

Special Projects Initiative Albania
Annual Report
2008





The SPI Albania Institutional Mandate



REPUBLIC OF ALBANIA
BANK OF ALBANIA
GOVERNOR

No. 154 ref

Mr. Biagio Bossone
Convergence Program
c/o World Bank Rome Office

Dear Mr. Bossone,

We refer to our discussions about the need to accelerate financial sector modernization in Albania through the establishment of a dedicated structure that would promote stronger collaboration between authorities and market participants to find workable solutions, based on comprehensive analyses and international experience.

We believe that the SPI Albania public-private structure that you have described could stimulate financial sector modernization. We will work with the Convergence Program to establish it and make it operational with the greatest diligence.

Consistent with Bank of Albania's long-standing commitment to promoting regional collaboration, we believe that SPI Albania should be designed with an objective to support the creation of similar units in our neighboring countries. Bank of Albania will do its best to facilitate contacts with relevant authorities in neighboring countries to have a coordinated development of structures that promote convergence of banking standards and practices towards those of the more advanced EU countries. The Albanian Association of Banks will work with its sister associations in a coordinated fashion.

We strongly support the Convergence Program's desire to seek EU institutional and funding support as presently available under a project managed by Regione Puglia.

We consider this proposed approach, which places significant importance on collaboration among country and regional stakeholders, to be the most appropriate one to support Albania's modernization needs at this stage of its development.

Sincerely,

Ardian Fullani

Governor
Bank of Albania



ALBANIAN ASSOCIATION OF BANKS
CHAIRMAN

Tirana, January 9th, 2008

Edvin Libohova

Chairman
Albanian Association of Banks



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Foreword

“We are pleased to present the SPI Albania 2008 Annual Report to the Albanian financial community.

Responding to a request from Bank of Albania and the Association of Albanian Banks, the World Bank’s Convergence Program has been delighted to help organize a new mode of cooperation among public and private stakeholders.

The results achieved since we started the activities in May 2008 are a testimony to the dedication and hard work of the more than 60 Albanian experts that have shared their knowledge to prepare well articulated proposals for financial sector modernization.

The 33 institutions that have mobilized these experts gave an important contribution to anchoring Albania in the European Integration Process.

The enactment of two legislative initiatives and the preparatory work for IFRS implementation will serve as a powerful motivation for deploying even more energies in the pursuit of our ambitious 2009 Program.”



Luigi Passamonti
Head of Convergence Program
World Bank



SPI Albania Overview

The **Special Projects Initiative (SPI)** is a public-private partnership that started operating in May 2008 to provide focus and coordination to accelerate the modernization of the Albanian financial sector, with a specific emphasis on banking issues.

SPI Albania is based on the recognition that public and private financial sector stakeholders have a common interest in a regulatory environment that supports economic development and growth, financial stability and consumer protection and therefore that they need to cooperate on an ongoing and consistent basis.

- The program is placed under the coordination of a six-person high-level committee - **the SPI Committee** - composed of:

- **SPI Committee Members:**

- **Mr. Fatos Ibrahim, First Deputy Governor, Bank of Albania**
- **Mr. Edvin Libohova, Chairman, Association of Albanian Banks**
- **Mr. Luigi Passamonti, Head of Convergence Program, The World Bank**

- **Permanent Observers:**

- **Mr. Nezir Haldedaj, General Treasury Director, Ministry of Finance**
- **Mr. Keler Gjika, Deputy Chairman, Financial Supervisory Authority**
- **Ms. Anila Jani, Market Surveillance Director, Ministry of Economy**

SPI Albania was established with support of Convergence Program, a joint initiative set up in 2005 by the World Bank and the Italian Ministry of Economy and Finance to promote financial sector modernization in South-East European countries through micro-regulatory reforms designed in partnership by authorities and market participants.

The **Convergence team** is composed of **Luigi Passamonti**, Founder and Head of Convergence Program, World Bank, Washington Office, **Ramona Bratu**, Regional Operations Director, World Bank, Bucharest Office and **Rumyana Uzunova**, Office Manager, World Bank, Rome Office.



"The recipe for SPI Albania 2008 success? Strong commitment of the Albanian stakeholders, enthusiasm, flexibility, openness to new and hard work."

Ramona Bratu
SPI Regional Operations Director



SPI Albania Structure

SPI Albania works through the following **structure**:

- **SPI Committee**: which ensures ex-ante agreement on public-private priorities, endorses the conclusions of analytical projects and pushes for prompt enactment of the proposals;
- **Project Working Groups (PWGs)**: that propose solutions based on collective expertise and facilitate public-private technical consensus;
- **SPI Secretariat**: - the “engine” of the structure.

The Project Working Groups mobilized the best expertise available in Albania, be it from the financial authorities, the banking community or from other organizations. As of December 2008, there have been 13 projects working group meetings, gathering more than 60 professionals from 33 institutions, of which 17 public institutions and 16 private institutions.

