



SPI Albania Monthly Activity Report April 2009

I. SPI Albania Activity Highlights

The most important April achievements on SPI Albania are:

- **Donors' Coordination Conference.** SPI Albania, represented by Mr. Libero Catalano, Chairman of the Albanian Association of Banks and SPI Committee member, and Mrs. Ramona Bratu, SPI Albania General Manager, participated in the Regional Donors' Coordination Conference. Mr. Catalano had an [intervention](#) under the Financial Cooperation Discussion section of the Conference, emphasizing on the SPI Albania infrastructure that could be used as a hub for coordinating donors' support to the financial sector. Copies of the [SPI Albania Secretariat Presentation](#) were made available to all the participants.
- **Reducing Cash Transactions** - The Project analytics successfully concluded with the approval by PWG members of the final [PWG recommendations](#) on legislative and self-regulatory measures to promote reduction of cash usage in Albania. The latter include the [draft Protocol](#) to be signed by second-level banks. The document will be sent to SPI Committee for endorsement. Immediate follow-on action is an awareness-building seminar on the PWG recommendations.
- **Consumer Financial Education**- During the last PWG meetings, PWG members discussed and approved the recommended [National Strategy for Consumer Financial Education](#) as well as the [Medium-Term Action Plan](#) that provides the basis of the PWG recommendations. Given the challenge to orchestrate a complex country-wide activity, the PWG will start high-level bilateral consultations to mobilize interest in Consumer Financial Education.
- **Public Procurement Law** - Proposed by the Ministry of Finance, the new project is being launched to revise the law that provides for Public Procurement procedures in order to facilitate the acquisition of financial and other services that involve commercial banks or consulting companies. The Deputy Minister of Finance will be the Project Owner and the General Director of Debt Department of the same Ministry will be the Project Manager.
- **Liquidity Risk Management** - Based on the data collected through the [survey on banks' experience in managing liquidity risk](#), SPI Secretariat drafted a [summary of the main findings](#) which was delivered to the Bank of Albania PWG members in order to assist them in formulating the regulatory proposals. BoA's regulatory proposals will be discussed in the next PWG meeting.

II. Detailed Project Activities

1. Reducing Cash Transactions

The Project Working Group members gathered for the [fifth meeting](#) which led to the following results:

- Based on the consultation feedback that SPI Secretariat gathered from the PWG members and other banks, the PWG discussed the [proposed regulatory](#) and [self regulatory](#) changes. For each of the regulatory measures proposed, SPI Secretariat has outlined the responsible authority issuing the relevant regulation, the type of the regulation as well as the amendment proposal.
- The [Consultation Paper](#) included also a proposed [draft protocol](#) to be signed by all the banks in order to implement the self-regulatory measures proposed by the PWG members. The draft protocol aims at reducing the level of expensive and inefficient cash transaction in the Albanian economy by promoting the use of more efficient non cash payments methods.
- Based on the [comments and suggestions](#) of the PWG members, SPI Secretariat drafted the [PWG Recommendations](#) document which is the project's exhaustive documentation highlighting not only the results but the entire analytical process grounding the PWG final proposals.

2. Consumer Financial Education

SPI Albania Secretariat

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The Project Working Group gathered in their third and [final PWG meeting](#), which resulted in the followings:

- The PWG approved the [Note on Alternative Funding Sources](#) for CFE in Albania. The note reflects the SPI Secretariat research on available funding for the improvement of Consumer Education in Albania following the observations made by the PWG members with regards to the scarce financial resources available for supporting consumer financial education initiatives.
- PWG approved the [draft strategy](#) and [action plan](#) for consumer financial education representing the fulfillment of the objectives set for the project. These two documents represent the basis of the PWG recommendations document.

3. Improving Capital Adequacy Regulation

SPI Secretariat finalized the [questionnaire](#) for assessing the impact of the adoption of the Basic Indicator Approach for operational risk and of the Standardized Approach for credit risk on banks' regulatory capital needs and distributed it to the 12 PWG participating banks for completion. After a considerable period, 8 out of 12 banks succeeded in responding. SPI Secretariat will analyze the answers and prepare a document with the main findings of the survey. This document will assist Bank of Albania in their consideration for the most suitable Basel II implementation pace.

III. Other SPI Activities

- Following SPI Committee's March meeting decision, SPI Secretariat prepared a [Note on Alternative Funding Sources](#) for SPI Albania in order to cover the financial needs after the termination of Convergence Program support. The note highlights the identified possibilities for SPI Albania's external funding as well as the proposed action plan.
- In order to raise awareness and disseminate the SPI Albania experience in handling modernization projects through public-private dialogue, SPI Regional Operations Director road-showed the [SPI Platform](#) to the Armenian Financial Community (as a USAID guest) and presented a [case study](#) on the SPI Albania financial sector modernization [initiative](#) within the World Bank Group Public- Private Dialogue International Workshop organized in Vienna.
- SPI Secretariat drafted the [Terms of References](#) for the new BoA proposed project on a [Unique and Rationalized Reporting System](#). The draft Terms of References were delivered to the BoA Project Manager for review.

IV. Highlights of Expected May Activities

- **[Cash Transactions and Consumer Financial Education](#)**: After the approval of the PWG Final Recommendations, SPI Secretariat will present them to the SPI Committee for endorsement and will take actions for their enactment.
- **[Capital Adequacy](#)**- During their third meeting, the PWG will discuss on the changes brought by the new regulation on capital adequacy as intended by Bank of Albania.
- **[Bank's Liquidity Management](#)**- During the second meeting, the PWG members will discuss on the BoA proposed regulatory changes with regard to the liquidity risk management for all the second level banks.
- **[Public Procurement](#)** – After gathering representatives from Ministry of Finance, Public Procurement Agency, Banks and Consulting Companies, PWG will gather in their first PWG meeting to approve the Terms of References as well as the Scoping of the Problem and Note on International Experience.
- **[Unique and Rationalized Reporting System](#)**. – Upon approval by the Project Owner and Project Manager of the draft ToRs, SPI Secretariat will start recruiting the PWG members for their first PWG meeting.
- **[TAIEX](#)** – SPI Secretariat will draft the applications for external expertise on the projects on Public Procurement, Unique Reporting System and legal framework to facilitate mergers and acquisitions of banks and submit them to TAIEX program through the respective institutions (Ministry of Finance and Bank of Albania)
- **[Note on Alternative Funding Sources](#)** – SPI Secretariat will closely monitor all the updates with regards to the IPA Adriatic call for proposal launches and expected implementation manual to be issued by the Ministry of Integration. SPI Secretariat will inform SPI Committee and all involved stakeholders accordingly.