



SPI Albania Monthly Activity Report May 2009

I. SPI Albania Activity Highlights

The most important May achievements are:

- **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 discussion and endorsement. Immediate follow-on action will be an awareness-building seminar on the PWG recommendations.
- **Consumer Financial Education**- The Project analytics successfully concluded with the approval by PWG members of the final PWG recommendations document which will be presented to SPI Committee for discussion and endorsement.
- **Liquidity Risk Management** - Based on the data collected through the survey on banks' experience in managing liquidity risk, and its summary of the main findings, the PWG members gathered in their second meeting to discuss regulatory proposals
- **Public Procurement Law** - Proposed by the Ministry of Finance, the new project was 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.

II. Detailed Project Activities

1. Liquidity Risk Management

Project Working Group members gathered for the second meeting which led to the following results:

- The PWG discussed and approved the main findings on banks' experiences in managing liquidity risk. The aggregated responses are a good evidence of the practices and experience of banks in managing liquidity risk, since respondent banks represent a large share in the banking market. Almost all of the banks have adopted a policy for liquidity management, which includes daily monitoring and monthly reporting for liquidity. This policy is approved and revised continuously by bank's management and covers for normal course of business and crisis situations.
- The PWG members discussed in detail some of the most important issues arising from the changes that Bank of Albania will introduce in the current guidelines for liquidity risk management. The latter will be transposed into a regulation that will include specific ratios related to liquidity risk management. BoA is very interested in receiving the bank's comments and opinions for a helpful and efficient regulation that will not introduce additional reporting burden to the banks but will help them in managing risk.
- PWG members were presented with the first draft of the Cost and Benefit Questionnaire (qualitative part) which is will be finalized upon the consultations with individual PWG members.

In addition the SPI Secretariat prepared a summary questionnaire highlighting the most important aspects of the BoA proposal in order to receive individual suggestions that after aggregation will be sent to BoA for further review of its proposal.

2. Public Procurement Law

After endorsement from the Deputy Minister of Finance who will be the project owner and the General Director of Debt Department the PWG which includes Co-Project Managers from the Albanian Public

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Procurement Agency and from the banking community, met in their the first PWG meeting which led to the following results:

- The PWG discussed and approved the project [Terms of References](#) after some very important observations made on the current terminology used by the Public Procurement Law (PPL). The PWG decided to re-formulate the objective in order to leave the necessary space for any regulatory changes that will be deemed necessary after PWG agrees on the definition of ‘financial services related to public debt management’. These regulatory changes may or may not include changing the PPL. The newly proposed objective for the project will be: “To improve Government debt contracting process by reviewing the relevant regulatory framework in order to cover the acquisition of financial and other supporting services”.
- Similarly the PWG discussed the [Scoping of problem document](#) which is especially important for a deeper understanding of the issue and in the context of this project it highlights all possible alternatives that the PWG should consider. However, the PWG postponed the decision on choosing one of the proposed SPI Secretariat alternatives until the “Financial Services’ term is defined and clarified in a separate note. The Scoping the Problem document will be then amended accordingly.
- The PWG members discussed the note on international experience and suggested that SPI Secretariat establishes individual contact with the PWG members and together research and draft a note on international experience for the definition of ‘financial services’ related to public debt. SPI Secretariat and PMT will simultaneously search for assistance from other donor institutions.

3. Improving Capital Adequacy Regulation

SPI Secretariat aggregated and analyzed the answers of 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. The [main findings](#) include data for 8 out of 12 banks PWG member banks. This document will assist Bank of Albania in their consideration for the most suitable Basel II implementation pace.

III. Other SPI Activities

- Ernst & Young Donor Dynamics Magazine carried a story on SPI Albania activities in a feature called "[A Chance for Market Reform](#)".
- Based on the evaluation questionnaire responses from the participating PWG members, SPI Secretariat drafted the [summary of findings](#) for the SPI Secretariat's contribution evaluation for the project on Reducing Cash Transactions.
- SPI Secretariat drafted the [Terms of References](#) for the new AAB and BoA proposed project on a Execution of Bank Accounts The draft Terms of References were delivered to the BoA Project Manager for review.

IV. Highlights of Expected June Activities

- **[Cash Transactions and Consumer Financial Education](#)**: SPI Secretariat will present the PWG recommendations to the SPI Committee for endorsement during the next SPI Committee meeting.
- **[Execution of Bank Accounts](#)**. SPI Secretariat will recruit the PWG members and start organizing the documents for the first PWG meeting.
- **[SPI Committee Meeting](#)**. In their fourth meeting the SPI Committee members will review and approve the final PWG recommendations on the recently finalized projects as well as discuss on SPI Albania progress on project activities and efforts for securing alternative funding sources.