The SPI Secretariat supports the analyses formulated by the working groups with qualitative and quantitative evidence and adds an international perspective to the documents submitted for SPI Committee endorsement.

Under SPI Committee oversight, and with support from the Convergence Program, the SPI Secretariat strives to help public and private stakeholders achieve commonly-agreed solutions with evidence-based analytical approaches. Through reliance on Regulatory Impact Assessment (RIA) techniques and associated public consultations, the SPI Secretariat aims at building a *Better Regulation* culture in Albania.

SPI Secretariat Management::

Ramona Bratu, SPI Albania Acting General Manager

Anuela Ristani, Director of Operations

Elona Bollano, Director of Analytics and Policy



“SPI Albania is a unique opportunity to reshape the business landscape of the Albanian Banking Community. Being part of its ‘engine’ takes not only time and energy but a true commitment to the development of the Albanian Financial Sector.”

Elona Bollano
Director of Analytics and Policy
SPI Secretariat



SPI Albania 2008 Modernization Program

	European Central Bank CRITERIA				
	Asymmetric information	Completeness of the market	Increased opportunities to engage in financial transactions	Reduced transaction costs	Increased competition
Italian Banking Association CRITERIA					
Business development	1. Corporate /consumer lending 2. Scoring card system for individuals	3. Stock exchange 4. Leasing transactions 5. Securitization 6. AAB Strengthening 27. Consumer credit	7. Agricultural lending 8. Lending to tourism 9. Lending to municipalities 10. Mortgage loans 11. Structural lending 12. Lending environment 13. Lending to PPPs 29. FX open positions	14. Strengthening bank staff	
Industry competitiveness	15. Credit risk in consumer lending 16. Better credit risk management 17. KYC policies	28. Corporate governance and requirements for their administrators	18. Expansion of banks activities 30. Revising capital adequacy regulation	19. Reducing cash transactions 20. Improving auction procedures for immovable collateral under foreclosure 21. AML reporting 22. Write-off of bad debts 23. Account stopping 31. Reviewing guidelines on banks' liquidation 32. The impact of IFRS Implementation on the Banking Regulations 33. Harmonizing accounting policies	
Industry reputation	34. Improving access to basic banking products	24. Financial ombudsman			25. "Effective" interest rate (EIR) 26. Consumer financial education 35. Enhancing financial consumer's protection
Projects Undertaken: BOA Proposals; AAB Proposals; Possible Future Projects					



2008 SPI Albania Activity At-A-Glance

<http://www.spi-albania.eu/>



Completed projects: 3

1. The impact of IFRS implementation on Banking Regulations
2. Changes and Amendments on the Civil Procedure Code
3. Improvement of Bailiff Services



Legislative Outputs:

1. New Law on Liberalization of Bailiff Services
2. Changes and Amendments to the Civil Procedure Code of Albania (reference to the execution of collateral and enforcement of proceedings).



Analytical Outputs

1. Recommendations on improving the public bailiff service
2. Recommendations on the draft Law on Private Bailiff
3. Recommendations on amending the Civil Procedure Code
4. Regulatory Impact Assessment on the Civil Procedure Code amendment proposals
5. Recommendations on regulatory changes to be made in order to implement IFRS and an action plan on issuance of the regulatory amendments
6. Summary findings of the survey on the banks' readiness to implement IFRS



Operational Outputs

1. Project Working Group Meetings held: 13
2. Participating Professionals: 60
3. Public Institutions Represented: 17
4. Private Institutions represented: 16



5. Projects Under Completion: 3

1. Reducing Cash Transactions
2. Reviewing the Capital Adequacy Regulation
3. Improving Consumer Financial Education

SPI Albania follows the “Better Regulation” practices recommended by the EU financial sector committees:

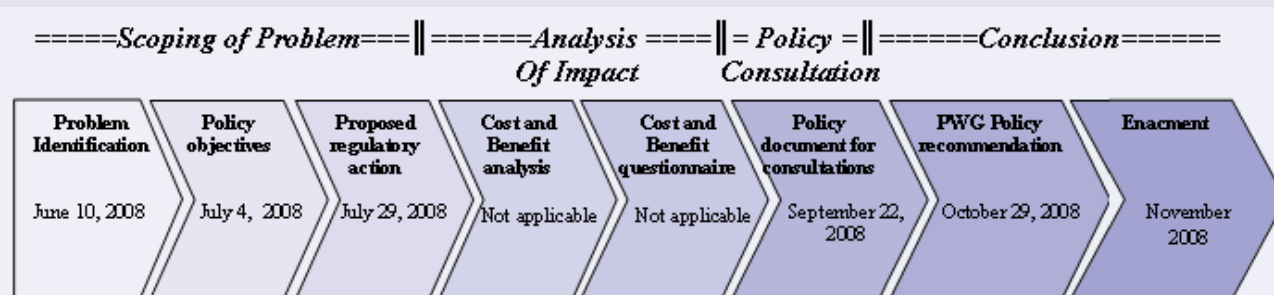
Committee of European Banking Supervisors (CEBS)
 Committee of European Securities Regulators (CESR)
 Committee of the European Insurance and Occupational Pension Supervisors (CEIOPS)

