized entity of interpretations, translations and updates related to IFRS. The next project objective related to the assessment of the impact on the Bank of Albania regulations after the IFRS implementation. Due to the large number of regulations the PWG decided to group them in three main categories: a. regulations that would be highly impacted by IFRS implementation –thus would require immediate revisions; b. regulations that would be moderately impacted by IFRS Implementations – revisions are not required immediately and they do not impact the scope of the regulation but only the references made; c. regulations that would be slightly or not impacted by IFRS implementation- no revisions or merely formal revisions would be required on the long run. Mr. Pustina thanked the SPI Secretariat for their contribution in between the meetings and in coordinating the PWG members representing the banks in giving their feedback with regards to the IFRS implementation and the changes this will evoke in the supervisory role of BoA.

The project is concluded with the approval from the PWG of the final document on amending the Banking Regulations for IFRS Implementation. The PWG recommendations referred to the banking regulations to be amended and the amending priorities for facilitating IFRS implementation. SPI Committee approved the PWG Recommendations as presented during its November meeting. The Recommendations

were sent by the Governor to the respective BoA department which is currently working on individual regulations.

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).

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

Ms. Veronika Prifti, Head of Legal Affairs Department of National Commercial Bank, and Project Manager presented the SPI Albania Project on Improving Auction Procedures for Immovable Collateral under foreclosure. Ms. Prifti stressed the importance of this project for the banks and their business doing. The PWG identified three main aspects that hindered their work process for collecting and executing the collaterals after the court decision (based on the loan contract). The three aspects included: a. improvement of the bailiff services; b. changes in the Civil Procedure Code; and c. Appraising Standards. Through SPI Albania the Banks were for the first time invited in the Ministry of Justice for consultations on the Draft Law of the Private Bailiff and the changes and amendments to the Civil Procedure Code, solutions to the first and second aspects of the project respectively.

Ms. Prifti thanked the Ministry of Justice not only for including the banks in consultations during the drafting of the law on Private Bailiff and the Civil Procedure Code changes, but also for participating in the Project Working Group. Mr. Prifti expressed her gratitude to the SPI Secretariat who coordinated all common efforts of the banks and other stakeholders for the timely actions in line with the Authorities' agenda and for their help in collecting and aggregating contributions on specific articles and amendments of the law.

In November 2008, SPI Committee approved PWG Recommendations on the bailiff service and on Civil Procedure Code amendments and forwarded them to the Parliament and Ministry of Justice. On December 11 and 29, the Draft Law on the liberalization of the Bailiff services and respectively the amendments to the Civil Procedure Code (CPC) were approved by the Parliament.

The third stage of this major project was related to the improvement of the Appraising Standards in Albania. However, after an extensive inter-institutional interaction, the Project Management Team and SPI Secretariat learned that the International Financial Corporation would undertake a project with the objective of creating and helping adapt one set of Albanian standards of evaluation of immovable properties. Since the IFC project was more comprehensive than the appraisal standards component of the SPI Albania project on improving auction procedures for immovable collateral under foreclosure, the SPI Committee decided to stop SPI Albania's direct analytical involvement in this project. Instead SPI Albania will be represented in the IFC working group

### **d. Reducing Cash Transactions**

Mr. Robert Wright, Raiffeisen Bank Board Member for Retail and Project Manager presented the project on Reducing Cash Transactions. The PWG is aiming at proposing 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 identified the costs and benefits of cash versus non-cash payments, on the occasions of the first PWG gathering, the PWG has suggested performing a similar study for Albania.

After preparing the Scoping of the Problem Document, the Note on International Experience and the Cost-Benefit questionnaire, now the SPI Secretariat is collecting the answers from banks, utility companies and businesses in order to estimate the real costs and benefits under the current volume of cash transactions. Based on the findings of the 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.

Mr. Wright made an appeal to the banks in getting more involved in assessing the costs and benefits of cash and non-cash payments through replying to the cost-benefit questionnaire the SPI Secretariat has delivered to all the banks. Mr. Wright stressed that Reducing Cash Transactions is not done merely through regulatory measures but through re-shaping Albanian consumer behavior and this is only achievable through a lot of work and commitment from both banks and public institutions.