Better Regulation Methodology	
Steps	Purpose
Scoping of problem	
1. Problem identification	To understand if a market/regulatory failure creates the case for regulatory intervention.
2. Policy objectives	To identify the effects of the market /regulatory failure to the regulatory objectives.
3. “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”).
Analysis of impact	
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
Consultations	
9. Data Questionnaire	To collect market structure data to feed into cost and benefit analysis
10. Policy Document	To learn market participant opinions on various policy options
Conclusion	
11. Final Recommendations	Final report to decision-makers, based on CBA and market feedback

Completed Projects

1. The impact on the banking regulation of the IFRS implementation

<http://www.spi-albania.eu/en/2008-program/the-impact-on-the-banking-regulation-of-the-ifrs-implementation>



Background:

In May 2008, the Ministry of Finances issued a decree that made obligatory the application of International Accounting Standards and International Financial Reporting Standards since January 1st 2008. Banks, as business entities, have to start with the application and implementation of the new standards.

In order to facilitate the transition process, Bank of Albania, as the banking system supervisory authority, has to adjust the banking legislative framework and align it with the new accounting and reporting standards.

Objectives:

- To interpret the Decision of the Ministry of Finance for the timing of the application of IFRS standards.
- To assess the impact of IFRS implementation in banking regulatory framework by preparing a list / identifying the affected laws, bylaws, regulations and guidelines.
- To assess the main areas of impact and the general sense of the changes to be brought to the regulations.

Current Status:

The project is concluded with the approval from the PWG of the final document on amending the Banking Regulations for IFRS Implementation.

SPI Committee approved the PWG Recommendations as presented during the SPI Committee meeting, November 2008. The Recommendations were sent by the Governor to the respective Bank of Albania department which will work revising individual regulations.

Project Working Group

Management

Indrit Banka, Project Owner (PO), Director Supervision Department, Bank of Albania

Miranda Ramaj, Project Manager (PM), Deputy Director Supervision Department, Bank of Albania

Armand Muharremi, Deputy Project Manager (DPM), Financial Division Manager, Banka Popullore

Members

Merita Musliu, Eralda Gurga, Emporiki Bank
Albana Hallvaxhiu, Popular Bank

Julia Manushi, Raiffeisen Bank

Ilda Markollari, Alpha Bank

Skender Emini, Banka Kombetare Tregetare

Elvira Tartari, Adela Leka, Pro Credit Bank

Andin Jakova, Zinaida Cako, International Commercial Bank

Ilir Pustina, Bank of Albania

Arben Zace, Ministry of Finance

Kledi Kodra, PricewaterhouseCoopers

Romira Hoxha, KPMG

Nuriona Sokoli, Deloitte

Teit Gjini, Ernst & Young

Lyela Rama, Albanian Financial Supervisory Authority

Lirola Keri, National Accounting Council

Agim Saqe, National Bank of Greece

Adela Xhemali, Silvana Osmani, American Bank of Albania

Florian Dervishi, First Investment Bank

The project was concluded after 4 project working group meetings



Completed Projects

1. The impact on the banking regulation of the IFRS implementation

<http://www.spi-albania.eu/en/2008-program/the-impact-on-the-banking-regulation-of-the-ifrs-implementation>

Contributions

- SPI Secretariat prepared the draft Terms of References, several notes on situation in Albania and on international experience, list of the draft list of all the Bank of Albania Supervision regulations that may be impacted by the IFRS implementation and the Scoping the Problem document.
- The Project Management Team had a decisive contribution in classifying the affected regulations and on the sense of the changes.
- The Project Working Group members contributed through their feedback in the grouping of regulations and with comments on the proposed changes.
- With AAB support, SPI Secretariat ran a bank survey on the readiness to implement IFRS.
- The Project Management Team and SPI Secretariat followed up with National Account Council for drafting their official interpretation and assisted the by providing the Note on the European experience in implementing IFRS and the document on the main findings for the survey on banks' readiness to implement IFRS
- SPI Secretariat prepared the draft PWG recommendations document.

Completed Projects

2. Improving Auction Procedures for Immovable Collateral under Foreclosure

<http://www.spi-albania.eu/en/2008-program/improving-auction-procedures-for-immovable-collateral-under-foreclosure/>

A) Amendments to Civil Procedure Code

=====*Scoping of Problem*==== || =====*Analysis Of Impact* ===== || = *Policy Consultation* = || =====*Conclusion*=====



B) Improving Bailiff Service

=====*Scoping of Problem*==== || =====*Analysis Of Impact* ===== || = *Policy Consultation* = || =====*Conclusion*=====



Background:

Banks complained that the foreclosure procedures are too long and cumbersome. In addition, the process was prone to subjectivity in the phase of the appraisal expert selection and building appraisal as there are no commonly accepted standards for the valuation of the real estate.

Project Working Group

Management

Seyhan Pencapligil, Project Owner (PO), CEO, Banka Kombetare Tregetare
Veronika Prifti, Project Manager (PM), General Counsel, Banka Kombetare Tregetare
Rudina Gorishti, Deputy Project Manager (DPM), Deputy Legal Director Bank of Albania

Members

Andin Jakova, Eduart Recj, International Commercial Bank
 Erion Lena, Alpha Bank
 Ermal Dobi, Tirana Bank
 Andon Daka, Credins Bank
 Arta Taipi, United Bank of Albania
 Alban Mehmeti, Altin Hysi, Emporiki Bank
 Rudina Ziu, Raiffeisen Bank
 Dorina Mehmeti, International Finance Corporation
 Rezarta Bitri, Ministry of Justice
 Mirela Behluli, Appraisers' Association

Peer-reviewer

Kimmo Vikman, EURALIUS

The Project was concluded after 4 project working group meetings.



Completed Projects

2. Improving Auction Procedures for Immovable Collateral under Foreclosure

<http://www.spi-albania.eu/en/2008-program/improving-auction-procedures-for-immovable-collateral-under-foreclosure/>

Objectives:

- To undertake analytical activities that would support the enactment of law amendment proposals.
- To support the improvement of the Bailiff Office activity.
- To improve the quality of the buildings evaluation.

Current Status:

The PWG has approved the final PWG position document on the bailiff service and on CPC amendments. SPI Committee approved the PWG Recommendations as presented during the SPI Committee meeting, November 2008 and forwarded them to the respective institutions. On December 11th ,and 29th , the Draft Law on the liberalization of the Bailiff services and the Civil Procedure Changes were respectively approved by the Parliament.

Contributions

- The Project Manager provided study cases from real life experience that illustrate the impact of the current regulatory framework on the bank's businesses.
- Project Working Group members Veronika Prifti (PM) Banka Kombetare Tregtare; Andin Jakova, International Commercial Bank; Ermal Dobi Tirana Bank, Rudina Ziu Raiffeisen Bank, provided their inputs/suggestions on necessary Civil Procedure Code amendments.
- The Project Management Team formulated the draft Project Working Group proposals for Civil Procedure Code amendment.
- The Project Management Team and SPI Secretariat attended 2 meetings with the Ministry of Justice representatives from the Enforcement Department.
- SPI Secretariat drafted: Project Terms of Reference, a Note on International Experience, Scoping the Problem Document, a Questionnaire on Banks' difficulties in dealing with the Bailiff Office.
- SPI Secretariat ran with Albanian Association of Banks' support the banking survey on the qualitative and quantitative impact of the amendment proposals to the Civil Procedure Code and prepared a summary.
- SPI Secretariat prepared the draft documents on the PWG recommendations for SPI Committee's endorsement.

UPDATE: Appraising Standards

The third stage of this major project was related to the improvement of the Appraising Standards in Albania.

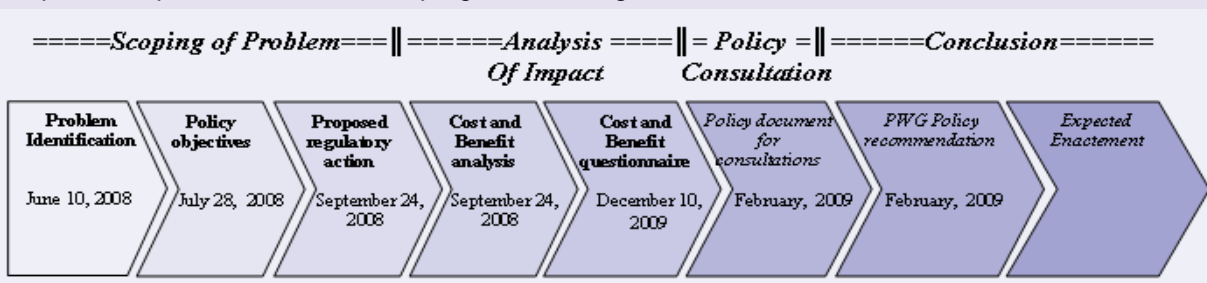
However, after an extensive inter-institutional interaction, the Project Management Team and SPI Secretariat learned that the International Financial Corporation would undertake a project with the objective of creating and helping adapt one set of Albanian standards of evaluation of immovable properties.

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.

Ongoing Projects

3. Reducing Cash Transactions

<http://www.spi-albania.eu/en/2008-program/reducing-cash-transactions/>



Background:

Albanian authorities have taken several legal and administrative initiatives to reduce the use of cash. Despite these initiatives undertaken it seems that the intended effects are not completely materialized and the volume of cash transactions continues to be high. The high level of cash transaction raises concerns to the banks. These concerns are related to the costs associated with processing the cash and with the inefficiency produced by the high level of the unused liquidities.

Objectives

- To prepare a protocol on a common policy in respect of the actions and measures to be undertaken by the banks for reducing the volume of cash transactions.
- To build consensus among banks in order to sign and implement the protocol.