### **III. Second Session – SPI Albania Current Status and Prospects**

#### **a. SPI Albania Progress Report on Projects on capital adequacy and consumer financial education**

SPI Secretariat made a short presentation of the current SPI Albania projects:

Reviewing the Capital Adequacy Regulation is the second BoA initiated project. In the light of the future Basel II implementation, in line with the EU integration process, BoA and the banks are gathered to review an important regulation such as the Capital Adequacy. Right now the Secretariat is working on the Baseline of Capital Adequacy Framework, after the PWG has agreed on the Terms of Reference, Scoping of the Problem document and the Cost benefit qualitative analysis.

Improving Consumer Financial Education is a newly added project to the SPI Albania program. While running projects that improve the business-doing for the banks, different stakeholders rightly observed that there would be no benefits for the economy as a whole if the diversification, cost-efficiency, affordability and convenience of the banking products were not communicated and understood by the consumers. While BoA has been working to improve consumer financial education, the other actors such as the consumer protection agencies and associations need also to develop a strategy and coordinate their initiatives for the targeted audience. Banks should also be involved in consumer education issues as a higher level of financial literacy could generate an increase in their business or could diminish their exposure to risks.

While all other projects are mainly quantifiable and regulatory, the Improvement of Consumer Financial Education requires creativity and ideas that are adaptable and implemental for the Albanian market and its consumers.

## **b. SPI Albania Evaluation**

Together with the documents for the first Project Working Groups meeting in each project, SPI Albania sends along an evaluation form. The Project Working Group members are asked to fill this form at the very end of each project in order to provide their useful feedback on the SPI Secretariat work. Up to date SPI Secretariat has been evaluated by the IFRS Implementation Project Working Group Members. The main recommendations drawn by this evaluation include:

- the presentation to be delivered at the beginning of each project in order to facilitate a correct understanding of the project objectives and of each party's specific role and responsibilities;
- meetings scheduling based on the progress in preparing the document package in order to give the Project Working Group members the time necessary to consult and review the material to be presented at the meeting;
- better capturing of the technical details of the discussions in the meeting minutes in order to make that information available for all the project working group members present or non-present at the meeting;
- more efforts to mobilize international expertise for the projects, using also the PWG potential resources (experts from banks' or other stakeholders' parent companies).

SPI Secretariat will make all possible efforts to respond and fulfil all the recommendations for the next SPI Albania projects and welcomes additional feedback from past, current or future SPI Albania stakeholders in order to further improve our project activities.

## **c. SPI Albania Next Steps**

### **i. 2009 Activity Program**

SPI Regional Operations Director, Ms. Bratu, presented the current work for the drafting of the SPI Albania 2009 Activity Program. The selection process of the projects to be handled in 2009 is based on extensive consultations with stakeholders, based on an improved version of the questionnaire, better adapted to the Albanian realities. The questionnaire provides various references in order to facilitate the project proposals for the interviewees. Once the list of project proposals is drafted, if the number of projects proposed exceeds the capacities of SPI Albania, a survey for prioritizing issues will be run again with the stakeholders in order to obtain a final list composed of 10 project proposals coming from banks, BoA, FSA, MoF. This list will be endorsed by the SPI Committee during their next meeting by mid March.

2009 objective is to have finalized 10 projects, counting on the SPI Albania Secretariat, the support of the students from the European University of Tirana, with which SPI Albania has signed a Memorandum of Understanding, and on the support of



Associazione Bancaria Italiana (ABI) (Memorandum of Understanding signed by AAB on behalf of SPI Albania).

## **ii. Institutional Framework**

Ms. Bratu presented to the audience the SPI Institutional Framework prospective and the objectives to be achieved in order to establish a locally managed SPI Albania in the future. These objectives include:

1. To transfer the executive management to the local stakeholders
2. To have SPI Albania as a hub for all financial modernization initiatives
3. To ensure the operational integration of SPI Albania with AAB
4. To secure the grounds for establishing SPI Albania as a local institution by having the financing covered by local stakeholders starting March 2010

SPI Albania is counting on the local stakeholders will and dedication to ensure the future of SPI Albania as cost-efficiency engine to drive the financial sector towards progress and EU standards.

## **IV. Closing Remarks**

AAB Secretary General, Mr. Elvin Meka, thanked all speakers and participants for their presence. Mr. Meka confirmed once more AAB support in SPI Albania initiatives and promised continuous communication and information for the banking community, be that through AAB publications and communications or through SPI Secretariat website and reports.