Current Status:

The SPI Secretariat has delivered the Cost-Benefit questionnaires to the Banks, businesses and utility companies in order to assess the costs and benefits of cash and non-cash payments

Project Working Group

Management

Oliver Whittle, Project Owner (PO), CEO, Raiffeisen Bank

Robert Wright, Project Manager (PM), Board Member for Retail Banking, Raiffeisen Bank

Elivar Golemi, Deputy Project Manager (DPM), Head Sector Payments Department, Bank of Albania

Members

Jonida Vaso, Union Bank

Griselda Cela, Credins Bank

Liliana Nanaj, American Bank of Albania

Elird Qendro, Mirela Pekmezi, Italian Bank of Development

Technical Anchor

Oscar Occhipinti, Lawyer for the ATM Transactions in the Italian Association of Banks

Peer Reviewer

Sarah Rotman, Associate Microfinance Analyst: Technology Program Consultative Group to Assist the Poor (CGAP), World Bank



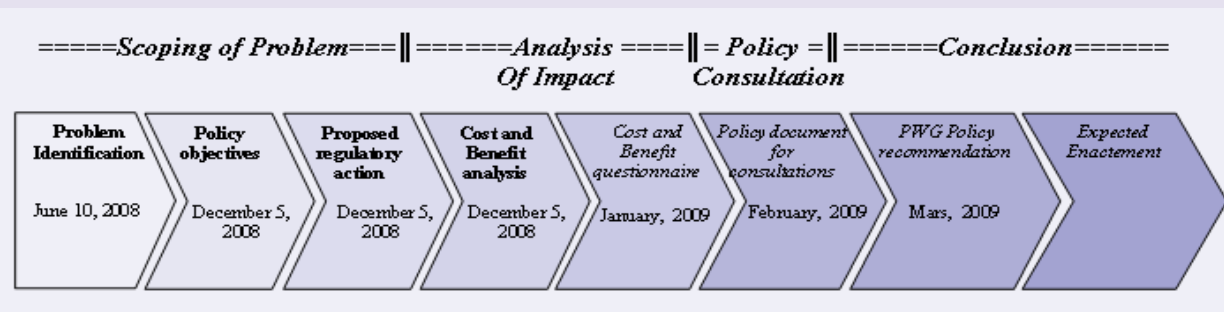
3 project working group meetings held



Ongoing Projects

4. Reviewing the Capital Adequacy Regulation

<http://www.spi-albania.eu/en/2008-program/reviewing-the-capital-adequacy-regulation/>



Background:

Bank of Albania is seeking to improve and to expand the coverage of the regulation on capital adequacy in order to capture a wider range of risks faced by the banks. The methodology used in the current frameworks calculates the (minimum) regulatory capital to cover only for credit risk. Other risk typologies, such as operational risk, have not been addressed yet. Therefore Bank of Albania proposes to improve risk management by improving the methodology for calculating risk weighted assets, by improving the existing methodology on credit risk and by including the operational risk.

Objective:

Within the policy goal of improving the capital adequacy to the credit risk and to the operational risk according to Basel II, First pillar, the project objective is to prepare the necessary regulatory amendments and to define an implementation timeframe

Current status:

The PWG members have concluded the cost-benefit analysis and will continue with the cost-benefit questionnaire, after the PWG is completed with representatives from all 16 banks.

Project Working Group

Management

Indrit Banka, Project Owner (PO), Director Supervision Department, Bank of Albania
Miranda Ramaj, Project Manager (PM), Deputy Director Supervision Department, Bank of Albania
Adela Xhemali, Deputy Project Manager (DPM), VP, CFO Intesa San Paolo Bank

Members

Admir Ramadani, First Investment Bank
 Brunilda Jacovi, National Bank of Greece
 Alma Dhama, Intesa San Paolo Bank
 Entela Gjzari, Banka Popullore
 Altin Koci – International Commerical Bank Plator
 Ulqinaku – Union Bank
 Majlinda Gjata – Raiffeisen Bank
 Elsa Peca, Persefoni Pepa – Pro Credit Bank Merita
 Musliu – Emporiki Bank
 Dimitrios Kakaunis, Artiola Agalliu – Alpha Bank Sokol
 Pellumbi – National Commercial Bank Rajmond Povaci,
 Aleko Polo – Tirana Bank

Technical Anchor

Dariusz Lewandowski
 Financial System Department
 National Bank of Poland

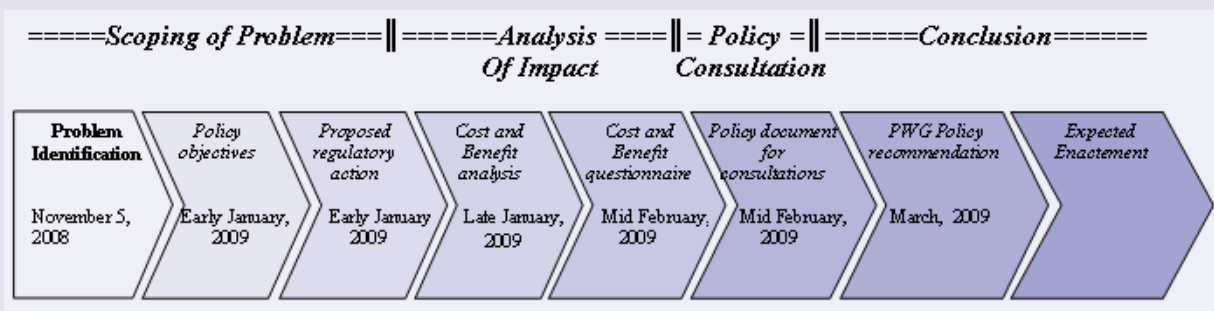


1 project working group meeting held

Ongoing Projects

5. Improving Consumer Financial Education

<http://www.spi-albania.eu/en/2008-program/improving-consumer-financial-education/>



Background:

Financial education is a very important decision tool for consumers living in an increasingly sophisticated and globalized financial market, enabling them to budget and manage their income, save, borrow and invest efficiently, understand and protect themselves against specific risks and as well as avoid becoming victims of fraud.

Financial education promotes also competition among financial intermediaries and ensures the smooth functioning of financial markets and the economy.

Consumer education is a policy instrument for authorities to contribute to a sustainable growth in financial intermediation activities and a marketing tool for financial institutions to build robust client relationships.

Current status:

Terms of Reference have been endorsed by the Project Management Team.

Project Working Group

Management

Anila Jani, Project Owner, Market Surveillance Department Director, Ministry of Economy, Trade and Energy

Ina Kraja, Co-Project Manager, Director of Foreign Relations, European Integration and Communications Department, Bank of Albania

Mamica Dhamo, Co-Project Manager, Head of Consumer Protection Section, Ministry of Economy, Trade and Energy

Brunilda Kostare, Deputy Project Manager, Albanian Association of Banks, General Counsel

Rinald Guri, Drejtor i Statistikes dhe Kerkimit, Deputy Project Manager, Albanian Supervisory Authority, Head of Section

Members

Islam Cani (Albanian Consumers' Association)

Altin Goxhaj (Consumer Protection Office)

Daniela Skendaj (QMKA)

National Commercial Bank

Pro Credit Bank

Tirana Bank

Gentiana Hasko, Banka Popullore

Sonila Metohu, Ministry of Finance

Pajtim Melani (Competition Authority Office)

Monika Kocaqi (Women's Association)

Technical expert

Sue Rutledge, World Bank

Other Initiatives

International Finance Corporation Assessment of SPI Albania

An International Finance Corporation expert, Mr. Malcom Toland, visited Albania in early December to assess SPI Albania's financial sector modernization impact. Mr Toland had 22 different meetings SPI Committee Members and Permanent Observers, Project Management Teams and PWG members as well as other SPI Albania partners.

European University of Tirana and SPI Albania discussed future collaboration

In a meeting with Mr. Ardian Civici, Rector of the European University of Tirana, and Professor. Ermela Kripa, Mr. Luigi Passamonti, Head of Convergence Program, and Ms. Ramona Bratu, SPI Regional Operations Director, discussed the possibilities of collaboration between SPI Secretariat and EUT academic staff and students on analytical issues. The main issues of collaboration will be highlighted in a Memorandum of Understanding to be signed by both parties.

SPI Albania Conference in Bari, Italy

Under the auspices of the EU-funded Aquifalc project, Regione Puglia organized the conference to review the activities of SPI Albania and discuss an innovative framework to identify financial sector modernization regulatory change opportunities. AAB Chairman and SPI Committee member Mr. Libohova had an intervention on AAB's expectations versus up to date accomplishments in respect of SPI Albania.

European Banking Federation Executive Committee

The Head of Convergence addressed the EBF Executive Committee on the prospects to forge a partnership between European Banking Federation and European Commission to promote SPI platforms across EU candidate and associate countries.

SPI Albania Project Management Team workshop

SPI Albania held its first workshop with the Project Management Teams from the first 3 projects. The workshop was intended to facilitate experience sharing among the Project Management Teams of the first projects and to provide a valuable feedback for future improvement of SPI Albania activities.

SPI meets with the Delegation of European Commission in Albania.

As a follow up to Auction Procedures Project Owner correspondence to several institutions to map all related activities in this field, SPI Secretariat met with Mr. Aneil Sing, Head of Justice and Home Affairs Section and Ms. Ledia Muco, Economic and Trade Adviser.

Regulatory Impact Assessment (RIA) Seminar

The Convergence Program launched the second edition of the RIA seminar in collaboration with Center of Excellence in Finance (CEF) in Ljubljana, Slovenia. A variety of RIA cases developed in Albania, Bulgaria and Romania by the various local stakeholders were the highlight of the event. Attached is the seminar agenda with documents.

SPI Albania Presentation at European Banking Federation Annual Meeting.

The Convergence Program members gave a presentation on SPI Albania at the European Banking Federation (EBF) annual meeting in Tirana in June 2008.



SPI Albania Partners

- **Bank of Albania**
- Ministry of Finance
- Ministry of Economy, Trade and Energy
- Financial Supervisory Authority
- Ministry of Justice
- EURALIUS
- National Accounting Council
- European Bank for Reconstruction and Development
- International Finance Corporation
- Council of Ministers (Donors' Coordination Unit)
- KPMG
- Price Waterhouse Coopers
- Deloitte
- Ernst & Young
- **Albanian Association of Banks**
- Alpha Bank
- Banka Popullore
- Credins Bank
- Credit Bank of Albania
- Emporiki Bank
- First Investment Bank
- International Commercial Bank
- Intesa Sanpaolo Bank
- Italian Bank for Development
- National Bank of Greece
- National Commercial Bank
- Pro Credit Bank
- Raiffeisen Bank
- Tirana Bank
- United Bank of Albania
- Union Bank
- Albanian Mobile Communications
- Vodafone Albania



SPI Albania Project Working Group Members

No	PROJECT	Project Management Group			Project Working Group
		Project Owner	Project Mgr	Deputy PM	
1.	Improving auction procedures for immovable collaterals under foreclosure	Seyhan Pencapligil BKT (G3)	Veronika Prifti BKT (G3)	Rudina Gorisht BoA	Andin Jakova - ICB (G1); Arta Taipi – UBA (G1); Alban Mehmeti -EB (G1); Erion Lena - AB (G2); Andon Daka - CB (G2); Ermal Dobi -TB (G3); Rudina Ziu - RB (G3); Dorina Mehmeti - IFC; Petrit Qarri – MoJ; Mirela Behluli - Appraisers' Association; Kimmo Vikman - EURALIUS
2.	The impact of the banking regulations on the IFRS implementation.	Indrit Banka BoA	Miranda Ramaj BoA	Armand Muharremi PB (G2)	Merita Musliu, Eralda Gurga -EB (G1); Zinaida Cako - ICB (G1); Florian dervishi – FIB (G1); Albana Hallvaxhiu - PB (G2); Ilda Markollari - AB (G2); Elvira Tartari, Adela Leka – PCB (G2); Rezarta Kocollari – NBG (G2); Julia Manushi - RB (G3); Skender Emini - BKT (G3); Adela Xhemali, Silvana Osmani - ISPB (G3); Ilir Pustina – BoA; Arben Zace – MoF; Kledi Kodra – PWC; Romira Hoxha – KPMG; Nuriona Sokoli – Deloitte; Lyela Rama – AMF; Lirola Keri – NAC; Teit Gjini – Ernst &Young
3.	Reducing cash transactions	Oliver Whittle RB (G3)	Robert Wright RB (G3)	Elivar Golemi BoA	Jonida Vaso – UB (G1); Elird Qendro, Mirela Pekmezi – BIS (G1); Griselda Cela – CB (G2); Liliana Nanaj, Suela Totokoci – ISPB (G3) ; Amalia Zerri, Kamelia Paskali – AMC ; Anila Celiku – Vodafone; Arben Zace – Ministry of Finance
4.	Reviewing the Capital Adequacy Regulation	Indrit Banka BoA	Miranda Ramaj BoA	Adela Xhemali ISPB (G3)	Admir Ramadani - FIB (G1); Adela Leka - Pro Credit (G2); Brunilda Jacovi - NBG (G2); Entela GJyzari - Banka Popullore (G2); Jola Dima - ISPB (G3); Altin Koci – ICB (G1); Plator Ulqinaku – UB (G1); Majlinda Gjata – RB (G3); Elsa Peca, Persefoni Pepa – PCB (G2) Merita Musliu – EB (G1); Dimitrios Kakaunis, Artiola Agalliu – AB (G2); Sokol Pellumbi – BKT (G3); Rajmond Povaci, Aleko Polo – TB (G3); Ermira Curri (BoA)
5.	Consumer Financial Education	Anila Jani METE	Ina Kraja (BoA) Mamica Dhamo (METE)	Lyela Rama (AMF) Brunilda Kostare (AAB)	Islam Cani (ACA); Altin Goxhaj (ZMK); Daniela Skendaj (QMKA); BKT; PCB; BT; Gentiana Hasko (PB); Sonila Metohu (Min Fin); Pajtim Melani (CAO); Monika Kocaqi (Women's Association)



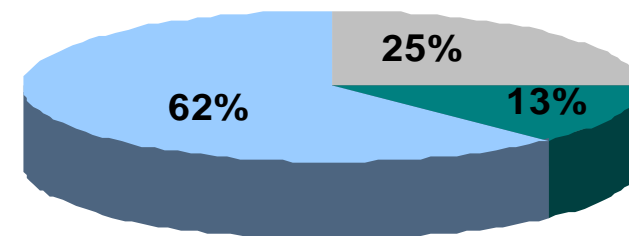
Financial Arrangements

SPI Albania recorded in 2008 annual operating costs of about Euro 80 thousand, covered from the Convergence Program (World Bank) and Regione Puglia. The budget covered the costs of its technical staff, of local and international experts supporting the working groups and of its management arrangements.

2008 SPI Albania Budget

<u>Expenses:</u>	June- December 2008 (EUR thousand)	<u>Resources</u>
SPI Secretariat	20	Convergence Program
Part –time International experts	10	Regione Puglia and Convergence Program
Management	50	
Total	80	

2008 SPI Albania Budget



- SPI Secretariat
- Part Time International experts
- Management



Preparing for 2009

SPI Albania is starting to prepare the 2009 Program.

The SPI Albania Program is built through open consultations with financial authorities, market participants, civil society and the donor community. Each stakeholder is warmly invited to suggest projects that could contribute to the modernization of the Albanian financial system.

The SPI Secretariat will be aggregating the various proposals into a proposal for the 2009 Program that will be submitted to SPI Committee consideration in early March. The 2009 Program should consist of about ten projects, as compared to the four that were substantially completed in the second half of 2008.

In order to perform a thorough and transparent project selection process SPI Secretariat is running surveys with SPI Albania stakeholders. In formulating the project proposals, SPI Albania stakeholders have a reference the context of the priorities for the banking system stated by the Governor of Bank of Albania in the Banking Forum and on the Government Strategy for the financial sector, together with information on the 2008 SPI Albania program, on its current activities and on previous project proposals.



“SPI Albania has introduced the real value of to intra-institutional communication within Albanian Financial Community. The consensus-building and objective driven discussions during the Project Working Group meetings best demonstrate the impact of that value.”

Anuela Ristani
Director of Operations
SPI Secretariat

SPI Albania 2009 Plans

- 10 finalized projects
- Improve measurement of the work results
- Enhance cooperation with the Albanian experts' community
- Transfer to local executive management by end of June
- Realization of the operational integration between SPI Albania and Albanian Association of Banks
- Prepare all grounds for the transfer of the financial responsibilities for SPI Albania to the local stakeholders starting March 2010



Technical Annex: Completed Project Profile

Project	Analytical Output	Practical Impact
<p>Improving Auction Procedures for Immovable Collateral under Foreclosure</p>	<ul style="list-style-type: none"> •Recommendations on improving the public bailiff service •Recommendations on the draft Law on Private Bailiff •Recommendations on amending the Civil Procedure Code •Regulatory Impact Assessment on the Civil Procedure Code amendment proposals 	<p><u>Legislative Outcome</u></p> <ul style="list-style-type: none"> ➤ <u>Bailiff</u>: Law approved by Parliament on December 11, 2008 ➤ <u>Civil Procedure Code</u>: Amendments approved by Parliament on December 29, 2008 <p><u>Economic Impact</u></p> <p>Civil Procedure Code:</p> <ul style="list-style-type: none"> ➤ Reduction in the time for foreclosure of immovable collateral by 120 working days, increasing thus efficiency of the enforcement process ➤ Improvement of the Albania’s rank in the World Bank Doing Business Contract Enforcement section by 7 (seven) places. ➤ Benefits or cost savings for the creditor would be achieved through the increased debt recovery ratio and the earlier usage of “frozen” funds i.e. bad loans under foreclosure. The benefits for the banking community would vary from 15.5 million to 18.5 million euros. In an annual basis these benefits amount to 5 - 7% of banks’ operational expenses depending on the recovery moment (in the first or in the second auction). ➤ Benefits and cost savings for the debtor would be achieved firstly, through benefit transfers from banks / creditors to consumers / debtor. Over a five year period a sustainable portion of these benefits will be transferred to consumers in the form of lower interest rates or higher funds available for loans. Secondly, debtors will benefit from the improved enforcement system through reduced fees and other payments and accrued interest paid to the creditor. A slight improvement in the efficiency of the process would save 0.4 million euros for the debtors. Cost saved through reduced fees and payments would be in addition to the costs saved in the form of accumulated accrued interests (the interest accrued until the debt is recovered).



Technical Annex: Completed Project Profile

Project	Analytical Output	Practical Impact
<p>IFRS implementation in Bank of Albania Rule Book</p>	<ul style="list-style-type: none"> •Recommendations on regulatory changes to be made in order to implement IFRS and an action plan on issuance of the regulatory amendments •Summary findings of the survey on the banks' readiness to implement IFRS 	<p><u>Regulatory Outcome</u> ➤Discussed by Bank of Albania Supervisory Council in November 2008 and forwarded to the Supervision Department for implementation in November 2008.</p> <p><u>Other Impact</u></p> <ul style="list-style-type: none"> ➤The categorization of the regulations to be changed by BoA for IFRS implementation, with reference on amending priority and on depth of impact, giving also the sense of change. ➤The action plan for the issuing the amendments in order to harmonize the banking framework with the IFRS platform, adjusted by the necessary prudential concerns. ➤Clarification on IFRS implementation time and procedures issued by the National Accounting Council in July 2008

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